Prosafe

SECOND QUARTER AND FIRST HALF REPORT 2019

(Figures in brackets refer to the corresponding period of 2018)

Fleet utilisation[1] in the second quarter of 2019 was 71.6 per cent, the highest since Q3 2015. Three new contracts were awarded since the last quarter. Reported EBITDA[2] for the second quarter amounted to USD 53.1 million (USD 57.1 million). Cash flow from operations was USD 18.1 million (USD 43.5 million).

Recent highlights

- On 3 June, Prosafe SE and Floatel International Ltd signed an agreement to merge their respective businesses to create a more cost efficient company.
- Prosafe SE completed the legal redomicilation from Cyprus to Norway.
- High fleet utilisation of 71.6 per cent (45.8 per cent) with an average rate of USD 123k (USD 235k)
- Improved firm orderbook of USD 199 million per Q2 2019 (USD 184 million).
- Reported EBITDA was USD 53.1 million (USD 57.1 million) in the quarter. Underlying EBITDA in the quarter adjusted for one-off effects was USD 36.9 million.
- Cash flow from operations at USD 18.1 million (USD 43.5 million).
- A three-year contract was signed with Petrobras for the Safe Eurus in Brazil.
- Equinor Brazil awarded a contract to the Safe Concordia for a firm duration of 120 days with up to 60 days of options.
- Total UK awarded a contract to the Safe Caledonia for a firm period of 162 days plus one 30-day option.
- Prosafe took delivery of the Safe Eurus on 4 July.
- Equinor exercised a one-month option for the Safe Boreas on 16 August.

[1] Fleet utilisation = actual vessel days in operation in the period / possible vessel days in the period x 100

[2] EBITDA = operating result before depreciation, amortisation, interests and taxes

Operations

The fleet utilisation rate in the second quarter of 2019 was 71.6 per cent (Q2 2018: 45.8 per cent), up from 62.5 per cent in the last quarter and at its highest since Q3 2015.

Safe Scandinavia operated at Aker BP's Ula platform in Norway until mid-May and is now laid up in Norway.

Safe Caledonia commenced work for a major oil and gas operator in the UK sector on 20 April 2019. The contract has a firm duration of four months and up to two months of options. 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 sector of the North Sea. The firm duration of the contract commencing mid-April 2020 is 162 days with one 30-day option.

Safe Boreas continued the contract with Equinor at the Mariner installation in the UK and was in full operation throughout the quarter. The contract's firm period has been extended through October 2019 as Equinor exercised the fourth of six one-month options on 16 August 2019. There are two one-month options remaining.

Safe Zephyrus completed the 12-month contract for Equinor at Johan Sverdrup early May. Thereafter, Safe Zephyrus mobilized to the Clair Ridge platform West of Shetland where the vessel started a contract for BP on 14 May 2019. The duration of the contract is five months with a one-month option.

After completion of a five-year special periodic survey and re-activation, Regalia mobilised to the UK sector of the North Sea and started a 60-day contract on 12 May 2019. The contract was completed on 11 July 2019 and Regalia is currently laid up at a yard in Norway.

Safe Concordia has been operating on a 200-day contract for MODEC in Brazil since late October 2018, further extended through 20 July 2019, and was in full operation throughout the quarter. On 29 June 2019, Equinor awarded the Safe Concordia a contract to provide gangway connected operations supporting maintenance and safety services at the Peregrino fieldoffshore Brazil. The contract will commence mid-January 2020 and has a duration of 120 days with up to 60 days of options.

Safe Notos has been operating on a three-year and 222-day contract for Petrobras in Brazil since 7 December 2016 and was fully contracted in the quarter.

On 29 May 2019, Prosafe signed a three-year contract with Petrobras for the provision of the Safe Eurus. Prosafe took delivery of the Safe Eurus on 4 July 2019 and is presently in transit to Brazil.

As per term in the revised agreement with COSCO from August 2018, the accrued lay up costs for the Safe Eurus was waived after Prosafe made the decision to take delivery of the vessel. As a consequence, Prosafe has reversed the accrued lay-up costs of USD 19 million in the quarter.

During the contract commencing in the fourth quarter of 2019, the Safe Eurus will be providing safety and maintenance support for Petrobras.

Safe Bristolia was idle in the quarter and is laid-up in Norway.

The company has incurred non-recurring costs of approximately USD 3 million in the quarter which were mostly related to the merger activity with Floatel.

