FOURTH QUARTER 2016

Operations

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

Fleet utilisation[1] in the fourth quarter was 43 per cent (62 per cent).

Safe Boreas continued the contract with Repsol Sinopec (formerly Talisman Sinopec) in UK throughout the quarter. The Repsol Sinopec contract at Montrose has been extended until 27 February 2017.

Safe Zephyrus commenced the contract with Aker BP in Norway in late July 2016 and was on contract throughout the fourth quarter. The contract was extended until end January 2017.

Safe Notos commenced its 3 years and 222 days duration contract for Petrobras on 7 December 2016. Safe Concordia was fully contracted in the quarter for Petrobras and continues on short-term extensions at market adjusted dayrate.

Safe Scandinavia Tender Support Vessel (TSV) was fully contracted in the quarter with Statoil. The TSV contract has a firm period until July 2018.

In December 2016 following an audit by the Petroleum Safety Authority Norway (PSA), the PSA issued an order in relation to non conformances which are currently being closed out. Prosafe remain committed to safe and compliant operations at all times.

Regalia operated for Shell in the UK from the beginning of August until mid-October.

Safe Caledonia, Safe Bristolia, Safe Astoria, Safe Lancia and Safe Regency were all idle in the quarter and were laid up in various locations.

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

Safe Eurus is in a preserved mode with COSCO (Qidong) Offshore Co., Ltd (Cosco) in China awaiting recovery of the market. Prosafe has acquired control over the Axis Nova and Axis Vega semi submersibles which Prosafe intends to rename as Safe Nova and Safe Vega, respectively. Prosafe has commenced negotiations with Cosco where the vessels are currently being completed with the aim of reaching an acceptable commercial solution regarding timing and terms of delivery. If an agreement is not reached, Prosafe has the right to cancel the newbuild contracts due to late delivery and claim a refund of the gross deposit of approx. USD 60 million secured by Bank of China.

Following completion of the right to take delivery of the Axis Nova and Axis Vega vessels, Prosafe has recently decided to sell Safe Lancia for scrapping. This is the fourth vessel sold for scrap since the summer of 2016.

Financials

Fourth quarter 2016

EBITDA[2] for the fourth quarter amounted to USD 78.0 million (USD 51.4 million). This improvement is mainly due to an improved cost performance both onshore and offshore, mobilisation income of USD 17 million for Safe Notos and the contribution from Safe Scandinavia TSV.

As there are few prospects in the foreseeable future for the smallest vessel in the fleet, the Safe Astoria, an impairment of USD 84.7 million has been charged to the income statement in the fourth quarter.

[2] EBITDA = operating result before depreciation and amortisation

Operating loss for the fourth quarter amounted to USD 40.8 million (USD 118.7 million).

Net financial items amounted to USD 15.4 million positive (USD 22.2 million negative). The main contributing factor to this positive change is a favourable change in fair value of interest rate swaps.

Net loss equalled USD 32.7 million (USD 143.0 million).

Total assets at 31 December amounted to USD 2,687 million (USD 2,187 million). Net interest-bearing debt equalled USD 1,185 million (USD 1,190 million), and the book equity ratio[3] was 42.0 per cent (32.7 per cent).

Full year 2016

Utilisation of the fleet was 43 per cent (70 per cent). EBITDA for the full year amounted to USD 253.2 million (USD 262.9 million). The relatively small decline in EBITDA compared to the significantly reduced utilisation is due to a higher average day rate, which reflects that units which generate a relatively high day rate have been on contract during this year as opposed to last year when several of the vessels were on bareboat contracts in the Gulf of Mexico.

Depreciation and impairment amounted to USD 200.4 million (USD 232.1 million), and operating profit equalled USD 52.8 million (USD 30.8 million).

Net financial items for 2016 amounted to USD 136.9 million positive (USD 70.9 million negative). As part of the refinancing, a gain on forgiveness of bond debt of USD 197.6 million was recognised in the third quarter.

Net profit for 2016 equalled USD 172.6 million (net loss of USD 50.6 million).

Share capital and acquisitions of shares

On 9 November 2016 the settlement of the subsequent offering was completed and 504,000,000 new shares were issued.

[3] Book equity ratio = book equity / total assets x 100

On 30 November 2016 the Extraordinary General Meeting approved the reverse share split in the ratio of 100:1. Every 100 ordinary shares of nominal value EUR 0.001 each were consolidated into 1 ordinary share, each of nominal value EUR 0.10.

On 13 December 2016 the Company announced that agreements had been made with respect to the acquisition of all outstanding shares in the two single purpose companies Axis Nova Singapore Pte. Ltd. and Axis Vega Singapore Pte. Ltd. and 25% of the shares in Dan Swift (Singapore) Pte. Ltd.

The agreed consideration for the transaction of USD 70 million was settled by the issuance of 5,868,900 ordinary shares priced at NOK 30 per share, and subordinated zero coupon convertible bonds of NOK 403,092,000, convertible into 13,436,400 shares at a conversion price of NOK 30 per share. The transaction was completed during December 2016.

Subsequent to all the events described above, the number of shares in the Company as at 31 December 2016 is 71,399,002.

The acquisition of Axis Nova Singapore Pte. Ltd and Axis Vega Singapore Pte. Ltd. have been fully consolidated in the balance sheet as of 31 December 2016. The acquisition of Dan Swift (Singapore) Pte. Ltd has been accounted for as an investment in an associated company.

In addition, convertible bonds with ISIN no. 001077102.5 ("Convertible Bonds") of nominal value NOK 200,184 were converted into 8,007 new ordinary shares in the Company on 3 February 2017, based on the conversion price of NOK 25 per share. Following this part conversion, the remaining outstanding principal of the Convertible Bonds is now reduced to NOK 78,589,829. The number of outstanding shares in the Company has increased to 71,407,009 shares, each of nominal value EUR 0.1.

Update Westcon Dispute

The litigation process relating to the conversion of the Safe Scandinavia into a tender support vessel remains ongoing between Westcon Yards AS and Prosafe Rigs Pte. Ltd. The next phase includes a court mediation between the parties scheduled for mid March 2017.

Outlook

Prosafe continues to rebuild its position by taking the lead in respect of cost efficiency, scrapping, fleet renewal and consolidation while retaining its focus on safe operations at all times.

Positive developments recently include a new contract which has been secured for Safe Caledonia, in addition to securing short term extensions for Safe Concordia, Safe Boreas and Safe Zephyrus at market adjusted rates.
These developments, coupled with our prospects tracking, continue to indicate that the market is at or is near the bottom of the cycle and that we can anticipate a gradual recovery in demand and utilisation from 2018.

Further, a combination of elements such as falling reserve replacement ratios, significantly lower break-even prices for oil companies, apparent oil price stability and the fact that spending by oil companies on maintaining offshore fields cannot be deferred indefinitely, should result in guarded optimism about the future recovery in activity levels.

Larnaca, 8 February 2017

The Board of Directors of Prosafe SE

CONDENSED CONSOLIDATED INCOME STATEMENT

(Unaudited figures in USD million)	Q4 16	Q3 16	Q4 15	2016	2015
Operating revenues	125.8	129.8	103.9	474.0	474.7
Operating expenses	(47.8)	(61.5)	(52.5)	(220.8)	(211.8)
EBITDA	**78.0**	**68.3**	**51.4**	**253.2**	**262.9**
Depreciation	(34.1)	(29.1)	(24.5)	(115.7)	(86.5)
Impairment	(84.7)	0.0	(145.6)	(84.7)	(145.6)
Operating profit/loss	**(40.8)**	**39.2**	**(118.7)**	**52.8**	**30.8**
Interest income	0.1	0.1	0.1	0.3	0.2
Interest expenses	(18.4)	(28.7)	(10.4)	(85.6)	(41.6)
Other financial items	33.7	196.8	(11.9)	222.2	(29.5)
Net financial items	**15.4**	**168.2**	**(22.2)**	**136.9**	**(70.9)**
Profit/(Loss) before taxes	**(25.4)**	**207.4**	**(140.9)**	**189.7**	**(40.1)**
Taxes	(7.3)	(5.5)	(2.1)	(17.1)	(10.5)
Net profit/(loss)	**(32.7)**	**201.9**	**(143.0)**	**172.6**	**(50.6)**
EPS	**(0.51)**	**16.13**	**(58.85)**	**8.36**	**(21.29)**
Diluted EPS	**(0.47)**	**15.78**	**(58.85)**	**8.10**	**(21.29)**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited figures in USD million)	Q4 16	Q3 16	Q4 15	2016	2015
Net profit/(loss) for the period	**(32.7)**	**201.9**	**(143.0)**	**172.6**	**(50.6)**
Foreign currency translation	(1.5)	3.1	(4.3)	1.7	(5.0)
Revaluation hedging instruments	3.3	14.7	18.6	(22.2)	(9.5)
Other comprehensive income	**1.8**	**17.8**	**14.3**	**(20.5)**	**(14.5)**
Comprehensive income	**(30.9)**	**219.7**	**(128.7)**	**152.1**	**(65.1)**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited figures in USD million)	31.12.16	30.09.16	31.12.15
Goodwill	226.7	226.7	226.7
Vessels	2 029.3	1 887.3	1 578.6
New builds	122.2	318.8	228.5
Other non-current assets	13.9	4.1	4.9
Total non-current assets	**2 392.1**	**2 436.9**	**2 038.7**
Cash and deposits	205.7	183.4	57.1
Other current assets	89.1	90.9	91.4
Total current assets	**294.8**	**274.3**	**148.5**
Total assets	**2 686.9**	**2 711.2**	**2 187.2**
Share capital	7.9	6.7	72.1
Other equity	1 121.6	1 070.3	643.1
Total equity	**1 129.5**	**1 077.0**	**715.2**
Interest-free long-term liabilities	62.2	102.1	58.9
Interest-bearing long-term debt	1 342.9	1 373.3	1 107.5
Total long-term liabilities	**1 405.1**	**1 475.4**	**1 166.4**
Other interest-free current liabilities	104.4	105.8	166.1
Current portion of long-term debt	47.9	53.0	139.5
Total current liabilities	**152.3**	**158.8**	**305.6**
Total equity and liabilities	**2 686.9**	**2 711.2**	**2 187.2**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(Unaudited figures in USD million)	Q4 16	Q3 16	Q4 15	2016	2015
Profit/(Loss) before taxes	(25.4)	207.4	(140.9)	189.7	(40.1)
Unrealised currency (gain)/loss on debt	0.0	2.3	(10.9)	18.3	(56.6)
Gain on forgiveness of bond debt	0.0	(197.6)	0.0	(197.6)	0.0
Loss/(Gain) on sale of non-current assets	(0.8)	(0.3)	0.2	(0.6)	1.4
Depreciation	34.1	29.1	24.5	115.7	86.5
Impairment	84.7	0.0	145.6	84.7	145.6
Financial income	(0.1)	(0.1)	(0.1)	(0.3)	(0.2)
Financial costs	18.4	28.7	10.4	85.6	41.6
Change in working capital	0.4	(4.6)	12.3	(59.4)	15.3
Other items from operating activities	(44.6)	16.0	(10.8)	(50.2)	(22.0)
Net cash flow from operating activities	**66.7**	**80.9**	**30.3**	**185.9**	**171.5**
Acquisition of tangible assets	(3.2)	(21.1)	(64.9)	(483.9)	(700.7)
Proceeds from sale of tangible assets	0.0	0.3	0.0	0.7	0.0
Interests received	0.1	0.1	0.1	0.3	0.2
Net cash flow from investing activities	**(3.1)**	**(20.7)**	**(64.8)**	**(482.9)**	**(700.5)**
Proceeds from new interest-bearing debt	0.0	0.0	10.0	503.3	1 290.0
Repayment of interest-bearing debt	(36.3)	(43.3)	(60.0)	(112.5)	(816.5)
New share issue	13.4	127.0	65.8	140.4	65.8
Dividends paid	0.0	0.0	1.0	0.0	(34.0)
Interests paid	(18.4)	(28.7)	(10.4)	(85.6)	(41.6)
Net cash flow from financing activities	**(41.3)**	**55.0**	**6.4**	**445.6**	**463.7**
Net cash flow	**22.3**	**115.2**	**(28.1)**	**148.6**	**(65.3)**
Cash and deposits at beginning of period	183.4	68.2	85.2	57.1	122.4
Cash and deposits at end of period	**205.7**	**183.4**	**57.1**	**205.7**	**57.1**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited figures in USD million)	Q4 16	Q3 16	Q4 15	2016	2015
Equity at beginning of period	1 077.0	678.5	777.1	715.2	748.5
New share issue	83.4	178.8	65.8	262.2	65.8
Comprehensive income for the period	(30.9)	219.7	(128.7)	152.1	(65.1)
Dividends	0.0	0.0	1.0	0.0	(34.0)
Equity at end of period	**1 129.5**	**1 077.0**	**715.2**	**1 129.5**	**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 fourth quarter of 2016 were authorised for issue in accordance with a resolution of the board of directors on 8 February 2017. 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: FINANCIAL RESTRUCTURING

On 23 August 2016 the Extraordinary General Meeting of Prosafe SE resolved to issue shares as a part of a comprehensive refinancing of the group. Apart from the private placement, the refinancing includes a conversion of bonds to equity, a conversion of bonds to convertible bonds, a cash-out of bonds, a reduction of amortisation on bank facilities. In addition, the Company has agreed with Cosco to defer delivery of Safe Eurus to Q4 2019 and a deferral of a repayment of the USD 29 million Safe Notos seller's credit to Q4 2019. At a price of NOK 0.25 per share, the Company has issued 4,376,600,000 new shares in the private placement and 1,400,839,757 shares to the bondholders. In addition to shares, the bondholders received USD 40.3 million in cash plus NOK 82.8 million (USD 9.8 million) convertible into shares in Prosafe. All bonds have been settled against cash, conversion to shares or convertible bonds. Amortisation on bank facilities has been reduced for four years from Q1 2017 until and including Q4 2020, with a total positive liquidity effect for the Company of USD 478 million. There is also a significant financial covenant relief on all facilities. As part of the refinancing, the subsequent repair offering was launched on 14 October 2016, and 504,000,000 new shares at a subscription price of NOK 0.25 (approx. USD 15 million in total) were issued in November 2016. On 30 November 2016 the Extraordinary General Meeting approved the reverse share split in the ratio of 100:1. Every 100 ordinary shares of nominal value EUR 0.001 each were consolidated into 1 ordinary share, each of nominal value EUR 0.10.

NOTE 4: ACQUISITION OF SHARES AND NEW SHARE ISSUE

On 13 December 2016 the Company announced that definitive agreements with respect to the acquisitions of all outstanding shares in the two single purpose companies Axis Nova Singapore Pte. Ltd. and Axis Vega Singapore Pte. Ltd. and 25% of the shares in Dan Swift (Singapore) Pte. Ltd. The agreed consideration for the transaction of USD 70 million was settled by the issuance of 5,868,900 ordinary shares priced at NOK 30 per share, and subordinated zero coupon convertible bonds of NOK 403,092,000, convertible into 13,436,400 shares at a conversion price of NOK 30 per share. The transaction was completed during December 2016. Subsequent to this share issue, the number of shares in the Company is 71,399,002.

The acquisitions of Axis Nova Singapore Pte Ltd and Axis Vega Singapore Pte Ltd have been fully consolidated in the balance sheet as of 31 December 2016. The acquisition of Dan Swift (Singapore) Pte Ltd has been accounted for as an investment in an associated company. Out of the total consideration of USD 70 million referred to above, USD 30 million each has been allocated to the Safe Nova and Safe Vega and USD 10 million has been allocated to the shares in Dan Swift (Singapore) Pte Ltd.

NOTE 5: IMPAIRMENT

Management has performed an impairment assessment of the fixed assets in line with IFRS. Management looked at each individual vessel as a cash generating unit, and concluded that there is an impairment relating to one of the accommodation vessels, the Safe Astoria, due to a weaker market outlook. On this basis, an impairment charge amounting to USD 84.7 million has been made in the accounts. The estimated recoverable amount of the assets, the value in use, is nil.

NOTE 6: 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 arose during the first quarter this year. Based on the successful completion of the refinancing of described in note 3 above, the Board of Directors concludes that the going concern assumption is justified.