

# Presentation of 2nd quarter 2006

## Oslo, 9 August 2006



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# Agenda

- § **The quarter in brief**
- § **Financial result for 2nd quarter 2006**
- § **Business divisions – status, strategy and outlook**
- § **Summary**





## Q2 2006 in brief

- § A quarter as expected
- § Conversion projects according to plan
- § Contract extensions support view of a strong market and high dayrates
- § 99.8 per cent of Consafe Offshore AB (publ.) acquired
- § Increased FPSO bidding activity



FPSO Polvo at Keppel Shipyard



# 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)
<b>Operating profit before depreciation</b>	<b>35.5</b>	<b>43.4</b>	<b>40.9</b>	<b>78.9</b>	<b>72.1</b>	<b>150.9</b>
Depreciation	(12.5)	(11.8)	(11.7)	(24.3)	(24.0)	(47.3)
<b>Operating profit</b>	<b>23.0</b>	<b>31.6</b>	<b>29.2</b>	<b>54.6</b>	<b>48.1</b>	<b>103.6</b>
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)
<b>Net financial items</b>	<b>9.7</b>	<b>0.5</b>	<b>(6.6)</b>	<b>10.2</b>	<b>(7.5)</b>	<b>(15.9)</b>
<b>Profit before taxes</b>	<b>32.7</b>	<b>32.1</b>	<b>22.6</b>	<b>64.8</b>	<b>40.6</b>	<b>87.7</b>
Taxes	(2.6)	(1.4)	(1.9)	(4.0)	(5.6)	(122.8)
<b>Net profit from continuing operations</b>	<b>30.1</b>	<b>30.7</b>	<b>20.7</b>	<b>60.8</b>	<b>35.0</b>	<b>(35.1)</b>
<b>Net profit from discontinued operations</b>	<b>0.0</b>	<b>0.0</b>	<b>0.6</b>	<b>0.0</b>	<b>1.0</b>	<b>81.5</b>
<b>Net profit</b>	<b>30.1</b>	<b>30.7</b>	<b>21.3</b>	<b>60.8</b>	<b>36.0</b>	<b>46.4</b>
<b>EPS (USD)</b>	<b>0.84</b>	<b>0.90</b>	<b>0.63</b>	<b>1.74</b>	<b>1.06</b>	<b>1.36</b>
<b>EPS diluted (USD)</b>	<b>0.84</b>	<b>0.90</b>	<b>0.63</b>	<b>1.74</b>	<b>1.06</b>	<b>1.36</b>



# 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)
<b>Operating profit before depreciation</b>	<b>23.0</b>	<b>31.8</b>	<b>28.3</b>	<b>54.8</b>	<b>46.7</b>	<b>100.2</b>
Depreciation	(8.3)	(8.4)	(7.2)	(16.7)	(15.0)	(30.6)
<b>Operating profit</b>	<b>14.7</b>	<b>23.4</b>	<b>21.1</b>	<b>38.1</b>	<b>31.7</b>	<b>69.6</b>
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)
<b>Operating profit before depreciation</b>	<b>13.2</b>	<b>12.8</b>	<b>13.6</b>	<b>26.0</b>	<b>27.2</b>	<b>54.3</b>
Depreciation	(4.1)	(3.3)	(4.3)	(7.4)	(8.7)	(16.4)
<b>Operating profit</b>	<b>9.1</b>	<b>9.5</b>	<b>9.3</b>	<b>18.6</b>	<b>18.5</b>	<b>37.9</b>
Total assets	649.8	566.3	364.7	649.8	364.7	418.2



