FOURTH QUARTER 2019

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

Reported EBITDA[1] for the fourth quarter was negative by USD 6.4 million (a positive of USD 29 million, reflecting low activity and ongoing efforts to reposition the company. Cash flow from operations was USD 7.3 million (USD 25.6 million). Prosafe had liquidity of USD 198.1 million at year end. The discussions with lenders to agree sufficient financial flexibility for the longer term are ongoing and constructive.

Recent highlights

- Total liquidity of USD 198.1 million per Q4 2019, compared to a minimum cash covenant of USD 65 million.
- The company remains in a constructive process with its lenders to seek a long term financial solution to ensure sufficient financial flexibility.
- On 30 January 2020 the UK Competition Authorities (CMA) announced their provisional findings which conclude that blocking the merger may be the only way to mitigate their concerns. Prosafe are awaiting the outcome of the appeal proceedings in Norway.
- Fleet utilisation of 23 per cent (63 per cent) for the quarter. Fleet utilisation of 50.9 per cent for the year (47.3 per cent).
- Firm order book of USD 146 million per Q4 2019 (USD 209 million).
- Reported EBITDA was negative by USD 6.4 million (USD 29 million positive) in the quarter. Underlying EBITDA in the quarter adjusted for one-off effects was negative by USD 0.4 million.
- Cash flow from operations at USD 7.3 million (USD 25.6 million).
- As of December 2019, the book equity was marginal at USD 2.4 million.

Operations

The fleet utilisation rate in the fourth quarter of 2019 was 23 per cent (Q4 2018: 63 per cent). The fleet utilisation for the year was 50.9 per cent (2018: 47.3 per cent).

Safe Caledonia is idle and laid up in the UK. Safe Caledonia will commence a 162-day contract for Total at the Elgin complex in the UK sector of the North Sea in mid-April 2020. The contract has one 30-day option.

Safe Boreas completed the contract with Equinor at Mariner in the UK on 31 October and is currently laid up in Norway.

Safe Zephyrus completed the contract at Clair Ridge West of Shetland for BP on 15 October 2019 and is currently laid up. Safe Zephyrus will mobilise for the 80 day Shell Shearwater contract in Q2 2020 with a 30 day option.

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

Safe Concordia completed the vessel's Special Periodic Survey and commenced the contract for Equinor mid-January 2020. Safe Concordia will be supporting maintenance and safety services at the Peregrino FPSO in the Campos Basin offshore Brazil. The contract 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.

Safe Eurus successfully mobilised to Brazil where she is providing safety and maintenance support to Petrobras during a three-year contract. The vessel commenced operations late November.

Safe Scandinavia, Regalia and Safe Bristolia were idle in the quarter and were laid up in Norway. Prosafe has entered into an agreement for the sale of Safe Bristolia for recycling in accordance with all relevant conventions. The sale will be completed within February 2020.

The company has incurred non-recurring costs of approximately USD 6 million in the quarter, which were largely related to the re-sizing of the organisation onshore and offshore, ongoing process with lenders for a long-term solution, and ongoing competition process related to the intention to merge with Floatel International.

Financials

Fourth quarter 2019

EBITDA for the fourth quarter was USD 6.4 million negative (USD 29 million positive), which includes one-off costs of USD 6 million relating to the re-sizing of the organisation, ongoing process with lenders for a long-term solution, and ongoing competition process related to the merger activity with Floatel. Underlying EBITDA after adjusting one-off effects is USD 0.4 million negative. The decrease in EBITDA was mainly due to lower utilisation and lower average day rates but partially offset by improved operating costs.

Depreciation was USD 18.1 million (USD 29.2 million) in the quarter. The decline is mainly due to the lower carrying value of the assets following the impairments carried out in Q3 2019.

Operating loss for the fourth quarter amounted to USD 24.9 million (operating loss of USD 1 million).

Interest expenses amounted to USD 12.5 million positive (USD 15.6 million negative). The positive interest expenses in the quarter 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. (Refer to note 4 in the report for details).

