

# ANNUAL REPORT 2015



**Prosafe**

*This 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](http://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.



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 **Prosa Offshore**  
Accommodating the Offshore Industry

Spike

# FINANCIAL CALENDAR

## REPORTING RESULTS

The following dates have been set for quarterly interim reporting and presentations in 2016:

<b>1st quarter</b>	12 May 2016
<b>2nd quarter</b>	24 August 2016
<b>3rd quarter</b>	3 November 2016
<b>4th quarter</b>	9 February 2017

## ANNUAL GENERAL MEETING

The AGM for Prosafe SE will be held in the company's premises at Stadiou 126, CY-6020 Larnaca, Cyprus on 25 May 2016.

# KEY FIGURES

		Note	2015	2014	2013	2012	2011
<b>Profit</b>							
Operating revenues	USD million		474.7	548.7	523.5	510.4	449.6
EBITDA	USD million	1	262.9	312.6	306.6	280.1	257.6
Operating profit	USD million		30.8	248.3	245.1	222.4	192.3
Net profit	USD million		(50.6)	178.8	199.1	177.5	158.0
Earnings per share	USD	2	0.21	0.76	0.85	0.80	0.71
<b>Balance sheet</b>							
Total assets	USD million		2 187.2	1 816.8	1 619.9	1 487.2	1 376.1
Interest-bearing debt	USD million		1 107.5	830.1	779.6	810.4	760.5
Net interest-bearing debt	USD million	3	1 150.4	707.7	666.2	706.8	667.1
Book equity	USD million		715.2	748.5	739.7	516.3	461.8
Book equity ratio		4	32.6 %	41.2 %	45.7 %	34.7 %	33.6 %
<b>Valuation</b>							
Market capitalisation	USD million		619	725	1 816	1 894	1 529
Share price	NOK		21.00	23.00	46.80	47.32	40.99

1. Operating profit before depreciation
2. Net profit / Average number of outstanding and potential shares
3. Interest-bearing debt - Cash and deposits
4. (Book equity / 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 851 people at year-end.



With eight dynamically positioned, one POSMOOR passive position moored and five anchored vessels, our fleet is versatile and able to operate in nearly all offshore environments. At present, Prosafe is the leader in the provision of offshore accommodation vessels in harsh and semi-harsh environments and in hurricane regions such as the Gulf of Mexico.

In addition, one new harsh environment semi-submersible is under construction at COSCO (Qidong) Offshore Co. Ltd.

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.

*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 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.



## DIRECTORS' REPORT

The Directors present their annual report on the affairs of Prosafe SE (the “Company” or the “parent company”) and its subsidiaries (the Company and its subsidiaries referred to as the “Group” or “Prosafe”) together with the Group’s and the parent company’s audited financial statements for the year ended 31 December 2015.



## PRINCIPAL ACTIVITY

Prosafe is the world's leading owner and operator of semi-submersible accommodation support vessels, and is currently in process of completing its fleet renewal strategy which further aims at strengthening its competitive position globally. The parent company, Prosafe SE, is managed and controlled in Cyprus and is the ultimate owner of all group companies.

# Financial results, financing and financial position of the Group

(The figures in brackets correspond to the 2014 comparatives)

## INCOME STATEMENT

Operating revenues totalled USD 474.7 million in 2015 (2014: USD 548.7 million), with utilisation of the fleet dropping to 70 per cent (87 per cent). Charter revenues and non-charter revenues reached USD 425.4 million (USD 481.2 million) and USD 49.3 million (USD 67.5 million), respectively.

Revenues in 2015 were lower than in 2014 as a consequence of fleet utilisation of 70% in 2015 compared to 87% in 2014. This compares to an average fleet utilisation of just over 80% over the last few years. The main reason for the reduction in utilisation was non-extension of the contract relating to Jasminia in Mexico and

the yard stay for the Safe Scandinavia where she was undergoing conversion to a tender support vessel (TSV) at Ølensvåg in Norway. The vessel is now on contract for Statoil Petroleum AS at the Oseberg Øst field on the Norwegian Continental Shelf. The main markets for the Prosafe vessels are currently the North Sea and Brazil, serving primarily oil and gas operating companies as end clients on projects typically related to installation or maintenance and modification of offshore oil and gas fields. The vessels are either provided on a time charter basis where Prosafe man and operate the vessels directly, or on a bareboat basis where Prosafe provides only the vessel to a third party who is then responsible to man and operate the vessel.

Total operating expenses decreased to USD 211.8 million (USD 236.1 million), largely as a result of the lower fleet utilisation.

Depreciation increased to USD 86.5 million (USD 64.3 million) as a result of life extension investments of several vessels, as well as the delivery of the new build Safe Boreas in Q1 2015. In addition, there was an impairment charge of USD 145.6 million in the 2015 accounts related to Jasminia, Safe Hibernia, Safe Britannia, Safe Regency, Safe Lancia, Safe Bristolia, Safe Astoria and Safe Concordia.

Compared to the Q4 2015 report published on 4 February 2016, the final accounts for 2015 contain an additional impairment charge of USD 136.2 million.

The resulting operating profit amounts to USD 30.8 million (USD 248.3 million).

Net interest expenses totalled USD 41.6 million (USD 37.3 million). This increase is mainly due to higher interest-bearing debt following the delivery and financing of the new build Safe Boreas in 2015. In accordance with IFRS, interest costs totalling USD 12.8 million (USD 7.9 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 -29.5 million (USD -20.0 million). This figure includes changes in value of financial currency hedging instruments and currency gains and losses. The figure also includes USD 12.8 million in amortised borrowing costs related to the new builds.

Taxes for 2015 were USD 10.5 million (USD 12.5 million).

Net loss amounted to USD 50.6 million (net profit of USD 178.8 million), resulting in basic and diluted earnings per share of USD -0.21 (USD 0.76).

## **ASSETS**

Total assets amounted to USD 2,187.2 million (USD 1,816.8 million) at the end of 2015.

Investments in tangible assets totalled USD 700.7 million (USD 211.0 million). The investments in 2015 mainly relate to the delivery of the new build Safe Boreas, upgrade of the Safe Scandinavia to a tender support vessel (TSV), project expenses related to three new build vessels and the five-year special periodic survey (SPS) for the Safe Bristolia and

the Safe Concordia.

As at year-end 2015, the Group had total liquid assets of USD 57.1 million (USD 122.4 million). The liquidity reserve (liquid assets plus undrawn credit facilities) totalled USD 157.1 million (USD 337.4 million).

## **FINANCING**

Total shareholders' equity amounted to USD 715.2 million (USD 748.5 million), resulting in a book equity ratio of 32.7 per cent (41.2 per cent).

Interest-bearing debt amounted to USD 1,247 million (USD 830.1 million) at year-end.

Repayments of debt totalled USD 816.5 million (USD 198.0 million) and gross increase in borrowing amounted to USD 1,290.0 million (USD 332.2 million).

The interest-bearing debt agreements are subject to termination, repayment or buy back clauses in the event of a change of control of the Company (as control is defined in the relevant agreements).

In February 2015, the Company 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 with semi-annual amortisations of USD 65 million, consists of two term loan tranches totalling USD 800 million (drawn on closing) and USD 200 million and a revolver loan tranche of USD 300 million. The USD 200

million tranche was drawn on delivery of the Safe Zephyrus in January 2016.

In December 2015, Prosafe raised NOK 590 million in a private placement of shares. The private placement was over-subscribed and supported by existing shareholders.



## Operations and projects

As at year-end, the fleet comprised 12 vessels in operation plus three new builds in progress.

Specifications for each of the vessels and details of the current vessel contracts can be found on the Company's website at [www.prosafe.com/accommodation-vessels](http://www.prosafe.com/accommodation-vessels)

**Safe Hibernia, Safe Britannia, Safe Lancia** and **Safe Regency** operated on bareboat charters in Mexico throughout 2015. **Jasminia** was off-hire as from the end of February 2015 and

**Safe Britannia** came off contract at the end of 2015. **Safe Hibernia** came off contract on 15 February 2016, whereas the contracts for **Safe Regency** and **Safe Lancia** were suspended from mid-March 2016.

**Safe Concordia** operated on a three-year contract in Brazil throughout the year. The contract, which is an extension of the initial contract awarded in December 2013, commenced in July 2014 with a three-year term.

**Safe Astoria** was on an 11-month contract with Shell Philippines Exploration B.V. until early September 2015, after which she relocated to Batam, Indonesia, for lay-up.

**Safe Caledonia** was contracted to Nexen Petroleum U.K. Limited until the end of April 2015. In early July 2015 the vessel commenced a contract for BP Exploration Operating Company Limited for support at the ETAP field in the UK. The vessel is scheduled to complete this contract in early August 2016.

**Safe Scandinavia** was on contract with Premier Oil UK Limited at the Solan field in the UK until the end of February 2015. In March the vessel arrived at the Westcon shipyard in Ølensvåg, Norway, where she has been undergoing conversion to a tender support vessel (TSV) to carry out a contract for Statoil Petroleum AS at the Oseberg Øst field in Norway. The contract commencement which was originally expected during the third quarter 2015 was considerably delayed until 17 March 2016. As a result the cost for the TSV conversion has increased.

**Regalia** was on a 450-day contract for Talisman Sinopec Energy UK Limited in the UK until late November 2015 and was sub-let to Shell U.K. Limited at Shearwater and Premier Oil UK Limited at Solan during the 450 days period. In late May 2016, the vessel will commence a 150-day contract with Shell at Brent C/Gannet.

**Safe Bristol** completed repair work at the Hanøytangen shipyard in Norway during the second quarter 2015 and was on contract for BG International Limited at the Everest field in the UK from the beginning of June 2015 until the end of the third quarter 2015. The vessel is currently undergoing a special periodic survey in Gdansk, Poland.

Prosafe had two vessels under construction in Singapore during 2015, Safe Boreas and Safe Zephyrus, which were ordered from Jurong Shipyard Pte. Ltd in December 2011 and November 2012, respectively. The vessels were constructed in accordance with strict Norwegian regulations and are the most well-equipped and sophisticated offshore accommodation support vessels in the world.

**Safe Boreas** was delivered from the yard in mid January 2015 and has completed its first contract for Lundin Petroleum Norway AS in Norway. The vessel commenced an 8-month contract with Talisman Sinopec at Montrose in mid-March 2016.

**Safe Zephyrus** was delivered in January 2016, and is currently in transit from Singapore to Norway. The vessel is scheduled to commence the contract with Det Norske Oljeselskap at

Ivar Aasen in late July 2016.

In 2013 a turnkey contract was entered into with COSCO (Qidong) Offshore Co., Ltd. in China for the delivery of two accommodation support 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. Safe Notos was delivered in February 2016, and is currently in transit to Indonesia for lay-up. Her first contract is yet to be awarded.

In addition to the new builds, the Group has also invested substantially in the renewal of the existing fleet over the past years.

## OUTLOOK

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

The supply side is seeing significant growth in size during the period from 2012 to 2016 with the entry into the market of a number of new semi-submersible accommodation support vessels. However the growth is expected to be lower than earlier anticipated as a result of the extended down-cycle which may lead to both scrapping and delays or even cancellations of new builds.

2015 saw a continued slow-down in contracting activity and the gross value of charter contracts, including clients' extension options, was reduced by approximately 13 per cent to USD 1,595 million (USD 1,843 million). A continued fall in oil price has led to further negative revisions of spending plans, which again results in deferral of several projects, as well as focus on cash preservation by way of contract renegotiations and contract cancellations.

As all providers of oil services are dependent on oil companies' cash flow, reductions of spending plans have led to a substantial decrease in demand for oilfield services, including accommodation support vessels. This has increasingly been evident in all geographical markets.

Despite the current down-turn and the supply side growth, the longer term prospects are promising as it is expected that field life extensions continue through enhanced oil recovery efforts. Further, in the years ahead new fields will come on stream in parallel with decommissioning of old platforms gradually becoming an interesting source of demand.

In Mexico, Prosafe's ultimate client Pemex has been cutting spending in order to adjust its budget to an oil price of USD 25 per barrel. This development has considerably increased uncertainty



for the near and medium term outlook in this region. It is still expected that maintenance and modification services will be needed to support extended production from current fields. In addition, further demand may result from new fields being developed in deeper waters offshore Mexico.

The near and medium term outlook is also uncertain in Brazil. Even though accommodation support vessels are mostly used for safety and maintenance purposes on fields that are already producing, the financial situation of Petrobras has inevitably resulted in reduced activity and as a result cancellation or renegotiation by Petrobras of contracts to preserve liquidity. The longer term outlook is, however, expected to present further opportunities.

Outside the three core markets for semi-submersible accommodation vessels i.e. the North Sea, Mexico and Brazil, Australia and the US Gulf of Mexico appear to be 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 as the industry normalises there should be potential for growth related to maintenance and modification.

Accordingly, Prosafe remains cautious about the near and medium term, and will continue to work proactively to ensure the best possible long-term outcome for Prosafe and its employees, shareholders, clients and lenders. The general down-turn in the market

combined with in particular the non-extension of contracts in Mexico has led to reduced fleet utilisation and consequently reduced charter revenues for Prosafe.

Total order backlog as of 31 December 2015 amounted to USD 997 million of which USD 598 million related to firm contracts and USD 399 million related to options. Secured utilisation for 2016 is 37%. For 2017 and 2018, secured utilisation is currently 19% and 16%, respectively.

## **FINANCIAL RESTRUCTURING**

In 2015 and in early 2016, various measures have been taken to improve the Company's financial situation and continuous efforts are ongoing. As described in the Financing section above a share issue was implemented late 2015 and in January 2016 the Company achieved i.a. additional headroom to financial covenants in bank facilities and bond loans and the option to voluntarily skip two scheduled amortisations in 2016 and/or 2017. Further information on the revised set of covenants is provided in note 15 to the consolidated financial statements. As of the date of the accounts, the Company is not in breach of any of its financial obligations.

Since the publication of the Q4 2015 report in February 2016, the offshore market has continued to develop negatively, leading to the sudden suspension of two contracts in Mexico. As a result, some of Prosafe's financial covenants have been put under pressure. Specifically, there was a material risk that the

Company would breach the minimum liquidity covenant of USD 65 million in the second quarter of 2016. On 22 April 2016, Prosafe was granted a waiver of this liquidity covenant. The temporary minimum liquidity covenant is now USD 20 million until the end of the third quarter of 2016, and is applicable to both the USD 1.3 billion facility and the USD 288 million new build facility. Prosafe has initiated a review of the Company's funding situation and has engaged financial and legal advisors to assist with this process.

A dialogue has been commenced with the Company's key stakeholders, including the senior lenders, and the Company is currently working with stakeholders and advisors to evaluate alternatives to improve the financial situation of the Company. Amendments to the bank and bond agreements will be required in order to secure a robust financial foundation and to safeguard and further strengthen Prosafe's market leading position in the industry. The Company intends to communicate its financial plan during the second quarter of 2016.

## **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 planning processes. This is supplemented by dialogue and exchange of views with the

Group'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.

Market risk comprises of macro factors such as oil price and industry specific factors such as supply/demand balance and competitive position. Demand for accommodation units is sensitive to oil price fluctuations and changes in exploration and production spending.

The Gulf of Mexico contracts contain a cancellation clause allowing the ultimate customer, Pemex, to cancel the contract upon 30 days notice, without compensation, if the financing of the project is cancelled. These clauses reflect the crisis that arose in Mexico during the 1980s. In March 2016, the two remaining contracts in Mexico were suspended, and accordingly, may be cancelled due to the ongoing downturn.

