

Financial Statements

Collaboration & Connectivity
for the future of seismic



Alternative Performance Measures

As required by the European Securities and Markets Authority (“ESMA”) guidelines, the Company has defined and explained the purpose of its Alternative Performance Measures (“APMs”) in the paragraphs below.

Segment EBITDA, excluding other charges

Segment EBITDA, when used by the Company, means Segment EBIT excluding other charges, impairments and loss on sale of non-current assets and depreciation and amortization. Segment EBITDA may not be comparable to other similarly titled measures from other companies. The Company has included EBITDA as a supplemental disclosure because PGS believes that the measure provides useful information regarding the Company’s ability to service debt and to fund capital expenditures and provides a helpful measure for comparing its operating performance with that of other companies.

Segment EBIT, excluding impairments and other charges

PGS believes that Segment EBIT, excluding impairments and other charges, is a useful measure in that the measures provide an indication of the profitability of the Company’s operating activities for the period without regard to significant events and/or decisions in the period that are expected to occur less frequently.

MultiClient pre-funding level

The MultiClient pre-funding level is calculated by dividing the MultiClient pre-funding revenues, as per segment reporting, by the cash investment in MultiClient library, as reported in the Statements of Cash Flows. PGS believes that the MultiClient pre-funding percentage is a useful measure in that it provides some indication of the extent to which the Company’s financial risk is reduced on new MultiClient investments.

Net interest-bearing debt

Net interest-bearing debt is defined as the sum of non-current and current interest-bearing debt, less cash and cash equivalents and restricted cash. PGS believes that Net Interest-Bearing Debt (“NIBD”) is a useful measure because it provides an indication of the hypothetical minimum necessary debt financing to which the Company is subject at balance sheet date. The Company present NIBD including and excluding lease liabilities.

Liquidity reserve

Liquidity reserve is defined as the sum of cash and cash equivalents and the un-drawn part of the Revolving Credit Facility. Management believes that liquidity reserve is a useful measure because it provides an indication of the amount of funds readily available to the Company in the very short term at balance sheet date.

Segment revenues

Following the implementation of the accounting standard for revenues, IFRS 15, MultiClient pre-funding revenues are no longer recognized under the previously applied percentage of completion method. Instead, such revenues are generally recognized at delivery of the final processed data, which is typically significantly later than the acquisition of the seismic data.

PGS has, for the purpose of its internal reporting, continued to report according to the principle applied in 2017 and earlier years, where MultiClient pre-funding revenue is recognized on a percentage of completion basis, and the related amortization of MultiClient library based upon the ratio of aggregate capitalized survey costs to forecasted sales.

Gross cash costs and net operating expenses

Gross cash costs are defined as the sum of reported net operating expenses (excluding depreciation, amortization, impairments, deferred steaming, net and other charges, net) and the cash operating costs capitalized as investments in the MultiClient library as well as capitalized development costs. PGS believes that the gross cash costs figure is a useful measure because it provides an indication of the level of cash costs incurred by the Company irrespective of the extent to which the fleet is working on MultiClient projects or the extent to which its R&D expenditures qualify for capitalization.

Net operating expenses are defined as gross cash costs (as per above) less capitalized investments in the MultiClient library and capitalized development costs. PGS believes this figure is a useful measure because it provides an indication of the level of net cash costs incurred by the Company in running current period commercial activities that are not devoted to investment.

Order book

Order book is defined as the aggregate estimated value of future Segment Revenues on signed customer contracts, letters of award or where all major contract terms are agreed. For long term contracted service agreements, the order book includes estimated revenues for the nearest 12- month period. PGS believes that the Order book figure is a useful measure in that it provides an indication of the amount of customer backlog and committed activity in the coming periods.

Capital expenditures, whether paid or not

Capital expenditures means investments in property and equipment irrespective of whether paid in the period, but excluding capitalized interest cost.

APM Reconciliations

Segment Reporting, Total Revenues and Other Income by service type is reconciled as follows:

(In millions of US dollars)	Year ended December 31,	
	2020	2019
Contract seismic	146.7	318.8
MultiClient pre-funding	134.7	307.2
MultiClient late sales	167.3	273.1
Imaging	23.6	29.1
Other Income	39.7	2.6
Total Revenues and Other Income as reported	512.0	930.8
Segment MultiClient revenue for projects not yet delivered	224.8	138.3
Segment MultiClient revenue from previous years, projects delivered	(140.9)	(189.0)
Segment Total Revenues and Other Income	595.9	880.1

Segment EBITDA ex. other charges, net is reconciled as follows:

(In millions of US dollars)	Year ended December 31,	
	2020	2019
Operating profit (loss) as reported	(188.0)	54.6
Segment adjustment to revenues as reported	83.9	(50.7)
Other charges, net	38.7	(1.0)
Amortization and impairment of MultiClient library	265.5	437.4
Depreciation and amortization of non-current assets (excl. MultiClient library)	89.2	115.8
Impairment and loss on sale of non-current assets (excl. MultiClient library)	108.4	-
Segment EBITDA ex other charges, net	397.7	556.1

Segment EBIT ex. impairment and other charges, net is reconciled as follows:

(In millions of US dollars)	Year ended December 31,	
	2020	2019
Operating profit (loss) as reported	(188.0)	54.6
Segment adjustment to revenues reported	83.9	(50.7)
Other charges, net	38.7	(1.0)
Segment adjustment to amortization as reported	(65.7)	75.6
Impairment of MultiClient library	34.9	17.9
Impairment and loss on sale of non-current assets (excl. MultiClient library)	108.4	-
EBIT ex. impairment and other charges, net	12.2	96.4

Net interest bearing debt is reconciled as follows:

(In millions of US dollars)	December 31,	
	2020	2019
Cash and cash equivalents	156.7	40.6
Restricted cash (current and non-current)	76.6	43.0
Current debt and current portion of non-current debt	(1150.4)	(443.2)
Non-current debt	-	(641.2)
Adjustment for deferred loan costs	(20.5)	(6.7)
Net interest bearing debt, excluding lease liabilities	(937.6)	(1 007.5)
Lease liabilities current	(40.1)	(46.1)
Lease liabilities non-current	(118.5)	(151.0)
Net interest bearing debt, including lease liabilities	(1 096.2)	(1 204.6)

Total capital expenditures, whether paid or not is reconciled as follows:

(In millions of US dollars)	Year ended December 31,	
	2020	2019
Seismic equipment	13.8	20.3
Vessel upgrades/yard	12.5	29.2
Compute infrastructure/ technology	8.7	6.3
Other	1.1	3.3
Total capital expenditures, whether paid or not	36.1	59.1
Change in working capital and capital leases	(3.3)	2.9
Investment in property and equipment	32.8	62.0

Cash cost, gross and Net operating expenses are reconciled as follows:

Year ended December 31,

(In millions of US dollars)

	2020	2019
Cost of sales before investment in MultiClient library	(369.8)	(510.3)
Research and development costs before capitalized development costs	(17.2)	(17.7)
Selling, general and administrative costs	(39.2)	(51.8)
Cash costs, gross	(426.2)	(579.8)
Steaming deferral, net	(2.8)	3.0
Cash investment in MultiClient library	222.3	244.8
Capitalized development costs	8.5	8.0
Net operating expenses	(198.2)	(324.0)

Financial Statements

PGS Consolidated

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PGS ASA Parent Company

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Consolidated Financial Statements

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Consolidated Statements of Profit and Loss

(In millions of US dollars)	Note	Year ended December 31,	
		2020	2019
Revenues	5	473.2	930.8
Other income	6	38.8	-
Total revenues and other income		512.0	930.8
Cost of sales	7	(150.3)	(262.5)
Research and development costs		(8.7)	(9.7)
Selling, general and administrative costs		(39.2)	(51.8)
Amortization and impairment of MultiClient library	8	(265.5)	(437.4)
Depreciation and amortization of non-current assets (excl. MultiClient Library)	8	(89.2)	(115.8)
Impairment and loss on sale of non-current assets (excl. MultiClient library)	17	(108.4)	-
Other charges, net	9	(38.7)	1.0
Total operating expenses		(700.0)	(876.2)
Operating profit (loss)/EBIT		(188.0)	54.6
Share of results from associated companies	19	(30.0)	(20.1)
Interest expense	10	(78.4)	(67.5)
Other financial expense, net	11	(10.0)	(4.6)
Income (loss) before income tax expense		(306.4)	(37.6)
Income tax	12	(15.1)	(34.1)
Profit (loss) for the year		(321.5)	(71.7)
Earnings (loss) per share, to ordinary equity holders of PGS ASA:	13		
- Basic		(\$0.85)	(\$0.21)
- Diluted		(\$0.85)	(\$0.21)

Consolidated Statements of Comprehensive Income

(In millions of US dollars)	Note	Year ended December 31,	
		2020	2019
Profit (loss) for the year		(321.5)	(71.7)
Other comprehensive income			
Actuarial gains (losses) on defined benefit pension plans	26	(7.6)	(8.1)
Items that will not be reclassified to statements of profit and loss		(7.6)	(8.1)
Cash flow hedges		(3.9)	2.2
Other comprehensive income (loss) from associated companies		-	-
Items that may be subsequently reclassified to statements of profit and loss		(3.9)	2.2
Other comprehensive income (loss), net of tax		(11.5)	(5.9)
Total comprehensive income (loss) to equity holders of PGS ASA		(333.0)	(77.6)

Consolidated Statements of Changes in Shareholders' Equity

(In millions of US dollars)	Attributable to equity holders of PGS ASA				Shareholders' equity
	Share capital par value	Additional paid-in capital	Accumulated earnings	Other capital reserves	
Balance as of January 1, 2019	138.5	850.1	(266.7)	(9.6)	712.3
Profit (loss) for the period	-	-	(71.7)	-	(71.7)
Other comprehensive income (loss)	-	-	(8.1)	2.2	(5.9)
Share based payments	-	3.4	-	-	3.4
Share based payments, cash settled	-	(1.0)	-	-	(1.0)
Balance as of December 31, 2019	138.5	852.5	(346.5)	(7.4)	637.1
Profit (loss) for the period	-	-	(321.5)	-	(321.5)
Other comprehensive income (loss)	-	-	(7.6)	(3.9)	(11.5)
Share issue (a)	15.7	73.7	-	-	89.4
Share based payments	-	3.1	-	-	3.1
Share based payments, cash settled	-	(0.2)	-	-	(0.2)
Balance as of December 31, 2020	154.2	929.1	(675.6)	(11.3)	396.4

(a) In Q1 2020, the Company issued 48,627,000 new shares following a private placement raising approximately NOK 850 million as equity. Transaction costs amounting to \$2.4 million are recognized against "Additional paid-in capital".

Consolidated Statements of Financial Position

(In millions of US dollars)	Note	December 31,	
		2020	2019
ASSETS			
<i>Current assets</i>			
Cash and cash equivalents	22	156.7	40.6
Restricted cash	14	15.8	4.2
Accounts receivables	5, 22	100.6	191.1
Accrued revenues and other receivables	5, 15	57.3	118.5
Other current assets	16	79.2	71.7
Total current assets		409.6	426.1
<i>Non-current assets</i>			
Property and equipment	17	898.0	1132.4
MultiClient library	18	616.1	558.6
Restricted cash	14	60.8	38.8
Other non-current assets	19	16.2	44.6
Other intangible assets	20	93.1	101.2
Total non-current assets		1 684.2	1 875.6
Total assets		2 093.8	2 301.7
LIABILITIES AND SHAREHOLDERS' EQUITY			
<i>Current liabilities</i>			
Interest bearing debt	21, 22	1 150.4	443.2
Lease liabilities	21, 22	40.1	46.1
Accounts payable	22	31.2	56.1
Accrued expenses and other current liabilities	24	95.5	128.2
Deferred revenues	5	188.6	123.9
Income taxes payable	12	13.7	24.6
Total current liabilities		1 519.5	822.1
<i>Non-current liabilities</i>			
Interest bearing debt	21, 22	-	641.2
Lease liabilities	21, 22	118.5	151.0
Deferred tax liabilities	12	0.1	0.1
Other non-current Liabilities	25	59.3	50.2
Total non-current liabilities		177.9	842.5
<i>Shareholders' equity</i>			
Share capital; par value NOK 3; issued and outstanding 387,206,996 shares	27	154.2	138.5
Additional paid-in capital	27	929.1	852.5
Total paid-in capital		1 083.3	991.0
Accumulated earnings		(675.6)	(346.5)
Other capital reserves		(11.3)	(7.4)
Total shareholders' equity		396.4	637.1
Total liabilities and shareholders' equity		2 093.8	2 301.7

Oslo, February 23, 2021

Board of Directors PGS ASA

Walter Qvam *Chairperson* | Anne Grethe Dalane | Marianne Kah | Richard Herbert | Trond Brandsrud
Anette Valbø | Hege Renshus | Grunde Rønholdt | Rune Olav Pedersen *Chief Executive Officer*

Consolidated Statements of Cash Flows

(In millions of US dollars)	Note	Year ended December 31,	
		2020	2019
Income (loss) before income tax expense (a)		(306.4)	(71.7)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization, impairment	8	463.1	553.2
Share of results in associated companies	19	30.0	20.1
Interest expense	10	78.4	67.5
Loss (gain) on sale and retirement of assets		-	(1.5)
Income taxes paid	12	(26.8)	(37.2)
Other items		2.3	1.3
(Increase) decrease in accounts receivables, accrued revenues & other receivables		127.6	(63.7)
Increase (decrease) in deferred revenues	5	64.8	(36.7)
Increase (decrease) in accounts payable		(23.1)	(2.8)
Change in other current items related to operating activities		(47.2)	33.1
Change in other non-current items related to operating activities		3.8	12.7
Net cash provided by operating activities		366.5	474.3
Investment in MultiClient library	18	(222.1)	(244.8)
Investment in property and equipment	17	(32.8)	(62.0)
Investment in other intangible assets	20	(8.6)	(15.4)
Investment in other current -and non-current assets assets		-	(0.5)
Proceeds from sale and disposal of assets	17	26.6	70.2
Decrease (increase) in non-current restricted cash		(17.7)	
Net cash provided by (used in) investing activities		(254.6)	(252.5)
Proceeds, net of deferred loan costs, from issuance of non-current debt	21	124.2	-
Interest paid on interest bearing debt		(73.7)	(60.9)
Repayment of interest bearing debt	21	(240.3)	(51.2)
Net change of drawing on the Revolving Credit Facility	21	170.0	(85.0)
Proceeds from share issue (b)		91.9	
Payment of lease liabilities (recognized under IFRS 16)	21, 23	(43.1)	(44.8)
Payments of leases classified as interest	23	(10.7)	(13.8)
Decrease (increase) in restricted cash related to debt service		(14.1)	-
Net cash provided by (used in) financing activities		4.2	(255.7)
Net increase (decrease) in cash and cash equivalents		116.1	(33.9)
Cash and cash equivalents as of January 1		40.6	74.5
Cash and cash equivalents as of December 31 (c)		156.7	40.6

(a) In Q1 2020 the Company changed presentation from "Net income (loss) to equity holders of PGS ASA" to "Income (loss) before income tax expense".

(b) Including transaction costs amounting to \$2.4 million and \$2.5 million gain from currency derivatives.

(c) Cash and cash equivalents as of December 31, 2020 includes \$ 14.4 million currently not available to the Group due to restrictions on transfer from a subsidiary. See more information in note 14.

Note 1 – General Information about the Company and Basis of Presentation

General information

PGS ASA is a public limited liability company established under the laws of the Kingdom of Norway in 1991. Unless stated otherwise, references herein to the “Company”, the “Group” and “PGS” refer to PGS ASA and its subsidiaries.

PGS is a fully integrated marine geophysical company providing a broad range of seismic and reservoir services, including acquisition, imaging, interpretation, and field evaluation. The Company’s MultiClient data library is among the largest in the seismic industry, with modern 3D coverage in all significant offshore hydrocarbon provinces of the world. The Company operates on a worldwide basis with headquarters in Oslo, Norway. The address is Lilleakerveien 4C, 0283 Oslo.

Basis of presentation

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”). IFRS as adopted by the EU differs in certain respects from IFRS as issued by the International Accounting Standards Board (“IASB”). References to IFRS hereafter should be construed as references to IFRS as adopted by the EU. The consolidated financial statements are prepared using the historical cost basis, except for certain financial assets and derivative financial instruments that have been measured at fair value. The consolidated financial statements are presented in millions of US Dollars (“\$” or “dollars”), unless otherwise indicated.

The consolidated financial statements were authorized for issue by the Board of Directors on February 23, 2021.

Note 2 – Summary of Significant Accounting Policies

Consolidation

Subsidiaries

A subsidiary is an entity (including special purpose entities) that is controlled by the Company. Control is achieved where the Company is exposed, or has rights to, variable returns from its involvement with the entity, and has the ability to affect those returns through its power, directly or indirectly, over the entity.

The consolidated financial statements include the results of the Company and all of its subsidiaries from the date that control commences to the date that control ceases.

Joint arrangements and investments in associated companies

An associated company is an entity over which the Company has significant influence, being the power to participate in the financial and operating policy decisions of the entity, but which does not amount to control or joint control.

A joint arrangement is a contractual arrangement whereby the Company undertakes an economic activity that is subject to joint control and requires the parties’ unanimous consent for strategic financial and operating policy decisions. A joint arrangement is classified as joint operation if the parties have rights to the assets, and obligations for the liabilities, relating to the arrangement. If the parties in the joint arrangement have rights to the net assets of the arrangement, it is classified as a joint venture.

The consolidated financial statements include the Company’s share of the post-tax results, other comprehensive income and net assets (less any impairments), of its joint ventures and associates on an equity-accounted basis from the point at which joint control or significant influence respectively commences, to the date that it ceases. Where the Company’s share of losses exceeds its interest in a joint venture or associate, the carrying amount is reduced to zero and recognition of further losses is discontinued, except to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the investment.

The Company accounts for its investment in a joint operation by recognizing its relative share of the investee’s assets, liabilities, revenues and expenses. The Company periodically reviews its net investments to determine whether there is an indication of impairment. If such indication exists, the recoverable amount of the net investment is estimated in order to determine the extent of the impairment (if any).

The Company has cooperation agreements to invest in certain MultiClient data projects with other parties, which are classified as joint operations. The Company recognizes its relative share of the investment in MultiClient data and its share of revenue, amortization and costs. When the Company performs services related to acquisition, processing or marketing to the joint operation the share of expenses attributable to its partners is recognized as part of MultiClient pre-funding revenue.

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. Cash and cash equivalents that are restricted from the Company’s use are presented separately in the consolidated statements of financial position and are classified as current or non-current depending on the nature of the restrictions.

Foreign currency translation and transactions

The financial statements of subsidiaries and associates whose functional currency is not the US dollar are translated using the current exchange rate. Assets and liabilities are translated at the foreign exchange rate in effect at the period end; share par value and paid-in capital are translated at historical exchange rates; and revenues and expenses are translated at the average rate of exchange in effect during the period. Translation adjustments are recorded as a separate component in the consolidated statements of other comprehensive income.

Foreign 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 consolidated statements of profit and loss as other financial expense, except when recognized in the consolidated statements of other comprehensive income as qualifying cash flow hedges.

Intangible assets

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

Revenue from contracts with customers

Revenue from contracts with customers arise primarily from (i) performance of proprietary/exclusive seismic services in accordance with customer specifications and (ii) granting of licenses to the Company’s MultiClient data library. Revenue is recognized at the amount that the Company expects to be entitled to and expects to collect under the contract. If a contract has multiple performance obligations, the transaction price is allocated to each performance obligation identified in the contract on a relative stand-alone selling price basis.

Amounts received from customers in advance of the Company satisfying its performance obligations are recorded as deferred revenue. In the event most of the consideration under the contract is received more than 12 months in advance of satisfying the related performance obligation, a financing factor is accrued and included in the value of the revenue recognized upon satisfying the performance obligation.

The Company applies the practical expedient for short-term advances received from customers. That is, the promised amount of consideration is not adjusted for the effects of a significant financing component if the period between satisfying the performance obligation and the payment is one year or less.

In the rare event the Company has satisfied a performance obligation and is otherwise entitled to compensation under the contract but there is a significant uncertainty as to ultimately collecting the compensation, revenue recognition is delayed until such uncertainty has been sufficiently reduced.

Where the Company have satisfied its performance obligations and has a right to consideration, an accrued revenue is recognized.

The principles applied for each of the main types of contracts with customers are described in more detail below.

MultiClient late sales licenses

The Company grants a license to a customer, which entitles the customer to a "right to use" a specifically defined portion of the MultiClient data library as it exists at that point in time. The Company's performance obligation is considered to be satisfied at the "point in time" when the customer has received the underlying data or has granted the access the licensed portion of the data.

MultiClient Pre-funding licenses

The Company typically obtains funding from a limited number of customers before a seismic survey project is completed. In return for the pre-funding, the customer typically gains the ability to direct or influence the project specifications and to access data as it is being acquired.

The Company recognizes pre-funding revenue as "right to use" licenses and the revenue is to be recognized at the point in time when the Company's performance obligation is considered to be satisfied and "right to use" license is transferred to the customer. This "point in time" depends on the specific contract, but is typically upon completion of processing of the survey and granting of access to the finished data or delivery of the finished data.

The "point in time" of satisfying the performance obligation is generally the same for both MultiClient Late Sale licenses and MultiClient Pre-funding licenses. Accordingly, revenue is generally recognized at this same "point in time" for each of these two types of licenses in accordance with IFRS 15.

Proprietary sales/Marine contract sales/Imaging revenues

The Company 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 to be satisfied over time because the Company performs the service at the customer specification, the resultant data is owned by the customer and the Company has no alternative right to otherwise use or benefit from the resultant data. The Company recognizes proprietary/contract revenue over time as the services are performed and the Company is entitled to the compensation under the contract. Depending on nature of the contract progress is measured either based on square kilometers or time progressed. Progress for imaging services is measured based on a model taking into account both working hours and processing.

Contingent revenue (uplift, transfer fees, etc.)

MultiClient licenses typically contain clauses that require the customer to pay additional fees upon specific triggering events such as customer award of acreage (uplift) and change of ownership (transfer fee). Common to such contingent revenue, is that PGS is typically not required to provide any further data or service - the data has already been delivered. Hence, there is no further performance obligation required on the part of PGS.

The contingent consideration is recognized when the triggering event has taken place.

Other services

Customer contracts for other services are similar in nature and terms to the proprietary contract sales. Revenue is recognized over time as the Company satisfies the performance obligation and is entitled to the compensation under the contract.

MultiClient library

The MultiClient library consists of seismic data surveys which are licensed to customers on a non-exclusive basis. Costs directly incurred in acquiring, imaging and otherwise completing seismic surveys are capitalized to the

MultiClient library. Costs incurred while relocating or "steaming" a vessel or crew from one location to another and borrowing costs incurred during the acquisition and imaging phases of the survey are also capitalized to the MultiClient library.

A project remains in surveys-in-progress until imaging is complete which may be some months or up to more than a year after data acquisition ends, at which point it is transferred to completed surveys.

The Company records the costs incurred on the MultiClient library in a manner consistent with its capital investment and operating decision analysis, which generally results in each survey in the MultiClient library being recorded and evaluated separately. The cost of projects within the same political regime, with similar geological traits and that are marketed collectively are recorded and evaluated as a group by year of completion

Straight-line amortization - Upon completion of a survey, straight-line amortization commences over its estimated useful life which is generally over a period of 4 years from the date it is transferred to completed surveys.

