Prosafe

Annual report | 2007

Key financial figures

		NOTE	2007	2006
Profit				
Operating revenues	USD million		527.1	365.6
EBITDA	USD million	1	302.2	207.7
Operating profit	USD million		222.2	150.0
Net profit	USD million		143.7	128.1
Earnings per share	USD	2	0.63	0.64
Ordinary dividend per share	NOK		-	1.25
Special dividend per share	NOK		-	3.75
Balance sheet				
Total assets	USD million		2 624.0	2 145.9
Interest-bearing debt	USD million		1 351.1	638.9
Net interest-bearing debt	USD million	3	1 189.1	491.7
Book equity	USD million		1 038.6	1 089.7
Valuation				
Market capitalisation	USD million		4 016	3 251
Share price	NOK		94.50	88.50
Book equity per share	NOK	4	24.44	29.67

1 Operating profit before depreciation
2 Net profit / Average number of outstanding and potential shares
3 Interest-bearing debt - Cash and deposits
4 Book equity / Number of shares

Financial calendar

Reporting results
The following dates have been set for quarterly interim reporting and presentations in 2008:

1st quarter: 15 May 2008
2nd quarter: 14 August 2008
3rd quarter: 6 November 2008
4th quarter: 12 February 2009

Results will be published at 08.30 CET. The presentation and webcast will take place at 14:00 CET. Prosafe reserves the right to amend these publication dates.

Annual general meeting
The AGM for Prosafe SE will be held in the company's premises at Stadiou Street 126, CY-6020 Larnaca, Cyprus on Wednesday, 14 May 2008.

From modest beginnings in 1997, with operations only in Norway, we have through mergers, acquisitions and organic growth expanded our operations to embrace all major offshore oil and gas provinces in the world.

Letter from President and CEO

Value creation through internationalisation

Prosafe achieved excellent results during 2007. Our financial performance was our best so far and our operations were conducted in a safe, efficient and profitable manner. With the strategic decision to split the company, we have laid a solid foundation for a further profitable development of each business division as an independent, listed company.

Prosafe also enjoyed a good year in terms of orders received. Both business divisions have secured important new assignments and extensions of existing contracts, and have laid a good basis for solid future earnings.

Strong internationalisation

Our strong results reflect the fact that we have consistently anchored our goals and strategies in our vision of being "a leading and innovative provider of products and services in selected niches of the global oil and gas industry". From modest beginnings in 1997, with operations only in Norway, we have through mergers, acquisitions and organic growth expanded our operations to embrace all major offshore oil and gas provinces in the world.

In 2007 we started operations in Brazil and New Zealand, and were awarded our first FPSO contract in Australia. This further strengthened our international presence and gave us firm foothold in new geographical areas. Being closer to current and potential customers will support us in our efforts to further expand business opportunities in these countries.

Headquartered in Cyprus

Prosafe operates in a global and highly competitive industry. In order to ensure the best value creation for our shareholders and to secure the company's further competitiveness and sustainable development, we have moved our headquarters to Cyprus. Thereby, we have located the company in a jurisdiction which provides a predictable fiscal regime with stable and attractive conditions giving us improved growth opportunities.

Expanding FPSO business

The business division Floating Production has seen tremendous growth over the last years. We have step by step expanded our fleet by converting tankers to FPSOs against fixed long-term contracts. When the three FPSOs currently being converted start their operations, we will own and operate eight FPSOs and two FSOs.

A large, competent engineering department, combined with a capability for conducting three conversion projects in parallel, and proprietary turret-mooring technology give us major competitive advantages. Close cooperation with clients and interaction between our engineering and operations departments contribute to the continuous improvement of the design and functionality of our vessels and the highest level of safe, efficient and reliable operations. The average uptime in 2007 for all our FPSOs and FSOs was 99.3 per cent, which is an excellent result.

The market outlook for FPSOs is very bright. Based on the persistent high oil prices, the industry's move into steadily deeper waters, the increasing willingness to exploit marginal fields, and the growing emphasis on fast-track developments, there will be a strong demand for FPSOs in the years to come. Floating Production has the track record, the required financial strength and engineering capacity to further consolidate its position as one of the leading players in this segment.

Growing market for accommodation rigs

The business division Offshore Support Services is the world leader within its segment. We have gradually consolidated the market for semi-submersible accommodation/service rigs, and now own 11 of 17 units. In addition, we own one jack-up accommodation rig. The division has this year demonstrated a high level of rig utilisation, and has secured several important new contracts and contract extensions at profitable day rates.

Initially these rigs were used for hook-up and commissioning of new installations in the North Sea. The increased demand for our rigs relates to the broader set of areas of application for this type of units. We have given support in relation to upgrading, repair and maintenance of existing installations and assisted during tie-backs of new fields to existing installations. We observe a growing market for using our rigs for decommissioning of ageing, fixed installations, particularly in the North Sea. Furthermore, we have worked actively to market our rigs world-wide, and now possess experience from all major offshore regions.

The market for accommodation/service rigs looks very strong. We see an increasing demand in all phases of an oil field's value chain and day rates continue to climb. We will continue to develop our market position proactively, and believe that our strong market position, solid track record and versatile rig fleet provide an attractive basis for future strategic development.

Milestones in 2007

We passed several important milestones in 2007. Floating Production completed the conversions of the FPSO *Umuroa* and FPSO *Polvo* according to plan. The vessels achieved first oil early August.

Offshore Support Services secured an important contract for the *Safe Astoria* at Sakhalin in Russia. The division also won its first contract in the emerging decommissioning market.

We work to be in the forefront for applying new cost-effective technology in strategically selected areas, and have in this respect had several break-throughs this year. Floating Production was awarded a contract for an FPSO with drilling capacity, a so-called FDPSO, which will be one of the world's first units of this kind. In addition, the business division will apply its first in-house developed disconnectable turret on an FPSO that will arrive at the field offshore Australia in late 2008.

The right people in the right places

An important key factor for our success is that we have the right people in the right places, taking the right actions at the right time. We had 1 360 employees from 42 countries at 31 December. Their dedicated and focused commitment during 2007 has been vital to the company's success.

Our employees represent a diversity of cultures, ages, experience and expertise, and we attach great importance to creating a common identity across company and national boundaries. Our identity is based on our core values which guide the behaviour of our employees. These values provide the foundation for all our work, and help us to achieve efficient, safe and profitable operations.

Focus on safe behaviour

Good health, safety and environmental (HSE) results are extremely important to us, and we work systematically to reduce the number of injuries and serious incidents. Our operations had a lost-time injury frequency of 2.3 and experienced seven lost time injuries in 2007. Fortunately none of the incidents had serious consequences for those involved, but we know that some of them had the potential for further escalation. We can and will not accept that people get injured while working for Prosafe and will therefore further intensify our efforts to reach our target of zero injuries.

We had a total of 8.3 cubic metres of oil spills in 2007. The largest was a spill from the FPSO *Umuroa* in New Zealand, which resulted in six cubic metres of oil contaminated sand along a section of the Taranaki coast. The sand has been cleaned up, and fortunately there has been no permanent damage to the environment. The incident has been thoroughly investigated, and we have taken the necessary measures to guard against any repeat. It is our objective to conduct our business with no adverse environmental impact.

Our business divisions have established and implemented the necessary procedures, systems and training programs. However, statistics show that almost 80 per cent of injuries are caused by human error. Therefore, we will further emphasise safe behaviour, continuing the work of establishing a safety culture where all employees perform their work in a safe manner, take a proactive approach to reducing risk, and report undesirable conditions.

Strategic split

The company's strong growth and internationalisation have resulted in two financially strong business divisions with solid order backlogs. It is our main objective to add value for our shareholders, so we decided in 2007 to evaluate whether the divisions would benefit from becoming independent, listed companies.

Based on thorough evaluations, it was decided to split the company in one accommodation/service rig company and one floating production company. Both companies will be focused, robust and financially strong, with capable organisations, high quality assets, global presence and solid contract portfolios. The split process, including listing of a new entity, is expected to be completed by the end of the second quarter of 2008.

As independent companies, they will have a strong basis for benefiting from the bright market outlook and firm demand for their services. I am confident that they are well equipped to further enhance their leading positions, ensuring further sustainable and profitable growth for the benefit of all stakeholders.

Arne Austreid
President and CEO

The year 2007

Key figures

- Operating revenues of USD 527 million.
- Operating profit before depreciation of USD 302 million.
- Operating profit of USD 222 million.

The share

- The Prosafe share price at 31 December 2007 was NOK 94.50 and its market capitalisation stood at NOK 21.7 billion, an increase of 6.8 per cent from 31 December 2006 before adjustment for dividend.
- Prosafe paid an ordinary dividend of NOK 1.25 per share and a special dividend of NOK 3.75 per share for fiscal 2006.

Order backlog

- Prosafe had a total order backlog of USD 2.5 billion at 31 December 2007 excluding option periods and of USD 4.6 billion including option periods.

Health, safety and the environment

- Lost-time injury frequency of 2.3 for rig and FPSO/FSO operations and of 0.9 for the FPSO conversion projects.
- Sickness absence was low, and stood at 0.67 per cent.

Operations

- Floating Production's FPSOs had an operating regularity of 99.3 per cent.
- Offshore Support Services' rig utilisation was 88 per cent.

New contracts/important events

Q1 2007

- The S*afe Scandinavia* accommodation/service rig was awarded a four-month contract with a one-month option in the British sector of the North Sea.

Q2 2007

- Apache awarded Prosafe a seven-year contract with options for up to eight years for the supply and operation of an FPSO with a disconnectable turret.
- The *Safe Bristolia* accommodation/service rig was awarded a six-month contract in the British sector of the North Sea.

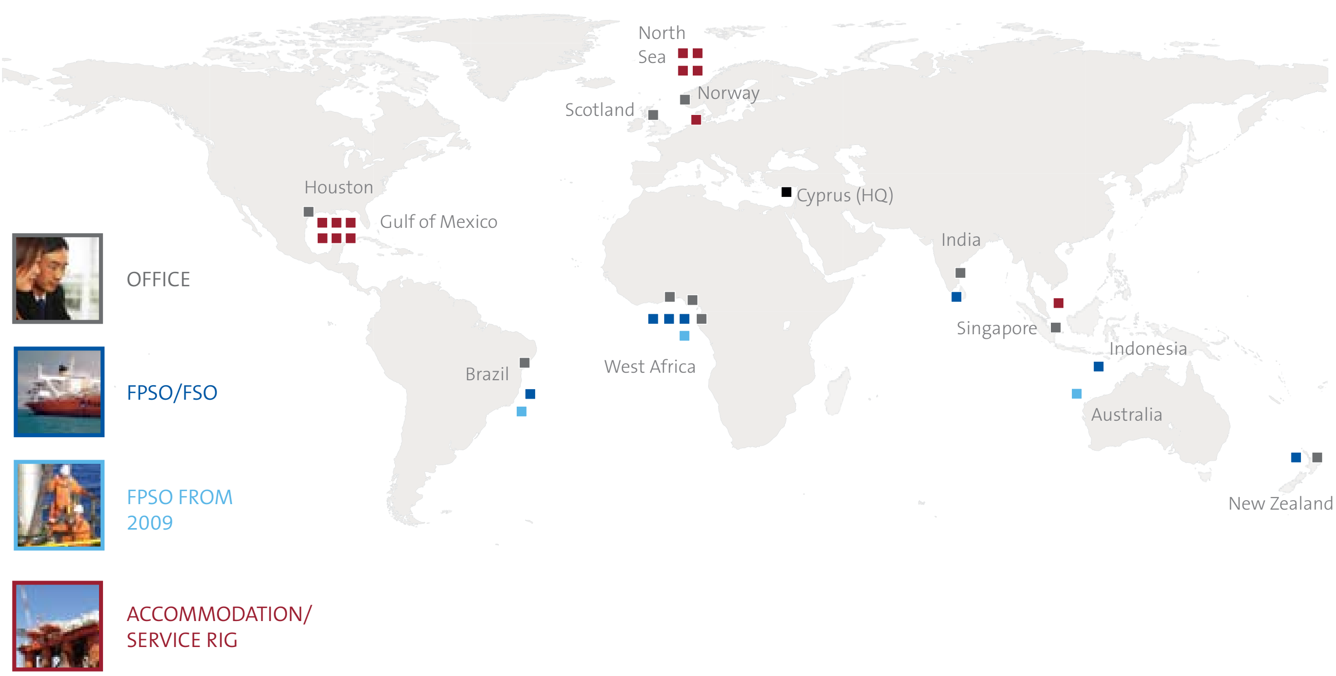
Q3 2007

- The contract for use of the FSO *Endeavor* was extended by two years until June 2009.
- FPSO *Polvo* and FPSO *Umuroa* achieved first oil.
- Prosafe was awarded a contract for the upgrade of the FPSO *Espoir Ivoirien* in order to increase total liquid handling capacity from 50 000 to 70 000 equivalent barrels per day.
- Prosafe SE relocated to Cyprus.

Q4 2007
- The *Safe Astoria* accommodation/service rig was awarded a two-year contract with a one-year option at Sakhalin, Russia.
- The contract for FPSO *Petróleo Nautipa* at the Etame field in Gabon was extended by four years until September 2015 with two one-year options.
- The contract for use of the *Safe Concordia* was extended.
- Prosafe secured a contract for Murphy West Africa for the conversion and operation of a Floating Drilling, Production, Storage and Offloading vessel (FDPSO) offshore the republic of the Congo. The charter has a firm period of seven years and four two-year options.
- The board of directors of Prosafe decided to split the company into two listed companies: one focused accommodation/service rig company and one focused floating production company.
- Total E&P UK Ltd and Elf Exploration UK Ltd exercised the one-year option for the provision of the *Safe Caledonia*.
- BP Norge AS awarded Prosafe a two-year contract with a six-month option for the provision of the *Safe Scandinavia* and thereafter of the MSV *Regalia* at Valhall in the North Sea.
- MSV *Regalia* was awarded a nine-month contract for decommissioning support at the MCP-01 platform in the UK sector of the North Sea.

Q1 2008
- *Safe Bristolia* was awarded a six-month contract for Nexen at Buzzard with start-up in April 2010 and a dayrate of USD 325 000.
- Prosafe secures bareboat contracts for *Safe Britannia, Safe Lancia, Safe Regency, Safe Hibernia* and *Jasminia* in Mexico for a total value of USD 378 million.

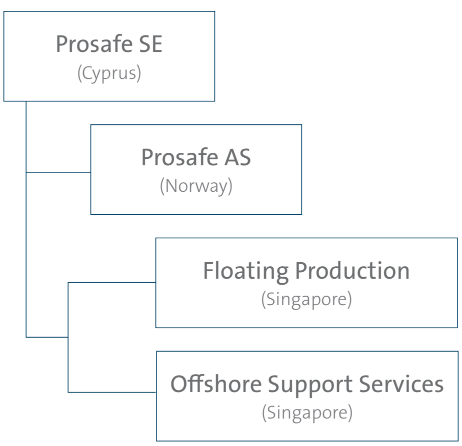
Operations as per February 2008



Prosafe in brief

Prosafe ranks as the world's leading owner and operator of semi-submersible accommodation/service rigs and is a leading owner and operator of floating production, storage and offloading units (FPSOs). End 2007 the company had operations in 15 countries and employed 1 360 employees. Prosafe is listed on the Oslo Stock Exchange and posted revenues of USD 527 million in 2007.

Prosafe SE is headquartered in Cyprus. The group has two business divisions, Offshore Support Services and Floating Production, which both are headquartered in Singapore.



Offshore Support Services is the world's leading owner and operator of semi-submersible accommodation/service rigs and owns 11 of 17 available units. In addition, the division owns one jack-up accommodation/service rig. Six of the division's rigs are dynamically positioned. This has made the fleet more versatile and able to operate in a diversity of geographical regions. Five of the division's units are on long-term bareboat charters in the Gulf of Mexico. The seven other rigs are marketed globally.

Floating Production is a leading owner and operator of FPSOs and FSOs, and has a fleet of seven units of this kind. The division's vessels are primarily operated and marketed off West Africa, Brazil, Southeast Asia and Australasia, which are the fastest-growing markets for FPSO-based field developments. In addition, the division is converting three tankers to FPSOs that are expected to achieve first oil in Brazil, the Republic of Congo and Australia in late 2008/early 2009. Floating Production's engineering department offers innovative, custom built FPSO designs, including turret mooring systems capable of handling a significant numbers of risers in both shallow and deep waters worldwide.

Position in the value chain

Prosafe's activities fall within the latter part of an oil field's life cycle. Accordingly, it operates in the value chain segment that is most robust in relation to oil price fluctuations. This strategy ensures sustainable growth for the company and a high return on equity in relation to risk.

History

Prosafe was formed in 1997 when the platform drilling and technical services divisions de-merged from Transocean as a separate company. This company was listed on the Oslo Stock Exchange as Procon Offshore ASA. The company merged with Safe Offshore ASA, thereby entering the business segment of accommodation/service rigs, and changed its name to Prosafe ASA.

Nortrans Offshore was established in Singapore in 1985, and performed its first FSO conversion in 1985 and its first FPSO conversion in 1994. The in-house engineering department engineered and constructed its first turret mooring system in 1991. Prosafe acquired Nortrans Offshore in 2001, thereby extending its activities to include the conversion, chartering and operation of FPSOs and FSOs.

Prosafe refined its commercial portfolio in 2005 with the sale of the Drilling Services division. In 2006 the company acquired Consafe Offshore AB, which owned three semi-submersible accommodation/service rigs and one accommodation/service jack-up. The acquisition cemented Prosafe's leading position in the market for semi-submersible accommodation/service rigs.

In December 2007 it was decided to split the company in one accommodation/service rig company and one floating production company. The split process, including listing of a new entity, is expected to be completed by the end of the second quarter of 2008.

Vision and core values - our backbone

Prosafe's workforce counted 1 360 employees from 42 countries at year-end. These employees represent a diversity of nationalities, cultural backgrounds, ages, education and experience.

In order to ensure a uniform high standard and create an identity across company and national boundaries, it is important that the company's vision and core values are at the basis of all activities and decisions.

Prosafe's vision is to be a leading and innovative provider of technology and services in selected niches of the global oil and gas industry.

VALUE CHAIN

Seismic surveys

Exploration and development

Pre-engineering / concept studies

Fabrication / installation

Production and maintenance

Abandonment

Prosafe´s position in the value chain

Core values

Respect - we respect human rights and treat people equally, regardless of their gender, age, nationality, culture and religion. We treat our assets and finances respectfully, and follow governing laws and regulations.

Innovation - we improve production processes through innovative technology and application engineering, and offer cost-efficient solutions to improve oil recovery from fields.

Safety - we believe it is possible to pursue our business without injuries and damage to people, assets and the environment. We believe in the zero mindset, and will continue our efforts to improve our safety results.

Ambition - we are ambitious in our goal-setting, and strive continuously to improve. We actively seek challenges and chase business opportunities.

Focus - we will be focused when setting goals and establishing strategies, using our vision as a foundation at all times. We work in a focused way to deliver safe and cost-efficient operations.

The environment - we believe that active preventive efforts will allow us to pursue our business without a negative impact on the natural environment.

Profitability – the result of our thinking and actions, based on our core values, will be a high cost/benefit performance and prosperity for all our stakeholders.

Financial objective

Prosafe's financial objective is to secure a competitive return for its shareholders through a combination of share price appreciation and dividends. During 2007 the Prosafe share appreciated 6.8 per cent before adjustment for dividend. The company paid an ordinary dividend of NOK 1.25 per share for fiscal 2006 as well as a special dividend of NOK 3.75 per share in 2007.

Ownership

Prosafe is listed on the Oslo Stock Exchange with ticker code PRS. At 31 December Prosafe's shares were owned by 4 599 investors.

Important events since the company's founding

2008	Prosafe secures contracts for five rigs in Mexico at a total value of USD 378 million.
2007	The board of directors decides to split the company into two listed companies, one accommodation/service rig company, and one floating production company. Prosafe SE relocates to Cyprus. FPSO *Polvo* and FPSO *Umuroa* achieve first oil. Prosafe is awarded a seven-year FPSO contract for Apache in Australia. The FPSO will be equipped with Prosafe's in-house developed disconnectable turret mooring system.
2006	Prosafe is awarded a nine-year charter to provide and operate a deepwater gas FPSO for Petrobras in Brazil. Prosafe is awarded a contract by Murphy West Africa for the conversion and operation of a Floating Drilling, Production, Storage and Offloading vessel (FDPSO) offshore the republic of the Congo. Prosafe acquires Consafe Offshore AB, owning three semi-submersible accommodation/service rigs and one accommodation/service jack-up.
2005	Prosafe secures a five-year charter to provide and operate an FPSO on the Tui field off New Zealand. Prosafe is awarded a seven-year charter to provide and operate an FPSO on Devon's Polvo field in Brazil. The Drilling Services division is sold.
2004	Prosafe begins its first accommodation rig charters off West Africa and Tunisia.
2003	Prosafe secures a five-year bareboat charter for five accommodation/service rigs in Mexico.
2002	Prosafe acquires the *Safe Hibernia* (formerly *Polyconcord*) accommodation/service rig. FPSO *Espoir Ivoirien* commences a 10-year charter off the Ivory Coast for Canadian Natural Resources. Prosafe is awarded an eight-year charter to provide and operate *Abo FPSO* on the Abo field off Nigeria.
2001	Nortrans Offshore Ltd is acquired, and Prosafe enters the FPSO segment.
2000	Prosafe acquires MSV *Regalia.*
1999	The *Safe Scandinavi*a (formerly *Polycrown*) accommodation/service rig is acquired.
1998	Prosafe acquires Discoverer ASA, which owns the *Jasminia* and *Safe Regency* accommodation/service rigs.
1997	Procon Offshore ASA is founded through a de-merger from Transocean, and is listed on the Oslo Stock Exchange. Safe Offshore ASA, which owns three accommodation/service rigs (*Safe Britannia, Safe Caledonia* and *Safe Lancia*) is founded and listed on the Oslo Stock Exchange. Procon Offshore ASA and Safe Offshore ASA merge.

Corporate management

PROSAFE SE

Arne Austreid, president and CEO

Mr Austreid (born 1956) has been president and CEO of Prosafe SE since 1999.

Educated as a petroleum engineer, he also holds an MBA from the University of Aberdeen. Mr Austreid joined Prosafe in 1998 as vice president marketing and business development. From 1982-98, he held a number of positions in Transocean, both on land and offshore, and was president at his departure.

Shares in Prosafe: 62 500 Synthetic share options: 300 000

PROSAFE SE

Karl Ronny Klungtvedt, executive vice president and CFO

Mr Klungtvedt (born 1973) has been executive vice president and CFO of Prosafe SE since May 2007.

He holds an MPhil in Economics from University of Cambridge and a BEng in Engineering from University of Newcastle upon Tyne. Mr Klungtvedt joined Prosafe in 2002 and has held several positions, last as vice president finance and treasury. Prior to joining Prosafe, he held various positions in Nordea and Accenture.

Shares in Prosafe: 930 Synthetic share options: 225 000

PROSAFE SE

Bjørn Henriksen, chief operating officer

Mr Henriksen (born 1961) has been chief operating officer since May 2007.

He graduated as chartered public accountant from the Norwegian School of Economics and Business Administration in Bergen. Mr Henriksen joined Transocean in 1992 and has held a number of positions there and in Prosafe, including president of Offshore Support Services, president of Floating Production and executive vice president and CFO of Prosafe SE.

Shares in Prosafe: 700 Synthetic share options: 250 000

OFFSHORE SUPPORT SERVICES

Robin Laird, president

Mr Laird (born 1963) has been president of Offshore Support Services since March 2005.

He holds a BSc from Edinburgh University and is a chartered public accountant in Scotland. Mr Laird was appointed vice president finance for Offshore Support Services in 1995. Before that, he worked as controller at the Ben Line Group in Edinburgh.

Shares in Prosafe: 0 Synthetic share options: 250 000.

FLOATING PRODUCTION

Roy Hallås, president

Mr Hallås (born 1965) has been president of Floating Production since May 2007.

With an engineering degree from the Norwegian University of Science and Technology, Trondheim, he joined Prosafe in 1997 and has held a number of positions there. These include president of Prosafe Drilling Services, executive vice president corporate relations and executive vice president corporate business development. Prior to joining Prosafe, he held various posts in Transocean, the Norwegian Petroleum Directorate and Norsk Hydro.

Shares in Prosafe: 930 Synthetic share options: 250 000

Strategy and outlook




CORPORATE STRATEGY

In December 2007 Prosafe proposed to the general meeting that the company be split into two focused publicly listed companies. The intention was to create two companies which, on an independent basis, would enhance growth and value creation for the benefit of all shareholders. Both companies will have the resources and financial capacity to deliver growth in line with previously communicated goals.

The split process, including listing of a new entity, is expected to be completed by the end of the second quarter of 2008.

The two companies intend to continue strengthening and developing their leading positions in Offshore Support Services and Floating Production. In this context, investments in businesses and assets with the potential of increasing the growth rate and earnings potential within its core businesses will be considered.

OFFSHORE SUPPORT SERVICES

Strategy

Over the last decade the business division Offshore Support Services has maintained a steady focus on strengthening its position as the world's largest provider of versatile semi-submersible accommodation/service rigs. Six of its 12 units are equipped with systems for dynamic positioning. Thereby, Offshore Support Services has six rigs which are well positioned for taking on assignments in deep water and areas with extensive seabed infrastructure. In 2008, five of the division's rigs are operating in the North Sea, and are competing in this market with only two other units. Upgrading and investment have provided Offshore Support Services with competitive advantages because the fleet is more flexible and can be deployed in a larger number of geographical locations than the rigs offered by competitors.

In the long term, Offshore Support Services wants to develop its leading position in the most advanced market for accommodation/service rigs. At the same time, it will seek to expand the fleet with new units where this can be achieved without weakening the balance between supply and demand.

Outlook

Offshore Support Services continues to see increasing day rates. Its most recent fixtures have been made at rates approximately 50 per cent above rates achieved in charters entered into in 2006. The high activity level has sparked increased interests in the accommodation market among new players. The majority of new players are focusing on more benign waters and are building capacity through the construction of accommodation monohulls and barges. Only one player has two semis under construction, one for benign waters, and one for the North Sea. These rigs may be available in 2010-11. There is, however, a boost in the demand for flotel services both in the short and longer term. A particularly high level of activity is being witnessed in the North Sea. As such, new planned capacity is expected to be absorbed by the increasing demand for this type of vessels.

Offshore Support Services has currently secured work for large parts of 2008 and 2009 for all rigs. However, certain rigs still have available slots and can take advantage of the strengthening market and day rates. Overall, this provides the basis for an optimistic view of the business division's prospects for the next few years.

FLOATING PRODUCTION

Strategy

The business division Floating Production aims to be the leading player in the segment for owning, converting and operating FPSO units worldwide. Prosafe will be the best FPSO player over time in terms of safe, efficient and profitable operations. It is the business division's ambition to deliver the highest uptime of production facilities in the FPSO industry. During 2006-07 Floating Production has continued to increase its market share.

Through winning new projects and focusing on increasing its engineering capacity and technology base, Prosafe is positioned in the top segment of the FPSO market where competition is less fierce and barriers of entry high. The players in this segment possess significant engineering resources as well as proprietary technology.

The business division's geographical priority areas are West Africa, Australasia and Brazil. At the same time, its long-term ambition is to create supplementary volume from the sale of technology developed in-house.

Outlook

All the major players in the FPSO segment built up substantial order backlogs during 2006-07. A further increase in the level of activity is likely in 2008-09 on the basis of today's active drilling programmes and planned field developments.

Prosafe accordingly expects strong growth in this segment. Its goal is to win two new projects during 2008.

Prosafe's strong growth has kicked off the decision to split the company into two independent, listed companies, strongly positioned for further sustainable and profitable growth.

Directors' report

Prosafe is a global company with leading positions in the segments of accommodation/service rigs and floating production. Both divisions are firmly established as leading service providers in the latter part of an oil field's life cycle. The company enjoys a favourable position in an industry with an expanding level of activity. Operating profit for 2007 was Prosafe's best ever, signifying a continuation of the positive trend of previous years.

