Prosafe

THIRD QUARTER REPORT 2021

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

EBITDA[1] for the third quarter was USD 12.5 million (USD 1.2 million negative), reflecting a high activity level with a fleet utilization rate of 70.9 per cent (16.4 per cent). The liquidity reserve[2] was USD 107.1 million at the end of the quarter. Several contract extensions and two new contracts were secured.

As informed in previous press releases, the financial restructuring process is on track with formal support from all lenders. The Extraordinary General Meeting approved the solution on 27 September 2021 and the Singapore scheme was sanctioned on 18 October 2021. The Norwegian reconstruction process is underway, and the Company anticipates that the overall process will be completed before or around year-end 2021. Upon completion, this transaction will result in a significant de-leveraging of the balance sheet with approximately 75 per cent of debt reduction, debt service based on cash sweep and a more robust financial situation. Post implementation, existing banks/creditors will own 99 per cent of the equity and current shareholders will own 1 per cent of the equity.

Recent highlights

- Operating status and financial results:
    - Fleet utilisation of 70.9 per cent in Q3 (16.4 per cent)
    - EBITDA of USD 12.5 million (USD 1.2 million negative)
    - Positive cash flow from operations of USD 17.3 million (USD 12.3 million negative)
    - Liquidity reserve of USD 107.1 million (USD 164.5 million)

- Operations and commercial:
    - Good operational and HSE performance
    - 6 of 7 vessels were on contract in the quarter
    - Further options for Safe Boreas, Safe Zephyrus, Safe Caledonia and Safe Concordia were exercised
    - Safe Zephyrus was awarded a 10-month contract with up to 4 months options by bp for work in 2022
    - Safe Caledonia was awarded a 9-month contract with one 30-day option by TotalEnergies for work in 2022 after the quarter. The vessel will remain in-field over the winter period in between the current and the new contract.
    - Ongoing tenders in Brazil

Operation

The fleet utilisation rate in the third quarter of 2021 was 70.9 per cent (Q3 2020: 16.4 per cent). This is the highest fleet utilization rate since Q2 2019.

Safe Zephyrus completed the contract for Shell at the Shearwater platform in the UK on 7 August 2021. On 17 September 2021, bp awarded the Safe Zephyrus a 10-month contract with up to four months of options to support the Seagull project at ETAP in the UK North Sea. The vessel is currently in a yard in Norway preparing for the start-up of this contract in Q1 2022.

Safe Caledonia has been operating for TotalEnergies at the Elgin platform in the UK since 30 March 2021 and was fully utilised in the quarter. The client has exercised the two available options and has also confirmed an additional 24-day option, resulting in operations through 31 October 2021. On 22

[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

October, Prosafe was awarded a contract from TotalEnergies for the Safe Caledonia to provide continued accommodation support at the Elgin platform. The firm duration of the contract commencing mid-March 2022 is 270 days with one 30-day option. Prosafe has agreed with TotalEnergies to retain the Safe Caledonia in-field over the winter period in between the two contracts.

Safe Boreas has been operating for CNOOC at Buzzard in the UK since 20 April 2021 and was fully utilised in the quarter. The duration of the contract including options amounted to a total of 178 days and was successfully completed on 15 October 2021. Thereafter, the Safe Boreas was taken to the yard to prepare for the ConocoPhillips contract at Ekofisk starting in Q2 2022.

Safe Eurus has been providing safety and maintenance support to Petrobras during a three-year contract since November 2019. In this quarter, the Safe Eurus was off hire from 30 August 2021 due to a technical issue and resumed operation again on 15 September 2021.

Safe Notos has been operating for Petrobras in Brazil throughout the quarter. The vessel will be on contract at least until 19 November 2021.

Safe Concordia commenced a 117-day contract in Trinidad and Tobago on 25 July 2021 and has been in full operation since then. The available 28 days of option have been exercised by the client together with an additional 7 days taking the current firm period until 23 December 2021. The client has been afforded a further six consecutive options of seven days each.

Safe Scandinavia was idle in the quarter and is laid up in Norway.

