

Consolidated accounts

CONSOLIDATED INCOME STATEMENT				
(USD million)	Note	2008	2007	
Charter revenues		388.0	298.5	
Other operating revenues	6	103.1	78.2	
Operating revenues		491.1	376.7	
Employee benefits	8	(58.7)	(50.9)	
Other operating expenses	9	(151.4)	(116.4)	
Operating profit before depreciation		281.0	209.4	
Depreciation	10	(48.8)	(46.4)	
Operating profit		232.2	163.0	
Interest income		4.0	5.6	
Interest expenses		(57.1)	(58.8)	
Other financial income	12	21.6	2.4	
Other financial expenses	12	(45.3)	(16.3)	
Net financial items		(76.8)	(67.1)	
Profit before taxes		155.4	95.9	
Taxes	14	9.4	(5.1)	
Net profit from continuing operations		164.8	90.8	
Net profit from discontinued operations	4	38.0	52.9	
Net profit		202.8	143.7	
Earnings per share (USD)	15	0.89	0.63	
Diluted earnings per share (USD)	15	0.89	0.63	
EPS from continuing operations (USD)	15	0.72	0.40	
Diluted EPS from continuing operations (USD)	15	0.72	0.40	

CONSOLIDATED BALANCE SHEET			
(USD million)	Note	31.12.08	31.12.07
ASSETS			
Goodwill	10	226.7	355.0
Rigs	10	828.4	749.6
Ships	10	0.0	926.5
Other tangible assets	10	3.8	12.2
Financial assets	11	0.0	292.4
Total non-current assets		1 058.9	2 335.7
Cash and deposits	24	115.6	162.0
Debtors	22, 23	63.8	76.0
Shares	4, 22	39.9	0.0
Other current assets		35.7	50.3
Total current assets		255.0	288.3
Total assets		1 313.9	2 624.0
EQUITY AND LIABILITIES			
Share capital	17	63.9	63.9
Other equity		60.7	974.7
Total equity		124.6	1 038.6
Interest-bearing long-term debt	18, 23	958.7	1 184.1
Deferred tax	14	54.0	92.9
Fair value on derivatives	19, 23	51.6	0.0
Other provisions	19, 23	2.3	4.1
Total long-term liabilities		1 066.6	1 281.1
Accounts payable	22, 23	35.3	42.1
Interest-bearing current debt	18	0.0	167.0
Taxes payable	14	16.5	38.2
Fair value on derivatives	23	32.6	0.0
Other current liabilities	20, 23	38.3	57.0
Total current liabilities		122.7	304.3
Total equity and liabilities		1 313.9	2 624.0

Larnaca, 18 March 2009

Reidar Lund
Chairman

Christian Brinch
Deputy chairman

Romy Johan Langeland

Elin Nicolaisen

Michael Raymond Parker

Christakis Pavlou

CONSOLIDATED CASH FLOW STATEMENT			
(USD million)	Note	2008	2007
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxes continuing operations		155.4	95.8
Profit before taxes discontinued operations	4	46.4	61.9
Unrealised currency (gain)/loss on long-term debt	18	(17.3)	10.2
Depreciation	10	72.6	80.0
Financial income		(4.0)	(5.6)
Financial cost		57.1	58.8
Change in working capital		(33.1)	(84.1)
Other items from operating activities		(46.1)	(7.4)
Net cash flow from operating activities		231.0	209.6
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of assets	10	9.5	0.0
Acquisition of tangible assets	10	(374.4)	(456.6)
Net effect of spin-off of subsidiary	4	562.5	0.0
Buy-back of own shares		(49.2)	0.0
Translation difference financial assets		(18.4)	(39.6)
Interest received		4.0	5.6
Net cash flow from investing activities		134.0	(490.6)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from new interest-bearing debt	18	1 166.5	717.7
Repayments of interest-bearing debt	18	(1 526.2)	(15.7)
Dividends paid		0.0	(353.1)
Interest paid		(51.7)	(53.1)
Net cash flow from financing activities		(411.4)	295.8
Net cash flow		(46.4)	14.8
Cash and deposits at 1 January		162.0	147.2
Cash and deposits at 31 December		115.6	162.0
Cash and deposits continuing operations	24	115.6	109.0
Cash and deposits discontinued operations		0.0	53.0
Cash and deposits at 31 December		115.6	162.0

STATEMENT OF CHANGES IN EQUITY

(USD million)	Share capital	Own shares	Other equity	Net unrealised gains reserve	Foreign currency translation	Total equity	Note
Equity at 31 Dec 2006	63.9	0.0	957.1	68.6	0.1	1 089.7	
Net profit	0.0	0.0	143.7	0.0	0.0	143.7	
Dividends declared	0.0	0.0	(206.1)	0.0	0.0	(206.1)	
Foreign currency translation	0.0	0.0	0.0	0.0	11.3	11.3	
Equity at 31 Dec 2007	63.9	0.0	894.7	68.6	11.4	1 038.6	
Net profit	0.0	0.0	202.8	0.0	0.0	202.8	
Dividend in specie	0.0	0.0	(924.6)	(68.6)	0.0	(993.2)	4
Costs related to dividend distribution	0.0	0.0	(9.7)	0.0	0.0	(9.7)	4
Revaluation of interest rate swaps	0.0	0.0	0.0	(41.5)	0.0	(41.5)	
Revaluation of shares	0.0	0.0	0.0	(68.5)	0.0	(68.5)	4
Buy-back of own shares	0.0	(49.2)	0.0	0.0	0.0	(49.2)	
Foreign currency translation	0.0	0.0	0.0	0.0	45.3	45.3	
Equity at 31 Dec 2008	63.9	(49.2)	163.2	(110.0)	56.7	124.6	

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 was on 2 February 2007 transformed from a Norwegian ASA company to a Norwegian registered SE company, and the Company's name was changed accordingly. On 4 July 2007, the general meeting resolved to change the Company's domicile from Norway to Cyprus. This move was completed on 21 September 2007.