Income statement

Consolidated revenues in 2007 ended at USD million 527.1 (USD 365.6 million in 2006). Revenues in the Offshore Support Services division rose by USD 103.5 million. This reflects a high utilisation factor and rising dayrates, as well as a larger fleet following the acquisition of Consafe Offshore AB in summer 2006. Revenues in the Floating Production division increased by USD 57.8 million in 2007 compared with 2006. This increase is attributable to revenues from the FPSOs *Umuroa* and *Polvo*, which both came on stream in the third quarter of 2007.

The group's operating profit for 2007 was USD 222.2 million (USD 150.0 million). This improvement reflects both the higher revenues in Offshore Support Services and the new FPSOs which came into operation. Depreciation rose by USD 22.3 million, primarily due to increased depreciation of the FPSO fleet.

Net interest expenses totalled USD 53.6 million in 2007, an increase of USD 30 million from 2006. The company's net debt increased from USD 491.7 million at the end of 2006 to USD 1 189.1 million at 31 December 2007. During 2007 Prosafe increased its debt, mainly in relation to investing in five new FPSOs, two of which came into operation in 2007, whilst the other three are expected to be delivered towards the end of 2008. The general short-term interest rate level remained steady during most of 2007 at an average three month USD LIBOR rate of circa 5.3 per cent. Including credit margin paid on loans, the average interest rate in 2007 was circa 6 per cent, which represents an increase from 2006 when the average interest rate was 5.5 per cent. Other financial items amounted to USD 10.9 million negative (USD 16.6 million positive) which primarily refer to a lower market value of the company's financial instruments.

Prosafe's tax expense in 2007 was USD 14.0 million (USD 14.9 million), which corresponds to a tax rate of 8.9 per cent. Tax expenses relate mainly to withholding tax incurred in countries in which the company's vessels operate.

Net profit for the group thereby amounted to USD 143.7 million (USD 128.1 million), and diluted earnings per share were USD 0.63 (USD 0.64).

Share capital

At 31 December 2007, there were 229 936 790 fully-paid ordinary shares of a nominal value of EUR 0.25 each (2006: 229 936 790 of NOK 2.00 each). The nominal value of shares was denominated in NOK prior to the change of domicile from Norway to Cyprus in September 2007. There have been no other changes to the share capital during 2007. The shares are listed on the Oslo Stock Exchange with ticker code PRS.

Shareholders

The shareholder register at 31 December 2007 showed that one shareholder owns or controls 26.5 per cent of the company's shares. No other shareholder owns or controls more than 10 per cent of the shares. Combined, the ten largest shareholders owned 56.6 per cent of the shares, with remaining shares held by over 4 500 investors.

Capital

Total assets end of 2007 were USD 2 624.0 million (USD 2 145.9 million). The increase in the balance sheet total primarily reflects investments in the Floating Production division. Investments in conversion projects were USD 420 million.

In 2007 the company paid NOK 1.25 per share (NOK 1.10 per share in 2006) in ordinary dividend for 2006, and a special dividend of NOK 3.75 per share. In addition, a special dividend of NOK 4 per share declared in 2006 was paid in early 2007.

Borrowing in 2007 totalled USD 718 million (USD 750 million), while loan repayments came to USD 16 million (USD 508 million). Gross investment in 2007 was USD 457 million (USD 1 023 million). The bulk of the amount represented capital spending in new conversion projects in Floating Production, whilst USD 32 million related to upgrades and maintenance investments in the accommodation/service rigs. In coming years, investments in new FPSO conversion projects are expected to remain high. For the accommodation/service rigs general maintenance investment may increase, if the company decides to undertake significant life extending activities for selected North Sea employed vessels.

End of 2007 Prosafe had USD 162.0 million (USD 147.2 million) in overall liquid assets. The book equity ratio at year-end was 39.6 per cent (50.8 per cent). This decline reflects the company's high investments and corresponding increase in net debt in 2007. The increase in net debt from USD 492 million in 2006 to USD 1 189 million in 2007 reflects the high investment activity. The increased leverage in the business corresponds with a high increase in long term contracts. Viewed overall, Prosafe has developed a solid financial position which supports its expressed strategy and dividend policy.

Offshore Support Services

Through its Offshore Support Services division, Prosafe owns 11 of the world's 17 semi-submersible accommodation/service rigs. During the year these rigs served charters in the North Sea, Gulf of Mexico, West Africa and Russia. Total rig utilisation in 2007 was 88 per cent (92 per cent).

Safe Hibernia, *Jasminia*, *Safe Britannia*, *Safe Lancia* and *Safe Regency* continued their five-year charters in the Gulf of Mexico, which began in 2003. In spring 2006, *Safe Concordia* began a one-year charter at the Cantarell field. This charter has since been extended, and is now firm until mid-2008. This rig is then expected to be mobilised to the US Gulf, where it will be on charter for ChevronTexaco. *Safe Caledonia* was on charter on the UK continental shelf, and is contracted until the spring of 2010. Early 2007 *Safe Scandinavia* was granted an Acknowledgement of Compliance for working on the Norwegian continental shelf. The vessel operated in Norwegian waters during the second and third quarters, and initiated a contract on the UK continental shelf early in the fourth quarter. MSV *Regalia* was on charter off Angola until November, when she started mobilising to the North Sea. She is contracted for work in the North Sea until late 2010 or early 2011. *Safe Bristolia* was in operation at Sakhalin until November 2007 when she started preparations ahead of a planned mobilisation to the North Sea. The vessel is expected to commence operations on the UK shelf in March 2008. In 2007 *Safe Astoria* was awarded a two-year contract for operations at the Sakhalin field. She commenced a standby period in December 2007, and is expected to commence operations in the second quarter of 2008. *Safe Esbjerg*, which is Prosafe's only jack-up accommodation/service rig, was on contract for Maersk on the Danish continental shelf during the entire period.

Operating revenues in 2007 amounted to USD 376.1 million (USD 272.6 million) resulting from higher dayrates. Correspondingly, the operating profit rose to USD 175.8 million (USD 117.3 million).

Floating Production

In its Floating Production division, Prosafe owns and operates seven FPSOs and FSOs. It owns and operates five floating production, storage and offloading (FPSO) vessels: FPSO *Polvo* off Brazil, FPSO *Umuroa* off New Zealand, *Abo FPSO* off Nigeria, FPSO *Espoir Ivoirien* off Côte d'Ivoire and FPSO *Petróleo Nautipa* off Gabon (owned 50 per cent by Prosafe). The conversions of the FPSO *Umuroa* and FPSO *Polvo* were completed in the second quarter of 2007, and operations commenced in the third quarter of the year.

Prosafe also has three vessels under conversion. The FPSO *Cidade de São Mateus* is a large deep-water FPSO primarily designed for gas handling and compression. The vessel will operate for Petrobras off Brazil on a charter contract with a nine-year firm period and a further six years of options. The FPSO *Ningaloo Vision* will be the first vessel to utilise Prosafe's proprietary disconnectable turret-mooring solution. Apache is operator on the field located off Australia. M/T *Europe* is being converted to a Floating, Drilling, Production, Storage and Offloading vessel (FDPSO) for Murphy Oil's deep-water Azurite development offshore the Republic of the Congo. The *Azurite FDPSO* will be the world's first FPSO with drilling capabilities. These projects are challenging with regards to both cost and schedule under the current market conditions.

In addition, Prosafe owns the FSO *Endeavor* storage vessel and 50 per cent of the FSO *Madura Jaya*. Prosafe was responsible for operation of FPSO *Al Zaafarana* in Egypt until the third quarter of 2007.

Operating revenues in 2007 came to USD 150.4 million (USD 92.6 million), while operating profit was USD 59.2 million (USD 37.8 million).

Outlook

In recent months, Offshore Support Services has secured charters at record high day rates for the vessels *Safe Bristolia, Safe Concordia* and MSV *Regalia*. The contracts confirm a continued positive development in the market for advanced accommodation/service rigs, particularly in harsh environment regions. In early 2008 Prosafe won new contracts for the five vessels operating on bareboat charters in the Gulf of Mexico. The contracts reflect a positive long-term outlook with duration between one and five years, and with day-rates more than 100 per cent higher than previous contracts.

The outlook for 2008 to 2010 is very positive. The company has a high level of charter cover for 2008 and 2009, and there is still availability for some vessels in 2009 and beyond.

Prosafe's rig fleet is well adapted to market requirements. With a good outlook in the North Sea region, the company has relocated the fleet during the last part of 2007 and the early part of 2008, to better capture the market potential in the higher income regions. From the end of the first quarter 2008, Prosafe will have five units in the North Sea, compared to three units in 2007.

Prosafe is targeting the high end of the global offshore accommodation/service market. Therefore, it is the company's ambition to have the world's largest and most advanced fleet of vessels suitable for such operations. Together with long operational experience, this puts the company in a favourable competitive position, and gives reason for optimism in the near term.

Floating Production secured three new conversion and operation contracts during the last part of 2006 and the early part of 2007. It is expected that the conversions will be completed in 2008, and that they will add considerably to the company's cash flow and financial strength. The firm period of the three contracts represents a total value of nearly USD 1.7 billion. The award of these projects adds to Prosafe's credibility and enhances the company's experience and technical competence. Following the completion of the engineering phases of the three ongoing conversion projects, Prosafe is freeing resources to pursue new business opportunities.

Activity in the FPSO market was moderate in the summer of 2007. Towards the end of the year, and in early 2008, activity is again picking up, and Prosafe is pursuing new tenders in addition to current projects. Prosafe worked throughout 2006 and 2007 to expand in-house capacity in order to participate in the anticipated strong market growth. The company is now well positioned for further growth in terms of both operating and financial capacity. The target is to win two additional projects during 2008.

Prosafe is well placed within its business areas, with good contract coverage and strong financial positions. Together with the positive market outlook, this provides a solid basis for a further profitable development of each business division.

Health, safety and the environment (HSE)

As health, safety and the environment represent fundamental success factors for Prosafe, they are reflected in its core values. The company works proactively and systematically to reduce sickness absence, particularly by emphasising attendance factors and facilitating a good working environment. In 2007 the company's sickness absence rate was 0.67 per cent (1.1 per cent in 2006). This low level is significant for the well-being of individuals, while it also has a positive financial impact on the company and society at large.

In 2007 a total of seven lost-time injuries were reported, none of which had long-term consequences. The company had an injury frequency - defined as the number of lost-time and personal injuries per million working hours - of 7 (4.6 in 2006). For the conversion projects, the injury frequency was 1.2. Prosafe works according to a zero mindset philosophy, and has initiated a number of measures to reach the target of zero injuries.

In 2007, Prosafe's business areas sustained incidents that led to the discharge of approx. 8 cubic meters of oil. The main discharge was about 6 cubic meters of oily water which occurred during slop tank discharge from the FPSO *Umuroa*. Offshore Support Services had no accidental discharges to the natural environment. The company's goal is zero accidental discharges to sea or emissions to the air, in line with the principles of sustainable development.

Prosafe currently has about 1 360 employees from 42 countries. The company wants to be seen as an attractive workplace and attaches importance to offering challenging and motivating jobs and equal development opportunities for all, regardless of gender, nationality, culture or religion.

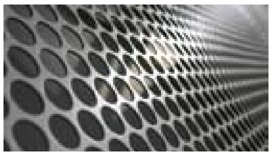
Men are traditionally over-represented in the recruitment pool for offshore operations, which is reflected in the company's gender breakdown. Prosafe's policy is full equality of opportunity between women and men, and it bases hiring, promotion, training and remuneration on qualifications such as education, experience and results.

Risk

Corporate governance at Prosafe must primarily handle risk related to strategy, operations, finances and insurance. The company's board of directors and senior officers manage these risk factors through continuous reporting, board meetings, periodic reviews of the business and tenders and rolling strategy and budget processes. This is paralleled by dialogue and exchange of views with the company's management.

Prosafe aims to create shareholder value by allocating capital and resources to the business opportunities that yield the best return relative to the risk involved within its specified strategic direction.

Prosafe seeks to reduce its exposure to operational, financial and insurance-related risk through applying proper operating routines, financial instruments and insurance policies. Strategy risk is the only risk that the company actively accepts in order to generate a return for shareholders.



Redomiciliation to Cyprus

In February 2007 Prosafe was transformed from a Norwegian public limited liability company (ASA) into a European public limited liability company (SE). This transformation gave the company increased flexibility in terms of a potential redomiciliation within the European Economic Area (EEA). The company's extraordinary general meeting on 4 July adopted to change domicile to Cyprus. The process was completed on 21 September, with Prosafe becoming the fourth SE to register in Cyprus, and the first to do so through a redomiciliation. From September the corporate management has been resident in Cyprus, and is operating out of the new headquarters in Larnaca. Moreover, board meetings are held in Larnaca.

Subsequent events

Split of Prosafe into two listed companies

In 2007 Prosafe initiated a process of evaluating the potential for a split of the company into two listed entities. In December the board resolved to initiate a process intending to split the company into two listed companies, one focused accommodation/service rig company and one focused floating production company. It is planned that the split will be executed through dividending out shares in the floating production company. The process, including listing of the new entity, is expected to be completed during the second quarter of 2008.

Acquisition of vessel

In January 2008 Prosafe entered an agreement to purchase the M/T Takama. The vessel, a VLCC, has a dead weight of 266 286 DWT and was delivered in 1987 by MHI Nagasaki, Japan. The vessel was acquired for the purpose of a future FPSO conversion.

Proposed dividend

Prosafe's shareholders are to receive a competitive return on their shares through a combination of share price appreciation and a direct return in the form of dividends. The level of dividend is to reflect the underlying financial performance of the company, while taking into account opportunities for further value creation through profitable investment.

The parent company showed a net profit of USD 1 825 million for 2007. The board proposes to the annual general meeting to distribute 90.1 per cent of the company's Floating Production division to the shareholders of Prosafe SE as a dividend in kind.

Prosafe SE will continue its balanced strategy of combining growth and direct capital return. The board has adopted a dividend policy for Prosafe SE targeting a distribution of approximately 50 per cent of net profit after the split of the company.

The following changes in the composition of the board of directors took place:

Anne Grethe Dalane resigned as a non-executive director of the board on 6 December 2007.

Michael Raymond Parker and Christakis Pavlou were appointed as directors of the board on 6 December 2007.

Reference to directors' fees is made in note 8 to the consolidated accounts.

Independent auditors

The independent auditors of the company, Ernst & Young, have expressed their willingness to continue as the company's auditors. Reference to auditors' fees is made in note 8 to the consolidated accounts.

Larnaca, 13 March 2008
Board of directors of Prosafe SE

Reidar Lund
Non-executive chairman

Christian Brinch
Non-executive deputy chairman

Michael Raymond Parker
Non-executive director

Ronny Johan Langeland
Non-executive director

Elin Nicolaisen
Non-executive director

Christakis Pavlou
Non-executive director

Reidar Lund, chairman (born 1941)

President of Transocean ASA from 1985-97 and chief executive officer of Prosafe from 1997-99. Has held a number of directorships in offshore-related enterprises.

Mr Lund has been chairman since 1999 and is due for re-election in 2009.

Shares in Prosafe: 125 000

Christian Brinch, deputy chairman (born 1946)

Runs his own consultancy business. Previous appointments include chief executive officer of Helikopter Service and deputy CEO of ABB Norge. Holds various directorships in listed companies.

Mr Brinch has been a director since 1997 and is due for re-election in 2008.

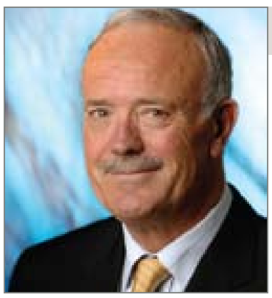
Shares in Prosafe: 0

Ronny Johan Langeland (born 1962)

Runs his own investment and consultancy company. Previous appointments include vice president for investment at Storebrand and Avanse Forvaltning. Holds various directorships in listed companies.

Mr Langeland has been a director since 2002 and is due for re-election in 2008.

Shares in Prosafe: 0



Michael Raymond Parker (born 1949)

A total of 37 years of experience from international project management in the oil and gas industry. Previous appointments include managerial positions in Total E & P, Aker Contracting and Norwegian Contractors.

Mr Parker has been a director since 2007 and is due for re-election in 2009.

Shares in Prosafe: 0

Elin Nicolaisen (born 1962)

Senior advisor at Aibel. Ms Nicolaisen has broad managerial experience from offshore projects within Vetco Aibel and ABB Offshore Systems, and has previously held the position as manager for the Structural Department in ABB Offshore Systems.

Ms Nicolaisen has been a director since 2006 and is due for re-election in 2008.

Shares in Prosafe: 0

Christakis Pavlou (born 1945)

Deputy chairman and CEO of TFI PCL, a Cyprus company that provides trade finance and foreign exchange services. Prior to that, Mr Pavlou was employed in the Cyprus Popular Bank, HSBC and Barclays Bank. Holds various directorships in financial enterprises.

Mr Pavlou has been a director since 2007 and is due for re-election in 2009.

Shares in Prosafe: 0

Prosafe will maintain the highest ethical standards, fulfil its obligations and behave with full integrity at all times.

Corporate governance

Prosafe's system of corporate governance is based on its vision and strategy. The group's business is organised on the basis of a simple, clear and efficient model with a clear segregation of responsibilities.

In combination with a broadly-based board of directors, a constructive mode of working in relation to the company's administration and precise reporting, the basis has been laid for efficient management, equal treatment of all shareholder interests, and a controlled and profitable development of the company.

NORWEGIAN CODE OF PRACTICE

Headquartered in Cyprus, Prosafe is subject to Cypriot legislation.

Prosafe is listed on the Oslo Stock Exchange and observes the Norwegian Code of practice for corporate governance of 4 December 2007.

Description of corporate governance

By describing its corporate governance as per the Norwegian Code of practice for corporate governance, Prosafe wishes to clarify the division of roles between shareholders, the board of directors and executive management.

Prosafe will display good corporate governance in order to strengthen confidence in the company among shareholders, the capital market and other interested parties, and help to ensure the greatest value creation over time in the best interest of shareholders, employees and other stakeholders.

The business

Prosafe's articles of association and its declared vision, goals and strategies provide the information needed to help to ensure that shareholders can anticipate the scope of its activities.

This object of Prosafe's activity is described in article 3 of the company's articles of association. The articles can be found on the group's website at www.prosafe.com in the section Investor information / Shareholder information.

Prosafe's goals and strategy are described on page 16 of this report.

Equity and dividends

Prosafe's book equity ratio at 31 December 2007 was 39.6 per cent (2006: 50.8 per cent). The company has a sound financial position which supports its expressed strategy and capital return policy.

Prosafe's shareholders will receive a competitive return on their shares through a combination of share price appreciation and direct return in the form of dividend. In 2007 the company paid an ordinary dividend of NOK 1.25 per share for fiscal 2006 as well as a special dividend of NOK 3.75 per share.

Pursuant to section 9, sub-section 4 of the Norwegian Public Limited Company Act, the annual general meeting of 3 May 2007 authorised the board of directors to acquire own shares for a total nominal value of up to NOK 459 873 580. However, the company's portfolio of own shares may not at any time exceed 10 per cent of the share capital of the company. The board of directors is free to acquire and sell own shares in the manner it sees fit. The company shall pay no less than the par value of shares (Euro 0.25) and no more than NOK 150 per share acquired pursuant to this authorisation. If the company's share capital is changed by a fund issue, share split, etc, the total nominal amount and the minimum and maximum price per share will be adjusted accordingly. The authorisation will be effective for 12 months as from 3 May 2007.

Equal treatment of shareholders

Prosafe has one class of shares. The articles of association place no restrictions on voting rights. All shares have equal rights.

The board's right to acquire the company's own shares is conditional on such purchases being made in the market.

Transactions with close associates

The chairman is a former chief executive officer of Prosafe SE and receives a pension from the company, see note 8 to the consolidated accounts.

No other transactions took place in 2007 between the company and its shareholders, directors, senior officers or the close associates of any of these.

Prosafe has rules which ensure that directors and senior officers report to the board if they have a significant interest, directly or indirectly, in any agreement concluded by the company.

Freely negotiable shares

All Prosafe's shares are freely negotiable. Its articles of association place no restrictions on negotiability.

General meeting

The general meeting secures the participation of shareholders in the company's highest decision-making body. The company's articles of association are adopted by the general meeting. All shareholders are entitled to submit matters for inclusion on the agenda of a general meeting, as well as to attend, speak at and vote at the meeting.

The AGM must be held by 30 June every year. In 2008 it is scheduled for 14 May. Written notice of the meeting is sent to all shareholders by no later than three weeks before the meeting is due to be held. Weight is given to including all requisite information in the supporting documents relating to items on the agenda enabling shareholders to take a position on all matters to be discussed.

Shareholders wishing to attend the general meeting must notify the company of this intention before the deadline stipulated in the notice. As the board wishes to facilitate the attendance of as many shareholders as possible, it aims to set the deadline for notification of attendance as close as possible to the meeting date. Shareholders who are unable to attend are encouraged to appoint a proxy.

Historically, the chairman, auditor and at least one member of the election committee have been present at general meetings. Of senior officers, the chief executive officer and the chief financial officer have attended as a minimum. Prosafe wishes to facilitate a dialogue with shareholders at the general meeting, and therefore encourages directors to attend.

The agenda is determined by the board. The meeting is opened by the chairman of the board, and a chairman for the meeting is then elected. The minutes of the general meeting will be published as a stock exchange announcement and posted to the company's website.

Election committee

Pursuant to article 54 of its articles of association, Prosafe has an election committee comprising three members and one alternate, with one member appointed by the board of directors and the other two members plus the alternate elected by the general meeting, all to serve for a period of two years.

When directors elected by the shareholders are to be elected, the election committee will meet and submit its recommendations to the general meeting. As far as possible, the election committee's recommendations will be sent to shareholders together with the notice of the general meeting. Prosafe will on its website encourage shareholders to suggest names of potential candidates for the board of directors and the election committee.

The election committee will ensure a proper rotation of members and alternate.

The election committee elected by the AGM of 3 May 2007 comprises:

- Hans Thrane Nielsen, deputy chief executive, Storebrand Kapitalforvaltning
- Jørgen Lund, Attorney at Law
- Christian Brinch, deputy chairman of the board of Prosafe SE
- Alternate: Nils H Bastiansen, director, Norwegian Pension Fund

The presentation of the board on page 24-25 indicates which directors are up for election at the AGM in May 2008.

The election committee also recommends the fees to be paid to directors and members of the election committee.

The annual general meeting is responsible for electing the chairman of the election committee and for approving the committee's remuneration. Remuneration paid to the members of the election committee is specified in note 8 to the consolidated accounts.

Composition and independence of the board

The board of Prosafe SE comprises six shareholder-elected directors. Continuity on the board is ensured by staggering the election of directors and by providing newly-elected directors with a thorough briefing on the company's history, business, status and challenges. The board attaches weight to avoiding conflicts of interest between directors, senior officers, their close associates and external players with whom the company collaborates.

The board also seeks to ensure that directors and senior officers possess expertise, both broad-based and in-depth, relevant to the business pursued and the different market segments served nationally and internationally. Directors are elected for two-year terms.

The chairman of the board was until 1999 president of Prosafe SE and receives a pension from the company. Directors are otherwise independent of the company and its management.

Work of the board

The board of Prosafe has overall responsibility for management of the company and for supervising its day-to-day administration and operations.

The company's operations and strategic direction are regularly reviewed through periodic board meetings and annual strategy and budgetary processes, supplemented by ongoing strategic discussions and monthly reporting of all significant management parameters and other factors. In parallel, a constructive ongoing dialogue is pursued between board and management. The board is also responsible for reaching decisions which form the basis for improving and executing investments and structural measures.

Scheduled board meetings are as a minimum held six to eight times a year, but the work schedule is flexible and otherwise adaptable to the need for considering relevant operational and strategic circumstances. The board has adopted rules of procedure for itself and management, with

particular emphasis on a clear internal segregation of responsibilities and duties.

The board has drawn up separate instructions for management. A job description for the president and chief executive officer specifies his duties, authority and responsibilities in relation to the rules governing the business. The president and chief executive officer has a particular responsibility for ensuring that the board receives precise, relevant and timely information enabling it to discharge its duties.

Prosafe does not have a separate internal audit function. Proper internal control is ensured through various forms of segregation of duties, guidelines and approval procedures. The company's internal financial transactions are subject to special control systems and routines. Financial risk is managed by the group's central finance function. The board receives a monthly financial report.

The company has clear rules on in-house communication, and has clearly defined which persons are authorised to speak to the external market on its behalf.

The chairman has a particular responsibility for ensuring that the board's work is well organised and efficiently conducted. The chairman of the board of Prosafe SE encourages an open and constructive debate within the board. The board has elected a deputy chairman who can act when the chairman is unable to lead its work.

The board has assessed the use of board committees. An election committee is specified in the group's articles of association. Further, in 2006 a compensation committee was established to prepare proposals related to the remuneration of senior officers. The compensation committee is headed by the chairman of the board. The board has not otherwise found it appropriate to appoint committees. This is primarily because all directors are regarded as independent, and the chief executive officer is not a director. The board is accordingly unaffected by problems relating to independence, which are often used as an argument for appointing board committees.

The board undertakes a yearly self-evaluation of its working methods, composition and the way directors function, both individually and collectively, in relation to the goals set for their work. In this context, the board also assesses itself in relation to corporate governance. The assessment is made available to the election committee as a tool for continuous improvement.

Risk management and internal control

Prosafe's conduct and development of its business are subject to several categories of risk. The strategic, operational, financial, insurance and project related risk and sensitivities of the business, and the associated internal control measures, are described in more detail in the chapter on risk management and sensitivities on page 72 in this annual report.

Prosafe has established a corporate ethics committee which will maintain and further develop Prosafe's code of conduct. Concerns about possible breaches of the code can be reported to the committee by ordinary mail or e-mail (conduct@prosafe.com) on a confidential basis. The committee will ensure that alleged breaches are investigated thoroughly and fairly and reported to the board of directors.

Remuneration of the board

The AGM determines directors' fees. Remuneration of the board reflects its responsibilities, expertise, commitment of time and the complexity of Prosafe's activities. Directors' fees are not related to the company's performance, and no options are given to directors.

Remuneration to the board for 2007 totalled USD 366 000, which breaks down as EUR 67 000 for the chairman, EUR 51 000 for the deputy chairman and EUR 45 000 for each of the other directors.

Remuneration of senior officers

The terms of employment of the president and CEO are determined by the board of directors based on a detailed annual assessment of his salary and other remuneration.

Prosafe aims to provide a competitive total package for senior officers. The basis for comparison is the practice followed by other companies involved in the oil and gas sector in the geographic areas where Prosafe pursues its operations. The total remuneration package for the corporate management team and other senior officers comprises three principal elements – base pay, variable pay and other benefits, including company car, pension and insurance schemes. Further, corporate management and one senior officer of Prosafe SE are granted synthetic share options.

The company's bonus scheme covered 25 employees in 2007. The size of bonuses depends on achieving defined results for earnings, health, safety and the environment, and meeting strategic targets. Total bonus accrued based on targets reached in 2007 is USD 4.3 million.

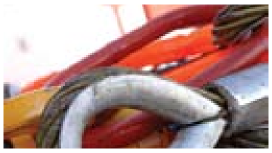
The company's share option programme, which commenced in 2006, was approved by the AGM on 3 May 2006. For further details of this scheme, and for a specification of remuneration paid to corporate management, see note 8 to the consolidated accounts.

Information and communication

Prosafe SE presents preliminary annual accounts in early February. Complete accounts, the directors' report and the annual report are sent to shareholders and other stakeholders in April. Beyond this, Prosafe presents its interim accounts on a quarterly basis. Its financial calendar is published on the company's website at www.prosafe.com in the section Investor information / Financial calendar and in the annual report on page 2.

