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ANNUAL REPORT

Prosafe

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 HSEQA, corporate governance, social responsibility, risk management and financial and analytical information, please refer to the Download centre on Prosafe's website **www.prosafe.com.**

In order to present updated and correct information at all times, we will endeavour to update the information on the website whenever required throughout the year.

Financial calendar

Reporting results

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

1st quarter	:	28 May 2014
2nd quarter	:	21 August 2014
3rd quarter	:	5 November 2014
4th quarter	:	5 February 2015

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, 28 May 2014.

Key figures

		Note	2013	2012	2011	2010	2009
Profit							
Operating revenues	USD million		523.5	510.4	449.6	442.4	397.9
EBITDA	USD million	1	306.6	280.1	257.6	283.1	274.3
Operating profit	USD million		245.1	222.4	192.3	221.1	218.6
Net profit	USD million		199.1	177.5	158.0	198.5	127.2
Earnings per share	USD	2	0.85	0.80	0.71	0.89	0.57
Operating margin		3	46.8 %	43.6 %	42.8 %	50.0 %	54.9 %
Balance sheet							
Total assets	USD million		1 618.0	1 487.2	1 376.1	1 266.4	1 355.5
Interest-bearing debt	USD million		779.6	810.4	760.5	705.4	915.1
Net interest-bearing debt	USD million	4	666.2	706.8	667.1	607.1	826.6
Book equity	USD million		739.7	516.3	461.8	410.3	263.9
Book equity ratio		5	45.7 %	34.7 %	33.6 %	32.4 %	19.5 %
Valuation							
Market capitalisation	USD million		1 816	1 894	1 529	1 821	1 466
Share price	NOK		46.80	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

i About Prosafe

Prosafe is the world's leading owner and operator of semi-submersible accommodation vessels. The company operates globally and employed 595 people at year-end. Operating profit reached USD 245.1 million in 2013 and net profit was USD 199.1 million.

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

Prosafe is constructing two harsh environment semi-submersible accommodation vessels at Jurong Shipyard. Both vessels will comply with Norwegian regulations and will be ready for operations in the North Sea in 2015.

Furthermore, Prosafe is building two semi-submersible accommodation vessels at COSCO (Qidong) Offshore Co. Ltd. These vessels will be the most advanced and flexible units for worldwide operations excluding Norway, and will be ready for operations in 2016.

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.

Accommodation vessels offer 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. The company 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: Strengthening the company's leading position

Prosafe has a strong commitment to its target of being the world leader in offshore accommodation, in line with the company's long-term industrial strategy.

Best client services

Prosafe aims at offering the best client services in the offshore accommodation market. The company underwent a re-organisation in 2013 with the ambition to grow the capacity and efficiency of the organisation in order to handle the operations of a larger fleet and the execution of large projects related to new builds, upgrades and life extensions.

The re-organisation was focused on functional areas and aimed at achieving a broader client interface in order to better understand clients' needs and better support day-to-day operations. Prosafe is now focusing on improving the ways of working within the new organisation.

Best vessels

Prosafe's key goals include having the best and most capable fleet of accommodation vessels in the world. With the upgrade of *Regalia* in 2009, the company commenced a life extension programme for its North Sea fleet. The *Safe Caledonia* life extension project was completed in 2013, and *Safe Scandinavia* underwent a life extension project in the first quarter of 2014. Including *Safe Bristolia*, which was converted in 2005/06, Prosafe's North Sea fleet is now in very good condition with approximately 20 years of remaining life.

During 2011, Prosafe saw the need for more vessels with Norway and North Sea capabilities and decided to build two vessels capable of operating in Norway at the Jurong shipyard in Singapore. The construction is progressing well and the vessels will be the most advanced accommodation vessels in the world.

In 2013, the company ordered two additional new vessels at COSCO (Qidong) in China. These vessels will be the most advanced vessels capable of operating in the UK and the rest of the world, excluding Norway.

Best operations

Prosafe also aims at having the best operational and HSE performance in the accommodation industry.

With a long track record of safe and efficient operations in all major offshore oil and gas regions, the company is the most experienced operator of accommodation vessels in the world. Substantial experience and best practice is transferred between the vessels and within the organisation. Best practice is further developed and disseminated by coaching and mentoring of crew both prior to and during operations.

Lowest cost

Being the largest player in the offshore accommodation industry, Prosafe enjoys substantial economies of scale when it comes to cost and capital expenditure. The company has a strong balance sheet, which gives easy access to funding and by far the lowest cost of capital within the accommodation market.

Overall, by combining its current strengths with high ambitions for the future, Prosafe is well placed to further strengthen its leading

Directors' report

Prosafe is the leading provider of accommodation vessels for the global offshore oil and gas industry. With an unprecedented operational track-record combined with the world's by far largest and most versatile fleet and an efficient cost structure, the company is well positioned to enhance this leading position further over the coming years.

Income statement

Operating revenues totalled USD 523.5 million in 2013 (USD 510.4 million in 2012), with utilisation of the fleet rising to 83 per cent (82 per cent). Charter revenues reached USD 469.2 million (423.9 million), while non-charter revenues declined from 86.5 million to USD 54.3 million. The increase in charter revenues is attributable to a higher average day rate level.

Total operating expenses declined to USD 216.9 million (USD 230.3 million), largely as a result of a decline in reimbursable non-charter expenses.

Depreciation increased to USD 61.5 million (USD 57.7 million) mainly due to a planned replacement of the cranes on *Regalia*. The residual value of USD 3.4 million of the replaced cranes has been written down to the estimated scrap value.

Operating profit came to USD 245.1 million (USD 222.4 million).

Net interest expenses totalled USD 32.9 million (USD 39.8 million). This decline is mainly due to a reduction in the average interest rate on the hedged debt. In accordance with IFRS, interest costs totalling USD 4.5 million (USD 3.7 million) have been allocated to new build and refurbishment projects, and consequently capitalised as part of the vessel costs.

Other financial items amounted to USD -8.5 million (USD -4.6 million). These figures include the net effect from changes in value of financial currency hedging instruments and revaluation of NOK denominated bond loans.

Taxes for 2013 were USD 4.6 million (USD 0.5 million). The 2012 figure included 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 199.1 million (USD 177.5 million), resulting in diluted earnings per share of USD 0.85 (USD 0.80).

Capital

Total assets amounted to USD 1 619.9 million (USD 1 487.2 million) at the end of 2013. Investments in tangible assets totalled USD 227.2 million (USD 188.1 million). The investments in 2013 include the upgrades of *Safe Caledonia* and *Safe Scandinavia*, the first instalment on the two new builds *Safe Eurus* and *Safe Notos*, and project expenses related to the new builds *Safe Boreas* and *Safe Zephyrus*.

In 2013, the company paid interim dividends of USD 139.6 million (USD 118.6 million), corresponding to NOK 3.47 per share (NOK 3.06).

Interest-bearing debt amounted to USD 779.6 million (USD 810.4 million) at year-end. Repayments of debt totalled USD 407.8 million (USD 282.2 million), while gross increase in borrowing amounted to USD 404.1 million (USD 317.1 million). 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.

As at year-end 2013, the Prosafe Group had total liquid assets of USD 113.4 million (USD 103.6 million). The liquidity reserve (liquid assets plus undrawn credit facilities) totalled USD 486.4 million (USD 464.6 million).

Total shareholders' equity amounted to USD 739.7 million (USD 516.3 million), resulting in a book equity ratio of 45.7 per cent (34.7 per cent). On 14 March 2013, the company successfully completed a private placement of 13 million new shares. The proceeds of USD 128.9 million will be used to fund value enhancing growth investments.

On 14 May 2013, the annual general meeting approved the cancellation of 6 963 731 of Prosafe's own shares. After the cancellation, the number of issued ordinary shares in the company is 235 973 059.

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.

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 25 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, owning 11 vessels worldwide.
The total value of contracts increased to USD 1 258 million at the end of 2013 from USD 720 million at the end of 2012 (USD 1 689 million and USD 827 million, respectively including clients' extension options).

Safe Hibernia, *Jasminia*, *Safe Britannia*, *Safe Lancia* and *Safe Regency* operated on long-term bareboat charters in Mexico throughout the year. The contracts for *Safe Britannia*, *Safe Lancia*, *Jasminia* and *Safe Regency* were extended during the year.

Safe Concordia operated on a long term contract in Brazil throughout the year.
In December 2013, Prosafe was awarded an extension. The firm period of the contract extension is three years and commences in June 2014, in direct continuation of the existing firm contract.

After completing a contract with Woodside in Australia in January, *Safe Astoria* underwent maintenance and modification work during lay-up in Indonesia. At the end of December the vessel started mobilising for a contract with Swiber in Indonesia, which commenced in early January 2014.

Safe Caledonia commenced on a contract with BP in the UK on 2 March and operated on this contract for the rest of 2013.

Safe Scandinavia was in operation for BP at Valhall in Norway at the start of the year until 1 March. The contract with ConocoPhillips at *Jasmine* in the UK commenced 6 April until 12 November. Following the contract, she went to the Remontowa yard in Gdansk in Poland to undertake a life extension refurbishment and five-year special period survey (SPS).

Regalia was off-hire and at the yard undertaking planned maintenance work during the first quarter. The vessel commenced operation for Shell at the Draugen field in Norway on 30 April and was in operation until 12 November. On completion of the contract, she went to Keppel Verolme in the Netherlands for refurbishment work and a five-year SPS.

