Accommodating the Offshore Industry

2014

# ANNUAL REPORT

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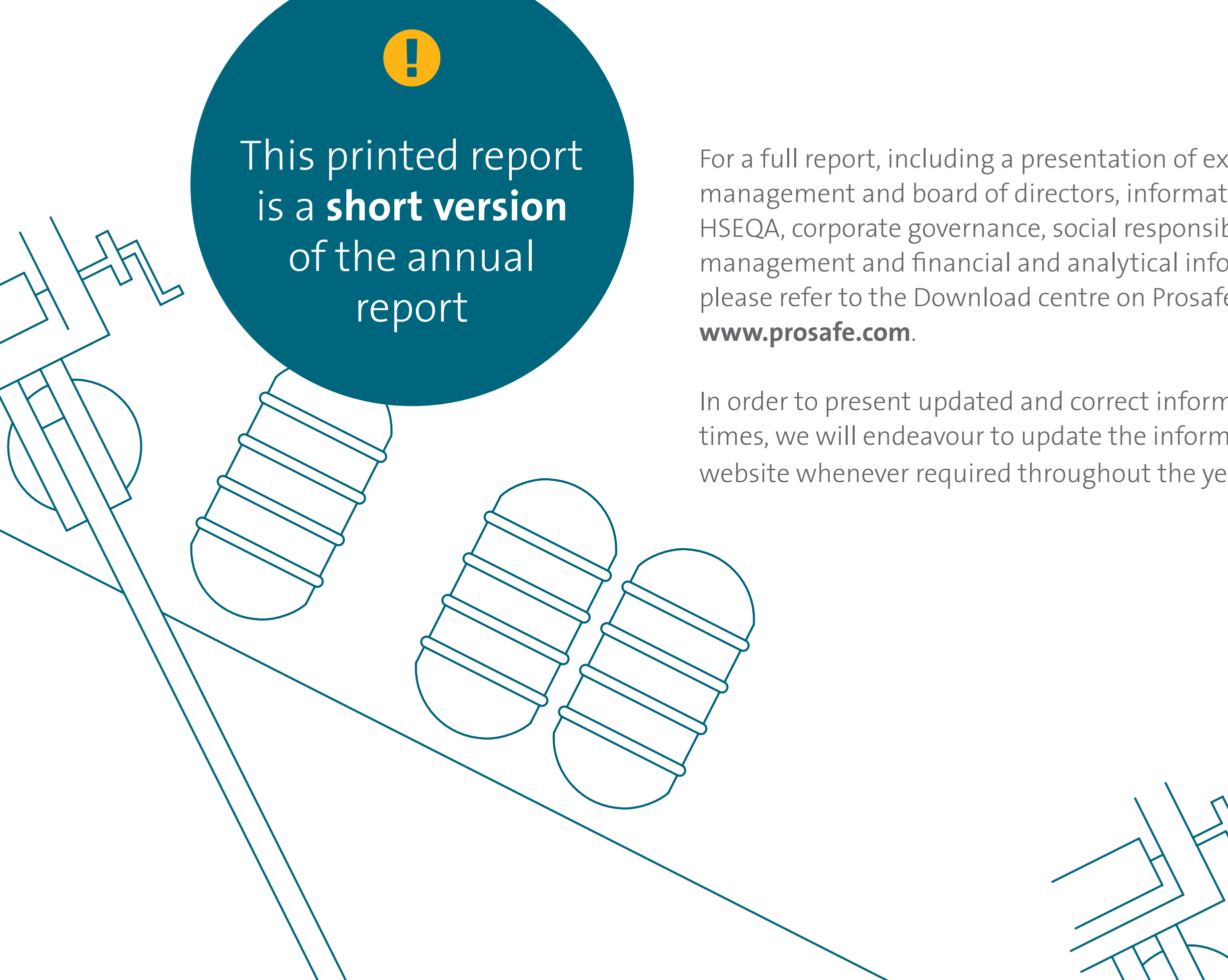


This printed report is a **short version** of the annual report

For a full report, including a presentation of executive 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 2015:

| | |
|---|---|
| **1st quarter** | 13 May 2015 |
| **2nd quarter** | 21 August 2015 |
| **3rd quarter** | 4 November 2015 |
| **4th quarter** | 4 February 2016 |

**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, 13 May 2015.

# KEY FIGURES

| | | Note | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|---|
| **PROFIT** | | | | | | | |
| Operating revenues | USD million | | 548.7 | 523.5 | 510.4 | 449.6 | 442.4 |
| EBITDA | USD million | 1 | 312.6 | 306.6 | 280.1 | 257.6 | 283.1 |
| Operating profit | USD million | | 248.3 | 245.1 | 222.4 | 192.3 | 221.1 |
| Net profit | USD million | | 178.8 | 199.1 | 177.5 | 158.0 | 198.5 |
| Earnings per share | USD | 2 | 0.76 | 0.85 | 0.80 | 0.71 | 0.89 |
| Operating margin | | 3 | 45.3 % | 46.8 % | 43.6 % | 42.8 % | 50.0 % |
| **BALANCE SHEET** | | | | | | | |
| Total assets | USD million | | 1 816.8 | 1 619.9 | 1 487.2 | 1 376.1 | 1 266.4 |
| Interest-bearing debt | USD million | | 830.1 | 779.6 | 810.4 | 760.5 | 705.4 |
| Net interest-bearing debt | USD million | 4 | 707.7 | 666.2 | 706.8 | 667.1 | 607.1 |
| Book equity | USD million | | 748.5 | 739.7 | 516.3 | 461.8 | 410.3 |
| Book equity ratio | | 5 | 41.2 % | 45.7 % | 34.7 % | 33.6 % | 32.4 % |
| **VALUATION** | | | | | | | |
| Market capitalisation | USD million | | 725 | 1 816 | 1 894 | 1 529 | 1 821 |
| Share price | NOK | | 23.00 | 46.80 | 47.32 | 40.99 | 46.40 |

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

## ABOUT PROSAFE

Prosafe is the world's leading owner and operator of semi-submersible accommodation vessels. The company operates globally and employed 796 people at year-end. Operating profit reached USD 248.3 million in 2014 and net profit was USD 178.8 million.

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

In addition, one new harsh environment semi-submersible accommodation vessel compliant with Norwegian regulations was delivered from the yard in January 2015 and will commence operations in the North Sea in the second quarter of 2015. The sister vessel is under construction at Jurong Shipyard and will be completed later this year.

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.

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's operations are amongst other 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.

# SPECIAL FOCUS: ADAPTING TO CHANGING INDUSTRY DEMANDS

The oil and gas industry has always been a cyclical industry with considerable volatility in return on capital. On top of this, the industry has from time to time gone through rapid structural changes that have transformed the market dynamics and the way the business is working.

The ability to adapt to a changing environment has therefore always been one of the key success factors for companies involved in the industry.

## THE INDUSTRY CHALLENGE

Until the third quarter of 2015, the oil price had been trading steadily above USD 90 per barrel for almost four years. Despite the price of the most important source of income for the oil companies remaining at a reasonably high level for such a long period of time, the return of capital among the largest oil companies in the world trended downwards in this period.

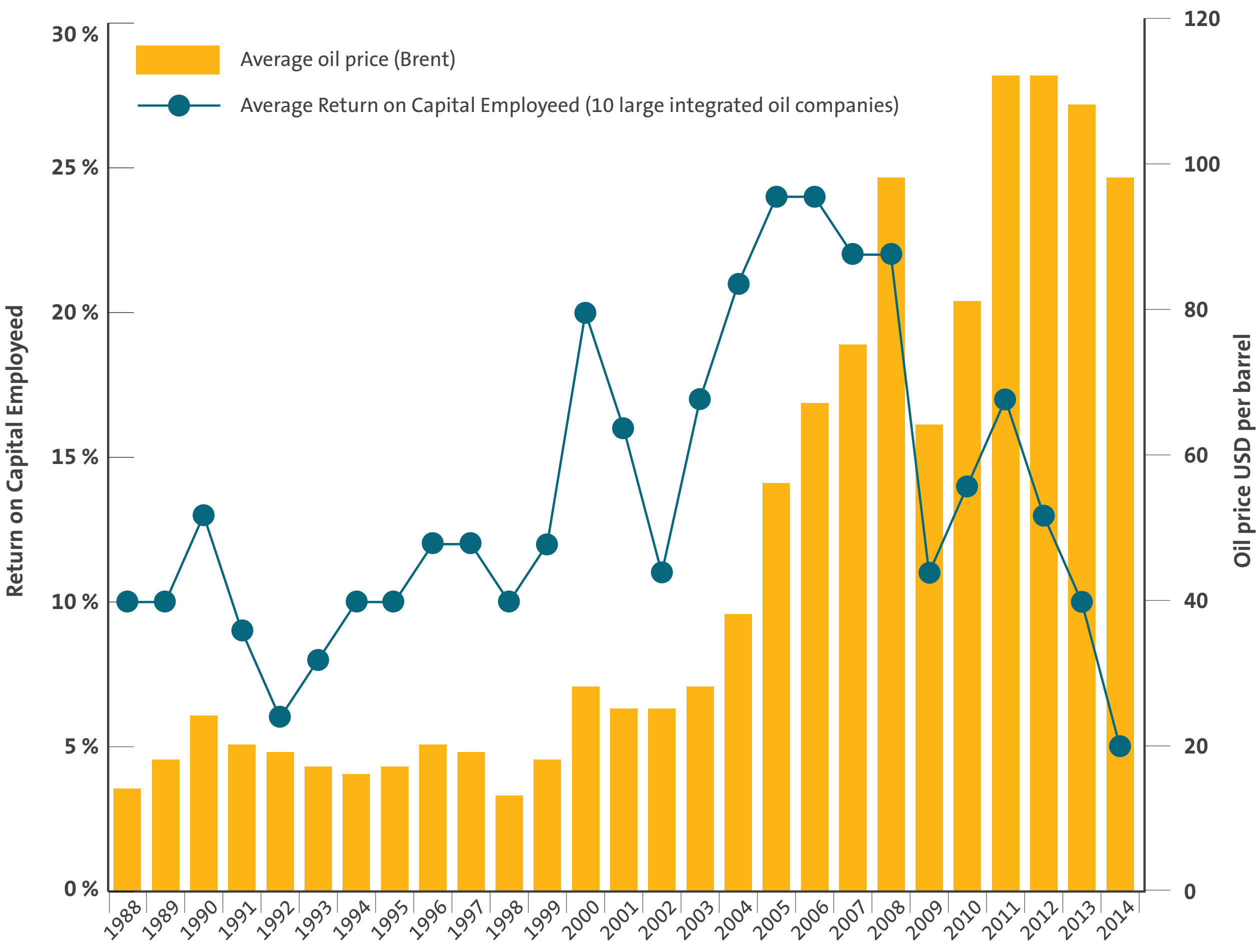
This development is a result of increased investments by the oil companies combined with cost inflation. Over the past eight to nine months the oil price has fallen sharply, adding to the challenge.

Production of oil and gas is impacting the environment in different ways. The impact can be felt and observed both globally (emission of harmful gasses to the environment) and locally (changes to the landscape, use of scarce natural resources, impact on wild life, etc.).

Improving efficiency in the industry as well as finding and using cleaner technologies and smarter processes that reduce the oil industry's environmental footprint is vital for further sustainable development.

In the long term, all companies involved in the oil and gas sector, whether they are oil companies or service/asset providers, are dependent on a turnaround in these trends.

**Declining return on capital among large integrated oil companies**




SOURCE: NORDEA, BLOOMBERG

Only the companies that are able to adapt to the changing realities will stay competitive.

In order to address these challenges, the majority of oil companies in the world have initiated efficiency programmes with the aim to do things in a smarter way and to save cost. This has put pressure on the service providers to do the same.

## PROSAFE'S RESPONSE

Prosafe's response to the changing realities can be summarised in four main categories.

**Fleet:** Over the past few years, Prosafe has substantially increased the investment in fleet development. Several of the existing vessels have gone through life-extension and upgrade programmes, with the main purpose of making them more efficient and better adapted to the clients' needs.

Furthermore, Prosafe has ordered four new builds that all will be the most efficient and adaptive vessels in their respective categories.

Improved efficiency of the fleet will not only reduce emissions to the environment on a like-for-like basis, but will also contribute to accelerated offshore execution periods reducing the overall emissions from the projects the company is involved in.

All in all, this not only ensures that Prosafe has the most modern and capable fleet in the accommodation support segment, but that we also can offer the widest range of vessels for covering the varying needs of the clients.