The Company is exposed to financial risks such as currency risk, interest rate risk, financing and liquidity risk and credit and counterparty risk. The continued negative development in the offshore market involves risk that reduced charter revenues will continue in the short and medium term. This development has increased

the liquidity risk significantly. The Company has significant debt maturities in 2016 and 2017, though as mentioned in the Financing section above, in January 2016, the Company agreed with its banking syndicate on an option to voluntarily skip two scheduled amortisations arising in 2016 and/or 2017. Please refer to the

Financial restructuring section above and the Going concern section below.

The maturity of the Group's liabilities and capital commitments related to the new builds can be summarised as follows. (Figures in USD million).

<b>2016</b>		<b>Q1 2016</b>	<b>Q2 2016</b>	<b>Q3 2016</b>	<b>Q4 2016</b>
Debt repayments	139.5	84.5	0.0	55.0	0.0
Interests	74.5	19.9	17.5	17.5	19.6
Current liabilities	17.8	17.8	0.0	0.0	0.0
<b>Total 2016</b>	<b>231.8</b>	<b>122.2</b>	<b>17.5</b>	<b>72.5</b>	<b>19.6</b>
Capital commitments	590.0	410.0	0.0	180.0	0.0

<b>2017</b>	
Debt repayments	210.8
Interests	84.4
Current liabilities	0.0
<b>Total 2017</b>	<b>295.2</b>

<b>2018</b>	
Debt repayments	233.5
Interests	85.0
Current liabilities	0.0
<b>Total 2018</b>	<b>317.4</b>

<b>2019</b>	
Debt repayments	233.5
Interests	81.3
Current liabilities	0.0
<b>Total 2019</b>	<b>318.5</b>

<b>2020 onwards</b>	
Debt repayments	429.7
Interests	146.4
Current liabilities	0.0
<b>Total 2020 onwards</b>	<b>576.1</b>



The Company reports in USD and generates income in USD, whereas parts of its operating costs are in other currencies such as NOK and GBP. This exposure is hedged on a 50-75% basis of estimated currency exposure on a 12-month basis using currency forward instruments. The interest rate risk is partly hedged by the use of interest swaps for 75-100% of the debt. This is carried out on the basis of a perfect match and hedge accounting basis so that any mark-to-market effects are accounted for via comprehensive income and straight to equity. The Company carries out credit checks on clients as part of its tendering processes and has a history of minimal loss from debtors. There are no material overdue receivables as of year-end. Further information on financial risk management is provided in note 19 to the consolidated financial statements.

An account of the main features of Prosafe's internal control and risk management systems is available on its website [www.prosafe.com/risk-management/risk-management-article1496-894.html](http://www.prosafe.com/risk-management/risk-management-article1496-894.html).

### **INTERNAL CONTROLS**

Internal control is effected in accordance with Prosafe's policies and procedures which aim to ensure the effectiveness and efficiency of its operations, reliability of its financial reporting and compliance with applicable laws and regulations. These policies and procedures are designed, inter alia, to safeguard assets and protect from accidental loss or fraud.

In addition, the policies and procedures are

reinforced inter alia, by the organisation and the competence of its personnel, segregation of duties, regular risk assessments and internal reporting, management meetings, board meetings, internal audit committee and internal audits together with external audit and public reporting and communication.

### **HEALTH, SAFETY AND THE ENVIRONMENT (HSE)**

Robust HSE performance is fundamental to all of Prosafe's operations and is therefore reflected in its core values. As a consequence, Prosafe works proactively and systematically to reduce injuries and sickness absence.

During 2015, Prosafe recorded four lost time injuries (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 3.3 for 2015, compared to 2.6 in 2014. 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.

Prosafe operates a zero accident mind-set philosophy which means that no accidents or serious incidents are acceptable. Over the past years, it has focused on preventive measures and a number of initiatives have been implemented in order to further strengthen the safety culture. These initiatives will be continuously developed in order to improve safety performance further.

Sick leave decreased from 3.0 percent in 2014 to 2.45 per cent in 2015.

Prosafe had no accidental discharges to the natural environment in 2015 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 851 individuals at the end of 2015, compared with 796 in the previous year. Prosafe's global presence was reflected in the fact that its employees came from 28 countries around the world. The overall workforce turnover in the group was 7.8 per cent in 2015, as compared to 8.0 percent in 2014.

Prosafe 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 2015, women accounted for 13.0 per cent of the overall workforce, compared to 12.9 per cent in 2014. Onshore the proportion of women was 43.4 per cent, as opposed to 44.1 per cent in 2014.

Women constituted 12.0 per cent of the managers as at 31 December 2015, as opposed to 14.6 per cent at the end of 2014.

Prosafe aims to offer the same opportunities to all and there is no discrimination due to age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, nationality, religion or belief, sex, and sexual

orientation, with respect to recruitment, remuneration or promotion.

## **CORPORATE GOVERNANCE**

Corporate governance in the Company 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. The Company's full corporate governance report is set out on Prosafe's website [www.prosafe.com/norwegian-code-of-practice/category32.html](http://www.prosafe.com/norwegian-code-of-practice/category32.html). Significant shareholdings are presented in note 14 to the financial statements and on [www.prosafe.com/largest-shareholders/category160.html](http://www.prosafe.com/largest-shareholders/category160.html).

By displaying robust corporate governance, the Company aims to strengthen confidence in Prosafe 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.

The members of the Board of Directors at 31 December 2015 and at the date of this report are set out on page 25. Except for Harald Espedal and Glen Ole Rødland, referred to below they were all members of the Board of Directors throughout the year. There were no significant changes in the assignment of the responsibilities of the members of the Board of Directors. The remuneration of the members of the Board of Directors is disclosed in note 6 to the financial statements.

All directors serve for a period of two years unless the general meeting decides that a director shall serve for a specified period shorter than two years. At the annual general meeting (AGM) on 13 May 2015, Christian Brinch, Roger Cornish and Carine Smith Ihenacho were re-elected as Directors for a one-year period.

At the extraordinary general meeting on 23 October 2015 Ronny Langeland resigned and Harald Espedal was elected as Director and Chairman of the Board until the AGM of 2017.

At the extraordinary general meeting on 15 March 2016, it was resolved that the Board of

Directors of the Company be increased from six to up to seven non-executive Directors. It was further resolved that Glen Ole Rødland was elected as an additional non-executive Director and as a result the Board of Directors now comprises seven Directors.

As at 31 December 2015 the only Director holding shares in the Company (including associated parties), was Roger Cornish who is the registered shareholder and beneficial owner of 7,000 shares (approximately 0.0027% of the issued share capital of the Company).



There have been no changes to the holdings after 31 December 2015.

### **CORPORATE SOCIAL RESPONSIBILITY**

Prosafe aims to be a socially responsible Group and to further develop its business in a sustainable manner. In order to ensure long-term, viable development and profit, Prosafe 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 Group'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, Prosafe 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.

Further information is available on Prosafe's website [www.prosafe.com/corporate-responsibility](http://www.prosafe.com/corporate-responsibility)

### **GOING CONCERN**

The Board of Directors confirms that the accounts have been prepared under the assumption that the Company is a going concern and that this assumption is realistic at the date of the accounts. This assumption is based on the budgets for the year and the

Group's long-term forecasts for the following years. As a result of the suspension of the two contracts in Mexico and the increased liquidity risk, a material uncertainty around the going concern assumption has arisen. The Board of Directors has evaluated the financial forecasts including the assumptions for utilisation of the vessels and the charter day rates. These assumptions are based on prudent estimates compared to historical actuals. In the evaluation of the financial forecasts, factors such as the order backlog and cost saving initiatives have been considered. As referred to in the financial presentation of the Q4 2015 result, the Group has already achieved annual cost savings amounting to USD 15 million. There is a target to double these annual savings. Cost savings to date and going forward include many cost categories, e.g. offshore, travel and salaries. Activity level is forecasted to rebound from 2018 as industry cost reductions are taking full effect.

Moreover, the Board of Directors has evaluated the Company's ability to reach a solution in the ongoing dialogue with the Company's key stakeholders, and concluded that it is likely/realistic to achieve a favourable outcome of this process. This conclusion is an important factor in the going concern assumption. The Board of Directors intends to announce a plan to secure financing of the Company shortly. As of today, such a plan is likely to involve a combination of one or more different alternatives including but not limited to, renegotiated restrictive covenants and debt restructuring. The Board of Directors refers to the Risk section for additional comments i.a. on liquidity risk.

## AUDITOR

The auditors of the Company, Messrs KPMG Limited, have expressed their willingness to continue in office. A resolution for authorising the Board of Directors to fix their remuneration will be submitted at the forthcoming annual general meeting. Reference to auditors' fee is made in note 6 to the consolidated accounts.



## SHAREHOLDERS AND SHARE CAPITAL

According to the shareholder register as at 31 December 2015, the twenty largest shareholders held a total of 71.2 per cent of the issued shares. The number of shareholders was 3,961. A nominee account in the name of State Street Bank was the largest shareholder with a holding of 18.1 per cent of the issued shares.

Prosafe carries out a quarterly survey attempting to identify the underlying owners of shares held in nominee accounts. This survey can be found at the Prosafe web site: [www.prosafe.com/getfile.php/PDF%20Filer/2016-02%20RDIR%20Report.pdf](http://www.prosafe.com/getfile.php/PDF%20Filer/2016-02%20RDIR%20Report.pdf).

In December 2015, the Company issued 23,597,300 additional shares of nominal value of €0.25 at a premium of €2.48. As at 31 December 2015 Prosafe had an issued share capital of 259,570,359 ordinary shares at a nominal value of EUR 0.25 each.

Further information is shown in note 14 to the consolidated financial statements.

## DIVIDENDS AND PROPOSED DIVIDENDS

In 2015, the Company declared and paid interim dividends of USD 34 million (USD 125.8 million), corresponding to NOK 1.12 per share (NOK 3.29). The Board of directors does not propose the payment of a final dividend.

Prosafe's aim is that its shareholders receive a competitive return on their shares through a combination of share price appreciation and a direct return in the form of dividends.

Prosafe's long-term dividend policy remains as described in the Q3 2014 report. However, in light of the reduction in industry activity levels, the Board decided in November 2015 to temporarily suspend dividend payments. The Board believes that this will be beneficial for the Company from a commercial, financial and strategic perspective, and that it will improve the Company's financial robustness and optionality. In addition, as part of the agreed amendments to its credit facilities, Prosafe has agreed that it will not issue any dividends, complete any bond- or equity buy-back from 31 December 2015 unless all voluntary skipped amortisations have been prepaid or cancelled

and a 12-month financial forecast has been provided which confirms compliance with original financial covenants (except for the equity ratio which must be a minimum of 35 per cent).

At 31 December 2015, Prosafe SE had a distributable equity of USD 491.1 million. The parent company showed a net loss of USD 418.2 million for 2015.

## **EVENTS AFTER THE BALANCE SHEET DATE**

Reference is made to note 24 to the consolidated accounts, and note 16 to the parent company's separate accounts for a description of events after the balance sheet date.

In January 2016, the Company agreed with its banking syndicate to amend its USD 1,300 million banking facility agreement. The amendment includes the option to voluntarily skip two scheduled amortisations amounting up to USD 130 million in total under this facility in 2016 and/or 2017. In addition, the annual interest rate on the credit facilities was revised according to a grid pricing system based on leverage ratio.



On 7 March 2016 Prosafe announced that it had been informed by its Mexican client Cotemar Group ("Cotemar"), that Safe Regency would be suspended by Petróleos Mexicanos ("Pemex") from mid-March 2016 and that it was likely that Safe Lancia would also be suspended by Pemex by mid-March 2016. On 16 March 2016, Prosafe confirmed that it had been informed by Cotemar that the Safe Lancia will be suspended by Pemex from mid-March 2016. This was in response to the fact that Pemex is cutting spending in order to adjust its budget to reflect an oil price of USD 25 per barrel.

The Group has decided to scrap three of its oldest units, the Jasminia, Safe Hibernia and Safe Britannia, and to cold stack other units starting with the Safe Astoria.

As referred to in the Financial restructuring section above, Prosafe was granted a waiver of the liquidity covenant on 22 April 2016. The temporary minimum liquidity covenant is now USD 20 million until the end of the third quarter of 2016.

#### **Larnaca, 27th April 2016**

Board of Directors of Prosafe SE



**Harald Espedal**

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



**Anastasis Ziziros**

Non-executive Director



**Glen Ole Rødland**

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 2015



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 2015, confirm that, to the best of our knowledge:

- (a) the annual consolidated and financial statements that are presented on pages 28 to 70
  - (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.

**Larnaca, Cyprus, 27th April 2016**



**Harald Espedal**  
Non-executive Chairman



**Christian Brinch**  
Non-executive Director



**Roger Cornish**  
Non-executive Director



**Carine Smith Ihenacho**  
Non-executive Director



**Anastasis Ziziros**  
Non-executive Director



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



**Glen Ole Rødland**  
Non-executive Director



**Stig Harry Christiansen**  
Chief Financial Officer  
Prosafe Management AS



# CONSOLIDATED ACCOUNTS

## CONSOLIDATED INCOME STATEMENT

(USD million)	Note	2015	2014
Charter revenues	4	425.4	481.2
Other operating revenues	4, 5	49.3	67.5
<b>Operating revenues</b>		<b>474.7</b>	<b>548.7</b>
Employee benefits	6	(98.9)	(110.6)
Other operating expenses	7	(112.9)	(125.5)
<b>Operating profit before depreciation and impairment</b>		<b>262.9</b>	<b>312.6</b>
Depreciation	8	(86.5)	(64.3)
Impairment	8	(145.6)	0.0
<b>Operating profit</b>		<b>30.8</b>	<b>248.3</b>
Interest income	10	0.2	0.3
Interest expenses	10	(41.6)	(37.3)
Other financial income	9, 10	44.1	76.4
Other financial expenses	9, 10	(73.6)	(96.4)
<b>Net financial items</b>		<b>(70.9)</b>	<b>(57.0)</b>
<b>Profit before taxes</b>		<b>(40.1)</b>	<b>191.3</b>
Taxes	11	(10.5)	(12.5)
<b>Net (loss)/profit</b>		<b>(50.6)</b>	<b>178.8</b>
<b>Attributable to equity holders of the parent</b>		<b>(50.6)</b>	<b>178.8</b>
<b>Earnings per share (USD)</b>	12	<b>(0.21)</b>	<b>0.76</b>
<b>Diluted earnings per share (USD)</b>	12	<b>(0.21)</b>	<b>0.76</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(USD million)	Note	2015	2014
Net profit for the year		(50.6)	178.8
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods</b>			
Foreign currency translation		(5.0)	(6.2)
Net gain/loss on cash flow hedges	19	(9.5)	(38.0)
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b>		<b>(14.5)</b>	<b>(44.2)</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>(65.1)</b>	<b>134.6</b>
<b>Attributable to equity holders of the parent</b>		<b>(65.1)</b>	<b>134.6</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(USD million)	Note	31.12.2015	31.12.2014
<b>ASSETS</b>			
Goodwill	8	226.7	226.7
Vessels	8	1 578.6	1 027.3
New builds	8, 23	228.5	311.8
Other tangible assets	8	4.9	5.7
<b>Total non-current assets</b>		<b>2 038.7</b>	<b>1 571.5</b>
Cash and deposits	18, 20	57.1	122.4
Debtors	18, 19	60.0	83.9
Other current assets	18, 21	31.4	39.0
<b>Total current assets</b>		<b>148.5</b>	<b>245.3</b>
<b>Total assets</b>		<b>2 187.2</b>	<b>1 816.8</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	14	72.1	65.9
Other equity		643.1	682.6
<b>Total equity</b>		<b>715.2</b>	<b>748.5</b>
Interest-bearing non-current liabilities	15, 18, 19	1 107.5	830.1
Deferred tax	11	7.8	13.4
Derivatives	17, 18	48.5	39.0
Other provisions		2.6	3.5
<b>Total non-current liabilities</b>		<b>1 166.4</b>	<b>886.0</b>
Interest-bearing current debt	15, 18, 19	139.5	0.0
Accounts payable	17, 18	17.8	18.6
Taxes payable	11	13.7	17.3
Derivatives	18, 19	40.7	87.9
Other current liabilities	16, 18, 19	93.9	58.5
<b>Total current liabilities</b>		<b>305.6</b>	<b>182.3</b>
<b>Total equity and liabilities</b>		<b>2 187.2</b>	<b>1 816.8</b>


Larnaca, 27 April 2016



**Harald Espedal**  
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



**Anastasis Ziziros**  
Non-executive Director



**Glen Ole Rødland**  
Non-executive Director

## CONSOLIDATED CASH FLOW STATEMENT

(USD million)	Note	2015	2014
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
(Loss)/Profit before taxes		(40.1)	191.3
Unrealised currency (gain)/loss on long-term debt	15	(56.6)	(83.7)
Loss/(gain) on sale of tangible assets		1.4	2.3
Depreciation and impairment	8	232.1	64.3
Interest income		(0.2)	(0.3)
Interest expenses		41.6	37.3
Taxes paid		(16.8)	(11.5)
Change in working capital		15.3	63.0
Other items from operating activities		(5.2)	(14.4)
<b>Net cash flow from operating activities</b>		<b>171.5</b>	<b>248.3</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of tangible assets	5	0.0	0.3
Acquisition of tangible assets	8, 23	(700.7)	(211.0)
Interest received		0.2	0.3
<b>Net cash flow from investing activities</b>		<b>(700.5)</b>	<b>(210.4)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from new interest-bearing debt	15, 18, 19	1 290.0	332.2
Repayments of interest-bearing debt	15, 18, 19	(816.5)	(198.0)
Share issue	14	65.8	0.0
Dividends paid	13	(34.0)	(125.8)
Interest paid		(41.6)	(37.3)
<b>Net cash flow from financing activities</b>		<b>463.7</b>	<b>(28.9)</b>
<b>Net cash flow</b>		<b>(65.3)</b>	<b>9.0</b>
Cash and deposits at 1 January		122.4	113.4
<b>Cash and deposits at 31 December</b>	20	<b>57.1</b>	<b>122.4</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(USD million)	Share capital	Other equity	Cash flow hedges	Foreign currency translation	Total equity
<b>Equity at 31 December 2013</b>	<b>65.9</b>	<b>623.1</b>	<b>8.2</b>	<b>42.6</b>	<b>739.7</b>
Net profit	0.0	178.8	0.0	0.0	178.8
Other comprehensive income	0.0	0.0	(38.0)	(6.2)	(44.2)
<b>Total comprehensive income</b>	<b>0.0</b>	<b>178.8</b>	<b>(38.0)</b>	<b>(6.2)</b>	<b>134.6</b>
Dividend (note 13)	0.0	(125.8)	0.0	0.0	(125.8)
<b>Equity at 31 December 2014</b>	<b>65.9</b>	<b>676.1</b>	<b>(29.8)</b>	<b>36.4</b>	<b>748.5</b>
Net loss	0.0	(50.6)	0.0	0.0	(50.6)
Other comprehensive income	0.0	0.0	(9.5)	(5.0)	(14.5)
<b>Total comprehensive income</b>	<b>0.0</b>	<b>(50.6)</b>	<b>(9.5)</b>	<b>(5.0)</b>	<b>(65.1)</b>
Share issue	6.2	59.6	0.0	0.0	65.8
Dividend (note 13)	0.0	(34.0)	0.0	0.0	(34.0)
<b>Equity at 31 December 2015</b>	<b>72.1</b>	<b>651.1</b>	<b>(39.3)</b>	<b>31.4</b>	<b>715.2</b>

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 AND PRINCIPAL ACTIVITY**

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 2015 were approved and authorised for issue in accordance with a resolution of the board of directors on 27 April 2016. 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.

**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.

**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 the going concern assumption, depreciation of fixed assets and impairment assessment of non-financial assets. Estimated useful life of the Group's semi-submersible accommodation/service 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 8.

### **NEW AND AMENDED STANDARDS**

The accounting policies adopted are consistent with those of the previous financial year. The following new and amended standards are relevant to the Group and have been adopted for the first time in these financial statements.

#### **IFRIC 21 – Levies**

IFRIC 21 clarifies when to recognise a liability to pay a levy that falls within the scope of IAS 37. The interpretation was issued by IASB in May 2013 and endorsed by the EU in June 2014. The amendments do not have a material impact on the Group's consolidated financial statements.

### **Annual Improvements to IFRS 2011-2013 Cycle**

In December 2013 IASB issued "Annual Improvements to IFRS 2011-2013 Cycle" and was endorsed by the EU in December 2014. The improvements amended four standards and mainly aim to provide clarifications. The amendments do not have a material impact on the Group's consolidated financial statements.

### **Standards issued but not yet effective, which the Group has not early adopted**

IASB has issued multiple new standards and interpretations that may impact the Group, which are described below. These standards are not yet effective, and the Group has not early adopted these standards. The Group has not yet finalised the full analysis of the impact on the Group's consolidated financial statements of the standards below/and the effect the standards is expected to have on the consolidated financial statements is currently unknown.

#### **IFRS 9 Financial Instruments**

IFRS 9 will eventually replace IAS 39 Financial instruments: Recognition and Measurement and is effective from 1 January 2018 with earlier adoption allowed. The standard was issued July 2014, but is not yet endorsed by the EU. The standard deals with classification, measurement, hedge accounting and impairment of financial instruments, and will replace IAS 39 on these topics.

#### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 is a joint revenue recognition standard issued from IASB and FASB and is effective from 1 January 2018, with earlier adoption allowed. The standard presents a single, principles-based five-step model for determination and recognition of revenue to be applied to all contracts with customers. The standard replaces existing IFRS requirements in IAS 11 Construction Contracts and IAS 18 Revenue, as well as supplemental IFRIC guidance. The standard is not yet endorsed by the EU.

#### **IFRS 16 Leases**

IFRS 16 was issued by IASB in January 2016. The standard principally requires lessees to recognize assets and liabilities for all leases and to present the rights and obligations associated with these leases in the statement of financial position, and is effective from 1 January 2019. Going forward, lessees will therefore no longer be required to make the distinction between finance and operating leases that was required in the past in accordance with IAS 17. The standard is not yet endorsed by the EU.

### **NOTE 3: SIGNIFICANT ACCOUNTING POLICIES**

**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.

**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 related 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 reporting 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 reporting date. Translation differences are taken to other comprehensive income. On disposal of a foreign operation, the deferred cumulative amount recognised in other comprehensive income, relating to that particular operation, is recognised in the income statement.

**SEGMENT REPORTING.** For management and monitoring purposes, the Group is organised into one segment; chartering and operation of accommodation/service vessels. For geographical information, reference is made to note 4.

**REVENUE RECOGNITION.** 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. Proceeds from customers for catering and other services that is provided by sub-contractors of Prosafe is recognised as reimbursement revenue. These services are recognised in the period when the services are rendered.

**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. 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 – 5 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.

The Group bases its impairment calculation on a detailed forecast calculation which is prepared for the Group's cash generating units. 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 the cash generating units 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.

## **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 and financial derivatives.

### **Financial assets at fair value through profit and loss**

Financial assets at fair value through profit and loss include financial assets held for trading. 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.

### **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 reliably estimated.

## **FINANCIAL LIABILITIES**

### **Initial recognition**

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

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

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

### **Non-derivative financial instruments**

Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

### **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.

**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. Other borrowing costs are capitalised as calculated using the effective interest method.

**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 recognised in the income statement.

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

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

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

#### **Cash flow hedges**

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

Amounts recognised as other comprehensive income are transferred to the income statement when the hedged transaction affects profit and loss, such as when the hedged financial income or financial expense is recognised.

#### **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.

**INCOME 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 statement of financial position when it is probable 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 an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

**DIVIDEND** distribution to the shareholders is recognised in the financial statements on the date on which the shareholders' right to receive payment is established.

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

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

#### NOTE 4: SEGMENT REPORTING

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

<b>Operating revenues by geographical location</b>	<b>2015</b>	<b>2014</b>
Europe excl. Cyprus	307.3	322.8
Cyprus	0.0	0.0
Americas	111.5	165.2
Australia/Asia	55.9	60.7
<b>Total operating revenues</b>	<b>474.7</b>	<b>548.7</b>

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

<b>Operating revenues from major customers situated in:</b>	<b>2015</b>		<b>2014</b>	
	1)	2)	1)	2)
Europe1	84.0	18 %	0.0	0 %
Americas1	78.2	16 %	110.9	20 %
Australia/Asia1	55.8	12 %	39.4	7 %
Europe2	47.3	10 %	25.9	5 %
Americas2	33.3	7 %	54.3	10 %
Europe3	32.5	7 %	60.3	11 %
Europe4	0.0	0 %	113.4	21 %

1) Operating revenues in USD million

2) Percentage of total revenues

<b>Total assets by geographical location</b>	<b>2015</b>	<b>2014</b>
Europe excl. Cyprus	1 603.2	1 031.8
Cyprus	31.2	58.7
Americas	198.6	266.5
Australia/Asia	354.2	459.8
<b>Total assets</b>	<b>2 187.2</b>	<b>1 816.8</b>

#### NOTE 5: OTHER OPERATING REVENUES

	<b>2015</b>	<b>2014</b>
Mobilisation/demobilisation income	5.4	8.8
Reimbursement revenues	43.9	58.7
<b>Total other operating revenues</b>	<b>49.3</b>	<b>67.5</b>

## NOTE 6: EMPLOYEE BENEFITS, MANAGEMENT REMUNERATION AND AUDIT FEE

	2015	2014
Wages and salaries	58.5	58.9
Contract personnel	14.8	21.7
Other personnel-related expenses	11.2	13.7
Social security taxes	5.8	7.6
Pension expenses	5.1	6.2
Other remuneration	3.4	3.0
Change in share option provision	0.0	(0.4)
<b>Total employee benefits</b>	<b>98.9</b>	<b>110.6</b>

### Bonus scheme

The Company's bonus scheme embraces the executive management and other key employees. The bonus depends on achieving defined results relating to earnings, the attainment of strategic goals and HSE.

### Share options

The executive management and other key employees (in total 12 persons) were included in a synthetic share option programme that expired in 2015. The outstanding options were granted in 2011. When a synthetic option was exercised, the option holder was 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 date. All synthetic options were capped at two times strike price. Net proceeds after tax were to be used to purchase shares in the Company at market price. The options were valued by using the Black-Scholes option pricing model. The right to exercise was subject to the employee being employed during the vesting period.

	2015	2014
Share price at 31 December (NOK)	N/A	23.00
Weighted average fair value (NOK) at 31 December	N/A	0.18
Provision at 31 December (USD million)	0.0	0.0



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)
Expired in 2015	(285 000)
Outstanding options at 31 December 2015	0
Exercisable at 31 December 2015	0

### 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.

<b>Senior officers</b> (USD 1 000)	<b>Year</b>	<b>Salary</b>	<b>Bonus <sup>1)</sup></b>	<b>Pension <sup>2)</sup></b>	<b>Other benefits</b>
Karl Ronny Klungtvedt (CEO)	2015	498	213	159	28
Robin Laird (Deputy CEO)	2015	523	251	79	189
Stig Christiansen (CFO from Aug 2015)	2015	117	0	18	10
Sven Børre Larsen (CFO to Aug 2015)	2015	227	127	29	25
Karl Ronny Klungtvedt (CEO)	2014	619	354	181	36
Robin Laird (Deputy CEO)	2014	561	329	84	264
Sven Børre Larsen (CFO)	2014	381	220	44	58

1) Payment based on previous year's achievements

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

**Board of directors**

(USD 1 000)

	Year	Board fees <sup>1)</sup>
Harald Espedal (chair from Oct 2015)	2015	25
Ronny Johan Langeland (chair to Oct 2015)	2015	113
Christian Brinch	2015	119
Roger Cornish	2015	101
Tasos Ziziros	2015	87
Nancy Ch. Erotocritou	2015	85
Carine Smith Ihenacho	2015	81
Ronny Johan Langeland (chair from May 2014)	2014	159
Michael Raymond Parker (chair to May 2014)	2014	68
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
Christakis Pavlou (to May 2014)	2014	38

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

**Auditors' fee**

(USD 1 000)

	2015	2014
Audit	324	298
Fees for other services	15	34
<b>Total auditors' fee</b>	<b>338</b>	<b>332</b>

Auditor's fee is included in general and administrative expenses (note 7).

**NOTE 7: OTHER OPERATING EXPENSES**

	2015	2014
Repair and maintenance	24.3	28.5
Other vessel operating expenses	49.5	53.1
General and administrative expenses	39.1	43.9
<b>Total other operating expenses</b>	<b>112.9</b>	<b>125.5</b>

**NOTE 8: TANGIBLE ASSETS AND GOODWILL**

	Vessels	New builds	Equipment	Buildings	Goodwill	Total
<b>Acquisition cost 31 December 2013</b>	<b>1 537.0</b>	<b>248.9</b>	<b>4.7</b>	<b>7.4</b>	<b>226.7</b>	<b>2 024.8</b>
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)
<b>Acquisition cost 31 December 2014</b>	<b>1 679.4</b>	<b>311.8</b>	<b>5.9</b>	<b>7.9</b>	<b>226.7</b>	<b>2 231.6</b>
Additions	783.8	(83.3)	0.2	0.0	0.0	700.7
Disposals	(2.1)	0.0	0.0	0.0	0.0	(2.1)
<b>Acquisition cost 31 December 2015</b>	<b>2 461.1</b>	<b>228.5</b>	<b>6.1</b>	<b>7.9</b>	<b>226.7</b>	<b>2 930.2</b>
<b>Accumulated depreciation 31 December 2013</b>	<b>590.1</b>	<b>0.0</b>	<b>3.5</b>	<b>3.6</b>	<b>0.0</b>	<b>597.2</b>
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
<b>Accumulated depreciation 31 December 2014</b>	<b>652.1</b>	<b>0.0</b>	<b>3.6</b>	<b>4.5</b>	<b>0.0</b>	<b>660.2</b>
Accumulated depreciation on disposals	(0.7)	0.0	0.0	0.0	0.0	(0.7)
Depreciation for the year	85.5	0.0	0.4	0.5	0.0	86.5
Impairment	145.6	0.0	0.0	0.0	0.0	145.6
<b>Accumulated depreciation 31 December 2015</b>	<b>882.5</b>	<b>0.0</b>	<b>4.0</b>	<b>5.0</b>	<b>0.0</b>	<b>891.5</b>
<b>Net carrying amount 31 December 2015</b>	<b>1 578.6</b>	<b>228.5</b>	<b>2.1</b>	<b>2.9</b>	<b>226.7</b>	<b>2 038.7</b>
<b>Net carrying amount 31 December 2014</b>	<b>1 027.3</b>	<b>311.8</b>	<b>2.2</b>	<b>3.4</b>	<b>226.7</b>	<b>1 571.5</b>
<b>Depreciation rate (%)</b>	<b>2-20</b>	<b>-</b>	<b>20-33</b>	<b>3-5</b>	<b>-</b>	<b>-</b>
<b>Economically useful life (years)</b>	<b>5-50</b>	<b>-</b>	<b>3-5</b>	<b>20-30</b>	<b>-</b>	<b>-</b>

New builds include prepayment of 20 % of the yard cost for the 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.

Borrowing costs are capitalised as part of the asset in accordance with revised IAS 23. As at 31 December 2015, capitalised borrowing costs amount to USD 28.4 million (31 December 2014: USD 15.8 million). The amount of borrowing costs capitalised in the period equalled USD 12.8 million (USD 7.5 million) and the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 2.7% (2.8%).

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 there is an impairment relating to several of the accommodation vessels due to a weaker market outlook. On this basis, an impairment charge amounting to USD 145.6 million has been made in the accounts. The estimated recoverable amounts of the assets - the values in use - are as follows.

	<b>Impairment</b>	<b>Recoverable amount</b>
Jasminia	9.1	0.0
Safe Hibernia	4.3	0.0
Safe Britannia	21.1	0.0
Safe Regency	21.0	0.0
Safe Lancia	13.7	0.0
Safe Bristolia	57.1	71.8
Safe Astoria	2.3	90.2
Safe Concordia	17.0	183.2
	<b>145.6</b>	<b>345.2</b>

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/service 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 units, 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

#### Expenses

- Operating expenses and overheads reflecting current market conditions and historical utilisation rates

#### Capital expenditures

- Capex reflecting long-term capex projections (excluding value enhancing investments)

Pre-tax discount rate 8%.

- Sensitivity: a 1% increase in the pre-tax discount rate would have lead to an additional impairment of around USD 30 million on the cash generating units (vessels), and the goodwill would have been impaired by USD 100 million.

- Sensitivity: a 2% increase in the pre-tax discount rate would have lead to an additional impairment of around USD 95 million on the cash generating units (vessels), and the goodwill would have been impaired by USD 175 million.

## NOTE 9: OTHER FINANCIAL ITEMS

	2015	2014
Currency gain	0.0	76.4
Fair value adjustment currency forwards	44.1	0.0
<b>Total other financial income</b>	<b>44.1</b>	<b>76.4</b>
Currency loss	(55.7)	0.0
Fair value adjustment currency forwards	0.0	(83.4)
Amortisation of borrowing costs	(12.8)	(5.3)
Other financial expenses	(5.1)	(7.7)
<b>Total other financial expenses</b>	<b>(73.6)</b>	<b>(96.4)</b>

## NOTE 10: FINANCIAL ITEMS - IAS 39 CATEGORIES

Year ended 31 Dec 2015	Loans and receivables	Fair value through profit and loss	Financial liabilities measured at amortised cost	Total
Interest income	0.2	0.0	0.0	0.2
Fair value adjustment currency forwards	0.0	44.1	0.0	44.1
<b>Total financial income</b>	<b>0.2</b>	<b>44.1</b>	<b>0.0</b>	<b>44.3</b>
Interest expenses	0.0	0.0	(41.6)	(41.6)
Amortisation of borrowing costs	0.0	0.0	(12.8)	(12.8)
Other financial expenses	0.0	0.0	(5.1)	(5.1)
Currency loss <sup>1)</sup>	0.0	0.0	0.0	(55.7)
<b>Total financial expenses</b>	<b>0.0</b>	<b>0.0</b>	<b>(59.5)</b>	<b>(115.2)</b>
<b>Net financial items</b>	<b>0.2</b>	<b>44.1</b>	<b>(59.5)</b>	<b>(70.9)</b>

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
Currency gain <sup>1)</sup>	0.0	0.0	0.0	76.4
<b>Total financial income</b>	<b>0.3</b>	<b>0.0</b>	<b>0.0</b>	<b>76.7</b>
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)
<b>Total financial expenses</b>	<b>0.0</b>	<b>(83.4)</b>	<b>(50.3)</b>	<b>(133.7)</b>
<b>Net financial items</b>	<b>0.3</b>	<b>(83.4)</b>	<b>(50.3)</b>	<b>(57.0)</b>

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

## NOTE 11: TAXES

	2015	2014
<b>Taxes in income statement:</b>		
Taxes payable	13.2	15.8
Change in deferred tax	(2.7)	(3.3)
<b>Total taxes in income statement</b>	<b>10.5</b>	<b>12.5</b>
<b>Temporary differences:</b>		
Exit from Norwegian tonnage tax system	32.8	48.5
Non-current assets	(1.5)	(2.2)
Current assets	0.0	0.0
Current liabilities	0.0	3.3
<b>Basis for deferred tax</b>	<b>31.3</b>	<b>49.7</b>
<b>Recognised deferred tax</b>	<b>7.8</b>	<b>13.4</b>
Deferred tax 1 January	13.4	20.1
Change in deferred tax in income statement	(2.7)	(3.3)
Translation difference	(2.9)	(3.4)
<b>Deferred tax 31 December</b>	<b>7.8</b>	<b>13.4</b>
<b>Payable tax as at 31 December</b>	<b>13.7</b>	<b>17.3</b>

The cumulated tax loss carried forward in Cyprus as at 31 December 2015 and 2014 amounts to USD 47 million and USD 63.1 million respectively. The tax rate in Cyprus is 12.5%. No deferred tax asset is recognised in respect of this tax loss carried forward as utilisation of this deferred tax asset is deemed not probable. 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 was 27% in 2015, but effective 1 January 2016 the tax rate is 25%.

## NOTE 12: 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.

	2015	2014
<b>Net profit/(loss)</b>	<b>(50.6)</b>	<b>178.8</b>
Weighted average number of outstanding shares (1 000)	237 719	235 973
<b>Basic earnings per share</b>	<b>(0.21)</b>	<b>0.76</b>
Weighted average number of outstanding and potential shares (1 000)	237 719	235 973
<b>Diluted earnings per share</b>	<b>(0.21)</b>	<b>0.76</b>

## NOTE 13: DIVIDENDS

	2015	2014
Dividend declared during the year	34.0	125.8
<b>Total dividends declared</b>	<b>34.0</b>	<b>125.8</b>
Dividends per share (NOK)	1.12	3.29

## NOTE 14: SHARE CAPITAL AND SHAREHOLDER INFORMATION

	2015	2014
Issued and paid number of ordinary shares at 31 December	259 570 359	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	3 961	4 335

During the year the Company issued 23,597,300 additional shares of nominal value of €0.25 at a premium of €2.48.



<b>Largest shareholders/groups of shareholders at 31.12.2015</b>	<b>No of shares</b>	<b>Percentage</b>
State Street Bank (nom.)	47 071 218	18.1 %
North Sea Strategic Investments AS	31 526 403	12.1 %
RBC Investor Services Trust (nom.)	20 175 567	7.8 %
DNB	16 452 694	6.3 %
State Street Bank (nom.)	11 643 537	4.5 %
Folketrygdfondet	8 615 958	3.3 %
Pareto Aksje Norge	6 717 697	2.6 %
Odin Norge	6 058 000	2.3 %
FLPS	5 374 600	2.1 %
Six Sis AG (nom.)	4 369 896	1.7 %
Swedbank Robur Småbolagsfond Norden	3 969 484	1.5 %
State Street Bank (nom.)	3 503 573	1.3 %
Schroder International Selection	2 922 040	1.1 %
Pareto AS	2 752 292	1.1 %
JP Morgan Chase Bank (nom.)	2 591 036	1.0 %
Nordnet Bank AB (nom.)	2 587 560	1.0 %
Statoil Pensjon	2 335 927	0.9 %
Verdipapirfondet Alfred Berg Norge	2 067 232	0.8 %
KLP AksjeNorge Indeks	2 058 031	0.8 %
Swedbank Robur Nordenfond	2 000 057	0.8 %
<b>Total 20 largest shareholders/groups of shareholders</b>	<b>184 792 802</b>	<b>71.2 %</b>

All ordinary shares rank equally with regard to the Company's residual assets. Holders of these shares are entitled to dividends from time to time and are entitled to one vote per share at general meetings of the Company.

## NOTE 15: INTEREST-BEARING DEBT

As of 31 December 2015, Prosafe's interest-bearing debt totalled USD 1 247 million. Loans secured by mortgages (credit facility) accounted for USD 945 million of this total and unsecured bond loans accounted for about USD 302 million. Cross default clauses apply in both bank and bond loan agreements.

	2015	2014
Credit facility	945.0	440.0
Bond loans	302.0	390.1
<b>Total interest-bearing debt</b>	<b>1 247.0</b>	<b>830.1</b>
Debt in NOK	302.0	390.1
Debt in USD	945.0	440.0
<b>Total interest-bearing debt</b>	<b>1 247.0</b>	<b>830.1</b>
Long-term interest-bearing debt	1 107.5	830.1
Current interest-bearing debt	139.5	0.0
<b>Total interest-bearing debt</b>	<b>1 247.0</b>	<b>830.1</b>

### USD 1,300 million credit facility

In February 2015, the USD 1,100 million and USD 420 million credit facilities were refinanced in a new credit facility of USD 1,300 million with a tenor of seven years. The credit facility consists of two term loan tranches of USD 800 million and USD 200 million (drawn on delivery of Safe Zephyrus in January 2016) and a revolving credit facility of USD 300 million. The term loan tranches are reduced semi-annually with USD 55 and USD 10 million, respectively. In January 2016, the syndicate banks granted voluntary options to skip two scheduled amortizations. As of 31 December 2015, USD 100 million was available under the revolving credit facility and the term loan for Safe Zephyrus was unutilised. The annual interest rate above 3-month LIBOR depends on leverage ratio;

2.00 per cent. per annum if below 3.00

2.15 per cent. per annum if above 3.00 and less than or equal to 4.00

2.30 per cent. per annum if above 4.00 and less than or equal to 5.00

2.50 per cent. per annum if above 5.00 and less than or equal to 5.50

2.75 per cent. per annum if above 5.50

Financial covenants as per amendment in December 2015 (ref note 24)

Liquidity: Minimum USD 65 million <sup>1)</sup>

Leverage ratio: Net Debt <sup>2)</sup> / EBITDA <sup>3)</sup> must not exceed;

5.0 until 31 December 2015

6.0 1st January 2016 – 31 December 2018

5.0 1st January 2019 – maturity

Equity ratio: Minimum 25 per cent <sup>4)</sup>

Collateral maintenance: Market value collateral vessels / facilities outstanding above 125 per cent until 31 December 2018, and 150 per cent thereafter

## 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 (delivered in February 2016 and Safe Eurus (to be delivered in 2016). 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 above 3-month LIBOR depends on leverage ratio;

2.25 per cent. per annum if below 4.00

2.50 per cent. per annum if above 5.00 and less than or equal to 5.50

2.75 per cent. per annum if above 5.50

Financial covenants as per amendment in December 2015 (ref note 24)

Liquidity: Minimum USD 65 million <sup>1)</sup>

Leverage ratio: Net Debt <sup>2)</sup> / EBITDA <sup>3)</sup> must not exceed;

5.0 until 31 December 2015

6.0 1st January 2016 – 31 December 2018

5.0 1st January 2019 – maturity"

Equity ratio: Minimum 25 per cent <sup>4)</sup>

Collateral maintenance: Market value vessels/total outstanding loans  
above 125 per cent

1) Including up to USD 25 million of commitment available for utilization

2) Less cash and excluding debt related to new builds under construction

3) Annualisation of contribution from new vessels that have not been in operation for a full year

4) Book equity to total assets

## Financial covenants as of 31 December 2015 - Bank credit facilities

Cash and deposits	57.1
Amount available for utilisation, revolving credit facility (max USD 25 million)	25.0
<b>Liquidity (minimum USD 65 million)</b>	<b>82.1</b>
Credit facility	945.0
Bond loan PRS07	29.5
Bond loan PRS08	56.8
Bond loan PRS09	56.8
Bond loan PRS10	79.5
Bond loan PRS11	79.5
<b>Total interest-bearing debt</b>	<b>1 247.0</b>
Cash and deposits	57.1
Interest-bearing debt related to new builds	228.5
Bank guarantees	32.9
EBITDA <sup>1)</sup> last 12 months	391.0
<b>Leverage ratio (maximum 5.0)</b>	<b>2.5</b>

1) Including annualisation of contribution from new builds and conversions that have not been in operation for a full year.

Equity	715.2
Total assets	2 187.2
<b>Equity ratio (minimum 25%)</b>	<b>33 %</b>

Market value collateral vessels	1 707.5
Facilities outstanding	945.0
<b>Collateral maintenance (minimum 125%)</b>	<b>181 %</b>

### 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 260 million	NOK 260 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

Value adjusted equity ratio: Minimum 30 per cent

Leverage Ratio: Debt / EBITDA 1) must not exceed; 5.0

1) Annualisation of contribution from new vessels and conversions that have not been in operation for a full year.

As of 31 December 2015, the Group was in compliance with all covenants on interest-bearing debt. In February 2016, the bond holders approved to adjust the equity and leverage ratio covenants to be aligned with the covenants in the bank credit facilities. See note 24 for further information.

The Group has on 22 April 2016 been granted a waiver of a liquidity covenant relating to the credit facilities. The new temporary minimum liquidity level is USD 20 million until the end of the third quarter of 2016. This is applicable to both the USD 1.3 billion facility and the USD 288 million new build financing facility.

## Financial covenants as of 31 December 2015 - Bond loans

Credit facility	945.0
Bond loan PRS07	29.5
Bond loan PRS08	56.8
Bond loan PRS09	56.8
Bond loan PRS10	79.5
Bond loan PRS11	79.5
<b>Total interest-bearing debt</b>	<b>1 247.0</b>
Bank guarantees	32.9
EBITDA <sup>1)</sup> last 12 months	446.3
<b>Leverage ratio</b> (maximum 5.0)	<b>2.9</b>

1) For PRS08, PRS09, PRS10 and PRS11 EBITDA includes annualisation of contribution from new builds and conversions that have not been in operation for a full year. For PRS07, maturing February 2016, no EBITDA annualisation applies. As of 31 December 2015, Leverage Ratio for PRS07 was 4.87.

Value adjusted total equity	1 161.9
Value adjusted total assets	2 633.9
<b>Equity ratio</b> (minimum 30%)	<b>44 %</b>

As of 31 December 2015, the Group was in compliance with all covenants on interest-bearing debt. In February 2016, the bond holders approved to adjust the equity and leverage ratio covenants to be aligned with the covenants in the bank credit facilities. See note 24 for further information.

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 2015 compared to 2014.

### Sellers credits

In November 2015, Jurong Shipyard Pte Ltd. granted Prosafe a sellers' credit of USD 30 million as a reduction on the final delivery instalment of the Safe Zephyus. The sellers' credit is due to be repaid in a single payment on or before 15 June 2017, together with the annual interest rate of 6.7%.

In January 2016, Cosco (Qidong) Offshore Co. Ltd. granted a sellers' credit of around USD 29 million as a reduction on the final delivery instalment of the Safe Notos. The amount reduces the final delivery instalment for the vessel, and is due to be repaid in a single payment on or before 31 December 2016. The interest cost is estimated to be around 6%.

