



Prosafe

SECOND
QUARTER

06

Second quarter 2006

Main figures

(Figures in brackets refer to the corresponding period of 2005)

Operating profit for the second quarter came to USD 23 million (USD 29.2 million). The decline reflects a temporary downturn in fleet utilisation for Offshore Support Services owing to the demobilisation of two units from the US Gulf of Mexico and Nigeria respectively.

Net financial income for the second quarter amounted to USD 9.7 million (net expenses of USD 6.6 million). This high financial income is mainly attributable to the increased market value of forward exchange contracts. A large proportion of these contracts were concluded to hedge the company's tax exposure in connection with a refinancing of its bank debt early in the third quarter, and resulted in a currency gain in NOK which will imply a tax cost of USD 7 million in the third quarter. The refinanced debt was nominated in USD, and will not yield any currency gain in the consolidated accounts.

Net profit for the second quarter equalled USD 30.1 million (USD 21.3 million), and diluted earnings per share were USD 0.84 (USD 0.63).

Operating profit for the first half-year came to USD 54.6 million (USD 48.1 million). Net profit for the first half equalled USD 60.8 million (USD 36 million), and diluted earnings per share were USD 1.74 (USD 1.06).

Total assets at 30 June amounted to USD 1 846.8 million (USD 979 million), while the equity ratio rose to 53.3 per cent (46.7 per cent). The increase in both assets and equity primarily reflects the acquisition of Consafe.

Consafe acquisition

Prosafe ASA acquired 99.55 per cent of the shares in Consafe Offshore AB (Consafe) during June in exchange for shares in Prosafe ASA. Additional Consafe shares were acquired in July, bringing the overall holding to 99.78 per cent. Consafe's remaining shares will be acquired for cash through a compulsory process. The purchase price for all the Consafe shares amounts to about USD 532 million, including acquisition costs. Since the transaction date for accounting purposes has been set to 30 June 2006, the Consafe business has not been included in the consolidated profit and loss account for the second quarter. The excess of the purchase price over book equity in Consafe at the transaction date was USD 349.7 million, of which USD 129.4 million has been allocated to rigs and USD 220.3 million to goodwill.

Acquiring Consafe forms part of Prosafe's strategy of consolidating the market for semi-submersible accommodation/service rigs, and will cement its leading position in this market.

Refinancing

Prosafe refinanced its bank debt early in the third quarter. A seven-year facility of USD 450 million replaced two previous facilities totalling USD 257 million. The new facility has a grace period of 18-24 months followed by quarterly instalments of USD 18 million. It features a more flexible structure as well as substantially better terms than the previous facilities.

Debt in Consafe was also replaced at quarter-end by a new seven-year loan and guarantee facility of USD 150 million in total.

The new facilities will release liquidity which gives Prosafe greater room for manoeuvre and increased capacity for growth.

Offshore Support Services

Operating profit for the second quarter amounted to USD 14.7 million (USD 21.1 million). The utilisation ratio for the rig fleet was 86 per cent (95 per cent). The decline in operating profit reflects lower fleet utilisation owing to the demobilisation of two units during the quarter.

All five rigs working in the Gulf of Mexico, plus MSV *Regalia* which is on contract for Total off Angola, were in regular operation throughout the second quarter. *Safe Scandinavia* was under contract for Shell in the US Gulf of Mexico until mid-May. This rig commenced the contract with BG in the UK sector of the North Sea during July. *Safe Caledonia* completed the contract with Shell off Nigeria in April, and started the contract with Nexen on *Buzzard* in the North Sea during June.

Floating Production

Operating profit for the second quarter came to USD 9.1 million (USD 9.3 million). Work continued during the quarter on the conversion of MT *Apollo* and MT *Ionikos*. These projects are progressing as planned, with contracts expected to commence in the second quarter of 2007.

Outlook

Activity in Offshore Support Services focused during the second quarter on the acquisition of Consafe as well as extensions of existing contracts.