**Organisation:** In 2013, Prosafe started a process of changing the way the business is organised. A key ambition was to facilitate improved cooperation between disciplines and functions at the same time as responsibilities were made clearer.

Simultaneously, it has been made sure that decision lines have been shortened. This has improved efficiency and made the organisation better suited to respond to changing client needs more rapidly.

**Ways of working:** Following implementation of the organisational changes described above, focus shifted to the different processes and interfaces in the business. The objective is to find smarter and more efficient ways of working.

This involves numerous measures and initiatives. One example is the implementation of improved five-year vessel plans for activities such as maintenance and special periodic survey, to a greater extent taking the overall fleet plan and group strategy into account.

Another example is the review of the entire cost structure both onshore and offshore. This has already led to the introduction of cost efficiency initiatives, and more is to come during the remainder of 2015.

**Cost of Capital:** In a capital intensive business like the accommodation support vessel industry, the cost of capital is an important cost element and competition parameter. On a relative basis Prosafe has been able to reduce cost of capital

over the past few years. This has been done through fleet renewal investments, consistently robust operating performance and an active capital allocation strategy.

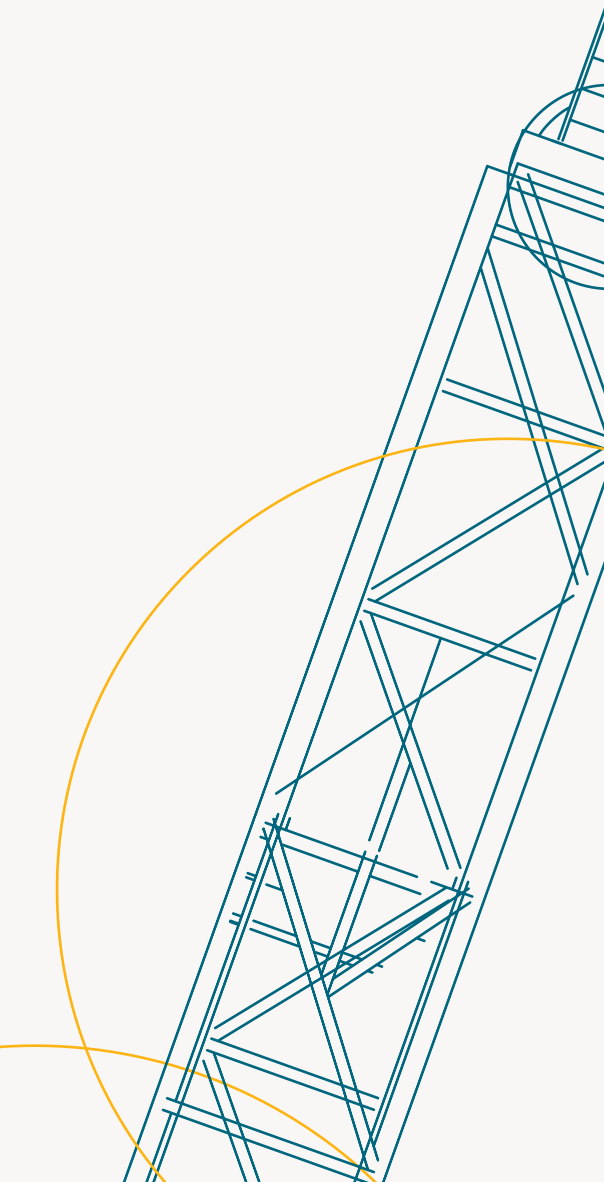
Given the weakening market outlook for the industry, Prosafe has lately been focusing on extending the duration of the loan portfolio. The new USD 1,300 million debt facility entered into in February 2015 is the most important element in this strategy, but also other measures are contributing.

A solid financing structure with reduced refinancing risk should make sure that Prosafe remains the most robust and reliable provider of accommodation support services for the oil and gas industry also in the future.

**WELL POSITIONED**

In addition to being the world's largest owner and operator of semi-submersible accommodation vessels, Prosafe also has the longest track-record in terms of operations and can demonstrate excellent HSEQ results. Furthermore, the company has an efficient cost structure through economies of scale, the world's most flexible and cost efficient fleet and a robust financing structure. This makes the company the undisputable market leader in the high-end accommodation market.

Adding on the different measures and initiatives to further improve efficiency and reduce cost, Prosafe is well placed to take advantage of weaker market conditions to further enhance its position in the industry over the coming years.



# DIRECTORS' REPORT

Prosafe is 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. With  the most efficient cost structure through economies of scale, the world's most versatile fleet and a robust financing structure. Prosafe is well placed to enhance its position in the accommodation market.

## FINANCIAL RESULTS, FINANCING AND FINANCIAL POSITION OF THE GROUP

### INCOME STATEMENT

Operating revenues totalled USD 548.7 million in 2014 (USD 523.5 million in 2013), with utilisation of the fleet rising to 87 per cent (83 per cent). Charter revenues reached USD 481.2 million (USD 469.2 million), and non-charter revenues increased from USD 54.3 million to USD 67.5 million.

Total operating expenses increased to USD 236.1 million (USD 216.9 million), largely as a result of the higher activity level.

Depreciation increased to USD 64.3 million (USD 61.5 million).

The resulting operating profit amounts to USD 248.3 million (USD 245.1 million).

Net interest expenses totalled USD 37.0 million (USD 32.9 million). This increase is mainly due to higher interest-bearing debt. In accordance with IFRS, interest costs totalling USD 7.9 million (USD 4.5 million) have been allocated to new build and refurbishment projects, and consequently capitalised as part of the vessel investment costs.

Other financial items amounted to USD -20 million (USD -8.5 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 2014 were USD 12.5 million (USD 4.6 million). This increase is mainly due to increased tax on operations on the UK continental shelf.

Net profit amounted to USD 178.8 million (USD 199.1 million), resulting in diluted earnings per share of USD 0.76 (USD 0.85).

### ASSETS

Total assets amounted to USD 1 816.8 million (USD 1 619.9 million) at the end of 2014. Investments in tangible assets totalled USD 211 million (USD 227.2 million). The investments in 2014 include the upgrade of Safe Scandinavia and project expenses related to four new build vessels.

As at year-end 2014, the Prosafe Group had total liquid assets of USD 122.4 million (USD 113.4 million). The liquidity reserve (liquid assets plus undrawn credit facilities) totalled USD 337.4 million (USD 486.4 million).

### FINANCING

Total shareholders' equity amounted to USD 748.5 million (USD 739.7 million), resulting in a book equity ratio of 41.2 per cent (45.7 per cent).

Interest-bearing debt amounted to USD 830.1 million (USD 779.6 million) at year-end. Repayments of debt totalled USD 198 million (USD 407.8 million), while gross increase in borrowing amounted to USD 332.2 million (USD 404.1 million). In May 2014, the company secured a new credit facility. The credit facility, which has a maturity of seven years, consists of two tranches of USD 144 million (USD 288 million in total) that can be drawn upon delivery of the two new builds, Safe Notos and Safe Eurus. The availability under each tranche is reduced quarterly with USD 3 million, starting 3 months after delivery of the tranche security. The annual interest rate on the credit facility is 2.25 per cent above 3-month LIBOR.

In February 2015, the company also secured a new credit facility of USD 1 300 million for the refinancing of the existing USD 1 100 million and USD 420 million credit facilities. The credit facility, which has a maturity of seven years, consists of two term loan tranches totalling USD 800 million (drawn on closing) and USD 200 million (drawn on delivery of the Safe Zephyrus) and a revolver loan tranche of USD 300 million. The availability

under the term loan tranches is reduced semi-annually, starting 6 months after delivery of the tranche security, with an amount that reduces the term loan commitments to zero by the final maturity. The annual interest rate on the credit facility is 1.90 per cent above 3-month LIBOR for the first five years and 2.15 per cent above 3-month LIBOR thereafter.

### EVENTS AFTER THE BALANCE SHEET

Reference is made to note 25 to the consolidated accounts, and note 16 to the parent separate accounts for a description of events after the balance sheet date.

## OPERATIONS AND PROJECTS

Prosafe is the world's largest owner and operator of semi-submersible accommodation vessels. As at year-end, the fleet consisted of 11 vessels in operation plus four new builds in progress.

Specifications of each of the vessels and details of the current vessel contracts can be found on the company's website at http://www.prosafe.com.

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

**Safe Concordia** operated on a long-term contract in Brazil throughout the year. A three-year extension of the contract, awarded in December 2013, commenced in July 2014 on expiry of the previous contract.

**Safe Astoria** was under contract with Swiber in Indonesia from January to May 2014. In July the vessel mobilised to the Philippines to commence an 11-month contract with Shell.

**Safe Caledonia** worked for BP in the UK until the end of March 2014. In June 2014 the vessel commenced a contract for Nexen in the UK until April 2015.

**Safe Scandinavia** was completing a life extension refurbishment and a five-year special periodic survey (SPS) at the Remontowa yard in Gdansk, Poland at the beginning of the year. In May 2014 the vessel commenced work for Statoil in Norway until October, when it moved to UK to work on a five-month contract with Premier Oil.

In May 2014 Prosafe signed a contract with Statoil for the use of Safe Scandinavia as a Tender Support Vessel (TSV) at the Oseberg Øst field in Norway. Engineering, procurement and fabrication of certain modules and items of equipment started in the spring of 2014 and the vessel went into the yard to undergo the conversion in March 2015.

**Regalia** was in the Keppel Verolme yard in Rotterdam, the Netherlands at the beginning of 2014 undergoing refurbishment work and a five-year SPS. From the end of February 2014 the vessel worked for Statoil in Norway, before commencing a 450-day contract with Talisman in the UK in late August 2014.

**Safe Bristolia** worked for BG in the UK from April 2014. In early October 2014 the vessel sustained damage to lifeboats after experiencing severe weather conditions. Operations were suspended and the vessel was brought to a shipyard in Norway for repair work, where it remained throughout the year.

**New builds.** Prosafe had four vessels under construction during 2014. 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 strict Norwegian regulations and on completion will be the most well-equipped and sophisticated offshore accommodation units in the world.

**Safe Boreas** was delivered from the yard in mid January 2015 and is currently in transit to Norway, where it is scheduled to commence a contract with Lundin Petroleum Norway AS in late April or early May 2015. Safe Zephyrus is scheduled for delivery during the summer of 2015.

In 2013 Prosafe entered into a turnkey contract with COSCO (Qidong) Offshore Co., Ltd. in China, for the delivery of two accommodation vessels, Safe Notos and Safe Eurus, for use worldwide, excluding Norway. The vessels are designed and equipped to meet the requirements of the accommodation industry and 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.

## OUTLOOK

2014 saw a significant slow-down in contracting activity compared to 2013. Nevertheless, the gross value of charter contracts including clients' extension options increased to USD 1 843 million (USD 1 239 million excluding options) from USD 1 689 million (USD 1 258 million excluding options), mainly as a result of the TSV contract for Safe Scandinavia.

Due to a combination of increasing spending levels and cost inflation, the return on capital in respect of E&P companies has gradually declined during recent years. In order to address this issue, most of the E&P companies in the world have introduced measures to decrease spending by reducing investment plans and cutting cost.

In addition, recent falls in oil price have led to further negative revisions of spending plans resulting in the deferral of several projects.

Since all providers of oil services are dependent on E&P companies' cash flow, reductions of spending plans have led to a substantial decrease in demand for oilfield services, including the accommodation support vessel segment. This has been particularly visible in the North Sea region where the activity level is significantly lower than recently experienced.

The accommodation support segment is late cyclical by nature. Historically, around three quarters of the work has been at producing fields, whereas close to a quarter has been related to hook-up and commissioning of new fields. Accommodation support vessels are also used during decommissioning of offshore installations.

As a result, opportunities do exist that could lead to new contracts being awarded over the coming year. These include certain prospects related to maintenance of existing platforms on the UK continental shelf and it is expected that there will be growth in future demand related to decommissioning of old platforms.

In Mexico, long-term demand continues to look promising. The cost of shallow water production in Mexico is fairly low and although the drop in the price of oil has caused some uncertainty, it is not expected to affect production volumes negatively. Accordingly, it is expected that

services to support the oil recovery rate, including accommodation support, continue to be needed.

In Brazil, accommodation support vessels are mostly used for safety and maintenance purposes on fields that are already producing. All the vessels currently servicing the Brazilian market operate in the Campos basin. In the longer term it is likely that there will also be demand from other areas. As a result, the outlook for further growth in Brazil is still positive, despite higher uncertainty resulting from the developments in the global oil market.

Outside the three core markets for semi-submersible accommodation vessels - the North Sea, Mexico and Brazil – Australia and US Gulf of Mexico are the most promising markets. Although in the past, demand in both these markets, has mostly been related to hook-up and commissioning of new platforms or larger re-developments, in the longer term, there should be potential for growth related to maintenance and modification. [In the short-term, these markets are similarly negatively affected by the lower oil price and spending cuts].

The supply side is anticipated to more than double in size during the period from 2012 to 2016 with the entry into the market of a number of new semi-submersible vessels during the next couple of years. This increase is partly due to a possible under-supply situation historically and partly as a consequence of a positive underlying demand development over the past 10 years. 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.

## 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.

## 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 in recent years.

During 2014, Prosafe recorded three Lost Time Injury (LTI) (i.e. an incident that resulted in the employee being absent from the next work shift). This translates into an LTI frequency rate of 2.6 for 2014, compared to 0 in 2013. 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.

Sick leave decreased from 4.4 percent in 2013 to 3.0 per cent in 2014.

Prosafe had no accidental discharges to the natural environment in 2014 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 796 individuals at the end of 2014, compared to 595 in the previous year. Prosafe's global presence was reflected in the fact that its employees came from 29 countries around the world. The overall workforce turnover in the group was 8.0 per cent in 2014, as compared to 7.0 percent in 2013.

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 2014, women accounted for 12.9 per cent of the overall workforce, compared to 13.8 per cent in 2013. Onshore the proportion of women was 44.1 per cent, as opposed to 40.0 per cent in 2013.

Women constituted 14.6 per cent of the managers as at 31 December 2014, as opposed to 13.6 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 30 October 2014. 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 28 May 2014, Ronny Langeland was elected as Chairman of the Board for a period of two years. Christian Brinch was re-elected as Director for a one-year period, and Nancy Ch. Erotocritou Charalambous and Tasos Ziziros were elected as new Directors for two years. Simultaneously, the period of appointment of Michael Raymond Parker and Christakis Pavlou as members of the Board expired.

As at 31 December 2014 the following Directors (including associated parties) held shares in Prosafe SE:

- Ronny Langeland: 35 000 shares
- Roger Cornish: 7 000 shares

There have been no changes to the holdings after 31 December 2014.

## 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.

## GOING CONCERN

The Board of Directors confirms their assumption of the Prosafe Group as a going concern. This assumption is based on the budgets for the year and the Group's long-term forecasts for the following years. The Board of Directors confirms that the annual accounts have been prepared based on this assumption.

## 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.

## SHAREHOLDERS AND SHARE CAPITAL

According to the shareholder register as at 31 December 2014, the ten largest shareholders held a total of 53.3 per cent of the issued shares. The remaining shares were held by 4 325 investors. A nominee account in the name of State Street Bank was the largest shareholder with a holding of 19.9 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.
Prosafe has an issued share capital of 235 973 059 ordinary shares at a nominal value of EUR 0.25 each.

Further information is shown in note 15 to the consolidated financial statements.

## DIVIDENDS AND PROPOSED DIVIDENDS

In 2014, the company paid interim dividends of USD 125.8 million (USD 139.6 million), corresponding to NOK 3.29 per share (NOK 3.47).

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 Board of Directors has re-affirmed the long-term dividend policy of paying out up to 75 per cent of the preceding year's net profit, adopted in 2011. The exact level of dividend to be paid in each period will depend on the supply/demand balance in the market, the investment level and the overall financial position of the Group. On the basis of a faster fleet growth, the Board of Directors will normally target a pay out ratio in the range of 40 to 60 per cent of the preceding year's net profit. In periods with exceptional conditions the pay-out ratio may be outside that range. In light of the current weak market outlook in the North Sea and the increase in overall supply, the Board of Directors shall focus on strengthening the balance sheet and securing strategic flexibility. Therefore, for the period until the end of 2016 the Board of Directors is targeting quarterly dividend payments corresponding to an annual pay-out ratio in the range of 25 to 35 per cent of the preceding year's net profit. Typically, an interim dividend will be declared together with the release of the quarterly results.

At 31 December 2014, Prosafe SE had a distributable equity of USD 952.8 million. The parent company showed a net profit of USD 186.2 million for 2014, which the Board of Directors proposes to be allocated as follows (in USD million):

| | |
|---|---|
| Dividend | 0.0 million |
| Transferred to equity | 186.2 million |
| Total | 186.2 million |

**Larnaca, 17 March 2015**
Board of Directors of Prosafe SE

**Ronny J. Langeland**
Non-executive Chairman

**Christian Brinch**
Non-executive Deputy Chairman

**Roger Cornish**
Non-executive Director

**Nancy Ch. Erotocritou**
Non-executive Director

**Carine Smith Ihenacho**
Non-executive Director

**Tasos Ziziros**
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 2014

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 2014, confirm that, to the best of our knowledge:

**(a)** the annual consolidated and financial statements that are presented on pages 20 to 59:

(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.

**Ronny J. Langeland**
Non-executive Chairman

**Christian Brinch**
Non-executive Deputy Chairman

**Roger Cornish**
Non-executive Director

**Carine Smith Ihenacho**
Non-executive Director

**Tasos Ziziros**
Non-executive Director

**Nancy Ch. Erotocritou**
Non-executive Director

**Karl Ronny Klungtvedt**
Chief Executive Officer
Prosafe Management AS

**Sven Børre Larsen**
Chief Financial Officer
Prosafe Management AS

**Larnaca, Cyprus**
17 March 2015

# CONSOLIDATED ACCOUNTS

## CONSOLIDATED INCOME STATEMENT

| (USD million) | Note | 2014 | 2013 |
|---|---|---|---|
| | | | |
| Charter revenues | 4 | 481.2 | 469.2 |
| Other operating revenues | 4, 5 | 67.5 | 54.3 |
| **Operating revenues** | | **548.7** | **523.5** |
| Employee benefits | 7 | (110.6) | (99.4) |
| Other operating expenses | 8 | (125.5) | (117.5) |
| **Operating profit before depreciation** | | **312.6** | **306.6** |
| Depreciation | 9 | (64.3) | (61.5) |
| **Operating profit** | | **248.3** | **245.1** |
| Interest income | 11 | 0.3 | 1.3 |
| Interest expenses | 11 | (37.3) | (34.2) |
| Other financial income | 10, 11 | 76.4 | 23.3 |
| Other financial expenses | 10, 11 | (96.4) | (31.8) |
| **Net financial items** | | **(57.0)** | **(41.4)** |
| **Profit before taxes** | | **191.3** | **203.7** |
| Taxes | 12 | (12.5) | (4.6) |
| **Net profit** | | **178.8** | **199.1** |
| | | | |
| **Attributable to equity holders of the parent** | | **178.8** | **199.1** |
| | | | |
| **Earnings per share (USD)** | 13 | **0.76** | **0.85** |
| **Diluted earnings per share (USD)** | 13 | **0.76** | **0.85** |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| (USD million) | Note | 2014 | 2013 |
|---|---|---|---|
| | | | |
| **Net profit for the year** | | **178.8** | **199.1** |
| | | | |
| **Other comprehensive income to be reclassified to profit or loss in subsequent periods** | | | |
| Foreign currency translation | | (6.2) | (0.4) |
| Net gain/loss on cash flow hedges | 20 | (38.0) | 35.4 |
| | | | |
| 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** | | **(44.2)** | **35.0** |
| | | | |
| **Total comprehensive income for the year, net of tax** | | **134.6** | **234.1** |
| **Attributable to equity holders of the parent** | | **134.6** | **234.1** |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| (USD million) | Note | 31.12.2014 | 31.12.2013 |
|---|---|---|---|
| **ASSETS** | | | |
| Goodwill | 9 | 226.7 | 226.7 |
| Vessels | 9 | 1 027.3 | 946.9 |
| New builds | 9, 24 | 311.8 | 248.9 |
| Other tangible assets | 9 | 5.7 | 4.9 |
| **Total non-current assets** | | **1 571.5** | **1 427.4** |
| Cash and deposits | 19, 21 | 122.4 | 113.4 |
| Debtors | 19, 20 | 83.9 | 55.2 |
| Other current assets | 19, 22 | 39.0 | 23.9 |
| **Total current assets** | | **245.3** | **192.5** |
| **Total assets** | | **1 816.8** | **1 619.9** |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| Share capital | 15 | 65.9 | 65.9 |
| Other equity | | 682.6 | 673.8 |
| **Total equity** | | **748.5** | **739.7** |
| Interest-bearing non-current liabilities | 16, 19, 20 | 830.1 | 779.6 |
| Deferred tax | 12 | 13.4 | 20.1 |
| Derivatives | 19, 20 | 39.0 | 0.9 |
| Other provisions | | 3.5 | 4.0 |
| **Total non-current liabilities** | | **886.0** | **804.6** |
| Accounts payable | 19, 20 | 18.6 | 4.7 |
| Taxes payable | 12 | 17.3 | 18.3 |
| Derivatives | 19, 20 | 87.9 | 6.5 |
| Other current liabilities | 17, 19, 20 | 58.5 | 46.1 |
| **Total current liabilities** | | **182.3** | **75.6** |
| **Total equity and liabilities** | | **1 816.8** | **1 619.9** |

**Larnaca, 17 March 2015**

**Ronny J. Langeland**
Non-executive Chairman

**Christian Brinch**
Non-executive Deputy Chairman

**Roger Cornish**
Non-executive Director

**Nancy Ch. Erotocritou**
Non-executive Director

**Carine Smith Ihenacho**
Non-executive Director

**Tasos Ziziros**
Non-executive Director

## CONSOLIDATED CASH FLOW STATEMENT

| (USD million) | Note | 2014 | 2013 |
|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| Profit before taxes | | 191.3 | 203.7 |
| Unrealised currency (gain)/loss on long-term debt | 16 | (83.7) | (27.1) |
| Loss/(gain) on sale of tangible assets | | 2.3 | 2.4 |
| Depreciation | 9 | 64.3 | 61.5 |
| Financial income | | (0.3) | (1.3) |
| Financial cost | | 37.3 | 34.2 |
| Taxes paid | | (11.5) | (6.2) |
| Change in working capital | | 63.0 | 5.8 |
| Other items from operating activities | | (14.4) | (5.1) |
| **Net cash flow from operating activities** | | **248.3** | **267.9** |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| Proceeds from sale of tangible assets | 5 | 0.3 | 16.4 |
| Acquisition of tangible assets | 9, 24 | (211.0) | (227.2) |
| Interest received | | 0.3 | 1.3 |
| **Net cash flow from investing activities** | | **(210.4)** | **(209.5)** |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| Proceeds from new interest-bearing debt | 16, 19, 20 | 332.2 | 404.1 |
| Repayments of interest-bearing debt | 16, 19, 20 | (198.0) | (407.8) |
| Share issue | 15 | 0.0 | 128.9 |
| Dividends paid | 14 | (125.8) | (139.6) |
| Interest paid | | (37.3) | (34.2) |
| **Net cash flow from financing activities** | | **(28.9)** | **(48.6)** |
| **Net cash flow** | | **9.0** | **9.8** |
| Cash and deposits at 1 January | | 113.4 | 103.6 |
| **Cash and deposits at 31 December** | 21 | **122.4** | **113.4** |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| (USD million) | Share capital | Own shares | Other equity | Cash flow hedges | Foreign currency translation | Total equity |
|---|---|---|---|---|---|---|
| **Equity at 31 December 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** | **0.0** | **0.0** | **199.1** | **35.4** | **(0.4)** | **234.1** |
| New shares (note 15) | 4.3 | 0.0 | 124.6 | 0.0 | 0.0 | 128.9 |
| Cancellation of own shares (note 15) | (2.3) | 48.8 | (46.5) | 0.0 | 0.0 | 0.0 |
| Dividend (note 14) | 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** |
| Net profit | 0.0 | 0.0 | 178.8 | 0.0 | 0.0 | 178.8 |
| Other comprehensive income | 0.0 | 0.0 | 0.0 | (38.0) | (6.2) | (44.2) |
| **Total comprehensive income** | **0.0** | **0.0** | **178.8** | **(38.0)** | **(6.2)** | **134.6** |
| Dividend (note 14) | 0.0 | 0.0 | (125.8) | 0.0 | 0.0 | (125.8) |
| **Equity at 31 December 2014** | **65.9** | **0.0** | **676.1** | **(29.8)** | **36.4** | **748.5** |

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 registered office of the Company is Stadiou 126, 6020 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 2014 were authorised for issue in accordance with a resolution of the board of directors on 17 March 2015. The Group is the world's leading owner and operator of semi-submersible accommodation 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 which 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 following new and amended standards are relevant to the Group and have been adopted for the first time in these financial statements, with no material impact:

- Amendments to IAS 32 'Financial Instruments: 'Presentation' provides additional guidance on when financial assets and liabilities can be offset.
- Amendments to IAS 39 'Financial Instruments: 'Recognition and Measurement' provides relief from discontinuing hedge accounting when a hedge derivative is novated.
- Amendment to IFRS 13 'Fair value measurement' clarifies that short term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial.