The Company is listed on the Oslo Stock Exchange with ticker code PRS. The consolidated financial

statements comprise the financial statements of the Company and its subsidiaries (together referred to as the 'Group'). The consolidated financial statements for the year ended 31 December 2008 were authorised for issue in accordance with a resolution of the board of directors on 18 March 2009.

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 policies are consistent with those of the previous financial year. The accounting principles adopted are consistent with those of the previous financial year. The company has previously not applied hedge accounting on any of its financial instruments. In the first quarter 2008, the company entered into some new interest rate swap agreements, and as from the first quarter 2008, the company 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.

The management has applied estimates and assumptions which have influenced the annual accounts. Future events could lead to changes in these estimates. The estimates and assumptions are assessed on a continuous basis. The judgments 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 and share-based payments. Estimated useful life of the Group's accommodation/service rigs is 20 to 35 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.

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

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2008:

- IFRIC 11, IFRS 2 – Group and Treasury Share Transactions
- IFRIC 14, IAS 19 – The limit on a Defined Benefit Asset, minimum funding requirements and their interaction

Adoption of these standards and interpretations did not have any effect on the financial performance or to disclosures presented by the Group.

The following new and amended IFRS and IFRIC interpretations will be mandatory for periods beginning on or after 1 July 2008. Prosafe has chosen not to early adopt any of these.

- IFRS 2 – Share-based Payments (revised). Amendment that clarifies the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. Prosafe will adopt the revised standard with effect from 1 January 2009
- IFRS 3 – Business Combinations (revised). Prosafe will adopt the revised standard with effect from 1 January 2010
- IFRS 8 – Operating Segments. IFRS 8 replaces IAS 14. Prosafe will adopt the new standard with effect from 1 January 2009
- IFRS 23 – Borrowing Costs (revised). The revised standard requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Prosafe will adopt the revised standard with effect from 1 January 2009.
- IAS 1 – Presentation of Financial Statements (revised). Prosafe will adopt the revised standard with effect from 1 January 2009
- IAS 32 – Financial Instruments: Presentation. Prosafe will adopt the revised standard with effect from 1 January 2010

- IAS 39 – Financial Instruments: Recognition and Measurement (amendment). Eligible Hedged Items. Prosafe will adopt the revised standard with effect from 1 January 2010
- IAS 7 – Financial Instruments: Disclosures – reclassification of financial assets (amendment). Prosafe will adopt the revised standard with effect from 1 January 2009
- IAS 16 – Property, Plant and Equipment (amendment). Prosafe will adopt the revised standard with effect from 1 January 2009
- IAS 27 – Consolidated and Separate Financial Statements – Cost of an investment in a subsidiary, jointly controlled entity or associate (amendment). Prosafe will adopt the revised standard with effect from 1 January 2010
- IAS 28 – Investment in Associates (amendment)
- IAS 31 – Interest in Joint ventures (amendment)
- IAS 36 – Impairment of Assets (amendment)
- IAS 38 – Intangible Assets (amendment)
- IFRIC 12 – Service Concession Arrangements. Prosafe will adopt IFRIC 12 with effect from 1 January 2009
- IFRIC 13 – Customer Loyalty Programs. Prosafe will adopt IFRIC 13 with effect from 1 January 2009
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation. Prosafe will adopt IFRIC 16 with effect from 1 January 2010
- IFRIC 17 – Distribution of Non-Cash Assets to Owners. Prosafe will adopt IFRIC 17 with effect from 1 January 2010

Prosafe does not expect that adoption of these standards and amendments will have any significant impact on the financial statements. However, adoption of IAS 23 – Borrowing Costs may have effect for major upgrades of the Group's accommodation and service rigs.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATION PRINCIPLES. Subsidiaries are 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 purchase method is applied when accounting for business combinations. The acquisition cost of the shares is set off against the equity in the respective subsidiaries. Any value in excess of book value is entered in the accounts at gross value with a provision for deferred tax. Any residual value is stated as goodwill. Excess value on tangible fixed assets is depreciated over its estimated useful life. All intra-group transactions and balances are eliminated in full.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill is reviewed for impairment at least annually.

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). Consequently, no segment information is presented in the notes to the consolidated accounts.

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. 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 valid liability 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. 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 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. Interest costs incurred in connection with construction of vessels are not included in the acquisition cost of the vessel, but are included as interest expenses in the period in which they are incurred.

Tangible fixed assets are depreciated on a straight line basis over their useful lifetime as follows:

- Rigs – 5 to 35 years dependent on the age at the time of the acquisition
- 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 has 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. 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.

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.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when Prosafe has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest rate method. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to the net carrying amount of the financial assets. Gains and losses are recognised in the consolidated income statement when the investments are derecognised or impaired, as well as through the amortisation process.

Prosafe did not have any held-to-maturity investments during the years ended 31 December 2008 and 2007.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the three preceding categories. After initial measurement available for sale financial assets are measured at fair value with unrealised gains and losses recognised directly in 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.

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.

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 amortized 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. Loans are recognised at the amount received, net of transaction costs. The loans are thereafter recognised at amortised costs using the effective interest rate method, with the difference between the net amount received and the redemption value being recognised in the income statement over the term of the loan.

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. The Group has no fair value hedges as of 31.12.2008.

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 is transferred to the income statement when the hedged transaction affects profit and loss.

