Information Memorandum

Prosafe SE

(a European public limited liability company organized under the laws of Cyprus)
Registration number SE 4

Prepared in connection with the divesting of the floating production business unit into a separate company

This Information Memorandum does not constitute an offer to buy, subscribe or sell the securities described herein. No securities are being offered or sold pursuant to this Information Memorandum and the Information Memorandum is prepared solely to give information about Prosafe SE subsequent the divesting of the shares in the floating production business segment.

Financial advisor

Pareto Securities AS

22 April 2008

Important Notice[1]

This information memorandum (the "Information Memorandum") has been prepared by Prosafe SE ("Prosafe" or the "Company") in order to provide information about Prosafe SE subsequent the divesting of the floating production segment in a new separate company, Prosafe Production Public Limited ("Prosafe Production"), as further described herein.

The Information Memorandum has not been approved by Oslo Børs. No action has been taken to permit the distribution of this Information Memorandum in any jurisdiction where action would be required for distribution. Accordingly, this Information Memorandum may not be used for the purpose of an offer of, or solicitation for, any securities in any jurisdiction or in any circumstances in which such offer or solicitation would be unlawful or unauthorized.

Prosafe Shareholders must rely upon their own examination of this Information Memorandum and should study this Information Memorandum carefully and, if necessary, seek independent advice so that a balanced judgment can be made on all matters that is discussed and described in this Information Memorandum.

The distribution of this Information Memorandum or any separate summary documentation regarding the spinning off of the floating production segment may, in certain jurisdictions (including, but not limited to Australia, Canada, Japan and the United States), be restricted by law. Therefore, persons obtaining this Information Memorandum or any other separate summary documentation or into whose possession this Information Memorandum or any other separate summary documentation otherwise comes, are required to, and should inform themselves of and observe all such restrictions. Prosafe or Pareto Securities do not accept or assume any responsibility or liability for any violation by any person whomsoever of any such restriction.

This Information Memorandum is not directed to persons whose participation requires that further documents are issued or that registration or other measures are taken, other than those required under Norwegian law. No document or materials may be distributed in or into any country where such distribution requires any of the aforementioned measures to be taken or would be in conflict with any law or regulation of such a country.

The information contained herein is only updated as of the date hereof and subject to change, completion or amendment without notice.

All forward-looking statements included in this document are based on information available to the Company on the date hereof, and the Company assumes no obligation to update any such forward-looking statements. Forward-looking statements will however be updated if required by applicable law or regulation. Investors are cautioned that any forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties and those actual results may differ materially from those included within the forward-looking statements as a result of various factors. Factors that could cause or contribute to such differences include, but are not limited to, those described below and elsewhere in this Information Memorandum.

All inquiries relating to this Information Memorandum should be directed to the Manager or the Company.

In the ordinary course of their respective businesses, the Manager and certain of their affiliates have engaged, and may in the future engage, in investment banking and commercial banking transactions with the Company.

The Information Memorandum has been prepared solely in the English language.

Any dispute that might arise regarding this Information Memorandum is subject to Norwegian law and the exclusive jurisdictions of the Norwegian courts.

[1] Capitalized terms used in this section and not defined herein shall have the meaning ascribed to them in Section 12, headed "Definitions and Glossary".

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TABLE OF CONTENTS

1 RISK FACTORS....................2

2 RESPONSIBILITY STATEMENT....................7

3 THE DIVESTING OF SHARES TO EXISTING SHAREHOLDERS OF PROSAFE....................8

4 INFORMATION ABOUT PROSAFE PRODUCTION....................11

5 DESCRIPTION OF PROSAFE SUBSEQUENT THE SPLIT....................21

6 THE MARKET FOR ACCOMMODATION RIGS....................27

7 CONSOLIDATED FINANCIAL INFORMATION AND OPERATING REVIEW....................31

8 BOARD OF DIRECTORS, MANAGEMENT AND EMPLOYEES....................43

9 SHARE CAPITAL AND SHAREHOLDER MATTERS....................47

10 LEGAL MATTERS....................51

11 ADDITIONAL INFORMATION....................52

12 DEFINITIONS AND GLOSSARY....................53

Appendices

APPENDIX 1: MEMORANDUM AND ARTICLES OF ASSOCIATION OF PROSAFE....................A 1

APPENDIX 2: AUDITOR'S STATEMENT ON PRO FORMA FINANCIAL INFORMATION....................A 16

APPENDIX 3: PROSAFE ANNUAL REPORT FOR 2007....................A 17

APPENDIX 4: PROSAFE INTERIM REPORT FOR 4Q 2007....................A 76

1 RISK FACTORS

Investing in Prosafe involves inherent risks. Prospective investors should consider, among other things, the risk factors set out herein before making an investment decision. The risks described below are not the only ones facing the Company. Additional risks not presently known to the Company, or risks that the Company currently deems immaterial, may also impair the Company's business operations and adversely affect the price of the Company's Shares. If any of the following risks materialize, the Company's business, financial position and operating results could be materially and adversely affected.

A prospective investor should consider carefully the factors set forth below and elsewhere in this Information Memorandum, and should consult his or her own expert advisors as to the suitability of an investment in the Shares of the Company. An investment in the Shares is suitable only for investors who understand the risk factors associated with this type of investment and who can afford a loss of all or part of the investment.

All forward-looking statements included in this document are based on information available to the Company on the date hereof, and the Company assumes no obligation to update any such forward-looking statements. Forward-looking statements will however be updated if required by applicable law or regulation. Investors are cautioned that any forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties and those actual results may differ materially from those included within the forward-looking statements as a result of various factors. Factors that could cause or contribute to such differences include, but are not limited to, those described below and elsewhere in this Information Memorandum.

The information herein is presented as of the date hereof and is subject to change, completion or amendment without notice.

Section 1 describes the risks associated with the remaining business of the Company subsequent the divestiture of the floating production segment in Prosafe Production. Some risks related particularly to the business of Prosafe Production are described in Section 4. However, most of the risks described in this Section 1 apply similarly to the floating production business.

1.1 OPERATIONAL RISK

1.1.1 Inherent risks associated with offshore operations

The operations of Prosafe's rigs are exposed to inherent risks of offshore activities such as property loss, interruptions of operations caused by adverse weather conditions or mechanical failures. Some of Prosafe's rigs are working in harsh environments. There are several factors that can contribute to an accident including, but not limited to, human errors, weather conditions, faulty constructions etc.

The Company may incur liability for containment, clean-up and salvage costs and other damages. The Company may also be liable for damages sustained in collisions and wreck removal charges arising from the operations of the rigs. The Company's rigs may be involved in accidents, resulting in damage to or loss of the rigs, property or personal injury for which the Company may be exposed to claims from third parties. Any of such events will result in a reduction in turnover or increased costs.

1.1.2 Potential liability arising from any damage, injury or death resulting from accidents or other causes

Due to the nature of the Company's operations, the Company is subject to the risk of accidents occurring either to the employees or to third parties who may be involved in accidents while on the Company's premises and rigs. These accidents may occur as a result of incidents such as fire, explosions or other incidents that may result in injury to persons, death or damage to property or the rigs. While the Company has instituted safety procedures for the Company's employees, the Company is unable to assure that accidents resulting in injury to persons, death or damage to property or production units will not arise. The Company may be liable, whether contractually or under the law, for any or all of such loss or damage or injury to or loss of life. In the event of an accident that is not covered by insurance policies or the claims of which are in excess of the insurance coverage or are contested by the insurance companies, the Company's financial performance and position may be adversely affected.

1.1.3 Insurance coverage

Operational risks can cause 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 is nevertheless a clear target.

Prosafe primarily aims to cover insurable risk as fully as possible through insurance policies, to the extent that such cover is available and commercially defendable. Prosafe´s insurance policies provide cover against injury to crew, damage to its vessels, loss of hire, third-party liability, and personnel cover for employees relating to accident, death, disability and pension.

The existing marine hull and machinery insurances for vessel loss or damage are at least covering the vessels' estimated market values. Prosafe has also taken out war risk insurances to cover physical loss and damage and liability arising from war and terrorist actions.

The procured loss of hire insurances cover the value of the individual charters so that the impact of a possible loss on results is minimised. Prosafe has also procured customary protection and indemnity insurances for the vessels which cover third party liability, pollution liability and several other liabilities.

Prosafe aims to cover insurance related risk as fully as possible. However, it is not possible to insure against all applicable risks and liabilities. For instance, under some contracts the Company will have unlimited liability for losses caused by its own gross negligence, whereas such liability in general will not be covered by the Company's insurance policies.

The Company cannot assure that it has obtained insurance for all risks, that any future claims will be paid, or that it will be able to procure adequate insurance coverage at commercially reasonable rates in the future. If environmental regulations become even more stringent, the insurance expenses may increase further or make insurance against the risk of environmental damage or pollution unavailable.

1.1.4 Requisition, arrest etc. of the vessels and rigs

The vessels and rigs could be requisitioned by a government in the case of war or other emergencies or become subject to arrest. This could significantly and adversely affect the earnings of the relevant unit.

1.1.5 Project and contract risk

In line with industry practice, a contract will normally contain clauses which could give the customer a right of early termination under specified conditions. However, Prosafe is, by applying a strict policy on termination risks, doing their outmost to reduce this risk to a minimum. Prosafe may be subject to other risks related to the terms of the Company's Contracts, including damages payable by the Company to its customers as a result of deviations from a contract and liquidated damages for delays or non-performance. This risk may also materialise as a result of, amongst others, weather, equipment failure, fire, cost overruns and other force majeure situations.

The contracts for the vessels in the Gulf of Mexico contain cancellation clauses which allow the ultimate customer to cancel the agreements at 30 days notice without compensation if the Mexican authorities annul financing for the project. These clauses reflect the crisis in Mexico during the 1980s, and Prosafe takes the view that a cancellation based on the clauses is unlikely, unless 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, and the importance of oil production for Mexican economic development.

1.1.6 Terms of charters

Liquidated damages may accrue in the event of delayed delivery of the rigs under the customer contracts (sometimes referred to as "charters" or "contracts"). Customer contracts may be terminated upon occurrence of certain events such as delayed delivery, poor or non-performance by the Company, events of force majeure, loss or seizure of the rigs, unavailability of the rigs due to any reason whatsoever for specified periods of time. Further, the charter rates payable under the contracts may be reduced or suspended due to various reasons. Such reasons include poor or non-performance by the Company, request for suspension by the charterer, loss or seizure of the rigs, events of force majeure or any other reasons which render the rigs unavailable for duties for specified periods of time. If any such events occur, the turnover will be reduced and profitability of the Company will be adversely affected.

In addition, if for any reason the Company is unable to redeploy its rigs for a period of time upon expiry or early termination of the existing contracts, or negotiations over the terms of the contracts are protracted, or the charter contracts are renewed at less favourable terms, or if the Company is unable to secure any new contracts, the turnover and profits of the Company will be materially and adversely affected.

1.1.7 Service life and technical risks

The service life of the rigs to be operated by the Company will depend on a series of factors, including market activity and technical state. There will always be some exposure to technical risks, with unforeseen operational problems leading to unexpectedly high operating cost and/or lost earnings, which may have a material adverse effect on the financial position of the Company. Should the rigs be subject to certain periods of unplanned down-time due to reliability or technical issues, the performance and operations of the Company will be adversely affected.

1.1.8 Legal proceedings and contractual disputes

In the course of its activities, the Company may become party to legal proceedings and disputes. The Company makes provisions in such cases to cover the expected outcome of the proceedings and disputes, to the extent that negative outcomes are likely and reliable estimates can be made. However, the final outcome of legal proceedings and disputes are subject to uncertainties, and resulting liabilities may exceed recorded provisions.

1.1.9 Weather and environmental risks

Rigs are subject to perils particular to marine operations. Such circumstances may result in severe damages and/or damage to property, the environment or persons. Litigation from any such event may result in the Company being named as a defendant in lawsuits asserting large claims against the Company. In addition, in the event of pollution, spillage and loss of containment, the Company may be subject to liability for pollution. Environmental laws and regulations applicable in the countries in which the Company operates have become more stringent in recent years. Such laws and regulations may expose the Company to liability for the conduct of or conditions caused by others, or for acts by the Company that were in compliance with all applicable laws at the time such actions were taken.

1.1.10 Unexpected repair costs

The timing and costs of repairs on the Company's rigs are difficult to predict with certainty and may be substantial. Many of these expenses, such as dry-docking and certain repairs for normal wear and tear, are typically not covered by insurance. Large repair expenses could decrease the Company's profits. In addition, repair time means a loss of revenue for the Company.

1.1.11 Key personnel for operations and profitability

The Company's ability to continue to attract, retain and motivate such key personnel and other senior members of the management team and experienced personnel will have an impact on the Company's operations. The competition for such employees is intense, and the loss of the services of one or more of these individuals without adequate replacements or the inability to attract new qualified personnel at a reasonable cost could have a material adverse effect.

1.1.12 Possible loss of major customers

There is no assurance that the Company will be able to continue to retain its major customers and that they will maintain or increase their current level of business. In the event that any of the Company's major customers ceases to have business dealings or materially reduces the level of business activities, the Company's business, financial condition and results from operations will be adversely affected.

1.2 FINANCIAL RISK

1.2.1 Interest rate risk

Prosafe´s interest bearing debt totalled USD 1.3 billion at 31 December 2007. Interest on debt is in principle floating, but has been hedged through the use of interest rate swap agreements and interest rate collars, which have the financial effect of converting loans from variable to fixed interest rates. Interest swaps allow Prosafe to raise long-term loans at variable interest rates and convert these loans to fixed interest rates at a lower rate than if the borrowing had taken place directly at a fixed interest rate. In connection with the refinancing of the existing facilities (as described in 7.8 below) and after the divestment of Prosafe Production, the interest rate risk will be split accordingly.

1.2.2 Currency risk

Prosafe has compiled its accounts in USD from January 2004. As Prosafe has USD as its functional currency, currency risks arise when the cash flows and balance sheet items are denominated in a currency other than USD.

In normal operation, the Company will mainly have a currency exposure to GBP, NOK and SGD.

Debt and interest expenses in currencies other than USD are currency-hedged on a continuous basis against the USD. The hedging takes form of liquidity reserves and financial instruments.

The bulk of the Company's net cash flow from operations will be currency-hedged using forward contracts within a time horizon of 12-18 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 vessels belonging to the Company are valued, traded and financed in USD. Investments such as upgrading and conversion of rigs and vessels will primarily be in USD. To the extent that such investments are denominated in currencies other than USD, the cash flow will be hedged with the aid of currency forward contracts.

Assuming a net annual requirement for GBP, SGD and NOK corresponding to USD 60 million, a 10% 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.

1.2.3 Liquidity risk

Under the existing credit agreements, Prosafe 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 in order to be able to fulfil future cash payment obligations.

1.2.4 Credit risk

Prosafe is exposed to payment delays and/or defaults by customers who are granted credit terms. Therefore, the Company's financial position and profitability is dependent on the credit worthiness of its customers. The Company is exposed to credit risks due to the inherent uncertainties in its customers' business environment. These include political, social, legal, economic and foreign exchange risks, as well as those arising from unanticipated events or circumstances. There is no guarantee on the timeliness of the customers' payments and whether they will be able to fulfil their payment obligations. Any inability on the part of the customers to settle promptly such amounts due to the Company for work done and/or services rendered may have a material adverse impact on financial performance and operating cash flow. Prosafe attempts as far as reasonable to reduce credit risk via parent company or bank guarantees.

1.3 MARKET RISK

1.3.1 Oil price risk

Prosafe's operations are dependent on the state of the offshore oil and gas industry, in terms of the level of activities in the exploration, development and production of oil and natural gas. Since it is largely dictated by oil price trends, the level of activity in the oil and gas industry has historically been cyclical. Low oil prices typically lead to a reduction in exploration drilling as oil companies scale down their investment budgets. Any decline in the level of activities in the offshore oil and gas industry may result in a decrease in demand for the Company's production units and services. Such decline will also directly impact upon the Company's business and profitability.

Prosafe's activity level has traditionally been relatively robust in relation to oil price fluctuations because the Company's operations generally focus on the production and maintenance phase of an oil field, in combination with dayrate 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 and thereby affect demand for new FPSOs or service rigs to carry out installation and hook-up work. Correspondingly, the value of the existing units may fluctuate as the market turns and the rates get lower. This could mean an adverse impact on the financial position of Prosafe.

1.3.2 Political risk

Political risk, including changes in legislative and fiscal framework governing the activities of oil companies, involves factors which are relevant when operating globally. In many of the areas where Prosafe has potential business partners and operates units, there is political instability.

Prosafe primarily seeks to secure guarantees and payment in USD to reputable banks in politically stable countries. The Company's rigs also operate far out at sea, and would not necessarily be affected by possible internal disturbances in a country. However, such disturbances could result in a substantial loss of revenue.

1.3.3 Risk of war, other armed conflicts and terrorist attacks, etc.

The war in Iraq, military tension involving North Korea, the terrorist attacks of 11 September 2001 and subsequent terrorist attacks and unrest, as well as epidemics, have caused instability in the world's financial and commercial markets. This has in turn significantly increased political and economic instability in some of the geographic areas in which the Company operates and contributed to high levels of volatility in prices. This continuing instability as well as threats of war or armed conflicts elsewhere, may cause further disruption to financial and commercial markets and contribute to even higher levels of volatility in prices. In addition, acts of terrorism and threats of armed conflicts in or around various areas in which the Company operates could limit or disrupt the Company's markets and operations, including disruptions from evacuation of personnel, cancellation of contracts or the loss of personnel or assets. Armed conflicts, terrorism and their effects on the Company or its markets may significantly affect the Company's business and results of operations in the future. The Company's rigs are also exposed to possible attacks by pirates. If such attacks occur and the rigs are captured, destroyed or damaged, the financial position of the Company will be adversely affected.

1.3.4 Competitive position

The competitive position, through changes in demand and supply, is the most important factor affecting the Company's result.

In the Accommodation/Offshore Support Services sector, the Company competes in a global market for accommodation/service rigs. Prosafe faces competition in shallow and calm waters internationally from jack-ups and barges and will also in the future face competition from accommodation monohulls, while its vessels are technical and safety leaders in harsh environments. Demand for the Company's rigs is global, and includes Africa, Asia, the Mediterranean and Brazil in addition to the traditional North Sea and Mexican markets.

1.3.5 Risks inherent in doing business abroad

The Company derives a substantial portion of its revenues from the operation of its fleet outside such known jurisdictions as West Africa, the Mediterranean, the North Sea and the US Gulf. As a result, the Company is subject to certain political, economical and other risks inherent in doing business abroad. The Company also faces the additional risk of currency value fluctuations, hard currency shortages, controls of currency exchange and repatriation of income or capital. In addition, the Company cannot predict whether governments of the countries in whose territories it operates, or the regulators of international offshore will enact new legislation in the future that could restrict or impair its operations in such areas which for instance could be relevant for technical and safety requirements, including age and double hull requirements.

2 RESPONSIBILITY STATEMENT

2.1 STATEMENT FROM THE BOARD OF DIRECTORS OF PROSAFE SE

The Board of Directors of Prosafe accepts responsibility for the information contained in this Information Memorandum. The directors hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Information Memorandum is, to the best of our knowledge, in accordance with the facts and contains no omissions likely to affect its import.

Larnaca, Cyprus, 22 April 2008

The Board of Directors of Prosafe SE

Reidar Lund (chairman)	Christian Brinch (vice chairman)	Ronny Johan Langeland
Michael Raymond Parker	Christakis Pavlou	Elin Nicolaisen

3 THE DIVESTING OF SHARES TO EXISTING SHAREHOLDERS OF PROSAFE

3.1 BACKGROUND

The main purpose of the split of Prosafe SE into two separate entities is to make visible to the market to a larger degree the underlying values of Prosafe. This will be of importance for the pricing of the shares, whether with respect to the daily trading price or in connection with future possible equity transactions, mergers, acquisitions or other transactions. From an operational point of view, the split will allow the management of the two companies to further increase their focus on the respective specialized areas of operation.

Furthermore, a split of Prosafe will provide its shareholders with a choice of whether to maintain their exposure to both offshore support services and floating production, or whether to allocate their investments to only one of the segments.

The method of splitting up Prosafe is chosen so as to resemble, as much as possible, a demerger of Prosafe (within the framework available under Cyprus legislation). However, the split method does not imply a formal demerger of Prosafe. Instead Prosafe Production has been established as a subsidiary of Prosafe holding all shares in floating production companies currently held by Prosafe. By distributing 90.1% of the shares in Prosafe Production to the shareholders of Prosafe the split of Prosafe will be achieved. Therefore, the proposed dividend resolution by the Annual General Meeting of Prosafe will be final step of the split, and the split is therefore only conditional upon the dividend resolution of the Annual General Meeting. The result of the contemplated transaction will be that the existing shareholders of Prosafe immediately following the split will own shares in the two companies (largely) with the same ownership ratio as before, except that Prosafe may retain a certain percentage of the shares in Prosafe Production for a period not yet defined. It is therefore not intended that there will be new shareholders simply as a result of the split.

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

The financial effects of the split are illustrated in the pro forma financial information as set out in Section 7.4 of this Information Memorandum.

3.2 PROPOSED RESOLUTION FROM THE BOARD OF DIRECTORS OF PROSAFE

In a meeting held on 14 April 2008, the Board of Directors of Prosafe resolved to propose that the Company's general meeting makes the following resolution:

> *"Prosafe SE shall distribute a dividend of USD [exact amount to be stated at the annual general meeting]; such dividend to be distributed in kind in the form of 90.1% of the shares in Prosafe Production Public Limited to be issued at the time of this Annual General Meeting. The shares in Prosafe SE will be quoted ex-dividend on Oslo Stock Exchange from 16 May 2008."*

The proposed resolution from the Board of Directors of Prosafe is stated in the notice to the general meeting of Prosafe dated 21 April 2008 and will be decided upon by the general meeting of shareholders in Prosafe to be held on 14 May 2008. The proposed dividend represents 90.1% of the shares of Prosafe Production. The general meeting will resolve the book value of the shares to be distributed which is expected not to exceed USD 912,000,000. Record date will be 20 May 2008. The dividend distribution and the corresponding split of Prosafe will be resolved by a majority of the shares represented and entitled to vote at the Annual General Meeting.

3.2.1 The proposed split ratio

Shareholders in Prosafe as of 15 May 2008 will receive one Prosafe Production Shares for each Prosafe Share owned as per this day, conditioned upon a resolution from the general meeting to transact the split. The split ratio has been proposed by the Board of Directors of Prosafe, taking into account the book value of assets in the two business segments as of 31 December 2007.

3.2.2 Proposed timetable for the proposed divesting of shares

The table below sets out the proposed timetable for the divesting of shares in Prosafe Production:

Listing application for Prosafe Production	29 April 2008
General Meeting of shareholders resolving split	14 May 2008
Last day inclusive for trading of Prosafe Shares	15 May 2008
Ex-date for Prosafe	16 May 2008
Record date for Prosafe	20 May 2008
Distribution of Prosafe Production Shares	On or about 27 May 2008
Board meeting Oslo Børs resolving listing of Prosafe Production	29 May 2008
First Listing day for Prosafe Production	On or about 2 June 2008

3.3 THE CONSIDERATION SHARES (SHARES IN PROSAFE PRODUCTION)

3.3.1 The Consideration Shares

Prosafe will distribute a total of 229,936,790 Prosafe Production Shares to the shareholders of Prosafe. In total, Prosafe Production has a share capital of 255,201,764 shares, whereof Prosafe will own 9.9% subsequent the distribution of shares.

The Prosafe Production Shares will be registered in the VPS with ISIN code CY 010 0610910. The Registrar for the Shares will be DnB NOR Bank ASA, P.O. Box 1171 Sentrum, 0107 Oslo, Norway.

3.3.2 The rights of the Consideration Shares

All Prosafe Production Shares carry equal shareholder rights in all respects and no Prosafe Production Shares have different voting rights. There is only one class of shares issued and all Prosafe Production Shares are freely transferable.

The Prosafe Production Shares will be entitled to dividends decided by a shareholder’s meeting in Prosafe Production after such registration of the Prosafe Production Shares at the recipients VPS accounts. The Prosafe Production Shares have equal rights to the company’s profits in the event of distributions of dividend and upon liquidation.

3.3.3 Trading and transferability of the Consideration Shares

All shares in Prosafe Production will be fully tradable once they are delivered, however, the shares in Prosafe Production will not be listed or registered on a regulated or authorised market at the time of delivery. Prosafe Production will send an application for listing on Oslo Børs ASA on 29 April 2008. It is expected that the board meeting of Oslo Børs ASA will resolve the listing in its meeting to be held on 29 May 2008.

Acquisition of shares in Prosafe Production is subject to approval by Prosafe Production’s Board of Directors. Approval may be refused if the acquisition is likely to result in 50% or more of the shares or votes being controlled directly or indirectly by residents of Norway or, alternatively, such shares being effectively connected to a Norwegian business activity, or the Company otherwise being deemed a Controlled Foreign Corporation as such term is defined pursuant to Norwegian tax legislation. Notice of refusal must be sent by the Company within 2 months of transfer.

3.3.4 Dilution

There will be no dilution of existing shareholders in connection with the distribution of shares in Prosafe Production.

3.4 DELIVERY AND SETTLEMENT OF PROSAFE PRODUCTION SHARES

The delivery of Prosafe Production Shares will take place on or about 27 May 2008 to the VPS account registered to each eligible shareholder in Prosafe. No payment shall be made for the Prosafe Production Shares, and delivery will take place free of payment.

3.5 CONSEQUENCES OF THE DIVESTING OF SHARES IN PROSAFE PRODUCTION

Prosafe Production is per this date wholly owned by Prosafe. The Board of Directors of Prosafe has proposed that 90.1% of the shares will be distributed to the shareholders of Prosafe. Subsequent the resolution from the general meeting in Prosafe and the distribution of shares to eligible shareholders of Prosafe, it is expected that Prosafe will own 25,264,974 shares in Prosafe Production, constituting 9.9% of the share capital.

The divestment of Prosafe Production will reduce the Company’s forecasted earnings. In 2007 the total reported EBITDA for the group was USD 302.2 million, of which USD 92.8 million (circa 31%) was attributable to Prosafe Production. At year end 2007 the book value of the ships owned by Prosafe Production was USD 926.5 million and the book value of the rigs, which will be retained by Prosafe SE, was USD 749.6 million. The goodwill will be allocated with USD 128.3 million to Prosafe Production and USD 226.7 million to Prosafe SE. The unaudited pro forma condensed balance sheet as of 31 December 2007, as set out in Section 7.4.3, shows that a higher portion of debt will be allocated to Prosafe SE than to Prosafe Production. The debt allocation has been made to provide Prosafe Production with adequate financial capacity to complete the current FPSO conversion projects and to allow for future growth. Due to expected investments in the period from 31 December 2007 and until the completion of the split, the debt position of Prosafe Production is expected to increase in proportion to the investments made during that period.

Six members of the top management of Prosafe SE, including the CEO, CFO and COO, have entered into an amendment to each of their employment agreements granting them a lump sum compensation equal to two times their annual base salary. Such compensation will be payable after the general meeting of Prosafe SE resolves the dividend distribution resulting in the split. The compensation is offered in consideration of the employees waiving all rights under their existing employment agreements in relation to the positions being substantially altered as a result of the split. A new employment agreement shall be entered into with each of the 6 employees for their continued employment in Prosafe SE or their new employment with Prosafe Production. In case of voluntarily resignation by the employee prior to 31 December 2008 half the compensation shall be repaid.

3.6 PUBLICATION OF INFORMATION

Publication of information related to the Company and the distribution of shares will be published on the Oslo Børs' company information system www.newsweb.no under the Company's ticker "PRS" and will also be available on the Company's website, www.prosafe.com.

3.7 FINANCIAL ADVISORS

The Company has retained Pareto Securities AS as financial advisor in connection with the split and distribution of Consideration Shares. Pareto Securities AS has also been retained as manager for the listing of Prosafe Production on Oslo Børs.

3.8 ESTIMATED TRANSACTION COSTS RELATED TO THE SPLIT

Costs attributable to the distribution of shares of Prosafe Production will be borne by the Company. The total costs are expected to amount to approximately EUR 6 million.

3.9 JURISDICTION

This Information Memorandum is subject to Norwegian law, unless otherwise indicated herein. Any dispute arising in respect of this Information Memorandum is subject to the exclusive jurisdiction of the Norwegian courts.

