Prosafe

6 February 2020

Q4 2019 results and market update

Disclaimer

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Agenda

- **Highlights**
- Update on merger
- Update on financial situation
- Financial results
- Strategy & Summary

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Highlights – Q4 2019

- Utilisation of 23% in Q4, and 50.9% for the year 2019
- Financial results
  - Reported EBITDA was a loss of USD 6.4 million. Underlying EBITDA in the quarter adjusted for non-recurring items was a loss of USD 0.4 million
  - Cash flow from operations was USD 7.3 million (USD 25.6 million). Total liquidity reserve of USD 198.1 million
- Constructive process with lenders to agree a long term financial solution ongoing
- Currently sufficient liquidity till early 2021
- Further cost reduction measures initiated
- Received provisional findings related to the merger from the UK Competition Authority. Final decisions expected in March

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Update on merger process with Floatel

- Merger among equals agreement with Floatel International Ltd. announced in June 2019. 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 was 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 Authority announced that it prohibits the merger. Prosafe are awaiting the outcome of the appeal proceedings in Norway.
- On 30 January 2020, the UK Competition Authority (CMA) announced their provisional findings which conclude that blocking the merger may be the only way to mitigate their concerns.

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Update on financial situation

- On 5 November 2019, Prosafe announced that an impairment charge of USD 341 million had been made to the book value of vessels as a consequence of a prolonged industry downturn and weaker outlook in the North Sea in particular.
- The company further announced that the book equity consequently was marginalized, and it would initiate a dialogue with its lenders with a view to ensure sufficient flexibility for the longer term.
- In a press release issued on 14 January 2020, Prosafe informed that discussions with its lenders are ongoing and constructive. The company has received waivers from event of default (EoD) from its lenders till end February 2020 and payment deferrals till 13 February. Prosafe has recently requested this waiver and deferral to be further extended till end March while a long term solution is being sought. Company will revert with further information as the process develops.
- 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 has sufficient liquidity till early 2021.

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Income statement

(Unaudited figures in USD million)	Q4 2019	Q4 2018
Operating revenues	26	74
Operating expenses	(33)	(45)
Operating results before depreciation (EBITDA)	**(6)**	**29**
Depreciation	(18)	(29)
Impairment	(0)	(1)
Operating (loss) profit	**(25)**	**(1)**
Interest income	1	1
Interest expenses	13	(16)
Other financial items	(1)	(11)
Net financial items	**12**	**(26)**
(Loss) Profit before taxes	**(13)**	**(27)**
Taxes	(1)	1
Net (Loss) Profit	**(13)**	**(26)**
EPS	**(0.15)**	**(0.29)**
Diluted EPS	**(0.15)**	**(0.29)**

- Fleet utilisation at 23% (Q4 2018: 63%)
- Lower operating revenues due to lower utilisation and lower average dayrates – approx. USD 146k in 2019 vs approx. USD 152k in 2018
- Reported EBITDA of USD 6 million negative
- Operating expenses were significantly lower compared to the same quarter last year. Non-recurring costs of approx. USD 6 million mostly related to the re-sizing of the organisation, process for a long term financial solution, and competition process related to merger activity with Floatel
- Lower depreciation due to the lower carrying value of assets following the impairments in Q3 2019
- Positive interest expenses of USD 13 million was due to a one-off, non-cash positive effect of fair value adjustment to interest bearing debts by USD 28.7 million
- Lower other financial costs were mainly due to lower negative effect from fair value of all derivatives

Balance sheet

(Unaudited figures in USD million)	31.12.19	31.12.18
Vessels	1,205	1,423
New builds	61	126
Other non-current assets	2	10
Total non-current assets	**1,267**	**1,559**
Cash and deposits	198	140
Other current assets	15	38
Total current assets	**213**	**178**
Total assets	**1,480**	**1,737**
	-	-
Share capital	9	9
Other equity	(7)	391
Total equity	**2**	**400**
Interest-free long-term liabilities	30	19
Interest-bearing long-term debt	77	1,199
Total long-term liabilities	**107**	**1,217**
Other interest-free current liabilities	50	75
Current portion of long-term debt	1,321	45
Total current liabilities	**1,371**	**120**
Total equity and liabilities	**1,480**	**1,737**
Key figures:		
Working capital	(1,158)	59
Liquidity reserve	198	277
Interest-bearing debt	1,398	1,243
Net Interest-bearing debt	1,200	1,103
Book equity ratio	0.2%	23%

