ANNUAL REPORT

2021

Prosafe

CONTENTS

KEY FIGURES

		Note	2021	2020	2019	2018	2017
Profit							
Operating revenues	MUSD		141.1	56.7	225.4	330.8	283.0
EBITDA	MUSD	1	24.9	(9.5)	97.1	166.6	122.9
Operating profit (loss)	MUSD		(49.8)	(864.3)	(342.6)	53.0	(578.2)
Net profit (loss)	MUSD		927.9	(950.1)	(399.9)	(114.5)	(647.1)
Earnings per share (fully diluted)	USD	2, 7	263.3	(10,798.2)	(4,540.0)	(1,300.0)	(7,350.0)
Balance sheet							
Total assets	MUSD		492.8	587.7	1,480.2	1,736.8	1,947.0
Interest-bearing debt	MUSD		423.3	1,509.4	1,397.9	1,243.0	1,347.7
Net interest-bearing debt	MUSD	3	349.4	1,349.1	1,199.8	1,102.7	1,115.8
Book equity	MUSD		36.3	(948.5)	2.4	400.2	497.6
Book equity ratio	%	4	7.4	(161.4)	0.2	23.0	26.0
Liquidity reserve	MUSD	5	73.9	160.3	198.1	277.3	231.9
Net cash flow	MUSD		(86.4)	(37.8)	57.8	(91.6)	26.2
Net working capital	MUSD	6	61.7	(1,279.3)	(1,158.2)	58.7	221.3
Valuation							
Market Capitalisation at year-end	MUSD		158.0	10.4	19.7	126.7	118.1
Share Price	NOK	7	158.4	1,080.0	2,110.0	13,400.0	12,000.0
Operations							
Fleet utilisation rate	%		54.5	20.4	50.9	47.3	38.4
Employees							
Number of employees at year-end	Employees in direct employment		103	99	150	417	430
HSSE							
Lost time injuries	Per million worked hours		0	0	0	1	2
Total recordable injury frequency	Per million worked hours		0	1.81	0.82	2.54	1.52
Direct GHG emissions	Per contract day in CO2 tonnes		65.0	47.4	71.4	58.9	-
Sick leave	% of total working hours		0.27	0.46	2.26	2.07	2.53

Notes:
1. Operating profit before depreciation and impairment
2. Net profit / Average number of outstanding and potential shares.
3. Interest-bearing debt - Cash and deposits
4. (Book equity / Total assets) * 100
5. Cash and deposits + available liquidity reserve balance under a committed revolving credit facility
6. Currents Assets-Current Liabilities
7. On 27 January 2022, Prosafe completed a 1,000:1 reverse split of the Company's shares. As a result, the calculation of the earnings per share and share price for current and prior year presented/restated was based on the new number of shares

ABOUT PROSAFE

Prosafe is a leading owner and operator of semi-submersible accommodation, safety and support vessels.

At year-end, Prosafe owned and operated six semi-submersible accommodation, safety and support vessels and one Tender Support Vessel (TSV). In addition, the Company is in dialogue with COSCO about extending the options to take delivery of Safe Nova and Safe Vega.

The company's versatile fleet of four dynamically positioned, two anchor moored and one passive position moored vessels are capable of operating in the most demanding offshore environments.

Prosafe's vessels are primarily serving energy companies on various offshore projects in global offshore oil and gas areas. Prosafe's operations are related to the support of the lifecycle of offshore installations such as maintenance and modification of installations on fields already in production, hook-up and commissioning of new fields, tie-backs to existing infrastructure and decommissioning.

The vessels are operated in dynamic positioning (DP) mode by use of own engines and thrusters or in a moored mode, while being gangway connected via a telescopic gangway to the client's installation so that personnel can safely walk to work.

Prosafe's vessels have accommodation capacity for 159-500 people and offer high quality welfare and catering facilities, storage, workshops, offices, a cinema, medical services, deck cranes and lifesaving and firefighting equipment.

Prosafe has experience from operations offshore Norway, UK, Mexico, USA, Brazil, Denmark, Tunisia, West Africa, North-West and South Australia, the Philippines and Russia.

Prosafe has a long track record from demanding operations world-wide, with leading operational performance and good safety results. The company has extensive experience from operating gangway connected to fixed installations, FPSOs, TLPs, Semis and Spars.

Prosafe has experience from operations offshore Norway, UK, Mexico, USA, Brazil, Denmark, Tunisia, West Africa, North-West and South Australia, the Philippines and Russia.

The vessels are normally provided on a time charter basis where Prosafe mans and operates the vessels directly.

Prosafe is listed on the Oslo Stock Exchange with ticker code PRS.

MAIN EVENTS IN 2021

- Also in 2021, Covid-19 impacted our business significantly. The company continued and further developed earlier implemented safety measurements at workplaces and vessels to protect people and assets.

- Good health, safety and environmental results with zero Lost Time Injuries and zero accidental discharges to the natural environment.

- Prosafe further increased its focus on energy management and started a process to implement the requirements of ISO 50001 Energy Management. All formal audits were successfully concluded during 2021 and the company received formal ISO 50001 certification in January 2022.

- High operational uptime.

- The fleet utilisation for the year was 54.5 per cent (2020: 20.4 per cent), the highest utilisation rate since 2015.

- Prosafe secured new contracts for Safe Boreas in Norway, for Safe Zephyrus and Safe Caledonia in the UK, for Safe Concordia in Trinidad and Tobago, and a contract extension for Safe Notos in Brazil.

- Prosafe increased its efforts in the area of energy management in order to reduce its energy consumption and emissions.

- The Gulating Court of Appeal in 2021 decided that Prosafe had to pay Westcon NOK 465 million related to the conversion of the Safe Scandinavia at Westcon yard in 2016. As part of the financial restructuring, Prosafe paid the secured part of the Westcon claim, NOK 245 million, to Westcon in October 2021. The remaining part of the claim was converted into 3 per cent of the shares in Prosafe SE on a fully diluted basis following the implementation of the financial restructuring in December 2021.

- A substantial financial restructuring and conversion of debt resulted in a significant de-leveraging of the balance sheet with ca. 75 per cent debt reduction, a corresponding reduction in annual debt service, about USD 70 million in cash at year-end 2021 and in sum a significantly improved balance sheet and improved financial flexibility.

CEO LETTER

2021 – THE END OF THE BEGINNING

Prosafe has a clear strategy of being a leading provider of offshore accommodation vessels globally.

As we leave 2021 behind, Prosafe is set for a fresh start. Some key points to highlight:

- We managed to protect our organisation, assets, backlog and client relations throughout the pandemic
- We operated through challenging times with good Health, Safety and Environment (HSE) performance
- We strengthened our order backlog and secured an increasing activity level and an improved earnings basis for 2022
- We closed the financial restructuring with unanimous support from our lenders which leaves the company in a much improved financial situation
- We embarked on a set of energy management measures to improve our energy efficiency and emissions footprint in the years ahead and achieved ISO 50001 certification

DECISIVE ACTION TO ADDRESS A RAPID CHANGE IN ENVIRONMENT

Prosafe has over the last years continuously refined a cost-efficient operating model based on a lean and focused organisation with a flexible cost structure which works in tandem with professional partners.

At the tail end of 2019, Prosafe proactively read the market development and engaged in dialogue with lenders about a sustainable financial solution. This resulted in the successful closing of a fundamental financial restructure at the very end of 2021.

The energy transition has been happening at an accelerating speed since the Paris agreement in 2015, and we will be part of the solution by harnessing our several decades of competence with the technology and ways of working of

tomorrow. Our vessels are the main driver behind the emission reduction targets, and the baseline is each vessel's operations without any energy efficiency measures. Prosafe is targeting a 50 per cent lower fuel consumption by 2030 and believes that this is achievable without compromising safety. We have set out a roadmap to reduce emissions and are evaluating new solutions and ways of working with the support from customers.

OPERATIONS AND HSEQ

We had 6 of our 7 vessels working for all or parts of the year in respectively UK, Trinidad & Tobago and Brazil. We are pleased and proud to confirm that we recorded zero incidents classified as a Lost Time Injury (LTI). Gangway uptime was high across the fleet, leading to high productivity for our client's project execution. We look upon the objective of zero incidents as a goal to work towards and a way of thinking.

When it comes to safety, Prosafe promotes and supports a zero-mindset philosophy which means that no accidents or serious incidents are acceptable. A number of initiatives have been implemented over the years in order to further strengthen the safety culture. These and new initiatives will be continuously developed in order to improve safety performance further.

Prosafe had no accidental discharges to the natural environment in 2021, and we are increasing our efforts in the area of energy management to adapt to the global ambition to achieve energy efficiency and reduce emissions. Prosafe was recently accredited according to ISO 50001 while undertaking feasibility studies together with third parties in search for energy efficiencies and emissions reductions on a continuous improvement basis.

ESG

In 2021, we further increased our focus on Corporate Social Responsibility (CSR) by amongst others setting clear, quantitative targets for Environmental, Social and Governance (ESG) key performance indicators. Prosafe's targets, action plans and progress reports are included in a separate ESG report that has also been included in this annual report. Specifically, we are consequently increasing our efforts in the area of energy management and emissions reduction to adapt to the global ambition to achieve energy efficiency and reduced emissions. Prosafe's view is that these efforts over time – although they will require investments and customer support/ engagement – will provide competitive edge and new business opportunities.

COMPETENCE AND ORGANISATION

Prosafe was quick at introducing remote working practices and measures onshore and on our vessels, thereby limiting the level of Covid-19 cases across our organisation. These measures largely remain in place as we move forward. Flexibility and remote collaboration have come to stay.

The employees of Prosafe have proven their stamina and integrity, and ensured safe and efficient operations throughout the pandemic and the lengthy financial turmoil leading up to the financial restructuring. Going forward, we will leverage our core competence and these organisational traits to explore how to best develop the company and position ourselves in a changing landscape. I want to express my sincere appreciation to our employees for their dedication and hard work throughout 2021.

INDUSTRY STRUCTURE

There are still around 30 semi-submersible offshore accommodation vessels available for operation globally. There used to be more than 40 vessels, and Prosafe has taken a leading role to drive this number down and high grade the fleet by responsibly recycling 8 vessels since 2016. We remain the leading player with 7 vessels on water and options on another two completed vessels for worldwide operations currently stacked with Cosco in China. The remaining global fleet is dispersed among a series of owners. For reasons of energy efficiency, quality, safety and sustainability, we need to see a continuation of the high-grading of the world fleet. Therefore, we remain of the opinion that the industry needs further consolidation and vessel recycling, and we anticipate this to occur in the years ahead.

We remain the leading player with 7 vessels on water and options on another two completed vessels for worldwide operations currently stacked with Cosco in China.

A CLEAR STRATEGY TARGETING OPTIMISED RETURNS

Prosafe has a clear strategy of being a leading provider of offshore accommodation vessels globally. On this basis, the focus is to optimize earnings from opportunities as they arise in core markets such as the North Sea and Brazil, potentially supplemented with opportunities appearing in other regions. The strategy is enhanced with ongoing initiatives in the area of energy management to reduce energy consumption and emissions.

OUTLOOK

Energy transition is not only desirable but also inevitable. However, the energy systems and infrastructure that have been built over the last 150 years will be complex and time consuming to substitute. As the energy conversion is likely to take time, we need continuous sprints to drive us through this marathon. Carbon capture, energy management, alternative fuels, electrification and ways of working – and more – must likely all be addressed in tandem.

Prosafe expects energy consumption to continue to increase as the world population is growing and the need for energy grows with it to support better ways of living. Through this transition, oil and gas will remain important parts of the energy mix. In addition, the oil price has recovered from the low levels triggered by the pandemic. With a higher oil price, Prosafe expects the oil and gas companies to increase their investments in their oil and gas activities with focus on enhanced oil recovery and portfolio high-grading combined with its efforts to reduce their carbon footprint. It is therefore likely that there will be high activity in oil and gas which will provide many opportunities for the oil service industry in the years ahead.

In the short term, the activity level for 2022 will be good with at least 6 of 7 vessels being on contracts for all or parts of the year, and significantly improved earnings. However, beyond 2022, visibility remains low, which is in line with a historic trend in the offshore accommodation industry. Hence, we will rely on the macro view as outlined above and assume activity will drive demand to varying degrees in the years ahead.

Finally, I would like to thank our shareholders and lenders for their confidence in and continued support of Prosafe over the years and not least through the recent downcycle and financial restructuring. Against the achievements through 2021 and our improved position on that basis, we are confident in our ability to benefit from opportunities and thereby protect and create value for all stakeholders in the years ahead.

Stay safe,

Jesper Kragh Andresen, CEO

CORPORATE GOVERNANCE

Prosafe's system of corporate governance forms the basis for a transparent business model with clear segregation of roles, responsibilities and accountabilities between shareholders, the Board of directors and executive management.

NORWEGIAN CODE OF PRACTICE

Prosafe SE is a European public company (Societas Europaea) listed on the Oslo Stock Exchange.

Corporate governance in the company follows the principles contained in the Norwegian Code of Practice for Corporate Governance in its latest version of 14 October 2021 (the "**Corporate Governance Code**"). The company is committed to ensuring that high standards of corporate governance are maintained to ensure the greatest possible value creation over time in the best interests of shareholders, employees and other stakeholders.

In this report on Corporate Governance, Prosafe accounts for the corporate governance principles and practices as required by the Accounting Act Section 3-3b and the details of how Prosafe complies with the Norwegian Code of Practice for Corporate Governance.

1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

The Norwegian Code of Practice for Corporate Governance covers 15 topics which are designed to ensure that the division of roles between shareholders, the Board of directors and the company's executive management is regulated in a way that strengthens confidence among shareholders, employees, the capital market and other interested parties to ensure control and compliance, equal treatment of shareholders and maximum value creation over time.

The company's Corporate Governance Report that covers every section of the Code of Practice is included in the annual report and published on Prosafe's website at https://www.prosafe.com/investor-information/corporate-governance/

GOVERNANCE STRUCTURE

Prosafe's governance structure is set out below.

SHAREHOLDERS

Nomination Committee | External Auditor

BOARD OF DIRECTORS

Compensation Committee | Audit Committee

MANAGEMENT

Safety, Sustainability and Ethics Committee

2. THE BUSINESS

Prosafe's Articles of Association together with its vision, strategy, goals and reporting provide the necessary information which enables shareholders to understand, monitor and anticipate the scope of its activities.

Prosafe's objective is to own and operate vessels and other offshore tonnage, related to oil and gas activities, as well as conduct any activity related to ownership and operation related to this. Prosafe SE may invest in companies within the same or other sectors.

Prosafe's vision is to be a leading and innovative provider of technology and services in selected niches of the global offshore energy industry.

Prosafe's strategy is to be the preferred provider of high-end accommodation vessels globally.

The company's objectives, strategy, commercial outlook, operations, risks, financial status, business plans, forecasts and clearly defined focus areas are regularly and at least yearly reviewed by the Board on the basis of an Annual wheel related to the Board meetings. In these reviews, the sustainability of the company's objectives, strategy and risk profiles is considered in order to ensure that they are closely linked with the company's activities and create value for shareholders in a sustainable manner. The reviews are supplemented by ongoing dialogue between the Board and executive management, monthly reporting and ad hoc / weekly reporting and updates of all significant matters.

Prosafe's Code of Conduct which is published on Prosafe's website gives guidelines about the company's ethical guidelines and the corporate social responsibilities which it undertakes. Prosafe is committed to transparency, respect for employee and human rights and has a zero-tolerance policy towards bribery and corruption. This is further reflected in Prosafe's policies and procedures, including Prosafe's Corporate Social Responsibility (CSR) Policy.

3. EQUITY AND DIVIDENDS

Prosafe's consolidated equity was positive as at 31 December 2021, after the restructuring was completed and fully implemented in December 2021.

The following conversion of bonds in respect of the equity of Prosafe occurred during 2021 after the company on 6 August 2021 exercised its right to convert the outstanding amounts under the convertible bonds to shares:

Date	Convertible bonds ISIN	Nominal value (NOK)	No. of new ordinary shares	Con-version price per share	Remaining out-standing principles (NOK)	No. of out-standing shares	Nominal value (Euro)
23 Aug 2021	ISIN NO 0010771025	35,706,341	1,428,253	25	0	83,892,465	0.1
23 Aug 2021	ISIN NO 0010781008	122,836,000	4,094,533	30	0	87,986,998	0.1

After the conversion in August 2021, Prosafe has zero outstanding convertible bonds. All previous outstanding warrants were cancelled as part of the restructuring in December 2021.

In the financial restructuring that was completed in December 2021, a significant de-leveraging of the balance sheet took place. In step 1, the conversion of USD 996 million of debt in return for 7,894,088,600 shares in Prosafe SE to creditors was implemented. After the step 1 conversion, the aggregate amount of 7,894,088,600 shares were issued at a conversion rate of EUR 0.1116.

In step 2, USD 91 million debt was converted in return for 816,624,191 shares to creditors. The conversion rate was EUR 0.1113, and EUR 0.0884 for two creditors with separate agreements.

After finalization of the step 1 and the step 2 conversions, including original share capital, the aggregate amount of 8,798,699,789 shares of nominal value EUR 0.05 was outstanding and the share capital was EUR 439,934,989.45 at 31 December 2021.

The restructuring required the issuance of a large number of shares with a dilution effect that led to a significant reduction in the share price in the market. According to continuing obligations for listed issuers of shares, the market value of the issuer's shares shall not be lower than NOK 1. After the restructuring, the market value of Prosafe SE's shares was lower than the minimum requirement.

On 25 January 2022, an Extraordinary General Meeting therefore resolved a reverse stock split in the ratio 1,000:1 to reduce the number of outstanding shares in the market. Existing shares were consolidated into fewer and proportionally more valuable shares. The company's share capital is EUR 439,934,950 divided into 8,798,699 shares each with a nominal value of EUR 50.

Mandates and authorities for different purposes such as increase of share capital or share buy-backs are considered separately at each annual general meeting ("AGM") and are generally limited in time and valid to the date of the next AGM.

Prosafe's long-term objective is to provide shareholders with a competitive, risk-adjusted yield on their shares through a combination of share price appreciation and direct return in the form of dividend. The company has not paid dividends since 2015. Under the latest amended and restated facility agreements, i.e. following the restructuring in December 2021, dividend may only be paid after obtaining prior written consent of the majority lenders.

As the company in relation to a reverse share split has resolved to reduce the share capital for coverage of loss that cannot be covered otherwise without notice to the creditors, a resolution to distribute dividends may not be adopted until three years have elapsed from the registration in the Register of Business Enterprises on 26 January 2021, unless the share capital subsequently has been increased by an amount at least equal to the reduction of EUR 39.45.

4. EQUAL TREATMENT OF SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Prosafe has one class of shares in issue and all shares are equal in all respects. Each share carries one vote. The company treats all shareholders in a non-discriminatory manner ensuring that all relevant information and the proposed resolutions are distributed in the call for the general meeting to allow the shareholders adequate time to prepare for the meeting.

Should the Board wish to propose that the AGM departs from the pre-emptive right of existing shareholders relating to any capital increase, such a proposal will be justified by the common interest of the company and the shareholders, and the reasons for the proposal will be presented in the notice of the AGM as well as publicly disclosed in a separate stock exchange announcement.

Prosafe SE holds 195,972,167 shares in Prosafe SE. These shares, which were issued in December 2021 as part of the conversion of debt towards Cosco, are owned by Cosco and held in temporary escrow by Prosafe SE.

Prosafe has implemented rules and procedures to ensure that directors and senior officers report to the Board if they themselves or their closely related parties have a significant interest, directly or indirectly, in any agreement concluded by the company. The Board must approve any agreement between the company and a member of the Board or the chief executive officer. The Board must also approve any agreement between the company and a third party in which a member of the Board or the chief executive officer may have a special interest. Each member of the Board shall also continually assess whether there are circumstances which could undermine the general confidence in a Board member's independence.

5. SHARES AND NEGOTIABILITY

Prosafe SE's shares are listed on the Oslo Stock Exchange. The company's Articles of Association place no limitations on voting or restrictions on any party's ability to own, trade of vote for shares in the company. The company has one class of shares and all shares carry equal rights. Each share is entitled to one vote at the general meeting.

6. GENERAL MEETINGS

The general meeting secures the participation of shareholders in the company's highest decision-making meeting. All shareholders are entitled to attend, speak and vote at general meetings. The company's Articles of Association are adopted by the general meeting. Shareholders holding at least 5 per cent of the issued and voting shares are entitled to submit matters for inclusion on the agenda of a general meeting.

The Annual General Meeting (AGM) must be held by 30 June every year. In 2022, it is scheduled to take place on 11 May. Written notice of an AGM and a meeting calling for adoption of a special resolution is sent out not later than twenty-one days before the scheduled meeting unless special notice is required by law. Written notice of a meeting other than an AGM or a meeting calling for adoption of a special resolution is sent out not later than fourteen clear days before the meeting. The resolutions and supporting information are sufficiently detailed, comprehensive and specific to allow shareholders to form a view on all matters to be considered at the meeting. Both these and any recommendations of the Nomination Committee enabling shareholders to take an informed position on all matters to be discussed are made available within the relevant timeframe on the company's website.

Shareholders wishing to attend the general meeting must notify the company of this intention before the deadline stipulated in the notice. As the Board wishes to facilitate the attendance of as many shareholders as possible, it aims at setting the deadline for notification of attendance as close as possible to the meeting date.

Prosafe prepares proxy forms and conducts the voting arrangements at the meeting in a form and manner which allows shareholders to vote separately on each matter to be considered by the meeting and for each of the candidates nominated for election.

Traditionally, at least the Chairman (or in exceptional circumstances, another member of the Board), the auditor and the Chairman of the Nomination Committee attend the AGM. Prosafe wishes to facilitate a dialogue with shareholders at the general meeting, and therefore encourages all Board members to attend.

The AGM shall discuss and decide upon the following:
(i) Approval of the annual accounts and annual report, including distribution of dividends.
(ii) Any other matters that according to applicable laws or the Articles of Association are to be decided upon by the general meeting.

7. NOMINATION COMMITTEE

Pursuant to article 8 of its Articles of Association, Prosafe has a Nomination Committee comprising two to three members. The members are independent of the Board members and the company's management. The general meeting will elect the members of the Nomination Committee, including the chairperson, normally for a term of up to two years.

At the 2021 AGM, the members of the Nomination Committee were appointed for a period of one year. The instructions for the Nomination Committee were approved at the AGM that was held on 7 May 2020.

The Nomination Committee submits its recommendations for membership of the Nomination Committee and the Board to shareholders, together with the notice of the AGM and recommends the fees to be paid to directors and members of the Nomination Committee. The shareholders at the AGM also elect the Chairman of the Nomination Committee and approve the Committee's remuneration.

The company's general meeting has adopted instructions governing the duties of the Nomination Committee. According to these guidelines, the Nomination Committee may contact shareholders,

members of the Board, management and external advisers in its work. Shareholders shall be given the opportunity to propose Board member candidates to the Nomination Committee. The Nomination Committee shall give considerable weight to the wishes of the shareholders when making its recommendations and reflect the interests of shareholders in general. The Nomination Committee shall also give weight to the proposed candidates' experience, qualifications and their capacity to serve as officers of the company in a satisfactory manner. Emphasis must also be given to ensuring independence of the Board in relation to the company.

Relevant deadlines for submitting proposals for candidates to be appointed to the Board or the Nomination Committee are published on the company's website in due time before the AGM takes place.

The Nomination Committee held nine meetings in 2021. Average meeting attendance was 94.4 per cent.

Name	Role	Date first appointed	Date due for re-election	Meeting attendance (%)
Thomas Raaschou	Chair	May 2011	May 2022	100
Annette Malm Justad	Member	May 2016	May 2022	88.9

All members of the Committee are independent of the company's Board.

8. BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

The Board currently consists of four directors. The directors have been appointed to ensure that a broad base of appropriate skills, expertise and experience is reflected on the Board. Working constructively together with its Committees and the company's administration, the Board oversees the strategic direction, targets, reporting, management and control of the company.

Based on the proposal of the Nomination Committee, the General Meeting elects the Directors and the Chairman, and decides on their remuneration. Currently, the directors are appointed for one year and all directors are due for re-election in 2022.

The Board held 22 Board meetings in 2021. Average meeting attendance was 98.9 per cent.

Name	Role	Date first appointed	Date due for re-election	Meeting attendance (%)
Glen Ole Rødland	Chair	March 2016	May 2022	100
Birgit Aagaard-Svendsen	Director	March 2017	May 2022	95.5
Nina Udnes Tronstad	Director	May 2019	May 2022	100
Alf C. Thorkildsen	Director*	May 2020	May 2022	100

** Alf C. Thorkildsen became Vice Chair in February 2022.*

At each general meeting at which resignations and appointments occur, the Nomination Committee will provide its recommendations for Board composition to shareholders. All newly elected directors are provided with a thorough briefing on the company's history, business, status and challenges.

The Board members are independent of the company's executive personnel and material business contacts, and save for Alf C. Thorkildsen also independent of the company's main shareholders.

Directors are encouraged to own shares in the company. Details of share ownership can be found on each director's profile on the Prosafe website.

The Board has implemented various policies and procedures to avoid conflicts of interest between directors, executive management, their close associates and external third parties with whom the company collaborates.

The Board also seeks to ensure that directors possess broad based and in-depth expertise and skill-sets relevant to the company's business and the different market segments served internationally.

Information about each Board director is available on Prosafe's website, including whether they hold other directorships, their age, skills and experience, and when they are due for re-election.

The requirement to establish a corporate assembly does not apply to the company as it has less than 200 employees in Norway.

9. THE WORK OF THE BOARD

THE DUTIES OF THE BOARD

The Board has ultimate responsibility for managing the company and monitoring day-to-day management and the company's business activities. This means that the Board is responsible for organisation, strategy, planning, reporting, and establishing of control systems. Further, the Board is responsible for ensuring that Prosafe operates in compliance with laws and regulations, with Prosafe's Code of Conduct, as well as in accordance with the shareholders' expectations of good corporate governance. The Board emphasises the safeguarding of the interests of all shareholders, but also the interests of Prosafe's other stakeholders.

The Board has adopted a generic annual plan for its work which is revised with regular intervals. Recurrent items on the Board's annual plan are health, safety and quality issues, the company's operations, ESG related risk and opportunities, strategy, business planning, forecasting and contingencies, approval of annual and quarterly results, monthly performance reports, annual reporting, executive management compensation, leadership assessment and succession planning, people and organisational strategy, special project reviews, risk evaluation, review of the company's governing documentation, annual Board evaluation and reviews relating to special topics. At the end of all Board meetings, the Board has a closed session with only Board members attending the discussions and evaluating the meeting.

The Board is responsible for making decisions related to inter alia company policies, strategy and objectives, overall budgets, Group and capital structure, financial reporting and internal controls, investments and material transactions.

The Board has drawn up separate instructions for management and a job description and annual targets for the chief executive officer (CEO) and deputy executive officer & chief financial officer (DCEO&CFO) specifying their respective duties, authority and responsibilities in relation to the business. The CEO has a particular responsibility for ensuring that the Board receives precise, relevant and timely information enabling it to discharge its duties.

INSTRUCTIONS FOR THE BOARD

Prosafe has Instructions for the Board, which give an overview of function, duties and responsibility of the Board, including procedures for Board meetings. The Board shall determine the vision, values and long-term objectives of the company. The Board shall also contribute with external expertise and experience to the company's management.

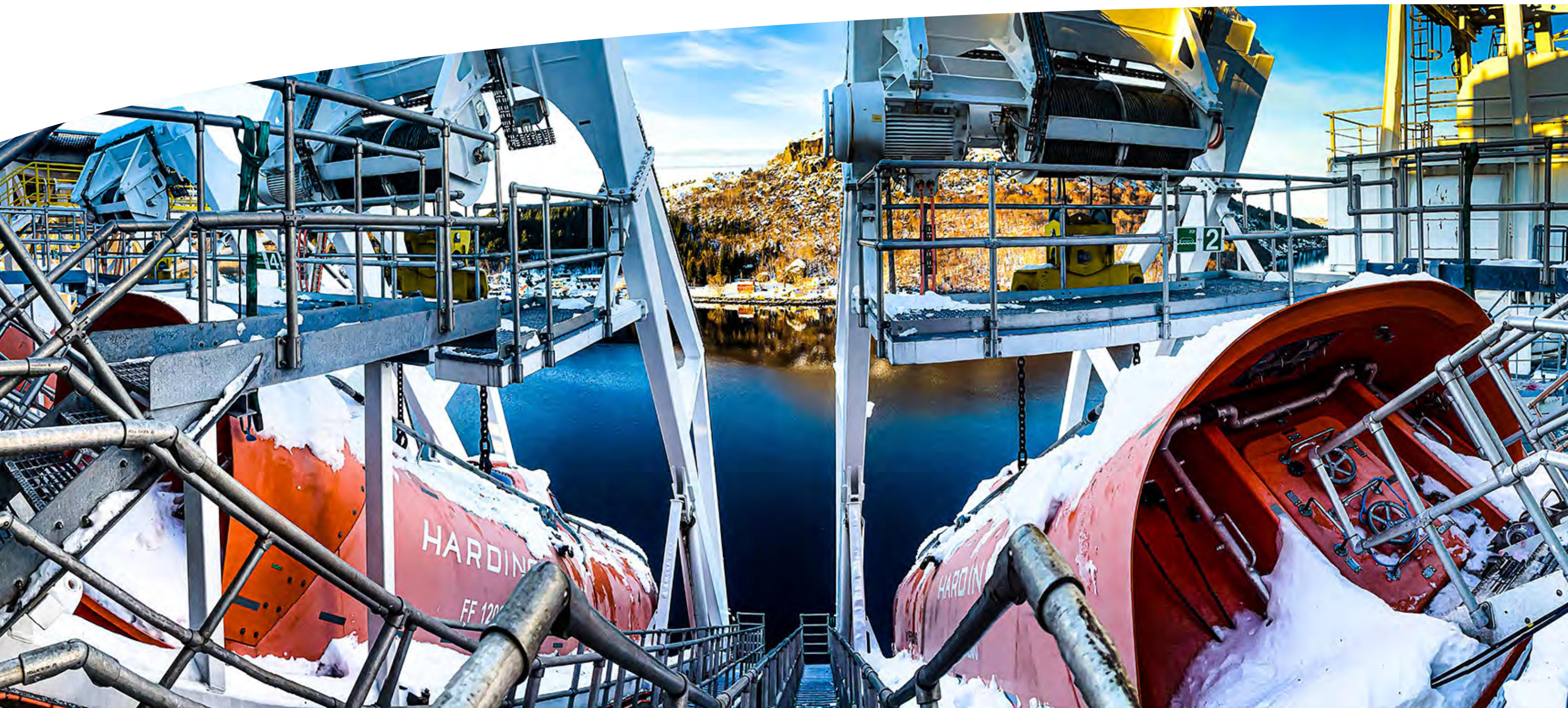
The Board shall define clear objectives, strategies and risk profiles for the company's business activities such that the company creates value for shareholders in a sustainable manner. When carrying out this work, the Board shall take into account financial, social and environmental considerations.

Scheduled Board meetings are normally held six to eight times a year, but the work schedule is flexible and otherwise adaptable so as to take into account relevant commercial, operational and strategic circumstances. Internal segregation of responsibilities and duties between the Board and management is established in a number of various corporate documents including corporate policies and procedures, approval matrices and delegated authorities, Board approvals for budgets and specific investments, and the grant of specific powers of attorney in respect of particular transactions.

The Chairman has a particular responsibility for ensuring that the Board's work is well organised and efficiently conducted. The Chairman of the Board encourages an open and constructive debate within the Board and with management.

THE BOARD'S EVALUATION OF ITS OWN WORK

The Board undertakes an annual assessment of its own performance and expertise, working methods, composition and the manner in which the directors' function, both individually and collectively, in relation to the goals set for their work. In this context, the Board also assesses itself in relation to corporate governance. The assessment is made available to the Nomination Committee as a tool for continuous improvement.



AGREEMENTS WITH RELATED PARTIES

Any transactions, agreements or arrangements between the company's shareholders, members of the Board, members of the executive management team or close associates of any such parties may only be entered into as part of the ordinary course of business and on arm's length market terms. All such transactions shall, where relevant, comply with the procedures set out in the Norwegian Public Limited Liability Companies Act and the Norwegian Code of Practice for Corporate Governance.

The Board shall arrange for a valuation to be obtained from an independent third party for transactions with related parties, including agreements that are considered immaterial. The Board's annual directors' report shall provide information about any transactions with related parties. The Board will when required or otherwise deemed appropriate arrange for a valuation to be obtained from an independent third party.

Board members shall immediately notify the Board and members of the executive management team shall immediately notify the CEO (who, where relevant, will notify the Board) if they have any material direct or indirect interest in any transaction entered into by the company.

Prosafe has entered into an engagement letter with OMP Management AS for the purpose of providing advice and support in regard to industry analysis and potential M&A transactions. OMP Management AS is a Norwegian company that is controlled by HitecVision VI Invest Sierra, a major shareholder in the company.

Prosafe has entered into a framework agreement with Global Maritime. Under the framework agreement, the company has ordered Global Maritime to undertake projects on emission reduction initiatives for two of the company's vessels. Global Maritime is majority-owned by HitecVision, which through one or more entities is a major shareholder of the company. For more information about these related parties transactions, refer to note 21 of the concolidated accounts.

CONFLICTS OF INTEREST AND DISQUALIFICATION

Members of the Board and executive management cannot consider items in which they have a special and prominent interest, cf. the rules on disqualification in the Public Companies Act.

Directors and executive personnel must notify the Board if they have any material direct or indirect personal interest in any agreement concluded by the group. Neither the Board members nor the chief executive officer shall participate in the preparation, deliberation, or resolution by the Board of any matters that are of such special importance to themselves or any of their related parties that the person in question is deemed to have a prominent personal or financial interest in these matters. The relevant Board member or the chief executive officer shall raise the issue of his or her independence whenever there may be cause to question it, and is the primary responsible for adopting the correct decision as to whether he or she should step down from participating in the discussion of the matter at hand.

Potential conflicts of interest have been declared by Alf C. Thorkildsen (Deputy Chairman) through his indirect ownership in HitecVision VI Invest Sierra. In the event of any potential conflict of interest, appropriate action has been taken to protect against such potential conflicts which includes e.g. the individual not participating in the relevant part of the Board meeting and/or abstaining from voting on the relevant matter.

AUDIT COMMITTEE

Prosafe has an Audit Committee comprising of two members of the Board of directors who are both independent of the company: Birgit Aagaard-Svendsen (chair) and Glen Ole Rødland.

At least one of the members shall have either formal qualifications within accounting or auditing, or relevant experience and skills within the same. Birgit Aagaard-Svendsen and Glen O. Rødland have such experience and expertise.

The Audit Committee operates on the basis of a generic annual plan and undertakes an examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal controls, monitors the financial reporting process and prepares the Board's follow up on such issues. The Audit Committee is tasked from time to time with the carrying out of special investigations designed to assess the overall risk management system within the Group.

The Audit Committee is a sub-committee of the Board of Directors, and its objective is to act as a preparatory body in connection with the Board's supervisory roles with respect to financial reporting and the effectiveness of the company's internal control system. It also attends to other tasks assigned to it in accordance with the instructions for the Audit Committee adopted by the Board of directors.

The Audit Committee meets six to eight times a year and holds closed sessions with the appointed auditor on at least an annual basis without the company's management being present. The appointed auditor participates at all Audit Committee meetings.

Internal controls related to the accounting process are mitigated by a combination of organisation and segregation of duties, procedures and authority matrix, reporting and analytical controls and continuous reporting and reviews with the Audit Committee. No individual may enter and approve payments or make commitments individually. Approval procedures are implemented in a seamless system as per Board approved authority matrix and payments are subject to two-point controls.

Financial risk is managed by the Group's finance function which during 2021 has provided regular financial and liquidity forecasts and updates to the Board as well as comprehensive forecasts at each Board meeting.

The Audit Committee held six meetings in 2021. Average meeting attendance was 100 per cent.

Name	Role	Date first time appointed	Date due for re-election	Meeting attendance (%)
Birgit Aagaard-Svendsen	Chair	May 2017	May 2022	100
Glen O. Rødland	Member	May 2020	May 2022	100

COMPENSATION COMMITTEE

Prosafe has a Compensation Committee comprising of two members of the Board who are both independent of the company's executive management: Nina Udnes Tronstad (chair) and Alf C. Thorkildsen. The Committee is a sub-committee of the board and its objective is to act as a preparatory body for the Board's work relating to employment terms and performance review for the chief executive officer as well as strategy and principles for remuneration of executive management. The Compensation Committee operates on the basis of a generic annual plan.

The Compensation Committee held four meetings in 2021. Average meeting attendance was 100 per cent.

Name	Role	Date first time appointed	Date due for re-election	Meeting attendance (%)
Nina Udnes Tronstad	Chair	May 2019	May 2022	100
Alf C. Thorkildsen	Member	May 2020	May 2022	100

SAFETY, SUSTAINABILITY AND ETHICS COMMITTEE

Prosafe has established a Safety, Sustainability and Ethics Committee which consists of the CEO, DCEO&CFO and Senior Manager Exec. Support & Communication. The Committee maintains and further develops Prosafe's Code of Conduct and policies, which include guidance on illegal and unethical issues. Concerns about possible breaches of the Code or any policy can be reported to the Committee on the whistleblowing channel IntegrityLog – https://prosafe.integrity.complylog.com by ordinary mail or by e-mail (conduct@prosafe.com) on a confidential basis. The Committee ensures that alleged breaches are investigated thoroughly and fairly and reported as appropriate to the Board.

10. RISK MANAGEMENT AND INTERNAL CONTROL

Prosafe categorises its primary risks under the following headings: strategic, commercial, operational, compliance and legal, financial and IT / Cyber-security related. The Group's Board and senior officers manage these risk factors through continuous risk assessments, reporting and periodic reviews in management and Board meetings, and as part of the rolling strategy and planning processes. These risks and associated sensitivities as well as internal control measures are described in more detail at https://www.prosafe.com/investor-information/corporate-governance/risk-management/ and in a separate Risk Management Policy.

The risk management methodology applied by management and the Board is in accordance with industry and market practices generally and as implemented in Prosafe over several years.

The Board is responsible for ensuring that sound internal control and risk management systems that are appropriate for the extent and nature of the company's activities are in place.

The Audit Committee assesses the integrity of Prosafe's accounts and follows up on behalf of the Board on issues related to financial review and external audit of Prosafe's accounts. Furthermore, the Board and the Audit Committee supervise and verify that effective internal control systems are in place, including systems for risk management and financial reporting, and satisfactory routines for following up adherence to the company's ethical guidelines.

Prosafe focuses strongly on regular and relevant management reporting of operational and financial matters, both in order to ensure adequate information for decision making and to quickly respond to changing conditions. Evaluation and approval procedures for major capital expenditure and significant treasury transactions are established.

Management maintains a risk and opportunity register that includes all risks of material significance for the company. This register is reviewed regularly in Board meetings and is followed up by management and the Board in the form of strategies and mitigating actions. The Board conducts also an annual review of all risk areas and the internal control system.

All significant tenders and projects are reviewed by the company's Bid Committee. The scope of the reviews includes all aspects which may impact the financial results and good reputation of Prosafe. The Bid Committee acts to safeguard and support tender processes to ensure client tenders have an acceptable balance between risk and reward, and that awarded projects are driving risk mitigating measures in order to meet quality, delivery and financial targets. The committee has an advisory role towards the tender and subsequent project teams within authorities provided by the Board.

Prosafe's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) and management conducts day-to-day follow-up of financial management and reporting. Management has established a structured approach to ensure that the system/procedure for Internal Control over Financial Reporting ("ICFR") is effective and provides reasonable assurance that the company's financial statements are prepared in accordance with IFRS. ICFR includes identification and assessment of all material financial reporting risks, identifying and documenting relevant controls to address these risks, and monitoring that controls are implemented and performed. For controls that are identified not operationally effective for each reporting period, their potential financial exposure and impact on the consolidated financial statements are evaluated. Control procedures over these areas are also reviewed and remedied.

11. REMUNERATION OF THE BOARD

The AGM resolves directors' fees based on the recommendation from the Nomination Committee. The remuneration of the Board reflects its responsibilities, expertise, time commitment and the complexity of the business.

The remuneration of the Board is not linked to the company's performance and none of the current Board directors have a pension scheme or agreement concerning pay after termination of their office nor have they received any share options.

	Chair	Deputy Chair	Directors
Board	USD 110,000	USD 84,000	USD 68,000

In addition, a fee of USD 1,500 is payable for directors, Board Committee members and Board representatives to the Nomination Committee attending Board or Committee meetings held away from their home country.

Information relating to the total remuneration for the Board for 2021 is set out in note 6 to the consolidated accounts.

The fees payable to the members of the Board Committees are as follows:

Committee	Chair	Members and Board representatives	Other
Nomination Committee	USD 7,500	USD 5,000	Additional USD 850 per meeting
Compensation Committee	USD 15,000	USD 10,000	N/A
Audit Committee	USD 20,000	USD 10,000	N/A

Based on the need for directors to be independent of the company's executive personnel, none of the directors has any specific assignments for Prosafe beyond their role as director.

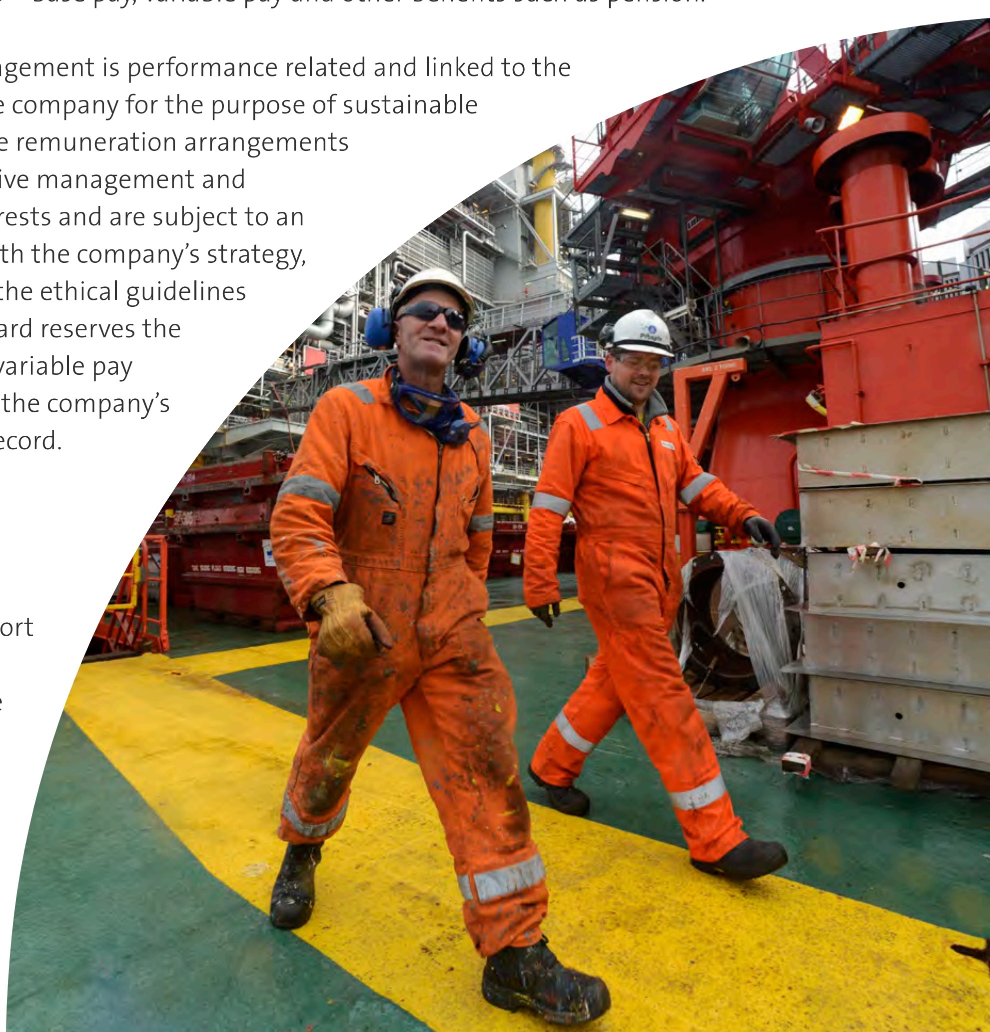
12. REMUNERATION OF EXECUTIVE PERSONNEL

The terms of employment of the CEO and executive management are determined by the Board, based on a detailed annual assessment of their salary and other remuneration. The guidelines on the salary and other remuneration for executive management are clear and easily understandable, and contribute to the company's commercial strategy, long-term interest and financial viability.

Prosafe aims at providing a competitive total package for executive management. The basis for comparison is other listed service companies in the oil and gas sector in the geographic areas where Prosafe pursues its operations. The total remuneration package for executive management comprises three principal elements – base pay, variable pay and other benefits such as pension.

The variable pay of executive management is performance related and linked to the operations and development of the company for the purpose of sustainable value creation for shareholders. The remuneration arrangements contribute to ensuring that executive management and shareholders have convergent interests and are subject to an absolute limit. They are aligned with the company's strategy, as set by the Board and subject to the ethical guidelines and values of the company. The Board reserves the right to reduce or even cancel any variable pay should unforeseen events damage the company's reputation and/or safe operating record.

For further details relating to remuneration paid to executive management, see note 6 to the consolidated accounts and the Report on Executive Remuneration as presented by the Board that will be attached to the Notice of the AGM in May 2022 and made available on the company´s website.



13. INFORMATION AND COMMUNICATION

Prosafe has adopted an investor relations policy which covers guidelines for the company's contact with shareholders and the financial community. In order to ensure equal treatment of shareholders for the purpose of creating a good basis for a fair and correct pricing of the company's financial instruments, Prosafe aims to provide clear, up-to-date and timely financial and other information about the company's operations to the financial market. This shall take place through the timely distribution of price-sensitive information to the market, at all times handled in compliance with applicable market rules and practices.

Prosafe's calendar for interim financial reporting and the general meeting for shareholders can be found on Prosafe's website at https://www.prosafe.com/investor-information/financial-calendar/

Prosafe presents its unaudited Q4 and full year result in early February every year. Complete annual accounts, the directors' report and annual report are provided to shareholders and other stakeholders. In addition, interim accounts are provided on a quarterly basis. Investor presentations in the form of audiocast or webcast are held in connection with the reporting of annual and interim results. The chief executive officer and/or the DCEO&CFO use these occasions to review the results and comment on operations, markets, prospects and outlook. The presentation material is available on Prosafe's website. An ongoing dialogue is otherwise maintained with analysts and investors.

All information distributed to the company's shareholders is published on Prosafe's website at the same time as it is made available to the shareholders.

Information available to shareholders is only available in English. As an international company with a broad shareholder base, English is regarded as the most applicable common language.

14. TAKE-OVERS

Prosafe's Articles of Association do not contain any defence mechanisms against take-over bids, nor has the company implemented other measures limiting the opportunity to acquire shares in the company. The Board will ensure that all shareholders are treated equally and seek to prevent disruptions to, or interference with, company operations to the extent possible. In the event of a takeover bid, the Board will, in accordance with its overall responsibilities and good corporate governance, act in the best interest of shareholders and ensure that they are given sufficient information in the matter.

If an offer is made for the company's shares, the Board will, prior to the expiry of the offer period, issue a statement evaluating the offer and make a recommendation as to whether shareholders should or should not accept the offer. In such a situation, Prosafe will act professionally and in accordance with the applicable principles for good corporate governance.

15. AUDITOR

The company's appointed registered public accounting firm is independent in relation to Prosafe and is elected by the general meeting of shareholders.

The Audit Committee shall support the Board in the administration and exercise of its responsibility for supervision of the work of the independent auditor, who shall keep the Board informed of all aspects of its work for Prosafe. This duty includes submission of an annual plan for the audit of Prosafe.

The auditor attends all Audit Committee meetings and at least once a year meets with the Audit Committee without the presence of management. Company policies govern the use of the auditor's services. Use of the auditor for services other than the audit of Prosafe requires pre-approval by the Audit Committee.

The independent auditor meets with the full Board at least once a year in connection with the preparation of the annual financial statements and, at least once a year, presents a review of Prosafe's financial reporting and internal control procedures for financial reporting. At least once a year, the independent auditor meets with the Board without the presence of any member of executive management.

Fees payable to the auditor split on auditing and other services are specified in the Auditor Fees note to the consolidated financial statements of the company. Remuneration paid to the auditor for mandatory and other audit services will be reported to the AGM for approval.

30 March 2022

The Board of Directors of Prosafe SE

(original signed)

Glen Ole Rødland
Non-executive Chairman

Alf C. Thorkildsen
Non-executive Deputy Chairman

Birgit Aagaard-Svendsen
Non-executive Director

Nina Udnes Tronstad
Non-executive Director

Jesper K. Andresen
Chief Executive Officer

DIRECTORS' REPORT

The directors present their annual report of Prosafe SE (the "Company" or the "Parent Company") and its subsidiaries (the Company and its subsidiaries referred to as the "Group" or "Prosafe") together with the Group's and the Parent Company's audited financial statements for the year ended 31 December 2021.

INTRODUCTION

The Parent Company, Prosafe SE, is legally domiciled in Norway and is the ultimate owner of all Group companies.

In December 2021 the company concluded a financial restructuring that has been in process since tail end 2019. This restructuring follows two earlier although less onerous financial restructurings in respectively 2016 and 2018 triggered by the general downturn in oil and gas as well as structural changes to our industry. Throughout these processes there has been support from both lenders and shareholders which eventually led to a consensual and sustainable financial solution. The board of directors expect the current balance sheet to be sustainable and we expect the company to be able to refinance its debt on market terms by 2025.

In parallel over these years, the company has been adapting its operating model, rightsizing its organisation globally and enhancing its fleet while at the same time ensuring commercial optimization and safe and efficient operations. Prosafe is thankful for the support from lenders, shareholders, clients and employees throughout the downturn in our industry. Our vessel utilization bottomed in 2020 and we saw an improvement during 2021 and based on the firm contracts we expect the operational improvement and cashflow to improve further in 2022.

Against the aforesaid, it is motivating to note that 2022 will be characterized by high fleet activity for Prosafe and improving order backlog and financial results from its operations.

FINANCIAL RESULTS, FINANCING AND FINANCIAL POSITION OF THE GROUP

(The figures in brackets correspond to the 2020 comparatives)

INCOME STATEMENT

Operating revenues totalled USD 141.1 million in 2021 (2020: USD 56.7 million), with fleet utilisation[1)] increasing to 54.5 per cent (20.4 per cent). The increase in utilisation reflects a combination of contracts being deferred from 2020 due to Covid-19, new contracts and extensions.

Operating expenses increased to USD 116.2 million (USD 66.2 million), which was mainly driven by higher activity.

Depreciation, amortization and impairment amounted to USD 74.7 million (USD 854.8 million). The reduced depreciation and amortization reflect impairments made in 2020.

The operating loss amounted to USD 49.8 million (loss of USD 864.3 million).

Interest expenses totalled USD 37.9 million (USD 61.8 million). Lower interest expenses were mainly due to the company was going through the financial restructuring and stopped accruing interests in August until the process was fully completed and implemented. For further information, refer to note 10 and note 14 of the 2021 consolidated accounts.

[1)] Utilisation = actual vessel days in operation in the period / possible vessel days in the period x 100 for 100% owned vessels

Financial items other than interest expenses amounted to USD 1,018.7 million positive (USD 21.6 million negative). The positive financial items other than interests were mainly due to a one-off financial gain of USD 1,030.5 million, arising from the completion of restructuring process and followed by the substantial modification of debt. (Refer to note 9 and note 14 of the 2021 consolidated accounts for more details).

Taxes for 2021 in the amount of USD 3.1 million (USD 2.4 million) were mainly relating to operations in Brazil, Trinidad and UK.

Net profit amounted to USD 927.9 million (net loss of USD 950.1 million), resulting in earnings per share of USD 263.27 positive (USD 10,798.19 negative). Fully diluted earnings per share were USD 263.7 positive (USD 10,798.19 negative). In January 2022, Prosafe completed a 1,000:1 reverse split of the company's shares to satisfy the minimum requirement to market value of the issuer's shares for listed companies. Due to the reverse share split after the reporting period but before the financial statements were authorised for issue, the calculations of the basic and diluted earnings per share for current and prior year presented/ restated were based on the new number of shares.

FINANCIAL POSITION

Total assets amounted to 492.8 million (USD 587.7 million) at the end of 2021. Investments in tangible assets totalled USD 17.3 million (USD 2.9 million). The investments in 2021 mainly relate to the five-yearly Special Periodic Survey (SPS) costs for Safe Boreas, Safe Zephyrus and Safe Notos as well as certain equipment replacements on Safe Caledonia and Safe Concordia.

As at year-end 2021, the Group had a total liquidity reserve in the form of liquid assets (cash and deposits) of USD 73.9 million (USD 160.3 million). Total restricted cash at year-end 2021 was USD 2.4 million (USD 9.8 million).

Total shareholders' equity amounted to USD 36.3 million positive (USD 948.5 negative), resulting in an equity ratio of 7.4 per cent positive (161.4 per cent negative).

Interest-bearing debt amounted to USD 423.3 million (USD 1,509.4 million) at year-end. About USD 1.1 bn of debt was converted to equity as part of the financial restructuring in Q4 2021. Please refer to separate section below under Financing for further information.

The interest-bearing debt agreements are subject to termination, repayment or buy back clauses in the event of a change of control of the Group (as control is defined in the relevant agreements). The only applicable financial covenant at year-end 2021 was minimum cash of USD 18 million. The Group was in compliance with a cash position of USD 73.9 million at year-end 2021.

Please refer to the Financing section below and note 14 of the 2021 consolidated accounts for further information about the loans, financial covenants and financial status of the company.

Net cash flow in 2021 was USD 86.4 million negative (USD 37.8 million negative). Higher net cash outflow in 2021 was mainly due to repayments to lenders as part of financial restructuring process partially offset by the improvement in cashflow from operating activities. Net cash flow from operating activities amounted to USD 23.4 million positive (USD 33.1 negative). Total cash investment in tangible assets for 2021 amounted to USD 17.3 (USD 2.9 million).

FINANCING

A substantial financial restructuring and de-leveraging of the balance sheet was completed in December 2021, leaving the company with a significantly improved balance sheet and improved financial flexibility.

The below provides a full summary of the financial restructuring implemented and its effects;
Following occurrence of the Transaction Effective Date, the conversion of USD 996 million of debt (the **"Step 1 Conversion"**) in return for 7,894,088,600 shares in Prosafe SE (the "**Tranche 1 Shares**") was implemented. After the Step 1 conversion, the aggregate amount of 7,894,088,600 shares was issued at a conversion rate of EUR 0.1116. The total number of outstanding shares was thereafter 7,982,075,598 and the share capital was EUR 399,103,779.90. The share capital and the shares were registered in the Register of Business Enterprises ("Foretaksregisteret") on 16 December 2021.

On 20 December 2021, a Step 2 Conversion (the "**Step 2 Conversion**") of the remaining USD 91 million debt was converted as part of the restructuring in return for 816,624,191 shares (the "**Tranche 2 Shares**") The conversion rate was EUR 0.1113 and EUR 0.0884 for two creditors with separate agreements.

After finalization of the Step 1 Conversion and Step 2 Conversion, including original share capital, the aggregate amount of 8,798,699,789 shares was issued and the share capital was EUR 439,934,989.45.

Following finalization of the conversion of the debt contemplated by the Schemes and the Norwegian restructuring plan, the restructuring has resulted in in a significant de-leveraging of the balance sheet with ca. 75 per cent debt reduction, a corresponding reduction in annual debt service, ca. USD 60 million in cash per year-end 2021 and in sum a significantly improved balance sheet and improved financial flexibility.

Highlights of the completed financial restructuring:

- **Significant de-leveraging:** ca. USD 1,100 million of total debt reduction. Reinstated debt of USD 343 million plus Safe Eurus
- **Significant runway and financial flexibility:** No mandatory debt maturities until December 2025. Only cash-sweep above USD 66 million
- **Reduced interest costs:** ca. USD 9 million in annual debt servicing costs post-transaction
- **Liquidity headroom:** Liquidity well in excess of agreed minimum cash covenant of USD 18 million through 2022, increasing to USD 28 million in 2024
- **Positive book equity**
- **Equitization and shareholders:** Ca. USD 1,100 million of debt has been equitized into 99 per cent of Prosafe SE equity

FINANCIAL RESULTS AND FINANCIAL POSITION OF THE PARENT COMPANY

The net gain for the year amounted to USD 803.9 million (USD 944.0 million loss). Net financial gain amounted to USD 944.0 million (USD 231.9 million loss).

Total net assets for the year amounted to USD 12.3 million (USD 850.8 million net liabilities). The company's equity was positive as at 31 December 2021 following the implementation of the financial restructuring.

OPERATIONS AND PROJECTS

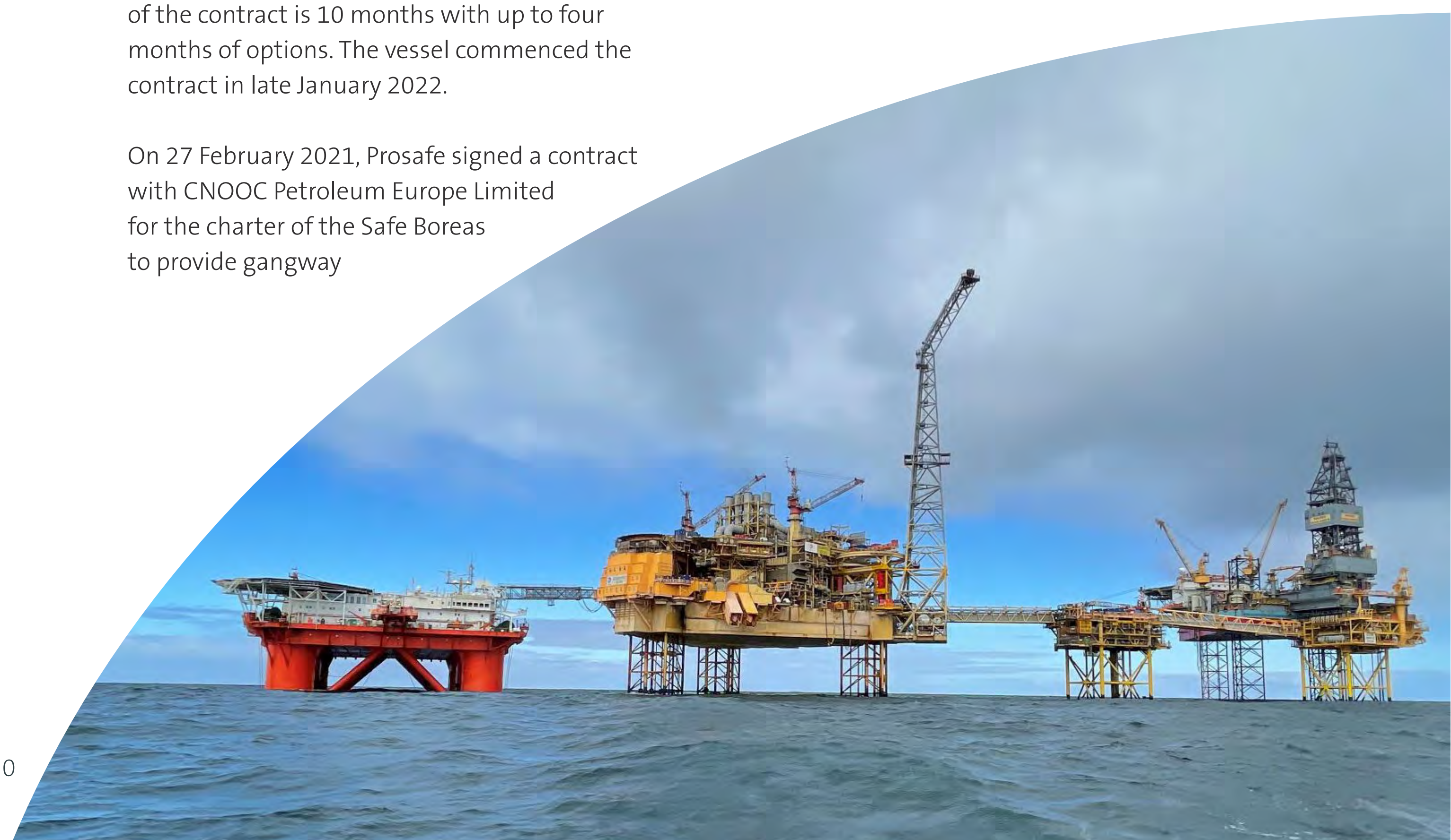
As at year-end, the fleet comprised seven fully owned vessels, plus options for two completed new builds, the Safe Nova and the Safe Vega, at a yard in China. The company is in dialogue with COSCO about extending the options to take delivery of Safe Nova and Safe Vega. Since 2016, eight vessels have been sold by Prosafe for recycling.

Specifications for each of the vessels and details of the current vessel contracts can be found on the company's website https://www.prosafe.com/fleet/vessels/

Safe Zephyrus completed her five-yearly special periodic survey (SPS) at Averøy yard in Norway before mobilizing to the Shearwater platform in the UK where she conducted a 175-day contract for Shell from 27 February 2021. Upon completion of the contract, the vessel was in lay up in Norway. In late September 2021, BP Exploration Operating Company Limited chartered the Safe Zephyrus to provide gangway connected operations to support the Seagull project at the ETAP central processing facility in the UK North Sea. The firm duration of the contract is 10 months with up to four months of options. The vessel commenced the contract in late January 2022.

On 27 February 2021, Prosafe signed a contract with CNOOC Petroleum Europe Limited for the charter of the Safe Boreas to provide gangway connected operations supporting the Buzzard platform complex in the UK sector of the North Sea. The firm duration of the contract which commenced mid-April 2021 was 100 days with three 30-day options. On 9 July 2021, CNOOC Petroleum Europe Limited exercised two of the three 30-day options available to them, thereby extending the Safe Boreas at the Buzzard platform complex in the UK sector of the North Sea until end-September 2021. The contract was later further extended till 14 October 2021, after which the vessel was taken to a yard in Norway to prepare for the ConocoPhillips contract at Ekofisk starting in Q2 2022.

Safe Caledonia commenced a 162-day contract with a 30-day option for Total at the Elgin platform in the UK in late March 2021. The contract was subsequently extended until end-October 2021. On 20 October 2021, Prosafe was awarded a new contract by TotalEnergies E&P UK Limited for the Safe Caledonia to provide accommodation support at the Elgin complex in the UK sector of the North Sea. The firm duration of the contract commencing mid-March 2022 is 270 days with one 30-day option. The vessel remained in-field over the winter period between the two contracts on a stand-by day rate.



Safe Eurus has been providing safety and maintenance support to Petrobras during a three-year contract since November 2019. As a consequence of Covid-19, the vessel was on standby rate from early August 2020 and resumed operation on 24 September 2020. The vessel will remain on the current contract till early 2023.

The original three-year and 222-day firm contract for the Safe Notos that was due to complete in July 2020 was suspended for 120 days at zero rate from April 2020. The vessel was back on standby rate in early August 2020 and resumed operations in early October 2020. The Safe Notos was off-hire for most of January 2021 conducting her five-yearly special periodic survey and resumed operations in February 2021 continuing through until mid-November 2021. On 5 November 2021, Prosafe signed a further contract extension with Petrobras Netherlands B.V. taking the firm operational period through to mid-July 2022.

Safe Concordia was in early January 2021 awarded a contract in Trinidad and Tobago. The vessel commenced the contract early July 2021 and remained on contract till mid-March 2022. Prosafe was awarded a 160-day contract with BP in direct continuation of this contract, such that the Safe Concordia will continue to operate offshore Trinidad through to and including 31 August 2022. In addition, there are up to four weeks of options.

The Regalia was sold for recycling in April 2021.

Safe Scandinavia was idle in the year and is laid up in Norway.

Although the impact from Covid-19 on the macro environment has been challenging, Prosafe has successfully implemented proper safety measurements at workplaces and vessels to protect people and assets, as well as several cost-saving initiatives to protect liquidity.

Prosafe does not undertake specific Research & Development activities. However, the company is increasing its efforts in the area of energy management to adapt to the global ambition to achieve energy efficiency, reduced emissions and compliance with ISO 50001. All formal audits were successfully concluded during 2021 and the company awaits formal receipt of its ISO 50001 certification in early 2022.

TOTAL ORDER BACKLOG

Total order backlog[2)] as of 31 December 2021 amounted to USD 152 million (USD 162 million) of which USD 126 million relates to firm contracts and USD 26 million relates to options. Secured utilisation for 2022 is 51.6 per cent, while secured utilisation for 2023 was 3.2 per cent at year-end.

WESTCON DISPUTE

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 decided in favour of Prosafe, ordering Westcon to pay Prosafe NOK 344 million plus interest and NOK 10.6 million legal costs.

Westcon filed an appeal and Prosafe filed a counter appeal on 28 May 2018.

On 15 April 2021, the Gulating Court of Appeal decided that Prosafe had to pay Westcon NOK 302,510,457 plus interest and legal costs, in total about NOK 465 million. The judgement implied full payment to Westcon of the amount claimed.

As part of the financial restructuring, Prosafe paid the secured part of the Westcon claim, NOK 245 million, to Westcon in October 2021. The remaining part of the claim was converted into 3 per cent of the shares in Prosafe SE on a fully diluted basis following the implementation of the financial restructuring in December 2021.

[2)] Order backlog = amount of contracted revenue not recognised in income statement yet

CORPORATE SOCIAL RESPONSIBILITY AND ESG REPORTING

Prosafe views Corporate Social Responsibility (CSR) as an integral part of being an efficient and value-creating business. Prosafe is committed to maintaining high ethical, social, environmental and governance standards, and creating sustainable values for the benefit of its stakeholders and the society at large wherever the company operates.

In 2021, Prosafe further increased its focus on Corporate Social Responsibility (CSR) by amongst others setting clear, quantitative targets for Environmental, Social and Governance (ESG) key performance indicators. Prosafe's targets, action plans and progress reports are included in a separate ESG report that has also been included in this annual report. Specifically, we are consequently increasing our efforts in the area of energy management and emissions reduction to adapt to the global ambition to achieve energy efficiency and reduced emissions. Prosafe's view is that these efforts over time – although they will require investments and customer engagement — will provide competitive edge and new business opportunities.

OUTLOOK

GENERAL

Most of the company's contracts for 2020 were postponed to 2021 due to the Covid-19 pandemic, resulting in healthy utilisation and improved earnings in 2021. In addition, Prosafe has been able to develop its order book during 2021 by adding both contract extensions to existing contracts and new contracts covering both 2021 and 2022.

In the short term, the activity level for 2022 will be good with at least 6 of 7 vessels being on contracts for all or parts of the year. However, beyond 2022, visibility remains low, in particular in the North Sea, which is in line with a historic trend in the offshore accommodation industry.

Demand for offshore accommodation rigs is mainly driven by maintenance, modification and life extension of existing oil and gas infrastructure. The focus of the oil and gas industry on electrification and other carbon footprint reducing investments offshore, and the emerging market for Carbon Capture and Storage are expecting to be positive for the demand for offshore accommodation longer term. Further, the number of turret moored FPSOs and other floating offshore installations are increasing relatively to fixed installations and floating oil production are requiring modern DP3 semi-submersible rigs that can "follow target". Prosafe is a large operator of the most advanced DP3 semi-submersible rigs. The energy transition will gradually change the market for the energy service industry including Prosafe.

Given the complexity of the global energy system and the world economy's dependence on energy for growth and prosperity, the transition to a renewable world is likely to take time. It is therefore assumed that there will be high activity in oil and gas industry also in the foreseeable future while investments in energy management and efforts to reduce carbon intensity and emissions will occur in parallel.

It is uncertain how the situation in Ukraine may affect Prosafe. There are no immediate effects, but there may be ripple effects.

GEOGRAPHICAL MARKETS

North Sea: Norway and UK

The North Sea (UK and Norway) remains a key market for semi-submersible accommodation vessels. In 2022, Prosafe will have two vessels operating in the UK and one vessel operating in Norway. Beyond 2022, the company has little firm visibility. However, the large number

of fields in production combined with energy management initiatives and high energy prices are assumed to provide basis for activity also in the foreseeable future.

Brazil
The main bulk of demand in Brazil has been maintenance and modification work on aging assets in the Campos Basin with semi-submersibles remaining the preferred design for long charter contracts with Petrobras. In addition, other international operators have required vessel support on both newer installations such as Equinor's Peregrino and aging assets owned and leased out by Modec, SBM and Shell. Petrobras has increased its spending guidance in recent announcements and has a revised outlook on spend and green initiatives. In addition, Petrobras has announced a plan for installation of a large number of additional FPSOs in the years ahead and several new long-term tenders for offshore accommodation units. It is therefore assumed that Brazil will remain an important market in the years ahead.

Mexico
The level of offshore activity in Mexico has been relatively high since 2016 although at lower levels than prior to 2016 with Mexican / Pemex owned vessels replacing foreign owned units. Pemex' oil production growth ambitions had shown signs of maintenance and modification recovery after a period of decline in investment and political uncertainty. Following the Covid-19 pandemic and the subsequent oil price crash, Pemex has made significant spending cuts following trends globally.

Recently, however, the oil price has increased and cashflow is significantly improved. In addition, a gradual normalization of society, despite the pandemic will increase demand and need for energy to support development. Pemex' oil and gas production is vital to the Mexican economy. As such the company remains optimistic that opportunities will present themselves in Mexico in the future.

Rest of the world
Demand for semi-submersible offshore accommodation units in other geographical markets is historically more sporadic and opportunities are monitored and pursued on an opportunistic basis.

SUPPLY SIDE
The supply side has seen a positive development since 2016 with a reduction in the number of available units, largely

supported by Prosafe which following the sale of the Regalia in January 2021 has sold eight vessels for recycling. Over this time period, two competitors have sold one unit each for recycling.

Globally, there are still around 30 semi-submersible offshore accommodation vessels available for operation. The company expects a bifurcation of the market where the high end modern DP3 vessels will show better performance/cashflow over time. The market for high end vessels is currently about 13 vessels.

Prosafe has recycled 8 accommodation units since the peak in 2016 and has substantially renewed its fleet. The company remains the leading player with 7 vessels on water including a Tender Support Vessel (TSV) and options on another two completed vessels for worldwide operations currently stacked with Cosco in China. Prosafe's main competitor has 5 vessels while the remaining fleet is generally dispersed among a series of owners.

Prosafe remains of the opinion that the industry needs further consolidation and vessel recycling, and we anticipate that this will occur in the years ahead.

ENERGY TRANSITION

Energy transition is desirable to prevent further global warming, and inevitable due to the finite nature of fossil fuel. However, there has been built a massive system over the last 150 years, and it is imperative to realize that the process of adapting to the energy transition will be complex and time consuming. Therefore, carbon capture, energy management, alternative fuels, electrification and ways of working must all be addressed in tandem. We anticipate that there will be high activity in the oil and gas industry also in the foreseeable future, while investments in energy management and efforts to reduce carbon intensity and emissions will occur in parallel.

Prosafe's view is that these efforts over time – although they will require investments – will provide the company a competitive edge and new business opportunities.

STRATEGY AND GOALS

The Group's strategy remains to be the preferred supplier of high-end offshore accommodation vessels globally.

Despite the changing landscape and increased uncertainty, Prosafe continues to operate under the assumption that there will be a need for accommodation vessels and a gradual move towards a sustainable market. The Group is,

however, of the opinion that the supply side in the industry is too fragmented and in need of a significant reduction of the fleet. Meaningful consolidation and continued recycling are needed to contribute to a faster normalization of the return in our industry.

While optimizing its existing fleet and core business, Prosafe is increasing its efforts in the area of ESG and energy management in order to reduce its energy consumption and emissions and to comply with laws and regulations.

RISK

Prosafe categorises its primary risks under the following headings: strategic, commercial, operational, compliance and legal, financial and Cyber-security related. The Group's Board and senior officers manage these risk factors through continuous risk assessments, reporting and periodic reviews in management and Board meetings, and as part of the rolling strategy and planning processes.

The Group aims to create shareholder value by allocating capital and resources to the business opportunities that yield the best return relative to the risk involved within its specified strategic direction.

Prosafe seeks to reduce its exposure to operational, financial and compliance related risk through proper operating routines, the use of financial instruments and insurance policies.

Commercial risk comprises macro factors such as oil price and industry specific factors such as supply/demand balance, competitive position, new development solutions and new ways of executing offshore projects.

Demand for accommodation units is among others sensitive to oil price fluctuations and changes in exploration and production spending. Demand is also sensitive to impacts from the energy transition which may pose both opportunities and threats. In addition, the demand for accommodation units is sensitive to other incidents that may impact the general state of the world economy, general activity and spend levels, and demand for natural resources. Global incidents like pandemics with a material impact on capital markets and the oil price may negatively impact activity in the oil and gas industry, and thereby also demand for accommodation services.

The Group is exposed to financial risks such as currency risk, interest rate risk, financing and liquidity risk and credit and counterparty risk.

Prosafe maintains an active overview of - and relation with – debt markets and lenders as well as the equity market and investors to secure a best possible access to capital markets if and when needed.

Prosafe is exposed to liquidity risk, which is the risk that Prosafe will not be able to meet obligations of financial liabilities when they become due. Liquidity risk sources include but are not limited to contract cancellations, customers not paying charter rate under contracts and low demand for accommodation vessel in the future. Prosafe manages liquidity at Group level as per Board approved Finance Policy. The Group monitors the liquidity development and the risk of insufficient capital by rolling cash flow forecasts. Liquidity is managed on a low risk and highly liquid basis, primarily in deposits with its main lending banks.

Prosafe reports in USD and generates income primarily in USD, whereas a large part of its operating costs is in other currencies such as GBP, Brazilian Real and NOK. The currency mix will, however, vary with areas of operation. This exposure as identified based on rolling forecasts is hedged according to the Group's Board approved Finance Policy. The interest rate risk is normally unhedged following the financial restructuring that was completed in December 2021, although the need for hedging is being reviewed on a regular basis.

The Group carries out credit checks on clients as part of its tendering processes and has a history of minimal loss from debtors. There are no material overdue receivables as at year-end.

It is uncertain how the situation in Ukraine may affect Prosafe. There are no immediate effects, but there may be ripple effects.

Further information on financial risk management is provided in note 19 to the consolidated financial statements.

An account of the main features of Prosafe's risk management process is available on its website at https://www.prosafe.com

INTERNAL CONTROLS

Internal control is ensured in accordance with Prosafe's policies and procedures which aim to ensure the effectiveness and efficiency of its operations, reliability of its financial reporting and compliance with applicable laws and regulations. These policies and procedures are designed, inter alia, to safeguard assets and protect from accidental loss or fraud.

In addition, the policies and procedures are reinforced by the organisation and the competence of its personnel, segregation of duties, regular risk assessments and internal reporting, management meetings, Board meetings and the Audit Committee, together with external audit and public reporting and communication.

In respect of internal controls relating to the preparation of financial statements, the Board demonstrates independence from management and exercises oversight of the development and performance of internal control. management establishes, with Board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives. In addition to the ongoing reviews by the senior officers, annual reviews and assessments are carried out which are approved by the Board in respect of risk management and internal controls. The risk and opportunity register forms the basis for the action plan which further represents a main and continuous agenda item for both management and the Board to ensure that all key risks and opportunities are appropriately discussed and followed up by management and the Board in the form of strategies and mitigating actions.

Prosafe is committed to attract, develop, and retain competent individuals in alignment with its objectives. The Group holds individuals accountable for their internal control responsibilities in the pursuit of its objectives.

The Group identifies and analyses risks which may potentially affect the achievement of its objectives and how these should be managed. It also considers the potential for fraud and identifies and assesses changes that could significantly affect the system of internal control.

The Group selects, develops and deploys controls for the mitigation of risks related to the achievement of its financial reporting objectives, including controls over technology. It deploys these controls through policies and procedures and reporting.

The Group carries out regular reviews to ascertain whether the internal controls are present and functioning, and evaluates and communicates any internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the Board, as appropriate. Audits carried out by external parties like the financial auditor, clients and regulatory authorities and the reporting and follow-up of these are important elements to ensure continuous focus on and improvement of internal controls.

HEALTH, SAFETY AND THE ENVIRONMENT (HSE)

Robust HSE performance is fundamental to all of Prosafe's operations and is therefore reflected in its core values. Consequently, Prosafe works proactively and systematically to reduce incidents, injuries and absence.

Prosafe operates a zero-accident mindset philosophy which means that no accidents or serious incidents are acceptable. A number of initiatives have been implemented over the years in order to further strengthen the safety culture. These and new initiatives will be continuously developed in order to improve safety performance further.

In 2021, Prosafe recorded zero incidents classified as a Lost Time Injury (LTI) (2020: 0), i.e. those injuries resulting in an employee being absent from the next work shift due to the injury.

Sick leave was 0.27 per cent in 2021, an improvement from 0.46 per cent in 2020.

Prosafe had no accidental discharges to the natural environment in 2021 and continues to actively reduce emissions by modernizing and adapting its fleet and operating procedures and practices.

In 2021, Prosafe decided to further increase focus on the energy management side of environmental management and started a process to implement the requirements of ISO 50001 Energy Management. All formal audits were successfully concluded during 2021 and the company awaits formal receipt of its ISO 50001 certification in early 2022.

The impact to the external environment from Prosafe's operations is reported in detail in the ESG report which is included in this annual report.

HUMAN RESOURCES AND DIVERSITY

Prosafe had 103 employees at the end of 2021 (average 97), compared with 99 in the previous year (average 111). This reflects the adjustment of the organisation and its operating model whereby a significant number of activities were outsourced to external providers in response to a shift in the market and a consequent reassessment of the outlook.

Prosafe's global presence was reflected in the fact that its employees came from 25 countries around the world. The overall voluntary employee turnover in the Group was 11.23 per cent in 2021, compared with 8.06 per cent in 2020.

Prosafe operates an equal opportunity policy including gender equality. Men have, however, traditionally made up a greater proportion of the recruitment base for offshore operations, and this is reflected in Prosafe's gender breakdown. As of 31 December 2021, women accounted for 26.2 per cent of all employees, compared with 27.3 per cent in 2020. Onshore the proportion of women was 40.3 per cent, as compared to 41.7 per cent in 2020.

Women constituted 26.3 per cent of the managers as at 31 December 2021, compared with 24.4 per cent at the end of 2020. Women account for 50 per cent of Prosafe's Board of Directors. As at 31 December 2021, the average hourly pay for female employees in Prosafe was USD 34, while it was USD 69 for male employees.

Prosafe aims to offer the same opportunities to all and there is no discrimination with respect to recruitment, remuneration or promotion, age, disability, gender, marriage and civil partnership, pregnancy and maternity, nationality, religion or belief, and sexual orientation. More detailed information can be found in the ESG report included in this annual report.

CORPORATE GOVERNANCE

Corporate governance in the Group is based on the principles contained in the Norwegian Code of Practice for Corporate Governance of 14 October 2021. There are no deviations between the Code of Practice and the way it has been implemented during 2021. The Group's full corporate governance report is available in a separate section in this annual report.

Corporate governance is a key focus for the Group in order to strengthen confidence in Prosafe among shareholders, the capital market and other interested parties, and to help ensure maximum value creation over time in the best interest of shareholders, employees and other stakeholders.

At the Annual General Meeting held on 5 May 2021, all members of the Board were re-elected. Glen Ole Rødland was re-elected as chairman. The remuneration of the members of the Board is disclosed in note 6 to the financial statements.

The company has a Directors & Officers liability insurance that covers Directors and executive management. The total limit of the coverage is USD 32.5 million.

As at 31 December 2021, the only director (including associated parties) who held shares in Prosafe was Birgit Aagaard-Svendsen, owning 3,000 shares. Glen Ole Rødland has an indirect ownership interest in Prosafe through his ownership interest in North Sea Strategic Investments. and Alf C. Thorkildsen has an indirect ownership interest in Prosafe through his ownership interest in North Sea Strategic Investments and HitecVision VI Invest Sierra.

GOING CONCERN

The Board of Directors confirms that the accounts have been prepared under the assumption that the company is a going concern. The going concern assumption is considered to be appropriate as the Company successfully completed its overall financial restructuring process in 2021, and the Board is of the view that the agreed financial solution is robust and sustainable beyond the near term.

SHAREHOLDERS AND SHARE CAPITAL

According to the shareholder register as at 31 December 2021, the 20 largest shareholders held a total of 98.11 per cent of the issued shares. The number of shareholders was 4,850. DNB Bank ASA was the largest shareholder with a holding of 14.31 per cent of the issued shares.

Significant shareholdings as at 31 December 2021 are presented in note 14 to the financial statements and are bi-weekly updated on the company's website at https://www.prosafe.com/investor-information/shareholder-information/largest-stakeholders/

As at 31 December 2021, Prosafe had an issued share capital of 8,798,699,789 ordinary shares, all at a nominal value of EUR 0.05 each.

An EGM was held on 25 January 2022 where it was resolved to affect a 1,000:1 reverse share split of the company's shares to satisfy the minimum requirement to market value of the issuer's shares for listed companies. This was effective on 27 January 2022.

There are currently no share incentive schemes or shareholder agreements in place in the company.

The company's loan agreements include change of control clauses.

Further information on the share capital and changes thereon are shown in note 14 to the consolidated financial statements.

DIVIDENDS

Prosafe's long-term objective is to provide shareholders with a competitive, risk-adjusted yield on their shares through a combination of share price appreciation and direct return in the form of dividend. The company has not paid dividends since 2015.

Under the latest amended and restated facility agreements, i.e. following the restructuring in December 2021, dividend may only be paid after obtaining prior written consent of the majority lenders.

As the company has resolved to reduce the share capital for coverage of loss that cannot be covered otherwise without notice to the creditors, a resolution to distribute dividends may not be adopted until three years have elapsed from the registration in the Register of Business Enterprises in December 2021, unless the share capital subsequently has been increased by an amount at least equal to the reduction.

EVENTS AFTER THE PERIOD END

It is uncertain how the situation in Ukraine will affect Prosafe. There are no immediate effects, but there may be ripple effects.

Reference is made to note 23 to the 2021 consolidated accounts for a description of other relevant events after the reporting date.

30 March 2022

The Board of Directors of Prosafe SE

Glen Ole Rødland
Non-executive Chairman

Alf C. Thorkildsen
Non-executive Deputy Chairman

Birgit Aagaard-Svendsen
Non-executive Director

Nina Udnes Tronstad
Non-executive Director

Jesper K. Andresen
Chief Executive Officer

DECLARATION BY THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

The Board of Directors and the Chief Executive Officer have today considered and approved the annual report and financial statements for the Prosafe Group and its parent company Prosafe SE for the 2021 calendar year ended on 31 December 2021.

This declaration is based on reports and statements from the Chief Executive Officer, Deputy CEO & Chief Financial Officer and on the results of the Group's business as well as other essential information provided to the Board of Directors to assess the position of the parent company and the Group.

TO THE BEST OF OUR KNOWLEDGE:

The 2021 financial statements for the parent company and the Group have been prepared in accordance with all applicable accounting standards.

The information provided in the financial statements gives a true and fair portrayal of the parent company's and the Group's assets, liabilities, financial position and results taken as a whole as at 31 December 2021.

The Board of directors' report for the parent company and the Group provides a true and fair overview of the development, performance, outlook and financial position of the parent company and the Group taken as a whole, and the most significant risks and uncertainties facing the parent company and the Group.

30 March 2022

The Board of Directors of Prosafe SE

Glen Ole Rødland
Non-executive Chairman

Alf C. Thorkildsen
Non-executive Deputy Chairman

Birgit Aagaard-Svendsen
Non-executive Director

Nina Udnes Tronstad
Non-executive Director

Jesper K. Andresen
Chief Executive Officer

CONSOLIDATED ACCOUNTS

CONSOLIDATED INCOME STATEMENT

(USD million)	Note	2021	2020
Charter revenues	4	121.8	54.3
Other operating revenues	4, 5	19.3	2.4
Operating revenues		**141.1**	**56.7**
Employee benefits	6	(50.6)	(30.8)
Other operating expenses	7	(65.6)	(35.4)
Operating profit/(loss) before depreciation and impairment		**24.9**	**(9.5)**
Depreciation	8	(33.0)	(44.5)
Impairment	8	(41.7)	(810.3)
Operating loss		**(49.8)**	**(864.3)**
Interest income		1.0	0.5
Interest expenses	10	(37.9)	(61.8)
Other financial income	9	1,051.8	0.0
Other financial expenses	9	(34.1)	(22.1)
Net financial items	10	**980.8**	**(83.4)**
Profit/(Loss) before taxes		**931.0**	**(947.7)**
Taxes	11	(3.1)	(2.4)
Net profit/(loss)		**927.9**	**(950.1)**
Attributable to equity holders of the parent		**927.9**	**(950.1)**
Earnings per share (USD)	12	**263.3**	**(10,798.2)**
Diluted earnings per share (USD)	12	**263.3**	**(10,798.2)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(USD million)	2021	2020
Net profit/(loss) for the year	**927.9**	**(950.1)**
Other comprehensive income		
Items to be reclassified to profit or loss in subsequent periods:		
Foreign currency translation	(2.3)	(0.8)
Items that will not be reclassified to profit or loss in subsequent periods:		
Pension remeasurement	(0.1)	(0.1)
Other comprehensive loss for the year, net of tax	**(2.4)**	**(0.9)**
Total comprehensive income/(loss) for the year attributable to equity holders of the parent	**925.5**	**(951.0)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(USD million)	Note	Share capital	Con-vertible bonds	Other equity	Foreign currency trans-lation	Total equity
Equity at 31 December 2019		**9.0**	**20.6**	**(59.4)**	**32.2**	**2.4**
Net loss		0.0	0.0	(950.1)	0.0	(950.1)
Other comprehensive loss		0.0	0.0	(0.1)	(0.8)	(0.9)
Total comprehensive loss		**0.0**	**0.0**	**(950.2)**	**(0.8)**	**(951.0)**
Conversion of convertible bonds	13	0.1	(1.8)	1.8	0.0	0.1
Equity at 31 December 2020		**9.1**	**18.8**	**(1,007.8)**	**31.4**	**(948.5)**
Net profit		0.0	0.0	927.9	0.0	927.9
Other comprehensive loss		0.0	0.0	(0.1)	(2.3)	(2.4)
Total comprehensive income		**0.0**	**0.0**	**927.8**	**(2.3)**	**925.5**
Conversion of convertible bonds	13	0.6	(18.8)	18.2	0.0	0.0
Share issuance through debt conversion	13	492.6	0.0	(433.3)	0.0	59.3
Share capital reduction	13	(4.8)	0.0	4.8	0.0	0.0
Equity at 31 December 2021		**497.5**	**0.0**	**(490.3)**	**29.1**	**36.3**

The legal form of the share capital and the share premium accounts are reflected in the statement of changes in equity of the accompanying parent financial statements. Other equity includes share premium reserve, capital reduction reserve and retained earnings.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(USD million)	Note	31/12/2021	31/12/2020
ASSETS			
Vessels	8, 16	397.0	412.3
New builds	8, 22	0.0	1.1
Other tangible assets	8	2.2	2.1
Total non-current assets		**399.2**	**415.5**
Cash and deposits	17, 19	73.9	160.3
Debtors	17, 18	14.1	6.9
Other current assets	17, 20	5.6	5.0
Total current assets		**93.6**	**172.2**
Total assets		**492.8**	**587.7**
EQUITY AND LIABILITIES			
Share capital	13	497.5	9.1
Convertible bonds	13	0.0	18.8
Other equity		(461.2)	(976.4)
Total equity		**36.3**	**(948.5)**
Interest-bearing non-current liabilities	14, 17, 18	422.4	78.7
Derivatives	17, 18	0.0	3.7
Other non-current liabilities	17	2.2	2.3
Total non-current liabilities		**424.6**	**84.7**
Interest-bearing current debt	14, 17, 18	0.9	1,430.7
Accounts payable	17	1.8	1.4
Taxes payable	11	10.7	9.0
Other current liabilities	15, 17	18.5	10.4
Total current liabilities		**31.9**	**1,451.5**
Total equity and liabilities		**492.8**	**587.7**

On 30 March 2022, the Board of Directors of Prosafe SE approved and authorised these financial statements for issue.

Glen Ole Rødland
Non-executive Chairman

Alf C. Thorkildsen
Non-executive Deputy Chairman

Birgit Aagaard-Svendsen
Non-executive Director

Nina Udnes Tronstad
Non-executive Director

Jesper K. Andresen
Chief Executive Officer

CONSOLIDATED CASH FLOW STATEMENT

(USD million)	Note	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES			
Profit/(Loss) before taxes		931.0	(947.7)
Net gain from extinguishment of debt	14	(1,030.5)	0.0
(Gain)/Loss on sale of non-current assets		(1.0)	0.4
Depreciation and impairment	8	74.7	854.8
Interest income		(1.0)	(0.5)
Interest expenses	14	37.9	61.8
Taxes paid		(1.3)	(6.7)
Change in working capital		14.6	(22.0)
Other items from operating activities		(1.0)	26.8
Net cash provided by/(used in) operating activities		**23.4**	**(33.1)**
CASH FLOW FROM INVESTING ACTIVITIES			
Net proceeds/(payments) from sale of tangible assets		1.6	(0.3)
Acquisition of tangible assets	8	(17.3)	(2.9)
Interest received		1.0	0.5
Net cash used in investing activities		**(14.7)**	**(2.7)**
CASH FLOW FROM FINANCING ACTIVITIES			
Repayments of interest-bearing debt		(77.6)	(2.0)
Refinancing costs		(17.5)	0.0
Net cash used in financing activities	14	**(95.1)**	**(2.0)**
Net cash flow		**(86.4)**	**(37.8)**
Cash and deposits at 1 January		160.3	198.1
Cash and deposits at 31 December	19	**73.9**	**160.3**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: CORPORATE INFORMATION AND PRINCIPAL ACTIVITY

Prosafe SE (the 'Company') is a public limited company domiciled in Norway. The registered office of the Company is Forusparken 2, 4031 Stavanger, Norway. The Company is a leading owner and operator of offshore accommodation vessels. The Company is listed on the Oslo Stock Exchange with ticker code 'PRS'.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (together referred to as the 'Group').

The consolidated financial statements for the year ended 31 December 2021 were approved and authorised for issue in accordance with a resolution of the board of directors on 30 March 2022.

NOTE 2: STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') endorsed by the European Union. The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments which are measured at fair value through profit or loss.

The consolidated financial statements are presented in US dollars (USD), and all amounts have been rounded to the nearest millions, unless otherwise indicated. Adding up rounded figures and calculating percentage rate of changes may result in slight differences compared with totals arrived at by adding up component figures which have not been rounded.

The accounting policies adopted are consistent with those in the previous financial years.

CRITICAL JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires Management to make critical judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The estimates and assumptions are assessed on a continuous and regular basis. The estimates and assumptions which have the most significant effect on the amounts recognised in the financial statements are as follows:

GOING CONCERN. The Board of Director confirms that the accounts have been prepared under the assumption that the Company is a going concern. The going concern assumption is considered to be appropriate as the Company successfully completed its overall financial restructuring process in 2021, and the Board is of the view that the agreed financial solution is robust and sustainable beyond the near term.

MODIFICATION OF DEBT. The Company fully implemented and completed a financial restructuring in 2021 whereby the majority of external debt was refinanced. The renegotiation of the terms of certain financial liabilities included issuing equity instruments to creditors to extinguish all or part of the liability.

Management has identified loans that qualify for extinguishment and the recognition of the reinstated debt as a new liability. Management has assessed that the financial restructuring resulted in a substantial modification of debt due to substantially different terms. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors such as changes in the type of interest rate and change in covenants are also considered.

Substantial modifications are treated as an extinguishment, and derecognition of the existing liability and recognition of a new liability at fair value based on the new contractual terms. Determining the fair value of the shares issued to creditors and the recognition of the reinstated debt requires the use of judgement and estimates. The methods applied for fair value calculations include estimations that are based on publicly available data and managements own assumptions. The fair value of long-term debt is calculated by determining the net present value of estimated cash flows applying an estimated market rate for the Group at initial recognition. The market rate estimate was determined by observing publicly available terms and conditions of relevant peers' for similar loans and adjusted for known differences from the Group's agreed credit facility terms, as well as the Group's new capitalization and value of the vessels. The basis for this estimated market rate, to which the fair value is sensitive, is not based on observable input and therefore the fair value of the debts are level 3 estimates.

Upon derecognition of debt, the difference between the carrying amount of the original liability and the consideration paid is recognised in profit or loss. The consideration paid includes equity instruments, cash transfers and the reinstated debt. Costs or fees incurred are also recognised within profit and loss as part of the gain or loss on extinguishment.

DEPRECIATION. Estimated useful life of the Group's accommodation/service vessels is set at 35 years or less dependent on the age at the time of acquisition and subsequent refurbishments and as the economic life varies for the various components on a vessel. Individual components may, however, be depreciated over shorter periods of time. Please refer to note 8.

IMPAIRMENT / REVERSAL OF IMPAIRMENT OF NON-FINANCIAL ASSETS. Management monitors the performance indicators on an ongoing basis. Every vessel is seen as an individual cash generating unit (CGU) as they generate cash inflows that are largely independent of those from other assets or groups of assets. At each reporting date, management reviews and determines whether there is any indication of impairment or impairment reversal of the CGU. If any such indication exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. Changes in the circumstances or expectations of future performance of an individual asset may be an indicator that the asset is impaired, requiring the carrying amount to be written down to its recoverable amount. Impairments are reversed if conditions for impairment are no longer present. Evaluating whether impairment indicators are present, if an asset is impaired or if an impairment should be reversed requires a high degree of judgement and estimates of recoverable amounts may to a large extent depend upon the selection of key assumptions about the future.

Where recoverable amounts are based on estimated future cash flows, reflecting the Group's or market participants' assumptions about the future and discounted to their present value, the estimates involve complexity. Impairment testing requires long-term assumptions to be made concerning several economic factors such as future vessel day rates, operating costs, utilisation rate and discount rates, in order to establish relevant future cash flows and their discounted amounts. Long-term assumptions for major economic factors are made at a group level. There is a high degree of reasoned judgement involved in establishing these assumptions, in determining other relevant factors such as vessel day rates and long-term growth rates, and in determining the residual value for computation of the ultimate terminal value of an asset.

IMPAIRMENT OF SHARES IN SUBSIDIARIES. The recoverable amount of non-financial assets mentioned above impacts the estimated value of shares in vessel-owning subsidiaries. Hence, impairment of shares in subsidiaries is a significant estimate required for the preparation of the parent company accounts.

CHANGES IN SIGNIFICANT ACCOUNTING POLICIES
Changes to the Standards and interpretations of Standards that are required to be adopted in annual periods beginning on 1 January 2021 did not have any impact on the amounts recognised in prior periods and are not expected to have any significant impact to the current or future periods.

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16) -
The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS standards relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities. The amendments require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability. If there are other changes to the basis for determining the contractual cash flows, then a company first applies the practical expedient to the changes required by IBOR reform and then other applicable requirements of IFRS 9.

At 31 December 2021, the Group has interest bearing liabilities of USD 423.3 million. Of which, USD 343.4 million are US LIBOR secured loans and these will be subject to interbank Offered Rates (IBOR) reform. The lenders are actively involved in the transition with regulators, central banks and industry bodies and have not as of this date informed the Group on the details of the transition. Once the transition details are available, the Group will assess the impact and consider where there are any modification gains or losses arising as a result of updating the effective interest rate of the loans. The impact on the Group leases is not significant and the Group does not adopt hedge accounting.

The transition in the interest rate benchmark for the parent company floating rate liabilities are adopted in the intercompany floating rate loans when adopted for the Group.

The phase 2 amendments should be applied for the annual period beginning on 1 January 2021 and applied retrospectively. However, since the Group had no transactions for which the benchmark rate had been replaced with an alternative benchmark rate as at 31 December 2020, there is no impact on the opening equity balance as a result of retrospective application. During the year, there is also no impact to the Group as the transition change in the interest rate benchmark has not yet been agreed with the lenders.

STANDARDS ISSUED BUT NOT YET EFFECTIVE, WHICH THE GROUP HAS NOT YET ADOPTED
A number of amendments and improvements to standards have been issued and are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Group has not adopted the new or amended standards in preparing these consolidated financial statements earlier. The Group's assessment is that such new or amended standards and interpretations are not expected to have a material impact to the Group in the current or future reporting periods or on foreseeable future transactions upon adoption.

Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) - The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. The Group has determined that all contracts existing at 31 December 2021 are not onerous.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

BASIS OF CONSOLIDATION. The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using the equity method and are initially recognised at cost. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence ceases.

All intra-group balances, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions are eliminated in full. The Group's interest in equity-accounted investees comprises interests in an associate. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

BUSINESS COMBINATIONS AND GOODWILL. Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value. Acquisition related costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit and loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

FOREIGN CURRENCY TRANSLATION. The presentation currency is USD. This is also the functional currency for the parent company. Transactions in other currencies than the functional currency are translated at the exchange rate prevailing at the transaction date. Monetary items in other currencies than the functional currency are translated to the functional currency at the exchange rate on the reporting date, and the currency difference is recognised in the profit and loss account. Non-monetary items in currencies other than the functional currency are translated at the exchange rate at the transaction date.

When consolidating companies with a functional currency other than USD, profit and loss items are translated at the monthly average exchange rate, while balance sheet items are translated at the exchange rate on the reporting date. Translation differences are recognised in other comprehensive income. On disposal of a foreign operation, the deferred cumulative amount recognised in other comprehensive income relating to that particular operation, is recognised in the income statement.

SEGMENT REPORTING. For management and monitoring purposes, the Group is organised into one segment; chartering and operation of accommodation/service vessels. For geographical information, reference is made to note 4.

REVENUE RECOGNITION

Type of Product/Service	Nature and timing of satisfaction of performance, including significant payment terms	Revenue recognition
Charter Income/ Mobilisation Income/ Demobilisation Income/ Lump Sum Fee	The Group charters the accommodation vessels to customers for an agreed period. The Group does not convey the right to control the use of the asset to the customers and none of the contracts are accounted for as a lease. The invoices are issued on a monthly basis or based on the contractual terms and are normally payable within 30 days.	The activities giving rise to mobilisation, demobilisation and re-phasing are not a distinct performance obligation in itself and are highly interdependent on the charter activities. These activities are necessary for the Group to perform its service in providing the accommodation vessels to the customer. These incomes, together with charter income and bareboat income, are considered as a single performance obligation and the revenue are collectively recognised over the charter period. In addition, any additional fees arising from suspension or deferment of contracts will be deferred and amortised over the charter period when the performance obligations are met. The deferred revenue is included in the contract liabilities.
Management, crew services, catering and other related income	The Group provides optional services upon request from the customer. The invoices are issued on a monthly basis or based on the contractual terms and are payable normally within 30 days.	These incomes are recognised over time when performance obligations are met. The related costs are recognised in profit or loss when they are incurred.

The Group has reviewed its contracts with customers and concluded that these contracts do not contain a lease. If another conclusion determined that these contracts contain a lease, there will not be any significant difference in the accounting of revenue.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. Interest income is included in financial items in the income statement.

Dividend income

Dividend income is recognised when the right to receive payment is established.

PROVISIONS are recognised when, and only when, the Group has a present obligation as a result of events that have taken place, and it can be proven probable that a financial settlement will take place as a result of this liability, and that the size of the amount can be measured reliably. Provisions are reviewed on each balance sheet date and their level reflects the best estimate of the liability.

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

For onerous contracts, provisions are made when unavoidable cost of meeting the obligations under the contract exceed the economic benefit to be received under the contract. The unavoidable costs under the contract are the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil the contract. Unavoidable cost are costs that would not incur for the entity if it did not have the contract.

TANGIBLE ASSETS are recognised at cost less cumulative depreciation and accumulated impairment losses, if any. Assets are depreciated on a straight-line basis over their estimated useful lives, with account taken of their estimated residual value. Management makes annual assessments of residual value, methods of depreciation and the remaining useful life of the assets. Components of an asset which have an estimated shorter life than the main component of the asset are accordingly depreciated over this shorter period. Acquisition cost includes costs directly attributable to the acquisition of the assets. Subsequent expenditures are added to the book value of the asset or accounted for on a separate basis, when it is likely that future benefits would derive from the expenditures. The vessels are subject to a periodic survey every five years, and associated costs are amortised over the five-year period to the next survey. Other repair and maintenance costs are expensed in the period they are incurred.

Expenditures for new builds are capitalised, including instalments paid to the yard, project management costs, and costs relating to the initial preparation, mobilisation and commissioning until the vessel is placed into service. In accordance with IAS 23, borrowing costs are capitalised on qualifying asset.

Tangible fixed assets are depreciated on a straight-line basis over their useful lifetime as follows:
- Semi-submersible vessels:
  – Superstructure: 35 years or less
  – Living quarters and other equipment: 5 to 35 years
  – Periodic maintenance: 5 years
- Buildings: 20 to 30 years
- Right-of-use assets (office leases): 3 to 5 years
- Equipment: 3 to 5 years

IMPAIRMENT OF NON-FINANCIAL ASSETS. The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash generating unit’s fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Every vessel is seen as an individual CGU. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available.

The Group bases its impairment calculation on a detailed forecast calculation which is prepared for the Group’s cash generating units. The forecast calculation is generally covering a period of five years and a terminal value. In 2020, the growth rates applied were as below. In 2021, there was no valuation-in-use calculation as there were no impairment indicators.

Growth rate assumptions applied in the value-in-use calculation performed in 2020:

Growth rate until the end of 2039	6.6%	Reflects the Group's assumptions of a gradual normalisation of return to reflect newbuilding parity in 2039 as a result of an anticipated gradual reduction in supply.
Growth rate after 2039	2.0%	After a rebalanced market, the growth rate applied is the long-term average growth rate appropriate to the assets of 2%.

For non-financial assets except goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a significant change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Management has not identified any indicators for reversal of impairment as at 31 December 2021.

FINANCIAL ASSETS

Initial recognition

Trade receivables are initially recognised when they are originated. All other financial assets are initially recognised when the Group becomes a party to the contractual provision of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and measurement

On initial recognition, a financial asset is classified as measured on following basis: 1) financial assets at amortised cost; and 2) financial assets at fair value through profit or loss "FVTPL".

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the changes in the business model.

1) Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2) Financial assets at FVTPL

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost of a FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Derivative financial instruments

The Group uses derivative financial instruments such as forward currency contracts, interest rate cap, and interest rate swaps to hedge its foreign currency risk and interest rate risk. Such instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The derivative financial instruments are mainly used in economic hedges where the changes in fair value are taken directly through profit or loss. The fair value of forward currency contracts is the discounted difference between the forward exchange rate and the contract price. The fair value of interest rate caps and swaps contracts are calculated using inputs that are from observable market prices.

Gains or losses arising from changes in fair value of derivative financial instruments that do not qualify for hedge accounting are taken to the profit and loss account. For cash flow hedges, the effective portion of the gains or losses on the hedging instrument is recognised directly in other comprehensive income and accumulated in the hedging reserve, while the ineffective portion is recognised in the profit and loss account. Amounts taken to other comprehensive income are reclassified to the profit and loss account when the hedged transaction affects the profit and loss account. For fair value hedges, changes in the fair value of the designated hedging instruments are recognised in the profit and loss account. The hedged item is adjusted to reflect change in its fair value in respect of the risk hedged, with any gain or loss recognised in the profit and loss account.

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategies for undertaking various transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair value or cash flows of the hedged items. There are currently no hedged items in the periods covered within this financial statement.

Current versus non-current classification

Derivative instruments that are not designated and effective hedging instruments are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances.

When the Group holds a derivative as an economic hedge for a period beyond 12 months after the balance sheet date or a derivative instrument is designated as an effective hedging instrument, the fair value of the derivative instrument is classified as current or non-current consistent with the classification of the underlying item. Economic hedges are not treated as hedging for accounting purposes.

Subsequent measurement and gains and losses

1) Financial assets at amortised cost
These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

2) Financial assets at FVTPL
These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Derecognition
A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Impairment of financial assets

The Group recognises loss allowances for expected credit losses on:
- Financial assets measured at amortised cost

Loss allowances for trade receivables and assets are always measured at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available without undue cost of effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be in default when:
- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The financial asset is more than 90 days past due.

Measurement of expected credit losses:
- For trade receivables, the Group applies the simplified method of credit reserves, i.e. the reserve will correspond to the expected loss over the whole life of the trade receivable. In order to measure the credit losses, trade receivables are grouped based on credit risk characteristics of its customer. The Group applies forward-looking variables for expected credit losses.
- Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).
- Expected credit losses are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired, which is when one or more events that have a detrimental impact on the estimated future cash flow of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as default or being more than 90 days past due;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

Loss allowances of expected credit losses for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets as in the statement of financial position.

Derecognition of financial assets
The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amount due.

FINANCIAL LIABILITIES

Initial recognition
Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss and financial liabilities measured at amortised cost. The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognised initially at fair value and, in case of loans and borrowings, net of directly attributable costs. The Group's financial liabilities include non-derivative financial instruments (trade and other payables, loans and borrowings, financial guarantee contracts) and derivative financial instruments.

Subsequent measurement and gains and losses
Financial liabilities at fair value through profit and loss are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. If there is a change in the timing or amount of estimated cash flows, the amortised cost of the financial liability is adjusted in the period of change to reflect the revised actual and estimated cash flows, with a corresponding income or expense being recognised in profit or loss. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

FAIR VALUE OF FINANCIAL INSTRUMENTS. The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

EMPLOYEE BENEFITS

Defined contribution plans
Companies within the Group make contributions to pension schemes that are defined contribution plans. The companies' payments are recognised in the income statement for the year to which the contribution applies.

Share-based payment arrangements
The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

BORROWING COSTS. Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. Capitalised borrowing costs are calculated using the effective interest method.

LEASES. A lease is defined as a contract that conveys the right to control the use of an identified asset for a period in exchange for consideration. For each contract that meets this definition, the lessees will recognise a right-of-use asset and a lease liability in the balance sheet with certain exemptions for short term and low value leases. Lease payments are to be reflected as interest expense and a reduction of lease liabilities, while the right-of-use assets are to be depreciated over the shorter of the lease term and the assets useful life. The portion of lease payments representing payments of lease liabilities and interest expense shall be classified in line with the policy elected for other interest payments in the statement of cash flows.

Lease liabilities are measured at the present value of remaining lease payments, discounted using the incremental borrowing rate. At initial recognition, right-of-use assets are measured at an amount equal to the lease liability.

Major lease liabilities for the Group comprise of leases of chartered-in vessels, office buildings, warehouses, transportation, logistics assets and other IT infrastructure and office equipment. The Group separately expenses variable expense services and other non-lease components embedded in lease contracts for office buildings and warehouses. For leases of other assets, the Group capitalises non-lease components subject to fixed payments as part of the lease.

The Group applies the general short-term exemption for leases of chartered-in vessels, office buildings, warehouses, transportation, logistics assets and other IT infrastructure and office equipment. Leases with a lease term of 12 months or less that do not contain a purchase option are expensed as short-term leases.

The Group also applies the general low value exemption for leases of office equipment. This applies for all leases where the value of the underlying asset is below USD 5,000. These low value leases of such assets will not be capitalised and that lease payments are expensed in profit or loss.

INCOME TAXES in the income statement include taxes payable and changes in deferred tax. Deferred tax is calculated based on temporary differences between book and tax values that exist at the end of the period. Deferred tax asset is recognised in the statement of financial position when it is probable that the tax benefit can be utilised. Deferred tax and deferred tax asset are measured at nominal value.

Income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid to the tax authorities. Deferred tax liabilities are measured at the tax rates that are expected to apply in the year when the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is provided using the liability method. Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

CASH AND DEPOSITS comprise cash at banks and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

DIVIDEND distribution to the shareholders is recognised in the financial statements on the date on which the shareholders' right to receive payment is established.

SHAREHOLDER'S EQUITY. Any difference between the issue price of share capital and the nominal value is recognised as share premium. The costs incurred attributable to the issue of share capital are deducted from equity. Zero coupon convertible bonds and share options that will be settled by the Company by delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash are equity instruments and recognised in equity. The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

NOTE 4: SEGMENT REPORTING AND CONTRACT BALANCES

The Group has one segment, which is chartering and operation of accommodation/service vessels.

Operating revenues by geographical location	2021	2020
Europe	77.9	1.1
South America	63.2	55.6
Total operating revenues	**141.1**	**56.7**

The revenue allocation is based on place of operation of the vessel.

Operating revenues by major customers:	2021		2020	
	1)	2)	1)	2)
Europe 1	31.5	22.3%	0.0	0.0%
Europe 2	25.9	18.4%	0.0	0.0%
Europe 3	19.6	13.9%	0.0	0.0%
South America 1	43.6	30.9%	44.4	78.3%
South America 2	0.0	0.0%	11.2	19.8%
South America 3	19.6	13.9%	0.0	0.0%

1) Operating revenues in USD million
2) Percentage of total revenues

Total assets by geographical location	2021	2020
Europe	173.9	177.4
South America	225.0	236.7
Asia	0.3	1.4
Total assets	**399.2**	**415.5**

Contract balances	2021	2020
Trade receivables from charters	14.1	6.9
Contract assets	0.3	4.2
Contract liabilities	1.1	3.6

The contract assets relate to deferred charter incentive as a result of contract modification. The contract assets are recognised as a deduction of revenue over the performance obligation of the contract. The contract liabilities relate to deferral fees or upfront consideration received from customers. The contract liabilities are recognised as revenue over the performance obligation of the contract.

Significant changes in the contract assets and the contract liabilities during the year are as follows:

	2021	2020	2021	2020
	Contract assets		**Contract liabilities**	
Revenue from recognition of the opening balance	0.0	0.0	(3.6)	(2.6)
Revenue deduction from recognition of the opening balance	(4.2)	0.0	0.0	0.0
Consideration received during the year not recognised as revenue	0.0	0.0	1.1	3.6
Contract incentive as a result of contract modifications	0.3	4.2	0.0	0.0

The below table includes the Group's firm order book, consisting of performance obligations that are unsatisfied or partially satisfied as at the end of the reporting period.

Chartering and operation of accommodation vessels	2021	2022	2023	Total
31 December 2021		119.9	6.1	126.0
31 December 2020	98.0	40.3	6.1	144.4

Variable considerations that are constrained and not considered in the transaction price are excluded from the table above.

NOTE 5: OTHER OPERATING REVENUES

	2021	2020
Gain/(Loss) on sale of non-current assets	1.0	(0.4)
Management, crew services, catering and other related income	18.3	2.8
Total other operating revenues	**19.3**	**2.4**

NOTE 6: EMPLOYEE BENEFITS AND MANAGEMENT REMUNERATION

	2021	2020
Wages and salaries	13.4	13.0
Contract personnel	29.8	13.1
Other personnel-related expenses	3.9	2.2
Social security taxes	2.9	1.8
Pension expenses	0.4	0.4
Other remuneration	0.2	0.3
Total employee benefits	**50.6**	**30.8**

Number of employees

The average number of employees in the Group for 2021 was 97 (2020: 111). The average number of employees by legal entity was as follows.

	2021	2020
Prosafe Offshore Employment Company Pte. Limited	0	25
Prosafe Offshore Limited	37	25
Prosafe Services Maritimos Ltda	35	40
Prosafe AS	7	8
Prosafe Offshore Holdings Pte. Ltd.	8	9
Prosafe SE	2	2
Prosafe Offshore Accommodation Ltd	0	2
Safe Eurus Singapore Pte. Ltd.	8	0
Total average number of employees	**97**	**111**

Bonus scheme

The CEO, DCEO/CFO and COO hold incentive agreements which may lead to a bonus payment. The bonus depends on achieving defined targets relating to stretch target for earnings, cost efficiency targets, long-term strategic targets, operational performance and HSE performance.

Severance pay

For the CEO and the DCEO/CFO, the Company guarantees a remuneration corresponding to the base salary received at the time of departure for a period of 5 months beyond a 4 month notice period and with a set off for the 5 months against any other income received. For the COO, the Company guarantees a remuneration corresponding to the base salary received at the time of departure for a period of 12 months beyond a 6 month notice period.

In accordance with the code of practice for corporate governance recommended by the Oslo Stock Exchange, remuneration for Executive Management and the Board of directors is specified below and in a separate report from the Board.

Share options

See note 23 on subsequent events for details on a long-term incentive program for the Executive Management team.

Senior officers (USD 1 000)	Year	Salary	Bonus	Pension	Other benefits	Total
Jesper Kragh Andresen - CEO	2021	396	290	33	21	740
Stig Harry Christiansen - DCEO/ CFO	2021	376	284	31	21	712
Ryan Duncan Stewart - COO	2021	378	179	37	3	597
Jesper Kragh Andresen - CEO	2020	334	100	30	21	485
Stig Harry Christiansen - DCEO/ CFO	2020	317	100	28	21	466
Ryan Duncan Stewart - COO	2020	284	100	26	56	466

Board of directors
(USD 1 000)

	Year	Board fees
Glen Ole Rødland (Chair)	2021	122
Birgit Aagaard-Svendsen	2021	91
Nina Udnes Tronstad	2021	84
Alf C. Thorkildsen	2021	78
Total fees [1]		**375**
Glen Ole Rødland (Chair)	2020	120
Birgit Aagaard-Svendsen	2020	93
Nina Udnes Tronstad	2020	83
Alf C. Thorkildsen (from May 2020)	2020	51
Svend Anton Maier (until May 2020)	2020	27
Kristian Johansen (until May 2020)	2020	27
Total fees [1]		**401**

[1] If applicable, figures include compensation from the audit committee and compensation committee.

NOTE 7: OTHER OPERATING EXPENSES

	2021	2020
Repair and maintenance	22.7	10.1
Other vessel operating expenses	38.4	18.9
General and administrative expenses [1]	4.5	6.4
Total other operating expenses	**65.6**	**35.4**

Auditors' fees
(USD 1 000)

	2021	2020
Audit	374	377
Fees for non-audit services	154	13
Total auditors' fees	**528**	**390**

[1] Auditors' fees are included in general and administrative expenses. Fees for non-audit services of USD 154,000 were mainly related to other assurance and audit-related services provided in relation to the financial restructuring (2020: USD 13,000 related to compliance and pre-liquidation stage services) offered to the group companies by the statutory auditor.

NOTE 8: TANGIBLE ASSETS

	Vessels	New builds	Equip-ment	Buildings	Right-of-use assets	Total
Cost as at 31 December 2019	**3,142.8**	**60.7**	**4.0**	**7.3**	**0.0**	**3,214.8**
Additions	2.7	0.0	0.0	0.1	0.4	3.2
Disposals	(232.3)	0.0	(0.2)	(0.3)	0.0	(232.8)
Cost as at 31 December 2020	**2,913.2**	**60.7**	**3.8**	**7.1**	**0.4**	**2,985.2**
Additions [1]	57.4	0.0	0.2	0.0	1.4	59.0
Disposals	(367.8)	0.0	(0.3)	(7.1)	0.0	(375.2)
Cost as at 31 December 2021	**2,602.8**	**60.7**	**3.7**	**0.0**	**1.8**	**2,669.0**
Accumulated depreciation and impairment 31 December 2019	**1,938.2**	**0.0**	**2.5**	**6.9**	**0.0**	**1,947.6**
Depreciation for the year	44.0	0.0	0.2	0.3	0.0	44.5
Disposals	(232.2)	0.0	(0.1)	(0.4)	0.0	(232.7)
Impairment for the year	750.9	59.6	0.0	(0.2)	0.0	810.3
Accumulated depreciation and impairment 31 December 2020	**2,500.9**	**59.6**	**2.6**	**6.6**	**0.0**	**2,569.7**
Depreciation for the year	32.1	0.0	0.5	0.0	0.4	33.0
Disposals	(367.8)	0.0	(0.2)	(6.6)	0.0	(374.6)
Impairment for the year	40.6	1.1	0.0	0.0	0.0	41.7
Accumulated depreciation and impairment 31 December 2021	**2,205.8**	**60.7**	**2.9**	**0.0**	**0.4**	**2,269.8**
Net carrying amount 31 December 2021	**397.0**	**0.0**	**0.8**	**0.0**	**1.4**	**399.2**
Net carrying amount 31 December 2020	**412.3**	**1.1**	**1.2**	**0.5**	**0.4**	**415.5**
Depreciation rate (%)	**3-20**		**20-33**	**3-5**	**20-33**	
Economically useful life (years)	**5-35**		**3-5**	**20-30**	**3-5**	

[1] Additions during the year include non-cash transactions of USD 40.6 million relating to the Westcon judgement (see below under Vessels for further information) and USD 1.1 million of right-of-use assets addition.

New builds

New builds include prepayment to the yard, owner-furnished equipment and other project costs incurred. As at 31 December 2021, the Group had two (2020: two) undelivered completed new builds residing at COSCO's Qidong shipyard in China; Safe Nova and Safe Vega. See note 22 for details on capital commitments relating to new builds.

The Group has the option right to exercise whether to take delivery of the undelivered completed vessels till August 2022 for one vessel and the other till August 2023. The recoverable amount of each vessel is determined based on the option value and is calculated using the Black Scholes model. The main inputs used in the computations were the current expected recoverable value of a similar vessel, strike price of the option (expected costs to be incurred to delivery of the vessel), time to maturity of the option, volatility based on implied oil price volatility and risk-free interest rate. As the time value of the options has decreased compared to prior year, the value of the contracts are considered to be close to zero and as such written off.

Buildings
In 2020, a reversal of impairment of USD 0.2 million was charged to a property held in Aberdeen based on the latest market valuation. In 2021, the building was disposed of.

Vessels
Estimated useful life for the semi-submersible accommodation vessels is set at 35 years or less dependent on the age at the time of the acquisition and subsequent refurbishments as the economic life varies for the various components on a vessel. Individual components may, however, be depreciated over shorter periods of time than the life of the vessel itself. The management has assessed the Group's vessels residual value to remain the same as prior year at USD 4.2 million based on the latest assumptions and factors from past recycling transactions. This estimate is primarily based on steel prices and costs associated with scrapping and is reviewed on an annual basis.

The management has performed an impairment assessment of its vessels in accordance with IAS 36. Each individual vessel is considered to be a cash generating unit. In 2020, total impairment charges of USD 810.5 million were made relating to the vessels and new builds based on the valuation-in-use calculation used in 2020 as below. As of 31 December 2021, the Group expects energy consumption to continue to increase in the longer term, with oil and gas remaining an important part of the energy mix. In addition, the oil price has recovered from the low levels triggered by the pandemic. The Group expects that in the short term, there will be increased capital investment focusing on existing fields and the activity level will be relatively high. However, the energy transition may take longer time and be more complicated than most observers believe. Beyond 2024, visibility remains low, which is in line with a historic trend in the offshore accommodation industry. The industry needs further consolidation and vessel recycling and management anticipates this to occur in the years ahead. Management has not identified any impairment indicators, nor any indicators for reversal of impairment as at 31 December 2021 and hence no value-in-use calculation was performed.

In April 2021, the Gulating Court of Appeal decided that Prosafe shall pay full payment to Westcon of the amount claimed. As a result, the Group has recognised USD 40.6 million as a fixed asset acquisition cost and consequently recognised an impairment loss of USD 40.6 million based on the valuation-in-use calculation as below.

Valuation-in-use (applied in 2020)
The recoverable amounts were identified by calculating the valuation-in-use (“VIU”). Impairments were made in the accounts for vessels with VIU lower than their net book value. The Group also considered the use of broker estimates as a basis for fair value calculation, but this was not applied due to the lack of transactions and liquidity in the market for the Group's vessels.

In 2020, the VIU calculations below were based on an updated long-term forecast for 2020-2024 and until the end of each vessel's useful life. The main assumptions used in the computations are charter rates, utilisation, operating expenses and overheads, capital expenditures, discount rate and long-term growth rate. In consideration of the projected weak and oversupplied market till the end of 2024, management also reviewed the VIU calculation model and revised the terminal value calculation in two stages to reflect the return to sustainable earnings. The key changes to the value in use calculation model were as follows:

- In the first stage, from 2025 until the end of 2039, a growth rate of 6.6% was applied to arrive at cash flows reflecting sustainable earnings / mid-point of the cycle. The growth rate was determined to accurately reflect the Group's assumptions of a gradual normalisation of return to reflect newbuilding parity in 2039 as a result of an anticipated gradual reduction in supply.
- In the second stage, the growth rate applied was the long-term average growth rate appropriate to the assets of 2%.

The effects of the Covid-19 pandemic and the oil price collapse make short-term planning as well as long-term forecasting extremely challenging and the uncertainty was regarded even higher than it has been in the past, in particular as far as utilisation and day rates are concerned. Therefore, a higher interval was also applied to the sensitivities shown.

The present value of the estimated cash flows from the cash-generating units was based on the following inputs:

Utilisation
- Average utilisation was assumed to increase from 20% or less in 2020 to 50% in 2021, to approximately 65% in 2022 – 2025, and thereafter stabilise at approximately 55%.

Revenues
- From 2020-2024, the assumption was based on current contracts portfolio including assumptions related to the outcome of ongoing commercial discussions with clients combined with a best effort view on potential prospects.
- From 2025, assumptions were applied factoring in the changed industry dynamics, demand/supply balance, pricing and the Group's anticipated market share in the global market. The main factors included estimated cash flow and EBIDTA per vessel, current market data on average day rates, contract lengths for the different regions and anticipated market share.

Expenses
- Operating expenses and overheads were reduced between 10% and 50% compared to the prior year to reflect the current market conditions, cost reduction measures and activity plan.

Capital expenditures
- Capex was based on SPS plans (5-year special periodic survey) and activity plan. Capex spend will be deferred whenever possible, including SPS plans if a vessel is laid up with no order backlog.
- Capex was generally reduced to a minimum although sustainable level sufficient to upkeep the vessels.

Discount rate of 9%
- Discount rate was derived from weighted average cost of capital after tax of the Group.

Long-term growth rate

- There was a revised terminal value calculation in two stages to reflect the return to sustainable earnings as mentioned above. In the first stage, from 2025 until the end of 2039, the growth rate of 6.6% was applied to arrive at cash flows reflecting sustainable earnings / mid-point of the cycle. The growth rate was determined to accurately reflect the Group's assumptions of a gradual normalisation of return to reflect newbuilding parity in 2039 as a result of an anticipated gradual reduction in supply. After 2039, the growth rate applied was the long-term average growth rate appropriate to the assets of 2 %.

Sensitivity (2020)

- A 1% increase in the discount rate would have led to an increase of impairment of USD 36 million.
- A 10% increase / decrease in the utilisation rate would have led to a decrease / increase of impairment of USD 91 million / USD 112 million.
- A 10% increase / decrease in the day rate would have led to a decrease / increase of impairment of USD 84 million / USD 87 million.
- A 2% decrease in the long-term growth rate would have led to an increase of impairment of USD 56 million.

NOTE 9: OTHER FINANCIAL ITEMS

	2021	2020
Currency gain	1.8	0.0
Gain from extinguishment of debt [1]	1,048.0	0.0
Other financial income	2.0	0.0
Total other financial income	**1,051.8**	**0.0**
Fair value adjustment interest rate swaps	(0.2)	(12.9)
Currency loss	0.0	(0.1)
Other financial expenses [2]	(33.9)	(9.1)
Total other financial expenses	**(34.1)**	**(22.1)**

[1] In 2021, there was a gain from extinguishment of debt as a result of the completion of the financial restructuring process. See further details in note 14.

[2] As a result of the financial restructuring process, USD 17.5 million (2020: USD 6.8 million) of refinancing costs were incurred and included in other financial expenses. See further details in note 14 relating to financial restructuring.

NOTE 10: FINANCIAL ITEMS

Year ended 31 December 2021	Financial assets measured at amortised cost	Fair value through profit and loss	Financial liabilities measured at amortised cost	Total
Interest income [(a)]	**1.0**	**0.0**	**0.0**	**1.0**
Currency gain [1)]	0.0	0.0	0.0	1.8
Gain from extinguishment of debt	0.0	0.0	1,048.0	1,048.0
Other financial income [1)]	0.0	0.0	0.0	2.0
Total other financial income [(b)]	**0.0**	**0.0**	**1,048.0**	**1,051.8**
Amortisation of borrowing costs		0.0	(5.4)	(5.4)
Amortisation of amortised costs		0.0	(0.9)	(0.9)
Debts interest expenses		0.0	(31.6)	(31.6)
Total interest expenses [(c)]		**0.0**	**(37.9)**	**(37.9)**
Fair value adjustment interest rate swaps		(0.2)	0.0	(0.2)
Other financial expenses [2),3)]		0.0	(16.4)	(33.9)
Total other financial expenses [(d)]		**(0.2)**	**(16.4)**	**(34.1)**
Net financial items [(a)+(b)+(c)+(d)]	**1.0**	**(0.2)**	**993.7**	**980.8**

1) Excluded from the category breakdown but added to the total for net effect.

2) In April 2021, the Gulating Court of Appeal decided that Prosafe shall pay full payment to Westcon of the amount claimed. As a result, the Group recognised USD 13.8 million as other financial expenses.

3) USD 17.5 million of refinancing costs were excluded from the category breakdown but added to the total for net effect.

Year ended 31 December 2020	Financial assets measured at amortised cost	Fair value through profit and loss	Financial liabilities measured at amortised cost	Total
Interest income [(a)]	**0.5**	**0.0**	**0.0**	**0.5**
Amortisation of borrowing costs		0.0	(5.9)	(5.9)
Amortisation of amortised costs		0.0	(0.6)	(0.6)
Debts interest expenses		0.0	(55.3)	(55.3)
Total interest expenses [(b)]		**0.0**	**(61.8)**	**(61.8)**
Fair value adjustment interest rate swaps		(12.9)	0.0	(12.9)
Other financial expenses		0.0	(9.2)	(9.2)
Total other financial expenses [(c)]		**(12.9)**	**(9.2)**	**(22.1)**
Net financial items [(a)+(b)+(c)]	**0.5**	**(12.9)**	**(71.0)**	**(83.4)**

NOTE 11: TAXES

Income tax expenses	2021	2020
Taxes in income statement:		
Taxes payable	3.1	2.4
Total taxes in income statement	**3.1**	**2.4**
Reconciliation of effective tax rate (IAS 12.81)		
Tax rate in Norway (parent company tax jurisdiction)	22.0%	22.0%
Profit/(Loss) before taxes	931.0	(947.7)
Tax based on applicable tax rate	204.8	(208.5)
Tax on income not taxable in determining taxable profit	(226.7)	0
Tax effect of non-deductible expenses	1.3	(1.5)
Tax effect due to changes in unrecognized deferred tax assets	20.6	210.0
Effect of tax in other jurisdictions	3.1	2.4
Total taxes in income statement	**3.1**	**2.4**

Deferred tax - Specification and movements	2021	2020
Temporary differences:		
Exit from Norwegian tonnage tax system	8.9	11.1
Vessel tax base exceeds net book value	(725.3)	(893.4)
Tax loss carried forward	(949.7)	(828.2)
Loss account for deferral	(259.2)	(122.9)
Basis for deferred tax	**(1,925.3)**	**(1,833.4)**
Recognised deferred tax asset	**0.0**	**0.0**
Deferred tax liability 1 January and 31 December	**0.0**	**0.0**
Tax payable as at 31 December	**10.7**	**9.0**

The corporate tax rate in Norway for 2021 is 22% (2020: 22%).

Deferred income tax assets and liabilities are offset as all the temporary differences are within the Norway tax resident entities that comprise a tax group. Within the tax group there is a legally enforceable right to set off current tax assets against current tax liabilities. There is no expiry date on the temporary differences and tax loss carried forward.

The value of the deferred tax assets is not recognised in the accounts as the probability of having sufficient future taxable profit to utilise the deferred tax assets as tax deductions cannot be established.

The total tax payable in the income statement and as at 31 December resulted from the Group's operations in other parts of the world which were subjected to tax in jurisdictions other than Norway.

NOTE 12: EARNINGS PER SHARE

Earnings per share are calculated by dividing net profit by the weighted average number of ordinary shares outstanding during the year including convertible bonds. Diluted earnings per share are calculated by dividing net profit by the weighted average number of ordinary shares plus the number of potential shares relating to warrants. Due to the reverse share split (note 23) after the reporting period but before the financial statements are authorised for issue, the calculation of the basic and diluted earnings per share for current and prior year presented/restated shall be based on the new number of shares.

	2021	2020
		(Restated)
Net profit/(loss)	927.9	(950.1)
Weighted average number of outstanding shares [1]	3,524,542	87,987
Basic earnings per share	**263.27**	**(10,798.19)**
Weighted average number of outstanding shares [1]	3,524,542	87,987
Diluted earnings per share	**263.27**	**(10,798.19)**

[1] In 2021, the weighted average number of outstanding shares includes the average share capital of 3,524,542 (2020: average share capital of 82,164 and mandatory convertible bonds of 5,823).

NOTE 13: SHARE CAPITAL, SHAREHOLDER INFORMATION, CONVERTIBLE BONDS AND WARRANTS

	2021	2020
Issued and paid up number of ordinary shares at 31 December [1]	8,798,699,789	82,464,212
Shares to be issued under convertible bond agreements	0	5,522,790
Shares to be potentially issued under warrants agreement with lenders	0	3,435,982
Total authorised number of shares at 31 December	**8,798,699,789**	**91,422,984**
Nominal value at 31 December [2]	EUR 0.05	EUR 0.10
Number of shareholders at 31 December	4,850	3,663

[1] In 2021, the financial restructuring process was fully implemented and completed. As a result of conversion of convertible bonds during the year and equitisation of debts, the outstanding number of shares increased by 5,522,786 and 8,710,712,791 respectively. See note 14 for details on the financial restructuring.

[2] In 2021, the Company reduced the nominal value of its shares from EUR 0.10 to EUR 0.05 per share. As a result, there was a reduction in share capital by USD 4.8 million and a corresponding increase in other equity.

Subsequent to year end, there was a reverse share split. See note 23 for further information.

Largest shareholders as at 31 December 2021	No of shares	Percentage
DNB Bank ASA	1,258,729,149	14.3 %
North Sea Strategic Investments AS	1,233,540,580	14.0 %
Nordea Bank ABP, FIL	1,072,474,347	12.2 %
Skandinaviska Enskilda Banken AB	851,254,616	9.7 %
HV VI Invest Sierra Malta Ltd	788,168,009	9.0 %
Swedbank Norge	626,548,040	7.1 %
Sparebank 1 SR-Bank ASA	481,078,313	5.5 %
Clearstream Banking S.A.	430,789,171	4.9 %
The Bank Of New York Mellon	306,246,086	3.5 %
Citibank, N.A.	280,386,239	3.2 %
Westcon Yards AS	263,499,162	3.0 %
Citibank Europe PLC	228,050,177	2.6 %
Citigroup Global Markets Inc.	225,002,106	2.6 %
Prosafe SE (shares owned by Cosco held in temporary escrow)	195,972,167	2.2 %
Citibank Europe PLC	141,075,461	1.6 %
Deutsche Bank Aktiengesellschaft	95,963,706	1.1 %
Citibank, N.A.	75,517,414	0.9 %
Citibank, N.A.	48,447,846	0.6 %
The Export-Import Bank Of China	20,293,123	0.2 %
Nordnet Bank AB	9,644,793	0.1 %
Total 20 largest shareholders/groups of shareholders	**8,632,680,505**	**98.1 %**

All ordinary shares rank equally. Holders of these shares are entitled to one vote per share at general meetings of the Company.

Convertible bonds	2021		2020	
	No. of shares convertible	Value	No. of shares convertible	Value
Opening balance as at 31 December	5,522,790	18.8	6,122,790	20.6
Conversion of convertible bonds	(5,522,790)	(18.8)	(600,000)	(1.8)
Closing balance as at 31 December	**0**	**0.0**	**5,522,790**	**18.8**

The convertible bonds allow the bond holders to convert into shares at a conversion price of NOK 25 or NOK 30 per share. There is no contractual obligation to deliver cash or another financial asset as the conversion feature can only be settled through the issuance of a fixed amount of shares. Hence, the convertible bonds have been classified entirely as equity. All outstanding convertible bonds were converted during the year as part of the financial restructuring process and there is no convertible bond as at year end.

Warrants

As part of the USD 1,300 million credit facility refinancing concluded in 2018, the Group has issued the warrants to those lenders having elected to receive such instead of increased margins. The warrants give right to subscribe for one new share in the Group at a subscription price of NOK 21.37.

In 2020, there was no movement in the warrants and the fair value was not material as at 31 December 2020.

In 2021, these warrants were cancelled as part of the financial restructuring and there are no warrants outstanding as of 31 December 2021. See further details in note 14 relating to financial restructuring.

NOTE 14: INTEREST-BEARING DEBT

	2021	2020
Credit facilities - face value	343.4	1,378.8
Sellers' credits - face value	94.4	115.7
Difference between face value and fair value at initial recognition - credit facilities & sellers credit	(15.9)	(16.2)
Unamortised borrowing costs	0.0	(6.8)
Swaps termination	0.0	36.7
Unpaid interest on interest rate swap	0.0	0.8
Lease liabilities	1.4	0.4
Total interest-bearing debt	**423.3**	**1,509.4**
Non-current interest-bearing debt	422.4	78.7
Current interest-bearing debt [1)]	0.9	1,430.7
Total interest-bearing debt	**423.3**	**1,509.4**

[1)] Refer to the loan classification section at the end of this note for further details.

Reconciliation of movements of interest-bearing debt to cash flows arising from financing activities	2021	2020
Interest-bearing debt at 1 January	1,509.4	1,397.9
Changes from financing cash flows		
- Repayments of interest-bearing debt	(77.6)	(2.0)
- Refinancing costs paid	(17.5)	0.0
Total changes from financing cash flows	**(95.1)**	**(2.0)**
Other liability-changes		
- Non-cash movement in interest bearing debt	0.1	6.5
- Extinguishment of debt	(1,030.5)	0.0
- Westcon claim	55.0	0.0
- Debt equitized for shares	(59.3)	0.0
- Interests unpaid	37.9	69.3
- Unpaid interest on interest rate swap	0.0	0.8
- Swaps termination [1)]	4.7	36.7
- New finance leases	1.1	0.2
Total liability-related changes	**(991.0)**	**113.5**
Interest-bearing debt at 31 December	**423.3**	**1,509.4**

[1)] One (2020: three) interest rate swaps which were terminated by the swap banks were included as part of interest-bearing debt.

Modification of debt

When a debt instrument is restructured and the terms have been modified, it is necessary to assess whether the new terms are considered to have been substantially modified, and thereby conclude on the accounting treatment relating to the extinguishment of the existing liabilities and recognition of the modified liabilities (IFRS 9).

2021

On 20 December 2021, the financial restructuring process was fully implemented and completed. Management has assessed that the financial restructuring resulted in a substantial modification of debt due to substantially different terms. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors such as changes in the type of interest rate and change in covenants are also considered.

Substantial modifications are treated as an extinguishment, and derecognition of the existing liability and recognition of a new liability at fair value based on the new contractual terms. Management has determined that the difference in the fair value and carrying value of the new loan is not material.

The fair value of long-term debt is calculated by determining the net present value of estimated cash flows applying an estimated market rate for the Group at initial recognition. The market rate estimate was determined by observing publicly available terms and conditions of relevant peers for similar loans and adjusted for known differences from the Group's agreed credit facility terms, as well as the Group's new capitalization and value of the vessels. The basis for this estimated market rate, to which the fair value is sensitive, is not based on observable input and therefore the fair value of the debts are level 3 estimates. Upon derecognition of debt, any difference is recognised as a gain or loss within profit or loss. Costs or fees incurred are also recognised within profit or loss as part of the gain or loss on extinguishment. A financial net gain of USD 1,030.5 million has been reflected in the Consolidated Income Statement as shown below.

	Balance before financial restructuring	Cash payments	Equitized to shares [1]	Balance after financial restructuring
USD 1,300 million credit facility	1,269.6	(38.0)	(981.6)	250.0
USD 144 million credit facility	139.6	(9.0)	(37.6)	93.0
Westcon claim	55.0	(28.5)	(26.5)	0.0
Interest rate swap claim	42.0	0.0	(42.0)	0.0
Safe Notos Cosco sellers credit	19.6	0.0	(19.6)	0.0
	1,525.8	**(75.5)**	**(1,107.3)**	**343.0**

[1] The Company has issued 8,710,712,791 shares (representing 99% of equity) as part of the financial restructuring. Based on valuation done by an independent financial advisor, management has assessed that the fair value of the equity instrument issued on 20 December 2021 is USD 59.3 million. The outstanding number of shares after the financial restructuring is 8,798,699,789.

The net gain arising from the substantial modification of debt is as follows:

Equitization of shares	(1,107.3)
Fair value of shares	59.3
Gain from extinguishment of debt (Note 9)	**(1,048.0)**
Refinancing costs (Note 9)	17.5
Net gain from extinguishment of debt	**(1,030.5)**

2020

No debt instrument has been restructured nor any terms have been modified. The financial restructuring process, which was initiated in December 2019, was still ongoing in 2020 and only completed in December 2021. The incurred costs related to the debt restructuring were expensed in 2020 as other financial expenses.

USD 250 million credit facility

The credit facility of USD 1,300 million was restructured in December 2021. USD 250 million was reinstated and an amount of USD 38 million was paid to lenders and the remaining outstanding amount was converted to equity in December 2021. The USD 250 million facility matures in 2025.

USD 93 million credit facility
This credit facility, which previously consisted of one tranche of USD 144 million (Safe Notos) was restructured in December 2021. The facility has USD 93 million outstanding. USD 9 million was paid to lenders in December 2021 and the remaining outstanding amount was converted to equity. The USD 93 million facility matures in 2025.

Financial covenants as per amendment in December 2021:

Minimum liquidity
The Borrower shall procure that the Minimum Liquidity of the Group (for the avoidance of doubt, excluding the New Group (Safe Eurus Singapore Pte. Ltd., Axis Nova Singapore Pte. Ltd. and Axis Vega Singapore Pte. Ltd.) calculated on each quarter date does not fall below (i) USD 18 million to and including 31 December 2022; (ii) USD 23 million from and including 1 January 2023 to and including 31 December 2023 and (iii) USD 28 million from and including 1 January 2024 and thereafter.

Interest on credit facilities
Interest is USD 3-month LIBOR plus margin of 2.50% on both credit facilities, the USD 250 million and the USD 93 million facilities.

Excess cash sweep
There is an excess cash sweep with testing on 31 December each year. The cash sweep was tested on 31 December 2021 and there was no excess cash sweep at that testing date. The excess cash sweep amount means the amount that is equal to the lowest of the excess cash amount on the relevant testing date and any of the coming four quarter dates (based on the Group's firm liquidity forecast), subject always to a minimum of zero on each of those dates. Excess cash means, the sum of: unrestricted cash less the cash sweep threshold (USD 66 million) less cash interest payable on the next interest payment date less any new shareholder contributions.

Sellers' credits
COSCO (Qidong) Offshore Co. Ltd. granted a sellers' credit of USD 99.4 million on the final delivery instalment of the Safe Eurus in 2019. The Group is paying Cosco the minimum instalments under the Safe Eurus sellers' credit. As at 31 December 2021, USD 94.4 million (2020: USD 96.4 million) gross was outstanding.

The Safe Notos seller credit (2nd priority) granted from Cosco was part of the restructuring that was completed in December 2021. There is nothing outstanding on the Safe Notos seller credit as of 31 December 2021, as Cosco has been granted shares as part of the equitisation of debt in December 2021.

Difference between face value and fair value at initial recognition - Sellers Credits
In 2019 , Prosafe took delivery of Safe Eurus and issued a promissory note with a principal amount of USD 99.4 million to COSCO Shipping (Qidong) Offshore Co. Ltd. As the partial payment for the vessel was deferred beyond normal credit terms, the cost of the vessel was the cash price equivalent at the recognition date. The Safe Eurus promissory note was initially recognised at fair value and subsequently measured at amortised cost. The fair value of the below-market loan was measured as the present value of the expected future cash flows, discounted using an appropriate market related rate. The initial applicable discounting rate was similar to the rate charged by the credit facilities lenders of 3-months USD Libor plus 3.35% per annum in 2019. The difference between the cash price equivalent and the principal amount of the promissory note was determined to be USD 25.4 million.

This amount will be recognised as interest over the period of credit. The repayment schedule and interest expense on the promissory note depends on the financial performance of the vessel. The final expected maturity date is December 2027.

Loan Classification
A liability that is repayable on demand, if loan conditions have been breached and the waiver does not provide a period of grace ending at least 12 months after the reporting date, is classified as current (IAS 1.75).

In 2020, the loan was classified as current as the Group was in default both due to non-payment of interest and instalments. Furthermore, the Group was not in compliance with financial covenants under the loan facilities. In 2021, the financial restructuring was completed. The new refinanced loan was not in default and matures in 2025 and was therefore classified as non-current.

NOTE 15: OTHER CURRENT LIABILITIES

	2021	2020
Various accrued costs	17.4	10.6
Accrued interest costs	0.0	0.4
Contract liabilities [1]	1.1	(0.6)
Total interest-free current liabilities	**18.5**	**10.4**

[1] In 2020, the USD 0.6 million was shown as net contract assets.

NOTE 16: MORTGAGES AND GUARANTEES

2021
As at 31 December 2021, the Group's interest-bearing debt secured by mortgages totalled USD 343.4 million. The debt was secured by mortgages on the accommodation/service vessels Safe Caledonia, Safe Concordia, Safe Scandinavia, Safe Boreas, Safe Zephyrus and Safe Notos (net carrying value USD 298.2 million). Negative pledge clauses apply on shares in the vessel owning subsidiaries. Earnings accounts are pledged as security for the credit facilities, but cash will only be restricted if a continuing event of default occurs and the bank sends notice on that.

As of 31 December 2021, the Group had issued parent company guarantees to clients on behalf of its subsidiaries in connection with the award and performance of contracts and vendors totalling approximately USD 174 million. The amounts specified with regard to parent company guarantees reflect the sum of the estimated capped liability under the relevant agreements.

2020
As at 31 December 2020, the Group's interest-bearing debt secured by mortgages totalled USD 1,378.8 million. The debt was secured by mortgages on the accommodation/service vessels Safe Caledonia, Safe Concordia, Safe Scandinavia, Regalia, Safe Boreas, Safe Zephyrus and Safe Notos (net

carrying value USD 308.5 million). Regalia was sold for recycling in 2021. Negative pledge clauses apply on shares in the vessel owning subsidiaries. Earnings accounts are pledged as security for the credit facilities, but cash will only be restricted if a continuing event of default occurs and the bank sends notice on that.

A bank guarantee has been issued on behalf of Prosafe Rigs Pte. Ltd. in favour of Westcon Yards AS, amounting to NOK 245 million at 31 December 2020. This bank guarantee is secured by a cash deposit of USD 5 million and a counter bank guarantee of USD 30 million issued under the USD 1,300 million facility.

As of 31 December 2020, the Group had issued parent company guarantees to clients and vendors on behalf of its subsidiaries in connection with the award and performance of contracts totalling approximately USD 151 million and a parent company guarantee and indemnity relating to the bank guarantee referred to above. The amounts specified with regard to parent company guarantees reflect the sum of the estimated capped liability under the relevant agreements.

NOTE 17: FINANCIAL ASSETS AND LIABILITIES

As at 31 December 2021, the Group had financial assets and liabilities in the following categories:

Year ended 31 Dec 2021	Financial assets measured at amortised cost	Financial liabilities measured at amortised cost	Carrying value	Fair value
Cash and deposits	73.9	0.0	73.9	73.9
Accounts receivable	14.1	0.0	14.1	14.1
Other current assets	5.6	0.0	5.6	5.6
Total financial assets	**93.6**	**0.0**	**93.6**	**93.6**
Interest-bearing debt [1)]		423.3	423.3	423.3
Accounts payable		1.8	1.8	1.8
Other current liabilities		18.5	18.5	18.5
Other non-current liabilities		2.2	2.2	2.2
Total financial liabilities		**445.8**	**445.8**	**445.8**

[1)] Refer to note 14 for details on interest-bearing debt.

Management assessed the cash and deposits, accounts receivables, other current assets, accounts payable and other current liabilities to approximate their carrying amounts largely due to the short-term maturities of these instruments.

As at 31 December 2021, the fair value of the interest rate caps amounted to less than USD 0.1 million of the financial assets and was not material for further disclosure.

As at 31 December 2020, the Group had financial assets and liabilities in the following categories:

Year ended 31 Dec 2020	Financial assets measured at amortised cost	Fair value through profit and loss	Financial liabilities measured at amortised cost	Carrying value	Fair value
Cash and deposits	160.3	0.0	0.0	160.3	160.3
Accounts receivable	6.9	0.0	0.0	6.9	6.9
Other current assets	5.0	0.0	0.0	5.0	5.0
Total financial assets	**172.2**	**0.0**	**0.0**	**172.2**	**172.2**
Interest-bearing debt [1]		0.0	1,509.4	1,509.4	1,509.4
Fair value interest rate swaps		3.7	0.0	3.7	3.7
Accounts payable		0.0	1.4	1.4	1.4
Other current liabilities		0.0	10.4	10.4	10.4
Other non-current liabilities		0.0	2.3	2.3	2.3
Total financial liabilities		**3.7**	**1,523.5**	**1,527.2**	**1,527.2**

[1] Refer to note 14 for detailed breakdown of interest-bearing debt.

Management assessed the cash and deposits, accounts receivables, other current assets, accounts payable and other current liabilities to approximate their carrying amounts largely due to the short-term maturities of these instruments.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investments grade credit ratings. The interest rate swaps, and interest rate caps are valued using valuation techniques with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties and interest rate and forward rate curves. All the interest rate swaps and caps were secured under the USD 1,300 million credit facilities.

Year ended 31 Dec 2020	Total	Level 1	Level 2	Level 3
Fair value interest rate swaps [1]	(3.7)	0.0	(3.7)	0.0
Total financial liabilities	**(3.7)**	**0.0**	**(3.7)**	**0.0**

[1] Interest rate swaps were terminated in 2021, realizing a loss of USD 4.7 million.

As at 31 December 2020, the fair value of the interest rate caps amounted to less than USD 0.1 million of the financial assets and was not material for further disclosure.

Assets measured at fair value in the consolidated statement of financial position

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 - Inputs other than quoted prices included within level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3 - Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

The interest swaps are valued based on current exchange rates and forward curves.

NOTE 18: FINANCIAL RISKS AND DERIVATIVE FINANCIAL INSTRUMENTS

The Group operates on a global basis with cash flows and financing in various currencies. This means that the Group is exposed to market risks related to fluctuations in exchange rates and interest rates. The Group's presentation currency is USD, and financial risk exposure is managed with financial instruments in accordance with internal policies and standards approved by the board of directors.

Currency risk
The Group is exposed to currencies other than USD associated with operating expenditure, capital expenditure, tax, cash and deposits. Operating expenditure, capital expenditure and tax are mainly denominated in GBP, BRL and NOK. Cash and deposits are mainly denominated in USD, GBP and NOK.

Currency risk - sensitivity
The sensitivity analysis is based on a reasonably possible change in the relevant exchange rates and reflects the main effects on profit or loss and equity assuming that the change had occurred at the balance sheet date. A 10% strengthening/weakening of the USD against NOK and GBP will have the following effects. Exposures to foreign currency changes for all other currencies are not material. OCI in the table below refers to Other Comprehensive Income.

Pre-tax effects on income statement	**2021**	**2020**
USD +10%		
Re-valuation cash and deposits	(1.8)	(0.9)
USD -10%		
Re-valuation cash and deposits	1.8	0.9

Interest rate risk
Interest on debt is in principle floating but had been hedged to reduce the variability of cash flows in the interest payments through the use of interest rate swap and interest rate cap agreements. The Group evaluates the hedge profile in relation to the repayment schedule of its loans, the Group’s portfolio of contracts, cash flow and cash in hand. Due to the current unfavourable pricing of the interest rate swap and short maturity of the interest bearing debt, the Group has decided not to hedge the floating interest rate.

Interest rate risk - sensitivity

The sensitivity analysis is based on a reasonably possible change in the relevant forward curves and reflects the main effects on profit or loss and equity assuming that the change had occurred at the balance sheet date. A forward curve shift of ±50bps was applied in the sensitivity analysis and there is no material impact to the outstanding interest rate cap in 2021 and 2020.

Credit risk

In line with industry practice, other contracts normally contain clauses which give the customer an opportunity for early cancellation under specified conditions. Providing the Group has not acted negligently, however, the effect on results in such cases will normally be wholly or partly offset by a financial settlement in the Group's favour.

Credit assessment of financial institutions issuing guarantees in favour of the Group, yards, sub-contractors and equipment suppliers is part of the Group's project evaluations and risk analyses. The counterparty risk is in general limited when it comes to the Group's clients, since these are typically major oil companies and national oil companies.

For trade receivables, the Group applies the simplified method of credit reserves, i.e. the reserve will correspond to the expected loss over the whole life of the trade receivable. In order to measure the credit losses, trade receivables are grouped based on credit risk characteristics of its customers. The Group applies forward-looking variables for expected credit losses. As at 31 December 2021, no credit reserve has been recorded as the Group's clients are typically major oil companies and national oil companies and the receivables are usually received within 3 months. The expected credit loss is not material.

Accounts receivables	Total	Not due	< 30 days	30-60 days	61-90 days	> 90 days
31 December 2021	14.1	13.7	0.4	0.0	0.0	0.0
31 December 2020	6.9	6.9	0.0	0.0	0.0	0.0

Liquidity risk

As at 31 December 2021, Prosafe had an unrestricted liquidity reserve of USD 71 million. Under the existing credit facility agreements, the Group is required to maintain minimum liquidity of USD 18 million to and including 31 December 2022. The Group is anticipated to be able to stay above the minimum cash covenant level for the next 12 months based on currently known information and commitments.

As at 31 December 2021, the Group's main financial liabilities had the following remaining contractual maturities:

Per year	2022	2023	2024	2025	2026 →
Interest-bearing debt (repayments) [1]	4.0	6.0	6.0	349.5	71.9
Interests [2]	10.0	13.0	15.8	17.5	4.0
Taxes	10.7	0.0	0.0	0.0	0.0
Accounts payable and other current liabilities	20.3	0.0	0.0	0.0	0.0
Total	**45.0**	**19.0**	**21.8**	**367.0**	**75.9**

[1] Interest-bearing debt includes credit facilities and seller credit from Cosco. The credit facilities mature in 2025. Assuming only the firm contracts, there will be no cash sweep under the credit facilities prior to maturity. The Group is paying the minimum instalments agreed with Cosco under the Safe Eurus seller credit which matures approximately in 2029.

[2] Interest on credit facilities and seller credits. Based on current agreed credit margin plus USD 3M LIBOR forward curve as at 31 December 2021 and the expected cash flows under the seller credit terms.

As at 31 December 2020, the Group's main financial liabilities had the following remaining contractual maturities [1]:

Per year	2021	2022	2023	2024	2025 →
Interest-bearing debt (repayments) [2]	158.5	1,283.0	6.0	6.0	78.4
Interests incl. outstanding interest rate swaps [3]	47.2	3.8	0.0	0.0	0.0
Taxes	9.0	0.0	0.0	0.0	0.0
Accounts payable and other current liabilities	11.8	0.0	0.0	0.0	0.0
Total	**226.5**	**1,286.8**	**6.0**	**6.0**	**78.4**

[1] The Group was not paying scheduled instalments and interest under the bank facilities. Based on current contractual maturities, it was assumed that the USD 144 million facility matures in May 2021 together with the seller credit on Safe Notos and the USD 1,300 million facility matures in February 2022 together with the outstanding interest swap debt. The exception is that the Group is paying the minimum instalments agreed with Cosco under the Safe Eurus seller credit.

[2] Interest-bearing debt includes credit facilities and seller credits from Cosco, in addition to the outstanding interest swap debt (three interest rate swaps were terminated by the swap banks during 2020).

[3] Interest on credit facilities and seller credits. Based on swap rate, USD 3M LIBOR as at 1 February 2021 and current agreed credit margin.

If the lenders were to require accelerated repayment, the maturities of the interest-bearing debt will be as follows:

Per year	2021	2022	2023	2024	2025 →
Interest-bearing debt (repayments) [1]	1,437.5	4.0	6.0	6.0	78.4

[1] It was assumed that all outstanding bank debt, Safe Notos seller credit and interest swap debt mature, if lenders accelerate under these agreements due to default. The Group is paying the minimum instalments under the Safe Eurus seller credit and therefore this is not assumed accelerated but following the scheduled repayment profile.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital structure in line with economic conditions. The Group manages the total of shareholders' equity and long-term debt as their capital. Normally the Group's main tool to assess its capital structure is the leverage ratio, which is calculated by dividing net interest-bearing debt including bank guarantees, by Group gross profit before depreciation and impairment over the last 12 months. As a result of the completion of the financial restructuring process in 2021, the capital structure of the Group has improved. There was a significant de-leveraging of the balance sheet with approximately 75 per cent of debt reduction, a corresponding reduction in annual debt service, and in sum a significantly improved balance sheet and improved financial flexibility.

NOTE 19: CASH AND DEPOSITS

	2021	2020
Restricted cash deposits	2.4	9.8
Free cash and short-term deposits	71.5	150.5
Total cash and deposits	**73.9**	**160.3**

Under the existing credit facility agreements, the Group is required to maintain a minimum liquidity of USD 18 million to and including 31 December 2022. See note 14 for details on financial covenants.

NOTE 20: OTHER CURRENT ASSETS

	2021	2020
Other receivables	1.6	1.2
Prepayments	1.4	1.7
Stock	0.7	1.2
Other current assets	1.6	0.9
Contract assets	0.3	0.0
Total other current assets	**5.6**	**5.0**

NOTE 21: RELATED PARTY DISCLOSURES

The financial statements comprise the parent company, Prosafe SE, and the subsidiaries listed below.

Company name	Country of incorporation	Ownership	Voting share
Prosafe Services Maritimos Ltda	Brazil	100 %	100 %
Prosafe Offshore BV	Netherlands	100 %	100 %
Prosafe AS	Norway	100 %	100 %
Axis Nova Singapore Pte. Ltd.	Singapore	100 %	100 %
Axis Vega Singapore Pte. Ltd.	Singapore	100 %	100 %
Prosafe Offshore Holdings Pte. Ltd.	Singapore	100 %	100 %
Prosafe Offshore Pte. Limited	Singapore	100 %	100 %
Prosafe Rigs Pte. Ltd.	Singapore	100 %	100 %
Safe Eurus Singapore Pte. Ltd.	Singapore	100 %	100 %
Prosafe (UK) Holdings Limited	United Kingdom	100 %	100 %
Prosafe Offshore Limited	United Kingdom	100 %	100 %
Prosafe Rigs Limited	United Kingdom	100 %	100 %

Transactions and outstanding balances within the Group have been eliminated in full.

Shares owned by senior officers and directors at 31 December 2021:
(includes shares owned by close family/relatives and wholly-owned companies)

	Shares
Directors:	
Glen Ole Rødland - Chairman [1]	0
Alf C. Thorkildsen - Director [2]	0
Birgit Aagaard-Svendsen - Director	3,000
Nina Udnes Tronstad - Director	0

[1] Mr Rødland has an indirect ownership interest in Prosafe due to his ownership interest in North Sea Strategic Investments.
[2] Mr Thorkildsen has an indirect ownership interest in Prosafe due to his ownership interest in North Sea Strategic Investments and HitecVision VI Invest Sierra.

Related party transactions
In 2021, the Company has entered into an engagement letter with OMP Management AS for the purpose of providing advice and support in regards to industry analysis and potential M&A transactions. OMP Management AS is a Norwegian company that is controlled by HitecVision VI Invest Sierra, which together with another HitecVision fund (North Sea Strategic Investments) are major shareholders in the Company. The fee payable by the Company is USD 17,500 per month and a success fee if a transaction, as defined in the engagement letter, should occur with the involvement of OMP Management AS. The success fee shall be calculated on the basis of the enterprise value of the company or asset(s) acquired and be between 0.75%-1.25% of the total enterprise value, depending on the size of the transaction. The success fee shall furthermore in all circumstances be capped at USD 3.5 million in any single transaction. In 2021, the transacted amount was USD 0.2 million.

In 2021, the Company also entered into a framework agreement with Global Maritime. Under the framework agreement, the Company has engaged Global Maritime to undertake projects for the Company's vessels. Global Maritime is majority-owned by HitecVision, which through one or more entities is a major shareholder of the Company. The Global Maritime projects value is about USD 1.7 million, of which USD 0.7 million was transacted during the year and the outstanding balance of USD 0.4 million were due and payable under normal payment terms.

NOTE 22: CAPITAL COMMITMENTS

New builds
As at 31 December 2021, the Group had two (2020: two) undelivered completed new builds residing at COSCO's Qidong shipyard in China; Safe Nova and Safe Vega.

Safe Nova and Safe Vega
If the Group gives notice to COSCO within 5 years from August 2018 to take delivery of the vessels, the Group is committed to pay USD 25 million each upon delivery of the vessel and the reminder of the costs will be financed by COSCO. The repayment of COSCO financing and interest rates are linked to respective vessel future earnings and day rate.

NOTE 23: EVENTS AFTER THE REPORTING DATE

Reverse share split

On 27 January 2022, Prosafe completed a 1,000:1 reverse split of the Company's shares to satisfy the minimum requirement to market value of the issuer's shares for listed companies. After the reverse share split, 1,000 shares with a nominal value of EUR 0.05 give 1 new share with a nominal value of EUR 50.00.

The number of outstanding shares in the Company after the reverse split is 8,798,699.

Long-term incentive program for Executive Management team

On 11 February 2022, the Board of Directors initiated a long-term incentive program for the Executive Management team in Prosafe SE, respectively Jesper Kragh Andresen, CEO, Stig Harry Christiansen, DCEO/CFO and Ryan Duncan Stewart, COO.

The main terms of the program, which is subject to formal approval by the general meeting on 11 May 2022, are as follows: 150,000 options for CEO, 100,000 options for DCEO/CFO and 100,000 options for COO, with strike price being the closing price on 10 February 2022 of NOK 83. The options will vest with 1/3 after 24 months, 1/3 after 36 months and 1/3 after 48 months. Any options not exercised at the date 60 months after 10 February 2022 will be cancelled.

The situation in Ukraine

It is uncertain how the situation in Ukraine may affect Prosafe. There are no immediate effects, but there may be ripple effects.

PARENT COMPANY ACCOUNTS

INCOME STATEMENT - PROSAFE SE

(USD 1 000)	Note	2021	2020
Income from investments in subsidiaries		**0**	**5,181**
Impairment of shares in subsidiaries	6	(135,888)	(713,300)
Results of investing activities		**(135,888)**	**(708,119)**
Operating expenses	2	(4,210)	(3,962)
Operating loss		**(140,098)**	**(712,081)**
Interest income		8,152	10,697
Interest expenses	4	(34,134)	(58,803)
Other financial income	3	1,047,899	4,378
Other financial expenses	3	(77,899)	(188,163)
Net financial items	4	**944,018**	**(231,891)**
Profit/(Loss) before taxes		**803,920**	**(943,972)**
Taxes	5	0	0
Net profit/(loss)		**803,920**	**(943,972)**
Attributable to equity holders of the company		**803,920**	**(943,972)**

STATEMENT OF COMPREHENSIVE INCOME - PROSAFE SE

(USD 1 000)	2021	2020
Net profit/(loss)	**803,920**	**(943,972)**
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		
Pension remeasurement	(145)	(127)
Total comprehensive income/(loss) for the year, net of tax	**803,775**	**(944,099)**
Attributable to equity holders of the company	**803,775**	**(944,099)**

STATEMENT OF FINANCIAL POSITION - PROSAFE SE

(USD 1 000)	Note	2021	2020
ASSETS			
Shares in subsidiaries	6, 12	276,348	412,236
Intra-group receivables	11, 13	21,646	131,786
Derivatives	13	0	0
Total non-current assets		**297,994**	**544,022**
Cash and deposits	13	19,382	73,696
Other current assets	7, 11,13	42,485	516
Total current assets		**61,867**	**74,212**
Total assets		**359,861**	**618,234**
EQUITY AND LIABILITIES			
Share capital		497,505	9,097
Share premium reserve		624,154	1,039,317
Share capital reduction reserve		71,846	71,846
Total paid-in equity	8	**1,193,505**	**1,120,260**
Retained earnings		**(1,181,205)**	**(1,989,827)**
Convertible bonds	8	**0**	**18,769**
Total equity		**12,300**	**(850,798)**
Intra-group non-current liabilities	11, 13	0	33,057
Interest-bearing long-term debt	9, 13,14	343,000	0
Derivatives	13	0	3,715
Interest-free long-term liabilities	13	2,182	2,297
Total long-term liabilities		**345,182**	**39,069**
Interest-bearing current debt	9,13,14	438	1,413,130
Accounts payable	13,14	637	263
Intra-group current liabilities	11,13,14	67	14,954
Other interest-free current liabilities	10, 13,14	1,237	1,616
Total current liabilities		**2,379**	**1,429,963**
Total equity and liabilities		**359,861**	**618,234**

On 30 March 2022, the Board of Directors of Prosafe SE approved and authorised these financial statements for issue.

Glen Ole Rødland
Non-executive Chairman

Alf C. Thorkildsen
Non-executive Deputy Chairman

Birgit Aagaard-Svendsen
Non-executive Director

Nina Udnes Tronstad
Non-executive Director

Jesper K. Andresen
Chief Executive Officer

CASH FLOW STATEMENT - PROSAFE SE

(USD 1 000)	Note	2020	2019
Cash flow from operating activities			
Profit/(Loss) before taxes		803,920	(943,972)
Gain from extinguishment of debt	9	(1,030,532)	0
Unrealised currency loss/(gain) on long-term debt		3,216	(4,521)
Expected credit loss		56,869	168,456
Impairment shares in subsidiaries		135,888	713,300
Interest income		(8,152)	(10,697)
Interest expenses		34,134	58,803
Change in working capital		(8,864)	4,973
Other items from operating activities		310	12,742
Net cash flow used in operating activities		**(13,211)**	**(916)**
Cash flow from investing activities			
Acquisition of shares in subsidiaries		0	(3,500)
Change in intra-group balances		43,628	(13,306)
Interest received		8,152	397
Net cash flow provided by/(used in) investing activities		**51,780**	**(16,409)**
Cash flow from financing activities			
Repayment of interest-bearing debt		(75,517)	0
Refinancing costs		(17,367)	0
Proceeds from interest-bearing debt		0	120
Net cash flow (used in)/ provided by financing activities	9	**(92,884)**	**120**
Net cash flow		**(54,314)**	**(17,204)**
Cash and deposits at 1 January		73,696	90,900
Cash and deposits at 31 December	13	**19,382**	**73,696**

STATEMENT OF CHANGES IN EQUITY - PROSAFE SE

(USD 1 000)	Note	Share capital	Share premium	Capital reduction reserve	Retained earnings	Convertible Bonds	Total equity
Equity at 31 December 2019		**9,030**	**1,037,584**	**71,846**	**(1,045,728)**	**20,569**	**93,301**
Net loss		0	0	0	(943,972)	0	(943,972)
Other comprehensive loss		0	0	0	(127)	0	(127)
Total comprehensive loss [1)]		**0**	**0**	**0**	**(944,099)**	**0**	**(944,099)**
Conversion of convertible bonds		67	1,733	0	0	(1,800)	0
Equity at 31 December 2020		**9,097**	**1,039,317**	**71,846**	**(1,989,827)**	**18,769**	**(850,798)**
Net profit		0	0	0	803,920	0	803,920
Other comprehensive loss		0	0	0	(145)	0	(145)
Total comprehensive income [1)]		**0**	**0**	**0**	**803,775**	**0**	**803,775**
Conversion of convertible bonds		597	18,172	0	0	(18,769)	0
Share issuance through debt conversion [2)]		492,658	(433,335)	0	0	0	59,323
Share capital reduction	8	(4,847)	0	0	4,847	0	0
Equity at 31 December 2021		**497,505**	**624,154**	**71,846**	**(1,181,205)**	**0**	**12,300**

1) Total comprehensive loss/income is attributable to the owners of the company

2) See note 14 of the consolidated accounts for details.

Nature and purpose of reserves

Share premium: The difference between the issue price of the shares and their nominal value.

NOTES - PROSAFE SE

All figures in USD 1 000 unless otherwise stated.

NOTE 1: ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Union (EU) and the requirements of the Norwegian Accounting Act. The accounting policies applied to the consolidated accounts have also been applied to the parent company, Prosafe SE. The accounting policies adopted are consistent with those in the previous financial years. The parent company financial statements should be read in conjunction with the consolidated accounts. The notes to the consolidated accounts provide additional information to the parent company's accounts which is not presented here separately. The Company's functional currency is US dollars (USD), and the financial statements are presented in USD. Investments in subsidiaries and in an associate are measured at historic cost, unless there is any indication of impairment. In case of impairment, an investment is written down to recoverable amount.

NOTE 2: OPERATING EXPENSES

	2021	2020
Services from subsidiaries	871	1,307
Directors' fees	375	401
Salaries and management bonus	1,451	1,148
Other remuneration	41	60
Payroll taxes	192	197
Pension expenses	(36)	(44)
Auditors' audit fees	212	161
Auditors' other fees	90	13
Legal fees	15	29
Other operating expenses	999	690
Total operating expenses	**4,210**	**3,962**

Board of directors	Year	Board fees
Glen Ole Rødland (Chairman)	2021	122
Birgit Aagaard-Svendsen	2021	91
Nina Udnes Tronstad	2021	84
Alf C. Thorkildsen	2021	78
Total fees [1)]		**375**

Board of directors	Year	Board fees
Glen Ole Rødland (Chairman)	2020	120
Birgit Aagaard-Svendsen	2020	93
Nina Udnes Tronstad	2020	83
Alf C. Thorkildsen (from May 2020)	2020	51
Svend Anton Maier (until May 2020)	2020	27
Kristian Johansen (until May 2020)	2020	27
Total fees [1)]		**401**

[1)] If applicable, figures include compensation from the audit committee and compensation committee.

Number of employees
The average number of employees in the Company for 2021 was 2 (2020: 2).

NOTE 3: OTHER FINANCIAL ITEMS

	2021	2020
Currency gain	0	4,378
Gain from extinguishment of debt [1)]	1,047,899	0
Total other financial income	**1,047,899**	**4,378**
Fair value adjustment interest rate swaps	(169)	(12,852)
Fair value adjustment interest rate caps	0	(16)
Currency loss	(3,217)	0
Expected credit loss [2)]	(56,869)	(168,455)
Other financial expenses [3)]	(17,644)	(6,840)
Total other financial expenses	**(77,899)**	**(188,163)**

[1)] In 2021, there was a gain from extinguishment of debt as a result of the completion of the financial restructuring process. For further information, see note 14 of the consolidated accounts.
[2)] For further information, see note 11 relating to allowance of expected credit loss of receivables from subsidiaries.
[3)] In 2021 and 2020, other financial expenses largely arose from costs relating to the financial restructuring process. For further information, see note 14 of the consolidated accounts.

NOTE 4: FINANCIAL ITEMS

Year ended 31 December 2021	Financial assets measured at amortised cost	Fair value through profit and loss	Financial liabilities measured at amortised cost	Total
Interest income [(a)]	**8,152**	**0**	**0**	**8,152**
Gain from extinguishment of debt	0	0	1,047,899	1,047,899
Total other financial income [(b)]	**0**	**0**	**1,047,899**	**1,047,899**
Interest expenses	0	0	(31,611)	(31,611)
Amortisation of borrowing costs	0	0	(5,426)	(5,426)
Amortisation of amortised cost	0	0	2,903	2,903
Total interest expenses [(c)]	**0**	**0**	**(34,134)**	**(34,134)**
Fair value adjustment interest rate swaps	0	(169)	0	(169)
Expected credit loss	(56,869)	0	0	(56,869)
Other financial expenses [1)]	0	0	(276)	(17,644)
Currency loss [2)]	0	0	0	(3,217)
Total other financial expenses [(d)]	**(56,869)**	**(169)**	**(276)**	**(77,899)**
Net financial items [(a)+(b)+(c)+(d)]	**(48,717)**	**(169)**	**1,013,489**	**944,018**

[1)] USD 17.4 million of refinancing costs were excluded from the category breakdown but added to the total for net effect.

[2)] Excluded from the category breakdown but added to the total for net effect.

Year ended 31 December 2020	Financial assets measured at amortised cost	Fair value through profit and loss	Financial liabilities measured at amortised cost	Total
Interest income [(a)]	**10,697**	**0**	**0**	**10,697**
Currency gain [1)]	0	0	0	4,378
Total other financial income [(b)]	**0**	**0**	**0**	**4,378**
Interest expenses	0	0	(56,056)	(56,056)
Amortisation of borrowing costs	0	0	(5,928)	(5,928)
Amortisation of amortised cost	0	0	3,181	3,181
Total interest expenses [(c)]	**0**	**0**	**(58,803)**	**(58,803)**
Fair value adjustment interest rate swaps	0	(12,852)	0	(12,852)
Fair value adjustment interest rate caps	0	(16)	0	(16)
Expected credit loss	(168,455)	0	0	(168,455)
Other financial expenses	0	0	(6,840)	(6,840)
Total other financial expenses [(d)]	**(168,455)**	**(12,868)**	**(6,840)**	**(188,163)**
Net financial items [(a)+(b)+(c)+(d)]	**(157,758)**	**(12,868)**	**(65,642)**	**(231,891)**

[1)] Excluded from the category breakdown but added to the total for net effect.

NOTE 5: TAXES

	2021	2020
Taxes	0	0
Total taxes in income statement	**0**	**0**
Temporary differences:		
Loss carried forward	(310,502)	(298,355)
Basis for deferred tax liability (+)/benefit (-)	**(310,502)**	**(298,355)**
Deferred tax liability (+)/benefit (-)	**0**	**0**
Taxes payable at 31 December	**0**	**0**

The corporate tax rate in Norway for 2021 was 22% (2020: 22%).

The value of the deferred tax assets is not recognised in the accounts as the probability of having sufficient future taxable profit to utilise the deferred tax assets as tax deductions cannot be established.

Reconciliation of effective tax rate (IAS 12.81)

	2021	2020
Tax rate	22.0 %	22.0 %
Profit/(Loss) before taxes	803,920	(943,972)
Tax based on applicable tax rate	176,862	(207,674)
Tax effect of non-deductible expenses	43,670	193,661
Tax on income not taxable in determining taxable profit	(226,673)	(1,140)
Tax effect due to unrecognized deferred tax assets	6,141	15,153
Tax charge	**0**	**0**

NOTE 6: SHARES IN SUBSIDIARIES

(Share capital, carrying value and total equity in 1 000)

Companies	2021 Ownership & Voting Share	No of Shares	Investment carrying value at 31 Dec. 2021	Equity at 31 Dec. 2021	Investment carrying value at 31 Dec. 2020
Prosafe AS[1)]	100 %	1,100	0	(50,654)	59,188
Prosafe (UK) Holdings Limited [2)]	100 %	2,000	9,826	2,045	9,826
Prosafe Offshore Pte. Limited [3)]	100 %	646,050	1,400	11,859	1,400
Prosafe Rigs Pte. Ltd. [3)]	100 %	2,781	265,122	258,230	341,822
Prosafe Offshore Holdings Pte. Ltd. [3)]	100 %	21,700	0	(69,460)	0
Total			**276,348**		**412,236**

The registered address of the subsidiaries and associated company are as follows:
[1)] Forusparken 2, N-4031 Stavanger, Norway
[2)] 1st Floor,10 Temple Back Bristol BS1 6FL , United Kingdom
[3)] 1 International Business Park, #09-03 The Synergy, Singapore 6099177

In 2020, Prosafe Offshore AS (POAS) and Prosafe Management AS (PMAS) were merged with Prosafe AS and the carrying values of POAS and PMAS were combined with Prosafe AS. Also, in the same year, Prosafe Offshore Services Pte Ltd (POSPL) and Prosafe Offshore Asia Pacific Pte Ltd (POAPL) were merged with Prosafe Offshore Pte Ltd and the carrying values of POSPL and POAPL were combined with Prosafe Offshore Pte Ltd.

In 2020, the Company has bought 9% of shares in Prosafe Rigs Pte Ltd from Prosafe Holding Limited for a loan consideration of USD 33 million. As of 31 December 2020, the Company owns 100% of Prosafe Rigs Pte Ltd.

In 2020, the Company has increased the investment in Prosafe Offshore Holdings Pte. Ltd by USD 3.5 million.

Based on management's assessment of impairment indicators, there were triggers which indicated that the expected recoverable amount was less than the investment carrying value of the following subsidiaries. The expected recoverable amount was estimated based on the fair value of the subsidiaries. The determination of vessels valuation (as disclosed in note 8 of the consolidated accounts) has a direct impact on the fair value of the Company's shares in particular for subsidiaries holding offshore contracts and vessels. As a result, the following impairment charges were made:

	2021	2020
Prosafe Rigs Pte. Ltd.	76,700	616,700
Prosafe Offshore Pte. Limited	0	71,400
Prosafe Offshore Holdings Pte. Ltd.	0	25,200
Prosafe AS	59,188	0
Total	**135,888**	**713,300**

There are mortgages on the shares in Prosafe Rigs Pte Ltd and Prosafe Offshore Pte Ltd. Please refer to note 12.

NOTE 7: OTHER CURRENT ASSETS

	2021	2020
Current receivables due from subsidiaries	41,352	0
Other current assets	1,133	516
Total other current assets	**42,485**	**516**

NOTE 8: SHARE CAPITAL, CONVERTIBLE BONDS AND WARRANTS

	2021	2020
Issued and paid up number of ordinary shares at 31 December [1]	8,798,699,789	82,464,212
Shares to be issued under convertible bond agreements	0	5,522,790
Shares to be potentially issued under warrants agreement with lenders	0	3,435,982
Total authorised number of shares at 31 December	**8,798,699,789**	**91,422,984**
Nominal value at 31 December [2]	EUR 0.05	EUR 0.10
Number of shareholders at 31 December	4,850	3,663

[1] In 2021, the financial restructuring process was fully implemented and completed. As a result of conversion of convertible bonds during the year and equitisation of debts, the outstanding number of shares increased. See note 14 of the consolidated accounts for details.

[2] In 2021, the Company has reduced the nominal value of its shares from EUR 0.10 to EUR 0.05 per share. As a result, there was a reduction in share capital by USD 4.8 million and a corresponding increase in retained earnings.

Subsequent to year end, there was a reverse share split. See note 23 of the consolidated accounts for further information.

Ordinary shares	2021	2020
In issue at 1 January	82,464,212	81,464,212
Issued in connection with conversion of convertible bonds	5,522,786	600,000
Issued in connection with the debt conversion	8,710,712,791	0
In issue at 31 December fully paid up	8,798,699,789	82,064,212

Convertible bonds	2021		2020	
	No. of shares convertible	Value	No. of shares convertible	Value
Opening balance as at 31 December	**5,522,790**	**18,769**	**6,122,790**	**20,569**
Conversion of convertible bonds	(5,522,790)	(18,769)	(600,000)	(1,800)
Ending balance as at 31 December	**0**	**0**	**5,522,790**	**18,769**

For further information, see note 13 of the consolidated accounts.

Warrants
As part of the USD 1,300 million credit facility refinancing concluded in 2018, the Company has issued the warrants to those lenders having elected to receive such instead of increased margins. The warrants give right to subscribe for one new share in the Group at a subscription price of NOK 21.37.

In 2020, there was no movement in the warrants and the fair value was not material as at 31 December 2020. In 2021, these warrants were cancelled as part of the financial restructuring and there are no warrants outstanding as of 31 December 2021.

For further information, see note 14 of the consolidated accounts relating to financial restructuring.

NOTE 9: INTEREST-BEARING DEBT

	2021	2020
Credit facilities - face value	343,438	1,378,787
Difference between face value and fair value at initial recognition - credit facilities	0	3,552
Unamortised borrowing costs	0	(6,779)
Swaps termination	0	36,755
Unpaid interest on interest rate swap	0	815
Total interest-bearing debt	**343,438**	**1,413,130**
Current interest-bearing debt	438	1,413,130
Non current interest-bearing debt	343,000	0
Total interest-bearing debt	**343,438**	**1,413,130**

For further information, see note 14 of the consolidated accounts relating to financial restructuring.

Reconciliation of movements of interest-bearing debt to cash flows arising from financing activities

	2021	2020
At 1 January	**1,413,130**	**1,308,127**
Changes from financing cash flows		
- Repayments of interest-bearing debt	(75,517)	0
- Refinancing Cost	(17,367)	0
Total changes from financing cash flows	**(92,884)**	**0**
Other liability-changes		
- Non-cash movement in interest bearing debt	286	2,749
- Debts transferred from a subsidiary	75,206	0
- Extinguishment of debt	(1,030,532)	0
- Debts equitized for shares	(59,323)	0
- Interests unpaid	32,855	64,684
- Unpaid interest on interest rate swap	0	815
- Swaps termination [1]	4,700	36,755
Total liability-related changes	**(976,808)**	**105,003**
At 31 December	**343,438**	**1,413,130**

[1] Interest rate swaps which were terminated by the swap banks during 2021 and 2020 were included as part of interest-bearing debt.

NOTE 10: OTHER INTEREST-FREE CURRENT LIABILITIES

	2021	2020
Accrued interest costs	0	391
Current payables due to subsidiaries	67	0
Other current liabilities	1,237	1,225
Total other interest-free current liabilities	**1,304**	**1,616**

NOTE 11: INTRA-GROUP BALANCES

Year-end long-term balances	2021	2020
NOK loan to Prosafe AS	52,301	111,786
USD loan to Prosafe Offshore Holdings Pte. Ltd.	70,328	68,251
USD loan to Safe Eurus Singapore Pte. Ltd.	124,343	120,204
Less: Allowance for credit loss	(225,325)	(168,455)
Intra-group long-term receivables	**21,646**	**131,786**
USD loan from Prosafe Holding Limited	0	33,057
Intra-group long-term payables	**0**	**33,057**

Loan agreements with subsidiaries are based on market prices using 3M NIBOR (NOK loan) and 3M LIBOR (USD loan) interest rates plus a margin of 2.15% (2020: 2.15%) and 2.43-3.70% (2020: 2.43-3.70%) per annum respectively. Outstanding balances at year-end are unsecured, and settlement normally occurs in cash or via share capital injection. The Company has assessed the recoverability of its receivables from subsidiaries and has provided allowance for credit loss of USD 225,325,000 (2020: USD 168,455,000) based on assessments of their projected future cashflows.

Loan agreement with a related party, Prosafe Holding Limited is based on market prices using 3M LIBOR (USD loan) interest rates plus a margin of 3.4% per annum. In 2021, the loan is offset against Prosafe AS loan as part of the settlement of liquidation of Prosafe Holding Limited.

Year-end current balances	2021	2020
Current receivables due from Prosafe Rigs Pte Ltd	41,352	0
Current payables due to subsidiaries	(67)	(14,954)

In 2021, the current receivables and payables are not subject to any interest calculation. In 2020, the short-term payables to subsidiaries were subject to interest rates from 3M LIBOR (USD loan) interest rates plus a margin of 3.2% per annum. The 2020 short-term payables were settled in 2021 with the same interest terms as in 2020.

Transactions with related parties	2021	2020
Transactions		
Transfer of third party debts from Prosafe Rigs Pte Ltd as part of debt conversion	(75,206)	0
Purchase of investment in subsidiary from Prosafe Holding Limited	0	(33,000)
Administrative expenses due to subsidiaries	(871)	(1,307)
Interest income	8,150	10,299
Interest expenses	(464)	(644)
Group contribution from subsidiaries	0	5,181

Prosafe AS are performing services on behalf of Prosafe SE relating to management, corporate activities, investor relations, financing and insurance. The services are invoiced on a quarterly basis and paid on market terms. Please refer to note 6 to the consolidated accounts for disclosure of remuneration to directors.

In 2021, the Company has entered into an engagement letter with OMP Management AS for the purpose of providing advice and support in regards to industry analysis and potential M&A transactions. OMP Management AS is a Norwegian company that is controlled by HitecVision VI Invest Sierra, which together with another HitecVision fund (North Sea Strategic Investments) are major shareholders in the Company. The fee payable by the Company is USD 17,500 per month and a success fee if a transaction, as defined in the engagement letter, should occur with the involvement of OMP Management AS. The success fee shall be calculated on the basis of the enterprise value of the company or asset(s) acquired and be between 0.75%-1.25% of the total enterprise value, depending on the size of the transaction. The success fee shall furthermore in all circumstances be capped at USD 3.5 million in any single transaction. In 2021, the transacted amount was USD 218,500 and the outstanding balance of USD 21,875 were due and payable under normal payment terms.

NOTE 12: MORTGAGES AND GUARANTEES

2021

As at 31 December 2021, the Company's interest-bearing debt secured by mortgages totalled USD 343.4 million. The debt was secured by mortgages on the accommodation/service vessels Safe Caledonia, Safe Concordia, Safe Scandinavia, Safe Boreas, Safe Zephyrus and Safe Notos (net carrying value USD 298.2 million). Negative pledge clauses apply on shares in the vessel owning subsidiaries. Earnings accounts are pledged as security for the credit facilities, but cash will only be restricted if a continuing event of default occurs and the bank sends notice on that.

As of 31 December 2021, the Company had issued parent company guarantees to clients on behalf of its subsidiaries in connection with the award and performance of contracts and vendors totalling approximately USD 174 million. The amounts specified with regard to parent company guarantees reflect the sum of the estimated capped liability under the relevant agreements.

2020

As at 31 December 2020, the Company's interest-bearing debt secured by mortgages totalled USD 1,378.8 million. The debt was secured by mortgages on the accommodation/service vessels Safe Caledonia, Safe Concordia, Safe Scandinavia, Regalia, Safe Boreas, Safe Zephyrus and Safe Notos (net carrying value USD 308.5 million). Regalia was sold for recycling in 2021. Negative pledge clauses apply on shares in the vessel owning subsidiaries. Earnings accounts are pledged as security for the credit facilities, but cash will only be restricted if a continuing event of default occurs and the bank sends notice on that.

A bank guarantee has been issued on behalf of Prosafe Rigs Pte. Ltd. in favour of Westcon Yards AS, amounting to NOK 245 million at 31 December 2020. This bank guarantee is secured by a cash deposit of USD 5 million and a counter bank guarantee of USD 30 million issued under the USD 1,300 million facility.

As of 31 December 2020, the Company had issued parent company guarantees to clients and vendors on behalf of its subsidiaries in connection with the award and performance of contracts totalling approximately USD 151 million and a parent company guarantee and indemnity relating to the bank guarantee referred to above. The amounts specified with regard to parent company guarantees reflect the sum of the estimated capped liability under the relevant agreements.

NOTE 13: FINANCIAL ASSETS AND LIABILITIES

Year ended 31 Dec 2021	Financial assets measured at amortised cost	Fair value through profit and loss	Financial liabilities measured at amortised cost	Carrying value
Intra-group long-term receivables	21,646	0	0	21,646
Cash and deposits [1]	19,382	0	0	19,382
Other current assets	42,485	0	0	42,485
Total financial assets	**83,513**	**0**	**0**	**83,513**
Interest-bearing debt [2]			343,438	343,438
Accounts payable			637	637
Interest-free long-term liabilities			2,182	2,182
Intra-group current liabilities			67	67
Other interest free current liabilities			1,237	1,237
Total financial liabilities			**347,561**	**347,561**

1) Included in cash and deposits were USD 2.1 million of restricted cash deposits.

2) Refer to note 14 of the consolidated accounts for details on fair value of the interest-bearing debt.

Year ended 31 Dec 2020	Financial assets measured at amortised cost	Fair value through profit and loss	Financial liabilities measured at amortised cost	Carrying value
Intra-group long-term receivables	131,786	0	0	131,786
Cash and deposits [1]	73,696	0	0	73,696
Other current assets	516	0	0	516
Total financial assets	**205,998**	**0**	**0**	**205,998**
Interest-bearing debt [2]		0	1,413,130	1,413,130
Intra-group non-current liabilities		0	33,057	33,057
Fair value interest rate swaps		3,715	0	3,715
Accounts payable		0	263	263
Interest-free long-term liabilities		0	2,297	2,297
Intra-group current liabilities		0	14,954	14,954
Other interest free current liabilities		0	1,616	1,616
Total financial liabilities		**3,715**	**1,465,317**	**1,469,032**

1) Included in cash and deposits were USD 2.2 million of restricted cash deposits.

2) Refer to note 9 for detailed breakdown of interest-bearing debt.

NOTE 14: MATURITY PROFILE LIABILITIES

Year ended 31 December 2021	2022	2023-2024	2025 onwards
Interest-bearing debt (repayments) [1]	0	0	343,000
Interests on interest bearing debts	10,000	28,000	16,000
Intra-group current liabilities	67	0	0
Accounts payable	637	0	0
Other interest-free current liabilities	1,237	0	0
Total	**11,941**	**28,000**	**359,000**

[1] The interest-bearing debt matures in 2025.

Year ended 31 December 2020	2021	2022	2023 onwards
Interest-bearing debt (repayments) [1]	137,200	1,279,000	0
Interests including outstanding interest rate swaps	47,200	3,800	0
Intra-group current liabilities	14,954	0	0
Accounts payable	263	0	0
Other interest-free current liabilities	1,616	0	0
Total	**201,233**	**1,282,800**	**0**

[1] If the lenders are to require accelerated repayment, the maturities of the interest-bearing debt will be brought forward entirely to year 2021. As at 31 December 2020, the Company's main financial liabilities had remaining contractual maturities as per the above table (assuming the USD 144 million facility matures in May 2021 and the USD 1,300 million facility matures in February 2022 together with the outstanding interest swap debt).

NOTE 15: FINANCIAL RISKS

Interest rate risk
Interest on debt is in principle floating but had been hedged to reduce the variability of cash flows in the interest payments through the use of interest rate swap and interest rate cap agreements. The Company evaluates the hedge profile in relation to the repayment schedule of its loans, the subsidiaries' portfolio of contracts, cash flow and cash in hand. Due to current unfavourable pricing of the interest rate swap and short maturity of the interest bearing debt, the Company has decided not to hedge the floating interest rate.

As at 31 December 2021, the Company has interest rate caps with notional amount of USD 120 million, capped rate of 3.0000% and mature in Feb 2022. (As at 31 December 2020, the Company had interest rate caps with notional amount of USD 80 million and USD 120 million, capped rate of 3.0000% and maturity years of 2021 and 2022 respectively.) The fair value of these interest rate caps in both years amounted to less than USD 1,000 and is not material for further disclosure.

The interest rate caps with notional amount of USD 80 million matured in 2021 with zero value.

Fair value of interest cap agreements are estimated using quoted market prices. The fair value estimates the gain or loss that would have been realised if the contracts had been closed out at the balance sheet date.

The following hedging instruments were terminated. The terminated amount has not been paid to the counterparties as part of the financial restructuring agreement. The terminated amount is reclassified to the interest-bearing debt.

Notional amount	Fixed rate	Maturity	Swap type	Terminated value (USD 1 000)
2021				
USD 120 million	1.5330 %	2022	Bullet	(4,700)
2020				
USD 225 million	2.4440 %	2022	Bullet	(19,492)
USD 135 million	2.3630 %	2022	Bullet	(9,813)
USD 120 million	2.1280 %	2022	Bullet	(7,450)
Total				**(36,755)**

In 2020, the following interest rate caps were terminated at value of less than USD 1,000:

Notional amount	Capped rate	Maturity	Terminated value (USD 1 000)
USD 80 million	3.0000 %	2021	0
USD 120 million	3.0000 %	2022	0
Total			**0**

Interest rate risk - sensitivity

The sensitivity analysis is based on a reasonably possible change in the relevant forward curves and reflects the main effects on profit or loss and equity assuming that the change had occurred at the balance sheet date. There is no material sensitive analysis impact to the outstanding interest cap in 2021 and 2020 with a forward curve shift +/- 50 bps applied.

Currency risk

The Company's operating expenses are primarily denominated in NOK and GBP, and the operating result is therefore exposed to currency risk relating to fluctuations in the NOK and GBP exchange rates versus the USD. The Company is exposed to currencies other than USD associated with interest-bearing debt, cash and deposits. Cash and deposits are mainly denominated in USD, GBP and NOK and the interest-bearing debt to Prosafe AS in NOK.

Currency risk - sensitivity

The sensitivity analysis is based on a reasonably possible change in the relevant exchange rates and reflects the main effects on profit or loss and equity assuming that the change had occurred at the balance sheet date. A 10% strengthening/weakening of the USD against NOK, EUR and GBP will have the following effects. Exposures to foreign currency changes for all other currencies are not material.

Pre-tax effects on income statement	2021	2020
USD +10%		
Re-valuation cash and deposits	368	253
Re-valuation NOK Loan to Prosafe AS	5,230	10,571
Total	**5,598**	**10,824**
USD -10%		
Re-valuation cash and deposits	(368)	(253)
Re-valuation NOK Loan to Prosafe AS	(5,230)	(10,571)
Total	**(5,598)**	**(10,824)**

Credit risk
The Company is exposed to credit risk in relation to the inter-company loan to four subsidiaries, Prosafe Rigs Pte Ltd, Prosafe AS, Prosafe Offshore Holdings Pte Ltd & Safe Eurus Singapore Pte Ltd . See note 11 for details about the intra-group loan.

Liquidity risk
The Company is exposed to liquidity risk in a scenario when the Company's cash flow from operations is insufficient to cover payments of financial liabilities. The Company manages liquidity and funding on a group level. In order to mitigate the liquidity risk, the Group monitors the liquidity development and the risk of insufficient capital by rolling cash flow forecasts to determine whether the Group's liquidity position is above the minimum cash covenant as per the loan agreements.

As at 31 December 2021, Prosafe had an unrestricted liquidity reserve of USD 71 million. Under the existing credit facility agreements, the Group is required to maintain minimum liquidity of USD 18 million to and including 31 December 2022. The Group is anticipated to be able to stay above the minimum cash covenant level for the next 12 months based on currently known information and commitments.

Capital management
The primary objective of the Company's capital management is to ensure that it maintains a healthy capital structure in line with economic conditions. This is managed on a group level as disclosed in note 18 of the consolidated accounts.

NOTE 16: EVENTS AFTER THE REPORTING PERIOD

On 27 January 2022, the Company completed a 1,000:1 reverse split of the Company's shares.

On 11 February 2022, the Board of Directors initiated a long-term incentive programme to the Executive Management team in Prosafe SE. For further information, see note 23 of the consolidated accounts.

INDEPENDENT AUDITOR'S REPORT

To the General Meeting of Prosafe SE

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion
We have audited the financial statements of Prosafe SE, which comprise:

- The financial statements of the parent company Prosafe SE (the Company), which comprise the balance sheet as at 31 December 2021, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Prosafe SE and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2021, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- the financial statements comply with applicable statutory requirements,

- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU, and

- the financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 3 years from the election by the general meeting of the shareholders on 8 May 2019 for the accounting year 2019.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Fair value at initial recognition of reinstated debt

Reference is made to Note 2 Statement of Compliance and basis of preparation paragraph "Going Concern" and Modification of Debt", note 14 Interest-bearing debt and the Board of Directors report paragraph "Financing" and "Highlights of the completed Financial Restructuring".

The key audit matter	How the matter was addressed in our audit
The Prosafe Group completed a comprehensive financial restructuring in December of 2021 that included • Substantial modification of the terms, leading to an extinguishment of the existing debt instruments • Reinstated debt accounted for as a new debt instrument measured at fair value on initial recognition On derecognition of the existing debt instruments, the difference between the carrying amount of the original liability and the consideration paid were recognised in profit or loss as a net financial income of $ 1 030,5 million. In addition to cash payments the consideration paid included equity instruments issued to creditors and the assumption of new modified financial liabilities referred to as the reinstated debt. Management applied the guidance in IFRS 9 and determined that the modification of terms met the derecognition conditions set out therein. Management involved an external expert to assist in the fair value measurement of the reinstated debt on the date of initial recognition. The key assumption applied in determining the fair value of reinstated debt were estimated market-based interest rate margin for the debt instruments. The estimate is largely based on publicly available data for debt issued with similar characteristics including time to maturity, debtor credit rating and collateral value.	Our audit procedures in this area included: Extinguishment of existing debt: • Inspecting all relevant documents from the financial restructuring process including the revised loan agreements with lenders • Evaluating management's accounting assessment of the modification of financial liabilities, including comparing the terms, conditions and present values of cash flows under the existing terms and the terms set out in the new loan agreements. Fair value measurement of reinstated debt: • Assessing, with support from our internal valuation specialist, the mathematical and methodological integrity of management's fair value calculation model and the discount rate applied • Evaluating the competence, objectivity and independence of the specialist engaged by management • Assessing the methodologies applied in determining the market rate estimate with support from our internal valuation specialist • Assessing the debt spreads used by obtaining observable spreads for peers from publicly available sources such as financial statements and implicit rates for traded debt instruments

There is significant inherent estimation uncertainty in the calculation of the fair value of the reinstated debt. The recognised amount of debt has a potentially material effect on both the income statement and statement of financial position for the Group. On this basis we have determined that the fair value measurement of reinstated debt on initial recognition is a key audit matter.

Note disclosures:

- Evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions and judgements.

Other information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other accompanying information otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and

- contains the information required by applicable legal requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

REPORT ON COMPLIANCE WITH REGULATION ON EUROPEAN SINGLE ELECTRONIC FORMAT (ESEF)

Opinion
We have performed an assurance engagement to obtain reasonable assurance that the financial statements with file name "2138001LK2Z2HSER4U15-2021-12-31-en" have been prepared in accordance with Section 5-5 of the Norwegian Securities Trading Act (Verdipapirhandelloven) and the accompanying Regulation on European Single Electronic Format (ESEF).

In our opinion, the financial statements have been prepared, in all material respects, in accordance with the requirements of ESEF.

Management's Responsibilities
Management is responsible for preparing, tagging and publishing the financial statements in the single electronic reporting format required in ESEF. This responsibility comprises an adequate process and the internal control procedures which management determines is necessary for the preparation, tagging and publication of the financial statements.

Auditor's Responsibilities
Our responsibility is to express an opinion on whether the financial statements have been prepared in accordance with ESEF. We conducted our work in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance that the financial statements have been prepared in accordance with the European Single Electronic Format.

As part of our work, we performed procedures to obtain an understanding of the company's processes for preparing its financial statements in the European Single Electronic Format. We evaluated the completeness and accuracy of the iXBRL tagging and assessed management's use of judgement. Our work comprised reconciliation of the financial statements tagged under the European Single Electronic Format with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Bergen, 30 March 2022
KPMG AS

Anfinn Fardal
State Authorised Public Accountant

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CONTENTS

ABOUT THIS REPORT

In this Environmental, Social and Governance (ESG) Report, Prosafe will communicate to its stakeholders how the company integrates environmental, social and governance factors into its business model and strategy, risk management, decisions and operations in order to ensure long-term sustainable development and profitability.

We will describe Prosafe's ESG focus areas and results, focusing on how we respond to climate change, how we treat our people and how we responsibly manage and conduct our business for the benefit of all stakeholders and society at large.

Prosafe complies with laws and rules and regulations applicable to its business. The company adheres to international recognised principles and guidelines such as the Universal Declaration of Human Rights, the key conventions of the International Labour Organisation, the OECD Guidelines for Multinational Enterprises and the principles of the United Nations Global Compact.

This report has been prepared based on the Corporate Social Responsibility (CSR) requirements of the Norwegian Accounting Act section 3-3c, the Norwegian Shipowners' Association's guidelines for ESG reporting in Shipping and Offshore Industries published in November 2021 where relevant for the company, UN Global Compact's requirements for communication on progress, and the Norwegian Code of Practice for Corporate Governance published in October 2021.

ESG GOVERNANCE

ESG is embedded in Prosafe's Board approved Core Values, Code of Conduct, principles for Corporate Governance and Corporate Social Responsibility Policy and is an integral part of the company's strategy.

The Board and executive management regularly discuss ESG opportunities, risks and goals to ensure that they are integrated into the operations, culture, values, incentives and business practices of Prosafe. Consequently, several quantitative environmental, social and governance KPI targets have been set to drive development.

Prosafe's Safety, Sustainability and Ethics Committee assists the Board in its supervision of the company's ESG performance. This includes regular reviews of ESG issues, including climate-related business risks and opportunities, anti-corruption, personnel safety, human rights, cyber security and ESG performance. When necessary, the Committee will consult with internal and external expert resources.

UN GLOBAL COMPACT'S GLOBAL GOALS FOR SUSTAINABLE DEVELOPMENT

Prosafe has been a participant of the UN Global Compact since 2008. The company is committed to integrating the UN Global Compact's ten principles in the areas of human rights, labour, environment and anti-corruption into our strategy, policies, culture and operations.

Prosafe supports UN's Sustainable Development Goals (SDGs) and shares the view that its business has a key role to play in the implementation of the goals. The Board and executive management have been involved in the assessment of the company's impact on ESG development goals.

The company aims to align its own responsibility goals with the following SDGs that can be influenced by Prosafe: SDG 3: Good health and wellbeing; SDG 8: Decent work and economic growth; SDG 13: Climate action; SDG 14: Life below water.

In 2021, progress has especially been made on SDG 3 with a very low sickness absence and no lost time injuries during the year, and on SDG 13 where a number of initiatives have been kicked off to reduce GHG emissions.

Selected SDGs	2021 milestones	Potential impacts and risks (examples)
SDG 3: Health and wellbeing	Lost time incident frequency of zero No fatalities Low sickness absence (0.27%)	+ Providing good workplaces, with safety as our first priority - Potential safety incidents - High absence level
SDG 8: Decent work and economic growth	Continued focus on raising human rights and anti-corruption awareness	+ Increased awareness - Exposure to human rights risks related to our activities and supply chain
SDG 13: Climate action	Ongoing "Emissions reduction project" "Strengthen ESG profile and compliance" was included as one of the Company's key goals for 2021	+ Exploring emissions reductions - Emissions from operations and supply chain
SDG 14: Life below water	No accidental emissions to sea No non-regulatory release of ballast water	+ Managing environmental impacts - Risk of potential spills

The company recognizes that its business activities may have both positive and negative impacts on the SDGs. However, Prosafe seeks to minimize negative impacts and contribute positively to the goals, and to be transparent about its impacts where the company still has need for improvement.

COMMITMENT TO STAKEHOLDERS

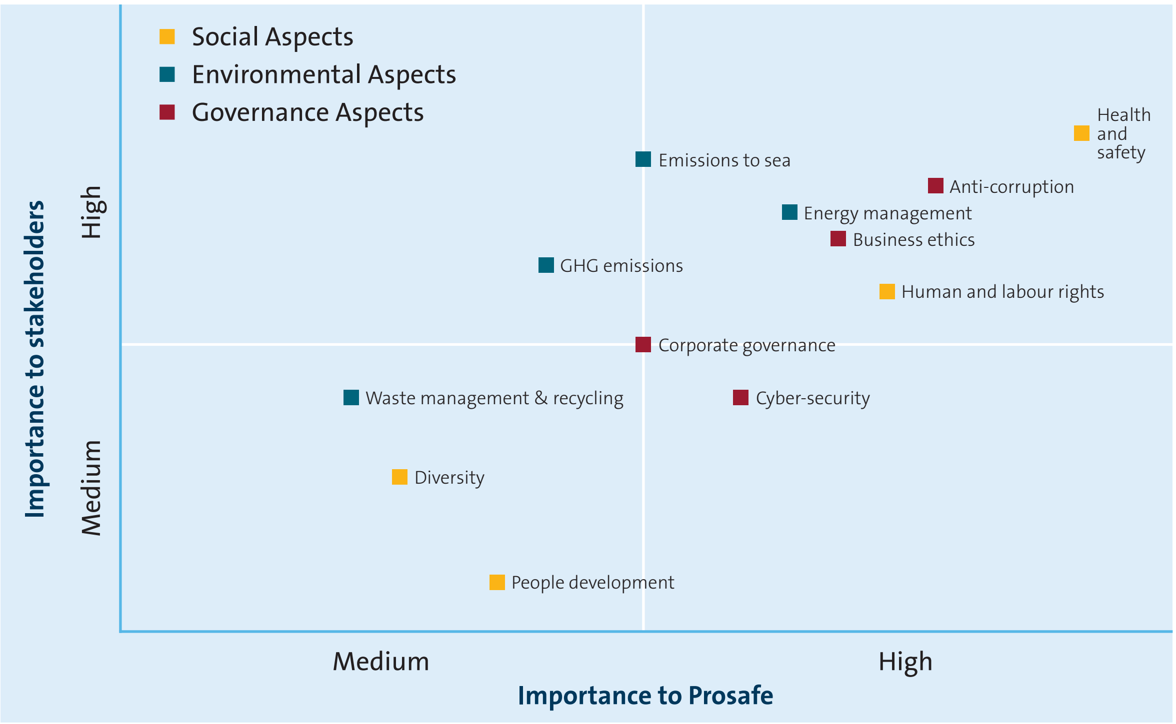
Prosafe's ESG focus is based on transparency, stakeholder dialogue and integrity in the conduct of its business. The company's main stakeholders in this perspective are its employees, customers, suppliers, investors and shareholders, lenders, and the local communities where we operate. Prosafe will ensure that its stakeholders at all times are in possession of correct, clear and timely information about the company's operations and status.

Dialogue with stakeholders is essential for identifying risks, opportunities and trends, creating realistic expectations and securing confidence in the company. Prosafe interacts with its key stakeholders among others through the annual general meeting, customer surveys, employee surveys, town hall meetings and investor presentations.

MATERIALITY ANALYSIS

To better understand stakeholders' expectations and the risk factors and opportunities they perceive as important to the company's long-term value creation, Prosafe has prepared a materiality analysis based on findings from stakeholder dialogue, internal fact-finding and research. We have sought to identify the indicators of highest concern of interest to our stakeholders and those with the largest impact on value creation for Prosafe over time. Our goal is to focus our efforts where we have the highest impact and can make the most difference.

The Board and executive management have been actively involved in this process and the material indicators on which this report is focused were discussed and selected during Board and management meetings.



The Environmental, Social and Governance sections of this report summarize Prosafe's actions on each of these material indicators.

The results of the materiality analysis are in accordance with material issues highlighted by the Norwegian Shipowners Association's guidelines for ESG reporting in the shipping and offshore industries.

As "Governance" is the foundation for how Prosafe manages ESG, we have moved this section to the start of the report.

GOVERNANCE

Prosafe is committed to complying with all applicable laws, rules and regulations in every country in which it operates and to conduct business in a fair, ethical and transparent manner.

Prosafe's Code of Conduct provides the framework for what Prosafe considers to be responsible conduct. It addresses important principles and sets clear rules and expectations for behaviour and ethical standards for all employees. If laws and regulations in a country are more stringent than Prosafe's Code of Conduct, local rules shall apply.

PROMOTING INTEGRITY AND TRANSPARENCY

Prosafe encourages its employees to report any breaches or suspected breaches of its Code of Conduct, governing policies or laws and regulations. through the established whistleblowing channels. This will ensure that the company when necessary can rectify, learn and prevent re-occurrence.

Prosafe’s Whistleblowing Policy describes the internal process for whistleblowing aiming at detecting, preventing and combating corrupt and/or unethical behaviour in Prosafe and describes the relevant guidelines as to how to report concerns and how such matters are handled.

The company has a number of whistleblowing channels in place. In 2021, an online reporting tool that allows safe, anonymous reporting of business integrity concerns was implemented.

All reported concerns and whistleblower reports will be handled with discretion and in a professional manner, with no retaliation imposed on those who report suspected or unethical behaviour, and the individual may remain anonymous.

ANTI-CORRUPTION AND FACILITATION PAYMENTS

Prosafe’s principles regarding anti-bribery and anti-corruption are crystal clear – the company has zero tolerance. This is also described in the company’s Code of Conduct and in the Anti-bribery and Anti-corruption Policy.

Prosafe’s Code of Conduct explicitly prohibits all forms of corruption, including facilitation payments and contributions to political parties or to individual politicians on behalf of the company. Prosafe will not offer customers, potential customers, governments, agencies, or any representatives of such entities, or any other third party any rewards or benefits in violation of either applicable law or reasonable and generally accepted business practices. Any breaches or suspicion of breaches of business ethics must be flagged. If in doubt, employees must consult their manager or the Safety, Sustainability and Ethics Committee.

Neither Prosafe nor any of its employees faced criminal action related to corruption in 2021. The company is not aware of any ongoing investigation or any legal actions pending for anti-competitive, anti-trust or monopoly violations where Prosafe is identified as a participant or suspect, nor were any such legal actions completed during 2021.

In 2021, none of Prosafe's revenues were derived from projects located in the 20 countries ranked lowest by Transparency International in its Corruption Percentage Index.

SUPPLIER FOLLOW-UP

Prosafe encourages suppliers, consultants and other business partners within its sphere of influence to observe the company's Core Values, Code of Conduct and its standards for corporate social responsibility, health and safety, the environment, quality assurance and training and competence.

ESG is focused upon throughout the procurement process and in supplier audits. The main tool for ensuring ESG implementation in the supply chain is the Prosafe Approved Supplier Verification Questionnaire which requests suppliers to sign and commit themselves to following Prosafe's ESG principles.

Suppliers are subject to the same standards as used by Prosafe within its Integrated Management System. Through planned, scheduled and follow-up efficacy monitoring and audit activities, Prosafe reviews and verifies that defined standards and requirements are met.

Suppliers are expected to:
- respect all individuals and basic human rights standards
- comply with applicable laws and regulations
- conduct their business without bribery or corruption
- engage in fair competition
- uphold labour standards and prevailing trade union agreements (if applicable)
- uphold and support Prosafe's Core Values and Code of Conduct

Prosafe's supplier audits include focus on Environment, Social and Governance, including self-assessment status, measures in place, objectives, ambitions and targets.

PERSONAL DATA (GDPR)

Prosafe complies with the EU General Data Protection Regulation (GDPR). Consequently, the company has the necessary data protection procedures in place to ensure the highest standards of protection of personal data and that the privacy of our people and stakeholders is safeguarded in accordance with the requirements in the regulation.

CYBER-SECURITY

Prosafe has a number of procedural and organisational controls and protective measures in place to ensure that its data and systems are safe. The company is continuously evaluating options to improve cyber-security protective measures, to improve control of remote access to IT (Information Technology) and OT (Operational Technology) systems and to improve mail security.

Through awareness campaigns employees are informed and educated about best practices for working from home, including ensuring Prosafe's information remained secure in a remote environment.

In 2021, Prosafe did not experience any loss of data, loss of integrity or other loss. Further, there were no incidents of downtime of critical IT systems due to cyber-attacks or similar incidents.

PLANNED ACTIONS IN 2022
- Ensuring integrity is a continuous project. The company will continue to increase employees' knowledge and raise awareness through e-learning programs, regular intranet updates and town hall meetings with Q&A sessions.
- Continue to give new employees a thorough introduction of Prosafe's history, operations, vision, core values and Code of Conduct. All employees shall obtain the necessary training in the company's policies and procedures.
- Continue the mandatory e-learning program for anti-corruption and anti-bribery.
- Continue the mandatory e-learning program for Cyber-security awareness

GOVERNANCE RESULTS IN 2021

Topic	2021	2020	2019	2021 KPI target	Status	Comment
Corruption risk (Net revenue from operations located in the 20 countries ranked lowest by Transparency International in its Corruption Percentage Index)	0	0	0	0	✓	None of Prosafe's revenues derived from operations located in the 20 countries ranked lowest by Transparency International in its Corruption Percentage Index.
Cyber-attacks resulting in loss of data, loss of integrity or other loss	0	0	0	0	✓	We have implemented a set of procedural and organisational controls in addition to several protective measures. In close co-operation with our global IT service partner, we utilize a centralized service desk based on ITIL where all incidents are registered.
Cyber-attacks resulting in downtime of critical IT systems	0	0	0	0	✓	As above
Number of whistleblowing cases	0	2	2	A well-functioning whistle-blowing system	✓	Prosafe has a whistle-blowing policy and an online whistleblowing channel that allows anonymous reporting of concerns. Since there traditionally are reported few concerns, the available systems for whistleblowing are regularly highlighted in town hall meetings, on the intranet, etc.
Political contributions	0	0	0	0	✓	Political involvement is regulated by our Code of Conduct. Prosafe does not make political contributions
Facilitation payments	0	0	0	0	✓	As above
Monetary fines and number of non-monetary sanctions for non-compliance with laws and/or regulations	0	0	0	0	✓	

SOCIAL

OUR PEOPLE

Prosafe's success depends upon the combined capabilities and contributions of its employees. Their motivation, knowledge and competence are fundamental to the company's further sustainable development.

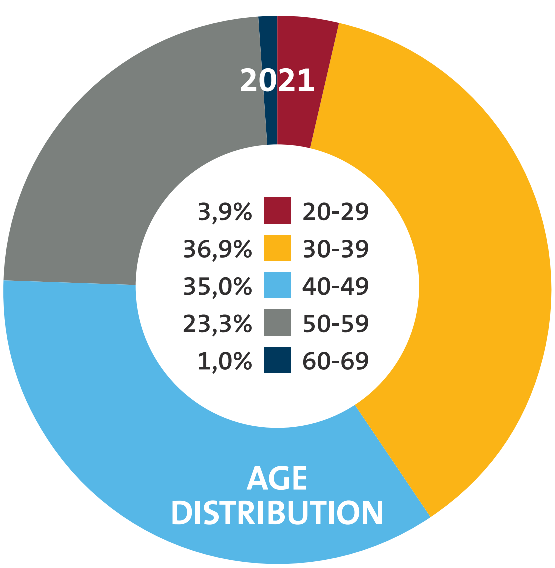
The company is committed to offering its employees a safe and stimulating working environment where everyone is treated fairly and with respect.

KEY STAFF NUMBERS

Prosafe had 103 employees[1)] at the end of 2021 (average 97), compared with 99 in the previous year (average 111). This reflects the adjustment of the organisation and its operating model whereby a significant number of activities were outsourced to external providers. Prosafe operates on an activity driven method, where headcount will increase and decrease as contracts dictate, and the majority of these peaks and troughs are now managed via the external suppliers, most evidently the crewing provider. The overall voluntary employee turnover in the group was 11.23 per cent in 2021, compared with 8.06 per cent in 2020.

The company's global presence was reflected in the fact that its employees came from 25 countries around the world. The average age of Prosafe employees is 44.

Due to the nature of the company's business, characterized by a mix of long and short contracts and vessels moving from one country to another when starting a new contract, Prosafe employs an increased number of agency personnel offshore, often only engaged for a short time. Adherence to Prosafe's Code of Conduct, policies and procedures is amongst others ensured through an introduction program for new employees, continuous management focus and e-learning programs.



1) Workforce data in this report covers employees in our direct employment. Temporary employees are not included.

DIVERSITY AND EQUALITY
Prosafe believes that strength lies in differences and complementary traits, not in similarities. Attracting, developing and retaining the best employees, regardless of gender, age, nationality, cultural background or religion, gives the company access to new ideas, promotes better decision making, and creates a workforce that mirrors our clients and the society at large.

Prosafe operates an equal opportunity policy including gender equality. Men have, however, traditionally made up a greater proportion of the recruitment base for offshore operations, and this is reflected in Prosafe's gender breakdown. As at 31 December 2021, women accounted for 26.2 per cent of all employees, compared with 27.3 per cent in 2020. Onshore the proportion of women was 40.3 per cent, as compared to 41.7 per cent in 2020.

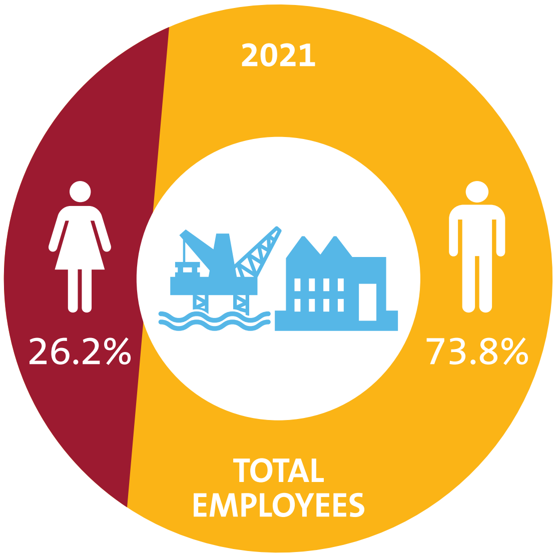
Women constituted 26.3 per cent of the managers as at 31 December 2021, an increase from 24.4 per cent at the end of 2020. Women account for 50 per cent of Prosafe's Board of Directors.

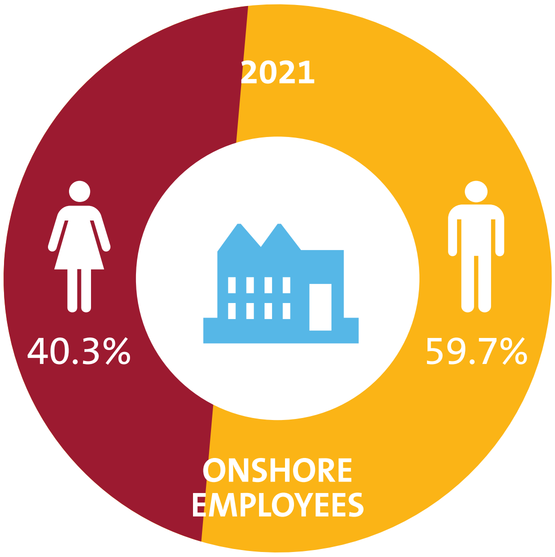
As at 31 December 2021, the average hourly pay for female employees in Prosafe was USD 34, while it was USD 69 for male employees.

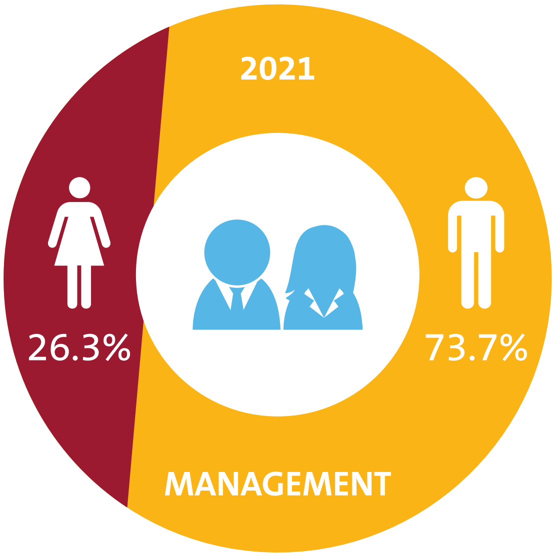
Prosafe aims to offer the same opportunities to all and does not accept discrimination with respect to recruitment, remuneration or promotion due to age, disability, gender, marriage and civil partnership, pregnancy and maternity, nationality, religion or belief, and sexual orientation.

RECRUITMENT AND COMPENSATION
Prosafe wants to be a preferred employer and aims to attract and retain employees by offering them challenging and motivating tasks, and by providing attractive working conditions and possibilities for personal development and career growth.

All employees shall have a salary that is seen as fair, competitive and in accordance with industry standards.







Only relevant qualifications such as education, experience, performance and other professional criteria shall be considered when appointing new employees, making performance evaluations and settling remuneration, and awarding promotion.

RESPECTING HUMAN RIGHTS

Prosafe supports the principles set out in the Universal Declaration of Human Rights. The company endeavours to ensure that its operations and those of its suppliers are conducted in accordance with basic human rights standards. This statement of support can also be found in Prosafe's CSR Policy and in Prosafe's Code of Conduct.

Human Rights related risks

Prosafe operates in the international oil and gas industry which is a strictly regulated industry within which there is a strong presence of trade unions.

Prosafe requires that human rights are respected within its own operations and within those of its suppliers and partners. In preparation for the Norwegian Transparency Act that will enter into force on 1 July 2022, Prosafe will in the course of 2022 carry out due diligence assessments related to fundamental human rights and decent working conditions, not limited to own operations, but also to supply chains and business partners in line with the OECD Guidelines.

Prosafe's approach to respecting human rights starts with the company's commitment to its workforce. This includes ensuring that staff are treated fairly and without discrimination and have a healthy, safe and secure working environment, in addition to respecting their right to freedom of association and right to negotiate and cooperate through relevant representative bodies.

Prosafe does not accept any breaches of human rights or labour standards when recycling older vessels. In all cases, Prosafe will act diligently and adhere to relevant conventions (2009 Hong Kong Convention, 1989 Basel Convention), always adopt best practise, provide financial guarantees and appoint independent recycling yard representation where necessary, until the asset is completely recycled.

Response to Human Rights violations

No legal claims have been received from any employee in respect of any violation of human rights, and no breaches of the Code of Conduct in relation to human rights have been observed in 2021.

RESPECTING LABOUR STANDARDS

Prosafe respects and promotes the four fundamental principles and rights at work as described in the International Labour Organisation Core Conventions:

- freedom of association and the effective recognition of the right to collective bargaining
- elimination of all forms of forced or compulsory labour
- effective abolition of child labour
- elimination of discrimination in respect of employment and occupation

These principles are also described in the company's Code of Conduct and in the Corporate Social Responsibility Policy.

Labour rights related risks

Prosafe operates in the international oil and gas industry which is a strongly regulated industry with a strong presence of trade unions. The knowledge and training required in order to be allowed to work offshore and the application of national tariff agreements largely eliminate the possibility for using child labour.

Prosafe aims to ensure compliance with labour laws, rules and regulations in all the geographical areas and jurisdictions it operates in. It is Prosafe's understanding that the International Labour Organisation Core Conventions are respected within its own operations and within the operations of its suppliers, consultants and other business partners.

Employee Representation and Engagement

Employees in all geographical locations have the right to be heard and represented, and to form and join trade unions of their own choice. This is part of Prosafe's commitment to human and labour rights.

Prosafe encourages employee involvement and keeps its employees updated through emails, regular intranet updates and town hall meetings with Q&A sessions.

For organisational changes that affect the company's employees, Prosafe observes national legislation on the minimum requirements of notification period in the countries where the company operates.

Prosafe conducted two global employee engagement surveys in 2021.The surveys consisted of questions categorised into the following subject areas: Employee Engagement, Strategic Leadership, People Leadership, Performance, Communication, Growth & Development, Reward & Recognition, Improvement/Changes, Covid-19 and Remote Working Practices.

The average 2021 score for each subject area was compared against the average 2020 score to identify if there had been a positive or negative change between the surveys. In general, across the majority of survey subject areas there has been a positive change in what has been a challenging year for the company. However, this change has been small and there is room for further improvement.

Based on the feedback received, management evaluates which improvement areas to focus on in the following year.

Collective bargaining

The following Collective Bargaining Agreements were in force during 2021:

- Norwegian Maritime Unions
- Norwegian Ship Owners Association
- Industri Energi

These agreements have been renewed and will continue to operate during 2022.

Response to Labour Standards violations

There have not been any reported possible breaches of labour standards since Prosafe became a participant of the UN Global Compact in October 2008.

There were not made any legal claims against the company by any employee regarding a breach of labour standards in 2021.

PLANNED ACTIONS IN 2022

- Continue the mandatory e-learning program for human rights and labour rights
- Continue to conduct Employee Engagement Surveys in order to gain insight on what is engaging (and disengaging) our employees and be able to initiate the required actions
- Finalize a Human Rights Policy
- Finalize a Diversity & Equality Policy

SOCIAL RESULTS IN 2021

Parameters	2021	2020	2019	2021 KPI target	Status	Comment
Number of employees at year-end	103	99	150	-	-	Prosafe operates on an activity driven method, where headcount will increase and decrease as contracts dictate.
Employee turnover ratio	11.2%	8.06%	19.2%	< 10%	X	Higher than the KPI, probably due to uncertainty related to Covid-19 and a lengthy financial restructuring process.
Share of women in the workforce – overall	26.2%	27.3%	26.8%	-	-	Male employees have traditionally made up a greater proportion of the recruitment base for offshore operations.
Share of women in the workforce – onshore	40.3%	41.7%	36.6%	> 30%	✓	
Share of women in management	26.3%	24.4%	26.8%	> 20%	✓	26.3% of management positions are held by women.

HEALTH AND SAFETY

Prosafe endeavours to offer its employees a safe and healthy working environment in both physical and psychosocial terms. It is our objective that nobody should suffer work-related illnesses or strain injuries as a consequence of working for Prosafe.

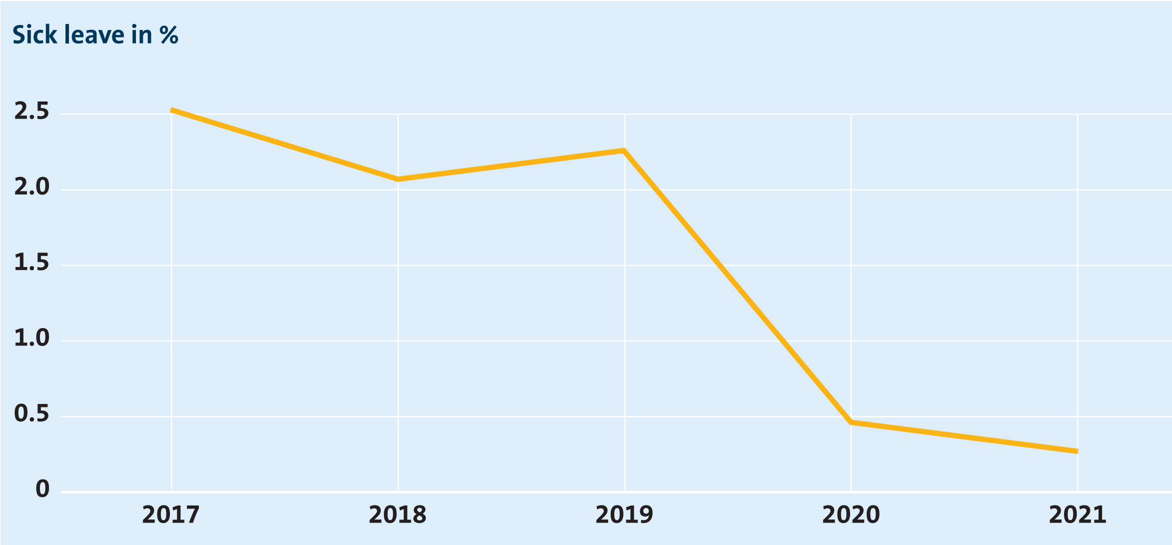
Policies, procedural requirements and safe working practices are defined within the company's integrated management system. Our management system complies with ISO standards 9001; 14001; 45001 and 50001. Employee engagement and their valued contributions ensure our management system remains effective, simple in its use, compliant and accessible for all.

WORK-LIFE BALANCE

All employees should have a good balance between work requirements, individual opportunity for control and participation, and support from colleagues and managers.

Sick leave was 0.27 per cent in 2021, a reduction from 0.46 per cent in 2020, partly due to Covid-19 precautions. We believe that a good working environment and a close follow-up of employees on sick leave are prerequisites for achieving the lowest possible sickness absence rate.

The company monitors and manages all areas of absence (actual and potential) closely and takes the appropriate actions. Prosafe also takes steps to enable employees to return to work on light duties, either in the office or on shorter vessel trips to re-assimilate the employee's return to work.



	2017	2018	2019	2020	2021
Sick leave in %	2.53%	2.07%	2.26%	0.46%	0.27%

Special attention is paid to employees exposed to certain hazards such as high noise environments, exposure to chemicals and other conditions that may be harmful to health. The company carries out regular occupational health assessments for this purpose.

Reducing sick leave is significant to the well-being of the individual employee and also has a positive financial effect on the company and society as a whole.

MANAGING COVID-19

Prosafe has monitored developments closely since the outbreak of the Covid-19 pandemic and has taken prompt and proactive actions to manage the situation as it affects our business and employees. We work closely with our industry network and clients to ensure we have the best situational awareness and response.

Prosafe operates in compliance with national and international governmental requirements whilst dovetailing these with supplementary requirements of the marine and oil and gas industry sectors. Restrictions on travel, periods of quarantine and isolation impact on our ability to maintain traditional labour standards, triggering the need for change. New ways of working, initiatives to attract and retain personnel, introduction of remote work activities, flexible working hours and working from home are some examples of such change. The physical and mental health of our workforce is integral to our corporate culture to ensure a safe and healthy working environment at all times.

To ensure the safety of our employees and business continuity through the pandemic, we have implemented strict protocols to prevent an outbreak of Covid-19 in our offices and in particular on our vessels. All personnel travelling to a Prosafe vessel must comply and adhere to all necessary quarantine and Covid-19 testing protocols before their arrival onboard.

Prosafe's employees have proven their stamina and integrity and ensured safe and efficient operations throughout the pandemic. Prosafe has experienced some isolated cases onboard our operational vessels. In close coordination with our clients, these occurrences have been managed effectively. Preventive measures incorporating robust and frequent Covid-19 testing regimes are integral to our business operations allowing us to either mitigate or contain successfully any outbreaks within our own operations.

SAFETY CULTURE – ZERO MINDSET [2)]

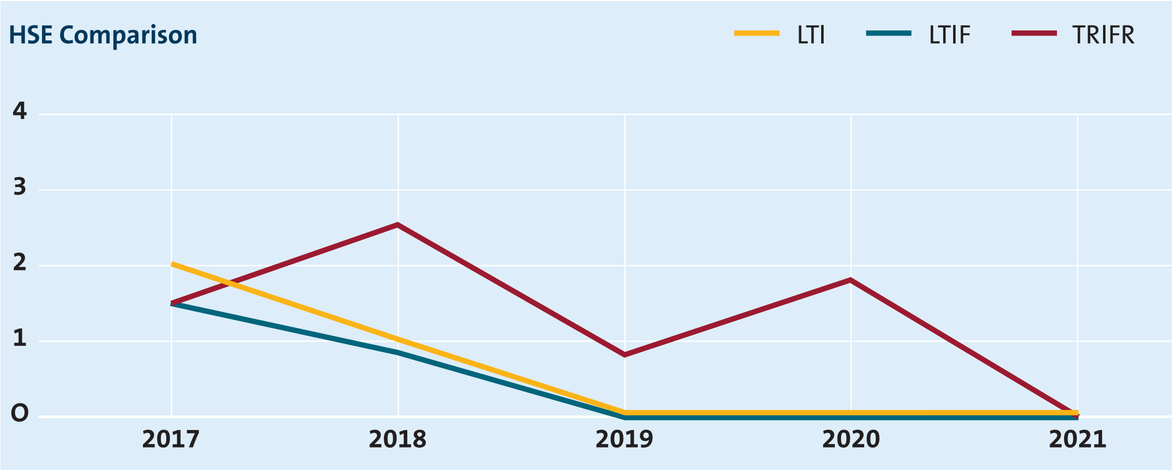
Safety is a core value in Prosafe. We look upon the objective of zero incidents as a goal to work towards and a way of thinking. We focus on best practice, seek continual improvement, share experience and actively learn from such occurrences. Our mindset reflects that we commit to work at the highest quality possible at the time it is being done. It is our ambition that everyone working for Prosafe understands their responsibilities and is empowered to act. Zero-mindset establishes perfection as a consistent goal to strive for.

Systematic preventive health, safety and environment work is a line management responsibility in Prosafe. Strong leadership, commitment and close cooperation with our employees, their representatives and other stakeholders are key factors in achieving our goals.

[2)] *Safety data are reported for our operated assets and include marine crew (both employees and temporary agency personnel). Contractors (third party vendors) are not included.*

In 2021, Prosafe recorded zero incidents classified as a Lost Time Injury (LTI) incidents, i.e. those incidents where injuries are sustained resulting in an employee being absent from the next work shift due to the injury. This equals our performance in 2020 when there were also no LTIs recorded. The LTI frequency, which is calculated by multiplying the number of LTIs by 1 million and dividing this by the total number of man-hours worked, was also zero.

The Total Recordable Injury Frequency Rate (TRIFR) is calculated by multiplying the number of all injuries requiring medical treatment by 1 million and dividing this by the total number of man-hours worked. In 2021, the TRIFR was zero, an improvement from 1.81 in 2020.



	2017	2018	2019	2020	2021
Number of Lost Time Injuries (LTI)	2.00	1.00	0.00	0.00	0.00
Lost Time Injuries Frequency (LTIF)	1.50	0.85	0.00	0.00	0.00
Total Recordable Injury Frequency Rate (TRIFR)	1.50	2.54	0.82	1.81	0.00

Where injuries of significant severity occur, we ensure that suitably resourced investigations are undertaken to identify root causes and introduce risk-reducing measures aimed at preventing recurrence. We share the learnings from such investigations within the fleet and understand their contributory influence on our ability to achieve our injury free goals.

Continuously supporting safety awareness

Prosafe continues to promote and support a zero-mindset with our employees and sub-contractors. In order to achieve this, a number of activities and management tools are facilitated. These are described in more detail on Prosafe's website at https://www.prosafe.com/fleet/hsseq/safety/ where you can also find a description of the continuous preventive work and improvement efforts.

Contingency plans

Prosafe has established contingency plans to limit harm to people, the environment and material assets. These plans will ensure that correct, relevant and timely information is provided to the outside world if and when required.

We carry out regular emergency response training and exercises in cooperation with our customers and third parties to ensure that we are well prepared to deal with a potential crisis.

PLANNED ACTIONS IN 2022

- Promote safe, reliable and sustainable operations and offer our employees a safe and healthy working environment
- Internal campaign to increase HSSE awareness and the non-compliance mindset

SAFETY RESULTS IN 2021

Parameters	2021	2020	2019	2021 KPI target	Status	Comment
Sick leave	0.27%	0.46%	2.26%	< 3%	✓	
Lost time injuries (LTI)	0	0	0	0	✓	
Fatalities	0	0	0	0	✓	
TRIF (Total Recordable Injury Frequency)	0	1.81	0.82	1.53 – 1.87*	✓	Our good safety performance for the year 2021 resulted in zero recordable injuries to our marine crew thus exceeding the benchmark parameters set.
LTIF (Lost Time Injury Frequency)	0	0	0	0	✓	Prosafe's KPI for all injuries is zero. The industry benchmark 10% range for 2020 is 0.23 – 0.34.
MTC (Number of Medical Treatment Case)	0	2	6	0	✓	
RWC (Number of Restricted Work Case)	0	0	0	0	✓	
HOC (Number of Hazard Observation Card)	10,142	6,443	14,690	KPI: 6 per day per vessel on contract 4 per day per vessel in yard. Actual: 5.8 per day	✓	Our operational contract vessel performance averaged 5.8. cards per day.

* *Showing the 10% range +/- of the industry benchmark indicator (IMCA & RNNP)*

ENVIRONMENT

Care for the environment is one of Prosafe's core values and forms an integral part of the company's business planning. Prosafe's goal is zero accidental discharges to the sea and zero accidental emissions to the air, which is in line with its principles for sustainable development.

Prosafe actively pursues and commits to reducing direct emissions from its vessel operations in collaboration with its clients and other stakeholders.

ENVIRONMENTAL MANAGEMENT

Prosafe's integrated management system is accredited to ISO 14001 and the company has implemented a systematic improvement process related to same.

Environmental Impact Assessments are maintained for each of the company's operational vessels. The assessments take into account the mode of operation of the vessel together with generic geographical considerations and environmental requirements of the operator's operating permit.

All accidental discharges and emissions are reported and followed up in the same way as injuries and material damage. In 2021, there were no accidental discharges to the sea and no accidental emissions to the air.

ENERGY MANAGEMENT

In 2021, Prosafe further increased its focus on the energy management side of environmental management and started a process to implement the requirements of ISO 50001 Energy Management with the intention to secure ISO 50001 accreditation.

All formal audits were successfully concluded during 2021 and the company received formal ISO 50001 certification in January 2022.

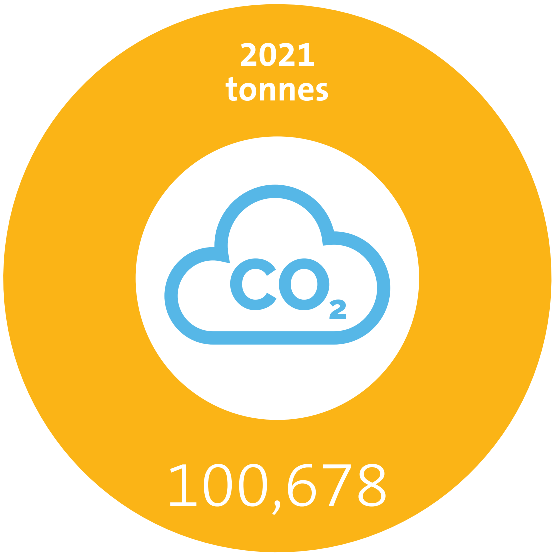
GREENHOUSE GAS (GHG) EMISSIONS

Prosafe calculates its Greenhouse Gas (GHG) emissions according to the GHG protocol. The emissions of CO2, CO, NOx, SO2, CH4 and VOC for the fleet are calculated based on the fleet's diesel consumption. Prosafe's fleet carries low sulphur marine diesel with a maximum sulphur content of 0.1 per cent, which is better than the requirement within MARPOL Annex VI Regulation 14.1 prohibiting the carriage of fuel oil with sulphur content exceeding 0.5 per cent.

Tonnes pr. year	2021	2020	2019	2018	2017
Consumed diesel	31,461	17,836	40,858	35,486	33,250
CO_2	100,678	57,075	130,746	113,555	106,400
CO	493	280	641	557	522
NOx	1,868	1,059	2,427	2,108	1,975
SO_2	125	71	163	142	133
CH_4	5	3	7	6	6
VOC	64	36	82	71	67

It is important to note that the amount of diesel consumed, and thereby also the amount of emissions, will vary largely depending on:

- The number of vessels being operated throughout the year
- The fleet utilisation (i.e. the amount of time that the vessels have been operating)
- The vessels' operation mode - dynamic positioned (DP) vessels maintain their position by means of thrusters and will therefore use far more diesel and thereby also have substantial higher emissions, than vessels that maintain station by moorings



The number of vessels that uses DP and the number of days that these vessels keep their position by using DP will vary from year to year. This implies that the amounts of emissions per year are not directly comparable.

Prosafe's offices saw a reduction in emissions in 2021, due in large part to the remote working environment created by the Covid-19 pandemic, and partly due to the relocation of the Aberdeen office from a large old building to newer and smaller premises.

The company actively monitors and manages staff business travel and encourages its employees to limit travelling to the extent possible and use telephone or video conference when possible.

REDUCING OUR ECOLOGICAL FOOTPRINT

Prosafe is seeking solutions to reduce emissions in order to reduce its impact upon the environment. The dominant part of the emissions is linked to fuel consumption. The company is targeting a 50 per cent lower fuel consumption by 2030 and believes that this is achievable without compromising safety.

Several initiatives were started in 2021 with initial focus on two vessels, the Safe Zephyrus and Safe Boreas:

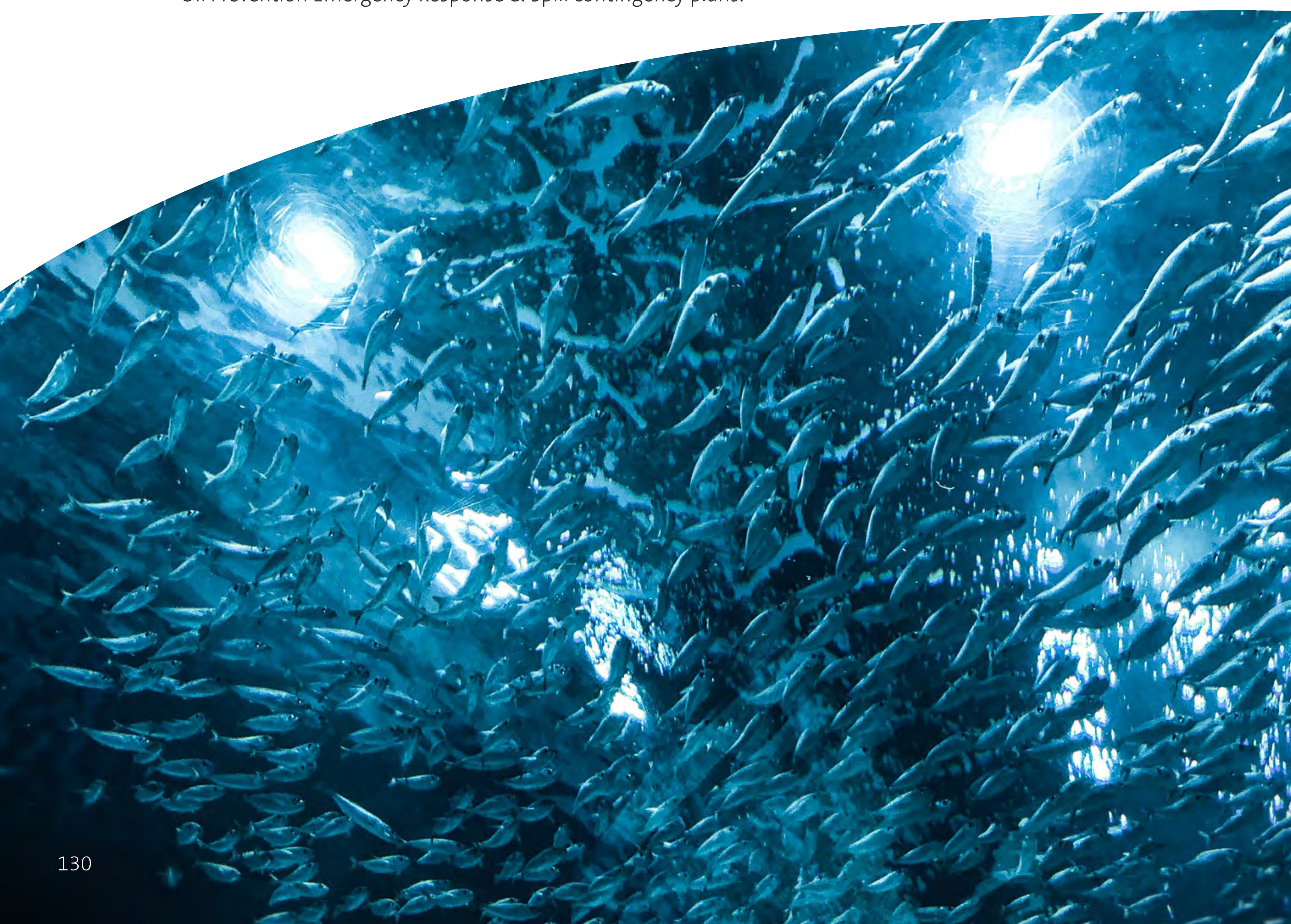
- Implementation of a "2+1" split on the engines, meaning that the 3-split on the engines are modified so that we can reduce the number of running engines from 3 to 2. This is expected to reduce fuel consumption by 10 – 15 per cent by improving the efficiency of the engines.
- Finalized ISO 500001 certification, including mapping and monitoring of the energy consumption in real-time.
- Implemented advisory software tools to help the crews to reduce energy consumption.
- Built a roadmap of additional measures that can be implemented over the coming years. Several ideas are currently being evaluated and will be put forward for decision in the first half of 2022.

The initiatives will be rolled forward to other vessels over the next years.

Prosafe's vessels have International Air Pollution Prevention (IAPP) certificates, International Oil Pollution Prevention (IOPP) certificates and International Sewage Pollution Prevention (ISPP) certificates. These certificates are all issued under the International Convention for the Prevention of Pollution from Ships (MARPOL) and are subject to periodic survey.

SPILLS

Prosafe had no reportable discharges to the natural environment in 2021. The company's vessels take proactive measures to mitigate the potential for any spills and regularly conduct exercises to test its Oil Prevention Emergency Response & Spill contingency plans.



RESPONSIBLE RECYCLING

Prosafe continues to high-grade its fleet by selling the oldest and most inefficient vessels for recycling at certified ship recycling yards. In 2021, the Regalia was sold for recycling. In total, eight vessels have been sold for recycling since 2016.

In all cases, Prosafe will adhere to relevant conventions (2009 Hong Kong Convention, 1989 Basel Convention), always adopt best practise, provide financial guarantees and appoint independent recycling yard representation where necessary, until the asset is completely recycled, and conduct extensive diligence when recycling of any asset.

USE OF CHEMICALS AND HAZARDOUS SUBSTANCES

Prosafe has an approved Hazardous Substance list in operation. Where High Risk Hazardous substances or chemicals are identified, the company will seek to substitute these chemicals with lower Hazardous products.

WASTE MANAGEMENT

When a Prosafe vessel operates alongside an offshore installation, it co-operates with the waste management requirements within the operator's operational permits.

All Prosafe vessels are subject to MARPOL requirements and have implemented a waste management system that is documented in the Garbage Management Manual. The plan includes assessments of all potential waste products originating on board together with the requirements for waste segregation for transportation ashore.

BALLAST WATER

Ballast water management for the company's vessels is controlled within the confines of the International Maritime Organisation (IMO) regulations.

Prosafe's vessels have International Ballast Water Management (IBWM) certificates. These certificates are all issued under the International Convention for the Control and Management of Ship' Ballast Water and Sediments and are subject to periodic survey. There has not been any accidental or non-regulatory release of ballast water in 2021.

DISCHARGE OF SEWAGE

The discharge of sewage is controlled within the confines of IMO regulation. All vessels within the fleet have been subject to International Sewage Pollution Prevention (ISPP) surveys and have been issued certification in accordance with MARPOL Annex IV by the relevant Flag.

PLANNED ACTIONS IN 2022

- Continue to monitor and assess opportunities to improve on energy efficiencies thorough Green Energy options for our onshore sites (low carbon products)
- Continue the implementation of a "2+1" split on the engines which is expected to reduce fuel consumption by 10 – 15 per cent by improving the efficiency of the engines
- Liaise with office building owners to monitor and assess opportunities to improve on energy efficiencies as a tenant of a multi-occupancy buildings at our onshore sites and to improve the data base for calculating our GHG Scope 2 emissions
- Initiate collaboration with our supply chain to address our Scope 3 emissions resulting from our operations
- Roadmap to GHG reduction

ENVIRONMENTAL RESULTS IN 2021

Parameters	2021	2020	2019	2021 KPI target	Status	Comment
Direct GHG emissions (GHG Protocol Corporate Standard Scope 1) (per contract day in CO2 tonnes)	65	47.4	71.43	73.92	✓	KPI : a 5% reduction from the 2015-2019 average in CO2 tonnes for the fleet per contract day, based on fuel consumption. In 2021, Prosafe developed a long-term ambition roadmap on how to reduce emissions on our vessels; - Started the implementation of a “2+1” split on the engines which is expected to reduce fuel consumption by 10 – 15 % by improving the efficiency of the engines - Implemented advisory software tools to help the crews to reduce energy consumption.
Energy indirect GHG emissions (GHG PCS Scope 2 in CO2 tonnes)	0.6	145	156.5	-	-	Data collated from total energy consumption for onshore site offices located in UK, Norway Brazil and Singapore. The office in Norway uses 100% renewable energy. The reduction in emissions is largely due to the remote working environment created by the Covid-19 pandemic.
Other indirect GHG emissions (GHG PCS Scope 3 in CO2 tonnes)	1,965	1,785	3,193	-	-	Data collated from all air travel booked through the company’s travel agent for onshore and offshore personnel including agency personnel in UK, Norway, Brazil and Singapore
Energy consumption (kWh) onshore	92,738	261,253	541,063	248,191	✓	KPI: a 5% reduction from the previous year. Energy consumed by offices in UK, Norway, Brazil and Singapore. The number has been substantially reduced due to the relocation to newer and smaller premises in the UK and employees working from home.

Parameters	2021	2020	2019	2021 KPI target	Status	Comment
Energy consumption reduction rate onshore (percentage)	75.8	51.71	15.7	-	-	
Fuel used (tonnes)	31,461	17,836	40,858	KPI: 23,1 tonnes/ contract day Actual: 20,3 tonnes/ contract day	✓	KPI: a 5% reduction from 2015-2019 average in tonnes of fuel per vessel per contract day. Prosafe's fleet carries low sulphur marine diesel with a maximum sulphur content of 0.1 per cent, thereby exceeding the requirement within MARPOL Annex VI Regulation 14.1 prohibiting the carriage of fuel oil with sulphur content exceeding 0.5 per cent.
Fuel consumption reduction rate (percentage)	-87.3	58.9	-15.7	-	-	
NOx (tonnes)	1,868	1,059	2,427	KPI: 1,37 tonnes/ contract day Actual: 1,21 tonnes/ contract day	✓	NOXe for each vessel per contract day (5% reduction from 2015-2019 average)
SO2 (tonnes)	125	71	163	-	-	
CH4 (tonnes)	5	3	7	-	-	
VOC (tonnes)	64	36	82	-	-	
Unplanned spills or emissions to ground / sea / air	0	0	0	0	✓	
Total waste (tonnes)	2,959	965.4	2,618.2	-	-	In 2021, the level of activity and generation of waste on board the vessels have increased due to the preparation of a number of vessels for lay-up and the Special Periodic Survey of Safe Concordia.
Hazardous waste	186	62	245	-	-	

Parameters	2021	2020	2019	2021 KPI target	Status	Comment
Waste reduction rate (percentage)	-208	18	-47	-	-	Due to the preparation of a number of vessels to re-assume operations and a higher number of vessels in operations throughout the year, there was an increase in the amount of waste compared to the previous year.
Total water use offshore (1 000 litres)	94,236	44,289	108,798	-	-	

LIST OF ABBREVIATIONS

Abbreviation	Definition
Contractors	Third party vendors
CSR	Corporate Social Responsibility
ESG	Environment, Social and Governance
GDPR	General Data Protection Regulation
GHG	Greenhouse Gas Emissions
GHG emissions – scope 1	Direct GHG emissions from operations that are owned and/or controlled by the company
GHG emissions – scope 2	Indirect GHG emissions from energy purchased from third parties for e.g. heating or cooling and consumed within the company
GHG emissions – scope 3	All other indirect GHG emissions from activities of the company occurring from sources that the company does not own or control, i.e. business travel, procurement, waste and water
Hazardous waste	Waste is considered to be hazardous waste according to the regulations under which the activity operates or where the waste can pose a substantial hazard to human health and/or the environment when improperly managed
IMO	International Maritime Organisation
KPI	Key Performance Indicator
LTI	Lost Time Injury, which means the employee was absent from the next work shift because of the injury
LTI frequency	The Lost Time Injury (LTI) frequency is calculated by multiplying the number of LTIs by 1 million and dividing this by the total number of man-hours worked
Marine crew	Includes employees and temporary agency personnel. Contractors (third party vendors) are not included
MARPOL	The International Convention for the Prevention of Pollution from Ships
SDG	The United Nations' Sustainable Development Goals
Sickness absence	The total number of sickness absence hours as a percentage of planned working hours (Prosafe employees)
Total recordable injury frequency (TRIF)	Number of fatal accidents, lost-time injuries, injuries involving substitute work and medical treatment injuries per million hours worked

Prosafe | Accommodating the Offshore Industry

www.prosafe.com