

ANNUAL REPORT

2019



Prosafe

CONTENT

- 
- 3 About Prosafe
 - 4 Main events in 2019
 - 5 Key figures
 - 6 Corporate Governance
 - 21** Directors' report
 - 34** Declaration by the members of the Board and the CEO
 - 36** Consolidated accounts
 - 81** Parent company accounts
 - 101** Independent auditor's report
 - 107** Environmental, Social and Governance report

ABOUT PROSAFE

Prosafe is a leading owner and operator of semi-submersible accommodation vessels.

After the sale of a vessel for recycling in March 2020, Prosafe owns and operates seven semi-submersible accommodation, safety and support vessels and one Tender Support Vessel (TSV).

Furthermore, Prosafe has an agreement with COSCO shipyard for flexible delivery terms and long-term financing of two new build vessels: Safe Nova and Safe Vega. These vessels are completed and ready for worldwide operations.

The company's versatile fleet of six dynamically positioned, one anchor moored and one passive position moored (POS MOOR) vessels are capable of operating in the most demanding offshore environments.

Prosafe's operations are among others related to the support of maintenance and modification of installations on fields already in production, hook-up and commissioning of new fields, tie-backs to existing infrastructure and decommissioning.

Prosafe's vessels have accommodation capacity for 159-500 people and offer high quality welfare and catering facilities, storage, workshops, offices, medical services, deck cranes and lifesaving and fire fighting equipment. The vessels are positioned alongside the host installation and are connected by means of a telescopic gangway so that personnel can walk to work.



Prosafe has a strong track record from demanding operations world wide, with first class operational performance and good safety results. The company has extensive experience from operating gangway connected to fixed installations, FPSOs, TLPs, Semis and Spars.

The company's track record comprises operations offshore Norway, UK, Mexico, USA, Brazil, Denmark, Tunisia, West Africa, North-West and South Australia, the Philippines and Russia.

Prosafe is listed on the Oslo Stock Exchange with ticker code PRS.



MAIN EVENTS IN 2019

- The fleet utilisation for the year was 50.9 per cent (2018: 47.3 per cent).
- Prosafe secured contracts and contract extensions for Safe Scandinavia, Safe Concordia, Safe Caledonia and Safe Boreas in Norway, UK and Brazil.
- In May, Petrobras awarded Prosafe a three-year contract for the supply of a safety and support vessel in Brazil. Prosafe took delivery of the Safe Eurus, mobilized it from China to Brazil and commenced operations in November 2019.
- In response to the reduced and volatile activity level, impairments of USD 346 million were made, and the organisation was further downsized to reduce costs and preserve cash.
- In November 2019, Prosafe announced that the company would initiate a dialogue with its lenders with a view to ensure a long-term financial solution. Constructive discussions with the lenders are ongoing.
- Due to a prolonged downturn and weaker market outlook for accommodation services, particularly in the North Sea, Prosafe has increased its focus on international markets such as Brazil and Mexico.
- On 3 June 2019, Prosafe signed an agreement with Floatel International Ltd to merge their respective businesses with the aim to create a more robust company with improved services and geographical presence. On 13 February 2020, the parties regrettably decided to discontinue the merger process due to financial uncertainty and process risks leading to the conclusion that any near term completion of the merger seemed unlikely.
- Preparations for the appeal case of the Stavanger City court's judgement in the dispute between Westcon and Prosafe are ongoing. The appeal court hearing is to be held in September 2020.



KEY FIGURES

		Note	2019	2018	2017	2016	2015
Profit							
Operating revenues	USD million		225.4	330.8	283.0	474.0	474.7
EBITDA	USD million	1	97.1	166.6	122.9	253.2	262.9
Operating profit	USD million		(342.6)	53.0	(578.2)	52.8	30.8
Net profit	USD million		(399.9)	(114.5)	(647.1)	172.6	(50.6)
Earnings per share (fully diluted)	USD	2	(4.54)	(1.30)	(7.35)	8.36	(21.00)
Balance sheet							
Total assets	USD million		1 480.2	1 736.8	1 947.0	2 686.9	2 187.2
Interest-bearing debt	USD million		1 397.9	1 243.0	1 347.7	1 390.8	1 247.0
Net interest-bearing debt	USD million	3	1 199.8	1 102.7	1 115.8	1 185.1	1 189.9
Book equity	USD million		2.4	400.2	497.6	1 129.5	715.2
Book equity ratio		4	0.2%	23.0%	26.0%	42.0%	32.6%
Liquidity reserve	USD million	5	198.1	277.3	231.9	205.7	57.1
Net cash flow	USD million		57.8	(91.6)	26.2	148.6	(65.3)
Net working capital	USD million	6	(1158.2)	58.7	221.3	142.5	(157.1)
Valuation							
Market Capitalisation at year-end	USD million		19.7	126.7	118.1	306	619
Share Price	NOK	7	2.11	13.4	12	37	2 100
Operations							
Fleet utilisation rate			50.9%	47.3%	38.4%	43.2%	70.1%

Notes

1. Operating profit before depreciation and impairment
2. Net profit / Average number of outstanding and potential shares. EPS restated to reflect reverse split in 2016.
3. Interest-bearing debt - Cash and deposits
4. $(\text{Book equity} / \text{Total assets}) * 100$
5. Cash and deposits + available liquidity reserve balance under a committed revolving credit facility
6. See note 15
7. Restated to reflect reverse split in 2016



**CORPORATE
GOVERNANCE
IN PROSAFE**

Prosafe's system of corporate governance forms the basis for a transparent business model with clear segregation of roles, responsibilities and accountabilities between shareholders, the Board of directors, executive management and the organisation.

NORWEGIAN CODE OF PRACTICE

Prosafe SE is a European public company (Societas Europaea) listed on the Oslo Stock Exchange. In respectively 2018 and 2019, Prosafe moved its tax domicile and legal domicile from Cyprus to Norway.

Corporate governance in the Company follows the principles contained in the Norwegian Code of Practice for Corporate Governance in its latest version of 17 October 2018 (the "**Corporate Governance Code**"). The Company is committed to ensuring that high standards of corporate governance are maintained and is in compliance with the Corporate Governance Code.

The corporate governance principles and practices as required by the Accounting Act Section 3-3b and the details of how Prosafe complies with the Norwegian Code of Practice for Corporate Governance are accounted for in this report on Corporate Governance.

1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

The Norwegian Code of Practice for Corporate Governance covers 15 topics which are designed to ensure that the division of roles between shareholders, the Board of directors and the company's Executive Management is regulated in a way that strengthens confidence among shareholders, employees, the capital market and other interested parties to ensure control and compliance, equal treatment of shareholders and maximum value creation over time.

The company has accordingly implemented sound corporate governance. The Directors' Report, which is published annually, specifically refers to a comprehensive Corporate Governance Report included in the annual report and published on Prosafe's website at <https://www.prosafe.com/investor-information/corporate-governance/>



2. THE BUSINESS

Prosafe's memorandum and articles of association together with its vision, strategy, goals and reporting provide the necessary information which enables shareholders to understand, monitor and anticipate the scope of its activities.

The objectives for which Prosafe is established are set out in Article 3 of its Articles of association which can be accessed on Prosafe's website.

Prosafe's vision is to be a leading and innovative provider of technology and services in selected niches of the global oil and gas industry.

Prosafe's strategy is to be the preferred provider of high end semi-submersible accommodation vessels globally.

In order to achieve the strategic ambition, Prosafe reviews and assesses risk in the following categories: strategic, commercial, operational, compliance and legal, financial and IT/Cyber security risks. These risk categories and the associated internal control measures are described in more detail at <https://www.prosafe.com/investor-information/corporate-governance/risk-management/>

The company's strategy, commercial outlook, operations, risks, financial status, business plans and forecasts as well as clearly defined focus areas are regularly reviewed by the Board on the basis of a defined annual wheel related to regular board meetings. These are supplemented by ongoing dialogue between the Board and management, monthly reporting and ad hoc / weekly reporting and updates of all significant matters.

Prosafe's Code of Conduct sets out its corporate values which are reflected in its ethical guidelines and the corporate social responsibilities which it undertakes. Prosafe is committed to transparency, respect for employee and human rights and has a zero tolerance policy towards bribery and corruption.

This is reflected in the various Prosafe policies and procedures, including Prosafe's Corporate Social Responsibility (CSR) Policy. Prosafe's Code of Conduct and CSR Policy can be accessed on Prosafe's website at <https://www.prosafe.com/about/corporate-responsibility/code-of-conduct/> and <https://www.prosafe.com/about/corporate-responsibility/>

3. EQUITY AND DIVIDENDS

Prosafe's consolidated shareholder's equity as at 31 December 2019 amounted to USD 2.4 million (2018: USD 400.2 million), equivalent to 0.2 per cent (23 per cent) of the Group's total assets.

It is the ambition to regain sound financial position with the flexibility to support and further develop its strategy. As such, the Company is in dialogue with its lenders to seek a long-term financial solution.

In light of the reduction in industry activity levels and challenging market conditions, no dividend has been paid since August 2015. In 2018, the company and the lenders agreed that the company

will not declare any dividends, until deferred bank instalments have been prepaid or cancelled and a 12-month financial forecast has been provided which confirms compliance with the financial covenants. Given the financial situation of the company and the ongoing process with the lenders, this situation is extended until further.

No equity buy-backs have been declared or issued during 2019.

The following part conversion of bonds (with reference to the date of the related announcements) in respect of the equity of the company occurred during 2019 based on conversion notices received:

Date	Convertible bonds ISIN	Nominal value (NOK)	No. of new ordinary shares	Conversion price per share	Remaining outstanding principles (NOK)	No. of outstanding shares	Nominal value (Euro)
15 May 2019	NO 0010771025	2,000,000	80,000	25	50,706,341	81,864,212	0.1

Prosafe has currently two outstanding 5 year convertible bonds (zero coupon), which were issued in 2016. ISIN NO 0010771025 has a conversion price NOK 25 and the remaining outstanding principal of the convertible bonds under this ISIN is NOK 50,706,341. ISIN NO 0010781008 has a conversion price of NOK 30 and the remaining outstanding principal of the convertible bonds under this ISIN is NOK 122,836,000.

Outstanding warrants is 3,435,982, each of which gives right to subscribe for one new share in the company at a subscription price of NOK 21.37. The warrants relate to a potential delivery of Safe Nova or Safe Vega, where the lenders have elected either margin increase or warrants in connection with the delivery of the mentioned newbuilds.

As at 31 December 2019, the authorised share capital of Prosafe is EUR 9,412,298.4 divided into 91,422,984 shares of EUR 0.10. The issued share capital increased from 81,784,212 ordinary shares of EUR 0.10 each to 81,864,212 ordinary shares of EUR 0.10 each, following part conversion of bonds.

Mandates and authorities for different purposes such as increase of share capital or share buy-backs are considered separately at each annual general meeting ("AGM") and are generally limited in time and valid to the date of the next AGM. Authority for issuance of shares relating to conversions of convertible bonds are valid for a longer period so as to ensure, to the extent permissible by law, that they are in place for the entire loan period. No such mandates were proposed at the 2019 AGM.



4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

Prosafe has one class of shares in issue and all shares are equal in all respects. Each share carries one vote. The nominal value of each share is EUR 0.10. The company treats all shareholders in a non-discriminatory manner ensuring that all relevant information and the proposed resolutions are distributed in the call for the general meeting to allow the shareholders adequate time to prepare for the meeting.

Except as referred to in this report, no transactions took place in 2019 between the company and its shareholders, directors, senior officers or the close associates of any of these. There are no Group companies with minority shareholders.

TRANSACTIONS IN TREASURY SHARES

There have been no share capital increases in the Company in recent years except for shares issued in connection with the Company's convertible bonds. Should the Board wish to propose that the AGM depart from the pre-emptive right of existing shareholders relating to any capital increase, such a proposal will be justified by the common interest of the Company and the shareholders, and the reasons for the proposal will be presented in the notice of the AGM as well as publicly disclosed in a separate stock exchange announcement.

There were no material transactions with related parties in 2019, but any transaction with close associates is required to be conducted on market terms. Information about transactions with related parties is also disclosed in note 22 to the Consolidated Financial Statements.

Prosafe has implemented rules and procedures to ensure that directors and senior officers report to the Board if they themselves or their closely related parties have a significant interest, directly or indirectly, in any agreement concluded by the company. The Board must approve any agreement between the company and a member of the Board or the Chief Executive Officer. The Board must also approve any agreement between the company and a third party in which a member of the Board or the chief executive officer may have a special interest. Each member of the Board shall also continually assess whether there are circumstances which could undermine the general confidence in a Board member's independence.

Potential conflicts of interest have been declared by Glen Ole Rødland (current Chairman of the Board) through his indirect ownership in North Sea Strategic Investments AS, a key shareholder in the company. In the event of any potential conflict of interest, appropriate action has been taken to protect against such potential conflicts which includes e.g. the individual not participating in the relevant part of the Board meeting and/or abstaining from voting on the relevant matter.

5. SHARES AND NEGOTIABILITY

Prosafe's articles of association place no restrictions on negotiability.

6. GENERAL MEETINGS

The general meeting secures the participation of shareholders in the company's highest decision-making meeting. All shareholders are entitled to attend, speak and vote at general meetings. The company's Articles of Association are adopted by the general meeting. Shareholders holding at least 5 per cent of the issued and voting shares are entitled to submit matters for inclusion on the agenda of an AGM.

The AGM must be held by 30 June every year. In 2020, it is scheduled to take place on 7 May. Written notice of an AGM and a meeting calling for adoption of a special resolution is sent out not later than twenty-one days before the scheduled meeting unless special notice is required by law. Written notice of a meeting other than an AGM or a meeting calling for adoption of a special resolution is sent out not later than fourteen clear days before the meeting. The resolutions and supporting information is sufficiently detailed, comprehensive and specific to allow shareholders to form a view on all matters to be considered at the meeting. Both these and any recommendations of the Nomination Committee enabling shareholders to take an informed position on all matters to be discussed are made available within the relevant timeframe on the company's website.

Shareholders wishing to attend the general meeting must notify the company of this intention before the deadline stipulated in the notice. As the Board wishes to facilitate the attendance of as many shareholders as possible, it aims at setting the deadline for notification of attendance as close as possible to the meeting date.

Shareholders who cannot attend the meeting in person are encouraged to appoint a proxy. Prosafe prepares proxy forms and conducts the voting arrangements at the meeting in a form and manner, to the extent possible, which allows the shareholder to vote separately on each matter to be considered by the meeting and for each of the candidates nominated for election to the Board. Prosafe also allows the possibility for shareholders who cannot attend the meeting in person to cast votes electronically by correspondence (without appointing a proxy). The relevant forms for this are included in the notice to the general meeting.

Traditionally, at least the Chairman (or in exceptional circumstances, another member of the Board), the auditor and at least the Board representative to the Nomination Committee are present at annual general meetings. Prosafe wishes to facilitate a dialogue with shareholders at the general meeting, and therefore encourages all Board members to attend.

The annual general meeting shall discuss and decide upon the following:

- (i) Approval of the annual accounts and annual report, including distribution of dividends.
- (ii) Any other matters that according to applicable laws or the Articles of Association are to be decided upon by the general meeting.



7. NOMINATION COMMITTEE

Pursuant to article 8 of its articles of association, Prosafe has a Nomination Committee comprising two to three members. The majority of the members shall be independent in relation to the board members and the company management. The general meeting will elect the members of the nomination committee, including the chairperson, for a term of up to two years.

In addition, the Board appoints one of its members as a representative to the Nomination Committee. The Board representative participates in the meetings and discussions, but may not vote on any matter. The members are elected by the general meeting for a period of two years unless otherwise agreed by the general meeting. At the 2019 AGM, the members of the Nomination Committee were appointed for a period of one year. The instructions for the Nomination Committee were approved at the AGM that was held on 8 May 2019.

The Nomination Committee submits its recommendations for membership of the Nomination Committee and the Board to shareholders, together with the notice of general meeting and recommends the fees to be paid to directors and members of the Nomination Committee.

The shareholders at the AGM also elect the Chairman of the Nomination Committee, approve the Committee's remuneration and may decide to approve any applicable guidelines.

Relevant deadlines for submitting proposals for candidates to be appointed to the Board or the election Committee are published on the company's website in due time before the AGM takes place

The Nomination Committee held six meetings during 2019. Average meeting attendance was 100 per cent.

Name	Role	Date first appointed	Date due for re-election	Meeting attendance (%)
Thomas Raaschou	Chair	May 2011	May 2020	100
Annette Malm Justad	Member	May 2016	May 2020	100

The Chair and other members of the Committee are independent of the company's Board.

Glen Ole Rødland was appointed Board representative to the Nomination Committee at a Board meeting held on 8 February 2017.

8. BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

The Board currently consists of five directors. The directors have been appointed so as to ensure that a broad base of appropriate skills, expertise and experience is reflected on the Board. Working constructively together with its Committees and the company's administration, the Board oversees the strategic direction, targets, reporting, management and control of the company.

Based on the proposal of the Nomination Committee, the General Meeting elects the Directors and the Chairman, and decides on their remuneration. Currently, the directors are appointed for one year and all directors are due for re-election in 2020.

The Board held 16 Board meetings in 2019. Average meeting attendance was 88.8 per cent.

Name	Role	Date first appointed	Date due for re-election/ date of resignation	Meeting attendance (%)
Glen Ole Rødland	Chair	March 2016	May 2020	93.8
Roger Cornish	Director	May 2009	Resigned May 2019	66.7
Svend Anton Maier	Director	November 2016	May 2020	93.8
Kristian Johansen	Director	March 2017	May 2020	81.3
Birgit Aagaard-Svendsen	Director	March 2017	May 2020	93.8
Nina Udnes Tronstad	Director	May 2019	May 2020	84.6

At each general meeting at which resignations and appointments occur, the Nomination Committee will provide its recommendations for Board composition to shareholders. All newly elected directors are provided with a thorough briefing on the company's history, business, status and challenges.

The Board members are independent of the company's executive personnel and shareholders. Directors are encouraged to own shares in the company. Details of share ownership can be found on each director's profile on the Prosafe website.

The Board has implemented various policies and procedures to avoid conflicts of interest between directors, senior officers, their close associates and external third parties with whom the company collaborates.

The Board also seeks to ensure that directors possess broad based and in-depth expertise and skill-sets relevant to the company's business and the different market segments served internationally.

Information about each Board director is available on Prosafe's website, including whether they hold other directorships, their age, skills and experience, and when they are due for re-election.

The requirement to establish a corporate assembly does not apply to the company as it has less than 200 employees in Norway.

9. THE WORK OF THE BOARD

The Board has ultimate responsibility for managing the company and for monitoring day-to-day management and the company's business activities. This means that the Board is responsible for organisation, strategy, planning, reporting, and establishing of control systems. Further the Board is responsible for ensuring that Prosafe operates in compliance with laws and regulations, with Prosafe's Code of Conduct, as well as in accordance with the shareholders' expectations of good corporate governance. The Board emphasises the safeguarding of the interests of all shareholders, but also the interests of Prosafe's other stakeholders.

The Board has adopted a generic annual plan for its work which is revised with regular intervals. Recurrent items on the Board's annual plan are health, safety and quality issues, the company's operations, corporate strategy issues, business planning, forecasting and contingencies, approval of annual and quarterly results, monthly performance reports, annual reporting, management compensation issues, leadership assessment and succession planning, people and organisational strategy, special project reviews, risk evaluation, review of the company's governing documentation, annual Board evaluation and reviews relating to special topics. At the end of all Board meetings, the Board has a closed session with only Board members attending the discussions and evaluating the meeting.

The Board is responsible for making decisions related to inter alia company values and standards, strategy and objectives, overall budgets, corporate and capital structure, financial reporting and internal controls, investments and material transactions.



The Board has drawn up separate instructions for management and a job description and annual targets for the chief executive officer (CEO) and deputy executive officer & chief financial officer (DCEO&CFO) specifying their respective duties, authority and responsibilities in relation to the business. The CEO has a particular responsibility for ensuring that the Board receives precise, relevant and timely information enabling it to discharge its duties.

Scheduled Board meetings are normally held six to eight times a year, but the work schedule is flexible and otherwise adaptable so as to take into account relevant commercial, operational and strategic circumstances. Internal segregation of responsibilities and duties between the Board and management is established in a number of various corporate documents including corporate policies and procedures, approval matrices and delegated authorities, Board approvals for budgets and specific investments, and the grant of specific powers of attorney in respect of particular transactions.

The Chairman has a particular responsibility for ensuring that the Board's work is well organised and efficiently conducted. The Chairman of the Board encourages an open and constructive debate within the Board and with management.

AUDIT COMMITTEE

The Board established an Audit Committee in 2010. The Audit Committee operates on the basis of a generic annual plan and undertakes an examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal controls, monitors the financial reporting process and prepares the Board's follow up on such issues. The Audit Committee is tasked from time to time with the carrying out of special investigations designed to assess the overall risk management system within the Group.

The Audit Committee is a sub-committee of the Board of Directors, and its objective is to act as a preparatory body in connection with the Board's supervisory roles with respect to financial reporting and the effectiveness of the company's internal control system. It also attends to other tasks assigned to it in accordance with the instructions for the audit Committee adopted by the Board of directors.

The Audit Committee meets at least four times a year and holds closed sessions with the appointed auditor on at least an annual basis without the company's management being present. The appointed auditor participates at all Audit Committee meetings.

Proper internal control is ensured through various forms of segregation of duties, guidelines and approval procedures. The company's internal financial transactions are subject to special control systems and routines. Financial risk is managed by the Group's finance function which during 2019 has provided regular financial and liquidity forecasts and updates to the Board as well as comprehensive forecasts at each Board meeting.

At present, the Audit Committee comprises two members. The Audit Committee held six meetings in 2019. Average meeting attendance was 100 per cent.

Name	Role	Date first time appointed	Date due for re-election	Meeting attendance (%)
Birgit Aagaard-Svendsen	Chair	May 2017	May 2020	100
Kristian Johansen	Member	Nov 2017	May 2020	100

COMPENSATION COMMITTEE

A Compensation Committee was established in 2006 to prepare proposals related to the remuneration of senior officers.

At present, the Compensation Committee comprises of three members. The Compensation Committee held four meetings in 2019. Average meeting attendance was 91.7 per cent.

Name	Role	Date first time appointed	Date due for re-election	Meeting attendance (%)
Nina Udnes Tronstad	Chair*	May 2019	May 2020	100
Roger Cornish	Chair	June 2010	Resigned May 2019	100
Glen O. Rødland	Member	May 2016	May 2020	100
Svend Anton Maier	Member	Feb 2017	May 2020	75

* Appointed as Chair in May 2019

SAFETY, SUSTAINABILITY AND ETHICS COMMITTEE

Prosafe has established a Safety, Sustainability and Ethics Committee which maintains and further develops Prosafe's Code of Conduct and policies, which include guidance on illegal and unethical issues. Concerns about possible breaches of the code or any policy can be reported to the Committee by ordinary mail (addressed to the Ethics Committee, Prosafe AS, P.O. Box 39, N-4068 Stavanger, Norway) or e-mail (conduct@prosafe.com) on a confidential basis. The Committee ensures that alleged breaches are investigated thoroughly and fairly and reported as appropriate to the Board.

THE BOARD OF DIRECTORS' EVALUATION OF ITS OWN WORK

The Board has traditionally undertaken an annual self-evaluation of its own performance and expertise, working methods, composition and the manner in which the directors' function, both individually and collectively, in relation to the goals set for their work. In this context, the Board also assesses itself in relation to corporate governance. The assessment is made available to the Nomination Committee as a tool for continuous improvement.

10. RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for ensuring that sound internal control and risk management systems that are appropriate for the extent and nature of the Company's activities are in place.

The Audit Committee assesses the integrity of Prosafe's accounts and follows up on behalf of the Board on issues related to financial review and external audit of Prosafe's accounts.

Furthermore, the Board and the Audit Committee supervise and verify that effective internal control systems are in place, including systems for risk management and financial reporting, and satisfactory routines for following up adherence to the company's ethical guidelines.

Prosafe focuses strongly on regular and relevant management reporting of both operational and financial matters, both in order to ensure adequate information for decision making and to quickly

respond to changing conditions. Evaluation and approval procedures for major capital expenditure and significant treasury transactions are established.

Prosafe's conduct and development of its business are mainly subject to the following categories of risk: strategic, commercial, operational, compliance and legal, financial, and IT/Cyber security risk. These risks and associated sensitivities as well as internal control measures are described in more detail at <https://www.prosafe.com/investor-information/corporate-governance/risk-management/> and in a separate Risk Management Policy.

In addition to the ongoing reviews by Executive Management, continuous reviews are also carried out by the Board in respect of risk management and internal control arrangements. The risk management methodology applied by management and the Board are in accordance with industry and market practices generally and as implemented in Prosafe over several years. The risk and opportunity register forms the basis for the action plan. All key risks and opportunities are appropriately discussed and followed up by management and the Board in the form of strategies and mitigating actions. Specifically with regards to the internal controls related to the accounting process, this is mitigated by a combination of organisation and segregation of duties, procedures and authority matrix, reporting and analytical controls and continuous reporting and reviews with the Audit Committee.

The Board of Directors has systems in place to assess that the CEO exercises appropriate and effective management. Further, the Board and the Audit Committee take steps to ensure that the Company's internal control functions are working as intended and that necessary measures are taken to reduce extraordinary risk exposure. The Company's Audit Committee oversees the Company's routines for financial risk management and internal control which includes documentation for internal control and financial reporting procedures, hereunder verifies that effective control mechanisms are in place. Neither Prosafe's Executive Management nor its Audit Committee reported any material weaknesses in the related internal control systems at 31 December 2019.

11. REMUNERATION OF THE BOARD

The AGM determines directors' fees based on recommendation from the Nomination Committee. Remuneration of the Board reflects its responsibilities, expertise, commitment of time, and the complexity of Prosafe's activities. Directors' fees are not related to the company's performance and none of the current Board directors have a pension scheme or agreement concerning pay after termination of their office nor have they received any share options.

	Chair	Deputy Chair	Directors
Board	USD 110,000	USD 84,000*	USD 68,000

**There is currently no Deputy Chair on Prosafe's Board of Directors*

In addition, a fee of USD 1,500 is payable for directors, Board Committee members and Board representatives to the Nomination Committee attending Board or Committee meetings held away from their home country.

Information relating to the total remuneration for the Board for 2019 is set out in note 6 to the consolidated accounts.

The fees payable to the members of the Board Committees are as follows:

Committee	Chair	Members and Board representatives	Other
Nomination Committee	USD 7,500	USD 5,000	Additional USD 850 per meeting
Compensation Committee	USD 15,000	USD 10,000	N/A
Audit Committee	USD 20,000	USD 10,000	N/A

No director or company with which any director is associated (except as disclosed below) takes on specific assignments for the company in addition to their appointment as a director.

12. REMUNERATION OF EXECUTIVE PERSONNEL

The terms of employment of the CEO and the Executive Management are determined by the Board, based on a detailed annual assessment of their salary and other remuneration.

Prosafe aims at providing a competitive total package for Executive Management. The basis for comparison is other listed service companies in the oil and gas sector in the geographic areas where Prosafe pursues its operations. The total remuneration package for the Executive Management comprises three principal elements – base pay, variable pay and other benefits such as pension.

The variable pay of the Executive Management is performance related and linked to the operations and development of the company for the purpose of value creation for shareholders. It is aligned to the company's Strategy, as set by the Board and subject to the ethics and values of the company. The Board reserves the right to reduce or even cancel any variable pay should unforeseen events damage the company's reputation and/or safe operating record. It is also subject to an absolute limit.

For further details relating to remuneration paid to Executive Management, see note 6 to the consolidated accounts and the Declaration of Executive Remuneration as presented by the Compensation Committee and attached to the notice for the AGM in May 2020.



