



Prosafes

THIRD QUARTER 2017

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

Operations

The fleet utilisation rate¹ of the vessels was 38.9 per cent (52 per cent).

The Safe Scandinavia TSV was fully contracted in the quarter to Statoil with a firm contract period until the end of June 2018.

Safe Caledonia commenced a contract with Total in the UK in mid-May 2017 and was fully contracted in the quarter. The contract ended late October 2017.

Safe Notos commenced a three-year and 222-day contract for Petrobras on 7 December 2016. From 1 July 2017, Safe Notos was off-hire to conduct preventive maintenance and repair of the gangway. The vessel recommenced operations with Petrobras in early August.

Safe Concordia completed the contract with Petrobras in late July. The vessel then moved from Brazil to Curacao for lay-up.

Safe Boreas commenced the 13-month firm contract period for Statoil at the Mariner installation in the UK in early August.

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

Safe Eurus is in a preserved, strategic stacking mode with COSCO (Qidong) Offshore Co., Ltd. (COSCO) in China. Consistent with previous quarters, the company has accrued for lay-up cost for Safe Eurus. According to the agreement with COSCO, 50 per cent of the accrued lay-up cost shall be paid on delivery and the remaining 50 per cent after delivery.

The standstill agreement between Prosafes and COSCO relating to Safe Nova and Safe Vega has been extended until December 2017. Prosafes remains in negotiations with COSCO and related parties to find a workable commercial solution for these vessels. If an agreement is not reached, Prosafes has the right to cancel the Safe Nova and Safe Vega newbuild contracts due to delay and claim a refund of the instalments plus interest equal to approx. USD 60 million secured by Bank of China.

Financials

Revenues for the third quarter of 2017 were USD 68.9 million (USD 129.8 million). This decline is due to the lower utilisation referred to above as well as lower day rates.

Operating expenses declined to USD 41.3 million (USD 61.5 million) mainly due to lower activity and cost reductions.

EBITDA was USD 27.6 million (USD 68.3 million).

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

Depreciation has increased to USD 34.8 million (USD 29.1 million) mainly due to the new build Safe Notos.

Due to a continued weak market outlook an impairment charge has been made to the third quarter accounts. The impairment amounts to USD 609 million, out of which USD 226.7 million relates to goodwill which has been fully impaired. The remaining USD 382.3 million relates to the vessels.

Operating loss equalled USD 616.2 million (operating profit of USD 39.2 million). Excluding the impairment charge, the operating loss is USD 7.2 million.

Net financial costs were USD 16.3 million (USD 168.2 million positive including a gain on forgiveness of bond debt of USD 197.6 million).

Taxes declined to USD 2.5 million (USD 5.5 million). Net loss amounted to USD 635 million (net profit of USD 201.9 million).

Total assets at 30 September amounted to USD 1,957.3 million (USD 2,711.2 million).

The reduction is due to the impairment of vessel values in the quarter. Net interest-bearing debt equalled USD 1,139.8 million (USD 1,242.9 million), while the book equity ratio declined to 23.3 per cent (39.7 per cent) mainly as a consequence of the impairment charge made in the quarter.

Outlook

Despite positive signals like oil price development, reduced break even levels across the industry and oil companies returning to cash positive positions, activity pick-up is slower than expected. As a result Prosafe anticipates a continued volatile market for the foreseeable future. In the meantime, the company is continuing its focus on cost and spend efficiencies and business improvements to protect its financial runway. In combination with efforts to enhance its strategic position Prosafe aims to be well placed for an upturn.

1 November 2017

The Board of Directors of Prosafe SE

CONDENSED CONSOLIDATED INCOME STATEMENT

(Unaudited figures in USD million)	Q3 17	Q2 17	Q3 16	9M 17	9M 16	2016
Operating revenues	68.9	61.7	129.8	206.3	348.2	474.0
Operating expenses	(41.3)	(37.3)	(61.5)	(123.5)	(173.0)	(220.8)
Operating result before depreciation	27.6	24.4	68.3	82.8	175.2	253.2
Depreciation	(34.8)	(33.8)	(29.1)	(102.0)	(81.6)	(115.7)
Impairment	(609.0)	0.0	0.0	(609.0)	0.0	(84.7)
Operating profit/(loss)	(616.2)	(9.4)	39.2	(628.2)	93.6	52.8
Interest income	0.5	0.4	0.1	1.0	0.2	0.3
Interest expenses	(19.1)	(18.0)	(28.7)	(55.7)	(67.2)	(85.6)
Other financial items	2.3	(4.9)	196.8	1.0	188.5	222.2
Net financial items	(16.3)	(22.5)	168.2	(53.7)	121.5	136.9
Profit/(Loss) before taxes	(632.5)	(31.9)	207.4	(681.9)	215.1	189.7
Taxes	(2.5)	(1.1)	(5.5)	(5.2)	(9.8)	(17.1)
Net profit/(loss)	(635.0)	(33.0)	201.9	(687.1)	205.3	172.6
EPS	(8.89)	(0.46)	16.13	(9.62)	34.63	8.36
Diluted EPS	(7.22)	(0.38)	15.78	(7.81)	34.10	8.10

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited figures in USD million)	Q3 17	Q2 17	Q3 16	9M 17	9M 16	2016
Net profit/(loss) for the period	(635.0)	(33.0)	201.9	(687.1)	205.3	172.6
Foreign currency translation	2.0	0.8	3.1	3.3	3.2	1.7
Revaluation hedging instruments	3.3	3.3	14.7	9.9	(25.5)	(22.2)
Other comprehensive income	5.3	4.1	17.8	13.2	(22.3)	(20.5)
Comprehensive income	(629.7)	(28.9)	219.7	(673.9)	183.0	152.1

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited figures in USD million)	30.09.17	30.06.17	31.12.16	30.09.16
Goodwill	0.0	226.7	226.7	226.7
Vessels	1 555.0	1 967.0	2 029.3	1 887.3
New builds	124.9	124.9	122.2	318.8
Other non-current assets	11.2	12.3	13.9	4.1
Total non-current assets	1 691.1	2 330.9	2 392.1	2 436.9
Cash and deposits	207.8	218.8	205.7	183.4
Other current assets	58.4	41.6	89.1	90.9
Total current assets	266.2	260.4	294.8	274.3
Total assets	1 957.3	2 591.3	2 686.9	2 711.2
Share capital	7.9	7.9	7.9	6.7
Other equity	447.7	1 077.4	1 121.6	1 070.3
Total equity	455.6	1 085.3	1 129.5	1 077.0
Interest-free long-term liabilities	67.9	68.2	62.2	102.1
Interest-bearing long-term debt	1 329.0	1 335.7	1 342.9	1 373.3
Total long-term liabilities	1 396.9	1 403.9	1 405.1	1 475.4
Other interest-free current liabilities	86.2	84.2	104.4	105.8
Current portion of long-term debt	18.6	17.9	47.9	53.0
Total current liabilities	104.8	102.1	152.3	158.8
Total equity and liabilities	1 957.3	2 591.3	2 686.9	2 711.2

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(Unaudited figures in USD million)	Q3 17	Q2 17	Q3 16	9M 17	9M 16	2016
Profit/(Loss) before taxes	(632.5)	(31.9)	207.4	(681.9)	215.1	189.7
Unrealised currency (gain)/loss on debt	0.0	0.0	2.3	0.0	18.3	18.3
Gain on forgiveness of bond debt	0.0	0.0	(197.6)	0.0	(197.6)	(197.6)
Loss/(Gain) on sale of non-current assets	0.0	(1.0)	(0.3)	(1.0)	0.2	(0.6)
Depreciation	34.8	33.8	29.1	102.0	81.6	115.7
Impairment	609.0	0.0	0.0	609.0	0.0	84.7
Financial income	(0.5)	(0.4)	(0.1)	(1.0)	(0.2)	(0.3)
Financial costs	19.1	18.0	28.7	55.7	67.2	85.6
Change in working capital	(14.8)	(10.2)	(4.6)	12.5	(59.8)	(59.4)
Other items from operating activities	3.9	10.8	16.0	16.6	(5.6)	(50.2)
Net cash flow from operating activities	19.0	19.1	80.9	111.9	119.2	185.9
Acquisition of tangible assets	(4.0)	(3.0)	(21.1)	(10.0)	(480.7)	(483.9)
Proceeds from sale of tangible assets	0.0	1.0	0.3	1.0	0.7	0.7
Interests received	0.5	0.4	0.1	1.0	0.2	0.3
Net cash flow from investing activities	(3.5)	(1.6)	(20.7)	(8.0)	(479.8)	(482.9)
Proceeds from new interest-bearing debt	0.0	0.0	0.0	0.0	503.3	503.3
Repayment of interest-bearing debt	(7.4)	(31.3)	(43.3)	(46.1)	(76.2)	(112.5)
New share issue	0.0	0.0	127.0	0.0	127.0	140.4
Interests paid	(19.1)	(18.0)	(28.7)	(55.7)	(67.2)	(85.6)
Net cash flow from financing activities	(26.5)	(49.3)	55.0	(101.8)	486.9	445.6
Net cash flow	(11.0)	(31.8)	115.2	2.1	126.3	148.6
Cash and deposits at beginning of period	218.8	250.6	68.2	205.7	57.1	57.1
Cash and deposits at end of period	207.8	218.8	183.4	207.8	183.4	205.7

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited figures in USD million)	Q3 17	Q2 17	Q2 16	9M 17	9M 16	2016
Equity at beginning of period	1 085.3	1 114.2	678.5	1 129.5	715.2	715.2
New share issue	0.0	0.0	178.8	0.0	178.8	262.2
Comprehensive income for the period	(629.7)	(28.9)	219.7	(673.9)	183.0	152.1
Equity at end of period	455.6	1 085.3	1 077.0	455.6	1 077.0	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 third quarter of 2017 were authorised for issue in accordance with a resolution of the board of directors on 1 November 2017. 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 impairments have been made.

<u>(USD million)</u>	<u>Impairment</u>	<u>Recoverable amount</u>
Safe Scandinavia	153.0	274.9
Regalia	116.9	75.7
Safe Concordia	57.0	103.2
Safe Bristolia	28.2	109.4
Safe Caledonia	27.2	42.9
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.