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**PRS – All time high profits and order intake of NOK 1,5 billion in 3<sup>rd</sup> quarter 2000****Highlights**

- ProSafe presents its best quarterly result so far:
  - Operating revenues increased by 76% to MNOK 693 compared to the prior year period.
  - Operating profit increased by 331% to MNOK 250 compared to the prior year period.
- ProSafe achieves two strategic milestones:
  - ProSafe acquires the MSV Regalia from Halliburton for MUS\$ 97.3. At the same time, the parties conclude a 5-year participation agreement which involves use of the rig in the international subsea construction market.
  - ProSafe and Schlumberger enter into a co-operation agreement for well intervention of subsea wells.
- ProSafe wins orders at a total value of MNOK 1.500 during the period.

*(Figures in brackets refer to the same period last year)*

**Main Figures**

In the 3<sup>rd</sup> quarter ProSafe made an operating profit of MNOK 250 (MNOK 58). The increase in operating profit compared to the same period last year is due to all time high profits within Offshore Support Services. The operating profit within this business area increased from MNOK 39 in the 3<sup>rd</sup> quarter last year to MNOK 236 in the 3<sup>rd</sup> quarter this year. The operating profit within Offshore Drilling & Related Services showed a reduction as a result of a temporary decline in activity levels, while the operating profit within Other Business increased as a result of some higher activity levels and also cost reductions.

In the 3<sup>rd</sup> quarter profit after taxes was MNOK 116 (MNOK -23), whilst the cash flow amounted to MNOK 253 (MNOK 79). The USD currency ratio strengthened compared to NOK during the 3<sup>rd</sup> quarter. A strong USD is of benefit to ProSafe as a major part of the charter rates are denominated in USD and the rigs are valued in USD. Thus the operating profit and also the value of the assets are strengthened by a strong USD. However, a strong USD has led to an unrealised currency loss of MNOK 76 relating to the long term USD loan being charged to the accounts in the 3<sup>rd</sup> quarter.

Adjusted for the unrealised currency loss, profit per share was NOK 7,29 in the 3<sup>rd</sup> quarter. Cash flow per share was NOK 9,61 (NOK 3,06).

Year to date operating profit as at 30 September 2000 was MNOK 458 (MNOK 146), profit after taxes MNOK 229 (MNOK 5) and cash flow per share NOK 15,99 (NOK 8,96). Adjusted for an accumulated currency loss of MNOK 151, profit per share was NOK 14,47.

**ProSafe ASA**

Risavika Havnering 224  
P.O. Box 143  
N-4098 Tananger, Norway

Telephone: +47 51 64 25 00  
Telefax: +47 51 64 25 01  
E-mail: prosafe@prosafe.no

**The ProSafe Group**

Business Enterprise No.:  
NO 977 356 059 VAT

Our date  
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Our reference

## Business Areas

In the 3<sup>rd</sup> quarter *Offshore Support Services* made an operating profit of MNOK 236 (MNOK 39). Included in the operating profit is a gain on sale of the Discoverer 1 drillship to Seatankers Management of MNOK 20. The fleet utilisation was 100%, an increase of 50%-points compared to the same period last year. The high fleet utilisation and the expansion of the rig fleet gave all time high profits within this area.

In the 3<sup>rd</sup> quarter *Offshore Drilling & Related Services* made an operating profit of MNOK 17 mill (MNOK 23), an increase of MNOK 7 compared to the same period last year. The increase is due to the start-up of the lightweight rig Rubicon on Snorre TLP and also the Oseberg South operation for Norsk Hydro. The decrease in operating profit compared to the same period last year is due to the fact that Rubicon was in operation during the whole period last year, and also the shortfall of the Valhall operation.

In the 3<sup>rd</sup> quarter *Other Business* made an operating profit of MNOK 4 (MNOK 1). During the period, the activity level has been moderate. The order backlog as at the end of the period was MNOK 172.

## Prospects

While ProSafe is always working towards organic growth, the company will also maintain a continuous evaluation of new markets, assets and partners. The acquisition of MSV Regalia and the conclusion of the participation agreements with Halliburton and Schlumberger regarding subsea construction and well intervention is as such important steps towards bringing ProSafe into new international growth markets.

The board of ProSafe has strong focus on the composition of the company. As a result, the sale of the Discoverer 1 drillship took place during the 3<sup>rd</sup> quarter. Further, ProSafe has decided to rename the business area Technology & Engineering to Other Business to clearly illustrate that core business is within Offshore Support Services and Offshore Drilling & Related Services.

ProSafe is listed on the Oslo Stock Exchange with ticker code PRS.

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For further information, please contact:

Arne Austreid	CEO	Phone +47 51642581/Mobile +47 90077334
Stig Christiansen	CFO	Phone +47 51642530/Mobile +47 90085961

### Highlights

ProSafe presents its best quarterly result so far:

- Operating revenues increased by 76% to MNOK 693 compared to the prior year period.
- Operating profit increased by 331% to MNOK 250 compared to the prior year period.

ProSafe achieves two strategic milestones:

- ProSafe acquires the MSV Regalia from Halliburton for MUSD 97.3. ProSafe receives a bareboat dayrate of USD 79,000 for 78 days from an existing contract on Oseberg South for Norsk Hydro. At the same time, the parties conclude a 5-year participation agreement which involves use of the rig in the international subsea construction market.
- ProSafe and Schlumberger enter into a co-operation agreement for well intervention of subsea wells. ProSafe will use the MSV Regalia for this work.

ProSafe wins orders at a total value of MNOK 1.500 during the period:

- Statoil awards ProSafe the drilling- and maintenance contract on Kvitebjørn. The contract has a duration of 3 years, and option periods of 3\*1 years. Value MNOK 350 excl. options.
- Esso awards ProSafe the drilling- and maintenance contract on Ringhorne. The contract has a duration of 4 ½ years, and option periods of 3\*2 years. Value MNOK 500 excl. options.
- Ocean Oil awards ProSafe a contract for the use of Safe Regency on the Cantarell field off Mexico. The contract has a duration of 768 days. Value MNOK 240.
- Norsk Hydro awards ProSafe a flotel contract on Grane. The contract has a duration of 152 days. Value MNOK 203.
- Ocean Oil extends the contract for the use of Jasminia on the Cantarell field by 113 days. Value MNOK 38.
- Shell extends the contract for the use of Safe Caledonia on the Shearwater field by 39 days. Value MGBP 2.
- Phillips awards ProSafe a 42 days contract for the use of Safe Scandinavia (former Polycrown) on the Judy field. Value MGBP 3.
- Statoil extends the contract for the use of Safe Britannia on Åsgard by 21 days. Value MUSD 2.
- Hyundai awards ProSafe a contract for the delivery of mud mix and mud control system for Maersk XL-1. Value MNOK 20.

*(Figures in brackets refer to the same period last year)*

### Main Figures

In the 3<sup>rd</sup> quarter ProSafe made an operating profit of MNOK 250 (MNOK 58). The increase in operating profit compared to the same period last year is due to all time high profits within Offshore Support Services. The operating profit within this business area increased from MNOK 39 in the 3<sup>rd</sup> quarter last year to MNOK 236 in the 3<sup>rd</sup> quarter this year. The operating profit within Offshore Drilling & Related Services showed a reduction as a result of a temporary decline in activity levels, while the operating profit within Other Business increased as a result of some higher activity levels and also cost reductions.

During the 3<sup>rd</sup> quarter the Board decided not to remain committed to the fabrication activity at Burntisland in Scotland. The estimated cost of MGBP 1.1 has been charged to the 3<sup>rd</sup> quarter accounts. In general terms this cost estimate is associated with personnel reductions, yard rental cost and write-down of the value of certain assets.

In the 3<sup>rd</sup> quarter profit after taxes was MNOK 116 (MNOK -23), whilst the cash flow amounted to MNOK 253 (MNOK 79). The USD currency ratio strengthened compared to NOK during the 3<sup>rd</sup> quarter. A strong USD is of benefit to ProSafe as a major part of the charter rates are denominated in USD and the rigs are valued in USD. Thus the operating profit and also the value of the assets are strengthened by a strong USD. However, a strong USD has led to an unrealised currency loss of MNOK 76 relating to the long term USD loan being charged to the accounts in the 3<sup>rd</sup> quarter.

Adjusted for the unrealised currency loss, profit per share was NOK 7,29 in the 3<sup>rd</sup> quarter. Cash flow per share was NOK 9,61 (NOK 3,06).

Year to date operating profit as at 30 September 2000 was MNOK 458 (MNOK 146), profit after taxes MNOK 229 (MNOK 5) and cash flow per share NOK 15,99 (NOK 8,96). Adjusted for an accumulated currency loss of MNOK 151, profit per share was NOK 14,47.

During the 3<sup>rd</sup> quarter, ProSafe acquired the semi submersible service rig MSV Regalia from Halliburton. The acquisition price of MUSD 97,3 was financed through the utilisation of a credit facility of MUSD 50. The credit facility will be converted into an ordinary term loan within the end of January 2001. The remaining amount was paid out of the cash balance of ProSafe.

During the last 12 months, ProSafe has invested MUSD 150 in new rigs. These investments are financed by using the strong cash flow and balance sheet of ProSafe.

At the end of the period, total assets amounted to MNOK 3.617 (MNOK 2.495), whilst the equity ratio was 42% (50%). The increase in total assets compared to the same period last year is due to the expansion of the rig fleet and increased activity levels.

### **Business Areas**

In the 3<sup>rd</sup> quarter *Offshore Support Services* made an operating profit of MNOK 236 (MNOK 39). Included in the operating profit is a gain on sale of the Discoverer 1 drillship to Seatankers Management of MNOK 20. The fleet utilisation was 100%, an increase of 50%-points compared to the same period last year. The high fleet utilisation and the expansion of the rig fleet gave all time high profits within this area.

*Safe Britannia* went off contract on Åsgard on 18 October, and ProSafe is currently working on securing new jobs for the rig. The contract for *Safe Caledonia* on Shearwater ended up 3 times as large as originally negotiated, and the rig did not go off contract until 18 October. *Safe Caledonia* will start the mobilisation for Mexico in the first half of November, and is expected to commence the contract on the Cantarell filed during January 2001. *Safe Lancia* is on contract until the end of August 2001, whilst *Safe Regency* is on contract until the end of 2002. The contract for *Jasminia* expires at year end, however ProSafe considers that there is a high possibility that the rig will be engaged on the Cantarell field also after the expiry of this contract. At the beginning of 2001, ProSafe will thus have 4 rigs located in Mexico. *Safe Scandinavia* is on contract with Statoil until the end of 2000. The rig will commence a 42-days contract for Phillips on the Judy field in April/May next year. ProSafe is working on securing new work for the rig. Currently *MSV Regalia* is involved in the rescue operation of the perished seamen from the sunken submarine Kursk in the Barents Sea. The Board has an optimistic view with regards to getting new assignments for the rig, also before the rig commences the contract with BP West of Shetland. The main challenges for Offshore Support Services in 2001 will be to secure a high fleet utilisation in the North Sea.

In the 3<sup>rd</sup> quarter *Offshore Drilling & Related Services* made an operating profit of MNOK 17 mill (MNOK 23), an increase of MNOK 7 compared to the same period last year. The increase is due to the start-up of the lightweight rig Rubicon

on Snorre TLP and also the Oseberg South operation for Norsk Hydro. The decrease in operating profit compared to the same period last year is due to the fact that Rubicon was in operation during the whole period last year, and also the shortfall of the Valhall operation.

During the 3<sup>rd</sup> quarter, the company was awarded both the Kvitebjørn contract for Statoil and the Ringhorne contract for Esso. Thus the company has again consolidated its reputation as the leading contractor within production drilling from fixed installations on the Norwegian Continental Shelf. The Board expects profits to increase in the 4<sup>th</sup> quarter due to a higher utilisation of Rubicon, the start-up of the drilling operation on Oseberg South and also the workover operation on Oseberg C. In addition, the main challenges going forward is to gain from the leading position the company holds and simultaneously evaluate additional services in connection with the drilling process and related offshore operations.

In the 3<sup>rd</sup> quarter *Other Business* made an operating profit of MNOK 4 (MNOK 1). During the period, the activity level has been moderate. The order backlog as at the end of the period was MNOK 172, and relates to the remaining business activities.

During the last year, this business area has experienced low activity levels and therefore weak results. The low activity is due to the fact that several big development projects have been postponed. However, the number of live quotations is large and the bidding activity is high. The Board expects profits to improve in the 4<sup>th</sup> quarter, however believes that the positive effects in main terms will be postponed until next year.

In spite of a major turnaround operation and cost cuts, the market for offshore fabrication services has remained depressed, especially on the British Continental Shelf. Also the market prospects remain pessimistic. Based on these facts, the Board has decided not to remain committed to the fabrication activity at Burntisland in Scotland. The Aberdeen and Azerbaijan operation will remain as before.

### **Prospects**

While ProSafe is always working towards organic growth, the company will also maintain a continuous evaluation of new markets, assets and partners. The acquisition of MSV Regalia and the conclusion of the participation agreements with Halliburton and Schlumberger regarding subsea construction and well intervention is as such important steps towards bringing ProSafe into new international growth markets.

The board of ProSafe has strong focus on the composition of the company. As a result, the sale of the Discoverer 1 drillship took place during the 3<sup>rd</sup> quarter. Further, ProSafe has decided to rename the

business area Technology & Engineering to Other Business to clearly illustrate that core business is within Offshore Support Services and Offshore Drilling & Related Services.

ProSafe 3rd Quarter 2000 - Main Figures

Profit & Loss Account

(NOK million)	3Q 00	2Q 00	3Q 99	30-09-00	30-09-99	1999
Operating revenues	693	538	394	1,626	1,209	1,573
Operating expenses	-388	-342	-298	-1,022	-930	-1,198
Merger and reorganisation expenses	0	0	0	0	-19	-19
<b>Operating profit before depreciation</b>	<b>305</b>	<b>196</b>	<b>96</b>	<b>604</b>	<b>260</b>	<b>356</b>
Depreciation	-55	-45	-38	-146	-114	-157
<b>Operating profit</b>	<b>250</b>	<b>151</b>	<b>58</b>	<b>458</b>	<b>146</b>	<b>199</b>
Interest income	9	8	6	23	21	28
Interest expenses	-26	-23	-16	-69	-48	-65
Other financial items	-71	-18	-62	-133	-90	-111
<b>Profit before other items</b>	<b>162</b>	<b>118</b>	<b>-14</b>	<b>279</b>	<b>29</b>	<b>51</b>
Other items	-38	-5	-4	-44	-18	-19
<b>Profit before taxes</b>	<b>124</b>	<b>113</b>	<b>-18</b>	<b>235</b>	<b>11</b>	<b>32</b>
Taxes	-8	-1	-5	-6	-6	-9
<b>Profit for the period</b>	<b>116</b>	<b>112</b>	<b>-23</b>	<b>229</b>	<b>5</b>	<b>23</b>
<b>Profit per share fully diluted (in NOK)</b>	<b>4.40</b>	<b>4.26</b>	<b>-0.90</b>	<b>8.72</b>	<b>0.21</b>	<b>0.88</b>

Other items include all revenues and expenses related to the operations of Consafe (Burntisland) Ltd. which ProSafe will not remain committed to. The comparison figures have been restated accordingly.

Balance Sheet

(NOK million)	30-09-00	30-06-00	30-09-99	31-12-99
Rigs	2,422	1,577	1,270	1,636
Other fixed assets	240	279	297	265
<b>Total fixed assets</b>	<b>2,662</b>	<b>1,856</b>	<b>1,567</b>	<b>1,900</b>
Other current assets	575	501	480	433
Cash and deposits	380	556	448	405
<b>Total current assets</b>	<b>955</b>	<b>1,057</b>	<b>928</b>	<b>838</b>
<b>Total assets</b>	<b>3,617</b>	<b>2,913</b>	<b>2,495</b>	<b>2,739</b>
Share capital	262	260	258	258
Other equity	1,264	1,139	996	1,016
<b>Total equity</b>	<b>1,526</b>	<b>1,399</b>	<b>1,254</b>	<b>1,274</b>
Interest free long term liabilities	35	37	30	32
Interest bearing long term liabilities	1,663	1,176	910	1,120
<b>Total long term liabilities</b>	<b>1,698</b>	<b>1,213</b>	<b>940</b>	<b>1,153</b>
Interest free short term liabilities	393	301	301	312
<b>Total short term liabilities</b>	<b>393</b>	<b>301</b>	<b>301</b>	<b>312</b>
<b>Total equity and liabilities</b>	<b>3,617</b>	<b>2,913</b>	<b>2,495</b>	<b>2,739</b>

<b>Key Figures</b>	<b>3Q 00</b>	<b>2Q 00</b>	<b>3Q 99</b>	<b>30-09-00</b>	<b>30-09-99</b>	<b>1999</b>
Operating margin <sup>1)</sup>	36.1 %	28.1 %	14.7 %	28.2 %	13.6 %	13.9 %
Equity ratio	42.2 %	48.0 %	50.3 %	42.2 %	50.3 %	46.5 %
Cash flow <sup>1)</sup> (NOK million)	253	167	79	420	231	293
Cash flow per share <sup>1)</sup> (NOK)	9.61	6.35	3.06	15.99	8.96	11.27
Interest service ratio <sup>1)</sup>	5.77	5.91	-0.15	4.41	1.75	1.88
Number of outstanding shares (1,000 shares)	26,166	26,036	25,793	26,166	25,793	25,798
Av. no. of outst. and potential shares (1,000 shares)	26,338	26,284	25,758	26,264	25,737	25,978
Market value (NOK million)	3,781	3,307	2,141	3,781	2,141	2,128
Employees	1,330	1,281	1,385	1,330	1,385	1,369

<sup>1)</sup> Excl. merger and reorganisation expenses.

#### **Key Figures - Definitions**

Operating margin (%)	(Operating profit / Operating revenues) * 100
Equity ratio (%)	(Equity / Total assets) * 100
Cash flow (NOK million)	Profit before taxes + Depr. + Write downs - Taxes paid +/- Unrealised curr. loss/gain
Cash flow per share (NOK)	Cash flow / Average number of outstanding and potential shares
Interest service ratio	(Profit before taxes + Interest expenses) / Interest expenses
Profit per share fully diluted (NOK)	Profit for the period / Average number of outstanding and potential shares

#### **Summary of shareholders as at 25-10-00**

**Number of shares: 26.165.870**

**Owned by foreign shareholders: 39,32%**

<b>Shareholder</b>	<b>Number of shares</b>	<b>Percentage</b>
JCE Group and associated companies	3,822,154	14.61%
Storebrand	2,178,677	8.33%
Gjensidige NOR	1,063,690	4.07%
DIA	1,027,849	3.93%
Avanse	1,000,747	3.82%
Putnam	849,493	3.25%
Folketrygdfondet	750,050	2.87%
Vital	659,965	2.52%
GMO	634,900	2.43%
Chase Manhattan Bank	620,800	2.37%
<b>Total 10 largest shareholders</b>	<b>12,608,325</b>	<b>48.19%</b>

(NOK million)	Offshore Support Services					
	3Q 00	2Q 00	3Q 99	30-09-00	30-09-99	1999
Operating revenues	354	263	77	738	242	348
Operating expenses	-75	-74	-9	-178	-42	-62
Merger and reorganisation expenses	0	0	0	0	-8	-8
<b>Operating profit before depreciation</b>	<b>279</b>	<b>189</b>	<b>68</b>	<b>560</b>	<b>191</b>	<b>277</b>
Depreciation	-43	-37	-29	-116	-87	-121
<b>Operating profit</b>	<b>236</b>	<b>152</b>	<b>39</b>	<b>444</b>	<b>104</b>	<b>156</b>
Total assets	2,733	2,084	1,563	2,733	1,563	1,863
Employees	76	80	41	76	41	41

(NOK million)	Offshore Drilling & Related Services					
	3Q 00	2Q 00	3Q 99	30-09-00	30-09-99	1999
Operating revenues	249	224	242	694	690	899
Operating expenses	-223	-207	-211	-631	-608	-794
Merger and reorganisation expenses	0	0	0	0	0	0
<b>Operating profit before depreciation</b>	<b>26</b>	<b>17</b>	<b>31</b>	<b>63</b>	<b>82</b>	<b>105</b>
Depreciation	-9	-7	-7	-23	-21	-27
<b>Operating profit</b>	<b>17</b>	<b>10</b>	<b>23</b>	<b>40</b>	<b>61</b>	<b>78</b>
Total assets	567	544	510	567	510	538
Employees	1,029	942	956	1,029	956	964

(NOK million)	Other Business					
	3Q 00	2Q 00	3Q 99	30-09-00	30-09-99	1999
Operating revenues	99	56	78	214	307	365
Operating expenses	-93	-59	-76	-213	-290	-358
Merger and reorganisation expenses	0	0	0	0	-6	-6
<b>Operating profit before depreciation</b>	<b>6</b>	<b>-3</b>	<b>2</b>	<b>1</b>	<b>11</b>	<b>1</b>
Depreciation	-2	-2	-1	-6	-5	-7
<b>Operating profit</b>	<b>4</b>	<b>-5</b>	<b>1</b>	<b>-5</b>	<b>6</b>	<b>-6</b>
Total assets	218	180	196	218	196	206
Employees	177	162	224	177	224	208