4 INFORMATION ABOUT PROSAFE PRODUCTION

4.1 CORPORATE INFORMATION

Prosafe Production was incorporated on 27 November 2007 under the name Briviba Limited and is now a public limited liability company incorporated and existing in Cyprus. Prosafe Production is subject to Cyprus company legislation. As from 11 January 2008, Prosafe controls all the shares in Prosafe Production, and on the same date it was resolved to convert Prosafe Production to a public limited liability company. Prosafe Production has since its inception been an empty shell company without activities. Through the planned restructuring of Prosafe, as further described in Section 3.2, the FPSO activities and assets will be transferred to Prosafe Production.

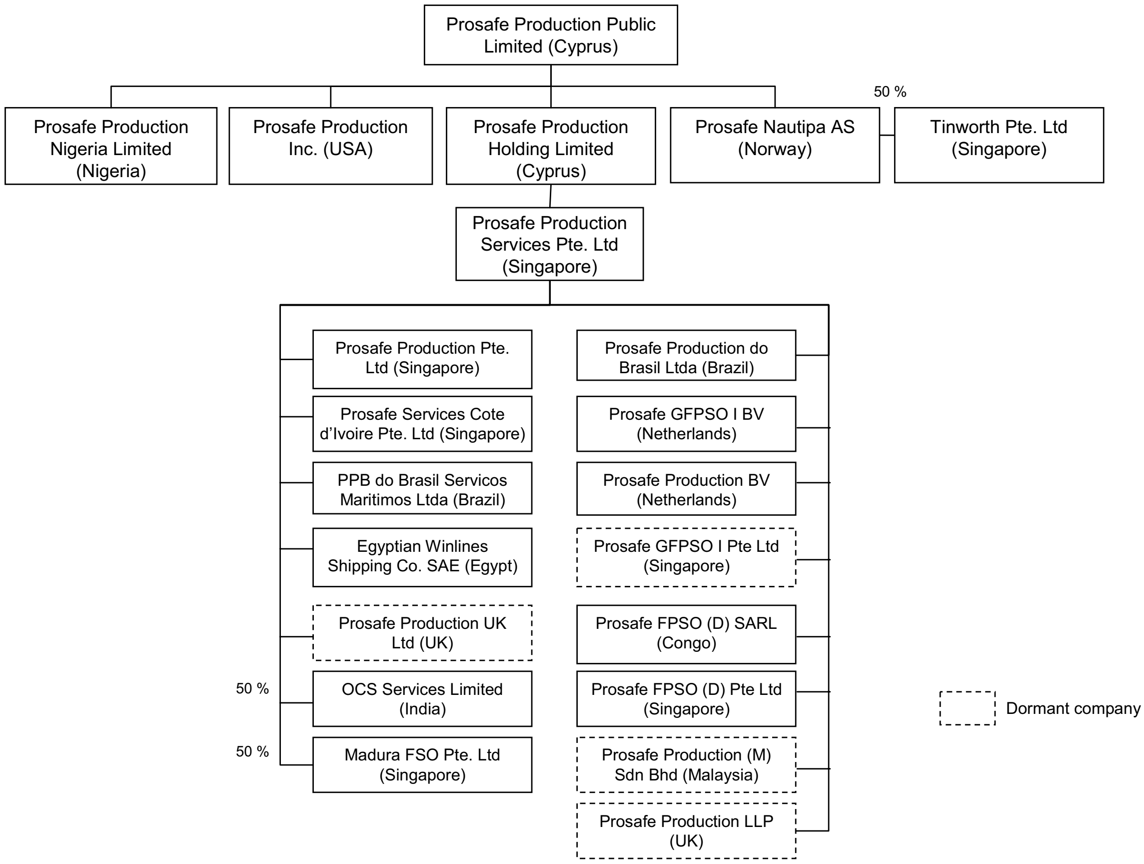
Prosafe Production currently has its registered address at 126 Stadiou Street, 2nd Floor, Larnaca 6020, Cyprus, telephone: +357 2462 2450.

Prosafe Production's shares are currently not listed on any stock exchange nor any regulated market.

4.2 LEGAL STRUCTURE

Prosafe Production has acquired all of the shares in the floating production companies from Prosafe SE, totaling 22 companies. The transfer of these companies is in progress and will be completed for all floating production companies prior to Prosafe SE's annual general meeting. Prosafe SE owns directly or indirectly all the shares in Prosafe Production.

Prosafe Production is a group holding company for the subsidiaries set out below. The following chart depicts Prosafe Production's summarised corporate structure and includes all companies in the Prosafe Production Group. All subsidiaries are wholly owned, except for OCS Services Limited, Madura FSO Pte. Ltd and Tinworth Pte Ltd.



4.3 OVERVIEW OF THE ASSETS

The Prosafe Production Group's business is to own and operate production units targeted at the offshore oil and gas industry. As at the date of this Information Memorandum, Prosafe Production is the owner of seven vessels, including two vessels 50% owned. In addition, Prosafe Production has four tankers of which three are under conversion to FPSOs estimated to arrive in field late 2008. The vessels are further described below.

4.3.1 Vessels in operation

The following table sets forth general technical data for the Prosafe Production Group's FPSOs and FSOs in operation.

<u>FPSO Umuroa (100% owned)</u> 	Built: .... 1981 Upgraded: .... 2007 Storage capacity: .... 773 245 bbls Vessel size: .... 119 990 dwt Production capacity: .... 120 000 bfpd .... 50 000 bopd .... 118 000 bwpd Gas compression: .... 25 mmscfd Mooring type: .... Turret
<u>FPSO Polvo (100% owned)</u> 	Built: .... 1981 Upgraded: .... 2007 Storage capacity: .... 1 600 000 bbls Vessel size: .... 257 272 dwt Production capacity: .... 150 000 bfpd .... 90 000 bopd .... 135 000 bwpd Water injection: .... 100 000 bwpd Gas compression: .... 7.5 mmscfd Mooring type: .... Turret
<u>FPSO Abo (100% owned)</u> 	Built: .... 1976 Upgraded: .... 2003 Storage capacity: .... 930 000 bbls Vessel size: .... 155 612 dwt Production capacity: .... 56 000 bfpd .... 44 000 bopd .... 11 000 bwpd Water injection: .... 37 000 bwpd Gas compression: .... 44 mmscfd Mooring type: .... Spread moored, 12 points
<u>FPSO Espoir Ivoirien (100% owned)</u> 	Built: .... 1974 Upgraded: .... 2002 Storage capacity: .... 1 100 000 bbls (incl. slop tanks) Vessel size: .... 151 000 dwt Production capacity: .... 50 000 bfpd .... 40 000 bopd .... 10 000 bwpd Water injection: .... 130 000 bwpd Gas compression: .... 60 mmscfd Mooring type: .... Internal turret, 6 leg all chain mooring configuration
<u>FPSO Petróleo Nautipa (50% owned)</u> 	Built: .... 1975 Upgraded: .... 2002 Storage capacity: .... 1 080 000 bbls Vessel size: .... 141 330 dwt Production capacity: .... 30 000 bfpd .... 20 000 bopd .... 10 000 bwpd Gas compression: .... 3 mmscfd Mooring type: .... Spread moored, 8 points

FSO Endeavor (100% owned) 	Built: .... 1971 Upgraded:............................. 1997 Storage capacity: .... 550 000 bbls Vessel size:........................... 71 591 dwt Tanker size: .... 69 770 mt Mooring type:........................ NORMOR single point mooring
FSO Madura Jaya (50% owned) 	Built: .... 1981 Upgraded:............................. 2000 Storage capacity: .... 633 000 bbls Vessel size:........................... 88 728 dwt Mooring type:........................ Bow connection for CALM buoy

4.3.2 Vessels under conversion

The following table sets forth general technical data for the Prosafe Production Group's vessels under conversion.

FPSO Cidade de Sao Mateus (100% owned) 	Built: .... 1988 Storage capacity: .... 700 000 bbls Tanker size: .... 276 736 dwt Production capacity:............. 35 000 bfpd Water injection:..................... 31 500 bwpd Gas compression: .... 353 mmscfd Mooring type:........................ Spread mooring system of 20 mooring lines Expected production start:..... Early 2009
FPSO Ningaloo Vision (100% owned) 	Built: .... 1981 Storage capacity: .... 620 000 bbls Tanker size: .... 101 800 dwt Production capacity: .... 150 000 bfpd .... 63 000 bopd .... 147 000 bwpd Water injection:..................... 147 000 bwpd Gas compression: .... 80 mmscfd Mooring type:........................ Disconnectable turret Expected production start:..... Early 2009
FDPSO Azurite (100% owned) 	Built: .... 1988 Storage capacity: .... 1 400 000 bbls Tanker size: .... 270 551 dwt Production capacity: .... 60 000 bfpd .... 40 000 bopd Water injection:..................... 60 000 bwpd Gas compression: .... 18 mmscfd Expected production start:..... Early 2009

In addition, Prosafe Production owns the M/T Takama, a VLCC of 266,286 dwt delivered in 1987, which Prosafe purchased in January 2008. The vessel is considered to be a suitable conversion candidate for several identified FPSO projects.

4.4 CONTRACT STATUS

4.4.1 Introduction

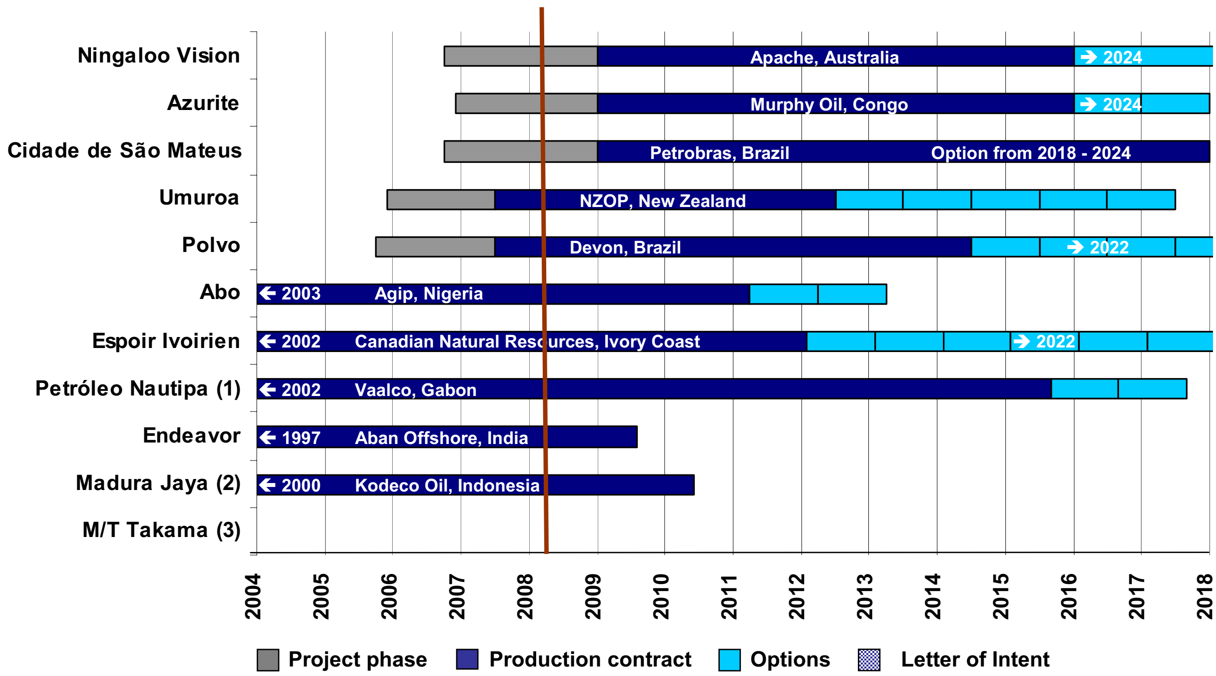
Currently all of Prosafe Production's vessels are on contract, including the M/T Takama which is on a bareboat contract to the previous owner. Prosafe Production will actively market this vessel for future contracts, and it will be released from the existing bareboat contract and converted to an FPSO upon the award of a fixed contract. Prosafe Production remains confident that the market for mobile floating production facilities will remain buoyant for the foreseeable future. All material contracts have been reported to the market by Prosafe.

The Prosafe Production Group's philosophy is to ensure that its assets are maintained and operated according to the highest standards. In contracting out its units, the Prosafe Production Group will seek to contract with reputable clients.

Three of the vessels are under conversion to FPSOs. Conversion risk embraces, but is not limited to the possibility of cost overruns and delays without the possibility for Prosafe Production to be fully compensated for the losses incurred thereby. Managing this type of risk is a key part of Prosafe Production's core competence. Prosafe Production's growth ambitions are aligned to the organisation's ability to ensure a controlled and cost-effective implementation of conversion projects.

4.4.2 Contract overview

The following is an overview of the contract status of the Prosafe Production Group's operative assets as at the date of this Information Memorandum:



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

Prosafe Production has existing and new contracts with a total revenue value of more than USD 4 billion with all respective options fully exercised.

4.4.3 Description of the contracts

Ningaloo Vision

In May 2007, Prosafe Production Services Pte Ltd was awarded a charter contract with Apache Northwest Pty Ltd for the provision of a FPSO including disconnectable turret mooring system for operation at the Van Gogh Field, NW Australia. The conversion of M.T Kudam into a FPSO Unit is due to be completed late 2008. The firm service period is seven years from the date of acceptance and the customer has the right to extend the contract period for a further period of eight years.

The customer has the option to purchase the FPSO and the disconnectable turret mooring system during the service period.

Azurite

In November 2007, Prosafe FPSO (D) Pte. Ltd. was awarded a charter contract with Murphy West Africa Ltd. for the provision of a FPSO for operation at the Azurite Field, offshore Congo or other field as permitted by the charterer. The conversion of M.T Europe into an FPSO (D) unit is due to be completed late 2008, being ready to start drilling in January 2009. The firm charter period is seven years from the ready for drilling date. In addition, the charterer has the right to extend the charter period by another 4 x 2 years. In total the term is 15 years if all extension options are exercised.

The charterer can exercise a purchase option within the charter period.

Cidade de Sao Mateus

In June 2007, the Group was awarded a charter agreement with Petroleo Brasiliero S.A – Petrobas for the charter of a FPSO for operation in Brazilian waters. The conversion of M.T Navarin into a FPSO Unit is due to be completed second half 2008, with production planned to start at the turn of the year. The firm charter period is nine years from the date of acceptance with extension options up to maximum six additional years.

The charterer's affiliates or subsidiaries have the option to purchase the FPSO Unit. The option may be exercised after the end of the third, sixth and ninth year of contract subject to notice twelve months in advance.

Umuroa

FPSO Umuroa has been operating offshore since July 2007 for New Zealand Overseas Petroleum Limited offshore New Zealand. The firm charter period is to 2012 with extension options to 2017.

Polvo

FPSO Polvo has been operating offshore since July 2007 for Devon Energy do Brasil LTDA offshore Brazil in the Polvo Field. The firm charter period is to 2014 with extension options to 2022.

Abo

FPSO ABO has been operating since 2003 for Nigerian Agip Exploration Limited, in the Abo Field offshore Nigeria. The firm charter period expires 2011. The charterer has the right to extend the charter period for two additional periods of twelve months each.

The charterer can exercise a purchase option with three months notice within the charter period.

Espoir Ivoirien

FPSO Espoir Ivoirien has been operating since 2002 for CNR International (Côte d'Ivoire) S.A.R.L, in the Espoir Field offshore Côte d'Ivoire. The firm charter period expires in 2012. The charterer has the right to extend the charter period for ten additional periods of one year each.

The charterer can exercise a purchase option with three months notice within the primary charter period.

Petróleo Nautipa

FPSO Petroleo Nautipa has been operating since 2001 for Vaalco Gabon (ETAME) Inc., in the Etame Field offshore Gabon. The FPSO is owned by Tinworth Limited. Prosafe Nautipa AS owns 50% of Tinworth Limited. By addendums to the initial contract, the charter period has been extended from 14 September 2007 to 14 September 2015, with options for another 1 + 1 years. The charterer might terminate the charter if dry docking of Petroleo Nautipa is required in 2012.

The charterer can exercise a purchase option within the charter period.

Endeavor

FSO Endeavor has been operating since 1997 for Aban Offshore Limited (incl. its predecessor) in the PY3 Field offshore India. The charter contract has a fixed term from 28 July 2007 to 27 July 2009. No option for extension has been granted.

Madura Jaya

FSO Madura Jaya has been under charter to Kodeco Energy since January 2003 for operations in the Offshore West Madura Contract Area and Poleng Field. The assignment was renegotiated in March 2005 and extended with a firm charter period to May 2010 with options of extension up to maximum 180 days.

M/T Takama

M/T Takama is on a bareboat charter to Forward Ltd until 1 September 2009. The agreed charter rate is USD 8,000 per day. Prosafe Production Services Pte. Ltd. can terminate the charter at any time after 15 May 2008 if the vessel is required for a FPSO/FSO project.

4.5 DESCRIPTION OF THE MARKETS FOR PROSAFE PRODUCTION'S FPSOS

4.5.1 General

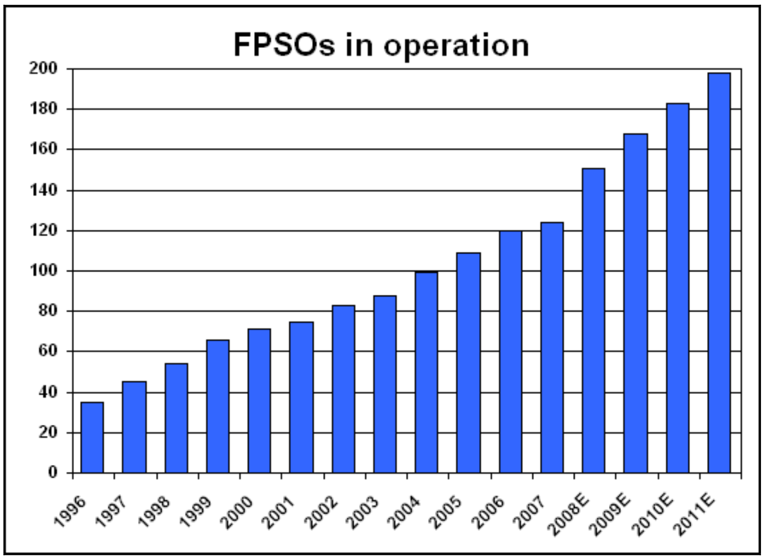
Floating production is considered to be an attractive alternative development solution for meeting new development trends in the market. The reasons for this are generally that floating production equipment is flexible, mobile and can be reused, in addition to the fact that it often can be operated independent of the existing infrastructure. Moreover, floating production solutions often have an intermediate storage capacity, and they do not entail the same level of clean-up/removal costs as the fixed production platforms. The use of mobile equipment typically gives a low cost per produced unit and represents a production solution that is well suited for many smaller and intermediate (marginal) oilfields, as well as new deepwater fields.

Since late November, there has been an average of approximately 3.6 units entering the market per month. This record ordering pace continues to be far higher than the average order intake of approximately 1.6 units per month over the past ten years. Some of these orders have been speculatively placed. These speculative units, along with seven more that were previously ordered, are available for future projects in the planning pipeline.

The floating production market is expected to see orders for 119 to 149 production floaters over the next five years. This estimate includes 94 to 118 units that will be purpose-built or converted from existing hulls and 25 to 31 redeployments of existing units. These orders are expected to generate capital expenditures of USD 47 – 60 billion over the five year period. In addition, orders for 35 to 45 FSOs are expected to generate another USD 2.1 – 2.8 billion in conversion/construction capex.[2]

4.5.2 FPSO units

FPSO units are the most popular type of floating production solution. They account for 60% of the production floaters now in operation and 74% of the production floaters on order. FPSOs are located in all major offshore areas, except on the US side of the Gulf of Mexico. They span the entire processing range from small units capable of processing 10,000 b/d to large units capable of 250,000 b/d. It is expected that 135 FPSOs were in operation by the end of 2007 taking into account scheduled deliveries expected through December and including a handful of production barges. By the end of 2008, this figure is expected to increase to 162 FPSOs, taking into account 27 FPSOs now on order and scheduled to be delivered by the end of 2008.[3]



Source: Pareto Securities Research estimate

[2] Market data and forecasts derived from databases of International Maritime Associates, Inc. (www.imastudies.com)
[3] Market data and forecasts derived from databases of International Maritime Associates, Inc. (www.imastudies.com)

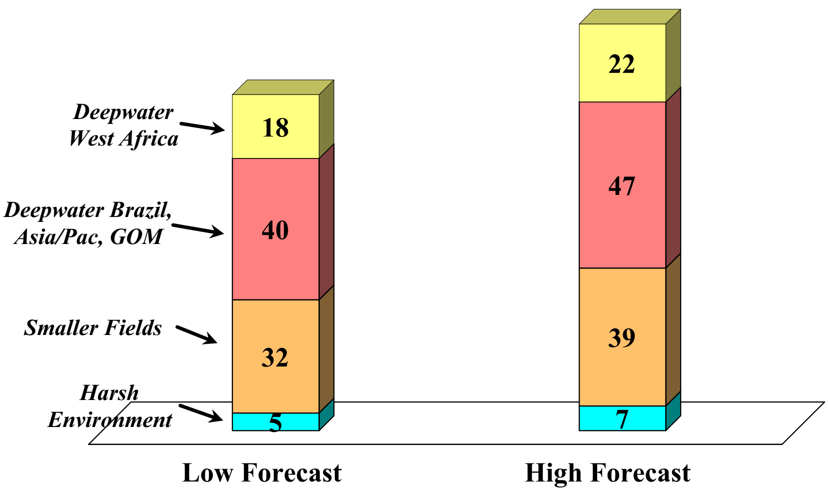
On the basis of the trends in offshore oil production (i.e. new deepwater fields and smaller/maturing fields in existing offshore regions) most industry players expect a continued growth in the market for floating production systems.

Based on an analysis of recent FPSO orders and projects in the current planning list, International Maritime Associates, Inc. (IMA) anticipates the following approximate breakdown of FPSO projects over the next five years:

- *Deepwater West Africa* – 6% of future FPSO contracts will involve mega FPSOs (200,000 b/d and upwards) earmarked for complex deepwater projects offshore West Africa and another 12% will be contracts for additional or redeployed large units (100,000 b/d and upwards) for use in the region;
- *Deepwater Brazil/other regions* — 11% of future contracts will involve new or converted large (150,000 b/d and upwards) FPSOs for deepwater use offshore Brazil and another 30% will involve midsize to large (80,000 – 150,000 b/d) units for deepwater use in Brazil, Asia/Pacific and the Gulf of Mexico;
- *Smaller fields* — 34% will involve newly converted or redeployed FPSOs for smaller, shorter life fields offshore Southeast Asia, China, West Africa and other locations (and many of these projects are not yet visible in the planning pipeline); and
- *Harsh environment* — 5% will involve harsh environment units for use offshore Northern Europe or Eastern Canada, which will be largely satisfied by redeployment of existing harsh environment FPSOs.

Translating these percentages to number of units, the composition of future FPSO orders is shown below.

Composition of FPSO Orders Over the Next Five Years



Source: International Maritime Associates, Inc. (www.imastudies.com)

4.5.3 FPSO ownership

FPSOs are either directly owned by the oil companies, or leased from a FPSO contractor. Over recent years, confidence in the ability of leasing contractors to deliver and operate facilities cost-effectively has increased and the past decade has seen strong growth in the market for leased FPSOs. Furthermore, smaller fields typically favour leased FPSOs as the operator cannot justify the full capex of an FPSO for a field with limited number of years of production. Furthermore, the down-sizing in the oil companies has also contributed to the expansion of the leased FPSO fleet, with oil companies typically favouring the outsourcing of responsibility for project delivery, operations management, as well as the subsequent redeployment risk.

The contractor owned FPSO fleet is still a fragmented market. The growth potential in this market has triggered several new entrants, while little consolidation of ownership has taken place. The largest and leading FPSO contractors include SBM, Modec, Prosafe, Sevan Marine, Bluewater, BW Offshore, Maersk (AP Møller) and Teekay Petrojarl.

4.6 BOARD OF DIRECTORS, MANAGEMENT AND EMPLOYEES

4.6.1 Board of Directors

Prosafe Production's Board of Directors will have a total of six members as per the listing. All members will be independent from the company's management, the company's main business associates and the main shareholders as defined in the Listing Requirements for Oslo Børs para. 2.3.6 (3), cf. 2.4.1 (3). Cf. however Sections 8.1.1, 8.2 and 8.4, last paragraph, with regard to five of the board members' connections to Prosafe. The board members will take their seats from 15 May 2008.

The following table sets forth the directors, their positions, and their terms of office:

Name	Position	Member Since	Term	Shareholding[4]
Reidar Lund	Chairman	May 2008	May 2010	125,000[5]
Christian Brinch	Board member	May 2008	May 2010	0
Arne Austreid	Board member	May 2008	May 2010	62,500[6]
Ronny Johan Langeland	Board member	May 2008	May 2010	0
Michael Raymond Parker	Board member	May 2008	May 2010	0
Chrysanthos Mardapittas	Board member	May 2008	May 2010	0

Prosafe Production's business address serves as c/o address in relation to the Board members of Prosafe Production. All members of the Board of Directors of Prosafe Production are described in Section 8.1.1 of this Information Memorandum, except for Mr. Austreid who is described in Section 8.2.1 and Chrysanthos Mardapittas who is described immediately below.

Chrysanthos Mardapittas, **Board Member**. Dr. Mardapittas has more than 20 years of industrial and academic experience and is currently Operations Manager for GNOSIS Ltd (Knowledge based consultancy). He holds a PhD within the field of advanced control systems from Polytechnic Central London (1987). Previous appointments include project work for a number of oil majors and a research position at Brunel University. Dr. Mardapittas is a citizen of Cyprus and resides in Larnaca, Cyprus.

4.6.2 Management

The following table sets forth the management team of Prosafe Production:

Name	Position	Shareholding[7]
Bjørn Henriksen	Chief Executive Officer	700[8]
Sven Børre Larsen	Chief Financial Officer	0
Roy Hallås	President/Chief Operating Officer	930[9]

Prosafe Production's business address serves as c/o address in relation to the Management's employment in Prosafe Production. The members of the management are described in below:

Bjørn Henriksen, CEO. Mr. Henriksen has been COO of Prosafe since May 2007. He graduated as a state authorised 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, president of offshore support services and floating production and Executive Vice President and CFO of Prosafe. Mr. Henriksen is a Norwegian citizen and resides in Singapore.

Sven Børre Larsen, CFO. Mr. Larsen has been senior financial analyst with First Securities in Oslo since September 2006. He graduated as Master of Science in Business (specialized in Finance) Bodø Graduate School of Business in 2000. Mr. Larsen has held positions as junior financial analyst with Fearnley Fonds, electricity analyst with Troms Kraft and financial analyst with Danske Equities. He is a Norwegian citizen and resides in Singapore.

Roy Hallås, President/COO. Mr. Hallås has been President of Prosafe floating production since May 2007. With an engineering degree from the Norwegian University of Science and Technology in Trondheim, he joined Prosafe in May 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 Business Development. Prior to joining Prosafe, he held various positions in Transocean, the Norwegian Petroleum Directorate and Norsk Hydro. Mr. Hallås is a Norwegian citizen and resides in Singapore.

4.6.3 Employees

The Prosafe Production Group will have a total of about 1,120 employees including hired personnel.

4.6.4 Synthetic options

Prior to the split of the Prosafe Group six persons in corporate positions are holding a total of 1,475,000 synthetic options. In addition, the same persons are also entitled to 750,000 synthetic options which are to be awarded after the

[4] As at the date of this Information Memorandum
[5] Mr. Lund owns as per this date a total of 125,000 shares in Prosafe and will (if resolved) receive 125,000 shares in Prosafe Production
[6] Mr. Austreid owns as per this date a total of 62,500 shares in Prosafe and will (if resolved) receive 62,500 shares in Prosafe Production
[7] As at the date of this Information Memorandum
[8] Mr. Henriksen owns as per this date a total of 700 shares in Prosafe and will (if resolved) receive 700 shares in Prosafe Production
[9] Mr. Hallås owns as per this date a total of 930 shares in Prosafe and will (if resolved) receive 930 shares in Prosafe Production

annual general meeting in 2008. However, due to the planned split, all the synthetic options will be exercised or cancelled and re-issued to reflect a similar share value exposure in the respective businesses after the split becomes effective. The Board of Directors of Prosafe SE is in the process of developing and implementing a broader incentive scheme. This will involve the award of capped synthetic options also to the senior management in each of the listed companies after the split. For further information, please see Section 8.7.

4.7 KEY FINANCIAL FIGURES

The key financial figures for Prosafe Production, which has been published as segment information for "floating production", in Prosafe SE's financial reports, are set out in the table below.

