



## ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

### Enheten

Organisasjonsnummer: 917 313 199  
Organisasjonsform: Aksjeselskap  
Foretaksnavn: SHEARWATER GEOSERVICES HOLDING AS  
Forretningsadresse: Damsgårdsveien 135  
5160 LAKSEVÅG

### Regnskapsår

Årsregnskapets periode: 01.01.2020 - 31.12.2020

### Konsern

Mørselskap i konsern: Ja  
Konsernregnskap lagt ved: Ja

### Regnskapsregler

Regler for små foretak benyttet: Nei  
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: Regnskapslovens alminnelige regler  
Benyttet ved utarbeidelsen av årsregnskapet til konsernet: IFRS

### Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Hilde Marie Bjerga  
Dato for fastsettelse av årsregnskapet: 28.06.2021

### 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, 28.07.2022



### Resultatregnskap

Beløp i: USD	Note	2020	2019
<b>RESULTATREGNSKAP</b>			
<b>Kostnader</b>			
Varekostnad	9,10	3 243 000	1 023 000
<b>Sum kostnader</b>		<b>3 243 000</b>	<b>1 023 000</b>
<b>Driftsresultat</b>		<b>-3 243 000</b>	<b>-1 023 000</b>
<b>Finansinntekter og finanskostnader</b>			
Financial income		375 000	3 000
<b>Sum finansinntekter</b>		<b>375 000</b>	<b>3 000</b>
Loss on investment in subsidiary	3	97 022 000	0
Financial expenses		142 000	162 000
<b>Sum finanskostnader</b>		<b>97 164 000</b>	<b>162 000</b>
<b>Netto finans</b>		<b>-96 789 000</b>	<b>-159 000</b>
<b>Ordinært resultat før skattekostnad</b>		<b>-100 032 000</b>	<b>-1 182 000</b>
Taxes	7	0	0
<b>Ordinært resultat etter skattekostnad</b>		<b>-100 032 000</b>	<b>-1 182 000</b>
<b>Årsresultat</b>		<b>-100 032 000</b>	<b>-1 182 000</b>
<b>Overføringer og disponeringer</b>			
Transferred from other equity		-100 032 000	-1 183 000
<b>Sum overføringer og disponeringer</b>		<b>-100 032 000</b>	<b>-1 183 000</b>



### Balanse

Beløp i: USD	Note	2020	2019
<b>BALANSE - EIENDELER</b>			
<b>Anleggsmidler</b>			
<b>Immaterielle eiendeler</b>			
<b>Finansielle anleggsmidler</b>			
Investering i datterselskap	3	442 851 000	506 769 000
<b>Sum finansielle anleggsmidler</b>		<b>442 851 000</b>	<b>506 769 000</b>
<b>Sum anleggsmidler</b>		<b>442 851 000</b>	<b>506 769 000</b>
<b>Omløpsmidler</b>			
<b>Varer</b>			
<b>Fordringer</b>			
Andre fordringer		8 000	34 000
Konsernfordringer	8	105 226 000	34 000
<b>Sum fordringer</b>		<b>105 234 000</b>	<b>68 000</b>
<b>Bankinnskudd, kontanter og lignende</b>			
Bankinnskudd, kontanter og lignende	5	116 000	176 000
<b>Sum bankinnskudd, kontanter og lignende</b>		<b>116 000</b>	<b>176 000</b>
<b>Sum omløpsmidler</b>		<b>105 350 000</b>	<b>244 000</b>
<b>SUM EIENDELER</b>		<b>548 201 000</b>	<b>507 013 000</b>
<b>BALANSE - EGENKAPITAL OG GJELD</b>			
<b>Egenkapital</b>			
<b>Innskutt egenkapital</b>			
Selskapskapital	4,6	34 364 000	33 125 000
Beholdning av egne aksjer	4	-442 000	-442 000
Overkurs	4	132 869 000	83 977 000
Ikke registrert kapitalforhøyelse	4	74 745 000	0
Annen innskutt egenkapital	4	392 980 000	392 980 000



## Balanse

<b>Beløp i: USD</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
<b>Sum innskutt egenkapital</b>		<b>634 516 000</b>	<b>509 640 000</b>
<b>Opptjent egenkapital</b>			
Annen egenkapital	4	-105 708 000	-5 676 000
<b>Sum opptjent egenkapital</b>		<b>-105 708 000</b>	<b>-5 676 000</b>
<b>Sum egenkapital</b>		<b>528 808 000</b>	<b>503 964 000</b>
<b>Sum langsiktig gjeld</b>		<b>0</b>	<b>0</b>
<b>Kortsiktig gjeld</b>			
Leverandørgjeld		18 000	15 000
Kortsiktig konserngjeld	8	19 365 000	2 836 000
Annen kortsiktig gjeld		10 000	199 000
<b>Sum kortsiktig gjeld</b>		<b>19 393 000</b>	<b>3 050 000</b>
<b>Sum gjeld</b>		<b>19 393 000</b>	<b>3 050 000</b>
<b>SUM EGENKAPITAL OG GJELD</b>		<b>548 201 000</b>	<b>507 014 000</b>



### Konsernets resultatregnskap

Beløp i: USD	Note	2020	2019
<b>RESULTATREGNSKAP</b>			
<b>Inntekter</b>			
Marine acquisition	3	556 071 000	363 967 000
Processing and imaging	3	9 517 000	9 966 000
Other income	3	24 137 000	53 962 000
<b>Sum inntekter</b>		<b>589 725 000</b>	<b>427 895 000</b>
<b>Kostnader</b>			
Cost of sales	4,5,6	412 720 000	284 057 000
Depreciation	9,10	127 696 000	98 149 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler	9	25 996 000	4 408 000
Sales, general and adm cost	6	17 642 000	14 444 000
Acquisition cost		1 827 000	6 577 000
Other losses (gains) net	7	1 288 000	-485 000
<b>Sum kostnader</b>		<b>587 169 000</b>	<b>407 150 000</b>
<b>Driftsresultat</b>		<b>2 556 000</b>	<b>20 745 000</b>
<b>Finansinntekter og finanskostnader</b>			
Financial income	7	378 000	610 000
<b>Sum finansinntekter</b>		<b>378 000</b>	<b>610 000</b>
Financial expenses	7	50 447 000	47 893 000
<b>Sum finanskostnader</b>		<b>50 447 000</b>	<b>47 893 000</b>
<b>Netto finans</b>		<b>-50 069 000</b>	<b>-47 283 000</b>
<b>Ordinært resultat før skattekostnad</b>		<b>-47 513 000</b>	<b>-26 538 000</b>
Taxes	8	1 167 000	2 139 000
<b>Ordinært resultat etter skattekostnad</b>		<b>-48 680 000</b>	<b>-28 677 000</b>
<b>Årsresultat</b>		<b>-48 680 000</b>	<b>-28 677 000</b>
Other comprehensive income		-50 000	0
Sum resultatkomponenter for IFRS-foretak		-50 000	
<b>Totalresultat</b>		<b>-48 730 000</b>	<b>-28 677 000</b>



## Konsernets resultatregnskap

<b>Beløp i: USD</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
<b>Overføringer og disponeringer</b>			
Overføringer til/fra annen egenkapital		-48 730 000	-28 676 000
<b>Sum overføringer og disponeringer</b>		<b>-48 730 000</b>	<b>-28 676 000</b>



### Konsernets balanse

Beløp i: USD	Note	2020	2019
<b>BALANSE - EIENDELER</b>			
<b>Anleggsmidler</b>			
<b>Immaterielle eiendeler</b>			
Intangible assets	10	22 217 000	25 038 000
Utsatt skattefordel	8	0	200 000
Goodwill	10	2 048 000	2 048 000
<b>Sum immaterielle eiendeler</b>		<b>24 265 000</b>	<b>27 286 000</b>
<b>Varige driftsmidler</b>			
Vessels	9	873 931 000	677 729 000
Seismic equipment and other equipment	9	123 350 000	80 495 000
Manufacturing equipment	9	3 599 000	4 938 000
Right of use asset	9	8 770 000	7 957 000
<b>Sum varige driftsmidler</b>		<b>1 009 650 000</b>	<b>771 119 000</b>
<b>Finansielle anleggsmidler</b>			
Long term receivables	15	36 000	619 000
<b>Sum finansielle anleggsmidler</b>		<b>36 000</b>	<b>619 000</b>
<b>Sum anleggsmidler</b>		<b>1 033 951 000</b>	<b>799 024 000</b>
<b>Omløpsmidler</b>			
<b>Varer</b>			
Inventory and pre-payments	12	19 536 000	31 038 000
<b>Sum varer</b>		<b>19 536 000</b>	<b>31 038 000</b>
<b>Fordringer</b>			
Kundefordringer	3,12	70 650 000	72 371 000
Andre fordringer	3,12	16 129 000	38 157 000
<b>Sum fordringer</b>		<b>86 779 000</b>	<b>110 528 000</b>
<b>Bankinnskudd, kontanter og lignende</b>			
Bankinnskudd, kontanter og lignende	14,16	95 332 000	70 506 000
<b>Sum bankinnskudd, kontanter og lignende</b>		<b>95 332 000</b>	<b>70 506 000</b>
<b>Sum omløpsmidler</b>		<b>201 647 000</b>	<b>212 072 000</b>



### Konsernets balanse

Beløp i: USD	Note	2020	2019
<b>SUM EIENDELER</b>		<b>1 235 598 000</b>	<b>1 011 096 000</b>
<b>BALANSE - EGENKAPITAL OG GJELD</b>			
<b>Egenkapital</b>			
<b>Innskutt egenkapital</b>			
Selskapskapital	18	34 364 000	33 125 000
Beholdning av egne aksjer		-442 000	-442 000
Overkurs		132 869 000	83 977 000
Ikke registrert kapitalforhøyelse		74 745 000	
Annen innskutt egenkapital		392 980 000	392 980 000
<b>Sum innskutt egenkapital</b>		<b>634 516 000</b>	<b>509 640 000</b>
<b>Opptjent egenkapital</b>			
Annen egenkapital		-126 221 000	-77 490 000
<b>Sum opptjent egenkapital</b>		<b>-126 221 000</b>	<b>-77 490 000</b>
<b>Sum egenkapital</b>		<b>508 295 000</b>	<b>432 150 000</b>
<b>Gjeld</b>			
<b>Langsiktig gjeld</b>			
Utsatt skatt	8	141 000	174 000
<b>Sum avsetninger for forpliktelser</b>		<b>141 000</b>	<b>174 000</b>
<b>Annen langsiktig gjeld</b>			
Gjeld til kredittinstitusjoner	11,16	610 195 000	158 371 000
Other long term liabilities	11,15	8 574 000	6 604 000
<b>Sum annen langsiktig gjeld</b>		<b>618 769 000</b>	<b>164 975 000</b>
<b>Sum langsiktig gjeld</b>		<b>618 910 000</b>	<b>165 149 000</b>
<b>Kortsiktig gjeld</b>			
Current portion of long term debt	11,13, 15,16	54 621 000	356 558 000
Leverandørgjeld	16	31 425 000	34 674 000
Betalbar skatt	8	854 000	1 042 000
Annen kortsiktig gjeld	3,13	21 493 000	21 525 000



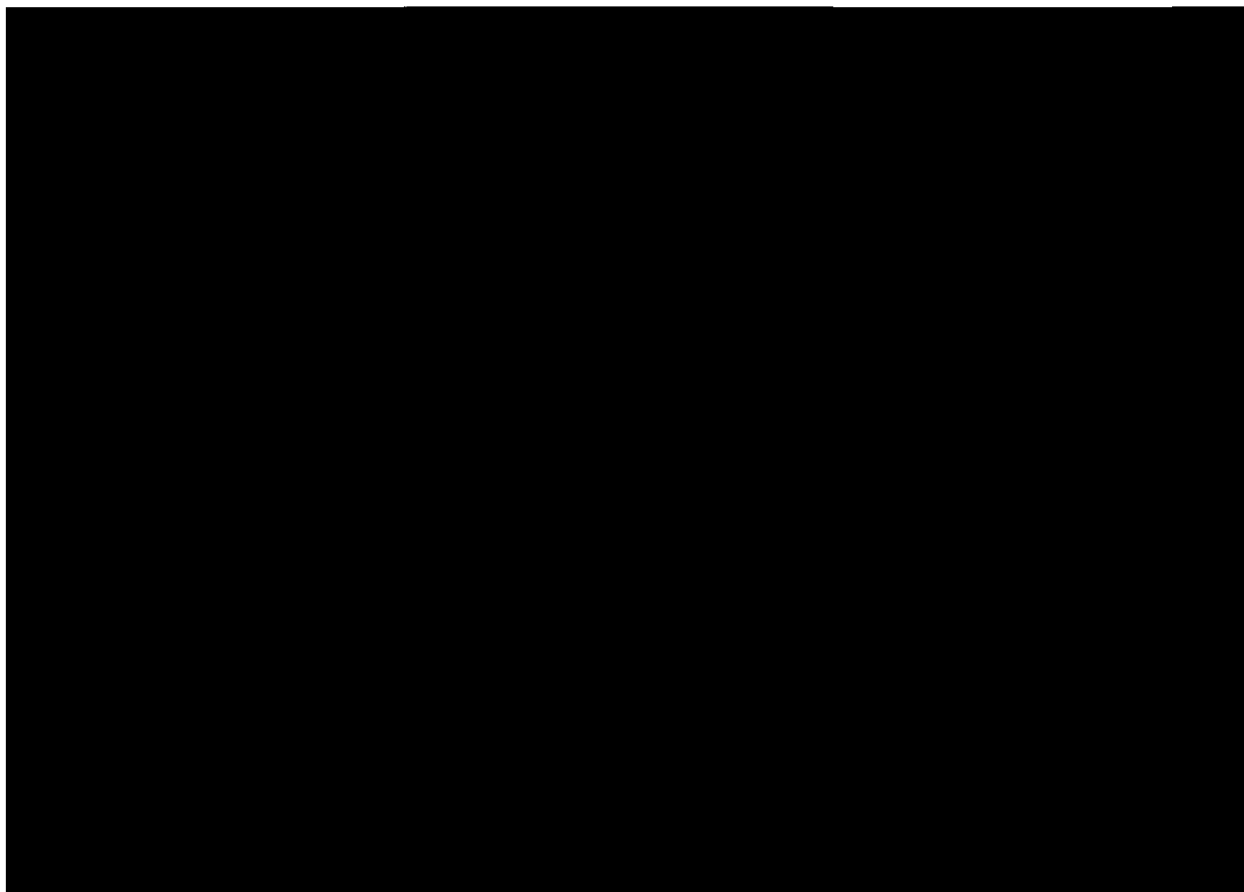
## Konsernets balanse

<b>Beløp i: USD</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
Sum kortsiktig gjeld		108 393 000	413 799 000
Sum gjeld		727 303 000	578 948 000
<b>SUM EGENKAPITAL OG GJELD</b>		<b>1 235 598 000</b>	<b>1 011 098 000</b>



Shearwater GeoServices Holding AS  
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[www.shearwatergeo.com](http://www.shearwatergeo.com)

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**SHEARWATER**

Annual Report 2020

Shearwater's modern fleet, expert imaging teams and innovative software combine to offer exceptional results.

The powerful fleet, complete with modern technology, is manned by experienced crews working safely and efficiently in all operating conditions to deliver a cost-effective and high-quality service.

Shearwater is the cutting-edge geophysical services company.

## Table of Contents

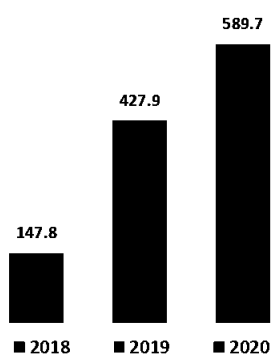
<b>Key figures</b>	<b>2</b>
<b>Message from the CEO</b>	<b>3</b>
<b>About Shearwater</b>	<b>5</b>
<b>Strategy and Business Overview</b>	<b>6</b>
<b>Board of directors</b>	<b>16</b>
<b>Management</b>	<b>18</b>
<b>Board of directors' report</b>	<b>20</b>
<b>Sustainability report</b>	<b>29</b>
<b>Group financial statement</b>	<b>57</b>
<b>Contact</b>	<b>107</b>



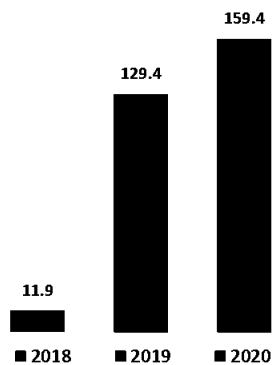
**SHEARWATER**

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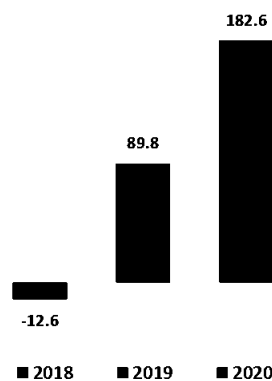
## Key Figures



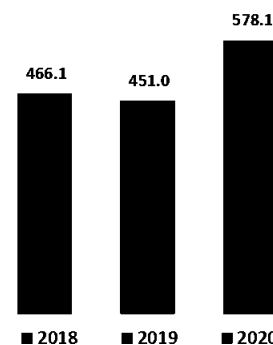
Total Revenues (USD millions)



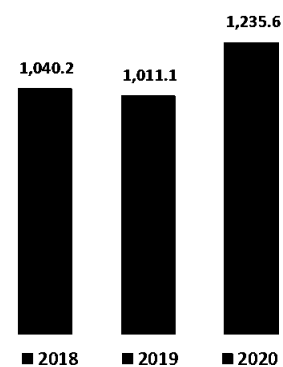
EBITDA (USD millions)



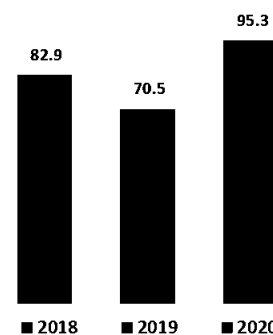
Cashflow from operations (USD millions)



Net debt (USD millions)



Total assets (USD millions)



Cash and cash equivalents (USD millions)



## Message from the CEO

Two transformational transactions in recent years have made Shearwater the market leader in marine seismic acquisition. Coming through 2020 a stronger company, with a refinanced balance sheet, we are ready to build on our already leading market position within high-end streamers while expanding our market share in new market segments such as OBS and hybrid surveys. Shearwater's management of the downturn in the oil and gas industry, in collaboration with our clients, has established a valuable platform for future partnerships to develop new technical solutions that are designed to meet our clients' needs.

Shearwater's scale is a result of a clear strategic vision. We believe that only financially robust companies with flexible operating models will thrive in a cyclical industry such as ours. 2020 provided us with the opportunity to fully test the robustness and flexibility of our model. In a very tough market, we reduced our activity level - but were able to sustain good utilisation for our active vessels through new awards from a wide range of clients. We made the required adjustments without weakening the organisation, leveraging our built-in flexible operating model for scaling up and down in changing market conditions.

We also took important strategic positions - and 2020 marked our entry into the deep-water ROV node market. Leveraging our wide toolbox and ownership of key assets, we successfully undertook a large node survey in the US Gulf of Mexico, using innovative source configurations to increase efficiencies and reduce costs for our clients.

Despite the market implications of Covid 19, we generated strong operational cash flow for the year, paid debt installments and continued our investments in new technology. Revenue was USD 589.7 million and adjusted EBITDA was USD 159.4 million in 2020, compared to USD 427.9 million and USD 129.4 million respectively, in 2019. Our expected topline from backlog at year-end 2020 was of approximately USD 965 million, a substantial increase year on year. Also, in December, we successfully refinanced our main debt facilities, according to plan.

### **Strong and robust**

As market leader - we secured more than our fair share of the contracts available in 2020. We broadened our customer base and strengthened our direct relationships across the organisation, making us a more robust company in the face of the cyclicity of our industry. High utilisation, building backlog and tying projects together in an optimal way has been the focus of the entire organisation.

Despite the limitations imposed by Covid-19, we continued to strengthen our offering by providing our customers with operational excellence, innovative seismic solutions tailored to their needs and ultimately high-quality geophysical data.

During 2020, we merged our Processing and Imaging business line with our Reveal software. This is a move driven by ambition and we strongly believe that the new structure will unleash synergies and increase the speed and power of the software and processing R&D roadmap. Also, we launched Monsoon, our cloud-based solution for simplifying data access and seamless collaboration. Both moves have been very well received by our customers.



**SHEARWATER**

Annual Report 2020

## **Positioning for new opportunities**

True to our commitment to having the industry's leading operating platform, we acquired additional streamers and acquisition vessels in April 2021, allowing us to significantly extend the commercial life of our fleet and streamer pool and accelerate our fleet renewal program. By extending the runway of our asset base and maintaining our scale, we are proactively strengthening Shearwater's position to invest in new technologies and the growing seabed market.

We are uniquely positioned for a recovering seismic market which in our view is set to resume the broad cyclical upswing which was set back by the pandemic. It also positions us for the ongoing energy transition, both in terms of modernizing our current operational platform, and to drive improvements both in technology and solutions to tackle new and existing markets with a smaller environmental footprint.

New strategies announced by several of our clients over the past year confirm strong commitment from the industry to actively part take in this transition over the coming decades. Oil and gas is set to remain an important part of the world's energy supply for many decades while we collectively work to accelerate the transition into a low-carbon society while the world's population continues to grow. As investment increases in new markets such as wind, carbon storage, geothermal and other areas, geophysicists are well placed to take advantage of these new opportunities. Transition means new opportunities for Shearwater to grow and develop, while we continue to invest in improving the footprint of what is still our core business. While we expect our traditional markets to continue and demand to recover, we will participate and transform our business to capture value creation opportunities in the new markets that are emerging.

## **Looking onwards and upwards**

The uncertainty we saw in the first half of 2020 has subsided and been replaced by improved visibility and modest optimism, and more specifically for our industry, oil prices are back at levels motivating our customers to resume E&P activities and demand more seismic data. We still expect the current market situation to prevail for the remainder of 2021, as the current sentiment with customers remains that of uncertainty and strong capital discipline following last year's extreme turbulence.

Our strategic development and investments have been guided by a clear ambition of being the industry's leading acquisition specialist. Our scalability, cost-efficient operations and technology leadership make us uniquely positioned for the rebound in a more consolidated marine seismic acquisition market and we intend to use that scale for positioning in new emerging opportunities.

Our flexible business model, aimed to take some of the cyclical out of our industry, has been put to the test and passed with flying colours in the year that has passed. Shearwater's success requires global teamwork and the ability to adapt, change, and carry-on and through the determination of our crews and support organisations, strong backing from our owners and a solid financial position, we outperformed in the markets in which we operated in 2020. We intend to continue to do so in the future.

*Irene Waage Basili*

*CEO, Shearwater GeoServices AS*



Image: Ayca Eleman, MMO. Oceanic Vega, Black Sea

## About Shearwater

Shearwater GeoServices Holding AS is a global, customer-focused and technology-driven provider of market leading marine geophysical services, from sensor to image. The company has the world's largest fleet of high-end seismic vessels and a portfolio of proprietary technologies and software that provide customers with a full range of geophysical acquisition techniques, effective surveys and high-quality data. Shearwater has approximately 800 employees, an industry-leading cost position and a strong balance sheet.

Headquartered in Bergen, Norway, Shearwater is owned by RASMUSSENGRUPPEN AS, GC Rieber Shipping ASA, and Schlumberger Norge AS.

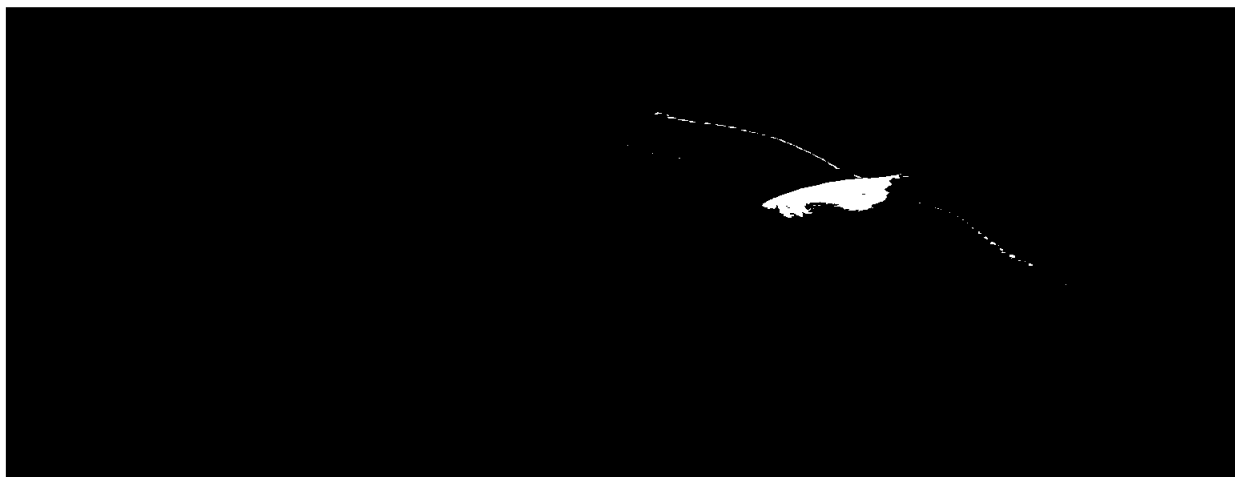
## Shearwater History

In 2016 RASMUSSENGRUPPEN AS and GC Rieber Shipping ASA established Shearwater GeoServices Holding AS as a jointly owned marine geophysical company. At its inception, Shearwater had a very experienced team of industry professionals and a fleet of four modern, high capacity seismic vessels equipped with streamers. Based on the RASMUSSENGRUPPEN significant financial strength and willingness to make further investments in the industry, Shearwater's goal from day one was to become a consolidator of the seismic industry.

In 2018 Shearwater and Schlumberger entered into an agreement for Shearwater to acquire the marine seismic acquisition assets and operations of WesternGeco, the geophysical services product line of Schlumberger. Shearwater acquired 10 high-end seismic acquisition vessels, including seven 3D vessels and three multipurpose vessels (MPVs) configured to serve the growing Ocean Bottom Seismic (OBS) market, 12 complete streamer sets with spares, as well as two source vessels. The transaction also included WesternGeco's proprietary marine seismic technology, as well as development and manufacturing facilities in Norway and Malaysia. As part of the transaction, Schlumberger became a shareholder in Shearwater.

In 2019 Shearwater and CGG S.A. entered into an agreement for Shearwater to acquire five high-end seismic acquisition vessels, two legacy seismic vessels and five complete streamer sets. The agreement also included a five-year utilization commitment from CGG for an annual utilisation of two vessel-years from Shearwater over the period. This commitment provides Shearwater with a guaranteed cash flow and activity level, resulting in a greatly improved visibility and more robust business model. The seismic vessels were jointly owned by CGG and Eidesvik Offshore ASA and as part of the transaction Eidesvik Offshore became a shareholder in Shearwater. The CGG-transaction was completed in January 2020. In January 2021, subsidiaries in RASMUSSENGRUPPEN acquired the shares held by CGG and Eidesvik.

In April 2021 Shearwater entered two transactions to take over the marine seismic acquisition assets previously owned by Polarcus including six streamer seismic acquisition vessels and four complete streamer sets. This will enable Shearwater to extend the commercial life of its fleet and streamer pool and accelerate its fleet renewal program. Today, Shearwater has a fleet of 27 vessels, including a fleet of five dedicated OBS vessels (MPVs and specialised source vessels).



## Our strategy

Shearwater's strategy is to engage in mutually complementary activities to provide our clients with the services they need to understand the properties of the earth. We engage across the entire seismic value chain, from sensor to image. We consider all these activities to be highly complementary and our success is dependent on the continuous feedback loop created as we execute all the phases from research, engineering, manufacturing, offshore operation, and data interpretation.

We own and control our fleet, we do our own processing and imaging, and we use our own software both onboard our vessels and in our onshore processing. All these activities throughout the value chain are supported by in-house R&D activities at technology centres in Oslo, London and Houston. We also own production facilities in Penang, Malaysia. The combination of controlling all the key assets and the technology development throughout the value chain gives us great flexibility to adapt our offering to meet our clients' needs and preferences.

Key elements of our strategy are:

- **A full range of data acquisition services**

Our fleet of flexible and modern high-end seismic vessels enable us to offer the full range of acquisition techniques; streamer (both multicomponent and conventional), ocean bottom cable and ocean bottom nodes, and hybrid surveys utilising a combination of streamer and node technologies. This enables us to meet all seismic acquisition needs of our customers and offer the right survey design for each individual job.

- **An integrated technology approach**

Shearwater is a "sensor to image" company with a transparent and flexible approach. In collaboration with clients, we innovate sensors, sources, platforms and software – entire seismic systems – from measurement to the final processed data. By developing our own technology for source and receivers, our software and processing R&D departments get valuable insights into their next challenges and vice versa.

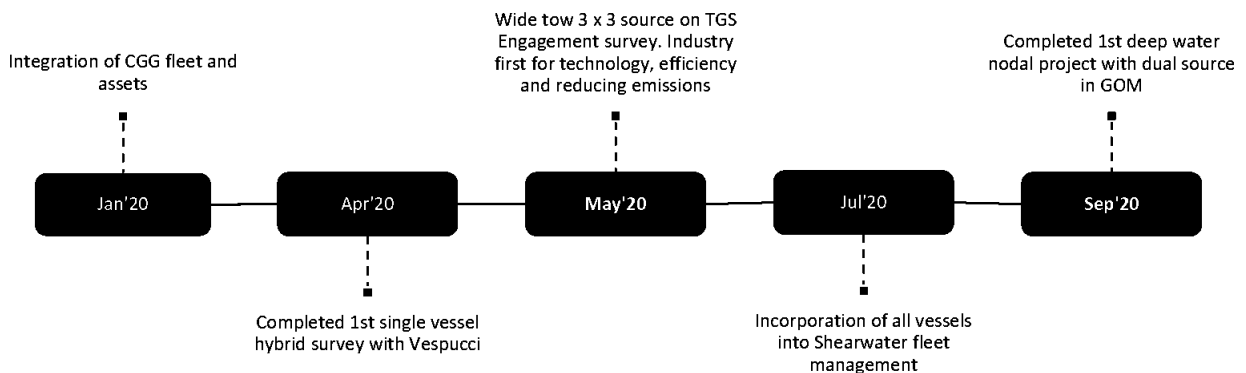
- **A growth strategy based on our core strengths**

2020 marked our successful entry into the deepwater ocean bottom node market, an expansion of our offering enabled by our extensive marine operations experience. Leveraging our existing premium Isometrix sensor technology, we are bringing our own node, Pearl, to the market in 2022. Beyond the traditional oil and gas markets we have also identified attractive growth opportunities within energy transition.



## Marine Acquisition

### Key Highlights 2020



Shearwater owns and operates the largest fleet of purpose-built seismic vessels designed for safe and efficient data acquisition using towed streamers, ocean bottom nodes (OBN) and ocean bottom cables (OBC). Combined with onboard and onshore data processing expertise, the company delivers industry leading products and solutions.