## NOTE 16: OTHER CURRENT LIABILITIES

	2015	2014
Various accrued costs	79.8	53.1
Accrued interest costs	5.0	3.8
Deferred income	4.6	1.2
Public taxes	0.3	0.4
Provision share option costs	0.0	0.0
Other interest-free current liabilities	4.1	0.0
<b>Total interest-free current liabilities</b>	<b>93.9</b>	<b>58.5</b>

## NOTE 17: MORTGAGES AND GUARANTEES

As of 31 December 2015, Prosafe's interest-bearing debt secured by mortgages totalled USD 945 million. The debt was secured by mortgages on the accommodation/service vessels Safe Astoria, Safe Bristolia, Safe Caledonia, Safe Concordia, Safe Scandinavia, Regalia, Safe Boreas (net carrying value USD 1,391 million) and Safe Zephyrus when delivered. Negative pledge clauses apply on shares in the vessel owning subsidiaries. Earnings accounts are pledged as security for the credit facilities, but cash will only be restricted if a continuing event of default occurs.

Bank guarantees amounted to NOK 290 million at 31 December 2015 (no outstanding bank guarantees as at 31 December 2014). The guarantees were secured by parent company guarantee and mortgages on the accommodation/service vessels Safe Regency, Safe Lancia, Safe Hibernia, Safe Britannia and Jasminia (net carrying value USD 0 million).

As of 31 December 2015, Prosafe had issued parent company guarantees to customers on behalf of its subsidiaries in connection with the award and performance of contracts totalling approximately USD 124 million.

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.

## NOTE 18: FINANCIAL ASSETS AND LIABILITIES

As of 31 December 2015, the group had financial assets and liabilities in the following categories:

Year ended 31 Dec 2015	Loans and receivables	Fair value through profit and loss	Financial liabilities measured at amortised cost	Book value	Fair value
Cash and deposits	57.1	0.0	0.0	57.1	57.1
Accounts receivable	60.0	0.0	0.0	60.0	60.0
Other current assets	26.3	0.0	0.0	26.3	26.3
<b>Total financial assets</b>	<b>143.4</b>	<b>0.0</b>	<b>0.0</b>	<b>143.4</b>	<b>143.4</b>
Credit facility 1300 million <sup>1)</sup>	0.0	0.0	945.0	945.0	905.0
Bond loan PRS07 <sup>2)</sup>	0.0	0.0	29.5	29.5	29.6
Bond loan PRS08 <sup>3)</sup>	0.0	0.0	56.8	56.8	55.4
Bond loan PRS09 <sup>4)</sup>	0.0	0.0	56.8	56.8	46.6
Bond loan PRS10 <sup>5)</sup>	0.0	0.0	79.5	79.5	69.0
Bond loan PRS11 <sup>6)</sup>	0.0	0.0	79.5	79.5	65.1
Fair value interest swaps <sup>7)</sup>	0.0	48.5	0.0	48.5	48.5
Fair value currency forwards	0.0	40.7	0.0	40.7	40.7
Accounts payable	0.0	0.0	17.8	17.8	17.8
Other current liabilities	0.0	0.0	84.8	84.8	84.8
<b>Total financial liabilities</b>	<b>0.0</b>	<b>89.2</b>	<b>1 349.7</b>	<b>1 438.9</b>	<b>1 362.4</b>

- 1) Fair value reflects current market conditions with the assumption that the credit margin would increase from the actual 200 basis points to 275 basis points. The net present value of the interest advantage, discounted with USD 5-year swap rate, is around USD 40 million.
- 2,3,4,5,6) Fair value reflects current market conditions based on last trade prices as of 31 December 2015 (Bloomberg rates): PRS07 100.208, PRS08 97.487, PRS09 82.000, PRS10 86.757, PRS11 81.893
- 7) Interest swaps are treated as effective hedges (hedge accounting), and changes in fair value affect other comprehensive income, not profit and loss.

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 secured under the USD 1,300 million credit facility.

### 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.

<b>Year ended 31 Dec 2015</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Fair value currency forwards	(40.7)	0.0	(40.7)	0.0
Fair value interest swaps	(48.5)	0.0	(48.5)	0.0
<b>Total financial assets/liabilities</b>	<b>(89.2)</b>	<b>0.0</b>	<b>(89.2)</b>	<b>0.0</b>



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

<b>Year ended 31 Dec 2014</b>	<b>Loans and receivables</b>	<b>Fair value through profit and loss</b>	<b>Financial liabilities measured at amortised cost</b>	<b>Book value</b>	<b>Fair value</b>
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
<b>Total financial assets</b>	<b>238.7</b>	<b>0.0</b>	<b>0.0</b>	<b>238.7</b>	<b>238.7</b>
Credit facility 1100 million <sup>1)</sup>	0.0	0.0	440.0	440.0	432.0
Bond loan PRS07 <sup>2)</sup>	0.0	0.0	67.3	67.3	66.6
Bond loan PRS08 <sup>3)</sup>	0.0	0.0	67.3	67.3	65.4
Bond loan PRS09 <sup>4)</sup>	0.0	0.0	67.3	67.3	59.2
Bond loan PRS10 <sup>5)</sup>	0.0	0.0	94.2	94.2	84.7
Bond loan PRS11 <sup>6)</sup>	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
<b>Total financial liabilities</b>	<b>0.0</b>	<b>126.9</b>	<b>905.8</b>	<b>1 032.7</b>	<b>1 000.1</b>

- 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 prices estimated by the Norwegian Securities Dealers Association as of 31 December 2014: PRS07 99.000, PRS08 97.146, PRS09 87.955, PRS10 89.895, PRS11 95.313.
- 7) Interest swaps are treated as effective hedges (hedge accounting), and changes in fair value affect other comprehensive income, not profit and loss.

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

## **NOTE 19: 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 presentation currency is USD, and financial risk exposure is managed with financial instruments in accordance with internal policies and standards approved by the board of directors.

### *Currency risk*

Prosafe is exposed to currencies other than USD associated with operating expenditure, capital expenditure, interest-bearing debt, tax, cash and deposits. Cash and deposits are mainly denominated in USD, GBP, EUR and NOK. Cash and deposits in currencies other than USD, are to a certain extent natural hedges for any GBP, EUR and NOK liabilities. The proportion of the total currency exposure hedged by use of financial derivatives will normally lie between 50 and 75 per cent for the next 12-month period, by using forward contracts.

### *Operating expenditure*

Operating expenditure 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 SGD, SEK, EUR, USD and BRL. Operating expenditure and maintenance related capital expenditure currencies other than USD is typically currency-hedged using forward contracts with a time horizon of 9-12 months.

### *Capital expenditure*

Capital expenditure will, depending on the origin of equipment and the location of the yard, tend to be in USD, GBP, EUR and NOK. Planned capital expenditure in currencies other than USD is typically currency-hedged independent of time horizon, by using forward contracts.

### *Interest bearing debt*

Interest bearing debt consists of both USD and NOK denominated liabilities. The principal amounts of liabilities denominated in other currencies than USD are fully hedged by using multiple forward contracts with different settlement dates with a time horizon of up to 12 months. At maturity, the forwards are rolled for further 12 months until debt maturity.

### *Tax*

Tax liabilities predominantly consist of a NOK denominated deferred tax associated with the exit from the Norwegian tonnage tax system effective 1 January 2006. Payable tax related to the deferred tax liability is also currency-hedged.

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 2015, the fair value and maximum credit risk exposure of forward exchange contracts was USD 40.7 million negative.

A negative fair market value on currency forwards will be associated with a positive effect on the fair market value of the underlying hedged item. For example, a NOK depreciation will cause a negative fair market value on currency forwards, but a positive effect on the fair market value of future operating expenses, capital expenditure, NOK denominated interest-bearing debt and NOK denominated tax liabilities. A NOK appreciation will have the opposite effects.

As of 31 December 2015, Prosafe had entered into the following forward exchange contracts:

<b>Maturity</b>	<b>Prosafe buy NOK Amount</b>	<b>Rate</b>	<b>Prosafe sell USD Amount</b>
14.01.2016	125 000 000	7.77	16 089 229
20.01.2016	30 000 000	8.46	3 546 377
28.01.2016	150 000 000	7.79	19 251 390
03.02.2016	50 000 000	7.83	6 383 881
11.02.2016	150 000 000	7.64	19 634 004
29.02.2016	150 000 000	7.62	19 689 561
04.03.2016	30 000 000	8.74	3 434 336
31.03.2016	150 000 000	8.04	18 653 655
13.04.2016	150 000 000	8.12	18 472 204
13.04.2016	50 000 000	8.13	6 153 683
04.05.2016	30 000 000	7.40	4 053 914
13.05.2016	150 000 000	7.61	19 704 577
31.05.2016	150 000 000	7.73	19 393 250
08.06.2016	30 000 000	7.49	4 002 768
16.06.2016	150 000 000	7.83	19 159 780
02.07.2016	150 000 000	7.91	18 951 598
07.07.2016	30 000 000	7.50	4 000 962
11.07.2016	150 000 000	8.24	18 211 597
03.08.2016	30 000 000	7.49	4 003 614
08.08.2016	150 000 000	8.28	18 126 100
17.08.2016	150 000 000	8.19	18 326 206
03.09.2016	100 000 000	8.32	12 019 086
07.09.2016	30 000 000	7.49	4 003 433
09.09.2016	100 000 000	8.30	12 055 019
15.09.2016	150 000 000	8.24	18 201 895
05.10.2016	30 000 000	7.51	3 994 837
17.10.2016	150 000 000	8.17	18 363 449
17.10.2016	50 000 000	8.17	6 123 256
04.11.2016	50 000 000	8.48	5 898 918
09.11.2016	30 000 000	7.51	3 995 012
16.11.2016	150 000 000	8.70	17 248 893
07.12.2016	30 000 000	7.54	3 980 004
09.12.2016	50 000 000	8.64	5 788 042
15.12.2016	150 000 000	8.64	17 362 116
20.01.2017	30 000 000	8.46	3 547 171
08.02.2017	30 000 000	8.46	3 545 419
08.03.2017	30 000 000	8.45	3 550 691

<b>Maturity</b>	<b>Prosafe buy GBP Amount</b>	<b>Rate</b>	<b>Prosafe sell USD Amount</b>
11.02.2016	6 000 000	1.52	9 134 668
04.03.2016	6 000 000	1.54	9 228 572
13.04.2016	6 000 000	1.48	8 869 770
05.05.2016	6 000 000	1.54	9 217 471
10.06.2016	6 000 000	1.52	9 128 850
08.07.2016	4 000 000	1.55	6 210 440
12.08.2016	4 000 000	1.55	6 193 440
09.09.2016	4 000 000	1.52	6 098 000
05.10.2016	4 000 000	1.49	5 957 116
09.11.2016	4 000 000	1.49	5 964 692
07.12.2016	4 000 000	1.49	5 967 028

### 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.

<b>Pre-tax effects</b>	<b>2015</b>		<b>2014</b>	
	<b>Income statement effect</b>	<b>OCI effect</b>	<b>Income statement effect</b>	<b>OCI effect</b>
USD +10%				
Re-valuation cash and deposits	(3.2)	0.0	(5.0)	0.0
Re-valuation currency forwards	(40.0)	0.0	(60.0)	0.0
Re-valuation NOK bonds	27.5	0.0	29.0	0.0
<b>Total</b>	<b>(15.7)</b>	<b>0.0</b>	<b>(36.0)</b>	<b>0.0</b>
USD -10%				
Re-valuation cash and deposits	3.7	0.0	5.0	0.0
Re-valuation currency forwards	52.0	0.0	71.0	0.0
Re-valuation NOK bonds	(33.5)	0.0	(35.0)	0.0
<b>Total</b>	<b>22.2</b>	<b>0.0</b>	<b>41.0</b>	<b>0.0</b>

### Interest rate risk

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 loans.

## 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 2015, Prosafe's hedging agreements totalled USD 1 600 million (including USD 300 million with forward start):

<b>Notional amount</b>	<b>Fixed rate</b>	<b>Maturity</b>	<b>Swap type</b>	<b>Fair value</b>		
USD 100 million	1.2650 %	2016	Bullet	(0.4)	hedge accounting	Started
USD 150 million	1.7780 %	2017	Bullet	(1.6)	hedge accounting	Started
USD 150 million	2.1000 %	2017	Bullet	(2.7)	hedge accounting	Started
USD 150 million	1.6120 %	2017	Bullet	(1.4)	hedge accounting	Started
USD 150 million	1.6624 %	2019	Bullet	(0.7)	hedge accounting	Started
USD 150 million	1.3625 %	2018	Bullet	(0.1)	hedge accounting	Started
USD 150 million	2.2325 %	2020	Bullet	(4.0)	hedge accounting	Started
USD 150 million	2.7195 %	2020	Bullet	(7.4)	hedge accounting	Started
USD 150 million	2.3265 %	2020	Bullet	(4.6)	hedge accounting	Started
USD 150 million	3.6865 %	2021	Bullet	(12.6)	hedge accounting	Forward start
USD 150 million	3.8620 %	2022	Bullet	(13.1)	hedge accounting	Forward start
<b>Total</b>				<b>(48.5)</b>		

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 2015, the fair value and maximum credit risk exposure of interest rate swap agreements was USD 48.5 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  $\pm 100$ bps is applied in the analysis.

	2015		2014	
	Income statement effect	OCI effect	Income statement effect	OCI effect
<b>Pre-tax effects</b>				
Forward curve +100bps				
Re-valuation interest rate swaps	0.0	39.2	0.0	60.1
<b>Total</b>	<b>0.0</b>	<b>39.2</b>	<b>0.0</b>	<b>60.1</b>
Forward curve -100bps				
Re-valuation interest rate swaps	0.0	(70.7)	0.0	(60.1)
<b>Total</b>	<b>0.0</b>	<b>(70.7)</b>	<b>0.0</b>	<b>(60.1)</b>

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

As of 31 December 2015, the following changes in other comprehensive income were related to financial instruments:

	Change	2015	2014
Re-valuation interest rate swaps	28.5	(9.5)	(38.0)
Ineffectiveness	0.0	0.0	0.0
<b>Total</b>	<b>28.5</b>	<b>(9.5)</b>	<b>(38.0)</b>

### Credit risk

The Gulf of Mexico contracts contain a cancellation clause allowing the ultimate customer, Pemex, to cancel the contract with 30 days notice without compensation, if the financing of the project is cancelled. These clauses reflect the crisis that Mexico saw during the 1980s. Prosafe experienced in March 2016 that the two remaining contracts in Mexico were suspended, and the company is prepared that these contracts may be cancelled due to the ongoing crises.

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 financial institutions issuing guarantees in favour of Prosafe, 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.

As of 31 December 2015, there is no objective evidence that accounts receivable is impaired, and no impairment loss has been recognised in the income statement.

Accounts receivables	Total	Not due	< 30 days	30 - 60 days	61-90 days	> 90 days
31 December 2015	60.0	59.5	0.3	0.2	0.0	0.0
31 December 2014	83.9	60.0	15.8	8.1	0.1	0.0

## Liquidity risk

Prosafe is exposed to liquidity risk in a scenario when the Group's cash flow from operations is insufficient to cover payments of financial liabilities. Prosafe manages liquidity and funding on a group level. In order to mitigate the liquidity risk, Prosafe makes active use of a system for planning and forecasting the development of its liquidity, and utilises scenario analyses to secure stable and sound development in order to maintain sufficient cash to cover its financial and operational obligations.

In February 2015, Prosafe completed the refinancing of two bank facilities. In Q3 2015, the Board of Directors decided to suspend dividend payments in light of the near term reduction in industry activity levels.

As of 31 December 2015, Prosafe had a liquidity reserve totalling USD 157.1 million (cash and deposits of USD 57.1 million and undrawn portion of revolving credit facility of USD 100 million). Under the existing credit facility agreements, the Group is required to maintain minimum liquidity of USD 65 million (including up to USD 25 million of total commitments available for utilisation).

