



Prosafes

THIRD QUARTER 2016

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

Operations

Utilisation of the vessels was 52 per cent (81 per cent).

Safe Boreas continued the contract with Repsol Sinopec (formerly Talisman Sinopec) in UK and was in full operation throughout the quarter. Repsol Sinopec has exercised the first 14-day option at a discounted day rate, extending the contract at Montrose into December.

Safe Zephyrus commenced the contract with Det norske in Norway late July and was in operation throughout August and September.

Safe Scandinavia Tender Support Vessel (TSV) and Safe Concordia were fully contracted in the quarter with Statoil and Petrobras, respectively.

Regalia operated for Shell in the UK from beginning of August until mid-October.

Safe Caledonia completed her operation for BP in August and the vessel has been laid up in UK since then.

Safe Bristolia is cold-stacked in Norway after completion of a two-month contract with BG Group late July.

Safe Notos remains in transit to Brazil and is scheduled to commence the contract with Petrobras late November or early December.

Safe Astoria, Safe Lancia and Safe Regency were idle in the quarter. Safe Astoria is cold-stacked in Batam, Indonesia, Safe Lancia is cold stacked in Port Isabel, Texas USA and Safe Regency is laid-up in Curaçao in the Caribbean.

In August, Jasminia and Safe Hibernia were sold for scrap/recycling in the USA.

Financials

Revenues for the third quarter of 2016 were USD 129.8 million (USD 154.1 million). This decline is due to the lower utilisation referred to above. This effect has been partly compensated by a higher average day rate, which reflects that units which generate a relatively high day rate have been on contract during the third quarter this year as opposed to last year when several of the rigs were on bareboat contracts in the Gulf of Mexico.

Operating expenses, including non-recurring costs of USD 18 million, amounted to USD 61.5 million (USD 56.5 million). Underlying costs were therefore down to USD 43.5 million. USD 8.7 million out of the USD 18 million of non-recurring costs related to the refinancing, USD 6.7 million to rationalisation and USD 2.6 million to the vessels which have been scrapped. Cost initiatives implemented in 2015/2016 are continuing to reduce onshore costs as well as vessel operating costs.

EBITDA was USD 68.3 million (USD 97.6 million).

Depreciation has increased to USD 29.1 million (USD 26.3 million) mainly due to the new build Safe Zephyrus and the Safe Scandinavia TSV project. This effect has been partly offset by vessels which have been impaired or scrapped. Operating profit equalled USD 39.2 million (USD 71.3 million).

Net financial items were USD 168.2 million positive (USD 15.6 million negative). As part of the refinancing, a gain on forgiveness of bond debt of USD 197.6 million has been recognised this quarter.

Effective 1 July 2016, the Company has decided, based on a holistic cost-benefit evaluation, to abandon hedge accounting of interest rate swaps. Any change in fair value of interest rate swaps is now taken through the income statement rather than direct to equity via comprehensive income. In the third quarter USD 2.4 million was charged to the income statement.

As a consequence of abandoning hedge accounting, the interest expenses have increased by USD 14.7 million in the third quarter. This amount has previously been charged directly to equity through comprehensive income and corresponds to the portion of the negative fair value of interest-rate swaps which could be allocated to the bond debt as of 30 June 2016. As of 30 September 2016, the remaining amount to be charged as interest expenses over the maturity of the current bank loan is USD 73.5 million, i.e. USD 3.3 million per quarter through to Q1 2022.

Taxes increased to USD 5.5 million (USD 2.5 million) mainly due to increased tax in the UK. Net profit increased to USD 201.9 million (USD 53.2 million).

Total assets at 30 September amounted to USD 2,711 million (USD 2,342 million). Net interest-bearing debt equalled USD

1,242.9 million (USD 1,222.7 million), while the book equity ratio increased to 39.7 per cent (33.2 per cent).

Share issues

On 23 August 2016, the Extraordinary General Meeting resolved to issue shares as described in the previous quarterly report.

On 14 September 2016, 4,376,600,000 new class A shares were issued in connection with the private placement closed on 12 July 2016.

On 19 September 2016, 1,400,839,757 new class A shares were issued as part of the conversion of senior unsecured bonds to shares.

On 22 September 2016, all actions and conditions required for completion of the refinancing were finalised and fulfilled, and the effective date of bond debt discharge and bank amendments took effect.

On 23 September 2016, convertible bonds of a nominal value of NOK 3 million were converted into 12,000,000 class A shares.

Following this conversion, the remaining outstanding principal of the convertible bond loan is reduced to NOK 78.8 million.

This convertible bond has been recognised as equity as there is no contractual obligation to deliver cash or to exchange it with other financial assets or liabilities. The convertible bond will also be settled by a fixed number of Prosafe shares.

A reduction in the nominal value of the Company's ordinary shares, by way of a reduction of share capital without distribution, was also completed in the period.

As a consequence, all issued shares of the

Company now have a nominal value of EUR 0.001.

Following publication of the listing prospectus on 14 October 2016, the class A shares were converted to ordinary shares. As a result, the Company has only one class of shares in issuance, ordinary shares.

Prior to the subsequent repair offering referred to below, the number of outstanding shares in the Company was 6,049,010,116 shares.

The subsequent repair offering was launched on 14 October 2016, and up to 504,000,000 new shares will be issued when completed. Subsequent to this share issue, the total number of issued shares will be up to 6,553,010,116.

Outlook

Market outlook remains uncertain in the near term, and although there are a number of prospects in the years ahead, 2017 is still expected to be the low point in activity level.

In general, the market activity is expected to normalize in the years ahead through a combination of maintenance and

modification, hook-up and decommissioning. Further cost reductions in the E&P sector are expected to contribute to more projects becoming economically viable. Combined with continued focus on enhanced recovery, life extensions and safe and efficient operations, 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 of the North Sea market in the years ahead. It is further anticipated that consolidation within the accommodation segment will happen. The combination of these factors means that the supply-demand environment is expected to become more balanced towards 2020. The aforementioned plus the substantial debt reduction, the significantly improved cash flow from the refinancing, combined with Prosafe's high quality and versatile fleet, places the company in a strong position when the market recovers.

Larnaca, 2 November 2016

The Board of Directors of Prosafe SE

CONDENSED CONSOLIDATED INCOME STATEMENT

(Unaudited figures in USD million)	Q3 16	Q2 16	Q3 15	9M 16	9M 15	2015
Operating revenues	129.8	115.4	154.1	348.2	370.8	474.7
Operating expenses	(61.5)	(53.8)	(56.5)	(173.0)	(159.3)	(211.8)
EBITDA	68.3	61.6	97.6	175.2	211.5	262.9
Depreciation	(29.1)	(29.1)	(26.3)	(81.6)	(62.0)	(86.5)
Impairment	0.0	0.0	0.0	0.0	0.0	(145.6)
Operating profit	39.2	32.5	71.3	93.6	149.5	30.8
Interest income	0.1	0.1	0.0	0.2	0.1	0.2
Interest expenses	(28.7)	(18.6)	(8.2)	(67.2)	(31.2)	(41.6)
Other financial items	196.8	(7.9)	(7.4)	188.5	(17.6)	(29.5)
Net financial items	168.2	(26.4)	(15.6)	121.5	(48.7)	(70.9)
Profit/(Loss) before taxes	207.4	6.1	55.7	215.1	100.8	(40.1)
Taxes	(5.5)	(0.9)	(2.5)	(9.8)	(8.4)	(10.5)
Net profit/(loss)	201.9	5.2	53.2	205.3	92.4	(50.6)
EPS	0.16	0.02	0.23	0.34	0.39	(0.21)
Diluted EPS	0.16	0.02	0.23	0.34	0.39	(0.21)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited figures in USD million)	Q3 16	Q2 16	Q3 15	9M 16	9M 15	2015
Net profit/(loss) for the period	201.9	5.2	53.2	205.3	92.4	(50.6)
Foreign currency translation	3.1	(0.6)	(0.8)	3.2	(0.7)	(5.0)
Revaluation hedging instruments	14.7	(8.6)	(23.6)	(25.5)	(28.1)	(9.5)
Other comprehensive income	17.8	(9.2)	(24.4)	(22.3)	(28.8)	(14.5)
Comprehensive income	219.7	(4.0)	28.8	183.0	63.6	(65.1)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited figures in USD million)	30.09.16	30.06.16	31.12.15	30.09.15
Goodwill	226.7	226.7	226.7	226.7
Vessels	1 887.3	1 559.0	1 578.6	1 698.3
New builds	318.8	654.9	228.5	213.6
Other non-current assets	4.1	4.3	4.9	5.5
Total non-current assets	2 436.9	2 444.9	2 038.7	2 144.1
Cash and deposits	183.4	68.2	57.1	85.2
Other current assets	90.9	86.6	91.4	112.9
Total current assets	274.3	154.8	148.5	198.1
Total assets	2 711.2	2 599.7	2 187.2	2 342.2
Share capital	6.7	72.1	72.1	65.9
Other equity	1 070.3	606.4	643.1	711.2
Total equity	1 077.0	678.5	715.2	777.1
Interest-free long-term liabilities	102.1	98.4	58.9	81.9
Interest-bearing long-term debt	1 373.3	1 520.7	1 107.5	1 277.3
Total long-term liabilities	1 475.4	1 619.1	1 166.4	1 359.2
Other interest-free current liabilities	105.8	106.1	166.1	175.3
Current portion of long-term debt	53.0	196.0	139.5	30.6
Total current liabilities	158.8	302.1	305.6	205.9
Total equity and liabilities	2 711.2	2 599.7	2 187.2	2 342.2

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(Unaudited figures in USD million)	Q3 16	Q2 16	Q3 15	9M 16	9M 15	2015
Profit/(Loss) before taxes	207.4	6.1	55.7	215.1	100.8	(40.1)
Unrealised currency (gain)/loss on debt	2.3	(2.8)	(25.7)	18.3	(45.7)	(56.6)
Gain on forgiveness of bond debt	(197.6)	0.0	0.0	(197.6)	0.0	0.0
Loss/(Gain) on sale of non-current assets	(0.3)	0.0	1.2	0.2	1.2	1.4
Depreciation	29.1	29.1	26.3	81.6	62.0	86.5
Impairment	0.0	0.0	0.0	0.0	0.0	145.6
Financial income	(0.1)	(0.1)	0.0	(0.2)	(0.1)	(0.2)
Financial costs	28.7	18.6	8.2	67.2	31.2	41.6
Change in working capital	(4.6)	(4.8)	(49.2)	(59.8)	3.0	15.3
Other items from operating activities	16.0	(1.7)	(4.4)	(5.6)	(11.2)	(22.0)
Net cash flow from operating activities	80.9	44.4	12.1	119.2	141.2	171.5
Acquisition of tangible assets	(21.1)	(26.1)	(116.3)	(480.7)	(635.8)	(700.7)
Proceeds from sale of tangible assets	0.3	0.4	0.0	0.7	0.0	0.0
Interests received	0.1	0.1	0.0	0.2	0.1	0.2
Net cash flow from investing activities	(20.7)	(25.6)	(116.3)	(479.8)	(635.7)	(700.5)
Proceeds from new interest-bearing debt	0.0	0.0	170.0	503.3	1 280.0	1 290.0
Repayment of interest-bearing debt	(43.3)	(3.0)	(55.0)	(76.2)	(756.5)	(816.5)
New share issue	127.0	0.0	0.0	127.0	0.0	65.8
Dividends paid	0.0	0.0	(12.3)	0.0	(35.0)	(34.0)
Interests paid	(28.7)	(18.6)	(8.2)	(67.2)	(31.2)	(41.6)
Net cash flow from financing activities	55.0	(21.6)	94.5	486.9	457.3	463.7
Net cash flow	115.2	(2.8)	(9.7)	126.3	(37.2)	(65.3)
Cash and deposits at beginning of period	68.2	71.0	94.9	57.1	122.4	122.4
Cash and deposits at end of period	183.4	68.2	85.2	183.4	85.2	57.1

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited figures in USD million)	Q3 16	Q2 16	Q3 15	9M 16	9M 15	2015
Equity at beginning of period	678.5	682.5	760.6	715.2	748.5	748.5
New share issue	178.8	0.0	0.0	178.8	0.0	65.8
Comprehensive income for the period	219.7	(4.0)	28.8	183.0	63.6	(65.1)
Dividends	0.0	0.0	(12.3)	0.0	(35.0)	(34.0)
Equity at end of period	1 077.0	678.5	777.1	1 077.0	777.1	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 third quarter of 2016 were authorised for issue in accordance with a resolution of the board of directors on 3 November 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: 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 private placement, 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 has issued 4,376,600,000 new shares in the private placement and 1,400,839,757 shares to the bondholders. In addition to shares, the bondholders received USD 40.3 million in cash plus NOK 82.8 million (USD 9.8 million) convertible into shares in Prosafe. All bonds have been settled against cash, conversion to shares or convertible bonds. 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.

NOTE 4: SUBSEQUENT EVENTS

As part of the refinancing, the subsequent repair offering was launched on 14 October 2016, and 504,000,000 new shares at a subscription price of NOK 0.25 (approx. USD 15 million in total) will be issued when completed. Subsequent to this share issue, the total number of ordinary shares is 6,553,010,116.

NOTE 5: 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. Based on the successful completion of the refinancing of described in note 3 above, the Board of Directors concludes that the uncertainty around the going concern assumption has been reduced significantly.