Safe Caledonia was awarded a one-year contract by Total worth USD 52 million in the first quarter for work on the Dunbar and Elgin/Franklin fields in the UK. The expected start date is 1 February 2007. As early as the second quarter, this contract was extended to two years with a firm value of USD 104 million. In addition, the client has the opportunity to extend the contract by a further year at a minimum value of USD 55 million. The present contract extension secures *Safe Caledonia* full utilisation until January 2009.

At quarter-end, the contract with Total for MSV *Regalia* off Angola was extended by three months from December 2006 to March 2007. This extension is worth USD 11.5 million. The client also has two one-month options on the same terms.

All Consafe's rigs were on hire during the second quarter. *Safe Concordia* commenced a 12- to 15-month contract in the Gulf of Mexico, *Safe Bristolia* began a contract with Samsung on Sakhalin, and *Safe Astoria* was engaged on a contract in Australia. The *Safe Esbjerg* jack-up continued its three-year contract for Mærsk in Denmark.

The market for semi-submersible accommodation/service rigs is strong, and Prosafe sees several opportunities for rigs with available capacity in 2007. Prosafe's fleet is well adapted to market demand, and several prospects are being pursued in the North Sea, west Africa and Australasia. *Safe Astoria* is currently located in Australia, and the outlook is promising for winning a new contract.

Activity in Floating Production remains at a high level. Several new prospects have been identified during the second quarter. This strengthens confidence in a strong market for coming years. Growth seems to be strongest in Prosafe's focus areas of west Africa, Brazil and Asia. Several new players entered the market during the first half of 2006. Their entry has been in the lower end of the sector, where the established players lack available capacity to meet demand, and where requirements for operational experience, technology and project management are lower.

During the fourth quarter of this year, Prosafe will be able to release resources from its two on-going conversion projects. This will put the company in a position to take on new conversion projects in the same period. Prosafe is actively working on several potential projects, and is sticking to the target of winning at least one new project during 2006.

Oslo, 9 August 2006
The board of directors of Prosafe ASA

Main figures

PROFIT AND LOSS ACCOUNT

(Unaudited figures in USD million)	Q2 06	Q1 06	Q2 05	H1 06	H1 05	2005
Operating revenues	75.3	75.1	81.2	150.4	146.1	295.3
Operating expenses	(39.8)	(31.7)	(40.3)	(71.5)	(74.0)	(144.4)
Operating profit before depreciation	35.5	43.4	40.9	78.9	72.1	150.9
Depreciation	(12.5)	(11.8)	(11.7)	(24.3)	(24.0)	(47.3)
Operating profit	23.0	31.6	29.2	54.6	48.1	103.6
Interest income	1.3	1.4	0.8	2.7	1.5	4.3
Interest expenses	(5.4)	(5.1)	(4.3)	(10.5)	(8.1)	(17.6)
Other financial items	13.8	4.2	(3.1)	18.0	(0.9)	(2.6)
Net financial items	9.7	0.5	(6.6)	10.2	(7.5)	(15.9)
Profit before taxes	32.7	32.1	22.6	64.8	40.6	87.7
Taxes	(2.6)	(1.4)	(1.9)	(4.0)	(5.6)	(122.8)
Net profit from continuing operations	30.1	30.7	20.7	60.8	35.0	(35.1)
Net profit from discontinued operations	0.0	0.0	0.6	0.0	1.0	81.5
Net profit	30.1	30.7	21.3	60.8	36.0	46.4
EPS (USD)	0.84	0.90	0.63	1.74	1.06	1.36
EPS diluted (USD)	0.84	0.90	0.63	1.74	1.06	1.36

BALANCE SHEET

(Unaudited figures in USD million)	30.06.06	31.03.06	31.12.05	30.06.05
Goodwill	348.7	128.3	128.3	128.3
Rigs	780.3	355.4	360.9	369.7
Ships	413.2	354.6	203.8	179.3
Other fixed assets	9.0	8.3	8.2	9.4
Total fixed assets	1 551.2	846.6	701.2	686.7
Cash and deposits	210.9	218.8	303.6	139.4
Other current assets	84.7	57.8	55.9	56.4
Total current assets	295.6	276.6	359.5	195.8
Assets discontinued operations	0.0	0.0	0.0	96.5
Total assets	1 846.8	1 123.2	1 060.7	979.0

(Unaudited figures in USD million)	30.06.06	31.03.06	31.12.05	30.06.05
Share capital	60.6	44.8	44.8	44.7
Other equity	923.5	420.5	390.2	412.4
Total equity	984.1	465.3	435.0	457.1
Interest-free long-term liabilities	132.2	120.9	117.6	4.1
Interest-bearing long-term debt	495.6	347.3	363.0	383.3
Total long-term liabilities	627.8	468.2	480.6	387.4
Dividends payable	0.0	0.0	30.2	0.0
Other interest-free current liabilities	184.9	152.9	87.0	55.8
Current portion of long-term debt	50.0	36.8	27.9	19.6
Total current liabilities	234.9	189.7	145.1	75.4
Liabilities discontinued operations	0.0	0.0	0.0	59.1
Total equity and liabilities	1 846.8	1 123.2	1 060.7	979.0

CASH FLOW STATEMENT

(Unaudited figures in USD million)	Q2 06	Q1 06	Q2 05	H1 06	H1 05	2005
Profit before taxes	32.7	32.1	22.6	64.8	40.6	87.7
Unrealised currency (gain)/loss on long-term liabilities	4.1	2.1	(2.6)	6.2	(6.4)	(8.9)
Depreciation	12.5	11.8	11.7	24.3	24.0	47.3
Change in working capital	5.1	64.0	(10.3)	69.1	(3.1)	28.6
Other items from operating activities	2.0	1.2	(2.9)	3.2	(4.8)	(8.0)
Net cash flow from operating activities	56.4	111.2	18.5	167.6	50.3	146.7
Proceeds from sale of tangible fixed assets	0.0	0.0	0.0	0.0	2.6	3.0
Acquisition of tangible fixed assets	(717.1)	(157.2)	(3.6)	(874.3)	(11.4)	(48.6)
Net cash flow from investing activities	(717.1)	(157.2)	(3.6)	(874.3)	(8.8)	(45.6)
New interest-bearing debt	157.5	0.8	0.0	158.3	50.0	50.3
Repayment of interest-bearing debt	0.0	(9.8)	0.0	(9.8)	(50.9)	(60.7)
Dividends paid	(30.7)	(30.2)	(26.4)	(60.9)	(26.4)	(26.4)
Paid-in capital	526.0	0.4	0.0	526.4	0.6	1.1
Net cash flow from financing activities	652.8	(38.8)	(26.4)	614.0	(26.7)	(35.7)
Net cash flow from continuing operations	(7.9)	(84.8)	(11.5)	(92.7)	14.8	65.4
Net cash flow from discontinued operations	0.0	0.0	4.8	0.0	3.0	116.6
Cash and deposits at beginning of period	218.8	303.6	146.1	303.6	121.6	121.6
Cash and deposits at end of period	210.9	218.8	139.4	210.9	139.4	303.6

EQUITY MOVEMENT

	Q2 06	Q1 06	Q2 05	H1 06	H1 05	2005
Equity at end of prior period	465.3	435.0	464.4	435.0	448.6	448.6
Change accounting principle for financial instruments	0.0	0.0	0.0	0.0	1.9	1.9
Equity at beginning of period	465.3	435.0	464.4	435.0	450.5	450.5
Net profit	30.1	30.7	21.3	60.8	36.0	46.4
Dividends	(30.7)	0.0	(26.4)	(30.7)	(26.4)	(56.6)
New equity	526.0	0.4	0.0	526.4	0.6	1.1
Change translation differences	(6.6)	(0.8)	(2.2)	(7.4)	(3.6)	(6.4)
Equity at end of period	984.1	465.3	457.1	984.1	457.1	435.0

The financial statements have been prepared in accordance with the IFRS and IAS 34 on interim financial reporting, and in accordance with the accounting principles applied in the annual accounts for 2005.