Fleet growth and renewal

Prosafe currently has four new semi-submersible accommodation vessels under construction. In December 2011 and November 2012, respectively, the company ordered *Safe Boreas* and *Safe Zephyrus* from Jurong Shipyard Pte Ltd. in Singapore. The vessels are constructed according to the strict Norwegian regulations and they will be the most well-equipped and sophisticated offshore accommodation units in the world. Deliveries from the yard are scheduled for the third quarter of 2014 and the fist quarter of 2015, respectively.

During the first quarter of 2013 it became apparent that further opportunities for growth were likely to evolve. As a consequence, the company in March issued USD 13 million shares (5.65 per cent of the share capital at the time) for total proceeds of USD 128.9 million to fund such growth opportunities.

In November 2013 Prosafe entered into a turnkey contract with COSCO (Qidong) Offshore Co., Ltd. China, for the delivery of two accommodation vessels for use worldwide, excluding Norway. The vessels are designed and equipped to meet the requirements of the accommodation industry and they will be the leading vessels in their sector when they are ready for use in 2016.

In addition to the new builds, the company has also invested substantially in the existing fleet over the past years. A refurbishment and life extension programme for the North Sea fleet was initiated by the 20-year life extension and upgrade of *Regalia* in 2009, and in 2012/13, *Safe Caledonia* underwent a similar project. In 2013/14 the programme was completed by the life extension and refurbishment of *Safe Scandinavia*.

With these investments Prosafe not only owns and operates by far the largest and most capable fleet in the accommodation market, but also the most modern. Including the vessels under construction, one third of Prosafe's fleet is less than ten years old, whilst another third of the fleet has gone through conversion and/or major refurbishment and life-extension projects during the past ten years.

Both the investments in new builds and in the current fleet should contribute significantly to growth and sustainability for many years to come. As such, they 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 sector, further strengthening its ability to meet clients' needs and expectations related to increasingly complex operations in a growing market.

Outlook

The year 2013 was a record year for Prosafe in terms of contract inflow. At the end of 2013, the gross value of contracts (including extension options) amounted to USD 1 689 million, up from USD 827 million during the previous year. This is by far the highest level ever seen and the Board expects it to rise further during 2014.

Over the past six months a number of the largest oil companies in the world have announced cost cutting initiatives and signalled lower investment growth. This could have a negative impact on demand going forward, however, the company has so far experienced few tangible signs of such development. The accommodation vessel segment is a late cyclical business and has historically experienced lower demand volatility than most of the early cyclical segments. The worldwide market for semi-submersible accommodation vessels remains busy with a large number of enquiries from clients.

Looking further ahead, the development in underlying demand drivers remains positive. The number of oil and gas fields and installations on stream is expected to increase in all the main markets over the coming years. Furthermore, existing fields are constantly growing older at the same time as the prospects for increased oil recovery are improving due to technological development. This in turn bodes well for demand for services related to maintenance, modifications and upgrades.

A number of new semi-submersible accommodation vessels are scheduled to enter the market over the next couple of years. The supply side is anticipated to more than double in size during the period from 2012 to 2016. This increase is partly due to a possible under-supply situation historically and partly a consequence of a positive underlying demand development which has arisen during the past years. Furthermore, it should be noted that the growth in number of units comprises vessels of a varying degree of quality, both in respect of technical specifications, owners' operating capabilities and financing structures.

In addition to being the world's largest owner and operator of semi-submersible accommodation vessels, the company also has the longest track-record in terms of operations and HSEQ. Furthermore, it has the most efficient cost structure through economies of scale, the world's most cost efficient fleet and an efficient financing structure. Accordingly, Prosafe is well placed to further enhance its position in the accommodation market in the years to come.

In the Budget Statement on 19 March 2014, the UK Chancellor announced a new measure for taxation of offshore drilling rigs and accommodation vessels operating on the UK continental shelf. The new legislation will take effect from 1 April 2014 when passed. It is anticipated that the tax cost related to Prosafe's UK operations will increase as a result of the new measure.

The accommodation vessel business is international by nature and therefore Prosafe is exposed to potential tax changes in a number of jurisdictions.

Health, safety and the environment (HSE)
Robust HSE performance is fundamental to all of Prosafe's operations and is therefore reflected in the company's core values. As a consequence, 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. Together with the introduction of new systems and procedures this has led to an improvement of the HSE results.

During 2013, Prosafe recorded no Lost Time Injury (LTI) (i.e. incident that resulted in the employee being absent from the next work shift). This translates into an LTI frequency rate of 0 for 2013, compared to 0.98 in 2012. 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 4.4 per cent in 2013 from 3.3 per cent in 2012.

Prosafe had no accidental discharges to the natural environment in 2013 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 595 individuals at the end of 2013, compared to 547 in the previous year. Prosafe's global presence was reflected in the fact that its employees came from 26 countries around the world. The overall workforce turnover in the group was 7.0 per cent in 2013, a decrease from 7.6 per cent in 2012.

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 2013, women accounted for 14 per cent of the overall workforce, compared to 15 per cent in 2012. Onshore the proportion of women was 40 per cent, as opposed to 41 per cent in 2012.

Women constituted 14 per cent of the managers as at 31 December 2013, as opposed to 15 per cent at the end of 2013.

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 recruitment, 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 14 May 2013, Michael Raymond Parker was re-elected as Chairman of the Board for one year. Carine Smith Ihenacho and Roger Cornish were re-elected as Directors for a period of two years, and Christakis Pavlou was re-elected as Director for a period of one year.

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 20 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 2013, the ten largest shareholders held a total of 46.1 per cent of the issued shares. The remaining shares were held by 4 447 investors. A nominee account in the name of State Street Bank was the largest shareholder with a holding of 12.7 per cent of the issued shares.

Prosafe carry out a survey every quarter attempting to identify the underlying owners of shares held at nominee accounts. This survey can be found at the web site: http://www.prosafe.com.

The number of issued shares in Prosafe is 235 973 059 at a nominal value of EUR 0.25 each. In March the company issued 13 million new shares and in May the Annual General Meeting resolved to cancel the company's holding of own shares and thereby reduce the number of issued shares by 6 963 731.

Further information is shown in note 15 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 in note 7 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 to 75 per cent of the company's net profit paid four times per year in the following year. In 2013, a total dividend equivalent to USD 0.60 per share was distributed to the shareholders. The dividend was paid in the form of NOK 3.47 per share. Typically, an interim dividend will be declared together with the release of the quarterly results.

At 31 December 2013, Prosafe SE had a distributable equity of USD 922 million. The parent company showed a net loss of USD 41.9 million for 2013, which the Board proposes to be covered as follows (in USD million):

Dividend	0.0 million
Transferred from equity	41.9 million
Total	41.9 million

Larnaca, 2 April 2014

Board of Directors of Prosafe SE

Michael Raymond Parker
Non-executive Chairman

Ronny J. Langeland
Non-executive Deputy Chairman

Christakis Pavlou
Non-executive Director

Christian Brinch
Non-executive Director

Carine Smith Ihenacho
Non-executive Director

Roger Cornish
Non-executive Director

Statement of the members of the Board of Directors and other responsible persons

Statement of the members of the Board of Directors and other responsible persons of Prosafe SE for the financial statements in the Annual Report for the year ending December 2013

In accordance with Sections 9 (3) (c) and 9 (7) of the Cyprus Transparency Requirements (Securities for Trading on Regulated Market) Law of 2007 ("Law") and Cyprus Companies Law Cap. 113, we the members of the Board of Directors and the other responsible persons for the consolidated financial statements of Prosafe SE and the other companies included in the consolidated accounts ("the Group") and the financial statements of Prosafe SE, for the year ended 31 December 2013, confirm that, to the best of our knowledge:

(a) the annual consolidated and financial statements that are presented on pages 18 to 73:
  (i) were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, and in accordance with the provisions of Section 9 (4), of the Law; and

  (ii) give a true and fair view of the assets, liabilities, the financial position, and the profit or losses of Prosafe SE and the Group included in the consolidated accounts taken as a whole; and

(b) the Directors' Report gives a fair review of the development and performance of the business and the financial position of Prosafe SE and the consolidated accounts of the Group as a whole, together with a description of the principal risks and uncertainties that they face.

