



4 May 2018



# Q1 2018 results and market update

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# Q1 2018 highlights

- 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
- Safe Caledonia awarded a five-month contract for BP in the UK with start-up around end of May
- Prosafe wins Westcon dispute regarding the TSV Safe Scandinavia conversion
- Established in Mexico
- Delivering on cost and capex reductions. Focus on continuous improvement remains





# Agenda

- **Financial results**
- Business & Operations
- Outlook
- Strategy & Summary



# Income statement

## CONDENSED CONSOLIDATED INCOME STATEMENT

(Unaudited figures in USD million)

	Q1 18	Q4 17	Q1 17	2017
Operating revenues	82.8	76.7	75.7	283.0
Operating expenses	(33.6)	(34.6)	(42.9)	(152.1)
<b>Operating result before depreciation</b>	<b>49.2</b>	<b>42.1</b>	<b>32.8</b>	<b>130.9</b>
Depreciation	(27.3)	(27.2)	(35.4)	(135.2)
Impairment	(0.1)	35.1	0.0	(573.9)
<b>Operating profit/(loss)</b>	<b>21.8</b>	<b>50.0</b>	<b>(2.6)</b>	<b>(578.2)</b>
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
<b>Net financial items</b>	<b>(2.7)</b>	<b>(7.4)</b>	<b>(14.9)</b>	<b>(61.1)</b>
<b>Profit/(Loss) before taxes</b>	<b>19.1</b>	<b>42.6</b>	<b>(17.5)</b>	<b>(639.3)</b>
Taxes	(3.2)	(2.6)	(1.6)	(7.8)
<b>Net profit/(loss)</b>	<b>15.9</b>	<b>40.0</b>	<b>(19.1)</b>	<b>(647.1)</b>
<b>EPS</b>	<b>0.20</b>	<b>0.56</b>	<b>-0.27</b>	<b>-8.98</b>
<b>Diluted EPS</b>	<b>0.18</b>	<b>0.45</b>	<b>-0.22</b>	<b>-7.35</b>

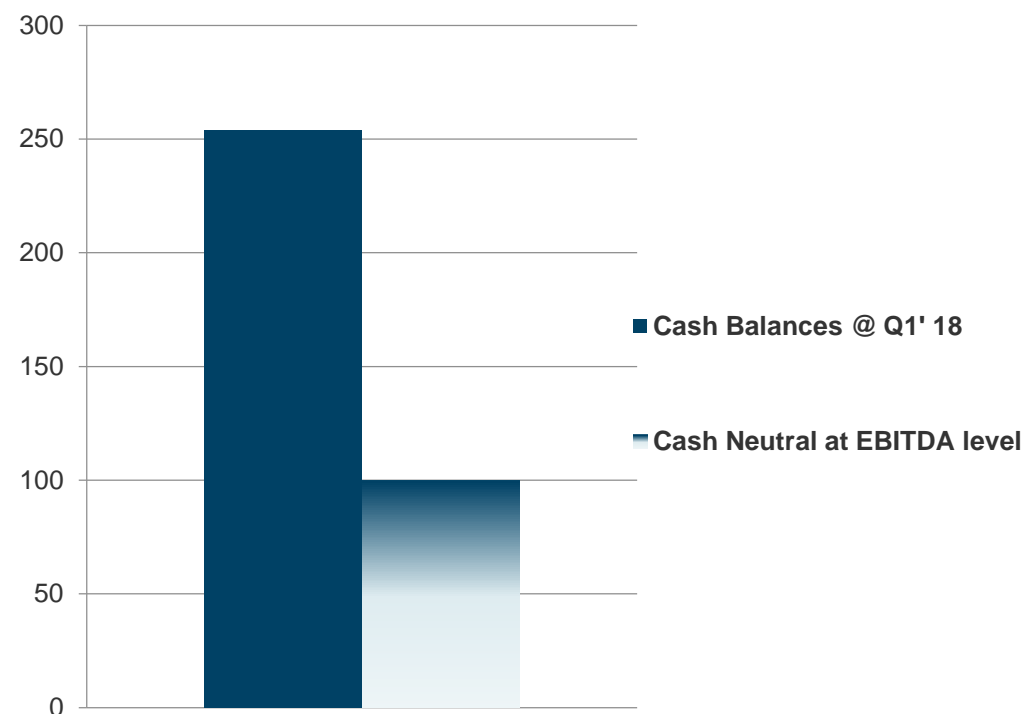
# Balance sheet

## 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
<b>Total non-current assets</b>	<b>1,636.5</b>	<b>1,662.9</b>	<b>2,361.7</b>
Cash and deposits	254.0	231.9	250.6
Other current assets	49.9	52.2	43.5
<b>Total current assets</b>	<b>303.9</b>	<b>284.1</b>	<b>294.1</b>
<b>Total assets</b>	<b>1,940.4</b>	<b>1,947.0</b>	<b>2,655.8</b>
Share capital	8.9	8.9	7.9
Other equity	477.6	488.7	1,106.3
<b>Total equity</b>	<b>486.5</b>	<b>497.6</b>	<b>1,114.2</b>
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
<b>Total long-term liabilities</b>	<b>1,368.6</b>	<b>1,386.6</b>	<b>1,397.4</b>
Other interest-free current liabilities	66.7	44.2	96.3
Current portion of long-term debt	18.6	18.6	47.9
<b>Total current liabilities</b>	<b>85.3</b>	<b>62.8</b>	<b>144.2</b>
<b>Total equity and liabilities</b>	<b>1,940.4</b>	<b>1,947.0</b>	<b>2,655.8</b>

# Efficiently protecting the cash position

- Good cash flow generation
  - Operating cash-flow of USD 51.3 million in Q118
  - Comfortable cash position: USD 254 million per Q118 (USD 231.9 million per YE 2017)
- Cash neutral at EBITDA of approx. USD 90-100 million<sup>1)</sup>



<sup>1)</sup> 2018 is, however, impacted by IFRS 15 revenue adjustment of approx. USD 25 million. The adjustment will increase revenue and EBITDA, but is a non-cash item.



# Agenda

- Financial results
- **Business & Operations**
- Outlook
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# Prosafe wins the Westcon dispute

- Ruling on 8 March:
  - The Court issued its judgement in favour of Prosafe, and decided that Westcon must pay Prosafe NOK 344 million plus interest and NOK 10.6 million legal costs.
- Westcon has filed an appeal. Prosafe will file a counter appeal.
- Prosafe will continue to pursue its case in order to improve on the result in the first instance.



# Fleet renewal strategy – controlling 3 new builds at COSCO

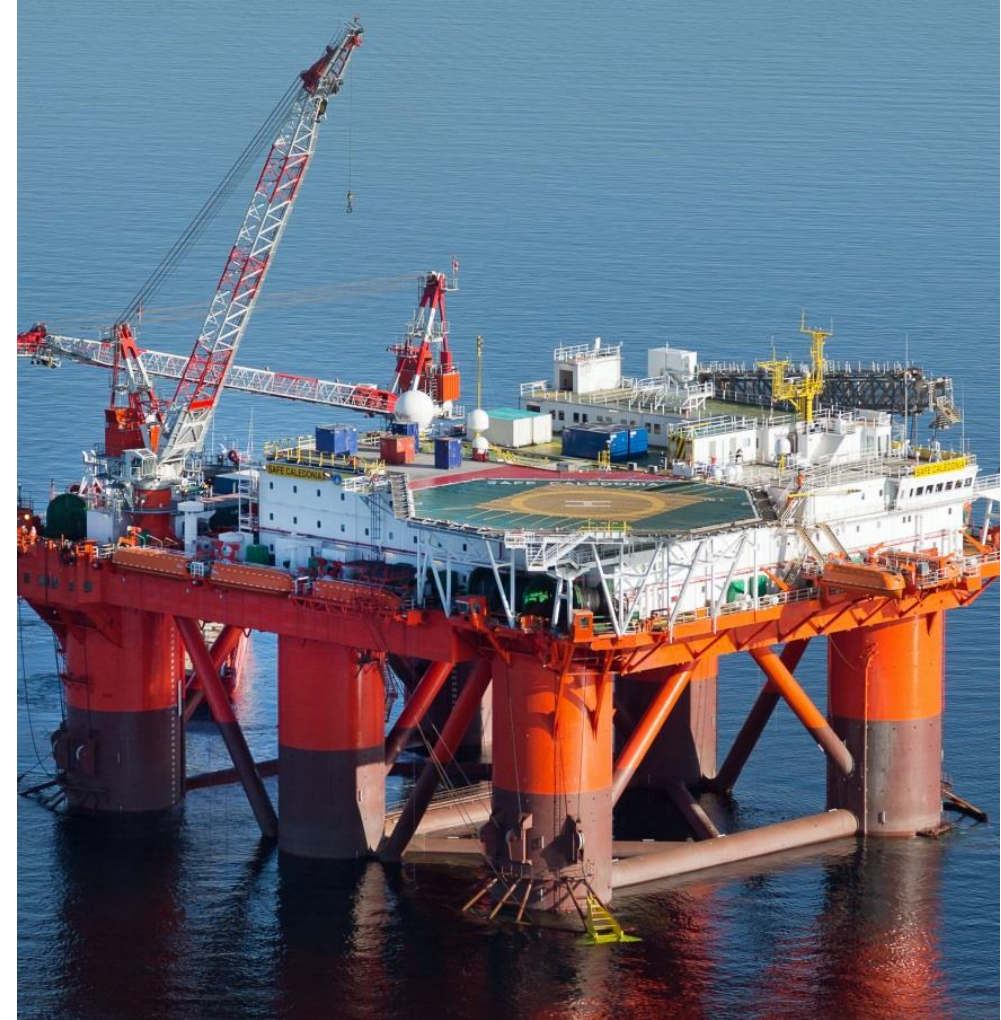
- A key strategic goal for Prosafe is fleet renewal
- Negotiations with COSCO regarding Safe Nova, Safe Vega and Safe Eurys is ongoing.
  - The standstill agreement between Prosafe and COSCO related to Safe Nova and Safe Vega has been extended until 20 May 2018.
- Prosafe is looking for optionality and value creation potential primarily from financing terms and timing of delivery, as well as price
  - Downside protection from the right to cancel Safe Nova and Safe Vega newbuild contracts and claim a refund of instalments plus interest equal to approx. USD 60 million secured by Bank of China.





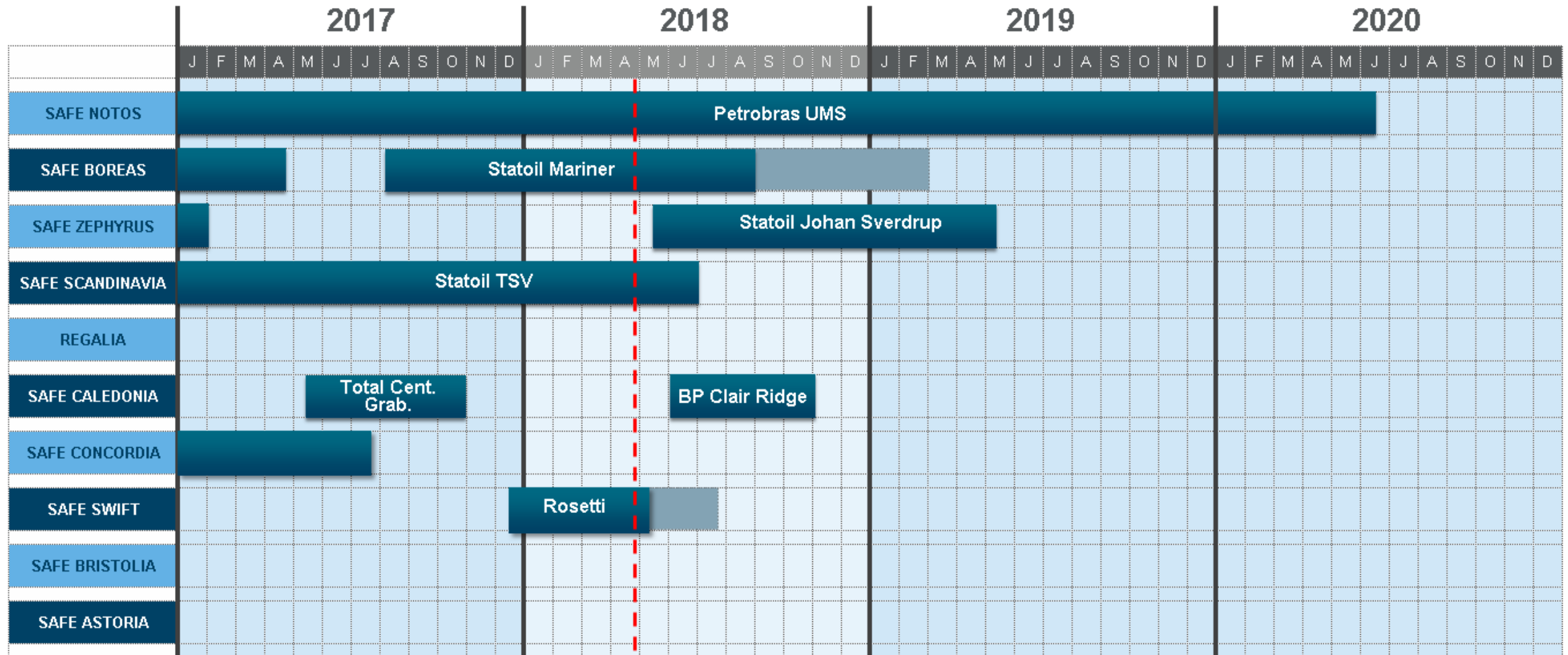
# New contract for Safe Caledonia

- Five-month contract with BP for the provision of the Safe Caledonia at the Clair Ridge platform West of Shetland on the UKCS.
  - The contract will commence end-May 2018 providing gangway connected operations to support hook up and commissioning activities.
  - Total value of the contract period is approximately USD 13.5 million.



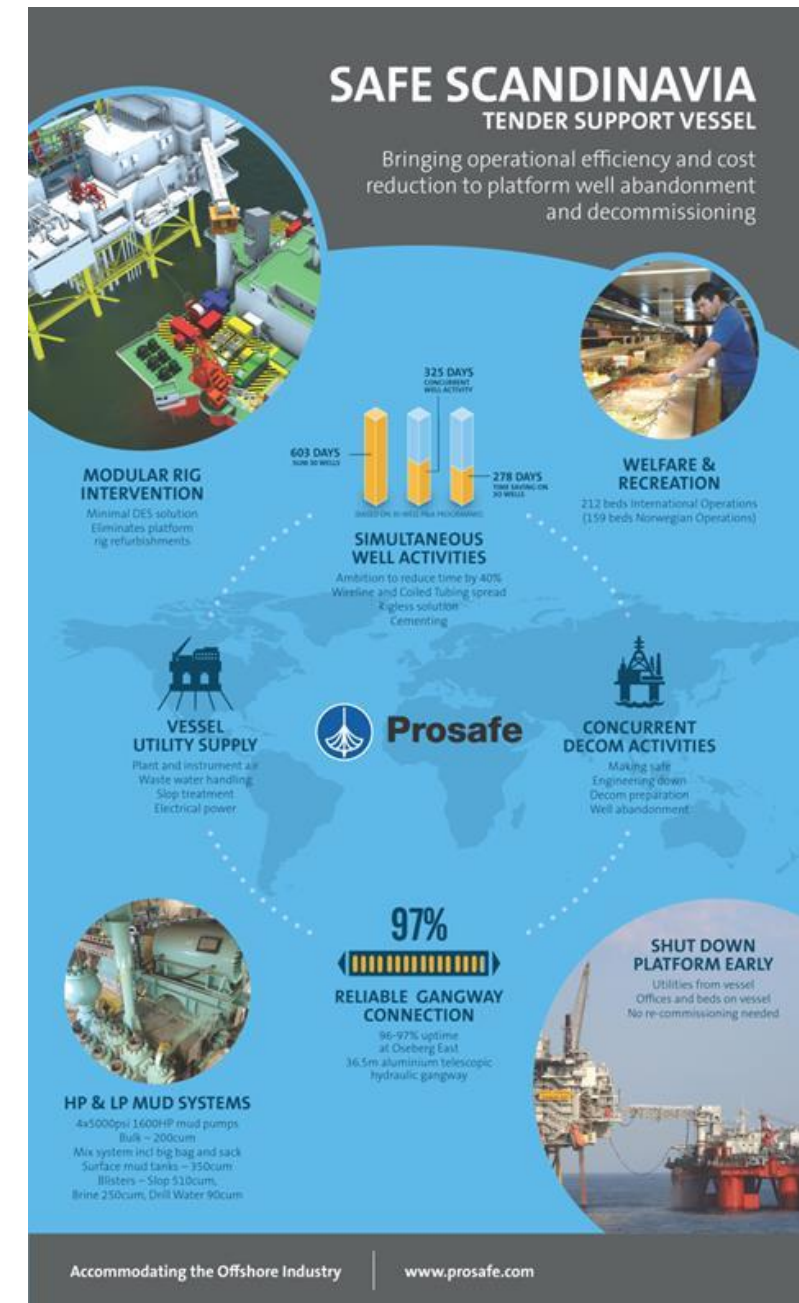


# Contract status



# Safe Scandinavia future opportunities

- In addition to marketing the vessel for TSV- and Accommodation Services, Prosafe is in dialogue with blue chip companies to collaborate within Plug and Abandonment (P&A) and Decommissioning:
  - Well Plug & Abandonment: ambition to reduce the total project time for P&A by 30-50% with activities undertaken in parallel
  - Well intervention
  - “Making Safe” / other Decommissioning preparation activities concurrently with P&A
- Vessel is being marketed globally





# Agenda

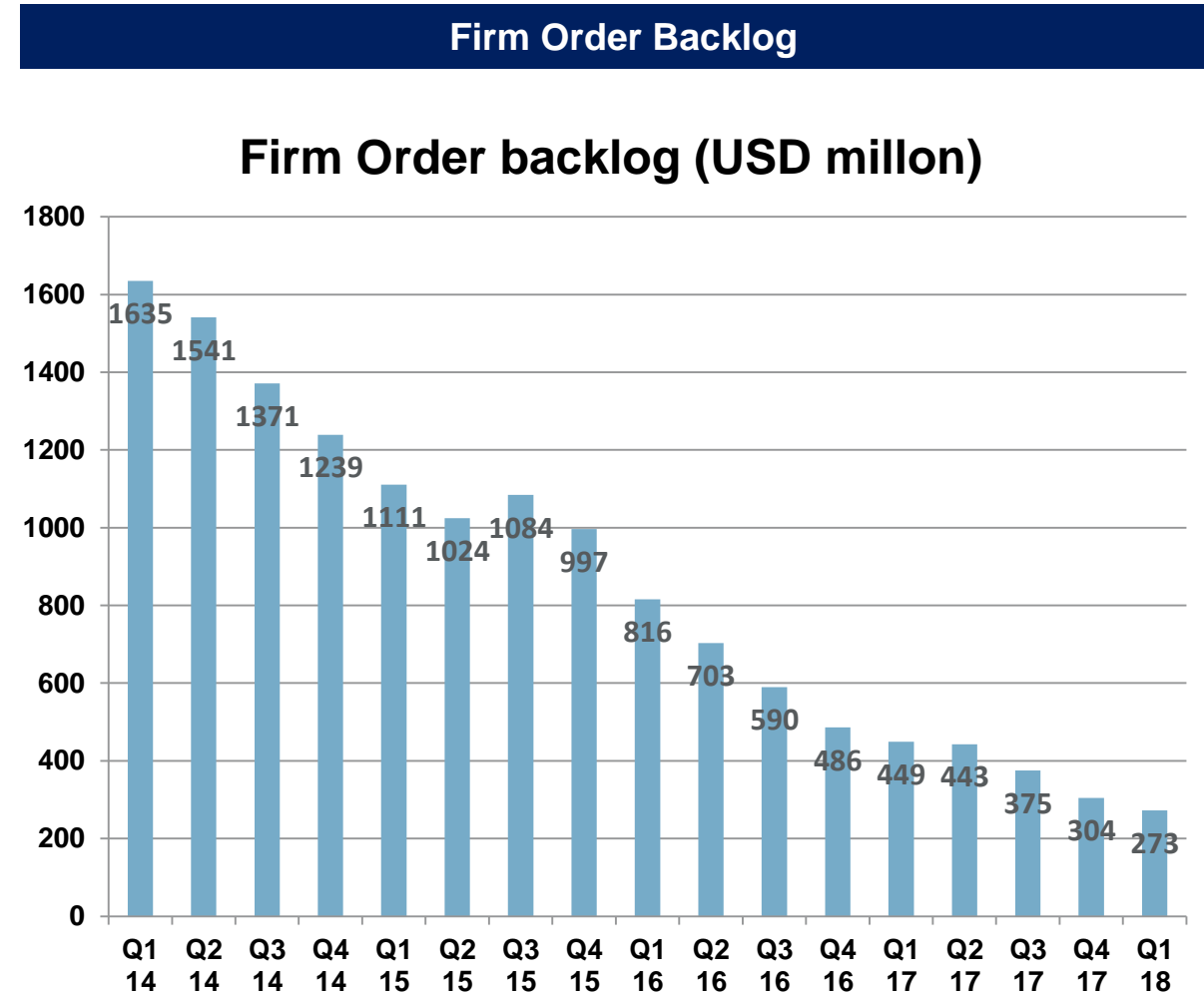
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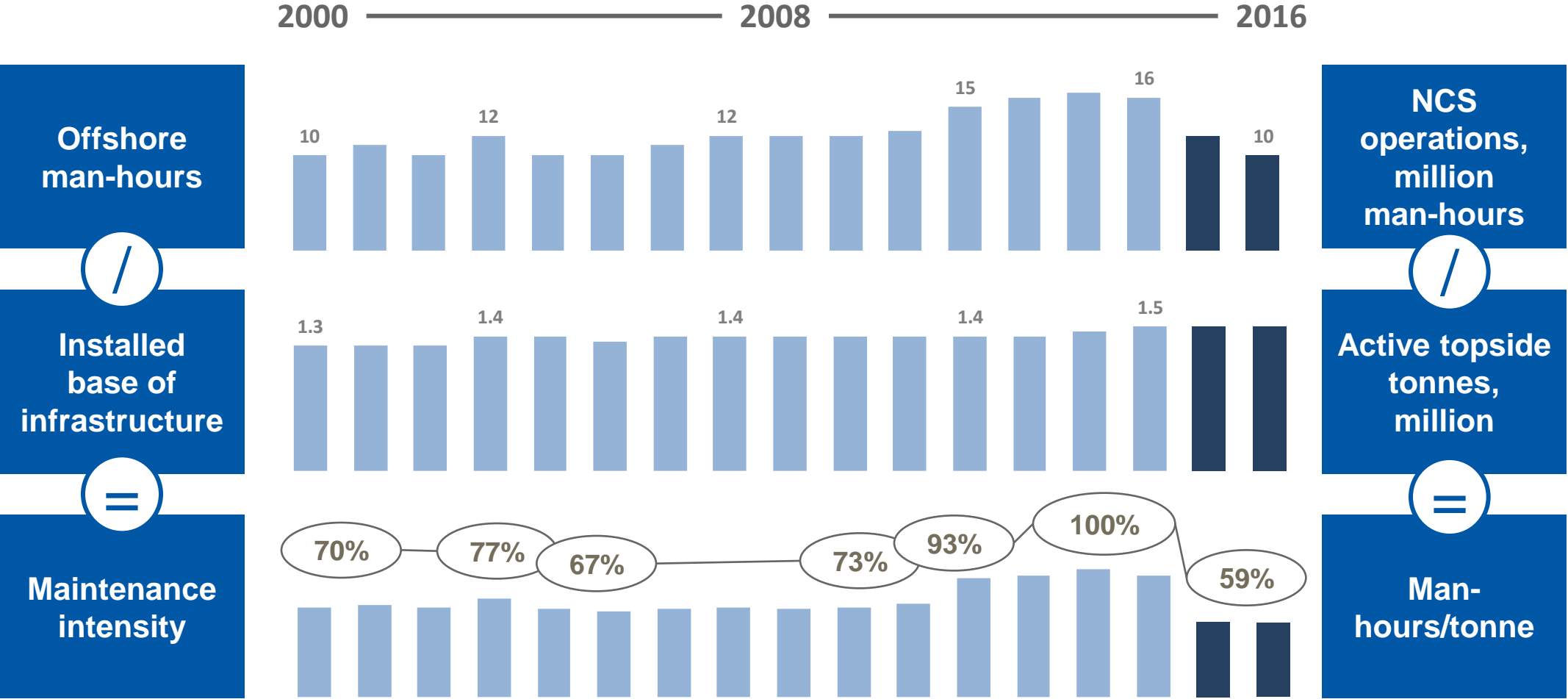


# Firm order backlog development

- Prosafe's firm backlog has fallen to USD 273 million per Q1 2018
- Strategy of fleet renewal to be well positioned in all key markets when demand returns
- Require M&M to come back to replace current activity which is predominantly HUC
- Require demand to pick up in both North Sea, Brazil and Mexico



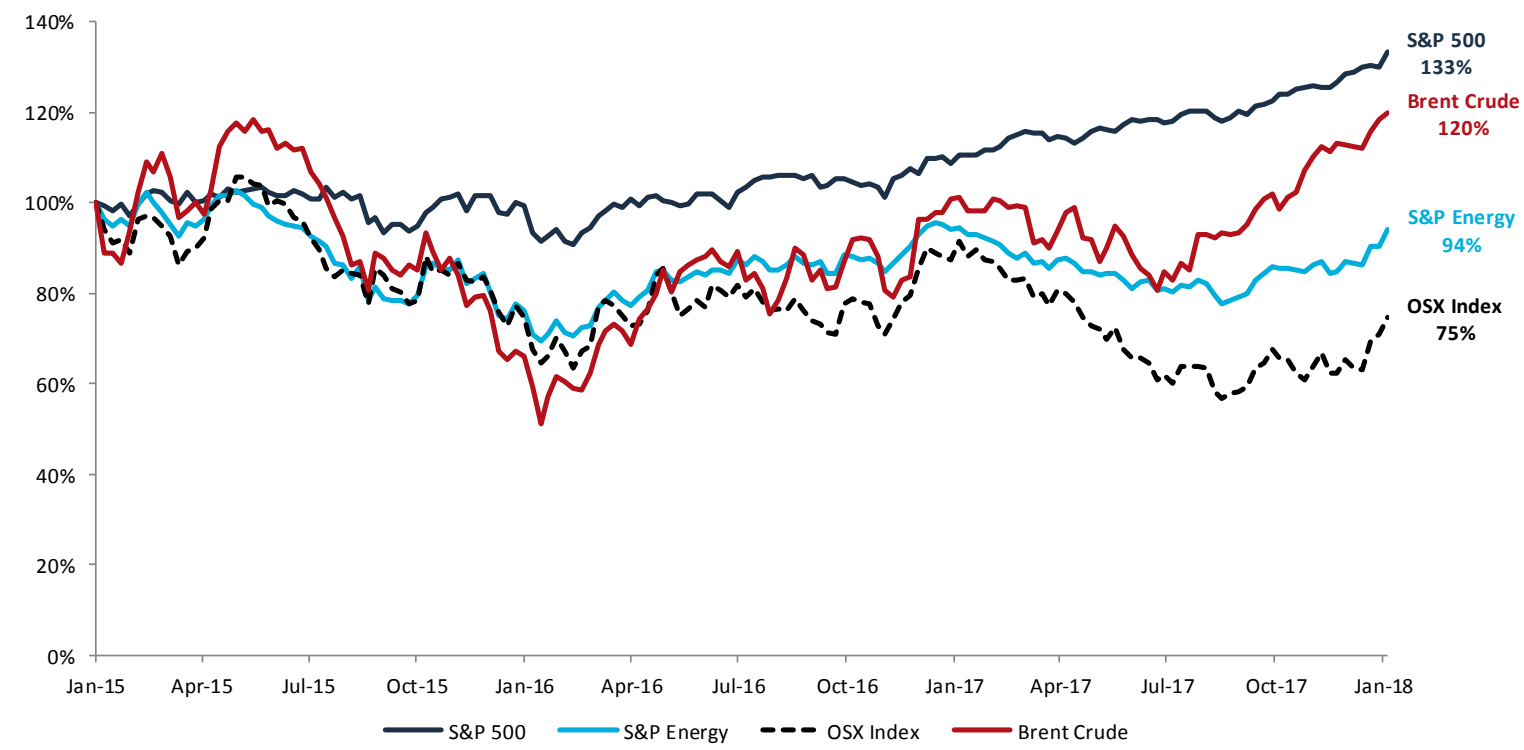
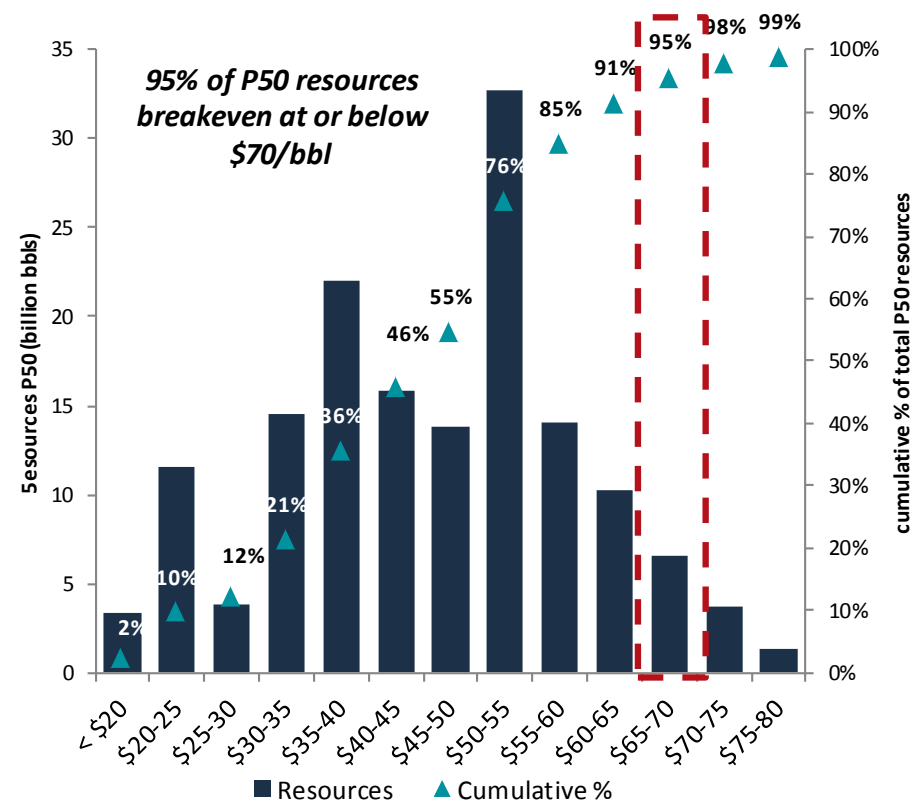
# M&M impacted by significant reduction in intensity



Maintenance intensity significantly down with the M&M-market as victim

Source: Rystad Energy

# Positive macro indicators: Oil price & break-even

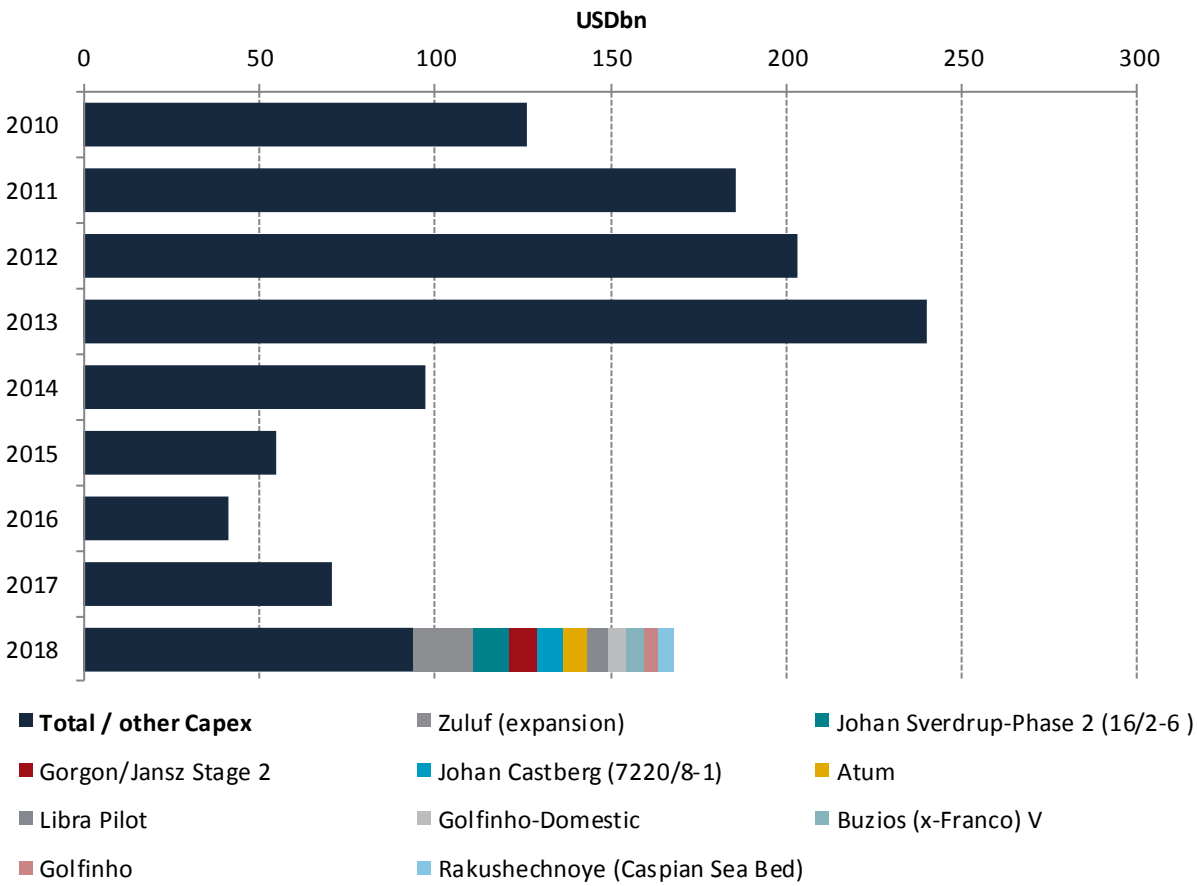


Source: Oil Services Quarterly, January 2018, Clarksons Platou

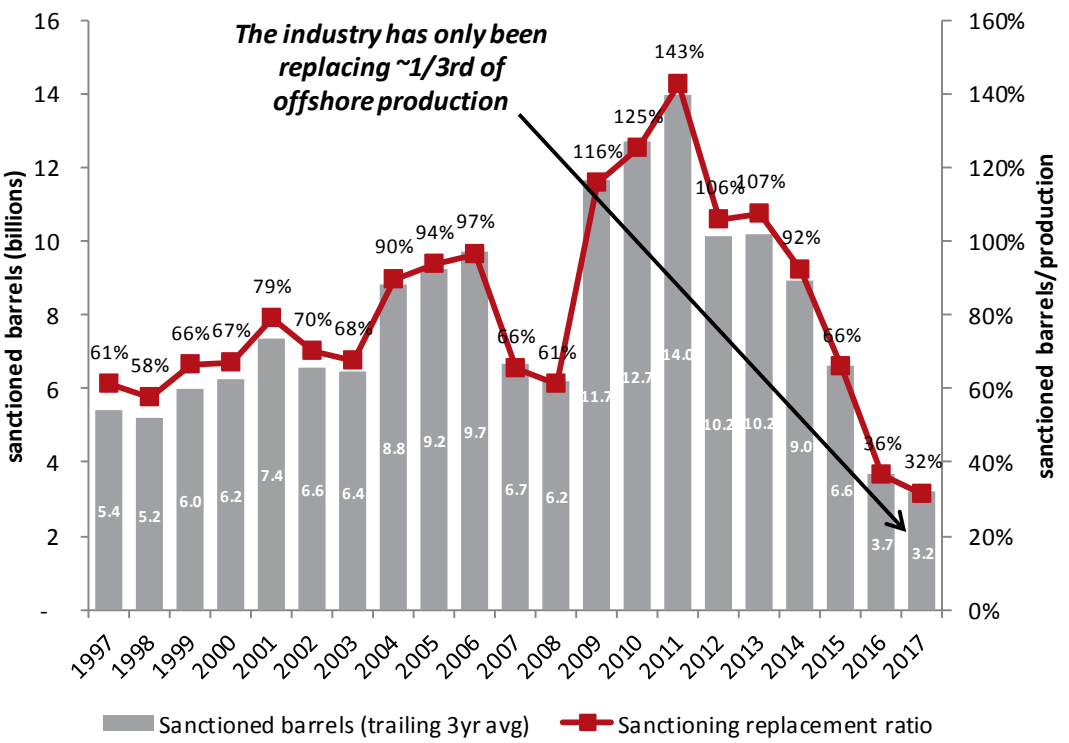


# Positive macro indicators: E&P Capex & RRR

E&P Capex Offshore



Reserve Replacement Ratio

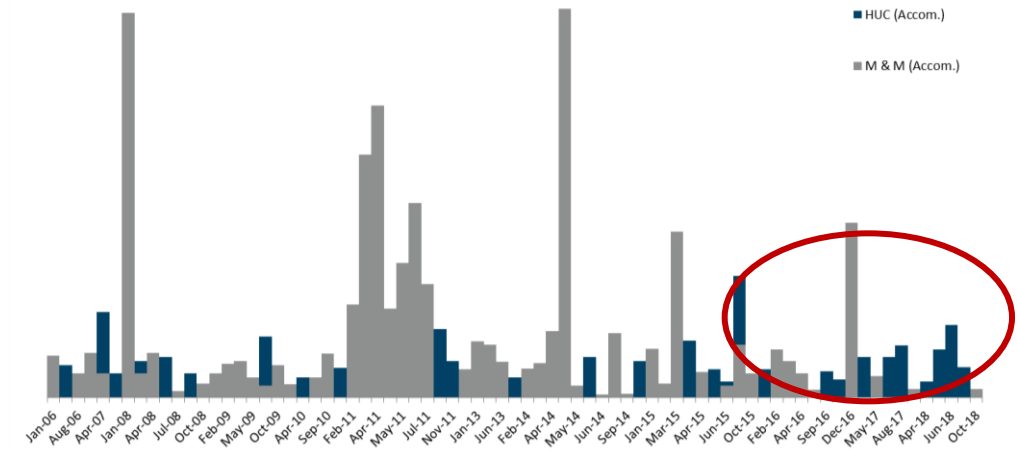


Source: Oil Services Quarterly, January 2018, Clarksons Platou

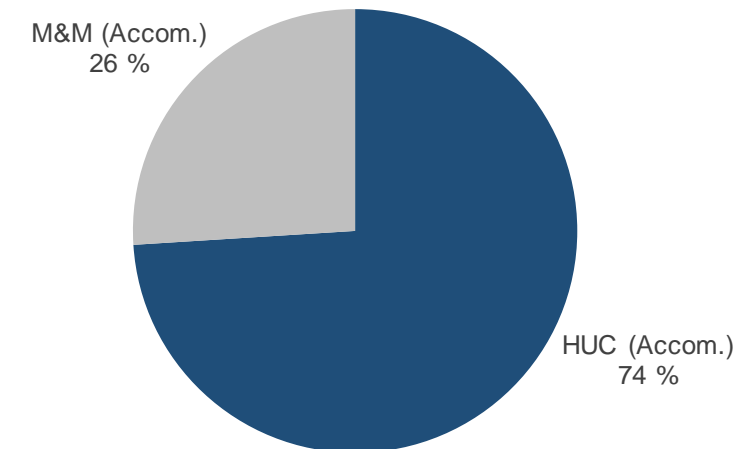
# North Sea activity – Currently only HUC – Waiting for M&M

- M&M work has been the primary driver of demand on the North Sea, comprising of 74% of the historical work by duration.
  - However, in 2017 and into 2018, this has flipped with the only work being done being primarily HUC.
  - This is primarily based on high dayrate contracts entered into in the previous up-cycle.
- HUC work is typically long-lead time and long duration. The forward visibility is about 2 to 3 years.

North Sea Activity Profile (months)

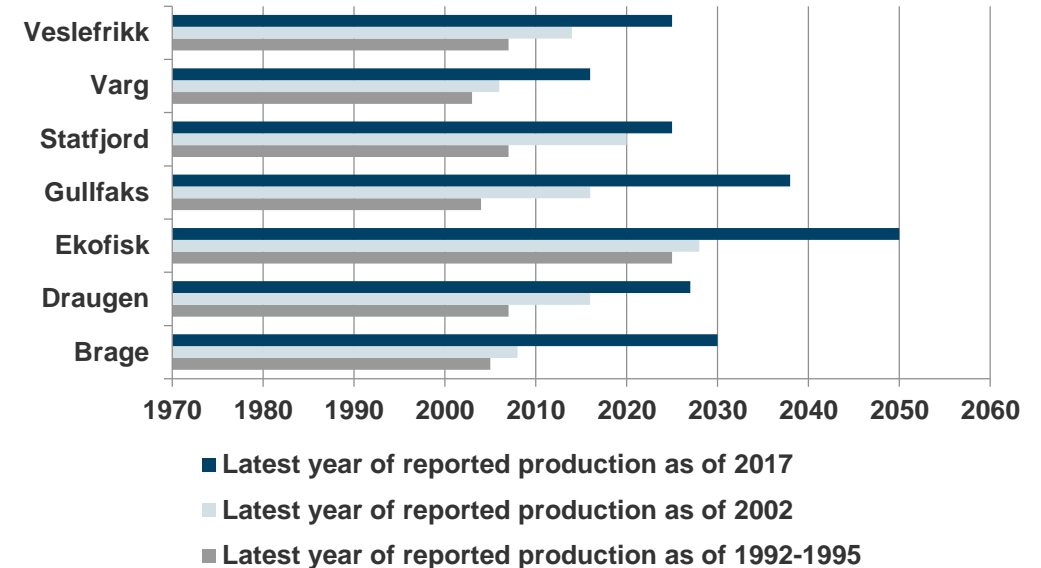
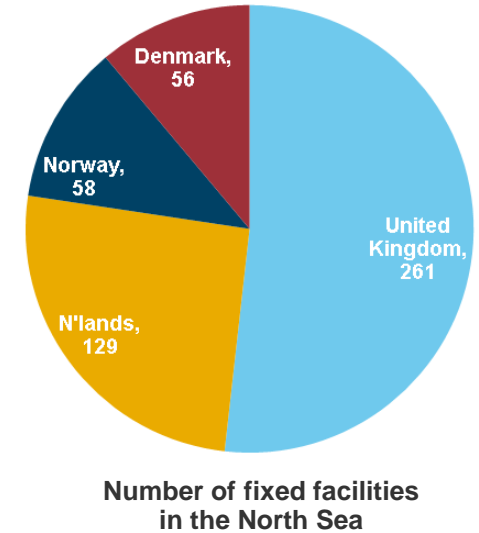
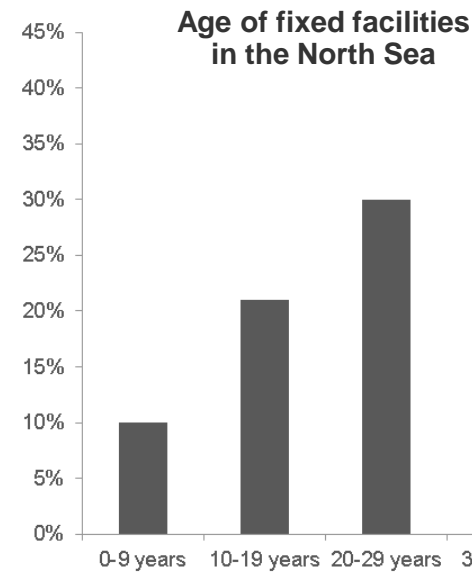


North Sea Activity Profile (Current)



# General M&M indicators - NS

- Oil and gas fields in the North Sea on stream longer than initially planned for.
- Current market remains predominantly hook-up and commissioning work.
- Anticipated that life extension, upgrade, modification and maintenance (M&M) will come back stronger down the road.



Source: [www.norskpetroleum.no](http://www.norskpetroleum.no)



# International will be a focus...but will require compliant vessels

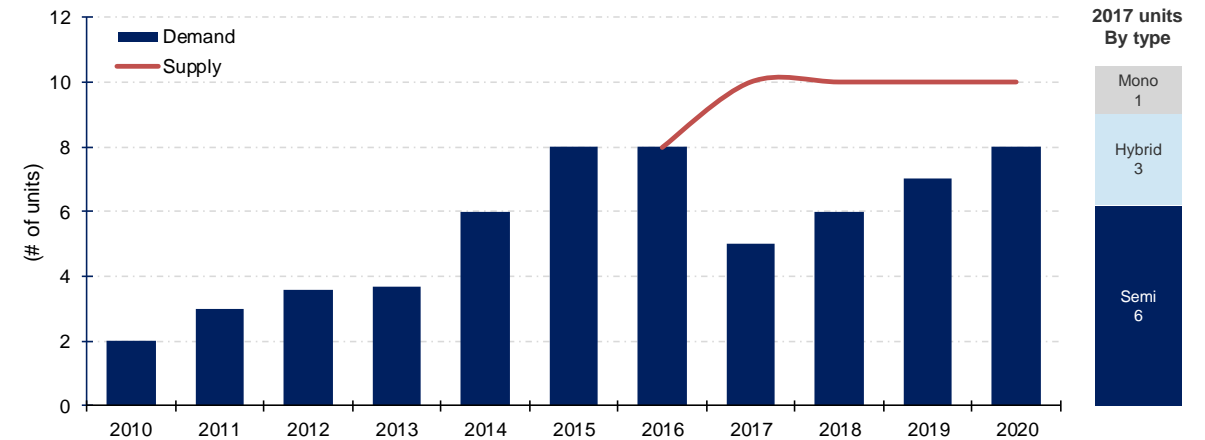
## Brazil

- Commoditised market for assets that meet Petrobras' General Technical Descriptions ("GTD").
- Prosafe units that meet the current GTD and can operate in this segment are the Boreas, Zephyrus and Notos.
- Bulk of demand has been the modification of old projects in the Campos Basin.
- Only known unit for HUC is the installation of two wellhead platforms on Statoil's Peregrino field.

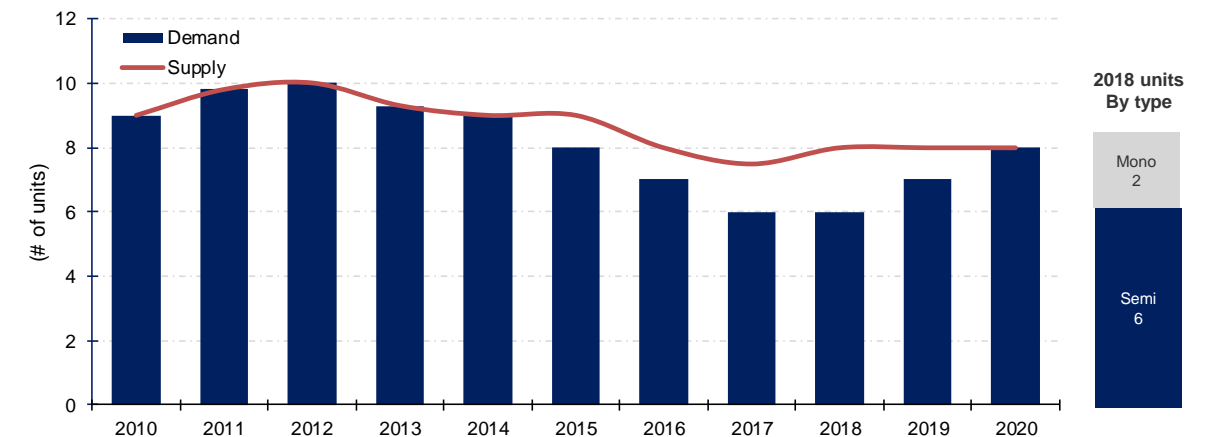
## Mexico

- Mexico is similar to Brazil, primarily MMO activity.
- Majority of activity is related to fixed platforms in shallow, benign waters relatively close to shore.
- Although historically HUC was not a primary demand driver, this may change – although likely beyond 2020.
- Supply in Mexico has been falling due to units being removed from the market.

### Brazil Demand and Supply Near Balance (vessel yrs)



### Mexico Demand and Supply Near Balance (vessel yrs)

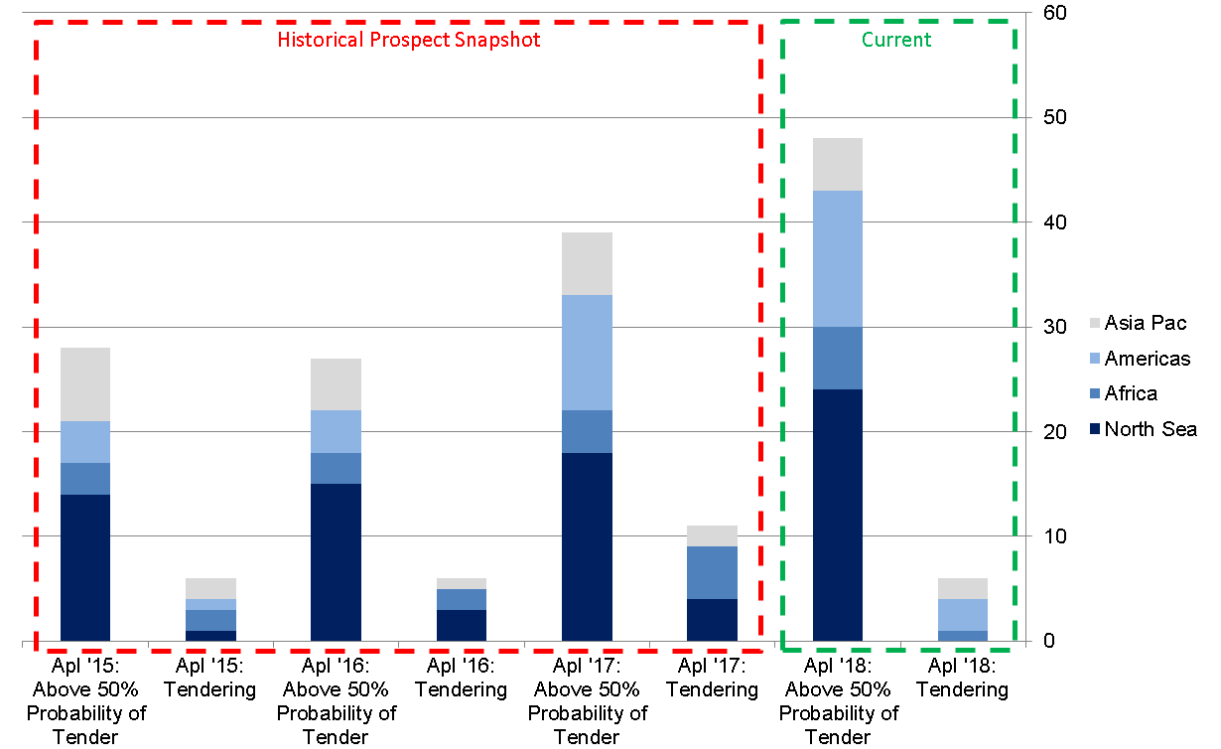


Source: Rystad Energy

# Prospects & Tendering

- Six tenders ongoing for 2018 through 2020.
- The prospect list with a three-year look-out remains at a high level.
- 22 North Sea prospects with high probability of going to tender next 3 years.
- Risk related to projects being pushed out in time.

## Tendering Activity – Three Year Outlook

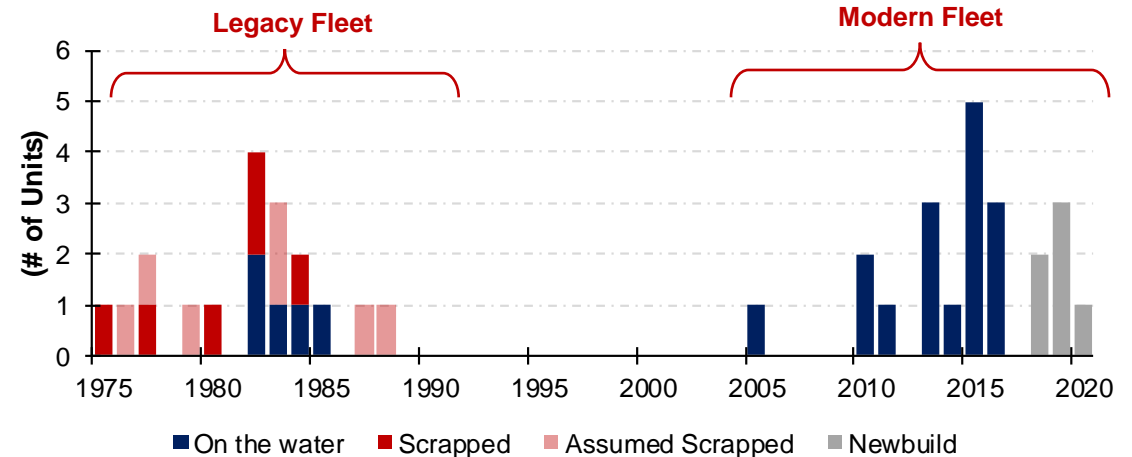


P90 and P50 are prospects probability of moving to a tender  
Source: Prosafe

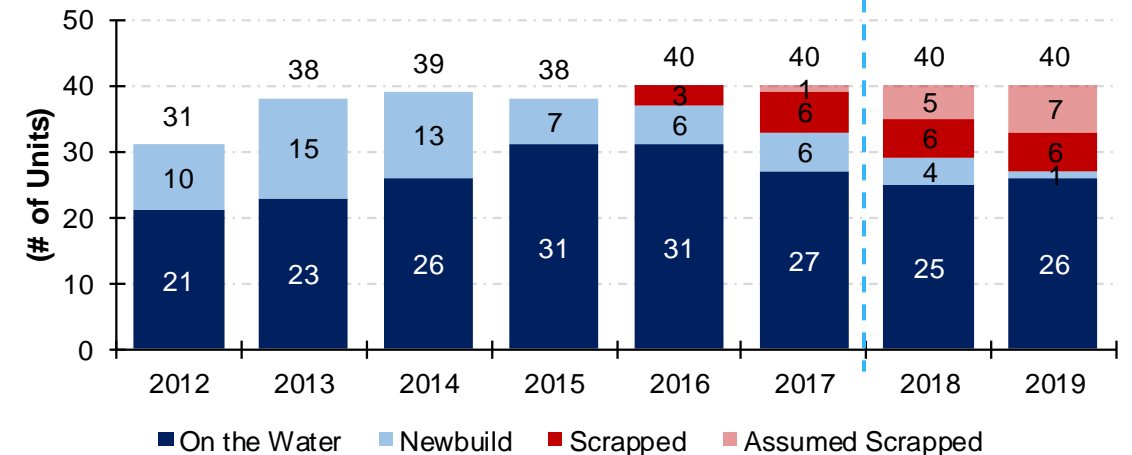
# Rebalancing and fleet renewal to continue

- Bifurcation of industry by legacy and modern fleet:
  - Legacy fleet of 18 units (6 have been scrapped and another 7 units assumed scrapped in '18-'19)
  - Modern fleet of 22 units (6 newbuilds)
  - 50% of newbuilds owned by Prosafe
- Prosafe 2017 utilisation by segment:
  - Legacy fleet – about 10%
  - Modern fleet – about 70%
- Long-term, the global fleet is expected to fall from ~40 units to 25-27 units, a reduction of ~33% of supply (~ fleet size of 2014).

**Floating Accommodation Supply (by year delivered)**



**Total Floating Accommodation Supply**



Source: Rystad Energy and Prosafe estimates

# Exploring all opportunities for strategic positioning





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# Prosafe strategic focus

- Cost and efficiency measures – protect the runway.
- Fleet management in anticipation of market recovery.
  - Fleet renewal
  - Scrapping
- Financial planning to deliver on strategic goals and to be robust in anticipation of market recovery.
- Consolidation and other commercial arrangements.

# Summary

- Good operating performance
- Good cash flow and position
- Safe Caledonia ~~was~~ awarded a five-month contract for BP in the UK with start-up around end of May
- Prosafe wins Westcon dispute regarding the TSV Safe Scandinavia conversion. Westcon has appealed and Prosafe is ready to defend or improve its position
- Established in Mexico
- Delivering on cost and capex reductions. Focus on continuous improvement remains
- Positive macro indicators
- Foresee gradual pick-up in accommodation demand from 2019
- Aim to be proactive in industry restructuring





# Appendix

# Operating revenue

(Unaudited figures in USD million)	Q1 18	Q4 17	Q1 17	2017
Charter income	67.8	70.6	66.3	256.1
Other income (incl amortization of fees)	15.0*	6.1	9.4	26.9
<b>Total</b>	<b>67.8</b>	<b>76.7</b>	<b>75.7</b>	<b>283.0</b>

\* Q1 18 other income includes IFRS 15 revenue adjustment of USD 8.7 million