Fourth quarter 2023

Prosafe

Executive summary

(Figures in brackets refer to the corresponding period last year)

Market and outlook

- Four out of six options declared for Safe Concordia taking firm period through 09 November 2024
- Favourable outlook with Prosafe controlling a significant share of open high-end accommodation capacity from 2024 to 2026
- Strong and improving Brazil market with rising day rates and durations on the back of increased demand. Further long and short-term contracts expected
- North Sea operators planning future campaigns with ongoing bidding for 2025 and contract awards expected in H1 2024. No longer in dialogue regarding the announced NCS contract for 2025

Operations and HSSE

- Q4 2023 utilisation of 49.8% (56.1%), four out of seven vessels operating during the quarter
- Safe Zephyrus, Safe Notos and Safe Concordia had full utilisation in the quarter; Safe Concordia operated partially at reduced rate pending crane repair completed in January 2024
- Safe Eurus was 50% on-hire due to SPS in quarter and is back on-hire
- Good operating and safety performance on all vessels
- Backlog of USD 238 million (USD 332 million) at year end

Q4 financials

- Revenues of USD 29.6 million (USD 38.9 million) and EBITDA of USD (2.7) million (USD 9.6 million)
- Cash flow from operations of USD 3.8 million (USD 24.7 million), impacted by lower operating result
- Capex of USD 4.8 million (USD 1.2 million), mainly relating to SPS of Safe Eurus
- Liquidity of USD 74.6 million (USD 91.6 million) at year end, including USD 34.7 million of proceeds from private placement and secondary offering, confirming strong shareholder support

CEO comment

Prosafe is well positioned for new contracts in a tightening accommodation rig market, holding a large share of the open high-end capacity through 2026. Going into the new year, we are progressing ongoing client discussions and see increased tender activity with focus on 2025 and are confident we will see increased backlog during the first half of 2024. This increase in activity is expected to provide a favourable backdrop for refinancing and continued growth.

This is supported by continued strong operational performance on our active rigs, including the successful execution of the special periodic survey and upgrades on Safe Eurus and continued high utilisation rates on all our operating assets.

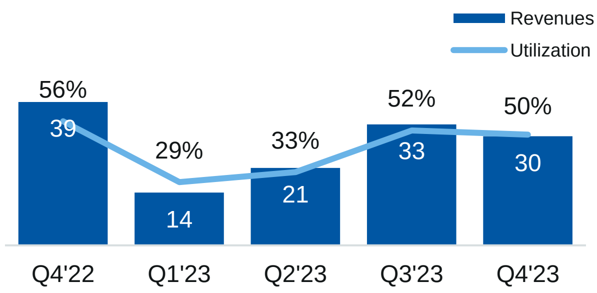
Terje Askvig

Key figures

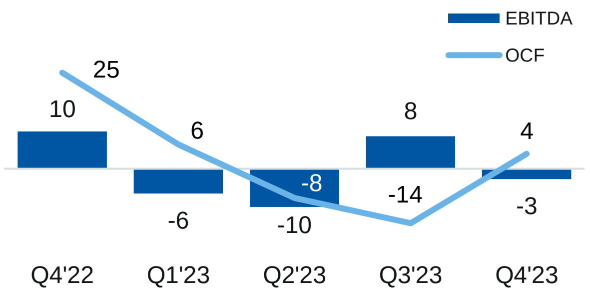
(Unaudited figures in USD million)	Q4 2023	Q4 2022	Full Year 2023	Full Year 2022
Operating revenues	29.6	38.9	97.7	198.9
EBITDA	(2.7)	9.6	(10.5)	61.4
EBIT	(12.6)	1.9	(41.6)	31.9
(Loss)/Profit before taxes	(21.2)	(5.9)	(73.2)	9.8
EPS	(1.01)	0.81	(6.00)	0.17
Diluted EPS	(1.01)	0.81	(6.00)	0.17
Cash flow from operating activities	3.8	24.7	(11.5)	49.2
Cash flow from investment activities	(4.3)	(0.9)	(33.9)	(9.5)
Cash flow from financing activities	26.1	(5.1)	28.4	(22.0)
Net cash flow	25.6	17.1	(17.0)	17.7
Liquidity[1]	74.6	91.6	74.6	91.6
Net working capital[2]	5.1	9.8	5.1	9.8
Interest-bearing debt[3]	419.5	422.2	419.5	422.2
Net Interest-bearing debt ("NIBD")	344.9	330.6	344.9	330.6
Total assets	492.7	500.0	492.7	500.0
Book equity	33.8	37.3	33.8	37.3
Book equity ratio[4]	6.9 %	7.5 %	6.9 %	7.5 %
Shares outstanding '000	17,869	8,799	17,869	8,799
Order book (Firm)	237.8	331.8	237.8	331.8
Utilisation rate %	49.8	56.1	41.0	70.6

