

FOURTH QUARTER 2005

Main figures

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

Operating profit for 2005 came to USD 103.6 million (USD 84.5 million), which is the best result ever for Prosafe. The improvement reflects high rig utilisation in Offshore Support Services, but Floating Production also showed a significant rise in profit.

Net financial expenses for 2005 equalled USD 15.9 million (USD 15.1 million). Taxes for 2005 amounted to USD 122.8 million (USD 4.3 million). As announced in the previous interim report, a deferred tax liability of USD 115 million relating to the forced exit of the rig business from the Norwegian tonnage tax system has been expensed. The tax of USD 115 million falls due on a 20-per-cent declining balance principle, with the first payment in 2007. As a result of the deferral and expected tax losses in the parent company, the net present value of the tax charge is significantly smaller than the USD 115 million which has been expensed. Following the exit from the Norwegian tonnage tax system, the rig business is subject to taxation based on the special rules for taxation of shipping companies in Singapore. This is the same system in which the company's FPSOs are organised. Profit from these charters is not taxable in Singapore, but the company pays tax deducted at source in the countries in which it operates.

Including discontinued operations and the deferred tax expense, net profit for 2005 was USD 46.4 million (USD 70.2 million) and diluted earnings per share were USD 1.36 (USD 2.06). Excluding these one-off items, net profit amounted to USD 79.9 million while earnings per share were USD 2.35.

Operating profit for the fourth quarter amounted to USD 22.4 million (USD 17.9 million). The net loss for this period equalled USD 98.3 million (profit of USD 18.1 million), and earnings per share were negative at USD 2.89 (positive at USD 0.53). Excluding the deferred tax expense, net profit for the fourth quarter was USD 16.7 million and diluted earnings per share were 0.49.

Total assets at 31 December amounted to USD 1 060.7 million (USD 983.3 million), while the equity ratio was 41 per cent (45.8 per cent).

Based on the company's strong result and balance

sheet, the board of directors will, in accordance with the company's dividend policy, propose a dividend of NOK 5.50 per share for 2005. In compliance with IFRS, this is not reflected in the balance sheet as at 31 December 2005, but will be recognised as a current liability once the dividend has been resolved by the annual general meeting.

The accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS), and comply 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 implemented IAS 32 and 39 relating to financial instruments with effect from 1 January 2005, but 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 0.7 million from the increased market value of financial instruments was recognised for the fourth quarter. The net gain for 2005 amounted to USD 1.6 million.

Profit for Drilling Services and the gain from its 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 revenues in Offshore Support Services amounted to USD 186.7 million for 2005 (USD

168.8 million), while operating profit came to USD 69.6 million (USD 56.5 million). The utilisation ratio for the rig fleet in 2005 was 92 per cent (87 per cent). The improvement in operating profit reflects higher utilisation and rates for *Safe Scandinavia* and *Safe Caledonia*.

Operating profit for the fourth quarter equalled USD 13.6 million (USD 9.7 million), and the utilisation ratio was 80 per cent (86 per cent).

All five of the rigs working in the Gulf of Mexico were in regular operation throughout the fourth quarter. *Safe Scandinavia* was under contract on Britannia on the UK shelf until mid-October, and commenced its contract on Mars in the US Gulf of Mexico in December. MSV *Regalia* operated on Magnus in the UK sector until early October. The rig was subsequently mobilised to Angola, where it commenced a contract with Total in December. *Safe Caledonia* has operated on Bonga off Nigeria throughout the period.

Floating Production

Floating Production generated revenues of USD 108.3 million in 2005 (USD 89.3 million), and an operating profit of USD 37.9 million (USD 31.9 million). This improvement reflects upgrading projects on several of the company's FPSOs and lower depreciation of FPSO *Petróleo Nautipa* due to contract extension.

Operating profit for the fourth quarter came to USD 9.9 million (USD 9.4 million). The improvement is again attributable to upgrading projects on several of the FPSOs and lower depreciation of FPSO *Petróleo Nautipa*.

