



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 998 167 000
Organisasjonsform: Aksjeselskap
Foretaksnavn: PGS TITANS AS
Forretningsadresse: Lilleakerveien 4C
0283 OSLO

Regnskapsår

Årsregnskapets periode: 01.01.2020 - 31.12.2020

Konsern

Morselskap i konsern: Nei

Regnskapsregler

Regler for små foretak benyttet: Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: Forenklet IFRS

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Vegard Skardal
Dato for fastsettelse av årsregnskapet: 29.04.2021

Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert
År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 25.05.2022



Resultatregnskap

Beløp i: NOK	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	6,7	795 000 000	739 000 000
Sum inntekter		795 000 000	739 000 000
Kostnader			
Avskrivning på varige driftsmidler og immaterielle eiendeler	8	300 000 000	296 000 000
Annen driftskostnad		1 000 000	1 000 000
Sum kostnader		301 000 000	297 000 000
Driftsresultat		494 000 000	442 000 000
Finansinntekter og finanskostnader			
Verdiøkning andre finansielle instrumenter vurdert til virkelig verdi		10 000 000	
Sum finansinntekter		10 000 000	
Rentekostnad til foretak i samme konsern	6	9 000 000	6 000 000
Annen rentekostnad		91 000 000	108 000 000
Annen finanskostnad		14 000 000	9 000 000
Valutatap	6,9		31 000 000
Sum finanskostnader		114 000 000	154 000 000
Netto finans		-104 000 000	-154 000 000
Ordinært resultat før skattekostnad		390 000 000	288 000 000
Ordinært resultat etter skattekostnad		390 000 000	288 000 000
Årsresultat		390 000 000	288 000 000
Overføringer og disponeringer			
Ordinært utbytte		650 000 000	325 000 000
Overføringer til/fra annen egenkapital		-260 000 000	-37 000 000
Sum overføringer og disponeringer		390 000 000	288 000 000



Balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Skip, rigger, fly og lignende	7,8	4 181 000 000	4 400 000 000
Sum varige driftsmidler		4 181 000 000	4 400 000 000
Finansielle anleggsmidler			
Andre finansielle eiendeler			12 000 000
Bundne bankinnskudd	8, 9	351 000 000	181 000 000
Sum finansielle anleggsmidler		351 000 000	193 000 000
Sum anleggsmidler		4 532 000 000	4 593 000 000
Omløpsmidler			
Varer			
Fordringer			
Andre fordringer			1 000 000
Konsernfordringer	6	61 000 000	63 000 000
Sum fordringer		61 000 000	64 000 000
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	4	123 000 000	54 000 000
bundne bankinnskudd	4	55 000 000	153 000 000
Sum bankinnskudd, kontanter og lignende		178 000 000	207 000 000
Sum omløpsmidler		239 000 000	271 000 000
SUM EIENDELER		4 771 000 000	4 864 000 000

BALANSE - EGENKAPITAL OG GJELD

Egenkapital



Balanse

Beløp i: NOK	Note	2020	2019
Innskutt egenkapital			
Selskapskapital		690 000 000	690 000 000
Overkurs		518 000 000	518 000 000
Sum innskutt egenkapital		1 208 000 000	1 208 000 000
Opptjent egenkapital			
Annen egenkapital		157 000 000	418 000 000
Sum opptjent egenkapital		157 000 000	418 000 000
Sum egenkapital		1 365 000 000	1 626 000 000
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	9		2 392 000 000
Langsiktig konserngjeld	6	160 000 000	71 000 000
Sum annen langsiktig gjeld		160 000 000	2 463 000 000
Sum langsiktig gjeld		160 000 000	2 463 000 000
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	9	2 533 000 000	415 000 000
Kortsiktig konserngjeld	6	703 000 000	24 000 000
Annen kortsiktig gjeld	11	10 000 000	336 000 000
Sum kortsiktig gjeld		3 246 000 000	775 000 000
Sum gjeld		3 406 000 000	3 238 000 000
SUM EGENKAPITAL OG GJELD		4 771 000 000	4 864 000 000



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PGS Titans AS
Financial Statements 2020





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PGS Titans AS Statement of Comprehensive Income 01.01 - 31.12

(all figures in millions of NOK)	Note	2020	2019
STATEMENTS OF PROFIT AND LOSS			
Revenues			
Operating revenues	6, 7	795.0	738.6
Total revenues		795.0	738.6
Operating expenses			
Depreciation and impairment of property and equipment	8	300.3	295.8
Other operating expenses		1.3	1.5
Total operating expenses		301.6	297.3
Operating profit (loss)		493.4	441.3
Financial items			
Foreign exchange gain (loss)	6,9	9.8	(30.8)
Net interest income (expense) group companies	6	(8.7)	(5.5)
Other financial income (expense)		(14.2)	(9.4)
External interest expense	9	(90.5)	(108.0)
Net financial items		(103.6)	(153.7)
Income (loss) before income tax		389.8	287.6
Income tax	5	-	-
Profit (loss) for the year		389.8	287.6
Other comprehensive income			
Items that will not be classified to profit and loss		-	-
Items that may be subsequently reclassified to profit and loss		-	-
Other comprehensive income (loss), net of tax		-	-
Total comprehensive income (loss) to equity holders		389.8	287.6
Allocation of Profit (loss) for the year:			
Dividend		650.0	325.0
Transferred to (from) other equity		(260.2)	(37.4)
Total allocated		389.8	287.6



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PGS Titans AS Statements of Financial Position as of 31.12

(all figures in millions of NOK)	Note	2020	2019
ASSETS			
NON-CURRENT ASSETS			
Property and equipment			
Vessels and seismic equipment	7, 8	4 180.7	4 400.0
Total property and equipment		4 180.7	4 400.0
Financial assets			
Financial assets		-	12.4
Restricted Cash	9	351.4	180.7
Total financial non-current assets		351.4	193.1
TOTAL NON-CURRENT ASSETS		4 532.1	4 593.0
CURRENT ASSETS			
Receivables			
Other short-term receivables		-	0.9
Short-term intercompany receivables	6	61.0	62.7
Total receivables		61.0	63.5
Cash and bank deposits			
Bank deposits	4	123.3	53.8
Restricted cash	4	54.6	153.4
Total cash and bank deposits		177.8	207.2
TOTAL CURRENT ASSETS		238.8	270.7
TOTAL ASSETS		4 770.9	4 863.7

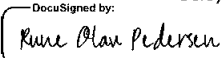


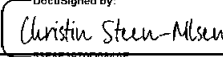
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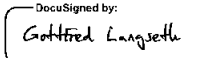
PGS Titans AS Statements of Financial Position as of 31.12

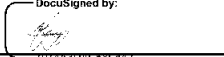
(all figures in millions of NOK)	Note	2020	2019
SHAREHOLDERS EQUITY			
Paid-in equity			
Share capital		690.1	690.1
Share premium		518.1	518.1
Total paid-in equity		1 208.2	1 208.2
Earned equity			
Other equity		157.3	417.7
TOTAL SHAREHOLDERS EQUITY		1 365.5	1 625.9
LIABILITIES			
NON-CURRENT LIABILITIES			
Other non-current liabilities			
Intercompany liabilities	6	159.6	71.2
Debt to financial institutions	9	-	2 391.7
Total non-current liabilities		159.6	2 462.9
CURRENT LIABILITIES			
Accounts payable		0.1	-
Intercompany liabilities	6	703.3	348.7
Debt to financial institutions	9	2 533.1	414.8
Other current liabilities	11	9.4	11.5
Total current liabilities		3 245.9	775.0
TOTAL LIABILITIES		3 405.4	3 237.9
TOTAL EQUITY AND LIABILITIES		4 770.9	4 863.7

Oslo, April 28th, 2021

DocuSigned by:

Rune Olav Pedersen
Chairman of the Board

DocuSigned by:

Christin Steen-Nilsen
Board member

DocuSigned by:

Gottfred Langseth
Board member

DocuSigned by:

Robert James Adams
General manager



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PGS Titans AS Statements of Changes in Shareholders' Equity

(all figures in millions of NOK)	Share capital	Share premium	Other equity	Total
Equity as of 1 January, 2019	690.1	518.1	555.1	1 763.3
Profit (loss) for the period	-	-	287.6	287.6
Other comprehensive income (loss)	-	-	-	-
Extraordinary dividend	-	-	(100.0)	(100.0)
Dividend	-	-	(325.0)	(325.0)
Equity as of 31 December, 2019	690.1	518.1	417.7	1 625.9
Profit (loss) for the period	-	-	389.8	389.8
Other comprehensive income (loss)	-	-	-	-
Extraordinary dividend	-	-	-	-
Dividend	-	-	(650.0)	(650.0)
Equity as of 31 December, 2020	690.1	518.1	157.3	1 365.5



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PGS Titans AS Statement of cash flows 01.01 - 31.12

(all figures in millions of NOK)	Note	2020	2019
Cash flow from operating activities			
Profit (loss) for the year		389.8	287.6
Depreciation, amortization, impairment	8	300.3	295.8
Interest expense		83.9	99.5
Amortization of deferred loan costs		6.6	8.6
Unrealized foreign exchange loss (gain)		12.4	43.2
Change in other accruals		(0.8)	(3.5)
Net change current intercompany balances		32.9	3.6
Net cash flow from operating activities		825.0	734.6
Cash flow from investing activities			
Investment in property and equipment	8	(81.0)	(22.6)
Net cash flow from investing activities		(81.0)	(22.6)
Cash flow from financing activities			
Net change non-current intercompany balances		(251.6)	(183.5)
Receipts from issuance of deb to financial institutions		-	-
Payment of debt to financial institutions		(226.6)	(414.0)
Interest paid on interest bearing debt		(86.1)	(101.9)
Decrease (increase) in restricted cash related to debt service		(92.5)	-
Net cash flow from financing activities		(656.7)	(699.5)
Net increase (decrease) in cash and cash equivalent		87.3	12.6
Effect of exchange rate changes on cash and cash equivalents		(17.8)	(0.2)
Cash and bank deposits at beginning of period		53.8	41.4
Cash and bank deposits as of 31 December		123.3	53.8



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PGS Titans AS Notes to the financial statements

Note 1 Accounting principles

General

The financial statements of PGS Titans AS ("the Company") are included in the PGS ASA consolidated financial statements, references herein to the "Group" and "PGS" refer to PGS ASA and its subsidiaries.

Basis of presentation

PGS Titans AS' financial statements have been prepared and presented in accordance with the regulations on simplified application of the International Financial Reporting Standards (IFRS) (FOR-2014-11-03-1415), ref. the Norwegian Accounting Act § 3.9 5th paragraph, with comparative figures for prior year.

Summary of significant accounting policies:

Main principles for assessing and classifying assets and liabilities

Assets determined for lasting ownership or use are classified as non-current assets. Other assets are classified as current assets. Receivables to be paid within one year are classified as current assets. The same criteria are applied in the classification of liabilities.

Non-current assets are valued at cost, but written down to the recoverable amount when the impairment is not expected to be temporary. Non-current assets with a limited economic lifetime are depreciated on a straight line basis. Long-term debt is recognized at its nominal value when incurred.

Current assets are valued at the lower of cost and fair value. Current liabilities are recognized at nominal value when incurred. Pursuant to the Accounting Act, some items are assessed in accordance with specific valuation guidelines which are summarized below.

Proposed dividend to shareholders for the year is recognized as a liability at year end because it is considered more likely than not that the dividend will be approved by the General Assembly the following year.

Cash and cash equivalents and restricted cash

Cash and cash equivalents include demand deposits and all highly liquid financial instruments purchased with original maturities of three months or less.

The Company's bank accounts are included in the PGS Group's cash pool and are settled against intercompany balances on a current basis.

Foreign currency translation and transactions

Exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of realized and unrealized monetary assets and liabilities denominated in foreign currencies are recognized in the statements of profit and loss.



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Property and equipment

Property and equipment are stated at cost, excluding the costs of the day-to-day servicing, less accumulated depreciation and impairment. Depreciation is calculated on a straight-line basis over the useful life of the assets based on cost less estimated residual values. The estimated useful lives for property and equipment are as follows:

	Years
Seismic vessels	25-30
Seismic equipment including computers	3-15
Major overhauls	3-7.5

Subsequent expenditures and major inspections/overhauls are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of replaced asset components are derecognized. All other repairs and maintenance are charged to the statements of profit and loss during the period in which they are incurred.

The assets' residual values, useful lives and method of depreciation are reviewed, and adjusted if appropriate, at least at each year-end.

Assets under construction are carried at cost, less accumulated impairment. Cost includes borrowing costs incurred during construction in accordance with the Company's accounting policy as stated below. Depreciation commences when the asset is ready for its intended use.

A component of property and equipment is derecognized upon disposal or when no future economic benefit is expected from its use or disposal. Gains and losses arising on de-recognition of assets (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statements of profit and loss in the year derecognized.

Significant spare parts are capitalized along with the assets to which they relate. Other spare parts, consumables and bunker inventory are classified as other current assets and stated at cost.

Impairment of property, equipment and intangibles

Tangible and intangible assets are reviewed to determine whether there is any indication of impairment. If such indication exists, or when annual impairment testing for an asset is required, the recoverable amount of the asset is estimated to determine the extent of the impairment, if any. An asset's recoverable amount is the higher of (i) its fair value less cost to sell and (ii) its value in use. This determination is made 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. In assessing value in use, the estimated future cash flows are discounted to their present value using a rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the carrying amount of an asset (or cash generating unit) exceeds its recoverable amount, the carrying amount is reduced to its recoverable amount and the impairment is recognized immediately.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Reversal of an impairment is recognized if the circumstances that gave rise to the impairment no longer exist. The carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount. The increased carrying amount may not exceed the carrying amount that would have existed had no impairment been recognized for the asset (cash-generating unit).



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Leases

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

Income taxes

The Company is taxed under the Norwegian Tonnage Tax regime ("NTT") of which the Company is liable to tax of 22% on net financial income, pursuant to a specific calculation method. Negative net financial income can be carried forward. Deferred tax is calculated on the basis of temporary differences on financial items. The Company does not recognize deferred tax benefits within the NTT in the balance sheet.

Statements of cash flow

The Company apply the indirect method in the presentation of cash flows.

Changes in accounting policies and disclosures

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.



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PGS Titans AS Notes to the financial statements

Note 2 Share capital, shareholders and parent company information

The Company was established on 22 March 2012. The share capital comprises 13 801 ordinary shares at a nominal value of NOK 50 000. All shares have equal rights. The Company is 100% owned by Petroleum Geo-Services AS.

PGS Titans AS is included in the consolidated financial statements of PGS ASA. The consolidated financial statements can be downloaded from www.pgs.com.

The Company's address is Lilleakerveien 4C, 0216 Oslo.

Note 3 Salary related expense and remuneration to the CEO, Board and auditor

The Company has no employees at the end of the year and is not obliged to have an employee pension scheme. No fees have been paid to the general manager. The Company's general manager is employed by PGS Geophysical AS.

As of 31 December 2020, the Company has no loans or guarantees to executives, board members etc.

Ordinary audit fees for the 2020 statutory audit amount to NOK 304 000 excl. of VAT.

Note 4 Restricted bank deposits

Restricted cash are held in debt service reserve accounts related to the export credit financing of the vessels Ramform Titan, Ramform Atlas, Ramform Tethys and Ramform Hyperion. See note 9 for further details.

Note 5 Income tax

The Company entered the Norwegian Tonnage Tax regime with effect from 2012, whereby the Company's operational activities are exempt from the ordinary tax regime.

(In millions of NOK)	2020	2019
Specification of tax expense:		
Current tax	-	-
Income tax expense of the year	-	-



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Note 6 Transactions with related parties

The Company is part of the PGS Group and has significant intercompany transactions with other companies within the PGS group.

(In millions of NOK)

Operating income	2020	2019
Group companies	795.0	738.6
Operating income related parties	795.0	738.6

The Company leases its vessels to PGS Falcon AS on long-term bareboat charter agreements. The charterhire agreements for Ramform Titan and Ramform Atlas are, starting 2012, for 12 years with a daily rate of USD 55,000 per vessel totaling minimum USD 40.15 million per year. The charterhire agreements for Ramform Tethys and Ramform Hyperion are for 12 years, from 2016 and 2017 respectively, with a daily rate of USD 60,000 per vessel totaling minimum USD 43.8 million per year. All the charter agreements are accounted for as operating leases.

Operating expenses

Group companies	0.4	0.4
Operating expenses related parties	0.4	0.4

Other income and expenses (incl. financial income and expenses)

Guarantee fee towards PGS ASA	(17.3)	(18.9)
Interest expenses towards PGS ASA	(8.7)	(5.5)
Other income and expenses related parties	(26.0)	(24.4)

Related party balances as of 31 December:

Short-term group receivable	61.0	62.7
Short-term group debt	(703.3)	(348.7)
Long-term group debt towards PGS ASA	(159.6)	(71.2)
Net intercompany balances	(801.9)	(357.2)

Short-term group debt includes accrued dividend of 650 million and 325 million for the year ended December 31, 2020 and 2019 respectively.

The Company's long-term intercompany debt is entirely towards the parent company PGS ASA. The Company has the possibility to borrow up to USD 30 million from PGS ASA with maturity in 2025. Intercompany debt and receivables carry interest of 6 Month LIBOR USD + 5% margin in 2020. The Company has no significant long-term debt or receivables balances towards other related parties as of December 31, 2020 and 2019. Most of the intercompany debt/receivables are denominated in USD, and fluctuations in USD/NOK rate result in currency gains/losses.

Note 7 Leases

The Company as a lessor

The Company leases its vessels to PGS Falcon AS on long-term bareboat charter agreements. The charterhire agreements for Ramform Titan and Ramform Atlas are, starting 2012, for 12 years with a daily rate of USD 55,000 per vessel. The charterhire agreements for Ramform Tethys and Ramform Hyperion are for 12 years, from 2016 and 2017 respectively, with a daily rate of USD 60,000 per vessel. All the charter agreements are accounted for as operating leases.

See also note 6 for more information.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

(In millions of NOK)	2020	2019
Within one year	717.6	737.1
After one year but not more than five years	2 800.6	2 948.4
More than five years	1 074.7	1 706.6



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Note 8 Property and equipment

The changes in property and equipment are as follows:

(In millions of NOK)	Seismic vessels and equipment	Total
Cost as of January 1, 2019	5762.3	5762.3
Additions	22.6	22.6
Disposals	(37.3)	(37.3)
Adjustment	(2.7)	(2.7)
Cost as of December 31, 2019	5745.0	5745.0
Additions	81.0	81.0
Disposals	-	-
Adjustment	-	-
Cost as of December 31, 2020	5826.0	5826.0
Accumulated depreciation as of January 1, 2019	1086.5	1086.5
Depreciation	295.8	295.8
Disposals	(37.3)	(37.3)
Accumulated depreciation as of December 31, 2019	1345.0	1345.0
Depreciation	297.9	297.9
Impairment	2.4	2.4
Disposals	-	-
Accumulated depreciation and impairments of December 31, 2020	1645.3	1645.3
Balance as of December 31, 2019	4400.0	4400.0
Balance as of December 31, 2020	4180.7	4180.7

The Company's fixed assets consist of the seismic vessels "Ramform Titan", "Ramform Atlas", "Ramform Tethys", and "Ramform Hyperion", including equipment as of December 31, 2020 and 2019. The Company leases its vessels to PGS Falcon AS on operating lease agreements. See note 7 for more information.

The seismic vessels are depreciated over 25 years from the time they are delivered and set in operation. Seismic equipment is depreciated over 3-15 years. Major overhauls are capitalized and depreciated over the period until next estimated major overhaul.

Management regularly evaluates its fleet plan and capital expenditure levels in light of market conditions. In 2020 and 2019 management performed such evaluations and made decisions which resulted in impairments as described below. Refer to note 3 the consolidated financial statements for information.

In 2020 the Company recorded an impairment of 2.4 million, mainly reflecting a higher estimated weighted average cost of capital and downward adjustment to future expected cash flows used for impairment testing.



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Note 9 Debt to financial institutions

The Export credit financing arrangement ("ECA") comprises four loans each with Japan Bank for International Cooperation ("JBIC") and Sumitomo Mitsui Banking Corporation ("SMBC"), with an aggregate value at inception of \$544.2 million. The loans were incurred by PGS Titans AS, for the financing of the four Ramform Titan class vessels. As of December 31, 2020, the full amount has been drawn on the four loans pursuant to the delivery of the four vessels during the period 2013-2017, of which 245.7 million has been repaid. The loans are senior facilities secured by first priority mortgages over the vessels and fittings on board (but excluding "in sea" equipment such as streamers), pledge of the borrower's right under a debt service reserve account and assignment of insurance rights in the vessels.

The loans will be repaid over 12 years in equal semiannual installments and each are comprised of two tranches whereby JBIC and SMBC each receive 50%. The JBIC tranche bears a fixed interest and is repaid from the 7th to 12th year after draw down, while the SMBC tranche bears a floating interest based on 6 months Libor plus a margin and is repaid from 1st to 6th year after draw down. SMBC has received credit insurance from Nippon Export and Investment Insurance ("NEXI") and the insurance premium is paid by PGS Titans AS.

Due to the dramatic negative market change caused by the Covid-19 pandemic, PGS initiated a process to renegotiate its main credit agreements extending its near-term debt maturities and amortization profiles to support its liquidity position. PGS was not able to agree the revised terms with all lenders ahead of when the \$135 million Revolving Credit Facility ("RCF") incurred by PGS ASA was due in September 2020. The non-payment of principal of such facility was an event of default under the RCF and term loan B ("TLB"), with a cross default under the ECA. A required majority of lenders did enter into forbearance agreements undertaking not to take any enforcement action in connection with the ongoing default. Consequently, the Company was in default under the ECA as of December 31, 2020 and were classified as current in the Statement of Financial Position.

With the completion of the transaction effective February 9, 2021, described in note 21 in the consolidated financial statements, the repayment profile of the ECA was altered. All scheduled installments for the period September 2020 to September 2022 amounting to ~\$ 106 million are deferred. The original semiannual repayment profile will resume from December 2022. The deferred instalments will be repaid over four quarters starting December 2022 through September 2023. The ECA will share an excess liquidity sweep for any liquidity reserve in excess of \$200 million at group level at each quarter end, with such amounts to be applied against (i) the deferred amounts under the ECA and (ii) the \$ 135 million TLB amortization due in September 2020, until these amounts have both been paid in full. With the transaction, PGS ASA will also guarantee the loans financing for the Ramform Titan and the Ramform Atlas, and each of PGS Holding I Ltd, PGS Holding II Ltd and Petroleum Geo-Services AS will guarantee for the loans financing for the Ramform Titan, Ramform Atlas, Ramform Tethys and Ramform Hyperion.

With the transaction, the export credit lenders have also received enhanced security by certain shared security with the TLB. Under the deferral period the export credit financing loans will have the same financial maintenance and reporting covenants as the Credit Facility. For Restricted cash in the balance sheet relates to debt service and includes \$47.5 million held in debt service reserve and retention accounts related to the export credit financing of Ramform Titan, Ramform Atlas, Ramform Tethys and Ramform Hyperion. During Q3 2020 the Company continued to transfer cash into retention accounts earmarked for servicing the debt. Pending finalization of agreements for debt amortization deferrals, PGS agreed with the lenders not to pay the scheduled amortization on September 29, 2020, which otherwise would have been paid out of the retention accounts. The \$16.7 million on the retention accounts as of December 31, 2020, will be used to service (interest payments) the debt going forward.

Note 10 Lease agreements

The company has no material leases as lessee. For intercompany lessor see note 6.

Note 11 Other short-term debt

(In millions of NOK)	2020	2019
Other short-term debt as of 31 December:		
Accrued interest expense	9.4	11.5
Total	9.4	11.5

Note 12 Events after the Balance Sheet date

PGS has renegotiated its main credit agreements to extend near-term debt maturities and amortization profiles to preserve liquidity. On February 2, 2021 a UK Scheme of Arrangement (the "Scheme") was sanctioned by an English court allowing the implementation of the financing transaction. With the Transaction PGS extended its current near-term maturity and amortization profile under its RCF/TLB and ECA facilities by approximately two years. The Transaction closed with effect February 9, 2021.

PGS ASA has guaranteed the loans financing for the Ramform Titan and the Ramform Atlas, and each of PGS Holding I Ltd, PGS Holding II Ltd and Petroleum Geo-Services AS has guaranteed for the loans financing for the Ramform Titan, Ramform Atlas, Ramform Tethys and Ramform Hyperion.

The main terms of the Transaction include:

- Quarterly amortization payments totaling ~\$106 million due over the next two years under the ECA will be deferred and repaid over four quarters starting December 2022

Reference is made to the description in note 32 in the consolidated financial statements.



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PGS Titans AS The Board of Directors' Report 2020

Nature of the business

PGS Titans AS (the Company) is a wholly owned subsidiary of Petroleum Geo-Services AS and part of the PGS ASA Group (PGS).

The Company was established on 22 March 2012, and owns seismic vessels which are leased to PGS Falcon AS, a subsidiary in PGS. The Company is located at Lilleaker in Oslo.

Equality, Health, Safety and Environment

As of December 31, 2020 the Company had no employees. The Company's Board of Directors consists of one woman and two men.

HSEQ management and reporting are key parameters for the evaluation of business performance at all PGS management levels and by the Company's Board of Directors.

The PGS organization (core fleet vessels and PGS offices) had the following health and safety incident levels in 2020:

Incident	2020	2019
Fatalities	0	0
Lost time injuries	3	3
Restricted work day cases	0	0
Medical treatment cases	0	2
High potential incidents	2	2

The Company's activity level (core fleet vessels and PGS offices) in 2020 was significantly lower than that of 2019, with 4,595,282 man-hours in 2020, compared to 5,783,139 man-hours in 2019. The decrease in man-hours was due to the reduction of activity caused by the Covid-19 pandemic.

Incident	2020	2019
Lost Time Injury Frequency (LTIF)	0.65	0.52
Total Recordable Case Frequency (TRCF)	0.65	0.86

The Company has performed thorough investigations succeeding these lost time incidents and followed up with specific actions to prevent reoccurrence. As a further response to these incidents, the company implemented safety stand-downs, a hazard hunt initiative and safety campaigns.

To continue minimizing the number of incidents going forward, the Company will keep focus on long-term key areas, such as HSEQ leadership and behaviour, risk management, planning of tasks and ongoing improvement of the HSEQ management system.

Going concern

The Company has an equity ratio of 29% and predictable income as all vessels are on long term charters.

Pursuant to section 3-3a of the Norwegian Accounting Act, the Board confirms that the 2020 financial statements have been prepared based on the assumption of a going concern and that it believes that this assumption is appropriate.

Reference is made to the description of rescheduling of debt below. As of December 31, 2020, all interest-bearing debt was classified as current pending completion of final agreements on debt rescheduling. On February 9, 2021, the rescheduling agreements became effective.

Rescheduling of debt

Due to the dramatic negative market change caused by the Covid-19 pandemic, PGS renegotiated its main credit agreements to extend near-term debt maturities and amortization profiles to preserve liquidity. On February 2, 2021 a UK Scheme of Arrangement (the "Scheme") was sanctioned by an English court allowing the implementation of the financing transaction. With the Transaction PGS extended its current near-term maturity and amortization profile under its RCF/TLB and ECF facilities by approximately two years. Together with the cost saving initiatives previously announced by PGS, the Transaction strengthens PGS's liquidity profile in the currently challenging operating environment.



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Financial risk

The Company is exposed to certain types of financial market risks as described below.

Interest rate risk

The Company is exposed to changes in interest rate levels as the Company's intercompany balances and parts of the external financing have floating interest rates.

Foreign exchange risk

The Company's debt to financial institutions and intercompany balances towards the parent company are denominated in USD. The Company's bareboat agreements are denominated in USD and consequently represents a natural hedge towards debt service. The Company has not entered into any other forward contracts or agreements to reduce the Company's foreign exchange risk.

Credit risk/Liquidity risk

The Company leases its vessels to other companies within PGS and as a result, the credit risk is low. The Company has an intercompany loan agreement with PGS ASA whereby the parent company will provide funds to cover the Company's liabilities as they become due.

As of December 31, 2020, the parent company, including its subsidiaries, had cash and cash equivalents totaling \$156.7 million, compared to \$40.6 million as of December 31, 2019. In Q1 2020, PGS fully drew the Revolving Credit Facility to hold the liquidity reserve in cash. The liquidity reserve, cash and cash equivalents including the Revolving Credit Facility ("RCF"), was \$156.7 million as of December 31, 2020, compared to \$210.6 million as of December 31, 2019.

Based on available liquidity resources and the structure and terms of the Company's debt after implementation of the debt rescheduling (see more details in the section "Rescheduling of debt"), it is the Board's opinion that PGS has sufficient funding and liquidity to support the Company's operations and investment programs. Based on its forecasts, the Company expects to comply with the financial maintenance covenants and to be able to address maturities when they resume in the second half of 2022 through cash flow and/or refinancing.

However, even with the debt rescheduling, the Company remains highly leveraged and may become financially challenged should it not comply with the applicable financial maintenance covenants or ultimately fail to generate sufficient cash flow and/or refinance to address the amended amortization and maturity profiles. The Company expects to comply with financial covenants based on its forecasts, but in the event that it cannot, the Company believes it would have several viable alternatives such as negotiating further extensions with its lenders.

Export credit financing

The Export credit financing arrangement comprises four loans each with Japan Bank for International Cooperation ("JBIC") and Sumitomo Mitsui Banking Corporation ("SMBC"), with an aggregate value at inception of \$544.2 million. The loans were incurred by PGS Titans AS, for the financing of the four Ramform Titan class vessels. PGS ASA guarantees the obligations under two internal 12-year bareboat charter agreements between PGS Falcon AS and PGS Titans AS for the two vessels, the Ramform Titan and the Ramform Atlas, and guarantees the loans financing for the Ramform Tethys and the Ramform Hyperion.

The loans are senior facilities secured by first priority mortgages over the vessels and fittings on board (but excluding "in sea" equipment such as streamers), pledge of the borrower's right under a debt service reserve account and assignment of insurance rights in the vessels. The loans will be repaid over 12 years in equal semiannual installments and each are comprised of two tranches whereby JBIC and SMBC each receive 50%. The JBIC tranche bears a fixed interest and is repaid from the 7th to 12th year after draw down, while the SMBC tranche bears a floating interest based on 6 months Libor plus a margin and is repaid from 1st to 6th year after draw down. SMBC has received credit insurance from Nippon Export and Investment Insurance ("NEXI") and the insurance premium is paid by PGS Titans AS.

With the completion of the Transaction effective February 9, 2021, described above, the repayment profile of the loans was altered. All scheduled installments for the period September 2020 to September 2022 amounting to ~\$ 106 million are deferred. The original semiannual repayment profile will resume from December 2022. The deferred instalments will be repaid over four quarters starting December 2022 through September 2023. The export credit loans will share an excess liquidity sweep for any liquidity reserve in excess of \$200 million at each quarter end, with such amounts to be applied against (i) the deferred amounts under the ECF and (ii) the \$ 135 million TLB amortization due in September 2020, until these amounts have both been paid in full. With the transaction, PGS ASA will also guarantee the loans



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financing for the Ramform Titan and the Ramform Atlas, and each of PGS Holding I Ltd, PGS Holding II Ltd and Petroleum Geo-Services AS will guarantee for the loans financing for the Ramform Titan, Ramform Atlas, Ramform Tethys and Ramform Hyperion. With the transaction, the export credit lenders have also received enhanced security by certain shared security with the TLB. Under the deferral period the export credit financing loans will have the same financial maintenance and reporting covenants as the Credit Facility.

Presentation of the financial statements and the Company's development

The Company's revenue for 2020 was NOK 795.0 million, compared to NOK 738.6 million in 2019. The Company's revenue consists entirely of the leasing of vessels to another company in the PGS Group through long-term bareboat charter agreements.

The Company's net profit for 2020 was 389.8 NOK million, compared to a net profit of NOK 287.6 million in 2019. The increase in profit are due to reduced unrealized currency loss on the USD-denominated intercompany and external loan balances, increase realized exchange gain and operating revenues in foreign currency.

Cash flow from operating activities was positive with NOK 825.0 million in 2020, compared to NOK 734.6 million in 2019.

Market and outlook

PGS is one of the largest participants in the global marine 3D seismic market, with a market share in 2020 of approximately 35%, measured by number of streamers operated.

Entering 2020 there were expectations of a continuation of the improving seismic market from 2019. In March 2020 the precautionary measures to reduce the spread of the coronavirus caused a major disruption of the oil markets and energy companies reduced their investment plans significantly. PGS and the seismic industry were immediately impacted by the abrupt negative change through sharply reduced MultiClient sales and seismic survey activity. In early second quarter, there was a dramatic decline in bidding activity for contract seismic work. Volumes increased somewhat in the consecutive quarters, but generally remained low as a majority of the planned 2020 seismic contract acquisition work was pushed into 2021 and 2022 to preserve cash among energy companies.

For new MultiClient projects it was challenging to secure sufficient pre-funding, and sales from MultiClient data libraries were primarily limited to license round activity and commitments energy companies have on acreage in their portfolio.

The energy transition will impact the seismic market. However, PGS expects that over the next decades, oil & gas will continue to be an important part of the energy mix. There will be significant demand for seismic to secure sufficient hydrocarbon resources and maximize recovery from existing fields.

With the energy transition, the seismic market is likely to gradually move from traditional greenfield exploration areas towards prove hydrocarbon basins, near-field exploration and producing fields. Near-field exploration and production (4D) reservoir optimization seismic will consequently be increasingly important. The number of companies applying 4D to one or more of their fields have increased five-fold over the last decade. PGS has a solid market share in the 4D segment because of the Company's GeoStreamer offering providing superior data quality, as well as steerable streamers and sources making it possible to precisely replicate earlier 3D surveys and baseline 4D surveys.

The operated 3D vessel capacity in the seismic industry decreased by approximately 20% in 2020 compared to 2019 and is now at the lowest level since the mid-1990s, as a result of the substantial demand decline caused by the Covid-19 pandemic. Despite the significant capacity reduction, utilization in the industry has been generally low through the year.

The oil price has recovered from the low levels triggered by the Covid-19 pandemic, and now the oil price is trading in excess of \$60 per barrel. With an oil price above \$50 per barrel, energy companies on average generate positive cash flow from their oil and gas activities.

In the seismic market, both order books and leads and bids for contract work have increased, and several of the projects withdrawn from the market last year are now awarded for 2021 or back for tender.

The Board expects the improved oil price, a likely global recovery from the Covid-19 pandemic, and the effects of deferred projects from last year to support a gradual increase of demand for seismic services in 2021. Despite the impacts of the Covid-19 crisis, energy consumption is expected to continue to increase



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longer term with oil and gas being an important part of the energy mix as the global energy transition evolves. Offshore reserves will be vital for future supply and support demand for marine seismic services. The recovery of the seismic industry is also likely to benefit from the recent industry capacity reductions.

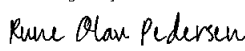
The Board emphasizes that valuations in the financial statements and forward-looking statements contained in this report are based on various assumptions made by management, depend on factors beyond its control, and are subject to risks and uncertainties. Accordingly, actual results may differ materially.

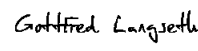
The Company has no research and development costs.

The Company's equity and financial liquidity is sound, however, the Board of Directors draws attention to the information on the liquidity risk presented above.

It is the opinion of the Board of Directors that the presented income statement, balance sheet and cash-flow statement with accompanying notes show a true and fair view of the Company's results and financial position.

Oslo, April 28th 2021

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Rune Olav Pedersen
Chairperson

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Gottfred Langseth
Board member

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Christin Steen-Nilsen
Board member

DocuSigned by:

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Robert James Adams
General Manager



Statsautoriserte revisorer
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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of PGS Titans AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of PGS Titans AS, which comprise the statement of financial position as at 31 December 2020, income statement, statement of comprehensive income, cash flows and changes shareholder's in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2020 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations 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.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and General manager (management) is responsible for the other information. Our opinion on the audit of the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, 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 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 Company 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



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accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (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 the 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 law, regulations and generally accepted auditing principles in Norway, including 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, 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 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'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 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 fair presentation.

We communicate with those charged with governance 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.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 28 April 2021
ERNST & YOUNG AS

The auditor's report is signed electronically

Johan Lid Nordby
State Authorised Public Accountant

Independent auditor's report - PGS Titans AS

A member firm of Ernst & Young Global Limited

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"By my signature I confirm all dates and content in this document."

Johan Nordby

Statsautorisert revisor

On behalf of: Ernst & Young AS

Serial number: 9578-5997-4-729076

IP: 84.211.xxx.xxx

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Skattedirektoratet

Saksbehandler Geir Johannessen	Deres dato 14.11.2014	Vår dato 27.11.2014
Telefon 22 66 11 14	Deres referanse Linda Pedersen	Vår referanse 2014/850846

PGS TITANS AS
Postboks 251 Lilleaker
0216 OSLO

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for PGS Titans AS, org.nr. 998 167 000

— Vi viser til deres brev av 14. november 2014 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for PGS Titans AS.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering PGS Titans AS dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Bakgrunn

PGS Titans AS er et heleid datterselskap av Petroleum Geo-Services ASA. Skattedirektoratet ga morselskapet dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk 4. januar 2011. Konsernet er en teknologisk tjenesteleverandør innenfor oljebransjen som i hovedsak leverer tjenester innen geofysikk på verdensmarkedet. Konsernet opererer i sektorer der engelsk er det klart dominerende språket. Flertallet av morselskapets aksjonærer er profesjonelle investorer og større selskaper, herav ca 55-60 % er utenlandske. All intern rapportering skjer på engelsk og konsernets arbeidsspråk er generelt engelsk. Både i styre og konsernledelse er det ikke norsk språklige representanter. Selskapets kontraktsparter er i all hovedsak store og internasjonale aktører. All vesentlig kommunikasjon med disse foregår derfor på engelsk. Det er en engelskspråklig versjon av årsregnskap og årsberetning som utarbeides og benyttes for alle praktiske formål både internt og eksternt, mens den norske oversettelsen kun utarbeides for å tilfredsstille regnskapslovens krav. Nyttien i forhold til kostnaden ved å utarbeide et norsk årsregnskap og årsberetning, vurderes derfor som liten.

Skattedirektoratets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal *”årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk.”*

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Org.nr: 996250318 Telefaks
E-post: skatteetaten.no/sendepost 22 17 08 60



I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

”Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.”

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til “*informative regnskaper for ulike grupper av regnskapsbrukere*”. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt særlig vekt på at selskapet er et heleid datterselskap, der morselskapet har vesentlige utenlandske eierinteresser. Videre er det vektlagt at arbeidsspråket er engelsk og at selskapet driver virksomhet i en internasjonal bransje der alle vesentlige aktører behersker og benytter engelsk språk.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad
Seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Geir Johannessen

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer