Prosafe

FIRST QUARTER 2016

Operations

Utilisation of the fleet was 37 per cent in the first quarter of 2016 (80 per cent in the first quarter of 2015).

Safe Scandinavia Tender Support Vessel ("TSV") commenced a contract in mid-March in Norway with a firm period through to July 2018. Drilling support operations commenced in early April. The mobilisation fee of USD 12 million for the TSV was recognised as income in the first quarter.

Safe Zephyrus was delivered from the Singapore construction yard in the first quarter of 2016 and commenced transit to the North Sea. The vessel is scheduled to commence its first contract in Norway early in Q3 2016.

Safe Notos was delivered from COSCO, (Qidong) Co., Ltd., in the first quarter of 2016 and is currently in international anchorage offshore Singapore. The vessel was delivered to carry out a 4.5 year contract of ca. USD 145 million pursuant to a letter of intent which was subsequently cancelled.

Safe Zephyrus and Safe Notos are not included in the first quarter utilisation ratio above.

Safe Boreas commenced a contract in the UK in mid-March.

Safe Concordia and Safe Caledonia were fully contracted during the quarter.

Regalia was off-hire in the quarter and will commence a contract in the UK during May.

Safe Bristolia was completing class renewals in the yard during the quarter and is scheduled to commence a contract in the UK during May.

Safe Astoria was off-hire in the quarter and is currently cold-stacked in Batam, Indonesia.

Jasminia and Safe Britannia were off-hire during the first quarter and Safe Hibernia came off contract mid-February. Based on a strategic fleet review, Prosafe has decided to scrap these three vessels.

The contracts for Safe Lancia and Safe Regency were suspended in mid-March 2016 and the vessels remained in Mexico in the first quarter. Safe Lancia is being prepared for cold-stacking in the US. Safe Regency is being mobilised to a suitable lay-up location.

Prosafe and Statoil (U.K.) Ltd agreed to re-phase the contract for the Mariner Project on the UK Continental Shelf of the North Sea from 2016 into 2017. A re-phasing charge of USD 30 million has been recognised as income in the first quarter 2016.

The Company has been working to optimise fleet deployment and utilisation in a situation where the fleet renewal strategy is being completed while the market is historically soft and contracts are being suspended. Examples of these are deferred deliveries, seller's credit and the replacement of Safe Boreas for Safe Notos for Talisman in the UK. In addition, the Company has decided to scrap three of its oldest units, respectively Jasminia, Safe Hibernia and Safe Britannia, and to cold stack other units starting with Safe Astoria.

Financials

(Figures in brackets refer to the corresponding period of 2015)

Operating profit for the first quarter amounted to USD 21.9 million (USD 55.4 million). This decline reflects the lower utilisation of the fleet in poor market conditions.

Net financial expenses for the first quarter were USD 20.3 million (USD 26.1 million).

Interest expenses have increased mainly due to higher interest-bearing debt.

Net loss amounted to USD 1.8 million (net profit of USD 27 million), and earnings per share were USD 0.01 negative (USD 0.11 positive).

Total assets at 31 March amounted to USD 2,630.8 million (USD 2,157.5 million), while the book equity ratio declined to 25.9 per cent (34.5 per cent). Net interest-bearing debt stood at USD 1,650.7 million (USD 977.4 million).

Outlook

Despite a recent increase in oil price, general market uncertainty remains and bidding activity is low. Clients remain focused on cost reduction and cash preservation. Prosafe therefore maintains a cautious view in the near and medium term and anticipate a possible upturn from 2018.

Financial restructuring

Prosafe is in an ongoing dialogue with the Company's key stakeholders, including the main shareholders, bondholders, bank lenders and yards, and the Company is currently working with stakeholders and advisors to evaluate alternatives to improve the financial situation. The Company has obtained a reduced minimum liquidity bank covenant of USD 20 million until the end of the third quarter 2016. This temporary reduced level is applicable to both the USD 1.3 billion facility and the USD 288 million newbuild facility. In addition, the Company will utilize the 2nd skipped payment option that was granted by the banks in the previous amendment process closed around year-end 2015. Further amendments to the bank and bond agreements will, however, be required in order to secure a robust financial foundation and to safeguard and further strengthen Prosafe's market leading position in the industry. The dialogue is constructive and the Company intends to communicate its updated financial plan during the second quarter of 2016.

Reference is also made to note 5 to the financial statements.

Subsequent events

The Board of Prosafe has appointed Stig H. Christiansen as the new interim Chief Executive Officer ("CEO") for Prosafe Management AS. He replaces Karl Ronny Klungtvedt who has agreed to step down. Mr Christiansen will continue to serve as the Chief Financial Officer of Prosafe Management AS in addition to his position as acting CEO.

In due course, the Board will start a recruitment process for a new permanent CEO evaluating both internal and external candidates for the position.

Larnaca, 11 May 2016

The Board of Directors of Prosafe SE

CONDENSED CONSOLIDATED INCOME STATEMENT

(Unaudited figures in USD million)	Q1 16	Q4 15	Q1 15	2015
Operating revenues	103.0	103.9	124.2	474.7
Operating expenses	(57.7)	(52.5)	(51.8)	(211.8)
EBITDA	**45.3**	**51.4**	**72.4**	**262.9**
Depreciation	(23.4)	(24.5)	(17.0)	(86.5)
Impairment	0.0	(145.6)	0.0	(145.6)
Operating profit/(loss)	**21.9**	**(118.7)**	**55.4**	**30.8**
Interest income	0.0	0.1	0.0	0.2
Interest expenses	(19.9)	(10.4)	(10.2)	(41.6)
Other financial items	(0.4)	(11.9)	(15.9)	(29.5)
Net financial items	**(20.3)**	**(22.2)**	**(26.1)**	**(70.9)**
Profit/(Loss) before taxes	**1.6**	**(140.9)**	**29.3**	**(40.1)**
Taxes	(3.4)	(2.1)	(2.3)	(10.5)
Net (loss)/profit	**(1.8)**	**(143.0)**	**27.0**	**(50.6)**
EPS	**(0.01)**	**(0.59)**	**0.11**	**(0.21)**
Diluted EPS	**(0.01)**	**(0.59)**	**0.11**	**(0.21)**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited figures in USD million)	Q1 16	Q4 15	Q1 15	2015
Net (loss)/profit for the period	**(1.8)**	**(143.0)**	**27.0**	**(50.6)**
Foreign currency translation	0.7	(4.3)	(1.9)	(5.0)
Revaluation hedging instruments	(31.6)	18.6	(17.2)	(9.5)
Other comprehensive income	**(30.9)**	**14.3**	**(19.1)**	**(14.5)**
Comprehensive income	**(32.7)**	**(128.7)**	**7.9**	**(65.1)**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited figures in USD million)	31.03.16	31.12.15	31.03.15
Goodwill	226.7	226.7	226.7
Vessels	1 581.6	1 578.6	1 096.1
New builds	635.3	228.5	567.6
Other non-current assets	4.7	4.9	6.0
Total non-current assets	**2 448.3**	**2 038.7**	**1 896.4**
Cash and deposits	71.0	57.1	151.4
Other current assets	111.5	91.4	109.7
Total current assets	**182.5**	**148.5**	**261.1**
Total assets	**2 630.8**	**2 187.2**	**2 157.5**
Share capital	72.1	72.1	65.9
Other equity	610.4	643.1	679.2
Total equity	**682.5**	**715.2**	**745.1**
Interest-free long-term liabilities	90.8	58.9	71.6
Interest-bearing long-term debt	1 554.9	1 107.5	1 096.7
Total long-term liabilities	**1 645.7**	**1 166.4**	**1 168.3**
Other interest-free current liabilities	135.8	166.1	212.0
Current portion of long-term debt	166.8	139.5	32.1
Total current liabilities	**302.6**	**305.6**	**244.1**
Total equity and liabilities	**2 630.8**	**2 187.2**	**2 157.5**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(Unaudited figures in USD million)	Q1 16	Q4 15	Q1 15	2015
(Loss)/Profit before taxes	1.6	(140.9)	29.3	(40.1)
Unrealised currency (gain)/loss on debt	18.8	(10.9)	(29.8)	(56.6)
Loss on sale of non-current assets	0.5	0.2	0.0	1.4
Depreciation	23.4	24.5	17.0	86.5
Impairment	0.0	145.6	0.0	145.6
Financial income	0.0	(0.1)	0.0	(0.2)
Financial costs	19.9	10.4	10.2	41.6
Change in working capital	(50.4)	12.3	42.9	15.3
Other items from operating activities	(19.9)	(10.8)	(5.7)	(22.0)
Net cash flow from operating activities	**(6.1)**	**30.3**	**63.9**	**171.5**
Acquisition of tangible assets	(433.5)	(64.9)	(341.9)	(700.7)
Interests received	0.0	0.1	0.0	0.2
Net cash flow from investing activities	**(433.5)**	**(64.8)**	**(341.9)**	**(700.5)**
Proceeds from new interest-bearing debt	503.3	10.0	1 030.0	1 290.0
Repayment of interest-bearing debt	(29.9)	(60.0)	(701.5)	(816.5)
New share issue	0.0	65.8	0.0	65.8
Dividends paid	0.0	1.0	(11.3)	(34.0)
Interests paid	(19.9)	(10.4)	(10.2)	(41.6)
Net cash flow from financing activities	**453.5**	**6.4**	**307.0**	**463.7**
Net cash flow	**13.9**	**(28.1)**	**29.0**	**(65.3)**
Cash and deposits at beginning of period	57.1	85.2	122.4	122.4
Cash and deposits at end of period	**71.0**	**57.1**	**151.4**	**57.1**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited figures in USD million)	Q1 16	Q4 15	Q1 15	2015
Equity at beginning of period	715.2	777.1	748.5	748.5
New share issue	0.0	65.8	0.0	65.8
Comprehensive income for the period	(32.7)	(128.7)	7.9	(65.1)
Dividends	0.0	1.0	(11.3)	(34.0)
Equity at end of period	**682.5**	**715.2**	**745.1**	**715.2**

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 first quarter of 2016 were authorised for issue in accordance with a resolution of the board of directors on 11 May 2016. 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.

NOTE 3: MATURITY PROFILE LIABILITIES AND CAPITAL COMMITMENTS

Next 12 months	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Total
Debt repayments	3.0	3.0	32.3	128.5	166.8
Interests	17.8	17.4	19.4	19.8	74.4
Other current liabilities	90.8	25.2	17.3	2.5	135.8
Total liabilities	**111.6**	**45.6**	**69.0**	**150.8**	**377.0**
Capital commitments	0.0	185.4	0.0	0.0	185.4

In January 2016, the syndicate banks granted two voluntary skip options in an aggregate amount of USD 130 million for the USD 1,300 million credit facilities. Prosafe has the right to exercise the options until 31 December 2017. First option was exercised in February 2016, which amounted to USD 65 million, following the delivery of Safe Zephyrus. Prosafe has also exercised a skip option for an instalment of USD 65 million falling due in August 2016.

Capital commitments relate to yard instalments, which mainly comprise the final instalment on Safe Eurus. However, given recent shifts in the contract portfolio the Company is working with the yard to find an amicable solution regarding the delivery of Safe Eurus and thereby reduce actual 2016 capital expenditure.

NOTE 4: FINANCIAL RESTRUCTURING

A dialogue has been commenced with the Company's key stakeholders, including the senior lenders, and the Company is currently working with stakeholders and advisors to evaluate alternatives to improve the financial situation of the Company. Amendments to the bank and bond agreements will be required in order to secure a robust financial foundation and to safeguard and further strengthen Prosafe's market leading position in the industry. The Company intends to communicate its financial plan during the second quarter of 2016.

NOTE 5: GOING CONCERN

The Board of Directors confirms that the accounts have been prepared under the assumption that the Company is a going concern and that this assumption is realistic at the date of the accounts. This assumption is based on the budgets for the year and the Prosafe Group's long-term forecasts for the following years. As a result of the suspension of the two contracts in Mexico and the increased liquidity risk, a material uncertainty around the going concern assumption has arisen. The Board of Directors has evaluated the financial forecasts including the assumptions for utilisation of the vessels and the charter day rates. These assumptions are based on prudent estimates compared to historical actuals. In the evaluation of the financial forecasts, factors such as the order backlog and cost saving initiatives have been considered. As referred to in the financial presentation of the Q4 2015 result, the Group has already achieved annual cost savings amounting to USD 15 million, with a target to double these annual savings. Cost savings to date and going forward include many cost categories, e.g. offshore operating costs, travel and salaries. Offshore activity level is forecasted to rebound from 2018 as industry cost reductions are taking full effect.

The Board of Directors has evaluated the Company's ability to reach a solution in the ongoing dialogue with the Company's key stakeholders, and concluded that it is likely to achieve a favourable outcome of this process. This conclusion is an important factor in the going concern assumption. The Board of Directors intends to announce a plan to secure financing of the Company shortly. As of today, such a plan is likely to involve a combination of one or more different alternatives including but not limited to, renegotiated restrictive covenants and debt restructuring.