# 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
<b>Total fixed assets</b>	<b>1 551.2</b>	<b>846.6</b>	<b>701.2</b>	<b>686.7</b>
Cash and deposits	210.9	218.8	303.6	139.4
Other current assets	84.7	57.8	55.9	56.4
<b>Total current assets</b>	<b>295.6</b>	<b>276.6</b>	<b>359.5</b>	<b>195.8</b>
<b>Assets discontinued operations</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>96.5</b>
<b>Total assets</b>	<b>1 846.8</b>	<b>1 123.2</b>	<b>1 060.7</b>	<b>979.0</b>
Share capital	60.6	44.8	44.8	44.7
Other equity	923.5	420.5	390.2	412.4
<b>Total equity</b>	<b>984.1</b>	<b>465.3</b>	<b>435.0</b>	<b>457.1</b>
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
<b>Total long-term liabilities</b>	<b>627.8</b>	<b>468.2</b>	<b>480.6</b>	<b>387.4</b>
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
<b>Total current liabilities</b>	<b>234.9</b>	<b>189.7</b>	<b>145.1</b>	<b>75.4</b>
<b>Liabilities discontinued operations</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>59.1</b>
<b>Total equity and liabilities</b>	<b>1 846.8</b>	<b>1 123.2</b>	<b>1 060.7</b>	<b>979.0</b>





## Cash flow

(Unaudited figures in USD million)	Q2 06	Q1 06	Q2 05	H1 06	H1 05	2005
Net cash flow from operating activities	56.4	111.2	18.5	167.6	50.3	146.7
Net cash flow from investing activities	(717.1)	(157.2)	(3.6)	(874.3)	(8.8)	(45.6)
Net cash flow from financing activities	652.8	(38.8)	(26.4)	614.0	(26.7)	(35.7)
<b>Net cash flow from continuing operations</b>	<b>(7.9)</b>	<b>(84.8)</b>	<b>(11.5)</b>	<b>(92.7)</b>	<b>14.8</b>	<b>65.4</b>
<b>Net cash flow from discontinued operations</b>	<b>0.0</b>	<b>0.0</b>	<b>4.8</b>	<b>0.0</b>	<b>3.0</b>	<b>116.6</b>
Cash and deposits at beginning of period	218.8	303.6	146.1	303.6	121.6	121.6
<b>Cash and deposits at end of period</b>	<b>210.9</b>	<b>218.8</b>	<b>139.4</b>	<b>210.9</b>	<b>139.4</b>	<b>303.6</b>



## Key figures

	<b>Q2 06</b>	<b>Q1 06</b>	<b>Q2 05</b>	<b>H1 06</b>	<b>H1 05</b>	<b>2005</b>
Operating margin	30.5 %	42.1 %	36.0 %	36.3 %	32.9 %	35.1 %
Equity ratio	53.3 %	41.4 %	46.7 %	53.3 %	46.7 %	41.4 %
Return on equity	16.6 %	27.3 %	18.8 %	17.1 %	15.9 %	10.5 %
Return on capital employed	8.2 %	15.5 %	15.0 %	9.6 %	12.1 %	13.1 %
Net interest bearing debt (USD million)	334.7	165.3	263.5	334.7	263.5	87.3



## Shareholders at 31 July 2006

<b>SHAREHOLDERS</b>	<b>No of shares</b>	<b>Ownership</b>
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 %
<b>Total 10 largest shareholders</b>	<b>23 790 294</b>	<b>54.2 %</b>
No of shares:	43 932 720	Foreign ownership: 73.4 %



## Consafe – financial impact

- § Purchase price for 100 per cent of the shares: USD 532 million
- § Allocation of purchase price in excess of book equity:
  - ú Rigs USD 129.4 million
  - ú Goodwill USD 220.3 million
  - ú Total USD 349.7 million
- § Alignment of accounting policies
  - ú Useful life of all Consafe vessels previously 30 years vs. 35 years for the Prosafe fleet
    - ü useful life of Consafe vessels revised to 35 years for Safe Concordia, 30 years (unchanged) for Safe Bristolia and Safe Astoria, and 20 years for Safe Esbjerg
  - ú Previously no scrap value of the Consafe vessels
    - ü now revised to USD 3m per rig, in line with current Prosafe policy
  - ú Annual depreciation of Consafe vessels USD 14.1m going forward



## Refinancing completed early Q3

- § New USD 450 million facility replaces old Prosafe ASA debt of USD 257 million.
- § 18-24 month grace period followed by quarterly instalments of USD 18 million
- § 7-year term with balloon payment of USD 54-90 million
- § Very competitive terms
- § Conventional covenants structure
- § Frees up new liquidity of USD 200-300 million over 18-24 months relative to old debt structure



## Total debt overview

- § New: USD 450 million secured debt facility with seven-year term
- § New: USD 150 million debt and guarantee facility with seven-year term (Consafe)
- § Three bond loans of total NOK 500 million (89 million/2007 and 411 million/2010) and USD 50 million (2012)
- § Further debt capacity through unleveraged assets

**Financial capacity to support strong growth**



# Offshore Support Services – status

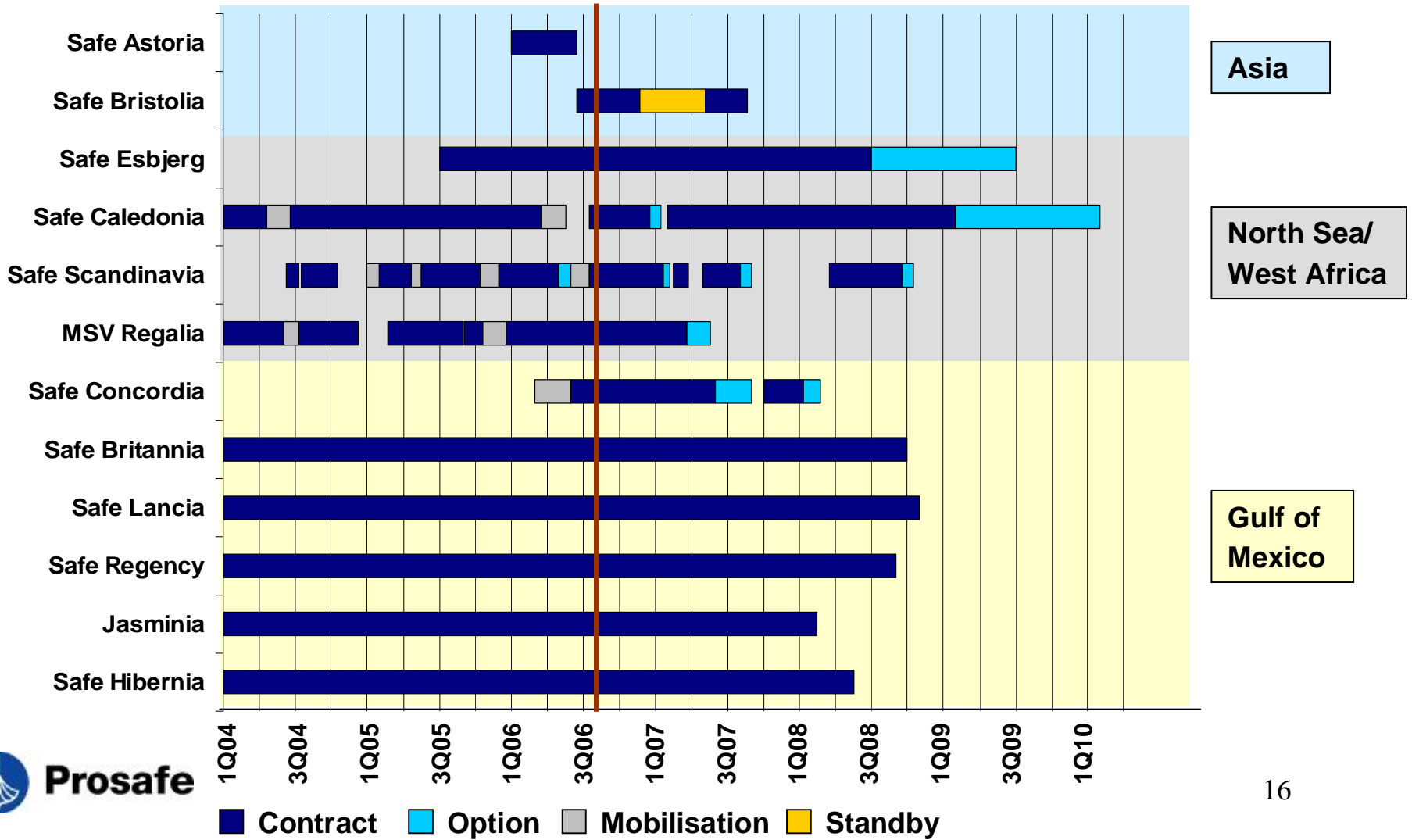
- § 2 vessels mobilised for contracts in the North Sea
- § Strong contract extensions
- § Safe Bristolia commences work at Sakhalin
- § Safe Concordia well positioned in the GoM