13. INFORMATION AND COMMUNICATION

Prosafe's calendar for interim financial reporting and the General Meeting for shareholders can be found on Prosafe's website at <https://www.prosafe.com/investor-information/financial-calendar/>

Prosafe presents preliminary annual accounts in early February every year. Complete accounts, the directors' report and annual report are provided to shareholders and other stakeholders. In addition interim accounts are provided on a quarterly basis. Open investor presentations are held in connection with the reporting of annual and interim results. These presentations are also broadcasted as webcasts. The chief executive officer and/or the DCEO&CFO use these occasions to review the results and comment on operations, markets, prospects and outlook. The presentation material is available on Prosafe's website.

An ongoing dialogue is otherwise maintained with analysts and investors, who are also invited to attend presentations. In order to ensure equal treatment of shareholders, Prosafe aims to provide clear, up-to-date and timely financial and other information about the company's operations to the securities market. The company places the greatest emphasis on treating all shareholders and analysts equally.

All information distributed to the company's shareholders is published on Prosafe's website at the same time as it is made available to the shareholders.

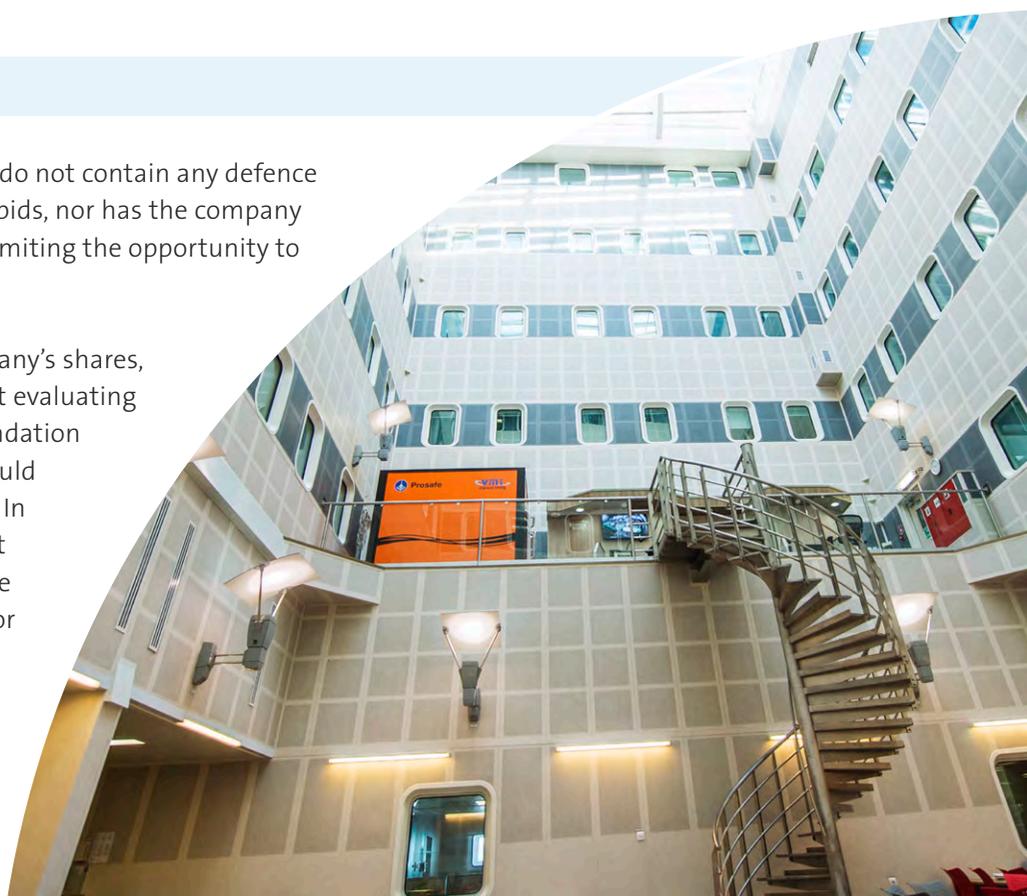
Guidelines as to who is entitled to speak on behalf of the company in respect of certain matters, as well as a contingency plan for managing information so as to respond to certain events are contained in the various corporate procedures.

Information available to shareholders is only available in English. As an international company with a broad shareholder base, English is regarded as the most applicable common language.

14. TAKE-OVERS

Prosafe's articles of association do not contain any defence mechanisms against take-over bids, nor has the company implemented other measures limiting the opportunity to acquire shares in the company.

If an offer is made for the company's shares, the Board will issue a statement evaluating the offer and make a recommendation as to whether shareholders should or should not accept such offer. In such a situation, Prosafe will act professionally and in accordance with the applicable principles for good corporate governance.



15. AUDITOR

The Company's appointed registered public accounting firm is independent in relation to Prosafe and is elected by the general meeting of shareholders. The appointed auditor's fee must be approved by the general meeting of shareholders.

KPMG has been the appointed auditor of the company since May 2015. The auditor always attends Board meetings where the annual accounts are considered. In 2019, auditors' fees for the Group amounted to USD 349,000 and consultancy fees paid to KPMG amounted to USD 26,000. These fees relate to accounting and tax-related issues.

The Audit Committee is responsible for ensuring that the company is subject to independent and effective external and internal controls. The appointed auditor participates in the Audit Committee meetings and presents a review of the company's internal control environment and assessment of the key judgements/accounting issues at least once a year. In addition, a meeting is held between the appointed auditor and the Board at least once a year (which is not attended by the chief executive officer or any other member of management). Use of the appointed auditor by the company for services other than audit is limited, however, guidelines have been established to govern such use.

14 April 2020

The Board of Directors of Prosafe SE



Glen Ole Rødland

Non-executive Chairman



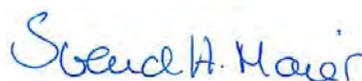
Birgit Aagaard-Svendsen

Non-executive Director



Kristian K. Johansen

Non-executive Director



Svend A. Maier

Non-executive Director



Nina Udnes Tronstad

Non-executive Director



Jesper K. Andresen

Chief Executive Officer



DIRECTORS' REPORT

The directors present their annual report of Prosafe SE (the “Company” or the “Parent Company”) and its subsidiaries (the Company and its subsidiaries referred to as the “Group” or “Prosafe”) together with the Group’s and the Parent Company’s audited financial statements for the year ended 31 December 2019.

PRINCIPAL ACTIVITY

Prosafe is a leading owner and operator of semi-submersible accommodation, safety and support vessels.

Prosafe's vessels are primarily serving energy companies on various offshore projects in global offshore oil and gas areas. Traditionally, the majority of the work has been related to existing producing fields ('brownfield'), whereas the remainder has been related to hook-up and commissioning of new developments ('greenfield'). Accommodation vessels may also be used for decommissioning of offshore installations.

The main geographical markets for semi-submersible accommodation vessels have typically been the North Sea, Brazil and Mexico. Occasionally semi-submersible accommodation vessels have also been employed in the US Gulf, West Africa, Australia and other areas.



The vessels are normally provided on a time charter basis where Prosafe mans and operates the vessels directly.

The Parent Company, Prosafe SE, has been legally domiciled in Norway since Q3 2019 and is the ultimate owner of all Group companies.

FINANCIAL RESULTS, FINANCING AND FINANCIAL POSITION OF THE GROUP

(The figures in brackets correspond to the 2018 comparatives)

INCOME STATEMENT

Operating revenues totalled USD 225.4 million in 2019 (2018: USD 330.8 million), with fleet utilisation¹⁾ increasing to 50.9 per cent (47.3 per cent). The increase in utilisation reflects somewhat higher activity in the Brazil market.

The decrease in operating revenues is due to lower average day rates as a result of the downcycle.

Operating expenses decreased to USD 128.3 million (USD 164.2 million), which was mainly driven by a one-off reversal of the accrued lay-up costs relating to Safe Eurus as well as cost reduction measures, but partially offset by one-off costs, which were mainly related to downsizing of the organisation, refinancing process and the attempted merger process with Floatel.

Depreciation, amortization and impairment amounted to USD 439.7 million (USD 113.6 million) including an impairment charge of USD 346.2 million. As the general recovery across the exploration and production value chain continues to be delayed, the demand for Prosafe vessels remains weak. Management performed an impairment assessment of its vessels in accordance with IFRS. As a result, an impairment charge was made in 2019. For further information relating to the assumptions used in the impairment assessment, refer to note 8 of the consolidated accounts.

The operating loss amounted to USD 342.6 million (profit of USD 53 million).

¹⁾ Utilisation = actual vessel days in operation in the period / possible vessel days in the period x 100 for 100% owned vessels

Interest expenses totalled USD 34.6 million (USD 173.3 million). The decrease compared to 2018 is mainly due to one-off effects relating to adjustments in the carrying amount of interest bearing debt due to revised estimated contractual cash flows in both years as well as the recognition of discounted cash flow hedge reserve balance in 2018. For further information, refer to note 10 and note 15 of the 2019 consolidated accounts.

Financial items other than interest expenses amounted to USD 17.1 million negative (USD 13.4 million positive). The increase in financial costs in 2019 was due to the negative effect in fair value of all derivatives.

Taxes for 2019 in the amount of USD 4.8 million (USD 5.9 million) were mainly relating to operations in UK and Brazil.

Net loss amounted to USD 399.9 million (net loss of USD 114.5 million), resulting in earnings per share of USD 4.54 negative (USD 1.3 negative). Fully diluted earnings per share were USD 4.54 negative (USD 1.3 negative).

FINANCIAL POSITION

Total assets amounted to 1,480.2 million (USD 1,736.8 million) at the end of 2019. Investments in tangible assets totalled USD 77.5 million (USD 8.7 million). The investments in 2019 mainly relate to the delivery of the Safe Eurus from Cosco and the five-yearly Special Periodic Survey (SPS) for Regalia and Safe Concordia.

As of year-end 2019, the Group had a total liquidity reserve in the form of liquid assets (cash and deposits) of USD 198.1 million (USD 140.3 million). Total restricted cash at year-end 2019 was USD 9.7 million (USD 8.8 million).

As a consequence of low activity and a net loss of USD 397.8 million, partly due to impairments of USD 346.2 million, total shareholders' equity amounted to USD 2.4 million (USD 400.2 million), resulting in an equity ratio of 0.2 per cent (23 per cent).

Interest-bearing debt amounted to USD 1,397.9 million (USD 1,243.0 million) at year-end. Repayments of debt totalled USD 37.9 million (USD 155.2 million).

The interest-bearing debt agreements are subject to termination, repayment or buy back clauses in the event of a change of control of the Company (as control is defined in the relevant agreements). The only applicable financial covenant at year end was minimum cash of USD 65 million, which the company was in compliance with. On 1 April 2020, the Company agreed a forbearance from the non-payments and defaults from a majority of its lenders across its two loan facilities, respectively the USD 1,300 million facility and the USD 288 million facility. The forbearance was initially granted for a period until 15 April 2020, but could be extended by the lenders through a simplified process. Subsequently in mid-April 2020, Prosafe agreed a further extension to the forbearance from the non-payments and defaults with a majority of its lenders across its two loan facilities until 31 May 2020.

As part of this, the Company will continue to defer making payments of scheduled instalments and interests under both facilities. Similarly, payment of the final instalment owed and due under the seller credit to Cosco for the Safe Notos remains as reported on 14 April 2020 subject to ongoing discussions with Cosco and the lenders.

The forbearance shows support for the Company to continue to operate, while lenders reserve their rights, and secures stability for the Company while it continues to work with the lenders to agree on a long term financial solution. Pending this, the Company continues to operate on a business as usual basis to protect and create value through challenging market conditions.

Please refer to further information about the loans and financial covenants in the Financing section below and note 15 to the consolidated accounts.

Net cash flow in 2019 was USD 57.8 million positive (USD 91.6 million negative). Net cash flow from operating activities amounted to USD 86.6 million positive (USD 147.1 positive). Total cash investment in tangible assets for 2019 amounted to USD 77.5 million. Gross investment including Cosco's sellers credit, was USD 151.5 million. The investment was mostly related to taking delivery of the Safe Eurus and normal vessel maintenance work including Special Periodic Survey (SPS) for the Regalia and Safe Concordia.

FINANCING

In November 2019, Prosafe announced that an impairment charge of USD 341 million had been made to the book value of vessels as a consequence of a prolonged industry downturn and weaker outlook in the North Sea in particular. Following this, the Company further announced that the book equity consequently was marginalized, and it will turn negative early 2020 based on the current forecast which will result in a breach of the facilities agreements. In consideration of the current outlook and the financial implication, the Board of Directors have initiated a dialogue with its lenders with a view to ensure sufficient financial flexibility for the longer term. The dialogue was formally initiated in December 2019 and resulted initially in a waiver from Event of Default (EoD) till end February 2020 and a payment deferral till 13 February 2020. Subsequently, the waivers from Event of Default and payment deferrals were further extended by all lenders till 31 March 2020.

On 1 April 2020, the Company agreed a forbearance with a majority of its lenders across its two loan facilities, respectively the USD 1,300 million facility and the USD 288 million facility, whereby such lenders agreed not to

accelerate, enforce or demand payment following non-payment and default under the two loan facilities. The forbearance was initially granted for a period until 15 April 2020, but could be extended by the lenders through a simplified process. Subsequently in mid-April 2020, Prosafe agreed a further extension to the forbearance from the non-payments and defaults with a majority of its lenders across its two loan facilities until 31 May 2020.

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The forbearance shows support for the Company to continue to operate, while lenders reserve their rights, and secures stability for the Company while it continues to work with the lenders to agree on a long term financial solution. Pending this, the Company continues to operate on a business as usual basis to protect and create value through challenging market conditions.

Although there can be no assurance with respect to the outcome of this process, the going concern assumption is based on the Board's



view that obtaining a long term and sustainable financial solution should be achievable.

FINANCIAL RESULTS AND FINANCIAL POSITION OF THE PARENT COMPANY

The net loss for the year amounted to USD 412.6 million (loss of USD 130.4 million), which included impairment charges relating to investments in subsidiaries of USD 393.2 million. Net financial loss amounted to USD 37.8 million (USD 161.4 million).

Total net assets for the year amounted to USD 93.3 million (USD 506.1 million).

OPERATIONS AND PROJECTS

As at year-end, the fleet comprised nine fully owned vessels plus two new builds. Six old vessels have been sold for recycling since mid-2016 and a seventh was in process of being sold for recycling.

Specifications for each of the vessels and details of the current vessel contracts can be found on the Company's website <https://www.prosafe.com/fleet/vessels/>

In August 2018, Prosafe reached an agreement with Cosco allowing for flexible delivery and long-term financing of Safe Eurus, Safe Nova and Safe Vega. The Safe Eurus was delivered in 2019 against a long-term contract in Brazil while the Safe Nova and Safe Vega remain in strategic stacking mode with Cosco in China until Prosafe takes delivery.

Safe Scandinavia completed a contract for AkerBP at the Ula platform in Norway in mid-May 2019 and has since been laid up in Norway.

Safe Zephyrus completed a contract for Equinor at Johan Sverdrup in Norway in early May 2019. Thereafter, the vessel mobilized to the Clair Ridge platform West of Shetland in the

UK where she started a contract for BP on 14 May 2019. The contract was completed on 15 October 2019 and the vessel is currently laid up in the UK. Safe Zephyrus will also mobilise for the 80-day Shell Shearwater contract in Q2 2020 with a 30-day option.



Safe Notos was fully contracted in the year for Petrobras in Brazil.

Safe Boreas operated on a contract for Equinor at the Mariner installation in the UK since 2018 and the contract was completed on 31 October 2019. The vessel is in lay-up in Norway.

Safe Concordia completed a 200-day contract with MODEC to support FPSO maintenance in Brazil late July 2019. The vessel was subsequently mobilized to a yard in Brazil to conduct the vessel's five year Special Periodic Survey (SPS) and to prepare for the next contract for Equinor at the Peregrino field in Brazil which started in mid-January 2020.

Safe Caledonia completed a four-month contract for a major oil and gas operator in the UK sector on 18 August 2019 and has since been laid up in the UK. On 31 July 2019, Prosafe signed a contract with Total for the Safe Caledonia to provide accommodation support at the Elgin complex in the UK. The contract is due to commence mid-April 2020 and has a firm duration of 162 days with one 30-day option.

Regalia completed her five-year Special Periodic Survey and reactivation at the start of 2019. Thereafter, she completed a 60-day contract in the UK sector on 11 July 2019. The vessel is laid up in Norway.

Safe Bristololia has been cold-stacked in Norway and was sold for re-cycling in March 2020.

The Company does not undertake specific R&D activities. However, the Company is increasing its efforts in the area of energy management to adapt to the global ambition to achieve energy efficiency and reduced emissions and is currently undertaking feasibility studies together with third parties in this respect.

TOTAL ORDER BACKLOG

Total order backlog²⁾ as of 31 December 2019 amounted to USD 154 million (USD 287.4 million) of which USD 146 million related to firm contracts and USD 8 million related to options. Secured utilisation for 2020 is 32 per cent. For 2021, secured utilisation is currently 13 per cent.

WESTCON DISPUTE

On 8 March 2018, the Stavanger City Court issued its judgement in favour of Prosafe in respect of the dispute between Westcon Yards AS (Westcon) and Prosafe Rigs Pte. Ltd. relating to the conversion of the Safe Scandinavia into a tender support vessel. The Court decided that Westcon must pay Prosafe NOK 344 million plus interest and NOK 10.6 million legal costs. Westcon filed an appeal, and Prosafe filed a counter appeal on 28 May 2018. Prosafe will continue to pursue its case in order to improve on the result in the first instance. Timing for the appeal court hearing is September 2020.

Meanwhile, Prosafe is pursuing the best

possible security for the claim. Interest is accruing to the benefit of Prosafe in the mean time in case Prosafe wins the court case and is awarded interest.

UPDATE ON MERGER PROCESS WITH FLOATEL INTERNATIONAL LTD.

On 2 January 2020, Prosafe announced that Prosafe and Floatel International Ltd have agreed to extend the long stop date in the share purchase agreement from 31 December 2019 until 30 June 2020. On 13 February 2020, the parties regrettably decided to discontinue the merger process due to financial uncertainty and process risks leading to the conclusion that any near term completion of the merger seemed unlikely.

CORPORATE SOCIAL RESPONSIBILITY AND ESG REPORTING

Prosafe views Corporate Social Responsibility (CSR) as an integral part of being an effective and a value-creating business. Prosafe is committed to maintaining high ethical, social, environmental and governance standards, and creating sustainable values for the benefit of its stakeholders and the society at large wherever the Company operates.

In 2019, the Company further increased its focus on CSR by amongst others setting clear, quantitative targets for Environmental, Social and Governance key performance indicators. Prosafe will prepare action plans and report progress on these targets in future reports. The Company's first separate ESG report has been included in this annual report.

²⁾ Order backlog = amount of contracted revenue not recognised in income statement yet



OUTLOOK

The oil and gas industry is characterized by high cyclicity and continuous changes which impact activity levels, price levels and planning horizons, requiring continuous risk and opportunity management and adaptability.

During the downcycle in recent years, many service segments have seen a significant reduction in activity and that includes demand for offshore accommodation vessels. Activity in the offshore accommodation market continued to decline during 2019, and the near-term outlook for 2020 is lowered significantly with the largest impact in the North Sea.

The Mexican market, which used to be a key market for many years, cancelled all requirements for non-Mexican accommodation equipment in early 2016. The Brazilian market has picked up and continues to offer opportunities for offshore accommodation units yet to be concluded. In general the Company's activity through the downcycle has been primarily upheld by hook-up contracts related to the support of new field installations in the North Sea that were entered into before the downcycle.

The most important factor that can positively impact utilisation in the North Sea market is the return of activity related to maintenance and modification which traditionally has been the main driver. At this point in time, however, there is practically no tendering activity and very limited prospects both in Norway and the UK in the next few years. This is driven by, among other factors, a combination of new ways of working, availability of substitute solutions, new development solutions that do not require accommodation support and cost focus. Consequently, geographical markets outside the North Sea will be increasingly important to Prosafe to secure work for its vessels. In addition, the Company will explore areas for alternative use within drilling support, decommissioning and offshore wind.

Geographically, Brazil is currently the most important market and is anticipated to remain so in the foreseeable future. During 2020, the Company will have at least three vessels working for all or parts of the year in Brazil and consequently the local organisation will be further strengthened.

The production ambitions of the new Mexican administration are high, and it is positive that contracts are awarded to non-Mexican companies in other segments such as drilling. Prosafe continues its efforts in Mexico to be well positioned when opportunities arise again in the accommodation segment.

The supply side has seen a positive development since 2016 with a reduction in the number of available units, largely supported by Prosafe which has sold seven vessels for recycling. In addition, one competitor has sold one unit for recycling. More sales like this are anticipated over the coming years, as well as further consolidation activities, while no further newbuilding activity is currently anticipated given the status and outlook of the offshore accommodation industry.

The Company maintains its efforts to develop and position the Company to protect and create value. This will involve seeking opportunities in new geographical markets and potentially new niches for alternative use of vessels, as well as industry consolidation.

The Company is also increasing its efforts in the area of energy management to adapt to the global ambition to achieve energy efficiency and reduced emissions. Prosafe's view is that these efforts over time – although they will require investments – will provide competitive edge and new business opportunities.

Please refer to “Going Concern” on page 31 and “Events after the period end” on page 33.

RISK

Prosafe categorises its primary risks under the following headings: strategic, commercial, operational, compliance and legal, financial and IT/Cyber security related. The Company's board and senior officers manage these risk factors through continuous risk assessments, reporting and periodic reviews in management and board meetings, and as part of rolling strategy and planning processes.

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

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

Commercial risk comprises macro factors such as oil price and industry specific factors such as supply/demand balance, competitive position, new development solutions and new ways of working to execute offshore projects that require a high number of personnel of various disciplines.



Demand for accommodation units is among others sensitive to oil price fluctuations and changes in exploration and production spending. In addition, the demand for accommodation units is sensitive to other incidents that may impact the general state of the world economy, general activity and spend levels, and demand for natural resources. Global incidents like pandemics with a material impact on capital markets and the oil price may negatively impact activity in the oil and gas industry, and thereby also our operations or demand for our services.

The Company is exposed to financial risks such as currency risk, interest rate risk, financing and liquidity risk and credit and counterparty risk.

Prosafe reports in USD and generates income primarily in USD, whereas a large part of its operating costs are in other currencies such as GBP, Brazilian Real and NOK. The currency mix will, however, vary with areas of operation. This exposure as identified based on rolling forecasts is hedged according to the Company's approved Finance Policy. The interest rate risk is largely hedged by the use of interest rate swaps or cap structures for normally 70 – 100 per cent of the debt.

The Company carries out credit checks on clients as part of its tendering processes and has a history of minimal loss from debtors. There are no material overdue receivables as of year-end. Further information on financial risk management is provided in note 19 to the consolidated financial statements.

An account of the main features of Prosafe's risk management process is available on its website at <https://www.prosafe.com/investor-information/corporate-governance/risk-management/>

INTERNAL CONTROLS

Internal control is ensured in accordance with Prosafe's policies and procedures which aim to ensure the effectiveness and efficiency of its

operations, reliability of its financial reporting and compliance with applicable laws and regulations. These policies and procedures are designed, inter alia, to safeguard assets and protect from accidental loss or fraud.

In addition, the policies and procedures are reinforced by the organisation and the competence of its personnel, segregation of duties, regular risk assessments and internal reporting, management meetings, board meetings and the audit committee, together with external audit and public reporting and communication.

In respect of internal controls relating to the preparation of financial statements, the board of directors demonstrates independence from management and exercises oversight of the development and performance of internal control. Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives. In addition to the ongoing reviews by the senior officers, annual reviews and assessments are carried out which are approved by the board in respect of risk management and internal controls. The risk and opportunity register forms the basis for the action plan which further represents a main and continuous agenda item for both management and the board to ensure that all key risks and opportunities are appropriately discussed and followed up by management and the board in the form of strategies and mitigating actions.

Prosafe is committed to attract, develop, and retain competent individuals in alignment with its objectives. The Company holds individuals accountable for their internal control responsibilities in the pursuit of its objectives.

The Company identifies and analyses risks which may potentially affect the achievement of its objectives and how these should be managed. It also considers the potential for fraud, and identifies and assesses changes that could significantly affect the system of internal control.

The Company selects, develops and deploys controls for the mitigation of risks related to the achievement of its financial reporting objectives, including controls over technology. It deploys these controls through policies and procedures and reporting.

Prosafe carries out regular reviews to ascertain whether the internal controls are present and functioning, and evaluates and communicates any internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the Board of directors, as appropriate. Audits carried out by external parties like the financial auditor, clients and regulatory authorities and the reporting and follow-up of these are important elements to ensure continuous focus on and improvement of internal controls.



HEALTH, SAFETY AND THE ENVIRONMENT (HSE)

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

In 2019, Prosafe recorded zero incidents classified as a Lost Time Injury (LTI), i.e. those

injuries resulting in an employee being absent from the next work shift due to the injury.

The LTI frequency is calculated by multiplying the number of LTIs by 1 million and dividing this by the total number of man-hours worked. In 2019, the LTI frequency was 0, as compared to 0.85 in 2018.

Prosafe operates a zero accident mind-set philosophy which means that no accidents or serious incidents are acceptable. A number of initiatives have been implemented over the years in order to further strengthen the safety culture. These and new initiatives will be continuously developed in order to improve safety performance further.

Sick leave was 2.26 per cent in 2019, an increase from 2.07 per cent in 2018.

Prosafe had no accidental discharges to the natural environment in 2019 and continues to actively reduce emissions by investing in modernizing its fleet and fuel efficient equipment and by pursuing continuous improvement in operating procedures and practices. The impact to the external environment from Prosafe's operations is reported in detail in the ESG report, which is included in this annual report.

HUMAN RESOURCES AND DIVERSITY

Prosafe had 150 employees at the end of 2019 (average 313), compared with 417 in the previous year (average 401). This reduction in the number of employees reflects the adjustment of the organisation in response to a weaker market outlook and reduced demand for Prosafe's services.

Prosafe's global presence was reflected in the fact that its employees came from 24 countries around the world. The overall voluntary employee turnover in the Group was 19.2 per cent in 2019, compared with 8.5 per cent

in 2018. This increase is mainly due to the fact that a number of employees accepted voluntary redundancy packages in 2019.

Prosafe operates an equal opportunity policy including gender equality. Men have, however, traditionally made up a greater proportion of the recruitment base for offshore operations, and this is reflected in Prosafe's gender breakdown. As of 31 December 2019, women accounted for 26.0 per cent of all employees, compared with 11.3 per cent in 2018. Onshore the proportion of women was 36.6 per cent, as compared to 40.6 per cent in 2018.

Women constituted 26.8 per cent of the managers as at 31 December 2019, compared with 25.0 per cent at the end of 2018.

Prosafe aims to offer the same opportunities to all and there is no discrimination with respect to recruitment, remuneration or promotion, due to age, disability, gender, marriage and civil partnership, pregnancy and maternity, nationality, religion or belief, sex, and sexual orientation. More detailed information can be found in the ESG report included in this annual report.

CORPORATE GOVERNANCE

Corporate governance in the Company is based on the principles contained in the Norwegian code of practice for corporate governance of 17 October 2018. There are no deviations between the code of practice and the way it has been implemented during 2019. The Company's full corporate governance report is available in a separate section in this annual report.

Corporate governance is a key focus for the Company in order to strengthen confidence in Prosafe among shareholders, the capital market and other interested parties, and to help ensure maximum value creation over time in the best interest of shareholders, employees and other stakeholders.

At the Annual General Meeting held on 8 May 2019, Nina Udnes Tronstad was elected new board member replacing Roger Cornish. All other members of the board were re-elected. Glen Ole Rødland was re-elected as chairman, Nina Udnes Tronstad was elected chair of the Compensation Committee and Birgit Aagaard-Svendsen was re-elected as chair of the Audit Committee. The remuneration of the members of the board of directors is disclosed in note 6 to the financial statements.

As at 31 December 2019, the only director (including associated parties) who held shares in the Company was Birgit Aagaard-Svendsen, owning 3,000 shares. Glen Ole Rødland has an indirect ownership interest in Prosafe through his ownership interest in HitecVision VII, L.P.

