Prosafe

ANNUAL REPORT

CONTENT

Prosafe has this year only prepared a printed short version of the annual report.

For a full report, including information related to HSEQA, corporate governance, social responsibility, shareholders, debt financing etc., please refer to the Download Centre on Prosafe's website www.prosafe.com. This information will be updated whenever required throughout the year, and will thereby at all times be as updated and correct as possible.

FINANCIAL CALENDAR

Reporting results

The following dates have been set for quarterly interim reporting and presentations in 2010:

1st quarter:	12	May	2010
2nd quarter:	26	Aug	2010
3rd quarter:	4	Nov	2010
4th quarter:	16	Feb	2011

Results will be published at 08:30 CET. The presentation and webcast will take place at 10:00 CET. Prosafe reserves the right to amend these publication dates.

Annual general meeting

The AGM for Prosafe SE will be held in the company's premises at Stadiou Street 126, CY-6020 Larnaca, Cyprus on Wednesday, 12 May 2010.

KEY FIGURES

Key financial figures		Note	2009	2008
Profit				
Operating revenues	USD million		397.9	491.1
EBITDA	USD million	1	274.3	281.0
Operating profit	USD million		218.6	232.2
Net profit	USD million		127.2	202.8
Earnings per share	USD	2	0.57	0.89
Operating margin		3	54.9%	47.3%
Balance sheet				
Total assets	USD million		1 355.5	1 313.9
Interest-bearing debt	USD million		915.1	958.7
Net interest-bearing debt	USD million	4	826.6	843.1
Book equity	USD million		263.9	124.6
Valuation				
Market capitalisation	USD million		1 466	854
Share price	NOK		36.85	26.00

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

DIRECTORS' REPORT

Prosafe is a global company with a leading position in the offshore accommodation/ service rig industry. The business is well positioned in the latter part of an oil field's life cycle, with most of the demand being related to maintenance and modification work.

Operating profit for 2009 was high, and just short of the all time high results from 2008. In May 2008, Prosafe was split into two separate listed companies. The comparative figures presented therefore refer to the accounts for the continuing business.

Income statement

Consolidated revenues in 2009 were USD million 397.9 (USD 491.1 million in 2008). The fall in operating revenues reflect a reduction in non-charter revenues of USD 67.3 million and a reduction in charter revenues of USD 19.5 million. The reduction in charter revenues is a result of lower fleet utilisation, as MSV *Regalia* was out of operation for six months due to a major refurbishment and life extension. The fleet utilisation was 86% (92%) in 2009. The effect of the reduced utilisation was to some extent offset by higher day rates.

Consolidated operating profit for 2009 was USD 218.6 million (USD 232.2 million).

Net interest expenses totalled USD 44.8 million in 2009, a decrease of USD 12.3 million from 2008. The company's net debt decreased from USD 843.1 million at the end of 2008 to USD 826.6 million at 31 December 2009. The general interbank short-term interest rate level fell from approx. 1.5 per cent at the start of the year to approx. 0.25 per cent at the end of the year. Due to a high proportion of interest rate hedges, and including credit margin, the average interest cost for Prosafe during this period remained largely unchanged, at approx. 5 per cent (5 per cent). Other financial items amounted to negative USD 33.3 million (USD 23.7 million). This primarily reflects the unrealised loss of USD 51.9 million on the shares in Prosafe Production Public Limited, but is partially compensated for by a higher market value for the company's financial instruments.

Taxes in 2009 amounted to USD 13.7 million (9.4 million positive). Tax charges for the company's ordinary activities will typically be below 5 per cent, depending on the countries in which the company's vessels operate.

Net profit from continuing operations amounted to USD 127.2 million (USD 164.8 million), and diluted earnings per share were USD 0.57 (USD 0.72). Net profit from continuing operations excluding impairment of the shares amounted to USD 179.1 million (USD 164.8 million), and diluted earnings per share were USD 0.80 (USD 0.72).

Capital

Total assets at the end of 2008 were USD 1 356 million (USD 1 314 million). Cash investments in maintenance, refurbishment and upgrading of rigs were USD 142 million in 2009, down from USD 374 million in 2008, including discontinued operations. Depreciation for 2009 came to USD 55.7 million (USD 48.8 million), resulting from higher book value of the rigs. The main investment in the period was the refurbishment and life extension of MSV *Regalia*.

In 2009, the company paid interim dividends totalling USD 51.3 million , which equals NOK 1.35 per share.

Borrowing in 2009 totalled USD 134 million (USD 1 167 million), while loan repayments came to USD 184 million (USD 1 526 million). At year-end, gross interest bearing debt was USD 915 million (USD 959 million).

At the end of 2009, Prosafe had USD 88.5 million (USD 115.6 million) in overall liquid assets. The book equity ratio at year-end was 19.5 per cent (9.5 per cent). The increase reflects a net profit for the period of USD 127 million and dividend payments of USD 51 million, as well as revaluation of financial instruments and share holdings. The book equity in Prosafe is low due to a well depreciated asset base.

Overall, Prosafe has developed a sound financial position based on good operations, a good contract portfolio and competitive debt facilities.

Prosafe was in a solid financial position as of 31 December 2009. The board of directors and the president and CEO are of the opinion that the basis is good for continued operation of the Group. The accounts have therefore been prepared on a going concern basis.

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

Offshore Support Services

Prosafe owns 11 of the world's 16 operational semi-submersible accommodation/service rigs. During the year, these rigs served charters in the North Sea, Gulf of Mexico, the US Gulf of Mexico and the Philippines. Total rig utilisation in 2009 was 86 per cent (92 per cent).

Safe Hibernia, Jasminia, Safe Britannia, *Safe Lancia* and *Safe Regency* operated on long-term charters in the Gulf of Mexico throughout the year. S*afe Concordia* completed an assignment in the US Gulf early in the year, and worked in Mexico a period thereafter. *Safe Bristolia* operated on a one-year contract in Mexico, and will be returning to the North Sea in the first quarter of 2010.

Safe Caledonia was on charter on the UK continental shelf during the year. The vessel is contracted through the third quarter of 2010.

Safe Scandinavia operated for BP in Norway in the first half of the year. After a short yard stay in July, she completed a contract for Shell in the UK sector of the North Sea in the third quarter.

MSV *Regalia* underwent a major refurbishment and life-extension in the first half of the year. After being awarded an Acknowledgement of Compliance for working on the Norwegian continental shelf, she commenced a contract for BP in July. The vessel is contracted for BP until 2011.

Safe Astoria was idle, but received a termination day rate during the first three quarters of the year. The vessel thereafter commenced a contract for Shell in the Philippines in the fourth quarter.

Safe Esbjerg was on contract for Maersk in Denmark throughout 2009.

Outlook

During 2009, the impact of the financial crisis was felt through the whole oil and gas industry. The low oil price in the early part of the year led to caution and cost cutting amongst the oil companies. As financial conditions and oil price gradually improved during the period, the demand for oil services equipment also improved correspondingly. Towards the end of the year, the interest from clients increased, and a positive outlook for new tenders was registered.

At the start of 2010, the outlook in the accommodation/service industry continues to improve, with visible demand in all major regions for the coming years. Prosafe will continue to work on improving safety, operational efficiency and service to clients in order to further develop its position as a leading player in the offshore accommodation/service industry.

Prior to the financial crisis, Prosafe had secured a high order backlog. This provides a good foundation for the coming periods, and the maturity of the current contracts generally matches the expected commencement of potential work quite well. Prosafe is working to maximise utilisation in the coming year as well as to win contracts for 2011 and beyond. Prosafe's rig fleet is well adapted to meeting market requirements. In 2010, the company will have five units in the North Sea, five units in the Americas and one unit in Asia. In addition the *Safe Concordia* is marketed for new work, and is targeting work outside of the North Sea.

The company is positioned in the high end of the global offshore accommodation/service industry. It is the company's ambition to have the world's largest and most advanced fleet of vessels suitable for such operations. The company's long operational experience and robust financial position puts the company in a favourable competitive position and provides reason for optimism in the future.

Health, safety and the environment (HSE)

Health, safety and the environment represent fundamental success factors for Prosafe, and are reflected in its core values. The company works proactively and systematically to reduce injuries and sickness absence.

Sickness absence fell from 3.6 per cent in 2008 to 3.1 per cent in 2009.

In 2009, Prosafe recorded four incidents requiring medical treatment. Two of the incidents were classified as Lost Time Injuries (LTIs), which means the employees were absent from the next work shift because of the injury. None of the incidents had long-term consequences.

Prosafe works according to a zero mindset philosophy. This implies that no accidents or serious incidents are acceptable. During recent years, Prosafe has enhanced its focus on preventive work and has initiated a number of new measures to continuously instill safety awareness. These efforts have resulted in improved safety results. The LTI frequency, which is calculated by multiplying the number of LTIs by 1 million and dividing this by the total number of man-hours worked, was 2.5 in 2009, as opposed to 3.3 in 2008. The injury frequency, which expresses the number of personal injuries per million working hours, was 3.8, which is an improvement from 2008, when it was 8.8.

Prosafe had no accidental discharges to the natural environment in 2009.

Prosafe's vessels use diesel engines for generation of electrical power. These engines cause emissions to the environment. In 2009, the company replaced all the existing engines on the MSV *Regalia* with new and more environmentally friendly engines. The upgrade is expected to reduce NOx emissions from the vessel by 40-50 per cent and has led to a general reduction in the consumption of fuel and lubricants.

Human resources and diversity

Prosafe's workforce as of 31 December 2009 counted 385 employees from 17 countries, a slight increase from 380 in 2008. Overall workforce turnover in the group was 8.7 per cent in 2009, as opposed to 9.1 per cent in 2008.

Men are traditionally over-represented in the recruitment base for offshore operations, and this is reflected in Prosafe's gender breakdown. As of 31 December 2009, women accounted for 13 per cent of the overall workforce, which is unaltered from 2008, while their proportion on land was 49 per cent, as opposed to 41 per cent in 2008.

In 2009, the proportion of women among Prosafe's managers was 8 per cent, as opposed to 7 per cent in 2008. The company's policy is full equality between women and men.

Corporate governance

Corporate governance in Prosafe is based on the principles contained in the Norwegian Code of Practice for Corporate Governance of 21 October 2009. There are no significant deviations between the Code of Practice and the way it has been implemented in Prosafe.

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

At the Annual General Meeting on 14 May 2009, Reidar Lund (Chairman), Michael R. Parker and Christakis Pavlou were re-elected as Directors for a period of two years. Also at the same meeting, Roger Cornish was elected as a Director for a period of two years. In February 2010, Reidar Lund notified the election committee that he will resign from the board at the annual general meeting in May 2010, after having served on the board since 1997/1998.

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

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

Going forward, the company will continue to look for ways to further improve its internal standards, the way it works with partners and suppliers, and to manage the impact of its operations.

Risk
Prosafe must deal with the following primary risks: strategic, operational, financial and insurance-related. The company's board and senior officers manage these risk factors through continuous reporting, board meetings, periodic reviews of the business and tenders, and rolling strategy and budget processes. This is paralleled by dialogue and exchange of views with the company's management.

The company aims to create shareholder value by allocating capital and resources to the business opportunities that yield the best return relative to the risk involved within its specified strategic direction.

Prosafe seeks to reduce its exposure to operational, financial and insurance-related risk through proper operating routines, the use of financial instruments and insurance policies.

Further information on financial risk management is given in note 21 to the consolidated financial statements.

Shareholders

The shareholder register at 31 December 2009 showed that the ten largest shareholders owned a total of 38.6 per cent of shares, with the remaining held by more than 5 000 investors. The Government Pension Fund Norway (Folketrygdfondet) was the largest shareholder, owning 11.03 per cent of the outstanding shares.

The number of issued shares in Prosafe is 229 936 790 at a nominal value of EUR 0.25 each, of which 6 994 355 shares were owned by Prosafe SE. There has been no change in share capital in the reporting period.

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

Auditor

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

Proposed dividend

Prosafe's shareholders are to receive a competitive return on their shares through a combination of share price appreciation and a direct return in the form of dividends. The level of dividend is to reflect the underlying financial development of the company, while taking into account opportunities for further value creation though profitable investment.

On 14 May 2009, the annual general meeting resolved to amend the articles of association to allow for interim distribution of dividend. The amendment facilitates a flexible distribution of dividend allowing a better correlation between operating cash flow and dividend payments. This improves corporate risk management and provides an attractive basis for dividend distribution. The target is a distribution of dividend of 40-50 per cent of the company's net profit paid tri-annually the following year. In 2009, a total of NOK 1.35 per share was distributed as dividend. Typically an interim dividend will be declared in relation to presenting the quarterly accounts for the first, second and third quarter.