Current versus non-current classification

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

When Prosafe 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. The derivative instrument is separated into a current portion and non current portion only if a reliable allocation can be made.

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.

CASH AND DEPOSITS include cash, bank deposits and other liquid investments which can be converted to a known amount of cash and with a 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 separate 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, 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, the shares are valued at the share price prevailing on this date, NOK 11, and the unrealised loss has been taken directly to equity.

Profit from discontinued operations	01.01 - 28.05.2008	2007
Operating revenues	100.7	150.4
Operating expenses	(40.9)	(57.6)
Operating profit before depreciation	59.8	92.8
Depreciation	(23.8)	(33.6)
Operating profit	36.0	59.2
Net financial items	10.1	2.6
Profit before taxes	46.1	61.8
Taxes	(8.1)	(8.9)
Net profit from discontinued operations	38.0	52.9
Earnings per share from discontinued operations	0.17	0.23

Taxes from discontinued operations relate to tax on operations. There is no tax 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).

NOTE 6: OTHER OPERATING REVENUES

	2008	2007
Mobilisation/demobilisation income	17.2	20.0
Other contract income	79.5	58.2
Gain on sale of office building	6.4	0.0
Total other operating revenues	103.1	78.2

NOTE 7: QUARTERLY RESULTS

	Q1	Q2	Q3	Q4	2008
Operating revenues	105.0	125.9	126.0	134.2	491.1
Operating expenses	(51.0)	(50.6)	(52.8)	(55.7)	(210.1)
EBITDA	54.0	75.3	73.2	78.5	281.0
Depreciation	(12.0)	(11.9)	(12.0)	(12.9)	(48.8)
Operating profit	42.0	63.4	61.2	65.6	232.2
Net financial items	(14.8)	(14.7)	(7.9)	(39.4)	(76.8)
Profit before taxes	27.2	48.7	53.3	26.2	155.4
Taxes	(3.1)	(0.2)	6.1	6.6	9.4
Net profit continuing operations	24.1	48.5	59.4	32.8	164.8
Net profit discontinued operations	28.1	9.9	0.0	0.0	38.0
Net profit	52.2	58.4	59.4	32.8	202.8

NOTE 8: EMPLOYEE BENEFITS AND MANAGEMENT REMUNERATION

	2008	2007
Wages and salaries	24.1	22.8
Contract personnel	26.2	17.6
Other remuneration	2.9	1.1
Social security taxes	2.4	1.6
Share option costs	(1.7)	3.4
Pension expenses	1.6	1.9
Other personnel-related expenses	3.2	2.6
Total employee benefits	58.7	50.9

NOTE 8 >

< NOTE 8

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

The general meeting resolved in May 2006 to authorise the board of directors to grant up to 3 000 000 synthetic options over a three-year period, allocated to up to ten senior executives. 850 000 synthetic options were granted in May 2006 and 850 000 in May 2007. This option scheme was terminated in June 2008 in connection with the spin-off of Prosafe Production in May 2008, and was replaced by a new scheme. In total, 2 768 829 options were awarded in June 2008 under the new scheme. Out of these, 1 608 802 may be exercised in May 2009 at the earliest, whereas the remaining 1 160 027 may be exercised in May 2010. At the latest, the options may be exercised in May 2012.

	2008
Options granted	2 768 829
Outstanding options at 31 Dec 2008	2 768 829
Exercise price (NOK)	56.18
Share price (NOK) at 31 Dec 2008	26.00
Weighted average fair value (NOK) at 31 Dec 2008	3.16

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 2008, the provision for share option costs amounted to USD 0.5 million. The options are valued by using the Black-Scholes option pricing model.

Input to the option pricing model:

Vesting date May 2009

Lifetime opening balance	2.62
Lifetime closing balance	2.37
Volatility opening balance	33.00%
Volatility closing balance	50.87%
Interest rate opening balance	4.58%
Interest rate closing balance	2.55%

Vesting date May 2010

Lifetime opening balance	3.62
Lifetime closing balance	3.37
Volatility opening balance	33.00%
Volatility closing balance	47.24%
Interest rate opening balance	4.41%
Interest rate closing balance	2.82%

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 of 31 December 2008 amounted to USD 512 534.

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 on the next page.

NOTE 8 >

< NOTE 8

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)	2008	789	610	366	2 303	194
Karl Ronny Klungvedt (exec VP and CFO)	2008	470	296	91	1 483	149
Robin Laird (president Offshore Support Services)	2008	402	324	60	1 385	161
Arne Austreid (president and CEO)	2007	512	207	178	54	1 119
Karl Ronny Klungvedt (exec VP and CFO)	2007	312	42	33	29	790
Robin Laird (president Offshore Support Services)	2007	383	88	46	126	933

1) Paid in 2008 based on previous years' achievements

2) For the president and CEO, the figure includes increase in early retirement pension liability

3) Other benefits 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 ³⁾
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
Reidar Lund (chair)	2007	94	255	23
Christian Brinch (deputy chair)	2007	74	0	0
Ronny Johan Langeland	2007	67	0	0
Elin Nicolaisen	2007	61	0	13
Anne Grethe Dalane (until 6 Dec 2007)	2007	60	0	0
Michael Raymond Parker (from 7 Dec 2007)	2007	4	0	0
Christakis Pavlou (from 7 Dec 2007)	2007	4	0	0

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

Auditors' fee (USD 1 000)	2008	2007
Audit	251	138
Fees for other services	526	229

NOTE 9: OTHER OPERATING EXPENSES		
	2008	2007
Repair and maintenance	30.5	23.1
Other vessel operating expenses	94.9	73.5
General and administrative expenses	26.0	19.8
Total other operating expenses	151.4	116.4

NOTE 10: TANGIBLE ASSETS AND GOODWILL

	Rigs	Ships	Equipment	Buildings	Goodwill	Total
Acquisition cost 31 Dec 2006	985.9	633.6	5.5	10.3	355.0	1 990.4
Additions	32.0	419.6	4.9	0.0	0.0	456.5
Disposals	0.0	0.0	(0.1)	0.0	0.0	(0.1)
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
Accumulated depreciation						
31 Dec 2006	222.5	94.9	2.4	3.8	0.0	323.6
Accumulated depreciaton on disposals	0.0	0.0	(0.1)	0.0	0.0	(0.1)
Depreciation for the year	45.7	31.8	2.3	0.2	0.0	80.0
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
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)	5-35	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.