Open investor presentations are held in connection with the reporting of annual and interim results. These presentations are also broadcasted as webcasts, and can be followed on the internet. The president and chief executive officer and chief financial officer use these occasions to review the results and comment on operations, markets and prospects. The presentation material is available on Prosafe's website.

An ongoing dialogue is otherwise maintained with, and presentations made to, analysts and investors. In order to ensure equal treatment of its shareholders, one of Prosafe's aims is to make sure at all times that the stock market is in possession of correct, clear and timely information about the company's operations and condition. The company attaches great weight to treating all analysts equally. Prosafe was awarded the Oslo Stock Exchange's Information Symbol and English Symbol in October 2004.



Take-overs
Prosafe SE has no defence mechanisms against take-over bids in its articles of association, and has not implemented other measures which limit the opportunity to acquire shares in the company.

If an offer is made for the company's shares, Prosafe's board of directors will issue a statement evaluating the offer, making a recommendation as to whether shareholders should or should not accept the offer.

Auditor
Ernst & Young has been the company's auditor since 1997. The auditor always attends board meetings where the annual accounts are considered. Auditors' fees expensed in 2007 total USD 331 000. Consultancy fees paid to the company's elected auditor in 2007 were expensed at USD 294 000 on a consolidated basis. These fees relate to accounting and tax-related issues.

BUSINESS MODEL AND MANAGEMENT

Prosafe has a simple and comprehensible management model, which lays the foundation for a controlled and profitable development of the company. The main elements in this management model are:

- a clear and consistent vision and mission
- a clearly defined strategic direction and objective, verified and tested through annual strategy and budgetary processes
- a corporate culture based on common core values which provide the basis for behavioural norms and collaboration
- a clear organisational and decision-making model with effective systems based on dialogue, monthly reporting and reviews of the divisions once a quarter
- close contact between top management and boards in subsidiaries, as the president and CEO is the chairman of the main subsidiary boards
- clear corporate requirements, expressed in corporate procedures, which provide guidelines for management systems, operation, development and internal control in all the divisions
- organisational development on divisional level with focus on recruiting and developing expertise as well as plans for in-house management development and continuity
- clear goals for equal employment and development opportunities, regardless of gender, age, culture and religion

Corporate procedures
The parent company has established clear corporate management and governance procedures. Among their other duties, the managements and boards of subsidiaries are responsible for ensuring that subsidiaries observe these procedures. Annual strategy plans are prepared, approved and incorporated in the group's overall strategy document.

The boards and managements of the subsidiaries are responsible for ensuring that the business is pursued in accordance with approved strategies, targets and financial requirements. Parent company employees ensure that economies of scale are achieved within financing and insurance, and that best practice is applied across companies in these areas. The following corporate procedures include, but are not limited to, requirements related to:

- insider trading
- financing and liquidity
- insurance
- design manual
- risk management
- business ethics

Core values

Prosafe's core values guide the conduct of its overall business and the behaviour of each employee at all times. They will thereby fortify and protect the company's reputation which, in addition to HSE performance, ethics and high standards of operation, is a fundamental value driver for Prosafe's future development opportunities and success.

No one at Prosafe is allowed to compromise on the core values for short-term gain. These values are an important part of the foundation of the company's existence. They are not subject to annual negotiation and revision. Prosafe's business activities must be conducted in a professional manner, so that its customers, shareholders and other stakeholders can rest confident that company core values underpin everything it does.

Prosafe's website provides more information for understanding the core values in a broad perspective. Both divisions have established division-specific behavioural norms under the umbrella of the group's core values.

Business ethics

The corporate code of conduct covers the following main elements:

- respect for human rights
- conflicts of interest
- confidentiality and protection of assets
- insider trading
- bribery, corruption and breaches of anti-trust law
- use of IT systems

Compliance with the standards for business ethics is essential, and every individual employee is responsible for acting in accordance with these principles. They are readily accessible, including on the company's website. Managers have a special responsibility for communicating and ensuring implementation of the code of conduct.

Advisors and others who gain access to inside information on the company must sign a declaration of confidentiality, and accept an insider position if the information is not known to the market. The company maintains lists of all employees, advisors and others with access to inside information in accordance with the requirements of the Oslo Stock Exchange.

Prosafe's obligations for ensuring sustainable development of the company are described in more detail in the chapter on society and people on page 56 of this annual report.

Share purchase programme for employees

Prosafe provides opportunities for each employee to become a shareholder in their own company. With this view, the group's share purchase programme for employees was implemented again in 2007. This was the eighth time that the whole workforce was given the opportunity to buy shares in their own company at a 20 per cent discount, for an amount up to NOK 7 500.

FPSO contracts in Brazil, New Zealand and Australia have further strengthened Floating Production's international presence. In addition, the organisation has grown substantially and the division is strongly positioned to take on a range of new technically complex projects.

Floating Production

Prosafe is a leading owner and operator of floating production, storage and offloading vessels (FPSOs). It currently operates a fleet of seven FPSO/FSO units and has further three vessels undergoing conversion to FPSOs during 2007/2008. The divisional head office, as well as engineering, project management and operations, are located in Singapore.

The core business of Floating Production is the design, engineering, conversion and operation of FPSO/FSO vessels. Five FPSOs are owned and operated by the division: FPSO *Umuroa*, FPSO *Polvo*, FPSO *Espoir Ivoirie*n, *ABO FPSO* and FPSO *Petróleo Nautipa* (owned 50 per cent by Prosafe). Further, Prosafe owns and operates two FSOs: FSO *Endeavor* and FSO *Madura Jaya* (owned 50 per cent by Prosafe). All units have been converted to FPSOs/FSOs by Prosafe.

Prosafe acquired in the beginning of 2008 the VLCC M/T *Takama*. The vessel is a suitable conversion candidate for several identified projects, and will be converted to an FPSO upon the award of a firm contract.

Floating production generated operating revenues of USD 150.4 million in 2007 (2006: USD 92.6 million), while operating profit came to USD 59.2 million (2006: USD 37.8 million).

Objectives

The floating production division aims at being the leading owner and operator of FPSOs in selected geographic regions. It will be the best over time in terms of safe, efficient and profitable operation.

Priority geographical areas are West Africa, Australasia and Brazil. At the same time, it has ambitions of creating value, in the long term, through the continued development and sale of technology developed in-house.

Solid engineering and technology track-record

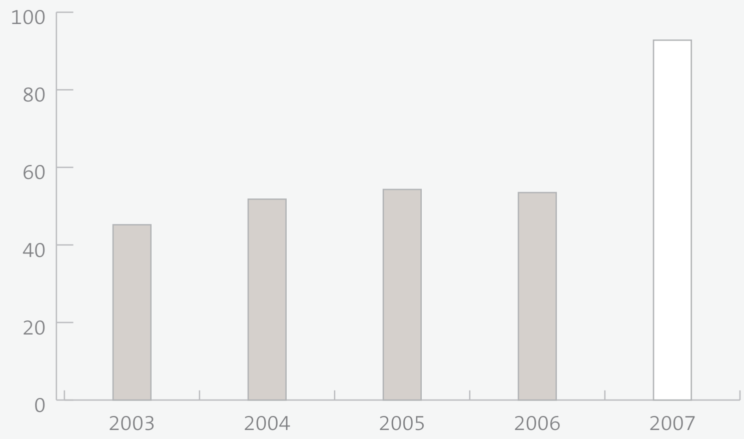
Floating Production has long experience of converting and operating both FSOs and FPSOs. The first FSO conversion was carried out in 1985, with the first FPSO conversion completed in 1994. Including the three new FPSO contracts, the company has carried out a total of 12 FPSO conversions or significant upgrades, and has converted six FSOs.

Prosafe has developed efficient solutions for use in the FPSO industry, including turrets/swivel technology which permits mooring in both shallow and deep water with multiple riser capacity. The company's products range from buoys to large deep water turrets with a capacity of 40 risers. To date seven of the conversion projects have utilised the company designed and engineered internal turret/swivel solution.

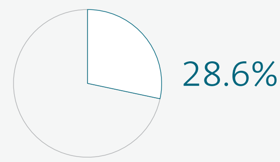
Key figures
(Financial figures in USD million)

	2007	2006	2005	2004	2003
Operating revenues	150.4	92.6	108.3	89.3	83
EBITDA	92.8	53.5	54.3	51.8	45.2
EBIT	59.2	37.8	37.9	31.9	15.1
Assets	1173.4	774.0	418.2	372.7	390
Investments	423.9	352.5	33.0	1.0	1.7

EBITDA
(USD million)



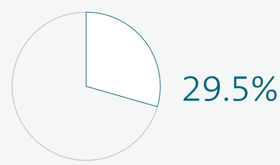
Operating revenues



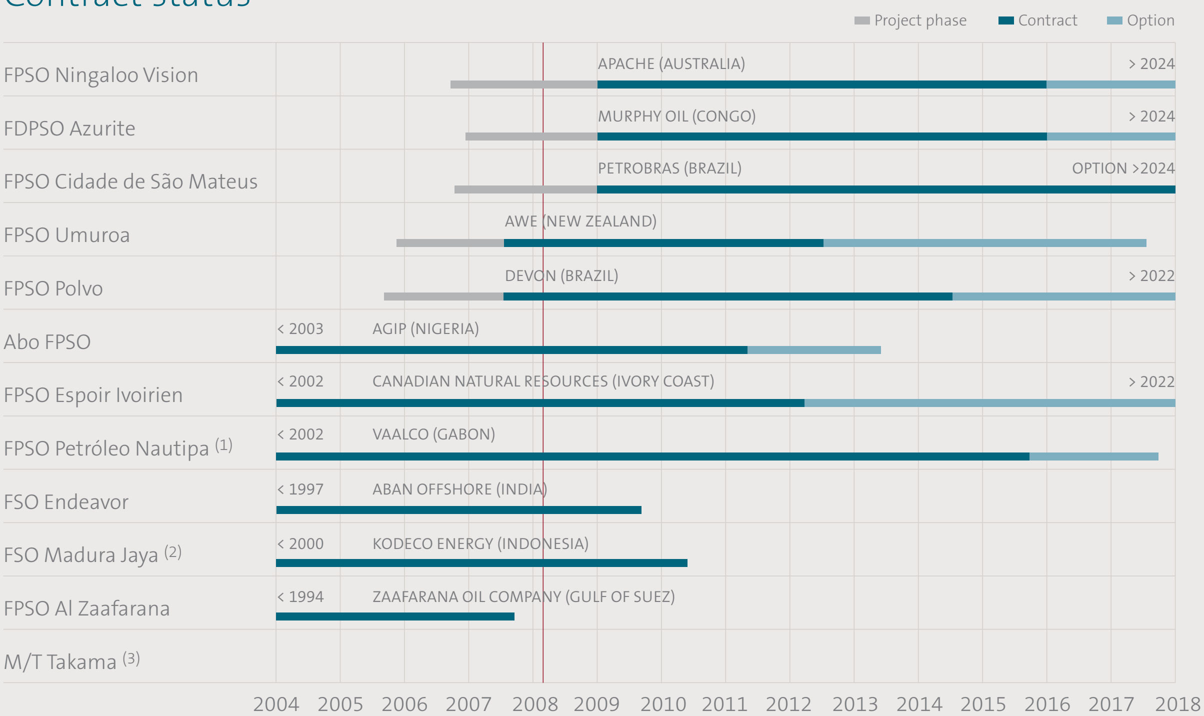
Floating Production

Offshore Support Services

EBITDA



Contract status



(1) 50% ownership, can be terminated if the vessel requires drydocking in 2012; (2) 50% ownership; (3) conversion candidate

The most recent development is a disconnectable turret for use in harsh environment. This disconnectable turret will for the first time be used on the FPSO *Ningaloo Vision*, to be deployed for Apache offshore Australia. This is a significant milestone, and will position the company for upcoming contracts in hurricane areas and harsher environments.

Floating Production's longstanding focus and achievements within Research and Development (R&D) were in 2007 recognized through the award of the Outstanding Maritime R&D and Technology Award presented by the Maritime and Port Authority of Singapore. This annual international award is given to a company for outstanding innovation in the application or research and development for the maritime industry.

On track with ongoing conversion projects

In 2007 the company began three FPSO conversions. The VLCC M/T *Navarin* is used as basis for conversion into the gas FPSO *Cidade de São Mateus* which is to operate on a nine-year contract with options for a maximum of six years for Petrobras offshore Brazil. The vessel will be designed for a water depth of maximum 1 500 m and will have a spread mooring arrangement. The gas FPSO will have a production capacity of 35 000 bfpd, a gas compression capacity of 353 mmscfd and a storage capacity of 700 000 barrels. This is Prosafe's first FPSO contract for Petrobras and its second contract in Brazil, which remains one of the world's fastest growing FPSO markets. The FPSO *Cidade de São Mateus* is expected to start operations in the end of the fourth quarter of 2008.

M/T *Europe* is being converted to a Floating, Drilling, Production, Storage and Offloading vessel (FDPSO) for Murphy Oil's deepwater Azurite development offshore the Republic of the Congo. The Azurite FDPSO, which will be the world's first FPSO with drilling capabilities, will have a storage capacity of 1.4 million barrels of oil and a process capacity of 60 000 bfpd/ 40 000 bopd. The vessel will be spread-moored at a water depth of 1 400 m. The contract, with expected start-up in the first quarter of 2009, has a firm period of seven years followed by four two-year options.

Furthermore, the M/T *Kudam* is being converted to the FPSO *Ningaloo Vision* for Apache's Van Gogh field offshore Australia. The FPSO will have a process facility of 150 000 bfpd, a crude oil production of 63 000 bopd and an oil storage capacity of 620 000 barrels. The contract has a firm period of seven years and options for maximum eight years. Expected sail away is in the fourth quarter of 2008. The FPSO *Ningaloo Vision* will be outfitted with Prosafe's first in-house developed disconnectable turret mooring system.

Organisation

During the year the onshore organization grew significantly in size. Following the award of the FPSO *Ningaloo Vision*, FDPSO *Azurite* and FPSO *Cidade de São Mateus* contracts, three more project teams were set up in Singapore, in addition to those finishing the two ongoing projects: FPSO *Umuroa* and FPSO *Polvo*, which both started production in the third quarter of 2007. In addition, more resources were added to continue the development of in-house technology and for the purpose of conducting engineering studies and pursuing new projects. At year-end the onshore headcount was 607 persons.

The successful expansion of the organisation has prepared the division for the execution of the three recent contract awards. Further, the company is positioned to start up another two new conversion projects in 2008. There is also an ongoing engineering requirement for customer-requested upgrades to the existing fleet.

Excellent operation

The operation of the FPSO and FSO fleet was consistent with continuous high uptime, and operating regularity stood at 99.3 per cent.

FPSO *Polvo* started operation for Devon offshore Brazil in August 2007. The production of the field has been stable, with high uptime on the FPSO systems. The contract has a firm seven-year period with eight years option.

FPSO *Umuroa* started a five-year contract with five one-year options for Australian Worldwide Exploration in New Zealand in August 2007. The production has been high, and the FPSO has provided high uptime for all required systems.

Abo FPSO began an eight year charter with Nigerian Agip Exploration in Nigeria in April 2003. *Abo FPSO* was in operation throughout 2007 and achieved a high operational regularity. At 31 December the vessel had been operating 1 783 days, i.e. since contract start, without one single lost time injury. This is an excellent result which we are proud of.

FPSO *Espoir Ivoirien* produced throughout 2007 from the Espoir field off the Ivory Coast for Canadian Natural Resources. Following the original conversion, the vessel was upgraded in 2005 to accommodate the tie-in of the West Espoir wellhead platform. This upgrade involved expanded processing capacity, increased water injection and additional riser slots. The tie-in of the West Espoir wellhead platform confirmed the basis for long-term employment of the FPSO on the field. In 2007 Prosafe was awarded a variation order for the upgrade of the FPSO *Espoir Ivoirien* in order to increase the handling capability of separation, stabilisation, gas treatment and compression. As a result of the upgrades, the FPSO's total liquid handling capacity will increase from 50 000 to 70 000 equivalent barrels per day.

FPSO *Petróleo Nautipa* is chartered to Vaalco on the Etame field offshore Gabon. Production from the field has been steady. The original charter ran to September 2007. The contract has been extended in 2005 and in 2007, and runs now until September 2015 with options for two more years. As part of the contract extension, the water treatment capacity on FPSO *Petróleo Nautipa* will be increased further.

FSO *Endeavor* was under charter throughout the year to Aban Loyd Chiles Offshore on the PY-3 field offshore India. Following a contract extension in 2007 the charter runs until July 2009, ensuring that the vessel will operate on the field for an unbroken period of more than 12 years, i.e. more than three times longer than the original firm charter. During the first year of the extension, upgrades will be carried out enabling the vessel to stay in the field for the extended period.

FSO *Madura Jaya* has been under charter to Kodeco Energy since January 2003. This assignment was renegotiated in April 2005 and extended for five years until May 2010.

The charters for most FPSOs give the customer an option to purchase vessels at one or several points in time during the firm charter term. The value of the purchase option at any given time will secure the net present value of the remaining charter period, including the residual value of the vessel, and will accordingly also exceed the book value of the ships at all times.

Markets and outlook

The combination of long operational experience and efficient technical solutions helps to give Prosafe competetive advantages in the FPSO market.

The awards late 2006 and early 2007 confirm Prosafe's position among the top contractors in the FPSO industry. The company showed strong organic growth with five FPSO projects awarded within a 15-month period, and a firm long-term revenue stream has been secured.

At the start of 2008 the outlook for the market is positive. A high number of field developments are being planned, and the number of projects suitable for FPSOs continues to climb. The current levels of bidding and oil companies' interest in Prosafe's solutions, as well as the activity level in the seismic and drilling sectors, indicate that the high demand for FPSOs experienced in 2006/2007 will continue.

Prosafe is well positioned in all growth markets, and has the engineering resources, suitable conversion candidates, and the financial capacity to commence two new FPSO conversion projects in 2008.

Achievements in 2007

Parallel execution of three FPSO conversion projects for Australia, Brazil and Republic of the Congo respectively.

Contract award for first FDPSO.

First application of in-house developed disconnectable turret mooring system.

Start up of FPSO *Polvo* and FPSO *Umuroa* in Brazil and New Zealand.

Extension of the FPSO *Petróleo Nautipa* and FSO *Endeavor* contracts.

Operating regularity of 99.3 per cent.

Objectives for 2008

Complete the three ongoing conversion projects according to plan.

Win two new FPSO contracts.

Operating regularity > 99 per cent.

Zero injuries and zero accidental discharges to the environment.

Fleet overview

FPSO UMUROA

Conversion/yard:	FPSO 2007/Keppel (Singapore)
Built/yard:	1981, Mitsubishi Heavy Industries Ltd, Nagasaki (Japan)
Former names:	M/T Ionikos, M/T Kyokuwa Maru,Tui FPSO
Length/breadth:	231.67m/46m
Deadweight tonnes:	118 095
Storage capacity:	773 245 bbls
Production capacity:	120 000 bfpd, 50 000 bopd, 118 000 bwpd
Gas compression capacity:	25 mmscfd
Water injectioncapacity:	-
Ownership:	100%

FPSO POLVO

Conversion/yard:	FPSO 2007/Keppel (Singapore)
Built/yard:	1981, Ishikawajima - Harima (Japan)
Former names:	M/T Apollo, M/T Nissho Maru
Length/breadth:	323.03m/54.5m
Deadweight tonnes:	257 865
Storage capacity:	1 600 000 bbls
Production capacity:	150 000 bfpd, 90 000 bopd, 135 000 bwpd
Gas compression capacity:	7.5 mmscfd
Water injection capacity:	100 000 bwpd
Ownership:	100%

ABO FPSO

Conversion/yard:	FPSO 2002/Keppel (Singapore)
Built/yard:	1976, Mitsubishi (Japan)
Former names:	M/T Grey Warrior
Length/breadth:	268.45m/53.6m
Deadweight tonnes:	155 612
Storage capacity:	930 000 bbls
Production capacity:	56 000 bfpd, 44 000 bopd, 11 000 bwpd
Gas compression capacity:	44 mmscfd
Water injection capacity:	37 000 bwpd
Ownership:	100%

FPSO ESPOIR IVOIRIEN

Conversion/yard:	FPSO 2001/Keppel (Singapore)
Built/yard:	1974, Mitsubishi (Japan)
Former names:	M/T White Sea, Amoco Whiting, Amoco Tehran
Length/breadth:	268.45m/53.6m
Deadweight tonnes:	132 500
Storage capacity:	1 100 000 bbls
Production capacity:	50 000 bfpd, 40 000 bopd, 10 000 bwpd
Gas compression capacity:	60 mmscfd
Water injection capacity:	120 000 bwpd
Ownership:	100%

FSO ENDEAVOR

Conversion/yard:	FSO 1997/Keppel (Singapore)
Built/yard:	1971, Bethlehem (USA)
Former names:	S/S Cove Endeavor
Length/breadth:	240.38m/32m
Deadweight tonnes:	71 591
Storage capacity:	550 000 bbls
Ownership:	100%

FPSO PETRÓLEO NAUTIPA

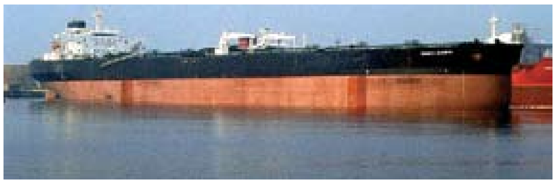
Conversion/yard:	FPSO 1998, 2002/Keppel (Singapore)
Built/yard:	1975, Nippon Kokan (Japan)
Former names:	M/T Knock Buie, Aenias, In-Nahala, Polartank
Length/breadth:	254.37m/43.5m
Deadweight tonnes:	141 330
Storage capacity:	1 080 000 bbls
Production capacity:	30 000 bfpd, 20 000 bopd, 10 000 bwpd
Gas compression capacity:	3 mmscfd
Ownership:	50%

FSO MADURA JAYA

Conversion/yard:	FSO 2002/Sembawang (Singapore)
Built/yard:	1981, Uddevallavarvet (Sweden)
Former names:	M/T Paris II
Length/breadth:	220.14m/42.3m
Deadweight tonnes:	88 728
Storage capacity:	633 000 bbls
Ownership:	50%

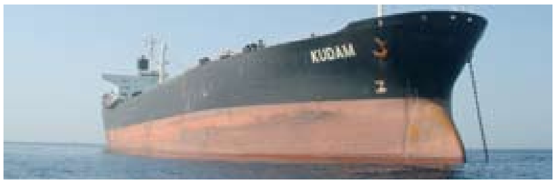
FPSO CIDADE DE SÃO MATEUS

Conversion/yard:	FPSO 2008/Keppel (Singapore)
Built/yard:	1989, Hyundai Heavy Industries (South Korea)
Former names:	Maersk Navarin, M/T Navarin
Length/breadth:	311.77m/56m
Deadweight tonnes:	276 736
Storage capacity:	700 000 bbls
Production capacity:	4 000 m3/day, 35 000 bfpd
Gas compression capacity:	353 mmscfd
Water injection capacity:	5 000 m3/day (31 500 bwpd)
Ownership:	100%



FDPSO AZURITE

Conversion/yard:	FDPSO 2008/Keppel (Singapore)
Built/yard:	1988, Hyundai Heavy Industries (South Korea)
Former names:	Samco Europe, Fina Europe
Length/breadth:	311.77m/56m
Deadweight tonnes:	259 999
Storage capacity:	1 400 000 bbls
Production capacity:	60 000 bfpd, 40 000 bopd
Gas compression capacity:	18 mmscfd
Water injection capacity:	60 000 bwpd
Ownership:	100%



FPSO NINGALOO VISION

Conversion/yard:	FPSO 2008/Keppel (Philippines)
Built/yard:	1981, Ishikawajima - Harima (Japan)
Former names:	Kudamatsu Maru, Kudam
Length/breadth:	237.76m/41.6m
Deadweight tonnes:	101 832
Storage capacity:	620 000 bbls
Production capacity:	150 000 bfpd, 63 000 bopd, 147 000 bwpd
Gas compression capacity:	80 mmscfd
Water injection capacity:	147 000 bwpd
Ownership:	100%

M/T TAKAMA

Conversion/yard:	TBD
Built/yard:	1987, Mitsubishi Heavy Industries, Nagasaki (Japan)
Former names:	Takamatsu Maru
Length/breadth:	310.71m/58m
Deadweight tonnes:	266 286
Ownership:	100%

Offshore Support Services will continue to develop its market position proactively. The division's strong market position, solid track record and versatile rig fleet provide an attractive basis for future strategic development.

Offshore Support Services

Prosafe is the world's leading owner and operator of accommodation/service rigs. The company owns eleven semi-submersibles and one jack-up. Operations in 2007 comprised bareboat charters in the Gulf of Mexico and time charters in the North Sea, West Africa and off Sakhalin Island, Russia. The divisional headquarters are in Singapore with operational offices in Aberdeen, Scotland and Sakhalin.

Accommodation/service rigs have traditionally been used wherever there is a need for additional accommodation, engineering, construction or storage capacity offshore. Typically, these rigs will be employed for installing and commissioning new facilities, upgrading or maintaining existing installations, hooking-up satellite fields to existing infrastructure, and removing installations.

The rigs are positioned alongside the host installation and are connected by means of a telescopic gangway, or personnel can be transported to and from the unit by boat or helicopter. These rigs boast substantial accommodation capacity, with berths for 245-812 people. They have high quality welfare and catering facilities, medical services, storage, workshops and offices, deck cranes, and the necessary equipment and systems for ensuring the safety of personnel living on board.

The three semi-submersibles, *Safe Astoria, Safe Bristolia* and *Safe Concordia*, and the jack-up, *Safe Esbjerg*, were acquired mid-2006. The year 2007 is the first year where these units have been available for a full operational year.

Operating revenues for Offshore Support Services totalled USD 376.1 million (2006: USD 272.6 million), while operating profit came to USD 175.8 million (2006: USD 117.3 million). Rig utilisation was 88 per cent (2006: 92 per cent). The improvement in operating profit for 2007 reflects continued high rig utilisation, stronger day rates and the inclusion of the acquired rigs for the full year.

Objectives

Offshore Support Services aims at maintaining its position as the world's leading player in the market for semi-submersible accommodation/service rigs and at maximising rig utilisation and free cash flow at all times.