GOING CONCERN

The board of directors confirms that the accounts have been prepared under the assumption that the Company is a going concern. The going concern assumption is considered to be appropriate as it is based on the Board's view that obtaining a long term and sustainable financial solution should be achievable by taking into consideration the facts and circumstances described below.

Following an impairment charge of USD 341 million made to the book value of vessels in November 2019 as a consequence of a prolonged industry downturn and weaker outlook in the North Sea in particular, the Company's year end book equity was marginalised and it was anticipated to turn negative early 2020, which will result in a breach of the facilities agreements. In consideration of the financial implication, the Board of Directors initiated a formal dialogue with its lenders in December 2019 with a view to ensure sufficient financial flexibility for the longer term. However, developments in macro factors like Covid-19 and the oil price crash since early March 2020 have in a tangible manner reminded us of our commercial risk exposure. Parallel incidents with a pandemic occurring together with OPEC and

Russia not being able to agree and engaging in an oil price war have led experts to define this as a “double black swan” situation. This has almost overnight resulted in a dramatic impact on the global macro economy, global ways of living and working, oil prices and consequently capital markets and market outlook.

Oil companies have reacted quickly to these developments, and we have seen significant general cuts in ongoing and planned activity and spending for 2020 and also 2021. As a result of this, the Group has seen both cancellation of existing contracts as well as vessels being put on stand-by at somewhat reduced rates. The Group is at risk that further contract cancellations or deferrals may occur which will have further negative impact on order backlog, activity and earnings in the near term.

As mentioned earlier, Prosafe is already in a process with its lenders since December 2019 to seek a sustainable financial solution after several years of low activity across the industry and an unsustainable debt level. The “double black swan” situation adds both urgency and complexity to this process and the Group will be concluding on a revised business plan by late April 2020 as a basis upon which to plan ahead and seek a long term financial solution with its lenders and other financial stakeholders. It cannot be ruled out that the revised business plan may have significant impact on the estimated future cash flows of the Group and thus also the carrying value of its assets. As at the date of this report, the Group is already in a negative book equity situation and further and substantial impairments would reinforce that situation and further underscore the need for reaching a solution with its lenders and financial stakeholders.

On 1 April 2020, the Group agreed a forbearance with a majority of its lenders across its two loan facilities, respectively the USD 1,300 million facility and the USD 288 million facility, whereby such lenders agreed not to accelerate, enforce or demand payment following non-payment and default under the two loan facilities. Both facilities require direction from lenders holding more than 2/3 of the total commitment for the

agent to initiate acceleration and enforcement steps. Consequently, forbearance consent from 1/3 or above, will restrict such acceleration and enforcement steps. The forbearance was initially granted for a period until 15 April 2020, but could be extended by the lenders through a simplified process. Subsequently in mid-April 2020, Prosafe agreed a further extension to the forbearance from the non-payments and defaults with a majority of its lenders across its two loan facilities until 31 May 2020. As part of this, the Group will continue to defer making payments of scheduled instalments and interests under both facilities. Similarly, payment of the final instalment owed and due under the seller credit to Cosco for the Safe Notos remains as reported previously subject to ongoing discussions with Cosco and the lenders.

The forbearance shows support for the Group to continue to operate, while lenders reserve their rights, and secures stability for the Group while it continues to work with the lenders to agree on a long term financial solution. Pending this, the Group continues to operate on a business as usual basis to protect and create value through challenging market conditions.

While operating under a forbearance agreement with its lenders, the Group has a strong liquidity position and is anticipated to stay above the minimum cash covenant level based on currently known information and commitments and all else equal till around end 2020. The Group is similarly anticipated to stay cash positive based on the same assumptions till around mid-2021.

The Group's discussions with its lenders remain constructive and the efforts to create and agree a long-term financial solution continues. Although there can be no assurance with respect to the outcome of this process, the going concern assumption is considered to be appropriate as it is based on the Board's view that obtaining a long-term financial solution should be achievable.

The content of a final solution is, however, difficult to predict at this stage, hereunder any accounting effects from a long-term financial solution.

SHAREHOLDERS AND SHARE CAPITAL

According to the shareholder register as at 31 December 2019, the 20 largest shareholders held a total of 67.86 per cent of the issued shares. The number of shareholders was 4,706. North Sea Strategic Investments AS was the largest shareholder with a holding of 18.93 per cent of the issued shares.

Significant shareholdings as at 31 December 2019 are presented in note 14 to the financial statements and are bi-weekly updated on the Company's website at <https://www.prosafe.com/investor-information/shareholder-information/largest-stakeholders/>

As at 31 December 2019, Prosafe had an issued share capital of 81,864,212 ordinary shares. In addition, 6,122,790 shares to be issued under convertible bonds agreements and 3,435,982 shares to be issued under warrants agreement. All at a nominal value of EUR 0.10 each.

There are no share incentive schemes or shareholder agreements in place in the Company.

The Company's loan agreements include change of control clauses.

Further information on the share capital and changes thereon are shown in note 14 to the consolidated financial statements.

DIVIDENDS

Prosafe's longer term ambition is to secure its shareholders a competitive return on their shares through a combination of share price appreciation and a direct return in the form of dividends.

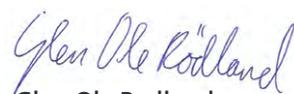
In light of the reduction in industry activity levels and challenging market conditions, no dividend has been paid since August 2015. In 2018, the Company and the Lenders agreed that the Company will not declare any dividends, until deferred bank instalments have been prepaid or cancelled and a 12-month financial forecast has been provided which confirms compliance with the financial covenants.

EVENTS AFTER THE PERIOD END

Reference is made to note 25 to the consolidated accounts for a description of events after the reporting date.

14 April 2020

The Board of Directors of Prosafe SE



Glen Ole Rødland

Non-executive Chairman



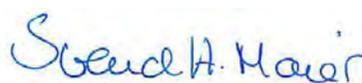
Birgit Aagaard-Svendsen

Non-executive Director



Kristjan Johansen

Non-executive Director



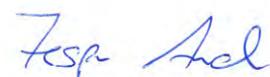
Svend A. Maier

Non-executive Director



Nina Udnes Tronstad

Non-executive Director



Jesper K. Andresen

Chief Executive Officer



DECLARATION BY THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

The Board and Chief Executive Officer have today considered and approved the annual report and financial statements for the Prosafe Group and its parent company Prosafe SE for the 2019 calendar year ended on 31 December 2019.

This declaration is based on reports and statements from the Chief Executive Officer, Deputy CEO & Chief Financial Officer and on the results of the Group's business as well as other essential information provided to the Board to assess the position of the parent company and the Group.

TO THE BEST OF OUR KNOWLEDGE:

The 2019 financial statements for the parent company and the Group have been prepared in accordance with all applicable accounting standards.

The information provided in the financial statements gives a true and fair portrayal of the parent company's and the Group's assets, liabilities, financial position and results taken as a whole as of 31 December 2019.

The Board of directors' report for the parent company and the Group provides a true and fair overview of the development, performance and financial position of the parent company and the Group taken as a whole, and the most significant risks and uncertainties facing the parent company and the Group.

14 April 2020

The Board of Directors of Prosafe SE



Glen Ole Rødland

Non-executive Chairman



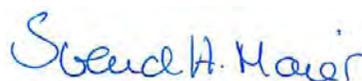
Birgit Aagaard-Svendsen

Non-executive Director



Kristian K. Johansen

Non-executive Director



Svend A. Maier

Non-executive Director



Nina Udnes Tronstad

Non-executive Director



Jesper K. Andresen

Chief Executive Officer



CONSOLIDATED ACCOUNTS

CONSOLIDATED INCOME STATEMENT

(USD million)	Note	2019	2018
Charter revenues	4	192.0	293.2
Other operating revenues	4, 5	33.4	37.6
Operating revenues		225.4	330.8
Employee benefits	6	(68.8)	(76.7)
Other operating expenses	7	(59.5)	(87.5)
Operating profit before depreciation and impairment		97.1	166.6
Depreciation	8	(93.5)	(113.0)
Impairment	8, 13	(346.2)	(0.6)
Operating profit/(loss)		(342.6)	53.0
Interest income	10	2.1	2.9
Interest expenses	10	(34.6)	(173.3)
Other financial income	9	0.0	13.4
Other financial expenses	9	(19.2)	(2.9)
Net financial items	10	(51.7)	(159.9)
Share of loss of equity accounted investees	13	(0.8)	(1.7)
Loss before taxes		(395.1)	(108.6)
Taxes	11	(4.8)	(5.9)
Net loss		(399.9)	(114.5)
Attributable to equity holders of the parent		(399.9)	(114.5)
Earnings per share (USD)	12	(4.54)	(1.30)
Diluted earnings per share (USD)	12	(4.54)	(1.30)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(USD million)	Note	2019	2018
Net loss for the year		(399.9)	(114.5)
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Foreign currency translation		2.2	(5.1)
Net gain on cash flow hedges	19	0.0	48.3
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		2.2	43.2
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods			
Pension remeasurement		(0.1)	(0.8)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		(0.1)	(0.8)
Total comprehensive loss for the year, net of tax		(397.8)	(72.1)
Attributable to equity holders of the parent		(397.8)	(72.1)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(USD million)	Share Note	Con- vertible bonds	War- rants	Other equity	Cash flow hedges	Foreign currency trans- lation	Total equity
Equity at 31 December 2017	8.9	24.0	0.0	477.9	(48.3)	35.1	497.6
Adoption of IFRS 15	0.0	0.0	0.0	(31.8)	0.0	0.0	(31.8)
Equity at 1 January 2018	8.9	24.0	0.0	446.1	(48.3)	35.1	465.8
Net loss	0.0	0.0	0.0	(114.5)	0.0	0.0	(114.5)
Other comprehensive income	0.0	0.0	0.0	(0.8)	48.3	(5.1)	42.4
Total comprehensive income	0.0	0.0	0.0	(115.3)	48.3	(5.1)	(72.1)
Conversion of convertible bonds	14	0.1	(3.2)	0.0	3.2	0.0	0.1
Issue of warrants	14	0.0	0.0	6.4	0.0	0.0	6.4
Equity at 31 December 2018	9.0	20.8	6.4	334.0	0.0	30.0	400.2
Net loss	0.0	0.0	0.0	(399.9)	0.0	0.0	(399.9)
Other comprehensive income	0.0	0.0	0.0	(0.1)	0.0	2.2	2.1
Total comprehensive income	0.0	0.0	0.0	(400.0)	0.0	2.2	(397.8)
Conversion of convertible bonds	14	0.0	(0.2)	0.0	0.2	0.0	0.0
Cancellation of warrants	14	0.0	0.0	(6.4)	6.4	0.0	0.0
Equity at 31 December 2019	9.0	20.6	0.0	(59.4)	0.0	32.2	2.4

The legal form of the share capital and the share premium accounts are reflected in the statement of changes in equity of the accompanying parent financial statements. Other equity includes share premium reserve, capital reduction reserve and retained earnings.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(USD million)	Note	31/12/2019	31/12/2018
ASSETS			
Vessels	8	1 204.6	1 422.6
New builds	8, 23	60.7	125.8
Other tangible assets	8	1.9	2.5
Investments in associated companies	13	0.0	5.2
Derivatives	18, 19	0.0	2.4
Total non-current assets		1 267.2	1 558.5
Cash and deposits	18, 20	198.1	140.3
Debtors	18, 19	8.0	25.2
Other current assets	18, 21	6.9	12.8
Total current assets		213.0	178.3
Total assets		1 480.2	1 736.8
EQUITY AND LIABILITIES			
Share capital	14	9.0	9.0
Convertible bonds	14	20.6	20.8
Warrants	14	0.0	6.4
Other equity		(27.2)	364.0
Total equity		2.4	400.2
Interest-bearing non-current liabilities	15, 18, 19	76.7	1 198.5
Deferred tax	11	0.0	0.0
Derivatives	18, 19	27.6	16.1
Other non-current liabilities	18	2.3	2.4
Total non-current liabilities		106.6	1 217.0
Interest-bearing current debt	15, 18, 19	1 321.2	44.5
Accounts payable	18	3.1	2.2
Taxes payable	11	13.3	14.7
Other current liabilities	16, 18	33.6	58.2
Total current liabilities		1 371.2	119.6
Total equity and liabilities		1 480.2	1 736.8

On 14 April 2020, the Board of Directors of Prosafe SE approved and authorised these financial statements for issue.


Glen Ole Rødland

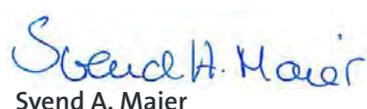
Non-executive Chairman


Birgit Aagaard-Svendsen

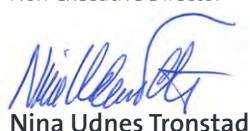
Non-executive Director


Kristian Johansen

Non-executive Director


Svend A. Maier

Non-executive Director


Nina Udnes Tronstad

Non-executive Director


Jesper K. Andresen

Chief Executive Officer

CONSOLIDATED CASH FLOW STATEMENT

(USD million)	Note	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxes		(395.1)	(108.6)
Gain on sale of non-current assets		(0.2)	(2.1)
Depreciation and impairment	8	439.7	113.6
Interest income		(2.1)	(2.9)
Interest expenses		34.6	173.3
Share of loss of equity accounted investee		0.8	1.7
Taxes paid		(6.2)	(13.4)
Change in working capital		(0.5)	16.6
Other items from operating activities		15.6	(31.1)
Net cash provided by operating activities		86.6	147.1
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of tangible assets		0.2	2.6
Acquisition of tangible assets	8, 23	(77.5)	(8.7)
Interest received		2.1	2.9
Net cash used in investing activities		(75.2)	(3.2)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from new interest-bearing debt		155.0	0.0
Repayments of interest-bearing debt		(37.9)	(155.2)
Refinancing cost		0.0	(4.2)
Interest paid		(70.7)	(76.1)
Net cash used in financing activities		46.4	(235.5)
Net cash flow		57.8	(91.6)
Cash and deposits at 1 January		140.3	231.9
Cash and deposits at 31 December	20	198.1	140.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: CORPORATE INFORMATION AND PRINCIPAL ACTIVITY

Prosafe SE (the 'Company') is a public limited company domiciled in Norway. The registered office of the Company is Forusparken 2, 4031 Stavanger, Norway. The Company is a leading owner and operator of semi-submersible offshore accommodation vessels. The Company is listed on the Oslo Stock Exchange with ticker code 'PRS'.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (together referred to as the 'Group').

The consolidated financial statements for the year ended 31 December 2019 were approved and authorised for issue in accordance with a resolution of the Board of Directors on 14 April 2020.

NOTE 2: STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') endorsed by the European Union. The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments which are measured at fair value through profit or loss.

The consolidated financial statements are presented in US dollars (USD), and all amounts have been rounded to the nearest millions, unless otherwise indicated. In adding up rounded figures and calculating percentage rate of changes, slight differences may result compared with totals arrived at by adding up component figures which have not been rounded.

The accounting policies adopted are consistent with those in the previous financial years except IFRS 16 Leases. IFRS 16 Leases has been applied from 1 January 2019. The changes to significant accounting policies are described in detail below.

CRITICAL JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

The estimates and assumptions are assessed on a continuous basis. The estimates and assumptions which have the most significant effect on the amounts recognised in the financial statements are as follows:

GOING CONCERN. The Board of Director confirms that the accounts have been prepared under the assumption that the Group is a going concern. The going concern assumption is considered to be appropriate as it is based on the Board's view that obtaining a long term and sustainable financial solution should be achievable by taking into consideration the facts and circumstances described below.

Due to a prolonged downturn and weaker outlook in the North Sea in particular, an impairment of USD 341 million has been made to book value of vessels in 2019, which resulted in the Group's book equity being marginalised at year end and it was anticipated to turn negative early 2020 which will result in a breach of the facilities agreements.

Since December 2019, the Board of Directors have initiated a dialogue with the lenders with a view to ensure sufficient financial flexibility for the longer term. However, developments in macro factors like Covid-19 and the oil price crash since early March 2020 have in a tangible manner reminded us of our commercial risk exposure. These factors have added both urgency and complexity to this process and the Group will be concluding on a revised business plan by late April 2020 as a basis upon which to plan ahead and seek a long term financial solution with its lenders and other financial stakeholders. It cannot be ruled out that the revised business plan may have significant impact on the estimated future cash flows of the Group and thus also the carrying value of its assets. As at the date of this report, the Group is already in a negative book equity situation and further and substantial impairments would reinforce that situation and further underscore the need for reaching a solution with its lenders and financial stakeholders.

On 1 April 2020, the Group agreed a forbearance with a majority of its lenders across its two loan facilities, respectively the USD 1,300 million facility and the USD 288 million facility, whereby such lenders agreed not to accelerate, enforce or demand payment following non-payment and default under the two loan facilities. Both facilities require direction from lenders holding more than 2/3 of the total commitment for the agent to initiate acceleration and enforcement steps. Consequently, forbearance consent from 1/3 or above, will restrict such acceleration and enforcement steps. The forbearance was initially granted for a period until 15 April 2020, but could be extended by the lenders through a simplified process. Subsequently in mid-April 2020, Prosafe agreed a further extension to the forbearance from the non-payments and defaults with a majority of its lenders across its two loan facilities until 31 May 2020. As part of this, the Group will continue to defer making payments of scheduled instalments and interests under both facilities. Similarly, payment of the final instalment owed and due under the seller credit to Cosco for the Safe Notos remains as reported previously subject to ongoing discussions with Cosco and the lenders.

The forbearance shows support for the Group to continue to operate, while lenders reserve their rights, and secures stability for the Group while it continues to work with the lenders to agree on a long term financial solution. Pending this, the Group continues to operate on a business as usual basis to protect and create value through challenging market conditions.

While operating under a forbearance agreement with its lenders, the Group has a strong liquidity position and is anticipated to be able to stay above the minimum cash covenant level of USD 65 million based on currently known information and commitments and all else equal till around end 2020. The Group is similarly anticipated to stay cash positive based on the same assumptions till around mid-2021.

The Group's discussions with its lenders remain constructive and the efforts to create and agree a long-term financial solution continue. Although there can be no assurance with respect to the outcome of this process, the going concern assumption is considered to be appropriate as it is based on the Board's view that obtaining a long-term financial solution should be achievable.

The content of a final solution is, however, difficult to predict at this stage, hereunder any accounting effects from a long-term financial solution.

Please see Note 19 and Note 25 for further information.

DEPRECIATION. Estimated useful life of the Group's accommodation/service vessels is 30 to 50 years dependent on the age at the time of acquisition and subsequent refurbishments and as the economic life varies for the various components on a vessel. Individual components may, however, be depreciated over shorter periods of time. Please refer to note 8.

IMPAIRMENT / REVERSAL OF IMPAIRMENT OF NON-FINANCIAL ASSETS. Management monitors the performance indicators on an ongoing basis. At each reporting date, management reviews and determines whether there is any indication of impairment or impairment reversal of the fixed assets. If any such indication exists, or at least on an annual basis, the asset's recoverable amount is estimated. Changes in the circumstances or expectations of future performance of an individual asset may be an indicator that the asset is impaired, requiring the carrying amount to be written down to its recoverable amount. Impairments are reversed if conditions for impairment are no longer present. Evaluating whether impairment indicators are present, if an asset is impaired or if an impairment should be reversed requires a high degree of judgement and estimates of recoverable amounts may to a large extent depend upon the selection of key assumptions about the future.

Where recoverable amounts are based on estimated future cash flows, reflecting the Group's or market participants' assumptions about the future and discounted to their present value, the estimates involve complexity. Impairment testing requires long-term assumptions to be made concerning a number of economic factors such as future vessel day rates, operating costs, utilisation rate and discount rates in order to establish relevant future cash flows and their discounted amounts. Long-term assumptions for major economic factors are made at a group level. There is a high degree of reasoned judgement involved in establishing these assumptions, in determining other relevant factors such as vessel day rates and long-term growth rates, and in determining the residual value for computation of the ultimate terminal value of an asset.

IMPAIRMENT OF SHARES IN SUBSIDIARIES. Impairment of shares in subsidiaries is a significant estimate required for the preparation of the parent company accounts.

MODIFICATION OF LIABILITIES MEASURED AT AMORTISED COST. Under a non-substantial loan modification that does not require derecognition of the financial liability, the amortised cost of the financial liability is recalculated as the present value of the estimated future contractual cash flows. If there is a change in the timing or amount of estimated cash flows, the amortised cost of the financial liability is adjusted in the period of change to reflect the revised actual and estimated cash flows, with a corresponding income or expense being recognised in profit or loss. Based on a qualitative and quantitative assessment of the changes in contractual cash flows in both years, the change is accounted for as a non-substantial loan modification and not an extinguishment.

In 2018, the modification of the amortised cost carried in the loan amount was mainly the effect from the refinancing agreement with a deferral of the USD 1,300 million facility repayment and the increased margin under the new financing terms, and will be amortised over the remaining loan periods. The recalculated amortised cost of the liability resulted in a loss that has been recognised in the profit and loss statement.

In 2019, some of the warrants issued previously to lenders contingent upon delivery of the Nova and Vega vessel have been cancelled and replaced with the conditional increase of the applicable margin of the loan. The terms of the loans have consequently been modified. The recalculated amortised cost of the liability resulted in a gain recognised in the profit and loss statement. See note 15 for details on the assumptions and cash flow estimate.

CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

As mentioned, the accounting policies adopted are consistent with those of the previous financial year except IFRS 16 Leases. Other standard amendments and interpretations are also effective from 1 January 2019, but they do not have a material effect on the Group's financial statements. Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

IFRS 16 Leases

The new accounting standard IFRS 16-Leases was effective from 1 January 2019. IFRS 16 sets out the principles for recognition, measurement, presentation and disclosure of leases and replaces the previous IAS 17-Leases and other guidance on lease accounting within IFRS. The new standard represents a significant change in lessees' accounting for leases but keeps the accounting model for lessors mainly unchanged.

IFRS 16 defines a lease as a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For each contract that meets this definition, IFRS 16 requires lessees to recognize a right-of-use asset and a lease liability in the balance sheet with certain exemptions for short-term and low value leases. Lease payments are to be reflected as interest expense and a reduction of lease liabilities, while the right-of-use assets are to be depreciated over the shorter of the lease term and the assets useful life. The portion of lease payments representing payments of lease liabilities and interest expense shall be classified in line with the policy elected for other interest payments in the statement of cash flows.

The Group adapted the standard from its mandatory adaption date of 1 January 2019. The following policies and practical approach are applied for adapting the standard and the adoption has no material effect to the Group's consolidated financial statements.

- For contracts already assessed under IAS 17, there are no reassessments of whether a contract is or contains a lease.
- The modified retrospective method is applied. However, there is no adjustment made for the opening balance of equity as at 1 January 2019 as it is immaterial.
- Prior year comparatives are not restated.
- Lease liabilities are measured at the present value of remaining lease payments, discounted using the incremental borrowing rate as at 1 January 2019.
- Right-use of assets are measured at an amount equal to the lease liability.
- Leases for which the lease term ends during 2019 are expensed as short term leases.
- Major lease liabilities for the Group comprise of leases of chartered-in vessels, office buildings, warehouses, transportation, logistics assets and other IT infrastructure and office equipment. The Group separately expenses variable expense services and other non-lease components embedded in lease contracts for office buildings and warehouses.
- For leases of other assets, the Group capitalised non-lease components subject to fixed payments as part of the lease. Besides certain office buildings leases that will expire after 2019, all other leases in the Group are expiring in 2019 with no extension options embedded in the lease.
- The Group applied the short-term exemption, which means that all leases with a lease term that ends in 2019 are expensed as before and not capitalised upon transition. Subsequently, the Group also applied the general short-term exemption in IFRS 16 for leases of chartered-in vessels, office buildings, warehouses, transportation, logistics assets and other IT infrastructure and office equipment.
- The Group applied the general low value exemption in IFRS 16 for leases of office and other equipment. This means that no low value leases of such assets will be capitalised and that lease payments are expensed in profit or loss.

The effect on the adoption of the IFRS 16 on the consolidated financial statements is considered not to be material to the Group's financial statement.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. The Group's

assessment is that such new standards and interpretations are not expected to have a material impact on the Group in the current or future reporting periods or on foreseeable future transactions upon adoption.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

BASIS OF CONSOLIDATION. The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Associates are those entities in which the Group has significant influence, but not control or joint control over the financial and operating policies. Interests in associates are accounted for using the equity method and are initially recognised at cost. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence ceases.

All intra-group balances, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions are eliminated in full. The Group's interest in equity-accounted investees comprises interests in an associate. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

BUSINESS COMBINATIONS AND GOODWILL. Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value. Acquisition related costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit and loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

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

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

REVENUE RECOGNITION

Type of Product/ Service	Nature and timing of satisfaction of performance, including significant payment terms	Revenue recognition
Charter Income/ Mobilisation Income/ Demobilisation Income/ Lump Sum Fee	The Group charters the accommodation vessels to customers for an agreed period. The Group does not convey the right to control the use of the asset to the customers and none of the contracts are accounted for as a lease. The invoices are issued on a monthly basis or based on the contractual terms and are normally payable within 30 days.	The activities giving rise to mobilisation, demobilisation and re-phasing are not a distinct performance obligation in itself and are highly interdependent on the charter activities. These activities are necessary for the Group to perform its service in providing the accommodation vessels to the customer. These incomes, together with charter income and bareboat income, are considered as a single performance obligation and the revenue are collectively recognised over the charter period. The deferred revenue is included in the contract liabilities.
Management, crew services, catering and other related income	The Group provides optional services upon request from the customer. The invoices are issued on a monthly basis or based on the contractual terms and are payable normally within 30 days.	These incomes are recognised over time when performance obligations are met. The related costs are recognised in profit or loss when they are incurred.

The Group has reviewed its contracts with customers and concluded that these contracts do not contain a lease. If another conclusion determined that these contracts contain a lease, there will not be any significant difference in the accounting of revenue.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. Interest income is included in financial items in the income statement.

Dividend income

Dividend income is recognised when the right to receive payment is established.

PROVISIONS are recognised when, and only when, the Group has a present obligation as a result of events that have taken place, and it can be proven probable that a financial settlement will take place as a result of this liability, and that the size of the amount can be measured reliably. Provisions are reviewed on each balance sheet date and their level reflects the best estimate of the liability. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

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

Expenditures for new builds are capitalised, including instalments paid to the yard, project management costs, and costs relating to the initial preparation, mobilisation and commissioning until the vessel is placed into service. In accordance with IAS 23, borrowing costs are capitalised on qualifying assets.

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

- Semi-submersible vessels – 30 to 50 years dependent on the age at the time of the acquisition and subsequent refurbishments
- Buildings – 20 to 30 years
- Equipment – 3 to 5 years

IMPAIRMENT OF NON-FINANCIAL ASSETS. The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Every vessel is seen as an individual cash generating unit (CGU). Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples.

The Group bases its impairment calculation on a detailed forecast calculation which is prepared for the Group's cash generating units. The forecast calculation is generally covering a period of five years. For longer periods, a long-term terminal growth rate is calculated and applied to project future cash flows after the fifth year.

For non-financial assets except goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a significant change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

FINANCIAL ASSETS

Initial recognition

Trade receivables are initially recognised when they are originated. All other financial assets are initially recognised when the Group become a party to the contractual provision of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and measurement

On initial recognition, a financial asset is classified as measured on following basis: 1) financial assets at amortised cost; and 2) financial assets at fair value through profit or loss "FVTPL".

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the changes in the business model.

1) Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2) Financial assets at FVTPL

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or a FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Derivative financial instruments

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

The derivative financial instruments are mainly used in economic hedges where the changes in fair value are taken directly through profit or loss. The fair value of forward currency contracts is the discounted difference between the forward exchange rate and the contract price. The fair value of interest rate caps and swap contracts are calculated using inputs that are from observable market prices.