NOTE 10 >

< NOTE10

Interest costs associated with such projects are not capitalised, but are expensed in the period in which they are incurred.

Estimated useful life for the semi-submersible accommodation/service rigs is 30-35 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 reflects 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
- Discount rate of 9.1%

NOTE 11: FINANCIAL ASSETS AVAILABLE FOR SALE

This item refers to shares in Teekay Petrojarl ASA (TP) which were purchased in 2006. At 31 December 2007, the Company owned 22 588 832 shares in TP corresponding to 30.1% of the share capital. The shares were acquired for USD 184.2 million, and based on the share price prevailing 31 December 2007, the shares were valued at USD 292.4 million at 31 December 2007. Teekay is the majority shareholder in TP, and the Company has inconsider-

able influence on decisions made in TP. As such, the shares in TP are not accounted for as an associated company, and the unrealised gain has been taken directly to equity rather than through the income statement. Accordingly, the carrying value of the shares at 31 December 2007 was equal to the fair value of USD 292.4 million. The shares were disposed of in connection with the spin-off of Prosafe Production in May 2008.

NOTE 12: OTHER FINANCIAL ITEMS

	2008	2007
Currency gain	21.6	0.0
Fair value adjustment currency forwards	0.0	2.4
Total other financial income	21.6	2.4
Currency loss	0.0	(6.0)
Fair value adjustment currency forwards	(41.6)	0.0
Fair value adjustment interest rate swaps	(1.5)	(8.6)
Other financial items	(2.2)	(1.7)
Total other financial expenses	(45.3)	(16.3)

NOTE 13: FINANCIAL ITEMS - IAS 39 CATEGORIES

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
Currency gain ¹⁾	0.0	0.0	0.0	0.0	21.6
Fair value adjustment financial instruments	0.0	0.0	0.0	0.0	0.0
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)
Currency loss ¹⁾	0.0	0.0	0.0	0.0	0.0
Fair value adjustment financial instruments	0.0	(43.1)	0.0	0.0	(43.1)
Disposal of shares	0.0	0.0	0.0	0.0	0.0
Other financial expenses	0.0	0.0	(2.2)	0.0	(2.2)
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)
Year ended 31 Dec 2007					
Interest income	5.6	0.0	0.0	0.0	5.6
Currency gain ¹⁾	0.0	0.0	0.0	0.0	0.0
Fair value adjustment financial instruments	0.0	2.4	0.0	0.0	2.4
Total financial income	5.6	2.4	0.0	0.0	8.0
Interest expenses	0.0	0.0	(58.8)	0.0	(58.8)
Currency loss ¹⁾	0.0	0.0	0.0	0.0	(6.0)
Fair value adjustment financial instruments	0.0	(8.6)	0.0	0.0	(8.6)
Disposal of shares	0.0	0.0	0.0	0.0	0.0
Other financial expenses	0.0	0.0	(1.7)	0.0	(1.7)
Total financial expenses	0.0	(8.6)	(60.5)	0.0	(75.1)
Net financial items	5.6	(6.2)	(60.5)	0.0	(67.1)

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

NOTE 14: TAXES	2008	2007
Taxes in income statement:		
Taxes payable	7.7	32.8
Change in deferred tax	(17.1)	(18.8)
Total taxes in income statement	(9.4)	14.0
Temporary differences:		
Exit from Norwegian tonnage tax system	196.6	317.9
Non-current assets	(4.1)	(6.6)
Long-term debt	0.0	20.4
Pension liabilities	0.0	0.0
Current assets	0.0	0.0
Current liabilities	0.0	0.0
Tax loss carried forward	(23.8)	(23.8)
Basis for deferred tax	168.8	307.9
Recognised deferred tax	54.0	92.9
Deferred tax 1 January	92.9	97.9
Change in deferred tax in income statement	(17.1)	(18.8)
Translation difference	(21.8)	13.8
Deferred tax 31 December	54.0	92.9

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 tax loss carried forward relates to a tax loss incurred by the parent company in Cyprus. No deferred tax benefit has been recognised in the balance sheet with regards to this tax loss, as the Company does not anticipate that this benefit can be utilised in the foreseeable future. The tax loss can be forwarded indefinitely.

The Group's vessels are subject to taxation based on the special rules for taxation of shipping and

offshore companies in Singapore. Profit from these charters is not taxable to Singapore, but the company pays tax deducted at source in some of the countries in which it operates.

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

NOTE 15: 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.

