Annual report

Accommodating the Offshore Industry

Content

THIS PRINTED REPORT IS A SHORT VERSION OF THE ANNUAL REPORT.

For a full report, including a presentation of corporate management and board of directors, information about HSSEQA, corporate governance, social responsibility, risk management and financial and analytical information, please refer to the Download centre on Prosafe's website **www.prosafe.com**.

This information will be updated whenever required throughout the year, and will thereby at all times be as updated and correct as possible.

Financial calendar

Reporting results

The following dates have been set for quarterly interim reporting and presentations in 2013:

1st quarter	:	14 May 2013
2nd quarter	:	22 August 2013
3rd quarter	:	7 November 2013
4th quarter	:	6 February 2014

Annual general meeting

The AGM for Prosafe SE will be held in the company's premises at Stadiou 126, CY-6020 Larnaca, Cyprus on Wednesday, 14 May 2013.

Key figures

		Note	2012	2011	2010	2009
Profit						
Operating revenues	USD million		510.4	449.6	442.4	397.9
EBITDA	USD million	1	280.1	257.6	283.1	274.3
Operating profit	USD million		222.4	192.3	221.1	218.6
Net profit	USD million		177.5	158.0	198.5	127.2
Earnings per share	USD	2	0.80	0.71	0.89	0.57
Operating margin		3	43.6%	42.8%	50.0%	54.9%
Balance sheet						
Total assets	USD million		1 487.2	1 376.1	1 266.4	1 355.5
Interest-bearing debt	USD million		810.4	760.5	705.4	915.1
Net interest-bearing debt	USD million	4	706.8	667.1	607.1	826.6
Book equity	USD million		516.3	461.8	410.3	263.9
Book equity ratio		5	34.7%	33.6%	32.4%	19.5%
Valuation						
Market capitalisation	USD million		1 894	1 529	1 821	1 466
Share price	NOK		47.32	40.99	46.40	36.85

1 Operating profit before depreciation
2 Net profit / Average number of outstanding and potential shares
3 (Operating profit / Operating revenues) * 100
4 Interest-bearing debt - Cash and deposits
5 (Book equity / Total assets) * 100

About Prosafe

Prosafe is the world's leading owner and operator of semi-submersible accommodation vessels. The company operates globally and employed 547 people at year-end. Operating profit reached USD 222.4 million in 2012 and net profit was USD 177.5 million.

With six dynamically positioned vessels and five anchored vessels, Prosafe's rig fleet is versatile and able to operate in nearly all offshore environments.

In addition, Prosafe has two harsh environment semi-submersible accommodation vessels under construction with scheduled delivery from the yard in the summer of 2014 and around year-end 2014, respectively. These new units will be the most advanced and efficient harsh environment accommodation vessels in the world and will be constructed to comply with Norwegian regulations.

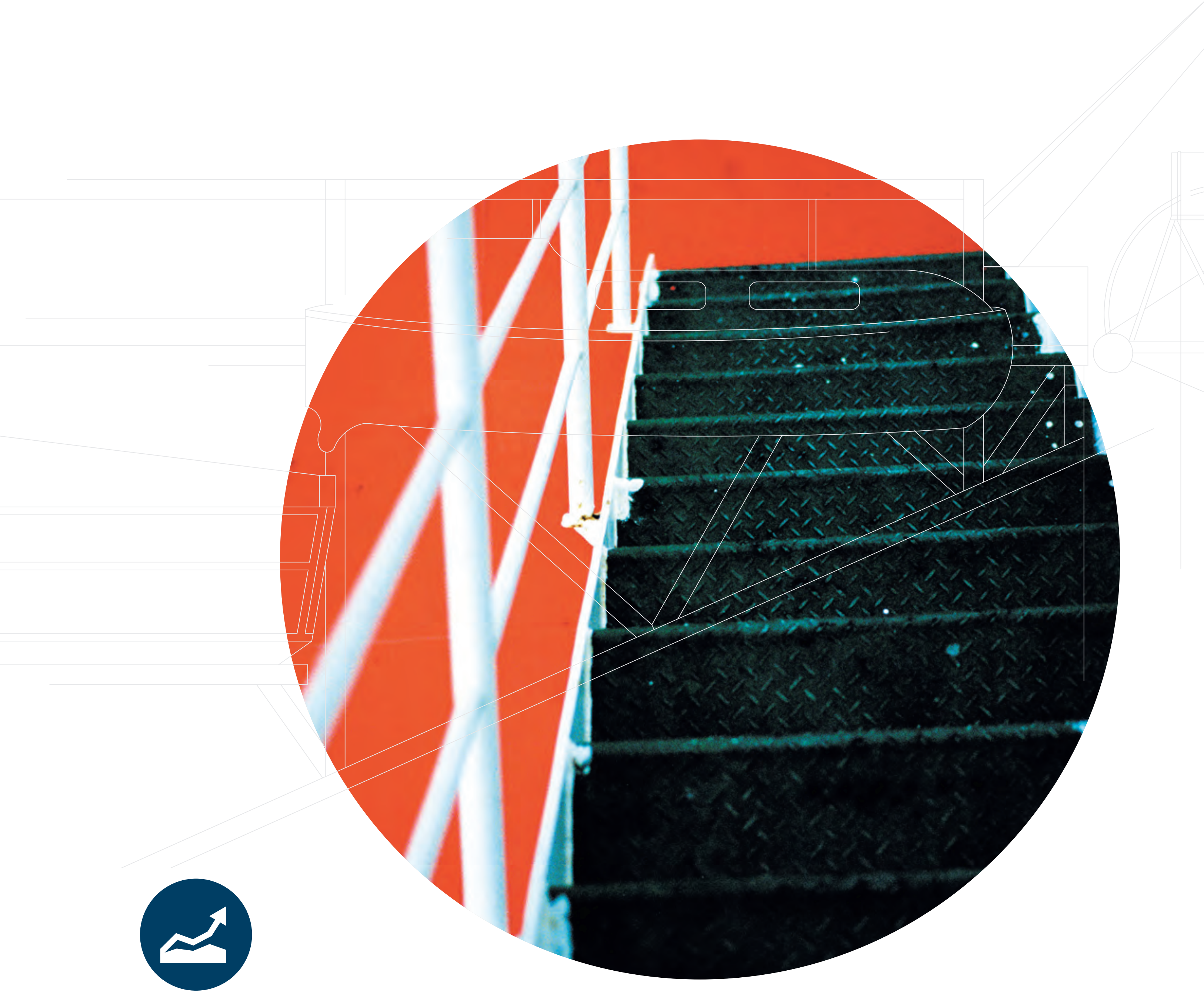
Accommodation vessels are used when there is a need for additional accommodation, engineering, construction or storage capacity offshore. Prosafe's vessels have accommodation capacity for 306-812 people and offer high quality welfare and catering facilities, storage, workshops, offices, medical services, deck cranes and lifesaving and fire fighting equipment. The vessels are positioned alongside the host installation and are connected by means of a telescopic gangway so that personnel can walk to work.

Prosafe has a strong track record from demanding operations world wide, with first class operational performance and good safety results.

Prosafe's operations are related to maintenance and modification of installations on fields already in production, hook-up and commissioning of new fields, tie-backs to existing infrastructure and decommissioning. Prosafe has extensive experience from operating gangway connected to fixed installations, FPSOs, TLPs, Semis and Spars.

The company's track record comprises operations offshore Norway, UK, Mexico, USA, Brazil, Denmark, Tunisia, West Africa, North-west and South Australia, the Philippines and Russia.

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



Theme: Strategic growth

Expanding the fleet with two advanced harsh environment semi-submersible vessels.

Prosafe's strategy is to be the preferred provider of semi-submersible accommodation and service vessels and to pursue profitable growth within the high-end of the offshore accommodation industry. Prosafe has a goal of at least doubling shareholder value over a five-year period, measured as the combined value creation of increased earnings per share and capital returned to shareholders.

This is to be achieved by:

- Employing and training the right people
- Achieving safety and operational standards that are amongst the best in the offshore industry
- Maintaining or increasing the market share within the high end segment of the offshore accommodation industry by renewing and increasing the fleet of accommodation vessels

Over the past year and a half, significant steps have been taken to progress on this strategy. In December 2011, Prosafe signed a contract with Jurong Shipyard Pte Ltd. ("JSPL") in Singapore for the provision of a harsh-environment semi-submersible accommodation vessel compliant with Norwegian regulations. Delivery is scheduled for the summer of 2014. On 4 October 2013, a Letter of Intent was signed with JSPL for the provision of a similar unit to be delivered from the yard around year-end 2014, and a firm contract was signed on 19 November 2013.

The two new vessels will be the largest and most advanced accommodation vessels in the world, constructed according to the GVA 3000E design. With high air gap and powerful station keeping arrangements, they are capable of year-round operations in the harsh conditions on the Norwegian continental shelf. They will have the capacity to accommodate up to 450 persons in single-bed cabins and will be outfitted with the most modern and efficient safety equipment, including free-fall lifeboats.

The vessels will be equipped with DP3 (Dynamic Positioning) system as well as a 12-point mooring arrangement. This means that the vessels will be able to work both in full DP mode and full anchor moored mode without thruster assist, giving maximum flexibility for optimising operational efficiency and cost according to the client's needs and wishes.

The cost of each of the new vessels is estimated at USD 350 million, including owner-furnished equipment, project management cost and financing cost. They will be funded by a combination of bank debt, bond loans and retained earnings.

In December 2012, Prosafe entered into a USD 420 million term loan facility related to the two new vessels. The loan, which will be drawn down on delivery of the vessels, matures in 2017 and the interest rate is 2.95 per cent above three-months LIBOR. Furthermore, in early January 2013, a seven-year unsecured bond loan of NOK 500 million was issued. The interest rate is 3.75 per cent above three-months NIBOR.

The two new vessels were ordered on the back of a positive market outlook. Oil companies continue to focus on increased recovery rate, which is leading to a growing amount of maintenance, upgrade and life extension projects requiring accommodation vessels support. There is also an increasing amount of work related to hook-up and commissioning of new production installations. This is particularly visible in the North Sea market, but there is also evidence of such developments in other markets.

In summary, this has lead to a robust market. The next couple of years are going to be busy, but the outlook for the long term also appears promising, with several concrete prospects for work from 2015 and onwards.

Prosafe has an ambition to continue to grow in the long term. With the dividend policy of paying out up to 75 per cent of previous year's net profit, a sufficient amount of cash is retained to not only renew and replace the current fleet, but also to provide underlying long-term volume growth.

Directors' report

Prosafe is the leading player in the global market for high-end accommodation vessels. The company currently owns 11 semi-submersible vessels, with another two under construction. The company has an extensive track-record, having worked in all the major oil producing offshore regions and with most of the largest oil companies in the world.

Income statement

Operating revenues totalled USD 510.4 million in 2012 (USD 449.6 million in 2011). The increase from 2011 is mainly due to a higher average day rate level combined with a higher utilisation of the fleet and a higher level of income to cover reimbursable non-charter related expenses. Total operating expenses increased to USD 230.3 million (USD 192.0 million), largely as a result of the mentioned increase in reimbursable non-charter related expenses.

Depreciation decreased to USD 57.7 million (USD 65.3 million) following an assessment based on the condition and planned maintenance programme of the five vessels operating in Mexico, which resulted in an extension of their economic life with effect from 1 January 2012, from an average four years to ten years.

This resulted in an operating profit of USD 222.4 million (USD 192.3 million).

Net interest expenses totalled USD 39.8 million (USD 42.1 million). Other financial items amounted to USD -4.6 million (USD 6.9 million). This figure includes the net effect from changes in value of financial currency hedging instruments and revaluation of NOK denominated bond loans.

Taxes for 2012 were USD -0.5 million (USD 0.9 million), including a reversal of around USD 1.4 million of previously expensed taxes in Russia related to the operation of *Safe Astoria* at the Sakhalin field in 2007-09.

Net profit amounted to USD 177.5 million (USD 158.0 million), resulting in diluted earnings per share of USD 0.80 (USD 0.71).

Capital

Total assets amounted to USD 1 487.2 million (USD 1 376.1 million) at the end of 2012. Investments in tangible assets totalled USD 188.1 million (USD 119.1 million). This is mostly attributable to the upgrade and life extension of *Safe Caledonia*, the first instalment of the new build *Safe Zephyrus*, project expenses related to the new build *Safe Boreas* and the upgrade of *Safe Astoria*. Proceeds from the sale of *Safe Esbjerg* amounted to USD 38.5 million. The vessel was sold at a gross price of USD 55 million in August 2012, meaning that USD 16.5 million, to be paid over a period of three years, remains outstanding in accordance with the sale agreement.

In 2012, the company paid interim dividends of USD 118.6 million (USD 107.1 million), corresponding to NOK 3.06 per share (NOK 2.65).

Interest-bearing debt amounted to USD 810.4 million (USD 760.5 million) at year-end. Repayments of debt totalled USD 282.2 million (USD 806.3 million), while gross increase in borrowing amounted to USD 317.1 million (USD 870.4 million). In February 2012, the company issued a NOK 500 million unsecured bond loan with an interest rate of 3.75 per cent above three-months NIBOR and maturity in February 2017. In December 2012, a USD 420 million term loan facility for the financing of the two new builds was signed. The loan which matures in December 2017, can be drawn upon delivery of the new builds with the interest rate being 2.95 per cent above three-months LIBOR.

As at year-end 2012, the Prosafe Group had total liquid assets of USD 103.6 million (USD 93.4 million). The liquidity reserve (liquid assets plus undrawn credit facilities) totalled USD 464.6 million (USD 603.4 million).

Total shareholders' equity amounted to USD 516.3 million (USD 461.8 million), resulting in a book equity ratio of 34.7 per cent (33.6 per cent).

Overall, Prosafe has continued to reinforce its solid financial position allowing it to pay dividends to shareholders in addition to maintaining a level of investments that secure long term growth for the company.

Pursuant to Section 3-3 of the Norwegian Accounting Act, the Board confirms that the going-concern assumption applies and that the annual accounts have been prepared based on this assumption.

Reference is made to note 26 to the consolidated accounts for a description of events after the balance sheet date.

Operations
Prosafe is the world's largest owner and operator of semi-submersible accommodation vessels. It owns 11 out of the 19 vessels worldwide. The contract backlog increased to USD 720 million at the end of 2012 from USD 557 million at the end of 2011 (USD 827 million and USD 595 million, respectively including clients' extension options).

Safe Hibernia, Jasminia, Safe Britannia, Safe Lancia, Safe Regency and *Safe Bristolia* operated on long-term charters in Mexico throughout the year.

Safe Concordia operated in Brazil during the entire year. The contract with Petrobras expires in June 2014.

After completing an upgrade in Batam, Indonesia, *Safe Astoria* commenced a contract for Woodside Energy Ltd. at the North Rankin field in Australia in May 2012. After completion of the contract at year-end, the vessel relocated to Indonesia where it is currently laid up.

Safe Caledonia was on charter with BG International Ltd. on the UK Continental Shelf until April 2012. Thereafter, the vessel moved to the Remontowa Yard in Gdansk, Poland, where she underwent an upgrade and life extension project. The project included changing out most of the accommodation modules, extensive hull renewal and upgrade of mooring winches. The work, which took approximately three months longer than expected due to a combination of increased scope and cold weather, are estimated to add another 20 years to the operational life of the vessel. The project was completed in February 2013.

Safe Scandinavia operated for BP Norge AS at Valhall in Norway until March 2012. After a short yard stay, she commenced operations for ConocoPhillips Skandinavia AS at the Eldfisk field in Norway, where she remained until end of June 2012. She then returned to operate for BP Norge AS at Valhall until March 2013.

Regalia operated for Talisman Energy Norge AS at the Yme field in Norway until end of August 2012. Thereafter she moved to the Hanøytangen yard in Norway for maintenance work.

The jack-up *Safe Esbjerg* was laid up in Denmark until she was sold with effect from 5 August 2012.

Fleet expansion
In November 2012, Prosafe signed a turnkey contract with Jurong Shipyard Pte Ltd. in Singapore for the construction of another semi-submersible accommodation vessel for operations in harsh environments.
The vessel, named *Safe Zephyrus*, will have the same specifications as *Safe Boreas*, which was ordered in December 2011.

Both vessels will be constructed in accordance with the GVA 3000E design and will be equipped with a DP3 (dynamic positioning) system as well as a 12 point mooring arrangement. This will allow for operations in harsh environments both in dynamic positioning (DP) and anchored mode, providing maximum cost efficiency and flexibility. Each unit will have the capacity to accommodate 450 persons in single man cabins.

Delivery from the yard is scheduled for the summer of 2014 in respect of *Safe Boreas* and approximately year end 2014 for *Safe Zephyrus*. All-in cost including yard cost, owner-furnished equipment, project management and financing is estimated at USD 350 million in respect of each vessel. 20 per cent of the contract price was paid on the date of the contract with the remaining 80 per cent payable on delivery.

The new vessels should contribute significantly to growth and are instrumental for achieving Prosafe's target of doubling shareholder values over a five-year period. In addition, they will reinforce the company's leading position in the high-end accommodation vessel segment, further strengthening its ability to meet clients' needs related to increasingly complex operations in a growing market.

Outlook

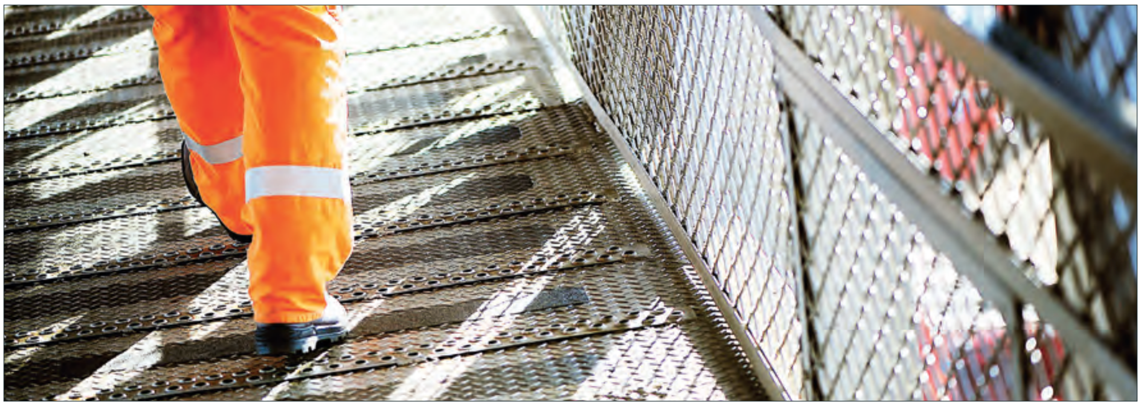
The general outlook for the accommodation vessel market is positive. The trend of increasing field life continues, resulting in a growing need for services related to maintenance and modification projects.

Further, there have been an increasing number of prospects related to hook-up and commissioning of new fields, particularly in the North Sea, where there have been a number of significant finds over the past year. In general, the lead time tends to be longer for hook-up and commissioning jobs (2-3 years) than for maintenance and upgrade jobs (1-2 years).

The North Sea market remains busy, with high activity both with regards to work on existing fields and hook-up and commissioning of new fields. Lead times between contract award and operation start-up have increased with opportunities as long as three years into the future being discussed. However, there have not been any changes with regards to contract lengths and seasonal pattern. Most contracts are still less than 12 months duration and opportunities remain greater in the summer season than in the winter season.

Mexico has been a stable market for many years. Recently, the activity level with regards to production drilling and construction has been high, which should bode well for demand for offshore accommodation going forward.

The growth outlook in the Brazilian market appears promising. There are currently three offshore accommodation vessels working in the Campos basin, and it is likely that more vessels



will be needed in the short-to-medium term. In the long-term there should also be a significant growth potential in other areas.

Demand in other parts of the world tends to be volatile, although there seems to have been an underlying positive development over the past few years. Of these markets, Australia appears to be the most promising for the time being, with certain identified prospects.

In addition to the existing worldwide fleet of 19 semi-submersible accommodation vessels, there are 8 vessels confirmed to be under construction. Although this represents a supply growth in relative terms, the market should be able to absorb the new vessels without significant downward pressure on day rates and utilisation rates in the long term, taking into account that demand is likely to continue to grow over the coming years. Furthermore, the age of some of the existing vessels is likely to result in some of these vessels being taken out of the market over the coming five to ten years.

Health, safety and the environment (HSE)
A successful performance with respect to HSE is fundamental to all of Prosafe's operations and is reflected in the company's core values. The company works proactively and systematically to reduce injuries and sickness absence.

Prosafe operates a zero accident mind-set philosophy which means that no accidents or serious incidents are acceptable. Over the past years, the company has focused on preventive measures and a number of initiatives have been implemented in order to further strengthen the safety culture. Simultaneously, new systems and procedures have been introduced which have resulted in improved safety results over time.

During the year, Prosafe recorded one Lost Time Injury (LTI) (i.e. incident that resulted in the employee being absent from the next work shift). Fortunately, in respect of this incident there were no long-term consequences for the employee. This translates into an LTI frequency rate of 0.98 for 2012, compared to 0.95 in 2011. 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.

Sickness absence increased to 3.3 per cent in 2012 from 2.1 per cent in 2011.

Prosafe had no accidental discharges to the natural environment in 2012 and continues to actively reduce emissions by investment in more modern and fuel efficient equipment and continuous improvement in operating procedures.

Human resources and diversity
Prosafe's workforce consisted of 547 individuals at the end of 2012, as compared to 551 in the previous year. Prosafe's global presence was reflected in the fact that its employees came from 27 countries around the world. The overall workforce turnover in the group was 7.6 per cent in 2012, an increase from 4.2 per cent in 2011.

The company operates an equal opportunity policy including gender equality. Men have, however, traditionally made up a greater proportion of the recruitment base for offshore operations, and this is reflected in Prosafe's gender breakdown. As of 31 December 2012, women accounted for 15 per cent of the overall workforce, compared to 11 per cent in 2011. Onshore the proportion of women was 41 per cent, as opposed to 43 per cent in 2011. Women constituted 15 per cent of the managers as at 31 December 2012, as opposed to 18 per cent at the end of 2011.

Prosafe aims to offer the same opportunities to all and there is no discrimination due to race, gender, nationality, culture or religion with respect to recruit ment, remuneration or promotion.

Corporate governance
Corporate governance in Prosafe is based on the principles contained in the Norwegian Code of Practice for Corporate Governance of 23 October 2012. There are no significant deviations between the Code of Practice and the way it has been implemented in Prosafe. The company's full Corporate Governance report is set out on Prosafe's website http://www.prosafe.com.

By displaying robust corporate governance, the company aims to strengthen confidence in the company among shareholders, the capital market and other interested parties, and will help ensure maximum value creation over time in the best interest of shareholders, employees and other stakeholders.

At the Annual General Meeting on 23 May 2012, Christian Brinch and Ronny Johan Langeland were re-elected as Directors for a period of two years.

Corporate social responsibility
Prosafe aims to be a socially responsible company and to further develop its business in a sustainable manner. In order to ensure long-term, viable development and profit, the company balances economic, environmental and social objectives and integrates them into its daily business activities and decisions.

Prosafe's objectives for corporate social responsibility are based on the company's strategy, core values, Code of Conduct and principles for corporate governance, in addition to international recognised principles and guidelines. In order to advance its commitment to sustainability and corporate citizenship, Prosafe signed up as a member of the United Nations Global Compact in October 2008.

Going forward, the company will continue to aim for continuous improvement of internal standards, the way it works with partners and suppliers, and to manage the impact of its operations.

Risk
Prosafe categorises its primary risks under the following headings: strategic, operational, financial and compliance related. The company's Board 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 supplemented by dialogue and exchange of views with the company's management.

The company 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 compliance related risk through proper operating routines, the use of financial instruments and insurance policies.

Further information on financial risk management is provided in note 21 to the consolidated financial statements.
An account of the main features of the company's internal control and risk management systems is available on Prosafe's website http://www.prosafe.com.

Shareholders
According to the shareholder register as at 31 December 2012, the ten largest shareholders held a total of 47.3 per cent of the issued shares. The remaining shares were held by

4 380 investors. A nominee account in the name of State Street Bank was the largest shareholder with a holding of 12.2 per cent of the issued shares.

The number of issued shares in Prosafe is 229 936 790 at a nominal value of EUR 0.25 each, of which 6 963 731 shares were owned by Prosafe SE. There has been no change in share capital in the reporting period.

Further information is shown in note 16 to the consolidated financial statements.

Auditor
The independent auditor of the company, Ernst & Young Cyprus Ltd., has expressed its willingness to continue as the company's auditor. Reference to auditors' fee is made to note 8 to the consolidated accounts.

Proposed dividend
Prosafe's aim is that its shareholders 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 reflects the underlying financial development of the company, while taking into account opportunities for further value creation through profitable investment.

The Board has approved a dividend policy of up 75 per cent of the company's net profit paid four times per year in the following year.
In 2012, a total dividend equivalent to USD 0.48 per share was distributed to the shareholders. The dividend was paid in the form of NOK 3.06 per share. Typically, an interim dividend will be declared together with the release of the quarterly results.

At 31 December 2012, Prosafe SE had a distributable equity of USD 1 124.6 million. The parent company showed a net profit of USD 27.4 million for 2012, which the Board proposes to be allocated as follows (in USD million):

Dividend	0.0 million
Transferred to equity	27.4 million
Total	27.4 million

Events after 31 December 2012

New bond loan
On 4 January 2013, Prosafe successfully completed a NOK 500 million unsecured bond issue maturing in January 2020. In connection with this bond issue, Prosafe bought back NOK 156 million of one of the existing bonds, PRS06 PRO, which will mature on 14 October 2013 at 102.25.

Private placing of 13 million shares

On 15 March 2013, the company announced the successful completion of a private placement of 13 000 000 new shares directed towards Norwegian and international institutional investors, after close of the Oslo Stock Exchange on 14 March 2013. The over-subscribed placement was made at a subscription price of NOK 58 per share, and the share capital increase represented approximately 5.7 per cent of the issued shares in the company. Gross proceeds amounted to NOK 754 million, and will be used to fund value enhancing growth investments.

The issuance of the new shares was resolved by the company's Board of directors pursuant to an authorisation granted at the company's annual general meeting on 23 May 2012. The shares allocated in the private placement were issued and registered in the Norwegian Central Securities Depository (VPS) on 18 March 2013, and were tradable on the Oslo Stock Exchange from the same date. The new share capital of the company was increased by EUR 3 250 000 to EUR 60 734 197.50, divided on 242 936 790 shares with a nominal value of EUR 0.25 per share.

Cyprus crisis

A proposal for an agreement relating to a stabilisation package between the Government of Cyprus and the Eurozone countries was made public on 16 March 2012. At the date of this report the matter remains unresolved.

On 15 March 2013, Prosafe held approximately USD 550 000 on deposit in one bank in Cyprus.

Larnaca, 20 March 2013
Board of Directors of Prosafe SE

Michael Raymond Parker Non-executive chairman	**Christian Brinch** Non-executive deputy chairman	Roger Cornish Non-executive director
Ronny Johan Langeland Non-executive director	**Carine Smith Ihenacho** Non-executive director	Christakis Pavlou Non-executive director

Consolidated accounts

CONSOLIDATED INCOME STATEMENT

(USD million)	Note	2012	2011
Charter revenues		423.9	400.7
Other operating revenues	6	86.5	48.9
Operating revenues		**510.4**	**449.6**
Employee benefits	8	(97.7)	(93.0)
Other operating expenses	9	(132.5)	(99.0)
Operating profit before depreciation		**280.1**	**257.6**
Depreciation	10	(57.7)	(65.3)
Operating profit		**222.4**	**192.3**
Interest income	12	1.1	0.3
Interest expenses	12	(40.9)	(42.4)
Other financial income	4, 11, 12	27.4	32.8
Other financial expenses	11, 12	(32.0)	(25.9)
Net financial items		**(44.4)**	**(35.2)**
Profit before taxes		**178.0**	**157.1**
Taxes	13	(0.5)	0.9
Net profit		**177.5**	**158.0**
Attributable to equity holders of the parent		**177.5**	**158.0**
Earnings per share (USD)	14	**0.80**	**0.71**
Diluted earnings per share (USD)	14	**0.80**	**0.71**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(USD million)	Note	2012	2011
Net profit for the year		**177.5**	**158.0**
Foreign currency translation		(0.9)	(0.1)
Revaluation hedging instruments	21	(3.7)	0.7
Income tax effect on components of comprehensive income		0.0	0.0
Other comprehensive income, net of tax		**(4.6)**	**0.6**
Total comprehensive income		**172.9**	**158.6**
Attributable to equity holders of the parent		**172.9**	**158.6**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(USD million)	Note	31.12.2012	31.12.2011
ASSETS			
Goodwill	10	226.7	226.7
Rigs	10	896.3	893.7
New builds	10, 25	135.6	58.3
Other tangible assets	10	5.4	5.1
Other non-current assets	6	16.5	0.0
Total non-current assets		**1 280.5**	**1 183.8**
Cash and deposits	20, 22	103.6	93.4
Debtors	20, 21	45.7	56.5
Fair value on derivatives	20, 21	14.6	0.0
Other current assets	20, 23	42.8	42.4
Total current assets		**206.7**	**192.3**
Total assets		**1 487.2**	**1 376.1**
EQUITY AND LIABILITIES			
Share capital	16	63.9	63.9
Other equity		452.4	397.9
Total equity		**516.3**	**461.8**
Interest-bearing non-current liabilities	17, 20, 21	745.6	756.9
Deferred tax	13	28.1	33.6
Fair value on derivatives	20, 21	36.3	32.5
Other provisions		2.4	2.1
Total non-current liabilities		**812.4**	**825.1**
Interest-bearing current debt	17, 20, 21	64.8	3.6
Accounts payable	20, 21	9.3	5.3
Taxes payable	13	19.9	17.3
Fair value on derivatives	20, 21	0.0	12.8
Other current liabilities	18, 20, 21	64.5	50.2
Total current liabilities		**158.5**	**89.2**
Total equity and liabilities		**1 487.2**	**1 376.1**

Larnaca, 20 March 2013

Michael Raymond Parker
Non-executive chairman

Christian Brinch
Non-executive deputy chairman

Roger Cornish
Non-executive director

Ronny Johan Langeland
Non-executive director

Carine Smith Ihenacho
Non-executive director

Christakis Pavlou
Non-executive director

CONSOLIDATED CASH FLOW STATEMENT

(USD million)	Note	2012	2011
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxes		178.0	157.1
Unrealised currency (gain)/loss on long-term debt	17	15.0	(9.0)
Gain on sale of shares	4	0.0	(10.2)
Gain on sale of tangible assets	10	(4.8)	0.0
Depreciation	10	57.7	65.3
Financial income		(1.1)	(0.3)
Financial cost		40.9	42.4
Change in working capital		4.0	(48.5)
Other items from operating activities		(6.6)	(7.6)
Net cash flow from operating activities		**283.1**	**189.2**
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of shares	4	0.0	75.1
Proceeds from sale of tangible assets	6	38.5	0.0
Acquisition of shares	4	0.0	(65.0)
Acquisition of tangible assets	10, 25	(188.1)	(119.1)
Interest received		1.1	0.3
Net cash flow from investing activities		**(148.5)**	**(108.7)**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from new interest-bearing debt	17, 20, 21	317.1	870.4
Repayments of interest-bearing debt	17, 20, 21	(282.2)	(806.3)
Dividends paid	15	(118.6)	(107.1)
Interest paid		(40.9)	(42.4)
Sale of own shares		0.2	0.0
Net cash flow from financing activities		**(124.4)**	**(85.4)**
Net cash flow		**10.2**	**(4.9)**
Cash and deposits at 1 January		93.4	98.3
Cash and deposits at 31 December	22	**103.6**	**93.4**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(USD million)	Share capital	Own shares	Other equity	Cash flow hedges	Foreign currency translation	Total equity
Equity at 31 December 2010	**63.9**	**(49.1)**	**375.7**	**(24.2)**	**44.0**	**410.3**
Net profit	0.0	0.0	158.0	0.0	0.0	158.0
Other comprehensive income	0.0	0.0	0.0	0.7	(0.1)	0.6
Total comprehensive income [1)]	**0.0**	**0.0**	**158.0**	**0.7**	**(0.1)**	**158.6**
Sale of own shares	0.0	0.1	(0.1)	0.0	0.0	0.0
Dividend	0.0	0.0	(107.1)	0.0	0.0	(107.1)
Equity at 31 December 2011	**63.9**	**(49.0)**	**426.5**	**(23.5)**	**43.9**	**461.8**
Net profit	0.0	0.0	177.5	0.0	0.0	177.5
Other comprehensive income	0.0	0.0	0.0	(3.7)	(0.9)	(4.6)
Total comprehensive income [1)]	**0.0**	**0.0**	**177.5**	**(3.7)**	**(0.9)**	**172.9**
Sale of own shares	0.0	0.2	0.0	0.0	0.0	0.2
Dividend	0.0	0.0	(118.6)	0.0	0.0	(118.6)
Equity at 31 December 2012	**63.9**	**(48.8)**	**485.4**	**(27.2)**	**43.0**	**516.3**

[1)] Total comprehensive income is attributable to the equity owner of the parent

The legal form of the share capital and the share premium accounts are reflected in the statement of changes in equity of the accompanying parent financial statements. Other equity includes share premium reserve and retained earnings.

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 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 2012 were authorised for issue in accordance with a resolution of the board of directors on 20 March 2013. The Group is the world's leading owner and operator of semi-submersible accommodation/service rigs.

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) and the requirements of the Cyprus Companies Law, Cap 113. 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 principles adopted are consistent with those of the previous financial year.

New and amended standards

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2012:

- IFRS 7 Financial instruments; Disclosures – Enhanced Derecognition Disclosure Requirements. The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognized assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The Group does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

- IAS 12 Income taxes. The amendment clarifies the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 shall be determined on the basis that its carrying amount will be recovered through sale. The presumption can be rebutted if two specific criteria have been met. The amendment also includes an implementation of SIC 21 – Income

Taxes – Recovery of Revalued Non-depreciable Assets stating that deferred tax on non-depreciable assets measured using to the revaluation model in IAS 16 Property, Plant and Equipment shall always be measured on a sale basis. Within the EU/EEA area, the amendments are effective for annual periods beginning on or after 1 July 2011.

Approved IFRSs and IFRICs with future effective dates

Standards and interpretations that are issued up to the date of issuance of the consolidated financial statements, but not yet effective, are disclosed below. The Group's intention is to adopt the relevant new and amended standards and interpretations when they become effective, subject to EU approval before the consolidated financial statements are issued.

IAS 1 Presentation of Financial Statements

The amendments to IAS 1 imply that the items presented in other comprehensive income (OCI) shall be grouped in two categories. Items that could be reclassified to profit or loss at a future point in time, for example net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net gain or loss on available-for-sale financial assets, shall be presented separately from items that will never be reclassified, for example, actuarial gains and losses on defined benefit plans. The amendments affect the presentation only and have no impact on the Group's financial position or performance. The amendments become effective for annual periods beginning on or after 1 July 2012, and will therefore be applied in the Group's first annual report after becoming effective.

The amendment is not expected to have any impact on disclosures, financial position or performance when applied at a future date.

IAS 19 Employee Benefits

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. Removing the corridor mechanism implies that actuarial gains and losses shall be recognised in other comprehensive income (OCI) in the current period. The amendments to IAS 19 will impact the net benefit expense, as the expected return on plan assets will be calculated using the same interest rate as applied for the purpose of discounting the benefit obligation.

The amendments are effective for accounting periods beginning on or after 1 January 2013.

The amendment is not expected to have any impact on disclosures, financial position or performance when applied at a future date.

IAS 28 Investment in Associates and Joint Ventures

As a consequence of the new standards IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates has been renamed IAS 28 Investment in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. Within the EU/EEA area, the amendments are effective for annual periods beginning on or after 1 January 2014.

The amendment is not expected to have any impact on disclosures, financial position or performance when applied at a future date.

IAS 32 Financial Instruments: Presentation

IAS 32 is amended in order to clarify the meaning of "currently has a legally enforceable right to set-off" and the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

The amendments are effective for annual periods beginning on or after 1 January 2014.

The amendment is not expected to have any impact on disclosures, financial position or performance when applied at a future date.

IFRS 7 Financial Instruments: Disclosures

The amendments imply that entities are required to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting agreements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The amendments will not impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of IASB's work on the replacement of IAS 39 and applies to the classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for accounting periods beginning on or after 1 January 2013, but amendments to IFRS 9 issued in December 2011 moved the mandatory effective date to 1 January 2015. Subsequent phases of this project will address hedge accounting and impairment of financial assets.

The Group will evaluate potential effects of IFRS 9 in accordance with the other phases as soon as the final standard, including all phases, is issued.

IFRS 10 Consolidated Financial Statements, IAS 27 *Separate Financial Statements*

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. As a result, the Group has evaluated the entities to be consolidated pursuant to IFRS 10 and compared with the requirements of the current IAS 27.

Within the EU/EEA area, IFRS 10 is effective for annual periods starting on or after 2014.

The amendment is not expected to have any impact on disclosures, financial position or performance when applied at a future date.

Amendments to IFRS 10, IAS 27 and IFRS 12 related to Investment Entities

Amendments to IFRS 10 imply that enterprises defined as investment entities no longer shall consolidate their subsidiaries. With one exception – subsidiaries engaged in investment related services to the investment entity shall be consolidated. Other investments in subsidiaries, joint ventures and associates shall be recognised at fair value through profit and loss. Investment entities are required to recognise all subsidiaries at fair value through profit and loss pursuant to IFRS 10, and present the separate financial statements as their only financial statements. The disclosure requirements are extended.

The amendments are effective for annual periods beginning on or after 1 January 2014, but the EU has not yet approved the amendments.

The amendment is not expected to have any impact on disclosures, financial position or performance when applied at a future date.

IFRS 11 Joint Arrangements

This standard replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. All entities meeting the definition of a joint venture must be accounted for using the equity method. Within the EU/EEA area, IFRS 11 is effective for annual periods beginning on or after 1 January 2014.

The amendment is not expected to have any impact on disclosures, financial position or performance when applied at a future date.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 applies for enterprises with interests in subsidiaries, joint arrangements, associates and structured entities. IFRS 12 replaces the disclosure requirements that were previously included in IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures. A number of new disclosures are also required, but has no impact on the Group's financial position or performance. Within the EU/EEA area, IFRS 12 is effective for annual periods beginning on or after 1 January 2014.

IFRS 13 Fair Value Measurement
The standard establishes a single source of guidance under IFRS for all fair value measurements, i.e., for requirements of all standards related to measuring fair value for assets and obligations. IFRS 13 is effective for annual periods beginning on or after 1 January 2013.

The amendment is not expected to have any impact on disclosures, financial position or performance when applied at a future date.

Annual Improvements 2009-2011

IAS 1 Presentation of Financial Statements
The amendments to IAS 1 clarify the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the presentation of the previous period's comparative information will meet the minimum requirements. The amendments have no impact on the Group's financial position or performance and are effective for annual periods beginning on or after 1 January 2013, but the EU has not yet approved the amendments.

IAS 16 Property, Plant and Equipment
The amendment clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory. The amendment is effective for annual periods beginning on or after 1 January 2013, but has not yet been approved by the EU.

The amendment is not expected to have any impact on disclosures, financial position or performance when applied at a future date.

IAS 32 Financial Instruments: Presentation
The amendment clarifies that income taxes arising from distributions to equity holders shall be accounted for in accordance with IAS 12 Income Taxes. The amendment is effective for annual periods beginning on or after 1 January 2013, but has not yet been approved by the EU.

The amendment is not expected to have any impact on disclosures, financial position or performance when applied at a future date.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

JUDGMENTS. The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amount recognised in the consolidated financial statements.

Prosafe owns and operates a fleet of accommodation and service rigs. Based on an evaluation of the terms and conditions of the arrangements in the contracts, the Group has determined that it retains all significant risks and rewards of ownership of the vessels and therefore none of the contracts have been accounted for as a financial lease.

ESTIMATES AND ASSUMPTIONS. The estimates and assumptions are assessed on a continuous basis. The estimates and assumptions which have the most significant effect on the amounts recognised in the financial statements relate to depreciation of fixed assets, impairment assessment of non-financial assets, share-based payments, taxes and fair value of financial instruments. Estimated useful life of the Group's semi-submersible accommodation/service rigs is 30 to 45 years dependent on the age at the time of acquisition and subsequent refurbishments. 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. Estimating fair value for share-based payments requires determination of the most appropriate valuation model and the most appropriate inputs to the valuation model including the expected life of the share options, volatility and dividend yield.

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility.

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

BASIS OF CONSOLIDATION. The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries. Subsidiaries are fully 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 financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets and liability of the subsidiary
- derecognises the carrying amount of any non-controlling interest
- derecognises the cumulative translation differences, recorded in equity
- recognises the fair value of the consideration received
- recognises the fair value of any investment retained
- recognises any surplus or deficit in profit and loss
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit and loss or retained earnings, as appropriate.

BUSINESS COMBINATIONS AND GOODWILL. Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit and loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

FOREIGN CURRENCY TRANSLATION. The presentation currency is USD. This is also the functional currency for the parent company. 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 to other comprehensive income. On disposal of a foreign operation, the deferred cumulative amount recognised in other comprehensive income, relating to that particular operation, is recognised in the income statement.

SEGMENT REPORTING. For management and monitoring purposes, the Group is organised into one segment; chartering and operation of accommodation/service rigs. For geographical information, reference is made to note 5.

REVENUE RECOGNITION. Revenue is recognised to the extent that it is probable that the economic benefits will flow to Prosafe and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. Charter income is recognised on a straight line basis over the period the rig has operated. Prosafe does not transfer the risks or benefits of ownership of the asset to the customers and none of the contracts are accounted for as a financial lease. Management, crew services and other related income are recognised in the period the services are rendered. Interest income is recognised on an accrual basis. Interest income is included in financial items in the income statement. Dividends are recognised when Prosafe’s right to receive the payment is established.

PROVISIONS are recognised when, and only when, the Group has a present obligation 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.

When Prosafe expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

TANGIBLE ASSETS are stated at acquisition cost less cumulative depreciation and accumulated impairment losses, if any. 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 residual value, methods of depreciation and 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.

In accordance with IAS 23, borrowing costs are capitalised on qualifying assets.

Tangible fixed assets are depreciated on a straight line basis over their useful lifetime as follows:
- Semi-submersible rigs – 30 to 45 years dependent on the age at the time of the acquisition and subsequent refurbishments
- Buildings – 20 to 30 years
- Equipment – 3 to 5 years

IMPAIRMENT OF NON-FINANCIAL ASSETS. The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed forecast calculations which are prepared separately for each of the Group's cash generating units to which the individual assets are allocated. These forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

For non-financial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, Prosafe estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

IMPAIRMENT OF GOODWILL. Goodwill is tested for impairment annually, and when circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of each cash-generating unit to which the goodwill relates. When the recoverable amount is lower than the carrying amount, the impairment loss is recognised in the income statement. Impairment losses related to goodwill cannot be reversed in future periods.

INVENTORIES are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

FINANCIAL ASSETS

Initial recognition

Financial assets in Prosafe SE are classified as financial assets at fair value through profit or loss, loans and receivables, available for sale financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Prosafe determines the classification of its financial assets at initial recognition.

Financial assets are recognised initially at fair value plus directly attributable costs, with the exception of assets measured at fair value through profit and loss.

Prosafe's financial assets include cash and short-term deposits, trade and other receivables, financial derivatives and shares.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss include financial assets held for trading. Prosafe has no financial instruments designated as at fair value through profit and loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near future. This category also includes derivative instruments entered into that do not meet the hedge accounting criteria as defined by IAS 39. Financial assets at fair value through profit and loss are carried in the balance sheet at fair value with gains and losses recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the three preceding categories. After initial measurement, available for sale financial assets are measured at fair value with unrealised gains and losses recognised directly in other comprehensive income until the investment is derecognised, at which time cumulative gain or loss recorded in equity is recognised in the income statement, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the income statement.

Derecognition

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either the Group has transferred substantially all the risks and rewards of the asset, or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets are deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliable estimated.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Significant is evaluated against the original cost of the investment and prolonged against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on the investment previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

FINANCIAL LIABILITIES

Initial recognition

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, financial liabilities measured at amortised cost or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Prosafe determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and, in case of loans and borrowings, net of directly attributable costs.

Prosafe's financial liabilities include trade and other payables, bank overdraft, loans and borrowings, financial guarantee contracts and derivative financial instruments.

Subsequent measurement
The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit and loss
Financial liabilities at fair value through profit and loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near future. This category also includes derivative instruments entered into that do not meet the hedge accounting criteria as defined by IAS 39. Gains and losses on liabilities held for trading are recognised in the income statement.

Financial liabilities measured at amortised cost
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost. Amortised cost is computed using the effective interest method. The calculation takes into account any transaction costs and fees that are an integral part of the effective interest rate.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Fair value of financial instruments
The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

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.

SHARE-BASED PLANS. The Group has an option plan for key personnel 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. Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

DERIVATIVE FINANCIAL INSTRUMENTS. Prosafe uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its foreign currency risks and interest rate risks respectively. Such instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains and losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting and the ineffective portion of an effective hedge, are taken directly to the income statement.

The fair value of forward currency contracts is the discounted difference between the forward exchange rate and the contract price. The fair value of interest rate swap contracts is determined by reference to market price for similar instruments.

At the inception of a hedge relationship, Prosafe formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows, and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges
The change in fair value of a hedging derivative is recognised in the income statement. The change in the fair value of the hedged item attributable to the risk is recorded as a part of the carrying value of the hedged item and is also recognised in the income statement.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the income statement over the remaining term to maturity.

Cash flow hedges
The effective portion of the gain and loss on the hedging instrument is recognised directly in other comprehensive income, while any ineffective portion is recognised immediately in the income statement.

Amounts recognised as other comprehensive income are transferred to the income statement when the hedged transaction affects profit and loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or a non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial assets or liability.

Current versus non-current classification
Derivative instruments that are not a designated and effective hedging instrument are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances.

When Prosafe holds a derivative as an economic hedge for a period beyond 12 months after the balance sheet date or a derivative instrument is designated as an effective hedging instrument, the derivative is classified as current or non-current consistent with the classification of the underlying item. Economic hedges are not treated as hedging for accounting purposes.

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.

Income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid to the taxation authorities.

Deferred tax liabilities are measured at the tax rates that are expected to apply in the year when the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax are provided using the liability method.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

CASH AND DEPOSITS include cash, bank deposits and other short-term deposits with an original maturity of three months or less.

SHAREHOLDER'S EQUITY. Any difference between the issue price of share capital and the nominal value is recognised as share premium. The costs incurred attributable to the issue of share capital are deducted from equity.

OWN SHARES. Own equity instruments which are reacquired are recognised at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

NOTE 4: GAIN ON SALE OF SHARES IN 2011

In July 2011, the Company acquired 21 542 568 shares in Floatel International Ltd (Floatel), which equalled 22.2 per cent of the shares. The acquisition price was NOK 16 per share. In August 2011, Floatel announced that the company had signed a heads of agreement to enter into an amalgamation agreement with Aqua Pellentesque Ltd. The shares were realised in September 2011, and the Company received a cash consideration of NOK 19.50 per share. A net gain of USD 10.2m in relation to this transaction has been recognised in the income statement. Net proceeds were USD 75.1 million.

NOTE 5: SEGMENT REPORTING

Prosafe has one segment, which is chartering and operation of accommodation/service rigs.

Operating revenues by geographical location	2012	2011
Europe	218.3	277.4
Americas	199.3	172.2
Australia/Asia	92.8	0.0
Total operating revenues	**510.4**	**449.6**

The revenue information above is based on the location of the customer.

Operating revenues from major customers situated in:	2012		2011	
	1)	2)	1)	2)
Americas	148.2	29%	141.3	31%
Europe	88.7	17%	106.8	24%
Australia/Asia	87.6	17%	0.0	0%
Europe	81.8	16%	21.3	4%
Americas	51.1	10%	30.9	6%
Europe	24.4	5%	73.0	16%
Europe	0.0	0%	54.7	12%

1) Operating revenues in USD million

2) Percentage of total revenues

Total assets by geographical location	2012	2011
Europe	806.2	769.4
Americas	402.0	420.8
Australia/Asia	279.0	185.9
Total assets	**1 487.2**	**1 376.1**

NOTE 6: OTHER OPERATING REVENUES

	2012	2011
Mobilisation/demobilisation income	2.0	4.1
Gain on sale of non-current assets	4.8	0.0
Other contract income	79.7	44.8
Total other operating revenues	**86.5**	**48.9**

On 7 August 2012, Prosafe entered into an agreement to sell the accommodation jack-up *Safe Esbjerg* to a buyer in South East Asia. Total proceeds amount to USD 55 million and are divided into two tranches. In accordance with the agreement an amount of USD 38.5 million was paid on 5 October. The remaining USD 16.5 million will be paid as a three-year term loan with an interest rate of 10 per cent, and is included under 'other non-current assets' in the statement of financial position. The gain on the sale amounted to USD 4.8 million and has been recognised as other operating revenue.

NOTE 7: QUARTERLY RESULTS

	Q1	Q2	Q3	Q4	2012
Operating revenues	125.7	129.3	142.3	113.1	510.4
Operating expenses	(51.1)	(65.2)	(61.4)	(52.6)	(230.3)
EBITDA	**74.6**	**64.1**	**80.9**	**60.5**	**280.1**
Depreciation	(14.0)	(14.3)	(14.4)	(15.0)	(57.7)
Operating profit	**60.6**	**49.8**	**66.5**	**45.5**	**222.4**
Net financial items	**(12.5)**	**(13.3)**	**(13.7)**	**(4.9)**	**(44.4)**
Profit before taxes	**48.1**	**36.5**	**52.8**	**40.6**	**178.0**
Taxes	(0.6)	(0.6)	(1.0)	1.7	(0.5)
Net profit	**47.5**	**35.9**	**51.8**	**42.3**	**177.5**

NOTE 8: EMPLOYEE BENEFITS, MANAGEMENT REMUNERATION AND AUDIT FEE

	2012	2011
Wages and salaries	46.7	39.0
Contract personnel	29.3	36.0
Other remuneration	2.3	2.2
Social security taxes	5.9	5.1
Change in share option provision	(1.4)	(0.4)
Pension expenses	5.2	3.6
Other personnel-related expenses	9.7	7.5
Total employee benefits	**97.7**	**93.0**

Bonus scheme

The Company's bonus scheme embraces the corporate management and the operational management team. The bonus depends on achieving defined results relating to earnings, the attainment of strategic goals and HSE.

Share options

The corporate management and other key employees (in total 16 persons) are included in a synthetic share option programme. The outstanding options were granted in 2009 and 2011. When a synthetic option is exercised, 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. All synthetic options are capped at two times strike price. 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. The options are valued by using the Black-Scholes option pricing model. The right to exercise is subject to the employee being employed during the vesting period.

	2012	2011
Share price at 31 December (NOK)	47.32	40.99
Weighted average fair value (NOK) at 31 December	5.37	4.39
Provision at 31 December (USD million)	0.6	2.2

Options granted 2008	2 768 829
Options granted 2009	910 000
Options granted 2011	770 000
Forfeited in 2010	(917 524)
Exercised in 2011	(70 000)
Forfeited in 2011	(20 000)
Exercised in 2012	(673 000)
Forfeited in 2012	(2 036 305)
Outstanding options at 31 December 2012	732 000
Exercisable at 31 December 2012	32 000

Vesting date in May 2011	
Grant date	22.05.2009
Exercise price at grant (NOK)	30.45
Exercise price at 31.12.2012 (NOK)	21.64
Vesting date	22.05.2011
Expiry date	22.05.2013
Lifetime closing balance	0.39
Volatility closing balance	0.29
Interest rate closing balance	0.01
Fair value closing balance (NOK)	19.93
Outstanding options at 31.12.2012	32 000

Vesting date in November 2014	
Grant date	31.05.2011
Exercise price at grant (NOK)	54.05
Exercise price at 31.12.2012 (NOK)	48.31
Vesting date	30.11.2014
Expiry date	30.11.2014
Lifetime closing balance	1.92
Volatility closing balance	0.32
Interest rate closing balance	0.01
Fair value closing balance (NOK)	6.26
Outstanding options at 31.12.2012	350 000

Vesting date in November 2015	
Grant date	31.05.2011
Exercise price at grant (NOK)	58.21
Exercise price at 31.12.2012 (NOK)	52.47
Vesting date	30.11.2015
Expiry date	30.11.2015
Lifetime closing balance	2.92
Volatility closing balance	0.33
Interest rate closing balance	0.01
Fair value closing balance (NOK)	5.27
Outstanding options at 31.12.2012	350 000

The right to exercise is subject to the employee being employed during the vesting period.

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 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 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.

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

Senior officers (USD 1 000)	Year	Salary	Bonus [1]	Pension [2]	Other benefits [3]	Value of share options [4]
Karl Ronny Klungtvedt (CEO)	2012	614	385	55	557	18
Sven Børre Larsen (CFO)	2012	377	237	34	45	14
Robin Laird (COO)	2012	556	343	83	778	14
Karl Ronny Klungtvedt (CEO)	2011	580	283	54	38	353
Sven Børre Larsen (CFO)	2011	345	0	33	34	8
Robin Laird (COO)	2011	523	266	78	181	350

[1] Payment based on previous years' achievements

[2] For the CEO, the figures include increase in early retirement pension liability

[3] For Mr Klungtvedt and Mr Laird, the amounts include exercise of share options granted in 2009

[4] Valuation at 31 December 2012 based on the Black-Scholes option pricing model

Board of directors (USD 1 000)	Year	Board fees [1]
Michael Raymond Parker (chair)	2012	143
Christian Brinch (deputy chair)	2012	116
Ronny Johan Langeland	2012	109
Christakis Pavlou	2012	92
Roger Cornish	2012	98
Carine Smith Ihenacho	2012	83
Elin Nicolaisen (resigned May 2012)	2012	33
Michael Raymond Parker (chair)	2011	135
Christian Brinch (deputy chair)	2011	98
Ronny Johan Langeland	2011	96
Elin Nicolaisen	2011	75
Christakis Pavlou	2011	79
Roger Cornish	2011	88
Carine Smith Ihenacho (appointed May 2011)	2011	45

[1] If applicable, figures include compensation from audit committee, compensation committee and election committee.

Auditors' fee (USD 1 000)	2012	2011
Audit	363	335
Fees for other services	29	65
Total auditors' fee	**392**	**400**

NOTE 9: OTHER OPERATING EXPENSES

	2012	2011
Repair and maintenance	29.0	27.1
Other vessel operating expenses	69.3	40.6
General and administrative expenses	34.2	31.3
Total other operating expenses	**132.5**	**99.0**

NOTE 10: TANGIBLE ASSETS AND GOODWILL

	Rigs	New builds	Equip-ment	Build-ings	Good-will	Total
Acquisition cost 31 December 2010	**1 331.7**	**0.0**	**2.8**	**6.2**	**226.7**	**1 567.4**
Additions	59.1	58.4	1.3	0.3	0.0	119.2
Disposals	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition cost 31 December 2011	**1 390.7**	**58.4**	**4.2**	**6.5**	**226.7**	**1 686.5**
Additions	109.7	77.2	0.3	0.9	0.0	188.1
Disposals	(66.0)	0.0	(0.1)	0.0	0.0	(66.1)
Acquisition cost 31 December 2012	**1 434.3**	**135.6**	**4.4**	**7.4**	**226.7**	**1 808.5**
Accumulated depreciation 31 December 2010	**432.8**	**0.0**	**2.2**	**2.4**	**0.0**	**437.4**
Accumulated depreciation on disposals	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation for the year	64.3	0.0	0.6	0.4	0.0	65.3
Accumulated depreciation 31 December 2011	**497.1**	**0.0**	**2.8**	**2.7**	**0.0**	**502.7**
Accumulated depreciation on disposals	(15.9)	0.0	0.0	0.0	0.0	(15.9)
Depreciation for the year	56.8	0.0	0.5	0.4	0.0	57.7
Accumulated depreciation 31 December 2012	**538.0**	**0.0**	**3.3**	**3.2**	**0.0**	**544.5**
Net carrying amount 31 December 2012	**896.3**	**135.6**	**1.1**	**4.2**	**226.7**	**1 264.0**
Net carrying amount 31 December 2011	**893.7**	**58.4**	**1.3**	**3.8**	**226.7**	**1 184.0**
Depreciation rate (%)	**2-20**	**-**	**20-33**	**3-5**	**-**	**-**
Economically useful life (years)	**5-45**	**-**	**3-5**	**20-30**	**-**	**-**

New builds include prepayment of 20 % of the yard cost for the two new builds, owner-furnished equipment and other project costs incurred. For details, reference is made to note 25.

The accommodation jack-up, *Safe Esbjerg* was sold in 2012. For details, reference is made to note 6.

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 upgrades and modification of vessels are capitalised, and each vessel is accounted for as a single asset.

Borrowing costs are capitalised as part of the asset in accordance with revised IAS 23. As at 31 December 2012, capitalised borrowing costs amount to USD 3.7 million.

Estimated useful life for the semi-submersible accommodation/service rigs is 30-45 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.

The depreciation plan for five of the rigs operating in the Gulf of Mexico has been revised. With effect from 1 January 2012 the remaining depreciation period for these five rigs has been extended to ten years from an average of four years previously. The impact of this change is an estimated annual reduction in deprecation of USD 5 million.

The goodwill of USD 226.7 million relates to the acquisition of Consafe Offshore AB in 2006. Prosafe has one defined cash-generating unit comprising all accommodation/service rigs, to which the goodwill has been allocated. The recoverable amount has been identified by calculating the value in use. The calculation is based on the present value of the estimated cash flow. 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.

The present value of the estimated cash flows from the cash-generating unit, is based on the following inputs:

Revenues
- Current contracts portfolio and contract renewals reflecting current market conditions, remaining life of asset, and historical utilisation rates
- Annual increase of operating revenues 3% (general sector inflation assumption)

Expenses
- Operating expenses and overheads reflecting current market conditions and historical utilisation rates
- Annual increase of operating expenses and overheads 3% (general sector inflation assumption)

Capital expenditures
- Life extension capex reflecting historical actuals and upgrade capex reflecting long-term capex projections

- Annual increase of capital expenditures 3% (general sector inflation assumption)

Group weighted average cost of capital (WACC) 8%
- Sensitivity: a 1% increase in WACC would still give a present value of the cash flow well in excess of the carrying value

NOTE 11: OTHER FINANCIAL ITEMS

	2012	2011
Currency gain	0.0	22.3
Fair value adjustment currency forwards	27.4	0.0
Fair value adjustment interest rate swaps	0.0	0.3
Gain on sale of shares	0.0	10.2
Other financial income	0.0	0.0
Total other financial income	**27.4**	**32.8**
Currency loss	(23.9)	0.0
Fair value adjustment currency forwards	0.0	(16.4)
Fair value adjustment interest rate swaps	0.0	0.0
Amortisation of borrowing costs	(2.6)	(6.1)
Other financial expenses	(5.5)	(3.4)
Total other financial expenses	**(32.0)**	**(25.9)**

NOTE 12: FINANCIAL ITEMS - IAS 39 categories

Year ended 31 Dec 2012	Loans and receivables	Fair value through profit and loss	Financial liabilities measured at amortised cost	Available for sale	Total
Interest income	1.1	0.0	0.0	0.0	1.1
Fair value adjustment FX forwards	0.0	27.4	0.0	0.0	27.4
Total financial income	**1.1**	**27.4**	**0.0**	**0.0**	**28.5**
Interest expenses	0.0	0.0	(40.9)	0.0	(40.9)
Amortisation of borrowing costs	0.0	0.0	(2.6)	0.0	(2.6)
Other financial expenses	0.0	(5.5)	0.0	0.0	(5.5)
Currency loss [1)]	0.0	0.0	0.0	0.0	(23.9)
Total financial expenses	**0.0**	**(5.5)**	**(43.5)**	**0.0**	**(72.9)**
Net financial items	**1.1**	**21.9**	**(43.5)**	**0.0**	**(44.4)**

Year ended 31 Dec 2011	Loans and receivables	Fair value through profit and loss	Financial liabilities measured at amortised cost	Available for sale	Total
Interest income	0.3	0.0	0.0	0.0	0.3
Fair value adjustment interest swaps	0.0	0.3	0.0	0.0	0.3
Other financial items	0.0	0.0	0.0	10.2	10.2
Currency gain [1)]	0.0	0.0	0.0	0.0	22.3
Total financial income	**0.3**	**0.3**	**0.0**	**10.2**	**33.1**
Interest expenses	0.0	0.0	(42.4)	0.0	(42.4)
Fair value adjustment FX forwards	0.0	(16.4)	0.0	0.0	(16.4)
Amortisation of borrowing costs	0.0	0.0	(6.1)	0.0	(6.1)
Other financial items	0.0	(3.4)	0.0	0.0	(3.4)
Total financial expenses	**0.0**	**(19.8)**	**(48.5)**	**0.0**	**(68.3)**
Net financial items	**0.3**	**(19.5)**	**(48.5)**	**10.2**	**(35.2)**

[1)] Currency effects (gain/loss) are excluded from the category break-down, but added to the total for net effect.

NOTE 13: TAXES

	2012	2011
Taxes in income statement:		
Taxes payable	7.6	7.3
Change in deferred tax	(7.1)	(8.2)
Total taxes in income statement	**0.5**	**(0.9)**
Temporary differences:		
Exit from Norwegian tonnage tax system	101.3	117.2
Non-current assets	(4.5)	(2.5)
Current liabilities	3.9	5.4
Tax loss carried forward	0.0	0.0
Basis for deferred tax	**100.4**	**120.1**
Recognised deferred tax	**28.1**	**33.6**
Deferred tax 1 January	33.6	41.7
Change in deferred tax in income statement	(7.1)	(8.2)
Translation difference	1.6	0.1
Deferred tax 31 December	**28.1**	**33.6**
Payable tax as at 31 December	**19.9**	**17.3**

Tax loss carried forward in Cyprus as at 31 December 2012 and 2011 amounts to USD 22.6 million and USD 16.3 million respectively. The tax rate in Cyprus is 10%. No deferred tax asset is recognised in respect of this tax loss carried forward. The tax loss for each year may be carried forward for five years.

A material part of taxes in the income statement relates to withholding tax paid on several of the Group's operations. The tax cost may therefore vary independently of profit before taxes.

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.

	2012	2011
Net profit	177.5	158.0
Weighted average number of outstanding shares (1 000)	222 961	222 949
Basic earnings per share	**0.80**	**0.71**
Weighted average number of outstanding and potential shares (1 000)	222 961	222 949
Diluted earnings per share	**0.80**	**0.71**

NOTE 15: DIVIDENDS

	2012	2011
Dividend declared during the year	118.6	107.1
Total dividends declared	**118.6**	**107.1**
Dividends per share (NOK)	3.06	2.65

NOTE 16: SHARE CAPITAL AND SHAREHOLDER INFORMATION

	2012	2011
Issued and paid number of shares at 31 December	229 936 790	229 936 790
Authorised number of shares at 31 December	275 924 148	275 924 148
Holding of own shares at 31 December	6 963 731	6 975 818
Nominal value at 31 December	EUR 0.25	EUR 0.25
Number of shareholders at 31 December	4 380	4 621

Largest shareholders/groups of shareholders at 31.12.2012	No of shares	Percentage
State Street Bank (nom.)	28 011 029	12.2%
Folketrygdfondet	15 851 685	6.9%
State Street Bank (nom.)	15 081 253	6.6%
Pareto	9 954 810	4.3%
Goldman Sachs (nom.)	7 988 297	3.5%
FLPS	7 900 000	3.4%
Prosafe SE	6 963 731	3.0%
JP Morgan Chase Bank (nom.)	6 388 984	2.8%
Clearstream Banking (nom.)	5 588 460	2.4%
JP Morgan Chase Bank (nom.)	4 964 949	2.2%
KAS Depositary Trust nom.)	4 411 029	1.9%
BNP Paribas (nom.)	4 153 673	1.8%
The Northern Trust (nom.)	3 754 918	1.6 %
JP Morgan Chase Bank (nom.)	3 653 053	1.6%
Bank of New York (nom.)	3 058 904	1.3%
BNP Paribas (nom.)	2 869 200	1.2%
RBC (nom.)	2 738 296	1.2%
Citibank (nom.)	2 625 527	1.1%
KLP	2 386 257	1.0%
Citibank (nom.)	2 315 207	1.0%
Total 20 largest shareholders/groups of shareholders	**140 659 262**	**61.2%**

NOTE 17: INTEREST-BEARING DEBT

As of 31 December 2012, Prosafe's interest-bearing debt totalled USD 810 million. Loans secured by mortgages (credit facility) accounted for USD 566 million of this total and unsecured bond loans accounted for about USD 244 million.

	2012	2011
Credit facility	566.0	590.0
Bond loans	244.4	170.5
Total interest-bearing debt	**810.4**	**760.5**
Debt in NOK	244.4	166.9
Debt in USD	566.0	593.6
Total interest-bearing debt	**810.4**	**760.5**
Long-term interest-bearing debt	745.6	756.9
Current interest-bearing debt	64.8	3.6
Total interest-bearing debt	**810.4**	**760.5**

USD 1 100 million credit facility repayment structure

In August 2011, the company secured a new credit facility. The credit facility has a total availability of USD 1 100 million and a maturity of six years. After the sale of the *Safe Esbjerg*, the availability under the credit facility is reduced semi-annually with USD 68 million. As of 31 December 2012, the availability under the credit facility totalled USD 927 million (USD 361 million undrawn credit lines). Applicable margin on the credit facility is 1.875 per cent per annum.

USD 420 million credit facility repayment structure

In December 2012, the company secured a new credit facility. The credit facility has a total availability of USD 420 million (two tranches of USD 210 million) and a maturity of five years. The availability under each tranche is reduced quarterly with USD 4 375 million, starting 3 months after delivery of the tranche security. As of 31 December 2012, the availability under the credit facility totalled USD 420 million (USD 420 million undrawn credit lines). Applicable margin on the credit facility is 2.950 per cent per annum.

Financial covenants credit facilities

- Liquidity: Minimum USD 65 million (including up to USD 25 million of total commitments available for utilisation)
- Leverage ratio: Total debt/EBITDA must not exceed 5.0 (4.5 following the second anniversary after closing, i.e. in August 2013)
- Value adjusted equity ratio: Minimum 35 per cent
- Collateral maintenance: Market value vessels/total commitments above 150 per cent

Bond loans repayment structure

The bond debt is divided into three loans of NOK 500 million maturing October 2013 (PRS06), NOK 500 million maturing February 2016 (PRS07) and NOK 500 million maturing February 2017 (PRS08). PRS06 is listed on Oslo ABM (Alternative Bond Market), while PRS07 and PRS08 are listed on the Oslo Stock Exchange.

Loan	Principal	Outstanding	Maturity	Interest	Loan margin
PRS06	NOK 500 million	NOK 360.5 million	October 2013	3m Nibor	4.00%
PRS07	NOK 500 million	NOK 500 million	February 2016	3m Nibor	3.50%
PRS08	NOK 500 million	NOK 500 million	February 2017	3m Nibor	3.75%

Financial covenants bond loans
PRS 06/07/08
Value adjusted equity ratio: Minimum 30 per cent
Leverage ratio: Total debt/EBITDA must not exceed 5.0

As of 31 December 2012, the Group was in compliance with all covenants on interest-bearing debt.

3 month LIBOR is the basis for interests on the loans denominated in USD, whereas 3 month NIBOR is the basis for interests on the loans denominated in NOK. On average, LIBOR interest fixings and NIBOR interest fixings were lower in 2012 compared to 2011. The average interest cost, including interest rate swap agreements, was around 5.0 per cent in 2012 as opposed to 5.5 per cent in 2011.

NOTE 18: OTHER CURRENT LIABILITIES

	2012	2011
Other accrued costs	45.9	30.2
Deferred income	14.1	14.9
Accrued interest costs	3.0	2.7
Provision share option costs	0.5	2.2
Public taxes	0.3	0.2
Total interest-free current liabilities	**64.5**	**50.2**

NOTE 19: MORTGAGES AND GUARANTEES

As of 31 December 2012, Prosafe's interest-bearing debt secured by mortgages totalled USD 566 million. The debt is secured by mortgages on shares in Prosafe Rigs Pte Ltd, and the accommodation/service fleet owned by this entity. Book value of the fleet was USD 896.3 million. In line with industry practice, Prosafe had issued parent company guarantees and bank guarantees (around USD 8 million) to customers on behalf of its subsidiaries in connection with the award and performance of contracts.

As of 31 December 2011, Prosafe's interest-bearing debt secured by mortgages totalled USD 590 million. This debt was secured by mortgages on shares in Prosafe Rigs Pte Ltd, and the accommodation/service fleet owned by this entity. Book value of the fleet is USD 893.7 million. In line with industry practice, Prosafe has issued parent company guarantees and bank guarantees (around USD 8 million) to customers on behalf of its subsidiaries in connection with the award and performance of contracts.

NOTE 20: FINANCIAL ASSETS AND LIABILITIES

As of 31 December 2012, the group had financial assets and liabilities in the following categories:

Year ended 31 Dec 2012	Loans and receivables	Fair value through profit and loss	Financial liabilities measured at amortised cost	Available for sale	Book value	Fair value
Cash and deposits	103.6	0.0	0.0	0.0	103.6	103.6
Accounts receivable	45.7	0.0	0.0	0.0	45.7	45.7
Fair value FX forwards	0.0	14.6	0.0	0.0	14.6	14.6
Other current assets	28.5	0.0	0.0	0.0	28.5	28.5
Other non-current assets	16.5	0.0	0.0	0.0	16.5	16.5
Total financial assets	**194.3**	**14.6**	**0.0**	**0.0**	**208.9**	**208.9**
Credit facility [1)]	0.0	0.0	566.0	0.0	566.0	562.0
Bond loan PRS06 [2)]	0.0	0.0	64.8	0.0	64.8	66.1
Bond loan PRS07 [3)]	0.0	0.0	89.8	0.0	89.8	91.1
Bond loan PRS08 [4)]	0.0	0.0	89.8	0.0	89.8	91.1
Fair value interest swaps	0.0	36.3	0.0	0.0	36.3	36.3
Accounts payable	0.0	0.0	9.3	0.0	9.3	9.3
Other current liabilities	0.0	0.0	49.4	0.0	49.4	49.4
Total financial liabilities	**0.0**	**36.3**	**869.1**	**0.0**	**905.4**	**905.4**

[1)] Fair value reflects current market conditions with the assumption that the credit margin would increase from the actual 187.5 basis points to 200 basis points. The net present value of the interest advantage, discounted with USD 5-year swap rate, is around USD 4 million.

[2,3,4)] Fair value reflects current market conditions based on prices estimated by the Norwegian Securities Dealers Association as of 31 December 2012: PRS06 102.00, PRS07 101.50, PRS08 101.50.

Assets measured at fair value in the balance sheet

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices included within level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 - Inputs for assets or liabilities that are not based on observable market data (unobservable inputs)

The FX forwards and interest swaps are valued based on current exchange rates and forward curves.

	Total	Level 1	Level 2	Level 3
Fair value FX forwards	14.6	0.0	14.6	0.0
Fair value interest swaps	(36.3)	0.0	(36.3)	0.0
Total financial assets/liabilities	**(21.7)**	**0.0**	**(21.7)**	**0.0**

As of 31 December 2011, the group had financial assets and liabilities in the following categories:

Year ended 31 Dec 2011	Loans and receivables	Fair value through profit and loss	Financial liabilities measured at amortised cost	Available for sale	Book value	Fair value
Cash and deposits	93.4	0.0	0.0	0.0	93.4	93.4
Accounts receivable	56.5	0.0	0.0	0.0	56.5	56.5
Other current assets	19.5	0.0	0.0	0.0	19.5	19.5
Total financial assets	**169.4**	**0.0**	**0.0**	**0.0**	**169.4**	**169.4**
Credit facility [1)]	0.0	0.0	590.0	0.0	590.0	585.0
Bond loan PRS03 [2)]	0.0	0.0	3.6	0.0	3.6	3.6
Bond loan PRS06 [3)]	0.0	0.0	83.5	0.0	83.5	84.3
Bond loan PRS07 [4)]	0.0	0.0	83.5	0.0	83.5	82.0
Fair value FX forwards	0.0	12.8	0.0	0.0	12.8	12.8
Fair value interest swaps	0.0	32.5	0.0	0.0	32.5	32.5
Accounts payable	0.0	0.0	5.3	0.0	5.3	5.3
Other current liabilities	0.0	0.0	35.1	0.0	35.1	35.1
Total financial liabilities	**0.0**	**45.3**	**800.9**	**0.0**	**846.2**	**840.6**

[1)] Fair value reflects current market conditions with the assumption that the credit margin would increase from the actual 187.5 basis points to 200 basis points. The net present value of the interest advantage, discounted with USD 5-year swap rate, is around USD 5 million.

[2,3,4)] Fair value reflects current market conditions based on prices estimated by the Norwegian Securities Dealers Association as of 31 December 2011: PRS03 100.24, PRS06 101.00, PRS07 98.25.

Assets measured at fair value in the balance sheet

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices included within level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 - Inputs for assets or liabilities that are not based on observable market data (unobservable inputs)

The FX forwards and interest swaps are valued based on current exchange rates and forward curves.

	Total	Level 1	Level 2	Level 3
Fair value FX forwards	(12.8)	0.0	(12.8)	0.0
Fair value interest swaps	(32.5)	0.0	(32.5)	0.0
Total financial assets/liabilities	**(45.3)**	**0.0**	**(45.3)**	**0.0**

NOTE 21: FINANCIAL RISKS AND DERIVATIVE FINANCIAL INSTRUMENTS

Prosafe operates on a global basis with cash flows and financing in various currencies. This means that the Group is exposed to market risks related to fluctuations in exchange rates and interest rates. Prosafe's functional currency is USD, and financial risk exposure is managed with financial instruments.

Currency risk

Prosafe is exposed to currencies other than USD associated with operating expenditure, capital expenditure, debt financing, tax liabilities and cash and deposits. Operating expenses are mainly denominated in GBP and NOK, but depending on the country of operation and the nationality of the crew, operating expenses can also be in EUR, USD and BRL. Capital expenditure in terms of general maintenance will typically be denominated in GBP and NOK. Value enhancing investments, such as upgrades and/or refurbishment programmes, will, depending on the origin of equipment and the location of the yard, tend to be in USD, GBP and EUR. Debt financing consists of both USD and NOK denominated liabilities, while tax liabilities predominantly consist of a NOK denominated deferred tax associated with the exit from the Norwegian tonnage tax system effective 1 January 2006. Cash and deposits are mainly denominated in USD, GBP, EUR and NOK.

Operating expenditure and maintenance related capital expenditure in other currencies than USD is typically currency-hedged using forward contracts with a time horizon of 9-12 months, while planned value enhancing capital expenditure is hedged independent of time horizon. Interest payments related to debt financing in other currencies than USD are typically treated the same way, with a time horizon of 9-12 months, while downpayments are hedged independent of time horizon. Payable tax related to the deferred tax liability is also currency-hedged with a time horizon of 9-12 months. Cash and deposits in currencies other than USD, function as natural hedges for any GBP, EUR and NOK liabilities.

As of 31 December 2012, Prosafe had entered into the following forward exchange contracts:
- Forward purchase of GBP 36 million against USD 58 million at a weighted average GBPUSD of 1.61
- Forward purchase of NOK 1 490 million against USD 260 million at a weighted average of USDNOK 5.74

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 contracts had been closed out at the balance sheet date. As of 31 December 2012, the fair value and maximum credit risk exposure of forward exchange contracts was USD 14.6 million positive.

Currency risk - sensitivity

The sensitivity analysis is based on a reasonably possible change in the relevant exchange rates and reflects the main effects on profit or loss and equity assuming that the change had occurred at the balance sheet date. A 10% strengthening/weakening of the USD towards all other currencies is applied in the analysis.

	2012		2011	
	Income effect	Equity effect	Income effect	Equity effect
USD +10%				
Re-valuation cash and deposits	(2.3)	0.0	(2.4)	0.0
Re-valuation currency forwards	(16.0)	0.0	(28.0)	0.0
Re-valuation NOK bonds	25.0	0.0	16.0	0.0
Total	**6.7**	**0.0**	**(14.4)**	**0.0**
USD -10%				
Re-valuation cash and deposits	2.3	0.0	2.4	0.0
Re-valuation currency forwards	16.0	0.0	28.0	0.0
Re-valuation NOK bonds	(25.0)	0.0	(16.0)	0.0
Total	**(6.7)**	**0.0**	**14.4**	**0.0**

Interest rate risk

As of 31 December 2012, Prosafe's interest-bearing debt totalled USD 810.4 million. Loans secured by mortgages (credit facility) accounted for USD 566 million of this total and unsecured bond loans accounted for USD 244.4 million.

Interest on debt is in principle floating, but has been hedged to reduce the variability of cash flows in the interest payments through the use of interest rate swap agreements. Prosafe evaluates the hedge profile in relation to the repayment schedule of its loans, the company's portfolio of contracts, cash flow and cash in hand. The proportion hedged will normally lie between 75 and 100 per cent for all loan terms. The average interest cost, including interest rate swap agreements, was 5.0 per cent in 2012 as opposed to 5.5 per cent in 2011.

Hedge accounting

The objective of the interest rate hedging is to reduce the variability of cash flows in the interest payments for the floating-rate debt (i.e. cash flow hedging). Changes in the cash flows of the interest rate swaps are expected to offset the changes in cash flows (i.e. changes in interest payments) attributable to fluctuations in the benchmark interest rate on the part of the floating-rate debt that is hedged. At the inception of the hedge and in subsequent periods, expected effectiveness during the subsequent quarter is demonstrated based on a comparison of the change in fair value of the actual swap designated as the hedging instrument and the change in fair value of a hypothetical swap (dollar offset). If the terms of the swap and debt differ (notional amount, interest rate reset dates, maturity/expiration date, underlying index) or the counterparty's ability to honour its obligation under the swap change during the life of the hedge, the measurement of hedge ineffectiveness will be based on a comparison of the change in fair value of the actual swap designated as the hedging instrument and the change in fair value of a hypothetical swap (dollar offset). Changes in fair value for interest swaps treated as effective hedges (hedge accounting) will affect equity directly, while interest swaps not treated as effective hedges (not hedge accounting) will affect equity through the income statement. During 2012, interest swaps treated as effective hedges has been highly effective, and no ineffectiveness has been recognised in the income statement.

As of 31 December 2012, Prosafe's hedging agreements totalled USD 1 375 million (including USD 750 million with forward start):

Notional amount	Fixed rate	Maturity	Swap type	Fair value	
USD 150 million	1.662%	2019	Bullet	(0.0)	hedge accounting
USD 150 million	1.612%	2017	Bullet	(3.1)	hedge accounting
USD 150 million	1.363%	2018	Bullet	(0.4)	hedge accounting
USD 75 million	5.194%	2014	Bullet	(6.5)	hedge accounting
USD 100 million	2.205%	2014	Bullet	(3.6)	hedge accounting
USD 150 million	1.481%	2014	Bullet	(2.1)	hedge accounting
USD 100 million	2.045%	2015	Bullet	(4.2)	hedge accounting
USD 100 million	2.060%	2015	Bullet	(4.7)	hedge accounting
USD 100 million	1.265%	2016	Bullet	(2.5)	hedge accounting
USD 150 million	1.778%	2017	Bullet	(4.3)	hedge accounting
USD 150 million	2.100%	2017	Bullet	(4.7)	hedge accounting
Total				**(36.3)**	

Fair value of interest rate swap agreements are estimated using quoted market prices. The fair value estimates the gain or loss that would have been realised if the contracts had been closed out at the balance sheet date. As of 31 December 2012, the fair value and maximum credit risk exposure of interest rate swap agreements was USD 36.3 million negative.

Interest rate risk - sensitivity

The sensitivity analysis is based on a reasonably possible change in the relevant forward curves and reflects the main effects on profit or loss and equity assuming that the change had occurred at the balance sheet date. A forward curve shift of ±100bps is applied in the analysis.

	2012		2011	
	Income effect	Equity effect	Income effect	Equity effect
Forward curve +100bps				
Re-valuation interest rate swaps	0.0	30.0	0.0	28.0
Total	**0.0**	**30.0**	**0.0**	**28.0**
Forward curve -100bps				
Re-valuation interest rate swaps	0.0	(32.0)	0.0	(30.0)
Total	**0.0**	**(32.0)**	**0.0**	**(30.0)**

Changes in equity related to financial instruments

As of 31 December 2012, the following changes in equity were related to financial instruments:

	Change	2012	2011
Re-valuation interest rate swaps	(3.8)	(36.3)	(32.5)
Ineffectiveness	0.0	0.0	0.0
Total	**(3.8)**	**(36.3)**	**(32.5)**

Credit risk

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. Prosafe 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, and the importance of oil production to Mexico's economic development.

In line with industry practice, other contracts normally contain 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. Following a potential notice of convenience termination, the customer will have to pay Prosafe a substantial part of the remaining contract value.

Credit assessment of yards, sub-contractors and equipment suppliers is part of Prosafe's project evaluations and risk analyses.

The counterparty risk is in general limited when it comes to Prosafe's clients, since these are typically major oil companies and national oil companies with strong balance sheets and high credit ratings.

As of 31 December 2012, there is no objective evidence that accounts receivable is impaired, and no impairment loss has been recognised in the income statement.

Liquidity risk
Under the existing credit facility agreements, the Group is required to maintain a minimum liquidity reserve of USD 65 million (including up to USD 25 million of total commitments available for utilisation). 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.

As of 31 December 2012, the Group's main financial liabilities had the following remaining contractual maturities:

	2013	2014	2015	2016	2017 →
Interest-bearing debt (downpayments/credit facility reductions)	64.8	0.0	136.0	225.8	383.8
Interest-bearing debt (interest including interest swaps)	44.2	48.2	62.9	63.8	120.0
Accounts payable and other current liabilities	9.3	0.0	0.0	0.0	0.0
Total	**118.3**	**48.2**	**198.9**	**289.6**	**503.8**

As of 31 December 2012, the availability under the credit facility totalled USD 927 million (USD 361 million undrawn credit lines), meaning that the first actual downpayment on the credit facility will not occur until 2015.

As of 31 December 2011, the Group's main financial liabilities had the following remaining contractual maturities:

	2012	2013	2014	2015	2016 →
Interest-bearing debt (downpayments/credit facility reductions)	3.6	83.5	140.0	140.0	393.5
Interest-bearing debt (interest including interest swaps)	42.7	41.3	46.7	47.0	80.0
Accounts payable and other current liabilities	55.5	0.0	0.0	0.0	0.0
Total	**101.8**	**124.8**	**186.7**	**187.0**	**473.5**

As of 31 December 2011, the availability under the credit facility totalled USD 1.1 billion (USD 510 million undrawn credit lines), meaning that the first actual downpayment on the credit facility will not occur until 2014.

Capital management
The primary objective of the Group's capital management is to ensure that it maintains a healthy capital structure in line with economic conditions. Prosafe's main tool to assess its capital structure is the leverage ratio, which is calculated by dividing total interest-bearing debt, including bank guarantees, by EBITDA over the last 12 months. To stay in compliance with financial covenants, the leverage ratio is not allowed to exceed 5.0 up until 23 August 2013, and 4.5 thereafter.
At 31 December 2012 (2011), the leverage ratio was 2.9 (3.0).

	2012	2011
Credit facility	566.0	590.0
Bond loan PRS03	0.0	3.6
Bond loan PRS06	64.8	83.5
Bond loan PRS07	89.8	83.5
Bond loan PRS08	89.8	0.0
Total interest-bearing debt	**810.4**	**760.5**
Bank guarantees	8.0	8.0
EBITDA last 12 months	280.1	257.6
Leverage ratio	**2.9**	**3.0**

NOTE 22: CASH AND DEPOSITS

	2012	2011
Restricted cash deposits	0.1	0.1
Free cash and short-term deposits	103.5	93.3
Total cash and deposits	**103.6**	**93.4**

NOTE 23: OTHER CURRENT ASSETS

	2012	2011
Receivables	10.9	5.3
Prepayments	11.5	18.2
Stock	2.7	4.4
Other current assets	17.6	14.4
Total other current assets	**42.8**	**42.4**

NOTE 24: RELATED PARTY DISCLOSURES

The financial statements comprise the parent company, Prosafe SE, and the subsidiaries listed below.

Company name	Country	Ownership	Voting share
Prosafe AS	Norway	100%	100%
Prosafe Offshore AS	Norway	100%	100%
Prosafe Management AS	Norway	100%	100%
Prosafe (UK) Holdings Limited	United Kingdom	100%	100%
Prosafe Rigs Limited	United Kingdom	100%	100%
Prosafe Offshore Limited	United Kingdom	100%	100%
Prosafe Rigs (Cyprus) Limited	Cyprus	100%	100%
Prosafe Holding Limited	Cyprus	100%	100%
Consafe Offshore AB	Sweden	100%	100%
Prosafe Rigs Pte. Ltd.	Singapore	100%	100%
Prosafe Offshore Pte. Limited	Singapore	100%	100%
Prosafe Offshore Employment Company Pte. Limited	Singapore	100%	100%
Prosafe Offshore Services Pte. Ltd.	Singapore	100%	100%
Prosafe Offshore S.a.r.l.	Luxembourg	100%	100%
Prosafe Offshore Sp.zo.o.	Poland	100%	100%
Prosafe Offshore BV	Netherlands	100%	100%
Prosafe Services Maritimos Ltda	Brazil	100%	100%

Transactions and outstanding balances within the Group have been eliminated in full as of year-end.

Shares owned by senior officers and directors at 31 December 2012:
(includes shares owned by wholly-owned companies)

Senior officers:	Shares	Synthetic options
Karl Ronny Klungtvedt - CEO	64 630	80 000
Robin Laird - COO	58 000	60 000
Sven Børre Larsen - CFO	11 000	60 000

Directors:		
Michael Raymond Parker - chair	0	
Christian Brinch - deputy chair	0	
Ronny Johan Langeland - director	20 000	
Christakis Pavlou - director	0	
Roger Cornish - director	0	
Carine Smith Ihenacho - director	0	

NOTE 25: CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

On 14 December 2011, Prosafe announced that the company has entered into a turnkey contract for the construction of a semi-submersible accommodation rig at Jurong Shipyard Pte Ltd. in Singapore. Delivery from the yard is scheduled for the summer of 2014 and all-in cost including yard cost, owner-furnished equipment, project management and financing is estimated at USD 350 million. 20 per cent of the yard cost was paid at signing of the contract and is included within tangible assets (note 10), while the remaining 80 per cent will be paid at delivery.

On 19 November 2012, Prosafe announced that the company has entered into a turnkey contract for the construction of a second semi-submersible accommodation rig at Jurong Shipyard Pte Ltd. in Singapore. Delivery from the yard is scheduled around year-end 2014 and all-in cost including yard cost, owner-furnished equipment, project management and financing is estimated at USD 350 million. 20 per cent of the yard cost was paid at signing of the contract and is included within tangible assets (note 10), while the remaining 80 per cent will be paid at delivery.

NOTE 26: EVENTS AFTER THE BALANCE SHEET DATE

New bond loan

On 4 January 2013, Prosafe successfully completed a NOK 500 million unsecured bond issue with maturity in January 2020. In connection with this bond issue, Prosafe bought back NOK 156 million in one of the existing bonds, PRS06 PRO, with maturity 14 October 2013 at 102.25.

Share issue

On 15 March 2013, the Company announced the successful completion of a private placement of 13 000 000 new shares directed towards Norwegian and international institutional investors after close of the Oslo Stock Exchange on 14 March 2013. The over-subscribed placement was made at a subscription price of NOK 58 per share, and the share capital increase represented approximately 5.7 per cent of the issued shares in the Company. Gross proceeds amounted to NOK 754 million, and will be used to fund value enhancing growth investments.

The issuance of the new shares was resolved by the Company's board of directors pursuant to an authorisation granted at the Company's annual general meeting on 23 May 2012. The shares allocated in the private placement were issued and registered in the Norwegian Central Securities Depository (VPS) on 18 March 2013, and thus tradable on the Oslo Stock Exchange from the same date. The new share capital of the Company was increased by EUR 3 250 000 to EUR 60 734 197.50, divided on 242 936 790 shares with a nominal value of EUR 0.25 per share.

Accounts Prosafe SE

INCOME STATEMENT - PROSAFE SE

(USD 1 000)	Note	2012	2011
Operating revenues		**0**	**0**
Operating expenses	2	(10 301)	(8 658)
Depreciation	3	(16)	(10)
Operating profit		**(10 317)**	**(8 668)**
Income from investments in subsidiaries	5	72 462	202 578
Other financial income	4, 5, 8	84 597	104 022
Other financial expenses	4, 5	(119 357)	(133 794)
Net financial items	5	**37 701**	**172 806**
Profit before taxes		**27 385**	**164 138**
Taxes	6	0	0
Net profit		**27 385**	**164 138**
Attributable to the owners of the company		**27 385**	**164 138**

STATEMENT OF COMPREHENSIVE INCOME - PROSAFE SE

(USD 1 000)	2012	2011
Net profit for the year	**27 385**	**164 138**
Revaluation hedging instruments	(3 746)	742
Income tax effect on components of comprehensive income	0	0
Other comprehensive income, net of tax	**(3 746)**	**742**
Total comprehensive income	**23 639**	**164 880**
Attributable to the owners of the company	**23 639**	**164 880**

STATEMENT OF FINANCIAL POSITION - PROSAFE SE

	Note	31.12.12	31.12.11
ASSETS			
Tangible assets	3	44	37
Shares in subsidiaries	7	2 499 033	2 513 942
Intra-group long-term receivables	13, 15	137 761	132 075
Total non-current assets		**2 636 838**	**2 646 054**
Cash and deposits	15	19 114	28 781
Fair value derivatives	15, 16	13 621	0
Other current assets	9, 13, 15	17 692	14 340
Total current assets		**50 427**	**43 121**
Total assets		**2 687 264**	**2 689 175**
EQUITY AND LIABILITIES			
Share capital	10	63 903	63 903
Own shares	10	(48 901)	(49 089)
Share premium reserve		620 496	620 496
Total paid-in equity		**635 498**	**635 310**
Other equity		1 124 606	1 219 582
Total retained earnings		**1 124 606**	**1 219 582**
Total equity		**1 760 104**	**1 854 892**
Interest-bearing long-term debt	11, 15, 16	745 613	756 870
Intra-group long-term debt	13, 15, 16	9 663	23 163
Fair value derivatives	15, 16	36 295	32 549
Interest-free long-term liabilities	15, 16	1 148	1 130
Total long-term liabilities		**792 719**	**813 712**
Interest-bearing current debt	11, 15, 16	64 800	3 600
Fair value derivatives	15,16	0	7 958
Intra-group current liabilities	13, 15	64 090	1 352
Other interest-free current liabilities	12, 15, 16	5 552	7 661
Total current liabilities		**134 442**	**20 571**
Total equity and liabilities		**2 687 264**	**2 689 175**

Larnaca, 20 March 2013

Michael Raymond Parker
Non-executive chairman

Christian Brinch
Non-executive deputy chairman

Roger Cornish
Non-executive director

Ronny Johan Langeland
Non-executive director

Carine Smith Ihenacho
Non-executive director

Christakis Pavlou
Non-executive director

CASH FLOW STATEMENT - PROSAFE SE

	Note	2012	2011
Cash flow from operating activities			
Profit before taxes		27 385	164 138
Unrealised currency loss / (gain) on long-term debt		15 043	(9 007)
Gain on sale of shares	8	0	(10 246)
Depreciation	3	16	10
Interest income		(6 179)	(5 875)
Interest expenses		45 113	42 497
Change in working capital		(5 460)	(8 410)
Other from operating activities		(21 373)	9 743
Net cash flow from operating activities		**54 544**	**182 850**
Cash flow from investing activities			
Proceeds from sale / repayment of shares		14 909	75 085
Acquisition of shares		0	(64 839)
Acquisition of tangible fixed assets	3	(23)	(36)
Change in intra-group balances	13	43 552	(113 570)
Interest received		6 179	5 875
Net cash flow from investing activities		**64 617**	**(97 485)**
Cash flow from financing activities			
New interest-bearing long-term debt	11	317 100	870 400
Repayment of interest-bearing long-term debt	11	(282 200)	(806 300)
Dividends paid		(118 615)	(107 149)
Interest paid		(45 113)	(42 497)
Net cash flow from financing activities		**(128 828)**	**(85 546)**
Net cash flow		**(9 666)**	**(181)**
Cash and deposits at 1 January		28 781	28 962
Cash and deposits at 31 December		**19 114**	**28 781**

STATEMENT OF CHANGES IN EQUITY - PROSAFE SE

(USD 1 000)	Share capital	Own shares	Share premium	Retained earnings	Cash flow hedges	Total equity
Equity at 31 December 2010	**63 903**	**(49 137)**	**620 496**	**1 186 124**	**(24 273)**	**1 797 113**
Net profit	0	0	0	164 138	0	164 138
Other comprehensive income	0	0	0	0	742	742
Total comprehensive income [1]	**0**	**0**	**0**	**164 138**	**742**	**164 880**
Dividends	0	0	0	(107 149)	0	(107 149)
Sale of own shares	0	48	0	0	0	48
Equity at 31 December 2011	**63 903**	**(49 089)**	**620 496**	**1 243 113**	**(23 531)**	**1 854 892**
Net profit	0	0	0	27 385	0	27 385
Other comprehensive income	0	0	0	0	(3 746)	(3 746)
Total comprehensive income [1]	**0**	**0**	**0**	**27 385**	**(3 746)**	**23 639**
Dividends	0	0	0	(118 615)	0	(118 615)
Sale of own shares	0	188	0	0	0	188
Equity at 31 December 2012	**63 903**	**(48 901)**	**620 496**	**1 151 883**	**(27 277)**	**1 760 104**

[1] Total comprehensive income is attributable to the owners of the company

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) endorsed by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap 113. 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 US dollars (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

	2012	2011
Services from subsidiaries	8 502	6 043
Share option costs	(1 437)	(370)
Salaries and management bonus	867	634
Directors' fees	675	613
Pension expenses	(173)	(155)
Other remuneration	163	133
Auditors' audit fees	179	162
Payroll taxes	54	33
Auditors' other fees	35	240
Other operating expenses	1 437	1 324
Total operating expenses	**10 301**	**8 658**

NOTE 3: TANGIBLE ASSETS

	Equipment	Total
Acquisition cost 31.12.10	145	145
Additions	36	36
Disposals at acquisition cost	0	0
Acquisition cost 31.12.11	**181**	**181**
Additions	23	23
Disposals at acquisition cost	0	0
Acquisition cost 31.12.12	**204**	**204**
Accumulated depreciation 31.12.10	**134**	**134**
Accumulated depreciation on disposals	0	0
Depreciation for the year	10	10
Accumulated depreciation 31.12.11	**144**	**144**
Accumulated depreciation on disposals	0	0
Depreciation for the year	16	16
Accumulated depreciation 31.12.12	**160**	**160**
Carrying value 31.12.12	**44**	**44**
Carrying value 31.12.11	**37**	**37**
Depreciation rate (%)	**20-30**	**-**

NOTE 4: OTHER FINANCIAL ITEMS

	2012	2011
Gain on sale of shares	0	10 246
Interest receivable from subsidiaries	6 112	5 729
Other interest receivable	67	146
Currency gain	56 839	87 586
Fair value adjustment derivative financial instruments	21 579	315
Total other financial income	**84 597**	**104 022**
Interest payable to subsidiaries	(512)	(146)
Interest expenses	(44 601)	(42 351)
Currency loss	(66 059)	(71 910)
Fair value adjustment derivative financial instruments	0	(10 091)
Other financial items	(8 185)	(9 295)
Total other financial expenses	**(119 357)**	**(133 794)**

NOTE 5: FINANCIAL ITEMS - IAS 39 categories

Year ended 31 Dec 2012	Loans and receivables	Fair value through profit and loss	Financial liabilities measured at amortised cost	Available for sale	Total
Interest income	6 179	0	0	0	6 179
Currency gain [1]	0	0	0	0	56 839
Dividend	0	0	0	0	72 462
Fair value adjustment financial instr.	0	21 579	0	0	21 579
Total financial income	**6 179**	**21 579**	**0**	**0**	**157 058**
Interest expenses	0	0	(45 113)	0	(45 113)
Currency loss [1]	0	0	0	0	(66 059)
Fair value adjustment financial instr.	0	0	0	0	0
Other financial expenses	0	0	(8 185)	0	(8 185)
Total financial expenses	**0**	**0**	**(53 298)**	**0**	**(119 357)**
Net financial items	**6 179**	**21 579**	**(53 298)**	**0**	**37 701**

[1] Currency effects (gain/loss) are excluded from the category breakdown, but added to the total for net effect.

Year ended 31 Dec 2011	Loans and receivables	Fair value through profit and loss	Financial liabilities measured at amortised cost	Available for sale	Total
Interest income	5 875	0	0	0	5 875
Currency gain [1]	0	0	0	0	87 586
Dividend	0	0	0	0	202 578
Gain on sale of shares	0	0	0	10 246	10 246
Fair value adjustment financial instr.	0	315	0	0	315
Total financial income	**5 875**	**315**	**0**	**10 246**	**306 600**
Interest expenses	0	0	(42 497)	0	(42 497)
Currency loss [1]	0	0	0	0	(71 910)
Fair value adjustment financial instr.	0	(10 091)	0	0	(10 091)
Fair value adjustment shares	0	0	0	0	0
Other financial expenses	0	0	(9 295)	0	(9 295)
Total financial expenses	**0**	**(10 091)**	**(51 792)**	**0**	**(133 794)**
Net financial items	**5 875**	**(9 776)**	**(51 792)**	**10 246**	**172 806**

[1] Currency effects (gain/loss) are excluded from the category breakdown, but added to the total for net effect.

NOTE 6: TAXES

	2012	2011
Profit before taxes	27 385	164 138
Permanent differences	(33 692)	(157 337)
Change in tax loss carried forward	6 307	(6 801)
Tax base	**0**	**0**
Taxes	**0**	**0**
Temporary differences:		
Loss carried forward	(22 576)	(16 269)
Basis for deferred tax liability (+)/benefit (-)	**(22 576)**	**(16 269)**
Deferred tax liability (+)/benefit (-)	**0**	**0**
Taxes payable at 31 December	**0**	**0**

No deferred tax asset has been recognised in respect of the tax loss carried forward.
The tax losses for each year are carried forward for five years. The tax rate in Cyprus is 10%.

NOTE 7: SHARES IN SUBSIDIARIES

(Share capital and carrying value in 1 000)

Company		Share capital	Carrying value 2012	Carrying value 2011	Owner-ship
Prosafe AS	NOK	100	69 316	69 316	100%
Prosafe Offshore AS	NOK	100	270	270	100%
Prosafe Management AS	NOK	100	15	15	100%
Prosafe (UK) Holdings Ltd	GBP	11 000	22 826	22 826	100%
Prosafe Offshore Pte Ltd	USD	10 000	10	10	100%
Consafe Offshore AB	SEK	27 786	141 974	156 884	100%
Prosafe Offshore Services Pte Ltd	USD	10	150	150	100%
Marzouka Investments Ltd	USD	10	8	10	100%
Prosafe Rigs Pte Ltd	USD	2 500 040	2 264 464	2 264 461	91%
Total carrying value			**2 499 033**	**2 513 942**	

NOTE 8: GAIN ON SALE OF SHARES IN 2011

In July 2011, the Company acquired 21 542 568 shares in Floatel International Ltd (Floatel), which equalled 22.2 per cent of the shares. The acquisition price was NOK 16 per share. In August 2011, Floatel announced that the company had signed a heads of agreement to enter into an amalgamation agreement with Aqua Pellentesque Ltd. The shares were realised in September 2011, and the Company received a cash consideration of NOK 19.50 per share. A net gain of USD 10.2 million in relation to this transaction has been recognised in the income statement. Net proceeds were USD 75.1 million.

NOTE 9: OTHER CURRENT ASSETS

	2012	2011
Current receivables from group companies	242	136
Other current assets	17 450	14 204
Total other current assets	**17 692**	**14 340**

NOTE 10: SHARE CAPITAL

	2012	2011
Authorised ordinary shares as of 31 December	275 924 148	275 924 148
Issued and paid number of shares as of 31 December	229 936 790	229 936 790
Holding of own shares as of 31 December	6 963 731	6 975 818
Nominal value	EUR 0.25	EUR 0.25

NOTE 11: INTEREST-BEARING DEBT

As of 31 December 2012, Prosafe SE's interest-bearing debt totalled about USD 810 million. Loans secured by mortgages (credit facility) accounted for USD 566 million of this total and unsecured bond loans accounted for about USD 244 million.

	2012	2011
Credit facility	566 000	590 000
Bond loans	244 413	170 470
Total interest-bearing debt	**810 413**	**760 470**
Debt in NOK	244 413	166 870
Debt in USD	566 000	593 600
Total interest-bearing debt	**810 413**	**760 470**
Long-term interest-bearing debt	745 613	756 870
Current interest-bearing debt	64 800	3 600
Total interest-bearing debt	**810 413**	**760 470**

For further information, see note 17 of the consolidated accounts.

NOTE 12: OTHER INTEREST-FREE CURRENT LIABILITIES

	2012	2011
Accrued interest costs	2 981	2 595
Provision share-based payments	581	2 203
Other current liabilities	1 990	2 862
Total other interest-free current liabilities	**5 552**	**7 661**

NOTE 13: INTRA-GROUP BALANCES

	2012	2011
Loan to Prosafe AS	137 761	132 075
Intra-group long-term receivables	**137 761**	**132 075**
Loan from Consafe Offshore AB	9 663	23 163
Intra-group long-term debt	**9 663**	**23 163**

Loan agreements with subsidiaries are made at normal market prices using 3M NIBOR and STIBOR interest rate and a margin of 2.00% and 0.60% respectively (2011 2.00% and 0.60%). Outstanding balances at year-end are unsecured, and settlement normally occurs in cash. For the year ended 31 December 2012, the Company has not recorded any impairment of receivables relating to amounts owed by subsidiaries.

Transactions with related parties	2012	2011
Transactions		
Interest income	6 112	5 729
Interest expenses	(512)	(146)
Dividend	72 462	202 578
Year-end balances		
Current receivables of the ultimate parent to subsidiaries	242	136
Intra-group long-term receivables	137 761	132 075
Current payables from the ultimate parent to subsidiaries	64 090	1 352
Loans from subsidiaries of the ultimate parent	9 663	23 163

NOTE 14: MORTGAGES AND GUARANTEES

As of 31 December 2012, Prosafe's interest-bearing debt secured by mortgages totalled USD 566 million. The debt was secured by mortgages on shares in Prosafe Rigs Pte Ltd, and the accommodation/service fleet owned by this entity. Book value of the fleet was USD 896.3 million. In line with industry practice, Prosafe has issued parent company guarantees and bank guarantees (around USD 8 million) to customers on behalf of its subsidiaries in connection with the award and performance of contracts.

As of 31 December 2011, Prosafe's interest-bearing debt secured by mortgages totalled USD 590 million. This debt is secured by mortgages on shares in Prosafe Rigs Pte Ltd, and the accommodation/service fleet owned by this entity. Book value of the fleet is USD 893.7 million. In line with industry practice, Prosafe had issued parent company guarantees and bank guarantees (around USD 8 million) to customers on behalf of its subsidiaries in connection with the award and performance of contracts.

NOTE 15: FINANCIAL ASSETS AND LIABILITIES

As of 31 December 2012, Prosafe SE had financial assets and liabilities in the following categories:

Year ended 31 Dec 2012	Loans and receivables	Fair value through profit and loss	Financial liabilities measured at amortised cost	Book value
Intra-group long-term receivable	137 761	0	0	137 761
Cash and deposits	19 114	0	0	19 114
Fair value derivatives	13 621	0	0	13 621
Other current assets	17 692	0	0	17 692
Total assets	**188 188**	**0**	**0**	**188 188**
Credit facility	0	0	566 000	566 000
Bond loan PRS06	0	0	64 764	64 764
Bond loan PRS07	0	0	89 825	89 825
Bond loan PRS08	0	0	89 825	89 825
Intra-group long-term debt	0	0	9 663	9 663
Fair value derivatives	0	36 295	0	36 295
Interest-free long-term liabilities	0	0	1 148	1 148
Intra-group current liabilities	0	0	64 090	64 090
Other interest free current liabilities	0	0	5 552	5 552
Total liabilities	**0**	**36 295**	**890 866**	**927 161**

As of 31 December 2011, Prosafe SE had financial assets and liabilities in the following categories:

Year ended 31 Dec 2011	Loans and receivables	Fair value through profit and loss	Financial liabilities measured at amortised cost	Book value
Intra-group long-term receivable	132 075	0	0	132 075
Cash and deposits	28 781	0	0	28 781
Fair value derivatives	0	0	0	0
Other current assets	14 340	0	0	14 340
Total assets	**175 196**	**0**	**0**	**175 196**
Credit facility	0	0	590 000	590 000
Bond loan PRS03	0	0	3 600	3 600
Bond loan PRS06	0	0	83 435	83 435
Bond loan PRS07	0	0	83 435	83 435
Intra-group long-term debt	0	0	23 163	23 163
Fair value derivatives	0	40 507	0	40 507
Interest-free long-term liabilities	0	0	1 130	1 130
Intra-group current liabilities	0	0	1 352	1 352
Other interest free current liabilities	0	0	7 661	7 661
Total liabilities	**0**	**40 507**	**793 776**	**834 283**

For further information, see note 20 of the consolidated accounts.

NOTE 16: MATURITY PROFILE LIABILITIES

As of 31 December 2012, Prosafe SE's main financial liabilities had the following remaining contractual maturities:

Year ended 31 Dec 2012	2013	2014	2015	2016	2017 →
Interest-bearing debt (downpayments)	64 800	0	136 000	225 800	383 800
Interests incl interest swaps	44 200	48 200	62 900	63 800	120 000
Intra-group long-term debt	9 663	0	0	0	0
Intra-group current liabilities	64 090	0	0	0	0
Interest-free long-term liabilities	1 148	0	0	0	0
Other interest-free current liabilities	5 552	0	0	0	0
Total	**189 453**	**48 200**	**198 900**	**289 600**	**503 800**

As of 31 December 2012, the availability under the credit facility totalled USD 927 million (USD 361 million undrawn credit lines), meaning that the first actual downpayment on the credit facility will not occur until 2015.

As of 31 December 2011, Prosafe SE's main financial liabilities had the following remaining contractual maturities:

Year ended 31 Dec 2011	2012	2013	2014	2015	2016 →
Interest-bearing debt (downpayments)	3 600	83 450	140 000	140 000	393 450
Interests incl interest swaps	42 700	41 300	46 700	47 000	80 000
Intra-group long-term debt	23 163	0	0	0	0
Intra-group current liabilities	1 352	0	0	0	0
Interest-free long-term liabilities	1 130	0	0	0	0
Other interest-free current liabilities	7 661	0	0	0	0
Total	**79 606**	**124 750**	**186 700**	**187 000**	**473 450**

NOTE 17: EVENTS AFTER THE BALANCE SHEET DATE

On 4 January 2013, Prosafe successfully completed a NOK 500 million unsecured bond issue with maturity in January 2020. In connection with this bond issue, Prosafe bought back NOK 156 million in one of the existing bonds, PRS06 PRO, with maturity 14 October 2013 at 102.25.

Independent auditors' report

TO THE MEMBERS OF PROSAFE SE

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Prosafe SE (the "Company") and its subsidiaries (the "Group") and the Company's separate financial statements, which comprise the statement of financial position of the Group and the Company as at 31 December 2012, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement of the Group and the Company for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 of financial statements that give a true and fair view 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 at 31 December 2012, and of its financial performance and its cash flows 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 Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, 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 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 Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors 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 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 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.

Gabriel Onisiforou
Certified Public Accountant and Registered Auditor
for and on behalf of

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia
20 March 2013

Fleet overview

With a fleet of 11 vessels and two new builds under construction, Prosafe is the leading player within the global market for semi-submersible accommodation vessels for the oil and gas industry.

Safe Boreas

Built, converted	: To be delivered summer of 2014
Design	: GVA 3000 E
No of beds	: 450
Gangway	: 38.5m +/- 7.5m
Power generation	: 33 600 kW (6 diesel generator sets)
Station keeping	: DP3
Thrusters	: 6 x 4 400 kW azimuthing
Mooring system	: 12-point wire winches

Safe Zephyrus

Built, converted	: To be delivered year-end 2014
Design	: GVA 3000 E
No of beds	: 450
Gangway	: 38.5m +/- 7.5m
Power generation	: 33 600 kW (6 diesel generator sets)
Station keeping	: DP3
Thrusters	: 6 x 4 400 kW azimuthing
Mooring system	: 12-point wire winches

Regalia

Built, converted	: 1985
Upgraded	: 2003/2009 (refurbishment)
Design	: GVA 3000 – enhanced
No of beds	: 306 (NCS: 282)
Gangway	: 38.0m +/- 7.5m
Power generation	: 19 560 kW (6 diesel generator sets)
Station keeping	: NMD3
Thrusters	: 6 x 2 640 kW azimuthing
Mooring system	: 4-point wire winches

Safe Scandinavia

Built, converted	: 1984
Upgraded	: 2003/2005
Design	: Aker H-3.2E
No of beds	: 583 (NCS: 292)
Gangway	: 36.5m +/- 6.0m
Power generation	: 6 780 kW (3 diesel generator sets)
Station keeping	: Moored
Mooring system	: 12-point chain winches

Safe Caledonia

Built, converted	: 1982
Upgraded	: 2004/2012 (refurbishment)
Design	: Pacesetter
No of beds	: 454
Gangway	: 36.5m +/- 5.5m
Power generation	: 15 900 KW (6 diesel generator sets)
Station keeping	: DP2 / Posmoor
Thrusters	: 4 x 2 400 kW azimuthing
Mooring system	: 10-point wire winches

Safe Bristolia

Built, converted	: 1983, 2006
Upgraded	: 2008
Design	: Earl & Wright Sedco 600
No of beds	: 587
Gangway	: 35m +/- 6.0m (port)
Power generation	: 6 420 kW (4 diesel generator sets)
Station keeping	: Moored
Mooring system	: 8-point wire winches

Safe Concordia

Built, converted	: 2005
Design	: Deepwater Technology Group
No of beds	: 461
Gangway	: 29.5m +/- 5.0m
Power generation	: 18 550 kW (5 diesel generator sets)
Station keeping	: DP2
Thrusters	: 4 x 2 500 kW azimuthing
Mooring system	: 4-point wire winches

Safe Astoria

Built, converted	: 1983, 2005
Upgraded	: 2012
Design	: Earl & Wright Sedco 600
No of beds	: 349
Gangway	: 36.5m +/- 6.0m (starboard)
Power generation	: 6 115 kW (4 diesel generator sets)
Station keeping	: Moored
Mooring system	: 8-point wire winches

Safe Britannia

Built, converted	: 1980
Upgraded	: 1987/2003
Design	: Pacesetter - enhanced
No of beds	: 812
Gangway	: 36.5m +/- 6.0m
Power generation	: 13 895 kW (7 diesel generator sets)
Station keeping	: DP2
Thrusters	: 4 x 2 400 kW azimuthing, 2 x 1 500 kW fixed
Mooring system	: 9-point wire winches

Safe Regency

Built, converted	: 1982
Upgraded	: 2003/2008
Design	: Pacesetter
No of beds	: 780
Gangway	: 36.5m +/- 6.0m
Power generation	: 12 960 kW (6 diesel generator sets)
Station keeping	: DP2
Thrusters	: 4 x 2 400 kW azimuthing
Mooring system	: 8-point wire winches

Safe Lancia

Built, converted	: 1984
Upgraded	: 2003
Design	: GVA 2000
No of beds	: 605
Gangway	: 27.5m +/- 5.5m (starboard)
Power generation	: 14 500 kW (6 diesel generator sets)
Station keeping	: DP2 / Posmoor
Thrusters	: 4 x 2 400 kW azimuthing
Mooring system	: 7-point wire winches

Jasminia

Built, converted	: 1982
Upgraded	: 2002
Design	: GVA 2000
No of beds	: 535
Gangway	: Rigid, simple span 34.0m +/-3.0m
Power generation	: 7 070 kW (3 diesel generator sets)
Station keeping	: Moored
Thrusters	: 2 x 2 400 kW azimuthing
Mooring system	: 8-point wire winches

Safe Hibernia

Built, converted	: 1977
Upgraded	: 1991/1994/2006
Design	: Aker H-3 (modified)
No of beds	: 632
Gangway	: 36.0m +/- 6m (starboard)
Power generation	: 6 320 (4 diesel generator sets)
Thrusters	: 2 x 3 300 HP Propulsion (Aft)
Station keeping	: Moored
Mooring system	: 12-point wire winches

Accommodating the Offshore Industry

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