At 31 December 2009, Prosafe SE had a distributable equity of USD 1 137 million. The parent company showed a net profit of USD 117.2 million for 2009, which the board proposes to be allocated as follows (in USD million):

Dividend	0
Transferred to equity	117.2
Total	**117.2**

Larnaca, 10 March 2010
Board of directors of Prosafe SE

Reidar Lund
Non-executive chairman

Christian Brinch
Non-executive deputy chairman

Roger Cornish
Non-executive director

Ronny Johan Langeland
Non-executive director

Elin Nicolaisen
Non-executive director

Michael Raymond Parker
Non-executive director

Christakis Pavlou
Non-executive director

CONSOLIDATED ACCOUNTS

CONSOLIDATED INCOME STATEMENT

(USD million)	Note	2009	2008
Charter revenues		368.5	388.0
Other operating revenues	6	29.4	103.1
Operating revenues		**397.9**	**491.1**
Employee benefits	8	(53.2)	(58.7)
Other operating expenses	9	(70.4)	(151.4)
Operating profit before depreciation		**274.3**	**281.0**
Depreciation	10	(55.7)	(48.8)
Operating profit		**218.6**	**232.2**
Interest income		0.4	4.0
Interest expenses		(44.8)	(57.1)
Other financial income	11	41.3	21.6
Other financial expenses	11	(74.6)	(45.3)
Net financial items		**(77.7)**	**(76.8)**
Profit before taxes		**140.9**	**155.4**
Taxes	13	(13.7)	9.4
Net profit from continuing operations		**127.2**	**164.8**
Net profit from discontinued operations	4	**0.0**	**38.0**
Net profit		**127.2**	**202.8**
Attributable to equity holders of the parent		**127.2**	**202.8**
Earnings per share (USD)	14	**0.57**	**0.89**
Diluted earnings per share (USD)	14	**0.57**	**0.89**
EPS from continuing operations (USD)	14	**0.57**	**0.72**
Diluted EPS from continuing operations (USD)	14	**0.57**	**0.72**
EPS continuing operations excl impairment shares (USD)	14	0.80	0.72
Diluted EPS continuing operations excl impairment shares (USD)	14	0.80	0.72

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(USD million)	**Note**	**2009**	**2008**
Net profit for the year		**127.2**	**202.8**
Foreign currency translation		(13.6)	45.3
Revaluation hedging instruments		8.5	(41.5)
Revaluation shares	4	68.5	(68.5)
Income tax effect on components of comprehensive income		0.0	0.0
Other comprehensive income, net of tax		**63.4**	**(64.7)**
Total comprehensive income		**190.6**	**138.1**
Attributable to equity holders of the parent		**190.6**	**138.1**

CONSOLIDATED BALANCE SHEET

(USD million)	Note	31.12.09	31.12.08
ASSETS			
Goodwill	10	226.7	226.7
Rigs	10	913.5	828.4
Other tangible assets	10	4.9	3.8
Total non-current assets		**1 145.1**	**1 058.9**
Cash and deposits	20	88.5	115.6
Debtors	20, 21	41.0	63.8
Shares	4, 20	54.7	39.9
Fair value on derivatives	20, 21	6.5	0.0
Other current assets	20, 23	19.7	35.7
Total current assets		**210.4**	**255.0**
Total assets		**1 355.5**	**1 313.9**
EQUITY AND LIABILITIES			
Share capital	16	63.9	63.9
Other equity		200.0	60.7
Total equity		**263.9**	**124.6**
Interest-bearing long-term debt	17, 20, 21	876.6	958.7
Deferred tax	13	53.8	54.0
Fair value on derivatives	20, 21	43.2	51.6
Other provisions	20	3.4	2.3
Total long-term liabilities		**977.0**	**1 066.6**
Accounts payable	20, 21	8.7	35.3
Interest-bearing current debt	17, 20	38.5	0.0
Taxes payable	13	38.5	16.5
Fair value on derivatives	20, 21	0.0	32.6
Other current liabilities	18, 20, 21	28.9	38.3
Total current liabilities		**114.6**	**122.7**
Total equity and liabilities		**1 355.5**	**1 313.9**

Larnaca, 10 March 2010

Reidar Lund
Non-executive chairman

Christian Brinch
Non-executive deputy chairman

Roger Cornish
Non-executive director

Ronny Johan Langeland
Non-executive director

Elin Nicolaisen
Non-executive director

Michael Raymond Parker
Non-executive director

Christakis Pavlou
Non-executive director

CONSOLIDATED CASH FLOW STATEMENT

(USD million)	Note	2009	2008
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxes continuing operations		140.9	155.4
Profit before taxes discontinued operations	4	0.0	46.4
Unrealised currency (gain)/loss on long-term debt	17	6.7	(17.3)
Depreciation	10	55.7	72.6
Financial income		(0.4)	(4.0)
Financial cost		44.8	57.1
Change in working capital		39.4	(33.1)
Other items from operating activities		(26.3)	(46.1)
Net cash flow from operating activities		**260.8**	**231.0**
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of assets	10	0.0	9.5
Acquisition of tangible assets	10	(141.9)	(374.4)
Net effect of spin-off of subsidiary	4	0.0	562.5
Buy-back of own shares		0.0	(49.2)
Translation difference financial assets		0.0	(18.4)
Interest received		0.4	4.0
Net cash flow from investing activities		**(141.5)**	**134.0**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from new interest-bearing debt	17, 20	133.5	1 166.5
Repayments of interest-bearing debt	17, 20	(183.8)	(1 526.2)
Dividends paid		(51.3)	0.0
Interest paid		(44.8)	(51.7)
Net cash flow from financing activities		**(146.4)**	**(411.4)**
Net cash flow		**(27.1)**	**(46.4)**
Cash and deposits at 1 January		115.6	162.0
Cash and deposits at 31 December	22	**88.5**	**115.6**

STATEMENT OF CHANGES IN EQUITY

(USD million)	Share capital	Own shares	Other equity	Cashflow hedges	Revaluation shares	Foreign currency translation	Total equity	Note
Equity at 31 December 2007	**63.9**	**0.0**	**894.7**	**0.0**	**68.6**	**11.4**	**1 038.6**	
Net profit	0.0	0.0	202.8	0.0	0.0	0.0	202.8	
Other comprehensive income	0.0	0.0	0.0	(41.5)	(68.5)	45.3	(64.7)	
Total comprehensive income *)	**0.0**	**0.0**	**202.8**	**(41.5)**	**(68.5)**	**45.3**	**138.1**	
Dividend in specie	0.0	0.0	(924.6)	0.0	(68.6)	0.0	(993.2)	4
Costs related to dividend distr.	0.0	0.0	(9.7)	0.0	0.0	0.0	(9.7)	4
Buy-back of own shares	0.0	(49.2)	0.0	0.0	0.0	0.0	(49.2)	
Equity at 31 December 2008	**63.9**	**(49.2)**	**163.2**	**(41.5)**	**(68.5)**	**56.7**	**124.6**	
Net profit	0.0	0.0	127.2	0.0	0.0	0.0	127.2	
Other comprehensive income	0.0	0.0	0.0	8.5	68.5	(13.6)	63.4	
Total comprehensive income *)	**0.0**	**0.0**	**127.2**	**8.5**	**68.5**	**(13.6)**	**190.6**	
Dividend	0.0	0.0	(51.3)	0.0	0.0	0.0	(51.3)	
Equity at 31 December 2009	**63.9**	**(49.2)**	**239.1**	**(33.0)**	**0.0**	**43.1**	**263.9**	

*) Total comprehensive income is attributable to the equity owner of the parent

During 2009 Prosafe has sold 7 350 own shares for a total consideration of USD 38 000.

The legal form of the share capital and the share premium accounts is reflected in the statement of changes in equity of the accompanying parent financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: CORPORATE INFORMATION

Prosafe SE (the 'Company') is a public limited company domiciled in Larnaca, Cyprus. The Company is listed on the Oslo Stock Exchange with ticker code PRS. The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (together referred to as the 'Group'). The consolidated financial statements for the year ended 31December 2009 were authorised for issue in accordance with a resolution of the board of directors on 10 March 2010. The Group is the world's leading owner and operator of semi-submersible accommodation/ service rigs.

NOTE 2: BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) endorsed by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap 113. The accounts have been prepared on a historical cost basis, except for derivative financial instruments and financial investments that are stated at fair value. The consolidated financial statements are presented in US dollars (USD), and all values are presented in USD million unless otherwise stated.

The accounting principles adopted are consistent with those of the previous financial year. Prior to 2008, the Group did not apply hedge accounting on any of its financial instruments. In the first quarter 2008, the Group entered into some new interest rate swap agreements, and as from the first quarter 2008, the Group applies hedge accounting on certain interest rate swap agreements. Any change in value of these agreements is taken directly to equity. For those financial instruments which do not qualify for hedge accounting, any change in value is taken through the income statement.

Changes in accounting policy and disclosures
The Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2009:

- IFRS 2 Share-based Payment: Vesting conditions and Cancellations effective 1 January 2009
- IFRS 7 Financial Instruments: Disclosures effective 1 January 2009
- IFRS 8 Operating Segments effective 1 January 2009
- IAS 1 Presentation of Financial Statements effective 1 January 2009
- IAS 23 Borrowing Costs (revised) effective 1 January 2009
- IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation effective 1 January 2009
- IFRIC 9 Remeasurement of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement effective for periods ending on or after 30 June 2009
- IFRIC 13 Customer Loyalty Programs effective 1 July 2008
- Improvements to IFRSs (May 2008)
- Amendments to IFRS 1 and IAS 27, Cost of an Investment in a subsidiary, joint venture or associate
- IFRIC 15 Agreements for Construction of Real Estate
- IFRIC 16 Hegdes of a Net Investment in a Foreign Operation
- IFRIC 18 Transfer of Assets from Customers

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

IAS 1 Presentation of Financial Statements
The revised standard separates owner and non-owner changes in equity. The statement of changes

in equity includes only details of transactions with owners. In addition, the standard introduces the statement of comprehensive income that presents all items of recognised income and expense, either in one single statement or in two linked statements. The Group has elected to present two statements.

IFRS 7 Financial instruments: disclosure

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level three fair value measurement is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management.

IFRS 8 Operating segments

IFRS 8 has replaced IAS 14 Segment Reporting. The Group concluded that it under IFRS 8 will have only one operating segment. However, IFRS 8 requires the Group to disclose revenues and assets based on geography and also provide information about reliance on major customers.

IFRS 2 Share-based payment (revised)

The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payments transactions. The Group adopted this amendment as of 1 January 2009. It did not have an impact on the financial position or performance of the Group.

IAS 23 Borrowing costs

The revised IAS 23 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The Group's previous policy was to expense borrowing costs as they were incurred. In accordance with the transitional provisions of the amended IAS 23, the Group has adopted the standard on a prospective basis. Therefore, borrowing costs will be capitalised on qualifying assets with a commencement date on or after 1 January 2009. During the twelve months period to 31 December 2009 the Group has not acquired or constructed any qualifying assets.

IFRSs and IFRICs issued but not yet effective

Amendments to IFRS 2 *Share-based Payments – Group Cash-settled Share-based payment transactions*

The amendment to IFRS 2 provides more guidance on the accounting for group cash-settled share-based payment transactions. In addition, the definition of share based payment is somewhat modified. This amendment supersedes IFRIC 8 and IFRIC 11. This amendment is effective for annual periods beginning on or after 1 January 2010, but the amendment is not yet approved by the EU. The Group expects to apply the amendment as of 1 January 2010.

IFRS 3 (revised) *Business Combinations*

Compared to the existing IFRS 3, the revised IFRS 3 incorporates certain amendments and clarifications related to the use of the purchase method. This includes issues such as goodwill in business combinations achieved in stages, minority interests and contingent considerations. Transactions costs other than share and debt issuance costs will be expensed as incurred. IFRS 3 (R) is effective for annual periods beginning on or after 1 July 2009.

The adoption of the amended IFRS 3 and IAS 27 will change the accounting for business combinations that take place after 1 July 2009 as several changes are introduced. The adoption of these standards will be applied prospectively and only affect future business combinations.

IFRS 9 *Financial Instruments*

IFRS 9 replaces the classification and measurement rules in IAS 39 Financial Instruments- Recognition and measurement for financial instruments. According to IFRS 9 financial assets with basic loan features shall be measured at amortised cost, unless one opts to measure these assets at fair value. All other financial assets shall be measured at fair value.

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, but the standard is not yet approved by the EU. The Group expects to apply IFRS 9 as of 1 January 2013.