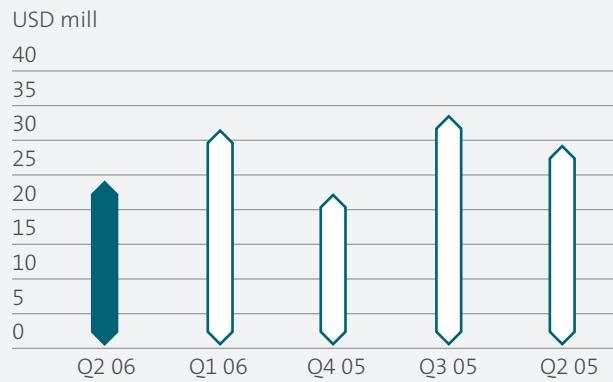
KEY FIGURES

	Note	Q2 06	Q1 06	Q2 05	H1 06	H1 05	2005
Operating margin	1	30.5%	42.1%	36.0%	36.3%	32.9%	35.1%
Equity ratio	2	53.3%	41.4%	46.7%	53.3%	46.7%	41.4%
Return on equity	3	16.6%	27.3%	18.8%	17.1%	15.9%	10.5%
Return on capital employed	4	8.2%	15.5%	15.0%	9.6%	12.1%	13.1%
Net interest bearing debt (USD million)	5	334.7	165.3	263.5	334.7	263.5	87.3
Cash flow (USD million)	6	56.4	111.2	18.5	167.6	50.3	146.7
Cash flow per share (USD)	7	1.57	3.26	0.54	4.78	1.48	4.31
Number of shares (1 000 shares)		43 910	34 117	34 077	43 910	34 077	34 098
Average no. of outstanding shares (1 000 shares)		35 998	34 081	34 055	35 039	34 049	34 053
Average no. of outst. and potential shares (1 000 shares)		35 998	34 093	34 064	35 043	34 061	34 068
USD/NOK exchange rate at end of period		6.24	6.58	6.55	6.24	6.55	6.77
Share price (NOK)		380.00	342.50	196.50	380.00	196.50	286.50
Share price (USD)		60.90	52.05	30.00	60.90	30.00	42.32
Market capitalisation (NOK million)		16 686	11 685	6 696	16 686	6 696	9 769
Market capitalisation (USD million)		2 674	1 776	1 022	2 674	1 022	1 443

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
- 6 Cash flow from operating activities
- 7 Cash flow / Average no of outstanding and potential shares

OPERATING PROFIT



SHAREHOLDERS

as at 31.07.06	No of shares	Ownership
JCE	4 756 149	10,8%
Morgan Stanley & Co (nom.)	4 536 467	10,3%
State Street Bank & Trust (nom.)	3 746 914	8,5%
Folketrygdfondet	2 929 297	6,7%
Brown Brothers Harriman	2 414 128	5,5%
Odin	1 490 261	3,4%
GMO	1 126 337	2,6%
JP Morgan Chase Bank (nom.)	991 094	2,3%
Mellon Bank (nom.)	914 544	2,1%
JP Morgan Chase Bank	885 103	2,0%
Total 10 largest shareholders	23 790 294	54,2 %

No of shares: 43 932 720

Foreign holding: 73.4%

Segments

OFFSHORE SUPPORT SERVICES

(Unaudited figures in USD million)	Q2 06	Q1 06	Q2 05	H1 06	H1 05	2005
Operating revenues	53.0	51.5	49.6	104.5	88.1	186.7
Operating expenses	(30.0)	(19.7)	(21.3)	(49.7)	(41.4)	(86.5)
Operating profit before depreciation	23.0	31.8	28.3	54.8	46.7	100.2
Depreciation	(8.3)	(8.4)	(7.2)	(16.7)	(15.0)	(30.6)
Operating profit	14.7	23.4	21.1	38.1	31.7	69.6
Total assets	1 471.8	743.6	443.2	1 471.8	443.2	458.3

FLOATING PRODUCTION

(Unaudited figures in USD million)	Q2 06	Q1 06	Q2 05	H1 06	H1 05	2005
Operating revenues	22.2	23.4	31.8	45.6	58.5	108.3
Operating expenses	(9.0)	(10.6)	(18.2)	(19.6)	(31.3)	(54.0)
Operating profit before depreciation	13.2	12.8	13.6	26.0	27.2	54.3
Depreciation	(4.1)	(3.3)	(4.3)	(7.4)	(8.7)	(16.4)
Operating profit	9.1	9.5	9.3	18.6	18.5	37.9
Total assets	649.8	566.3	364.7	649.8	364.7	418.2

CORPORATE COSTS AND ELIMINATIONS

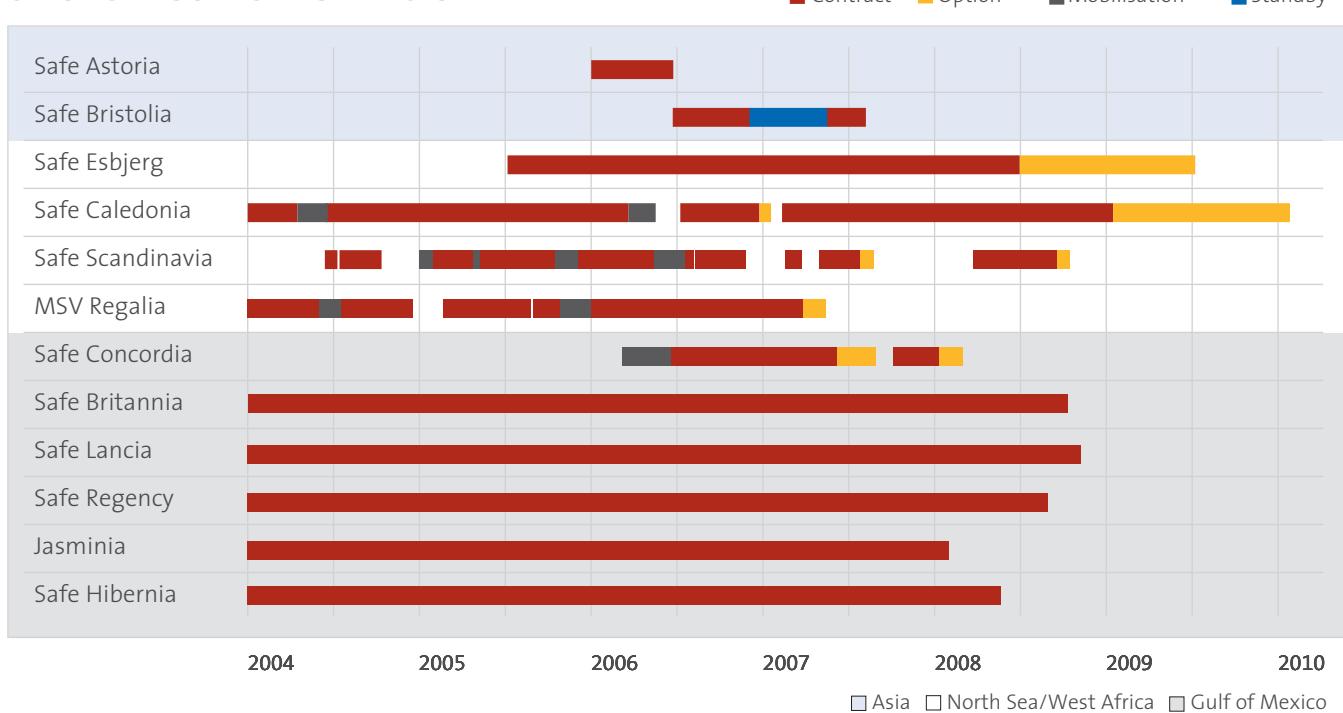
(Unaudited figures in USD million)	Q2 06	Q1 06	Q2 05	H1 06	H1 05	2005
Operating revenues	0.1	0.2	(0.2)	0.3	(0.5)	0.3
Operating expenses	(0.8)	(1.4)	(0.8)	(2.2)	(1.3)	(3.9)
Operating profit before depreciation	(0.7)	(1.2)	(1.0)	(1.9)	(1.8)	(3.6)
Depreciation	(0.1)	(0.1)	(0.2)	(0.2)	(0.3)	(0.3)
Operating profit	(0.8)	(1.3)	(1.2)	(2.1)	(2.1)	(3.9)
Total assets	(274.8)	(186.7)	74.6	(274.8)	74.6	184.2

PROSAFE GROUP

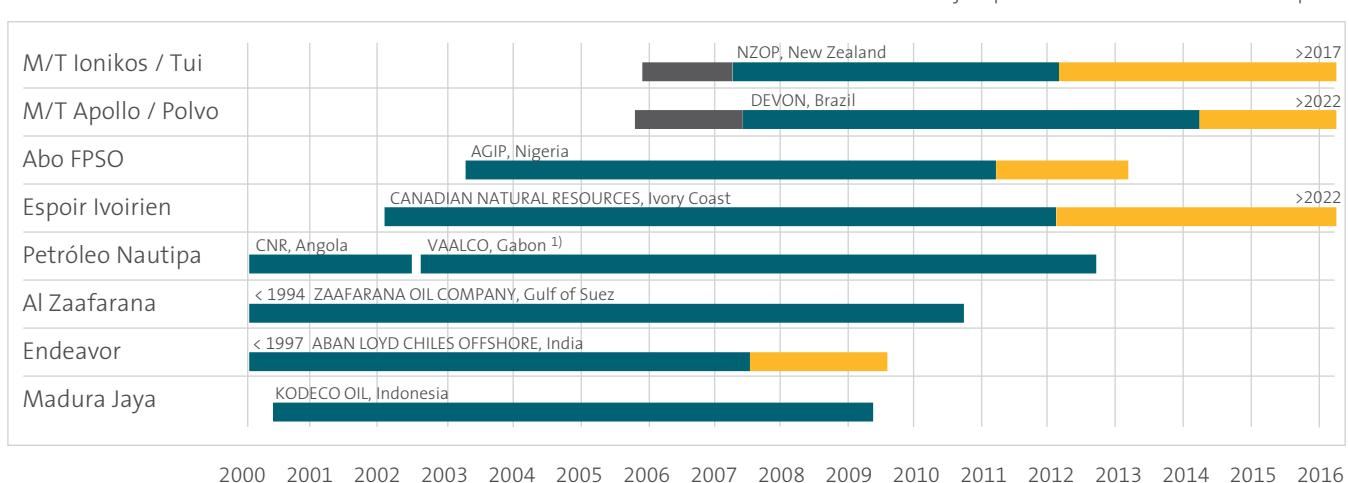
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Total assets	1 846.8	1 123.2	882.5	1 846.8	882.5	1 060.7

Contracts

OFFSHORE SUPPORT SERVICES



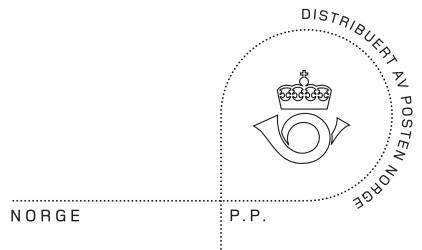
FLOATING PRODUCTION



1) The contract runs until September 2012, with an option for the customer to cancel in September 2011

2) Operation and maintenance of the fixed installations on the OML-123 field

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