Accelerated amortization - Following the adoption of the straight-line amortization policy for completed surveys, recognition of impairment of library may be necessary in the event that sales on a completed survey are realized disproportionately sooner within that survey's 4-year useful life.

Further, when a project is completed and after pre-funding revenue is recognized, recognition of impairment may be necessary in the event the present value of expected Late Sales is lower than the capitalized cost of the project.

This accelerated amortization is included in "Amortization and impairment of MultiClient library" in the consolidated statements of profit and loss and specified in note 8.

Impairment of MultiClient library - The Company updates its sales forecast for each survey at each year-end and when an impairment indicator is deemed to exist. In the event the net book value of survey exceeds its net present value of estimated future cash flows an impairment is recorded in the amount of the excess. This impairment is included in "Amortization and impairment of MultiClient library" in the condensed consolidated statements of profit and loss and specified in note 8.

Government Grants

Government Grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

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 recognized 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 recognized 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.

Patents, licenses and technology

Patents, licenses and technology are stated at cost less accumulated amortization and accumulated impairment. Amortization is calculated on a straight-line basis over the estimated period of benefit, ranging from one to fifteen years.

Property and equipment

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

Years	
Seismic vessels	25 - 30
Seismic and operations equipment, incl. computers	3 - 15
Buildings and related leasehold improvements	1 - 10
Fixture, furniture, fittings and office computers	3 - 5
Major overhauls	3 - 7.5

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

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

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

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

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

Steaming costs

Steaming costs relate to relocating or "steaming" a vessel and its crew from one location to another. Steaming costs are deferred to the extent the probable future economic benefits from the projects to which the vessel will steam are sufficient to recover the cost of the steam. In the event the vessel steams at a significantly lower speed than normal, the number of days allocated to steaming are reduced. The recoverable steaming cost associated with MultiClient surveys is capitalized as a part of the MultiClient library (see above). Recoverable steaming cost associated with exclusive contract surveys is deferred and charged to the consolidated statements of profit and loss during the periods of data acquisition.

Impairment of property, equipment and intangibles

The carrying amount of intangible assets and property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Intangible assets not yet available for use are assessed for impairment annually, or whenever there is an indication that the asset may be impaired.

The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. In assessing value in use, estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money

and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs.

An impairment charge is recognized whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment charges recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to that CGU, and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment charge in respect of goodwill is not subject to reversal. For other assets, an impairment charge is reversed if the circumstances that gave rise to the impairment no longer exist, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have existed had no impairment had been recognized.

Leases

The Company 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.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company 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 Company is reasonably certain that it will exercise contractual extensions or termination options.

Measurement of lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities 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 Company'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 assets

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 leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and

leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Company as a lessor

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

Income taxes

Income tax expense is comprised of current and deferred tax. Income tax is recognized in the consolidated statement of profit and loss, except to the extent that it relates to items recorded directly to the consolidated statements of other comprehensive income.

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 tax is not recognized on temporary differences arising from the initial recognition of goodwill, or relating to investments in subsidiaries to the extent that the temporary difference can be controlled by the Company and will probably 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.

Accounting for uncertain tax positions is described in note 3.

Employee benefits

Pension obligations

The Company's pension arrangements comprise defined benefit plans and defined contribution plans. The plans are funded through payments to insurance companies or trustee-administered funds.

A defined benefit plan is a pension plan which defines an amount of pension benefit that an employee will receive on retirement, dependent on factors such as age, years of service and compensation. The liability recognized for defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period, reduced by the fair value of plan assets. The calculation of the obligation is performed annually by a qualified actuary, using the projected unit credit method and key actuarial assumptions at the reporting date.

The amount charged to the consolidated statement of profit and loss comprises the cost of benefits accruing to employees over the year, plus net interest expense or income, calculated by applying the liability discount rate to the net pension liability.

Past service costs are recognized immediately in the consolidated statement of profit and loss, unless they relate to plan changes which are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, past service costs are recognized on a straight-line basis over the vesting period.

Actuarial gains and losses due to current period changes in assumptions applied are recognized immediately in other comprehensive income.

For defined contribution plans, the Company pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Bonus plans

The Company recognizes a provision for bonus where contractually obliged or where there is a past practice that has created a constructive obligation.

Share-based payments

Restricted Stock Unit Plans are measured at the grant date using the current market value reduced by expected dividends paid before the vesting date, which is then further discounted.

Performance Restricted Stock Unit Plans are measured at the grant date using a Monte Carlo simulation with relative total shareholder return. The model simulates the future stock prices based on historical values over the length of the lifetime for the PRSU. The Relative TSR is calculated against a group of peer companies, where every company is ranked based on the simulations. An additional measure used is Return on Capital Employed ("ROCE").

The awards are adjusted for expected future dividends. Social security tax on the PRSU is based on the intrinsic value as of the end of the reporting period.

Provision for onerous contracts

A provision is made for legally binding obligations (contracts) whereby the unavoidable costs of fulfilling the contracts exceed the economic benefits expected to be received. All costs (including depreciation of assigned assets) directly related to contract fulfillment are included in the calculation.

Interest-bearing debt and borrowings

Interest-bearing loans are recognized initially at fair value less transaction costs. Subsequent to initial recognition, interest bearing loans are measured at amortized cost using the effective interest method. Gains and losses are recognized in the consolidated statements of profit and loss when the liabilities are derecognized as well as through the amortization process.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes party to the contractual obligations of the relevant instrument.

The Company classifies its financial instruments in the following categories: at fair value through profit and loss, at fair value through other comprehensive income or at amortized cost. The Company determines the classification of financial instruments at initial recognition.

Classification and measurement

Financial instruments at fair value through profit and loss

This category comprises financial assets and liabilities held for trading, including all derivative instruments. Financial instruments in this category are initially recorded at fair value, and transaction costs are expensed in the consolidated statement of profit and loss. Realized and unrealized gains and losses arising from changes in the fair value are included in the consolidated statements of profit and loss in the period in which they arise.

Financial instruments at fair value through other comprehensive income

On initial recognition, an election can be made to classify investments in equity instruments at fair value through other comprehensive income. Financial instruments in this category are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income.

Financial instruments at amortized cost

Financial assets and liabilities in this category are initially recognized at fair value, and subsequently carried at amortized cost, using the effective

interest method less any allowance for impairment. This category includes accounts receivable, accounts payable and loans and other borrowings.

Impairment of financial assets

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses. For accounts receivables and contract assets, the Company uses a simplified approach in calculating expected credit losses. The Company recognizes a loss allowance using factors including aging of accounts, historical experience, customer concentration, customer creditworthiness and current industry and economic trends. An impairment loss, amounting to any difference between the carrying amount of the loss allowance and the expected credit losses at the reporting date, is recognized in the consolidated statement of profit and loss.

Derivative financial instruments and hedging

The Company uses derivative financial instruments to reduce its exposure related to fluctuations in foreign currency rates and interest rates. Derivative instruments are recognized in the consolidated statements of financial position at their fair values. Realized and unrealized gains and losses attributable to derivative instruments that do not qualify for hedge accounting are recognized as other financial items, net, as they arise.

Fair value hedges

Fair value hedges are used to hedge currency risk on equipment purchases denominated in currencies other than USD. The change in fair value of the hedging instrument is recognized in the consolidated statements of profit and loss, together with any change in fair value of the hedged item that are attributable to the hedged risk.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in the consolidated statements of profit and loss.

Cash flow hedges

Cash flow hedging is used to hedge interest rate risk. Gains or losses on the hedging instrument are recognized in the consolidated statement of other comprehensive income, to the extent that the hedge is determined to be effective. All other gains or losses are recognized immediately in the consolidated statement of profit and loss.

For cash flow hedges of recognized assets or liabilities, accumulated gains or losses are transferred from other comprehensive income to the consolidated statement of profit and loss in the same period in which the hedged transaction affects the consolidated statement of profit and loss.

Hedge accounting is discontinued when a hedging instrument is derecognized due to expiry, termination or disposal. If the forecasted transaction continues to be expected to occur, the related gains or losses are retained in other comprehensive income until the transaction takes place. Any subsequent change in value is recorded directly to the consolidated statement of profit and loss.

Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year, excluding ordinary shares purchased by the Company and held as treasury shares. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For diluted earnings per share, dilutive potential ordinary shares are determined independently for each period presented. When the number of ordinary shares outstanding changes (e.g., share split) the weighted average number of ordinary shares outstanding during all periods presented is adjusted retrospectively. The dilutive effect of outstanding Restricted Stock Units and Performance Restricted Stock Units is reflected as additional share dilution in the computation of earnings per share.

Assets held for sale

Non-current assets are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. The sale is highly likely if, at the reporting date, management has committed to detailed sales plans, is actively looking for a buyer and has set a reasonable selling price and the sale is highly likely to occur within a year.

Such assets are measured at the lower of their carrying amount and fair value less costs to sell. Once classified as held for sale, the non-current assets will no longer be depreciated.

New and amended standards and interpretations adopted by the Company

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

These amendments do not impact the consolidated financial statements.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

These amendments did not impact the consolidated financial statements.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments did not impact the consolidated financial statements.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted.

This amendment had no impact on the consolidated financial statements.

Standards issued but not yet effective (which the Company has not early adopted)

Standards and interpretations that are issued up to the date of issuance of the consolidated financial statements, but not yet effective, are disclosed below. The Company's intention is to adopt the relevant new and amended standards and interpretations when they become effective, subject to EU approval before the consolidated financial statements are issued.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.

The Company is still assessing the potential impact.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group

will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

The amendments are not expected to have a material impact on the Company.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

Note 3 – Critical Accounting Judgments, Estimates and Assumptions

The preparation of financial statements in accordance with IFRS requires management to make estimates, assumptions and judgments that

affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities. In many circumstances, the ultimate outcome related to the estimates, assumptions and judgments may not be known for several years after the preparation of the financial statements. Actual amounts may differ materially from these estimates due to changes in general economic conditions, changes in laws and regulations, changes in future operating plans and the inherent imprecision associated with estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of seismic vessel and equipment, MultiClient library and other intangible assets

Discount rate

The Company applied a pre-tax discount rate of 12% and 11% for the year ended December 31, 2020 and 2019 respectively in determining discounted cash flows in connection with the impairment evaluations of seismic vessels and equipment, intangible assets and the MultiClient library. The rates reflect the estimated weighted average cost of capital for Company activities.

Forecast sales of MultiClient library

Generally, a survey is defined as a separate CGU, but may in some cases be combined if geographically adjacent and marketed combined.

At least annually, management forecasts future sales for each MultiClient library survey for purposes of determining the amount of impairment. Sales forecasts are also estimated in calculating the amount of accelerated amortization for surveys which have licensed disproportionately sooner than implied by the 4-year amortization life; and for surveys that are completed at which time prefunding revenue is recognized. In forecasting sales, management considers past experience, market developments as described above, general prospects for hydrocarbons in the area, political risk, likelihood and timing of exploration licensing rounds, existence of competitor data sets and general economic conditions. Because of the inherent difficulty in forecasting sales and future developments, it is possible that the amount of impairment and amortization could vary significantly between periods. In addition, future revenues from a survey may not be sufficient to cover the existing carrying value. To the extent the future actual revenues achieved prove to be less than forecasted, future periods will reflect lower profitability and/or impairment of MultiClient library surveys.

Sensitivity of forecasted sales on MultiClient impairment evaluation

A 10% reduction in the sales forecast for all surveys with a net book value as of December 31, 2020 would have resulted in an additional impairment of approximately \$17 million. A 20% reduction in the sales forecast for all surveys with a net book value as of December 31, 2020 would have resulted in an additional impairment of approximately \$44 million.

Impairment of seismic vessels 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. Future cash flows expected to be generated from the use and eventual disposal of the assets are estimated to determine the amount of impairment, if any.

Each vessel is considered as a separate CGU and seismic equipment is allocated to the vessels for the purpose of impairment testing.

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.

In estimating future cash flows of the seismic fleet, management has assumed that revenue levels for the fleet in 2021 will be slightly better than last year. PGS 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 gradual increasing demand for seismic services in the subsequent years.

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 towards a higher share of renewable energy sources. Offshore reserves will be vital for future supply and support demand for marine seismic services. PGS expects the energy transition to impact future demand for seismic, developing more towards near-field exploration and surveys over production fields for reservoir optimization and less interest in frontier exploration. The recovery of the seismic industry is likely also to benefit from the recent industry capacity reductions, amounting to approximately 20% in 2020.

On that basis, management has forecasted improved margins that generate operating profit ("EBIT") margins to trend towards historic margins above ~15%.

The key assumptions used will bear the risk of change based on the inherent volatile nature of macro-economic factors such as future oil price, discount rate and any changes to rules and regulations around seismic exploration.

Had assumed long-term EBIT margins been an additional 3 percentage points lower when estimating future cash flows, then impairment of the fleet would approximate \$105 million as of December 31, 2020. If EBIT margins had been 5 percentage points lower, then impairment of the fleet would approximate \$170 million as of December 31, 2020.

Depreciation of seismic vessels and equipment

Depreciation is based on management estimates of the future economic benefits and expected useful lives of seismic vessels and equipment. These estimates may change due to changes in market conditions including competition, technological development, use of the assets and strategic considerations.

Deferred tax assets

Deferred tax assets are recognized for unused tax losses to the extent it is probable that future taxable profit will be available against which the losses can be utilized. Significant management judgment is required to estimate the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profit in the nearer term (generally 2 to 3 years forward).

As of December 31, 2020, aggregate unrecorded deferred tax assets of the Company amount to \$415 million.

Provision for contingencies, claims and tax litigations

The Company records accruals for contingencies, claims and other uncertain liabilities, including tax contingencies, when it is more likely than not that a liability has been incurred and the amount can be reasonably estimated. These accruals are adjusted periodically as assessments change or new or additional information becomes available. In estimating the likelihood of an unfavorable outcome, management evaluates the specific facts and circumstances in light of the related laws and regulations; advice from external counsel; and the outcome of similar cases, if any. Because of the inherent uncertainty in estimating the future outcome of such matters, it is possible that some of these matters will ultimately result in the Company incurring a material liability. See note 12 and 23 for further descriptions.

Note 4 – Segment Reporting

PGS has one operating segment focused on delivery of seismic data and services.

Following the implementation of the accounting standard for revenues, IFRS 15, in 2018, MultiClient pre-funding revenues are no longer recognized under the previously applied percentage of completion method. Instead, such revenues are generally recognized at delivery of the final processed data, which is typically significantly later than the acquisition of the seismic data.

PGS has, for the purpose of its internal reporting, continued to report according to the principle applied in 2017 and earlier years, where MultiClient pre-funding revenue is recognized on a percentage of completion basis, and the related amortization of MultiClient library based upon the ratio of aggregate capitalized survey costs to forecasted sales.

The table below provides a reconciliation of the Company's segment numbers ("Segment") against the financial statements prepared in accordance with IFRS ("As Reported"):

	Year ended December 31,					
	2020	2019	2020	2019	2020	2019
(In millions of US dollars)	Segment Reporting		Adjustments		As Reported	
Total revenues and other income*	595.9	880.1	(83.9)	50.7	512.0	930.8
Cost of sales	(150.3)	(262.5)	-	-	(150.3)	(262.5)
Research and development costs	(8.7)	(9.7)	-	-	(8.7)	(9.7)
Selling, general and administrative costs	(39.2)	(51.8)	-	-	(39.2)	(51.8)
Amortization of MultiClient library	(296.3)	(343.9)	65.7	(75.6)	(230.6)	(419.5)
Depreciation and amortization (excl. MultiClient library)	(89.2)	(115.8)	-	-	(89.2)	(115.8)
Operating profit/ EBIT ex impairment and other charges, net	12.2	96.4	(18.2)	(24.9)	(6.0)	71.5

*Include other Income of \$38.8 million related to government grants for the period March to December 2020, see note 6.

	Year ended December 31,					
	2020	2019	2020	2019	2020	2019
(In millions of US dollars)	Segment Reporting		Adjustments		As Reported	
-Contract seismic	146.7	318.8	-	-	146.7	318.8
-MultiClient pre-funding	218.6	256.5	(83.9)	50.7	134.7	307.2
-MultiClient late sales	167.3	273.1	-	-	167.3	273.1
-Imaging	23.6	29.1	-	-	23.6	29.1
-Other Income*	39.7	2.6	-	-	39.7	2.6
Total Revenues and Other Income	595.9	880.1	(83.9)	50.7	512.0	930.8

*Include other Income of \$38.8 million related to government grants for the period March to December 2020, see note 6.

Segment Reporting applies a percentage of completion revenue recognition principle for MultiClient pre-funding agreements and recognizes MultiClient library amortization in the same periods as the revenues. This differs from IFRS reporting which recognizes revenue from MultiClient pre-funding agreements and related amortization at the "point in time" when the customer receives access to, or delivery of, the finished data. See note 2 for further description of the principles applied.

For the year ended December 31, 2020 MultiClient pre-funding revenues, As Reported, were lower than Segment pre-funding revenues. This difference is only related to timing of revenue recognition.

Set out below is the reconciliation of the Company's segment numbers with the amounts disclosed in revenues from contracts with customers (note 5):

	Year ended December 31,	
	2020	2019
(In millions of US dollars)		
Revenues as reported in Segment disclosure*	557.1	880.1
Segment MultiClient revenue for projects not yet delivered	(224.8)	(138.3)
Segment MultiClient revenue from previous years, projects delivered	140.9	189.0
Revenues, As Reported*	473.2	930.8

*Excluding government grants presented at Other income in note 6

The difference is related to timing of recognition of MultiClient pre-funding revenues. Refer to note 2 for further information.

Because the Company provides services worldwide to the oil and gas industry, a substantial portion of the property and equipment is mobile, and their respective locations at the end of each period are not necessarily indicative of the earnings generated by the related property and equipment during the period. Property and equipment and other non-current assets are classified based upon location of ownership. The geographic classification of statements of profit and loss items is based upon location of performance or, in the case of MultiClient seismic data sales, the geographic area covered by the data being licensed.

Geographical markets (In millions of US dollars)	Year ended December 31,			
	2020		2019	
	Segment Reporting		As Reported	
Norway*	145.2	172.0	163.7	130.0
Angola	95.2	93.7	48.3	90.1
Asia/Pacific	76.2	126.8	91.7	118.6
Brazil	48.7	59.9	29.8	108.6
Egypt	48.0	32.9	3.2	43.3
South Africa	571	2.9	570	20.1
Africa (excluding Angola, South Africa)	36.9	95.5	37.6	83.6
United Kingdom	23.3	46.8	15.5	69.1
Guyana	26.7	116.0	26.7	116.0
Canada	22.4	75.4	23.0	94.3
Americas (excluding Brazil, Canada and Guyana)	10.1	27.6	9.5	26.7
Middle East/Other ((excluding Egypt)	6.1	30.6	6.0	30.4
Total Revenues and Other Income	595.9	880.1	512.0	930.8

*Norway include other Income of \$38.8 million related to government grants for the period March to December 2020, see note 6.

Total non-current assets (a) (In millions of US dollars)	December 31,	
	2020	2019
Norway	1 038.1	1 322.6
Africa	166.0	115.5
Americas (excluding Brazil)	147.3	142.8
Asia/Pacific	102.3	153.8
Brazil	73.4	39.9
Middle East/Other	55.4	12.4
Europe (excluding Norway)	34.3	43.3
Total	1 616.8	1 830.3

(a) Consists of Property and equipment, MultiClient library, Investments in associated companies (note 19) and Other intangible assets.

Note 5 – Revenue from Contracts with Customers

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

Type of goods or service (In millions of US dollars)	Year ended December 31,	
	2020	2019
Contract seismic	146.7	318.8
MultiClient pre-funding	134.7	307.2
MultiClient late sales	167.3	273.1
Imaging	23.6	29.1
Other	0.9	2.6
Total revenues from contracts with customers	473.2	930.8

Depending on the type of contract with the customers, the Company's performance obligation is considered to be satisfied over time or at a point in time. Performance obligations satisfied over time generally include Contract seismic, Imaging services and Multiclient revenue from Joint Operation partner.

Set out below is the reconciliation of the timing of revenue from contract with customers.

Timing of revenue recognition* (In millions of US dollars)	Year ended December 31,	
	2020	2019
Licenses transferred at a point in time	302.9	555.6
Services transferred over time	170.3	375.2
Total revenues from contracts with customers	473.2	930.8

*Refer to section on performance obligations below

In 2020, aggregate revenues from the two largest customers accounted for 13% and 10% of the Company's consolidated revenues compared to 24% and 9% in 2019, respectively.

Revenue from Joint Operations

The Company has cooperation agreements to invest in certain MultiClient data projects with other parties. These agreements are classified as joint operations where the parties have rights to the assets and liability of the investment. The Company generally holds an interest between 30-50%. PGS recognizes its share of the revenue. For the year ended December 31, 2020 and 2019, \$32.1 million and \$142.1 of the revenue recognized relates to projects with Joint Operations, respectively.

Accounts receivable

(In millions of US dollars)	December 31,	
	2020	2019
Accounts receivables from contracts with customers	100.6	167.4
Other	-	23.7
Accounts receivables	100.6	191.1

Contract balances

Balances related to customer contracts consists of the following:

(In millions of US dollars)	December 31,	January 1,	
	2020	2019	2019
Accounts receivables	100.6	167.4	160.3
Accrued revenues (note 15)	55.7	116.4	58.1
Total assets from contracts with customers	156.3	283.8	218.4
Deferred revenues	188.6	123.9	160.6
Total liabilities from contracts with customers	188.6	123.9	160.6

Trade receivables are non-interest bearing and are generally on terms of 30 to 45 days.

Accrued revenues are initially recognized for revenue earned, but not yet invoiced. This is generally related to Contract and Imaging projects where the conditions to invoice are not yet satisfied, as well as Late Sales generally to be invoiced the following month.

The decrease in accounts receivables and accrued revenues is due to fewer vessels in operation and the weak market as energy companies have significantly reduced spending in response to the disruptions in the oil market caused by the Covid-19 pandemic.

Deferred revenues consist of revenue billed, not yet recognized. A substantial share of the balance is related to MultiClient pre-funding licenses where revenue is generally recognized at completion of the survey. The Company currently expects the majority of all deferred revenues to be recognized during 2021.

The increase in deferred revenues is due to several larger MultiClient projects expected to be delivered in the first half of 2021

Set out below is the amount of revenue recognized from amounts included in contract liabilities at the beginning of the year:

(In millions of US dollars)	Year ended December 31,	
	2020	2019
Amounts included in contract liabilities at the beginning of the year	95.4	156.1

Performance obligations

Contract seismic and imaging

The performance obligation is satisfied over-time and payment is generally due monthly or upon defined project milestones.

MultiClient Pre-funding

The performance obligation is satisfied at a point-in-time, usually by delivery of final data, and payment is generally due upon defined project milestones. The customer is usually entitled to other deliverables such as preliminary data, but these are deemed not to be distinct within the context of the contract.

Revenue the company receives from Joint Operation partners for acquisition or processing performed is classified as MultiClient pre-funding. The ownership of data is, in most cases, joint and the partner assumes ownership, rights and obligations as the data is produced, the revenue is therefore considered as transferred over time. This amounts to nil and \$27.3 million for the years ended December 31, 2020 and 2019, respectively.

MultiClient Late Sales

The performance obligation is satisfied at a point-in-time upon signing of contract and delivery of data. Payment is generally due 30-45 days after the performance obligation is satisfied. Certain contracts may contain uplift payments dependent on a condition such as the customer subsequently being awarded acreage that is covered by the MultiClient data license granted to the customer. These are considered contingent consideration and consideration is recognized when the triggering event has taken place.

The transaction price, for contracts entered into as of December 31, allocated to the remaining performance obligations (unsatisfied or partly unsatisfied) as follows:

(In millions of US dollars)	Year ended December 31,	
	2020	2019
Licenses transferred at a point in time	226.9	176.1
Services transferred over time	106.8	137.6
Within one year	333.6	313.7
Licenses transferred at a point in time	14.6	37.5
Services transferred over time	-	-
More than one year	14.6	37.5
Total	348.2	351.2

All ongoing MultiClient projects as of December 31, 2020 with pre-funders are expected to be completed during 2021 and first quarter 2022. The timing of performance obligations is uncertain as MultiClient projects are subject to allocation of internal imaging capacity and progress.

Note 6 – Other Income

(In millions of US dollars)	Year ended December 31,	
	2020	2019
Government grants	38.8	-
Total Other income	38.8	-

The Company recorded Covid-19 related cash support from the Norwegian Government amounting to \$38.8 million of which \$15.5 million principally reflect grants receivable in respect of the year ended December 31, 2020. The compensation scheme offers financial compensation to Norwegian companies which have experienced a substantial decrease in turnover as a result of the coronavirus pandemic. The Government has set up a broad, temporary compensation scheme for businesses which are experiencing a substantial decrease in turnover due to the crisis.

Note 7 – Cost of Sales

(In millions of US dollars)	Year ended December 31,	
	2020	2019
Vessel costs & direct project cost*	(287.5)	(402.4)
New Ventures, project portfolio & Imaging*	(80.9)	(109.8)
Technology/ digitalization & other*	(1.4)	1.9
Total cost of sales, gross	(369.8)	(510.3)
Steaming deferral, net	(2.8)	3.0
Less amount capitalized to MultiClient library	222.3	244.8
Total cost of sales, net	(150.3)	(262.5)

*) Following a reorganization during 2020 there have been some changes between categories, prior periods are not directly comparable.

Note 8 – Depreciation, Amortization and Impairments of Non-current Assets

Amortization and impairment of the MultiClient library consist of the following:

(In millions of US dollars)	Year ended December 31,	
	2020	2019
Amortization of MultiClient library (note 18)	(125.4)	(206.5)
Accelerated amortization of MultiClient library (note 18)	(105.2)	(213.0)
Impairment of MultiClient library (note 18)	(34.9)	(17.9)
Amortization and impairment of MultiClient library	(265.5)	(437.4)

Impairment relates mainly to surveys where the level of previously expected sales has not materialized or are no longer probable. In 2020 approximately 40% relates to projects in Africa and the remainder mainly Asia Pacific and Europe, compared to approximately 40% related to Europe and the remainder mainly Africa and Asia Pacific in 2019.

Amortization and depreciation of non-current assets (excluding MultiClient library) consist of the following:

(In millions of US dollars)	Year ended December 31,	
	2020	2019
Gross depreciation and amortization *	(176.2)	(203.9)
Deferred Steaming depreciation, net	(0.8)	1.3
Depreciation capitalized to the MultiClient library	87.8	86.8
Depreciation and amortization of non-current assets (excl. MultiClient Library)	(89.2)	(115.8)

* Includes depreciation of right-of-use assets amounting to \$ 31.7 million and \$ 41.4 million for the years ended December 31, 2020 and 2019, respectively.

Impairments of non-current assets (excluding MultiClient library) consist of the following:

(In millions of US dollars)	Year ended December 31,	
	2020	2019
Impairment of property and equipment (note 17)	(107.4)	-
Impairment other intangible assets (note 20)	(1.0)	-
Impairment non-current assets (excl. MultiClient Library)	(108.4)	-

In 2020, PGS recorded an impairment charge of \$108.4 million. The impairment primarily reflects a write-down to estimated recoverable value for the right-of-use assets of the vessels PGS Apollo and Sanco Swift, which were cold-stacked in Q2 2020. As well as an impairment of \$30.0 million on two Ramform Titan-class vessels, among others reflecting a higher estimated weighted average cost of capital and downward adjustment to future expected cash flows, used for impairment testing.

The Company has assessed the vessels for impairment. Reference is made to note 3 for information.

The recoverable values of seismic vessels are sensitive to the assumed margins and duration of the current downturn as well as changes to the operation plan for vessels. Reference is made to note 3 for information on sensitivities.

Note 9 – Other Charges, Net

Other charges, net consist of the following:

(In millions of US dollars)	Year ended December 31,	
	2020	2019
Severance cost	(22.2)	(0.4)
Onerous lease contracts, service component	-	4.2
Onerous contracts with customers	(4.5)	(1.9)
Other restructuring costs and stacking	(12.0)	-
Other	-	(0.9)
Total	(38.7)	1.0

The Covid-19 pandemic has caused widespread disruptions in the oil market and a significant reduction in energy companies' 2020 budgets. For 2020 the Company has recorded \$34.2 million of severance and stacking cost related to reducing the workforce and reduce vessel capacity.

Note 10 – Interest Expense

Interest expense consists of the following:

(In millions of US dollars)	Year ended December 31,	
	2020	2019
Interest on debt, gross	(80.5)	(63.6)
Imputed interest cost on lease agreements (note 23)	(10.7)	(13.8)
Interest capitalized to the MultiClient library (note 18)	12.8	9.9
Total	(78.4)	(67.5)

The average interest rate used to determine the amount of interest cost eligible for capitalization was 6.3% and 4.9% for the years ended December 31, 2020 and 2019, respectively.

Note 11 – Other Financial Expense, Net

Other financial expense, net, consists of the following:

(In millions of US dollars)	Year ended December 31,	
	2020	2019
Interest income	0.8	2.2
Currency exchange gain/loss	4.9	1.0
Fees, including commitment fee RCF	(3.8)	(4.3)
Other	(11.9)	(3.5)
Total	(10.0)	(4.6)

The line "Other" includes expensed cost related to amendment and extension of debt agreements of \$9.9 million for the full year 2020.

Note 12 – Income Taxes

Income tax consists of the following:

(In millions of US dollars)	Year ended December 31,	
	2020	2019
Current taxes	(15.1)	(34.8)
Deferred taxes	-	0.7
Total income tax expense	(15.1)	(34.1)

The decrease in current taxes from the year ended December 31, 2019 relates mainly to lower withholding taxes in countries of operation and lower income tax on operations in Egypt, partially offset by increased income tax on operations in Brazil.

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 millions of US dollars)	Year ended December 31,	
	2020	2019
Income (loss) before income tax	(306.4)	(37.6)
Norwegian statutory rate	22%	22%
Provision for income taxes at statutory rate	67.4	8.3
Increase (reduction) in income taxes from:		
Effect of tax rates other than statutory tax rate in Norway	(0.1)	(3.4)
IFRS 15 Revenue and amortization recognized in previous years (a)	(0.6)	(1.3)
Tax exempt income within tonnage tax regimes	(0.8)	6.3
Losses from equity investments	(6.6)	(4.4)
Foreign taxes not creditable in home country	(7.0)	(17.2)
Currency effects (b)	11.0	(2.7)
Changes in unrecognized deferred tax assets	(85.8)	(19.1)
Prior period adjustments	6.2	(0.8)
Other permanent items	1.2	0.2
Income tax	(15.1)	(34.1)

Notes to selected items in the preceding table:

- Following the implementation of IFRS 15, the Company reversed revenue and amortization towards the opening balance as of January 1, 2018. Revenue and amortization previously recognized have been taken out as a permanent difference. This did not have any impact on the Balance Sheet or tax expense, as all deferred tax is currently unrecognized.
- Currency effects primarily relate to translating tax positions in local currency to US dollar functional currency.

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

(In millions of US dollars)	December 31,	
	2020	2019
Deferred tax assets		
Derivatives	-	(0.3)
Employee benefits	(8.7)	(7.4)
Tax loss carry-forwards	(313.1)	(268.3)
Current accruals/liabilities	-	(0.8)
Property and equipment	(49.3)	(40.9)
Other	(55.3)	(24.0)
Deferred tax assets, gross	(426.4)	(341.7)
Deferred tax liabilities		
Property and equipment	4.0	5.2
Intangible assets	6.9	7.8
Other	1.0	-
Deferred tax liabilities, gross	11.9	13.0
Deferred tax assets, net	(414.5)	(328.7)
Deferred tax assets not recognized in the consolidated statements of financial position	414.6	328.8
Net recognized deferred tax assets and liabilities	0.1	0.1

(In millions of US dollars)	December 31,	
	2020	2019
Deferred tax assets	-	-
Deferred tax liabilities	0.1	0.1
Income tax liabilities, gross	0.1	0.1

Any temporary differences related to IFRS 16 is considered on a net basis. Deferred tax is recognized on temporary differences that arise when the net asset or liability changes. The amount is not material and is included in other deferred tax assets.

The Company has incurred several years of consecutive tax losses in the Norwegian tax jurisdiction, including for 2020 and the outlook for 2021 remains uncertain. Although the Company believes it will attain a satisfactory level of profitability, sufficient convincing evidence of such as required by International Accounting Standard 12 is not present.

Deferred tax assets specified by jurisdiction, both recognized and unrecognized, and tax losses including expiration periods as of December 31, 2020 are as follows:

(In millions of US dollars)	Tax losses	Expiry dates	Recognized deferred tax assets	Unrecognized deferred tax assets
Norway	1 063.0	None	-	233.9
UK	146.8	None	-	27.9
Other	200.1	Various	-	51.3
	1 409.8		-	313.1

It is the Company's current view that unremitted earnings from international operations in subsidiaries are expected to be reinvested indefinitely, and as a result, no withholding taxes have been provided for unremitted earnings.

With its multinational operations, the Company is subject to taxation in many jurisdictions around the world with increasingly complex tax laws. The Company has matters in several jurisdictions that could eventually make it liable for material amounts of taxes relating to prior years.

Total provision for uncertain tax positions are recognized as follows:

(In millions of US dollars)	December 31,	
	2020	2019
Other non-current liabilities	0.1	0.1
Total provision for uncertain tax positions	0.1	0.1

Tax Contingencies

The Company estimates the likelihood of unfavorable outcomes for tax contingencies amounting to approximately \$23 million as reasonably possible (20-50%) and approximately \$78 million as remote (less than 20%); these contingencies are not provided for.

This includes ongoing tax disputes related to charter of vessels into Brazil. The assessments, which seek to levy 15% withholding tax and 10% CIDE (service) tax, amount to \$35.6 million in total. See note 23 for more information.

Note 13 – Earnings Per Share Information

Specification of average number of shares:

	Year ended December 31,	
	2020	2019
Weighted average basic shares outstanding (a)	380 510 818	338 578 257
Dilutive potential shares	1 714 603	1 988 640
Weighted average diluted shares outstanding	382 225 421	340 566 897

(a) Weighted average basic shares outstanding for each year is reduced by the average number of treasury shares owned by the Company during the year (see Note 27)

On February 13, 2020 the number of shares was increased by 48,627,000, from 338 579 996 shares to 387,206,996, following a private placement. Refer to note 27 for further information.

Note 14 – Restricted Cash

Restricted cash consists of the following:

(In millions of US dollars)	December 31,	
	2020	2019
Current:		
Restricted payroll withholding taxes	4.3	4.2
Restricted cash debt service	6.4	-
Other	5.1	-
Total restricted cash, current	15.8	4.2
Non-current:		
Deposits disputes (note 23)	17.7	-
Restricted cash debt service	43.1	38.8
Total restricted cash, non-current	60.8	43.0

The increase in restricted cash is mainly due to the legal deposit in Brazil (see note 23) and an increase in retention accounts. Restricted cash of \$76.6 million includes \$47.5 million held in debt service reserve and retention accounts related to the export credit financing ("ECF") of *Ramform Titan*, *Ramform Atlas*, *Ramform Tethys* and *Ramform Hyperion*. During Q3 2020 PGS continued to transfer cash into retention accounts earmarked for servicing the ECF debt. Pending finalization of agreements for debt amortization deferrals, PGS agreed with the ECF lenders not to pay the scheduled amortization on September 29, 2020, which otherwise would have been paid out of the retention accounts. When the deferral agreements are completed, the \$16.7 million on the retention accounts as of December 31, 2020, will be used to service (interest payments) the ECF debt going forward.

Note 15 – Accrued Revenues and Other Receivables

Accrued revenues and other receivables consist of the following:

(In millions of US dollars)	December 31,	
	2020	2019
Accrued revenues	55.7	116.4
Other receivables	1.6	2.1
Total	57.3	118.5

Note 16 – Other Current Assets

Other current assets consist of the following:

(In millions of US dollars)	December 31,	
	2020	2019
Prepaid operating expenses	22.6	16.3
Consumables, supplies and fuel inventory	21.8	29.1
Deferred steaming and project costs	10.2	13.8
Prepaid reinsurance	3.7	3.0
Withholding taxes and taxes receivable	2.6	6.8
Unrealized gain on on firm commitment subject to hedge accounting	-	1.3
Other*	18.3	1.4
Total	79.2	71.7

* Includes government grants amounting to \$15.5 million for the period September to December 2020.

Note 17 – Property and Equipment

The changes in property and equipment are as follows:

(In millions of US dollars)	Seismic vessels and equipment	Buildings, fixtures and furniture	Total
Cost as of January 1, 2019	2 875.8	134.6	3 010.4
Additions	53.3	6.0	59.3
Asset retirements	(249.7)	(1.3)	(251.0)
Reclassification/Other	-	(1.2)	(1.2)
Cost as of December 31, 2019	2 679.4	138.1	2 817.5
Additions	25.2	10.9	36.1
Asset retirements	(153.0)	-	(153.0)
Reclassification/Other	(1.0)	-	(1.0)
Cost as of December 31, 2020	2 550.6	149.0	2 699.6
Accumulated depreciation as of January 1, 2019	1 566.9	46.1	1 613.0
Impairments as of January 1, 2019	133.1	-	133.1
Depreciation	167.8	20.2	188.0
Asset transfers to held for sale	-	-	-
Asset retirements- accumulated depreciation	(227.2)	(1.3)	(228.5)
Asset retirements- accumulated impairment	(20.5)	-	(20.5)
Depreciation as of December 31, 2019	1 507.5	65.0	1 572.5
Impairments as of December 31, 2019	112.6	-	112.6
Depreciation	142.2	18.4	160.6
Impairments	107.4	-	107.4
Asset retirements- accumulated depreciation	(150.9)	-	(150.9)
Asset retirements- accumulated impairment	(0.6)	-	(0.6)
Depreciation as of December 31, 2020	1 498.8	83.4	1 582.2
Impairments as of December 31, 2020	219.4	-	219.4
Balance as of December 31, 2019	1 059.3	73.1	1 132.4
Balance as of December 31, 2020	832.4	65.6	898.0

Right of Use assets included within property and equipment

For the year ended December 31, 2020 and 2019, Seismic vessels and equipment and Buildings, fixtures and furniture included the following right of use assets:

(In millions of US dollars)	Seismic vessels and equipment	Buildings, fixtures and furniture	Total
Cost as of January 1, 2019	148.0	61.2	209.2
Additions	3.5	1.4	4.9
Remeasurement/Other	-	(1.2)	(1.2)
Cost as of December 31, 2019	151.5	61.4	212.9
Additions	-	0.8	0.8
Remeasurement/Other	(0.8)	4.9	4.1
Asset retirements	(7.3)	(0.8)	(8.1)
Cost as of December 31, 2020	143.4	66.3	209.7
Accumulated depreciation as of January 1, 2019	2.5	-	2.5
Impairments as of January 1, 2019	-	-	-
Depreciation	27.7	13.7	41.4
Impairments	-	-	-
Depreciation as of December 31, 2019	30.2	13.7	43.9
Impairments as of December 31, 2019	-	-	-
Depreciation	18.6	13.2	31.8
Impairments	61.3	-	61.3
Asset retirements	(7.3)	(0.4)	(7.7)
Depreciation as of December 31, 2020	41.5	26.5	68.0
Impairments as of December 31, 2020	61.3	-	61.3
Balance as of December 31, 2019	121.3	47.7	169.0
Balance as of December 31, 2020	40.6	39.8	80.4

For more information on leases refer to note 23.

Impairments

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

2020 Impairments

PGS recorded aggregate impairment charges of \$107.4 million in 2020. The impairment primarily reflects a write-down to estimated recoverable value for the right-of-use assets of PGS Apollo and Sanco Swift, which were cold-stacked in Q2 2020. In addition, an impairment of \$30.0 million was recorded on two Ramform Titan-class vessels, mainly reflecting a higher estimated weighted average cost of capital and downward adjustment to future expected cash flows used for impairment testing.

(In millions of US dollars)	December 31,	
	2020	2019
Titan vessels	30.0	-
PGS Apollo (right-of-use asset)	44.0	-
Sanco Swift (right-of-use asset)	25.5	-
Ramform Viking	3.7	-
Seismic equipment	4.2	-
Total impairment	107.4	-

Asset held for sale

In November 2018, the Company committed to a plan to sell the seismic vessel, *Ramform Sterling*. The agreed sale price was approximately \$103 million and the vessel was delivered in April, 2019. The Company recognized a gain of \$1.8 million on the transaction. The first 76% installment of the approximately \$103 million sales price was received in 2019, which after costs to relocate and make the vessel ready for delivery gave a net cash flow to PGS of \$69.1 million reported in cash flow from investing activities in 2019. The remaining amount was received in April 2020.

Note 18 – MultiClient Library

The changes in the MultiClient library are as follows:

(In millions of US dollars)	2020	2019
Balance as of January 1,	558.6	654.6
Capitalized cash costs	222.3	244.8
Capitalized interest	12.8	9.9
Capitalized depreciation	87.8	86.8
Amortization expense	(125.4)	(206.5)
Accelerated amortization	(105.2)	(213.0)
Impairments (see note 8)	(34.9)	(17.9)
Other	0.1	(0.1)
Balance as of December 31,	616.1	558.6

The net carrying value of the MultiClient library, by the year of survey completion is as follows:

(In millions of US dollars)	December 31,	
	2020	2019
Completed surveys:		
Completed during 2016	-	40.3
Completed during 2017	14.1	37.3
Completed during 2018	43.8	72.8
Completed during 2019	92.1	133.3
Completed during 2020	76.3	-
Completed surveys	226.3	283.7
Surveys in progress	389.8	274.9
MultiClient library	616.1	558.6

Note 19 – Other Non-Current Assets

Other non-current assets consist of the following:

(In millions of US dollars)	December 31,	
	2020	2019
Investments in associated companies (a)	9.6	38.1
Other	6.6	6.5
Total	16.2	44.6

(a) Specification of investments in and loans to equity accounted investments as follows:

(In millions of US dollars)	Net book value	December 31, 2020		December 31, 2019	
		Net book value	Ownership	Net book value	Ownership
Azimuth Ltd.	Bermuda	-	35%	-	35%
Azimuth II Ltd.	Bermuda	5.6	35%	29.8	35%
Azimuth III Ltd.	Bermuda	0.5	44%	6.7	44%
Other*		3.5	-	1.6	-
Total		9.6		38.1	

* Includes investment in Ocean Geo-Frontier Co. Ltd.

PGS share of income (loss) from associated companies is as follows:

(In millions of US dollars)	Year ended December 31, 2020			Year ended December 31, 2019		
	Profit (loss) for the year	Adjustments (a)	Share of income (loss)	Profit (loss) for the year	Adjustments (a)	Share of income (loss)
Azimuth Ltd.	(0.2)	0.2	-	(0.8)	0.8	-
Azimuth II Ltd.	(23.0)	(1.2)	(24.2)	(5.8)	(4.9)	(10.7)
Azimuth III Ltd.	(7.3)	1.0	(6.3)	(4.6)	(5.6)	(10.2)
Other	0.5	-	0.5	0.8	-	0.8
Total			(30.0)			(20.1)

(a) Adjustments relate to accounting for exploration costs in the Azimuth companies; losses on dilution of ownership and recoverable investment value; and loss limitation entries to reflect investment balance at no less than nil.

The Company owns 35% of Azimuth Limited, 35% of Azimuth II Limited and 44% of Azimuth III Limited, which together are the holding companies of the Azimuth Group. The remaining shares are held by a majority shareholder and minority shareholder comprised of employees of Azimuth. The investments are therefore accounted for as associated companies. The Azimuth Group consists of several operating entities, which invest in Exploration and Production ("E&P") companies and exploration assets.

Exploration costs, hereof seismic data and services purchased by Azimuth (including data and services purchased from PGS) is capitalized in the Azimuth financial statements and subject to impairment testing. In its equity method accounting for the investment in Azimuth, PGS charges to expense exploration costs, including seismic data and services purchased by Azimuth from PGS, which does not relate to specific licensed acreage.

In 2020 the Company recognized a loss in its investment in Azimuth III of \$28.2 million based upon an assessment of recoverable value.

As of December 31, 2020 and 2019, PGS' share of cumulative losses (as adjusted for PGS accounting principles) in Azimuth Limited exceeded PGS investment in that associate. Because PGS has no further obligation to fund its share of losses for Azimuth Limited, PGS' share of cumulative losses recognized from this associate are limited to its investment. Cumulative unrecognized losses amount to \$6.4 million and \$5.6 million as at December 31, 2020 and 2019, respectively.

The Company has contributed nil and \$0.5 million to the Azimuth Group in 2020 and 2019, respectively. During 2020 and 2019 the Azimuth Group purchased data and other services from the Company for \$0.4 million and \$0.8 million, respectively.

In 2018 the Company granted a loan to Azimuth in the amount of \$4.0 million. The receivable is non-interest bearing and convertible to shares at a given conversion price.

The Company has entered into a cooperation agreement whereby the Company provides certain services to the Azimuth Group. The Azimuth Group has the right to buy, for cash and at fair value, up to 50% of any future equity settlement that the Company may receive as payment for its library or services. The Company has a right, but no obligation to provide further funding of Azimuth Group and has no guarantees outstanding.

Ocean Geo-Frontier Co. Ltd is a joint venture established in 2019 to administer services provided by the Company, and its partners, to Japan Oil, Gas and Metals National Corporation ("JOGMEC"). The Company holds a 34% share.

The following table illustrates the summarized financial information (100% basis) as of December 31:

(In millions of US dollars)	Azimuth Limited		Azimuth II Limited		Azimuth III Limited	
	2020 (preliminary)	2019(a)	2020 (preliminary)	2019(a)	2020 (preliminary)	2019(a)
Current assets	0.3	0.3	15.8	15.4	3.1	3.2
Non-current assets	5.5	5.8	95.4	105.9	12.5	20.0
Current liabilities	0.3	0.2	16.4	15.9	50.0	50.1
Non-current liabilities	7.1	6.0	-	-	-	-
Equity	(1.6)	(0.1)	94.8	105.4	(34.4)	(26.9)
Revenue	-	-	-	-	-	0.9
Operating expenses	0.2	0.3	0.1	0.3	7.5	11.4
Financial (income) expenses	1.3	2.3	10.5	9.3	-	-
Income (loss) before tax	(1.5)	(2.6)	(10.6)	(9.6)	(7.5)	(10.5)
Income tax	-	-	-	-	-	-
Profit (loss) for the year	(1.5)	(2.6)	(10.6)	(9.6)	(7.5)	(10.5)
Other comprehensive income	-	(0.1)	-	(0.5)	-	-
Total comprehensive income	(1.5)	(2.7)	(10.6)	(10.2)	(7.5)	(10.5)

(a) The preliminary 2019 financial statements numbers for the Azimuth companies included in the 2019 Annual report have been updated to reflect final numbers.

