

Dated 7 July 2016

## Refinancing Term Sheet

### Prosafe SE

*This refinancing term sheet (the “**Refinancing Term Sheet**”) sets out the terms for the proposed refinancing of Prosafe SE (the “**Issuer**” or the “**Company**”), including proposed amendments to the Company's two senior bank facilities and four senior unsecured bonds issued by the Company, PRSo8, PRSo9, PRS10 and PRS11, and certain other agreements and arrangements (the “**Refinancing**”).*

<b>Definitions:</b>	<p><b>“Bank Facilities”</b> means the Group’s existing senior secured bank facilities, being the MUSD 288 Facility and the MUSD 1,300 Facility.</p> <p><b>“Bank Lenders”</b> means the lenders under the Bank Facilities.</p> <p><b>“Bond Trustee”</b> means Nordic Trustee ASA in its capacity as bond trustee for the Senior Unsecured Bonds.</p> <p><b>“Capital Reduction”</b> means the reduction of the nominal value of the Ordinary Shares of the Company through a share capital reduction as described herein, as approved by a shareholders meeting and the Cyprus court and subsequently registered with the Cypriot Company Registry.</p> <p><b>“Cash-out Option”</b> means the offer to Bondholders to receive cash settlement as further described under “Cash-out Option” below.</p> <p><b>“Cash Sweep Testing Date”</b> means 31<sup>st</sup> March every year beginning in 2018.</p> <p><b>“Cash Sweep Threshold”</b> means an amount equivalent to USD 155 million on 31<sup>st</sup> March 2018; USD 135 million on 31<sup>st</sup> March 2019; USD 115 on 31<sup>st</sup> March 2020; USD 95 million on 31<sup>st</sup> March 2021.</p> <p><b>“Class A Shares”</b> means the shares in the Company of Class A, with nominal value of EUR 0.001, which will rank pari passu in all respects with Ordinary Shares and be converted to the Ordinary Shares following the Capital Reduction.</p> <p><b>“Debt to Equity Conversion”</b> means conversion to new shares of the Company of the Senior Unsecured Bonds as described further under “Debt to Equity Conversion” below.</p> <p><b>“Effective Date”</b> means the date on which all the conditions precedent for the Refinancing have been fulfilled.</p> <p><b>“Excess Cash”</b> means, in relation to the Cash Sweep prior to 1<sup>st</sup> April 2019, <b>Pre-1 April 2019 Excess Cash</b> and from 1<sup>st</sup> April 2019, <b>Post-1 April 2019 Excess Cash</b></p> <p><b>“Group”</b> means the Company and its direct and indirect subsidiaries, and a <b>“Group Company”</b> means the Company or any of its subsidiaries.</p> <p><b>“MNOK 290 Guarantee”</b> means the NOK 290 million Guarantee and</p>
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Counter Indemnity Agreement dated 14 December 2015 with Nordea Bank Finland Plc as Guarantor and Nordea Bank Norge ASA as Agent.

**"MUSD 288 Facility"** means the USD 288 million term loan facilities agreement dated 27 May 2014 and as most recently amended and restated on 29 December 2015 with Nordea Bank Norge ASA as Facility and Security Agent.

**"MUSD 1,300 Facility"** means the USD 1,300 million senior secured term and revolving credit facilities agreement dated 6 February 2015 and as amended and restated on 30 December 2015 with Nordea Bank Norge ASA as Agent and Security Agent.

**"Ordinary Shares"** means the ordinary shares of the Company with the current nominal value of EUR 0.25, which will be reduced to EUR 0.001 through the Capital Reduction.

**"Pre-1 April 2019 Excess Cash"** means the sum of available capacity under the RCF and cash balance, less prevailing Cash Sweep Threshold.

**"Post-1 April 2019 Excess Cash"** means the sum of available capacity under the RCF and cash balance, less the sum of (a) prevailing Cash Sweep Threshold, and (b) 50% (fifty per cent) of the scheduled debt amortisation payments falling due within 12 months following the relevant Cash Sweep Testing Date.

**"Senior Unsecured Bond Agreements"** means (i) the bond agreement originally dated 1 February 2012 in respect of the NOK 500 million Senior Unsecured Callable Bond Issue 2012/2017 with ISIN NO 001 0635725 (as amended and restated from time to time) and current maturity on 8 February 2017 (the **"PRSo8 Bonds"**), (ii) the bond agreement originally dated 10 January 2013 in respect of the NOK 500 million Senior Unsecured Callable Bond Issue 2013/2020 with ISIN NO 001 0669633 (as amended and restated from time to time) and current maturity on 17 January 2018 (the **"PRSo9 Bonds"**); (iii) the bond agreement originally dated 15 October 2013 in respect of the NOK 700 million Senior Unsecured Callable Bond Issue 2013/2018 with ISIN NO 001 0691892 (as amended and restated from time to time) and current maturity on 22 October 2018 (the **"PRSo10 Bonds"**); and (iv) the bond agreement originally dated 3 September 2014 in respect of the NOK 700 million Senior Unsecured Callable Bond Issue 2014/2019 with ISIN NO 001 0717473 (as amended and restated from time to time) and current maturity on 9 September 2019 (the **"PRSo11 Bonds"**).

**"Senior Unsecured Bonds"** means the PRSo8 Bonds, PRSo9 Bonds, PRSo10 Bonds and PRSo11 Bonds, collectively.

<p><b>The Senior Unsecured Bonds:</b></p>	<p>As part of the Refinancing, the following will be carried out in respect of the Senior Unsecured Bonds:</p> <p><b>General:</b></p> <p>All Senior Unsecured Bonds totalling NOK 2.4 billion of face value to be offered the option of equity (through the Debt to Equity Conversion) and/or the Cash-out Option. In addition, holders of Senior Unsecured Bonds will have the right to subscribe for USD 20 million of the New Equity (as described below).</p>

**Debt to Equity Conversion:**

Up to NOK 1,440 million of the Senior Unsecured Bonds shall be converted to new shares in the Company. The Debt to Equity Conversion will be done at an exchange price equal to 30% of the current face value and the new shares issued at a price equal to the subscription price of the New Equity as set out below (i.e. NOK 0.25 per share).

Of the NOK 1,440 million of the Senior Unsecured Bonds to be converted to equity as per the above, a maximum amount of NOK 800 million may as an alternative be converted to into a new convertible bond at 30% of the face value (the "**CB Option**").

The main terms of such convertible bond (the "**Convertible Bond**") will be as follows:

- Amount: up to NOK 240 million
- Equity subscription price of NOK 0.25 / share
- Maturity: 5 years from issue date
- Zero coupon
- Unsecured and subordinated
- Convertible at the Company's option at the following times:
  - Maturity;
  - Formal insolvency proceedings of Prosafe SE or one or both of its material asset owning subsidiaries.
  - Upon a material refinancing of the majority of the financial indebtedness of the Prosafe Group in connection with actual or potential financial difficulties.
- Repayment / redemption only through conversion into equity or issuance of new equity.
- Convertible bondholders to have preferential allocation of common equity in line with holders of common equity.

The CB Option will only be available to bondholders which in writing (i) request the CB Option and (ii) represents that it is restricted from taking equity consideration. **Such requests must be made by email to [acceptance@abgsc.no](mailto:acceptance@abgsc.no) within 8 August 2016 at 16:00 hours CET.**

In case holders of the Senior Unsecured Bonds request the CB Option for more than the abovementioned limitation, each holder will be scaled down pro-rata and will be given the option to either participate in the cash-out by participating in the Cash-out Option or to convert into equity on the terms herein.

**Cash-out Option:**

The Bondholders shall be offered to tender Senior Unsecured Bonds for redemption in cash by the Company at a price within a range of 25% to 35% of current face value, equal to an aggregate redemption amount of up to NOK 500 million (USD 60 million) (the "**Cash-out Cap**").

The Cash-out Option offer will be structured as a reverse book-building whereby each bondholder will be given the option to offer their cash-out price and volume to the Company. The clearing price to be based on all offers received, and cash allocations to be based on volume and best price for the Company, with settlement to be based on the price at which the book clears. No additional payment will be made for accrued unpaid interest.

**To participate in the Cash-out offer, a duly executed “Form for exercise of Cash-out Option” must be submitted. The form will be distributed separately to bondholders in due course.**

To the extent the Cash-out Option is exercised for Senior Unsecured Bonds representing an amount less than NOK 336 million (USD 40 million) (the “**Minimum Cash-out Amount**”), then the clearing price will be deemed to be 35% of current face value of the Senior Unsecured Bonds and the remainder of the Minimum Cash-out Amount shall be applied for a pro-rata redemption across remaining existing Senior Unsecured Bonds at this price.

Bondholders who do not exercise the Cash-out Option will have all their Senior Unsecured Bonds converted to equity on the Debt to Equity Conversion terms.

**Remission of debt:**

All accrued interest and the remaining aggregate face value of the Senior Unsecured Bonds which is not subject to the Debt to Equity Conversion, the CB Option and the Cash-out Option shall be discharged as part of remission of debt.

**Equity participation rights:**

As set out below under New Equity, the holders of the Senior Unsecured Bonds shall have a preferred right to allocation for USD 20 million of the new equity, subject to preferred allocation to existing shareholders of the first USD 130 million of the New Equity.

**To utilise this equity participation right, bondholders must participate in the private placement launched on 7 July 2016. For further details and application deadlines, see separate announcement from the Company on 7 July 2016.**

**The MUSD 1,300 Facility:**

As part of the Refinancing, the Company will amend each of the Bank Facilities as follows:

**Reduction in amortisations:**

From and including 1 January 2017 until and including 30 June 2019, the repayment by an amount of 90% (equal to a total amount of USD 58.5 million per instalment) of each of five semi-annual instalments under the USD 1,300 million term loan facilities shall be postponed and be repaid on the final maturity date.

From and including 1 July 2019 until and including 31 December 2020, the repayment by an amount of 70% (equal to a total amount of USD 45.5 million per instalment) of each of three semi-annual instalments under the USD 1,300 million term loan facilities shall be postponed and be repaid on the final maturity date.

**Covenant changes:**

The following changes to be made to the covenants:

- *Dividend restrictions:* No dividends or cash distribution to equity allowed until all bank lenders have received repayments equal to the value of all the deferred instalments.

- *Minimum Liquidity*: USD 65 million commencing from closing of the transaction
- *Interest Coverage Ratio*: From closing of transaction until and including 31<sup>st</sup> December 2019, Interest Coverage Ratio to be no less than 1.0x. Including and from the period starting 1<sup>st</sup> January 2020 onwards, Interest Coverage Ratio to be no less than 1.5x.
- *Leverage Ratio*: To be suspended until and including 31<sup>st</sup> December 2020. The Company and Lenders will negotiate in good faith a new set of leverage ratios for the period from 1 January 2021 onwards. If no agreement is reached prior to the first test date of 31<sup>st</sup> March 2021, the Leverage Ratio will be calculated using the actual reported leverage ratio at 31<sup>st</sup> December 2020 plus 15% additional headroom.
- *Equity Ratio*: To be deleted from covenants.
- *Minimum Market Value*: To be suspended until and including 31<sup>st</sup> December 2018. From and including 1<sup>st</sup> January 2019 onwards, the Company will obtain three broker valuations once a year and the average of the three broker valuations must be greater than/equal to 110% for two consecutive years.
- *Maximum Capital Expenditure*: To be determined based on a 30% headroom to the annual board approved budget to be delivered to the Lenders before the start of the financial year with ability to carry forward unused amounts for 1 year

#### **Cash sweep:**

A cash sweep mechanism (the "**Cash Sweep**") to be included, whereby the Company on each Cash Sweep Testing Date and payment date of 30<sup>th</sup> April annually, with the first Cash Sweep payment date being 30<sup>th</sup> April 2018, shall make Cash Sweep payments to be shared with the Company and Lenders (distributed pro-rata across bank facilities based on outstanding amounts at Cash Sweep Testing Date) based on Excess Cash available as at the Cash Sweep Testing Date.

<b>Cash Sweep Terms</b>				
<i>(in US\$ millions)</i>	<b>Mar 2018</b>	<b>Mar 2019</b>	<b>Mar 2020</b>	<b>Mar 2021</b>
Cash Sweep Threshold	155	135	115	95
<b>Excess Cash Split</b>				
<i>Banks</i>	60%	70%	80%	90%
<i>Company</i>	40%	30%	20%	10%

Any Cash Sweep payment shall only be made if the Group's firm contract backlog on the relevant Cash Sweep Testing Date represents no less than USD 350 million of revenue for the following 12 months.

#### **Margin on outstanding amounts:**

Applicable margin shall be calculated in accordance with the leverage

ratchet outlined in the table below:

For the period from closing until 30-Jun-19

Applicable Leverage Ratio	\$1.3bn Facility	
	Cash Margin	PIK Margin
Less than or equal to 3.00:1	2.00%	-
Above 3.00:1 and less than or equal to 4.00:1	2.15%	-
Above 4.00:1 and less than or equal to 5.00:1	2.15%	0.15%
Above 5.00:1 and less than or equal to 5.50:1	2.15%	0.35%
Above 5.50:1	2.15%	0.60%

For the period from 01-Jul-19 onwards

Applicable Leverage Ratio	\$1.3bn Facility	
	Cash Margin	
Less than or equal to 3.00:1	2.00%	
Above 3.00:1 and less than or equal to 4.00:1	2.15%	
Above 4.00:1 and less than or equal to 5.00:1	2.30%	
Above 5.00:1 and less than or equal to 5.50:1	2.50%	
Above 5.50:1	2.75%	

**The MUSD 288 Facility:**

As part of the Refinancing, the Company will amend the MUSD 288 Facility as follows:

**Reduction in amortisations:**

From and including 1<sup>st</sup> January 2017 until and including 30<sup>th</sup> June 2019, the repayment by an amount of 90% of each quarterly repayment instalment (equal to a total amount of USD 2.70 million per instalment) under "Safe Notos" tranches shall be postponed and be repaid on the final maturity date.

From and including 1<sup>st</sup> July 2019 until and including 31<sup>st</sup> December 2020, the repayment by an amount of 70% of each quarterly repayment instalment (equal to a total amount of USD 2.10 million per instalment) under "Safe Notos" tranches shall be postponed and be repaid on the final maturity date.

In addition, in the event the Company takes delivery of "Safe Eurur", the repayment of the "Safe Eurur" tranches shall follow the same amortisation relief schedule as per "Safe Notos" tranches defined above.

**Covenant changes:**

Same as for the MUSD 1,300 Facility.

**Cash sweep:**

Same as for the MUSD 1,300 Facility.

**Amendment of availability for Safe Eurur tranche:**

Availability period for the Rig B Tranches to be extended to 31 December 2019.

**Margin on outstanding amounts:**

Applicable margin shall be calculated in accordance with the leverage ratchet outlined in the table below:

For the period from closing until 30-Jun-19

Applicable Leverage Ratio	\$288m Facility	
	Cash Margin	PIK Margin
Less than or equal to 3.00:1	2.15%	0.10%
Above 3.00:1 and less than or equal to 4.00:1	2.15%	0.10%
Above 4.00:1 and less than or equal to 5.00:1	2.15%	0.15%
Above 5.00:1 and less than or equal to 5.50:1	2.15%	0.35%
Above 5.50:1	2.15%	0.60%

For the period from 01-Jul-19 onwards

Applicable Leverage Ratio	\$288m Facility
	<i>Cash Margin</i>
Less than or equal to 3.00:1	2.25%
Above 3.00:1 and less than or equal to 4.00:1	2.25%
Above 4.00:1 and less than or equal to 5.00:1	2.30%
Above 5.00:1 and less than or equal to 5.50:1	2.50%
Above 5.50:1	2.75%

<b>MNOK 290 Guarantee:</b>	As part of the Refinancing, the Company will amend the covenants under the MNOK 290 Guarantee to be no less favourable for the Company than under the Bank Facilities.

<b>Cosco</b>	<p>The Company shall enter into final agreements on substantially the same terms as set out in the term sheet agreed between Cosco (Qidong) Offshore Co Ltd and Prosafe Rigs Pte Ltd, which inter alia includes (i) deferred delivery of Safe Eurys until 31 December 2019 (or such earlier time as required by the Company); (ii) deferred maturity date of the seller's credit agreement to 31 December 2019, (iii) limitations to liability exposure in the event of Prosafe does not take delivery of Safe Eurys and (iv) certain agreed lay-up costs.</p>
<b>Shareholders:</b>	<p>The Company will call an extraordinary general meeting to propose that the shareholders approve the Refinancing, including (i) the issuance of the New Equity (as defined below) and authorising of the Subsequent Equity Offering, (ii) the issuance of the Convertible Bond ((i) and (ii) together the <b>"Required Shareholder Resolutions"</b>) and (iii) the Capital Reduction.</p> <p>The shareholders shall also have a right to participate in the New Equity and/or the Subsequent Equity Offering (see below).</p>
<b>New Equity:</b>	<p>As part of, and as a condition to the Refinancing, the Company will conduct an offering of new shares of the NOK equivalent of between USD 130 million and up to USD 150 million in gross proceeds to the Company (the <b>"New Equity"</b>). The New Equity will be issued at a subscription price of NOK 0.25 per share.</p> <p>Of the net proceeds from the New Equity, USD 40 million to USD 60 million will be used to fund the Cash-out Option, and the remaining for operational liquidity and general corporate purposes.</p> <p>The offering of the New Equity is contemplated to be conducted as a private placement directed towards existing stakeholders and new investors. Allocation will be at the discretion of the Issuer's Board, with a preferred allocation for existing shareholders for the first USD 130 million and preferred allocation for the Senior Unsecured Bondholders for the remaining USD 20 million. In the event that the first USD 130 million is not fully subscribed by existing shareholders then the Senior Unsecured Bondholders will have a second-ranking preferred allocation to subscribe for the first USD 130 million. The minimum subscription amount will be EUR 100,000, in accordance with statutory limitations.</p> <p>NOK 712 million of the New Equity have been pre-subscribed for by certain of the Company's existing shareholders, North Sea Strategic Investments AS and M&amp;G who will each receive a minimum allocation of 1,500,000,000 and 1,348,000,000 shares respectively, on condition that North Sea Strategic Investments AS and M&amp;G 's individual shareholdings post the Refinancing are never greater than 29.9% of the enlarged share capital of the Company post-Refinancing.</p> <p>Closing of the issuance of the New Equity will be conditional upon the passing of the Required Shareholder Resolutions and completion of the Refinancing.</p> <p>Pending the Capital Reduction, the shares issued as part of the New Equity will be Class A Shares, cf also the section <i>"Reduction of the nominal value / share capital reduction"</i> below. The new shares will not be listed until completion of the Capital Reduction and publication of a listing</p>



	prospectus, expected to be issued as part of the Subsequent Equity Offering. The Company may seek a registration of the Class A Shares on N-OTC.
<b>Subsequent Equity Offering:</b>	<p>As part of the Refinancing, the Company intends to conduct a subsequent equity offering of up to USD 15 million for the purpose of giving existing shareholders not participating in the New Equity the opportunity to subscribe for new shares of the Company (the “<b>Subsequent Equity Offering</b>”). New investors shall be allowed to subscribe in the New Equity, but existing shareholders shall have preferred allocation and will receive non-tradable subscription rights.</p> <p>The subscription price in the Subsequent Equity Offering shall be the same as in the New Equity.</p> <p>Reference is also made to the section "<i>Reduction of the nominal value / share capital reduction</i>" below.</p>
<b>Reduction of the nominal value / share capital reduction:</b>	<p>The current nominal value of the Ordinary Shares is EUR 0.25. As part of the Refinancing, the Company will carry out the Capital Reduction in order to reduce the nominal value of the Ordinary Shares. This reduction will be carried out as a reduction of share capital without distribution, and will be proposed resolved by an extraordinary general meeting of the Company. The proposed new nominal value will be EUR 0.001.</p> <p>Any new Ordinary Shares to be issued as part of the New Equity, the Debt to Equity Conversion or the Subsequent Equity Offering is expected to be issued as Class A Shares, such shares to have equal rights in all respects as the existing Ordinary Shares. The Class A Shares will in all respects rank pari passu with and have equal rights as the Ordinary Shares, including with respect to dividends and voting. The Class A Shares will following completion of the Capital Reduction and approval and publication of a listing prospectus be converted into Ordinary Shares. Pending such listing and conversion, the Company may seek a registration of the Class A Shares on N-OTC.</p>
<b>Conditions:</b>	<p>The occurrence of the Effective Date will be subject to the following conditions precedent being fulfilled on or prior to 30 September 2016:</p> <ul style="list-style-type: none"> <li>(i) Confirmation by the Company that New Equity has been subscribed for in the minimum amount of USD 130 million in gross proceeds.</li> <li>(ii) Approval of the Refinancing at a meeting of the bondholders in each of the Senior Unsecured Bonds by bondholders representing at least 2/3 of the principal amount outstanding in the respective bonds present and voting.</li> <li>(iii) The passing of each of the Required Shareholder Resolutions at a duly convened shareholders' meeting of the Company.</li> <li>(iv) No member of the Group having entered into any bankruptcy, liquidation, administration, receivership or any other insolvency procedure (or any analogous proceeding in any</li> </ul>

	other jurisdiction), whether voluntary or involuntary.
(v)	No enforcement or acceleration or debt recovery action having been taken by or on behalf of any of the other creditors and/or suppliers of the Company or any member of the Group under or in connection with any other indebtedness or due amounts of the Company or any member of the Group in an aggregate amount in excess of USD 20 million.
(vi)	Confirmation from the Company that the amendments to the Bank Facilities and the MNOK 290 Guarantee contemplated by this Refinancing Term Sheet have been agreed.
(vii)	Confirmation from the Company that agreement with Cosco has been entered into on terms contemplated by this Refinancing Term Sheet.
(viii)	North Sea Strategic Investments AS and M&G's individual shareholdings are not greater than 29.9% of the enlarged share capital of the Company post-Refinancing.
(ix)	Other customary condition precedent as reasonably requested by the Bond Trustee and the Bank Lenders, respectively.