Shearwater offers the world's most advanced marine seismic acquisition technologies for exploration, reservoir delineation, characterization, and monitoring. The company's range of leading streamer technologies is the result of extensive research and engineering over many decades. Providing the best data quality and operational performance in the industry, the Qmarine and Isometrix systems have set new standards in seismic acquisition.

Shearwater is recognised as the market leader and vendor of choice in time-lapse 4D seismic based on experience and technologies such as multicomponent streamer, source and receiver steering and availability of a purpose-built fleet for multi-vessel surveys.

Ocean bottom seismic acquisition is a rapidly growing area of the seismic market, including both Ocean Bottom Node (OBN) and Ocean Bottom Cable (OBC) approaches. Shearwater offers high-quality seabed solutions for shallow and deep-water environments, including the Qseabed multicomponent seabed seismic system, Nodes-on-a-Rope (NOAR), Deepwater ROV nodes, as well as hybrid combinations with towed-streamer technologies. Our broad portfolio of cost-effective, high-quality seabed seismic acquisition technologies is complemented by experience in processing and imaging these datasets.



## **SHEARWATER**

Annual Report 2020

Shearwater utilises innovative techniques for custom marine acquisition solutions. Regardless of the complexity and requirements of the client's marine seismic challenge, Shearwater offers the widest range of acquisition techniques to provide the level of subsurface illumination and image fidelity needed to make informed reservoir characterization decisions.

In 2020, COVID-19 and the practical challenges of operating in restricted conditions had a significant impact on operations. All surveys were conducted safely and without delay through comprehensive control and management measures implemented from the onset of the pandemic with constant adjustment and improvements as the situation evolved. The flexibility and resilience of our crew and our operating model ensured we were able to deliver exceptional surveys in exceptional circumstances.

The combination of forward planning, careful vessel election, global reach, and versatility to minimise non-productive time enabled continued high utilisation of the active fleet during 2020. With the addition of the ex-CGG fleet early in the year, we had anticipated maintaining the utilisation of our expanded total fleet incorporating those also stacked and idle. While COVID-19 effects delayed this opportunity, the vessels remain equipped and ready for a return of the market, supported by a flexible and cost-effective operating model.

Shearwater's growth has posed challenges for QHSE with increased exposure hours, new employees and new environments. Focus has been on implementing robust management systems, induction and personal engagement. Progress on implementation was paused in 2020 due to COVID-19. The severity of incidents however remained low in the 12 recorded cases with no high-potential escalation. Further programs have been successfully put in place to reinforce situational awareness and we move into 2021 with zero recordable incidents. Safety remains the first priority in all operations with a stated Goal Zero approach, which has proven achievable through commitment at all levels of the organisation and by contractors and clients. For a more in depth look at QHSE in Shearwater please review the annual sustainability report.

### **Fleet**

The April 2021 acquisition of marine seismic assets previously owned by Polarcus allows Shearwater to extend and adapt commercial life of the fleet and accelerate our fleet renewal strategy which is reflected in the retirements of Alize in late 2020 and Trident in the first half of 2021. Today, Shearwater owns and operates a fleet of 27 high-end seismic vessels. This includes five ocean bottom seismic vessels, including three flexible vessels equipped for receiver deployment, source and towed streamer, and two recently re-equipped high-end wide-tow high capacity source vessels capable of nine source string spreads. Shearwater's fleet includes a significant number of the industry's most powerful towed streamer vessels, in terms of streamer count, towing capacity, endurance and efficiency.

Based on the quality and scale of the fleet, Shearwater may accommodate all types of exploration and development projects, from large-scale regional 3D surveys to focused 4D production monitoring as well as reservoir monitoring for carbon capture utilisation and storage (CCUS) projects. Combining some of the world's most innovative and efficient vessels with the most advanced acquisition systems, provides the ability to deploy the optimal acquisition configuration to meet the requirements of every survey design and technique. This ensures exceptional results in even the toughest environments.



**SHEARWATER**

Annual Report 2020

### Towed Streamer Fleet



Amazon Warrior



Amazon Conqueror



SW Empress



Geo Coral



Oceanic Vega



Oceanic Sirius



Geo Caribbean



SW Duchess



SW Amundsen



SW Columbus



SW Magellan



SW Baret



SW Bell



SW Bly



SW Gallien



SW Mikkelsen



SW Thuridur



Geo Celtic



SW Duke



SW Eagle



Oceanic Challenger



SW Marquis

### Ocean Bottom Fleet



SW Vespucci



SW Cook



SW Tasman

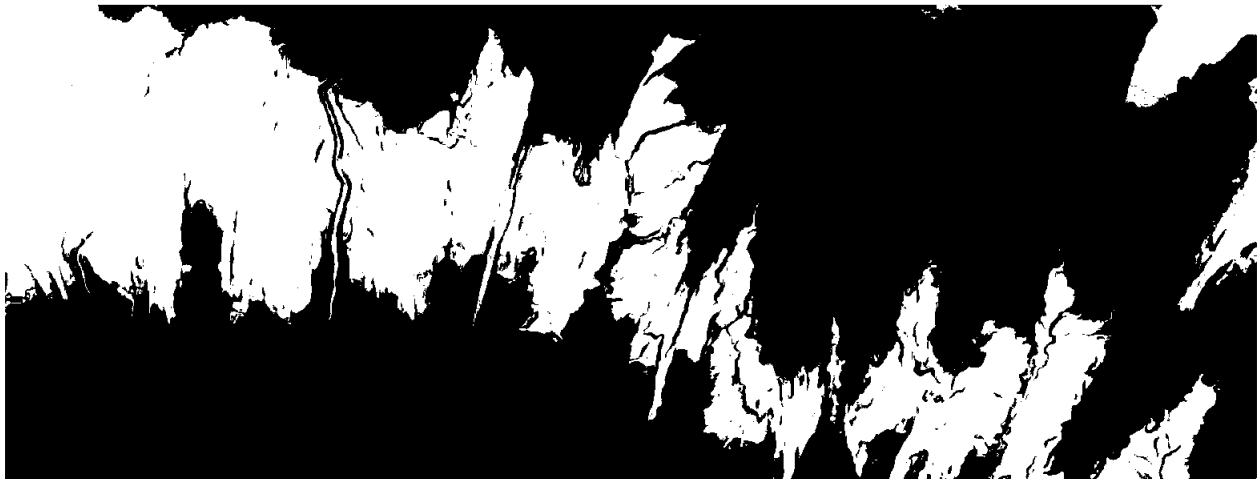


SW Emerald



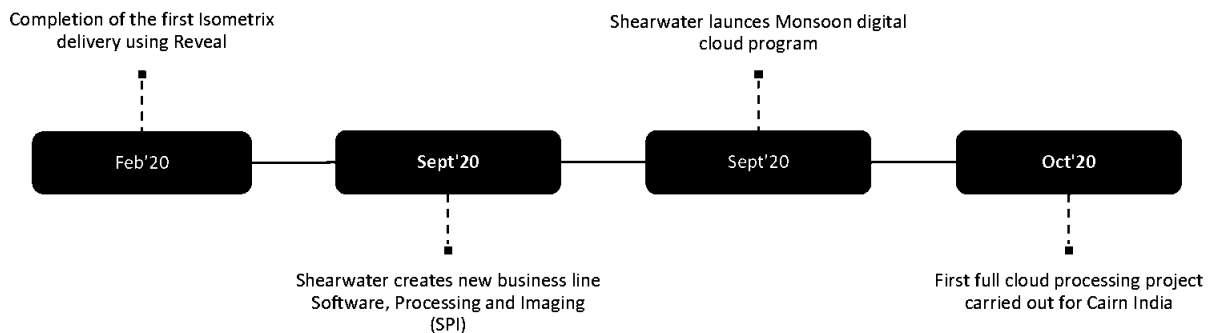
SW Diamond

Please see [www.shearwatergeo.com](http://www.shearwatergeo.com) for additional vessel information



## Software, Processing & Imaging

### Key Highlights 2020:



Shearwater has built a dynamic and flexible team of leading processing geophysicists to provide marine towed streamer, ocean bottom, and land seismic data processing and imaging. They provide an integrated expert service for customers' processing and re-processing projects.

The experienced onboard and onshore processing teams ensure the highest quality 2D and 3D imaging in all geological environments. What's more, access to in-house clusters and proven use of cloud computing enables Shearwater to provide the results in a time frame that allows customers to meet their decision deadlines.

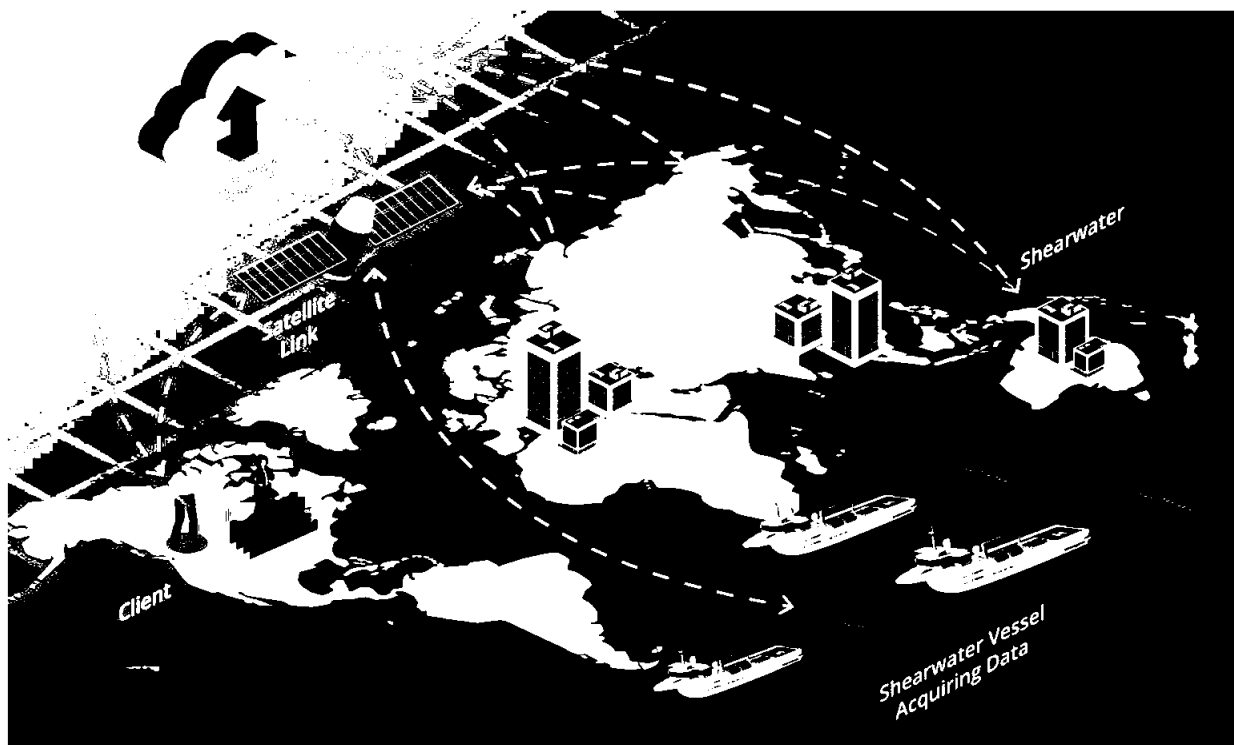
Strong integration between acquisition and processing technology development, and between operational teams in acquisition and processing, enables Shearwater to deliver integrated solutions for clients. Fast-track processed data carried out during acquisition enables clients to make decisions during or soon after acquisition which would normally take months or years.

The proprietary Reveal software provides a modern, highly interactive and user-friendly platform for all aspects of processing and imaging. From onboard Real Time Quality Control (RTQC) to final model building, Shearwater's experts use the same Reveal user interface to provide a cost-effective service and superior data quality. Leading Exploration & Production companies use Reveal as their geophysical software due to its ease of use, flexibility, and extensibility for fast technology innovation.

Customers benefit from in-house R&D teams who develop new, industry-leading algorithms to provide innovative ways to improve the image quality delivered. Shearwater's main processing hub is in the UK, with the company offering flexible teams to establish project specific centres close to clients' offices as required.

The creation of the combined SPI business line in September 2020 has been an important strategic adjustment to our business and was driven both by internal ambitions and the demands of our customers. We have updated and aligned strategies, held workshops with key clients, increased investment in technology and upgraded the services we provide in all areas of the SPI business. We have very quickly seen the impact of these changes and with client strategies changing during 2020 to increase collaboration and investment in external software we see that this change has been well timed.

## Monsoon



In September 2020 we also launched Monsoon, Shearwater's digital environment that delivers flexibility by simplifying data access and promoting collaboration seamlessly, via the cloud. It has enabled us to reduce cycle time and work on projects with much greater flexibility. In October 2020 we demonstrated this by commencing the first full cloud processing project for Cairn India.

## Flexibility

We are using the flexibility of cloud along with our on-premise solutions to be nimble and quickly adapt to meet our customers and the market's needs for high performance computing (HPC). With resources scalable according to demand, it means we can be highly productive while retaining the flexible and competitive service Shearwater is known for.



**SHEARWATER**

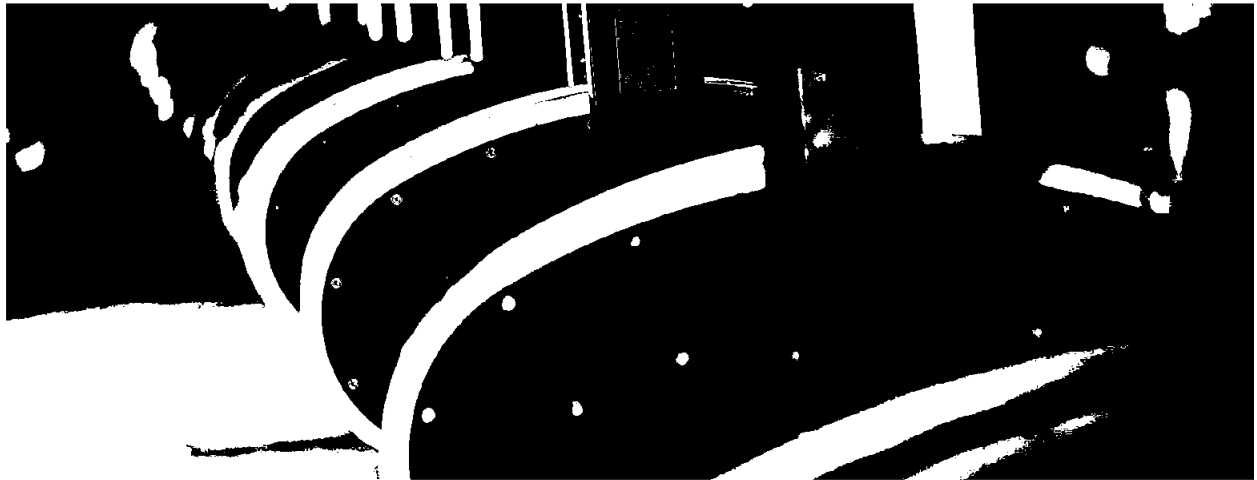
Annual Report 2020

## Collaboration

Monsoon enables us to collaborate on a global scale, better engaging our teams and our customer's teams, working together, maximizing share value of information to achieve the best results. This enables us to push further and add more value at earlier stages.

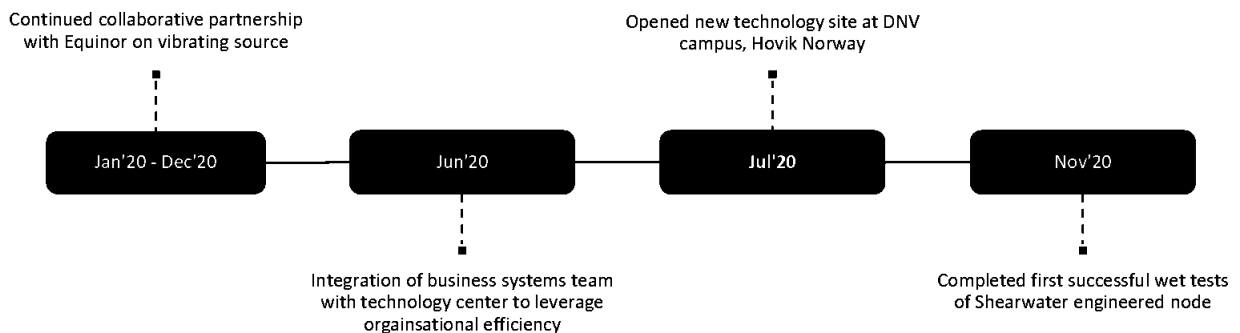
## Access

We are harnessing the power of cloud to give unprecedented access to project data securely. Whether it is access to Shearwater's processing and imaging test results, or rapid access to final deliverables, we can simplify data exchange, minimizing data movement and avoiding duplication of data.



## Technology

### Key Highlights 2020:



Shearwater offers the world's most advanced marine seismic acquisition technologies for exploration, reservoir delineation, characterization, and monitoring. The company shares the vision of combining science and technology to create new business value.

The company has an experienced research and engineering organisation comprising of more than 80 permanent staff with background in geophysics, signal processing, computer science, software and electrical and mechanical engineering disciplines. They are based in Norway, the UK and in the US. A state-of-the art manufacturing facility in Malaysia produces the products in volume to be deployed commercially and allowing customers to realize additional value.

Our range of leading streamer technologies is the result of extensive research and engineering over many decades. Providing the best data quality and operational performance in the industry, the Qmarine and Isometrix systems have set new standards in seismic acquisition.

The Shearwater Technology & Innovation Centre (STIC) is engaged in development of next generation acquisition technology and sustaining of existing technology used in operations. The centre relocated its premises within the DNV Campus in Oslo in the summer of 2020. The new facility is a modern technology premise with technical labs, engineering and test infrastructure, data rooms and instrumentation replicating systems used in the field.



## **SHEARWATER**

Annual Report 2020

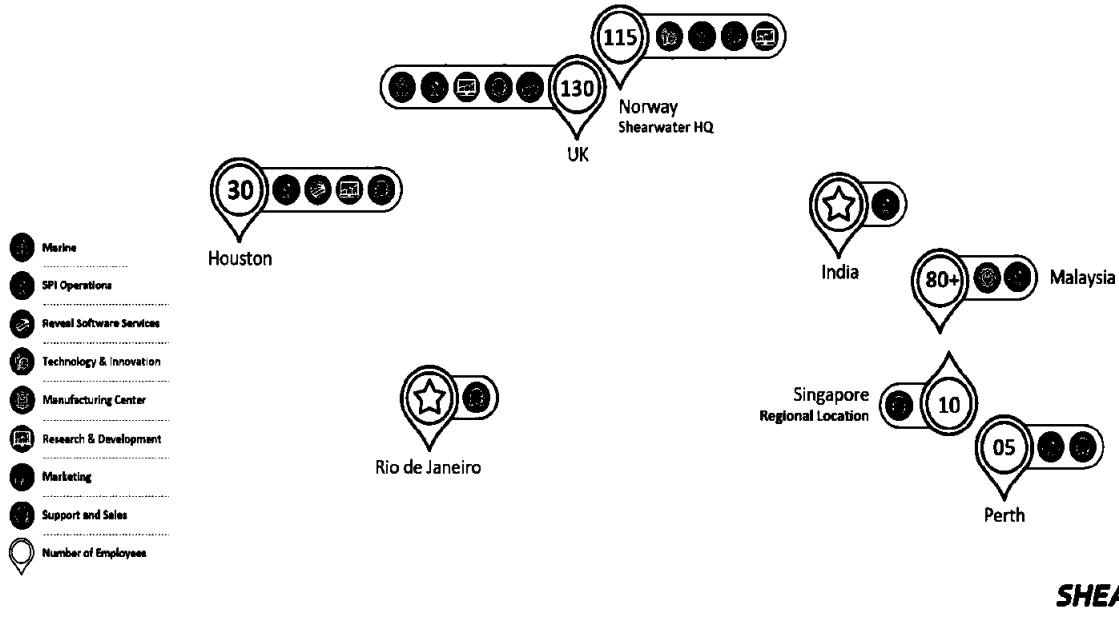
New technology priorities are balanced towards Ocean Bottom Seismic (OBS) applications with significant activity towards developing a new seabed node including its associated peripheral systems. The node project reached a key milestone in November 2020 with successful 'in-water' test with first generation node prototypes. The project is aimed at reaching commercialization in the year 2022.

The other key technology focus is directed at energy sources. Project BASS (Broadband Acoustic Seismic Source) is Shearwater's marine vibroseis technology under development in collaboration with Equinor and the Research Council of Norway. Given the non-impulsive nature of its energy release, marine vibrators are largely considered more environmentally friendly to marine life. In addition, such technology has the potential to bring about a step change in acquisition productivity, especially in OBS and improvements to the quality of seismic data quality. The project made good technical progress through year 2020, improving designs from the learnings from the lake test in 2019 and preparing for the next milestone of a lake test in 2021.

During 2020, we also worked on increasing the operating envelope and improving cost and efficiency of the Isometrix, Qmarine and TRISOR 1 systems. Isometrix onboard systems were optimized to achieve a fair reduction in license costs and a new 'Shared disk buffer' was engineered for Qmarine systems to enable lower cost replacements. TRISOR 1 systems used on the source vessels were upgraded to enable the triple source acquisition method used on the first Deep Water Node survey in the Gulf of Mexico.



## Shearwater's Geographical Locations





## Board of directors



**Robert Hobbs**  
Chairman of the Board

Robert Hobbs has over 30 years of experience in the upstream sector of the oil and gas business, holding senior management positions with both exploration and production operators as well as service companies.

Until 2016, Mr. Hobbs served as CEO of TGS-NOPEC. Prior to that, he utilized his exploration geoscience background in staff and executive roles at Marathon Oil, Veritas DGC, Union Texas Petroleum, and Exxon. He also has served as Chairman of the International Association of Geophysical Contractors, the geophysical industry's global trade association. Mr. Hobbs holds a bachelor of science degree in geology from Baylor University and a master of science degree in geoscience from University of Southern California.



**Stein Vidar Håland**  
Board Member

Stein Vidar Håland has been a part of Rasmussen Group since 1976, and today he holds the position as CFO for RASMUSSENGRUPPEN AS.

Mr. Håland holds a degree from Norges Handelshøyskole (NHH).



**Lars Erik Larsson**  
Board Member

Lars Erik Larsson is General Legal Counsel at RASMUSSENGRUPPEN AS, a position he has held since 2017. Prior to joining RASMUSSENGRUPPEN AS, he worked as associate/lawyer in Advokatfirmaet Thommessen AS from 2006 to 2014 and as a lawyer in KPMG Law from 2014-2017.

Mr. Larsson holds a law degree from the University of Oslo.



**Vijay Kasibhatla**  
Board Member

Mr. Vijay Kasibhatla serves as Director of Mergers and Acquisitions (M&A) at Schlumberger Limited.

Prior to this role, Mr. Kasibhatla has held a number of other positions within Schlumberger including more recently, as Finance & Commercial Director of Schlumberger Production Management (SPM), as Financial Controller for the Integrated Project management business (IPM) and as an M&A portfolio manager focusing on various acquisitions and divestitures for Schlumberger. He served as a Director at Saxon Energy Services Inc. and OneLNG.

Mr. Kasibhatla holds an M.S. degree in Chemical Engineering from the University of Kentucky and an M.B.A from London Business School.



**SHEARWATER**

Annual Report 2020



**Trygve Lauvdal**  
Board Member

Trygve Lauvdal is Investment Director at RASMUSSENGRUPPEN AS.

He has nine years of equity research experience from DNB, specializing in the technology sector from 2001 to 2008 and the industrial- and renewable energy sector from 2008 to 2010. He started his career at ABB in 1997.

Mr. Lauvdal holds a PhD in engineering cybernetics from NTNU.



**Einar Ytredal**  
Board Member

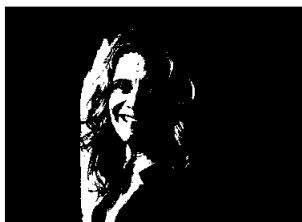
Einar Ytredal is CEO of GC Rieber Shipping, appointed November 2018.

He has worked with the company since 2007, first as Vice President Finance and then as CFO from 2011 to 2018. Prior to this Mr. Ytredal worked for seven years in Deloitte.

Mr. Ytredal has an MSc in Economics and Business Administration as well as an MSc in Accounting and Auditing.



## Management



**Irene Waage Basili**  
CEO

Before being part of establishing Shearwater GeoServices in 2016, Irene held the position as CEO in GC Rieber Shipping for six years. Prior to this Irene was VP of Marine Strategy with PGS, following PGS' acquisition of Arrow Seismic in 2007 where Irene served as CEO. Irene has more than 25 years of experience from the maritime industry both within offshore service and conventional shipping.

Irene gained her degree in Business Administration from Boston University School of Management and has several leadership courses from Solstrandprogrammet (Norway) and IMD (Switzerland).

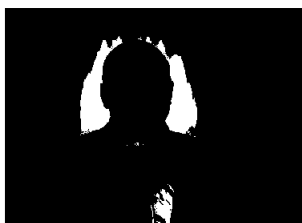
She serves as Director of the Board of Pacific Basin Ltd. (Hong Kong Stock Exchange).



**Andreas Hveding Aubert**  
CFO

Andreas has over ten years' financial management experience in the oil industry. He has worked with companies such as Technocean/Reef Subsea and Omega Subsea.

In 2007 Andreas gained a Master's Degree in Accounting and Auditing, prior to this he also obtained a Master's Degree in Business Administration and Management.



**Peter Hooper**  
CCO

Peter has over twenty years' experience in offshore seismic, sub-sea survey and marine operations. Peter had gained considerable operational experience working in both offshore and senior management roles. In 2006 he co-founded the seismic survey company, Wavefield AS and following a corporate merger later became Senior Vice President of Marine Operations at CGGVeritas before joining Dolphin Geophysical where he served as VP Operations and later COO.

Peter holds a BSc (Hons) from the University of Aberdeen and a post Graduate Diploma in Hydrographic Surveying from the University of Plymouth.



**Patrick Legh-Smith**  
SVP Marine Acquisition

Patrick began his career as a seismologist in 1988 and joined WesternGeco in 1992. He has held a number of operations and management positions both offshore and onshore in Asia, Europe, the Middle East, Latin America and the US, including marine fleet manager, HSE manager and marine manager Eastern Hemisphere. Patrick also served in technical management positions including fleet technical support and new builds manager before being named WesternGeco vice president marine in 2015.

He holds a BSc (Hons) in ocean electronics from the University of North Wales, Bangor and an MSc in marine resource management from Herriot Watt University.



**SHEARWATER**

Annual Report 2020



**Simon Telfer**  
SVP Processing & Imaging

Simon has over 20 years' experience in Seismic Processing & Imaging in both offshore and onshore roles.

Prior to joining Shearwater GeoServices he worked for Dolphin Geophysical where he held the position of Onboard Processing Manger and was responsible for establishing the department and also part of the team that launched Processing & Imaging using OpenCPS. Before joining Dolphin Geophysical he worked for CGG in the Houston and London offices as a Geophysical Advisor and Veritas DGC in onshore and offshore positions.

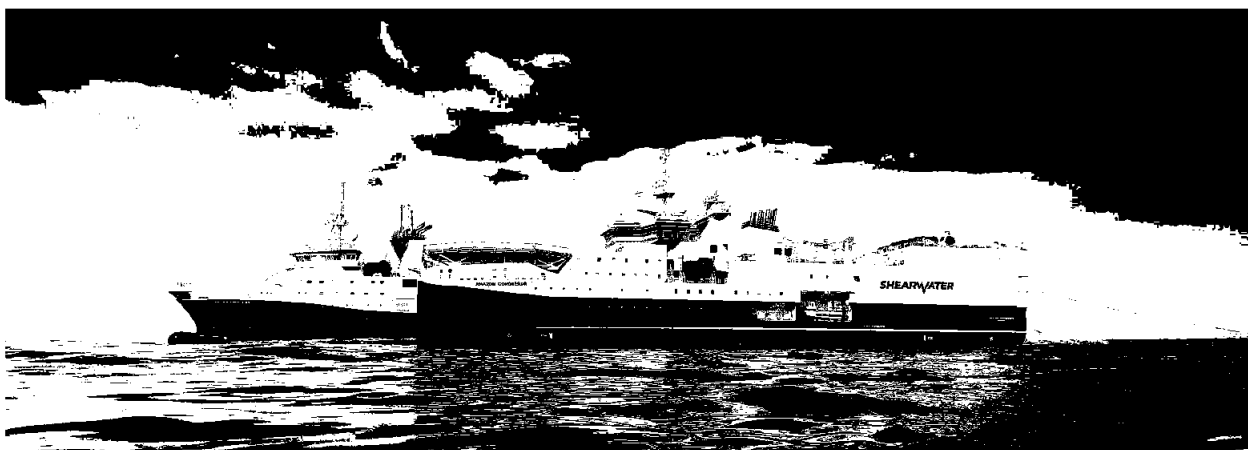
Simon holds an M.Sci. in Exploration Geophysics from University College London.



**Roy Bampton**  
SVP Reveal

Roy has over 30 years of experience in the seismic industry. His career began at Digicon Geophysical as Project Manager in the EAME and APAC regions. Following the merger with Veritas, he became the HSE Manager at Veritas DGC in Houston, later becoming the VP of the Acquisition Division.

During the merger of CGG and Veritas, Roy was appointed SVP of Acquisition for the Western Hemisphere and more recently he was VP for Acquisition for the same region at Dolphin Geophysical.



## Board of directors' report

Shearwater GeoServices Holding AS (Shearwater) is a leading full-service provider of marine geophysical acquisition services with operations in all major offshore basins around the world. In line with the strategy, Shearwater has significantly expanded its operations through the takeovers of the marine seismic acquisition businesses of Schlumberger in 2018 and of CGG in January 2020. Additional investments in 2021, extending the commercial life of the fleet and streamer pool, underlines Shearwater's commitment to leadership in marine geophysics.

### Executing growth strategy

The CGG transaction included the purchase of five modern high-end vessels, two additional streamer vessels and streamers owned by CGG and Eidesvik Offshore ASA. The strategic partnership also includes a capacity agreement where CGG commits to utilise vessel capacity corresponding to two vessel-years annually over a five-year period, securing Shearwater's long-term cashflow and providing CGG access to strategic vessel capacity for future multiclient projects.

At the announcement of the CGG transaction in June 2019, both parties shared their intent to form a joint technology partnership for future development marine streamer seismic acquisition systems with CGG's Sercel unit. In November 2020, CGG and Shearwater jointly suspended negotiations related to the joint streamer business due to the downturn in the oil and gas industry triggered by the COVID-19 pandemic. Both parties remain open to explore future technology cooperation.

In April 2021, Shearwater executed two transactions to take over marine seismic acquisition assets previously owned by Polarcus, including six seismic acquisition vessels and four complete streamer sets and associated equipment. The transactions were financed by a new vessel loan facility and a shareholder convertible loan. The investments enable Shearwater to extend the commercial life of the fleet and streamer pool, to accelerate the fleet renewal program and meet growing seabed market demand.

### Leading fleet and technology platform

Net of the above transactions and the early 2021 retirement of two vessels as part of the renewal program, Shearwater owns and operates a fleet of 27 fully equipped seismic vessels offering a full range of acquisition services including 3D, 4D and ocean bottom seismic (OBS). All streamer vessels have full streamer packages with ample access to spares. Shearwater also develops and offers high quality processing and imaging services and Reveal software. The group holds a portfolio of proprietary streamer technology, processing software and the Monsoon cloud solution which enable efficient execution of geophysical surveys and delivery of high-quality data.



## **SHEARWATER**

Annual Report 2020

The number of employees increased from 708 at the end of 2019 to 805 at year-end 2020. The highly qualified employees have enabled Shearwater to utilise the acquired assets safely and quickly and offer a broader range of geophysical services to customers worldwide.

### **Proactively managing changing market conditions**

2020 started with high market activity and a continuation of the positive trend seen in 2019. However, from early March the Covid-19 pandemic had a significant negative impact on oil price developments and the markets for Shearwater's services. Energy companies responded to lower oil price and increased uncertainty by reducing exploration and production investments. This led to a decline in the number of seismic projects in the market for the second half of the year and two contracts were cancelled by clients in the second quarter of 2020.

Going into 2020, Shearwater had 10 active vessels. This increased to a peak of 12 active vessels in May, before the active fleet was reduced to 6 vessels at year-end with associated adjustments to the organisation to optimise operations and cost base. Despite this, Shearwater was able to achieve strong positive cash flow generation from operations with the combination of a competitive cost base, strong operational performance and the ability to adjust active fleet both quickly and cost effectively.

Shearwater has throughout the Covid-19 pandemic proactively taken steps to minimise the impact on people and operations and to ensure business continuity with a strong focus on mitigating the impact on project execution for our clients. This includes regularly updated Group health advisories and executing business activities in compliance with local and international regulations. Together with other seismic contractors, Shearwater continues to contribute to a weekly meeting hosted by the International Association of Geophysical Contractors (IAGC), where best practice is shared, and world-wide restrictions are openly monitored and discussed.

### **Well positioned for market recovery with robust financial platform**

In December 2020, Shearwater successfully refinanced the bridge loan facility from the WesternGeco transaction along with other maturing loans. The new debt facilities and extended maturities provide a solid financial platform for the coming years.

Market fundamentals have improved as oil prices have recovered from the 2020 lows. While this has led to higher contracting activity in the marine seismic markets, uncertainty remains higher than usual. As such, the company maintains proactive customer and partner dialogues to ensure alignment on project execution, future opportunities and technology development.

The Board of Directors is confident that Shearwater is well positioned for a market recovery based on the company's strong market position, low cost base and limited capex requirements in the short- to medium term, combined with the significant backlog secured through the long-term capacity agreement with CGG.

## **Financial review**

### **Income Statement**

Total revenue for the Shearwater Group in 2020 was USD 589.7 million and EBITDA was USD 159.4 million compared to USD 427.9 million and USD 129.4 million, respectively, in 2019. The operating profit (EBIT) for 2020 was USD 2.6 million compared to an operating profit of USD 20.7 million in 2019, and net financial items were negative USD 50.1 million in 2020 compared to negative USD 47.3 million in 2019.

The Group's net loss after tax amounted to USD 48.7 million in 2020 compared to a net loss of USD 28.7 million in 2019.



## Cash Flow

Net cash flow from operations in 2020 was USD 182.6 million compared to USD 89.8 million in 2019.

Cash flow from investing activities was positive USD 5.1 million compared to negative USD 25.6 million in 2019. The cashflow from investing activities includes positive USD 17.2 million net cash effect of the CGG transaction in January 2020 primarily arising from the cash balances in the group companies acquired.

Net cash flow from financing activities was negative USD 162.9 million in 2020 compared to negative USD 76.6 million in 2019. Cash flow from financing in 2020 included the effect of entering the new debt and guarantee facilities totalling USD 436.7 million which included the refinancing of the bridge facility related to the WesternGeco transaction. On completion in December 2020, USD 364.0 million was drawn down from the new facilities combined with a shareholder contribution of USD 25 million used along with other liquidity to fund repayment of the maturing debt facilities. Repayment of long-term loans for 2020 amounted to USD 492.8 million. Interest expense on long-term debt and financial leases amounted to negative USD 55.4 million. Net cash flow for the year was positive USD 24.8 million compared to negative USD 12.4 million in 2019.

## Statement of financial position

The Group's total assets as at 31 December 2020 amounted to USD 1 235.6 million compared to USD 1 011.1 million at the end of 2019, while total assets in Shearwater GeoServices Holding AS were USD 548.2 million compared to USD 507.0 million at the end of 2019. As of 31 December 2020, the Group's booked value of vessels was USD 873.9 million, and the booked value of seismic equipment was USD 123.4 million compared to USD 677.7 million and USD 80.5 million respectively, at the end of 2019.

The Group's book equity as of 31 December 2020 was USD 508.3 million corresponding to an equity ratio of 41.1%, compared to corresponding figures at the end of 2019 of USD 432.2 million and 42.7%. Shearwater GeoServices Holding AS's equity was USD 528.8 million, corresponding to an equity ratio of 96.5%, compared to USD 504.0 million and equity ratio of 99.4% at the end of 2019.

## Financing

The Group finalised the refinancing of the USD 325 million facility relating to the WesternGeco acquisition in December 2020 along with the facilities related to the original Polar fleet and associated streamer equipment. Total refinancing amounted to USD 436.7 million of which USD 12.0 million is a guarantee facility. In connection with the refinancing Shearwater also received a capital contribution from owners of USD 25 million.

Group interest-bearing debt was USD 673.4 million as of 31 December 2020, of which USD 54.5 million was classified as short-term debt, compared to USD 521.5 million of which USD 356.6 million was classified as short-term debt at the end of 2019. The reduction in the short-term debt was due to the refinancing of the bridge facility of USD 325 million, classified as short-term debt at the end of 2019, completed in December 2020. The average maturity of the Group's loan portfolio was 4.0 years, up from 2.2 years at the end of 2019.

The Group reduced debt by USD 129 million through the year through paid instalments as well as repayments made in relation to the completed refinancing, compared to reduction of debt of USD 32.1 million in 2019. As of 31 December 2020, the Group's cash holding was USD 95.3 million of which USD 0.7 million was classified as restricted. Net interest-bearing debt was USD 578.1 million, compared to USD 451.0 million at 31 December 2019.

In January 2020, the Group completed the acquisition of the CGG marine seismic vessels and equipment and took over USD 286.8 million of loan facilities. During 2020, the Group made USD 45.7 million in repayments associated with these facilities, included in the USD 129 million total reduction of debt through the year.



## **SHEARWATER**

Annual Report 2020

The Group debt covenants are tied to free liquidity, working capital, equity and market value of the vessels. The Group was compliant with its covenants as of 31 December 2020.

### **Going concern**

Based on the above report of profit and loss for the Shearwater Group, the Board of Directors confirms that the financial statements for 2020 have been prepared based on the assumption of a going concern and the Board believes that this assumption is appropriate and in accordance with section 3-3 of the Norwegian Accountancy Act.

Application of the parent company's net income for 2020: Shearwater GeoServices Holding AS had a loss of USD 100.0 million in 2020 and the loss is proposed added to uncovered losses.

### **Risks and risk management**

The Group has developed a risk management system which reports to the Board semi-annually, addressing and evaluating risks across main categories and specific factors. The Group is committed to managing risks by actively capturing opportunities and addressing undesired risks by mitigating probability and severity.

The Company emphasises that this annual report includes certain forward-looking statements of expected activities or developments. The statements are based on assumptions and estimates, and some of them are beyond the company's control and therefore subject to risks and uncertainties.

### **Market risk**

The profitability and cash flow from the Group's operations will depend upon the overall demand and investment level of operators and oil companies which in turn are impacted by the market price for oil and gas. Energy prices are subject to numerous factors outside of the Group's control, including economic and political conditions, supply and demand, the policies of the Organisation of Petroleum Exporting Countries (OPEC), currency exchange rates and the availability of alternative fuel sources.

Oil and gas commodity prices have been relatively low in recent years, which has had a negative impact on oil and gas companies' E&P (exploration and production) spending. Oil price fluctuations may have a significant impact on the Group's business through project postponements and reduced operational activity. However, higher or lower commodity demand and prices do not necessarily translate into increased or decreased activity. Customers' project development time, reserve replacement needs, as well as expectations of future commodity demand and prices are additional factors that influence the demand for the Group's services. Each one of these may have a material impact on results from operations and profitability.

The period with relatively lower oil and gas prices has reduced the supply of seismic vessels, with several units removed from the market in recent years through decommissioning or temporary lay-up. With a significant share of the global seismic vessel capacity in lay-up, there is a risk that a potential increase in demand may be overestimated and lead to excess supply as vessels are reactivated and negatively impact market rates and the Group's operational and financial performance.

### **Operational risk**

Shearwater is exposed to operational risks, especially related to offshore services, such as mechanical breakdowns, technical problems, collisions, bad weather and other force majeure events. If any of these risks materialises, the Group's business could be interrupted, and the Group could incur significant liabilities. While some of these risks are covered by insurance, there may be significant deductibles. The risks may ultimately result in curtailment or cancellation of, or delays in, exploration and production activities for the customers,



which in turn may adversely impact Group operations and have a material negative impact on Group earnings and valuation.

There is also a general inherent risk related to conducting international business. These include, but are not limited to, unexpected changes in regulatory requirements, difficulties in staffing and managing foreign operations, social and political instability, fluctuations in currency exchange rates, potentially adverse tax consequences, legal uncertainties regarding liability and enforcement, and changes in local laws and controls on the repatriation of capital or profits. Any of these risks could materially affect the Group's operations and, consequently, the financial position and profit of the Group. Shearwater seeks to minimise operational risk and is dedicated to ensuring good and stable operations and has introduced adequate systems and routines for quality assurance from the time the Group was established.

## Financial risk

### Foreign exchange risk

A majority of Group's revenue is in USD. As the Group has a global footprint, the Group has and will have revenue in other currencies going forward with associated foreign exchange risk. The Group is seeking to match operational cost with revenue in terms of currency. As USD is expected to represent the majority of Group revenues, liabilities are also mainly held in USD. The Group's expenses are mainly recorded in USD, GBP, EUR and NOK. The Group may attempt to minimise risks by implementing hedging arrangements when appropriate but will not be able to fully avoid foreign exchange related risks. Currency exchange rates are subject to the prevailing supply and demand situation in the foreign exchange markets. Changes in currency exchange rates relative to the USD may affect the USD value of the Group's assets and thereby impact the Group's total return on such assets.

### Interest rate risk

Most of the Group's bank loans are subject to floating interest with interest cost exposed to fluctuations in interest rates. At the end of 2020, interest rate exposure for 23% of Group liabilities were secured through fixed interest mortgages. In December 2020 the Group entered interest rate swaps totalling USD 214 million with maturity in December 2024. Taking the interest rate swap into account the Group is exposed to interest rate risk for approximately 45% of its loan value.

### Credit risk

Lack of or delayed payment from customers may significantly and adversely impact Group revenue and liquidity. Customers are mainly companies within the energy industry. This concentration may impact the Group's overall exposure to credit risk as customers may be simultaneously affected by prolonged changes in economic and industry conditions, as well as by the general constraints on liquidity resulting from continued low oil prices. Further, laws and regulations in some jurisdictions in which the Group operates could make collection difficult or time-consuming. The Group gives due consideration to the credit quality of its potential clients during contract negotiations to minimise credit risk.

### Liquidity risk

The Group was established in December 2016 with solid backing from owners injecting substantial liquidity into Shearwater. Shareholders injected an additional USD 50 million to increase liquidity in connection with the acquisition of the shares in Reflection Marine ASA (the holding company of Schlumberger's marine acquisition segment) in November 2018.

In December 2020, shareholders injected an additional USD 25 million associated with the refinancing of existing debt facilities.



The group actively manages and forecasts its liquidity to minimise liquidity risk.

## Organisation and working environment

In 2020, Shearwater experienced growth in number of permanent employees from 708 per year-end 2019 to 805 at the end of 2020. In 2019, Shearwater prioritised establishing a strong Group-wide organisational culture through the Shearwater Focus program and continuous attention to creating a good working environment both onshore and offshore.

Shearwater has been able to attract skilled employees in its target areas and has a highly dedicated and motivated workforce. As an employer, Shearwater does not accept discrimination of any kind towards its employees or other parties involved in the company's activities. This includes all unjust treatment, exclusion or preference based on ethnicity, gender, age, sexual orientation, disability, religion, political persuasion or other circumstances.

The Group sick leave ratio was 1.05% in 2020. During 2020, Shearwater executed several operations in areas with high fishing activity and heavy commercial traffic. Shearwater focus on safety in all its activities and no incidents with serious harm to personnel occurred in 2020.

## Quality, health, environment and safety

The Group's management systems are aligned to IOGP guidelines, certified to ISO9001 and compliant with ISO14001 and ISO45001 standards. Shearwater have implemented best-in-class Integrated Management System software to actively facilitate and transparently communicate QHSE compliance. The system's architecture is based on the ISO and IOGP 510 models, and the software is widely used in other industries where compliance to safe working practices is paramount.

The Group's fleet of modern seismic vessels provides inherently safe working environments for the crews, with proven seaworthiness and spacious back-deck layouts. The well-tested but seldom-used redundant propulsion systems allow any one of them to be confidently deployed in extreme environments, or in and around existing oilfield infrastructure. The technical capabilities of the vessels provide a cornerstone for safe and efficient surveys.

Marine seismic acquisition projects can be exposed to unique and variable hazards depending upon where in the world prospects are located. Shearwater's extensive experience within the industry enables the Group to thoroughly identify potential hazards, accurately document their effects and secure the appropriate resources to mitigate the potential risks to acceptable levels. The Group promotes the use of proactive, leading indicators that are specifically configured to reflect the level of QHSE effort from the workforce. Calculation and publication of such indicators are used, for example, to actively monitor trends in the safety culture of each crew over the duration of a project, or between vessels. Continually improving upon the performance of these indicators drives the Group's ongoing effort towards the goal of zero loss, zero harm and zero rework. Shearwater is a Governing Member of IAGC.

## Corporate governance

The ultimate parent company in the Shearwater group is Shearwater GeoServices Holding AS, a limited liability company registered in Norway. Shearwater's governance and corporate management is based on Norwegian corporate law and compliance with relevant principles in the "Norwegian Code of Practice for Corporate Governance" (the NUES recommendation).

It is the Group's view that effective corporate governance is fundamental to success, and a framework for successful services to customers and value creation for owners. Good corporate governance is characterised by



open, responsible communication and cooperation among the owners, its Board of Directors, and management, in the context of both short-term and long-term value creation perspectives.

Shearwater maintains corporate policies to ensure that all employees carry out their activities in an ethical manner and in accordance with current legislation and Shearwater standards. The Corporate Social Responsibility Policy and the Code of Conduct have been approved by the Board of Directors, and addresses personal conduct and business practice, including handling conflict of interest, combating corruption and respecting human rights. These policies apply to all employees worldwide as well as our suppliers, consultants and business partners.

It is through the general meeting of shareholders that the shareholders of Shearwater exercise ultimate authority in the company and elect the members of the Board of Directors. The Board is elected by the shareholders of the Company to oversee management and to assure that the shareholders' long-term interests are served. The Board of Directors is responsible for the administration, development, and supervision of all Shearwater business.

The Board of Directors currently consists of six directors, four shareholders' representatives, one director elected based on votes at the General Meeting and one independent Chairman. In accordance with Norwegian corporate law, the Board of Directors has overall responsibility for management of the Company, while the CEO is responsible for day-to-day management.

The Board of Directors has adopted Corporate Governance Guidelines that sets further rules of procedures for the Board of Directors and the CEO.

## Shareholder information

Shearwater GeoServices Holding AS has two classes of shares, class A and class B, of which the latter carry no voting rights. As of 31 December 2020, five shareholders owned the class A shares with RASMUSSENGRUPPEN AS holding 63%, GC Rieber Shipping ASA holding 17%, Schlumberger Norge AS holding 13%, Eidesvik Offshore AS 3% and CGG Veritas Norway AS 3%. In 2017, the Company issued class B shares which are currently owned by the Company and key employees.

In January 2021, Eidesvik exercised their put option to sell their shares to CGG. Following this transaction subsidiaries of RASMUSSENGRUPPEN AS purchased the entire CGG shareholding for a separately negotiated and agreed price. Following the completion of these two transactions with CGG in January 2021, the class A shares are owned 70% by RASMUSSENGRUPPEN AS and subsidiaries, 17% by GC Rieber Shipping ASA, 13% by Schlumberger Norge AS.

## Prospects

Shearwater's operations are exposed to developments in the markets for oil and gas exploration and production. Business activity in the first half of 2020 reflected improved market rates as demand for seismic data rebounded in 2019 after several years depressed E&P activity following the oil price collapse in 2014. The positive trend was however disrupted by the Covid-19 pandemic and as OPEC and Russia failed to agree on oil production quotas. The corresponding negative impact on commodity markets and subsequent reductions in E&P investments led to a significant decline in demand for Shearwater's services into the second half of the year.

Despite the challenging market conditions, Shearwater continued to secure new contracts with E&P clients to a large extent prioritising production related seismic over exploration surveys. Going into 2021, this trend has continued, and market activity has started to recover amid the roll-out of vaccination programs and rebounding oil prices.



## **SHEARWATER**

Annual Report 2020

Longer-term, the global economic activity will recover from Covid-19 and drive increased demand for oil and gas which together with more focus on enhanced oil recovery will require the E&P sector to resume and increase exploration and development investments. This provides a positive outlook for the market for Shearwater's services. Still, the seismic market recovery is from historically low levels reflecting years of reduced exploration across the E&P industry.

Growth opportunities are also emerging with increased investments in new markets such as wind, carbon storage, geothermal and other areas. Shearwater is well positioned to capture these opportunities as the largest provider of marine seismic acquisition services with a low-cost base and limited capex requirement over the coming years.

A significant backlog through the capacity agreement with CGG and recent major contract awards, combined with a strong balance sheet and support from its owners, provides operational and financial strength for Shearwater to fully capitalise on a market recovery and to expand into energy transition activities.



## Responsibility statement

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 31 December 2020 has been prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations determined by the International Accounting Standards Board and adopted by the EU effective as at 31 December 2020, and that the information gives a true and fair view of the Group's assets, liabilities, financial position and profit or loss. We also confirm, to the best of our knowledge, that the annual report includes a fair review of important events that have occurred in the accounting period and their impact on the condensed set of financial statements.

**Bergen, 15<sup>th</sup> June 2021**

**Robert Hobbs**  
Chairman of the Board

**Stein Vidar Håland**  
Board member

**Lars Erik Larsson**  
Board member

**Vijay Kasibhatla**  
Board member

**Trygve Lauvdal**  
Board member

**Einar Ytredal**  
Board member

**Irene Waage Basili**  
Chief Executive Officer



## Shearwater ESG 2020 report

We measure the earth!

The geophysical data Shearwater acquires for our clients are vital to their planning and decision making for long-term value creation and for reducing potential negative impacts of their offshore energy activities.

Our fleet of modern, fuel-efficient vessels equipped with the latest in seismic technology is supported by state-of-the-art processing and imaging software to chart, process and image subsurface structures. This enables our clients to increase the probability of exploration success, improve well-placement, reduce the number of production wells in the field development phase, and support production optimization over time to maximise oil and gas recovery.

Measuring and understanding the seabed and geological substructures are also important for other offshore activities.

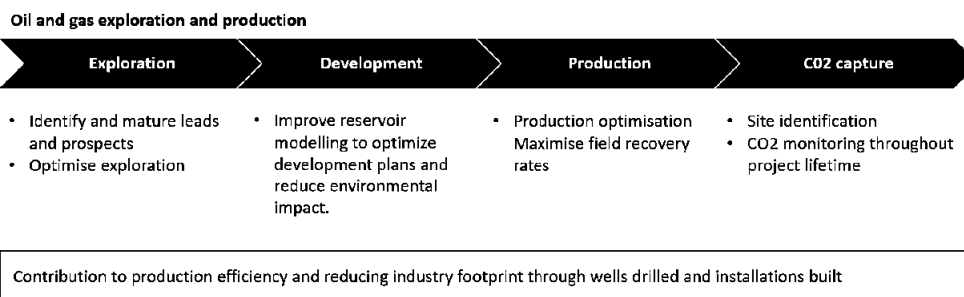
Carbon capture, utilisation and storage (CCUS) is a key component to reaching the Paris Agreement-targets of reducing the emissions of greenhouse gases. Before injecting carbon dioxide (CO2) into the earth, it is key to understand the geological characteristics of the reservoir, and during and after injection, monitoring is required to verify that the CO2 remains subsurface.

We believe in increased long-term demand for geophysical data to support optimal placement of vast fields of offshore wind turbines producing clean renewable energy and for discovering and extracting marine minerals to cover growing global demand for copper, cobalt, manganese, nickel and more to support the electrification of society and the transition to a low-carbon world.

Shearwater supports the Paris Agreement and the UN Sustainability Development Goals (SDGs). Sustainability is a key element of our strategy execution structured around prioritised areas with the most material impacts.

This report aims to describe the material environmental, social and governance (ESG) factors tied to Shearwater's business operations and how these factors are integrated in the Group strategy for long-term value creation, and in operational and financial risk management.

### Positioning in the value chain





## **SHEARWATER**

Annual Report 2020

### **Message from the CEO**

As the global leader in marine seismic acquisition, Shearwater has a responsibility to ensure that we conduct operations in a safe, responsible and ethical manner to support long-term value creation for all stakeholders and minimizing negative impacts.

We combine global reach, scale and technology leadership through an efficient and financially robust operating platform to provide our clients with quality data to support the execution of their strategies. A highly experienced team with a strong Shearwater culture and unwavering commitment to geophysics is our foundation for delivering operational excellence and developing strong lasting client and partner relationships for mutual value generation.

We share the same goals as our clients, partners and the society at large - of minimising the environmental impact of oil and gas exploration and production (E&P) activities while at the same time ensuring safe, secure and ethical supply of affordable energy to support economic growth and reduction of inequalities. We have intensified our focus on the material sustainability factors where we can impact and improve with an ambition to unlock our full potential through operational efficiencies, technology development and industry partnerships.

In 2020, we established a separate committee to oversee and support our ESG work, facilitate anchoring, awareness and high standards across the organisation to improve performance over time. We are continuously developing our ability to measure and transparently report on our development. That said, we have a strong well-established HSEQ framework which enabled Shearwater to immediately and proactively respond to the COVID-19 pandemic and safeguard people onboard and onshore, while delivering on client commitments and ensuring business continuity.

Today, we are an integrated part of the E&P value chain. Although leading agencies forecast that a significant share of the global energy demand in 2050 will be covered by fossil fuels, our strategy is to evolve our service offering over time to also capture market opportunities from the ongoing energy transition. This complements strategies announced by several of our clients over the past year confirming the commitment from the industry to take part in this transition. Oil and gas will remain an important part of the world's energy supply for decades as we collectively work to accelerate the transition into a low-carbon society and the world's population continues to grow.

While we believe that there will be demand for our existing assets and services for decades to come, we are confident that we have the assets, technology and skillsets to expand beyond the traditional energy space. We are therefore uniquely positioned for a recovering seismic market and fully prepared to over time transforming our business to capture value creation opportunities in new low-carbon and energy transition markets that are emerging.

## Sustainability Governance

Shearwater's Board of Directors, management and governance structures aim to ensure compliance with all relevant government requirements, laws and regulations. The Group has established a Code of Conduct and corporate social responsibility policy which supports safeguarding of the environment, employees and society in general. Ethical, social and environmental considerations are well-integrated in our daily operations, and our values of safety, quality and integrity underpin everything we do.

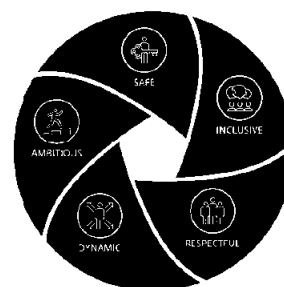
The Board of Directors has the overall responsibility for aligning Shearwater's strategy and ESG considerations, while the day-to-day responsibility lies with the CEO, supported by the management group. The CEO oversees and reports to the Board on development and progress related to key strategic sustainability-linked objectives. Material topics such as health and safety are subject to review at each board meeting and KPIs related to QHSE performance and emission improvement initiatives are reported monthly to the Board.

In 2020, Shearwater established an ESG committee consisting of eight representatives from across the organisation with a mandate to guide and support the company's work, anchor commitment and ensure high standards at both strategic and operational levels to support integration of ESG factors and improve performance over time. The committee meets at least once a month and reports to the entire management group. Shearwater's SVP Marine Acquisition has been appointed to lead the committee from the second half of 2021. Progress is measured and communicated in the annual ESG reporting and other relevant channels.

Our ambitions going forward, is to continue to increase our focus on ESG topics and develop our related in-house competencies and capabilities. This includes continuous focus on employee engagement.

At Shearwater, we believe in a shared working culture, whereby all employees promote the same five behaviours: Safe, Inclusive, Respectful, Dynamic and Ambitious. Focusing on how we work together is core to ensuring an inclusive culture.

Our employee engagement program 'focus' provides employees with training and understanding of Shearwater's expectations. With focus, we continually reinforce our culture as the business achieves each stage of our strategy. Shearwater has a strong commitment to building an environment in which employees enjoy coming to work



## Our contribution to the UN Sustainable Development Goals

The UN SDGs are a collection of 17 global goals with 169 sub-targets designed to achieve a better and more sustainable future for all. Shearwater acknowledges that everyone must contribute in order to achieve these goals.

Our sustainability strategy is centred around areas of sustainable development in which we as a company can make a difference. By analysing our business in relation to the UN SDGs, we have identified six goals relevant to our business operations. Below is a brief summary of how we contribute to achieving these goals. Additional information is provided where relevant under the different topics of this report.



We seek to contribute to a more gender-diverse industry by proactively recruiting and appointing women to managerial and executive positions (target 5.5). The gender equality principle is embedded in policies and processes, including recruitment, remuneration, training, promotion and development reviews (target 5.1).



We want to be a recognised global leader in carbon capture, utilisation and storage (CCUS) monitoring. By leveraging data, insights and competencies, our solutions can help customers increase energy efficiency and ease the transition into new energy markets (target 7.3).



We respect and protect labour rights and provide safe and secure and healthy working environments for all employees (target 8.8). We pay above minimum living wage for all employees based on their competencies and provide job security by keeping a stable workforce independent of contracts (target 8.5).



We seek to reduce energy consumption and waste generation from our operations (target 12.2). Streamers are repaired and reused when possible, and our vessels are repurposed or responsibly recycled when reaching the end of their working life (target 12.5).



We apply best practices and follow strict industry standards to conserve the seas and marine resources by constantly seeking more sustainable solutions for reducing emissions, spills, noise and any unwanted impact on marine life from our operations (target 14.3). We contribute to sea and ocean health by collecting marine debris through participation in the Ghost Net Initiative (target 14.2).



We respect human rights and labour universal principles, and advocate responsible conduct by our values, policies and processes (target 16.1). We do not engage in any form of corruption and encourage employees to speak up about any concerns (target 16.2).

### Stakeholder engagement and materiality assessment

In 2019, Shearwater initiated a materiality assessment to ensure that the company prioritises issues that matter most to its business and stakeholders. This work has continued through 2020 and into 2021, based upon continuous dialogue with key stakeholders. These include clients, business partners, employees, suppliers, owners, lenders and regulators.

The assessment also considers input from industry associations, publicly listed peer companies, and ESG materiality frameworks such as Sustainability Accounting Standards Board (SASB) and MSCI ESG Ratings and guidelines published by the Norwegian Shipowners' Association.

The findings were presented to the management group and discussed and prioritised through several workshops. The outcome provides the basis for our continuous work with ESG and sustainability topics as we grow and develop. Materiality provides the foundation for our sustainability strategy, governance and management structures, as well as determining relevant targets and KPIs to measure the footprint of our activities over time.

The following topics have been identified as the most material to Shearwater and our long-term value creation for all stakeholders:

- Safe operations and a healthy working environment
- People and society
- Ethical business conduct
- Protecting the environment via scale and efficiency

These material topics form the basis for Shearwater's sustainability strategy, initiatives and targets. We intend to continue to develop our ESG framework to support a sustainable future for our company and our industry. Our sustainability strategy based on the above material topics and reflecting our ambitions to impact climate change and energy transition is summarised below.



Safe operations and a healthy working environment	People and society	Ethical business conduct	Protecting the environment via scale and efficiency	Climate change and energy transition
<p><b>Our policy:</b> We respect and protect labour rights and provide safe and secure healthy working environment for all our employees. We have implemented a comprehensive QHSE programme to ensure the health and safety for all employees onshore and offshore</p>	<p><b>Our policy:</b> We want to build a respectful and value-based corporate culture, improving equality across all levels of the organisation through a diversity of perspectives, experience, cultural backgrounds, genders and views. We encourage women to pursue a career in our industry.</p>	<p><b>Our policy:</b> We respect human rights and universal labour principles and strive for integrity and compliance with the principles of good business ethics throughout all our activities. Our work is intended to create an open and responsible business culture. We take a zero-tolerance approach to corruption and bribes. Continuous training and risk assessments help us increase awareness and act responsibly.</p>	<p><b>Our policy:</b> We apply best practices and follow strict industry standards to conserve the seas and marine resources by constantly seeking more sustainable solutions for reducing emissions, spills, noise and any unwanted impact on marine life from our operations. We shall minimise energy consumption and waste generation from our operations.</p>	<p><b>Our policy:</b> We want to be a recognised global leader in carbon capture, utilisation and storage (CCUS) monitoring. By leveraging our data, insights and competencies, our solutions can help customers improving energy efficiency and ease the transition into new energy markets.</p>
				
<p><b>Our goals:</b> Maintain a safe, secure and healthy working environment for employees and contractors</p>	<p><b>Our goals:</b> Develop people, promote diversity and always respect labour- and human rights</p>	<p><b>Our goals:</b> Promote high ethical standards throughout everything we do and maintain strong governance structures</p>	<p><b>Our goals:</b> Continuously look for ways to improve the efficiency of our operations in terms of our impact on the environment and energy use</p>	<p><b>Our goals:</b> Provide solutions to facilitate the transition towards a sustainable energy future</p>
<p><b>Our targets:</b></p> <ul style="list-style-type: none"> <li>• No fatalities</li> <li>• No serious incidents</li> <li>• No lost time incidents</li> </ul>	<p><b>Our targets:</b></p> <ul style="list-style-type: none"> <li>• Compliance with labour practices and human rights</li> <li>• Active development programmes in all parts of the organisation</li> <li>• Offshore: Increase female workers from 5% in 2020 to 7.5% by 2023</li> <li>• Onshore: Increase female share of three highest management levels from 19% in 2020 to 30% by 2023</li> </ul>	<p><b>Our targets:</b></p> <ul style="list-style-type: none"> <li>• 100% of employees receive training in anti-corruption</li> <li>• 100% of all reported incidents will be followed up</li> <li>• 100% of all suppliers assessed/signed code of conduct</li> </ul>	<p><b>Our targets:</b></p> <ul style="list-style-type: none"> <li>• Reduce GHG emissions from operations per active vessel month by 20% by 2030</li> <li>• Optimise fleet planning to reduce transits</li> <li>• Promote industry partnerships for sustainable technology development and operational efficiencies</li> <li>• Responsible use, repair and recycling of vessels and equipment</li> </ul>	<p><b>Our targets:</b></p> <ul style="list-style-type: none"> <li>• Increase client dialogues to identify CCUS monitoring needs/priorities</li> <li>• Participation in academic/industry fora to promote CCUS and explore new technical solutions</li> <li>• Develop new in-house fit-for-purpose acquisition solutions for renewable energy production</li> </ul>

## Social

### Safe operations and a healthy working environment

The people of Shearwater make up who we are. A highly skilled and motivated workforce executing their jobs in a safe and efficient manner is essential to the company's success, strategy execution and continued growth. Safeguarding our people and our partners is part of our "license to operate" and a prerequisite for providing decent working conditions in support of SDG number 8.