Gains or losses arising from changes in fair value of derivative financial instruments that do not qualify for hedge accounting are taken to the profit and loss account. For cash flow hedges, the effective portion of the gains or losses on the hedging instrument is recognised directly in other comprehensive income and accumulated in the hedging reserve, while the ineffective portion is recognised in the profit and loss account. Amounts taken to other comprehensive income are reclassified to the profit and loss account when the hedged transaction affects the profit and loss account. For fair value hedges, changes in the fair value of the designated hedging instruments are recognised in the profit and loss account. The hedged item is adjusted to reflect change in its fair value in respect of the risk hedged, with any gain or loss recognised in the profit and loss account.

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategies for undertaking various transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair value or cash flows of the hedged items. Hedge accounting is not applied in the Group's financial statement.

Current versus non-current classification

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

When the Group held a derivative as an economic hedge for a period beyond 12 months after the balance sheet date or a derivative instrument was designated as an effective hedging instrument, the fair value of the derivative instrument was classified as current or non-current consistent with the classification of the underlying item. Economic hedges were not treated as hedging for accounting purposes.

Subsequent measurement and gains and losses

1) Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

2) Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction which substantially all of the risks and rewards of ownership of the financial asset are transferred or in

which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Impairment of financial assets

The Group recognises loss allowances for expected credit losses on:

- Financial assets measured at amortised cost

The Group measures loss allowances at an amount equal to lifetime expected credit losses, except for the following, which are measured at 12 month expected credit loss:

- Bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and assets are always measured at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available without undue cost of effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The financial asset is more than 90 days past due.

Measurement of expected credit losses:

- For trade receivables, the Group applies the simplified method of credit reserves, i.e. the reserve will correspond to the expected loss over the whole life of the trade receivable. In order to measure the credit losses, trade receivable are grouped based on credit risk characteristics of its customer. The Group applies forward-looking variables for expected credit losses.
- Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).
- Expected credit losses are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired, which is when one or more events that have a detrimental impact on the estimated future cash flow of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as default or being more than 90 days past due;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

Loss allowances of expected credit losses for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets as in the statement of financial position.

Write-off of financial assets

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amount due.

FINANCIAL LIABILITIES

Initial recognition

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss and financial liabilities measured at amortised cost. The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognised initially at fair value and, in case of loans and borrowings, net of directly attributable costs. The Group's financial liabilities include non-derivative financial instruments (trade and other payables, loans and borrowings, financial guarantee contracts) and derivative financial instruments.

Subsequent measurement and gains and losses

Financial liabilities at fair value through profit and loss are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

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

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

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

BORROWING COSTS. Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. Other borrowing costs are capitalised as calculated using the effective interest method.

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

Income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid to the tax authorities. Deferred tax liabilities are measured at the tax rates that are expected to apply in the year when the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is provided using the liability method. Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

CASH AND DEPOSITS comprise cash at banks and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

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

SHAREHOLDER'S EQUITY. Any difference between the issue price of share capital and the nominal value is recognised as share premium. The costs incurred attributable to the issue of share capital are deducted from equity. Zero coupon convertible bonds and warrants that will be settled by the Company by delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash are equity instruments and recognised in equity. The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

NOTE 4: SEGMENT REPORTING

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

Operating revenues by geographical location	2019	2018
Europe	153.2	272.4
South America	69.4	56.3
Others	2.8	2.1
Total operating revenues	225.4	330.8

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

The Group's firm order book, consisting of performance obligations that are unsatisfied or partially unsatisfied as of the end of the reporting period is USD 146.1 million. Approximately USD 95.5 million, USD 26.6 million and USD 24.0 million are related to services that will be provided in 2020, 2021 and 2022 respectively.

Contract balances	2019	2018
Trade receivables from charters	8.0	25.2
Contract assets	0.0	0.0
Contract liabilities	2.6	9.4

Contract liabilities consist mainly of advance invoiced charter revenue for one of the Group's vessels. USD 6.8 million (2018: USD 23.1 million) was recognised as revenue in the current year that was included in the contract liabilities balance in the beginning of the year.

Operating revenues by major customers:	2019		2018	
	1)	2)	1)	2)
Europe 1	84.7	37.6%	156.3	47.2%
Europe 2	45.0	20.0%	38.9	11.8%
Europe 3	0.0	0.0%	76.5	23.1%
South America 1	54.0	24.0%	50.5	15.3%

1) Operating revenues in USD million

2) Percentage of total revenues

Total assets by geographical location	2019	2018
Europe	847.5	1 233.6
South America	561.7	350.1
Asia	71.1	153.1
Total assets	1 480.2	1 736.8

NOTE 5: OTHER OPERATING REVENUES

	2019	2018
Gain on sale of non-current assets	0.2	2.1
Management, crew services, catering and other related income	33.2	35.5
Total other operating revenues	33.4	37.6

NOTE 6: EMPLOYEE BENEFITS, MANAGEMENT REMUNERATION AND AUDIT FEE

	2019	2018
Wages and salaries	36.0	47.4
Contract personnel	19.8	15.1
Other personnel-related expenses	6.0	5.8
Social security taxes	4.0	4.7
Pension expenses	2.3	2.7
Other remuneration	0.7	1.0
Total employee benefits	68.8	76.7

Number of employees

The average number of employees in the Group for 2019 was 313 (2018: 401). The average number of employees by legal entity was as follows.

	2019	2018
Prosafe Offshore Employment Company Pte. Limited	188	279
Prosafe Offshore Limited	57	60
Prosafe Services Maritimos Ltda	40	35
Prosafe AS	10	9
Prosafe Offshore Holdings Pte. Ltd.	12	0
Prosafe Rigs Pte. Ltd.	0	12
Prosafe SE	1	4
Prosafe Management AS	2	0
Prosafe Offshore Accommodation Ltd	3	2
Total average number of employees	313	401

Bonus scheme

The CEO, DCEO/CFO and COO hold incentive agreements which may lead to a bonus payment. The bonus depends on achieving defined targets relating to stretch target for earnings, cost efficiency targets, long-term strategic targets, operational performance and HSE performance. A portion of the net proceeds from bonus payments shall be used to buy shares in the Company.

Severance pay

For the CEO and the CFO, the Company guarantees a remuneration corresponding to the base salary received at the time of departure for a period of 5 months beyond a 4 month notice period and with a set off for the 5 months against any other income received. For the COO, the Company guarantees a remuneration corresponding to the base salary received at the time of departure for a period of 12 months beyond a 6 month notice period.

In accordance with the code of practice for corporate governance recommended by the Oslo Stock Exchange, remuneration for Executive Management and the board of directors is specified below and in a separate report from the compensation committee.

Senior officers (USD 1 000)	Year	Salary	Bonus	Pension	Other benefits	Total
Jesper Kragh Andresen -CEO	2019	419	14	33	21	487
Stig Harry Christiansen - DCEO/ CFO	2019	399	43	32	21	495
Jens Einar Opstad Berge - COO (Resigned in April 2019)	2019	116	0	22	17	155
Ryan Duncan Stewart - CCO	2019	253	170	28	100	551
Jesper Kragh Andresen -CEO	2018	404	434	46	21	905
Stig Harry Christiansen - DCEO/ CFO	2018	404	304	46	21	775
Jens Einar Opstad Berge - COO	2018	468	272	47	71	858
Ryan Duncan Stewart - COO	2018	255	188	26	93	562

Board of directors

(USD 1 000)	Year	Board fees ¹⁾
Glen Ole Rødland (chairman)	2019	128
Roger Cornish (until May 2019)	2019	33
Nina Udnes Tronstad (from May 2019)	2019	57
Birgit Aagaard-Svendsen	2019	101
Svend Anton Maier	2019	86
Kristian Johansen	2019	86
Total fees		491
Glen Ole Rødland (chairman)	2018	144
Roger Cornish	2018	109
Birgit Aagaard-Svendsen	2018	107
Svend Anton Maier	2018	96
Kristian Johansen	2018	96
Nancy Ch. Erotocritou (until April 2018)	2018	26
Total fees		578

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

Auditors' fees

(USD 1 000)	2019	2018
Audit	349	321
Fees for non-audit services	26	17
Total auditors' fees	375	338

Auditors' fees are included in general and administrative expenses (note 7). Other services include USD 26,000 (2018: USD 17,000) in respect of tax compliance and pre-liquidation stage services offered to the group companies by the statutory auditor.

NOTE 7: OTHER OPERATING EXPENSES

	2019	2018
Repair and maintenance	14.4	14.9
Other vessel operating expenses	35.1	64.1
General and administrative expenses	10.0	8.5
Total other operating expenses	59.5	87.5

NOTE 8: TANGIBLE ASSETS

	Vessels	New builds	Equip- ment	Buildings	Total
Cost as at 31 December 2017	2 991.4	125.1	5.1	7.9	3 129.6
Additions	7.1	0.7	0.3	0.6	8.8
Disposals	(70.8)	0.0	(1.6)	(0.7)	(73.1)
Cost as at 31 December 2018	2 927.8	125.8	3.8	7.9	3 065.3
Transfer	202.1	(202.1)	0.0	0.0	0.0
Additions	14.1	137.0	0.4	0.1	151.6
Disposals	(1.2)	0.0	(0.2)	(0.7)	(2.1)
Cost as at 31 December 2019	3 142.8	60.7	4.0	7.3	3 214.8
Accumulated depreciation and impairment 31 December 2017	1 464.2	0.0	3.4	5.9	1 473.5
Depreciation for the year	111.9	0.0	0.5	0.6	113.0
Disposals	(70.7)	0.0	(1.4)	(0.6)	(72.7)
Impairment	(0.2)	0.0	0.0	0.8	0.6
Accumulated depreciation and impairment 31 December 2018	1 505.2	0.0	2.4	6.8	1 514.4
Depreciation for the year	92.8	0.0	0.3	0.4	93.5
Disposals	(1.2)	0.0	(0.2)	(0.7)	(2.1)
Impairment	341.4	0.0	0.0	0.4	341.8
Accumulated depreciation and impairment 31 December 2019	1 938.2	0.0	2.5	6.9	1 947.6
Net carrying amount 31 December 2019	1 204.6	60.7	1.5	0.4	1 267.2
Net carrying amount 31 December 2018	1 422.6	125.8	1.4	1.1	1 550.9
Depreciation rate (%)	2-20		20-33	3-5	
Economically useful life (years)	5-50		3-5	20-30	

New builds include prepayment to the yard, owner-furnished equipment and other project costs incurred. In November 2019, Safe Eurus started its maiden gangway connection in Brazil after completing its transit from the yard in China. The carrying vessel value of USD 202.1 million was reclassified from new builds to vessel category. See note 23 for details on capital commitments relating to new builds.

Estimated useful life for the semi-submersible accommodation vessels is 5-50 years dependent on the age at the time of the acquisition and subsequent refurbishments. Certain equipment on a vessel is depreciated over a shorter period than the life of the vessel itself. The estimated scrap value per vessel is between USD 3 million and USD 6 million. This estimate is based on steel prices and costs associated with scrapping and is reviewed on an annual basis.

An impairment charge of USD 0.4 million (2018: USD 0.8 million) is charged to a property held in Aberdeen office based on the latest market valuation.

As the general recovery across the exploration & production value chain continues to be delayed, the demand for the Group's vessels remains weak. Management has performed an impairment assessment of all its vessels in accordance with IFRS. Each individual vessel is considered to be a cash generating unit. As a result, the following impairment charges were made during the year:

	Impairment	Recoverable amount
Safe Caledonia	24.2	69.1
Safe Bristolia	29.0	0.0
Safe Scandinavia	164.7	68.1
Regalia	52.2	10.5
Safe Concordia	15.4	68.9
Safe Boreas	16.8	305.5
Safe Zephyrus	39.1	280.6
Total	341.4	802.7

The recoverable amounts have been identified by calculating the valuation-in-use ("VIU"). Impairments had been made in the accounts for vessels with VIU lower than their net book value. The Group also considered the use of broker estimates as a basis for fair value calculation, but this was not applied due to the lack of transactions and liquidity in the market for the Group's vessels.

The VIU calculations are based on an updated long-term forecast for 2020-2024 and up till the end of each vessel's useful life. The main assumptions used in the computations are charter rates, utilisation, operating expenses and overheads and capital expenditures.

The present value of the estimated cash flows from the cash-generating units is based on the following inputs:

Utilisation

- Average utilisation assumed to increase from 30% in 2020 to 80% in 2024 and thereafter.

Revenues

- From 2020-2023, the assumption is based on current contracts portfolio and contract renewals reflecting current global market conditions and remaining life of assets.

- From 2024, assumptions are applied based on the market returning to a normalised average earnings level where return on capital equals calculated cost of capital. A normalised market situation depends on both the demand and the industry capacity with regards to available vessels.

Expenses

- Operating expenses and overheads were reduced between 10% to 20% as compared to prior year so as to reflect the current market conditions and activity plan.

Capital expenditures

- Capex is based on "SPS Plans" (5 year special periodic survey) and activity plan. Capex spend will be deferred whenever possible, including SPS Plans, if a vessel is laid up and with no backlog.

Discount rate of 9% (2018: 8%)

- Discount rate is derived from weighted average cost of capital after tax of the Group.

Long-term growth rate from 2024 of 1.7% (2018: 2.5%)

Sensitivity

- A 1% increase in the discount rate would have led to an increase of impairment of USD 81 million.
- A 5% decrease in the utilisation rate would have led to an increase of impairment of USD 81 million.
- A 5% decrease in the day rate would have led to an increase of impairment of USD 81 million.
- A 5% increase in the operating expenses would have led to an increase of impairment of USD 32 million.

NOTE 9: OTHER FINANCIAL ITEMS

	2019	2018
Fair value adjustment interest rate swaps	0.0	11.3
Fair value adjustment interest rate caps	0.0	2.1
Total other financial income	0.0	13.4
Fair value adjustment interest rate swaps	(12.6)	0.0
Fair value adjustment interest rate caps	(1.3)	0.0
Currency loss	(2.6)	(0.3)
Other financial expenses	(2.7)	(2.7)
Total other financial expenses	(19.2)	(2.9)

NOTE 10: FINANCIAL ITEMS

Year ended 31 December 2019	Financial assets measured at amortised cost	Fair value through profit and loss	Financial liabilities measured at amortised cost	Total
Interest income	2.1	0.0	0.0	2.1
Total financial income	2.1	0.0	0.0	2.1
Amortisation of borrowing costs	0.0	0.0	(6.4)	(6.4)
Modification of amortised cost ¹⁾	0.0	0.0	28.8	28.8
Amortisation of the modification of amortised costs	0.0	0.0	13.3	13.3
Interest expenses	0.0	0.0	(70.3)	(70.3)
Subtotal	0.0	0.0	(34.6)	(34.6)
Fair value adjustment interest rate swaps	0.0	(12.6)	0.0	(12.6)
Fair value adjustment interest rate caps	0.0	(1.3)	0.0	(1.3)
Other financial expenses	0.0	0.0	(5.3)	(5.3)
Total financial expenses	0.0	(13.9)	(39.9)	(53.8)
Net financial items	2.1	(13.9)	(39.9)	(51.7)

¹⁾ Refer to note 15 relating to modification of amortised costs in 2019.

Year ended 31 December 2018	Financial assets measured at amortised cost	Fair value through profit and loss	Financial liabilities measured at amortised cost	Total
Interest income	2.9	0.0	0.0	2.9
Fair value adjustment interest rate swaps	0.0	11.3	0.0	11.3
Fair value adjustment interest rate caps	0.0	2.1	0.0	2.1
Total financial income	2.9	13.4	0.0	16.3
Amortisation of borrowing costs	0.0	0.0	(4.2)	(4.2)
Modification of amortised cost ¹⁾	0.0	0.0	(56.8)	(56.8)
Amortisation relating to abandonment of hedge accounting ²⁾	0.0	0.0	(48.3)	(48.3)
Interest expenses	0.0	0.0	(64.0)	(64.0)
Subtotal	0.0	0.0	(173.3)	(173.3)
Other financial expenses	0.0	0.0	(2.9)	(2.9)
Total financial expenses	0.0	0.0	(176.2)	(176.2)
Net financial items	2.9	13.4	(176.2)	(159.9)

¹⁾ Refer to note 15 relating to the modification of amortised cost of interest-bearing debt.

²⁾ Refer to note 19 for amortisation relating to abandonment of hedge accounting.

NOTE 11: TAXES

Income tax expenses	2019	2018
Taxes in income statement:		
Taxes payable	4.8	9.7
Change in deferred tax	0.0	(3.8)
Total taxes in income statement	4.8	5.9
Reconciliation of effective tax rate (IAS 12.81)		
Tax rate in Norway (parent company tax jurisdiction)	22.0%	23.0%
Loss before taxes	(395.1)	(108.6)
Tax based on applicable tax rate	(86.9)	(25.0)
Tax effect of non-deductible expenses	0.8	11.1
Tax effect due to changes in unrecognized deferred tax assets	86.1	10.1
Effect of tax in other jurisdictions	4.8	9.7
Total taxes in income statement	4.8	5.9

Deferred tax - Specification and movements	2019	2018
Temporary differences:		
Exit from Norwegian tonnage tax system	13.9	17.4
Long-term liabilities	(6.5)	(100.8)
Vessel tax base exceeds net book value	(558.0)	(211.6)
Tax loss carried forward	(419.5)	0.0
Gain / (loss) account for deferral	(31.0)	0.0
Basis for deferred tax	(1 001.1)	(295.0)
Recognised deferred tax asset	0.0	0.0
Deferred tax liability 1 January	0.0	4.1
Change in deferred tax in income statement	0.0	(3.8)
Translation difference	0.0	(0.3)
Deferred tax liability 31 December	0.0	0.0
Tax payable as at 31 December	13.3	14.7

Following an assessment of legal structure to ensure an optimal organisation of the Group, the Group decided to relocate the tax residency of 5 legal entities from respectively Cyprus and Singapore (3 legal entities which were tax residents in Cyprus, including parent company Prosafe SE, and 2 vessel-owning legal entities which were tax residents in Singapore) to Norway in Q2 2018. The corporate tax rate in Norway for 2019 is 22% (2018 is 23%).

Deferred income tax assets and liabilities are offset as all the temporary differences are within the Norway tax resident entities that comprise a tax group. Within the tax group there is a legally enforceable right

to set off current tax assets against current tax liabilities. There is no expiry date on the temporary differences and tax loss carried forward. The value of the deferred tax assets is not recognised in the accounts as the probability of having sufficient future taxable profit to utilise the deferred tax assets as tax deductions cannot be established.

The total tax payable in the income statement as at 31 December resulted from the Group's operations in other parts of the world which were subjected to tax in jurisdictions other than Norway.

The temporary differences relating to tax loss carried forward as of 31 December 2019 include tax losses for 2018 in the amount of USD 269 million not included in the 2018 balance due to uncertainty as of the reporting day for the 2018 financial statements.

NOTE 12: EARNINGS PER SHARE

Earnings per share are calculated by dividing net profit by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share are calculated by dividing net profit by the weighted average number of ordinary shares plus the number of potential shares relating to warrants.

	2019	2018
Net loss	(399.9)	(114.5)
Weighted average number of outstanding shares (1 000) ¹⁾	87 987	87 987
Basic earnings per share	(4.54)	(1.30)
Weighted average number of outstanding and potential shares (1 000) ²⁾	87 987	87 987
Diluted earnings per share	(4.54)	(1.30)

¹⁾ The weighted average number of outstanding shares include the average share capital of 81,824,000 and mandatory convertible bonds of 6,163,000 (2018: average share capital of 81,295,000 and mandatory convertible bonds of 6,692,000).

²⁾ In 2018 and 2019, the warrants were anti-dilutive and not included in the calculation.

NOTE 13: INVESTMENTS IN ASSOCIATED COMPANIES

In December 2016, the Group acquired a 25% shareholding in Dan Swift (Singapore) Pte. Ltd., a company incorporated in Singapore. The registered office of the Company is 1 Harbourfront Avenue, #16-08, Keppel Bay Tower, Singapore 098632. The company owns one accommodation monohull. This investment is measured using the equity method.

In 2019, the Group fully disposed its shares in Dan Swift (Singapore) Pte. Ltd. to a third party for a nominal consideration. Prior to disposal, the Group recognised an impairment of USD 4.4 million on its investment in associate and a loss of USD 0.8 million in the share of loss of investment in associate. The impairment loss is included as part of impairment in the Consolidated Income Statement.

The following table summarises the financial information of Dan Swift (Singapore) Pte. Ltd., adjusted for valuation adjustments at acquisition. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in Dan Swift (Singapore) Pte. Ltd.

	2019	2018
Ownership	0 %	25 %
Non-current assets	0.0	89.9
Current assets	0.0	4.6
Non-current liabilities	0.0	56.4
Current liabilities	0.0	2.0
Net assets (100%)	0.0	36.1
Group's share of net assets (25%)	0.0	9.0
Valuation adjustment non-current assets at acquisition	0.0	(3.8)
Carrying amount of interest in associate	0.0	5.2
Operating revenue (100%)	0.0	10.5
Net loss (100%)	(3.3)	(6.6)
Group's share of net loss in income statement (25%)	(0.8)	(1.7)

NOTE 14: SHARE CAPITAL, SHAREHOLDER INFORMATION CONVERTIBLE BONDS AND WARRANTS

	2019	2018
Issued and paid up number of ordinary shares at 31 December	81 864 212	81 784 212
Shares to be issued under convertible bond agreements	6 122 790	6 202 790
Shares to be potentially issued under warrants agreement with lenders	3 435 982	9 780 000
Unissued shares authorised	0	42 480 175
Total authorised number of shares at 31 December	91 422 984	140 247 177
Nominal value at 31 December	EUR 0.10	EUR 0.10
Number of shareholders at 31 December	4 706	4 929

Largest shareholders as at 31 December 2019	No of shares	Percentage
North Sea Strategic Investments AS	15 479 410	18.9 %
HV VI Invest Sierra Malta Ltd	8 657 609	10.6 %
State Street Bank And Trust Comp	6 972 694	8.5 %
Nordea Bank ABP	6 567 709	8.0 %
State Street Bank And Trust Comp	3 865 811	4.7 %
Nordnet Bank AB	2 019 261	2.5 %
The Northern Trust Comp, London BR	1 395 611	1.7 %
Skandinaviska Enskilda Banken S.A.	1 165 893	1.4 %
Pareto	1 115 763	1.4 %
Helmer AS	1 000 000	1.2 %
UBS Switzerland AG	916 971	1.1 %
Invesco Global Balanced Fund	874 867	1.1 %
MP Pensjon PK	859 913	1.1 %
BR Industrier AS	800 000	1.0 %
Mørck	737 333	0.9 %
Verdipapirfondet DNB High Yield	669 689	0.8 %
Pictet & Cie (Europe) S.A.	666 000	0.8 %
Morgan Stanley & Co. International	626 440	0.8 %
Fidelity Pur.Trust:Fidelity Series	600 000	0.7 %
Nordnet Livsforsikring AS	559 923	0.7 %
Total 20 largest shareholders/groups of shareholders	55 550 897	67.9 %

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

Convertible bonds	2019		2018	
	No. of shares convertible	Value	No. of shares convertible	Value
Opening balance as at 31 December	6 202 790	20.8	7 261 194	24.0
Conversion of convertible bonds	(80 000)	(0.2)	(1 058 404)	(3.2)
Closing balance as at 31 December	6 122 790	20.6	6 202 790	20.8

The convertible bonds allow the bond holders to convert into shares at a conversion price of NOK 25 or NOK 30 per share. There is no contractual obligation to deliver cash or another financial asset as the conversion feature can only be settled through the issuance of a fixed amount of shares. Hence, the convertible bonds have been classified entirely as equity.

Warrants

As part of the USD 1,300 million credit facility refinancing concluded in 2018, the Group has issued the warrants to those lenders having elected to receive such instead of increased margins. In total, 9,779,993 warrants have been issued, each of which gives right to subscribe for one new share in the company at a subscription price of NOK 21.37. Of these, 5,141,021 warrants are conditional inter alia on the Group taking delivery of Safe Nova and/or Safe Vega, and the remaining 4,638,972 warrants

on the Group taking delivery of both Safe Nova and Safe Vega. The warrants will be exercisable any time from and subject inter alia to the Group taking delivery of Safe Nova and/or Safe Vega and the next 3 years from such respective delivery dates, however so that any duration exceeding 5 years from the date of the Extraordinary General Meeting will be subject to approval of such extension by a subsequent general meeting. The warrants are expected to be subject to certain customary adjustment mechanisms, including upon a failure to timely provide extension approval in which case the subscription price will be set to nominal value.

In November 2019, Prosafe has issued letters to lenders to reconsider the election of warrants with the conditional increase in the applicable margin. This modification was at the request of the lenders. Out of the 9,779,993 warrants issued in 2018, 6,344,011 of the warrants have been cancelled and replaced with the conditional increase of the applicable margin of the loan. The balance of warrants remaining is 3,435,982. The difference between the opening balance in equity and the fair value of the liability at the reclassification was recognised directly in equity on derecognition.

The remaining warrants were reclassified to financial liabilities. No profit or loss was recognised on the reclassification. The warrants were measured at fair value, but were severely out of the money and the amount was not material as at 31 December 2019. Refer to note 15 for further details.

NOTE 15: INTEREST-BEARING DEBT

	2019	2018
Credit facilities	1 314.1	1 192.0
Sellers' credits	113.1	19.0
Modification of the amortised cost - credit facilities & sellers credit	(16.8)	50.6
Unamortised borrowing costs	(12.7)	(18.6)
Lease liabilities	0.2	0.0
Total interest-bearing debt	1 397.9	1 243.0
Non-current interest-bearing debt	76.7	1 198.5
Current interest-bearing debt ¹⁾	1 321.2	44.5
Total interest-bearing debt	1 397.9	1 243.0

¹⁾ Please refer to the Loan Classification section at the end of this note for further details.

**Reconciliation of movements of interest-bearing debt
to cash flows arising from financing activities**

	2019	2018
Interest-bearing debt at 1 January	1 243.0	1 347.7
Changes from financing cash flows		
- Proceeds from new interest-bearing debt	155.0	0.0
- Repayments of interest-bearing debt	(37.9)	(155.2)
- Refinancing cost	0.0	(4.2)
- Interest paid	(70.7)	(76.1)
Total changes from financing cash flows	46.4	(235.5)
Other liability-changes		
- Non cash movement in interest bearing debt	(61.9)	54.7
- Interest paid	70.7	76.1
- Non-cash increase in sellers' credits arising from fixed asset acquisition	99.5	0.0
- New finance leases	0.2	0.0
Total liability-related changes	108.5	130.8
Interest-bearing debt at 31 December	1 397.9	1 243.0

USD 1 300 million credit facility

The credit facility of USD 1,300 million consists of two term loan tranches of USD 800 million and USD 200 million and a revolving credit facility of USD 300 million. As of 31 December 2019, there was no availability under the revolving credit facility. Initially the term loan tranches were reduced semi-annually by USD 55 and USD 10 million, respectively. In August 2018 the amortisation profile and covenants relating to this facility were amended.

Since January 2020, the Group received temporary waivers from Event of Default and payment deferrals from lenders, which expired on 31 March 2020. On 1 April 2020, the Group agreed a forbearance with a majority of its lenders across its two loan facilities, respectively the USD 1,300 million facility and the USD 288 million facility, whereby such lenders agreed not to accelerate, enforce or demand payment following non-payment and default under the two loan facilities. The forbearance was initially granted for a period until 15 April 2020, but could be extended by the lenders through a simplified process. Subsequently in mid-April 2020, Prosafe agreed a further extension to the forbearance from the non-payments and defaults with a majority of its lenders across its two loan facilities until 31 May 2020. The forbearance shows support for the Group to continue to operate, while lenders reserve their rights, and secures stability for the Group while it continues to work with the lenders to agree on a long-term financial solution.

Modification of amortised cost - USD 1,300 million credit facility

When a debt instrument is restructured and the terms have been modified, it is necessary to assess whether the new terms are considered to have been substantially modified, and thereby conclude on the accounting treatment relating to the loan recognition (IFRS 9).