[1]*Liquidity equals cash and deposits, and includes USD 2.2 million in restricted cash*
[2]*Net working capital is equal to (Total current assets excl. cash – Total current liabilities excl. Tax payable and current portion long-term debt)*
[3]*Net Interest-bearing debt (NIBD) is equal to Interest-bearing debt less liquidity. NIBD is reduced by a USD 9.5 million fair value adjustment, of which USD 2.9 million is short term.*
[4]*Book equity ratio is equal to (Book equity / Total assets) * 100*

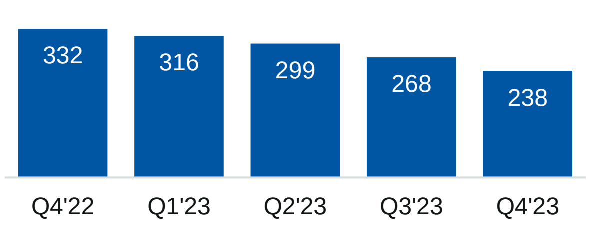
Revenues and utilisation %



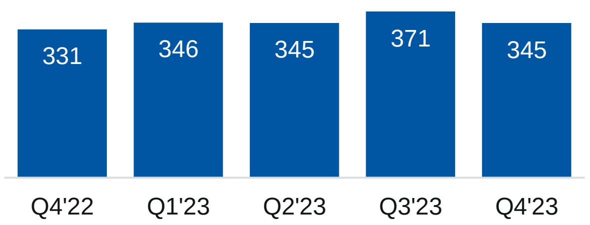
EBITDA and cash flow from operations (OCF)



Backlog



NIBD



Market and tender update

Prosafe is well positioned in a market with increasing demand, utilisation and day rates. Safe Boreas is the only DP3 semi-submersible accommodation vessel available in the North Sea for 2024 and 2025 summer work. Safe Caledonia is also available for work in UK and with Safe Zephyrus coming off contract in Brazil in early 2025, Prosafe controls a significant share of the North Sea capable capacity in 2024 to 2026.

North Sea operators are planning significant maintenance and tie-in campaigns for 2025 and beyond. There is ongoing bidding for 2025 with awards expected in the first half of 2024. Prosafe is no longer in dialogue regarding the previously announced Norwegian Continental Shelf (NCS) contract for 2025. The timing of demand will ultimately depend on several factors including, amongst others, capacity in the offshore industry supply chain, the timing of project investment decisions and execution, the oil price and the regulatory environment.

In Brazil, Prosafe expects continued demand growth for accommodation, maintenance and safety vessels driven by an increasing number of FPSOs and new oil and gas operators. This resulted in high contracting activity and substantially increased day rates in Brazil during 2023. Prosafe is expecting further demand from Petrobras and other operators with start-up from late 2024 and early 2025. Additional long-term work in Brazil for high-end units could further reduce available capacity in the North Sea and other markets from the second half of 2024 and onwards.

Operational review and backlog

The fleet utilisation rate in the fourth quarter was 49.8% (56.1%), with four out of seven vessels in operation. The backlog was USD 238 million at quarter end (USD 332 million).

Safe Notos and Safe Zephyrus had 100% utilisation in the quarter, operating on long-term contracts with Petrobras. Safe Eurus was off hire from 15 November for Petrobras compliance works, hull cleaning and Special Periodic Survey (SPS), before resuming its contract.

Safe Concordia had 100% utilisation the fourth quarter, while the day rate was impacted by a crane breakdown. The crane has been repaired. The charterer has declared four out of six option periods taking the firm contract period to 09 November 2024.

Safe Caledonia is laid up in the UK, Safe Boreas and Safe Scandinavia are laid up in Norway, all three vessels are actively marketed.

Newbuild status

Prosafe has the right to take delivery of the only two DP3 newbuild semis available at yards. In September 2022, both rigs were damaged by the typhoon Muifa. The yard has since progressed with repairs, and Prosafe continues to market both vessels and is in dialogue with the yard regarding repairs and delivery.