Activity in 2007

The high activity level experienced in the previous year continued throughout 2007. *Safe Scandinavia* started the year in the UK sector of the North Sea at Britannia Satellites for ConocoPhillips. Following completion of this contract, she was mobilised to the Norwegian shelf where she commenced a

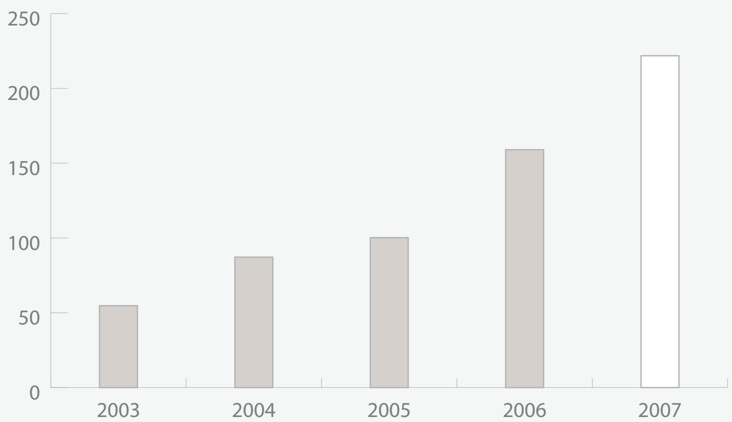
Key figures

(Financial figures in USD million)

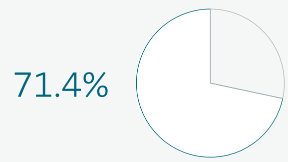
	2007	2006	2005	2004	2003
Operating revenues	376.1	272.6	186.7	168.8	129.3
EBITDA	221.8	159.0	100.2	87.2	54.7
EBIT	175.8	117.3	69.6	56.5	30.8
Assets	1333.4	1 591.6	458.3	427.5	432.2
Investments	32.6	670.6	15.5	15.6	73.4
Fleet utilisation	88%	92%	92%	87%	73%

EBITDA

(USD million)



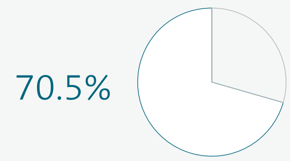
Operating revenues



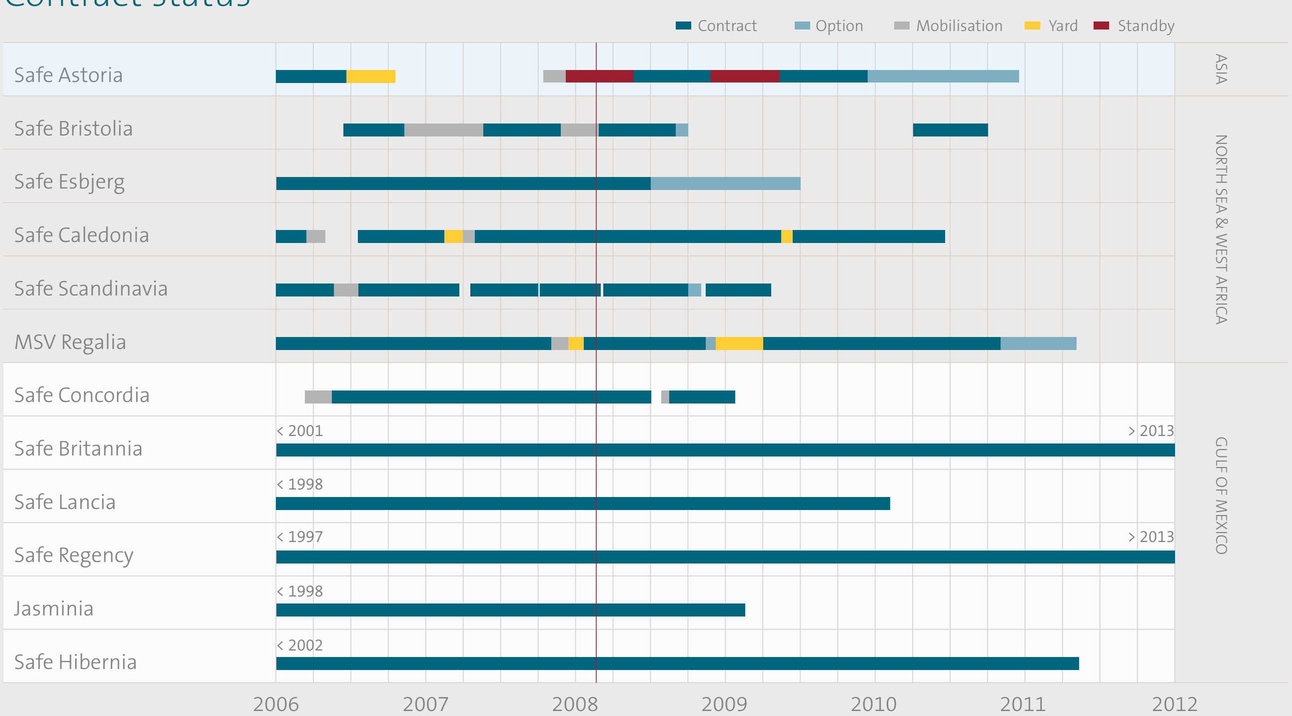
Offshore Support Services

Floating Production

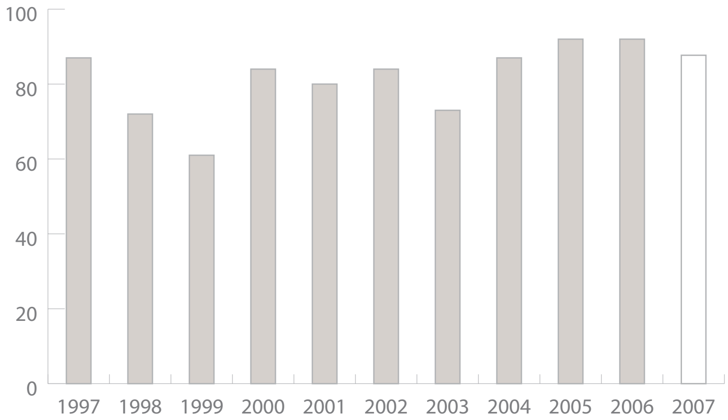
EBITDA



Contract status



Rig utilisation rate
(Per cent)



contract for Statoil at the Snorre field, before returning to the UK shelf in October 2007 for further work at Britannia Satellites.

MSV *Regalia* was alongside the Girassol FPSO, which is operated by Total E&P Angola. The rig has provided accommodation facilities and assisted in the upgrade of the FPSO and the tie-back of the nearby Rosa field. Following completion of the contract in November 2007, the rig was mobilised to the North Sea, where she was prepared for the start-up of a contract for Aker Kvaerner on the UK shelf in late January 2008.

Safe Caledonia finished at Nexen's Buzzard field in January 2007 and commenced a two-year contract for Total on Elgin Franklin in the UK sector of the North Sea in April 2007.

Safe Esbjerg was in operation for Mærsk Oil and Gas in the Danish sector of the North Sea throughout the year.

Safe Astoria has been laid up in Australia until being mobilised to Singapore in November/December. Whilst in Singapore the rig will be prepared for a contract for Samsung/SEIC at the Sakhalin development in Russia. The contract has firm operational periods during the summer and autumn of 2008 and 2009, bridged by a funded standby for the 2008/09 Russian winter period when the rig will be relocated to South Korea.

Safe Bristolia has been on contract for Samsung/SEIC at the Sakhalin development in Russia until November 2007. She was thereafter demobilised to Singapore where she was upgraded and prepared for a contract for ConocoPhillips in the UK sector of the North Sea.

The Prosafe fleet operating in Mexico expanded to six units when *Safe Concordia* commenced a one-year contract for Pemex in May 2006. The rig will remain in Mexico until the end of the second quarter of 2008. Mid third quarter of 2008 she will begin operating in the US Gulf for ChevronTexaco on the Tahiti Spar project. The other five units, *Safe Britannia, Safe Lancia, Safe Regency, Safe Hibernia* and *Jasminia* were in operation for Pemex in the Gulf of Mexico for the whole year.

Markets and outlook
Prosafe currently owns 11 of the world's 17 semi-submersible purpose built accommodation/service rigs, including six of the nine dynamically positioned units and five of eight moored vessels. Prosafe has followed a long-term strategy of providing a fleet of flexible units with high quality accommodation and service facilities.

Over the last five-year period, the Prosafe semi-submersible fleet has grown from seven to 11 units and the number of dynamically positioned vessels has increased from two to six. Prior to 2003 all rigs were positioned either in the North Sea or in the Gulf of Mexico. Since then contracts have been executed in the US Gulf, the Mediterranean, West Africa, East Timor, Russia and Australia.

During this period a number of new operating modes have also been developed, using dynamically positioned rigs alongside moored floating installations and positioning a moored rig alongside a TLP. These technology developments have taken place against a growing trend of new field developments moving into deeper waters and into more demanding locations. The combined effect of this is a gradual increase in the demand for accommodation/service rigs in both benign and harsh environments.

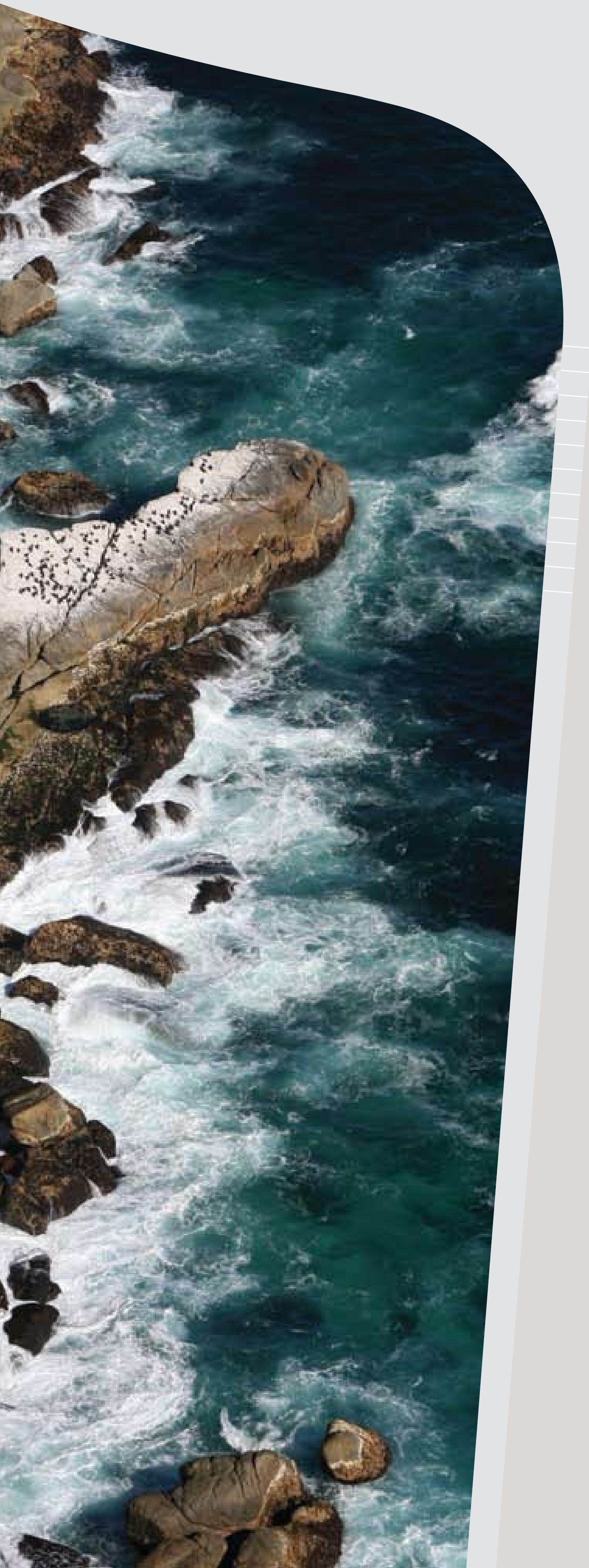
The underlying fundamentals for the offshore oil and gas markets are as strong as they have ever been, and as such the offshore accommodation market has been seen as attractive by new players. There is a newbuilding exercise underway in the offshore accommodation market mostly of lower cost barges mainly for the Southeast Asian market, but also of semi-submersibles, monohulls and jack-ups. The two newbuild semi-submersibles are aiming for delivery mid 2010 and into 2011 respectively.

The North Sea outlook continues to provide opportunities with more prospects coming to fruition in the form of firm contracts. This market is characterised by demand related to hook-up of new installations, tie-back of subsea-completed wells and maintenance shutdowns. With mature North Sea fixed installations, there is a growing need for extensive maintenance programmes and substantial upgrades. This is creating an increased demand for accommodation/service units in the medium to long term. Recent contract awards have reinforced this view whilst also confirming that rig day rates are strengthening.

The market in the Gulf of Mexico continues to be strong. The Mexican state oil company Pemex is the dominant operator in the region. It follows an expressed strategy which involves a considerable construction programme over the next five to ten years as well as a high need for continuous maintenance of the existing fleet of offshore installations. The high projected activity level supports the view of long-term employment for a large number of accommodation/service units in the region.

In February 2008 Prosafe was awarded new bareboat contracts for the five accommodation/service rigs working at the Cantarell field in Mexico. The contracts lengths were from one to five years, and the total average bareboat day rates were increased by 103 per cent in average. Including these bareboat contracts, a utilisation factor of 86 per cent has been secured for the fleet in 2008.

Further market availability relates largely to *Safe Bristolia* in the fourth quarter of the year. The combination of robust demand, higher day rates and a larger fleet is set to produce a strong improvement in earnings compared to 2007.



Achievements in 2007

Secured several new contracts and contract extensions against attractive day rates.

MSV *Regalia* was awarded the division's first-ever contract in the emerging decommissioning market.

Achieved an "Acknowledgement of Compliance" for *Safe Scandinavia's* operations on the NCS.

Rig utilisation of 87.7 per cent.

Objectives for 2008

Win new long-term contracts for the rigs operating in Mexico.

Secure an attractive contract for *Safe Bristolia* in Q4 2008.

Rig utilisation > 90 per cent.

Zero injuries and zero accidental discharges to the environment.

Fleet overview

SAFE CONCORDIA

Built, conversion:	2005
Design:	Deepwater Technology Group
Max no of beds:	390
Deck area:	1 300 m2 (laydown)
Payload:	1 400 t/m^2
Power generation:	18 000 kW (5 diesel generator sets)
Mooring system:	4 Point Wire Winches
Station keeping:	DP2
Thrusters:	4 x 2.5 MW Azimuthing

MSV REGALIA

Built, conversion:	1985, 2003
Design:	GVA 3000 – enhanced
Max no of beds:	160/380
Deck area:	3 250 m^2
Payload:	1 000 - 2 200 t
Derrick capacity:	226
Power generation:	18 600 kW (5 diesel generator sets)
Station keeping:	NMD3
Thrusters:	6 x 2.64 MW Azimuthing

SAFE CALEDONIA

Built, conversion :	1982, upgraded 2004
Design:	Pacesetter
Max no of beds:	516
Deck area:	900 m^2
Payload:	700 t
Power generation:	12 050 KW (6 diesel generator sets)
Mooring system:	10 Point Wire Winches
Station keeping:	DP2 / TAMS
Thrusters:	4 x 2.4 MW Azimuthing

SAFE BRITANNIA

Built, conversion:	1980, upgraded 1987/2003
Design:	Pacesetter - enhanced
Max no of beds:	812
Deck area:	1 300 m^2
Payload:	1 245 t (620 DP mode)
Power generation:	13 100 kW (7 diesel generator sets)
Mooring system:	9 Point Wire Winches
Station keeping:	DP2 / TAMS
Thrusters:	4 x 2.4 MW Azimuthing, 2 x 1.5 MW Fixed

SAFE LANCIA

Built, conversion:	1984, upgraded 2003
Design:	GVA 2000
Max no of beds:	600
Deck area:	1 100 m^2
Payload:	626 t
Power generation:	8 970 kW (3 diesel generator sets)
Mooring system:	10 Point Wire Winches
Station keeping:	DP2
Thrusters:	4 x 2.4 MW Azimuthing

SAFE REGENCY

Built, conversion:	1982, upgraded 2003
Design:	Pacesetter
Max no of beds:	771
Deck area:	800 m^2
Payload:	550 t
Power generation:	9 400 kW (5 diesel generator sets)
Mooring system:	8 Point Wire Winches
Station keeping:	DP1
Thrusters:	4 x 2.4 MW Azimuthing

SAFE SCANDINAVIA

Built, conversion:	1984, upgraded 2003
Design:	Aker H-3.2E
Max no of beds:	583
Deck area:	400 m^2
Payload:	1 000 t
Power generation:	6 780 kW (3 diesel generator sets)
Mooring system:	12 Point Chain Winches
Station keeping:	Moored

SAFE ASTORIA

Built, conversion:	1983, upgraded 2005
Design:	Earl & Wright Sedco 600
Max no of beds:	245
Deck area:	620 m2 (laydown)
Payload:	1 800 t/m^2
Power generation:	5 200 kW (4 diesel generator sets)
Mooring system:	8 Point Wire Winches
Station keeping:	Moored

SAFE BRISTOLIA

Built, conversion:	1983, upgraded 2006
Design:	Earl & Wright Sedco 600
Max no of beds:	612
Deck area:	400 m^2 (laydown)
Payload:	1 800 t/m2
Power generation:	6 240 kW (4 diesel generator sets)
Mooring system:	8 Point Wire Winches
Station keeping:	Moored

SAFE HIBERNIA

Built, conversion:	1977
Design:	Aker H-3 (modified)
Max no of beds:	500
Deck area:	750 m^2
Payload:	1 000 t
Power generation:	6 000 (4 diesel generator sets)
Mooring system:	12 Point Wire Winches
Thrusters:	2 x 3 300 HP Props (Aft)
Station keeping:	Moored

JASMINIA

Built, conversion:	1982
Design:	GVA 2000
Max no of beds:	535
Deck area:	690 m^2
Payload:	640 t
Power generation:	6 300 kW (3 diesel generator sets)
Mooring system:	8 Point Wire Winches
Station keeping:	Moored
Thrusters:	2 x 2.4 MW Azimuthing

SAFE ESBJERG

Built, conversion:	1975, upgraded 2005
Design:	Type 82 Marathon LeTourneau
Max no of beds:	139
Deck area:	750 m^2 (laydown)
Payload:	Variable. Max 725 t
Power generation:	5 150 kW (6 diesel generator sets)
Mooring system:	4 Point Wire Winches
Station keeping:	Jack-up

There is ongoing political and public debate globally as to what action should be taken to reduce increasing consumption and pollution, and how future global warming should be reversed. Prosafe's position is clear: we will take a pro-active role and contribute to make a difference.

HSE & QA

Prosafe has adopted a zero mindset philosophy. This means that we believe that active preventive efforts will allow our business to be pursued without negative consequences for people's life and health, the natural environment and material assets.

The zero mindset involves a commitment to do what we can to reduce risk and to learn from things which have gone wrong. When an accident or near-miss occurs, playing down the incident or concluding that it was a misfortune is not permitted.

We follow up undesirable incidents in a systematic manner and continue to build a culture which promotes learning. Safety for people, the environment and material assets must be created and re-created every day.

Environmental management

Prosafe is dedicated to running safe and environmentally responsible operations. Care for the environment is one of our core values, and forms an integral part of our business planning.

We cooperate actively with our customers and suppliers to set in-house goals, make continuous improvements to own routines, and shape attitudes to protect the natural environment from pollution caused by our operations and those of our partners. All accidental discharges and emissions are reported and followed up in the same way as injuries and property damage.

Offshore Support Services had no accidental discharges to the natural environment in 2007, which is wholly in line with Prosafe's target. All rigs were surveyed in 2007 and received International Air Pollution Prevention Certificates.

Floating Production had a total of 8.3 cubic metres of oil spills in 2007. The largest was a discharge of six cubic metres of oily water during slop tank discharge of the FPSO *Umuroa* in New Zealand. This spill resulted in approximately six cubic metres of oil contaminated sand along a section of the Taranaki coast. The sand was cleaned up and there was no permanent damage. As a response to this incident, we have reviewed the operating procedures for monitoring activities during water discharge operations and for the management of produced water handling.

Other spills were minor and have been thoroughly investigated. We have taken the necessary measures to guard against any repeat.

Reducing our ecological footprint

We are actively seeking technical solutions to improve our environmental performance, reduce our energy consumption and improve hydrocarbon processes to further reduce impact upon the environment.

Floating Production includes environmental consideration already in the engineering and construction stage of new FPSOs. Thereby, we ensure that much of the desired performance can be achieved by adhering to principles of pollution prevention, zero or minimum discharge and maximum use of natural resources. We implement designs and innovative technologies that minimize the impact of our operations, at the same time improving productivity.

The division has developed an environmental management plan which specifies the actions, routines and procedures necessary for maintaining environmental control. We are presently assessing our CO_2 footprint, so that we can challenge ourselves with achievable reduction targets in CO_2 emissions.

Prosafe will do its best to minimize the impact on the environment. We will work hard to reduce our ecological footprint and to deliver quality products that will be used in an energy efficient way, to the long-term benefit of mankind and the environment.

Never compromise on safety

Lost time injuries (LTIs) are injuries which cause employees to be absent from the next work shift. The commissioning and subsequent start-up of two new FPSO operations in 2007 and a record-high number of vessels and rigs in operations resulted in more incidents than in 2006. In 2007 we recorded seven lost time injuries for our total rig and FPSO operations. None of them had long-term consequences.

The LTI frequency is calculated by multiplying the number of LTIs by 1 million and dividing this by the total number of man-hours worked. This resulted in an LTI frequency of 2.3, which is slightly higher than the 1.4 figure in 2006.

For the project execution and conversion activities, we recorded about 6.6 million man-hours and six LTIs. This gives an LTI frequency of 0.9.

The injury frequency, which expresses the number of personal injuries per million working hours, was 7 for the fleet operations, compared to 4.6 in 2006. For the conversion projects, the injury frequency was 1.2.

All injuries and serious incidents are unacceptable to Prosafe, and they are therefore subject to extensive in-house investigation to identify causes and introduce risk-reducing measures aimed at preventing recurrence. The findings of these investigations have been conveyed to the rest of the organisation to ensure transfer of experience. These are important measures for reaching the company's goal of zero injuries.

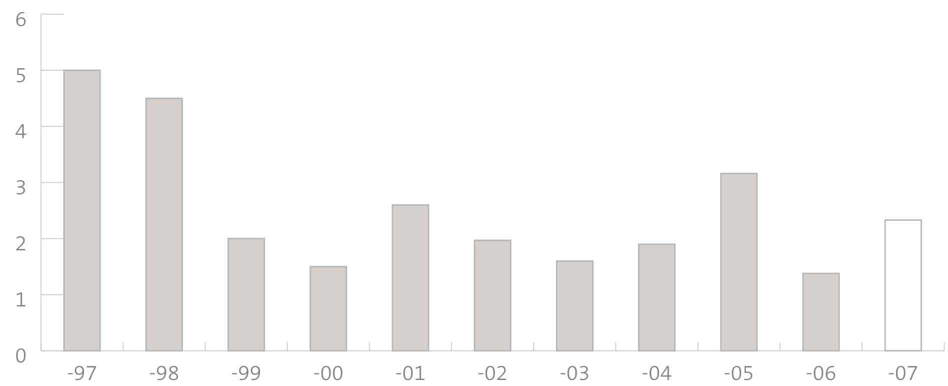
A number of operations have demonstrated through long injury-free periods that excellent safety results are attainable. The *Abo FPSO*, which is operating at the Abo field offshore Nigeria, has been operating without an LTI since contract start in April 2003. An excellent result like this demonstrates that the zero mindset is achievable, and provides motivation. We use our best operations across the group as examples to ensure transfer of experience in HSE training.

Number of days since last lost-time injury
(at 31 December 2007)

Abo FPSO [1]	1 783
MSV *Regalia*	738
Safe Scandinavia	565
Safe Astoria	547
Safe Bristolia	547
FSO *Endeavor*	316
FPSO *Umuroa*	123
Safe Caledonia	76
FPSO *Petróleo Nautipa*	49
FPSO *Polvo*	19
FPSO *Espoir Ivoirien*	5

[1] Number of days without lost-time injury since contract start.

Lost time injury frequency for rig and FPSO/FSO operations 1997 - 2007



Collective responsibility

We know from experience that most accidents and near-misses are due to human factors. Although our employees observe prevailing legislation, statutory regulations and procedures at all times, we must acknowledge that hazardous conditions may arise because individuals make errors of judgement.

Systematic preventive HSE work is a high-priority line management responsibility. An active and visible involvement by management is a key factor in achieving the company's goal of operating without accidents. Prosafe expects all its managers to lead the way by setting a good example and facilitating good working practices and the resources required to operate safely.

It is the responsibility of all employees to perform their work in a safe manner, taking a proactive approach to reduce risk, and reporting hazardous situations and undesirable conditions. Being pro-active is important. This can be achieved by recognising and eliminating unsafe conditions and using the tools at our disposal, e.g. toolbox talks, job safety analysis, permit to work, etc. All employees have a duty to contribute, take care and look after each other.

Should a conflict arise between progress and safety, the latter must always be the first priority. No safety rules may be broken, and no short cuts may be taken to complete a job quickly.

Continued low sickness absence

Prosafe had 1 360 employees at 31 December. Sickness absence remained very low, and was only 0.67 per cent in 2007. This is a continuation of the positive trend observed in recent years.

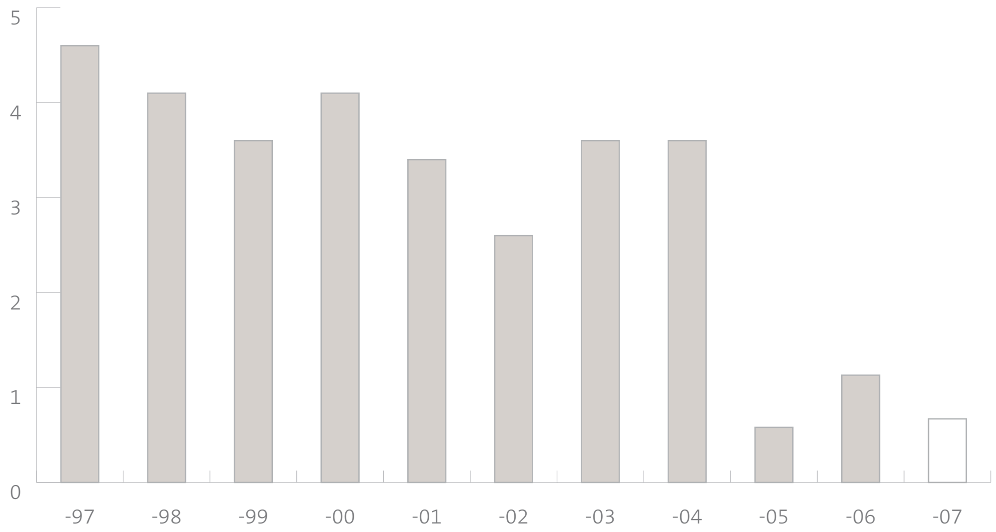
We believe that a good working environment and a good follow-up of employees on sick-leave have contributed to this good result. All sickness absence is monitored closely and occupational health guidance and intervention are sought at an early stage during any sickness related absence. We also take steps to enable employees to return to work on light duties, either in the office, or on shorter vessel trips to re-assimilate an employee back to work.

We will continue to give emphasis to attendance factors, follow up employees on sick leave and facilitate a good working environment in order to maintain this good result and further reduce sickness absence.

Certified management systems

Prosafe is committed to achieving and maintaining the highest standards of quality in its operations. Documented processes, systems and reviews form the basis of Prosafe's quality systems. Through ISO and ISM standards, the company maintains an

Sickness absence 1997 - 2007 (in percentage)



up-to-date quality management system with an integrated safety and environmental management system.

The quality management systems of Prosafe's business divisions are certified to the international ISO 9001 quality standard. Floating Production and Offshore Support Services were re-certified to the new process-oriented ISO 9001:2000 standard in 2003 and 2005 respectively.

Floating Production's environmental management systems were certified to ISO 14001 in 2003. Offshore Support Services' Integrated Management System meets the requirements of ISO 14001 and will be certified against this standard in the second quarter of 2008.

Floating Production's expertise and management systems for safety and the working environment were certified to the Occupational Health and Safety Management System (OHSAS) 18001:1999 standard in 2005. This standard sets requirements intended to equip the company to manage and monitor risks associated with HSE and to improve its HSE performance.

Safety management systems for the rig fleet are approved to the International Safety Management (ISM) code. Prosafe's accommodation/service rigs and production and storage vessels have been certified to the International Ship and Port Facility Security (ISPS) code. The divisions were not served with enforcement notices by any regulatory authority during 2007.

In 2007 the Petroleum Safety Authority Norway (PSA), which is the enforcement authority responsible for offshore safety in Norway, awarded the accommodation/service rig *Safe Scandinavia* an acknowledgment of Compliance (AoC) required for operations on the Norwegian Continental Shelf.

The *Safe Scandinavia* was the first floating accommodation unit ever to be awarded an AoC. The AoC reflects that the technical condition of the rig and the business division's organisation and management systems are considered to be in compliance with relevant requirements in Norwegian shelf legislation.

Audits

Prosafe measures achievement of continuous improvement through internal audits and external/third-party audits. We also use the audits as tools to ensure that our procedures and management systems are properly implemented and observed.

A total of 100 audits were carried out in 2007, including nine by certification bodies and 15 by customers. No major non-conformances from the company's quality systems were identified.

Contingency plans

Prosafe has established contingency plans to limit harm to people, the environment and material assets, and to ensure that correct, relevant and timely information is provided to the outside world if and when required.

We carry out regular emergency response exercises in cooperation with our customers and third parties to ensure that we are as well prepared as possible to deal with a possible crisis.

DEFINITIONS

Lost-time injury (LTI): Occupational injury which causes the employee to be absent from work for one complete shift, i.e. 12 hours.

Personal injury/non-LTI: Occupational injury which is not classified as an LTI, but which requires that the employee receives medical treatment.

Exposure hours: Total hours worked, based offshore on a 12-hour shift.

LTI frequency = [no of LTIs x 1 000 000]/[exposure hours]

Injury frequency = [(LTIs + non-LTIs) x 1 000 000]/[exposure hours]

Sickness absence = [working days lost owing to sickness or injury]/[working days available]

Serious incident: Accident or incident with the potential to cause:
1) fatality
2) life-threatening injury
3) material damage worth more than USD 250 000
4) fires or explosions
5) oil spills greater than 50 barrels
6) chemical spills

Society and people




Prosafe aims to be a corporate social responsible company. We are committed to maintaining high ethical, social, environmental and governance standards and creating sustainable values for the benefit of all stakeholders – shareholders, customers, employees, society at large and the communities where we operate.

We believe that excellence in corporate responsibility will give us a competitive advantage and will contribute to our long-term success. It helps the company attract and retain the best people and maintain successful working relationships with clients, suppliers and authorities. It also enables Prosafe to build goodwill and to support the countries in which we have operations.

Prosafe complies with all governmental laws, rules and regulations applicable to our business. In addition, we are committed to operating in accordance with responsible, ethical, sound business principles. We make stringent demands on ourselves when it comes to our impact on the environment and society at large.

Our corporate citizenship is built on transparency, stakeholder dialogue and integrity in the conduct of our business. We will ensure that our stakeholders at all times are in possession of correct, clear and timely information about the company's operations and condition. Dialogue with stakeholders is essential for identifying risk, creating realistic expectations and securing confidence in the company.

Sustainability

The UN defines sustainable development as one which meets today's requirements without destroying the opportunities for future generations to fulfil their own needs.

Sustainability is integral to all aspects of our business. We strive to balance economic, environmental and social objectives and integrate them into our daily business decisions. We will include a corporate social responsibility perspective when considering new projects, as part of systematic due diligence for new investments.

Prosafe has solid procedures for measuring, reporting and communicating its financial results. Gaining more knowledge about the impact of our activities on local communities and environment is essential in order to be able to benchmark and further improve. Therefore, we will increase our focus on collecting such information in 2008. We will intensify our efforts to enhance the organisation's awareness and understanding of corporate social responsibility, and to further integrate it into our operations.

UN Global compact

Prosafe acknowledges adherence to the UN Global Compact, and will in 2008 initiate work to join this initiative. We are committed to aligning our operations and strategies with UN Global Compact's ten universally accepted principles in the areas of human rights, labour, the environment and anti-corruption.

Human rights

Human rights are the basic standards of treatment to which all people are entitled, regardless of nationality, gender, race, economic status or religion.

"Respect" is one of Prosafe's core values. We will support and respect the protection of internationally proclaimed human rights and make sure that we are not complicit in human rights abuses. We will ensure that all our activities are conducted in accordance with basic human rights standards and require our suppliers and business partners to do the same.

Labour conditions

Prosafe does not accept child labour or forced labour in its operations or in the operations of its suppliers and other business partners. Basic employee rights such as freedom of association, entitlement to collective bargaining, the right to receive minimum wage and to have regulated working hours are given high priority.

The company will treat all employees alike, regardless of gender, religion, race, national or ethnic origin, cultural background, disability, sexual orientation, age or political opinion.

Bribery and corruption

Prosafe has zero tolerance of bribery and corruption. No Prosafe company or employee must offer or provide an undue monetary or other advantage to any person or persons, including public officials or customer employees, in violation of laws and the official's or employees' legal duties, in order to obtain or retain business.

Agreements with consultants, brokers, sponsors, agents or others intermediaries must not be used to channel payments to any person or persons, including public officials or customer employees, thereby circumventing Prosafe's policies regarding bribery and corruption.

We are committed to fair and open competition in markets around the world. Prosafe companies and employees must under no circumstances engage in any anti-competitive practices such as illegal fixing of prices, sharing of markets or other actions which prevent, restrict or distort competition in violation of applicable antitrust laws.

Our management systems include controls and internal audits that are designed to identify and prevent bribery and corruption. Responsibilities for authorizing, approving and recording financial transactions are segregated to reduce risks in our worldwide operations.

Ethical conduct

Given the global presence of the company and the diversity of backgrounds of its employees, it is important to ensure a uniform standard of conduct.

Prosafe's core values – the environment, focus, ambition, safety, innovation, respect and profitability – must be reflected in the behaviour of every employee. In order to create a corporate identity across company and national boundaries, it is important that these core values are at the basis of all behaviour.

Furthermore, Prosafe has adopted a code of conduct which must be observed by all employees at all times. This code is the cornerstone of the company's commitment to integrity. It provides guidance to actions and decisions, and reflects the mindset and attitude expected in Prosafe.

The implementation of the code of conduct will be given the highest priority. The presidents of business divisions are responsible for making these guidelines known and for promoting and monitoring compliance.

Employees are encouraged to discuss any concerns they may have with the line management.

In order to facilitate whistle-blowing, Prosafe has established a channel for reporting concerns about possible breaches of the code of conduct that may be used if employees feel that the matter cannot be discussed. All reports will be treated with confidentiality, and the individual may remain anonymous.

Prosafe's ethics committee will maintain and further develop the company's code of conduct and give recommendations and advice on dealing with ethical dilemmas. The committee is responsible for ensuring that alleged breaches are investigated thoroughly and fairly.

A diverse work force

Prosafe's success depends upon the combined capabilities and contributions of the company's employees. Their motivation, knowledge and competence are fundamental to the sustained success of Prosafe.

Prosafe had 1 360 employees from 42 countries at 31 December 2007, as opposed to 1 030 a year earlier. This sharp increase is mainly due to the strong order intake in Floating Production in recent years, and the subsequent need to staff three FPSO conversion projects and the FPSO *Polvo* and FPSO *Umuroa* that started operations in Brazil and New Zealand respectively. Prosafe employs contract staff to provide flexibility during peak working periods. Overall workforce turnover in the group in 2007 was 8.5 per cent.

We believe that strength lies in differences, not in similarities. Our diverse and talented workforce is one of the company's most important competitive advantages in satisfying the requirements of our clients. Attracting, developing and retaining the best employees, regardless of gender, age, nationality, cultural background or religion, gives the company access to new ideas, promotes better decision making, and creates a workforce that mirrors our clients and the world at large.

Men are traditionally over-represented in the recruitment base for offshore operations, and this is reflected in Prosafe's gender breakdown. At 31 December 2007 women accounted for 17.3 per cent of the overall workforce, as opposed to 11.6 in 2006, while their proportion on land was 28.6 per cent, as opposed to 22.7 per cent in 2006.

In 2007 the proportion of women among Prosafe's managers was 14.9 percent, which is an increase from 13.5 per cent in 2006. The company's policy is full equality between women and men.
Both business divisions have drawn up a human resources policy and personnel procedures to ensure efficient human resources management and equitable treatment of employees. We are committed to providing a work environment in which everyone is treated fairly and with respect, and where everyone has the opportunity to contribute to business success and realise their potential. Recruitment, promotion, training and remuneration are based on qualifications such as education, experience and results.

Ensuring sustainable growth

Prosafe's high activity level and strong targeting of international markets have led to an increase in the company's need for people with the right skills and attitudes.

We aim to be a preferred employer, and will attract and retain employees by offering them challenging and motivating tasks, and by providing attractive working conditions and possibilities for personal development and career growth. All employees shall have a salary that is seen as fair, competitive and in accordance with industry standards.

In order to ensure a uniform high standard of operations and create a corporate identity across company and national boundaries, new employees are given a thorough introduction of Prosafe's history, operations, vision, core values and code of conduct. They are also offered the necessary training in our policies related to health, safety and the environment.

Every employee will get an annual appraisal dialogue with his or her line manager. These annual reviews provide the opportunity for focusing on

how employees and managers may collaborate in order to reach individual and company goals. Based on the job review, the manager in a dialogue with each employee will develop an individual development plan.

Supporting local communities

Prosafe has operations and offices in 15 countries. We have a social responsibility towards the local communities in which we are represented, and wish to contribute to their positive development. We accordingly cooperate closely with local employees, customers and government authorities. Prosafe's most important contribution to local communities is job creation, both directly and indirectly, which helps to enhance the local level of expertise and generates tax revenues. Local suppliers of goods and services are used where they are competitive.




In connection with each operation, Prosafe obtains thorough information about national law and statutory regulations, and ensures that these are observed. We also secure detailed knowledge of the country's political, economic and social conditions. We seek to acquire an understanding of the impact of our operations on people and society, and to allow this insight to find expression in practical action to the benefit of the local communities of which we form an integrated part. Prosafe's aim is a development which balances good financial results with concern for the environment and the community to which we belong.

Prosafe has established extensive training programmes, both in-house programmes and programmes offered by approved educational institutions. The company thereby contributes not only to local employment but also to boosting the level of local expertise.

The *Abo FPSO* is on charter off Nigeria. When production began in April 2003, 59 per cent of the crew were Nigerians. The proportion of local employees has now reached 85.3 per cent. FPSO *Polvo* and FPSO *Umuroa* started operations in August 2007. End 2007 FPSO *Polvo*, operating offshore Brazil, had 64.7 per cent local employees, while FPSO *Umuroa* had 94.5 per cent local employees in New Zealand.

Social programs

Prosafe makes donations to humanitarian organisations and charities. We feel that it is important to show our employees and the community that we are an integrated part of the society.

Floating Production in Singapore has undertaken to support and help the Movement for the Intellectually Disabled of Singapore (Minds). This voluntary organisation aims at providing training and education for developmentally disabled children.

Prosafe gives yearly a substantial donation to support a social program in a country where the company has business activities. Early 2007 a donation was given to SOS Children's Villages in Igarassu, Brazil. This donation founded the building and running of a family house.

In the beginning of 2008 Prosafe gave a donation to SOS Children's Villages in Mexico. We believe that offering children a home and education is the most valuable aid the company can give. In the longer term, this will contribute to a better future, both for the children and the country in which they live.

Combating HIV/AIDS

HIV/AIDS is a disease that shows no racial, gender or class boundaries. It is largely the behaviour of the individual that places him/her at risk or protects him/her against the disease.

We have operations in certain geographical areas where the incidence of HIV/AIDS is among the highest in the world. Managing the impact of the disease is a key sustainability challenge for us, as we have a responsibility to care for our employees, protect the viability of our operations and support the wellbeing and development of the local communities.

The Floating Production business division has implemented an education programme on HIV-prevention among its employees in order to curb the spread of HIV. They also give employees access to medical care.

Recognition of Prosafe's commitment

A growing number of investors are setting requirements for a company's non-financial results. They wish to invest only in companies which satisfy a set of ethical, social and environment-related criteria.

Prosafe is included in Kempen/SNS's socially responsible investment (SRI) index, in F&C Asset Management's ethical fund and received an A-rating in Berenberg's Sustainable Small & Mid Cap Fund. We appreciate these recognitions, which confirm that the company's efforts in this area have yielded results and that we are perceived as a socially responsible company.

Prosafe's objective is to add value for its shareholders through a positive development of the share price and the distribution of dividends.

Shareholder information

The principal objective of Prosafe's shareholder policy is to provide shareholders with a competitive, risk-adjusted yield on their shares through a combination of share price appreciation and direct return in the form of dividend.

Prosafe has over the years paid significant amounts in dividend. Special dividends have been paid for several years because the free cash flow significantly exceeded the need to invest. The level of dividend will reflect the underlying financial progress of the company, while taking account of opportunities for further value creation through profitable investment. Buying back shares will be considered as an alternative to profitable new investment, dividend and extraordinary debt servicing.

For fiscal 2006 an ordinary dividend of NOK 1.25 per share was paid in May 2007, which represents a slight increase compared with an ordinary dividend of NOK 1.10 for fiscal 2005. The company also resolved on 6 December 2007 to pay a special dividend of NOK 3.75 for fiscal 2006, compared with NOK 4 in special dividend for fiscal 2005. The special dividend was paid on 21 December 2007. Total dividend paid for fiscal 2006 was thereby NOK 5 per share.

In December 2007 the board of Prosafe SE resolved to initiate a process through which the company will be split into two listed companies, one focused accommodation/service rig company and one focused floating production company. The split process, including listing of a new entity, is expected to be completed by the end of the second quarter of 2008.

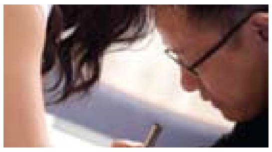
The boards of the two new companies will communicate their dividend policy going forward. The dividend proposal for 2007 will be made in conjunction with the final determination of the split model.

Equal treatment of shareholders

In order to ensure equal treatment of its shareholders, one of Prosafe's aims is to make sure that the stock market at all times is in possession of correct, clear and timely information about company operations and conditions. This is essential for an efficient pricing of shares and for maintaining confidence in the company. Approaches taken to meet this aim include prompt and comprehensive reporting of the company's interim results, and the distribution of annual and quarterly reports. Additionally, information of significance for assessing the company's underlying value and prospects is made available via the Hugin financial information service at www.huginonline.com, as well as on the company's own website.

Further details, such as articles of association, contact names, addresses and news about the company, are also available at www.prosafe.com.

Prosafe has been awarded the Oslo Stock Exchange's Information Symbol and English Symbol, established to identify companies which work professionally and systematically to make financial information readily available to investors and other market players, both nationally and internationally.



The company has authorised persons that may speak to the external market on its behalf concerning various issues. Otherwise, this will be decided on a case-by-case basis.

A number of Norwegian and foreign stockbrokers provide analyses of the Prosafe share. It is in the company's interests that such analyses are of high quality and based on the facts. For that reason, Prosafe places great weight on ensuring that all analysts receive accurate, clear and relevant information, and that they are treated equally regardless of the recommendations they make. A list of analysts who monitor Prosafe can be found at www.prosafe.com under Investor information / Shareholder information.

Share capital

The company's share capital totalled EUR 57 484 198.50 at 31 December 2007, divided between 229 936 790 shares with a nominal value of EUR 0.25 each. The number of outstanding shares in 2007 was 229 826 630. Prosafe owned 110 160 of own shares at 31 December 2007, corresponding to 0.048 per cent of the total. Prosafe's shares are listed on the Oslo Stock Exchange (OSE) with ticker code PRS.

Share return

Prosafe's share price at 31 December 2007 was NOK 94.50, giving the company a market capitalisation of NOK 21.7 billion, which corresponds to USD 4 billion. That represents a rise of 6.8 per cent during 2007 before adjustment for dividend. Adjusted for a total dividend of NOK 5 per share, the increase was 12.4 per cent. By comparison, the Oslo Stock Exchange's benchmark and energy indices rose by 11.5 per cent and 7.5 per cent respectively over the same period. The graph on page 67 shows the performance of Prosafe's share price from 2 January 2007 to 29 February 2008, and the concurrent performance of the Oslo Stock Exchange's benchmark and energy indices over the same period.

The lowest trading price of the Prosafe share during 2007 was NOK 83.80, while the highest share price was NOK 104 during the year.

Share trading and liquidity

Trading value in 2007 amounted to NOK 40 billion (2006: NOK 33 billion), an increase of 21 per cent. On average, 1.77 million (2006: 1.74 million) shares were traded per trading day in 2007. The average size of each transaction was NOK 169 000. Adjusted for an average trading price of NOK 91.15 as against NOK 75.42 in 2006, the value of daily turnover rose by 24 per cent to around NOK 162 million.

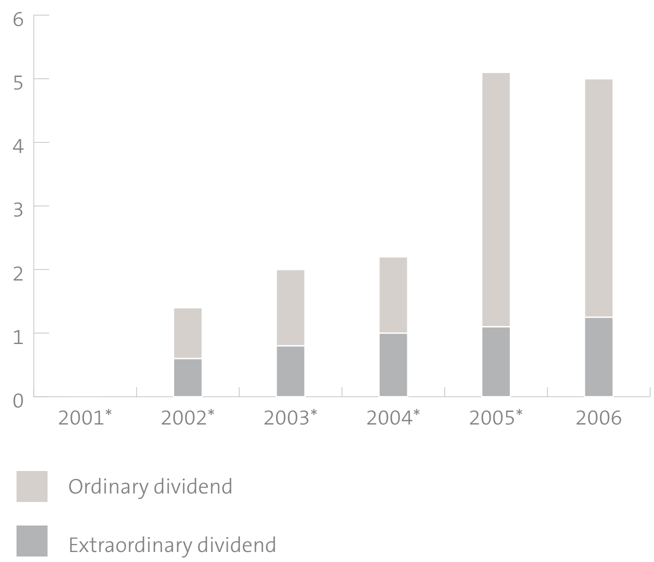
A high liquidity is important in order to enable investors to buy and sell Prosafe shares. All together 444 million shares changed hands in 2007. Turnover velocity was 193 per cent in 2007 (2006: 217 per cent).

Key share data	2007	2006	2005	2004	2003	2002
Number of shareholders	4 599	4 051	3 577	3 843	3 556	3 031
Share price at 31 Dec (NOK) 1)	94.50	88.50	57.30	32.80	26.80	18.90
Shares issued at 31 Dec (1 000) 1)	229 937	229 937	170 485	170 215	169 790	169 790
Market cap at 31 Dec (NOK million)	21 729	20 349	9 769	5 583	4 550	3 209
Turnover (NOK million)	40 458	32 880	11 000	5 963	4 602	2 832
Number of transactions	239 423	137 737	52 774	21 153	14 781	12 738
Turnover rate (%)	193	216.7	148.7	113.1	110.2	70.9

1) Figures for 2002-2005 are adjusted for the 1:5 share split which took place in December 2006.

Dividend

NOK/Share



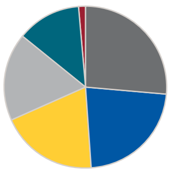
* Adjusted for the 5-for-1 split in December 2006.

Shareholder composition at 31 December 2007

At 31 December 2007, Prosafe had 4 599 registered shareholders.

Name	No of shares	Percentage
BW Offshore	60 932 990	26.50%
UBS AG, London Branch (nominee)	15 639 072	6.80%
Folketrygdfondet	14 257 135	6.20%
Brown Brothers Harriman	12 246 273	5.33%
State Street Bank and Trust (nominee)	5 986 547	2.60%
GMO	5 975 953	2.60%
Mellon Bank (nominee)	4 119 018	1.79%
Pareto	4 003 150	1.74%
Citibank (nominee)	3 500 000	1.52%
Storebrand	3 399 286	1.48%
Morgan Stanley (nominee)	3 379 144	1.47%
Vital	2 881 026	1.25%
Mellon Bank (nominee)	2 626 023	1.14%
RBC Dexia (nominee)	2 623 523	1.14%
JP Morgan Chase Bank (nominee)	2 487 482	1.08%
Danske Bank (nominee)	2 354 791	1.02%
DnB Nor	2 042 544	0.89%
Clearstream Banking (nominee)	1 734 316	0.75%
Credit Agricole Investor (nominee)	1 547 622	0.67%
Morgan Stanley	1 446 575	0.63%
Total 20 largest	**153 182 470**	**66.62%**
Total no of shares	**229 936 790**	

Geographical distribution of shareholders at 31.12 2007



- Cyprus (26%)
- Norway (22%)
- USA (19%)
- United Kingdom (18%)
- Other Europe (13%)
- Others (1%)

OSE indices

The Prosafe share was included in the following indices on the Oslo Stock Exchange at 31 January 2008:

Name	Ticker	Weighting
OBX Total Return Index	OBX	2.07%
OSE Benchmark Index	OSEBX	1.71%
OSE All-share Index	OSEAX	1.04%
OSE Mutual Fund Index	OSEFX	2.25%
OSE10 Energy	OSE10G	2.15%
OSE1010 Energy	OSE1010G	2.15%
OSE101010 Energy Equip. & Serv.	OSE101010G	5.64%

In addition, the Prosafe share is included in several international indices, amongst others:

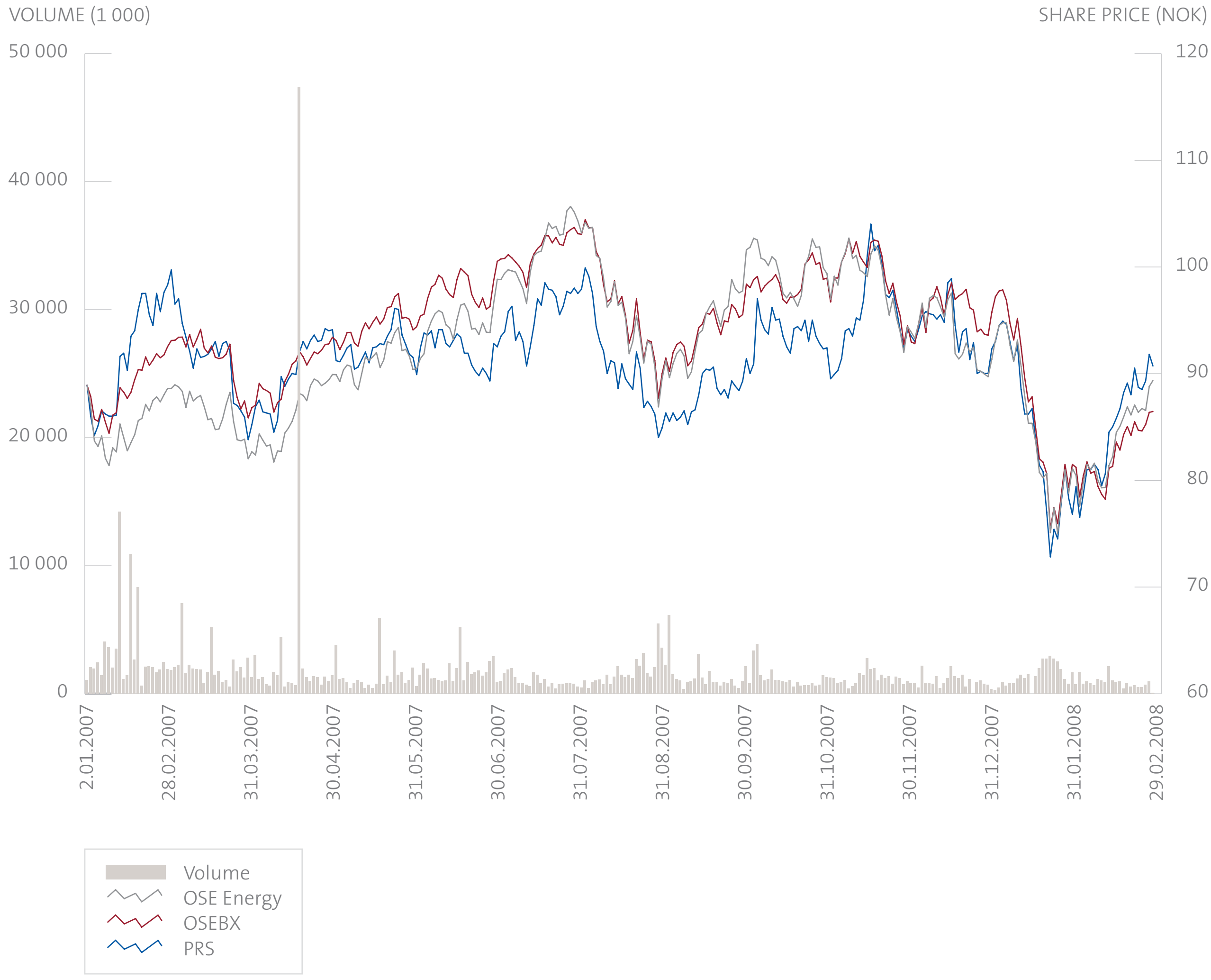
Name	Ticker	Weighting
Dow Jones STOXX 600	SXXP	0.0291%
Dow Jones STOXX 600 Oil & Gas	SXEP	0.3258%

Financial calendar

Prosafe will publish its interim results on the following dates:

1st quarter 2008:	15 May 2008
2nd quarter 2008:	14 August 2008
3rd quarter 2008:	6 November 2008
4th quarter 2008:	12 February 2009

The annual general meeting will be held in Cyprus on 14 May 2008.



Analytical information

It is Prosafe's key aim to encourage the broadest possible coverage of and interest in the company through providing sufficient information on a timely basis to stock market participants.

Prosafe does not want to provide guidance on assessments or methodologies for judging the underlying value of the group's business. It prefers leaving the valuation of the company to the capital market, based on assessments of operations, developments, market prospects and other information in the public domain.

Valuation

Prosafe's business consists of the Offshore Support Services and Floating Production divisions. Both are to a large extent capital intensive and active in the global oil and gas industry. The capital market has traditionally based its valuation of Prosafe on a combination of net asset value and earnings-based methods.

Debt service

At 31 December 2007, the group's interest-bearing debt totalled USD 1.3 billion. Of this, unsecured bond loans accounted for USD 126 million, a commercial paper for USD 110 million and bank loans secured by mortgages for USD 1.1 billion. The bond debt is divided into two loans of NOK 411 million maturing March 2010 and USD 50 million maturing March 2012. These loans are listed on the Oslo Stock Exchange with ticker codes PRS02 and PRS03 respectively. The six-month commercial paper of NOK 600 million is maturing on 15 February 2008 and has ticker code PRS04.

	Amount drawn	Maturity	Interest	Loan margin
PRS02	MNOK 411	Mar 2010	floating	1.15%
PRS03	MUSD 50	Mar 2012	floating	1.40%
PRS04	MNOK 600	Feb 2008	fixed: 5.64%	-

The prices estimated by the Norwegian Securities Dealers Association at 31 December 2007 were NOK 100.35 for PRS02, NOK 100.40 for PRS03 and NOK 99.92 for PRS04.

The company's three bank facilities have the following repayment structures:

Facility 1: Drawn amount as of 31 December 2007 was USD 980 million. Total availability is USD 1.3 billion. The first of 17 three-monthly instalments of USD 65 million is due in March 2009, and a final payment of USD 195 million in June 2013.

Facility 2: Prosafe Production Services has undertaken a project financing of USD 120 million in 2007 in connection with the FPSO *Umuroa* operating in New Zealand. The amount was drawn in November 2007 and will be fully repaid over a five-year period.

Facility 3: Initial facility amount of USD 17.5 million drawn in June 2006. Loan amount as of 31 December 2007 is USD 14.3 million. There are six-monthly instalments of USD 1.1 million in May and November each year, followed by a final payment of USD 3.5 million at maturity in 2012.

Investment and required return

Since its formation in 1997, Prosafe has been through a period of major investments in the form of organic growth and through the acquisition of companies.

Prosafe assesses new projects and investments on the basis of expected return in relation to risk. On a general basis, the company has established guidelines for minimum expected return in the divisions.

The required rates of return are calculated on the basis of expected contractual and market conditions, risk and financing structure.

For Offshore Support Services, the recommended internal rate of return is set at 15 per cent. The internal rate of return is then calculated on the total invested capital without reference to the financing sources used.

Contract horizon is normally longer in Floating Production than in Offshore Support Services, and required equity ratio is thereby lower. Assuming risk conditions are the same, it should thereby be possible to maintain the return on equity despite a lower return on total capital. For that reason, the company normally applies 12-15 per cent as required return on FPSO projects.

Investment in rigs or FPSOs is normally financed through a combination of new debt and equity. In such cases, the expected percentage return on equity will exceed the above-mentioned internal rate of return assuming that the terms for external capital financing are cheaper than for internal financing.

During 2007 there were two main investment categories: investments for the purpose of converting vessels into FPSOs and general maintenance investments.

Given today's fleet and contract coverage, ordinary maintenance investment will typically be about USD 20-30 million per annum for the group as a whole. The bulk of investments will usually fall within Offshore Support Services. In addition, there will from time to time be value-enhancing investments on the different accommodation rigs.