Onboard Safe Scandinavia



# Offshore Support Services – contract status







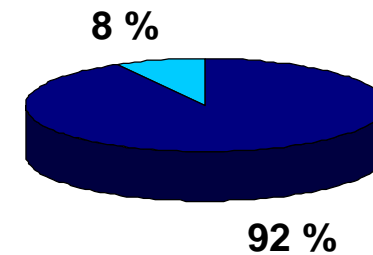
## Offshore Support Services - rig utilisation



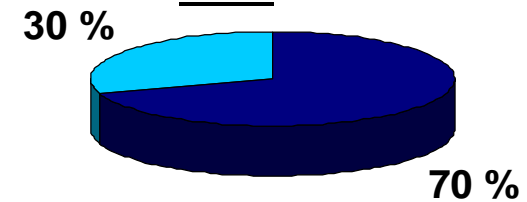
Available units will benefit from increasing dayrates



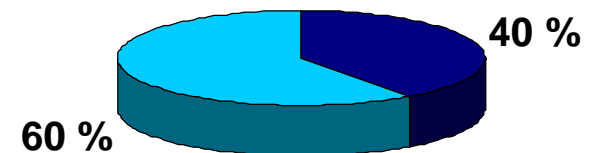
2006 <sup>1)</sup>



2007



2008



■ Contract    ■ Available



## Offshore Support Services – strategy and outlook

### Strategic focus:

- § Maintain position as the world's largest owner and operator of high-end accommodation and service rigs

### Short term outlook

- § Strong demand for available units

### Medium term outlook:

- § Redeployment at higher dayrates



Safe Concordia



## Floating Production – status

- § Conversion projects are progressing as planned
- § Significant increase in earnings as from Q2 2007
- § Increased bidding activity
- § Capacity to start new projects in 2006
- § Available hull

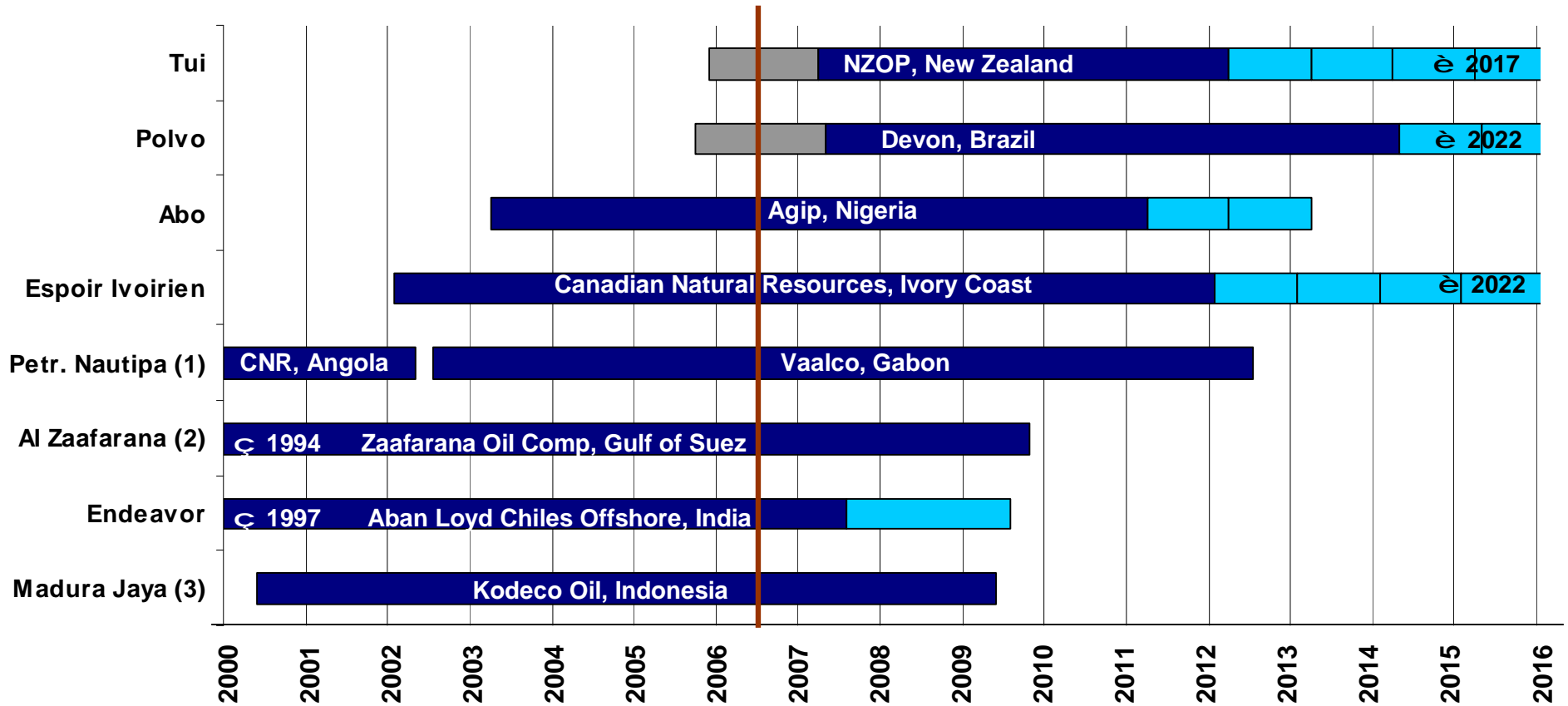


Abo FPSO

A leading position in the FPSO market outside the North Sea



# Floating Production - contract status



Project phase
  Production contract
  Options



(1) 50% ownership: 5- year term, cancellable from September 2011; (2) Management contract; (3) 50% ownership



## Floating Production - operational strength

- § High uptime on FPSOs confirms quality of designs and operational competence
- § Technology support through own engineering organisation
  - ú Direct access to designers and engineering team
  - ú Continuous improvement



FPSO Espoir Ivoirien

**Strong operational performance  
creates future success**



## Status - Polvo

- § VLCC with storage capacity of 1.6 mill barrels
- § Prosafe turret and swivel with deepwater capacity
- § Vessel at Keppel Shipyard, Singapore
- § All major equipment ordered
- § First dry dock completed
- § Project progressing as planned
- § Estimated time of start-up: Q2 2007





## Status - Tui

- § Suezmax with storage capacity of 0.8 mill barrels
- § Prosafe turret and swivel with deepwater capacity
- § Vessel at Keppel Shipyard, Singapore
- § All major equipment ordered
- § First dry dock completed
- § Project progressing as planned
- § Estimated time of start-up: Q2 2007



FPSO for Tui at Keppel Shipyard

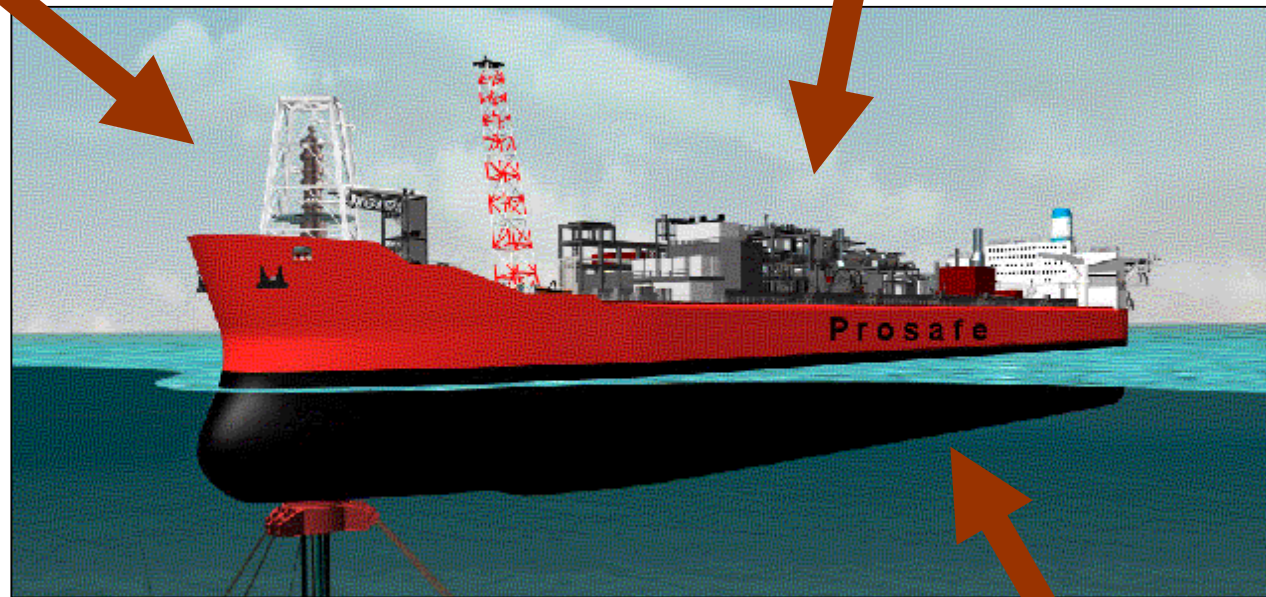


## Floating Production – strong Singapore FPSO cluster

Turret/Swivel are Prosafe  
designs fabricated in  
Singapore

Process facilities are  
engineered and fabricated in  
Singapore

FPSO layout is  
designed and  
engineered by  
Prosafe in  
Singapore

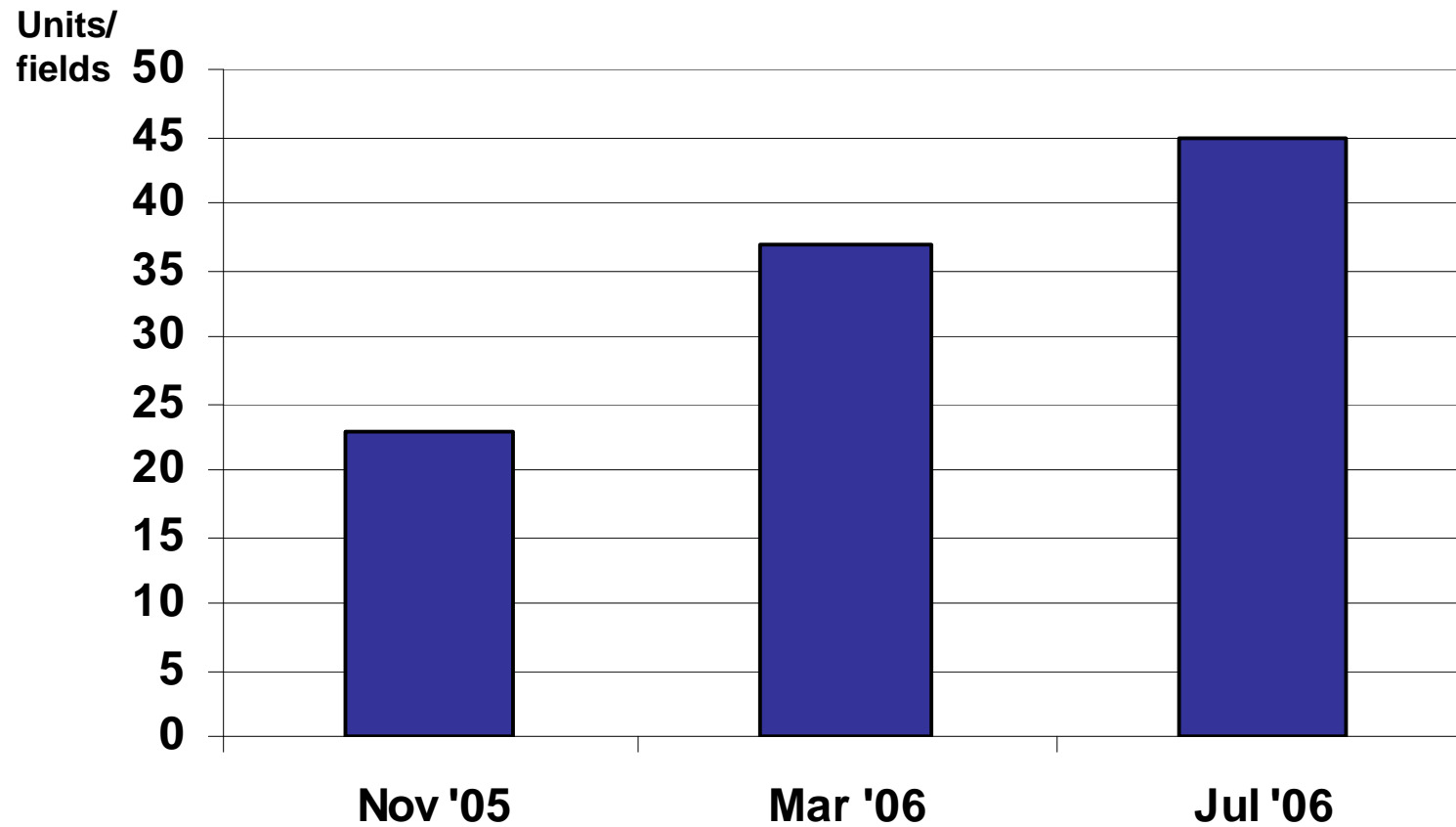


Hull repair and life extension are executed in Singapore





## Floater projects in the bidding/final design stage

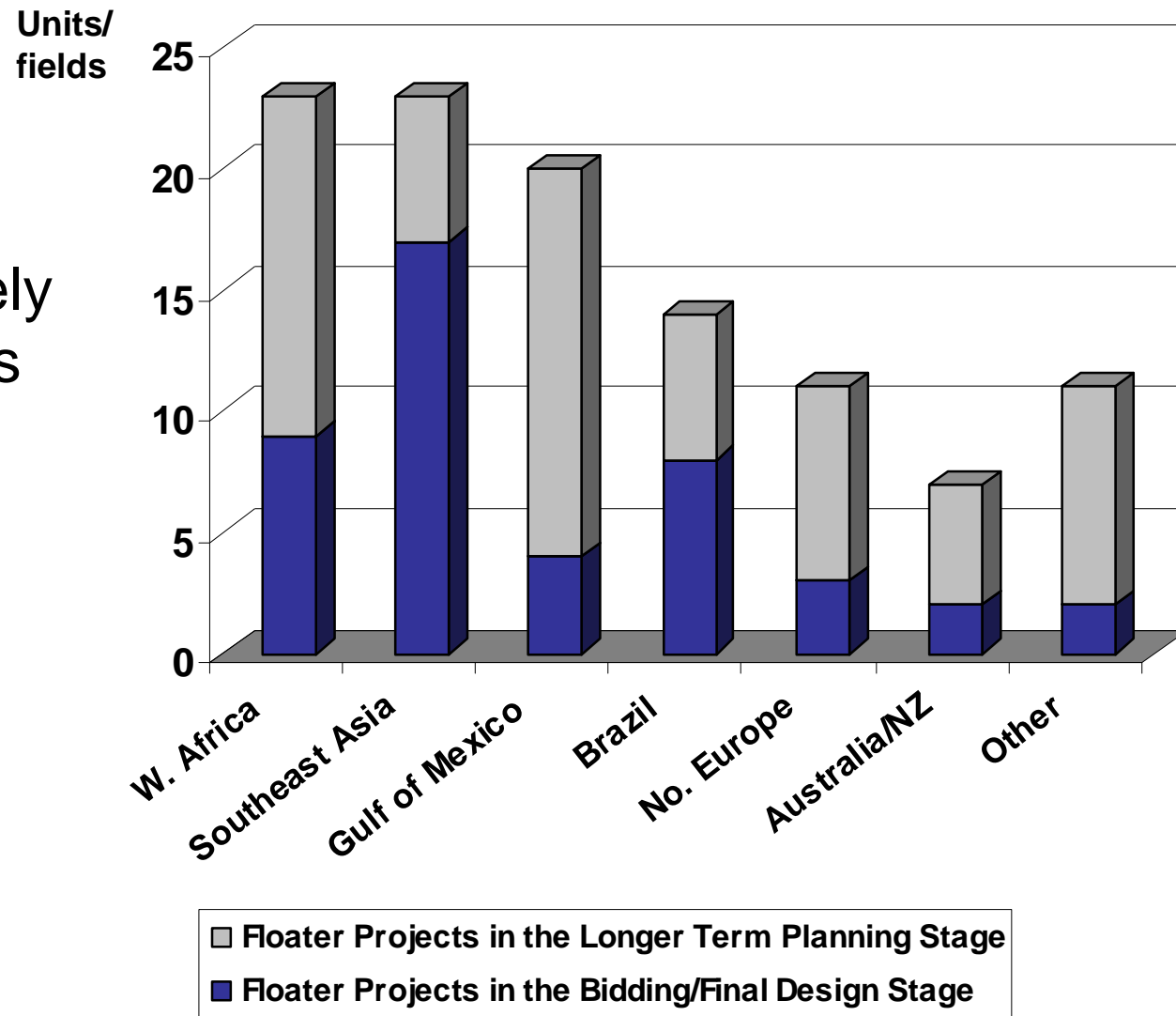


**Explosion in demand for floaters**



# 109 Floaters in the planning stages

60-70 are likely to be FPSOs





## All-time high bidding activity

- § Prosafe actively pursues several new FPSO projects with expected awards H2 2006/early 2007
- § Available engineering capacity from Q4
- § Access to hulls and shipyards for the relevant projects
- § More competition on smaller/less complex projects  
– less competition on larger/complex projects



## 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 project experience
- § Capacity to commence at least a third FPSO conversion in 2006
  - ú Available hull
  - ú Available engineering capacity
  - ú Available funding
- § All-time high bidding activity



FPSO Espoir Ivoirien



## Summary and outlook

- § Solid financial performance
  - § Financial performance expected to improve considerably the next 2 - 3 years
  - § Rig dayrates improving
  - § FPSO projects on time and within budget
- 
- § Well positioned to grow in the FPSO market





## Capital markets day – 22 August 2006

- § Capital markets day will be held on 22 August 2006
- § President & CEO Arne Austreid and Prosafe's corporate management team will provide insight into Prosafe's strategy, business divisions and growth opportunities
- § Please register no later than 14 August by sending an e-mail to [karine.cosemans@prosafe.com](mailto:karine.cosemans@prosafe.com)
- § Participants should gather in front of the Oil Museum, Kjeringsholmen 1, Stavanger at 10:30 hours. They can also meet up at Prosafe's offices, across the road from the Oil Museum, in Nedre Holmegate 30-34, 4th floor, 4006 Stavanger from 09:30 hours.
- § Anticipated return to Stavanger: 16:45 hours.