**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. The Group is currently assessing the impact of the following new standards that are not yet effective and are yet to quantify the potential impact.

- IFRS 9 will eventually replace IAS 39 Financial Instruments: Recognition and Measurement.
  In order to expedite the replacement of IAS 39, the IASB divided the project into phases: classification and measurement, hedge accounting and impairment. New principles for impairment were published in July 2014 and the standard is now completed. The parts of IAS 39 that have not been amended as part of this project have been transferred into IFRS 9. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The Standard is not yet approved by the EU. Our preliminary view is that the adoption of IFRS 9 will not materially impact the income statement or financial position of the Company.

- IFRS 15 'Revenue from Contracts with Customers' is applicable to all entities and supersedes all existing revenue recognition requirements under IFRS. It applies to all transactions to provide goods and services except those in the scope of other standards. Either full or modified retrospective application is required for annual periods beginning on or after 1 January 2017. The Standard is not yet approved by the EU.

The Group does not currently believe adoption of the following new standards would have a material impact on the income statement or financial position of the Group.

- IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments are not yet approved by the EU. Our preliminary view is that the adoption of IFRS 9 will not materially impact the income statement or financial position of the Company.

- IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures - The amendments to IFRS 10, IFRS 12 and IAS 28 address three issues arising in practice in the application of the investment entities consolidation exception, and also provide relief in particular circumstances. The amendments are not yet approved by the EU. Our preliminary view is that the adoption of IFRS 10 will not materially impact the income statement or financial position of the Company.

- IAS 1 Presentation of Financial Statements - The amendments to IAS 1, issued as part of IASBs Disclosure Initiative, further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements. The amendments are not yet approved by the EU. The amendments affect presentation only and have no impact on the Group's financial position or performance.

- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets- The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. The amendments are not yet approved by the EU. Our preliminary view is that the adoption of IAS 16 will not materially impact the income statement or financial position of the Company.

- IAS 27 Separate Financial Statements - The amendments restore the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The entity must apply the same accounting for each category of investments. The amendments are not yet approved by the EU. Our preliminary view is that the adoption of IAS 27 will not materially impact the income statement or financial position of the Company.

**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.

**Annual Improvements 2012 - 2014**

IASBs annual improvements project 2012 – 2014 includes amendments to a number of standards:

**IFRS 7 Financial Instruments – Disclosures**
Paragraphs 42A - H of IFRS 7 require an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety. The Board was asked whether servicing contracts constitute continuing involvement for the purposes of applying these disclosure requirements. The amendments clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset.

## 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 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 vessels is 30 to 50 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 vessels. For geographical information, reference is made to note 4.

**REVENUE RECOGNITION.** Some of the Group's vessels operate on time charters, and others on bareboat charters. 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. Mobilisation and demobilisation fees are recognised in the period in which the mobilisation or demobilisation takes place. 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.

Expenditures for new builds are capitalised, including instalments paid to the yard, project management costs, and costs relating to the initial preparation, mobilisation and commissioning until the vessel is placed into service. 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 50 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.

### 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.

## FINANCIAL LIABILITIES

**Initial regocnition**

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.

**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.

**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**

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it 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 effectiveness of changes in the hedging instrument's fair value 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. 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** comprise cash at banks and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

**DIVIDENDS** are accrued as a current liability once it has been approved by the general meeting or the board of directors.

**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 vessels.

| Operating revenues by geographical location | 2014 | 2013 |
|---|---|---|
| Europe excl. Cyprus | 322.8 | 342.5 |
| Cyprus | 0.0 | 0.0 |
| Americas | 165.2 | 175.3 |
| Australia/Asia | 60.7 | 5.7 |
| **Total operating revenues** | **548.7** | **523.5** |

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

| Operating revenues from major customers situated in: | 2014 | | 2013 | |
|---|---|---|---|---|
| | 1) | 2) | 1) | 2) |
| Europe4 | 113.4 | 21% | 0.0 | 0% |
| Americas1 | 110.9 | 20% | 124.5 | 24% |
| Europe5 | 60.3 | 11% | 0.0 | 0% |
| Americas2 | 54.3 | 10% | 50.8 | 10% |
| Europe2 | 39.4 | 7% | 85.7 | 16% |
| Europe1 | 27.3 | 5% | 108.7 | 21% |
| Europe3 | 1.3 | 0% | 73.6 | 14% |

1) Operating revenues in USD million
2) Percentage of total revenues

| Total assets by geographical location | 2014 | 2013 |
|---|---|---|
| Europe excl. Cyprus | 1 031.8 | 943.5 |
| Cyprus | 58.7 | 22.3 |
| Americas | 266.5 | 256.6 |
| Australia/Asia | 459.8 | 397.5 |
| **Total assets** | **1 816.8** | **1 619.9** |

## NOTE 5: OTHER OPERATING REVENUES

| | 2014 | 2013 |
|---|---|---|
| Mobilisation/demobilisation income | 8.8 | 9.1 |
| Reimbursement revenues | 58.7 | 45.2 |
| **Total other operating revenues** | **67.5** | **54.3** |

## NOTE 6: QUARTERLY RESULTS

| | Q1 | Q2 | Q3 | Q4 | 2014 |
|---|---|---|---|---|---|
| Operating revenues | 91.7 | 133.4 | 169.5 | 154.1 | 548.7 |
| Operating expenses | (53.6) | (62.4) | (59.9) | (60.2) | (236.1) |
| **EBITDA** | **38.1** | **71.0** | **109.6** | **93.9** | **312.6** |
| Depreciation | (15.2) | (16.0) | (16.6) | (16.5) | (64.3) |
| **Operating profit** | **22.9** | **55.0** | **93.0** | **77.4** | **248.3** |
| **Net financial items** | **(4.0)** | **(10.0)** | **(17.7)** | **(25.3)** | **(57.0)** |
| **Profit before taxes** | **18.9** | **45.0** | **75.3** | **52.1** | **191.3** |
| Taxes | (0.6) | (2.9) | (7.9) | (1.1) | (12.5) |
| **Net profit** | **18.3** | **42.1** | **67.4** | **51.0** | **178.8** |

## NOTE 7: EMPLOYEE BENEFITS, MANAGEMENT REMUNERATION AND AUDIT FEE

| | 2014 | 2013 |
|---|---|---|
| Wages and salaries | 58.9 | 50.3 |
| Contract personnel | 21.7 | 25.6 |
| Pension expenses | 6.2 | 5.1 |
| Other remuneration | 3.0 | 1.8 |
| Change in share option provision | (0.4) | (0.2) |
| Social security taxes | 7.6 | 6.3 |
| Other personnel-related expenses | 13.7 | 10.4 |
| **Total employee benefits** | **110.6** | **99.4** |

**Bonus scheme**

The Company's bonus scheme embraces the executive management and the senior management teams. 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 12 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.

| | 2014 | 2013 |
|---|---|---|
| Share price at 31 December (NOK) | 23.00 | 46.80 |
| Weighted average fair value (NOK) at 31 December | 0.18 | 5.09 |
| Provision at 31 December (USD million) | 0.0 | 0.4 |

| | |
|---|---|
| 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) |
| Forfeited in 2014 | (30 000) |
| Expired in 2014 | (315 000) |
| Outstanding options at 31 December 2014 | 285 000 |
| Exercisable at 31 December 2014 | 0 |

| *Vesting date in November 2015* | |
|---|---|
| Grant date | 31.05.2011 |
| Exercise price at grant (NOK) | 58.21 |
| Exercise price at 31.12.2014 (NOK) | 45.71 |
| Vesting date | 30.11.2015 |
| Expiry date | 30.11.2015 |
| Lifetime closing balance | 0.92 |
| Volatility closing balance | 0.40 |
| Interest rate closing balance | 0.01 |
| Fair value closing balance (NOK) | 0.18 |
| Outstanding options at 31.12.2014 | 285 000 |

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

**Pension and severance pay**

Certain 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** | **Value of share options** 3) |
|---|---|---|---|---|---|---|
| Karl Ronny Klungtvedt (CEO) | 2014 | 619 | 354 | 181 | 36 | 0 |
| Robin Laird (Deputy CEO) | 2014 | 561 | 329 | 84 | 264 | 0 |
| Sven Børre Larsen (CFO) | 2014 | 381 | 220 | 44 | 58 | 0 |
| | | | | | | |
| 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 |

1) Payment based on previous years' achievements
2) For the CEO, the figures include increase in early retirement pension liability
3) Valuation based on the Black-Scholes option pricing model

| **Board of directors** (USD 1 000) | **Year** | **Board fees** 1) |
|---|---|---|
| Ronny Johan Langeland (chair from May 2014) | 2014 | 159 |
| Christian Brinch | 2014 | 122 |
| Roger Cornish | 2014 | 112 |
| Carine Smith Ihenacho | 2014 | 95 |
| Nancy Ch. Erotocritou (from May 2014) | 2014 | 59 |
| Tasos Ziziros (from May 2014) | 2014 | 59 |
| Michael Raymond Parker (chair to May 2014) | 2014 | 68 |
| Christakis Pavlou (to May 2014) | 2014 | 38 |
| | | |
| Michael Raymond Parker (chair) | 2013 | 165 |
| Ronny Johan Langeland | 2013 | 147 |
| Christian Brinch | 2013 | 105 |
| Roger Cornish | 2013 | 103 |
| Carine Smith Ihenacho | 2013 | 88 |
| Christakis Pavlou | 2013 | 93 |

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

| **Auditors' fee** (USD 1 000) | **2014** | **2013** |
|---|---|---|
| Audit | 298 | 341 |
| Fees for other services | 34 | 33 |
| **Total auditors' fee** | **332** | **374** |

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

## NOTE 8: OTHER OPERATING EXPENSES

| | 2014 | 2013 |
|---|---|---|
| Repair and maintenance | 28.5 | 33.5 |
| Other vessel operating expenses | 53.1 | 47.6 |
| General and administrative expenses | 43.9 | 36.4 |
| **Total other operating expenses** | **125.5** | **117.5** |

## NOTE 9: TANGIBLE ASSETS AND GOODWILL

| | Vessels | New builds | Equipment | Buildings | Goodwill | Total |
|---|---|---|---|---|---|---|
| **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** |
| Additions | 146.4 | 62.9 | 1.2 | 0.5 | 0.0 | 211.0 |
| Disposals | (4.0) | 0.0 | 0.0 | 0.0 | 0.0 | (4.0) |
| **Acquisition cost 31 December 2014** | **1 679.4** | **311.8** | **5.9** | **7.9** | **226.7** | **2 231.8** |
| | | | | | | |
| **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** |
| Accumulated depreciation on disposals | (1.4) | 0.0 | 0.0 | 0.0 | 0.0 | (1.4) |
| Depreciation for the year | 63.4 | 0.0 | 0.1 | 0.9 | 0.0 | 64.3 |
| **Accumulated depreciation 31 December 2014** | **652.1** | **0.0** | **3.7** | **4.6** | **0.0** | **660.4** |
| | | | | | | |
| **Net carrying amount 31 December 2014** | **1 027.3** | **311.8** | **2.2** | **3.4** | **226.7** | **1 571.5** |
| | | | | | | |
| **Net carrying amount 31 December 2013** | **946.9** | **248.9** | **1.2** | **3.7** | **226.7** | **1 427.4** |
| | | | | | | |
| **Depreciation rate (%)** | **2-20** | **-** | **20-33** | **3-5** | **-** | **-** |
| **Economically useful life (years)** | **5-50** | **-** | **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.

Tangible fixed assets and goodwill are initially recorded at cost. Subsequent to recognition, tangible fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses. These assets are depreciated on a straight line basis. 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 2014, capitalised borrowing costs amount to USD 15.8 million (31 December 2013: USD 8.1 million).

Estimated useful life for the semi-submersible accommodation vessels is 30-50 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. This estimate is based on steel prices and is reviewed on an annual basis.