Financials

Fourth quarter 2023

EBITDA for the fourth quarter was USD (2.7) million (USD 9.6 million). The decrease in EBITDA was mainly driven by lower utilisation, including Eurus SPS off hire, and higher operating expenses during the quarter compared to 2022.

Depreciation was USD 9.9 million (USD 7.7 million) in the quarter. Operating loss for the fourth quarter amounted to USD 12.6 million (profit of USD 1.9 million), reflecting mainly the decrease in EBITDA.

Interest expenses amounted to USD 8 million (USD 6.3 million). Higher interest expenses were primarily due to higher interest rates, 7.6% in the fourth quarter (5.9%). Other financial cost was USD 1.1 million (USD 1.8 million) for the quarter.

Tax income amounted to USD 6.5 million (USD (1.2) million tax expense). The income relates to a reversal of a historical accrual for UK taxes from 2016 after a positive decision by HMRC.

The net loss was USD 14.7 million (net loss of USD 7.1 million) in the quarter mainly due to a reversal of a tax provision of USD 8 million, and no operations in Trinidad and Tobago in 2023.

Cash flow from operations was USD 3.8 million in the quarter (USD 24.7 million), impacted by lower operating results. The net cash flow in the quarter is also impacted by the SPS for Safe Eurus. During the quarter, the company raised net proceeds of USD 34.7 million through a private placement and subsequent offering of new shares.

Total assets per 31 December was USD 492.7 million (USD 500 million). Total liquidity at the end of the year was USD 74.6 million (USD 91.6 million).

Net interest-bearing debt was USD 344.9 million (USD 330.6 million), and the book equity ratio was 6.9% (7.8%). The increase in net interest-bearing debt was mainly a consequence of the decrease in the cash balance.

Full year 2023

Fleet utilisation was 41.0% (70.6%). Full year EBITDA amounted to USD (10.5) million (USD 61.4 million). The decrease in EBITDA was mainly driven by lower utilisation and higher operating expenses.

Depreciation amounted to USD 31.1 million (USD 29.5 million). The operating loss was USD 41.6 million (operating profit of USD 31.9 million). The decrease in operating result was mainly due to the decrease in EBITDA.

Full year net financial costs amounted to USD 31.6 million (USD 22.1 million), mainly reflecting higher interest rates. Interest increased from 4.4% to 7.3% during the year. For the full year other financial cost was USD 2.8 million (USD 4.1 million), the reduction is mainly due to USD 3.5 million in refinancing related cost in 2022.

Tax income of USD 5.4 million (cost USD 8.3 million) mainly due to a reversal of a tax provision of USD 8 million, and no operations in Trinidad and Tobago in 2023.

Net loss for 2023 was USD 67.8 million (net profit of USD 1.5 million).

Cash flow from operations was USD (11.5) million for 2023 (USD 49.2 million), impacted by lower utilisation and additional costs due to Safe Caledonia and Safe Boreas being in lay-up, the mobilisation of Safe Zephyrus and Safe Concordia as well as the hull cleaning for Safe Notos and SPS for Safe Eurus. The net cash flow is also impacted by increased capital expenditures associated with mobilisations and SPS as well as increased interest costs on back of rising interest rates. During the year, the Company raised net proceeds of USD 62.8 million through two private placements and a subsequent offering of new shares.

Outlook

Prosafe sees increased vessel demand going forward, which is expected to lead to higher utilisation, improved day rates and earnings growth. The Company is focused on capturing relevant market opportunities which provide sustainable day rates for long-term value creation in a tightening global accommodation market.

Prosafe expects that the increase in utilisation, improved rates and earnings growth will provide a favourable backdrop for refinancing and fleet growth, including potentially taking delivery of Safe Nova and Safe Vega from the COSCO yard.

Oslo, 31 January 2024

The Board of Directors and Chief Executive Officer of Prosafe SE

Glen O. Rødland Non-executive Chair	Birgit Aagaard Svendsen Non-executive Director
Nina Udnes Tronstad Non-executive Director	Halvard Idland Non-executive Director
Simen Flaaten Non-executive Director	Terje Askvig CEO

Interim condensed consolidated statement of profit or loss

(Unaudited figures in USD million)	Q4		12M	
	2023	2022	2023	2022
Operating revenues	29.6	38.9	97.7	198.9
Operating expenses	(32.3)	(29.3)	(108.2)	(137.5)
Operating results before depreciation	**(2.7)**	**9.6**	**(10.5)**	**61.4**
Depreciation	(9.9)	(7.7)	(31.1)	(29.5)
Operating profit/(loss)	**(12.6)**	**1.9**	**(41.6)**	**31.9**
Interest income	0.5	0.3	2.1	0.7
Interest expenses	(8.0)	(6.3)	(30.9)	(18.7)
Other financial items	(1.1)	(1.8)	(2.8)	(4.1)
Net financial items	**(8.6)**	**(7.8)**	**(31.6)**	**(22.1)**
(Loss)/Profit before taxes	**(21.2)**	**(5.9)**	**(73.2)**	**9.8**
Taxes	6.5	(1.2)	5.4	(8.3)
Net (loss)/profit	**(14.7)**	**(7.1)**	**(67.8)**	**1.5**
EPS	**(1.01)**	**(0.81)**	**(6.00)**	**0.17**
Diluted EPS	**(1.01)**	**(0.81)**	**(6.00)**	0.17

Interim condensed consolidated statement of comprehensive income

(Unaudited figures in USD million)	Q4		12M	
	2023	2022	2023	2022
Net (loss)/profit for the period	**(14.7)**	**(7.1)**	**(67.8)**	**1.5**
Foreign currency translation	0.6	1.0	1.3	(1.3)
Pension remeasurement	(0.1)	(0.1)	(0.1)	(0.1)
Other comprehensive income	**0.5**	**0.9**	**1.2**	**(1.4)**
Total comprehensive income	**(14.2)**	**(6.2)**	**(66.6)**	**0.1**

Interim condensed consolidated statement of financial position

(Unaudited figures in USD million)	**31.12.23**	**31.12.22**
Vessels	383.7	376.8
New builds	0.0	0.0
Other non-current assets	1.8	1.2
Total non-current assets	**385.5**	**378.0**
Accounts and other receivables	24.9	24.1
Other current assets	7.7	6.3
Cash and deposits	74.6	91.6
Total current assets	**107.2**	**122.0**
Total assets	**492.7**	**500.0**
Share capital	24.8	12.4
Other equity	9.0	24.9
Total equity	**33.8**	**37.3**
Interest-free long-term liabilities	1.8	1.9
Interest-bearing long-term debt	415.5	418.5
Total long-term liabilities	**417.3**	**420.4**
Accounts and other payables	27.5	20.6
Tax payable	10.1	18.0
Current portion of long-term debt	4.0	3.7
Total current liabilities	**41.6**	**42.3**
Total equity and liabilities	**492.7**	500.0

Interim condensed consolidated statement of cash flows

(Unaudited figures in USD million)	Q4 2023	Q4 2022	12M 2023	12M 2022
(Loss)/Profit before taxes	(21.2)	(5.9)	(73.2)	9.8
(Gain)/Loss on sale of non-current assets	(0.0)	0.0	(1.7)	0.5
Depreciation	9.9	7.7	31.1	29.5
Financial income	(0.5)	(0.3)	(2.1)	(0.7)
Financial costs	8.0	6.3	30.9	18.7
Share-based payment expense	0.3	0.2	0.4	0.9
Change in working capital	6.2	15.8	4.6	(10.4)
Other items from operating activities	0.7	1.7	1.0	1.9
Taxes paid	0.4	(0.8)	(2.5)	(1.0)
Net cash flow (used in)/from operating activities	**3.8**	**24.7**	**(11.5)**	**49.2**
Acquisition of tangible assets	(4.8)	(1.2)	(37.7)	(10.2)
Net proceeds from sale of tangible assets	0.0	0.0	1.7	0.0
Interests received	0.5	0.3	2.1	0.7
Net cash flow used in investing activities	**(4.3)**	**(0.9)**	**(33.9)**	**(9.5)**
Repayment of interest-bearing debt	(1.6)	(1.6)	(6.4)	(4.4)
Refinancing cost	0.0	0.0	0.0	(3.5)
Issuance of ordinary shares	34.7	0.0	62.8	0.0
Interests paid	(7.0)	(5.1)	(28.0)	(14.1)
Net cash flow (used in)/from financing activities	**26.1**	**(6.7)**	**28.4**	**(22.0)**
Net cash flow	**25.6**	**17.1**	**(17.0)**	**17.7**
Cash and deposits at beginning of period	49.0	74.5	91.6	73.9
Cash and deposits at end of period	**74.6**	**91.6**	**74.6**	**91.6**

Interim condensed consolidated statement of changes in equity

(Unaudited figures in USD million)	Q4 2023	Q4 2022	12M 2023	12M 2022
Equity at beginning of period	**13.1**	**43.3**	**37.3**	**36.3**
Share based payment	0.3	0.2	0.4	0.9
New share issue	34.6	0.0	62.7	0.0
Comprehensive income for the period	(14.2)	(6.2)	(66.6)	0.1
Equity at end of period	**33.8**	**37.3**	**33.8**	**37.3**

Selected notes to the quarterly financial statements

NOTE 1: GENERAL INFORMATION

Prosafe SE is a public limited company domiciled in Norway, it is listed on the Oslo Stock Exchange with ticker code PRS. The consolidated financial statements for Q4 2023 were authorised for issue in accordance with a resolution of the Board of Directors on 31 January 2024. The accounting figures are unaudited.

NOTE 2: ACCOUNTING PRINCIPLES

This interim financial report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU IAS 34 Interim Financial Reporting. The accounting principles adopted are consistent with those of the previous financial year.

NOTE 3: GOING CONCERN

The existing credit facilities contain a quarterly minimum liquidity covenant of (i) USD 23 million from and including 1 January 2023 to and including 31 December 2023 and (ii) USD 28 million from and including 1 January 2024 to and including 31 December 2025. The calculation of the minimum liquidity covenant shall exclude any cash held in relation to the “New Group” (the “New Group” comprises the rig owning companies of Safe Eurus, Safe Nova, Safe Vega and their immediate holding company) which at 31 December 2023 was USD 4.3 million. As at 31 December 2023, the Group had an unrestricted liquidity reserve of USD 72.4 million, and excluding the New Group had minimum liquidity of USD 70.3 million and was compliant with the minimum liquidity covenant on 31 December 2023.

The Group has taken action to remain in compliance with the minimum liquidity covenant and additional funds were raised in the quarter. The actions taken to date significantly reduce the uncertainties going forward, however the future compliance with the liquidity covenant is dependent on securing additional contract backlog going forward. Having assessed all available information about the future, the Board and management have prepared the fourth quarter and full year 2023 financial reporting on a going concern basis.

Note 4: TAX

The Group operates in several jurisdictions and from time to time there are questions from local tax authorities. In Q4 2023, a tax provision from UK was released after HMRC agreed with the tax filing from 2016, resulting in a tax income of USD 8 million.

During 2023, Prosafe and OSM Thome jointly received a Tax Assessment from the Brazilian Tax Authorities imposing import taxes and customs penalties related to the challenging of the special customs regime used to import the Safe Concordia for the Modec contract in the period from October 2018 to July 2019. Both Prosafe and OSM Thome have presented an administrative defence, challenging the view of the Brazilian Tax Authorities. Based on external advice, Prosafe is of the view that the enquiry has no merit, hence no provisions have been taken in the financial statements.

In Q4 2023, the Norwegian tax authorities initiated a review of the basis for a portion of the deferred tax losses. This review may lead to a reduction in the unrecognized deferred tax asset base. At this time, Prosafe does not believe that this will have a material impact on Prosafe’s financial position irrespective of the outcome of this review.

NOTE 5: EVENTS AFTER THE REPORTING DATE

On 8 January 2024, the Company announced that Simen Flaaten will resign as Director from the Board of Directors as soon as practicably possible. He will remain on the Board until a Director to replace him has been elected at an extraordinary general meeting.

On 29 January 2024, the Company received confirmation that the client chartering Safe Concordia has declared four out of six options extending the fixed contract period to 09 November 2024.

On 30 January 2024, the Company called for an EGM after the nomination committee proposed a new board member to replace Simen Flaaten who resigned on 8 January. The nomination committee has proposed that Gunnar Winther Eliassen is appointed as new board member. At the same time, an investor group has proposed a change in the remuneration to board members, the proposal is to award members of the board with options and reduce board member fees.

Address

Headquarters
Forusparken 2
N-4031 Stavanger
Norway

Organisation number
823 139 772
Contact:
E-mail: mail@prosafe.com

www.prosafe.com