

> Third quarter 2005

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MAIN FIGURES

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

The sale of the Drilling Services division to KCA Deutag was completed on 1 August. Estimated at USD 80.1 million, the gain on this sale is recognised in the third quarter.

Operating profit for the third quarter came to USD 33.1 million (USD 30.4 million), excluding discontinued operations. This is the best quarterly result ever for Prosafe.

Net profit for the third quarter was USD 108.7 million (USD 25.2 million), and diluted earnings per share were USD 3.19 (USD 0.74). Excluding discontinued operations, net profit for the third quarter equalled USD 28.2 million (USD 23 million).

Operating profit for the first nine months was USD 81.2 million (USD 66.6 million). Net profit for this period came to USD 144.7 million (USD 52.1 million), and diluted earnings per share were USD 4.30 (USD 1.53). Excluding discontinued operations, net profit for the first nine months equalled USD 63.2 million (USD 47.6 million).

Total assets at 30 September amounted to USD 1 027.5 million (USD 1 008.4 million), while the equity ratio was 55.0 per cent (45.7 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, Prosafe 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.

Prosafe 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 gain of USD 2 million from the increased market value of financial instruments was recognised for the third quarter. The net gain for the first nine months amounted to USD 0.9 million.

Profit from Drilling Services and the gain from the sale are 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 third quarter came to USD 24.3 million (USD 23.4 million). The utilisation ratio for the rig fleet was 99 per cent (98 per cent).

All five of the rigs working in the Gulf of Mexico were in regular operation throughout the third quarter. *Safe Scandinavia* was under contract on Britannia in the UK North Sea. *MSV Regalia* operated on Norway's Visund field until early September, and subsequently continued to Magnus in the UK sector, where it operated until early October. *MSV Regalia* is now being prepared for mobilisation to Angola, where it will commence a contract with Total around 31 December. *Safe Caledonia* has operated on the Bonga field off west Africa.

FLOATING PRODUCTION

Operating profit for the third quarter amounted to USD 9.5 million (USD 7.8 million). The improvement reflects upgrading projects on 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 the 2004 annual report, European Union guidelines on state aid mean that Prosafe's rig business will no longer qualify for the Norwegian tonnage tax regime from 1 January 2006.

In connection with the draft 2006 national budget, Norway's Ministry of Finance has proposed transitional rules for the companies concerned. Under these, the calculated gain following exit from the regime is to be deducted from the tax depreciation base. This results in only a minor reduction in tax payments compared with the ordinary rules. If the final decision is in line with the proposal, Prosafe would have to move its rig business from Norway to a country with a competitive policy framework during 2006.

Since it became clear that the rig business would not qualify for the Norwegian tonnage tax regime, Prosafe has worked on an alternative organisation of its rig activities under a more favourable tax regime. The company has also been working to minimise the present value of future tax payments arising from a compulsory exit. Following the sale of Drilling Services, Prosafe would normally generate a tax loss in Norway. This reduces the effect of the taxable gain after the exit from the tonnage tax regime.

The accounting tax expense incurred on the gain on exit from the tonnage tax regime will be recognised in the fourth quarter of 2005. This expense depends on the market value of the rigs and the USD/NOK exchange rate at 31 December 2005 as well as on retained earnings on the same date.

OUTLOOK

Offshore Support Services won a contract for *Safe Scandinavia* during the third quarter. Worth USD 21.9 million, this contract is the first for the company in the US Gulf of Mexico and secures employment for the vessel during the winter. It increased contracted rig utilisation for 2006 to 89 per cent.

Net of mobilisation periods, Offshore Support Services currently has a total of eight rig months uncovered by contracts for 2006, although clients hold extension options totalling six months. Availability falls mainly in the second quarter of the year. Clients have booked rigs early for 2006, and Prosafe has been very successful in winning contracts at high day rates for this period. New prospects for 2006 are limited to a few short-term contracts in the North Sea. These are likely to be executed during the second quarter, which coincides with rig availability at Prosafe.

The outlook for 2007 is positive, with several tenders coming to the market for North Sea contracts, particularly on the Norwegian continental shelf. Long operational experience in the North Sea and a diverse fleet of DP and anchored vessels for these waters puts Prosafe in a favourable position for these tenders.

Floating Production was awarded a letter of intent in September for providing an FPSO to the Polvo field off Brazil. The M/T *Apollo*, a VLCC, will be used for the conversion and is due to enter the shipyard before 31 December. The FPSO is expected to start production in the second quarter of 2007. Prosafe will utilise its own turret and swivel solution.

Activity in the FPSO market is at an all-time high. During the year, Prosafe has expanded in-house capacity to handle several projects simultaneously. The company is therefore still involved in bidding activities and has also started front-end engineering and design (FEED) studies for existing and new clients.

The award of the letter of intent and the FEED studies confirm Prosafe's position as a leading contractor in the FPSO market.

Oslo, 21 October 2005
The board of directors of Prosafe ASA

> Main figures

PROFIT AND LOSS ACCOUNT	Q3 05	Q2 05	Q3 04	YTD 05	YTD 04	2004
(Unaudited figures in USD million)						
Operating revenues	73.8	81.2	73.0	219.9	196.1	257.6
Operating expenses	(29.1)	(40.3)	(29.7)	(103.1)	(91.0)	(122.0)
Operating profit before depreciation	44.7	40.9	43.3	116.8	105.1	135.6
Depreciation	(11.6)	(11.7)	(12.9)	(35.6)	(38.5)	(51.1)
Operating profit	33.1	29.2	30.4	81.2	66.6	84.5
Interest income	1.6	0.8	0.4	3.1	0.9	1.4
Interest expenses	(4.6)	(4.3)	(4.6)	(12.7)	(13.4)	(18.1)
Other financial items	0.5	(3.1)	(2.8)	(0.4)	(4.2)	1.6
Net financial items	(2.5)	(6.6)	(7.0)	(10.0)	(16.7)	(15.1)
Profit before taxes	30.6	22.6	23.4	71.2	49.9	69.4
Taxes	(2.4)	(1.9)	(0.4)	(8.0)	(2.3)	(4.3)
Net profit from continuing operations	28.2	20.7	23.0	63.2	47.6	65.1
Net profit from discontinued operations	80.5	0.6	2.2	81.5	4.5	5.1
Net profit	108.7	21.3	25.2	144.7	52.1	70.2
EPS (USD)	3.19	0.63	0.74	4.25	1.53	2.06
EPS diluted (USD)	3.19	0.63	0.74	4.25	1.53	2.06

RECONCILIATION OF NET PROFIT IFRS VS NGAAP		Q3 04	YTD 04
Net profit NGAAP		23.2	47.6
Goodwill amortisation		1.9	5.7
Borrowing costs		0.2	0.1
Maintenance costs		(0.1)	(1.3)
Net profit IFRS		25.2	52.1

BALANCE SHEET	30.09.2005	30.06.2005	01.01.2005	30.09.2004
(Unaudited figures in USD million)				
Goodwill	128.3	128.3	128.3	128.3
Rigs	363.8	369.7	375.0	380.7
Ships	198.3	179.3	187.6	192.0
Other fixed assets	9.5	9.4	11.0	10.5
Total fixed assets	699.9	686.7	701.9	711.5
Other current assets	44.0	56.4	38.3	53.5
Cash and deposits	283.6	139.4	121.6	123.8
Total current assets	327.6	195.8	159.9	177.3
Assets discontinued operations	0.0	96.5	121.5	119.6
Total assets	1 027.5	979.0	983.3	1 008.4
Share capital	44.7	44.7	44.7	44.7
Other equity	520.7	412.4	405.8	416.3
Total equity	565.4	457.1	450.5	461.0
Interest-free long-term liabilities	4.2	4.1	5.3	5.0
Interest-bearing long-term liabilities	365.6	383.3	392.8	384.6
Total long-term liabilities	369.8	387.4	398.1	389.6
Dividends payable	0.0	0.0	0.0	20.2
Other interest-free current liabilities	64.7	55.8	40.8	50.8
Interest-bearing current liabilities	27.6	19.6	17.4	17.4
Total current liabilities	92.3	75.4	58.2	88.4
Liabilities discontinued operations	0.0	59.1	76.5	69.4
Total equity and liabilities	1 027.5	979.0	983.3	1 008.4

RECONCILIATION EQUITY IFRS VS NGAAP	30.09.2004
Equity NGAAP	472.8
Pension liabilities	(23.1)
Maintenance provisions	2.9
Borrowing costs	(3.6)
Deferred tax asset	6.3
Goodwill	5.7
Equity IFRS	461.0

CASH FLOW STATEMENT	Q3 05	Q2 05	Q3 04	YTD 05	YTD 04	2004
(Unaudited figures in USD million)						
Profit before taxes	30.6	22.6	23.4	71.2	49.9	69.4
Unrealised currency (gain)/loss on long-term liabilities	0.1	(2.6)	2.3	(6.3)	3.3	11.7
Depreciation	11.6	11.7	12.9	35.6	38.5	51.1
Change in working capital	21.3	(10.3)	(2.0)	18.2	(29.8)	(23.3)
Other items from operating activities	(0.4)	(2.9)	2.7	(5.2)	4.4	7.7
Net cash flow from operating activities	63.2	18.5	39.3	113.5	66.3	116.6
Proceeds from sale of tangible fixed assets	0.0	0.0	0.0	2.6	7.8	7.8
Acquisition of tangible fixed assets	(22.8)	(3.6)	(6.3)	(34.2)	(15.0)	(15.9)
Net cash flow from investing activities	(22.8)	(3.6)	(6.3)	(31.6)	(7.2)	(8.1)
New interest-bearing long-term debt	0.0	0.0	0.0	50.0	101.1	101.1
Repayment of interest-bearing long-term debt	(9.8)	0.0	(1.4)	(60.7)	(113.1)	(113.1)
Dividends paid	0.0	(26.4)	0.0	(26.4)	(20.3)	(74.2)
Paid-in capital	0.0	0.0	0.0	0.6	1.5	1.5
Net cash flow from financing activities	(9.8)	(26.4)	(1.4)	(36.5)	(30.8)	(84.7)
Net cash flow from continuing operations	30.6	(11.5)	31.6	45.4	28.3	23.8
Net cash flow from discontinued operations	113.6	4.8	(14.7)	116.6	(5.7)	(3.4)
Cash and deposits at beginning of period	139.4	146.1	106.9	121.6	101.2	101.2
Cash and deposits at end of period	283.6	139.4	123.8	283.6	123.8	121.6

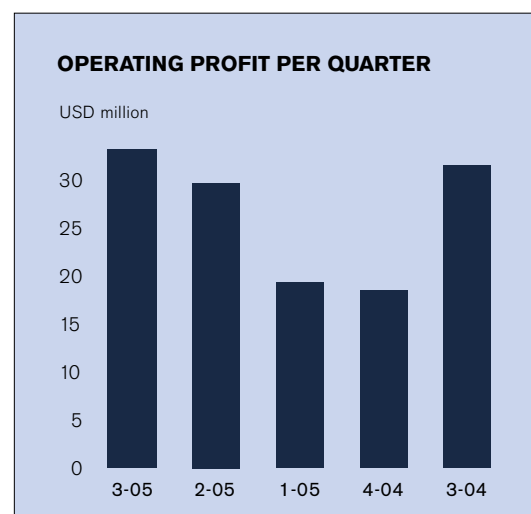
EQUITY MOVEMENT	Q3 05	Q2 05	Q3 04	YTD 05	YTD 04	2004
Equity at end of prior period	457.1	464.4	433.0	448.6	422.7	422.7
Change accounting principle for financial instruments	0.0	0.0	0.0	1.9	0.0	0.0
Equity at beginning of period	457.1	464.4	433.0	450.5	422.7	422.7
Net profit	108.7	21.3	25.2	144.7	52.1	70.2
Dividends	0.0	(26.4)	0.0	(26.4)	(20.3)	(53.8)
New equity	0.0	0.0	0.0	0.6	1.5	1.5
Change translation differences	(0.4)	(2.2)	2.8	(4.0)	5.0	8.0
Equity at end of period	565.4	457.1	461.0	565.4	461.0	448.6

KEY FIGURES	Note	Q3 05	Q2 05	Q2 04	YTD 05	YTD 04	2004
Operating margin	1	44.9%	36.0%	41.6%	36.9%	34.0%	32.8%
Equity ratio	2	55.0%	46.7%	45.7%	55.0%	45.7%	45.8%
Return on equity	3	85.0%	18.8%	22.6%	38.0%	15.5%	16.1%
Return on capital employed	4	16.0%	15.0%	14.9%	12.7%	10.9%	10.5%
Net interest bearing debt (USD million)	5	109.6	263.5	278.2	109.6	278.2	288.6
Number of shares (1 000 shares)		34 077	34 077	34 038	34 077	34 038	34 044
Average no of outstanding shares (1 000 shares)		34 056	34 055	34 016	34 051	34 005	34 008
Av no of outstanding and potential shares (1 000 shares)		34 070	34 064	34 032	34 064	34 025	34 021
USD/NOK exchange rate at end of period		6.54	6.55	6.72	6.54	6.72	6.04
Share price (NOK)		245.00	196.50	171.00	245.00	171.00	164.00
Share price (USD)		37.46	30.00	25.45	37.46	25.45	27.15
Market capitalisation (NOK million)		8 349	6 696	5 820	8 349	5 820	5 583
Market capitalisation (USD million)		1 276.6	1 022.3	866.1	1 276.6	866.1	924.4
Number of employees		603	1 469	1 999	603	1 999	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 17.10.05	No of shares	Ownership
Brown Brothers Harriman	2 745 330	8.1%
JP Morgan Chase Bank	2 020 180	5.9%
State Street Bank & Trust (nom)	1 813 345	5.3%
Svenska Handelsbanken (nom)	1 593 363	4.7%
Odin	1 548 268	4.5%
GMO	1 472 343	4.3%
Morgan Stanley & Co (nom)	1 184 336	3.5%
Folketrygdfondet	1 132 277	3.3%
Royal Trust Corporation of Canada (nom)	867 120	2.5%
JP Morgan Chase Bank (nom)	819 164	2.4%
Total 10 largest shareholders	15 195 726	44.6%
Number of shares: 34 077 441 Foreign ownership: 70.2%		



> Divisions

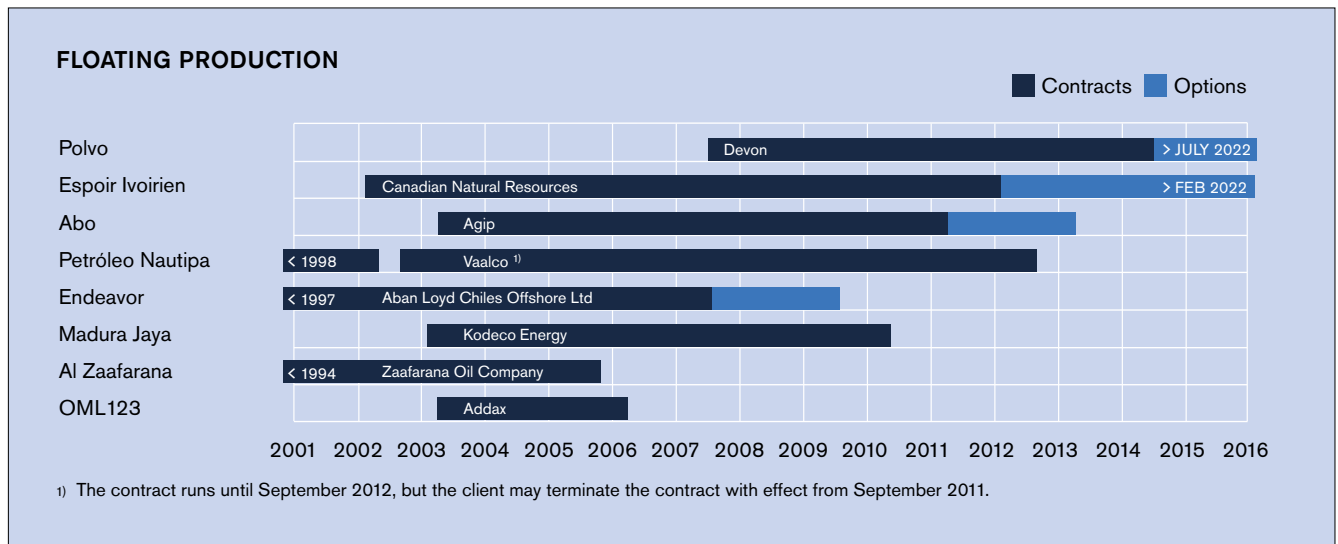
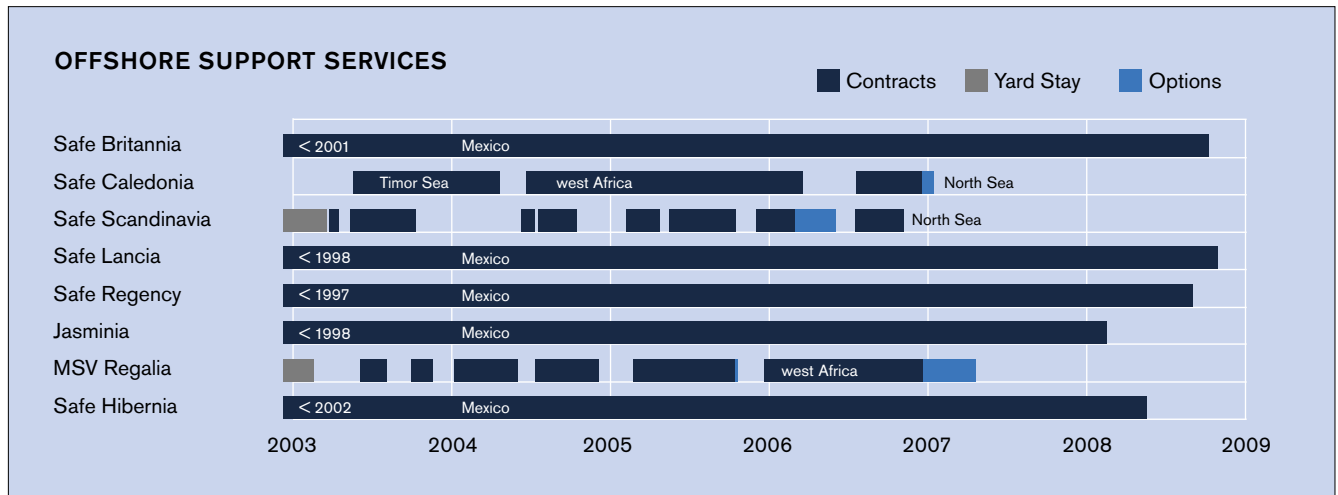
OFFSHORE SUPPORT SERVICES	Q3 05	Q2 05	Q3 04	YTD 05	YTD 04	2004
(Unaudited figures in USD million)						
Operating revenues	49.1	49.6	51.3	137.2	130.8	168.8
Operating expenses	(16.9)	(21.3)	(20.0)	(58.3)	(61.3)	(81.7)
Operating profit before depreciation	32.2	28.3	31.3	78.9	69.5	87.1
Depreciation	(7.9)	(7.2)	(7.9)	(22.9)	(22.7)	(30.6)
Operating profit	24.3	21.1	23.4	56.0	46.8	56.5
Total assets	435.4	443.2	439.3	435.4	439.3	427.5
Employees	119	122	118	119	118	119

FLOATING PRODUCTION	Q3 05	Q2 05	Q3 04	YTD 05	YTD 04	2004
(Unaudited figures in USD million)						
Operating revenues	24.1	31.8	21.6	82.6	65.7	89.3
Operating expenses	(10.9)	(18.2)	(8.9)	(42.2)	(27.8)	(37.5)
Operating profit before depreciation	13.2	13.6	12.7	40.4	37.9	51.8
Depreciation	(3.7)	(4.3)	(4.9)	(12.4)	(15.4)	(19.9)
Operating profit	9.5	9.3	7.8	28.0	22.5	31.9
Total assets	377.6	364.7	372.5	377.6	372.5	372.7
Employees	475	482	465	475	465	459

CORPORATE COSTS AND ELIMINATIONS	Q3 05	Q2 05	Q3 04	YTD 05	YTD 04	2004
(Unaudited figures in USD million)						
Operating revenues	0.6	(0.2)	0.1	0.1	(0.4)	(0.5)
Operating expenses	(1.3)	(0.8)	(0.8)	(2.6)	(1.9)	(2.8)
Operating profit before depreciation	(0.7)	(1.0)	(0.6)	(2.5)	(2.2)	(3.3)
Depreciation	0.0	(0.2)	(0.1)	(0.3)	(0.4)	(0.6)
Operating profit	(0.7)	(1.2)	(0.7)	(2.8)	(2.6)	(3.9)
Total assets	214.5	49.1	55.7	214.5	55.7	34.8
Employees	9	8	8	9	8	8

PROSAFE GROUP	Q3 05	Q2 05	Q3 04	YTD 05	YTD 04	2004
(Unaudited figures in USD million)						
Operating revenues	73.8	81.2	73.0	219.9	196.1	257.6
Operating expenses	(29.1)	(40.3)	(29.7)	(103.1)	(91.0)	(122.0)
Operating profit before depreciation	44.7	40.9	43.3	116.8	105.1	135.6
Depreciation	(11.6)	(11.7)	(12.9)	(35.6)	(38.5)	(51.1)
Operating profit	33.1	29.2	30.4	81.2	66.6	84.5
Total assets	1 027.5	979.0	1 008.4	1 027.5	1 008.4	983.3
Employees	603	1 469	1 999	603	1 999	1 457

> Contracts





A PRIORITY
PRIORITAIRE



Prosafe ASA

Risavika Havnering 224

P O Box 143

NO-4098 Tananger

Telephone: +47 51 64 25 00

Telefax: +47 51 64 25 01

mail@prosafe.com

www.prosafe.com