

# Earnings Release

## Q1 – 2020

Integrated Expertise  
Acquisition, Imaging & Geoscience



# High Vessel Utilization

## Challenging outlook

### Takeaways Q1 2020

- Segment Revenues of \$168.3 million, compared to \$141.9 million in Q1 2019
- Segment EBITDA of \$80.5 million, compared to \$66.6 million in Q1 2019
- Segment EBIT (excluding impairments and other charges) loss of \$15.8 million, compared to a loss of \$29.3 million in Q1 2019
- Contract revenues of \$85.4 million, compared to \$44.3 million in Q1 2019
- Cash flow from operations of \$176.0 million, compared to \$119.4 million in Q1 2019
- As reported revenues according to IFRS of \$128.8 million and an EBIT loss of \$80.2 million, after impairments of \$51.4 million, compared to \$129.3 million and EBIT loss of \$42.5 million, respectively, in Q1 2019
- Successful completion of refinancing and equity raise
- Implementing cost and CAPEX reduction to address an uncertain market outlook



“High vessel utilization and good operational performance secured solid contract revenues in Q1 2020. Our MultiClient business entered the quarter with a solid project pipeline. However, it has been difficult to secure more commitments to ongoing projects and conclude MultiClient data library sales processes due to the Covid-19 pandemic and the oil price reduction. Further, MultiClient revenues were negatively impacted by delays of Government block awards, where specifically pre-funding for one of our ongoing MultiClient projects is contingent on final block ratification.

The low oil price has led energy companies to scale back near term investment plans significantly, and 2020 will be very challenging for the seismic industry. We are adjusting our vessel capacity to the lower demand by cold-stacking two vessels now in Q2, and we expect to warm-stack one additional vessel in Q3. Going forward, further capacity reductions will be continuously evaluated, and we are prepared to react quickly.

We are reducing cost and capital expenditures significantly. In addition to the vessel adjustments, our cost reduction will comprise of a combination of temporary lay-offs, cancellation of 2020 bonus plans, salary freeze and numerous other cost initiatives as we adjust to a lower activity level. Our full year gross cash cost will reduce by at least \$100 million, with further measures being considered depending on market development, compared to our initial 2020 guidance. Capital expenditures will be reduced by at least \$30 million, with investments relating to items we consider strategically important or critical for business continuity.

We completed a successful refinancing at the start of the year. With a strong positive cash flow in Q1, we have further reduced net interest bearing debt by \$130.0 million and increased the liquidity reserve to \$266.9 million. Our efforts to reduce cost and capital expenditures aim at being cash flow positive before debt repayments going forward. However, in order to maintain a strong liquidity position while experiencing uncertain market conditions, we are reviewing alternatives to preserve our liquidity including potential extensions of the scheduled reduction of our revolving credit facility, amortization holidays and other debt related initiatives.”

Rune Olav Pedersen,  
President and Chief Executive Officer

### Outlook

PGS expects the revised and lower investment plans among energy companies to significantly reduce demand for seismic services in 2020, and likely into 2021. The Company believes the extreme imbalances in the oil market are temporary. When the pandemic crisis is over, energy consumption will resume with oil and gas continuing to play a key role in the energy mix. Offshore reserves will be vital for future supply and support the demand for marine seismic services. The expected future recovery of the seismic industry is likely to be strengthened further by another round of industry capacity reductions and a pent-up exploration and production demand.

Based on current operational projections, with six vessels in operation in the third quarter and five vessels in operation for the remaining part of 2020, and with reference to disclosed risk factors, PGS expects full year 2020 gross cash costs to be below \$500 million.

2020 MultiClient cash investments are expected to be \$150-200 million.

Approximately 50% of 2020 active 3D vessel time is currently expected to be allocated to MultiClient acquisition.

Capital expenditure for 2020 is expected to be below \$50 million.

The order book totaled \$217 million at March 31, 2020 (including \$89 million relating to MultiClient). The order book was \$322 million at December 31, 2019 and \$238 million at March 31, 2019.

## Key Financial Figures

(In millions of US dollars, except per share data)	Quarter ended		Year ended
	March 31,		December 31,
	2020	2019	2019
<b>Profit and loss numbers Segment Reporting</b>			
Segment Revenues	168.3	141.9	880.1
Segment EBITDA ex. other charges, net	80.5	66.6	556.1
Segment EBIT ex. impairment and other charges, net	(15.8)	(29.3)	96.4
<b>Profit and loss numbers As Reported</b>			
Revenues	128.8	129.3	930.8
EBIT	(80.2)	(42.5)	54.6
Share of results from associated companies	(26.0)	(3.8)	(20.1)
Net financial items, other	(9.1)	(18.2)	(72.1)
Income (loss) before income tax expense	(115.3)	(64.5)	(37.6)
Income tax expense	(2.2)	(0.6)	(34.1)
Net income (loss) to equity holders	(117.5)	(65.1)	(71.7)
Basic earnings per share (\$ per share)	(0.32)	(0.19)	(0.21)
<b>Other key numbers As Reported by IFRS</b>			
Net cash provided by operating activities	176.0	119.4	474.3
Cash investment in MultiClient library	67.6	62.1	244.8
Capital expenditures (whether paid or not)	12.3	11.6	59.1
Total assets	2,335.9	2,497.6	2,301.7
Cash and cash equivalents	266.9	90.4	40.6
Net interest bearing debt	876.5	1,051.7	1,007.5
Net interest bearing debt, including lease liabilities following IFRS 16	1,052.5	1,282.9	1,204.6

## Condensed Consolidated Statements of Profit and Loss and Other Comprehensive Income

(In millions of US dollars)	Note	Quarter ended		Year ended
		March 31,		December 31,
		2020	2019	2019
Revenues	2	128.8	129.3	930.8
Cost of sales	3	(72.7)	(59.4)	(262.5)
Research and development costs	3	(3.2)	(2.4)	(9.7)
Selling, general and administrative costs	3	(11.9)	(13.5)	(51.8)
Amortization and impairment of MultiClient library	4	(43.8)	(65.2)	(437.4)
Depreciation and amortization of non-current assets (excl. MultiClient library)	4	(28.7)	(34.1)	(115.8)
Impairment and loss on sale of non-current assets (excl. MultiClient library)	4	(51.4)	-	-
Other charges, net	4	2.7	2.8	1.0
Total operating expenses		(209.0)	(171.8)	(876.2)
Operating profit (loss)/EBIT		(80.2)	(42.5)	54.6
Share of results from associated companies	5	(26.0)	(3.8)	(20.1)
Interest expense	6	(16.4)	(18.3)	(67.5)
Other financial expense, net	7	7.3	0.1	(4.6)
Income (loss) before income tax expense		(115.3)	(64.5)	(37.6)
Income tax	8	(2.2)	(0.6)	(34.1)
<b>Net income (loss) to equity holders of PGS ASA</b>		<b>(117.5)</b>	<b>(65.1)</b>	<b>(71.7)</b>
<b>Other comprehensive income</b>				
Items that will not be reclassified to profit and loss	13	7.4	(7.1)	(8.1)
Items that may be subsequently reclassified to profit and loss	13	(5.5)	2.6	2.2
<b>Other comprehensive income (loss) for the period, net of tax</b>		<b>1.9</b>	<b>(4.5)</b>	<b>(5.9)</b>
<b>Total comprehensive income (loss) to equity holders of PGS ASA</b>		<b>(115.6)</b>	<b>(69.6)</b>	<b>(77.6)</b>
<b>Earnings per share attributable to equity holders of the parent during the period</b>				
Basic and diluted earnings per share	12	(0.32)	(0.19)	(0.21)

## Condensed Consolidated Statements of Financial Position

(In millions of US dollars)	Note	March 31, 2020	March 31, 2019	December 31, 2019
<b>ASSETS</b>				
Cash and cash equivalents	11	266.9	90.4	40.6
Restricted cash	11	2.8	3.4	4.2
Accounts receivables		165.0	74.4	191.1
Accrued revenues and other receivables		27.6	61.2	118.5
Other current assets		60.4	68.2	71.7
Total current assets		522.7	297.6	426.1
Property and equipment	9	1,047.1	1,225.7	1,132.4
MultiClient library	10	608.8	675.0	558.6
Restricted cash	11	38.6	38.7	38.8
Other non-current assets		18.6	64.2	44.6
Other intangible assets		100.1	105.6	101.2
Total non-current assets		1,813.2	2,109.2	1,875.6
Asset held for sale	9	-	90.8	-
<b>Total assets</b>		<b>2,335.9</b>	<b>2,497.6</b>	<b>2,301.7</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
Interest bearing debt	11	195.7	51.2	443.2
Lease liabilities	11	40.5	46.5	46.1
Accounts payable		71.4	51.0	56.1
Accrued expenses and other current liabilities		105.4	157.7	128.2
Deferred revenues		151.1	177.1	123.9
Income taxes payable		22.5	13.7	24.6
Total current liabilities		586.6	497.2	822.1
Interest bearing debt	11	958.8	1,123.0	641.2
Lease liabilities	11	135.5	184.7	151.0
Deferred tax liabilities		0.1	0.8	0.1
Other non-current liabilities		43.1	48.4	50.2
Total non-current liabilities		1,137.5	1,356.9	842.5
Common stock; par value NOK 3; issued and outstanding 387,206,996 shares		154.2	138.5	138.5
Additional paid-in capital		927.1	850.9	852.5
Total paid-in capital		1,081.3	989.4	991.0
Accumulated earnings		(456.6)	(338.9)	(346.5)
Other capital reserves		(12.9)	(7.0)	(7.4)
Total shareholders' equity		611.8	643.5	637.1
<b>Total liabilities and shareholders' equity</b>		<b>2,335.9</b>	<b>2,497.6</b>	<b>2,301.7</b>

## Condensed Consolidated Statements of Changes in Shareholders' Equity

**For the three months ended March 31, 2020 and the year ended December 31, 2019**

(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	
<b>Balance as of January 1, 2019</b>	<b>138.5</b>	<b>850.1</b>	<b>(257.2)</b>	<b>(9.6)</b>	<b>721.8</b>
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)
Adjustment to opening balance IFRS 16	-	-	(9.5)	-	(9.5)
<b>Balance as of December 31, 2019</b>	<b>138.5</b>	<b>852.5</b>	<b>(346.5)</b>	<b>(7.4)</b>	<b>637.1</b>
Profit (loss) for the period	-	-	(117.5)	-	(117.5)
Other comprehensive income (loss)	-	-	7.4	(5.5)	1.9
Share issue (a)	15.7	73.7	-	-	89.4
Share based payments	-	0.9	-	-	0.9
<b>Balance as of March 31, 2020</b>	<b>154.2</b>	<b>927.1</b>	<b>(456.6)</b>	<b>(12.9)</b>	<b>611.8</b>

(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".

**For the three months ended March 31, 2019**

(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	
<b>Balance as of January 1, 2019</b>	<b>138.5</b>	<b>850.1</b>	<b>(257.2)</b>	<b>(9.6)</b>	<b>721.8</b>
Profit (loss) for the period	-	-	(65.1)	-	(65.1)
Other comprehensive income (loss)	-	-	(7.1)	2.6	(4.5)
Share based payments	-	0.8	-	-	0.8
Adjustment to opening balance IFRS 16	-	-	(9.5)	-	(9.5)
<b>Balance as of March 31, 2019</b>	<b>138.5</b>	<b>850.9</b>	<b>(338.9)</b>	<b>(7.0)</b>	<b>643.5</b>

## Condensed Consolidated Statements of Cash Flows

(In millions of US dollars)	Quarter ended March 31,		Year ended December 31,
	2020	2019	2019
<b>Income (loss) before income tax expense (a)</b>	(115.3)	(64.5)	(37.6)
Depreciation, amortization, impairment	123.9	99.4	553.2
Share of results in associated companies	26.0	3.8	20.1
Interest expense	16.4	18.3	67.5
Loss (gain) on sale and retirement of assets	0.3	-	(1.5)
Income taxes paid	(5.2)	(16.0)	(37.2)
Other items	(8.1)	1.7	1.3
(Increase) decrease in accounts receivables, accrued revenues & other receivables	117.2	85.7	(63.7)
Increase (decrease) in deferred revenues	27.3	(16.4)	(36.7)
Increase (decrease) in accounts payable	13.1	(11.4)	(2.8)
Change in other current items related to operating activities	(16.4)	16.7	(1.0)
Change in other long-term items related to operating activities	(3.2)	2.1	12.7
<b>Net cash provided by operating activities</b>	<b>176.0</b>	<b>119.4</b>	<b>474.3</b>
Investment in MultiClient library	(67.6)	(62.1)	(244.8)
Investment in property and equipment	(10.4)	(9.7)	(62.0)
Investment in other intangible assets	(2.8)	(5.3)	(15.4)
Investment in other current -and non-current assets assets	-	(0.5)	(0.5)
Proceeds from sale and disposal of assets	0.4	44.6	70.2
<b>Net cash used in investing activities</b>	<b>(80.4)</b>	<b>(33.0)</b>	<b>(252.5)</b>
Proceeds, net of deferred loan costs, from issuance of non-current debt	124.2	-	-
Interest paid on interest bearing debt	(15.6)	(12.4)	(60.9)
Repayment of interest bearing debt	(226.3)	(12.9)	(51.2)
Net change of drawing on the Revolving Credit Facility	170.0	(30.0)	(85.0)
Proceeds from share issue (b)	91.9	-	-
Payment of lease liabilities (recognized under IFRS 16)	(10.5)	(11.4)	(44.8)
Payments of leases classified as interest	(3.0)	(3.7)	(13.8)
<b>Net cash (used in) provided by financing activities</b>	<b>130.7</b>	<b>(70.4)</b>	<b>(255.7)</b>
Net increase (decrease) in cash and cash equivalents	226.3	16.0	(33.9)
Cash and cash equivalents at beginning of period	40.6	74.5	74.5
<b>Cash and cash equivalents at end of period</b>	<b>266.9</b>	<b>90.4</b>	<b>40.6</b>

(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" for the quarter ended March 31, 2020 and comparative periods.

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

## Notes to the Condensed Interim Consolidated Financial Statements First Quarter 2020

### Note 1 – Segment Reporting

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

Following the implementation of the new 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, all such revenues are recognized at delivery of the final processed data, which is typically significantly later than the acquisition of the seismic data.

PGS management 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. 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 15 for further description of the principles applied.

The table below provides a reconciliation of the Group’s segment numbers (“Segment”) against the financial statements prepared in accordance with IFRS (“As Reported”). Expanded Segment disclosures, showing statements of Profit and Loss, Financial Position and Cash Flows, are included in Note 17.

(In millions of US dollars)	Quarter ended March 31,							
	2020		2019		2020		2019	
	Segment Reporting		Adjustments		As Reported			
Total revenues	168.3	141.9	(39.5)	(12.6)	128.8	129.3		
Cost of sales	(72.7)	(59.4)	-	-	(72.7)	(59.4)		
Research and development costs	(3.2)	(2.4)	-	-	(3.2)	(2.4)		
Selling, general and administrative costs	(11.9)	(13.5)	-	-	(11.9)	(13.5)		
Amortization of MultiClient library	(67.6)	(61.8)	29.0	(3.4)	(38.6)	(65.2)		
Depreciation and amortization (excl. MultiClient library)	(28.7)	(34.1)	-	-	(28.7)	(34.1)		
<b>Operating profit (loss)/ EBIT, ex impairment and other charges, net</b>	<b>(15.8)</b>	<b>(29.3)</b>	<b>(10.5)</b>	<b>(16.0)</b>	<b>(26.3)</b>	<b>(45.3)</b>		

(In millions of US dollars)	Year ended December 31, 2019							
	2020		2019		2020		2019	
	Segment Reporting		Adjustments		As Reported			
Total revenues	880.1		50.7		930.8			
Cost of sales	(262.5)		-		(262.5)			
Research and development costs	(9.7)		-		(9.7)			
Selling, general and administrative costs	(51.8)		-		(51.8)			
Amortization of MultiClient library	(343.9)		(75.6)		(419.5)			
Depreciation and amortization (excl. MultiClient library)	(115.8)		-		(115.8)			
<b>Operating profit (loss)/ EBIT, ex impairment and other charges, net</b>	<b>96.4</b>		<b>(24.9)</b>		<b>71.5</b>			

For Q1 2020, MultiClient pre-funding revenues, As Reported, were lower than Segment pre-funding revenues. This difference is solely related to the timing of revenue recognition.

## Note 2 – Revenues

Revenues by service type:

	Quarter ended				Year ended	
	March 31,				December 31,	
	2020	2019	2020	2019	2019	2019
	Segment Reporting		As Reported		Segment Reporting	As Reported
-Contract seismic	85.4	44.3	85.4	44.3	318.8	318.8
-MultiClient pre-funding	40.7	30.0	1.2	17.4	256.5	307.2
-MultiClient late sales	33.5	60.9	33.5	60.9	273.1	273.1
-Imaging	8.5	6.3	8.5	6.3	29.1	29.1
-Other	0.2	0.4	0.2	0.4	2.6	2.6
<b>Total Revenues</b>	<b>168.3</b>	<b>141.9</b>	<b>128.8</b>	<b>129.3</b>	<b>880.1</b>	<b>930.8</b>

Vessel Allocation(1):

	Quarter ended		Year ended
	2020	2019	December 31, 2019
Contract	47%	29%	41%
MultiClient	43%	38%	41%
Steaming	9%	6%	10%
Yard	1%	0%	2%
Stacked/standby	0%	27%	6%

(1) The statistics exclude cold-stacked vessels.

The comments to revenues in this Note relate to both As Reported revenues and Segment revenues unless otherwise stated.

### Total revenues

Revenues As Reported amounted to \$128.8 million in Q1 2020, compared to \$129.3 million in Q1 2019, a reduction of \$0.5 million.

Segment Revenues ended at \$168.3 million in Q1 2020, compared to \$141.9 million in Q1 2019. In Q1 2020, Segment Revenues increased by \$26.4 million, or 19%, compared to Q1 2019 primarily as a result of more capacity in operation, better vessel utilization and higher contract prices. This was partially offset by a reduction in MultiClient late sales.

### Contract revenues

In Q1 2020, contract revenues increased by \$41.1 million, or 93%, compared to Q1 2019 as a result of more capacity allocated to contract work and on average higher prices.

### MultiClient pre-funding revenues

As Reported MultiClient pre-funding revenues amounted to \$1.2 million in Q1 2020, compared to \$17.4 million in Q1 2019, a reduction of \$16.2 million, or 93%. The decrease is driven by very few projects being completed in the quarter.

Segment MultiClient pre-funding revenues in Q1 2020 increased by \$10.7 million, or 36%, compared to Q1 2019 primarily as a result of more capacity allocated to MultiClient. Pre-funding revenues in Q1 2020 were negatively impacted by delays in completion of block awards where specifically pre-funding on one of PGS ongoing MultiClient survey is contingent on a final ratification, which is expected to be concluded in Q2 2020.

### MultiClient late sales

MultiClient late sales revenues decreased by \$27.4 million, or 45%, compared to Q1 2019. It has been difficult to conclude MultiClient data library sales processes in Q1 2020 due to the covid-19 pandemic and the oil price reduction.



### Note 3 – Net Operating Expenses

(In millions of US dollars)	Quarter ended		Year ended
	March 31,		December 31,
	2020	2019	2019
Cost of sales before investment in MultiClient library	(135.6)	(118.2)	(510.3)
Research and development costs before capitalized development costs	(6.0)	(4.7)	(17.7)
Selling, general and administrative costs	(11.9)	(13.5)	(51.8)
<b>Cash Cost, gross</b>	<b>(153.5)</b>	<b>(136.4)</b>	<b>(579.8)</b>
Steaming deferral, net	(4.7)	(3.3)	3.0
Cash investment in MultiClient library	67.6	62.1	244.8
Capitalized development costs	2.8	2.3	8.0
<b>Net operating expenses</b>	<b>(87.8)</b>	<b>(75.3)</b>	<b>(324.0)</b>

Gross cash costs in Q1 2020 increased by \$17.1 million, or 13%, compared to Q1 2019, primarily as a result of operating two more 3D vessels.

Cash costs capitalized to the MultiClient library in Q1 2020 increased by \$5.5 million, or 9%, compared to Q1 2019 as a result of more capacity allocated to MultiClient.

### Note 4 – Amortization, Depreciation, Impairments and Other Charges, net

Amortization and impairment of MultiClient library consist of the following:

(In millions of US dollars)	Quarter ended		Year ended
	March 31,		December 31,
	2020	2019	2019
<b>As Reported</b>			
Amortization of MultiClient library	(37.6)	(44.6)	(206.5)
Accelerated amortization of MultiClient library	(1.0)	(20.6)	(213.0)
Impairment of MultiClient library	(5.2)	-	(17.9)
<b>Total</b>	<b>(43.8)</b>	<b>(65.2)</b>	<b>(437.4)</b>
<b>Segment reporting</b>			
Amortization of MultiClient library	(67.6)	(61.8)	(343.9)
<b>Total</b>	<b>(67.6)</b>	<b>(61.8)</b>	<b>(343.9)</b>

#### Segment MultiClient library amortization

Segment amortization of the MultiClient library as a percentage of MultiClient Segment Revenues was 91% in Q1 2020, compared to 68% in Q1 2019. The higher Segment amortization rate is primarily due to lower sales from the finished projects in the MultiClient library which are amortized on a straight line basis.

#### MultiClient library amortization and impairment As Reported

Total amortization of the MultiClient library decreased by \$26.6 million, or 41%, compared to Q1 2019. The decrease is mainly driven by less accelerated amortization from projects completed and lower amortization of the library of completed MultiClient data.

The Q1 2020 MultiClient library impairment charge of \$ 5.2 million relates to projects in Asia Pacific. The Company expects that the current week market may negatively impact the timing of expected future cash flows, further impairment may arise in future periods.

#### Explanation of the difference between Segment MultiClient library amortization and As Reported

As a consequence of adopting IFRS 15, amortization As Reported also includes accelerated amortization. With effect from January 1, 2018, revenue As Reported from MultiClient pre-funders is recognized when the customer is granted access to the finished survey or upon delivery of the finished data. Concurrent with recognizing this revenue, the Company records an accelerated amortization to reduce the net book value of the survey to the estimated net present value of the forecasted remaining sales. For more information see Note 15.

Depreciation and amortization of non-current assets (excl. MultiClient library) consist of the following:

(In millions of US dollars)	Quarter ended March 31,		Year ended December 31,
	2020	2019	2019
Gross depreciation*	(49.5)	(54.1)	(203.9)
Deferred Steaming depreciation, net	(2.3)	(1.4)	1.3
Capitalized MultiClient depreciation	23.1	21.4	86.8
<b>Total</b>	<b>(28.7)</b>	<b>(34.1)</b>	<b>(115.8)</b>

\*includes depreciation of right-of-use assets amounting to \$ 10.9 million for the quarter ended March 31, 2020, compared to \$10.3 million as of March 31, 2019.

Gross depreciation decreased by \$4.6 million, or 9% in Q1 2020, compared to Q1 2019 as a result of reduced depreciation driven by a generally lower investment level in recent years.

Capitalized MultiClient depreciation in Q1 2020 increased by \$1.7 million, or 8%, compared to Q1 2019 as a result of more capacity allocated to MultiClient projects.

Impairment and loss on sale of non-current assets (excluding MultiClient library) consist of the following:

(In millions of US dollars)	Quarter ended March 31,		Year ended December 31,
	2020	2019	2019
Property and equipment	(51.4)	-	-
Other Intangible assets	-	-	-
<b>Total</b>	<b>(51.4)</b>	<b>-</b>	<b>-</b>

PGS recorded an impairment charge of \$51.4 million in Q1 2020. The impairment primarily reflects a write-down to an aggregate estimated recoverable value of \$59.4 million for *PGS Apollo* and *Sanco Swift* that will be cold stacked early Q2 2020.

The Company has assessed the vessels in operation for impairment. PGS currently expects a challenging market for the remainder of 2020 and likely into 2021, but the longer term market view is unchanged. The recoverable value of some vessels are sensitive to the assumed margins and duration of the current downturn. As a result, further impairments of property plant and equipment might arise in future periods.

Other charges, net consist of the following:

(In millions of US dollars)	Quarter ended March 31,		Year ended December 31,
	2020	2019	2019
Severance cost	(0.3)	(0.1)	(0.4)
Onerous lease contracts	-	-	4.2
Onerous contracts with customers	3.0	2.9	(1.9)
Other	-	-	(0.9)
<b>Total</b>	<b>2.7</b>	<b>2.8</b>	<b>1.0</b>

As of March 31, 2020, the Company's provision for onerous customer contracts amounted to a total of \$1.8 million, an increase of \$1.8 million compared to March 31, 2019 and a decrease of \$3.0 million compared to December 31, 2019.

The provision for onerous customer contracts represents the estimated loss in future periods relating to certain binding customer contracts where revenues are lower than the full costs, including depreciation, of completing the contract.

## Note 5 – Share of Results from Associated Companies

The share of results from associated companies was a loss of \$26.0 million in Q1 2020, which includes a \$25 million impairment relating to the approximate 35% interest in the Azimuth Group.

## Note 6 – Interest Expense

Interest expense consists of the following:

(In millions of US dollars)	Quarter ended March 31,		Year ended
	2020	2019	December 31, 2019
Interest on debt, gross	(16.6)	(16.7)	(63.6)
Imputed interest cost on lease agreements	(3.0)	(3.8)	(13.8)
Capitalized interest, MultiClient Library	3.2	2.2	9.9
<b>Total</b>	<b>(16.4)</b>	<b>(18.3)</b>	<b>(67.5)</b>

Gross interest expense on debt for Q1 2020 decreased by \$0.1 million, compared to Q1 2019. Following implementation of IFRS 16, effective January 1, 2019, an imputed interest cost is calculated on lease liabilities and reported as interest expense. The average interest paid has increased whilst the average debt balance has decreased for Q1 2020 compared to Q1 2019.

## Note 7 – Other Financial Expense, net

Other financial expense, net consists of the following:

(In millions of US dollars)	Quarter ended March 31,		Year ended
	2020	2019	December 31, 2019
Interest income	0.4	0.5	2.2
Currency exchange gain (loss)	14.4	0.6	1.0
Other	(7.5)	(1.0)	(7.8)
<b>Total</b>	<b>7.3</b>	<b>0.1</b>	<b>(4.6)</b>

The currency exchange gain for Q1, 2020 relates primarily to revaluation of lease obligations denominated in Norwegian kroner and a realized gain from hedging of equity proceeds that did not qualify for hedge accounting. The increase of \$6.5 million in the category “other” mainly relates to expensing the market value of interest rate hedges and deferred debt issuance cost on debt that was refinanced in February 2020.

## Note 8 – Income Tax and Contingencies

Income tax consists of the following:

(In millions of US dollars)	Quarter ended March 31,		Year ended
	2020	2019	December 31, 2019
Current tax	(2.2)	(0.6)	(34.8)
Change in deferred tax	-	-	0.7
<b>Total</b>	<b>(2.2)</b>	<b>(0.6)</b>	<b>(34.1)</b>

Current tax expense for Q1 2020 increased by \$1.6 million, compared to Q1 2019. Current tax expense relates to foreign withholding tax and corporate tax on activities in South America and Africa.

### Tax Contingencies

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 \$32.1 million in total. Since the Company considers it more likely than not that the contingency will be resolved in its favor, no provision has been made for any portion of the exposure.

## Note 9 – Property and Equipment

Capital expenditures, whether paid or not, consists of the following:

(In millions of US dollars)	Quarter ended March 31,		Year ended
	2020	2019	December 31, 2019
Seismic equipment	6.0	2.3	20.3
Vessel upgrades/Yard	2.1	7.1	29.2
Processing equipment	3.6	1.4	6.3
Other	0.6	0.8	3.3
<b>Total capital expenditures, whether paid or not</b>	<b>12.3</b>	<b>11.6</b>	<b>59.1</b>
Change in working capital and capital leases	(1.9)	(1.9)	2.9
<b>Investment in property and equipment</b>	<b>10.4</b>	<b>9.7</b>	<b>62.0</b>

Investment in property and equipment consists mainly of equipment for the Company's seismic acquisition and imaging activities.

## Note 10 – MultiClient Library

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

(In millions of US dollars)	March 31,		December 31,
	2020	2019	2019
Completed during 2014	-	5.4	-
Completed during 2015	-	22.3	-
Completed during 2016	19.0	93.1	40.3
Completed during 2017	32.1	60.2	37.3
Completed during 2018	66.1	103.0	72.8
Completed during 2019	124.7	9.0	133.3
Completed during 2020	0.8	-	-
Completed surveys	242.7	292.9	283.7
Surveys in progress	366.1	382.1	274.9
<b>MultiClient library</b>	<b>608.8</b>	<b>675.0</b>	<b>558.6</b>

The comments to this note relates to both As Reported and Segment Reporting unless otherwise stated.

Key figures MultiClient library:

(In millions of US dollars)	Quarter ended		Year ended
	March 31,	2019	December 31,
	2020	2019	2019
MultiClient pre-funding revenue, as reported *	1.2	17.4	307.2
MultiClient late sales	33.5	60.9	273.1
Cash investment in MultiClient library	67.6	62.1	244.8
Capitalized interest in MultiClient library	3.2	2.2	9.9
Capitalized depreciation (non-cash)	23.1	21.4	86.8
Amortization of MultiClient library, as reported	(37.6)	(44.6)	(206.5)
Accelerated amortization of MultiClient library, as reported	(1.0)	(20.6)	(213.0)
Impairment of MultiClient library	(5.2)	-	(17.9)
<b>Segment Reporting</b>			
MultiClient pre-funding revenue, Segment *	40.7	30.0	256.5
Prefunding as a percentage of MultiClient cash investment	60%	48%	105%

\* includes revenue from sale to joint operations in the amount of \$27.3 million for the year ended December 31, 2019, there are no material revenue from joint operations in Q1 2020 or Q1 2019.

In Q1 2020 Segment MultiClient pre-funding revenues corresponded to 60% of capitalized MultiClient cash investment (excluding capitalized interest), compared to 48% in Q1 2019. The higher pre-funding level in Q1 2020 is primarily due to generally better pre-funding for ongoing surveys in the quarter, but was negatively impacted by delays in completion of block awards where specifically pre-funding on one of the Company's ongoing MultiClient projects is contingent on a final ratification. This is expected to be concluded in Q2 2020. The extraordinary low pre-funding level in Q1 2019 was due to the composition of surveys in the quarter whereby the Company positioned itself for upcoming license rounds offshore West Africa and Malaysia, as well as continuing to build coverage in prospective regions.

In Q1 2020 MultiClient cash investment increased by \$5.5 million, or 9%, compared to Q1 2019, as a result of more capacity allocated to MultiClient.

*MultiClient library amortization and impairment As Reported according to IFRS*

In Q1 2020, total MultiClient amortization As Reported was 111% of MultiClient revenues. The Company recognized accelerated amortization of \$1.0 million on projects completed in Q1 2020.

## Note 11 – Liquidity and Financing

Net cash provided by operating activities was \$176.0 million in Q1 2020, compared to \$119.4 million in Q1 2019. The increase is mainly driven by reduction in working capital.

The liquidity reserve, including cash and cash equivalents and the undrawn part of the Revolving Credit Facility ("RCF"), was \$266.9 million as of March 31, 2020, compared to \$205.4 million as of March 31, 2019 and \$210.6 million as of December 31, 2019.

Interest bearing debt consists of the following:

(In millions of US dollars)	March 31,		December 31,
	2020	2019	2019
<i>Secured</i>			
Term loan B, Libor + 250 Basis points, due 2021	3.0	380.0	377.0
Term loan B, Libor + 6-700 basis points (linked to total leverage ratio ("TLR")), due 2024	521.7	-	-
Export credit financing, due 2025	114.5	135.3	119.8
Export credit financing, due 2027	195.6	221.9	202.3
Revolving credit facility, due 2020	135.0	235.0	180.0
Revolving credit facility, due 2023	215.0	-	-
<i>Unsecured</i>			
Senior notes, Coupon 7.375%, due 2020	-	212.0	212.0
<b>Total loans and bonds, gross (1)</b>	<b>1,184.8</b>	<b>1,184.2</b>	<b>1,091.1</b>
Less current portion	(195.7)	(51.2)	(443.2)
Less deferred loan costs, net of debt premiums	(30.3)	(10.0)	(6.7)
<b>Non-current interest bearing debt</b>	<b>958.8</b>	<b>1,123.0</b>	<b>641.2</b>

(1) Fair value of total loans and bonds, gross was \$1,092.3 million as of March 31, 2020, compared to \$1,167.2 million as of March 31, 2019.

Undrawn facilities consists of the following:

(In millions of US dollars)	March 31,		December 31,
	2020	2019	2019
<i>Secured</i>			
Revolving credit facility, due 2020	-	115.0	170.0
<i>Unsecured</i>			
Bank facility (NOK 50 mill)	4.8	5.8	5.7
Performance bond	14.4	22.3	9.6
<b>Total</b>	<b>19.2</b>	<b>143.1</b>	<b>185.3</b>

Summary of net interest bearing debt:

(In millions of US dollars)	March 31,		December 31,
	2020	2019	2019
Loans and bonds gross	(1,184.8)	(1,184.2)	(1,091.1)
Cash and cash equivalents	266.9	90.4	40.6
Restricted cash (current and non-current)	41.4	42.1	43.0
<b>Net interest bearing debt, excluding lease liabilities</b>	<b>(876.5)</b>	<b>(1,051.7)</b>	<b>(1,007.5)</b>
Lease liabilities current	(40.5)	(46.5)	(46.1)
Lease liabilities non-current	(135.5)	(184.7)	(151.0)
<b>Net interest bearing debt, including lease liabilities</b>	<b>(1,052.5)</b>	<b>(1,282.9)</b>	<b>(1,204.6)</b>

Restricted cash of \$41.4 million includes \$37.8 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*.

At March 31, 2020, the Company had approximately 53% of its debt (excluding lease liabilities) at fixed interest rates. The weighted average cash interest rate was approximately 6.38%, including credit margins paid on the debt as of March 31, 2020, compared to 4.82% as of December 31, 2019 and 4.98% as of March 31, 2019. The higher cash interest rate is a result of increased credit margins on debt refinanced in Q1 2020 and the Company's decision to fully draw the revolving credit facility in Q1 2020 and hold the liquidity reserve in cash.

In January 2020, PGS made a private placement to raise gross proceeds of NOK 850 million, corresponding to approximately \$95 million at the time of the placement. The private placement was completed with the approval by an extraordinary general meeting in February and the Company implemented the refinancing of most of its interest bearing debt as described below.

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 remain with the maturity dates of March 19, 2021 and September 18, 2020, respectively. The Credit Facility has been granted further security in substantially all assets of the Company except assets pledged to the Export Credit Loans for which it has an indirect 2nd lien pledge capturing values exceeding the export credit loans.

The \$215 million RCF, as amended and extended, has an interest rate on drawn (borrowed) amounts based on LIBOR plus a margin and a utilization fee. Any undrawn amount is subject to a commitment fee. The margin on the drawn amount is based on a leverage grid as follows: if Total Gross Leverage Ratio is above 1.75:1.0 the margin is 6.0%; above 1.25:1.0 and less than or equal to 1.75:1.0, the margin is 5.25%; and less than or equal to 1.25:1.0, the margin is 4.50%. The RCF is subject to a utilization fee based upon the

total amount drawn as follows: if less than or equal to 1/3 is drawn, a fee of 0.25%; if greater than 1/3, but less than 2/3, a fee of 0.50%; and greater than 2/3, a fee 0.75%. The commitment fee on the undrawn amount is 40% of the applicable margin. The RCF is subject to a Minimum Consolidated Liquidity and a Maximum Total Net Leverage covenant. The liquidity covenant requires that the consolidated unrestricted cash and cash equivalents and the undrawn and unused Revolving Commitments shall not be less than \$75 million or 5% of net interest bearing debt (\$100 million to end of first quarter 2020). The Maximum Total Net Leverage covenant establishes a maximum total net leverage ratio of 2.75:1.0 for the duration of the RCF. The non-extended RCF is 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 is drawn pro rata until the non-extending RCF matures

At March 31, 2020 the Total Net Leverage was 1.79:1.

The \$523 million extended and increased TLB carries a floating interest rate of LIBOR plus a margin based on the same leverage grid as the extended RCF. If Total Gross Leverage Ratio is above 1.75:1.0 the margin is 7.0%; if 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 \$3 million non-extended TLB maturing March 19, 2021 carries a margin of 2.5%.

If the corporate family rating from Moody's or Standard & Poor's is below B3/B- stable outlook, the credit margin on the extended RCF and the extended TLB will be 6.5% and 7.5%, respectively. The Company may only access the minimum margin (4.50% and 6% for the RCF and TLB respectively) if the ratings from Moody's and Standard & Poor's are at least B2 stable and B stable, respectively. Moody's upgraded the Company to B2 stable January 24, 2020, but subsequently at April 15, 2020 downgraded the Company to B3, placing rating on review for further downgrade. Standard & Poor's assigned a rating of B, stable outlook after the completion of the refinancing, but at March 31, 2020 downgraded the Company to B- with negative rating watch. Fitch Ratings has the Company on B stable.

The Term Loan principal amortizing profile is 1% per annum paid quarterly until first quarter 2021, when it increases to 5% per annum paid quarterly. The TLB has no financial maintenance covenants. Further, the Term Loan has a call feature under which the Company must pay a premium if the term loan is fully or partially prepaid by raising new debt, but not if it is prepaid by cash flow from operation or other sources. The premium is 1% of par value up to March 19, 2021, increasing to 3% for the following year and thereafter 5% until maturity.

The ECF loans are repaid in separate semi-annual instalments. Total annual ECF instalments for 2020 will be approximately \$47.2 million and each subsequent year until they taper off following maturity of one after one of the four facilities in the period 2025 to 2027.

Due to the dramatic negative change in market outlook there is a risk that the Company may be dependent on achieving certain liquidity preservation initiatives including potential extensions of the scheduled reduction of the RCF, amortization holidays or other debt related initiatives to maintain an adequate liquidity position, including satisfying the Minimum Consolidated Liquidity covenant in the loan agreement governing the RCF. Further there is a risk that the Company may breach the Maximum Total Net Leverage covenant. If the Company were to breach a covenant, this would represent a default under the loan agreement. In such case the Company may be able to continue to access the RCF if the Company receives a waiver of the breach or implements remedial actions acceptable to the lenders thereunder. Should a breach continue without a waiver or remediation by the Company, the RCF agent or a majority of the RCF lenders would be entitled to declare default and demand a repayment of drawings under the RCF, which in turn would represent an event of default in most of the Company's other loan agreements and debt instruments. However, with this scenario the Company's believes it has viable alternatives to avoid acceleration.

## Note 12 – Earnings per Share

Earnings per share, to ordinary equity holders of PGS ASA:

	Quarter ended		Year ended
	March 31,		December 31,
	2020	2019	2019
- Basic	(0.32)	(0.19)	(0.21)
- Diluted	(0.32)	(0.19)	(0.21)
Weighted average basic shares outstanding	363,693,301	338,578,257	338,578,257
Weighted average diluted shares outstanding	366,071,705	340,481,921	340,566,897

## Note 13 – Other Comprehensive Income

Other Comprehensive Income	Quarter ended		Year ended
	March 31,		December 31,
(In millions of US dollars)	2020	2019	2019
Actuarial gains (losses) on defined benefit pension plans	7.4	(7.1)	(8.1)
Income tax effect on actuarial gains and losses	-	-	-
<b>Items that will not be reclassified to profit and loss</b>	<b>7.4</b>	<b>(7.1)</b>	<b>(8.1)</b>
Gains (losses) on hedges	(5.5)	1.8	2.2
<i>Other comprehensive income (loss) of associated companies</i>	-	0.8	-
<b>Items that may be subsequently reclassified to profit and loss</b>	<b>(5.5)</b>	<b>2.6</b>	<b>2.2</b>

## Note 14 – Reconciliation of alternative performance measures

Segment EBITDA ex. other Charges, net	Quarter ended		Year ended
	March 31,		December 31,
(In millions of US dollars)	2020	2019	2019
<b>Operating profit (loss) as reported</b>	<b>(80.2)</b>	<b>(42.5)</b>	<b>54.6</b>
Segment adjustment to Revenues as reported	39.5	12.6	(50.7)
Other charges net	(2.7)	(2.8)	(1.0)
Amortization and impairment of MultiClient library	43.8	65.2	437.4
Depreciation and amortization of long term assets (excl. MultiClient library)	28.7	34.1	115.8
Impairment and loss on sale of long-term assets (excl. MultiClient library)	51.4	-	-
<b>Segment EBITDA ex. other charges, net</b>	<b>80.5</b>	<b>66.6</b>	<b>556.1</b>

Segment EBIT ex. impairment and other charges	Quarter ended		Year ended
	March 31,		December 31,
(In millions of US dollars)	2020	2019	2019
<b>Operating profit (loss) as reported</b>	<b>(80.2)</b>	<b>(42.5)</b>	<b>54.6</b>
Segment adjustment to Revenues As Reported	39.5	12.6	(50.7)
Other charges, net	(2.7)	(2.8)	(1.0)
Segment adjustment to Amortization As Reported	(29.0)	3.4	75.6
Impairment of MultiClient library	5.2	-	17.9
Impairment and loss on sale of long-term assets (excl. MultiClient library)	51.4	-	-
<b>Segment EBIT ex. impairment and other charges, net</b>	<b>(15.8)</b>	<b>(29.3)</b>	<b>96.4</b>

The European Securities and Markets Authority (“ESMA”) issued guidelines on Alternative Performance Measures (“APMs”) that came into force on July 3, 2016. The Company has defined and explained the purpose of the APMs in the paragraphs below.

Financial statement captions used in defining the APMs relate to both As Reported figures and Segment figures unless otherwise stated.

### Segment EBITDA

Segment EBITDA, when used by the Company, means Segment EBIT excluding other charges, impairment and loss on sale of non-current assets and depreciation and amortization. A reconciliation between Segment EBIT excluding other charges, impairment and loss on non-current asset and depreciation and amortization and Segment EBITDA is shown above. 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. Segment EBIT, excluding impairments and other charges is reconciled above.

#### *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 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. Net interest bearing debt is reconciled in Note 11 above. 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.

#### *Liquidity reserve*

Liquidity reserve is defined in Note 11. PGS 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.

#### *Gross cash costs*

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. Gross cash costs are reconciled in Note 3. 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*

Net operating expenses are defined as gross cash costs (as per above) less capitalized investments in the MultiClient library and capitalized development costs and is reconciled in Note 3. 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 costs.

### **Note 15 – Basis of Presentation and changes in Accounting Principles**

#### **Basis of Presentation**

The Company is a Norwegian public limited liability company which prepares its annual consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU. These consolidated condensed interim financial statements have been prepared in accordance with international Accounting Standards ("IAS") No. 34 "Interim Financial Reporting". The consolidated condensed interim financial statements are presented in millions of US Dollars ("\$" or "dollars"), unless otherwise indicated. The interim financial information has not been subject to audit or review.

Profit and loss for the interim period are not necessarily indicative of the results that may be expected for any subsequent interim period or year. The condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2019.

The accounting policies adopted in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the preparation of the Company's consolidated financial statements for the year ended December 31, 2019.



### **Segment Reporting Principles**

Although IFRS provides a fair presentation of the profit and loss of the Company, for purposes of Segment and internal reporting management applies the revenue recognition principle used prior to 2018 and IFRS 15. MultiClient pre-funding revenue is recognized using the percentage of completion method, and related MultiClient amortization is based upon the ratio of aggregate capitalized survey costs to forecasted sales. Management believes this method makes revenues coincide better with activities and resources used by the Company and provides useful information as to the progress made on MultiClient surveys in process and resultant value generation during the period.

In determining the percentage of completion, progress is measured in a manner generally consistent with the physical progress of the project, and revenue is recognized based on the ratio of the project's progress to date, provided that all other revenue recognition criteria are satisfied. Accordingly, MultiClient pre-funding revenues and related MultiClient amortization are generally recognized earlier for purposes of segment reporting as compared to IFRS reporting.

While a survey is in progress, the Company amortizes each MultiClient survey based on the ratio of aggregate capitalized survey costs to forecasted sales for segment purposes. At completion the remaining balance is amortized on a straight line basis over four years. For impairment purposes a portfolio assessment is applied and no impairment is reflected unless the MC library as a whole has a book value above estimated recoverable value. The segment reporting principle will generally result in book value of a project at completion being lower compared to the book value for IFRS reporting.

### **Change in Accounting Principles**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2019, except for the adoption of new standards effective as of January 1, 2020. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the Company's interim condensed consolidated financial statements.

### **Note 16 - Risk Factors**

The Company emphasizes that the information included herein contains certain forward-looking statements that address activities, events or developments that the Company expects, projects, believes or anticipates will or may occur in the future. These statements are based on various assumptions made by the Company, many of which are beyond its control and all of which are subject to risks and uncertainties. The Company is subject to a large number of risk factors including but not limited to the demand for seismic services, the demand for data from the Company's MultiClient library, the attractiveness of PGS' technology, changes in governmental regulations affecting markets, technical downtime, licenses and permitting, currency and fuel price fluctuations, and extreme weather conditions.

Contracts for services are occasionally modified by mutual consent and in certain instances may be cancelled by customers at short notice without compensation. Consequently, the order book as of any particular date may not be indicative of actual operating results for any succeeding period.

The recent development following Covid-19 and the drop in oil prices represent an unprecedented change in the economic circumstances and increased uncertainty about future market development. As a result there is an increased risk that the Company may be dependent on achieving certain liquidity preservation initiatives including the extension of the scheduled reduction of our revolving credit facility, amortization holidays or other debt related initiatives to retain a sufficient liquidity reserve, and that further impairments of non-current assets, including property and equipment, intangible assets and the MultiClient library, may arise in future periods.

For a further description of other relevant risk factors we refer to the Annual Report for 2019. As a result of these and other risk factors, actual events and actual results may differ materially from those indicated in or implied by such forward-looking statements.

## Note 17 – Expanded Segment Disclosures

### Condensed Consolidated Statements of Profit and Loss and Other Comprehensive Income

(In millions of US dollars)	Quarter ended					
			March 31,			
	2020	2019	2020	2019	2020	2019
	Segment Reporting		Adjustments		As Reported	
Revenues	168.3	141.9	(39.5)	(12.6)	128.8	129.3
Cost of sales	(72.7)	(59.4)	-	-	(72.7)	(59.4)
Research and development costs	(3.2)	(2.4)	-	-	(3.2)	(2.4)
Selling, general and administrative costs	(11.9)	(13.5)	-	-	(11.9)	(13.5)
Amortization and impairment of MultiClient library	(67.6)	(61.8)	23.8	(3.4)	(43.8)	(65.2)
Depreciation and amortization of non-current assets (excl. MultiClient library)	(28.7)	(34.1)	-	-	(28.7)	(34.1)
Impairment and loss on sale of non-current assets (excl. MultiClient library)	(51.4)	-	-	-	(51.4)	-
Other charges, net	2.7	2.8	-	-	2.7	2.8
<b>Total operating expenses</b>	<b>(232.8)</b>	<b>(168.4)</b>	<b>23.8</b>	<b>(3.4)</b>	<b>(209.0)</b>	<b>(171.8)</b>
Operating profit (loss)/EBIT	(64.5)	(26.5)	(15.7)	(16.0)	(80.2)	(42.5)
Share of results from associated companies	(26.0)	(3.8)	-	-	(26.0)	(3.8)
Interest expense	(16.4)	(18.3)	-	-	(16.4)	(18.3)
Other financial expense, net	7.3	0.1	-	-	7.3	0.1
Income (loss) before income tax expense	(99.6)	(48.5)	(15.7)	(16.0)	(115.3)	(64.5)
Income tax	(2.2)	(0.6)	-	-	(2.2)	(0.6)
<b>Net income (loss) to equity holders of PGS ASA</b>	<b>(101.8)</b>	<b>(49.1)</b>	<b>(15.7)</b>	<b>(16.0)</b>	<b>(117.5)</b>	<b>(65.1)</b>
<b>Other comprehensive income</b>						
Items that will not be reclassified to profit and loss	7.4	(7.1)	-	-	7.4	(7.1)
Items that may be subsequently reclassified to profit and loss	(5.5)	2.6	-	-	(5.5)	2.6
<b>Other comprehensive income (loss) for the period, net of tax</b>	<b>1.9</b>	<b>(4.5)</b>	<b>-</b>	<b>-</b>	<b>1.9</b>	<b>(4.5)</b>
<b>Total comprehensive income (loss) to equity holders of PGS ASA</b>	<b>(99.9)</b>	<b>(53.6)</b>	<b>(15.7)</b>	<b>(16.0)</b>	<b>(115.6)</b>	<b>(69.6)</b>

## Condensed Consolidated Statements of Financial Position

(In millions of US dollars)	March 31,							
	2020		2019		2020		2019	
	Segment Reporting		Adjustments		As Reported			
<b>ASSETS</b>								
Cash and cash equivalents	266.9	90.4	-	-	266.9	90.4		
Restricted cash	2.8	3.4	-	-	2.8	3.4		
Accounts receivables	165.0	74.4	-	-	165.0	74.4		
Accrued revenues and other receivables	82.7	133.3	(55.1)	(72.1)	27.6	61.2		
Other current assets	60.4	68.2	-	-	60.4	68.2		
Total current assets	577.8	369.7	(55.1)	(72.1)	522.7	297.6		
Property and equipment	1,047.1	1,225.7	-	-	1,047.1	1,225.7		
MultiClient library	546.0	546.0	62.8	129.0	608.8	675.0		
Restricted cash	38.6	38.7	-	-	38.6	38.7		
Other non-current assets	18.6	64.2	-	-	18.6	64.2		
Other intangible assets	100.1	105.6	-	-	100.1	105.6		
Total non-current assets	1,750.4	1,980.2	62.8	129.0	1,813.2	2,109.2		
Asset held for sale	-	90.8	-	-	-	90.8		
<b>Total assets</b>	<b>2,328.2</b>	<b>2,440.7</b>	<b>7.7</b>	<b>56.9</b>	<b>2,335.9</b>	<b>2,497.6</b>		
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>								
Interest bearing debt	195.7	51.2	-	-	195.7	51.2		
Lease liabilities	40.5	46.5	-	-	40.5	46.5		
Accounts payable	71.4	51.0	-	-	71.4	51.0		
Accrued expenses and other current liabilities	121.2	181.6	(15.8)	(23.9)	105.4	157.7		
Deferred revenues	12.9	21.7	138.2	155.4	151.1	177.1		
Income taxes payable	22.5	13.7	-	-	22.5	13.7		
Total current liabilities	464.2	365.7	122.4	131.5	586.6	497.2		
Interest bearing debt	958.8	1,123.0	-	-	958.8	1,123.0		
Lease liabilities	135.5	184.7	-	-	135.5	184.7		
Deferred tax liabilities	0.1	0.8	-	-	0.1	0.8		
Other non-current liabilities	43.1	48.4	-	-	43.1	48.4		
Total non-current liabilities	1,137.5	1,356.9	-	-	1,137.5	1,356.9		
Common stock; par value NOK 3; issued and outstanding 387,206,996 shares	154.2	138.5	-	-	154.2	138.5		
Additional paid-in capital	927.1	850.9	-	-	927.1	850.9		
Total paid-in capital	1,081.3	989.4	-	-	1,081.3	989.4		
Accumulated earnings	(341.9)	(264.3)	(114.7)	(74.6)	(456.6)	(338.9)		
Other capital reserves	(12.9)	(7.0)	-	-	(12.9)	(7.0)		
Total shareholders' equity	726.5	718.1	(114.7)	(74.6)	611.8	643.5		
<b>Total liabilities and shareholders' equity</b>	<b>2,328.2</b>	<b>2,440.7</b>	<b>7.7</b>	<b>56.9</b>	<b>2,335.9</b>	<b>2,497.6</b>		

## Condensed Consolidated Statements of Cash Flows

(In millions of US dollars)	Quarter ended					
			March 31,			
	2020	2019	2020	2019	2020	2019
	Segment Reporting		Adjustments		As Reported	
<b>Income (loss) before income tax expense</b>	(99.6)	(48.5)	(15.7)	(16.0)	(115.3)	(64.5)
Depreciation, amortization, impairment	147.7	96.0	(23.8)	3.4	123.9	99.4
Share of results in associated companies	26.0	3.8	-	-	26.0	3.8
Interest expense	16.4	18.3	-	-	16.4	18.3
Loss (gain) on sale and retirement of assets	0.3	-	-	-	0.3	-
Income taxes paid	(5.2)	(16.0)	-	-	(5.2)	(16.0)
Other items	(8.1)	1.7	-	-	(8.1)	1.7
(Increase) decrease in accounts receivables, accrued revenues & other receivable	105.2	94.4	12.0	(8.7)	117.2	85.7
Increase (decrease) in deferred revenues	(1.7)	(38.0)	29.0	21.6	27.3	(16.4)
Increase (decrease) in accounts payable	13.1	(11.4)	-	-	13.1	(11.4)
Change in other current items related to operating activities	(14.9)	17.0	(1.5)	(0.3)	(16.4)	16.7
Change in other long-term items related to operating activities	(3.2)	2.1	-	-	(3.2)	2.1
<b>Net cash provided by operating activities</b>	<b>176.0</b>	<b>119.4</b>	<b>-</b>	<b>-</b>	<b>176.0</b>	<b>119.4</b>
Investment in MultiClient library	(67.6)	(62.1)	-	-	(67.6)	(62.1)
Investment in property and equipment	(10.4)	(9.7)	-	-	(10.4)	(9.7)
Investment in other intangible assets	(2.8)	(5.3)	-	-	(2.8)	(5.3)
Investment in other current -and non-current assets assets	-	(0.5)	-	-	-	(0.5)
Proceeds from sale and disposal of assets	0.4	44.6	-	-	0.4	44.6
<b>Net cash used in investing activities</b>	<b>(80.4)</b>	<b>(33.0)</b>	<b>-</b>	<b>-</b>	<b>(80.4)</b>	<b>(33.0)</b>
Proceeds, net of deferred loan costs, from issuance of non-current debt	124.2	-	-	-	124.2	-
Interest paid on interest bearing debt	(15.6)	(12.4)	-	-	(15.6)	(12.4)
Repayment of interest bearing debt	(226.3)	(12.9)	-	-	(226.3)	(12.9)
Net change of drawing on the Revolving Credit Facility	170.0	(30.0)	-	-	170.0	(30.0)
Proceeds from share issue (a)	91.9	-	-	-	91.9	-
Payment of lease liabilities (recognized under IFRS 16)	(10.5)	(11.4)	-	-	(10.5)	(11.4)
Payments of leases classified as interest	(3.0)	(3.7)	-	-	(3.0)	(3.7)
<b>Net cash (used in) provided by financing activities</b>	<b>130.7</b>	<b>(70.4)</b>	<b>-</b>	<b>-</b>	<b>130.7</b>	<b>(70.4)</b>
Net increase (decrease) in cash and cash equivalents	226.3	16.0	-	-	226.3	16.0
Cash and cash equivalents at beginning of period	40.6	74.5	-	-	40.6	74.5
<b>Cash and cash equivalents at end of period</b>	<b>266.9</b>	<b>90.4</b>	<b>-</b>	<b>-</b>	<b>266.9</b>	<b>90.4</b>

(a) Including transaction costs amounting to \$2.4 million.

Oslo, April 22, 2020

Walter Qvam  
*Chairperson*

Richard Herbert  
*Director*

Anne Grethe Dalane  
*Director*

Trond Brandsrud  
*Director*

Marianne Kah  
*Director*

Anette Valbø  
*Director*

Hege Renshus  
*Director*

Grunde Rønholt  
*Director*

Rune Olav Pedersen  
*Chief Executive Officer*

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*PGS ASA and its subsidiaries (“PGS” or “the Company”) is a focused marine geophysical company that provides a broad range of seismic and reservoir services, including acquisition, imaging, interpretation, and field evaluation. The Company’s MultiClient 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 and the PGS share is listed on the Oslo stock exchange (OSE: PGS).*

*For more information on PGS visit [www.pgs.com](http://www.pgs.com).*

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*The information included herein contains certain forward-looking statements that address activities, events or developments that the Company expects, projects, believes or anticipates will or may occur in the future. These statements are based on various assumptions made by the Company, which are beyond its control and are subject to certain additional risks and uncertainties. The Company is subject to a large number of risk factors including but not limited to the demand for seismic services, the demand for data from our multi-client data library, the attractiveness of our technology, unpredictable changes in governmental regulations affecting our markets and extreme weather conditions. For a further description of other relevant risk factors we refer to our Annual Report for 2019. As a result of these and other risk factors, actual events and our actual results may differ materially from those indicated in or implied by such forward-looking statements. The reservation is also made that inaccuracies or mistakes may occur in the information given above about current status of the Company or its business. Any reliance on the information above is at the risk of the reader, and PGS disclaims any and all liability in this respect.*

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Walter Qvam (Chairperson)

Anne Grethe Dalane

Marianne Kah

Richard Herbert

Trond Brandsrud

Anette Valbø (employee elected)

Hege Renshus (employee elected)

Grunde Rønholt (employee elected)

**Executive Officers:**

Rune Olav Pedersen President &amp; CEO

Gottfred Langseth EVP &amp; CFO

Berit Osnes EVP New Ventures

Nathan Oliver EVP Sales &amp; Imaging

Rob Adams EVP Operations

**Other Corporate Management:**

Kristin Omreng SVP HR

Magnus Christiansen VP HSEQ

Lars Mysen General Counsel

Kai Reith SVP Corporate Development

Bård Stenberg SVP IR &amp; Communication

**Web-Site:**[www.pgs.com](http://www.pgs.com)**Financial Calendar:**

Q1 2020 report April 23, 2020

Q2 2020 report July 23, 2020

Q3 2020 report October 22, 2020

Q4 2020 report January 28, 2021

The dates are subject to change.