The impact from Covid-19 on the macro environment has been challenging, with the Company also experiencing cases in the fleet. In all instances there has been close coordination with the client to ensure that any occurrence is dealt with promptly and effectively. Safety measures at workplaces and vessels to protect people and assets remain rigorously in place.

Financials

Third quarter 2021

EBITDA for the third quarter was USD 12.5 million (USD 1.2 million negative). The increase in EBITDA was mainly due to higher revenues partially offset by higher operating expenses. Higher revenues and higher operating expenses were driven by higher fleet utilisation.

Depreciation was USD 8.1 million (USD 7.9 million) in the quarter.

Operating profit for the third quarter amounted to USD 4.4 million (operating loss of USD 9.1 million). The improved operating profit in the quarter was mainly due to higher activity and higher EBITDA.

Net financial costs amounted to USD 12.5 million (USD 14.9 million). Other financial items in the quarter were mostly costs relating to the refinancing process in the amount of USD 6 million, partially offset by favourable foreign exchange.

Net loss equalled USD 8.9 million (net loss of USD 24.2 million) in the quarter.

Positive cash flow from operations of USD 17.3 million (USD 12.3 million negative). The improvement in cash flow was mainly driven by higher fleet activity.

Total assets at 30 September amounted to USD 549.7 million (USD 601.5 million). The decrease in total assets was mostly due to the depreciation and reduction in cash balance, partially offset by increase in debtors.

Net interest-bearing debt equalled USD 1,468.8 million (USD 1,321.7 million). The increase in net interest-bearing debt was mostly due to a decrease in liquidity reserve and an increase in interest-bearing debt. The increase in interest-bearing debt was mainly the consequence of accumulated interests, termination of swaps in 2020 and Westcon's claims.

At the end of this quarter, the book equity ratio stayed negative at 192.8 per cent (negative 153.4 per cent). As per previous press releases, Prosafe's financial restructuring process is on track with formal support from all lenders. The Singapore scheme was sanctioned on 18 October 2021 and the EGM approved the solution on 27 September 2021. The Norwegian reconstruction process is underway and as such the Company continues to anticipate that the overall process will be completed before or around year-end 2021.

Upon the completion, this transaction will result in significant de-leveraging of the balance sheet with approximately 75 per cent of debt reduction, debt service based on cash sweep and a more robust financial situation. Pending finalisation, Prosafe continues to operate on a business-as-usual basis (refer to Note 4 - Refinancing and going concern for further details).

The interim report is prepared on a going concern assumption, which is based on the Board of Directors' view that a long-term and sustainable financial solution will be concluded before or around year-end 2021.

Year-to-date 2021

Fleet utilisation was 53 per cent (18.9 per cent). EBITDA YTD amounted to USD 20.6 million (a negative of USD 10.3 million). The increase in EBITDA was mainly due to higher revenue partially offset by higher operating expenses, which were driven by an increase in vessel activities.

Depreciation and impairment amounted to USD 67.2 million (USD 847.2 million). The higher value last year was mainly due to impairments of USD 810.5 million made to the book value of vessels reflecting the dramatic change in market conditions and economic outlook. In 2021, there was also a one-off impairment loss of USD 40.7 million recognised in Q1 2021 which was driven by the judgement of the Westcon dispute case in the Gulating Court of Appeal.

Operating loss equalled USD 46.6 million (operating loss of USD 857.5 million) mainly due to depreciation and impairment changes partially offset by a positive YTD EBITDA.

Net financial costs YTD amounted to USD 62 million (USD 61.5 million).

Net loss YTD equalled USD 110.1 million (net loss of USD 921.2 million).

Update on refinancing process

Please refer to a number of separate press releases, the latest dated 25 October 2021, regarding a long-term financial solution for the Company. The implementation is on track with support from all lenders, and the solution is anticipated to be implemented before or around year end 2021. For more details, please refer to Note 4 - Refinancing and going concern.

