

# Presentation of 4th quarter 2005 Oslo, 3 February 2006



# Agenda

- § **The quarter in brief**
- § **Financial result for 4th quarter 2005**
- § **Business divisions – status, strategy and outlook**
- § **Summary**





## Q4 2005 in brief

- § New FPSO project in New Zealand
- § Project execution capacity increased to beyond two projects
  - ú VLCC acquired in 2006
- § New contracts since the start of Q4 with a value of USD 289 million
- § Dayrates in the North Sea established at a higher level
- § Awarded the first ever accommodation and service rig contract in the US Gulf
- § Rig fleet transferred to a zero tax regime
- § The board of directors will propose to distribute a dividend of NOK 5.50 per share for the year 2005
- § Completed a successful year where all goals have been achieved



# 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)
<b>Operating profit before depreciation</b>	<b>34.1</b>	<b>44.7</b>	<b>30.5</b>	<b>150.9</b>	<b>135.6</b>
Depreciation	(11.7)	(11.6)	(12.6)	(47.3)	(51.1)
<b>Operating profit</b>	<b>22.4</b>	<b>33.1</b>	<b>17.9</b>	<b>103.6</b>	<b>84.5</b>
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
<b>Net financial items</b>	<b>(5.9)</b>	<b>(2.5)</b>	<b>1.6</b>	<b>(15.9)</b>	<b>(15.1)</b>
<b>Profit before taxes</b>	<b>16.5</b>	<b>30.6</b>	<b>19.5</b>	<b>87.7</b>	<b>69.4</b>
Taxes	(114.8)	(2.4)	(2.0)	(122.8)	(4.3)
<b>Net profit from continuing operations</b>	<b>(98.3)</b>	<b>28.2</b>	<b>17.5</b>	<b>(35.1)</b>	<b>65.1</b>
<b>Net profit from discontinued operations</b>	<b>0.0</b>	<b>80.5</b>	<b>0.6</b>	<b>81.5</b>	<b>5.1</b>
<b>Net profit</b>	<b>(98.3)</b>	<b>108.7</b>	<b>18.1</b>	<b>46.4</b>	<b>70.2</b>
<b>EPS (USD)</b>	<b>(2.89)</b>	<b>3.19</b>	<b>0.53</b>	<b>1.36</b>	<b>2.06</b>
<b>EPS diluted (USD)</b>	<b>(2.88)</b>	<b>3.19</b>	<b>0.53</b>	<b>1.36</b>	<b>2.06</b>



# Offshore Support Services

(Unaudited figures in USD million)	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)
<b>Operating profit before depreciation</b>	<b>21.3</b>	<b>32.2</b>	<b>17.6</b>	<b>100.2</b>	<b>87.1</b>
Depreciation	(7.7)	(7.9)	(7.9)	(30.6)	(30.6)
<b>Operating profit</b>	<b>13.6</b>	<b>24.3</b>	<b>9.7</b>	<b>69.6</b>	<b>56.5</b>
Total assets	457.8	435.4	426.3	457.8	427.5
Employees	118	119	119	118	119



# Floating Production

(Unaudited figures in USD million)	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)
<b>Operating profit before depreciation</b>	<b>13.9</b>	<b>13.2</b>	<b>13.9</b>	<b>54.3</b>	<b>51.8</b>
Depreciation	(4.0)	(3.7)	(4.5)	(16.4)	(19.9)
<b>Operating profit</b>	<b>9.9</b>	<b>9.5</b>	<b>9.4</b>	<b>37.9</b>	<b>31.9</b>
Total assets	418.2	377.6	372.7	418.2	372.7
Employees	487	475	459	487	459



# 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
<b>Total fixed assets</b>	<b>701.2</b>	<b>699.9</b>	<b>701.9</b>
Other current assets	55.9	44.0	38.3
Cash and deposits	303.6	283.6	121.6
<b>Total current assets</b>	<b>359.5</b>	<b>327.6</b>	<b>159.9</b>
<b>Assets discontinued operations</b>	<b>0.0</b>	<b>0.0</b>	<b>121.5</b>
<b>Total assets</b>	<b>1 060.7</b>	<b>1 027.5</b>	<b>983.3</b>
Share capital	44.8	44.7	44.7
Other equity	390.2	520.7	405.8
<b>Total equity</b>	<b>435.0</b>	<b>565.4</b>	<b>450.5</b>
Interest-free long-term liabilities	117.6	4.2	5.3
Interest-bearing long-term liabilities	363.0	365.6	392.8
<b>Total long-term liabilities</b>	<b>480.6</b>	<b>369.8</b>	<b>398.1</b>
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
<b>Total current liabilities</b>	<b>145.1</b>	<b>92.3</b>	<b>58.2</b>
<b>Liabilities discontinued operations</b>	<b>0.0</b>	<b>0.0</b>	<b>76.5</b>
<b>Total equity and liabilities</b>	<b>1 060.7</b>	<b>1 027.5</b>	<b>983.3</b>



## Cash flow

(Unaudited figures in USD million)	Q4 05	Q3 05	Q4 04	2005	2004
Net cash flow from operating activities	33.2	63.2	50.3	146.7	116.6
Net cash flow from investing activities	(14.0)	(22.8)	(0.9)	(45.6)	(8.1)
Net cash flow from financing activities	0.8	(9.8)	(53.9)	(35.7)	(84.7)
<b>Net cash flow from continuing operations</b>	<b>20.0</b>	<b>30.6</b>	<b>(4.5)</b>	<b>65.4</b>	<b>23.8</b>
<b>Net cash flow from discontinued operations</b>	<b>0.0</b>	<b>113.6</b>	<b>2.3</b>	<b>116.6</b>	<b>(3.4)</b>
Cash and deposits at beginning of period	283.6	139.4	123.8	121.6	101.2
<b>Cash and deposits at end of period</b>	<b>303.6</b>	<b>283.6</b>	<b>121.6</b>	<b>303.6</b>	<b>121.6</b>





## Key figures

	Q4 05	Q3 05	Q4 04	2005	2004
Operating margin	29.7 %	44.9 %	29.1 %	35.1 %	32.8 %
Equity ratio	41.0 %	55.0 %	45.8 %	41.0 %	45.8 %
Return on equity <sup>(1)</sup>	13.4 %	22.1 %	15.9 %	18.0 %	16.1 %
Return on capital employed	12.2 %	16.0 %	8.9 %	13.1 %	10.5 %
Net interest bearing debt (USD million)	87.3	109.6	288.6	87.3	288.6

<sup>(1)</sup> excluding deferred tax on exit from tonnage tax regime, discontinuing operations and related gain on sale



## Shareholders at 30 Jan 2006

<b>SHAREHOLDERS</b>	<b>No. of shares</b>	<b>Ownership</b>
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 %
<b>Total 10 largest shareholders</b>	<b>17 258 943</b>	<b>50.6 %</b>
No. of shares:	34 097 543	Foreign ownership: 71.4 %



## Offshore Support Services - status

- § Strong operational performance
- § Entry of new market in US Gulf
  - ú Innovative mooring technology
- § Regalia mobilised to Angola
  - ú Third "FPSO support contract"
  - ú USD 2.2 million R&M cost expensed in Q4, in preparation for operation in remote location



Jasminia



## Offshore Support Services – status (cont)

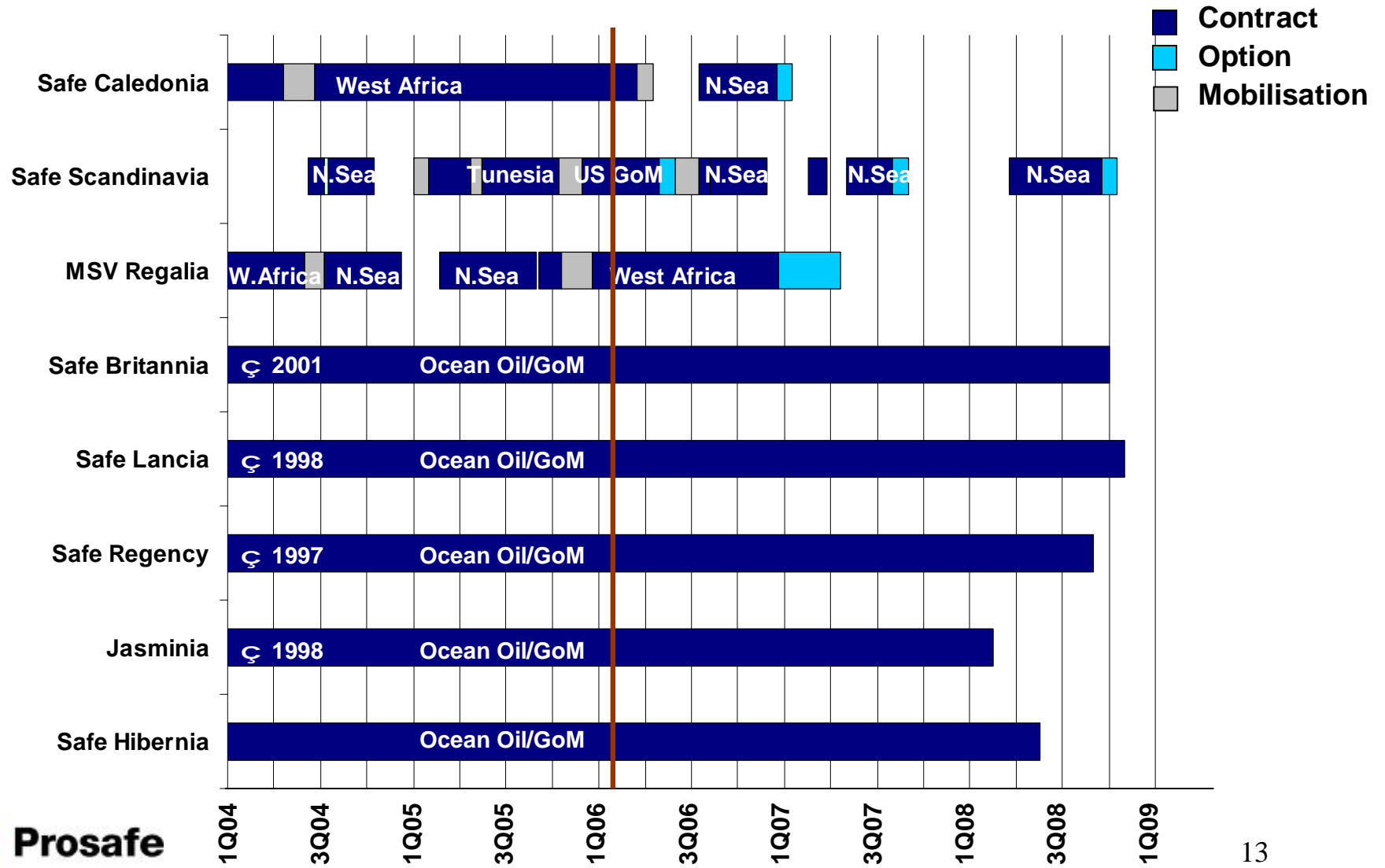


MSV Regalia

- § 3 units available for contracts starting in 2007
  - ú Limited competition in deep water and in the North Sea
- § Dayrates improved on all recently awarded contracts



# Offshore Support Services – contract status







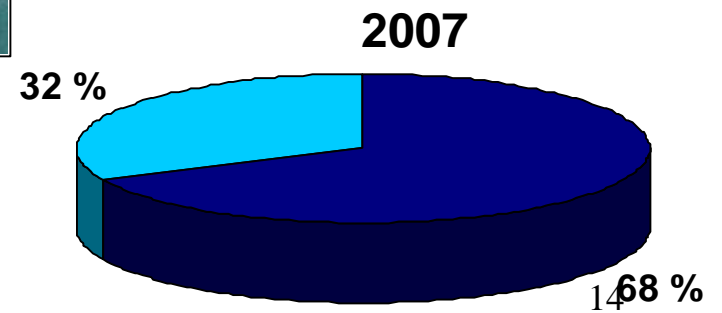
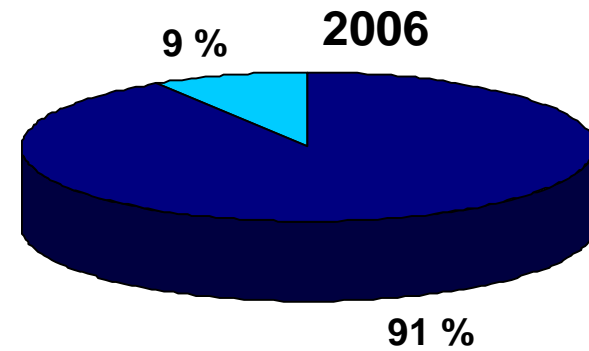
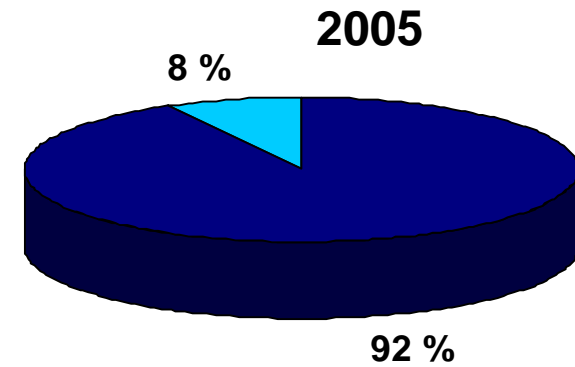
# Offshore Support Services - rig utilisation



Safe Scandinavia



Prosafe





## Offshore Support Services – strategy and outlook

### Strategic focus:

- § Maintain the world's largest and most versatile fleet of high-end accommodation and service rigs



Safe Lancia

### Medium term outlook:

- § Remaining availability of Prosafe vessels in 2007/08 matches timing of marked demand
- § Strong position for tenders in 2007 and 2008, particularly in the North Sea and for projects requiring DP capability



Prosafe

**A unique position in a steadily improving market**



## Floating Production – status

- § Two conversion contracts ongoing
- § 1 FEED study completed for Shell
- § Engineering capacity significantly increased
- § New hull acquired
- § Capacity to start a new project in Q3 2006

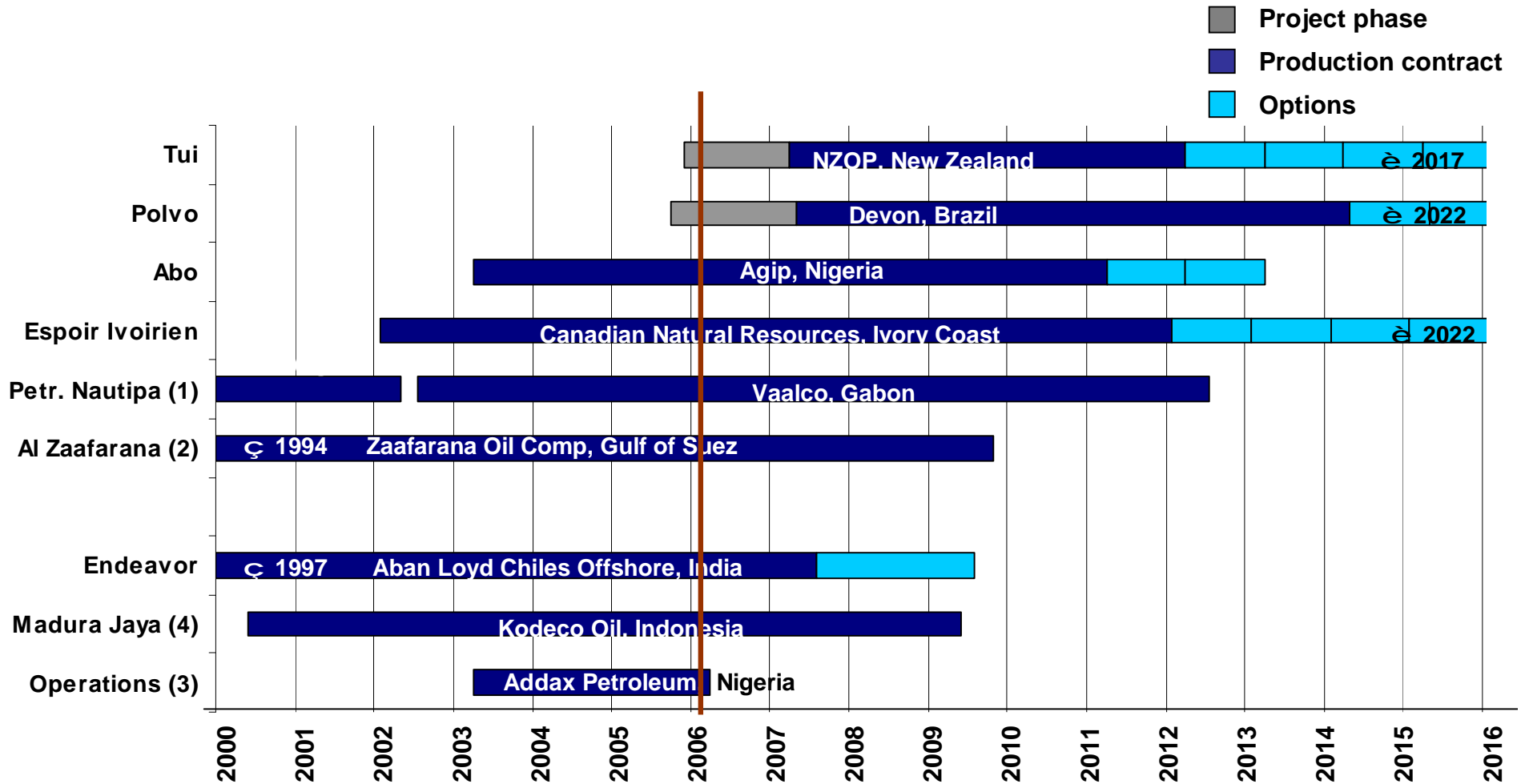


FPSO Petróleo Nautipa





# Floating Production - contract status



(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



## Status - Polvo

- § VLCC with storage capacity of 1.6 mill barrels
- § Prosafe turret and swivel with deepwater capacity
- § Large process capacity 150 000 Bfpd, of which max 90 000 Bopd (with 60 000 Bwpd) or 135 000 Bwpd (with 15 000 Bopd)
- § High power generation (>20Mw)
- § Water injection of 100 000 Bwpd
- § 7 years fixed, 8 years options
- § Contract value (fixed part):  
USD 271 million
- § Estimated time of start-up: Q2 2007



M/T Apollo



## Status - Tui

- § Suezmax with storage capacity of 0.8 mill barrels
- § Prosafe turret and swivel with deepwater capacity
- § Process capacity 120 000 Bfpd, of which 50 000 Bopd
- § Gas production of 25 mmscfd for fuel and gas lift



M/T Ionikos

- § 5 years fixed, 5 years options
- § Client: NZOP on behalf of a group of co-venturers - Bank guarantee
- § Front loaded payment profile
- § Contract value (fixed part): 178 million



## VLCC M/T Europe

- § Built at Hyundai Heavy Industries in 1988
- § Storage capacity: 1.9 million barrels
- § Single hull
- § Large vessel in very good condition



**Good conversion candidate  
suitable for several projects**



## Prosafe Production track record

	Year	Unit name	Client	Type	Mooring/Comment
1	1985	Asoka	Kodeco Energy	FSO	Spread
2	1991	Camar	Enterprise Oil	FSO	Turret - external
3	1994	Camar Ayu	GFB Resources	FSO	SALM buoy
4	1994	Al Zaafarana	Zaafarana Oil Co (25% BG)	FPSO	Turret – external
5	1997	Endeavor	Tata Oil / Hardy Oil	FSO	SALM buoy
6	1998	Petroleo	Ranger Oil	FPSO	Spread
7	1998	Ruby Princess	Petronas Carigali	FPSO	Turret - external
8	2000	Madura Ayu	Kodeco	FSO	SALM buoy
9	2001	Espoir	Candian Natural Resources	FPSO	Turret - internal
10	2002	Petroleo	Vaalco Energy	FPSO	Upgrade for new project
11	2002	ABO FPSO	Nigerian Agip Exploration	FPSO	Spread
12	2002	Madura Jaya	Kodeco	FSO	CALM buoy
13	2005	Espoir	Candian Natural Resources	FPSO	Upgrade of process
14	2005	In progress	Devon Energy	FPSO	Turret - internal
15	2005	In progress	NZOP	FPSO	Turret - internal

**Strong record of on time and on budget  
project execution**





## Floating Production – strategy and outlook

- § Positioned as one of the leading suppliers and operators of high quality FPSOs outside the North Sea
- § Strong competitive edge based on in-house technology and application engineering
- § Capacity to commence a third FPSO contract as from Q3 2006
  - § Available hull
  - § Available funding
  - § Available engineering capacity



FPSO Espoir Ivoirien



## Summary and outlook

- § Best annual operating result ever
- § Financial performance is set to be strong the next 2 – 3 years based on current order backlog and market outlook
- § Dayrates for accommodation and service rigs established at a higher level
- § Well positioned to take part in the growing FPSO market



Safe Caledonia

**A focused oil service company  
with strong positions in a growing market**