The continued negative development in the oil and gas industry has increased the risk of reduced charter revenues in the short and mid term. This development has increased the liquidity risk compared to prior years. The Company has significant debt maturities in 2016 and 2017. Although the Company views the longer term prospects as positive, the Company has taken measures to improve the situation. This includes an agreement with its banking syndicate on an option to voluntarily skip two scheduled amortisations amounting in 2016 and/or 2017.

As of 31 December 2015, the Group's main financial liabilities had the following remaining contractual maturities:

<b>Per year</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020 →</b>
Interest-bearing debt (downpayments) <sup>1)</sup>	139.5	210.8	233.5	233.5	429.7
Interest-bearing debt (interest including interest swaps) <sup>2)</sup>	74.5	84.4	85.0	86.3	146.4
Accounts payable and other current liabilities	17.8	0.0	0.0	0.0	0.0
<b>Total</b>	<b>231.8</b>	<b>295.2</b>	<b>318.5</b>	<b>319.8</b>	<b>576.1</b>

<b>Per quarter 2016</b>	<b>Q1 2016</b>	<b>Q2 2016</b>	<b>Q3 2016</b>	<b>Q4 2016</b>	<b>Total</b>
Interest-bearing debt (downpayments) <sup>1)</sup>	84.5	0.0	55.0	0.0	139.5
Interest-bearing debt (interest including interest swaps) <sup>2)</sup>	19.9	17.5	17.5	19.6	74.5
Accounts payable and other current liabilities	17.8	0.0	0.0	0.0	17.8
<b>Total</b>	<b>122.2</b>	<b>17.5</b>	<b>72.5</b>	<b>19.6</b>	<b>231.8</b>

1) In January 2016, the syndicate banks granted two voluntary skip options in an aggregate amount of USD 130 million for the USD 1,300 million credit facilities. Prosafe has the right to exercise the options until and including 31 December 2017.

2) Based on forecasted average debt, average LIBOR per 31 December 2015 and average weighted margin.

As of 31 December 2015, the commitments under the USD 1,300 million credit facility totalled USD 1,245 million (including the USD 200 million term loan for financing of Safe Zephyrus), of which USD 945 was utilised. As of year-end, available amount under the revolving credit facility was USD 100 million, meaning that scheduled downpayment for 2016 amounted to USD 10 million. Following delivery of Safe Zephyrus, scheduled semi-annual amortisations amount to USD 65 million. At year-end, the USD 288 facility was unutilised and consists of two tranches of USD 144 million each. Following delivery of Safe Notos and Safe Eurus, each tranche which will be reduced quarterly with USD 3 million. Reference is made to note 15 for further information.

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) 1)	0.0	67.3	382.3	94.2	286.3
Interest-bearing debt (interest including interest swaps) 2)	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
<b>Total</b>	<b>75.5</b>	<b>135.6</b>	<b>452.8</b>	<b>161.2</b>	<b>386.3</b>

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.

### 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 net interest-bearing debt (excluding debt related to newbuilds) including bank guarantees, by EBITDA over the last 12 months. To stay in compliance with financial covenants, the leverage ratio is not allowed to exceed 5.0 up to and including 31 December 2015, and 6.0 thereafter. At 31 December 2015 (2014), the leverage ratio was 2.5 (1.7).

### NOTE 20: CASH AND DEPOSITS

	2015	2014
Restricted cash deposits (withholding personal income tax)	0.2	0.2
Free cash and short-term deposits	56.9	122.2
<b>Total cash and deposits</b>	<b>57.1</b>	<b>122.4</b>

### NOTE 21: OTHER CURRENT ASSETS

	2015	2014
Receivables	7.2	16.7
Prepayments	4.2	5.8
Stock	0.9	0.8
Other current assets	19.1	15.7
<b>Total other current assets</b>	<b>31.4</b>	<b>39.0</b>



## NOTE 22: RELATED PARTY DISCLOSURES

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

<b>Company name</b>	<b>Country of incorporation</b>	<b>Ownership</b>	<b>Voting share</b>
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 %
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 2015:

(includes shares owned by wholly-owned companies)

<b>Senior officers:</b>	<b>Shares</b>
Karl Ronny Klungvedt - CEO	72 500
Robin Laird - Deputy CEO	58 000
Stig Christiansen - CFO	0
Harald Espedal - chair	0
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 23: CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS**

As at 31 December the Group had three new builds under construction. Safe Zephyrus was delivered in January 2016. The amount paid on delivery equalled USD 230 million. Safe Notos was delivered in February 2016. The amount paid on delivery equalled USD 180 million. Sellers' credits were given for these two vessels. (See more details in note 24). The estimated final instalment on the third new build, the Safe Eurus, is USD 180 million. This vessel is scheduled to be delivered in Q3 2016.

## **NOTE 24: EVENTS AFTER THE BALANCE SHEET DATE**

### **Amended credit facilities**

In December 2015/January 2016, the company agreed with its bank syndicates to amend the USD 1,300 million and USD 288 million credit facilities. The additional liquidity, flexibility and headroom created by the amendments, which cover both covenant headroom and voluntary option to skip two scheduled amortisations, provides Prosafe with increased operational and financial flexibility and makes the company more robust in a challenging market. The amendments to the credit facilities include:

Leverage ratio (ratio of net borrowings divided by adjusted EBITDA):

1 January 2016 - 31 December 2018: Net debt/EBITDA < 6.0  
1 January 2019 and thereafter: Net debt//EBITDA < 5.0

"Net debt" is excluding debt related to new builds under construction and conversions, and "EBITDA" includes the annualisation of contribution from such vessels that have not been in operation for a full year.

Equity ratio to be minimum 25 per cent from 31 December 2015 until 31 December 2017, and 30 per cent thereafter.

Prosafe has secured an option to voluntary skip scheduled amortisations amounting to two instalments of USD 65 million under the USD 1,300 million facility, in total amounting to USD 130 million. These voluntary amortisations options will be available to the company immediately and until 31 December 2017, subject to completion of formal documentation.

Other conditions: No dividends, bond- or equity buy-backs from 31 December 2015 unless;

- i) all voluntary skipped amortisations have been prepaid or cancelled; and
- ii) a 12 month financial forecast has been provided which confirms compliance with original financial covenants, except for the equity ratio to be minimum 35 per cent of book equity.

### **Amended covenants bond loans**

In February 2016, bondholders approved adjustments of the financial covenants in all outstanding bond issues, in order to align with the covenants in the bank facilities. The amendments include:

Leverage ratio (ratio of net borrowings divided by adjusted EBITDA):

31 March 2016 - 31 December 2018: Net debt/EBITDA < 6.0  
1 January 2019 and thereafter: Net debt//EBITDA < 5.0

"Net debt" is excluding debt related to new builds under construction and conversions, and "EBITDA" includes the annualisation of contribution from such vessels that have not been in operation for a full year.

Equity ratio to be minimum 25 per cent from 31 March 2016 until 31 December 2017, and 30 per cent thereafter.

#### **Delivery of new builds and seller credits**

The new build, Safe Zephyrus, was delivered from Jurong Shipyard in Singapore in January 2016. The final delivery instalment was reduced by USD 30 million, which represents a seller's credit from Jurong Shipyard Pte Ltd. This amount is to be repaid in a single payment on or before 15 June 2017. The company took delivery of Safe Notos in February 2016. The final delivery instalment will be reduced by USD 29 million, by way of a seller's credit from Cosco (Qidong) Offshore Co., Ltd. This amount is repayable in a single payment by 31 December 2016.

#### **Mexico market update**

On 7 March 2016 Prosafe announced that it had been informed by its Mexican client Cotemar Group ("Cotemar"), that Safe Regency will be suspended by Petróleos Mexicanos ("Pemex") from mid-March 2016 and that it is likely that Safe Lancia will also be suspended by Pemex by mid-March 2016. On 16 March 2016, Prosafe confirmed that it had been informed by Cotemar that the Safe Lancia will be suspended by Pemex from mid-March 2016. This is in response to the fact that Pemex is cutting spending in order to adjust its budget to reflect an oil price of USD 25 per barrel. The Group has decided to scrap three of its oldest units, the Jasminia, Safe Hibernia and Safe Britannia, and to cold stack other units starting with the Safe Astoria.

#### **Temporary liquidity bank covenant**

In April 2016, the Company agreed with its lenders an amendment to the credit facilities. A new bank covenant minimum liquidity level of USD 20 million was set until the end of the third quarter of 2016. The new temporary covenant are applicable to both the USD 1.3 billion facility and the USD 288 million new build financing facility.

#### **Financial restructuring plan**

A dialogue has been commenced with the Company's key stakeholders, including the senior lenders, and the Company is currently working with stakeholders and advisors to evaluate alternatives to improve the financial situation of the Company. Amendments to the bank and bond agreements will be required in order to secure a robust financial foundation and to safeguard and further strengthen Prosafe's market leading position in the industry. The Company intends to communicate its financial plan during the second quarter of 2016.

#### **NOTE 25: GOING CONCERN**

The Board of Directors confirms that the accounts have been prepared under the assumption that the Company is a going concern and that this assumption is realistic at the date of the accounts. This assumption is based on the budgets for the year and the Group's long-term forecasts for the following years. As a result of the suspension of the two contracts in Mexico and the increased liquidity risk, a material uncertainty around the going concern assumption has arisen. The Board of Directors has evaluated the financial forecasts including the assumptions for utilisation of the vessels and the charter day rates. These assumptions are based on prudent estimates compared to historical actuals. In the evaluation of the financial forecasts, factors such as the order backlog and cost saving initiatives have been considered. As referred to in the financial presentation of the Q4 2015 result, the Group has already achieved annual cost savings amounting to USD 15 million. There is a target to double these annual savings. Cost savings to date and going forward include many cost categories, e.g. offshore, travel and salaries. Activity level is forecasted to rebound from 2018 as industry cost reductions are taking full effect.

Moreover, the Board of Directors has evaluated the Company's ability to reach a solution in the ongoing dialogue with the Company's key stakeholders, and concluded that it is likely to achieve a favourable outcome of this process. This conclusion is an important factor in the going concern assumption. The Board of Directors intends to announce a plan to secure financing of the Company shortly. As of today, such a plan is likely to involve a combination of one or more different alternatives including but not limited to, renegotiated restrictive covenants and debt restructuring. For additional comments on liquidity risk, please refer to note 19.





# ACCOUNTS PROSAFE SE

## INCOME STATEMENT - PROSAFE SE

(USD 1 000)	Note	2015	2014
<b>Income from investments in subsidiaries</b>		<b>9 670</b>	<b>739 646</b>
Impairment of shares in subsidiaries	7	(331 209)	(483 609)
<b>Results of investing activities</b>		<b>(321 539)</b>	<b>256 037</b>
Operating expenses	2	(11 634)	(11 950)
Depreciation	3	(8)	(10)
<b>Operating profit</b>		<b>(333 180)</b>	<b>244 077</b>
Other financial income	4, 5	167 061	140 817
Other financial expenses	4, 5	(252 063)	(198 649)
<b>Net financial items</b>	5	<b>(85 002)</b>	<b>(57 832)</b>
<b>(Loss)/profit before taxes</b>		<b>(418 182)</b>	<b>186 245</b>
Taxes	6	(1)	(1)
<b>Net (loss)/profit</b>		<b>(418 183)</b>	<b>186 244</b>
<b>Attributable to the owners of the company</b>		<b>(418 183)</b>	<b>186 244</b>

## STATEMENT OF COMPREHENSIVE INCOME - PROSAFE SE

(USD 1 000)	2015	2014
<b>Net (loss)/profit</b>	<b>(418 183)</b>	<b>186 244</b>
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods</b>		
Net loss on cash flow hedges	(9 530)	(38 043)
<b>Other comprehensive loss to be reclassified to profit or loss in subsequent periods</b>	<b>(9 530)</b>	<b>(38 043)</b>
<b>Total comprehensive (loss)/income for the year, net of tax</b>	<b>(427 713)</b>	<b>148 201</b>
<b>Attributable to the owners of the company</b>	<b>(427 713)</b>	<b>148 201</b>

## STATEMENT OF FINANCIAL POSITION - PROSAFE SE

(USD 1 000)	Note	31/12/15	31/12/14
<b>ASSETS</b>			
Tangible assets	3	19	27
Shares in subsidiaries	7	2 227 991	2 335 450
Intra-group long-term receivables	12, 14	556 225	547 320
<b>Total non-current assets</b>		<b>2 784 235</b>	<b>2 882 797</b>
Cash and deposits	14	12 194	17 285
Other current assets	8, 14	22 557	13 747
<b>Total current assets</b>		<b>34 751</b>	<b>31 032</b>
<b>Total assets</b>		<b>2 818 986</b>	<b>2 913 829</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	9	72 135	65 894
Share premium reserve		804 700	745 109
<b>Total paid-in equity</b>		<b>876 835</b>	<b>811 003</b>
Retained earnings		491 143	952 836
<b>Total retained earnings</b>		<b>491 143</b>	<b>952 836</b>
<b>Total equity</b>		<b>1 367 978</b>	<b>1 763 839</b>
Interest-bearing long-term debt	10	1 107 464	830 142
Derivatives	14	48 510	38 980
Interest-free long-term liabilities	14, 15	1 733	2 081
<b>Total long-term liabilities</b>		<b>1 157 707</b>	<b>871 203</b>
Interest-bearing current debt	10, 15	139 500	0
Derivatives	14	40 707	74 675
Intra-group current liabilities	12, 14, 15	105 053	197 838
Other interest-free current liabilities	11, 14, 15	8 041	6 275
<b>Total current liabilities</b>		<b>293 301</b>	<b>278 787</b>
<b>Total equity and liabilities</b>		<b>2 818 986</b>	<b>2 913 829</b>

On 27 April 2016 the Board of Directors of Prosafe SE approved and authorised these financial statements for issue.

Larnaca, 27 April 2016



**Harald Espedal**  
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



**Anastasis Ziziros**  
Non-executive Director



**Glen Ole Rødland**  
Non-executive Director



## CASH FLOW STATEMENT - PROSAFE SE

(USD 1 000)	Note	2015	2014
<b>Cash flow from operating activities</b>			
Profit/loss before taxes		(418 182)	186 245
Unrealised currency loss / (gain) on long-term debt		(56 715)	(83 701)
Depreciation	3	8	10
Impairment shares in subsidiaries		331 209	483 609
Interest income		(14 506)	(5 974)
Interest expenses		54 381	45 309
Change in working capital		(7 044)	1 090
Taxes paid	6	(1)	(1)
Other items from operating activities		(34 315)	67 704
<b>Net cash flow from operating activities</b>		<b>(145 165)</b>	<b>694 292</b>
<b>Cash flow from investing activities</b>			
Acquisition of shares		(223 750)	(320 018)
Change in intra-group balances	12	(101 690)	(335 514)
Interest received		14 506	5 974
<b>Net cash flow from investing activities</b>		<b>(310 933)</b>	<b>(649 558)</b>
<b>Cash flow from financing activities</b>			
Proceeds from issue of share capital	9	65 832	0
New interest-bearing long-term debt	10	1 290 000	332 220
Repayment of interest-bearing long-term debt	10	(816 463)	(198 000)
Dividends paid		(33 980)	(125 774)
Interest paid		(54 381)	(45 309)
<b>Net cash flow from financing activities</b>		<b>451 008</b>	<b>(36 863)</b>
<b>Net cash flow</b>		<b>(5 090)</b>	<b>7 871</b>
Cash and deposits at 1 January		17 285	9 414
<b>Cash and deposits at 31 December</b>		<b>12 194</b>	<b>17 285</b>

## STATEMENT OF CHANGES IN EQUITY - PROSAFE SE

(USD 1 000)	Share capital	Share premium	Retained earnings	Cash flow hedges	Total equity
<b>Equity at 31 December 2013</b>	<b>65 894</b>	<b>745 109</b>	<b>922 328</b>	<b>8 081</b>	<b>1 741 412</b>
Net profit	0	0	186 244	0	186 244
Other comprehensive income	0	0	0	(38 043)	(38 043)
<b>Total comprehensive income <sup>1)</sup></b>	<b>0</b>	<b>0</b>	<b>186 244</b>	<b>(38 043)</b>	<b>148 201</b>
Dividends	0	0	(125 774)	0	(125 774)
<b>Equity at 31 December 2014</b>	<b>65 894</b>	<b>745 109</b>	<b>982 798</b>	<b>(29 962)</b>	<b>1 763 839</b>
Net profit	0	0	(418 183)	0	(418 183)
Other comprehensive income	0	0	0	(9 530)	(9 530)
<b>Total comprehensive income <sup>1)</sup></b>	<b>0</b>	<b>0</b>	<b>(418 183)</b>	<b>(9 530)</b>	<b>(427 713)</b>
Dividends	0	0	(33 980)	0	(33 980)
Share issue	6 241	59 591	0	0	65 832
<b>Equity at 31 December 2015</b>	<b>72 135</b>	<b>804 700</b>	<b>530 635</b>	<b>(39 492)</b>	<b>1 367 978</b>

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 parent company financial statements should be read in conjunction with the consolidated accounts. The notes to the consolidated accounts provide additional information to the parent company's accounts which is not presented here separately. The Company's functional currency is US dollars (USD), and the financial statements are presented in USD. Investments in subsidiaries are measured at historic cost, unless there is any indication of impairment. In case of impairment, an investment is written down to recoverable amount.

## NOTE 2: OPERATING EXPENSES

	2015	2014
Services from subsidiaries	6 692	8 203
Directors' fees	574	731
Salaries and management bonus	453	620
Other remuneration	37	75
Payroll taxes	34	46
Share option costs	(7)	(403)
Pension expenses	(92)	(69)
Auditors' audit fees	24	270
Auditors' other fees	10	6
Other operating expenses	3 909	2 471
<b>Total operating expenses</b>	<b>11 634</b>	<b>11 950</b>

## NOTE 3: TANGIBLE ASSETS

	Equipment	Total
Acquisition cost 31.12.13	206	204
Additions	5	5
Disposals at acquisition cost	0	0
<b>Acquisition cost 31.12.14</b>	<b>211</b>	<b>211</b>
Additions	0	0
Disposals at acquisition cost	0	0
<b>Acquisition cost 31.12.15</b>	<b>211</b>	<b>211</b>
<b>Accumulated depreciation 31.12.13</b>	<b>174</b>	<b>174</b>
Accumulated depreciation on disposals	0	0
Depreciation for the year	10	10
<b>Accumulated depreciation 31.12.14</b>	<b>184</b>	<b>184</b>
Accumulated depreciation on disposals	0	0
Depreciation for the year	8	8
<b>Accumulated depreciation 31.12.15</b>	<b>192</b>	<b>192</b>
<b>Carrying value 31.12.15</b>	<b>19</b>	<b>19</b>
<b>Carrying value 31.12.14</b>	<b>27</b>	<b>27</b>
<b>Depreciation rate (%)</b>	<b>20-30</b>	<b>-</b>

#### NOTE 4: OTHER FINANCIAL ITEMS

	2015	2014
Interest receivable from subsidiaries	14 436	5 917
Other interest receivable	70	57
Loan from subsidiary written off	0	8 407
Currency gain	108 254	126 437
Fair value adjustment currency forwards	44 123	0
Other financial income	178	0
<b>Total other financial income</b>	<b>167 061</b>	<b>140 817</b>
Interest payable to subsidiaries	0	(123)
Interest expenses	(54 381)	(45 186)
Currency loss	(178 280)	(72 047)
Fair value adjustment currency forwards	0	(68 170)
Other financial expenses	(19 402)	(13 123)
<b>Total other financial expenses</b>	<b>(252 063)</b>	<b>(198 649)</b>

#### NOTE 5: FINANCIAL ITEMS - IAS 39 CATEGORIES

Year ended 31 Dec 2015	Loans and receivables	Fair value through profit and loss	Financial liabilities measured at amortised cost	Total
Interest income	14 506	0	0	14 506
Currency gain <sup>1)</sup>	0	0	0	108 254
Fair value adjustment currency forwards	0	0	44 123	44 123
Other financial income	0	0	178	178
<b>Total financial income</b>	<b>14 506</b>	<b>0</b>	<b>44 301</b>	<b>167 061</b>
Interest expenses	0	0	(54 381)	(54 381)
Currency loss <sup>1)</sup>	0	0	0	(178 280)
Other financial expenses	0	0	(19 402)	(19 402)
<b>Total financial expenses</b>	<b>0</b>	<b>0</b>	<b>(73 783)</b>	<b>(252 063)</b>
<b>Net financial items</b>	<b>14 506</b>	<b>0</b>	<b>(29 482)</b>	<b>(85 002)</b>

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

Year ended 31 Dec 2014	Loans and receivables	Fair value through profit and loss	Financial liabilities measured at amortised cost	Total
Interest income	5 974	0	0	5 974
Currency gain <sup>1)</sup>	0	0	0	126 437
Loan from subsidiary written off	0	0	8 407	8 407
<b>Total financial income</b>	<b>5 974</b>	<b>0</b>	<b>8 407</b>	<b>140 818</b>
Interest expenses	0	0	(45 309)	(45 309)
Currency loss <sup>1)</sup>	0	0	0	(72 047)
Fair value adjustment derivatives	0	(68 170)	0	(68 170)
Other financial expenses	0	0	(13 123)	(13 123)
<b>Total financial expenses</b>	<b>0</b>	<b>(68 170)</b>	<b>(58 432)</b>	<b>(198 649)</b>
<b>Net financial items</b>	<b>5 974</b>	<b>(68 170)</b>	<b>(50 025)</b>	<b>(57 832)</b>

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

## NOTE 6: TAXES

	2015	2014
(Loss)/profit before taxes	(418 182)	532 245
Permanent differences	399 962	(506 554)
Change in tax loss carried forward	18 220	(25 691)
<b>Tax base</b>	<b>0</b>	<b>0</b>
<b>Taxes</b>	<b>1</b>	<b>1</b>
<i>Temporary differences:</i>		
Loss carried forward	(44 873)	(63 093)
<b>Basis for deferred tax liability (+)/benefit (-)</b>	<b>(44 873)</b>	<b>(63 093)</b>
<b>Deferred tax liability (+)/benefit (-)</b>	<b>0</b>	<b>0</b>
<b>Taxes payable at 31 December</b>	<b>0</b>	<b>0</b>

No deferred tax asset has been recognised 1:1048576 respect of the tax loss carried forward as utilisation of this deferred tax asset is deemed not probable. Tax losses for each year are carried forward for 5 years. The tax rate in Cyprus is 12.5%.

## Reconciliation in accordance with IAS 12.81

	2015	2014
(Loss)/profit before taxes	(418 182)	532 245
Corporation tax thereon at the applicable tax rates	(52 273)	66 531
Tax effect of expenses not deductible for tax purposes	30 472	37 777
Tax on income not taxable in determining taxable profit	(20 280)	(108 868)
Effect of unused current year tax losses	680	4 560
Special contribution to defence fund	1	1
<b>Tax charge</b>	<b>1</b>	<b>1</b>

## NOTE 7: SHARES IN SUBSIDIARIES

(Share capital and carrying value in 1 000)

Company		Share capital	Carrying value 2015	Carrying value 2014	Ownership
Prosaf AS	NOK	100	69 316	69 316	100 %
Prosaf Offshore AS	NOK	100	270	270	100 %
Prosaf Management AS	NOK	100	15	15	100 %
Prosaf (UK) Holdings Ltd	GBP	11 000	9 826	9 826	100 %
Prosaf Offshore Pte Ltd	USD	10 000	244 533	320 037	100 %
Consaf Offshore AB	SEK	27 786	0	4 371	100 %
Prosaf Offshore Services Pte Ltd	USD	10	150	150	100 %
Prosaf Asia Pacific Pte Ltd	SGD	10	7	0	100 %
Prosaf Rigs Pte Ltd	USD	2 500 040	1 903 873	1 931 464	91 %
<b>Total carrying value</b>			<b>2 227 991</b>	<b>2 335 450</b>	

Consaf Offshore AB was liquidated in 2015.

In the income statement for 2015, the following impairment charges were made:  
Prosaf Rigs Pte Ltd USD 255.7 million and Prosaf Offshore Pte Ltd USD 75.5 million.

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

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

## NOTE 8: OTHER CURRENT ASSETS

	2015	2014
Current receivables from group companies	4 218	81
Other current assets	18 339	13 666
<b>Total other current assets</b>	<b>22 557</b>	<b>13 747</b>

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

## NOTE 9: SHARE CAPITAL

	2015	2014
Authorised shares as of 31 December	275 924 148	275 924 148
Issued and paid number of ordinary shares as of 31 December	259 570 359	235 973 059
Nominal value	EUR 0,25	EUR 0,25

On 8 December 2015, Prosafe completed a private placement of 23 597 300 new shares directed towards Norwegian and international institutional investors. The placement was made at a subscription price of NOK 25 per share. Net proceeds amounted to USD 65.8 million.

## NOTE 10: INTEREST-BEARING DEBT

As of 31 December 2015, Prosafe SE's interest-bearing debt totalled about USD 1,247 million. Loans secured by mortgages (credit facility) accounted for USD 945 million of this total and unsecured bond loans accounted for about USD 302 million.

	2015	2014
Credit facility	945 000	440 000
Bond loans	301 964	390 142
<b>Total interest-bearing debt</b>	<b>1 246 964</b>	<b>830 142</b>
Debt in NOK	301 964	390 142
Debt in USD	945 000	440 000
<b>Total interest-bearing debt</b>	<b>1 246 964</b>	<b>830 142</b>
Long-term interest-bearing debt	1 107 464	830 142
Current interest-bearing debt	139 500	0
<b>Total interest-bearing debt</b>	<b>1 246 964</b>	<b>830 142</b>

For further information, see note 15 of the consolidated accounts.

## NOTE 11: OTHER INTEREST-FREE CURRENT LIABILITIES

	2015	2014
Accrued interest costs	4 957	3 776
Other current liabilities	3 083	2 500
<b>Total other interest-free current liabilities</b>	<b>8 041</b>	<b>6 275</b>

## NOTE 12: INTRA-GROUP BALANCES

	2015	2014
NOK loan to Prosafe AS	76 225	66 028
USD loan to Prosafe Offshore Pte Ltd	480 000	481 292
<b>Intra-group long-term receivables</b>	<b>556 225</b>	<b>547 320</b>

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.

<b>Transactions with related parties</b>	2015	2014
<b>Transactions</b>		
Administrative services from subsidiaries	(6 692)	(8 203)
Interest income	14 436	5 917
Interest expenses	0	(123)
Dividend	9 670	739 646

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

Current receivables of the ultimate parent to subsidiaries	4 218	81
Intra-group long-term receivables	556 225	547 320
Current payables from the ultimate parent to subsidiaries	105 053	197 838

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 2015, Prosafe's interest-bearing debt secured by mortgages totalled USD 945 million. The debt was secured by mortgages on the accommodation/service vessels Safe Astoria, Safe Bristolia, Safe Caledonia, Safe Concordia, Safe Scandinavia, Regalia, Safe Boreas (net carrying value USD 1,391 million) and Safe Zephyrus when delivered. Negative pledge clauses apply on shares in the vessel owning subsidiaries. Earnings accounts are pledged as security for the credit facilities, but cash will only be restricted if a continuing event of default occurs.

Bank guarantees amounted to NOK 290 million at 31 December 2015 (no outstanding bank guarantees as at 31 December 2014). The guarantees were secured by parent company guarantee and mortgages on the accommodation/service vessels Safe Regency, Safe Lancia, Safe Hibernia, Safe Britannia and Jasminia (net carrying value USD 0 million).

As of 31 December 2015, Prosafe had issued parent company guarantees to customers on behalf of its subsidiaries in connection with the award and performance of contracts totalling approximately USD 124 million.

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.

## NOTE 14: FINANCIAL ASSETS AND LIABILITIES

As of 31 December 2015, Prosafe SE had financial assets and liabilities in the following categories:

Year ended 31 Dec 2015	Loans and receivables	Fair value through profit and loss	Financial liabilities measured at amortised cost	Book value
Intra-group long-term receivable	556 225	0	0	556 225
Cash and deposits	12 194	0	0	12 194
Other current assets	22 557	0	0	22 557
<b>Total assets</b>	<b>590 976</b>	<b>0</b>	<b>0</b>	<b>590 976</b>
Credit facility	0	0	945 000	945 000
Bond loan PRS07	0	0	29 515	29 515
Bond loan PRS08	0	0	56 760	56 760
Bond loan PRS09	0	0	56 760	56 760
Bond loan PRS10	0	0	79 464	79 464
Bond loan PRS11	0	0	79 464	79 464
Fair value derivatives	0	89 217	0	89 217
Interest-free long-term liabilities	0	0	1 733	1 733
Intra-group current liabilities	0	0	105 053	105 053
Other interest free current liabilities	0	0	8 041	8 041
<b>Total liabilities</b>	<b>0</b>	<b>89 217</b>	<b>1 361 791</b>	<b>1 451 008</b>

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

<b>Year ended 31 Dec 2014</b>	<b>Loans and receivables</b>	<b>Fair value through profit and loss</b>	<b>Financial liabilities measured at amortised cost</b>	<b>Book value</b>
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
<b>Total assets</b>	<b>578 352</b>	<b>0</b>	<b>0</b>	<b>578 352</b>
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
<b>Total liabilities</b>	<b>0</b>	<b>113 654</b>	<b>1 036 336</b>	<b>1 149 990</b>

For further information, see note 18 of the consolidated accounts.

## **NOTE 15: MATURITY PROFILE LIABILITIES**

As of 31 December 2015, Prosafe SE's main financial liabilities had the following remaining contractual maturities:

<b>Year ended 31 Dec 2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020 →</b>
Interest-bearing debt (downpayments)	139 500	210 800	233 500	233 500	429 700
Interests incl interest swaps	74 500	84 400	85 000	86 300	146 400
Intra-group current liabilities	105 053	0	0	0	0
Interest-free long-term liabilities	0	2 081	0	0	0
Other interest-free current liabilities	8 041	0	0	0	0
<b>Total</b>	<b>327 094</b>	<b>297 281</b>	<b>318 500</b>	<b>319 800</b>	<b>576 100</b>

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

<b>Year ended 31 Dec 2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019 →</b>
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
<b>Total</b>	<b>261 013</b>	<b>137 681</b>	<b>452 800</b>	<b>161 200</b>	<b>386 300</b>

## **NOTE 16: EVENTS AFTER THE BALANCE SHEET DATE**

### **Amended credit facilities**

In December 2015/January 2016, the company agreed with its bank syndicates to amend the USD 1,300 million and USD 288 million credit facilities. The additional liquidity, flexibility and headroom created by the amendments, which cover both covenant headroom and voluntary option to skip two scheduled amortisations, provides Prosafe with increased operational and financial flexibility and makes the company more robust in a challenging market. The amendments to the credit facilities include:

Leverage ratio (ratio of net borrowings divided by adjusted EBITDA):

1 January 2016 - 31 December 2018:	Net debt/EBITDA < 6.0
1 January 2019 and thereafter:	Net debt//EBITDA < 5.0

"Net debt" is excluding debt related to new builds under construction and conversions, and "EBITDA" includes the annualisation of contribution from such vessels that have not been in operation for a full year.