Other financial cost was USD 1.1 million negative (USD 11.3 million negative). The decrease in other financial cost was mainly driven by lower negative effect from fair value adjustment relating to derivatives.

Net financial income for the quarter amounted to USD 12.4 million (net financial costs USD 26.1 million).

Net loss equalled USD 13.3 million (net loss of USD 25.7 million).

Cash flow from operations was USD 7.3 million (USD 25.6 million). The key reasons for the decline in cash flow were mainly due to lower utilisation, lower average day rate but partially offset by lower operating costs and reduction of working capital due to lower activity.

Total assets at 31 December amounted to USD 1,480.2 million (USD 1,736.8 million). The decrease in total assets was mostly due to the depreciation and the impairment carried out in Q3 2019 partially offset by the addition of the Safe Eurus. Net interest-bearing debt equalled USD 1,199.8 million (USD 1,102.7 million). The increase in net interest-bearing debt was mainly due to taking delivery of the Safe Eurus and a temporary deferral of the last instalment of USD 18.5 million to Cosco relating to Safe Notos' sellers credit, partially offset by a one-off positive adjustment of USD 28.7 million to amortised cost of interest bearing debts resulting from lenders re-electing PIK margin instead of warrants. (Refer to note 4 for details).

At the end of the fourth quarter, the book equity ratio reduced to 0.2 per cent (23 per cent). Based on the current forecast, the book equity will turn negative early 2020 and result in a breach of the facilities agreements. In consideration of the current outlook and the financial implications thereof, the Board of Directors have initiated a process with the lenders to ensure waivers and sufficient financial flexibility for the long term. As part of this process, lenders have granted the company temporary payment deferrals till 13 February 2020 and waivers from event of default till end February while a long-term solution is being sought. At the same time, the last instalment of Safe Notos' sellers credit was temporarily deferred. As a consequence, the bank facilities were reclassified from long term to short term on the basis that the waivers currently provided by creditors are temporary and with a duration of less than 12 months. (Refer to note 6 for further details).

The process with the lenders remains constructive and as such this interim report relies on an underlying going concern assumption based on the Board of Director's view that obtaining a long term solution should be achievable.

Full year 2019

Fleet utilisation was 50.9 per cent (47.3 per cent). EBITDA for the full year amounted to USD 97.1 million (USD 166.6 million). The decrease in EBITDA was mainly due to lower average day rates, USD 150 000 per day in 2019 vs USD 216 000 per day in 2018, partially offset by higher fleet utilisation and lower operating expenses. In addition, the EBITDA is also positively impacted by a reversal of the accrued lay up costs relating to the Safe Eurus of USD 16.5 million.

Depreciation and impairment amounted to USD 439.7 million (USD 113.6 million). The increase in 2019 was mainly due to the impairment made to vessels' book value in the third quarter as a consequence of re-assessment of market outlook and the impact on cash flow projections in the years ahead, in particular for less versatile rigs in the Prosafe fleet.

Operating loss equalled USD 342.6 million including an impairment charge of USD 346.2 million (operating profit of USD 53.0 million).

Net financial costs for 2019 amounted to USD 52.5 million (USD 161.6 million). The higher costs in 2018 were mostly due to one off effects relating to fair value adjustment of loan amount and recognition of discounted cash flow hedge reserve balance partially offset by higher positive effect from fair value of all derivatives.

Net loss for 2019 equalled USD 399.9 million (net loss of USD 114.5 million).

Update on merger process

Merger among equals agreement with Floatel International Ltd. announced in June. Agreed exchange ratio in an all share transaction is 55/45 (PRS/FIL) on a fully diluted basis. The long stop date in the Share Purchase Agreement is recently extended from 31.12.2019 till 30.06.2020.

A merger remains subject to competition clearance, creditor approvals and Annual General Meeting in Prosafe.

On 28 October 2019, the Norwegian Competition Authorities announced that it prohibits the merger. Prosafe are awaiting the outcome of the appeal proceedings in Norway.