Outlook

Prosafe expects energy consumption to continue to increase in the longer term, with oil and gas remaining an important part of the energy mix. In addition, the oil price has recovered from the low levels triggered by the pandemic. With an oil price currently above USD 80 per barrel, Prosafe expects the oil and gas companies to increase their investments into their oil and gas activities. In the short term, the increased capital investment will focus on existing fields. However, the energy transition may take longer time and be more complicated than most observers believe. Investments in greenfields (new oil and gas fields) will likely see a comeback from 2022/2023, leading to a further increase in the activity for the oil service industry from the middle of this decade.

In the short term, the activity level is relatively high. Based on current contracts and recent market views, there are good prospects for a high activity level and improved earnings in 2022. However, beyond 2022, visibility remains low, which is in line with a historic trend in the offshore accommodation industry. As such, the Company remains of the opinion that the industry needs further consolidation and vessel recycling and anticipates this to occur in the years ahead.

Following the completion of financial restructuring, which is anticipated to be completed before or around year-end 2021, Prosafe will be in a better position to benefit from opportunities and thereby protect and create value for all stakeholders.

The Board of Directors emphasizes that valuations in the financial statements and forward-looking statements contained in this report are based on various assumptions made by management, which could depend on factors beyond its control, and are subject to risks and uncertainties. Accordingly, actual results may differ materially.

4 November 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	Q3 2021	Q3 2020	9M 2021	9M 2020	Full Year 2020
Operating revenues		45.8	11.7	111.7	41.2	56.7
Operating expenses		(33.3)	(12.9)	(91.1)	(51.5)	(66.2)
Operating results before depreciation		**12.5**	**(1.2)**	**20.6**	**(10.3)**	**(9.5)**
Depreciation		(8.1)	(7.9)	(25.5)	(36.7)	(44.5)
Impairment	3	0.0	0.0	(41.7)	(810.5)	(810.3)
Operating profit/(loss)		**4.4**	**(9.1)**	**(46.6)**	**(857.5)**	**(864.3)**
Interest income		0.0	0.0	1.0	0.5	0.5
Interest expenses		(7.9)	(13.8)	(36.1)	(47.6)	(61.8)
Other financial items	3	(4.6)	(1.1)	(26.9)	(14.4)	(22.1)
Net financial items		**(12.5)**	**(14.9)**	**(62.0)**	**(61.5)**	**(83.4)**
Loss before taxes		**(8.1)**	**(24.0)**	**(108.6)**	**(919.0)**	**(947.7)**
Taxes		(0.8)	(0.2)	(1.5)	(2.2)	(2.4)
Net loss		**(8.9)**	**(24.2)**	**(110.1)**	**(921.2)**	**(950.1)**
EPS		**(0.10)**	**(0.28)**	**(1.25)**	**(10.47)**	**(10.80)**
Diluted EPS		**(0.10)**	**(0.28)**	**(1.25)**	**(10.47)**	**(10.80)**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited figures in USD million)	Q3 2021	Q3 2020	9M 2021	9M 2020	Full Year 2020
Net loss for the period	**(8.9)**	**(24.2)**	**(110.1)**	**(921.2)**	**(950.1)**
Foreign currency translation	(1.6)	0.6	(1.2)	(4.2)	(0.8)
Pension remeasurement	0.0	0.0	0.0	0.0	(0.1)
Other comprehensive income	**(1.6)**	**0.6**	**(1.2)**	**(4.2)**	**(0.9)**
Total comprehensive income	**(10.5)**	**(23.6)**	**(111.3)**	**(925.4)**	**(951.0)**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited figures in USD million)	Note	30.09.21	30.09.20	31.12.20
Vessels	3	400.4	418.5	412.3
New builds		0.0	1.1	1.1
Other non-current assets		2.4	3.4	2.1
Total non-current assets		**402.8**	**423.0**	**415.5**
Cash and deposits		107.1	164.5	160.3
Other current assets		39.8	14.0	11.9
Total current assets		**146.9**	**178.5**	**172.2**
Total assets		**549.7**	**601.5**	**587.7**
Share capital		9.7	9.1	9.1
Other equity		(1,069.5)	(932.0)	(957.6)
Total equity		**(1,059.8)**	**(922.9)**	**(948.5)**
Interest-free long-term liabilities		2.1	14.4	6.0
Interest-bearing long-term debt		80.1	79.8	78.7
Total long-term liabilities		**82.2**	**94.2**	**84.7**
Other interest-free current liabilities		31.5	23.8	20.8
Current portion of long-term debt	3, 4	1,495.8	1,406.4	1,430.7
Total current liabilities		**1,527.3**	**1,430.2**	**1,451.5**
Total equity and liabilities		**549.7**	**601.5**	**587.7**

