



# **Presentation of 2nd quarter 2005**

## **Oslo, 5 August 2005**



# Agenda

- **The quarter in brief**
- **Financial result for 2nd quarter 2005**
- **Business divisions – status, strategy and outlook**
- **Summary**



## Q2 2005 in brief - financial

- Strong financial performance
- Drilling Services sold
  - Expected sales proceeds of NOK 960 million, with a gain of about USD 80 million
- New contracts enhancing contract utilisation of the rig fleet to 90 per cent in 2005
- Acquired VLCC M/T Apollo
  - 1 year bareboat contract with option to terminate on short notice

**Strong financial performance  
and continuous high future rig utilisation**





## Q2 2005 in brief - operational

### Floating Production:

- Strong underlying performance – high uptime
- Upgrade projects on time and better than budget

### Offshore Support Services:

- Strong underlying performance and high utilisation

**Overall good operating performance and solid contract coverage**



**Prosaf**



# Profit and loss account

(Unaudited figures in USD million)	Q2 05	Q1 05	Q2 04	1H 05	1H 04	2004
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)
<b>Operating profit before depreciation</b>	<b>40.9</b>	<b>31.2</b>	<b>29.5</b>	<b>72.1</b>	<b>61.8</b>	<b>135.6</b>
Depreciation	(11.7)	(12.3)	(12.9)	(24.0)	(25.7)	(51.1)
<b>Operating profit</b>	<b>29.2</b>	<b>18.9</b>	<b>16.6</b>	<b>48.1</b>	<b>36.1</b>	<b>84.5</b>
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
<b>Net financial items</b>	<b>(6.6)</b>	<b>(0.9)</b>	<b>(4.1)</b>	<b>(7.5)</b>	<b>(9.7)</b>	<b>(15.1)</b>
<b>Profit before taxes</b>	<b>22.6</b>	<b>18.0</b>	<b>12.5</b>	<b>40.6</b>	<b>26.4</b>	<b>69.4</b>
Taxes	(1.9)	(3.7)	(0.6)	(5.6)	(2.0)	(4.3)
<b>Net profit from continuing operations</b>	<b>20.7</b>	<b>14.3</b>	<b>11.9</b>	<b>35.0</b>	<b>24.4</b>	<b>65.1</b>
<b>Net profit from discontinuing operations</b>	<b>0.6</b>	<b>0.4</b>	<b>0.9</b>	<b>1.0</b>	<b>2.4</b>	<b>5.1</b>
<b>Net profit</b>	<b>21.3</b>	<b>14.7</b>	<b>12.8</b>	<b>36.0</b>	<b>26.8</b>	<b>70.2</b>
 <b>EPS (USD)</b>	 <b>0.63</b>	 <b>0.43</b>	 <b>0.38</b>	 <b>1.06</b>	 <b>0.79</b>	 <b>2.06</b>
<b>EPS fully diluted (USD)</b>	<b>0.63</b>	<b>0.43</b>	<b>0.38</b>	<b>1.06</b>	<b>0.79</b>	<b>2.06</b>



## Floating Production

(Unaudited figures in USD million)	Q2 05	Q1 05	Q2 04	1H 05	1H 04	2004
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)
<b>EBITDA</b>	<b>13.6</b>	<b>13.6</b>	<b>12.6</b>	<b>27.2</b>	<b>25.2</b>	<b>51.8</b>
Depreciation	(4.3)	(4.4)	(5.3)	(8.7)	(10.5)	(19.9)
<b>EBIT</b>	<b>9.3</b>	<b>9.2</b>	<b>7.3</b>	<b>18.5</b>	<b>14.7</b>	<b>31.9</b>
Total assets	364.7	381.9	375.1	364.7	375.1	372.7
Employees	482	469	477	482	477	459





## Offshore Support Services

(Unaudited figures in USD million)	Q2 05	Q1 05	Q2 04	1H 05	1H 04	2004
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)
<b>EBITDA</b>	<b>28.3</b>	<b>18.4</b>	<b>17.8</b>	<b>46.7</b>	<b>38.2</b>	<b>87.1</b>
Depreciation	(7.2)	(7.8)	(7.4)	(15.0)	(14.8)	(30.6)
<b>EBIT</b>	<b>21.1</b>	<b>10.6</b>	<b>10.4</b>	<b>31.7</b>	<b>23.4</b>	<b>56.5</b>
Total assets	443.2	431.9	445.8	443.2	445.8	427.5
Employees	122	121	115	122	115	119



# Balance sheet

(Unaudited figures in USD million)	30.06.05	31.03.05	01.01.05	30.06.04
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
<b>Total fixed assets</b>	<b>686.7</b>	<b>694.8</b>	<b>701.9</b>	<b>720.1</b>
Other current assets	56.4	44.9	38.3	41.6
Cash and deposits	139.4	146.1	121.6	106.9
<b>Total current assets</b>	<b>195.8</b>	<b>191.0</b>	<b>159.9</b>	<b>148.5</b>
<b>Assets discontinuing operations</b>	<b>96.5</b>	<b>100.4</b>	<b>121.5</b>	<b>103.8</b>
<b>Total assets</b>	<b>979.0</b>	<b>986.2</b>	<b>983.3</b>	<b>972.4</b>
Share capital	44.7	44.7	44.7	44.7
Other equity	412.4	419.7	405.8	388.3
<b>Total equity</b>	<b>457.1</b>	<b>464.4</b>	<b>450.5</b>	<b>433.0</b>
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
<b>Total long-term liabilities</b>	<b>387.4</b>	<b>390.7</b>	<b>398.1</b>	<b>402.6</b>
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
<b>Total current liabilities</b>	<b>75.4</b>	<b>74.2</b>	<b>58.2</b>	<b>77.9</b>
<b>Liabilities discontinuing operations</b>	<b>59.1</b>	<b>56.9</b>	<b>76.5</b>	<b>58.9</b>
<b>Total equity and liabilities</b>	<b>979.0</b>	<b>986.2</b>	<b>983.3</b>	<b>972.4</b>







# Cash flow

(Unaudited figures in USD million)	Q2 05	Q1 05	Q2 04	1H 05	1H 04	2004
Net cash flow from operating activities	18.5	31.8	9.8	50.3	27.1	116.6
Net cash flow from investing activities	(3.6)	(5.2)	(8.5)	(8.8)	(0.9)	(8.1)
Net cash flow from financing activities	(26.4)	(0.3)	(10.8)	(26.7)	(29.4)	(84.7)
<b>Net cash flow from continuing operations</b>	<b>(11.5)</b>	<b>26.3</b>	<b>(9.5)</b>	<b>14.8</b>	<b>(3.2)</b>	<b>23.8</b>
<b>Net cash flow from discontinuing operations</b>	<b>4.8</b>	<b>(1.8)</b>	<b>8.9</b>	<b>3.0</b>	<b>8.9</b>	<b>(3.4)</b>
Cash and deposits at beginning of period	146.1	121.6	107.5	121.6	101.2	101.2
<b>Cash and deposits at end of period</b>	<b>139.4</b>	<b>146.1</b>	<b>106.9</b>	<b>139.4</b>	<b>106.9</b>	<b>121.6</b>



## Key figures

	Q2 05	Q1 05	Q2 04	1H 05	1H 04	2004
Operating margin	36.0 %	29.1 %	24.4 %	32.9 %	29.3 %	32.8 %
Equity ratio	46.7 %	47.1 %	44.5 %	46.7 %	44.5 %	45.8 %
Return on equity	18.8 %	12.9 %	11.8 %	15.9 %	12.5 %	16.1 %
Return on capital employed	15.0 %	9.8 %	8.2 %	12.1 %	8.9 %	10.5 %
Net interest bearing debt (USD million)	263.5	259.4	308.0	263.5	308.0	288.6



## Shareholders at 26 July 2005

Shareholder	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 %
<b>Total 10 largest shareholders</b>	<b>16 369 294</b>	<b>48.04 %</b>