2019

As mentioned under the Warrants section above, a portion of earlier issued warrants have been cancelled and replaced with the conditional increase of the applicable margin of the loan. The terms

of the loans have been modified Prosafe has assessed that the debt modification is a non-substantial loan modification that does not require de-recognition based qualitative and quantitative assessments under IFRS 9. Under a non-substantial loan modification that does not require de-recognition of the financial liability, the amortised cost of the financial liability is recalculated as the present value of the estimated future contractual cash flows. To reflect the new net present value of the loan, an adjustment of USD 28.8 million is deducted from the carrying value of the loan and the same amount of financial costs is being recognised in the profit or loss. See note 10 on modification of the amortised cost - loan recognised as financial expenses. The adjustment made in the loan amount is mainly the effect from the changes in estimate of the following:

- 1) the timing of the new build deliveries which will affect the drawdown timing of the USD 1,300 million facility and the interest rate margin applicable;
- 2) the timing of future repayments of debt;
- 3) the cancellation of warrants under the revised term

The assumption also includes that the new builds will be delivered after the finance debt matures in February 2022 and the one year credit facility extension is not exercised.

Any future change in estimate of the assumptions of the delivery of the new builds, the timing of future repayments of debts and credit facility extension will have an impact on the modification of modified cost of the USD 1,300 million facility.

The adjustment in the loan amount will be amortized over the remaining loan periods.

2018

The Group has assessed that the 2018 refinancing as a non-substantial loan modification and it does not require in de-recognition of loan. Under a non-substantial loan modification that does not require in de-recognition of the financial liability, the carrying values of the financial liability under the new terms needs to be recalculated by using revised cash flows and a revised effective interest rate so to reflect the new net present value of the loan. The modification of amortised cost of USD 56.8 million is estimated and has been added into the carrying value of the loan and the same amount of financial costs is being recognised in the profit and loss in this year. The modification of the amortised cost carried in the loan amount is mainly the effect from the reduction of the USD 1,300 million facility amortization and the increased margin under the new financing term, and will be amortized over the remaining loan periods. See note 10 on modification of the amortised cost - loan recognised as financial expenses.

USD 144 million credit facility (previously known as the 'USD 288 million credit facility')

This credit facility, which has a maturity of seven years, consists of one tranche of USD 144 million. The tranche was drawn upon delivery of Safe Notos in February 2016, and initially there were a second available tranche (Safe Eurus). This tranche was cancelled in 2018, when financing for Safe Eurus was agreed with Cosco. In September 2016 the amortisation profile relating to this facility was amended. Prior to the amendment, the term loan tranches were reduced quarterly by USD 3 million, starting three months after delivery of the tranche security. 90 per cent of the originally scheduled repayments for the Safe Notos tranches in the period 1 January 2017 until 30 June 2019 have been postponed and are to be repaid on the final maturity date. For the period 1 July 2019 until 31 December 2020, 70 per cent of the scheduled repayments for the Safe Notos tranches have been postponed until the final maturity date.

Since January 2020, the Group received temporary waivers from Event of Default and payment deferrals from lenders, which expired on 31 March 2020. On 1 April 2020, the Group agreed a forbearance with a majority of its lenders across its two loan facilities, respectively the USD 1,300 million facility and the USD 288 million facility, whereby such lenders agreed not to accelerate, enforce or demand payment following non-payment and default under the two loan facilities. The forbearance was initially granted for a period until 15 April 2020, but could be extended by the lenders through a simplified process. Subsequently in mid-April 2020, Prosafe agreed a further extension to the forbearance from the non-payments and defaults with a majority of its lenders across its two loan facilities until 31 May 2020. The forbearance shows support for the Group to continue to operate, while lenders reserve their rights, and secures stability for the Group while it continues to work with the lenders to agree on a long-term financial solution.

The final maturity of this credit facility is in May 2021.

There is a cash sweep mechanism with testing 31 March and 30 September. Any excess cash over USD 155 million threshold shall be shared between lenders (90%) and the company (10%). Once Safe Eurus, Safe Nova and Safe Vega are delivered, the excess cash will be reduced with the initial cash payment agreed for the three new builds (Safe Eurus USD 50 million, Safe Nova USD 25 million, Safe Vega USD 25 million). Any new shareholder contributions shall be subtracted from excess cash, and not swept. The cash sweep was tested on 31 March and 30 September 2019 and there was no cash sweep at those testing dates.

Financial covenants as per amendment in August 2018:

Minimum liquidity:	USD 65 million at all times
Minimum value:	On the USD 1,300 million facility, no minimum market value requirement shall apply until 1 January 2022; thereafter ensure that the aggregate market value of the collateral vessels is at least 100% of the facilities outstanding on the relevant market test dates, on at least one out of every two consecutive annual test dates.
	On the USD 144 million (Safe Notos) facility, no minimum market value requirement shall apply until 1 January 2019. Covenant will in 2019 be set at 110% (in respect of 2 consecutive annual test dates), and there will be a step up in market value covenant in March 2021 to 125%. The Group is in compliance with the minimum market value covenant at 31 December 2019.
Leverage ratio: ¹⁾	Leverage ratio to be negotiated, with first testing date on 31 March 2021
Interest coverage: ²⁾	No interest coverage ratio until 30 June 2020; 1.00x from 1 July 2020 until 31 March 2021; 1.50x from 1 April 2021 thereafter.

There is also a maximum capital expenditure covenant which is agreed before the start of each financial year.

There are cross default clauses between the USD 144 million and USD 1,300 million credit facilities. The Group's loan agreements include change of control clauses.

¹⁾ Leverage ratio = net borrowings/adjusted EBITDA

²⁾ Interest coverage ratio = adjusted EBITDA/net interest expenses

Interest on bank facilities

Interest is USD LIBOR plus margin. Margin on outstanding amounts are as follows.

Applicable leverage ratio	USD 1,300 million facility	USD 144 million facility
	Cash margin	Cash margin
Less than or equal to 3.0:1	2.60 %	2.25 %
Above 3.0:1 and less than 4.0:1	2.75 %	2.25 %
Above 4.0:1 and less than 5.0:1	2.90 %	2.30 %
Above 5.0:1 and less than 5.5:1	3.10 %	2.50 %
Above 5.5:1	3.35 %	2.75 %

As at 31 December 2019, the applicable leverage ratio is above 5.5:1.

For the USD 1,300 million facility, there was an increase in margin from the refinancing in August 2018 compared to the previous margin under the USD 1,300 million facility agreement by 0.6% p.a. This additional 0.6% margin will be cash interest if minimum liquidity remains above USD 155 million at anytime. However, to protect liquidity if cash falls below USD 155 million, the additional interest will be payment-in-kind (PIK) and added to the final maturity instalment ("PIK toggle").

In addition and as part of the amendments agreed in August 2018, subject to delivery of the Safe Nova and Safe Vega, and the USD 1,300 million facility being outstanding at the time of delivery, the USD 1,300 million facility lenders (only) may elect to receive either:

i. An additional margin of 0.225% p.a. for each of Safe Nova and Safe Vega from when they are delivered. The increase in margin in connection with delivery will also be subject to the PIK toggle mechanism, which also apply from February 2022 to February 2023 (assuming the extension option is exercised); or ii. Warrants for up to 6.52 million shares per vessel, and up to a maximum of 9.78 million shares in aggregate.

In November 2019, Prosafe has issued letters to lenders to reconsider the election of warrants with the conditional increase in the applicable margin. This is due to the accounting treatment of warrants which adversely affect the outstanding amount of the lender's book. Out of the 9,779,993 warrants issued in 2018, 6,344,011 of the warrants have been cancelled and replaced with the conditional increase of the applicable margin of the loan. The balance of warrants remaining is 3,435,982.

Financial covenants as of 31 December 2019

Cash and deposits	198.1
Restricted cash	(9.7)
Liquidity (Liquidity covenant: minimum USD 65 million)	188.4

Sellers' credits

In January 2016, Cosco (Qidong) Offshore Co. Ltd. granted a sellers' credit of around USD 29 million as a reduction on the final delivery instalment of the Safe Notos. In August 2016, further amendment was made to the existing payment schedule. It was agreed that the first instalment of USD 2.3 million was to be paid in October 2016 and thereafter USD 0.3 million monthly until December 2019, except August 2018 instalment of USD 0.7 million. The remaining balance of the sellers' credit amount together with the annual interest of 4.35% was due to be repaid in a single payment on or before December 2019. The company's final payment of approx. USD 18.5 million (final instalment

and accrued interest) owed and due under the sellers credit to Cosco for the Safe Notos has not been made. This payment is subject to certain contractual subordination and coordination arrangements with the financial lenders, and discussions with Cosco on this payment are ongoing.

Cosco (Qidong) Offshore Co. Ltd. granted a sellers' credit of USD 99.4 million on the final delivery instalment of the Safe Eurus in 2019.

Modification of amortised cost - Sellers Credits

In 2019 Prosafe has taken delivery of Safe Eurus and issued a promissory note with a principal amount of USD 99.4 million to COSCO Shipping (Qidong) Offshore Co. Ltd. As the partial payment for the vessel is deferred beyond normal credit terms, the cost of the vessel is the cash price equivalent at the recognition date. The Safe Eurus promissory note is initially recognised at fair value and subsequently measured at amortised cost. The fair value of the below-market loan is measured as the present value of the expected future cash flows, discounted using an appropriate market related rate. The applicable discounting rate is similar to the rate charged by the credit facilities lenders of 3-months USD Libor plus 3.35% per annum. The difference between the cash price equivalent and the principal amount of the promissory note is determined to be USD 25.4 million. This amount will be recognised as interest over the period of credit. The repayment schedule and interest expense on the promissory note depends on the financial performance of the vessel. The final expected maturity date is December 2027.

Loan Classification

A liability that is repayable on demand, if loan conditions have been breached and the waiver does not provide a period of grace ending at least 12 months after the reporting date, is classified as current (IAS 1.75).

Although the Group is compliant with the financial covenants as stated above, there are also certain provision agreements (such as entering into negotiations of refinancing with lenders or the Group having a forecasted negative group equity in early 2020) under the loan agreement that may constitute an event of default. This provides the lenders with the right to repayment on demand. However, the compliance with these provisions are judgmental and the Group does not have sufficient legal clarity on breaching the provisions as at 31 December 2019 and therefore requested and was granted a temporary waiver from lenders in December. The temporary waiver granted by the lenders in 2019 which initially expired on 29 February 2020 does not have sufficient grace period of more than 12 months after the reporting date and would therefore not impact the reclassification as at 31 December 2019.

NOTE 16: OTHER CURRENT LIABILITIES

	2019	2018
Various accrued costs	17.3	18.1
Accrued interest costs	13.7	14.1
Contract liabilities	2.6	9.4
Accrued layup costs ¹⁾	0.0	16.6
Total interest-free current liabilities	33.6	58.2

¹⁾ Refer to note 23 for details on the reversal of accrued layup costs.

NOTE 17: MORTGAGES AND GUARANTEES

2019

As of 31 December 2019, the Group's interest-bearing debt secured by mortgages totalled USD 1,314.1 million. The debt was secured by mortgages on the accommodation/service vessels Safe Bristolia, Safe Caledonia, Safe Concordia, Safe Scandinavia, Regalia, Safe Boreas, Safe Zephyrus and Safe Notos (net carrying value USD 1,002.6 million). Safe Bristolia is sold for recycling in 2020. Negative pledge clauses apply on shares in the vessel owning subsidiaries. Earnings accounts are pledged as security for the credit facilities, but cash will only be restricted if a continuing event of default occurs.

A bank guarantee has been issued on behalf of Prosafe Rigs Pte. Ltd. in favour of Westcon Yards AS, amounting to NOK 245 million at 31 December 2019. This bank guarantee is secured by a cash deposit of USD 5 million and a counter bank guarantee of USD 30 million issued under the USD 1,300 million facility.

As at 31 December 2019, the Group had issued parent company guarantees to clients and vendors on behalf of its subsidiaries in connection with the award and performance of contracts totalling approximately USD 183.5 million and a parent company guarantee and indemnity relating to the bank guarantee referred to above. The amounts specified with regard to parent company guarantees reflect the sum of the estimated capped liability under the relevant agreements.

2018

As of 31 December 2018, the Group's interest-bearing debt secured by mortgages totalled USD 1,192 million. The debt was secured by mortgages on the accommodation/service vessels Safe Bristolia, Safe Caledonia, Safe Concordia, Safe Scandinavia, Regalia, Safe Boreas, Safe Zephyrus and Safe Notos (net carrying value USD 1,422.6 million). Negative pledge clauses apply on shares in the vessel owning subsidiaries. Earnings accounts are pledged as security for the credit facilities, but cash will only be restricted if a continuing event of default occurs.

A bank guarantee has been issued on behalf of Prosafe Rigs Pte. Ltd. in favour of Westcon Yards AS, amounting to NOK 245 million at 31 December 2018. This bank guarantee is secured by a cash deposit of USD 5 million and a counter bank guarantee of USD 30 million issued under the USD 1,300 million facility.

As at 31 December 2018, the Group had issued parent company guarantees to clients and vendors on behalf of its subsidiaries in connection with the award and performance of contracts totalling approximately USD 201 million and a parent company guarantee and indemnity relating to the bank guarantee referred to above. The amounts specified with regard to parent company guarantees reflect the sum of the estimated capped liability under the relevant agreements.

NOTE 18: FINANCIAL ASSETS AND LIABILITIES

As of 31 December 2019, the group had financial assets and liabilities in the following categories:

Year ended 31 Dec 2019	Financial assets measured at amortised cost	Fair value through profit and loss	Financial liabilities measured at amortised cost	Carrying value	Fair value
Cash and deposits	198.1	0.0	0.0	198.1	198.1
Accounts receivable	8.0	0.0	0.0	8.0	8.0
Other current assets	6.9	0.0	0.0	6.9	6.9
Total financial assets	213.0	0.0	0.0	213.0	213.0
Credit facilities	0.0	0.0	1 308.1	1 308.1	1 308.1
Seller Credits	0.0	0.0	89.6	89.6	89.6
Fair value interest rate swaps	0.0	27.6	0.0	27.6	27.6
Accounts payable	0.0	0.0	3.1	3.1	3.1
Lease liabilities	0.0	0.0	0.2	0.2	0.2
Other current liabilities	0.0	0.0	33.6	33.6	33.6
Other non-current liabilities	0.0	0.0	2.3	2.3	2.3
Total financial liabilities	0.0	27.6	1 436.9	1 464.5	1 464.5

Management assessed the cash and deposits, accounts receivables, other current assets, accounts payable and other current liabilities to approximate their carrying amounts largely due to the short-term maturities of these instruments.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps and caps. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties and interest rate and forward rate curves. All derivative contracts are secured under the USD 1,300 million credit facility.

Year ended 31 Dec 2019	Total	Level 1	Level 2	Level 3
Fair value interest rate swaps	(27.6)	0.0	(27.6)	0.0
Total financial liabilities	(27.6)	0.0	(27.6)	0.0

As of 31 December 2018, the group had financial assets and liabilities in the following categories:

Year ended 31 Dec 2018	Financial assets measured at amortised cost	Fair value through profit and loss	Financial liabilities measured at amortised cost	Carrying value	Fair value
Cash and deposits	140.3	0.0	0.0	140.3	140.3
Accounts receivable	25.2	0.0	0.0	25.2	25.2
Other current assets	12.8	0.0	0.0	12.8	12.8
Fair value interest rate caps	0.0	1.3	0.0	1.3	1.3
Fair value interest rate swaps	0.0	1.1	0.0	1.1	1.1
Total financial assets	178.3	2.4	0.0	180.7	180.7
Credit facilities ¹⁾	0.0	0.0	1 224.0	1 224.0	1 215.0
Seller Credits	0.0	0.0	19.0	19.0	19.0
Fair value interest rate swaps	0.0	16.1	0.0	16.1	16.1
Accounts payable	0.0	0.0	2.2	2.2	2.2
Other current liabilities	0.0	0.0	58.2	58.2	58.2
Other non-current liabilities	0.0	0.0	2.4	2.4	2.4
Total financial liabilities	0.0	16.1	1 305.8	1 321.9	1 312.9

¹⁾ Fair value reflects current market conditions with the assumption that the credit margin would increase from the actual 274 basis points to 299 basis points. The net present value of the interest advantage, discounted with USD 5-year swap rate, is around USD 9 million.

Year ended 31 Dec 2018	Total	Level 1	Level 2	Level 3
Fair value interest rate caps	1.3	0.0	1.3	0.0
Fair value interest rate swaps	1.1	0.0	1.1	0.0
Total financial assets	2.4	0.0	2.4	0.0
Fair value interest rate swaps	(16.1)	0.0	(16.1)	0.0
Total financial liabilities	(16.1)	0.0	(16.1)	0.0

Assets measured at fair value in the consolidated statement of financial position

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1** - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2** - Inputs other than quoted prices included within level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3** - Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

The currency forwards and interest swaps are valued based on current exchange rates and forward curves.

NOTE 19: FINANCIAL RISKS AND DERIVATIVE FINANCIAL INSTRUMENTS

The Group operates on a global basis with cash flows and financing in various currencies. This means that the Group is exposed to market risks related to fluctuations in exchange rates and interest rates. The Group's presentation currency is USD, and financial risk exposure is managed with financial instruments in accordance with internal policies and standards approved by the board of directors.

Currency risk

The Group is exposed to currencies other than USD associated with operating expenditure, capital expenditure, tax, cash and deposits. Operating expenditure, capital expenditure and tax are mainly denominated in GBP, BRL and NOK. However, cash and deposits are mainly denominated in USD, GBP and NOK.

Currency risk - sensitivity

The sensitivity analysis is based on a reasonably possible change in the relevant exchange rates and reflects the main effects on profit or loss and equity assuming that the change had occurred at the balance sheet date. A 10% strengthening/weakening of the USD against NOK and GBP will have the following effects. Exposures to foreign currency changes for all other currencies are not material. OCI in the table below refers to Other Comprehensive Income.

	2019		2018	
Pre-tax effects	Income state- ment effect	OCI effect	Income state- ment effect	OCI effect
USD +10%				
Re-valuation cash and deposits	(1.2)	0.0	(7.1)	0.0
Total	(1.2)	0.0	(7.1)	0.0
USD - 10%				
Re-valuation cash and deposits	1.2	0.0	7.1	0.0
Total	1.2	0.0	7.1	0.0

Interest rate risk

Interest on debt is in principle floating, but has been hedged to reduce the variability of cash flows in the interest payments through the use of interest rate swaps and caps agreements. The Group evaluates the hedge profile in relation to the repayment schedule of its loans, the Group's portfolio of contracts, cash flow and cash in hand. The interest rate risk is largely hedged by the use of interest rate swaps or cap structures for normally 70-100% of the debt.

Interest rate risk - sensitivity

The sensitivity analysis is based on a reasonably possible change in the relevant forward curves and reflects the main effects on profit or loss and equity assuming that the change had occurred at the balance sheet date. A forward curve shift of ± 50 bps (2018: ± 50 bps) is applied in the analysis.

	2019		2018	
Pre-tax effects	Income statement effect	OCI effect	Income statement effect	OCI effect
Forward curve +50bps (2018: +50bps)				
Re-valuation interest rate swaps	5.3	0.0	8.3	0.0
Re-valuation interest rate caps	0.1	0.0	2.2	0.0
Total	5.4	0.0	10.5	0.0
Forward curve -50bps (2018: -50bps)				
Re-valuation interest rate swaps	(5.4)	0.0	(8.4)	0.0
Re-valuation interest rate caps	0.0	0.0	(0.8)	0.0
Total	(5.4)	0.0	(9.2)	0.0

Changes in other comprehensive income related to financial instruments

The following changes in other comprehensive income were related to financial instruments:

	2019	2018
Re-valuation interest rate swaps	0.0	48.3
Total	0.0	48.3

Due to the ceased hedge accounting for its interest rate swaps, in 2018, the Group has assessed the discontinued cashflow hedge reserve balance and concluded that the amount is not expected to be recovered in the future periods due to the interest rate development and forward curve. As a consequence of this assessment, the reserve balance of USD 48.3 million was taken into profit or loss in 2018. See note 10 on amortisation relating to abandonment of hedge recognised as financial expenses.

Credit risk

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

Credit assessment of financial institutions issuing guarantees in favour of the Group, yards, sub-contractors and equipment suppliers is part of the Group's project evaluations and risk analyses.

The counterparty risk is in general limited when it comes to the Group's clients, since these are typically major oil companies and national oil companies.

For trade receivables, the Group applies the simplified method of credit reserves, i.e. the reserve will correspond to the expected loss over the whole life of the trade receivable. In order to measure the credit losses, trade receivable are grouped based on credit risk characteristics of its customers.

The Group applies forward-looking variables for expected credit losses. As at 31 December 2019, no credit reserve has been recorded as the Group's clients are typically major oil companies and national oil companies and the receivables are usually received within 3 months. The expected credit loss is not material.

Accounts receivables	Total	Not due	< 30 days	30 - 60 days	61-90 days	> 90 days
31 December 2019	8.0	5.7	0.1	1.7	0.5	0.0
31 December 2018	25.2	25.1	0.0	0.0	0.1	0.0

Liquidity risk

Prosafe manages liquidity and funding on a group level. Prosafe is exposed to liquidity risk in a scenario when the Group's cash flow from operations is insufficient to cover payments of financial liabilities. The continued challenging environment in the oil and gas industry has increased the risk of reduced charter revenues in the short and mid term. Liquidity risk has become the most significant risk for the Group. Due to the expected prolonged downturn and weaker outlook in the North Sea in particular, it has led to a major impact on future earnings and backlog, and therefore on expected future cash reserves. The Group monitors the liquidity development and the risk of insufficient capital by rolling cash flow forecasts to determine whether the Group's liquidity position is above the minimum cash covenant as per the loan agreements.

As of 31 December 2019, Prosafe had an unrestricted liquidity reserve totalling USD 188.6 million. Under the existing credit facility agreements, the Group is required to maintain minimum liquidity of USD 65 million. Despite the Group management's continued efforts in streamlining of the organisation to reduce costs and preserve cash, the Group is anticipated to only be able to stay above the minimum cash covenant level based on currently known information and commitments and all else equal till around end 2020. The Group is similarly anticipated to stay cash positive based on the same assumptions till around mid-2021. Most of the Group's mortgaged debt has been renegotiated during the last few years and the Group is now in discussions with lenders to find a long-term financial solution for the Group.

On 1 April 2020, the Group agreed a forbearance with a majority of its lenders across its two loan facilities, respectively the USD 1,300 million facility and the USD 288 million facility, whereby such lenders agreed not to accelerate, enforce or demand payment following non-payment and default under the two loan facilities. The forbearance was initially granted for a period until 15 April 2020, but could be extended by the lenders through a simplified process. Subsequently in mid-April 2020, Prosafe agreed a further extension to the forbearance from the non-payments and defaults with a majority of its lenders across its two loan facilities until 31 May 2020. As part of this, the Group will continue to defer making payments of scheduled instalments and interests under both facilities. Similarly, payment of the final instalment owed and due under the seller credit to Cosco for the Safe Notos remains as reported on 14 April 2020 subject to ongoing discussions with Cosco and the lenders. The Group's discussions with its lenders remain constructive and the efforts to create and agree a long-term financial solution continue.

As of 31 December 2019, the Group's main financial liabilities had the following remaining contractual maturities (assuming the extension option for the USD 1,300 million facility is not exercised and excluding any lender's right to accelerated repayment as a consequence of breaches to the loan agreement):

Per year	2020	2021	2022	2023	2024 →
Interest-bearing debt (repayments) ¹⁾	33.4	143.2	1 160.4	6.0	84.4
Interests including interest rate swaps ²⁾	71.7	63.8	5.1	0.0	1.0
Taxes	13.3	0.0	0.0	0.0	0.0
Accounts payable and other current liabilities	36.7	0.0	0.0	0.0	0.0
Total	155.1	207.0	1 165.5	6.0	85.4

¹⁾ Interest-bearing debt includes credit facilities and seller credits from Cosco.

²⁾ Interest on credit facilities and seller credits. Based on average swap rate, 3m LIBOR as of mid February 2020 and current agreed credit margin.

If the lenders are to require accelerated repayment, the maturities of the interest-bearing debt will be as follows:

Per year	2020	2021	2022	2023	2024 →
Interest-bearing debt (repayments) ¹⁾	1 330.9	2.1	4.0	6.0	84.4

The Group has ongoing dialogue with lenders on a long-term financial solution. This might include further amendments to interest and instalments in the coming years.

As of 31 December 2018, the Group's main financial liabilities had the following remaining contractual maturities (assuming the extension option for the USD 1,300 million facility is not exercised):

Per year	2019	2020	2021	2022	2023 →
Interest-bearing debt (repayments)	34.0	16.6	140.5	1 019.4	0.0
Interests including interest rate swaps ¹⁾	69.3	67.8	63.0	7.3	0.0
Taxes	14.7	0.0	0.0	0.0	0.0
Accounts payable and other current liabilities	60.4	0.0	0.0	0.0	0.0
Total	178.4	84.4	203.5	1 026.7	0.0

¹⁾ Based on average debt, 3m LIBOR as of mid February 2019 and expected credit margin.

As of 31 December 2018, the commitments under the USD 1,300 million credit facility were not fully utilised. As of year-end, available amount under the revolving credit facility was USD 137 million. 50% of the USD 288 million facility was drawn upon delivery of Safe Notes in February 2016. Initially there was a second available tranche (Safe Eurus), which was cancelled in 2018 when financing for Eurus was agreed with Cosco. Reference is made to note 15 for further information.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital structure in line with economic conditions. The Group manages the total of shareholders' equity and long term debt as their capital. Normally, the Group's main tool to assess its capital structure is the leverage ratio, which is calculated by dividing net interest-bearing debt including bank guarantees, by Group gross profit before depreciation and impairment over the last 12 months. Note that the Group is currently in dialogue with its lenders about a long term financial solution in response to the severe downcycle in the industry and weakened market outlook.

NOTE 20: CASH AND DEPOSITS

	2019	2018
Restricted cash deposits	9.7	8.8
Free cash and short-term deposits	188.4	131.5
Total cash and deposits	198.1	140.3

Under the existing credit facility agreements, the Group is required to maintain a minimum liquidity of USD 65 million. See note 15 for details on financial covenants.

NOTE 21: OTHER CURRENT ASSETS

	2019	2018
Other receivables	1.9	8.2
Prepayments	2.1	1.7
Stock	1.7	2.0
Other current assets	1.2	0.9
Total other current assets	6.9	12.8

NOTE 22: RELATED PARTY DISCLOSURES

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

Company name	Country of incorporation	Ownership	Voting share
Prosafe Services Maritimos Ltda	Brazil	100 %	100 %
Prosafe Holding Limited	Cyprus	100 %	100 %
Prosafe Rigs (Cyprus) Limited	Cyprus	100 %	100 %
Prosafe Offshore Accommodation Ltd	Jersey	100 %	100 %
Prosafe Offshore BV	Netherlands	100 %	100 %
Prosafe AS	Norway	100 %	100 %
Prosafe Management AS	Norway	100 %	100 %
Prosafe Offshore AS	Norway	100 %	100 %
Axis Nova Singapore Pte. Ltd.	Singapore	100 %	100 %
Axis Vega Singapore Pte. Ltd.	Singapore	100 %	100 %
Prosafe Offshore Asia Pacific Pte. Ltd.	Singapore	100 %	100 %
Prosafe Offshore Employment Company Pte. Limited	Singapore	100 %	100 %
Prosafe Offshore Holdings Pte. Ltd.	Singapore	100 %	100 %
Prosafe Offshore Pte. Limited	Singapore	100 %	100 %
Prosafe Offshore Services Pte. Ltd.	Singapore	100 %	100 %
Prosafe Rigs Pte. Ltd.	Singapore	100 %	100 %
Safe Eurus Singapore Pte. Ltd.	Singapore	100 %	100 %
Prosafe (UK) Holdings Limited	United Kingdom	100 %	100 %
Prosafe Offshore Limited	United Kingdom	100 %	100 %
Prosafe Rigs Limited	United Kingdom	100 %	100 %

Transactions and outstanding balances within the Group have been eliminated in full.

