



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 921 675 801
Organisasjonsform: Aksjeselskap
Foretaksnavn: PETROLEUM GEO-SERVICES AS
Forretningsadresse: Lilleakerveien 4C
0283 OSLO

Regnskapsår

Årsregnskapets periode: 01.01.2020 - 31.12.2020

Konsern

Morselskap i konsern: Ja
Konsernregnskap lagt ved: Nei

Regnskapsregler

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

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Kristian Hoddevik
Dato for fastsettelse av årsregnskapet: 29.06.2021

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, 24.05.2022



Resultatregnskap

Beløp i: NOK	Note	2020	2019
RESULTATREGNSKAP			
Kostnader			
Annen driftskostnad		30 000	
Sum kostnader		30 000	
Driftsresultat		-30 000	
Finansinntekter og finanskostnader			
Annen finansinntekt		650 000 000	325 000 000
Sum finansinntekter		650 000 000	325 000 000
Netto finans		650 000 000	325 000 000
Ordinært resultat før skattekostnad		649 970 000	325 000 000
Ordinært resultat etter skattekostnad		649 970 000	325 000 000
Årsresultat		649 970 000	325 000 000
Overføringer og disponeringer			
Ordinært utbytte			325 000 000
Overføringer til/fra annen egenkapital		649 970 000	
Sum overføringer og disponeringer		649 970 000	325 000 000



Balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Finansielle anleggsmidler			
Investering i datterselskap	3	1 390 000 000	1 390 000 000
Sum finansielle anleggsmidler		1 390 000 000	1 390 000 000
Sum anleggsmidler		1 390 000 000	1 390 000 000
Omløpsmidler			
Varer			
Fordringer			
Konsernfordringer	7	650 000 000	325 000 000
Sum fordringer		650 000 000	325 000 000
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	5	31 000	30 000
Sum bankinnskudd, kontanter og lignende		31 000	30 000
Sum omløpsmidler		650 031 000	325 030 000
SUM EIENDELER		2 040 031 000	1 715 030 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital		300 000	300 000
Annen innskutt egenkapital		1 389 730 000	1 389 730 000
Sum innskutt egenkapital		1 390 030 000	1 390 030 000
Opptjent egenkapital			
Annen egenkapital		546 274 000	



Balanse

Beløp i: NOK	Note	2020	2019
Sum opptjent egenkapital		546 274 000	
Sum egenkapital		1 936 304 000	1 390 030 000
Sum langsiktig gjeld		0	0
Kortsiktig gjeld			
Kortsiktig konserngjeld		103 727 000	325 000 000
Sum kortsiktig gjeld		103 727 000	325 000 000
Sum gjeld		103 727 000	325 000 000
SUM EGENKAPITAL OG GJELD		2 040 031 000	1 715 030 000



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**Petroleum Geo-Services AS
Financial Statements - 2020**





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Petroleum Geo-Services AS Statement of Comprehensive Income 01.01 - 31.12

(In thousands of NOK)	Note	2020	2019
STATEMENTS OF PROFIT AND LOSS			
Revenues			
Operating revenues		-	-
Total revenues		-	-
Operating expenses			
Other operating expenses		30.0	-
Total operating expenses		30.0	-
Operating profit (loss)		(30.0)	-
Financial items			
Other financial income (expense)	7	650 000.1	325 000.4
Net financial items		650 000.1	325 000.4
Income (loss) before income tax expense		649 970.1	325 000.4
Income tax	6	-	0.1
PROFIT (LOSS) FOR THE YEAR		649 970.1	325 000.3
Other comprehensive income			
Items that will not be classified to profit and loss		-	-
Items that may be subsequently reclassified to profit and loss		-	-
Other comprehensive income (loss), net of tax		-	-
Total comprehensive income (loss) to equity holders		649 970.1	325 000.3
Allocation of Profit (Loss) for the year:			
Dividend		-	325 000.0
Transferred to (from) other equity		649 970.1	0.3
Total allocated		649 970.1	0.3



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Petroleum Geo-Services AS Statements of Financial Position as of 31.12

(In thousands of NOK)	Note	2020	2019
ASSETS			
NON-CURRENT ASSETS			
Financial non-current assets			
Shares in subsidiaries	3	1 390 000.0	1 390 000.0
Total financial long-term assets		1 390 000.0	1 390 000.0
TOTAL NON-CURRENT ASSETS		1 390 000.0	1 390 000.0
CURRENT ASSETS			
Receivables			
Intercompany receivables	7	650 000.0	325 000.0
Total receivables		650 000.0	325 000.0
Cash and cash equivalents	5	30.5	30.4
TOTAL CURRENT ASSETS		650 030.5	325 030.4
TOTAL ASSETS		2 040 030.5	1 715 030.4

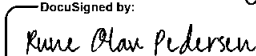


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Petroleum Geo-Services AS Statements of Financial Position as of 31.12

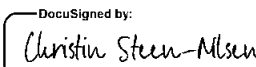
(In thousands of NOK)	Note	2020	2019
SHAREHOLDERS' EQUITY			
Paid-in equity			
Share capital	2	300.0	300.0
Additional paid-in capital	2	1 389 730.0	1 389 730.0
Total paid-in equity		1 390 030.0	1 390 030.0
Earned equity			
Other equity		546 273.6	-
TOTAL SHAREHOLDERS' EQUITY		1 936 303.6	1 390 030.0
LIABILITIES			
CURRENT LIABILITIES			
Intercompany liabilities	7	103 727.0	325 000.4
Total current liabilities		103 727.0	325 000.4
TOTAL LIABILITIES		103 727.0	325 000.4
TOTAL EQUITY AND LIABILITIES		2 040 030.5	1 715 030.4


Oslo, June 29th 2021

DocuSigned by:

Rune Olav Pedersen
Chairperson

DocuSigned by:

Gottfred Langseth
Board member

DocuSigned by:

Christin Steen-Nilsen
Board member

DocuSigned by:

Robert James Adams
General Manager



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Petroleum Geo-Services AS Statements of Changes in Shareholders' Equity

(In thousands of NOK)	Share capital	Additional paid-in capital	Other equity	Total
Equity as of January 1, 2019	30.0	-	-	30.0
Profit (loss) for the period	-	-	325 000.3	325 000.3
Capital increase	270.0	1 389 730.0	-	1 390 000.0
Group contribution	-	-	(0.3)	(0.3)
Dividend	-	-	(325 000.0)	(325 000.0)
Equity as of December 31, 2019	300.0	1 389 730.0	-	1 390 030.0
Profit (loss) for the period	-	-	649 970.1	649 970.1
Dividend	-	-	(103 696.6)	(103 696.6)
Equity as of December 31, 2020	300.0	1 389 730.0	546 273.6	1 936 303.6



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Petroleum Geo-Services AS Statements of Cash Flows

(In thousands of NOK)	Note	2020	2019
Cash flows provided by operating activities			
Profit for the year		649 970.1	325 000.3
Dividends/group contributions		(650 000.0)	(325 000.3)
Change in current intercompany balances		30.0	0.4
Net cash provided by operating activities		0.1	0.4
Cash flows provided by (used in) investing activities			
Investment in subsidiaries, net		-	-
Received dividends from subsidiaries		325 000.0	-
Investments in property and equipment		-	-
Net cash provided by (used in) investing activities		325 000.0	-
Cash flows provided by (used in) financing activities			
Net change intercompany balances		(325 000.0)	-
Paid in capital		-	-
Net cash provided by (used in) financing activities		(325 000.0)	-
Cash and cash equivalents			
Net increase (decrease) in cash and cash equivalents		0.1	0.4
Cash and cash equivalents at beginning of period		30.4	30.0
Cash and cash equivalents as of 31 December		30.5	30.4



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Petroleum Geo-Services AS Notes to the financial statements

Note 1 Accounting principles

General

The financial statements of Petroleum Geo-Services AS ("the Company") are included in the PGS ASA consolidated financial statements. The "Group" and "PGS" refer to PGS ASA and its subsidiaries.

Basis of presentation

Petroleum Geo-Services AS' financial statements have been prepared and presented in accordance with the regulations on simplified application of the International Financial Reporting Standards (IFRS) (FOR-2014-11-03-1415), ref. the Norwegian Accounting Act § 3.9 5th paragraph, with comparative figures for prior year. The functional currency is Norwegian kroner ("NOK"). The Company's headquarters is at Oslo, Norway. The address is Lilleakerveien 4C, 0283 Oslo.

For all periods up to and including the year ending 31 December 2019 the Company prepared its financial statements in accordance with Norwegian GAAP. The accounts for the year ended 31 December 2020 are the first the Company have prepared in accordance with the Regulation on simplified IFRS. See note 8 for information on how the Company has adopted IFRS.

Summary of significant accounting policies:

Main principles for assessing and classifying assets and liabilities

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

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

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

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

Cash and cash equivalents and restricted cash

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

Foreign currency translation and transactions

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



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Shares in subsidiaries

Shares in subsidiaries are presented at cost less impairment. Impairment is recognized based upon the carrying value of the individual shares and net intercompany receivables in the subsidiaries less the estimated recoverable amount (based on discounted estimated future cash flows). If estimated recoverable amounts increase, impairment charges are reversed accordingly.

Income taxes

Income tax expense is comprised of current and deferred tax. Income tax is recognized in the statement of profit and loss.

Current tax is the tax expected to be paid to or recovered from taxation authorities in respect of taxable income for the year, using tax rates enacted or substantially enacted during the period.

Deferred tax assets and liabilities are measured using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes. The amount of deferred tax provided is based on tax rates that are expected to apply in the year of realization or settlement, using tax rates and laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is recognized on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary differences can be controlled by the Company and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized only when, on the basis of all available evidence, it can be regarded as probable that there will be sufficient taxable profits in the foreseeable future against which the asset can be utilized.

Deferred tax assets and deferred tax liabilities are offset when 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 assets and liabilities are classified as non-current in the consolidated statement of financial position.

Statements of cash flow

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

Changes in accounting policies and disclosures

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



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Note 2 Share capital, shareholders and parent company information

The Company was established on 10 October 2018. The share capital comprise of 300 ordinary shares at nominal value NOK 1,000. All shares have equal rights. The Company is 100% owned by PGS ASA as of December 31, 2020. From February 9, 2021 the Company is owned by PGS Holding II Ltd. See more information in note 9.

Petroleum Geo-Services AS is included in the consolidated financial statements of PGS ASA. The consolidated financial statements can be downloaded at www.pgs.com

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

Note 3 Shares in subsidiaries

The following table illustrates the summarized financial information as of December 31, 2020:

(In thousands of NOK)	Registered office	Shareholding (a)	Book value	Equity	Impairments 2020	Net income 2020 (b)
PGS Titans AS	Oslo	100%	1 390 000.0	1 365 492.9	-	389 752.1
Total			1 390 000.0		-	

(a) Voting rights are equivalent to shareholding for all companies.

Note 4 Personnel expenses and remuneration to the General Manager, Board of Directors and auditor

The Company had no employees during the year.

The Company is not obliged to carry an occupational pension plan in accordance with the Norwegian Occupational Pension Plan Act.

As of 31.12.2020, no loans or collateral are given to the Board of Directors.

Ordinary audit fees for 2020 are NOK 30,000 ex. VAT, and are entirely related to the audit of the financial statements.

Note 5 Restricted cash

The Company has no restricted bank deposits



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Note 6 Income taxes

Income tax consists of the following:

(In thousands of NOK)	Year ended December 31,	
	2020	2019
Current taxes	-	-
Deferred taxes	-	-
Total income tax expense	-	-

The income tax differs from the amounts computed when applying the Norwegian statutory tax rate to income (loss) before income tax as a result of the following:

(In thousands of NOK)	Year ended December 31,	
	2020	2019
Income (loss) before income tax expense	649 970.1	325 000.4
Norwegian statutory rate	22%	22%
Provision for income taxes at statutory rate	142 993.4	71 500.1
Permanent differences	-143 000.0	(71 500.0)
Calculated income tax expense for the year	(6.6)	0.1

Calculation of taxable income

Ordinary result before tax	649 970.1	325 000.4
Permanent differences	(650 000.0)	(325 000.0)
Change in temporary differences	-	-
Taxable income	(29.9)	0.4
Income tax payable before group contribution	(6.6)	0.1
Tax effect of group contribution distributed	-	(0.1)
Income tax payable to Norway	(6.6)	-

The tax effects of the Company's temporary differences are as follows:

(In thousands of NOK)	December 31,	
	2020	2019
Other temporary differences	-	-
NOL carry-forward	29.9	-
Deferred tax assets base	29.9	-
Deferred tax (assets) liabilities on temporary differences	6.6	-
Recognized deferred tax (assets) liabilities	-	-



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Note 7 Transactions with related parties

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

Other financial income (expense):

(In thousands of NOK)	Year ended December 31,	
	2020	2019
Dividend from PGS Titans AS	650 000.0	325 000.0
Total	650 000.0	325 000.0

The Company recognized NOK 650 million and NOK 325 million in dividend from PGS Titans AS for the year ended December 31, 2020 and 2019 respectively.

Related party balances:

(In thousands of NOK)	December 31,	
	2020	2019
Intercompany receivables	650 000.0	325 000.0
Intercompany liabilities	(103 727.0)	(325 000.4)
Total	546 273.0	(0.4)

For the year ended 2020 and 2019 the Company has accrued dividend of NOK 103.7 million and NOK 325 million, respectively, to be paid to PGS ASA.

Note 8 Transition note

As the Company decided to change their accounting language from NGAAP to the Regulation on Simplified IFRS (2014), this implies individual changes of principles. The change from NGAAP to simplified IFRS will not have any effect on the Company's financial statement as the recognition of the initial numbers are in coherence with the regulation given in IFRS.

Deviations from IFRS:

Dividends and group contribution are accounted for in accordance with the provisions of the accounting Act.

Note 9 Events after the Balance Sheet date

PGS has renegotiated its main credit agreements to extend near-term debt maturities and amortization profiles to preserve liquidity. On February 2, 2021 a UK Scheme of Arrangement (the "Scheme") was sanctioned by an English court allowing the implementation of the financing transaction with main terms as listed below (the "Transaction"). The Scheme had support of lenders to the RCF/TLB facilities representing 95.3% by value of debt and 99.5% by number of creditors voting. The Transaction closed with effect February 9, 2021.

With the Transaction PGS extended its current near-term maturity and amortization profile under its RCF/TLB and ECF facilities by approximately two years.

In Q1 2021 PGS ASA contributed the majority of its assets and liabilities to its 100% owned subsidiary Petroleum Geo-Services AS. The capital contribution amounted to NOK 976.4 million. Petroleum Geo-Services AS is replacing PGS ASA as the Norwegian borrower, PGS Finance Inc. continues as US Borrower and PGS Holding II Ltd enters as UK Co-Borrower. The TLB facility is guaranteed by all material subsidiaries except PGS Titans AS, holding the four titan-class vessels financed by four export credit loans. PGS ASA has guaranteed the loans financing for the Ramform Titan and the Ramform Atlas, and each of PGS Holding I Ltd, PGS Holding II Ltd and Petroleum Geo-Services AS has guaranteed for the loans financing for the Ramform Titan, Ramform Atlas, Ramform Tethys and Ramform Hyperion.

The main terms of the Transaction include:



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- The ~\$135 million RCF due 2020, the ~\$215 million RCF due 2023, and the ~\$2 million TLB due 2021 are converted into a new TLB on the same terms as the ~\$520 million 2024 TLB
- Quarterly amortization payments of up to 5% per annum of the original principal amount of the ~\$520 million 2024 TLB has been replaced by the new amortization payments described below
- The total debt under the new TLB facilities (including PIK fees and offsetting exchange of loans into the CB as described below) of \$873.0 million maturing in March 2024 will have the following amortization profile payable pro-rata to all TLB lenders:
 - \$135 million amortization payment due in September 2022
 - \$200 million amortization payment due in September 2023
 - \$9.2 million quarterly amortization starting March 2023
- Quarterly amortization payments totaling ~\$106 million due over the next two years under the ECF will be deferred and repaid over four quarters starting December 2022
- Total fees across the lender groups of \$8.0 million payable in cash and \$8.4 million payable in kind (i.e. added to the loan balance)

Reference is made to the description in note 21 to the consolidated financial statements.

On February 8, 2021 the Company declared an extra ordinary dividend to PGS ASA amounting to NOK 103.7 million.



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Petroleum Geo-Services AS The Board of Directors' Report 2020

Nature of the business

Petroleum Geo-Services AS (the Company) is a wholly owned subsidiary of PGS Holding II Ltd and part of the PGS Group (PGS). The Company was founded on 10 October 2018,

The Company only owns shares in PGS Titans AS which owns four seismic vessels that are leased to PGS Falcon AS, a subsidiary in PGS.

The Company is located at Lilleaker in Oslo.

Equality, Health, Safety and Environment

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

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

The PGS organization (core fleet vessels and PGS offices) had the following health and safety incident levels in 2020 and 2019:

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

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

Incident	2020	2019
Lost Time Injury Frequency (LTIF)	0.87	0.52
Total Recordable Case Frequency (TRCF)	0.87	0.86

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

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

Going concern

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

The equity as of December 31, 2020 is NOK 1,936.3 million, equivalent to an 95% equity ratio. The Board considers the equity sufficient given the risk and current operations.

Rescheduling of debt

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



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In Q1 2021 PGS ASA contributed the majority of its assets and liabilities to Petroleum Geo-Services AS. The capital contribution amounted to NOK 976.4 million, including \$872.4 million in transferred debt. Petroleum Geo-Services AS is replacing PGS ASA as the Norwegian borrower, PGS Finance Inc. continues as US Borrower and PGS Holding II Ltd enters as UK Co-Borrower. The TLB facility is guaranteed by all material subsidiaries except PGS Titans AS, holding the four titan-class vessels financed by four export credit loans. PGS ASA has guaranteed the loans financing for the Ramform Titan and the Ramform Atlas, and each of PGS Holding I Ltd, PGS Holding II Ltd and Petroleum Geo-Services AS has guaranteed for the loans financing for the Ramform Titan, Ramform Atlas, Ramform Tethys and Ramform Hyperion.

Financial risk

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

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

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

Based on the year-end cash balance and available liquidity resources, and the current structure and terms of the Group's debt, it is the Board's opinion that PGS has sufficient funding and liquidity to support Petroleum Geo-Services operations.

Presentation of the financial statements and the Company's development

The Company's profit are mainly related to a dividend from PGS Titans AS.

Profit for 2020 was NOK 649,970.1 thousands, compared to NOK 325,000.3 thousands in 2019.

Cash flow from operating activities was NOK 0.1 thousands in 2020, compared to NOK 0.4 thousands in 2019. The deviation from operating profit is related to other financial income.

Market and outlook

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

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

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

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



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

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

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

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

The Board expects the improved oil price, a likely global recovery from the Covid-19 pandemic, and the effects of deferred projects from last year to support a gradual increase of demand for seismic services in 2021. Despite the impacts of the Covid-19 crisis, energy consumption is expected to continue to increase longer term with oil and gas being an important part of the energy mix as the global energy transition evolves. Offshore reserves will be vital for future supply and support demand for marine seismic services. The recovery of the seismic industry is also likely to benefit from the recent industry capacity reductions.

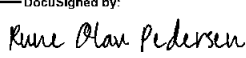
The Board emphasizes that valuations in the financial statements and forward-looking statements contained in this report are based on various assumptions made by management, depend on factors beyond its control, and are subject to risks and uncertainties. Accordingly, actual results may differ materially.

The Company has no research and development costs.

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

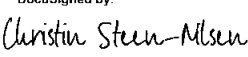
It is the opinion of the Board of Directors that the presented income statement, balance sheet and cash-flow statement with accompanying notes show a true and fair view of the Company's results and financial position.

