Prosale

FIRST QUARTER 2019

(Figures in brackets refer to the corresponding period of 2018)

During the first quarter, the fleet utilisation[1] remained high at 62.5 per cent. Reported EBITDA[2] for the first quarter amounted to USD 24.1 million (USD 49.2 million). EBITDA adjusted for non-recurring costs was USD 25.9 million (USD 50.6 million). Cash flow from operations was USD 14.7 million (USD 51.4 million).

Recent highlights

- High fleet utilisation of 62.5 per cent (33.3 per cent).
- Firm orderbook of USD 159 million per Q1 2019 (USD 273 million).
- EBITDA of USD 24.1 million (USD 49.2 million) reflecting lower average day rates and higher operating expenses which were mainly driven by higher fleet utilisation and non-recurring costs. Non-recurring costs were mainly related to re-sizing of the organisation.
- Cash flow from operations at USD 14.7 million (USD 51.4 million).
- Aker BP exercised a one-month option in February and subsequently restructured the remaining options to three one-week options, in which two were exercised.
- Being commercial managers for the Axis Offshore owned Safe Swift, Prosafe won a contract to support activities in the Central Mediterranean Sea.
- In April, Equinor exercised three of six one-month options for the Mariner project. The firm period of the contract will now be through end September 2019.

[1] Fleet utilisation = actual vessel days in operation in the period / possible vessel days in the period x 100 for 100% owned vessels

[2] EBITDA = operating result before depreciation, amortisation, interests and taxes

Operations

Safe Scandinavia has been operating at Aker BP's Ula platform in Norway since 1 September 2018, and was in full operation throughout the quarter. On 7 February 2019, Aker BP exercised a one-month option. End of March 2019, Aker BP restructured the remaining seven one-month options to three one-week options, in which two options were subsequently exercised. The contract is now expected to be completed around mid-May 2019.

Safe Caledonia has been laid-up at Scapa Flow in the UK in the quarter. She commenced work for a major oil and gas operator in the UK sector from mid-April 2019 with a firm duration of four months and up to two months of options.

Safe Notos has been operating on a three-year and 222-day contract for Petrobras in Brazil since 7 December 2016 and was fully contracted in the quarter.

Safe Boreas continued the contract with Equinor at the Mariner installation in the UK and was in full operation throughout the quarter. The contract's firm period has been extended through September 2019 as Equinor exercised three of six one-month options on 10 April 2019. There are three one-month options remaining.

Safe Zephyrus has been operating on a 12-month contract for Equinor at Johan Sverdrup in Norway since early May 2018 and was in full operation throughout the quarter. Following the completion of the contract, Safe Zephyrus will start a contract for BP at the Clair Ridge platform West of Shetland in the UK sector of the North Sea. The duration of the contract is five months with a one-month option, and is scheduled to commence mid-May 2019.

Safe Concordia has been operating on a 200-day contract for MODEC in Brazil since late October 2018 and was in full operation throughout the quarter.

Regalia was idle in the quarter. She is currently undergoing a five yearly special periodic survey (SPS) at a yard in Norway and being reactivated to perform a 60-day contract in the UK sector of the North Sea. The contract is scheduled to start around mid-May 2019 with a 30-day option after the firm period.

Safe Bristolia was idle in the quarter and is laid-up in Norway.

In January 2019, Prosafe was ranked first place in an online auction for the supply of safety and maintenance support vessels for a three-year contract in Brazil. The compliance evaluation process has been completed. Prosafe will commence mobilizing the Safe Eurus from the yard in China if a contract is formally awarded.

End of March 2019, Prosafe acting as commercial managers for the Axis Offshore owned Safe Swift won a contract to support activities in the Central Mediterranean Sea. Safe Swift will mobilise to conduct gangway connected accommodation duties for a period of five months commencing May 2019.

Financials

First quarter 2019

EBITDA for the first quarter amounted to USD 24.1 million (USD 49.2 million). The decrease was mainly due to lower average day rates and higher operating expenses which were mainly driven by higher fleet utilization and non-recurring costs. Non-recurring costs were mainly related to re-sizing of the organisation. EBITDA adjusted for non-recurring costs was USD 25.9 million.

Depreciation was USD 26.2 million (USD 27.3 million) in the quarter.

There was an impairment charge of USD 4.4 million recognised in this quarter relating to the investment in Dan Swift Pte Pld as it is not expected to recover in the future.

Operating loss for the first quarter amounted to USD 6.5 million (operating profit of USD 21.8). Excluding the impairment charge, the operating loss was USD 2.1 million.
Net financial costs amounted to USD 20.4 million (USD 2.7 million). Fair value adjustment of interest rate swaps and interest rate caps amounted to USD 5.7 million negative (USD 16.1 million positive).

Net loss equalled USD 28.2 million (net profit of USD 15.9 million).

Cash flow from operations was USD 14.7 million (USD 51.4 million). The main reason for the reduction in addition to lower EBITDA is change in working capital related to activity changes and timing of payment from clients.

Total assets at 31 March amounted to USD 1,684.4 million (USD 1940.4 million). Net interest-bearing debt equalled USD 1,105.6 million (USD 1,089.3 million), and the book equity ratio was 22 per cent (25 per cent).

Outlook

Although prospects for the next three years remain high on a global basis, current tendering activity is modest. As anticipated, there is a limited opportunity for additional North Sea work in 2019. However, there are tendering requirements from 2020 and beyond.

In Brazil, the activity has picked up and two long-term contracts are expected to be awarded to accommodation suppliers in the near term. Given the production ambitions in Brazil, it is anticipated that more opportunities will arise in the medium and long term.

The production ambitions of the new Mexican administration are high, and it is positive that drilling contracts have been awarded to non-Mexican service providers. Prosafe continues its efforts with local representation in Mexico to be well positioned when demand for accommodation returns.

Macro indicators remain positive, and the general expectation among analysts indicates that the industry activity will continue to pick up.

While the current pricing and backlog do not support earnings growth in 2019, it is anticipated that utilisation will improve from 2020.

Oslo, 8 May 2019

The Board of Directors of Prosafe SE

………………………..	………………………..	…………………………
Glen O. Rødland	Kristian K. Johansen	Birgit Aagaard-Svendsen
Non-executive Chairman	Non-executive Director	Non-executive Director

………………………..	………………………..
Svend A. Maier	Nina Udnes Trondstad
Non-executive Director	Non-executive Director

CONDENSED CONSOLIDATED INCOME STATEMENT

(Unaudited figures in USD million)	Q1 19	Q4 18	Q1 18	2018
Operating revenues	67.3	74.1	82.8	330.8
Operating expenses	(43.2)	(45.1)	(33.6)	(164.2)
Operating results before depreciation	**24.1**	**29.0**	**49.2**	**166.6**
Depreciation	(26.2)	(29.2)	(27.3)	(113.0)
Impairment	(4.4)	(0.8)	(0.1)	(0.6)
Operating profit/(loss)	**(6.5)**	**(1.0)**	**21.8**	**53.0**
Interest income	0.3	0.8	0.4	2.9
Interest expenses	(15.3)	(15.7)	(20.6)	(173.3)
Other financial items	(5.4)	(11.3)	17.5	8.8
Net financial items	**(20.4)**	**(26.2)**	**(2.7)**	**(161.6)**
Profit/(Loss) before taxes	**(26.9)**	**(27.2)**	**19.1**	**(108.6)**
Taxes	(1.3)	1.4	(3.2)	(5.9)
Net profit/(loss)	**(28.2)**	**(25.8)**	**15.9**	**(114.5)**
EPS	**(0.32)**	**(0.29)**	**0.18**	**(1.30)**
Diluted EPS	**(0.32)**	**(0.29)**	**0.18**	**(1.30)**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited figures in USD million)	Q1 19	Q4 18	Q1 18	2018
Net profit/(loss) for the period	**(28.2)**	**(25.8)**	**15.9**	**(114.5)**
Foreign currency translation	0.4	(2.7)	1.5	(5.1)
Revaluation hedging instruments	0.0	0.0	3.3	48.3
Pension remeasurement	0.0	(0.8)	0.0	(0.8)
Other comprehensive income	**0.4**	**(3.5)**	**4.8**	**42.4**
Total comprehensive income	**(27.8)**	**(29.3)**	**20.7**	**(72.1)**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited figures in USD million)	31.03.19	31.12.18	31.03.18
Vessels	1,401.3	1,422.6	1,501.1
New builds	125.8	125.8	125.2
Other non-current assets	3.0	10.1	10.2
Total non-current assets	**1,530.1**	**1,558.5**	**1,636.5**
Cash and deposits	109.3	140.3	254.0
Other current assets	45.0	38.0	49.9
Total current assets	**154.3**	**178.3**	**303.9**
Total assets	**1,684.4**	**1,736.8**	**1,940.4**
Share capital	9.0	9.0	8.9
Other equity	363.4	391.2	477.6
Total equity	**372.4**	**400.2**	**486.5**
Interest-free long-term liabilities	22.1	18.5	43.9
Interest-bearing long-term debt	1,171.3	1,198.5	1,324.7
Total long-term liabilities	**1,193.4**	**1,217.0**	**1,368.6**
Other interest-free current liabilities	75.0	75.1	66.7
Current portion of long-term debt	43.6	44.5	18.6
Total current liabilities	**118.6**	**119.6**	**85.3**
Total equity and liabilities	**1,684.4**	**1,736.8**	**1,940.4**

Key figures in Balance Sheet

(Unaudited figures in USD million)	31.03.19	31.12.18	31.03.18
Total assets	1,684.4	1,736.8	1,940.4
Working capital	35.7	58.7	218.6
Liquidity reserve	264.3	277.3	254.0
Interest-bearing debt	1,214.9	1,243.0	1,343.3
Net Interest-bearting debt	1,105.6	1,102.7	1,089.3
Book equity	372.4	400.2	486.5
Book equity ratio	22%	23%	25%

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(Unaudited figures in USD million)	Q1 19	Q4 18	Q1 18	2018
Profit/(Loss) before taxes	(26.9)	(27.2)	19.1	(108.6)
Share of loss of equity of an associate	0.8	0.9	0.3	1.7
Gain on sale of non-current assets	0.0	(2.1)	0.0	(2.1)
Depreciation	26.2	29.2	27.3	113.0
Impairment	4.4	0.8	0.1	0.6
Financial income	(0.3)	(0.8)	(0.4)	(2.9)
Financial costs	15.3	15.6	20.6	173.3
Change in working capital	(7.1)	27.5	(4.7)	16.6
Other items (used in) from operating activities	3.7	(13.7)	(5.6)	(31.1)
Taxes paid	(1.4)	(4.6)	(5.3)	(13.4)
Net cash flow from operating activities	**14.7**	**25.6**	**51.4**	**147.1**
Acquisition of tangible assets	(5.0)	(1.0)	(1.3)	(8.7)
Proceeds from sale of tangible assets	0.0	2.6	0.0	2.6
Interests received	0.3	0.8	0.4	2.9
Net cash flow used in investing activities	**(4.7)**	**2.4**	**(0.9)**	**(3.2)**
Repayment of interest-bearing debt	(25.7)	(138.1)	(7.8)	(155.2)
Refinancing cost	0.0	0.0	0.0	(4.2)
Interests paid	(15.3)	(15.7)	(20.6)	(76.1)
Net cash flow used in financing activities	**(41.0)**	**(153.8)**	**(28.4)**	**(235.5)**
Net cash flow	**(31.0)**	**(125.8)**	**22.1**	**(91.6)**
Cash and deposits at beginning of period	140.3	266.1	231.9	231.9
Cash and deposits at end of period	**109.3**	**140.3**	**254.0**	**140.3**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited figures in USD million)	Q1 19	Q4 18	Q1 18	2018
Equity at beginning of period	400.2	423.1	497.6	497.6
IFRS 15 adjustment to opening balance	0.0	0.0	(31.8)	(31.8)
Revised equity at beginning of period	**400.2**	**423.1**	**465.8**	**465.8**
Warrants issue	0.0	6.4	0.0	6.4
New share issue	0.0	0.0	0.0	0.1
Comprehensive income for the period	(27.8)	(29.3)	20.7	(72.1)
Equity at end of period	**372.4**	**400.2**	**486.5**	**400.2**

NOTE 1: GENERAL INFORMATION

Prosafe SE is a public limited company domiciled in Nicosia, Cyprus. Prosafe SE is listed on the Oslo Stock Exchange with ticker code PRS. The consolidated financial statements for the first quarter of 2019 were authorised for issue in accordance with a resolution of the board of directors on 8 May 2019. 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.

IFRS 16 Leases

The new accounting standard IFRS 16-Leases was effective from 1 January 2019. IFRS 16 sets out the principles for recognition, measurement, presentation and disclosure of leases and replaces the existing IAS 17-Leases and other guidance on lease accounting within IFRS. The new standard represents a significant change in lessees' accounting for leases but keeps the accounting model for lessors mainly unchanged.

IFRS 16 defines a lease as a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For each contract that meets this definition, IFRS 16 requires lessees to recognize a right-of-use asset and a lease liability in the balance sheet with certain exemptions for short term and low value leases. Lease payments are to be reflected as interest expense and a reduction of lease liabilities, while the right-of-use assets are to be depreciated over the shorter of the lease term and the assets useful life. The portion of lease payments representing payments of lease liabilities and interest expense shall be classified as cash flows used in financing activities in the statement of cash flows.

The Group adapted the standard from its mandatory adaption date of 1 January 2019. The following policies and practical approach are applied for adapting the standard and the adoption has no material effect to the Group's consolidated financial statements.

- For contracts already assessed under IAS 17, there are no reassessments of whether a contract is or contains a lease.
- The modified retrospective method is applied. However, there is no adjustment made for the opening balance of equity as at 1 January 2019 as it is immaterial.
- Prior year comparatives are not restated.
- Lease liabilities are measured at the present value of remaining lease payments, discounted using the incremental borrowing rate 1 January 2019.
- Right-of-use assets are measured at an amount equal to the lease liability.
- Leases for which the lease term ends during 2019 are expensed as short term leases.
- Major lease liabilities for the Group comprise of leases of chartered-in vessels, office buildings, warehouses, transportation, logistics assets and other IT infrastructure and office equipment. The Group separately expense variable expense services and other non-lease components embedded in lease contracts for office buildings and warehouses.
- For leases of other assets, the Group capitalised non-lease components subject to fixed payments as part of the lease. All the leases in the Group are expiring in 2019 except certain office buildings leases that will expire after 2019.

- The Group applied the short term exemption, which means that all leases with a lease term that ends in 2019 are expensed as before and not capitalised upon transition. Subsequently, the Group also applied the general short term exemption in IFRS 16 for leases of chartered-in vessels, office buildings, warehouses, transportation, logistics assets and other IT infrastructure and office equipment.

- The Group applied the general low value exemption in IFRS 16 for leases of office and other equipment. This means that no low value leases of such assets will be capitalised and that lease payments are expensed in profit or loss.

NOTE 3: CONTINGENT ASSET

Westcon Dispute

On 8 March 2018, Stavanger City Court made a favourable decision in the court case regarding the dispute with Westcon Yards AS (Westcon). The dispute between Westcon and the Group was related to a substantial cost overrun of Westcon's price estimate for the conversion of the Safe Scandinavia to a tender support vessel. Westcon claimed an additional compensation of approx. NOK 306 million plus interest, whereas the Group disputed Westcon's claim and claimed a substantial repayment. The Court decided in favour of the Group that Westcon must repay the Group NOK 344 million plus interest and NOK 10.6 million of legal costs. In April 2018, Westcon has filed an appeal against Stavanger City Court judgement and the Group has filed a counter appeal.

While awaiting the final outcome of the dispute, the Group considers the amount payable by Westcon to be a contingent asset under IAS 37-Provisions, Contingent Liabilities and Contingent Assets, and has therefore not recognised the amount in the consolidated financial statements

NOTE 4: SUBSEQUENT EVENTS

Safe Eurus Delivery

In January 2019, the Group was ranked first place in an online auction for the supply of safety and maintenance support vessels for a three-year contract in Brazil. The compliance evaluation process has been completed. However, there are still commercial terms to be agreed between the Group and the client. Only when the contract is awarded, the Group will make a formal investment decision so to ensure the use of funds is in line with agreements set with lenders in August 2018. In the situation where no suitable contract can be awarded for Safe Eurus by 31 December 2019, the Group will likely consider to extend terms with Cosco (Qidong) Offshore Co. Ltd (COSCO) in which COSCO might expect the lay up costs to be paid and with a similar level of lay-up costs to continue for any extended period. As a result, the accrued lay up costs continue to be accrued as at 31 March 2019 under IAS 37 until the conditions for COSCO to waive the legal obligation are met.