Outlook

Offshore Support Services secured two contracts for *Safe Scandinavia* during the fourth quarter. The rig first won a job from Shell in the US Gulf of Mexico worth USD 26.8 million, followed by a letter of intent from BG International worth USD 14.6 million. These assignments secure the vessel high utilisation in 2006 at good terms. Early in 2006, two contracts were obtained for *Safe Scandinavia* from Statoil for parts of 2007 and 2008. The total value of these two assignments is USD 52 million. Contracts

worth USD 93 million have been secured for *Safe Scandinavia* over the past few months.

These contracts confirm that day rates for advanced accommodation/service units are being set at a significantly higher level than was achieved by the company's rigs in 2005.

Prospects for the period from 2006 to 2008 are very positive. The company has secured high contract coverage for 2006, but still has good availability of vessels in 2007 and 2008. The level of activity in the market is rising and day-rate developments reflect growing demand, particularly in the North Sea.

Prosafe's rig fleet is well suited to meet the market demand, both with regards to technical specifications and availability. The dynamically-positioned MSV *Regalia* and *Safe Caledonia* rigs, which are both capable of working in the North Sea, will be available for most of 2007 and 2008. Combined with long operational experience, this gives the company a good competitive position and a reason for optimism.

In September, **Floating Production** was awarded a letter of intent from Devon Energy covering the construction and operation of an FPSO for the Polvo field off Brazil. This contract was finalised and signed in the fourth quarter. The company won a new FPSO contract in November from New Zealand Overseas Petroleum for production of the Tui field in the Taranaki Basin off New Zealand. The firm contract periods are worth USD 271 million for Polvo and USD 178 million for Tui. Both ships will be moored with Prosafe's own turret/swivel technology, and are expected to start production in the second quarter of 2007.

Contract awards emphasise Prosafe's strong position in the market for conversion and operation of production ships outside the North Sea. Activity in the FPSO market is very high, and the company is pursuing new tenders at present in addition to the projects currently under conversion. Prosafe worked throughout 2005 to increase its in-house capacity to participate in the strong growth of the market. The company is well prepared for further growth in terms of both operational and financial capacity. Its aim is to win another large project in the course of 2006.

Oslo, 3 February 2006

The board of directors of Prosafe ASA

PROFIT AND LOSS ACCOUNT

(Unaudited figures in USD million)	Q4 05	Q3 05	Q4 04	2005	2004
Operating revenues	75.4	73.8	61.5	295.3	257.6
Operating expenses	(41.3)	(29.1)	(31.0)	(144.4)	(122.0)
Operating profit before depreciation	34.1	44.7	30.5	150.9	135.6
Depreciation	(11.7)	(11.6)	(12.6)	(47.3)	(51.1)
Operating profit	22.4	33.1	17.9	103.6	84.5
Interest income	1.2	1.6	0.5	4.3	1.4
Interest expenses	(4.9)	(4.6)	(4.7)	(17.6)	(18.1)
Other financial items	(2.2)	0.5	5.8	(2.6)	1.6
Net financial items	(5.9)	(2.5)	1.6	(15.9)	(15.1)
Profit before taxes	16.5	30.6	19.5	87.7	69.4
Taxes	(114.8)	(2.4)	(2.0)	(122.8)	(4.3)
Net profit from continuing operations	(98.3)	28.2	17.5	(35.1)	65.1
Net profit from discontinued operations	0.0	80.5	0.6	81.5	5.1
Net profit	(98.3)	108.7	18.1	46.4	70.2
EPS (USD)	(2.89)	3.19	0.53	1.36	2.06
EPS diluted (USD)	(2.88)	3.19	0.53	1.36	2.06

RECONCILIATION OF NET PROFIT IFRS VS. NGAAP

	Q4 04	2004
Net profit NGAAP	18.0	65.6
Goodwill amortisation	1.9	7.6
Pension costs	-2.8	-2.8
Maintenance costs	-0.4	-1.7
Borrowing costs	0.1	0.2
Deferred tax	1.3	1.3
Net profit IFRS	18.1	70.2

BALANCE SHEET

(Unaudited figures in USD million)	31.12.05	30.09.05	01.01.05
Goodwill	128.3	128.3	128.3
Rigs	360.9	363.8	375.0
Ships	203.8	198.3	187.6
Other fixed assets	8.2	9.5	11.0
Total fixed assets	701.2	699.9	701.9
Other current assets	55.9	44.0	38.3
Cash and deposits	303.6	283.6	121.6
Total current assets	359.5	327.6	159.9
Assets discontinued operations	0.0	0.0	121.5
Total assets	1 060.7	1 027.5	983.3
Share capital	44.8	44.7	44.7
Other equity	390.2	520.7	405.8
Total equity	435.0	565.4	450.5
Interest-free long-term liabilities	117.6	4.2	5.3
Interest-bearing long-term liabilities	363.0	365.6	392.8
Total long-term liabilities	480.6	369.8	398.1
Dividends payable	30.2	0.0	0.0
Other interest-free current liabilities	87.0	64.7	40.8
Interest-bearing current liabilities	27.9	27.6	17.4
Total current liabilities	145.1	92.3	58.2
Liabilities discontinued operations	0.0	0.0	76.5
Total equity and liabilities	1 060.7	1 027.5	983.3

RECONCILIATION EQUITY IFRS VS. NGAAP
31.12.04

Equity NGAAP	433.9
Pension liabilities	(28.5)
Maintenance provisions	2.7
Borrowing costs	(3.5)
Deferred tax asset	8.2
Goodwill	7.6
Dividend	28.2
Equity IFRS	448.6

CASH FLOW STATEMENT

(Unaudited figures in USD million)	Q4 05	Q3 05	Q4 04	2005	2004
Profit before taxes	16.5	30.6	19.5	87.7	69.4
Unrealised currency (gain)/loss on long-term liabilities	(2.6)	0.1	8.4	(8.9)	11.7
Depreciation	11.7	11.6	12.6	47.3	51.1
Change in working capital	10.4	21.3	6.5	28.6	(23.3)
Other items from operating activities	(2.8)	(0.4)	3.3	(8.0)	7.7
Net cash flow from operating activities	33.2	63.2	50.3	146.7	116.6
Proceeds from sale of tangible fixed assets	0.4	0.0	0.0	3.0	7.8
Acquisition of tangible fixed assets	(14.4)	(22.8)	(0.9)	(48.6)	(15.9)
Net cash flow from investing activities	(14.0)	(22.8)	(0.9)	(45.6)	(8.1)
New interest-bearing long-term debt	0.3	0.0	0.0	50.3	101.1
Repayment of interest-bearing long-term debt	0.0	(9.8)	0.0	(60.7)	(113.1)
Dividends paid	(0.0)	0.0	(53.9)	(26.4)	(74.2)
Paid-in capital	0.5	0.0	0.0	1.1	1.5
Net cash flow from financing activities	0.8	(9.8)	(53.9)	(35.7)	(84.7)
Net cash flow from continuing operations	20.0	30.6	(4.5)	65.4	23.8
Net cash flow from discontinued operations	0.0	113.6	2.3	116.6	(3.4)
Cash and deposits at beginning of period	283.6	139.4	123.8	121.6	101.2
Cash and deposits at end of period	303.6	283.6	121.6	303.6	121.6

EQUITY MOVEMENT

	Q4 05	Q3 05	Q4 04	2005	2004
Equity at end of prior period	565.4	457.1	461.0	448.6	422.7
Change accounting principle for financial instruments	0.0	0.0	0.0	1.9	0.0
Equity at beginning of period	565.4	457.1	461.0	450.5	422.7
Net profit	(98.3)	108.7	18.1	46.4	70.2
Dividends	(30.2)	0.0	(33.5)	(56.6)	(53.8)
New equity	0.5	0.0	0.0	1.1	1.5
Change translation differences	(2.4)	(0.4)	3.0	(6.4)	8.0
Equity at end of period	435.0	565.4	448.6	435.0	448.6

KEY FIGURES	Note	Q4 05	Q3 05	Q4 04	2005	2004
Operating margin	1	29.7 %	44.9 %	29.1 %	35.1 %	32.8 %
Equity ratio	2	41.0 %	55.0 %	45.8 %	41.0 %	45.8 %
Return on equity	3	-78.6 %	85.0 %	15.9 %	10.5 %	16.1 %
Return on capital employed	4	12.2 %	16.0 %	8.9 %	13.1 %	10.5 %
Net interest bearing debt (USD million)	5	87.3	109.6	288.6	87.3	288.6
Number of shares (1 000 shares)		34 098	34 077	34 044	34 098	34 044
Average no. of outstanding shares (1 000 shares)		34 057	34 056	34 018	34 053	34 008
Average no. of outst. and potential shares (1 000 shares)		34 074	34 070	34 035	34 068	34 021
USD/NOK exchange rate at end of period		6.77	6.54	6.04	6.77	6.04
Share price (NOK)		286.50	245.00	164.00	286.50	164.00
Share price (USD)		42.32	37.46	27.15	42.32	27.15
Market capitalisation (NOK million)		9 769	8 349	5 583	9 769	5 583
Market capitalisation (USD million)		1 443	1 276.6	924.4	1 443	924.4
Number of employees		614	603	1 457	614	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

	No. of shares	Ownership
State Street Bank & Trust (nom.)	4 170 243	12.2 %
Brown Brothers Harriman	2 499 470	7.3 %
Folketrygdfondet	1 977 477	5.8 %
Morgan Stanley & Co (nom.)	1 939 618	5.7 %
Svenska Handelsbanken (nom.)	1 416 470	4.2 %
Odin	1 264 618	3.7 %
JP Morgan Chase Bank	1 044 640	3.1 %
GMO	1 036 660	3.0 %
Bank of New York	969 177	2.8 %
RBC Dexia (nom.)	940 570	2.8 %
Total 10 largest shareholders	17 258 943	50.6 %

No. of shares: 34 097 543 Foreign ownership: 71.4 %

SEGMENTS

(Unaudited figures in USD million)	OFFSHORE SUPPORT SERVICES				
	Q4 05	Q3 05	Q4 04	2005	2004
Operating revenues	49.5	49.1	38.0	186.7	168.8
Operating expenses	(28.2)	(16.9)	(20.4)	(86.5)	(81.7)
Operating profit before depreciation	21.3	32.2	17.6	100.2	87.1
Depreciation	(7.7)	(7.9)	(7.9)	(30.6)	(30.6)
Operating profit	13.6	24.3	9.7	69.6	56.5
Total assets	458.3	435.4	426.3	458.3	427.5
Employees	118	119	119	118	119

(Unaudited figures in USD million)	FLOATING PRODUCTION				
	Q4 05	Q3 05	Q4 04	2005	2004
Operating revenues	25.7	24.1	23.6	108.3	89.3
Operating expenses	(11.8)	(10.9)	(9.7)	(54.0)	(37.5)
Operating profit before depreciation	13.9	13.2	13.9	54.3	51.8
Depreciation	(4.0)	(3.7)	(4.5)	(16.4)	(19.9)
Operating profit	9.9	9.5	9.4	37.9	31.9
Total assets	418.2	377.6	372.7	418.2	372.7
Employees	487	475	459	487	459

(Unaudited figures in USD million)	FELLESKOSTNADER OG ELIMINERINGER				
	Q4 05	Q3 05	Q4 04	2005	2004
Operating revenues	0.2	0.6	(0.1)	0.3	(0.5)
Operating expenses	(1.3)	(1.3)	(0.9)	(3.9)	(2.8)
Operating profit before depreciation	(1.1)	(0.7)	(1.0)	(3.6)	(3.3)
Depreciation	(0.0)	0.0	(0.2)	(0.3)	(0.6)
Operating profit	(1.1)	(0.7)	(1.2)	(3.9)	(3.9)
Total assets	184.2	214.5	62.8	184.2	34.8
Employees	9	9	8	9	8

(Unaudited figures in USD million)	PROSAFE KONSERN				
	Q4 05	Q3 05	Q4 04	2005	2004
Operating revenues	75.4	73.8	61.5	295.3	257.6
Operating expenses	(41.3)	(29.1)	(31.0)	(144.4)	(122.0)
Operating profit before depreciation	34.1	44.7	30.5	150.9	135.6
Depreciation	(11.7)	(11.6)	(12.6)	(47.3)	(51.1)
Operating profit	22.4	33.1	17.9	103.6	84.5
Total assets	1 060.7	1 027.5	983.3	1 060.7	983.3
Employees	614	603	1 457	614	1 457