Prosafe

SECOND QUARTER AND FIRST HALF REPORT 2020

(Figures in brackets refer to the corresponding period of 2019)

The process with lenders for a sustainable financial solution is constructive and progressing. Reported EBITDA[1] for the second quarter was negative by USD 10.1 million (USD 53.1 million positive), primarily reflecting all time low activity. Cash flow from operations was negative by USD 5.5 million (USD 19.9 million positive).

2020 is a lost year as the Covid-19 pandemic and weak market conditions have resulted in an unprecedented low fleet utilisation, low earnings and increased uncertainty about the outlook. This came on top of an already challenging financial situation where the company has initiated discussions with its lenders for a sustainable financial solution. Prosafe has, however, successfully implemented actions to protect people and assets, revised its operating model and business plan in order to adapt and position the company through the turmoil.

The company remains in constructive discussions with clients relating to upcoming and ongoing contracts on such subjects as temporary suspensions and/or deferral as well as commercial and payment terms. Further details are described in the Operations section later in this report.

Prosafe had liquidity reserve[2] of USD 177.5 million at the end of Q2 2020 (USD 241 million). The forbearance arrangement previously reported expired at the end of July. However, the process and creditor discussions remain constructive and lenders in general maintain their support of the company. Pending conclusions, the company continues to operate on a going concern basis to protect and create value through challenging market conditions on the assumption that there is justified hope for a sustainable financial solution.

Recent highlights

- Prosafe has successfully implemented Covid-19 plans early to safeguard people and assets, onshore and offshore.
- Further cost and spend saving initiatives have been implemented to adapt to the new reality and to protect liquidity.
- Total liquidity reserve of USD 177.5 million per Q2 2020 (USD 241 million). The company is all else equal able to stay cash positive well beyond the next 12 months.
- The process with lenders remains constructive and lenders in general maintain their support for the company to continue to operate on a going concern basis and seek a long-term financial solution while reserving their rights. The company expects to complete the refinancing process in the second half of 2020.
- In light of impact from Covid-19 and the oil price collapse, the company continues its commercial discussions with clients relating to deferred, current and upcoming contracts. There is uncertainty related to the extent to which the order backlog will materialize in 2020, as well as to the final outcome of these negotiations.
- Recently notified that Safe Eurus will return to normal operations on 24 September 2020.
- Fleet utilisation of 6.5 per cent (71.6 per cent) in the quarter.
- Fleet enhancement continues. The process to sell Regalia for recycling has commenced.

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[1] EBITDA = operating result before depreciation, amortisation, interests and taxes
[2] Liquidity reserve = cash and deposits + available liquidity reserve balance under a committed revolving credit facility

- Firm order book of USD 122 million per Q2 2020 (USD 199 million).
- Reported EBITDA was negative by USD 10.1 million (USD 53.1 million positive) in the quarter
- The book equity was negative by USD 899.4 million as of June 2020, which was mainly resulting from the impairment made to the book value of vessels in Q1 2020.

Operations

The fleet utilisation rate in the second quarter of 2020 was 6.5 per cent (Q2 2019: 71.6 per cent).

Prosafe refers to the press release from 9 April 2020 regarding discussions with clients about deferred, current and upcoming contracts in light of COVID-19 and the oil price collapse. Some of these discussions rermain ongoing. Please see status and update per vessel below.

The Safe Zephyrus was ready to mobilize from Norway to support EnQuest's Thistle project, but was instructed by EnQuest on 20 March 2020 not to mobilize. Prosafe has claimed the full contract value, ca. USD 2 million. Thereafter, Safe Zephyrus was scheduled to mobilise to Shell at Shearwater to commence a 110-day contract with a 30-day option in Q2 2020. Prosafe has been informed by Shell that this project will not be performed in 2020 and discussions with the client are ongoing. The vessel is currently laid up at Averøy yard in Norway.

Safe Caledonia is laid up in the UK. The vessel was initially prepared to commence a 162-day contract with a 30-day option for Total at the Elgin complex in the UK sector of the North Sea from mid-April 2020, but Prosafe and Total have agreed to defer this project by one year.

Safe Notos has been operating on a three-year and 222-day contract for Petrobras in Brazil since December 2016. Safe Eurus has been providing safety and maintenance support to Petrobras during a three-year contract since November 2019. On 21 March 2020, client personnel on both vessels were demobilised and the vessels were moved closer to shore. During this period, the vessels were on 95% stand-by day rate. From early April 2020, Prosafe has been requested to agree to a suspension of the contract for a period of up to 120 days during which period no income was recognised. All logistical services, fuel and catering support will continue to be provided by Petrobras, and any days of suspension will be added to the firm period of the contract. Commercial and payment terms related to the recommencement are subject to ongoing discussions. Prosafe was recently notified that Safe Eurus will return to normal operations on 24 September 2020.

Safe Concordia completed the contract for Equinor at the Peregrino FPSO in the Campos Basin offshore Brazil on 11 May and is presently laid up in Brazil available for charter. The vessel was on full day rate during the operational period in the quarter.

Safe Scandinavia, Safe Boreas and Regalia were idle in the quarter and are laid up in Norway. The process to sell Regalia for recycling has commenced.

Although the impact from COVID-19 on the macro environment has been challenging, the company has successfully implemented proper safety measurements at work places and vessels to protect people and assets as well as a number of cost-saving initiatives to protect liquidity.

Financials

Second quarter 2020

EBITDA for the second quarter was negative by USD 10.1 million (a positive of USD 53.1 million). The decrease in EBITDA was mainly due to low utilisation, resulting in low revenues, partially offset by lower operating costs.

Depreciation was USD 10.6 million (USD 25 million) in the quarter. The decline is mainly due to the lower carrying value of the assets following the impairments carried out in Q3 2019 and Q1 2020.

Operating loss for the second quarter amounted to USD 20.7 million (operating profit of USD 28.1 million).

Net financial costs amounted to USD 20.2 million (USD 25 million). The slight decrease in financial costs was mainly due to lower negative effect from fair value of all derivatives.

Net loss equalled USD 41.9 million (net profit of USD 2.1 million).

Cash flow from operations was negative by USD 5.5 million (a positive of USD 19.9 million). The key reasons for the decline in cash flow were mainly due to loss of revenue but partially offset by lower operating costs and reduction of working capital.

Total assets at 30 June amounted to USD 614.7 million (USD 1,704.9 million). The decrease in total assets was mostly due to the depreciation and the impairment carried out in Q1 2020 and Q3 2019 partially offset by the addition of the Safe Eurus. Net interest-bearing debt equalled USD 1,295.1 million (USD 1,125.7 million). The increase in net interest-bearing debt was mainly due to taking delivery of the Safe Eurus during Q3 2019 of approximately USD 150 million plus termination of two swaps in the current quarter (refer to Note 5 for details), partially offset by a one-off positive adjustment of USD 28.7 million to amortised cost of interest bearing debts resulting from lenders re-electing PIK margin instead of warrants in Q4 2019.

At the end of the second quarter, the book equity ratio turned to a negative 146.3 per cent (a positive 22 per cent). As informed, Prosafe remains in constructive discussions with its lenders to agree on a sustainable financial solution that – if approved – is expected to improve the company's balance sheet position significantly. However, it is too early to conclude what eventually will be agreed and as such estimate the effects thereof. Pending conclusions, the company continues to operate on a going concern basis to protect and create value through challenging market conditions on the assumption that there is justified hope for a sustainable financial solution.

As such, the interim report is prepared on a going concern assumption, which is based on the Board of Directors' view that obtaining a long-term solution should be achievable.

YTD 2020

Fleet utilisation was 20 per cent (67 per cent). EBITDA YTD amounted to USD 9.1 million negative (a positive of USD 77.2 million). The decrease in EBITDA is mainly due to lower fleet utilisation and lower average day rates partially offset by lower operating expenses. In addition, the 2019 EBITDA is positively impacted by a reversal of the accrued lay up costs relating to the Safe Eurus.

Depreciation and impairment amounted to USD 839.3 million (USD 55.6 million). The high value this year was due to impairments of USD 810.5 million made to the book value of vessels in the first quarter, driven from the dramatic change in market conditions and economic outlook.

Operating loss equalled USD 848.4 million (operating profit of USD 21.6 million) mainly due to the impairment changes.

Net financial costs YTD amounted to USD 46.6 million (USD 45.4 million).

Net loss YTD equalled USD 897 million (net loss of USD 26.1 million).

Update on refinancing process

Please refer to Note 6 - Refinancing and going concern for details.

Strategy and Outlook

The effects from the Covid-19 pandemic and the oil price collapse since March 2020 are evident across economies and industries – not only oil and gas. Together this “double Black swan” has resulted in dramatic changes in market conditions, economic outlook and even economic policies. As a consequence, uncertainty has escalated making short-term planning as well as longer term forecasting extremely challenging, whilst at the same time increasingly critical.

Consequently, the company completed a holistic strategic and financial analysis in early Q2 2020. While recognising the high level of uncertainty and therefore wider sensitivities as referred to in Note 4 herein, the revised business plan reflects a new reality.

Although the oil price has increased to higher levels in recent months, the industry activity in general and the global fleet utilization for offshore accommodation vessels specifically remain at a very low level. The company remains in discussion with clients related to deferred, upcoming and ongoing contracts on such subjects as temporary suspensions and/or deferral as well as commercial and payment terms. The near term situation therefore remains volatile and there is consequently uncertainty related to the extent to which the order backlog will materialize in 2020 and the near years. For the longer term, the company continues to believe that there will be a need for accommodation units in various offshore regions in the world. In addition, the company is of the opinion that a combination of new ways of working, oversupply and the continuous focus to drive down costs will lead to a gradual rebalancing of the market following recycling of older and less competitive vessels. In this perspective, Prosafe’s ambition remains to pursue a leading position based on global presence, safe and efficient operations and fleet enhancement. Furthermore, the ambition to take an active role in necessary future consolidation remains.

Against this perspective, the company’s aim remains to arrive at a sustainable financial solution together with its lenders, expected to be completed in the second half of 2020. In parallel, the company will continue to position the company in the best way possible with regards to cost levels, safe operating performance and fleet size and quality. On this basis the ambition remains to protect and create values for the benefit of its stakeholders. As such, the interim report is prepared on a going concern basis.

Responsibility statement

We confirm to the best of our knowledge that the condensed set of financial statements for the period 1 January to 30 June 2020 has been prepared in accordance with IAS 34 – Interim Financial Reporting, and gives a true and fair view of the Prosafe Group’s assets, liabilities, financial position and result for the period. We also confirm to the best of our knowledge that the financial review includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the financial statements, any major related parties transactions, and a description of the principal risks and uncertainties for the remaining six months of the financial year.

20 August 2020
The Board of Directors of Prosafe SE

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Glen O. Rødland
Non-executive Chairman

………………………..
Birgit Aagaard-Svendsen
Non-executive Director

………………………..
Nina Udnes Tronstad
Non-executive Director

………………………..
Alf C. Thorkildsen
Non-executive Director

CONDENSED CONSOLIDATED INCOME STATEMENT

(Unaudited figures in USD million)	Note	Q2 2020	Q2 2019	6M 2020	6M 2019	Full Year 2019
Operating revenues		4.5	75.3	29.5	142.6	225.4
Operating expenses		(14.6)	(22.2)	(38.6)	(65.4)	(128.3)
Operating results before depreciation		**(10.1)**	**53.1**	**(9.1)**	**77.2**	**97.1**
Depreciation		(10.6)	(25.0)	(28.8)	(51.2)	(93.5)
Impairment	4	0.0	0.0	(810.5)	(4.4)	(346.2)
Operating profit/(loss)		**(20.7)**	**28.1**	**(848.4)**	**21.6**	**(342.6)**
Interest income		0.1	0.4	0.5	0.7	2.1
Interest expenses		(15.1)	(15.3)	(33.8)	(30.6)	(34.6)
Other financial items		(5.2)	(10.1)	(13.3)	(15.5)	(20.0)
Net financial items		**(20.2)**	**(25.0)**	**(46.6)**	**(45.4)**	**(52.5)**
Profit/(Loss) before taxes		**(40.9)**	**3.1**	**(895.0)**	**(23.8)**	**(395.1)**
Taxes		(1.0)	(1.0)	(2.0)	(2.3)	(4.8)
Net profit (loss)		**(41.9)**	**2.1**	**(897.0)**	**(26.1)**	**(399.9)**
EPS		**(0.48)**	**0.02**	**(10.19)**	**(0.30)**	**(4.54)**
Diluted EPS		**(0.48)**	**0.02**	**(10.19)**	**(0.30)**	**(4.54)**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited figures in USD million)	Q2 2020	Q2 2019	6M 2020	6M 2019	Full Year 2019
Net profit/(loss) for the period	**(41.9)**	**2.1**	**(897.0)**	**(26.1)**	**(399.9)**
Foreign currency translation	1.4	(0.1)	(4.8)	0.3	2.2
Pension remeasurement	0.0	0.0	0.0	0.0	(0.1)
Other comprehensive income	**1.4**	**(0.1)**	**(4.8)**	**0.3**	**2.1**
Total comprehensive income	**(40.5)**	**2.0**	**(901.8)**	**(25.8)**	**(397.8)**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited figures in USD million)	Note	30.06.20	30.06.19	31.12.19
Vessels	4	426.2	1,379.4	1,204.6
New builds	4	1.1	148.6	60.7
Other non-current assets		3.3	2.8	1.9
Total non-current assets		**430.6**	**1,530.8**	**1,267.2**
Cash and deposits		177.5	120.5	198.1
Other current assets		6.6	53.6	14.9
Total current assets		**184.1**	**174.1**	**213.0**
Total assets		**614.7**	**1,704.9**	**1,480.2**
Share capital		9.0	9.0	9.0
Other equity		(908.4)	365.4	(6.6)
Total equity		**(899.4)**	**374.4**	**2.4**
Interest-free long-term liabilities	5	15.5	30.0	29.9
Interest-bearing long-term debt		79.2	1,202.4	76.7
Total long-term liabilities		**94.7**	**1,232.4**	**106.6**
Other interest-free current liabilities		26.0	54.3	50.0
Current portion of long-term debt	5, 6	1,393.4	43.8	1,321.2
Total current liabilities		**1,419.4**	**98.1**	**1,371.2**
Total equity and liabilities		**614.7**	**1,704.9**	**1,480.2**

KEY FIGURES IN CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited figures in USD million)	30.06.20	30.06.19	31.12.19
Total assets	614.7	1,704.9	1,480.2
Working capital	(1,235.3)	76.0	(1,158.2)
Liquidity reserve	177.5	240.5	198.1
Interest-bearing debt	1,472.6	1,246.2	1,397.9
Net Interest-bearing debt	1,295.1	1,125.7	1,199.8
Book equity	(899.4)	374.4	2.4
Book equity ratio	(146.3)%	22.0 %	0.2 %

Notes:

1. Currents Assets-Current Liabilities
2. Cash and deposits + available liquidity reserve balance under a committed revolving credit facility
3. Interest-bearing debt - Cash and deposits
4. (Book equity / Total asset) * 100

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(Unaudited figures in USD million)	Note	Q2 2020	Q2 2019	6M 2020	6M 2019	Full Year 2019
Profit/(Loss) before taxes		(40.9)	3.1	(895.0)	(23.8)	(395.1)
Share of loss of equity of an associate		0.0	0.0	0.0	0.8	0.8
(Gain) Loss on sale of non-current assets		0.3	0.0	0.5	0.0	(0.2)
Depreciation		10.6	25.0	28.8	51.2	93.5
Impairment	4	0.0	0.0	810.5	4.4	346.2
Financial income		(0.1)	(0.4)	(0.5)	(0.7)	(2.1)
Financial costs		15.1	15.3	33.8	30.6	34.6
Change in working capital		0.0	(28.9)	(13.3)	(36.0)	(0.5)
Other items (used in) from operating activities		11.6	7.2	21.1	13.3	15.6
Taxes paid		(2.1)	(1.4)	(4.4)	(2.8)	(6.2)
Net cash flow from operating activities		**(5.5)**	**19.9**	**(18.5)**	**37.0**	**86.6**
Acquisition of tangible assets		0.0	(25.8)	(1.2)	(30.8)	(77.5)
Net (payments)/proceeds from sale of tangible assets		(0.2)	0.0	(0.4)	0.0	0.2
Interests received		0.1	0.4	0.5	0.7	2.1
Net cash flow used in investing activities		**(0.1)**	**(25.4)**	**(1.1)**	**(30.1)**	**(75.2)**
Proceeds from new interest-bearing debt		0.0	35.0	0.0	35.0	155.0
Repayment of interest-bearing debt		(0.5)	(1.2)	(1.0)	(26.9)	(37.9)
Interests paid		0.0	(17.1)	0.0	(34.8)	(70.7)
Net cash flow (used in) from financing activities		**(0.5)**	**16.7**	**(1.0)**	**(26.7)**	**46.4**
Net cash flow		**(6.1)**	**11.2**	**(20.6)**	**(19.8)**	**57.8**
Cash and deposits at beginning of period		183.6	109.3	198.1	140.3	140.3
Cash and deposits at end of period		**177.5**	**120.5**	**177.5**	**120.5**	**198.1**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited figures in USD million)	Q2 2020	Q2 2019	6M 2020	6M 2019	Full Year 2019
Equity at beginning of period	(858.9)	372.4	2.4	400.2	400.2
Revised equity at beginning of period	**(858.9)**	**372.4**	**2.4**	**400.2**	**400.2**
Comprehensive income for the period	(40.5)	2.0	(901.8)	(25.8)	(397.8)
Equity at end of period	**(899.4)**	**374.4**	**(899.4)**	**374.4**	**2.4**

NOTE 1: GENERAL INFORMATION

Prosafe SE is a public limited company domiciled in Stavanger, Norway. Prosafe SE is listed on the Oslo Stock Exchange with ticker code PRS. The consolidated financial statements for the second quarter of 2020 were authorised for issue in accordance with a resolution of the Board of Directors on 20 August 2020. The accounting figures are unaudited.

NOTE 2: ACCOUNTING PRINCIPLES

This interim financial report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU IAS 34 Interim Financial Reporting. The accounting principles adopted are consistent with those of the previous financial year.

NOTE 3: CONTINGENT ASSET

Westcon dispute

On 8 March 2018, Stavanger City Court made a favourable decision in the court case regarding the dispute with Westcon Yards AS (Westcon). The dispute between Westcon and the company was related to a substantial cost overrun of Westcon's price estimate for the conversion of the Safe Scandinavia to a tender support vessel. Westcon claimed an additional compensation of approx. NOK 306 million plus interest, whereas the company disputed Westcon's claim and claimed a substantial repayment. The Court decided in favour of the company that Westcon must repay the company NOK 344 million plus interest and NOK 10.6 million of legal costs. In April 2018, Westcon has filed an appeal against Stavanger City Court judgement and the company has filed a counter appeal.

While awaiting the final outcome of the dispute, the company considers the amount payable by Westcon to be a contingent asset under IAS 37-Provisions, Contingent Liabilities and Contingent Assets, and has therefore not recognised the amount in the consolidated financial statements.

NOTE 4: IMPAIRMENT OF VESSELS

As a result of the impact from the Covid-19 pandemic, oil price crash, structural shifts and oversupply in the market, the activity level has deteriorated. Near term, the activity has dropped to all time low and uncertainty related to the longer term has increased significantly. Consequently, management performed an impairment assessment of its vessels in accordance with IFRS in Q1 2020. Each individual vessel is considered to be a cash generating unit. As a result, USD 810.5 million of impairment charges were made in the first quarter of 2020.

The recoverable amounts have been identified by calculating the valuation-in-use (“VIU”). Impairments have been made in the accounts for vessels with VIU lower than their net book value. The company has 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 company's vessels.

The VIU calculations are based on an updated long-term forecast for 2020-2024 and up till 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 has 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 as follows:

- In the first stage, from 2025 until the end of 2039, a growth rate of 6.6% is applied to arrive at cash flows reflecting sustainable earnings / mid-point of the cycle. The growth rate is determined to accurately reflect the company assumptions of a gradual improved market as a result of an anticipated gradual reduction in supply-side capacity.

- In the second stage, the growth rate applied is the long-term average growth rate appropriate to the assets of 2%.

As mentioned earlier, the double black swan incidents make short-term planning as well as long-term forecasting extremely challenging and the uncertainty is regarded even higher than it has been in the past, in particular as far as utilization and day rates are concerned. Therefore, a higher interval is also applied to the sensitivities shown.

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

Utilisation
- Average utilisation 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% (2019 forecast: 30% in 2020 to 80% in 2024 and thereafter).

Revenues
- For 2020-2024, the assumption is 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 are applied factoring in the changed industry dynamics, demand/supply balance, pricing and the company's anticipated market share in the global market. The main factors include 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 are reduced between 10% and 50% as compared to prior year so as to reflect the current market conditions, cost reduction measures and activity plan.

Capital expenditures
- Capex is 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 and with no order backlog.
- Capex is generally reduced to a minimum although sustainable level sufficient to upkeep the vessels.

Discount rate of 9% (2019: 9%)
- Discount rate is derived from weighted average cost of capital after tax of the Group.

Long-term growth rate
- There is 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% is applied to arrive at cash flows reflecting sustainable earnings / mid-point of the cycle. The growth rate is determined to accurately reflect the company's assumptions of a gradually improved market as a result of a reduction in supply-side capacity. After 2039, the growth rate applied is the long-term average growth rate appropriate to the assets of 2 % (2019: 1.7% from 2024).

Sensitivity
- 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 59 million.

NOTE 5: INTEREST RATE SWAPS & FAIR VALUE DISCLOSURE

In Q2 2020, the following interest rate swaps have been terminated and the termination value has been transferred as part of the current portion of the long-term debt.

Notional amount	Fixed rate	Maturity	Swap type	Fair value @ termination (USD)
USD 225 million	2.4440 %	2022	Bullet	19.5M
USD 120 million	2.1280 %	2022	Bullet	7.5M
			Total	**27.0M**

As at 30 June 2020, the Group interest rate risk is hedged by the use of interest rate swaps and interest rate caps. As the interest rate is low in the current economic climate, the Group intends to review the interest rate risk hedge at the end of the refinancing.

As at 30 June 2020, the Group has the following financial assets & liabilities measured at fair value.

Fair value interest rate swaps

The Group entered into interest rate swaps and caps 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 are secured under the USD 1,300 million credit facilities. The fair value interest rate swaps is categorised as interest-free long term liabilities in the statement of financial position.

As at 30 June 2020	Total	Level 1	Level 2	Level 3
Fair value interest rate swaps	(13.3)	0.0	(13.3)	0.0
Total financial liabilities	**(13.3)**	**0.0**	**(13.3)**	**0.0**

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

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).

NOTE 6: REFINANCING AND GOING CONCERN

Prosafe refers to information on its financial status and process with lenders, which has been disclosed in the 2019 Annual Report released on 16 April 2020, as well as in various press releases, with the latest dated 31 July 2020 stating the expiry of a forbearance arrangement initially entered into on 13 February 2020. However, the process and creditor discussions remain constructive and lenders in general maintain their support for the company to continue to operate on a going concern basis.

Against this and on the basis of a revised business plan, the company is seeking agreement with lenders for a sustainable financial solution that – if approved – is anticipated to improve the company's balance sheet position significantly. Due to ongoing discussions and the uncertainty related to the outcome of this process, it is too early to conclude what eventually will be agreed and as such estimate the effects thereof.

Meanwhile, the company will continue to defer making payments of scheduled instalments and interests under its USD 1,300 million and USD 144 million credit facilities.[2]. Similarly, payment of the final instalment owed and due under the seller credit to Cosco for the Safe Notos remains as initially reported on 13 February subject to ongoing discussions with Cosco and the lenders.

Pending outcome of the process, the company continues to operate on a business as usual basis to protect and create value through challenging market conditions. As such, the interim report is prepared on a going concern basis.

[2] USD 144 million credit facility (previously known as the "USD 288 million credit facility')