No. of shares: 34 077 441

Foreign ownership: 69.2 %





## Gain on sale of Drilling Services

Net proceeds from sale of shares	USD 111 million
- Book value	USD 29 million
= Gain	USD 82 million
+ Cash at closing and I/C loan	USD 33 million
= Net proceeds from sale	USD 144 million



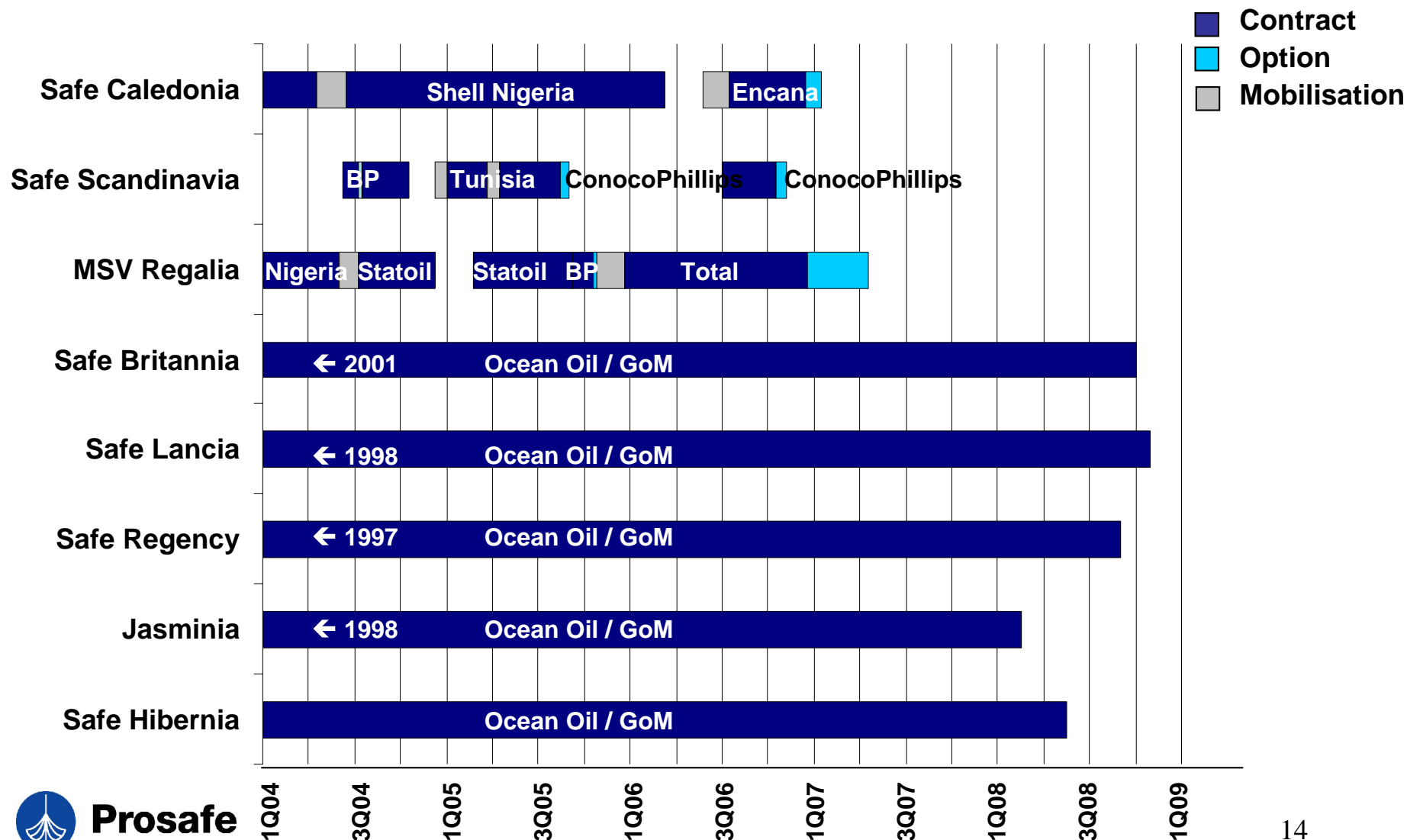
## Rationale for sale of Drilling Services to KCA Deutag

