



Prosafef

SECOND QUARTER AND FIRST HALF REPORT 2016

(Figures in brackets refer to the corresponding period of 2015)

Operations

The fleet utilisation rate in the second quarter of 2016 was 41 per cent (58 per cent).

Safe Boreas commenced the contract with Talisman Sinopec in the UK mid-March and was fully contracted throughout the quarter.

Safe Zephyrus was delivered from the yard in the first quarter of 2016 and received acknowledgement of compliance from the Petroleum Safety Authority Norway, in July. The vessel commenced a contract with Det norske in Norway in late July.

Safe Scandinavia commenced the TSV contract with Statoil in Norway mid-March. Drilling support operations successfully commenced at the beginning of April with a firm contract period until July 2018.

Regalia commenced a contract with Shell in the UK in late May.

Safe Concordia and Safe Caledonia were fully contracted in the quarter.

Safe Bristolia commenced a contract with BG Group in mid-May in the UK for a two-month firm period. This contract has been completed and the vessel is now laid up in Norway.

Safe Notos was delivered from the yard in the first quarter of 2016 and is in transit to Brazil to perform the contract with Petrobras. The vessel is expected to arrive in Brazil early in the fourth quarter of 2016. The Safe Notos contract, as extended, is now for three years plus 222 days and the total contract value is USD 189 million.

Safe Astoria was idle in the quarter and is cold-stacked in Batam, Indonesia.

Safe Lancia is cold stacked in Port Isabel, Texas, USA. The company incurred off-hire and demobilisation costs as well as costs related to the removal of thrusters on the vessel in the second quarter.

Safe Regency has transited from Aruba and is now preparing for lay-up in Curaçao. The company incurred off-hire costs for the vessel in the second quarter.

In June 2016, Safe Britannia was sold for scrap/recycling in the US. The company incurred off-hire and demobilisation costs in the quarter until the vessel was sold.

In August 2016, Jasminia and Safe Hibernia were sold for scrap/recycling in the US. The company incurred lay-up and demobilisation costs in the quarter.

Financials

Revenues for the second quarter of 2016 were USD 115.4 million (USD 92.5

million). This increase reflects that high day rate units have been on contract during the second quarter this year as opposed to last year. This has been partly offset by the closure of the Gulf of Mexico contracts which generated relatively low day rates.

Operating expenses increased slightly to USD 53.8 million (USD 51 million). Cost saving initiatives implemented in 2015/2016 have reduced operating expenses in the second quarter. These savings were offset to a large degree by non-recurring costs relating to the vessels which previously operated in the Gulf of Mexico.

EBITDA increased to USD 61.6 million (USD 41.5 million). This improvement is mainly due to higher average day rates, as described above.

Depreciation increased to USD 29.1 million (USD 18.7 million) mainly due to the new build Safe Boreas and the Safe Scandinavia TSV project. Operating profit was USD 32.5 million (USD 22.8 million).

Net financial expenses for the second quarter were USD 26.4 million (USD 7.0 million) mainly due to currency effects and higher interest costs.

Net profit amounted to USD 5.2 million (USD 12.2 million).

Total assets at 30 June amounted to USD 2,599.7 million (USD 2,241.7 million), while the book equity ratio declined to 26.1 per cent (33.9 per cent). Net interest-bearing debt stood at USD 1,648.5 million (USD 1,123.7 million).

Financial restructuring

On 7 July 2016, the Company announced a proposed comprehensive refinancing. The refinancing included a proposed

private placement of minimum USD 130 million and maximum USD 150 million at an issue price of NOK 0.25 per share, and a subsequent equity offering of up to USD 15 million. It was furthermore proposed that NOK 2.4 billion (approx. USD 290 million) in aggregate face value of the Company's outstanding senior unsecured bonds be converted into new shares at 30% of the face value and/or cash at the option of each bondholder.

The combined effect of the reduction in bank debt amortisation from Q1 2017 until and including Q4 2020, and the interest rate swap restructuring is expected to provide a total positive liquidity impact of approximately USD 493 million. There is also a significant financial covenant relief on all facilities to provide the Company with sufficient headroom to operate.

As part of and subject to the refinancing being completed, the Company has agreed with Cosco a deferred delivery of Safe Eurus to Q4 2019 (or such earlier time required by the Company) and a limitation on any further liability in the event Prosafe does not take delivery of the vessel, giving the Company increased flexibility and reduced financing risk. In addition, Prosafe and Cosco have also agreed a deferral of the repayment of the USD 29 million seller's credit to Q4 2019.

On 13 July 2016, the Company announced that it had completed the private placement of new shares. The private placement of minimum USD 130 million and maximum USD 150 million, conducted as an accelerated book-building with preferred allocation for shareholders and bondholders, was fully subscribed. The final amount of new shares to be issued would be determined on the basis of the amount required for the cash-out of bonds under the refinancing.

On 11 August 2016, the Company announced that the bondholders had exercised the cash-out option for NOK 242 million. As per the terms of the proposed refinancing, the clearing price was therefore set to 35% of current face value of the bonds. The difference between NOK 84.7 million (35% of NOK 242 million) and the minimum cash-out amount (NOK 336 million) will be applied for a pro-rata redemption across remaining bonds as part of the refinancing.

Further, based upon received requests from bondholders, the Company will, as part of the refinancing, issue a convertible bond of NOK 82.79 million convertible into 331,163,764 new shares. Adjusted for the cash-out amount and the convertible bond, the remaining bonds will be converted to 1,396,836,250 new shares in Prosafe through a debt to equity conversion. As a result of the minimum cash-out amount being exercised, the Company will issue 4,368,000,000 new shares in the private placement.

The refinancing was approved by the requisite majorities in the Company's bond loans on 12 August 2016. On 23 August 2016 the Extraordinary General Meeting of Prosafe resolved to authorise the issuance of the shares and convertible bonds as described above.

Currently, bank lenders representing 89% (in aggregate) of Prosafe's USD 1,300 million and USD 288 million bank facilities have confirmed credit approval or agreement-in-principle in favour of the refinancing. The Company is working constructively with the bank syndicate to obtain the remaining credit approvals and secure the required all lender support. The refinancing is expected to be completed by end August / beginning of September 2016.

Reorganisation and rationalisation

As announced on 26 July 2016, as a part of its cost efficiency measures reported in connection with the company's Q1 2016 report, Prosafe is implementing a reorganisation of the group's shore-based business resulting in a leaner organisation around a smaller and partly changed group management team.

The new organisational model of the group is based on the principle of a lean line organisation focusing on the core business of safe and efficient management of the fleet.

The rationalisation is necessary to ensure that the Prosafe group remains competitive in the current difficult market conditions and in a solid position for future growth when the industry starts to recover. The proposed workforce reduction is ongoing throughout the remainder of 2016 eventually achieving a substantial headcount reduction across the group.

The Group's target remains to reduce annual costs by at least USD 30 to 40 million. This should show increasing effect throughout the second half of 2016 as the rationalisation program takes effect and capacity is adjusted to a falling activity level. In addition, the target includes a reduced capex spend noticeably in the near and medium term to protect the financial position.

Outlook

Market outlook remains uncertain in the near term, and although there are a number of prospects, 2017 is expected to be the low point in activity level. In general, the company sees the demand returning more to the traditional demand related to maintenance and modification projects with shorter lead times compared to hook-up projects. Cost reductions in

the E&P sector are expected to contribute to more projects becoming economically viable. Combined with continued focus on asset integrity and maintenance on offshore installations, the company expects a gradual market recovery from 2018 onwards.

Prosafe has moved quickly to scrap three vessels and it anticipates that other suppliers' vessels will be scrapped and/or exit the high-end market of the North Sea. As a consequence of this, the supply-demand environment is expected to become more balanced by 2020. The aforementioned plus the substantial debt reduction, the significantly improved cash flow from the refinancing and combined with Prosafe's high quality and versatile fleet places the company in a strong position when the market recovers.

Risk

Prosafe's key risks are described in detail in the Directors' Report as set out in the Annual Report 2015 and include

Prosafe's main operational risks e.g. day rate level and utilisation rate of the accommodation vessels. The company's results also depend (inter alia) on operating costs, interest expenses and exchange rates.

Statement from the Board, the Acting CEO and the Acting CFO

We confirm that, to the best of our knowledge, the financial statements for the first half year of 2016, which have been prepared in accordance with IAS 34 Interim Financial Statements as adopted by the European Union and the requirements of the Cyprus Companies Law, give a true and fair view of the company's assets, liabilities, financial position and profit or loss of the company, and that the interim management report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph and the Cyprus Companies Law and Cyprus Transparency Requirements Law No:190(1) 2007 section 10.

Larnaca, 24 August 2016

Glen Ole Rødland
Interim Chairman

Roger Cornish

Carine Smith Ihenacho

Nancy Erotocritou

Anastasis Ziziros

Stig H Christiansen
Acting CEO
Prosafe Management AS

CONDENSED CONSOLIDATED INCOME STATEMENT

(Unaudited figures in USD million)	Q2 16	Q1 16	Q2 15	6M 16	6M 15	2015
Operating revenues	115.4	103.0	92.5	218.4	216.7	474.7
Operating expenses	(53.8)	(57.7)	(51.0)	(111.5)	(102.8)	(211.8)
EBITDA	61.6	45.3	41.5	106.9	113.9	262.9
Depreciation	(29.1)	(23.4)	(18.7)	(52.5)	(35.7)	(86.5)
Impairment	0.0	0.0	0.0	0.0	0.0	(145.6)
Operating profit	32.5	21.9	22.8	54.4	78.2	30.8
Interest income	0.1	0.0	0.1	0.1	0.1	0.2
Interest expenses	(18.6)	(19.9)	(12.8)	(38.5)	(23.0)	(41.6)
Other financial items	(7.9)	(0.4)	5.7	(8.3)	(10.2)	(29.5)
Net financial items	(26.4)	(20.3)	(7.0)	(46.7)	(33.1)	(70.9)
Profit/(Loss) before taxes	6.1	1.6	15.8	7.7	45.1	(40.1)
Taxes	(0.9)	(3.4)	(3.6)	(4.3)	(5.9)	(10.5)
Net profit/(loss)	5.2	(1.8)	12.2	3.4	39.2	(50.6)
EPS	0.02	(0.01)	0.05	0.01	0.17	(0.21)
Diluted EPS	0.02	(0.01)	0.05	0.01	0.17	(0.21)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited figures in USD million)	Q2 16	Q1 16	Q2 15	6M 16	6M 15	2015
Net profit/(loss) for the period	5.2	(1.8)	12.2	3.4	39.2	(50.6)
Foreign currency translation	(0.6)	0.7	2.0	0.1	0.1	(5.0)
Revaluation hedging instruments	(8.6)	(31.6)	12.7	(40.2)	(4.5)	(9.5)
Other comprehensive income	(9.2)	(30.9)	14.7	(40.1)	(4.4)	(14.5)
Comprehensive income	(4.0)	(32.7)	26.9	(36.7)	34.8	(65.1)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited figures in USD million)	30.06.16	31.03.16	31.12.15	30.06.15
Goodwill	226.7	226.7	226.7	226.7
Vessels	1 559.0	1 581.6	1 578.6	1 611.5
New builds	654.9	635.3	228.5	211.1
Other non-current assets	4.3	4.7	4.9	6.0
Total non-current assets	2 444.9	2 448.3	2 038.7	2 055.3
Cash and deposits	68.2	71.0	57.1	94.9
Other current assets	86.6	111.5	91.4	91.5
Total current assets	154.8	182.5	148.5	186.4
Total assets	2 599.7	2 630.8	2 187.2	2 241.7
Share capital	72.1	72.1	72.1	65.9
Other equity	606.4	610.4	643.1	694.7
Total equity	678.5	682.5	715.2	760.6
Interest-free long-term liabilities	98.4	90.8	58.9	59.4
Interest-bearing long-term debt	1 520.7	1 554.9	1 107.5	1 185.6
Total long-term liabilities	1 619.1	1 645.7	1 166.4	1 245.0
Other interest-free current liabilities	106.1	135.8	166.1	203.1
Current portion of long-term debt	196.0	166.8	139.5	33.0
Total current liabilities	302.1	302.6	305.6	236.1
Total equity and liabilities	2 599.7	2 630.8	2 187.2	2 241.7

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(Unaudited figures in USD million)	Q2 16	Q1 16	Q2 15	6M 16	6M 15	2015
Profit/(Loss) before taxes	6.1	1.6	15.8	7.7	45.1	(40.1)
Unrealised currency (gain)/loss on debt	(2.8)	18.8	9.8	16.0	(20.0)	(56.6)
Loss on sale of non-current assets	0.0	0.5	0.0	0.5	0.0	1.4
Depreciation	29.1	23.4	18.7	52.5	35.7	86.5
Impairment	0.0	0.0	0.0	0.0	0.0	145.6
Financial income	(0.1)	0.0	(0.1)	(0.1)	(0.1)	(0.2)
Financial costs	18.6	19.9	12.8	38.5	23.0	41.6
Change in working capital	(4.8)	(50.4)	9.3	(55.2)	52.2	15.3
Other items from operating activities	(1.7)	(19.9)	(1.1)	(21.6)	(6.8)	(22.0)
Net cash flow from operating activities	44.4	(6.1)	65.2	38.3	129.1	171.5
Acquisition of tangible assets	(26.1)	(433.5)	(177.6)	(459.6)	(519.5)	(700.7)
Proceeds from sale of tangible assets	0.4	0.0	0.0	0.4	0.0	0.0
Interests received	0.1	0.0	0.1	0.1	0.1	0.2
Net cash flow from investing activities	(25.6)	(433.5)	(177.5)	(459.1)	(519.4)	(700.5)
Proceeds from new interest-bearing debt	0.0	503.3	80.0	503.3	1 110.0	1 290.0
Repayment of interest-bearing debt	(3.0)	(29.9)	0.0	(32.9)	(701.5)	(816.5)
New share issue	0.0	0.0	0.0	0.0	0.0	65.8
Dividends paid	0.0	0.0	(11.4)	0.0	(22.7)	(34.0)
Interests paid	(18.6)	(19.9)	(12.8)	(38.5)	(23.0)	(41.6)
Net cash flow from financing activities	(21.6)	453.5	55.8	431.9	362.8	463.7
Net cash flow	(2.8)	13.9	(56.5)	11.1	(27.5)	(65.3)
Cash and deposits at beginning of period	71.0	57.1	151.4	57.1	122.4	122.4
Cash and deposits at end of period	68.2	71.0	94.9	68.2	94.9	57.1

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited figures in USD million)	Q2 16	Q1 16	Q2 15	6M 16	6M 15	2015
Equity at beginning of period	682.5	715.2	745.1	715.2	748.5	748.5
New share issue	0.0	0.0	0.0	0.0	0.0	65.8
Comprehensive income for the period	(4.0)	(32.7)	26.9	(36.7)	34.8	(65.1)
Dividends	0.0	0.0	(11.4)	0.0	(22.7)	(34.0)
Equity at end of period	678.5	682.5	760.6	678.5	760.6	715.2

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 second quarter of 2016 were authorised for issue in accordance with a resolution of the board of directors on 24 August 2016. 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.

NOTE 3: SUBSEQUENT EVENTS - FINANCIAL RESTRUCTURING

On 23 August 2016 the Extraordinary General Meeting of Prosafe SE resolved to issue shares as a part of a comprehensive refinancing of the group. Apart from the share issues, the refinancing includes a conversion of bonds to equity, a conversion of bonds to convertible bonds, a cash-out of bonds, a reduction of amortisation on bank facilities. In addition, the Company has agreed with Cosco to defer delivery of Safe Eurus to Q4 2019 and a deferral of a repayment of the USD 29 million seller's credit to Q4 2019. At a price of NOK 0.25 per share, the Company will issue 4,376,600,000 new shares (approx. USD 130 million) to investors that participated in the private placement that was closed on 12 July 2016 and 1,396,836,250 (approx. USD 41.6 million) to the bondholders. In addition to shares, the bondholders will receive USD 40 million in cash plus NOK 82.8 million (approx. USD 9.9 million) convertible into 331,163,764 shares in Prosafe. Amortisation on bank facilities has been reduced for four years from Q1 2017 until and including Q4 2020, with a total positive liquidity effect for the Company of USD 478 million. There is also a significant financial covenant relief on all facilities. Reference is made to the chapter 'Financial restructuring' in this report.

NOTE 4: GOING CONCERN

The Board of Directors confirms that the accounts have been prepared under the assumption that the Company is a going concern and that this assumption is realistic at the date of the accounts. This assumption is based on the budgets for the year and the Prosafe Group's long-term forecasts for the following years. As a result of the suspension of the two contracts in Mexico and the increased liquidity risk, a material uncertainty around the going concern assumption arose during the first quarter this year. The Board of Directors evaluated the Company's ability to reach a solution in the ongoing dialogue with the Company's key stakeholders, and concluded in the report for the first quarter that it is likely to achieve a favourable outcome of this process. Based on the development described in note 3 above, the Board of Directors concludes that the uncertainty around the going concern assumption has been reduced significantly.