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Annual Report 2019

Integrated Expertise
Acquisition, Imaging & Geoscience

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.

Letter to our Shareholders

Summary of 2019

Executive Team

Business Area Reports

About PGS

Board of Directors

Financial Statements

* When the terms "PGS" and "the Company" are used in this report, these will as a main rule include both PGS ASA and its subsidiaries. However, in certain sections and paragraphs hereof, these references will only include PGS ASA as context indicates.

Dear PGS Shareholders

In 2019 we saw increased demand for our services. This positively impacted vessel utilization and contract prices. Our strong position in the production monitoring (4D) segment and integrated approach accelerated our contract price achievement.

With better financial results and sale of the *Ramform Sterling* we were able to reduce net interest bearing debt by more than $100 million. The order book increased through the year and we have good visibility going into 2020. We expect the marine seismic market to continue to improve and are well positioned to deliver positive results and significant free cash flow going forward. We have started our digital transformation process to execute our strategy more effectively.

It is generally accepted that the world's GDP will grow significantly over the next decades and demand for energy will continue to increase. At the same time the world will need to produce energy with lower carbon emissions. A world which meets both the challenge of increasing energy demand and the challenge of lowering carbon emissions will still need significant amounts of oil and gas. Therefore, we need to continue to replace production. This combination necessitates a search for new oil and gas resources and a focus on increasing recovery from existing fields. PGS is committed to serving our customers in these important and valuable tasks and we expect increasing demand for our services going forward.

During 2019 we experienced growing activity among energy companies to replace reserves and extract more from producing fields, driving the overall demand for seismic upwards. We were able to achieve a close to 40% increase of pricing for contract acquisition compared to the average for 2018. We are now generating positive EBIT margins on our contract work, which was significantly loss making during the downturn.

The price improvement comes as a result of an improving seismic market, more 4D work in the mix and our ability to benefit from being a fully integrated seismic company.

We are well positioned in the growing 4D market with our high capacity Ramform vessels, steerable streamers, steerable sources and the GeoStreamer technology. Energy companies recognize the value of higher quality data when surveying producing fields. Our technology edge creates value for both clients and ourselves.

Over the last years, the structure of our industry has changed. Two of our large competitors decided to exit the marine acquisition market and only focus on MultiClient. At the same time, our two vessel operating competitors are focusing on acquisition services only. We have taken a decision to remain an integrated seismic company, offering both contract acquisition and MultiClient, as well as imaging and geoscience expertise. As we are now the only remaining fully integrated seismic company, we are taking advantage of our unique position. During 2019 we have seen numerous examples of the benefit of being integrated.

In 2019 the fleet utilization improved significantly, and adjusting for the warm-stacked capacity in the first quarter, we are almost back to pre-downturn utilization levels. In addition, as a result of a generally higher activity level, we have been able to secure projects for all of our eight operational 3D vessels over the 2019/2020 winter season.

We had a slow start to 2019 for our MultiClient sales with low pre-funding in the first quarter and disappointing late sales in the second quarter. We were not able to recover the lost revenues in the second half, but MultiClient late sales in the fourth quarter were encouraging. This was the third strongest fourth quarter MultiClient late sales performance in PGS history, proving the attractiveness of our geographically diverse and high data quality MultiClient library.

To accelerate our strategy execution we kicked off our digital transformation process in 2019. We established an internal digital transformation team responsible for overseeing and advising on the digital transformation processes, and we signed an agreement with Google Cloud as our preferred cloud provider. Short-term our ambition is to image seismic data in the cloud, launch a cloud-based MultiClient sales platform, improve vessel energy efficiency and seismic equipment maintenance, as well as start using machine learning and artificial intelligence for subsurface data analytics.

The key operational aspects of our strategy are to; continue developing our MultiClient business, build on our leadership position in the 4D market, further develop our integrated position, image all the data we acquire, leverage our fleet productivity and technology and to develop differentiating technologies.

A relentless focus on HSEQ is the most important element of our vessel operations and our safety statistics are still industry leading. However, we still believe we can improve safety performance further and we will during 2020 continue to drive this effort.

A key strategic goal is to reduce interest bearing debt and improve our capital structure. During 2019, we reduced net interest bearing debt by more than $100 million. Longer-term we are targeting a net debt level not to exceed $500-600 million, which is well within reach in an improving market environment. Early 2020 we successfully completed a refinancing of our 2020 and 2021 debt maturities combined with a $95 million equity raise. The refinancing strengthened our balance sheet and significantly extended the maturity of our debt.

We believe that the looming challenge of maintaining and building reserves to meet future energy demand will benefit the marine seismic market going forward. We experienced a fundamental market improvement for contract work in 2019. Our order book almost doubled during the year and booked positions across the industry are improved going into 2020. We believe contract pricing will continue to increase in 2020, aided by healthy cash flow among the energy companies and increased activity combined with relatively stable supply side capacity, albeit at a more modest pace compared to last year.

During February 2020 we have seen escalating global concerns over the corona virus outbreak, with a material impact on capital markets and the oil price. As of the date of this letter, while we have appropriate mitigating measures, there is a risk of negative impact on our operations or demand for our services.

Rune Olav Pedersen
President and CEO
February 28, 2020

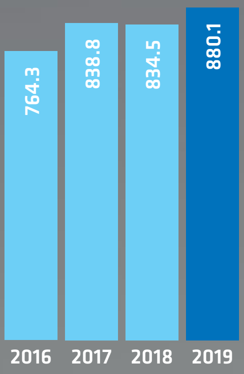
Business Highlights 2019

- PGS' contract prices were close to 40% higher in 2019, compared to average 2018 pricing.
- The order book nearly doubled during 2019, improving the business base going into 2020.
- Higher project activity enabled PGS to continue operating eight vessels during the winter season, compared to the seasonal reduction to six vessels in previous years to adjust to lower winter-season demand.
- Capital expenditures were kept at a low level in 2019.
- Cash flow improved, and PGS reduced net interest bearing debt by more than $100 million in 2019 and increased the liquidity reserve by approximately $50 million.
- PGS completed the sale of *Ramform Sterling* to JOGMEC, including a service agreement of up to 10 years with annual renewals.
- Following sale of the *Ramform Sterling*, *Ramform Vanguard* was successfully re-introduced to maintain the operated 3D fleet size of eight vessels.
- PGS also initiated a digital transformation process and entered into an agreement with Google Cloud as the Company's preferred cloud provider.
- Early 2020, PGS completed a refinancing of its 2020 and 2021 debt maturities combined with a $95 million equity raise. The refinancing extended the maturity of the Company's revolving credit facility and term loan to 2023 and 2024.

Financial Calendar

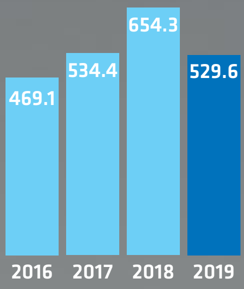
Annual General Meeting	**April 22**, 2020
Q1 2020 Earnings Release	**April 23**, 2020
Q2 2020 Earnings Release	**July 23**, 2020
Q3 2020 Earnings Release	**October 22**, 2020
Q4 2020 Earnings Release	**January 28**, 2021

Key Figures

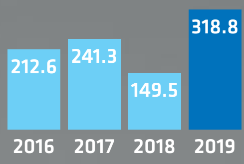


PGS Segment Revenues
USD millions

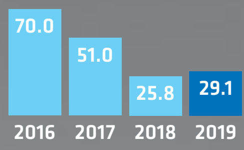
Segment Revenues by Business Activity



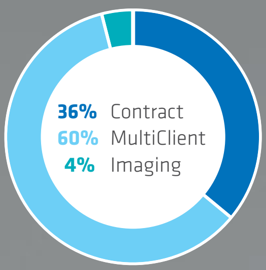
MultiClient
USD millions



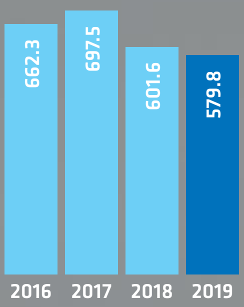
Marine Contract
USD millions



External Imaging
USD millions



Segment Revenue Split



PGS Gross Cash Cost
USD millions

Key Financial Figures

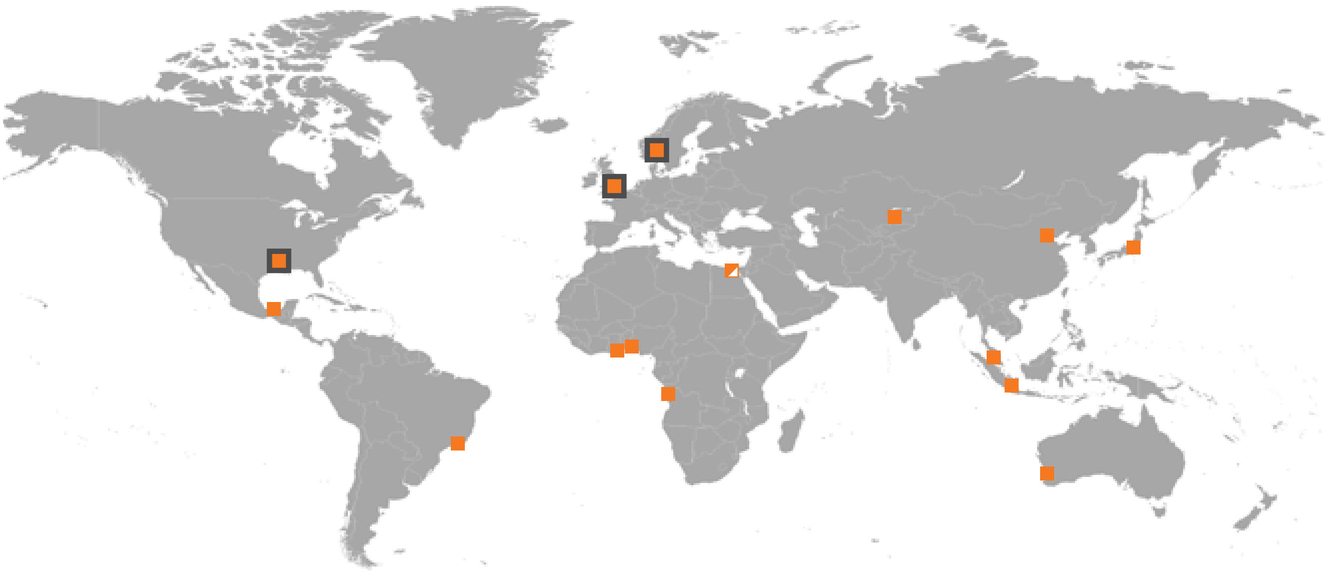
In USD million	2019	2018	2017
Profit and loss numbers Segment Reporting			
Segment Revenues	880.1	834.5	838.8
Segment EBITDA	556.1	515.9	374.1
Segment EBIT ex. impairment and other charges, net	96.4	36.3	(147.1)
Profit and loss numbers As Reported			
Revenues	930.8	874.3	838.8
EBIT	54.6	39.4	(383.6)
Net financial items	(92.2)	(87.3)	(84.5)
Income (loss) before income tax expense	(37.6)	(47.9)	(468.2)
Income tax expense	(34.1)	(40.0)	(55.2)
Net income (loss) to equity holders	(71.7)	(87.9)	(523.4)
Basic earnings per share ($ per share)	(0.21)	(0.26)	(1.6)
Other key numbers As Reported by IFRS			
Net cash provided by operating activities	474.3	445.9	281.8
Cash investment in MultiClient library	244.8	277.1	213.4
Capital expenditures (whether paid or not)	59.1	42.5	154.5
Total assets	2 301.7	2 384.8	2 482.8
Cash and cash equivalents	40.6	74.5	47.3
Net interest bearing debt*	1 007.5	1 109.6	1 139.4
Net interest bearing debt, including lease liabilities following IFRS 16*	1 204.6		

*Following implementation of IFRS 16, prior periods are not comparable to December 2019.

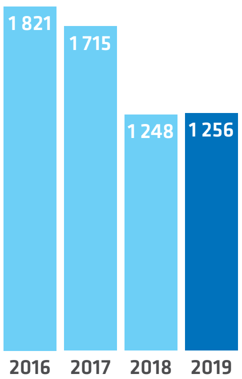
Key Figures

People & Places

Headquartered in Oslo, Norway, PGS has offices in 16 countries around the world as of year-end 2019 and operates regional centres in London and Houston.



Luanda, Angola | Perth, Australia | Rio de Janeiro, Brazil | Beijing, China | Cairo, Egypt | Accra, Ghana
Jakarta, Indonesia | Tokyo, Japan | Almaty, Kazakhstan | Cyberjaya & Kuala Lumpur, Malaysia | Villahermosa, Mexico
Lagos, Nigeria | **Oslo** & Stavanger, Norway | Singapore, Singapore | **Weybridge**, UK | Austin & **Houston**, US



Average Number of Employees by Year


Strength through
Integrated Expertise
Acquisition, Imaging & Geoscience
PGS

Executive Team*

Rune Olav Pedersen
President & CEO

Gottfred Langseth
Executive Vice President & CFO

Sales & Imaging

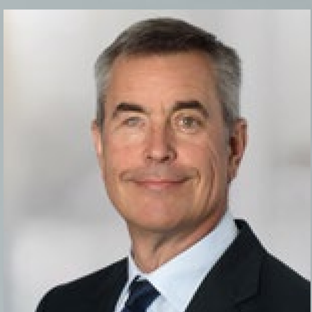
MultiClient late sales, contract acquisition and imaging

New Ventures

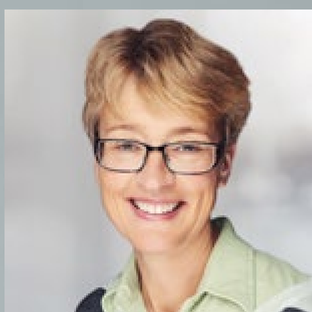
Building new MultiClient programs and strategic positioning in new basins

Operations

Project planning, bidding & delivery Seismic acquisition & support



Nathan Oliver
Executive Vice President, Sales & Imaging



Berit Osnes
Executive Vice President, New Ventures

Rob Adams
Executive Vice President, Operations

*Per Arild Reksnes retired as the EVP Operations & Technology at the end of 2019. He was succeeded by Rob Adams, EVP Operations.

Executive Team Biographies

Rune Olav Pedersen

President & CEO

Rune Olav has been with PGS since October 2010. He joined the Company as General Counsel and head of legal. In September 2014 he also became responsible for Group Communication, Strategic Customer Relations and Marketing. His responsibilities were further expanded in September 2015 to also include Corporate Development.

Prior to joining the Company, Rune Olav was, for more than four years, a partner in the law firm Arntzen de Besche and previous to that Lawyer and Associate in the same firm. He started his career as a Junior Research Fellow at the University of Oslo, and has also served as a Deputy Judge in a District Court of Norway. Rune Olav earned his law degree from the University of Oslo, and enhanced his expertise within European competition law with a post graduate diploma from Kings College London. In 2014 Rune Olav earned an Executive MBA from London Business School.

Gottfred Langseth

Executive Vice President & CFO

Gottfred joined the Company in November 2003 and was appointed Executive Vice President and Chief Financial Officer as of January, 2004. Before joining PGS he was Chief Financial Officer of the information technology company Ementor ASA from 2000 to 2003. Gottfred was Senior Vice President of Finance and Control at the offshore engineering and construction company Aker Maritime ASA from 1997 to 2000. Gottfred worked at Arthur Andersen Norway from 1991 to 1997. Gottfred was certified as a Norwegian state authorized public accountant in 1993 and holds a Master of Business Administration degree from the Norwegian School of Economics and Business Administration.

Nathan Oliver

Executive Vice President, Sales & Imaging

Nathan joined PGS in 1993 and was appointed EVP Sales and Marketing in January 2019. He has served PGS globally in various locations, managing international teams in London, Houston, Singapore and KL, with regional responsibilities for Europe, West Africa, North and South America, and Asia Pacific, running a range of PGS activities from advanced imaging to MultiClient. Prior to joining PGS he worked at Digicon Geophysical. Nathan holds an MSc Geoscience from the University of Sheffield, and a BSc in Geology from Kingston University.

Berit Osnes

Executive Vice President, New Ventures

Berit joined PGS in 2006 and assumed her current position in January 2019. She has served in various MultiClient sales management roles, including Vice President Geophysics Europe, Africa and Middle East, Vice President MultiClient Europe, Senior Vice President MultiClient, and SVP Strategic Projects. She was also an employee-elected member of the PGS Board of Directors in 2015 and 2016. Before joining PGS she held technical management positions with Geoteam AS and Veritas DGC Ltd. Prior to this, she spent 11 years with Norsk Hydro working within field development, exploration and geophysical operations. Berit holds an MSc Geophysics from the Norwegian University of Science and Technology (NTNU).

Rob Adams

Executive Vice President, Operations

Rob joined PGS in 1998, becoming EVP Operations in January 2020. He has experience from all PGS business areas, including offshore, and has carried regional responsibility for projects and teams running acquisition and processing activities in Europe, Africa, and Asia Pacific. As SVP New Ventures (2018 – 2020) he was responsible for new MultiClient projects across all continents. Rob has been involved in framing our initiatives for reducing turnaround and future visioning. Rob holds a BSc in Geology and Geophysics from the University of Durham.

Sales & Imaging

Nathan Oliver

Executive Vice President, Sales & Imaging

The Sales & Imaging unit markets and sells MultiClient data, proprietary Contract acquisition services and Imaging solutions.

Sales & Imaging work closely with the New Ventures and Operations business areas in PGS to deliver competitive products and solutions that meet customers' needs in a safe and efficient manner.

MultiClient Data Sales

MultiClient data is acquired, imaged, and owned by PGS and may be leased to many oil companies. PGS has a modern and diverse global MultiClient data library focused in areas of high oil and gas prospectivity. Accessing PGS' data library enables customers to evaluate hydrocarbon potential in basins more rapidly, compared to acquiring and processing a seismic survey through a contract arrangement. The rapid access to high-quality seismic data enables oil companies to assess the subsurface risks before applying for acreage in licensing rounds, guide exploration efforts, or evaluate farm-in opportunities.

License rounds serve as important sales triggers for the PGS MultiClient library and guide long-term investment decisions for new 2D and 3D data. The geographical diversity and strategic positioning of PGS global MultiClient library enables the Company to benefit from license rounds around the globe.

By the end of 2019, the PGS MultiClient data library comprised several hundred individual 3D surveys with a combined size of approximately 900 000 square kilometers, 52% of which were acquired with multi-sensor GeoStreamer technology. PGS' MultiClient 2D library comprised approximately 660 000 line kilometers, of which 62% were GeoStreamer data. In addition, the Company has more than 800 000 square kilometers of MegaSurvey, built by matching and merging of public and PGS-owned 3D data to produce large-scale geologically continuous regional 3D datasets.

Proprietary Contract Acquisition

Contract work is seismic data acquisition under exclusive contract with customers, where the oil company owns the acquired data. PGS meets the customers' requirements for fast, efficient acquisition and cost-effective delivery of seismic data, through safe and environmentally sound operations.

Production seismic, or 4D, is the fastest growing part of the seismic Contract market, and informs oil company decisions on interventions on producing fields. Operational precision, data resolution and survey repeatability are essential, and are areas where PGS excels. There is a growing adoption of the methodology outside of the traditional areas of the North Sea, Brazil and Angola. 4D surveys are repeated at regular intervals during a producing field's life-cycle, and those acquired with GeoStreamer multi-sensor technology are generally repeated with multi-sensor. GeoStreamer and other multi-sensor streamer solutions are the only technologies approved for 4D work by all major oil companies.

Imaging Services

PGS operates a network of imaging centers globally through which the Company images all new MultiClient data it acquires. In addition, PGS uses its state-of-the-art imaging technology to rejuvenate existing MultiClient library data. The Company's external imaging activities supply high-end, high-value services to a wide range of E&P companies. Imaging services comprise GeoStreamer-based imaging technology, reservoir characterization, 4D processing solutions, and advanced imaging of node data.

New Ventures

Berit Osnes

Executive Vice President,
New Ventures

New Ventures is responsible for developing new MultiClient projects and securing prefunding from energy companies.

To build and maintain the MultiClient data library, PGS makes significant investments in developing, acquiring and processing new MultiClient surveys. In this way, PGS positions itself in both frontier and mature geo-markets.

MultiClient is an important acquisition business model for PGS, where the ability to identify and initiate new MultiClient programs with solid economics over the life of the survey is the key to success. PGS derisks new programs by securing pre-funding commitments from energy companies, with a targeted pre-funding level for the portfolio as a whole in the range of 80-120% of the capitalized MultiClient cash investment.

How PGS Initiates MultiClient Surveys

PGS initiates attractive new MultiClient projects by capitalizing on its existing data library, applying in-house imaging and reservoir expertise, and through feedback from the sales force. The MultiClient data library provides information about geology in all major hydrocarbon basins. By analyzing these datasets and open file data available around the world, PGS imaging and reservoir experts are able to propose both extensions to the existing library and new areas of hydrocarbon resource potential that are likely to be of interest to energy companies. These findings are assessed against feedback from the sales force, as to where customers would like to explore. These resources are combined with an overall risk analysis of the area and the likelihood of future license rounds or other triggering events.

There are obvious benefits of an existing large MultiClient library with continuous coverage. Geology is large scale in nature and it is difficult to understand and predict characteristics of a local area if it is not set in context to a full-scale geological system. By reprocessing existing data in the MultiClient library PGS can create regional data sets, which makes it possible to interpret and analyze a whole basin in a consistent manner. PGS has created three products of this kind with strong client interest: the Santos Vision in Brazil, the Flex Vision in the Gulf of Mexico and GeoStreamer PURE in Norway. A key part of the MultiClient business is to assist governments to explore and promote their resource potential in the best way possible, noting that every country and basin requires a slightly different approach. PGS has supported several governments through the provision of high-quality data and bespoke advice on how to optimize the outcome.

Exploiting the Integrated Business Model

Following decisions by WesternGeco and CGG to exit the marine seismic acquisition market, PGS is the only company offering the full range of seismic services and business models. Being in full control of acquisition as well as imaging technology makes PGS uniquely positioned to deliver the best and most flexible solutions.

Full vertical integration allows PGS to control all aspects of the process of identifying new projects, building the relationships that enable those projects to proceed, through to supplying the vessels and the financial backing to ensure that projects go ahead on the optimal timeline without the need to balance the commercial drivers of third-party suppliers. This is particularly important when making commitments on optimum time and quality to host governments.

Access to industry leading acquisition capacity at cost is an obvious benefit for PGS in the MultiClient market. By using PGS vessels and streamer technology the Company delivers consistent quality of services and data, which are highly valued by clients.

Over the last years PGS has benefitted significantly from commercial flexibility. In mature areas, contract jobs can be included in larger MultiClient surveys, an opportunity that is not available to asset-light competitors.

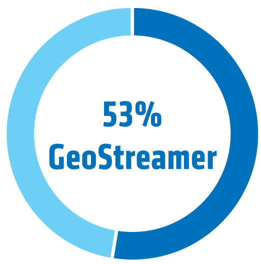
PGS has a portfolio of MultiClient acquisition permits. If a client requests proprietary data in an area where PGS has a permit to acquire seismic, the Company can start acquisition immediately. The client then gets access to data quicker, compared to applying for a permit and procuring the survey as a contract job.

Research and development is another benefit of PGS integrated business model. By combining expertise with vessel operation allows for efficient in-house design, development, test and implementation of new technologies. In 2019 PGS launched GeoStreamer X as a MultiClient project. The new towing technology offers advanced offset and azimuth rich data at a lower cost and more effectively, compared to alternative acquisition methods, such as nodes.

Building a MultiClient Data Library for the Future

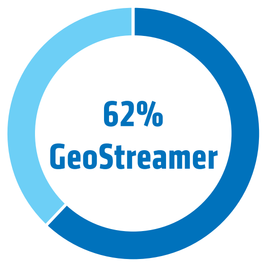
The PGS MultiClient data library contains advanced images of the subsurface that energy companies use to explore for hydrocarbons. Better data enables more effective exploration and increases the chances of success.

The library focuses on areas of high prospectivity, where clients have good potential for accessing acreage. A range of commercial models for data licensing is available, designed to suit the exploration objectives and ambitions of any oil company.



PGS MultiClient 3D Library

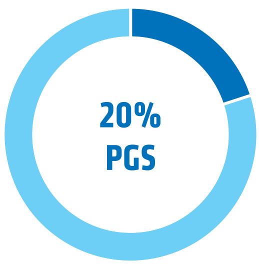
Comprising almost **900 000** sq. km, of which approximately **53%** is GeoStreamer 3D data.



PGS MultiClient 2D Library

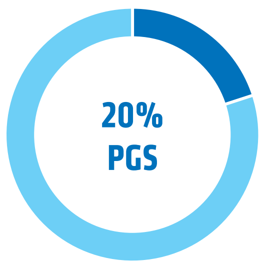
Comprising approximately **670 000** line kilometers, of which **62%** is GeoStreamer 2D data.

PGS MultiClient Performance: 2019 Peer Group Comparison*



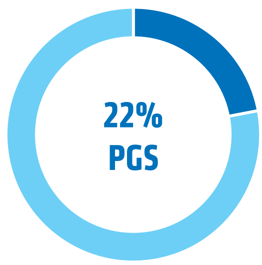
Net Book Value

20% PGS
80% Rest of Peer Group*



Revenues

20% PGS
80% Rest of Peer Group*



Cash Investment

22% PGS
78% Rest of Peer Group*

*Peer group comprise WesternGeco, TGS, CGG, Spectrum and PGS

Operations

Rob Adams

Executive Vice President, Operations

The operational business area of PGS is responsible for project planning and seismic data acquisition.

PGS operates a productive core fleet of Ramform vessels, comprising four Ramform Titan-class vessels, one Ramform S-class vessel and one Ramform V-class vessel. These vessels have delta-shaped hulls and uniquely wide back decks, enabling highly efficient seismic acquisition. The breadth of the Ramform back decks, 40 meters on S-class and V-class, and 70 meters on Titan-class, provides unparalleled streamer handling capability. The Ramform vessels deliver industry-leading performance in deployment, acquisition and streamer recovery.

The Company also operates two conventional-hulled vessels on long-term charters to complement the Ramform fleet and be able to serve all parts of the seismic 3D market.

Operational performance is a measure of how well PGS utilizes the time available to acquire seismic data. Downtime (technical and maritime) as a percentage of total PGS fleet time has decreased significantly over the last decades, matched by improving performance over the same period.

To deliver the best possible product in the most effective manner, each acquisition project requires cooperation between the commercial business areas, and a streamlined organization within Operations, which includes the four main departments: dedicated project planning; delivery and support teams; robust and professional vessel operations; and cutting-edge marine and imaging technology development.

PGS leads the industry in HSEQ performance and aims to sustain and improve this, with a focus on operational and safety culture. PGS prioritizes safe, ergonomic office and workspaces, good health and recreation facilities for all employees.

Environmental Social Governance

There is an increasing focus on the "E" in the Environmental Social Governance ("ESG") aspect. Over the last decade PGS has worked quietly to improve emissions to air and can report a reduction of CO_2 emission by 30% per seismic line kilometer acquired from 2011 to 2019. The Company has identified further efficiency improvements, utilization benefits and reduction of drag from the ongoing digital transformation process and launch of the next generation GeoStreamer, which have the potential to reduce CO_2 emission by another 20% over the next decade.

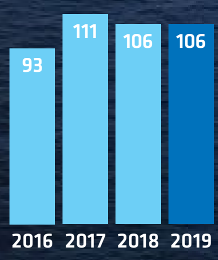
PGS aims not to leave footprints in the ocean after a seismic acquisition survey is completed. On many occasions PGS leaves areas cleaner than they were before acquisition started. Over the last five years, PGS has collected tons of marine debris, mostly plastics and returned it to a proper disposal chain onshore. This also include rescuing marine life from the debris and returning it safely to the ocean. Going one-step further PGS has developed a concept for collecting plastic offshore by using the inherent capabilities of seismic vessels. Subject to external funding, the plan is to get the system in operation. Additionally, PGS is supporting the UN Sustainable Development Goal 14-A by providing the bathymetry data we collect in the performance of our operations to the SeaBed 2030 Project, with the goal of mapping the entire ocean sea floor by 2030. For more details of PGS ESG work, reference is made to the Company's corporate responsibility report.

GeoStreamer Technology

PGS invests in research and development of new technologies, which gives the Company sustainable competitive advantages and solid return on the investments. Building on the multisensor GeoStreamer advantage, PGS is commencing production of the next generation GeoStreamer in 2020. Features of the next generation GeoStreamer is lower production and operating costs, as well as longer life. Data quality of the next generation GeoStreamer is equally good as the earlier version.

Utilizing the Capabilities of the PGS Fleet

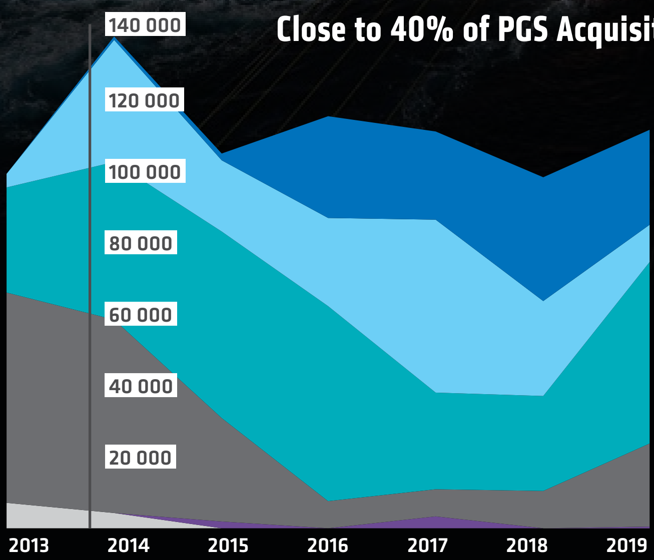
PGS has a unique advantage in being the only seismic operator to use vessels of the Ramform design. The ability to tow large, dense streamer spreads, as well as rapid streamer deployment and retrieval, are critical factors for high productivity. The capability to complete large surveys in short time spans is a significant PGS advantage.



Number of Streamers

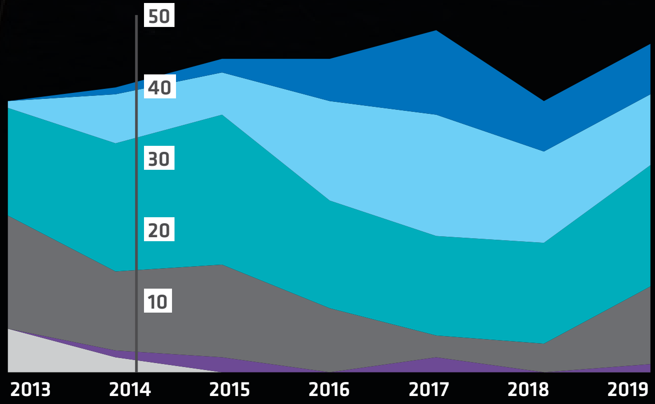
Average through the year

Close to 40% of PGS Acquisition is Done with 14 Streamers or More



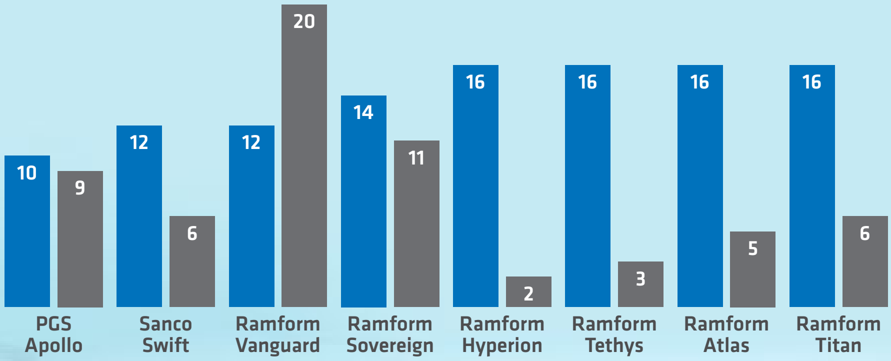
Area in Square Kilometers by Configuration

16+ Streamers 14 Streamers 12 Streamers 10 Streamers
8 Streamers 6 Streamers



Number of Projects by Configuration

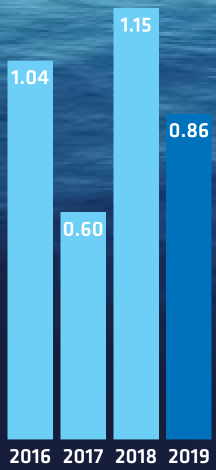
16+ Streamers 14 Streamers 12 Streamers 10 Streamers
8 Streamers 6 Streamers



Age and Streamer Count* in PGS Active Fleet

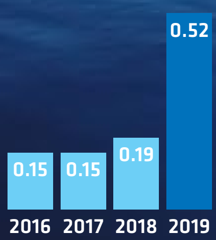
Normal Streamer Count **Vessel Age (years)**

**All available streamers are GeoStreamer*



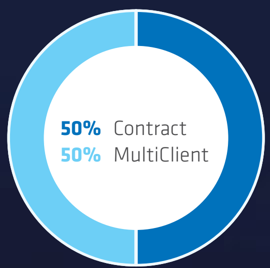
Total Recordable Case Frequency ("TRCF")*

**Per million man-hours.*

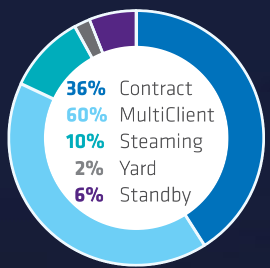


Lost Time Incident Frequency ("LTIF")*

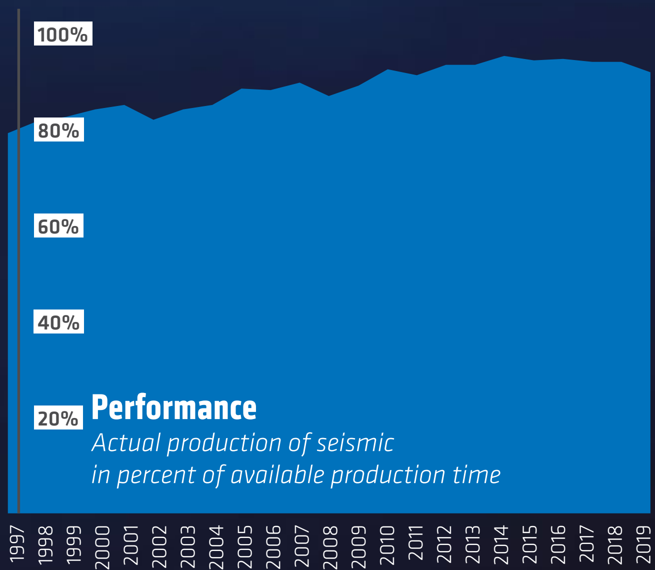
**Per million man-hours.*



Active Vessel Time in 2019



82% Vessel Utilization in 2019



Performance

Actual production of seismic in percent of available production time

The PGS Share

The PGS share has its primary listing on the Oslo Stock Exchange in Norway. In the United States, PGS has an ADR trading over the counter.

Share Facts
As of December 31, 2019 PGS had 338 579 996 shares outstanding, including American Depository Receipts ("ADRs"). Each share has a par value of NOK 3. The ticker code for PGS at the Oslo Stock Exchange is "PGS" and the shares are denominated in Norwegian kroner ("NOK").

The Company's ADR is traded over the counter in the US, have the ticker code "PGSVY" and are denominated in US dollars ("USD"). The ADR is the actual physical certificate confirming ownership of American Depository Shares ("ADS"). The term ADR is often used for both the certificates and the securities themselves.

On average, approximately 3.3 million PGS shares were traded daily on the Oslo Stock Exchange in 2019. The liquidity of PGS' ADR is significantly lower; the average daily ADR trading volume was approximately 6 086 in 2019.

Shareholders
PGS had 6 462 shareholders on record as of December 31, 2019, according to the Norwegian Central Securities Depository ("VPS"). By year-end 2019 US based investors owned approximately 34% of the outstanding PGS shares. Norwegian based investors had the second largest holding and accounted for approximately 29% ownership, while UK based investors held approximately 18% of the outstanding shares. The remaining 19% were mainly held by investors in other Western European countries.

As of December 31, 2019, Coltrane Asset Management was the largest PGS shareholder, owning 52.1 million shares or 15.4% of the Company. As of year-end 2019, PGS held 1 739 own shares.

Distribution of Information and IR Activities
All Company information considered material to the capital markets is published via the Oslo Stock Exchange's news service: www.newsweb.no, and posted on the Company's website. PGS holds public presentations in connection with quarterly earnings releases, and management regularly meets with investors and participates at investor conferences.

Analyst Coverage
As of December 31, 2019, there were 18 sell-side analysts covering PGS on a regular basis, with market updates and estimates of PGS' financial results. An updated list of analyst coverage is published on the Company's website.

2020 Annual General Meeting
PGS' 2020 Annual General Meeting is scheduled for April 22, 2020 at 15:00 CET at the Company's headquarters at Lilleakerveien 4C, 0216 Oslo, Norway. Each PGS share is entitled to one vote. Please note that Norwegian regulations stipulate that shares must be registered in the name of a specific owner in order for that person (or duly authorized agent) to be allowed to vote. Shareholders who wish to attend the Annual General Meeting are requested to pre-register via the Company's registrar. The registrar's contact information follows:

DNB Bank ASA
Registrar Services
PO Box 1600 Sentrum
NO-0021 Oslo, Norway

Phone: +47 23 26 80 20
Email: kua@dnb.no

Owners of ADRs can vote by surrendering their shares to the ADR depositary bank, Deutsche Bank, so that title to the shares in question is appropriately recorded in the share register maintained by Norway's VPS prior to the meeting date.

Contact Information for ADR Shareholders
The depositary bank for PGS' ADR shares is Deutsche Bank; the contact information is as follows:

Deutsche Bank Shareholder Services
American Stock Transfer & Trust Company
6201 15th Avenue Brooklyn, NY 11219, USA

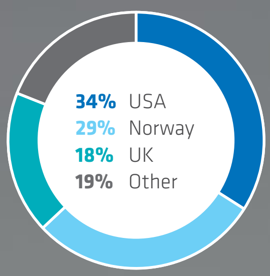
E-mail: db@astfinancial.com
Direct Dial: +1 718 921 8137

Corporate Credit Rating
PGS corporate rating is 'B2' from Moody's with a Stable outlook. Fitch and S&P has a 'B' rating with a Stable outlook on PGS.

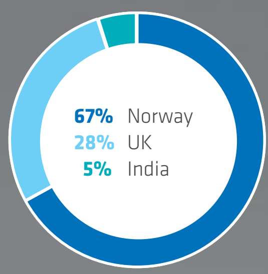
20 Largest PGS Shareholders*

	December 31, 2019	
	Total shares	**Ownership %**
Coltrane Asset Management LP	52 080 000	15.4
Lucerne Capital Management LP	25 400 457	7.5
M&G Investment Management Ltd.	24 282 993	7.2
DNB Asset Management AS	23 690 557	7.0
Albert Bridge Capital LLP	19 466 237	5.8
Caius Capital LLP	16 736 301	4.9
Folketrygdfondet	16 183 880	4.8
Ferd Invest AS	15 823 200	4.7
Dimensional Fund Advisors LP	14 808 085	4.4
Lancaster Investment Management LLP	10 481 315	3.1
The Vanguard Group Inc.	9 229 026	2.7
Assenagon Asset Management SA	8 848 501	2.6
Legal & General Investment Management Ltd.	6 140 501	1.8
BlackRock Advisors LLC	5 580 998	1.7
KLP Kapitalforvaltning AS	4 719 169	1.4
Third Avenue Management LLC	4 638 521	1.4
Edinburgh Partners Ltd.	3 834 454	1.1
Allianz Global Investors GmbH	3 226 609	1.0
Hermes Investment Management Ltd.	2 817 568	0.8
Contrarius Investment Management Ltd.	2 328 990	0.7
Other shareholders	68 262 634	20.1
Total	**338 579 996**	**100.0**

*The data in the table above 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.

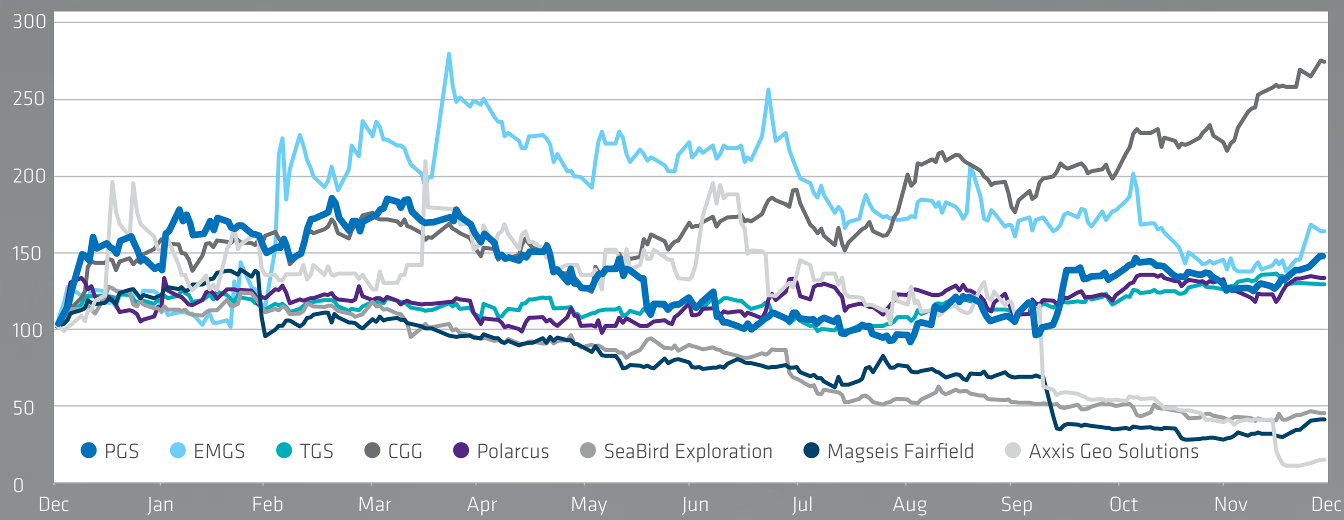


Citizenship of Shareholders



PGS Sell-side Analyst Location

PGS Share Price Performance During 2019 Relative to Peers



History of PGS

2019 Sold the *Ramform Sterling* to JOGMEC in Japan and entered into a related service agreement of up to 10 years with annual renewals. Changed name from Petroleum Geo-Services ASA to PGS ASA. Initiated a digital transformation process to accelerate strategy execution.

2018 Sold OptoSeis to GeoSpace as a part of the strategy to divest non-core assets.

2017 Took delivery of *Ramform Hyperion*, the last in a series of four Ramform Titan-class vessels. Launched initiative to centralize, simplify and streamline the organization.

2016 *Ramform Tethys* was delivered, the third in a series of four Ramform Titan-class vessels, improving fleet capabilities further with excellent operational performance.

2015 In an uncertain market environment PGS focused on cash flow and increased its liquidity reserve.

2014 *Ramform Atlas*, the second Ramform Titan-class vessel was delivered in January.

2013 PGS took delivery of the *Ramform Titan*, the first vessel in a series of four Ramform Titan-class ships.

2012 PGS exercised options to build another two Ramform Titan-class vessels and launched Separated Wavefield Imaging ("SWIM").

2011 PGS orders two new Ramform Titan-class vessels from Mitsubishi Heavy Industries Shipbuilding Co Ltd. in Japan, with options for additionally two vessels.

2010 PGS emerged as a focused marine geophysical company, following sale of its Onshore seismic business. PGS was reorganized into global product lines within four business areas: Marine Contract, MultiClient, Operations, and Imaging & Engineering. *PGS Apollo* joined the fleet.

2009 PGS took delivery of the *Ramform Sterling*.

2008 PGS took delivery of the *Ramform Sovereign* and the vessel sets new industry record with deployment of 17 streamers.

2007 PGS introduced the GeoStreamer, the first ever dual sensor streamer. The Company sells *Ramform Victory* to the Japanese Ministry of Economy Trade and Industry ("METI"). PGS acquired Arrow Seismic, Multi Transient Electro Magnetics ("MTEM") and Applied Geophysical Services ("AGS"). The first dividend in PGS history was paid.

2006 PGS demerged its floating production by listing and distributing to shareholders the company Petrojarl ASA. PGS becomes a dedicated geophysical services company and announces a plan to build two Ramform S-class vessels.

History of PGS

2005 Pertra was sold to Talisman, and PGS became a dedicated oil services company. In December the same year a full refinancing of the Company was completed.

2003 PGS sold Atlantis to Sinochem. An inability to meet debt obligations made PGS file for Chapter 11 under the US Bankruptcy code in July. PGS emerged from Chapter 11 in November the same year.

2002 PGS bought into in the Varg field in the North Sea from Norsk Hydro and Statoil and established the exploration and production company Pertra. PGS completes the world's 1st commercial Multi Azimuth ("MAZ") survey at Varg.

2001 The Company's data management business was sold to Landmark Graphics Corporation. *Ramform Victory* tows the world's first 16 streamer spread.

2000 PGS sold its subsidiary Spinnaker Exploration.

1999 A fourth FPSO, the *Petrojarl Varg*, was bought from Saga Petroleum.

1998 The production services business Atlantic Power was acquired. PGS added the *Ramform Banff* to the fleet of FPSO vessels.

1997 PGS was listed on the New York Stock Exchange. PGS Production is conceived with the acquisition of Golar-Nor and the FPSOs *Petrojarl I* and *Petrojarl Foinaven*

1995 Ramform seismic vessel technology was introduced with delivery of the *Ramform Explorer*. From 1995 to 1999, PGS designed, built, and deployed six proprietary Ramform survey vessels and grew to become a worldwide leader in the development and industrialization of 3D marine seismic acquisition.

1994 Acquisition of ERC – a reservoir consultancy group.

1993 Initial public offering on NASDAQ in the United States. With the acquisition of Tensor Inc., specialists in 3D processing and depth imaging, PGS' expanded into the data processing field.

1992 PGS was incorporated as a public limited liability company, Petroleum Geo-Services ASA, and listed on Oslo Stock Exchange.

1991 Geoteam and Precision Seismic merge to form Petroleum Geo-Services ("PGS"). Later the Company merged with Nopec. PGS' vision was to provide the most efficient acquisition of 3D marine seismic data.

Corporate Governance

PGS ASA ("PGS" or the "Company") is committed to maintaining high standards of corporate governance. We believe that effective corporate governance is essential to our Company's success and establishes the framework by which we conduct ourselves in delivering services to our customers and creating value for our shareholders.

PGS is registered in Norway as a public limited liability company, and our corporate governance model is based on Norwegian corporate law, the Continuing Obligations of Stock Exchange Listed Companies issued by Oslo Stock Exchange, the Rules and Regulations of the Luxembourg Stock Exchange, and the Norwegian Code of Practice for Corporate Governance (the "NUES Recommendations"). To the extent practicable, PGS also adheres to requirements applicable to registrants of foreign securities in the United States, where our American Depositary Receipts ("ADR") are publicly traded. We have implemented corporate governance particularly suited to our Company and the industry in which we operate.

The Norwegian Public Limited Liability Companies Act section 5-6 (4) requires that the statement of Corporate Governance is brought up for the Annual General Meeting ("AGM"). Consequently, this report will be presented to the General Meeting on April 22, 2020.

Our corporate governance principles, which have been adopted by our Board of Directors, are summarized below. Our website provides full versions of our basic corporate governance documents and an overview of our governance structure. These items include the Company's Articles of Association, the Board of Directors' Rules of Procedure, and the charters for the Company's Audit Committee, Remuneration and Corporate Governance Committee, and Nomination Committee. The documents can be downloaded from our website.

In accordance with the Norwegian Accounting Act section 3-3b, PGS is required to give a statement of our corporate governance in the Board of Directors report. In the Board of Directors report we refer to this document.

1. Code of Conduct, Core Values and Corporate Responsibility

We have adopted a Code of Conduct that reflects our commitment to our shareholders, customers, and employees to carry out our business with the utmost integrity. Our Code of Conduct and Core Values are available in full on our website.

At the heart of our Core Values is also a principled approach to Corporate Responsibility. We have built our framework for Corporate Responsibility around four key areas: People, Environment, Conduct and Stakeholders. For a further description, see our Corporate Responsibility Report, which is available on our website.

2. Business

PGS 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 data library is among the largest in the seismic industry. The Company operates on a worldwide basis with headquarters in Oslo, Norway.

Our business purpose, as presented in the Company's Articles of Association, is as follows:

"The business of the Company is to provide services to and participate and invest in energy related businesses."

Our business operations and the goals and strategies for our business areas are presented in greater detail on pages 16-18 of this Annual Report.

3. Equity and Dividends

The shareholders' equity as of December 31, 2019 was $637.1 million, corresponding to 27.7% of total assets.

The Board of Directors believes that the Company has an adequate capital structure. However, as a result of a weak market over several years, combined with substantial investments in fleet renewal, net interest bearing debt excluding lease liabilities, currently at $1 007.5 million, is higher than what the Board sees as beneficial for stakeholders over time. Taking into account experience from the downcycle 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 not exceeding $500 to 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. During 2019 the Company reduced its net interest bearing debt by $102.1 million, or 9.2%. The Board of Directors continually monitors the adequacy of the Company's capital structure in light of its objectives, strategy, risk profile and outlook.

The alternative performance measure "net interest bearing debt" as used above, excludes lease liabilities recognized in accordance with IFRS 16 and is further defined in the Annual Report.

The Board of Directors has adopted a dividend policy whereby it is the intention to distribute 25 to 50% of annual net income as dividends over time. The Board of Directors has no general authorization to distribute dividends. Each year's dividend is decided by the AGM after a proposal from the Board of Directors.

The Company has not distributed dividends in recent years due to a weak market, operating losses and a need to maintain an adequate liquidity reserve. Going forward, the Company's capacity to pay dividend will be assessed by the Board of Directors in light of, among other things, the market outlook and the Company's equity and funding positions. Since the Company currently has net interest bearing debt which is above the targeted level, priority is given to debt reduction before resuming dividend payments. In addition, the Company is restricted in its combined Revolving Credit and Term Loan B facility from proposing a dividend for 2019; and these agreements require certain conditions to be fulfilled before the Company may propose a dividend payment.

The Board of Directors is authorized to buy back up to 10% of the Company's share capital (treasury shares). The current authorization expires on June 30, 2020. However, a new authorization will, in line with past practice, be proposed at the next AGM. Purchase of treasury shares are subject to restrictions in the Revolving Credit and Term Loan B facility identical to those applicable for distribution of dividends.

It has been an ongoing practice of PGS shareholders to grant authorizations to the Board of Directors permitting it to increase the Company's share capital or issue convertible loans for up to 10% of the Company's share capital for certain defined purposes. The current authorizations expire on June 30, 2020. New authorization in line with past practice will be proposed at the next AGM.

Separate General Meeting votes are held for (a) authorizations to increase the share capital for certain business purposes, (b) authorization to issue convertible loans and (c) authorization to acquire treasury shares. When a proposed resolution encompasses share capital increases and/or the issuance of convertible loans and/ or acquisition of treasury shares for various purposes, the Company does not find it practical to hold separate votes on each element of proposals. This is a deviation from the NUES Recommendation No. 3 where it is recommended that when the General Meeting is to consider mandates to the Board of Directors for the issue of shares for different purposes, each mandate should be considered separately by the meeting.

4. Equal Treatment of Shareholders and Transactions with Close Associates

PGS has a single share class and all shares carry the same rights. At our General Meetings, each share carries one vote. Our Board of Directors is committed to equal treatment of shareholders in all respects.

When applicable, transactions involving the Company's own shares are carried out through a stock exchange, or at prevailing stock-exchange prices if carried out in an alternative manner.