- Enhanced managerial and financial focus on the Floating Production and Offshore Support Services divisions
  - Drilling Services contributed only to 14.5% of the EBITDA while utilising 60% of the human resources
- A fair price
  - Estimated sales proceeds of approx. NOK 960 million
- Need for consolidation within the platform drilling business due to increased competition and reduced margins





## Offshore Support Services – contract status







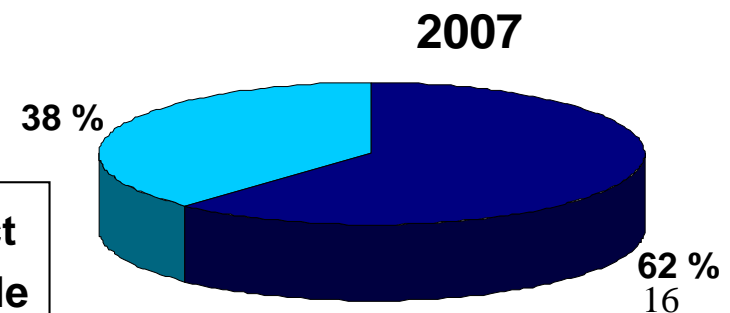
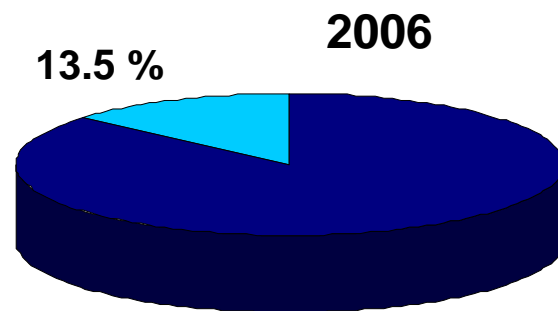
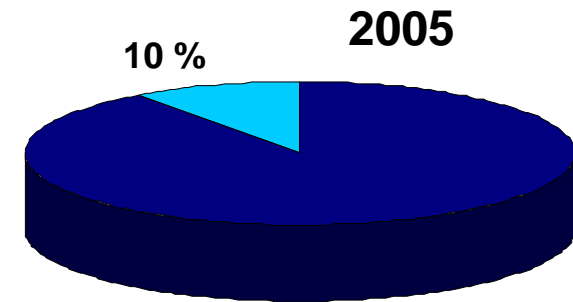
# Offshore Support Services

- Accommodation/service rigs are required in all phases of an oilfield's lifecycle:
  - Installation and commissioning of new installations
  - Upgrade of installations
  - Tie-in of satellite fields
  - Maintenance
  - Decommissioning
- New demand drivers arisen:
  - FPSO
  - New geographic regions





## Offshore Support Services - rig utilisation





## Offshore Support Services – strategy and outlook

### Strategic focus:

- Maintain the world's largest and most versatile fleet of high-end accommodation and service rigs
  - Maximise fleet utilisation and free cash flow at all times