IAS 24 (revised) ***Related Party Disclosures***
The revised IAS 24 clarifies and simplifies the definition of a related party, compared to the current IAS 24. The revised standard also provides some relief for government-related entities to disclose details of all transactions with other government-related entities (as well as with the government itself). IAS 24 (R) is effective for annual periods beginning on or after 1 January 2011, but the revised standard is not yet approved by the EU. The Group expects to implement IAS 24 (R) as of 1 January 2011.

IAS 27 (revised) ***Consolidated and Separate Financial Statements***
The revised IAS 27 provides more guidance on accounting for changes in ownership interest in a subsidiary and the disposal of a subsidiary, compared to the current IAS 27. According to the revised standard the entity measures the interest retained in a former subsidiary at fair value upon loss of control of the subsidiary, and the corresponding gain or loss is recognised through profit and loss. The revised standard also includes a change in the requirements relating to the allocation of losses in a loss-making subsidiary. IAS 27 (R) requires total comprehensive income to be allocated between the controlling and the non-controlling party, even if this results in the non-controlling interest having a deficit balance. IAS 27 (R) is effective for annual periods beginning on or after 1 July 2009. The Group plans to implement IAS 27 (R) as of 1 January 2010.

Amendments to IAS 32 ***Financial Instruments: Presentation – Classification of Rights Issues***
The amendment to IAS 32 Financial Instruments - Presentation provides relief to entities that issue rights in a currency other than their functional currency, from treating the rights as derivatives with fair value changes recorded in profit or loss. Such rights will now be classified as equity instruments when certain conditions are met. Application of the amendment is retrospective and will result in the reversal of profits or losses previously recognised.

The amendment is effective for annual periods beginning on or after 1 February 2010. The Group expects to implement the amendments as of 1 January 2011.

Amendments to IAS 39 ***Financial instruments – Recognition and measurement - Eligible Hedged Items***
The amended IAS 39 clarifies the principles for determining whether a hedged risk or portion of cash flows is eligible for designation for certain risks or components of the cash flow. The approved changes give primarily additional guidance for hedging a one-sided risk (hedging with options) and hedging of inflation risk, but also clarify that designated risks and cash flows must be identifiable and can be reliable measured. The amendment is effective for annual periods beginning on or after 1 July 2009. The Group plans to implement the amendments as of 1 January 2010.

IFRIC 12 ***Service concession arrangements***
IFRIC 12 deals with public services related to infrastructure provided by private sector when public authorities regulate or control which services that shall be provided, to whom the services shall be provided and at what price. The interpretation describes how such arrangements shall be accounted for. The interpretation is effective for annual periods beginning on or after 29 March 2009. The Group plans to implement IFRIC 12 from 1 January 2010.

Amendments to IFRIC 14 ***IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction - Prepayments of a Minimum funding Requirement***
The amendment to IFRIC 14 intends to correct an unintended consequence of IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. This amendment will allow entities to recognise a prepayment of pension contributions as an asset rather than an expense. The amendment is effective for annual periods beginning on or after 1 January 2011, but the amendment is not yet approved by the EU. The Group expects to implement the amendment as of 1 January 2011.

IFRIC 17 ***Distributions of non-cash assets to owners***
The interpretation provides guidance on how to account for distributions of non-cash assets to its owners and distributions that give owners a choice of receiving either non-cash assets or a cash alternative. The interpretation applies prospectively and is applicable for annual periods beginning on or after 1 July 2009. The Group plans to implement IFRIC 17 as of 1 January 2010.

IFRIC 19 ***Extinguishing Financial Liabilities with Equity Instruments***
The interpretation clarifies the accounting treatment of financial liabilities that, as a result of a renegotiation of the terms of the financial liability, are fully, or partially, extinguished with equity instruments. The interpretation is effective for annual periods beginning on or after 1 July 2010, but the interpretation is not yet approved by the EU. The Group expects to implement IFRIC 18 as of 1 January 2011.

Annual improvements project
The IASB issued amendments to its standards and the related Basis for Conclusions in its annual "improvements to IFRSs". The improvement project is an annual project that provides a mechanism for making necessary but non-urgent amendments. These amendments are not yet approved by the EU.

- IFRS 2 Share-based Payment: Clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of IFRS 2 even though they are outside of scope of IFRS 3 (R).
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: Clarifies that the disclosures required in respect of non-current assets or disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations.
- IFRS 8 Operating Segments: Clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.
- IAS 1 Presentation of Financial Statements: The terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.
- IAS 7 Statement of Cash Flow: Explicitly states that only expenditure that results in a recognised asset can be classified as a cash flow from investing activities.
- IAS 17 Leases: The amendment removes the specific guidance on classifying land as a lease so that only the general guidance remains.
- IAS 18 Revenue: More guidance is added to determine whether an entity is acting as a principal or as an agent.
- IAS 36 Impairment of Assets: Clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in IFRS 8 before aggregation for reporting purposes.
- IAS 38 Intangible Assets: Clarifies that if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognise the group of intangible assets as a single asset provided the individual assets have similar useful lives.
- IAS 39 Financial Instruments – Recognition and Measurement:
  - Clarifies that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.
  - Clarifies that the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date, applies only to binding forward contracts, and not derivative contracts where future actions by either party are still to be taken.
  - Clarifies that gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognised financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss.
- IFRIC 9 Reassessment of Embedded Derivatives: The scope paragraph is amended to clarify that the

interpretation does not apply to possible reassessment, at the date of acquisition, to embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture.

- IFRIC 16 Hedges of a Net Investment in a Foreign Operation: The amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied.

The Group does not expect that implementation of the amendments listed above will have a material effect on the financial statement of the Group on the date of implementation.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

Judgments

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

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

The Group has entered into lease contracts on its fleet of accommodation and service rigs. Based on an evaluation of the terms and conditions of the arrangements, the Group has determined that it retains all significant risks and rewards of ownership of the vessels and therefore accounts for the leases as operation leases.

Estimates and assumptions

The estimates and assumptions are assessed on a continuous basis. The estimates and assumptions which have the most significant effect on the amounts recognised in the financial statements relate to depreciation of fixed assets, impairment assessment of non-financial assets, spin-off of Prosafe Production, share-based payments, taxes and fair value of financial instruments. Estimated useful life of the Group's accommodation/service rigs is 5 to 45 years. The management determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated, which requires management to estimate the future cash flow from the cash-generating units and to apply a suitable discount rate. Further details are given in note 10. Estimating fair value for share-based payments requires determination of the most appropriate valuation model and the most appropriate inputs to the valuation model.

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

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

The spin-off of Prosafe Production in 2008 has been treated as a dividend distribution.

Consolidation principles

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2009.

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

The purchase method is applied when accounting for business combinations. Transactions costs directly attributable to the acquisition formed part of the acquisition costs. Identifiable assets acquired and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition, irrespective of the extent of any minority interest.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's 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 are assigned to those units.

When 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 is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

FOREIGN CURRENCY TRANSLATION. The Group's presentation currency is USD. This is also the Group's functional currency. Transactions in other currencies than the USD are translated at the exchange rate prevailing at the transaction date. Monetary items in other currencies than the functional currency are translated to the functional currency at the exchange rate on the balance sheet date, and the currency difference is recognised in the profit and loss account. Non-monetary items in other currencies than the functional currency are translated at the exchange rate at the transaction date. When consolidating companies with a functional currency other than the USD, profit and loss items are translated at the monthly average exchange rate, while balance sheet items are translated at the exchange rate on the balance sheet date. Translation differences are taken directly to equity. On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular operation is recognised in the income statement.

SEGMENT REPORTING. After the spin-off of Prosafe Production (the Floating Production division) in May 2008, only one division remains in Prosafe: Offshore Support Services (chartering and operation of accommodation/service rigs). For geographical information, reference is made to note 5.

REVENUE RECOGNITION. Revenue is recognised to the extent that it is probable that the economic benefits will flow to Prosafe and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received.

Charter income is recognised according to the terms of the agreement and in the period the work is performed. 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.

LEASES. The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date. Prosafe acts as a lessor of accommodation and service rigs. Leases where Prosafe does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating lease. Charter revenue is recognised as revenue in the period in which it is earned.

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.

TANGIBLE ASSETS are stated at acquisition cost less cumulative depreciation and accumulated impairment losses, if any. Assets are depreciated on a straight-line basis over their estimated economically useful lives, with account taken of their estimated residual value. The management makes annual assessments of residual value, methods of depreciation and the remaining economic life of the assets. Components of an asset which have an estimated shorter life than the main component of the asset are accordingly depreciated over this shorter period. Acquisition cost includes costs directly attributable to the acquisition of the assets. Subsequent expenditures are added to the book value of the asset or accounted for on a separate basis, when it is likely that future benefits would derive from the expenditures. The rigs are subject to a periodic survey every five years, and associated costs are amortised over the five-year period to the next survey. Other repair and maintenance costs are expensed in the period they are incurred.

In accordance with revised IAS 23, borrowing costs will be capitalised on qualifying assets with a commencement date on or after 1 January 2009. The Group's previous policy was to expense the borrowing costs as they were incurred and due to the fact that the Group has no projects commenced on or after 1 January 2009, no costs have been capitalised on existing vessels.

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

IMPAIRMENT. The carrying amounts of the Group's non-current assets are reviewed to determine whether there is any indication of impairment. If any such indication is present, the recoverable amount of the asset is estimated. The recoverable amount is the higher of the fair value less costs to sell and the discounted cash flow from continued use. The fair value less costs to sell is the amount that can be obtained from a sale to an independent third party minus the sales costs. The value from continued use is calculated as the present value of the expected future cash flow for the unit.

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 the risks specific to the asset.

Where the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the assets are considered impaired and are written down to their recoverable amount. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For non-financial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, Prosafe estimates the asset's recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

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

Impairment of financial assets
Prosafe assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. A financial asset is 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 the loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows disconted at the instrument's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

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

FINANCIAL ASSETS
Initial recognition
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available for sale financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Prosafe determines the classification of its financial assets at initial recognition.

Financial assets are recognised initially at fair value plus directly attributable costs.

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

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

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

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

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the three preced-

ing categories. After initial measurement available for sale financial assets are measured at fair value with unrealised gains and losses recognised directly in equity until the investment is derecognised, at which time cumulative gain or loss recorded in equity is recognised in the income statement, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the income statement.

Derecognition

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

FINANCIAL LIABILITIES

Initial recognition

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings 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 plus directly attributable costs.

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

Subsequent measurement

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

Financial liabilities at fair value through profit and loss

Financial liabilities at fair value through profit and loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near future. This category 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.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost. Amortised cost is computed using the effective interest method less any principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

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

Fair value of financial instruments

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

Derecognition

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

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

EMPLOYEE BENEFITS. Companies within the Group make contributions to pension schemes that are defined contribution plans. The companies' payments are recognised in the income statement for the year to which the contribution applies.

RESEARCH AND DEVELOPMENT COSTS. Research costs are expensed as incurred. Development expenditure is recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following the initial recognition of the development expenditures as an asset, the cost model is applied requiring the asset to be carried at cost less accumulated amortisation and impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit.

SHARE-BASED PLANS. The Group has an option plan for senior officers which provides a cash settlement if an option is exercised. The fair value of the options is expensed over the period until vesting with recognition of a corresponding liability which also includes social security tax where relevant. This liability is remeasured at each balance sheet date up to and including the settlement date with changes in fair value recognised in the income statement.

EVENTS AFTER THE BALANCE SHEET DATE. New information on the Group's positions at the balance sheet date is taken into account in the annual financial statements. Events after the balance sheet date that do not affect the position at the balance sheet date, but which will affect the position in the future, are stated if significant.

BORROWING COSTS. Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The Group capitalises borrowing costs for all eligible assets where construction was commenced on or after 1 January 2009. The Group continues to expense borrowing costs relating to construction projects that commenced prior to 1 January 2009.

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

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

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

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

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

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

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

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

Amount taken to equity are transferred to the income statement when the hedged transaction affects profit and loss due to the hegde risk.

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.

Where Prosafe will hold a derivative as an economic hedge for a period beyond 12 months after the balance sheet date, the derivative is classified as non-current consistent with the classification of the underlying item.

Derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item.

TAXES in the income statement include taxes payable and changes in deferred tax. Deferred tax is calculated on the basis of temporary differences between book and tax values that exist at the end of the period. Deferred tax asset is recognised in the balance sheet when it is likely that the tax benefit can be utilised. Deferred tax and deferred tax asset are measured at nominal value.

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

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

Deferred tax 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.

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

DISCONTINUED OPERATIONS. In the consolidated income statement of the reporting period and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from normal income and expenses down to the level of profit after taxes.