KEY FIGURES IN CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited figures in USD million)	30.09.21	30.09.20	31.12.20
Total assets	549.7	601.5	587.7
Working capital	(1,380.4)	(1,251.7)	(1,279.3)
Liquidity reserve	107.1	164.5	160.3
Interest-bearing debt	1,575.9	1,486.2	1,509.4
Net Interest-bearing debt	1,468.8	1,321.7	1,349.1
Book equity	(1,059.8)	(922.9)	(948.5)
Book equity ratio	(192.8)%	(153.4)%	(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	Q3 2021	Q3 2020	9M 2021	9M 2020	Full Year 2020
Loss before taxes		(8.1)	(24.0)	(108.6)	(919.0)	(947.7)
(Gain)/Loss on sale of non-current assets		0.0	0.0	(0.8)	0.5	0.4
Depreciation		8.1	7.9	25.5	36.7	44.5
Impairment	3	0.0	0.0	41.7	810.5	810.3
Financial income		0.0	0.0	(1.0)	(0.5)	(0.5)
Financial costs		7.9	13.8	36.1	47.6	61.8
Change in working capital		12.0	(8.3)	(3.6)	(21.6)	(22.0)
Other items from operating activities		(1.5)	(0.2)	(0.4)	20.9	26.8
Taxes paid		(1.1)	(1.5)	(1.2)	(5.9)	(6.7)
Net cash flow from/(used in) operating activities		**17.3**	**(12.3)**	**(12.3)**	**(30.8)**	**(33.1)**
Acquisition of tangible assets		(1.1)	(0.2)	(13.3)	(1.4)	(2.9)
Net proceeds/(payments) from sale of tangible assets		0.0	0.0	1.4	(0.4)	(0.3)
Interests received		0.0	0.0	1.0	0.5	0.5
Net cash flow used in investing activities		**(1.1)**	**(0.2)**	**(10.9)**	**(1.3)**	**(2.7)**
Repayment of interest-bearing debt		(29.0)	(0.5)	(30.0)	(1.5)	(2.0)
Net cash flow used in financing activities		**(29.0)**	**(0.5)**	**(30.0)**	**(1.5)**	**(2.0)**
Net cash flow		**(12.8)**	**(13.0)**	**(53.2)**	**(33.6)**	**(37.8)**
Cash and deposits at beginning of period		119.9	177.5	160.3	198.1	198.1
Cash and deposits at end of period		**107.1**	**164.5**	**107.1**	**164.5**	**160.3**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited figures in USD million)	Q3 2021	Q3 2020	9M 2021	9M 2020	Full Year 2020
Equity at beginning of period	**(1,049.3)**	**(899.4)**	**(948.5)**	**2.4**	**2.4**
New share issue	0.0	0.1	0.0	0.1	0.1
Comprehensive income for the period	(10.5)	(23.6)	(111.3)	(925.4)	(951.0)
Equity at end of period	**(1,059.8)**	**(922.9)**	**(1,059.8)**	**(922.9)**	**(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 third quarter of 2021 were authorised for issue in accordance with a resolution of the Board of Directors on 4 November 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

As informed in the Company's press release on 15 April 2021, the Gulating Court of Appeal in Norway decided that Prosafe had to pay to Westcon NOK 302,510,457 plus interest and legal costs, in total about NOK 465 million (USD 54.5 million). Prosafe decided to address the perceived shortcomings of the judgement by the Gulating Court of Appeal through an appeal to the Supreme Court, as informed in a press release on 12 May 2021.

Subsequently, as per the Prosafe press release on 27 August 2021, the Supreme Court decided not to accept the appeal. As such the judgement by the Gulating Court of Appeal was final and enforceable by Westcon. With interest and legal costs included, the total amount due to Westcon was NOK 474,080,660 ("Westcon Claim"). NOK 245 million of the Westcon Claim was secured by a bank guarantee which Westcon called on after the final binding judgement. In September 2021, the bank guarantee amount of NOK 245 million was settled with Westcon.

During Q1 2021, the Company accrued for the USD 54.5 million payable to Westcon. The Company recognised USD 40.7 million as a fixed asset acquisition cost and USD 13.8 million as other financial cost. Consequently, the Company 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 was no change for assumptions applied in the VIU calculation model since the 2020 annual report. Other financial costs payable to Westcon were also recorded in Q2 2021 and Q3 2021. Following the set-off of the bank guarantee amount, the remaining balance for the Westcon Claim is NOK 229,080,660 at the end of Q3 2021.

On 14 October, Westcon Yard AS confirmed their full support of the financial restructuring process and as such the balance will be fully equitized in exchange for approximately 3 per cent of Prosafe SE shares. The equitization will only take place as part of the implementation of the full financial restructuring. (refer to Note 4 for more details). As such, this is an event after the interim period and yet reflected in the financial statements of this interim period.

NOTE 4: 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. Please refer to a number of separate press releases, the latest dated 18 October 2021, regarding a long-term financial solution for the Company. The financial restructuring process is well on track with formal support from all lenders.

The completion of the transaction, which is anticipated to be effective before or around year end 2021, will result in a significant de-leveraging of the balance sheet with approximately 75 per cent of debt reduction, debt service based on cash sweep and a more robust financial situation. The gross bank debt will be USD 343 million after the restructuring, which excludes Cosco Sellers' credit for the Safe Eurus.

Existing banks/creditors will own 99 per cent of the equity and current shareholders will own 1 per cent of equity.

The key terms of the financial restructuring as announced on 4 June 2021 are as follows:

Amended and Restated USD1,300 million facility and USD 144 million facility[2]
USD 38 million and USD 9 million subject to registered security interests/set-off rights are to be utilised as cash repayment at par at completion for the USD 1,300 million facility and the USD 144 million facility, respectively. There will be debt reinstatement under the USD 1,300 million facility and the USD 144 million facility to USD 250 million and USD 93 million respectively. Interest rate is at USD 3 Month Libor +2.50 per cent per annum payable in cash and there will be no mandatory debt maturities until December 2025. The USD 1,300 million facility and the USD 144 million facility are to be equitized with approximately 92 per cent of Prosafe SE shares.

Westcon Claim

As per the press release published on 27 August 2021, the judgement by the Gulating Court of Appeal is final and therefore the Westcon Tranche mentioned previously is no longer relevant. Following the set-off of the bank guarantee amount of NOK 245 million and Westcon's confirmation of full support of the financial restructuring process, the remaining balance of the Westcon claim in the amount of NOK 229,080,660 is to be fully equitized with approximately 3 per cent of Prosafe SE shares as per agreement.

Interest Rate Swap Liabilities which were terminated by lenders in 2020

50 per cent of the total swap claims are expected to be equitized with approximately 2 per cent of Prosafe SE shares.

Cosco Seller's Credit for the Safe Notos

Cosco Seller's Credit for Safe Notos of approximately USD 20 million to be fully equitized in exchange with approximately 2 per cent of Prosafe SE shares.

Cosco Seller's Credit for the Safe Eurus

There are no changes to the terms of the Eurus Promissory Note as restructuring does not include the borrowing entity.

Existing Shareholders

The existing shareholders will be retaining about 1 per cent of the shares on a fully diluted basis.

Implementation

The implementation is well on track with formal support from all lenders. A moratorium protection has been granted in the Singapore Court until 31 January 2022 as part of the ongoing implementation. The Singapore Scheme was sanctioned on 18 October 2021 and the Norwegian restructuring proceeding filed on 1 September 2021 and continues as planned. On 27 September 2021, an Extraordinary General Meeting approved the financial solution.

The Company anticipates that the overall restructuring process will be completed before or around year-end 2021. Pending finalisation, Prosafe 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 of Directors' view that a long-term and sustainable financial solution will be concluded before or around year end 2021.

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