On 30 January 2020, the UK competition authorities (CMA) announced their provisional findings which conclude that blocking the merger may be the only way to mitigate their concerns.

Update on refinancing process

On 5 November 2019, Prosafe announced that it had re-evaluated its outlook and revised its forecasts resulting in an impairment of USD 341 million in vessels' book value and consequently a marginalized book equity since Q3 2019. Prosafe further advised that it has sufficient liquidity till early 2021 and that it would engage in dialogue with its lenders for a long-term financial solution.

In a press release issued on 14 January 2020, Prosafe informed that discussions with its lenders are ongoing and constructive. As part of the process, the company has been granted temporary payment deferral to lenders until initially 13 February 2020 as well as a waiver from event of default till initially end February 2020. The company has recently requested further extensions to the waiver and payment deferrals till end March 2020.

Pending agreement with lenders for a long-term financial solution, the company continues to operate on a business as usual basis to protect and create value through challenging market conditions.

Strategy and Outlook

Near term the company is working to further develop the business outside Norway and the UK as well as reducing costs to protect values. Utilisation and day rates for 2020 are expected to be below the 2019 level.

Furthermore, the company will also seek opportunities in new niches for alternative use of vessels to create value in the longer term. Prosafe will further increase its efforts in the area of energy management to adapt to the global ambition to achieve energy efficiency and reduced emissions. Prosafe's view is that these efforts over time – although they will require investments – will provide competitive edge and new business opportunities.

In parallel, the company is working constructively with its lenders to agree a long-term financial solution.

Oslo, 5 February 2020

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

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

CONDENSED CONSOLIDATED INCOME STATEMENT

		Q4		12M	
(Unaudited figures in USD million)	**Note**	**2019**	**2018**	**2019**	**2018**
Operating revenues		26.3	74.1	225.4	330.8
Operating expenses		(32.7)	(45.1)	(128.3)	(164.2)
Operating results before depreciation		**(6.4)**	**29.0**	**97.1**	**166.6**
Depreciation		(18.1)	(29.2)	(93.5)	(113.0)
Impairment		(0.4)	(0.8)	(346.2)	(0.6)
Operating profit/(loss)		**(24.9)**	**(1.0)**	**(342.6)**	**53.0**
Interest income		1.0	0.8	2.1	2.9
Interest expenses	4	12.5	(15.6)	(34.6)	(173.3)
Other financial items		(1.1)	(11.3)	(20.0)	8.8
Net financial items		**12.4**	**(26.1)**	**(52.5)**	**(161.6)**
Profit/(Loss) before taxes		**(12.5)**	**(27.1)**	**(395.1)**	**(108.6)**
Taxes		(0.8)	1.4	(4.8)	(5.9)
Net profit (loss)		**(13.3)**	**(25.7)**	**(399.9)**	**(114.5)**
EPS		**(0.15)**	**(0.29)**	**(4.54)**	**(1.30)**
Diluted EPS		**(0.15)**	**(0.29)**	**(4.54)**	**(1.30)**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Q4		12M	
(Unaudited figures in USD million)	**2019**	**2018**	**2019**	**2018**
Net profit/(loss) for the period	**(13.3)**	**(25.7)**	**(399.9)**	**(114.5)**
Foreign currency translation	1.6	(2.7)	2.2	(5.1)
Revaluation hedging instruments	0.0	0.0	0.0	48.3
Pension remeasurement	(0.1)	(0.8)	(0.1)	(0.8)
Other comprehensive income	**1.5**	**(3.5)**	**2.1**	**42.4**
Total comprehensive income	**(11.8)**	**(29.2)**	**(397.8)**	**(72.1)**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited figures in USD million)	Note	31.12.19	31.12.18
Vessels		1,204.6	1,422.6
New builds	5	60.7	125.8
Other non-current assets	5	1.9	10.1
Total non-current assets		**1,267.2**	**1,558.5**
Cash and deposits		198.1	140.3
Other current assets		14.9	38.0
Total current assets		**213.0**	**178.3**
Total assets		**1,480.2**	**1,736.8**
Share capital		9.0	9.0
Other equity		(6.6)	391.2
Total equity		**2.4**	**400.2**
Interest-free long-term liabilities		29.9	18.5
Interest-bearing long-term debt	4, 6	76.7	1,198.5
Total long-term liabilities		**106.6**	**1,217.0**
Other interest-free current liabilities		50.0	75.1
Current portion of long-term debt	4, 6	1,321.2	44.5
Total current liabilities		**1,371.2**	**119.6**
Total equity and liabilities		**1,480.2**	**1,736.8**

KEY FIGURES IN CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited figures in USD million)	31.12.19	31.12.18
Total assets	1,480.2	1,736.8
Working capital[1]	(1,158.2)	58.7
Liquidity reserve[2]	198.1	277.3
Interest-bearing debt	1,397.9	1,243.0
Net Interest-bearing debt[3]	1,199.8	1,102.7
Book equity	2.4	400.2
Book equity ratio[4]	0.2%	23%

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

	Q4		12M	
(Unaudited figures in USD million)	**2019**	**2018**	**2019**	**2018**
Profit/(Loss) before taxes	(12.5)	(27.2)	(395.1)	(108.6)
Share of loss of equity of an associate	0.0	0.9	0.8	1.7
Gain on sale of non-current assets	0.0	(2.1)	0.2	(2.1)
Depreciation	18.1	29.2	93.5	113.0
Impairment	0.4	0.8	346.2	0.6
Financial income	(1.0)	(0.8)	(2.1)	(2.9)
Financial costs	(12.5)	15.6	34.7	173.3
Change in working capital	16.5	27.5	(0.5)	16.6
Other items (used in) from operating activities	(0.9)	(13.7)	7.9	(31.1)
Taxes paid	(0.8)	(4.6)	(6.3)	(13.4)
Net cash flow from operating activities	**7.3**	**25.6**	**79.3**	**147.1**
Acquisition of tangible assets	(7.7)	(1.0)	(77.5)	(8.7)
Proceeds from sale of tangible assets	0.0	2.6	0.2	2.6
Interests received	1.0	0.8	2.1	2.9
Net cash flow used in investing activities	**(6.7)**	**2.4**	**(75.2)**	**(3.2)**
Proceeds from new interest-bearing debt	0.0	0.0	155.0	0.0
Repayment of interest-bearing debt	(2.3)	(138.1)	(37.9)	(155.2)
Refinancing cost	0.0	0.0	0.0	(4.2)
Interests paid	(16.2)	(15.7)	(63.4)	(76.1)
Net cash flow (used in) from financing activities	**(18.5)**	**(153.8)**	**53.7**	**(235.5)**
Net cash flow	**(17.9)**	**(125.8)**	**57.8**	**(91.6)**
Cash and deposits at beginning of period	216.0	266.1	140.3	231.9
Cash and deposits at end of period	**198.1**	**140.3**	**198.1**	**140.3**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Q4		12M	
(Unaudited figures in USD million)	**2019**	**2018**	**2019**	**2018**
Equity at beginning of period	14.2	423.1	400.2	497.6
IFRS 15 adjustment to opening balance	0.0	0.0	0.0	(31.8)
Revised equity at beginning of period	**14.2**	**423.1**	**400.2**	**465.8**
Warrants issue	0.0	6.4	0.0	6.4
New share issue	0.0	0.0	0.0	0.1
Comprehensive income for the period	(11.8)	(29.3)	(397.8)	(72.1)
Equity at end of period	**2.4**	**400.2**	**2.4**	**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 fourth quarter of 2019 were authorised for issue in accordance with a resolution of the board of directors on 5 February 2020. 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.

The effect on the adoption of the IFRS 16 on the consolidated financial statements is considered not to be material to the Group's financial statement.