	2008	2007
Net profit	202.8	143.7
Weighted average number of ordinary shares (1 000)	227 667	229 827
Basic earnings per share	0.89	0.63
Weighted average number of ordinary and potential shares (1 000)	227 667	229 827
Diluted earnings per share	0.89	0.63
Net profit from continuing operations	164.8	90.8
Basic earnings per share from continuing operations	0.72	0.40
Diluted earnings per share from continuing operations	0.72	0.40

NOTE 16: DIVIDENDS

	2008	2007
Ordinary dividend declared during the year	0.0	47.9
Special dividend declared during the year	0.0	158.2
Dividend in specie	993.2	0.0
Total dividends declared	993.2	206.1
Cash dividends per share (NOK)	0.00	5.00



NOTE 17: SHARE CAPITAL AND SHAREHOLDER INFORMATION	2008	2007
Issued and paid number of shares at 31 December	229 936 790	229 936 790
Holding of own shares at 31 December	7 001 705	110 160
Nominal value at 31 December	EUR 0.25	EUR 0.25
Number of shareholders at 31 December	4 691	4 619

Largest shareholders/groups of shareholders at 31.12.2008	No of shares	Percentage
Folketrygdfondet	22 342 235	9.7%
GMO	10 101 588	4.4%
Brown Brothers Harriman	8 167 816	3.6%
Pareto	7 914 150	3.4%
Rasmussengruppen AS	7 664 307	3.3%
Prosafe SE	7 001 705	3.0%
Clearstream Banking (nom.)	6 194 484	2.7%
State Street Bank and Trust (nom.)	5 717 179	2.5%
Bank of New York (nom.)	4 983 540	2.2%
RBC Dexia Investor Services Trust (nom.)	4 308 215	1.9%
Storebrand	4 256 385	1.9%
DnB NOR	3 947 450	1.7%
JP Morgan Chase Bank (nom.)	3 838 632	1.7%
Bank of New York (nom.)	3 457 364	1.5%
BGL (nom.)	3 373 927	1.5%
JP Morgan Chase Bank (nom.)	3 302 085	1.4%
JP Morgan Chase Bank (nom.)	3 248 000	1.4%
Citibank (nom.)	3 197 280	1.4%
Goldman Sachs (nom.)	2 818 927	1.2%
KAS Depository Trust (nom.)	2 581 476	1.1%
Total 20 largest shareholders/groups of shareholders	118 416 745	51.5%

NOTE 18: INTEREST-BEARING DEBT	2008	2007
Debt in NOK	58.7	186.8
Debt in USD	900.0	1 164.3
Total interest-bearing debt	958.7	1 351.1
Long-term interest-bearing debt	958.7	1 184.1
Current interest-bearing debt	0.0	167.0
Total interest-bearing debt	958.7	1 351.1

NOTE 18 >

< NOTE 18

As of 31 December 2008, Prosafe's interest-bearing debt totalled USD 958.7 million. Unsecured bond loans accounted for USD 108.7 million of this total and bank loans secured by mortgages for USD 850 million.

The bond debt is divided into two loans of NOK 411 million maturing March 2010 and USD 50 million maturing March 2012. These loans are listed on the Oslo Stock Exchange with ticker codes PRS02 and PRS03, respectively.

Loan	Amount drawn	Maturity	Interest	Loan margin
PRS02	NOK 411 million	March 2010	floating	1.15%
PRS03	USD 50 million	March 2012	floating	1.40%

The prices estimated by the Norwegian Securities Dealers Association as of 31 December 2008 were 92.50 for PRS02 and 86.02 for PRS03 (par value 100.00).

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. In May 2009, the credit facility will be reduced to USD 960 million. Based on a drawn amount of USD 850 million at the end of the fourth quarter of 2008, the first mandatory reduction will be in May 2010.

Applicable margin on the credit facility was 0.85 per cent per annum in 2008. From 2009 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.

LIBOR is the basis for interests on the bank loans and the unsecured bond loan in USD, whereas NIBOR is the basis for interests on the unsecured bond loan in NOK. On average, NIBOR interest fixings were higher and LIBOR interest fixings were lower in 2008 compared to 2007. Without taking into account the interest rate hedges, the average interest cost in 2008 was 5 per cent as opposed to 6 per cent in 2007.

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)

Financial covenants bond loans

The only financial covenant on the bond loans is that adjusted shareholder equity on a consolidated basis in relation to the borrowers' total consolidated liabilities shall be above 35 per cent.

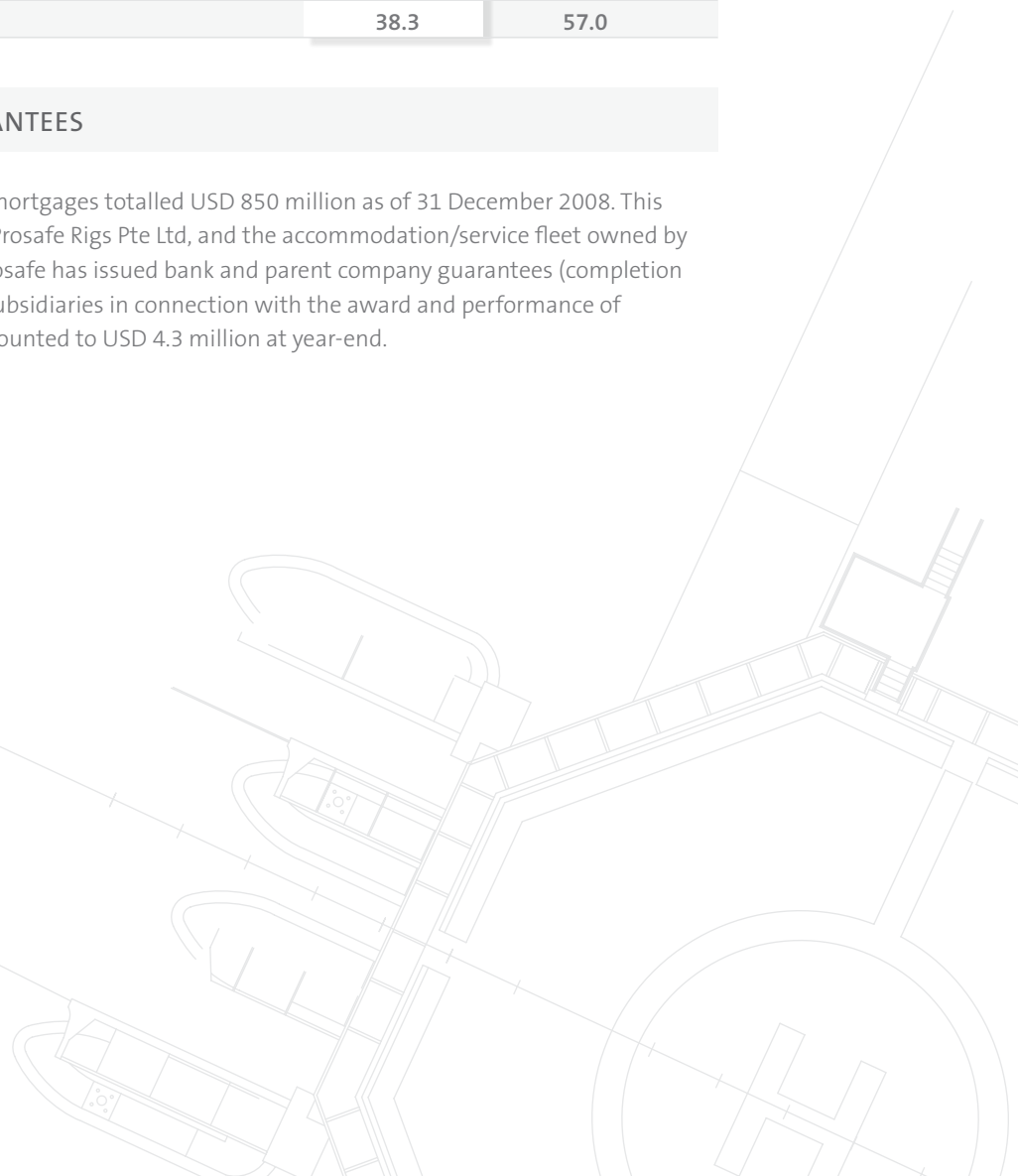
As of 31 December 2008, the Group complied with all covenants on interest-bearing debt.

NOTE 19: OTHER PROVISIONS		
	2008	2007
Market value interest rate swaps	51.6	0.0
Pension liabilities	2.3	2.9
Other provisions	0.0	1.2
Total other provisions	53.9	4.1

NOTE 20: OTHER INTEREST-FREE CURRENT LIABILITIES		
	2008	2007
Other accrued costs	23.7	18.7
Accrued pay	1.8	5.6
Accrued interest costs	5.4	5.7
Public taxes	3.8	2.5
Provision share option costs	0.5	5.5
Deferred income	0.0	14.8
Other interest-free current liabilities	3.1	4.2
Total interest-free current liabilities	38.3	57.0

NOTE 21: MORTGAGES AND GUARANTEES

Prosafe's interest-bearing debt secured by mortgages totalled USD 850 million as of 31 December 2008. This debt is secured by mortgages on shares in Prosafe Rigs Pte Ltd, and the accommodation/service fleet owned by this entity. In line with industry practice, Prosafe has issued bank and parent company guarantees (completion guarantees) to customers on behalf of its subsidiaries in connection with the award and performance of contracts. Total bank guarantees issued amounted to USD 4.3 million at year-end.



NOTE 22: FINANCIAL ASSETS AND LIABILITIES

As of 31 December, the Group has 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	Fair value
Cash and deposits	115.6	0.0	0.0	0.0	115.6	115.6
Debtors	63.8	0.0	0.0	0.0	63.8	63.8
Shares	0.0	0.0	0.0	39.9	39.9	39.9
Other current assets	4.7	0.0	0.0	0.0	4.7	4.7
Total 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
PRS02 - NOK bond loan ²⁾	0.0	0.0	58.7	0.0	58.7	54.3
PRS03 - USD bond loan ²⁾	0.0	0.0	50.0	0.0	50.0	43.0
Other provisions	0.0	51.6	0.0	0.0	51.6	51.6
Interest-bearing short-term debt	0.0	0.0	0.0	0.0	0.0	0.0
Accounts payable	0.0	0.0	35.3	0.0	35.3	35.3
Other current liabilities	0.0	32.6	34.0	0.0	66.6	66.6
Total liabilities	0.0	84.2	1 028.0	0.0	1 112.2	1 066.8

¹⁾ Fair value based on an assumption of increased credit margin from 85 to 200 basis points. Net present value of this advantage on future interest rate payments is calculated to be USD 34 million. This is a theoretical calculation arising from the fact that the current bank loan was drawn at a favourable time, and not expressing the fair value in a scenario where the syndicated loan would be repaid.

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

Year ended 31 Dec 2007

Cash and deposits	162.0	0.0	0.0	0.0	162.0	162.0
Debtors	76.0	0.0	0.0	0.0	76.0	76.0
Shares	0.0	0.0	0.0	0.0	0.0	0.0
Other current assets	5.0	0.0	0.0	0.0	5.0	5.0
Total assets	243.0	0.0	0.0	0.0	243.0	243.0
Interest-bearing long term debt ¹⁾	0.0	0.0	1 184.1	0.0	1 184.1	1 184.6
Other provisions	0.0	0.0	0.0	0.0	0.0	0.0
Interest-bearing short-term debt	0.0	0.0	167.0	0.0	167.0	167.0
Accounts payable	0.0	0.0	42.1	0.0	42.1	42.1
Other current liabilities	0.0	0.0	34.2	0.0	34.2	34.2
Total liabilities	0.0	0.0	1 427.4	0.0	1 427.4	1 427.9

¹⁾ Fair value on bond loans based on prices estimated by the Norwegian Securities Dealers Association as of 31 December 2008, PRS02: 100.35 and PRS03: 100.4.