We believe in a shared working culture with everyone promoting the same five behaviours as represented in our 'focus' employee engagement program.

#### Safe – Focus on zero incidents

Safe behavior in this industry is paramount. Shearwater employees are encouraged to familiarise themselves with our safety tools and the use of our management system for incident reporting. We have found a direct correlation between an increase in safety interventions and a decrease in incidents. This motivates our management team to keep 'safe' as our No. 1 priority and to promote it as top of the list of our focus culture.



### “Zero loss, zero harm and zero rework”

Our industry has always placed an overriding importance on health and safety. At Shearwater, we acknowledge the duty of care that we hold for the health and safety of our employees and contractors. We demand safe behaviour from all our stakeholders and encourage it as both a personal and professional value. Our managers maintain a personal commitment for upholding the QHSE culture of Shearwater and are accountable for its safety performance. We hold the firm conviction that all uncontrolled incidents are preventable and aspire to zero injuries.

Shearwater's QHSE Management System is fully compliant with ISM and ISO 9001, and is aligned with IOGP<sup>1</sup> guidelines, ISO 14001 and ISO 45001 standards. We have implemented best-in-class Integrated Management System software to actively facilitate and transparently communicate QHSE compliance. The system's architecture is based on the ISO model, and the software is widely used in other hazardous industries where compliance to safe working practices is paramount.

Our fleet of modern seismic vessels provide inherently safe working environments for their crews, with proven seaworthiness and spacious back-deck layouts. Their well-tested but seldom-used redundant propulsion systems allow any one of them to be confidently deployed in extreme environments, or in and around existing oilfield infrastructure. The technical capabilities of our vessels provide a cornerstone for safe and efficient surveys.

<sup>1</sup> The International Association of Oil & Gas Producers



**SHEARWATER**

Annual Report 2020

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Shearwater promotes the use of proactive, leading indicators that are specifically configured to reflect the level of QHSE effort from the workforce. Calculation and publication of such indicators are used, for example, to actively monitor trends in the safety culture of each crew over the duration of a project, or between two vessels. Continually improving upon the performance of these indicators drives our ongoing effort towards our goal of zero loss, zero harm and zero rework.



**ZERO HARM**  
think safety



**ZERO LOSS**  
infinite gain



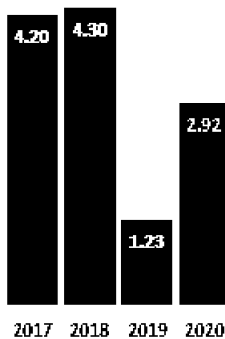
**ZERO REWORK**  
right first time

**HSE Performance**

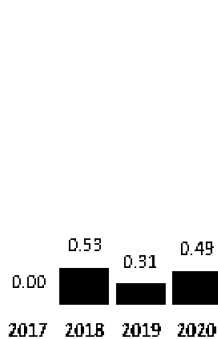
**Safety onboard**

In 2020, the COVID-19 pandemic and fleet expansion influenced our safety performance negatively. Visa prohibitions in many countries prevented familiar crews from returning to their vessels. Extended onboard stays generated fatigue, which is a recognised underlying precondition for hazardous activities, if not identified in a timely manner. This resulted in a year-over-year increase in Total Recordable Incidents Rate (TRIR). Most incidents were minor and related to inappropriate use of personal protective equipment (PPE) or poor situational awareness. The company recorded two lost workday cases which resulted in [•] days off work.

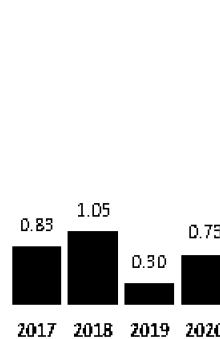
**TRIR**



**LTIR**



**HiPo**





During 2020, Shearwater conducted several quarterly campaigns to build internal awareness around key health and safety issues. Quarterly safety campaigns included lifesaving rules; slips, trips and falls; crane operations; load securing. Quarterly health campaigns included nutritional health; workplace hygiene; body mechanics; smoking cessation.

In 2020 we recorded 0.92% sick leave, distributed between 0.85% offshore and 0.98% onshore, down from 1.13% in 2019, with 1.29% offshore and 0.97% onshore.

### COVID-19 response

Responding to COVID-19 demanded the full attention, engagement and creativity from Shearwater Management, and crews and employees have demonstrated high levels of compliance, patience and forbearance.

Reacting proactively to safeguard people and assets, Shearwater initiated pre-travel screening from February 2020 and introduced antibody testing offshore by April. By year-end, our Clinical Nurse Advisor had screened some 5,200 pre-travel questionnaires and followed up with 260 travellers who had declared symptoms or expressed concerns. 26 travellers were prevented from embarking on their journeys. Over 2,000 antibody and antigen lateral-flow tests were administered by our offshore medics during the year. These were in addition to government-mandated PCR tests either prior to departure or upon arrival in-country, where they are typically used at either side of a quarantine period.

Shearwater participated in weekly updates hosted by IAGC<sup>2</sup> along with other seismic contractors, discussing the latest developments and sharing best practice in collegiate spirit. Shearwater published its COVID Life-Saving Rules in May, which was shared with the forum. The IAGC updates have continued every two weeks in 2021.

Throughout most of 2020, the regional offices followed national guidelines and were closed to all but critical staff. Working from home and the widespread adoption of digital meetings became standard.

Shearwater's offshore crews deserve extra recognition for their professionalism when adapting to constantly changing restrictions, undertaking double or triple rotations when there were no flights, and for their patience during enforced quarantine periods.

Shearwater acknowledges that multiple quarantines may potentially impact a person's health and mental status. The company developed a Wellbeing App for our offshore employees, providing access to online professional support during their quarantine stays. As we have gained more experience into 2021, further support has been implemented. This includes a survey for the offshore staff to better understand how the pandemic has impacted their work-life balance. The ones most affected have received individual follow-up.

### Occupational health onboard

Marine seismic data providers are often among the first E&P contractors called upon to contribute to the development of a new offshore basin and Shearwaters' vessels frequently operate in extremely remote areas of the globe. Sparse infrastructure and long travel times to the nearest hospital require extensive planning and preparation of medical support and crew care for each project. All our vessels operate with between one and three onboard medics (nurses or doctors), depending upon the project risk assessment. Shearwater uses UnitedHealthcare Global as its provider of healthcare professionals, topside medical support and medical inventories for each project, often including fast-link telemedicine capabilities.

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<sup>2</sup> International Association of Geophysical Contractors

## SHEARWATER

Annual Report 2020

In 2020, our offshore crews sought 867 clinical consultations, equivalent to 293 days worked offshore per worker per consultation. The vast majority of these were non-interventional consultations. Of the remaining consultations, most were for treating minor ailments such as non-work-related colds or infections, and occasional work-related recordable injuries. GDPR-compliant patient confidentiality is ensured throughout all consultations.

For most of their time onboard, medical professionals focus on training our crews in first-aid awareness, stretcher and medevac procedures (photo) and holding classroom sessions on specific health topics such as nutrition; workplace hygiene; body mechanics and smoking cessation.



### Critical incident risk management

Shearwater maintains a comprehensive set of Emergency Response documentation from the task level, through to project level and ultimately corporate level. Potential hazards are systematically identified as soon as any new task or project is undertaken. After peer and subject matter expert (SME) reviews, risk management documentation is published in our document management system, where version control is added to ensure the latest update is always in use.

Written procedures require real world testing and implementation through regular drills to ensure that all involved are familiar with their roles. During 2020, 1,405 drills were enacted onboard our vessels, including SOLAS-mandated drills, and MARPOL, ISPS and seismic-specific exercises. Additionally, 34 ship-to-shore drills were carried out during the year, varying in complexity from table-top exercises to testing complete medevac procedures.

## People and society

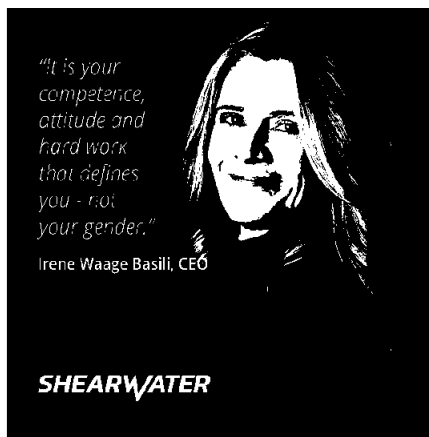
A competent and motivated organisation working towards the same goals is vital to Shearwater's long-term success. The company's mission is to encourage our staff to grow personally and professionally as experts in their field.

We had planned to increase headcount through 2020, scaling up the organisation alongside to serve an expected increase in the active fleet extending the development seen through 2019, which led to an over 30% growth in the number of employees from 2018.

However, the COVID-19 pandemic and its impact on business activity forced us to instead adjust the total organisation to reduced activity levels. Shearwater made an early strategic decision to maintain and develop its core workforce of own employees to maintain valuable competence and the ability to scale up again of as soon as market activity rebound. These actions support the SDG number 8 by providing job security by keeping a stable workforce independent of contracts.

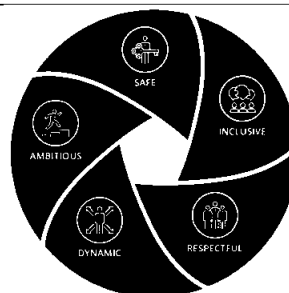
The adjustments therefore focused on reducing the number of offshore contractors in accordance with our flexible crewing model, a reduction to temporary employees onshore, and voluntary and temporary measures where applicable, as well as a re-organisation of resources to gain efficiencies.

Throughout 2020, we recorded 42 employees leaving the company involuntary, of which 37 were redundancies. At year-end Shearwater had 805 permanent employees, up from 708 at year-end 2019.



### Inclusive – Focus on working together

At Shearwater we are very well aware of our place in the geophysical contractor market and our ability to compete successfully and how to increase our impact every day. We have an acute understanding that our people are central to the delivery of our strategy. Having an inclusive culture, we encourage open communication of our ambitions through one-to-one and team discussions with whole-Company Town Hall Meetings where we invite everyone to contribute



Our focus on working together proved important in 2020 as virtual connections and remote meetings became the "new normal". As we continue to navigate the impact of COVID-19 in 2021, we maintain our focus on building a culture of belonging and helping employees connect and find new ways to prioritise inclusion amid extensive use of home offices and remote working solutions.

### Diversity and equality

Diversity and inclusion are fundamental to our values and an integral part of our Board of Directors' and executive management's expectations. We fully acknowledge that our people are central to the execution and delivery of our strategy.

We are an equal opportunity employer which respects diversity and considers it a strength and a driver for long-term value-creation and part of our ambition to support Sustainable Development Goal number 5 (Gender

Equality). Diverse backgrounds and experiences promote innovation and better business decisions, enabling us to respond with agility to fluctuating and complex markets and environments.

Discrimination of any kind is not tolerated, including discrimination based on ethnicity, colour, gender, age, disability, marital status, sexual orientation, religion, political or other opinion, national or social origin, or other status. Our goal is to have an including working environment that is free from all discrimination and harassment, facilitating and ensuring personal development. We give our co-workers the opportunity to use their skills and qualifications to contribute to the value of Shearwater and to their personal growth.

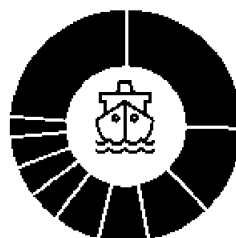
At Shearwater, we consider nationality and cultural background as important diversity factors and believe that an international workforce offers a wider pool of ideas and lifestyles which again supports innovations. Our global workforce represents a total of 74 nationalities, 41 onshore and 62 offshore.

### Onshore



- British
- Norwegian
- Malaysia
- American
- Indian
- Polish
- Other

### Offshore



- Filipino
- British
- Indian
- Polish
- Russian
- Ukraine

### Gender Balance in Shearwater

Shearwater operates in a male dominated industry. According to IMO<sup>3</sup>, women represent only 2% percent of the world's 1.2 million seafarers, of which 94% work in the cruise industry.

Shearwater aims to contribute to a more gender-diverse industry and is working towards balancing the gender composition across the company.

Our offshore female work population increased from 4% in 2019 to 5% in 2020. Shearwater believes that improving the gender balance could present large source of untapped talent. The gender split among total employees was 16% female and 84% male at year-end 2020, unchanged from 2019.

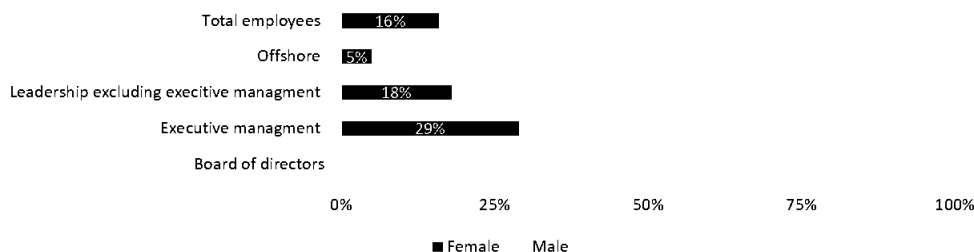
Women held 29% of executive management positions and 18% of leadership positions in the two next organisation levels. In sum, female representation in the three highest management levels was 19% in 2020.

<sup>3</sup> International Maritime Organization



**SHEARWATER**

Annual Report 2020



During 2020, Shearwater employed 5 part time workers, where 80% were female, and 10 temporary workers, where 30% were female. For the population of employees taking out parental leave in 2020, 35% were female. On average, the males were on leave for 5.6 weeks, where women had an average of 32 weeks.

The COVID-19 pandemic and a related recruitment freeze during most of 2020 impacted our work to increase the overall share of female employees. Shearwater has an ambition of improving female representation across all levels the organisation and has established specific targets for improved gender equality:

- Increase to 7.5% female offshore workforce by 2023
- Increase to 30% female representation in the three highest management levels by 2026

Throughout 2021, we will target launching initiatives contributing to these targets both within Shearwater and the industry as a whole. We will engage our female colleagues to actively attract more women to the industry. This includes establishing a professional and social network for our female employees. We are also increasing focus on developing and training as well as encouraging women to take more senior positions in the company to improve the gender balance on all levels in the company.

## Human and labour rights

Shearwater openly supports the United Nations Universal Declaration of Human Rights, the United Nations Global Compact, the UK Modern Slavery Act 2015 and the standards advocated by the International Labour Organisation. We comply with the above legislation and principles and adopt them in our agreements with our suppliers.

We seek to ensure that all our activities worldwide are conducted in accordance with basic human rights. We do not directly or indirectly accept forced, compulsory or physically abusive labour. We support the abolition of child labour. We treat our employees equally, regardless of sex, race, colour, national origin, religion or other protected status.

Shearwater further respects the employees' right to be represented and part of collective bargaining agreement as provided by the applicable laws, to secure that all are receiving acceptable wages and insurance for their area of residence.

For the offshore population we have implemented a wage scale for each position level to secure equal pay for equal job and competence. All vessels hold certificates confirming they are being operated in accordance with the Maritime Labour Convention (MLC 2006), and each vessel has a signed special agreement with the International Transport Worker's Federation (ITF) who regulates the conditions of employment for seafarers

In 2021, we have initiated a job grading project to ensure all employees receive equal remuneration for similar roles and responsibilities.

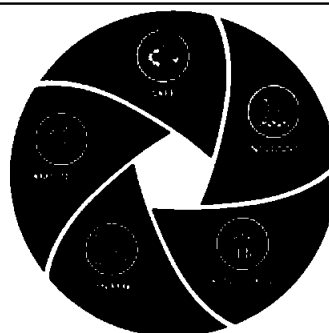
## Training and development

Shearwater recognises that training is an investment to drive our company forward. Learning and development motivates our employees and stimulates employee ambition. We firmly believe that training and development increase productivity and efficiency and secure safe operations.

Shearwater has adopted a systematic approach to ensure organisational stability, ensuring that we have the right people with the right skills in the right place by providing training and development, and thereby offering meaningful and inclusive jobs.

### Ambitious – Focus on being the best

Ambition is encouraged for individuals in pursuit of career progression. It is recognized by all employees that in Shearwater ambition is the achievement of personal goals to deliver for the business first. Persistent success leads to an expectation on managers to ensure both recognition and progression. Ambition is in Shearwater's DNA as a system of progressive goals to become the obvious choice in the world of oil & gas exploration.



We have a distinct competitive advantage gained by the successful integration of legacy seismic technologies and experienced people. We recognise the effort, performance and loyalty of our employees and endeavour to continue attracting talented new individuals to join Shearwater. Many of our employees have "critical knowledge", and we strive to recognise, appreciate and further develop our experienced staff and use their competence to train the next generation joining the industry.

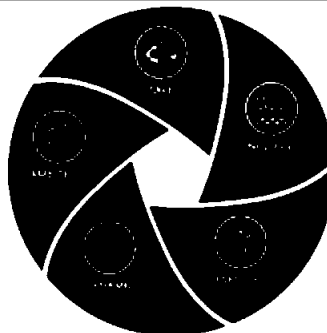
In 2020, a Training Manager was appointed, and in 2021 a new Shearwater Training platform is being developed and implemented. The LMS platform (SWTrain) shall be available to all Shearwater employees and hosts both individual learning plans as well as company-wide training requirements. We also plan to open this up to contractors in the next deployment phase.

We are continuing to develop a Shearwater Training Standard. An effective training program is based on identifying skills, knowledge and competencies required by the organization to deliver on our long-term strategic plan. Learning and improving technical and soft skills is a continuous process and important for all employees.

The Shearwater Performance Appraisal process and succession planning was further developed to recognise, discuss, capture and reflect on performance feedback from employees and management and defining our potential successors and high performing employees. The employee performance appraisal includes dedicated training related questions and feedback that work to identify employee training needs and requests, as well as helping guide the company to determine current and future training resources.

**Respectful – Focus on successful relationships**

Being straight-forward with people goes a long way in clearly communicating information, directing activities and avoiding errors. We expect everyone to ask for support when they need it. Training and development are not only directed by management, but also identified by our employees. The competency frameworks we have in place have been created by our own highly competent people. We structure our success.



Technology is creating new and more flexible alternatives for training and development. It is also shaping the way our employees learn. We welcome the modern world of mobile devices and multi-media learning; supplied on tap, where and when the employee needs it. Where appropriate to do so, Shearwater shall continue to promote the change from expensive classroom training to smaller bite-size digital learning content.

Organic growth is important for Shearwater going forward and we remain committed to primarily “promote from within” and enabling the further development and growth of our employees.



## Governance

### Ethical business conduct

Shearwater recognises that strong governance and risk management structures are fundamental to commercial success and long-term value creation for employees, owners and other stakeholders. Sustainable governance requires good and healthy business practices, compliance with legislation and regulations, supported by transparent and reliable reporting and communication. We strive to provide our employees with appropriate training and reporting channels and aim to follow up all reported incidents in an appropriate manner.

### Code of conduct

Shearwater is committed to promoting transparency, accountability and ethical behaviour in all aspects of our business. We obey the laws and regulations of the jurisdictions in which we operate. We recognise that our global scale exposes us to activities in nations and regions with underdeveloped frameworks of human rights and corruption.

All employees are required to behave ethically, with integrity and to disclose any conflicts of interest as soon as they become apparent, whether they are internal or external, personal or organisational. Our activities generate local revenue in terms of salaries and tax income, factors supporting the SDG number 8 on decent work and economic growth.

Shearwater has developed a Code of Conduct which provides basic principles for behaviour and business practice expected by everybody who works for and on behalf of Shearwater, including agents and other third parties. It describes Shearwater's main principles on issues such as human and labour rights, health and safety, business ethics, legal compliance and other relevant issues related to the company's operations. The Code of Conduct is available on the company web page, company intranet, posted on company notice boards and part of the induction for new hires. It is further a general attachment to any material contract Shearwater enters into with any third party.

In 2020, Shearwater started to develop an online training tool that will provide training on numerous topics, including Shearwater policies. This is expected completed in 2021 and will be mandatory for everybody working for Shearwater.

### Whistleblowing

Shearwater encourages a free and open culture and recognises that effective and honest communication is essential for our success. The company's whistleblowing policy is designed to provide guidance to all those who work with or within Shearwater to raise concern related to Shearwater's operations. This could be practices or events conflicting with legal framework, the Shearwater Code of Conduct or other Shearwater policies.

Co-workers who wish to raise or discuss any issues of critical conditions can either contact the HR Department in full confidence, or alternatively make a disclosure at [compliance@shearwatergeo.com](mailto:compliance@shearwatergeo.com). In addition, Shearwater plans to introduce a confidential reporting tool from a third-party provider in 2021 so that any critical conditions can be raised anonymously.

Any employee or individual making such a disclosure is protected from detrimental treatment by Shearwater or any of its representatives. During 2020 Shearwater received one whistleblower report regarding a breach of our Code of Conduct. The incident was quickly resolved.

### Anti-bribery and corruption

Shearwater opposes all forms of corruption and works actively to ensure that it does not exist in our company. Corruption undermines legitimate business and involves distortion of competition, is detrimental to business reputation and exposes Shearwater and individuals to risk.



## **SHEARWATER**

Annual Report 2020

As a Norwegian company, Shearwater is subject to the corruption provisions of the Norwegian Penal Code. Shearwater also adheres to the Foreign Corrupt Practices Act (FCPA), the UK Bribery Act and other applicable international anti-corruption laws. Shearwater closely monitors our corruption risk and pays strict attention to operations in countries that are particularly risky. In 2020, we had no port calls to countries with the 20 lowest rankings in Transparency International's Corruption Perception index. However, we had a net revenue of USD 89,600 from processing work related to a previous survey in Equatorial Guinea.

Facilitation payments are payments made to expedite or secure the performance of a routine or necessary action to which the payer has a legal or other entitlement. Such payments are most often small but can also be substantial. We recorded zero facilitation payments and had no fines or no-monetary sanctions in 2020.

Shearwater's Anti-Corruption Guidelines supplement other compliance procedures, including the Code of Conduct and provides further details on Shearwater's commitment to combat corruption. Through Shearwater's online training tool, Shearwater will seek to provide annual training as a minimum on anti-bribery and corruption. Our target is that all of our employees shall undergo relevant anti-corruption training.

### **Enterprise risk management**

Shearwater has an established policy for Enterprise Risk Management which describes related processes, responsibilities and the reporting structure. Risks are identified and categorised in five main categories; Strategic and ESG, Operational, HSE, Compliance and Financial risks, and all risks identified are evaluated based on their severity and probability.

The management performs periodic reviews of corporate risks identified by the organisation which is reported to the Board on a semi-annual basis. The risk reporting ensures management and Board dedication to initiatives introduced to reduce risks and it provides the organisation with a reporting tool to increase attention to risks, initiate measures and monitor the development of risks.

New contracts, entry into new countries and engaging with new clients, agents or cooperating partners are considered by a Corporate Risk Committee to identify risks and mitigation efforts before project start-up. The Corporate Risk Committee consist of representatives from various departments in the organisation to provide a broad experience-based risk assessment before decisions are made.

### **Supply chain management**

Shearwater manages its business in a trustful manner. All business associates are expected to have implemented ethical standards corresponding to those of Shearwater. Before making significant commitments or entering into major projects with new business associates, we ensure that we have sufficient information about such potential business associates to determine whether the business relationship may expose Shearwater to corruption or human rights issues. The closer the cooperation/relationship, the more important it is for Shearwater to have detailed information of the business associate. Thus, it may be required to perform a due diligence investigation of potential business associates including the evaluation of any reputation risks. For critical suppliers like shipping agents or commercial agents, Shearwater always performs screenings through either Dow Jones or Trace prior to any engagement and requires the agent to fill out a comprehensive due diligence checklist.

During 2020 we implemented new procedures for onboarding, supplier management, and support and guard vessel tendering and selection to improve supplier compliance and the effective management of our suppliers. We require all our suppliers to acknowledge that they have read Shearwater's policies, including the Code of Conduct.



## **SHEARWATER**

Annual Report 2020

### **Corporate Governance**

As a Norwegian private limited company, Shearwater must comply with the Norwegian Private Limited Liability Companies Act and all other applicable laws and regulations. Shearwater endorses the Norwegian Code of Practice for Corporate Governance which is reflected in the company's corporate governance policy.

The policy is designed to establish a basis for good corporate governance to support achievement of the company's core objectives on behalf of its shareholders including sustainable profitability. The way Shearwater is governed is vital to the development of its value over time.

Shearwater believes that good corporate governance involves openness and trustful cooperation between all parties involved in the Group: the shareholders, the board of directors and executive management, employees, customers, suppliers, public authorities and the society at large.

## Environment

### Protecting the environment via scale and efficiency

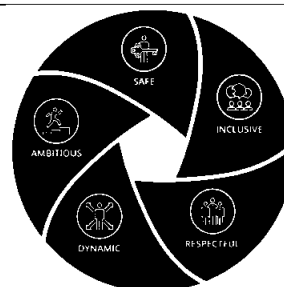
As the owner of the world's largest fleet of high-end seismic vessels with operations in all major offshore basins of the world, we acknowledge our environmental responsibilities and are committed to minimising the negative impact of our activities. We are a technology leader within the marine seismic industry and several of our solutions contribute to directly reducing our and indirectly our partners' greenhouse gas (GHG) emissions and impact of our operations on life below sea. These factors are aligned to our contribution towards SDGs number 12 and 14.

We require all vessels to continuously seek for operational improvements to prevent pollution, minimise other negative external impact and comply with relevant laws and regulatory requirements in the countries of operation. Our ambition goes beyond compliance with regulatory requirements and industry guidelines. Our main environmental impacts are related to air emissions from vessel operations, noise emissions from execution of seismic surveys and potential spills to the sea.

We are committed to investing in technology development, leveraging our strong in-house competencies, over the industry cycles, often in direct partnership with our customers. New solutions for data acquisition, procession and imaging benefit us our partners and the environment. Our ability to respond to changing industry needs is one of our competitive advantages and drivers for long-term value creation. This is also reflected in our common corporate culture.

#### Dynamic – Focus on striving ahead

In our business we understand the need to adapt quickly to changing market conditions or variations in client requirements. We often refer to this as being 'nimble'. Many of our industry peers find quick reactions harder to achieve. This gives us a clear competitive advantage. For this reason, it is easy for us to recognise how dynamic we are and how important this is to winning market share.



### Air emissions and fuel consumption

The main environmental impact from marine operations is related to GHG emissions to air, measured in units of Carbon Dioxide equivalent (CO<sub>2</sub>e). CO<sub>2</sub>e is made up from carbon dioxide itself (CO<sub>2</sub>), Nitrous Oxide (N<sub>2</sub>O) and methane (CH<sub>4</sub>) amongst others. Other emissions are monitored, such as nitrogen oxides (NO<sub>x</sub>) and sulphur oxides (SO<sub>x</sub>). Direct (Scope 1) emissions arise from combustion of marine fuels by the vessels' main engines and generators. Indirect (Scope 3) emissions recognise the carbon footprint associated with the original extraction of crude, transport to the refinery, refining and distribution to bunker hubs, all before combustion<sup>4</sup>.

<sup>4</sup> Scope 1 CO<sub>2</sub>e emissions reflect the direct combustion of fuel by our seismic and support vessels.

Scope 2 CO<sub>2</sub>e emissions (Purchased energy) are made up of the electricity consumed by our offices around the world.



## SHEARWATER

Annual Report 2020

Shearwater continues to focus on operational and technological initiatives to reduce fuel consumption as the primary measure to minimise GHG emissions.

Shearwater focuses on measuring GHG emissions relative to activity levels as this better reflects our operational eco efficiency performance than our absolute emission levels which are largely related to the general activity level in the industry. Emissions measured by normalised CMP<sup>5</sup> kilometres amounted to 67 kg CO<sub>2</sub>e per CMP KM, down from 73 in 2019, while GHG emissions per active vessel month was 4.0 tons of CO<sub>2</sub>e (3.6). We have set a target to reduce our emission per active vessel month by 20% compared to our 2020 level by 2030. IAGC is working towards a standardised measure of relative GHG emissions and Shearwater actively engage in this work to establish a common standard to increase focus and promote further emission reduction in the industry.

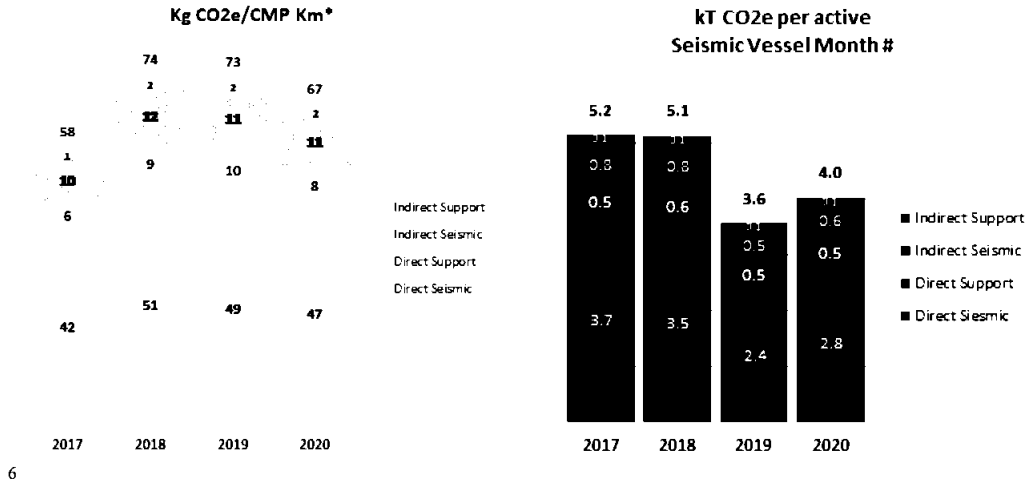
	2017	2018	2019	2020
<b>Nox (kT)</b>	<b>1.97</b>	<b>2.32</b>	<b>3.76</b>	<b>4.76</b>
<b>Sox (kT)</b>	<b>1.73</b>	<b>1.95</b>	<b>1.35</b>	<b>0.22</b>

CO <sub>2</sub> e (kT)	2017	2018	2019	2020
<b>Direct Emissions (Scope 1)</b>	<b>122</b>	<b>150</b>	<b>267</b>	<b>351</b>
Seismic Vessels	107	127	219	299
Support Vessels	15	23	48	52
Office & Warehouse sites	<0.1	<0.1	<0.1	<0.1
<b>Indirect Emissions (Scope 3)</b>	<b>27.7</b>	<b>34.3</b>	<b>60.9</b>	<b>82.7</b>
WTT Fuel <sup>2</sup>	27.7	34.3	60.9	79.9
Electricity at Office & Warehouse sites	Not measured or located in different Offices			2.8
<b>Other Emissions (Scope 2)</b>	NA	NA	7.5	6.1
Business Travel including Crew Changes	Not measured and different Travel Agent (before ATP)		7.5	6.1
Active Seismic Vessel Months	29	36	92	107
<b>Sum</b>	<b>149.4</b>	<b>184.3</b>	<b>335.4</b>	<b>439.8</b>

Scope 3 CO<sub>2</sub>e emissions are calculated using DEFRA formula and include categories relating to Business Air Travel and "Fuel and Energy related activities". This second category is also known as "well-to-tank" and is designed to recognise the carbon footprint for the original extraction of crude, transport to the refinery, refining, and distribution to bunker hubs, all before combustion.

For further information about the definition of Scope 3 emissions, we refer to the Greenhouse Gas Protocol, Corporate Value Chain (Scope 3) Standard. <https://ghgprotocol.org/standards/scope-3-standard>

<sup>5</sup> Common midpoint (CMP) is defined as the point on the surface halfway between the source and receiver.



6

<sup>6</sup> Emissions here are CO2e and include the direct scope 1 emissions in beige (i.e. combustion from both seismic and support vessels) plus indirect scope 3 emissions in blue (i.e. the carbon footprint of the fuel itself, before combustion). This is also known as “Well-to-Tank” which captures all upstream emissions from original extraction of crude, through refining, transportation and delivery.

**\* Boundaries – CO2e/CMP km**

This graph does not include seabed projects because CMP Kms are calculated by another method.

This graph does not include emissions from transits where CMP's are not gathered.

This graph does include the support fleet on site.

# The graph above illustrates the effect of normalising emissions by dividing them by active seismic vessel months.

Active vessels months include on prospect and steaming. They exclude stacked vessels and yard stays. Emissions from the Support fleet are included when a seismic vessel is active.

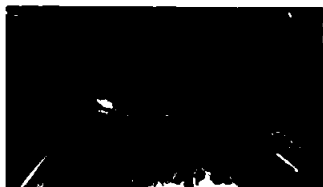
**Boundaries – CO2e/active vessel month**

This graph includes seabed projects and steaming.

This graph includes emissions from the support fleet during active seismic vessel periods.

This graph excludes vessel periods when stacked and during yard stays.

**Emissions Reduction Project: Barnacle scraping to minimise equipment drag through the sea**



During most seismic acquisition projects offshore tropical waters, our in-sea equipment is slowly but surely colonised by barnacles that would continue to grow unchecked, if not dealt with. Barnacle growth increases drag from the equipment as it is towed through the water, which increases fuel consumption and therefore emissions. Shearwater has followed a “Barnacle Management Plan” during its tropical projects for many years, thus minimising unnecessary emissions, along with the likelihood of losing equipment to sea from exceeding maximum tension limits.

Streamer-cleaning is carried out by a small boat crew using our purpose-built workboats. This is carried out without the need to recover the streamers to the vessel but by simply bringing them to the surface during line-changes when safe access is possible.

**Vessel operations and technology in use**

Shearwater operates one of the industry’s most modern seismic fleets. In January 2020, seven additional vessels joined the fleet, increasing it to 23 vessels. Our fleet size provides diversity, scale and flexibility to minimise long vessel transits between projects and improve planning of vessel location against demand. This reduces emissions tied to long inter-regional transits.

By having full ownership and control of all our vessels we ensure quality throughout all operations. By focusing on our core business of marine contract seismic, we avoid implicit waste from utilisation driven multi-client surveys.

All our vessels are equipped with an intelligent Power Management System which controls the engines and generators based on set load limits to optimise operations and minimise consumption, running hours and emissions. Shearwater has a Ship Energy Efficiency Management Plan (SEEMP) in place, in compliance with IMO Guideline of MEPC 59/24 Annex 19. All vessels in the fleet have an approved IMO SEEMP Part II Ship Fuel Oil Collection Plan as stated in MARPOL Annex VI, Reg. 5.4.5. By application of the Quality Management System, Shearwater continuously improves practices and equipment reliability, thereby reducing re-work and infill.

Over the years Shearwater has developed technologies to improve vessel and survey efficiencies and incorporated these in operations to minimize footprint. During the Engagement OBS survey in the US Gulf of Mexico, Shearwater deployed for the first time our 3x3 Wide, a triple source, triple sub-array wide tow configuration that enabled us to perform the survey using two source vessels instead of three while maintaining the survey requirements.

**Monowing:** This is deflector technology used on several Shearwater vessels. Towed streamer seismic operations use deflectors to maintain crossline separation in their seismic spreads, which are towed in the water behind the vessel. The Monowing (a proprietary Shearwater design) is a large, highly efficient, controllable single hydrofoil wing, which is towed vertically at the depth of the streamer system.

The Monowing produces substantially less drag through the water compared to other deflector systems. This reduces the overall required towing-force from the vessels and thereby fuel consumption and emissions. Shearwater vessels employing the Monowing technology are typically 20-25% more fuel-efficient than comparable units and therefore emitting 20-25% less GHG than other vane technology for an equivalent spread.



## **SHEARWATER**

Annual Report 2020

**Sulphur emissions:** Shearwater has made a principal decision to use MGO (Marine Gas Oil) clean fuel on all its vessels in accordance with the new IMO regulations which came into effect in January 2020. We will not install scrubbers or continue to use HFO (Heavy Fuel Oil) on the vessels in the fleet with this capability. Using only MGO is considered a more environmentally robust alternative than opting for the open or closed scrubber technology and continued HFO fuel use, irrespective of potential monetary savings possible with continued use of HFO fuel. 2020 was the second consecutive year with the full fleet using only MGO.

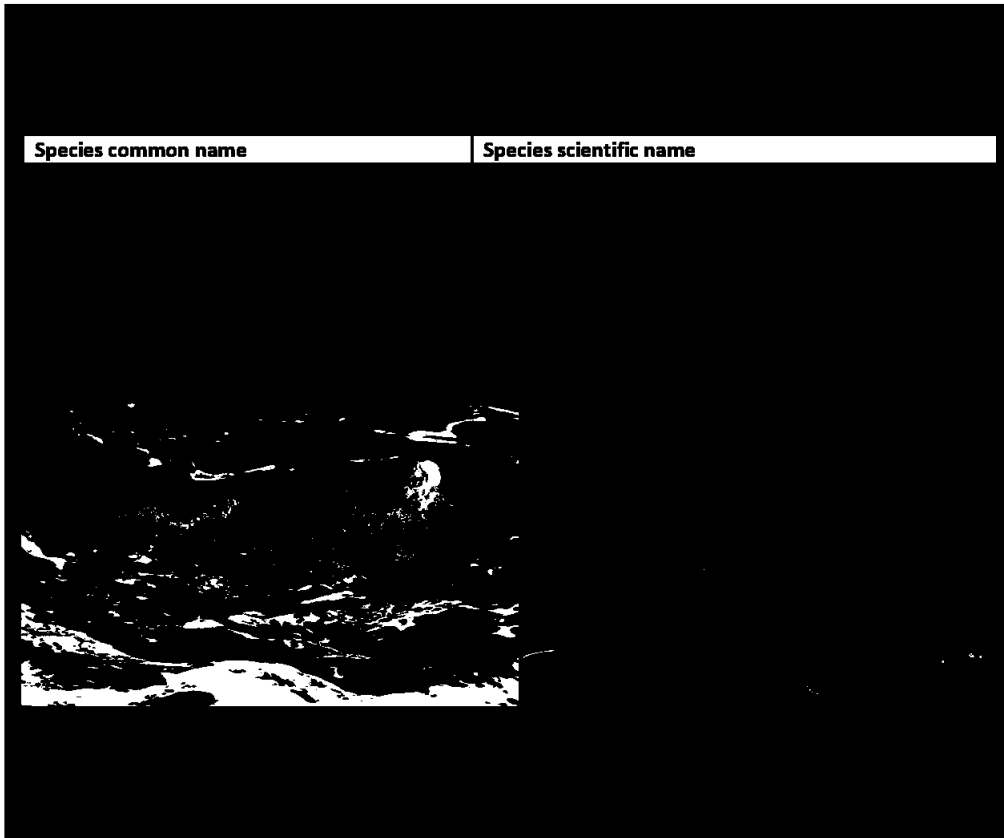
### **Noise emissions**

The potential environmental impact of noise emitted by marine seismic energy sources during seismic operations has been subject to considerable focus in recent years. The industry has been challenged on the potential impact of sound source arrays on marine life. Shearwater is working proactively with industry associations and various regulatory authorities to increase focus on scientific analysis of the impact of noise emissions. In parallel, we continue to invest and promote environmentally friendly technologies which reduce any potential impact to marine life from its operations.

Shearwater complies with the frameworks and mitigation measures prescribed by regulatory bodies such as the US Minerals Management Service (MMS), the UK's Joint Nature Conservation Committee, the Australian Government Department of Environment and Heritage, and the Canada-Nova Scotia Offshore Petroleum Board.

Marine Mammal Observers (MMO's) and Passive Acoustic Monitoring (PAM) Operators are placed onboard our vessels to ensure everyone onboard is aware of the job-specific mitigation guidelines in place for the protection of marine mammals and turtles and to ensure these guidelines are adhered to. Guidelines differ around the world. In general, guidelines adopt a 500 meter mitigation zone around the vessel. If marine mammals or turtles are seen within this mitigation zone then the MMO/PAM operator can delay seismic acquisition before it starts and, in some waters, even halt the seismic operations after starting until the animals have moved away from the vessel. Such mitigation actions were taken during most acquisition projects in 2020, ranging from short pauses to shutdowns. Where possible, local individuals are trained and used for MMO, PAM roles, including for our 2020 offshore campaigns in Mauritania and Suriname.

Shearwater offers an integrated survey design service. Part of this service is to optimise the amplitude and bandwidth of acoustic energy put into the water column, based on modelling using existing data where available. This ensures that sound source array volumes meet geophysical objectives without being excessive. In areas where regulations prohibit certain survey geometries, we can propose alternative designs and technologies like eSource, which may unlock opportunities for better acquisition designs.



**Technology and innovation**

Shearwater has embedded environmental responsibility and efficiency within all its marine acquisition technology projects. New technology projects are aimed towards improving productivity and efficiency on acquisition surveys and lowering the overall environmental footprint in air and noise emissions. Our technology and innovation projects continued to make good progress through 2020, despite the challenges posted by COVID-19, creating new value in the areas of improved survey efficiency and lowering cost. Furthermore, environmental aspects are key elements in engineering design. As examples, the choice of materials, the possibility to re-use design and components, manufacturing processes, including disposal after shelf-life are important considerations in design of solutions.

**Project BASS:** Shearwater is developing a marine vibratory source technology in collaboration with Equinor and the Research Council of Norway. Marine vibratory energy sources, as compared to the commonly used pneumatic energy sources are non-impulsive and emit energy over a longer time. Vibratory sources also allow substantially improved control over the emitted acoustic energy into the water, and creative use of such control is estimated to enable several times higher productivity in marine seismic acquisition, resulting in faster surveys and reduced emissions. Furthermore, the non-impulsive mode of energy emission is expected to reduce the potential impact from seismic exploration on marine life.

The BASS technology is under development at the Shearwater Technology & Innovation Center in Oslo. Through 2020, significant engineering progress was with regards to projector design and development of control methods. A prototype of the BASS unit is under manufacturing for use in a lake test during 2021.



## **SHEARWATER**

Annual Report 2020

**Wider tows:** Shearwater continues to enable wider separations on both streamers and source spreads to acquire larger survey areas in one single vessel sail line. On the 2020 Amendment survey in the Gulf of Mexico, the campaign was originally designed for three source vessels with two sources on each vessel. We developed a unique solution with triple large and wide sources. This was implemented, improving overall survey efficiency by reducing the total count from three to two source vessels and enabling faster completion with lower risk.

### **Emissions to sea**

Shearwater is committed to preserving the health of the oceans. During day to day operations at sea, we may directly impact the marine environment through emissions and spills. Managing related risks, reducing our negative impact and using our competencies and capabilities to contribute to cleaner oceans are key focus areas going forward.

### **Ballast water**

Ballast water is essential to control trim, list, draught, stability, or stresses of a seismic vessel. However, ballast water may contain aquatic organisms or pathogens which, if introduced into the sea, may create hazards to the environment, human health, property or resources, impair biological diversity or interfere with other legitimate uses of such areas. Our ballast water plan is in accordance with the requirements of Regulation B-1 of the International Convention for the Control and Management of Ships' Ballast Water and Sediments, 2004 (the Convention) and the associated Guidelines. The purpose of the plan is to meet the requirements for the control and management of ship's ballast water and sediments in accordance with the Guidelines for Ballast Water Management and the Development of Ballast Water Management Plans resolution MEPC.127(53).

### **Spills to sea**

All our vessels have externally certified Shipboard Oil Pollution Emergency Plans (SOPEP) in place and perform oil spill drills based on a pre-defined regular schedule. Any spill incidents or near incidents are reported into the main reporting and remedial action database, SWIMS. This also includes Shearwater's volunteer initiative to report on any gear lost to the sea. During 2020, the vast majority of spills were confined by secondary containment onboard, however, two minor separate incidents during refuelling operations, resulted in a total of 18 litres of MGO being accidentally discharged to sea.

### **Ship recycling**

Shearwater is committed to responsible use, repair and recycling of vessels and equipment. We have adopted a Sustainable Ship Recycling Policy to ensure that we recycle our assets in an environmentally responsible manner. Shearwater will use international conventions and ship recycling facilities which comply with:

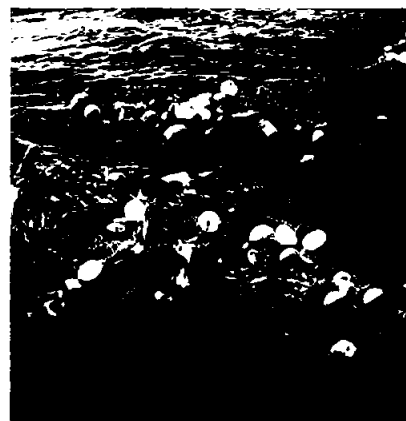
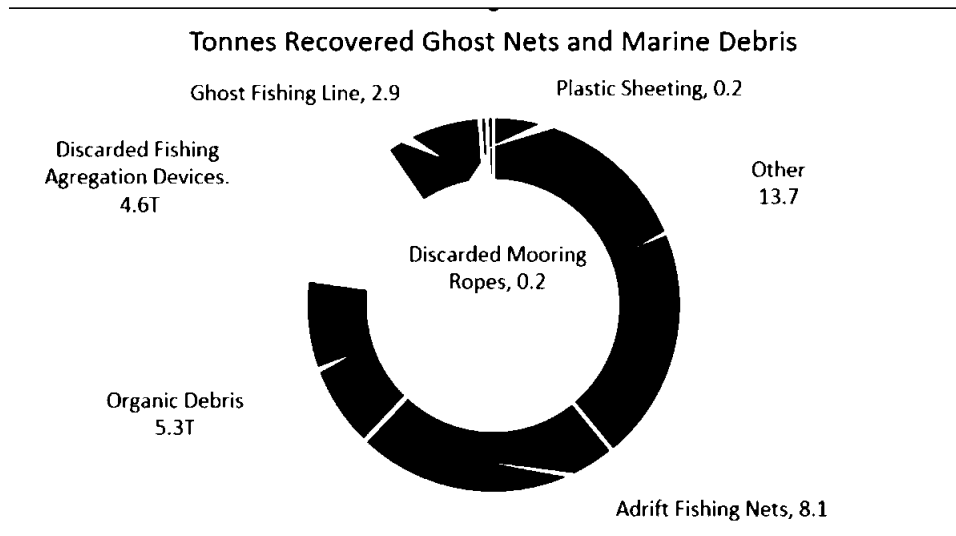
- (i) 2009 Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships
- (ii) EU Regulation (EC) No 1013/2006 and Regulation (EU) No 1257/2013 on ship recycling; and
- (iii) all local and national rules and regulations.

Shearwater sold one ship during 2020, the CGG Alize in October 2020, sold for repurposing to Karpower Shipyard as part of an electrical power station.

In February 2021, an agreement was reached with a Turkish recycling yard for the sale of Western Trident. The yard is compliant to EU and Hong Kong regulations. Since this time recycling certifications for Export of Waste have been obtained from the Norwegian authorities, prior to towing for delivery to the shipyard in June 2021.

**Ghost Net Initiative**

Shearwater has decided to use its fleet as a platform to contribute to reducing the amount of plastic in the world's ocean and participates in the IAGC's Ghost Net Initiative.<sup>7</sup> A total of 35 tonnes of assorted debris were safely recovered by our crews at sea in 2020. All vessels in our fleet, including our auxiliary support vessels support this industry-wide initiative. Recovered debris was processed onboard according to waste-handling procedures, segregated and finally put ashore for safe disposal. On occasions entangled wildlife was rescued as part our work to collect marine debris.



<sup>7</sup> <https://www.iagc.org/ghost-net-initiative.html>

## Appendix

### Taskforce for Climate-related Financial Disclosure (TCFD)

#### Governance

*Shearwater GeoServices' governance structures related to climate-related risks and opportunities*

The Board's oversight of climate-related risks and opportunities	The Board has the overall responsibility for aligning strategy and ESG considerations, including climate-related risks and opportunities.  Risks factors are reviewed regularly by the Board. Climate risks are considered as part of other types of risks i.e. market, operational and environmental risks and not discussed as a separate item.
The management's role in assessing and managing climate-related risks and opportunities	Operational risks, including potential climate related factors are reported monthly to management.  Shearwater has established an internal ESG committee consisting of eight representatives with a mandate to guide and support the company's work, anchor commitment and ensure high standards at both strategic and operational levels to support integration of ESG factors, including climate-change and -risks, and improve performance over time. The committee meets at least once a month and reports to the entire management group.

#### Strategy

*Actual and potential impacts of climate-related risks and opportunities related to Shearwater's strategy, business operations, and financial planning*

Climate-related risks and opportunities identified over the short, medium, and long term	See risks and opportunities table below
Identified climate-related risks and opportunities and impact on strategy, business operations and financial planning	Strategy, business plan and financial planning recognise that the current core market is expected enter a phase of long-term decline and the Group's ambition to transition to apply its operating platform, technology and competencies to support growth in emerging low-carbon markets.
Resilience of strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	No climate specific scenario analysis has been executed.



**SHEARWATER**

Annual Report 2020

**Risk Management**

*Identifying, assessing and managing climate-related risks*

Processes for identifying and assessing climate-related risks	Shearwater has not established any separate processes specifically aimed at identifying and assessing climate risk. Climate risk is considered integrated as part of other risk factors and part of the Group risk management framework described on page [•] in the annual report.
Processes for managing climate-related risks	See comment above
Integration with the overall risk management	See comment above

**Metrics and Targets**

*The metrics and targets used to assess and manage relevant climate-related risks and opportunities*

Key climate-related metrics	GHG emissions from operations are measured as kiloton CO2 equivalent (kT CO2e) per active vessel month and as kilo CO2e per CMP KM.
Disclosure of Scope 1, Scope 2, and Scope 3 greenhouse gas (GHG) emissions, and the related risks	GHG emissions is reported for 2020 on pages [•] (Scope 1 and 2).
Climate-specific targets	Reduce GHG emissions from operations per active vessel month by 20% by 2030



## Overview of Identified Climate-related Risks and Opportunities

Risk driver	Risk factor	Mitigation actions and opportunities
Physical (acute and chronic)	<ul style="list-style-type: none"> <li>• Disruption of operations</li> <li>• More extreme weather</li> <li>• Spills and emissions to the environment</li> </ul>	<ul style="list-style-type: none"> <li>• Emergency response systems that can handle more severe weather conditions</li> <li>• Continuous improvement of HSEQ and risk management systems</li> </ul>
Regulatory (policy and legal)	<ul style="list-style-type: none"> <li>• Increased costs and investment costs to meet new operational requirements</li> <li>• Increased cost of GHG emissions (e.g. carbon tax)</li> <li>• Access to capital (EU Taxonomy)</li> </ul>	<ul style="list-style-type: none"> <li>• Efficient operations</li> <li>• Measuring emissions and seeking new ways of minimising operational impact</li> <li>• Transparent ESG reporting and communication</li> </ul>
Market	<ul style="list-style-type: none"> <li>• Potential decline in demand for oil and gas after 2030</li> <li>• Reduced E&amp;P investments</li> <li>• Increased focus on renewable energy</li> </ul>	<ul style="list-style-type: none"> <li>• Focus on scale and efficiencies</li> <li>• Transforming business to include solutions for new low-carbon and energy transition markets of CCUS, offshore wind and marine mining</li> </ul>
Technology	<ul style="list-style-type: none"> <li>• New market requirements for low-emission vessels and equipment</li> </ul>	<ul style="list-style-type: none"> <li>• Introducing new more emission efficient solutions</li> <li>• Improve survey designs to increase efficiency and reduce emissions</li> </ul>
Reputation	<ul style="list-style-type: none"> <li>• Stigmatization of oil and gas sector and increased stakeholder concern</li> <li>• Access to skilled labour</li> <li>• Increased cost of capital</li> </ul>	<ul style="list-style-type: none"> <li>• Technology development to improve operations in existing markets</li> <li>• R&amp;D to support new business e.g. CCUS, offshore wind and marine mining</li> <li>• Transparency on external impacts and strengthening ESG management</li> </ul>

<https://www.tcfhub.org/recommendations/>



**SHEARWATER**

Annual Report 2020

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**GROUP FINANCIAL STATEMENT  
SHEARWATER GEOSERVICES  
HOLDING AS**

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**SHEARWATER**

Annual Report 2020

Group Financial Statement

**CONSOLIDATED INCOME  
STATEMENT**

THE SHEARWATER GEOSERVICES HOLDING AS GROUP

(In thousands of USD)	Note	2020	2019
<b>Operating revenue and other income</b>			
Marine acquisition	3	556,071	363,967
Processing and imaging	3	9,517	9,966
Other income	3	24,137	53,962
<b>Total revenue and other income</b>		<b>589,725</b>	<b>427,895</b>
<b>Operating expenses</b>			
Cost of sales	4, 5, 6	412,720	284,057
Depreciation	9, 10	127,696	98,149
Impairment	9	25,996	4,408
Sales, general and administration cost	6	17,642	14,444
Acquisition cost		1,827	6,577
Other losses (gains) net	7	1,288	-485
<b>Total operating expenses</b>		<b>587,170</b>	<b>407,150</b>
<b>Operating profit (EBIT)</b>		<b>2,555</b>	<b>20,745</b>
Financial income	7	378	610
Financial expenses	7	-50,447	-47,893
<b>Net financial items (+income/-expense)</b>		<b>-50,068</b>	<b>-47,283</b>
<b>Net income before taxes</b>		<b>-47,513</b>	<b>-26,538</b>
Taxes	8	1,167	2,139
<b>Net income (+profit/-loss)</b>		<b>-48,680</b>	<b>-28,676</b>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE  
INCOME**

Net income for the year	-48,680	-28,676	
Other comprehensive income	-50	-	
<b>Total comprehensive income for the year</b>	<b>-48,730</b>	<b>-28,676</b>	
<i>Earnings per share</i>	19	-0.93	-0.50
<i>Diluted earnings per share</i>	19	-0.93	-0.50



**SHEARWATER**

Annual Report 2020

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION THE SHEARWATER GEOSERVICES HOLDING AS GROUP

(In thousands of USD)	31 December		
	2020	2019	
<b>ASSETS</b>			
Goodwill	10	2,048	2,048
Intangible assets	10	22,217	25,038
Deferred tax asset	8	-	200
<b>Total intangible assets</b>		<b>24,265</b>	<b>27,286</b>
Vessel and marine equipment	9	873,931	677,729
Seismic equipment and other equipment	9	123,350	80,495
Right of use assets	9	8,770	7,957
Manufacturing equipment	9	3,599	4,938
<b>Total tangible assets</b>		<b>1,009,650</b>	<b>771,119</b>
Long-term receivables	15	36	619
<b>Total financial non-current assets</b>		<b>36</b>	<b>619</b>
<b>Total non-current assets</b>		<b>1,033,952</b>	<b>799,024</b>
Inventory and pre-payments	12	19,536	31,038
Trade receivables	3, 12	70,650	72,371
Other receivables	3, 12	16,129	38,157
Cash and cash equivalents	14, 16	95,332	70,506
<b>Total current assets</b>		<b>201,647</b>	<b>212,072</b>
<b>Total assets</b>		<b>1,235,599</b>	<b>1,011,097</b>



**SHEARWATER**

Annual Report 2020

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**THE SHEARWATER GEOSERVICES HOLDING AS GROUP**

(In thousands of USD)	Notes	31 December	
		2020	2019
<b>EQUITY AND LIABILITIES</b>			
Share capital	18	34,364	33,125
Share premium		132,869	83,977
Other paid in capital		392,980	392,980
Approved not registered capital increase		74,745	-
Own shares		-442	-442
Retained earnings		-126,221	-77,490
<b>Total equity</b>		<b>508,296</b>	<b>432,150</b>
Deferred tax liability	8	141	174
Long-term debt	11, 16	610,195	158,371
Other long-term liabilities	11, 15	8,574	6,604
<b>Total long-term liabilities</b>		<b>618,911</b>	<b>165,149</b>
Current portion of long-term debt	11, 13, 15, 16	54,621	356,558
Trade payables	16	31,425	34,674
Taxes payable	8	854	1,042
Other short-term liabilities	3, 13	21,493	21,525
<b>Total short-term liabilities</b>		<b>108,392</b>	<b>413,798</b>
<b>Total liabilities</b>		<b>727,303</b>	<b>578,947</b>
<b>Total equity and liabilities</b>		<b>1,235,599</b>	<b>1,011,097</b>

Robert Scott Hobbs  
Chairman of the Board

Bergen 15th June 2021

Einar Ytredal  
Board member

Trygve Lauvdal  
Board member

Vijay Babu Kasibhatla  
Board member

Lars Erik Larsson  
Board member

Stein Vidar Håland  
Board member

Irene Waage Basill  
Chief Executive Officer



## CONSOLIDATED CASH FLOW STATEMENT THE SHEARWATER GEOSERVICES HOLDING AS GROUP

(In thousands of USD)	Notes	2020	2019
<b>Cash flow from operating activities:</b>			
Profit before tax		-47,513	-26,538
Paid tax		-1,092	-213
Depreciation and write down	9	153,693	102,557
Capitalised depreciation	9	-1,149	-1,588
Profit on sale of fixed assets		-634	-2,777
Interest expenses	7	49,355	47,508
Change in current assets / liabilities		29,990	-29,110
<b>Net cash flow from operating activities</b>		<b>182,648</b>	<b>89,839</b>
<b>Cash flow from investing activities:</b>			
Payments for fixed assets	9	-13,167	-22,259
Payments for sale of equipment		1,100	3,367
Cash effect from investment in subsidiaries	9	17,125	-6,722
<b>Net cash flow from investing activities</b>		<b>5,058</b>	<b>-25,614</b>
<b>Cash flow from financing activities</b>			
Capital increase	18	25,346	-
Drawdown of long-term loan	11	364,000	-
Transaction costs related to loans and borrowings	11	-4,046	-
Repayment of long-term loan	11	-492,762	-32,100
Drawdown of shareholder loan	18	-	22,305
Repayment of shareholder loan	18	-	-20,650
Repayment of lease liabilities		-2,383	-4,378
Interest paid		-53,035	-41,792
<b>Net cash flow from financing activities</b>		<b>-162,879</b>	<b>-76,615</b>
<b>Net increase in cash and cash equivalents</b>		<b>24,826</b>	<b>-12,390</b>
Cash and cash equivalents at start of period		70,506	82,896
<b>Cash and cash equivalents at end of period</b>	<b>15</b>	<b>95,332</b>	<b>70,506</b>



**SHEARWATER**

Annual Report 2020

**STATEMENT OF CHANGES IN EQUITY**  
**THE SHEARWATER GEOSERVICES HOLDING AS**  
**GROUP**

For the year ended 31 December 2020

(In thousands of USD)	Share capital	Share premium	Other paid in capital	Approved not registered	Own shares	Retained earnings	Total equity
<b>Balance at 1 January 2020</b>	<b>33,125</b>	<b>83,977</b>	<b>392,980</b>		<b>-442</b>	<b>-77,491</b>	<b>432,150</b>
Share issue 8 January	1,239	48,893					50,132
Share issue 22 December				25,346			25,346
Debt conversion 29 December				49,399			49,399
Total comprehensive income						-48,730	-48,730
<b>Total equity at 31 December 2020</b>	<b>34,364</b>	<b>132,869</b>	<b>392,980</b>	<b>74,745</b>	<b>-442</b>	<b>-126,221</b>	<b>508,296</b>

For the year ended 31 December 2019

(In thousands of USD)	Share capital	Share premium	Other paid in capital	Own shares	Retained earnings	Total equity
<b>Balance at 1 January 2019</b>	<b>33,125</b>	<b>83,977</b>	<b>392,980</b>	<b>-442</b>	<b>-48,814</b>	<b>460,826</b>
Total comprehensive income					-28,676	-28,676
<b>Total equity at 31 December 2019</b>	<b>33,125</b>	<b>83,977</b>	<b>392,980</b>	<b>-442</b>	<b>-77,491</b>	<b>432,150</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

### NOTE 1: GENERAL INFORMATION

Shearwater GeoServices Holding AS (the parent company) is a Norwegian registered company with corporate office in Bergen, with subsidiaries in Norway, United Kingdom, United States, Singapore and Malaysia.

Shearwater is a global provider of 3D, 4D and ocean bottom marine seismic data acquisition, land and marine processing and imaging products, data processing software and manufacturing.

The consolidated financial statement was authorised for issue by the Board of Directors on June 15<sup>th</sup> 2021.

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the company have been prepared in accordance with the Norwegian Accounting Act § 3-9 and the financial statements comply with International Financial Reporting Standards (IFRS) as adopted in the European Union. All amounts are in USD.

#### 2.1 Basis for consolidation

The consolidated financial statements incorporate the financial statements of Shearwater GeoServices Holding AS and entities controlled (subsidiaries) by Shearwater GeoServices Holding AS. Control is achieved when the Group is exposed, or has rights, to variable returns from involvement with the investee and has the ability to affect those returns through its power over the investee.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three following elements of control:

- Power over investee
- Exposure, or rights, to variable returns from its involvement with the investee
- Ability to use its power over the investee to affect its returns

Consolidation of subsidiaries begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are eliminated but also considered as impairment indicator of the asset transferred. Accounting policies of subsidiaries will be changed when it is necessary to ensure consistency with the policies adopted by the Group.

#### 2.2 Business combinations

The purchase method is applied when accounting for business combinations. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Cost directly attributable to the acquisition is expensed. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

The preliminary purchase price allocation in a business combination is changed if new information on the fair value becomes available and is applicable on the date when control is assumed. The allocation may be altered prior to the expiry of a 12-month period.

#### 2.3 Foreign currency

The consolidated financial statements are presented in USD, which is the Group's presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss. The parent and all the subsidiaries have USD as their functional currency.



Non-monetary assets items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at the closing rate.

The assets and liabilities of entities with other functional currency than USD are translated into USD at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of an entity, the deferred cumulative amount recognised in the equity relating to that particular entity is recognised in profit or loss.

#### **2.4 Property, Plant and Equipment (PPE)**

Property, plant and equipment acquired by the Group are presented at historical cost less accumulated depreciation and impairment changes. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

If an indication of impairment exists, an impairment test is performed. If the recoverable amount of a tangible non-current asset is lower than book value, the asset will be written down to the higher of fair value less cost to sell and value in use. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gains or losses on derecognising of the asset calculated as the difference between the net disposal and the carrying amount of the asset is included in the income statement in the year the asset is derecognised.

Depreciation on items of property, plant and equipment are mainly depreciated using the straight-line method to allocate their cost to their residual values. One of the subsidiaries is using depreciation by production.

<i>Asset group</i>	<i>Useful life</i>
Office equipment including hardware	3 years
Vessels	25 years
Periodical maintenance	2.5-5 years
Fixed seismic equipment onboard vessel	5 - 7 years
Seismic equipment, leased and owned	5 - 7 years
Processing equipment	3 - 7 years
Manufacturing and engineering equipment	3 - 5 years

The residual values and estimated useful lives of items of property, plant and equipment are reviewed, and adjusted annually as appropriate, at the year-end balance sheet date.

#### **2.5 Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment. The cost of internally generated intangible assets, other than those specified below is expensed as incurred.

##### **Research and development costs**

Research costs are expensed as incurred. An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if all of the following have been demonstrated: technical and commercial feasibility of completing the intangible asset so that it will be available for use or sale; the intention to complete the intangible asset and use or sell it; the ability to use or sell the intangible asset; how the intangible asset will generate probable future economic benefits; the availability of adequate technical,



financial and other resources to complete the development to use or sell the intangible asset; and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date on which the intangible asset first satisfies the recognition criteria above. All other development costs are expensed as incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortization and accumulated impairment, on the same basis as intangible assets acquired separately. Capitalized development costs are amortized on a straight-line basis over the estimated useful life of the asset.

The Group has not yet completed projects where the criteria for recognition of intangible assets has been met.

**Goodwill**

The difference between the cost of an acquisition and the fair value of net identifiable assets on the acquisition date is recognised as goodwill. For investment in associates, goodwill is included in the investment's carrying amount.

Goodwill is not amortised but is tested for impairment annually or more frequently if there are indications that the value should be impaired. The impairment test involves determining the recoverable amount of the cash-generating units, which corresponds to the highest of fair value less costs to sell or the value in use.

**Patents, licenses and software**

Patents, licenses and technology are stated at cost less accumulated amortisation and accumulated impairment. Amortisation is calculated on a straight-line basis over 10 years which is the estimated period of benefit.

**2.6 Inventories**

Inventories are stated at the lowest of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

**2.7 Trade receivables**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Subsequent to initial recognition trade receivables and contract assets are measured at amortised cost less provision for lifetime expected credit losses. Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due. Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

**2.8 Cash and cash equivalents**

Cash includes cash in hand and at bank. Cash equivalents are short-term liquid investments that can be immediately converted into a known amount of cash and have at initial recognition a maximum term to maturity of three months.

**2.9 Equity**

Costs of equity transactions

Share issuance costs and other transaction costs that are incremental and directly related to an equity transaction are shown in equity as a deduction, net of tax, from the proceeds.



## 2.10 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

### Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises the liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

### Lease term

The lease term is determined on the commencement date of the lease, and corresponds to the term of the lease contract, unless the Group is reasonably certain that it will exercise contractual extensions or termination options.

### Measurement of lease liabilities

At the commencement date of the lease, the Group recognises a lease liability measured at the present value of lease payments due under the contract, less any lease incentives receivable, plus the costs of purchase or termination options if reasonably certain to be exercised. Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Group's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Subsequently, the carrying amount of the lease liability is increased to reflect the accumulation of interest on the liability balance and reduced as the lease payments are charged to the liability. In addition, the carrying amount of the lease liability is remeasured to reflect contractual modifications, changes to lease payments or changes in the assessment of the lease term.

### Measurement of right-of-use asset

Right-of-use assets are measured at cost, comprising the initial measurement of lease liability, lease payments made at the commencement date, initial direct costs and estimated restoration costs, less any lease incentives received.

Subsequently, the right-of-use asset is measured at cost, less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section Impairment of property, equipment and intangibles.

### Short term leases and low value leases

The Group has elected to apply the recognition exemption to lease contracts with a duration of 12 months or less, or that relate to assets with an underlying low value. Lease payments associated with short-term leases and leases of low-value assets are expensed on a straight-line basis.

### Group as a lessor

Leases in which the Group 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.

## 2.11 Income tax

### Current income tax

Income tax expense represents the sum of the current tax expense (or recovery) plus the change in deferred tax liabilities and asset during the period, except for current and deferred income tax relating to items recognised directly in equity, in which case the tax is also recognised directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are calculated using the liability method for all temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and for tax purposes, including tax losses carried forward. Such assets and liabilities are not recognised if the temporary difference



arises from the initial recognition of goodwill.

Deferred income tax is recognised on temporary differences arising on investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

The Group includes deductions/benefits from uncertain tax positions when it is probable that the tax position will be ultimately sustained.

The carrying amount of deferred income tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each end of the reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The probability assessment is based on Management's judgement and estimates in regards to future taxable income and tax planning opportunities (see separate note describing accounting estimates below, cf 2.19).

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period. The income tax rate in Norway is 22% from 1 January 2019. Deferred tax/liability on all temporary differences in the Norwegian group companies are calculated using a tax rate of 22%.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes are related to the same taxable entity and the same taxation authority. Deferred tax is classified as long-term in the consolidated statements of financial position.

## **2.12 Employee benefits**

### **Pension obligations**

The companies in the group have a defined contribution plan. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior period. The Group has no further payment obligations once the contributions have been paid. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity for pension, based on obligatory, agreed on or voluntary basis. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

## **2.13 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the corporate management, which consist of the Group's CEO, CFO and CCO.

## **2.14 Revenue recognition**

Revenue from contracts with customers arises primarily from performance of proprietary/exclusive seismic services in accordance with customer specifications. Revenue is recognised at the amount that the Group expects to be entitled to and expects to collect under the contract. (If a contract has multiple performance obligations, consideration is allocated among the performance obligations based on their estimated relative fair values).

Where the Group has satisfied its performance obligations and has a right to consideration, accrued revenue is recognised. The principles applied for each of the main types of contracts with customers are described in more detail in note 3.2.

**2.15 Provisions**

A provision is recognised when the Group has an obligation (legal or self-imposed) as a result of a previous event, it is probable (more likely than not) that a financial settlement will take place as a result of this obligation and the size of the amount can be measured reliably. If the effect is considerable, the provision is calculated by discounting estimated future cash flows using a discount rate before tax that reflects the market's pricing of the time value of money and, if relevant, risks specifically linked to the obligation.

**2.16 Classification of assets and liabilities in the balance sheet**

Assets meant for permanent ownership or use and receivables which are due later than one year after the end of the accounting period are classified as fixed assets. Other assets are classified as current assets. Liabilities which are due later than one year after the end of the accounting period are classified as long-term liabilities. Other liabilities are classified as current liabilities. Next year's instalments on long-term debt are classified as current liabilities in the balance sheet.

**2.17 Events after the balance sheet date**

New information on the Group's financial position on the balance sheet which becomes known after the balance sheet date is recorded in the annual accounts. Events after the balance sheet date that do not affect the Group's financial position on the balance sheet but will affect the Group's financial position in the future are disclosed if significant.

**2.18 Cash flow statement**

The cash flow statement is presented using the indirect method. Cash and cash equivalents include cash, bank deposits and other short term highly liquid placement with original maturities of three months or less. The cash flows are divided into operating activities, investing activities and financing activities.

**2.19 Use of estimates, judgements and assumptions in the preparation of the financial statements**

Management has used estimates and assumptions which have affected the assets, liabilities, income and expenses, as well as the disclosures regarding potential obligations. This particularly relates to deferred tax assets, provisions for liabilities and write-downs of fixed assets when there are indications of impairment. The estimates may change as a consequence of future events. The estimates and the underlying assumptions are reassessed continuously. Changes in accounting estimates are recognised in the income statement in the period the changes occur. If the changes also relate to future periods, the effect will be distributed over the present and future periods.

**Impairment of seismic vessel and equipment**

Seismic vessels and equipment are regularly reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Management has estimated both fair value less cost of disposal and value in use. Fair value less cost of disposal is based on the average of two valuations from reputable brokers, adjusted for expected sales commissions. The values in the broker valuations are quoted as a range. The mid-point in the range is used, since this is considered to best reflect all possible outcomes of a potential transaction. In the current market, the valuations from brokers only to a limited extent represents results of transactions of similar assets. This reduces the reliability of the valuation, and management has sought to substantiate the broker valuations, inter alia with value in use calculations or tests of reasonableness of implicit rates derived from the valuations.

Implicit rates have been derived from a discounted cash flow model. Estimating future cash flows requires management to make judgments regarding long-term forecasts of future revenues and costs related to the assets subject to review. These forecasts are subject to uncertainty as they require assumptions about demand for our products and services, future market conditions and technological developments. Significant and unanticipated changes in these assumptions could result in impairments in a future period

The Group applied a pre-tax discount rate of 10.0% in determining discounted cash flows in connection with the impairment evaluations of seismic vessels and equipment at year end. The rates reflect the estimated weighted average cost of capital for Group activities.

When estimating value in use, management has used the same assumption and discount rate as in the evaluation of the broker valuations.



## **SHEARWATER**

Annual Report 2020

In estimating future cash flows for the seismic fleet, management has based the assessment on awarded projects as well as estimates about future rates. Future rates are based on expectations of improved oil price, that oil and gas demand is recovering and will be further supported by lifting Covid-19 related economic lock downs, and deferred 2020 projects coming back to the market. Even as the global energy transition evolves towards a higher share of renewable sources, Shearwater believes that oil and gas will remain a vital part of the energy mix also in the future.

Due to the inherent volatile nature of macro-economic factors such as future oil price, discount rate and changes to rules and regulations for seismic exploration, there is always a risk of change to the assumptions used.

A sensitivity analysis has been prepared for two of the Group's vessels which has been valued based on value in use. Had an operating profit ("EBIT") 3 percentage points lower been assumed for the long term, the Group would see no impairment in the fleet as of December 31, 2020. Had EBIT margins 5 percentage points lower been assumed for the long term, impairment of the two vessels would total to USD 10.1 million as of December 31, 2020.

### **Deferred tax assets**

Deferred tax assets are recognised in the balance sheet when it is probable that the company will have sufficient future taxable profit to benefit from the tax asset. Significant management judgment is required to estimate the amount of deferred tax assets that can be recognised in the balance sheet. Based on budgets considering the Group's existing market conditions, none of the losses carried forward can be utilised in the very near term. Reference is made to note 8 – taxes.

### **2.20 New standards and interpretations not yet adopted**

There are no standards or interpretations that are not yet effective that would be expected to have a material impact on the Group's financial statements.

**NOTE 3: REVENUE****3.1 Segment information**

The chief executive officer, the chief financial officer and the chief commercial officer are responsible for ensuring that the Group's performance is in line with the Group's existing strategy both from a product perspective as well as enabling the Group to evolve within its given parameters. Within the Group there are four defined segments; Marine Acquisition, Processing & Imaging, Software and Manufacturing and Engineering.

**Marine Acquisition**

The Group owns and operates a fleet of purpose built seismic vessels designed for safe and efficient seismic acquisition using towed streamers, ocean bottom nodes (OBN) and ocean bottom cables (OBC). Combined with our onboard and onshore data processing expertise we deliver industry leading quality products. For this segment the end product will be the delivery of unprocessed seismic data.

**Processing & Imaging**

The Group processes and re-processes both land and marine seismic data by combining the latest processing software with experienced geophysicists and efficient hardware. Our onboard and onshore processing teams provide expertise and service to achieve the highest quality 2D and 3D imaging.

**Software**

The Group's Reveal software provides advanced processing and imaging algorithms from Real Time QC on vessels, through to building and depth imaging.

**Manufacturing and engineering**

This segment includes research and development, engineering services as well as manufacturing. The Group has extensive competence covering the entire process from drawing board to manufacturing of streamers and nodes, also enabling the Group to do the maintenance and repair of equipment inhouse.

The executive management team primarily uses a measure of earnings before interest, tax, depreciation and amortisation (EBITDA, see below) to assess the performance of the operating segments. The Group presents a full income statement with split between operating segments over the EBITDA line on a monthly basis. The Group also includes the statement of financial position in the monthly reporting, however the balance figures are not reported specifically per segment.

The Group operates world-wide and while the geographical markets have a central place at the project planning stage and when presenting the Group's backlog, it is not considered a separate segment in the internal financial reporting.



**SHEARWATER**

Annual Report 2020

(In thousands of USD) 2020	Marine Acquisition	Processing & Imaging	Software	Manufacturing & engineering	Not allocated	Total
<b>Income statement</b>						
Total operating revenue and other income	566,520	9,517	5,142	8,317	230	589,725
Operating expenses	381,041	7,770	3,923	18,420	19,207	430,362
<b>EBITDA*</b>	<b>185,479</b>	<b>1,746</b>	<b>1,219</b>	<b>-10,103</b>	<b>-18,978</b>	<b>159,363</b>
Acquisition cost					1,827	1,827
Depreciation and amortisation	123,026	334	15	1,415	2,906	127,696
Impairment	25,996					25,996
<b>Operating profit EBIT**</b>	<b>36,457</b>	<b>1,412</b>	<b>1,204</b>	<b>-11,519</b>	<b>-23,711</b>	<b>3,843</b>
Interest income					378	378
Interest expense	-48,247				-370	-48,617
Other financial income/expenses	-136	-8	-1		-2,972	-3,117
Income tax expense					-1,167	-1,288
<b>Net Income</b>	<b>-48,384</b>	<b>-8</b>	<b>-1</b>		<b>31,183</b>	<b>-48,680</b>

\* EBITDA is earnings before interest, tax, depreciation and amortisation. Acquisition cost is not included in EBITDA as it is not considered ordinary operating expense. EBITDA is used internally to continuously measure the Group's ability to serve its debt and capital cost.

\*\* EBIT in segment reporting deviates somewhat from EBIT in the income statement as other losses (gains) is presented as financial income/expenses in the segment reporting.



**SHEARWATER**

Annual Report 2020

(In thousands of USD)	Marine	Processing		Manufacturing	Not	
2020	Acquisition	& Imaging	Software	& engineering	allocated	Total
<b>Cash flow</b>						
EBITDA	185,479	1,746	1,219	-10,103	-18,978	159,363
Change in current assets	22,904				-2,919	19,984
Change in current assets with no cash impact					3,300	3,300
<b>Net cash flow from operating activities</b>	<b>208,382</b>	<b>1,746</b>	<b>1,219</b>	<b>-10,103</b>	<b>-18,597</b>	<b>182,648</b>
Payment for fixed assets	-10,563	-554	-3	-77	-1,971	-13,167
Payment sale of fixed assets	1,100					1,100
Net effect acquisition transaction	17,229					17,229
Investments in subsidiaries					-104	-104
<b>Net cash flow from investing activities</b>	<b>7,766</b>	<b>-554</b>	<b>-3</b>	<b>-77</b>	<b>-2,075</b>	<b>5,058</b>
Capital increase					25,346	25,346
Repayment of long-term loan including interest	-545,797					-545,797
Drawdown long term loan	359,954					359,954
Other financing activities					-2,383	-2,383
<b>Net cash flow from financing activities</b>	<b>-185,843</b>				<b>22,963</b>	<b>-162,879</b>
<b>Net change in cash flow</b>	<b>30,306</b>	<b>1,193</b>	<b>1,216</b>	<b>-10,180</b>	<b>2,291</b>	<b>24,826</b>

(In thousands of USD)	Marine	Processing		Manufacturing	Not	
2019	Acquisition	& Imaging	Software	& engineering	allocated	Total
<b>Income statement</b>						
Total operating revenue and other income	363,967	9,966	5,573	11,181	37,207	427,895
Operating expenses	250,161	8,092	4,497	19,897	15,854	298,501
<b>EBITDA</b>	<b>113,805</b>	<b>1,874</b>	<b>1,077</b>	<b>-8,715</b>	<b>21,353</b>	<b>129,394</b>
Acquisition cost					6,577	6,577
Depreciation and amortisation	88,145	106	77	5,623	4,197	98,149
Impairment	4,408					4,408
<b>Operating profit EBIT</b>	<b>21,251</b>	<b>1,768</b>	<b>999</b>	<b>-14,338</b>	<b>10,579</b>	<b>20,260</b>
Interest income					610	610
Interest expense	-8,937				-32,592	-41,530
Other financial income/expenses	-54				-5,824	-5,878
Income tax expense					-2,139	-2,139
<b>Net Income</b>	<b>12,260</b>	<b>1,768</b>	<b>999</b>	<b>-14,338</b>	<b>-29,366</b>	<b>-28,676</b>

Not allocated income includes insurance settlement of MUS\$ 32.5 for streamers due to breakdown of SW Marquis in Nov 2019.



## SHEARWATER

Annual Report 2020

(In thousands of USD)	Marine	Processing		Manufacturing	Not	
2019	Acquisition	& Imaging	Software	& engineering	allocated	Total
<b>Cash flow</b>						
EBITDA	113,805	1,874	1,077	-8,715	21,353	129,394
Change in current assets	12,950				397	13,347
Change in current assets with no cash impact	-2,777				-50,125	-52,902
<b>Net cash flow from operating activities</b>	<b>123,978</b>	<b>1,874</b>	<b>1,077</b>	<b>-8,715</b>	<b>-28,985</b>	<b>89,839</b>
Payment for fixed assets	-20,097				-2,162	-22,259
Payment from sale of fixed assets	3,367					3,367
Investments in subsidiaries					-6,722	-6,722
<b>Net cash flow from investing activities</b>	<b>-16,730</b>				<b>-8,883</b>	<b>-25,614</b>
Net cash effect shareholder loan					1,655	1,655
Repayment of long-term loan including interest	-41,911				-31,981	-73,892
Other financing activities					-4,378	-4,378
<b>Net cash flow from financing activities</b>	<b>-41,911</b>				<b>-34,704</b>	<b>-76,615</b>
<b>Net change in cash flow</b>	<b>65,337</b>	<b>1,874</b>	<b>1,077</b>	<b>-8,715</b>	<b>-71,962</b>	<b>-12,390</b>

### 3.2 Revenue from Contracts with Customers

The company earns revenue from the following categories of customer contracts:

Products and service lines	Year ended	
	31 Dec 2020	31 Dec 2019
(In thousands of USD)		
Marine acquisition	556,071	363,967
Processing and Imaging	9,517	9,966
Software	5,142	5,573
Manufacturing & Engineering	8,317	11,181
<b>Revenue from contract with customers</b>	<b>579,047</b>	<b>390,687</b>
Other income Marine acquisition	10,449	-
Other income	229	37,207
<b>Total</b>	<b>589,725</b>	<b>427,895</b>
<b>Timing of revenue recognition</b>		
Point in time	1,662	1,420
Services transferred over time	577,386	389,268
<b>Total revenue from contract with customers</b>	<b>579,047</b>	<b>390,687</b>

Other income also includes insurance settlements which will be recognised when payment is considered virtually certain.

#### Performance obligations

##### *Marine Acquisition and processing and imaging*

*Exclusive contracts/Processing*



## SHEARWATER

Annual Report 2020

The Group performs seismic services under contract in accordance with customer specifications. Such service contracts are considered to contain one performance obligation. This performance obligation is considered satisfied over time because the Group performs the service at the customer specification, the resultant data is owned by the customer and the Group has no alternative right to otherwise use or benefit from the resultant data. The Group recognises proprietary/contract revenue over time as the services are performed and the Group is entitled to the compensation under the contract. Depending on nature of the contract, progress is measured either based on square kilometres or time progressed. Progress for processing/imaging services are measured based on a model taking into account both working hours and processing.

Mobilisation fee and the related mobilisation costs of moving the seismic vessel and its crew from one location to the location specified by the contract is deferred and charged to expense over the contract duration based on percentage of completion. The estimated probable future economic inflows are documented at inception and cover the costs capitalised or deferred. If the projects are not able to cover all of the costs which could be capitalised or deferred, then only those costs that are recoverable are capitalised/deferred.

The performance obligation is satisfied over time and payment is generally due monthly or upon defined project milestones. In the instance the customer contract includes both marine acquisition and processing, the Group divides the revenue proportionately based on expected costs, which is an estimate of relative standalone selling price.

### Software

Depending on type of contract, the performance obligation is measured as a combination of performance over time and at a point in time. Most customers purchase and install the Reveal software, generating revenue recognised at one point in time for the Group. Maintenance, which includes program updates, are recognised over time while licenses include a combination of the two. Payment is generally due monthly.

### Manufacturing and engineering

#### Engineering

The Group performs engineering projects related to development of seismic- /streamer technology. The performance obligation is regarded as satisfied over time as the service is at the customer's specification and project progress is measured and invoiced upon defined project milestones.

#### Manufacturing

Revenue related to equipment sales is recognised when the control of the equipment is transferred to the customer. If the contract requires any means of prepayment from the client such payments are recorded as a contract liability under 'Other short term liabilities'. The performance obligation for repair of streamers is also recognised at a point in time when the repair is completed and the article returned to customer.

### Other

The performance obligation is generally satisfied over time and payment due monthly. Other income that occurs on ad hoc basis and not a natural part of the Group's defined segments is often considered satisfied at a point in time. In 2020 and 2019 part of other income is insurance settlement recognised at a point in time.

### Net operating revenue by geography

(In thousands of USD)	Year ended	
	31 Dec 2020	31 Dec 2019
Europe, Africa and Middle East - EAME	200,545	260,137
Asia / Pacific - APAC	187,704	87,873
North and South America - NSA	202,075	79,884
<b>Total</b>	<b>589,725</b>	<b>427,895</b>



## SHEARWATER

Annual Report 2020

The Group has recognised the following assets and liabilities related to contracts with customers:

<b>Assets related to contract with customers</b>	<b>2020</b>	<b>2019</b>
Trade receivables	48,713	50,881
Mobilisation and transit costs recognised (costs to fulfil a contract)	3,427	13,352
Receivables, invoiced after balance sheet date	21,937	21,490
<b>Contract liabilities</b>	<b>2020</b>	<b>2019</b>
Prepayment from customers/Deferred revenues	5,183	6,217
<b>Expected delivery of remaining performance obligations</b>		
Within one year	249,105	255,088
More than one year	-	-

There were no significant changes to either contract assets or contract liabilities compared to 2019. The reduction in contract assets and liabilities are related to fewer ongoing and contracted obligations at year end which is due to the negative effect covid-19 has had throughout the year. However, as the performance obligations indicate, the demand for seismic services were steadily returning to pre-covid levels at the end of 2020.

In addition to the above performance obligations the strategic partnership entered into in January 2020 also included a capacity agreement where CGG committed to utilise vessel capacity corresponding to two vessel years per year over a five year period, which secures CGG access to strategic vessel capacity for future multiclient projects while securing Shearwater a commitment of cashflow and activity for multiple years. Estimated performance obligations for the Group related to this capacity agreement is USD 48.2 million within one year and USD 270.0 million for the remaining contract period.

Trade receivables are non-interest bearing and primarily on terms of 30 to 60 days. Receivables, invoiced after balance sheet date are initially recognised as revenue earned. This is generally related to marine acquisition and imaging projects awaiting a final confirmation of work done for the period before invoicing can be finalised. Contract liabilities consists of revenue billed as well as accrued costs to be billed, but not yet recognised. The Group expects all deferred revenues in 2020 to be recognised during 2021.

### Assets recognised from costs to fulfil a contract

With reference to the contract balances above, the Group's work in progress consist of costs related to mobilisation of the vessel and transit costs, costs accrued during transit from one project to start of mobilisation for the next project. These costs are amortised on a straight-line basis over the term of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue.

	<b>2020</b>	<b>2019</b>
Assets recognised from costs incurred to fulfil a contract	3,427	13,352
Amortisation and impairment loss recognised as cost of providing services during the period	8,424	-5,441


**NOTE 4: SPECIFICATION COST OF SALES**

(In thousands of USD)	Year ended	
	31 Dec 2020	31 Dec 2019
Vessel operating cost	381,299	250,161
Processing and Imaging cost	13,000	13,998
Manufacturing and Engineering cost	18,420	19,897
<b>Total cost of sales*</b>	<b>412,720</b>	<b>284,057</b>

\*cost of sales is excluding depreciation

(In thousands of USD)	Year ended	
	31 Dec 2020	31 Dec 2019
Operating costs	327,616	223,174
Personnel costs	83,830	58,531
Other costs	1,274	2,352
<b>Total cost of sales</b>	<b>412,720</b>	<b>284,057</b>

\*cost of sales is excluding depreciation

**NOTE 5: SALARY AND PERSONNEL EXPENSES**

Number of employees in the group as of year-end:

Location	2020	2019
Offshore	449	368
Norway offices	113	108
UK offices	127	123
US office	27	27
Malaysia office	81	77
Singapore/Australia office	8	5
<b>Total employees</b>	<b>805</b>	<b>708</b>

There has been a steady increase in employees both in office locations and offshore, but the driving force behind the higher salary expenses in 2020 compared to 2019 is the increase of offshore personnel. Due to a comfortable project backlog going into 2020, the Group had positioned itself with a crew pool to handle the coming projects. Fortunately, the Group managed to uphold a relatively high level of activity during 2020 despite the uncertainty Covid-19 provided and personnel being made redundant was limited. Total full-time employees was at year end 805.

(In thousands of USD)	Year ended	
	31 Dec 2020	31 Dec 2019
Salary cost	80,038	58,528
Social security	2,406	2,446
Pension and insurance cost	6,159	4,409
Other benefits	2,200	1,345
<b>Total salary and benefits cost</b>	<b>90,803</b>	<b>66,728</b>

Salary and benefits costs are included in Cost of sales USD 83.8 million (2019: USD 61.8 million) and Sales, general and administration costs USD 7.0 million (2019: USD 5.0 million).



**SHEARWATER**

Annual Report 2020

(In thousands of USD)	No of A-/ B-shares	Salary	Bonus	Other benefits	Pension premium	Total
<b>MANAGEMENT REMUNERATION 2020</b>						
Irene Waage Basili, CEO	26,500	523	-	2	13	538
Andreas Aubert, CFO	15,000	326	-	2	15	343
Peter Hooper, CCO	23,390	379	-	2	19	401
Linda Myklebust	1,846	220	-	2	19	241
Patrick Leigh-Smith	-	455	-	-	36	492
Roy Bampton	7,036	296	-	15	17	329
Simon Telfer	3,036	279	-	-	22	301
<b>Total Management remuneration *</b>	<b>76,808</b>	<b>2,478</b>	<b>-</b>	<b>24</b>	<b>142</b>	<b>2,644</b>

\* Amounts in currencies other than USD have been translated to USD using average exchange rate for the year

Included in the CEO's contract is a severance package of 12 months pay.

The Chairman of the Board has received USD 136 687 as remuneration in 2020 (2019: NOK 658,333).

(In thousands of USD)	No of B- shares	Salary	Bonus	Other benefits	Pension premium	Total
<b>MANAGEMENT REMUNERATION 2019</b>						
Irene Waage Basili, CEO	20,000	412	141	3	8	564
Andreas Aubert, CFO	10,000	350	144	2	8	505
Peter Hooper, CCO	20,000	413	135	3	8	560
Linda Myklebust	1,518	240	104	2	8	354
Patrick Leigh-Smith	-	186	-	-	15	201
Roy Bampton	3,036	270	-	14	16	299
Simon Telfer	3,036	186	-	-	15	201
<b>Total Management remuneration*</b>	<b>57,590</b>	<b>2,056</b>	<b>524</b>	<b>24</b>	<b>79</b>	<b>2,684</b>

\* Amounts in currencies other than USD have been translated to USD using average exchange rate for the year

#### Pensions

All employees not eligible for coverage under the defined contribution plans in Norway and the UK are eligible to participate in pension plans in accordance with local industrial, tax and social regulations. All of these plans are considered defined contribution plans. For some of these plans, subject to statutory limitations, employees may make voluntary contributions in addition to the Group's contributions.

The pension expenses in the income statement for 2020 is USD 2 041 thousand while 2019 totalled to USD 1 438 thousand.

**NOTE 6: AUDITORS FEE**

(In thousands of USD)	Year ended	
	31 Dec 2020	31 Dec 2019
Statutory audit	447	378
Other attestation services	-	7
<b>Statutory audit required by law</b>	<b>447</b>	<b>385</b>
Other services outside the audit scope	22	484
Tax advice	79	42
<b>Other services</b>	<b>101</b>	<b>526</b>
<b>Total auditor's fee *</b>	<b>549</b>	<b>911</b>

\* included in Sales, general and administration cost

Of statutory audit fee in 2020, USD 79 thousand relates to subsidiaries audited by other audit firms than the parent company (2019: USD 109 thousand). The audit fee is excluding VAT.

**NOTE 7: FINANCIAL INCOME AND EXPENSES**

(In thousands of USD)	Year ended	
	31 Dec 2020	31 Dec 2019
Interest income	378	610
Other financial income	1	-
<b>Total financial income</b>	<b>378</b>	<b>610</b>
Interest on loans	-48,617	-46,804
Interest on leases	-738	-704
<b>Total interest expense</b>	<b>-49,355</b>	<b>-47,508</b>
Other financial cost	-1,092	-385
<b>Total financial expenses</b>	<b>-50,447</b>	<b>-47,893</b>
<b>Net financial income (+) / expenses (-)</b>	<b>-50,068</b>	<b>-47,283</b>

Net currency loss of USD 1,288 thousand (2019: gain of USD 485 thousand) related to operating activities are shown as other losses (gains) in the income statement.


**NOTE 8: TAX**

(In thousands of USD)	Year ended	
	31 Dec 2020	31 Dec 2019
Tax payable	969	1,255
Change in deferred tax/tax assets	198	884
<b>Income tax expense</b>	<b>1,167</b>	<b>2,139</b>
<b>Reconciliation of income tax expense for the year</b>		
Net income before taxes	-47,513	-26,538
Norwegian statutory tax rate	22%	22%
Estimated tax	-10,453	-5,838
Deferred tax assets recognised	200	1,000
Change in deferred tax assets not recognised	10,773	14,343
Permanent differences including effects of tonnage tax regime and tax rates other than statutory tax rate in Norway	647	-7,366
<b>Income tax expense (income)</b>	<b>1,167</b>	<b>2,139</b>
<b>Deferred tax liabilities/assets</b>		
Fixed assets	-8,040	-349
Profit and loss account	643	781
Net long-term debt	-6,471	-72
Net short-term receivables	47	46
Tax losses carried forward	-105,628	-63,307
Deducted interests carried forward	-55,363	-40,124
<b>Basis for calculation of deferred tax</b>	<b>-174,812</b>	<b>-103,026</b>
Norwegian statutory tax rate	22%	22%
Not recognised deferred tax asset Norwegian entities	31,566	-16,010
Not recognised deferred tax asset UK entity	-4,268	-4,268
Deferred tax liability in Norwegian tonnage tax company	141	174
<b>Deferred tax liabilities in the balance sheet</b>	<b>141</b>	<b>290</b>
Deferred tax liability from acquisition transaction*	7,034	7,034
Recognised deferred tax asset in Norwegian entities	-7,034	-7,034
Recognised deferred tax asset in UK entity	-	-200
<b>Deferred tax assets in the balance sheet</b>	<b>-</b>	<b>-200</b>

\* Relates to tax effect of additional group values of seismic equipment, engineering and manufacturing equipment and patents/software acquired in November 2018.

By end of 2020 the Group had tax losses carried forward of USD 105.6 million whereof nil is basis for capitalisation. The disclosure of deferred tax benefits on net tax reducing differences and carry forward losses, is based on estimated future earnings. Based on budgets taking into account the Groups's existing market, the Group does not expect to be able to utilise the deferred tax assets through taxable profits in the very near future.


**NOTE 9: TANGIBLE, NON-CURRENT ASSETS**

(In thousands of USD)	Seismic vessels	Seismic equipment	Manufacturing & engineering equipment	Office equipment	Right of use asset	Total
<b>Cost:</b>						
Acquisition cost at period start	754,936	128,953	11,204	3,327	11,976	910,396
Additions acquisition transaction	272,893	99,500				372,393
Additional capital expenditures	12,196	-313	77	1,234	3,133	16,326
Sale of equipment	-466	-	-	-	-	-466
Disposals during the year	-	-	-	-	-	-
<b>Acquisition cost at 31 Dec 2020</b>	<b>1,039,560</b>	<b>228,140</b>	<b>11,281</b>	<b>4,561</b>	<b>15,109</b>	<b>1,298,650</b>
<b>Accumulated depreciation:</b>						
Balance at period start	77,207	51,023	6,266	763	4,019	139,277
Depreciation for the period	59,430	57,425	1,415	935	2,320	121,526
Depreciation periodical maintenance	3,350					3,350
Impairment	25,996					25,996
Deferred mob cost	-355	-795	-	-	-	-1,149
<b>Accumulated depreciation at 31 Dec 2020</b>	<b>165,628</b>	<b>107,652</b>	<b>7,681</b>	<b>1,698</b>	<b>6,339</b>	<b>288,999</b>
<b>Balance sheet values at 31 Dec 2020</b>	<b>873,931</b>	<b>120,488</b>	<b>3,599</b>	<b>2,862</b>	<b>8,770</b>	<b>1,009,650</b>
<i>Estimated useful lifetime</i>	<i>25 yrs.</i>	<i>3 to 7 yrs.</i>	<i>3 to 7 yrs.</i>	<i>3 to 5 yrs.</i>	<i>1 to 5 yrs.</i>	

On the 8<sup>th</sup> of January 2020 the Group completed the strategic vessel transaction with CGG. The transaction included five high-end seismic vessels and two legacy vessels previously owned by CGG Marine Resources Norge AS and Eidesvik Offshore ASA. Five complete streamer sets were also acquired. The group of companies that were part of the transaction had no employees or organisation that would enable a functioning business setup, only assets. Taking into account the definition in IFRS 3 Business combination into consideration, the Group considers this transaction an asset transaction, as the scope in the standard excludes the acquisition of an asset or a group of assets that does not constitute a business (2 b.).

**Assets and liabilities recognised as a result of the acquisition are as follows:**

(In millions of USD)

Acquired vessels	273
Acquired streamers	99
Cash in acquired companies	17
Debt in acquired companies	287
Fair value of shares issued	50
Seller's credit subsequently converted to shares	49
Other payables	3

In October 2020 one of the legacy CGG vessels (Alize) was sold for net proceeds of USD 634 thousand.

Depreciation charged to the income statement is reflecting estimated useful lifetime for the vessels and equipment. For details regarding deferred mobilisation cost, see accounting principles for tangible assets.



## **SHEARWATER**

Annual Report 2020

Other assets (right of use) are office and warehouse buildings previously identified as operating leases under IAS 17 as well as lease of processing equipment. Short term leases, such as bareboat or timecharter hire of support/chase vessels have not been capitalised as all lease contracts are 12 months or less. Total short term leases not capitalised at the end of the year totals to USD 10.1 million, see note 15.



**SHEARWATER**

Annual Report 2020

(In thousands of USD)	Seismic vessels	Seismic equipment	Manufacturing & engineering equipment	Office equipment	Right of use asset	Total
<b>Cost:</b>						
Acquisition cost at period start	749,154	133,978	11,003	1,600	-	895,735
Additional capital expenditures	5,782	14,527	201	1,748	11,976	34,235
Sale of equipment	-	-867	-	-	-	-867
Disposals during the year	-	-18,685	-	-21	-	-18,707
<b>Acquisition cost at 31 Dec 2019</b>	<b>754,936</b>	<b>128,953</b>	<b>11,204</b>	<b>3,327</b>	<b>11,976</b>	<b>910,396</b>
<b>Accumulated depreciation:</b>						
Balance at period start	31,436	24,436	643	401	-	56,916
Depreciation for the period	40,817	40,071	5,623	362	4,019	90,892
Depreciation periodical maintenance	4,436	-	-	-	-	4,436
Impairment	-	4,408	-	-	-	4,408
Less disposals during the year	-	-18,962	-	-	-	-18,962
Deferred mob cost	518	1,069	-	-	-	1,588
<b>Accumulated depreciation at 31 Dec 2019</b>	<b>77,207</b>	<b>51,023</b>	<b>6,266</b>	<b>763</b>	<b>4,019</b>	<b>139,277</b>
<b>Balance sheet values at 31 Dec 2019</b>						
	<b>677,729</b>	<b>77,931</b>	<b>4,938</b>	<b>2,564</b>	<b>7,957</b>	<b>771,119</b>
<i>Estimated useful lifetime</i>	<i>25 yrs.</i>	<i>3 to 7 yrs.</i>	<i>3 to 7 yrs.</i>	<i>3 to 5 yrs.</i>	<i>1 to 5 yrs.</i>	

There were no major investments of tangible assets in 2019. An incident aboard SW Marquis in November 2019 resulted in a loss of seismic equipment with a remaining book value of MUS\$ 4. The vessel itself will need extensive repair, taking her out of operation for the foreseeable future. Insurance claim has been settled for the seismic equipment.

Other assets (right of use) are office and warehouse buildings previously identified as operating leases under IAS 17. Short term leases, such as bareboat or timecharter hire of support/chase vessels have not been capitalised as all lease contracts were 12 months or less. Total short term leases not capitalised at the end of 2019 totalled to USD 12.8 million.



## Impairment

As of 31 December 2020, the Group obtained vessel market values from two reputable brokers for the Group's entire fleet. In addition, impairment testing has been performed in order to calculate the recoverable amount for the Group's fleet. Each vessel constitutes a separate cash-generating unit, which is tested separately for impairment. The recoverable amount is tested against each vessels' book value. When the calculated recoverable amount is lower than book value of the vessel, the vessel is written down to its recoverable amount. In accordance with IAS 36 the recoverable amount is defined as the highest of the assumed fair value less cost of disposal (net sales value) and value in use.

The Group has been affected by drop in demand due to Covid-19 in 2020, but has still managed to show a positive EBITDA return this year. The Group does see an increase in activity at the end of the year, working its way up towards pre-covid levels which gives confidence that the impairment testing and conclusions are correct. Due to the often short-term nature of seismic contracts the Group believes that net sales value based on independent broker estimates gives a reasonable indicator of the recoverable amount. The Group compared an average of the valuations with a reduction of sales commission, against book value. As fair values are subject to uncertainty, the Group sought to substantiate the broker valuations, inter alia with tests of reasonableness of implicit rates derived from the valuations. For some vessels in the Group the recoverable amount was calculated and measured at value in use. Two of the Group's vessels had book value lower than the mid-point range used when compared to fair value less cost of disposal. For these vessels the Group has used value in use to review the need for impairment. As value in use substantiated book values these vessels have not been impaired at 31.12.2020.

Based on these assessments, the Group has made impairment of USD 26.0 million in 2020.

(In thousands of USD)	Year ended	
	31 Dec 2020	31 Dec 2019
SW Marquis	20,117	-
SW Eagle	2,276	-
SW Trident	3,603	-
Seismic equipment	-	4,408
<b>Total impairment</b>	<b>25,996</b>	<b>4,408</b>

An incident onboard SW Marquis in November 2019 left the vessel in need of extensive repair before the vessel could be considered operational again. The Group has no immediate plans to go through with these repairs and has settled the insurance claim for the vessel. The Group does not foresee either SW Eagle or SW Trident entering the market in the future. As such, all three vessels have been impaired to estimated recoverable amount measured at fair value less cost of disposal.

Recoverable amounts for impaired vessels: (In thousands of USD)	Year ended
	31 Dec 2020
SW Marquis	1 943
SW Eagle	1 957
SW Trident	558



**NOTE 10: INTANGIBLE ASSETS**

(In thousands of USD)	Goodwill	Patents and software	Total intangible assets
<b>2020</b>			
<b>Costs as of 1 January 2020</b>	<b>2,048</b>	<b>28,212</b>	<b>30,260</b>
Additions to costs	-	-	-
<b>Cost as of 31 December 2020</b>	<b>2,048</b>	<b>28,212</b>	<b>30,260</b>
<b>Amortisation as of 1 January 2020</b>			
	-	<b>3,174</b>	<b>3,174</b>
Amortisation expense	-	2,821	2,821
Impairment	-	-	-
<b>Amortisation as of 31 December 2020</b>	<b>-</b>	<b>5,995</b>	<b>5,995</b>
<b>Balance as of 31 December 2020</b>	<b>2,048</b>	<b>22,217</b>	<b>24,265</b>
<i>Estimated useful life</i>		<i>10 years</i>	
<b>2019</b>			
<b>Costs as of 1 January 2019</b>	<b>2,048</b>	<b>28,212</b>	<b>30,260</b>
Additions to costs	-	-	-
<b>Cost as of 31 December 2019</b>	<b>2,048</b>	<b>28,212</b>	<b>30,260</b>
<b>Amortisation as of 1 January 2019</b>			
	-	<b>353</b>	<b>353</b>
Amortisation expense	-	2,821	2,821
Impairment	-	-	-
<b>Amortisation as of 31 December 2019</b>	<b>-</b>	<b>3,174</b>	<b>3,174</b>
<b>Balance as of 31 December 2019</b>	<b>2,048</b>	<b>25,038</b>	<b>27,086</b>
<i>Estimated useful life</i>		<i>10 years</i>	

**Patents and software**

The patents and software were acquired as part of a business combination in 2018 and were recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on estimated useful lives.

When estimating fair value, one considers the possibility that the theoretical lifetime of the patent agreement can deviate from the underlying technology's actual lifetime as technology can become outdated before the patent agreement expires. The Group believes that the remaining patent life, which has an average lifetime of 10 years, is a reasonably proxy for the assets' useful life.

**Goodwill**

Goodwill is attributable to workforce. The Group's prior business combinations did not only increase Shearwater's tangible assets and provide ownership of patents and software, but also key competence within the full range of geophysical acquisition techniques to ensure high quality performance throughout the Group's operation.



### Impairment of intangible assets

The Group tests as principle whether intangible assets have suffered any impairment on an annual basis. At the end of 2020, the Group finds that the assumptions the purchase price allocation finalised in 2019 was based on is still relevant. Even though the last year has shown how volatile both stock exchange and oil prices are when faced with unforeseen events, the Group is cautiously optimistic and trends show that activity levels have more or less returned to pre-Covid levels and the Group expects further increase in activity. The current levels of activity will lead to substantial requirements for new streamers in the market within the next few years, furthering the credibility of the value of patents and software. No impairment was made for intangible assets.

### NOTE 11: LONG-TERM DEBT

The Group finalised the refinancing of the USD 325 million facility 22 December 2020 affecting both average maturity and interest rate, as well as a change in covenants and security package. Early January 2020 the transaction agreements with CGG Marine Resources Norge AS where the Group acquired vessel owning entities, the Group took over a debt of USD 286.8 million (see note 9).

The Group's long-term liabilities, including first year's instalments, are summarised as follows at year-end 2020:

(In thousands of USD)		Average interest rate 2020	Average maturity	Balance sheet 2020
Mortgage debt with floating interest	Secured	USD LIBOR + 5.6 %	3.5 years	515,990
Mortgage debt with fixed interest	Secured	USD CIRR 2.25 + 2.5 %	5.6 years	149,839
Lease liabilities		8.35%	5.4 years	10,375
Amortisation effect, mortgage debt				-4,234
Accrued interest expenses				1,420
<b>Total</b>				<b>673,390</b>
			<i>Of which is classified as short-term debt:</i>	<i>54,621</i>
			<i>Of which is classified as long-term debt:</i>	<i>618,769</i>

For mortgage debt with fixed interest final maturity is June 2027 provided that equity guarantors extend their guarantees.

Booked value of assets pledged as security for Mortgage debt was USD 1,173.5 million, of which USD 93.9 million were bank deposits.

The Group's long-term liabilities, including first year's instalments, are summarised as follows at year-end 2019:

(In thousands of USD)		Average interest rate 2019	Average maturity	Balance sheet 2019
Mortgage debt with floating interest	Secured	USD LIBOR + 1.9 %	2.8 years	119,606
Mortgage debt with floating interest, bridge facility	Secured	USD LIBOR + 7.0 %	0.9 years	325,000
Mortgage debt with fixed interest	Secured	USD CIRR 2.28 + 1.7 %	7.4 years	63,594
Lease liabilities (note 11 right of use asset)		8.35%	5.4 years	8,465
Amortisation effect, mortgage debt				-229
Accrued interest expenses				5,096
<b>Total</b>				<b>521,532</b>
			<i>Of which is classified as short-term debt:</i>	<i>356,558</i>
			<i>Of which is classified as long-term debt:</i>	<i>164,975</i>

For mortgage debt with fixed interest final maturity was May 2027 provided that equity guarantors extended their guarantees.



## SHEARWATER

Annual Report 2020

Booked value of assets pledged as security for Mortgage debt was USD 920.2 million, of which USD 62.9 million were bank deposits.

The repayment schedule for the Group's long terms liabilities, including first years's instalments, at year-end 2020:

(In thousands of USD)

Within 1 year	54,054
From 1 to 5 years	582,169
More than 5 years	42,577
<b>Total interest-bearing debt</b>	<b>678,800</b>

The Group's most important covenants in its long-term financing agreements are:

- The Group shall on a consolidated basis always have an equity ratio of at least 30%.
- Shearwater GeoServices AS shall have free liquidity of more than USD 30 million on a consolidated basis.

In addition to the above there are covenants on individual basis per financing facility related to market value of secured assets, working capital and minimum liquidity.

The Group was in compliance with the financial covenants at 31 December 2020 and has been since the drawdown of the financing on 22 December 2020.

### Liabilities from financing activities and other assets

	Borrowings	Leases	Sub-total	Cash and Cash equivalents	Total
<b>Net debt as at 1 January 2019</b>	<b>-539,587</b>	<b>-9,421</b>	<b>-549,007</b>	<b>82,896</b>	<b>-466,111</b>
<i>Cash changes</i>					
Cash flows	52,750		52,750		52,750
Cash from new short-term debt from shareholder	-22,305		-22,305	-12,390	-34,695
Repayment of lease liabilities		4,378	4 378		4,378
<i>Non-cash changes</i>					
Other non-cash movements	-5,580	-3,245	-8,825		-8,825
Foreign exchange adjustments	1,655	-177	1,478		1,478
<b>Net debt as at 31 December 2019</b>	<b>-513,067</b>	<b>-8,465</b>	<b>-521,531</b>	<b>70,506</b>	<b>-451,026</b>
<b>Net debt as at 1 January 2020</b>	<b>-513,067</b>	<b>-8,465</b>	<b>-521,531</b>	<b>70,506</b>	<b>-451,026</b>
<i>Cash changes</i>					
Cash flows				24,826	24,826
Down-payment of long-term debt	492,762		492,762		492,762
Cash from new long-term debt	-364,000		-364,000		-364,000
Repayment of lease liabilities		2,384	2,384		2,384
<i>Non-cash changes</i>					
Long-term debt from acquisition	-286,810		-286,810		-286,810
Other non-cash movements	8,099	-3,871	4,228		4,228
Foreign exchange adjustments		-422	-422		-422
<b>Net debt as at 31 December 2020</b>	<b>-663,015</b>	<b>-10,375</b>	<b>-673,390</b>	<b>95,332</b>	<b>-578,058</b>



**NOTE 12: TRADE RECEIVABLES AND OTHER CURRENT RECEIVABLES**

(In thousands of USD)	2020	2019
Trade receivables	48,713	50,881
Accrued, not invoiced revenue	21,937	21,490
<b>Trade receivables</b>	<b>70,650</b>	<b>72,371</b>
Work in progress	3,427	13,352
Fuel and other inventory onboard vessels	11,572	15,135
Prepaid cost	4,538	2,550
<b>Inventory and prepayments</b>	<b>19,536</b>	<b>31,038</b>
Minimum commitment	-	11,183
Insurance claim (note 9)	11,620	23,790
Other short-term receivables	4,509	3,185
<b>Other receivables</b>	<b>16,129</b>	<b>38,157</b>
<b>Total receivables</b>	<b>106,315</b>	<b>141,566</b>

Ageing of trade receivables and accrued, not invoiced revenue

(In thousands of USD)	Total	Not due	< 30 days	30 - 60 days	60 - 90 days	> 90 days
2020	<b>70,650</b>	49,885	14,543	2,155	3,806	260
2019	<b>72,371</b>	61,956	6,020	168	2,282	1,945

Of trade receivables 31 December 2020, USD 76.4 thousand are still outstanding receivables at the time the financial statement is signed. The Group has incurred a loss of USD 52.7 thousand in 2020, none in previous year. The Group's expected losses not accounted for are considered to be immaterial as of 31 December 2020. As such, the Group has not identified any material losses that should be accounted for.

**NOTE 13: OTHER CURRENT LIABILITIES**

(In thousands of USD)	2020	2019
Current portion of lease obligation according to IFRS 16	1,801	1,862
Current portion of long-term debt	51,400	349,600
Accrued interest	1,420	5,096
<b>Short-term debt and current portion of long term-debt</b>	<b>54,621</b>	<b>356,558</b>
Pre-paid revenue	5,183	6,217
National insurance contribution, payroll taxes and VAT	3,516	2,054
Accrued holiday allowance and other personnel charges	1,579	1,525
Other current liabilities	11,215	11,730
<b>Other short-term liabilities</b>	<b>21,493</b>	<b>21,525</b>



**NOTE 14: CASH AND CASH EQUIVALENTS**

(In thousands of USD)	2020	2019
Restricted cash *	745	7,610
Bank deposits	94,588	62,896
<b>Total cash and cash equivalents</b>	<b>95,332</b>	<b>70,506</b>

\* Restricted cash contains both cash held for employee tax payments and cash used to provide guarantees to clients, vendors and financial institutions.

**NOTE 15: LEASES**

**The Group as a lessor**

The Group has a financial lease balance related to seismic equipment of USD 620 thousand of which USD 580 thousand is due within one year and USD 36 thousand within two years. The effect of the lease in profit and loss is limited to USD 0.1 million per year.

**The Group as a lessee**

To determine whether a contract contains a lease, it is considered whether the contract conveys the right to control the use of an identified asset. This is for the Group considered to only be the case for office leases and processing equipment. For the Group, these lease commitments resulted in the recognition of an asset (right-of-use) and a lease liability. The rental period is calculated based on the duration of the agreement plus any option periods if these with reasonable certainty will be exercised. Joint expenses etc. are not recognised in the lease liability for the rental contracts.

The future payments under each lease arrangement have been discounted using the incremental borrowing rate applicable to the leased assets in order to calculate the lease liability recognised on the date of adoption. The Group is utilising the practical expedients for short term leases for periods of 12 months or less and low value leases.

The Group has non-cancellable lease commitments related to office and warehouse buildings. The lease payments have been discounted at 8.5% which the Group considered to be its incremental borrowing rate at the initial measuring.

In 2020 one of the Group companies has entered into a lease agreement for processing equipment. The contract value was translated at the contract date and lease payments were discounted at 5.8% which the company considered to be its incremental borrowing rate.

Lease payments for right of use assets will be included under depreciation and financial cost in the Group's income statement (see note 9 and note 7).

The Group has the following lease commitments related to right of use assets at the end of 2020:

(In thousands of USD)	2020	2019
Net carrying amount of right of use assets (see note 9)	8,770	7,957
Current portion of long-term debt	1,801	1,862
Non-current lease liability	8,574	6,604
<b>Total lease liability as of 31 December</b>	<b>10,375</b>	<b>8,465</b>



Future minimum lease installments related to non-cancellable lease agreements are due as follows:

Total lease liability	2020	2019
Within 1 year	2,654	1,926
From 1 to 5 years	8,334	6,641
More than 5 years	1,982	1,680
<b>Future minimum lease instalments</b>	<b>12,971</b>	<b>10,247</b>

The Group charters in support and chase vessels generally on a project to project basis. As at year end the Group had future lease commitments of a total of USD 10.1 million (2019: USD 12.8 million) not registered as rights of use assets of which all were leases held for 12 months or less. Short term leases over profit and loss totalled to USD 42.0 million in 2020.

## NOTE 16: FINANCIAL INSTRUMENTS

### 16.1 Carrying amount and categories of financial assets and liabilities

The Group's financial assets and liabilities are included in the balance sheet as follows:

(In thousands of USD)	2020	2019
<b>ASSETS</b>		
<i>Financial assets at amortised cost</i>		
Trade receivables	48,713	50,881
Minimum commitment	-	11,183
Cash and cash equivalents	95,332	70,506
<i>Financial assets at fair value through profit and loss</i>		
Interest rate swap	-	-
<b>Total financial assets</b>	<b>144,045</b>	<b>132,570</b>
<b>LIABILITIES</b>		
<i>Liabilities at amortised cost</i>		
Interest bearing long-term debt	618,769	164,975
Interest bearing short-term debt	54,621	356,558
Trade payables	31,425	34,674
<b>Total financial liabilities</b>	<b>704,815</b>	<b>556,207</b>

The carrying values of financial assets and liabilities are assumed to be their fair values.

#### Classification as trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 30-60 days and therefore are all classified as current. The Group's impairment and other accounting policies for trade and other receivables are outlined in note 2.

#### Impairment and risk exposure

Information about the impairment of trade and other receivables, their credit quality and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in this note.

#### Compliance with loan covenants



The Group has complied with the financial covenants of its borrowing facilities during the 2020 and 2019 reporting period.

## 16.2 Financial risk management

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year's profit and loss information has been included where relevant to add further context.

With the increase in activity in 2020 as well as increase in employees, the Group has continued its high focus on financial risk management. Enterprise risk management systems and routines have been developed and adopted to ensure qualified reporting of risks identified, classification of risks, mitigation factors and awareness of risks throughout the organisation, and is considered a continuous work in progress. Within financial risk management there is specified focus on foreign exchange risk, counterpart and credit risk and risks related to financing. Models to improve forecasting are being tested and implemented to address fluctuation in the market place.

### Market risk

#### (i) Foreign exchange risk

##### Exposure

The majority of the Group's revenue is in USD. As the Group has a global footprint, the Group has and will have revenue in other currencies going forward, leaving the Group exposed to foreign exchange risk.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed USD, was as follows:

	31/12/2020			31/12/2019	
	NOK in TUSD	EUR in TUSD	INR in TUSD	NOK in TUSD	EUR in TUSD
Trade receivables	83	6	0	204	238
Cash/bank account	-1,972	1,815	3,161	5,294	1,191
Trade payables	-2,060	-566	297	-3,319	-2,075

#### Instruments used by the group

The Group seeks to ensure that operational cost is matched with revenue in terms of currency, and since the majority of the Group's revenue is expected to be in USD, the Group's liabilities are mainly held in USD. The Group's expenses are mainly in USD, GBP and NOK. The Group will attempt to minimise risks by implementing hedging arrangements when appropriate but will not be able to fully avoid these risks. Changes in currency exchange rates relative to the USD may affect the USD value of the Group's asset and thereby impact the Group's total return on such assets.

#### Sensitivity

As shown in the table above, the Group is primarily exposed to changes in USD/NOK and USD/EUR exchange rates, however at the end of the year exposure to USD/INR exchange rates increased as the Group was positioning itself for project in India. The sensitivity of profit or loss to changes in the exchange rates arises mainly from NOK and INR denominated financial instruments as cash/bank account and trade payables.



**SHEARWATER**

Annual Report 2020

(in thousands of USD)	Impact on post tax profit	
	2020	2019
USD/NOK exchange rate - increase 10%	308	-170
USD/NOK exchange rate - decrease 10%	-308	170
USD/EUR exchange rate - increase 10%	-98	50
USD/EUR exchange rate - decrease 10%	98	-50
USD/INR exchange rate - increase 10%	-270	-
USD/INR exchange rate - decrease 10%	270	-

Profit was more sensitive to movements in USD/NOK exchange rates in 2020 than 2019 due to net increase of exposure of negative NOK denominated cash and bank accounts and trade payables. Profit was also more sensitive to movements in USD/EUR exchange rates in 2020 than 2019 because of the increased amount of cash and bank accounts and reduced amount of EUR trade payables. Sensitivity to USD/INR exchange rates in 2020 was higher than 2019 due to increased exposure in cash and bank accounts. The group's exposure to other foreign exchange movements was not material.

#### Interest rate risk

The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to the risk of increasing interest rates. (See note 11 for details on loans and interest rates). The loan portfolio consist of loans with both fixed and floating interest rate exposure. In December 2020 the Group entered into interest rate swaps totalling USD 214 million with maturity in December 2024. Estimated market value at year end 2020 is approximately nil hence it is not presented in the financial statement. Hedge accounting has not been applied. At the end of 2020, 23% of the Group's liabilities were secured through mortgages with fixed interest. However, taking the interest rate swap into account the Group is exposed to interest rate risk for about 45% of its loan value.

(in thousands of USD)	% of total		% of total	
	2020	loans	2019	loans
Variable rate borrowings	515,990	77%	444,606	87%
Fixed rate borrowings	149,839	23%	63,594	13%
	<b>665,829</b>		<b>508,200</b>	

#### Sensitivity

Profit or loss is sensitive to higher/lower interest expenses from long-term debt as a result of changes in interest rates. The Group has no material impact on other components of equity.

(in thousands of USD)	Impact on post tax profit	
	2020	2019
Interest rates - increase by 70 basis points	-2,706	-2,093
Interest rates - decrease by 100 basis points	-3,866	-2,990

#### Credit risk

Credit risk is the risk that counterparties to financial instruments do not perform according to the terms of the contract. The appropriate maximum credit exposure related to financial assets is as follows:



## **SHEARWATER**

Annual Report 2020

<b>Credit exposure</b> (in thousands of USD)	<b>2020</b>	<b>2019</b>
Trade receivables	48,713	50,881
Cash and cash equivalents	95,332	70,506
<b>Total financial assets</b>	<b>144,045</b>	<b>121,387</b>

### *Cash and cash equivalents*

The company monitors the counterparty credit risk of banking partners.

### *Trade receivables*

Lack of or delayed payments from customers may significantly and adversely impair the Group's revenue and liquidity. The concentration of the Group's customers in the energy industry may impact the Group's overall exposure to credit risk as customers may be similarly affected by prolonged changes in economic and industry conditions, as well as by the general constraints on liquidity resulting from the continued low oil prices. Further, laws in some jurisdictions in which the Group operates could make collection difficult or time consuming. The Group gives due consideration to the credit quality of its potential clients during contract negotiations to minimise the credit risk.

<b>Ageing of trade receivables</b> (in thousands of USD)	<b>2020</b>	<b>2019</b>
Not due	27,948	40,466
<30 days	14,543	6,020
30-60 days	2,155	168
60-90 days	3,806	2,282
>90 days	260	1,945
<b>Total</b>	<b>48,713</b>	<b>50,881</b>

Of trade receivables 31 December 2020, USD 76.4 thousand are still outstanding receivables at the time the financial statement is signed. The Group has had limited losses of USD 52.7 thousand incurred over profit and loss in 2020 and any losses and expected losses not accounted for are considered to be immaterial as of 31 December 2020. As such, the Group has not identified any material losses that should be accounted for.

### **Liquidity risk**

Shearwater operates in a capital-intensive business segment, meaning that it has a high level of fixed cost it is required to finance on an ongoing basis in order to provide its services and products to customers. In addition, the working capital requirements of the Group varies largely from time to time depending on activity levels and timing of projects. In order to meet its payment obligations, the Group is therefore dependent on having access to long-term funding, credit lines with its suppliers and prompt payments from its clients.

The seismic exploration market is influenced by the capital expenditure levels of energy production and exploration companies and this may be reflected in activity levels and rates for the services provided by Shearwater. The Group, along with the rest of the industry is dependent on a market recovery with increased rates over time to maintain a satisfactory liquidity situation.

Since Shearwater's establishment in 2016, the Group has been supported by its owners with substantial equity contributions in relation to M&A transactions building the Group to its current size. In addition, the Group has been supported by its financial partners ensuring long term debt financing through bank facilities. Shearwater seeks to reduce liquidity risk through focus on short and long-term forecasting, cash management and close dialogue with owners, financial institutions and other stakeholders.



**SHEARWATER**

Annual Report 2020

The company is exposed to liquidity risk related to the following:

<b>Ageing of financial liabilities at 31.12.2020 (in thousands of USD)</b>	<b>Within 1 year</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Mortgage debt with floating interest	63,269	215,297	330,183	-	608,749
Mortgage debt with fixed interest	26,806	28,015	78,656	43,572	177,049
Leasing debt	2,654	2,458	5,409	1,982	12,503
Trade payables	31,425	-	-	-	31,426
<b>Total</b>	<b>124,154</b>	<b>245,770</b>	<b>414,247</b>	<b>45,555</b>	<b>829,726</b>

<b>Ageing of financial liabilities at 31.12.2019 (in thousands of USD)</b>	<b>Within 1 year</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>Over years</b>	<b>Total</b>
Mortgage debt with floating interest	375,949	22,937	80,757	-	479,642
Mortgage debt with fixed interest	8,233	8,025	32,535	30,497	79,289
Leasing debt	1,926	1,762	4,879	1,680	10,247
Trade payables	34,674	-	-	-	34,674
<b>Total</b>	<b>420,782</b>	<b>32,723</b>	<b>118,171</b>	<b>32,177</b>	<b>603,852</b>


**NOTE 17: SUBSIDIARIES**

The Shearwater GeoServices Holding AS Group consisted of the following companies at 31 December 2020:

Company	Jurisdiction	Share-holding	Voting Power
Shearwater GeoServices AS	Norway	100%	100%
Shearwater GeoServices Norway AS	Norway	100%	100%
Shearwater GeoServices Assets AS	Norway	100%	100%
Shearwater GeoServices Assets II AS	Norway	100%	100%
Polar Ship Invest IV AS	Norway	100%	100%
Armada Seismic Invest II AS	Norway	100%	100%
Trace Invest AS	Norway	100%	100%
Reflection Marine ASA	Norway	100%	100%
Reflection Marine Norge AS	Norway	100%	100%
Shearwater GeoServices Assets V AS	Norway	100%	100%
Shearwater GeoAssets AS	Norway	100%	100%
Shearwater GeoServices CharterCo AS	Norway	100%	100%
Global Seismic Shipping AS	Norway	100%	100%
Oceanic Seismic Vessels AS	Norway	100%	100%
Geo Vessels AS	Norway	100%	100%
Shearwater GeoServices Ltd	United Kingdom	100%	100%
Reflection Marine UK Limited	United Kingdom	100%	100%
Shearwater GeoServices Singapore Pte Ltd	Singapore	100%	100%
Geophysical Resources PTE Ltd	Singapore	100%	100%
Shearwater Product Center Sdn. Bhd.	Malaysia	100%	100%
Shearwater GeoServices Inc	United States	100%	100%
Shearwater GeoServices Software Inc	United States	100%	100%
Reflection Marine Corporation	United States	100%	100%
Reflection Marine Resources Ltd	British Virgin Island	100%	100%
Delphis Ltd	Bermuda	100%	100%

**NOTE 18: SHAREHOLDER INFORMATION**

The shares in Shearwater GeoServices Holding AS were at 31 December 2020 held as follows:

	A-SHARES	B-SHARES	VOTING POWER
RASMUSSENGRUPPEN AS	37,011,276		63%
GC Rieber Shipping ASA	9,997,711		17%
Schlumberger Norge AS	7,651,043		13%
Eidesvik Offshore AS	1,987,284		3%
CGG Veritas Norway AS	1,958,248		3%
Shearwater GeoServices Holding AS		671,970	0%
Management *	23,424	87,180	0%
<i>* held by CEO and higher level management</i>	<b>58,628,986</b>	<b>759,150</b>	<b>100%</b>



**SHEARWATER**

Annual Report 2020

<b>Reconciliation of number of shares from beginning to end of the period:</b>	<b>2020</b>	<b>2019</b>
Number of shares at 01.01.	51,006,954	51,006,954
Share capital increase	6,422,934	-
Conversion of debt	1,958,248	-
<b>Number of shares at 31.12.</b>	<b>59,388,136</b>	<b>51,006,954</b>

All transactions with related parties are carried out at market terms.

During 2020 the Company issued 8 381 182 new shares in share class A from three transactions. The first transaction of USD 50.1 million was in January 2020 in relation to the closing of the transaction where Shearwater acquired the vessels and related seismic equipment from CGG.

In December 2020 new equity of USD 25 million was injected into the company in relation to the refinancing of a substantial part of the Group's bank facilities. In this transaction all existing shareholders were offered the opportunity to participate in the share capital increase, and 23 424 of the new shares in share class A were subscribed for by key employees.

The last transaction saw the vendor note to CGG of USD 49.4 million originating from the CGG transaction completed in January 2020 settled through the issuance of new shares. The new shares were issued based on a share price agreed in January 2020.

All shares held by Shearwater GeoServices Holding AS are in share class B. The B-shares have no voting rights in the company, other than that, the shares are equal to the A-shares. Should certain specific events occur, B-shares will become A-shares.

#### **Transactions with related parties**

On 8 January 2020, the agreements related to the strategic partnership with CGG and Eidesvik for marine acquisition services had been completed. The agreements covered the purchase of five modern high-end and two additional streamer vessels previously owned by CGG Marine Resources Norge AS and Eidesvik Offshore ASA as well as streamers sufficient to equip the five modern vessels. Eidesvik Offshore AS received shares in Shearwater at the transaction date through a share issue of USD 50.1 million, while the seller's credit of USD 49.4 million held by CGG Marine Resources Norge AS was settled by issuance of new shares 29 December 2020.

The strategic partnership also included a capacity agreement where CGG committed to utilise vessel capacity corresponding to two vessel years per year over a five year period, which secures CGG access to strategic vessel capacity for future multient projects while securing Shearwater a commitment of cashflow and activity for multiple years.

The Group entered into a ship management agreement in January 2020 with Eidesvik AS, a subsidiary of Eidesvik Offshore AS, for three of the acquired vessels. Expensed ship management fee totals USD 0.5 million.

The Group has from the start of Shearwater Group had an ongoing ship management agreement with GC Rieber Shipping AS, a subsidiary of GC Rieber Shipping ASA, for four of the Group's vessels. During 2020 all of the ship management agreements were terminated and ship management for all of the Group's vessels are now handled internally. Expensed ship management fee totals USD 0.9 million in 2020 (2019: USD 1.1 million).



## **SHEARWATER**

Annual Report 2020

As part of the transaction with Schlumberger, the Group would receive a reservation fee of USD 70 million for the reservation of two vessels over a two year period. The two year period came to an end mid November 2020. The Group has registered USD 19.4 million as revenue in 2020 (2019: USD 22.0 million).

The Group entered into an agreement with Schlumberger Norge AS for engineering services for a land node project in 2018 that ran into first half of 2019. Total revenue registered for this project in 2019 was USD 4.1 million.

In 2019 the Group entered into a short-term loan agreement with RASMUSSENGRUPPEN AS to ensure sufficient capital to handle both repayment of external loans and working capital during the summer season after reactivating seven vessels from January to May in 2019 and the timing of receiving payments from customers. The short-term loan received and repaid before year end 2019 was NOK 190 million, with interest paid of NOK 11.7 million.

### **NOTE 19: EARNINGS PER SHARE**

Basic earnings per share are calculated by dividing the profit or loss attributable to equity holders of the company by the number of shares issued.

	<b>2020</b>	<b>2019</b>
Profit/(Loss) for the year	-48,680,165	-28,676,403
Weighted average number of issued shares	52,410,724	51,006,954
Basic earning per share	-0.93	-0.56

The Company has no potential shares outstanding at the year end that has a dilutive effect on the earnings per share.

### **NOTE 20: GOING CONCERN**

The Board of Directors confirms that the financial statements for 2020 have been prepared based on the assumption of a going concern and the Board believes that this assumption is appropriate and in accordance with section 3-3 of the Norwegian Accountancy Act.

### **NOTE 21: SUBSEQUENT EVENTS**

The Group announced 29<sup>th</sup> April 2021 two transactions to take over marine seismic acquisition assets previously owned by Polarcus, from Tiger Moth AS, a company affiliated with Woodstreet Inc.

Shearwater acquired streamers and related seismic equipment for a total cash consideration of USD 50 million. The company further purchased six seismic acquisition vessels for a total consideration of USD 127.5 million.

The transactions were financed through a new vessel loan facility provided by DNB and GIEK of USD 107.5 million and a convertible loan from RASMUSSENGRUPPEN AS in the amount of USD 85 million. USD 15 million of the convertible loan is available for general corporate purposes.



**SHEARWATER**

Annual Report 2020

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**FINANCIAL STATEMENT  
SHEARWATER GEOSERVICES  
HOLDING AS**

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**SHEARWATER**

Annual Report 2020

**INCOME STATEMENT**  
**SHEARWATER GEOSERVICES HOLDING AS**

(In thousands of USD)		<b>2020</b>	<b>2019</b>
Operating revenue		-	-
<b>Total revenue</b>		-	-
Cost of sales	9, 10	3,243	1,023
<b>Total cost of sales</b>		<b>3,243</b>	<b>1,023</b>
<b>Operating profit</b>		<b>-3,243</b>	<b>-1,023</b>
Loss on investment in subsidiary	3	97,022	-
Financial income		375	3
Financial expenses		142	162
<b>Total financial items</b>		<b>-96,789</b>	<b>-160</b>
<b>Net income before taxes</b>		<b>-100,032</b>	<b>-1,183</b>
Taxes	7	-	-
<b>Net income</b>		<b>-100,032</b>	<b>-1,183</b>
Transferred from other equity		-100,032	-1,183



**SHEARWATER**

Annual Report 2020

**STATEMENT OF FINANCIAL POSITION**  
**SHEARWATER GEOSERVICES HOLDING AS**

(In thousands of USD)		<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
<b>ASSETS</b>	<b>Note</b>		
Investment in shares	3	442,851	506,769
<b>Total financial non-current assets</b>		<b>442,851</b>	<b>506,769</b>
Other short-term receivables		8	34
Receivables to group companies	8	105,226	34
Cash and cash equivalents	5	116	176
<b>Total current assets</b>		<b>105,350</b>	<b>245</b>
<b>Total assets</b>		<b>548,201</b>	<b>507,014</b>



**SHEARWATER**

Annual Report 2020

**STATEMENT OF FINANCIAL POSITION**  
SHEARWATER GEOSERVICES HOLDING AS

(In thousands of USD)		31 Dec 2020	31 Dec 2019
<b>EQUITY AND LIABILITIES</b>			
Share capital (52 994 238 shares at NOK 5.50)	4, 6	34,364	33,125
Own shares (671 970 shares at NOK5.50)	4	-442	-442
Share Premium	4	132,869	83,977
Other paid in capital	4	392,980	392,980
Approved not registered capital increase	4	74,745	-
Retained earnings	4	-105,708	-5,676
<b>Total Equity</b>		<b>528,809</b>	<b>503,964</b>
<b>Short-term liabilities</b>			
Trade creditors		18	15
Liabilities to group companies	8	19,365	2,836
Other short-term liabilities		10	199
<b>Total short-term liabilities</b>		<b>13,393</b>	<b>3,050</b>
<b>Total liabilities</b>		<b>19,393</b>	<b>3,505</b>
<b>Total equity and liabilities</b>		<b>548,201</b>	<b>507,014</b>

Bergen, 15<sup>th</sup> June 2021

Robert Scott Hobbs  
Chairman of the Board

Einar Ytredal  
Board member

Trygve Lauvdal  
Board member

Vijay Babu Kasibhatla  
Board member

Lars Erik Larsson  
Board member

Stein Vidar Håland  
Board member

Irene Waage Basili  
Chief Executive Officer



**SHEARWATER**

Annual Report 2020

## CASH FLOW STATEMENT THE SHEARWATER GEOSERVICES HOLDING AS

(In thousands of USD)	2020	2019
<b>Cash flow from operating activities:</b>		
Net income before taxes	-100,032	-1,183
Net effect investment in subsidiaries	97,022	
Change in group receivables / liabilities	-88,663	91,594
Change in current assets / liabilities	-159	219
<b>Net cash flow from operating activities</b>	<b>-91,832</b>	<b>90,630</b>
<b>Cash flow from investing activities:</b>		
Investment in subsidiaries	-33,104	-90,710
<b>Net cash flow from investing activities</b>	<b>-33,104</b>	<b>-90,710</b>
<b>Cash flow from financing activities</b>		
Share issue not registered	74,745	-
Share issue	50,132	-
<b>Net cash flow from financing activities</b>	<b>124,877</b>	<b>-</b>
Net change in cash and cash equivalents	-60	-80
Cash and cash equivalents at 01.01.	176	256
<b>Cash and cash equivalents at 31.12.</b>	<b>116</b>	<b>176</b>

**NOTE 1: CORPORATE INFORMATION**

Shearwater Geoservices Holding AS (the parent company) is a Norwegian registered company with subsidiaries in Norway. Shearwater Geoservices is a new and innovative global provider of 3D marine seismic data, imaging products and data processing software.

**NOTE 2: ACCOUNTING PRINCIPLES**

The financial statements are prepared in accordance with the Norwegian Generally Accepted Accounting Principles (NGAAP) as set out in the Norwegian Accounting Act of 1998. The accounting principles are described below.

**Use of functional currency**

The Company is presenting its financial statements in USD, as this is defined as the presentation currency. The main assets in the Company is the investment in Trace Invest AS and Shearwater GeoServices AS whose activities are predominantly in USD. The functional currency in the Group accounts is also USD. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary assets items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

**Classification of assets and liabilities in the balance sheet**

Assets intended for permanent ownership or use and receivables due later than one year after the balance sheet date are classified as fixed assets. Other assets are classified as current assets. Liabilities due later than one year after the balance sheet date are classified as long-term debt. Other liabilities are classified as short-term debt. The first year's instalments on long-term debt are classified as part of long-term debt, but are specified in accompanying notes.

**Investments in subsidiaries and associated companies**

Investments in subsidiaries and associated companies are valued in accordance with the cost method. If fair value is lower than cost, and the fall in value is not considered to be temporary, the investment will be valued at fair value.

**Cash and bank deposits**

Cash and bank deposits, etc. include bank deposits, cash in hand and short-term bank deposits with an original maturity of three months or less.

**Taxes**

Tax expenses are related to profit before tax and are expensed for when they incur. The tax expense consists of tax payable (tax on taxable income for the year) and change in net deferred tax. The tax expense is allocated to ordinary profit and extra-ordinary profit in accordance with the basis for the taxes. Deferred tax liability and deferred tax assets are presented net in the balance sheet. The disclosure of deferred tax benefits on net tax reducing differences and carry-forward losses, is based on estimated future earnings.

**Cash flow statement**

The Company's cash flow statement shows the Company's cash flows distributed between operating activities, investment activities and financing activities. The statement shows the impact of the different activities on the Company's cash and cash equivalents. The cash flow statement is presented based on the indirect method.



**NOTE 3: INVESTMENT IN SUBSIDIARIES**

(In thousands of USD)

COMPANY	OFFICE / JURISDICTION	SHARE AND VOTING POWER	CARRYING AMOUNT	RESULT 2020	EQUITY 31.12.20
Shearwater GeoServices AS	Bergen, Norway	100%	435,366	2,746	438,320
Shearwater GeoAssets AS	Bergen, Norway	100%	4	-1,775	-1,772
Shearwater GeoServices Assets II AS	Bergen, Norway	100%	7,481	6,080	7,732

The subsidiaries have not finalised their annual reports at the time of the Company's sign off 15<sup>th</sup> June 2021.

Shearwater GeoAssets is the holding company for the Global Seismic Shipping (GSS) group acquired in January 2020. The transaction included vessel owning entities as well as marine seismic equipment. Payment for the shares were through a share issue of USD 50.1 million in Shearwater GeoServices Holding AS and USD 49.9 million as seller's credit. The seller's credit was converted into equity with share issue in Shearwater GeoServices Holding AS late December 2020. As a result of the payment for the Shearwater GeoAssets AS' investment in GSS was settled by share issue in the Company, the Company has at year end a significant receivable towards Shearwater GeoAssets AS. At year end the Company received a group contribution with tax effect from Shearwater GeoAssets accounted for as income from investment of USD 3.2 million. In addition, the Company gave Shearwater GeoAssets a group contribution without tax effect for the same amount reversing the income.

In December 2020 the Company's investment in Trace Invest AS was used as contribution in kind in an equity increase in Shearwater GeoServices AS for a total of USD 318.7 million. The contribution in kind resulted in loss on investment of USD 97.0 million. In addition to that, the Company participated in a capital increase in Shearwater GeoServices AS as part of the refinancing package in the Group, with a total of USD 25.6 million.

Shares in Shearwater GeoServices Assets II AS was purchased by the Company at fair value from Shearwater GeoServices AS total of USD 7.5 million with seller's credit now registered as a long term loan in the accounts.

**NOTE 4: EQUITY**

(In thousands of USD)

	Share capital	Own shares	Share premium	Other paid in capital	Approved not registered	Retained earnings	Total equity
<b>Equity as of 01.01.2020</b>	33,125	-442	83,977	392,980		-5,676	<b>503,964</b>
Share subscription 08.01	1,239		48,893				<b>50,132</b>
Share issue 22.12					25,346		<b>25,346</b>
Conversion of debt 29.12					49,399		<b>49,399</b>
Net income for the year						-100,032	<b>-100,032</b>
<b>Total Equity per 31.12.2020</b>	<b>34,364</b>	<b>-442</b>	<b>132,869</b>	<b>392,980</b>	<b>74,745</b>	<b>-105,708</b>	<b>528,809</b>



**SHEARWATER**

Annual Report 2020

	Number of Shares	Par value in USD	Carrying amount (1000 USD)
A-shares	52,235,088	0.65	33,865
B-shares	759,150	0.66	499
<b>Total registered shares</b>	<b>52,994,238</b>		<b>34,364</b>
<i>Approved not registered share issues</i>			
Share issue 22.12 A-shares	4,435,650	0.63	2,788
Conversion of debt 29.12 A-shares	1,958,248	0.64	1,245
<b>Total not registered shares</b>	<b>6,393,898</b>		<b>4,033</b>

## NOTE 5: CASH AND CASH EQUIVALENTS

(In thousands of USD)	2020	2019
Restricted cash	-	-
Bank deposits	116	176
<b>Total cash and cash equivalents</b>	<b>116</b>	<b>176</b>

## NOTE 6: SHAREHOLDER INFORMATION

		Number of shares	Ownership	Voting rights
RASMUSSENGRUPPEN AS	A-shares	32 599 050	62%	62%
GC Rieber Shipping ASA	A-shares	9 997 711	19%	19%
Schlumberger Norge AS	A-shares	7 651 043	14%	15%
Eidesvik Offshore AS	A-shares	1 987 284	4%	4%
Shearwater GeoServices Holding AS	B-shares	671 970	1%	0%
Management*	B-shares	87 180	0%	0%
		<b>52 994 238</b>	<b>100%</b>	<b>100%</b>
<i>Approved not registered share issues</i>				
RASMUSSENGRUPPEN AS	A-shares	4 412 226		
CGG Veritas Norway AS	A-shares	1 958 248		
Management*	A-shares	23 424		
<i>* held by CEO and higher level management</i>		<b>6 393 898</b>		

The B-shares have no voting rights in the company, other than that, the shares are equal to the A-shares. Should certain specific events occur, B-shares will become A-shares.

Shearwater GeoAssets is the holding company for the Global Seismic Shipping (GSS) group acquired in January 2020. The transaction included vessel owning entities as well as marine seismic equipment. Payment for the shares were through a share issue of USD 50.1 million in Shearwater GeoServices Holding AS and USD 49.9 million as seller's credit. The seller's credit was converted into equity with share issue in Shearwater GeoServices Holding AS late December 2020. As a result of the payment for the Shearwater GeoAssets AS' investment in GSS was settled by share issue in the Company, the Company has at year end a significant receivable towards Shearwater GeoAssets AS totals to USD 105.2 million.

The company has no other significant transactions with related parties.



**NOTE 7: TAXES**

(In thousands of USD)	2020	2019
<b>Calculation of taxes payable</b>		
Net tax income for the year*	-100,014	-1,953
Permanent differences	96,737	33
Change in temporary differences	-	-
<b>Taxable income</b>	<b>-3,276</b>	<b>-1,920</b>
Losses carried forward		
<b>Net taxable income</b>	<b>-3,276</b>	<b>-1,920</b>
Tax rate	22%	22%
<b>Taxes payable</b>	-	-

\* Based on taxable income in tax return for 2019 and 2018

<b>Calculation of deferred tax / tax asset</b>		
Net temporary differences	-	-
Loss carried forward	2,099	1,920
<b>Basis for deferred tax</b>	<b>2,099</b>	<b>1,920</b>
Tax rate	22%	22%
Deferred tax asset	462	422
Of which not booked	-462	-422
<b>Deferred tax asset</b>	-	-

**NOTE 8: RECEIVABLES/LIABILITIES**

(In thousands of USD)	2020	2019
<b>Intercompany transactions</b>		
Short-term receivables	105,226	34
Short-term liabilities	19,365	2,836

None of the short-term receivables or liabilities to the Group have maturity later than one year. Of the short-term receivables in 2020, USD 105.2 million was receivable towards Shearwater GeoAssets AS.

Short-term liabilities to the group are ordinary payables due within one year. In 2020 short term liabilities were mainly towards Shearwater GeoServices AS with USD 15.3 million, which included a seller's credit for the purchase of shares in Shearwater GeoServices Assets II AS, and Shearwater GeoServices Norway AS with USD 3.9 million.

**NOTE 9: EMPLOYEES**

The company has no employees, but CEO is contracted from the subsidiary Shearwater GeoServices Norway AS. There has been no remuneration to CEO from Shearwater GeoServices Holding AS as the salary has been provided from the subsidiary Shearwater GeoServices Norway AS. The CEO holds 6,500 A-shares and 20,000 B-shares as of 31 December 2020.

The chairman of the board has received USD 136,687 as remuneration in 2020 (2019: NOK 658,333).



**SHEARWATER**

Annual Report 2020

**NOTE 10: AUDITORS FEE**

(In thousands of USD)	<b>2020</b>	<b>2019</b>
Audit services	116	151
Other attestation services	-	2
Tax consulting	14	-
Other services outside the audit scope	-	470
<b>Total auditors fee</b>	<b>130</b>	<b>623</b>

Auditor's fee presented is excluding VAT.



## Contact



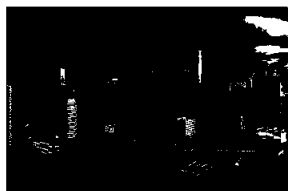
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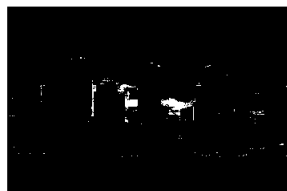
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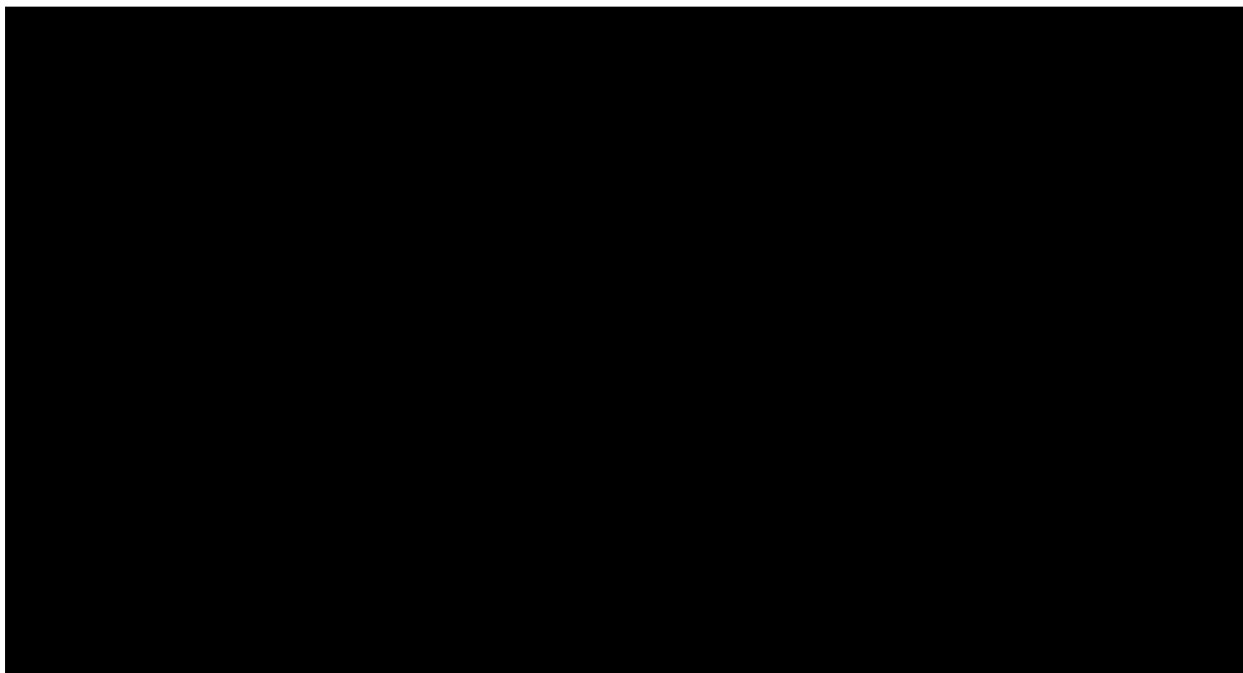
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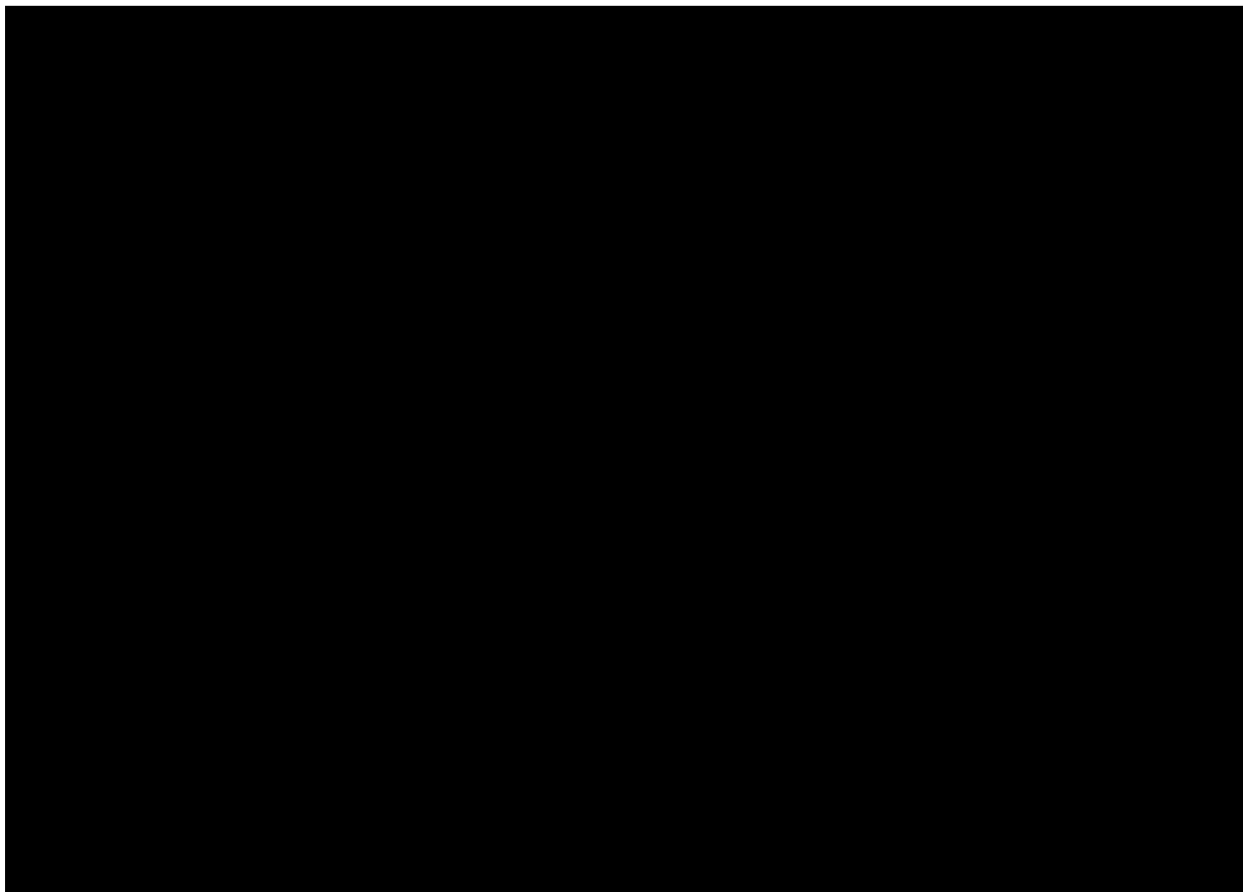
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To the General Meeting of Shearwater GeoServices Holding AS

## *Independent Auditor's Report*

### *Report on the Audit of the Financial Statements*

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#### *Opinion*

We have audited the financial statements of Shearwater GeoServices Holding AS, which comprise:

- The financial statements of the parent company Shearwater GeoServices Holding AS (the Company), which comprise the balance sheet as at 31 December 2020, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Shearwater GeoServices Holding AS and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2020, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

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#### *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 and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in

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*PricewaterhouseCoopers AS, Sandviksbodene 2A, Postboks 3984 - Sandviken, NO-5835 Bergen  
T: 02316, org. no.: 987 009 713 VAT, www.pwc.no  
State authorised public accountants, members of The Norwegian Institute of Public Accountants, and  
authorised accounting firm*



## Independent Auditor's Report - Shearwater GeoServices Holding AS



accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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### *Other information*

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on 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, 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.

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### *Responsibilities of the Board of Directors and the Managing Director for the Financial Statements*

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and true and fair view of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

(2)



Independent Auditor's Report - Shearwater GeoServices Holding AS



For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to <https://revisorforeningen.no/revisjonsberetninger>

### *Report on Other Legal and Regulatory Requirements*

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#### *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 and in the statements on Corporate Social Responsibility concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

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#### *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 produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Bergen, 15 June 2021  
**PricewaterhouseCoopers AS**

Jon Haugervåg  
State Authorised Public Accountant

(This document is signed electronically)



 Securely signed with Brevio

Revisjonsberetning

**Signers:**

<b>Name</b>	<b>Method</b>	<b>Date</b>
Haugervåg, Jon	BANKID_MOBILE	2021-06-15 17:38

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## Skattedirektoratet

Saksbehandler Torstein Kinden Helleland	Deres dato 14.06.2017	Vår dato 19.06.2017
Telefon 22078139	Deres referanse Kristian Rådal	Vår referanse 2017/668031

SHEARWATER GEOSERVICES HOLDING AS  
Damsgårdsveien 131  
5160 LAKSEVÅG

## Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for Shearwater GeoServices Holding AS, org.nr. 917 313 199

Vi viser til deres brev av 5. mai 2017 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for Shearwater GeoServices Holding AS.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering Shearwater GeoServices Holding 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

Shearwater GeoServices Holding AS er eid av Rasmussengruppen AS og GC Rieber Shipping ASA. Shearwater GeoServices Holding AS med datterselskaper tilbyr tjenester innen seismikkvirksomhet internasjonalt. Konsernet operer hvor engelsk klart er det dominerende arbeidsspråket. Konsernets arbeidsspråk er engelsk. Selskapet driver virksomhet i en internasjonal bransje. Alle sentrale aktører og samarbeidspartnere innen denne bransjen behersker og benytter engelsk. En norsk oversettelse vil kun ha til formål å oppfylle regnskapslovens språkrav.

### 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.”*

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*

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E-post: [skatteetaten.no/sendepost](mailto:skatteetaten.no/sendepost)

Sentralbord  
800 80 000  
Telefaks  
22 17 08 60



*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 vekt på at selskapet er eid av to aksjeselskaper. Eierkretsen er begrenset. Selskapet opererer i en internasjonal bransje. Videre er det vektlagt at alle sentrale aktører og samarbeidspartnere innen denne bransjen behersker og benytter engelsk.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad  
seniorrådgiver  
Rettsavdelingen, foretaksskatt  
Skattedirektoratet

Torstein Kinden Helleland

*Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer*