Second quarter
2023

Key events

Operations, HSSE and backlog

- Q2 2023 utilisation of 33.1 (Q2 2022: 81.0) per cent, three out of seven vessels operating during the quarter
- Safe Zephyrus successfully deployed in Brazil from 30 April
- Safe Concordia on hire in US Gulf of Mexico from 9 August
- Safe Notos compliance work completed and back in operation from 14 June
- Good operating performance on all vessels
- Backlog of USD 299 million (Q2 2022: USD 300 million) at quarter end

Q2 financials

- Revenues of USD 21.0 million (Q2 2022: USD 60.9 million) and EBITDA of negative USD 9.8 million (Q2 2022: positive USD 22.8 million)
- Earnings decreased compared to Q2 2022 due to lower utilisation and contract preparations
- Cash flow from operations of negative USD 7.5 million (Q2 2022: positive USD 0.4 million), negatively impacted by lower operating result
- Capex of USD 12.4 million and capitalised mobilisation cost of USD 2.0 million
- Raised USD 28.1 million in proceeds from private placement of new shares
- Liquidity of USD 75.2 million (Q2 2022: USD 57.6 million) at end of quarter

Market and outlook

- Favourable medium- and long-term demand outlook
- Weak 2023 North Sea market with one active high specification semi due to lack of commissioning work in Norway and larger UK maintenance and modification work, potentially due to windfall tax
- Strong and improving demand in Brazil and the Gulf of Mexico throughout 2023
- Significant increase in tender activity and awards for 2024 and beyond with four new Petrobras tenders in Brazil and recent contract awards in the North Sea, Africa and Australia further tightening supply
- Significant increase in day rates seen on latest Brazil tenders
- Additional tenders expected in the UK North Sea and Brazil for contract start in 2024 and 2025
- Liquidity impacted by the current North Sea activity level and capital expenditure plus mobilisation spend for new contracts in Brazil and US Gulf of Mexico (US GoM)

CEO comment

Q2 was a very active quarter both operationally and for the organisation. Safe Zephyrus started its 650-day contract with Petrobras and Safe Concordia completed its contract preparations and started its contract in August. We were also very pleased to have raised capital to support the rig mobilisations and to have put in place a new management team.

We have seen substantially increased tender activity in the past months across all regions for 2024 and beyond. With significant investments, a new management team and improved outlook, we expect improved earnings, utilisation and increased day rates to come.

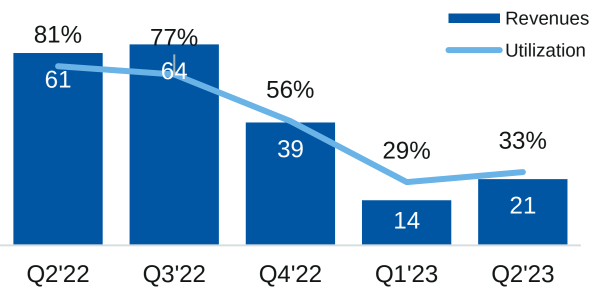
Reese McNeel, CEO (Interim)

Key figures

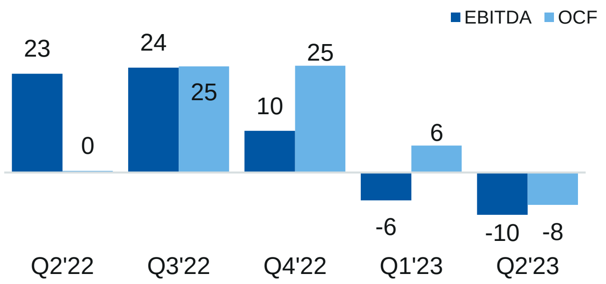
(Unaudited figures in USD million)	Q2 2023	Q2 2022	YTD 2023	YTD 2022	Full Year 2022
Operating revenues	21.0	60.9	35.3	96.4	198.9
EBITDA	(9.8)	22.8	(16.2)	27.6	61.4
EBIT	(16.8)	15.8	(30.7)	13.3	31.9
Profit / (loss) before taxes	(25.1)	12.9	(46.3)	3.1	9.8
EPS	(2.59)	1.20	(5.07)	(0.15)	0.17
Diluted EPS	(2.59)	1.20	(5.07)	(0.15)	0.17
Cash flow from operating activities	(7.5)	0.4	(1.3)	0.0	49.2
Cash flow from investment activities	(11.7)	(0.5)	(26.0)	(6.4)	(9.5)
Cash flow from financing activities	19.8	(7.0)	10.9	(9.9)	(22.0)
Net cash flow	0.6	(7.1)	(16.4)	(16.3)	17.7
Liquidity[1]	75.2	57.6	75.2	57.6	91.6
Net working capital[2]	(8.2)	27.9	(8.2)	27.9	9.8
Interest-bearing debt[3]	420.2	424.1	420.2	424.1	422.2
Net Interest-bearing debt ("NIBD")	345.0	366.5	345.0	366.5	330.6
Total assets	490.8	494.7	490.8	494.7	500.0
Book equity	19.3	34.4	19.3	34.4	37.3
Book equity ratio[4]	3.9 %	7.0 %	3.9 %	7.0 %	7.5 %
Shares outstanding '000	11,519	8,799	11,519	8,799	8,799
Order book (Firm)	298.7	300.1	298.7	300.1	331.8
Utilisation rate %	33.1	81.0	30.9	74.6	70.6

[1]Liquidity equals cash and deposits, and includes USD 2.1 million in restricted cash
[2]Net working capital is equal to (Total current assets excl. cash – Total current liabilities excl. Tax payable and current portion long-term debt)
[3]Net Interest-bearing debt (NIBD) is equal to Interest-bearing debt less liquidity. NIBD is reduced by a USD 11.4 million fair value adjustment, of which USD 3.8 million is short term.
*[4]Book equity ratio is equal to (Book equity / Total assets) * 100*

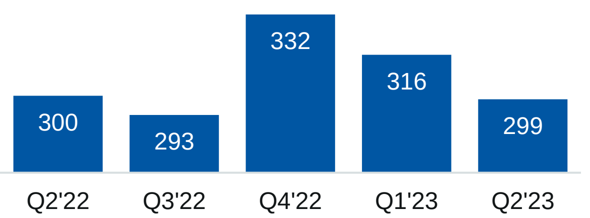
Revenues and utilisation %



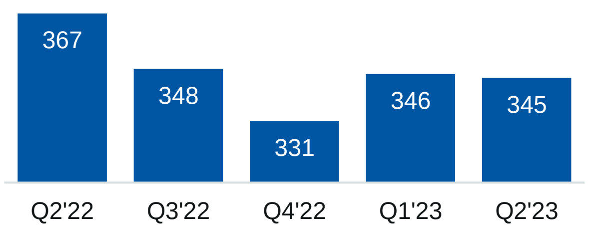
EBITDA and cash flow from operations (OCF)



Backlog



NIBD



Operational review and backlog

The fleet utilisation rate in the second quarter of 2023 was 33.1 per cent (Q2 2022: 81.0 per cent), with three out of seven vessels in operation at some point during the quarter. Backlog was USD 298.7 million at quarter end (Q2 2022: USD 300.1 million).

Safe Zephyrus commenced its 650-day contract with Petrobras on 30 April 2023.

Safe Eurus started its four-year contract with Petrobras on 17 February 2023 in direct continuation of the previous contract. Safe Eurus will be off-hire for approximately 35 days from mid-November 2023 to complete Petrobras compliance works, hull cleaning and SPS.

Safe Notos continued operations with Petrobras during the second quarter. The vessel was off hire for 30 days in the quarter for Petrobras contract compliance works and hull cleaning.

Safe Concordia started its 330-day firm contract in the Gulf of Mexico on 09 August 2023.

Safe Caledonia is laid up at Scapa Flow in the UK pending future work, Safe Boreas is laid up in Norway pending future work and Safe Scandinavia is laid up in Norway. All three vessels are being marketed broadly.

Prosafe has entered into an agreement to sell the old Regalia (recycled in 2021) gangway for approximately USD 1.7 million. Prosafe expects to receive the proceeds during the third quarter.

Tender Update

Petrobras recently released four tenders for accommodation, maintenance and safety vessels which are expected to be covered by assets already in Brazil. Further tenders are expected later this year from both Petrobras and other operators in Brazil. Prosafe remains optimistic on the market outlook in both Brazil and the North Sea and maintains its strategy of seeking sustainable day rates in a tightening market.

Previously, Prosafe had entered into a 60-day First Right of Refusal agreement with a potential client for use of the Safe Boreas from the third quarter of 2023 to the end of the first quarter 2024. The agreement expired mid-June 2023, and the potential client elected not to use Safe Boreas. As a result, Prosafe was paid a net fee of USD 1.8 million.

Newbuild status

Prosafe has the option to take delivery of the only two DP3 newbuild semis available at yards. In September 2022, both rigs were damaged by the typhoon Muifa. The yard has continued with the vessel repairs and Prosafe continues to market these vessels.

Financials

Second quarter 2023

EBITDA for the second quarter was negative USD 9.8 million (Q2 22: positive USD 22.8 million). The decrease in EBITDA was mainly driven by lower utilisation with three vessels operating in Brazil during the quarter, an off-hire period of 30 days for Safe Notos for compliance works and costs related to new contract preparations.

Depreciation was USD 7.0 million (USD 7.0 million) in the quarter. Operating loss for the second quarter amounted to USD 16.8 million (operating profit of USD 15.8 million), reflecting mainly the decrease in EBITDA.

Interest expenses amounted to USD 7.6 million (USD 4.0 million). Higher interest expenses were primarily due to higher interest rates. Other financial costs were USD 1.4 million (other financial income of USD 1.1 million). The prior year was positively impacted by currency gains.

The net loss was USD 25.7 million (net profit of USD 10.6 million) in the quarter.

Cash flow from operations was negative USD 7.5 million in the quarter (positive USD 0.4 million). Cash flow was also negatively impacted in the quarter by investments in Concordia, Zephyrus, Eurus and Notos of USD 12.4 million.

In May 2023, Prosafe raised USD 28 million in net proceeds through a private placement of 2,720,000 new shares at a price per share of NOK 117. The proceeds from the private placement are used for working capital, new contract preparations and general corporate purposes. The private placement was oversubscribed, reflecting strong support from existing and new investors.

Total assets per 30 June was USD 490.8 million (USD 494.7 million). Total liquidity at the end of the quarter was USD 75.2 million (USD 57.6 million). Year-over-year decrease in total assets was mainly due to depreciation, working capital and was partially offset by the increase in liquidity following the private placement.

Net interest-bearing debt was USD 345.0 million (USD 366.5 million), and the book equity ratio was 3.9 per cent (7.0 per cent). The reduction in net interest-bearing debt was mainly a consequence of the increase in the cash balance after the private placement, partially offset by investments during the quarter. Prosafe's Board and management is currently working to improve flexibility under existing loan agreements.

Year-to-date 2023

Fleet utilisation was 30.8 per cent (H1 22: 74.6 per cent). EBITDA YTD amounted to negative USD 16.2 million (positive USD 27.6 million). The decrease in EBITDA was mainly driven by lower utilisation with only three vessels operating in Brazil during the first half of 2023, an off-hire period of 30 days for Safe Notos and costs related to new contract preparations.

Depreciation amounted to USD 14.5 million (USD 14.3 million).

Operating loss equalled USD 30.7 million (operating profit of USD 13.3 million). The decrease in operating result was mainly due to the decrease in EBITDA.

Net financial costs YTD amounted to USD 15.6 million (USD 10.2 million), mainly reflecting higher interest rates.

Lower tax expense due to finalization of the contract in Trinidad and Tobago.

Net loss YTD equalled USD 47.4 million (net loss of USD 1.3 million).

Risk

All economic activities are associated with risk. Prosafe manages its risk exposure within the Group in accordance with the policies established by the Board of Directors. The primary risks are categorised under the following headings: strategic, commercial, operational, compliance and legal, financial, climate, IT and Cybersecurity related. Please see the 2022 annual report and prospectus dated 30 June 2023 for more details.

For the second half of 2023, Prosafe maintains a special emphasis on liquidity risks and the Group regularly monitors and updates its financial position and cash flow forecasts. In response to potentially tight liquidity in 2024, management continues to consider several initiatives to remain in compliance with the minimum liquidity covenant. Prosafe was compliant with all covenants at 30 June 2023.

Outlook

Prosafe sees increased vessel demand going forward which is expected to lead to higher utilisation, improved day rates and earnings growth.

The 2023 North Sea market is characterised by low activity with limited potential for additional work. Tendering activity is focused on contracts with start up from second quarter 2024 and beyond. Prosafe expects one to two additional tenders and/or direct awards for the coming years related to higher maintenance and tie-back activity in the UK and Norway on the back of increased oil and gas activity and multiple new projects planned in Norway. The timing of demand will ultimately depend on several factors including, amongst others, the timing of final project investment decisions, capacity in the offshore industry supply chain, the oil price and the regulatory environment.

In Brazil, Prosafe expects continued demand growth for accommodation, maintenance and safety vessels driven by an increasing number of FPSOs and new oil and gas operators. This has already resulted in high contracting activity and substantially increased day rates in Brazil over the past year. Petrobras and other operators are expected to announce at least two new tenders in the second half of 2023 with start-up in 2024, in addition to the numerous recent tenders.

With Safe Zephyrus on-hire in Brazil, hull cleaning and compliance works on Safe Notos completed and Safe Concordia on contract in the US GoM, Prosafe has completed most of the 2023 work related to contract mobilisation and vessel upgrades, freeing up capacity to intensify the focus on market opportunities. The fleet utilisation rate is expected to increase from 33 per cent in the second quarter to 52 per cent in the fourth quarter based on firm contracts which will lead to improved earnings going forward.

Liquidity is impacted by investments and mobilisation costs incurred to date for the above-mentioned vessels and the upcoming work on Safe Eurus, partly offset by the net proceeds from the private placement completed in May. Additional capital may be required in early 2024 in conjunction with new contracts for Safe Boreas and Safe Caledonia. This will, however, depend greatly on the timing, location and terms of potential future contract awards and associated mobilisation, modification and working capital requirements.

Prosafe is optimistic on the market outlook and expects increased demand for accommodation vessels and is actively looking at consolidation opportunities and growing its fleet. This includes potentially taking delivery of the two vessels at the COSCO yard, Safe Nova and Safe Vega. Prosafe continues to pursue multiple opportunities for Safe Boreas, Safe Caledonia and Safe Scandinavia for 2024 and beyond. Given the tightening market globally and expected future demand, particularly in Brazil, Prosafe foresees substantial further increases in day rates and utilisation going into 2024.

Responsibility statement from the Board and CEO

We confirm to the best of our knowledge that the condensed set of interim consolidated financial statements for the period 1 January to 30 June 2023 has been prepared in accordance with IAS 34 – Interim Financial Reporting and gives a true and fair view of the Prosafe Group's assets, liabilities, financial position and result for the period. We also confirm to the best of our knowledge that the financial review includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the financial statements, any major related parties' transactions, and a description of the principal risks and uncertainties for the remaining six months of the financial year.

Oslo, 16 August 2023

The Board of Directors and Chief Executive Officer of Prosafe SE

Glen O. Rødland Non-executive Chair	Alf C. Thorkildsen Deputy Chair
Birgit-Aagaard Svendsen Non-executive Director	Nina Udnes Tronstad Non-executive Director
Simen Flaaten Non-executive Director	Reese McNeel Interim CEO and CFO

Interim condensed consolidated statement of profit or loss

(Unaudited figures in USD million)	Q2		6M		Full Year
	2023	2022	2023	2022	2022
Operating revenues	21.0	60.9	35.3	96.4	198.9
Operating expenses	(30.8)	(38.1)	(51.5)	(68.8)	(137.5)
Operating results before depreciation	**(9.8)**	**22.8**	**(16.2)**	**27.6**	**61.4**
Depreciation	(7.0)	(7.0)	(14.5)	(14.3)	(29.5)
Operating (loss)/profit	**(16.8)**	**15.8**	**(30.7)**	**13.3**	**31.9**
Interest income	0.7	0.0	1.2	0.1	0.7
Interest expenses	(7.6)	(4.0)	(14.8)	(7.4)	(18.7)
Other financial items	(1.4)	1.1	(2.0)	(2.9)	(4.1)
Net financial items	**(8.3)**	**(2.9)**	**(15.6)**	**(10.2)**	**(22.1)**
(Loss)/Profit before taxes	**(25.1)**	**12.9**	**(46.3)**	**3.1**	**9.8**
Taxes	(0.6)	(2.3)	(1.1)	(4.4)	(8.3)
Net (loss)/profit	**(25.7)**	**10.6**	**(47.4)**	**(1.3)**	**1.5**
EPS	**(2.59)**	**1.20**	**(5.07)**	**(0.15)**	**0.17**
Diluted EPS	**(2.59)**	**1.20**	**(5.07)**	**(0.15)**	**0.17**

Interim condensed consolidated statement of comprehensive income

(Unaudited figures in USD million)	Q2		6M		Full Year
	2023	2022	2023	2022	2022
Net (loss)/profit for the period	**(25.7)**	**10.6**	**(47.4)**	**(1.3)**	**1.5**
Foreign currency translation	0.8	(1.9)	1.4	(1.0)	(1.3)
Pension remeasurement	0.0	0.0	0.0	0.0	(0.1)
Other comprehensive income	**0.8**	**(1.9)**	**1.4**	**(1.0)**	**(1.4)**
Total comprehensive income	**(24.9)**	**8.7**	**(46.0)**	**(2.3)**	**0.1**

Interim condensed consolidated statement of financial position

(Unaudited figures in USD million)	30.06.23	30.06.22	31.12.22
Vessels	389.7	389.3	376.8
New builds	0.0	0.0	0.0
Other non-current assets	1.3	1.6	1.2
Total non-current assets	**391.0**	**390.9**	**378.0**
Accounts and other receivables	17.5	43.2	24.1
Other current assets	7.1	3.0	6.3
Cash and deposits	75.2	57.6	91.6
Total current assets	**99.8**	**103.8**	**122.0**
Total assets	**490.8**	**494.7**	**500.0**
Share capital	16.0	12.4	12.4
Other equity	3.3	22.0	24.9
Total equity	**19.3**	**34.4**	**37.3**
Interest-free long-term liabilities	1.6	1.9	1.9
Interest-bearing long-term debt	417.4	421.1	418.5
Total long-term liabilities	**419.0**	**423.0**	**420.4**
Accounts and other payables	32.8	18.3	20.6
Tax payable	16.9	16.0	18.0
Current portion of long-term debt	2.8	3.0	3.7
Total current liabilities	**52.5**	**37.3**	**42.3**
Total equity and liabilities	**490.8**	**494.7**	**500.0**

Interim condensed consolidated statement of cash flows

	Q2		6M		Full Year
(Unaudited figures in USD million)	2023	2022	2023	2022	2022
(Loss)/Profit before taxes	(25.1)	12.9	(46.3)	3.1	9.8
Loss on sale of non-current assets	0.0	0.0	0.0	0.5	0.5
Depreciation	7.0	7.0	14.5	14.3	29.5
Financial income	(0.7)	0.0	(1.2)	(0.1)	(0.7)
Financial costs	7.6	4.0	14.8	7.4	18.7
Share-based payment expense	(0.4)	0.4	(0.1)	0.4	0.9
Change in working capital	3.7	(25.5)	18.0	(28.5)	(10.4)
Other items from operating activities	0.8	1.2	1.2	2.0	1.9
Taxes paid	(0.4)	0.4	(2.2)	0.9	(1.0)
Net cash flow (used in)/from operating activities	**(7.5)**	**0.4**	**(1.3)**	**0.0**	**49.2**
Acquisition of tangible assets	(12.4)	(0.5)	(27.2)	(6.5)	(10.2)
Interests received	0.7	0.0	1.2	0.1	0.7
Net cash flow used in investing activities	**(11.7)**	**(0.5)**	**(26.0)**	**(6.4)**	**(9.5)**
Repayment of interest-bearing debt	(1.6)	(0.6)	(3.2)	(1.2)	(4.4)
Refinancing cost	0.0	(3.5)	0.0	(3.5)	(3.5)
Issuance of ordinary shares	28.1	0.0	28.1	0.0	0.0
Interests paid	(6.7)	(2.9)	(14.0)	(5.2)	(14.1)
Net cash flow from/(used in) financing activities	**19.8**	**(7.0)**	**10.9**	**(9.9)**	**(22.0)**
Net cash flow	**0.6**	**(7.1)**	**(16.4)**	**(16.3)**	**17.7**
Cash and deposits at beginning of period	74.6	64.7	91.6	73.9	73.9
Cash and deposits at end of period	**75.2**	**57.6**	**75.2**	**57.6**	**91.6**

Interim condensed consolidated statement of changes in equity

	Q2		6M		Full Year
(Unaudited figures in USD million)	2023	2022	2023	2022	2022
Equity at beginning of period	**16.5**	**25.3**	**37.3**	**36.3**	**36.3**
Share based payment	(0.4)	0.4	(0.1)	0.4	0.9
New share issue	28.1	0.0	28.1	0.0	0.0
Comprehensive income for the period	(24.9)	8.7	(46.0)	(2.3)	0.1
Equity at end of period	**19.3**	**34.4**	**19.3**	**34.4**	**37.3**

Selected notes to the quarterly financial statements

NOTE 1: GENERAL INFORMATION

Prosafe SE is a public limited company domiciled in Norway, it is listed on the Oslo Stock Exchange with ticker code PRS. The consolidated financial statements for Q2 2023 were authorised for issue in accordance with a resolution of the Board of Directors on 16 August 2023. The accounting figures are unaudited.

NOTE 2: ACCOUNTING PRINCIPLES

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

NOTE 3: GOING CONCERN

The company continues to closely monitor compliance with the minimum liquidity covenant of USD 23 million.

The existing credit facilities contain a quarterly minimum liquidity covenant of (i) USD 23 million from and including 1 January 2023 to and including 31 December 2023 and (ii) USD 28 million from and including 1 January 2024 to and including 31 December 2024. The calculation of the minimum liquidity covenant shall exclude any cash held in relation to the “New Group” (the “New Group” comprises the rig owning companies of Safe Eurus, Safe Nova, Safe Vega and their immediate holding company) which at 30 June 2023 was USD 5.1 million. As at 30 June 2023, the Group had an unrestricted liquidity reserve of USD 73.1 million, and excluding the New Group had minimum liquidity of USD 68.0 million and was compliant with the minimum cash covenant on 30 June 2023.

In response to a potentially tight liquidity situation in 2024, management continues to consider several initiatives to remain in compliance with the minimum liquidity covenant.

The Board has determined that the actions taken are sufficient to mitigate the uncertainty and has therefore prepared the second quarter and first half 2023 financial reporting on a going concern basis.

NOTE 4: RELATED PARTY TRANSACTIONS

There were no material related party transactions in the second quarter and first half 2023. For the same periods in 2022 there were also no material related party transactions.

NOTE 5: EVENTS AFTER THE REPORTING DATE

On 27 July 2023, the Board of Directors appointed Terje Askvig as new CEO of Prosafe. He will assume the position latest 1 November 2023. Terje Askvig will take over from Reese McNeel who will continue as interim CEO and CFO until such time and will remain CFO after.

Prosafe and OSM Thome have jointly received a Tax Assessment from the Brazilian Tax Authorities imposing import taxes and customs penalties related to the challenging of the special customs regimes used to import the Safe Concordia for the Modec contract in the period from October 2018 to July 2019. Prosafe presented an administrative defence on 11 August 2023, challenging the view of the Brazilian Tax Authorities. Based on external advice, Prosafe is in the view that the enquiry has no merit, hence it has not made any provisions in the financial statements.

Address

Headquarters
Forusparken 2
N-4031 Stavanger
Norway

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

www.prosafe.com

Management

Reese McNeel
Interim CEO and CFO

Ryan Stewart
CCO

Board of directors

Glen Ole Rødland
Chair

Alf C. Thorkildsen
Deputy Chair

Birgit Aagaard-Svendsen
Board Member

Nina Udnes Tronstad
Board Member

Simen Flaaten
Board Member

Prosafe