26 May 2020

# Q1 2020 results and market update

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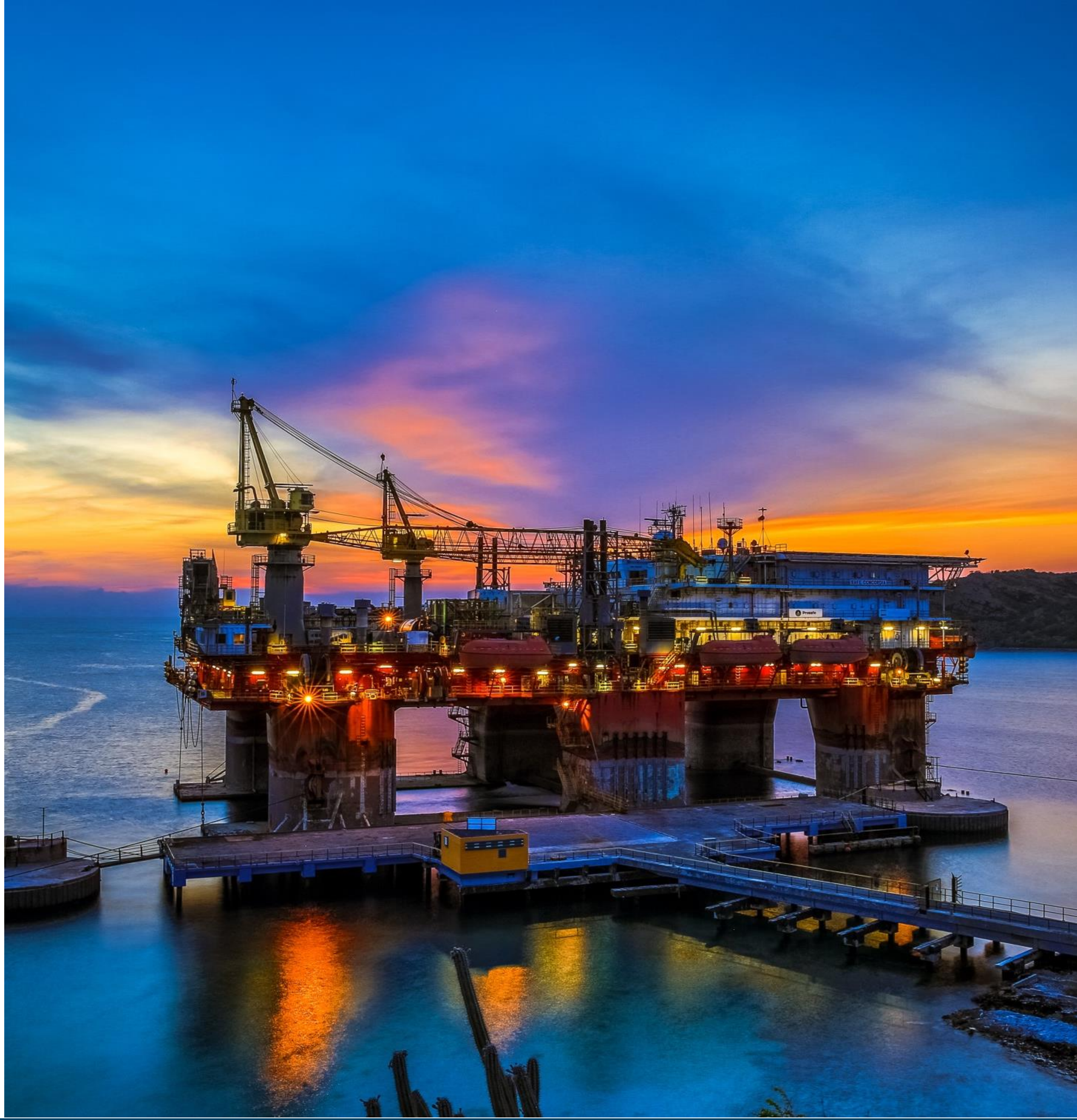
# Agenda

- Executive summary
- Re-assessment of outlook and financial implications
- Update on financial situation
- Financial results
- Strategy & summary





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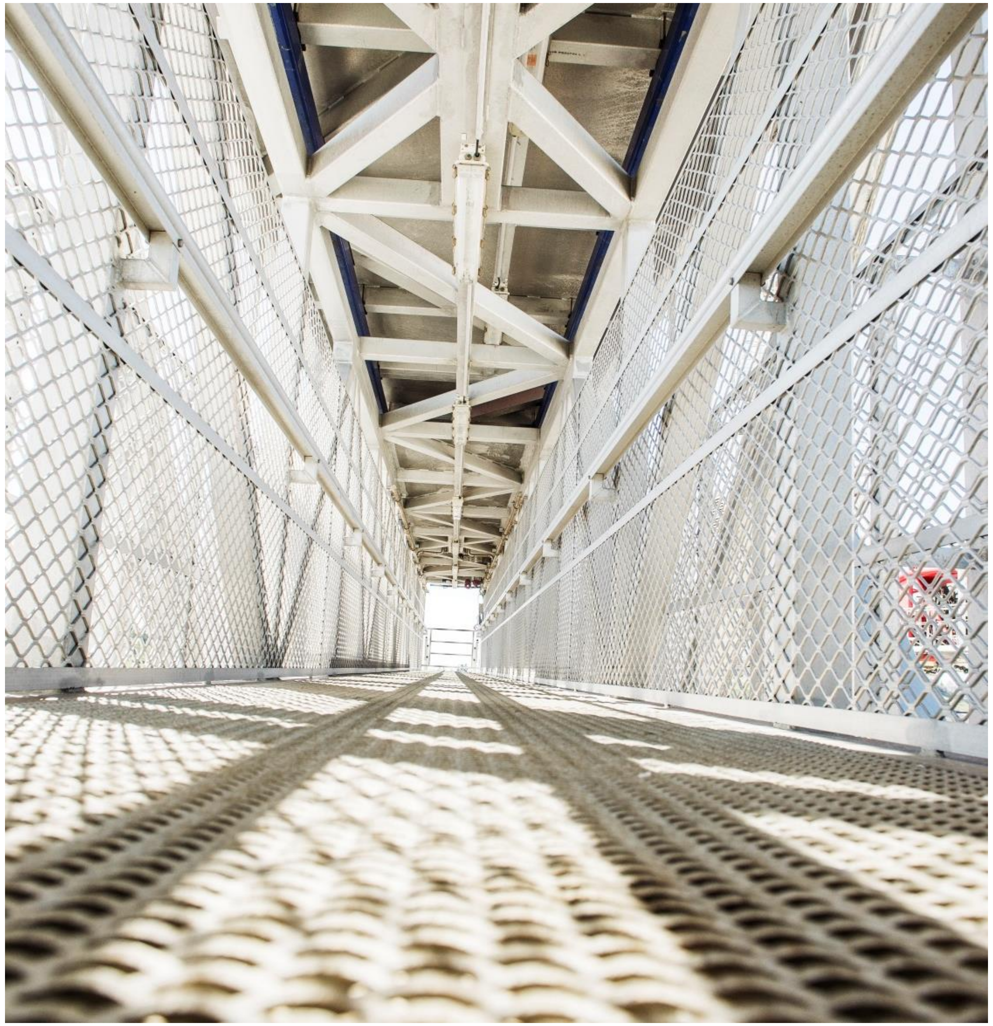
# Executive summary

- Effects of Covid-19, oil price crash, structural demand shift and over supply
- Utilisation in Q1 of 32.7 per cent (62.5 per cent)
- Total liquidity per Q1 of USD 184 million
- Impairments in Q1 of USD 811 million
- Strategy



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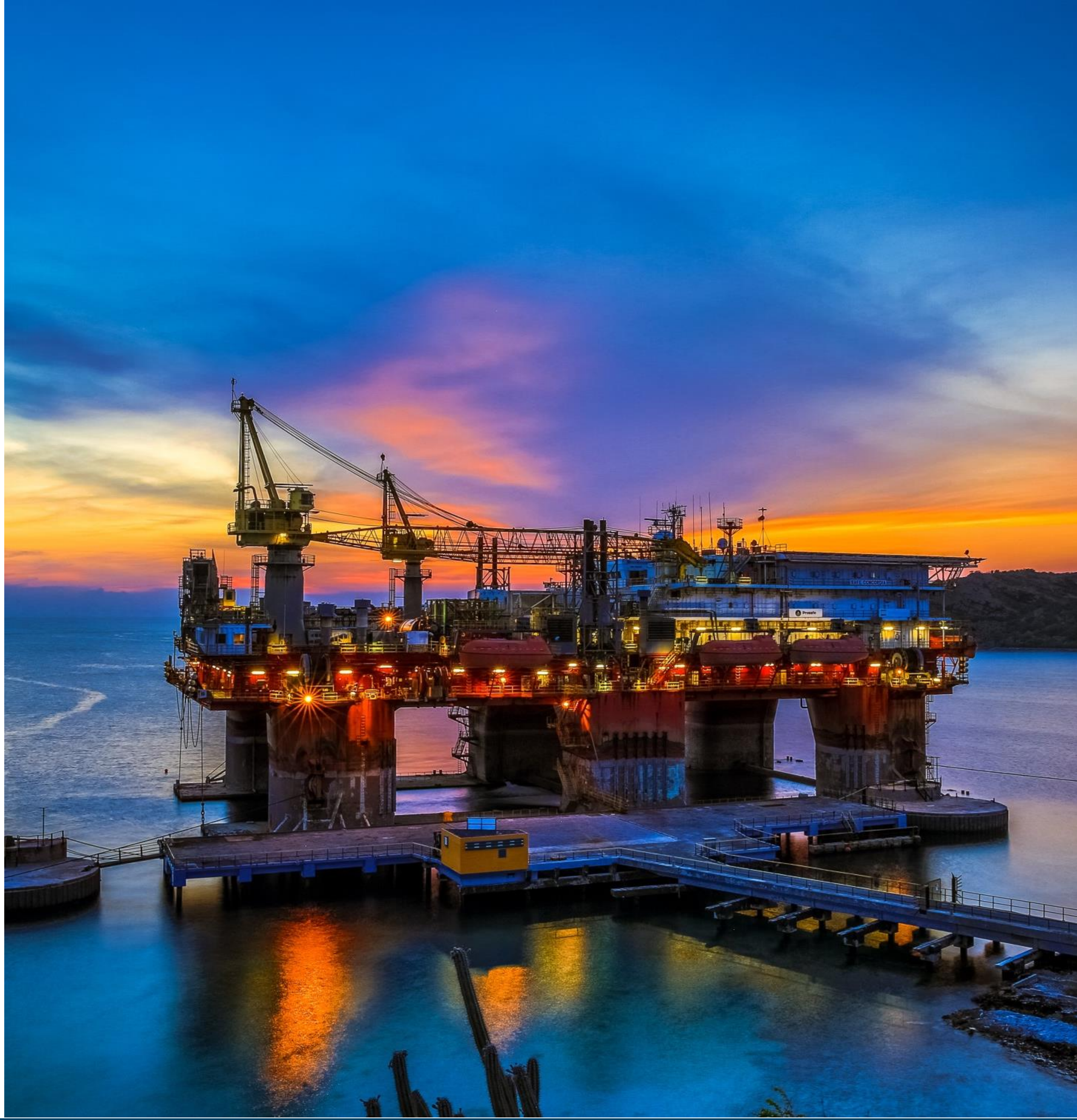



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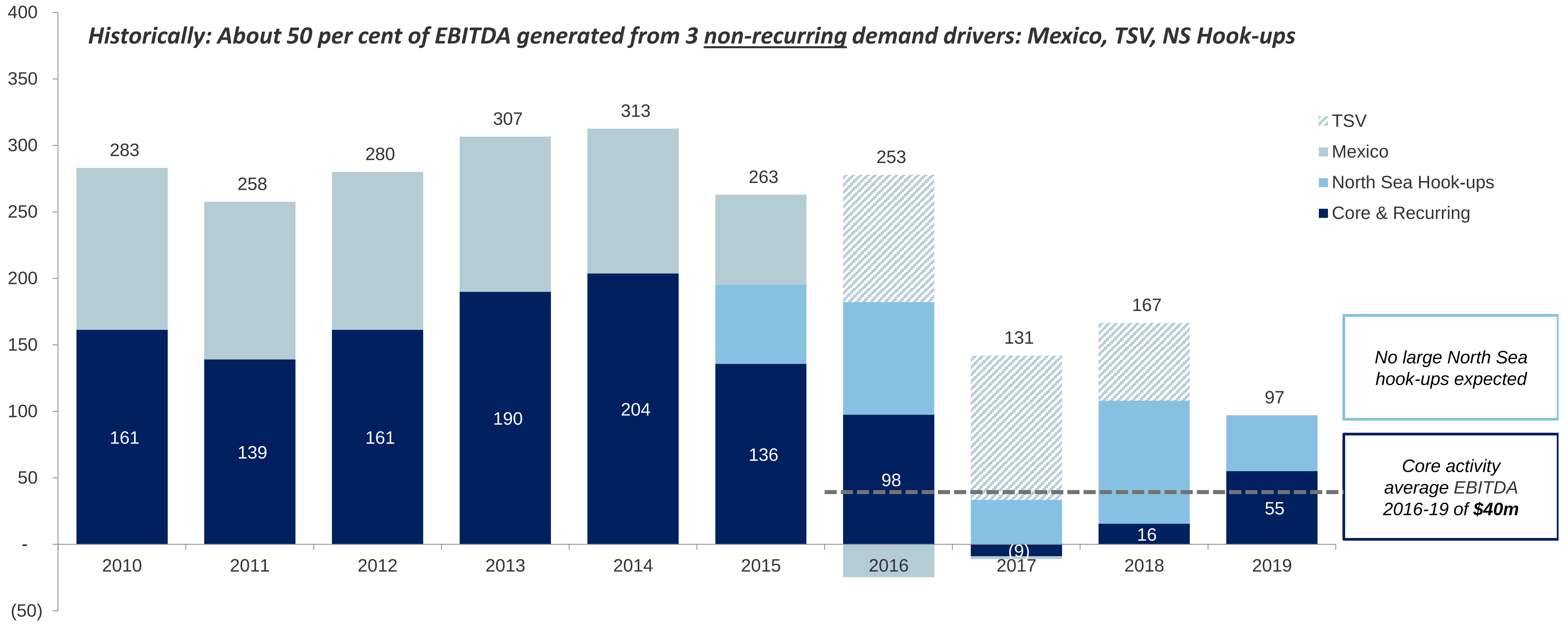
# A new market reality with changed demand drivers

## - Average EBITDA last 4 years from core and recurring MMO activity about MUSD 40

Prosafe EBITDA 2010 - 2019



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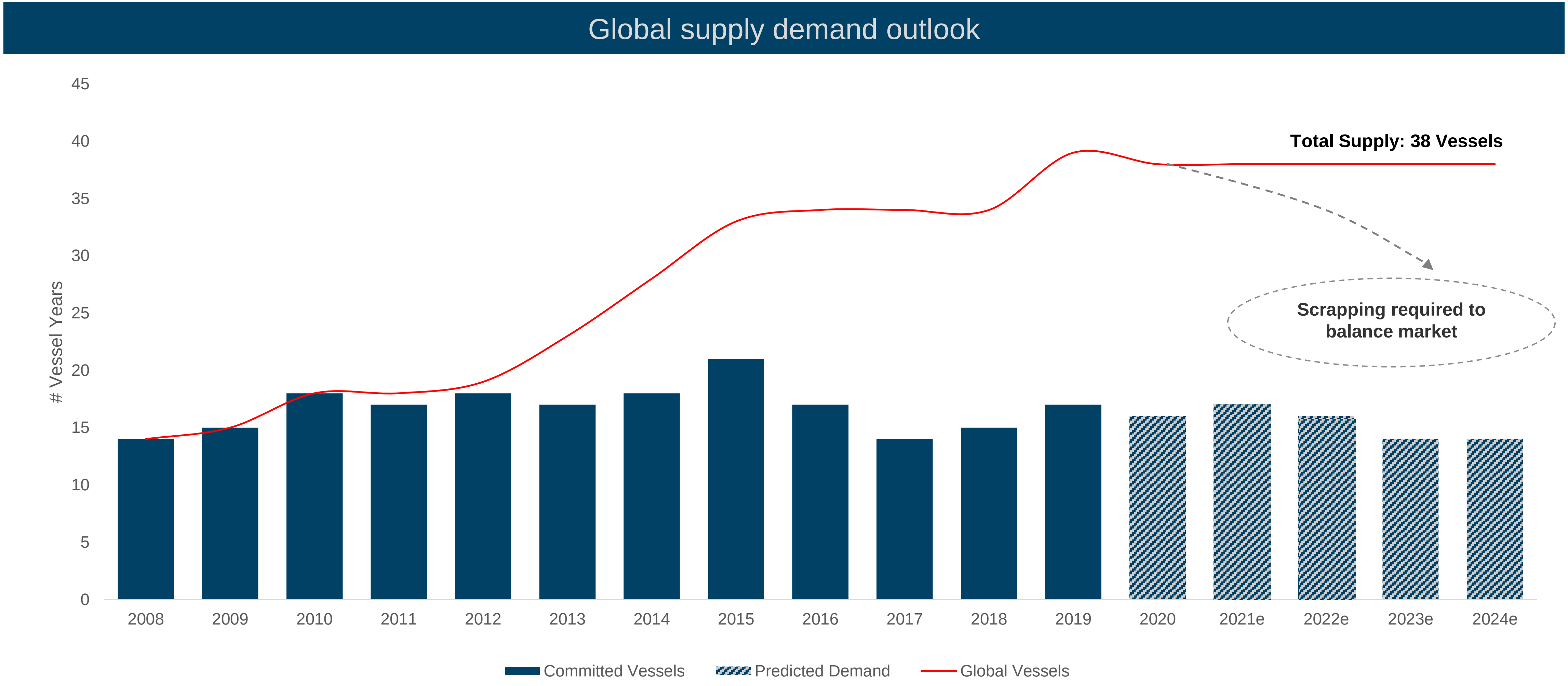
# Global oversupply of vessels



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# Re-assessment of outlook and financial implications

**Market outlook – A new market reality**

- A prolonged downturn over several years followed by Covid-19 and oil price crash
- In addition, the industry remains subject to significant global oversupply
- Limited tenders in the North Sea and few contract opportunities anticipated in the next years in Norway in particular. Due to Covid-19 implications, the Forties Pipeline System (FPS) shutdown deferment into 2021 may present further opportunity
- Brazil offering opportunities, although at lower rates. Three tenders currently outstanding
- Will maintain ambition to re-enter Mexico in the future
- Low cost (benign) offshore provinces not anticipated to offer profitable work due to competition from low cost alternative vessels available
- The attempt to merge and consolidate in 2019 to face a challenging and changing market failed

**Financial implications**

- A further re-assessment of market outlook impacts cash-flow projections significantly in the short term and long term
- As a consequence, the company incurs impairments totalling USD 811 million on the book value of vessels in the quarter
- Resulting in a book equity of negative USD 859 million per Q1 2020
- Further, in light of ongoing commercial discussions with clients, there is uncertainty related to the extent to which the order backlog will materialize in 2020 as scheduled as well as to the final outcome of the related discussions with clients

Note: refer to further information about the Company's financial situation in the following section

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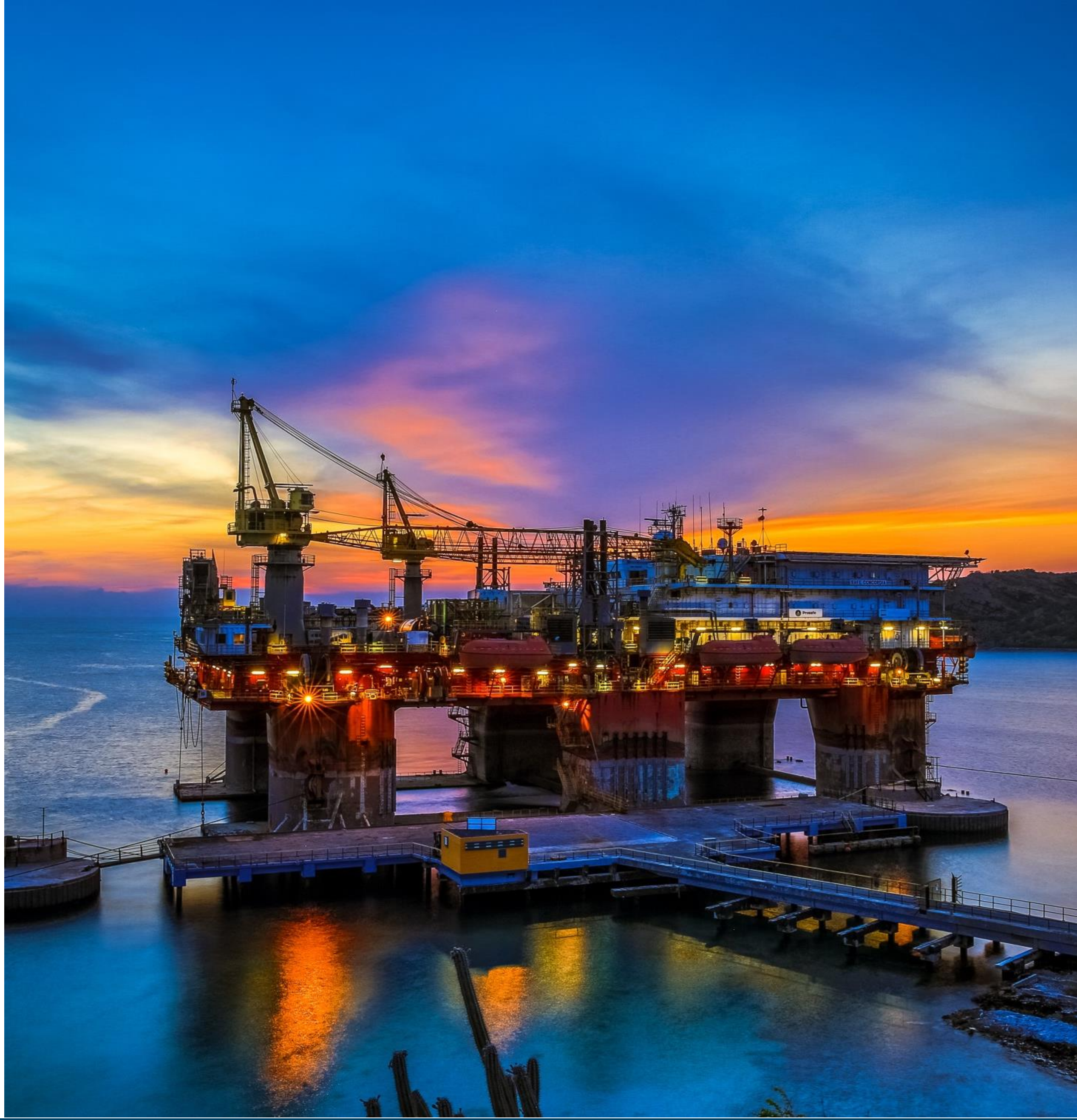



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# Update on financial situation

- At the end of Q1 2020, Prosafe has liquidity of USD 184 million and adequate liquidity under the current “halt payment” situation and all else equal for the foreseeable future
- Ref. message in the 2019 Annual Report: after several years of low activity across the industry and an unsustainable debt level, the company has entered a Forbearance agreement with a majority of lenders which includes a “halt payment” situation where neither amortizations nor interest is paid to lenders while a long-term financial solution is being negotiated and lenders reserve their rights
- The company continues the restructuring discussion with its lenders and now targets an extension to the Forbearance Agreement till end June 2020. The company has presented a business plan and a restructuring proposal that – if approved as proposed – will result in a sustainable balance sheet
- Pending the ongoing process, trade creditors and clients are served and the company continues to operate on a business as usual and going concern to protect and create value through challenging market conditions

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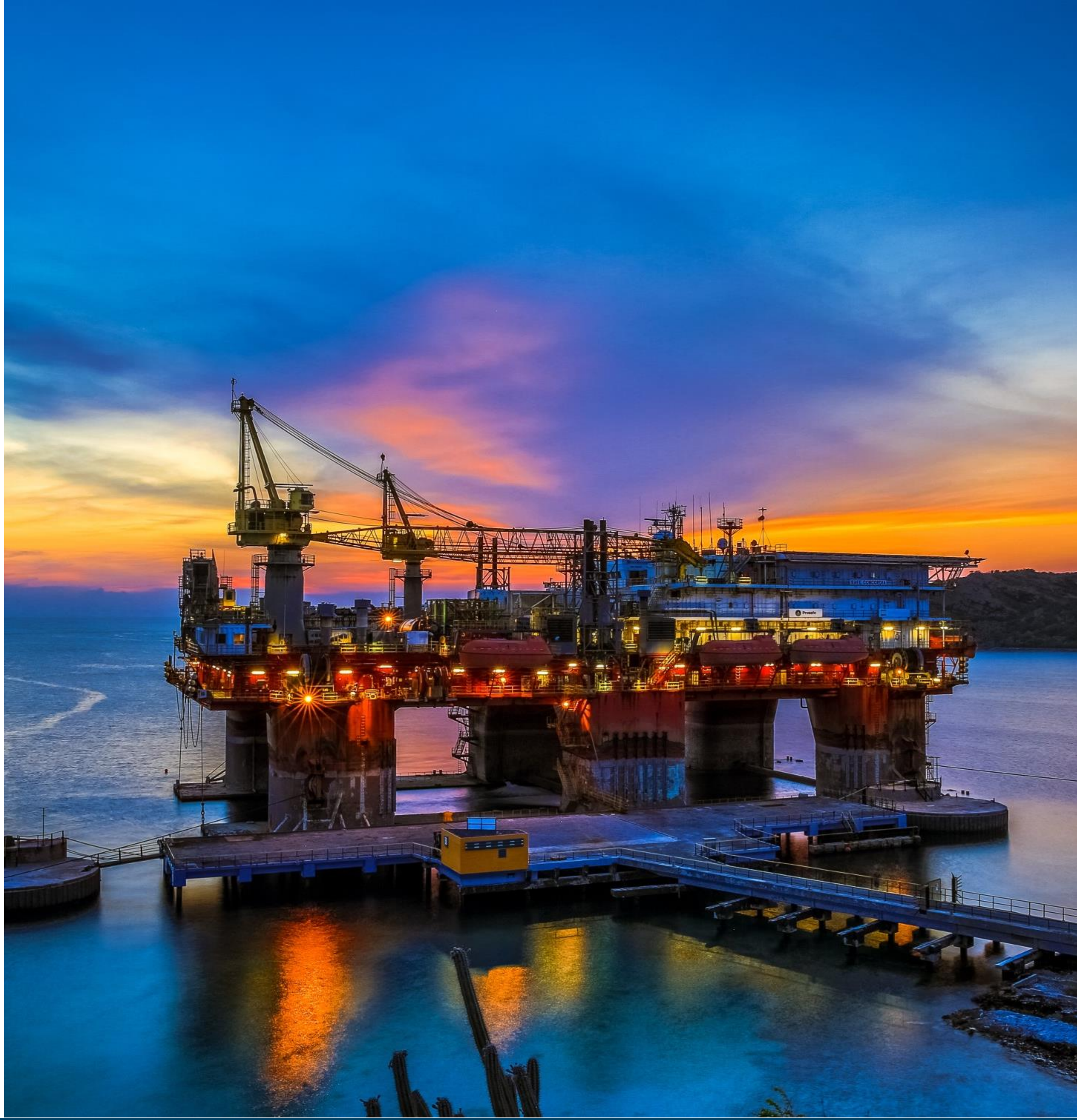



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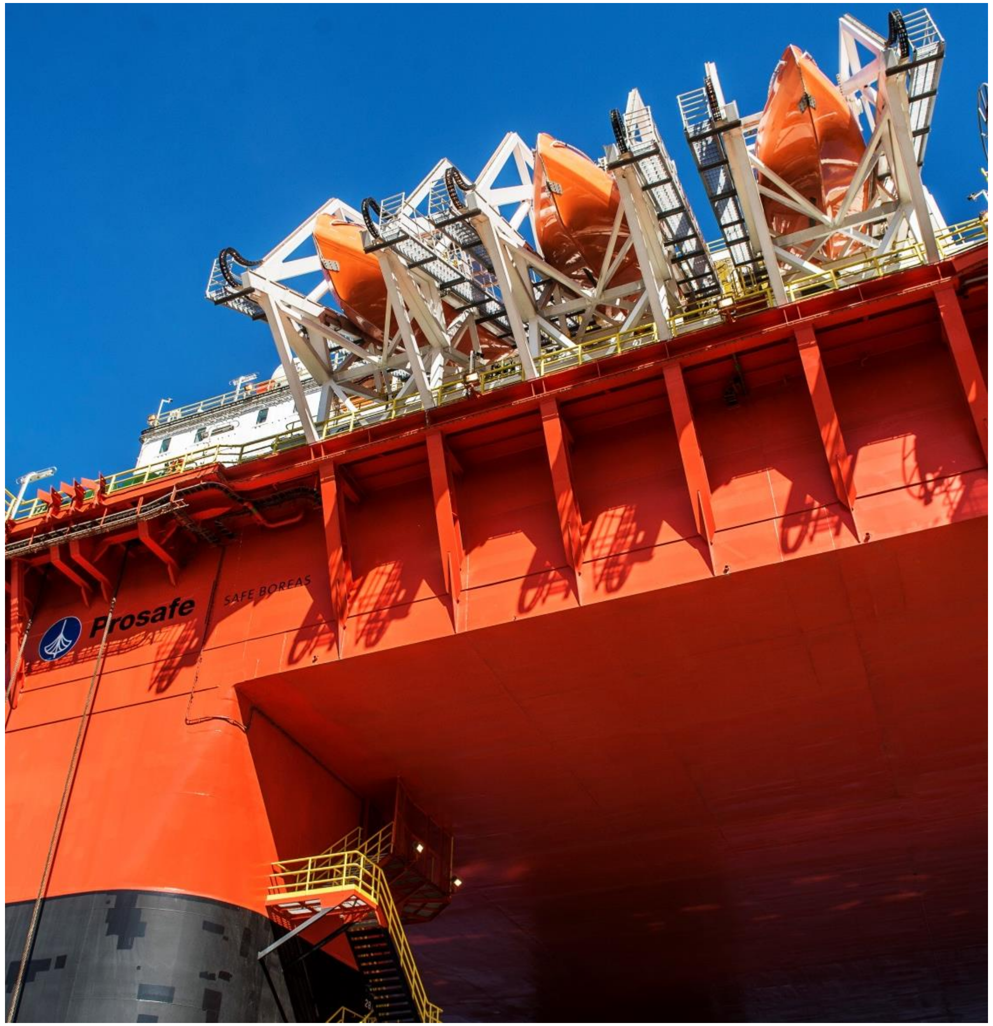
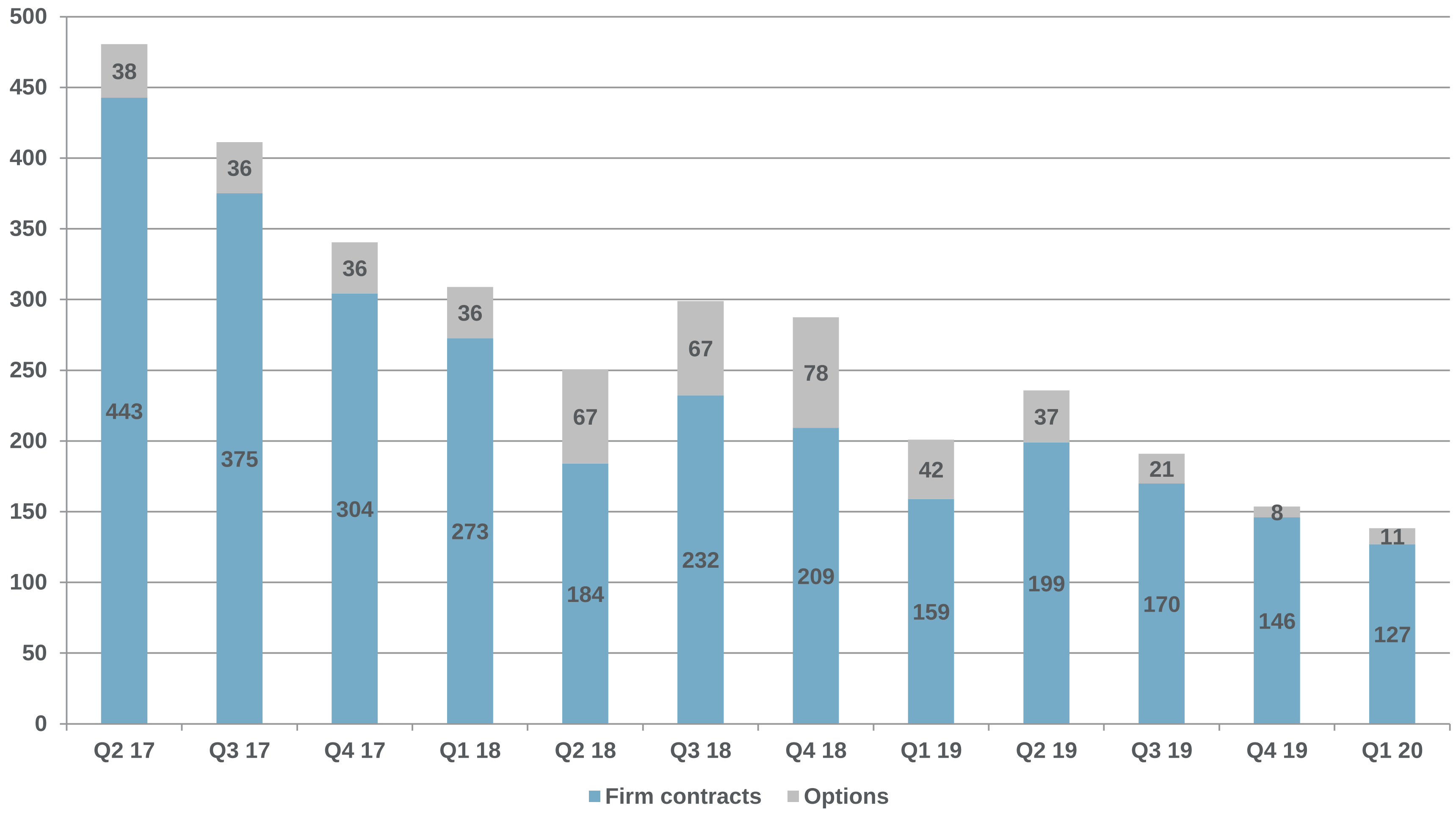
# Q1 2020 in short

- Implemented Covid-19 plans early to safeguard people and assets, and this has proven successful both onshore and offshore
- Total liquidity of USD 184 million per Q1 2020
- The company has presented a restructuring proposal to lenders that if approved as proposed, will result in a sustainable balance sheet. The company has requested an extension to the Forbearance arrangement till end June 2020 in order to ensure stability and sufficient time to seek agreement with lenders
- Firm order book of USD 127 million per Q1 2020 (USD 159 million)
- Due to ongoing discussions with clients regarding contracts in light of Covid-19 and the oil price collapse there is uncertainty related to the extent to which order backlog will materialize in 2020
- Fleet utilisation of 32.7 per cent (62.5 per cent) for the quarter
- Regalia will be marketed for recycling
- Reported EBITDA was USD 1.1 million (USD 24.1 million) in the quarter. Underlying EBITDA in the quarter adjusted for one-off effects was USD 2.1 million
- An impairment of USD 811 million was made to the book value of vessels and the book equity was negative by USD 859 million as of March 2020



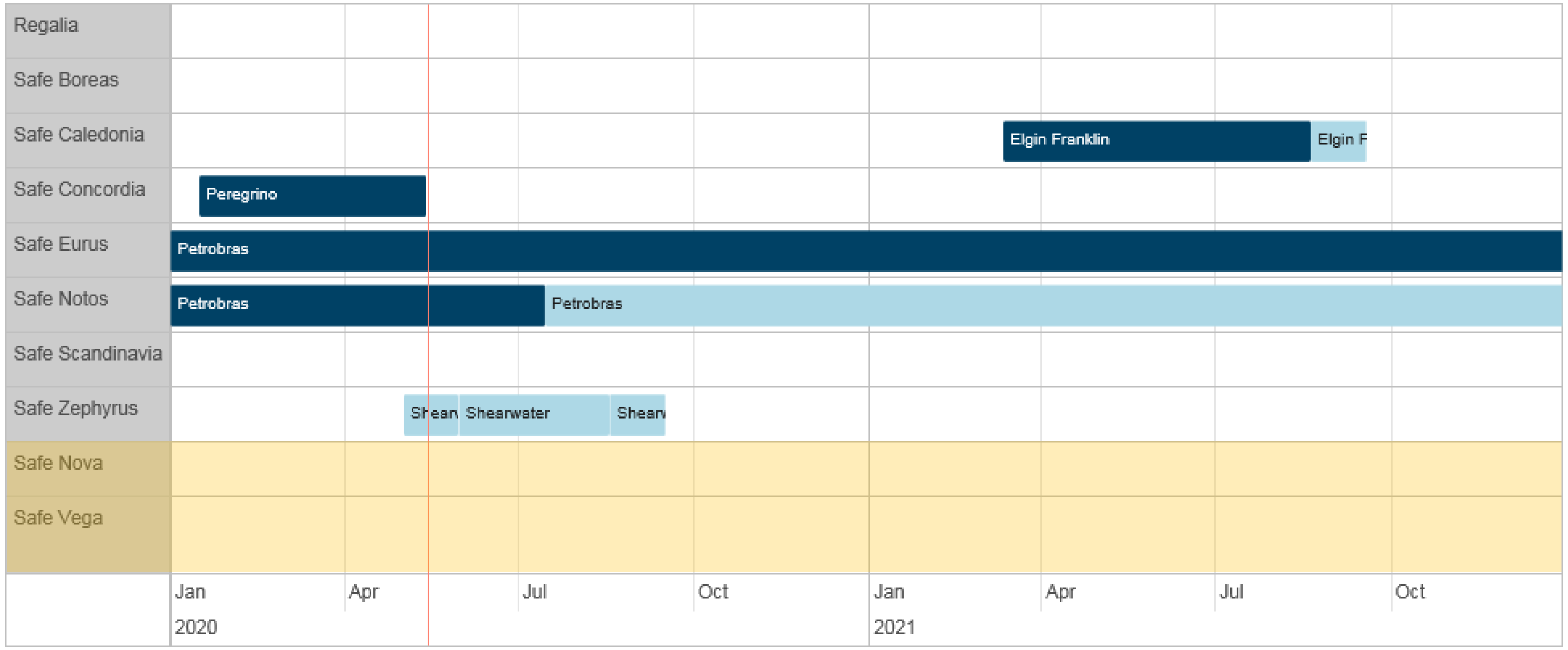
# Order backlog (USD million) per end Q1 2020




- Prosafe’s firm backlog was USD 127 million as at end Q1 2020

# Fleet status: Contracts, wins and extensions

## Contract backlog




Safe Vega and Safe Nova – newbuilds at yard

## Contracting update

- **Safe Caledonia** contract with Total UK for 162 days from mid-April 2020 with a 30-day option deferred until end Q1 2021
- **Safe Eurus** and **Safe Notos** under contract suspension for up to 120 days since early April. All suspension days to be added to the firm period of the contracts
- **Safe Zephyrus** will not perform the Shearwater contract in 2020 and discussions with the client are ongoing
- **Safe Concordia** completed Equinor Peregrino contract on 14 May 2020
- **Regalia** will be marketed for recycling



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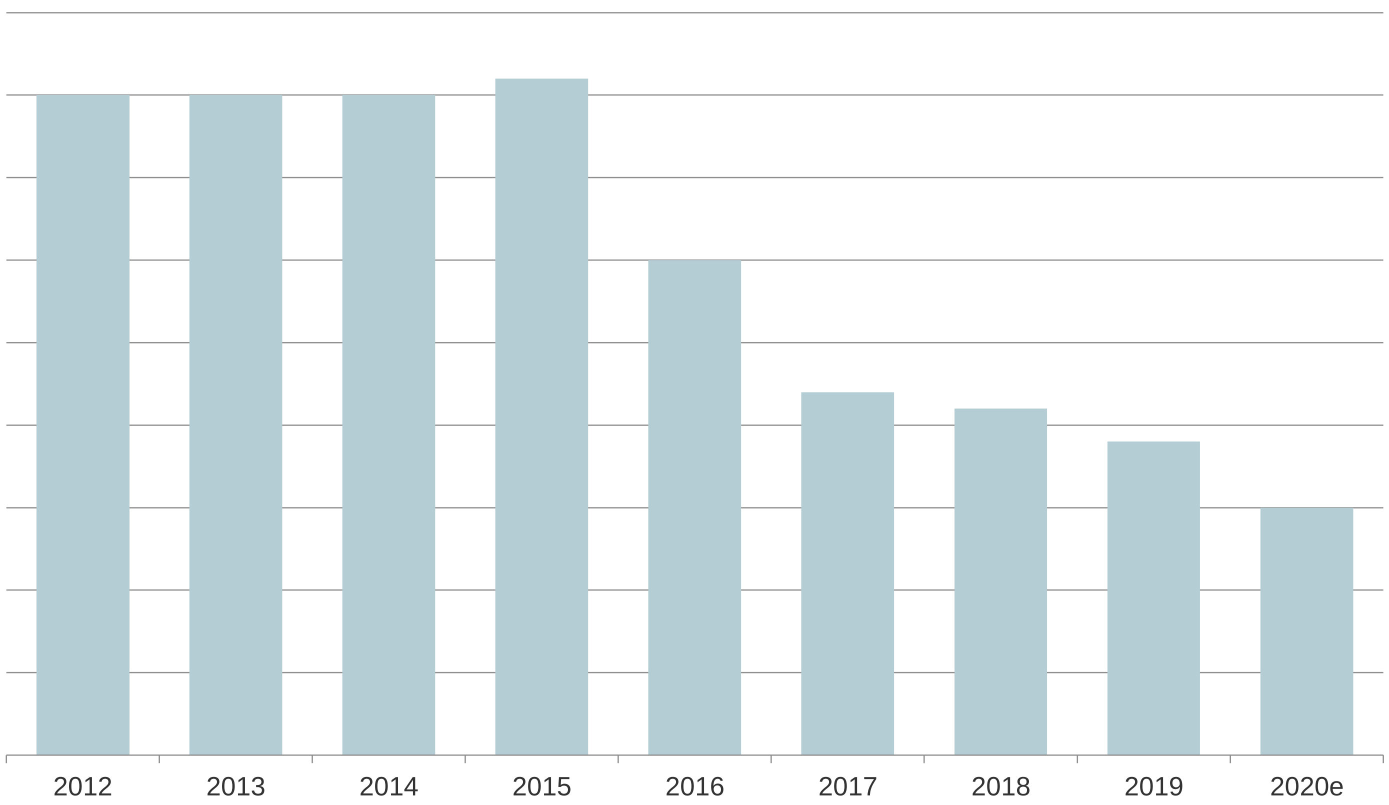
# Reducing the cost base to improve competitiveness and preserve cash

## SG&A* costs down over 60 per cent since 2015




*Excluding one-offs

## CPD down 35-40 per cent on average

| Opex (CPD USD k/d) | NCS | UK | NCS (TSV) | UKCS | Brazil |
|---|---|---|---|---|---|
| | DP | DP | Moored | Moored | DP |
| 2015-2019 | - ~20% | - ~ 45% | - ~25% | - ~50% | - ~42% |

| Stacking CPD (USD k/d) | Warm stack | Cold stack |
|---|---|---|
| 2015 - 2019 | - ~38% | - ~33% |



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# Income statement

| (Unaudited figures in USD million) | Q1 | |
|---|---|---|
| | 2020 | 2019 |
| Operating revenues | 25 | 67 |
| Operating expenses | (24) | (43) |
| **Operating results before depreciation** | **1** | **24** |
| Depreciation | (18) | (26) |
| Impairment | (811) | (4) |
| **Operating (loss) profit** | **(828)** | **(7)** |
| Interest income | 0 | 0 |
| Interest expenses | (19) | (15) |
| Other financial items | (8) | (5) |
| **Net financial items** | **(27)** | **(20)** |
| **(Loss) Profit before taxes** | **(854)** | **(27)** |
| Taxes | (1) | (1) |
| **Net (Loss) Profit** | **(855)** | **(28)** |
| **EPS** | **(9.72)** | **(0.32)** |
| **Diluted EPS** | **(9.72)** | **(0.32)** |

- Impairments of USD 811 million as a result of re-assessment of market outlook
- Fleet utilisation at 32.7 per cent (Q1 2019: 62.5 per cent)
- Lower operating revenues due to lower utilisation and lower average dayrates – approx. USD 96k in 2020 vs approx. USD 150k in 2019
- EBITDA of USD 1.1 milllion, while underlying EBITDA adjusted for one-off effects was USD 2.1 million
- Operating expenses were improved compared to the same quarter last year. Non-recurring costs of approx. USD 1 million were mostly related to the ongoing process with lenders for a long-term financial solution

# Balance sheet

| (Unaudited figures in USD million) | 31.03.20 | 31.03.19 |
|---|---|---|
| Vessels | 437 | 1,401 |
| New builds | 1 | 126 |
| Other non-current assets | 2 | 3 |
| **Total non-current assets** | **440** | **1,530** |
| Cash and deposits | 184 | 109 |
| Other current assets | 16 | 45 |
| **Total current assets** | **200** | **154** |
| **Total assets** | **639** | **1,684** |
| Share capital | 9 | 9 |
| Other equity | (868) | 363 |
| **Total equity** | **(859)** | **372** |
| Interest-free long-term liabilities | 41 | 22 |
| Interest-bearing long-term debt | 77 | 1,171 |
| **Total long-term liabilities** | **118** | **1,193** |
| Other interest-free current liabilities | 36 | 75 |
| Current portion of long-term debt | 1,344 | 44 |
| **Total current liabilities** | **1,380** | **119** |
| **Total equity and liabilities** | **639** | **1,684** |
| **Key figures:** | | |
| Working capital | (1,181) | 36 |
| Liquidity reserve | 184 | 264 |
| Interest-bearing debt | 1,421 | 1,215 |
| Net Interest-bearing debt | 1,237 | 1,106 |
| Book equity ratio | (134)% | 22% |

- Total assets of  USD 639 million mainly due to the impairments carried out in Q3 2019 and Q1 2020
- Rigs impaired by USD 811 million
- **Liquidity reserve** per Q1 2020 of USD 184 million
- Net interest-bearing debt increased mainly due to taking delivery of the Safe Eurus last year, partially offset by a one-off positive adjustment of USD 28.7 million to amortised cost of interest-bearing debt resulting from lenders re-electing PIK margin instead of warrants at Q4 last year
- Book equity was negative by USD 859 million by end of Q1 2020. The company is pursuing a sustainable balance sheet as part of the ongoing discussion with lenders

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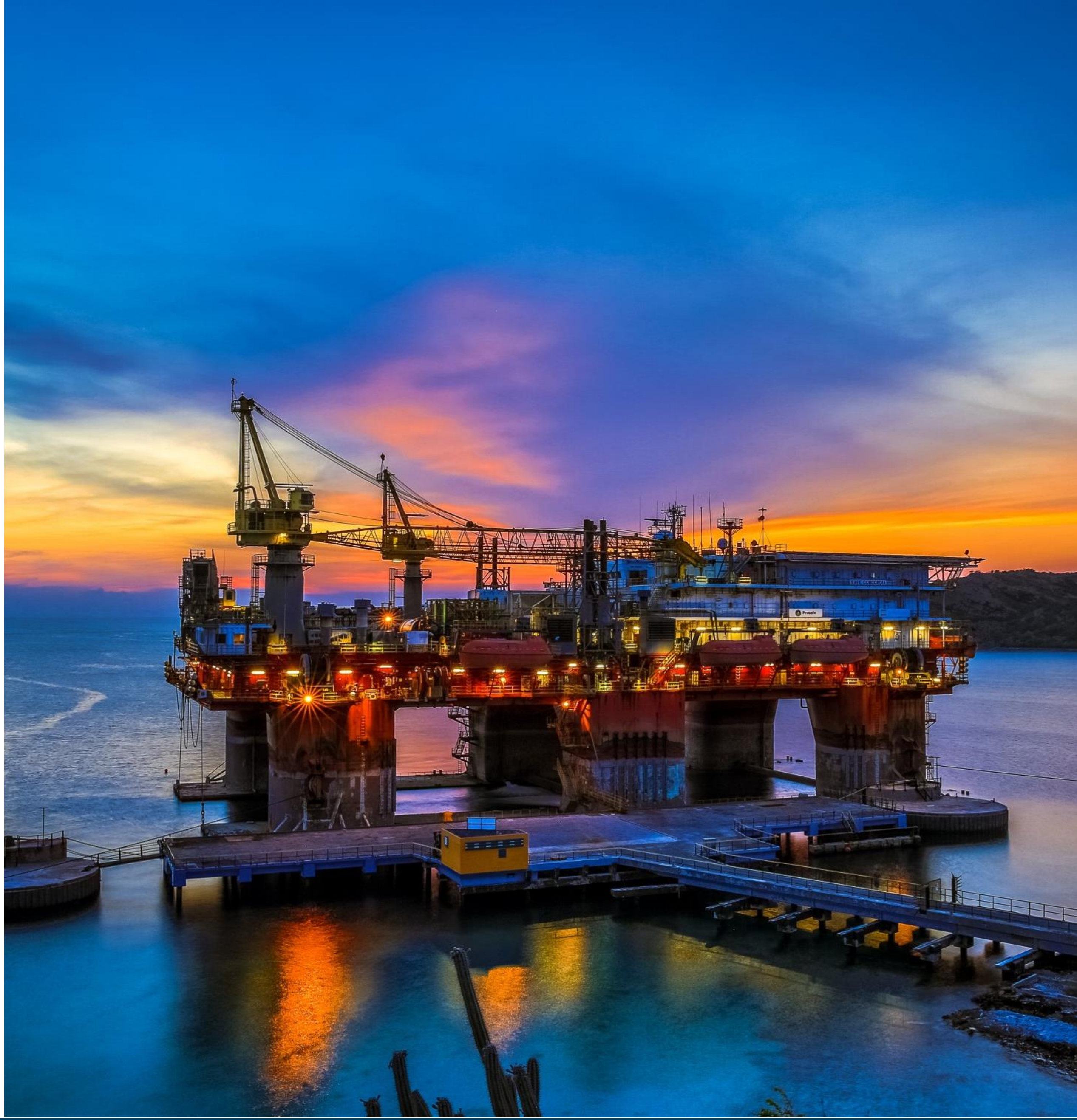



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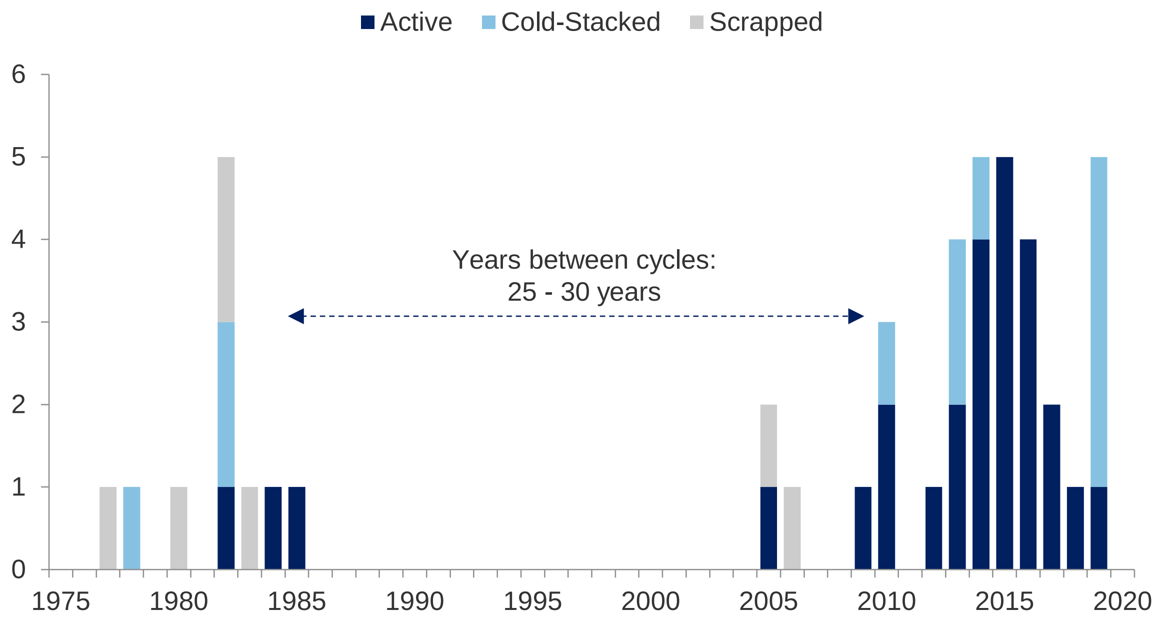
# Strategy and goals

- Secure a sustainable financial solution
- Maintain commercial win rate for any opportunities that arise
- Re-enter Mexico
- Seek engagement for Safe Scandinavia (TSV) outside accommodation
- Consolidation and fleet renewal
- Pursue ESG initiatives

# Scrapping will gradually rebalance the market

## - But expected to take time…

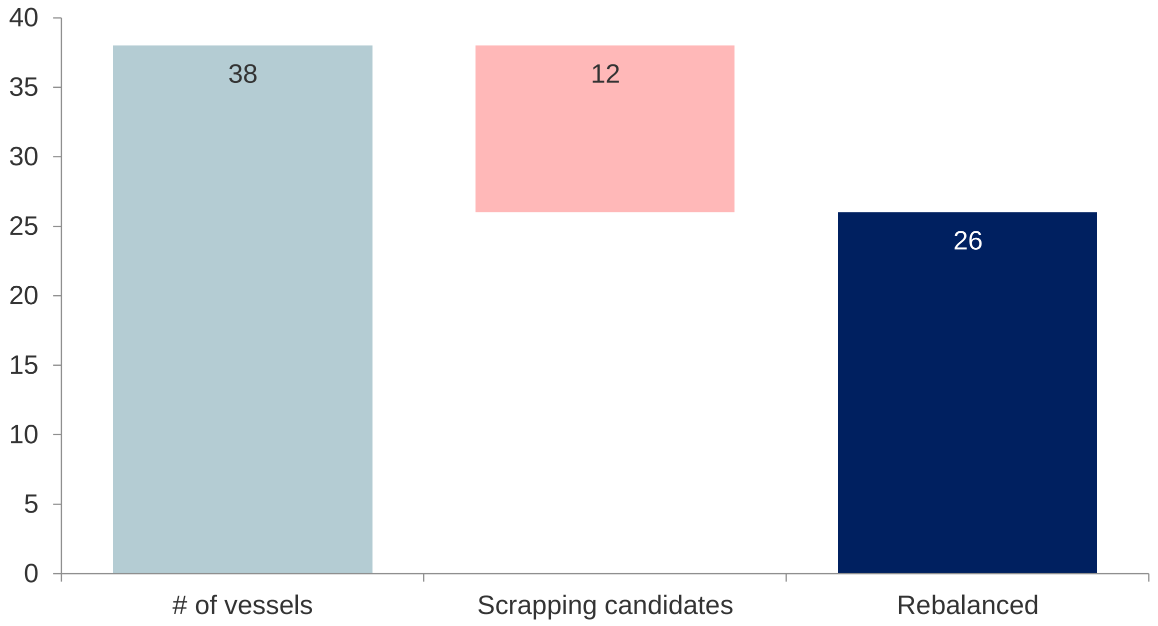
### Current supply based on year of delivery




Current supply is 38:
- 29 of 38 vessels are delivered after 2005
- Two vessels are at the yard (Nova and Vega)

**Average age:**
- **Whole fleet: 11.4 years**
- **Most competitive fleet: 6.1 years**

### Scrapping candidates




- We expect a gradual replacement of older and less competitive vessels
- We have identified 12 scrapping candidates which we believe have negative or marginal NPV.
- Scrapping might be delayed due to the young age of the fleet, and the low cost of cold stacking and reaction of vessels ($2-15m to reactivate)

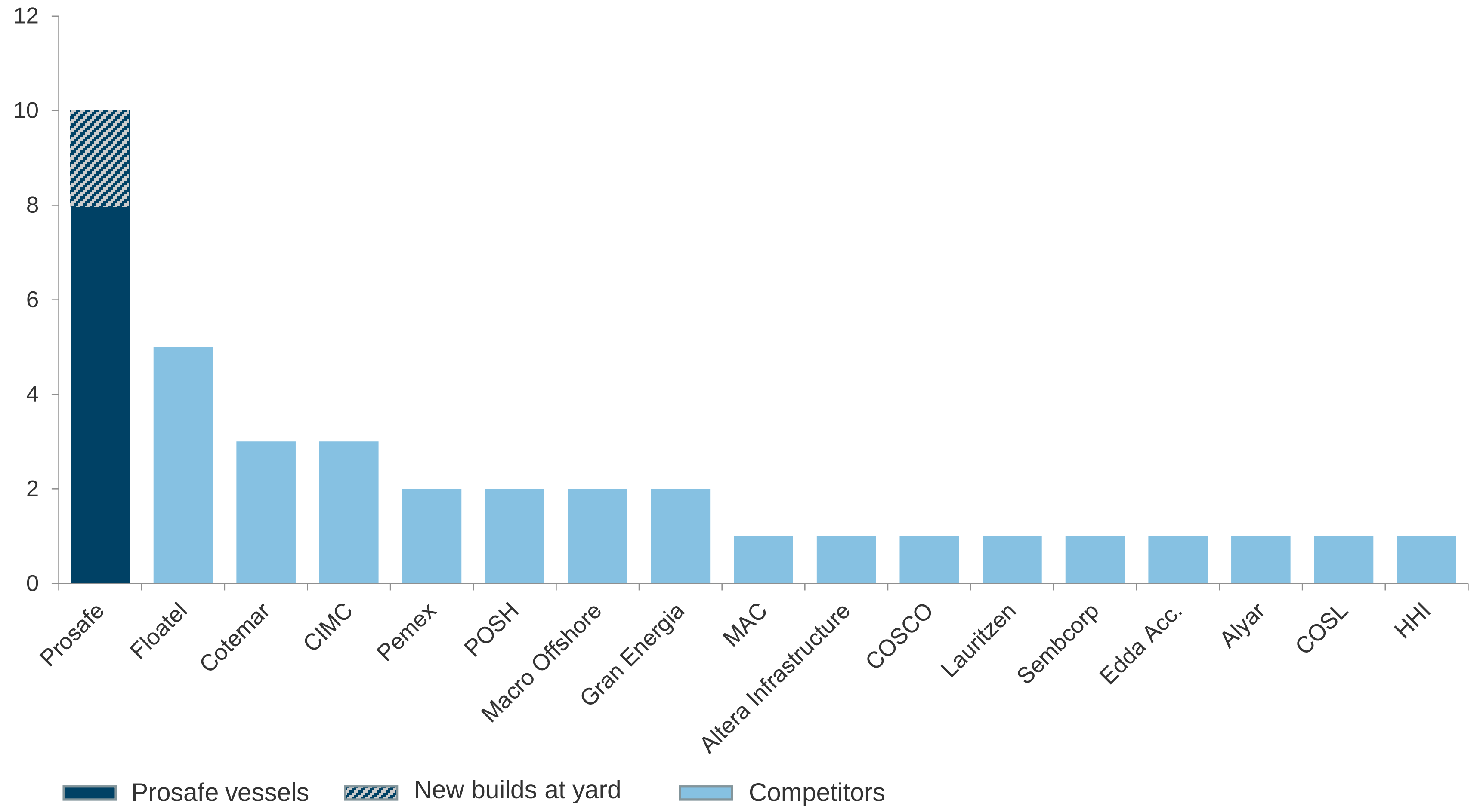
# Consolidation

## - Prosafe sees several interesting and value-enhancing consolidation/distressed asset acquisition opportunities

**Consolidation opportunities**

- Prosafe is well placed to drive consolidation in the industry due to its strong commercial outperformance, cost leadership and global presence
- Balance sheet risk may be prohibiting. The Chinese owned competitors (OOS, CIMC, Cosco) are effectively operating on debt free basis
- Operating 1 - 2 flotels is not efficient
- The down turn is expected to reshape the industry into fewer and larger operators
- Joint ventures / partnerships pursuit

Consolidation opportunities - # of vessels per owner



# Summary

- Total liquidity of USD 184 million per Q1 2020
- The company has presented a restructuring proposal to lenders. Extension to current Forbearance arrangement requested from end May 2020 till end June 2020
- Firm order book of USD 127 million per Q1 2020 (USD 159 million). Pending ongoing discussions with clients, there is uncertainty related to the extent to which order backlog will materialise in 2020
- Fleet utilisation of 32.7 per cent (62.5 per cent) in the quarter
- An impairment of USD 811 million was made to the book value of vessels and the book equity was negative by USD 859 million as of March 2020
- Prosafe will continue to seek entry into new geographical markets
- Prosafe's ambition remains to pursue a sustainable financial solution and pursue a leading position based on global presence, safe and low cost operations and fleet enhancement. The strategy to take an active role in future consolidation remains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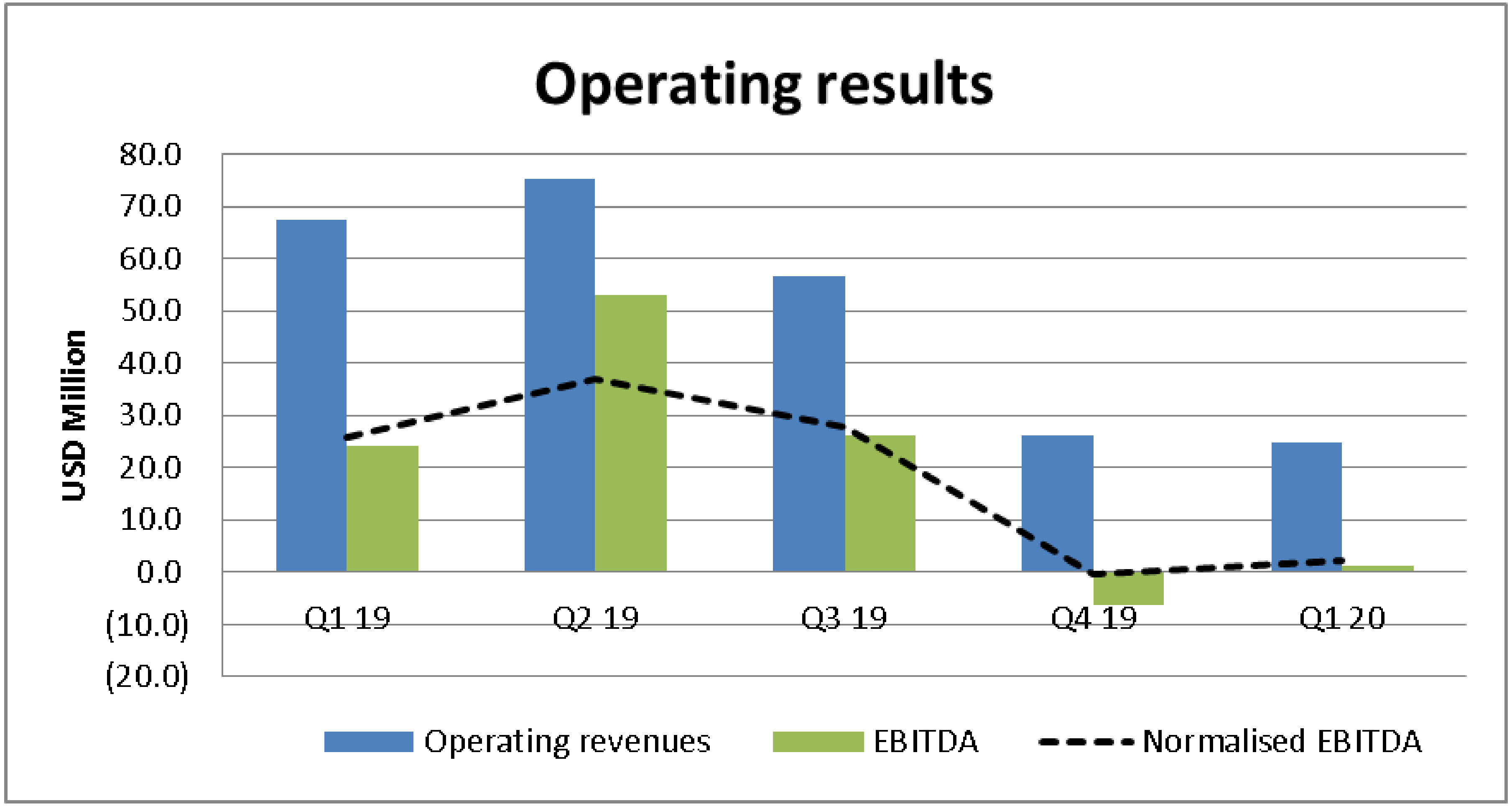
# Appendix

# Operating revenue

| (USD million) | Q1 20 | Q1 19 | Q4 19 | 2019 |
|---|---|---|---|---|
| | | | | |
| Charter income | 24.4 | 56.8 | 24.4 | 191.7 |
| Other income | 0.6 | 10.5 | 1.9 | 33.7 |
| **Total** | **25.0** | **67.3** | **26.3** | **225.4** |

# Development of operating results



# Liquidity reserve & net interest-bearing debt