The resulting profit or loss after taxes is reported separately in the income statement.

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.

NOTE 4: DISCONTINUED OPERATIONS

Spin-off of Prosafe Production Public Limited
90.1 per cent of the shares in Prosafe Production Public Limited were distributed as dividend to the shareholders in May 2008. Profit from Prosafe Production Public Limited is presented net in the income statement as 'Net profit from discontinued operations'. The annual general meeting adopted on 14 May 2008 to distribute 90.1 per cent of the shares in Prosafe Production Public Limited to the shareholders of Prosafe SE. Distribution of these shares took place on 27 May. In accordance with IFRS, no gain was recognised from this distribution.

As of 31 December 2009, the Group owned 25 375 142 shares in Prosafe Production Public Limited corresponding to 9.94 per cent of the shares. The shares were initially recorded at the proportion of the carrying value of the discontinued operations. At 31 December 2009, the shares are valued at the share price prevailing on this date, NOK 12.45. The loss was in 2008 charged directly to equity, but as it no longer can be considered to be temporary under IFRS, it has been charged to the income statement in 2009.

Net unrealised loss charged directly to equity as of 31.12.2008	(68.5)
Change in fair market value 2009 taken directly to equity	16.6
Impairment charged to the income statement 2009	**(51.9)**
Impact on other comprehensive income 2009	68.5

Profit from discontinued operations	**01.01 - 28.05.2008**
Operating revenues	100.7
Operating expenses	(40.9)
Operating profit before depreciation	**59.8**
Depreciation	(23.8)
Operating profit	**36.0**
Net financial items	**10.1**
Profit before taxes	**46.1**
Taxes related to the operation for the period	(8.1)
Net profit from discontinued operations	**38.0**
Earnings per share from discontinued operations	**0.17**

There are no tax costs related to the dividend distribution.

NOTE 5: SEGMENT REPORTING

After the spin-off of Prosafe Production (the Floating Production division) in May 2008, only one division remains in Prosafe: Offshore Support Services (chartering and operation of accommodation/service rigs). Management monitors the operating results of its business on a consolidated basis.

Revenues by geographical location:

Operating revenues	2009	2008
Europe	204.4	266.5
Americas	169.9	137.8
Other	23.6	86.8
Total operating revenues	**397.9**	**491.1**

In 2009 there were four customers from which revenues amounted to more than 10 per cent of the Group's operating revenues. These customers were Interpetroleum Services, BP, Shell and Total.

Total assets	2009	2008
Europe	584.4	561.8
Americas	428.2	327.9
Other	342.9	424.2
Total assets	**1 355.5**	**1 313.9**

NOTE 6: OTHER OPERATING REVENUES

	2009	2008
Mobilisation/demobilisation income	4.0	17.2
Other contract income	25.4	79.5
Gain on sale of office building	0.0	6.4
Total other operating revenues	**29.4**	**103.1**

NOTE 7: QUARTERLY RESULTS

	Q1	Q2	Q3	Q4	2009
Operating revenues	81.6	85.9	123.7	106.7	397.9
Operating expenses	(31.3)	(26.2)	(31.5)	(34.6)	(123.6)
EBITDA	**50.3**	**59.7**	**92.2**	**72.1**	**274.3**
Depreciation	(12.8)	(12.9)	(15.1)	(14.9)	(55.7)
Operating profit	**37.5**	**46.8**	**77.1**	**57.2**	**218.6**
Net financial items	**(8.9)**	**4.6**	**(8.4)**	**(65.0)**	**(77.7)**
Profit before taxes	**28.6**	**51.4**	**68.7**	**(7.8)**	**140.9**
Taxes	(2.3)	(8.3)	(2.4)	(0.7)	(13.7)
Net profit	**26.3**	**43.1**	**66.3**	**(8.5)**	**127.2**

NOTE 8: EMPLOYEE BENEFITS, MANAGEMENT REMUNERATION AND AUDIT FEE

	2009	2008
Wages and salaries	24.7	24.1
Contract personnel	17.3	26.2
Other remuneration	2.1	2.9
Social security taxes	2.3	2.4
Share option costs	1.9	(1.7)
Pension expenses	2.3	1.6
Other personnel-related expenses	2.5	3.2
Total employee benefits	**53.2**	**58.7**

Bonus scheme

The Company's bonus scheme was introduced in 2003, and embraces the corporate management and the operational management team. The bonus depends on achieving defined results relating to earnings, the attainment of strategic goals and HSE.

Share options

	2009	2008
Options granted	910 000	2 768 829
Expiry date	22.05.2013	15.05.2012
Exercise price at grant (NOK)	30.45	56.18
Exercise price at 31 December (NOK)	29.10	54.83
Share price at 31 December (NOK)	36.85	26.00
Weighted average fair value (NOK) at 31 December	5.69	3.16

Options granted 2008	2 768 829
Options granted 2009	910 000
Exercised in 2009	0
Forfeited in 2009	0
Outstanding options at 31 December 2009	3 678 829
Exercisable at 31 December 2009	1 608 802

An exercise of a synthetic option means that the option holder is paid a cash consideration corresponding to the difference between the share price at the exercise date adjusted for any dividends paid during the period, and the share price at grant. Net proceeds after tax shall be used to purchase shares in the Company at market price. This plan has no dilution effect, since the shares will be purchased in the market. At 31 December 2009, the provision for share option costs amounted to USD 2.8 million. The options are valued by using the Black-Scholes option pricing model.

Inputs to the option pricing model:

Vesting date May 2009	
Lifetime opening balance	2.62
Lifetime closing balance	2.37
Volatility opening balance	52.95%
Volatility closing balance	55.61%
Interest rate opening balance	3.03%
Interest rate closing balance	2.72%

Vesting date May 2010	
Lifetime opening balance	3.64
Lifetime closing balance	3.39
Volatility opening balance	48.85%
Volatility closing balance	49.94%
Interest rate opening balance	3.33%
Interest rate closing balance	3.05%

Pension and severance pay

Members of the corporate management have agreements on severance pay. Under these agreements, the Company guarantees a remuneration corresponding to the base salary received at the time of departure for a period of up to two years after the normal six-month period of notice. With the exception of the agreement with the president and CEO, these agreements specify that benefits received from new employers are deducted from the remuneration due unless the person concerned left as a result of an acquisition, sale or merger. The president and CEO has an agreement on early retirement pension after the age of 60 and until the age of 67. With full earning of pension entitlement, the annual early retirement pension will equal 24 times the Norwegian national insurance base rate, and the provision recognised in the balance sheet as at 31 December 2009 amounted to USD 841 000.

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 are specified below.

Corporate management (USD 1 000)	**Year**	**Salary**	**Bonus** [1]	**Pension** [2]	**Other benefits** [3]	**Value of options 31 Dec** [4]
Arne Austreid (president and CEO)	2009	744	667	365	134	701
Karl Ronny Klungtvedt (exec VP Strategy and Corporate planning)	2009	466	319	45	72	554
Robin Laird (president Offshore Support Services)	2009	432	300	65	211	584
Martin Kolnes (VP and CFO)	2009	355	220	71	116	467
Arne Austreid (president and CEO)	2008	789	610	366	2 303	194
Karl Ronny Klungtvedt (exec VP and CFO)	2008	470	296	91	1 483	149
Robin Laird (president Offshore Support Services)	2008	402	324	60	1 385	161
Martin Kolnes (VP and CFO)	2008	347	228	67	1 212	129

1) Payment based on previous years' achievements
2) For the president and CEO, the figure includes increase in early retirement pension liability
3) Other benefits in 2008 include termination of synthetic share options and the lump sum compensation in connection with the spin-off of Prosafe Production
4) Valuation based on the Black-Scholes option pricing model

Board of directors

(USD 1 000)	Year	Board fee	Pension [1]	Other benefits
Reidar Lund (chair)	2009	111	208	0
Christian Brinch (deputy chair)	2009	91	0	0
Ronny Johan Langeland	2009	81	0	0
Elin Nicolaisen	2009	74	0	0
Michael Raymond Parker	2009	74	0	0
Christakis Pavlou	2009	65	0	0
Roger Cornish (from 15 May 2009)	2009	45	0	0
Andreas Sohmen Pao (to 25 Feb 2009)	2009	20	0	0
Reidar Lund (chair)	2008	124	261	0
Christian Brinch (deputy chair)	2008	103	0	0
Ronny Johan Langeland	2008	91	0	0
Elin Nicolaisen	2008	84	0	0
Andreas Sohmen Pao (from 13 May 2008)	2008	49	0	0
Michael Raymond Parker	2008	84	0	0
Christakis Pavlou	2008	73	0	0

1) Payment based on pension rights earned whilst he was the president and CEO of the Company.

Auditors' fee

(USD 1 000)	2009	2008
Audit	314	251
Fees for other services	259	526

NOTE 9: OTHER OPERATING EXPENSES

	2009	2008
Repair and maintenance	17.8	30.5
Other vessel operating expenses	29.7	94.9
General and administrative expenses	23.0	26.0
Total other operating expenses	**70.4**	**151.4**

NOTE 10: TANGIBLE ASSETS AND GOODWILL

	Rigs	Ships	Equipment	Buildings	Goodwill	Total
Acquisition cost 31 Dec 2007	1 017.9	1 053.2	10.4	10.3	355.0	2 446.8
Additions	127.3	255.7	0.9	0.6	0.0	384.4
Disposals [1)]	(0.4)	(1 308.9)	(8.9)	(6.0)	(128.3)	(1 452.6)
Acquisition cost 31 Dec 2008	**1 144.8**	**0.0**	**2.3**	**4.9**	**226.7**	**1 378.7**
Additions	140.2	0.0	0.4	1.2	0.0	141.8
Disposals	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition cost 31 Dec 2009	**1 285.0**	**0.0**	**2.7**	**6.1**	**226.7**	**1 520.5**
Accumulated depreciation 31 Dec 2007	268.2	126.7	4.5	4.0	0.0	403.4
Accumulated depreciaton on disposals	(0.2)	(126.7)	(3.2)	(2.4)	0.0	(132.4)
Depreciation for the year	48.3	0.0	0.3	0.2	0.0	48.8
Accumulated depreciation 31 Dec 2008	**316.4**	**0.0**	**1.5**	**1.8**	**0.0**	**319.7**
Accumulated depreciaton on disposals	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation for the year	55.1	0.0	0.4	0.3	0.0	55.7
Accumulated depreciation 31 Dec 2009	**371.5**	**0.0**	**1.9**	**2.1**	**0.0**	**375.4**
Net carrying amount 31 Dec 2009	**913.5**	**0.0**	**0.8**	**4.1**	**226.7**	**1 145.1**
Net carrying amount 31 Dec 2008	**828.4**	**0.0**	**0.8**	**3.1**	**226.7**	**1 058.9**
Depreciation rate (%)	**3-20**	**6-33**	**20-33**	**3-5**	**-**	**-**
Economically useful life (years)	**5-45**	**3-15**	**3-5**	**20-30**	**-**	**-**

1) Disposals of ships are related to the spin-off of Prosafe Production

Tangible fixed assets and goodwill are initially recorded at cost. Subsequent to recognition, these assets are stated at cost less accumulated depreciation and any accumulated impairment losses. The costs of upgrades and modification of vessels are capitalised, and each vessel is accounted for as a single asset. Interest costs associated with projects commencing before 1 January 2009 are expensed in the period in which they are incurred.

For qualifying assets commencing on or after 1 January 2009, interest cost will be capitalised as part of the asset in accordance with revised IAS 23.

Estimated useful life for the semi-submersible accommodation/service rigs is 30-45 years. The estimated useful life of the accommodation jack-up is 20 years. Certain equipment on a rig is depreciated over a shorter period than the life of the rig itself. The estimated scrap value is USD 3 million per rig.

The goodwill of USD 226.7 million relates to the acquisition of Consafe Offshore AB in 2006, and has been allocated to a cash-generating unit comprising all accommodation/service rigs in Offshore Support Services. The recoverable amount for each item has been identified by calculating the value in use. This calculation is based on the present value of the estimated cash flow from each cash-generating unit. The discount rates applied reflect management's estimate of the risks specific to each unit. The present value of this cash flow exceeds the carrying value, and no need for a write-down is indicated.

Value in use is derived from cash flow on firm contracts and on budgets approved by management.

The following describes the assumptions on which management has based its calculation:

- Budgeted operating costs
- Budgeted operating revenues
- 5 years budget period
- Pre-tax discount rate of 8%
- Annual increase of operating revenue 2%
- Annual increase of operating costs 3%

NOTE 11: OTHER FINANCIAL ITEMS

	2009	2008
Currency gain	0.0	21.6
Fair value adjustment currency forwards	31.8	0.0
Other financial income	9.5	0.0
Total other financial income	**41.3**	**21.6**
Currency loss	(22.2)	0.0
Fair value adjustment currency forwards	0.0	(41.6)
Fair value adjustment interest rate swaps	(0.5)	(1.5)
Impairment shares in Prosafe Production	(51.9)	0.0
Other financial expenses	0.0	(2.2)
Total other financial expenses	**(74.6)**	**(45.3)**

NOTE 12: FINANCIAL ITEMS - IAS 39 CATEGORIES

Year ended 31 Dec 2009	Loans and receivables	Fair value through profit and loss	Financial liabilities measured at amortised cost	Available for sale	Total
Interest income	0.4	0.0	0.0	0.0	0.4
Fair value adjustment currency forwards	0.0	31.8	0.0	0.0	31.8
Fair value adjustment interest swaps	0.0	0.0	0.0	0.0	0.0
Other financial items	9.5	0.0	0.0	0.0	9.5
Currency gain 1)	0.0	0.0	0.0	0.0	0.0
Total financial income	**9.9**	**31.8**	**0.0**	**0.0**	**41.7**
Interest expenses	0.0	0.0	(44.8)	0.0	(44.8)
Fair value adjustment currency forwards	0.0	0.0	0.0	0.0	0.0
Fair value adjustment interest swaps	0.0	(0.5)	0.0	0.0	(0.5)
Fair value adjustment shares in Prosafe Production	0.0	0.0	0.0	(51.9)	(51.9)
Other financial items	0.0	0.0	0.0	0.0	0.0
Currency loss 1)	0.0	0.0	0.0	0.0	(22.2)
Total financial expenses	**0.0**	**(0.5)**	**(44.8)**	**(51.9)**	**(119.4)**
Net financial items	**9.9**	**31.3**	**(44.8)**	**(51.9)**	**(77.7)**

Year ended 31 Dec 2008	Loans and receivables	Fair value through profit and loss	Financial liabilities measured at amortised cost	Available for sale	Total
Interest income	4.0	0.0	0.0	0.0	4.0
Fair value adjustment currency forwards	0.0	0.0	0.0	0.0	0.0
Fair value adjustment interest swaps	0.0	0.0	0.0	0.0	0.0
Other financial items	0.0	0.0	0.0	0.0	0.0
Currency gain 1)	0.0	0.0	0.0	0.0	21.6
Total financial income	**4.0**	**0.0**	**0.0**	**0.0**	**25.6**
Interest expenses	0.0	0.0	(57.1)	0.0	(57.1)
Fair value adjustment currency forwards	0.0	(41.6)	0.0	0.0	(41.6)
Fair value adjustment interest swaps	0.0	(1.5)	0.0	0.0	(1.5)
Other financial items	0.0	0.0	(2.2)	0.0	(2.2)
Currency loss 1)	0.0	0.0	0.0	0.0	0.0
Total financial expenses	**0.0**	**(43.1)**	**(59.3)**	**0.0**	**(102.4)**
Net financial items	**4.0**	**(43.1)**	**(59.3)**	**0.0**	**(76.8)**

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

NOTE 13: TAXES

	2009	2008
Taxes in income statement:		
Taxes payable	25.4	7.7
Change in deferred tax	(11.7)	(17.1)
Total taxes in income statement	**13.7**	**(9.4)**
Temporary differences:		
Exit from Norwegian tonnage tax system	190.6	196.6
Non-current assets	(4.0)	(4.1)
Long-term debt	5.5	0.0
Pension liabilities	0.0	0.0
Current assets	0.0	0.0
Current liabilities	0.0	0.0
Tax loss carried forward	0.0	(23.8)
Basis for deferred tax	**192.1**	**168.8**
Recognised deferred tax	**53.8**	**54.0**
Deferred tax 1 January	54.0	92.9
Change in deferred tax in income statement	(11.7)	(17.1)
Translation difference	11.5	(21.8)
Deferred tax 31 December	**53.8**	**54.0**
Payable tax as at 31 December	**38.5**	**16.5**

Tax loss carried forward in Cyprus as at 31 December 2008 and 2009 amounts to USD 14.3 million and USD 11.9 million respectively. The tax rate in Cyprus is 10%. No deferred tax asset is recognised in respect of this tax loss carried forward. The tax loss may be carried forward indefinitely.

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

The Group's vessels are subject to taxation based on the special rules for taxation of shipping and offshore companies in Singapore. Profit from these charters is not taxable to Singapore, but the company pays tax deducted at source in some of the countries in which it operates.

The deferred tax liability related to the enforced departure of the rig business from the Norwegian tonnage tax system effective 1 January 2006 was initially calculated to NOK 780 million equivalent to USD 115 million applying the exchange rate prevailing on this date. This liabiliity is paid at a rate of 20 per cent annually on the outstanding balance.

NOTE 14: EARNINGS PER SHARE

Earnings per share are calculated by dividing net profit by the weighted average number of ordinary shares outstanding during the year. There are no dilutive share options.

	2009	2008
Net profit	127.2	202.8
Weighted average number of outstanding shares (1 000)	222 935	227 667
Basic earnings per share	**0.57**	**0.89**
Weighted average number of outstanding and potential shares (1 000)	222 935	227 667
Diluted earnings per share	**0.57**	**0.89**
Net profit from continuing operations	127.2	164.8
Basic earnings per share from continuing operations	**0.57**	**0.72**
Diluted earnings per share from continuing operations	**0.57**	**0.72**
Net profit from continuing operations excluding impairment shares	179.1	164.8
Basic earnings per share from continuing operations excl impairment shares	**0.80**	**0.72**
Diluted earnings per share from continuing operations excl impairment shares	**0.80**	**0.72**

NOTE 15: DIVIDENDS

	2009	2008
Cash dividend declared during the year	51.3	0.0
Dividend in specie	0.0	993.2
Total dividends declared	**51.3**	**993.2**
Cash dividends per share (NOK)	1.35	0.00

NOTE 16: SHARE CAPITAL AND SHAREHOLDER INFORMATION

	2009	2008
Issued, authorised and paid number of shares at 31 December	229 936 790	229 936 790
Holding of own shares at 31 December	6 994 355	7 001 705
Nominal value at 31 December	EUR 0.25	EUR 0.25
Number of shareholders at 31 December	5 025	4 691

Largest shareholders/groups of shareholders at 31.12.2009	No of shares	Percentage
Folketrygdfondet	25 355 735	11.0%
Pareto	13 560 785	5.9%
Brown Brothers Harriman	8 564 384	3.7%
Clearstream Banking (nom.)	8 195 701	3.6%
State Street Bank (nom.)	7 537 819	3.3%
Prosafe SE	6 994 355	3.0%
KAS Depositary Trust (nom.)	6 008 246	2.6%
JP Morgan Chase Bank (nom.)	5 908 514	2.6%
BGL BNP Paribas	4 933 807	2.1%
JP Morgan Chase Bank (nom.)	4 542 154	2.0%
RBC Dexia Investor Services Trust (nom.)	4 190 308	1.8%
DnBNOR	4 167 722	1.8%
State Street Bank (nom.)	3 950 011	1.7%
HSBC Bank (nom.)	3 891 594	1.7%
JP Morgan Chase Bank (nom.)	3 393 900	1.5%
Vital Forsikring	3 320 607	1.4%
Schroeders	2 827 468	1.2%
Citibank (nom.)	2 601 880	1.1%
JP Morgan Chase Bank (nom.)	2 596 900	1.1%
Bank of New York (nom.)	2 181 631	0.9%
Total 20 largest shareholders/groups of shareholders	**124 723 521**	**54.2%**

NOTE 17: INTEREST-BEARING DEBT

As of 31 December 2009, Prosafe's interest-bearing debt totalled about USD 915 million. Loans secured by mortgages (credit facility) accounted for USD 740 million of this total and unsecured bond loans accounted for USD 175.1 million.

	2009	2008
Credit facility	740.0	850.0
Bond loans	175.1	108.7
Total interest-bearing debt	**915.1**	**958.7**
Debt in NOK	125.1	58.7
Debt in USD	790.0	900.0
Total interest-bearing debt	**915.1**	**958.7**
Long-term interest-bearing debt	876.6	958.7
Current interest-bearing debt	38.5	0.0
Total interest-bearing debt	**915.1**	**958.7**

Credit facility repayment structure

In connection with the split of Prosafe in May 2008, the company secured a new credit facility. The credit facility initially had a total availability of USD 1.1 billion and a maturity of seven years. The availability under the credit facility will be reduced semi-annually with USD 70 million, starting November 2008. As of 31 December 2009, the availability under the credit facility totalled USD 890 million (USD 150 million undrawn credit lines).

Applicable margin on the credit facility was 0.85 per cent per annum in 2009. From 2010 onwards it will vary in the range 0.65-0.95 per cent per annum depending on the leverage ratio. The leverage ratio is defined as the ratio of total debt to 12 month historical EBITDA.

Financial covenants credit facility

- Liquidity: Minimum USD 65 million
- Leverage ratio: Total debt/EBITDA must not exceed 5.0 (4.5 following the second annum after closing, i.e. in May 2010)
- Value adjusted equity ratio: Minimum 35 per cent
- Collateral maintenance: Market value vessels/total commitments above 150 per cent
- Working capital: Positive (including unutilised credit lines with maturity in excess of 12 months and excluding the borrower's short-term portion of long-term debt)

Bond loans repayment structure

The bond debt is divided into three loans of NOK 411 million (NOK 222.5 million outstanding) maturing March 2010 (PRS02), USD 50 million maturing March 2012 (PRS03), and NOK 500 million maturing October 2013 (PRS06 PRO). PRS02 and PRS03 are listed on the Oslo Stock Exchange and PRS06 PRO is listed on Oslo ABM (Alternative Bond Market).

Loan	Principal	Maturity	Interest	Loan margin
PRS02	NOK 411 million*	March 2010	3m Nibor	1.15%
PRS03	USD 50 million	March 2012	3m Libor	1.40%
PRS06 PRO	NOK 500 million	October 2013	3m Nibor	4.00%

* NOK 222.5 million outstanding (NOK 188.5 million bought back October 2009)

Financial covenants bond loans

PRS 02 and PRS 03
Value adjusted equity ratio: Minimum 35 per cent

PRS 06 PRO
Value adjusted equity ratio: Minimum 30 per cent
Leverage ratio: Total debt/EBITDA must not exceed 5.0

As of 31 December 2009, the Company complied with all covenants on interest-bearing debt.

LIBOR is the basis for interests on the bank loan and the unsecured bond loan in USD, whereas NIBOR is the basis for interests on the unsecured bond loans in NOK. On average, both LIBOR and NIBOR interest fixings were lower in 2009 compared to 2008. The average interest cost, including interest rate swap agreements, was 4.5 per cent in 2009 as opposed to 4.9 per cent in 2008.

NOTE 18: OTHER CURRENT LIABILITIES

	2009	2008
Other accrued costs	17.9	23.7
Accrued pay	1.8	1.8
Accrued interest costs	2.1	5.4
Public taxes	4.0	3.8
Provision share option costs	2.8	0.5
Deferred income	0.3	0.0
Other interest-free current liabilities	0.0	3.1
Total interest-free current liabilities	**28.9**	**38.3**

NOTE 19: MORTGAGES AND GUARANTEES

As of 31 December 2009, Prosafe's interest-bearing debt secured by mortgages totalled USD 740 million. This debt is secured by mortgages on shares in Prosafe Rigs Pte Ltd, and the accommodation/service fleet owned by this entity. Book value of the fleet is USD 913.5 million. In line with industry practice, Prosafe has issued parent company guarantees (completion guarantees) to customers on behalf of its subsidiaries in connection with the award and performance of contracts.