NOTE 23: 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 risk relating to fluctuations in exchange rates and interest rates. Prosafe uses financial instruments to manage these risks.

Interest rate risk

Prosafe's interest-bearing debt totalled about USD 958.7 million at 31 December 2008. Unsecured bond loans accounted for USD 108.7 million of this total and bank loans secured by mortgages for USD 850 million. Interest on debt is 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's hedging agreements totalled about USD 720 million at 31 December 2008. Prosafe evaluates the hedge profile in relation to the repayment schedule of its loans, the Group's portfolio of contracts, cash flow and cash in hand. The proportion hedged will normally lie between 50 and 75 per cent for all loan terms. Without taking into account the interest rate hedges, the average interest cost in 2008 was 5 per cent as opposed to 6 per cent in 2007.

As of 31 December, the fair value of the interest rate hedges was USD 51.6 million negative. The interest rate hedging has been highly effective in the period, and no ineffectiveness has been recognised in the income statement.

INTEREST RATE SWAPS AS OF 31 DECEMBER 2008

Notional amount	Fixed rate	Maturity	Swap type	Fair value
NOK 200 million	3.5000%	2010	Bullet	(0.2) (to equity)
USD 150 million	3.8600%	2011	Bullet	(4.6) (to equity)
USD 150 million	4.0150%	2012	Bullet	(7.3) (to equity)
USD 150 million	4.1200%	2012	Bullet	(12.4) (to equity)
USD 100 million	5.1150%	2012	Bullet	(11.0) (to equity)
USD 75 million	5.1940%	2014	Bullet	(12.3) (to equity)
USD 50 million	5.0475%	2010	Bullet	(2.7) (to equity)
USD 28 million (10 million*)	3.6090%	2011	Amortising	(0.5) (to income statement)
USD 28 million (10 million*)	3.6100%	2011	Amortising	(0.5) (to income statement)
Total				(51.6)

* USD 10 million as of 31 December 2008 (not hedge accounting)

Hedge accounting

The objective of the interest rate hedging is to reduce the variability of cash flows in the interest payments for the variable-rate debt. Changes in the cash flows of the interest rate swap are expected to offset the changes in cash flows (i.e. changes in interest rate payments) attributable to fluctuations in the benchmark interest rate on the part of the variable-rate debt that is hedged.

NOTE 23 >

< NOTE 23

CHANGES IN EQUITY RELATED TO FINANCIAL INSTRUMENTS AT 31 DECEMBER 2008

Fair value interest swaps at 31.12.2007	0.0
Fair value shares in Teekay Petrojarl at 31.12.2007	68.6
Dividend in specie	(68.6)
Change in fair value interest swaps	(41.5)
Change in fair value shares in Prosafe Production	(68.5)
Ineffectiveness	0.0
Fair value interest swaps at 31.12.2008	(41.5)
Fair value shares in Prosafe Production at 31.12.2008	(68.5)

Currency risk

Prosafe is exposed to several currencies. The bulk of revenues are in USD and the rigs owned by the Group are valued and financed in USD. Accounts are, therefore, compiled in USD. During certain periods, however, depending on the country of operation, the Group will have contracts that yield EUR, GBP and NOK revenues, with a consequent reduction in net currency exposure.

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. Net cash flow from operations is typically currency-hedged using forward contracts within a time horizon of 9-12 months.

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. To the extent that such investment is denominated in currencies other than USD, the cash flow will be hedged with the aid of currency forward contracts.

Debt and interest expenses in currencies other than USD are currency-hedged on a continuous basis against the USD, so that this effectively functions as USD financing. The hedging takes the form of liquidity reserves and financial instruments.

Factors such as currency exposure in the balance sheet and tax calculations will also be taken into account to the extent that they are affected by exchange rate changes.

At 31 December 2008, Prosafe had entered into the following forward exchange contracts:

NOTE 23 >

< NOTE 23

Value date	Buy (EUR)	Sell (USD)	Exchange rate	Fair value
02.01.2009	5.4	8.0	1.4725	(0.3)
02.02.2009	10.0	12.7	1.2660	1.4
02.03.2009	5.4	8.0	1.4681	(0.3)
02.03.2009	5.0	7.2	1.4360	(0.1)
01.04.2009	4.8	7.0	1.4661	(0.3)
01.04.2009	7.0	10.0	1.4339	(0.2)
04.05.2009	7.0	10.0	1.4317	(0.2)
01.06.2009	3.0	4.3	1.4299	(0.1)
Total	47.7	67.2		(0.1)

Value date	Buy (GBP)	Sell (USD)	Exchange rate	Fair value
02.01.2009	6.0	11.0	1.8316	(2.3)
01.04.2009	6.0	10.9	1.8211	(2.3)
24.06.2009	6.0	10.4	1.7407	(1.8)
17.07.2009	6.0	10.1	1.6840	(1.4)
21.08.2009	6.0	10.1	1.6773	(1.4)
18.09.2009	6.0	10.1	1.6780	(1.4)
Total	36.0	62.6		(10.5)

Value date	Buy (NOK)	Sell (USD)	Exchange rate	Fair value
02.01.2009	20.0	3.5	5.6760	(0.7)
02.02.2009	20.0	3.5	5.6900	(0.7)
02.03.2009	20.0	3.5	5.7060	(0.7)
13.03.2009	62.2	10.0	6.2170	(1.2)
01.04.2009	20.0	3.5	5.7160	(0.7)
04.05.2009	20.0	3.5	5.7260	(0.7)
20.05.2009	62.4	10.0	6.2437	(1.1)
02.06.2009	20.0	3.5	5.7340	(0.6)
02.06.2009	98.0	15.0	6.5310	(1.1)
01.07.2009	20.0	3.5	5.7430	(0.6)
03.11.2009	66.4	10.0	6.6440	(0.6)
03.11.2009	66.3	10.0	6.6250	(0.6)
03.11.2009	63.2	10.0	6.3165	(1.0)
01.12.2009	98.6	15.0	6.5720	(1.0)
08.03.2010	174.4	30.0	5.8140	(5.2)
08.03.2010	237.0	39.2	6.0400	(5.6)
Total	1 068.4	173.7		(22.0)
Total fair value				(32.6)

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 2008, the fair value of forward exchange contracts was 32.6 million negative.

NOTE 23 >

< NOTE 23

Credit risk

Credit assessment of yards, sub-contractors and equipment suppliers is part of Prosafe's project evaluations and risk analyses, and it attempts as far as possible to reduce credit risk via parent company or bank guarantees. As of 31 December 2008, there is no objective evidence that accounts receivable are impaired, and no impairment loss has been recognised in the income statement. In line with industry practice, a contract normally contains 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.

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. The company 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.

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.

Accounts receivables

At 31 December, the Group had the following ageing profile of outstanding accounts receivable:

		Total	Not due	Due <30 days	Due 31-60 days	Due 61-90 days	Due > 91 days
2008	Debtors	63.8	43.9	16.6	2.6	0.6	0.0
2007	Debtors	76.0	67.9	5.1	(0.0)	2.3	0.7

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.

Maturity profile liabilities

At 31 December, the Group had the following maturity profile of outstanding short and long-term undiscounted liabilities:

Year ended 31 Dec 2008	Total	Less than 3 months	Due 3 to 12 months	1 to 6 years
Interest-bearing long-term debt	958.7	0.0	0.0	958.7
Future interest payments	82.1	5.0	17.1	60.0
Interest-free long-term liabilities (interest swaps)	50.5	4.0	12.0	34.5
Interest-free current liabilities (interest swaps)	1.1	0.1	0.3	0.7
Interest-free current liabilities (FX forwards)	32.6	4.9	16.9	10.8
Accounts payable	35.3	6.1	29.2	0.0
Other current liabilities	28.6	28.6	0.0	0.0
Total	1 188.9	48.6	75.5	1 064.7

NOTE 23 >

< NOTE 23

Market risk

Prosafe is exposed to the typical financial market risks associated with international business. At 31 December 2008, Prosafe's financial statements are sensitive to the following risk variables with the accompanying effects:

At 31 December 2008

The sensitivity analysis is based on the resulting effect from a change in USDNOK related to the deferred tax liability associated with the exit from the Norwegian tonnage tax system effective 1 January 2006 (to equity), the NOK bond loan (to income statement), and foreign exchange contracts (to income statement). The effect from a change in EURUSD and GBPUSD is related to foreign exchange contracts (to income statement). Changes in interest rates and the accompanying effect are related to the re-valuation of interest swaps (hedge accounting - to equity, not hedge accounting - to income statement). Variation in the Prosafe Production share price affects equity.

	Income statement effect	Equity effect
USDNOK -5%	4.7	(10.3)
USDNOK +5%	(4.2)	9.4
EURUSD -5%	(3.5)	0.0
EURUSD +5%	3.5	0.0
GBPUSD -5%	(1.3)	0.0
GBPUSD +5%	1.3	0.0
3m USD LIBOR -100bp	(0.3)	(23.2)
3m USD LIBOR +100bp	0.3	23.2
3m NIBOR -100bp	0.0	(0.3)
3m NIBOR +100bp	0.0	0.3
Prosafe Production share price -5%	0.0	(2.0)
Prosafe Production share price +5%	0.0	2.0

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 debt drawn by EBITDA over the last 12 months. To stay in compliance with financial covenants, the leverage ratio is not allowed to exceed 5.00 until 5 May 2010, and 4.50 thereafter. At 31 December 2008, the leverage ratio was 3.43 (4.69 in 2007).

	2008	2007
Credit facility	850.0	1 114.3
Bond loan ISIN NO 001 025576.3	58.7	76.0
Bond loan ISIN NO 001 025756.1	50.0	50.0
Commercial paper NOK 600 million	0.0	110.9
Total loans	958.7	1 351.1
Guarantees	4.3	65.0
Total debt	963.0	1 416.1
EBITDA last 12 months	281.0	302.2
Leverage ratio	3.43	4.69

NOTE 24: CASH AND DEPOSITITS

	2008	2007
Restricted cash deposits	0.1	0.1
Free cash and short-term deposits	115.5	161.9
Total cash and deposits	115.6	162.0

NOTE 25: OTHER CURRENT ASSETS

	2008	2007
Receivables	18.4	37.2
Prepayments	5.4	6.5
Stock	0.6	3.0
Other current assets	11.3	3.6
Total other current assets	35.7	50.3

NOTE 26: 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%

Voting rights equal ownership share.

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

NOTE 26 >

< NOTE 26

Shares owned by senior officers and directors at 31 December 2008:
(includes shares owned by wholly-owned companies)

Senior officers:	Shares	Synthetic options
Arne Austreid - president and CEO	116 100	742 524
Karl Ronny Klungtvedt - exec VP and CFO	45 930	577 519
Robin Laird - president Offshore Support Services	58 000	618 771

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
Andreas Sohmen-Pao - director	0	0

NOTE 27: EVENTS AFTER THE BALANCE SHEET DATE

From 1 January 2009 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.