

FOURTH QUARTER 2017

EBITDA for the fourth quarter amounted to USD 40.1 million (USD 78 million). This decline is mainly due to lower utilisation of the vessels. Cash flow from operations was USD 44.2 million (USD 66.7 million).

Highlights

- Good operating performance
- Utilisation of 36.1 per cent in the quarter
- Operating revenues at USD 76.7 mill.
- Cash flow from operations at USD 44.2 mill.
- Delivering on cost and capex reductions. Focus on continuous improvement remains
- Business development presence established in Mexico and Houston
- Positive macro indicators
- Foresee gradual pick-up in accommodation demand from 2019

Operations

(Figures in brackets refer to the corresponding period of 2016)

Fleet utilisation¹ in the fourth quarter of 2017 was 36.1 per cent (Q4 2016: 43 per cent).

The Safe Scandinavia Tender Support Vessel (TSV) was fully contracted in the quarter for Statoil at Oseberg East with a firm contract period until the end of June 2018.

Safe Caledonia commenced a contract for Total in the UK in mid-May 2017 and was on contract until late October 2017. The vessel is now laid-up in the UK.

Safe Notos commenced a three-year and 222-day contract for Petrobras on 7 December 2016 and was fully contracted in the quarter.

Safe Boreas commenced a 13-month contract for Statoil at the Mariner installation in the UK in early August. In addition, Statoil can exercise six one-month options for Safe Boreas. The vessel was fully contracted in the quarter.

Safe Concordia, Safe Zephyrus, Regalia, Safe Bristolia and Safe Astoria were idle in the quarter. Safe Concordia is laid-up in Curacao. Safe Zephyrus, Regalia and Safe Bristolia are laid-up in Norway, while Safe Astoria is laid-up in Indonesia.

Safe Zephyrus has a 12-month firm contract with Statoil commencing mid-May 2018.

Prosafe remains focused on its fleet high-grading strategy. Prosafe continues to work with COSCO (Qidong) Offshore Co. Ltd (COSCO) to find a workable commercial solution for the three completed vessels, Safe Nova, Safe Vega and Safe Eurus, that currently reside in COSCO's Qidong shipyard in China.

The Safe Eurus is in a preserved, strategic stacking mode and consistent with previous quarters, the company has accrued for lay-up cost for Safe Eurus. In accordance with the agreement with COSCO, 50 percent of these costs are to be paid on delivery and the remaining 50 percent after delivery.

The standstill agreement with COSCO relating to Safe Nova and Safe Vega has recently been extended until early April 2018 and Prosafe remains in negotiations with COSCO and related parties for these vessels. If no agreement is reached, Prosafe has the right to cancel the new-build contracts for Safe Nova and Safe Vega due to delay, and claim repayment of the instalments paid including interest of approx. USD 60 million in total. The repayment claim is secured by a refund guarantee from Bank of China.

¹ Fleet utilisation = actual vessel days in operation in the period / possible vessel days in the period x 100

Court proceedings in the Westcon dispute regarding the TSV Safe Scandinavia commenced on 22 August 2017. The ruling is expected by early March 2018.

Financials

Fourth quarter 2017

EBITDA² for the fourth quarter amounted to USD 40.1 million (USD 78 million). This decline is mainly due to lower utilisation of the vessels.

Depreciation was USD 25.2 million (USD 34.1 million) in the quarter. The decline is due to the lower carrying value of the assets following the impairments in Q3 2017.

Operating profit for the fourth quarter amounted to USD 14.9 million (operating loss of USD 40.8 million).

Net financial costs amounted to USD 7.4 million (USD 15.4 million positive). Fair value adjustment of interest rate swaps amounted to USD 10.2 million positive (USD 39.3 million positive).

Net profit equalled USD 4.9 million (net loss of USD 32.7 million).

Total assets at 31 December amounted to USD 1,947 million (USD 2,686.9 million). Net interest-bearing debt equalled USD 1,115.8 million (USD 1,185.1 million), and the book equity ratio was 24 per cent (42 per cent).

Full year 2017

Fleet utilisation was 38.4 per cent (43 per cent). EBITDA for the full year amounted to USD 122.9 million (USD 253.2 million). This decline is mainly due to lower utilisation and lower average day rates. The effect of lower revenues has to some extent been offset by cost reductions.

Depreciation and impairment amounted to USD 736.2 million (USD 200.4 million), and operating loss equalled USD 613.3 million (operating profit of USD 52.8 million).

Net financial costs for 2017 amounted to USD 61.1 million (USD 136.9 million positive). The positive amount in 2016 is due to a gain on forgiveness of bond debt of USD 197.6 million.

Net loss for 2017 equalled USD 682.2 million (net profit of USD 172.6 million).

Outlook

Macro indicators have continued to show positive development since the last quarter. However, this is yet to materialise in activity pick-up in the offshore accommodation market. Consequently, Prosafe continues to anticipate a volatile market for the foreseeable future.

The North Sea was one of the hardest hit regions during the downturn. The company continues to see low incremental activity in the North Sea in the short term although new opportunities are expected to arise.

International markets will be increasingly important, with Brazil and Mexico anticipated to become key long-term markets. Indications are that the demand for accommodation services will gradually pick up from 2019. Positioning for key upcoming tenders remains a near term priority.

Further, Prosafe continues to pursue efficiencies and intends to be proactive in fleet enhancement and industry restructuring.

Larnaca, 5 February 2018

The Board of Directors of Prosafe SE

² EBITDA = operating result before depreciation and amortisation

CONDENSED CONSOLIDATED INCOME STATEMENT

(Unaudited figures in USD million)	Q4 17	Q3 17	Q4 16	2017	2016
Operating revenues	76.7	68.9	125.8	283.0	474.0
Operating expenses	(36.6)	(41.3)	(47.8)	(160.1)	(220.8)
Operating result before depreciation	40.1	27.6	78.0	122.9	253.2
Depreciation	(25.2)	(34.8)	(34.1)	(127.2)	(115.7)
Impairment	0.0	(609.0)	(84.7)	(609.0)	(84.7)
Operating profit/(loss)	14.9	(616.2)	(40.8)	(613.3)	52.8
Interest income	0.4	0.5	0.1	1.4	0.3
Interest expenses	(19.2)	(19.1)	(18.4)	(74.9)	(85.6)
Other financial items	11.4	2.3	33.7	12.4	222.2
Net financial items	(7.4)	(16.3)	15.4	(61.1)	136.9
Profit/(Loss) before taxes	7.5	(632.5)	(25.4)	(674.4)	189.7
Taxes	(2.6)	(2.5)	(7.3)	(7.8)	(17.1)
Net profit/(loss)	4.9	(635.0)	(32.7)	(682.2)	172.6
EPS	0.07	(8.89)	(0.51)	(9.47)	8.36
Diluted EPS	0.06	(7.22)	(0.47)	(7.75)	8.10

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited figures in USD million)	Q4 17	Q3 17	Q4 16	2017	2016
Net profit/(loss) for the period	4.9	(635.0)	(32.7)	(682.2)	172.6
Foreign currency translation	(1.3)	2.0	(1.5)	2.0	1.7
Revaluation hedging instruments	3.3	3.3	3.3	13.2	(22.2)
Other comprehensive income	2.0	5.3	1.8	15.2	(20.5)
Comprehensive income	6.9	(629.7)	(30.9)	(667.0)	152.1

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited figures in USD million)	31.12.17	30.09.17	31.12.16
Goodwill	0.0	0.0	226.7
Vessels	1 527.2	1 555.0	2 029.3
New builds	125.2	124.9	122.2
Other non-current assets	10.5	11.2	13.9
Total non-current assets	1 662.9	1 691.1	2 392.1
Cash and deposits	231.9	207.8	205.7
Other current assets	52.2	58.4	89.1
Total current assets	284.1	266.2	294.8
Total assets	1 947.0	1 957.3	2 686.9
Share capital	9.0	7.9	7.9
Other equity	453.5	447.7	1 121.6
Total equity	462.5	455.6	1 129.5
Interest-free long-term liabilities	57.5	67.9	62.2
Interest-bearing long-term debt	1 329.1	1 329.0	1 342.9
Total long-term liabilities	1 386.6	1 396.9	1 405.1
Other interest-free current liabilities	79.3	86.2	104.4
Current portion of long-term debt	18.6	18.6	47.9
Total current liabilities	97.9	104.8	152.3
Total equity and liabilities	1 947.0	1 957.3	2 686.9

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(Unaudited figures in USD million)	Q4 17	Q3 17	Q4 16	2017	2016
Profit/(Loss) before taxes	7.5	(632.5)	(25.4)	(674.4)	189.7
Unrealised currency (gain)/loss on debt	0.0	0.0	0.0	0.0	18.3
Gain on forgiveness of bond debt	0.0	0.0	0.0	0.0	(197.6)
Loss/(Gain) on sale of non-current assets	(0.1)	0.0	(0.8)	(1.1)	(0.6)
Depreciation	25.2	34.8	34.1	127.2	115.7
Impairment	0.0	609.0	84.7	609.0	84.7
Financial income	(0.4)	(0.5)	(0.1)	(1.4)	(0.3)
Financial costs	19.2	19.1	18.4	74.9	85.6
Change in working capital	(0.7)	(14.8)	0.4	11.8	(59.4)
Other items from operating activities	(6.5)	3.9	(44.6)	10.1	(50.2)
Net cash flow from operating activities	44.2	19.0	66.7	156.1	185.9
Acquisition of tangible assets	(0.1)	(4.0)	(3.2)	(10.1)	(483.9)
Proceeds from sale of tangible assets	0.1	0.0	0.0	1.1	0.7
Interests received	0.4	0.5	0.1	1.4	0.3
Net cash flow from investing activities	0.4	(3.5)	(3.1)	(7.6)	(482.9)
Proceeds from new interest-bearing debt	0.0	0.0	0.0	0.0	503.3
Repayment of interest-bearing debt	(1.3)	(7.4)	(36.3)	(47.4)	(112.5)
New share issue	0.0	0.0	13.4	0.0	140.4
Interests paid	(19.2)	(19.1)	(18.4)	(74.9)	(85.6)
Net cash flow from financing activities	(20.5)	(26.5)	(41.3)	(122.3)	445.6
Net cash flow	24.1	(11.0)	22.3	26.2	148.6
Cash and deposits at beginning of period	207.8	218.8	183.4	205.7	57.1
Cash and deposits at end of period	231.9	207.8	205.7	231.9	205.7

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited figures in USD million)	Q4 17	Q3 17	Q4 16	2017	2016
Equity at beginning of period	455.6	1 085.3	1 077.0	1 129.5	715.2
New share issue	0.0	0.0	83.4	0.0	262.2
Comprehensive income for the period	6.9	(629.7)	(30.9)	(667.0)	152.1
Equity at end of period	462.5	455.6	1 129.5	462.5	1 129.5

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

NOTE 1: GENERAL INFORMATION

Prosafe SE is a public limited company domiciled in Larnaca, Cyprus. Prosafe SE is listed on the Oslo Stock Exchange with ticker code PRS. The consolidated financial statements for the fourth quarter of 2017 were authorised for issue in accordance with a resolution of the board of directors on 5 February 2018. 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.

IASB has issued three new standards; IFRS 9 Financial Instruments, IFRS 15 Revenue and IFRS 16 Leases. The Group has carried out a preliminary analysis of the effect of these standards, and currently the impact on the consolidated financial statements is expected to be immaterial.

Prosafe will implement IFRS 9 and 15 on 1 January 2018 and IFRS 16 on 1 January 2019 without changing comparatives.

NOTE 3: IMPAIRMENT OF NON-CURRENT ASSETS

Due to a continued weak market outlook, management has performed an impairment assessment of the fixed assets. Each individual vessel is considered to be a cash generating unit. As a result, the following impairment charges were made in the third quarter 2017:

(USD million)	Impairment	Recoverable amount
Safe Scandinavia	153.0	274.9
Regalia	116.9	75.7
Safe Concordia	57.0	103.2
Safe Bristolia	28.2	42.9
Safe Caledonia	27.2	109.4
Total	382.3	606.1
Impairment goodwill	226.7	
Total impairment	609.0	

The recoverable amounts have been identified by calculating the value in use. The calculation is based on the present value of the estimated cash flow, and a pre-tax discount rate of 8% has been applied. A 1% increase in the pre-tax discount rate would have led to an additional impairment of around USD 39 million on the vessels.

The impaired goodwill relates to the acquisition of Consafe Offshore AB in 2006. Prosafe has only one reporting segment comprising of all accommodation/service vessels which the goodwill has been allocated to. The present value of this cash flow does not justify the carrying value, and a full impairment of the goodwill has been made.