Management performed an annual impairment assessment of the fixed assets in line with IFRS. Management looked at each individual vessel as a cash generating unit, and concluded that no impairment indicators exist as per year-end.

The goodwill of USD 226.7 million relates to the acquisition of Consafe Offshore AB in 2006. Prosafe has only one reporting segment comprising of all accommodation vessels which the goodwill has been allocated to. 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)

Pre-tax discount rate 8%
Sensitivity: a 1% increase in the pre-tax discount rate 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

| | 2014 | 2013 |
|---|---|---|
| | | |
| Currency gain | 76.4 | 23.3 |
| **Total other financial income** | **76.4** | **23.3** |
| | | |
| Fair value adjustment currency forwards | (83.4) | (19.0) |
| Amortisation of borrowing costs | (5.3) | (4.6) |
| Other financial expenses | (7.7) | (8.2) |
| **Total other financial expenses** | **(96.4)** | **(31.8)** |

## NOTE 11: FINANCIAL ITEMS - IAS 39 CATEGORIES

| Year ended 31 Dec 2014 | Loans and receivables | Fair value through profit and loss | Financial liabilities measured at amortised cost | Total |
|---|---|---|---|---|
| | | | | |
| Interest income | 0.3 | 0.0 | 0.0 | 0.3 |
| Fair value adjustment currency orwards | 0.0 | 0.0 | 0.0 | 0.0 |
| Currency gain 1) | 0.0 | 0.0 | 0.0 | 76.4 |
| **Total financial income** | **0.3** | **0.0** | **0.0** | **76.7** |
| | | | | |
| Interest expenses | 0.0 | 0.0 | (37.3) | (37.3) |
| Fair value adjustment currency forwards | 0.0 | (83.4) | 0.0 | (83.4) |
| Amortisation of borrowing costs | 0.0 | 0.0 | (5.3) | (5.3) |
| Other financial expenses | 0.0 | 0.0 | (7.7) | (7.7) |
| Currency loss 1) | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total financial expenses** | **0.0** | **(83.4)** | **(50.3)** | **(133.7)** |
| | | | | |
| **Net financial items** | **0.3** | **(83.4)** | **(50.3)** | **(57.0)** |

| 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 currency 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 currency 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)** |

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

## NOTE 12: TAXES

| | 2014 | 2013 |
|---|---|---|
| | | |
| **Taxes in income statement:** | | |
| Taxes payable | 15.8 | 10.3 |
| Change in deferred tax | (3.3) | (5.7) |
| **Total taxes in income statement** | **12.5** | **4.6** |
| | | |
| **Temporary differences:** | | |
| Exit from Norwegian tonnage tax system | 48.5 | 74.1 |
| Non-current assets | (2.2) | (3.3) |
| Current assets | 0.0 | (0.3) |
| Current liabilities | 3.3 | 3.9 |
| **Basis for deferred tax** | **49.7** | **74.5** |
| **Recognised deferred tax** | **13.4** | **20.1** |
| | | |
| Deferred tax 1 January | 20.1 | 28.1 |
| Change in deferred tax in income statement | (3.3) | (5.7) |
| Translation difference | (3.4) | (2.3) |
| **Deferred tax 31 December** | **13.4** | **20.1** |
| | | |
| **Payable tax as at 31 December** | **17.3** | **18.3** |

The cumulated tax loss carried forward in Cyprus as at 31 December 2014 and 2013 amounts to USD 63.1 million and USD 37.4 million respectively. The tax rate in Cyprus is 12.5%. 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.

The majority of 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. The tax rate in Norway is currently 27%.

## 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.

| | 2014 | 2013 |
|---|---|---|
| Net profit | 178.8 | 199.1 |
| Weighted average number of outstanding shares (1 000) | 235 973 | 233 806 |
| **Basic earnings per share** | **0.76** | **0.85** |
| Weighted average number of outstanding and potential shares (1 000) | 235 973 | 233 806 |
| **Diluted earnings per share** | **0.76** | **0.85** |

## NOTE 14: DIVIDENDS

| | 2014 | 2013 |
|---|---|---|
| Dividend declared during the year | 125.8 | 139.6 |
| **Total dividends declared** | **125.8** | **139.6** |
| | | |
| Dividends per share (NOK) | 3.29 | 3.47 |

## NOTE 15: SHARE CAPITAL AND SHAREHOLDER INFORMATION

| | 2014 | 2013 |
|---|---|---|
| Issued and paid number of shares at 31 December | 235 973 059 | 235 973 059 |
| Authorised number of shares at 31 December | 275 924 148 | 275 924 148 |
| Nominal value at 31 December | EUR 0.25 | EUR 0.25 |
| Number of shareholders at 31 December | 4 335 | 4 447 |

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 31.12.2014** | **No of shares** | **Percentage** |
|---|---|---|
| State Street Bank (nom.) | 47 075 587 | 19.9 % |
| RBC Investor Services Trust (nom.) | 17 896 658 | 7.6 % |
| State Street Bank (nom.) | 15 023 778 | 6.4 % |
| Folketrygdfondet | 9 585 958 | 4.1 % |
| FLPS | 9 383 800 | 4.0 % |
| Pareto Aksje Norge | 8 262 534 | 3.5 % |
| JP Morgan Chase Bank (nom.) | 5 969 541 | 2.5 % |
| Clearstream Banking (nom.) | 5 446 943 | 2.3 % |
| Pareto Aktiv | 3 510 837 | 1.5 % |
| Lazard Freres Banque (nom.) | 2 699 319 | 1.1 % |
| Nordnet Bank AB (nom.) | 2 501 164 | 1.1 % |
| Schroder International Selection | 2 388 198 | 1.0 % |
| BNP Paribas (nom.) | 2 384 260 | 1.0 % |
| Six Sis AG (nom.) | 2 307 701 | 1.0 % |
| JP Morgan Chase Bank (nom.) | 2 274 698 | 1.0 % |
| State Street Bank (nom.) | 2 234 641 | 0.9 % |
| KLP AksjeNorge Indeks | 2 159 279 | 0.9 % |
| DNB Norge | 2 139 254 | 0.9 % |
| State Street Bank (nom.) | 1 749 524 | 0.7 % |
| **Total 20 largest shareholders/groups of shareholders** | **144 993 674** | **61.4 %** |

## NOTE 16: INTEREST-BEARING DEBT

As of 31 December 2014, Prosafe's interest-bearing debt totalled USD 830.1 million. Loans secured by mortgages (credit facility) accounted for USD 440.0 million of this total and unsecured bond loans accounted for about USD 390.1 million.

| | 2014 | 2013 |
|---|---|---|
| Credit facility | 440.0 | 418.0 |
| Bond loans | 390.1 | 361.6 |
| **Total interest-bearing debt** | **830.1** | **779.6** |
| | | |
| Debt in NOK | 390.1 | 361.6 |
| Debt in USD | 440.0 | 418.0 |
| **Total interest-bearing debt** | **830.1** | **779.6** |
| | | |
| Long-term interest-bearing debt | 830.1 | 779.6 |
| Current interest-bearing debt | 0.0 | 0.0 |
| **Total interest-bearing debt** | **830.1** | **779.6** |

**USD 1 100 million credit facility**

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 2014, the availability under the credit facility totalled USD 655 million (USD 215 million undrawn credit lines). The annual interest rate on the credit facility is 1.875 per cent above 3-month LIBOR.

Financial covenants:
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 per cent.

**USD 420 million credit facility**

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 2.95 per cent above 3-month LIBOR.

Financial covenants:
Liquidity: Minimum USD 65 million (including up to USD 25 million of total commitments available for utilisation)
Leverage ratio: Net debt/EBITDA must not exceed 4.5
Value adjusted equity ratio: Minimum 35 per cent
Collateral maintenance: Market value vessels/total outstanding loans above 135 per cent

**USD 288 million credit facility**

In May 2014, the company secured a new credit facility. The credit facility, which has a maturity of seven years, consists of two tranches of USD 144 million (USD 288 million in total) that can be drawn upon delivery of the two new builds, Safe Notos and Safe Eurus. The availability under each tranche is reduced quarterly with USD 3 million, starting 3 months after delivery of the tranche security. The annual interest rate on the credit facility is 2.25 per cent above 3-month LIBOR.

Financial covenants:
Liquidity: Minimum USD 65 million (including up to USD 25 million of total commitments available for utilisation)
Leverage ratio: Net debt/EBITDA must not exceed 4.5
Value adjusted equity ratio: Minimum 35 per cent
Collateral maintenance: Market value vessels/total outstanding loans above 125 per cent.

**Bond loans**

The bond debt is divided into five loans of NOK 500 million maturing February 2016 (PRS07), NOK 500 million maturing February 2017 (PRS08), NOK 500 million maturing January 2020 (PRS09), NOK 700 million maturing October 2018 (PRS10) and NOK 700 million maturing September 2019 (PRS11). All bonds are listed on the Oslo Stock Exchange.

| Loan | Principal | Outstanding | Maturity | Interest | Loan margin |
|---|---|---|---|---|---|
| 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% |
| PRS11 | NOK 700 million | NOK 700 million | Sep 2019 | 3m Nibor | 3.10% |

**Bond loans - Financial covenants**

PRS 07/08/09/10/11
Value adjusted equity ratio: Minimum 30 per cent
Leverage ratio: Total debt/EBITDA must not exceed 5.0

As of 31 December 2014, 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 were higher and NIBOR interest fixings were lower in 2014 compared to 2013.

## NOTE 17: OTHER CURRENT LIABILITIES

| | 2014 | 2013 |
|---|---|---|
| Various accrued costs | 53.1 | 37.7 |
| Accrued interest costs | 3.8 | 3.5 |
| Deferred income | 1.2 | 3.9 |
| Public taxes | 0.4 | 0.3 |
| Provision share option costs | 0.0 | 0.4 |
| Other interest-free current liabilities | 0.0 | 0.4 |
| **Total interest-free current liabilities** | **58.5** | **46.1** |

## NOTE 18: MORTGAGES AND GUARANTEES

As of 31 December 2014, Prosafe's interest-bearing debt secured by mortgages totalled USD 440 million. The debt was secured by mortgages on shares in Prosafe Rigs Pte Ltd and Prosafe Offshore Pte Ltd, and the accommodation vessels owned by these entities. The book value of the mortgaged fleet was USD 1 027.3 million. Prosafe had issued parent company guarantees to customers on behalf of its subsidiaries in connection with the award and performance of contracts.

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 vessels owned by this entity. The book value of the mortgaged fleet was USD 946.9 million. Prosafe had issued parent company guarantees 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 2014, the group had financial assets and liabilities in the following categories:

| Year ended 31 Dec 2014 | Loans and receivables | Fair value through profit and loss | Financial liabilities measured at amortised cost | Book value | Fair value |
|---|---|---|---|---|---|
| | | | | | |
| Cash and deposits | 122.4 | 0.0 | 0.0 | 122.4 | 122.4 |
| Accounts receivable | 83.9 | 0.0 | 0.0 | 83.9 | 83.9 |
| Other current assets | 32.4 | 0.0 | 0.0 | 32.4 | 32.4 |
| **Total financial assets** | **238.7** | **0.0** | **0.0** | **238.7** | **238.7** |
| | | | | | |
| Credit facility 1100 million 1) | 0.0 | 0.0 | 440.0 | 440.0 | 432.0 |
| Bond loan PRS07 2) | 0.0 | 0.0 | 67.3 | 67.3 | 66.6 |
| Bond loan PRS08 3) | 0.0 | 0.0 | 67.3 | 67.3 | 65.4 |
| Bond loan PRS09 4) | 0.0 | 0.0 | 67.3 | 67.3 | 59.2 |
| Bond loan PRS10 5) | 0.0 | 0.0 | 94.2 | 94.2 | 84.7 |
| Bond loan PRS11 6) | 0.0 | 0.0 | 94.2 | 94.2 | 89.8 |
| Fair value interest swaps | 0.0 | 39.0 | 0.0 | 39.0 | 39.0 |
| Fair value currency forwards | 0.0 | 87.9 | 0.0 | 87.9 | 87.9 |
| Accounts payable | 0.0 | 0.0 | 18.6 | 18.6 | 18.6 |
| Other current liabilities | 0.0 | 0.0 | 56.9 | 56.9 | 56.9 |
| **Total financial liabilities** | **0.0** | **126.9** | **905.8** | **1 032.7** | **1 000.1** |

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 8 million.

2,3,4,5,6) Fair value reflects current market conditions based on last trade prices as of 31 December 2014: PRS07 99.000, PRS08 97.146, PRS09 87.955, PRS10 89.895, PRS11 95.313.

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 cash 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 currency forwards and interest swaps are valued based on current exchange rates and forward curves.

| Year ended 31 Dec 2014 | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Fair value currency forwards | (87.9) | 0.0 | (87.9) | 0.0 |
| Fair value interest swaps | (39.0) | 0.0 | (39.0) | 0.0 |
| **Total financial assets/liabilities** | **(126.9)** | **0.0** | **(126.9)** | **0.0** |

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 3) | 0.0 | 0.0 | 82.2 | 82.2 | 84.3 |
| Bond loan PRS08 4) | 0.0 | 0.0 | 82.2 | 82.2 | 84.9 |
| Bond loan PRS09 | 0.0 | 0.0 | 82.2 | 82.2 | 84.0 |
| Bond loan PRS10 | 0.0 | 0.0 | 115.1 | 115.1 | 115.1 |
| Fair value currency forwards | 0.0 | 0.9 | 0.0 | 0.9 | 0.9 |
| Fair value interest swaps | 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** | **836.0** |

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.

| Year ended 31 Dec 2013 | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Fair value currency 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** | **(7.4)** | **0.0** | **(7.4)** | **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 2014, Prosafe had entered into the following forward exchange contracts:

- Forward purchase of NOK 3 980 million against USD 617 million at a weighted average of USDNOK 6.45
- Forward purchase of GBP 53 million against USD 82 million at a weighted average GBPUSD of 1.55

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 2014, the fair value and maximum credit risk exposure of forward exchange contracts was USD 87.9 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 NOK and GBP will have the following effects. Exposures to foreign currency changes for all other currencies are not material.

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | Income statement effect | Equity effect | Income statement effect | Equity effect |
| USD +10% | | | | |
| Re-valuation cash and deposits | (5.0) | 0.0 | (2.5) | 0.0 |
| Re-valuation currency forwards | (60.0) | 0.0 | (35.0) | 0.0 |
| Re-valuation NOK bonds | 29.0 | 0.0 | 33.0 | 0.0 |
| **Total** | **(36.0)** | **0.0** | **(4.5)** | **0.0** |
| | | | | |
| USD -10% | | | | |
| Re-valuation cash and deposits | 5.0 | 0.0 | 2.5 | 0.0 |
| Re-valuation currency forwards | 71.0 | 0.0 | 38.0 | 0.0 |
| Re-valuation NOK bonds | (35.0) | 0.0 | (39.0) | 0.0 |
| **Total** | **41.0** | **0.0** | **1.5** | **0.0** |

**Interest rate risk**

As of 31 December 2014, Prosafe's interest-bearing debt totalled USD 830.1 million. Loans secured by mortgages (credit facility) accounted for USD 440.0 million of this total and unsecured bond loans accounted for USD 390.1 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. Interest swaps treated as effective hedges have been highly effective, and no ineffectiveness has been recognised in the income statement.

As of 31 December 2014, Prosafe's hedging agreements totalled USD 1 800 million (including USD 750 million with forward start):

| Notional amount | Fixed rate | Maturity | Swap type | Fair value | |
|---|---|---|---|---|---|
| USD 100 million | 2.0450 % | 2015 | Bullet | (1.0) | hedge accounting |
| USD 100 million | 2.0600 % | 2015 | Bullet | (1.6) | hedge accounting |
| USD 100 million | 1.2650 % | 2016 | Bullet | (0.9) | hedge accounting |
| USD 150 million | 1.7780 % | 2017 | Bullet | (2.7) | hedge accounting |
| USD 150 million | 2.1000 % | 2017 | Bullet | (3.8) | hedge accounting |
| USD 150 million | 1.6120 % | 2017 | Bullet | (2.0) | hedge accounting |
| USD 150 million | 1.6624 % | 2019 | Bullet | 0.5 | hedge accounting |
| USD 150 million | 1.3625 % | 2018 | Bullet | 0.7 | hedge accounting |
| USD 150 million | 2.2325 % | 2020 | Bullet | (3.5) | hedge accounting |
| USD 150 million | 2.7195 % | 2020 | Bullet | (4.6) | hedge accounting |
| USD 150 million | 2.3265 % | 2020 | Bullet | (1.6) | hedge accounting |
| USD 150 million | 3.6865 % | 2021 | Bullet | (8.9) | hedge accounting |
| USD 150 million | 3.8620 % | 2022 | Bullet | (9.6) | hedge accounting |
| **Total** | | | | **(39.0)** | |

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 2014, the fair value and maximum credit risk exposure of interest rate swap agreements was USD 39 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.

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | Income statement effect | Equity effect | Income statement effect | Equity effect |
| Forward curve +100bps | | | | |
| Re-valuation interest rate swaps | 0.0 | 60.1 | 0.0 | 40.0 |
| **Total** | **0.0** | **60.1** | **0.0** | **40.0** |
| | | | | |
| Forward curve -100bps | | | | |
| Re-valuation interest rate swaps | 0.0 | (60.1) | 0.0 | (40.0) |
| **Total** | **0.0** | **(60.1)** | **0.0** | **(40.0)** |

**Changes in other comprehensive income related to financial instruments**

As of 31 December 2014, the following changes in other comprehensive income were related to financial instruments:

| | Change | 2014 | 2013 |
|---|---|---|---|
| Re-valuation interest rate swaps | (37.1) | (38.0) | (0.9) |
| Ineffectiveness | 0.0 | 0.0 | 0.0 |
| **Total** | **(37.1)** | **(38.0)** | **(0.9)** |

**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 2014, 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 2014, the Group's main financial liabilities had the following remaining contractual maturities:

| | 2015 | 2016 | 2017 | 2018 | 2019 → |
|---|---|---|---|---|---|
| Interest-bearing debt (downpayments/credit facility reductions) | 0.0 | 67.3 | 382.3 | 94.2 | 286.3 |
| Interest-bearing debt (interest including interest swaps) | 56.9 | 68.3 | 70.5 | 67.0 | 100.0 |
| Accounts payable and other current liabilities | 18.6 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total** | **75.5** | **135.6** | **452.8** | **161.2** | **386.3** |

As of 31 December 2014, the availability under the credit facility secured in 2011 totalled USD 655 million (USD 215 million undrawn credit lines), meaning that the first actual downpayment on the credit facility will not occur until 2016.

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 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.

**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 4.5. At 31 December 2014 (2013), the leverage ratio was 1.7 (1.7).

| | 2014 | 2013 |
|---|---|---|
| Credit facility | 440.0 | 418.0 |
| Bond loan PRS07 | 67.3 | 82.2 |
| Bond loan PRS08 | 67.3 | 82.2 |
| Bond loan PRS09 | 67.3 | 82.2 |
| Bond loan PRS10 | 94.2 | 115.0 |
| Bond loan PRS11 | 94.2 | 0.0 |
| **Total interest-bearing debt** | **830.1** | **779.6** |
| Interest-bearing debt related to newbuilds | 311.8 | 248.9 |
| Bank guarantees | 0.0 | 0.0 |
| EBITDA last 12 months | 312.6 | 306.6 |
| **Leverage ratio** | **1.7** | **1.7** |

| Accounts receivables | Total | Not due | < 30 days | 30 - 60 days | 61-90 days | > 90 days |
|---|---|---|---|---|---|---|
| 31 December 2014 | 83.9 | 60.0 | 15.8 | 8.1 | 0.0 | 0.0 |
| 31 December 2013 | 55.2 | 30.2 | 24.7 | 0.2 | 0.1 | 0.0 |

**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

| | 2014 | 2013 |
|---|---|---|
| Restricted cash deposits (withholding personal income tax) | 0.2 | 0.1 |
| Free cash and short-term deposits | 122.2 | 113.3 |
| **Total cash and deposits** | **122.4** | **113.4** |

## NOTE 22: OTHER CURRENT ASSETS

| | 2014 | 2013 |
|---|---|---|
| Receivables | 16.7 | 3.3 |
| Prepayments | 5.8 | 3.2 |
| Stock | 0.8 | 0.7 |
| Other current assets | 15.7 | 16.7 |
| **Total other current assets** | **39.0** | **23.9** |

## NOTE 23: RELATED PARTY DISCLOSURES

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

| Company name | Country of incorporation | Ownership | Voting share |
|---|---|---|---|
| Prosafe AS | Norway | 100% | 100% |
| Prosafe Management AS | Norway | 100% | 100% |
| Prosafe Offshore 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 Offshore Accommodation Ltd | Jersey | 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 Asia Pacific Pte. Ltd. | Singapore | 100% | 100% |
| Prosafe Offshore S.a.r.l. | Luxembourg | 100% | 100% |
| Prosafe Offshore Sp.zo.o. | Poland | 100% | 100% |
| Prosafe Offshore BV | Netherlands | 100% | 100% |
| Prosafe Services Maritimos Ltda | Brazil | 100% | 100% |

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

**Shares owned by senior officers and directors at 31 December 2014:**
(includes shares owned by wholly-owned companies)

| Senior officers: | Shares | Synthetic options |
|---|---|---|
| | | |
| Karl Ronny Klungtvedt - CEO | 72 500 | 40 000 |
| Robin Laird - Deputy CEO | 58 000 | 30 000 |
| Sven Børre Larsen - CFO | 21 000 | 30 000 |
| | | |
| Ronny Johan Langeland - chair | 35 000 | |
| Christian Brinch - deputy chair | 0 | |
| Roger Cornish - director | 7 000 | |
| Carine Smith Ihenacho - director | 0 | |
| Nancy Ch. Erotocritou - director | 0 | |
| Tasos Ziziros - 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, Safe Boreas, was delivered from the yard in January 2015 and is currently in transit to Norway, where it will commence a six-month contract with Lundin for support in connection with the hook-up and commissioning of the Edvard Grieg platform in late April or early May 2015. 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 was paid in January 2015.

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, Safe Zephyrus, will be ready for operation in 2015. 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. The vessels are scheduled 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.

Safe Bristolia sustained damage to lifeboats after experiencing bad weather during work at the Everest field in UK in early October 2014. Operations were suspended, and the vessel was brought to a shipyard in Norway to carry out repair work. A provision of USD 7.5 million has been made in the fourth quarter accounts to cover extra-ordinary expenses related to the Safe Bristolia incident.

## NOTE 25: EVENTS AFTER THE BALANCE SHEET DATE

**USD 1 300 million credit facility**

In February 2015, the company secured a new credit facility for the refinancing of the existing USD 1 100 million and USD 420 million credit facilities. The credit facility, which has a maturity of seven years, consists of two term loan tranches of USD 800 million (drawn on closing) and USD 200 million (drawn on delivery of the Safe Zephyrus) and a revolver loan tranche of USD 300 million. The availability under the term loan tranches is reduced semi-annually, starting 6 months after delivery of the tranche security, with an amount that reduces the term loan commitments to zero by the final maturity. The annual interest rate on the credit facility is 1.90 per cent above 3-month LIBOR for the first five years and 2.15 per cent above 3-month LIBOR thereafter.

Financial covenants:
Liquidity: Minimum USD 65 million (including up to USD 25 million of total commitments available for utilisation)
Leverage ratio: Net debt/EBITDA must not exceed 5.0 (4.5 after 3rd anniversary)
Value adjusted equity ratio: Minimum 35 per cent
Collateral maintenance: Market value vessels/total outstanding loans above 150 per cent

**Delivery of Safe Boreas**

The new build, Safe Boreas, was delivered from Jurong Shipyard in Singapore in January 2015. The vessel is scheduled to commence a six-month contract with Lundin for support in connection with the hook-up and commissioning of the Edvard Grieg platform in late April or early May.

ACCOUNTS
PROSAFE SE

## INCOME STATEMENT - PROSAFE SE

| (USD 1 000) | Note | 2014 | 2013 |
|---|---|---|---|
| | | | |
| **Operating revenues** | | **0** | **0** |
| Operating expenses | 2 | (11 950) | (11 895) |
| Depreciation | 3 | (10) | (14) |
| **Operating profit** | | **(11 960)** | **(11 909)** |
| Income from investments in subsidiaries | 5 | 739 646 | 24 773 |
| Other financial income | 4, 5 | 140 817 | 73 385 |
| Impairment of shares in subsidiaries | 7 | (483 609) | 0 |
| Other financial expenses | 4, 5 | (198 649) | (128 161) |
| **Net financial items** | 5 | **198 205** | **(30 004)** |
| **Profit before taxes** | | **186 245** | **(41 912)** |
| Taxes | 6 | (1) | (3) |
| **Net profit** | | **186 244** | **(41 916)** |
| | | | |
| **Attributable to the owners of the company** | | **186 244** | **(41 916)** |

## STATEMENT OF COMPREHENSIVE INCOME - PROSAFE SE

| (USD 1 000) | 2014 | 2013 |
|---|---|---|
| | | |
| **Net profit for the year** | **186 244** | **(41 916)** |
| | | |
| **Other comprehensive income to be reclassified to profit or loss in subsequent periods** | | |
| Net gain/loss on cash flow hedges | (38 043) | 35 358 |
| Re-measurement losses on defined benefit plan | 0 | (1 380) |
| Income tax effect on components of comprehensive income | 0 | 0 |
| | | |
| **Net other comprehensive income to be reclassified to profit or loss in subsequent periods** | **(38 043)** | **33 978** |
| | | |
| **Total comprehensive income for the year, net of tax** | **148 201** | **(7 938)** |
| | | |
| **Attributable to the owners of the company** | **148 201** | **(7 938)** |

## STATEMENT OF FINANCIAL POSITION - PROSAFE SE

| (USD 1 000) | Note | 31/12/14 | 31/12/13 |
|---|---|---|---|
| | | | |
| **ASSETS** | | | |
| Tangible assets | 3 | 27 | 32 |
| Shares in subsidiaries | 7 | 2 335 450 | 2 499 033 |
| Intra-group long-term receivables | 12, 14 | 547 320 | 135 999 |
| **Total non-current assets** | | **2 882 797** | **2 635 063** |
| Cash and deposits | 14 | 17 285 | 9 414 |
| Other current assets | 8, 14 | 13 747 | 14 362 |
| **Total current assets** | | **31 032** | **23 776** |
| **Total assets** | | **2 913 829** | **2 658 839** |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| Share capital | 9 | 65 894 | 65 894 |
| Share premium reserve | | 745 109 | 745 109 |
| **Total paid-in equity** | | **811 003** | **811 003** |
| Retained earnings | | 952 836 | 930 409 |
| **Total retained earnings** | | **952 836** | **930 409** |
| **Total equity** | | **1 763 839** | **1 741 412** |
| Interest-bearing long-term debt | 10 | 830 142 | 779 622 |
| Intra-group long-term debt | 12, 15 | 0 | 10 003 |
| Derivatives | 14 | 38 980 | 937 |
| Interest-free long-term liabilities | 14, 15 | 2 081 | 2 533 |
| **Total long-term liabilities** | | **871 203** | **793 095** |
| Derivatives | 14 | 74 675 | 6 505 |
| Intra-group current liabilities | 12, 14, 15 | 197 838 | 112 026 |
| Other interest-free current liabilities | 11, 14, 15 | 6 275 | 5 800 |
| **Total current liabilities** | | **278 787** | **124 332** |
| **Total equity and liabilities** | | **2 913 829** | **2 658 839** |

Larnaca, 17 March 2015

**Ronny J. Langeland**
Non-executive Chairman

**Christian Brinch**
Non-executive Deputy Chairman

**Roger Cornish**
Non-executive Director

**Carine Smith Ihenacho**
Non-executive Director

**Tasos Ziziros**
Non-executive Director

**Nancy Ch. Erotocritou**
Non-executive Director

## CASH FLOW STATEMENT - PROSAFE SE

| (USD 1 000) | Note | 2014 | 2013 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Profit before taxes | | 186 245 | (41 912) |
| Unrealised currency loss / (gain) on long-term debt | | (83 701) | (27 050) |
| Depreciation | 3 | 10 | 14 |
| Impairment shares in subsidiaries | | 483 609 | 0 |
| Interest income | | (5 974) | (5 223) |
| Interest expenses | | 45 309 | 38 836 |
| Change in working capital | | 1 090 | 3 578 |
| Taxes paid | 6 | (1) | (3) |
| Other items from operating activities | | 67 704 | 20 090 |
| **Net cash flow from operating activities** | | **694 292** | **(11 672)** |
| | | | |
| **Cash flow from investing activities** | | | |
| Acquisition of shares | | (320 018) | 0 |
| Acquisition of tangible fixed assets | 3 | 0 | (2) |
| Change in intra-group balances | 12 | (335 514) | 50 040 |
| Interest received | | 5 974 | 5 223 |
| **Net cash flow from investing activities** | | **(649 558)** | **55 261** |
| | | | |
| **Cash flow from financing activities** | | | |
| Proceeds from issue of share capital | 9 | 0 | 128 880 |
| New interest-bearing long-term debt | 10 | 332 220 | 404 100 |
| Repayment of interest-bearing long-term debt | 10 | (198 000) | (407 800) |
| Dividends paid | | (125 774) | (139 634) |
| Interest paid | | (45 309) | (38 836) |
| **Net cash flow from financing activities** | | **(36 863)** | **(53 290)** |
| | | | |
| **Net cash flow** | | **7 871** | **(9 700)** |
| Cash and deposits at 1 January | | 9 414 | 19 114 |
| **Cash and deposits at 31 December** | | **17 285** | **9 414** |

## 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 2012** | **63 903** | **(48 901)** | **620 496** | **1 151 883** | **(27 277)** | **1 760 104** |
| Net profit | 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** |
| Net profit | 0 | 0 | 0 | 186 244 | 0 | 186 244 |
| Other comprehensive income | 0 | 0 | 0 | 0 | (38 043) | (38 043) |
| **Total comprehensive income** 1) | **0** | **0** | **0** | **186 244** | **(38 043)** | **148 201** |
| Dividends | 0 | 0 | 0 | (125 774) | 0 | (125 774) |
| **Equity at 31 December 2014** | **65 894** | **0** | **745 109** | **982 798** | **(29 962)** | **1 763 839** |

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

| | 2014 | 2013 |
|---|---|---|
| Services from subsidiaries | 8 203 | 8 772 |
| Salaries and management bonus | 620 | 622 |
| Pension expenses | (69) | 87 |
| Share option costs | (403) | (171) |
| Other remuneration | 75 | 71 |
| Payroll taxes | 46 | 44 |
| Directors' fees | 731 | 724 |
| Auditors' audit fees | 167 | 74 |
| Auditors' other fees | 109 | 12 |
| Other operating expenses | 2 471 | 1 658 |
| **Total operating expenses** | **11 950** | **11 895** |

## NOTE 3: TANGIBLE ASSETS

| | Equipment | Total |
|---|---|---|
| Acquisition cost 31.12.12 | 204 | 204 |
| Additions | 2 | 2 |
| Disposals at acquisition cost | 0 | 0 |
| **Acquisition cost 31.12.13** | **206** | **206** |
| Additions | 5 | 5 |
| Disposals at acquisition cost | 0 | 0 |
| **Acquisition cost 31.12.14** | **211** | **211** |
| | | |
| **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** |
| Accumulated depreciation on disposals | 0 | 0 |
| Depreciation for the year | 10 | 10 |
| **Accumulated depreciation 31.12.14** | **184** | **184** |
| | | |
| **Carrying value 31.12.14** | **27** | **27** |
| | | |
| **Carrying value 31.12.13** | **32** | **32** |
| | | |
| **Depreciation rate (%)** | **20-30** | **-** |

## NOTE 4: OTHER FINANCIAL ITEMS

| | 2014 | 2013 |
|---|---|---|
| Interest receivable from subsidiaries | 5 917 | 5 147 |
| Other interest receivable | 57 | 76 |
| Loan from subsidiary written off | 8 407 | 0 |
| Currency gain | 126 437 | 68 162 |
| **Total other financial income** | **140 817** | **73 385** |
| | | |
| Interest payable to subsidiaries | (123) | (189) |
| Interest expenses | (45 186) | (38 647) |
| Currency loss | (72 047) | (55 796) |
| Fair value adjustment derivatives | (68 170) | (20 126) |
| Other financial items | (13 123) | (13 404) |
| **Total other financial expenses** | **(198 649)** | **(128 161)** |

## NOTE 5: FINANCIAL ITEMS - IAS 39 CATEGORIES

| Year ended 31 Dec 2014 | Loans and receivables | Fair value throug profit and loss | Financial liabilities measured at amortised cost | Total |
|---|---|---|---|---|
| | | | | |
| Interest income | 5 974 | 0 | 0 | 5 974 |
| Currency gain [1] | 0 | 0 | 0 | 126 437 |
| Loan from subsidiary written off | 0 | 0 | 8 407 | 8 407 |
| Dividend | 0 | 0 | 0 | 739 646 |
| **Total financial income** | **5 974** | **0** | **8 407** | **880 464** |
| | | | | |
| Interest expenses | 0 | 0 | (45 309) | (45 309) |
| Currency loss 1) | 0 | 0 | 0 | (72 047) |
| Fair value adjustment derivatives | 0 | (68 170) | 0 | (68 170) |
| Impairment of shares in subsidiaries 1) | 0 | 0 | 0 | (483 609) |
| Other financial expenses | 0 | 0 | (13 123) | (13 123) |
| **Total financial expenses** | **0** | **(68 170)** | **(58 432)** | **(682 258)** |
| | | | | |
| **Net financial items** | **5 974** | **(68 170)** | **(50 025)** | **198 205** |

| 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 derivatives | 0 | (20 126) | 0 | (20 126) |
| Other financial expenses | 0 | 0 | (13 404) | (13 404) |
| Total financial expenses | 0 | (20 126) | (52 240) | (128 162) |
| | | | | |
| **Net financial items** | **5 223** | **(20 126)** | **(52 240)** | **(30 004)** |

1) Excluded from the category breakdown, but added to the total for net effect.

## NOTE 6: TAXES

| | 2014 | 2013 |
|---|---:|---:|
| | | |
| Profit/loss before taxes | 532 245 | (41 912) |
| Permanent differences | (506 554) | 27 036 |
| Change in tax loss carried forward | (25 691) | 14 876 |
| **Tax base** | **0** | **0** |
| **Taxes** | **1** | **3** |
| | | |
| *Temporary differences:* | | |
| Loss carried forward | (63 093) | (37 402) |
| **Basis for deferred tax liability (+)/benefit (-)** | **(63 093)** | **(37 402)** |
| **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%.

## NOTE 7: SHARES IN SUBSIDIARIES

(Share capital and carrying value in 1 000).

| Company | | Share capital | Carrying value 2014 | Carrying value 2013 | 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 | 9 826 | 22 826 | 100% |
| Prosafe Offshore Pte Ltd | USD | 10 000 | 320 037 | 10 | 100% |
| Consafe Offshore AB | SEK | 27 786 | 4 371 | 141 974 | 100% |
| Prosafe Offshore Services Pte Ltd | USD | 10 | 150 | 150 | 100% |
| Marzouka Investments Ltd | USD | 10 | 0 | 8 | 100% |
| Prosafe Rigs Pte Ltd | USD | 2 500 040 | 1 931 464 | 2 264 464 | 91% |
| **Total carrying value** | | | **2 335 450** | **2 499 033** | |

Consafe Offshore AB is in the process of liquidation which is scheduled for completion in 2015.

In the income statement for 2014, the following impairment charges have been made:
Consafe Offshore AB USD 137.6 million, Prosafe Rigs Pte Ltd USD 333 million and Prosafe (UK) Holdings Ltd USD 13 million.

In Prosafe Offshore Pte Ltd, a capital increase of USD 320 million was made to fund an internal transfer of assets.

There are mortgages on the shares in Prosafe Rigs Pte Ltd and Prosafe Offshore Services Pte Ltd. Please refer to note 13.

## NOTE 8: OTHER CURRENT ASSETS

| | 2014 | 2013 |
|---|---|---|
| Current receivables from group companies | 81 | 36 |
| Other current assets | 13 666 | 14 326 |
| **Total other current assets** | **13 747** | **14 362** |

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

## NOTE 9: SHARE CAPITAL

| | 2014 | 2013 |
|---|---|---|
| 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 | 235 973 059 |
| Holding of own shares as of 31 December | 0 | 0 |
| 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 2014, Prosafe SE's interest-bearing debt totalled about USD 830,1 million. Loans secured by mortgages (credit facility) accounted for USD 440 million of this total and unsecured bond loans accounted for about USD 390.1 million.

| | 2014 | 2013 |
|---|---|---|
| Credit facility | 440 000 | 418 000 |
| Bond loans | 390 142 | 361 622 |
| **Total interest-bearing debt** | **830 142** | **779 622** |
| | | |
| Debt in NOK | 390 142 | 361 622 |
| Debt in USD | 440 000 | 418 000 |
| **Total interest-bearing debt** | **830 142** | **779 622** |
| | | |
| Long-term interest-bearing debt | 830 142 | 779 622 |
| Current interest-bearing debt | 0 | 0 |
| **Total interest-bearing debt** | **830 142** | **779 622** |

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

## NOTE 11: OTHER INTEREST-FREE CURRENT LIABILITIES

| | 2014 | 2013 |
|---|---|---|
| Accrued interest costs | 3 776 | 3 482 |
| Provision share-based payments | 7 | 410 |
| Other current liabilities | 2 493 | 1 908 |
| **Total other interest-free current liabilities** | **6 275** | **5 800** |

## NOTE 12: INTRA-GROUP BALANCES

| | 2014 | 2013 |
|---|---|---|
| NOK loan to Prosafe AS | 66 028 | 135 999 |
| USD loan to Prosafe Offshore Pte Ltd | 481 292 | 0 |
| **Intra-group long-term receivables** | **547 320** | **135 999** |
| | | |
| SEK loan from Consafe Offshore AB | 0 | 10 003 |
| **Intra-group long-term debt** | **0** | **10 003** |

Loan agreements with subsidiaries are made at market prices using 3M NIBOR (NOK loan) and 3M LIBOR (USD loan) interest rates and a margin of 2.00%. Outstanding balances at year-end are unsecured, and settlement normally occurs in cash. The loan from Consafe Offshore AB was written off during 2014. For the year ended 31 December 2014, the Company has not recorded any impairment of receivables relating to amounts owed by subsidiaries.

| **Transactions with related parties** | 2014 | 2013 |
|---|---|---|
| **Transactions** | | |
| Administrative services from subsidiaries | (8 203) | (8 772) |
| Interest income | 5 917 | 5 147 |
| Interest expenses | (123) | (189) |
| Dividend | 739 646 | 24 773 |

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. Please refer to note 7 to the consolidated accounts for disclosure of remuneration to directors.

| **Year-end balances** | 2014 | 2013 |
|---|---|---|
| Current receivables of the ultimate parent to subsidiaries | 81 | 36 |
| Intra-group long-term receivables | 547 320 | 135 999 |
| Current payables from the ultimate parent to subsidiaries | 197 838 | 112 026 |
| Loans from subsidiaries of the ultimate parent | 0 | 10 003 |

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 2014, Prosafe's interest-bearing debt secured by mortgages totalled USD 440 million. The debt was secured by mortgages on shares in Prosafe Rigs Pte Ltd and Prosafe Offshore Pte Ltd, and the accommodation/service vessels owned by these entities. The book value of the mortgaged fleet was USD 1 027.3 million. Prosafe had issued parent company guarantees to customers on behalf of its subsidiaries in connection with the award and performance of contracts.

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.

## NOTE 14: FINANCIAL ASSETS AND LIABILITIES

As of 31 December 2014, Prosafe SE had financial assets and liabilities in the following categories:

| Year ended 31 Dec 2014 | Loans and receivables | Fair value through profit and loss | Financial liabilities measured at amortised cost | Book value |
|---|---|---|---|---|
| | | | | |
| Intra-group long-term receivable | 547 320 | 0 | 0 | 547 320 |
| Cash and deposits | 17 285 | 0 | 0 | 17 285 |
| Other current assets | 13 747 | 0 | 0 | 13 747 |
| **Total assets** | **578 352** | **0** | **0** | **578 352** |
| | | | | |
| Credit facility | 0 | 0 | 440 000 | 440 000 |
| Bond loan PRS07 | 0 | 0 | 67 266 | 67 266 |
| Bond loan PRS08 | 0 | 0 | 67 266 | 67 266 |
| Bond loan PRS09 | 0 | 0 | 67 266 | 67 266 |
| Bond loan PRS10 | 0 | 0 | 94 172 | 94 172 |
| Bond loan PRS11 | 0 | 0 | 94 172 | 94 172 |
| Fair value derivatives | 0 | 113 654 | 0 | 113 654 |
| Interest-free long-term liabilities | 0 | 0 | 2 081 | 2 081 |
| Intra-group current liabilities | 0 | 0 | 197 838 | 197 838 |
| Other interest free current liabilities | 0 | 0 | 6 275 | 6 275 |
| **Total liabilities** | **0** | **113 654** | **1 036 336** | **1 149 990** |

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 receivable | 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** | **159 775** | **0** | **0** | **159 775** |
| | | | | |
| 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** |

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

## NOTE 15: MATURITY PROFILE LIABILITIES

As of 31 December 2014, Prosafe SE's main financial liabilities had the following remaining contractual maturities:

| Year ended 31 Dec 2014 | 2015 | 2016 | 2017 | 2018 | 2019 → |
|---|---|---|---|---|---|
| | | | | | |
| Interest-bearing debt (downpayments) | 0 | 67 300 | 382 300 | 94 200 | 286 300 |
| Interests incl interest swaps | 56 900 | 68 300 | 70 500 | 67 000 | 100 000 |
| Intra-group current liabilities | 197 838 | 0 | 0 | 0 | 0 |
| Interest-free long-term liabilities | 0 | 2 081 | 0 | 0 | 0 |
| Other interest-free current liabilities | 6 275 | 0 | 0 | 0 | 0 |
| **Total** | **261 013** | **137 681** | **452 800** | **161 200** | **386 300** |

As of 31 December 2014, the availability under the credit facility secured in 2011 totalled USD 655 million (USD 215 million undrawn credit lines), meaning that the first actual downpayment on the credit facility will not occur until 2016.

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** | **162 526** | **208 436** | **152 600** | **437 400** | **317 200** |

## NOTE 16: EVENTS AFTER THE BALANCE SHEET DATE

**USD 1 300 million credit facility**

In February 2015, the company secured a new credit facility for the refinancing of the existing USD 1 100 million and USD 420 million credit facilities. The credit facility, which has a maturity of seven years, consists of two term loan tranches of USD 800 million (drawn on closing) and USD 200 million (drawn on delivery of the Safe Zephyrus) and a revolver loan tranche of USD 300 million. The availability under the term loan tranches is reduced semi-annually, starting 6 months after delivery of the tranche security, with an amount that reduces the term loan commitments to zero by the final maturity. The annual interest rate on the credit facility is 1.90 per cent above 3-month LIBOR for the first five years and 2.15 per cent above 3-month LIBOR thereafter.

Financial covenants:
Liquidity: Minimum USD 65 million (including up to USD 25 million of total commitments available for utilisation)
Leverage ratio: Net debt/EBITDA must not exceed 5.0 (4.5 after 3rd anniversary)
Value adjusted equity ratio: Minimum 35 per cent
Collateral maintenance: Market value vessels/total outstanding loans above 150 per cent.

# 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 2014, 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 and separate 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 2014, 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, 17 March 2015

# FLEET OVERVIEW

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**: 38.0m +/- 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**: 38.0m +/-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**: 30 000 kW (6 diesel generator sets)
**Station keeping**: DP3
**Thrusters**: 6 x 4 000 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**: 30 000 kW (6 diesel generator sets)
**Station keeping**: DP3
**Thrusters**: 6 x 4 000 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**: 9 339 kW (4 diesel generator sets)
**Station keeping** : Moored
**Mooring system**: 12-point chain winches

### SAFE CALEDONIA

**Built, converted** : 1982
**Upgraded**: 2004/2012 (refurbishment)
**Design**: F+G Pacesetter
**No of beds**: 454
**Gangway**: 36.5m +/- 5.5m
**Power generation**: 15 900 KW (6 diesel generator sets)
**Station keeping**: DP2, Posmoor ATA
**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
**Power generation**: 6 240 kW (4 diesel generator sets)
**Station keeping**: Moored
**Mooring system**: 8-point wire winches

## SAFE CONCORDIA

**Built, converted**: 2005
**Design**: Keppel Deepwater Technology Group
**No of beds**: 461
**Gangway**: 29.5m +/- 5.0m
**Power generation**: 17 950 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.
**Power generation**: 6 350 kW (4 diesel generator sets)
**Station keeping**: Moored
**Mooring system**: 8-point wire winches

## SAFE BRITANNIA

**Built, converted**: 1980
**Upgraded**: 1987/2003
**Design**: F+G 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**: F+G 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

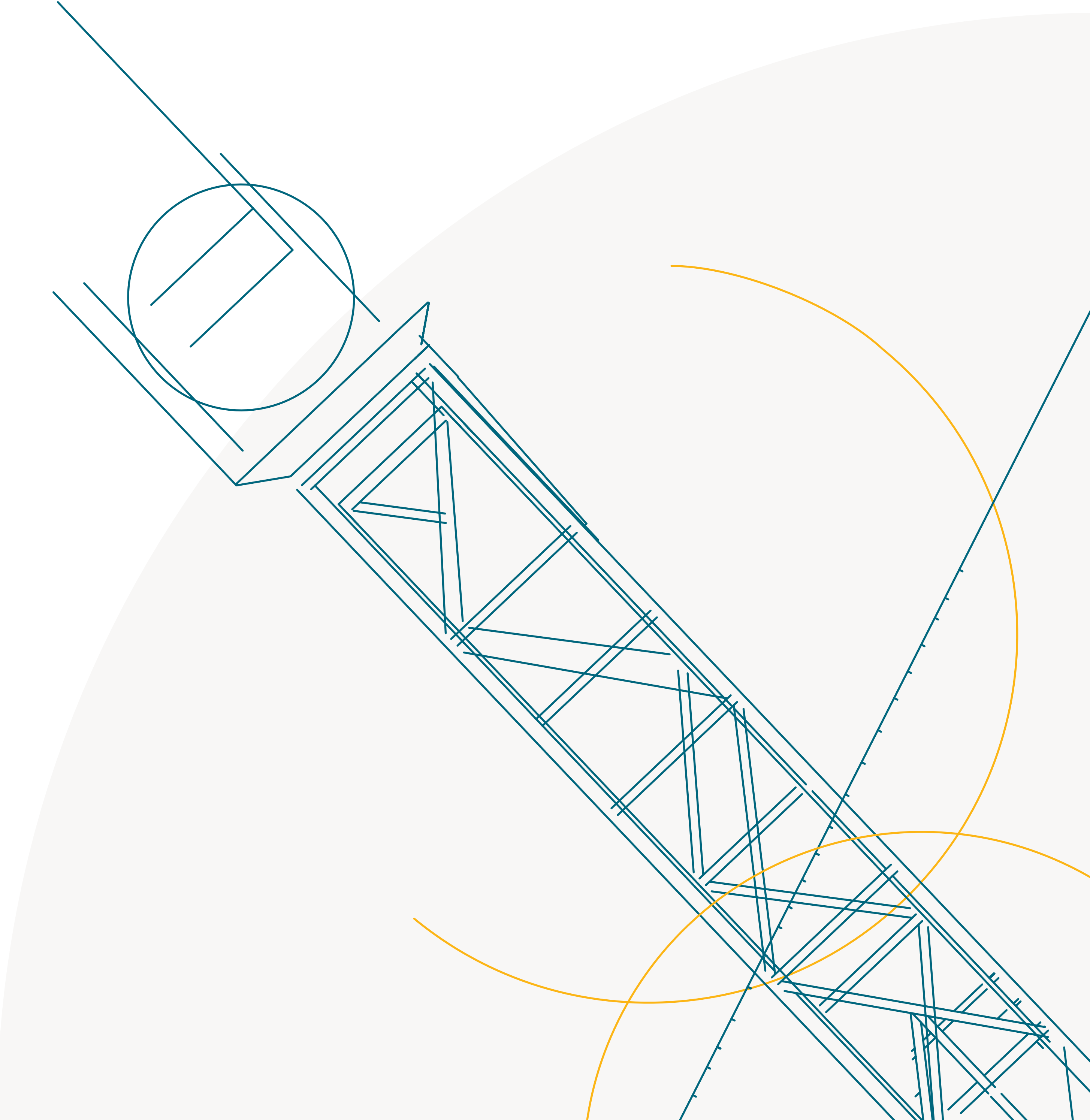
**Built, converted**: 1984
**Upgraded**: 2003
**Design**: GVA 2000
**No of beds**: 605
**Gangway**: 27.5m +/- 5.5m
**Power generation**: 14 500 kW (6 diesel generator sets)
**Station keeping**: DP2 / Posmoor
**Thrusters** : 4 x 2 400 kW azimuthing
**Mooring system**: 7-point wire winches

## 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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