USD million	**2007 (unaudited)**	**2006 (unaudited)**	**2005 (unaudited)**
Operating revenues	150.4	92.6	108.3
Operating expenses	-57.6	-39.1	-54.0
Operating profit before depreciation	**92.8**	**53.5**	**54.3**
Depreciation	-33.6	-15.7	-16.4
Operating profit	**59.2**	**37.8**	**37.9**
Total assets	**1,173.4**	**774.0**	**418.2**
Liabilities	**183.3**	**96.1**	**38.7**
Capital expenditures	**423.0**	**352.5**	**33.0**

Further information on the financing of Prosafe Production is provided in Section 7.8 of this Information Memorandum.

4.8 SHARE CAPITAL AND SHAREHOLDER MATTERS

4.8.1 Share capital

Prosafe Production's share capital will be USD 25,520,176.4 divided into 255,201,764 Shares with a nominal value of USD 0.10 per Share, all of which are fully paid. No Shares are held by Prosafe Production itself or by any of its subsidiaries.

4.8.2 Major Shareholders

As of this date, Prosafe owns, directly or indirectly, all the shares in Prosafe Production.

Subsequent the split, and based on shareholdings as of 21 April 2008, the following shareholders will hold more than 5% of the issued share capital:

- BW Offshore (23.9%)
- Prosafe (9.9%)
- Folketrygdfondet (5.8%)

4.8.3 Shareholder policy

Prosafe Production will inform the company's shareholders and the market in general on an ongoing basis of the company's development, activities and special events, ensuring that as far as possible the pricing of the company's shares reflects the underlying values and expectations on future profits. Such information will, among other things, take the form of annual reports, quarterly reports, stock exchange bulletins, press releases and investor presentations when appropriate.

4.8.4 Dividend policy

Prosafe Production anticipates a strong demand for new floating production units over the coming years. Based on this the company expects to redeploy earnings at attractive rates of return, and it is thus unlikely that any dividends will be paid over the next few years. However, in the longer term, it is the company's intention to pay out excess cash to shareholders. Future dividends will, among other things, depend on the company's earnings, financial condition, investment requirements and rate of growth.

Prosafe Production has not paid any dividends in the past.

4.9 THE LISTING PROCESS AND ADMITTANCE TO LISTING ON OSLO BØRS

4.9.1 The listing process

Prosafe Production will send its application for listing on Oslo Børs on 29 April 2008. It is expected that the shares will be approved for listing and trading on Oslo Børs at the meeting of the Board of Directors of Oslo Børs to be held on 29 May 2008 on certain conditions set by the Oslo Børs Board meeting. Such conditions may include Prosafe Production issuing an approved listing prospectus and entering into of Oslo Børs' standard listing agreement for primary listed companies. The first day of trading is expected to be on or about 2 June 2008. However, there can be no assurance of the fulfillment of potential listing conditions and thus the actual listing by this date. Prosafe Production will not list on Oslo Axess if the potential listing conditions are not fulfilled.

Given that all conditions for Listing are fulfilled, all ordinary shares issued by the company (including the shares delivered to the shareholders of Prosafe) will be listed and traded on Oslo Børs from the time of listing. Shares issued in the future will normally be automatically listed on Oslo Børs as soon as the relevant share capital increase has been registered with the Cyprus Registrar of Companies, and as the case may be when a required listing prospectus has been issued.

The Shares will not be trading in other organized markets and Prosafe Production does currently not have any intention to apply for listing or trading of its Shares in other markets.

Prosafe Production will suggest to be traded under the ticker code "PROD" on Oslo Børs.

4.9.2 Timetable for the listing process

The Company expects that the listing and admittance to listing of the shares in Prosafe Production on Oslo Børs will follow the timetable set out below:

Listing application for Prosafe Production	29 April 2008
General Meeting of shareholders resolving split....................................	14 May 2008
Last day inclusive for trading of Prosafe Shares....................................	15 May 2008
Ex-date for Prosafe..	16 May 2008
Record date for Prosafe...	20 May 2008
Distribution of Prosafe Production Shares	On or about 27 May 2008
Board meeting Oslo Børs resolving listing of Prosafe Production..........	29 May 2008
Publication of a prospectus for Prosafe Production	On or about 30 May 2008
First Listing day for Prosafe Production	On or about 2 June 2008

5 DESCRIPTION OF PROSAFE SUBSEQUENT THE SPLIT

The below description will focus on describing Prosafe following the split and does not include information on the floating production segment of the existing Prosafe.

5.1 GENERAL CORPORATE INFORMATION

Prosafe SE's history dates back to 1997 when the platform drilling and technical services were demerged from Transocean with the name Procon Offshore ASA, a Norwegian public limited liability company incorporated In Norway. On 2 February 2007 the Company was converted to a European public limited liability company. On 21 September 2007 the Company transferred its registered office to Cyprus and is now registered as a Cyprus European public limited liability company with registration number SE 4. Prosafe is subject to Cyprus company legislation.

The Company has its registered address at 126 Stadiou Street, 2nd Floor, Larnaca 6020, Cyprus, telephone: +357 2462 2450.

The Company's shares are listed on Oslo Børs under the ticker code "PRS".

Prosafe ranks as the world's leading owner and operator of semi-submersible accommodation/service rigs. As of 31 December 2007, the Company had revenues of USD 527 million and 1,360 employees.

5.2 HISTORY

Prosafe's history has been characterised by controlled and market-adapted growth over more than 30 years. The story began in 1972, when Morco Norge was awarded the drilling contract for the Ekofisk field. The years which followed witnessed a series of mergers, acquisitions and name changes.

Today's Prosafe was formed in 1997 when platform drilling and technical services were demerged from Transocean as a separate company, which secured a stock market listing as Procon Offshore ASA. The Company later merged with Safe Offshore ASA and changed its name to Prosafe ASA. In line with its vision, the Company has consolidated the global market for semi-submersible accommodation/service rigs and the Offshore Support Services business unit following the acquisition of Consafe in 2006.

Through the acquisition of Nortrans Offshore in 2001, Prosafe extended its activities to include the conversion, chartering and operation of floating production vessels. Nortrans Offshore was established in Singapore in 1985 and has acquired extensive experience of engineering, conversion, chartering and operation of floating production, storage and offloading (FPSO) and floating storage and offloading (FSO) vessels. The Company also has a large engineering department with long experience of developing tailored floating production solutions.

Prosafe refined its commercial portfolio in 2005 with the sale of Drilling Services. This disposal formed part of the Company's strategy for liberating managerial and financial resources in order to strengthen its commitment to Floating Production and Offshore Support Services.

Important events since the foundation in 1997 are set out in the table below.

1997	Procon Offshore ASA and Safe Offshore ASA merge. Procon Offshore ASA is founded through a demerger from Transocean, and listed on Oslo Børs. Safe Offshore ASA, which owns three accommodation/service rigs (Safe Britannia, Safe Caledonia and Safe Lancia) is founded and listed on Oslo Børs.
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 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
2003	Prosafe secures a five-year bareboat charter for five accommodation/service rigs in the Gulf of Mexico
2004	Prosafe begins its first accommodation rig charters off west Africa and Tunisia

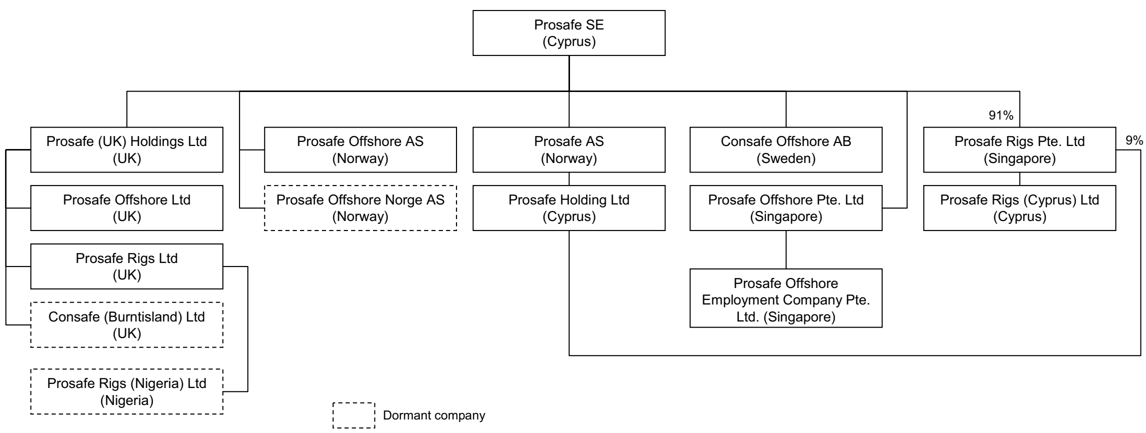
2005	Prosafe secures a five-year charter to provide and operate an FPSO on New Zealand's Tui field Prosafe is awarded a seven-year charter to provide and operate an FPSO on Brazil's Polvo field Drilling Services is sold to KCA Deutag
2006	Acquisition of the Consafe Offshore AB shares and its four service rigs. 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 is awarded a nine-year charter to provide and operate a deepwater gas FPSO for Petrobras in Brazil.
2007	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. FPSO *Polvo* and FPSO *Umuroa* achieve first oil. Conversion to European public limited liability company and relocation to Cyprus. The Board of Directors decides to split the company into two listed companies, one accommodation/service rig company, and one floating production company.
2008	Prosafe secures contracts for five rigs in Mexico at a total value of USD 378 million.

5.3 COMPANY STRUCTURE

5.3.1 Legal structure

The group comprises a parent company and several subsidiaries resident in various jurisdictions. The business of Prosafe comprises the former business unit Offshore Support Services.

The Company is a group holding company for the subsidiaries set out in the chart below, which depicts the Company's corporate structure subsequent the distribution of shares. All subsidiaries are wholly owned unless otherwise is specifically stated.



5.4 VISION AND STRATEGY

5.4.1 Vision

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.

5.4.2 Corporate strategy

Over the last decade the business division Prosafe 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 twelve units are equipped with systems for dynamic positioning. Thereby, the company 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 rigs are operating in the North Sea, and are competing in this market with only two other units. Upgrading and investment have provided Prosafe 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, Prosafe 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.

5.5 DESCRIPTION OF AND BRIEF HISTORY OF THE ACCOMMODATION RIGS

5.5.1 Introduction

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, 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 the personnel living on board.

5.5.2 Brief history

The history of offshore accommodation and construction support service vessels dates back to the early seventies when oil and gas reserves were discovered in the North Sea. With the build up of large offshore installations there was a need for the offshore support service with the commissioning. In addition to work barges and supply vessels, which are often very useful but did not have enough capacity, requirements for a vessel with greater capabilities in terms of duration, capacity and versatility were identified. As a result several older drilling vessels were modified to accommodation and construction support service mode with accommodation modules delivered, in order to facilitate a number of personnel for the commission of the North Sea offshore oil and gas fields.

As the offshore industry developed in the North Sea, the first purpose built accommodation and construction support service vessel Safe Astoria, now Jupiter, owned by Cotemar was ordered for the assignment to ConocoPhillips for work at the Ekofisk field in the North Sea. New features included a telescopic gangway which enabled transportation to and from the oil and gas field installation even in harsh weather conditions.

During the development phase the North Sea had a growing demand for accommodation support vessels (ASVs) and companies that ordered new ASV included the then former acquired company Consafe Offshore AB, Rasmussen and Ugland. In the mid 1980's there was a downturn in the oil price which effectively reduced the investments in new oil and gas fields as well as in upgrades. This resulted in an exceptionally low utilisation of ASVs and in 1985 the company Consafe Offshore AB went into bankruptcy due to a combination of reasons.

In 1988, the demand for assistance in the development of new oil and gas fields as well as the maintenance of existing oil fields improved due to higher oil price and increased safety concerns in the wake of the Piper Alpha disaster and the resulting Cullen Inquiry in 1990. The increased demand for offshore accommodation and construction support services continued until around 1994 when there was a slight drop in demand.

Decreased day rates in 1994 for ASV services led to several ASV vessels, including Safe Gothia and Safe Supporter, Poly Castle and Poly Confidence, being converted to drilling rigs. In 1997, Safe Service, which owned the accommodation and construction support vessels Safe Britannia, Safe Caledonia and Safe Lancia, was listed on Oslo Børs with the JCE Group as the major owner.

Shortly after listing on Oslo Børs, Safe Service merged with the Procon ASA, a company providing offshore drilling services, to form Prosafe ASA, now Prosafe SE.

5.6 OVERVIEW OF THE GROUP'S ASSETS

5.6.1 Introduction

Prosafe is a leading owner and operator of semi-submersible accommodation/service rigs worldwide. The Company's existing eleven units of this type operated in 2007 on bareboat charters in the Gulf of Mexico and on time charters in the North Sea, West Africa and in Russia.

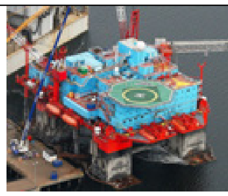
The vessels are primarily used for accommodation and service functions which are traditionally utilised to meet requirements for additional offshore living quarters, workshops and storage capacity. Such needs can arise, for instance, when installing and commissioning new facilities, upgrading or maintaining existing installations, tying satellite fields to existing infrastructure, and removing installations. The rigs can be connected to other installations via gangways, or personnel can be transported to and from the units by boat or by helicopter. These rigs boast substantial accommodation capacity, with berths for 380-800 people, good welfare and catering facilities, medical services, storage, workshops and offices, deck cranes, and the necessary equipment and systems for protecting the safety of personnel on board. Prosafe's focus on dynamically positioned units for operation in demanding waters has created a strong market position both in the North Sea and offshore Mexico.

5.6.2 Description of Prosafe's vessels in operation

			
Name:	**Safe Britannia**	**Safe Caledonia**	**Safe Lancia**
Design:	Pacesetter (enhanced)	Pacesetter	Pacesetter
Upgraded:	1987/2003	2003	2003
Built/yard:	1980, GVA (Sweden)	1982, GVA/Kockums (Sweden)	1982, GVA/Kockums (Sweden)
Berths	812	550	550
Positioning:	DP2/TAMS	DP2/TAMS	DP2
Thrusters:	4 x 2.4 MW + 2 x 1.5 MW	4 x 2.4 MW	4 x 2.4 MW

			
Name:	**Jasminia**	**Safe Regency**	**Safe Scandinavia**
Design:	GVA 2000	Pacesetter	Aker H-3.2E
Upgraded:	n.a.	2003	2003
Built/yard:	1982, GVA (Sweden)	1982, FELS (Singapore)	1984, Aker Verdal (Norway)
Berths	535	771	583
Positioning:	Moored	DP1	Moored
Thrusters:	2 x 2.4 MW	4 x 2.4 MW	-

			
Name:	**MSV Regalia**	**Safe Hibernia**	**Safe Astoria**
Design:	GVA 3000 (enhanced)	Aker H-3 (modified)	Sedco 600
Upgraded:	2003		2005
Built/yard:	1985, GVA (Sweden)	1977, Rauma Repola (Finland)	1983 Keppel FELS (Singapore)
Berths	380	500	256
Positioning:	NMD3	Moored	Moored
Thrusters:	6 x 2.64 MW	2 aft propulsion units	-

			
Name:	**Safe Concordia**	**Safe Esbjerg**	**Safe Bristolia**
Design:	Deepwater Technology Group	Jack-up MLP 82S	Sedco 600
Upgraded:	2005	2005	2006
Built/yard:	2005 Keppel FELS (Singapore)	1975 Dubai Dry Docks	1983 Keppel FELS (Singapore)
Berths	390	139	614
Positioning:	DP II	Moored	Moored
Thrusters:	-		

5.7 CONTRACT STATUS

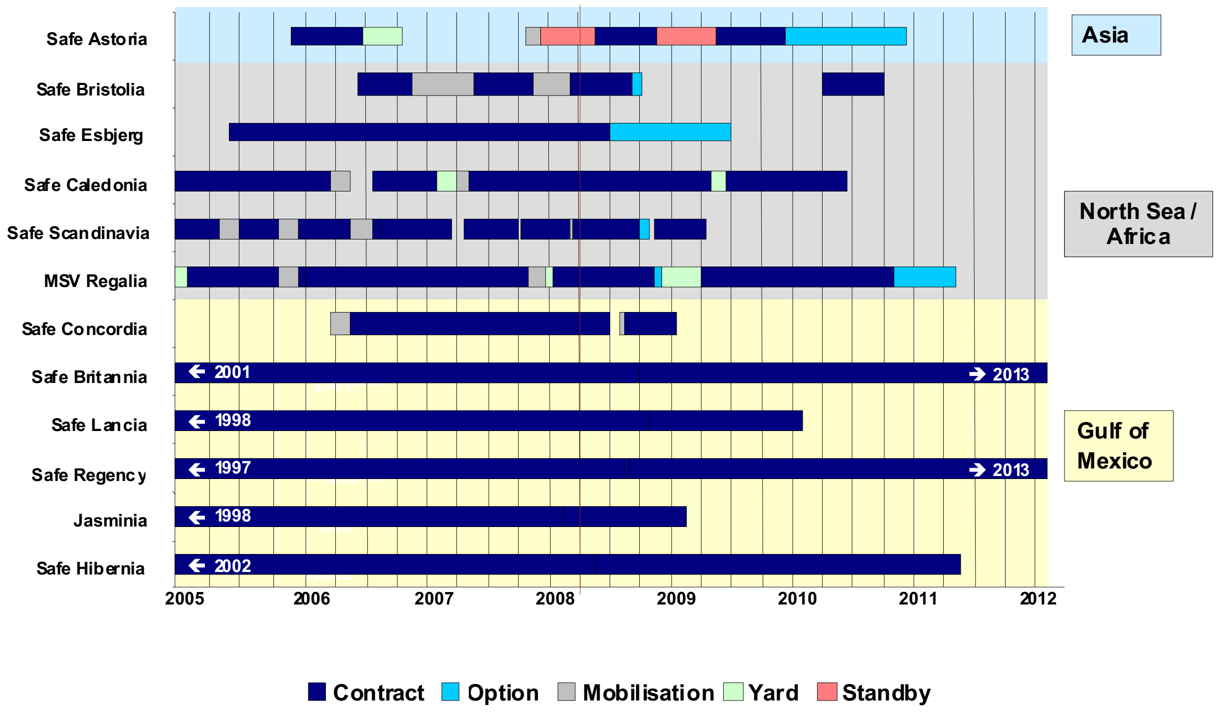
5.7.1 Introduction

Prosafe owns eleven of 17 available semi-submersibles and one jack-up. 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.

Operations in 2008 comprise bareboat charters for operation in the Gulf of Mexico and time charters for operation 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.

5.7.2 Contract overview

The table below shows the contract status for the Company's vessels:



5.7.3 Description of the contracts

Safe Astoria is on a contract for Samsung/SEIC at the Sakhalin development in Russia. The firm duration of the contract is two years with a one-year option. The *Safe Astoria* will prepare for the contract and transit to site for operations commencing May 2008. 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 is on a contract for ConocoPhillips in the UK sector of the North Sea until the end of September 2008. In April 2010 she will start a six-month contract with Nexen at the Buzzard field in the UK North Sea.

Safe Caledonia commenced a two-year contract for Total on Elgin Franklin in the UK sector of the North Sea in April 2007. The one-year option to the contract has already been exercised.

Safe Scandinavia is at the Sleipner field on the Norwegian Continental Shelf for Statoil on a six-month contract with a one-month option. Thereafter, the rig will mobilise to BP's Valhall field for a five-month contract.

MSV Regalia is on a decommissioning contract for Aker Kværner at the CMP-01 platform in the UK sector of the North Sea until the end of 2008. Thereafter, she will commence a contract at the Valhall field for BP. This contract runs until November 2010, with options for additional six months.

Safe Concordia has been on contract for Pemex in the Gulf of Mexico since May 2006. The rig will remain there 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.

Safe Esbjerg commenced a three year contract with two six-month options in June 2005 with Mærsk Olie og Gas AS.

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.

Safe Britannia is on contract for Ocean Oil at the Cantarell field in Mexico until January 2013.

Safe Lancia is on contract for Ocean Oil at the Cantarell field in Mexico until January 2010.

Safe Regency is on contract for Ocean Oil at the Cantarell field in Mexico until August 2013.

Jasminia is on contract for Ocean Oil at the Cantarell field in Mexico until February 2009.

Safe Hibernia is on contract for Ocean Oil at the Cantarell field in Mexico until May 2011.

5.8 DESCRIPTION OF THE MARKETS FOR THE COMPANY'S ACCOMMODATION VESSELS

Initially the accommodation rigs were used for hook-up and commissioning of new installations in the North Sea. The increased demand for these rigs relates to the broader set of areas of application for this type of units. The Company observes a growing market for using rigs for decommissioning of ageing, fixed installations, particularly in the North Sea. Furthermore, Prosafe has worked actively to market the rigs worldwide.

The market for accommodation/service rigs looks very strong (reference is also made to Section 6 of this Information Memorandum). There is an increasing demand in all phases of an oil field's value chain and day rates continue to climb. Prosafe will continue to develop its market position proactively and believe that Prosafe's strong market position, solid track record and versatile rig fleet provide an attractive basis for future strategic development.

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.

For further details on the revenues by category of activity and geographic market, see pages 87 and 88 of Prosafe's annual accounts for 2007 (included as Appendix 3), and pages 72 and 73 and page 60 of Prosafe's annual accounts for 2006 and 2005, respectively (incorporated by reference).

5.9 ENVIRONMENTAL ISSUES

The Group is not aware of any specific environmental issues that are likely to have a negative effect on the utilization of its assets. However due to the nature of the Group's operation general environmental issues applicable to all participants in this market may also affect the Group, see further information in Section 1.1.1 and 1.1.9 of this Information Memorandum.

5.10 INFORMATION ON HOLDINGS

Other than a shareholding of 22,603,832 shares in Teekay Petrojarl ASA, the Company does not have holdings in undertakings other than its subsidiaries that may have any significant effect on the assessment of its assets and liabilities, financial position or profits and losses.

5.11 MATERIAL CONTRACTS

Other than contracts entered into by the Company in the ordinary course of business (as summarised in Sections 4.4 and 5.7), the Company's borrowings (as summarised in Section 7.8) and the related party agreements (summarised in Section 5.12 below), no member of the Prosafe Production Group has entered into any contract which contains provisions under which any member of the Prosafe Production Group has any obligation or entitlement which is material to the Group as at the date of this Information Memorandum.

5.12 RELATED PARTY AGREEMENTS

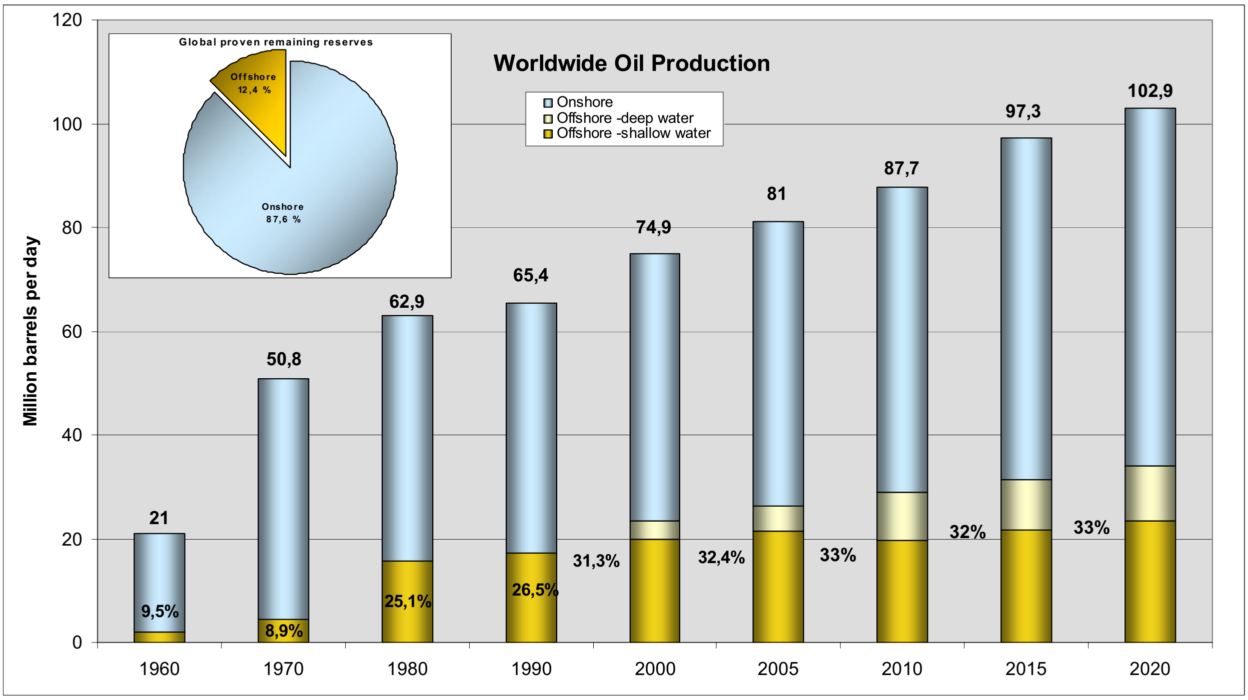
Prosafe's policy is to enter into related party agreements on arm's length principles. The following related party agreements between Prosafe Group companies have been entered into.

- Service agreement between Prosafe and Prosafe AS for the provision of certain administrative services.
- Internal bareboat charters between rig owning entities and entities having the contract with the customer.

6 THE MARKET FOR ACCOMMODATION RIGS

6.1 INTRODUCTION

Worldwide proven oil reserves are still dominated by onshore resources. However, the large oil companies have now shifted their focus towards exploring new fields offshore. Consequently, offshore oil production has increased relative to onshore oil production over the last 40 years, and will continue to do so ahead. The chart below shows the break-down of worldwide onshore and offshore proven reserves, as well as historical and forecast oil production.



Source: Offshore Research (developed based on data from BP Statistical Review, IEA and Oil & Gas Journal)

Prosafe currently owns 11 of the world's 17 semi-submersible accommodation/service rigs, including six of nine dynamically-positioned units and five of eight moored vessels. The Company's focus on dynamically-positioned units and rigs for operation in demanding waters has created strong market positions both in the North Sea and off Mexico.

Demand for the business unit's rigs has traditionally been concentrated in the North Sea and the Gulf of Mexico, but the geographical spread has increased over recent years. In the period from 2003 to 2005, the Offshore Support Services business unit executed charters offshore East Timor, West Africa, the Mediterranean and in the US Gulf. The geographical spread has made a positive contribution to enhancing the fleet's utilisation.

The number of prospects is increasing worldwide, and their materialisation could create a strong market over the next two-three years. Demand drivers include hook-up of new installations, tie-back of subsea-completed wells, maintenance shutdowns and upgrading requirements. Some demand also exists in relation to removal of installations. Prosafe's rig fleet is well adapted to market needs. Combined with long operational experience, this gives the business unit a strong position.

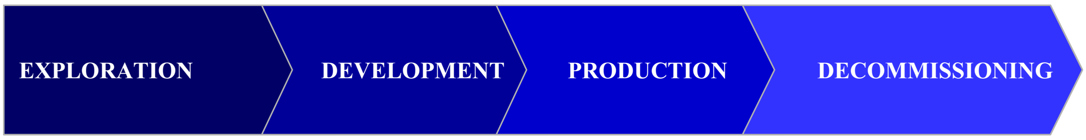
The market in the Gulf of Mexico is strong. High focus on increasing proven reserves through new field developments and maintenance of existing installations has resulted in an increased number of longer-term contracts. This is reflected in the award of five-year contracts in the spring of 2003. Mexican state oil company Pemex has an expressed strategy which involves substantial construction activity over the next five to ten years. In total, this gives grounds for optimism with respect to a continued strong Mexican market. In February 2008, the same five units were contracted to Pemex on contracts ranging from one to five years in duration and at dayrates on average 103 percent above the previous term.

A utilisation factor of 86% excluding options has been secured for the rig fleet in 2008. Moreover, the Prosafe rig fleet has already secured a utilisation level of 58% for 2009 and 41% for 2010.

6.2 THE SUPPLY OF ACCOMMODATION AND CONSTRUCTION SUPPORT VESSELS

Offshore accommodation and construction support service vessels assists oil and gas companies on a world wide basis with various dedicated offshore support services. An accommodation and construction support service provider is mainly contracted for work required on an offshore oil and gas field. The support services provided varies depending on if the oil and gas field is in the development, construction or decommissioning phase. Examples of offshore support services provided are the assistance during installation, upgrade or maintenance, but could also be to temporarily increase the offshore work force for a specific operation, to assist in offshore emergencies or any other extraordinary event. The graph below show the oil and gas field life cycle:

THE LIFE CYCLE OF AN OFFSHORE OIL AND GAS FIELD



6.2.1 Conversion

Historically, there have been several conversions from drilling to accommodation and the other way around. For example during the 1990's there were several conversions to drilling rigs due to high drilling activities and a surplus in floatels with declining daily rates in 1994 and 1995 for ASVs reducing the numbers of floatels on the market.