NOTE 20: FINANCIAL ASSETS AND LIABILITIES

As of 31 December 2009, the group had financial assets and liabilities in the following categories:

Year ended 31 Dec 2009	Loans and receivables	Fair value through profit and loss	Financial liabilities measured at amortised cost	Available for sale	Booked value	Fair value
Cash and deposits	88.5	0.0	0.0	0.0	88.5	88.5
Shares	0.0	0.0	0.0	54.7	54.7	54.7
Fair value FX forwards	0.0	6.5	0.0	0.0	6.5	6.5
Fair value interest swaps	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable	41.0	0.0	0.0	0.0	41.0	41.0
Other current assets	15.9	0.0	0.0	0.0	15.9	15.9
Total financial assets	**145.4**	**6.5**	**0.0**	**54.7**	**206.6**	**206.6**
Credit facility 1)	0.0	0.0	740.0	0.0	740.0	668.0
Bond loan PRS02 2)	0.0	0.0	38.5	0.0	38.5	38.6
Bond loan PRS03 3)	0.0	0.0	50.0	0.0	50.0	48.2
Bond loan PRS06 PRO 4)	0.0	0.0	86.6	0.0	86.6	87.5
Fair value FX forwards	0.0	0.0	0.0	0.0	0.0	0.0
Fair value interest swaps	0.0	43.2	0.0	0.0	43.2	43.2
Accounts payable	0.0	0.0	8.7	0.0	8.7	8.7
Other current liabilities	0.0	0.0	24.9	0.0	24.9	24.9
Total financial liabilities	**0.0**	**43.2**	**948.7**	**0.0**	**991.9**	**919.1**

1) Fair value reflects current market conditions with the assumption that the credit margin would increase from the actual 85 basis points to 400 basis points. The net present value of the interest advantage, discounted with USD 5-year swap rate, is around USD 72 million.

2,3,4) Fair value reflects current market conditions based on prices estimated by the Norwegian Securities Dealers Association as of 31 December 2009: PRS02 100.15, PRS03 96.30, PRS06 PRO 101.00.

Assets named at fair value in the balance sheet

The shares in Prosafe Production Public Limited are listed at the Oslo Stock Exchange and actively traded, while the FX forwards and interest swaps are valued based on current exchange rates and forward curves.

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 liability, either directly (i.e as prices) or indirectly (i.e derived from prices)
Level 3 - inputs for the assets or liability that are not based on observable market data (unobservable inputs).

	Total	Level 1	Level 2	Level 3
Shares	54.7	54.7	0.0	0.0
Fair value FX forwards	6.5	0.0	6.5	0.0
Fair value interest swaps	0.0	0.0	0.0	0.0
Total financial assets	**61.2**	**54.7**	**6.5**	**0.0**
Fair value FX forwards	0.0	0.0	0.0	0.0
Fair value interest swaps	43.2	0.0	43.2	0.0
Total financial liabilities	**43.2**	**0.0**	**43.2**	**0.0**

As of 31 December 2008, the group had financial assets and liabilities in the following categories:

Year ended 31 Dec 2008	Loans and receivables	Fair value through profit and loss	Financial liabilities measured at amortised cost	Available for sale	Booked value	Fair value
Cash and deposits	115.6	0.0	0.0	0.0	115.6	115.6
Shares	0.0	0.0	0.0	39.9	39.9	39.9
Fair value FX forwards	0.0	0.0	0.0	0.0	0.0	0.0
Fair value interest swaps	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable	63.8	0.0	0.0	0.0	63.8	63.8
Other current assets	4.7	0.0	0.0	0.0	4.7	4.7
Total financial assets	**184.1**	**0.0**	**0.0**	**39.9**	**224.0**	**224.0**
Credit facility 1)	0.0	0.0	850.0	0.0	850.0	816.0
Bond loan PRS02 2)	0.0	0.0	58.7	0.0	58.7	54.3
Bond loan PRS03 3)	0.0	0.0	50.0	0.0	50.0	43.0
Fair value FX forwards	0.0	32.6	0.0	0.0	32.6	32.6
Fair value interest swaps	0.0	51.6	0.0	0.0	51.6	51.6
Accounts payable	0.0	0.0	35.3	0.0	35.3	35.3
Other current liabilities	0.0	0.0	34.0	0.0	34.0	34.0
Total financial liabilities	**0.0**	**84.2**	**1 028.0**	**0.0**	**1 112.2**	**1 066.8**

1) Fair value reflects current market conditions with the assumption that the credit margin would increase from the actual 85 basis points to 200 basis points. The net present value of the interest advantage, discounted with USD 6-year swap rate, is around USD 34 million.

2,3) Fair value reflects current market conditions based on prices estimated by the Norwegian Securities Dealers Association as of 31 December 2008: PRS02 92.50, PRS03 86.02.

Assets measured at fair value in the balance

The shares in Prosafe Production Public Limited are listed at the Oslo Stock Exchange and actively traded, while the FX forwards and interest swaps are valued based on current exchange rates and forward curves.

	Total	Level 1	Level 2	Level 3
Shares	39.9	39.9	0.0	0.0
Fair value FX forwards	0.0	0.0	0.0	0.0
Fair value interest swaps	0.0	0.0	0.0	0.0
Total financial assets	**39.9**	**39.9**	**0.0**	**0.0**
Fair value FX forwards	32.6	0.0	32.6	0.0
Fair value interest swaps	51.6	0.0	51.6	0.0
Total financial liabilities	**84.2**	**0.0**	**84.2**	**0.0**

NOTE 21: FINANCIAL RISKS AND DERIVATIVE FINANCIAL INSTRUMENTS

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

Currency risk

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

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

As of 31 December 2009, Prosafe had entered into the following forward exchange contracts:

- Forward purchase of GBP 51 million against USD 80 million at a weighted average of 1.57
- Forward purchase of NOK 975 million against USD 164 million at a weighted average of 5.93

Fair value of forward exchange contracts is 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 2009, the fair value and maximum credit risk exposure of forward exchange contracts was USD 6.5 million positive.

Currency risk - sensitivity

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

	2009		2008	
	Income statement effect	Equity effect	Income statement effect	Equity effect
USD +10%				
Re-valuation cash and deposits	(2.2)	0.0	(2.9)	0.0
Re-valuation FX forwards	(20.8)	0.0	(32.4)	0.0
Re-valuation NOK bonds	12.5	0.0	5.9	0.0
Re-valuation shares Prosafe Production Plc	(0.0)	5.5	(4.0)	0.0
Total	**(10.5)**	**5.5**	**(33.4)**	**0.0**
USD -10%				
Re-valuation cash and deposits	2.2	0.0	2.9	0.0
Re-valuation FX forwards	20.8	0.0	32.4	0.0
Re-valuation NOK bonds	(12.5)	0.0	(5.9)	0.0
Re-valuation shares Prosafe Production Plc	5.5	0.0	4.0	0.0
Total	**16.0**	**0.0**	**33.4**	**0.0**

Interest rate risk

As of 31 December 2009, Prosafe's interest-bearing debt totalled about USD 915 million. Unsecured bond loans accounted for USD 175 million of this total and bank loans secured by mortgages for USD 740 million.

Interest on debt is in principle floating, but has been hedged to reduce the variability of cash flows in the interest payments through the use of interest rate swap agreements. Prosafe evaluates the hedge profile in relation to the repayment schedule of its loans, the company's portfolio of contracts, cash flow and cash in hand. The proportion hedged will normally lie between 50 and 75 percent for all loan terms. The average interest cost, including interest rate swap agreements, was 4.5 per cent in 2009 as opposed to 4.9 per cent in 2008.

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 honor its obligation under the swap changes during the life of the hedge, the measurement of hedge ineffectiveness will be based on a comparison of the change in fair value of the actual swap designated as the hedging instrument and the change in fair value of a hypothetical swap (dollar offset). Changes in fair value for interest swaps treated as effective hedges (hedge accounting) will affect equity directly, while interest swaps not treated as effective hedges (not hedge accounting) will affect equity through the income statement. During 2009, interest swaps treated as effective hedges have been highly effective, and no ineffectiveness has been recognised in the income statement.

As of 31 December 2009, Prosafe's hedging agreements totalled about USD 720 million:

Notional amount	Fixed rate	Maturity	Swap type	Fair value
NOK 200 million	3.5000%	2010	Bullet	(0.1) hedge accounting
USD 150 million	3.8600%	2011	Bullet	(5.6) hedge accounting
USD 150 million	4.0150%	2012	Bullet	(8.2) hedge accounting
USD 150 million	4.1200%	2012	Bullet	(9.3) hedge accounting
USD 100 million	5.1150%	2012	Bullet	(8.9) hedge accounting
USD 75 million	5.1940%	2014	Bullet	(8.1) hedge accounting
USD 50 million	5.0475%	2010	Bullet	(1.8) hedge accounting
USD 28 million (6 million*)	3.6090%	2011	Amortising	(0.6) not hedge accounting
USD 28 million (6 million*)	3.6100%	2011	Amortising	(0.6) not hedge accounting
Total				**(43.2)**

* USD 6 million as of 31 December 2009

Fair value of interest rate swap agreements is 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 2009, the fair value and maximum credit risk exposure of interest rate swap agreements was USD 43.2 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 occured at the balance sheet date. A forward curve shift of ±100bps is applied in the analysis.

	2009		2008	
	Income statement effect	Equity effect	Income statement effect	Equity effect
Forward curve +100bps				
Re-valuation interest rate swaps	0.1	16.4	0.5	22.6
Total	**0.1**	**16.4**	**0.5**	**22.6**
Forward curve -100bps				
Re-valuation interest rate swaps	(0.1)	(17.1)	(0.5)	(23.4)
Total	**(0.1)**	**(17.1)**	**(0.5)**	**(23.4)**

Stock market risk

Prosafe holds around 10 per cent of the shares in Prosafe Production Public Limited. The shares are listed on the Oslo Stock Exchange and denominated in NOK. The shareholding is recognised as a current asset in the balance, and changes in fair value affect equity through the income statement.

Stock market risk - sensitivity

The sensitivity analysis is based on a reasonably possible change in the Prosafe Production Public Limited stock price and reflects the main effects on profit or loss and equity assuming that the change had occured at the balance sheet date. A price change of ±10 per cent is applied in the analysis.

	2009		2008	
	Income statement effect	Equity effect	Income statement effect	Equity effect
Share price +10%				
Re-valuation shares Prosafe Production Public Limited	0.0	5.5	0.0	4.0
Total	**0.0**	**5.5**	**0.0**	**4.0**
Share price -10%				
Re-valuation shares Prosafe Production Public Limited	(5.5)	0.0	(4.0)	0.0
Total	**(5.5)**	**0.0**	**(4.0)**	**0.0**

Changes in equity related to financial instruments

As of 31 December 2009, the following changes in equity were related to financial instruments:

	2009	2008	Change
Re-valuation interest rate swaps	(42.1)	(50.6)	8.5
Ineffectiveness	0.0	0.0	0.0
Total	**(42.1)**	**(50.6)**	**8.5**

Credit risk

The Gulf of Mexico contracts contain a cancellation clause allowing the ultimate customer, Pemex, to cancel the agreement with 30 days notice without compensation, if the Mexican authorities annul financing of the project. These clauses reflect the crisis that Mexico saw during the 1980s. Prosafe takes the view that a cancellation on this basis is only likely if the Mexican economy suffers another deep and lengthy crisis. Prosafe does not regard this as a realistic scenario, given the high present and planned levels of activity in the Gulf of Mexico, and the importance of oil production to Mexico's economic development. Reference is made to note 5 for more information on revenues per customer.

In line with industry practice, other contracts normally contain clauses which give the customer an opportunity for early cancellation under specified conditions. Providing Prosafe has not acted negligently, however, the effect on results in such cases will normally be wholly or partly offset by a financial settlement in the company's favour. Following a potential notice of convenience termination, the customer will have to pay Prosafe a substantial part of the remaining contract value. Credit assessment of yards, sub-contractors and equipment suppliers is part of Prosafe's project evaluations and risk analyses.

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

As of 31 December 2009, there is no objective evidence that accounts receivable are impaired, and no impairment loss has been recognised in the income statement.

Liquidity risk

Under the existing credit facility agreement, the Group is required to maintain a minimum liquidity reserve of USD 65 million. Prosafe makes active use of a system for planning and forecasting the development of its liquidity, and utilises scenario analyses to secure stable and sound development.

As of 31 December 2009, the Group's main financial liabilities had the following remaining contractual maturities:

Year ended 31 Dec 2009	2010	2011	2012	2013	2014→
Interest-bearing debt (downpayments)	(124.0)	(118.3)	(116.2)	(140.0)	(416.6)
Interest-bearing debt (interest including interest swaps)	(43.3)	(37.1)	(35.7)	(27.9)	(17.3)
Accounts payable	(8.7)	0.0	0.0	0.0	0.0
Other liability	(24.9)	0.0	0.0	0.0	0.0
Total	**(200.9)**	**(155.4)**	**(151.9)**	**(167.9)**	**(433.9)**

* Interest-bearing debt (downpayments) in 2010 include both current interest-bearing debt as of 31 December 2009 (USD 38.5 million) and projected volountary long-term debt prepayments (USD 85.5 million).

Capital management
The primary objective of the Group's capital management is to ensure that it maintains a healthy capital structure in line with economic conditions. Prosafe's main tool to assess its capital structure is the leverage ratio, which is calculated by dividing total interest-bearing debt, including bank guarantees, by EBITDA over the last 12 months. To stay in compliance with financial covenants, the leverage ratio is not allowed to exceed 5.00 up until 5 May 2010, and 4.50 thereafter. At 31 December 2009 (2008) the leverage ratio was 3.34 (3.43).

	2009	2008
Credit facility	740.0	850.0
Bond loan PRS02 ISIN NO 001 025576.3	38.5	58.7
Bond loan PRS03 ISIN NO 001 025756.1	50.0	50.0
Bond loan PRS06 PRO ISIN NO 001 054247.5	86.6	0.0
Total interest-bearing debt	**915.1**	**958.7**
Bank guarantees	0.0	4.3
EBITDA last 12 months	274.3	281.0
Leverage ratio	**3.34**	**3.43**

NOTE 22: CASH AND DEPOSTITS

	2009	2008
Restricted cash deposits	0.1	0.1
Free cash and short-term deposits	88.4	115.5
Total cash and deposits	**88.5**	**115.6**

NOTE 23: OTHER CURRENT ASSETS

	2009	2008
Receivables	13.7	18.4
Prepayments	3.5	5.4
Stock	0.3	0.6
Other current assets	2.2	11.3
Total other current assets	**19.7**	**35.7**

NOTE 24: RELATED PARTY DISCLOSURES

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

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

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

Shares owned by senior officers and directors at 31 December 2009:
(includes shares owned by wholly-owned companies)

	Shares	Synthetic options
Senior officers:		
Arne Austreid - president and CEO	126 100	742 524
Karl Ronny Klungtvedt - exec VP strategy and corporate planning	45 930	690 019
Robin Laird - president Offshore Support Services	58 000	731 271
Martin Kolnes - vice president and CFO	35 615	585 015
Directors:		
Reidar Lund - chair	155 000	0
Christian Brinch - deputy chair	0	0
Ronny Johan Langeland - director	15 000	0
Gunn Elin Nicolaisen - director	0	0
Michael Raymond Parker - director	0	0
Christiakis Pavlou - director	0	0
Roger Cornish - director	0	0

NOTE 25: CONTINGENT LIABILITIES

The Group has no material contingent liabilities not provided for as at 31 December 2009.

NOTE 26: EVENTS AFTER THE BALANCE SHEET DATE

From 1 January 2010 and until the date of signing off the financial statements, there have not been any significant events with regards to the financial position of the Group.

ACCOUNTS PROSAFE SE

INCOME STATEMENT - PROSAFE SE

(USD 1 000)	Note	2009	2008
Operating revenues		**0**	**6 352**
Operating expenses	2	(7 980)	(6 833)
Depreciation	3	(49)	(100)
Operating profit		**(8 029)**	**(581)**
Income from investments in subsidiaries	5	145 754	113 515
Other financial income	4, 5	79 100	87 955
Other financial expenses	4, 5	(99 642)	(102 291)
Net financial items	5	**125 212**	**99 179**
Profit before taxes		**117 183**	**98 598**
Taxes	6	0	(1 166)
Net profit		**117 183**	**97 432**
Attributable to the owners of the company		**117 183**	**97 432**

STATEMENT OF COMPREHENSIVE INCOME

(USD 1 000)	**2009**	**2008**
Net profit for the year	**117 183**	**97 432**
Revaluation hedging instruments	8 450	(41 521)
Revaluation Prosafe Production shares	13 296	(13 296)
Income tax effect on components of comprehensive income	0	0
Other comprehensive income, net of tax	**21 746**	**(54 817)**
Total comprehensive income	**138 929**	**42 615**
Attributable to the owners of the company	**138 929**	**42 615**

BALANCE SHEET - PROSAFE SE

(USD 1 000)	Note	31.12.09	31.12.08
ASSETS			
Tangible assets	3	15	65
Shares in subsidiaries	7	2 513 942	2 444 542
Intra-group long-term receivables	12, 14	197 952	259 934
Total non-current assets		**2 711 909**	**2 704 541**
Cash and deposits	14	26 588	20 488
Fair value derivatives	14, 15	3 752	0
Other current assets	8, 14	28 097	26 534
Total current assets		**58 437**	**47 022**
Total assets		**2 770 346**	**2 751 563**
EQUITY AND LIABILITIES			
Share capital	9	63 903	63 903
Own shares	9	(49 178)	(49 216)
Share premium reserve		620 496	620 496
Total paid-in equity		635 221	635 183
Other equity		1 104 371	1 016 781
Total retained earnings		1 104 371	1 016 781
Total equity		**1 739 592**	**1 651 964**
Interest-bearing long-term debt	10, 14, 15	876 571	958 733
Intra-group long-term debt	12, 14, 15	28 435	45 207
Fair value derivatives	14, 15	43 212	51 600
Interest-free long-term liabilities	14, 15	2 206	1 564
Total long-term liabilities		**950 424**	**1 057 104**
Interest-bearing current debt	10, 11, 14, 15	38 500	0
Taxes payable	6	1 051	867
Fair value derivatives	14, 15	0	21 956
Other interest-free current liabilities	11, 14, 15	40 779	19 672
Total current liabilities		**80 330**	**42 495**
Total equity and liabilities		**2 770 346**	**2 751 563**

Larnaca, 10 March 2010

Reidar Lund
Non-executive chairman

Christian Brinch
Non-executive deputy chairman

Roger Cornish
Non-executive director

Ronny Johan Langeland
Non-executive director

Elin Nicolaisen
Non-executive director

Michael Raymond Parker
Non-executive director

Christakis Pavlou
Non-executive director

CASH FLOW STATEMENT - PROSAFE SE

(USD 1 000)	Note	2009	2008
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxes		117 183	98 598
Unrealised currency loss / (gain) on long-term debt		6 726	(17 233)
Gain on sale of tangible fixed assets	3	0	(6 187)
Loss / (gain) on sale of shares		0	(986)
Depreciation	3	49	100
Financial income		(6 431)	(18 750)
Financial cost		44 545	67 701
Change in working capital		19 544	8 616
Taxes paid	5	184	(299)
Other from operating activities		(11 669)	50 602
Net cash flow from operating activities		**170 131**	**182 162**
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of shares		0	1 148
Acquisition of shares		(69 400)	0
Change in long-term intra-group balances	12	45 210	127 099
Proceeds from sale of tangible fixed assets	3	0	10 084
Acquisition of tangible fixed assets	3	0	(8)
Interest received		6 431	18 750
Net cash flow from investing activities		**(17 759)**	**157 073**
CASH FLOW FROM FINANCING ACTIVITIES			
New interest-bearing long-term debt	10	133 500	1 046 500
Repayment of interest-bearing long-term debt	10	(183 888)	(1 321 842)
Dividends paid		(51 339)	0
Interest paid		(44 545)	(62 328)
Net cash flow from financing activities		(146 272)	(337 670)
Net cash flow		**6 100**	**1 565**
Cash and deposits at 1 January		20 488	18 923
Cash and deposits at 31 December		**26 588**	**20 488**

STATEMENT OF CHANGES IN EQUITY - PROSAFE SE

(USD 1 000)	Share capital	Own shares	Share premium	Other equity	Cash flow hedges	Revaluation shares	Total equity
Equity at 31 December 2007	**63 903**	**(37)**	**620 496**	**1 874 814**	**0**	**0**	**2 559 176**
Net profit	0	0	0	97 432	0	0	97 432
Other comprehensive income	0	0	0	0	(41 521)	(13 296)	(54 817)
Total comprehensive income 1)	**0**	**0**	**0**	**97 432**	**(41 521)**	**(13 296)**	**42 615**
Dividend in specie	0	0	0	(892 307)	0	0	(892 307)
Costs related to dividend distribution	0	0	0	(8 341)	0	0	(8 341)
Buy-back of own shares	0	(49 179)	0	0	0	0	(49 179)
Equity at 31 December 2008	**63 903**	**(49 216)**	**620 496**	**1 071 598**	**(41 521)**	**(13 296)**	**1 651 964**
Net profit	0	0	0	117 183	0	0	117 183
Other comprehensive income	0	0	0	0	8 450	13 296	21 746
Total comprehensive income 1)	**0**	**0**	**0**	**117 183**	**8 450**	**13 296**	**138 929**
Dividends	0	0	0	(51 339)	0	0	(51 339)
Sale of own shares 2)	0	38	0	0	0	0	38
Equity at 31 December 2009	**63 903**	**(49 178)**	**620 496**	**1 137 442**	**(33 071)**	**0**	**1 739 592**

1) Total comprehensive income is attributable to the owners of the company.

2) During 2009 Prosafe has sold 7 350 own shares for a total consideration of USD 38 000.

NOTES - PROSAFE SE

All figures in USD 1 000 unless otherwise stated.

NOTE 1: ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap 113. The accounting policies applied to the consolidated accounts have also been applied to the parent company, Prosafe SE. The notes to the consolidated accounts provide additional information to the parent company's accounts which is not presented here separately. The company's financial statements are presented in USD dollars (USD). Investments in subsidiaries are measured at historic cost, unless there is any indication of impairment. In case of impairment, an investment is written down to fair value.

NOTE 2: OPERATING EXPENSES

	2009	2008
Recharges from subsidiaries	2 344	3 553
Share option costs	1 942	(1 700)
Salaries and management bonus	1 150	1 954
Directors' fees	580	663
Pension expenses	411	306
Other remuneration	346	404
Auditors' audit fees	116	91
Payroll taxes	48	56
Auditors' other fees	47	139
Other operating expenses	996	1 367
Total operating expenses	**7 980**	**6 833**

NOTE 3: TANGIBLE ASSETS

	Equipment	Total
Acquisition cost 01.01	143	143
Additions	0	0
Disposals at acquisition cost	0	0
Acquisition cost 31.12	**143**	**143**
Accumulated depreciation 01.01	79	79
Accumulated depreciation on disposals	0	0
Depreciation for the year	49	49
Accumulated depreciation 31.12	**128**	**128**
Carrying value 31.12	**15**	**15**
Depreciation rate (%)	**20-30**	-

NOTE 4: OTHER FINCANCIAL ITEMS

	2009	2008
Gain on sale of shares	0	986
Interest receivable from subsidiaries	6 431	18 750
Other interest receivable	137	1 974
Currency gain	38 088	66 245
Fair value adjustment derivative financial instruments	34 444	0
Total other financial income	**79 100**	**87 955**
Interest payable to subsidiaries	(280)	(11 025)
Interest expenses	(44 265)	(56 676)
Currency loss	(41 658)	0
Fair value adjustment derivative financial instruments	(48)	(31 934)
Impairment shares	(10 030)	0
Other financial items	(3 361)	(2 656)
Total other financial expenses	**(99 642)**	**(102 291)**

NOTE 5: FINANCIAL ITEMS - IAS 39 CATEGORIES

Year ended 31 Dec 2009	Loans and receivables	Fair value through profit and loss	Financial liabilities measured at amortised cost	Available for sale	Total
Interest income	6 568	0	0	0	6 568
Currency gain [1]	0	0	0	0	38 088
Dividend	145 754	0	0	0	145 754
Fair value adjustment financial instr.	0	34 444	0	0	34 444
Total financial income	**152 322**	**34 444**	**0**	**0**	**224 854**
Interest expenses	0	0	(44 545)	0	(44 545)
Currency loss [1]	0	0	0	0	(41 658)
Fair value adjustment financial instr.	0	(48)	0	0	(48)
Fair value adjustment shares	0	0	0	(10 030)	(10 030)
Other financial expenses	0	0	(3 361)	0	(3 361)
Total financial expenses	**0**	**(48)**	**(47 906)**	**(10 030)**	**(99 642)**
Net financial items	**152 322**	**34 396**	**(47 906)**	**(10 030)**	**125 212**

Year ended 31 Dec 2008	Loans and receivables	Fair value through profit and loss	Financial liabilities measured at amortised cost	Available for sale	Total
Interest income	20 724	0	0	0	20 724
Currency gain [1]	0	0	0	0	66 245
Dividend	113 515	0	0	0	113 515
Fair value adjustment financial instr.	0	0	0	0	0
Disposal of shares	0	0	0	986	986
Total financial income	**134 239**	**0**	**0**	**986**	**201 470**
Interest expenses	0	0	(67 701)	0	(67 701)
Currency loss [1]	0	0	0	0	0
Fair value adjustment financial instr.	0	(31 934)	0	0	(31 934)
Disposal of shares	0	0	0	0	0
Other financial expenses	0	0	(2 656)	0	(2 656)
Total financial expenses	**0**	**(31 934)**	**(70 357)**	**0**	**(102 291)**
Net financial items	**134 239**	**(31 934)**	**(70 357)**	**986**	**99 179**

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

NOTE 6: TAXES

	2009	2008
Norway		
Profit before taxes	0	4 164
Permanent differences	0	0
Changes in temporary differences	0	0
Utilisation of tax loss carried forward	0	0
Tax base Norway	**0**	**4 164**
Taxes payable (receivable)	0	(1 166)
Changes in deferred tax	0	0
Taxes Norway	**0**	**(1 166)**
Cyprus		
Profit before taxes	117 183	98 598
Permanent differences	(114 898)	(89 058)
Utilisation tax loss carried forward	(2 285)	(9 540)
Tax base Cyprus	**0**	**0**
Taxes Cyprus	**0**	**0**
Temporary differences:		
Loss carried forward	(11 975)	(14 260)
Basis for deferred tax liability (+)/benefit (-)	**(11 975)**	**(14 260)**
Deferred tax liability (+)/benefit (-)	**0**	**0**
Taxes payable at 31 December	**1 051**	**867**

No deferred tax asset has been recognized in respect of the tax loss carried forward.
The tax loss is carried forward indefinitely. The tax rate in Cyprus is 10%.

The Company was taxable to Norway until 21 September 2007 when the company changed domicile from Norway to Cyprus. The tax loss which was incurred in Norway in 2007 can be utilised by offsetting it against taxes paid for 2006, and an amount of USD 8.4 million has been recognised in the balance sheet as at 31 December 2008. (See note 8 - Other current assets).

NOTE 7: SHARES IN SUBSIDIARIES

(Share capital and carrying value in 1 000)

Company		Share capital	Carrying value 2009	Carrying value 2008	Owner-ship
Prosafe AS	NOK	100	69 316	73	100%
Prosafe Offshore AS	NOK	100	270	270	100%
Prosafe Offshore Norge AS	NOK	100	15	15	100%
Prosafe (UK) Holdings Ltd	GBP	11 000	22 826	22 826	100%
Prosafe Offshore Pte Ltd	USD	10 000	10	10	100%
Consafe Offshore AB	SEK	27 786	156 884	156 884	100%
Prosafe Rigs Pte Ltd	USD	2 500 040	2 264 464	2 264 464	91%
Total carrying value			**2 513 785**	**2 444 542**	

NOTE 8: OTHER CURRENT ASSETS

	2009	2008
Shares in Prosafe Production Public Limited	12 063	8 797
Corporation tax refundable	8 360	8 360
Current receivables from group companies	124	121
Other current assets	7 550	9 256
Total other current assets	**28 097**	**26 534**

The annual general meeting adopted on 14 May 2008 to distribute 90.1 per cent of the shares in Prosafe Production Public Limited to the shareholders of Prosafe SE. Distribution of these shares took place on 27 May. In accordance with IFRS, no gain was recognised from this distribution. As at 31 December, the parent company owned 5 597 005 shares in Prosafe Production Public Limited corresponding to 2.19 per cent of the shares. The shares were initially recorded at the proportion of the carrying value of the discontinued operations. At 31 December the shares are valued at the share price prevailing on this date, NOK 12.45. This loss was in 2008 charged directly to equity, but as it no longer can be considered to be a temporary loss under IFRS, it has been charged to the income statement in 2009.

NOTE 9: SHARE CAPITAL

	2009	2008
Issued, authorised and paid number of shares	229 936 790	229 936 790
Holding of own shares	6 994 355	7 001 705
Nominal value	EUR 0,25	EUR 0,25

NOTE 10: INTEREST-BEARING DEBT

As of 31 December 2009, Prosafe's interest-bearing debt totalled about USD 915 million. Loans secured by mortgages (credit facility) accounted for USD 740.0 million of this total and unsecured bond loans accounted for USD 175.1 million.

	2009	2008
Credit facilit	740 000	850 000
Bond loans	175 100	108 733
Total interest-bearing debt	**915 100**	**958 733**
Debt in NOK	125 100	58 733
Debt in USD	790 000	900 000
Total interest-bearing debt	**915 100**	**958 733**
Long-term interest-bearing debt	876 571	958 733
Current interest-bearing debt	38 500	0
Total interest-bearing debt	**915 071**	**958 733**

The bond debt is divided into three loans of NOK 411 million (NOK 222.5 million outstanding) maturing March 2010 (PRS02), USD 50 million maturing March 2012 (PRS03), and NOK 500 million maturing October 2013 (PRS06 PRO). PRS02 and PRS03 are listed on the Oslo Stock Exchange and PRS06 PRO is listed on Oslo ABM (Alternative Bond Market).

Loan	Principal	Maturity	Interest	Loan Margin
PRS02	NOK 411 million*	March 2010	3m Nibor	1.15%
PRS03	USD 50 million	March 2012	3m Libor	1.40%
PRS06 PRO	NOK 500 million	October 2013	3m Nibor	4.00%

* NOK 222.5 million outstanding (NOK 188.5 bought back October 2009)

Prices estimated by the Norwegian Securities Dealers Association as of 31 December 2009:
PRS02 100.15, PRS03 96.30, PRS06 PRO 101.00.

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

NOTE 11: OTHER INTEREST-FREE CURRENT LIABILITIES

	2009	2008
Intra-group payable	32 101	11 182
Accrued interest costs	2 121	5 373
Provision share-based payments	2 777	549
Accounts payable	0	120
Other current liabilities	3 780	2 448
Total other interest-free current liabilities	**40 779**	**19 672**

NOTE 12: INTRA-GROUP BALANCES

	2009	2008
Loan to Prosafe AS	197 952	259 934
Intra-group long-term receivables	**197 952**	**259 934**
Loan from Consafe Offshore AB	28 435	45 207
Intra-group long-term debt	**28 435**	**45 207**

Loan agreements with subsidiaries are made at normal market prices using 3M NIBOR and STIBOR interest rate and a margin of 1.00% and 0.60% respectively. Outstanding balances at year-end are unsecured, and settlement normally occurs in cash. For the year ended 31 December 2009, the company has not recorded any impairment of receivables relating to amounts owed by subsidiaries.

Transactions with related parties	2009	2008
Transactions		
Interest income	6 431	18 750
Interest expenses	(280)	(11 025)
Dividend	145 754	113 515
Year-end balances		
Current receivables of the ultimate parent to subsidiaries	122	121
Intra-group long-term receivables	197 952	259 934
Current payables from the ultimate parent to subsidiaries	32 101	11 213
Loans to subsidiaries of the ultimate parent	28 435	45 207

NOTE 13: MORTGAGES AND GUARANTEES

As of 31 December 2009, Prosafe's interest-bearing debt secured by mortgages totalled USD 740 million. This debt is secured by mortgages on shares in Prosafe Rigs Pte Ltd (ref note 7 for carrying value of these shares), and the accommodation/service fleet owned by this entity. In line with industry practice, Prosafe has issued parent company guarantees (completion 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 2009, the group had financial assets and liabilities in the following categories:

Year ended 31 Dec 2009	Loans and receivables	Fair value through profit and loss	Financial liabilities measured at amortised cost	Available for sale	Book value
Intra-group long-term receivable	197 952	0	0	0	197 952
Cash and deposits	26 588	0	0	0	26 588
Fair value derivatives	0	3 752	0	0	3 752
Other current assets	7 674	0	0	12 063	19 737
Total assets	**232 214**	**3 752**	**0**	**12 063**	**248 029**
Credit facility 1)	0	0	740 000	0	740 000
PRS02 - NOK bond loan 2)	0	0	38 471	0	38 471
PRS03 - USD bond loan 2)	0	0	50 000	0	50 000
PRS06 PRO - NOK bond loan 2)	0	0	86 600	0	86 600
Intra-group long-term debt	0	0	28 435	0	28 435
Fair value derivatives	0	43 212	0	0	43 212
Interest free long term liabilities	0	0	2 206	0	2 206
Other interest free current liabilities	0	0	40 779	0	40 779
Total liabilities	**0**	**43 212**	**986 491**	**0**	**1 029 703**

Change in equity related to financial instruments

As of 31 December 2009, the following changes in equity were related to financial instruments:

	2008	2009	Change
Revaluation interest rate swaps	50 600	42 150	8 450

Assets measured at fair value in the balance

Fair value for all financial assets and liabilities is the same as book value, except for:

	Book value	Fair value
Credit facility 1)	740 000	668 000
PRS02 - NOK bond loan 2)	38 471	38 600
PRS03 - USD bond loan 2)	50 000	48 200
PRS03 PRO - NOK bond loan 2)	86 600	87 500

1) Fair value reflects current market conditions with the assumption that the credit margin would increase from the actual 85 basis points to 400 basis points. The net present value of the interest advantage, discounted with USD 5-year swap rate, is around USD 72 million.

2) Fair value reflects current market conditions based on prices estimated by the Norwegian Securities Dealers Association as of 31 December 2009: PRS02 100.15, PRS03 96.30, PRS06 PRO 101.00.

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 liability, either directly (i.e as prices) or indirectly (i.e derived from prices)
Level 3 - inputs for the assets or liability that are not based on observable market data (unobservable inputs).

	Total	Level 1	Level 2	Level 3
Fair value FX forwards	3 752	0	3 752	0
Fair value interest swaps	0	0	0	0
Total financial assets	**3 752**	**0**	**3 752**	**0**
Fair value FX forwards	0	0	0	0
Fair value interest swaps	43 212	0	43 212	0
Total financial liabilities	**43 212**	**0**	**43 212**	**0**

As of 31 December 2008, the group had financial assets and liabilities in the following categories:

Year ended 31 Dec 2008	Loans and receivables	Fair value through profit and loss	Financial liabilities measured at amortised cost	Available for sale	Book value
Intra-group long-term receivable	259 934	0	0	0	259 934
Cash and deposits	20 488	0	0	0	20 488
Other current assets	9 377	0	0	8 797	18 174
Total assets	**289 799**	**0**	**0**	**8 797**	**298 596**
Credit facility 1)	0	0	850 000	0	850 000
PRS02 - NOK bond loan 2)	0	0	58 733	0	58 733
PRS03 - USD bond loan 2)	0	0	50 000	0	50 000
Intra-group long-term debt	0	0	45 207	0	45 207
Fair value derivatives	0	51 600	0	0	51 600
Interest-free long-term liabilities	0	0	1 564	0	1 564
Fair value derivatives	0	21 956	0	0	21 956
Other interest-free current liabilities	0	0	19 672	0	19 672
Total liabilities	**0**	**73 556**	**1 025 176**	**0**	**1 098 732**

Assets measured at fair value in the balance

Fair value for all financial assets and liabilities is the same as book value, except for:

	Book value	Fair value
Credit facility 1)	850 000	816 000
PRS02 - NOK bond loan 2)	58 733	54 300
PRS03 - USD bond loan 2)	50 000	43 000

1) Fair value reflects current market conditions with the assumption that the credit margin would increase from the actual 85 basis points to 200 basis points. The net present value of the interest advantage, discounted with USD 6-year swap rate, is around USD 34 million.

2) Fair value reflects current market conditions based on prices estimated by the Norwegian Securities Dealers Association as of 31 December 2008: PRS02 92.50, PRS03 86.02.

NOTE 15: MATURITY PROFILE LIABILITIES

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

Year ended 31 Dec 2009	2010	2011	2012	2013	2014 →
Interest-bearing debt (instalments)	124 000	118 300	116 200	140 000	416 600
Interests incl interest swaps	43 300	37 100	35 700	27 900	17 300
Intra-group long-term debt	0	28 435	0	0	0
Interest free long term liabilities	2 206	0	0	0	0
Other interest free current liabilities	40 779	0	0	0	0
Total	**167 300**	**155 400**	**151 900**	**167 900**	**433 900**

NOTE 16: EVENTS AFTER THE BALANCE SHEET DATE

From 1 January 2010 and until the date for signing off the financial statements, there have not been any significant events with regard to the financial position of the Company.

Independent Auditors' Report

TO THE MEMBERS OF PROSAFE SE
Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Prosafe SE (the "Company") and its subsidiaries (the "Group") and the Company's separate financial statements, which comprise the balance sheets of the Group and the Company as at 31 December 2009, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Financial Statements
The Company's Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the consolidated and the Company's separate financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2009, and of the financial performance and the cash flows of the Group and the Company for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Report on Other Legal and Regulatory Requirements
Pursuant to the requirements of the Cyprus Companies Law, Cap. 113, we report the following:
- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the Directors' Report is consistent with the financial statements.

Other Matter
This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 156 of the Cyprus Companies Law, Cap.113 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia
10 March 2010

Design: Bouvet. Photo: Tom Haga. Print: Gunnarshaug Trykkeri.

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