Michael Raymond Parker
Non-executive Chairman

Ronny J. Langeland
Non-executive Deputy Chairman

Christakis Pavlou
Non-executive Director

Christian Brinch
Non-executive Director

Carine Smith Ihenacho
Non-executive Director

Roger Cornish
Non-executive Director

Karl Ronny Klungtvedt
Chief Executive Officer
Prosafe Management AS

Sven Børre Larsen
Chief Financial Officer
Prosafe Management AS

Larnaca, Cyprus
2 April 2014

Consolidated accounts

CONSOLIDATED INCOME STATEMENT

(USD million)	Note	2013	2012
Charter revenues		469.2	423.9
Other operating revenues	5	54.3	86.5
Operating revenues		**523.5**	**510.4**
Employee benefits	7	(99.4)	(97.7)
Other operating expenses	8	(117.5)	(132.5)
Operating profit before depreciation		**306.6**	**280.1**
Depreciation	9	(61.5)	(57.7)
Operating profit		**245.1**	**222.4**
Interest income	11	1.3	1.1
Interest expenses	11	(34.2)	(40.9)
Other financial income	5, 10, 11	23.3	27.4
Other financial expenses	10, 11	(31.8)	(32.0)
Net financial items		**(41.4)**	**(44.4)**
Profit before taxes		**203.7**	**178.0**
Taxes	12	(4.6)	(0.5)
Net profit		**199.1**	**177.5**
Attributable to equity holders of the parent		**199.1**	**177.5**
Earnings per share (USD)	13	**0.85**	**0.80**
Diluted earnings per share (USD)	13	**0.85**	**0.80**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(USD million)	Note	2013	2012
Net profit for the year		**199.1**	**177.5**
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Foreign currency translation		(0.4)	(0.9)
Revaluation hedging instruments	20	35.4	(3.7)
Income tax effect on components of comprehensive income		0.0	0.0
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**35.0**	**(4.6)**
Total comprehensive income for the year, net of tax		**234.1**	**172.9**
Attributable to equity holders of the parent		**234.1**	**172.9**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(USD million)	Note	31.12.2013	31.12.2012
ASSETS			
Goodwill	9	226.7	226.7
Vessels	9	946.9	896.3
New builds	9, 24	248.9	135.6
Other tangible assets	9	4.9	5.4
Other non-current assets	5	0.0	16.5
Total non-current assets		**1 427.4**	**1 280.5**
Cash and deposits	19, 21	113.4	103.6
Debtors	19, 20	55.2	45.7
Fair value on derivatives	19, 20	0.0	14.6
Other current assets	19, 22	23.9	42.8
Total current assets		**192.5**	**206.7**
Total assets		**1 619.9**	**1 487.2**
EQUITY AND LIABILITIES			
Share capital	15	65.9	63.9
Other equity		673.8	452.4
Total equity		**739.7**	**516.3**
Interest-bearing non-current liabilities	16, 19, 20	779.6	745.6
Deferred tax	11	20.1	28.1
Fair value on derivatives	19, 20	0.9	36.3
Other provisions		4.0	2.4
Total non-current liabilities		**804.6**	**812.4**
Interest-bearing current debt	16, 19, 20	0.0	64.8
Accounts payable	19, 20	4.7	9.3
Taxes payable	12	18.3	19.9
Fair value on derivatives	19, 20	6.5	0.0
Other current liabilities	17, 19, 20	46.1	64.5
Total current liabilities		**75.6**	**158.5**
Total equity and liabilities		**1 619.9**	**1 487.2**

Larnaca, 2 April 2014

Michael Raymond Parker
Non-executive Chairman

Ronny J. Langeland
Non-executive Deputy Chairman

Christakis Pavlou
Non-executive Director

Christian Brinch
Non-executive Director

Carine Smith Ihenacho
Non-executive Director

Roger Cornish
Non-executive Director

CONSOLIDATED CASH FLOW STATEMENT

(USD million)	Note	2013	2012
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxes		203.7	178.0
Unrealised currency (gain)/loss on long-term debt	16	(27.1)	15.0
Loss/(gain) on sale of tangible assets	5	2.4	(4.8)
Depreciation	9	61.5	57.7
Financial income		(1.3)	(1.1)
Financial cost		34.2	40.9
Change in working capital		5.8	4.0
Other items from operating activities		(11.3)	(6.6)
Net cash flow from operating activities		**267.9**	**283.1**
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of tangible assets	5	16.4	38.5
Acquisition of tangible assets	9, 24	(227.2)	(188.1)
Interest received		1.3	1.1
Net cash flow from investing activities		**(209.5)**	**(148.5)**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from new interest-bearing debt	16, 19, 20	404.1	317.1
Repayments of interest-bearing debt	16, 19, 20	(407.8)	(282.2)
Share issue	15	128.9	0.0
Dividends paid	14	(139.6)	(118.6)
Interest paid		(34.2)	(40.9)
Sale of own shares		0.0	0.2
Net cash flow from financing activities		**(48.6)**	**(124.4)**
Net cash flow		**9.8**	**10.2**
Cash and deposits at 1 January		103.6	93.4
Cash and deposits at 31 December	21	**113.4**	**103.6**

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 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**
Net profit	0.0	0.0	199.1	0.0	0.0	199.1
Other comprehensive income	0.0	0.0	0.0	35.4	(0.4)	35.0
Total comprehensive income [1)]	**0.0**	**0.0**	**199.1**	**35.4**	**(0.4)**	**234.1**
New shares (note 4)	4.3	0.0	124.6	0.0	0.0	128.9
Cancellation of own shares (note 4)	(2.3)	48.8	(46.5)	0.0	0.0	0.0
Dividend (note 15)	0.0	0.0	(139.6)	0.0	0.0	(139.6)
Equity at 31 December 2013	**65.9**	**0.0**	**623.1**	**8.2**	**42.6**	**739.7**

[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 2013 were authorised for issue in accordance with a resolution of the board of directors on 2 April 2014. The Group is the world's leading owner and operator of semi-submersible accommodation/service vessels.

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 2013:

- Amendments to IAS 1 - Presentation of items of Other Comprehensive income. The amendments introduce a grouping of items presented in OCI. Items that will be reclassified to profit and loss at a future point in time, have to be presented separately from items that will not be reclassified. The amendments affect presentation only and have no impact on the Group's financial position or performance.

- Amendments to IAS 1 - Clarification of the requirement for comparative information. The amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments affect presentation only and have no impact on the Group's financial position or performance.

- IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value.

  Application of IFRS has not materially impacted the fair value measurements of the Group. Additional disclosures are provided in the individual notes, if required.

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 27 Separate Financial Statements

As a consequence of the issuance of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, the IASB has amended IAS 27. IAS 27 now only deals with accounting in the separate financial statements. The title of the standard is amended accordingly. 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 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.

IAS 36 Impairment of Assets

IAS 36 is amended to address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. These amendments are issued to align the disclosure requirements in IAS 36 with the IASB's original intention when consequential amendments to IAS 36 were made as a result of the issuance of IFRS 13 Fair Value Measurement. 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 39 Financial Instruments: Recognition and Measurement

IAS 39 is amended to provide relief from discontinuing hedge accounting when a derivative designated as a hedging instrument is novated to provide clearing with a central counterparty as a result of law or other regulation, when certain criteria are met. These 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 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the two first phases of IASB's work on the replacement of IAS 39, which are classification and measurement of financial assets and financial liabilities and hedge accounting. Third and last phase of this project will address amortised cost measurement and impairment of financial assets. The mandatory effective date of IFRS 9 has been removed to allow sufficient time for entities to prepare to apply the new Standard. The IASB have decided that a new date should be decided upon when the entire IFRS 9 project is closer to completion.

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

IFRS 10 Consolidated 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. In accordance with IFRS 10, an investor controls another entity when it is exposed, or has rights, to variable returns from its involvement with the other entity, and has the ability to affect those returns through its power over the entity. Within the EU/EEA area, IFRS 10 is effective for annual periods starting 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. Within the EU/EEA area, IFRS 12 is effective for annual periods beginning on or after 1 January 2014.

The amendment will have impact on the disclosure notes when applied at a future date, but is not expected to have any impact on financial position or performance.

Annual Improvements 2010 – 2012

IASBs annual improvements project 2010 – 2012 includes amendments to a number of standards:

IFRS 2 Share-based Payment

Performance condition and service condition are defined in order to clarify various issues, including the following:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

IFRS 3 Business Combinations

Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments.

IFRS 8 Operating Segments

Operating segments may be combined/aggregated if aggregation is consistent with the core principle of the standard, if the segments have similar economic characteristics and if they are similar in other qualitative respects. If they are combined, the entity must disclose the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.

IFRS 13 Fair Value Measurement

The IASB clarified that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment to IAS 16.35(a) and IAS 38.80(a) clarifies that revaluation can be performed, as follows:

- Adjust the gross carrying amount of the asset to market value, or
- Determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value

The IASB also clarified that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount of the asset. The amendment to IAS 16.35(b) and IAS 38.80(b) clarifies that the accumulated depreciation/amortisation is eliminated so that the gross carrying amount and carrying amount equal the market value.

Annual Improvements 2011 – 2013

IASBs annual improvements project 2011 – 2013 includes amendments to a number of standards:

IFRS 3 Business Combinations

The amendment clarifies that:

- Joint arrangements are outside the scope of IFRS 3, not just joint ventures
- The scope exception applies only to the accounting in the financial statements of the joint arrangement itself

IFRS 13 Fair Value Measurement

The portfolio exception in IFRS 13 can be applied to financial assets, financial liabilities and other contracts.

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 vessels. 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 vessels 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 9. 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 other comprehensive income
- 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 functional currency 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 vessels. For geographical information, reference is made to note 4.

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 vessel 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 vessels 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 vessels – 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 a detailed forecast calculation which is prepared for the Group's cash generating unit. The forecast calculation is 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 are classified as financial assets at fair value through profit or loss, loans and receivables 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. 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 assets held for trading are recognised in the income statement. 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.

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.

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.

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.

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.

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.

Prosafe applies hedge accounting only for the interest rate swaps. Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

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 fair value of the derivative instrument 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 is 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: SEGMENT REPORTING

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

Operating revenues by geographical location	2013	2012
Europe excluding Cyprus	342.5	218.3
Americas	175.3	199.3
Australia/Asia	5.7	92.8
Cyprus	0.0	0.0
Total operating revenues	**523.5**	**510.4**

The revenue allocation is based on place of operation of the vessel.

Operating revenues from major customers situated in:	2013		2012	
	1)	2)	1)	2)
Americas1	124.5	24%	148.2	29%
Europe1	108.7	21%	88.7	17%
Europe2	85.7	16%	0.0	0%
Europe3	73.6	14%	0.0	0%
Americas2	50.8	10%	51.1	10%
Australia/Asia1	5.2	1%	87.6	17%
Europe4	0.0	0%	81.8	16%
Europe5	0.0	0%	24.4	5%

1) Operating revenues in USD million

2) Percentage of total revenues

Total assets by geographical location	2013	2012
Europe excluding Cyprus	943.5	754.0
Americas	256.6	402.0
Australia/Asia	397.5	279.0
Cyprus	22.3	52.2
Total assets	**1 619.9**	**1 487.2**

NOTE 5: OTHER OPERATING REVENUES

	2013	2012
Mobilisation/demobilisation income	9.1	2.0
Gain on sale of non-current assets	0.0	4.8
Other contract income	45.2	79.7
Total other operating revenues	**54.3**	**86.5**

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 2012. The remaining USD 16.5 million is paid as a three-year term loan with an interest rate of 10 per cent, and was included under 'other non-current assets' in the statement of financial position as at 31 December 2012. The gain on the sale amounted to USD 4.8 million and was recognised as other operating revenue in 2012. On 7 October 2013, the remaining loan and interest balance of USD 11.8 million was repaid early by the buyer.

NOTE 6: QUARTERLY RESULTS

	Q1	Q2	Q3	Q4	2013
Operating revenues	85.8	143.5	159.4	134.8	523.5
Operating expenses	(52.4)	(60.3)	(50.8)	(53.4)	(216.9)
EBITDA	**33.4**	**83.2**	**108.6**	**81.4**	**306.6**
Depreciation	(14.4)	(14.5)	(18.2)	(14.4)	(61.5)
Operating profit	**19.0**	**68.7**	**90.4**	**67.0**	**245.1**
Net financial items	**(18.6)**	**(12.5)**	**(3.4)**	**(6.9)**	**(41.4)**
Profit before taxes	**0.4**	**56.2**	**87.0**	**60.1**	**203.7**
Taxes	(1.1)	(1.3)	(1.8)	(0.4)	(4.6)
Net profit	**(0.7)**	**54.9**	**85.2**	**59.7**	**199.1**

NOTE 7: EMPLOYEE BENEFITS, MANAGEMENT REMUNERATION AND AUDIT FEE

	2013	2012
Wages and salaries	50.3	46.7
Contract personnel	25.6	29.3
Pension expenses	5.1	5.2
Other remuneration	1.8	2.3
Change in share option provision	(0.2)	(1.4)
Social security taxes	6.3	5.9
Other personnel-related expenses	10.4	9.7
Total employee benefits	**99.4**	**97.7**

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 14 persons) are included in a synthetic share option programme. The outstanding options were granted in 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.

	2013	**2012**
Share price at 31 December (NOK)	46.80	47.32
Weighted average fair value (NOK) at 31 December	5.09	5.37
Provision at 31 December (USD million)	0.4	0.6

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)
Exercised in 2013	(32 000)
Forfeited in 2013	(70 000)
Outstanding options at 31 December 2013	630 000
Exercisable at 31 December 2013	0

Vesting date in November 2015	
Grant date	31.05.2011
Exercise price at grant (NOK)	58.21
Exercise price at 31.12.2013 (NOK)	49.00
Vesting date	30.11.2015
Expiry date	30.11.2015
Lifetime closing balance	1.92
Volatility closing balance	0.26
Interest rate closing balance	0.02
Fair value closing balance (NOK)	4.93
Outstanding options at 31.12.2013	315 000

Vesting date in November 2014	
Grant date	31.05.2011
Exercise price at grant (NOK)	54.05
Exercise price at 31.12.2013 (NOK)	44.84
Vesting date	30.11.2014
Expiry date	30.11.2014
Lifetime closing balance	0.92
Volatility closing balance	0.24
Interest rate closing balance	0.01
Fair value closing balance (NOK)	5.25
Outstanding options at 31.12.2013	315 000

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

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)	2013	636	383	184	38	69
Robin Laird (Deputy CEO)	2013	558	344	84	255	52
Sven Børre Larsen (CFO)	2013	392	239	35	50	52
Karl Ronny Klungtvedt (CEO)	2012	614	385	165	557	18
Robin Laird (Deputy CEO)	2012	556	343	83	778	14
Sven Børre Larsen (CFO)	2012	377	237	34	45	14

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 in 2012 include exercise of share options granted in 2009
4) Valuation based on the Black-Scholes option pricing model

Board of directors (USD 1 000)	Year	Board fees [1]
Michael Raymond Parker (chair)	2013	165
Ronny Johan Langeland (deputy chair)	2013	147
Christian Brinch	2013	105
Roger Cornish	2013	103
Christakis Pavlou	2013	93
Carine Smith Ihenacho	2013	88
Michael Raymond Parker (chair)	2012	143
Ronny Johan Langeland	2012	109
Christian Brinch (deputy chair)	2012	116
Roger Cornish	2012	98
Christakis Pavlou	2012	92
Carine Smith Ihenacho	2012	83
Elin Nicolaisen (resigned May 2012)	2012	33

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

Auditors' fee (USD 1 000)	2013	2012
Audit	341	363
Fees for other services	33	29
Total auditors' fee	**374**	**392**

Auditor's fee is included in general and administrative expenses (note 8).

NOTE 8: OTHER OPERATING EXPENSES

	2013	2012
Repair and maintenance	33.5	29.0
Other vessel operating expenses	47.6	69.3
General and administrative expenses	36.4	34.2
Total other operating expenses	**117.5**	**132.5**

NOTE 9: TANGIBLE ASSETS AND GOODWILL

	Vessels	New builds	Equip-ment	Build-ings	Good-will	Total
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**
Additions	113.4	113.3	0.5	0.0	0.0	227.2
Disposals	(10.7)	0.0	(0.2)	0.0	0.0	(10.9)
Acquisition cost 31 December 2013	**1 537.0**	**248.9**	**4.7**	**7.4**	**226.7**	**2 024.8**
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**
Accumulated depreciation on disposals	(8.4)	0.0	(0.2)	0.0	0.0	(8.6)
Depreciation for the year	60.6	0.0	0.5	0.5	0.0	61.5
Accumulated depreciation 31 December 2013	**590.1**	**0.0**	**3.6**	**3.7**	**0.0**	**597.4**
Net carrying amount 31 December 2013	**946.9**	**248.9**	**1.2**	**3.7**	**226.7**	**1 427.4**
Net carrying amount 31 December 2012	**896.3**	**135.6**	**1.1**	**4.2**	**226.7**	**1 263.9**
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 four new builds, owner-furnished equipment and other project costs incurred. For details, reference is made to note 24.

The accommodation jack-up, *Safe Esbjerg* was sold in 2012. For details, reference is made to note 5.

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 2013, capitalised borrowing costs amount to USD 8.1 million.

Estimated useful life for the semi-submersible accommodation/service vessels is 30-45 years. Certain equipment on a vessel is depreciated over a shorter period than the life of the vessel itself. The estimated scrap value is USD 3 million per vessel.

The depreciation plan for five of the rigs operating in the Gulf of Mexico was revised with effect from 1 January 2012. The remaining depreciation period for these five rigs was 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 only one defined cash-generating unit comprising all accommodation/service vessels and the goodwill has been allocated to this one. 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 or a reasonable change in other assumptions would still give a present value of the cash flow well in excess of the carrying value.

NOTE 10: OTHER FINANCIAL ITEMS

	2013	2012
Currency gain	23.3	0.0
Fair value adjustment currency forwards	0.0	27.4
Gain on sale of shares	0.0	0.0
Total other financial income	**23.3**	**27.4**
Currency loss	0.0	(23.9)
Fair value adjustment currency forwards	(19.0)	0.0
Amortisation of borrowing costs	(4.6)	(2.6)
Other financial expenses	(8.2)	(5.5)
Total other financial expenses	**(31.8)**	**(32.0)**

NOTE 11: FINANCIAL ITEMS - IAS 39 categories

Year ended 31 Dec 2013	Loans and receivables	Fair value through profit and loss	Financial liabilities measured at amortised cost	Total
Interest income	1.3	0.0	0.0	1.3
Fair value adjustment FX forwards	0.0	0.0	0.0	0.0
Currency gain [1)]	0.0	0.0	0.0	23.3
Total financial income	**1.3**	**0.0**	**0.0**	**24.6**
Interest expenses	0.0	0.0	(34.2)	(34.2)
Fair value adjustment FX forwards	0.0	(19.0)	0.0	(19.0)
Amortisation of borrowing costs	0.0	0.0	(4.6)	(4.6)
Other financial expenses	0.0	0.0	(8.2)	(8.2)
Currency loss [1)]	0.0	0.0	0.0	0.0
Total financial expenses	**0.0**	**(19.0)**	**(47.0)**	**(66.0)**
Net financial items	**1.3**	**(19.0)**	**(47.0)**	**(41.4)**

Year ended 31 Dec 2012	Loans and receivables	Fair value through profit and loss	Financial liabilities measured at amortised cost	Total
Interest income	1.1	0.0	0.0	1.1
Fair value adjustment FX forwards	0.0	27.4	0.0	27.4
Total financial income	**1.1**	**27.4**	**0.0**	**28.5**
Interest expenses	0.0	0.0	(40.9)	(40.9)
Amortisation of borrowing costs	0.0	0.0	(2.6)	(2.6)
Other financial expenses	0.0	0.0	(5.5)	(5.5)
Currency loss [1)]	0.0	0.0	0.0	(23.9)
Total financial expenses	**0.0**	**0.0**	**(49.0)**	**(72.9)**
Net financial items	**1.1**	**27.4**	**(49.0)**	**(44.4)**

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

NOTE 12: TAXES

	2013	2012
Taxes in income statement:		
Taxes payable	10.3	7.6
Change in deferred tax	(5.7)	(7.1)
Total taxes in income statement	**4.6**	**0.5**
Temporary differences:		
Exit from Norwegian tonnage tax system	74.1	101.3
Non-current assets	(3.3)	(4.5)
Current assets	(0.3)	(0.3)
Current liabilities	3.9	3.9
Basis for deferred tax	**74.5**	**100.4**
Recognised deferred tax	**20.1**	**28.1**
Deferred tax 1 January	28.1	33.6
Change in deferred tax in income statement	(5.7)	(7.1)
Translation difference	(2.3)	1.6
Deferred tax 31 December	**20.1**	**28.1**
Payable tax as at 31 December	**18.3**	**19.9**

The cumulated tax loss carried forward in Cyprus as at 31 December 2013 and 2012 amounts to USD 37.4 million and USD 22.6 million respectively. The tax rate in Cyprus is 12.5% (2012: 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 vessel 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 13: 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.

	2013	2012
Net profit	199.1	177.5
Weighted average number of outstanding shares (1 000)	233 806	222 961
Basic earnings per share	**0.85**	**0.80**
Weighted average number of outstanding and potential shares (1 000)	233 806	222 961
Diluted earnings per share	**0.85**	**0.80**

NOTE 14: DIVIDENDS

	2013	2012
Dividend declared during the year	139.6	118.6
Total dividends declared	**139.6**	**118.6**
Dividends per share (NOK)	3.47	3.06

NOTE 15: SHARE CAPITAL AND SHAREHOLDER INFORMATION

	2013	2012
Issued and paid number of shares at 31 December	235 973 059	229 936 790
Authorised number of shares at 31 December	275 924 148	275 924 148
Holding of own shares at 31 December	0	6 963 731
Nominal value at 31 December	EUR 0.25	EUR 0.25
Number of shareholders at 31 December	4 447	4 380

On 15 March 2013, Prosafe completed a private placement of 13 000 000 new shares directed towards Norwegian and international institutional investors. The placement was made at a subscription price of NOK 58 per share. Net proceeds amounted to USD 128.9 million. The share capital was increased by EUR 3.3 million.

On 14 May 2013, the general meeting approved the cancellation of 6 963 731 ordinary shares held by Prosafe as treasury shares. After the cancellation, the issued share capital is made up of 235 973 059 shares of EUR 0.25 each.

Largest shareholders/groups of shareholders at 31.12.2013	No of shares	Percentage
State Street Bank (nom.)	29 867 220	12.7 %
Folketrygdfondet	16 561 978	7.0 %
State Street Bank (nom.)	14 761 141	6.3 %
Clearstream Banking (nom.)	8 762 667	3.7 %
Pareto	8 707 003	3.7 %
FLPS	8 137 101	3.4 %
JP Morgan Chase Bank (nom.)	6 815 492	2.9 %
Goldman Sachs (nom.)	5 921 087	2.5 %
State Street Bank (nom.)	4 650 407	2.0 %
Pimco	4 597 714	1.9 %
RBC (nom.)	4 571 724	1.9 %
JP Morgan Chase Bank (nom.)	4 090 030	1.7 %
JP Morgan Chase Bank (nom.)	3 732 591	1.6 %
JP Morgan Chase Bank (nom.)	3 648 784	1.5 %
KLP	3 640 575	1.5 %
State Street Bank (nom.)	3 169 135	1.3 %
KAS Bank (nom.)	3 031 358	1.3 %
BNP Paribas (nom.)	3 009 691	1.3 %
The Northern Trust (nom.)	2 806 520	1.2 %
DNB	2 651 840	1.1 %
Total 20 largest shareholders/groups of shareholders	**143 134 058**	**60.7 %**

NOTE 16: INTEREST-BEARING DEBT

As of 31 December 2013, Prosafe's interest-bearing debt totalled USD 779.6 million. Loans secured by mortgages (credit facility) accounted for USD 418.0 million of this total and unsecured bond loans accounted for about USD 361.6 million.

	2013	2012
Credit facility	418.0	566.0
Bond loans	361.6	244.4
Total interest-bearing debt	**779.6**	**810.4**
Debt in NOK	361.6	244.4
Debt in USD	418.0	566.0
Total interest-bearing debt	**779.6**	**810.4**
Long-term interest-bearing debt	779.6	745.6
Current interest-bearing debt	0.0	64.8
Total interest-bearing debt	**779.6**	**810.4**

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 2013, the availability under the credit facility totalled USD 791 million (USD 373 million undrawn credit lines).
The annual interest rate on the credit facility is 1.875 per cent above 3-month LIBOR.

USD 420 million credit facility repayment structure
In December 2012, the company secured a new credit facility. The credit facility, which has a maturity of five years, consists of two tranches of USD 210 million (USD 420 million in total) that can be drawn upon delivery of the two new builds, *Safe Boreas* and *Safe Zephyrus*. The availability under each tranche is reduced quarterly with USD 4.375 million, starting 3 months after delivery of the tranche security.
The annual interest rate on the credit facility is 2.950 per cent above 3-month LIBOR.

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 4.5
- Value adjusted equity ratio: Minimum 35 per cent
- Collateral maintenance: Market value vessels/total commitments above 175

Bond loans repayment structure
The bond debt is divided into four loans of NOK 500 million maturing February 2016 (PRS07), NOK 500 million maturing February 2017 (PRS08) and NOK 500 million maturing January 2020 (PRS09) and NOK 700 million maturing October 2018 (PRS10). PRS07, PRS08, PRS09 and PRS10 are listed on the Oslo Stock Exchange.

Loan	Principal	Outstanding	Maturity	Interest	Loan margin
PRS06	NOK 500 million	NOK 0 million	Oct 2013	3m Nibor	4.00%
PRS07	NOK 500 million	NOK 500 million	Feb 2016	3m Nibor	3.50%
PRS08	NOK 500 million	NOK 500 million	Feb 2017	3m Nibor	3.75%
PRS09	NOK 500 million	NOK 500 million	Jan 2020	3m Nibor	3.75%
PRS10	NOK 700 million	NOK 700 million	Oct 2018	3m Nibor	2.95%

Financial covenants bond loans
PRS 07/08/09/10
Value adjusted equity ratio: Minimum 30 per cent
Leverage ratio: Total debt/EBITDA must not exceed 5.0

As of 31 December 2013, 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 2013 compared to 2012.

NOTE 17: OTHER CURRENT LIABILITIES

	2013	2012
Other accrued costs	37.7	45.9
Deferred income	3.9	14.1
Accrued interest costs	3.5	3.0
Provision share option costs	0.4	0.5
Public taxes	0.3	0.3
Other interest-free current liabilities	0.4	0.7
Total interest-free current liabilities	**46.1**	**64.5**

NOTE 18: MORTGAGES AND GUARANTEES

As of 31 December 2013, Prosafe's interest-bearing debt secured by mortgages totalled USD 418 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 946.9 million. Prosafe had issued parent company guarantees and bank guarantees (USD 0 million) to customers on behalf of its subsidiaries in connection with the award and performance of contracts.

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. Prosafe had issued parent company guarantees and bank guarantees (USD 8 million) to customers on behalf of its subsidiaries in connection with the award and performance of contracts.

NOTE 19: FINANCIAL ASSETS AND LIABILITIES

As of 31 December 2013, the group had financial assets and liabilities in the following categories:

Year ended 31 Dec 2013	Loans and receivables	Fair value through profit and loss	Financial liabilities measured at amortised cost	Book value	Fair value
Cash and deposits	113.4	0.0	0.0	113.4	113.4
Accounts receivable	55.2	0.0	0.0	55.2	55.2
Other current assets	20.0	0.0	0.0	20.0	20.0
Total financial assets	**188.6**	**0.0**	**0.0**	**188.6**	**188.6**
Credit facility 1100 million [1)]	0.0	0.0	418.0	418.0	414.0
Bond loan PRS07 [2)]	0.0	0.0	82.2	82.2	84.3
Bond loan PRS08 [3)]	0.0	0.0	82.2	82.2	84.9
Bond loan PRS09 [4)]	0.0	0.0	82.2	82.2	84.0
Bond loan PRS10 [5)]	0.0	0.0	115.1	115.1	115.1
Fair value interest swaps	0.0	0.9	0.0	0.9	0.9
Fair value FX forwards	0.0	6.5	0.0	6.5	6.5
Accounts payable	0.0	0.0	4.7	4.7	4.7
Other current liabilities	0.0	0.0	41.6	41.6	41.6
Total financial liabilities	**0.0**	**7.4**	**826.0**	**833.4**	**835.9**

[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.

[2,3,4,5)] Fair value reflects current market conditions based on prices estimated by the Norwegian Securities Dealers Association as of 31 December 2013: PRS07 102.50, PRS08 103.25, PRS09 102.25, PRS10 100.00.

The management assessed the cash and deposits, accounts receivables, other current assets, accounts payable and other current liabilities to approximate their carrying amounts largely due to the short-term maturities of these instruments.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investments grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps and foreign exchange forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate and forward rate curves. All derivative contracts are fully collateralised.

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**
Credit facility 1100 million	(414.0)	0.0	(414.0)	0.0
Bond loan PRS07	(84.3)	0.0	(84.3)	0.0
Bond loan PRS08	(84.9)	0.0	(84.9)	0.0
Bond loan PRS09	(84.0)	0.0	(84.0)	0.0
Bond loan PRS10	(115.1)	0.0	(115.1)	0.0
Fair value FX forwards	(6.5)	0.0	(6.5)	0.0
Fair value interest swaps	(0.9)	0.0	(0.9)	0.0
Total financial assets/liabilities	**(789.7)**	**0.0**	**(789.7)**	**0.0**

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**	**Book value**	**Fair value**
Cash and deposits	103.6	0.0	0.0	103.6	103.6
Accounts receivable	45.7	0.0	0.0	45.7	45.7
Fair value FX forwards	0.0	14.6	0.0	14.6	14.6
Other current assets	28.5	0.0	0.0	28.5	28.5
Other non-current assets	16.5	0.0	0.0	16.5	16.5
Total financial assets	**194.3**	**14.6**	**0.0**	**208.9**	**208.9**
Credit facility 1100 million [1)]	0.0	0.0	566.0	566.0	562.0
Bond loan PRS06 [2)]	0.0	0.0	64.8	64.8	66.1
Bond loan PRS07 [3)]	0.0	0.0	89.8	89.8	91.1
Bond loan PRS08 [4)]	0.0	0.0	89.8	89.8	91.1
Fair value FX forwards	0.0	0.0	0.0	0.0	0.0
Fair value interest swaps	0.0	36.3	0.0	36.3	36.3
Accounts payable	0.0	0.0	9.3	9.3	9.3
Other current liabilities	0.0	0.0	49.4	49.4	49.4
Total financial liabilities	**0.0**	**36.3**	**869.1**	**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
Credit facility 1100 million	(562.0)	0.0	(562.0)	0.0
Bond loan PRS06	(66.1)	0.0	(66.1)	0.0
Bond loan PRS07	(91.1)	0.0	(91.1)	0.0
Bond loan PRS08	(91.1)	0.0	(91.1)	0.0
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	**(832.0)**	**0.0**	**(832.0)**	**0.0**

NOTE 20: 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 2013, Prosafe had entered into the following forward exchange contracts:

- Forward purchase of NOK 2200 million against USD 364 million at a weighted average of NOKUSD 6.05
- Forward purchase of GBP 12 million against USD 18 million at a weighted average USDGBP of 1.52
- Forward purchase of EUR 8 million against USD 11 million at a weighted average USDEUR of 1.33

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 2013, the fair value and maximum credit risk exposure of forward exchange contracts was USD 4.6 million negative.

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 against the NOK will have the following effects. Exposures to foreign currency changes for all other currencies are not material.

	2013		2012	
	Income statement effect	Equity effect	Income statement effect	Equity effect
USD +10%				
Re-valuation cash and deposits	(2.5)	0.0	(2.3)	0.0
Re-valuation currency forwards	(35.0)	0.0	(16.0)	0.0
Re-valuation NOK bonds	33.0	0.0	25.0	0.0
Total	**(4.5)**	**0.0**	**6.7**	**0.0**
USD -10%				
Re-valuation cash and deposits	2.5	0.0	2.3	0.0
Re-valuation currency forwards	35.0	0.0	16.0	0.0
Re-valuation NOK bonds	(33.0)	0.0	(25.0)	0.0
Total	**4.5**	**0.0**	**(6.7)**	**0.0**

Interest rate risk

As of 31 December 2013, Prosafe's interest-bearing debt totalled USD 779.6 million. Loans secured by mortgages (credit facility) accounted for USD 418.0 million of this total and unsecured bond loans accounted for USD 361.6 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.

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 other comprehensive income, while interest swaps not treated as effective hedges (not hedge accounting) will affect equity through the income statement. During 2013, interest swaps treated as effective hedges have been highly effective, and no ineffectiveness has been recognised in the income statement.

As of 31 December 2013, Prosafe's hedging agreements totalled USD 1 825 million (including USD 1 200 million with forward start):

Notional amount	Fixed rate	Maturity	Swap type	Fair value	
USD 150 million	2.3265 %	2020	Bullet	5.6	hedge accounting
USD 75 million	5.1940 %	2017	Bullet	(2.9)	hedge accounting
USD 100 million	2.0450 %	2015	Bullet	(2.6)	hedge accounting
USD 100 million	2.0600 %	2015	Bullet	(3.1)	hedge accounting
USD 100 million	2.2045 %	2014	Bullet	(1.9)	hedge accounting
USD 150 million	1.4813 %	2014	Bullet	(0.4)	hedge accounting
USD 100 million	1.2650 %	2016	Bullet	(1.5)	hedge accounting
USD 150 million	1.7780 %	2017	Bullet	(3.5)	hedge accounting
USD 150 million	2.1000 %	2017	Bullet	(2.8)	hedge accounting
USD 150 million	1.6120 %	2017	Bullet	(1.9)	hedge accounting
USD 150 million	1.6624 %	2019	Bullet	5.9	hedge accounting
USD 150 million	1.3625 %	2018	Bullet	3.5	hedge accounting
USD 150 million	2.2325 %	2020	Bullet	2.2	hedge accounting
USD 150 million	2.7195 %	2020	Bullet	2.5	hedge accounting
Total				**(0.9)**	

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 2013, the fair value and maximum credit risk exposure of interest rate swap agreements was USD 0.9 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.

	2013		2012	
	Income statement effect	Equity effect	Income statement effect	Equity effect
Forward curve +100bps				
Re-valuation interest rate swaps	0.0	35.0	0.0	30.0
Total	**0.0**	**35.0**	**0.0**	**30.0**
Forward curve -100bps				
Re-valuation interest rate swaps	0.0	(40.0)	0.0	(32.0)
Total	**0.0**	**(40.0)**	**0.0**	**(32.0)**

Changes in other comprehensive income related to financial instruments

As of 31 December 2013, the following changes in other comprehensive income were related to financial instruments:

	Change	2013	2012
Re-valuation interest rate swaps	35.4	(0.9)	(36.3)
Ineffectiveness	0.0	0.0	0.0
Total	**35.4**	**(0.9)**	**(36.3)**

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 2013, 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 2013, the Group's main financial liabilities had the following remaining contractual maturities:

	2014	2015	2016	2017	2018 →
Interest-bearing debt (downpayments/credit facility reductions)	0.0	136.0	82.2	364.2	197.2
Interest-bearing debt (interest including interest swaps)	44.7	59.9	70.4	73.2	120.0
Accounts payable and other current liabilities	4.7	0.0	0.0	0.0	0.0
Total	**49.4**	**195.9**	**152.6**	**437.4**	**317.2**

As of 31 December 2013, the availability under the credit facility secured in 2011 totalled USD 791 million (USD 373 million undrawn credit lines), meaning that the first actual downpayment on the credit facility will not occur until 2015.

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.

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 manages the total of shareholder's equity and long term debt as their capital. Prosafe's main tool to assess its capital structure is the leverage ratio, which is calculated by dividing total interest-bearing debt (excluding debt related to newbuilds) 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 2013 (2012), the leverage ratio was 1.7 (2.4).

	2013	2012
Credit facility	418.0	566.0
Bond loan PRS03	0.0	0.0
Bond loan PRS06	0.0	64.8
Bond loan PRS07	82.2	89.8
Bond loan PRS08	82.2	89.8
Bond loan PRS09	82.2	0.0
Bond loan PRS10	115.0	0.0
Total interest-bearing debt	**779.6**	**810.4**
Interest-bearing debt related to newbuilds	248.9	135.6
Bank guarantees	0.0	8.0
EBITDA last 12 months	306.6	280.1
Leverage ratio	**1.7**	**2.4**

Tax risk

The accommodation vessel business is international by nature and therefore Prosafe is exposed to potential tax changes in a number of jurisdictions.

NOTE 21: CASH AND DEPOSITS

	2013	2012
Restricted cash deposits	0.1	0.1
Free cash and short-term deposits	113.3	103.5
Total cash and deposits	**113.4**	**103.6**

NOTE 22: OTHER CURRENT ASSETS

	2013	2012
Receivables	3.3	10.9
Prepayments	3.2	11.5
Stock	0.7	2.7
Other current assets	16.7	17.6
Total other current assets	**23.9**	**42.8**

NOTE 23: 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%
Prosafe Rigs Nigeria Ltd	United Kingdom	100%	100%

Transactions and outstanding balances within the Group have been eliminated in full.

Shares owned by senior officers and directors at 31 December 2013:
(includes shares owned by wholly-owned companies)

	Shares	Synthetic options
Senior officers:		
Karl Ronny Klungtvedt - CEO	70 000	80 000
Robin Laird - Deputy CEO	58 000	60 000
Sven Børre Larsen - CFO	18 000	60 000
Directors:		
Michael Raymond Parker - chair	10 000	
Ronny Johan Langeland - deputy chair	28 000	
Christian Brinch - director	0	
Christakis Pavlou - director	0	
Roger Cornish - director	7 000	
Carine Smith Ihenacho - director	0	

NOTE 24: 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 vessel at Jurong Shipyard Pte Ltd. in Singapore. The vessel will be ready for operation in 2015, 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 9), 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 vessel at Jurong Shipyard Pte Ltd. in Singapore. The vessel will be ready for operation in 2015, 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 9), while the remaining 80 per cent will be paid at delivery.

On 22 November 2013, Prosafe announced that the company has entered into a turnkey contract for the construction of two semi-submersible accommodation vessels with COSCO (Qidong) Offshore Co., Ltd. in China. Total value of the contracts is in excess of USD 400 million, and the vessels will be ready for operation in 2016. 20 per cent of the yard cost was paid at signing of the contract and is included within tangible assets (note 9), while the remaining 80 per cent will be paid at delivery.

NOTE 25: EVENTS AFTER THE BALANCE SHEET DATE

In the 2014 Budget Statement on 19 March 2014, the UK Chancellor announced a new measure for taxation of offshore drilling rigs and accommodation vessels operating on the UK continental shelf. The new legislation will take effect from 1 April 2014 when passed. It is anticipated that the tax cost related to Prosafe’s UK operations will increase as a result of the new measure.

Accounts Prosafe SE

INCOME STATEMENT - PROSAFE SE

(USD 1 000)	Note	2013	2012
Operating revenues		**0**	**0**
Operating expenses	2	(11 895)	(10 301)
Depreciation	3	(14)	(16)
Operating profit		**(11 909)**	**(10 317)**
Income from investments in subsidiaries	5	24 773	72 462
Other financial income	4, 5	73 385	84 597
Other financial expenses	4, 5	(128 161)	(119 357)
Net financial items	5	**(30 004)**	**37 701**
Profit before taxes		**(41 912)**	**27 385**
Taxes	6	(3)	0
Net profit		**(41 916)**	**27 385**
Attributable to the owners of the company		**(41 916)**	**27 385**

STATEMENT OF COMPREHENSIVE INCOME - PROSAFE SE

(USD 1 000)	2013	2012
Net profit for the year	**(41 916)**	**27 385**
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Revaluation hedging instruments	35 358	(3 746)
Re-measurement losses on defined benefit plan	(1 380)	0
Income tax effect on components of comprehensive income	0	0
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**33 978**	**(3 746)**
Total comprehensive income for the year, net of tax	**(7 938)**	**23 639**
Attributable to the owners of the company	**(7 938)**	**23 639**

STATEMENT OF FINANCIAL POSITION - PROSAFE SE

(USD 1 000)	Note	31.12.13	31.12.12
ASSETS			
Tangible assets	3	32	44
Shares in subsidiaries	7	2 499 033	2 499 033
Intra-group long-term receivables	12, 14	135 999	137 761
Total non-current assets		**2 635 063**	**2 636 838**
Cash and deposits	14	9 414	19 114
Fair value derivatives	14	0	13 621
Other current assets	8, 14	14 362	17 692
Total current assets		**23 776**	**50 427**
Total assets		**2 658 839**	**2 687 264**
EQUITY AND LIABILITIES			
Share capital	9	65 894	63 903
Own shares	9	0	(48 901)
Share premium reserve		745 109	620 496
Total paid-in equity		**811 003**	**635 498**
Retained earnings		930 409	1 124 606
Total retained earnings		**930 409**	**1 124 606**
Total equity		**1 741 412**	**1 760 104**
Interest-bearing long-term debt	10	779 622	745 613
Intra-group long-term debt	12, 15	10 003	9 663
Fair value derivatives	14	937	36 295
Interest-free long-term liabilities	14, 15	2 533	1 148
Total long-term liabilities		**793 095**	**792 719**
Interest-bearing current debt	10, 15	0	64 800
Fair value derivatives	14, 16	6 505	0
Intra-group current liabilities	12, 14, 15	112 026	64 090
Other interest-free current liabilities	14, 15	5 800	5 552
Total current liabilities		**124 332**	**134 442**
Total equity and liabilities		**2 658 839**	**2 687 264**

Larnaca, 2 April 2014

Michael Raymond Parker
Non-executive Chairman

Ronny J. Langeland
Non-executive Deputy Chairman

Christakis Pavlou
Non-executive Director

Christian Brinch
Non-executive Director

Carine Smith Ihenacho
Non-executive Director

Roger Cornish
Non-executive Director

CASH FLOW STATEMENT - PROSAFE SE

(USD 1 000)	Note	2013	2012
Cash flow from operating activities			
Profit before taxes		(41 912)	27,385
Unrealised currency loss / (gain) on long-term debt		(27 050)	15 043
Depreciation	3	14	16
Interest income		(5 223)	(6 179)
Interest expenses		38 836	45 113
Change in working capital		3 578	(5 460)
Taxes paid	6	(3)	0
Other items from operating activities		18 711	(21 373)
Net cash flow from operating activities		**(13 051)**	**54 544**
Cash flow from investing activities			
Proceeds from sale of shares		0	14 909
Acquisition of tangible fixed assets	3	(2)	(23)
Change in intra-group balances	12	50 040	43 552
Interest received		5 223	6 179
Net cash flow from investing activities		**55 261**	**64 617**
Cash flow from financing activities			
Proceeds from issue of share capital	9	128 880	0
New interest-bearing long-term debt	10	404 100	317 100
Repayment of interest-bearing long-term debt	10	(407 800)	(282 200)
Dividends paid		(139 634)	(118 615)
Interest paid		(38 836)	(45 113)
Net cash flow from financing activities		**(53 290)**	**(128 828)**
Net cash flow		**(11 079)**	**(9 666)**
Cash and deposits at 1 January		19 114	28 781
Cash and deposits at 31 December		**8 035**	**19 114**

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 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**
Net loss	0	0	0	(41 916)	0	(41 916)
Other comprehensive income	0	0	0	(1 380)	35 358	33 978
Total comprehensive income [1)]	**0**	**0**	**0**	**(43 296)**	**35 358**	**(7 938)**
Dividends	0	0	0	(139 634)	0	(139 634)
Issue of share capital	4 267	0	124 613	0	0	128 880
Cancellation of own shares	(2 276)	48 901	0	(46 625)	0	0
Equity at 31 December 2013	**65 894**	**0**	**745 109**	**922 328**	**8 081**	**1 741 412**

[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 recoverable amount.

NOTE 2: OPERATING EXPENSES

	2013	2012
Services from subsidiaries	8 772	8 502
Share option costs	(171)	(1 437)
Salaries and management bonus	622	867
Directors' fees	724	675
Pension expenses	87	(173)
Other remuneration	71	163
Auditors' audit fees	74	179
Payroll taxes	44	54
Auditors' other fees	12	35
Other operating expenses	1 658	1 437
Total operating expenses	**11 895**	**10 301**

NOTE 3: TANGIBLE ASSETS

	Equipment	Total
Acquisition cost 31.12.11	181	181
Additions	23	23
Disposals at acquisition cost	0	0
Acquisition cost 31.12.12	**204**	**204**
Additions	2	2
Disposals at acquisition cost	0	0
Acquisition cost 31.12.13	**206**	**206**
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**
Accumulated depreciation on disposals	0	0
Depreciation for the year	14	14
Accumulated depreciation 31.12.13	**174**	**174**
Carrying value 31.12.13	**32**	**32**
Carrying value 31.12.12	**44**	**44**
Depreciation rate (%)	**20-30**	**-**

NOTE 4: OTHER FINANCIAL ITEMS

	2013	2012
Interest receivable from subsidiaries	5 147	6 112
Other interest receivable	76	67
Currency gain	68 162	56 839
Fair value adjustment derivative financial instruments	0	21 579
Total other financial income	**73 385**	**84 597**
Interest payable to subsidiaries	(189)	(512)
Interest expenses	(38 647)	(44 601)
Currency loss	(55 796)	(66 059)
Fair value adjustment derivative financial instruments	(20 126)	0
Impairment shares	0	0
Other financial items	(13 404)	(8 185)
Total other financial expenses	**(128 161)**	**(119 357)**

NOTE 5: FINANCIAL ITEMS - IAS 39 categories

Year ended 31 Dec 2013	Loans and receivables	Fair value through profit and loss	Financial liabilities measured at amortised cost	Total
Interest income	5 223	0	0	5 223
Currency gain [1)]	0	0	0	68 162
Dividend	0	0	0	24 773
Total financial income	**5 223**	**0**	**0**	**98 158**
Interest expenses	0	0	(38 836)	(38 836)
Currency loss [1)]	0	0	0	(55 796)
Fair value adjustment financial instr.	0	(20 126)	0	(20 126)
Other financial expenses	0	0	(13 404)	(13 404)
Total financial expenses	**0**	**(20 126)**	**(52 240)**	**(128 161)**
Net financial items	**5 223**	**(20 126)**	**(52 240)**	**(30 004)**

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

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

NOTE 6: TAXES

	2013	2012
Profit/loss before taxes	(41 912)	27 385
Permanent differences	27 036	(33 692)
Change in tax loss carried forward	14 876	6 307
Tax base	**0**	**0**
Taxes	**3**	**0**
Temporary differences:		
Loss carried forward	(37 402)	(22 576)
Basis for deferred tax liability (+)/benefit (-)	**(37 402)**	**(22 576)**
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.
Tax losses for each year are carried forward for 5 years. The tax rate in Cyprus is 12.5% (2012:10%)

NOTE 7: SHARES IN SUBSIDIARIES

(Share capital and carrying value in 1 000)

Company		Share capital	Carrying value 2013	Carrying value 2012	Ownership
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	141 974	100%
Prosafe Offshore Services Pte Ltd	USD	10	150	150	100%
Marzouka Investments Ltd	USD	10	8	8	100%
Prosafe Rigs Pte Ltd	USD	2 500 040	2 264 464	2 264 464	91%
Total carrying value			**2 499 033**	**2 499 033**	

NOTE 8: OTHER CURRENT ASSETS

	2013	2012
Current receivables from group companies	36	242
Other current assets	14 326	17 450
Total other current assets	**14 362**	**17 692**

The main part of other current assets consists of capitalised borrowing costs.

NOTE 9: SHARE CAPITAL

	2013	2012
Authorised ordinary shares as of 31 December	275 924 148	275 924 148
Issued and paid number of shares as of 31 December	235 973 059	229 936 790
Holding of own shares as of 31 December	0	6 975 818
Nominal value	EUR 0.25	EUR 0.25

On 15 March 2013, Prosafe completed a private placement of 13 000 000 new shares directed towards Norwegian and international institutional investors. The placement was made at a subscription price of NOK 58 per share. Net proceeds amounted to USD 128.9 million. The share capital was increased by EUR 3.3 million.

On 14 May 2013, the general meeting approved the cancellation of 6 963 731 ordinary shares held by Prosafe as treasury shares. After the cancellation, the issued share capital is made up of 235 973 059 shares of EUR 0.25 each.

NOTE 10: INTEREST-BEARING DEBT

As of 31 December 2013, Prosafe SE's interest-bearing debt totalled about USD 779.6 million. Loans secured by mortgages (credit facility) accounted for USD 418 million of this total and unsecured bond loans accounted for about USD 361.6 million.

	2013	2012
Credit facility	418 000	566 000
Bond loans	361 622	244 413
Total interest-bearing debt	**779 622**	**810 413**
Debt in NOK	361 622	244 413
Debt in USD	418 000	566 000
Total interest-bearing debt	**779 622**	**810 413**
Long-term interest-bearing debt	779 622	745 613
Current interest-bearing debt	0	64 800
Total interest-bearing debt	**779 622**	**810 413**

For further information, see note 16 of the consolidated accounts.

NOTE 11: OTHER INTEREST-FREE CURRENT LIABILITIES

	2013	2012
Accrued interest costs	3 482	2 981
Provision share-based payments	410	581
Other current liabilities	1 908	1 990
Total other interest-free current liabilities	**5 800**	**5 552**

NOTE 12: INTRA-GROUP BALANCES

	2013	2012
Loan to Prosafe AS	135 999	137 761
Intra-group long-term receivables	**135 999**	**137 761**
Loan from Consafe Offshore AB	10 003	9 663
Intra-group long-term debt	**10 003**	**9 663**

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 (2012 2.00% and 0.60%). Both long-term receivables and long-term debt are to be repaid on demand. Outstanding balances at year-end are unsecured, and settlement normally occurs in cash. For the year ended 31 December 2013, the Company has not recorded any impairment of receivables relating to amounts owed by subsidiaries.

Transactions with related parties	2013	2012
Transactions		
Administrative services from subsidiaries	(8 772)	(8 502)
Interest income	5 147	6 112
Interest expenses	(189)	(512)
Dividend	24 773	72 462

Prosafe AS and Prosafe Management AS are performing services on behalf of Prosafe SE relating to management, corporate activities, investor relations, financing and insurance. The services are invoiced on monthly basis and paid on market terms.

Year-end balances		
Current receivables of the ultimate parent to subsidiaries	36	242
Intra-group long-term receivables	135 999	137 761
Current payables from the ultimate parent to subsidiaries	112 026	64 090
Loans from subsidiaries of the ultimate parent	10 003	9 663

Current receivables and payables are not subject to any interest calculation. The balances will be settled on ordinary market terms.

NOTE 13: MORTGAGES AND GUARANTEES

As of 31 December 2013, Prosafe's interest-bearing debt secured by mortgages totalled USD 418 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 946.9 million. In line with industry practice, Prosafe has issued parent company guarantees to customers on behalf of its subsidiaries in connection with the award and performance of contracts.

As of 31 December 2012, Prosafe's interest-bearing debt secured by mortgages totalled USD 566 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 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.

NOTE 14: FINANCIAL ASSETS AND LIABILITIES

As of 31 December 2013, Prosafe SE had financial assets and liabilities in the following categories:

Year ended 31 Dec 2013	Loans and receivables	Fair value through profit and loss	Financial liabilities measured at amortised cost	Book value
Intra-group long-term receivables	135 999	0	0	135 999
Cash and deposits	9 414	0	0	9 414
Other current assets	14 362	0	0	14 362
Total assets	**159 774**	**0**	**0**	**159 774**
Credit facility	0	0	418 000	418 000
Bond loan PRS07	0	0	82 187	82 187
Bond loan PRS08	0	0	82 187	82 187
Bond loan PRS09	0	0	82 187	82 187
Bond loan PRS10	0	0	115 062	115 062
Intra-group long-term debt	0	0	10 003	10 003
Fair value derivatives	0	7 442	0	7 442
Interest-free long-term liabilities	0	0	2 533	2 533
Intra-group current liabilities	0	0	112 026	112 026
Other interest free current liabilities	0	0	5 800	5 800
Total liabilities	**0**	**7 442**	**909 985**	**917 427**

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 receivables	137 761	0	0	137 761
Cash and deposits	19 114	0	0	19 114
Fair value derivatives	0	13 621	0	13 621
Other current assets	17 692	0	0	17 692
Total assets	**174 567**	**13 621**	**0**	**188 188**
Credit facility	0	0	566 000	566 000
Bond loan PRS03	0	0	64 764	64 764
Bond loan PRS06	0	0	89 825	89 825
Bond loan PRS07	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**	**890 867**	**927 161**

For further information, see note 19 of the consolidated accounts.

NOTE 15: MATURITY PROFILE LIABILITIES

As of 31 December 2013, Prosafe SE's main financial liabilities had the following remaining contractual maturities:

Year ended 31 Dec 2013	2014	2015	2016	2017	2018 →
Interest-bearing debt (downpayments)	0	136 000	82 200	364 200	197 200
Interests incl interest swaps	44 700	59 900	70 400	73 200	120 000
Intra-group long-term debt	0	10 003	0	0	0
Intra-group current liabilities	112 026	0	0	0	0
Interest-free long-term liabilities	0	2 533	0	0	0
Other interest-free current liabilities	5 800	0	0	0	0
Total	**162 527**	**208 436**	**152 600**	**437 400**	**317 200**

As of 31 December 2013, the availability under the credit facility totalled USD 791 million (USD 373 million undrawn credit lines), meaning that the first actual downpayment on the credit facility will not occur until 2015. In addition, the availability under the credit facility secured in 2012 amounts to USD 420 million (USD 420 million undrawn credit lines).

As of 31 December 2012, Prosafe SE had the following ageing profile of outstanding short and long-term undiscounted liabilities:

Year ended 31 Dec 2012	2013	2014	2015	2016	2017 →
Interest-bearing debt (downpayments)	64 800	0	136 000	225 800	383 00
Interests incl interest swaps	44 200	48 200	62 900	63 800	120 000
Intra-group long-term debt	0	0	9 663	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	**179 790**	**48 200**	**208 563**	**289 600**	**503 800**

NOTE 16: EVENTS AFTER THE BALANCE SHEET DATE

No significant events have taken place after the balance sheet date.

Independent auditors' report

To the Members of Prosafe SE

Report on the Consolidated Financial Statements and the Separate Financial Statements of Prosafe SE

We have audited the accompanying consolidated financial statements of Prosafe SE and its subsidiaries ("the Group"), and the separate financial statements of Prosafe SE ("the Company"), which comprise the consolidated statement of financial position and the statement of financial position of the Company as at 31 December 2013, and the consolidated statements of income, comprehensive income, changes in equity and cash flows, and the statements of income, comprehensive income, changes in equity and cash flows of 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 Board of Directors is responsible for the preparation of consolidated and separate financial statements of the Company 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 consolidated and separate 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 consolidated and separate financial statements of the Company 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 about whether the consolidated and separate 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 consolidated and separate 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 consolidated and separate 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 consolidated 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 financial statements and the separate financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2013, and of their financial performance and their 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 additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, 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, so far as appears from our examination of those books.
- The consolidated and the separate 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 consolidated and the separate 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 consolidated and the separate 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 Laws of 2009 and 2013 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.

Stavros Pantzaris
Certified Public Accountant and Registered Auditor
for and on behalf of

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia
2 April 2014

Fleet overview

With a fleet of 11 vessels and four 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 Notos

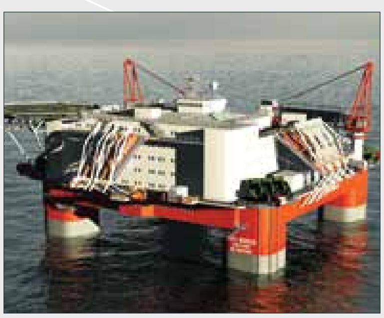
Built, converted	: Ready for North Sea operations in 2016
Design	: GustoMSC's Ocean 500
No of beds	: 500
Gangway	: 38.5m +/- 7.5m
Power generation	: 28 800 kW (6 diesel generator sets)
Station keeping	: DP3
Thrusters	: 6 x 3 700 kW azimuthing
Mooring system	: 10 x 612 t chain

Safe Eurus

Built, converted	: Ready for North Sea operations in 2016
Design	: GustoMSC's Ocean 500
No of beds	: 500
Gangway	: 38.5m +/- 7.5m
Power generation	: 28 800 kW (6 diesel generator sets)
Station keeping	: DP3
Thrusters	: 6 x 3 700 kW azimuthing
Mooring system	: 10 x 612 t chain

Safe Boreas

Built, converted	: Ready for North Sea operations in 2015
Design	: GVA 3000 E
No of beds	: 450
Gangway	: 38.0m +/- 7.5m
Power generation	: 30 400 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	: Ready for North Sea operations in 2015
Design	: GVA 3000 E
No of beds	: 450
Gangway	: 38.0m +/- 7.5m
Power generation	: 30 400 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	: 2003/2005/2014 (refurbishment)
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	: 16 900 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
Power generation	: 6 320 (4 diesel generator sets)
Station keeping	: Moored
Thrusters	: 2 x 3 300 HP Propulsion (Aft)
Mooring system	: 12-point wire winches

Prosafe
Accommodating the Offshore Industry

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