Financial statements 2013
Bluewater Holding B.V.

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Director's report

Bluewater Holding B.V. is the holding company of a group of companies ('the Bluewater group' or 'the Company'), primarily engaged in the supply of services and products to the oil industry. Bluewater designs, develops, owns and operates floating production storage and offloading units ("FPSOs"), provides auxiliary equipment and services to FPSOs and designs, develops and manages the construction of single point mooring systems ("SPMs"). The Company has an FPSO fleet consisting of 5 high specification FPSOs that are or will be operated under medium- to long-term service agreements or bareboat charter agreements with reputable oil companies. Currently the Company has FPSOs in operation on the UK Continental Shelf and offshore East Timor.

Business performance

The net loss after tax for 2013 was U.S.$98.6 million compared to U.S.$60.9 million loss in 2012. EBITDA in 2013 was U.S.$216.0 million compared to U.S.$213.3 million in 2012. The 2013 financial results were mainly impacted by the following:

EBITDA for the SPM division amounted to U.S.$38.1 million in 2013 compared to U.S.$51.7 million in 2012. The 2013 SPM results were driven by ongoing projects that started during 2011 and 2012 that have been substantially completed during 2013.

The 2013 EBITDA for the FPSO division was U.S.$191.7 million, compared to U.S.$162.0 million for the year 2012. The U.S.$29.7 increase in EBITDA compared to the year 2012 was mainly driven by a U.S.$47.3 million EBITDA improvement for the FPSO Haewene Brim, which suffered a U.S.$7.4 million loss during the year 2012 compared to a U.S.$39.9 million profit during the year 2013. This large fluctuation in EBITDA was largely due to U.S.$25.7 million costs included in the 2012 result in relation to mooring leg repairs, whilst 2013 EBITDA includes a cost reimbursement for the same amount, due from our insurers and client. This EBITDA improvement for the Haewene Brim is partially offset by costs of maintenance work that was performed during the period the vessel was in the yard in Scotland, but was unrelated to the preparation for the Brynhild field. The FPSO Haewene Brim left the yard on November 9, 2013 and has been back on location since November 16, 2013. Work is ongoing to prepare the vessel for recommencement of production of the Pierce field and start-up of the Brynhild field. The costs related to the modification and life time extension work to prepare the vessel for tie-in and production of the Brynhild field are fully reimbursed by the Brynhild field owners. During the year 2013, such costs, amounting to US$220.9 million, have been capitalized and related revenues have been deferred, resulting in nil impact on EBITDA. Income will be recognized once oil production on the Brynhild field commences and will be offset by depreciation of the capitalized costs. EBITDA of the FPSO Aoka Mizu decreased by U.S.$4.2 million due to declining field production and EBITDA of the FPSO Glas Dowr decreased by U.S.$2.4 million, mainly due to lower production and repair costs following a steam engine failure. Finally, EBITDA for the year 2012 included U.S.$12.4 million gain on the sale of the FPSO Uisge Gorm. The remaining U.S.$1.4 million EBITDA improvement is mainly caused by lower lay-up costs of the FPSO Munin during the year 2013.

Unallocated expenses for the year 2013 were U.S.$13.8 million versus U.S.$0.4 million for the year 2012. The increase in unallocated expenses was partly due to a reduced workload of the engineering organization compared to the previous year. Additionally, the average Euro-Dollar exchange rate was higher during the year 2013 compared to the year 2012, which caused increased Euro denominated overhead costs.

Depreciation expenditure was at the same level compared to the year 2012, at U.S.$91.7 million versus U.S.$91.6 million.

Finance expenses for the year 2013 are U.S.$24.9 million higher compared to the previous year, at U.S.$208.4 million versus U.S.$183.5 million in 2012. Interest costs are mainly driven by the subordinated loan due to parent company carrying 9.75% interest per year. The interest expense related to this loan is accrued to the loan and has therefore no cash impact. Furthermore the finance expense for the year ended 2013 includes U.S.$14.5

million of non-recurring costs in relation to the refinancing of the Glas Dowr project financing, amendments of the corporate facility and refinancing of the U.S.$360 million unsecured bond. These non-recurring costs included U.S.$3.6 million amortization of remaining capitalized costs related to the Glas Dowr project financing, that were reclassified to the income statement upon the refinancing, U.S.$3.6 million bond redemption costs in relation to the repayment of the U.S.$360 million unsecured bond loan, U.S.$0.5 million amortization of remaining capitalized costs in relation to the U.S.$360 million unsecured bond and U.S.$6.8 million in relation to the interest rate swap on this unsecured bond loan that rendered ineffective upon refinancing and was therefore transferred to the income statement. Additionally, U.S.$2.3 million interest was accrued on the new U.S.$400 million bond loan, whilst interest on the U.S.$360 million bond loan continued.

Currency exchange results were U.S.$3.1 million positive in the year 2013 compared to U.S.$1.0 million positive in the year 2012. The currency exchange results relate mainly to the fluctuation in the fair value of forward currency contracts.

Income tax expenses were U.S.$17.7 million in the year 2013 compared to U.S.$0.2 million in the year 2012. Income tax expense for the year 2013 includes a U.S.$7.9 million reduction of the deferred tax asset, U.S.$6.8 million withholding tax incurred in relation to the Glas Dowr revenues and U.S.$3,0 million of other foreign taxes. Income tax expense for the year 2012 includes U.S.$7.1 million in relation to withholding tax incurred in relation to the Glas Dowr revenues, a tax gain of U.S.$7.0 million in relation to deferred tax and U.S.$0.1 million other tax expenses.

Other developments

Effective May 28, 2013, the Company entered into a U.S.$415.0 million Senior Secured Project Finance Facility. Additionally, effective May 28, 2013, the Company entered into a U.S.$102.5 million Amended Revolving Credit Facility, consisting of a U.S.$52.5 million term loan and a U.S.$50.0 million working capital facility. The proceeds of both facilities have been used to repay the Glas Dowr project financing facility and to reduce the amount outstanding under the existing corporate facility.

Interest on the U.S.$415.0 million project finance facility is 3-months USD Libor plus 4% margin per annum and the maturity date is March 31, 2019. This facility reduces on a quarterly basis with the net proceeds generated by the FPSO Haewene Brim and FPSO Glas Dowr. Fees amounting to U.S.$10.8 million have been accounted for as an adjustment to the carrying amount of the loan and are amortized over the term of the facility. To mitigate the interest exposure on this facility, the Company entered into a floating to fixed interest rate swap, thereby fixing the interest on the facility including margin at 4.9125%. The interest rate swap is effective starting August 28, 2013 until February 28, 2018.

Effective December 10, 2013, the Company entered into a further amendment of the Revolving Credit Facility. This further amendment includes an increased facility amount of U.S.$120 million and interest at 3-months USD Libor plus 3% margin per annum with final repayment ultimately on March 31, 2017. Total fees in relation to the revisions to the Revolving Credit Facility amounting to U.S.$2.1 million have been accounted for as an adjustment to the carrying amount of the loan and are amortized over the term of the facility.

Effective December 10, 2013, the Company issued a U.S.$400 million unsecured bond with a fixed interest rate of 10% per year and a maturity date of December 10, 2019. On the same date the existing U.S.$360 million unsecured bond loan was called and redemption of this loan took place on January 27, 2014. The proceeds of the new U.S.$400 million bond were used to repay the existing U.S.$360 million bond loan plus early redemption costs of U.S.$3.6 million, debt arrangement fees of U.S.$10.9 million and initial funding of a debt service reserve account amounting to of U.S.$3.3 million. The remaining proceeds were used to reduce the outstanding amount under the Revolving Credit Facility. Under the new U.S.$400 million bond loan, a debt service account will be built up to a maximum of U.S.$20 million, over a period of 6 months.

Outlook

The outlook for our FPSO activities remains positive. The FPSO Glas Dowr and the FPSO Haewene Brim are

currently operating under long-term service agreements and discussions about contract extension for the FPSO Bleo Holm and the FPSO Aoka Mizu are currently ongoing. Various options are being discussed for redeployment of the FPSO Munin, which is currently laid up in Batam, Indonesia. Margins in the SPM segment have increased and our SPM order portfolio is expected to continue contributing significantly to EBITDA. On January 19, 2014, a new SPM contract was secured with total revenues of EUR107 million. This project is expected to start contributing to EBITDA late 2014. The order book for our SPM business, combined with modification and life time extension work to be performed on our FPSOs is expected to keep the level of utilization of the organisation relatively high. Considering the SPM order portfolio and FPSO contracts, long term cash flow stability of the Company is expected to be positive.

Our policy is to maintain qualified engineering staff that is experienced in the design and development of both FPSOs and SPM systems. To ensure flexibility and manage costs, we allocate staff members between our FPSO and SPM business in response to market conditions and specific project demands. To protect itself from fluctuations in the level of activities, the Company uses the services of contractors in addition to its permanent staff.

Corporate governance

Under Dutch law, the Company has been considered a Public Interest Entity in 2013 and as such is required to have an audit committee or a similar body. The Company has a Financial Accounting and Supervision Committee, which performs the duties of an audit committee, consisting of two members, of which at least one member is independent within the meaning of the Dutch Corporate Governance Code. The sole statutory director of the Company is Mr H.J. Heerema. As of January 27, 2014 the Company is listed on the Nordic ABM and as such no longer classifies as a Public Interest Entity as of this date.

Financial instruments

With most of its revenue in US dollars the Company is exposed to currency exchange fluctuations. In addition, the Company is exposed to the risk of fluctuations of the value of financial instruments due to changes in the market rate of interest. The Company uses (in the normal course of business) various types of financial instruments with the objective to minimize these currency and interest rate risks. Procedures and policies are in place to control risks related to financial instruments, including a clear segregation of duties between operating, settlement, accounting and controlling of all financial instruments used. The Company's management is involved in the risk management process. The Company attempts to minimize the counterparty credit risk associated with the financial instruments used by selecting counterparties that it believes to be creditworthy.

Research and development

The Company focuses its research and development activities on technology that is integral to our FPSO and SPM businesses. We have an in-house design and engineering team consisting of engineers trained in a number of disciplines. We also access new sources of information or technology by entering into strategic alliances with equipment manufacturers, oil and gas companies, universities or by participating in joint industry programs. While the market for our products and services is subject to continuous technological changes, development cycles from initial conception through introduction can extend over several years. Our efforts have resulted in the development of a number of inventions, new processes and techniques, many of which have been incorporated as improvements to our product lines. Our research and development activity has led to a number of patents or patent applications, principally in the area of SPM systems. During 2013 and 2012, our research and development expenditures were USD 3.4 million and USD 2.3 million, respectively. We expect to expend similar amounts on research and development in future periods.