- Total assets of approx. USD 1.5 billion
- **Liquidity reserve** per Q4 2019 of **USD 198 million**
- Pending conclusions from ongoing lender process, long-term bank debts were reclassified from non-current to current in Q4. The re-classification resulted in a negative working capital of approx. USD 1.16 billion
- Marginalized book equity of USD 2 million at year end 2019 following the impairments carried out in Q3 2019
- The accounts rely on an underlying going concern assumption based on the Board of Directors' view that obtaining a long-term financial solution should be achievable

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Focus areas – in brief

Commercial wins:

- Keep vessels working
- Best in class OPEX in operations and in lay-up
- Efficiency through core teams and HSSEQ excellence

Internationalization:

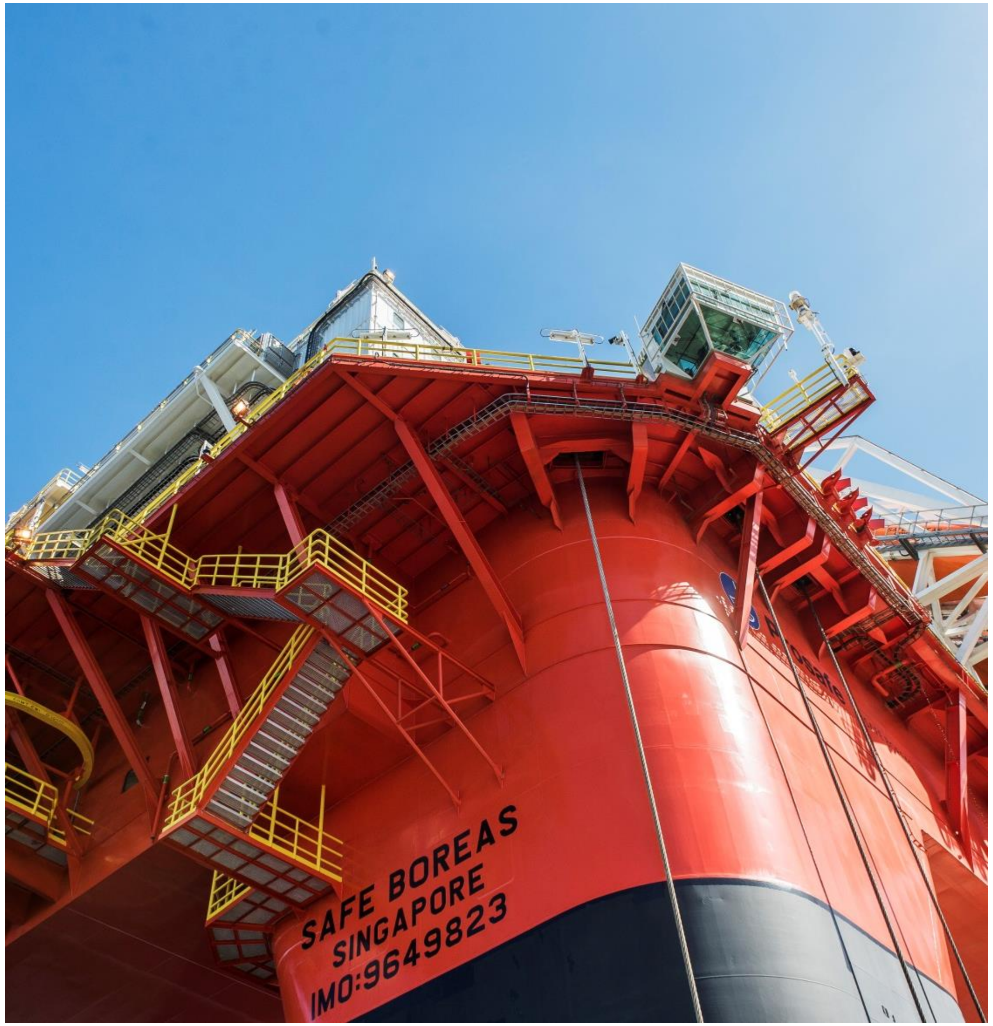
- Strengthen position in Brazil
- Re-enter Mexico
- Explore new regions

Financing and cash preservation:

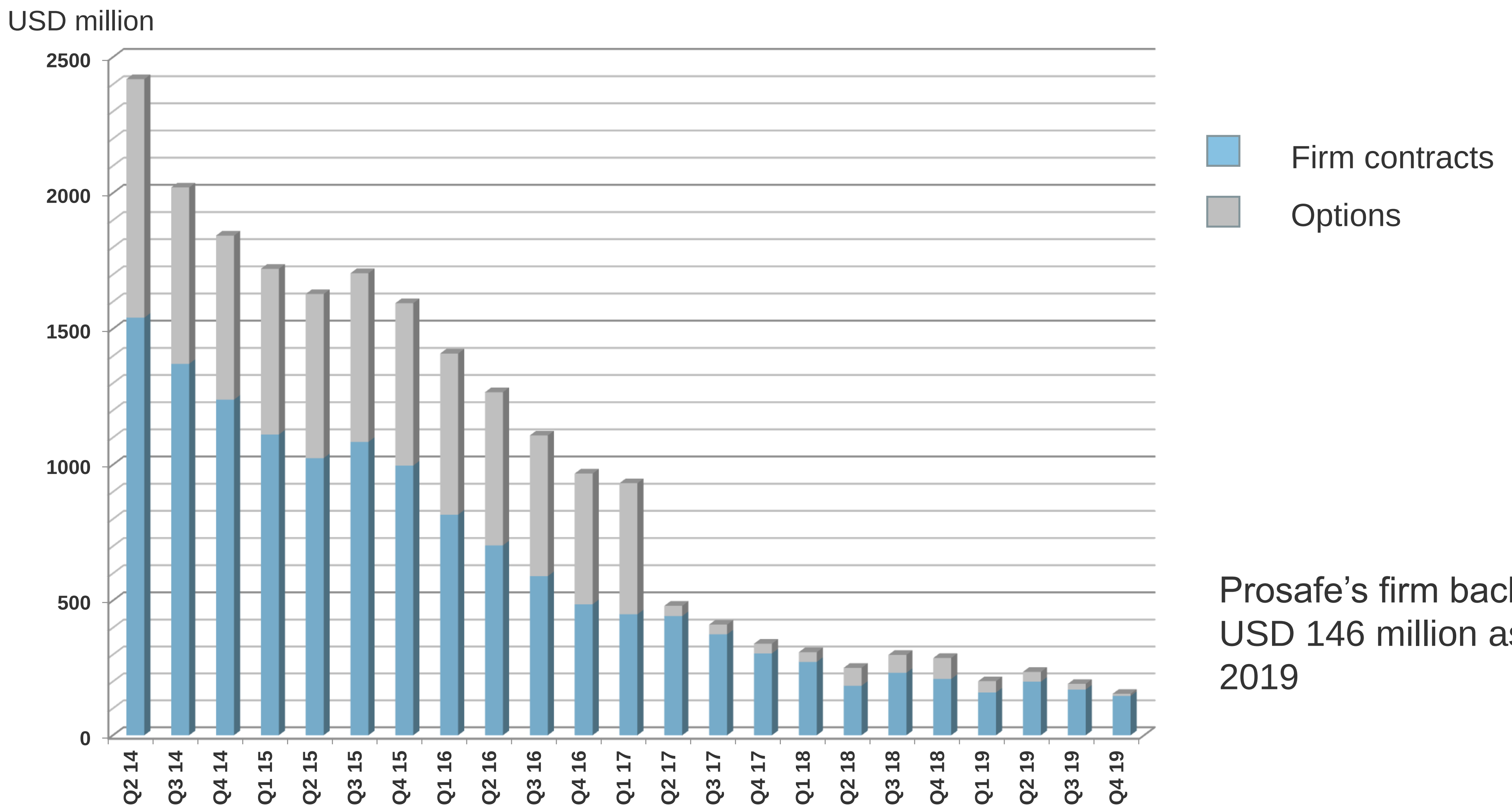
- Reduce costs and preserve cash
- Work constructively with lenders to agree long-term financial solution

Consolidation:

- Continue to evaluate further scrapping and consolidation opportunities



Order backlog per end Q4 2019



Prosafe's firm backlog was USD 146 million as at end Q4 2019

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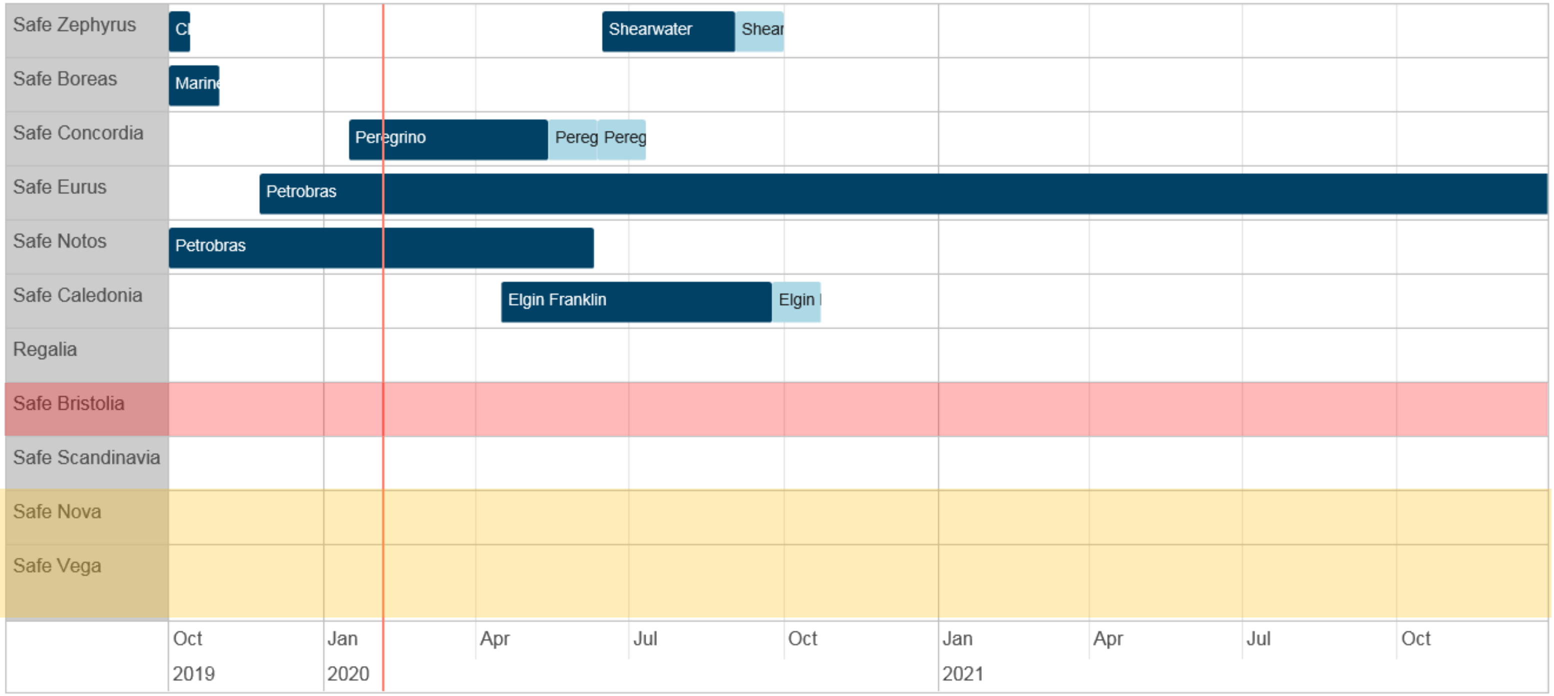
Fleet status: Contracts, wins and extension

Contract backlog



Safe Bristolia: in the process of recycling

Safe Vega and Safe Nova – newbuilds at yard

Contracting update

- **Safe Zephyrus** to commence contract May/ June 2020
- **Safe Concordia** completed yard period including 5 yearly class renewal and contract commenced mid-January with Equinor Brazil at Peregrino
- **Safe Eurus** Petrobras contract commenced November 2019
- **Safe Caledonia** to commence contract with Total mid-April 2020