Investment by Floating Production is largely related to conversion projects or upgrading of existing units for new contracts. During 2008, the ongoing work with converting three vessels to FPSOs will continue. VLCC M/T *Navarin* will be converted to FPSO *Cidade de São Mateus*, VLCC M/T *Kudam* to FPSO *Ningaloo Vision* and VLCC M/T *Europe* to FDPSO *Azurite*. Total investments for these three projects will be approx. USD 1 billion, excluding variation orders from clients. The bulk of investments will incur in 2008. Projects roughly follow the same schedules and are expected to achieve first oil by late 2008/early 2009.

In January 2008 Floating Production acquired one new vessel, M/T *Takama*, for the purpose of a future FPSO conversion.

Order backlog

Orders in hand for Offshore Support Services at 31 December 2007 were in excess of USD 500 million (2006: USD 400 million), of which in excess of USD 300 million relates to 2008. In addition, there are options for contract extensions worth approx. USD 100 million. Including the Mexico rig contracts and the contract for *Safe Bristolia* that were awarded early 2008, Offshore Support Services has an order backlog of USD 1 billion and a rig utilisation factor of 86 per cent for 2008.

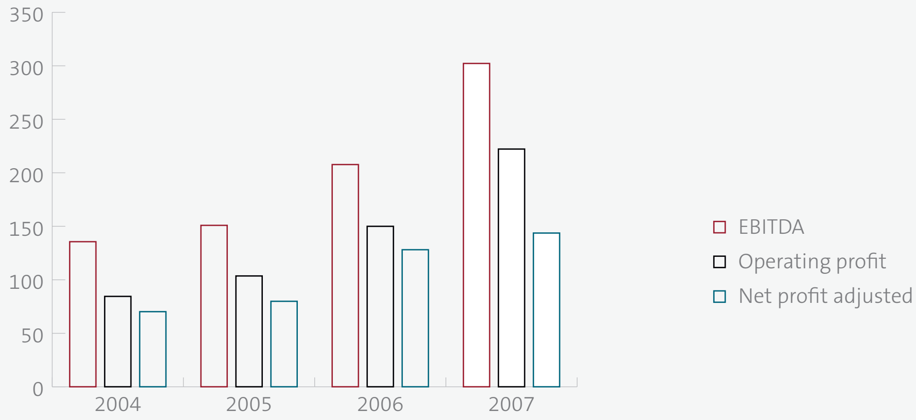
Floating Production had firm orders in hand worth about USD 2 billion at 31 December 2007 (2006: USD 2 billion), of which in excess of USD 200 million relates to 2008. In addition, there are options for contract extensions worth approx. USD 2 billion (2006: 1.5 billion).

Taken together, the group thereby had a total order backlog of USD 3 billion at 14 Februrary 2008 excluding option periods, and USD 5 billion including option periods.

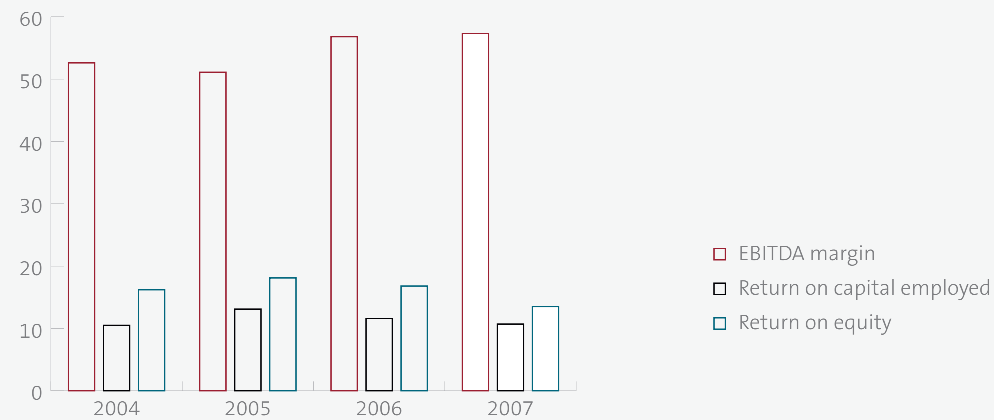
Further details on contracts held by the various divisions can be found on pages 36 and 44.

Key financial figures

Profit
(USD million)



Key figures
(Per cent)



1 Previously reported share figures have been adjusted to reflect the 5-for-1 share split effective 27 December 2006. 2 Operating profit before depreciation 3 Net profit adjusted for deferred tax relating to the departure from the Norwegian tonnage tax scheme and discontinued operation 4 Net profit / Average number of outstanding and potential shares 5 Net profit adjusted / Average number of outstanding and potential shares 6 Cash flow from operating activities 7 Cash flow from operating activities / Average number of outstanding and potential shares 8 Interest-bearing debt - Cash and deposits 9 Net interest-bearing debt / Book equity 10 EBITDA / Interest expenses 11 [Operating profit + Interest income] / [Average total assets - Average interest-free debt] 12 Net profit adjusted / Average book equity 13 Book equity / Total assets 14 Ordinary dividend per share / Earnings per share 15 Ordinary and special dividend per share / Earnings per share 16 Market capitalisation + Net interest-bearing debt 17 Book equity / Number of shares

		NOTE	2007	2006	2005	2004
Profit						
Operating revenues	USD million		527.1	365.6	295.3	257.6
EBITDA	USD million	2	302.2	207.7	150.9	135.6
Operating profit	USD million		222.2	150.0	103.6	84.5
Net profit	USD million		143.7	128.1	46.4	70.2
Net profit adjusted	USD million	3	143.7	128.1	79.9	70.2
Earnings per share	USD	4	0.63	0.64	0.27	0.41
Earnings per share adjusted	USD	5	0.63	0.64	0.47	0.41
Ordinary dividend per share	NOK		-	1.25	1.10	1.00
Special dividend per share	NOK		-	3.75	4.00	1.20
Cash flow						
Capital expenditure	USD million		456.6	1 023.2	48.6	15.9
Cash flow	USD million	6	162.1	232.8	146.7	116.6
Cash flow per share	USD	7	0.70	1.16	0.86	0.69
Balance sheet						
Total assets	USD million		2 624.0	2 145.9	1 060.7	981.4
Working capital	USD million		151.0	57.8	272.5	117.2
Cash and deposits	USD million		162.0	147.2	303.6	121.6
Interest-bearing debt	USD million		1 351.1	638.9	390.9	410.2
Net interest-bearing debt	USD million	8	1 189.1	491.7	87.3	288.6
Book equity	USD million		1 038.6	1 089.7	435.0	448.6
Gearing		9	1.14	0.45	0.20	0.64
Interest cover		10	5.00	6.47	8.57	7.49
USD/NOK exchange rate			5.41	6.26	6.77	6.04
Key figures						
EBITDA margin	%		57.3	56.8	51.1	52.6
Operating margin	%		42.2	41.0	35.1	32.8
Return on capital employed	%	11	10.7	11.6	13.1	10.5
Return on equity	%	12	13.5	16.8	18.1	16.2
Equity ratio	%	13	39.6	50.8	41.0	45.7
Dividend yield, ordinary	%	14	-	31.2	59.7	40.2
Dividend yield, incl special	%	15	-	124.8	277.0	88.4
Number of shares	1 000 shares		229 937	229 937	170 490	170 220
Average no of outstanding and potential shares	1 000 shares		229 937	201 295	170 340	170 105
Valuation						
Market capitalisation	USD million		4 016	3 251	1 443	924
Enterprise value	USD million	16	5 205	3 742	1 530	1 213
Share price	NOK		94.50	88.50	57.30	32.80
Book equity per share	NOK	17	24.44	29.67	17.27	15.92
Market value / EBITDA			13.3	15.7	9.6	6.8
Market value / Operating profit			18.1	21.7	13.9	10.9
Market value / Net profit			27.9	25.4	31.1	13.2
Market value / Cash flow			24.8	14.0	9.8	7.9
Market value / Book equity			3.9	3.0	3.3	2.1

Risk management and sensitivities

Prosafe operates on several continents and in various segments of the international oil and gas industry. The company's activities and business development are subject to several categories of risk.

An overall understanding and management of this exposure is important in ensuring stable value creation for the shareholders.

Prosafe currently assesses the group's total risk in four main categories: strategic, operational, financial and insurance-related. These are integrated into a tool applied to assess individual project risk and to obtain continuous monitoring of individual divisions.

STRATEGIC RISK

Unlike risk related to operations, finance and insurance, where the company seeks to reduce exposure as far as possible, strategic risk is the only category that the company actively accepts in order to generate a return for shareholders. Prosafe will create shareholder value by allocating capital and resources to the commercial opportunities that yield the best return in relation to the risks involved within its specified strategic direction.

Prosafe's position in the value chain

The bulk of the company's activities are centred around the production and maintenance phase of the lifecycle of oil fields. Traditionally, this represents the part of the value chain that is most robust to oil price variations and associated fluctuations in the pace of oil companies' investment and development.

Prosafe's strategic focus secures the company a stable revenue flow combined with growth opportunities in selected niches, even at times of volatile oil prices. Moreover, the company will at all times seek to have a portfolio comprising long, medium-term and short contracts, which confers stability and predictability and potentials for increased earnings through market fluctuations and new growth. Prosafe operates in all the important offshore regions of the world, which means the company's risk is substantially diversified in geographical terms.

Competitive position

The competitive position, through changes in demand and supply, is the most important factor affecting the company's results. In Offshore Support Services, Prosafe competes in the global market for accommodation/service rigs. The company faces competition in shallow and calm waters internationally from jack-ups, monohulls and barges, while its vessels are leaders in harsh environments because of their superior technology and better safety. Demand for its rigs has become global, and comes from areas such as the US Gulf, Africa, Brazil, Asia, Russia and Australia, in addition to the traditional North Sea and Mexican markets.

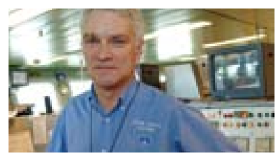
Demand for accommodation and services has risen in line with an increased pace in the development of new oil discoveries and extension of the production life of existing fields. In markets where competition is lower, such as the North Sea, this has led to higher utilisation factors and day rates. Entry barriers in this segment are substantial owing to the high cost and long delivery time of newbuildings, and the limited availability of rigs which can be converted to accommodation/service units. These barriers are likely to be highest for the upper end of the market, with dynamically positioned rigs which face demanding weather conditions, while moored units in calm waters could be more readily available. Offshore Support Services will create shareholder value by securing the highest possible contribution from each rig at all times.

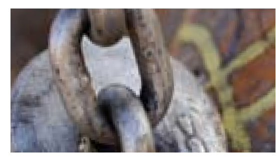
Floating Production operates in an expanding but fragmented industry. At the beginning of 2008, the market outlook is positive. A high number of field developments is being planned, and an FPSO solution seems to be the preferable development concept for an increasing number of fields. Based in part on today's substantial drilling programmes, the company expects this high level of activity to persist in coming years. Vessels in demand vary from small ships with low production capacity to large and complex units capable of high production and injection. However, contractors in this market also differ with regard to capital, expertise, geographical focus and experience.

There has been a trend towards a clear market segmentation on the supply side. A few selected companies operate in a high-end segment, where technology, engineering resources, track record and financial strength are prerequisites for being invited to tender for projects. In addition, there is a market for smaller vessels with lower complexity. The supply side in this market is more diverse, with a large number of smaller contractors, with some of them doing conversion projects without a firm contract. Prosafe is well established in the upper market segment, and will create shareholder value by offering innovative and cost-effective vessels fixed on firm charters in combination with safe, stable and cost effective operation.

Sensitivity: Prosafe's business is based largely on fixed day rate contracts, where compensation is independent of oil prices and production volumes. Day rates for accommodation/service rigs and FPSO/FSO units are primarily denominated in USD. An increase of USD 10 000 in the day rate for one accommodation/service rig operated by Prosafe would increase annual operating profit by USD 2.9 million (1.3 cents per share), assuming 80 per cent rig utilisation. Similarly, a ten per cent increase in utilisation for one rig, including saved lay-up costs and assuming an EBITDA contribution of USD 150 000 per day, would increase annual operating profit by USD 5.5 million (2.4 cents per share).

The FPSO projects on which Prosafe focuses would involve a total capital expenditure of USD 150-700 million. Assuming a firm charter period of seven to ten years and a 12-15 percent internal rate of return, a new project with an investment of USD 300 million would increase the annual EBITDA by about USD 60-70 million.





OPERATIONAL RISK

Prosafe's offshore operations involve risks of injury to personnel, damage to equipment and accidental discharges/emissions to the natural environment. Avoiding harm to personnel and equipment as well as accidental discharges/emissions represents a clear target. Potential incidents are reported immediately and followed up to limit possible harm and prevent repetition. Prosafe works proactively and constructively with customers and suppliers on setting in-house goals, making continuous improvements to own routines. Efforts are also made to shape attitudes in order to protect personnel and equipment from harm and the natural environment from pollution caused by own operations and those of its partners.

In line with industry practice, a contract normally contains clauses which give the customer an opportunity for early cancellation under specified conditions. Providing Prosafe has not acted negligently, however, the effect on results in such cases will normally be wholly or partly offset by a financial settlement in the company's favour.

The Gulf of Mexico contracts contain a cancellation clause allowing the ultimate customer, Pemex, to cancel the agreement with 30 days notice without compensation, if the Mexican authorities annul financing of the project. These clauses reflect the crisis that Mexico saw during the 1980s. The company takes the view that a cancellation on this basis is only likely if the Mexican economy suffers another deep and lengthy crisis. Prosafe does not regard this as a realistic scenario, given the high present and planned levels of activity in the Gulf of Mexico, the high oil price and the importance of oil production to Mexico's economic development.

FINANCIAL RISK

Interest rate risk

Prosafe's interest-bearing debt totalled about USD 1.3 billion at 31 December 2007. Unsecured bond loans accounted for USD 126 million of this total, a commercial paper for USD 110 million and bank loans secured by mortgages for USD 1.1 billion.

Interest on the debt is in principle floating, but has been hedged through the use of interest rate swap agreements. Prosafe evaluates the proportion of interest-rate hedging in relation to the repayment profile of its loans, the company's portfolio of contracts, cash flow and cash in hand. The proportion hedged will normally lie between 50 and 75 per cent for all loan terms. Without taken into account the interest rate hedges, the average interest cost in 2007 was 6 per cent as opposed to 5.5 per cent in 2006.

Sensitivity: Assuming an average interest-bearing debt of USD 1 billion and a hedged proportion of 60 per cent, a rise of one percentage point in interest rates would increase annual interest expenses by USD 4 million.

Currency risk

Prosafe compiles its accounts in USD. In normal operation, the company will mainly have a currency exposure to GBP, NOK and SGD. Part of the operating expenses in Offshore Support Services is denominated in GBP, while revenues are primarily in USD. During certain periods, however, the company will have contracts on the UK continental shelf which yield GBP revenues, with a consequent reduction in net currency exposure.

Depending on the country of operation, a small proportion of operating expenses in Offshore Support Services could be in NOK. Together with operating expenses related to the office in Norway, also mainly in NOK, this normally represents an annual amount corresponding to approximately USD 10 million.

Debt and interest expenses in currencies other than USD are currency-hedged on a continuous basis against the USD, so that this effectively functions as USD financing. The hedging takes the form of liquidity reserves and financial instruments.

A portion of the shared operating expenses in Floating Production is in SGD, while the company normally has no significant revenues in that currency. The bulk of its revenues and expenses are in USD.

Net cash flow in GBP, SGD and NOK normally shows a deficit corresponding to USD 40-70 million per annum, excluding any dividend payments and project capital expenditure. The bulk of the company's net cash flow from operations will be currency-hedged using forward contracts within a time horizon of 12-15 months. Factors such as currency exposure in the balance sheet and tax calculations will also be taken into account to the extent that they are affected by exchange rate changes.

Both rigs and FPSOs owned by the company are valued, traded and financed in USD. Investment such as upgrading of rigs and conversion of ships will primarily be in USD. To the extent that such investment is denominated in currencies other than USD, the cash flow will be hedged with the aid of currency forward contracts.

Sensitivity: Assuming a net annual requirement for GBP, SGD and NOK corresponding to USD 60 million, a 10 per cent weakening of the USD against the GBP, SGD and NOK will increase operating expenses by USD 6 million before the effect of currency-hedging is taken into account.

Liquidity risk

Under existing credit agreements, the Prosafe group is required to maintain a minimum liquidity reserve of USD 40 million. Prosafe makes active use of a system for planning and forecasting the development of its liquidity, and utilises scenario analyses to secure stable and sound development.

Oil price risk

Since it is largely dictated by oil price trends, the level of activity in the oil and gas industry has historically been cyclical. Activity levels at Prosafe have traditionally been relatively robust in relation to oil price fluctuations because the company's operations generally focus on the production and maintenance phase of oil fields, in combination with day rate charters which can be of long duration. However, the company could be influenced by a persistently low oil price which, over time, might cause field developments to be postponed, thereby affecting demand for new FPSOs or accommodation and service rigs needed to carry out installation, hook-up and maintenance work.

INSURANCE-RELATED RISK

The company primarily aims to cover insurance-related risk as fully as possible through insurance policies, to the extent that such cover is available and reasonably priced.

Prosafe's insurance policies provide cover against injury to crew, damage to its vessels, loss of revenue, third-party liability – including oil spill, employer's and director's liability – and personal cover for employees relating to accident, death, disability and pension.

Cover under hull and machinery and loss-of-hire policies for vessel loss or damage is related to the vessel's estimated market value and the value of the individual charter respectively, so that the impact of a possible loss on results is minimised. Prosafe has also taken out war risks insurance to cover physical damage and liability arising from war and terrorist actions.

PROJECT RISK

The four above-mentioned risk categories are integrated in a tool used to assess project risk. In addition, the company carries out a particular assessment of five risk factors when tendering for FPSO/FSO contracts:

- conversion risk
- country/political risk
- the customer's creditworthiness
- the field's expected production profile and reservoir risk
- project profitability when residual value considerations are taken into account.

Conversion risk embraces the possibility of cost overruns and delays. The company's history shows that Prosafe handles such risk well. With the very high activity we have seen lately, the environment for performing conversions has in recent years been challenging. Managing this type of risk is a key part of Prosafe's core competence. Continuous improvement of systems and work processes is important for adequate management of conversion risk. So is

a focus on securing continuity in the organisation and key positions, and on maintaining relations with sub-contractors and equipment suppliers. The company's growth ambitions are aligned with the organisation's ability to ensure a controlled and cost effective implementation of conversion projects.

Country/political risk involves factors which are relevant when operating globally. Emerging and transition markets, where Prosafe operates, may experience political instability, acts of war and security issues. Prosafe's units operate fairly far out at sea and would not necessarily be affected by a country's possible internal disturbances. The company has established emergency response plans and implements periodic emergency exercises. Furthermore, Prosafe primarily seeks to secure guarantees and payment in USD to reputable banks in politically stable countries.

Credit assessment of customers and suppliers is part of Prosafe's project evaluations and risk analyses. Prosafe attempts as far as possible to reduce credit risk via parent company or bank guarantees.

The field's expected production profile and reservoir risk are analysed to assess the long-term requirement for the vessel on the field. So far, the company has only concluded charters based on fixed day rates for a firm period, independent of both oil price variations and production volumes. Such charters also contain compensation clauses in the event of early cancellation, thereby safeguarding Prosafe's investment and expected earnings.

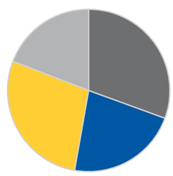
The profitability of a project is assessed on the basis of the residual value of vessel and equipment, the technical lifetime of individual components and the length of the firm contract, as well as option periods and the likelihood of these being exercised. Assessments are also made of the vessel's direct applicability to other types of fields and possible requirements for upgrading and modifications in that context.

Generally speaking, all units will be completed to provide a technical life of up to 20 years. Given that firm charters in this industry tend to run for seven to ten years, each unit is thereby built to serve potentially under at least two contracts. A field's producing life will often be extended, allowing good profitability to be achieved with a single charter.

Prosafe pursues a conservative depreciation policy, and a large proportion of project investments is always depreciated over the first firm charter period. In the event that a charter is extended, the depreciation profile is also lengthened to reflect the vessel's longer economic life, thereby laying the basis for good profitability – including those cases where an extension might include a reduction in rates. A conservative depreciation policy also helps to ensure the competitiveness of company vessels for new projects, even after necessary upgrading/modifications.

Combined with good contracts and a proper maintenance programme, a conservative depreciation profile contributes to the quality of earnings, a sound balance sheet, and a high degree of predictability and transparency. Taken together, these factors reduce risk and help to ensure long-term creation of shareholder value.

Geographical distribution of operating revenues



The booming global economy and high oil price have led to a strong demand for Prosafe's services. Combined with strong operational performance, this has resulted in the company's best-ever financial result.

Consolidated accounts

Consolidated income statement

(USD MILLION)	NOTE	2007	2006	2005
Operating revenues	17	**527.1**	**365.6**	**295.3**
Employee benefits	8	(81.8)	(56.8)	(52.8)
Other operating expenses	9	(143.1)	(101.1)	(91.6)
Operating profit before depreciation		**302.2**	**207.7**	**150.9**
Depreciation	10	(80.0)	(57.7)	(47.3)
Operating profit		**222.2**	**150.0**	**103.6**
Interest income		6.9	8.5	4.3
Interest expenses		(60.5)	(32.1)	(17.6)
Other financial items	12	(10.9)	16.6	(2.6)
Net financial items		**(64.5)**	**(7.0)**	**(15.9)**
Profit before taxes		**157.7**	**143.0**	**87.7**
Taxes	13	(14.0)	(14.9)	(122.8)
Net profit/(loss) from continuing operations		**143.7**	**128.1**	**(35.1)**
Net profit from discontinued operations	5	**0.0**	**0.0**	**81.5**
Net profit		**143.7**	**128.1**	**46.4**
Earnings per share (in USD)	14	**0.63**	**0.64**	**0.27**
Diluted earnings per share (in USD)	14	**0.63**	**0.64**	**0.27**

Consolidated balance sheet

(USD MILLION)	NOTE	31.12.07	31.12.06	31.12.05
ASSETS				
Goodwill	10	355.0	355.0	128.3
Rigs	10	749.6	763.4	360.9
Ships	10	926.5	538.7	203.8
Other tangible assets	10	12.2	9.6	8.2
Financial assets	11	292.4	252.8	0.0
Total non-current assets		**2 335.7**	**1 919.5**	**701.2**
Cash and deposits		162.0	147.2	303.6
Debtors		76.0	44.4	28.4
Other current assets		50.3	34.8	27.5
Total current assets		**288.3**	**226.4**	**359.5**
Total assets		**2 624.0**	**2 145.9**	**1 060.7**
EQUITY AND LIABILITIES				
Share capital	16	63.9	63.9	44.8
Share premium		620.4	620.4	2.3
Other equity		354.3	405.4	387.9
Total equity		**1 038.6**	**1 089.7**	**435.0**
Interest-bearing long-term debt	19	1 184.1	622.0	363.0
Deferred tax	13	92.9	97.9	113.4
Other provisions		4.1	3.8	4.2
Total long-term liabilities		**1 281.1**	**723.7**	**480.6**
Interest-bearing current debt	19	167.0	16.9	27.9
Dividends payable	15	0.0	147.0	30.2
Taxes payable	13	38.2	35.4	4.4
Other current liabilities	20	99.1	133.2	82.6
Total current liabilities		**304.3**	**332.5**	**145.1**
Total equity and liabilities		**2 624.0**	**2 145.9**	**1 060.7**

Larnaca, 13 March 2008

Reidar Lund Non-executive chairman	Christian Brinch Non-executive deputy chairman	Michael Raymond Parker Non-executive director	Ronny Johan Langeland Non-executive director	Elin Nicolaisen Non-executive director	Christakis Pavlou Non-executive director

Consolidated cash flow statement

(USD MILLION)	2007	2006	2005
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxes	157.7	143.0	87.7
Unrealised currency (gain)/loss on long-term debt	10.2	6.1	(8.9)
Depreciation	80.0	57.7	47.3
Change in working capital	(78.4)	27.3	24.8
Other items from operating activities	(7.4)	(1.3)	(4.2)
Net cash flow from operating activities	**162.1**	**232.8**	**146.7**
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of assets	0.0	0.0	3.0
Acquisition of tangible assets	(456.6)	(1 023.2)	(48.6)
Acquisition of financial assets	0.0	(184.2)	0.0
Translation difference financial assets	(39.6)	0.0	0.0
Net cash flow from investing activities	**(496.2)**	**(1 207.4)**	**(45.6)**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from new interest-bearing debt	717.7	749.9	50.3
Repayments of interest-bearing debt	(15.7)	(508.0)	(60.7)
Dividends paid	(353.1)	(60.9)	(26.4)
Paid-in capital	0.0	637.2	1.1
Net cash flow from financing activities	**348.9**	**818.2**	**(35.7)**
Net cash flow from continuing operations	**14.8**	**(156.4)**	**65.4**
Net cash flow from discontinued operations	**0.0**	**0.0**	**116.6**
Net cash flow	**14.8**	**(156.4)**	**182.0**
Cash and deposits at 1 January	147.2	303.6	121.6
Cash and deposits at 31 December	**162.0**	**147.2**	**303.6**

Statement of changes in equity

(USD MILLION)	SHARE CAPITAL	SHARE PREMIUM	RETAINING EARNINGS	NET UNREALISED GAINS RESERVE	FOREIGN CURRENCY TRANSLATION	TOTAL EQUITY
Equity at 31 December 2005	**44.8**	**2.3**	**386.3**	**0.0**	**1.6**	**435.0**
Net profit	0.0	0.0	128.1	0.0	0.0	128.1
Paid-in capital	19.1	621.5	0.0	0.0	0.0	640.6
Costs associated with issuing new shares	0.0	(3.4)	0.0	0.0	0.0	(3.4)
Dividends declared	0.0	0.0	(177.7)	0.0	0.0	(177.7)
Unrealised gain directly recognised in equity [1)]	0.0	0.0	0.0	68.6	0.0	68.6
Foreign currency translation	0.0	0.0	0.0	0.0	(1.5)	(1.5)
Equity at 31 December 2006	**63.9**	**620.4**	**336.7**	**68.6**	**0.1**	**1 089.7**
Net profit	0.0	0.0	143.7	0.0	0.0	143.7
Paid-in capital	0.0	0.0	0.0	0.0	0.0	0.0
Dividends declared	0.0	0.0	(206.1)	0.0	0.0	(206.1)
Foreign currency translation	0.0	0.0	0.0	0.0	11.3	11.3
Equity at 31 December 2007	**63.9**	**620.4**	**274.3**	**68.6**	**11.4**	**1 038.6**

[1)] This item refers to the shares in Teekay Petrojarl ASA. See note 11 for details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Corporate information

Prosafe SE (the 'Company') is a public limited company domiciled in Larnaca, Cyprus. The Company was on 2 February 2007 transformed from a Norwegian ASA company to a Norwegian registered SE company, and the Company's name was changed accordingly. On 4 July 2007 the general meeting resolved to change the Company's domicile from Norway to Cyprus. This move was completed on 21 September 2007.

The Company is listed on the Oslo Stock Exchange with ticker code PRS. The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (together referred to as the 'Group'). The consolidated financial statements for the year ended 31 December 2007 were authorised for issue in accordance with a resolution of the board of directors on 13 March 2008.

The Group is the world's leading owner and operator of semi-submersible accommodation/service rigs and a major owner and operator of floating production and storage vessels (FPSOs).

Note 2: Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) endorsed by the European Union (EU). The accounts have been prepared on a historical cost basis, except for derivative financial instruments and financial investments that are stated at fair value. The consolidated financial statements are presented in US dollars (USD), and all values are presented in USD million unless otherwise stated.

The accounting policies are consistent with those of the previous financial year except that IFRS 7 (Financial Instruments: Disclosures) and the amendment to IAS 1 (Presentation of Financial Statements) have been adopted.

The management has applied estimates and assumptions which have influenced the annual accounts. Future events could lead to changes in these estimates. The estimates and assumptions are assessed on a continuous basis. The judgments which have the most significant effect on the amounts recognised in the financial statements relate to depreciation of fixed assets and impairment test of goodwill. Estimated useful life of the Group's accommodation/service rigs is 20 to 35 years, and up to 15 years for the Group's FPSOs. The management determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated, which requires management to estimate the future cash flow from the cash-generating units and to apply a suitable discount rate. Further details are given in note 10.

Note 3: Significant accounting policies

CONSOLIDATION PRINCIPLES. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The purchase method is applied when accounting for business combinations. The acquisition cost of the shares is set off against the equity in the respective subsidiaries. Any value in excess of book value is entered in the accounts at gross value with a provision for deferred tax. Any residual value is stated as goodwill. Excess value on tangible fixed assets is depreciated over its estimated useful life. All intra-group transactions and balances are eliminated in full. Investments in joint ventures are accounted for by proportionate consolidation, and any transactions with joint ventures are eliminated proportionally. A joint venture is a contractual agreement whereby two or more parties undertake an economic activity that is subject to joint control.

FOREIGN CURRENCY TRANSLATION. The Group's presentation currency is USD. This is also the Group's functional currency. Transactions in other currencies than the USD are translated at the exchange rate prevailing at the transaction date. Monetary items in other currencies than the functional currency are translated to the functional currency at the exchange rate on the balance sheet date, and the currency difference is recognised in the profit and loss account. Non-monetary items in other currencies than the functional currency are translated at the exchange rate at the transaction date. When consolidating companies with a functional currency other than the USD, profit and loss items are translated at the monthly average exchange rate, while balance sheet items are translated at the exchange rate on the balance sheet date. Translation differences are taken directly to equity.

SEGMENT REPORTING. The Group owns assets and provides services which have different risks and rates of return. The segments are therefore determined based on the various types of services which the Group provides. The Group has two segments: Offshore Support Services (chartering and operation of accommodation/service rigs) and Floating Production (chartering and operation of floating production and storage vessels). There are no material transactions between the segments. Non-allocated profit and loss items relate to corporate administration and other costs which cannot reasonably be allocated to the segments. Non-allocated balance sheet items relate mainly to cash and deposits owned by the parent company.

REVENUE RECOGNITION. Revenues are recognised when it is likely that a transaction will generate a financial benefit which will accrue to the Group, and this benefit can be reliably estimated. The Group's revenues derive mainly from dayrates based on charters for the Group's vessels, and are recognised in the period in which the work is performed.

PROVISIONS are recognised when, and only when, the Group has a valid liability as a result of events that have taken place and it can be proven probable that a financial settlement will take place as a result of this liability, and that the size of the amount can be measured reliably. Provisions are reviewed on each balance sheet date and their level reflects the best estimate of the liability.

TANGIBLE ASSETS are stated at acquisition cost less cumulative depreciation. Assets are depreciated on a straight-line basis over their estimated economically useful lives, with account taken of their estimated residual value. The management makes annual assessments of the remaining economic life of the assets. Components of an asset which have an estimated shorter life than the main component of the asset are accordingly depreciated over this shorter period. Acquisition cost includes costs directly attributable to the acquisition of the assets. Subsequent expenditures are added to the book value of the asset or accounted for on a separate basis, when it is likely that future benefits would derive from the expenditures. The rigs are subject to a periodic survey every five years, and associated costs are amortised over the five-year period to the next survey. Other repair and maintenance costs are expensed in the period they are incurred. Interest costs incurred in connection with construction of vessels are not included in the acquistion cost of the vessel, but are included as interest expenses in the period in which they are incurred.

GOODWILL arising on consolidation, respresenting the excess of the consideration given over the fair value of net identifiable assets, is stated at acquisition cost and reviewed for impairment at least annually.

IMPAIRMENT. The carrying amounts of the Group's non-current assets are reviewed to determine whether there is any indication of impairment. If any such indication is present, the recoverable amount of the asset is estimated. The recoverable amount is the higher of the fair value less costs to sell and the discounted cash flow from continued use. The fair value less costs to sell is the amount that can be obtained from a sale to an independent third party minus the sales costs. The value from continued use is calculated as the present value of the expected future cash flow for the unit.

EMPLOYEE BENEFITS. Companies within the Group make contributions to pension schemes that are defined contribution plans. The companies' payments are recognised in the income statement for the year to which the contribution applies.

RESEARCH AND DEVELOPMENT COSTS are expensed in the period in which they are incurred.

SHARE-BASED PLANS. The Group has an option plan for senior officers which provides a cash settlement if an option is exercised. The fair value of the options is expensed over the period until vesting with recognition of a corresponding liability which also includes social security tax where relevant. This liability is remeasured at each balance sheet date up to and including the settlement date with changes in fair value recognised in the income statement.

EVENTS AFTER THE BALANCE SHEET DATE. New information on the Group's positions at the balance sheet date is taken into account in the annual financial statements. Events after the balance sheet date that do not affect the position at the balance sheet date, but which will affect the position in the future, are stated if significant.

BORROWING COSTS. Loans are recognised at the amount received, net of transaction costs. The loans are thereafter recognised at amortised costs using the effective interest rate method, with the difference between the net amount received and the redemption value being recognised in the income statement over the term of the loan.

DERIVATIVE FINANCIAL INSTRUMENTS. The Group uses derivative financial instruments to manage its exposure to foreign exchange and interest rate risks. The Group does not hold such instruments for trading purposes, but there are no derivatives to which hedge accounting is applied. The derivative financial instruments are stated at fair value as observed in the market at the balance sheet date, and any gain or loss is recognised in the income statement.

FINANCIAL INVESTMENTS are stated at fair value. Unrealised gain or loss on investments which are not made for trading purposes, is taken directly to equity. When such an investment is realised, the cumulative gain/loss is recognised in the income statement.

TAXES in the income statement include taxes payable and changes in deferred tax. Deferred tax is calculated on the basis of temporary differences between book and tax values that exist at the end of the period. Deferred tax asset is recognised in the balance sheet when it is likely that the tax benefit can be utilised. Deferred tax and deferred tax asset are measured at nominal value.

CASH AND DEPOSITS include cash, bank deposits and other liquid investments which can be converted to a known amount of cash and with a maturity of three months or less.

Note 4: Business combination

Acquisition of Consafe Offshore AB in 2006
In 2006, the Company acquired 99.8 per cent of the shares in Consafe Offshore AB (Consafe), a Swedish company listed on the Oslo Stock Exchange. Remaining shares were acquired during a compulsory redemption process in 2007. The acquisition cost of 100 per cent of the shares in Consafe was USD 528.4 million. The acquisition was financed by issuing 9 815 835 shares at fair value (nominal value of NOK 10 per share) and by a cash consideration of USD 1.1 million. The fair value of the shares was set at observed market prices as traded on the stock exchange as at each transaction date. The accounting transaction date was 30 June 2006, and the business in Consafe was consequently included in Prosafe's consolidated accounts as from the third quarter 2006. At the transaction date, total consideration exceeded net assets in Consafe by USD 356.1 million, out of which USD 129.4 million was allocated to rigs and USD 226.7 million to goodwill.

IDENTIFIABLE ASSETS AND LIABILITIES IN CONSAFE	FAIR VALUE	CARRYING VALUE
Rigs	427.5	298.1
Cash and deposits	24.9	24.9
Other current assets	14.7	14.7
Total assets	**467.1**	**337.7**
Interest-bearing debt	140.0	140.0
Interest-free liabilities	25.4	25.4
Total liabilities	**165.4**	**165.4**
Net assets	**301.7**	**172.3**
Goodwill	226.7	
Total consideration	**528.4**	
Shares issued at fair value	526.1	
Cash consideration	1.1	
Acquisition costs allocated to the shares	1.2	
Total consideration	**528.4**	

If the combination had taken place at the beginning of 2006, the revenues and net profit for the Group for this year would have been USD 412.6 million and USD 155.4 million, respectively.

Goodwill is based on expected market and cost synergies with the existing business of the Group. These intangible assets do not comply with the criteria for recognition under IAS 38 and are thus not recognised separately.

Note 5: Discontinued operations

Sale of Prosafe Drilling Services AS in 2005
Prosafe Drilling Services AS (the Drilling Services division) was sold to KCA Drilling Deutag Norge AS on 1 August 2005. The Group recorded a gain on USD 80.1 million from this transaction.

Profit from Drilling Services and the gain on the disposal are presented net in the profit and loss account as 'Net profit from discontinued operations. Similarly, net cash flow from the discontinued operations is listed on a separate line in the cash flow statement.

PROFIT FROM DISCONTINUED OPERATIONS	01.01 - 31.07.2005
Operating revenues	93.8
Operating expenses	(85.0)
Operating profit before depreciation	**8.8**
Depreciation	(6.5)
Operating profit	**2.3**
Net financial items	**(0.5)**
Profit before taxes	**1.8**
Taxes	(0.4)
Profit for the period from discontinued operations	**1.4**
Gain on disposal of the discontinued operations	**80.1**
Net profit from discontinued operations	**81.5**
Earnings per share from discontinued operations	**0.48**

Note 6: Segment reporting

The primary segment reporting format is the business segments, Offshore Support Services and Floating Production, which are organised and managed separately according to the nature of the services provided. The secondary reporting format is geographical segments, which are based on the geographical location of the assets.

Offshore Support Services is the world's leading owner and operator of semi-submersible accommodation/service rigs.

Floating Production is a major owner and operator of floating production, storage and offloading vessels (FPSOs). The core business of Floating Production is the design, engineering, conversion and operation of FPSO/FSO vessels.

The parent company, Prosafe SE, undertakes the majority of the Group's interest-bearing debt. Interests on this debt are not allocated to the segments.

BUSINESS SEGMENTS	OFFSHORE SUPPORT SERVICES		FLOATING PRODUCTION		CORPORATE EXPENSES AND ELIMINATIONS		PROSAFE GROUP	
	2007	2006	2007	2006	2007	2006	2007	2006
Operating revenues	376.1	272.6	150.4	92.6	0.6	0.4	527.1	365.6
Operating expenses	(154.3)	(113.6)	(57.6)	(39.1)	(13.0)	(5.2)	(224.9)	(157.9)
Depreciation	(46.0)	(41.7)	(33.6)	(15.7)	(0.4)	(0.3)	(80.0)	(57.7)
Operating profit	**175.8**	**117.3**	**59.2**	**37.8**	**(12.8)**	**(5.1)**	**222.2**	**150.0**
Assets	1 333.4	1 591.6	1 173.4	774.0	117.2	(219.7)	2 624.0	2 145.9
Liabilities	57.3	469.4	183.3	96.1	1 344.8	490.7	1 585.4	1 056.2
Capital expenditure	32.6	670.6	423.9	352.5	0.1	0.2	456.6	1 023.3

GEOGRAPHICAL SEGMENTS	2007	2006
Operating revenues		
Africa	162.1	151.2
America	116.1	104.2
Europe	148.7	79.9
Asia and Australia	100.2	30.3
Total operating revenues	**527.1**	**365.6**
Assets		
Africa	268.9	313.9
America	712.9	282.7
Europe	719.0	556.2
Asia and Australia	923.2	993.1
Total assets	**2 624.0**	**2 145.9**

Note 7: Quarterly results

	Q1	Q2	Q3	Q4	2007
Operating revenues	88.2	118.8	149.6	170.5	527.1
Operating expenses	(39.9)	(54.0)	(55.6)	(75.4)	(224.9)
Operating profit before depreciation	**48.3**	**64.8**	**94.0**	**95.1**	**302.2**
Depreciation	(15.3)	(15.9)	(23.7)	(25.1)	(80.0)
Operating profit	**33.0**	**48.9**	**70.3**	**70.0**	**222.2**
Net financial items	**(12.3)**	**(5.1)**	**(16.3)**	**(30.8)**	**(64.5)**
Profit before taxes	**20.7**	**43.8**	**54.0**	**39.2**	**157.7**
Taxes	(4.6)	2.4	(8.0)	(3.8)	(14.0)
Net profit	**16.1**	**46.2**	**46.0**	**35.4**	**143.7**

Note 8: Employee benefits and management remuneration

	2007	2006
Wages and salaries	45.7	28.4
Contract personnel	17.9	15.8
Other remuneration	7.6	4.0
Social security taxes	2.1	2.3
Accrual for share-based payments	3.4	1.4
Pension expenses	2.1	0.6
Other personnel-related expenses	3.1	4.4
Total employee benefits	**81.8**	**52.8**

Bonus scheme

The Company's bonus scheme was introduced in 2003, and embraces the corporate management and the management team in each of the divisions, a total of 25 people. The bonus depends on achieving defined results relating to earnings, the attainment of strategic goals and HSE. The estimated bonus based on 2007 achievements amounts to USD 4.3 million, and has been accrued for in the accounts for 2007.

Share options

The general meeting resolved in May 2006 to authorise the board of directors to grant up to 3 000 000 (adjusted for the 5-to-1 share split in December 2006) synthetic options over a three-year period, allocated to up to ten senior executives. 850 000 synthetic options were granted in May 2006 and 850 000 in May 2007. At the earliest, a synthetic option may be exercised two years after each grant, and in May 2012 at the latest.

	2007	2006
Options granted	850 000	850 000
Options forfeited	(125 000)	(100 000)
Outstanding options at 31 December 2007	725 000	750 000
Exercise price (NOK)	68.80	90.25
Fair value (NOK) at 31 December 2007	37.56	30.22

An exercise of a synthetic option means that the option holder is paid a cash consideration corresponding to the difference between the share price at the exercise date adjusted for any dividends paid during the period, and the share price at grant. Net proceeds after tax shall be used to purchase shares in the Company at market price. This plan has no dilution effect, since the shares will be purchased in the market. A provision of USD 3.4 million has been accrued during 2007, and the accrual as at 31 December 2007 amounted to USD 5.5 million. The options are valued by using the Black Scholes option pricing model.

Pension and severance pay

Members of the corporate management have agreements on severance pay. Under these agreements, the Company guarantees a remuneration corresponding to the base salary received at the time of departure for a period of up to two years after the normal six-month period of notice. With the exception of the agreement with the president and CEO, these agreements specify that benefits received from new employers are deducted from the remuneration due unless the person concerned left as a result of an acquisition, sale or merger. The president and CEO has an agreement on early retirement pension after the age of 60 and until the age of 67. With full earning of pension entitlement, the annual early retirement pension will equal 24 times the Norwegian national insurance base rate, and the provision recognised in the balance sheet as at 31 December 2007 amounted to USD 372 909.

In accordance with the code of practice for corporate governance recommended by the Oslo Stock Exchange, remuneration for the corporate management and board of directors are specified below.

Corporate management 2007

(USD 1 000)	SALARY	BONUS [1]	PENSION [2]	OTHER BENEFITS	VALUE OF OPTIONS 31.12.2007
Arne Austreid (president and CEO)	512	207	178	54	1 119
Bjørn Henriksen (chief operating officer)	560	130	148	94	933
Karl Ronny Klungtvedt (exec VP and CFO)	312	42	33	29	790
Roy Hallås (president Floating Production)	509	114	62	123	933
Robin Laird (president Offshore Support Services)	383	88	46	126	933

1) Paid in 2007 based on previous year's achievements.
2) For the president and CEO, the figure includes increase in early retirement pension liability.

Board of directors 2007

(USD 1 000)	BOARD FEE	PENSION [1]	OTHER BENEFITS
Reidar Lund (chair)	94	255	23
Christian Brinch (deputy chair)	74	0	0
Ronny Langeland	67	0	0
Elin Nicolaisen	61	0	13
Anne Grethe Dalane (until 6 December 2007)	60	0	0
Michael Parker (from 7 December 2007)	4	0	0
Christakis Pavlou (from 7 December 2007)	4	0	0

1) Paid in 2007 based on pension rights earned whilst he was the president and CEO of the Company.

Election commitee 2007

(USD 1 000)	2007	2006
Hans Thrane Nielsen	1.7	1.6
Truls Evensen	1.7	0.0
Christian Brinch	1.7	1.6
Jarl Ulvin	0.0	1.6

Auditors´ fee

(USD 1 000)	2007	2006
Audit	331	297
Fees for other services	294	117

Note 9: Other operating expenses

	2007	2006
Repair and maintenance	28.5	30.5
Other vessel operating expenses	79.9	44.7
General and administrative expenses	34.7	25.9
	143.1	**101.1**

Note 10: Tangible assets and goodwill

	RIGS	SHIPS	EQUIPMENT	BUILDINGS	GOODWILL	TOTAL
Acquisition cost 1 January 2006	542.1	284.0	4.9	9.9	128.3	969.1
Additions	443.8	349.8	2.5	0.5	226.7	1 023.2
Disposals	0.0	(0.2)	(1.8)	0.0	0.0	(2.0)
Acquisition cost 31 December 2006	**985.9**	**633.6**	**5.5**	**10.3**	**355.0**	**1 990.4**
Additions	32.0	419.6	4.9	0.0	0.0	456.5
Disposals	0.0	0.0	(0.1)	0.0	0.0	(0.1)
Acquisition cost 31 December 2007	**1 017.9**	**1 053.2**	**10.4**	**10.3**	**355.0**	**2 446.8**
Accumulated depreciation 1 January 2006	181.2	80.2	3.2	3.4	0.0	268.0
Accumulated depreciaton on disposals	0.0	(0.2)	(1.8)	0.0	0.0	(2.0)
Depreciation for the year	41.3	14.9	1.0	0.4	0.0	57.7
Accumulated depreciation 31 December 2006	**222.5**	**94.9**	**2.4**	**3.8**	**0.0**	**323.6**
Accumulated depreciaton on disposals	0.0	0.0	(0.1)	0.0	0.0	(0.1)
Depreciation for the year	45.7	31.8	2.3	0.2	0.0	80.0
Accumulated depreciation 31 December 2007	**268.2**	**126.7**	**4.5**	**4.0**	**0.0**	**403.4**
Net carrying amount 31 December 2007	**749.6**	**926.5**	**5.9**	**6.3**	**355.0**	**2 043.4**
Depreciation rate (%)	**6-20**	**6-33**	**20-33**	**3-5**	-	-
Economically useful life (years)	**5-35**	**3-15**	**3-5**	**20-30**	-	-

Tangible fixed assets and goodwill are initially recorded at cost. Subsequent to recognition, these assets are stated at cost less accumulated depreciation and any accumulated impairment losses. The costs of conversion of ships to FPSO/FSO vessels are capitalised, and each converted vessel is accounted for as a single asset. Interest costs associated with conversion projects are not capitalised, but are expensed in the period in which they are incurred.

Estimated useful life for the semi-submersible accommodation/service rigs is 30-35 years. The estimated useful life of the accommodation jack-up is 20 years. Certain equipment on a rig is depreciated over a shorter period than the life of the rig itself. The estimated scrap value is USD 3 million per rig. FPSO/FSO vessels are depreciated over their fixed contract period to their estimated residual value. Equipment which has an estimated shorter life than the main component of the vessel is accordingly depreciated over this shorter period.

USD 128.3 million of the goodwill relates to the acquisition of Nortrans Offshore Ltd in 2001, whereas USD 226.7 million relates to the acquisition of Consafe Offshore AB in 2006. The carrying amounts have been tested for impairment. The item of USD 128.3 million has been allocated to a cash-generating unit comprising all FPSOs and FSOs in the Floating Production division, whereas the item of USD 226.7 million has been allocated to a cash-generating unit comprising all accommodation/service rigs in Offshore Support Services. The recoverable amount for each item has been identified by calculating the value in use. This calculation is based on the present value of the estimated cash flow from each cash-generating unit. The discount rates applied reflect management's estimate of the risks specific to each unit. The present value of this cash flow exceeds the carrying value, and no need for a write-down is indicated.

Some of the FPSO contracts contain an option for the client to purchase the vessel at an agreed price. The purchase option price is set to reflect the estimated remaining net present value of the vessel, and is significantly above the carrying value of the vessel.

Note 11: Financial assets

This item refers to shares in Teekay Petrojarl ASA (TP) which were purchased in 2006. At 31 December 2007, the Company owned 22 588 832 shares in TP corresponding to 30.1% of the share capital. The shares were acquired for USD 184.2 million and based on the share price prevailing 31 December 2007, the shares were valued at USD 292.4 million at 31 December 2007. Teekay is the majority shareholder in TP, and the Company has inconsiderable influence on decisions made in TP. As such, the shares in TP are not accounted for as an associated company, and the unrealised gain has been taken directly to equity rather than through the income statement. Accordingly, the carrying value of the shares at year-end was equal to the fair value of USD 292.4 million.

Note 12: Other financial items

	2007	2006
Currency gain / loss	(10.9)	12.1
Other financial items	0.0	4.5
Total other financial items	**(10.9)**	**16.6**

Note 13: Taxes

	2007	2006
Taxes in income statement:		
Taxes payable	32.8	40.2
Change in deferred tax	(18.8)	(25.3)
Total taxes in income statement	**14.0**	**14.9**
Temporary differences:		
Exit from Norwegian tonnage tax system	317.9	355.5
Non-current assets	(6.6)	(8.4)
Long-term debt	20.4	1.2
Pension liabilities	0.0	(2.8)
Current assets	0.0	5.7
Current liabilities	0.0	(1.6)
Tax loss carried forward	(23.8)	0.0
Basis for deferred tax	**308.0**	**349.7**
Recognised deferred tax	**92.9**	**97.9**
Deferred tax 1 January	97.9	113.4
Change in deferred tax in income statement	(18.8)	(25.3)
Translation difference	13.8	9.8
Deferred tax 31 December	**92.9**	**97.9**

The tax loss carried forward relates to a tax loss incurred by the parent company in Cyprus. No deferred tax benefit has been recognized in the balance sheet with regards to this tax loss, as the Company does not anticipate that this benefit can be utilised in the foreseeable future.

The group's vessels are subject to taxation based on the special rules for taxation of shipping and offshore companies in Singapore. Profit from these charters is not taxable to Singapore, but the company pays tax deducted at source in some of the countries in which it operates.

The deferred tax liability related to the enforced departure of the rig business from the Norwegian tonnage tax system effective 1 January 2006 was initially calculated to NOK 780 million equivalent to USD 115 million applying the exchange rate prevailing on this date. This liability is paid at a rate of 20 per cent annually on the outstanding balance.

Note 14: Earnings per share

Earnings per share are calculated by dividing net profit by the weighted average number of ordinary shares outstanding during the year. There are no dilutive share options.

	2007	2006
Net profit	143.7	128.1
Weighted average number of ordinary shares (1 000)	229 827	201 283
Basic earnings per share	**0.63**	**0.64**
Weighted average number of ordinary and potential shares (1 000)	229 827	201 295
Diluted earnings per share	**0.63**	**0.64**
Basic and diluted earnings per share	**0.63**	**0.64**

Note 15: Dividends

	2007	2006
Ordinary dividend declared during the year	47.9	30.7
Special dividend declared during the year	158.2	147.0
Total dividends declared	**206.1**	**177.7**
Dividends per share (NOK):		
Ordinary dividend declared	1.25	1.10
Special dividend declared	3.75	4.00

Note 16: Share capital and shareholder information

	2007	2006
Number of shares at 31 December	229 936 790	229 936 790
Holding of own shares at 31 December	110 160	110 160
Nominal value at 31 December	EUR 0.25	NOK 2
Number of shareholders at 31 December	4 619	4 051

LARGEST SHAREHOLDERS/GROUPS OF SHAREHOLDERS AT 31.12.2007	NO OF SHARES	PERCENTAGE
BW Offshore	60 932 990	26.5%
UBS (nom.)	15 639 072	6.8%
Folketrygdfondet	14 257 135	6.2%
Brown Brothers Harriman	12 246 273	5.3%
State Street Bank and Trust (nom.)	5 986 547	2.6%
GMO	5 975 953	2.6%
Mellon Bank (nom.)	4 119 018	1.8%
Pareto	4 003 150	1.7%
Citibank (nom.)	3 500 000	1.5%
Storebrand	3 399 286	1.5%
Morgan Stanley (nom.)	3 379 144	1.5%
Vital	2 881 026	1.3%
Mellon Bank (nom.)	2 626 023	1.1%
RBC Dexia Investor Services Trust (nom.)	2 623 523	1.1%
JP Morgan Chase Bank (nom.)	2 487 482	1.1%
Danske Bank (nom.)	2 354 791	1.0%
DnB NOR	2 042 544	0.9%
Clearstream Banking (nom.)	1 734 316	0.8%
Credit Agricole (nom.)	1 547 622	0.7%
Morgan Stanley	1 446 575	0.6%
Total 20 largest shareholders/groups of shareholders	**153 182 470**	**66.6%**

SHARES OWNED BY SENIOR OFFICERS AND DIRECTORS AT 31.12.2007	SHARES	SYNTHETIC OPTIONS
Senior officers:		
Arne Austreid - president and CEO	62 500	300 000
Bjørn Henriksen - chief operating officer	700	250 000
Karl Ronny Klungtvedt - exec VP and CFO	930	225 000
Roy Hallås - president Floating Production	930	250 000
Robin Laird - president Offshore Support Services	0	250 000
Directors:		
Reidar Lund - chair	125 000	0
Christian Brinch - deputy chair	0	0
Ronny Johan Langeland - director	0	0
Elin Nicolaisen - director	0	0
Michael Raymond Parker - director	0	0
Christakis Pavlou - director	0	0

Note 17: Operating revenues

	2007	2006
Charter revenues	431.9	317.2
Other operating revenues	95.2	48.4
Total operating revenues	**527.1**	**365.6**

Note 18: Joint ventures

COMPANY NAME	COUNTRY	SHARE CAPITAL (IN 1 000)	OWNERSHIP
Tinworth Pte Ltd	Singapore	USD 728	50%
Madura FSO Pte Ltd	Singapore	USD 250	50%

Voting rights equal ownership share.

Specification of items from joint ventures included by proportionate consolidation:

	2007	2006
Income statement:		
Operating revenues	12.3	11.6
Operating profit	6.2	6.8
Net profit	5.4	7.8
Balance sheet:		
Fixed assets	8.0	8.9
Current assets	5.5	26.2
Long-term liabilities	1.3	1.9
Current liabilities	0.5	1.0
Equity	11.7	32.2

Note 19: Interest-bearing debt

	2007	2006
Debt in NOK	186.8	79.9
Debt in USD	1 164.3	559.0
Total interest-bearing debt	**1 351.1**	**638.9**
Long-term interest-bearing debt	1 184.1	622.0
Current interest-bearing debt	167.0	16.9
Total interest-bearing debt	**1 351.1**	**638.9**

Unsecured bond loans accounted for USD 126 million of this total, a commercial paper for USD 110 million and bank loans secured by mortgages for USD 1 114.3 million. There are two bond loans, one of NOK 411 million maturing March 2010 and one of USD 50 million maturing March 2012. These loans are listed on the Oslo Stock Exchange with ticker codes PRS02 and PRS03 respectively. The six-month commercial paper of NOK 600 million is maturing on 15 February 2008 and has ticker code PRS04.

Loan	Amount drawn	Maturity	Interest	Loan margin
PRS02	NOK 411 million	March 2010	floating	1.15%
PRS03	USD 50 million	March 2012	floating	1.40%
PRS04	NOK 600 million	February 2008	fixed: 5.64%	-

The prices estimated by the Norwegian Securities Dealers Association at 31 December 2007 were NOK 100.35 for PRS02, NOK 100.40 for PRS03 and NOK 99.92 for PRS04.

The Group's bank facilities have the following repayment structure:
Facility 1: Drawn amount as of 31 December 2007 was USD 980 million. Total availability is USD 1.3 billion. The first of 17 three-monthly instalments of USD 65 million is due in March 2009, and a final payment of USD 195 million in June 2013.

Facility 2: Prosafe Production Services has undertaken a project financing of USD 120 million in 2007 in connection with the FPSO *Umuroa* operating in New Zealand. The amount was drawn in November 2007 and will be fully repaid by 31 January 2012.

Facility 3: Initial facility amount of USD 17.5 million drawn in June 2006. Loan amount as of 31 December 2007 is USD 14.3 million. There are six-monthly instalments of USD 1.1 million in May and November each year, followed by a final payment of USD 3.5 million at maturity in 2012.

LIBOR is the basis for interests on the bank loans and the unsecured bond loan in USD, whereas NIBOR is the basis for interests on the unsecured bond loan in NOK. The average interest cost in 2007 was circa 6 per cent as against 5.5 per cent in 2006. The interest cost increased due to higher NIBOR and USD LIBOR interest rates. In the fourth quarter, Prosafe refinanced the main debt facility (facility 1) with a new fixed margin of 0.6-0.8 per cent depending on leverage ratio.

The bond loans are subject to the following covenant:
Value-adjusted equity including goodwill must be a minimum of 0.35, defined as market adjusted value of the Group's assets less the Group's liabilities divided by the market adjusted value of the Group's assets. The value adjustment includes any difference between market value and carrying value of rigs, ships and current assets.

Facility 1 is subject to the following key covenants:

- Liquidity: Minimum USD 40 million
- Leverage ratio: Total debt/EBITDA must not exceed 5.5
- Value adjusted equity ratio of min 0.4
- Collateral maintenance: The fair market value of collateral rigs and ships shall at all times be minimum 150 per cent of the total commitment under the facility.

The Company complied with all covenants on interest-bearing debt as at 31 December 2007.

Note 20: Other interest-free current liabilities

	2007	2006
Accounts payable	42.1	72.7
Other accrued costs	18.7	25.2
Deferred income	14.8	4.3
Accrued interest costs	5.7	1.5
Accrued pay	5.6	1.7
Provision share-based payments	5.5	1.4
Public taxes	2.5	3.5
Debt to joint ventures	0.0	15.7
Other interest-free current liabilities	4.1	7.2
Total interest-free current liabilities	**99.1**	**133.2**

Note 21: Mortages and guarantees

In line with industry practice, Prosafe has issued bank and parent company guarantees (completion guarantees) to customers on behalf of its subsidiaries in connection with the award and performance of contracts and in connection with debt financing in Prosafe Production Services Pte Ltd. Total bank guarantees issued amounted to USD 65 million at year-end. The bank debt of USD 980 million (facility 1, see note 19) is secured by mortgage on the shares in Prosafe Production Services Pte Ltd and four FPSO/FSO vessels and two ships under conversion, which are owned by this entity, and by mortgage on shares in Prosafe Rigs Pte Ltd and the accommodation/service fleet owned by this entity. The bank debt of USD 120 million (facility 2) is secured by mortgages on bank deposit and on FPSO *Umuroa* owned by Prosafe Production Services Pte Ltd. The bank debt of USD 14.3 million (facility 3) is secured by mortgages on bank deposits, the shares in Tinworth Pte Ltd and Prosafe Nautipa AS, and on the FPSO owned by the former.

Note 22: Financial risks and derivative financial instruments

Prosafe operates on a global basis and has cash flow, assets and financing in various currencies. This means that the Group is exposed to market risk relating to fluctuations in exchange rates and interest rates. Prosafe uses derivative financial instruments to manage these risks.

Liquidity risk
Under existing credit agreements, the Group is required to maintain a minimum liquidity reserve of USD 40 million. Prosafe makes active use of a system for planning and forecasting the development of its liquidity, and utilises scenario analyses to secure stable and sound development.

Credit risk
Credit assessment of customers and suppliers is part of Prosafe's project evaluations and risk analyses. The Group attempts as far as possible to reduce credit risk via parent company or bank guarantees.

Interest rates
Prosafe's interest-bearing debt totalled USD 1 351 million at 31 December 2007. Unsecured bond loans accounted for USD 126 million of this total, a commercial paper for USD 111 million and bank loans secured by mortgages for USD 1 114 million. Interest on the debt is in principle floating, but has been hedged through the use of interest rate swap agreements. Prosafe evaluates the proportion of interest-rate hedging in relation to the repayment profile of its loans, the Group's portfolio of contracts, cash flow and cash in hand. The proportion hedged will normally lie between 50 and 75 per cent for all loan terms. At 31 December 2007, taking into account the effect of interest rate swaps, 57 per cent of the Group's borrowings are at fixed interest rates (2006: 63 per cent). The average interest cost in 2007 was 6 per cent as against 5.5 per cent in 2006.

Sensitivity: Assuming an average interest-bearing debt of USD 1 billion and a hedged proportion of 60 per cent, a rise of one percentage point in interest rates would increase annual interest expenses by USD 4 million.

Prosafe does a market-to-market valuation of interest rate hedges on a quarterly basis. The fair value of interest rate hedges was USD 8.6 million negative as of 31 December 2007.

Interest rate swaps as at 31.12.07

Initial swap amount	Average interest	Maturity	Swap type
NOK 200 million	3.50%	2010	Bullet

Initial swap amount	Average interest	Maturity	Swap type
USD 40 million	2.69%	2008	Amortising
USD 30 million	3.32%	2008	Amortising
USD 50 million	5.05%	2010	Bullet
USD 28 million	3.61%	2011	Amortising
USD 28 million	3.61%	2011	Amortising
USD 150 million	3.86%	2011	Bullet
USD 100 million	5.12%	2012	Bullet
USD 55 million	4.19%	2012	Amortising
USD 150 million	4.02%	2012	Bullet
USD 150 million	4.12%	2012	Bullet
USD 75 million	5.19%	2014	Bullet
USD 856 million	**4.19%**		

Foreign currency

Prosafe compiles its accounts in USD. In normal operation, the Group will mainly have a currency exposure to GBP, NOK and SGD. Part of the operating expenses in Offshore Support Services is denominated in GBP, while revenues are primarily in USD. During certain periods, however, the Group will have contracts on the UK continental shelf which yield GBP revenues, with a consequent reduction in net currency exposure.

Depending on the country of operation, a small proportion of operating expenses in Offshore Support Services could be in NOK. Together with operating expenses related to the office in Norway, which are also mainly in NOK, this normally represents an annual amount corresponding to USD 8-10 million.

Debt and interest expenses in currencies other than USD are currency-hedged on a continuous basis against the USD, so that this effectively functions as USD financing. The hedging takes the form of liquidity reserves and financial instruments.

Part of the shared operating expenses in Floating Production are in SGD, while this business unit normally has no significant revenues in that currency. The bulk of its revenues and expenses is in USD.

Net cash flow in GBP, SGD and NOK normally shows a deficit corresponding to USD 40-70 million per annum, excluding any dividend payments and project capital expenditure. The bulk of the Group's net cash flow from operations will be currency-hedged using forward contracts within a time horizon of 12-15 months. Factors such as currency exposure in the balance sheet and tax calculations will also be taken into account to the extent that they are affected by exchange rate changes.

Both rigs and FPSOs belonging to the Group are valued, traded and financed in USD. Investment such as upgrading of rigs and conversion of ships will primarily be in USD. To the extent that such investment is denominated in currencies other than USD, the cash flow will be hedged with the aid of currency forward contracts.

Sensitivity: Assuming a net annual requirement for GBP, SGD and NOK corresponding to USD 60 million, a 10 per cent weakening of the USD against the GBP, SGD and NOK will increase operating expenses by USD 6 million before the effect of currency hedging is taken into account.

At 31 December 2007, Prosafe had entered into the following forward exchange contracts:
- Forward purchase of SGD 50.5 million against USD 33.7 million at an average of 1.50
- Forward purchase of NOK 580 million against USD 99.2 million at 5.84
- Forward purchase of CHF 7.2 million against USD 6 million at an average of 1.2
- Forward purchase of JPY 775 million against USD 6.8 million at an average of 114.

Fair value of forward exchange contracts are estimated using quoted market prices. The fair value estimates the gain or loss that would have been realised if the the contracts had been closed out at the balance sheet date. The fair value of forward exchange contracts was USD 10.2 million at 31 December 2007.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. Prosafe monitors capital using a leverge ratio, which is total debt drawn divided on EBITDA over the last twelve months. The Group's policy is to keep the leverage ratio at maximum 5.5. At 31 December 2007 the leverage ratio was 4.69 (2006: 3.08).

(USD 1 000)	2007	2006
Facility 1	980 000	492 000
Facility 2	120 000	575
Facility 3	14 283	16 428
Bond loan ISIN NO 001 021643.5	-	14 228
Bond loan ISIN NO 001 025576.3	75 956	65 706
Bond loan ISIN NO 001 025756.1	50 000	50 000
Commercial paper NOK 600 million	110 885	-
Total loans	**1 351 124**	**638 937**
Guarantees	65 000	60 764
Total debt	**1 416 124**	**699 701**
EBITDA last 12 months	302 200	227 245
Leverage ratio	**4.69**	**3.08**

Note 23: Subsidiaries in the consolidated financial statements

Company name	Country	Ownership	Voting share
Prosafe AS	Norway	100%	100%
Prosafe Offshore AS	Norway	100%	100%
Prosafe Offshore Norge AS	Norway	100%	100%
Prosafe (UK) Holdings Ltd	United Kingdom	100%	100%

Company name	Country	Ownership	Voting share
Prosafe Rigs Ltd	United Kingdom	100%	100%
Prosafe Offshore Ltd	United Kingdom	100%	100%
Prosafe Rigs (Cyprus) Ltd	Cyprus	100%	100%
Prosafe Holding Ltd	Cyprus	100%	100%
Consafe Offshore AB	Sweden	100%	100%
Prosafe Rigs Pte Ltd	Singapore	100%	100%
Prosafe Offshore Pte Ltd	Singapore	100%	100%
Prosafe Offshore Employment Company Pte Ltd	Singapore	100%	100%
Prosafe Production Services Pte Ltd	Singapore	100%	100%
Prosafe Production Pte Ltd	Singapore	100%	100%
Prosafe Services Côte d'Ivoire Pte Ltd	Singapore	100%	100%
Prosafe GFPSO Pte Ltd	Singapore	100%	100%
Prosafe FPSO(D) Pte Ltd	Singapore	100%	100%
Prosafe Production (M) Sdn Bhd	Malaysia	100%	100%
Prosafe Production Inc	USA	100%	100%
Prosafe Production LLP	United Kingdom	100%	100%
Prosafe Production UK Ltd	United Kingdom	100%	100%
PPB do Brasil Servicos Maritimos Ltda	Brazil	100%	100%
Prosafe Production do Brasil Ltda	Brazil	100%	100%
Prosafe Production BV	Netherlands	100%	100%
Prosafe GFPSO I BV	Netherlands	100%	100%
Prosafe Production Nigeria Ltd	Nigeria	100%	100%
Prosafe FPSO(D)	Congo	100%	100%
Egyptian Winlines Shipping Co. SAE	Egypt	100%	100%
Tinworth Ltd	Bermuda	50%	50%
Tinworth Pte Ltd	Singapore	50%	50%
Madura FSO Pte Ltd	Singapore	50%	50%
OCS Services Ltd	British Virgin Islands	50%	50%

Voting rights equal ownership share.

Note 24: Subsequent events

Split process

The board of directors resolved on 6 December 2007 to initiate a process intending to split the company into two listed companies, one focused offshore support rig company and one focused floating production company. The intention is to distribute 90.1 per cent of the shares in Floating Production to the shareholders as a dividend. The split process, including listing of the new entity, is expected to be completed in the second quarter of 2008.

Acquisition of a VLCC

In January 2008 Prosafe entered into an agreement to purchase the M/T *Takama*. The vessel, a VLCC, has a dead weight of 266 286 DWT and was delivered in 1987 by MHI Nagasaki, Japan. The vessel was acquired for the purpose of a future FPSO conversion.

Accounts Prosafe SE

Income statement - Prosafe SE

(USD 1 000)	NOTE	2007	2006
Operating revenues		**649**	**485**
Operating expenses	2	(12 235)	(7 337)
Depreciation	3	(331)	(293)
Operating profit		**(11 917)**	**(7 145)**
Gain / (loss) on sale of shares in subsidiary		0	(1 574)
Income from investments in subsidiaries		1 824 435	210 237
Other financial items	4	4 330	(31 328)
Net financial items		**1 828 765**	**177 335**
Profit before taxes		**1 816 848**	**170 190**
Taxes	5	7 625	(24 735)
Net profit		**1 824 473**	**145 45**

Balance sheet - Prosafe SE

(USD 1 000)	NOTE	31.12.2007	31.12.2006
Tangible assets	3	4 054	3 959
Shares in subsidiaries	6	3 414 272	1 623 657
Other shares	7	0	252 789
Intra-group long-term receivables	12	565 081	172 547
Total non-current assets		**3 983 407**	**2 052 951**
Cash and deposits		18 923	10 269
Other current assets	8	15 306	6 435
Total current assets		**34 229**	**16 704**
Total assets		**4 017 636**	**2 069 655**
Share capital	9	63 903	63 903
Own shares		(37)	(37)
Share premium reserve		620 496	620 496
Total paid-in equity		**684 362**	**684 362**
Other equity		1 874 814	329 339
Total retained earnings		**1 874 814**	**329 339**
Total equity		**2 559 176**	**1 013 701**
Interest-bearing long-term debt	10	1 105 957	607 706
Intra-group long-term debt	12	223 255	254 996
Pension liabilities		1 952	2 379
Deferred tax	5	0	115
Total long-term liabilities		**1 331 164**	**865 196**
Interest-bearing current debt	10	110 885	14 228
Dividends payable		0	146 969
Taxes payable	5	0	23 065
Other interest-free current liabilities	11	16 411	6 495
Total current liabilities		**127 296**	**190 758**
Total equity and liabilities		**4 017 636**	**2 069 655**

Larnaca, 13 March 2008

Reidar Lund
Non-executive chairman

Christian Brinch
Non-executive deputy chairman

Michael Raymond Parker
Non-executive director

Ronny Johan Langeland
Non-executive director

Elin Nicolaisen
Non-executive director

Christakis Pavlou
Non-executive director

Cash flow statement - Prosafe SE

(USD 1 000)	2007	2006
Cash flow from operating activities		
Profit before taxes	1 816 848	170 190
Unrealised currency loss on long-term debt	10 250	6 065
Loss / (gain) on sale of shares	(68 611)	1 574
Depreciation	331	293
Change in working capital	1 044	(2 087)
Taxes paid	(23 065)	0
Other from operating activities	2 337	(13 944)
Net cash flow from operating activities	**1 739 134**	**162 091**
Cash flow from investing activities		
Proceeds from sale of shares in subsidiaries	252 789	0
Acquisition of shares	(1 790 615)	(1 419 752)
Change in long-term intra-group balances	(424 275)	291 341
Proceeds from sale of tangible fixed assets	217	0
Acquisition of tangible fixed assets	(228)	(167)
Net cash flow from investing activities	**(1 962 112)**	**(1 128 578)**
Cash flow from financing activities		
New interest-bearing long-term debt	597 700	592 400
Repayment of interest-bearing long-term debt	(13 043)	(366 000)
Dividends paid	(353 025)	(60 929)
Paid-in capital	0	637 231
Net cash flow from financing activities	**231 632**	**802 702**
Net cash flow	**8 654**	**(163 785)**
Cash and deposits at 1 January	10 269	174 055
Cash and deposits at 31 December	**18 923**	**10 269**

Statement of changes in equity

(USD 1 000)	SHARE CAPITAL	OWN SHARES	SHARE PREMIUM	RETAINED EARNINGS	NET UNREALISED GAINS RESERVE	TOTAL EQUITY
Equity at 31 December 2005	**44 753**	**(37)**	**2 378**	**293 019**	**0**	**340 113**
Net profit	0	0	0	145 455	0	145 455
Paid-in capital	19 150	0	621 520	0	0	640 670
Costs associated with issuing new shares	0	0	(3 402)	0	0	(3 402)
Dividends declared	0	0	0	(177 746)	0	(177 746)
Unrealised gain directly recognised in equity [1)]	0	0	0	0	68 611	68 611
Equity at 31 December 2006	**63 903**	**(37)**	**620 496**	**260 728**	**68 611**	**1 013 701**
Net profit	0	0	0	1 824 473	0	1 824 473
Realised gain (ref. above)	0	0	0	0	(68 611)	(68 611)
Dividends declared	0	0	0	(206 056)	0	(206 056)
Other equity adjustment	0	0	0	(4 331)	0	(4 331)
Equity at 31 December 2007	**63 903**	**(37)**	**620 496**	**1 874 814**	**0**	**2 559 176**

[1)] This item refers to the shares in Teekay Petrojarl ASA. See note 7 for details.

NOTES - PROSAFE SE

All figures in USD 1 000 unless otherwise stated.

Note 1: Accounting policies

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). The accounting policies applied to the consolidated accounts have also been applied to the parent company, Prosafe SE. The notes to the consolidated accounts provide additional information to the parent company's accounts which is not presented here separately. The company's financial statements are presented in USD dollars (USD). With effect from 21 September 2007, the company converted from reporting in Norwegian kroner (NOK) to reporting in USD. Investments in subsidiaries are measured at historic cost, unless there is any indication of impairment. In case of impairment, an investment is written down to fair value.

Note 2: Operating expenses

	2007	2006
Accrual share-based payments	3 370	1 398
Salaries	2 867	2 465
Pension expenses	593	283
Directors' fees	363	253
Other remuneration	333	707
Payroll taxes	307	559
Contract personnel	102	52
Other personnel expenses	31	21
Auditors' audit fees	43	42
Auditors' other fees	72	11
Other operating expenses	4 154	1 546
Total operating expenses	**12 235**	**7 337**

Note 3: Tangible assets

	EQUIPMENT	BUILDINGS	LAND	TOTAL
Acquisition cost 01.01	1 755	5 850	131	7 736
Translation difference	135	754	17	906
Additions	228	0	0	228
Disposals at acquisition cost	(1 983)	0	0	(1 983)
Acquisition cost 31.12	**135**	**6 604**	**148**	**6 887**
Accumulated depreciation 01.01	1 520	2 258	0	3 777
Translation difference	197	293	0	490
Accumulated depreciation on disposals	(1 766)	0	0	(1 766)
Depreciation for the year	64	267	0	331
Accumulated depreciation 31.12	**15**	**2 818**	**0**	**2 832**
Carrying value 31.12	**120**	**3 786**	**148**	**4 055**
Depreciation rate (%)	**20-30**	**3-5**	**-**	**-**

Note 4: Other financial items

	2007	2006
Gain on sale of shares	68 611	0
Interest receivable from subsidiaries	16 966	2 013
Other interest receivable	2 402	2 099
Interest payable to subsidiaries	(10 573)	(12 283)
Interest expenses	(57 922)	(26 138)
Currency loss	(14 600)	(2 014)
Fair value adjustment derivative financial instruments	1 067	3 697
Other financial items	(1 621)	1 298
Other financial items	**4 330**	**(31 328)**

Note 5: Taxes

	2007	2006
Norway		
Profit before taxes	81 248	170 190
Permanent differences	(106 506)	(104 820)
Changes in temporary differences	429	(1 336)
Utilisation of tax loss carried forward	0	(4 237)
Tax base Norway	**(24 829)**	**59 798**
Taxes payable (receivable)	(7 510)	23 365
Changes in deferred tax	(115)	1 370
Taxes Norway	**(7 625)**	**24 735**
Cyprus		
Profit before taxes	1 735 601	0
Permanent differences	(1 759 407)	0
Tax base Cyprus	**(23 806)**	**0**
Taxes Cyprus	**0**	**0**
Temporary differences:		
Non-current assets	0	(1 368)
Current assets	0	5 728
Long-term liabilities	0	(1 572)
Pension liabilities	0	(2 379)
Loss carried forward	(20 224)	0
Basis for deferred tax liability (+)/benefit (-)	**(20 224)**	**409**
Deferred tax liability (+)/benefit (-)	**0**	**115**

The Company was taxable to Norway until 21 September 2007 when the company changed domicile from Norway to Cyprus. The tax loss which was incurred in Norway in 2007 can be utilised by offsetting it against taxes paid for 2006, and an amount of USD 8.4 million has been recognised in the balance sheet as at 31 December 2007. (See note 8 - Other current assets). No deferred tax benefit has been recognised in the balance sheet with regards to the tax loss in Cyprus, as the company does not anticipate that this benefit can be utilised in the foreseeable future.

Note 6: Shares in subsidiaries

(Share capital and carrying value in 1 000)

COMPANY		SHARE CAPITAL	CARRYING VALUE	OWNER-SHIP
Prosafe Rigs AS	NOK	100	72	100%
Prosafe Offshore AS	NOK	100	270	100%
Prosafe Offshore Norge AS	NOK	100	14	100%
Prosafe Nautipa AS	NOK	100	15	100%
Prosafe (UK) Holdings Ltd	GBP	11 000	22 826	100%
Prosafe Production Services Pte Ltd	USD	1 629 717	1 594 916	91%
Prosafe Offshore Pte Ltd	USD	10 000	10	100%
Prosafe Production Nigeria Ltd	USD	147	147	100%
Consafe Offshore AB	SEK	27 786	301 724	100%
Prosafe Rigs Pte Ltd	USD	1 650 040	1 494 278	91%
Total carrying value			**3 414 272**	

Note 7: Other shares

This item refers to shares in Teekay Petrojarl ASA (TP) which were purchased in 2006. At 31 December 2006 the Company owned 22 588 832 shares in TP corresponding to 30.1% of the share capital. These shares were during 2007 sold to a subsidiary, Prosafe AS, for a consideration equal to the carrying value as at 31 December 2006. The gain on the sale of USD 68.6 million has been accounted for in the income statement for 2007. This gain equals the unrealised gain taken directly to equity in 2006.

Note 8: Other current assets

	2007	2006
Corporation tax refundable	8 360	0
Current receivables from group companies	6 821	248
Fair value derivative financial instruments	(479)	5 728
Other current assets	604	458
Total other current assets	**15 306**	**6 435**

Note 9: Share capital

	2007	2006
Number of shares	229 936 790	229 936 790
Holding of own shares	110 160	110 160
Nominal value	EUR 0.25	NOK 2.00

Note 10: Interest-bearing debt

	2007	2006
Debt in NOK	186 842	79 935
Debt in USD	1 030 000	542 000
Total interest-bearing debt	1 216 842	621 935

Unsecured bond loans accounted for USD 126 million of the total interest-bearing debt, a commercial paper for USD 110 million and bank loans secured by mortgages for USD 980 million. The bond debt is divided into two loans of NOK 411 million maturing March 2010 and USD 50 million maturing March 2012. These loans are listed on the Oslo Stock Exchange with ticker codes PRS02 and PRS03 respectively. The six-month commercial paper of NOK 600 million is maturing on 15 February 2008 and has ticker code PRS04.

Loan	Amount drawn	Maturity	Interest	Loan margin
PRS02	NOK 411 million	March 2010	floating	1.15%
PRS03	USD 50 million	March 2012	floating	1.40%
PRS04	NOK 600 million	February 2008	fixed: 5.64%	-

The prices estimated by the Norwegian Securities Dealers Association at 31 December 2007 were NOK 100.35 for PRS02, NOK 100.40 for PRS03 and NOK 99.92 for PRS04.

The company's bank facility has the following repayment structure:
Drawn amount as of 31 December 2007 was USD 980 million. Total availability is USD 1.3 billion. The first of 17 three-monthly instalments of USD 65 million is due in March 2009, and a final payment of USD 195 million in June 2013.

The average interest cost in 2007 was circa 6 per cent as against 5.5 per cent in 2006. The interest cost increased due to higher NIBOR and USD LIBOR interest rates. In the fourth quarter, Prosafe refinanced the main debt facility with a new fixed margin of 0.6-0.8 per cent depending on leverage ratio.

See note 19 to the consolidated accounts for covenants associated with the loans.

Note 11: Other interest-free liabilities

	2007	2006
Accrued interest costs	6 294	1 458
Provision share-based payments	5 454	1 430
Accrued payroll related costs	2 733	966
Accounts payable	908	836
Other current liabilities	1 022	1 805
Total other interest-free current liabilities	**16 411**	**6 495**

Note 12: Intra-group loans

	2007	2006
Loan to Prosafe AS	538 039	0
Loan to Prosafe Nautipa AS	6 848	7 676
Loan to Consafe Offshore AB	0	142 371
Loan to Prosafe Production Services Pte Ltd	20 194	22 500
Intra-group long-term receivables	**565 081**	**172 547**
Loan from Consafe Offshore AB	223 255	0
Loan from Prosafe AS	0	254 996
Intra-group long-term payables	**223 255**	**254 996**

Loan agreements with subsidiaries are made at normal market prices. Outstanding balances at year-end are unsecured, and settlement normally occurs in cash. For the year ended 31 December 2007, the company has not recorded any impairment of receivables relating to amounts owed by subsidiaries.

Note 13: Mortages and guarantees

In line with industry practice, Prosafe SE has issued bank guarantees and parent company guarantees (performance guarantees) on behalf of subsidiaries in connection with the award and performance of contracts and in connection with debt financing in Prosafe Production Services Pte Ltd. At 31 December 2007 bank guarantees issued amounted to USD 11.3 million.

The company's interest-bearing bank debt is secured by mortgages on the shares in Prosafe Production Services Pte Ltd and Prosafe Rigs Pte Ltd, and on the vessels owned by these subsidiares.

Independent auditors' report

TO THE MEMBERS OF PROSAFE SE

Report on the Financial Statements

We have audited the consolidated financial statements of Prosafe SE (the "Company") and its subsidiaries (the "Group") and the Company's separate financial statements on pages 79 to 114, which comprise the balance sheets of the Group and the Company as at 31 December 2007, and the income statements, statements of changes in equity and cash flow statements of the Group and the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the preparation and fair presentation of these consolidated and Company's separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and the Company's separate financial statements give a true and fair view of the financial position of the Group and the Company as of 31 December 2007, and of the financial performance and the cash flows of the Group and the Company for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Report on Other Legal Requirements

Pursuant to the requirements of the Companies Law, Cap. 113, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the Directors' Report on pages 19 to 25 is consistent with the financial statements.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 156 of the Companies Law, Cap.113 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Ernst & Young
Chartered Accountants

Nicosia
13 March 2008

Glossary

ASA: public limited company (Norway)
AGM: annual general meeting

Bareboat charter: charter party for a vessel which assigns responsibility for operation and maintenance to the charterer
Bbls: barrels
Bfpd: barrels of fluid per day
Bopd: barrels of oil per day
Bwpd: barrels of water per day

DNV: Det Norske Veritas. Norwegian classification society which surveys and approves the technical condition, safety and quality of vessels to its own rules and national government regulations
DP: dynamic positioning. A station system which uses telecommunications, satellites and propellers/thrusters to compensate wind, wave and current forces to keep the unit on station
Dwt: deadweight tonnes. A vessel's cargo-carrying capacity measured in tonnes of cargo and supplies

EBITDA: operating result before depreciation
EGM: extraordinary general meeting
EU: European Union

FDPSO: floating drilling, production, storage and offloading vessel
FPSO: floating production, storage and offloading vessel
FSO: floating storage and offloading vessel

GBP: pound sterling

HSE: health, safety and the environment

IFRS: International Financial Reporting Standards
IMO: International Maritime Organisation. The UN's advisory body for shipping
ISM: International Safety Management Code. Standard for safety management systems on vessels
ISO: International Organisation for Standardisation

Libor: London interbank offered rate. Interest rate charged in London for lending Euro-currencies to banks
Lost-time injury: occupational injury which causes the employee to be absent from work for one complete shift, i.e. 12 hours.

MMSCFD: millions of standard cubic feet per day. Unit to measure gas flows.
MSV: multi-service vessel
M/T: motor tanker

NCS: Norwegian continental shelf
Nibor: Norwegian interbank offered rate
NOK: Norwegian krone

OSE: Oslo Stock Exchange

PRS: Prosafe's ticker code on the OSE

SE: Societas Europaea. European public limited company
SGD: Singapore dollar
Suezmax: largest ship able to pass through the Suez canal, normally 150 000 to 200 000 dwt

Time charter: charter party for a vessel which assigns responsibility for operation and maintenance to the owner
TLP: tender-leg platform

UKCS: UK continental shelf
USD: US dollar

VLCC: very large crude carrier. Oil transportation vessel from 200 000 to 320 00 dwt
VPS: Norwegian Central Securities Depository

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