Prosafe

FIRST QUARTER 2018

EBITDA for the first quarter amounted to USD 49.2 million (USD 32.8 million). Despite lower vessels utilisation in the quarter, EBITDA is higher due to lower operating expenses from continuous cost reduction exercises and the revenue adjustment relating to the adaption of IFRS 15 (USD 8.7 million). Cash flow from operations was USD 51.3 million (USD 73.8 million).

Highlights in the quarter

- Continued good operating performance
- Utilisation of 33.3 per cent in the quarter
- Operating revenues at USD 82.8 million
- Cash flow from operations at USD 51.3 million
- BP has awarded Prosafe a five-month contract for the provision of Safe Caledonia
- Prosafe wins Westcon dispute regarding the TSV Safe Scandinavia conversion. The Court gave judgement in favour of Prosafe, and has decided that Westcon must repay Prosafe NOK 344 million plus interest and NOK 10.6 million legal costs.
- Established presence in Mexico

Operations

(Figures in brackets refer to the corresponding period of 2017)

Fleet utilisation[1] in the first quarter of 2018 was 33.3 per cent (Q1 2017: 40 per cent).

The Safe Scandinavia Tender Support Vessel (TSV) was fully contracted in the quarter for Statoil at Oseberg East with a firm contract period until the end of June 2018.
Safe Caledonia is currently n the UK preparing to commence a five-month contract for BP at the Clair Ridge platform in the UK around end of May.

Safe Notos commenced a three-year and 222-day contract for Petrobras on 7 December 2016 and was fully contracted in the quarter.

Safe Boreas continued the contract with Statoil at the Mariner installation in the UK and was in full operation throughout the quarter. The firm contract ends early September 2018. In addition, Statoil can exercise six one-month options.

Safe Zephyrus is scheduled to commence the Johan Sverdrup project for Statoil mid-May 2018 for a firm period of 12 months.

Safe Concordia, Regalia, Safe Bristolia and Safe Astoria were idle in the quarter. Safe Concordia is laid-up in Curacao. Regalia and Safe Bristolia are laid-up in Norway, while Safe Astoria is laid-up in Indonesia.

The Safe Eurus is in a preserved, strategic stacking mode and negotiations continue with COSCO to find a workable commercial solution. Consistent with previous quarters, the company has accrued for lay-up cost for Safe Eurus, 50 percent of such cost to be paid on delivery and the remaining 50 percent after delivery, in accordance with the agreement with COSCO.

Prosafe continues to work with COSCO (Qidong) to find a workable commercial solution for the three completed vessels (Safe Nova, Safe Vega and Safe Eurus) that currently reside in COSCO's Qidong shipyard in China.

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

On 2 April 2018, the standstill agreement between Prosafe and COSCO relating to Safe Nova and Safe Vega was extended until 20 May 2018. Prosafe remains in negotiations with COSCO and related parties for these vessels. If no agreement is reached, Prosafe has the right to cancel the new-build contracts for Safe Nova and Safe Vega due to delay, and claim repayment of the instalments paid including interest of approx. USD 60 million in total. The repayment claim is secured by a refund guarantee from Bank of China.

On 8 March 2018, the Stavanger City Court issued its judgement in favour of Prosafe in respect of the dispute between Westcon Yards AS (Westcon) and Prosafe Rigs Pte. Ltd. relating to the conversion of the Safe Scandinavia into a tender support vessel. The Court ordered Westcon to repay NOK 344 million plus interest and NOK 10.6 million legal costs. On 19 April 2018, Westcon filed an appeal against this judgement. Prosafe will continue to pursue its case in order to improve on the result in the first instance.

Financials

EBITDA[2] for the first quarter amounted to USD 49.2 million (USD 32.8 million). The increase despite lower utilisation is mainly due to lower operating expenses resulting from continuous cost reductions and the revenue adjustment relating to the adoption of IFRS 15 (USD 8.7 million).

Depreciation was USD 27.3 million (USD 35.4 million) in the quarter. The decline is due to the lower carrying value of the assets following the impairments carried out in Q3 2017 which is partly offset by reclassification of Special Periodic Survey (SPS) costs (USD 2 million).

Operating profit for the first quarter amounted to USD 21.8 million (operating loss of USD 2.6 million).

Net financial costs amounted to USD 2.7 million (USD 14.9 million). Fair value adjustment for interest rate swaps and currency forwards amounted to USD 16.1 million positive (USD 6.3 million positive).

Net profit equalled USD 15.9 million (net loss of USD 19.1 million).

Total assets at 31 March amounted to USD 1,940.4 million (USD 2,655.8 million). Net interest-bearing debt equalled USD 1089.3 million (USD 1,133.6 million), and the book equity ratio was 25 per cent (42 per cent).

Outlook

Prosafe was awarded a five-month contract by BP mid March, for the provision of Safe Caledonia to operate at the Clair Ridge platform in the UK.

Despite the positive development in respect of the above opportunity in the UK the company continues to see low incremental activity in the North Sea in the short term.

However, there is an increase in enquiries outside the North Sea with international markets becoming increasingly important, especially Brazil and Mexico. It is anticipated that these two markets will be key in the longer term with opportunities expected to arise first in Brazil.

While proactively evaluating different market requirements, Prosafe continues its efforts on cost efficiencies and business improvement so as to ensure the company is well placed before the market upturn. Indications remain that the general demand for accommodation services will gradually pick up from 2019.

Oslo, 3 May 2018

The Board of Directors of Prosafe SE

[2] EBITDA = operating result before depreciation and amortisation

CONDENSED CONSOLIDATED INCOME STATEMENT

(Unaudited figures in USD million)	Note	Q1 18	Q4 17	Q1 17	2017
Operating revenues		82.8	76.7	75.7	283.0
Operating expenses	3	(33.6)	(34.6)	(42.9)	(152.1)
Operating result before depreciation	3	**49.2**	**42.1**	**32.8**	**130.9**
Depreciation	3	(27.3)	(27.2)	(35.4)	(135.2)
Impairment		(0.1)	35.1	0.0	(573.9)
Operating profit/(loss)		**21.8**	**50.0**	**(2.6)**	**(578.2)**
Interest income		0.4	0.4	0.1	1.4
Interest expenses		(20.6)	(19.2)	(18.6)	(74.9)
Other financial items		17.5	11.4	3.6	12.4
Net financial items		**(2.7)**	**(7.4)**	**(14.9)**	**(61.1)**
Profit/(Loss) before taxes		**19.1**	**42.6**	**(17.5)**	**(639.3)**
Taxes		(3.2)	(2.6)	(1.6)	(7.8)
Net profit/(loss)		**15.9**	**40.0**	**(19.1)**	**(647.1)**
EPS		**0.20**	**0.56**	**-0.27**	**-8.98**
Diluted EPS		**0.18**	**0.45**	**-0.22**	**-7.35**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited figures in USD million)	Q1 18	Q4 17	Q1 17	2017
Net profit/(loss) for the period	**15.9**	**40.0**	**(19.1)**	**(647.1)**
Foreign currency translation	1.5	(1.3)	0.5	2.0
Revaluation hedging instruments	3.3	3.3	3.3	13.2
Other comprehensive income	**4.8**	**2.0**	**3.8**	**15.2**
Comprehensive income	**20.7**	**42.0**	**(15.3)**	**(631.9)**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited figures in USD million)	**31/03/18**	**31/12/17**	**31/03/17**
Goodwill	0.0	0.0	226.7
Vessels	1,501.1	1,527.2	1,997.8
New builds	125.2	125.2	123.3
Other non-current assets	10.2	10.5	13.9
Total non-current assets	**1,636.5**	**1,662.9**	**2,361.7**
Cash and deposits	254.0	231.9	250.6
Other current assets	49.9	52.2	43.5
Total current assets	**303.9**	**284.1**	**294.1**
Total assets	**1,940.4**	**1,947.0**	**2,655.8**
Share capital	8.9	8.9	7.9
Other equity	477.6	488.7	1,106.3
Total equity	**486.5**	**497.6**	**1,114.2**
Interest-free long-term liabilities	43.9	57.5	61.1
Interest-bearing long-term debt	1,324.7	1,329.1	1,336.3
Total long-term liabilities	**1,368.6**	**1,386.6**	**1,397.4**
Other interest-free current liabilities	66.7	44.2	96.3
Current portion of long-term debt	18.6	18.6	47.9
Total current liabilities	**85.3**	**62.8**	**144.2**
Total equity and liabilities	**1,940.4**	**1,947.0**	**2,655.8**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(Unaudited figures in USD million)	Note	Q1 18	Q4 17	Q1 17	2017
Profit/(Loss) before taxes		19.1	42.6	(17.5)	(639.3)
Share of loss of equity of an associate		0.2	3.1	0.0	3.1
Gain on sale of non-current assets		0.0	(0.1)	0.0	(1.1)
Depreciation	3	27.3	27.2	35.4	135.2
Impairment		0.1	(35.1)	0.0	573.9
Financial income		(0.4)	(0.4)	(0.1)	(1.4)
Financial costs		20.6	19.2	18.6	74.9
Change in working capital	2	(4.7)	(0.7)	37.5	11.8
Other items (used in) from operating activities	3	(5.6)	(5.2)	1.0	13.4
Taxes paid		(5.3)	(6.4)	(1.1)	(14.4)
Net cash flow from operating activities		**51.3**	**44.2**	**73.8**	**156.1**
Acquisition of tangible assets		(1.2)	(0.1)	(3.0)	(10.1)
Proceeds from sale of tangible assets		0.0	0.1	0.0	1.1
Interests received		0.4	0.4	0.1	1.4
Net cash flow (used in) from investing activities		**(0.8)**	**0.4**	**(2.9)**	**(7.6)**
Proceeds from new interest-bearing debt		0.0	0.0	0.0	0.0
Repayment of interest-bearing debt		(7.8)	(1.3)	(7.4)	(47.4)
New share issue		0.0	0.0	0.0	0.0
Interests paid		(20.6)	(19.2)	(18.6)	(74.9)
Net cash flow used in financing activities		**(28.4)**	**(20.5)**	**(26.0)**	**(122.3)**
Net cash flow		**22.1**	**24.1**	**44.9**	**26.2**
Cash and deposits at beginning of period		231.9	207.8	205.7	205.7
Cash and deposits at end of period		**254.0**	**231.9**	**250.6**	**231.9**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited figures in USD million)	Q1 18	Q4 17	Q1 17	2017
Equity at beginning of period	497.6	455.6	1,129.5	1,129.5
IFRS 15 adjustment to opening balance	(31.8)	0.0	0.0	0.0
Revised equity at beginning of period	**465.8**	**455.6**	**1,129.5**	**1,129.5**
New share issue	0.0	0.0	0.0	0.0
Comprehensive income for the period	20.7	42.0	(15.3)	(631.9)
Equity at end of period	**486.5**	**497.6**	**1,114.2**	**497.6**

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 2018 were authorised for issue in accordance with a resolution of the board of directors on 3 May 2018. 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 with the exception of IFRS 15 being adopted effective 1 January 2018. As described in note 3 to the 2017 consolidated financial statements, the 2018 equity opening balance has been reduced by USD 31.8 million with a corresponding increase in deferred income (other current liabilities). The adjustment is due to deferred recognition of mobilisation and re-scheduling fees as well as earlier recognition of demobilisation fees. All adjustments relate to the current contracts for Safe Scandinavia, Safe Notos and Safe Boreas. Comparatives for 2017 have not been changed.

The adjustments will have a positive impact on the revenue and the operating result as follows:

(Unaudited figures in USD million)	**Q1 2018**	**Q2 - Q4 2018**	**2019**	**2020**
Revenue	8.7	15.9	4.7	2.5
Operating result before depreciation	8.7	15.9	4.7	2.5

NOTE 3: RECLASSIFICATION

To align with the industry practice and purify the operating expenses, the company has reclassified Special Periodic Survey (SPS) costs from operating expenses to depreciation. There is no impact to the net operating profit (loss) or cashflow. The tables below show the effect to the income statement and cash flow statement.

CONDENSED CONSOLIDATED INCOME STATEMENT

<u>Previously Reported</u>

(Unaudited figures in USD million)	**Q4 17**	**Q1 17**	**2017**
Operating expenses	(36.6)	(44.9)	(160.1)
Operating result before depreciation	**40.1**	**30.8**	**122.9**
Depreciation	(25.2)	(33.4)	(127.2)

Adjusted effect with SPS reclassed from operating expense to depreciation

(Unaudited figures in USD million)	**Q4 17**	**Q1 17**	**2017**
Operating expenses	(34.6)	(42.9)	(152.1)
Operating result before depreciation	**42.1**	**32.8**	**130.9**
Depreciation	(27.2)	(35.4)	(135.2)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Previously Reported

(Unaudited figures in USD million)	**Q4 17**	**Q1 17**	**2017**
Depreciation	25.2	33.4	127.2
Other items (used in) from operating activities	(3.2)	3.0	21.4

Adjusted effect with SPS reclassed from operating expense to depreciation

(Unaudited figures in USD million)	**Q4 17**	**Q1 17**	**2017**
Depreciation	27.2	35.4	135.4
Other items (used in) from operating activities	(5.2)	1.0	13.4

NOTE 4: EVENTS AFTER THE BALANCE SHEET DATE

Westcon dispute - contingent asset

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 Prosafe 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 Prosafe disputed Westcon's claim and claimed a substantial repayment. The Court decided in favour of Prosafe that Westcon must repay Prosafe NOK 344 million plus interest and NOK 10.6 million of legal costs.

On 19 April 2018, Westcon has filed an appeal against the Stavanger City Court judgement. Awaiting the final appeal outcome of the dispute, Prosafe considers the amount payable by Westcon to be a contingent asset under IAS 37, and has therefore not recognised the amount per first quarter 2018.