

The year 2008

Key figures

- Operating revenues of USD 491.1 million.
- Operating profit before depreciation of USD 281 million.
- Operating profit of USD 232.2 million.

The share

- A dividend of USD 893 091 930 was distributed in kind in the form of 90.1 per cent of the shares in Prosafe Production Public Limited.
- The Prosafe share price at 31 December 2008 was NOK 26 and its market capitalisation stood at NOK 5.98 billion.

Order backlog

- Order backlog of USD 800 million as of 31 December 2008.

Rig utilisation rate

- Prosafe had a rig utilisation rate of 92 per cent in 2008.
- End of January 2009, Prosafe had secured a rig utilisation rate of 83 per cent for 2009.

Health, safety and the environment

- No accidental discharges to the natural environment.
- Lost-time injury frequency of 3.3.
- Sickness absence was 3.6 per cent.

Corporate social responsibility

- Prosafe became a member of UN Global Compact.

New contracts/important events

Q1 2008

- Safe Bristolia was awarded a six-month contract for Nexen on the UK Continental Shelf with start-up in April 2010.
- Prosafe secured bareboat contracts for *Safe Britannia*, *Safe Lancia*, *Safe Regency*, *Safe Hibernia* and *Jasminia* in the Gulf of Mexico for a total value of USD 378 million.

Q2 2008

- Mærsk Oil and Gas exercised the first of two six-month options for continued use of the *Safe Esbjerg* accommodation jack-up in the Danish sector of the North Sea.
- Successful spin-off and listing of Prosafe Production.

Q3 2008

- *Safe Scandinavia* was awarded a 65-day contract for operations in the UK sector of the North Sea with start-up July 2009.



Prosafe secured bareboat contracts for *Safe Britannia*, *Safe Lancia*, *Safe Regency*, *Safe Hibernia* and *Jasminia* in the Gulf of Mexico for a total value of USD 378 million.

Q4 2008

- *Safe Scandinavia* was awarded a 26-day contract extension for operations at StatoilHydro's Sleipner facility on the Norwegian Continental Shelf.
- Mærsk Oil and Gas awarded *Safe Esbjerg* a two-year contract with a one-year option for operations in the Danish sector of the North Sea.
- *Safe Caledonia's* contract with Total E&P UK Limited with start-up in mid-June 2010 was extended by three months.
- The bareboat contract for use of *Jasminia* in the Gulf of Mexico was extended by 685 days until end of December 2010. Mutually agreeable extensions can take the contract through to mid-February 2013.
- Mærsk Oil and Gas exercised a six-month option for continued use of the *Safe Esbjerg* accommodation jack-up in the Danish sector of the North Sea.

2009

- *Safe Bristolia* was awarded a one-year bareboat contract in the Gulf of Mexico with start-up late February 2009.
- The contract for *Safe Astoria* at Sakhalin was convenience terminated by the customer. Prosafe will receive 85 per cent of the remaining contract value.

This is Prosafe

Prosafe is the world's leading owner and operator of semi-submersible accommodation/service rigs. The company is listed on the Oslo Stock Exchange and posted revenues of USD 491.1 million in 2008.

The group comprises a parent company, Prosafe SE, headquartered in Cyprus, and a business division, Offshore Support Services, headquartered in Singapore. Prosafe has offices in Aberdeen, Scotland and Stavanger, Norway. In addition, Prosafe may have local representation in the countries where its vessels are operating.

Our business

Accommodation/service rigs are traditionally used wherever there is a need for additional accommodation, engineering, construction or storage capacity offshore. Our rigs have substantial accommodation capacity, with berths for 245-812 people. They offer high quality welfare and catering

facilities, medical services, storage, workshops, offices, deck cranes, lifesaving and fire fighting equipment. The rigs are positioned alongside the host installation and are connected by means of a telescopic gangway so that personnel can walk to work.

Prosafe's activities fall within the latter part of an oil field's life cycle, which is most robust in relation to oil price fluctuations. The majority of our services is linked to maintenance and modification of installations on fields already in production, while some activity is also related to commissioning and decommissioning. This strategic position in the value chain ensures sustainable growth for the company and a high return on equity in relation to risk.

Value chain

Seismic surveys

E&D drilling

Pre-engineering/
concept studies

Core values

Profitability – we are committed to delivering operational excellence in a safe and responsible way, adding value for shareholders, employees, customers and the communities in which we operate.

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 comply with governing laws and regulations.

Innovation - we encourage new ideas and endeavour to find new and cost-efficient ways of operating, in order to satisfy customer needs and to achieve continuous improvement.

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 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 basis at all times. We work determinedly to deliver safe and cost-efficient operations.

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

History

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

Prosafe acquired floating production company Nortrans Offshore in 2001, extending its activities to include the conversion, chartering and operation of FPSOs and FSOs.

In 2005, Prosafe refined its commercial portfolio 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 jack-up. This acquisition cemented Prosafe's leading position in the market for semi-submersible accommodation/service rigs.

In May 2008, Prosafe spun off business division Floating Production. At present, Prosafe comprises one business division, Offshore Support Services, which owns 12 accommodation rigs.

Shareholder policy

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

In 2008, a dividend of USD 893 091 930 was distributed in kind in the form of 90.1 per cent of the shares in Prosafe Production Public Limited.

Ownership

Prosafe is listed on the Oslo Stock Exchange with ticker code PRS. As of 31 December, 4 691 investors from 39 countries owned Prosafe shares. No shareholder owned more than 10 per cent.

IMPORTANT EVENTS SINCE THE COMPANY'S FOUNDING

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.

1998

Prosafe acquires Discoverer ASA, which owns the Jasminia and Safe Regency accommodation/service rigs.

1999

The Safe Scandinavia (formerly Polycrown) accommodation/service rig is acquired.

2000

Prosafe acquires MSV Regalia.

2001

Nortrans Offshore Ltd is acquired, and Prosafe enters the FPSO segment.

2002

Prosafe acquires the Safe Hibernia (formerly Polyconcord) accommodation/service rig.

2003

Prosafe secures a five-year bareboat charter for five accommodation/service rigs in Mexico.

2005

The Drilling Services division is sold.

2006

Prosafe acquires Consafe Offshore AB, which owns three semi-submersible accommodation/service rigs and one accommodation jack-up.

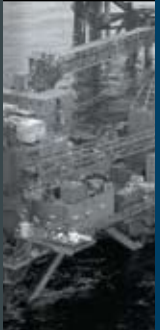
2007

Prosafe SE relocates to Cyprus.

2008

The Floating Production division is spun off and listed as an independent company.

Prosafe secures contracts for five rigs in Mexico at a total value of USD 378 million.



Message from President and CEO

Conscious commitment yields results

We can proudly say that 2008 has been yet another successful year for our business. Steady operational performance and a high rig utilisation rate have contributed to a strong financial result.

Since Prosafe was established in 1997, the company has undergone a number of major changes. We have consistently based our strategies, objectives and activities on our vision of “being a leading and innovative provider of technology and services in selected niches of the global oil and gas industry”. Mergers, acquisitions and spin-offs have demonstrated our determination and ability to respond to challenges and draw benefit from opportunities.

In May 2008, we made the strategic decision to spin off the business division Floating Production. That company is now listed on the Oslo Stock Exchange as Prosafe Production Public Limited. Going forward, we will concentrate our management resources and financial capacity on further developing and strengthening Prosafe’s leading position in the offshore accommodation segment.

We have systematically developed and consolidated the market for semi-submersible accommodation rigs on a worldwide basis and have over time acquired a fleet of 12 quality vessels. These vessels can operate in all geographical areas, which gives us a very competitive position.

Our conscious commitment has yielded results. The Offshore Support Services division ranks as the world’s leading supplier of accommodation/service rigs and delivered the best financial result ever in 2008. We posted revenues of USD 491.1 million and a net profit of USD 202.8 million.

While we are extremely pleased with the good operational and financial results achieved, the share price performance suffered in the second

half of 2008 as a result of the general financial crisis and a sharp drop in the price of oil. Going forward, we will work hard in order to re-create and further enhance shareholder value.

Market outlook

The financial crisis and the fall in the oil price will impact on the oil services industry. Traditionally, the impact of oil price changes has correlated significantly with early cycle activities, such as seismic surveys and exploration drilling. The outcome of these activities is uncertain by nature, and hence they are more likely to be sacrificed when oil companies have short term savings on their agenda. Traditionally, the most resilient activities have been those linked to production and maintenance.

Prosafe’s activities fall within the latter part of an oil field’s life cycle, which is most robust in relation to oil price fluctuations. In 2008, around 70 per cent of our operations related to maintenance and modification work, about 20 per cent related to hook-up and commissioning, and the remaining 10 per cent to decommissioning. Despite the short to medium term nature of contracts, the underlying demand for our services is expected to be robust.

We do not believe that the impact of the credit crisis will be uniform. In particular, we expect to see an increased differentiation between low and high risk projects. This differentiation will strongly favour players in the industry who have access to capital, and projects with less risk. On the oil services side, large companies possessing a robust earnings mix are the likely winners in this uncertain environment. Smaller players and risky projects are out of favour.

Prosafe is hardly among the larger oil services companies, seen on a global scale. However, we are the leading player in our market and have a robust funding situation. Our client base is dominated by oil majors and national oil companies, and our fleet has a strong foothold in mature regions with a high proportion of maintenance and modification related

work. Therefore, we do not foresee that the financial crisis and the decline in the oil price will have a significant impact on our activities in 2009 and onwards.

Safe and cost-efficient services

Prosafe is in a fortunate financial position, with healthy profit margins and a good outlook. The company's long-term course is little affected by the financial turmoil. This provides predictability when it comes to creating shareholder value in the years ahead. It also enables us to take a long term approach when planning for the future, whether that is making decisions on investments in assets or on training of people.

Prosafe started a substantial refurbishment of MSV *Regalia* in December 2008. Following the refurbishment, the vessel will be a state-of-the-art unit with capability of operating in the most demanding regions. We will continue to ensure that our rigs are well maintained in order to meet the highest standards. Our customers can rest assured that they will be offered safe and efficient accommodation.

Over the last years, we have started several initiatives aimed at increasing internal efficiency, developing a safety culture and increasing the competence of our employees. We will continue and further develop these initiatives in order to build an even stronger organisation and to improve the services offered to clients.

Taking social responsibility

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, suppliers, employees, society at large and the communities where we operate.

In order to advance our commitment to sustainability and corporate citizenship, we signed up as a member



Arne Austreid

Arne Austreid
President and CEO

of the United Nations Global Compact in October 2008. By becoming a member of the UN Global Compact, we express our sincere commitment to aligning our operations and strategies with UN Global Compact's ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

The Prosafe way

We are a provider of services, which implies that our employees are at the core of our competitiveness. Through their dedicated and focused commitment they help to ensure that we understand and meet customer demands, thereby securing that we attain our objectives.

To attract, develop and retain the best employees, we strive to offer our employees challenging jobs in a sound working environment that stimulates personal and professional development. In return, we demand that our employees at all times base their activities and decisions on our core values and Code of Conduct. By doing so, we ensure a uniform mindset and standard of behaviour, and assure that our business is run in the "Prosafe way". This will enhance our good reputation and create trust.

Our stakeholders can be confident that we will deliver as promised. We will continue to develop the company in a sustainable and profitable way, and will never stop looking for ways to further enhance our performance.

Vision, strategy and outlook



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.

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

Corporate strategy

The vision is used at a corporate level as guidance for identifying which businesses the group can or should be involved in. On a business division level it is used as a foundation for developing a mission statement and business strategy.

In May 2008, Prosafe became a focused Offshore Support Services company following the separation from Prosafe Production. The Offshore Support Services division has a leading position within a niche

market, and thereby fits well into the Prosafe vision. The medium term strategy on the corporate level is to facilitate a further development of this business division through the development of human resources and potential selective acquisitions.

The corporate function will, through careful management of financial resources, facilitate financial capacity to invest and grow the group, as well as providing shareholders with direct capital return.

Offshore Support Services strategy

The immediate objective of Offshore Support Services is to continue developing its position as a market leader. It shall do so by improving the efficiency and safety of its operations, whilst conducting its business in line with Prosafe's core values.

Prosafe is today the leader in the provision of offshore accommodation vessels in harsh environments and in hurricane regions like the Gulf of Mexico. Offshore Support Services will build on this competence and experience and add to its portfolio of services in markets and regions where it can develop sustainable competitive advantage.

In order to achieve this, Prosafe will work to attract, train and retain the best employees in the industry, in order to instil a culture of safety and quality through every phase of its business.

Outlook

Prosafe is positioned in the latter part of an oil field's value chain. The majority of its services are linked to fields in production, while some activity is also related to commissioning and decommissioning. Historically, oil companies have reduced their spending on exploration and production in periods of falling oil prices. However, it has also been observed that this reduction in spending has typically been directed towards early cycle activities such as seismic and exploration drilling, while there has been less impact on activities relating to production and maintenance of existing fields.

During the first half of 2008, Prosafe saw a strong and growing market for its services, based on high activity within the areas of maintenance, modifications and commissioning of new fields. During the second part of the year, reductions in oil company spending led to a reduced outlook for commissioning of new fields, and increased focus

on cost efficiency. Demand for maintenance and modification services appears to be more resilient, with basis in an ageing fleet of installations in mature regions. Furthermore, there is also an increase in demand for such services in more recently developed offshore regions, despite the fall in oil price. Prosafe therefore maintains a positive view of the market in the years to come.