Hoofddorp, April 8, 2014

President and CEO:
H.J. Heerema

Report by the Financial Accounting Supervision Committee

Under Dutch law, the Company has been considered a Public Interest Entity in 2013 and as such is required to have an audit committee or a similar body. The Company has a Financial Accounting Supervision Committee ("FASC"), which performs the duties of an audit committee, consisting of two members, of which at least one member is independent within the meaning of the Dutch Corporate Governance Code. As of January 27, 2014 the Company is listed on the Nordic ABM of the Oslo Stock Exchange and as such no longer classified as a Public Interest Entity as of this date.

Activities

FASC was involved in performing reviews focused on risk management, internal controls and financial reporting. Particular attention was paid to the Company's risks in relation to large contracts and projects, including project management and the involvement of agents. Other activities of the year included ICT and Enterprise Risk Management, the Company's policies with regard to anti-bribery and corruption (ABC policy) and compliance in general with rules and regulations. FASC also exchanged information about its activities and findings with Deloitte, the Company's external auditors and had separate meetings with the auditors, without the Company's management presence, in order to facilitate free and open discussions. Furthermore FASC attended meetings in which the audit plan, management letter and final audit findings were discussed

Governance and risks

The Company has a corporate risk monitoring program in place to ensure adequate compliance with the ABC policy and other rules and regulations. During 2013, a key-area of attention has been compliance with the ABC Policy as adopted by the Company, which was developed based on the regulations of the ABC act that became effective in 2011 in the UK. Since the introduction of the Company's ABC Policy, all staff has received training on this policy and management has performed and will continue to perform due diligence on third parties representing the Company in various countries where the Company operates, both before and after engaging in business with these service providers. Management believes that these measures are adequate to ensure compliance with applicable laws and regulations in the countries in which the Company operates. The FASC is actively involved in monitoring the adherence to the ABC policy as well as in evaluating the risk assessment process in general and in setting priorities.

Future developments

FASC will continue to critically assess the Company's risks and controls in order to continue strengthening risk management. Consistent with its focus in 2013 FASC will continue to closely monitor the Company's efforts in enhancing control activities around project management, compliance with rules and regulations and compliance with ABC legislation. FASC encourages management in its efforts to strengthen the governance structure of the Company and to implement new activities, such as the introduction of external independent audits on foreign agents, to further mitigate industry specific risks.

Hoofddorp, April 8, 2014

Financial Accounting Supervision Committee

Consolidated statement of profit or loss and other comprehensive income

For the year ended December 30

In thousands of U.S.$	***Note***	**2013**	**2012 restated**
Operating activities			
Revenue	*5*	561,470	590,552
Other income		-	12,394
Raw materials, consumables used and other operating costs		(267,689)	(325,921)
Employee benefits expense	*6*	(77,749)	(63,752)
EBITDA	*5*	216,032	213,273
Depreciation and amortization expense	*10,11*	(91,678)	(91,637)
Results from operating activities (EBIT)	*5*	124,354	121,636
Finance income		101	80
Finance expense		(208,401)	(183,452)
Currency exchange results		3,139	985
Net finance expense	*8*	(205,161)	(182,387)
Loss before income tax		(80,807)	(60,751)
Income tax expense	*9*	(17,746)	(183)
Loss for the period		(98,553)	(60,934)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligation		(2,277)	(2,072)
		(2,277)	(2,072)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		1,226	798
Net change in fair value of available-for-sale financial assets		(140)	20
Effective portion of changes in fair value of cash flow hedges		3,669	235
Net change in fair value of cash flow hedges transferred to profit or loss		23,823	13,827
		28,578	14,880
Other comprehensive income, net of tax		26,301	12,808
Total comprehensive loss for the period		(72,252)	(48,126)

The comprehensive loss for the period is fully attributable to the shareholder.

Consolidated statement of financial position

As at December 30

In thousands of U.S.$	*Note*	2013	2012 restated
Assets			
Property, plant and equipment	*10*	1,083,059	947,109
Intangible assets	*11*	12.925	11,105
Other financial investments, including derivatives	*12,19*	24,108	24,257
Deferred tax assets	*13*	55,706	63,604
Total non-current assets		1,175,798	1,046,075
Inventories	*14*	1,293	2,052
Trade and other receivables	*15*	119,716	59,503
Construction contracts	*16*	38,273	48,119
Prepayments for current assets		3,875	1,939
Cash and cash equivalents	*17*	122,188	76,621
Total current assets		285,345	188,234
Total assets	*5*	1,461,143	1,234,309
Equity			
Share capital		138	132
Share premium		1,195,244	1,195,244
Accumulated deficit		(2,379,359)	(2,280,806)
Other reserves		(17,055)	(43,350)
Total equity attributable to equity holders of the Company		(1,201,032)	(1,128,780)
Liabilities			
Loans and borrowings, including derivatives	*18*	2,215,309	2,196,694
Employee benefits	*19*	6,038	3,474
Total non-current liabilities		2,221,347	2,200,168
Loans and borrowings	*18*	68,391	64,731
Trade and other payables, including derivatives	*20*	120,277	78,446
Deferred income	*21*	252,160	19,744
Total current liabilities		440,828	162,921
Total liabilities		2,662,175	2,363,089
Total equity and liabilities		1,461,143	1,234,309

Consolidated statement of changes in equity

Attributable to equity holder of the Company

In thousands of U.S.$	**Issued Share Capital**	**Share premium**	**Translation reserve**	**Investment revaluation reserve**	**Employee benefits reserve (IAS 19R)**	**Hedging reserve**	**Accumulated deficit**	**Total equity**
Balance at December 30, 2011	**129**	**1,195,244**	**(10,798)**	**(2,593)**		**(42,764)**	**(2,212,347)**	**(1,073,129)**
Restatement based on IAS 19R	-	-	-	-	-	-	(7,525)	(7,525)
Balance at December 31, 2011 restated	**129**	**1,195,244**	**(10,798)**	**(2,593)**		**(42,764)**	**(2,219,872)**	**(1,080,654)**
Loss for the period	-	-	-	-	-	-	(60,934)	(60,934)
Foreign currency translation differences	3	-	795	-	-	-	-	798
Fair value of available-for-sale financial assets	-	-	-	20	-		-	20
Movement employee benefits reserve (IAS 19R)	-	-	-	-	(2,072)	-	-	(2,072)
Effective portion of changes in fair value of cash flow hedge	-	-	-	-	-	235	-	235
Fair value of cash flow hedges transferred to profit or loss	-	-	-	-	-	13,827	-	13,827
Total comprehensive income	3	-	795	20	(2,072)	14,062	(60,934)	(48,126)
Balance at December 30, 2012 restated	**132**	**1,195,244**	**(10,003)**	**(2,573)**	**(2,072)**	**(28,702)**	**(2,280,806)**	**(1,128,780)**
Loss for the period	-	-	-	-	-	-	(98,553)	(98,553)
Foreign currency translation differences	6	-	1,220	-	-	-	-	1,226
Fair value of available-for-sale financial assets	-	-	-	(140)	-		-	(140)
Movement employee benefits reserve (IAS 19R)	-	-	-	-	(2,277)	-	-	(2,277)
Effective portion of changes in fair value of cash flow hedge	-	-	-	-	-	3,669	-	3,669
Fair value of cash flow hedges transferred to profit or loss	-	-	-	-	-	23,823	-	23,823
Total comprehensive income	6	-	1,220	(140)	(2,277)	27,492	(98,553)	(72,252)
Balance at December 30, 2013	**138**	**1,195,244**	**(8,783)**	**(2,713)**	**(4,349)**	**(1,210)**	**(2,379,359)**	**(1,201,032)**

Restatement based on IAS 19R

The Company adopted IAS 19R, which became effective for annual periods beginning on or after January 1, 2013. The effect of this change in accounting policies has been recorded via equity as of December 31, 2011, in accordance with IFRS. The revisions to IAS 19, *Employee benefits,* no longer allow for deferral of actuarial gains and losses or costs of plan changes and introduce certain changes to the recognition and measurement and presentation of defined benefit pension expenses. The adoption of IAS 19R has resulted in recognition of a net pension liability amounting to U.S.$3.5 million as per December 31, 2012, compared to a net asset of U.S.$6.1 million as per December 31, 2012 before restatement.

Share capital

The authorized share capital consists of 500,000 ordinary shares, of which 100,001 shares are issued, outstanding and fully paid as at December 30, 2013. The shares have a par value of EUR 1 each (approximately U.S.$1.38). The holders of the shares are entitled to receive dividends as declared and are entitled to voting rights.

Dividends

The terms and conditions of the current corporate facility prohibit the payment of dividends. In 2013 and 2012 no dividends have been declared or paid.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Investment revaluation reserve

The investment revaluation reserve comprises the cumulative change in the fair value of available-for-sale financial assets.

Employee benefits reserve (IAS 19R)

The employee benefits reserve reflects the cumulative change in the defined benefit obligation and plan assets resulting from the Company's defined benefit pension plan. Such cumulative changes mainly result from actuarial gains and losses.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Consolidated statement of cash flows

In thousands of U.S.$

	Note	2013	2012
Cash flows from operating activities			
Loss for the year		(98,553)	(60,934)
Adjustments for:			
Depreciation of property, plant and equipment		90,407	90,513
Amortization of intangible assets		1,271	1,124
Finance expense recognized		208,287	183,452
Income tax expense recognized		17,746	183
Gain on sale of property, plant and equipment		-	(12,394)
Change in employee benefits		2,564	-
Change in deferred income taxes		7,897	(6,983)
Change in net realizable value current assets		2,093	224
Change in other investments, including derivatives		150	(705)
Change in inventories		759	837
Change in trade and other receivables		(62,407)	9,106
Change in work in progress		9,846	(44,337)
Change in prepayments for current assets		(1,936)	569
Change in trade and other payables, including derivatives		(24,969)	33,687
Change in deferred income	*21*	232,416	(2,985)
Interest paid		(67,802)	(63,712)
Income tax (paid)/received		(1,907)	(16)
Net cash from operating activities		315,862	127,629
Cash flows used in investing activities			
Payments for property, plant and equipment		(177,239)	(9,060)
Disposals of property, plant and equipment		-	72,000
Interest received		101	80
Payments for intangible assets		(2,215)	(1,254)
Net cash (used in)/generated by investing activities		(179,353)	61,766
Cash flows from financing activities			
Proceeds from loans and borrowings		848,061	-
Redemption of loans and borrowings		(916,834)	(183,298)
Debt arrangement fees		(24,061)	-
Net cash (used in)/from financing activities		(92,834)	(183,298)
Translation effect on cash		1,892	(709)
Net increase in available cash and cash equivalents		45,567	5,388
Cash and cash equivalents at the beginning of the year		76,621	71,233
Cash and cash equivalents at end of the year	*17*	122,188	76,621

Notes to the consolidated financial statements

1. General information

Reporting entity

Bluewater Holding B.V. ("the Company") is domiciled in the Netherlands. The address of the Company's registered office is Marsstraat 33, 2132 HR Hoofddorp. The consolidated financial statements of the Company as at and for the year ended December 30, 2013 comprise the Company and its subsidiaries (together referred to as the "Group" or "Bluewater" and individually as "Group entities") and the Group's interest in jointly controlled entities. The Group is primarily engaged in the supply of services and products to the oil industry. The Company's immediate parent is Bluewater Offshore Production Systems Ltd. The Company's next most senior parent that issues consolidated financial statements is Aurelia Energy N.V., Willemstad (Curacao). The Company is ultimately wholly owned by Aurelia Holding N.V., Willemstad (Curaçao), of which all shares are ultimately held by the Jacaranda Trust, an irrevocable discretionary trust constituted under the laws of Jersey. The beneficiaries of the Jacaranda Trust are Mr. H. Heerema and certain members of his immediate family. The trustees of the Jacaranda Trust are prohibited from exercising their power in a manner that would result in Mr. H. Heerema being dismissed or replaced as Bluewater Holding B.V.'s sole managing director without his prior written consent.

Activities

Bluewater is a specialized service provider to, and operator in, the offshore oil industry. Bluewater designs, develops, owns and operates floating production storage and offloading units ("FPSOs"), provides auxiliary equipment and services to FPSOs and designs, develops and performs project management and constructs single point mooring systems ("SPMs").

An FPSO is a type of floating production unit used by oil companies to produce, process, store and offload hydrocarbons from offshore fields. FPSOs are either newly built or converted tankers upon which production equipment is mounted. The fluids (oil, gas and water) are processed onboard the FPSO vessel, and the treated crude oil is stored before being exported to an off take system utilizing shuttle tankers. Bluewater's fleet of FPSOs is involved in the production, rather than the exploration or drilling phase of oil field development. The FPSOs are leased to oil companies under medium- and long-term service contracts or bareboat contracts.

SPMs are used to transfer fluids to and from a floating production unit, an offshore storage vessel or shuttle tanker while securing the unit, vessel or tanker to the ocean floor. Most SPMs consist of an anchoring system that is connected to the ocean floor and a fluid transfer system that permits the transfer of fluids between fixed and rotating parts of the mooring system. SPMs are generally developed and constructed for oil companies and contractors.

Revenues are earned from day rates consisting of a fixed facility fee and a compensation for operating the FPSO pursuant to leases with oil companies, supplemented from time to time with fees based on volumes of produced barrels of oil. Additionally, revenues are earned on a lump-sum or reimbursable basis from the design, engineering, procurement and management services that are provided in the various FPSO and SPM projects being managed.

FPSO and SPM projects are being managed from the initial design and engineering phase to final installation. Further, Bluewater engages subcontractors in the fabrication of FPSOs, SPMs and auxiliary equipment.

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations adopted and endorsed by the European Union.

The financial statements were approved by the Board of Directors on April 8, 2014.

2. Basis of preparation

These consolidated financial statements are presented in thousands of US dollars, which is the Company's functional currency. All financial information presented has been rounded to the nearest thousand. The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are stated at fair value.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In particular, significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are:

- Revenue recognition on construction contracts based on the percentage of completion method;
- Estimation of the anticipated useful life and future revenues earned with the leased facilities;
- Estimation of the realizable amount of tax losses carried forward;
- Potential impact of claims and litigation.

The consolidated financial statements have been prepared on the going concern basis of accounting. The parent company Aurelia Energy N.V. has furthermore confirmed that it continues its financial support to the Company to enable it to operate as a going concern and to meet at least its financial obligations for a period of at least 12 months from the date of approval of Bluewater Holding B.V.'s financial statements for the period ended December 30, 2013.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

The financial information relating to Bluewater Holding B.V. is presented in the consolidated financial statements. In accordance with article 2:402 of the Dutch Civil Code, the company financial statements only contain an abridged income statement.

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operating decisions. The consolidated financial statements include the Group's proportionate share of the joint venture's assets, liabilities, revenue and expenses, with items of a similar nature on a line basis, from the date that joint control commences until the date that joint control ceases.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

(i) Foreign currency transactions and balances

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. The resulting exchange gains and losses are recorded under financial income and expense in the consolidated statement of profit or loss and other comprehensive income, except where hedge accounting is applied.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated into US dollar at exchange rates at the reporting date. The income and expenses of foreign operations are translated into US dollar at exchange rates at the dates of the transactions. Gains and losses resulting from the translation are recorded in shareholder's equity, as translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the translation reserve is transferred to profit or loss.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognized directly in other comprehensive income and accumulated in the translation reserve.

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Available-for-sale financial assets

The Group's investments in equity securities are classified as available-for-sale financial assets. Listed equity investments are stated at fair value. Since there is no way of reliably measuring the fair value using valuation techniques for some of these investments that are unlisted, these unlisted investments are stated at historic cost less any identified impairment losses. Changes in the fair value of the equity investments are recognized in other comprehensive income and accumulated in the investment revaluation reserve. When an investment is disposed of or is determined to be impaired, the cumulative gain or loss accumulated in the investment revaluation reserve is reclassified to profit or loss.

Other

Other non-derivative financial instruments are measured at amortized cost using the effective interest method, less any impairment losses.

(ii) Derivative financial instruments

Financial instruments at fair value through profit or loss

The Company uses derivative financial instruments such as forward contracts, interest rate swaps and interest rate caps to hedge its risks associated with foreign currency and interest rate fluctuations. Such financial instruments are initially recorded in the consolidated statement of financial position as either an asset or a liability measured at fair value. Changes in the derivative instrument's fair value are recognized in profit or loss, unless specific hedge accounting criteria are met. All derivative financial instrument valuations are determined in part by reference to published price quotations in an active market. These quotations consist of currency exchange rates, interest rates, and discount rates. Attributable transaction costs are recognized in profit or loss when incurred.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognized directly in other comprehensive income and accumulated in the hedging reserve to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognized in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in equity remains there until the forecasted transaction occurs. When the hedged item is a non-financial asset, the amount recognized in equity is transferred to the carrying amount of the asset when it is recognized. In other cases the amount recognized in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

(d) Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, borrowing costs paid during construction and attributable overhead.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item only if it is probable that future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, taking into account its residual value. Depreciation of assets starts when they are available for their intended use.

The estimated useful lives for the categories of property, plant and equipment are as follows:

- hulls, including cost of vessel conversion 20-25 years
- swivel stack 15 years
- machinery and process equipment 3-10 years
  (In case of long-term contracts greater than 10 years, these items are fully depreciated over the contract duration. For shorter term contracts, a decision is made as to the applicable useful life)

- office equipment 4 years
- other 4-10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within profit or loss.

(e) Intangible assets

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss when incurred.

Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials and direct labour, borrowing costs paid during development and attributable overhead costs.

Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in profit or loss on a straight-line basis from the date they are available for use, over the estimated useful lives of intangible assets not exceeding 20 years.

(ii) Oil production licences and field development costs

Capitalized expenditures related to the acquisition of oil production licenses and field developments are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in profit or loss from the date the field starts production as the related oil and gas reserves are produced under the unit of production method. Field development costs are capitalized in accordance with IFRS 6.

(iii) Software costs

Capitalized expenditures related to the acquisition and development of software are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognized in profit or loss from the date the software is available for use, over the estimated useful lives of the software of 5 years.

(f) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(g) Construction contracts

Construction contracts are measured at cost plus profit recognized to date less progress billings and recognized losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group’s contract activities based on normal operating capacity.

If payments received from customers exceed the income recognized, then the difference is presented under deferred income in the consolidated statement of financial position.

(h) Impairment

The carrying amounts of financial assets and assets that are subject to amortization or depreciation are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. For the purpose of impairment testing, assets are grouped together at the lowest level for which there are separately identifiable cash flows (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in prior periods are reversed if there has been a change in the estimates used to determine the recoverable amount, except for assets with indefinite useful lives.

(i) Employee benefits

(i) Defined contribution plans
Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plans
Provisions for pension obligations are established for benefits payable in the form of retirement and surviving dependant pensions. The funds are valued every year by professionally qualified independent actuaries. The obligations and costs of pension benefits are determined using the projected unit credit method. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

The pension obligation is measured at the present value of estimated future cash flows using a discount rate that is similar to the interest rate of Dutch government bonds, where the currency and terms of the government bond are consistent with the currency and estimated terms of the defined benefit obligation.

The liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets.

Re-measurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in employee benefits reserve in other comprehensive income in the period in which they occur. Re-measurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

(j) Provisions
A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects

current market assessments of the time value of money and the risks specific to the liability. No provision for the costs of demobilization of FPSOs at the end of the lease period is accounted for, if the lease contract provides for reimbursement of such costs by the lessee.

(k) Revenue

(i) Service agreements and/or operating lease arrangements for FPSOs

Revenues under service agreements and/or lease arrangements are recognized when the FPSO is made available to the lessee and the fee is due in accordance with the lease contract. Income under the lease agreements for the FPSOs comprises, depending on the vessel, the following:

- A facility fee representing a prescribed fee for the lease period. This fee may be increased or decreased based on actual availability of the FPSO, including an allowance for planned maintenance downtime versus pre-determined thresholds.
- A fee for operating the FPSO.

Where applicable, lease revenues are recognized on a straight-line basis over the minimal non-cancellable lease term.

(ii) Construction contracts

Contract revenue from construction (design, engineering and project management) of SPMs and auxiliary equipment includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognized in profit or loss in proportion to the stage of completion of the contract.

The stage of completion is measured by the labour and material cost incurred as a percentage of total estimated labour and material cost for each contract, unless the physical progress significantly differs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in profit or loss.

(l) Government grants

Government grants that compensate the Company for expenses incurred are recognized in profit or loss on a systematic basis in the same periods in which the expenses are recognized, provided there is reasonable assurance that the Company will comply with the conditions attached to the grant and the grants will be received.

(m) Finance income and expenses

Finance income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through profit or loss and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognized on financial assets and losses on hedging instruments that are recognized in profit or loss. Borrowing costs are recognized in profit or loss using the effective interest method, except for borrowing costs that qualify for capitalization. Foreign currency gains and losses are reported on a net basis.

(n) Income tax

The income tax charge is based on the tax regime applicable to the various group companies in the countries in which they are legally seated. These tax regimes charge income taxes based on operating profits or on the basis of other criteria as agreed upon by the Group in specific tax rulings. Deferred taxation is considered in accounting for the income tax charge for the year.

Deferred income taxes are accounted for using the balance sheet method. Deferred income taxes are provided for temporary differences between the tax bases of assets or liabilities and their reported amounts in the consolidated financial statements. Future tax benefits attributable to these differences, if any, are recognized to the extent that realization of such benefits is probable.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(o) New standards and interpretations

The following new standards, amendments to standards and interpretations have been adopted in 2013:

The revisions to IAS 19, *Employee benefits* have become effective for annual periods beginning on or after January 1, 2013. The amendment no longer allows for deferral of actuarial gains and losses or costs of plan changes and introduces certain changes to the recognition and measurement and presentation of defined benefit pension expenses. We have applied the revisions to IAS 19 for the first time in our 2013 financial statements. The effect of adoption of IAS 19R has been recorded via other comprehensive income as of December 31, 2011. Adoption of IAS 19R resulted in a net pension liability as per December 30, 2012 amounting to U.S.$3.5 million compared to a net asset of U.S.$6.1 million previously reported under IAS 19 and expenses recognized in profit and loss amounting to U.S.$1.9 million compared to U.S.$2.2 million previously reported under IAS 19 under employee benefits expense.

IFRS 13, *Fair Value Measurements* provides additional guidance for the application of fair valuation and has become effective from January 1, 2013. This standard has not had a material impact on our consolidated financial statements.

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 30, 2013, and have not been applied in preparing these consolidated financial statements:

IFRS 10, *Consolidated Financial Statements,* IFRS 11, *Joint Arrangements* and IFRS 12, *Disclosure of Interests in Other Entities,* IAS 27 (as revised in 2011) *Separate Financial Statements* and IAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures* will become effective from January 1, 2014. We expect that these standards will not have an impact on our consolidated financial statements. The Company has full control over the joint ventures in which it currently participates and consequently these joint ventures are fully consolidated as disclosed in note 26.

4. Financial risk management

In the normal course of business the Company uses various types of financial instruments based on financial policies and procedures as agreed by the Company's management. Financial instruments, other than derivatives, comprise accounts receivable, cash, deposits, long-term and short-term loans and accounts payable. The Company also uses derivative transactions; including principally forward rate currency contracts, interest rate swaps and interest rate caps, with the purpose to manage the interest and currency risk arising from the Company's operations and sources of finance.

The Company has procedures and policies in place to control risks related to financial instruments. These policies and procedures include a clear segregation of duties between operating, settlement, accounting and controlling of all financial instruments used. The spread of the Company's activities limits the exposure to concentrations of credit or market risk. The Company's management is involved in the risk management process. The Company attempts to minimize the counterparty credit risk associated with the financial instruments used by selecting counterparties that it believes to be creditworthy.

Credit risk

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The

Company attempts to minimize its credit risk as much as possible by thoroughly reviewing risks associated with contracts and negotiating bank or parent company guarantees from customers. Additionally, milestone payments are negotiated on lump-sum contracts and outstanding receivables are actively managed in order to minimize the number of days outstanding.

Liquidity risk

The Company has organized its liquidity management centrally, in order to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Currency risk

The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The Company uses forward exchange contracts to hedge its currency risk. When necessary, forward exchange contracts are rolled over at maturity.

Interest rate risk

The Company's exposure to changes in interest rates on borrowings is mitigated by entering into interest rate swaps and interest rate caps.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 18, cash and cash equivalents and equity attributable to the shareholder of the Company. The Group's goal is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the capital structure and return on capital, including the cost of capital and the associated risks. The Group's overall approach to capital management remained unchanged during the year.

5. Segment information

The disclosure of segment information is consistent with the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Internal reporting is primarily based on business segments since the Company's risks and rates of return are affected primarily by differences in services and products produced. Additionally information is reported geographically.

EBITDA is defined as operating result excluding amortization, depreciation and impairment charge. EBITDA is not a measure of financial performance under IFRS.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly head office expenses, investments and related revenue and income tax assets and liabilities. For both presented periods there are no inter segment revenues. The presentation of revenues by geographical segments is determined by the client's country of domicile. No revenues were generated and no assets are located in the Company's country of domicile. The presentation of assets by geographical segments is based on the geographical location of the assets.

On January 25, 2012 the FPSO Uisge Gorm was sold for an amount of U.S.$52.5 million, which resulted in a profit of U.S.$12.4 million. The profit from sale is included under Other Income in the consolidated statement of profit or loss and other comprehensive income.

Business segments

In thousands of U.S.$	FPSO 2013	FPSO 2012 restated	SPM 2013	SPM 2012 restated	Consolidated 2013	Consolidated 2012 restated
Total segment revenue	356,007	378,267	205,463	212,285	561,470	590,552
Other income	-	12,394	-	-	-	12,394
Total cost of operations	(164,303)	(228,628)	(167,347)	(160,589)	(331,650)	(389,217)
Unallocated expenses	-	-	-	-	(13,788)	(456)
EBITDA	191,704	162,033	38,116	51,696	216,032	213,273
Depreciation and amortization	(91,196)	(91,493)	(482)	(144)	(91,678)	(91,637)
Results from operating activities (EBIT)	100,508	70,540	37,634	51,552	124,354	121,636
Net finance costs					(205,161)	(182,387)
Income tax expense					(17,746)	(183)
Profit for the period					(98,553)	(60,934)
Segment assets	1,285,810	1,029,190	82,594	100,031	1,368,404	1,129,221
Unallocated assets					92,739	105,088
Total assets					1,461,143	1,234,309
Segment liabilities	2,610,132	2,293,793	52,043	69,297	2,662,175	2,363,090
Capital expenditure	224,559	-	1,799	99	226,358	99

Unallocated capital expenditure amounted to U.S.$3,090 thousand (2012: U.S.$1,189 thousand).

Geographical segments

	Revenues 2013	Revenues 2012	Assets 2013	Assets 2012 restated	Capital expenditures 2013	Capital expenditures 2012
Europe	228,038	240,593	982,264	763,116	227,573	38
Americas	146,766	136,541	-	-	-	-
Asia	14,590	19,422	77,778	48,535	-	-
Africa	26,155	37,433	3,095	1,220	1,875	-
Australia	145,921	154,271	398,006	421,438	-	61
Other	-	2,292	-	-	-	-
Total	561,470	590,552	1,461,143	1,234,309	229,448	99

Several major customers in the FPSO and SPM segment have been identified, that each contributes to 10 percent or more of total revenues individually. In 2013, revenues from four such major customers amounted to U.S.$145.6 million, U.S.$97.6 million, U.S.$73.6 million and U.S.$65.8 million respectively. In 2012, revenues from four such major customers amounted to U.S.$154.3 million, U.S.$111.5 million, U.S.$101.5 million and U.S.$76.4 million respectively.

6. Employee benefits expense

In thousands of U.S.$	**2013**	**2012 restated**
Wages and salaries	34,608	31,324
Pension costs defined contribution plans	2,559	1,986
Pension costs defined benefit plans	2,863	1,884
Other social security contributions	3,447	2,592
	43,477	37,786
Personnel from agencies	34,272	25,966
Total employee benefits expense	77,749	63,752

The average number of full time employees (fte) during the year was 532.7 (2012: 522.3). The average number of fte's working outside the Netherlands was 272.6 (2012: 277.1).

7. Research and development expense

Total net research and development expenditures in 2013 amounted to U.S.$3,374 thousand (2012: U.S.$2,341 thousand). These net expenditures include government grants related to research and development activities amounting to nil (2012: U.S.$1,245 thousand).

8. Finance income and expense

In thousands of U.S.$	**2013**	**2012**
Interest income	101	80
Financial income	101	80
Interest expense	(197,238)	(183,452)
Ineffective portion of change in fair value of cash flow hedge	(11,163)	-
Financial expense	(208,401)	(183,452)
Currency exchange results	3,139	985
Currency exchange results	3,139	985
Net financing costs	(205,161)	(182,387)

In 2012 and 2013, no interest costs were capitalized.

9. Income tax expense

The breakdown of income tax (expense)/benefit is as follows:

In thousands of U.S.$	**2013**	**2012**
Current period taxes	(9,848)	(24,753)
Change in deferred tax asset, net of valuation allowance	(7,898)	24,570
Total (expense)/ benefit	(17,746)	(183)

Current period taxes relate primarily to withholding tax incurred on the Glas Dowr contract.

The reconciliation of the income tax (expense)/benefit at statutory tax rates to the effective income tax is as follows:

In thousands of U.S.$		**2013**		**2012**
Loss before income taxes		(80,807)		(60,751)
Income tax using the Company's domestic tax rate	25%	20,202	25%	15,188
Effect non-taxable income and expenses		(24,673)		(22,109)
Foreign losses not tax effected		4,471		(10,667)
Other foreign taxes		(9,848)		(7,165)
Deductions in foreign jurisdictions		-		4,278
Movement valuation allowance loss carry forward		(7,898)		20,292
Income tax		(17,746)		(183)

The effective tax rate for financial statement purposes differs from the statutory tax rate, mainly because the Company is subject to taxation in various countries with different statutory tax rates and taxable results vary in the various countries involved. Additionally, some group companies have significant tax losses carried forward, resulting in the recognition of a deferred tax asset. Consequently, the Company's taxable result may differ from the operating result.

10. Property, plant and equipment

As at December 30

In thousands of U.S.$	FPSOs	FPSO under construction	Office equipment	Total
Cost:				
As at December 31, 2012	1,578,875	129,060	4,678	1,712,613
Additions	224,559	-	1,799	226,358
Disposals	-	-	-	-
Translation result	-	-	11	11
As at December 30, 2013	1,803,434	129,060	6,488	1,938,982
Accumulated depreciation and impairment losses:				
As at December 31, 2012	680,606	80,613	4,285	765,504
Depreciation for the year	90,227	-	180	90,407
Disposals	-	-	-	-
Translation result	-	-	12	12
As at December 30, 2013	770,833	80,613	4,477	855,923
Net book value	1,032,601	48,447	2,011	1,083,059

In thousands of U.S.$	FPSOs	FPSO under construction	Office equipment	Total
Cost:				
As at December 31, 2011	1,589,610	129,060	4,556	1,723,226
Adjustment capitalized cost	(10,735)	-		(10,735)
Additions	-	-	99	99
Disposals	-	-	-	-
Translation result	-	-	23	23
As at December 30, 2012	1,578,875	129,060	4,678	1,712,613
Accumulated depreciation and impairment losses:				
As at December 31, 2011	590,479	80,613	3,878	674,970
Depreciation for the year	90,127	-	386	90,513
Disposals	-	-	-	-
Translation result	-	-	21	21
As at December 30, 2012	680,606	80,613	4,285	765,504
Net book value	898,269	48,447	393	947,109

Additions to FPSOs relates to modification and lifetime extension work that has been performed to prepare the FPSO Haewene Brim for tie-in and production of the Brynhild field. The costs related to the modification and life time extension are fully reimbursed by the Brynhild field owners. During the year ended December 30, 2013, such costs have been capitalized and related revenues have been deferred. Income will be recognized once oil production on the Brynhild field commences and will be offset by depreciation of the capitalized costs.
FPSO under construction relates to the FPSO Munin that came off contract on September 30, 2011.
As of December 30, 2013, an amount of U.S.$ 101.5 million (2012: U.S.$101.5 million) relating to capitalized interest is included in the historical cost value of the FPSOs and FPSOs under construction. Interest capitalized for the years 2013 and 2012 amounts to U.S.$ nil. As of December 30, 2013, the gross carrying amount of certain office equipment amounting to U.S.$3.5 million is fully depreciated. As of December 30, 2013, all these items are still in active use.

The carrying amount of property, plant and equipment sold during 2013 amounted to nil (2012: U.S.$ nil).

At December 30, 2013 properties with a carrying amount of U.S.$1,081.0 thousand (2012: U.S.$ 946.7 thousand) are subject to a registered debenture to secure bank loans.

11. Intangible assets

Intangible assets consist of interests in oil production licences and field development costs related to oil production blocks located in Nigeria, Guinea-Bissau and Ireland and capitalized costs of IT systems. The movement of intangible assets was as follows:

In thousands of U.S.$	**Oil production licences and field develop-ment costs**	**Software costs**	**Total**
Cost:			
As at December 31, 2012	7,405	6,352	13,757
Additions	1,875	1,215	3,090
As at December 30, 2013	9,280	7,567	16,847
Accumulated amortisation and impairment losses:			
As at December 31, 2012	-	2,652	2,652
Amortization for the year	-	1,270	1,270
As at December 30, 2013	-	3,922	3,922
Net book value	9,280	3,645	12,925

In thousands of U.S.$	**Oil production licences and field develop-ment costs**	**Software costs**	**Total**
Cost:			
As at December 31, 2011	7,405	5,163	12,568
Additions	-	1,189	1,189
As at December 30, 2012	7,405	6,352	13,757
Accumulated amortisation and impairment losses:			
As at December 31, 2011	-	1,528	1,528
Amortisation for the year	-	1,124	1,124
As at December 30, 2012	-	2,652	2,652
Net book value	7,405	3,700	11,105

12. Other financial assets, including derivatives

In thousands of U.S.$	2013	2012 restated
Non-current investments		
Equity securities	24,108	24,234
Derivatives used for hedging	-	23
	24,108	24,257

The equity securities consist of a 11.1% equity investment in Emerald Energy Resources Ltd, a Nigerian indigenous oil company, a 11.1% equity investment in Amni Oil and Gas Ltd, a Nigerian company and an equity investment in San Leon Energy Plc. (former Island Oil & Gas Plc). The equity investment in San Leon Energy is stated at fair value. For the other investments, which are unlisted, there is no way of reliably measuring the fair value using valuation techniques, therefore these investments are stated at historic cost.

13. Deferred tax assets

At December 30, 2013 and 2012, the tax effects of temporary differences and carry forwards that gave rise to the Company's deferred income tax assets are as follows:

In thousands of U.S.$	2013	2012
Tax loss carry-forwards	54,196	65,237
Pensions	1,510	(1,633)
Deferred tax assets	55,706	63,604

The deferred tax assets relate to the group companies in the Netherlands. The tax loss carry-forwards in the Netherlands result primarily from the amortization of goodwill and interest expense on intercompany debt which resulted from an internal restructuring that was previously entered into with effect from January 1, 2000. Additionally, the tax loss carry-forward increased due to operational losses in prior years. It is anticipated that the tax loss carry-forwards will be largely realized in 2014, due to expected tax profits resulting from a planned transfer of assets to newly established group entities. This anticipated transfer of assets will result in an increased tax value of these assets. The Company has analysed the future realization of the remaining losses carried forward as well as the temporary difference in book value, considering the Company's history of earnings, projected earnings based on current contracts as well as future contracts, the applicable tax rate, the new rules regarding limitation of deductibility of interest and the maximum carry forward period of the tax losses. Based on this analysis, the Company concluded that it is probable that an estimated amount resulting from temporary differences resulting in a deferred tax asset of U.S.$55.7 million will be fully realized.

At December 30, 2013 the Company has loss carry forwards in the Netherlands of a total nominal amount of U.S.$635.0 million expiring between 2015 and 2019. The following table specifies the years in which the Company's loss carry forwards will expire:

In thousands of U.S.$	2015	2016	2017	2018	2019	2020 and beyond	Total
Loss carry forwards in the Netherlands	17,040	83,066	103,901	134,176	296,820	-	635,003

At December 30, 2013 the Company has loss carry forwards in the United Kingdom that do not expire of a total nominal amount of U.S.$119.6 million, resulting primarily from operational losses incurred. Based on the history of earnings of the UK companies, the Company does not consider it probable that these tax losses and the

deferred tax asset relating thereto will be realized. Accordingly, the Company has not recognized a deferred tax asset related to these losses.

14. Inventories

Inventories comprise stock items available for sale to third parties or for use in future SPM or FPSO conversion projects.

15. Trade and other receivables

In thousands of U.S.$	**2013**	**2012**
Trade debtors	62,606	48,566
Other receivables	57,110	10,937
	119,716	59,503

At December 30, 2013 trade receivables include retentions of U.S.$304 thousand (2012: U.S.$291 thousand) relating to construction contracts in progress. The cumulative adjustment of the net realizable value of doubtful debtors amounting to U.S.$2,407 thousand (2012: U.S.$635 thousand) has been deducted from trade debtors.

16. Construction contracts

In thousands of U.S.$	**2013**	**2012**
Cost incurred	197,054	220,916
Invoiced to customers	(182,122)	(192,541)
	14,932	28,375
Amounts due from customers under construction contracts	38,273	48,119
Amounts due to customers under construction contracts	(23,341)	(19,744)
	14,932	28,375

The cost incurred includes the amount of recognized profits or losses to date.

17. Cash and cash equivalents

In thousands of U.S.$	**2013**	**2012**
Bank balances	122,036	76,400
Deposits	152	221
Cash and cash equivalents in the statement of cash flows	122,188	76,621

An amount of U.S.$26,184 was kept in restricted accounts in relation to the bond refinancing. The total amount of outstanding guarantees at December 30, 2013 is U.S.$24,601 thousand. Cash collateral for bank guarantees outstanding kept in restricted accounts amounted to nil at December 30, 2013 (2012: U.S.$ nil).

18. Loans and borrowings

In thousands of U.S.$	2013	2012
Non-current liabilities		
Long-term bank loans	322,173	441,416
Unsecured subordinated bond	389,060	358,731
Subordinated loan due to parent company	1,496,039	1,363,134
Derivatives	8,037	33,413
	2,215,309	2,196,694
Current liabilities		
Current portion of bank loans	67,574	64,000
Current portion of loan related party	817	731
	68,391	64,731

The amount of long-term bank loans as per December 30, 2013 amounting to U.S.$322.2 million includes a U.S.$25.0 million deposit kept in a debt service reserve account which has been netted with the related bank loan.

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

In thousands of U.S.$	Nominal Currency	interest rate	Year of maturity	Face Value	2013 Carrying Amount	Face Value	2012 Carrying amount
Senior secured project finance facility	USD	LIBOR + 4.0%	2019	377,325	343,684	-	-
Amended corporate credit facility	USD	LIBOR + 3.0%	2017	47,500	46,063	-	-
Corporate credit facility	USD	LIBOR + 4.5-10.25%	2014	-	-	407,603	405,468
Project financing facility	USD	LIBOR + 3.5-4.5%	2016	-	-	134,690	99,947
Unsecured subordinated bond	USD	LIBOR + 3.0%	2014	360,000	-	360,000	358,731
Unsecured subordinated bond	USD	Fixed 10%	2019	400,000	389,060	-	-
Subordinated loan due to parent company	USD	9.75%	2019	1,496,039	1,496,039	1,363,134	1,363,134
Short-term loan related party	USD	7.00%	on demand	817	817	731	731
Total interest-bearing liabilities				2,681,681	2,275,663	2,266,158	2,228,011

Senior secured project finance facility

Effective May 28, 2013, the Company entered into a U.S.$415.0 million Senior Secured Project Finance Facility. Interest on the U.S.$415.0 million project finance facility is 3-months USD Libor plus 4% margin per annum and the maturity date is March 31, 2019. This facility reduces on a quarterly basis with the net proceeds generated by the FPSO Haewene Brim and FPSO Glas Dowr, which are subject to a debenture for this facility. Fees amounting to U.S.$10.8 million have been accounted for as an adjustment to the carrying amount of the loan and are amortized over the term of the facility using the effective interest method. To mitigate the interest exposure on this facility, the Company entered into a floating to fixed interest rate swap, thereby fixing the interest on the facility including margin at 4.9125%. The interest rate swap is effective starting August 28, 2013 until February 28, 2018.