### Short-term focus - swing factors:

- Ensure work for Safe Scandinavia in Q4 2005 and Q1 2006

**Long-term prospects are attractive based on internationalisation, more demand drivers and Prosafe's strong position**

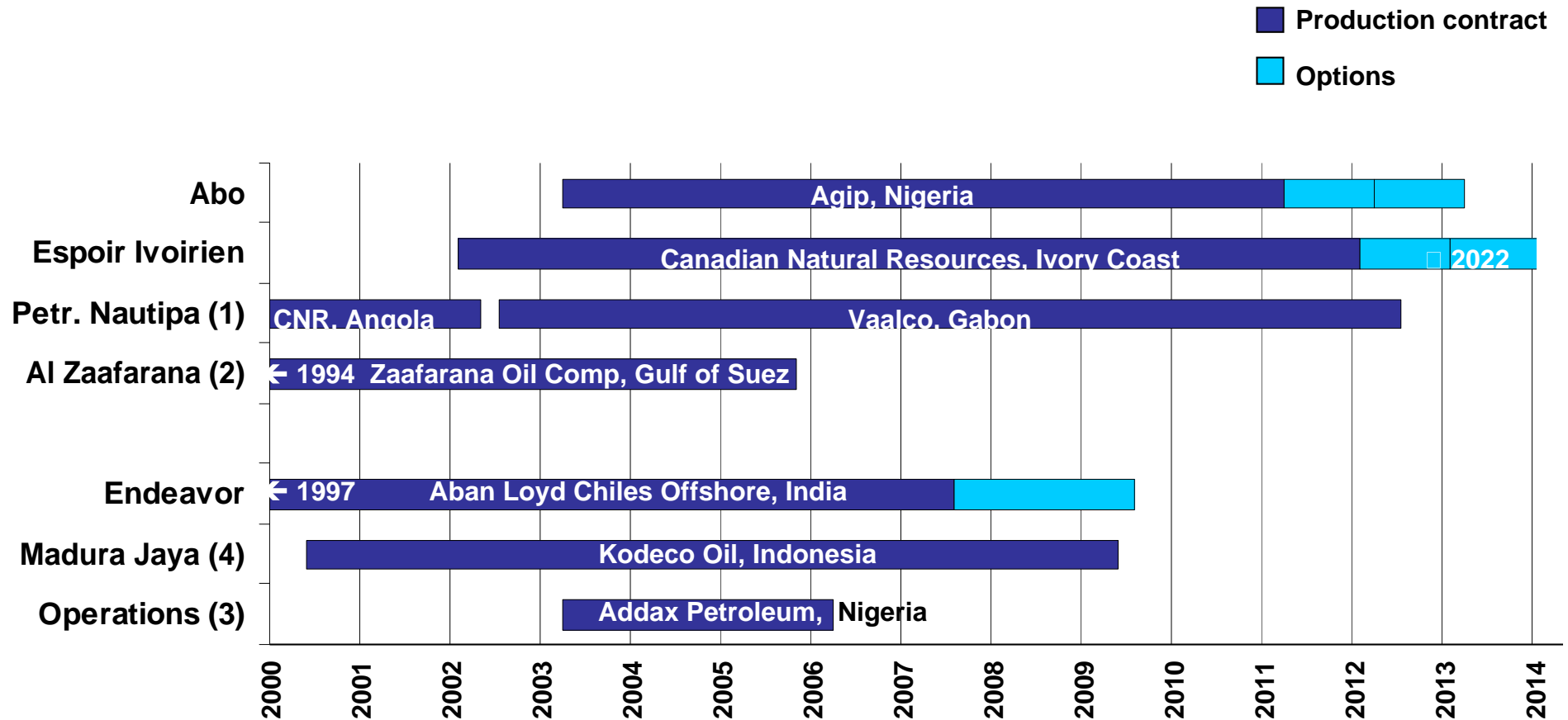


**Prosafe**





# Floating Production - contract status



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(1) 50% ownership: 5- year term, cancellable from September 2011; (2) Management contract; (3) Production and maintenance of the fixed installations at the OML123 field; (4) 50% ownership



## Floating Production – status

- Good operational performance and high uptime
- Upgrade of Espoir Ivoirien ongoing – on time and better than budget
- All time high bidding activity
- Low cost base secures good profitability between conversion projects



**Solid performance**



**Prosafé**



## Floating Production – strategy and outlook

- Position the company as one of the leading suppliers and operators of high quality FPSOs in the world
- Strengthen competitive edge based on low cost base and application engineering
- Focus on West Africa, Southeast Asia and Brazil
- Ownership of 1 VLCC and option on 1 Suezmax

**Committed to winning a new project in 2005**



**Prosaf**







## Outlook – summary

- Oil price and increased spending and rates will provide increased demand and high activity going forward
- Financial performance is set to be strong based on current order backlog
  - Short-term swing factors are mainly Safe Scandinavia and timing of new FPSO contract
- Strong cash-flow generation
- Solid market positions
- Clear strategy