Shares owned by senior officers and directors at 31 December 2019:

(includes shares owned by close family/relatives and wholly-owned companies)

	Shares
Senior officers:	
Jesper Kragh Andresen - CEO	84 067
Stig Harry Christiansen - DCEO and CFO	54 000
Ryan Duncan Stewart - CCO	45 260
Directors:	
Glen Ole Rødland - Chairman	0*
Svend Anton Mayer - Director	0
Nina Udnes Trondstad - Director	0
Birgit Aagaard-Svendsen - Director	3 000
Kristian Johansen - Director	0

*Mr Rødland has an indirect ownership interest in Prosafe due to his ownership interest in HitecVision VII, L.P.

NOTE 23: CAPITAL COMMITMENTS**New builds**

As at 31 December 2019, the Group had two (2018: three) undelivered completed new builds residing at COSCO's Qidong shipyard in China; Safe Nova and Safe Vega. (2018: Safe Nova, Safe Vega and Safe Eurus)

Safe Eurus

In August 2018, the Group has entered into a revised agreement with COSCO relating to the delivery of 3 new-builds at agreed terms. One key term of the new agreement is that if the Group successfully takes delivery of the Safe Eurus by 31 December 2019 then COSCO will waive the accrued lay up costs.

In May 2019, a three-year contract was officially awarded to the Safe Eurus by Petrobras. Upon the contract signed, the Group has made the decision of taking delivery of the vessel and COSCO has agreed to waive the accrued lay up costs as per term in the revised agreement. As a consequence, the accrued lay up costs of USD 16.6 million relating to the Safe Eurus have been reversed. In July 2019, Prosafe has taken delivery of Safe Eurus.

Safe Nova and Safe Vega

In 2018, an agreement has been reached with COSCO. If the Group gives notice to COSCO within 5 years from August 2018 to take delivery of the vessels, the Group is committed to pay USD 25 million each upon delivery of the vessel and the remainder of the costs will be financed by COSCO. Similarly to Safe Eurus, repayment of yard finance and interest rates linked to future earnings and day rate achieved.

NOTE 24: CONTINGENT ASSETS

On 8 March 2018, Stavanger City Court made a favourable decision in the court case regarding the dispute with Westcon Yards AS (Westcon). The dispute between Westcon and the Group was related to a substantial cost overrun of Westcon's price estimate for the conversion of the Safe Scandinavia to a tender support vessel. Westcon claimed an additional compensation of approx. NOK 306 million plus interest, whereas the Group disputed Westcon's claim and claimed a substantial repayment. The Court decided in favour of the Group that Westcon must repay the Group NOK 344 million plus interest and NOK 10.6 million of legal costs. In April 2018, Westcon has filed an appeal against Stavanger City Court judgement and the Group has filed a counter appeal.

While awaiting the final outcome of the dispute, the Group considers the amount payable by Westcon to be a contingent asset under IAS 37, and has therefore not recognised the amount per 31 December 2018 and 31 December 2019.

NOTE 25: EVENTS AFTER THE REPORTING DATE

Update in light of Covid-19 and the oil price crash

Developments in macro factors like Covid-19 and the oil price crash since early March 2020 have in a tangible manner reminded us of our commercial risk exposure. Prosafe's main priority is to safeguard health, jobs, safety and liquidity and to deliver on its obligations to customers, lenders, owners and other important stakeholders.

Parallel incidents with a pandemic occurring together with OPEC and Russia not being able to agree and engaging in an oil price war have led experts to define this as a "double black swan" situation. This has almost overnight resulted in a dramatic impact on the global macro economy, global ways of living and working, oil prices and consequently capital markets and market outlook. Specifically, the oil price has collapsed from USD 64 per barrel in early January 2020 to as low as USD 19 per barrel in March 2020, a level that is below the break-even level for most onshore and offshore oil & gas projects.

Oil companies have reacted quickly to these developments, and we have seen significant general cuts in ongoing and planned activity and spending for 2020 and also 2021. As a result of this, the Group has seen both cancellation of existing contracts as well as vessels being put on stand-by at somewhat reduced rates. As of the reporting date, the amendment to existing contracts has no material impact to the order book disclosed in note 4. However, the Group is at risk that further contract cancellations or deferrals may occur which will have further negative impact on order backlog, activity and earnings. As a consequence, the Group's order books as disclosed in Note 4 may not fully materialise in the respective years as initially scheduled. The Group will engage with customers to seek clarity and amicable solutions to the extent possible when such events occur in order to protect its rights and financial position.

Status financing

Prosafe is already in a process with its lenders to seek a sustainable financial solution after several years of low activity across the industry and an unsustainable debt level. The "double black swan" situation adds both urgency and complexity to this process and the Group will be concluding on a revised business plan by late April as a basis upon which to plan ahead and seek a long term financial solution with its lenders and other financial stakeholders. It cannot be ruled out that the revised

business plan may have significant impact on the estimated future cash flows of the Group and thus also the carrying value of its assets. As at the date of this report, the Group is already in a negative book equity situation and further and substantial impairments would reinforce that situation and further underscore the need for reaching a solution with its lenders and financial stakeholders.

The Group has been continuously adjusting the organisation since 2016 and has seen the cost and spend levels decrease significantly and towards a minimum level from a going concern perspective. In addition, the Group has outsourced several competencies and services in order to both reduce costs and achieve flexibility in the cost structure. As such, the Group is generally well placed to adapt quickly to the dramatic developments.

On 1 April 2020, the Group agreed a forbearance with a majority of its lenders across its two loan facilities, respectively the USD 1,300 million facility and the USD 288 million facility, whereby such lenders agreed not to accelerate, enforce or demand payment following non-payment and default under the two loan facilities. Both facilities require direction from lenders holding more than 2/3 of the total commitment for the agent to initiate acceleration and enforcement steps. Consequently, forbearance consent from 1/3 or above, will restrict such acceleration and enforcement steps. The forbearance was initially granted for a period until 15 April 2020, but could be extended by the lenders through a simplified process. Subsequently in mid-April 2020, Prosafe agreed a further extension to the forbearance from the non-payments and defaults with a majority of its lenders across its two loan facilities until 31 May 2020. As part of this, the Group will continue to defer making payments of scheduled instalments and interests under both facilities. Similarly, payment of the final instalment owed and due under the seller credit to Cosco for the Safe Notos remains as reported on 14 April 2020 subject to ongoing discussions with Cosco and the lenders.

The forbearance shows support for the Group to continue to operate, while lenders reserve their rights, and secures stability for the Group while it continues to work with the lenders to agree on a long term financial solution. Pending this, the Group continues to operate on a business as usual basis to protect and create value through challenging market conditions.

Further, while operating under a forbearance agreement with its lenders, the Group has a strong liquidity position and is anticipated to be able to stay above the minimum cash covenant level based on currently known information and commitments and all else equal till around end 2020. The Group is similarly anticipated to stay cash positive based on the same assumptions till around mid-2021.

The Group's discussions with its lenders remain constructive and the efforts to create and agree a long-term financial solution continue. Although there can be no assurance with respect to the outcome of this process, the going concern assumption is considered to be appropriate as it is based on the Board's view that obtaining a long-term financial solution should be achievable.

Safe Bristolia

In March 2020, the Group has completed the sale of Safe Bristolia for recycling in accordance with all relevant conventions.



PARENT COMPANY ACCOUNTS

INCOME STATEMENT - PROSAFE SE

(USD 1 000)	Note	2019	2018
Income from investments in subsidiaries		28 020	40 396
Impairment of shares in subsidiaries and associate	7	(393 250)	0
Results of investing activities		(365 230)	40 396
Operating expenses	2	(9 573)	(9 324)
Depreciation	3	0	(10)
Operating profit/(loss)		(374 803)	31 062
Interest income		15 655	7 633
Interest expenses	5	(36 679)	(172 683)
Other financial income	4	0	13 438
Other financial expenses	4	(16 815)	(9 847)
Net financial items	5	(37 839)	(161 459)
Loss before taxes		(412 642)	(130 397)
Taxes	6	(1)	(35)
Net loss		(412 643)	(130 432)
Attributable to equity holders of the company		(412 643)	(130 432)

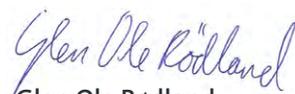
STATEMENT OF COMPREHENSIVE INCOME - PROSAFE SE

(USD 1 000)	2019	2018
Net loss	(412 643)	(130 432)
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Net gain on cash flow hedges	0	47 985
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods		
Pension remeasurement	(151)	(822)
Total comprehensive loss for the year, net of tax	(412 794)	(83 269)
Attributable to equity holders of the company	(412 794)	(83 269)

STATEMENT OF FINANCIAL POSITION - PROSAFE SE

(USD 1 000)	Note	31/12/19	31/12/18
ASSETS			
Tangible assets	3	0	0
Shares in subsidiaries and in an associate	7	1 089 036	1 553 203
Intra-group receivables	12, 14	274 693	248 525
Derivatives	14	16	2 452
Total non-current assets		1 363 745	1 804 180
Cash and deposits	14	90 900	16 024
Other current assets	8, 14	5 629	261
Total current assets		96 529	16 285
Total assets		1 460 274	1 820 465
EQUITY AND LIABILITIES			
Share capital		9 030	9 021
Share premium reserve		1 037 584	1 037 353
Share capital reduction reserve		71 846	71 846
Total paid-in equity	9	1 118 460	1 118 220
Retained earnings		(1 045 728)	(639 395)
Convertible bonds	9	20 569	20 809
Warrants	9	0	6 461
Total equity		93 301	506 095
Intra-group non-current liabilities	12, 14	0	60 037
Interest-bearing long-term debt	10, 14, 15	0	1 198 269
Derivatives	14	27 617	16 136
Interest-free long-term liabilities	14, 15	2 287	2 311
Total long-term liabilities		29 904	1 276 753
Interest-bearing current debt	10, 15	1 308 127	25 728
Accounts payable	14, 15	457	491
Intra-group current liabilities	12, 14, 15	17 502	853
Other interest-free current liabilities	11, 14, 15	10 983	10 545
Total current liabilities		1 337 069	37 617
Total equity and liabilities		1 460 274	1 820 465

On 14 April 2020, the Board of Directors of Prosafe SE approved and authorised these financial statements for issue.


Glen Ole Rødland

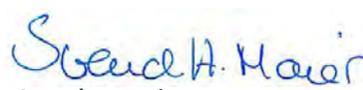
Non-executive Chairman


Birgit Aagaard-Svendsen

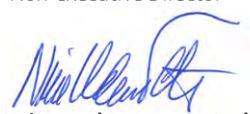
Non-executive Director


Kristian Johansen

Non-executive Director


Svend A. Maier

Non-executive Director


Nina Udnes Tronstad

Non-executive Director


Jesper K. Andresen

Chief Executive Officer

CASH FLOW STATEMENT - PROSAFE SE

(USD 1 000)	Note	2019	2018
Cash flow from operating activities			
Loss before taxes		(412 642)	(130 397)
Unrealised currency loss on long-term debt		1 261	7 547
Depreciation	3	0	10
Impairment shares in subsidiaries and associate		393 250	0
Interest income		(15 655)	(7 633)
Interest expenses		36 679	172 683
Change in working capital		(4 869)	(53)
Taxes paid		(1)	(35)
Other items from operating activities		13 766	(25 716)
Net cash flow from operating activities		11 790	16 406
Cash flow from investing activities			
Proceeds from sale of shares in subsidiaries		0	217 374
Acquisition of shares in subsidiaries		(18 500)	(3 200)
Change in intra-group balances		18 600	(23 645)
Interest received		15 655	7 633
Net cash flow from investing activities		15 755	198 162
Cash flow from financing activities			
Repayment of interest-bearing debt		(33 400)	(151 200)
Proceeds from interest-bearing debt		155 000	0
Interest paid		(74 269)	(65 717)
Net cash flow used in financing activities		47 331	(216 917)
Net cash flow		74 876	(2 349)
Cash and deposits at 1 January		16 024	18 373
Cash and deposits at 31 December		90 900	16 024

STATEMENT OF CHANGES IN EQUITY - PROSAFE SE

(USD 1 000)	Note	Share capital	Share premium	Capital redemption reserve	Retained earnings	Convertible Bonds	Cash flow hedges	Warrants	Total equity
Equity at 31									
December 2017		8 906	1 034 280	71 846	(508 142)	23 997	(47 985)	0	582 902
Net loss		0	0	0	(130 432)	0	0	0	(130 432)
Other comprehensive income		0	0	0	(822)	0	47 985	0	47 163
Total comprehensive income¹⁾		0	0	0	(131 254)	0	47 985	0	(83 269)
Conversion of convertible bonds	9	115	3 073	0	0	(3 188)	0	0	0
Issue of warrants	9	0	0	0	0	0	0	6 461	6 461
Equity at 31									
December 2018		9 021	1 037 353	71 846	(639 395)	20 809	0	6 461	506 095
Net loss		0	0	0	(412 643)	0	0	0	(412 643)
Other comprehensive income		0	0	0	(151)	0	0	0	(151)
Total comprehensive income¹⁾		0	0	0	(412 794)	0	0	0	(412 794)
Conversion of convertible bonds	9	9	231	0	0	(240)	0	0	0
Warrants cancellation	9	0	0	0	6 461	0	0	(6 461)	0
Equity at 31									
December 2019		9 030	1 037 584	71 846	(1 045 728)	20 569	0	0	93 301

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

Nature and purpose of reserves

Share premium: The difference between the issue price of the shares and their nominal value. The share premium account can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Norwegian Accounting Act on reduction of share capital.

NOTES - PROSAFE SE

All figures in USD 1 000 unless otherwise stated.

NOTE 1: ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Union (EU) and the requirements of the Norwegian Accounting Act. The accounting policies applied to the consolidated accounts have also been applied to the parent company, Prosafe SE. The accounting policies adopted are consistent with those in the previous financial years. The parent company financial statements should be read in conjunction with the consolidated accounts. The notes to the consolidated accounts provide additional information to the parent company's accounts which is not presented here separately. Specifically, note 2 and note 25 of the consolidated accounts describe further details relating to going concern, refinancing status and subsequent events. The Company's functional currency is US dollars (USD), and the financial statements are presented in USD. Investments in subsidiaries and in an associate are measured at historic cost, unless there is any indication of impairment. In case of impairment, an investment is written down to recoverable amount.

NOTE 2: OPERATING EXPENSES

	2019	2018
Services from subsidiaries	2 914	3 877
Directors' fees	491	578
Salaries and management bonus	971	1 300
Other remuneration	32	60
Payroll taxes	235	154
Pension expenses	(17)	(104)
Auditors' audit fees	109	96
Auditors' other fees	21	2
Legal fees	4 106	1 703
Other operating expenses	711	1 658
Total operating expenses	9 573	9 324

Board of directors	Year	Board fees ¹⁾
Glen Ole Rødland (Chairman)	2019	128
Roger Cornish (Until May 2019)	2019	33
Nina Udnes Tronstad (From May 2019)	2019	57
Birgit Aagaard-Svendsen	2019	101
Svend Anton Maier	2019	86
Kristian Johansen	2019	86
Total fees		491

Board of directors	Year	Board fees ¹⁾
Glen Ole Rødland (Chairman)	2018	144
Roger Cornish	2018	109
Birgit Aagaard-Svendsen	2018	107
Svend Anton Maier	2018	96
Kristian Johansen	2018	96
Nancy Ch. Erotocritou (until April 2018)	2018	26
Total fees		578

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

Number of employees

The average number of employees in the Company for 2019 was 1 (2018: 4).

NOTE 3: TANGIBLE ASSETS

	Equipment	Total
Acquisition cost 31.12.17	211	211
Additions	0	0
Disposals at acquisition cost	(211)	(211)
Acquisition cost 31.12.18 and 31.12.19	0	0
Accumulated depreciation 31.12.17	201	201
Accumulated depreciation on disposals	(211)	(211)
Depreciation for the year	10	10
Accumulated depreciation 31.12.18 and 31.12.19	0	0
Carrying value 31.12.18 and 31.12.19	0	0
Carrying value 31.12.17	10	10
Depreciation rate (%)	20-30	-

NOTE 4: OTHER FINANCIAL ITEMS

	2019	2018
Fair value adjustment currency forwards	0	41
Fair value adjustment interest rate swaps	0	11 266
Fair value adjustment interest rate caps	0	2 130
Total other financial income	0	13 438
Fair value adjustment interest rate swaps	(12 553)	0
Fair value adjustment interest rate caps	(1 294)	0
Currency loss	(1 088)	(8 379)
Other financial expenses	(1 880)	(1 469)
Total other financial expenses	(16 815)	(9 847)

NOTE 5: FINANCIAL ITEMS

Year ended 31 December 2019	Financial assets measured at amortised cost	Fair value through profit and loss	Financial liabilities measured at amortised cost	Total
Interest income	15 655	0	0	15 655
Fair value adjustment currency forwards	0	0	0	0
Fair value adjustment interest rate swaps	0	0	0	0
Fair value adjustment interest rate caps	0	0	0	0
Total financial income	15 655	0	0	15 655
Interest expenses	0	0	(74 609)	(74 609)
Amortisation of borrowing costs	0	0	(5 921)	(5 921)
Fair value adjustment interest rate swaps	0	(12 553)	0	(12 553)
Fair value adjustment interest rate caps	0	(1 294)	0	(1 294)
Currency loss ¹⁾	0	0	0	(1 088)
Modification of amortised cost ²⁾	0	0	28 763	28 763
Modification of amortised cost ³⁾	0	0	15 089	15 089
Subtotal	0	(13 847)	(36 679)	(51 614)
Other financial expenses excluding currency loss	0	0	(1 880)	(1 880)
Total financial expenses	0	(13 847)	(38 559)	(53 494)
Net financial items	15 655	(13 847)	(38 559)	(37 839)

Year ended 31 December 2018	Financial assets measured at amortised cost	Fair value through profit and loss	Financial liabilities measured at amortised cost	Total
Interest income	7 633	0	0	7 633
Fair value adjustment currency forwards	0	41	0	41
Fair value adjustment interest rate swaps	0	11 266	0	11 266
Fair value adjustment interest rate caps	0	2 130	0	2 130
Total financial income	7 633	13 438	0	21 071
Interest expenses	0	0	(67 865)	(67 865)
Currency loss ¹⁾	0	0	0	(8 379)
Modification of amortised cost ²⁾	0	0	(56 833)	(56 833)
Amortisation relating to abandonment of hedge accounting ³⁾	0	0	(47 985)	(47 985)
Subtotal	0	0	(172 683)	(181 061)
Other financial expenses excluding currency loss	0	0	(1 469)	(1 469)
Total financial expenses	0	0	(174 151)	(182 530)
Net financial items	7 633	13 438	(174 151)	(161 459)

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

²⁾ See note 15 of the consolidated accounts relating to modification of amortised cost.

³⁾ For further information, see note 15 of the consolidated accounts relating to the modification of amortised cost and note 19 of the consolidated accounts for amortisation relating to abandonment of hedge accounting.

NOTE 6: TAXES

	2019	2018
Taxes	1	35
Total taxes in income statement	1	35
<i>Temporary differences:</i>		
Loss carried forward	(182 900)	0
Basis for deferred tax liability (+)/benefit (-)	(182 900)	0
Deferred tax liability (+)/benefit (-)	0	0
Taxes payable at 31 December	0	0

The corporate tax rate in Norway for 2019 is 22% (2018 is 23%).

The value of the deferred tax assets is not recognised in the accounts as the probability of having sufficient future taxable profit to utilise the deferred tax assets as tax deductions cannot be established.

Reconciliation of effective tax rate (IAS 12.81)

	2019	2018
Tax rate	22.0 %	23.0 %
Loss before taxes	(412 642)	(130 397)
Tax based on applicable tax rate	(90 781)	(29 991)
Tax effect of non-deductible expenses	84 060	11 040
Tax on income not taxable in determining taxable profit	(996)	(9 291)
Tax effect due to unrecognized deferred tax assets	7 716	28 242
Special contribution to defence fund	0	35
Tax charge	1	35

NOTE 7: SHARES IN SUBSIDIARIES AND IN AN ASSOCIATE

(Share capital, carrying value and total equity in 1 000)

Companies	2019		Carrying value at 31 Dec. 2019	Equity at 31 Dec. 2019 ⁵⁾	Carrying value at 31 Dec. 2018
	Ownership & Voting Share	No of Shares			
Prosafe AS ¹⁾	100 %	100	58 904	59 843	48 036
Prosafe Offshore AS ¹⁾	100 %	100	270	8 996	270
Prosafe Management AS ¹⁾	100 %	100	15	935	15
Prosafe (UK) Holdings Limited ²⁾	100 %	2 000	9 826	2 481	9 826
Prosafe Offshore Pte. Limited ³⁾	100 %	646 050	72 643	67 992	222 099
Prosafe Offshore Services Pte. Ltd. ³⁾	100 %	150	150	879	150
Prosafe Offshore Asia Pacific Pte. Ltd. ³⁾	100 %	10	7	393	7
Prosafe Rigs Pte. Ltd. ³⁾	91 %	2 519	925 521	884 890	1 259 599
Prosafe Offshore Holdings Pte. Ltd. ³⁾	100 %	21 700	21 700	16 009	3 200
Dan Swift (Singapore) Pte. Ltd. ⁴⁾	-	-	-	-	10 000
Total			1 089 036		1 553 203

The registered address of the subsidiaries and associated company are as follows:

¹⁾ Forusparken 2, N-4031 Stavanger, Norway

²⁾ 1st Floor, 10 Temple Back Bristol BS1 6FL, United Kingdom

³⁾ 1 International Business Park, #09-03 The Synergy, Singapore 609917

⁴⁾ 1 Harbourfront Avenue, #16-08, Keppel Bay Tower, Singapore 098632

⁵⁾ The equity value represents only the parent company's interest in its subsidiaries.

In 2019, the Company invested an additional approximately USD 1.2 million into Dan Swift (Singapore) Pte Ltd. In the same year the Company fully disposed the shares in Dan Swift (Singapore) Pte Ltd to a third party for a nominal consideration.

In 2019, the Company has increased the investment in Prosafe AS by offsetting the amount due from Prosafe AS.

In 2019, Prosafe Rigs Pte Ltd has returned USD 101.4 million to the Company as a reduction in capital. The reduction of capital was settled by offsetting the amount due to Prosafe Rigs Pte Ltd.

Based on management's assessment of indicators of impairment, there are triggers which indicate that investment in subsidiaries requires impairment. No impairment was done in 2018.

In the income statement for 2019, the following impairment charges were made: Prosafe Rigs Pte Ltd USD 232.6 million, Prosafe Offshore Pte Ltd USD 149.5 million, Dan Swift (Singapore) Pte Ltd USD 11.2 million.

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

NOTE 8: OTHER CURRENT ASSETS

	2019	2018
Current receivables due from subsidiaries	5 065	7
Other current assets	564	254
Total other current assets	5 629	261

NOTE 9: SHARE CAPITAL, CONVERTIBLE BONDS AND WARRANTS

	2019	2018
Issued and paid up number of ordinary shares at 31 December	81 864 212	81 784 212
Shares to be issued under convertible bond agreements	6 122 790	6 202 790
Shares to be potentially issued under warrants agreement with lenders	3 435 982	9 780 000
Unissued shares authorised	0	42 480 175
Total Authorised number of shares at 31 December	91 422 984	140 247 177
Nominal value at 31 December	EUR 0.10	EUR 0.10
Number of shareholders at 31 December	4 706	4 929
<i>Ordinary shares</i>		
In issue at 1 January	81 784 212	80 725 809
Issued in connection with conversion of convertible bonds	80 000	1 058 403
In issue at 31 December fully paid up	81 864 212	81 784 212

Convertible bonds

	2019		2018	
	No. of shares convertible	Value	No. of shares convertible	Value
Opening balance as at 31 December	6 202 790	20 809	7 261 194	23 997
Conversion of convertible bonds	(80 000)	(240)	(1 058 404)	(3 188)
Ending balance as at 31 December	6 122 790	20 569	6 202 790	20 809

For further information, see note 14 of the consolidated accounts.

Warrants

As part of the USD 1,300 million credit facility refinancing concluded in 2018, the Company has issued the warrants to those lenders having elected to receive such instead of increased margins. In total, 9,779,993 warrants have been issued, each of which gives right to subscribe for one new share in the company at a subscription price of NOK 21.37. Of these, 5,141,021 warrants are conditional inter alia on the Group taking delivery of Safe Nova and/or Safe Vega, and the remaining 4,638,972 warrants on the Group taking delivery of both Safe Nova and Safe Vega. The warrants will be exercisable any time from and subject inter alia to the Group taking delivery of Safe Nova and/or Safe Vega and the next 3 years from such respective delivery dates, however so that any duration exceeding 5 years from the date of the Extraordinary General Meeting will be subject to approval of such extension by a subsequent general meeting. The Warrants are expected to be subject to certain customary adjustment mechanisms, including upon a failure to timely provide extension approval in which case the subscription price will be set to nominal value.

In November 2019, Prosafe has issued letters to lenders to reconsider the election of warrants with the conditional increase in the applicable margin. This modification is at the request of the lenders. Out of the 9,779,993 warrants issued in 2018, 6,344,011 of the warrants have been cancelled and replaced with the conditional increase of the applicable margin of the loan. The balance of warrants remaining is 3,435,982. The difference between the opening balance in equity and the fair value of the liability at the reclassification was recognised directly in equity on derecognition.

The remaining warrants are reclassified to financial liabilities. No profit or loss is recognised on the reclassification. The warrants are measured at fair value, but are severely out of the money and the amount is not material as at 31 December 2019. For further information, see note 15 of the Consolidated Accounts.

NOTE 10: INTEREST-BEARING DEBT

	2019	2018
Credit facility	1 314 103	1 191 999
Modification of the amortised cost - credit facilities	6 731	50 583
Unamortised borrowing costs	(12 707)	(18 585)
Total interest-bearing debt	1 308 127	1 223 997
Long-term interest-bearing debt	0	1 198 269
Current interest-bearing debt	1 308 127	25 728
Total interest-bearing debt	1 308 127	1 223 997

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

Reconciliation of movements of interest-bearing debt to cash flows arising from financing activities

	2019	2018
At 1 January	1 223 997	1 324 901
Changes from financing cash flows		
- Proceeds from new interest-bearing debt	155 000	0
- Repayments of interest-bearing debt	(33 400)	(151 200)
- Interest paid	(74 269)	(65 717)
Total changes from financing cash flows	47 331	(216 917)
Other liability-changes		
- Non cash movement in interest bearing debt	(37 974)	44 196
- Interest paid	74 269	65 717
- Interest expense rolled to credit facilities	504	6 100
Total liability-related changes	36 799	116 013
At 31 December	1 308 127	1 223 997

NOTE 11: OTHER INTEREST-FREE CURRENT LIABILITIES

	2019	2018
Accrued interest costs	9 802	9 922
Other current liabilities	1 181	623
Total other interest-free current liabilities	10 983	10 545

NOTE 12: INTRA-GROUP BALANCES

	2019	2018
NOK loan to Prosafe AS	93 725	126 177
USD loan to Prosafe Offshore Holdings Pte. Ltd.	65 765	62 311
USD loan to Safe Eurus Singapore Pte. Ltd.	115 203	60 037
Intra-group long-term receivables	274 693	248 525

Loan agreements with subsidiaries are based on market prices using 3M NIBOR (NOK loan) and 3M LIBOR (USD loan) interest rates plus a margin of 2.15% (2018: 2.15%) and 3.25-3.70% (2018: 3.25-3.40%) per annum respectively. Outstanding balances at year-end are unsecured, and settlement normally occurs in cash or via share capital injection.

	2019	2018
USD loan from Prosafe Rigs Pte. Ltd.	0	60 037
Intra-group long-term payables	0	60 037

In 2018, loan agreements with a subsidiary are based on market prices using 3M LIBOR (USD loan) interest rates plus a margin of 3.4% per annum. The loan is repaid by a capital reduction in the investment in Prosafe Rigs Pte Ltd.

Transactions with related parties	2019	2018
Transactions		
Sale of Investment in subsidiaries to Prosafe Offshore Holdings Pte. Ltd.	0	60 915
Administrative income from subsidiaries	0	3
Administrative expenses due to subsidiaries	(2 914)	(3 880)
Interest income	12 427	6 348
Interest expenses	(3 291)	(271)
Group contribution from subsidiaries	23 491	0
Dividends from subsidiaries	4 529	40 396

Prosafe AS and Prosafe Management AS are performing services on behalf of Prosafe SE relating to management, corporate activities, investor relations, financing and insurance. The services are invoiced on a monthly basis and paid on market terms. Please refer to note 6 to the consolidated accounts for disclosure of remuneration to directors.

Year-end balances	2019	2018
Current receivables due from subsidiaries	5 065	7
Intra-group long-term receivables	274 693	248 525
Intra-group long-term payables	0	(60 037)
Current payables due to subsidiaries	(17 502)	(853)

Current receivables are not subject to any interest calculation. The short-term payables to subsidiaries are subject to interest rates from 3M LIBOR (USD loan) interest rates plus a margin of 3.2% per annum. (2018: 0% to 3M LIBOR (USD loan) interest rates plus a margin of 2.15% per annum). The balances will be settled on ordinary market terms.

NOTE 13: MORTGAGES AND GUARANTEES

2019

As of 31 December 2019, the Company's interest-bearing debt secured by mortgages totalled USD 1,314.1 million. The debt was secured by mortgages on the accommodation/service vessels Safe Bristolia, Safe Caledonia, Safe Concordia, Safe Scandinavia, Regalia, Safe Boreas, Safe Zephyrus and Safe Notos (net carrying value USD 1,002.6 million). Safe Bristolia is sold for recycling in 2020. Negative pledge clauses apply on shares in the vessel owning subsidiaries. Earnings accounts are pledged as security for the credit facilities, but cash will only be restricted if a continuing event of default occurs.

A bank guarantee has been issued on behalf of Prosafe Rigs Pte. Ltd. in favour of Westcon Yards AS, amounting to NOK 245 million at 31 December 2019. This bank guarantee is secured by a cash deposit of USD 5 million and a counter bank guarantee of USD 30 million issued under the USD 1,300 million facility.

As at 31 December 2019, the Group had issued parent company guarantees to clients and vendors on behalf of its subsidiaries in connection with the award and performance of contracts totalling approximately USD 183.5 million and a parent company guarantee and indemnity relating to the bank guarantee referred to above. The amounts specified with regard to parent company guarantees reflect the sum of the estimated capped liability under the relevant agreements.

2018

As of 31 December 2018, the Company's interest-bearing debt secured by mortgages totalled USD 1,192 million. The debt was secured by mortgages on the accommodation/service vessels Safe Bristolia, Safe Caledonia, Safe Concordia, Safe Scandinavia, Regalia, Safe Boreas, Safe Zephyrus and Safe Notos (net carrying value USD 1,422.6 million). Negative pledge clauses apply on shares in the vessel owning subsidiaries. Earnings accounts are pledged as security for the credit facilities, but cash will only be restricted if a continuing event of default occurs.

A bank guarantee has been issued on behalf of Prosafe Rigs Pte. Ltd. in favour of Westcon Yards AS, amounting to NOK 245 million at 31 December 2018. This bank guarantee is secured by a cash deposit of USD 5 million and a counter bank guarantee of USD 30 million issued under the USD 1,300 million facility.

As at 31 December 2018, Prosafe had issued parent company guarantees to clients and vendors on behalf of its subsidiaries in connection with the award and performance of contracts totalling approximately USD 201 million and a parent company guarantee and indemnity relating to the bank guarantee referred to above. The amounts specified with regard to parent company guarantees reflect the sum of the capped liability under the relevant agreements.

NOTE 14: FINANCIAL ASSETS AND LIABILITIES

Year ended 31 Dec 2019	Financial assets measured at amortised cost	Fair value through profit and loss	Financial liabilities measured at amortised cost	Carrying value
Intra-group long-term receivables	274 693	0	0	274 693
Cash and deposits	90 900	0	0	90 900
Other current assets	5 629	0	0	5 629
Fair value interest rate caps	0	16	0	16
Total assets	371 222	16	0	371 238
Credit facility	0	0	1 308 127	1 308 127
Fair value interest rate swaps	0	27 617	0	27 617
Accounts payable	0	0	457	457
Interest-free long-term liabilities	0	0	2 287	2 287
Intra-group current liabilities	0	0	17 502	17 502
Other interest free current liabilities	0	0	10 983	10 983
Total liabilities	0	27 617	1 339 356	1 366 973

Year ended 31 Dec 2018	Financial assets measured at amortised cost	Fair value through profit and loss	Financial liabilities measured at amortised cost	Carrying value
Intra-group long-term receivables	248 525	0	0	248 525
Cash and deposits	16 024	0	0	16 024
Other current assets	261	0	0	261
Fair value interest rate caps	0	1 310	0	1 310
Fair value interest rate swaps	0	1 142	0	1 142
Total assets	264 810	2 452	0	267 262
Credit facility	0	0	1 223 997	1 223 997
Fair value interest rate swaps	0	16 136	0	16 136
Accounts payable	0	0	491	491
Interest-free long-term liabilities	0	0	2 311	2 311
Intra-group non-current liabilities	0	0	60 037	60 037
Intra-group current liabilities	0	0	853	853
Other interest free current liabilities	0	0	10 545	10 545
Total liabilities	0	16 136	1 298 233	1 314 369

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

NOTE 15: MATURITY PROFILE LIABILITIES

As of 31 December 2019, the Company's main financial liabilities had the following remaining contractual maturities (assuming the extension option for the USD 1,300 million facility is not exercised and excluding any lender's right to accelerated repayment as a consequence of breaches to the loan agreement):

Year ended 31 December 2019	2020	2021	2022	2023	2024 onwards
Interest-bearing debt (repayments) ¹⁾	16 600	140 500	1 157 003	0	0
Interests incl interest swaps	71 700	63 800	5 100	0	0
Intra-group current liabilities	17 502	0	0	0	0
Accounts payable	457	0	0	0	0
Other interest-free current liabilities	10 983	0	0	0	0
Total	117 242	204 300	1 162 103	0	0

¹⁾ If the lenders are to require accelerated repayment, the maturities of the interest-bearing debt will be brought forward entirely to year 2020.

Year ended 31 December 2018	2019	2020	2021	2022	2023 onwards
Interest-bearing debt (repayments)	15 000	16 600	140 500	1 019 900	0
Interests incl interest swaps	69 300	67 800	63 000	7 300	0
Intra-group non-current liabilities	0	0	0	0	79 500
Intra-group current liabilities	853	0	0	0	0
Accounts payable	491	0	0	0	0
Other interest-free current liabilities	10 545	0	0	0	0
Total	96 188	84 400	203 500	1 027 200	79 500

NOTE 16: FINANCIAL RISKS

Interest rate risk

Interest on debt is in principle floating, but has been hedged to reduce the variability of cash flows in the interest payments through the use of interest rate swap and interest rate cap agreements. The Company evaluates the hedge profile in relation to the repayment schedule of its loans, the subsidiaries' portfolio of contracts, cash flow and cash in hand. The interest rate risk is largely hedged by the use of interest rate swaps or cap structures for normally 70-100% of the debt.

As of 31 December 2019, the Company's hedging agreements totalled USD 1,000 million:

Notional amount	Fixed rate	Maturity	Swap type	Fair value (USD 1 000)
USD 225 million	2.4440 %	2022	Bullet	(14 090)
USD 135 million	2.3630 %	2022	Bullet	(6 584)
USD 120 million	1.5330 %	2022	Bullet	(2 014)
USD 120 million	2.1280 %	2022	Bullet	(4 929)
Sub total				(27 617)

Notional amount	Capped rate	Maturity	Fair value (USD 1 000)
USD 160 million	3.0000 %	2021	1
USD 240 million	3.0000 %	2022	15
Sub total			16
Total			(27 601)

Fair value of interest rate swap and interest cap agreements are estimated using quoted market prices. The fair value estimates the gain or loss that would have been realised if the contracts had been closed out at the balance sheet date.

Interest rate risk - sensitivity

The sensitivity analysis is based on a reasonably possible change in the relevant forward curves and reflects the main effects on profit or loss and equity assuming that the change had occurred at the balance sheet date. A forward curve shift of ± 50 bps (2018: ± 50 bps) is applied in the analysis.

	2019		2018	
	Income statement effect	OCI effect	Income statement effect	OCI effect
Pre-tax effects				
Forward curve +50bps (2018: +50bps)				
Re-valuation interest rate swaps	5 294	0	8 276	0
Re-valuation interest rate caps	110	0	2 227	0
Total	5 404	0	10 503	0
Forward curve -50bps (2018: -50bps)				
Re-valuation interest rate swaps	(5 361)	0	(8 422)	0
Re-valuation interest rate caps	(15)	0	(778)	0
Total	(5 376)	0	(9 199)	0

Changes in other comprehensive income related to financial instruments

The following changes in other comprehensive income were related to financial instruments:

	2019	2018
Re-valuation interest rate swaps	0	47 985
Total	0	47 985

The Company ceased hedge accounting for its interest rate swaps on 30 June 2016. Under IFRS 9, when an entity discontinues hedge accounting for a cash flow hedge and the amount accumulated in the cash flow hedge reserve is a loss, this amount should be immediately reclassified from the reserve into profit or loss if the entity does not expect the loss will be recovered in one or more future periods. The Company has assessed the discontinued cash flow hedge reserve balance and concluded that the amount is not expected to be recovered in the future periods due to the interest rate development and forward curve. As a consequence of this assessment, the reserve balance of USD 47,985,000 is taken into profit or loss in 2018.

Currency risk

The Company's operating expenses are primarily denominated in EUR and NOK, and the operating result is therefore exposed to currency risk relating to fluctuations in the EUR and NOK exchange rates versus the USD.

The Company is exposed to currencies other than USD associated with interest-bearing debt, cash and deposits. Cash and deposits are mainly denominated in USD, GBP, EUR and NOK and the interest bearing debt to Prosafe AS in NOK.

Currency risk - sensitivity

The sensitivity analysis is based on a reasonably possible change in the relevant exchange rates and reflects the main effects on profit or loss and equity assuming that the change had occurred at the balance sheet date. A 10% strengthening/weakening of the USD against NOK, EUR and GBP will have the following effects. Exposures to foreign currency changes for all other currencies are not material. OCI in the table below refers to Other Comprehensive Income.

	2019		2018	
	Income statement effect	OCI effect	Income statement effect	OCI effect
Pre-tax effects				
USD +10%				
Re-valuation cash and deposits	(300)	0	(638)	0
Re-valuation NOK Loan to Prosafe AS	9 084	0	11 720	0
Total	8 784	0	11 082	0
USD -10%				
Re-valuation cash and deposits	300	0	638	0
Re-valuation NOK Loan to Prosafe AS	(9 084)	0	(11 720)	0
Total	(8 784)	0	(11 082)	0

Credit risk

The Company is exposed to credit risk in relation to the inter-company loan to three subsidiaries, Prosafe AS, Prosafe Offshore Holdings Pte Ltd & Safe Eurus Singapore Pte Ltd. See note 12 for details about the intra-group loan.

Liquidity risk

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

The Group had an unrestricted liquidity reserve totalling USD 188.6 million. Under the existing credit facility agreements, the Group is required to maintain minimum liquidity of USD 65 million. Despite the Group management's continued efforts in streamlining of the organisation to reduce costs and preserve cash, the Group is anticipated to only be able to stay above the minimum cash covenant level based on currently known information and commitments and all else equal till around end 2020. The Group is similarly anticipated to stay cash positive based on the same assumptions till around mid-2021. Most of the Group's mortgaged debt has been renegotiated during the last few years and the Group is now in discussions with lenders to find a long-term financial solution for the Group.

On 1 April 2020, the Group agreed a forbearance with a majority of its lenders across its two loan facilities, respectively the USD 1,300 million facility and the USD 288 million facility, whereby such lenders agreed not to accelerate, enforce or demand payment following non-payment and default under the two loan facilities. Both facilities require direction from lenders holding more than 2/3 of the total commitment for the agent to initiate acceleration and enforcement steps. Consequently, forbearance consent from 1/3 or above, will restrict such acceleration and enforcement steps. The forbearance was initially granted for a period until 15 April 2020, but could be extended by the lenders through a simplified process. Subsequently in mid-April 2020, Prosafe agreed a further extension to the forbearance from the non-payments and defaults with a majority of its lenders across its two loan facilities until 31 May 2020. As part of this, the Group will continue to defer making payments of scheduled instalments and interests under both facilities. The Group's discussions with its lenders remain constructive and the efforts to create and agree a long-term financial solution continue.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a healthy capital structure in line with economic conditions. The Company manages the total of shareholders' equity and long term debt as their capital. Normally, the Company's main tool to assess its capital structure is the leverage ratio, which is calculated by dividing net interest-bearing debt including bank guarantees, by the Company's profit/loss before depreciation and impairment over the last 12 months. Note that the Company is currently in dialogue with its lenders about a long term financial solution in response to the severe downcycle in the industry and weakened market outlook.



INDEPENDENT AUDITOR'S REPORT

To the General Meeting of Prosafe SE

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Prosafe SE, which comprise:

- The financial statements of the parent company Prosafe SE (the Company), which comprise the statement of financial position as at 31 December 2019, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Prosafe SE and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements and the Board of Directors' report, which state that the Group incurred a net loss of USD 399,9 million during the year ended December 31, 2019 resulting in a total equity of USD 2,4 million at December 31 2019. Furthermore, the Group is operating under a forbearance from non-payments and defaults agreed with a majority of its lenders. These events or conditions, along with other matters as set forth in liquidity section of Note 19, Note 25 and the Board of Directors' report, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Valuations of offshore units (accommodation vessels and tender support vessel) in the consolidated financial statement and valuation of shares in subsidiaries in the Parent company financial statements.

We refer to note 2, 3 and 8 of the Consolidated Financial Statements and note 7 of the Parent company Financial Statements.

The key audit matter	How the matter was addressed in our audit
<p>There is a risk that the Group is not able to recover the carrying amount of Property Plant and Equipment, specifically vessels (“PPE”), due to the continued weak demand in key markets.</p> <p>An impairment assessment was carried out by the Group by assessing the value in use of the Group’s cash generating units (“CGUs”).</p> <p>Calculating the value in use requires significant assumptions about future developments to forecast and discount the future cash flows that are the basis of the assessment of the value in use.</p> <p>Due to the inherent uncertainty, especially under present market conditions, and the subjectivity involved in forecasting and discounting future cash flows, this area involves auditor judgment to be applied when assessing this key judgmental area</p> <p>The above mentioned impairment risk has a direct impact on the valuation of the Company’s significant investment in subsidiaries.</p>	<p>Our audit procedures in this area included;</p> <ul style="list-style-type: none">• Assessing and challenging the Group’s valuation model, including key assumptions, key inputs and calculations such as utilization rates, operating revenues/ expenses, expected lifetime of the vessels, annual capital expenditure and terminal value, in light of previous estimates and our knowledge of the industry.• Evaluating the historical accuracy of management’s budgets and forecasts in order to challenge management on the current year cash flow forecasts;• Assessed the mathematical and methodological integrity of management’s impairment models and the discount rate applied with reference to market data;• Compared the value of shares in subsidiaries with the calculated value of the vessels to assess if impairments of shares are consistent with the calculated value of the vessels• Evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit 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 Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statement on Corporate Governance and the Environmental, Social and Governance report concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Bergen, 14 April 2020

KPMG AS



Anfinn Fardal

State Authorised Public Accountant



**ENVIRONMENTAL,
SOCIAL AND
GOVERNANCE REPORT**

CONTENT

109 About this report

111 Governance

115 Social

124 Environment

ABOUT THIS REPORT

In this Environmental, Social and Governance (ESG) Report, Prosafe will communicate to its stakeholders how the Company integrates environmental, social and governance factors into its business strategy, decisions and operations in order to ensure long-term sustainable development and profitability.

The Company will describe Prosafe's ESG focus areas and results, focusing on how we respond to climate change, treat our people, and ensure responsible business conduct.

Prosafe complies with governmental laws and rules and regulations applicable to its business.

The Company adheres to international recognised principles and guidelines such as the Universal Declaration of Human Rights, the key conventions of the International Labour Organisation, the OECD Guidelines for Multinational Enterprises and the principles of the United Nations Global Compact.

This report has been prepared based on the Corporate Social Responsibility (CSR) requirements of the Norwegian Accounting Act section 3-3c, the Norwegian Shipowners' Association's guidelines for ESG reporting in Maritime Industries, UN Global Compact's requirements for communication on progress, and the Norwegian Code of Practice for Corporate Governance.

ESG GOVERNANCE

ESG is embedded in Prosafe's Core Values, Code of Conduct, principles for Corporate Governance and CSR Policy.

In 2019, the Board of Directors and Executive Management decided to further increase the Company's efforts on ESG. In light of this, "Improve ESG offering and profile" was included as one of the Company's key goals for 2020, and ESG now is an integral part of the Company's strategy.

Furthermore, a number of quantitative environmental, social and governmental KPI targets have been set to drive development. The 2020 targets have been included in the results tables in the different sections of this report. Prosafe will prepare action plans and report progress on these targets in future reports.

As from 2020, the Ethics Committee will be named Safety, Sustainability and Ethics Committee, and will assist the Board of Directors in its supervision of the Company's ESG performance. This includes regular reviews of ESG issues, including climate-related business risks and opportunities, anti-corruption, personnel safety, human rights, cyber security and ESG performance. When necessary, the Committee will consult with internal and external expert resources.

UN GLOBAL COMPACT'S GLOBAL GOALS FOR SUSTAINABLE DEVELOPMENT

Prosafe has been a participant of the UN Global Compact since 2008. We are committed to integrating the UN Global Compact's ten principles in the areas of human rights, labour, environment and anti-corruption into our strategy, policies, culture and operations.

Prosafe supports UN's Sustainable Development Goals (SDGs) and shares the view that its business has a key role to play in the implementation of the goals. We aim to align our own responsibility goals with the following SDGs that can be influenced by Prosafe: SDG 3: Good health and wellbeing; SDG 8: Decent work and economic growth; SDG 13: Climate action; SDG 14: Life below water

Selected SDGs	2019 milestones	Potential impacts and risks (examples)
SDG 3: Health and wellbeing	Lost time incident frequency of zero No fatalities	+ Providing good work places, with safety as our first priority - Potential safety incidents
SDG 8: Decent work and economic growth	Mandatory human rights training and anti-corruption training	+ Increased awareness - Exposure to human rights risks related to our activities and supply chain
SDG 13: Climate action	Kicked of an "Emissions reduction project" "Improve ESG offering and profile" was included as one of the Company's key goals for 2020	+ Exploring emissions reductions - Emissions from operations and , supply chain
SDG 14: Life below water	No accidental emissions to sea No non-regulatory release of ballast water	+ Managing environmental impacts - Risk of potential spills

The Company recognizes that its business activities may have both positive and negative impacts on the SDGs. However, Prosafe seeks to minimize negative impacts and contribute positively to the goals, and to be transparent about its impacts.

COMMITMENT TO STAKEHOLDERS

Prosafe's ESG focus is based on transparency, stakeholder dialogue and integrity in the conduct of our business.

The Company's main stakeholders in this perspective are its employees, customers, suppliers, investors and the communities where the Company operates. Prosafe will ensure that its stakeholders at all times are in possession of correct, clear and timely information about the Company's operations and status.

Dialogue with stakeholders is essential for identifying risks, opportunities and trends, creating realistic expectations and securing confidence in the Company. Prosafe interacts with its key stakeholders amongst others through the annual general meeting, customer surveys, employee surveys, town halls and investor presentations.

GOVERNANCE

Prosafe is committed to complying with all applicable laws, including fair competition and antitrust, anti-corruption and anti-bribery, and insider trading.

CODE OF CONDUCT

Prosafe's Code of Conduct provides the framework for what Prosafe considers to be responsible conduct, but is not exhaustive. In the event that laws and regulations in a particular country are more stringent than Prosafe's Code of Conduct, local rules shall apply.

Prosafe's Code of Conduct imposes an obligation to report possible violations of the Code or other unethical conduct. Managers are required to take their control responsibilities seriously to prevent, detect and respond to ethical issues. Employees are encouraged to discuss concerns with their immediate supervisor or other Manager. Concerns may also be raised with the Safety, Sustainability and Ethics Committee.

Promoting integrity and transparency

Prosafe's Whistleblowing Policy encourages a culture of openness within Prosafe and describes the internal process for whistleblowing aiming at detecting, preventing and combating corrupt and/or unethical behaviour in Prosafe and to set out the relevant guidelines as to how to report concerns and how such matters are handled.

All such reporting will be handled with discretion and in a professional manner, with no retaliation imposed on those who report suspected or unethical behaviour, and the individual may remain anonymous.

The Company's Grievance Management Procedure shall ensure that an employee's grievance is treated in a fair, consistent and responsive manner, together with providing a channel for the hearing of the grievance and a fair resolution. All grievances raised under this procedure shall be treated confidentially and in line with the Company's Equal Opportunities Policy.

Prosafe's Safety, Sustainability and Ethics Committee is responsible for:

- Maintaining and further developing Prosafe's Code of Conduct;
- Ensuring that disclosures are dealt with as quickly as possible and as near to the point of origin as possible;
- Where appropriate, give recommendations and advice on dealing with ethical dilemmas;
- Ensuring that alleged breaches are investigated thoroughly and fairly;
- Reporting at least annually and otherwise when needed, to Prosafe's Audit Committee / Board of directors.

ANTI-CORRUPTION AND FACILITATION PAYMENTS

Prosafe's principles regarding bribery and corruption are crystal clear – we have zero tolerance. This is also described in the Company's Code of Conduct and in the Anti-bribery and Anti-corruption procedure.

Prosafe is against all forms of corruption, including facilitation payments, and make best efforts to ensure that it does not occur in the company's business activities. Prosafe will not offer customers, potential customers, governments, agencies, or any representatives of such entities, or any other third party any rewards or benefits in violation of either applicable law or reasonable and generally accepted business practices.

It is Prosafe's policy that no contributions to political parties, political committees and to individual politicians can be given.

Any breaches or suspicion or breaches of the Code of Conduct must be flagged. If in doubt, employees must consult their manager or the Sustainability, Safety and Ethics Committee.

SUPPLIER FOLLOW-UP

Prosafe encourages suppliers, consultants and other business partners within its sphere of influence to observe the company's Core Values, Code of Conduct and its standards for corporate social responsibility, health and safety, the environment, quality assurance and training and competence.

ESG is focused upon throughout the procurement process, from the pre-qualification of vendors, to entering into contracts, and in supplier audits. The main tool for ensuring ESG implementation in the supply chain is the Prosafe Approved Supplier Verification Questionnaire, which requests suppliers to sign and commit themselves to following Prosafe's ESG principles

Suppliers are subject to the same standards as used by Prosafe within its Integrated Management System. Through planned, scheduled and follow-up efficacy monitoring and audit activities, Prosafe will review and verify that defined standards and requirements are met.

Suppliers are expected to:

- respect all individuals and basic human rights standards
- comply with applicable laws and regulations
- conduct their business without bribery or corruption
- engage in fair competition
- uphold labour standards and prevailing trade union agreements (if applicable)
- uphold and support Prosafe's Core Values and Code of Conduct



Prosafe conducted three supplier audits in 2019. These audits included focus on Environment, Social and Governance, including self assessment status, measures in place, objectives, ambitions and targets.

The Company's supplier audits during 2020 will increase focus on ESG including self assessment status, measures in place, objectives, ambitions and targets

PERSONAL DATA (GDPR)

Prosafe takes its responsibilities seriously with regards to management of personal data. The EU General Data Protection Regulation (GDPR) came into effect in May 2018. A GDPR workgroup consisting of representatives from HR, Legal, PSCM and IT was established well in advance to review all administration and management of personal data, processes and systems to ensure that the personal data and privacy of our people and stakeholders was safeguarded in accordance with the requirements in the regulation.

Prosafe developed the following critical procedures, Data Protection – EU/EEA and Data Protection – Global to ensure the highest standards of protection of personal data and compliance any applicable legislation relating to personal data, including GDPR. GDPR awareness sessions were undertaken and GDPR compliance training was provided to individuals who hold positions that are involved in the management and processing of personal and sensitive personal information.

OUR ACTIONS

Ensuring integrity is a continuous project. New employees are given a thorough introduction of Prosafe's history, operations, vision, core values and Code of Conduct. They are also offered the necessary training in the company's policies and procedures.

In 2019, Prosafe introduced a number of e-learning programs that are mandatory for employees, consultants and agency personnel.

At year-end, the rate of completion for these e-learning programs was as follows:

- UN – the fight against corruption: 78 per cent
- Cyber security awareness: 59 per cent

Management has set clear targets to have 100% of the employees complete the programs as these courses are considered important for the company. Management will remind and encourage employees to complete the courses in order to ensure compliance.

RESULTS IN 2019

Parameters	2019	2018	Comment	2020 KPI target
Anti-corruption training: Completed Training Ratio	78%	N/A		100%
Cyber attacks or similar incidents resulting in loss of data, loss of integrity or other loss	0	0	As part of our Security Framework we have implemented a set of procedural and organisational controls in addition to several protective measures. In close co-operation with our global IT service partner we utilize a centralized service desk based on ITIL where all incidents are registered.	Zero
Cyber attacks or similar incidents resulting in down-time of critical IT systems	0	0	As above	Zero
Investigations or lawsuits in relation to ESG issues	0	0		Zero
Number of whistleblowing cases	2	0		
No. of supplier audits that include auditing of governance issues	2	0		> 3
No. of supplier audits that include governance auditing	2	0		100% of new suppliers
No. of Integrity Due Diligence processes related to other business partners	2	0		100% of new business connections

SOSIAL

OUR PEOPLE

Prosafe's success depends upon the combined capabilities and contributions of its employees. Their motivation, knowledge and competence are fundamental to the company's further sustainable development.

The Company is committed to offering its employees a safe and stimulating working environment where everyone is treated fairly and with respect.

KEY STAFF NUMBERS

Prosafe had 150 employees at the end of 2019 (average 313), compared with 417 in the previous year (average 401). This reduction in the number of employees reflects the adjustment of the organisation in response to a weaker market outlook and reduced demand for Prosafe's services that was initiated in 2019. A number of employees accepted voluntary redundancy packages in the end of 2019. As a result, the overall voluntary employee turnover in the group was 19.2 per cent in 2019, compared with 8.5 per cent in 2018. A number of employees will not leave the company before early 2020, so this number is expected to be relatively high in 2020 as well.

The Company's global presence was reflected in the fact that our employees came from 24 countries around the world.

Due to the nature of the company's business, characterized by short contracts and vessels moving from one country to another when starting a new contract, Prosafe employs an increased number of agency personnel offshore, often only engaged for a short time. Adherence to Prosafe's Code of Conduct, policies and procedures is amongst others ensured through an introduction program for new employees, continuous management focus and e-learning programs.



DIVERSITY AND EQUALITY

The Company believes that strength lies in differences and complementary traits, not in similarities. Attracting, developing and retaining the best employees, regardless of gender, age, nationality, cultural background or religion, gives the Company access to new ideas, promotes better decision making, and creates a workforce that mirrors our clients and the world at large.

Prosafe operates an equal opportunity policy including gender equality. Men have, however, traditionally made up a greater proportion of the recruitment base for offshore operations, and this is reflected in Prosafe's gender breakdown. As of 31 December 2019, women accounted for 26.0 per cent of all employees, compared with 11.3 per cent in 2018. Onshore the proportion of women was 36.6 per cent, as opposed to 40.6 per cent in 2018.

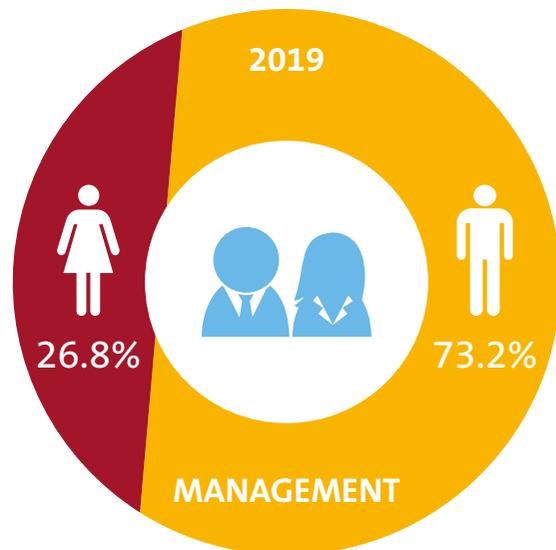
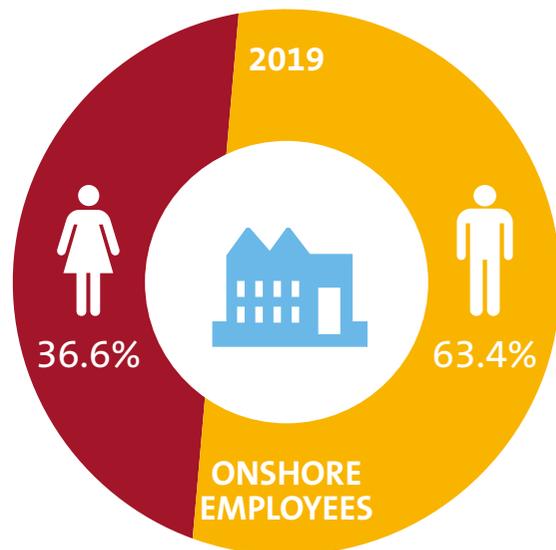
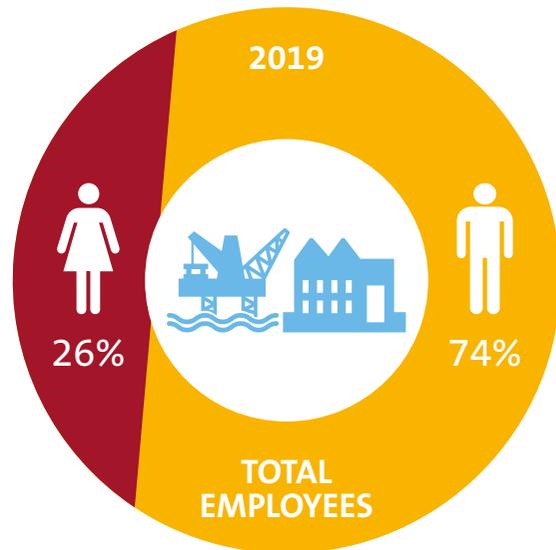
Women constituted 26.8 per cent of the managers as at 31 December 2019, compared with 25.0 per cent at the end of 2018.

Prosafe aims to offer the same opportunities to all and does not accept discrimination with respect to recruitment, remuneration or promotion due to age, disability, gender, marriage and civil partnership, pregnancy and maternity, nationality, religion or belief, sex and sexual orientation

RECRUITMENT AND COMPENSATION

Prosafe wants to be a preferred employer, and aims to attract and retain employees by offering them challenging and motivating tasks, and by providing attractive working conditions and possibilities for personal development and career growth.

All employees shall have a salary that is seen as fair, competitive and in accordance with industry standards. Only relevant qualifications such as education, experience, performance and other professional criteria shall be taken into account when appointing, settling remuneration and awarding promotion.



WHISTLEBLOWING

Prosafe encourages its employees to report any breaches of its Code of Conduct through the established whistleblowing channels. This will ensure that the company when necessary can rectify, learn and prevent re-occurrence.

The Company's Grievance Management Procedure shall ensure that an employee's grievance is treated in a fair, consistent and responsive manner, together with providing a channel for the hearing of the grievance and a fair resolution. All grievances raised under this procedure shall be treated confidentially and in line with the Company's Equal Opportunities Policy.

RESPECTING HUMAN RIGHTS

Prosafe supports the principles set out in the Universal Declaration of Human Rights. The Company endeavours to ensure that its operations and those of its suppliers are conducted in accordance with basic human rights standards. This statement of support can also be found in Prosafe's CSR Policy. Furthermore, the obligation to respect human rights is addressed in Prosafe's Code of Conduct.

Human Rights related risks

Prosafe operates in the international oil and gas industry, which is a strictly regulated industry within which there is a strong presence of trade unions.

Prosafe requires that human rights are respected within its own operations and those of its suppliers.

Prosafe's approach to respecting human rights starts with the company's commitment to its workforce. This includes ensuring that staff are treated fairly and without discrimination and has a healthy, safe and secure working environment, and respecting their right to freedom of association and rights to negotiate and cooperate through relevant representative bodies.

Prosafe does not accept any breaches of human rights or labour standards when recycling older vessels. In all cases, Prosafe will adhere to relevant conventions (2009 Hong Kong Convention, 1989 Basel Convention), always adopt best practise, provide financial guarantees and appoint independent recycling yard representation where necessary, until the asset is completely recycled, and conduct extensive diligence when recycling of any asset.

Response to Human Rights violations

No legal claims have been received from any employee in respect of any violation of human rights, and no breaches of the Code of Conduct in relation to human rights in 2019.

RESPECTING LABOUR STANDARDS

Prosafe respects and promotes the four fundamental principles and rights at work as described in the International Labour Organisation Core Conventions:

- freedom of association and the effective recognition of the right to collective bargaining
- elimination of all forms of forced or compulsory labour
- effective abolition of child labour
- elimination of discrimination in respect of employment and occupation

These principles are also described in the Company's Code of Conduct and in the Corporate Social Responsibility Policy.

Labour rights related risks

Prosafe operates in the international oil and gas industry, which is a strongly regulated industry with a strong presence of trade unions. The knowledge and training required in order to be allowed to work offshore and the application of national tariff agreements largely eliminate the possibility for using child labour.

Prosafe aims to ensure compliance with labour laws, rules and regulations in all the geographical areas and jurisdictions it operates in. It is Prosafe's understanding that the International Labour Organisation Core Conventions are respected within its own operations, and within the operations of its suppliers, consultants and other business partners.

Employee Representation and Engagement

Employees in all geographical locations have the right to be heard and represented, and to form and join trade unions of their own choice. This is part of Prosafe's commitment to human and labour rights.

Prosafe encourages employee involvement and keeps its employees updated through emails, regular intranet updates and town hall meetings with Q&A sessions.

For organisational changes that affect the company's employees, Prosafe observes national legislation on the minimum requirements of notification period in the countries where the company operates.

Prosafe conducted two global surveys in 2019 to gauge employee engagement. Based on the feedback received, management evaluates which improvement areas to focus on in the following year.

Collective bargaining

The following Collective Bargaining Agreements were in force during 2019:

- Norwegian Maritime Unions
- Norwegian Ship Owners Association (NSA)
- Industri Energi (IE)

These agreements have been renewed and will continue to operate during 2020.

Response to Labour Standards violations

There have not been any reported possible breaches of labour standards since Prosafe became a member of the UN Global Compact in October 2008.

There were not made any legal claims against the company by any employee regarding a breach of labour standards in 2019.

OUR ACTIONS

In September 2019, Prosafe introduced a mandatory e-learning program for human rights and labour standards, to be completed by all employees, consultants and agency personnel. At year-end, the rate of completion was 44 per cent.

Management has set clear targets to have 100% of the employees complete this program as it is considered important for the company. Management will remind and encourage employees to complete the courses in order to ensure compliance.

RESULTS IN 2019

Parameter	2019	2018	Comment	2020 KPI target
Number of employees at year-end	150	417	In order to adjust the size of the organisation to the weaker market outlook and reduced demand for Prosafe's services; a number of employees were offered voluntary redundancy packages in the end of 2019.	-
Employee turnover ratio	19.2%	8.5%	As above	< 10%
Share of women in the workforce - overall	26.0%	11.3%	This is a result of the voluntary redundancy, where a larger number of male employees left the organisation	-
Share of women in the workforce - onshore	36.6%	40.6 %	As above	Strive to increase the share over and above current levels
Share of women in management	26.8%	25%		KPI to be set in 2020
Human rights and labour standards training	44%	Not started yet		100%
No. of supplier audits that include social issues auditing (human rights, labour rights, etc.)	2	0	There were zero non-compliances or findings in these audits	2

HEALTH AND SAFETY

Prosafe endeavours to offer its employees a good and safe working environment in physical and psychosocial terms. It is our objective that nobody should suffer work-related illnesses or strain injuries as a consequence of working for Prosafe.

All employees should have a good balance between work requirements, individual opportunity for control and participation, and support from colleagues and managers.

Sick leave was 2.26 per cent in 2019, an increase from 2.07 per cent in 2018. We believe that a good working environment and a close follow-up of employees on sick leave are prerequisites for achieving the lowest possible sickness absence rate.

We monitor and manage all areas of absence (actual and potential) closely, and take the appropriate actions. We also take steps to enable employees to return to work on light duties, either in the office or on shorter vessel trips to re-assimilate the employee's return to work.

Special attention is paid to employees exposed to certain hazards such as high noise environments, exposure to chemicals and other conditions that may be harmful to health. We carry out regular occupational health assessments for these risks.

Reducing sick leave is significant to the well-being of the individual employee, and also has a positive financial effect on the company and society as a whole.



	2019	2018	2017
Sick leave in %	2.26%	2.07%	2.53%

SAFETY CULTURE – ZERO MINDSET

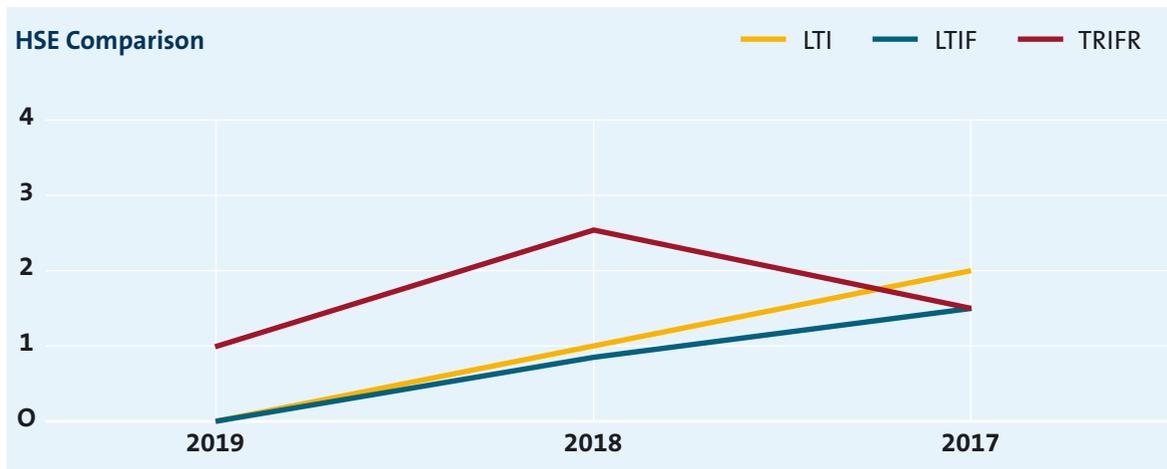
Safety is a core value in Prosafe. We look upon the objective of zero incidents as a goal to work towards and a way of thinking. We are committed to working actively to avoid injuries and accidents.

Systematic preventive health, safety and environment work is a line management responsibility in Prosafe. Involvement by management and SBM, strong leadership and commitment, and close cooperation with the organisation onshore and offshore, including employee representatives and safety delegates, are key factors in achieving our goal of operating without accidents. It is about visibility, walking the talk and caring about each other and the values we manage on behalf of our owners and clients.

We continually look ahead and focus on the implementation of preventive measures and initiatives to further strengthen our safety culture. We encourage our employees to identify and assist in the development of new systems and procedures which deliver improved safety results.

In 2019, Prosafe recorded zero incidents classified as a Lost Time Injury (LTI), which means the employee was absent from the next work shift because of the injury. This is a good performance in direct comparison to 2018 and a reflection of the effectiveness of the robust induction and vessel familiarisation of agency crew undertaken by Shipboard Management.

The LTI frequency is calculated by multiplying the number of LTIs by 1 million and dividing this by the total number of man-hours worked. In 2019, the LTI frequency was 0 as compared to 0.85 in 2018. All injuries and serious incidents are unacceptable to Prosafe. Where such events occur, we ensure



	2019	2018	2017
LTI (Lost Time Injuries)	0	1	2
LTIF (Lost Time Injury Frequency)	0	0.85	1.50
TRIFR (Total Recordable Injury Frequency)	0.99	2.54	1.5

that suitably resourced investigations are undertaken to identify root causes and introduce risk-reducing measures aimed at preventing recurrence. The findings of these investigations are conveyed to the rest of the organisation to ensure a transfer of experience. These are important measures for reaching the company's goal of zero injuries and incidents.

Continuously supporting safety awareness

Prosafe continues to promote and support a zero mindset with our employees and sub-contractors. In order to achieve this, a number of activities and management tools are facilitated. These are described in more detail on Prosafe's website at <https://www.prosafe.com/fleet/hsseq/safety/> where you can also find a description of the continuous preventive work and improvement efforts.

Contingency plans

Prosafe has established contingency plans to limit harm to people, the environment and material assets. These plans will ensure that correct, relevant and timely information is provided to the outside world if and when required.

We carry out regular emergency response training and exercises in cooperation with our customers and third parties to ensure that we are as well prepared as possible to deal with a potential crisis.



RESULTS IN 2019

Parameters	2019	2018	Comment	2020 KPI target
Sick leave	2.26%	2.07%		< 3%
Lost time injuries (LTI)	0	2		Zero
Fatalities	0	0		Zero
TRIF (Total Recordable Injury Frequency)	0.99 Target <4	2.85 Target <4		New 2020 - within 10% range of industry body benchmarks (IMCA & RNNP)
LTIF (Lost Time Injury Frequency)	0	0.85		Zero
MTC (Number of Medial Treatment Case)	6	3		New 2020 - within 10% range of industry body benchmarks (IMCA & RNNP)
RWC (Number of Restricted Work Case) -	0	5		As above
FAC (Number of First Aid Cases)	27	49		As above
HOC (Number of Hazard Observation Card)	14,690	11,947		6 per day per vessel on contract. 4 per day per vessel in yard
Emergency drills performed	307	434		-

ENVIRONMENT

Care for the environment is one of Prosafe's core values and forms an integral part of the Company's business planning. Prosafe's goal is zero accidental discharges to the sea and zero accidental emissions to the air, which is in line with its principles for sustainable development.

Prosafe owns and operates a fleet of accommodation vessels that supports installations in the offshore oil and gas industry. The oil and gas industry is an industry with a strong focus on protecting the natural environment.

National authorities require companies operating in their waters to demonstrate compliance with strict rules and regulations. In addition to complying with national laws, Prosafe has internal policies and guidelines for risk management based on international standards.

ENVIRONMENTAL MANAGEMENT

Prosafe's goal is zero accidental discharges to the sea and zero accidental emissions to the air, which is in line with our principles for sustainable development. Prosafe actively pursues and commit to reducing direct emissions from our vessel operations in collaboration with our clients and respective industry body organisations.

Prosafe produces Environmental Impact Assessments for each of the vessels the Company manages or operates. The assessments take into account the mode of operation of the vessel together with generic geographical considerations. Local assessments are typically performed with the clients who will usually be operating under the terms of an operator's permit.

Moreover, the Company cooperates actively with customers and suppliers to set in-house goals, make continuous improvements to its own routines and shape attitudes towards protecting the natural environment from pollution by its operations. All accidental discharges and emissions are reported and followed up in the same way as injuries and material damage.

GREENHOUSE GAS (GHG) EMISSIONS

Prosafe calculates the emissions of CO₂, CO, NO_x, SO₂, CH₄ and VOC for the fleet based on the fleet's diesel consumption. Prosafe's fleet carries low sulphur marine diesel with a maximum sulphur content of 0.1%, thereby exceeding the requirement within MARPOL Annex VI Regulation 14.1 prohibiting the carriage of fuel oil with sulphur content exceeding 0.5%.



It is important to note that the amount of diesel consumed, and thereby also the amount of emissions, will vary largely depending on:

- the number of vessels being operated throughout the year
- the fleet utilisation (i.e. the amount of time that the vessels have been operating)
- the vessels' operation mode - dynamic positioned (DP) vessels maintain their position by means of thrusters and will therefore use far more diesel and thereby also have substantial higher emissions, than vessels that maintain station by moorings

The number of vessels that uses DP and the number of days that these vessels keep their position by using DP will vary from year to year. This implies that the amounts of emissions per year are not directly comparable. As from 2020, Prosafe will provide more comparable data based on individual vessel contract days.

Prosafe calculates its GHG emissions according to the GHG protocol. The calculated emission data for vessels operated by Prosafe were as follows for the years 2015 - 2019:

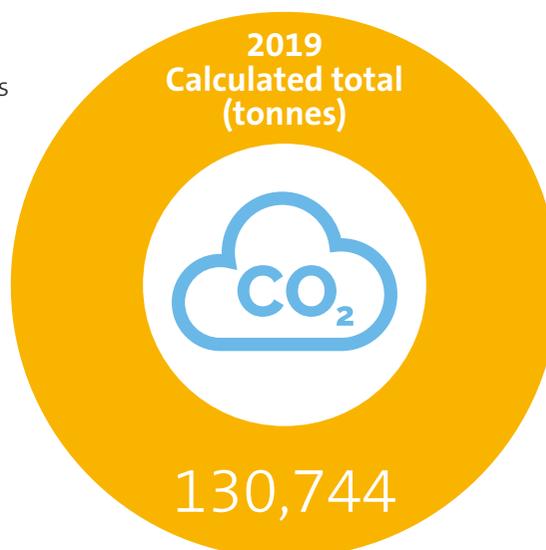
	Calculated 2019 total (tonnes)	Calculated 2018 total (tonnes)	Calculated 2017 total (tonnes)	Calculated 2016 total (tonnes)	Calculated 2015 total (tonnes)
Consumed diesel	40,858	35,486	32,078	43,460	28,788
CO ₂	130,744	113,558	102,650	139,073	92,121
CO	641	674	609	826	547
NO _x	2,427	692	722	1,133	1,814
SO ₂	163	213	192	261	172
CH ₄	7	5	4.5	6.1	4
VOC	82	67	61	83	55

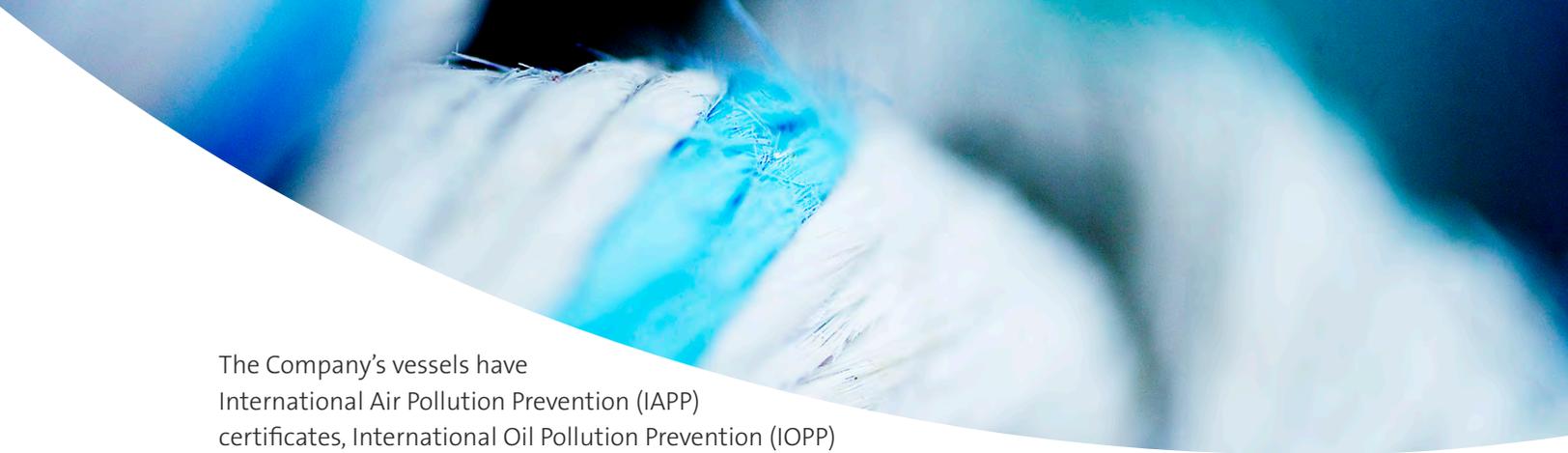
The Company actively monitors and manages staff travel, reporting on CO₂ emissions globally. Prosafe's employees are encouraged to limit travelling to the extent possible, and rather utilise telephone or video conference when possible.

REDUCING OUR ECOLOGICAL FOOTPRINT

The Company is seeking solutions to reduce emissions in order to reduce its impact upon the environment. Environmental considerations are an important aspect when planning vessel refurbishments and upgrades, e.g. when shifting to more fuel efficient equipment and by continuous improvement in operating procedures.

Prosafe cooperates with clients and authorities to reduce the impact of its operations on the natural environment. An example of this is a contract where Prosafe receives incentives when the daily diesel consumption is reduced.





The Company's vessels have International Air Pollution Prevention (IAPP) certificates, International Oil Pollution Prevention (IOPP) certificates and International Sewage Pollution Prevention (ISPP) certificates. These certificates are all issued under the International Convention for the Prevention of Pollution from Ships (MARPOL) and are subject to periodic survey.

FACILITATING IMPROVEMENT OVER TIME

In 2009, Prosafe joined the Confederation of Norwegian Enterprise's (NHO's) Environmental Agreement on NOx. By signing the Agreement, Prosafe committed itself to prevent and reduce environmental problems caused by emissions of nitrogen oxides in its offshore operations.

Refurbishment projects of vessels have included the replacement of older engines with low NOx engines resulting in a reduction of diesel and lub oil consumption, thereby contributing to a reduced environmental impact. The replacement of old tonnage has resulted in six older vessels being replaced with four new built vessels throughout 2016-2019 with more efficient diesel engines, producing less NOx emissions.

It is noted, however, that 2019 resulted in higher NOx emissions despite lower operational activity. The increase from 2018 to 2019 is a direct consequence of a larger number of operations in DP mode. As a direct consequence of the increased utilisation of the vessels in DP mode rather than moored, the total fuel consumption for the fleet has increased.

During 2020, Prosafe will provide more comparable data based on individual vessel contract days which will provide a more accurate reflection of vessel performance and their respective mode of operation i.e. DP or moored and their own Scope 3 emissions associated with anchor handlers and tug vessels

Going forward, the Company will continue to gradually implement new technology and refurbish equipment in order to further reduce emissions.

SPILLS

Prosafe had no reportable discharges to the natural environment in 2019. The Company's vessels take proactive measures to mitigate the potential for any spills and regularly conduct exercises to test its Oil Prevention Emergency Response & Spill contingency plans.

RESPONSIBLE RECYCLING

Prosafe continues to high-grade its fleet by selling the oldest and most inefficient vessels for recycling at certified ship recycling yards. Seven old vessels have been sold for recycling since mid-2016.

In all cases, Prosafe will adhere to relevant conventions (2009 Hong Kong Convention, 1989 Basel Convention), always adopt best practise, provide financial guarantees and appoint independent recycling yard representation where necessary, until the asset is completely recycled, and conduct extensive diligence when recycling of any asset.

USE OF CHEMICALS AND HAZARDOUS SUBSTANCES

Prosafe has an approved Chemicals list that is based on a risk assessment matrix and hierarchy of controls. All chemical and hazardous substances are subject to an evaluation which identifies a 'Hazard Categorisation' to the substance.

The categorisation of the product takes consideration of the impact and effect the substance may have on health and the natural environment. Substances are assigned either a High, Medium or Low category for the representative hazard to health and the environment. The Hazard categorisations are maintained and updated within the Company's online chemical management system (CMS – SYPOL).

Where High Hazard chemicals are identified, it is general practice for Prosafe to seek to substitute these chemicals with lower Hazard chemicals.

The Company continues to conduct further evaluations to identify safer/greener substitutes in for current high/ medium risk substances.

WASTE MANAGEMENT

When a Prosafe vessel operates alongside an offshore installation, it will come under the umbrella of the host installation's operating permits. Prosafe and its client's management systems are cross-referenced within interface documents, and responsibilities are clearly defined.

All Prosafe vessels are subject to MARPOL requirements and have implemented a waste management system that is documented in the Garbage Management Manual. The plan includes assessments of all potential waste products originating on board together with the requirements for waste segregation for transportation ashore.

Prosafe manages waste produced locally whilst monitoring third party's waste disposal performance.

BALLAST WATER

Ballast water management for the Company's vessels is controlled within the confines of the International Maritime Organisation (IMO) regulation.

Prosafe's vessels have International Ballast Water Management (IBWM) certificates. These certificates are all issued under the International Convention for the Control and Management of Ship' Ballast Water and Sediments and are subject to periodic survey. There has not been any accidental or non-regulatory release of ballast water.

DISCHARGE OF SEWAGE

The discharge of sewage is controlled within the confines of IMO regulation. All vessels within the fleet have been subject to International Sewage Pollution Prevention (ISPP) surveys and have been issued certification in accordance with MARPOL Annex IV by the relevant Flag.



RESULTS IN 2019

Parameters	2019	2018	Comment	2020 KPI target
Direct GHG emissions (GHG Protocol Corporate Standard Scope 1) (per contract day in CO2 tonnes)	71.43	58.92	Based on fuel consumption of the fleet in total. As a direct consequence of the increased utilisation of the vessels in DP mode rather than moored, the total fuel consumption for the fleet has increased, resulting in an increase in the GHG emissions	CO2e for each vessel per contract day (5% reduction from 2014-to-2018 average)
Energy indirect GHG emissions (GHG PCS Scope 2)	156.5	162.8	Data collated from total energy consumption for onshore site offices located in UK, Norway Brazil and Singapore	No target set, but should see a visible reduction from energy consumption targets (onshore only)
Other indirect GHG emissions (GHG PCS Scope 3)	3,193	2,657	Data collated from all air travel booked through the company's travel agent for on and offshore personnel including agency personnel in UK, Norway, Brazil and Singapore	No target set, need to understand better our supplier/ sub contractor supply chain emissions data
NOX	1.07	1.02		NOXe for each vessel per contract day (5% reduction from 2014-to-2018 average)
Energy Consumption (kWh) Onshore	541,063	641,881	Energy consumed by global offices in UK, Norway, Brazil and Singapore	5% Reduction based on previous year
Energy Consumption Reduction Rate Onshore (percentage)	15.7	12.91		5% Reduction based on previous year
Fuel Used (1,000 litres)	40,858	42,246	As a direct consequence of the increased utilisation of the vessels in DP mode rather than moored, the total fuel consumption for the fleet has increased	New metric m ³ per vessel per contract day (5% reduction from 2014-to-18 average)
Fuel Consumption Reduction Rate (percentage)	-15.13	-9.7		New metric m ³ per vessel per contract day (5% reduction from 2014-to-18 average)

Parameters	2019	2018	Comment	2020 KPI target
Unplanned spills / emissions to ground / sea / air	0	0		Zero
Total waste Onshore/ Offshore (tonnes)	7.81 / 1,228	13.5/ 1,086	Improved reporting requirements were implemented in 2019. The level of activity and generation of waste on board the vessels has increased due to the preparation of a number of vessels for lay-up and the SPS of Safe Concordia	N/A
Recycling Ratio (percentage)	51 / 61	49 / 56		50% onshore / 30% Offshore. To be reviewed during 2020
Hazardous waste	387	N/A	Tracking introduced in Q4 2019	Target to be evaluated during 2020. Possible xx kg waste per person during contract
Waste Reduction Rate (percentage)	57 / -11.5	N/A	Tracking introduced in Q4 2019.	Target to be evaluated during 2020. Possible xx kg waste per person during contract
Total Water Use offshore (1,000 litres)	123,245	119,691		All water consumed offshore plus onshore where data available.
No. of supplier audits that include environmental auditing	2	0		2 onshore / 2 offshore per year



Prosafe

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the Offshore
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