Utilisation and day rates for 2020 are expected to be below the 2019 level

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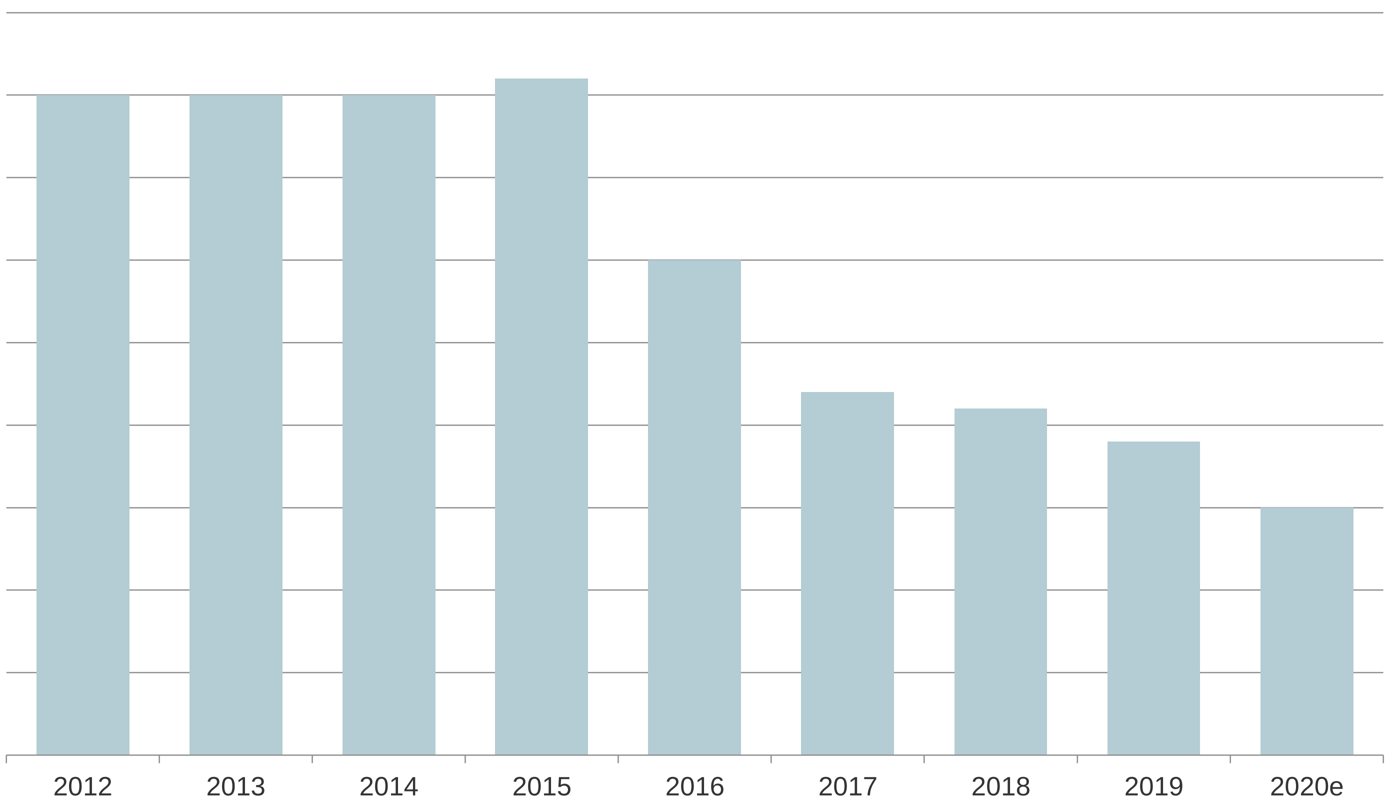
Reducing the cost base to improve competitiveness and preserve cash

SG&A* costs down over 60% since 2015



*Excluding one-offs

CPD down 35-40% 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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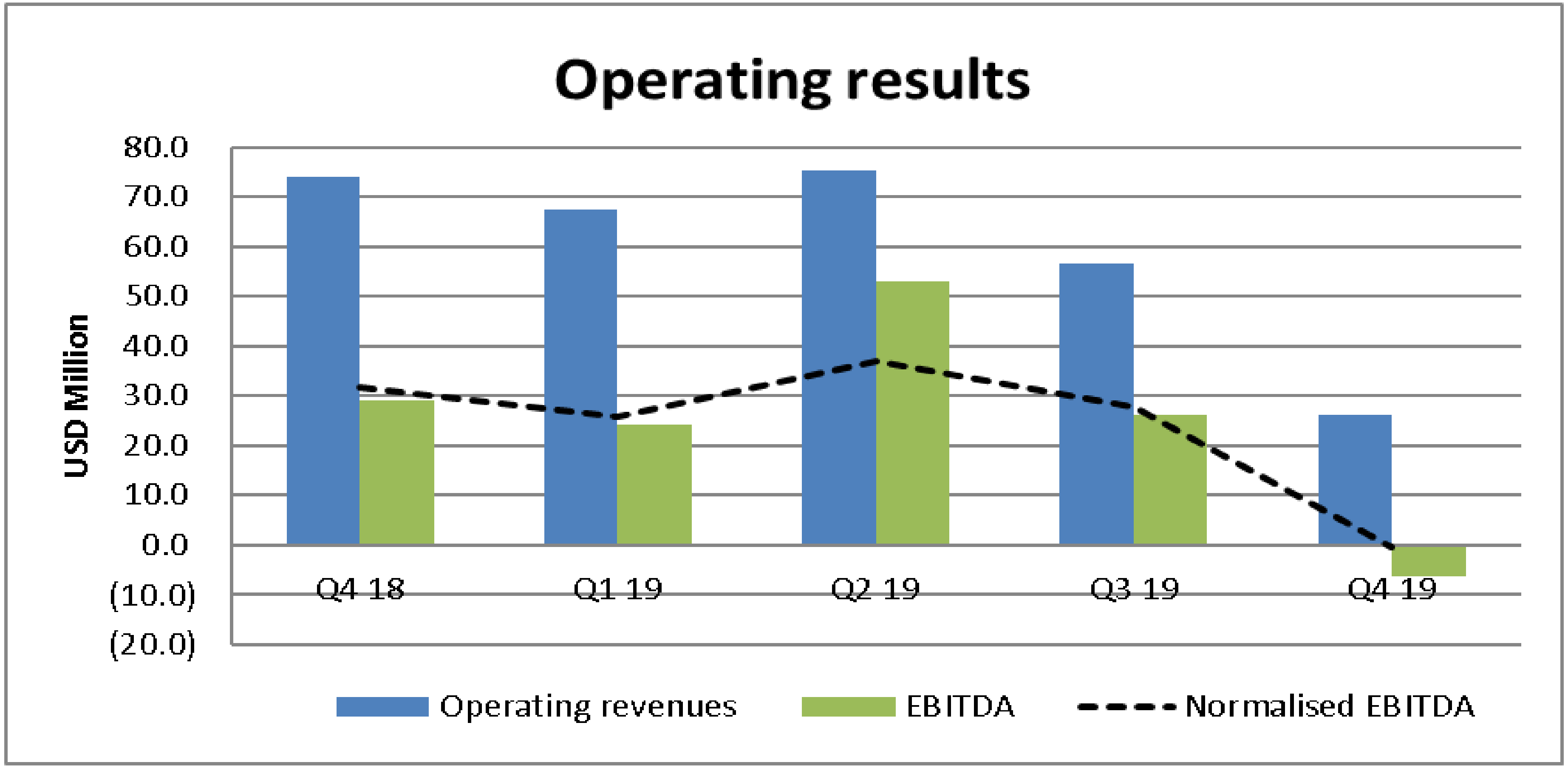
Summary

- Reported EBITDA of USD 6 million negative after one-offs of USD 6 million
- Sufficient liquidity reserve per Q4 2019 of USD 198 million
- Constructive process with lenders to agree a long term financial solution ongoing
- Further cost reduction measures initiated
- Received provisional findings related to the merger from the UK Competition Authority. Final decisions expected in March.
- Prosafe will seek entry into new geographical markets and new segments
- Utilisation and day rates for 2020 are expected to be below the 2019 level

Appendix

Development of operating results



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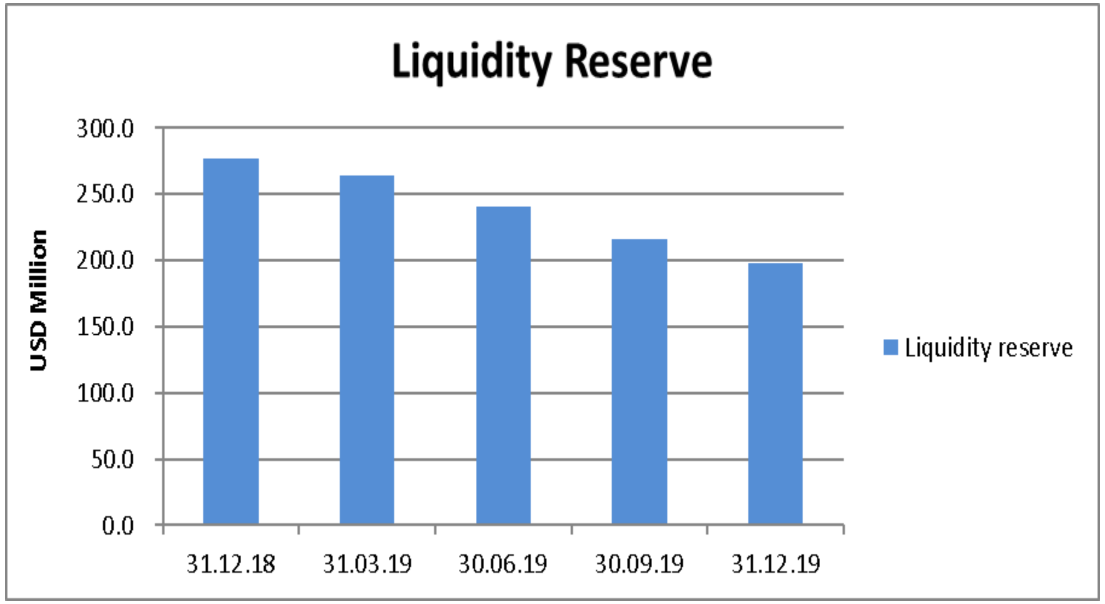
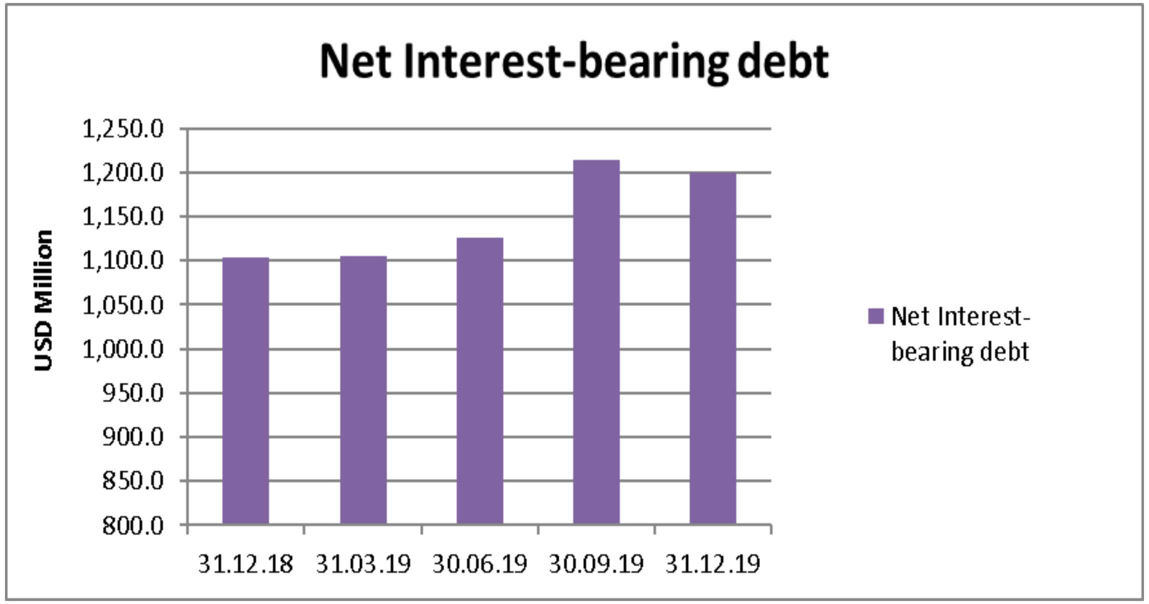
Liquidity reserve & Net interest-bearing debt





Operating revenue

(USD million)	Q4 19	Q3 19	Q4 18	2019	2018
Charter income	24.4	46.8	63.7	191.7	293.2
Other income	1.9	9.7	10.4	33.7	37.6
Total	**26.3**	**56.5**	**74.1**	**225.4**	**330.8**

Interest cost

Positive interest expenses of USD 13 million was due to a one-off, non-cash positive effect of fair value adjustment to interest bearing debts by USD 28.7 million, as follows;

- 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.
- As a consequence, 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 interest	(16.20)
Adjustment to amortised cost of financial liabilities	28.7
Net interest expense in Q4	12.5

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