Prosafe

FOURTH QUARTER 2020

(Figures in brackets refer to the corresponding period of 2019)

Reported EBITDA[1] for the fourth quarter was USD 0.7 million (USD 6.4 million negative), reflecting cost efficiency partly offset by lower average day rates. Underlying EBITDA adjusted for one-offs was USD 2.8 million. Liquidity reserve[2] at year-end was USD 160.3 million. The Company aims to conclude a sustainable financial solution with lenders as soon as possible.

Recent highlights

- Successfully maintained its order backlog through Covid-19, although utilization in 2020 was significantly impacted
- Operating status and financial results
  - Utilisation of 25% in Q4 (23%)
  - Reported EBITDA of USD 0.7 million (USD 6.4 million negative), while the underlying EBITDA adjusted for one-offs was USD 2.8 million (USD 0.4 million negative)
  - Cash flow from operations was USD 2.3 million negative (USD 9.5 million positive)
- Commercial status
  - Secured a 90-day contract with an option of up to 60 days for ConocoPhillips commencing Q2 2022
  - Secured an extension for the Safe Notos with Petrobras in Brazil through to mid-November 2021, with a 30-day SPS time-out in Q1 2021
  - Awarded a 117-day contract in Trinidad commencing June/July 2021 for the Safe Concordia
  - Ongoing tenders for 2021 and 2022
- Total liquidity reserve of USD 160.3 million at year-end 2020 (USD 198.1 million)
- Remains in constructive dialogue with lenders regarding a sustainable financial solution and aims to conclude as soon as possible. Although it is too early to say what a final solution may look like, it is anticipated that there will be a significant equalization of debt which is likely to result in minimal or no recovery for current shareholders.

Operations

The fleet utilisation rate in the fourth quarter of 2020 was 25 per cent (Q4 2019: 23 per cent). Prosafe and EnQuest agreed on a settlement of the cancelled contract for the Safe Zephyrus in 2020 with EnQuest paying Prosafe an adequate compensation. The Safe Zephyrus is currently conducting her five-yearly special periodic survey at Averøy yard in Norway and preparing for the upcoming contract at the Shearwater platform for Shell in the UK. The contract is scheduled to commence in February 2021. In addition, Shell retains the option to extend the contract after the firm duration by up to 30 days.

[1] EBITDA = operating result before depreciation, amortisation, interests and taxes
[2] Liquidity reserve = cash and deposits + available liquidity reserve balance under a committed revolving credit facility

Safe Caledonia is currently laid up in the UK. The vessel is scheduled to commence a 162-day contract with a 30-day option for Total at the Elgin platform in the UK from March 2021.

Safe Eurus has been providing safety and maintenance support to Petrobras during a three-year contract since November 2019 and was in full operation throughout the quarter.

The original three-year and 222-day firm contract for the Safe Notos that was due to complete in July 2020 was suspended for 120 days at zero rate from April 2020. The vessel was back on standby rate in early August 2020 and resumed operations in early October 2020. The Safe Notos was off-hire for the most part of January 2021 conducting her five-yearly special periodic survey and will resume operations from February 2021 continuing through until mid-November 2021.

Safe Concordia was in early January awarded a contract in Trinidad and Tobago. The vessel is now preparing for this contract which is scheduled to commence in June/July 2021.

Safe Scandinavia, Safe Boreas and Regalia were idle in the quarter and are laid up in Norway. Regalia has been sold for recycling with commencement of recycling in Q1 2021.

The Company implemented proper safety measurements at workplaces and vessels in response to COVID-19 to protect people and assets, as well as cost-saving initiatives to protect liquidity through the turmoil.

Financials

<u>Fourth quarter 2020</u>

Reported EBITDA for the fourth quarter was USD 0.7 million (USD 6.4 million negative), which included one-off costs of USD 2.1 million mainly relating to Westcon court case. Underlying EBITDA after adjusting one-off effects was USD 2.8 million (USD 0.4 million negative). The increase in EBITDA was mainly due to cost efficiency partially offset by lower average day rates.

Depreciation was USD 7.9 million (USD 18.1 million) in the quarter. The decline was mainly due to the lower carrying value of the assets following the impairments carried out in Q1 2020.

Operating loss for the fourth quarter amounted to USD 7 million (operating loss of USD 24.9 million). Lower operating loss in 2020 was mainly due to lower operating costs and depreciation partially offset by lower revenues.

Interest expenses amounted to USD 14.1 million (USD 12.5 million positive). The positive interest expenses in 2019 were mainly due to non-cash and a one-off positive adjustment to amortised cost of interest-bearing debts in the amount of USD 28.7 million.

Other financial cost was USD 7.7 million (USD 1 million). The increase in other financial cost was mainly related to ongoing process with lenders for a long-term solution and higher negative effect from fair value adjustment of derivatives.

Net loss equalled USD 29 million (net loss of USD 13.2 million).

Cash flow from operations was negative by USD 2.3 million (a positive of USD 9.5 million). The key reasons for the decline in cash flow were mainly due to change in working capital.

Total assets at 31 December amounted to USD 587.7 million (USD 1,480.2 million). The decrease in total assets was mostly due to the depreciation and the impairment carried out in Q1 2020.

Net interest-bearing debt equalled USD 1,349.1 million (USD 1,199.8 million). The increase in net interest-bearing debt was mostly due to decrease in liquidity reserve and increase in interest-bearing debt. Over and above, the increase in interest-bearing debt was mainly the consequence of accumulated interests and termination of three swaps during 2020. 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 2020 was minimum cash of USD 65 million and the Company was in compliance with a liquidity reserve of USD 160.3 million at year end 2020.

At the end of the fourth quarter, the book equity ratio stayed negative at 161.4 per cent (positive 0.2 per cent). Prosafe remains in constructive discussions with its lenders to agree on a sustainable financial solution with support from a majority of lenders while they have retained their rights. (refer to Note 6 - Refinancing and going concern for further details). Pending conclusions to the process with lenders, the Company continues to operate on a business as usual basis to protect and create value through challenging market conditions on the assumption that there is justified hope for a sustainable financial solution.

As such, the interim report is prepared on a going concern assumption, which is based on the Board of Directors' view that obtaining a long-term financial solution should be achievable.

Full year 2020

Fleet utilisation was 20.4 per cent (50.9 per cent). EBITDA for the full year amounted to USD 9.5 million negative (a positive of USD 97.1 million). The decrease in EBITDA was mainly due to lower fleet utilisation and lower average day rates partially offset by lower operating expenses. In addition, the 2019 EBITDA was positively impacted by a reversal of the accrued lay up costs of USD 16.5 million relating to the Safe Eurus.

Depreciation and impairment amounted to USD 854.8 million (USD 439.7 million). The higher value this year was mainly due to impairments of USD 810.5 million made to the book value of vessels in the first quarter, driven by the dramatic change in market conditions and economic outlook.

Operating loss equalled USD 864.3 million (operating loss of USD 342.6 million), mainly due to the impairment changes and depreciation.

Interest expenses amounted to USD 61.8 million (USD 34.6 million). Lower interest expenses in 2019 were mainly contributed by a one-off and non-cash positive adjustment to amortised cost of interest-bearing debts in the amount of USD 28.7 million.

Net financial costs for 2020 amounted to USD 83.4 million (USD 52.5 million).

2020 net loss equalled USD 950.1 million (net loss of USD 399.9 million).

Update on refinancing process

Please refer to Note 6 - Refinancing and going concern for details.

Outlook

During the downcycle in recent years, many oil and gas service segments have seen a significant reduction in activity and that includes demand for offshore accommodation vessels. In addition, there appears to have been structural shifts driven by alternative ways of maintaining and developing offshore fields, in Norway in particular. The effect is lower manpower intensive work processes, a trend that is expected to continue.

Near-term, developments in macro factors like Covid-19 have had a severe impact on activity levels and earnings in 2020 and have added further uncertainty about the longer-term developments. Although such risks and negative impacts have been partially mitigated by governments globally through various support packages and incentives to support viable business and activity, the longer-term effects of the pandemic and such incentives remain to be seen.

Despite the changing landscape and increased uncertainty, Prosafe continues to operate under the assumption that there will be a need for accommodation vessels and a gradual move towards a sustainable market. The Company is, however, of the opinion that the supply side in the industry is too fragmented and in need of a significant reduction of the fleet. Meaningful consolidation and continued scrapping are needed to contribute to a faster normalization of the return in our industry. In this perspective, Prosafe will continue to be active in further consolidation of the offshore accommodation industry to protect and create value.

4 February 2021
The Board of Directors of Prosafe SE

………………………..	………………………..
Glen O. Rødland	Birgit Aagaard-Svendsen
Non-executive Chairman	Non-executive Director
………………………..	………………………..
Nina Udnes Tronstad	Alf C. Thorkildsen
Non-executive Director	Non-executive Director

CONDENSED CONSOLIDATED INCOME STATEMENT

(Unaudited figures in USD million)	Note	Q4 2020	Q4 2019	12M 2020	12M 2019
Operating revenues		15.5	26.3	56.7	225.4
Operating expenses		(14.8)	(32.7)	(66.2)	(128.3)
Operating results before depreciation		**0.7**	**(6.4)**	**(9.5)**	**97.1**
Depreciation		(7.9)	(18.1)	(44.5)	(93.5)
Impairment	4	0.2	(0.4)	(810.3)	(346.2)
Operating profit/(loss)		**(7.0)**	**(24.9)**	**(864.3)**	**(342.6)**
Interest income		0.0	1.0	0.5	2.1
Interest expenses		(14.1)	12.5	(61.8)	(34.6)
Other financial items		(7.7)	(1.0)	(22.1)	(20.0)
Net financial items		**(21.8)**	**12.5**	**(83.4)**	**(52.5)**
Profit/(Loss) before taxes		**(28.8)**	**(12.4)**	**(947.7)**	**(395.1)**
Taxes		(0.2)	(0.8)	(2.4)	(4.8)
Net profit (loss)		**(29.0)**	**(13.2)**	**(950.1)**	**(399.9)**
EPS		**(0.33)**	**(0.15)**	**(10.80)**	**(4.54)**
Diluted EPS		**(0.33)**	**(0.15)**	**(10.80)**	**(4.54)**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited figures in USD million)	Q4 2020	Q4 2019	12M 2020	12M 2019
Net profit/(loss) for the period	**(29.0)**	**(13.2)**	**(950.1)**	**(399.9)**
Foreign currency translation	3.5	1.6	(0.8)	2.2
Pension remeasurement	(0.1)	(0.1)	(0.1)	(0.1)
Other comprehensive income	**3.4**	**1.5**	**(0.9)**	**2.1**
Total comprehensive income	**(25.6)**	**(11.7)**	**(951.0)**	**(397.8)**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited figures in USD million)	Note	31.12.20	31.12.19
Vessels	4	412.3	1,204.6
New builds	4	1.1	60.7
Other non-current assets		2.1	1.9
Total non-current assets		**415.5**	**1,267.2**
Cash and deposits		160.3	198.1
Other current assets		11.9	14.9
Total current assets		**172.2**	**213.0**
Total assets		**587.7**	**1,480.2**
Share capital		9.1	9.0
Other equity		(957.6)	(6.6)
Total equity		**(948.5)**	**2.4**
Interest-free long-term liabilities	5	6.0	29.9
Interest-bearing long-term debt		78.7	76.7
Total long-term liabilities		**84.7**	**106.6**
Other interest-free current liabilities		20.8	50.0
Current portion of long-term debt	5, 6	1,430.7	1,321.2
Total current liabilities		**1,451.5**	**1,371.2**
Total equity and liabilities		**587.7**	**1,480.2**

KEY FIGURES IN CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited figures in USD million)	31.12.20	31.12.19
Total assets	587.7	1,480.2
Working capital	(1,279.3)	(1,158.2)
Liquidity reserve	160.3	198.1
Interest-bearing debt	1,509.4	1,397.9
Net Interest-bearing debt	1,349.1	1,199.8
Book equity	(948.5)	2.4
Book equity ratio	(161.4)%	0.2 %

Notes:

1. Currents Assets-Current Liabilities
2. Cash and deposits + available liquidity reserve balance under a committed revolving credit facility
3. Interest-bearing debt - Cash and deposits
4. (Book equity / Total asset) * 100

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(Unaudited figures in USD million)	Note	Q4 2020	Q4 2019	12M 2020	12M 2019
Loss before taxes		(28.8)	(12.5)	(947.7)	(395.1)
Share of loss of equity of an associate		0.0	0.0	0.0	0.8
(Gain) Loss on sale of non-current assets		(0.1)	0.0	0.4	(0.2)
Depreciation		7.9	18.1	44.5	93.5
Impairment	4	(0.2)	0.4	810.3	346.2
Financial income		0.0	(1.0)	(0.5)	(2.1)
Financial costs		14.1	(12.5)	61.8	34.6
Change in working capital		(0.4)	16.5	(22.0)	(0.5)
Other items from operating activities		6.0	1.3	26.8	15.6
Taxes paid		(0.8)	(0.8)	(6.7)	(6.2)
Net cash flow from operating activities		**(2.3)**	**9.5**	**(33.1)**	**86.6**
Acquisition of tangible assets		(1.5)	(7.7)	(2.9)	(77.5)
Net (payments)/proceeds from sale of tangible assets		0.1	0.0	(0.3)	0.2
Interests received		0.0	1.0	0.5	2.1
Net cash flow used in investing activities		**(1.4)**	**(6.7)**	**(2.7)**	**(75.2)**
Proceeds from new interest-bearing debt		0.0	0.0	0.0	155.0
Repayment of interest-bearing debt		(0.5)	(2.3)	(2.0)	(37.9)
Interests paid		0.0	(18.4)	0.0	(70.7)
Net cash flow (used in) from financing activities		**(0.5)**	**(20.7)**	**(2.0)**	**46.4**
Net cash flow		**(4.2)**	**(17.9)**	**(37.8)**	**57.8**
Cash and deposits at beginning of period		164.5	216.0	198.1	140.3
Cash and deposits at end of period		**160.3**	**198.1**	**160.3**	**198.1**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited figures in USD million)	Q4 2020	Q4 2019	12M 2020	12M 2019
Equity at beginning of period	**(922.9)**	**14.2**	**2.4**	**400.2**
New share issue	0.0	0.0	0.1	0.0
Comprehensive income for the period	(25.6)	(11.8)	(951.0)	(397.8)
Equity at end of period	**(948.5)**	**2.4**	**(948.5)**	**2.4**

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 fourth quarter of 2020 were authorised for issue in accordance with a resolution of the Board of Directors on 4 February 2021. The accounting figures are unaudited.

NOTE 2: ACCOUNTING PRINCIPLES

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

NOTE 3: 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 Company 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 Company disputed Westcon's claim and claimed a substantial repayment. The Court decided in favour of the Company that Westcon must repay the company 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 Company has filed a counter appeal.

The appeal hearings were concluded in the second and final instance (Gulating Lagmannsrett) on 27 November 2020. Judgement is expected in the first quarter of 2021.

While awaiting the final outcome of the dispute, the Company 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: IMPAIRMENT OF VESSELS

As a result of the impact from the Covid-19 pandemic, oil price collapse, structural shifts and oversupply in the market, the activity level has deteriorated. Near term, the activity has dropped to all time low and uncertainty related to the longer term has increased significantly. Consequently, management performed an impairment assessment of its vessels in accordance with IFRS in Q1 2020. Each individual vessel is considered to be a cash generating unit. As a result, USD 810.5 million of impairment charges were made in the first quarter of 2020.

The recoverable amounts have been identified by calculating the valuation-in-use (VIU). Impairments have been made in the accounts for vessels with VIU lower than their net book value. The Company has 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 Company's vessels.

The VIU calculations are based on an updated long-term forecast for 2020-2024 and until the end of each vessel's useful life. The main assumptions used in the computations are charter rates, utilisation, operating expenses and overheads, capital expenditures, discount rate and long-term growth rate. In consideration of the projected weak and oversupplied market till the end of 2024, management has also reviewed the VIU calculation model and revised the terminal value calculation in two stages to reflect the return to sustainable earnings. The key changes to the value in use calculation model as follows:

- In the first stage, from 2025 until the end of 2039, a growth rate of 6.6% is applied to arrive at cash flows reflecting sustainable earnings / mid-point of the cycle. The growth rate is determined to accurately reflect the Company assumptions of a gradual improved market as a result of an anticipated gradual reduction in supply-side capacity.

- In the second stage, the growth rate applied is the long-term average growth rate appropriate to the assets of 2%.

The effects of the Covid-19 pandemic and the oil price collapse make short-term planning as well as long-term forecasting extremely challenging and the uncertainty is regarded even higher than it has been in the past, in particular as far as utilization and day rates are concerned. Therefore, a higher interval is also applied to the sensitivities shown.

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 20% or less in 2020 to 50% in 2021, to approximately 65% in 2022 – 2025, and thereafter stabilise at approximately 55% (2019 forecast: 30% in 2020 to 80% in 2024 and thereafter).

Revenues
- For 2020-2024, the assumption is based on current contracts portfolio including assumptions related to the outcome of ongoing commercial discussions with clients combined with a best effort view on potential prospects.
- From 2025, assumptions are applied factoring in the changed industry dynamics, demand/supply balance, pricing and the company's anticipated market share in the global market. The main factors include estimated cash flow and EBIDTA per vessel, current market data on average day rates, contract lengths for the different regions and anticipated market share.

Expenses
- Operating expenses and overheads are reduced between 10% and 50% compared to the prior year to reflect the current market conditions, cost reduction measures 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 with no order backlog.
- Capex is generally reduced to a minimum although sustainable level sufficient to upkeep the vessels.

Discount rate of 9% (2019: 9%)
- Discount rate is derived from weighted average cost of capital after tax of the Group.

Long-term growth rate
- There is a revised terminal value calculation in two stages to reflect the return to sustainable earnings as mentioned above. In the first stage, from 2025 until the end of 2039, the growth rate of 6.6% is applied to arrive at cash flows reflecting sustainable earnings / mid-point of the cycle. The growth rate is determined to accurately reflect the Company's assumptions of a gradually improved market as a result of a reduction in supply-side capacity. After 2039, the growth rate applied is the long-term average growth rate appropriate to the assets of 2 % (2019: 1.7% from 2024).

Sensitivity
- A 1% increase in the discount rate would have led to an increase of impairment of USD 36 million.
- A 10% increase / decrease in the utilisation rate would have led to a decrease / increase of impairment of USD 91 million / USD 112 million.
- A 10% increase / decrease in the day rate would have led to a decrease / increase of impairment of USD 84 million / USD 87 million.
- A 2% decrease in the long-term growth rate would have led to an increase of impairment of USD 59 million.

NOTE 5: INTEREST RATE SWAPS & FAIR VALUE DISCLOSURE

As at 31 December 2020, the Group has the following financial assets & liabilities measured at fair value.

Fair value interest rate swaps

The Group entered into interest rate swaps and caps with various counterparties, principally financial institutions with investments grade credit ratings. The interest rate swaps, and interest rate caps are valued using valuation techniques with market observable inputs. 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 the interest rate swaps and caps are secured under the USD 1,300 million credit facilities. The fair value interest rate swaps are categorised as interest-free long-term liabilities in the statement of financial position.

As at 31 December 2020	**Total**	**Level 1**	**Level 2**	**Level 3**
Fair value interest rate swaps	(3.7)	0.0	(3.7)	0.0
Total financial liabilities	**(3.7)**	**0.0**	**(3.7)**	**0.0**

As at 31 December 2020, the fair value of the interest rate caps amounted to less than USD 0.1 million of the financial assets and is not material for further disclosure.

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).

In Q4 2020, the following interest rate swap has been terminated and the termination value has been transferred as part of the current portion of the long-term debt.

Notional amount	**Fixed rate**	**Maturity**	**Swap type**	**Fair value @ termination (USD)**
USD 135 million	2.3630 %	2022	Bullet	9.8M

NOTE 6: REFINANCING AND GOING CONCERN

The book equity turned negative in early 2020, a development that was anticipated following impairment charges of USD 341 million in late 2019. In consideration of the outlook and the financial implications including anticipated breach of the facilities agreements, the Board of Directors initiated a dialogue with its lenders in December 2019 with a view to ensure sufficient financial flexibility for the longer term. In Q1 2020, the Company concluded on a revised business plan and announced further impairment charges of USD 810.5 million. Dialogues with lenders have continued in a constructive manner throughout the year with a majority of lenders providing their support to the Company and process while retaining their rights.

As part of the dialogue with lenders, the Company has continued to defer making payments of scheduled instalments and interests under its USD 1,300 million and USD 144 million facilities[3]. 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 Company's goal remains to agree a sustainable financial solution with its lenders on a consensual and cost-efficient basis as early as possible. It is still unclear what a final solution may look like, but as reported previously, a significant equitization of debt is anticipated, which is likely to result in minimal or no recovery for current shareholders.

Pending outcome of the process, the Company continues to operate on a business as usual basis to protect and create value through challenging market conditions. As such, the interim report is prepared on a going concern basis and the going concern assumption is considered appropriate as it is based on the Board's view that obtaining a long term and sustainable financial solution should be achievable.

[3] USD 144 million credit facility (previously known as the "USD 288 million credit facility")