Equity ratio to be minimum 25 per cent from 31 December 2015 until 31 December 2017, and 30 per cent thereafter.

Prosafe has secured an option to voluntary skip scheduled amortisations amounting to two instalments of USD 65 million under the USD 1,300 million facility, in total amounting to USD 130 million. These voluntary amortisations options will be available to the company immediately and until 31 December 2017, subject to completion of formal documentation.

Other conditions: No dividends, bond- or equity buy-backs from 31 December 2015 unless;

- i) all voluntary skipped amortizations have been prepaid or cancelled; and
- ii) a 12 month financial forecast has been provided which confirms compliance with original financial covenants, except for the equity ratio to be minimum 35 per cent of book equity.

### **Amended covenants, bond loans**

In February 2016, bond holders approved adjustments of the financial covenants in all outstanding bond issues, in order to align with the covenants in the bank facilities. The amendments include:

Leverage ratio (ratio of net borrowings divided by adjusted EBITDA):

31 March 2016 - 31 December 2018:	Net debt/EBITDA < 6.0
1 January 2019 and thereafter:	Net debt//EBITDA < 5.0

"Net debt" is excluding debt related to new builds under construction and conversions, and "EBITDA" includes the annualisation of contribution from such vessels that have not been in operation for a full year.

Equity ratio to be minimum 25 per cent from 31 March 2016 until 31 December 2017, and 30 per cent thereafter.

### **Temporary liquidity bank covenant**

In April 2016, the Company agreed with its lenders an amendment to the credit facilities. A new bank covenant minimum liquidity level of USD 20 million was set until the end of the third quarter of 2016. The new temporary covenant are applicable to both the USD 1.3 billion facility and the USD 288 million new build financing facility.

### **Financial restructuring plan**

A dialogue has been commenced with the Company's key stakeholders, including the senior lenders, and the Company is currently working with stakeholders and advisors to evaluate alternatives to improve the financial situation of the Company. Amendments to the bank and bond agreements will be required in order to secure a robust financial foundation and to safeguard and further strengthen Prosafe's market leading position in the industry. The Company intends to communicate its financial plan during the second quarter of 2016.

## **NOTE 17: GOING CONCERN**

The Board of Directors confirms that the accounts have been prepared under the assumption that the Company is a going concern and that this assumption is realistic at the date of the accounts. This assumption is based on the budgets for the year and the Group's long-term forecasts for the following years. As a result of the suspension of the two contracts in Mexico and the increased liquidity risk, a material uncertainty around the going concern assumption has arisen. The Board of Directors has evaluated the financial forecasts including the assumptions for utilisation of the vessels and the charter day rates. These assumptions are based on prudent estimates compared to historical actuals. In the evaluation of the financial forecasts, factors such as the order backlog and cost saving initiatives have been considered. As referred to in the financial presentation of the Q4 2015 result, the Group has already achieved annual cost savings amounting to USD 15 million. There is a target to double these annual savings. Cost savings to date and going forward include many cost categories, e.g. offshore, travel and salaries. Activity level is forecasted to rebound from 2018 as industry cost reductions are taking full effect.

Moreover, the Board of Directors has evaluated the Company's ability to reach a solution in the ongoing dialogue with the Company's key stakeholders, and concluded that it is likely to achieve a favourable outcome of this process. This conclusion is an important factor in the going concern assumption. The Board of Directors intends to announce a plan to secure financing of the Company shortly. As of today, such a plan is likely to involve a combination of one or more different alternatives including but not limited to, renegotiated restrictive covenants and debt restructuring. For additional comments on liquidity risk, please refer to note 19 to the consolidated accounts.





# INDEPENDENT AUDITORS' REPORT



# To the members of Prosafe SE

## **REPORT ON THE CONSOLIDATED AND THE SEPARATE FINANCIAL STATEMENTS OF PROSAFE SE**

We have audited the accompanying consolidated financial statements of Prosafe SE (“the Company”) and its subsidiaries (together with the Company, the “Group”) and the separate financial statements of the Company, on pages 26 to 86, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2015, and the consolidated income statement, and statements of other comprehensive income, changes in equity and cash flows of the Group, and the income statement, and statements of 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 Group and the Company that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113, as amended from time to time (the “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 misstatements, whether due to fraud or error.

### **Independent Auditors’ Responsibility**

Our responsibility is to express an opinion on these consolidated and separate financial statements of the Group and 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 auditors’ 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 auditors consider the internal control relevant to the entity’s preparation of consolidated and separate financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements of the Group and the separate financial statements of the Company give a true and fair view of the financial position of the Group and the Company, respectively, as at 31 December 2015, 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 Companies Law, Cap. 113, as amended from time to time.

### **Emphasis of Matter**

Without qualifying our opinion, we draw attention to the Group’s and the Company’s statement of financial position on pages 28 and 72 which indicate that the Group’s and the Company’s current liabilities as at 31 December 2015 exceeded current assets by USD157,1m and USD258,6m, respectively. This condition, along with other matters as set forth in notes 24 and 25 to the Group’s financial statements and notes 16 and 17 to the Company’s financial statements, indicate the existence of a material uncertainty which may cast significant doubt as to the Group’s and the Company’s ability to continue as a going concern.

The financial statements have been prepared on a going concern basis which assumes that the financial restructuring referred to in the aforesaid notes will be concluded favourably. As explained in the notes, such financial restructuring will likely involve a combination of one or more different alternatives including, but not limited to, renegotiated restrictive covenants and debt restructuring. The financial statements do not include the adjustments that would result if the Group and the Company were unable to continue as a going concern.

## **REPORT ON OTHER LEGAL REQUIREMENTS**

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, L42(I)/2009, as amended from time to time ("Law 42(I)/2009"), we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as it appears from our examination of these books.
- The consolidated and the separate financial statements are in agreement with the books of account.
- In our opinion and to the best of the information available to us and according to the explanations given to us, the consolidated and separate financial statements give the information required by the Companies Law, Cap. 113, as amended from time to time, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 8 to 23 is consistent with the consolidated and the separate financial statements.

Pursuant to the requirements of the Directive DI190-2007-04 of the Cyprus Securities and Exchange Commission, we report that a corporate governance statement has been made for the information relating to paragraphs (a), (b), (c), (f) and (g) of article 5 of the said Directive, and it forms a special part of the Report of the Board of Directors.

## **OTHER MATTER**

### **Auditors' Responsibility**

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 Law 42(I)/2009 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

### **Comparative Figures**

The financial statements of the Company for the year ended 31 December 2014 were audited by another auditor who expressed an unmodified opinion on those financial statements on 17 March 2015.

### **Sylvia A. Loizides**

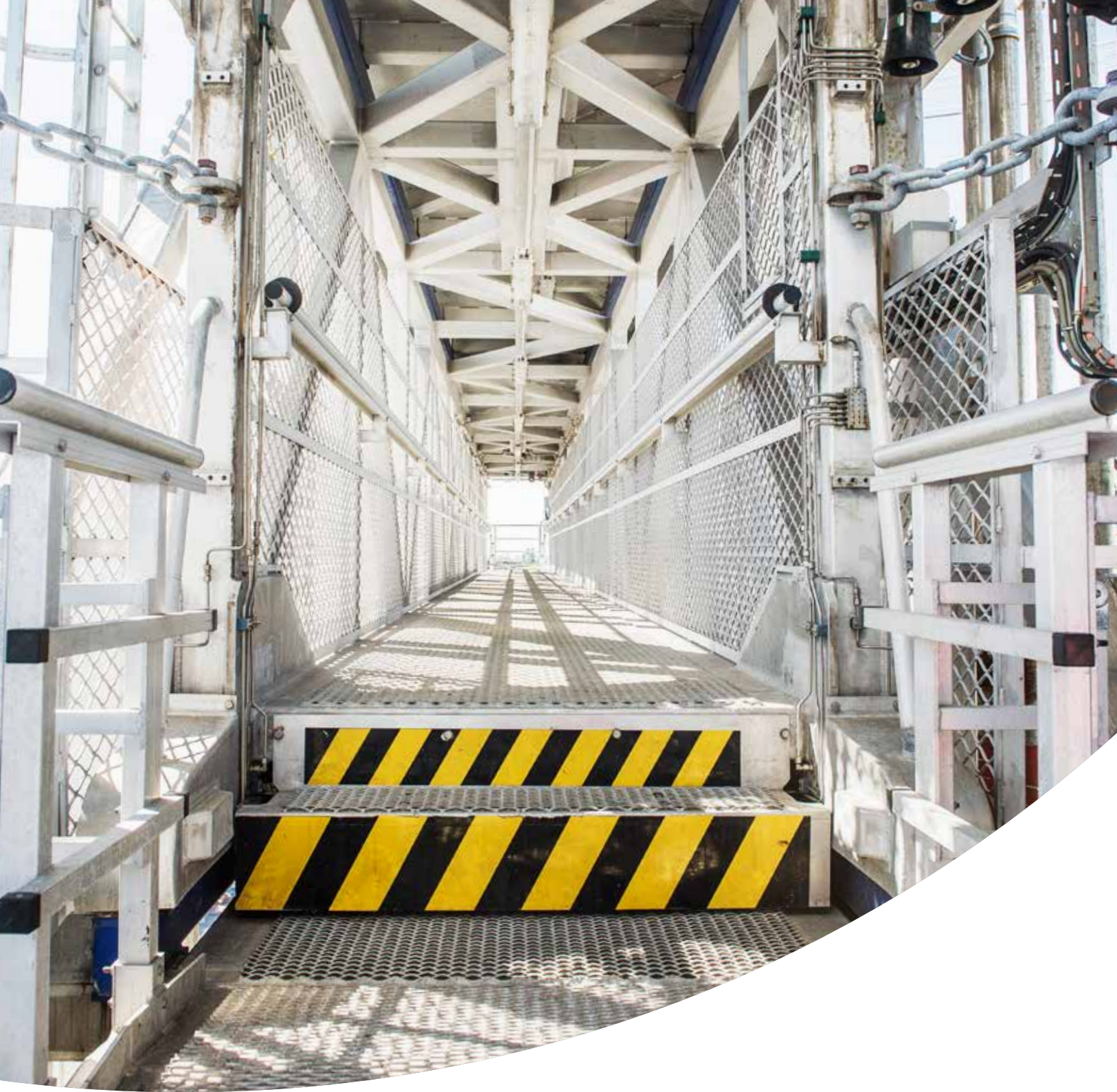
Certified Public Accountant  
and Registered Auditor

for and behalf of KPMG Limited  
Certified Public Accountants and Registered  
Auditors

KPMG Center,  
No.11, 16th June 1943 Street,  
3022 Limassol,  
Cyprus.

Limassol, 27 April 2016





## FLEET OVERVIEW

Prosafe is the leading player within the global market for semi-submersible accommodation vessels for the oil and gas industry.



## SAFE NOTOS

<b>Built</b>	2016
<b>Design</b>	GustoMSC's Ocean 500
<b>No of beds</b>	500
<b>Gangway</b>	38.0m +/- 7.5m
<b>Power generation</b>	28 800 kW (6 diesel generator sets)
<b>Station keeping</b>	DP3
<b>Thrusters</b>	6 x 3 700 kW azimuth
<b>Mooring system</b>	10 x 612 t chain



## SAFE EURUS

<b>Built</b>	Ready for operations in 2016
<b>Design</b>	GustoMSC's Ocean 500
<b>No of beds</b>	500
<b>Gangway</b>	38.0m +/-7.5m
<b>Power generation</b>	28 800 kW (6 diesel generator sets)
<b>Station keeping</b>	DP3
<b>Thrusters</b>	6 x 3 700 kW azimuth
<b>Mooring system</b>	10 x 612 t chain



## SAFE ZEPHYRUS

<b>Built</b>	2016
<b>Design</b>	GVA 3000 E
<b>No of beds</b>	450
<b>Gangway</b>	38.0m +/- 7.5m
<b>Power generation</b>	30 000 kW (6 diesel generator sets)
<b>Station keeping</b>	DP3
<b>Thrusters</b>	6 x 4 000 kW azimuth
<b>Mooring system</b>	12-point wire winches



## SAFE BOREAS

<b>Built</b>	2015
<b>Design</b>	GVA 3000 E
<b>No of beds</b>	450
<b>Gangway</b>	38.0m +/- 7.5m
<b>Power generation</b>	30 000 kW (6 diesel generator sets)
<b>Station keeping</b>	DP3
<b>Thrusters</b>	6 x 4 000 kW azimuth
<b>Mooring system</b>	12-point wire winches



## REGALIA

<b>Built</b>	1985
<b>Upgraded</b>	2003/2009/2014
<b>Design</b>	GVA 3000 – enhanced
<b>No of beds</b>	306 (NCS: 282)
<b>Gangway</b>	38.0m +/- 7.5m
<b>Power generation</b>	19 560 kW (6 diesel generator sets)
<b>Station keeping</b>	NMD3
<b>Thrusters</b>	6 x 2 640 kW azimuth
<b>Mooring system</b>	4-point wire winches



## SAFE SCANDINAVIA

<b>Built</b>	1984
<b>Upgraded</b>	2003/2005/2014/TSV conversion 2016
<b>Design:</b>	Aker H-3.2E
<b>No of beds:</b>	583 (NCS: 292)
<b>Gangway:</b>	36.5m +/- 6.0m
<b>Power generation:</b>	9 339 kW (4 diesel generator sets)
<b>Station keeping :</b>	Moored
<b>Mooring system:</b>	12-point chain winches



## SAFE CALEDONIA

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



## SAFE BRISTOLIA

<b>Built, converted</b>	1983, 2006
<b>Upgraded</b>	2008
<b>Design</b>	Earl & Wright Sedco 600
<b>No of beds</b>	588 (UKCS: 316)
<b>Gangway</b>	35m +/- 6.0m
<b>Power generation</b>	6 240 kW (4 diesel generator sets)
<b>Station keeping</b>	Moored
<b>Mooring system</b>	8-point wire winches



## SAFE CONCORDIA

<b>Built</b>	2005
<b>Design</b>	Keppel Deepwater Technology Group
<b>No of beds</b>	461
<b>Gangway</b>	29.5m +/- 5.0m
<b>Power generation</b>	17 950 kW (5 diesel generator sets)
<b>Station keeping</b>	DP2
<b>Thrusters</b>	4 x 2 500 kW azimuth
<b>Mooring system</b>	4-point wire winches



## SAFE ASTORIA

<b>Built, converted</b>	1983, 2005
<b>Upgraded</b>	2012
<b>Design</b>	Earl & Wright Sedco 600
<b>No of beds</b>	349
<b>Gangway</b>	36.5m +/- 6.0m.
<b>Power generation</b>	6 350 kW (4 diesel generator sets)
<b>Station keeping</b>	Moored
<b>Mooring system</b>	8-point wire winches



## SAFE BRITANNIA

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



## SAFE REFENCY

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



## SAFE LANCIA

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



## JASMINIA

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



## SAFE HIBERNIA

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





**Prosafe**

Accommodating  
the Offshore  
Industry



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