The rationale for a conversion would be a surplus of vessels depressing the daily rates in one segment with more favourable market outlook in the other segment with limited supply, resulting in attractive daily rates that can justify the cost for an acquisition of a vessel for conversion. However, a conversion must be in conjunction with favourable shipyard costs in order to be feasible.

It is important to note that the volatility of the drilling market is higher than that of the ASV market, due to lack of alternative operational areas for drilling rigs, whereas for the accommodation and construction support market there still could be a need for maintenance and decommission in the event of low utilisation.

6.2.2 Newbuilding

There could be an incentive to build a new accommodation and construction support service platform, on speculation or back-to-back contract, depending on market daily rates. The cost for such investment is depending on construction cost, raw material cost as well as legislative requirement variations from country to country where the platform is intended to operate.

The latest new built purpose built ASV vessel is Safe Concordia (semi submersible with a DP Class 2) which was built by KeppelFELS Shipyard in Singapore and delivered to Joy Venture Investments Ltd. in March 2005. This is the only new built ASV semi submersible vessel for over a decade, and the world fleet is more than 20 years old on average. However, if well maintained and provided the steel is of good condition, with refurbishment and upgrade it is possible to extend the life time of an ASV vessel with at least 15-25 years.

Floatel International Ltd. placed two orders with KEPPEL Fels in May and November 2007 for the construction of two semi-submersible accommodation vessels. One of them will be equipped for deepwater conditions, and the other for benign waters. Both vessels are expected to be delivered during 2010.

6.2.3 World wide location of floatels

The North Sea has been a traditional market for accommodation services and regarded as a high cost area due to the legislative requirements set in the region (i.e. Norwegian Continental Shelf). As the safety demand is becoming a global issue it is expected that other areas will follow with an aim to provide reliable accommodation services with a focus on safety and quality.

Today, the majority of the world's accommodation and construction service support vessels are employed in the Gulf of Mexico and the North Sea. Vessels engaged in the Gulf of Mexico are primarily committed on long-term charters whilst the North Sea fleet is primarily on short to medium term. During the last two years alone, Mexico has taken some 5 vessels on long-term contracts, and is currently employing a total of 8 ASV vessels.

As of March 2008, the world wide fleet of offshore accommodation and construction support vessels totalled 17 units. 16 of these units were committed for work, one was at shipyards for conversion or upgrade and none were listed as idle.

The following table shows an overview of the floatels' location as of March 2008:

Region	Working	Idle	Yard
North Sea	6	0	0
Middle East	0	0	0
Gulf Of Mexico	8	0	1
Brazil	1	0	0
West Africa	0	0	0
Far East	1	0	0
Total	16	0	1

Source: Pareto Securities Research, March 2008

6.3 THE DEMAND FOR ACCOMMODATION AND CONSTRUCTION SUPPORT SERVICES

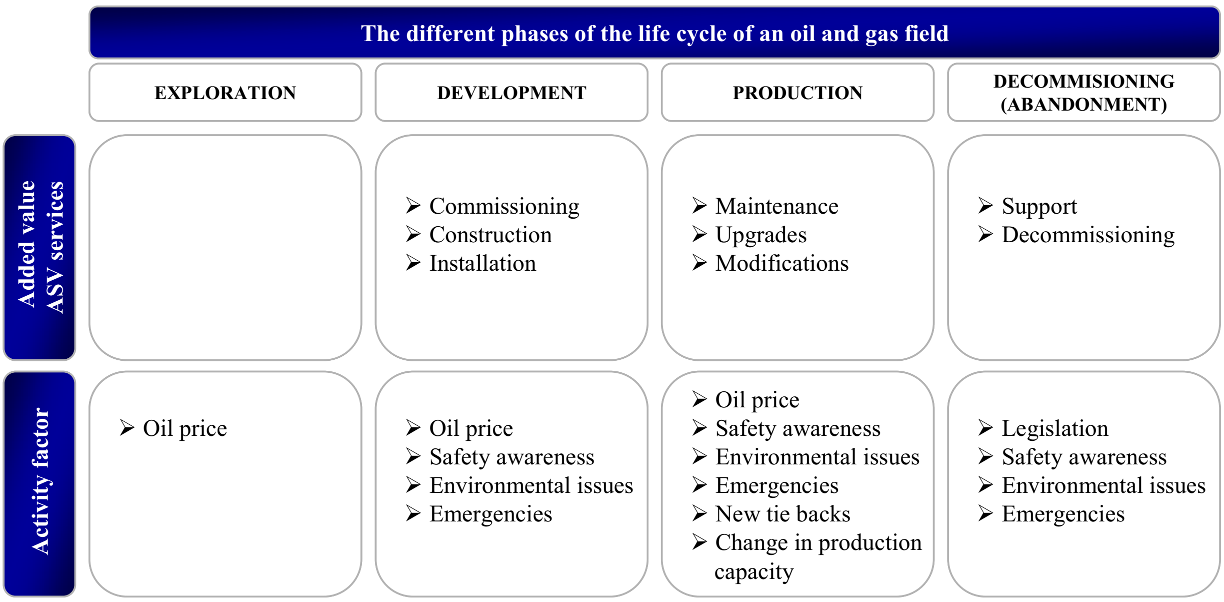
Accommodation and construction support services are required through the different phases of an oil and gas field life cycle. However, the offshore support services provided mainly involves the development, production and decommissioning phases.

The demand for accommodation and construction support services is primarily driven by the activities on the world wide offshore oil and gas market, which in turn, is driven by the general demand for natural resources e.g. oil and gas. The following factors including new legislation, regular maintenance and unforeseen need of assistance in case of emergencies also have an impact on the demand for accommodation and construction support services. These factors are only to a small extent dependent on the world wide demand for oil and gas.

The demand for offshore accommodation and construction support services is divided into the following specific key drivers:

- Rate of investments in new offshore oil and gas fields and production
- Rate of investment in upgrades and modifications of existing offshore oil and gas fields
- Scope of maintenance work needed to secure existing and future oil and gas production
- Rate of decommissioning (abandonment)
- Change in geographical demand
- Offshore emergencies such as blow outs or fires

Value drivers for the accommodation and construction support service market



6.3.1 Rate of investments

The rate of investments in new offshore oil and gas fields and upgrades and modifications of existing offshore oil and gas fields is primarily driven by investments in the exploration, development and production of offshore oil and gas fields, which in turn is depending on the world wide demand for oil and gas.

6.3.2 Scope of maintenance, modifications and upgrades

The scope of maintenance work is somewhat depending on the world wide demand for oil and gas. However, most offshore installations usually require various degrees of maintenance to secure production and a required level of standard not to risk any safety or environmental issues. Regular maintenance safeguards against any stop in production, which could be very costly in terms of lost revenues. It also decreases the risk for environmental and safety incidents. Modifications and upgrading of the processing facilities is quite normal during the lifetime of an offshore production facility to allow for new satellites and wells thus making use of the invested infrastructure.

6.3.3 Rate of decommissioning (abandonment)

The rate of decommissioning is guided by the number of oil and gas installations that are being phased out and also the legislative requirements regarding safety and environmental concerns. The rate of decommissioning could in fact actually increase with a declining oil price as reserves might become uneconomical to remain in production.

6.3.4 Change in geographical demand

The geographical demand for accommodation and construction support service vessels has varied over time. Historically, the primary market for accommodation and construction vessels has been reserved to the North Sea region. However, over time the Gulf of Mexico has taken over as the most important market with 8 service vessel's currently on contract. Today there is an increasing demand from other regions such as West Africa and the Far East market.

6.3.5 Offshore emergencies such as blow outs or fires

In case of an offshore accident or emergency, an accommodation and construction support service vessel is an efficient platform to handle various incidents including blow outs, fires or other offshore emergencies. With a telescopic gangway, cranes and a large deck area as well as fire fighting capabilities an accommodation and construction support service vessel can help out in a number of scenarios.

6.4 THE COMPETITION AND CONTRACTUAL STATUS

6.4.1 Niche market

The offshore accommodation and construction support service segment is a niche market with relatively few players in general and few major players in particular. Few players means that there, from time to time, could be a limited supply of accommodation and construction support service vessels resulting in increasing day rates. Since it is a niche market there can also sometimes be fierce competition for a single contract. When there is a low utilisation rate in the market, day rates may decrease. Rig utilisation in the first quarter of 2008 increased to 87% from 86% in the fourth quarter of 2007. As of March 2008, 16 out of 17 rigs were in on contract (one unit is out of the market after being damaged in the hurricane Katrina) and the daily rates were at relatively high levels. However, the accommodation and construction support service market can generate high margins but it is important to remember that it is a very capital intensive market.

6.4.2 Revenue structure

Basically a service provider within the offshore accommodation and construction support service segment usually uses time charter (T/C rate) or bare boat charter (B/B rate) charged to the charterer. In connection with mobilisation and demobilisation there is also a cost charged to cover those expenses.

Time Charter (T/C rate) is when the customer pays a daily rate that includes all the costs in connection with operating the vessel including crewing, fuel, catering, etc. Bare Boat charter (B/B rate) is when the ship is placed at the disposal of the charterer, without a crew, for a specific period of time. The charterer must bear all voyage related costs, mainly ship's fuel and port dues, as well as all rig operating expenses such as day-to-day operations, maintenance, crewing, insurance, transfer to the charterer's account. The general rule for T/C and B/B is that the longer the charter period, the lower the daily charter rate. However, B/B normally covers lengthy periods of time and provides better margins in per cent, but not necessarily in absolute numbers.

7 CONSOLIDATED FINANCIAL INFORMATION AND OPERATING REVIEW

You should read the following discussion of the financial condition and results of operations in conjunction with the financial statements and notes to the financial statements included in this Information Memorandum.

7.1 BASIS FOR PREPARATION

The consolidated financial statements for 2007, 2006 and 2005 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU.

The annual report for the financial year 2007 including the clean auditor report is included in Appendix 3 to this Information Memorandum. The Company's audited annual reports for 2005 and 2006, including an overview of the Company's accounting policy, explanatory notes and auditor's statement, are incorporated by reference as set out in Section 11.2 of this Information Memorandum. The consolidated financial statements are based on historical costs except for financial derivatives, which are stated at their fair value. The annual financial statements have been audited. The quarterly accounts are unaudited.

7.1.1 Basis of consolidation

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.

7.1.2 Significant accounting judgments and estimates

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.

7.1.3 Reporting currency

The Group's presentation currency is USD. This is also the functional currency of the majority of the companies in the Group.

7.2 SUMMARY OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out in the annual report for the financial year 2007 which is included in Appendix 3 to this Information Memorandum. These policies have been consistently applied to all the year/period presented, unless otherwise stated.

7.3 CONSOLIDATED FINANCIAL INFORMATION

7.3.1 Consolidated profit and loss statement

USD million	**2007**	**2006**	**2005**
Operating revenues	**527.1**	**365.6**	**295.3**
Employee benefits	(81.8)	(56.8)	(52.8)
Other operating expenses	**(143.1)**	**(101.1)**	**(91.6)**
Operating profit before depreciation	302.2	(207.7)	150.9
Depreciation	(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	(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	(14.0)	(14.9)	(122.8)
Net profit/(Loss) from continuing operations	**143.7**	**128.1**	**(35.1)**
Net profit from discontinued operations	0.0	0.0	81.5
Net profit	**143.7**	**128.1**	**46.4**
Earnings per share (USD)	0.63	0.64	0.27
Diluted earnings per share (USD)	0.63	0.64	0.27

7.3.2 Consolidated balance sheet

USD million	31.12.2007	31.12.2006	31.12.2005
ASSETS			
Goodwill	355.0	355.0	128.3
Rigs	749.6	763.4	360.9
Ships	926.5	538.7	203.8
Other tangible assets	12.2	9.6	8.2
Financial assets	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	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	1,184.1	622.0	363.0
Deferred tax	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	167.0	16.9	27.9
Dividends payable	0.0	147.0	30.2
Taxes payable	38.2	35.4	4.4
Other current liabilities	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**

7.3.3 Consolidated Cash flow statement

USD million	2007	2006	2005
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxes	0.0	143.0	87.7
Unrealised currency (gain)/loss on long-term debt	10.2	6.1	(8.9)
Depreciation	0.0	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	**(75.6)**	**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	**(222.9)**	**(156.4)**	**65.4**
Net cash flow from discontinued operations	**0.0**	**0.0**	**116.6**
Net cash flow	**(222.9)**	**(156.4)**	**182.0**
Cash and deposits at 1 January	147.2	303.6	121.6
Cash and deposits at 31 December	**(75.7)**	**147.2**	**303.6**

7.3.4 Key financial information (unaudited)

USD million		2007	2006	2005
EBITDA margin	%	57.3	56.8	51.1
Operating margin	%	42.2	41.0	35.1
Return on capital employed	%	10.7	11.6	13.1
Return on equity	%	13.5	16.8	18.1
Equity ratio	%	39.6	50.8	41.0
Dividend yield, ordinary	%	-	31.2	59.7
Dividend yield, incl. special	%	-	124.8	277.0
Number of shares	1,000 shares	229,937	229,937	170,490
Average no of outstanding and potential shares	1,000 shares	229,937	201,295	170,490

7.3.5 Significant changes in financial or trading position since 31 December 2007

Except for the divesting of Prosafe Production as described in this Information Memorandum, there have been no significant changes to Prosafe's or Prosafe Production's financial or trading position since 31 December 2007.

7.4 UNAUDITED PRO FORMA CONDENSED INFORMATION

7.4.1 Basis for preparation

The unaudited pro forma condensed financial information has been prepared for illustrative purposes only, to show how the divesting of the business unit Prosafe Production (in historical financial information from Prosafe SE this was referred to as "floating production"), might have affected the Prosafe's consolidated condensed income statement for 2007 if the divesting occurred on 1 January 2007 and the consolidated condensed balance sheet 31 December 2007, if the divesting occurred at the balance sheet date.

The divesting will be consummated in May 2008 through a distribution of 90.1% of the shares in Prosafe Production (100% owned by the Prosafe Group) to existing shareholders in Prosafe SE. The distributed shares will be revalued at market price at the time of the distribution, with a corresponding adjustment to equity in Prosafe which immediately will be accounted for as distribution of dividend. The dividend distribution will not effect the profit and loss statements. Prior to the divesting, the shares Prosafe holds in Teekay Petrojarl ASA and in Prosafe Nautipa AS, will be sold to Prosafe Production at fair market value.

The unaudited pro forma condensed financial information for the Company has been compiled based on the historical consolidated financial information of the Company. In connection with the divesting and the listing of Prosafe Production, management has prepared "combined financial information for Prosafe Production". This combined financial information has been used as the basis for deducting "Prosafe Production" in the compilation of the unaudited pro forma condensed financial information. The combined financial information will be presented in the listing prospectus of Prosafe Production.

Due to its nature, the unaudited pro forma condensed financial information addresses a hypothetical situation and, therefore, does not represent what the statements of operations would actually have been if the transactions had in fact occurred on those dates and is not representative of the results of operations for any future periods. Investors are cautioned not to place undue reliance on the unaudited pro forma condensed financial information.

The unaudited pro forma condensed financial information has been prepared to comply with the requirements in section 3.5.2.6 of the "Continuing Obligations of Stock Exchange Listed Companies" issued by Oslo Børs (Oslo Stock Exchange). The unaudited pro forma condensed financial information has been prepared in accordance with Annex II of Regulation (EC) 809/2004. This information is not in compliance with SEC Regulation S-X.

The unaudited pro forma condensed financial information for the Company does not include all of the information required for financial statements under International Financial Reporting Standards, and should be read in conjunction with the historical information of the Company.

7.4.2 Unaudited pro forma condensed income statement for the year 2007

USD million	**Prosafe SE consolidated**	**Prosafe Production (unaudited)**	**Pro forma adjustments (unaudited)**	**Notes**	**Pro forma Prosafe SE (unaudited)**
Operating revenues	527.1	150.3			376.8
Operating expenses	-224.9	-57.5	-2.2	1	-165.2
Operating profit before depreciation	**302.2**	**92.8**	**-2.2**		**211.6**
Depreciation	-80.0	-33.6			-46.4
Operating profit	**222.2**	**59.2**	**-2.2**		**165.2**
Net financial items	-64.5	2.7	-19.9	2	-47.3
Profit before taxes	**157.7**	**61.9**	**-22.1**		**117.9**
Taxes	-14.0	-8.8		4	-5.2
Profit after tax	**143.7**	**53.1**	**-22.1**		**112.7**

7.4.3 Unaudited pro forma condensed balance sheet for 31 December 2007

USD million	Prosafe SE consolidated	Prosafe Production (unaudited)	Pro forma adjustments (unaudited)	Notes	Pro forma Prosafe SE (unaudited)
ASSETS					
Goodwill	355.0	128.3			226.7
Rigs	749.6				749.6
Ships	926.5	926.5			
Financial assets	292.4		292.4	2/3	
Shares in Prosafe Production			-95.9	2/3	95.9
Other tangible assets	12.2	6.5			5.7
Total non-current assets	**2,335.7**	**1,061.3**	**196.5**		**1,077.9**
Cash and deposits	162.0	53.0			109.0
Debtors and other current assets	126.3	59.1	2.9	2	64.3
Total current assets	**288.3**	**112.1**	**2.9**		**173.3**
Total assets	**2,624.0**	**1,173.4**	**199.4**		**1,251.2**
EQUITY AND LIABILITIES					
Total equity	**1,038.6**	**990.1**	**-117.0**	**2/3**	**165.5**
Interest-bearing long-term debt	1,184.1	66.0	316.4	2	801.7
Deferred tax and other provisions	97.0	1.1			95.9
Total long-term liabilities	**1,281.1**	**67.1**	**316.4**		**897.6**
Interest-bearing current debt	167.0	54.0			113.0
Other current liabilities	137.3	62.2			75.1
Total current liabilities	**304.3**	**116.2**			**188.1**
Total equity and liabilities	**2,624.0**	**1,173.4**	**199.4**		**1,251.2**

Specification of pro forma adjustments to debt and equity

	Equity	Note	Debt
Prosafe SE retains 9.9% of the shares in Prosafe Production	-95.9	3	
Sale of Prosafe Nautipa AS	-21.1	2	24.0
Sale of shares in Teekay Petrojarl ASA		2	292.4
Net proforma adjustments	**-117.0**		**316.4**

7.4.4 Notes to the pro forma condensed financial information

Note 1

Prosafe SE has historically incurred remuneration and other costs related to three employees that after the divesting will be employed by Prosafe Production. Subsequent to the divesting these costs will be borne by Prosafe Production, and a pro forma adjustment has been made to eliminate these costs from Prosafe SE.

Note 2

As part of the divesting, all shares in Teekay Petrojarl ASA (equal to 30.1% of the shares in Teekay Petrojarl ASA) owned by the Prosafe Group will in April 2008 be sold to Prosafe Production for USD 310.8 million and settled in cash. Further, the shares in Prosafe Nautipa AS, owned by the Prosafe Group, will be sold to Prosafe Production in April 2008 at USD 1.2 million and settled in cash. Prosafe Nautipa is the owner of 50% of the shares in Tinworth Ltd. Tinworth Ltd. is financially consolidated into Prosafe Production as of 31 December 2007. Since Prosafe Nautipa was owned by Prosafe SE as of 31 December 2007 (and not by Prosafe Production) this company has been consolidated into the Prosafe SE group with corresponding elimination entries. When Prosafe Nautipa is sold to Prosafe Production these elimination entries will be shown in Prosafe Production with an effect on equity of USD 21.1 million. Prosafe Nautipa AS also has debt and receivables (in addition to the shareholding in Tinworth Ltd) that will be taken over by Prosafe Production as part of the sale of Prosafe Nautipa.

In connection with these transactions Prosafe will use the cash received to repay debt (in connection with the refinancing of debt described in Section 7.8.3 below). A pro forma adjustment has been made as if these transactions took place on 1 January 2007, for the unaudited pro forma condensed income statement and 31 December, 2007 for the unaudited pro forma condensed balance sheet. For the purpose of the compilation of the unaudited pro forma financial information it has been assumed that the sale took place at the fair value of the shares at the respective dates (USD 292.4 million and USD 1.7 million). As a result both interest expenses for 2007 and interest bearing debt as of 31 December 2007 have been adjusted in the unaudited pro forma condensed financial information. The actual sale will be at the fair value at the date of the transaction and as a result the debt assumed by Prosafe Production will be different from the debt reflected in the unaudited pro forma condensed financial information.

The interest adjustment has been made based on the historical interest expense of Prosafe.

Note 3

Prosafe SE will divest 90.1% of the shares in Prosafe Production and 9.9% will be retained as a financial investment. The book value of the retained shares is, as of 31 December 2007, USD 95.8 million. A pro forma adjustment to shares and equity has been made to reflect the retained shareholding in Prosafe Production.

Note 4

The unaudited pro forma adjustments related to remuneration costs and interest cost (note 1 and note 2) do not have any impact on tax expenses as the majority of Prosafe's activities are not taxed on the basis of profits.

7.5 INDEPENDENT AUDITOR

The Company's independent auditor is Ernst & Young, Cyprus. Ernst & Young's address is Nicosia Tower Centre 36 Byron Avenue P.O. Box 21656 1511, Nicosia, Cyprus. Ernst & Young has been the Company's auditor since 1997. Ernst & Young is a member of the Institute of Certified Public Accountants of Cyprus. Ernst & Young Cyprus has audited the 2007 financial statements. Ernst & Young has not audited or reviewed or produced any report on other information provided in this Information Memorandum except for the Independent Assurance Report on Pro Forma Financial Information which is enclosed in Appendix 2.

7.6 CAPITAL RESOURCES

7.6.1 Information concerning the Group's capital resources

As of 31 December 2007, the Group had cash and deposits of USD 162 million.

The Group believes that its current capital resources, based on financing arrangements entered into and cash flow from operating activities, will be sufficient to fulfil its commitments. The adequacy of available funds will depend on many factors, including the further growth of the business, capital expenditures, market development, competition and potential acquisitions. Accordingly, the Group may require additional funds and seek to raise such funds through issuing new equity or debt.

The treasury function of Prosafe shall ensure a good liquidity through adequate debt facilities, and shall act in order to reduce the financial risk in the Prosafe group. The primary objective of the Prosafe's capital management is to ensure that it maintains a healthy capital ratio. Prosafe manages its capital structure and makes adjustments to it in light of changes in economic conditions. Prosafe monitors capital using a leverage ratio, which is total debt drawn divided on EBITDA over the last twelve months. Prosafe'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).

7.6.2 Cash flows

The Group will require capital to fund ongoing operations, the acquisitions of other machinery and equipment, debt service and potential acquisitions. The Group anticipates that by taking into account generally expected market conditions, internally generated cash flow, and borrowings under the bank facilities, the funds will be sufficient to fund operations of the Group's fleet and to fulfil commitments referred to under Section 7.8.7 "Investments" of this Information Memorandum.

It is the Group's intention to fund its future capital requirements initially through borrowings under the Group's bank facilities and to repay those borrowings from time to time with generated cash from operations. The Group believes that funds from operations and funds available under its bank facilities will be sufficient to support the Group's growth strategy, which may, in addition to conversion projects and new buildings, including the acquisition of existing accommodation and service units. The adequacy of available funds will depend on many factors, including the further growth of the business, capital expenditures, market development, competition and potential acquisitions. Accordingly, the Group may require additional funds and seek to raise such funds through issuing new equity and debt.

The funding of the Group is described in detail in Sections 7.7 and 7.8 under "Capitalisation and indebtedness" and "Borrowings" of this Information Memorandum, respectively.

The Group's main sources of cash flows are:

- Equity issues
- Borrowings from banks
- Cash flow from operations

7.6.3 Restrictions on use of capital

In connection with the split of Prosafe, the Company will enter into a new senior secured revolving credit facility in the aggregate principal amount of USD 1,100 million with i.a. Nordea as facility agent on behalf of a number of lenders. The loan agreement will contain financial covenants, inter alia requirements for a certain equity ratio, requirement for a cash amount and leverage ratio. A detailed description of the new Nordea facility is set out in Section 7.8.2 below.

7.6.4 Working capital

In the opinion of the Board of Directors of Prosafe, Prosafe's and Prosafe Production's working capital, including undrawn credit facilities, will be sufficient to cover present requirements for at least the twelve coming months.

7.7 CAPITALISATION AND INDEBTEDNESS

The Group's capitalisation as of 31 December 2007 of USD 2,389.7 million consists of USD 1,038.6 million in equity. The Group believes that its capitalisation represent an adequate capital structure.

The table below is based on the audited financial statements as at 31 December 2007.

Amounts in USD million	**31.12.2007**
Current debt	
Guaranteed	0.0
Secured	57.0
Unsecured	110.0
Total current debt	**167.0**
Non-current debt	
Secured	1,058.1
Unsecured	126.0
Total non-current debt	**1,184.1**
Shareholders' equity	
Share capital	63.9
Legal reserve	620.4
Other reserves	354.3
Total shareholders' equity	**1,038.6**

Amounts in USD million	31.12.2007
Cash and cash equivalents	162.0
Trading securities	0.0
Liquidity	**162.0**
Current financial receivable	**145.2**
Current bank debt	0.0
Current portion of non-current debt	57.0
Other current financial debt	247.3
Current financial debt	**304.3**
Net current financial indebtedness	**-2.9**
Non-current bank loans	1,058.1
Bonds issued	126.0
Other non-current loans	0.0
Non-current financial indebtedness	**1,184.1**
Net financial indebtedness	**1,181.2**

Changes to the above figures since 31 December 2007 are only reflecting the ordinary activities of the Prosafe Group. As such, there have been no material changes in capitalisation and indebtedness since 31 December 2007. In general, the operating activities of the Prosafe Group will be represented by the profits earned in the period and continued investments in the FPSO conversion projects. Profits will mostly be leading to an increase in equity and cash, whilst the continued investments in FPSO projects will be represented as increased non-current secured bank loans and a corresponding increase in book value of ships.

7.8 BORROWINGS

As of 31 December 2007, the total long term interest-bearing debt in the Group was USD 1,184 million.

The Group has entered into several financing agreements in respect of the accommodation units and FPSO units owned by subsidiaries of the Company. In the view of the Company, these facilities have been entered into on market terms and in accordance with prudent financial practices.

7.8.1 Existing Nordea Facility

The Company is presently party to and borrower under a USD 1,300 million senior secured reducing revolving credit facility with Nordea Bank Norge ASA ("Nordea") as agent, originally entered into 6 July 2006 and last amended by amendment no 3 dated 29 November 2007 (the "Existing Nordea Facility"). The Existing Nordea Facility includes financing in respect of both the FPSO business and the accommodation rig business and will be refinanced by two new facilities to be entered into by the Company as borrower for the rig business and Prosafe Production Public Limited for the FPSO business. Drawn amount as of 31 December 2007 was USD 980 million. Total availability is USD 1,300 million. The first of 17 quarterly instalments of USD 65 million is due in March 2009, and a final payment of USD 195 million in June 2013.

7.8.2 The New Nordea Rig Facility

The Company as borrower is in the process of entering into a new senior secured revolving credit facility in the aggregate principal amount of USD 1,100 million with i.a. Nordea as facility agent on behalf of a number of lenders (the "New Nordea Rig Facility"). The New Nordea Rig Facility will be based on a term sheet dated 12 February 2008. The said facility is expected to be signed by mid-end April and closed soon thereafter.

The loan period will be seven years, and the facility shall be reduced by consecutive semi-annual reductions (scheduled reductions) commencing six months after the closing date (signing date). The first 13 reductions shall be in the amount of USD 70 million each, and the 14th and final instalment shall be in the amount of USD 190 million.

The New Nordea Rig Facility and/or the obligations under the security documents and / or any interest rate swaps or similar hedging agreements with any lead arrangers shall be secured by:

- A guarantee from Prosafe Rigs Pte Ltd
- A first priority share pledge over all the shares issued by Prosafe Rigs Pte Ltd.
- A first priority perfected security interest in all the vessel listed in 5.6.2 above (the “Collateral Rigs”)
- A first priority security interest in all earnings (from the respective offshore contracts/charter parties) and proceeds of insurance related to all Collateral Rigs (together with all deposit accounts into which such earnings and proceeds of insurance are deposited (which deposit accounts shall be maintained at Nordea).

The interest rate is intended to be the aggregate of (i) the applicable margin (0.85% p.a. subject to certain terms and conditions (pricing grid)), (ii) LIBOR, and (iii) mandatory cost.

The following are the financial covenants (which shall apply to the Company and its subsidiaries on a consolidated basis and be measured on the last day of each fiscal quarter of the Company) from the fiscal quarter ending immediately following the divestment of Prosafe Production.

(i) Liquidity. Cash and Cash Equivalents shall at all times be equal to or greater than USD 65 million.

(ii) Working Capital. Borrower’s (on a consolidated basis) current assets (including unutilized credit lines with a maturity in excess of 12 months) less current liabilities (excl. short term portion of long-term interest bearing debt) shall at all times be equal to or greater than zero.

(iii) Leverage Ratio. Total Debt to EBITDA (the “Leverage Ratio”) on a trailing four-quarter basis shall not be greater than 5.00:1.00 from the Closing Date and until the 2nd anniversary thereof and no greater than 4.50:1.00 thereafter.

(iv) Equity Ratio. The ratio of Value Adjusted Equity to Value Adjusted Total Assets shall at all times be equal to or greater than 35%.

(v) Collateral Maintenance. The sum of fair market value of each Collateral Rig shall at all times be at least 150% of the sum of (x) the then aggregate outstanding principal amount of Loans and (y) the unutilized portion of the New Nordea Rig Facility from the Closing Date and until the 2nd anniversary thereof and at least 175% thereafter.

7.8.3 The New Nordea FPSO Facility

Prosafe Production as borrower is in the process of entering into a new senior secured revolving credit facility in the aggregate principal amount of USD 1,200 million with i.a. Nordea as facility agent on behalf of a number of lenders (the "New Nordea FPSO Facility"). The New Nordea FPSO Facility will be based on the term sheet dated 12 February 2008. The said facility is expected to be signed by mid-end April and closed soon thereafter.

The loan period will be seven years and the facility shall be subject to 13 consecutive semi-annual reductions commencing twelve months after the closing date (signing date). The first 12 reductions shall be in the amount of USD 75 million and the 13th and final instalment shall be in the amount of USD 300 million.

The New Nordea FPSO Facility and/or the obligations under the security documents and/or any interest rate swaps or similar hedging agreements with any lead arrangers shall be secured by:

- A guarantee from Prosafe Production Services Pte Ltd
- A guarantee from Prosafe SE (to be released in connection with completion of the divestment of Prosafe Production and the stock listing of Prosafe Production)
- A first priority share pledge over all the shares issued by Prosafe Production Services Pte Ltd. and also (under discussion) a first priority share pledge over all shares issued by Prosafe Production Holding Limited.
- A first priority perfected security interest in all the vessel listed in 4.3 above (the “Collateral Units”)
- A first priority security interest in all earnings (from the respective offshore contracts/charter parties) and proceeds of insurance related to all Collateral Units (together with all deposit accounts into which such earnings and proceeds of insurance are deposited (which deposit accounts shall be maintained at Nordea).

The interest rate is intended to be the aggregate of (i) the applicable margin (0.95% p.a. until (and including) the delivery of consolidated financial statements for 4Q 2008 and thereafter determined in a quarterly basis, subject to certain terms and conditions (pricing grid)), (ii) LIBOR, and (iii) mandatory costs.

The following are financial covenants (which shall apply to Prosafe Production and its subsidiaries on a consolidated basis and be measured on the last day of each fiscal quarter of the company) from the fiscal quarter ending immediately following the divestment of Prosafe Production.

(i) Liquidity. Cash and Cash Equivalents shall at all times be equal to or greater than USD 65 million.

(ii) Working Capital. Borrower's (on a consolidated basis) current assets (including unutilized credit lines with a maturity in excess of 12 months) less current liabilities (excl. short term portion of long-term interest bearing debt) shall at all times be equal to or greater than zero.

(iii) Leverage Ratio. Total Debt to EBITDA (the "Leverage Ratio") on a trailing four-quarter basis shall not be greater than 5.50:1.00. It being understood that with respect to units that have not operated for a full year, the Prosafe Production Group's EBITDA shall be annualised and financial indebtedness related to units under construction/conversion shall be deducted from the Prosafe Production Group's financial indebtedness with an amount calculated as 50% of the capital expenditures related to such construction/conversion.

(iv) Equity Ratio. The ratio of Value Adjusted Equity to Value Adjusted Total Assets shall at all times be equal to or greater than 35%.

(v) Collateral Maintenance. The sum of fair market value of each Collateral Unit shall at all times be at least 130% of the sum of (x) the then aggregate outstanding principal amount of Loans and (y) the unutilized portion of the New Nordea FPSO Facility.

7.8.4 The Bond Loans and Note Loan

The Company has entered into two bond loans and one note loan with Norsk Tillitsmann ASA as trustee.

A NOK bond loan was entered into between the Company (previously Prosafe ASA) and Norsk Tillitsmann ASA 3 March 2005 and has a maximum limit of NOK 750 million. The bond loan shall be repaid 9 March 2010 and present outstanding amount is NOK 411 million.

A USD bond loan was entered into between the Company (previously Prosafe ASA) and Norsk Tillitsmann ASA 1 March 2005 and has a maximum limit of USD 100 million. The bond loan shall be repaid 9 March 2012 and present outstanding amount is USD 50 million.

The loan agreements for the bond loans entered into in March 2005 contain certain provisions with reference to transactions similar to the proposed split of Prosafe. Prosafe will therefore enter into discussions with Norsk Tillitsmann ASA in relation to the potential consequences the split may have, if any, for the bond loans entered into in March 2005.

A NOK 600 million note loan was entered into between the Company and Norsk Tillitsmann ASA 13 February 2008 and has a maximum limit of NOK 600 million. The note loan shall be repaid 15 May 2008.

7.8.5 Prosafe Production Services Pte Limited – Umuroa Facility

PPS has entered into a facility with i.a. ANZ National Bank Ltd as facility agent (the "Umuroa Facility") regarding financing of the FPSO Umuroa, which contains covenants as regards corporate structure etc. and a guarantee from the Company. The Company is in the process of obtaining the necessary consent from the lenders/facility agent, and this is expected to be obtained by mid-end April 2008.

The amount was drawn in November 2007 and will be fully repaid by 31 January 2012.

The Umuroa Facility will, following the split, be part of the Prosafe Production Group financing.

7.8.6 Prosafe Nautipa facility and Tinworth Pte Ltd

The shares in Prosafe Nautipa AS are transferred to Prosafe Production. Prosafe Nautipa AS is party to a USD 17.5 million credit facility with i.a. DnB NOR Bank ASA as agent, dated 30 May 2006 as amended 31 July 2007. This facility will continue as presently and be part of the Prosafe Production Group financing, however the existing guarantee from the Company shall be substituted by a guarantee from Prosafe Production as new parent of Prosafe Nautipa AS.

Initial facility amount of USD 17.5 million was drawn in June 2006. Loan amount as of 31 December 2007 was USD 14.3 million. There are semi-annual 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.

Furthermore, Tinworth Pte Ltd, which is owned 50% by Prosafe Nautipa AS, has issued various security documents in relation to the financing of the FPSO Petróleo Nautipa.

7.8.7 Investments

Since its formation in 1997, Prosafe has been through a period of major investments both in the form of organic growth and through the purchase and sale of companies. Following the merger with Safe Offshore, the Company had a fleet of three rigs. In the subsequent period, the market for accommodation/service rigs has been consolidated and a further five rigs added to the fleet.

The most recent acquisitions were the Safe Scandinavia and MSV Regalia rigs at a combined cost of USD 147 million during 1999 and 2000, while Safe Hibernia was acquired for USD 35 million in 2002.

Prosafe entered the floating production market in 2001 through the acquisition of Nortrans Offshore. FPSO Espoir Ivoirien was converted during 2001 and Abo FPSO in 2002. These vessels began production in February 2002 and April 2003 respectively.

A substantial upgrading of the fleet was carried out by the Company during 2003 and 2004. MSV Regalia was readied for subsea well intervention. Safe Scandinavia had its berth capacity expanded from 327 to 583. The Safe Lancia, Safe Regency and Safe Britannia rigs had their dynamic positioning systems upgraded, while the cranes on Safe Britannia were improved.

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.

For Offshore Support Services, the recommended internal rate of return is set at 15%. The internal rate of return is then calculated on the total invested capital without reference to the financing sources used. Investment in rigs or vessels will normally be 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.

8 BOARD OF DIRECTORS, MANAGEMENT AND EMPLOYEES

8.1 BOARD OF DIRECTORS

8.1.1 General information

In accordance with Cyprus law, the Board of Directors is responsible for administering the Company's affairs and for ensuring that the Company's operations are organised in a satisfactory manner.

The composition of the Company's Board of Directors is in accordance with the recommendation in the Norwegian Code of Practice for Corporate Governance dated 4 December 2007.

Under the Company's Articles of Association there shall be five Directors on the Board of Directors, but the Company may by ordinary resolution increase or decrease the number of Directors from time to time. The members of the Company's Board of Directors are elected by the general meeting of shareholders.

The Company's Board of Directors has a total of six members. All members are independent from the Company's management, the Company's main business associates and the main shareholders.

The following table sets forth the directors, their positions, and their terms of office:

Name	Position	Member Since	Term	Shareholding[10]
Reidar Lund	Chairman	1999	May 2009	125,000
Christian Brinch	Vice chairman	1997	May 2008	0
Ronny Johan Langeland	Board member	2002	May 2008	0
Michael Raymond Parker	Board member	2007	May 2009	0
Christakis Pavlou	Board member	2007	May 2009	0
Elin Nicolaisen	Board member	2006	May 2008	0

The Company's business address serves as c/o address in relation to the Board members in the Company.

8.1.2 Description of the board members

Below is a description of the individual board members:

Reidar Lund (chairman). Mr. Lund held the position as president of Transocean ASA from 1985 to 1997 and CEO of Prosafe ASA from 1997 to 1999. He holds a number of directorships in offshore related enterprises. Mr. Lund has been the chairman of Prosafe since 1999 and is due for re-election in 2009. Mr. Lund is a Norwegian citizen and resides in Tananger, Norway.

Christian Brinch (vice chairman). Mr. Brinch owns a consultancy business. His previous appointments include CEO of Helikopter Service AS and deputy CEO of ABB Norway. He is also the chairman of the board of Hafslund ASA and holds a number of other directorships. Mr. Brinch has been a director of Prosafe since 1997 and is due for re-election in 2008. Mr. Brinch is a Norwegian citizen and resides in Oslo, Norway.

Ronny Johan Langeland (board member). Mr. Langeland runs his own investment and consultancy company. His previous appointments include vice president for investment at Storebrand and Avanse Forvaltning. Mr. Langeland has been a director of Prosafe since 2002 and is due for re-election in 2008. Mr. Langeland is a Norwegian citizen and resides in Rælingen, Norway.

Michael Raymond Parker (board member). Mr. Parker has 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 of Prosafe since 2007 and is due for re-election in 2009. Mr. Parker is a citizen of the United Kingdom and resides in Malaga, Spain.

Christakis Pavlou (board member). Mr. Pavlou is 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. Mr. Pavlou has been a director of Prosafe since 2007 and is due for re-election in 2009. He also holds various directorships in financial enterprises. Mr. Pavlou is a citizen of the United Kingdom and resides in Nicosia, Cyprus.

Elin Nicolaisen (board member). Ms. Nicolaisen is a senior advisor at Aibel. Ms. Nicolaisen has a broad managerial experience from offshore projects within Vetco Aibel and ABB Offshore Systems, and she has also held the position as manager for the structural department in ABB Offshore Systems. Ms. Nicolaisen was elected board member in 2006 and is due for re-election in 2008. She is a Norwegian citizen and resides in Bærum, Norway.

[10] As at the date of this Information Memorandum

8.2 MANAGEMENT

The following table sets forth information with respect to the senior officers in the group:

Name	**Position**	**Shares**	**Synthetic Options**[11]
Arne Austreid	President and CEO	62,500	300,000
Karl Ronny Klungtvedt	Executive vice president and CFO	930	225,000
Robin Laird	President Offshore Support Services	0	250,000

The Company's business address serves as c/o address in relation to the Management's employment in the Company.

8.2.1 Description of the executive management

Below is a description of the individual members of the Group's executive management:

Arne Austreid (born 1956), President & CEO. Mr. Austreid has been President & CEO of Prosafe since 1999. He is educated as a petroleum engineer and has an MBA from the University of Aberdeen. Mr. Austreid joined Prosafe in 1998 as vice president marketing and business development. From 1982 to 1998, he held a number of positions in Transocean ASA, both offshore and onshore, and was president at his departure. Mr. Austreid is a director of the board of Solstad Offshore ASA and is a Norwegian citizen residing in Larnaca, Cyprus.

Karl Ronny Klungtvedt (born 1973), Executive Vice President & CFO. Mr. Klungtvedt 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. Mr. Klungtvedt is a Norwegian citizen and resides in Larnaca, Cyprus.

Robin Laird (born 1963), President Offshore Support Services. Mr. Laird has been President of Offshore Support Services since March 2005. He has a BSc from Edinburgh University and is a chartered public accountant in Scotland. Mr Laird was appointed Vice President Finance for Prosafe Offshore in 1995. Before that, he worked as controller at the Ben Line Group in Edinburgh. Mr. Laird is a citizen of Scotland and resides in Singapore.

8.3 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 alternates.

The election committee as per this date 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

[11] The Synthetic Options do not give rights to receive shares, but to receive a monetary bonus on specific terms

8.4 GENERAL INFORMATION CONCERNING THE MEMBERS OF THE MANAGEMENT AND BOARD

During the last five years preceding the date of this document, no member of the Company's Board of Directors or the senior management has:

- any convictions in relation to indictable offences or convictions in relation to fraudulent offences;
- received any official public incrimination and/or sanctions by any statutory or regulatory authorities (including designated professional bodies) or ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company; or
- been declared bankrupt or been associated with any bankruptcy, receivership or liquidation in his capacity as a founder, director or senior manager of a company.

The Company is not aware of any potential conflicts of interest between any duties to the Company, of the persons included in the Company's Board and executive management referred to in Sections 8.1 and 8.2 above and their private interest or other duties.

Upon a termination of employment, the Company's CEO, CFO and President Offshore Support Services are all entitled to two years severance payment plus payment of any outstanding bonuses. Other than such payments, or other payments required by law, no member of the executive management group or any of the board members are entitled to any benefits or remuneration upon termination of their employment or directorship.

As described in Section 4 of this Information Memorandum, four of the board members are also elected board members of Prosafe Production. In addition, Mr. Austreid is elected as board member of Prosafe Production.

8.5 CORPORATE GOVERNANCE COMPLIANCE

Prosafe's system of corporate governance is based on its vision and strategy. The business of the group is organised on the basis of a simple, clear and efficient model with a clear division of responsibilities and measurable corporate synergies in finance, insurance and information technology.

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.

8.5.1 Norwegian Code of Practice for Corporate Governance

Prosafe is listed on the Oslo Stock Exchange and is subject to Norwegian statutes concerning limited companies, accounting, the stock market and securities trading. Prosafe complies with the Norwegian Code of Practice for corporate governance as dated 4 December 2007. Prosafe's corporate governance regulations are set out on the Company's website www.prosafe.com.

Prosafe Production will implement the same corporate governance policy as currently practiced by Prosafe.

8.6 EMPLOYEES

As per this date, the Company has a total of 1,546 employees, incl. hired personnel. Subsequent the split, the Company will comprise of about 430 employees.

The table below shows an overview of the development of the number of employees in the group:

Number of employees	**31.12.2007**	**31.12.2006**	**31.12.2005**
Offshore Support Services	338	275	118
Floating Production	1,012	745	536
Corporate	10	10	11
Total	**1,360**	**1,030**	**665**

8.7 SYNTHETIC OPTIONS

Prior to the split of the Prosafe Group six persons in corporate positions are holding a total of 1,475,000 synthetic options. In addition the same persons are also entitled to 750,000 synthetic options which are to be awarded after the annual general meeting in 2008. However, due to the planned split, all the synthetic options will be exercised or cancelled and re-issued to reflect a similar share value exposure in the respective businesses after the split becomes effective. Four of the six persons will continue their employment with Prosafe SE, and will hence receive an adjusted amount of synthetic options in Prosafe SE. Two of the six persons will transfer their employment to Prosafe Production Private Limited, and will hence receive an adjusted amount of synthetic options in Prosafe Production Private Limited. Options being in-the-money at the time of the split will be exercised and re-issued with a strike price equivalent to the exercise price of the initial options. Any gain of such option exercise will be paid to the holders of the synthetic options. Options being out-of-the-money at the time of the split will be cancelled and re-issued with a new strike price equivalently far out-of-the-money. As profits derived from the synthetic options are taxable for the option holders, 50% of the profits shall be invested in shares in the respective companies.

The Board of Directors of Prosafe SE is in the process of developing and implementing a broader incentive scheme. This will involve the award of capped synthetic options also to the senior management in each of the listed companies after the split. The cap of the options will be set to 100% share price return. The new scheme is expected to include up to 10-15 persons in each listed company after the split, however, the number of synthetic options to be awarded under the new scheme is expected to be lower than that of the existing corporate level scheme. The capped options will have a two year vesting period followed by a two year exercise period.

9 SHARE CAPITAL AND SHAREHOLDER MATTERS

9.1 SHARE CAPITAL AND SHARES

9.1.1 Share capital

The Company's registered share capital is EUR 57,484,198 divided into 229,936,790 Shares each with a nominal value of EUR 0.25, fully paid. No Shares are held by the Company itself or by any of its subsidiaries.

9.1.2 The Shares

The Shares are equal in all respects and there are no different voting rights or classes of shares.

The Shares have been created under Cyprus law and registered in the book-entry form in the VPS under the international securities identification number CY 010 0470919. The registrar for the Shares is DnB NOR Bank Norge ASA, Stranden 20, 0250 Oslo, Norway ("DnB Nor" or the "Registrar") as further described in Section 3.3.1 above.

9.1.3 Transferability and foreign ownership

Each Share carries one vote at the Company's' general meeting and all Shares are freely transferable and tradable.

The Board of Directors may, according to section 16 of the Company's Articles of Association, refuse to register a share transfer provided that such transfer would, in the opinion of the Board, be likely to result in 50% or more of the aggregate issued share capital of the Company, or shares of the Company to which are attached 50% or more of the votes attached to all issued shares of the Company, being held or owned directly or indirectly by individuals or legal persons resident for tax purposes in Norway or, alternatively, such shares being effectively connected to a Norwegian business activity, or the Company otherwise being deemed a Controlled Foreign Company as such term is defined pursuant to Norwegian tax legislation.

9.2 OUTSTANDING AUTHORIZATIONS

9.2.1 Repurchase of own shares

In the annual general meeting held on 3 May 2007 it was resolved to authorise the Board of Directors of the Company to acquire own shares for a total nominal value of a maximum of up to NOK 459,873,580. However, the Company's portfolio of own shares may not at any time exceed 10% 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 NOK 2 (the par value of the shares) 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 is effective for 12 months as from 3 May 2007 and is valid also after the relocation of the Company to Cyprus.

9.3 WARRANTS, ETC.

The Company has no warrants, options or convertible bonds that give the holder rights to require issue of shares in the Company. No authority exists to such instruments.

9.4 HISTORICAL DEVELOPMENT OF SHARE CAPITAL

The table below shows the historical development of share capital and the number of outstanding shares in Company:

Date	Change in share capital (NOK)	Nominal value per share	Subscription price	Total share capital	Number of shares
30.05.02	-	NOK 10.00	N/A	NOK 339,579,400	33,957,940
14.02.04	800,000	NOK 10.00	128.00	NOK 340,379,400	34,037,940
07.12.04	55,550	NOK 10.00	40.66	NOK 340,434,950	34,043,495
17.01.05	200,870	NOK 10.00	118.68	NOK 340,635,820	34,063,582
16.03.05	83,040	NOK 10.00	148.50	NOK 340,718,860	34,071,886
21.04.05	55,550	NOK 10.00	40.66	NOK 340,774,410	34,077,441
31.12.05	201,020	NOK 10.00	148.50	NOK 340,975,430	34,097,543
25.01.06	62,280	NOK 10.00	148.50	NOK 341,037,710	34,103,771
24.03.06	62,280	NOK 10.00	148.50	NOK 341,099,990	34,109,999
04.04.06	68,860	NOK 10.00	148.50	NOK 341,168,850	34,116,885
01.06.06	47,561,490	NOK 10.00	344.50	NOK 388,730,340	38,873,034
23.06.06	50,367,460	NOK 10.00	319.36	NOK 439,097,800	43,909,780
12.07.06	229,400	NOK 10.00	368.50	NOK 439,327,200	43,932,720
21.08.06	20,546,380	NOK 10.00	349.50	NOK 459,873,580	45,987,358
22.12.06	Split 5 for 1	NOK 2.00	N/A	NOK 459,873,580	229,936,790
21.09.07	Redenomination to euro	EUR 0.25	N/A	EUR 57,484,198	229,936,790

9.5 MAJOR SHAREHOLDERS

Based on the information registered in VPS as of 21 April 2008, Prosafe had a total of 4,548 registered shareholders, of whom 4,023 were Norwegian and 525 were foreign shareholders. The Shares carry equal rights in all respects. Each Share has the right to one vote at general meetings. Major shareholders have the same voting rights as all other shareholders.

The table below shows the Company's 20 largest shareholders based on the information as registered in VPS on 21 April 2008:

	Shareholder	Number of Shares	%
1	BW Offshore	60,932,990	26.50 %
2	Folketrygdfondet	14,825,735	6.45 %
3	GMO..	9,669,973	4.22 %
4	Brown Brothers Harriman	9,484,926	4.13 %
5	JPMorgan Chase Bank (nom.)...	7,368,132	3.20 %
6	State Street Bank and Trust (nom.)......................................	6,304,437	2.74 %
7	JPMorgan Chase Bank	5,865,056	2.55 %
8	UBS (nom.)	4,717,972	2.05 %
9	Pareto..	4,118,850	1.79 %
10	Mellon Bank (nom.)	3,791,258	1.65 %
11	Storebrand	3,682,312	1.60 %
12	Morgan Stanley (nom.)..	3,307,080	1.44 %
13	Clearstream Banking (nom.)..	3,238,885	1.41 %
14	Bank of New York..	3,088,490	1.34 %
15	Morgan Stanley (nom.)..	3,042,146	1.32 %
16	RBC Dexia (nom.)..	2,880,765	1.25 %
17	Vital..	2,827,626	1.23 %
18	Mellon Bank (nom.)	2,750,286	1.20 %
19	Danske Bank (nom.)...	2,205,078	0.96 %
20	JP Morgan Chase Bank	2,147,924	0.93 %
	Total 20 largest shareholders..	**156,279,921**	**67.97 %**
	Others	73,656,869	32.03 %
	Total..	**229,936,790**	**100.00 %**

9.6 SHAREHOLDER – DIVIDEND POLICY

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 development and direct return in the form of dividend.

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. The board of Prosafe adopted in its meeting held on 14 March 2008 a dividend model subsequent the split of Prosafe targeting a distribution of approximately 50% of the Company's annual net profit.

Special dividends were paid for the years from 2002 to 2006 because the free cash flow significantly exceeded the need to invest. Buying back shares will be considered as an alternative to profitable new investment, dividend and extraordinary debt servicing. A special dividend is also proposed for the year 2007 whereof shareholders could receive shares in the Company' floating production division as dividend in kind. This proposed distribution is further described in Section 3.2 of this Information Memorandum.

The administration's mandate is to create the best possible basis for active development of the Company, and to manage its assets in such a way that its value is as clear as possible at all times.

In order to ensure equal treatment of its shareholders, one of Prosafe's aims is to make sure that the stock market is in possession at all times of correct, clear and timely information about the Company's operations and condition. This is essential for an efficient pricing of the Shares and for 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. In addition, information of significance for assessing the Company's underlying value and prospects is reported to Oslo Børs and made available via the financial information service at www.newsweb.no under the Company's ticker code "PRS" as well as on the Company's own web site. Further details, such as the Articles of Association, contact names, addresses and news about the Company, are also available at www.prosafe.com.

Prosafe has been awarded the Oslo Børs' Information and English symbols, 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 clearly defined, and will otherwise define from case to case, which persons are authorised to speak to the external market on its behalf concerning various issues.

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 true facts. For that reason, Prosafe places great weight on ensuring that all analysts receive accurate, clear and relevant information, and are treated equally regardless of the recommendations they make. A list of analysts who monitor Prosafe can be found at www.prosafe.com.

9.7 SHAREHOLDER AGREEMENTS

The Company is not aware that its shareholders have entered into any shareholders agreements.

9.8 ADMISSION TO TRADING AND DEALING ARRANGEMENTS

The Prosafe Shares are admitted to listing and are traded on Oslo Børs under the ticker code "PRS". The Prosafe Shares are not sought or admitted to trading on any other regulated market.

10 LEGAL MATTERS

10.1 LEGAL PROCEEDINGS

Neither Prosafe nor Prosafe Production have in the previous 12 months been involved in or threatened with governmental, legal or arbitration proceedings which may have, or have had significant effects on the Company's financial position or profitability.

10.2 MATERIAL CONTRACTS OUTSIDE THE OPERATIONS OF PROSAFE

Prosafe is not aware of any contracts outside the activities of Prosafe.

11 ADDITIONAL INFORMATION

11.1 DOCUMENTS ON DISPLAY

For the life of this Information Memorandum, the following documents may be inspected at www.prosafe.com, or at the Company's offices at 126 Stadiou Street, 2nd floor, Larnaca 6020, Cyprus or at the offices of Prosafe AS, Nedre Holmegate 30-34, P.O. Box 559 Sentrum, 4003 Stavanger, Norway as indicated in the list below:

- The Company's Memorandum and Articles of Association (also included in Appendix 1 to this Information Memorandum)
- The auditor's statement on the pro forma financial figures included in the Information Memorandum (also included in Appendix 2 to this Information Memorandum)
- The Company's historical financial information and auditors report for the years 2007, 2006 and 2005 (the 2007 annual report is included in Appendix 3 to this Information Memorandum)
- The Company's financial report for fourth quarter 2007 (also included in Appendix 4 to this Information Memorandum)

11.2 INFORMATION INCORPORATED BY REFERENCE

The following documents are incorporated in the Information Memorandum by reference:

Reference	Section in Information Memorandum	Incorporated by reference	Website
The Company's audited annual report for 2006 including an overview of the Company's accounting policy, explanatory notes and auditor's statement	Section 7.1	Consolidated financial information in Prosafe annual report for 2006, including income statement (page 65), balance sheet (page 66), cash flow statement (page 67), changes in equity (page 80), an overview of accounting principles (pages 68 to 70), explanatory notes (pages 68 to 85) and the auditor's report (page 92)	www.prosafe.com
The Company's audited annual report for 2005 including an overview of the Company's accounting policy, explanatory notes and auditor's statement	Section 7.1	Consolidated financial information in Prosafe annual report for 2005, including profit and loss account (page 54), balance sheet (page 55), cash flow statement (page 56), changes in equity (page 57), an overview of accounting principles (pages 57 and 58), explanatory notes (pages 59 to 73) and the auditor's report (page 84)	www.prosafe.com
Details on the Company's revenues by category of activity and geographic market for 2006	Section 5.8	Prosafe's annual report for 2006, pages 72 and 73	www.prosafe.com
Details on the Company's revenues by category of activity and geographic market for 2005	Section 5.8	Prosafe's annual report for 2005, page 60	www.prosafe.com

11.3 STATEMENT REGARDING SOURCES

When using third party sources regarding market data, information has been sourced from different databases on different times and the data is usually compiled in a different format by the Company and/or other third parties. The Company confirms that when information in this Information Memorandum has been sourced from a third party it has been accurately reproduced and as far as the Company is aware and is able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

12 DEFINITIONS AND GLOSSARY

The following definitions and glossary apply in this Information Memorandum unless dictated otherwise by the context, including the foregoing pages of this Information Memorandum.

12.1 DEFINITIONS

Articles of Association or Articles:...	The Articles of Association of the Company
Group:	Prosafe SE and its subsidiaries
IFRS:	International Financial Reporting Standards, issued by the IASB
Listing:	The Listing of Prosafe Production's shares on Oslo Børs
Manager:	Pareto Securities AS
Money Laundering Act:	The Money Laundering Act of June 20 2003 no. 41 ("Hvitvaskingsloven")
Norwegian Securities Trading Act:...	The Securities Trading Act of 19 June 1997 no. 79 ("Verdipapirhandelloven")
Oslo Axess:	Authorised market place operated by Oslo Børs ASA
Oslo Børs:	Oslo Børs ASA (translated "the Oslo Stock Exchange")
Prosafe or the Company:	Prosafe SE (including its subsidiaries unless the context otherwise requires)
Prosafe Production Group:	Prosafe Production and its subsidiaries
Prosafe Production Share(s):	"Prosafe Production Shares" means common shares in the capital of Prosafe Production and "Prosafe Production Share" means any one of them
Prosafe Production:	Prosafe Production Public Limited
Prosafe Share(s):	"Prosafe Shares" means common shares in the capital of Prosafe and "Prosafe Production Share" means any one of them
VPS account:	An account with VPS for the registration of holdings of securities
VPS:	Verdipapirsentralen (Norwegian Central Securities Depository), which organizes the Norwegian paperless securities registration system

12.2 GLOSSARY OF TERMS

Bbls	Barrels
Bfpd	Barrels of Fluid Per Day
Bopd	Barrels of Oil Per Day
Bwpd	Barrels of Water Per Day
Dwt	Dead Weight tonnes
EUR	Euro, the lawful currency of member countries of the European Union
FDPSO	Floating Drilling, Production, Storage and Offloading vessel
FPSO	Floating Production Storage and Offloading
FSO	Floating Storage and Offloading unit
GBP	British pounds sterling, the lawful currency of Great Britain
Mmscfd	Millions of Standard Cubic Feet per Day (measure of gas produced in a reservoir)
MSV	Multi-Service Vessel
NOK	Norwegian Kroner, the lawful currency of the Kingdom of Norway
SGD	Singapore Dollar, the lawful currency of Singapore
USD	United States Dollar, the lawful currency of the United States

Appendix 1: Memorandum and Articles of Association for Prosafe

(Last amended 21 September 2007)

THE COMPANIES LAW (CAP.113)

EUROPEAN PUBLIC LIMITED LIABILITY COMPANY

MEMORANDUM OF ASSOCIATION

OF

PROSAFE SE

1. The name of the company is PROSAFE SE

2. The registered office of the company will be situated in Cyprus.

3. The objects for which the company is established are:

(1) To conduct exploration for, drilling for and production of petroleum deposits and other natural resources on land or from fixed or mobile installations offshore, and to own, lease and operate the equipment deemed to be requisite and desirable in that connection, including mobile drilling rigs and vessels, etc, to provide related services and consultancy, engineering and fabrication services, and to deliver products and services in connection with its own business or that of others including participation in other companies as a shareholder or in another manner.

(2) To carry on either alone or jointly with others anywhere in the world the business of an investment company (including that of an investment trust company) and to acquire by original subscription, contract, purchase, exchange or otherwise and either in the name of the company or in that of any nominee and to possess, exploit, charge, exchange, hold, sell or otherwise in any other manner alienate on any terms, any shares, stocks, debentures, debenture stock, bonds, notes, obligation and securities whatsoever issued or guaranteed by any government, sovereign ruler, natural or legal person, partnership, public body or authority supreme, dependent, municipal, local, or otherwise wherever situate and whether they are fully paid or not and subject to any terms that may be deemed proper, and, to acquire, possess, exploit, sell or otherwise alienate or charge, on any terms which may be deemed proper, the whole or part of the interest in any business or undertaking, any letters patent, brevets d'inventions, concessions, designs, trade marks, copyrights secret processes, licences, inventions, rights and privileges subject to royalty or otherwise whether on an exclusive or non-exclusive or limited basis or otherwise.

(3) To carry on either alone or jointly with others anywhere in the world (and whether in a "free zone area", bonded area or elsewhere), the business of manufacturers, processors, dealers, wholesalers, retailers, importers, exporters, suppliers, distributors, buyers, sellers of any kind of goods materials merchandises or things of any nature, as well as the business of merchants in general, carriers by any means of transportation, travel or insurance agents, agents on commission or otherwise, forwarding agents, estate agents and agents in general and to carry on either alone or jointly with others anywhere in the world the business of investment company, general and specialised consultants and managers.

(4) To carry on either alone or jointly with others anywhere in the world the business of consultants, managers, analysts, controllers, examiners, researches, technical or other advisers, promoters, financial analysts, costs analysts, valuers, supervisors, auditors, accountants, statisticians, economists, (including the undertaking and making of feasibility studies), financiers and advertisers in relation to any kind of industry, commerce, business or undertaking of every kind and nature either in the public or the private sector and to advise on the means and methods of promoting and executing any project whatsoever including the acquisition, sale, letting or availability of any kind of "know-how" and the business of company engaging acquiring and making available services and goods.

(5) To engage, hire and train professional, clerical, manual, technical and other staff and workers or their services or any of them and in any way and manner acquire, possess manufacture or assemble any property of any kind or description whatsoever (including any rights over or in connection with such property) and to allocate and make available the aforesaid personnel or services or make the use of such property available on hire purchase sale exchange or in any other manner whatsoever to those requiring or requesting the same or who have need of the same or their use and otherwise to utilise the same for the benefit or advantage of the company; to provide or procure the provision by others of every and any service, need, want or requirement of any business nature required by any person firm or company in or in connection with any business carried on by them.

(6) To carry on any other business or activity which may seem to the Directors capable of being conveniently or advantageously carried on or done in connection with any of the above objects or calculated directly or indirectly to enhance the value of or render more profitable any of the company's business property or rights.

(7) To purchase, obtain by way of gift, take on lease or sublease or in exchange, or otherwise acquire or possess and hold for any estate or interest any lands, buildings, easements, rights, privileges, concessions, permits, licences, stock-in-trade, and movable and immovable property of any kind and description (whether mortgaged charged or not) necessary or convenient for the purposes of or in connection with the company's business or any branch or department thereof or which may enhance the value of any other property of the company.

(8) To erect, maintain, work, manage, construct, reconstruct, alter, enlarge, repair, improve, adapt, furnish, decorate, control, pull down, replace any shops, offices, flats, electric or water works, apartments, workshops, mills, plants, machinery, warehouses and any other works, buildings, plants, conveniences or structures whatsoever, which the company may consider desirable for the purposes of its business and to contribute to, subsidize or otherwise assist or take part in the construction, improvement, maintenance, working, management, carrying out or control thereof.

(9) To improve, manage, control, cultivate, develop, exploit, exchange, let on lease or otherwise, mortgage, charge, sell, dispose of, grant as gift, turn to account, grant rights and privileges in respect of, or otherwise deal with all or any part of the property, assets and rights of the company or in which the company is interested and to adopt

such means of making known and advertising the business and products of the company as may seem expedient.

(10) To manufacture, repair, import, buy, sell, export, let on hire and generally trade or deal in, any kind of accessories, articles, apparatus, plant, machinery, tools, goods, properties, rights or things of any description capable of being used or dealt with by the company in connection with any of its objects.

(11) To deal in, utilise for building or other purposes, let on lease or sublease or on hire, to assign or grant licence over, charge or mortgage, the whole or any part or parts of the immovable property belonging to the company or any rights thereon or in which the company is interested on such terms as the company shall determine.

(12) To purchase or otherwise acquire all or any part of the business, assets, property and liabilities of any company, society, partnership or person, formed for all or any part of the purposes within the objects of this company, or carrying on any business or intending to carry on any business which this company is authorised to carry on, or possessing property suitable for the purposes of the company and to undertake, conduct and carry on, or liquidate and wind up, any such business and in consideration for such acquisition to pay in cash, issue shares, undertake any liabilities or acquire any interest in the vendor's business.

(13) To apply for and take out, purchase or otherwise acquire any designs, trade marks, patents, patent rights or inventions, brevets d'invention, copyright or secret processes, which may be useful for the company's objects, and to grant licences to use the same.

(14) To pay all costs, charges, and expenses incurred or sustained in or about the promotion, formation and establishment of the company, or which the company shall consider to be in the nature of preliminary expenses or expenses incurred prior to incorporation and with a view to incorporation, including therein professional fees, the cost of advertising, taxes, commissions for underwriting, brokerage, printing and stationery, salaries to employees and other similar expenses and expenses attendant upon the formation and functioning of agencies, local boards or local administration or other bodies, or expenses relating to any business or work carried on or performed prior to incorporation, which the company decides to take over or continue.

(15) Upon any issue of shares, debentures or other securities of the company, to employ brokers, commission agents and underwriters, and to provide for the remuneration of such persons for their services by payment in cash or by the issue of shares debentures or other securities of the company, or by the granting of options to take the same, or in any other manner allowed by law.

(16) To borrow, raise money or secure obligations (whether of the company or any other person) in such manner and on such terms as may seem expedient, including the issue of debentures, debentures stock (perpetual or terminable), bonds, mortgages or any other securities, founded or based upon all or any of the property and rights of the company, or without any such security, and upon such terms as to priority or otherwise, as may be thought fit.

(17) To lend and advance money or give credit to any person, firm or company including employees of the company, on conditions more favourable than the prevailing market conditions including free of interest, and (or) upon such security as may be thought proper, or without any security thereof; to guarantee and give guarantees or indemnities for the payment of money or the performance of contracts of obligations by any person, firm or company; to secure or undertake in any way the repayment of money lent or advanced to or the liabilities incurred by any person, firm or company; and otherwise to assist any person or company as may be thought fit.

(18) To draw, execute, issue, accept, make, endorse, discount and negotiate bills of exchange, promissory notes, bills of lading, and other negotiable or transferable instruments or securities.

(19) To receive money on deposit, with or without allowance of interest thereon.

(21) To invest the moneys of the company not immediately required in such manner, other than in the shares of this company, as from time to time may be determined by the Directors.

(22) To issue, or guarantee the issue of or the payment of interest on, the shares, debentures, debentures stock, or other securities or obligations of any company or association, and to pay or provide for brokerage, commission, and underwriting in respect of any such issue.

(23) To acquire by subscription, purchase or otherwise, and to accept, take, hold, deal in, convert and sell, any kind of shares, stock, debentures or other securities or interests in any other company, society or undertaking whatsoever.

(24) To issue and allot fully paid shares in the capital of the company or issue debentures or securities in payment or part payment of any movable or immovable property purchased or otherwise acquired by the company or any services rendered to the company and to remunerate in cash or otherwise any person, firm or company rendering services to this company or grant donations to such persons.

(25) To establish anywhere in the world, branch offices, regional offices, agencies and local boards and to regulate and to discontinue the same.

(26) To provide for the welfare of officers or of persons in the employment of the company, or former officers or formerly in the employment of the company or its predecessors in business or officers or employees of any subsidiary or associated or allied company, of this company, and the wives, widows, dependents and families of such persons, by grants of money, pensions or other payments, (including payments of insurance premia) and to form, subscribe to, or otherwise aid, any trust, fund or scheme for the benefit of such persons, and any benevolent, religious, scientific, national or other institution or object of any kind, which shall have any moral or other claims to support or aid, by the company by reason of the nature or the locality of its operations or otherwise.

(27) From time to time to subscribe or contribute to any charitable, benevolent, or useful object of a public character the support of which will, in the opinion of the company, tend to increase its repute or popularity among its employees, its customers or the public.

(28) To enter into and carry into effect any arrangement for joint working in business, union of interests, partnership or for sharing of profits or for amalgamation, with any other company, partnership or person, carrying on business within the objects of this company.

(29) To establish, promote and otherwise assist, any company or companies for the purpose of acquiring any of the property or furthering any of the objects of this company or for any other purpose which may seem directly or indirectly calculated to benefit this company.

(30) To apply for, promote, and obtain any Law, Order, Regulation, By-Law, Decree, Charter, concession, right, privilege, licence or permit for enabling the company to carry any of its objects into effect, or for effecting any modification of the company's constitution, or for any other purpose which may seem expedient, and to oppose any proceedings or applications which may, calculated directly or indirectly, prejudice the company's interest and to enter into and execute any arrangement with any Government or Authority, supreme, municipal, local or otherwise that may seem conducive to the company's objects or any of them.

(31) To sell, dispose of, mortgage, charge, grant rights or options or transfer the business, property and undertakings of the company, or any part or parts thereof, for any consideration, which the company may see fit to accept.

(32) To accept stock or shares in, or the debentures, mortgage debentures or other securities of any other company in payment or part payment for any services rendered or for any sale made to or debt owing from any such company.

(33) To distribute in specie or otherwise as may be resolved any assets of the company among its members and particularly the shares, debentures or other securities of any other company belonging to this company or which this company may have the power of disposing.

(34) To do all or any of the matters hereby authorised in any part of the world either alone or in conjunction with, or as factors, trustees, principals, sub-contractors or agents for, any other company, firm or person, or by or through any factors, trustees, sub-contractors or agents.

(35) To procure the registration or recognition of the company in any country or place; to act as secretary, manager, director or treasurer of any other company.

Generally to do all such other things as may appear to the company to be incidental or conclusive to the attainment of the above objects or any of them.

The objects set forth in any sub-clause of this clause shall not be restrictively construed but the widest interpretation shall be given thereto, and they shall not, except when the context expressly so requires, be in any way limited to or restricted by reference to or inference from any other object or objects set forth in such sub-clause or from the terms of any other sub-clause or marginal title or by the name of the company. None of such sub-clauses or object or objects therein specified or the powers thereby conferred shall be deemed subsidiary or ancillary to the objects or powers mentioned in any other sub-clause, but the company shall have full power to exercise all or any of the powers and to achieve or to endeavour to achieve all or any of the objects conferred by and provided in any one or more of the said sub-clauses.

4. The liability of the members is limited.

5. The share capital of the company is EURO 57,484,197.5 divided into 229,936,790 fully paid shares of EURO 0,25 each.

THE COMPANIES LAW, CAP. 113

EUROPEAN PUBLIC LIMITED LIABILITY COMPANY

ARTICLES OF ASSOCIATION

OF

PROSAFE SE

INTERPRETATION

1. In these regulations:

"any law" : means any Cyprus law in force, other than the Companies Law, Cap. 113, as well as, any foreign law which applies or may apply to the Company.

"Board of Directors" : means the administrative organ of the one – tier system of management according to the European Regulations.

"Cyprus" : means the Republic of Cyprus.

"Director" : means any person appointed to perform the duties of the Director who is a member of the Board of Directors of the Company.

"European Regulations" : means the Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European Company (SE) and Council Directive (EC) No 86/2001 of 8 October 2001 supplementing the statute for European Company with regard to the involvement of employees.

"General Meeting" : means the general meeting of the shareholders of the Company.

"the Law" : means the Companies Law, Cap. 113 or any Law substituting or amending the same, including the relevant Regulations issued under the Law.

"Registrar" means DnB NOR Bank ASA, acting through its Registrar's Department (known as "Verdipapirservice")

"the seal" : means the common seal of the Company.

"the Secretary": means any person appointed to perform the duties of the secretary of the Company.

"VPS" means the Norwegian Central Securities Depository (known as "Verdipapirsentralen")

Expressions referring to "writing" shall, unless the contrary intention appears, be construed as including references to printing, lithography, photography, and other modes of representing or reproducing words in a visible form.

Unless the context otherwise requires, words or expressions contained in these Regulations shall bear the same meaning as in the Law or any statutory modification thereof in force at the date at which these Regulations become binding on the Company.

TABLE "A" EXCLUDED

2. The Regulations contained in Table "A" in the First Schedule to the Law shall not apply except so far as the same are repeated or contained in these Regulations.

EUROPEAN COMPANY (SE)

2A. The present Memorandum and Articles of Association, shall be construed and applied in accordance with the rules applicable to a European public limited liability company (Societas Europaea or SE) and in conformity with the Law and the European Regulations. In case of variation or inconsistency of any provision of the present Memorandum and Articles of Association with the Law and the European Regulations, the Law and the European Regulations shall prevail and such provision shall be disregarded.

BUSINESS

3. The Company shall enter into, adopt, carry into effect, take over or continue (with such modifications, if any, as the contracting parties shall agree and the Board of Directors shall approve), any agreement or business or work for which there is express or implied authorization in the Memorandum of Association or the present Regulations to be carried out or undertaken by the Company at the time or times that the Board of Directors of the Company may deem appropriate.

SHARE CAPITAL AND VARIATION OF RIGHTS

4.1. The Board of Directors shall have authority to issue any shares for the time being unissued and not allotted and any new shares from time to time to be created as authorized by the General Meeting from time to time.

4.2 No shares of the Company shall be issued unless fully paid.

5. The Company has only one class of shares. All shares have equal rights, and all shareholders shall be treated in a non- discriminatory manner by the Company.

6. The Company may exercise the powers of paying commissions conferred by section 52 of the Law, provided that the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by the said section and the rate of the commission shall not exceed the rate of 10 per cent of the price at which the shares in respect whereof the same is paid are issued or an amount equal to 10 per cent of such price (as the case may be). Such commission may be satisfied by the payment of cash or the allotment of fully paid shares or partly in one way and partly in the other. The Company may also on any issue of shares pay such brokerage as may be lawful.

7. Every Member, upon becoming the holder of any shares (except a recognised clearing house or a nominee of a recognised clearing house or of a recognised investment exchange in respect of whom the Company is not required by any law to complete and have ready for delivery a certificate) shall be entitled, without payment, to one certificate for all the shares held by him (and, upon transferring a part of his holding of shares , to a certificate for the balance of such holding) or several certificates each for one or more of his shares upon payment for every certificate after the first of such reasonable sum as the Board of Directors may from time to time determine. Subject to Regulation 14 every certificate shall be sealed with the seal or executed by one director and the secretary or by two directors and shall specify the number and distinguishing numbers of the shares to which it relates and the amount or respective amounts paid up thereon. The Company shall not be bound to issue more than one certificate for shares held jointly by several persons and delivery of a certificate to one joint holder shall be a sufficient delivery to all of them.

8. Nothing in these Regulations shall preclude any share or other security of the Company from being issued, held, registered, converted, transferred or otherwise dealt with in uncertificated form, if this is permitted under the Laws of Cyprus.

In relation to any share or other security which is in uncertificated form, these Regulations shall have effect subject to the following provisions:-

(a) the Company shall not be obliged to issue a certificate evidencing title to shares and all references to a certificate in respect of any shares or securities held in uncertificated form in these Regulations shall be deemed inapplicable to such shares or securities which are in uncertificated form;

(b) the registration of title to and transfer of any shares or securities in uncertificated form shall be sufficient for its purposes and shall not require a written instrument of transfer;

9. If a share certificate is defaced, worn out, lost or destroyed, it may be renewed on such terms (if any) as to evidence and indemnity (with or without security) and payment of any exceptional out-of-pocket expenses reasonably incurred by the Company in investigating evidence and preparing the requisite form of indemnity as the Board of Directors may determine but otherwise free of charge, and (in the case of defacement or wearing out) on delivery up of the old certificate.

10. The Board of Directors may by resolution determine either generally or in any particular case that any certificates for shares or debentures or representing any other form of security to which the seal is affixed may have signatures affixed to them by some mechanical means, or printed thereon or that such certificates need not bear any signature.

11. The Company shall not give, whether directly or indirectly, and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person of or for any shares in the Company or in its holding company nor shall the Company make a loan for any purpose whatsoever on the security of its shares or those of its holding company, but nothing in this Regulation shall prohibit transactions mentioned in the proviso to section 53(1) of the Law.

TRANSFER OF SHARES

12. Nothing in these Regulations shall preclude the transfer of shares or other securities of the Company in uncertificated form, if this is permitted under the Laws of Cyprus, in accordance with the terms of Regulation 8 and any references contained in these Regulations in relation to the execution of any instrument of transfer or the registration of any transfer of shares or other securities of the Company in uncertificated form shall be read in accordance with the terms of Regulation 8.

13. The instrument of transfer of any share shall be executed by or on behalf of the transferor and transferee, and the transferor shall be deemed to remain a holder of the share until the name of the transferee is entered in the Register of Members in respect thereof.

14. Any Member may transfer all or any of his shares by instrument in writing in any usual or common form or any other form, including electronic form, which the Directors may approve.

15. The Board of Directors may refuse to register the transfer of any share unless the procedure for the registration of the transfer has been complied with and the

instrument of transfer is lodged, duly stamped, at the office or at such other place as the Board of Directors may appoint accompanied by the certificate for the shares to which it relates and such other evidence as the Board of Directors may reasonably require to show the right of the transferor to make the transfer.

16. The Board of Directors may refuse to register the transfer of any share, and may direct the Registrar to decline (and the Registrar shall decline if so requested) to register the transfer of any interest in a share held through the VPS, where such transfer would, in the opinion of the Board, be likely to result in 50% or more of the aggregate issued share capital of the Company, or shares of the Company to which are attached 50% or more of the votes attached to all issued shares of the Company, being held or owned directly or indirectly by individuals or legal persons resident for tax purposes in Norway or, alternatively, such shares being effectively connected to a Norwegian business activity, or the Company otherwise being deemed a Controlled Foreign Company as such term is defined pursuant to Norwegian tax legislation.

17. If the Board of Directors refuses to register the transfer, it shall within two months after the date on which the instrument of transfer was lodged with the Company send to the transferee notice of the refusal.

18. No fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to any share.

19. The Company shall be entitled to retain any instrument of transfer which is registered, but any instrument of transfer which the Board of Directors refuses to register shall be returned to the person lodging it when notice of the refusal is given.

PLEDGE OF SHARES

20. Any share may be pledged by a Member as security for any loan, debt or obligation of such Member, without the approval of the Board of Directors.

TRANSMISSION OF SHARES

21. Any person becoming entitled to a share in consequence of the death or bankruptcy of a Member may, upon such evidence being produced as may from time to time properly be required by the Directors and subject as hereinafter provided, elect either to be registered himself as holder of the share or to have some person nominated by him registered as the transferee thereof.

22. If the person so becoming entitled shall elect to be registered himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects. If he shall elect to have another person registered, he shall testify his election by executing to that person a transfer of the share.

23. A person becoming entitled to a share by reason of the death or bankruptcy of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that he shall not, before being registered as a Member in respect of the share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company.

Provided always that the Directors may at any time give notice requiring any such person to elect either to be registered himself or to transfer the share, and if the notice is not complied with within ninety days, the Directors may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the share until the requirements of the notice have been complied with.

PUBLIC OFFERS ON SHARES

24. This regulation 24 does not apply to the Registrar.

24.1 A person or entity that directly or indirectly acquires shares which implies that the share of the capital interest or voting rights held by such person or entity exceeds a threshold of 1/3 ("**Threshold 1**") of the total capital interest or voting rights in the Company, such person or entity (the "**Offeror**"), is required to make an unconditional public offer (the "**Offer**") at a fair price for the purpose of acquiring all issued and outstanding shares in the share capital of the Company, as well as all issued and outstanding instruments giving rights to shares in the share capital of the Company or voting rights.

In case a shareholder has exceeded Threshold 1 and not Threshold 2 (as defined below) prior to the date that these articles come into effect, the obligation to make the Offer will apply to that particular shareholder when that shareholder increases the number of shares held by that shareholder.

This regulation 24 including the obligation to make the Offer shall also apply accordingly in case a shareholder who owns shares representing more than 1/3 of the total capital interest or voting rights in the Company directly or indirectly acquires shares which implies that the share of the capital interest or voting rights held by such shareholder exceeds a threshold of forty percent ("**Threshold 2**") or fifty percent ("**Threshold 3**") of the total capital interest or voting rights in the Company. This paragraph does not apply in case the share acquisition takes place in connection with the Offer.

Under this regulation 24, shares owned or acquired by the following persons and entities shall be considered equal to a shareholder's own shares:

(i) the spouse or a person with whom the shareholder cohabits in a relationship akin to marriage,
(ii) the shareholder's children under 18 years of age, and children under 18 years of a person as mentioned in 1 above with whom the shareholders cohabits,

(iii) an entity within the same group as the shareholder,

(iv) a person or an entity with whom the shareholder must be assumed to be acting in concert in the exercise of rights accruing to the owner of a share in the Company and

(v) an entity in which a person or an entity mentioned in (i) to (iv) above has a controlling interest as a result of an agreement or through the ownership of shares or units in that entity.

The requirement to make an Offer is not triggered off by acquisitions in the form of;

(i) inheritance or gift,

(ii) allotment on division of estate

(iii) consideration in demerger or merger of a limited liability company.

A shareholder who has passed Threshold 1, 2, or 3 in a manner that did not trigger off the requirement to make an Offer and therefore has not made an Offer, is obliged to make an Offer in connection with any subsequent share acquisition that increases the shareholder's voting rights in the Company.

The requirement to make an Offer does not apply if the Offeror within four weeks after the requirement arouse, dispose of such number of shares exceeding the threshold which triggered off the requirement.

24.2 The Offer shall insure the equality of treatment of shareholders and of holders of instruments giving right to shares in the share capital of the Company or voting rights. The Offeror may not, in making the Offer, differentiate the Offer between groups of or individual shareholders.

24.3 The Offer price shall be at least as high as the highest price paid by the Offeror for shares in the Company in the period 6 months prior to the date when the offer obligation was activated. If it is clear that the fair price when the Offer obligation was activated is higher than the price referred to above, the Offer price shall be at least as high as the fair price.

24.4 The Offer for the purchase of the remaining shares in the Company shall be made without undue delay and no later than 4 weeks after the offer obligation was activated.

24.5 If the Offeror, after the Offer obligation has arisen and before expiry of the period of the Offer, has paid or agreed to pay a higher price than the price reflected in the Offer, a new Offer shall be deemed to have been made with an Offer price equivalent to the higher price.

24.6 Settlement under the terms of the Offer shall be made in cash. An Offer may nonetheless give the shareholders the right to accept any other form of settlement. The Offeror's settlement obligation shall be guaranteed by a bank or insurance institution which has been authorised to conduct business in Norway in accordance with the terms established by the Oslo Stock Exchange.

24.7 The Offer shall include a time limit for the shareholders to accept the Offer. The time limit shall not be shorter than 4 weeks and not longer than 6 weeks. Settlement shall take place as soon as possible and no later than 14 days after the expiry of the Offer period. The Offeror may make a new Offer prior to the expiry of the original Offer period. The shareholders are, in such event, entitled to choose between the two Offers so made. If a new Offer is made, the period of acceptance of such Offer shall be extended so that at least two weeks remain until its expiry when made.

24.8 The Offeror shall issue an Offer document which shall reproduce the Offer and give correct and complete information about matters of significance for evaluating the Offer. The following information shall be specifically included in the Offer document:

(a) The Offeror's name and address, type of organisation and organisation number if the Offeror is a legal entity.

(b) Information about parties with whom the Offeror is acting in concert including the basis for the consolidation thereof and any shareholder agreements relevant thereto.

(c) Which shares and convertible loans in the Company which, at the time the Offer is made, are owned by the Offeror or a close associate thereto or any person or entity acting in concert with the Offeror.

(d) The Offer price, the time limit for settlement, the form of settlement and what guarantees are furnished for performance of the Offeror's settlement obligations.

(e) The principles applying to the valuation of any asset offered in settlement for the shares purchased under the Offer other than cash.

(f) The time limit for accepting the Offer and how acceptance notice should be made.

(g) Information as to how the Offeror's purchase of the shares is to be financed.

(h) Any special advantages or rights which are accorded by agreements with members of the management and governing bodies of the Company by the Offeror.

(i) The content of any contact the Offeror has had with the management or governing bodies of the Company prior to the date the Offer was made.

(j) The Offeror's purpose of taking over control of the Company and any plans for further operation and reorganisation of the Company.

(k) The significance the implementation of the Offer will have in relation to the Company's employees, including legal, financial and work related effects; and

(l) Legal and tax consequences of the Offer.

24.9 The Offer document shall be signed by the Offeror.

24.10 When an Offer is made in accordance with the above, the Board of Directors shall issue a statement on the Offer which shall include information on the employee's views and other factors of significance for assessing whether the Offer should be accepted by the shareholders or not. Information shall also be given about the views, if any, of the Board of Directors in their capacity as shareholders.

24.11 An Offeror who fails to make an Offer in accordance with this regulation 24 may not, for the duration of the Offer obligation, exercise rights in the Company other than the right to dividend and pre-emption rights in the event of an increase of capital.

24.12 If an Offer is not made in accordance with this regulation 24 and the Offeror does not sell sufficient number of shares in the Company to reduce the Offeror's shareholding in the Company to the level before the Offer obligation was activated, the Company may, subject to 14 day's prior notice to the Offeror, sell sufficient number of the Offeror's shares in the Company to reduce the Offeror's shareholding in the Company to the level before the Offer obligation was activated.

24.13 (1) If the Offeror following an Offer holds more than nine tenths of the shares in the Company and an equivalent of the votes which may be cast at the General Meeting of the Company, the Offeror may by a resolution of its board decide to take over the remaining shares of the Company. Remaining members are entitled to demand that the Offeror takes over the shares.

(2) If compulsory transfer of shares takes place within three months after expiration of the time limit stipulated pursuant to 24.7 above, the price in the Offer shall be the basis for the redemption price unless there are special reasons for another price.

(3) In the absence of an amicable agreement or acceptance of an offer in accordance with the third sentence of subsection (4) below, the redemption price shall be fixed by an appraisement for the account of the Offeror. If special reasons favour this, it may be decided that the costs are to be covered by the other party in full or in part. The appraisement case shall be held in the judicial district in which the registered office of the Company is located.

(4) The Offeror must offer the Members a redemption price. If the offer is made in writing to all Members with a known address and is also made public by the insertion of a notice in a newspaper which is widely read in the area in which the registered office of the Company is located, a deadline may be fixed within which the individual shareholder may make objections to or reject the offer. If no such objection is received by the Company before the expiry of the deadline, the Member shall be regarded as having accepted the offer. The deadline cannot be fixed for a period of less than two months from the notice. In the written communication and in the notices, the Members must be informed of the deadline and of the consequences of any failure to meet it.

If the Offeror has decided to take over shares pursuant to subsection (1) above, the Offeror must be registered as the owner of the shares in the register of shareholders. At the same time, the Offeror must pay the total offer price into a separate account in a bank which is authorized to carry on banking activities in Norway or Cyprus to the extent the amount is not secured by the bank guarantee provided pursuant to regulation 24.6.

(5) If a person or entity following a voluntary offer to acquire the remaining shares of the Company in compliance with regulations 24.2, 24.5, 24.8 and 24.9 holds more than nine tenths of the shares in the Company and an equivalent of the votes which may be cast at the General Meeting of the Company, a compulsory transfer of shares pursuant to this regulation 24.13 can take place without a prior mandatory Offer provided the following conditions are met;

(i) Compulsory transfer is initiated within four weeks after the acquisition pursuant to the voluntary offer is effected,

(ii) The redemption price is equal to or higher than the minimum price which could have been offered if the voluntary offer had been a mandatory Offer, and

(iii) A bank guarantee similar to that provided for in regulation 24.6 is provided.

ALTERATION OF CAPITAL

25. The Company may from time to time by resolution taken by a two-thirds majority of the votes corresponding to the represented issued share capital, increase the share capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe.

26. The Company may by ordinary resolution:

(a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

(b) subdivide its existing shares, or any of them, into shares of smaller amount than is fixed by the Memorandum of Association subject, nevertheless, to the provisions of section 60(1)(d) of the Law;

(c) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person.

27. The Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account in any manner and with, and subject to, any incident authorised, and consent required, by Law.

GENERAL MEETINGS

28. The Company shall in each year hold a General Meeting as its annual General Meeting before the 30th of June of each year, in addition to any other meetings in that year, and shall specify the meeting as such in the notices calling it, and not more than fifteen months shall elapse between the date of one annual General Meeting of the Company and that of the next. The annual General Meeting shall be held at such time and place as the Directors shall appoint.

All General Meetings other than annual General Meetings shall be called extraordinary General Meetings.

29. General meetings, annual and extraordinary, may be held through a telephone communication or through any other means of communication which allow all persons participating in the General Meeting to hear and be heard.

30. The Directors may, whenever they think fit, convene an extraordinary General Meeting, and extraordinary General Meetings shall also be convened on such requisition, or, in default, may be convened by such requisitionists, as provided by section 126 of the Law and regulation 30.1 of these Articles. If at any time there are not within Cyprus sufficient Directors capable of acting to form a quorum, any Director may convene an extraordinary General Meeting in the same manner or as nearly as possible as that in which extraordinary meetings may be convened by the Directors.

30.1 The Directors shall, on the requisition of members of the Company holding at the date of the deposit of the extraordinary requisition not less than one-tenth of the paid-up capital of the Company that as at the date of the deposit carries the right of voting at general meetings of the Company, forthwith proceed duly to convene an extraordinary general meeting of the Company. The requisition must state the objects of the meeting, and must be signed by the requisitionists and deposited at the registered office of the company, and may consist of several documents in like form each signed by one or more requisitionists. If the directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene the meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting. Any meeting so convened shall not be held after the expiration of three months from the said date. A meeting convened under this section by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by directors. Any reasonable expenses incurred by the requisitionists by reason of the failure of the directors to duly convene the meeting, shall be repaid to the requisitionists by the Company, and any sum so repaid shall be retained by the Company out of any sums due or to become due from the Company by way of fees or other remuneration in respect of their services to such of the directors as were in default. Subject to regulation 31.1(b) of these Articles, the directors shall, in the case of a meeting at which a resolution is to be proposed as a special resolution, be deemed not to have duly convened the meeting if they do not give the notice of at least twenty one days specifying the intention to propose the resolution as a special resolution.

NOTICE OF GENERAL MEETINGS

31. An annual General Meeting and a meeting called for the passing of a special resolution shall be called by twenty-one days' notice in writing at the least, and a meeting of the Company other than an annual General Meeting or a meeting for the passing of a special resolution shall be called by fourteen days' notice in writing at the least. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the place, the day and the hour of meeting and, in case of special business, the general nature of that business and shall be given in manner hereinafter mentioned or in such other manner, if any, as may be prescribed by the Company in General Meetings to such persons as are, under the Regulations of the Company, entitled to receive such notices from the Company.

31.1 Provided that a meeting of the Company shall, notwithstanding that it is called by shorter notice than that specified in this Regulation, be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as the annual General Meeting, by all the Members entitled to attend and vote thereat; and

(b) in the case of any other meeting, by majority in number of the Members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent in nominal value of the shares giving that right.

32. The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice, shall not invalidate the proceedings at that meeting.

PROCEEDINGS AT GENERAL MEETINGS

33. All business shall be deemed special that is transacted at an extraordinary General Meeting, and also all that is transacted at an annual General Meeting, with the exception of declaring a dividend, the consideration of the financial statements, and the reports of the Directors and auditors, the election of Directors in the place of those retiring and the appointment of, and the fixing of the remuneration of the auditors.

34. Any number of members present in person or through telephone or other telecommunication connection or by proxy and entitled to vote upon the business to be transacted shall be a quorum.

35. The Chairman of the Board of Directors (or alternatively another member of the Board if the Chairman is not present) shall open the General Meeting. The Chairman of the meeting shall be appointed by the General Meeting.

36. The Chairman of the meeting may, with the consent of any meeting (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

37. At any General Meeting, any resolution put to the vote of the meeting shall be decided by poll vote.

38. The result of the poll shall be deemed to be the resolution of the meeting.

39. In the case of an equality of votes, the Chairman of the meeting shall not have a casting vote.

VOTES OF MEMBERS

40. Each Member may attend and vote in person or by proxy and, where the Member is a corporation, by a duly authorised representative at meetings of Members. Every Member present in person or by proxy is entitled to one vote for every share of which he is holder. When two or more persons hold the same share jointly, the more senior Member, which seniority is determined by the order in which the name of the Member stands in the register of members, may vote the joint share to the exclusion of the other joint holders.

41. For the purpose of determining which Members are entitled to notice of or to vote at any meeting of Members, or any adjournment thereof, the Board of Directors of the Company may provide that the Register of Transfers shall be closed for a stated period, so long as this does not exceed in any given case, fifty days in any year.

42. The Members shall vote cumulatively for the appointment of Directors and accordingly each Member may cast any number of his votes for any candidate at an election of Directors.

43. In the case of joint holders the vote of the senior who tenders a vote, whether in person or through a telephone or other telecommunication connection or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members.

44. A Member of unsound mind, or in respect of whom an order has been made by any Court having jurisdiction in lunacy, may vote by the administrator of his property, his committee, receiver, curator bonis, or other person in the nature of an administrator, committee, receiver or curator bonis appointed by that Court.

45. No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the meeting whose decision shall be final and conclusive.

46. Votes may be given either personally or through a telephone or other telecommunication connection or by proxy.

47. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or, if the appointor is a corporation, either under seal, or under the hand of an officer or attorney duly authorised. A proxy need not be a Member of the Company.

48. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a certified by notary copy of that power or authority shall be deposited at the Registered Office of the Company or at such other place within Cyprus as is specified for that purpose in the notice convening the meeting at least forty-eight hours before the time for holding the meeting or adjourned meeting, at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.

49. An instrument appointing a proxy shall be in the following form or a form as near thereto as circumstances admit and must contain the agenda of such meeting:

"

.........................EUROPEAN PUBLIC LIMITED LIABILITY COMPANY
(Name of the Company)

I/We, ..., of ...., being a Member/Members of the above-named Company, hereby appoint

.... of ...., or failing him ....
of ...., as my/our proxy to vote for me/us or on my/our behalf at the (annual or extraordinary, as the case may be) General Meeting of the Company, to be held on the .... day of .... 20..., and at any adjournment thereof.

Signed this .... day of .... 20....."

50. Where it is desired to afford Members an opportunity of voting for or against a resolution the instrument appointing the proxy shall be in the following form or a form as near thereto as circumstances admit:

"

.........................EUROPEAN PUBLIC LIMITED LIABILITY COMPANY
(Name of the Company)

I/We, ..., of ...., being a Member/Members of the above-named Company, hereby appoint .... of ...., or failing him ....
of ...., as my/our proxy to vote for me/us or on my/our behalf at the (annual or extraordinary, as the case may be) General Meeting of the Company, to be held on the .... day of .... 20..., and at any adjournment thereof.

Signed this .... day of .... 20....."

This form is to be used in favour of/* against the resolution. Unless otherwise instructed, the proxy will vote as he thinks fit.

____

* Strike out whichever is not desired.

51. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or of the authority under which the proxy was executed or the transfer of the share in respect of which the proxy is given, provided that no intimation in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by the Company at its office before the commencement of the meeting or adjourned meeting at which the proxy is used.

52. Subject to the provisions of the Law, a resolution in writing signed by all the Members for the time being entitled to receive notice of and to attend and vote at General Meetings (or being corporations by their duly authorised representatives) shall be as valid and effective as if the same had been passed at a General Meeting of the Company duly convened and held. Any such resolution may consist of several documents in the like form each signed by one or more of the Members or their attorneys, and signature in the case of a corporate body which is a Member shall be sufficient if made by a Director or other authorised officer thereof or its duly appointed attorney.

DIRECTORS

53. There shall be five Directors on the Board of Directors. The Company may by ordinary resolution increase or decrease the number of Directors from time to time. All directors will serve for a period of two years unless the General Meeting decides that a director shall serve for a specific period shorter than two years.

54. The Company shall have an election committee comprising of three members and one alternate, of whom one member will be appointed by the Board of Directors and the other two members plus the alternate will be elected by the General Meeting and shall serve for a period of two years. The election committee will meet and submit its recommendations for the election of directors and members of the election committee to the General Meeting. As far as possible, the election committee's recommendations will be sent to the shareholders together with the notice of the General Meeting. The General Meeting shall appoint the chairmain of the election committee.

55. If the Company, at the meeting at which a Director retires, does not fill the vacancy, the retiring Director shall, if willing to act, be deemed to have been re-appointed until the dissolution of the annual General Meeting in the next year, unless at the meeting it is resolved not to fill the vacancy or unless a resolution for the re-appointment of the Director is put to the meeting and lost.

56. A Director who retires at an annual General Meeting may, if willing to act, be re-appointed. If he is not re-appointed or deemed to be reappointed, he shall retain office until the meeting appoints someone in his place, or if it does not do so, until the end of the meeting.

57. The remuneration of the Directors will from time to time be determined by the Company in General Meeting. Any Director performing special or extraordinary services in the conduct of the Company's business or in discharge of his duties as Director, or who travels or resides abroad in discharge of his duties as Director may be paid extra remuneration as determined by the Directors. In addition, Directors will be paid their travelling, hotel and incidental expenses properly incurred in the conduct of the Company's business or in the discharge of their duties as Directors.

58. A Director of the Company may be or become a Director or other officer of, or otherwise interested in, any company promoted by the Company or in which the Company may be interested as a Member or otherwise, and no such Director shall be accountable to the Company for any remuneration or other benefits received by him as a Director or officer of, or from his interest in, such other company unless the Company otherwise directs.

BORROWING POWERS

59. The Directors may exercise all the powers of the Company to borrow money, and to charge or mortgage its undertaking, property , or any part thereof, and to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

POWERS AND DUTIES OF DIRECTORS

60. The management of the business and the conduct of the affairs of the Company are vested in the Directors.

61. The Directors may form committees on the need basis with advisory competence to assist Directors in decision-making.

62. The Directors may from time to time and at any time by power of attorney appoint any company, firm or person or body of persons, whether nominated directly or indirectly by the Directors, to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under these Regulations) and for such period and subject to such conditions as they may think fit, and any such powers of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Directors may think fit and may also authorise any such attorney to delegate all or any of the powers, authorities and discretions vested in him.

63. The Company may exercise the powers conferred by section 36 of the Law with regard to having an official seal for use abroad, and such powers shall be vested in the Directors.

64. (1) A Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall declare the nature of his interest at a meeting of the Directors in accordance with section 191 of the Law.

(2) Any decision in respect of a contract or arrangement in which any of the Company's Directors are interested shall be approved at a meeting of Directors provided that at least one of the independent non- executive Directors is present at such meeting.

(3) A Director, notwithstanding his interest in the Company, may be counted in the quorum present at any meeting at which he or any other Director is appointed to hold any such office or place of profit under the Company or at which the terms of any such appointment are arranged, and each of the Directors concerned will be entitled to vote and be counted in the quorum except as regards his own appointment.

65. All cheques, promissory notes, drafts, bills of exchange, and other negotiable instruments, and all receipts for monies paid to the Company, shall be signed, drawn, accepted, endorsed, or otherwise executed, as the case may be, in such manner as the Directors shall from time to time by resolution determine.

66. The Directors shall cause minutes, including telephone conferences, to be made in books provided for the purpose:

(a) of all appointments of officers made by the Directors;

(b) of the names of the Directors present at each meeting of the Directors and of any committee of the Directors;

(c) of all resolutions and proceedings at all meetings, including telephone conferences, of the Company, and of the Directors, and of committees of Directors.

APPOINTMENT OF ADDITIONAL DIRECTORS AND REMOVAL OF DIRECTORS

67. The Directors shall not have the power to appoint any individual to be a Director so as to fill a vacancy or to add to the existing Directors.

68. The Company may by ordinary resolution of which special notice (28 days) has been given, in accordance with section 136 of the Law, remove a Director. Any such Director will receive special notice of the meeting and is entitled to be heard at the meeting.

69. At any time, the Company may at a General Meeting appoint by ordinary resolution any person as Director.

PROCEEDINGS OF DIRECTORS

70. Subject to the provisions of these Regulations, the Board of Directors may regulate its proceedings as it thinks fit.

71. The Directors may meet for the dispatch of business, adjourn and otherwise regulate their meetings as they think fit and questions arising at any meeting will be decided by a simple majority of votes of all the Directors present, whether voting or not. In case of an equality of votes, the Chairman shall have a second or casting vote. A Director may, and the Secretary on the requisition of a Director shall, at any time summon a meeting of the Directors by giving reasonable notice to the other Directors by telephone, fax, email or at the registered address of each Director most recently notified to the Company. Notice of meetings of the Directors shall be deemed to be duly given to a Director if it is given to him personally or by word of mouth or sent in writing to him to the Company for this purpose. It shall be necessary to give appropriate notice of a meeting, including a telephone conference of Directors, to any Director for the time being absent from Cyprus who has supplied to the Company a registered address situated outside Cyprus.

72. The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors, and unless so fixed, the quorum shall be a simple majority of the Directors present.

73. The continuing Directors may act notwithstanding any vacancy in their body, but, if and so long as their number is reduced below the number fixed by or pursuant to the Regulations of the Company as the necessary quorum of Directors, the continuing Directors or Director may act for the purpose of summoning a General Meeting of the Company to increase the number of Directors to that number but for no other purpose.

74. The General Meeting shall appoint the Chairman of the Board of Directors and may at any time remove him from such office.The Board of Directors shall appoint the deputy chairman of the Board of Directors and may at any time remove him from such office. Unless he is unwilling to do so, the Director appointed as chairman, or in his stead the Director appointed as deputy chairman, shall preside at every meeting of the Board of Directors at which he is present. If there is no Director holding either of those offices, or if neither the chairman nor the deputy chairman is willing to preside or neither of them is present within five minutes after the time appointed for the meeting, the Directors present may appoint one of their number to be chairman of the meeting.

75. Subject to the provisions of the Law, the Board of Directors may appoint one or more of its body to be the holder of any executive office (except that of auditor) under the Company and may enter into an agreement or arrangement with any Director for his employment by the Company or for the provision by him of any services outside the scope of the ordinary duties of a Director. Any such appointment, agreement or arrangement may be made upon such terms, including terms as to remuneration, as the Board of Directors determines, and any remuneration which is so determined may be in addition to or in lieu of any ordinary remuneration as a Director. The Board of Directors may revoke or vary any such appointment but without prejudice to any rights or claims which the person whose appointment is revoked or varied may have against the Company by reason thereof.

76. Subject to any regulations imposed on it by the Directors, a committee may meet or convene telephone conferences and adjourn as it thinks proper and questions arising at any meeting shall be determined by a majority of votes of the Committee members present.

77. If a question arises at a meeting of the Board of Directors or of a committee of the Board of Directors as to the entitlement of a Director to vote or be counted in a quorum, the question may, before the conclusion of the meeting, be referred to the chairman of the meeting and his ruling in relation to any Director other than himself shall be final and conclusive except in a case where the nature or extent of the interests of the Director concerned have not been fairly disclosed. If any such question arises in respect of the chairman of the meeting, it shall be decided by resolution of the Board of Directors (on which the chairman shall not vote) and such resolution will be final and conclusive except in a case where the nature and extent of the interests of the chairman have not been fairly disclosed.

78. All acts done by any meeting of the Directors or of a committee of Directors or by any person acting as a Director shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any such Director or person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director.

79. A resolution in writing signed or approved by letter, telegram or cablegram, telex or telefax by each Director shall be as valid and effectual as if it had been passed at a meeting of the Directors duly convened and held and when signed may consist of several documents each signed by one or more of the Directors.

SECRETARY

80. The Secretary shall be appointed by the Directors for such terms, at such remuneration and upon such conditions as they may think fit; and any Secretary so appointed may be removed by them.

81. A provision of the Law or these Regulations requiring or authorising a thing to be done by or to a Director and the Secretary shall not be satisfied by its being done by or to the same person acting both as Director and as, or in place of, the Secretary.

THE SEAL

82. The Directors shall provide for the safe custody of the seal, which shall only be used by the authority of the Directors, and every instrument to which the seal shall be affixed shall be signed by a Director and shall be countersigned by the Secretary or by some other person appointed by the Directors for the purpose.

DIVIDENDS AND RESERVE

83. The Company in General Meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors.

84. The Directors may not pay to the Members interim dividends.

85. The Directors may, before recommending any dividend, set aside out of the profits of the Company such sums as they think proper as a reserve or reserves which shall, at the discretion of the Directors, be applicable for any purpose to which the profits of the Company may be properly applied, and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Directors may from time to time think fit. The Directors may also without placing the same to the reserve carry forward any profits which they may think prudent not to divide.

86. All dividends shall be declared and paid according to the amounts paid on the shares in respect whereof the dividend is paid.

87. The Directors may deduct from any dividend payable to any Member all sums of money (if any) presently payable by him to the Company.

88. Any General Meeting declaring a dividend or bonus may direct payment of such dividend or bonus wholly or partly by the distribution of specific assets and in particular of shares, debentures or debenture stock of any other company or in anyone or more of such ways, and the Directors shall give effect to such resolution, and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient, and in particular may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Members upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

89. Any dividend, interest or other monies payable in cash in respect of shares may be paid by electronic funds transfer, cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of that one of the joint holders who is first named on the Register of Members or to such person and to such address as the holder or joint holders may in writing direct. Every such electronic funds transfer, cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of the two or more joint holders may give effectual receipts for any dividends, bonuses or other monies payable in respect of the shares held by them as joint holders.

90. No dividend shall bear interest against the Company if paid timely in accordance with the resolution by the General Meeting.

FINANCIAL STATEMENTS AND CONTROL

91. The Directors shall cause proper books of account to be kept, and financial statements and group financial statements (if any) according to the International Accounting Standards prepared and audited as required by Law.

AUDIT

92. Auditors shall be appointed and their duties regulated in accordance with sections 153 and 156 (both inclusive) of the Law.

NOTICES

93. A notice may be given by the Company to any Member either personally or by sending it by post, email or facsimile to him or to his registered address. Where a notice is sent by post, service of the notice shall be deemed to be effected, provided that it has been properly mailed, addressed, and posted, at the expiration of 24 hours after same is posted. Where a notice is sent by email or facsimile it shall be deemed to be effected as soon as it is sent, provided there will be the relevant transmission confirmation.

94. A notice may be given by the Company to the joint holders of a share by giving the notice to the joint holder first named in the Register by Members in respect of the share.

95. A notice may be given by the Company to the persons entitled to a share in consequence of the death or bankruptcy of a Member by sending it through the post in a prepaid letter addressed to them by name, or by title of representative of the deceased, or trustee of the bankrupt, or by any like descriptions, at the address supplied for the purpose by the persons claiming to be so entitled, or (until such an address has been so supplied) by giving the notice in any manner in which the same might have been given if the death or bankruptcy had not occurred.

96. Notice of every General Meeting shall be given in any manner hereinbefore authorised to:

(a) every Member except those Members who (having no registered address) have not supplied to the Company an address for the giving of notices to them;

(b) every person upon whom the ownership of a share devolves by reason of his being a legal personal representative or a trustee in bankruptcy of a Member where the Member but for his death or bankruptcy would be entitled to receive notice of the meeting; and

(c) the auditor for the time being of the Company.

No other person shall be entitled to receive notice of General Meetings.

WINDING UP

97. If the Company shall be wound up the liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by the Law, divide amongst the Members in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Members. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, shall think fit, but so that no Member shall be compelled to accept any shares or other securities whereon there is any liability.

INDEMNITY

98. Every Director, officer, agent, auditor, secretary and full-time employee for the time being of the Company will be indemnified by the Company out of the Company's assets against any liabilities incurred by that person in executing his or her duties including liability incurred by him or her in defending any proceeding

(whether civil or criminal) in which judgment is given in his or her favour or in which the person is acquitted or in connection with an application in relation to such proceedings in which the court grants relief to the person under the provisions of section 383 of the Law or any other applicable law.

Appendix 2: Auditor's statement on the pro forma financial information

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Independent Assurance Report on Pro Forma Financial Information

To the Board of Directors of Prosafe SE

In accordance with the requirements in section 3.5.2.6 of the "Continuing Obligations of Stock Exchange Listed Companies" (the "Continuing Obligations") issued by Oslo Børs (Oslo Stock Exchange), we report on the compilation of the unaudited pro forma financial information ("Pro Forma Financial Information") of Prosafe SE ("the Company") consisting of the unaudited pro forma balance sheet of the Company as at 31.12.2007, the unaudited pro forma condensed income statement of the Company for the period ended 31.12.2007 and the accompanying description and notes to the unaudited Pro Forma Financial Information, which is set out in Section 7.4 of the Company's Information Memorandum dated 22 April 2008 (the "Information Memorandum").

The Pro Forma Financial Information has been compiled on the basis described in section 7.4.1 of the Information Memorandum for illustrative purposes only, to provide information about how the divesting of Prosafe Production might have affected the consolidated condensed balance sheet of the Company as at 31.12.2007 and the consolidated condensed income statement of the Company for the period ended 31.12.2007. Because of its nature, the Pro Forma Financial Information addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position or results.

Board of Directors' and Management's responsibility
It is the Board of Directors' and management's responsibility to compile the Pro Forma Financial Information in accordance with the requirements of EU Regulation No 809/2004 as required by the Continuing Obligations.

Reporting responsibility
It is our responsibility to form an opinion, as required by Annex II item 7 of EU Regulation No 809/2004, as to the proper compilation of the Pro Forma Financial Information. We are not responsible for updating any reports or opinions previously issued by us for any events that occurred subsequent to the date of our report on the historical financial information used in the compilation of the Pro Forma Financial Information.

Work performed
We conducted our work in accordance with the Norwegian Standard on Assurance Engagements 3000, "Assurance Engagements Other than Audits or Reviews of Historical Financial Information." We planned and performed our work to obtain reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company. Our work primarily consisted of comparing the unadjusted financial information with the source documents as described in section 7.4 of the Information Memorandum, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with management of the Company.

Opinion
In our opinion, in all material respects:

a) The Pro Forma Financial Information has been properly compiled on the basis stated in section 7.4 of Information Memorandum; and
b) That basis is consistent with the accounting policies of the Company.

This report is issued for the sole purpose of the Information Memorandum required by Oslo Børs' "Continuing Obligations of Stock Exchange Listed Companies" section 3.5.2.6 in connection with the divesting of Prosafe Production as set out in the Information Memorandum. No shares or securities are to be offered or sold pursuant to this Information Memorandum. This report is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the Information Memorandum.

Stavanger 22 April 2008
ERNST & YOUNG AS

Nicolai Homme
State Authorised Public Accountant (Norway)

Appendix 3: Prosafe Annual Report for 2007

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.

The group 4
- Letter from President and CEO 5
- The year 2007 8
- Prosafe in brief 10
- Important events since the company's founding 13
- Corporate management 14
- Strategy and outlook 16

Directors' report 18
- Board of directors 24

Corporate governance 26

Floating Production 34

Offshore Support Services 42

HSEQA and society 50
- HSE&QA 51
- Society and people 56

Financial information 62
- Shareholder information 63
- Analytical information 68
- Key financial figures 70
- Risk management and sensitivities 72

Accounts 78
- Consolidated accounts 79
- Prosafe SE accounts 104
- Independent auditors' report 115

Glossary 117

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 *Safe 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.

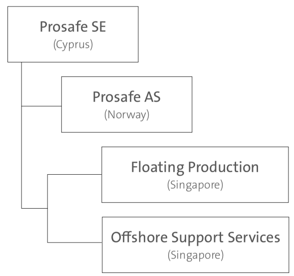
Q1 2008
- *Safe Bristolia* was awarded a six-month contract for Nexen at Buzzard with start-up in April 2010 and a dayrate of USD 325 000.
- Prosafe secures bareboat contracts for *Safe Britannia, Safe Lancia, Safe Regency, Safe Hibernia* and *Jasminia* in Mexico for a total value of USD 378 million.

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.

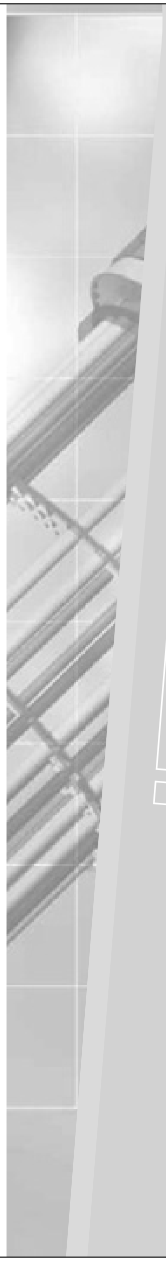
Prosafe refined its commercial portfolio in 2005 with the sale of the Drilling Services division. In 2006 the company acquired Consafe Offshore AB, which owned three semi-submersible accommodation/service rigs and one accommodation/service jack-up. The acquisition cemented Prosafe's leading position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

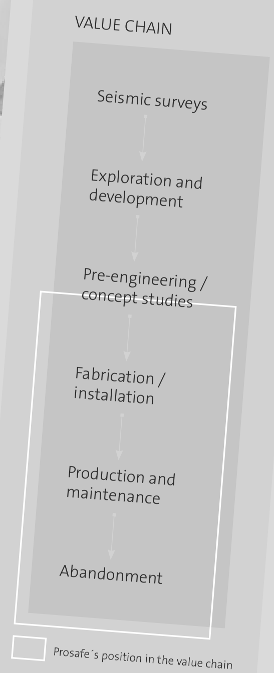
In December 2007 it was decided to split the company in one accommodation/service rig company and one floating production company. The split process, including listing of a new entity, is expected to be completed by the end of the second quarter of 2008.

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.





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 Scandinavia* (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 dayrates 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.

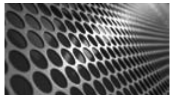
Men are traditionally over-represented in the recruitment pool for offshore operations, which is reflected in the company's gender breakdown. Prosafe's policy is full equality of opportunity between women and men, and it bases hiring, promotion, training and remuneration on qualifications such as education,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

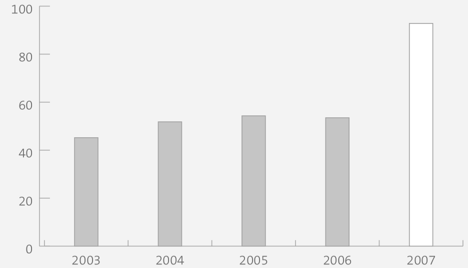
Floating Production has long experience of converting and operating both FSOs and FPSOs. The first FSO conversion was carried out in 1985, with the first FPSO conversion completed in 1994. Including the three new FPSO contracts, the company has carried out a total of 12 FPSO conversions or significant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

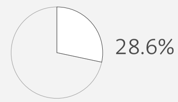
Key figures
(Financial figures in USD million)

	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)

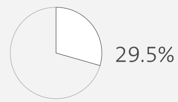


Operating revenues

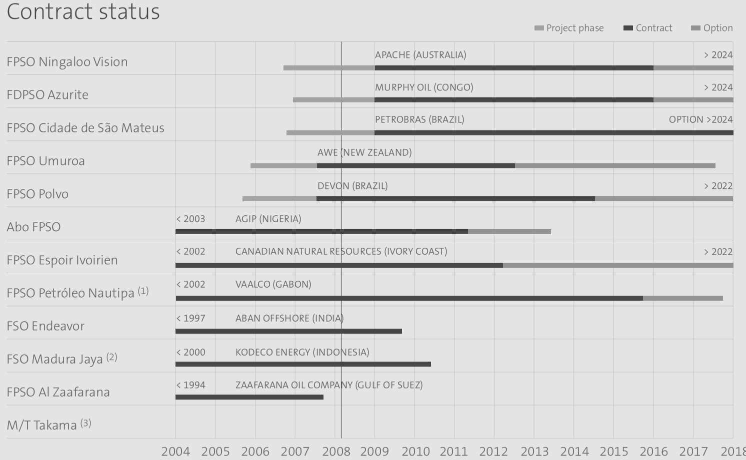


Floating Production
Offshore Support Services

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

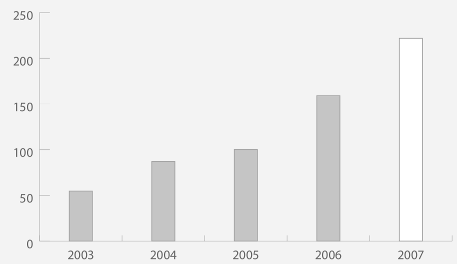
The high activity level experienced in the previous year continued throughout 2007. *Safe Scandinavia* started the year in the UK sector of the North Sea at Britannia Satellites for ConocoPhillips. Following completion of this contract, she was mobilised to the Norwegian shelf where she commenced a

Key figures

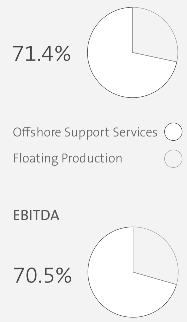
(Financial figures in USD million)

	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)

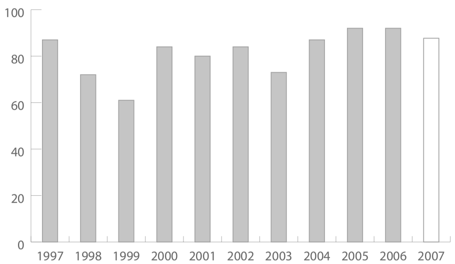


Operating revenues



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 bare-boat 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 bare-boat 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 m²
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/m²
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 m² (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 m²
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 m²
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 m² (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.

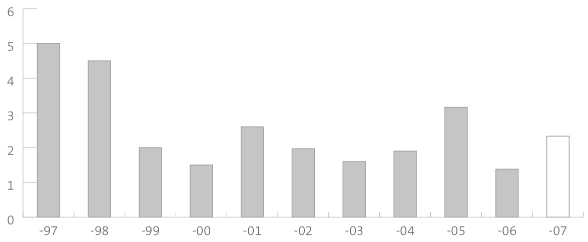
A number of operations have demonstrated through long injury-free periods that excellent safety results are attainable. The *Abo FPSO*, which is operating at the Abo field offshore Nigeria, has been operating without an LTI since contract start in April 2003. An excellent result like this demonstrates 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.

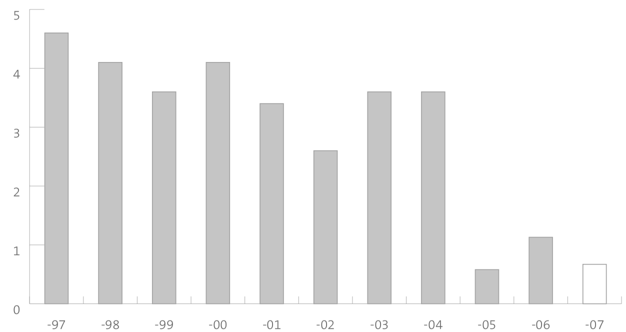
Continued low sickness absence
Prosafe had 1 360 employees at 31 December. Sickness absence remained very low, and was only 0.67 per cent in 2007. This is a continuation of the positive trend observed in recent years.

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

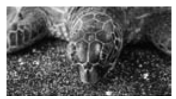
Sickness absence 1997 - 2007 (in percentage)



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 share-holders 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.

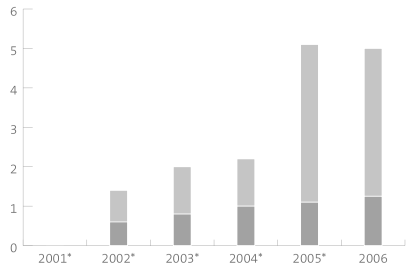
A high liquidity is important in order to enable investors to buy and sell Prosafe shares. All together 444 million shares changed hands in 2007. Turnover velocity was 193 per cent in 2007 (2006: 217 per cent).

Key share data

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



Ordinary dividend

Extraordinary dividend

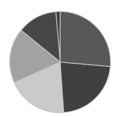
* Adjusted for the 5-for-1 split in December 2006.

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%

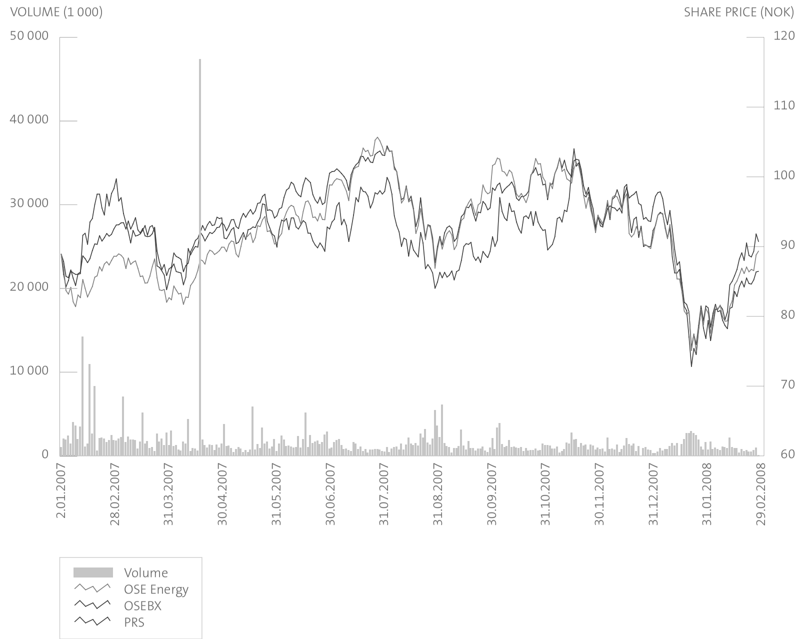
In addition, the Prosafe share is included in several international indices, amongst others:

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 under-taken 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 guide-lines 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.

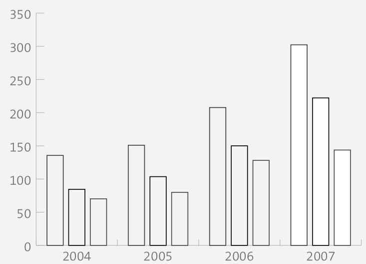
Floating Production had firm orders in hand worth about USD 2 billion at 31 December 2007 (2006: USD 2 billion), of which in excess of USD 200 million relates to 2008. In addition, there are options for contract extensions worth approx. USD 2 billion (2006: 1.5 billion).

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.

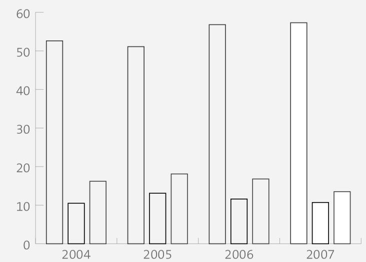
Further details on contracts held by the various divisions can be found on pages 36 and 44.

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.

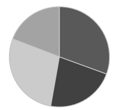
The profitability of a project is assessed on the basis of the residual value of vessel and equipment, the technical lifetime of individual components and the length of the firm contract, as well as option periods and the likelihood of these being exercised. Assessments are also made of the vessel's 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



- Africa (30.8%)
- Americas (22%)
- Europe (28.1%)
- Asia and Australia (19%)

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

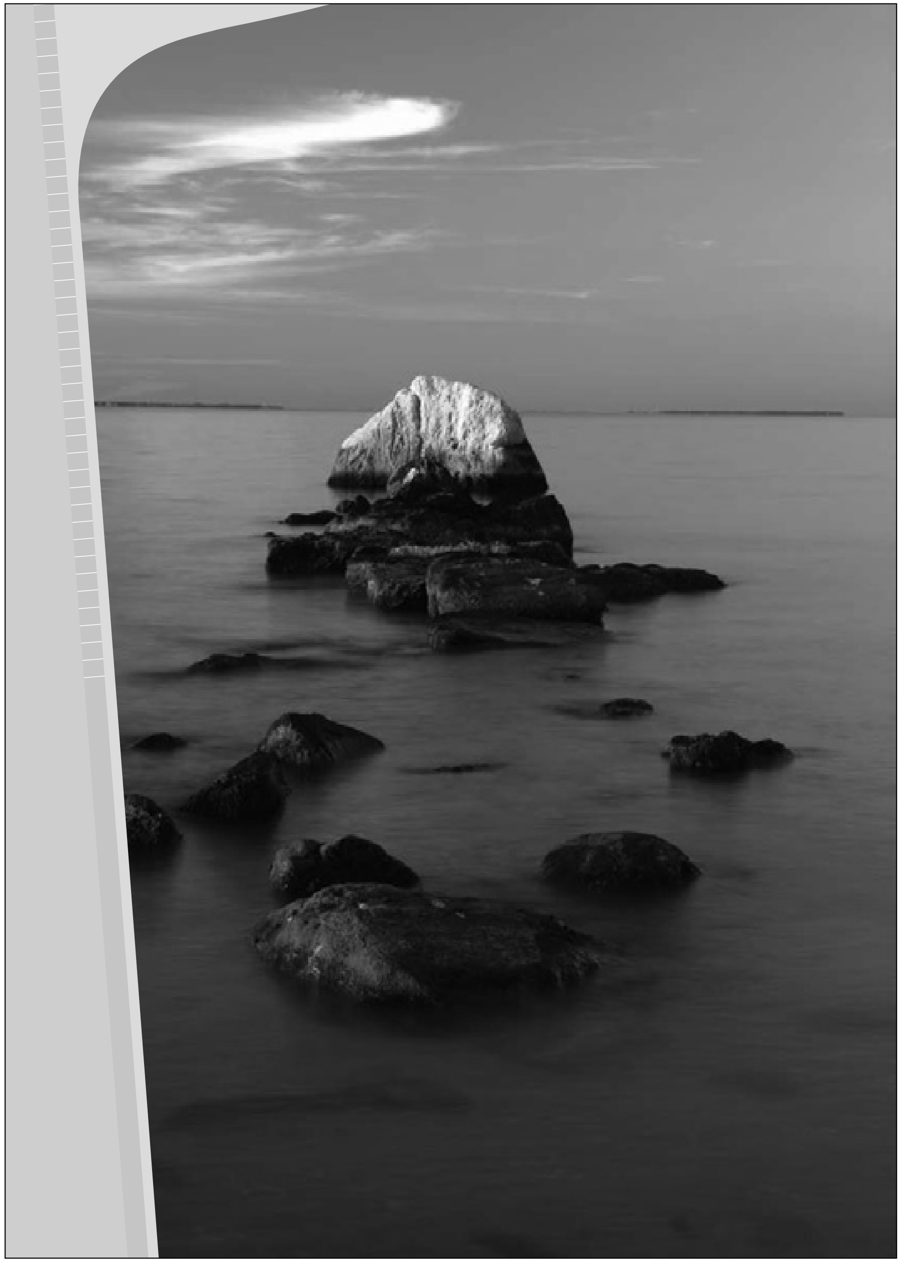
	2007	2006
Loan to Prosafe AS	538 039	0
Loan to Prosafe Nautipa AS	6 848	7 676
Loan to Consafe Offshore AB	0	142 371
Loan to Prosafe Production Services Pte Ltd	20 194	22 500
Intra-group long-term receivables	**565 081**	**172 547**
Loan from Consafe Offshore AB	223 255	0
Loan from Prosafe AS	0	254 996
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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Appendix 4: Prosafe Interim Report for 4Q 2007

Prosafe

FOURTH QUARTER 2007

Main figures

(Figures in brackets refer to the corresponding period of 2006)

Operating profit for 2007 increased to USD 222.2 million (USD 150 million), which is the best result ever for Prosafe. This improvement reflects higher day rates and a full year of operation for the rigs acquired through the acquisition of Consafe Offshore AB in mid 2006, and the commencement of two new FPSO contracts in the third quarter 2007.

Net financial expenses for 2007 increased to USD 64.5 million (USD 7 million) due to higher interest costs resulting from new interest-bearing debt obtained in connection with the ongoing growth in Floating Production. In addition, the accounts for 2007 have been charged with an unrealised currency loss of USD 10.2 million relating to the NOK bond loan. Taxes for 2007 amounted to USD 14.0 million (USD 14.9 million). Net profit for 2007 was USD 143.7 million (USD 128.1 million) and diluted earnings per share were USD 0.63 (USD 0.64).

Operating profit for the fourth quarter came to USD 70 million (USD 44.7 million). Operating profit in Offshore Support Services increased by USD 14.3 million to USD 50.7 million, and in Floating Production by USD 13.7 million to USD 23.3 million. Corporate costs increased by USD 2.7 million due to costs relating to the company's share option plan and legal fees in connection with the possible split of the company.

Net financial expenses for the fourth quarter were USD 30.8 million (USD 5.1 million), reflecting higher interest costs, reduced market value of interest rate swaps and unrealised currency losses on loans denominated in NOK. Net profit for the fourth quarter amounted to USD 35.4 million (USD 32.4 million), and earnings per share equalled USD 0.15 (USD 0.14).

Total assets at 31 December amounted to USD 2 624 million (USD 2 145.9 million), while the book equity ratio declined to 39.6 per cent (50.8 per cent) due to the dividend payments during 2007 totalling NOK 5 per share.

Offshore Support Services

Operating revenues in Offshore Support Services amounted to USD 376.1 million for 2007 (USD 272.6 million), while operating profit came to USD 175.8 million (USD 117.3 million). The utilisation ratio for the rig fleet in 2007 was 88 per cent (92 per cent). The improvement reflects higher day rates and a full year of operation for the rigs acquired through the acquisition of Consafe Offshore AB in mid 2006.

Operating profit in the fourth quarter came to USD 50.7 million (USD 36.4 million). This improvement reflects significantly higher dayrates. Utilisation of the rig fleet was 86 per cent (92 per cent).

In the fourth quarter, *Safe Caledonia* continued on the two-year contract with Total on Elgin/Franklin which began in May this year. After completion of the contract on Snorre, *Safe Scandinavia* commenced on the contract with ConocoPhillips in the UK sector. In November, *Safe Bristolia* completed the contract off Sakhalin, whilst MSV *Regalia* completed the work off Angola. All six rigs working in the Gulf of Mexico have been in regular operation throughout the fourth quarter.

Floating Production

Floating Production generated revenues of USD 150.4 million in 2007 (USD 92.6 million), and an operating profit of USD 59.2 million (USD 37.8 million). This improvement reflects the commencement of the contracts for FPSO *Polvo* and FPSO *Umuroa*, which started to generate revenue in the third quarter.

Operating profit for the fourth quarter amounted to USD 23.3 million (USD 9.6 million). The main contributing factor to this improvement was the two new FPSO operations.

Split of the company

The board of directors resolved on 6 December 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 board of directors are still evaluating the details of the split model. The intention is to distribute 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.

Dividend for 2007

In previous years, Prosafe has communicated the proposed dividend in the fourth quarter report. This year, the dividend proposal will be made in conjunction with the final determination of the split model.

Outlook

Offshore Support Services

In the fourth quarter of 2007 the utilisation level fell to 86% from 92% in the third quarter. The lower utilisation was due to the mobilisation of the vessels MSV *Regalia* and *Safe Bristolia*. The MSV *Regalia* was mobilised from Angola to the North Sea, where she will be operating for Aker Kværner from the start of February. *Safe Bristolia* is scheduled to commence operations in the UK mid March.

Safe Scandinavia is likely to be operating for ConocoPhillips in the UK until early March, and will thereafter transfer to Norway and will commence operations for Statoil towards the end of the quarter.

Safe Caledonia and *Safe Esbjerg* will be continuing their employment in the UK and Denmark respectively. The contract for *Safe Caledonia* runs until 2010, whilst the firm period of the contract for *Safe Esbjerg* ends in the middle of the second quarter of 2008. For *Safe Esbjerg* the client has two times six months options.

Safe Astoria is on a stand-by rate in relation to the contract at Sakhalin. The operating period is expected to commence in the second quarter.

The vessels in Mexico are expected to continue with uninterrupted operations during the first half of 2008. Prosafe has recently been awarded a letter of intent for for the five rigs currently working on five-year contracts at the Cantarell field for Pemex in Mexico. The dayrates have been increased by 103 per cent compared to the current contracts.

The general market outlook remains very positive. Demand is expected to remain firm in the coming years, with substantial work expected in relation to upgrades and modifications of existing installations. The recent contracts for *Safe Bristolia*, MSV *Regalia* and the amended contract for *Safe Concordia* in the US Gulf of Mexico confirm a continued increase in the dayrates for advanced accommodation and service rigs.

Floating Production

The fourth quarter of 2007 represented the first period with full impact from the recently converted vessels FPSO *Umuroa* and FPSO *Polvo*. In 2008 the financial performance will largely be determined by the fleet already in operation. The three vessels under conversion, the *Cidade de Sao Mateus* FPSO, the *Ningaloo Vision* FPSO and the *Azurite* FDPSO are scheduled to be delivered towards the end of the year, and as such will largely impact earnings levels from 2009 and onwards.

In 2007 the FPSO industry experienced a slowdown relative to the number of awards in 2005 and 2006. During the latter part of the year, and in the early part of 2008 the interest from clients is again increasing. Prosafe is now in a process of freeing up resources which can be utilised on new conversion projects. The ambition of securing two new projects in 2008 remains firm, whilst at the same time it is expected that there will be continued project opportunities in relation to the existing fleet.

Larnaca, 12 February 2008

The board of directors of Prosafe SE

INCOME STATEMENT

(Unaudited figures in USD million)	Q4 07	Q3 07	Q4 06	2007	2006
Operating revenues	170.5	149.6	103.2	527.1	365.6
Operating expenses	(75.4)	(55.6)	(41.2)	(224.9)	(157.9)
Operating profit before depreciation	**95.1**	**94.0**	**62.0**	**302.2**	**207.7**
Depreciation	(25.1)	(23.7)	(17.3)	(80.0)	(57.7)
Operating profit	**70.0**	**70.3**	**44.7**	**222.2**	**150.0**
Interest income	1.8	1.6	3.6	6.9	8.5
Interest expenses	(18.8)	(15.6)	(11.1)	(60.5)	(32.1)
Other financial items	(13.8)	(2.3)	2.4	(10.9)	16.6
Net financial items	**(30.8)**	**(16.3)**	**(5.1)**	**(64.5)**	**(7.0)**
Profit before taxes	**39.2**	**54.0**	**39.6**	**157.7**	**143.0**
Taxes	(3.8)	(8.0)	(7.2)	(14.0)	(14.9)
Net profit	**35.4**	**46.0**	**32.4**	**143.7**	**128.1**
EPS, basic and diluted (USD)	**0.15**	**0.20**	**0.14**	**0.63**	**0.64**

BALANCE SHEET

(Unaudited figures in USD million)	31.12.07	30.09.07	31.12.06
Goodwill	355.0	355.0	355.0
Rigs	749.6	748.4	763.4
Ships	926.5	824.8	538.7
Other non-current assets	304.6	309.7	262.4
Total non-current assets	**2 335.7**	**2 237.9**	**1 919.5**
Cash and deposits	162.0	142.6	147.2
Other current assets	126.3	112.1	79.2
Total current assets	**288.3**	**254.7**	**226.4**
Total assets	**2 624.0**	**2 492.6**	**2 145.9**
Share capital	63.9	63.9	63.9
Other equity	974.7	1 093.7	1 025.8
Total equity	**1 038.6**	**1 157.6**	**1 089.7**
Interest-free long-term liabilities	97.0	103.4	101.7
Interest-bearing long-term debt	1 184.1	937.5	622.0
Total long-term liabilities	**1 281.1**	**1 040.9**	**723.7**
Dividends payable	0.0	0.0	147.0
Other interest-free current liabilities	137.3	145.5	168.6
Current interest-bearing debt	167.0	148.6	16.9
Total current liabilities	**304.3**	**294.1**	**332.5**
Total equity and liabilities	**2 624.0**	**2 492.6**	**2 145.9**

CASH FLOW STATEMENT

(Unaudited figures in USD million)	Q4 07	Q3 07	Q4 06	2007	2006
Profit before taxes	39.2	54.0	39.6	157.7	143.0
Unrealised currency loss on long-term debt	1.8	4.5	3.1	10.2	6.1
Depreciation	25.1	23.7	17.3	80.0	57.7
Change in working capital	(22.4)	(12.0)	(7.9)	(78.4)	58.3
Other items from operating activities	(6.4)	5.6	(33.0)	(7.4)	(32.3)
Net cash flow from operating activities	**37.3**	**75.8**	**19.1**	**162.1**	**232.8**
Acquisition of tangible assets	(121.2)	(141.1)	(101.4)	(456.6)	(1 023.2)
Acquisition of financial assets	0.0	0.0	(4.5)	0.0	(184.2)
Translation difference financial assets	(1.7)	(22.7)	0.0	(39.6)	0.0
Net cash flow from investing activities	**(122.9)**	**(163.8)**	**(105.9)**	**(496.2)**	**(1 207.4)**
Proceeds from new interest-bearing debt	264.3	113.0	142.0	717.7	749.9
Repayment of interest-bearing debt	(1.1)	0.0	(191.3)	(15.7)	(508.0)
Dividends paid	(158.2)	0.0	0.0	(353.1)	(60.9)
Paid-in capital	0.0	0.0	0.0	0.0	637.2
Net cash flow from financing activities	**105.0**	**113.0**	**(49.3)**	**348.9**	**818.2**
Net cash flow	**19.4**	**25.0**	**(136.1)**	**14.8**	**(156.4)**
Cash and deposits at beginning of period	142.6	117.6	283.3	147.2	303.6
Cash and deposits at end of period	**162.0**	**142.6**	**147.2**	**162.0**	**147.2**

STATEMENT OF CHANGES IN EQUITY

(Unaudited figures in USD million)	Q4 07	Q3 07	Q4 06	2007	2006
Equity at beginning of period	1 157.6	1 109.8	1 196.1	1 089.7	435.0
Net profit	35.4	46.0	32.4	143.7	128.1
Dividends	(158.2)	0.0	(147.0)	(206.1)	(177.7)
Issue of share capital	0.0	0.0	0.0	0.0	637.2
Unrealised gain on financial assets	0.0	0.0	8.6	0.0	68.6
Foreign currency translation	3.8	1.8	(0.4)	11.3	(1.5)
Equity at end of period	**1 038.6**	**1 157.6**	**1 089.7**	**1 038.6**	**1 089.7**

NOTES TO THE INTERIM ACCOUNTS

NOTE 1: ACCOUNTING PRINCIPLES

The accounts are prepared in accordance with International Financial Reporting Standards (IFRS), including IAS 34 Interim Financial Reporting. The accounting principles adopted are consistent with those of the previous financial year.

NOTE 2: SEGMENTS

Offshore Support Services	Q4 07	Q3 07	Q4 06	2007	2006
Operating revenues	106.0	107.9	77.3	376.1	272.6
Operating expenses	(43.6)	(39.0)	(27.9)	(154.3)	(113.6)
Operating profit before depreciation	**62.4**	**68.9**	**49.4**	**221.8**	**159.0**
Depreciation	(11.7)	(11.6)	(13.0)	(46.0)	(41.7)
Operating profit	**50.7**	**57.3**	**36.4**	**175.8**	**117.3**
Total assets	1 333.4	1 247.8	1 591.6	1 333.4	1 591.6

Floating Production	Q4 07	Q3 07	Q4 06	2007	2006
Operating revenues	64.1	41.7	25.8	150.4	92.6
Operating expenses	(27.6)	(13.4)	(12.0)	(57.6)	(39.1)
Operating profit before depreciation	**36.5**	**28.3**	**13.8**	**92.8**	**53.5**
Depreciation	(13.2)	(12.1)	(4.2)	(33.6)	(15.7)
Operating profit	**23.3**	**16.2**	**9.6**	**59.2**	**37.8**
Total assets	1 173.4	1 029.9	774.0	1 173.4	774.0

Corporate and eliminations	Q4 07	Q3 07	Q4 06	2007	2006
Operating revenues	0.4	0.0	0.1	0.6	0.4
Operating expenses	(4.2)	(3.2)	(1.3)	(13.0)	(5.2)
Operating profit before depreciation	**(3.8)**	**(3.2)**	**(1.2)**	**(12.4)**	**(4.8)**
Depreciation	(0.2)	0.0	(0.1)	(0.4)	(0.3)
Operating profit	**(4.0)**	**(3.2)**	**(1.3)**	**(12.8)**	**(5.1)**
Total assets	117.2	214.9	(219.7)	117.2	(219.7)

Prosafe Group	Q4 07	Q3 07	Q4 06	2007	2006
Operating revenues	170.5	149.6	103.2	527.1	365.6
Operating expenses	(75.4)	(55.6)	(41.2)	(224.9)	(157.9)
Operating profit before depreciation	**95.1**	**94.0**	**62.0**	**302.2**	**207.7**
Depreciation	(25.1)	(23.7)	(17.3)	(80.0)	(57.7)
Operating profit	**70.0**	**70.3**	**44.7**	**222.2**	**150.0**
Total assets	2 624.0	2 492.6	2 145.9	2 624.0	2 145.9

KEY FIGURES	Note	Q4 07	Q3 07	Q4 06	2007	2006
Operating margin	1	41.1 %	47.0 %	43.3 %	42.2 %	41.0 %
Equity ratio	2	39.6 %	46.4 %	50.8 %	39.6 %	50.8 %
Return on equity	3	12.9 %	16.2 %	11.3 %	13.5 %	16.8 %
Return on capital employed	4	12.4 %	13.3 %	10.3 %	10.7 %	11.6 %
Net interest bearing debt (USD million)	5	1 189.1	943.5	491.7	1 189.1	491.7
Cash flow (USD million)	6	37.3	75.8	19.1	162.1	232.8
Cash flow per share (USD)	7	0.16	0.33	0.08	0.71	1.16
Number of shares (1 000 shares)		229 937	229 937	229 937	229 937	229 937
Average no. of outstanding shares (1 000 shares)		229 827	229 827	229 827	229 827	201 283
Av. no. of outst. and potential shares (1 000 shares)		229 827	229 827	229 827	229 827	201 295
USD/NOK exchange rate at end of period		5.41	5.44	6.26	5.41	6.26
Share price (NOK)		94.50	96.20	88.50	94.50	88.50
Share price (USD)		17.47	17.68	14.14	17.47	14.14
Market capitalisation (NOK million)		21 729	22 120	20 349	21 729	20 349
Market capitalisation (USD million)		4 016	4 066	3 251	4 016	3 251

NOTES TO KEY FIGURES

1 (Operating profit / Operating revenues) * 100
2 (Equity / Total assets) * 100
3 Annualised [Net profit / Average book equity]
4 Annualised [(EBIT + Interest income) / (Average total assets - Average interest-free debt)]
5 Interest-bearing debt - Cash and deposits
6 Cash flow from operating activities
7 Cash flow / Average no of outstanding and potential shares

SHAREHOLDERS AS AT 04.02.2008	No. of shares	Ownership
BW Offshore	60 932 990	26.5 %
Folketrygdfondet	14 597 735	6.3 %
Brown Brothers Harriman	10 767 634	4.7 %
GMO	7 123 173	3.1 %
UBS (nom.)	6 012 772	2.6 %
State Street Bank & Trust (nom.)	5 177 961	2.3 %
Morgan Stanley (nom.)	4 902 200	2.1 %
Pareto	4 133 450	1.8 %
Mellon Bank (nom.)	4 038 161	1.8 %
JP Morgan Chase Bank (nom.)	4 035 891	1.8 %
Total 10 largest shareholders	**121 721 967**	**52.9 %**

Total no. of shares: 229 936 790

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