Transactions between the Company and shareholders, a shareholder's parent company, members of the Board of Directors, executive officers, or close associates of any such party (referred to as "Close Associates") shall be conducted at arm's length distance and at market terms. Material transactions with Close Associates will be subject to independent valuation by third parties. According to PGS' Code of Conduct, our employees shall not have any personal or financial interest that might conflict with those of PGS nor influence, or appear to influence judgments or actions in carrying out their responsibilities on behalf of the Company. According to the Board of Directors' Rules of Procedure, a member of our Board of Directors may not participate in discussions or decision-making as to issues in which the Director or any person closely associated with the Director has a material personal or financial interest. The Code of Conduct and Rules of Procedure are available on our website.

5. Shares and Negotiability

The Company's shares are freely transferable and there are no restrictions imposed by the Company on ownership of or voting for shares.

6. General Meetings

Through participation in General Meetings, our shareholders exercise ultimate authority over the Company and, with exception of the employee elected Directors, elect the members of its Board of Directors and the chairperson of the Board of Directors.

Pursuant to the Company's Articles of Association, the notice of an AGM is distributed at least four weeks in advance of the meeting to shareholders or their depository banks. For ADR holders, the record date for notice-distribution purposes is set at approximately five weeks prior to the AGM. A copy of the call notice with appendices will be posted on our website.

Notices convening Extraordinary General Meetings ("EGM") must be distributed at least three weeks ahead of the meeting. The Board of Directors is to call shareholders to an EGM upon a written demand by the Company's independent auditor or shareholders representing at least five percent of the share capital, or for other purposes.

Shareholders who wish to attend a General Meeting must notify the Company's registrar or PGS by the deadline stated in the meeting notice, which must be at least two working days before the General Meeting.

According to the Company's Articles of Association, documents to be considered at the General Meeting may be published on our website. The same applies to documents that, due to statutory requirements must be attached to, or included in the notice calling the General Meeting. If the documents are published in such a manner, the statutory requirements for distribution shall not apply. Nevertheless, shareholders are entitled to request that documents to be considered by the General Meeting are sent to them via regular mail.

To vote at General Meetings, in person or by proxy, a shareholder must be registered with the Norwegian Central Securities Depository ("VPS"). Holders of ADR may vote according to the underlying shares by: (a) having the underlying shares transferred to an account with the Norwegian Central Securities Depository in the name of the holder, (b) attending the meeting as a shareholder by providing their name, address and evidence that they are the beneficial owner of the ADRs and coordinating with Deutsche Bank, depositary for the ADR, to have their ADRs blocked from voting, or (c) authorizing Deutsche Bank to vote the ADR on their behalf in accordance with specific guidelines.

An owner with shares registered through a custodian has voting rights equivalent to the number of shares covered by the custodial arrangement, provided that the owner of the shares, within two working days ahead of the General Meeting, provides PGS with his or her name and address together with written confirmation from the custodian to the effect that he or she is the beneficial owner of the shares held in custody.

Written and/or electronic voting in accordance with the Norwegian Public Limited Liability Companies Act, section 5-8b, shall be allowed for meetings where such method of voting is arranged by the Board of Directors.

Generally, all Directors attend the AGM together with the chairperson of the Nomination Committee and the auditor. In accordance with the Company's Articles of Association, the chairperson of the Board of Directors chairs General Meetings. This is a deviation from the NUES Recommendation No. 6 for making arrangements to ensure an independent chairperson for the General Meetings. The reason for this deviation is that the Company has found this more practical and that PGS wishes to ensure that General Meetings are chaired by a competent person having proper insight into PGS' overall operations.

7. Nomination Committee

According to our current Articles of Association, the Company has a Nomination Committee comprised of four members to be elected by our shareholders at the AGM. The majority of Nomination Committee members shall qualify as independent parties, pursuant to the NUES Recommendations. The term of service shall be two years unless the General Meeting determines that the period shall be shorter.

The Nomination Committee's main responsibilities, which are set out in the Nomination Committee Mandate and Charter, are to propose nominees for election as members and chairperson of the Board of Directors and the Nomination Committee. Further, the Nomination Committee proposes remuneration to be paid to members of the Board of Directors and Nomination Committee. The remuneration is approved by the General Meeting. Annually, the Nomination Committee produces a written report containing its nominations and proposals, which is distributed in advance of each AGM.

Once a year, the Nomination Committee meets with each Director individually and discusses how the Board of Directors and its committees function and whether there is a need for changes to the Board of Directors. The Nomination Committee also keeps contact with shareholders and the Company's President & CEO ("CEO") as part of its work.

As of December 31, 2019, the Nomination Committee comprises Harald Norvik (chairperson), Terje Valebjørg, Alex Herger and Ole Jakob Hundstad. Mr. Norvik was a first time electee at the AGM held May 10, 2017, whereas Mr. Valebjørg at the same AGM was re-elected, and Ms. Herger and Mr. Hundstad were first time elected at the AGM held April 24, 2019, all for a service period ending with the 2020 AGM.

Shareholders who wish to propose new Board members or new members of the Nomination Committee may do so by submitting a candidate's name to PGS' investor relations staff via the Company's website by following the link, "Nominate a Board Member." The deadline for submissions each year is January 31. Alternatively, candidates can be proposed by letter to PGS attn.

General Counsel or via email to: ir@pgs.com. PGS does not employ any Nomination Committee members and none is a member of the Board of Directors.

In 2019, the Nomination Committee held five meetings and conference calls. The Nomination Committee's report on its work and recommendations is set out in Appendix II to the Calling Notice.

8. Board of Directors – Composition and Independence

According to the Company's Articles of Association, our Board of Directors shall have from three to thirteen Directors. The period of service for members of the Board of Directors shall be one year.

The Board of Directors has adopted its own Rules of Procedure that establish in more detail its roles and responsibilities, including:

- Directors' qualifications
- Requirement that a majority of the shareholder elected Directors in the Board, a majority of the shareholder elected Directors being members of the Remuneration and Corporate Governance Committee, and all shareholder elected Directors being members of the Audit Committee, are considered to be independent Directors
- Annual review and determination of the independence of each Director.

The composition of the Board of Directors is a reflection of the Company's commitment to protect the common interests of all shareholders and the Company's need for expertise, capacity and diversity.

As of December 31, 2019, the Board of Directors comprised five shareholder elected and three employee elected Directors. The current shareholder elected Directors are Walter Qvam (chairperson), Anne Grete Dalane, Richard Herbert, Marianne Kah and Trond Brandsrud, whilst the current employee elected Directors are Anette Valbø, Hege Renshus and Grunde Rønholt. The current Directors are presented more in detail on the Company's website and in this Annual Report.

All shareholder elected Directors are independent of the Company's management. All such Directors are also per December 31, 2019, independent of our major business relations and major shareholders (owning more than 10% of the shares in the Company). No shareholder elected Director may be an executive of PGS. Such Directors are not permitted to perform paid consultancy work for PGS. As of December 31, 2019, all Directors, directly or indirectly, own PGS shares.

Shareholders and other interested parties may communicate directly with our shareholder elected Directors by written correspondence addressed to PGS ASA, Board of Directors (shareholder elected members), Secretary of the Board of Directors or to the Company's General Counsel Lars Ragnar van der Bijl Mysen, PO Box 251, NO-0216 Oslo, Norway. Further, our website invites shareholders wishing to discuss corporate governance or corporate responsibility matters to contact Mr. Mysen by phone or arrange a meeting with him.

9. The work of the Board of Directors

In accordance with Norwegian corporate law, our Board of Directors has overall responsibility for management of the Company, while the CEO is responsible for day-to-day management.

The Board of Directors provides oversight of the CEO's day-to-day management and company activities in general. The Board of Directors is also responsible for ensuring that appropriate management, guidelines, and control systems are in place and are followed.

The CEO, as agreed with the chairperson of the Board of Directors, annually submits a schedule of the meetings of the Board of Directors in the upcoming calendar year. The schedule is subject to Board approval. In 2019, the Board of Directors held nine meetings including conference calls. During 2019, all the current shareholder elected Directors participated in all prescheduled board meetings and conference calls.

Key elements of the Rules of Procedure cover the Board of Directors' responsibilities to determine the Company's financial targets, set strategy along with the CEO and executive committees, and approve business plans, budgets, and budgetary and risk frameworks. The Board of Directors reviews at least annually the objectives, strategy and risk profile for the Company. In its supervision of the Company's business activities, the Board of Directors will seek to ensure that satisfactory procedures are in place for monitoring and follow-up of Board-approved corporate principles and guidelines covering areas such as ethical conduct; adherence to laws, rules, and regulations; health, safety and environment; and corporate responsibility.

The Rules of Procedure also require an annual self-evaluation to determine whether the Board of Directors and its committees are functioning effectively. The annual self-evaluation is prepared and facilitated by the Remuneration and Corporate Governance Committee. An anonymous survey is carried out and the findings are discussed by the Board of Directors. The survey's findings are made available to the Nomination Committee. The Chairperson of the Nomination Committee also shares with the Board of Directors relevant information for improvement of Board processes that may come up in their annual interviews with individual Directors.

Each scheduled Board of Directors meeting includes a separate session at which issues may be discussed without the presence of the Company's management.

The tasks and duties of the CEO vis-à-vis the Company's Board of Directors are also outlined in the Rules of Procedure, along with the tasks and duties of the chairperson of the Board of Directors. The CEO participates in all board meetings other than closed sessions. The Board of Directors elects a vice chairperson to chair board meetings in the chairperson's absence. The full text of the Board of Directors' Rules of Procedure is available on our website.

Our governance structure is organized as described below.

Our Board of Directors is responsible for the supervision of our business activities. The Board of Directors has established an Audit Committee and a Remuneration and Corporate Governance Committee to assist in organizing and carrying out its responsibilities. The mandate and charter for the Audit Committee and the Remuneration and Corporate Governance Committee is available on our website.

Board responsibilities include:

- The Board of Directors appoints the Company's CEO
- The Board of Directors, along with the CEO, is committed to operating PGS in an effective and ethical manner in order to create value for the Company's shareholders. Our Code of Conduct requires management to maintain an awareness of the risks involved in carrying out our business strategies. Personal interests must not override or conflict with the interests of PGS.

The responsibilities of the CEO include:

- Day-to-day management of company activities
- Organizing PGS' Executive Committees and the Disclosure Committee to further assist the CEO
- The CEO, under the guidance and supervision of the Board of Directors and the Audit Committee, is responsible for ensuring that the Company's financial statements in all material respects fairly present the Company's financial condition and the results of its operations. Timely disclosure of issues to the Board of Directors is also essential to the assessment of the Company's financial condition, business performance and risks.

Board of Directors Committees

As of December 31, 2019, our Audit Committee comprises Directors Anne Grethe Dalane (chairperson), Richard Herbert, Marianne Kah, Anette Valbø and Hege Renshus. All shareholder elected Director's being members of the committee are considered independent of the Company. The committee's functions are to assist the Board of Directors in its supervision of the integrity of PGS' financial statements; to monitor the independent auditor's qualifications, independence and performance; to monitor the performance of the internal audit function; and to promote and review compliance with laws and regulatory requirements.

As of December 31, 2019, the PGS' Remuneration and Corporate Governance Committee comprises Directors Walter Qvam (chairperson), Trond Brandsrud, and Grunde Rønholt. All shareholder elected Director's being members of this committee are considered independent of the Company's senior management. The function of the committee is to assist in matters relating to compensation, benefits, and perquisites of the CEO and other senior executives. Review and modification of the Company's corporate governance implemented in the Company are also committee responsibilities.

In 2019, the Board of Directors also mandated an ad-hoc committee comprised by Mr. Qvam, Ms. Dalane and Mr. Brandsrud to oversee the Company's refinancing process together with the PGS management.

10. Risk Management and Internal Control

The Board of Directors is responsible for ensuring that appropriate guidelines, monitoring, and internal control systems are in place. These are to include embedding risk management, designating risk ownership, and implementing risk responses and controls.

The Board of Directors has systems in place to assess that the CEO exercises appropriate and effective management. The Board of Directors' Audit Committee assesses the integrity of PGS' accounts. It also enquires about, on behalf of the Board of Directors, issues related to financial review and external audit of PGS' accounts. Further, the Board of Directors and the Audit Committee supervise and verify that effective internal control systems are in place, including systems for risk management and financial reporting.

The Board of Directors and the Audit Committee take steps to ensure that the Company's internal control functions are working as intended and that necessary measures are taken to reduce extraordinary risk exposure. Furthermore, the Board of Directors makes certain that there are satisfactory routines for follow-up of principles and guidelines adopted by the Board of Directors governing (i) ethical conduct; compliance with laws, rules and regulations; health, safety and working environment; and corporate responsibility, and (ii) how the Company integrates stakeholder considerations into the Company's value creation.

The Company's anti-corruption program includes a management statement, policy and procedures as to several ethical issues, periodic training, high risk area assessment and monitoring, compulsory contract wording, etc. The policy and procedures are available on our website. The program is evaluated on a regular basis by the Audit Committee.

Management maintains and regularly reviews a risk matrix setting out the main risks for the Company. These risk factors and the Company's risk mitigating activities are subject to discussion in the Board of Directors at least once a year.

Management conducts day-to-day follow-up of financial management and reporting. Management has established a structured approach to ensure that the system for Internal Control over Financial Reporting ("ICFR") is effective. ICFR includes identification and assessment of all material financial reporting risks, identifying and documenting relevant controls to address these risks, and monitoring that controls are implemented and performed. For controls that are not operationally effective at year-end, their potential financial exposure and impact on the consolidated financial statements are evaluated.

Internal Audit Department

PGS has an Internal Audit Department reporting directly to the Audit Committee on its audit planning and audit reports. The purpose of the Internal Audit Department is to perform independent, objective assurance and consulting activities that add value and improve the Company's initiatives in financial, operational and compliance areas.

The scope of work for the Internal Audit Department includes determining whether the Company's risk management, control, and governance, as designed and represented by management, are adequate and well-functioning.

The audit reports are issued to the Audit Committee. In addition, the Internal Audit Department regularly monitors and reports status of management's actions to respond to identified risks or weaknesses.

11. Remuneration of the Board of Directors and Executive Management

Remuneration of shareholder elected Directors is not linked to performance, but is based on an annual fee and is subject to annual approval by the General Meeting. Shareholder elected Directors shall not solicit or accept specific assignments for PGS beyond their role as Directors. Shareholder elected Directors neither hold any PGS share options, restricted stock units nor performance based restricted stock units.

For details on compensation to individual Directors, please see note 29 to the consolidated financial statements of PGS.

Remuneration payable to both employee elected and shareholder elected Directors will be proposed by the Nomination Committee according to its Mandate and Charter, and is submitted to the AGM for approval.

Executive remuneration is one of the primary tasks of the Remuneration and Corporate Governance Committee. The committee annually reviews the total compensation level, the mix between fixed and performance related compensation and the mix between short and long-term compensation. The Remuneration and Corporate Governance Committee has developed an annual schedule in order to ensure and facilitate a structured approach to the annual review of executive compensation. The committee normally also engages an external advisor for this work.

A specific peer group of comparable companies and an executive remuneration philosophy have been adopted. As per December 31, 2019, the peer group consisted of twenty companies primarily from Norway and Europe. All companies are of comparable size and have international operations in the oil & gas and oil service sectors. An external advisor collects and compiles relevant information on peer group companies. This information is used by the Remuneration and Corporate Governance Committee for benchmarking executive remuneration. The executive remuneration policy document includes certain targets and guidelines on how the Company's executives should compare to the peer group. These tools, amongst others, are used by the Remuneration and Corporate Governance Committee to decide on an appropriate remuneration structure and to set appropriate total remuneration.

Compensation for the CEO adheres to the same process as that used for other executives, but is also subject to approval by the Board of Directors.

PGS currently has a compensation structure for senior executives that include a base salary, benefits such as newspaper and mobile phone subscriptions, cash bonuses, pension plans, and performance stock-based long-term incentive programs. Features of these programs include an absolute ceiling on performance-related remuneration.

For further details on the compensation structure and total compensation to executive team members, see note 29 to the consolidated financial statement of PGS, and also the Board of Directors' Statement on Remuneration to the CEO and senior executives set forth as Appendix VI to the Calling Notice.

12. Information and Communications

The Board of Directors is committed to reporting financial results and other relevant information based on openness and the requirement of equal treatment of all shareholders and securities market participants. The Company complies with relevant disclosure rules and regulations. Announcements are released through the Intrado reporting channel and posted on the Oslo Stock Exchange's news service: www.newsweb.no. In addition, all announcements are available on the Company's website. The Company's policy of accessibility for shareholders is also presented on the Company's website.

The Company has an investor relations function to ensure that requests for information from shareholders, analysts and other interested parties are satisfied. The Company has an active investor communication program which includes senior management roadshows in connection with reporting of financial results, presentations at relevant investor conferences, and availability for one-on-one meetings.

The Board of Directors and the Nomination Committee send a letter to the 30 largest shareholders once a year inviting them to join in a dialog on corporate governance and corporate responsibility matters. The letter is also posted on our website and any shareholder may initiate communication with the Company on these matters. During 2019, one meeting was conducted with shareholders under this initiative.

13. Takeover Bids

The Board of Directors has established guiding principles for how it will act in the event of a takeover bid. The Board of Directors will ensure that all shareholders are treated equally and seek to prevent disruptions to, or interference with, Company operations to the extent possible. In the event of a takeover bid, the Board of Directors will, in accordance with its overall responsibilities and good corporate governance, act in the best interest of shareholders and ensure that they are given sufficient information in the matter. If a takeover bid is made, the Board of Directors will issue a statement containing a recommendation as to whether the shareholders should accept or reject the offer, including an independent valuation of the offer. The Company's Articles of Association do not contain any restrictions, limitations, or defense mechanisms against acquisition of its shares.

14. Auditor

The Audit Committee shall support the Board of Directors in the administration and exercise of its responsibility for supervision of the work of the independent auditor, who shall keep the Board of Directors informed of all aspects of its work for PGS. This duty includes submission of an annual plan for the audit of PGS. The auditor attends all Audit Committee meetings and, at least twice a year, meets with the Audit Committee without the presence of management. In-house policies govern the use of the auditor's services. Use of the auditor for services other than the audit of PGS requires pre-approval by the Audit Committee.

The independent auditor meets with the full Board of Directors at least once a year in connection with the preparation of the annual financial statements and, at least once a year, presents a review of PGS' financial reporting and internal control procedures for financial reporting. At least once a year, the independent auditor meets with the Board of Directors without the presence of any member of the executive management.

Remuneration paid to the auditor for mandatory and other audit services will be reported to the AGM for approval.

15. Compliance with Laws, Rules, Regulations and Recommendations

As part of PGS' Business Practice outlined on our website, PGS is inter alia committed to comply with relevant laws, rules, and regulations, as well as the Continuing Obligations of Stock Exchange Listed Companies issued by Oslo Stock Exchange and the Rules and Regulations of the Luxembourg Stock Exchange. In addition, PGS complies with the current recommendations set forth in the NUES Recommendations, subject only to deviations identified and justified in this report. The NUES Recommendations are available at www.nues.no.

The Board of Directors further conducts periodic reviews of PGS' corporate governance policies and procedures, including the Board of Directors' Rules of Procedure. This process is conducted annually and managed by the Remuneration and Corporate Governance Committee. Any changes to policies or procedures are presented to the Board of Directors for approval.

Board of Directors

The Board of Directors is responsible for the administration, development, and supervision of PGS business activities.

Walter Qvam

Chairperson (Elected 2016)
Board Member since 2013
Remuneration and Corporate Governance Committee Member
Shareholding: 35 000

Mr. Qvam was previously the President and CEO of Kongsberg Group ASA, and he has held leading positions in various prominent Norwegian and international businesses in a variety of fields, including oil & gas and shipping, (DNV; Det Norske Veritas), IT (Capgemini), transportation (the Norwegian State Railway) and consultancy (Gemini Consulting). In addition to his role as Chairperson of PGS, Mr. Qvam is also the Chairperson of the Council of Stiftelsen Det Norske Veritas and the Chairperson of the Board of the research organization SINTEF, the cyber security specialists mnemonic and the mobility start-up wheel me. Mr. Qvam graduated Master of Science (M.Sc.) from the Norwegian University of Science and Technology (1979).

Anne Grethe Dalane

Vice Chairperson (Elected 2018)
Board Member since 2013
Audit Committee Member
Shareholding: 18 000

Ms. Dalane is a Senior Executive at Yara International and previously held a number of senior positions at Norsk Hydro. She is currently Chief Financial Officer Crop Nutrition at Yara International. Her previous experience covers a range of fields including HR as well as oil and gas. She has been Region Director Latin America and Country Manager of Argentina. She serves as a Director of BW LPG. Ms. Dalane's background is in economics and she holds a business degree from the Norwegian School of Economics NHH.

Richard Herbert

Board Member since 2017
Audit Committee Member
Shareholding: 9 500

Mr. Herbert is a petroleum geologist who has worked in the global upstream industry for more than 35 years. He is currently CEO of Frontera. He started his career with Phillips Petroleum, then spent 19 years with BP working on international exploration and development projects with senior positions in Thailand, Mexico, USA, Colombia, and Angola as well as the UK North Sea. From 2003-2008 he worked for TNK-BP in Russia, first as Exploration Vice-President and subsequently as Executive Vice President of Technology. He then joined Talisman Energy in Calgary, Canada as Exploration Vice President before returning to BP in 2013 to join the upstream executive team as Chief Operating Officer, Exploration. Richard Herbert retired from BP at the end of 2016. He holds a BSc in Geology from the University of Bristol in the UK.

Marianne Kah

Board Member since 2018
Audit Committee Member
Shareholding: 28 589

Ms. Kah was the Chief Economist of ConocoPhillips from 1992 to 2017, she was also a member of the company's Corporate Strategy Committee. Prior to this, she was a manager of Corporate Planning for Cabot Corporation, and held various positions in Conoco and U.S. Synthetic Fuel Corp, and was a policy analyst for the US General Accounting Office. She is currently a Senior Research Scholar and member of the advisory board at Columbia University Center on Global Energy Policy and a member of the advisory board of the University of Texas Energy Institute; past president of the US Association for Energy Economics; co-chair of the energy Roundtable for the national Association for Business Economics and a member of the board of directors of Allegheny Technologies Inc.

Trond Brandsrud

Board Member since 2019
Remuneration and Corporate Governance Committee Member
Shareholding: 35 000

Mr. Brandsrud is a board member and non-executive director of several listed and private-equity owned companies. These include Aker BP, where he chairs the audit and risk committee, and Lowell, where he serves as a member of the audit and remuneration committees. Brandsrud has 30 years' experience from the oil and gas industry. He has served as Group CFO at both Aker and Seadrill, and has held a wide range of senior financial positions in Royal Dutch Shell. Recently, he has also held group CFO and CEO positions in privately-owned companies Lindorff and Lowell, in the financial services sector. Trond Brandsrud is a Norwegian citizen and holds a master's degree from the Norwegian School of Economics (NHH).

Anette Valbø

Employee Elected Board Member since 2015
Audit Committee Member
Shareholding: 7 142

Ms. Valbø joined PGS in 2002. Her current position is Bid Manager. She has previously held varius Business Controller positions within Marine Contract and Operations business area. Prior to joining the Company, Ms. Valbø served in various positions within auditing and accounting in Frontline Ltd. and DNB. Ms. Valbø holds a bachelor degree in accounting and auditing from Molde University College, Norway.

Hege Renshus

Employee Elected Board Member since 2017
Audit Committee Member
Shareholding: 1 918

Ms. Renshus is Senior Navigation Specialist in PGS. She joined PGS in 1995, initially working offshore as a seismic navigator and subsequently in the Oslo office, in various technical and management positions. Ms. Renshus holds an M.Sc. in Engineering from the Norwegian University of Science and Technology.

Grunde Rønholt

Employee Elected Board Member since 2019
Remuneration and Corporate Governance Committee Member
Shareholding: 45 000

Mr. Rønholt joined PGS in 2011 to work with advanced imaging technology. He is currently Area Manager for Imaging Operations, based in Oslo. He has worked with seismic imaging and processing services for more than 20 years, first with multi-component data at READ Well Services, and later with towed streamer data at CGG. Grunde holds an M.Sc. in Geology from the University of Tromsø.

Board of Directors' Report

PGS' financial results improved further in 2019. A continued strengthening of the seismic market with better vessel utilization and significantly higher contract prices, as well as relentless cost focus, were the main drivers. The contract revenue improvement was partially offset by lower MultiClient sales.

PGS is a focused 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.

PGS is organized in three primary business units: Sales & Imaging, New Ventures and Operations.

- *Sales & Imaging* markets and sells PGS' MultiClient library, contract acquisition services and imaging solutions to energy companies.
- *New Ventures* initiates and acquires new MultiClient surveys, and manages the strategic positioning and portfolio development for new MultiClient investments.
- *Operations* manages vessel operations and marine seismic acquisition projects, as well as research and technology developments.

2019 Business Highlights

PGS capitalized on a strong position in the 4D market and an improving contract seismic market, and realized more than a doubling of contract revenues compared to 2018. PGS' contract prices were close to 40% higher than in 2018.

The order book nearly doubled during 2019, improving the business base going into 2020. Higher project activity enabled PGS to continue operating eight vessels during the winter season and generate additional value, compared to the seasonal reduction to six vessels in previous years when supply has been adjusted to lower winter-season demand.

Capital expenditures were kept at a low level in 2019.

Cash flow improved, and during 2019 PGS reduced net interest bearing debt by more than $100 million and increased the liquidity reserve by approximately $50 million.

PGS completed the sale of *Ramform Sterling* to JOGMEC, including a service agreement of up to 10 years with annual renewals. Following the sale, *Ramform Vanguard* was successfully re-introduced to maintain the operated 3D fleet size of eight vessels.

PGS also initiated a digital transformation process and entered into an agreement with Google Cloud as the Company's preferred cloud provider. Short-term, PGS' digital ambition is to image seismic data in the cloud, launch a cloud-based sales platform, improve energy efficiency and equipment maintenance. Longer-term, PGS will use machine learning and artificial intelligence for subsurface data analytics.

Early 2020, PGS completed a refinancing of its 2020 and 2021 debt maturities combined with a $95 million equity raise. The refinancing extended the maturity of the Company's revolving credit facility and term loan to 2023 and 2024.

Strategy

PGS will further strengthen its position as the only fully integrated marine seismic acquisition and imaging company. Following decisions by WesternGeco and CGG to exit the seismic vessel acquisition market, PGS is the only seismic company offering a full range of towed streamer acquisition and imaging services through both contract and MultiClient business models. Being in full control of seismic acquisition vessels, imaging and technology positions PGS to deliver the best and most flexible solutions to clients under any contract type. Further, being a fully integrated marine seismic company positions PGS to deliver on its strategic priorities in a way that distinguishes it from the competition while providing superior value to its clients.

The prolonged industry downturn, combined with capital expenditures relating to the Ramform Titan-class new build program, has led to a higher ratio of interest-bearing debt than targeted. The Company will prioritize profitability, cash flow and debt reduction before growth and will focus on delivering a competitive return on capital employed over the cycle. Debt reduction will be given priority to ensure PGS reaches a capital structure that is sustainable through future downturns. At the same time, PGS will continue to undertake selected technology development programs to further improve client value and operational effectiveness.

PGS business strategy comprises the following key priorities:

- PGS aims to become the preferred MultiClient provider in the industry and targets a sales-to-cash investment ratio of at least 2.5 times.
  - PGS MultiClient business has demonstrated cyclical resilience, strong returns and positive cash flow. PGS intends to continue to invest in and profitably grow the MultiClient business.
- PGS intends to build on its leadership and increase profitability in the 4D market.
  - The 4D market reached a trough in 2016 and has grown significantly in subsequent years. For the repeat surveys over producing fields, most clients focus on data quality. High capacity and productive vessels in combination with the proprietary GeoStreamer technology and integration with imaging positions PGS at the front in the 4D market.
- PGS aims to deliver the fastest turnaround time in the industry and be a fully integrated marine seismic company with both acquisition and imaging services.
  - Substantially reduced time spent at each stage of the seismic value chain, from survey planning to data delivery is becoming increasingly important. Clients will benefit from a shorter lead time to access seismic data while PGS will benefit from a more efficient and cost-effective work process and a closer relationship to clients.
- PGS will leverage the strong imaging technology, including dual sensor processing products, with a target to process all of the seismic data the Company acquires.
  - In the wake of the GeoStreamer, the Company has developed dual-sensor imaging technologies and received acknowledgement for unique imaging capabilities.
- PGS will continue to capitalize on its vessel assets in a cost-effective manner by developing acquisition configurations that leverage productivity, the GeoStreamer technology platform and the Company's imaging capabilities.
  - PGS Ramform fleet is unique in the industry with the lowest average age, flexible solutions for all survey designs and high productivity.
- PGS differentiates on technology and the Company will invest in imaging and acquisition technologies where sustained differentiation is or could be achieved.
- PGS will leverage digitalization to deliver on the business strategy, reduce costs and increase efficiency.

Markets and Main Businesses

PGS is one of the largest participants in the global marine 3D seismic market, with a market share in 2019 of approximately 35%, measured by number of streamers operated.

2019 was the third consecutive year with growth in the seismic industry and contract services benefited the most. MultiClient typically recovers first after a downturn, and sales started to improve in 2017. The MultiClient momentum continued in the subsequent year, when PGS achieved record sales from its MultiClient library. 2019 has been the year of recovery for contract services, and PGS achieved a price increase of close to 40%, compared to the average contract price in 2018. Margins are back in positive territory, but still lower than the average profitability seen historically through the cycle.

Demand for contract work in 2019 was driven by growth in the reservoir monitoring segment. The industry has experienced a steady growth in adoption of 4D monitoring surveys over the last decade. The number of companies applying 4D to one or more of their fields have increased five-fold. PGS has a solid market share in the

4D segment as a result of the Company's GeoStreamer offering providing superior data quality, as well as steerable streamers and sources making it possible to precisely replicate earlier 3D surveys and baseline 4D surveys.

The net 3D vessel capacity in the industry as a whole increased marginally during 2019, compared to 2018. At the same time activity has been higher and production seismic more prominent in the mix. The improving market fundamentals has improved vessel utilization, which is approaching pre downturn levels.

Higher activity and improved vessel utilization have resulted in higher prices and positively impacted order books and visibility across the industry.

Technology

PGS invests considerable resources to develop and deliver solutions for customers focusing on efficiency and best-in-class imaging quality.

GeoStreamer, the first-ever dual-sensor streamer and a proprietary PGS technology, was a game changer in streamer technology and the best proof of PGS' technology differentiation.

GeoStreamer affects the entire E&P life cycle, reducing exploration risk, improving the delineation of reservoir details, enabling accurate reservoir characterization and better production management. The unique design of GeoStreamer has created several new paradigms for how seismic data is used by PGS' customers. Separated Wavefield Imaging ("SWIM") is a technology that significantly improves understanding of shallow geology and drilling hazards whilst simultaneously enabling improvements in survey efficiency - a concept previously viewed as contradictory. SWIM is an example of a unique solution made possible by GeoStreamer data.

The GeoStreamer was originally developed to improve the seismic data quality. PGS has now developed the Next Generation GeoStreamer, which will have a significantly lower manufacturing cost, extended design life and several operational benefits. This is achieved without compromising on the data quality. PGS expects to commence production of the Next Generation GeoStreamer in 2020.

PGS is also making significant R&D progress with seismic sources. The Company has the industry leading source steering technology, and through new technology and improved towing methods PGS aims to deliver improved acquisition efficiency. The improvement is achieved by wide source tow, which is made possible by the source steering technology. During 2019 PGS completed the first survey utilizing a new towing solution, GeoStreamer X, in the North Sea.

Financial Results

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.

For internal management purposes PGS continues to use the revenue recognition principles applied in previous years, which are based on percentage of completion, and uses this for purposes of Segment Reporting. See note 4 in the annual financial statements for description.

The comments below relate to both the Company's primary financial statements with the adoption of IFRS 15 from January 1, 2018 ("As Reported") and segment financial information "Segment" unless otherwise stated.

In 2019, As Reported revenues amounted to $930.8 million, compared to $874.3 million in 2018.

2019 Segment Revenues were $880.1 million, compared to $834.5 million in 2018, an increase of $45.6 million, or 5%. After warm-stack of two vessels in Q1 2019, PGS increased to operating all eight active 3D vessels from the beginning of Q2 and throughout the year. In 2018 two vessels were warm-stacked both in Q1 and Q4. The additional operated capacity in 2019 was primarily deployed in the contract market, which in combination with better overall vessel utilization and improving contract pricing gave a significant increase in contract revenues. This revenue increase was partially offset by a lower MultiClient pre-funding and late sales revenues.

Contract revenues ended at $318.8 million, compared to $149.5 million in 2018, an increase of $169.3 million, or 113%, primarily as a result of more capacity allocated to contract work and close to 40% higher prices, compared to the average 2018 price level. The price increase is driven by higher activity levels/better supply demand balance, as well as PGS' strong position in the 4D market and integrated product offering.

In 2019, MultiClient pre-funding revenues, As Reported, were $307.2 million, predominantly driven by completion of surveys in North and South America. This was a decrease of $15.0 million, or 5%, compared to 2018, owing to less surveys completed and delivered to customers in the period.

Segment MultiClient pre-funding revenues in 2019 were $256.5 million, compared to $282.4 million in 2018, a decrease of $25.9 million, or 9%, as a result of less capacity allocated to MultiClient and consequently lower MultiClient cash investment. Segment MultiClient pre-funding revenues for 2019 were highest in North America, Africa and Europe.

Segment MultiClient pre-funding revenues as a percentage of capitalized cash investment (excluding capitalized interest) was 105%, inside the Company's targeted range of 80-120%, compared to 102% in 2018. Cash investment in the MultiClient library ended at $244.8 million, compared to $277.1 million in 2018, a decrease of $32.3 million, or 12%. The lower MultiClient cash investment is mainly due to less 3D vessel capacity allocated to MultiClient and a reduction of amounts reported as capitalized cash investment following the implementation of IFRS 16.

MultiClient late sales in 2019 were $273.1 million, compared to $371.9 million in 2018, a decrease of $98.8 million, or 27%. The reduction in late sales compared to the record achieved in 2018 is a result of less sales triggering events for PGS' MultiClient data library, particularly in Q2 2019, and a lower sales related to the typical year-end MultiClient spending by clients. Late sales in 2019 were distributed across regions and strongest in Africa and Europe.

Total Segment MultiClient revenues (pre-funding and late sales combined) decreased by $124.7 million or 19%, compared to 2018 and ended at $529.6 million.

The fleet allocation ratio, active 3D vessel time for marine contract versus MultiClient data acquisition, was 50:50 in 2019, compared to 34:66 in 2018.

The Company closely monitors the development of the gross cash costs. Gross cash costs are the sum of reported net operating expenses (excluding depreciation, amortization, impairments, deferred steaming, net and other charges, net), the cash operating costs capitalized as investments in the MultiClient library, and capitalized development costs. In 2019 gross cash costs ended at $579.8 million, a decrease of $21.8 million, or 4%, compared to 2018. Implementation of IFRS 16 reduced gross cash cost by approximately $50 million for the full year, compared to 2018. This reduction was offset by operating two more 3D vessels in Q4 2019 compared to 2018, higher vessel utilization, and higher project specific and geographical area related costs.

Net operating expenses, which include cost of sales, expensed research and development costs, and selling, general and administrative costs, totaled $324.0 million in 2019, compared to $318.6 million in 2018, an increase of $5.4 million, or 2%. The increase is primarily due to less costs capitalized as MultiClient investment, partly offset by a generally lower cost level and more deferred steaming costs.

Full year 2019, gross research and development ("R&D") costs decreased by $2.0 million, or 10%, to $17.7 million. Capitalized development costs decreased by $0.9 million, or 10%, compared to 2018, resulting in overall R&D costs in 2019 to be 10% lower than in 2018. The Company's R&D costs are mainly incurred to support and develop core business activities of marine seismic acquisition and imaging.

In 2019, total MultiClient amortization, As Reported, was 72% of MultiClient revenues, compared to 52% in 2018. The Company recognized accelerated amortization of $213.0 million on projects completed in 2019.

The Company recorded impairments on the MultiClient library of $ 17.9 million in 2019.

Segment MultiClient Amortization for 2019 decreased by $18.2 million, or 5%, to $343.9 million, compared to 2018. Segment MultiClient amortization as a percentage of total Segment MultiClient revenues was 65% in 2019, compared to 55% for the full year 2018.

2019 gross depreciation was $203.9 million, in line with gross depreciation in 2018. As a result of implementing IFRS 16, gross depreciation in 2019 increased by $41.4 million, which was almost fully offset by reduced depreciation driven by a generally lower investment level in recent years.

Operating profit As Reported in 2019 was $54.6 million, an increase of $15.2 million, or 39%, compared to $39.4 million in 2018.

Operating profit according to Segment Reporting, excluding impairment and other charges net, in 2019 was $96.4 million, an increase of $60.1 million, or 166%, compared to an operating profit of $36.3 million in 2018.

For the full year 2019, the share of results from associated companies amounted to a loss of $20.1 million, compared to a loss of $18.9 million in 2018. The loss was primarily related to exploration expense and impairments in the Azimuth Group, where PGS has an ownership of approximately 35%. PGS has a right, but no obligation to provide further funding of the Azimuth Group and has no guarantees outstanding.

Gross interest expense amounted to $63.6 million in 2019, compared to $69.1 million in 2018, a decrease of $5.5 million, or 8%, primarily as a result less interest bearing debt and lower interest rates on floating rate debt.

Other financial expense, net, of $4.6 million in 2019 is primarily related to fees on debt instruments, partially offset by interest income, compared to other financial expense, net, of $6.4 million in 2018.

Income tax expense, which consists of current and deferred tax expense, was $34.1 million in 2019, compared to $40.0 million in 2018. The 2019 current tax expense was $34.8 million, down from $40.0 million in 2018. Current tax expense primarily relates to foreign withholding tax and corporate tax on activities in South America, Africa and Middle East.

PGS is subject to taxation in many jurisdictions around the world with increasingly complex tax laws. PGS has identified issues in several jurisdictions that could eventually make the Company liable to pay taxes relating to prior years in excess of the liability recognized in financial statements. Reference is made to note 11 and 22 of this annual report for a description of significant tax contingencies.

Loss to equity holders of PGS ASA was $71.7 million in 2019, compared to a loss of $87.9 million in 2018.

Cash Flow, Financial Position and Financing

Net cash provided by operating activities totaled $474.3 million in 2019, compared to $445.9 million in 2018. The increase is driven by higher earnings as well as the effect of classifying payments on leasing obligations as financing activity in the cash flow statement (ref. IFRS 16).

Cash and cash equivalents totalled $40.6 million as of December 31, 2019, compared to $74.5 million as of December 31, 2018. The liquidity reserve, cash and cash equivalents and the undrawn part of the Revolving Credit Facility ("RCF"), was $210.6 million as of December 31, 2019, compared to $159.5 million as of December 31, 2018.

As of December 31, 2019, drawings of $180.0 million were outstanding on the RCF. The RCF in place as of December 31, 2019 matures in September 2020 and had a drawing limit of $350 million.

Restricted cash of $43 million includes $39 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 December 31, 2019, the Company had approximately 55% of its debt at fixed interest rates. The weighted average cash interest costs of gross debt for the full year 2019, reflects an interest rate of approximately 5.00%, including credit margins paid on the debt.

In February 2020 PGS completed a refinancing of its 2020 and 2021 debt maturities. The Company raised a four-year term loan B ("TLB") of $523 million and extended $215 million of its RCF by three years from its current expiry date in September 2020. The new TLB matures in March 2024 and was secured through an extension of $373 million (99%) of the earlier $377 million TLB and a $150 million upsize from existing and new TLB lenders. As part of the refinancing, the Company completed an equity private placement of approximately $95 million. The net proceeds from the $150 million incremental TLB and the new equity was primarily used to redeem the $212 million Senior notes due December 2020.

The undrawn portion of the RCF constitutes a significant portion of the Company's liquidity reserve. The Company is in compliance with the Total Leverage Ratio ("TLR") covenant applicable to the RCF. At December 31, 2019 the TLR was 2.28:1, well below the maximum level of 2.75:1. The Company expects to be in compliance with the TLR covenant going forward.

PGS interest-bearing debt includes the following components:

	December 31,	
(In USD million)	**2019**	**2018**
Secured:		
Term Loan B	377.0	381.0
Revolving Credit Facility	180.0	265.0
Japanese Export Credit Financing	322.1	369.3
Unsecured:		
Senior Notes, due 2020	212.0	212.0
Total	**1 091.1**	**1 227.3**

Net interest-bearing debt (interest-bearing debt less cash and cash equivalents, restricted cash, and interest-bearing investments) was $1 007.5 million as of December 31, 2019, compared to $1 109.6 million as of December 31, 2019.

Investments

In 2019, total MultiClient cash investment, excluding capitalized interest, amounted to $244.8 million, compared to $277.1 million in 2018, a decrease of $32.3 million, or 12%. The decrease is primarily due to less 3D vessel capacity allocated to MultiClient and a reduction of amounts reported as capitalized cash investment following the implementation of IFRS 16.

Capital expenditures, whether paid or not, totaled $59.1 million in 2019, compared to $42.5 million in 2018, an increase of $16.6 million, or 39%. The increase is primarily a result of reintroduction of the *Ramform Vanguard*, partially offset by lower capital expenditures on imaging and seismic equipment.

Financial Market Risk

The Company is exposed to market risks such as interest rate risk, currency exchange risk, credit risk, liquidity risk and commodity price risk, as discussed below. 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 shall be reported to the Board of Directors.

Interest Rate Risk

PGS has a mixture of fixed and floating interest rate debt combined with financial instruments, such as interest rate swaps, to manage the impact of interest rate fluctuations.

As of December 31, 2019, the debt structure of PGS included $612.2 million of floating interest rate debt, with interest rates based on up to six month LIBOR rates, plus a margin. $125.0 million of this floating interest debt is swapped into fixed interest by use of interest rate swaps. Fixed interest rate debt amounted to $478.9 million. Taking the interest rate swaps into account, $487.1 million of the Company's debt is exposed to floating interest rates while $603.9 million have fixed interest rates. For every (hypothetical) one percentage point increase in LIBOR, the annual net interest expense of the PGS' net interest bearing debt, including finance leases, would increase (with some delay) by approximately $4.1 million.

Currency Exchange Risk

PGS conducts business primarily in US dollars ("$" or "USD"), but also in several other currencies, including British pounds ("GBP"), Norwegian kroner ("NOK"), Brazilian real ("BRL"), euro ("EUR"), and occasionally currencies like Egyptian Pounds ("EGP"), Nigerian Naira ("NGN") and Japanese Yen ("JPY"). PGS is subject to foreign currency exchange rate risk on cash flows related to sales, expenses, financing, and investment transactions in currencies other than the US dollar.

PGS predominantly sells products and services in US dollars, and to a limited extent in other currencies. In addition to USD, a significant proportion of PGS' operating expenses are incurred in NOK and GBP. Less substantial amounts are incurred in various other currencies. Thus, regarding expenses and revenues in currencies other than US dollars, such expenses will typically exceed revenues.

A stronger US dollar reduces PGS' operating expenses as reported in US dollars. It is estimated that a 10% change of the US dollar against the two most significant non-USD currencies, NOK and GBP, would have an annual impact on gross cash cost of $12-15 million, and $5-7 million, respectively, before currency hedging.

PGS hedges parts of the foreign currency exposure related to operating income and expenses by entering into forward currency exchange contracts. While PGS enters into these contracts with the purpose of reducing the Company's exposure to exchange rate fluctuations, the contracts are not treated as hedges unless they are specifically designated as hedges of firm commitments or certain cash flows. Consequently, these forward currency exchange contracts are recorded at estimated fair value with gains and losses included as currency exchange gain (loss) in Other financial expense in the consolidated statements of profit and loss.

As of December 31, 2019, PGS had net open forward contracts to buy/sell GBP, NOK, BRL and JPY. The total nominal amount of these contracts was $107.7 million, compared to $177.0 million as of December 31, 2018. Of the total nominal amounts of forward exchange contracts, $24.0 million was accounted for as cash flow hedges, as of December 31, 2019, compared to $102.8 million as of December 31, 2018. Outstanding contracts at year-end 2019 had a net positive fair value of $0.9 million, compared to a net negative fair value of $4.1 million at year-end 2018.

A 10% depreciation of the US dollar against all the currencies in which PGS holds derivative contracts would increase the fair value of these contracts by approximately $1.6 million. The effect on the consolidated statements of profit and loss would have been positive $4.0 million.

All interest-bearing debts are denominated in US dollars.

Credit Risk

PGS' accounts receivable are primarily from multinational, integrated oil companies and independent oil and natural gas companies, including companies that are owned in whole or in part by governments. PGS manages the exposure to credit risk through ongoing credit evaluations of customers. Due to the nature of PGS' customer base, a low level of losses on accounts receivable has been incurred over the years. Due to the current market circumstances, where requests for extended credit terms may be more frequent, PGS has implemented additional processes to monitor and follow up credit risk.

PGS has a structured approach to monitor the credit risk of the Company's banking partners, including derivatives counterparties and the institutions in which cash is held on deposit.

Liquidity Risk

As of December 31, 2019, PGS had cash and cash equivalents of $40.6 million and the total liquidity reserve, including cash and cash equivalents and the undrawn part of the RCF, was $210.6 million, compared to $74.5 million and $159.5 million respectively as of December 31, 2018. At December 31, 2019 the total leverage ratio was 2.28:1, well below the maximum level of 2.75:1.

As described above, in February 2020 PGS completed a refinancing of its 2020 and 2021 debt maturities and completed an equity private placement of approximately $95 million.

Based on available liquidity resources and the structure and terms of the Company's debt after the February 2020 refinancing, it is the Board's opinion that PGS has adequate funding and liquidity to support the Company's operations and investment programs.

Commodity Risk

Operation of seismic vessels requires substantial fuel purchases, thus PGS is exposed to fuel price fluctuations. Based on the Company's fuel consumption in 2019, a 10% increase in fuel prices would increase the total annual fuel costs by approximately $8 million. The Company seeks to pass fuel price risk to customers on a majority of contract work.

Operational and Other Risks

Demand for the Company's products and services depend on the level of spending by energy companies on hydrocarbon-resource exploration, field development, and production. Spending levels are heavily influenced by energy prices and the energy companies' focus areas. In addition to the risk of less demand for PGS' services or for data from the MultiClient data library, the Company is subject to a large number of other risk factors including, but not limited to increased competition, the attractiveness of technology, changes in governmental regulations affecting the markets, technical downtime, licenses and permits, and operational hazards such as weather conditions.

Contracts for services are occasionally modified by mutual consent and in certain instances may be cancelled by customers on 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.

Shares, Share Capital and Dividend

As of December 31, 2019 PGS had 338 579 996 shares issued and outstanding, all of which are of the same class and carry equal voting and dividend rights. Each share has a par value of NOK 3. On February 14, 2020, 48 627 000 new shares was registered bringing the total number of issued shares up to 387 206 996, each with a nominal value of NOK 3.00. The total registered share capital was as of February 14, 2020 NOK 1 161 620 988.

PGS' ordinary shares are listed on the Oslo Stock Exchange (ticker: PGS) and denominated in Norwegian kroner. The PGS share continues to be traded as an American Depositary Receipt ("ADR") over the counter in the US (ticker: PGSVY). Quotes are denominated in US dollars and each ADR represents one share.

As of December 31, 2019, the Company held 1 739 treasury shares.

Due to the Company's strategic goal of reducing debt and limitations in loan agreements a dividend will not be proposed for 2019.

Health, Safety, Environment and Quality ("HSEQ")

Safety and reliability are at the core of PGS' business. The Company works hard to ensure that employees return home safe and well every day.

The PGS organization (core fleet vessels and PGS offices) had the following number of health and safety incidents in 2019:

Incident	2019	2018
Fatalities	0	0
Lost time injuries	3	1
Restricted work day cases	0	3
Medical treatment cases	2	2
High potential incidents	2	1

The Company's activity level (core fleet vessels and PGS offices) in 2019 was higher than that of 2018, with 5 783 139 man-hours in 2019, compared to 5 250 840 in 2018.

Incident frequencies*	2019	2018
Lost Time Injury Frequency ("LTIF")	0.52	0.19
Total Recordable Case Frequency ("TRCF")	0.86	1.15

The number of total recordable cases in relation to man hours was lower in 2019 than in 2018, however PGS experienced three lost time injuries in 2019. The Company has performed thorough investigations succeeding these incidents and followed up with actions and campaigns to prevent reoccurrence.

In 2019, PGS implemented new tools and modern systems that improve risk awareness and management. Sustaining and improving HSEQ performance and safety culture will remain a priority through 2020 and beyond.

PGS has over several years systematically worked to reduce the environmental impact of its activities. With respect to climate change, PGS is committed to reducing CO_2 emissions from its vessel operations and general business activity. Over the past decade, PGS has reduced its CO_2 emissions per data unit by 30% and has set a target to reach 50% by 2030. The Company has multiple ongoing activities to increase energy efficiency and the ongoing digital transformation and data analytics is a key enabler in many of these. More information regarding PGS environmental initiatives can be found in PGS Corporate Responsibility report for 2019, available on our website (follow the links: "Responsibility" – "Responsible Business").

Organization

PGS had an average of 1 256 and 1 248 regular active employees in the years ended December 31, 2019 and 2018, respectively.

As of December 31, 2019, PGS employees represented 57 nationalities; 31% of the office based employees are women (3% of offshore employees are women). Among staff working in Norway, 34% are women. The Board of Directors has three male and two female shareholder elected directors and one male and two female employee-elected directors.

At the headquarters in Oslo, 26% of management positions are held by women, and 3% of women working for the Norwegian organization of PGS work part-time. PGS consciously strives to improve the gender diversity of staff through reporting and actively encouraging development and promotion of women to management roles. The primary development processes are the Performance Management and Potential Assessment systems.

Being a global company, PGS has long-standing practice of embracing cultural diversity, and cultural sensitivity training is offered to employees.

The average monthly salary of all active regular employees as of December 2019 was $7 942 ($6 563 for female employees and $8 324 for male employees) based on February 1, 2020 exchange rates.

Board of Directors and Corporate Governance

As of December 31, 2019, the Board of Directors has the following members: Walter Qvam (Chairperson), Anne Grethe Dalane, Trond Brandsrud, Richard Herbert, Marianne Kah, Anette Valbø, Hege Renshus and Grunde Rønholt. The latter three are employee elected Board members.

The Board has established two sub-committees: an Audit Committee, comprising Anne Grethe Dalane (Chairperson), Richard Herbert, Marianne Kah, Anette Valbø and Hege Renshus, and the Remuneration and Corporate Governance Committee, consisting of Walter Qvam (Chairperson), Trond Brandsrud and Grunde Rønholt. The committees predominantly act as preparatory bodies for the Board of Directors and assist the Directors in exercising their responsibilities.

PGS also has a Nomination Committee elected by the shareholders. As of December 31, 2019, this committee consists of Harald Norvik (Chairperson), Terje Valebjørg, Alexandra Herger and Ole Jacob Hundstad.

PGS' corporate governance principles are adopted by the Board of Directors. The Board periodically reviews these principles. Statements of the corporate governance structure are described in more detail in the corporate governance section of this annual report. The Company's articles of association, in addition to full versions of the rules of procedures for the Board of Directors, the Audit Committee charter, the Remuneration and Corporate Governance Committee charter, the Nomination Committee charter, and PGS' Code of Conduct are available on the Company's website (follow the links: "About us" – "Corporate Governance").

Since 2004, PGS has maintained a compliance hotline operated by an external service provider in order to facilitate reporting of any concerns regarding inappropriate business conduct. The Company encourages use of the hotline by anyone who has concerns relating to compliance with laws and regulations, breaches of the code of conduct, fair treatment, or any other matter. Concerns can also be raised directly with the General Counsel or any Board member.

Corporate responsibility reports were published in combination with annual reports for 2011, 2013, 2014, 2015, 2016, 2017 and 2018, and will be published in combination with the 2019 annual report as well. The Company has signed up to UN Global Compact and going forward, progress of corporate responsibility activities will be reported in accordance with the 10 principles of UN Global Compact and published on the Company web site.

By conducting a materiality assessment PGS has identified its priorities on sustainability, and concluded to focus on five of the United Nations United Nation's Sustainable Development Goals ("SDGs"), which are number, 4-Quality Education, 9-Industry, Innovation and Infrastructure, 13-Climate Action, 14-Life Below Water and 16-Peace Justice and Strong Institutions. More information regarding what PGS does and how it is done can be found in PGS Corporate Responsibility report for 2019, available on our website (follow the links: "Responsibility" – "Responsible Business").

Outlook

World GDP and demand for energy is expected to continue to grow going forward. Even though renewables are expected to be the fastest growing energy source, fossil fuels is, and will remain a significant source of global energy supplies for several decades, independent of which energy mix and scenario considered. With the added challenge of natural decline of producing oil and gas fields, significant oil and gas investments are required to meet future energy demand.

Integrated energy companies have adjusted to a lower oil price environment and they report solid results. At the current oil price level, oil companies will continue to report strong cash generation going forward.

PGS expects the solid cash flow generation among clients and increasing exploration and production spending, including offshore spending, to contribute to recovery of the marine seismic market fundamentals.

During February 2020, there has been escalating global concerns over the corona virus outbreak, with a material impact on capital markets and the oil price. As of the date of this Board of Directors' report, while PGS has taken appropriate mitigating measures, there is a risk of negative impact on operations or demand for the Company's services.

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

Pursuant to section 3-3a of the Norwegian Accounting Act, the Board confirms that the 2019 financial statements have been prepared based on the assumption of a going concern and that it believes that this assumption is appropriate.

Allocation of Parent Company's result for 2019

The financial statements of the parent company, PGS ASA, are prepared and presented in accordance with generally accepted accounting principles in Norway ("NGAAP"). PGS ASA reported a net loss of NOK 19.5 million for 2019, compared to a net loss of NOK 581.3 million in 2018. PGS ASA is a holding company with no material operating activities.

The Board proposes that the net loss for 2019 of NOK 19 500 000 is transferred from other equity. Total shareholders' equity in PGS ASA as of December 31, 2019 was NOK 4 507 000 000 corresponding to 35% of total assets.

Weybridge, February 28, 2020
Board of Directors PGS ASA

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

Responsibility Statement

Today, the Board of Directors and the Chief Executive Officer reviewed and approved the Board of Directors' report and the consolidated and separate annual financial statements for PGS ASA, for the year ending and as of December 31, 2019.

PGS ASA's consolidated financial statements have been prepared and presented in accordance with IFRSs and IFRICs as adopted by the EU and additional disclosure requirements in the Norwegian Accounting Act, and that should be used as of December 31, 2019. The separate financial statements for PGS ASA have been prepared in accordance with the Norwegian Accounting Act and Norwegian accounting standards as of December 31, 2019. The Board of Directors report for the group and the parent company is in accordance with the requirements of the Norwegian Accounting Act and Norwegian accounting standard 16, as of December 31, 2019.

To the best of our knowledge:

- The consolidated and separate annual financial statements for 2019 have been prepared in accordance with applicable accounting standards.
- The consolidated and separate annual financial statements give a true and fair view of the assets, liabilities, financial position, and result of operations as a whole as of December 31, 2019, for the group and the parent company.
- The Board of Directors' report for the group and the parent company include a true and fair review of:
  - The development and performance of the business and the position of the group and the parent company.
  - The principal risks and uncertainties the group and the parent company face.

Weybridge, February 28, 2020
Board of Directors PGS ASA

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

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Financial Statements

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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, impairment 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 presents 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.

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 EBITDA ex. other charges, net is reconciled as follows:	**Year ended December 31,**	
(In millions of US dollars)	**2019**	**2018**
Operating profit (loss)	54.6	39.4
Segment adjustment to revenues as reported	(50.7)	(39.8)
Other charges, net	(1.0)	13.5
Amortization and impairment of MultiClient library	437.4	385.3
Depreciation and amortization of long term assets (excl. MultiClient library)	115.8	117.5
Segment EBITDA ex other charges, net	**556.1**	**515.9**

Segment EBIT ex. impairment and other charges, net is reconciled as follows:	**Year ended December 31,**	
(In millions of US dollars)	**2019**	**2018**
Operating profit (loss)	54.6	39.4
Segment adjustment to revenues reported	(50.7)	(39.8)
Other charges, net	(1.0)	13.5
Segment adjustment to amortization as reported	75.6	0.6
Impairment of MultiClient library	17.9	22.6
EBIT ex. impairment and other charges, net	**96.4**	**36.3**

Net interest bearing debt is reconciled as follows:	**December 31,**	
(In millions of US dollars)	**2019**	**2018**
Cash and cash equivalents	40.6	74.5
Restricted cash (current and long-term)	43.0	43.2
Current debt and current portion of non-current debt	(443.2)	(51.2)
Non-current debt	(641.2)	(1 164.7)
Adjustment for deferred loan costs (offset in non-current debt)	(6.7)	(11.4)
Net interest bearing debt, excluding lease liabilities *	**(1 007.5)**	**(1 109.6)**
Lease liabilities current	(46.1)	(3.2)
Lease liabilities non-current	(151.0)	-
Net interest bearing debt, including lease liabilities *	**(1 204.6)**	**(1 112.8)**

* Following implementation of IFRS 16, prior periods are not comparable.

Total capital expenditures, whether paid or not is reconciled as follows:	**December 31,**	
(In millions of US dollars)	**2019**	**2018**
Seismic equipment	20.3	24.4
Vessel upgrades/yard	29.2	4.7
Processing equipment	6.3	10.4
Other	3.3	3.0
Total capital expenditures, whether paid or not	**59.1**	**42.5**
Change in working capital and capital leases	2.9	5.5
Investment in property and equipment	62.0	48.0

Cash cost, gross and Net operating expenses are reconciled as follows:	**Year ended December 31,**	
(In millions of US dollars)	**2019**	**2018**
Cost of sales before investment in MultiClient library	(510.3)	(530.1)
Research and development costs before capitalized development costs	(17.7)	(19.7)
Selling, general and administrative costs	(51.8)	(51.8)
Cash costs, gross	**(579.8)**	**(601.6)**
Steaming deferral, net	3.0	(3.0)
Cash investment in MultiClient library	244.8	277.1
Capitalized development costs	8.0	8.9
Net operating expenses	**(324.0)**	**(318.6)**

Financial Statements

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PGS ASA Parent Company

Notes to the Consolidated Financial Statements

Notes to the Parent Company Financial Statements

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Consolidated Statements of Profit and Loss

(In millions of US dollars)	Note	Year ended December 31, 2019	2018
Revenues	5	**930.8**	**874.3**
Cost of sales	6	(262.5)	(256.0)
Research and development costs		(9.7)	(10.8)
Selling, general and administrative costs		(51.8)	(51.8)
Amortization and impairment of MultiClient library	7	(437.4)	(385.3)
Depreciation and amortization of non-current assets (excl. MultiClient Library)	7	(115.8)	(117.5)
Other charges, net	8	1.0	(13.5)
Total operating expenses		**(876.2)**	**(834.9)**
Operating profit (loss)		**54.6**	**39.4**
Share of results from associated companies	18	(20.1)	(18.9)
Interest expense	9	(67.5)	(62.0)
Other financial expense, net	10	(4.6)	(6.4)
Income (loss) before income tax		**(37.6)**	**(47.9)**
Income tax	11	(34.1)	(40.0)
Profit (loss) for the year		**(71.7)**	**(87.9)**
Earnings (loss) per share, to ordinary equity holders of PGS ASA:	12		
- Basic		($0.21)	($0.26)
- Diluted		($0.21)	($0.26)

PGS

Consolidated Statements of Comprehensive Income

(In millions of US dollars)	Note	Year ended December 31, 2019	2018
Profit (loss) for the year		**(71.7)**	**(87.9)**
Other comprehensive income			
Actuarial gains (losses) on defined benefit pension plans	25	(8.1)	11.6
Items that will not be reclassified to statements of profit and loss		(8.1)	11.6
Cash flow hedges		2.2	(4.4)
Other comprehensive income (loss) from associated companies		-	(0.4)
Items that may be subsequently reclassified to statements of profit and loss		2.2	(4.8)
Other comprehensive income (loss), net of tax		**(5.9)**	**6.8**
Total comprehensive income (loss) to equity holders of PGS ASA		**(77.6)**	**(81.1)**

PGS

Consolidated Statements of Changes in Shareholders' Equity

	Attributable to equity holders of PGS ASA				
(In millions of US dollars)	Share capital par value	Additional paid-in capital	Accumulated earnings	Other capital reserves	Shareholders' equity
Balance as of January 1, 2018	**138.5**	**851.4**	**(180.9)**	**(4.8)**	**804.2**
Profit (loss) for the period	-	-	(87.9)	-	(87.9)
Other comprehensive income (loss)	-	-	11.6	(4.8)	6.8
Share based payments	-	3.0	-	-	3.0
Share based payments, cash settled	-	(4.3)	-	-	(4.3)
Balance as of December 31, 2018	**138.5**	**850.1**	**(257.2)**	**(9.6)**	**721.8**
Effect from implementation of IFRS 16	-	-	(9.5)	-	(9.5)
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**

PGS

Consolidated Statements of Financial Position

(In millions of US dollars)	Note	December 31, 2019	2018
ASSETS			
Current assets			
Cash and cash equivalents	21	40.6	74.5
Restricted cash	13	4.2	4.3
Accounts receivables	5, 21	191.1	160.3
Accrued revenues and other receivables	5, 14	118.5	61.1
Other current assets	15	71.7	64.8
Total current assets		**426.1**	**365.0**
Non-current assets			
Property and equipment	16	1 132.4	1 062.2
MultiClient library	17	558.6	654.6
Restricted cash	13	38.8	38.9
Other non-current assets	18	44.6	66.6
Other intangible assets	19	101.2	106.7
Total non-current assets		**1 875.6**	**1 929.0**
Asset held for sale	16	**-**	**90.8**
Total assets		**2 301.7**	**2 384.8**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Interest bearing debt	20, 21	443.2	51.2
Lease liabilities	20, 22	46.1	3.2
Accounts payable	21	56.1	67.0
Accrued expenses and other current liabilities	23	128.2	110.6
Deferred revenues	5	123.9	160.6
Income taxes payable	11	24.6	32.5
Total current liabilities		**822.1**	**425.1**
Non-current liabilities			
Interest bearing debt	20, 21	641.2	1 164.7
Lease liabilities	20, 22	151.0	-
Deferred tax liabilities	11	0.1	0.8
Other non-current liabilities	24	50.2	72.4
Total non-current liabilities		**842.5**	**1 237.9**
Shareholders' equity			
Share capital; par value NOK 3; issued and outstanding 338 579 996 shares	26	138.5	138.5
Additional paid-in capital	26	852.5	850.1
Total paid-in capital		**991.0**	**988.6**
Accumulated earnings		(346.5)	(257.2)
Other capital reserves		(7.4)	(9.6)
Total shareholders' equity		**637.1**	**721.8**
Total liabilities and shareholders' equity		**2 301.7**	**2 384.8**

Weybridge, February 28, 2020

Board of Directors PGS ASA

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

PGS

Consolidated Statements of Cash Flows

		Year ended December 31,	
(In millions of US dollars)	Note	**2019**	**2018**
Net income (loss) to equity holders of PGS ASA		***(71.7)***	***(87.9)***
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization, impairment and loss on sale of long-term assets	7	553.2	504.8
Share of results from associated companies	18	20.1	18.9
Interest expense	9	67.5	62.0
Loss (gain) on sale and retirement of assets		(1.5)	2.4
Income taxes paid	11	(37.2)	(30.0)
Other items		1.3	(1.2)
(Increase) decrease in accounts receivables, accrued revenues and other receivables		(63.7)	3.8
Increase (decrease) in deferred revenues	5	(36.7)	(12.5)
Increase (decrease) in accounts payable		(2.8)	(8.4)
Change in other current items related to operating activities		33.1	(3.1)
Change in other non-current items related to operating activities		12.7	(2.9)
Net cash provided by operating activities		**474.3**	**445.9**
Investment in MultiClient library	17	(244.8)	(277.1)
Investment in property and equipment	16	(62.0)	(48.0)
Investment in other intangible assets	19	(15.4)	(19.9)
Investment in other current and non-current assets		(0.5)	(6.6)
Proceeds from sale and disposal of assets	16	70.2	1.5
Net cash provided by (used in) investing activities		**(252.5)**	**(350.1)**
Interest paid on interest bearing debt		(60.9)	(63.4)
Repayment of interest bearing debt	20	(51.2)	(80.2)
Net change of drawing on the Revolving Credit Facility	20	(85.0)	75.0
Payment of lease liabilities (recognized under IFRS 16)	20, 22	(44.8)	-
Payments of leases classified as interest	22	(13.8)	-
Net cash provided by (used in) financing activities		**(255.7)**	**(68.6)**
Net increase (decrease) in cash and cash equivalents		(33.9)	27.2
Cash and cash equivalents as of January 1		74.5	47.3
Cash and cash equivalents as of December 31		**40.6**	**74.5**

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 focused 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 28, 2020.

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 has 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 are 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 7.

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 7.

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 a lease liability measured at the present value of lease payments due under the contract, less any lease incentives receivable, plus the costs of purchase or termination options if reasonably certain to be exercised. Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the 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 low value leases

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

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

IFRS 16

The Company adopted IFRS 16 with effect January 1, 2019. The new standard was applied using the modified retrospective approach, and therefore comparatives for the year ended December 31, 2018 have not been restated and the reclassifications and adjustments on implementation are recognized in the opening balance sheet at January 1, 2019.

On initial application of IFRS 16, the Company elected to use the following practical expedients:

- Use of a single discount rate to a portfolio of leases with similar characteristics;
- The use of hindsight when determining the length of the lease term;
- Leases for which the lease term ends within 12 months of 1 January 2019 will continue to be recorded as operating leases under IFRS 16;
- Initial direct costs are excluded from the measurement of the right of use asset.

The company has elected to apply the following application choices for IFRS 16:

- Lease contracts with a duration of less than 12 months will continue to be recorded as operating leases and expensed to the income statement;
- Lease contracts for underlying assets of a low value will continue to be recorded as operating leases and expensed to the income statement;
- Lease contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

At January 1, 2019, the Company recognized lease liabilities for all vessels, properties and other assets that were previously classified as operating leases. These liabilities were measured at the present value of remaining lease payments, discounted using the incremental borrowing rate at January 1, 2019. The weighted average incremental borrowing rate applied to the lease liabilities at January 1, 2019 was 6.4% for contracts denominated in USD, and 5.5% for property leases valued in GBP or NOK.

A corresponding right-of-use-asset was recognized, measured at the amount equal to the lease liability and adjusted by the amount of lease incentives embedded in the value of the asset, asset impairment, accrued costs of restoration and any liabilities relating to onerous leases.

The impact on the statement of financial position at January 1, 2019 was as follows:

Adjusted opening balance following IFRS 16	**Closing Balance December 31, 2018**	**Adjustment IFRS 16**	**Opening Balance January 1, 2019**
Total current assets	**365.0**	**-**	**365.0**
Property and equipment	1 062.2	202.0	1 264.2
Other	866.8	-	866.8
Total long term assets	**1 929.0**	**202.0**	**2 131.0**
Asset held for sale	**90.8**	**-**	**90.8**
Total assets	**2 384.8**	**202.0**	**2 586.8**
Accumulated earnings	(257.2)	(9.5)	(266.7)
Other equity	979.0	-	979.0
Total shareholders' equity	**721.8**	**(9.5)**	**712.3**
Accrued expenses, other current liabilities	110.6	(5.4)	105.2
Current debt and current portion of non-current debt	54.4	44.0	98.4
Other	260.1	-	260.1
Total current liabilities	**425.1**	**38.6**	**463.7**
Non-current debt	1 164.7	194.5	1 359.2
Other	73.2	(21.6)	51.6
Total long term liabilities	**1 237.9**	**172.9**	**1 410.8**
Total liabilities and shareholders' equity	**2 384.8**	**202.0**	**2 586.8**

The following is a reconciliation of total operating lease commitments at December 31, 2018 to the lease liabilities recognized at January 1, 2019:

(In millions of US dollars)

Future minimum payments at 31 December 2018	**293.6**
Commitments exempt due to expiry within 12 months	(11.9)
Commitments exempt due to low value	(0.1)
Effect of increase in lease term due to extension options	0.6
Effect of discounting	(43.7)
Total current and non-current lease liabilities	**238.5**

The Company did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 January 2019.

Impact on MultiClient library capitalization and consolidated statement of profit and loss

Operating lease expenses previously recognized within cost of sales have been replaced by depreciation of the right-of-use-asset and interest costs arising from the effect of discounting.

A substantial amount of lease costs are directly incurred in acquiring seismic surveys, and as such are eligible for capitalization to the MultiClient library. For the year ending December 31, 2019, the adoption of IFRS 16 resulted in a reduction in gross cash costs of approximately $50 million, partially offset by a reduction in MultiClient library capitalization of approximately $20 million. Lease costs previously recognized within gross cash costs were replaced by depreciation of $40 million and interest expense of $15 million.

IFRIC 23 Uncertainty over Income Tax Treatment

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. Including:

- Whether an entity considers uncertain tax treatments separately
- The assumptions made about examination of tax treatments by taxation authorities
- How to determine taxable profit (tax loss), tax bases, unused tax credits and tax rates
- How an entity considers change in facts and circumstances

The Company determines whether to consider each uncertain tax treatment separately or together with one ormore other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The Company applies significant judgement in identifying uncertainties over income tax treatments. Since PGS operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. PGS determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Company.

Amendments to IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognized those past transactions or events. An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019.

These amendments had no impact on the consolidated financial statements.

Amendments to IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019.

Since the Company's current practice is in line with these amendments, they 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 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, '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 Company is still assessing the potential impact.

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 11% 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

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, 2019 would have resulted in an additional impairment of approximately $15 million. A 20% reduction in the sales forecast for all surveys with a net book value as of December 31, 2019 would have resulted in an additional impairment of approximately $45 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.

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 2020 will be similar to that experienced in 2019. Thereafter, management has forecast improved margins that generate operating profit ("EBIT") margins slightly below average historic margins. Had EBIT margins that are 3 percentage points lower been assumed for the long term, then impairment of the fleet would approximate $30 million as of December 31, 2019. Had EBIT margins that are 5 percentage points lower been assumed for the long term, then impairment of the fleet would approximate $110 million as of December 31, 2019.

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, 2019, aggregate unrecorded deferred tax assets of the Company amount to $329 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 11 and 22 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 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, 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,					
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
(In millions of US dollars)	Segment Reporting		Adjustments		As Reported	
Total revenues	880.1	834.5	50.7	39.8	930.8	874.3
Cost of sales	(262.5)	(256.0)	-	-	(262.5)	(256.0)
Research and development costs	(9.7)	(10.8)	-	-	(9.7)	(10.8)
Selling, general and administrative costs	(51.8)	(51.8)	-	-	(51.8)	(51.8)
Amortization of MultiClient library	(343.9)	(362.1)	(75.6)	(0.6)	(419.5)	(362.7)
Depreciation and amortization (excl. MultiClient library)	(115.8)	(117.5)	-	-	(115.8)	(117.5)
Operating profit/ EBIT ex impairment and other charges,net	**96.4**	**36.3**	**(24.9)**	**39.2**	**71.5**	**75.5**

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, 2019 MultiClient pre-funding revenues, As Reported, were higher than Segment pre-funding revenues. This difference is only related to timing of revenue recognition.

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 and MultiClient library are classified based upon the geographic area covered by the data being licensed. 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.

	Year ended December 31,			
Geographical markets	**2019**	**2018**	**2019**	**2018**
(In millions of US dollars)	Segment Reporting		As Reported	
Americas (excluding Brazil, Canada and Guyana)	27.6	19.3	26.7	55.8
Brazil	59.9	139.6	108.6	113.7
Canada	75.4	80.7	94.3	69.3
Guyana	116.0	9.2	116.0	9.2
UK	46.8	72.7	69.1	49.9
Norway	172.0	200.2	130.0	275.0
Asia/Pacific	126.8	67.8	118.6	98.2
Africa (excluding Angola)	98.4	115.2	103.7	82.7
Angola	93.7	90.6	90.1	90.3
Middle East/Other	63.5	39.2	73.7	30.2
Total revenues from contracts with customers	**880.1**	**834.5**	**930.8**	**874.3**

Total non-current assets (a)	Year ended December 31,	
(In millions of US dollars)	**2019**	**2018**
Americas (excluding Brazil)	142.8	173.6
Brazil	39.9	92.8
Europe (excluding Norway)	43.3	71.4
Norway	1 322.6	1 304.0
Asia/Pacific	153.8	115.7
Africa	115.5	75.4
Middle East/Other	12.4	48.1
Total	**1 830.3**	**1 881.0**

(a) Consists of Property and equipment, MultiClient library, Investments in associated companies (note 18) 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	Year ended December 31,	
(In millions of US dollars)	2019	2018
Contract seismic	318.8	149.5
MultiClient pre-funding	307.2	322.3
MultiClient late sales	273.1	371.8
Imaging	29.1	25.8
Other	2.6	4.9
Total revenues from contracts with customers	**930.8**	**874.3**

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 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*	Year ended December 31,	
(In millions of US dollars)	2019	2018
Licenses transferred at a point in time	555.6	649.3
Services transferred over time	375.2	225.0
Total revenues from contracts with customers	**930.8**	**874.3**

*Refer to section on performance obligations below

Set out below is the reconciliation of the revenues from contracts with customers with the amounts disclosed in the segment information (note 4):

	Year ended December 31,	
(In millions of US dollars)	2019	2018
Revenues as reported in Segment disclosure	**880.1**	**834.5**
Segment MultiClient revenue for projects not yet delivered	(138.3)	(157.8)
Segment MultiClient revenue from previous years, projects delivered	189.0	197.6
Revenues, As Reported	**930.8**	**874.3**

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

In 2019, aggregate revenues from the two largest customers accounted for 24% and 9% of the Company's consolidated revenues compared to 8% and 8% in 2018, 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 relative share of the revenue. For the year ended December 31, 2019 and 2018, $142.1 million and $140.1 of the revenue recognized relates to projects with Joint Operations, respectively.

Accounts receivables

	Year ended December 31,	
(In millions of US dollars)	2019	2018
Accounts receivables from contracts with customers	167.4	160.3
Other	23.7	-
Accounts receivables	**191.1**	**160.3**

Contract balances

Balances related to customer contracts consists of the following;

	Year ended December 31,		January 1,
(In millions of US dollars)	2019	2018	2018
Accounts receivables	167.4	160.3	162.8
Accrued revenues (note 14)	116.4	58.1	60.6
Total assets from contracts with customers	**283.8**	**218.4**	**223.4**
Deferred revenues	123.9	160.6	173.9
Total liabilities from contracts with customers	**123.9**	**160.6**	**173.9**

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 increase in accounts receivables and accrued revenues is primarily a result of better overall vessel utilization and improving contract pricing, that was partially offset by a reduction in MultiClient late sales, from the record level achieved in Q4 2018.

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 all deferred revenues to be recognized during 2020.

The decrease in deferred revenues is due to more MultiClient projects completed in the period and lower prefunding on some surveys.

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

	Year ended December 31,	
(In millions of US dollars)	**2019**	**2018**
Amounts included in contract liabilities at the beginning of the year	156.1	161.3

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 preformed 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 $27.3 million and $47.9 million for the years ended December 31, 2019 and 2018, 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:

	Year ended December 31,	
(In millions of US dollars)	**2019**	**2018**
Licenses transferred at a point in time	176.1	210.1
Services transferred over time	137.6	47.6
Within one year	**313.7**	**257.7**
Licenses transferred at a point in time	37.5	-
Services transferred over time	-	-
More than one year	**37.5**	**-**
Total	**351.2**	**257.7**

All ongoing MultiClient projects as of December 31, 2019 with pre-funders are expected to be completed during 2020 and first quarter 2021. Timing of performance obligations are uncertain as MultiClient projects are, among other, subject to allocation of internal imaging capacity and progress.

Note 6 – Cost of Sales

	Year ended December 31,	
(In millions of US dollars)	**2019**	**2018**
Vessel cost, direct project cost & technology	(402.4)	(393.7)
New Ventures & Imaging	(109.8)	(132.4)
Other	1.9	(4.0)
Total cost of sales, gross	**(510.3)**	**(530.1)**
Steaming deferral, net	3.0	(3.0)
Less amount capitalized to MultiClient library	244.8	277.1
Total cost of sales, net	**(262.5)**	**(256.0)**

Note 7 – Depreciation, Amortization and Impairments of Long-Term Assets

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

	Year ended December 31,	
(In millions of US dollars)	2019	2018
Amortization of MultiClient library (note 17)	(206.5)	(212.3)
Accelerated amortization of MultiClient library (note 17)	(213.0)	(150.4)
Impairment of MultiClient library (note 17)	(17.9)	(22.6)
Amortization and impairment of MultiClient library	**(437.4)**	**(385.3)**

Impairment relates mainly to surveys where the level of previously expected sales has not materialized or are no longer probable. Approximately 40% relates to Europe and reminder mainly Africa and Asia Pacific.

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

	Year ended December 31,	
(In millions of US dollars)	2019	2018
Gross depreciation and amortization*	(203.9)	(203.4)
Deferred Steaming depreciation, net	1.3	(1.8)
Capitalized MultiClient depreciation	86.8	87.7
Depreciation and amortization of non-current assets (excl. MultiClient Library)	**(115.8)**	**(117.5)**

* Includes depreciation of right-of-use assets amounting to $ 41.4 million for year ended December 31, 2019.

Note 8 – Other Charges, Net

Other charges, net consist of the following:

	Year ended December 31,	
(In millions of US dollars)	2019	2018
Severance cost	(0.4)	(2.4)
Onerous lease contracts, service component	4.2	(1.7)
Onerous contracts with customers	(1.9)	6.9
Write down supply/spare parts	-	(8.2)
Other	(0.9)	(8.1)
Total	**1.0**	**(13.5)**

Note 9 – Interest Expense

Interest expense consists of the following:

	Year ended December 31,	
(In millions of US dollars)	2019	2018
Interest on debt , gross	(63.6)	(69.1)
Imputed interest cost on lease agreements (note 22)	(13.8)	-
Interest capitalized to the MultiClient library (note 17)	9.9	7.1
Total	**(67.5)**	**(62.0)**

The average interest rate used to determine the amount of interest cost eligible for capitalization was 4.9% for the years ended December 31, 2019 and 2018, respectively.

Note 10 – Other Financial Expense, Net

Other financial expense, net, consists of the following:

	Year ended December 31,	
(In millions of US dollars)	2019	2018
Interest income	2.2	2.3
Currency exchange gain/loss	1.0	(3.0)
Fees, including commitment fee RCF	(4.3)	(5.0)
Other	(3.5)	(0.7)
Total	**(4.6)**	**(6.4)**

Note 11 – Income Taxes

Income tax consists of the following:

	Year ended December 31,	
(In millions of US dollars)	2019	2018
Current taxes	(34.8)	(40.0)
Deferred taxes	0.7	-
Total income tax expense	**(34.1)**	**(40.0)**

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

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:

	Year ended December 31,	
(In millions of US dollars)	2019	2018
Income (loss) before income tax	(37.6)	(47.9)
Norwegian statutory rate	22%	23%
Provision for income taxes at statutory rate	8.3	11.0
Increase (reduction) in income taxes from:		
Effect of tax rates other than statutory tax rate in Norway	(3.4)	(11.7)
IFRS 15 Revenue and amortization recognized in previous years (a)	(1.3)	20.2
Tax exempt income within tonnage tax regimes	6.3	4.2
Losses from equity investments	(4.4)	(4.3)
Foreign taxes not creditable in home country	(17.2)	(10.9)
Change in tax rate	-	(14.2)
Currency effects (b)	(2.7)	(17.0)
Changes in unrecognized deferred tax assets	(19.1)	(24.5)
Prior period adjustments	(0.8)	5.9
Other permanent items	0.2	1.2
Income tax	**(34.1)**	**(40.0)**

Notes to selected items in the preceding table:

(a) 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 has 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.

(b) 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, 2019	2018
Deferred tax assets		
Derivatives	(0.3)	(0.8)
Employee benefits	(7.4)	(7.7)
Tax loss carry-forwards	(268.3)	(269.2)
Tax credits	-	(2.9)
Current accruals/liabilities	(0.8)	(1.1)
Property and equipment	(40.9)	(29.5)
Other	(24.0)	(13.9)
Deferred tax assets, gross	**(341.7)**	**(325.1)**
Deferred tax liabilities		
Property and equipment	5.2	7.4
Intangible assets	7.8	8.7
Deferred tax liabilities, gross	**13.0**	**16.2**
Deferred tax assets, net	(328.7)	(308.9)
Deferred tax assets not recognized in the consolidated statements of financial position	328.8	309.7
Net recognized deferred tax assets and liabilities	**0.1**	**0.8**

(In millions of US dollars)	December 31, 2019	2018
Deferred tax assets	-	-
Deferred tax liabilities	0.1	0.8
Income tax liabilities, gross	**0.1**	**0.8**

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 2019 and the outlook for 2020 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, 2019 are as follows:

(In millions of US dollars)	Tax losses	Expiry dates	Recognized deferred tax assets	Unrecognized deferred tax assets
Norway	904.3	None	-	198.9
UK	133.2	None	-	25.3
Other	166.0	Various	-	44.1
	1 203.5		**-**	**268.3**

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 tax have been provided for unremitted earnings.

With its multi-national 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, 2019	2018
Other non-current liabilities	0.1	0.2
Total provision for uncertain tax positions	**0.1**	**0.2**

Tax Contingencies

The Company estimates the likelihood of unfavorable outcomes for tax contingencies amounting to approximately $25 million as reasonably possible (20-50%) and approximately $95 million as remote (less than 20%) which 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 $41.1 million in total. Refer to note 22.

Note 12 – Earnings Per Share Information

Specification of average number of shares:

	Year ended December 31,	
	2019	**2018**
Weighted average basic shares outstanding (a)	338 578 257	338 575 238
Dilutive potential shares	1 988 640	2 432 040
Weighted average diluted shares outstanding	**340 566 897**	**341 007 278**

(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 26)

For information on shares issued subsequent to balance sheet date, refer to note 31.

Note 13 – Restricted Cash

Restricted cash consists of the following:

	December 31,	
(In millions of US dollars)	**2019**	**2018**
Current:		
Restricted payroll withholding taxes	4.2	4.2
Other	-	0.1
Total restricted cash, current	4.2	4.3
Non-current:		
Restricted cash debt service	38.8	38.9
Total	**43.0**	**43.2**

Note 14 – Accrued Revenues and Other Receivables

Accrued revenues and other receivables consist of the following:

	December 31,	
(In millions of US dollars)	**2019**	**2018**
Accrued revenues	116.4	58.1
Other receivables	2.1	3.0
Total	**118.5**	**61.1**

Note 15 – Other Current Assets

Other current assets consist of the following:

	December 31,	
(In millions of US dollars)	**2019**	**2018**
Consumables, supplies and fuel inventory	29.1	32.8
Deferred steaming and project costs	13.8	9.5
Prepaid operating expenses	16.3	10.2
Withholding taxes and taxes receivable	6.8	7.7
Prepaid reinsurance	3.0	2.9
Unrealized gain on firm commitment subject to hedge accounting	1.3	0.9
Other	1.4	0.8
Total	**71.7**	**64.8**

Note 16 – 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, 2018	**2 990.9**	**70.9**	**3 061.8**
Additions	42.4	0.1	42.5
Asset transfers to held for sale	(172.1)	-	(172.1)
Asset retirements	(120.3)	(3.1)	(123.4)
Reclassification/Other	(5.9)	5.5	(0.4)
Cost as of December 31, 2018	**2 735.0**	**73.4**	**2 808.4**
Implementation of IFRS 16	140.8	61.2	202.0
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**
Accumulated depreciation as of January 1, 2018	**1 549.9**	**40.3**	**1 590.2**
Impairments as of January 1, 2018	**172.5**	**1.4**	**173.9**
Depreciation	176.9	7.6	184.5
Asset transfers to held for sale	(81.3)	-	(81.3)
Asset retirements- accumulated depreciation	(78.7)	-	(78.7)
Asset retirements- accumulated impairment	(39.3)	(3.2)	(42.5)
Depreciation as of December 31, 2018	**1 566.9**	**46.1**	**1 613.0**
Impairments as of December 31, 2018	**133.1**	**-**	**133.1**
Depreciation	167.8	20.2	188.0
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**
Balance as of December 31, 2018	**1 035.0**	**27.1**	**1 062.2**
Balance as of December 31, 2019	**1 059.3**	**73.1**	**1 132.4**

Following implementation of IFRS 16 effective January 1, 2019, the Company capitalize the right of use of all vessels, properties and other assets that were previously accounted for as operating leases. Refer to note 2 for further information.

Right of Use assets included within property and equipment

For the year ended December 31, 2019 and 2018, Seismic vessels and equipment and Buildings, fixtures and furniture included the following right of use assets, including leases previously classified as finance leases under IAS 17:

(In millions of US dollars)	Seismic vessels and equipment*	Buildings, fixtures and furniture	Total
Cost as of January 1, 2018	**1.1**	**-**	**1.1**
Additions	6.1	-	6.1
Cost as of December 31, 2018	**7.2**	**-**	**7.2**
Implementation of IFRS 16 Leases	140.8	61.2	202.0
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**
Accumulated depreciation as of January 1, 2018	**0.7**	**-**	**0.7**
Depreciation	1.8	-	1.8
Depreciation as of December 31, 2018	**2.5**	**-**	**2.5**
Depreciation	27.7	13.7	41.4
Depreciation as of December 31, 2019	**30.2**	**13.7**	**43.9**
Balance as of December 31, 2018	**4.7**	**-**	**4.7**
Balance as of December 31, 2019	**121.3**	**47.7**	**169.0**

* As at 31 December 2018, Seismic vessels and equipment included $4.7 million where the group was a lessee under finance leases.

For more information on leases refer to note 22.

Impairments

Management regularly evaluates its fleet plan and capital expenditure level in light of market conditions. In 2019 and 2018 management performed such evaluations which did not resulted in impairments related to fixed assets for the year ended December 31, 2019 and 2018. Refer to note 3 for more information.

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 is to be received in April 2020.

Note 17 – MultiClient Library

The changes in the MultiClient library are as follows:

(In millions of US dollars)	2019	2018
Balance as of January 1,	**654.6**	**668.0**
Capitalized cash costs	244.8	277.1
Capitalized interest	9.9	7.1
Capitalized depreciation	86.8	87.7
Amortization expense	(206.5)	(212.3)
Accelerated amortization	(213.0)	(150.4)
Impairments (see note 7)	(17.9)	(22.6)
Other	(0.1)	-
Balance as of December 31,	**558.6**	**654.6**

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

	December 31,	
(In millions of US dollars)	2019	2018
Completed surveys:		
Completed during 2014	-	10.7
Completed during 2015	-	29.7
Completed during 2016	40.3	110.1
Completed during 2017	37.3	66.3
Completed during 2018	72.8	116.4
Completed during 2019	133.3	-
Completed surveys	**283.7**	**333.2**
Surveys in progress	**274.9**	**321.4**
MultiClient library	**558.6**	**654.6**

Note 18 – Other Non-Current Assets

Other non-current assets consist of the following:

	December 31,	
(In millions of US dollars)	2019	2018
Investments in associated companies (a)	38.1	57.7
Other receivables	6.5	8.9
Total	**44.6**	**66.6**

(a) Specification of investments in and loans to associated companies as follows:

		December 31, 2019		December 31, 2018	
(In millions of US dollars)	Net book value	Net book value	Ownership	Net book value	Ownership
Azimuth Ltd.	Bermuda	-	35%	-	35%
Azimuth II Ltd.	Bermuda	29.8	35%	40.5	35%
Azimuth III Ltd.	Bermuda	6.7	44%	17.0	44%
Other*		1.6	-	0.2	-
Total		**38.1**		**57.7**	

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

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

	Year ended December 31, 2019			Year ended December 31, 2018		
(In millions of US dollars)	Profit (loss) for the year	Adjustments (a)	Share of income (loss)	Profit (loss) for the year	Adjustments (a)	Share of income (loss)
Azimuth Ltd.	(0.8)	0.8	-	5.8	(5.8)	-
Azimuth II Ltd.	(5.8)	(4.9)	(10.7)	(20.1)	1.9	(18.2)
Azimuth III Ltd.	(4.6)	(5.6)	(10.2)	(9.4)	8.7	(0.7)
Other	0.8	-	0.8	-	-	-
Total			**(20.1)**			**(18.9)**

(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 2019 the Company recognized a loss in its investment in Azimuth III by $10 million based upon an assessment of recoverable value.

As of December 31, 2019 and 2018, 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. For the year ended December 31, 2018 there was a reversal of previously unrecognized losses amounting to $5.9 million. Cumulative unrecognized losses amount to $5.6 million and $3.3 million as December 31, 2019 and 2018, respectively.

The Company has contributed $0.5 million and $6.6 million to the Azimuth Group in 2019 and 2018, respectively. During 2019 and 2018 the Azimuth Group purchased data and other services from the Company for $0.8 million and $0.4 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:

	Azimuth Limited		Azimuth II Limited		Azimuth III Limited	
(In millions of US dollars)	2019 (preliminary)	2018(a)	2019 (preliminary)	2018(a)	2019 (preliminary)	2018 (a)
Current assets	0.4	0.6	15.4	14.8	3.2	3.7
Non-current assets	6.7	6.7	110.9	117.7	20.0	30.1
Current liabilities	0.3	0.3	19.1	16.8	50.1	50.1
Non-current liabilities	6.2	4.4	-	-	-	-
Equity	0.6	2.6	107.2	115.7	(26.9)	(16.3)
Revenue	-	-	-	-	0.9	1.0
Operating expenses	0.3	0.6	(0.1)	14.3	11.4	11.3
Financial (income) expenses	1.6	(18.1)	7.9	50.6	-	-
Income (loss) before tax	(1.9)	17.5	(7.8)	(64.9)	(10.5)	(10.3)
Income tax	-	-	-	-	-	-
Profit (loss) for the year	(1.9)	17.5	(7.8)	(64.9)	(10.5)	(10.3)
Other comprehensive income	-	-	(0.5)	(1.1)	-	-
Total comprehensive income	(1.9)	17.5	(8.3)	(66.0)	(10.5)	(10.3)

(a) The preliminary 2018 financial statements numbers for the Azimuth companies included in the 2018 Annual report have been updated to reflect final numbers.

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

	December 31,	
(In millions of US dollars)	**2019**	**2018**
Balance as of January 1	**57.7**	**70.5**
Investments	0.5	6.6
Share of results from associated companies	(20.1)	(18.9)
Other comprehensive income (loss) from associated companies	-	(0.4)
Other changes	-	(0.1)
Balance as of December 31	**38.1**	**57.7**

Note 19 – 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, 2018	**367.5**	**37.2**	**404.8**
Additions to costs	0.6	9.8	10.4
Reclassification	-	0.5	0.5
Asset retirements	(2.4)	-	(2.4)
Asset transfers	14.7	(14.7)	-
Asset sale	(29.6)	-	(29.6)
Abandoned equity investment	-	(2.0)	(2.0)
Cost as of December 31, 2018	**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**
Amortization as of January 1, 2018 (a)	**281.6**	**-**	**281.6**
Amortization expense	17.8	-	17.8
Asset retirements	(2.4)	-	(2.4)
Asset sale	(22.0)	-	(22.0)
Amortization as of December 31, 2018 (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**
Balance as of December 31, 2018	**75.8**	**30.8**	**106.7**
Balance as of December 31, 2019	**63.7**	**37.4**	**101.2**
Estimated useful life	1 to 15 years		

(a) The accumulated impairment charge on intangibles other than goodwill was $164.8 and $164.8 million as of December 31, 2019 and 2018.
(b) Includes net book value of approximately $4.7 million relating to towed EM technology.

2019 Impairments

There were no impairments in 2019.

2018 Impairments

The company recognized a $2.0 loss from abandoning an equity interest. This loss is included in Other Charges.

2018 Sale of OptoSeis business

In November 2018 the Company entered into an agreement to sell its fiber optic permanent reservoir monitoring solution, OptoSeis, to Geospace Technologies. Terms of the transaction include an initial cash payment at closing of $1.8 million and contingent cash payment of up to an additional $23.2 million over a five-and-half year earn-out period. The contingent cash payments will be derived from revenues generated during the earn-out period from products and services utilizing the OptoSeis fiber optic technology. The earn-out have been valued at an assumed fair value and the sale did not result in a material gain or loss in the statement of profit or loss. There are no changes or adjustments made to the fair value of the earn-out receivable for the year ended December 31, 2019.

Note 20 – Debt and Guarantees

(In millions of US dollars)	December 31, 2019	2018
Secured:		
Term loan B, Libor (min. 75 bp) + 250 Basis points, due 2021	377.0	381.0
Export credit financing, due 2025	119.8	140.6
Export credit financing, due 2027	202.3	228.7
Revolving credit facility, due Sep 2020	180.0	265.0
Unsecured		
Senior notes, Coupon 7.375%, due Dec 2020	212.0	212.0
Total loans and bonds, gross	1 091.1	1 227.3
Less current portion	(443.2)	(51.2)
Less deferred loan costs, net of debt premiums	(6.7)	(11.4)
Non-current interest bearing debt	**641.2**	**1 164.7**

Undrawn facilities consists of:

(In millions of US dollars)	December 31, 2019	2018
Secured		
Revolving credit facility, due 2020	170.0	85.0
Unsecured		
Bank facility (NOK 50 mill)	5.7	5.8
Performance bond	9.6	12.3
Total	**185.3**	**103.1**

Summary of net interest bearing debt:

(In millions of US dollars)	December 31, 2019	2018
Loans and bonds gross	(1 091.1)	(1 227.3)
Cash and cash equivalents	40.6	74.5
Restricted cash (current and non-current)	43.0	43.2
Net interest bearing debt, excluding lease liabilities *	**(1 007.5)**	**(1 109.6)**
Lease liabilities current	(46.1)	(3.2)
Lease liabilities non-current	(151.0)	-
Net interest bearing debt, including lease liabilities *	**(1 204.6)**	**(1 112.8)**

*Following implementation of IFRS 16, prior periods are not comparable. Refer to note 22 for further information.

Reconciliation of debt arising from financing activities:

					Non-cash changes				
(In millions of US dollars)	December 31, 2018	Recognized on adoption of IFRS 16	January 1, 2019	Cash flows	Foreign exchange movement	Change in fair value	New Leases	Other	December 31, 2019
Debt to financial institutions*	1 015.3	-	1 015.3	(136.2)	-	-	-	-	879.1
Bond debt	212.0	-	212.0	-	-	-	-	-	212.0
Lease liabilities	3.2	238.5	241.7	(44.8)	(0.5)	-	4.8	(4.1)	197.1
Total liabilities from financing activities	**1 230.5**	**238.5**	**1 469.0**	**(181.0)**	**(0.5)**	**-**	**4.8**	**(4.1)**	**1 288.2**

			Non-cash changes				
(In millions of US dollars)	January 1, 2018	Cash flows	Foreign exchange movement	Change in fair value	New Leases	Other	December 31, 2018
Debt to financial institutions*	991.5	23.8	-	-	-	-	1 015.3
Bond debt	238.0	(26.0)	-	-	-	-	212.0
Lease liabilities	0.4	(3.3)	-	-	6.1	-	3.2
Total liabilities from financing activities	**1 229.9**	**(5.5)**	**-**	**-**	**6.1**	**-**	**1 230.5**

* Debt to financial institutions for the year ended December 31, 2019 and 2018, are excluding deferred loan cost, net of debt premiums amounting to $6.7 million and $11.4 million, respectively.

Credit Facility

At December 31, 2019, the Senior Secured Credit Facility (the "Credit Facility") as amended originated in 2007 and is currently comprised of a $400.0 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. At December 31, 2019, the Company had $377.0 million (2018 - $381.0 million) outstanding under the TLB and $180.0 million (2018 - $265.0 million) outstanding under the RCF. Revolving loans may be made at any time prior to the final maturity of the RCF. Borrowings under the Credit Facility are secured by pledges of shares of material subsidiaries and are guaranteed by the same material subsidiaries.

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 (see below) 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. The 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 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.

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, 2018, whilst Standard & Poor's has a B stable, as of February 17, 2020.

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 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; 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 2.00:1. Drawing of the committed RCF is exempt from the incurrence test.

(ii) The Company applies 75% of excess cash flow to repay outstanding TLB borrowings and reduce the RCF Commitment as long as the Secured Leverage Ratio is greater than 1.5:1, and 50% of excess cash flow if secured leverage ratio is below 1.5:1. The repayment under the excess cash flow will take place quarterly and be shared pro rata between the TLB and RCF, however, the excess cash flow reduction ceases for the RCF when it has reached $200 million in commitment. Excess cash flow for any period is generally defined as net cash flow provided by operating activities less: capital expenditures (excluding capital expenditure financed by certain borrowings); MultiClient investments; investment in other intangible assets; scheduled debt services; permitted investments; restricted payments during the period; and at the Company's option income taxes to be paid in the next period; and capital expenditure committed in the period but to be paid in future periods. Optional loan prepayments may be credited against the calculated mandatory repayments under this provision.

iii) The Company may not pay dividend or similar (with certain exceptions) in 2020 and 2021. 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. 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.

The RCF has a $60 million sub-limit for issuance of letters of credit. Under the RCF, the Company may borrow USD, or any other currency freely available in the London banking market to which the lenders have given prior consent, for working capital and for general corporate purposes. At December 31, 2019, the Company had zero outstanding standby letters of credit under the RCF.

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.

The Senior Notes are governed by the Senior Notes Indenture. The Senior Notes are the Company's senior obligations and rank equally in right of payment with all existing and future senior indebtedness of the Company and senior in right of payment to all existing and future indebtedness of the Company that is subordinated in right of payment to the Senior Notes. The Senior Notes are guaranteed, jointly and severally, on a senior basis by the subsidiaries of the Company that provide a guarantee in respect of obligations under the Credit Facility. Each guarantee ranks equally in right of payment with all existing and future senior indebtedness of such guarantor and senior in right of payment to all existing and future indebtedness of such guarantor that is subordinated in right of payment to its guarantee. The Senior Notes Indenture contains a number of covenants that, among other things, restrict, subject to certain exceptions, the Company's ability to incur or guarantee additional indebtedness; pay dividends, repurchase shares and make distributions of certain other payments; make certain investments; create certain liens; merge or consolidate with other entities; enter into certain transactions with affiliates; sell, lease or transfer certain assets, including shares of any restricted subsidiary of the Company; and guarantee certain types of other indebtedness of the Company and its restricted subsidiaries without also guaranteeing the Senior Notes.

The Senior Notes mature on December 15, 2020. Interest is payable semi-annually on each June 15 and December 15. The Company may redeem all or a portion of the Senior Notes at par from December 15, 2019. At December 31, 2019, the Company had $212.0 million outstanding under the Senior Notes.

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 is comprised of four loan agreements each with Japan Bank for International Cooperation ("JBIC") and Sumitomo Mitsui Banking Corporation ("SMBC") and with an aggregate value at inception of $544.2 million. The loans are 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 bare boat 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 semi annual instalments 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.

Letters of credit and guarantees

The Company has $30.0 million uncommitted bid and performance bond facilities ($35 million in 2018) intended for operational use. Drawings under these facilities totalled $20.4 million and $22.7 million as of December 31, 2019 and 2018, respectively.

The Company had aggregate outstanding letters of credit and similar guarantees (incl. the $20.4 million and $22.7 million above), not reflected in the accompanying consolidated statements of financial position, of $20.6 million and $30.9 million as of December 31, 2019 and 2018, respectively.

PGS ASA has guaranteed the payment obligation under the lease of PGS Apollo (see note 22).

Note 21 — 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.

Carrying amount and fair values of financial assets and liabilities

		December 31, 2019		December 31, 2018	
(In millions of US dollars)	Hierarchy Level	Carrying amounts	Fair values	Carrying amounts	Fair values
FINANCIAL ASSETS					
At fair value through profit and loss					
Foreign exchange contracts	2	1.3	1.3	0.2	0.2
Derivatives designated as hedging instruments					
Foreign exchange contracts	2	-	-	-	-
Interest rate swaps	2	-	-	0.7	0.7
Total		**1.3**	**1.3**	**0.9**	**0.9**
FINANCIAL LIABILITIES					
Financial liabilities at amortized cost					
Debt with fixed interest rate	2	(478.9)	(472.9)	(484.2)	(478.7)
Debt with variable interest rate	2	(612.2)	(588.7)	(743.1)	(708.9)
Lease liabilities	2	(197.1)	(197.1)	(3.3)	(3.3)
At fair value through profit and loss					
Foreign exchange contracts	2	(0.2)	(0.2)	(3.0)	(3.0)
Interest rate swaps	2	(2.3)	(2.3)	-	-
Derivatives designated as hedging instruments					
Foreign exchange contracts	2	(0.2)	(0.2)	(1.3)	(1.3)
Total		**(1 290.9)**	**(1 261.4)**	**(1 234.9)**	**(1 195.2)**

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 provide returns for shareholders such as dividends and benefits for other stakeholders and to maintain 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 Leverage Ratio ("TLR") is calculated as total indebtedness divided by adjusted EBITDA less non pre-funded MultiClient library investments. At December 31, 2019, the total indebtedness was $1 156.2 million and EBITDA less non pre-funded MultiClient library was $507.2 million. At December 31, 2019 and 2018, the TLR was 2.28 and 2.58, respectively. Based on the total indebtedness at December 31, 2019 there was an EBITDA headroom of $87 million up to the maximum maintenance covenant leverage ratio.

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 $5-600 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.

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 shall be reported to the Board of Directors.

Interest rate risk management

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.

	December 31, 2019		December 31, 2018	
	Notional amounts	Weighted average interest rate	Notional amounts	Weighted average interest rate
Debt at fixed interest rate	478.9	4.94%	484.1	4.91%
Debt at variable interest rate based on US dollar plus a margin	487.2	4.64%	618.1	5.33%
Variable interest rate debt with interest fixed	125.0	2.38%	125.0	1.62%

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 $4.1 million and $5.0 million approximately measured from December 31, 2019 and 2018, respectively. Taken into account the refinancing transaction described above the interest cost sensitivity described above would be $5.6 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 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 had open forward contracts to buy and sell GBP, NOK, BRL, JPY at December 31, 2019 and 2018, respectively. The table shows exposures and foreign exchange contracts in currencies that the Company hedges on a regular basis.

	December 31, 2019				December 31, 2018			
(in millions, local currency)	NOK	GBP	BRL	JPY	NOK	GBP	BRL	JPY
Restricted cash	36.9	-	-	-	36.6	-	-	-
Current assets	17.1	2.1	62.4	2 767.6	22.3	1.5	98.5	808.9
Current liabilities	(192.5)	(0.7)	(15.1)	(3.4)	(173.8)	(2.2)	(48.9)	(44.6)
Pension liabilities	(31.0)	(26.7)	-	-	(35.2)	(22.7)	-	-
Finance leases	(521.8)	(6.1)	(4.3)	(9.1)	-	-	-	-
Other non-current liabilities	(25.5)	(2.6)	-	-	(78.1)	(2.4)	-	-
Net statements of financial position exposure	**(716.8)**	**(34.0)**	**43.0**	**2 755.1**	**(228.2)**	**(25.8)**	**49.6**	**764.3**
Hedged committed operational cash flow and capital expenditure:								
Next year	-	-	-	-	-	-	-	8 851.2
1-2 years	-	-	-	-	-	-	-	2 621.3
2-3 years	-	-	-	-	-	-	-	-
Net forward commitments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**11 472.5**
Forward exchange contracts	118.0	29.9	(50.0)	(2 621.3)	266.3	24.0	(45.0)	(11 472.5)
Net exposure	**(598.8)**	**(4.1)**	**(7.0)**	**133.8**	**38.1**	**(1.8)**	**4.6**	**764.3**

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, 2019 and 2018. The foreign exchange rate analysis assumes a 10% depreciation in USD.

	December 31, 2019				December 31, 2018			
(in millions, local currency)	NOK	GBP	BRL	JPY	NOK	GBP	BRL	JPY
Impact on profit before tax: Gain / (loss)	(7.6)	(0.5)	(0.2)	0.1	0.5	(0.2)	(0.1)	0.8

	Average rate		Year end spot	
	2019	2018	2019	2018
USD / NOK	8.788	8.122	8.787	8.689
GBP / USD	1.277	1.338	1.314	1.127
USD / BRL	3.932	3.604	4.021	3.875
USD / JPY	109.10	110.38	108.60	110.05

Credit risk management

Credit risk is the risk that counter parties 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:

	December 31,	
(In millions of US dollars)	**2019**	**2018**
Cash and cash equivalents	40.6	74.5
Restricted cash (note 13)	43.0	43.2
Accounts receivable	191.1	160.3
Accrued revenues and other receivables (note 14)	118.5	61.1
Total	**393.2**	**339.1**

Cash and cash equivalents

The Company continually monitors the counter party credit risk of banking partners, including derivatives counter parties 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, 2019, approximately 50% of the balance relates to 5 customers.

The aging of trade receivables is as follows:

	December 31,	
(In millions of US dollars)	**2019**	**2018**
Current	167.8	141.7
Up to one month past due	3.2	2.7
Between one and two months past due	9.3	4.0
More than two months past due	15.7	17.0
Allowance for doubtful accounts	(4.9)	(5.1)
Total	**191.1**	**160.3**

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 have assessed that collect-ability prior to recognizing the revenue and assess for credit risk on the same basis as trade receivables. There are no allowance related to accrued revenues as of December 31, 2019 and 2018.

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

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, 2019			Contractual cash flows						
(In millions of US dollars)	**Carrying amount**	**Notional value**	**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	-	-	-	-	-	-	-	-	-
Other interest rate swaps	(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)**	**-**	**-**	**-**

December 31, 2018

(In millions of US dollars)	Carrying amount	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	(67.0)	-	(67.0)	(67.0)	-	-	-	-	-
Debt with fixed interest rates	(484.2)	-	(559.7)	(29.1)	(256.5)	(31.8)	(48.2)	(52.6)	(141.5)
Debt with variable interest rates	(743.1)	-	(820.3)	(85.5)	(328.1)	(400.8)	(5.9)	-	-
Total	**(1 294.3)**	**-**	**(1 447.0)**	**(181.6)**	**(584.6)**	**(432.6)**	**(54.1)**	**(52.6)**	**(141.5)**
Derivative financial assets/liabilities									
Interest rate swaps hedge accounted	0.7	125.0	0.7	0.7	-	-	-	-	-
Forward exchange contracts used for hedging	(3.0)	102.8	(3.0)	(2.3)	(0.7)	-	-	-	-
Other foreign exchange contracts	(1.1)	74.2	(1.1)	(1.1)	-	-	-	-	-
Total	**(3.4)**	**302.0**	**(3.4)**	**(2.7)**	**(0.7)**	**-**	**-**	**-**	**-**

On February 13, 2020, an extraordinary general meeting of PGS ASA approved to increase the share capital in the Company by issuing new shares following a private placement of equity. On February 18, 2020, the Company's Credit Facility was amended and extended with revised terms and maturity dates. Reference is made to the description in note 31. In addition, the Company has lease commitments, refer to note 22.

As of December 31, 2019, the Company had cash and cash equivalents of $40.6 million and a total liquidity reserve, including available unutilized drawings of the RCF, of $210.6 million, compared to $74.5 million and $159.5 million respectively at year-end 2018. The Company has a structured approach to monitoring of credit risk against financial counter parties and has no reason to doubt their ability to meet their funding commitments if and when called upon to do so.

The Company has addressed its material debt maturities for 2020 and 2021 through a refinancing early in 2020, reference is made to note 31. The export credit debt and term loan have amortizing profiles. There are no debt maturities till 2023. The export credit debt is repaid in separate semi-annual installments and scheduled principal payments in aggregate approximately $47 million for 2020 and each year forward to it taper off following the maturity of one after one of the four facilities in the period 2025 to 2027. The term loan has an 1% annual instalment for 2020 increasing to 5% annually from 2021, paid quarterly. The annual instalment for 2020 will be $5.3 million, increasing to $26 million in 2021 and for the years thereafter. In addition will $4 million of term loan mature in March 2021. Post implementation of IFRS 16 part of lease payments will be treated as amortizing debt. For 2020 estimated lease amortization is $45 million.

The un-drawn portion of the RCF constitutes a significant portion of the Company's liquidity reserve. In the current market it is likely that the Company will continue to use the RCF during the coming year. The maximum Total Net Leverage Ratio ("TNLR") with which the Company must comply in order to draw on the RCF is 2.75.

While PGS' actual TNLR was substantially below this level at December 31, 2019, there is a risk that PGS' TNLR may increase in the future to be close to or exceed the agreed maximum TNLR. If and when such risk becomes significant, the Company would seek to agree further amendments to ensure that the RCF is available for drawing or to implement other available measures to avoid a covenant breach. If the Company ultimately ends up breaching this covenant, the breach would represent an event of 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, this scenario is in the Company's view unlikely since firstly it believes that it has plans and available measures to avoid an event of default and secondly, even in an event of default, several viable alternatives to avoid acceleration would exist.

Based on the year-end cash balance, events after the balance sheet date as discussed in note 20, available liquidity resources, and the current structure and terms of the Company's debt, it is the Board's opinion that PGS has sufficient funding and liquidity to support its 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 were 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 new hedges were not designated as hedging instruments and the change in fair value of these swaps was taken directly through the Income Statement. The new interest rate swaps had a negative fair value of $2.3 million recorded in the Income Statement at December 31, 2019, whilst the maturing swaps had a positive fair value of $0.7 million recorded in other comprehensive income at December 31, 2018.

Foreign exchange rate hedge accounting

The majority of revenues are in USD. The company entered into derivatives accounted for under fair value hedge relationships to hedge the currency risk. A summary of fair value hedging relationships follows:

	December 31, 2019			December 31, 2018		
(In millions of US dollars)	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	102.8	(3.0)	1.0
Foreign currency derivatives not designated as hedges	83.7	1.1	2.3	74.2	(1.1)	(3.6)

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.

(In millions of US dollars)	10% depreciation of USD			
December 31, 2019	**NOK**	**GBP**	**BRL**	**JPY**
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)
December 31, 2018				
Gross effect	3.1	3.1	(1.2)	(10.6)
Impact on profit before tax: gain/(loss)	3.1	3.1	(1.2)	-
Impact on other comprehensive income	-	-	-	(10.6)

Note 22 – 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.

The weighted average incremental borrowing rate applied to the lease liabilities in the statement of financial position at initial adoption on 1 January 2019 was 6%.

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, 2018	**0.4**	**-**	**0.4**
Additions (Note 16)	6.1	-	6.1
Depreciation expense (Note 16)	(1.8)	-	(1.8)
Balance as of December 31, 2018	**4.7**	**-**	**4.7**
Implementation of IFRS 16	140.8	61.2	202.0
Balance as of January 1, 2019	**145.5**	**61.2**	**206.7**
Additions (Note 16)	3.5	1.4	4.9
Remeasurement/Other (Note 16)	-	(1.2)	(1.2)
Depreciation expense (Note 16)	(27.7)	(13.7)	(41.4)
Balance as of December 31, 2019	**121.3**	**47.7**	**169.0**

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

	2019		2018	
(In millions of US dollars)	Seismic vessels and equipment	Buildings, fixtures and furniture	Seismic vessels and equipment	Buildings, fixtures and furniture
Balance as of December 31, 2018	**3.2**	**-**		
Implementation of IFRS 16	166.7	71.8		
Balance as of January 1	**169.9**	**71.8**	**0.4**	**-**
Additions	3.5	1.3	6.1	-
Interest	9.9	3.9	(0.1)	-
Lease payments	(40.0)	(18.6)	(3.2)	-
Remeasurements	(5.9)	1.3	-	-
Balance as of December 31	**137.4**	**59.7**	**3.2**	**-**

Set out below are the maturity profile of the Group's lease liabilities based on contractual undiscounted payments:

	December 31, 2019		
(In millions of US dollars)	**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**

	December 31, 2018		
(In millions of US dollars)	**Seismic vessels and equipment**	**Buildings, fixtures and furniture**	**Total**
Less than one year	3.3	-	3.3
One to five years	-	-	-
More than five years	-	-	-
Total	**3.3**	**-**	**3.3**

The following are the amounts recognised in profit and loss:

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

Comparable figures are not presented as the reporting for 2018 is not based on IFRS 16. Refer to note 2.

The Company had total cash outflows for leases of $58.6 million in 2019. The Company also had non-cash additions to right-of-use assets and lease liabilities of $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 two 3D vessels, Sanco Swift and Sanco Sword, under operating lease time charter agreements which expire in 2023 and 2020, respectively. The Sanco Swift agreement has two 2-year renewal options, and the Sanco Sword agreement has three 2-year renewal options. The Company does not expect to use Sanco Sword and the service component of the remaining lease commitment is included in Onerous lease contracts, service component, refer to note 24.

Sale and leaseback

In 2015, the Company entered into a sale and operating bare boat leaseback for the 3D vessel PGS Apollo. The remaining leaseback period is 5.5 years 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 5 (in 2020) and year 8 (in 2023).

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:

	December 31, 2019		
(In millions of US dollars)	**Within five years**	**More than five years**	**Total**
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**

Comparable figures are not presented as the reporting for 2018 is not based on IFRS 16. See note 2.

Contingent liabilities

Brazil service tax claim on charter

The Company has ongoing tax disputes related to charter of vessels into Brazil. The assessments, which seek to levy 15% withholding tax and 10% CIDE (service) tax and other direct taxes, amount to $41.1 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.

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 23 – Accrued Expenses and Other Current Liabilities

Accrued expenses consist of the following:

	December 31,	
(In millions of US dollars)	**2019**	**2018**
Accrued employee benefits	27.3	20.9
Accrued vessel operating expenses	35.6	20.3
Accrued sales tax and VAT	8.9	13.9
Accrued revenue share	33.9	12.3
Accrued commissions	4.1	7.0
Accrued office lease expenses	0.2	5.5
Accrued interest expenses	2.3	4.4
Provision for onerous customer contracts	4.8	4.0
Accrued Severance pay	1.3	3.9
Accrued project costs	0.6	3.9
Unrealized loss on hedging	0.4	3.6
Other	8.8	10.9
Total	**128.2**	**110.6**

Note 24 – Other Non-Current Liabilities

Other non-current liabilities consist of the following:

	December 31,	
(In millions of US dollars)	**2019**	**2018**
Pension liability (Note 25)	38.6	32.9
Provision for onerous lease contracts, service component*	2.9	19.3
Lease incentives*	-	16.6
Other	8.7	3.6
Total	**50.2**	**72.4**

*Refer to note 2 for information on IFRS 16 and lease incentitives and onerous leases

Note 25 – 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 29, 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 ceases 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)	2019	2018
Projected benefit obligations (PBO) as of January 1, (a)	**170.6**	**202.0**
Service cost	0.2	0.2
Interest cost	5.1	5.2
Social security tax	0.0	0.1
Actuarial loss (gain), arising from changes in financial assumptions	23.7	(15.4)
Actuarial loss (gain) due to scheme experience	(1.3)	(1.7)
Benefits paid	(3.6)	(9.4)
Exchange rate effects	7.6	(10.4)
Projected benefit obligations (PBO) as of December 31, (a)	**202.3**	**170.6**

(a) $ 3.5 million and $4 million arise from unfunded plans as of December 31, 2019 and 2018, respectively.

Change in fair value of pension plan assets:

(In millions of US dollars)	2019	2018
Fair value of plan assets as of January 1,	**137.8**	**152.0**
Expected return on plan assets	4.2	4.0
Employer contributions	4.4	4.5
Actuarial gain (loss) arising from return on plan assets	14.3	(5.4)
Benefits paid	(3.0)	(8.9)
Exchange rate effects	6.0	(8.4)
Fair value of plan assets as of December 31,	**163.7**	**137.8**

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

	December 31,	
(In millions of US dollars)	2019	2018
Projected benefit obligation (PBO)	202.3	170.6
Fair value of plan assets	163.7	137.8
Net pension liability	**38.6**	**32.9**

Net amount recognized as accrued pension liability is presented as other non-current liabilities (see note 24).

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

	Year ended December 31,	
(In millions of US dollars)	2019	2018
Service cost	0.2	0.2
Interest cost	5.1	5.2
Expected return on plan assets/net interest cost	(4.2)	(4.0)
Social security tax	0.0	0.1
Net periodic pension cost	**1.1**	**1.5**

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

	Year ended December 31,	
(In millions of US dollars)	2019	2018
Actuarial gain (loss), arising from changes in financial assumptions	(23.7)	15.2
Actuarial gain (loss) due to scheme experience	1.3	1.7
Actuarial gain (loss) arising from return on plan assets	14.3	(5.4)
Net actuarial gain (loss) recognized in other comprehensive income	**(8.1)**	**11.5**

Significant acturial assumptions:

	2019		2018	
	Norway	UK	Norway	UK
Discount rate	2.30%	2.15%	2.60%	3.02%
Return on plan assets	-	2.15%	-	3.02%
Compensation increase	2.25%	-	2.75%	-

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:

	December 31,	
(In millions of US dollars)	**2019**	**2018**
Fair value plan assets	163.7	137.8
Plan assets at fair value with quoted prices in active markets for identical assets		
Equity/diversified growth funds	34%	32%
Bonds	53%	56%
Real estate	9%	9%
Other	4%	3%
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.	28.5%
Inflation rate	Increase of 1.0% p.a.	25.6%

The Company expects to contribute approximately $4.7 million to its defined benefit pension plans in 2020.

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 $6.1 million for 2019 and 2018, respectively. Plan contributions made by employees aggregated $5.4 million and $5.3 million for 2019 and 2018, respectively.

Note 26 — Shareholder Information

At the Annual General Meeting ("AGM") held on April 24, 2019, authority was given for the Board of Directors to acquire treasury shares at a maximum face value of in total NOK 101 573 998. 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. Further, the Board of Directors is authorized to increase the Company's share capital by a total amount of NOK 101 573 998 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 101 573 998 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. These authorizations are valid until June 30, 2020.

As of December 31, 2018 and 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.

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 2020 for the year ended December 31, 2019.

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

	Treasury shares	% of total shares outstanding
Balance as of January 1, 2018	**7 888**	**0.00%**
Used to fulfil employee benefit programs in 2018 (note 28)	(6 149)	
Balance as of December 31, 2018	**1 739**	**0.00%**
Used to fulfil employee benefit programs in 2019 (note 28)	-	
Balance as of December 31, 2019	**1 739**	**0.00%**

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

	December 31, 2019	
	Total shares	**Ownership percent**
Coltrane Asset Management LP	52 080 000	15.38
Lucerne Capital Management LP	25 400 457	7.50
M&G Investment Management Ltd.	24 282 993	7.17
DNB Asset Management AS	23 690 557	7.00
Albert Bridge Capital LLP	19 466 237	5.75
Caius Capital LLP	16 736 301	4.94
Folketrygdfondet	16 183 880	4.78
Ferd Invest AS	15 823 200	4.67
Dimensional Fund Advisors LP	14 808 085	4.37
Lancaster Investment Management LLP	10 481 315	3.10
The Vanguard Group, Inc.	9 229 026	2.73
Assenagon Asset Management SA (Germany)	8 848 501	2.61
Legal & General Investment Management Ltd.	6 140 501	1.81
BlackRock Advisors LLC	5 580 998	1.65
KLP Kapitalforvaltning AS	4 719 169	1.39
Third Avenue Management LLC	4 638 521	1.37
Edinburgh Partners Ltd.	3 834 454	1.13
Allianz Global Investors GmbH	3 226 609	0.95
Hermes Investment Management Ltd.	2 817 568	0.83
Contrarius Investment Management Ltd.	2 328 990	0.69
Other	68 262 634	20.18
Total	**338 579 996**	**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, 2019	
	Total shares	Ownership percent
Board of Directors		
Walter Qvam, Chairperson	35 000	(a)
Anne Grethe Dalane	18 000	(a)
Marianne Kah	3 589	(a)
Richard Herbert	9 500	(a)
Trond Brandsrud	35 000	(a)
Hege Renshus	1 918	(a)
Anette Valbø	7 142	(a)
Grunde Rønholt	25 359	(a)
Chief Executive Officer and Other Executive Officers		
Rune Olav Pedersen, President and Chief Executive Officer	123 617	(a)
Gottfred Langseth, Executive Vice President and Chief Financial Officer	225 106	(a)
Per Arild Reksnes, Executive Vice President Operations & Technology	79 263	(a)
Berit Osnes, Executive Vice President New Ventures	21 186	(a)
Nathan Oliver, Executive Vice President Sales & Imaging	-	(a)

(a) Less than 1% of the Company's shares as of December 31, 2019

Note 27 – Related Party Transactions

The following transactions were carried out with related parties:

	Year ended December 31,	
(In millions of US dollars)	2019	2018
Sale of goods and services		
Associates – MultiClient data	-	-
Associates – Other services	28.1	0.4
Associates – Technology Services	-	-
Purchase of goods and services	3.5	-

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

The Company has $2.5 million and nil in outstanding balances with related parties as of December 31, 2019 and 2018, 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, 2019 and 2018, the Company did not have any significant outstanding balances with any of these companies.

Note 28 – 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	-	-	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 and 2019, 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 compared to the companies in LTI Comparator Group" adjusted for dividends.

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 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, 2019 and 2018, the Company recognized compensation cost with a corresponding increase in shareholders' equity of $3.4 million and $3.0 million, respectively. Total net unrecognized compensation cost as of December 31, 2019 was $5.6 million (RSU's and PRSU's), which is expected to be recognized over a period of 3 years.

In 2019 and 2018, the company settled PRSU and RSU's by cash consideration. Equity was correspondingly decreased with $1.0 million and $4.3, respectively.

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

Year ended December 31, 2019

Grant date	RSU share awards outstanding December 31, 2018	RSU's granted in 2019	RSU's forfeited in 2019	RSU's exercised in 2019	RSU share awards outstanding 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
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
Total	**941 255**	**-**	**(15 870)**	**(526 425)**	**398 960**	**0.54 years**

Grant date	PRSU share awards outstanding December 31, 2018	PRSU's granted in 2019	PRSU's forfeited in 2019	PRSU's exercised in 2019	PRSU's adjusted in 2019	PRSU share awards outstanding 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**

Year ended December 31, 2018

Grant date	RSU share awards outstanding December 31, 2017	RSU's granted in 2018	RSU's forfeited in 2018	RSU's exercised in 2018	RSU share awards outstanding December 31, 2018	Weighted-average remaining contractual term
2013	2 000	-	-	-	2 000	0.78 years
2014	19 500	-	(10 000)	(2 000)	7 500	1.47 years
2015	563 850	-	(13 800)	(550 050)	-	-
2016	584 025	26 200	(53 850)	-	556 375	0.54 years
2017	421 380	-	(46 000)	-	375 380	1.47 years
2018	-	-	-	-	-	-
Total	**1 590 755**	**26 200**	**(123 650)**	**(552 050)**	**941 255**	**0.92 years**

Grant date	PRSU share awards outstanding December 31, 2017	PRSU's granted in 2018	PRSU's forfeited in 2018	PRSU's exercised in 2018	PRSU's adjusted in 2018	PRSU share awards outstanding December 31, 2018	Weighted-average remaining contractual term
2015	678 850	-	(9 800)	(334 525)	(334 525)	-	-
2016	699 025	-	(57 850)	-		641 175	0.44 years
2017	787 070	-	(79 000)	-		708 070	1.47 years
2018	-	1 746 450	(58 750)	-		1 687 700	2.47 years
Total	**2 164 945**	**1 746 450**	**(205 400)**	**(334 525)**	**(334 525)**	**3 036 945**	**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, 2019	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)	7 500	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)	23 400	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)	368 060	NOK 0	NOK 14.59	N/A	-	N/A	N/A	NOK 14.59/$1.71
2017 (b)	697 090	NOK 0	NOK 14.59	N/A	-	N/A	N/A	NOK 10.17/$1.19
2018 (b)	1 650 850	NOK 0	NOK 40.70	N/A	-	N/A	N/A	NOK 31.29/$3.88
2019 (b)	2 240 300	NOK 0	NOK 13.39	N/A	-	N/A	N/A	NOK 10.44/$1.22
Total	**4 987 200**							

(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 29 – 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:

	Year ended December 31,	
(In millions of US dollars)	2019	2018
Salaries and bonuses	148.0	142.3
Social security	13.4	14.7
Pension	8.4	8.9
Other benefits	19.4	26.4
Total	**189.2**	**192.3**

The Company had an average of 1 256 and 1 258 employees during the years ended December 31, 2019 and 2018, respectively.

Chief Executive Officer ("CEO") and Other Executive Officers

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

	Total compensation paid in 2019 (a) (b)				
Name	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 severance pay, RSU's, car 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.

RSUs 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 exercised 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 expired 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

In 2018, the Company paid compensation to its President and CEO and other executive officers as follows:

Name	Total compensation paid in 2018 (a) Fixed salary	Bonus	Other benefits (b)	Total paid salary and compensation (in dollars)	Pension benefits (c)
Rune Olav Pedersen					
President and Chief Executive Officer	503 755	-	177 218	680 973	147 168
Gottfred Langseth					
Executive Vice President and Chief Financial Officer	460 610	-	184 711	645 321	100 382
Per Arild Reksnes					
Executive Vice President of Operations & Technology	432 924	-	176 551	609 475	61 450
Sverre Strandenes					
Executive Vice President, Sales & Services (d)	431 613	-	182 868	614 481	131 469

(a) Amounts in NOK have been translated to US Dollars using average exchange rate for 2018 of NOK/USD 8.1338.
(b) Includes items such as severance pay, RSU's, car allowance, telephone, internet and other minor benefits.
(c) Contribution to defined contribution plans (Norway) and earned benefits for members of the defined benefit plan.
(d) Sverre Strandenes retired as of December 31, 2018

Share options RSU's and PRSU's held by the CEO and executive officers as of December 31, 2018 were as follows:

Name	RSUs as of December 31, 2017	RSUs granted 2018	RSUs forfeited 2018	RSUs exercised 2018	RSUs expired 2018	RSUs as of December 31, 2018	Weighted average remaining contractual term
Rune Olav Pedersen	45 000	-	-	(18 000)	-	27 000	0.78
Gottfred Langseth	45 000	-	-	(18 000)	-	27 000	0.78
Per Arild Reksnes	45 000	-	-	(18 000)	-	27 000	0.78
Sverre Strandenes	45 000	-	-	(18 000)	-	27 000	0.78

Name	PRSUs as of December 31, 2017	PRSUs granted 2018	PRSUs forfeited 2018	PRSUs exercised 2018	PRSUs expired 2018	PRSUs as of December 31, 2018	Weighted average remaining contractual term
Rune Olav Pedersen	90 000	126 000	-	(13 500)	(13 500)	189 000	1.97
Gottfred Langseth	90 000	60 000	-	(13 500)	(13 500)	123 000	1.72
Per Arild Reksnes	90 000	60 000	-	(13 500)	(13 500)	123 000	1.72
Sverre Strandenes	90 000	60 000	-	(13 500)	(13 500)	123 000	1.72

See note 26 for shares held by the Company's CEO and other executive officers and note 28 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 2019. 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 statement on remuneration 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 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.

The table below provides information about our Directors and compensation for 2018:

Name	Position	Director since	Term expire	Compensation (In dollars) (b)
Walter Qvam	Chairperson	2013	2019	117 986
Anne Grethe Dalane	Vice Chairperson	2013	2019	85 806
Morten Borge	Director	2015	2019	78 556
Marianne Kah	Director	2018	2019	65 150
Richard Herbert	Director	2017	2019	89 326
Hege Renshus	Director (Empl.rep)	2017	2019	-
Anette Valbø	Director (Empl.rep)	2015	2019	-
Espen Vollan Grimstad	Director (Empl.rep)	2015	2019	-
Daniel J. Piette (a)	Vice Chairperson	2007	2018	41 444
Holly Van Deursen (a)	Director	2006	2018	39 735
Carol Bell (a)	Director	2009	2018	32 347
			Total	**550 350**

(a) Daniel J. Piette, Holly Van Deursen and Carol Bell left the Board of Directors in 2018.

(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.

See note 26 for shares held by the Company's Board of Directors.

Board of Directors' statement on remuneration to the CEO and the Executive Officers

Introduction

PGS ASA and its subsidiaries ("PGS" or the "Company") is an international company operating in the global geophysical industry. Our operations are conducted world-wide and our employment base is and needs to be largely international. The total compensation package for our President & CEO (the "CEO") CEO and other executive officers shall therefore be competitive both within the Norwegian labor market and internationally. Both the level of total compensation and the structure of the compensation package for our CEO and executive officers shall be such that it may attract and retain highly qualified international leaders. This will require the use of several different instruments and measures also meant to provide incentives for enhanced performance and to ensure common goals and interest between the shareholders and management.

In accordance with Section 6-16a of the Norwegian Public Limited Companies Act, the Board of Directors of PGS (the "Board") has prepared a statement related to the determination of salary and other benefits for our CEO and executive officers for the coming fiscal year. The guiding principles set out in Item 2 below will be presented to the shareholders for their advisory vote at the 2020 Annual General Meeting ("AGM"). The binding principles contained in Item 3 below on award of Performance based Restricted Stock Units ("PRSUs") will be presented to the AGM for approval and is binding for the Board.

Since the 2019 AGM, the Board has followed the guiding principles then approved by the AGM with respect to remuneration of the CEO and the executive officers.

Guiding principles

The current remuneration package for our CEO and executive officers includes fixed elements and variable elements. The fixed elements consist of a base salary and other benefits. Other benefits include car allowance, newspaper subscription, mobile phone, internet and similar benefits. The fixed elements also include a defined contribution pension scheme.

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 reach 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.

The variable elements currently consist of participation in a short-term performance bonus scheme and a long-term performance based PRSU program. The PRSU program is addressed in Item 3 below.

Participation in the short-term performance bonus scheme and the target levels and the maximum levels of the annual performance bonus under this scheme are determined annually. Normally payment under such bonus scheme is based partly on achievements of agreed financial key performance indicators ("KPIs") for the group and partly on achievements of agreed operational, financial and organizational KPIs included in a personal performance contract. For the CEO, any performance bonus pay-out is under this scheme capped to 150% of his annual base salary. For the executive officers, any performance bonus pay-out is under this scheme capped to 100% of their annual base salary.

This statement deals primarily with the remuneration of our CEO and executive officers. However, the remuneration principles described are to a large extent applicable to a broad group of key employees within the Company. Enhanced performance by the management groups is not achieved by our CEO and executive officers alone but is rather dependent on a large number of managers and key employees throughout the Company. Therefore, a large number of managers and key employees are normally included in performance based remuneration schemes, which contain all or some of the mentioned short- and long-term elements. In addition, all other employees may traditionally receive up to a maximum of one month salary in annual bonus.

A specific peer group of comparable companies and an executive remuneration philosophy has been adopted for determining total executive compensation. As per 31 December 2019, the peer group consisted of 20 companies primarily from Norway and Europe. All companies are of comparable size and have international operations in the oil & gas and oil service sector. An external advisor to the Company collects and combines relevant information related to the peer group companies. This is used by the Board's Remuneration and Corporate Governance Committee ("Remco") and the Board itself to benchmark total executive remuneration. The executive remuneration philosophy document includes certain guidelines on how the CEO and executive officers should compare to the peer group. These tools are amongst others used by Remco and the Board to decide on an appropriate remuneration structure and to set appropriate total remuneration for the CEO and executive officers.

Remuneration to the CEO and other executive officers are evaluated regularly by Remco and the Board. Remco annually reviews the total compensation level, the mix between fixed and performance related compensation and the mix between short- and long-term compensation. Remco has developed an annual schedule in order to ensure and facilitate a structured approach to the annual review of total executive compensation. Remco normally engages an external advisor for this work.

Binding principles

The AGMs from the year of 2013 including the year of 2019, authorized a PRSU program in order to ensure continued long-term incentives which were linked to the development of the Company's share price. The Board will propose to the 2020 AGM a Long Term Incentive Plan ("LTI Plan") that for all eligible employees will consist solely of PRSUs. The LTI Plan will exclude granting Restricted Stock Units that are not performance related. Settlement of the PRSUs and subsequent transfer of shares to the eligible employee will take place three years later subject to; (i) Total Shareholder Return ("TSR") achievements compared to a comparator group that as of December 31, 2019 comprise 22 relevant companies adjusted for dividends for the said period, and (ii) the Company's Return On Capital Employed ("ROCE") compared to a goal for the said period. Settlement of the PRSUs and subsequent transfer of shares in the Company to the eligible employee will take place three years after the grant subject principally to continued employment by the Company. Further details of the LTI Plan - including goals, terms and conditions – are set out in Appendix VII to the 2020 AGM Calling Notice. The full LTI Plan will be presented to the 2020 AGM for approval

The Board will propose for approval by the 2020 AGM a pool of 2 400 000 PRSUs which may be granted to eligible employees in 2020. No participant in the LTI Plan (including the CEO) may receive more than 7% of the total PRSU pool. The Board will not distribute any other share based incentives than the LTI Plan to the CEO or executive officers during 2020.

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):

	Year ended December 31,	
(In millions of US dollars)	**2019**	**2018**
Audit fees	1.6	1.6
Tax services	0.4	0.3
All other fees	0.3	0.2
Total	**2.3**	**2.1**

Note 30 – Subsidiaries

The ownership percentage in subsidiaries as of December 31, 2019, was as follows:

Company	Jurisdiction	Shareholding and voting rights
PGS Australia Pty. Ltd.	Australia	100%
Seahouse Insurance Ltd.	Bermuda	100%
PGS Investigacào Petrolifera Ltda.	Brazil	100%
PGS Suporte Logistico e Servicos Ltda.	Brazil	100%
PGS Overseas Operation (Cyprus) Limited	Cyprus	90%
PGS Data Processing Middle East SAE	Egypt	99%
PGS Egypt for Petroleum Services	Egypt	100%
PGS Ghana Limited	Ghana	90%
PT Petroprima Geo-Servis Nusantara	Indonesia	93%
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 Limited	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%

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 31 – Subsequent Events

On February 13, 2020, an extraordinary general meeting of PGS ASA approved to increase the share capital in the Company by issuing new shares following a private placement of equity. On February 18, 2020, the Company's Credit Facility was amended and extended with revised terms and maturity dates. Reference is made to the description in note 20 and note 26.

Parent Company
Financial Statements

Integrated Expertise
Acquisition, Imaging & Geoscience

PGS ASA (Parent Company)

Statements of Profit and Loss

		Year ended December 31,	
(In millions of NOK)	Note	**2019**	**2018**
Revenue	2	**12.2**	**0.2**
Cost of sales		-	(0.5)
Selling, general, administrative and other costs	2, 14	(63.2)	(57.9)
Total operating expenses		**(63.2)**	**(58.4)**
Operating loss		**(51.0)**	**(58.2)**
Interest expense, net	2, 3	(331.0)	(309.7)
Gain (loss) on sales or liquidation of subsidiaries		(27.4)	0.7
Impairment, net of reversal of impairment on shares in subsidiaries	1, 6	(264.7)	(1 401.2)
Dividends/group contributions received from subsidiaries	2	748.2	1 521.0
Other financial items, net	2, 4	(87.8)	(348.5)
Income (loss) before income taxes		**(13.7)**	**(595.9)**
Income tax	5	(5.8)	14.6
Net income (loss)		**(19.5)**	**(581.3)**

PGS ASA (Parent Company)

Statements of Financial Position

(In millions of NOK)	Note	December 31, 2019	2018
ASSETS			
Non-current assets:			
Shares in subsidiaries	1, 6	9 012.5	8 270.3
Intercompany receivables	1, 2, 6	3 521.1	5 434.8
Total non-current assets		**12 533.6**	**13 705.1**
Current assets			
Intercompany receivables	2	100.1	66.7
Other current assets		48.8	9.7
Restricted cash	7	1.1	1.0
Cash and cash equivalents		17.5	59.3
Total current assets		**167.5**	**136.7**
Total assets		**12 701.1**	**13 841.8**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity:			
Common stock; par value NOK 3; issued and outstanding 338 579 996 shares	8	1 015.7	1 015.7
Additional paid-in capital	8	5 250.1	5 227.6
Total paid in capital		6 265.8	6 243.3
Other equity	8	(1 758.8)	(1 756.6)
Total shareholders' equity		**4 507.0**	**4 486.7**
Non-current liabilities			
Interest bearing debt	9, 10	3 256.7	7 375.1
Intercompany debt	1, 2	1 323.3	1 831.1
Other non-current Liabilities	11	43.2	30.3
Total non-current liabilities		**4 623.2**	**9 236.5**
Current liabilities			
Interest bearing debt	9, 10	3 479.4	34.8
Intercompany debt	2	-	0.5
Accrued expenses and other current liabilities	13	91.5	83.4
Total current liabilities		**3 570.9**	**118.6**
Total liabilities and shareholders' equity		**12 701.1**	**13 841.8**

Weybridge, February 28, 2020

Board of Directors PGS ASA

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

PGS ASA (Parent Company)

Statements of Cash Flows

(In millions of NOK)	Note	Year ended December 31, 2019	2018
Cash flows provided by (used in) operating activities:			
Net income (loss)		(19.5)	(581.3)
Adjustments to reconcile net income to net cash used in operating activities:			
Impairment, net of reversal of impairment of shares/intercompany receivables	6	264.7	1 401.9
Loss (gain) sale of subsidiaries		27.4	-
Dividends/group contributions	2	(748.2)	(1 521.0)
Foreign exchange (gain) loss, unrealized	4	90.5	176.9
Changes in current assets and current liabilities		405.2	370.6
Other items		46.6	23.0
Net cash provided by (used in) operating activities		**66.7**	**(129.9)**
Cash flows provided by (used in) investing activities:			
Investment in subsidiaries, net	6	(684.7)	2 930.3
Received dividends/group contributions from subsidiaries		748.2	1 521.0
Reduced (increased) intercompany receivables		1 625.0	(473.2)
Increased (reduced) Intercompany debt		(569.3)	(3 821.7)
Change in restricted cash		(0.1)	1.2
Net cash provided by (used in) investing activities		**1 119.1**	**157.7**
Cash flows provided by (used in) financing activities:			
Net change of drawing on the Revolving Credit Facility	9	(759.7)	616.5
Repayment of long-term debt	9	(35.6)	(255.6)
Interest paid		(433.0)	(393.6)
Net cash provided by (used in) financing activities		**(1 228.3)**	**(32.7)**
Net increase (decrease) in cash and cash equivalents		**(42.5)**	**(4.9)**
Effect of exchange rate changes on cash and cash equivalents		0.7	(1.3)
Cash and cash equivalents at beginning of year		59.3	65.5
Cash and cash equivalents at end of year		**17.5**	**59.3**

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

The Company has significant intercompany transactions with its subsidiaries. Transactions with subsidiaries are mainly related to business support functions and financing activities. Guarantee fee income charged to subsidiaries in 2019 is NOK 45.9 million; and PGS ASA charged a management fee to PGS Geophysical AS of NOK 12.2 million in 2019. Dividends/group contributions from subsidiaries were NOK 748.2 and NOK 1 521.0 million in 2019 and 2018, respectively. In addition, PGS Geophysical AS charged costs to PGS ASA amounting to NOK 23.8 and NOK 23.5 million in 2019 and 2018, respectively. Intercompany transactions in the statements of profit and loss consist of:

Subsidiaries	**Year ended December 31, 2019**	
(In millions of NOK)	**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 Investigacào 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 Sevices Ltd.	1.0	16.8
PGS Shipowner AS	-	38.1
PGS Suporte Logistico e Servicos 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	0.4	(23.5)
Sum transactions intercompany	105.2	4 265.1
Accumulated impairment		(1 967.2)
Net transactions intercompany		**2 297.9**

Subsidiaries	Year ended December 31, 2018	
(In millions of NOK)	Net interest	Net Receivables/ (Liabilities)
Multiklient Invest AS	39.2	291.2
Natuna Ventures Pte. Ltd.	-	101.6
Petroleum Geo-Services, Inc.	37.0	594.3
Petroleum Geo-Services (UK) Ltd.	(47.8)	(451.9)
PGS Americas, Inc	12.2	230.1
Petroleum Geo-Services Asia Pacific Pte. Ltd.	(52.9)	(124.4)
PGS Australia PTY Ltd	-	616.4
PGS Imaging S.A. de C.V.	-	33.5
PGS Data Processing Middle East SAE (Egypt)	(4.4)	(156.8)
PGS Egypt for Petroleum Services	(4.0)	(100.3)
PGS EM Ltd.	47.5	839.6
PGS Exploration (M) SDN BHD	-	12.6
PGS Geophysical Nigeria Limited	-	75.2
PGS Exploration (UK) Ltd	(7.1)	(75.9)
PGS Falcon AS	35.1	1 183.9
PGS Geophysical AS	43.6	1 588.0
PGS Ghana Limited	-	46.0
PGS Imaging, Inc	9.4	166.6
PGS Investigacào Petrolifera Ltda.	-	90.1
PGS Japan K.K.	(1.9)	(36.8)
PGS Geophysical (UK) Ltd.	-	(14.7)
PGS Marine Services (Isle of Man) Ltd.	1.2	26.6
PGS Onshore do Brazil Participacões Ltda.	-	45.2
PGS Reservoir Ltd	-	(44.0)
PGS Seismic Sevices Ltd.	0.9	15.5
PGS Suporte Logistico e Servicos Ltda.	-	40.2
PGS Titans AS	15.0	178.7
PT Petroprima Geo-Servis Nusantara	-	413.5
Seahouse Insurance Ltd.	(11.1)	(96.6)
Seismic Exploration (Canada) Ltd.	(1.0)	(79.6)
Other	0.6	(15.9)
Sum transactions intercompany	111.5	5 391.9
Accumulated impairment		(1 721.9)
Net transactions intercompany		**3 669.9**

Note 3 – Interest Expense, Net

Interest expense, net, consists of:

	Year ended December 31,	
(In millions of NOK)	2019	2018
Interest income, external	6.9	4.2
Interest income, intercompany	237.6	252.7
Interest expense, external	(443.1)	(425.3)
Interest expense, intercompany	(132.4)	(141.3)
Total	**(331.0)**	**(309.7)**

Note 4 – Other Financial Items, Net

Other financial items, net, consist of:

	Year ended December 31,	
(In millions of NOK)	2019	2018
Foreign currency (loss) gain, realized and unrealized	(75.0)	(360.4)
Guarantee fee	45.9	51.2
Other	(58.7)	(39.3)
Total	**(87.8)**	**(348.5)**

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:

	Year ended December 31,	
(In millions of NOK)	**2019**	**2018**
Income before income taxes	(13.7)	(595.9)
Norwegian statutory tax rate	22%	23%
Provision for income taxes at the statutory rate	3.0	137.0
(Increase) reduction in income taxes from:		
Change in Norwegian statutory tax rate	-	(44.8)
Foreign taxes	(4.5)	11.2
Impairment (reversal) of shares in subsidiaries	12.7	(292.6)
Impairment of intercompany receivables	(70.3)	(26.4)
Other permanent items	158.9	333.6
Correction previous year	(16.6)	(7.6)
Changes in unrecognized deferred tax assets	(89.0)	(95.9)
Income tax (expense) benefit	**(5.8)**	**14.6**

	Year ended December 31,	
(In millions of NOK)	**2019**	**2018**
Temporary differences relate to:		
Pension liabilities (a)	5.0	5.2
Intercompany receivables	59.0	58.4
Other	0.2	2.6
Tax losses carried forward	1 010.7	919.7
Deferred tax assets, net	1 074.9	985.9
Deferred tax assets not recognized in the statement of financial position	(1 074.9)	(985.9)
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.

			As of December 31, 2019			
(In millions of NOK)	**Registered office**	**Shareholding (a)**	**Book value (b)**	**Equity (b)**	**Impairments 2019**	**Net income 2019**
PGS Geophysical AS	Oslo	100%	5 629.5	4 284.2	453.8	63.3
Petroleum Geo-Services AS	Oslo	100%	1 390.0	1 390.0	-	-
Petroleum Geo-Services Asia Pacific Pte. Ltd.	Singapore	100%	182.7	182.7	45.5	7.6
Petroleum Geo-Services (UK) Ltd.	London	100%	770.3	770.3	(247.5)	117.5
PGS Falcon AS	Oslo	100%	709.4	709.4	(203.8)	(95.1)
Multiklient Invest AS	Oslo	100%	10.0	1 355.3	-	275.8
Seahouse Insurance Ltd.	Bermuda	100%	27.6	72.6	-	(0.7)
PGS Japan K.K.	Japan	100%	0.6	41.3	-	4.1
PGS Geophysical Nigeria Ltd.	Nigeria	100%	-	(29.9)	-	(3.1)
PGS EM Ltd.	Scotland	100%	-	(903.9)	-	(56.0)
Petroleum Geo-Services, Inc.	Houston	100%	-	(415.2)	-	(3.9)
PGS Australia Pty Ltd	Perth	100%	-	(490.4)	-	(106.6)
PGS Investigacào Petrolifera Ltda. (c)	Brazil	49%	292.4	292.4	9.9	457.3
PGS Suporte Logistico e Servicios Ltda. (c)	Brazil	1%	-	(181.4)	(0.4)	(159.9)
PT Petroprima Geo-Servis Nusantara	Indonesia	93%	-	(67.0)	-	(52.9)
PGS Imaging S.A. de C.V.	Mexico	100%	-	(34.5)	-	(28.4)
PGS Data Processing Middle East SAE (Egypt)	Egypt	99%	-	112.3	-	(9.8)
Total			**9 012.5**		**57.5**	

(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 2019, in addition to the reversal of impairment of NOK 57.5 million on shares in subsidiaries, PGS ASA recognized net impairment charges on intercompany receivables totaling NOK 322.3 million, compared to net impairment charges of NOK 129.1 million in 2018.

Estimated recoverable amount related to PGS Geophysical AS has increased as of December 31, 2019 and impairment charges are reversed accordingly. Estimated recoverable amount related to Petroleum Geo-Services (UK) Ltd. and PGS Falcon AS have decreased and the Company has recognized an impairment as of December 31, 2019.

As of December 31, 2019, PGS ASA has accumulated impairment charges related to shares in subsidiaries and intercompany receivables totaling NOK 16.0 billion and NOK 2.0 billion, respectively.

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

Note 7 – Restricted Cash

Restricted cash consists of:

	December 31,	
(In millions of NOK)	2019	2018
Payroll withholding taxes	1.1	1.0
Total	**1.1**	**1.0**

Note 8 – Shareholders' Equity

Changes in shareholders' equity for the years ended December 31, 2019 and 2018 are as follows:

	Paid-in capital				
(In millions of NOK)	Common stock	Own shares, par value	Additional paid-in capital	Other equity	Shareholders' equity
Balance as of January 1, 2018	**1 015.7**	**(0.0)**	**5 235.9**	**(1 138.1)**	**5 113.5**
Employee benefit plans	-	-	(31.6)	-	(31.6)
Employee share options recharged to subsidiaries	-	-	23.3	-	23.3
Interest rate swaps (net of tax)	-	-	-	(36.9)	(36.9)
Actuarial gains and losses charged to equity (net of tax)	-	-	-	(0.3)	(0.3)
Net income	-	-	-	(581.3)	(581.3)
Balance as of December 31, 2018	**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	-	-	-	(19.5)	(19.5)
Balance as of December 31, 2019	**1 015.7**	**(0.0)**	**5 250.1**	**(1 758.8)**	**4 507.0**

As of December 31, 2018 and 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.

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 20 to the consolidated financial statements). A listing of PGS ASA's largest shareholders is provided in note 26 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, 2019	2018
Secured:		
Term loan B, Libor (minimum 75 bp) + 250 Basis points, due 2021	3 312.5	3 310.7
Revolving credit facility, due 2020	1 581.6	2 302.6
Unsecured:		
Senior notes, Coupon 7.375%, due Dec 2020	1 862.7	1 842.2
Total	**6 756.8**	**7 455.5**
Less current portion	(3 479.4)	(34.8)
Less deferred loan costs, net of debt premiums	(20.6)	(45.7)
Non-current interest bearing debt	**3 256.7**	**7 375.1**

Undrawn facilities consist of the following:

(In millions of NOK)	December 31, 2019	2018
Secured:		
Revolving credit facility, due 2020	1 493.7	738.6
Unsecured:		
Bank facility (NOK 50 mill)	50.0	50.0
Performance bond	84.4	106.9
Total	**1 628.0**	**895.5**

Credit Facility

At December 31, 2019, the Company had $377 million outstanding under the Term Loan and $180.0 million outstanding under the Revolving Facility. For additional information see Note 20 in the consolidated financial statements.

On February 18, 2020 the Credit Facility was amended and extended with revised terms and maturity dates. For additional information see Note 31 in the consolidated financial statements.

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.

The Senior Notes mature on December 15, 2020. Interest is payable semi-annually on each June 15 and December 15. The Company may redeem all or a portion of the Senior Notes at par from December 15, 2019. At December 31, 2019, the Company had $212.0 million outstanding under the Senior Notes. 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.

For additional information see Note 20 in the consolidated financial statements.

Note 10 – 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 carrying amounts, estimated fair values of debt and derivatives instruments including how fair value is determined are summarized as follows:

	December 31, 2019		December 31, 2018	
(In millions of NOK)	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
At fair value through profit and loss				
Foreign exchange contracts	11.4	11.4	1.7	1.7
Derivatives designated as hedging instruments				
Interest rate swaps	-	-	6.1	6.1
Total	**11.4**	**11.4**	**7.8**	**7.8**
Financial liabilities				
Financial liabilities at amortised cost				
Debt with fixed interest rate	(1 862.7)	(1 810.4)	(1 842.2)	(1 795.3)
Debt with variable interest rate	(4 894.1)	(4 687.0)	(5 613.0)	(5 835.0)
At fair value through profit and loss				
Foreign exchange contracts	(1.8)	(1.8)	(26.1)	(26.1)
Interest rate swaps	(20.2)	(20.2)	-	-
Derivatives designated as hedging instruments				
Foreign exchange contracts	(1.8)	(1.8)	(11.3)	(11.3)
Total	**(6 780.5)**	**(6 521.2)**	**(7 492.6)**	**(7 667.7)**

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.

	December 31, 2019		December 31, 2018	
(In millions of NOK)	Notional amounts	Weighted average interest rate	Notional amounts	Weighted average interest rate
Debt at fixed interest rate	(1 862.7)	7.38%	(1 842.2)	7.38%
Debt at variable interest rate based on US dollar plus a margin	(3 795.8)	4.79%	(4 527.0)	5.30%
Variable interest rate debt with interest fixed	(1 098.3)	2.38%	(1 086.0)	1.62%

Liquidity risk exposure

The Company is responsible for founding 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:

	December 31,	
(In millions of NOK)	2019	2018
Unrealized loss hedge contracts (note 10)	20.5	6.1
Pension liability (note 12)	22.2	23.4
Other	0.5	0.8
Total	**43.2**	**30.3**

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 29 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 components of net periodic pension cost for PGS ASA's defined benefit pension plans are summarized as follows:

	Year ended December 31,	
(In millions of NOK)	2019	2018
Service cost	1.4	1.3
Interest cost	0.5	0.5
Payroll tax	0.2	0.2
Net periodic pension cost	**2.0**	**2.0**

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

	December 31,	
(In millions of NOK)	2019	2018
Projected benefit obligations	19.5	20.5
Accrued payroll tax	2.7	2.9
Net pension liability	**22.2**	**23.4**

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

	December 31,	
(In millions of NOK)	2019	2018
Accumulated actuarial gains	12.7	12.8
Deferred tax	-	-
Accumulated actuarial gains recognized in other equity	**12.7**	**12.8**

Assumptions used to determine benefit obligations:

	December 31,	
	2019	2018
Discount rate	2.30%	2.60%
Compensation increase	2.25%	2.75%

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, 2019 and 2018 was NOK 0.2 million and NOK 0.3 million, respectively.

Note 13 – Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following:

	December 31,	
(In millions of NOK)	2019	2018
Accrued unrealized loss on hedging (note 10)	3.8	31.0
Foreign taxes	0.8	12.2
Account payables	64.5	9.7
Accrued employee benefits	2.5	5.1
Accrued interest expense	8.7	23.7
Other	11.1	1.6
Total	**91.5**	**83.4**

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:

	Year ended December 31,	
(In millions of NOK)	2019	2018
Salaries and bonus	16.3	17.3
Social security	2.7	3.0
Pension	3.1	2.9
Other benefits	0.5	0.6
Total	**22.6**	**23.8**

As of December 31, 2019, PGS ASA had 2 employees. Man-years for the year 2019 were 2, same as for the year 2018.

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 29 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, 2019.

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 and 2019, 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 compared to the companies in LTI Comparator Group" adjusted for dividends.

See note 28 to the consolidated financial statements for further information on the share option programs, RSU's and PRSU's.

For the years ended December 31, 2019 and 2018, PGS ASA recorded compensation costs of NOK 3.5 million and NOK 2.9 million, respectively, recognized in additional paid-in capital. During 2019, the company settled PRSU and RSU's by cash. Equity was correspondingly decreased with 9.2 million. Total net unrecognized compensation cost as of December 31, 2019 was NOK 49.2 million related to PRSU's and RSU'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):

	Year ended December 31,	
(In millions of NOK)	**2019**	**2018**
Audit fees	4.7	4.7
Fees for tax services (a)	0.2	0.2
All other fees	0.1	-
Total	**5.0**	**4.9**

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

Note 15 – Subsequent Events

On February 13, 2020, an extraordinary general meeting of PGS ASA approved to increase the share capital in the Company by issuing new shares following a private placement of equity. On February 18, 2020, the Company's Credit Facility was amended and extended with revised terms and maturity dates. Reference is made to the description in note 20 and note 26 in the consolidated financial statements.

Building a better working world

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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 2019, 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 consolidated statements of financial position as at 31 December 2019, 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 2019, 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 2019 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 2019. 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.

Building a better working world

Impairment evaluation of MultiClient library

MultiClient library accounts for $558.6 million or approximately 24 % of total assets of the Group as of 31 December 2019. The Group performed impairment testing to determine value in use and recorded an impairment loss of $17.9 million in 2019.

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 7 of the consolidated financial statements.

Impairment evaluation of vessels and seismic equipment

Vessels and related equipment account for $1,059.3 million or approximately 46 % of total assets of the Group as of 31 December 2019. The Group performed impairment tests to determine the recoverable amounts and concluded that no impairment should be recognized in 2019.

Management has identified certain impairment indicators such as continued operating losses and low spending on seismic activities by customers. The Group therefore 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. Furthermore, management compared the transaction price in recent vessel sales to the value in use calculations where relevant. 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, transaction prices in recent vessel sales 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 and 16 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, 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, 28 February 2020
ERNST & YOUNG AS

Petter Larsen
State Authorised Public Accountant (Norway)


Strength through
Integrated Expertise
Acquisition, Imaging & Geoscience
PGS