

## PRESS RELEASE

### **Prosafe and Floatel seek merger in challenging and changing market**

**Prosafe SE (“Prosafe”, Oslo Stock Exchange ticker PRS) and Floatel International Ltd (“Floatel”) have today signed an agreement to merge their respective businesses. The aim is to create a more robust company with improved services and geographical presence, able to sustain a prolonged cyclical downturn and challenging markets for offshore accommodation.**

Prosafe SE, Stavanger, is a leading owner and operator of semi-submersible accommodation vessels (flotels) listed on the Oslo Stock Exchange, and, like Floatel International Ltd, Bermuda, delivers offshore accommodation to clients in the oil and gas industry worldwide. In a merger of equals, Prosafe will acquire Floatel with consideration in Prosafe shares, whereby Floatel’s principal shareholders will become large shareholders in Prosafe.

- The need for consolidation in oil services is well known. We consider this transaction not only strategically sound, but also necessary to adapt to the significant changes in our markets and competitive landscape in recent years, says Glen Ole Rødland, chairman of the board at Prosafe SE.

A merged company will have the most modern and flexible fleet in the global market, with lower costs, increased geographical presence and a strengthened customer offering.

If all conditions are met, including clearances from competition authorities in Norway and the UK, required consents from its creditors and shareholder approvals, the transaction is expected to be completed in the third quarter of 2019.

#### **Reduced activity, increased competition**

Driving the motivation to merge are the fundamental and lasting changes in the market for offshore accommodation vessels in the wake of the oil price drop in 2014. Lower activity in exploration, production and maintenance, combined with extensive efficiency improvements among the oil companies has led to significantly intensified competition for “beds at sea”.

- 2014 was a paradigm shift that triggered an unprecedented downturn and lasting changes in the oil industry. We also face far tougher competition than before, due to a considerable overcapacity of both drilling rigs and supply vessels that are now being used as temporary accommodation. This situation is expected to continue, says Rødland.

- A combination of Prosafe and Floatel will also be able to offer a better product to the customers, through a more flexible and geographically diversified fleet. We will to a

greater extent offer the right capacity at the right time in all central regions for offshore oil and gas, says Rødland.

### **A large and versatile fleet**

Prosafe owns and operates a total of nine vessels, each with a capacity of 300-500 beds, and has options for delivery of two newbuilds over the next five years. Floatel's fleet counts five units, each with capacity of 440-550 beds.

A merged company will at the outset have the bulk of its activity in the North Sea and Brazil. Prosafe's current contracts on the Norwegian continental shelf expire during the first half of 2019, while Floatel's contracts in the same region expire in Q3 2020 including options.

Rødland emphasizes that the main point of the transaction is to create a company that is better equipped to compete in the global market, especially in less mature regions where demand for flotels is still growing.

### **Audiocast**

An audiocast will be held at 10am CET on Tuesday 4<sup>th</sup> of June 2019 where the transaction will be presented by Peter Jacobsson, Glen Rødland and Jesper Kragh Andersen. The audiocast can be followed live by clicking on the webcast link on the front page of [www.prosafe.com](http://www.prosafe.com) or [www.floatel.bm](http://www.floatel.bm)

Bermuda, 3 June 2019

Floatel International Ltd.

### **For further questions, please contact:**

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### **Key transaction highlights include:**

- The merger will create the world's largest offshore accommodation company, combining Prosafe's existing nine semi-submersible vessels and options for two newbuild semi-submersible vessels with Floatel's five semi-submersible vessels.
- The combined company will be positioned to take advantage of further operational efficiencies as well as enhanced global reach from an enlarged fleet. The combined entity will be better positioned to sustain a prolonged cyclical downturn, with challenging market outlook and falling utilization and reduced hook up and commissioning work.

- For the year ended 31 December 2018, the combined company had revenues of more than USD 600m and an EBITDA of more than USD 300m.
- The combined entity is anticipated to realize significant cost and efficiency synergies.
- Combined firm contract backlog at 31 March 2019 is approximately USD 225m. In addition, Prosafe recently announced a three-year contract for the Safe Eurus in Brazil which adds about USD 80m to the contract backlog, while Floatel has recently been awarded a 4-month extension at Martin Linge which adds a further USD 22m to the contract backlog.
- The transaction is an all-share merger of equals and will be implemented through issuance of new shares in Prosafe as consideration for all ordinary shares in Floatel. After completion, Prosafe and Floatel shareholders will, on a fully diluted basis (including Prosafe convertible bonds and Prosafe warrants), own 55% and 45% of the combined company's equity, respectively.
- The name of the combined company will be Prosafe SE, and the shares of the combined company will continue to be listed on the Oslo Stock Exchange under ticker code PRS.
- The transaction is unanimously supported and recommended by the board of directors of the two companies.

### Transaction details

Pursuant to the transaction agreement, the transaction will be structured as a transfer of 100% of the ordinary shares and management warrants in Floatel to Prosafe, against consideration to the shareholders in Floatel in the form of 79,991,178 new shares (the "**Consideration Shares**") to be issued by Prosafe. The number of Consideration Shares is based on an agreed exchange ratio of 55/45 (Prosafe/Floatel) on a fully diluted basis and includes 2,017,469 warrants to be issued to the management of Floatel as replacement of existing management warrants in Floatel. Total number of ordinary outstanding shares in Prosafe following the transaction will be 159,837,921, and the total number of shares on a fully diluted basis will be 177,758,173. No agreements have or will be entered into in connection with the transaction for the benefit of the board of directors of either company.

In addition, the Floatel shareholders will be allocated new non-voting, non-interest bearing conditional preference shares. The conditional preference shares shall entitle the holders to have a preferential right to receive dividends, up to a total maximum value of USD 20m and such dividend may be adjusted downwards to a minimum value of USD nil depending on the outcome of the Westcon case. These preference shares will be cancelled once the Westcon case is concluded and any dividend has been paid.

The combined company's largest shareholders will be FELS Offshore Pte. Ltd., funds managed by Oaktree Capital Management, L.P. ("**Oaktree**") and HitecVision, which, respectively, will hold approximately 22%, 19% and 16% of the shares on a fully diluted basis. Post completion, these shareholders have agreed to a 12-month lock-up of their shares.

The transaction will imply a business combination between Prosafe and Floatel, with Prosafe after completion of the transaction remaining listed on the Oslo Stock Exchange. The transaction will not trigger a mandatory offer pursuant to the Norwegian take-over rules.

The companies will seek required consents from their creditors to the business combination. No material amendments are intended to be requested from the respective creditor groups other than what is required to effectuate the combination. As such the current financing structure for both companies will be kept intact and separate. The creditor process will be carried out based on the principle of equal treatment between the Prosafe creditors and the Floatel creditors.

Therefore, the transaction will be carried out so that Prosafe will remain as the listed group holding company for Floatel and Prosafe. To provide for such structure, a demerger of certain Prosafe assets will be carried out to a newly incorporated and wholly owned subsidiary of Prosafe. The new subsidiary will, inter alia, accede as debtor under the existing Prosafe debt. Existing secured creditors in Prosafe and Floatel will continue with the same security structure as they have today. In addition, Prosafe SE, being the ultimate holding company, will be co-borrower for all existing secured debt in Prosafe and Floatel.

The companies firmly believe that the positive effects of the merger described above also will benefit the creditors of the combined entity.

### **Board of Directors**

It has been agreed that Glen Ole Rødland, Chairman of Prosafe SE, will become chairman of the combined company. FELS Offshore Pte. Ltd. and Oaktree will nominate one board member each.

### **Timing and conditions precedent**

Completion of the transaction remains subject to certain conditions, including:

1. Approval by the shareholders of Prosafe by 2/3 majority at an extraordinary general meeting in the company expected to be held later in 2019;
2. Approval from applicable competition authorities;
3. Approvals as required under all material agreements of the companies, including creditor approval under both companies' financing arrangements;

4. No material adverse effect with respect to the respective businesses having occurred.

Subject to completion of all conditions precedent, the parties expect that the transaction will complete by end Q3 2019. The transaction is subject to a long stop date of 31 December 2019.

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#### **About Prosafe**

Prosafe is a leading owner and operator of semi-submersible accommodation vessels. The company is listed on the Oslo Stock Exchange with ticker code PRS. For more information, please refer to <https://www.prosafe.com/>

#### **About Floatel**

Floatel International owns and operates five semisubmersible accommodation vessels, all vessel where delivered within the period 2010 to 2016. Floatel has two bond issuances listed on Oslo ABM with ticker code FLOAT02 and FLOAT03. For more information, please refer to <http://www.floatel.bm>

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