Prosafe

THIRD QUARTER 2020

(Figures in brackets refer to the corresponding period of 2019)

Reported EBITDA[1] for the third quarter was negative by USD 1.2 million (USD 26.3 million positive), reflecting low activity. The company successfully protected its order book through the Covid-19 pandemic. Liquidity reserve per end of quarter is USD 164.5 million. The process with lenders for a sustainable financial solution remains constructive. Although it is too early to say what a final solution may look like, it is anticipated that there will be a significant equitization of debt which is likely to result in minimal or no recovery for current shareholders.

Recent highlights

- Successfully protected order backlog through Covid-19, although utilization in 2020 specifically is marginalized
- Operating status and financial results
  - Utilisation of 16.4% in Q3 (48.2%)
  - Reported EBITDA of USD 1.2 million negative
  - Cash flow from operations was USD 12.3 million negative (USD 40 million)
- Commercial status
  - On 26 October 2020, secured a 90-day contract with an option of up to 60 days and start-up in Q2 2022 on the Norwegian Continental Shelf
  - Total and Shell contracts moved from 2020 to 2021
  - Safe Notos and Safe Eurus back on hire
  - Several ongoing tenders for 2021 and 2022
- Implemented Covid-19 plans to safeguard people and assets, as well as cost-saving initiatives to protect liquidity and efforts to position the company through the turmoil
- Sufficient liquidity buffer based on total liquidity reserve of USD 164.5 million per Q3 2020 (USD 216 million)
- Remains in constructive dialogue with lenders regarding a sustainable financial solution and aims to conclude the refinancing process by end of 2020. Although it is too early to say what a final solution may look like, it is anticipated that there will be a significant equitization of debt which is likely to result in minimal or no recovery for current shareholders.

Operations

The fleet utilisation rate in the third quarter of 2020 was 16.4 per cent (Q3 2019: 48.2 per cent).

Prosafe has been in discussions with several clients about existing contracts in light of Covid-19 and the oil price collapse, and has managed to protect its order book by moving contracts from 2020 to 2021 with some further extensions. Please see the update per vessel below.

Prosafe continues to claim recovery from EnQuest relating to the planned Thistle project for the Safe Zephyrus that was stopped by the client.

Prosafe has agreed with Shell to defer and amend the contract for the Safe Zephyrus at the Shearwater platform. The revised firm duration of the contract is 115 days and the contract is scheduled to

---

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

[2] Liquidity reserve = cash and deposits + available liquidity reserve balance under a committed revolving credit facility

commence in March 2021. Shell has the option of adding 30 or 45 days to the front end, resulting in a possible earlier commencement date. In addition, Shell retains the option to extend the contract after the firm duration by up to 30 days. The Safe Zephyrus is currently laid up at Averøy yard in Norway preparing to conduct her five-yearly special periodic survey.

End of October, Prosafe was awarded a contract by ConocoPhillips Skandinavia AS to provide accommodation support using either the Safe Boreas or Safe Zephyrus on the Ekofisk field in relation to the tie-in of the Tommeliten Alpha field development. The firm duration of the contract is 90 days, commencing Q2 2022, with an option of up to 60 days.

Safe Caledonia is currently laid up in the UK. The vessel is scheduled to commence a 162-day contract with a 30-day option for Total at Elgin in the UK from Q1 2021. This contract was originally scheduled to commence in 2020.

Safe Eurus has been providing safety and maintenance support to Petrobras during a three-year contract since November 2019. From April 2020, the Safe Eurus was suspended for 120 days at zero rate. The vessel has been on standby rate since early August and recommenced operations on 24 September 2020.

The original three-year and 222-day firm contract for the Safe Notos due to complete in July 2020 was suspended for 120 days at zero rate from April 2020. The vessel was back on standby rate in early August 2020 and resumed operations in early October 2020.

Safe Concordia was idle in the quarter and is laid up in Brazil. Safe Scandinavia, Safe Boreas and Regalia were idle in the quarter and are laid up in Norway. Regalia has been marketed for recycling with possible commencement of recycling in Q1 2021.

Although the impact from Covid-19 on the macro environment has been challenging, the company has successfully implemented proper safety measurements at workplaces and vessels to protect people and assets, as well as several cost-saving initiatives to protect liquidity.

Financials

<u>Third quarter 2020</u>

EBITDA for the third quarter was negative by USD 1.2 million (a positive of USD 26.3 million). The decrease in EBITDA was mainly due to low utilisation and lower average day rates, resulting in low revenues partially offset by lower operating costs. The low utilisation was mainly the consequence of suspended and deferred contracts.

Depreciation was USD 7.9 million (USD 24.2 million) in the quarter. The decline was mainly due to the lower carrying value of the assets following the impairments carried out in Q3 2019 and Q1 2020.

Operating loss for the third quarter amounted to USD 9.1 million (operating loss of USD 339.3 million). Higher operating loss in 2019 was due to the impairment charge.

Net financial costs amounted to USD 14.9 million (USD 19.5 million). The slight decrease in financial costs was mainly due to lower interests and lower negative effect from fair value of derivatives.

Net loss equalled USD 24.2 million (net loss of USD 360.5 million).

Cash flow from operations was negative by USD 12.3 million (a positive of USD 40 million). The key reasons for the decline in cash flow were mainly due to loss of revenue and change in working capital.

Total assets at 30 September amounted to USD 601.5 million (USD 1,524.2 million). The decrease in total assets was mostly due to the depreciation and the impairment carried out in Q1 2020 and Q3 2019 partially offset by the addition of the Safe Eurus in 2019. Net interest-bearing debt equalled USD 1,321.7

million (USD 1,213.5 million). The increase in net interest-bearing debt was mostly due to decrease in liquidity reserve and increase in interest-bearing debt. Over and above, the increase in interest-bearing debt was mainly the consequence of accumulated interests and termination of two swaps in Q2 2020.

At the end of the third quarter, the book equity ratio stayed negative at 153.4 per cent (positive 0.9 per cent). Prosafe remains in constructive discussions with its lenders to agree on a sustainable financial solution that – if approved – is expected to improve the company's balance sheet position significantly. However, it is too early to conclude what eventually will be agreed and as such estimate the effects thereof. Pending conclusions, the company continues to operate on a business as usual basis to protect and create value through challenging market conditions on the assumption that there is justified hope for a sustainable financial solution.

As such, the interim report is prepared on a going concern assumption, which is based on the Board of Directors' view that obtaining a long-term solution should be achievable.

YTD 2020

Fleet utilisation was 18.9 per cent (60.7 per cent). EBITDA YTD amounted to USD 10.3 million negative (a positive of USD 103.5 million). The decrease in EBITDA was mainly due to lower fleet utilisation and lower average day rates partially offset by lower operating expenses. In addition, the 2019 EBITDA was positively impacted by a reversal of the accrued lay up costs relating to the Safe Eurus.

Depreciation and impairment amounted to USD 847.2 million (USD 421.2 million). The higher value this year was due to impairments of USD 810.5 million made to the book value of vessels in the first quarter, driven by the dramatic change in market conditions and economic outlook.

Operating loss equalled USD 857.5 million (operating loss of USD 317.7 million), mainly due to the impairment changes.

Net financial costs YTD amounted to USD 61.5 million (USD 64.9 million).

Net loss YTD equalled USD 921.2 million (net loss of USD 386.6 million).

Update on refinancing process

Please refer to Note 6 - Refinancing and going concern for details.

Strategy and Outlook

As a result of the impact from the structural shifts and oversupply in the global accommodation market, on the Norwegian Continental Shelf in particular, the company completed a holistic strategic and financial analysis in early Q2 2020. On this basis, the company presented a revised business plan reflecting a new reality while recognising the high level of uncertainty, and therefore included wider sensitivities as referred to in Note 4 in this report.

Despite the fact that the oil price has increased to higher levels compared to early this year following the Covid-19 pandemic and the oil price crash, the long-term outlook is largely unchanged. The global fleet utilization for offshore accommodation vessels in general remains at a low level. In the short term, however, the company has been able to protect its business by moving contracts from 2020 to 2021. Also, prospects and tenders have picked up in the North Sea in the near term between 2021 and 2022.

Although the long-term outlook remains weak, Prosafe continues to operate under the assumption that there will be a need for accommodation units in traditional key regions such as Brazil, the North Sea and Mexico. In addition, the company remains of the opinion that such a market outlook over time will lead to a gradual rebalancing of the market following scrapping of older and less competitive vessels. In this perspective, Prosafe's ambition remains to pursue a leading position based on global presence, safe and cost-efficient operations and fleet enhancement. The strategy to take an active role in future consolidation remains. That said, the company continues to assume that rebalancing will take longer time, while day rates for long-term contracts in markets such as Brazil will remain under pressure.

In parallel the company continues to work with its lenders to agree on a long-term and sustainable financial solution adapted to “the new reality”. The goal remains to establish a sound basis upon which to create value. Although it is too early to say what a final solution may look like, it is anticipated that there will be a significant equitization of debt which is likely to result in minimal or no recovery for current shareholders. The company aims to reach an agreement with lenders by the end of 2020. As such, the interim report is prepared on a going concern basis.

4 November 2020
The Board of Directors of Prosafe SE

………………………..	………………………..
Glen O. Rødland	Birgit Aagaard-Svendsen
Non-executive Chairman	Non-executive Director
………………………..	………………………..
Nina Udnes Tronstad	Alf C. Thorkildsen
Non-executive Director	Non-executive Director

CONDENSED CONSOLIDATED INCOME STATEMENT

(Unaudited figures in USD million)	Note	Q3 2020	Q3 2019	9M 2020	9M 2019	Full Year 2019
Operating revenues		11.7	56.5	41.2	199.1	225.4
Operating expenses		(12.9)	(30.2)	(51.5)	(95.6)	(128.3)
Operating results before depreciation		**(1.2)**	**26.3**	**(10.3)**	**103.5**	**97.1**
Depreciation		(7.9)	(24.2)	(36.7)	(75.4)	(93.5)
Impairment	4	0.0	(341.4)	(810.5)	(345.8)	(346.2)
Operating profit/(loss)		**(9.1)**	**(339.3)**	**(857.5)**	**(317.7)**	**(342.6)**
Interest income		0.0	0.4	0.5	1.1	2.1
Interest expenses		(13.8)	(16.5)	(47.6)	(47.1)	(34.6)
Other financial items		(1.1)	(3.4)	(14.4)	(18.9)	(20.0)
Net financial items		**(14.9)**	**(19.5)**	**(61.5)**	**(64.9)**	**(52.5)**
Profit/(Loss) before taxes		**(24.0)**	**(358.8)**	**(919.0)**	**(382.6)**	**(395.1)**
Taxes		(0.2)	(1.7)	(2.2)	(4.0)	(4.8)
Net profit (loss)		**(24.2)**	**(360.5)**	**(921.2)**	**(386.6)**	**(399.9)**
EPS		**(0.28)**	**(4.10)**	**(10.47)**	**(4.39)**	**(4.54)**
Diluted EPS		**(0.28)**	**(4.10)**	**(10.47)**	**(4.39)**	**(4.54)**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited figures in USD million)	Q3 2020	Q3 2019	9M 2020	9M 2019	Full Year 2019
Net profit/(loss) for the period	**(24.2)**	**(360.5)**	**(921.2)**	**(386.6)**	**(399.9)**
Foreign currency translation	0.6	0.3	(4.2)	0.6	2.2
Pension remeasurement	0.0	0.0	0.0	0.0	(0.1)
Other comprehensive income	**0.6**	**0.3**	**(4.2)**	**0.6**	**2.1**
Total comprehensive income	**(23.6)**	**(360.2)**	**(925.4)**	**(386.0)**	**(397.8)**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited figures in USD million)	**Note**	**30.09.20**	**30.09.19**	**31.12.19**
Vessels	4	418.5	1,016.4	1,204.6
New builds	4	1.1	258.6	60.7
Other non-current assets		3.4	2.6	1.9
Total non-current assets		**423.0**	**1,277.6**	**1,267.2**
Cash and deposits		164.5	216.0	198.1
Other current assets		14.0	30.6	14.9
Total current assets		**178.5**	**246.6**	**213.0**
Total assets		**601.5**	**1,524.2**	**1,480.2**
Share capital		9.1	9.0	9.0
Other equity		(932.0)	5.2	(6.6)
Total equity		**(922.9)**	**14.2**	**2.4**
Interest-free long-term liabilities	5	14.4	31.2	29.9
Interest-bearing long-term debt		79.8	1,388.6	76.7
Total long-term liabilities		**94.2**	**1,419.8**	**106.6**
Other interest-free current liabilities		23.8	49.3	50.0
Current portion of long-term debt	6	1,406.4	40.9	1,321.2
Total current liabilities		**1,430.2**	**90.2**	**1,371.2**
Total equity and liabilities		**601.5**	**1,524.2**	**1,480.2**

KEY FIGURES IN CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited figures in USD million)	**30.09.20**	**30.09.19**	**31.12.19**
Total assets	601.5	1,524.2	1,480.2
Working capital	(1,251.7)	156.4	(1,158.2)
Liquidity reserve	164.5	216.0	198.1
Interest-bearing debt	1,486.2	1,429.5	1,397.9
Net Interest-bearing debt	1,321.7	1,213.5	1,199.8
Book equity	(922.9)	14.2	2.4
Book equity ratio	(153.4)%	0.9 %	0.2 %

Notes:

1. Currents Assets-Current Liabilities
2. Cash and deposits + available liquidity reserve balance under a committed revolving credit facility
3. Interest-bearing debt - Cash and deposits
4. (Book equity / Total asset) * 100

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(Unaudited figures in USD million)	Note	Q3 2020	Q3 2019	9M 2020	9M 2019	Full Year 2019
Profit/(Loss) before taxes		(24.0)	(358.8)	(919.0)	(382.6)	(395.1)
Share of loss of equity of an associate		0.0	0.0	0.0	0.8	0.8
(Gain) Loss on sale of non-current assets		0.0	(0.2)	0.5	(0.2)	(0.2)
Depreciation		7.9	24.2	36.7	75.4	93.5
Impairment	4	0.0	341.4	810.5	345.8	346.2
Financial income		0.0	(0.4)	(0.5)	(1.1)	(2.1)
Financial costs		13.8	16.5	47.6	47.1	34.6
Change in working capital		(8.3)	18.9	(21.6)	(17.0)	(0.5)
Other items (used in) from operating activities		(0.2)	1.0	20.9	14.3	15.6
Taxes paid		(1.5)	(2.6)	(5.9)	(5.5)	(6.2)
Net cash flow from operating activities		**(12.3)**	**40.0**	**(30.8)**	**77.0**	**86.6**
Acquisition of tangible assets		(0.2)	(39.0)	(1.4)	(69.8)	(77.5)
Net (payments)/proceeds from sale of tangible assets		0.0	0.2	(0.4)	0.2	0.2
Interests received		0.0	0.4	0.5	1.1	2.1
Net cash flow used in investing activities		**(0.2)**	**(38.4)**	**(1.3)**	**(68.5)**	**(75.2)**
Proceeds from new interest-bearing debt		0.0	120.0	0.0	155.0	155.0
Repayment of interest-bearing debt		(0.5)	(8.7)	(1.5)	(35.6)	(37.9)
Interests paid		0.0	(17.4)	0.0	(52.2)	(70.7)
Net cash flow (used in) from financing activities		**(0.5)**	**93.9**	**(1.5)**	**67.2**	**46.4**
Net cash flow		**(13.0)**	**95.5**	**(33.6)**	**75.7**	**57.8**
Cash and deposits at beginning of period		177.5	120.5	198.1	140.3	140.3
Cash and deposits at end of period		**164.5**	**216.0**	**164.5**	**216.0**	**198.1**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited figures in USD million)	Q3 2020	Q3 2019	9M 2020	9M 2019	Full Year 2019
Equity at beginning of period	(899.4)	374.4	2.4	400.2	400.2
Revised equity at beginning of period	**(899.4)**	**374.4**	**2.4**	**400.2**	**400.2**
New share issue	0.1	0.0	0.1	0.0	0.0
Comprehensive income for the period	(23.6)	(360.2)	(925.4)	(386.0)	(397.8)
Equity at end of period	**(922.9)**	**14.2**	**(922.9)**	**14.2**	**2.4**

NOTE 1: GENERAL INFORMATION

Prosafe SE is a public limited company domiciled in Stavanger, Norway. Prosafe SE is listed on the Oslo Stock Exchange with ticker code PRS. The consolidated financial statements for the third quarter of 2020 were authorised for issue in accordance with a resolution of the Board of Directors on 4 November 2020. 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 IAS 34 Interim Financial Reporting. The accounting principles adopted are consistent with those of the previous financial year.

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 company 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 company disputed Westcon's claim and claimed a substantial repayment. The Court decided in favour of the company that Westcon must repay the company 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 company has filed a counter appeal.

While awaiting the final outcome of the dispute, the company 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: IMPAIRMENT OF VESSELS

As a result of the impact from the Covid-19 pandemic, oil price collapse, structural shifts and oversupply in the market, the activity level has deteriorated. Near term, the activity has dropped to all time low and uncertainty related to the longer term has increased significantly. Consequently, management performed an impairment assessment of its vessels in accordance with IFRS in Q1 2020. Each individual vessel is considered to be a cash generating unit. As a result, USD 810.5 million of impairment charges were made in the first quarter of 2020.

The recoverable amounts have been identified by calculating the valuation-in-use (VIU). Impairments have been made in the accounts for vessels with VIU lower than their net book value. The company has also considered the use of broker estimates as a basis for fair value calculation, but this was not applied due to the lack of transactions and liquidity in the market for the company's vessels.

The VIU calculations are based on an updated long-term forecast for 2020-2024 and until the end of each vessel’s useful life. The main assumptions used in the computations are charter rates, utilisation, operating expenses and overheads, capital expenditures, discount rate and long-term growth rate. In consideration of the projected weak and oversupplied market till the end of 2024, management has also reviewed the VIU calculation model and revised the terminal value calculation in two stages to reflect the return to sustainable earnings. The key changes to the value in use calculation model as follows:

- In the first stage, from 2025 until the end of 2039, a growth rate of 6.6% is applied to arrive at cash flows reflecting sustainable earnings / mid-point of the cycle. The growth rate is determined to accurately reflect the company assumptions of a gradual improved market as a result of an anticipated gradual reduction in supply-side capacity.

- In the second stage, the growth rate applied is the long-term average growth rate appropriate to the assets of 2%.

As mentioned earlier, the double black swan incidents make short-term planning as well as long-term forecasting extremely challenging and the uncertainty is regarded even higher than it has been in the past, in particular as far as utilization and day rates are concerned. Therefore, a higher interval is also applied to the sensitivities shown.

The present value of the estimated cash flows from the cash-generating units is based on the following inputs:

Utilisation
- Average utilisation assumed to increase from 20% or less in 2020 to 50% in 2021, to approximately 65% in 2022 – 2025, and thereafter stabilise at approximately 55% (2019 forecast: 30% in 2020 to 80% in 2024 and thereafter).

Revenues
- For 2020-2024, the assumption is based on current contracts portfolio including assumptions related to the outcome of ongoing commercial discussions with clients combined with a best effort view on potential prospects.
- From 2025, assumptions are applied factoring in the changed industry dynamics, demand/supply balance, pricing and the company's anticipated market share in the global market. The main factors include estimated cash flow and EBIDTA per vessel, current market data on average day rates, contract lengths for the different regions and anticipated market share.

Expenses
- Operating expenses and overheads are reduced between 10% and 50% compared to the prior year to reflect the current market conditions, cost reduction measures and activity plan.

Capital expenditures
- Capex is based on SPS plans (5-year special periodic survey) and activity plan. Capex spend will be deferred whenever possible, including SPS plans if a vessel is laid up with no order backlog.
- Capex is generally reduced to a minimum although sustainable level sufficient to upkeep the vessels.

Discount rate of 9% (2019: 9%)
- Discount rate is derived from weighted average cost of capital after tax of the Group.

Long-term growth rate
- There is a revised terminal value calculation in two stages to reflect the return to sustainable earnings as mentioned above. In the first stage, from 2025 until the end of 2039, the growth rate of 6.6% is applied to arrive at cash flows reflecting sustainable earnings / mid-point of the cycle. The growth rate is determined to accurately reflect the company's assumptions of a gradually improved market as a result of a reduction in supply-side capacity. After 2039, the growth rate applied is the long-term average growth rate appropriate to the assets of 2 % (2019: 1.7% from 2024).

Sensitivity
- A 1% increase in the discount rate would have led to an increase of impairment of USD 36 million.
- A 10% increase / decrease in the utilisation rate would have led to a decrease / increase of impairment of USD 91 million / USD 112 million.
- A 10% increase / decrease in the day rate would have led to a decrease / increase of impairment of USD 84 million / USD 87 million.
- A 2% decrease in the long-term growth rate would have led to an increase of impairment of USD 59 million.

NOTE 5: INTEREST RATE SWAPS & FAIR VALUE DISCLOSURE

As at 30 September 2020, the Group has the following financial assets & liabilities measured at fair value.

Fair value interest rate swaps

The Group entered into interest rate swaps and caps with various counterparties, principally financial institutions with investments grade credit ratings. The interest rate swaps and interest rate caps are valued using valuation techniques with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties and interest rate and forward rate curves. All the interest rate swaps and caps are secured under the USD 1,300 million credit facilities. The fair value interest rate swaps are categorised as interest-free long-term liabilities in the statement of financial position.

As at 30 September 2020	**Total**	**Level 1**	**Level 2**	**Level 3**
Fair value interest rate swaps	(12.3)	0.0	(12.3)	0.0
Total financial liabilities	**(12.3)**	**0.0**	**(12.3)**	**0.0**

As at 30 September 2020, the fair value of the interest rate caps amounted to less than USD 0.1 million of the financial assets and is not material for further disclosure.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

NOTE 6: REFINANCING AND GOING CONCERN

Prosafe refers to information on its financial status and process with lenders, which has been disclosed in the 2019 Annual Report released on 16 April 2020, as well as in various press releases with the latest dated 1 October 2020. The process and creditor discussions remain constructive and lenders in general maintain their support for the company to continue to operate on a going concern basis and seek a long-term financial solution while reversing their rights.

Against this and on the basis of a revised business plan, the company is seeking agreement with lenders for a sustainable financial solution that – if approved – is anticipated to improve the company's balance sheet position significantly. Although it is too early to say what a final solution may look like, it is anticipated that there will be a significant equitization of debt which is likely to result in minimal or no recovery for current shareholders.

Meanwhile, the company will continue to defer making payments of scheduled instalments and interests under its USD 1,300 million and USD 144 million credit facilities[3] Similarly, payment of the final instalment owed and due under the seller credit to Cosco for the Safe Notos remains as initially reported on 13 February 2020 subject to ongoing discussions with Cosco and the lenders.

Pending outcome of the process, the company continues to operate on a business as usual basis to protect and create value through challenging market conditions. As such, the interim report is prepared on a going concern basis.