Amended corporate credit facility

Effective May 28, 2013, the Company entered into a U.S.$102.5 million Amended corporate credit facility, consisting of a U.S.$52.5 million term loan and a U.S.$50.0 million working capital facility. Effective December 10, 2013, the Company has entered into a further amendment of the Amended corporate credit facility. This further amendment includes an increased facility amount of U.S.$120 million and interest at 3-months USD Libor plus 3% margin per annum with final repayment ultimately on March 31, 2017. Total fees in relation to the revisions of the Revolving Credit Facility amounting to U.S.$2.1 million have been accounted for as an adjustment to the carrying amount of the loan and are amortized over the term of the facility. The terms and conditions of the current corporate credit facility prohibit the payment of dividends.

Corporate credit facility

The corporate credit facility initially comprised of a U.S.$599.6 million term loan and a U.S.$50.0 million revolving credit working capital facility. The term loan credit consisted of a U.S.$499.6 million Tranche A1 and a U.S.$100.0 million Tranche A2. The term loan A1 credit reduced by U.S.$7.0 million per quarter and the remaining balance was due upon maturity January 31, 2014. Interest on the working capital credit and term loan A1 credit was LIBOR plus 4.5%. As of December 31, 2012 U.S.$407.6 million of Tranche A1 was outstanding at an interest rate of LIBOR plus 4.5%. The 2012 weighted average interest rate on the corporate facility including margin over LIBOR was approximately 5.22%. The corporate facility arrangement fee amounting to U.S.$6.5 million was accounted for as an adjustment to the carrying amount of the loan and was amortized over the remaining term of the facility.

Project financing facility

Effective September 29, 2010, the Company entered into a U.S.$180.0 million loan agreement for the financing of the upgrade of the FPSO Glas Dowr. The loan facility reduced with linear quarterly instalments, the maturity date was August 14, 2016 and interest was LIBOR plus 3.5% per annum. The 2012 weighted average interest rate on the loan facility including margin over LIBOR was approximately 3.86%. The arrangement fee amounting to U.S.$6.75 million was accounted for as an adjustment to the carrying amount of the loan and was amortized over the term of the facility. Additionally, an amount of U.S.$30.6 million kept in a debt service reserve account was also accounted for as an adjustment to the carrying amount of the loan. Effective May 28, 2013, the proceeds of the Senior secured project finance facility and the Amended corporate credit facility have been used to fully repay the Project financing facility.

Unsecured subordinated bond

Effective December 10, 2013, the Company issued a U.S.$400 million unsecured subordinated bond with a fixed interest rate of 10% per year and a maturity date of December 10, 2019. On the same date the existing U.S.$360 million unsecured bond loan was called and redemption of this loan took place on January 27, 2014. Interest on this U.S.$360 million unsecured bond was fixed by means of an interest rate swap at 7.24% including margin. The redemption costs on the U.S.$360.0 million unsecured bond loan, amounting to U.S.$3.6 million, have been recorded as interest expense. As per December 30, 2013, an amount of U.S.$389.5 million, being the net proceeds of the U.S.$400 million unsecured bond and the issue fees of U.S.$10.5 million, was placed on a debt service reserve account. The total fees amounting to U.S.$10.9 million have been accounted for as an adjustment to the carrying amount of the loan and are amortized over the term of the facility. The amount of the Unsecured subordinated bond as per December 30, 2013 amounting to U.S.$389.1 million is the net balance of the U.S.$400 million unsecured new bond loan and the borrowing costs of U.S.$10.9 million. The U.S.$360 million unsecured bond loan and redemption costs have been netted against the U.S.$389.5 million kept in an escrow account for the purpose of repayment of the U.S.$360 million unsecured bond, and the surplus amount in the escrow account is presented under cash and cash equivalents

Subordinated loan parent company

The subordinated loan from Aurelia Energy N.V., the ultimate parent company, carries 9.75% interest per year, which is accrued to the loan. The loan is subordinated to any and all other obligations of the Company.

Short-term loan related party

This loan from Aurelia Energy N.V., the ultimate parent company, carries a fixed interest rate of 7.0% and is repayable upon demand. No guarantees have been provided for this loan.

19. Employee benefits

The group companies in the Netherlands provide defined benefit pension plans for all its employees. Under the plan, the employees are entitled to post-retirement yearly instalments amounting to 1.75% of final salary in excess of a deductible of EUR13.4 thousand and up to a maximum of EUR51.4 thousand, for each year of service until retirement age of 67. The liabilities and expenses arising from these plans are as follows:

In thousands of U.S.$	**2013**	**2012 restated**
Present value of funded obligations	(53,702)	(48,795)
Fair value of plan assets	47,664	45,321
Net liability arising from defined benefit obligation	(6,038)	(3,474)

The plan is subject to the regulations as stipulated in the Pensions Act (in Dutch: Pensioenwet). As stipulated in the Pensions Act the plan needs to be fully funded and needs to be operated outside the Company by a separate legal entity.The plan has been insured by a third-party insurance company. Consequently, most of the risks associated with the plan have been transferred to this third-party insurance company and the funding requirements are determined by the third-party insurance company. The insurance company guarantees that all pension entitlements that have been accrued until December 30, 2013 are paid to the pension plan participants and is responsible for operating the plan in accordance with the pension agreement. The insurance company is also responsible for the investment policy with regard to the assets. The plan assets are deemed to be equal to the accrued pensions and the discount rate used to calculate the present value of the plan assets is equal to the discount rate used to calculate the projected benefit obligation. The company has no additional responsibilities for the governance of the pension plan. The risks associated with the plan that remain with the Company are limited to salary risk, risk of individual value transfers and the risk of default by the insurance company.

Furthermore, the company is subject to the risk that the tariffs included in the financing agreement may change after December 30, 2014 when the current pension agreement ends. Changing tariffs may impact the pension contributions from January 1, 2015 onwards.

Movement in the present value of the defined benefit obligations

In thousands of U.S.$	2013	2012 re-stated
Defined benefit obligations at December 31,	48,795	33,017
Current service costs	2,341	1,478
Past service costs	58	-
Interest expense	1,854	1,703
Benefits payment from plan	(490)	(428)
Participant contributions	4	1
Effect of changes in demographic assumptions	(16)	253
Effect of changes in financial assumptions	(2,372)	12,659
Effect of experience adjustments	1,220	(821)
Translation result	2,308	933
Defined benefit obligations at December 30,	53,702	48,795

Movement in the present value of plan assets

In thousands of U.S.$	2013	2012 re-stated
Fair value of plan assets at December 31,	45,321	30,740
Interest income	1,775	1,650
Employer contributions	2,739	2,953
Participant contributions	4	1
Benefits payments from plan	(490)	(428)
Administrative expenses paid from plan assets	(384)	(352)
Remeasurements on plan assets	(3,358)	9,890
Translation result	2,056	867
Fair value of plan assets at December 30,	47,663	45,321

Expense recognized in profit or loss and other comprehensive income

In thousands of U.S.$	2013	2012 re-stated
Current service costs	2,341	1,478
Past service costs	58	-
Interest on obligation	1,854	1,703
Interest (income) on plan assets	(1,775)	(1,650)
Administrative expenses and taxes	385	353
Defined benefits cost included in profit or loss	2,863	1,884
Effect of changes in demographic assumptions	(17)	258
Effect of changes in financial assumptions	(2,466)	12,927
Effect of experience adjustments	1,268	(838)
Remeasurements on plan assets (excluding interest income)	3,493	(10,100)
Defined benefits cost in Other Comprehensive Income	2,278	2,247
Total defined benefit cost recognized in profit or loss and Other Comprehensive Income	5,141	4,131

Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2013	2012
Discount rate at December 30,	4.0%	3.8%
Expected return on plan assets at December 30,	4.0%	3.8%
Future salary increases	3.7%	3.7%
Future pension increases	0.0%	0.0%
Inflation	2.0%	2.0%

As a consequence of changes in the fiscal legislation in the Netherlands as per January 1, 2014, the Company has amended the pension plan as per this date, whereby the pensionable age has been increased from 65 years to 67 years. The effect of this plan amendment classifies as a past service cost on the defined benefit obligation under IAS 19 and is recognised in profit or loss in fiscal year 2013.

The duration of the liabilities is approximately 22.4 years based on the discount rate above. The sensitivity of the main driver which is the discount rate can be displayed as follows:

	Basis scenario	Scenario with increased assumption	Scenario with decreased assumption
Discount rate	4.00%	4.25%	3.75%
Benefit obligation	53,702	50,806	56,821
Service cost at beginning of year	2,217	2,066	2,384

The Group expects U.S.$3,202 thousand in contributions to be paid to the defined benefit plans in 2014.
The group companies in the United Kingdom sponsor defined contribution plans based on local practice and regulations. The contributions relating to these plans are charged to income in the year to which they relate. For the years 2013 and 2012 contributions charged to income amount to U.S.$274 thousand and U.S.$249 thousand respectively.

20. Trade and other payables, including derivatives

In thousands of U.S.$	2013	2012
Trade payables	87,687	39,692
Accrued expenses	12,270	24,674
Accrued interest	13,067	7,685
Related parties	2,999	2,899
Income taxes	41	52
Wages taxes and social securities	4,213	3,444
	120,277	78,446

21. Deferred income

Deferred income classified as current liability consists of instalments invoiced for construction contracts exceeding cost incurred, deferred bareboat revenues based on straight-lining of the contractual revenues over the duration of the contract and pre-received revenues from third parties. Pre-received operational revenues mainly relate to the reimbursement of costs for modification and lifetime extension work performed on the FPSO Haewene Brim, which will be recognized over the estimated duration of the related lease contract.

In thousands of U.S.$	2013	2012
Billings in excess of cost incurred	23,341	19,744
Pre-received operational revenues	226,374	-
Pre-received insurance proceeds	2,445	-
	252,160	19,744

22. Financial risk management

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reported date was:

	Carrying amount	
In thousands of U.S.$	2013	2012 restated
Available-for-sale financial assets	24,108	24,235
Cash and cash equivalents	122,188	76,621
Interest rate caps used for hedging	-	23
Forward exchange contracts used for hedging	512	267
Trade and other receivables	119,204	59,236
	266,012	160,382

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Carrying amount	
In thousands of U.S.$	2013	2012
Europe	29,280	21,994
Asia	7,012	5,852
Africa	86	120
Australia	9,674	12,476
Other	16,554	8,123
	62,606	48,565

Several major customers in the FPSO and SPM segment have been identified, that each contributes to 10 percent or more of total trade receivables individually. In 2013, trade receivables from four such major customers amounted to U.S.$25.7 million, U.S. $9.5 million, U.S. $8.3 and U.S.$8.1 million respectively. In 2012, trade receivables from four such major customers amounted to U.S.$14.9 million, U.S. $12.5 million, U.S. $5.8 and U.S.$5.1 million respectively.

Impairment losses

The ageing of trade receivables at the reporting date was:

In thousands of U.S.$	Gross 2013	Impairment 2013	Gross 2012	Impairment 2012
Current 0 - 30 days	31,007	-	18,641	-
Past due 31 – 60 days	17,298	-	13,200	-
Past due 61 - 90 days	917	904	10,858	-
Past due 91 – 180 days	854	-	37	-
More than 180 days	14,937	1,503	6,464	635
Total	65,013	2,407	49,200	635

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

In thousands of U.S.$	2013	2012
Balance at beginning of period	635	458
Additions	2,094	224
Impairment loss recognized	(322)	(47)
Balance at end of period	2,407	635

Based on past experience, the Company believes that no further impairment allowance is necessary in respect of past due trade receivables. The allowance accounts in respect of trade receivables are used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible; at that point the amount considered irrecoverable is written off against the financial asset directly.

Liquidity risk

The following are the contractual maturities of financial liabilities, including expected interest payments at capped or swapped interest rates where applicable:

December 30, 2013

In thousands of U.S.$	Carrying amount	Contractual cash flows	1 year	2 – 5 years	More than 5 years
Non-derivative financial liabilities					
Secured bank loans	389,747	483,973	133,904	210,712	139,357
Unsecured U.S.$360.0 million bond issue	-	361,955	361,955	-	-
Unsecured U.S.$400.0 million bond issue	389,060	637,778	40,000	120,000	477,778
Subordinated loan due to parent company	1,496,040	1,496,040	-	-	1,496,040
Trade and other payables	120,277	120,277	120,277	-	-
Short term loan related party	817	817	817		
Derivative financial instruments					
Interest rate caps used for hedging	-	-	-	-	-
Interest rate swap used for hedging	8,037	-	-	-	-
Forward exchange contracts used for hedging:					
Outflow	(512)	-	-	-	-
Total	2,403,466	3,100,840	656,953	330,712	2,113,175

December 30, 2012

In thousands of U.S.$	**Carrying amount**	Contractual cash flows	1 year	2 – 5 years	More than 5 years
Non-derivative financial liabilities					
Secured bank loans	505,415	580,046	94,213	485,833	-
Unsecured bond issue	358,731	400,761	26,426	374,335	-
Subordinated loan due to parent company	1,363,134	1,363,134	-	-	1,363,134
Trade and other payables	78,446	78,446	78,446	-	-
Short term loan related party	731	731	731	-	-
Derivative financial instruments					
Interest rate caps used for hedging	(23)	-	-	-	-
Interest rate swap used for hedging	33,413	-	-	-	-
Forward exchange contracts used for hedging:					
Outflow	(267)	-	-	-	-
Total	2,339,580	2,423,118	199,816	860,168	1,363,134

Cash flow hedges

As per December 30, 2013 and December 30, 2012 there are no forward exchange contracts accounted for as cash flow hedges.

Exposure to currency risk

The Company's revenues are primarily denominated in U.S. dollars and, to a lesser extent, Pound sterling and euro. In 2013, approximately £48.9 million (U.S.$80.9 million) of the Company's revenues was denominated in Pound sterling, approximately €36.7 million (U.S.$50.5 million) was denominated in euro and approximately R$54.1 million (U.S.$23.0 million) was denominated in brazilian real. The Company's expenses are denominated primarily in U.S. dollars and to a lesser degree, euro, Pound sterling and several other currencies. The Company is exposed to fluctuations in foreign currency exchange rates, because a portion of its expenses and financial indebtedness is denominated in currencies that are different from the Company's revenues. The Company's policy is to match, through our FPSO service agreements, the revenues in a particular currency with its operating costs in that currency, thereby minimizing the risk associated with fluctuations in foreign currency exchange rates. The Company also matches its indebtedness denominated in U.S. dollars with its revenues denominated in U.S. dollars. The Company purchases foreign currency exchange contracts from financial institutions to the extent of any residual exposure. The Company manages its outstanding currency exposure on a regular basis and nets these exposures across its operations as a group. Gains and losses related to specific currency transactions are recognized as part of its income from financing activities.

In the years 2013 and 2012 the Company entered into foreign currency exchange contracts in relation to projects to hedge against the risk of fluctuations in foreign currency exchange rates for expenditures in currencies other than the project currency. The Company may designate certain foreign currency exchange contracts as cash flow hedges. For such contracts designated and that qualify as cash flow hedges gains and losses related to project specific currency transactions are recognized as part of the hedging reserve.

The following significant exchange rates applied during the year:

USD	**Average rate**		**Reporting date mid-spot rate**	
	2013	**2012**	**2013**	**2012**
EUR 1	1.3243	1,2901	1.3770	1.3175
GBP 1	1.5627	1,5882	1.6547	1.6166

Sensitivity analysis

A ten percent change in the value of the U.S. dollar against the above currencies at December 30, 2013 would have increased (decreased) the value of the forward exchange contracts by approximately U.S.$3.4 million. This analysis assumes that all other variables, in particular interest rates, remain constant.

Interest rate risk

Profile

The majority of our indebtedness consists of a subordinated parent company loan, advances under our credit facility, the project financing and our unsecured subordinated bond. We expect that in the future we will continue to have significant indebtedness due to the parent company and under our credit facility and that our unsecured subordinated bond will continue to be outstanding. Advances under the credit facility, the project financing and the subordinated loan bear interest at rates typically expressed as a margin over the appropriate interbank rate. At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was as follows:

In thousands of U.S.$	Carrying amount	
	2013	**2012**
Fixed rate financial liabilities	(2,229,601)	(2,172,596)
Variable rate financial liabilities	(46,063)	(55,415)

Under the documentation of the Senior secured project finance facility, the Company is required at any time to have financial instruments in place to mitigate the interest risk to at least 75% of the the total amount outstanding under the facility. To this end, the Company entered into a floating to fixed interest rate swap, thereby fixing the interest on the facility including margin at 4.9125%. The interest rate swap is effective starting August 28, 2013 until February 28, 2018.

Under the documentation of the corporate credit facility, the Company was required at any time to have financial instruments in place to mitigate the interest rate risk related to at least 60% of the total amount outstanding under the facility. To this end, a U.S.$450.0 million interest rate swap was in place to swap the variable interest payable under the revised facility for a fixed interest of 1.885%, which was effective until December 15, 2013.

To limit the interest exposure related to the project financing entered into on September 29, 2010 for financing the upgrade of the FPSO Glas Dowr, the Company purchased an interest rate cap on January 26, 2012. This interest rate cap had a strike rate of 1.35%, limiting the maximum interest costs including margin to 4.85%. On January 6, 2014 the interest rate cap in relation to the U.S.$180.0 million project finance facility due July 28, 2014 was cancelled.

To limit the interest exposure on the unsecured subordinated U.S.$360 million bond due 2014, the Company purchased an interest rate swap on December 6, 2007 that enabled the Company to swap the variable interest payable on the bond for a fixed interest of 4.24%, thereby fixing the interest on the bond including margin at 7.24%. The interest rate swap was effective starting January 17, 2008 until July 17, 2014. On January 29, 2014 the interest rate swap in relation to the U.S.$360.0 million unsecured bond loan due July 17, 2014 was cancelled. Costs related to ineffectiveness of this swap amounting to U.S.$6.8 million have been recorded as interest expense in 2013.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

Interest sensitivity will remain for the amended corporate credit facility. A change of 50 basis points in interest rates compared to the interest rates at the reporting date would increase interest expense by U.S.$0.2 million

and decrease interest expense by U.S.$0.1 million respectively.

Fair values versus carrying amounts

The fair values of financial assets and liabilities are not materially different from the carrying amounts, except for the fair value of the unsecured subordinated U.S.$360 million bond, which amounts to U.S.$364.0 million as per December 30, 2013. The unsecured subordinated U.S.$400 million bond was not trading as per December 30, 2013 yet.

The Company uses the following fair value hierarchy for financial instruments that are measured at fair value in the consolidated statement of financial position: the fair value of financial assets that are traded on an active liquid market are determined with reference to the quoted market price (level 1), fair values of forward exchange contracts, interest rate swaps and interest rate caps are based on quotes from banks (level 2). The Company does not use pricing models to determine fair values (level 3).

23. Operating leases

Leases as lessee

Annual lease obligations entered into with third parties in connection with building and office space and cars, extending through fiscal year 2029, amount to a total of U.S.$53,912. Operational lease expenses in 2013 amounted to U.S.$3,500 (2012: U.S.$3,077). Non-cancellable operating lease rentals are payable as follows:

In thousands of U.S.$	**2013**	**2012**
Less than one year	4,490	3,209
Between one and five years	14,609	10,642
More than five years	34,813	27,632
	53,912	41,483

Leases as lessor

The Company leases its FPSOs under medium- and long-term service contracts and bareboat contracts. The future minimum lease payments under non-cancellable leases are as follows:

In thousands of U.S.$	**2013**	**2012**
Less than one year	153,341	153,355
Between one and five years	268,194	406,536
More than five years	6,080	75,430
	427,615	635,321

24. Commitments and contingencies

Claims and suits

From time to time, the Company is subject to various claims arising out of the ordinary course of business. While the ultimate result of all such matters is not presently determinable, based upon current knowledge and facts, management does not expect that their resolution will have a material adverse effect on the Company's consolidated financial position or results of operation.

25. Related parties

Key management personnel compensation

Key management personnel compensation comprised:

In thousands of U.S.$	**2013**	**2012**
Short-term employee benefits	3,314	2,381
Post-employment benefits	610	498
	3,924	2,879

Subsequent to year-end, the Group has declared payroll taxes on compensation paid to key management by a related party in the period 2002-2012 which should have been reported and disclosed in those periods. The additional compensation amounted to U.S. $ 1.547 and the estimated impact on taxes and interest due is U.S. $ 2.0 million for the full period. The estimated impact on the 2012 reported compensation amounts to approximately U.S. $ 300 and is adjusted in the comparative information shown in above table.

Subordinated loan due to parent company

The Company is party to a subordinated loan agreement with the ultimate parent company Aurelia Energy N.V. as described in note 18.

26. Group entities

Significant subsidiaries

The consolidated financial statements integrally include the financial statements of the Company and the group companies listed below, which are economically and organizationally linked to the Company. Bluewater Energy Services (Malaysia) Sdn Bhd. in which the Company has a 49% ownership interest, and Bluemar Lda., in which the Company has a 49% ownership interest, are fully consolidated because these subsidiaries are fully controlled by the Company based on shareholder agreements. Except for these two companies mentioned, all subsidiaries are wholly owned.

Name	Legal seat
Bluemar Lda.	Luanda, Angola
Bluewater (Aoka Mizu) B.V.	Hoofddorp, the Netherlands
Bluewater (Aoka Mizu) N.V.	Willemstad, Curaçao
Bluewater Australia Pty Ltd.	Melbourne, Victoria
Bluewater (Bleo Holm) B.V.	Hoofddorp, the Netherlands
Bluewater (Bleo Holm) N.V.	Willemstad, Curaçao
Bluewater China Offshore Equipment Production Co Ltd	Tianjin, China
Bluewater (Dili) Unipessoal, Ltda.	Dili, Timor Leste
Bluewater do Brasil Serviços de Energia Ltda.	Rio de Janeiro, Brasil
Bluewater Energy Contractors B.V.	Hoofddorp, the Netherlands
Bluewater Energy Services B.V.	Haarlemmermeer, the Netherlands
Bluewater Energy Services (Malaysia) Sdn Bhd	Kuala Lumpur, Malaysia
Bluewater Ettrick Production (UK) Ltd.	London, United Kingdom
Bluewater Floating Production B.V.	Hoofddorp, the Netherlands
Bluewater (Floating Production) Ltd.	London, United Kingdom
Bluewater (Glas Dowr) B.V.	Hoofddorp, the Netherlands
Bluewater (Glas Dowr) N.V.	Willemstad, Curaçao
Bluewater (Haewene Brim) B.V.	Hoofddorp, the Netherlands
Bluewater (Haewene Brim) N.V.	Willemstad, Curaçao
Bluewater Holding B.V.	Hoofddorp, the Netherlands
Bluewater International B.V.	Hoofddorp, the Netherlands
Bluewater International Holdings B.V.	Hoofddorp, the Netherlands
Bluewater Manning Services Ltd.	London, United Kingdom
Bluewater (Munin) B.V.	Hoofddorp, the Netherlands
Bluewater (Munin) N.V.	Willemstad, Curaçao
Bluewater (Norway) ANS	Oslo, Norway
Bluewater Offshore Productions Systems Nigeria Ltd.	Lagos, Nigeria
Bluewater Offshore Production Systems N.V.	Willemstad, Curaçao
Bluewater Offshore Production Systems (USA) Inc.	Delaware, United States of America
Bluewater Oil & Gas Investments Ltd.	Lagos, Nigeria
Bluewater Operations (UK) Ltd.	London, United Kingdom
Bluewater Services International Private Ltd.	Singapore
Bluewater Services (UK) Ltd.	London, United Kingdom
Bluewater Technical Support N.V.	Willemstad, Curaçao
Bluewater Tidal Energy Ltd.	London, United Kingdom
Bluewater Terminal Systems N.V.	Willemstad, Curaçao
Bluewater (UK) Ltd.	London, United Kingdom
Lufeng Development Company ANS	Oslo, Norway
Pierce Production Company Ltd.	London, United Kingdom
Supernova Energy B.V.	Hoofddorp, the Netherlands
Supernova Ireland Resources B.V.	Hoofddorp, the Netherlands

Bluewater Manning Services Limited (Company Number 05144206) is exempt from the audit requirements of the UK Companies Act 2006 by virtue of s479A of that UK Act.

27. Subsequent events

On January 19, 2014, a new SPM contract was secured with total revenues of EUR107 million. This project is expected to start contributing to EBITDA late 2014.

On January 27, 2014, the U.S.$360 million unsecured bond was fully redeemed with the proceeds from the escrow account.

On January 29, 2014, the interest rate swap in relation to the U.S.$360 million bond due July 17, 2014 was cancelled. The costs of this cancellation amounted to U.S.$7.2 million, of which U.S.$6.8 was already accounted for in 2013.

Company income statement

For the year ended 30 December

In thousands of U.S.$	**2013**	**2012**
Company result after taxes	(211,517)	(175,550)
Income from investments	112,964	114,616
Loss for the period	(98,553)	(60,934)

The loss for the period is fully attributable to the shareholder.

Company balance sheet

As at 30 December

In thousands of U.S.$ *(before appropriation of result)*	**Note**	**2013**	**2012**
Assets			
Financial assets	*2*	1,216,845	1,074,385
Deferred tax assets		55,706	63,603
Total non-current assets		1,272,551	1,137,988
Trade and other receivables		1,981	16
Cash and cash equivalents		33,796	14,243
Total current assets		35,777	14,259
Total assets		1,308,328	1,152,247
Equity			
Share capital		138	132
Share premium		1,195,244	1,195,244
Accumulated deficit		(2,379,359)	(2,273,281)
Other reserves		(17,055)	(41,278)
Total equity attributable to equity holder of the Company	*3*	(1,201,032)	(1,119,183)
Liabilities			
Loans and borrowings, including derivatives	*4*	1,939,028	2,132,746
Total non-current liabilities		1,939,028	2,132,746
Loans and borrowings	*4*	817	28,731
Trade and other payables, including derivatives		569,515	109,953
Total current liabilities		570,332	138,684
Total liabilities		2,509,360	2,271,430
Total equity and liabilities		1,308,328	1,152,247

Notes to the company financial statements

1. Basis of preparation

The company financial statements are prepared in accordance with the option provided in section 2:362 (8) of the Dutch Civil Code in which is stated that the principles for the recognition and measurement of assets and liabilities and the determination of the result of the company financial statements are the same as those applied for the consolidated financial statements. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations adopted and endorsed by the European Union as described on pages 12 to 20 of this report. Subsidiaries are stated on the basis of the equity method.

In accordance with Article 2:402 of the Dutch Civil Code, the company income statement is presented in an abbreviated form.

2. Financial assets

In thousands of U.S.$	**2013**	**2012**
Investments in group companies	1,216,845	1,074,385
	1,216,845	1,074,385

The investments in group companies are specified as follows:

In thousands of U.S.$	**2013**	**2012**
Bluewater Floating Production Ltd.	1,086,343	1,008,175
Bluewater International B.V.	30,533	22,181
Bluewater Terminal Systems N.V.	19	19
Bluewater Energy Services B.V.	65,829	59,079
Bluewater Services (UK) Ltd.	41,544	(8,387)
Supernova Energy N.V.	(7,423)	(6,682)
	1,216,845	1,074,385

The movement in the investments in group companies is as follows:

In thousands of U.S.$	**2013**	**2012**
Opening balance	1,074,385	958,757
Profit for the year	112,964	114,616
Capital addition	40,389	-
IAS 19R restatement	(11,874)	-
Other movements	(245)	154
Currency differences	1,226	858
As at December 30	1,216,845	1,074,385

3. Equity attributable to equity holder of the Company

For details of the shareholder's equity, reference is made to the statement of changes in equity in the consolidated financial statements.

4. Loans and borrowings, including derivatives

In thousands of U.S.$	**2013**	**2012**
Non-current liabilities		
Long term bank loans	46,062	377,468
Derivatives	7,866	33,413
Unsecured subordinated bond	389,060	358,731
Subordinated loan due to parent company	1,496,040	1,363,134
	1,939,028	2,132,746
Current liabilities		
Current portion of bank loans	-	28,000
Current portion of loan related party	817	731
	817	28,731

5. Several liability

The Company has assumed several liability for all legal transactions carried out by the following consolidated group companies:

Name	Legal seat	Percentage of ownership
Bluewater Terminal Systems N.V.	Willemstad, Curaçao	100%
Bluewater Floating Production B.V.	Hoofddorp, the Netherlands	100%
Bluewater International B.V.	Hoofddorp, the Netherlands	100%
Bluewater Manning Services Ltd.	London, United Kingdom	100%

Bluewater Manning Services Limited has taken advantage of the exemption from audit available under s479A of the Companies Act 2006. In order for the subsidiary companies to be entitled to this exemption the parent company must guarantee all outstanding liabilities that the subsidiary is subject to at the yearend under s479C. Accordingly, Bluewater Holding B.V. guaranteed all outstanding liabilities that Bluewater Manning Services Limited were subject to at December 30, 2013. At the date of signing these accounts the known potential amount under these guarantees amounted to $nil.

6. Taxation

The Company is individually and severally liable for the corporate income taxes of the fiscal unity.

7. Remuneration of directors

In accordance with Article 2:383 of the Dutch Civil Code, the remuneration of the only statutory director is not presented.

8. Audit fees

Fees charged by Deloitte Accountants B.V. in relation to the audit of the 2013 and 2012 consolidated financial statements amount to U.S.$697 thousand and U.S.$648 thousand respectively. Additionally, audit fees were charged by other foreign Deloitte network auditors in relation to 2013 and 2012 statutory financial statements of foreign subsidiaries amounting to U.S.$155 thousand and U.S.$165 thousand respectively. Fees for other audit services amounted to nil in 2013 and U.S.$39 thousand in 2012.

Other information

Subsequent events

On January 19, 2014, a new SPM contract was secured with total revenues of EUR107 million. This project is expected to start contributing to EBITDA late 2014.

On January 27, 2014, the U.S.$360 million unsecured bond was fully redeemed with the proceeds from the escrow account.

On January 29, 2014, the interest rate swap in relation to the U.S.$360 million bond due July 17, 2014 was cancelled. The costs of this cancellation amounted to U.S.$7.2 million, of which U.S.$6.8 was already accounted for in 2013.

Independent auditor's report

The independent auditor's report is included on the next page.

Statutory rules concerning appropriation of the result

The Articles of Incorporation provide that the result for the year is subject to the disposition to be decided upon at the annual General Meeting of Shareholders.

Proposed appropriation of the result for the year 2013

Management proposes to add the net loss for the year to the accumulated deficit. This proposal has been reflected in the accompanying financial statements.

Independent auditor's report

To: the Shareholder and Management Board of Bluewater Holding B.V.

Report on the financial statements

We have audited the accompanying financial statements 2013 of Bluewater Holding B.V., Hoofddorp. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as per December 30, 2013, the consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as per December 30, 2013 the company income statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Director's report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 and fair presentation of the financial statements 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 management, 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 a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Bluewater Holding B.V. as per December 30, 2013 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Bluewater Holding B.V. as per December 30, 2013 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Director's report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the Director's report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, April 8, 2014
Deloitte Accountants B.V.

Already signed: B. E. Savert