Financials

Second quarter 2019

EBITDA for the second quarter amounted to USD 53.1 million (USD 57.1 million). EBITDA in the quarter includes one-off costs related to the merger and organisational down-manning of USD 2.8 million and a reversal of accrued lay-up costs following delivery of the Safe Eurus of USD 19 million positive. Underlying EBITDA in the quarter, adjusted for the net of total one-off effects of USD 16.2 million positive, is USD 36.9 million. The decrease despite higher utilisation was mainly due to lower average day rates.

Depreciation was USD 25 million (USD 27.7 million) in the quarter.

Operating profit for the second quarter amounted to USD 28.1 million (operating profit of USD 29.2).

Net financial costs amounted to USD 25 million (USD 20.9 million). Fair value adjustment of interest rate swaps and interest rate caps amounted to USD 7.8 million negative (USD 4.8 million positive).

Net profit equalled USD 2.1 million (net profit of USD 7.4 million).

Cash flow from operations was USD 18.1 million (USD 43.5 million). The main reason for the reduction was lower underlying EBITDA , and the change in working capital due to high vessel activity, including taking delivery of Safe Eurus

Total assets at 30 June amounted to USD 1,704.9 million (USD 1,946.8 million). Net interest-bearing debt equalled USD 1,125.7 million (USD 1,070 million), and the book equity ratio was 22 per cent (25 per cent).

YTD 2019

Fleet utilisation was 67 per cent (40 per cent). EBITDA YTD amounted to USD 77.2 million (USD 106.3 million). The decrease in EBITDA is mainly due to lower average day rates partially offset by higher fleet utilisation and lower operating expenses. In addition, the EBITDA is positively impacted by a reversal of the accrued lay up costs relating to the Safe Eurus.

Depreciation and impairment amounted to USD 55.6 million (USD 55.3 million).

Operating profit equalled USD 21.6 million (operating profit of USD 51 million).

Net financial costs YTD amounted to USD 45.4 million (USD 23.6 million). The increase in 2019 is mainly due to negative effect from fair value adjustment of interest rate swaps and interest rate caps amounting to USD 13.5 million negative (USD 20.9 million positive) which is partially offset by lower interest expenses.

Net loss YTD equalled USD 26.1 million (net profit of USD 23.3 million).

Update on merger process

With regards to the ongoing merger process with Floatel International Ltd, Prosafe and Floatel have received support from their majority banks to merge, subject to satisfactory documentation, approval from Floatel bond holders, approval from competition authorities in Norway and UK and approval by an EGM in Prosafe SE.

The competition process in Norway is in its second and final phase, with a conclusion expected before the end of September, whereas in the UK we are still in the first phase. Timing of the closing is therefore uncertain pending outcome of the competition process.

Outlook

Prospects remain high on a global level. However, current tendering activity is modest and there is limited opportunity for additional work in the North Sea in the remaining part of 2019.

In Brazil, two contracts were awarded to Prosafe in the first half of 2019. Further, Petrobras is in the market for three safety and maintenance units, of which two for longer term contracts.

The production ambitions of the new Mexican administration are high, and it is positive that drilling contracts have been awarded to non-Mexican service providers. Prosafe has an office in Mexico and is well positioned for new accommodation contracts.

Long-term macro indicators remain positive, and the general expectation among analysts indicates that the industry activity will continue to pick up across the value chain, although from low levels and at a modest pace.

In the short term, Maintenance and Modification (MMO) will be key for activity in 2020.

21 August 2019

The Board of Directors of Prosafe SE

………………………..	………………………..	…………………………
Glen O. Rødland	Kristian K. Johansen	Birgit Aagaard-Svendsen
Non-executive Chairman	Non-executive Director	Non-executive Director

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Nina Udnes Tronstad	Svend A. Maier
Non-executive Director	Non-executive Director

CONDENSED CONSOLIDATED INCOME STATEMENT

(Unaudited figures in USD million)	Q2 19	Q1 19	Q2 18	6M 19	6M 18	2018
Operating revenues	75.3	67.3	100.3	142.6	183.1	330.8
Operating expenses	(22.2)	(43.2)	(43.2)	(65.4)	(76.8)	(164.2)
Operating results before depreciation	**53.1**	**24.1**	**57.1**	**77.2**	**106.3**	**166.6**
Depreciation	(25.0)	(26.2)	(27.7)	(51.2)	(55.0)	(113.0)
Impairment	0.0	(4.4)	(0.2)	(4.4)	(0.3)	(0.6)
Operating profit/(loss)	**28.1**	**(6.5)**	**29.2**	**21.6**	**51.0**	**53.0**
Interest income	0.4	0.3	0.8	0.7	1.2	2.9
Interest expenses	(15.3)	(15.3)	(20.9)	(30.6)	(41.5)	(173.3)
Other financial items	(10.1)	(5.4)	(0.8)	(15.5)	16.7	8.8
Net financial items	**(25.0)**	**(20.4)**	**(20.9)**	**(45.4)**	**(23.6)**	**(161.6)**
Profit/(Loss) before taxes	**3.1**	**(26.9)**	**8.3**	**(23.8)**	**27.4**	**(108.6)**
Taxes	(1.0)	(1.3)	(0.9)	(2.3)	(4.1)	(5.9)
Net profit/(loss)	**2.1**	**(28.2)**	**7.4**	**(26.1)**	**23.3**	**(114.5)**
EPS	**0.02**	**(0.32)**	**0.09**	**(0.30)**	**0.29**	**(1.30)**
Diluted EPS	**0.02**	**(0.32)**	**0.08**	**(0.30)**	**0.26**	**(1.30)**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited figures in USD million)	Q2 19	Q1 19	Q2 18	6M 19	6M 18	2018
Net profit/(loss) for the period	**2.1**	**(28.2)**	**7.4**	**(26.1)**	**23.3**	**(114.5)**
Foreign currency translation	(0.1)	0.4	(1.1)	0.3	0.4	(5.1)
Revaluation hedging instruments	0.0	0.0	3.4	0.0	6.7	48.3
Pension remeasurement	0.0	0.0	0.0	0.0	0.0	(0.8)
Other comprehensive income	**(0.1)**	**0.4**	**2.3**	**0.3**	**7.1**	**42.4**
Total comprehensive income	**2.0**	**(27.8)**	**9.7**	**(25.8)**	**30.4**	**(72.1)**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited figures in USD million)	30.06.19	31.03.19	31.12.18	30.06.18
Vessels	1,379.4	1,401.3	1,422.6	1,475.2
New builds	148.6	125.8	125.8	125.2
Other non-current assets	2.8	3.0	10.1	10.0
Total non-current assets	**1,530.8**	**1,530.1**	**1,558.5**	**1,610.4**
Cash and deposits	120.5	109.3	140.3	274.6
Other current assets	53.6	45.0	38.0	61.8
Total current assets	**174.1**	**154.3**	**178.3**	**336.4**
Total assets	**1,704.9**	**1,684.4**	**1,736.8**	**1,946.8**
Share capital	9.0	9.0	9.0	9.0
Other equity	365.4	363.4	391.2	487.3
Total equity	**374.4**	**372.4**	**400.2**	**496.3**
Interest-free long-term liabilities	30.0	22.1	18.5	40.3
Interest-bearing long-term debt	1,202.4	1,171.3	1,198.5	1,326.1
Total long-term liabilities	**1,232.4**	**1,193.4**	**1,217.0**	**1,366.4**
Other interest-free current liabilities	54.3	75.0	75.1	65.6
Current portion of long-term debt	43.8	43.6	44.5	18.5
Total current liabilities	**98.1**	**118.6**	**119.6**	**84.1**
Total equity and liabilities	**1,704.9**	**1,684.4**	**1,736.8**	**1,946.8**

Key figures in Balance Sheet

(Unaudited figures in USD million)	30.06.19	31.03.19	31.12.18	30.06.18
Total assets	1,704.9	1,684.4	1,736.8	1,946.8
Working capital	76.0	35.7	58.7	252.3
Liquidity reserve	240.5	264.3	277.3	274.6
Interest-bearing debt	1,246.2	1,214.9	1,243.0	1,344.6
Net Interest-bearing debt	1,125.7	1,105.6	1,102.7	1,070.0
Book equity	374.4	372.4	400.2	496.3
Book equity ratio	22%	22%	23%	25%

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(Unaudited figures in USD million)	Q2 19	Q1 19	Q2 18	6M 19	6M 18	2018
Profit/(Loss) before taxes	3.1	(26.9)	8.3	(23.8)	27.4	(108.6)
Share of loss of equity of an associate	0.0	0.8	(0.1)	0.8	0.1	1.7
Gain on sale of non-current assets	0.0	0.0	0.0	0.0	0.0	(2.1)
Depreciation	25.0	26.2	27.7	51.2	55.0	113.0
Impairment	0.0	4.4	0.2	4.4	0.3	0.6
Financial income	(0.4)	(0.3)	(0.8)	(0.7)	(1.2)	(2.9)
Financial costs	15.3	15.3	20.9	30.6	41.5	173.3
Change in working capital	(28.9)	(7.1)	(13.3)	(36.0)	(18.0)	16.6
Other items (used in) from operating activities	5.4	3.7	1.5	9.1	(4.1)	(31.1)
Taxes paid	(1.4)	(1.4)	(0.9)	(2.8)	(6.2)	(13.4)
Net cash flow from operating activities	**18.1**	**14.7**	**43.5**	**32.8**	**94.8**	**147.1**
Acquisition of tangible assets	(25.8)	(5.0)	(1.6)	(30.8)	(2.8)	(8.7)
Proceeds from sale of tangible assets	0.0	0.0	0.0	0.0	0.0	2.6
Interests received	0.4	0.3	0.8	0.7	1.2	2.9
Net cash flow used in investing activities	**(25.4)**	**(4.7)**	**(0.8)**	**(30.1)**	**(1.6)**	**(3.2)**
Proceeds from new interest-bearing debt	35.0	0.0	0.0	35.0	0.0	0.0
Repayment of interest-bearing debt	(1.2)	(25.7)	(1.2)	(26.9)	(9.0)	(155.2)
Refinancing cost	0.0	0.0	0.0	0.0	0.0	(4.2)
Interests paid	(15.3)	(15.3)	(20.9)	(30.6)	(41.5)	(76.1)
Net cash flow used in financing activities	**18.5**	**(41.0)**	**(22.1)**	**(22.5)**	**(50.5)**	**(235.5)**
Net cash flow	**11.2**	**(31.0)**	**20.6**	**(19.8)**	**42.7**	**(91.6)**
Cash and deposits at beginning of period	109.3	140.3	254.0	140.3	231.9	231.9
Cash and deposits at end of period	**120.5**	**109.3**	**274.6**	**120.5**	**274.6**	**140.3**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited figures in USD million)	Q2 19	Q1 19	Q2 18	6M 19	6M 18	2018
Equity at beginning of period	372.4	400.2	486.5	400.2	497.6	497.6
IFRS 15 adjustment to opening balance	0.0	0.0	0.0	0.0	(31.8)	(31.8)
Revised equity at beginning of period	**372.4**	**400.2**	**486.5**	**400.2**	**465.8**	**465.8**
Warrants issue	0.0	0.0	0.0	0.0	0.0	6.4
New share issue	0.0	0.0	0.1	0.0	0.1	0.1
Comprehensive income for the period	2.0	(27.8)	9.7	(25.8)	30.4	(72.1)
Equity at end of period	**374.4**	**372.4**	**496.3**	**374.4**	**496.3**	**400.2**

NOTE 1: GENERAL INFORMATION

Prosafe SE is a public limited company domiciled in Stavanger, Norway. Prosafe SE is listed on the Oslo Stock Exchange with ticker code PRS. The consolidated financial statements for the second quarter of 2019 were authorised for issue in accordance with a resolution of the board of directors on 21 August 2019. The accounting figures are unaudited.

NOTE 2: ACCOUNTING PRINCIPLES

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

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 existing 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 as cash flows used in financing activities 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 1 January 2019.
- Right-of-use 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 expense 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. All the leases in the Group are expiring in 2019, except certain office buildings leases that will expire after 2019.

- 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.

NOTE 3: CONTINGENT ASSET

Westcon dispute

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-Provisions, Contingent Liabilities and Contingent Assets, and has therefore not recognised the amount in the consolidated financial statements

NOTE 4: SAFE EURUS DELIVERY

Reversal of accrued lay up costs

In August last year, Prosafe 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 Prosafe takes delivery of the Safe Eurus within 31st December 2019 then COSCO will waive the accrued lay up costs.

On 29 May, 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 relating to the Safe Eurus have been reversed in this quarter in the total of USD 19 million.

Subsequent Events

On 4 July, Prosafe took delivery of the Safe Eurus from COSCO.