The changes for the year in Investments in Associated Companies are as follows:

(In millions of US dollars)	December 31,	
	2020	2019
Balance at January 1	38.1	57.7
Investments	2.0	0.5
Impairment and share of results from associated companies	(30.0)	(20.1)
Dividend received	(0.5)	-
Other comprehensive income (loss) from associated companies	-	-
Other changes	-	-
Balance at December 31	9.6	38.1

Note 20 – Other Intangible Assets

The changes in other intangible assets are summarized as follows:

(In millions of US dollars)	Patents, licenses, technology and other (b)	Intangible assets in development	Total
Cost as of January 1, 2019	350.8	30.8	381.7
Additions to costs	2.4	8.0	10.4
Asset retirements	(22.1)	-	(22.1)
Asset transfers	1.4	(1.4)	-
Cost as of December 31, 2019	332.5	37.4	370.0
Additions to costs	-	8.5	8.5
Asset retirements	(1.0)	-	(1.0)
Asset transfers	1.0	(1.0)	-
Cost as of December 31, 2020	332.5	44.9	377.5
Amortization as of January 1, 2019 (a)	275.0	-	275.0
Amortization expense	15.9	-	15.9
Asset retirements	(22.1)	-	(22.1)
Amortization as of December 31, 2019 (a)	268.8	-	268.8
Amortization expense	15.6	-	15.6
Asset retirements	(1.0)	-	(1.0)
Impairments	1.0	-	1.0
Amortization as of December 31, 2020 (a)	284.4	-	284.4
Balance as of December 31, 2019	63.7	37.4	101.2
Balance as of December 31, 2020	48.1	44.9	93.1
Estimated useful life	1 to 15 years		

(a) The accumulated impairment charge on intangibles other than goodwill was \$ 165.8 and \$ 164.8 million as of December 31, 2020 and 2019.

(b) Includes net book value of approximately \$4.2 million relating to towed EM technology.

2020 Impairments

PGS recorded aggregate impairment charges of \$1 million in 2020 related to technology no longer expected to be utilized.

2019 Impairments

There were no impairments in 2019.

Note 21 – Debt and Guarantees

(In millions of US dollars)	December 31,	
	2020	2019
Secured:		
Term loan B, Libor + 250 Basis points, due 2021	2.0	377.0
Term loan B, Libor + 6-700 basis points (linked to total leverage ratio ("TLR"), due 2024	520.4	-
Export credit financing, due 2025	109.4	119.8
Export credit financing, due 2027	189.1	202.3
Revolving credit facility, due Sep 2020	135.2	180.0
Revolving credit facility, due Sep 2023	214.8	
Unsecured		
Senior notes, Coupon 7.375%, due Dec 2020	-	212.0
Total loans and bonds, gross	1 170.9	1 091.1
Less current portion	(1 150.4)	(443.2)
Less deferred loan costs, net of debt premiums	(20.5)	(6.7)
Non-current interest bearing debt	-	641.2

Undrawn facilities consists of:

(In millions of US dollars)	December 31,	
	2020	2019
Secured		
Revolving credit facility	-	170.0
Unsecured		
Bank facility (NOK 50 mill)	-	5.7
Performance bond	22.8	9.6
Total	22.8	185.3

Summary of net interest bearing debt:

(In millions of US dollars)	December 31,	
	2020	2019
Loans and bonds gross	(1 170.9)	(1 091.1)
Cash and cash equivalents	156.7	40.6
Restricted cash (current and non-current)	76.6	43.0
Net interest bearing debt, excluding lease liabilities	(937.6)	(1 007.5)
Lease liabilities current	(40.1)	(46.1)
Lease liabilities non-current	(118.5)	(151.0)
Net interest bearing debt, including lease liabilities	(1 096.2)	(1 204.6)

Reconciliation of debt arising from financing activities:

(In millions of US dollars)	Cash flows					Non-cash changes			
	January 1, 2020	Repayment of interest bearing debt	Payment of lease liabilities	Revolving Credit Facility	Proceeds, net of deferred Net change loan costs, of drawing on the on the issuance of non-current debt	Foreign exchange movement	New leases	Other	December 31, 2020
Debt to financial institutions	873.7	(28.3)	-	170.0	124.2	-	-	10.8	1 150.4
Bond debt	210.7	(212.0)	-	-	-	-	-	1.3	-
Lease liabilities	197.1	-	(43.1)	-	-	0.4	0.8	3.4	158.6
Total liabilities from financing activities	1 281.5	(240.3)	(43.1)	170.0	124.2	0.4	0.8	15.5	1 309.0

(In millions of US dollars)	Cash flows					Non-cash changes			
	January 1, 2019	Repayment of interest bearing debt	Payment of lease liabilities	Revolving Credit Facility	Proceeds, net of deferred Net change loan costs, of drawing on the on the issuance of non-current debt	Foreign exchange movement	New leases	Other	December 31, 2019
Debt to financial institutions	1 005.2	(51.2)	-	(85.0)	-	-	-	4.7	873.7
Bond debt	210.7	-	-	-	-	-	-	-	210.7
Lease liabilities	241.7	-	(44.8)	-	-	(0.5)	4.8	(4.1)	197.1
Total liabilities from financing activities	1 457.6	(51.2)	(44.8)	(85.0)	-	(0.5)	4.8	0.6	1 281.5

Credit Facility

At December 31, 2020, the Senior Secured Credit Facility (the "Credit Facility") as amended originated in 2007 and is currently comprised of a \$522.4 million Term Loan B (the "Term Loan" or "TLB") and a \$350.0 million Revolving Credit Facility (the "Revolving Credit Facility" or "RCF") with PGS ASA and PGS Finance, Inc., as co-borrowers. For comparison, at December 31, 2019, the Company had \$377.0 million outstanding under the TLB and \$180.0 million outstanding under the RCF. Borrowings under the Credit Facility are secured by pledges of substantially all assets of the Company except assets pledged to the Export Credit Loans (see below) for which it has an indirect 2nd lien pledge capturing values exceeding the export credit loans.

On February 18, 2020 the Credit Facility was amended and extended with revised terms and maturity dates as follows: (i) \$373 million of the existing \$377 million Term Loan B was extended and increased by \$150 million into a new Term Loan B with final maturity date of March 19, 2024; and (ii) \$215 million of the existing \$350 million RCF was extended to a new final maturity date September 18, 2023. \$4.0 million of the TLB and \$135 million of the RCF were not extended and remained with the maturity dates of March 19, 2021 and September 18, 2020, respectively.

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

As less than 100% of the RCF and TLB lenders consented to the amendments, the Company initiated a process to implement the transaction pursuant to an UK Scheme of Arrangement under English law upon approval of the English Court, after obtaining the required majority creditor consent (being minimum 75% by value and a majority in number of the total RCF and TLB voting in the Scheme (the "Scheme")). The Scheme enabled the Transaction in respect of the RCF and TLB to be implemented and bind all RCF and TLB lenders (including those who voted against or did not vote).

On February 2, 2021 the Scheme was sanctioned by an English court allowing the implementation of the financing transaction announced on October 21, 2020 with main terms as listed below. 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 and took effect February 9, 2021. With the transaction, PGS has extended its near-term maturity and amortization profile under its RCF/TLB and ECF facilities by approximately two years.

The \$135 million RCF due 2020 and \$215 million RCF due 2023, and the remaining \$2 million of the TLB not extended in February 2020, due 2021 are converted into a new TLB on the same terms and conditions as the existing TLB. 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 (see 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.

In addition, the current excess cash flow sweep for the RCF/TLB facilities is replaced by an excess liquidity sweep for any liquidity reserve in excess of \$200 million at each quarter end, with such amounts to be applied against (i) the deferred amounts under the ECF (ref below) and (ii) the \$ 135 million TLB amortization due in September 2020, until they have both been paid in full. Thereafter, any liquidity reserve in excess of \$175 million at each quarter end will be applied against the remaining TLB amortizations.

The financial maintenance covenants will be amended, with the maximum Total Net Leverage Ratio to be 4.5x through June 30, 2021, 4.25x through December 31, 2021, 3.25x through December 31, 2022 and 2.75x thereafter. The minimum liquidity covenant will continue to be \$ 75 million in unrestricted cash and cash equivalents with an extra reporting obligation if cash and cash equivalents falls below \$ 115 million. There are customary cure periods and provisions.

The margin on the TLB is based on a pricing grid as follows: if Total Gross Leverage Ratio (hereafter "Level I) is above 1.75:1.0 the margin is 7.0%; above 1.25:1.0 and less than or equal to 1.75:1.0, the margin is 6.50%; and less than or equal to 1.25:1.0, the margin is 6.00%. The Total Gross Leverage Ratio is defined as the consolidated indebtedness, net of restricted cash held for debt service in respect of the Export Credit financing, to consolidated adjusted EBITDA less non -pre-funded MultiClient library investments. Total Net Leverage Ratio as referenced above and below allows in addition for the deduction of unrestricted cash and cash equivalents from consolidated indebtedness.

If the corporate family rating from Moody's or Standard & Poor's is below B3/B- stable outlook, the credit margin on the TLB will be 7.5%. The Company may only access the minimum margin of 6% if the ratings from Moody's and Standard & Poor's are at least B2 stable and B stable, respectively. Moody's and Standard & Poor's rating as of February 17, 2021 are Caa1 and CCC+ (both with negative outlook), respectively. The Credit Facility contains financial covenants and negative covenants that restrict the Company in various ways. The facility provides that:

- i) The Company may not incur senior secured debt other than as replacement of existing secured debt, with certain exceptions among such being assumed debt acquired through entities merged or acquired as long as the Total Net Leverage Ratio on a proforma basis does not exceed 2.0:1.0 and such transaction is accretive (i.e., does not increase the leverage ratio proforma); and leases defined as operational leases under the definition existing prior to IFRS 16. Subject to certain exceptions, the Company may not incur further junior secured or senior unsecured debt if the total net leverage ratio exceeds 2.0:1.
- ii) The Company may not pay dividends or similar (with certain exceptions) until February 9, 2023. Thereafter, dividend payments or similar are permitted out of cumulative distributable earnings (as defined by the agreement) as long as total net leverage ratio is not greater than 2.0:1.0. On or after March 31, 2023 if net leverage ratio is below 1.0:1.0 there is no restriction on dividend payments or similar. Cumulative distributable earnings, as defined, primarily comprises 50% of Net Income and accumulates over time starting October 1, 2019.

In addition, the Credit Facility restricts or could restrict our ability, among other things, to sell assets without the sales proceeds being reinvested in the business or used to repay debt; issue preferred shares; prepay interest and principal on our other indebtedness; create liens on assets; make investments, loans, guarantees or advances; make acquisitions; engage in mergers or consolidations; enter into sale and leaseback transactions; engage in transactions

with affiliates; amend material agreements governing our indebtedness; change our business; enter into agreements that restrict dividends from subsidiaries; and enter into speculative financial derivative agreements.

During 2020, and until it was converted into a TLB on February 9, 2021, the \$215 million RCF had an interest rate on drawn (borrowed) amounts based on LIBOR plus a margin and a utilization fee. The undrawn amount was subject to a commitment fee. The margin on the drawn amount was based on a leverage grid. During the first quarter of 2020 a margin of 6% was applied, whilst the margin was 6.5% for the remainder of 2020. The RCF was subject to a utilization fee based upon the total amount drawn as follows. For the two first months of 2020 a utilization fee of 0.5% was paid and from March 2020 the RCF was fully drawn and a utilization fee of 0.75% was paid. The RCF facility has in addition a commitment fee on undrawn amounts of 40% of the applicable margin. The \$135 million non-extended RCF was subject to a margin of 3.75%, the same utilization fee as the extended RCF; and a commitment fee on the undrawn amount of 50% of the applicable margin. The extended and non-extended RCF were drawn pro rata during 2020. The \$523 million extended and increased TLB carried a floating interest rate of LIBOR plus a margin based on the same leverage grid as the extended RCF. During the first quarter of 2020 a margin of 7.0% applied whilst for the rest of 2020 a margin of 7.5% applied to the extended TLB. The \$3 million non-extended TLB maturing March 19, 2021 carried a margin of 2.5%

The Term Loan principal amortizing profile was 1% per annum paid quarterly during 2020, but no amortization was paid for the 3rd or 4th quarters (see above with reference to the forbearance agreement).

Senior Notes

On December 23, 2016, the Company issued \$212.0 million in aggregate principal amount of 7.375% Senior Notes due 2020 (the "New Notes") as part of the Exchange Offer in an offering that was not subject to the registration requirements of the U.S. Securities Act. The New Notes were admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market of the Luxembourg Stock Exchange.

On February 7, 2020 the Senior Notes were called for redemption and were repaid in full at par value plus accrued interest on February 18, 2020.

Export credit financing

The Export credit financing arrangement comprises four loans each with Japan Bank for International Cooperation ("JBIC") and Sumitomo Mitsui Banking Corporation ("SMBC"), with an aggregate value at inception of \$544.2 million. The loans were incurred by the subsidiary, PGS Titans AS, for the financing of the four Ramform Titan class vessels. PGS ASA guarantees the obligations under two internal 12-year bareboat charter agreements between PGS Falcon AS and PGS Titans AS for the two vessels, the *Ramform Titan* and the *Ramform Atlas*, and guarantees the loans financing for the *Ramform Tethys* and the *Ramform Hyperion*. The loans are senior facilities secured by first priority mortgages over the vessels and fittings on board (but excluding "in sea" equipment such as streamers), pledge of the borrower's right under a debt service reserve account and assignment of insurance rights in the vessels. The loans will be repaid over 12 years in equal semiannual installments and each are comprised of two tranches whereby JBIC and SMBC each receive 50%. The JBIC tranche bears a fixed interest and is repaid from the 7th to 12th year after draw down, while the SMBC tranche bears a floating interest based on 6 months Libor plus a margin and is repaid from 1st to 6th year after draw down. SMBC has received credit insurance from Nippon Export and Investment Insurance ("NEXI") and the insurance premium is paid by PGS Titans AS.

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

With the transaction, the export credit lenders have also received enhanced security by certain shared security with the TLB.

Under the deferral period the export credit financing loans will have the same financial maintenance and reporting covenants as the Credit Facility.

Letters of credit and guarantees

The Company has \$30.0 million uncommitted bid and performance bond facilities (\$30 million in 2019) intended for operational use. Drawings under these facilities totaled \$7.2 million and \$20.4 million as of December 31, 2020 and 2019, respectively. During 2020, the Company was required to deposit cash collateral to cover new or amended bonds drawn under this facility. As of December 31, 2020 the Company had deposited \$5.1 million which is included in Restricted Cash (see note 14).

The Company had aggregate outstanding letters of credit and similar guarantees (incl. the \$7.2 million and \$20.4 million above), not reflected in the accompanying consolidated statements of financial position, of \$7.2 million and \$20.6 million as of December 31, 2020 and 2019, respectively.

PGS ASA has guaranteed the payment obligation under the lease of PGS Apollo (see note 23).

Note 22 – Financial Instruments

Valuation of financial instruments carried at fair value

The Company classifies financial instruments carried at fair value in the consolidated statement of financial position using the Fair Value Hierarchy.

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly.

Level 3: techniques for which all inputs which have a significant effect on the recorded fair value that is not based on observable market data.

Nominal value and fair values of financial assets and liabilities

(In millions of US dollars)	Hierarchy Level	December 31, 2020		December 31, 2019	
		Nominal value	Fair values	Nominal value	Fair values
FINANCIAL ASSETS					
At fair value through profit and loss					
Foreign exchange contracts	2	-	-	1.3	1.3
Derivatives designated as hedging instruments					
Foreign exchange contracts	2	-	-	-	-
Interest rate swaps	2	-	-	-	-
Total		-	-	1.3	1.3
FINANCIAL LIABILITIES					
Financial liabilities at amortized cost					
Debt with fixed interest rate	2	(256.5)	(256.5)	(478.9)	(472.9)
Debt with variable interest rate	2	(914.4)	(825.1)	(612.2)	(588.7)
Lease liabilities	2	(158.6)	(158.6)	(197.1)	(197.1)
At fair value through profit and loss					
Foreign exchange contracts	2	-	-	(0.2)	(0.2)
Interest rate swaps	2	-	-	(2.3)	(2.3)
Derivatives designated as hedging instruments					
Foreign exchange contracts	2	-	-	(0.2)	(0.2)
Interest rate swaps	2	(6.7)	(6.7)	-	-
Total		(1 336.2)	(1 246.9)	(1 290.9)	(1 261.4)

The carrying amounts of cash and cash equivalents, restricted cash, accounts receivable, accrued revenues and other receivables, other current assets, accounts payable and accrued expenses classified at amortized cost approximate their respective fair values because of the short maturities of those instruments.

The fair values of the non-current debt instruments, forward exchange contracts and interest rate swaps are estimated using quotes obtained from dealers in such financial instruments or latest quoted prices or indexes at Reuters or Bloomberg. Where market prices are not observed or quotes from dealers are not obtained, an indirect method is used by use of implied credit spread from debt instrument with similar risk characteristics.

Financial risk management policies

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to repay or be able to refinance debt when it falls due and provide returns for shareholders such as dividends, after reaching a target net debt level (excluding lease obligations) of \$500-600 million, and work towards an optimal capital structure to reduce the cost of capital.

The management of the capital structure involves active monitoring and adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure the Company may refinance its debt, buy or issue new shares or debt instruments, sell assets or return capital to shareholders.

The Company monitors debt on the basis of the leverage ratio and other covenants in credit agreements. The Total Net Leverage Ratio ("TNLR") is calculated as the consolidated indebtedness, net of restricted cash held for debt service in respect of the Export Credit financing and unrestricted cash and cash equivalents, divided by adjusted EBITDA less non-pre-funded MultiClient library investments. This covenant is suspended for December 31, 2020.

In addition, the Company monitors leverage based on net debt. Net debt is calculated as total debt (including short-term and non-current debt as reported in the consolidated statement of financial position) less cash and cash equivalents, including restricted cash. During 2018, taking into account experience from the down cycle and with a view that the Company's markets will continue to be cyclical in the future, the Company has adopted a strategic target to over time reduce Net Interest-Bearing Debt to a level, excluding lease obligations, not exceeding \$500-600 million, assuming the current size and composition of business activities. As a result, the Company will give higher priority to profitability, cash flow generation and debt reduction than business growth until it reaches a lower debt level. While PGS has adjusted expenditures to mitigate the impact of lower revenues, it will need a market recovery to continue significant debt repayments.

The Company is exposed to market risks such as interest rate risk, foreign exchange rate risk, credit risk and liquidity risk. The Company's risk management policies are approved by the Board of Directors. The treasury function reports regularly to the Company management and any breach of limits set in the policy are required to be reported to the Board of Directors.

Interest rate risk management

The Company is subject to interest rate risk on debt, including lease liabilities. The risk is managed by using a combination of fixed -and variable rate debt, together with interest rate swaps, where appropriate, to fix or lower the borrowing costs.

	December 31, 2020		December 31, 2019	
	Notional amounts	Weighted average interest rate	Notional amounts	Weighted average interest rate
Debt at fixed interest rate	256.5	3.03%	478.9	4.94%
Debt at variable interest rate based on US dollar plus a margin	689.4	6.64%	487.2	4.64%
Variable interest rate debt with interest fixed	225.0	1.93%	125.0	2.38%

After giving effect to the Company's interest rate swaps, for every one-percentage point hypothetical increase in LIBOR, the annual net interest expense on variable rate debt, inclusive non-restricted cash holdings, would have increased by \$4.9 million and \$4.1 million approximately measured from December 31, 2020 and 2019, respectively. Taken into account the refinancing transaction described above the interest cost sensitivity described above would be \$4.9 million.

Foreign currency risk management

The Company is exposed to currency fluctuation due to the effects of a predominantly USD based revenue stream, while the Company's operating expenses and capital expenditures are mainly denominated in USD, GBP, NOK and EUR. The Company maintains a foreign currency risk management strategy that normally uses foreign currency exchange contracts to reduce volatility in the income statement and protect against fluctuations in cash flow caused by volatility in currency exchange rates. The Company does not currently have any bank lines available to hedge currency exposures, but has used cash where possible to offset material exposures. The Company had open forward contracts to buy and sell GBP, NOK, BRL, JPY at December 31, 2019. The Company did not have any open forward contracts as of December 31, 2020. The table shows exposures and foreign exchange contracts in currencies that the Company hedges on a regular basis.

(in millions, local currency)	December 31, 2020				December 31, 2019			
	NOK	GBP	BRL	JPY	NOK	GBP	BRL	JPY
Restricted cash	36.7	-	99.7	-	36.9	-	-	-
Cash held as hedges	89.4	29.4	-	-	-	-	-	-
Current assets	11.8	2.0	131.6	-	17.1	2.1	62.4	2 767.6
Current liabilities	(133.4)	(0.7)	(2.2)	-	(192.5)	(0.7)	(15.1)	(3.4)
Pension liabilities	(28.9)	(31.4)	-	-	(31.0)	(26.7)	-	-
Finance leases	(380.9)	(4.3)	(3.0)	-	(521.8)	(6.1)	(4.3)	(9.1)
Other non-current liabilities	-	(2.6)	-	-	(25.5)	(2.6)	-	-
Net statements of financial position exposure	(405.3)	(7.6)	226.1	-	(716.8)	(34.0)	43.0	2 755.1

Hedged committed operational cash flow and capital expenditure:

Next year	-	-	-	-	-	-	-	-
1-2 years	-	-	-	-	-	-	-	-
2-3 years	-	-	-	-	-	-	-	-
Net forward commitments	-	-	-	-	-	-	-	-

Forward exchange contracts	-	-	-	-	118.0	29.9	(50.0)	(2 621.3)
Net exposure	(405.3)	(7.6)	226.1	-	(598.8)	(4.1)	(7.0)	133.8

The following analysis illustrates the sensitivity of changes in relevant foreign exchange rates, after the impact of hedging. All other variables remain constant. The sensitivity analysis is based on the Company's financial assets and liabilities held as of the year ended December 31, 2020 and 2019. The foreign exchange rate analysis assumes a 10% depreciation in USD.

(in millions, local currency)	December 31, 2020				December 31, 2019			
	NOK	GBP	BRL	JPY	NOK	GBP	BRL	JPY
Impact on profit before tax: Gain / (loss)	(5.3)	(1.0)	4.8	-	(7.6)	(0.5)	(0.2)	0.1

	Average rate		Year end spot rate	
	2020	2019	2020	2019
USD / NOK	9.445	8.788	8.548	8.787
GBP / USD	1.284	1.277	1.365	1.314
USD / BRL	5.053	3.932	5.191	4.021
USD / JPY	106.68	109.10	103.14	108.60

Credit risk management

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

(In millions of US dollars)	December 31,	
	2020	2019
Cash and cash equivalents	156.7	40.6
Restricted cash (note 14)	76.6	43.0
Accounts receivable	100.6	191.1
Accrued revenues and other receivables (note 15)	57.3	118.5
Total	391.2	393.2

Cash and cash equivalents

The Company continually monitors the counterparty credit risk of banking partners, including derivatives counterparties and the institutions in which cash is held on deposit.

Accounts receivables

Trade receivables are primarily with multinational integrated oil companies and independent oil and natural gas companies, including companies owned in whole or in part by governments. As of December 31, 2020, approximately 58% of the balance relates to 5 customers.

The aging of trade receivables is as follows:

(In millions of US dollars)	December 31,	
	2020	2019
Current	88.6	167.8
Up to one month past due	2.1	3.2
Between one and two months past due	2.1	9.3
More than three months past due	12.5	15.7
Allowance for doubtful accounts	(4.7)	(4.9)
Total	100.6	191.1

The Company provides for expected credit losses through a loss allowance, which is based on the lifetime expected credit losses at the reporting date. The Company assesses expected credit losses using factors including aging of accounts, historical experience, customer concentration, customer creditworthiness and current industry and economic trends. The provision for expected credit losses is related to receivables more than three months past due.

For accrued revenues, the Company has assessed the collectability prior to recognizing the revenue and assessed credit risk on the same basis as trade receivables. There is no allowance related to accrued revenues as of December 31, 2020 and 2019.

The Company is also exposed to credit risk from off-balance sheet items such as agreements to provide future services to customers and counterparties on derivatives and where cash is held on deposit. The Company manages its exposure to such risks through continuous monitoring of counterparties.

Exposure to liquidity risk

The Company tries to minimize liquidity risk through ensuring access to a diversified set of funding sources, and management of maturity profile on debt and derivatives. The Company is exposed to liquidity risk related to the following:

December 31, 2020	Nominal value	Notional value	Contractual cash flows*						
			Total	0-1 years	1-2 years	2-3 years	3-4 years	4-5 years	Thereafter
(In millions of US dollars)									
Non-derivative financial liabilities									
Trade payables	(31.2)	-	(31.2)	(31.2)	-	-	-	-	-
Debt with fixed interest rates	(256.5)	-	(258.8)	(258.8)	-	-	-	-	-
Debt with variable interest rates	(914.4)	-	(924.3)	(924.3)	-	-	-	-	-
Total	(1 202.1)	-	(1 214.2)	(1 214.2)	-	-	-	-	-
Derivative financial assets/liabilities									
Interest rate swaps hedge accounted	(6.7)	225.0	(6.7)	(3.9)	(2.5)	(0.3)	-	-	-
Forward exchange contracts used for hedging	-	-	-	-	-	-	-	-	-
Other foreign exchange contracts	-	-	-	-	-	-	-	-	-
Total	(6.7)	225.0	(6.7)	(3.9)	(2.5)	(0.3)	-	-	-

*Refer to note 21 for further information on debt classification.

December 31, 2019

(In millions of US dollars)	Nominal value	Notional value	Contractual cash flows						
			Total	0-1 years	1-2 years	2-3 years	3-4 years	4-5 years	Thereafter
Non-derivative financial liabilities									
Trade payables	(56.1)	-	(56.1)	(56.1)	-	-	-	-	-
Debt with fixed interest rates	(478.9)	-	(530.6)	(256.5)	(31.8)	(48.2)	(52.6)	(51.2)	(90.3)
Debt with variable interest rates	(612.2)	-	(641.5)	(235.7)	(399.9)	(5.9)	-	-	-
Total	(1 147.2)	-	(1 228.2)	(548.3)	(431.7)	(54.1)	(52.6)	(51.2)	(90.3)
Derivative financial assets/liabilities									
Interest rate swaps hedge accounted	(2.3)	125.0	(2.3)	(0.8)	(1.0)	(0.5)	-	-	-
Forward exchange contracts used for hedging	(0.2)	24.0	(0.2)	(0.2)	-	-	-	-	-
Other foreign exchange contracts	1.1	83.7	1.1	1.1	-	-	-	-	-
Total	(1.4)	232.7	(1.4)	0.1	(1.0)	(0.5)	-	-	-

As of December 31, 2020, the Company had cash and cash equivalents of \$156.7 million and a total liquidity reserve, including available unutilized drawings of the RCF, of nil, compared to \$40.6 million and \$170 million respectively at year-end 2019. The Company has a structured approach to monitoring of credit risk against financial counterparties and has no reason to doubt their ability to meet their funding commitments if and when called upon to do so. Subsequent to completion of the amendments described in note 21 the RCF, fully drawn, was converted to a Term Loan February 9, 2021.

The Company has, subject to completion as described in note 21, addressed the liquidity risk arising from the current market situation by negotiating debt amortization holidays until September 2022. The Company also has taken steps to reduce its costs in order to enable the company to preserve sufficient liquidity during the current downturn. There is a risk, dependent on the length and magnitude of the current downturn, that the measures taken may not be sufficient. If so, the company may breach its liquidity covenant, representing an event of default under the TLB and ECA. Should such a risk become significant, the company would seek to further amend its loan facilities. If the company ultimately ends up breaching this covenant, the breach would represent a default under most of its current loan agreements and debt instruments.

Based on its forecasts, the Company expects to comply with the financial maintenance covenants and expects to be able to address maturities when they resume in the second half of 2022 through cash generation and/or refinancing.

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

Based on available liquidity resources and the structure and terms of the Company's debt after implementation of the debt rescheduling (see more details in the section "Cash Flow, Financial Position and Financing"), it is the Board's opinion that PGS has sufficient funding and liquidity to support the Company's operations and investment programs.

Interest rate hedge accounting

In December 2016, the Company entered into interest rate swaps, with a total notional amount of \$125 million, to fix the interest rate on part of its floating rate debt, which matured in June 2019. The fair value of the interest rate swaps was recorded in other comprehensive income as the effective portion of the designated and qualifying hedging instrument. The profit and loss impact of the cash flow hedges are estimated to be in the same year as the effect of the cash flows.

The Company has not excluded any components of the derivative instruments' gain or loss from the assessment of hedge effectiveness with respect to the qualifying interest rate swaps. These hedges were replaced in April 2019 with interest rate swaps with the same notional amount, which started at the expiry of the original swaps. The hedges were not designated as hedging instruments and the change in fair value of these swaps was taken directly through the Income Statement. In February 2020 the Company entered into additional interest rate swaps, with a total notional amount of \$100 million, to fix the interest rate on part of its floating rate debt. All of the interest rate swaps were designated as hedging instruments after the refinancing of the TLB in February 2020. The negative market value of the existing swaps at the time of designation was \$2.8 million, which was taken through the Income Statement, all subsequent change in fair value of these swaps were recorded in other comprehensive income as the effective portion of the designated and qualifying hedging instrument.

The interest rate swaps from 2019 and 2020 had a negative fair value of \$6.8 and \$2.3 million recorded in the Income Statement at December 31, 2020 and 2019, respectively.

Foreign exchange rate hedge accounting

The majority of revenues are in USD. The company previously entered into derivatives accounted for under fair value hedge relationships to hedge the currency risk. The Company has no foreign exchange rate hedging as of December 31, 2020.

A summary of fair value hedging relationships follows:

(In millions of US dollars)	December 31, 2020			December 31, 2019		
	Notional value	Fair value	Change in fair value	Notional value	Fair value	Change in fair value
Foreign currency derivatives designated as cash flow hedging instruments	-	-	-	24.0	(0.2)	2.4
Foreign currency derivatives not designated as hedges	-	-	-	83.7	1.1	2.3

Sensitivity analysis derivatives

The following analysis illustrates the sensitivity of changes in the Company's foreign currency derivatives. The foreign exchange rate analysis assumes a 10% change in NOK, GBP, BRL and JPY exchange rates. The Company has no foreign exchange rate hedging using currency derivatives as of December 31, 2020.

(In millions of US dollars)

December 31, 2020	10% depreciation of USD			
	NOK	GBP	BRL	JPY
Gross effect	-	-	-	-
Impact on profit before tax: gain/(loss)	-	-	-	-
Impact on other comprehensive income	-	-	-	-
December 31, 2019				
Gross effect	1.3	3.9	(1.2)	(2.4)
Impact on profit before tax: gain/(loss)	1.3	3.9	(1.2)	-
Impact on other comprehensive income	-	-	-	(2.4)

Note 23 – Leases, Contingent Liabilities and Provisions

Company as lessee

The Company has lease contracts for various items of seismic vessels, equipment and buildings used in its operations. Leases of seismic vessels have lease terms between 2 and 10 years, while buildings and equipment generally have lease terms between 1-15 years and 1-6 years. There are several lease contracts that include extension and termination options which are further described below.

The Company also has certain leases with lease terms of 12 months or less and leases of equipment with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

(In millions of US dollars)	Seismic vessels and equipment	Buildings, fixtures and furniture	Total
Balance as of January 1, 2019	145.5	61.2	206.7
Additions (note 17)	3.5	1.4	4.9
Remeasurement/Other (note 17)	-	(1.2)	(1.2)
Depreciation expense (note 17)	(27.7)	(13.7)	(41.4)
Balance as of December 31, 2019	121.3	47.7	169.0
Additions (note 17)	-	0.8	0.8
Remeasurement/Other (note 17)	(0.8)	4.5	3.7
Impairment expense (note 17)	(61.3)	-	(61.3)
Depreciation expense (note 17)	(18.6)	(13.2)	(31.8)
Balance as of December 31, 2020	40.6	39.8	80.4

Set out below are the carrying amounts of lease liabilities and the movements during the period:

(In millions of US dollars)	2020			2019		
	Seismic vessels and equipment	Buildings, fixtures and furniture	Total	Seismic vessels and equipment	Buildings, fixtures and furniture	Total
Balance as of January 1	137.4	59.7	197.1	169.9	71.8	241.7
Additions	-	0.8	0.8	3.5	1.3	4.8
Interest	7.6	3.1	10.7	9.9	3.9	13.8
Lease payments	(37.3)	(16.5)	(53.8)	(40.0)	(18.6)	(58.6)
Remeasurements	(1.1)	4.9	3.8	(5.9)	1.3	(4.6)
Balance as of December 31	106.6	52.0	158.6	137.4	59.7	197.1

The maturity of lease liabilities can be analysed as follows:

(In millions of US dollars)	December 31, 2020		
	Seismic vessels and equipment	Buildings, fixtures and furniture	Total
Less than one year	31.4	16.9	48.3
One to five years	89.5	32.9	122.4
More than five years	-	10.0	10.0
Total	120.9	59.8	180.7

(In millions of US dollars)	December 31, 2019		
	Seismic vessels and equipment	Buildings, fixtures and furniture	Total
Less than one year	39.1	17.2	56.3
One to five years	111.6	39.5	151.1
More than five years	9.3	14.7	24.0
Total	160.0	71.4	231.4

The following are the amounts recognised in profit and loss:

(In millions of US dollars)	2020	2019
Interest on lease liabilities adopted under IFRS 16	10.7	13.8
Expenses relating to short term and low value leases	17.8	26.7
Depreciation expense of right-of-use assets	31.8	41.4
Impairment expense of right-of-use assets	61.3	-
Total	121.6	81.9

The Company had total cash outflows for leases of \$71.6 million in 2020, and \$85.3 million in 2019. The Company also had non-cash additions to right-of-use assets and lease liabilities of \$0.8 million in 2020 and \$4.9 million in 2019.

Seismic support vessels

The Company leases four seismic support vessels under time-charter agreements which expire in 2024-2025. The lessor holds options to purchase each vessel from the 3rd party owner at certain times during each lease and at the end of the lease term. At the end of each lease, the 3rd party owner may also require the lessor to purchase the vessel for a pre-determined amount. Should the lessor not purchase the vessel, the 3rd party owner may require PGS to purchase the vessel for a price of \$5.5 million which is estimated to be less than fair value.

Seismic vessels

The Company leases one 3D vessel, Sanco Swift, under a time charter agreement which expires in 2023. The Sanco Swift agreement has two 2-year renewal options.

Sale and leaseback

In 2015, the Company entered into a sale and operating bareboat leaseback for the 3D vessel PGS Apollo. The remaining leaseback period is 4.5 years, expiring in 2025, with an option to extend for a 5-year period. PGS has the option but no obligation, to acquire the vessel after the end of year 8 (in 2023).

Extension and termination options

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options, irrespective of likelihood they will be exercised, that are not included in the lease term:

(In millions of US dollars)	December 31, 2020		
	Within five years	More than five years	Total
Extension options expected not to be exercised	197.7	84.5	282.2
Termination options expected to be exercised	-	-	-
Total	197.7	84.5	282.2

(In millions of US dollars)	December 31, 2019		Total
	Within five years	More than five years	
Extension options expected not to be exercised	252.7	92.6	345.3
Termination options expected to be exercised	-	-	-
Total	252.7	92.6	345.3

Contingent liabilities

Brazil service tax claim on charter

The Company has ongoing tax disputes related to charter of vessels into Brazil. The assessments, which inter alia seek to levy 15% withholding tax and 10% CIDE (service) tax, amount to \$35.6 million in total. The Company made a legal deposit amounting to \$17.7 million in 2020 to challenge one of the disputes in court. The deposit is held in an interest-bearing bank account with a commercial bank. Since the Company considers it more likely than not that these contingencies will be resolved in its favor, no provision has been made for any portion of the exposure.

Petrojarl

Following the demerger of Petrojarl (today part of Teekay) in 2006, the Company retained a joint secondary liability for certain obligations of Petrojarl. Petrojarl agreed to indemnify the Company from liabilities related to its operations. The Company remains with a joint secondary liability with Petrojarl under their FPSO service agreement with the customer for the Petrojarl Banff FPSO. The guarantee is not capped. If the claim is made and Petrojarl does not honor its obligation to indemnify PGS, it could adversely affect the Company's business, results of operation or financial condition.

Note 24 – Accrued Expenses and Other Current Liabilities

Accrued expenses consist of the following:

(In millions of US dollars)	December 31,	
	2020	2019
Accrued employee benefits	19.3	27.3
Accrued vessel operating expenses	17.8	35.6
Accrued revenue share	13.8	33.9
Accrued Legal Expenses	12.7	6.8
Provision for onerous customer contracts	9.2	4.8
Accrued Severance pay	6.1	1.3
Accrued interest expenses	1.8	2.3
Accrued commissions	1.1	4.1
Accrued sales tax and VAT	0.6	8.9
Other	13.1	3.2
Total	95.5	128.2

Note 25 – Other Non-Current Liabilities

Other non-current liabilities consist of the following:

(In millions of US dollars)	December 31,	
	2020	2019
Pension liability (note 26)	46.3	38.6
Provision for onerous lease contracts, service component	-	2.9
Other	13.0	8.7
Total	59.3	50.2

Note 26 – Pension Obligations

Defined benefits plans

Plan characteristics

The Company operates a defined benefit pension plan in the UK. The defined benefit plan was closed to new entrants in 2006 and to further vesting in 2015. The plan is administered through a pension trust which is legally separate from the Company. It is the Company's general practice to fund defined benefit plans in accordance with applicable statutory requirements.

In addition, as described in note 30, the CEO and one executive officer have an early retirement plan allowing for termination of employment without cause when the CEO or the executive officer reaches the age of 62. Full early retirement benefits are defined as 60% of the last base salary beginning in the year of retirement. The CEO is eligible for 85% of full benefits if he retires at the age of 62 and full benefits if he retires at the age of 65. The executive officer is eligible for full benefits if he retires at the age of 62. The early retirement benefits cease when the CEO and executive officer reach the age of 67.

Actuarial valuations and assumptions

The actuarial valuations are performed by independent actuaries in Norway and UK.

Risks

Actuarial valuations as applied in the consolidated financial statements are based upon financial and demographic assumptions which may be impacted by future events. Such future events include, but are not limited to, longer than expected longevity of participants, lower than expected return on investments and higher than expected inflation. Changes to assumptions may increase the liabilities or reduce the value of assets of the plan.

Financial impact

A summary of changes in the plans' aggregate projected benefit obligations and fair values of assets are summarized as follows:

(In millions of US dollars)	2020	2019
Projected benefit obligations (PBO) as of January 1, (a)	202.3	170.6
Service cost	0.1	0.2
Interest cost	4.2	5.1
Social security tax	-	-
Actuarial loss (gain), arising from changes in financial assumptions	37.7	23.7
Actuarial loss (gain), arising from changes in demographic assumptions	(16.5)	-
Actuarial loss (gain) due to scheme experience	(2.6)	(1.3)
Benefits paid	(3.6)	(3.6)
Exchange rate effects	11.3	7.6
Projected benefit obligations (PBO) as of December 31, (a)	232.9	202.3

(a) \$ 3.4 million and \$3.5 million arise from unfunded plans as of December 31, 2020 and 2019, respectively.

Change in fair value of pension plan assets:

(In millions of US dollars)	2020	2019
Fair value of plan assets as of January 1,	163.7	137.8
Expected return on plan assets	3.4	4.2
Employer contributions	3.0	4.4
Actuarial gain (loss) arising from return on plan assets	11.0	14.3
Benefits paid	(3.1)	(3.0)
Exchange rate effects	8.6	6.0
Fair value of plan assets as of December 31,	186.6	163.7

The aggregate funded status of the plans and amounts recognized in the Company's consolidated statements of financial position are summarized as follows:

(In millions of US dollars)	December 31,	
	2020	2019
Projected benefit obligation (PBO)	232.9	202.3
Fair value of plan assets	186.6	163.7
Net pension liability	46.3	38.6

The net amount recognized as accrued pension liability is presented as other non-current liabilities (see note 25).

The net periodic pension cost for the Company's defined benefit pension plans are summarized as follows:

(In millions of US dollars)	Year ended December 31,	
	2020	2019
Service cost	0.1	0.2
Interest cost	4.2	5.1
Expected return on plan assets/net interest cost	(3.4)	(4.2)
Social security tax	-	-
Net periodic pension cost	0.9	1.1

The net periodic actuarial gains and losses arising from the Company's defined benefit plans and recorded in other comprehensive income is as follows:

(In millions of US dollars)	Year ended December 31,	
	2020	2019
Actuarial gain (loss), arising from changes in financial assumptions	(37.7)	(23.7)
Actuarial gain (loss), arising from changes in demographic assumptions	16.5	-
Actuarial gain (loss) due to scheme experience	2.6	1.3
Actuarial gain (loss) arising from return on plan assets	11.0	14.3
Net actuarial gain (loss) recognized in other comprehensive income	(7.6)	(8.1)

Significant actuarial assumptions:

	2020		2019	
	Norway	UK	Norway	UK
Discount rate	1.70%	1.36%	2.30%	2.15%
Return on plan assets	-	1.36%	-	2.15%
Compensation increase	2.25%	-	2.25%	-

The discount rate assumptions used for calculating pensions reflect the rates at which the obligations could be effectively settled. Observable long-term rates on corporate bonds are used for the Norwegian and UK plans.

Plan asset allocation

The Company's pension plan asset allocations, by asset category, are presented by major plan group as follows:

(In millions of US dollars)	December 31,	
	2020	2019
Fair value plan assets	186.6	163.7
Plan assets at fair value with quoted prices in active markets for identical assets		
Equity/diversified growth funds	38%	34%
Bonds	51%	53%
Real estate	9%	9%
Other	2%	4%
Total	100%	100%

Management of plan assets must comply with applicable laws and regulations in Norway and the UK where the Company provides defined benefits plans. Within constraints imposed by laws and regulations, and given the assumed pension obligations and future contribution rates, assets are managed to obtain a long-term rate of return that at least reflects the chosen investment risk.

Sensitivity

The following table show the sensitivity to the principal assumptions of the present value of the defined benefit obligation. The sensitivities shown below are approximate and each sensitivity considers one change in isolation.

(In millions of US dollars)	Change in assumptions	Change in liabilities
Discount rate	Decrease of 1.0% p.a.	28%
Inflation rate	Increase of 1.0% p.a.	19%

The Company expects to contribute approximately \$2.9 million to its defined benefit pension plans in 2021.

Defined contribution plans

Substantially all employees not eligible for coverage under the defined benefit 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 the plans, subject to statutory limitations, employees may make voluntary contributions in addition to the Company's contributions. Plan contributions made by the Company aggregated \$8.1 million and \$8.1 million for 2020 and 2019, respectively. Plan contributions made by employees aggregated \$5.1 million and \$5.4 million for 2020 and 2019, respectively.

Note 27 – Shareholder Information

At the Annual General Meeting ("AGM") held on April 22, 2020, authority was given for the Board of Directors to acquire treasury shares at a maximum face value of in total NOK 116 162 098. Under no circumstances can the Company acquire shares leading to an aggregate number of treasury shares exceeding 10 percent of the total number of shares.

The shares may be used to meet obligations arising from employee incentive schemes; as part of consideration payable for acquisitions made by the Company; as part of consideration for any mergers, demergers or acquisitions; by way of cancellation of the shares in part or full; to raise funds for specific investments; for the purpose of repaying loans (including convertible loans); or to strengthen the Company's capital base. The Board is free to choose the method of disposal considered expedient for such purposes. The Company's loan agreements restrict buying own shares until February 9, 2023/March 31, 23 for other purposes than employee equity compensation plan. This exception is limited to \$10 million, plus \$10 million multiplied by number of calendar years that have commenced since January 21, 2020.

Further, the Board of Directors is authorized to increase the Company's share capital by a total amount of NOK 116 162 098 through one or more subscriptions. The authorization shall be utilized in connection with potential acquisitions of companies or businesses within the oil and energy sector, including the oil service sector, settlement of obligations (including convertible loans), funding of material investments, debt repurchases or to raise funds to strengthen the Company's capital base. The authorization includes the right to increase the Company's share capital in return for non-cash contributions and the right to assume special obligations on behalf of the Company. The Board was also authorized to issue convertible bonds at a total amount of NOK 3 500 000 000. The share capital of the Company may be increased by a total amount of NOK 116 162 098 as a result of the convertible loans being converted into equity. The right to issue convertible bonds and the right to increase the share capital is jointly capped at 10% of the share capital of the Company. This authorization was used to its maximum when the Company on February 9, 2021 issued a convertible loan note in relation to the transactions described in note 21. The above authorizations are all valid until June 30, 2021.

As of December 31, 2019, PGS ASA had a share capital of NOK 1 015 739 988 on 338 579 996 shares of par value NOK 3 each, all fully paid.

On February 13, 2020, the extraordinary general meeting in PGS ASA approved to issue 48 627 000 new shares following a private placement raising approximately NOK 850 million as equity (approximately \$95 million). On February 14, 2020, the registered share capital in the Company was increased to NOK 1 161 620 988 comprising of 387 206 996 shares, each with a nominal value of NOK 3 all fully paid.

As of December 31, 2020, PGS ASA had a share capital of NOK 1 161 620 988 comprising of 387 206 996 shares of par value NOK 3 each, all fully paid.

All shares have equal voting rights and equal rights to dividends. Any distribution of the Company's equity is dependent on the approval of the shareholders, and the ability to make distributions is limited by certain debt covenants and Norwegian Corporate Law. The ordinary shares are listed on the Oslo Stock Exchange.

The Board of Directors will not propose any dividend to the AGM in 2021 for the year ended December 31, 2020.

The Company's holding of treasury shares reconciles as follows:

	Treasury shares	% of total shares outstanding
Balance as of January 1, 2019	1 739	0.00%
Used to fulfill employee benefit programs in 2019 (note 29)	-	
Balance as of December 31, 2019	1 739	0.00%
Used to fulfill employee benefit programs in 2020 (note 29)	-	
Balance as of December 31, 2020	1 739	0.00%

The 20 largest shareholders (a) in PGS ASA were as follows:

	December 31, 2020	
	Total shares	Ownership percent
Coltrane Asset Management LP	61 601 485	15.91
University of Texas Investment Management Co.	57 307 229	14.80
DNB Asset Management AS	35 191 983	9.09
M&G Investment Management Ltd.	28 618 383	7.39
Caius Capital LLP	16 736 301	4.32
Folketrygdfondet	13 637 664	3.52
Dimensional Fund Advisors LP	13 340 751	3.45
The Boeing Company Employee Retirement Plans Master Trust	13 015 165	3.36
Third Avenue Management LLC	4 678 002	1.21
Credit Andorra	4 616 595	1.19
Legal & General Investment Management Ltd.	4 443 000	1.15
Andbank Wealth Management SGIIC SAU	4 301 590	1.11
Canada Pension Plan Investment Board	3 983 387	1.03
Susquehanna International Group Ltd.	3 667 507	0.95
Charles Schwab Investment Management, Inc.	3 636 858	0.94
MP Pensjon PK	3 624 587	0.94
Storebrand Kapitalforvaltning AS	3 192 209	0.82
SPB A/S	2 166 273	0.56
Nordnet Livsforsikring AS	1 728 382	0.45
Arrowstreet Capital LP	1 659 763	0.43
Other	106 059 882	27.39
Total	387 206 996	100.00

(a) The data in this table is provided by Q4 Inc. and is obtained through an analysis of beneficial ownership and fund manager information provided in replies to disclosure of ownership notices issued to all custodians in relation to the PGS share register provided by the Norwegian Central Securities Depository (VPS). Every reasonable effort has been made to verify the data, however neither PGS nor Q4 Inc. can guarantee the accuracy of the analysis.

Shares owned or controlled by members of the Board of Directors, Chief Executive Officer and Other Executive Officers were as follows:

	December 31, 2020	
	Total shares	Ownership percent
Board of Directors		
Walter Qvam, Chairperson	35 000	(a)
Anne Grethe Dalane	18 000	(a)
Marianne Kah	28 589	(a)
Richard Herbert	9 500	(a)
Trond Brandsrud	35 000	(a)
Hege Renshus	1 918	(a)
Anette Valbø	7 142	(a)
Grunde Rønholt	45 000	(a)
Chief Executive Officer and Other Executive Officers		
Rune Olav Pedersen, President and Chief Executive Officer	228 617	(a)
Gottfred Langseth, Executive Vice President and Chief Financial Officer	375 106	(a)
Nathan Oliver, Executive Vice President of Sales & Services	-	(a)
Rob Adams, Executive Vice President of Operations	176 703	(a)

(a) Less than 1% of the Company's shares as of December 31, 2020

Note 28 – Related Party Transactions

The following transactions were carried out with related parties:

(In millions of US dollars)	Year ended December 31,	
	2020	2019
Sale of goods and services		
Associates – MultiClient data	-	-
Associates – Technology Services	-	-
Purchase of goods and services	1.9	3.5
Associates – Other services	29.8	28.1

Transactions with related parties are mainly proceeds from sale of goods and services to Ocean Geo-Frontier Co. Ltd.

The Company has \$2.0 million and \$2.5 million in outstanding balances with related parties as of December 31, 2020 and 2019, respectively.

All transactions with related parties are priced on an arm's length basis.

Chief Executive Officer ("CEO"), other Executive Officers and Directors of the Company are also on the Board of certain customers and suppliers. As of December 31, 2020 and 2019, the Company did not have any significant outstanding balances with any of these companies.

Note 29 – Share Based Payment Programs

RSU's and PRSU's granted under the Company's employee share-based programs are as follows:

Grant Year	Options, RSU's and PRSU's granted	Additional options granted year	Additional options granted	Description
2013	768 425	2014/2016	10 500/2 000	Restricted Stock Plan (RSU)
2014	739 500	2015/2017	2 000/17 500	Restricted Stock Plan (RSU)
2015	657 100	-	-	Restricted Stock Plan (RSU)
2015	776 100	-	-	Performance Based Restricted Stock Plan (PRSU)
2016	647 150	2018	26 200	Restricted Stock Plan (RSU)
2016	762 150	-	-	Performance Based Restricted Stock Plan (PRSU)
2017	456 320	-	-	Restricted Stock Plan (RSU)
2017	839 480	-	-	Performance Based Restricted Stock Plan (PRSU)
2018	1 746 450	-	-	Performance Based Restricted Stock Plan (PRSU)
2019	2 249 300	2020	30 000	Performance Based Restricted Stock Plan (PRSU)
2020	2 399 050	-	-	Performance Based Restricted Stock Plan (PRSU)

The programs

The Restricted Stock Unit programs ("RSU") awarded under long term incentive plans ("LTI Plans") approved by the AGM in 2015, 2016 and 2017, requires the participant's continued employment with the company (or a subsidiary) and is settled three years after grant. Upon settlement, the participant will receive at no charge a number of shares in the Company which equals the number of RSUs awarded.

In 2015, 2016 and 2017 the company also granted Performance based Restricted Stock Units ("PRSU") as approved by the respective years' AGM. In 2018, 2019 and 2020, the company only awarded PRSUs. Settlement of the PRSUs granted and subsequent transfer of shares to the eligible employee will take place three years after the grant subject to the Company achieving a satisfactory Total Shareholder Return ("TSR") compared to the companies in LTI Comparator Group" adjusted for dividends, and subject to further goals set out below.

For PRSUs granted under the 2017 LTI Plan, 75% of the PRSUs will settle subject to the TSR goal as outlined above, and the remaining 25% of the PRSUs will settle subject to a goal on free cash flow after capex in the three full financial years prior to settlement date. For PRSUs granted under the 2018 LTI Plan, 50% of the PRSUs will settle subject to the TSR goal as outlined above and 25% subject to an EBIT goal. The remaining 25% is subject to net leverage ratio. For PRSUs granted under the 2019 and 2020 LTI Plan, 75% of the PRSUs will settle subject to the TSR goal as outlined above and 25% subject to a goal on Return on Capital Employed ("ROCE").

Effect on financial statements

For the years ended December 31, 2020 and 2019, the Company recognized compensation cost with a corresponding increase in shareholders' equity of \$3.1 million and \$3.4 million, respectively. Total net unrecognized compensation cost as of December 31, 2020 was \$2.9 million (PRSU's), which is expected to be recognized over a period of 3 years.

In 2020 and 2019, the company settled PRSU and RSU's by cash consideration. Equity was correspondingly decreased with \$0.2 million and \$1.0, respectively. The PRSU's did not result in any payout, the amounts relate to the RSU programs only.

The tables below detail the Company's outstanding share awards (RSU and PRSU) for the years presented.

Year ended December 31, 2020

Grant date	RSUs as of December 31, 2019	RSUs granted 2020	RSUs forfeited 2020	RSUs released 2020	RSUs as of December 31, 2020	Weighted-average remaining contractual term
2014	7 500	-	-	(7 500)	-	-
2015	-	-	-	-	-	-
2016	23 400	-	(9 600)	-	13 800	0.64 years
2017	368 060	-	(10 100)	(357 960)	-	-
Total	398 960	-	(19 700)	(365 460)	13 800	0.64 years

Grant date	PRsUs as of December 31, 2019	PRsUs granted 2020	PRsUs forfeited 2020	PRsUs exercised 2020	PRsUs adjusted (due to performance) 2020	PRsUs as of December 31, 2020	Weighted-average remaining contractual term
2015	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-
2017	697 090	-	(15 150)	-	(681 940)	-	-
2018	1 650 850	-	(73 500)	-	-	1 577 350	0.44 years
2019	2 240 300	30 000	(111 400)	-	-	2 158 900	1.48 years
2020	-	2 399 050	(14 500)	-	-	2 384 550	2.64 years
Total	4 588 240	2 429 050	(214 550)	-	(681 940)	6 120 800	1.67 years

Year ended December 31, 2019

Grant date	RSUs as of December 31, 2018	RSUs granted 2019	RSUs forfeited 2019	RSUs released 2019	RSUs as of December 31, 2019	Weighted-average remaining contractual term
2013	2 000	-	-	(2 000)	-	-
2014	7 500	-	-	-	7 500	0.47 years
2015	-	-	-	-	-	-
2016	556 375	-	(8 550)	(524 425)	23 400	1.65 years
2017	375 380	-	(7 320)	-	368 060	0.47 years
Total	941 255	-	(15 870)	(526 425)	398 960	0.54 years

Grant date	PRSUs as of December 31, 2018	PRSUs granted 2019	PRSUs forfeited 2019	PRSUs exercised 2019	PRSUs adjusted (due to performance) 2019	PRSUs as of December 31, 2019	Weighted-average remaining contractual term
2015	-	-	-	-	-	-	-
2016	641 175	-	(5 750)	-	(635 425)	-	-
2017	708 070	-	(10 980)	-	-	697 090	0.47 years
2018	1 687 700	-	(36 850)	-	-	1 650 850	1.45 years
2019	-	2 249 300	(9 000)	-	-	2 240 300	2.47 years
Total	3 036 945	2 249 300	(62 580)	-	(635 425)	4 588 240	1.80 years

The table below details the Company's assumptions used to calculate estimated fair value at grant date:

Grant date	Options, RSU's and PRSU's outstanding December 31, 2020	Average exercise price	Weighted average share price at grant date	Risk free rate	Dividend yield	Volatility factor	Weighted average life	Estimated fair value at grant date (average NOK/USD per share option/RSU/PRSU)
2013 (a)	-	NOK 0	NOK 83.85	N/A	-	N/A	N/A	NOK 73.03/\$12.63
2014 (a)	-	NOK 0	NOK 63.89	N/A	-	N/A	N/A	NOK 54.76/\$9.14
2015 (a)	-	NOK 0	NOK 49.35	N/A	-	N/A	N/A	NOK 43.90/\$5.61
2015 (b)	-	NOK 0	NOK 49.37	N/A	-	N/A	N/A	NOK 31.73/\$4.05
2016 (a)	13 800	NOK 0	NOK 24.55	N/A	-	N/A	N/A	NOK 24.54/\$2.99
2016 (b)	-	NOK 0	NOK 24.56	N/A	-	N/A	N/A	NOK 18.99/\$2.32
2017 (a)	-	NOK 0	NOK 14.59	N/A	-	N/A	N/A	NOK 14.59/\$1.71
2017 (b)	-	NOK 0	NOK 14.59	N/A	-	N/A	N/A	NOK 10.17/\$1.19
2018 (b)	1 577 350	NOK 0	NOK 40.70	N/A	-	N/A	N/A	NOK 31.29/\$3.88
2019 (b)	2 158 900	NOK 0	NOK 13.39	N/A	-	N/A	N/A	NOK 10.50 / \$ 1.23
2020 (b)	2 384 550	NOK 0	NOK 3.40	N/A	-	N/A	N/A	NOK 2.15 / \$ 0.24
Total	6 134 600							

(a) Restricted Stock Units ("RSU")

(b) Performance based Restricted Stock Units ("PRSU")

The estimated fair value of the RSU and PRSU's granted are lower than the weighted average share price at the same date as the fair value calculations include adjustment for expected dividends up to vesting. In addition, the fair value of the PRSU's is reduced due to the performance conditions in the program.

Note 30 – Salaries and Other Personnel Costs, Number of Employees, and Remuneration to the Board of Directors, Executive Officers and Auditors

Salary and social expenses that are included in cost of sales, research and development costs and selling, general and administrative costs consist of:

(In millions of US dollars)	Year ended December 31,	
	2020	2019
Salaries and bonuses	141.9	148.0
Social security	11.0	13.4
Pension	8.1	8.4
Other benefits	14.9	19.4
Total	175.9	189.2

The Company had an average of 1 056 and 1 256 employees during the years ended December 31, 2020 and 2019, respectively.

Chief Executive Officer (“CEO”) and Other Executive Officers

In 2020, the Company paid compensation to its President and CEO and other executive officers as follows:

Name	Total compensation paid in 2020 (a) (b)				
	Fixed salary	Bonus (c)	Other benefits (d)	Total paid salary and compensation (in dollars)	Pension benefits (e)
Rune Olav Pedersen					
President and Chief Executive Officer	464 343	116 908	21 721	602 972	138 843
Gottfred Langseth					
Executive Vice President and Chief Financial Officer	413 085	66 105	27 253	506 443	83 605
Nathan Oliver					
Executive Vice President of Sales & Services	355 091	60 095	40 726	455 912	32 578
Berit Osnes					
Executive Vice President of New Ventures (f)	209 672	60 095	8 935	278 703	24 341
Rob Adams					
Executive Vice President of Operations	372 813	40 320	73 426	486 559	36 076

- (a) Amounts in NOK have been translated to US Dollars using average exchange rate for 2020 of NOK/USD 9.400.
(b) Amounts in GBP have been translated to US Dollars using average exchange rate for 2020 of GBP/USD 1.2820.
(c) Received bonus is related to performance in 2019
(d) Includes items such as PRSU's/RSU's, car allowance, house allowance, telephone, internet and other minor benefits.
(e) Contribution to defined contribution plans (Norway) and earned benefits for members of the defined benefit plan.
(f) Berit Osnes was Executive Vice President of New Ventures until the reorganization 1 August 2020.

RSUs and PRSU's held by the CEO and executive officers as of December 31, 2020 were as follows:

Name	RSUs as of December 31, 2019	RSUs granted 2020	RSUs forfeited 2020	RSUs released 2020	RSUs expired 2020	RSUs as of December 31, 2020	Weighted average remaining contractual term
Rune Olav Pedersen	9 000	-	-	(9 000)	-	-	-
Gottfred Langseth	9 000	-	-	(9 000)	-	-	-
Nathan Oliver	4 000	-	-	(4 000)	-	-	-
Berit Osnes	4 000	-	-	(4 000)	-	-	-
Rob Adams	3 200	-	-	(3 200)	-	-	-

Name	PRSU's as of December 31, 2019	PRSU's granted 2020	PRSU's forfeited 2020	PRSU's exercised 2020	PRSU's expired 2020	PRSU's as of December 31, 2020	Weighted average remaining contractual term
Rune Olav Pedersen	330 000	168 000	-	-	(36 000)	462 000	1.62
Gottfred Langseth	171 000	75 000	-	-	(36 000)	210 000	1.60
Nathan Oliver	111 000	75 000	-	-	(6 000)	180 000	1.79
Berit Osnes	105 000	50 000	-	-	(6 000)	149 000	1.90
Rob Adams	64 800	75 000	-	-	(4 800)	135 000	1.70

In 2019, the Company paid compensation to its President and CEO and other executive officers as follows:

Name	Total compensation paid in 2019 (a) (b)				
	Fixed salary	Bonus (c)	Other benefits (d)	Total paid salary and compensation (in dollars)	Pension benefits (e)
Rune Olav Pedersen					
President and Chief Executive Officer	533 771	196 959	55 449	786 179	150 809
Gottfred Langseth					
Executive Vice President and Chief Financial Officer	478 300	85 814	59 231	623 346	88 590
Nathan Oliver					
Executive Vice President of Sales & Imaging	397 405	44 030	54 006	495 441	38 845
Berit Osnes					
Executive Vice President of New Ventures	396 095	25 460	22 581	444 135	43 220
Per Arild Reksnes					
Executive Vice President of Operations & Technology (f)	447 948	78 479	53 306	579 733	57 515

- (a) Amounts in NOK have been translated to US Dollars using average exchange rate for 2019 of NOK/USD 8.8037.
(b) Amounts in GBP have been translated to US Dollars using average exchange rate for 2019 of GBP/USD 1.2757.

- (c) Received bonus is related to performance in 2018
(d) Includes items such as PRSU's/RSU's, car allowance, house allowance, telephone, internet and other minor benefits.
(e) Contribution to defined contribution plans (Norway) and earned benefits for members of the defined benefit plan.
(f) Per Arild Reksnes retired as of December 31, 2019.

Share options RSU's and PRSU's held by the CEO and executive officers as of December 31, 2019 were as follows:

Name	RSUs as of December 31, 2018	RSUs granted 2019	RSUs forfeited 2019	RSUs released 2019	RSUs expired 2019	RSUs as of December 31, 2019	Weighted average remaining contractual term
Rune Olav Pedersen	27 000	-	-	(18 000)	-	9 000	0.47
Gottfred Langseth	27 000	-	-	(18 000)	-	9 000	0.47
Per Arild Reksnes	27 000	-	-	(18 000)	-	9 000	0.47
Berit Osnes	9 000	-	-	(5 000)	-	4 000	0.47
Nathan Oliver	9 000	-	-	(5 000)	-	4 000	0.47

Name	PRSUs as of December 31, 2018	PRSUs granted 2019	PRSUs forfeited 2019	PRSUs exercised 2019	PRSUs adjusted (due to performance) 2019	PRSUs as of December 31, 2019	Weighted average remaining contractual term
Rune Olav Pedersen	189 000	168 000	-	-	(27 000)	330 000	1.86
Gottfred Langseth	123 000	75 000	-	-	(27 000)	171 000	1.69
Per Arild Reksnes	123 000	75 000	-	-	(27 000)	171 000	1.69
Berit Osnes	35 000	75 000	-	-	(5 000)	105 000	2.12
Nathan Oliver	41 000	75 000	-	-	(5 000)	111 000	2.09

See note 27 for shares held by the Company's CEO and other executive officers and note 29 for further information on the share-based payments programs.

Rune Olav Pedersen, President and CEO of the Company, had an annual fixed salary of NOK 4,305,000 in 2020. The CEO has a mutual 6-months period of notice. The CEO is, both during and after the employment, obliged to refrain from taking employment with companies that are in direct or indirect competition with PGS. This prohibition applies for a period of two years from the termination date unless the Company sets a shorter period of time.

Other executive officers have similar provisions in their employment terms, with periods of notice of twelve months or less.

Further information on compensation of the CEO and other executive officers are provided in the Board of Directors' Policy on Remuneration to the Company's CEO and Senior Executives below.

Board of Directors

None of our Directors has any contract with the Company providing benefits upon termination of service.

The table below provides information about our Directors and compensation for 2020:

Name	Position	Director since	Term expire	Compensation (In dollars) (b)
Walter Qvam	Chairperson	2013	2021	114 000
Anne Grethe Dalane	Vice Chairperson	2013	2021	77 000
Marianne Kah	Director	2018	2021	73 500
Richard Herbert	Director	2017	2021	73 500
Trond Brandsrud	Director	2019	2021	70 500
Hege Renshus	Director (Empl.rep)	2017	2021	10 638
Anette Valbø	Director (Empl.rep)	2015	2021	10 638
Grunde Rønholt	Director (Empl.rep)	2019	2021	10 638
			Total	440 415

- (a) Amounts in NOK have been translated to US Dollars using average exchange rate for 2020 of NOK/USD 9.400.
(b) None of the members or deputy members of the board received compensation from any other Group companies, except for the employee representatives. Their remuneration as employees is not included above.

The table below provides information about our Directors and compensation for 2019:

Name	Position	Director since	Term expire	Compensation (In dollars) (b)
Walter Qvam	Chairperson	2013	2020	114 500
Anne Grethe Dalane	Vice Chairperson	2013	2020	77 500
Marianne Kah	Director	2018	2020	96 000
Richard Herbert	Director	2017	2020	96 000
Trond Brandsrud	Director	2019	2020	49 311
Hege Renshus	Director (Empl.rep)	2017	2021	7 793
Anette Valbø	Director (Empl.rep)	2015	2021	7 793
Grunde Rønholt	Director (Empl.rep)	2019	2021	7 793
Morten Borge (c)	Director	2015	2019	21 184
Espen Vollan Grimstad (c)	Director (Empl.rep)	2015	2019	-
			Total	477 874

- (a) Amounts in NOK have been translated to US Dollars using average exchange rate for 2019 of NOK/USD 8.8037.
 (b) None of the members or deputy members of the board received compensation from any other Group companies, except for the employee representatives. Their remuneration as employees is not included above.
 (c) Morten Borge and Espen Vollan Grimstad left the Board of Directors in 2019.

See note 27 for shares held by the Company's Board of Directors.

Board of Directors' Policy on Remuneration to the Company's CEO and Senior Executives

In accordance with §6-16a of the Norwegian Public Limited Liability Companies Act, PGS ASA ("PGS" or "the Company") and its Board of Directors (the "Board") has for our President & CEO (the "CEO") and the executive officers (the "Senior Executives") established a Policy related to determination of salary and other benefits (the "Policy"). The Policy is outlined below, and will be presented to the shareholders for approval at the upcoming Annual General Meeting ("AGM") to apply for a four year policy period from the 2021 AGM, or until the general meeting resolving changes to the Policy if earlier.

Introduction

PGS is an international company operating in the global geophysical industry. Our operations are conducted world-wide. This means that our talent pool is and needs to be diverse and international. The total compensation package for our CEO and Senior Executives will therefore need to be based on the norms in both the Norwegian labor market and the global talent market that we compete within. Whilst responding to the Company's financial ability, both the level of total compensation and the structure of the compensation package for our CEO and Senior Executives is designed to incentivize enhanced performance, achieve PGS' strategy and long-term interests, and ensure common goals and interest between the shareholders and the CEO/Senior Executives. The Policy is also designed to attract and retain highly qualified leaders with diverse backgrounds and experience. All of the above will require the use of several different instruments and components, as explained below.

Overview of Total Compensation for the CEO and Senior Executives

The current remuneration package for our CEO and Senior Executives includes fixed elements and variable elements. The fixed elements consist of a base salary and other benefits such as car allowance, phone, internet and similar. The fixed elements also include a defined contribution pension scheme and an individual pension scheme. The variable elements consist of Short Term Incentive Plans ("STI Plans") which is our annual bonus scheme, and Long Term Incentive Plans ("LTI Plans") which are composed of Performance Restricted Stock Units ("PRSUs").

PGS has with the help of an external advisor identified a specific peer group of comparable companies across relevant markets. The advisor has collected and combined information related to total compensation level and structure amongst these companies. As of December 31, 2020, the peer group consisted of 15 companies from Norway and Europe. These companies are of comparable size and have international operations in the oil & gas and oil services sectors. The peer group is subject to regular review. The Board and its Remuneration and Corporate Governance Committee ("Remco") uses this information, among other tools, to benchmark and decide on an appropriate total compensation structure for the CEO and Senior Executives.

Remco and the Board evaluate the remuneration of the CEO and Senior Executives regularly. As part of its meeting schedule, Remco annually reviews the total compensation level and the mix between fixed and variable compensation. As part of this review, the mix between long- and short-term incentives, and the mix between corporate financial goals and personal performance goals are evaluated. At the beginning of each calendar year the corporate financial goals and its targets and ranges are reviewed and approved by Remco and the Board. PGS has routines for detecting and preventing conflicts of interests, and thereby ensuring a balanced determination of compensation of the CEO and Senior Executives.

Taking into account the global industry PGS is operating in and the peer group information, the total compensation of the CEO is designed to target a relative share for each component approximately as follows: 40-50% as base salary, 30-40% as target bonus payment from the STI Plan, and 20-30% as target settlement from the LTI Plan. For the Senior Executives, the target is approximately 50-60% as base salary, 25-35% as bonus payment from the STI Plan, and 10-20% as settlement from the LTI Plan. These are long-term targets, and the actual compensation and the split will depend on the Company's financial performance and other elements.

Fixed elements

Base salary for the CEO and Senior Executives is reviewed by Remco. Base salary is approved by the Board with regards to that of the CEO, and by the CEO with regards to that of any Senior Executive.

In addition to base salary and other fixed benefits mentioned in Section 2 above, the CEO and - as of 31 December 2020 - one Senior Executive have an early retirement plan allowing for termination of employment without cause when reaching the age of 62. Full early retirement benefits are defined as 60% of the last base salary in the year of retirement. The CEO is eligible for 85% of full benefits upon retiring at the age of 62 and full benefits upon retiring at the age of 65. The other Senior Executive is eligible for full benefits upon retiring at the age of 62. The early retirement benefits cease when the CEO and the other Senior Executive reach the age of 67.

For termination of the CEO's employment, a mutual notice period of 6 months applies. If the Company terminates the CEO's employment, the CEO is entitled to a severance pay equivalent to a base salary payment of 6 months. The Board may however agree to a longer period if this in the Board's view is in the Company's best interest. The above also applies if the Company initiates a termination and the parties agree that the employment shall be terminated.

For termination of the Senior Executives' employment, a mutual notice period of either 3 or 6 months apply. As of 31 December 2020, one Senior Executive is upon the Company's termination of employment entitled to a severance pay equivalent to 12 months base salary. The remaining Senior Executives are not entitled to severance pay upon termination, unless otherwise approved by the CEO as being in the Company's best interest.

For the recruitment of a CEO or a Senior Executive, the Board and CEO respectively may grant an appropriate sign-on bonus to such new hire if this is deemed to be necessary and in the best interest of the Company.

Short Term Incentive Plans

Participation in the STI Plans and the minimum-, target- and maximum pay-out levels under such plans are determined by the Company on an annual basis. Minimum-, target- and maximum pay-out levels are annually reviewed and approved by Remco and the Board.

Bonus payments under the STI Plans to the CEO and Senior Executives will be based partly on the Company and its subsidiaries achievement of one or more key performance indicators ("KPIs"), and partly on achievement of agreed goals in the individual's personal performance contract. The personal performance KPIs are related to areas such as financial, strategic, operational-, organizational, people, and ESG (environmental, social and governance). All personal KPIs will be linked to the Company's strategy, be measurable and predetermined, whilst taking into account external factors. Following the recommendation from Remco, the Board will determine the company KPIs and their associated pay-out levels normally during the fourth/first quarter each year to apply for the following/present financial year. The KPIs, their relative weighting, and the associated pay-out levels from each KPI will be tied to the Company's - at that time - most important targets.

As such, with a strategic focus over the last years of repaying debt, the financial KPIs used during the last years have been Revenues less Gross Cash Cost and Cash Flow after Investing Activities. These KPIs may however change from year to year depending on the Company's financial situation and its current key strategic priorities. PGS is not in a position to publish forward looking financial targets and ranges for such financial KPIs since the Company as a matter of policy does not guide on the financial figures that can be derived from such targets and ranges. Therefore, any such targets and ranges will only be disclosed retrospectively in the Report on the 2022 AGM and onwards.

Bonus payments under the STI Plans are for each year determined based on audited financial statements (for financial KPIs) and how they meet with the KPIs set, as well as on personal performance appraisals for the CEO and each Senior Executive on how they meet their personal performance goals. The Board is entitled to take into consideration changes imposed by extraordinary external factors beyond the reasonable control of the CEO or the executive team when assessing achievement of the KPI's under the STI Plan. Remco and the Board appraises the performance of the CEO, whereas the CEO appraises the performance by the Senior Executives.

Annual bonus payments under the STI Plans are for the CEO and Senior Executives over time targeted to be 85% and 57% of base salary respectively, whereas payments are capped to 150% and 100% respectively. The Company reserves the right to withhold or delay any payments under STI Plans in extraordinary circumstances, as decided by the Board. The Company also reserves the right to cancel STI Plans without any payment to the CEO, Senior Executives or other participants prior to final determination of achievements by the Board.

The CEO and Senior Executives will not be eligible for bonus payout under the STI Plans if they have resigned, or given/been given a notice of termination before the payment date, unless otherwise approved by the Board or CEO respectively as being in the Company's best interests. An exception from this is that the CEO or a Senior Executive retiring before the payment day will be eligible for a bonus prorated for months of employment in the earnings year.

The STI Plans and their KPIs, weighting and associated pay out levels are designed to contribute to meeting PGS' businesses strategy and to promote the Company's long-term interests whilst taking PGS' financial ability into account. As noted above, the KPIs, their relative weighting, and the associated pay-out levels from each KPI will be tied to the Company's - at that time - most important targets.

Separately, for incentivization purposes, the Board may award a discretionary bonus to CEO and/or Senior Executives in the event the Company is involved in major transactions that is deemed to protect or generate shareholder value and be in the Company's best long term interests. Such discretionary bonus will be capped to 150% and 100% of base salary for the CEO and Senior Executives respectively. For the purpose of ensuring continued service to the Company, the Board and CEO may in extraordinary circumstances and if deemed to be in the Company's best interest approve the payment of a stay-on bonus to the CEO and any Senior Executive respectively, both being subject to the same cap as a above.

Long Term Incentive Plans

The Company's AGMs have for several years annually authorized LTI Plans in order to ensure continued long-term incentives linked to the Company's financial performance and relative share price development. The Board will annually throughout the Policy period continue to propose an LTI Plan for approval at the AGM, and will each year present the full details of the LTI Plan document.

Each LTI Plan will for all eligible employees consist solely of a pool of PRSUs that will be awarded to eligible employees following the AGM approving such plan and a given deadline in the LTI Plan. Settlement of the PRSUs will be conditioned upon the Company over a defined period from award meeting certain goals and share price related targets under one or more Key Performance Indicators ("KPIs") set out in each LTI Plan. The KPIs, their relative weighting, and the associated pay out levels from each KPI will be designed to protect the Company's long term-interests and create value over time. During the recent years, the KPIs in LTI Plans have been Total Shareholder Return ("TSR") and Return On Capital Employed ("ROCE"). TSR achievement have been measured against a comparator group of companies while the ROCE has been an absolute financial target. These KPIs have been seen by the Board to be adequate metrics to gauge the protection of long-term interests for the Company and creation of shareholder value over time. The KPIs may however for each LTI Plan change depending on the Company's financial situation and its current key strategic priorities.

The total PRSU awards under all outstanding LTI Plans and the equivalent maximum potential share settlement thereunder will not at any time exceed 5% of the Company's share capital. The Board will for the period between an upcoming AGM and the subsequent AGM not distribute to the CEO or any Senior Executives any other share-based incentives than PRSUs under the approved LTI Plans.

The full LTI Plan including the KPIs, goals, the size of the pool of PRSUs subject for award, and the LTI Plan terms and conditions will be presented in the Calling Notice for each AGM for shareholder approval.

The LTI Plan and its KPIs and goals are designed to contribute to PGS meetings its businesses strategy and to promote the Company's long-term interests whilst taking PGS' financial ability into account.

Other employees and employee elected Board members

This Policy primarily deals with the remuneration to PGS' CEO and Senior Executives. However, the Policy is to a large extent providing guidance on how the Company remunerates a broader group of key employees within the Company. Enhanced performance by the management groups is not achieved by our CEO and Senior Executives alone but is rather dependent on a number of managers and key employees throughout the Company. Therefore, these are also included in the nomination process for the STI Plans and LTI Plans, which contain all or some of the above-mentioned elements. In addition, all other employees may receive up to a maximum of one-month salary in annual bonus based on achievement of company performance KPIs.

The remuneration to the employee elected Board members is - for their service as board members - proposed by the Company's Nomination Committee and approved by the AGM on an annual basis. The proposal for remuneration is determined annually. The Nomination Committee bases its proposal inter alia on the annual survey data provided by the Norwegian Institute of Directors' under their annual survey on employee elected director compensation. Further details are presented in the Calling Notice for each AGM, where the Company solicits approval for directors' remuneration paid from the previous AGM to the upcoming AGM, as well the principles for Board fees for the period from the upcoming AGM to the subsequent AGM.

The Policy's contribution to the Company's strategy, long term interests and financial sustainability

The Board is of the view that the total compensation packages with its elements for the CEO and Senior Executives constitutes proper incentives to meet the Company's strategic goals and protect the Company's long-term interests. The mix between fixed and variable performance related compensation, the mix between long- and short-term incentives, the mix between corporate financial goals and personal performance goals, and the proposed financial goals and its targets and ranges is also well suited to ensure the financial sustainability for the Company. In particular, one of the primary short-term strategic goals for the Company is to repay debt. Reducing debt short-term is also an important effort to ensure the financial sustainability for the Company long-term. The Company's strategy is thus centered around ensuring the financial sustainability for the Company. As such, the company KPIs applied in the STI Plans during recent years - Revenues less Gross Cash Cost and Cash Flow after Investing Activities - give the CEO and Senior Executives proper incentives to repay debt by targeting free cash flow. The CEO and Senior Executives' short-term incentives are henceforth aligned with the Company's main short-term strategic goal, destined to protect long-term interests and suitable for ensuring the financial sustainability of the Company.

Also, to protect the Company's long-term interests, the KPIs under the most recent LTI Plans being TSR and ROCE give appropriate incentives for the CEO and the Senior Executives to build value for shareholders and protect long term interests of the Company. In order for the Company to be successful under the TSR metric, the development in Company's share price needs over time to outperform that of the companies in the comparator group. ROCE is also an indicator for performance exceeding the weighted average cost of capital. This is a proper metric to gauge the increase of shareholder value and protection of the long-term interests of the Company.

The personal performance KPIs are focused on financial-, strategic-, operational-, organizational-, people and ESG goals to enable both short-term and long-term development of the Company. The personal performance KPIs are designed to incentivize increased personal performance and related to the individual executive's role.

Deviations from the Policy

Upon proposing material changes during the Policy period applying from the 2021 AGM, the Company will either seek approval in an AGM or call for an Extraordinary General Meeting to solicit approval. The Company will in the calling notice describe the proposed changes, and take note of shareholders' voting over the Company's remuneration policy and remuneration report for the previous fiscal year. Otherwise, the Board will ensure that the Policy is reviewed and presented for approval by the AGM at least every fourth year.

Explanation on how shareholders voting is considered for the Policy

The Board is of the opinion that this Policy is aligned with the shareholders' interests, but will monitor and take into account the result of the shareholders advisory vote over the remuneration report and assess any impact for the Policy during the policy period.

Since the Annual General Meeting in April 2020 the Board of Directors have followed the guidelines then approved by the Annual General Meeting with respect to remuneration of the CEO and the other executive officers.

Remuneration of auditor

Fees for audit and other services provided by the Company's auditor EY, are as follows (exclusive VAT and including out of pocket expenses):

(In millions of US dollars)	Year ended December 31,	
	2020	2019
Audit fees	1.4	1.6
Tax services	0.4	0.4
All other fees	0.1	0.3
Total	1.9	2.3

Note 31 – Subsidiaries

The ownership percentage in subsidiaries as of December 31, 2020, was as follows:

Company	Jurisdiction	Shareholding and voting rights
PGS Australia Pty. Ltd.	Australia	100%
Seahouse Insurance Ltd.	Bermuda	100%
PGS Suporte Logistico e Servicos Ltda.	Brazil	100%
PGS Overseas Operation (Cyprus) Limited	Cyprus	90%
PGS Data Processing Middle East SAE	Egypt	100%
PGS Egypt for Petroleum Services	Egypt	100%
PGS Ghana Limited	Ghana	90%
PT Petroprima Geo-Servis Nusantara	Indonesia	94%
PGS Marine Services (Isle of Man) Ltd.	Isle of Man	100%
PGS Japan K.K.	Japan	100%
Petroleum Geo-Services Asia Pacific Labuan Ltd	Malaysia	100%
Petroleum Geo-Services Exploration (M) Sdn. Bhd.	Malaysia	100%
PGS Data Processing & Technology Sdn. Bhd.	Malaysia	100%
P.G.S Imaging S.A. de C.V	Mexico	100%
PGS Geophysical Nigeria Ltd.	Nigeria	100%
Petroleum Geo-Services AS	Norway	100%
PGS Shipowner AS	Norway	100%
Multiklient Invest AS	Norway	100%
PGS Falcon AS	Norway	100%
PGS Geophysical AS	Norway	100%
PGS Titans AS	Norway	100%
Natuna Ventures Pte. Ltd.	Singapore	100%
Petroleum Geo-Services Asia Pacific Pte. Ltd.	Singapore	100%
PGS Geophysical (UK) Ltd.	United Kingdom	100%
Panoceanic Energy Limited	United Kingdom	100%
Petroleum Geo-Services (UK) Ltd.	United Kingdom	100%
PGS EM Ltd.	United Kingdom	100%
PGS Exploration (UK) Ltd.	United Kingdom	100%
PGS Geophysical (Angola) Ltd.	United Kingdom	100%
PGS Pension Trustee Ltd.	United Kingdom	100%
PGS Reservoir Ltd.	United Kingdom	100%
PGS Seismic Services Ltd	United Kingdom	100%
Seismic Exploration (Canada) Ltd.	United Kingdom	100%
Petroleum Geo-Services, Inc.	United States	100%
PGS Americas, Inc.	United States	100%
PGS Imaging, Inc.	United States	100%
PGS Finance, Inc.	United States	100%
PGS Holding I Ltd	United Kingdom	100%
PGS Holding II Ltd	United Kingdom	100%

Subsidiaries with minority interests are not considered significant and as such, are not disclosed in the consolidated statements of financial position and the consolidated statement of changes in shareholders' equity.

Note 32 – Subsequent Events

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 was sanctioned by an English court allowing the implementation of the financing transaction with main terms as listed below. 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.

The main terms of the Transaction include:

- 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)
- Issuance of a NOK 116.2 million 3-year 5% unsecured convertible bond (the "CB") which can be converted into new PGS shares at NOK 3 per share (corresponding to 38,720,699 shares, equaling 10% of the currently outstanding PGS shares). Certain lenders under the RCF and TLB facilities have subscribed for the CB against conversion of a corresponding amount of their existing secured loans (NOK 671 million, ~\$7.9 million) and for cash (NOK 49.1 million/~\$5.8 million). PGS will be able to require that bondholders convert the CB into shares if the PGS share price exceeds NOK 6 for 30 consecutive trading days

Reference is made to the description in note 21.

Parent Company Financial Statements

Collaboration & Connectivity
for the future of seismic



Statements of Profit and Loss

(In millions of NOK)	Note	Year ended December 31,	
		2020	2019
Revenue	2	9.3	12.2
Selling, general, administrative and other costs	2, 14	(45.2)	(63.2)
Total operating expenses		(45.2)	(63.2)
Operating loss		(35.9)	(51.0)
Interest expense, net	2, 3	(561.8)	(331.0)
Gain (loss) on sales or liquidation of subsidiaries		-	(27.4)
Impairment, net of reversal of impairment on shares in subsidiaries/ intercompany receivables	1, 6	(2 974.8)	(264.7)
Dividends/group contributions received from subsidiaries	2	406.5	748.2
Other financial items, net	2, 4	111.1	(87.8)
Income (loss) before income taxes		(3 054.9)	(13.7)
Income tax	5	-	(5.8)
Net income (loss)		(3 054.9)	(19.5)

Statements of Financial Position

(In millions of NOK)	Note	December 31,	
		2020	2019
ASSETS			
Non-current assets:			
Shares in subsidiaries	1, 6	6 486.0	9 012.5
Intercompany receivables	1, 2, 6	3 529.9	3 521.1
Total non-current assets		10 015.9	12 533.6
Current assets:			
Intercompany receivables	2	83.8	100.1
Other current assets		101.3	48.8
Restricted cash	7	1.2	1.1
Cash and cash equivalents	7	936.1	17.5
Total current assets		1 122.5	167.5
Total assets		11 138.4	12 701.1
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity:			
Common stock; par value NOK 3; issued and outstanding 387,206,996 shares	8	1 161.6	1 015.7
Additional paid-in capital	8	5 958.3	5 250.1
Total paid in capital		7 119.9	6 265.8
Other equity	8	(4 846.1)	(1 758.8)
Total shareholders' equity		2 273.8	4 507.0
Non-current liabilities:			
Interest bearing debt	9, 10	-	3 256.7
Intercompany debt	1, 2	1 416.1	1 323.3
Other non-current liabilities	11	80.3	43.2
Total non-current liabilities		1 496.4	4 623.2
Current liabilities:			
Interest bearing debt	9, 10	7 295.7	3 479.4
Accrued expenses and other short-term liabilities	13	72.5	91.5
Total current liabilities		7 368.2	3 570.9
Total liabilities and shareholders' equity		11 138.4	12 701.1

Oslo, February 23, 2021

Board of Directors PGS ASA

Walter Qvam *Chairperson* | Anne Grethe Dalane | Marianne Kah | Richard Herbert | Trond Brandsrud
Anette Valbø | Hege Renshus | Grunde Rønholt | Rune Olav Pedersen *Chief Executive Officer*

Statements of Cash Flows

(In millions of NOK)	Note	Year ended December 31,	
		2020	2019
Cash flows provided by (used in) operating activities:			
Net income (loss)		(3 054.9)	(19.5)
Adjustments to reconcile net income to net cash used in operating activities:			
Impairment, net of reversal of impairment of shares/intercompany receivables	6	2 974.8	264.7
Interest expense		645.2	443.1
Loss (gain) sale of subsidiaries		-	27.4
Dividends/group contributions	2	(406.5)	(748.2)
Foreign exchange (gain) loss, unrealized	4	(173.9)	90.5
Changes in current assets and current liabilities		(115.5)	(37.9)
Other items		137.1	46.6
Net cash provided by (used in) operating activities		6.3	66.8
Cash flows provided by (used in) investing activities:			
Investment in subsidiaries, net	6	-	(684.7)
Received dividends from subsidiaries		406.5	748.2
Reduced (increased) intercompany receivables		(563.4)	1 625.0
Increased (reduced) intercompany debt		169.8	(569.3)
Change in restricted cash		(0.1)	(0.1)
Net cash provided by (used in) investing activities		12.7	1 119.1
Cash flows provided by (used in) financing activities:			
Proceeds, net of deferred loan costs, from issuance of non-current debt	9	1 140.0	-
Net change of drawing on the Revolving Credit Facility	9	1 615.9	(759.7)
Proceeds from share issue (a)	8	828.0	-
Repayment of interest bearing debt	9	(1 995.3)	(35.6)
Interest paid		(590.9)	(433.0)
Net cash provided by (used in) financing activities		997.7	(1 228.3)
Net increase (decrease) in cash and cash equivalents		1 016.7	(42.5)
Effect of exchange rate changes on cash and cash equivalents		(98.1)	0.7
Cash and cash equivalents at beginning of year		17.5	59.3
Cash and cash equivalents at end of year		936.1	17.5

(a) Including transaction costs amounting to NOK 22.0 million.

Note 1 – Summary of Significant Accounting Policies

PGS ASA (or “the Company”) and its subsidiaries prepares its consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union, while the Company prepares its financial statements in accordance with the Norwegian Accounting Act and accounting principles generally accepted in Norway (“N GAAP”). The Company’s headquarters is at Oslo, Norway. The address is Lilleakerveien 4C, 0283 Oslo.

The Company applies the same accounting policies as described in note 2 in the notes to the consolidated financial statements where relevant, except that unrealized foreign exchange gain (loss) on non-current intercompany loans is recognized in the statements of profit and loss. The functional currency is Norwegian kroner (“NOK”) for the financial statements prepared in accordance with the Norwegian Accounting Act and accounting principles generally accepted in Norway (“N GAAP”).

Shares in subsidiaries (see note 6) 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. There is no fixed plan for repayment of long-term intercompany receivables and payables.

The statement of cash flows is set up using the indirect method.

Note 2 – Intercompany Transactions

PGS ASA has significant intercompany transactions with its subsidiaries. Transactions with subsidiaries are mainly related to business support functions and financing activities. PGS ASA charged out management fee to PGS Geophysical AS, amounting to NOK 9.3 million and NOK 12.2 million in 2020 and 2019, respectively. Guarantee fee income charged to subsidiaries was NOK 39.9 million in 2020. Dividends/group contributions from subsidiaries were NOK 406.5 and NOK 748.2 million in 2020 and 2019, respectively.

In addition, PGS ASA re-charged PGS Geophysical (UK) Ltd. NOK 15.0 million in 2020 for legal services related to previous years and PGS Geophysical AS allocated costs to PGS ASA amounting to NOK 20.0 and NOK 23.8 million in 2020 and 2019, respectively.

Intercompany transactions in the statements of profit and loss consist of:

Subsidiaries	Year ended December 31, 2020	
	Net interest	Net Receivables/ (Liabilities)
(In millions of NOK)		
Multiklient Invest AS	10.9	448.3
Natuna Ventures Pte. Ltd.	-	100.2
Petroleum Geo-Services AS	-	103.7
Petroleum Geo-Services, Inc.	-	515.7
Petroleum Geo-Services (UK) Ltd.	(22.1)	(251.2)
PGS Americas, Inc	-	230.8
Petroleum Geo-Services Asia Pacific Pte. Ltd.	(17.7)	(119.1)
PGS Australia PTY Ltd	-	657.7
PGS Imaging S.A. de C.V.	-	33.7
PGS Data Processing Middle East SAE (Egypt)	(6.1)	9.3
PGS Egypt for Petroleum Services	(31.8)	(565.6)
PGS EM Ltd.	73.0	947.1
PGS Exploration (M) SDN BHD	-	181.1
PGS Geophysical Nigeria Limited	-	40.8
PGS Exploration (UK) Ltd	(20.4)	(297.0)
PGS Falcon AS	34.3	796.2
PGS Geophysical AS	59.0	968.1
PGS Geophysical Angola	1.4	20.0
PGS Ghana Limited	-	52.8
PGS Imaging, Inc	-	185.7
PGS Japan K.K.	(3.3)	(43.4)
PGS Marine Services (Isle of Man) Ltd.	-	28.2
PGS Seismic Services Ltd.	1.4	17.6
PGS Shipowner AS	(1.2)	(67.6)
PGS Suporte Logístico e Serviços Ltda.	-	106.2
PGS Titans AS	8.7	159.6
PT Petroprima Geo-Servis Nusantara	-	520.2
Seahouse Insurance Ltd.	(5.4)	(44.5)
Other	(0.2)	(18.0)
Sum transactions intercompany	80.4	4 716.5
Accumulated impairment		(2 518.9)
Net transactions intercompany		2 197.6

Subsidiaries

(In millions of NOK)	Year ended December 31, 2019	
	Net interest	Net Receivables/ (Liabilities)
Multiklient Invest AS	(10.4)	426.0
Natuna Ventures Pte. Ltd.	-	102.9
Petroleum Geo-Services, Inc.	-	579.7
Petroleum Geo-Services (UK) Ltd.	(50.1)	(172.2)
PGS Americas, Inc	-	237.3
Petroleum Geo-Services Asia Pacific Pte. Ltd.	(9.0)	(139.3)
PGS Australia PTY Ltd	-	671.3
PGS Imaging S.A. de C.V.	-	34.1
PGS Data Processing Middle East SAE (Egypt)	(9.7)	(65.9)
PGS Egypt for Petroleum Services	(12.7)	(307.1)
PGS EM Ltd.	55.9	904.0
PGS Exploration (M) SDN BHD	-	211.2
PGS Geophysical Nigeria Limited	-	49.6
PGS Exploration (UK) Ltd	(14.7)	(386.7)
PGS Falcon AS	52.2	156.4
PGS Geophysical AS	105.4	994.1
PGS Ghana Limited	-	84.2
PGS Imaging, Inc	-	140.9
PGS Investigação Petrolifera Ltda.	-	88.1
PGS Japan K.K.	(2.3)	(36.3)
PGS Geophysical (UK) Ltd.	-	(14.8)
PGS Marine Services (Isle of Man) Ltd.	-	29.0
PGS Reservoir Ltd	-	(52.3)
PGS Seismic Services Ltd.	1.0	16.8
PGS Shipowner AS	-	38.1
PGS Suporte Logístico e Serviços Ltda.	-	20.1
PGS Titans AS	5.5	90.1
PT Petroprima Geo-Servis Nusantara	-	694.8
Seahouse Insurance Ltd.	(6.3)	(93.6)
Seismic Exploration (Canada) Ltd.	-	(11.9)
Other	0.2	(23.5)
Sum transactions intercompany	105.2	4 264.8
Accumulated impairment		(1 966.9)
Net transactions intercompany		2 297.9

Note 3 – Interest Expense, Net

Interest expense, net, consists of:

(In millions of NOK)	Year ended December 31,	
	2020	2019
Interest income, external	2.9	6.9
Interest income, intercompany	188.9	237.6
Interest expense, external	(645.2)	(443.1)
Interest expense, intercompany	(108.4)	(132.4)
Total	(561.8)	(331.0)

Note 4 – Other Financial Items, Net

Other financial items, net, consist of:

(In millions of NOK)	Year ended December 31,	
	2020	2019
Foreign currency (loss) gain, realized and unrealized	194.6	(75.0)
Guarantee fee	39.9	45.9
Other	(123.4)	(58.6)
Total	111.1	(87.8)

The line "Other" includes expensed cost related to amendment and extension of debt agreements of NOK 85.0 million for the full year 2020.

Note 5 – Income Taxes

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

(In millions of NOK)	Year ended December 31,	
	2020	2019
Income before income taxes	(3 054.9)	(13.7)
Norwegian statutory tax rate	22%	22%
Provision for income taxes at the statutory rate	672.1	3.0
(Increase) reduction in income taxes from:		
Foreign taxes	-	(4.5)
Impairment (reversal) of shares in subsidiaries	(533.0)	12.7
Impairment of intercompany receivables	(123.1)	(70.3)
Other permanent items	78.2	158.9
Correction previous year	(6.1)	(16.6)
Changes in unrecognized deferred tax assets	(88.1)	(89.0)
Income tax (expense) benefit	-	(5.8)

(In millions of NOK)	Year ended December 31,	
	2020	2019
Temporary differences relate to:		
Pension liabilities (a)	4.9	5.0
Intercompany receivables	57.4	59.0
Other	0.2	0.2
Tax losses carried forward	1 100.5	1 010.7
Deferred tax assets, net	1 163.0	1 074.9
Deferred tax assets not recognized in the statement of financial position	(1 163.0)	(1 074.9)
Net recognized Deferred tax assets	-	-

(a) Change in deferred tax for actuarial gains/losses on pensions are recognized directly to shareholder's equity (see note 8 and 12).

Note 6 – Shares in Subsidiaries and Intercompany Receivables

Shares in subsidiaries are recognized in PGS ASA balance sheet at cost less any impairment.

(In millions of NOK)	Registered office	Shareholding (a)	As of December 31, 2020			
			Book value (b)	Equity (b)	Impairments 2020	Net income 2020
PGS Geophysical AS	Oslo	100%	4 240.5	2 906.2	(1 389.0)	(1 716.9)
Petroleum Geo-Services AS	Oslo	100%	1 286.3	1 286.3	-	-
Petroleum Geo-Services Asia Pacific Pte. Ltd.	Singapore	100%	149.4	128.7	(33.3)	(12.2)
Petroleum Geo-Services (UK) Ltd.	London	100%	679.5	652.7	(90.8)	(119.1)
PGS Falcon AS	Oslo	100%	-	(485.5)	(709.4)	(1 024.5)
Multiklient Invest AS	Oslo	100%	10.0	1 190.3	-	158.2
Seahouse Insurance Ltd.	Bermuda	100%	27.6	83.0	-	12.4
PGS Japan K.K.	Japan	100%	0.6	45.6	-	5.4
PGS Geophysical Nigeria Ltd.	Nigeria	100%	-	(35.5)	-	(6.5)
PGS EM Ltd.	Scotland	100%	-	(947.0)	-	(67.6)
Petroleum Geo-Services, Inc.	Houston	100%	-	(424.4)	-	(20.4)
PGS Australia Pty Ltd	Perth	100%	-	(573.2)	-	(96.0)
PGS Venezuela de C.A.	Venezuela	100%	-	-	-	-
PGS Suporte Logístico e Serviços Ltda. (c)	Brazil	26%	84.9	20.3	(207.5)	(30.5)
PT Petroprima Geo-Servis Nusantara	Indonesia	93%	-	(109.5)	-	(44.4)
PGS Imaging S.A. de C.V.	Mexico	100%	-	(34.1)	-	(0.6)
PGS Data Processing Middle East SAE (Egypt)	Egypt	98%	7.1	21.7	-	19.8
Total			6 486.0		(2 430.0)	

- (a) Voting rights are equivalent to shareholding for all companies.
(b) The numbers are preliminary and statutory audit has not been completed.
(c) The remaining shareholding is held by Geophysical AS.

In 2020, in addition to the NOK 2,430.0 million impairment of shares in subsidiaries, PGS ASA recognized net impairment charges on intercompany receivables totaling NOK 552.0 million, compared to net impairment charges of NOK 322.3 million in 2019.

As of December 31, 2020, PGS ASA has accumulated impairment charges related to shares in subsidiaries and intercompany receivables totaling NOK 18.5 billion and NOK 2.5 billion, respectively.

For additional information on impairment of shares in subsidiaries and intercompany receivables, see note 1.

Note 7 – Restricted Cash

The Group has a cash pool agreement where PGS ASA is Group Account holder and specific Norwegian and UK companies are participants with notional bank accounts. PGS ASA as the owner of the cash pool is the owner to the cash in the cash pool, whilst cash on participants notional accounts are receivable on PGS ASA or an overdraft on the nominal account is a payable to PGS ASA.

Restricted cash consists of:

(In millions of NOK)	December 31,	
	2020	2019
Payroll withholding taxes	1.2	1.1
Total	1.2	1.1

Note 8 – Shareholders' Equity

Changes in shareholders' equity for the years ended December 31, 2020 and 2019 are as follows:

(In millions of NOK)	Paid-in capital			Other equity	Shareholders' equity
	Common stock	Own shares, par value	Additional paid-in capital		
Balance as of January 1, 2019	1 015.7	(0.0)	5 227.6	(1 756.6)	4 486.7
Employee benefit plans	-	-	(5.6)	-	(5.6)
Employee share options recharged to subsidiaries	-	-	28.0	-	28.0
Interest rate swaps (net of tax)	-	-	-	17.4	17.4
Actuarial gains and losses charged to equity (net of tax)	-	-	-	(0.1)	(0.1)
Net income (loss)	-	-	-	(19.5)	(19.5)
Balance as of December 31, 2019	1 015.7	(0.0)	5 250.1	(1 758.8)	4 507.0
Share issue	145.9	-	682.1	-	828.0
Employee benefit plans	-	-	1.9	-	1.9
Employee share options recharged to subsidiaries	-	-	24.2	-	24.2
Interest rate swaps (net of tax)	-	-	-	(31.6)	(31.6)
Actuarial gains and losses charged to equity (net of tax)	-	-	-	(0.8)	(0.8)
Net income (loss)	-	-	-	(3 054.9)	(3 054.9)
Balance as of December 31, 2020	1 161.6	(0.0)	5 958.3	(4 846.1)	2 273.8

As of December 31, 2019 the share capital was NOK 1 015 739 988 divided into 338 579 996 shares of par value NOK 3 each, all fully paid.

On February 13, 2020, the extraordinary general meeting in PGS ASA approved to issue 48 627 000 new shares following a private placement raising approximately NOK 850 million as equity (approximately \$95 million), less transaction costs of NOK 22.0 million. On February 14, 2020, the registered share capital in the Company was increased to NOK 1 161 620 988 comprising of 387 206 996 shares, each with a nominal value of NOK 3 all fully paid.

All shares have equal voting rights and are entitled to dividends. Distribution of PGS ASA's equity is dependent upon the approval of the shareholders, and the ability to make distributions is limited by certain debt covenants and Norwegian Corporate Law (see note 9 and note 21 to the consolidated financial statements). A listing of PGS ASA's largest shareholders is provided in note 27 to the consolidated financial statements.

Note 9 – Debt and Guarantees

Non-current debt

Non-current debt consists of the following:

(In millions of NOK)	December 31,	
	2020	2019
Secured:		
Term loan B, Libor + 250 Basis points, due 2021	171	3 312.5
Term loan B, Libor + 6-700 basis points (linked to total leverage ratio ("TLR"), due 2024	4 448.6	-
Revolving credit facility, due Sep 2020	1 155.7	1 581.6
Revolving credit facility, due Sep 2023	1 836.2	-
Unsecured:		
Senior notes, Coupon 7.375%, due 2020	-	1 862.7
Total	7 457.6	6 756.8
Less current portion	(7 295.7)	(3 479.4)
Less deferred loan costs, net of debt premiums	(161.9)	(20.6)
Total non-current interest bearing debt	-	3 256.7

Undrawn facilities consist of the following:

(In millions of NOK)	December 31,	
	2020	2019
Secured:		
Revolving credit facility	-	1 493.7
Unsecured:		
Bank facility (NOK 50 mill)	-	50.0
Performance bond	194.9	84.4
Total	194.9	1 628.0

Credit Facility

At December 31, 2020, the Company had \$522.4 million outstanding under the Term Loan and \$350.0 million outstanding under the Revolving Facility. For additional information see note 21 in the Group Financial Statements.

Due to the dramatic negative market change caused by the Covid-19 pandemic, PGS renegotiated its main credit agreements extending its near-term debt maturities and amortization profiles to support its liquidity position. Reference is made to the description of rescheduling of debt below in note 21 in the Group Financial Statement. As of December 31, 2020, all interest-bearing debt is classified as current pending completion of final agreements on debt rescheduling. Upon execution of the rescheduling agreements, the re-classification is expected to be reversed.

Senior Notes

On December 23, 2016, the Company issued \$212.0 million in aggregate principal amount of 7.375% Senior Notes due 2020 as part of the Exchange Offer in an offering that was not subject to the registration requirements of the U.S. Securities Act. The New Notes were admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market of the Luxembourg Stock Exchange.

On February 7, 2020 the Senior Notes were called for redemption and were repaid in full at par value plus accrued interest on February 18, 2020.

Note 10 – Financial Instruments

Fair values of financial instruments

Fair values of financial instruments

The carrying amounts of cash and cash equivalents, restricted cash, accounts receivable, accrued revenues and other receivables, other current assets, accounts payable and accrued expenses approximate their respective fair values because of the short maturities of those instruments. PGS ASA disclose the hierarchy of how fair value is determined for financial instruments recorded at fair value in the financial statements as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly.
- Level 3: techniques for which all inputs which have a significant effect on the recorded fair value that is not based on observable market data.

The fair values of the long-term debt instruments, forward exchange contracts and interest rate swaps are estimated using quotes obtained from dealers in such financial instruments or latest quoted prices or indexes at Reuters or Bloomberg. Where market prices are not observed or quotes from dealers are not obtained, an indirect method is used by use of implied credit spread from debt instrument with similar risk characteristics.

The nominal value, estimated fair values of debt and derivatives instruments including how fair value is determined are summarized as follows:

(In millions of NOK)	December 31, 2020		December 31, 2019	
	Nominal value	Fair value	Nominal value	Fair value
Financial assets				
At fair value through profit and loss				
Foreign exchange contracts	-	-	11.4	11.4
Derivatives designated as hedging instruments				
Interest rate swaps	-	-	-	-
Total	-	-	11.4	11.4

(In millions of NOK)	December 31, 2020		December 31, 2019	
	Nominal value	Fair value	Nominal value	Fair value
Financial liabilities				
Financial liabilities at amortised cost				
Debt with fixed interest rate	-	-	(1 862.7)	(1 810.4)
Debt with variable interest rate	(7 457.6)	(6 694.0)	(4 894.1)	(4 687.0)
At fair value through profit and loss				
Foreign exchange contracts	-	-	(1.8)	(1.8)
Interest rate swaps	-	-	(20.2)	(20.2)
Derivatives designated as hedging instruments				
Interest rate swaps	(57.3)	(57.3)	-	-
Foreign exchange contracts	-	-	(1.8)	(1.8)
Total	(7 514.9)	(6 751.3)	(6 780.5)	(6 521.2)

Interest rate exposure

The Company is subject to interest rate risk on debt, including finance leases. The risk is managed by using a combination of fixed -and variable rate debt, together with interest rate swaps, where appropriate, to fix or lower the borrowing costs.

(In millions of NOK)	December 31, 2020		December 31, 2019	
	Notional amounts	Weighted average interest rate	Notional amounts	Weighted average interest rate
Debt at fixed interest rate	-	-	(1 862.7)	7.38%
Debt at variable interest rate based on US dollar plus a margin	(5 534.2)	6.89%	(3 795.8)	4.79%
Variable interest rate debt with interest fixed	(1 923.4)	1.93%	(1 098.3)	2.38%

Liquidity risk exposure

The Company is responsible for funding of its subsidiaries and liquidity risk is not materially different from the consolidated group. For liquidity risk exposure refer to the consolidated financial statements.

Note 11 – Other Non-Current Liabilities

Other non-current liabilities consist of:

(In millions of NOK)	December 31,	
	2020	2019
Unrealized loss hedge contracts (note 10)	57.7	20.5
Pension liability (note 12)	21.7	22.2
Other non-current liabilities	0.9	0.5
Total	80.3	43.2

Note 12 – Pension Obligations

PGS ASA is required to maintain a pension plan in accordance with the Norwegian Pension Benefit Act. The pension plans of PGS ASA comply with the requirements set forth in the Norwegian Pension Benefit Act.

Defined benefit plan

In 2014 the defined benefit pension plan for the Norwegian employees was terminated and the participants were transferred to the defined contribution plan. The assets and liabilities relating to the defined benefit pension plan were de-recognized.

As described in note 30 to the consolidated financial statements there is an early retirement plan for the CEO and one executive officer allowing for termination of employment without cause when they reach the age of 62 and providing certain defined benefits from the date of retirement and until reaching the age of 67. Two employees in PGS ASA are in this plan. The plan is accounted for as a defined benefit obligation and is not funded.

The aggregate funded status of the plan and amounts recognized in other non-current liabilities (see note 11) is as follows:

(In millions of NOK)	Year ended December 31,	
	2020	2019
Service cost	1.3	1.4
Interest cost	0.4	0.5
Payroll tax	0.2	0.2
Net periodic pension cost	1.9	2.0

The aggregate funded status of the plan and amounts recognized in other non-current liabilities (see note 11) is as follows:

(In millions of NOK)	December 31,	
	2020	2019
Projected benefit obligations	19.0	19.5
Accrued payroll tax	2.7	2.7
Net pension liability	21.7	22.2

The accumulated actuarial gains recognized in other equity are as follows:

(In millions of NOK)	December 31,	
	2020	2019
Accumulated actuarial gains	11.9	12.7
Deferred tax	-	-
Accumulated actuarial gains recognized in other equity	11.9	12.7

Assumptions used to determine benefit obligations:

	December 31,	
	2020	2019
Discount rate	1.70%	2.30%
Compensation increase	2.25%	2.25%

Defined contribution plan

The defined contribution plan was established in 2005, and PGS ASA's contributions to this plan for the years ended December 31, 2020 and 2019 was NOK 0.2 million and NOK 0.2 million, respectively.

Note 13 – Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following:

(In millions of NOK)	December 31,	
	2020	2019
Accrued unrealized loss on hedging (note 10)	-	3.8
Foreign taxes	0.9	0.8
Account payables	61.7	64.5
Accrued employee benefits	2.4	2.5
Accrued interest expense	6.0	8.7
Other	1.5	11.1
Total	72.5	91.5

Note 14 – Salaries and Other Personnel Costs, Number of Employees, and Remuneration to the Board of Directors, Executive Officers and Auditors

Salary and social expenses that are included in cost of sales and selling and general and administrative costs consist of:

(In millions of NOK)	Year ended December 31,	
	2020	2019
Salaries and bonus	17.8	16.3
Social security	2.3	2.7
Pension	3.0	3.1
Other benefits	0.5	0.5
Total	23.6	22.6

As of December 31, 2020, PGS ASA had 2 employees. Man-years for the year 2020 were 2, same as for the year 2019. The salary cost includes fees to the board of directors amounting to NOK 4.7 million and NOK 4.2 million for the year 2019 and 2020 respectively.

Compensation to Board of Directors, CEO and Other Executive Officers

For a full listing of Board of Directors, CEO and Other Executive Officers and their compensation, see note 30 to the consolidated financial statements.

PGS ASA has not provided loans or guarantees to the Board of Directors, CEO or Other Executive Officers as of December 31, 2020.

Share based incentive programs

The Restricted Stock Unit programs ("RSU") awarded under long term incentive plans ("LTI Plans") approved by the AGM in 2015, 2016 and 2017, requires the participant's continued employment with the company (or a subsidiary) and is settled three years after grant. Upon settlement, the participant will receive at no charge a number of shares in the Company which equals the number of RSUs awarded.

In 2015, 2016 and 2017 the company also granted Performance based Restricted Stock Units ("PRSU") as approved by the respective years' AGM. In 2018, 2019 and 2020, the company only awarded PRSUs. Settlement of the PRSUs granted and subsequent transfer of shares to the eligible employee will take place three years after the grant subject to the Company achieving a satisfactory Total Shareholder Return ("TSR") compared to the companies in LTI Comparator Group" adjusted for dividends.

See note 29 to the consolidated financial statements for further information on the share option programs, RSU's and PRSU's.

For the years ended December 31, 2020 and 2019, PGS ASA recorded compensation costs of NOK 3.5 million and NOK 3.5 million, respectively, recognized in additional paid-in capital. During 2020, the company settled RSU's by cash. Equity was correspondingly decreased with 1.6 million. Total net unrecognized compensation cost as of December 31, 2020 was NOK 24.9 million related to PRSU's, which is expected to be recognized over a period of 3 years.

Remuneration of auditor

Fees for audit and other services provided by PGS ASA's auditor EY who was elected in May 2014, are as follows (exclusive VAT and inclusive out of pocket expenses):

(In millions of NOK)	Year ended December 31,	
	2020	2019
Audit fees	4.8	4.7
Fees for tax services (a)	0.2	0.2
All other fees	-	0.1
Total	5.0	5.0

(a) Include fees for tax filing services and other tax assistance.

Note 15 – Subsequent Events

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. 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 will also guarantee the loans financing for the *Ramform Titan* and the *Ramform Atlas*, and each of PGS Holding I Ltd, PGS Holding II Ltd and Petroleum Geo-Services AS will guarantee for the loans financing for the *Ramform Titan*, *Ramform Atlas*, *Ramform Tethys* and *Ramform Hyperion*.

The main terms of the Transaction include:

- 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)
- Issuance of a NOK 116.2 million 3-year 5% unsecured convertible bond (the "CB") which can be converted into new PGS shares at NOK 3 per share (corresponding to 38,720,699 shares, equaling 10% of the currently outstanding PGS shares). Certain lenders under the RCF and TLB facilities have subscribed for the CB against conversion of a corresponding amount of their existing secured loans (NOK 671 million, ~\$7.9 million) and for cash (NOK 49.1 million/~\$5.8 million). PGS will be able to require that bondholders convert the CB into shares if the PGS share price exceeds NOK 6 for 30 consecutive trading days

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

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of PGS ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of PGS ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the statements of financial position as at 31 December 2020, the statements of profit and loss and cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the balance sheet as at 31 December 2020, the consolidated statements of profit and loss, comprehensive income, cash flows and changes in shareholders' 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 are prepared in accordance with the law and regulations
- ▶ the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2020, and of 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 consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU

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 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Impairment evaluation of vessels and seismic equipment

Vessels and related seismic equipment account for \$832.4 million or approximately 40 % of total assets of the Group as of 31 December 2020. The Group performed impairment tests to determine the recoverable amounts and recorded an impairment loss of \$107.4 million during the year. The evaluation is sensitive to forward looking assumptions. As there are limited remaining headroom, negative changes to these assumptions would increase the impairment further.

Management has identified impairment indicators, including continued operating losses, low spending on seismic activities by customers, vessels taken out of operations and reduction in share price. The Group assessed the recoverable amount by determining value in use for each vessel. Estimating the value in use requires management judgment when estimating future revenues, operating expenses, growth rates, useful lives and capital expenditures and determining the discount rate. Management's impairment evaluation is a key audit matter due to the multiple variables and the significant management judgement involved in estimating future cash flows in the continued uncertain market conditions.

Our procedures included assessing the assumptions and methods used by management in the impairment evaluation. We tested the key assumptions and underlying data by comparing them to external market information and historical data, and by analyzing sensitivities. We also assessed the historical accuracy of management's estimates and tested the mathematical accuracy of the impairment model. We involved a valuation specialist to assist us in evaluating the calculation and components of the applied discount rate. We also assessed the disclosures regarding the assumptions applied by management and verified the arithmetical accuracy of the sensitivity analysis disclosed in Note 3.

We refer to notes 3, 8 and 17 of the consolidated financial statements.

Impairment evaluation of MultiClient library

MultiClient library accounts for \$616.1 million or approximately 29 % of total assets of the Group as of 31 December 2020. The Group performed impairment testing to determine value in use and recorded an impairment loss of \$34.9 million in 2020.

Management has identified impairment indicators, including low spending on seismic activities by customers and reduction in share price. The Group uses forecasts of future sales when determining value in use. These forecasts are based on budgets and assumptions, thus requiring considerable insight and judgment by management about future market conditions and spending on exploration and production by oil companies, including licensing activities and farm-ins. Impairment evaluation of MultiClient library is a key audit matter due to the significant management judgment involved and the continued uncertain market conditions.

We evaluated management's assessment of impairment indicators for the MultiClient library. Our audit procedures included inquiries of management, including senior sales personnel and test of controls. Our audit procedures also included analyses and evaluation of historical accuracy of prior year's forecast. We further evaluated the assumptions used in the sales forecasting process based on the current market situation, expectations about oil prices, licensing rounds and exploration activities. Furthermore, we considered the valuation methodology and the discount rate applied in the value in use model. We also tested the mathematical accuracy of the value in use calculations and performed sensitivity analysis of key assumptions. We used a valuation specialist to assist us in evaluating the calculation and components of the applied discount rate. We also assessed the Group's disclosures regarding those assumptions and the recorded impairment losses of MultiClient library.

We refer to notes 3 and 8 of the consolidated financial statements.

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 Chief Executive Officer (management) are responsible for the other information. 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 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 these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- ▶ obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

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 governance and corporate social responsibility concerning the financial statements, the going concern assumption and proposal for the allocation of the result 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, 23 February 2021
ERNST & YOUNG AS

The auditor's report is signed electronically

Petter Frode Larsen
State Authorised Public Accountant



Collaboration & Connectivity for the Future of Seismic

PGS Digital Transformation