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: INTEREST BEARING DEBT MODIFICATION

In November 2019, Prosafe has issued letters to lenders to reconsider the election of warrants with the conditional increase in the applicable margin. This is due to the accounting treatment of warrants which adversely affect the outstanding amount of the lender’s book. Out of the 9,779,993 warrants issued in 2018, 6,344,011 of the warrants have been cancelled and replaced with the conditional increase of the applicable margin of the loan. The balance of warrants remaining is 3,435,982.

Under IFRS 9, when a debt instrument is restructured and the terms have been modified, it is necessary to assess whether the new terms are considered to have been substantially modified, and thereby conclude on the accounting treatment relating to the loan recognition.

Prosafe has assessed that the debt modification is a non-substantial loan modification that do not require in de-recognition based qualitative and quantitative assessments under IFRS 9. Under a non-substantial loan modification that do not require de-recognition of the financial liability, the amortised cost of the financial liability is recalculated as the present value of the estimated future contractual cash flows. To reflect the new net present value of the loan, an adjustment of USD 28.7 million is deducted from the carrying value of the loan and the same amount of financial costs is being recognised in the profit or loss in this quarter. The adjustment carried in the loan amount is mainly the effect from the changes in estimate of the following:

- the timing of the newbuild deliveries which will affect the drawdown timing of the USD 1,300 million facility and the interest rate margin applicable.
- the timing of future repayments of debt
- the cancellation of warrants under the revised term

The adjustment in the loan amount will be amortized over the remaining loan periods.

The breakdown of the fourth quarter interest expense:

	USD (Million)
Q4 loan interests	(16.2)
Adjustment to amortised cost of financial liabilities	28.7
Net Interest expense in Q4	**12.5**

NOTE 5: NEW BUILDS/VESSEL

In November 2019, Safe Eurus started its maiden gangway connection in Brazil after completing its transit from China Yard. The carrying vessel value of USD 202.2 million was reclassified from Newbuilds to Vessel in the assets category in the Balance sheet.

NOTE 6: RECLASSIFCATION OF DEBT / REFINANCING

On 5 November 2019, Prosafe announced that it had re-evaluated its outlook and revised its forecasts resulting in an impairment of USD 341 million in vessels' book value and consequently a marginalized book equity since Q3 2019. Prosafe further advised that it has sufficient liquidity till early 2021 and that it would engage in dialogue with its lenders for a long term financial solution.

In a press release issued on 14 January 2020, Prosafe informed that discussions with its lenders are ongoing and constructive. Pending conclusions, Prosafe has received consent to defer payments under the USD 288 million facility from 15 January until 13 February 2020. Other identified defaults in the period have also been temporarily waived under both the USD 1,300 million and USD 288 million facilities. Both measures have been agreed in order temporarily to align the timing of scheduled payments under both facilities and to create stability while a long-term solution and runway is being sought.

As part of this, the company's final payment of approx. USD 18.5 million owed and due under the sellers credit to Cosco for the Safe Notos has not been made. This payment is subject to certain contractual subordination and coordination arrangements with the financial lenders, and discussions with Cosco on this payment are ongoing.

As at the current time, the process with the creditors remains constructive and although there can be no assurances with respect to the outcome of the ongoing discussions, Prosafe remains hopeful that it will be able to agree a long-term solution in the near term. On 28 January 2020, Prosafe sent a new request to its lenders regarding further extension to the waiver for Event of Default as well as payment deferrals to ensure stability while a long term solution is sought.

Under IFRS9, a liability that is repayable on demand, if loan conditions have been breached and the waiver does not provide a period of grace ending at least 12 months after the reporting date, is classified as current. As a consideration, 1,300 million and USD 288 million facilities are classified as current liabilities as at 31 December 2019.

Pending agreement with lenders for a long term financial solution, the company continues to operate on a business as usual basis to protect and create value through challenging market conditions. The company currently has sufficient liquidity till early 2021. This interim report relies on an underlying going concern assumption based on the Board of Director's view that obtaining a long term solution should be achievable.