Prosafe

FIRST QUARTER 2021

(Figures in brackets refer to the corresponding period of 2020)

Reported EBITDA[1] for the first quarter was negative by USD 10.1 million (a positive of USD 1.1 million), reflecting lower utilization and lower average day rates. Liquidity reserve[2] at end Q1 was USD 141.7 million. The Company lost the Westcon court case unexpectedly and the judgement implies full payment to Westcon in the sum of NOK 465 million. Prosafe is considering an appeal to the Supreme Court.

Prosafe continues to make good progress with its lenders and is close to reaching an agreement on terms which have support from a very significant lender majority. The Company's objective is to have formal support from a sufficient amount of creditors required for implementation by June. Although it remains too early to conclude or reveal the full details, it is expected that such solution will imply a significant balance sheet recapitalization, including a debt equitization with minimal recovery for current shareholders.

Recent highlights

- As part of the ongoing process with lenders, Prosafe has filed for moratorium in Singapore with the support of more than 95% of the lenders. The purpose is to facilitate protection of going concern value**,** pending finalization of the term sheet negotiations with its major creditors and, thereafter, implementation of the agreed solution. Meanwhile, the Company operates on a business- as-usual basis.
- Prosafe lost the Westcon court case in the Gulating Court of Appeal and is considering an appeal to the Supreme Court.
- Operating status and financial results:
  - Utilisation of 25.7% in Q1 (32.7%)
  - Reported EBITDA of USD 10.1 million negative (USD 1.1 million positive)
  - Impairment change of USD 40.7 million plus approximately USD 13.8 million of other financial costs made to the Q1 accounts due to the outcome of final Westcon judgement
  - Cash flow from operations was USD 7.6 million negative (USD 13 million negative)
- Liquidity reserve of USD 141.7 million (USD 183.6 million)
- Operations & Commercial – increasing activity:
  - Safe Zephyrus completed its SPS and commenced the contract for Shell in the UK
  - Safe Caledonia commenced the contract for Total UK
  - Safe Notos completed its SPS and recommenced the contract for Petrobras in Brazil
  - Safe Boreas completed its SPS and commenced the contract for CNOOC in the UK on 20th April 2021
  - Safe Concordia is preparing for contract in Trinidad & Tobago commencing July 2021
  - Ongoing tenders in Brazil and North Sea

[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

Operations

The fleet utilisation rate in the first quarter of 2021 was 25.7 per cent (Q1 2020: 32.7 per cent).

Safe Zephyrus completed her five-yearly special periodic survey at Averøy yard in Norway before mobilising to the Shearwater platform in the UK where she started a 145-day contract for Shell on 27 February 2021. Shell has an option to extend the contract after the firm duration by up to 30 days.

Safe Caledonia was mobilised to the Elgin platform in the UK and commenced a contract for Total on 30 March 2021. The contract has a firm duration of 162 days and a 30-day option.

Safe Boreas completed its SPS and commenced the contract for CNOOC in the UK on 20th April 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.

Safe Notos was off-hire through January 2021 conducting her five-yearly special periodic survey and resumed operations on 6 February 2021 continuing through until mid-November 2021.

Safe Concordia was in early January awarded a 117-day contract in Trinidad and Tobago. The vessel is now preparing for this contract, which is scheduled to commence in July 2021.

Safe Scandinavia and Regalia were idle in the quarter and were laid up in Norway. Regalia was sold for recycling in April 2021.

The impact from Covid-19 on the macro environment has been challenging, with the company also experiencing cases on the Safe Zephyrus. Implemented procedures limited the impact and the situation was rapidly controlled. Safety measures at workplaces and vessels to protect people and assets remain rigorously in place.

Financials

First quarter 2021

Reported EBITDA for the first quarter was USD 10.1 million negative (USD 1.1 million positive). The decrease in EBITDA was mainly due to lower utilisation and lower average day rates. Operating expenses were slightly higher compared to the same quarter last year. However, there was approximately USD 9 million of costs related to getting vessels ready for contracts commencement.

Depreciation was USD 8.2 million (USD 18.2 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.

Due to the outcome of Westcon judgement, there was an impairment of USD 40.7 million made to the accounts in this quarter. Same quarter last year, an impairment loss of USD 810.5 million booked to the book value of vessels as a result of reassessment of economy, oil demand and markets.

Operating loss for the first quarter amounted to USD 59 million (operating loss of USD 827.6 million). Lower operating loss in 2021 was mainly due to lower depreciation and impairment partially offset by lower EBITDA.

Interest expenses amounted to USD 14 million (USD 18.8 million).

Other financial cost was USD 16.7 million (USD 8.2 million). The increase in other financial cost was mainly a result of Westcon judgement, which had a one-off effect of USD 13.8 million.

Net loss equalled USD 90 million (net loss of USD 855.1 million).

Cash flow from operations was negative by USD 7.6 million (USD 13 million negative). The slight increase in cash flow was mainly due to the improvement in working capital partially offset by lower EBITDA.

Total assets at 31 March amounted to USD 585.7 million (USD 639.2 million). The decrease in total assets was mostly due to the depreciation and reduction in cash balance.

Net interest-bearing debt equalled USD 1,385.8 million (USD 1237.2 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 swaps. 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).

At the end of this quarter, the book equity ratio stayed negative at 177.4 per cent (negative 134.4 per cent). Prosafe confirms that the Company and its lenders are making good progress and are close to reaching an agreement on terms which have the support from a very significant lender majority. As part of the on-going process, Prosafe have filed for moratorium in Singapore with the support of more than 95% of the lenders. The purpose is to facilitate protection of going concern value, pending finalization of the term sheet negotiations with its major creditors and, thereafter, implementation of the agreed solution. Meanwhile, the Company operates on a business-as-usual basis. (Refer to Note 5 - Refinancing and going concern for further details).

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.

Update on refinancing process

For details, please refer to Note 5 - Refinancing and going concern.

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 and lower demand for offshore accommodation vessels, a trend that is expected to continue.

Near-term, developments in macro factors like Covid-19 remain to have an effect on activity levels with continued uncertainty about longer-term developments. This is exacerbated by the traditional limited visibility on the demand for accommodation vessels.

Despite the low visibility and uncertainty about demand, 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 and meaningful consolidation in order to deliver sustainable returns. With regards to financing, the Company is making good progress with lenders to agree and implement a sustainable financial solution as soon as possible. In this perspective, Prosafe will continue to be active in further consolidation of the offshore accommodation industry to protect and create value.

5 May 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	Q1 2021	Q1 2020	Full Year 2020
Operating revenues		16.0	25.0	56.7
Operating expenses		(26.1)	(23.9)	(66.2)
Operating results before depreciation		**(10.1)**	**1.1**	**(9.5)**
Depreciation		(8.2)	(18.2)	(44.5)
Impairment	3	(40.7)	(810.5)	(810.3)
Operating profit/(loss)		**(59.0)**	**(827.6)**	**(864.3)**
Interest income		0.0	0.4	0.5
Interest expenses		(14.0)	(18.8)	(61.8)
Other financial items	3	(16.7)	(8.2)	(22.1)
Net financial items		**(30.7)**	**(26.6)**	**(83.4)**
Profit/(Loss) before taxes		**(89.7)**	**(854.2)**	**(947.7)**
Taxes		(0.3)	(0.9)	(2.4)
Net profit (loss)		**(90.0)**	**(855.1)**	**(950.1)**
EPS		**(1.02)**	**(9.72)**	**(10.80)**
Diluted EPS		**(1.02)**	**(9.72)**	**(10.80)**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited figures in USD million)	Q1 2021	Q1 2020	Full Year 2020
Net profit/(loss) for the period	**(90.0)**	**(855.1)**	**(950.1)**
Foreign currency translation	(0.5)	(6.2)	(0.8)
Pension remeasurement	0.0	0.0	(0.1)
Other comprehensive income	**(0.5)**	**(6.2)**	**(0.9)**
Total comprehensive income	**(90.5)**	**(861.3)**	**(951.0)**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited figures in USD million)	Note	31.03.21	31.03.20	31.12.20
Vessels	3	414.7	436.8	412.3
New builds		1.1	1.1	1.1
Other non-current assets		3.2	1.8	2.1
Total non-current assets		**419.0**	**439.7**	**415.5**
Cash and deposits		141.7	183.6	160.3
Other current assets		25.0	15.9	11.9
Total current assets		**166.7**	**199.5**	**172.2**
Total assets		**585.7**	**639.2**	**587.7**
Share capital		9.1	9.0	9.1
Other equity		(1,048.1)	(867.9)	(957.6)
Total equity		**(1,039.0)**	**(858.9)**	**(948.5)**
Interest-free long-term liabilities	4	2.3	40.9	6.0
Interest-bearing long-term debt		80.1	77.1	78.7
Total long-term liabilities		**82.4**	**118.0**	**84.7**
Other interest-free current liabilities	3	94.9	36.4	20.8
Current portion of long-term debt	4, 5	1,447.4	1,343.7	1,430.7
Total current liabilities		**1,542.3**	**1,380.1**	**1,451.5**
Total equity and liabilities		**585.7**	**639.2**	**587.7**

KEY FIGURES IN CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited figures in USD million)	31.03.21	31.03.20	31.12.20
Total assets	585.7	639.2	587.7
Working capital	(1,375.6)	(1,180.6)	(1,279.3)
Liquidity reserve	141.7	183.6	160.3
Interest-bearing debt	1,527.5	1,420.8	1,509.4
Net Interest-bearing debt	1,385.8	1,237.2	1,349.1
Book equity	(1,039.0)	(858.9)	(948.5)
Book equity ratio	(177.4)%	(134.4)%	(161.4)%

Notes:

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(Unaudited figures in USD million)	Note	Q1 2021	Q1 2020	Full Year 2020
Loss before taxes		(89.7)	(854.2)	(947.7)
(Gain) Loss on sale of non-current assets		0.0	0.2	0.4
Depreciation		8.2	18.2	44.5
Impairment	3	40.7	810.5	810.3
Financial income		0.0	(0.4)	(0.5)
Financial costs		14.0	18.8	61.8
Change in working capital		19.9	(13.3)	(22.0)
Other items from operating activities		(0.8)	9.5	26.8
Taxes paid		0.1	(2.3)	(6.7)
Net cash flow from operating activities		**(7.6)**	**(13.0)**	**(33.1)**
Acquisition of tangible assets		(10.5)	(1.2)	(2.9)
Net (payments)/proceeds from sale of tangible assets		0.0	(0.2)	(0.3)
Interests received		0.0	0.4	0.5
Net cash flow used in investing activities		**(10.5)**	**(1.0)**	**(2.7)**
Repayment of interest-bearing debt		(0.5)	(0.5)	(2.0)
Net cash flow (used in) from financing activities		**(0.5)**	**(0.5)**	**(2.0)**
Net cash flow		**(18.6)**	**(14.5)**	**(37.8)**
Cash and deposits at beginning of period		160.3	198.1	198.1
Cash and deposits at end of period		**141.7**	**183.6**	**160.3**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited figures in USD million)	Q1 2021	Q1 2020	Full Year 2020
Equity at beginning of period	**(948.5)**	**2.4**	**2.4**
New share issue	0.0	0.0	0.1
Comprehensive income for the period	(90.5)	(861.3)	(951.0)
Equity at end of period	**(1,039.0)**	**(858.9)**	**(948.5)**

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 first quarter of 2021 were authorised for issue in accordance with a resolution of the Board of Directors on 5 May 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: WESTCON DISPUTE UPDATE

Reference is made to press release dated 15 April 2021 in which Prosafe informed that the Gulating Court of Appeal has decided that Prosafe shall pay to Westcon NOK 302,510,457 plus interest and legal costs, in total about NOK 465 million (USD 54.5 million).

The judgement implies full payment to Westcon of the amount claimed. Compared to the judgement in the first instance by the Stavanger District Court, the result in the Gulating Court of Appeal is a complete reversal of the result.

Prosafe is considering an appeal to the Supreme Court.

As a subsequent event to Q1 2021, the Company has accrued for the USD 54.5 million payable to Westcon. The company has recognised USD 40.7 million as a fixed asset acquisition cost and USD 13.8 million as other financial cost. Consequently, the Company has further recognised an impairment loss of USD 40.7 million based on the valuation-in-use (VIU) calculation disclosed in the 2020 annual report. There is no change for assumptions applied in the VIU calculation model since last quarter.

NOTE 4: INTEREST RATE SWAPS TERMINATION

In Q1 2021, 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 120 million	1.5350 %	2022	Bullet	4.7M

NOTE 5: REFINANCING AND GOING CONCERN

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 an impairment loss of USD 810.5 million. Furthermore, an impairment of USD 40.7 million was made to the accounts in this quarter as a consequence of the Westcon judgement.

Although the outcome of the Westcon judgement is surprising, Prosafe continues to make good progress with its lenders and is close to reaching an agreement on terms which have support from a very significant lender majority. The Company's objective is to have formal support from a sufficient amount of creditors required for implementation by June. Although it remains too early to conclude or reveal the full details, it is expected that such solution will imply a significant balance sheet recapitalization, including a debt equitization with minimal recovery for current shareholders.

As part of the on-going process, Prosafe have filed for moratorium in Singapore with the support of more than 95% of the lenders calculated by amount across the USD 1,300 million senior secured term and revolving credit facility and the USD 144 million term loan facility[3]. The purpose is to facilitate protection of going concern value, pending finalization of the term sheet negotiations with its major creditors and, thereafter, implementation of the agreed solution.

Prosafe's objective is to continue business as normal during this final phase of discussions and the implementation process. To the extent that a fully consensual solution is not achievable, the intention is to implement a solution using a Singapore Scheme of Arrangement combined with other arrangements, to the extent required.

As part of this process, 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.

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