Oslo, June 29th 2021

DocuSigned by:

Rune Olav Pedersen
Chairperson

DocuSigned by:

Gottfred Langseth
Board member

DocuSigned by:

Christin Steen-Nilsen
Board member

DocuSigned by:

Robert James Adams
General Manager



Statsautoriserte revisorer
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Medlemmer av Den norske revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Petroleum Geo-Services AS

Report on the audit of the financial statements

Opinion

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

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

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

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

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

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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



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could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

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

Opinion on registration and documentation

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

Oslo, 29 June 2021
ERNST & YOUNG AS

The auditor's report is signed electronically

Johan Lid Nordby
State Authorised Public Accountant

Independent auditor's report – Petroleum Geo-Services AS

A member firm of Ernst & Young Global Limited

Penneo Dokumentnøkkel: Y5CU3-ZEUWO-CFEAY-LMBJE-470BJ-JEVJ6



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Johan Nordby

Statsautorisert revisor

På vegne av: Ernst & Young AS

Serienummer: 9578-5997-4-729076

IP: 84.211.xxx.xxx

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Skatteetaten

Vår dato
28.02.2020

Din/Deres dato
18.02.2020

Saksbehandler
Joakim Engebretsen

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Skatteetaten.no

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Telefon
92251412

Org.nr
974761076

Vår referanse
2020/5184184

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0134 OSLO

PETROLEUM GEO-SERVICES AS
Postboks 251 Lilleaker
0216 OSLO

Dispensasjon fra kravet om å utarbeide årsregnskap og årsberetning på norsk

Vi viser til Petroleum Geo-Services AS' (org.nr. 921 675 801) søknad om dispensasjon fra kravet om å utarbeide årsregnskap og årsberetning på norsk.

Skattekontoret gir på bakgrunn av en konkret helhetsvurdering selskapet dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen forutsetter at engelsk språk benyttes i stedet ved utarbeidelsen, og at øvrige opplysninger som vedtaket baserer seg på, heller 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

Fra søknaden siteres:

Selskapet ønsker å utarbeide årsregnskap og årsberetning på engelsk for Petroleum Geo-Services AS, org. nr 921 675 801.

Begrunnelse

Petroleum Geo-Services AS er et heleid datterselskap av PGS ASA. Skattedirektoratet ga morselskapet dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk 4. januar 2011. Konsernet er en teknologisk tjenesteleverandør innenfor oljebransjen som i hovedsak leverer tjenester innen geofysikk på verdensmarkedet. Konsernet opererer i sektorer der engelsk er det klart dominerende språket. Flertallet av morselskapets aksjonærer er profesjonelle investorer og større selskaper, herav ca 65-70% er utenlandske.

All intern rapportering skjer på engelsk og konsernets arbeidsspråk er generelt engelsk. Både i styret og konsernledelse er det ikke-norskpråklig representanter. Selskapets kontraktsparter er i all hovedsak store og internasjonale aktører. All vesentlig kommunikasjon med disse foregår derfor på engelsk. Det vil være en engelskspråklig versjon av årsregnskap og årsberetning som



utarbeides og benyttes for alle praktiske formål både internt og eksternt, mens den norske oversettelsen kun utarbeides for å tilfredsstille regnskapslovens krav.

Skattekontorets 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 mv., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

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

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

Det er etter skattekontorets 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.

Som nevnt ovenfor er det særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I dette tilfellet er det opplyst konsernet opererer i en bransje der engelsk er det klart dominerende språket. Flertallet av morselskapets aksjonærer er profesjonelle investorer og større selskaper, hvor en større andel er utenlandske. Både i styret og konsernledelsen er det ikke-norsk språklige personer. Skattekontoret finner at disse forholdene samlet tilsier at dispensasjon fra kravet om å utarbeide årsregnskap og årsberetning på norsk kan gis.



Vennligst oppgi vår referanse ved henvendelse i saken.

Med hilsen

Roar Thorbjørnsen
underdirektør
Innsats, storbedrift
Skatteetaten

Joakim Engebretsen

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer.