Prosafe

FOURTH QUARTER 2021

(Figures in brackets refer to the corresponding period of 2020)

EBITDA[1] for the fourth quarter was USD 4.4 million (USD 0.7 million), reflecting a higher activity level with a fleet utilization rate of 59.3 per cent (25.0 per cent). Following the completion of the restructuring in December 2021, the liquidity reserve[2] at the end of the quarter was USD 74 million.

As informed in earlier press releases, the restructuring process was completed in December 2021 and resulted in a significant de-leveraging of the balance sheet with approximately 75 per cent of debt reduction, a corresponding reduction in annual debt service, USD 74 million in cash per year-end 2021 and in sum a significantly improved balance sheet and financial flexibility.

At the start of 2022, Prosafe is revitalized and well positioned for growth and value creation. The company has secured a high utilization for 2022 and has increased its order backlog.

On 27 January 2022, Prosafe SE implemented a 1,000:1 reverse split of the company's shares to satisfy the minimum requirement to market value of the issuer’s shares for listed companies.

Recent highlights

- Operating status and financial results:
  - Fleet utilisation of 59.3 per cent in Q4 (25.0 per cent)
  - Fleet utilisation of 54.5 per cent in 2021 (20.4 per cent in 2020), which is the highest fleet utilisation rate since 2015
  - EBITDA of USD 4.4 million in Q4 (USD 0.7 million)
  - Positive net financial items of USD 1,042.7 million in Q4 (USD 21.8 million negative), mainly due to a one-off financial gain of USD 1,030.5 million arising from the completion of the restructuring process
  - Cash flow from operations in Q4 was USD 35.6 million (USD 2.3 million negative), mainly due to higher vessel activity and the improvement in working capital since last quarter
  - Liquidity reserve of USD 74 million (USD 160.3 million)

- Operations and commercial:
  - 5 of 7 vessels in operation in the quarter
  - Safe Notos was awarded a contract extension till mid-July 2022
  - Safe Concordia was awarded a 160-day contract with a four-week option by bp to support their operations offshore Trinidad. Start-up is in direct continuation of the current contract, estimated 24 March 2022
  - Prosafe was the frontrunner in a recent auction for a 4-year contract in Brazil. Post-auction process is ongoing

Operations

The fleet utilisation rate in the fourth quarter of 2021 was 59.3 per cent (Q4 2020: 25.0 per cent). The fleet utilisation for the year was 54.5 per cent (2020: 20.4 per cent), which is the highest utilisation rate since 2015.

Safe Zephyrus commenced the contract for BP in Q1 2022. The vessel will be supporting the Seagull project at ETAP in the UK North Sea for a 10-month contract with up to four months of options.

[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

Safe Caledonia was operating for Total Energies at the Elgin platform in the UK until 29 October 2021. The vessel is currently alongside the Elgin platform on a standby rate and will resume operations in March 2022, taking the firm operational period through to December 2022.

Safe Boreas completed the contract for CNOOC at Buzzard in the UK on 14 October 2021. Thereafter, the vessel was taken to yard to prepare for a contract for a major oil company in Norway starting in Q2 2022. This contract has a firm duration of three months and two additional one-month options.

Safe Eurus has been providing safety and maintenance support to Petrobras in Brazil since November 2019 and was in full operation in the quarter. The contract has a firm duration until March 2023, with additional two-years of mutual optionality.

Safe Notos has been operating for Petrobras in Brazil throughout the quarter. The original three-year and 222 days firm period has previously been extended through to mid-November 2021. On 5 November 2021, the contract was further extended taking the firm operational period until mid-July 2022.

Safe Concordia commenced a 117-day contract in Trinidad and Tobago on 25 July 2021 and has been in full operation since then. The client has extended a number of options, taking the current operational period through to mid-March 2022. Safe Concordia was awarded a 160-day contract with a four-week option by bp to support their operations offshore Trinidad. Start-up is in direct continuation of the current contract, estimated 24 March 2022.

Safe Scandinavia was idle in the quarter and is laid up in Norway. The vessel is being actively marketed.

The impact from Covid-19 on the macro environment has been challenging, with the company also experiencing isolated cases in the fleet. In all instances there has been close coordination with the client to ensure that any occurrence is dealt with promptly and effectively. Safety measures at workplaces and vessels to protect people and assets remain rigorously in place.

Financials

<u>Fourth quarter 2021</u>

EBITDA for the fourth quarter was USD 4.4 million (USD 0.7 million). The increase in EBITDA was mainly due to higher revenues partially offset by higher operating expenses. Higher revenues and higher operating expenses were driven by higher fleet utilisation.

Depreciation was USD 7.5 million (USD 7.9 million) in the quarter.

Operating loss for the fourth quarter amounted to USD 3.1 million (operating loss of USD 7.0 million).

Net financial items amounted to USD 1,042.7 million positive (USD 21.8 million negative). The positive net financial items were mainly due to a one-off financial gain of USD 1,030.5 million, arising from the completion of restructuring process, which includes a substantial modification of liabilities (refer to note 3 for more details)

Net profit equalled USD 1,038 million (net loss of USD 29 million) in the quarter.

Positive cash flow from operations of USD 35.6 million (USD 2.3 million negative). Higher operational cash flow was mainly driven by higher vessel activity and the improvement in working capital since last quarter.

Total assets at 31 December amounted to USD 492.8 million (USD 587.7 million). The decrease in total assets was mostly due to depreciation of vessels and reduction in cash balance, partially offset by investment in tangible assets.

Net interest-bearing debt equalled USD 349.4 million (USD 1,349.1 million). The significant reduction in net interest-bearing debt was mainly due to the net impact from extinguishing pre-existing liabilities of USD 1,497.3 million with a consideration paid of USD 449.3 million and costs associated with the restructuring process totalling USD 17.5 million. The pre-existing liabilities include credit facilities, accrued interest, Westcon Claim, Swap Claims and Safe Notos Cosco Seller Credits, while the consideration paid consists of USD 47 million cash repayment, USD 343 million of reinstated debt and USD 59.3 million as the fair value of the equity instruments issued by Prosafe SE to creditors. (Please refer to note 3 for more details).

At the end of the quarter, the book equity ratio turned positive at 7.4 per cent (negative 161.4 per cent) as a consequence of the successful completion of the financial restructuring.

Following the financial restructuring, Prosafe is well positioned for growth and value creation through both organic development and mergers and acquisitions.

Full year 2021

The fleet utilisation was 54.5 per cent (20.4 per cent). EBITDA for the full year amounted to USD 24.9 million (a negative of USD 9.5 million). The increase in EBITDA was mainly due to higher revenues, partially offset by higher operating expenses which were driven by an increase in vessel activities.

Depreciation and impairment amounted to USD 74.7 million (USD 854.8 million). The higher value in 2020 was mainly due to impairments of USD 810.5 million made to the book value of vessels reflecting the dramatic change in market conditions and economic outlook. In 2021, there was also an impairment loss of USD 40.7 million recognised in Q1 2021 which was driven by the judgement of the Westcon dispute case in the Gulating Court of Appeal.

Operating loss equalled USD 49.8 million (operating loss of USD 864.3 million) mainly due to depreciation and impairment changes partially offset by a positive EBITDA.

Full year net financial items amounted to USD 980.8 million positive (USD 83.4 million negative). As mentioned earlier, the positive net financial item was mainly due to a one-off financial gain of USD 1,030.5 million, arising from the completion of restructuring process and followed by the substantial modification of debt.

Full year net profit equalled USD 927.9 million (net loss of USD 950.1 million).

Outlook

Following the completion of the financial restructuring in December 2021, Prosafe is revitalized and well positioned for growth and value creation. The company has secured a high utilization for 2022 and has increased its order backlog.

Most of the company’s contracts for 2020 were postponed to 2021 due to the Covid-19 pandemic, resulting in increased utilisation and improved earnings in 2021. In addition, Prosafe has been able to further develop its order book during 2021 by adding contract extensions to existing contracts and new contracts covering both 2021 and 2022. Consequently, the activity level for 2022 will be further improved with at least 6 of 7 vessels being on contracts for all or parts of the year. In connection with the closing of the restructuring in December 2021, the company guided an EBITDA of USD 50-60 million for 2022.

Prosafe was placed first in a recent Petrobras auction for a new 4-year contract. The post-auction process is ongoing. The oil and gas industry’s contracting behavior in the maintenance, modification and operation market (MMO) is as historically observed relatively short term. Therefore, beyond 2022, visibility remains low.

Prosafe continues to believe the industry is in need of consolidation and further recycling of older vessels to achieve a sustainable market balance.

The oil price has during 2021 recovered from the low levels triggered by the Covid-19 pandemic, and an oil price currently above USD 90 per barrel is anticipated to lead oil and gas companies to increase their investments into their oil and gas activities.

Demand for offshore accommodation rigs is mainly driven by maintenance, modification, and life extension of existing oil and gas infrastructure. The focus of the oil and gas industry on electrification and other emission reducing investments offshore and the emerging market for Carbon Capture and storage are expected to be positive for the demand for offshore accommodation in the longer term. Further, the number of FPSOs and other floating offshore installations is increasing relatively to fixed installations, and floating oil production is demanding modern DP3 semi-submersible rigs that can "follow target". Prosafe is a large owner and operator of the most advanced DP3 semi-submersible accommodation rigs.

The energy transition will gradually change the market for the energy service industry, including Prosafe. Given the complexity of the global energy system and the world economy's dependence on energy for growth and prosperity, the transition to a renewable world is likely to take time. It is therefore assumed that there will be high activity in the oil and gas industry also in the foreseeable future while investments in energy management and efforts to reduce carbon intensity and emissions will occur in parallel.

The Board of Directors emphasizes that valuations in the financial statements and forward-looking statements contained in this report are based on various assumptions made by management, which could depend on factors beyond its control, and are subject to risks and uncertainties. Accordingly, actual results may differ materially.

11 February 2022
The Board of Directors of Prosafe SE

………………………..
Glen O. Rødland
Non-executive Chairman

………………………..
Birgit Aagaard-Svendsen
Non-executive Director

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Nina Udnes Tronstad
Non-executive Director

………………………..
Alf C. Thorkildsen
Non-executive Director

CONDENSED CONSOLIDATED INCOME STATEMENT

(Unaudited figures in USD million)	Note	Q4 2021	Q4 2020	12M 2021	12M 2020
Operating revenues		29.4	15.5	141.1	56.7
Operating expenses		(25.0)	(14.8)	(116.2)	(66.2)
Operating results before depreciation		**4.4**	**0.7**	**24.9**	**(9.5)**
Depreciation		(7.5)	(7.9)	(33.0)	(44.5)
Impairment		0.0	0.2	(41.7)	(810.3)
Operating loss		**(3.1)**	**(7.0)**	**(49.8)**	**(864.3)**
Interest income		0.0	0.0	1.0	0.5
Interest expenses		(1.8)	(14.1)	(37.9)	(61.8)
Other financial items	3	1,044.5	(7.7)	1,017.7	(22.1)
Net financial items		**1,042.7**	**(21.8)**	**980.8**	**(83.4)**
Profit/(Loss) before taxes		**1,039.6**	**(28.8)**	**931.0**	**(947.7)**
Taxes		(1.6)	(0.2)	(3.1)	(2.4)
Net profit/(loss)		**1,038.0**	**(29.0)**	**927.9**	**(950.1)**
EPS		**0.12**	**(0.33)**	**0.11**	**(10.80)**
Diluted EPS		**0.12**	**(0.33)**	**0.11**	**(10.80)**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited figures in USD million)	Q4 2021	Q4 2020	12M 2021	12M 2020
Net profit/(loss) for the period	**1,038.0**	**(29.0)**	**927.9**	**(950.1)**
Foreign currency translation	(1.1)	3.5	(2.3)	(0.8)
Pension remeasurement	(0.1)	(0.1)	(0.1)	(0.1)
Other comprehensive income	**(1.2)**	**3.4**	**(2.4)**	**(0.9)**
Total comprehensive income	**1,036.8**	**(25.6)**	**925.5**	**(951.0)**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited figures in USD million)	Note	31.12.21	31.12.20
Vessels		397.0	412.3
New builds		0.0	1.1
Other non-current assets		2.2	2.1
Total non-current assets		**399.2**	**415.5**
Cash and deposits		73.9	160.3
Other current assets		19.7	11.9
Total current assets		**93.6**	**172.2**
Total assets		**492.8**	**587.7**
Share capital	3	497.5	9.1
Other equity	3	(461.2)	(957.6)
Total equity		**36.3**	**(948.5)**
Interest-free long-term liabilities		2.2	6.0
Interest-bearing long-term debt	3	422.4	78.7
Total long-term liabilities		**424.6**	**84.7**
Other interest-free current liabilities		31.0	20.8
Current portion of long-term debt	3	0.9	1,430.7
Total current liabilities		**31.9**	**1,451.5**
Total equity and liabilities		**492.8**	**587.7**

KEY FIGURES IN CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited figures in USD million)	31.12.21	31.12.20
Total assets	492.8	587.7
Working capital	61.7	(1,279.3)
Liquidity reserve	73.9	160.3
Interest-bearing debt	423.3	1,509.4
Net Interest-bearing debt	349.4	1,349.1
Book equity	36.3	(948.5)
Book equity ratio	7.4%	(161.4)%

Notes:

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(Unaudited figures in USD million)	Note	Q4 2021	Q4 2020	12M 2021	12M 2020
Gain/(Loss) before taxes		1,039.6	(28.8)	931.0	(947.7)
Gain from extinguishment of debt	3	(1,030.5)	0.0	(1,030.5)	0.0
(Gain)/Loss on sale of non-current assets		(0.1)	(0.1)	(1.0)	0.4
Depreciation		7.5	7.9	33.0	44.5
Impairment		0.0	(0.2)	41.7	810.3
Financial income		0.0	0.0	(1.0)	(0.5)
Financial costs		1.8	14.1	37.9	61.8
Change in working capital		18.1	(0.4)	14.6	(22.0)
Other items from operating activities		(0.7)	6.0	(1.0)	26.8
Taxes paid		(0.1)	(0.8)	(1.3)	(6.7)
Net cash flow from/(used in) operating activities		**35.6**	**(2.3)**	**23.4**	**(33.1)**
Acquisition of tangible assets		(3.9)	(1.5)	(17.3)	(2.9)
Net proceeds/(payments) from sale of tangible assets		0.2	0.1	1.6	(0.3)
Interests received		0.0	0.0	1.0	0.5
Net cash flow used in investing activities		**(3.7)**	**(1.4)**	**(14.7)**	**(2.7)**
Repayment of interest-bearing debt	3	(47.6)	(0.5)	(77.6)	(2.0)
Refinancing cost	3	(17.5)	0.0	(17.5)	0.0
Net cash flow used in financing activities		**(65.1)**	**(0.5)**	**(95.1)**	**(2.0)**
Net cash flow		**(33.2)**	**(4.2)**	**(86.4)**	**(37.8)**
Cash and deposits at beginning of period		107.1	164.5	160.3	198.1
Cash and deposits at end of period		**73.9**	**160.3**	**73.9**	**160.3**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited figures in USD million)	Note	Q4 2021	Q4 2020	12M 2021	12M 2020
Equity at beginning of period		**(1,059.8)**	**(922.9)**	**(948.5)**	**2.4**
New share issue	3	59.3	0.0	59.3	0.1
Comprehensive income for the period		1,036.8	(25.6)	925.5	(951.0)
Equity at end of period		**36.3**	**(948.5)**	**36.3**	**(948.5)**

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 fourth quarter of 2021 were authorised for issue in accordance with a resolution of the Board of Directors on 11 February 2021. 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: FINANCIAL RESTRUCTURING

On 20 December 2021, the financial restructuring process was fully implemented and completed. As a result of the substantial modification of debt, a financial gain of USD 1,030.5 million has been reflected in the Consolidated Income Statement. This financial gain represents the net impact from extinguishing pre-existing liabilities of USD 1,497.3 million with a consideration paid of USD 449.3 million and costs associated with the restructuring process totalling USD 17.5 million. The pre-existing liabilities include credit facilities (USD1,300 million facility and USD 144 million facility[2]), accrued interest, Westcon Claim, Swap Claims and Safe Notos Cosco Seller Credits, while the consideration paid consists of USD 47 million in cash repayment to lenders, USD 343 million of reinstated debt and USD 59.3 million as the fair value of the equity instruments issued by Prosafe SE to creditors. The outstanding number of shares after the refinancing is 8,798,699,789.

The highlights of the completed financial restructuring are as follows:

Significant de-leveraging and reduced interest costs

The USD 1,300 million facility and the USD 144 million facility were reinstated to USD 250 million and USD 93 million, respectively. There will be no mandatory debt maturities until December 2025, with only cash-sweep above USD 66 million. Interest rate is at USD 3 Month Libor +2.50 per cent per annum payable in cash.

Liquidity headroom

Liquidity is well in excess of the agreed minimum cash covenant, which is USD 18 million through 2022, increasing to USD 28 million in 2024.

Equitisation and shareholders

As part of the equitisation, the USD 59.3 million as the fair value of the equity instruments issued by Prosafe SE represents 99% of Prosafe SE equity.

NOTE 4: SUBSEQUENT EVENTS

Reversed share split

On 27 January 2022, the company completed a 1,000:1 reverse split of the company's shares to satisfy the minimum requirement to market value of the issuer's shares for listed companies.

[2] USD 144 million credit facility (previously known as the "USD 288 credit facility")

After the reverse share split, 1,000 shares with a nominal value of EUR 0.05 give 1 new share with a nominal value of EUR 50.00.

The number of outstanding shares in the company after the reverse split is 8,798,699.

Long-term incentive program for Executive Management team

The Board of Directors has today initiated a long-term incentive programme to the Executive Management team in Prosafe SE, respectively Jesper Kragh Andresen, CEO, Stig H. Christiansen, DCEO&CFO and Ryan Stewart, COO.

The program is subject to formal approval and covers the following main terms:

- Jesper Kragh Andresen, CEO: 150,000 options
- Stig H. Christiansen, DCEO & CFO: 100,000 options
- Ryan Stewart, COO: 100,000 options
- Strike: Closing price on 10 February 2022
- Duration: The options will vest with 1/3 after 24 months, 1/3 after 36 months and 1/3 after 48 months. Any options not exercised at the date 60 months after 10 February 2022 will be cancelled.