Alternative Performance Measures

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

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

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

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

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

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

Cash flow before financing activities
Cash flow before financing activities is defined as the sum of net cash provided by operating activities and net cash used in investing activities, in the consolidated financial statements of cash flows

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

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

Alternative Performance Measures

Gross cash costs and net operating expenses

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

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

Order book

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

Capital expenditures, whether paid or not

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

APM Reconciliations

Segment Reporting, Total Revenues and Other Income by service type is reconciled as follows:	Year ended December 31,	
(In millions of US dollars)	2021	2020
Contract seismic	207.8	146.7
MultiClient pre-funding	247.7	134.7
MultiClient late sales	220.4	167.3
Imaging	21.7	23.6
Other Income	6.2	39.7
Total Revenues and Other Income as reported	**703.8**	**512.0**
Segment MultiClient revenue for projects not yet delivered	108.6	224.8
Segment MultiClient revenue from previous years, projects delivered	(222.4)	(140.9)
Segment Total Revenues and Other Income	**590.0**	**595.9**

Segment EBITDA ex. other charges, net is reconciled as follows:	Year ended December 31,	
(In millions of US dollars)	2021	2020
Operating profit (loss) as reported	(66.2)	(188.0)
Segment adjustment to revenues as reported	(113.8)	83.9
Other charges, net	5.6	38.7
Amortization and impairment of MultiClient library	379.0	265.5
Depreciation and amortization of non-current assets (excl. MultiClient library)	100.6	89.2
Impairment and loss on sale of non-current assets (excl. MultiClient library)	15.0	108.4
Segment EBITDA ex other charges, net	**320.2**	**397.7**

Segment EBIT ex. impairment and other charges, net is reconciled as follows:	Year ended December 31,	
(In millions of US dollars)	2021	2020
Operating profit (loss) as reported	(66.2)	(188.0)
Segment adjustment to revenues reported	(113.8)	83.9
Other charges, net	5.6	38.7
Segment adjustment to amortization as reported	91.2	(65.7)
Impairment of MultiClient library	13.6	34.9
Impairment and loss on sale of non-current assets (excl. MultiClient library)	15.0	108.4
EBIT ex. impairment and other charges, net	**(54.6)**	**12.2**

Net interest bearing debt is reconciled as follows:	December 31,	
(In millions of US dollars)	2021	2020
Cash and cash equivalents	170.0	156.7
Restricted cash (current and non-current)	73.7	76.6
Current debt and current portion of non-current debt	(162.6)	(1 150.4)
Non-current debt	(1,017.5)	-
Adjustment for deferred loan costs	-	(20.5)
Net interest bearing debt, excluding lease liabilities	**(936.4)**	**(937.6)**
Lease liabilities current	(35.9)	(40.1)
Lease liabilities non-current	(79.0)	(118.5)
Net interest bearing debt, including lease liabilities	**(1,051.3)**	**(1 096.2)**

Total capital expenditures, whether paid or not is reconciled as follows:	Year ended December 31,	
(In millions of US dollars)	2021	2020
Seismic equipment	19.2	13.8
Vessel upgrades/yard	12.1	12.5
Compute infrastructure/ technology	1.5	8.7
Other	0.6	1.1
Total capital expenditures, whether paid or not	**33.4**	**36.1**
Change in working capital and capital leases	2.0	(3.3)
Investment in property and equipment	**35.4**	**32.8**

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

(In millions of US dollars)	Year ended December 31, 2021	2020
Cost of sales before investment in MultiClient library	(351.2)	(369.8)
Research and development costs before capitalized development costs	(14.5)	(17.2)
Sellling, general and administrative costs	(36.1)	(39.2)
Cash costs, gross	**(401.8)**	**(426.2)**
Steaming deferral, net	(3.2)	(2.8)
Cash investment in MultiClient library	127.2	222.3
Capitalized development costs	8.0	8.5
Net operating expenses	**(269.8)**	**(198.2)**

Financial Statements

PGS Consolidated

Consolidated Statements of Profit and Loss 64
Consolidated Statements of Comprehensive Income 65
Consolidated Statements of Changes in Shareholders' Equity 65
Consolidated Statements of Financial Position 66
Consolidated Statements of Cash Flows 67

PGS ASA Parent Company

Statements of Profit and Loss 109
Statements of Financial Position 110
Statements of Cash Flows 111

Notes to the consolidated Financial Statements

Note 1 General Information about the Company and Basis of Presentation 68
Note 2 Summary of Significant Accounting Policies 68
Note 3 Critical Accounting Judgments, Estimates and Assumptions 73
Note 4 Segment Reporting 76
Note 5 Revenue from Contracts with Customers 77
Note 6 Other Income 79
Note 7 Cost of Sales 79
Note 8 Depreciation, Amortization and Impairments of Non-current Assets 79
Note 9 Other Charges, Net 80
Note 10 Interest Expense 80
Note 11 Other Financial Expense, Net 80
Note 12 Income Taxes 81
Note 13 Earnings Per Share Information 82
Note 14 Restricted Cash 83
Note 15 Accrued Revenues and Other Receivables 83
Note 16 Other Current Assets 83
Note 17 Property and Equipment 83
Note 18 MultiClient Library 85
Note 19 Other Non-Current Assets 85
Note 20 Other Intangible Assets 87
Note 21 Debt and Guarantees 87
Note 22 Financial Instruments 91
Note 23 Leases, Contingent Liabilities and Provisions 94
Note 24 Accrued Expenses and Other Current Liabilities 96
Note 25 Other Non-Current Liabilities 97
Note 26 Pension Obligations 97
Note 27 Shareholder Information 99
Note 28 Related Party Transactions 100
Note 29 Share Based Payment Programs 101
Note 30 Salaries and Other Personnel Costs, Number of Employees, and Remuneration to the Board of Directors, Executive Officers and Auditors 102
Note 31 Subsidiaries 107
Note 32 Subsequent Events 107

Notes to the Parent Company Financial Statements

Note 1 Summary of Significant Accounting Policies 112
Note 2 Intercompany Transactions 112
Note 3 Interest Expense, Net 113
Note 4 Other Financial Items, Net 113
Note 5 Income Taxes 113
Note 6 Shares in Subsidiaries 114
Note 7 Restricted Cash 114
Note 8 Shareholders' Equity 114
Note 9 Debt and Guarantees 115
Note 10 Financial Instruments 115
Note 11 Other Long-term Liabilities 116
Note 12 Pension Obligations 116
Note 13 Accrued Expenses and Other Short-term Liabilities 117
Note 14 Salaries and Other Personnel Costs, Number of Employees, and Remuneration to the Board of Directors, Executive Officers and Auditors 117
Note 15 Subsequent Events 117

Consolidated
Financial Statements

PGS ASA

Consolidated Statements of Profit and Loss

(In millions of US dollars)	Note	Year ended December 31, 2021	2020
Revenues	5	697.8	473.2
Other income	6	6.0	38.8
Total revenues and other income		**703.8**	**512.0**
Cost of sales	7	(227.2)	(150.3)
Research and development costs		(6.5)	(8.7)
Selling, general and administrative costs		(36.1)	(39.2)
Amortization and impairment of MultiClient library	8	(379.0)	(265.5)
Depreciation and amortization of non-current assets (excl. MultiClient Library)	8	(100.6)	(89.2)
Impairment and loss on sale of non-current assets (excl. MultiClient library)	17	(15.0)	(108.4)
Other charges, net	9	(5.6)	(38.7)
Total operating expenses		**(770.0)**	**(700.0)**
Operating profit (loss)/EBIT		**(66.2)**	**(188.0)**
Share of results from associated companies	19	1.2	(30.0)
Interest expense	10	(99.4)	(78.4)
Other financial expense, net	11	0.6	(10.0)
Income (loss) before income tax expense		**(163.8)**	**(306.4)**
Income tax	12	(15.6)	(15.1)
Profit (loss) for the year		**(179.4)**	**(321.5)**
Earnings (loss) per share, to ordinary equity holders of PGS ASA:	13		
- Basic		($0.45)	($0.85)
- Diluted		($0.45)	($0.85)

PGS ASA

Consolidated Statements of Comprehensive Income

(In millions of US dollars)	Note	Year ended December 31, 2021	2020
Profit (loss) for the year		**(179.4)**	**(321.5)**
Other comprehensive income			
Actuarial gains (losses) on defined benefit pension plans	26	14.8	(7.6)
Items that will not be reclassified to statements of profit and loss		14.8	(7.6)
Cash flow hedges		4.6	(3.9)
Other comprehensive income (loss) from associated companies		-	-
Items that may be subsequently reclassified to statements of profit and loss		4.6	(3.9)
Other comprehensive income (loss), net of tax		**19.4**	**(11.5)**
Total comprehensive income (loss) to equity holders of PGS ASA		**(160.0)**	**(333.0)**

PGS ASA

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, 2020	**138.5**	**852.5**	**(346.5)**	**(7.4)**	**637.1**
Profit (loss) for the period	-	-	(321.5)	-	(321.5)
Other comprehensive income (loss)	-	-	(7.6)	(3.9)	(11.5)
Share issue (a)	15.7	73.7	-	-	89.4
Share based payments	-	3.1	-	-	3.1
Share based payments, cash settled	-	(0.2)	-	-	(0.2)
Balance as of December 31, 2020	**154.2**	**929.1**	**(675.6)**	**(11.3)**	**396.4**
Profit (loss) for the period	-	-	(179.4)	-	(179.4)
Other comprehensive income (loss)	-	-	14.8	4.6	19.4
Share issue (b)	4.7	1.7	-	-	6.4
Share based payments	-	2.3	-	-	2.3
Balance as of December 31, 2021	**158.9**	**933.1**	**(840.2)**	**(6.7)**	**245.1**

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

(b) The Company received conversion notices from holders of the convertible bond representing NOK 40.4 million of this bond issue, which pursuant to the bond terms were converted into 13 460 701 shares.

PGS ASA

Consolidated Statements of Financial Position

(In millions of US dollars)	Note	December 31, 2021	2020
ASSETS			
Current assets			
Cash and cash equivalents	22	170.0	156.7
Restricted cash	14	16.1	15.8
Accounts receivables	5, 22	134.6	100.6
Accrued revenues and other receivables	5, 15	55.9	57.3
Other current assets	16	56.4	79.2
Total current assets		**433.0**	**409.6**
Non-current assets			
Property and equipment	17	787.4	898.0
MultiClient library	18	415.6	616.1
Restricted cash	14	57.6	60.8
Other non-current assets	19	14.7	16.2
Other intangible assets	20	84.5	93.1
Total non-current assets		**1,359.8**	**1 684.2**
Total assets		**1,792.8**	**2 093.8**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Interest bearing debt	21, 22	162.6	1 150.4
Lease liabilities	21, 22	35.9	40.1
Accounts payable	22	45.3	31.2
Accrued expenses and other current liabilities	24	80.5	95.5
Deferred revenues	5	123.4	188.6
Income taxes payable	12	16.7	13.7
Total current liabilities		**464.4**	**1 519.5**
Non-current liabilities			
Interest bearing debt	21, 22	973.5	-
Lease liabilities	21, 22	79.0	118.5
Deferred tax liabilities	12	0.1	0.1
Other non-current liabilities	25	30.7	59.3
Total non-current liabilities		**1,083.3**	**177.9**
Shareholders' equity			
Share capital; par value NOK 3; issued and outstanding 400,667,697 shares	27	158.9	154.2
Additional paid-in capital	27	933.1	929.1
Total paid-in capital		**1,092.0**	**1 083.3**
Accumulated earnings		(840.2)	(675.6)
Other capital reserves		(6.7)	(11.3)
Total shareholders' equity		**245.1**	**396.4**
Total liabilities and shareholders' equity		**1,792.8**	**2 093.8**

Oslo, March 2, 2022

Board of Directors

PGS ASA

Walter Qvam *Chairperson* | Anne Grethe Dalane *Vice Chairperson* | Marianne Kah | Richard Herbert | Trond Brandsrud
Anette Valbø | Eivind Vesterås | Gunhild Myhr | Rune Olav Pedersen *President & Chief Executive Officer*

PGS ASA

Consolidated Statements of Cash Flows

(In millions of US dollars)	Note	Year ended December 31, 2021	2020
Income (loss) before income tax expense (a)		***(163.8)***	***(306.4)***
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization, impairment	8	494.5	463.1
Share of results in associated companies	19	(1.1)	30.0
Interest expense	10	99.4	78.4
Loss (gain) on sale and retirement of assets		(0.3)	-
Income taxes paid	12	(11.7)	(26.8)
Other items		(0.8)	2.3
(Increase) decrease in accounts receivables, accrued revenues & other receivables		(32.8)	127.6
Increase (decrease) in deferred revenues	5	(65.2)	64.8
Increase (decrease) in accounts payable		15.2	(23.1)
Change in other current items related to operating activities		(5.5)	(47.2)
Change in other non-current items related to operating activities		(1.3)	3.8
Net cash provided by operating activities		**326.6**	**366.5**
Investment in MultiClient library	18	(127.3)	(222.1)
Investment in property and equipment	17	(35.4)	(32.8)
Investment in other intangible assets	20	(10.2)	(8.6)
Investment in other current -and non-current assets assets		-	-
Proceeds from sale and disposal of assets	17	1.0	26.6
Decrease (increase) in non-current restricted cash		-	(17.7)
Net cash provided by (used in) investing activities		**(171.9)**	**(254.6)**
Proceeds, net of deferred loan costs, from issuance of non-current debt/net cash payment for debt amendment a)	21	(19.5)	124.2
Interest paid on interest bearing debt		(80.8)	(73.7)
Repayment of interest bearing debt	21	-	(240.3)
Net change of drawing on the Revolving Credit Facility	21	-	170.0
Proceeds from share issue		-	91.9
Payment of lease liabilities (recognized under IFRS 16)	21, 23	(40.3)	(43.1)
Payments of leases classified as interest	23	(8.9)	(10.7)
Decrease (increase) in restricted cash related to debt service		8.1	(14.1)
Net cash provided by (used in) financing activities		**(141.4)**	**4.2**
Net increase (decrease) in cash and cash equivalents		13.3	116.1
Cash and cash equivalents as of January 1		156.7	40.6
Cash and cash equivalents as of December 31		**170.0**	**156.7**

a) For 2021, the amount represents the fees and expenses relating to the amendment of debt maturities offset by cash proceeds from the convertible bond issue

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

General information

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

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

Basis of presentation

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

The consolidated financial statements were authorized for issue by the Board of Directors on March 2, 2022.

Note 2 – Summary of Significant Accounting Policies

Consolidation

Subsidiaries

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

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

Joint arrangements and investments in associated companies

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

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

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

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

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

Cash and cash equivalents and restricted cash

Cash and cash equivalents include demand deposits and all highly liquid financial instruments purchased with original maturities of three months or less. Cash and cash equivalents that are restricted from the Company's use are presented separately in the consolidated statements of financial position and are classified as current or non-current depending on the nature of the restrictions.

Foreign currency translation and transactions

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

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of realized and unrealized monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of profit and loss as other financial expense, except when recognized in the consolidated statements of other comprehensive income as qualifying cash flow hedges.

Intangible assets

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

Revenue from contracts with customers

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MultiClient library
The MultiClient library consists of seismic data surveys which are licensed to customers on a non-exclusive basis. Costs directly incurred in acquiring, imaging and otherwise completing seismic surveys are capitalized to the MultiClient library. Costs incurred while relocating or "steaming" a vessel or crew from one location to another and borrowing costs incurred during the acquisition and imaging phases of the survey are also capitalized to the MultiClient library.

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

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

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

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

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

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

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

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

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

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

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

Patents, licenses and technology

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

Property and equipment

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

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

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

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

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

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

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

Steaming costs

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

Impairment of property, equipment and intangibles

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

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

The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. In assessing value in use, estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs.

When assessing the recoverable amount or reassessing useful economic lives, significant future developments are considered including technological, economic and market changes. The potential impact of climate change and the energy transition has been incorporated into future cash-flow projections, including management's best estimate of the effects on margins and product mix.

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 been recognized.

Leases

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

Company as a lessee

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

Lease term

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

Measurement of lease liabilities

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

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

Measurement of right-of-use assets

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

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

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

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

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

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

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

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

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

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

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

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

Accounting for uncertain tax positions is described in note 3.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial instruments at amortized cost
Financial assets and liabilities in this category are initially recognized at fair value, and subsequently carried at amortized cost, using the effective interest method less any allowance for impairment. This category includes accounts receivable, accounts payable and loans and other borrowings.

Derecognition of financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit and loss as a gain. In subsequent periods the gain is amortized as added interest expense.

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.

Convertible bonds
The company have issued a convertible bond in a currency different from its functional currency. The instrument does not meet the "fixed for fixed" criteria for being accounted for as a convertible bond and is accounted for as two separate instruments. The right to convert shares are measured separately as a financial liability at fair value over profit and loss and the bond is at inception valued as the residual between the nominal value of the bond and the fair value of the option. The difference to nominal value is accounted for as interest costs.

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

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

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

New and amended standards and interpretations adopted by the Company
The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform
The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

These amendments have no impact on the consolidated financial statements.

Amendments to IAS 1 and IAS 8 Definition of Material
The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general- purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will

depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

These amendments had no impact on the consolidated financial statements.

Conceptual Framework for Financial Reporting issued on 29 March 2018
The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on the consolidated financial statements.

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

This amendment had no impact on the consolidated financial statements.

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

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

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

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

The Company is still assessing the potential impact.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 but will not impact PGS since this practice already is applied prior to 2022.

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

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

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

Note 3 – Critical Accounting Judgments, Estimates and Assumptions

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

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

Impairment of seismic vessel and equipment, MultiClient library and other intangible assets
The carrying values of seismic vessels and equipment, MultiClient library and other intangible assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or CGU may not be recoverable. The calculations of recoverable amounts are based upon future cash flow estimates which are discounted to present value and rely upon a number of key estimates and judgements.

Discount rate
The Company applied a pre-tax discount rate of 12% for the year ended December 31, 2021 and 2020 respectively in determining discounted cash flows in connection with the impairment evaluations of seismic vessels and equipment, intangible assets and the MultiClient library. The rates reflect the estimated weighted average cost of capital for Company activities.

Impairment of seismic vessels and equipment
The recoverable amount of seismic assets has been evaluated using value in use calculations, which is determined by discounting future cash flows to their present value. The Company has applied a range of key estimates in developing cash flow forecasts, including future contract pricing, vessel maintenance costs and its weighted average cost of capital. Cash flow forecasts have also included estimates relating to the future impact of climate change and the speed of the energy transition on Company operations.

For the purpose of impairment testing, each vessel is considered as a separate CGU and seismic equipment is allocated to the vessels.

Future cash flow estimates are based on management assumptions about demand for our products and services, future market conditions and technological developments, including the future impact of climate change. Significant and unanticipated changes in these assumptions could result in impairments in a future period.

For impairment calculations in 2021, management has assumed that revenue levels for the fleet in 2022 will be higher than the prior year. PGS expects the improved oil price, a likely global recovery from the COVID-19 pandemic, and the effects of deferred projects from 2020 and 2021 to support gradual increasing demand for seismic services in the subsequent years. From 2030, the impact of the two main energy transition scenarios has been incorporated into cash flow forecasts, as described in the section below.

Despite the impacts of the COVID-19 crisis, energy consumption is expected to continue to increase longer term with oil and gas being an important part of the energy mix as the global energy transition evolves towards a higher share of renewable energy sources. Offshore reserves will be vital for future supply and support demand for marine seismic services. PGS expects the energy transition to impact future demand for seismic, developing more towards near-field exploration and surveys over production fields for reservoir optimization and relatively less interest in frontier exploration. On that basis, management has forecasted improved ("EBIT") margins for 2 years above the historical average, then to trend towards historic margins above ~15% in the base case scenario and to trend to approximately half of the historical average in a scenario assuming a faster energy transition scenario.

Climate change and the energy transition

The Company has considered the impact of climate change and the energy transition in preparing the financial statements. In particular, the energy transition is likely to affect future demand and pricing of geophysical services relating to oil and gas exploration and production, which in turn may affect the recoverable amount of seismic vessels and equipment.

PGS has incorporated two main scenarios for the energy transition and its potential impact into its forecasts – the base case scenario and the fast energy transition scenario.

The base case scenario is developed from the best estimates of current trends and indications of policy over the next 5 years, and assuming a steady transition from oil and gas to other sources of energy by 2050. The reduction in demand for traditional oil and gas E&P services coincides with an increase in New Energy activity, such as Carbon Capture, Utilization and Storage (CCUS) projects which are a key technology for reducing and removing CO2 and achieving net zero goals.

The fast energy transition scenario incorporates the effect of more dynamic government policy and advances in technology, over an extended forecasting period to 2042. In this scenario assumptions remain the same as the base case till 2030, then a significant shift in the market is assumed to reduce, from pre-covid levels, new frontier exploration surveys by 80%, stable/slow growth for 4D surveys and a 50% reduction in demand for all other E&P related seismic surveys. The accelerated reduction in E&P projects is only partially offset by an increase in New Energy project activity. The Company assumes fewer active vessels will be operating in the seismic market based on a review of the expected economic lifetime of the world fleet.

The above scenarios have been given a 50/50 weighting. Overall, these assumptions resulted in an impairment of $15 million for seismic vessels in the current year. As the future effect of climate change and the energy transition depends upon market, technological and legislative developments that are currently highly uncertain, subsequent changes in assumptions may result in further impairment charges or reversals in the future. The Company will continue to monitor the energy transition and will update the assumptions in the scenarios and their probabilities as new information becomes available.

Sensitivity analysis on impairment evaluation of seismic vessels and equipment

The key assumptions used in evaluating impairment are subject to substantial uncertainty, due to the volatile nature of macro-economic factors such as future oil price, discount rate and any changes to rules and regulations around seismic exploration.

Had assumed long-term EBIT margins been 3 percentage points lower for the remaining estimated useful life of the assets when estimating future cash flows, then impairment of the fleet would approximate $105 million as of December 31, 2021. If EBIT margins had been 5 percentage points lower corresponding to an approximately 6 percentage points reduction of pricing, then impairment of the fleet would be approximate $165 million as of December 31, 2021.

An increase or decrease of WACC of 2% would have resulted in an impairment of $ 88 million or reduced impairment to zero respectively. If the fast energy transition scenario was given 100% weight, impairment would have increased by approximately $45 million from $15 million to $60 million.

Forecast sales of MultiClient library

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

At least annually, management forecasts future sales for each MultiClient library survey for purposes of determining the amount of impairment. Sales forecasts are also estimated in calculating the amount of accelerated amortization for surveys which have licensed disproportionately sooner than implied by the 4-year amortization life; and for surveys that are completed at which time prefunding revenue is recognized. In forecasting sales, management considers past experience, market developments as described above, general prospects for hydrocarbons in the area, political risk, likelihood and timing of exploration licensing rounds, existence of competitor data sets and general economic conditions. Due to 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.

As MultiClient surveys generally have a shorter economic lifetime, consequently no alternative scenario similar to vessels have been prepared. Any impact on the marketability of areas is built into the assessments of the individual surveys, generally PGS have reduced the expectations for future sales in frontier areas.

Sensitivity of forecasted sales on MultiClient impairment evaluation

Impairment of the MultiClient library for 2021 amounted to $ 13.6 million. A 10% reduction in the sales forecast for all surveys with a net book value as of December 31, 2021 would have resulted in an additional impairment of approximately $6 million. A 20% reduction in the sales forecast for all surveys with a net book value as of December 31, 2021 would have resulted in an additional impairment of approximately $16 million.

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.

There is a risk of seismic vessels getting stranded due to a reduction in demand for oil & gas related services. Management has in its assessment among other considered the age of the current world fleet and the assumed market development as described under the impairment section. The newest vessel has an assumed economical lifetime till 2042 and management expect the demand for services such as Carbon Capture, near field exploration and surveys over production areas to support the economic lifetime of its current fleet. Refer to impairment section for further information.

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, 2021, aggregate unrecorded deferred tax assets of the Company amount to $430 million.

Provision for contingencies, claims and tax litigations

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

Contingent revenue

In certain circumstances, revenues can be recognized in respect of a performance obligation that has already been fulfilled in the past. This happens when a customer is already in possession of the license for certain data and either (i) the customer is taken-over by or merged with a competitor who does not yet have the license for such data (and is thus required to pay a transfer fee), or (ii) the customer involves another partner, not already having access to the licensed data, for the exploration of a block, or (iii) customer award of acreage (uplift).

In the event of these specific contractual arrangements' judgement is required in determining when the triggering event took place and the amount to be recognized. Taking into account possible price concessions, customers re-delivery rights and collectability of the claim.

Going Concern assumption

Pursuant to section 3-3a of the Norwegian Accounting Act, the Board confirms that the 2021 financial statements have been prepared based on the going concern basis which, the Directors believe to be appropriate. As described in "Financing status" section above there is a risk that the Company might not generate sufficient liquidity to repay the 2022 maturities whilst also meeting the other requirements of the main credit agreement. Whilst the Company expects to be able to manage the above-mentioned risks and that PGS continued operations should not be impacted, the Directors concluded that the current situation constitutes a material uncertainty. Reference is made to the Note 22 "liquidity risk" section for further information.

Note 4 – Segment Reporting

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

In accordance with the accounting standard for revenues, IFRS 15 MultiClient pre-funding revenues are generally recognized at delivery of the final processed data, which is typically later than the acquisition of the seismic data.

For the purpose of its internal reporting PGS recognize MultiClient pre-funding revenue 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.

PGS will apply IFRS 15 for its internal reporting from January 1st, 2022 and consequently pre-funding revenue on a percentage of completion basis will not be presented as segment information going forward.

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,					
	2021	2020	2021	2020	2021	2020
(In millions of US dollars)	Segment Reporting		Adjustments		As Reported	
Total revenues and other income*	590.9	595.9	113.8	(83.9)	703.8	512.0
Cost of sales	(227.2)	(150.3)	-	-	(227.2)	(150.3)
Research and development costs	(6.5)	(8.7)	-	-	(6.5)	(8.7)
Selling, general and administrative costs	(36.1)	(39.2)	-	-	(36.1)	(39.2)
Amortization of MultiClient library	(274.2)	(296.3)	(91.2)	65.7	(365.4)	(230.6)
Depreciation and amortization (excl. MultiClient library)	(100.6)	(89.2)	-	-	(100.6)	(89.2)
Operating profit/ EBIT ex impairment and other charges,net	**54.6**	**12.2**	**22.6**	**(18.2)**	**(32.0)**	**(6.0)**

*Include Other Income of $6.0 million from US government grants and $38.8 in Norwegian government grants in 2021 and 2020, respectively. See note 6.

	Year ended December 31,					
	2021	2020	2021	2020	2021	2020
(In millions of US dollars)	Segment Reporting		Adjustments		As Reported	
-Contract seismic	207.8	146.7	-	-	207.8	146.7
-MultiClient pre-funding	133.9	218.6	113.8	(83.9)	247.7	134.7
-MultiClient late sales	220.4	167.3	-	-	220.4	167.3
-Imaging	21.7	23.6	-	-	21.7	23.6
-Other Income*	6.2	39.7	-	-	6.2	39.7
Total Revenues and Other Income	**590.0**	**595.9**	**113.8**	**(83.9)**	**703.8**	**512.0**

*Include Other Income of $6.0 million from US government grants and $38.8 in Norwegian government grants in 2021 and 2020, respectively. See note 6.

For the year ended December 31, 2021 MultiClient pre-funding revenues, As Reported, were higher than Segment pre-funding revenues. This difference is only related to timing of revenue recognition.

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

	Year ended December 31,	
(In millions of US dollars)	2021	2020
Revenues as reported in Segment disclosure*	**584.0**	**557.1**
Segment MultiClient revenue for projects not yet delivered	-82.3	-191.5
Segment MultiClient revenue from previous years, projects delivered	196.1	107.6
Revenues, As Reported	**697.8**	**473.2**

*Excluding government grants presented at Other income in note 6

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

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

Geographical markets	Year ended December 31,			
	2021	2020	2021	2020
(In millions of US dollars)	Segment Reporting		As Reported	
Norway**	178.7	145.2	199.0	163.7
Asia/Pacific	70.8	76.2	92.3	91.7
Canada	68.2	22.4	71.7	23.0
Egypt	57.2	48.0	84.1	3.2
Americas* (excluding Brazil and Canada)	56.0	36.8	56.7	36.2
Angola	49.6	95.2	70.6	48.3
United Kingdom	43.8	23.3	44.8	15.5
Ukraine	30.0	-	30.0	-
Brazil	24.3	48.7	13.7	29.8
Africa (excluding Angola, South Africa)	8.7	36.9	38.3	37.6
Middle East/Other (excluding Egypt)	1.5	6.1	1.4	6.0
South Africa	1.2	57.1	1.2	57.0
Total Revenues and Other Income	**590.0**	**595.9**	**512.0**	**512.0**

* Include Other Income of $6.0 million in government grants in 2021. See note 6.
** Include Other Income of $38.8 million in government grants in 2020. See note 6.

Total non-current assets (a)	December 31,	
(In millions of US dollars)	2021	2020
Norway	974.6	1 038.1
Americas (excluding Brazil)	98.1	147.3
Brazil	92.5	73.4
Africa	60.8	166.0
Asia/Pacific	46.8	102.3
Middle East/Other	13.6	55.4
Europe (excluding Norway)	13.4	34.3
Total	**1 299.8**	**1 616.8**

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

Note 5 — Revenue from Contracts with Customers

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

Type of goods or service	Year ended December 31,	
(In millions of US dollars)	2021	2020
Contract seismic	207.8	146.7
MultiClient pre-funding	247.7	134.7
MultiClient late sales	220.4	167.3
Imaging	21.7	23.6
Other	0.2	0.9
Total revenues from contracts with customers	**697.8**	**473.2**

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

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

Timing of revenue recognition*	Year ended December 31,	
(In millions of US dollars)	2021	2020
Licenses transferred at a point in time	433.1	302.9
Services transferred over time	264.7	170.3
Total revenues from contracts with customers	**697.8**	**473.2**

*Refer to section on performance obligations below

In 2021, aggregate revenues from the two largest customers accounted for 10% and 7% of the Company's consolidated revenues compared to 13% and 10% in 2020, respectively.

Revenue from Joint Operations

The Company has cooperation agreements to invest in certain MultiClient data projects with other parties. These agreements are classified as joint operations where the parties have rights to the assets and liability of the investment. The Company generally holds an interest between 30-50%. PGS recognizes its share of the revenue. For the year ended December 31, 2021 and 2020, $59.0 million and $32.1 of the revenue recognized relates to projects with Joint Operations, respectively.

Accounts receivable

	December 31,	
(In millions of US dollars)	**2021**	**2020**
Accounts receivables from contracts with customers	134.6	100.6
Accounts receivables	**134.6**	**100.6**

Contract balances

Balances related to customer contracts consists of the following;

	December 31,		January 1,
(In millions of US dollars)	**2021**	**2020**	**2020**
Accounts receivables	134.6	100.6	167.4
Accrued revenues (note 15)	52.8	55.7	116.4
Total assets from contracts with customers	**187.4**	**156.3**	**283.8**
Deferred revenues	123.4	188.6	123.9
Total liabilities from contracts with customers	**123.4**	**188.6**	**123.9**

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 assets from contracts customers is mainly due to increased sales in the fourth quarter. Deferred revenues consist of revenue billed, not yet recognized. A substantial share of the balance is related to MultiClient pre-funding licenses where revenue is generally recognized at completion of the survey. The Company currently expects the majority of all deferred revenues to be recognized the following year.

The decrease in deferred revenues is due to several larger MultiClient projects delivered in 2021.

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)	**2021**	**2020**
Amounts included in contract liabilities at the beginning of the year	142.3	95.4

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 $ 35.2 million and nil for the years ended December 31, 2021 and 2020, 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)	**2021**	**2020**
Licenses transferred at a point in time	125.0	226.9
Services transferred over time	202.4	106.8
Within one year	**327.4**	**333.6**
Licenses transferred at a point in time	-	14.6
Services transferred over time	-	-
More than one year	**-**	**14.6**
Total	**327.4**	**348.2**

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

Note 6 – Other Income

	Year ended December 31,	
(In millions of US dollars)	**2021**	**2020**
Government grants	6.0	38.8
Total Other income	**6.0**	**38.8**

PGS recorded Other Income of $6.0 million in 2021 from government grants relating to the Covid-19 pandemic. The amount is related to the US Payroll Protection program given as a loan in 2020 and forgiven in 2021.

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

Note 7 – Cost of Sales

	Year ended December 31,	
(In millions of US dollars)	**2021**	**2020**
Vessel costs & direct project cost*	(275.5)	(287.5)
New Ventures, project porfolio & Imaging*	(62.3)	(80.9)
Technology/ digitalization & other*	(13.5)	(1.4)
Total cost of sales, gross	**(351.3)**	**(369.8)**
Steaming deferral, net	(3.2)	(2.8)
Less amount capitalized to MultiClient library	127.2	222.3
Total cost of sales, net	**(227.2)**	**(150.3)**

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

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

	Year ended December 31,	
(In millions of US dollars)	**2021**	**2020**
Amortization of MultiClient library (note 18)	(151.2)	(125.4)
Accelerated amortization of MultiClient library (note 18)	(214.2)	(105.2)
Impairment of MultiClient library (note 18)	(13.6)	(34.9)
Amortization and impairment of MultiClient library	**(379.0)**	**(265.5)**

Impairment relates mainly to surveys where the level of previously expected sales has not materialized or are no longer probable. In 2021 approximately 30% relates to projects in North and South America and the remainder mainly Europe and Asia Pacific, compared to approximately 40% related to Africa and the remainder mainly Europe and Asia Pacific in 2020.

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

	Year ended December 31,	
(In millions of US dollars)	**2021**	**2020**
Gross depreciation and amortization *	(142.4)	(176.2)
Deferred Steaming depreciation, net	(2.1)	(0.8)
Depreciation capitalized to the MultiClient library	43.9	87.8
Depreciation and amortization of non-current assets (excl. MultiClient Library)	**(100.6)**	**(89.2)**

* Includes depreciation of right-of-use assets amounting to $ 22.7 million and $ 31.8 million for the years ended December 31, 2021 and 2020, respectively.

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

	Year ended December 31,	
(In millions of US dollars)	**2021**	**2020**
Impairment of property and equipment (note 17)	(15.0)	(107.4)
Impairment other intangible assets (note 20)	-	(1.0)
Impairment non-current assets (excl. MultiClient Library)	**(15.0)**	**(108.4)**

In 2021, PGS recorded an impairment charge of $15.0 million on two Ramform Titan-class vessels. Reference is made to note 3 for further information.

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

Note 9 – Other Charges, Net

Other charges, net consist of the following:

	Year ended December 31,	
(In millions of US dollars)	**2021**	**2020**
Severance cost	0.2	(22.2)
Onerous contracts with customers	(1.8)	(4.5)
Other restructuring costs and stacking	-	(12.0)
Other*	(4.0)	-
Total	**(5.6)**	**(38.7)**

* In 2021 the company recognized a loss on the estimated value of an earn-out related to a 2018 sale of its fiber optic reservoir monitoring solution, OptoSeise.

Note 10 – Interest Expense

Interest expense consists of the following:

	Year ended December 31,	
(In millions of US dollars)	**2021**	**2020**
Interest on debt , gross	(98.0)	(80.5)
Imputed interest cost on lease agreements (note 23)	(8.7)	(10.7)
Interest capitalized to the MultiClient library (note 18)	7.3	12.8
Total	**99.4)**	**(78.4)**

The average interest rate used to determine the amount of interest cost eligible for capitalization was 6.8% and 6.3% for the years ended December 31, 2021 and 2020, respectively.

Note 11 – Other Financial Expense, Net

Other financial expense, net, consists of the following:

	Year ended December 31,	
(In millions of US dollars)	**2021**	**2020**
Interest income	0.3	0.8
Currency exchange gain/loss	(1.0)	4.9
Loss related to modification of debt	(7.7))	-
Net gain related to extinguishment of debt	9.4	-
Net gain/(loss) on separate derivative financial instrument	0.9	-
Other	(1.3))	(15.7)
Total	**0.6**	**(10.0)**

The line “Net gain related to extinguishment of debt” includes a gain related to extinguishment of debt of $13.5 million and $4.1 million of deferred debt issuance cost charged to expense.

In 2021, PGS recorded a $0.9 million gain on separate derivative financial instrument at fair value relates to the convertible bond. The derivative instrument will, until conversion, be reported as a liability (in “other current liabilities”) at fair value with changes in fair value reported as gain or loss. Upon conversion, the fair value will be reported as a contribution to equity. As of December 31, 2021, the derivative financial instrument is valued at $4.1 million.

For the year ended December 31, 2020 the line “Other” primarily relates to expensed cost for amending and extending debt.

Note 12 – Income Taxes

Income tax consists of the following:

	Year ended December 31,	
(In millions of US dollars)	**2021**	**2020**
Current taxes	(15.6)	(15.1)
Deferred taxes	-	-
Total income tax expense	**(15.6)**	**(15.1)**

For the year 2021 current tax expense relates to foreign withholding tax and corporate tax on activities primarily in Africa.

	Year ended December 31,	
(In millions of US dollars)	**2021**	**2020**
Income (loss) before income tax	(163.8)	(306.4)
Norwegian statutory rate	22%	22%
Provision for income taxes at statutory rate	36.0	67.4
Increase (reduction) in income taxes from:		
Effect of tax rates other than statutory tax rate in Norway	1.8	(0.1)
IFRS 15 Revenue and amortization recognized in previous years (a)	-	(0.6)
Tax exempt income within tonnage tax regimes	0.2	(0.8)
Gain/losses equity investments	0.3	(6.6)
Foreign taxes not creditable in home country	(5.2)	(7.0)
Currency effects (b)	(11.7)	11.0
Changes in unrecognized deferred tax assets	(15.3)	(85.8)
Prior period adjustments	(21.2)	6.2
Other permanent items	(0.5)	1.2
Income tax	**(15.6)**	**(15.1)**

(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 have been taken out as a permanent difference. This did not have any impact on the Balance Sheet or tax expense, as all deferred tax is currently unrecognized.

(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:

	December 31,	
(In millions of US dollars)	**2021**	**2020**
Deferred tax assets		
Employee benefits	(8.1)	(8.7)
Tax loss carry-forwards	(336.0)	(313.1)
Property and equipment	(56.3)	(49.3)
Other	(36.0)	(55.3)
Deferred tax assets, gross	**(436.4)**	**(426.4)**
Deferred tax liabilities		
Property and equipment	0.3	4.0
Intangible assets	5.6	6.9
Other	0.8	1.0
Deferred tax liabilities, gross	**6.6**	**11.9**

(Table continued on next page)

Deferred tax assets, net	(429.8)	(414.5)
Deferred tax assets not recognized in the consolidated statements of financial position	429.9	414.6
Net recognized deferred tax assets and liabilities	**0.1**	**0.1**

	December 31,	
(In millions of US dollars)	**2021**	**2020**
Deferred tax assets	-	-
Deferred tax liabilities	0.1	0.1
Income tax liabilities, gross	**0.1**	**0.1**

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

The Company has incurred several years of consecutive tax losses in the Norwegian tax jurisdiction, including for 2021 and the outlook for 2022 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, 2021 are as follows:

(In millions of US dollars)	Tax losses	Expiry dates	Recognized deferred tax assets	Unrecognized deferred tax assets
Norway	1 250.7	None	-	275.1
UK	81.3	None	-	15.5
Other	178.1	Various	-	45.4
	1 510.1		**-**	**336.0**

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

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

Total provision for uncertain tax positions are recognized as follows:

	December 31,	
(In millions of US dollars)	**2021**	**2020**
Other non-current liabilities	0.1	0.1
Total provision for uncertain tax positions	**0.1**	**0.1**

Tax Contingencies

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

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

Note 13 – Earnings Per Share Information

Specification of average number of shares:

	Year ended December 31,	
	2021	**2020**
Weighted average basic shares outstanding (a)	380 510 818	380 510 818
Dilutive potential shares	1 714 603	1 714 603
Weighted average diluted shares outstanding	**382 225 421**	**382 225 421**

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

Note 14 – Restricted Cash

Restricted cash consists of the following:

(In millions of US dollars)	December 31, 2021	2020
Current:		
Restricted payroll withholding taxes	3.7	4.3
Restricted cash debt service	-	6.4
Other	12.4	5.1
Total restricted cash, current	**16.1**	**15.8**
Non-current:		
Deposits disputes (note 23)	17.9	17.7
Restricted cash debt service	39.4	43.1
Other	0.3	-
Total restricted cash, non-current	**57.6**	**60.8**

Non-current restricted cash of $39.4 million is 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. Current other restricted cash mainly relates to deposits on various guarantees.

Note 15 – Accrued Revenues and Other Receivables

Accrued revenues and other receivables consist of the following:

(In millions of US dollars)	December 31, 2021	2020
Accrued revenues	52.8	55.7
Other receivables	3.1	1.6
Total	**55.9**	**57.3**

Note 16 – Other Current Assets

Other current assets consist of the following:

(In millions of US dollars)	December 31, 2021	2020
Prepaid operating expenses	10.8	22.6
Consumables, supplies and fuel inventory	26.8	21.8
Deferred steaming and project costs	5.0	10.2
Prepaid reinsurance	4.0	3.7
Withholding taxes and taxes receivable	8.0	2.6
Other	1.8	18.3
Total	**56.4**	**79.2**

Note 17 – Property and Equipment

The changes in property and equipment are as follows:

(In millions of US dollars)	Seismic vessels and equipment	Buildings, fixtures and furniture	Total
Cost as of January 1, 2020	**2,679.4**	**138.1**	**2,817.5**
Additions	25.2	10.9	36.1
Asset retirements	(153.0)	-	(153.0)
Reclassification/Other	(1.0)	-	(1.0)
Cost as of December 31, 2020	**2 550.6**	**149.0**	**2 699.6**
Additions	34.0	1.8	35.8
Asset retirements	(0.4)	-	(0.4)
IFRS 16 adjustments	-	(3.2)	(3.2)
Reclassification/Other	(0.4)	-	(0.4)
Cost as of December 31, 2021	**2 583.8**	**147.4**	**2 731.2**
Accumulated depreciation as of January 1, 2020	**1 507.5**	**65.0**	**1 572.5**
Impairments as of January 1, 2020	**112.6**	**-**	**112.6**

(Table continued on next page)

Depreciation	142.2	18.4	160.6
Impairments	107.4	-	107.4
Asset retirements- accumulated depreciation	(150.9)	-	(150.9
Asset retirements- accumulated impairment	(0.6)	-	(0.6)
Depreciation as of December 31, 2020	**1 498.8**	**83.4**	**1 582.2**
Impairments as of December 31, 2020	**219.4**	**-**	**219.4**
Depreciation	109.4	18.0	127.3
Impairments	15.0	-	15.0
Asset retirements- accumulated depreciation	-	(0.2)	(0.2)
Asset retirements- accumulated impairment	-	-	-
Depreciation as of December 31, 2021	**1 608.2**	**101.2**	**1 709.3**
Impairments as of December 31, 2021	**234.4**	**-**	**234.4**
Balance as of December 31, 2020	**832.4**	**65.6**	**898.0**
Balance as of December 31, 2021	**741.2**	**46.3**	**787.4**

Right of Use assets included within property and equipment

For the year ended December 31, 2021 and 2020, Seismic vessels and equipment and Buildings, fixtures and furniture included the following right of use assets:

(In millions of US dollars)	Seismic vessels and equipment	Buildings, fixtures and furniture	Total
Cost as of January 1, 2020	**151.5**	**61.4**	**212.9**
Additions	-	0.8	0.8
Remeasurement/Other	(0.8)	4.9	4.1
Asset retirements	(7.3)	(0.8)	(8.1)
Cost as of December 31, 2020	**143.4**	**66.3**	**209.7**
Additions	-	0.2	0.2
Remeasurement/Other	-	0.2	0.2
Asset retirements	-	(3.9)	(3.9)
Cost as of December 31, 2021	**143.4**	**62.9**	**206.3**
Accumulated depreciation as of January 1, 2020	**30.2**	**13.7**	**43.9**
Impairments as of January 1, 2020	**-**	**-**	**-**
Depreciation	18.6	13.2	31.8
Impairments	61.3	-	-
Asset retirements	(7.3)	(0.4)	-
Depreciation as of December 31, 2020	**41.5**	**26.5**	**68.0**
Impairments as of December 31, 2020	**61.3**	**-**	**61.3**
Depreciation	9.2	13.5	22.7
Impairments	-	-	-
Asset retirements	-	-	-
Depreciation as of December 31, 2021	**50.7**	**40.0**	**90.7**
Impairments as of December 31, 2021	**61.3**	**-**	**61.3**
Balance as of December 31, 2020	**40.6**	**39.8**	**80.4**
Balance as of December 31, 2021	**31.4**	**22.9**	**54.3**

For more information on leases refer to note 23.

Impairments

Management regularly evaluates its fleet plan and capital expenditure levels in light of market conditions. In 2021 and 2020 management performed such evaluations and made decisions which resulted in impairments of certain vessels in the fleet described below. Refer to note 3 for information.

2021 Impairments

PGS recorded aggregate impairment charges of $15.0 million in 2021. The impairment primarily reflects a change in assumptions related to the impact of energy transition to PGS business, refer to note 3 for further information. The recoverable values of seismic vessels and other Company asset are sensitive to the assumed margins and cycles of the seismic industry as well as changes to operational plans. As a result, further impairments may arise in future periods.

(In millions of US dollars)	December 31, 2021	2020
Titan vessels	15.0	30.0
PGS Apollo (right-of-use asset)	-	44.0
Sanco Swift (right-of-use asset)	-	25.5
Ramform Viking	-	3.7
Impairment of seismic equipment	-	4.2
Total impairment	**15.0**	**107.4**

Note 18 – MultiClient Library

The changes in the MultiClient library are as follows:

(In millions of US dollars)	2021	2020
Balance as of January 1,	**616.1**	**558.6**
Capitalized cash costs	127.2	222.3
Capitalized interest	7.3	12.8
Capitalized depreciation	43.9	87.8
Amortization expense	(151.2)	(125.4)
Accelerated amortization	(214.2)	(105.2)
Impairments (see note 7)	(13.6)	(34.9)
Other	0.1	0.1
Balance as of December 31,	**415.6**	**616.1**

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

(In millions of US dollars)	December 31, 2021	2020
Completed surveys:		
Completed during 2017	-	14.1
Completed during 2018	13.9	43.8
Completed during 2019	53.6	92.1
Completed during 2020	49.3	76.3
Completed during 2021	117.7	-
Completed surveys	**234.6**	**226.3**
Surveys in progress	**181.0**	**389.8**
MultiClient library	**415.6**	**616.1**

Note 19 – Other Non-Current Assets

Other non-current assets consist of the following:

(In millions of US dollars)	December 31, 2021	2020
Investments in associated companies (a)	12.3	9.6
Other	2.4	6.6
Total	**14.7**	**16.2**

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

		December 31, 2021		December 31, 2020	
(In millions of US dollars)	Jurisdiction	Net book value	Ownership	Net book value	Ownership
Azimuth II Ltd.	Bermuda	6.2	35%	5.6	35%
Ocean Floor Geophysics Inc..	Canada	3.3	46%	2.0	20%
Ocean Geo-Frontier Co. Ltd	Japan	2.3	34%	1.3	34%
Other*		0.4	-	0.7	-
Total		**12.3**		**9.6**	

* Includes investment in Azimuth Ltd and Azimuth III Ltd.

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

(In millions of US dollars)	Year ended December 31, 2021			Year ended December 31, 2020		
	Profit (loss) for the year	**Adjustments (a)**	**Share of income (loss)**	**Profit (loss) for the year**	**Adjustments (a)**	**Share of income (loss)**
Azimuth II Ltd.	0.7	-	0.7	(23.0)	(1.2)	(24.2)
Ocean Floor Geophysics Inc..	(0.5)	-	(0.5)	-	-	-
Ocean Geo-Frontier Co. Ltd	1.3	-	1.3	0.5	-	0.5
Other	(0.2)	-	(0.2)	(7.5)	1.2	(6.3)
Total			**1.2**			**(30.0)**

(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.

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

The Company did not make any contributions to the Azimuth Group in 2021 or 2020. During 2020 the Azimuth Group purchased data and other services from the Company for $0.4 million.

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.

Ocean Floor Geophysics Inc. is a company incorporated in Canada that provides geophysics data acquisition, analysis and exploration services. It also designs, develops and sells marine geophysical sensors. The Company holds a 46% share.

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

(In millions of US dollars)	Azimuth Limited		Ocean Floor Geophysics Inc.		Ocean Geo-Frontier Co. Ltd.	
	2021*	**2020(a)**	**2021***	**2020(a)**	**2021***	**2020(a)**
Current assets	16.2	15.9	3.9	7.1	12.0	10.5
Non-current assets	54.2	62.0	6.5	3.4	1.4	0.8
Current liabilities	16.8	16.5	3.6	3.5	7.0	5.2
Non-current liabilities	0.3	0.2	3.1	4.1	-	-
Equity	53.3	61.2	3.7	2.9	6.4	6.1
Revenue	-	-	6.0	6.1	74.9	64.5
Operating expenses	-	-	6.8	6.3	71.7	61.2
Financial (income) expenses	7.9	44.2	0.6	0.8	-	-
Income (loss) before tax	(7.9)	(44.2)	(1.4)	(1.0)	3.1	3.2
Income tax	-	-	-	-	(1.1)	(1.1)
Profit (loss) for the year	(7.9)	(44.2)	(1.4)	(1.0)	2.0	2.1
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	(7.9)	(44.2)	(1.4)	(1.0)	2.0	2.1

(a) The preliminary 2020 financial statements numbers for the Azimuth II Ltd included in the 2020 Annual report have been updated to reflect final numbers.

* reflects preliminary numbers

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

(In millions of US dollars)	December 31, 2021	2020
Balance at January 1	**9.6**	**38.1**
Investments	1.8	2.0
Impairment and share of results from associated companies	1.2	(30.0)
Dividend received	(0.4)	(0.5)
Other comprehensive income (loss) from associated companies	-	-
Other changes	-	-
Balance at December 31	**12.3**	**9.6**

Note 20 – Other Intangible Assets

The changes in other intangible assets are summarized as follows:

(In millions of US dollars)	Patents, licenses, technology and other	Intangible assets in development	Total
Cost as of January 1, 2020	**332.5**	**37.4**	**370.0**
Additions to costs	-	8.5	8.5
Asset retirements	(1.0)	-	(1.0)
Asset transfers	1.0	(1.0)	-
Cost as of December 31, 2020	**332.5**	**44.9**	**377.5**
Additions to costs	-	10.2	10.2
Asset retirements	-	(3.8)	(3.8)
Asset transfers	-	-	-
Reclassification	-	2.1.	2.1
Cost as of December 31, 2021	**332.5**	**53.4**	**386.0**
Amortization as of January 1, 2020 (a)	**268.8**	**-**	**268.8**
Amortization expense	15.6	-	15.6
Asset retirements	(1.0)	-	(1.0)
Impairments	1.0	-	1.0
Amortization as of December 31, 2020 (a)	**284.4**	**-**	**284.4**
Amortization expense	15.1	-	15.1
Asset retirements	-	-	-
Impairments	-	-	-
Reclassification	2.0	-	2.0
Amortization as of December 31, 2021 (a)	**301.5**	**-**	**301.5**
Balance as of December 31, 2020	**48.1**	**44.9**	**93.1**
Balance as of December 31, 2021	**31.0**	**53.4**	**84.5**
Estimated useful life	1 to 15 years		

(a) The accumulated impairment charge on intangibles other than goodwill was $165.8 millions as of December 31, 2021.

Impairments

PGS recorded aggregate impairment charges of $0.2 million and $1 million in 2021 and 2020, respectively. Impairment charges is related to technology no longer expected to be utilized.

Note 21 – Debt and Guarantees

Interest bearing debt consists of the following:

	December 31,	
(In millions of US dollars)	2021	2020
Secured:		
Term loan B, Libor + 250 Basis points, due 2021	-	2.0
Term loan B, Libor + 6-700 basis points (linked to total leverage ratio ("TLR"), due 2024	873.0	520.4
Export credit financing, due 2025	109.4	109.4
Export credit financing, due 2027	189.1	189.1
Revolving credit facility, due Sep 2020	-	135.2
Revolving credit facility, due Sep 2023	-	214.8
Unsecured		
Convertible bond 5%, due 2024	8.6	-
Total loans and bonds, gross	**1 180.1**	**1 170.9**
Less current portion	(162.6)	(1 150.4)
Less deferred loan costs, net of debt premiums	(29.6)	(20.5)
Less modification of debt treated as extinguishment	(9.3)	-
Less effect from separate derivative financial instrument convertible bond	(5.1)	-
Non-current interest bearing debt	**973.5**	**-**

(Table continued on next page)

Undrawn facilities consists of:

(In millions of US dollars)	December 31, 2021	2020
Unsecured		
Performance bond	17.3	22.8
Total	**17.3**	**22.8**

Summary of net interest-bearing debt:

(In millions of US dollars)	December 31, 2021	2020
Loans and bonds gross	(1 180.1)	(1 170.9)
Cash and cash equivalents	170.0	156.7
Restricted cash (current and non-current)	73.7	76.6
Net interest bearing debt, excluding lease liabilities	**(936.4)**	**(937.6)**
Lease liabilities current	(35.9)	(40.1)
Lease liabilities non-current	(79.0)	(118.5)
Net interest bearing debt, including lease liabilities	**(1 051.3)**	**(1 096.2)**

Reconciliation of debt arising from financing activities:

		Cash flows				Non-cash changes			
(In millions of US dollars)	January 1, 2021	Repayment of interest bearing debt	Payment of lease liabilities	Net change of drawing on the Revolving Credit Facility	Proceeds, net of deferred loan costs, from issuance of non-current debt	Foreign exchange movement	New leases	Other	December 31, 2021
Debt to financial institutions	1 150.4	-	-	-	(25.1)	-	-	7.4	1 132.7
Bond debt	-	-	-	-	5.7	(0.4)	-	(1.8)	3.5
Lease liabilities	158.6	-	(40.3)	-	-	(1.3)	-	(2.2)	114.8
Total liabilities from financing activities	**1 309.0**	**-**	**(40.3)**	**-**	**(19.4)**	**(1.7)**	**-**	**3.4**	**1 251.0**

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

For information on risk of not complying with covenants as of 31.03.2022, please refer to note 22, liquidity risk.

Credit Facility

At December 31, 2021, the Senior Secured Credit Facility (the "Credit Facility") as amended and originated in 2007 comprises of a $873.0 million Term Loan B (the "Term Loan" or "TLB"). On February 2, 2021, Petroleum Geo-Services AS replaced PGS ASA as the Norwegian borrower, PGS Finance Inc. continues as US Borrower and PGS Holding II Ltd enters as UK Co-Borrower. Borrowings under the Credit Facility are secured by pledges of substantially all assets of the Company except assets pledged to the Export Credit Loans (see below) for which it has an indirect 2nd lien pledge capturing values exceeding the export credit loans. The TLB facility is guaranteed by all material subsidiaries except PGS Titans AS, holding the four titan-class vessels financed by four export credit loans (see below). For comparison, at December 31, 2020, the Credit Facility comprised of a
$522.4 million TLB and a fully drawn $350.0 million Revolving Credit Facility ("RCF").

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

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

On February 2, 2021 the Scheme was sanctioned by an English court allowing the implementation of the financing transaction announced on October 21, 2020 with main terms as listed below. The Scheme had support of lenders to the RCF/TLB facilities representing 95.3% by value of debt and 99.5% by number of creditors voting. The transaction closed and took effect February 9, 2021. With the transaction, PGS had extended its near-term maturity and amortization profile under its RCF/TLB and ECF facilities by approximately two years.

The $135 million RCF due 2020 and $215 million RCF due 2023, and the remaining $2 million of the TLB not extended in February 2020, due 2021 were converted into a new TLB on the same terms and conditions as the existing TLB. Petroleum Geo-Services AS replaced PGS ASA as the Norwegian borrower, PGS Finance Inc. continued as US Borrower and PGS Holding II Ltd entered as UK Co-Borrower.

The total debt under the new TLB facilities (including PIK fees and offsetting exchange of loans into the CB as described below) of $ 873.0 million maturing in March 2024 will have the following amortization profile payable pro-rata to all TLB lenders:

- $135 million amortization payment due in September 2022
- $200 million amortization payment due in September 2023
- $9.2 million quarterly amortization starting March 2023.

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

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

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

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

i) The Company may not incur senior secured debt other than as replacement of existing secured debt, with certain exceptions among such being assumed debt acquired through entities merged or acquired as long as the Total Net Leverage Ratio on a proforma basis does not exceed 2.0:1.0 and such transaction is accretive (i.e., does not increase the leverage ratio proforma); and leases defined as operational leases under the definition existing prior to IFRS 16. Subject to certain exceptions, the Company may not incur further junior secured or senior unsecured debt if the total net leverage ratio exceeds 2.00:1.

ii) The Company may not pay dividends or similar (with certain exceptions) until February 9, 2023. Thereafter, dividend payments or similar are permitted out of cumulative distributable earnings (as defined by the agreement) as long as total net leverage ratio is not greater than 2.0:1.0. On or after March 31, 2023 if net leverage ratio is below 1.0:1.0 there is no restriction on dividend payments or similar. Cumulative distributable earnings, as defined, primarily comprises 50% of Net Income and accumulates over time starting October 1, 2019.

In addition, the Credit Facility restricts or could restrict our ability, among other things, to sell assets without the sales proceeds being reinvested in the business or used to repay debt; issue preferred shares; prepay interest and principal on other indebtedness; create liens on assets; make investments, loans, guarantees or advances; make acquisitions; engage in mergers or consolidations; enter into sale and leaseback transactions; engage in transactions with affiliates; amend material agreements governing our indebtedness; change our business; enter into agreements that restrict dividends from subsidiaries; and enter into speculative financial derivative agreements.

During 2020, and until it was converted into a TLB on February 9, 2021, the $215 million RCF had an interest rate on drawn (borrowed) amounts based on LIBOR plus a margin and a utilization fee. The undrawn amount was subject to a commitment fee. The margin on the drawn amount was based on a leverage grid. During the first quarter of 2020 a margin of 6% was applied, whilst the margin was 6,5% for the remainder of 2020. The RCF was subject to a utilization fee based upon the total amount drawn as follows. For the two first months of 2020 a utilization fee of 0.5% was paid and from March 2020 the RCF was fully drawn and a utilization fee of 0.75% was paid. The RCF facility has in addition a commitment fee on undrawn amounts of 40% of the applicable margin. The $135 million non-extended RCF was subject to a margin of 3.75%, the same utilization fee as the extended RCF; and a commitment fee on the undrawn amount of 50% of the applicable margin. The extended and non-extended RCF were drawn pro rata during 2020. The $523 million extended and increased TLB carried a floating interest rate of LIBOR plus a margin based on the same leverage grid as the extended RCF.

During the first quarter of 2021 a margin of 7.0% applied whilst for the rest of 2021 a margin of 7.5% applied to the extended TLB. The $3 million non-extended TLB maturing March 19, 2021 carried a margin of 2.5%

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

The rescheduling of the $135 million RCF originally due in September 2020 has been accounted for as an extinguishment due to substantially different terms. The rescheduled debt has consequently been accounted for at fair value at time of extinguishment, resulting in a gain of $13.5 million as of February 9, 2021. The amount will be reversed over the life of the debt and in 2021 $4.2 million was reversed as imputed interest expense included in interest on debt, gross. The other parts of the rescheduled debt have been accounted for as modification of existing agreements, resulting in a loss of $7.7 million from the modification in Q1 2021.

Senior Notes

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

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

Export credit financing

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

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

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

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

Convertible Bond

As part of the Transaction closed February 2, 2021, it was issued convertible bond of NOK 116.2 million with 3 years tenor and 5% coupon paid semi-annually. The unsecured convertible bond has PGS ASA as borrower and could from issuance and during the life of the bond be converted into new PGS shares at NOK 3 per share (corresponding to 38,720,699 shares, equaling 10% of the then currently outstanding PGS shares). As part of the Transaction certain lenders to the RCF and TLB facilities subscribed for the CB against conversion of a corresponding amount of their existing secured loans (~NOK 67.1 million/~$7.8 million) and for cash (~NOK 49.1 million/~$5.7 million). PGS will be able to require that bondholders convert the CB into shares if the PGS share price exceeds NOK 6 for 30 consecutive trading days.

During 2021 bondholders representing NOK 40.4 million of the bond have converted into 13.5 million shares. As of December 31, 2021, NOK 75.8 million of the convertible bond is outstanding, which can be converted into 25.3 million shares.

The right to convert the bond into shares is treated as a separate derivative financial instrument and accounted for as a liability measured at fair value. The equity conversion option was at inception on February 9, 2021, valued at $9.9 million and the debt component valued at $3.5 million. The difference between the initial value of the debt component and the nominal value of the CB will be expensed over the life of the CB as imputed interest adjusted for conversions taking place before maturity. As of December 31, 2021, the remaining nominal amount of the CB is $8.6 million. As of December 31, 2021, the derivative financial instrument (relating to the conversion option) is valued to $5.1 million. For further information on accounting for a conversion right in a different currency (NOK), see Note 2.

Letters of credit and guarantees

The Company has $30.0 million uncommitted bid and performance bond facilities ($30 million in 2020) intended for operational use. Drawings under these facilities totaled $12.7 million and $7.2 million as of December 31, 2021 and 2020, respectively. During 2020, the Company was required to deposit cash collateral to cover new or amended bonds drawn under this facility. As of December 31, 2021 the Company had deposited $12.4 million ($5.1 million in 2020) which is included in Restricted Cash (see note 14). Drawings under this facility represent the outstanding letters of credit and similar guarantees not reflected in the accompanying consolidated statements of financial position.

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

Note 22 — Financial Instruments

Valuation of financial instruments carried at fair value

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

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

Nominal value and fair values of financial assets and liabilities

(In millions of US dollars)	Hierarchy Level	December 31, 2021 Nominal value	December 31, 2021 Fair values	December 31, 2020 Nominal value	December 31, 2020 Fair values
FINANCIAL ASSETS					
At fair value through profit and loss					
Foreign exchange contracts	2	-	-	-	-
Derivatives designated as hedging instruments					
Foreign exchange contracts	2	-	-	-	-
Interest rate swaps	2	-	-	-	-
Total		**-**	**-**	**-**	**-**
FINANCIAL LIABILITIES					
Financial liabilities at amortized cost					
Debt with fixed interest rate	2	(256.5)	(257.4)	(256.5)	(256.5)
Debt with variable interest rate	2	(914.4)	(827.0)	(914.4)	(825.1)
Convertible Bond*	2	(8.6)	(7.7)	-	-
Lease liabilities	2	(114.9)	(114.9)	(158.6)	(158.6)
At fair value through profit and loss					
Foreign exchange contracts	2	-	-	-	-
Interest rate swaps	2	(0.5)	(0.5)	-	-
Option conversion	2	(4.1)	(4.1)	-	-
Derivatives designated as hedging instruments					
Foreign exchange contracts	2	-	-	-	-
Interest rate swaps	2	(2.2)	(2.2)	(6.7)	(6.7)
Total		**(1 301.7)**	**(1 213.8)**	**(1 336.2)**	**(1 246.9)**

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

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

Financial risk management policies

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

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

The Company monitors debt on the basis of the leverage ratio and other covenants in credit agreements. The Total Net Leverage Ratio ("TNLR") is calculated as the consolidated indebtedness, net of restricted cash held for debt service in respect of the Export Credit financing and unrestricted cash and cash equivalents, divided by adjusted EBITDA less non-pre-funded MultiClient library investments. The TNLR as of December 31, 2021 was 3.27x compared to the maximum covenant level of 4.25x. The covenant was suspended for December 31, 2020. The Company has earlier announced that there is a risk that the required Maximum Total Net Leverage Ratio covenant in the main credit agreements would not be met in Q1 2022 when the Maximum Total Net Leverage Ratio on March 31, 2022, steps down from 4.25:1 to 3.25:1. As of the date of this report, the Company believes however that the risk of not meeting the Total Net Leverage Ratio covenant in Q1 2022 is low.

In addition, the Company monitors leverage based on net debt. Net debt is calculated as total debt (including short-term and non-current debt as reported in the consolidated statement of financial position) less cash and cash equivalents, including restricted cash. During 2018, taking into account experience from the down cycle and with a view that the Company's markets will continue to be cyclical in the future, the Company has adopted a strategic target to over time reduce Net Interest-Bearing Debt to a level, excluding lease obligations, not exceeding $500-600 million, assuming the

current size and composition of business activities. As a result, the Company will give higher priority to profitability, cash flow generation and debt reduction than business growth until it reaches a lower debt level. while PGS has adjusted expenditures to mitigate the impact of lower revenues, it will need a market recovery to continue significant debt repayments.

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

Interest rate risk management

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

	December 31, 2021		December 31, 2020	
	Notional amounts	**Weighted average interest rate**	**Notional amounts**	**Weighted average interest rate**
Debt at fixed interest rate	265.1	3.09%	256.5	3.03%
Debt at variable interest rate based on US dollar plus a margin	689.9	7.43%	689.4	6.64%
Variable interest rate debt with interest fixed	225.0	1.93%	225.0	1.93%

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 $4.8 million and $4.9 million approximately measured from December 31, 2021 and 2020, respectively.

Foreign currency risk management

The Company is exposed to currency fluctuation due to the effects of a predominantly USD based revenue stream, while the Company's operating expenses and capital expenditures are mainly denominated in USD, GBP, NOK and EUR. The Company maintains a foreign currency risk management strategy that normally uses foreign currency exchange contracts to reduce volatility in the income statement and protect against fluctuations in cash flow caused by volatility in currency exchange rates. The Company does not currently have any bank lines available to hedge currency exposures, but has used cash where possible to offset material exposures. The Company did not have any open forward contracts as of December 31, 2021 or December 31,2020. The table shows exposures and foreign exchange contracts in currencies that the Company hedges on a regular basis.

	December 31, 2021			December 31, 2020		
(in millions, local currency)	**NOK**	**GBP**	**BRL**	**NOK**	**GBP**	**BRL**
Restricted cash	32.6	-	99.7	36.7	-	99.7
Cash held as hedges	104.3	21.9	-	89.4	29.4	-
Current assets	19.6	0.8	23.0	11.8	2.0	131.6
Current liabilities	(139.0)	(0.4)	(0.8)	(133.4)	(0.7)	(2.2)
Pension liabilities	(26.6)	(18.7)	-	(28.9)	(31.4)	-
Finance leases	(260.4)	(0.4)	(1.9)	(380.9)	(4.3)	(3.0)
Other non-current liabilities	(67.6)	(1.0)	-	-	(2.6)	-
Net statements of financial position exposure	**(337.1)**	**(2.2)**	**120.0**	**(405.3)**	**(7.6)**	**226.1**
Hedged committed operational cash flow and capital expenditure:						
Next year	-	-	-	-	-	-
1-2 years	-	-	-	-	-	-
2-3 years	-	-	-	-	-	-
Net forward commitments	**-**	**-**	**-**	**-**	**-**	**-**
Forward exchange contracts	-	-	-	-	-	-
Net exposure	**(337.1)**	**(2.2)**	**120.0**	**(405.3)**	**(7.6)**	**226.1**

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, 2021 and 2020. The foreign exchange rate analysis assumes a 10% depreciation in USD.

	December 31, 2021			December 31, 2020		
(in millions, local currency)	**NOK**	**GBP**	**BRL**	**NOK**	**GBP**	**BRL**
Impact on profit before tax: Gain / (loss)	(4.2)	(0.3)	2.4	(5.3)	(1.0)	4.8

	Average rate		Year end spot rate	
	2020	2020	2020	2020
USD / NOK	8.587	9.445	8.832	8.548
GBP / USD	1.377	1.284	1.350	1.365
USD / BRL	5.353	5.053	5.569	5.191

Credit risk management

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

	December 31,	
(In millions of US dollars)	2021	2020
Cash and cash equivalents	170.0	156.7
Restricted cash (note 13)	73.7	76.6
Accounts receivable	134.6	100.6
Accrued revenues and other receivables (note 15)	55.9	57.3
Total	**434.2**	**391.2**

Cash and cash equivalents

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

Accounts receivables

Trade receivables are primarily with multinational integrated oil companies and independent oil and natural gas companies, including companies owned in whole or in part by governments. As of December 31, 2021, approximately 46% of the balance relates to 5 customers, compared to 58% as of December 31,2020.

The aging of trade receivables is as follows:

	December 31,	
(In millions of US dollars)	2021	2020
Current	89.9	88.6
Up to one month past due	21.9	2.1
Between one and two months past due	19.8	2.1
More than three months past due	8.2	12.5
Allowance for doubtful accounts	(5.2)	(4.7)
Total	**134.6**	**100.6**

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

For accrued revenues, the Company has assessed the collectability prior to recognizing the revenue and assessed credit risk on the same basis as trade receivables. There is no allowance related to accrued revenues as of December 31, 2021 and 2020.

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

Exposure to liquidity risk

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

December 31, 2021			Contractual cash flows*						
(In millions of US dollars)	Nominal value	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	(45.3)	-	(45.3)	(45.3)	-	-	-	-	-
Debt with fixed interest rates	(265.1)	-	(288.9)	(20.0)	(118.6)	(60.0)	(44.6)	(27.7)	(18.1)
Debt with variable interest rates	(914.9)	-	(1,053.8)	(218.8)	(322.5)	(512.4)	-	-	-
Total	**(1,225.3)**	**-**	**(1,388.0)**	**(284.1)**	**(441.2)**	**(572.4)**	**(44.6)**	**(27.7)**	**(18.1)**
Derivative financial assets/liabilities									
Interest rate swaps hedge accounted	(2.2)	225.0	(2.2)	(2.1)	(0.1)	-	-	-	-
Forward exchange contracts used for hedging	-	-	-	-	-	-	-	-	-
Other foreign exchange contracts	-	-	-	-	-	-	-	-	-
Total	**(2.2)**	**225.0**	**(2.2)**	**(2.1)**	**(0.1)**	**-**	**-**	**-**	**-**

*Refer to note 20 for further information on debt classification.

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

As of December 31, 2021, the Company had cash and cash equivalents of $170.0 million, being the total liquidity reserve, compared to cash and cash equivalents of $156.7 million and unutilized drawings of the RCF of nil at year-end 2020. The Company does not currently have an RCF, subsequent to completion of the amendments described in note 21, the previous fully drawn RCF was converted to a Term Loan February 9, 2021.

Due to the dramatic negative market change caused by the Covid-19 pandemic, PGS in 2020 renegotiated its main credit agreements. The rescheduling of debt was sanctioned in February 2021 and enabled PGS to extend its near-term maturity and amortization profile by approximately two years. Together with the implemented cost saving initiatives, the debt rescheduling strengthened PGS's liquidity profile in a challenging operating environment. PGS remains highly leveraged and may become financially challenged should it not comply with the applicable financial maintenance covenants or ultimately fail to generate sufficient cash flow and/or refinance to address the amended amortization and maturity profiles. The seismic market recovery in 2021 has been slower than assumed in the debt rescheduling business plan from 2020. As a result, there is a risk that the Company will not generate sufficient liquidity to repay the 2022 maturities whilst also meeting the other requirements of the main credit agreements, including the Minimum Consolidated Liquidity covenant. As a contingency plan, the Company has started preparations for assessing alternative ways to address upcoming debt maturities, including engaging advisors to assist the Company in this respect.

The Company expects to be able to manage the above-mentioned risks. However, if unsuccessful, the Company may become unable to settle maturities or amortization on the agreed payment dates or breach a financial covenant in the main credit agreements. This would represent a default under the relevant agreements. In such case, the Company may be able to continue without repayment or acceleration if it achieves a standstill agreement (or, in the case of a financial covenant breach, a waiver) from the relevant lenders, agent or lender group. Should a payment default or financial covenant breach continue without a standstill agreement or waiver, this would be an event of default under the relevant agreements. An event of default in one facility may represent an event of default in other facilities and agreements. Refer to note 3 for implications as to going concern assessment.

Interest rate hedge accounting

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. In April 2019 the Company entered into interest rate swaps with a notional amount of $125 million, to fix the interest rate on part of its floating rate debt. The hedges were not designated as hedging instruments and the change in fair value of these swaps was taken directly through the Income Statement. In February 2020 the Company entered into additional interest rate swaps, with a total notional amount of $100 million, to fix the interest rate on part of its floating rate debt. All of the interest rate swaps were then designated as hedging instruments after the refinancing of the TLB in February 2020. The negative market value of the existing swaps at the time of designation was
$2.8 million, which was taken through the Income Statement, all subsequent change in fair value of these swaps were recorded in other comprehensive income as the effective portion of the designated and qualifying hedging instrument.

The interest rate swaps from 2020 and 2021 had a negative fair value of $2.2 and $6.8 million recorded in the Income Statement at December 31, 2021 and 2020, respectively.

Foreign exchange rate hedge accounting

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

Sensitivity analysis derivatives

The Company has no foreign exchange rate hedging using currency derivatives as of December 31, 2021 and 2020.

Note 23 – Leases, Contingent Liabilities and Provisions

Company as lessee

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

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

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

(In millions of US dollars)	Seismic vessels and equipment	Buildings, fixtures and furniture	Total
Balance as of January 1, 2020	**121.3**	**47.7**	**169.0**
Additions (note 17)	-	0.8	0.8
Remeasurement/Other (note 17)	(0.8)	4.5	3.7
Impairment expense (note 17)	(61.3)	-	(61.3)
Depreciation expense (note 17)	(18.6)	(13.2)	(31.8)
Balance as of December 31, 2020	**40.6**	**39.8**	**80.4**
Additions (note 17)	-	0.2	0.2
Remeasurement/Other (note 17)	-	(3.2)	(3.2)
Impairment expense (note 17)	-	-	-
Depreciation expense (note 17)	(9.2)	(13.5)	(22.7)
Balance as of December 31, 2021	**31.4**	**23.3**	**54.7**

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

	2021			2020		
(In millions of US dollars)	Seismic vessels and equipment	Buildings, fixtures and furniture	Total	Seismic vessels and equipment	Buildings, fixtures and furniture	Total
Balance as of January 1	**106.6**	**52.0**	**158.6**	**137.4**	**59.7**	**197.1**
Additions	-	0.2	0.2	-	0.8	0.8
Interest	6.1	2.7	8.8	7.6	3.1	10.7
Lease payments	(32.5)	(16.7)	(49.2)	(37.3)	(16.5)	(53.8)
Remeasurements	0.2	(3.8)	(3.6)	(1.1)	4.9	3.8
Balance as of December 31	**80.4**	**34.4**	**114.8**	**106.6**	**52.0**	**158.6**

The maturity of lease liabilities can be analysed as follows:

	December 31, 2021		
(In millions of US dollars)	Seismic vessels and equipment	Buildings, fixtures and furniture	Total
Less than one year	31.4	10.9	42.3
One to five years	58.1	23.1	81.2
More than five years	-	5.3	5.3
Total	**89.4**	**59.8**	**128.7**

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

The following are the amounts recognised in profit and loss:

(In millions of US dollars)	2021	2020
Interest on lease liabilities adopted under IFRS 16	8.8	10.7
Expenses relating to short term and low value leases	11.7	17.8
Depreciation expense of right-of-use assets	22.7	31.8
Impairment expense of right-of-use assets	-	61.3
Total	**43.2**	**121.6**

The Company had total cash outflows for leases of $60.9 million in 2021, and $71.6 million in 2020. The Company also had non-cash additions to right-of-use assets and lease liabilities of $0.2 million in 2021 and $0.8 million in 2020.

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

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

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

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

	December 31, 2021		
(In millions of US dollars)	**Within five years**	**More than five years**	**Total**
Extension options expected not to be exercised	196.6	84.5	281.1
Termination options expected to be exercised	-	-	-
Total	**196.6**	**84.5**	**281.1**

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

Contingent liabilities
Brazil service tax claim on charter
The Company has ongoing tax disputes related to charter of vessels into Brazil. The assessments, which inter alia seek to levy 15% withholding tax and 10% CIDE (service) tax, amount to $33.9 million in total. The Company holds a legal deposit amounting to $17.9 million in 2021 to challenge one of the disputes in court. The deposit is held in an interest-bearing bank account with a commercial bank. Since the Company considers it more likely than not that these contingencies will be resolved in its favor, no provision has been made for any portion of the exposure.

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

Note 24 – Accrued Expenses and Other Current Liabilities

Accrued expenses consist of the following:

	December 31,	
(In millions of US dollars)	**2021**	**2020**
Accrued employee benefits	25.5	19.3
Accrued vessel operating expenses	13.2	17.8
Provision for onerous customer contracts	11.0	9.2
Accrued Legal Expenses	10.6	12.7
Accrued Severance pay	2.2	6.1
Accrued revenue share	2.0	13.8
Accrued interest expenses	1.3	1.8
Accrued sales tax and VAT	1.0	0.6
Accrued commissions	0.6	1.1
Other	13.1	13.1
Total	**80.5**	**95.5**

Note 25 – Other Non-Current Liabilities

Other non-current liabilities consist of the following:

	December 31,	
(In millions of US dollars)	2021	2020
Pension liability (note 26)	28.3	46.3
Other	2.4	13.0
Total	**30.7**	**59.3**

Note 26 – Pension Obligations

Defined benefits plans

Plan characteristics

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

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

Actuarial valuations and assumptions

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

Risks

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

Financial impact

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

(In millions of US dollars)	2021	2020
Projected benefit obligations (PBO) as of January 1, (a)	**232.9**	**202.3**
Service cost	0.2	0.1
Interest cost	3.2	4.2
Social security tax	-	-
Actuarial loss (gain), arising from changes in financial assumptions	(9.0)	37.7
Actuarial loss (gain), arising from changes in demographic assumptions	(0.5)	(16.5)
Actuarial loss (gain) due to scheme experience	2.2	(2.6)
Benefits paid	(4.0)	(3.6)
Exchange rate effects	(2.4)	11.3
Projected benefit obligations (PBO) as of December 31, (a)	**222.6**	**232.9**

(a) $3.0 million and $3.4 million arise from unfunded plans as of December 31, 2021 and 2020, respectively.

Change in fair value of pension plan assets:

(In millions of US dollars)	2021	2020
Fair value of plan assets as of January 1,	**186.6**	**163.7**
Expected return on plan assets	2.6	3.4
Employer contributions	3.7	3.0
Actuarial gain (loss) arising from return on plan assets	7.0	11.0
Benefits paid	(3.4)	(3.1)
Exchange rate effects	(2.2)	8.6
Fair value of plan assets as of December 31,	**194.2**	**186.6**

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)	2021	2020
Projected benefit obligation (PBO)	222.6	232.9
Fair value of plan assets	194.2	186.6
Net pension liability	**28.3**	**46.3**

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

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

(In millions of US dollars)	Year ended December 31, 2021	2020
Service cost	0.2	0.1
Interest cost	3.2	4.2
Expected return on plan assets/net interest cost	(2.6)	(3.4)
Social security tax	-	-
Net periodic pension cost	**0.8**	**0.9**

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

(In millions of US dollars)	Year ended December 31, 2021	2020
Actuarial gain (loss), arising from changes in financial assumptions	9.0	(37.7)
Actuarial gain (loss), arising from changes in demographic assumptions	0.5	16.5
Actuarial gain (loss) due to scheme experience	(2.2)	2.6
Actuarial gain (loss) arising from return on plan assets	7.0	11.0
Net actuarial gain (loss) recognized in other comprehensive income	**14.3**	**(7.6)**

Significant acturial assumptions:

	2021		2020	
	Norway	UK	Norway	UK
Discount rate	1.90%	1.89%	1.70%	1.36%
Return on plan assets	-	1.89%	-	1.36%
Compensation increase	2.75%	-	2.25%	-

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

Plan asset allocation

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

(In millions of US dollars)	December 31, 2021	2020
Fair value plan assets	194.2	186.6
Plan assets at fair value with quoted prices in active markets for identical assets		
Equity/diversified growth funds	30%	38%
Bonds	57%	51%
Real estate	11%	9%
Other	2%	2%
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.	26.0%
Inflation rate	Increase of 1.0% p.a.	15.8%

The Company expects to contribute approximately $4.6 million to its defined benefit pension plans in 2022.

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 $6.2 million and $8.1 million for 2021 and 2020, respectively. Plan contributions made by employees aggregated $4.1 million and $5.1 million for 2021 and 2020, respectively.

Note 27 — Shareholder Information

At the Annual General Meeting ("AGM") held on April 21, 2021, authority was given for the Board of Directors to acquire treasury shares at a maximum face value of in total NOK 116,162,098. Under no circumstances can the Company acquire shares leading to an aggregate number of treasury shares exceeding 10 percent of the total number of shares.

The shares may be used to meet obligations arising from employee incentive schemes; as part of consideration payable for acquisitions made by the Company; as part of consideration for any mergers, demergers or acquisitions; by way of cancellation of the shares in part or full; to raise funds for specific investments; for the purpose of repaying loans (including convertible loans); or to strengthen the Company's capital base. The Board is free to choose the method of disposal considered expedient for such purposes. The Company's loan agreements restrict buying own shares until February 9, 2023/March 31, 2023 for other purposes than employee equity compensation plan. This exception is limited to $10 million, plus $10 million multiplied by number of calendar years that have commenced since February 9, 2021.

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

The above is authorizations are all valid until June 30, 2022 (unless earlier revoked by the 2022 AGM).

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

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

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

Early 2021, the Company successfully completed a re-negotiation of amortization and maturity profiles for its main credit facilities. The negotiated result was completed by a UK Scheme of Arrangement (the "Scheme") sanctioned by an English court and having support of almost all the Company's lenders. The agreements included the issuance of a convertible loan of total NOK 116,162,097. Per December 31, 2021, NOK 75.8 million of this loan remain outstanding. During 2021 PGS ASA received conversion notices from holders of the convertible bond representing NOK 40.4 million that have been converted into 13 460 701 shares. As of December 31, 2021, PGS ASA had a share capital of NOK 1,202,003,091 comprising of 400,667,697 shares of par value NOK 3 each, all fully paid.

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

The Board of Directors will not propose any dividend to the AGM in 2022 for the year ended December 31, 2021.

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

	Treasury shares	% of total shares outstanding
Balance as of January 1, 2020	**1 739**	**0.00%**
Used to fulfill employee benefit programs in 2020 (note 29)	-	
Balance as of December 31, 2020	**1 739**	**0.00%**
Used to fulfill employee benefit programs in 2021 (note 29)	-1 149	0.00%
Balance as of December 31, 2021	**590**	**0.00%**

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

	December 31, 2021	
	Total shares	**Ownership percent**
Coltrane Asset Management LP	63 914 900	16.0
DNB Asset Management AS	29 024 749	7.2
M&G Investment Management Limited	26 931 374	6.7
Dimensional Fund Advisors LP	12 977 624	3.2
The Boeing Company Employee Retirement Plans Master Trust	12 885 165	3.2
Barclays Capital Inc.	7 951 764	2.0
Susquehanna International Group Ltd.	5 528 848	1.4
Monaco Asset Management SAM	5 187 082	13
Mats Geo AB	4 900 000	1.2

(Table continued on next page)

Credit Andorra	4 616 595	1.2
Andbank Wealth Management SGIIC SAU	4 311 590	1.1
Legal & General Investment Management Limited	4 213 000	1.1
Charles Schwab Investment Management, Inc.	4 171 008	1.0
Trefoil Capital Advisers	4 012 445	1.0
MH Capital A/S	3 983 490	1.0
Saxo Capital Markets UK Ltd	3 546 948	0.9
City of New York Group Trust	2 931 262	0.7
SPB A/S	2 811 435	0.7
UBS Switzerland AG (Investment Management)	2 622 999	0.7
American Century Investment Management Inc.	2 438 622	0.6
Other	191 706 797	47.8
Total	**400 667 697**	**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, 2021	
	Total shares	**Ownership percent**
Board of Directors		
Walter Qvam, Chairperson	35 000	(a)
Anne Grethe Dalane	48 000	(a)
Marianne Kah	28 589	(a)
Richard Herbert	9 500	(a)
Trond Brandsrud	60 000	(a)
Eivind Vesterås	103 500	(a)
Anette Valbø	7 142	(a)
Gunhild Myhr	-	-
Chief Executive Officer and Other Executive Officers		
Rune Olav Pedersen, President and Chief Executive Officer	228 617	(a)
Gottfred Langseth, Executive Vice President and Chief Financial Officer	450 106	(a)
Rob Adams, Executive Vice President of Operations	176 703	(a)
Berit Osnes, Executive Vice President New Energy	36 186	(a)
Nathan Oliver, Executive Vice President of Sales & Services	-	-

(a) Less than 1% of the Company's shares as of December 31, 2021

Note 28 – Related Party Transactions

The following transactions were carried out with related parties:

	Year ended December 31,	
(In millions of US dollars)	**2021**	**2020**
Sale of goods and services		
Associates – MultiClient data	-	-
Associates – Other services	36.4	31.7

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

The Company has $1.6 million and $2.0 million in outstanding balances with related parties as of December 31, 2021 and 2020, 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, 2021 and 2020, the Company did not have any significant outstanding balances with any of these companies.

Note 29 – Share Based Payment Programs

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

Grant Year	Options, RSU's and PRSU's granted	Additional options granted year	Additional options granted	Description
2013	771 425	2014/2016	7 500/2 000	Restricted Stock Plan (RSU)
2014	739 500	2015/2017	2 000/17 500	Restricted Stock Plan (RSU)
2015	657 100	-	-	Restricted Stock Plan (RSU)
2015	776 100	-	-	Performance Based Restricted Stock Plan (PRSU)
2016	647 150	2018	26 200	Restricted Stock Plan (RSU)
2016	762 150	-	-	Performance Based Restricted Stock Plan (PRSU)
2017	456 320	-	-	Restricted Stock Plan (RSU)
2017	839 480	-	-	Performance Based Restricted Stock Plan (PRSU)
2018	1 746 450	-	-	Performance Based Restricted Stock Plan (PRSU)
2019	2 249 300	2020/2021	30 000/50 000	Performance Based Restricted Stock Plan (PRSU)
2020	2 399 050	-	-	Performance Based Restricted Stock Plan (PRSU)
2020	5 993 000	-	-	Performance Based Restricted Stock Plan (PRSU)

The programs

In the period 2019-2021, the company only awarded PRSUs. Settlement of the PRSUs granted and subsequent transfer of shares to the eligible employee will take place three years after the grant subject to the Company achieving a satisfactory Total Shareholder Return ("TSR") compared to the companies in LTI Comparator Group" adjusted for dividends.

For PRSUs granted under the 2019-2021 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, 2021 and 2020, the Company recognized compensation cost with a corresponding increase in shareholders' equity of $2.5 million and $3.1 million, respectively. Total net unrecognized compensation cost as of December 31, 2021 was $3.1 million (PRSU's), which is expected to be recognized over a period of 3 years.

In 2021 the PRSU's did not result in any payout. For 2020, the company settled PRSU and RSU's by cash consideration. Equity was correspondingly decreased with $0.2 million. The PRSU's did not result in any payout, the amounts relate to the RSU programs only.

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

Year ended December 31, 2021

Grant date	RSUs as of December 31, 2020	RSUs granted 2021	RSUs forfeited 2021	RSUs released 2021	RSUs as of December 31, 2021	Weighted-average remaining contractual term
2016	13 800	-	-	(13,800)	-	-
2017	-	-	-	-	-	-
Total	**13 800**	**-**	**-**	**(13,800)**	**-**	**-**

Grant date	PRSUs as of December 31, 2020	PRSUs granted 2021	PRSUs forfeited 2021	PRSUs exercised 2021	PRSUs adjusted (due to performance) 2021	PRSUs as of December 31, 2021	Weighted-average remaining contractual term
2018	1 577 350	-	-	-	(1 577 350)	-	-
2019	2 158 900	50 000	(103 000)	-	-	2 105 900	0.47 years
2020	2 384 550	-	(161 000)	-	-	2 223 550	1.65 years
2021	-	5 993 000	(275 000)	-	-	5 718 000	2.37 years
Total	**6 120 800**	**6 043 000**	**(539 000)**	**-**	**(1 577 350)**	**10 047 450**	**1.82 years**

Year ended December 31, 2020

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

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

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

Grant date	Options, RSU's and PRSU's outstanding December 31,2020	Average exercise price	Weighted average share price at grant date	Risk free rate	Dividend yield	Volatility factor	Weighted average life	Estimated fair value at grant date (average NOK/USD per share option/ RSU/PRSU)
2016 (a)	-	NOK 0	NOK 24.55	N/A	-	N/A	N/A	NOK 24.54/$2.99
2016 (b)	-	NOK 0	NOK 24.56	N/A	-	N/A	N/A	NOK 18.99/$2.32
2017 (a)	-	NOK 0	NOK 14.59	N/A	-	N/A	N/A	NOK 14.59/$1.71
2017 (b)	-	NOK 0	NOK 14.59	N/A	-	N/A	N/A	NOK 10.17/$1.19
2018 (b)	-	NOK 0	NOK 40.70	N/A	-	N/A	N/A	NOK 31.29/$3.88
2019 (b)	2 105 900	NOK 0	NOK 13.39	N/A	-	N/A	N/A	NOK 10.50 / $ 1.23
2020 (b)	2 223 550	NOK 0	NOK 3.40	N/A	-	N/A	N/A	NOK 2.15 / $ 0.24
2021 (b)	5 718 000	NOK 0	NOK 5.36	N/A	-	N/A	N/A	NOK 4.03 / $ 0.49
Total	**10 047 450**							

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

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

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

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

	Year ended December 31,	
(In millions of US dollars)	**2021**	**2020**
Salaries and bonuses	118.5	141.9
Social security	10.5	11.0
Pension	6.1	8.1
Other benefits	13.0	14.9
Total	**148.1**	**175.9**

The Company had an average of 915 and 1,056 employees during the years ended December 31, 2021 and 2020, respectively.

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

In 2021, the Company paid compensation to its President and CEO and other executive officers as follows:

Name	Total compensation paid in 2021 (a)				
	Fixed salary	Bonus (b)	Other benefits (c)	Total paid salary and compensation (in dollars)	Pension benefits (d)
Rune Olav Pedersen					
President and Chief Executive Officer	612 364	-	18 800	631 164	174 332
Gottfred Langseth					
Executive Vice President and Chief Financial Officer	458 588	-	24 847	483 435	99 050
Nathan Oliver					
Executive Vice President of Sales & Services	397 978	-	45 989	443 967	38 281
Berit Osnes					
Executive Vice President of New Energy (e)	307 467	-	9 751	317 218	35 594
Rob Adams					
Executive Vice President of Operations	396 931	-	32 749	429 680	36 670

(a) Amounts in NOK have been translated to US Dollars using average exchange rate for 2021 of NOK/USD 8.5991.
(b) Management did not have any performance related bonus plans in 2021.
(c) Includes items such as PRSU's/RSU's, car allowance, house allowance, telephone, internet and other minor benefits.
(d) Contribution to defined contribution plans (Norway) and earned benefits for members of the defined benefit plan.
(e) Berit Osnes as Executive Vice President of New Energy from 1 April 2021.

RSUs and PRSU's held by the CEO and executive officers as of December 31, 2021 were as follows:

Name	PRSUs as of December 31, 2020	PRSUs granted 2021	PRSUs forfeited 2021	PRSUs exercised 2021	PRSUs adjusted (due to performance) 2021	PRSUs as of December 31, 2021	Weighted average remaining contractual term
Rune Olav Pedersen	462 000	420 000	-	(126 000)	-	756 000	1.79
Gottfred Langseth	210 000	175 000	-	(60 000)	-	325 000	1.76
Nathan Oliver	180 000	175 000	-	(30 000)	-	325 000	1.76
Berit Osnes	149 000	125 000	-	(24 000)	-	250 000	1.97
Rob Adams	135 000	175 000	-	(30 000)	-	280 000	1.66

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

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

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

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

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

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

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

Rune Olav Pedersen, President and CEO of the Company, had an annual fixed salary of NOK 5,265,000 in 2021. The CEO has a mutual 6-months period of notice. The CEO is, both during and after the employment, obliged to refrain from taking employment with companies that are in direct or indirect competition with PGS. This prohibition applies for a period of two years from the termination date unless the Company sets a shorter period of time.

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

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

Board of Directors

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

The table below provides information about our Directors and compensation for 2021:

Name	Position	Director since	Term expire	Compensation (In dollars) (b)
Walter Qvam	Chairperson	2013	2022	110 070
Anne Grethe Dalane	Vice Chairperson	2013	2022	73 380
Marianne Kah	Director	2018	2022	68 422
Richard Herbert	Director	2017	2022	67 847
Trond Brandsrud	Director	2019	2022	67 510
Eivind Vesterås	Director (Empl.rep)	2021	2023	7 752
Anette Valbø	Director (Empl.rep)	2015	2023	11 629
Gunhild Myhr	Director (Empl.rep)	2021	2023	7 752
			Total	**414 362**

(a) Amounts in NOK have been translated to US Dollars using average exchange rate for 2021 of NOK/USD 8.5991.
(b) None of the members or deputy members of the board received compensation from any other Group companies, except for the employee representatives. Their remuneration as employees is not included above.

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

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

(a) Amounts in NOK have been translated to US Dollars using average exchange rate for 2020 of NOK/USD 9.400.
(b) None of the members or deputy members of the board received compensation from any other Group companies, except for the employee

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

Board of Directors' Policy on Remuneration to the CEO and Executive Officers

Introduction
In accordance with §6-16a of the Norwegian Public Limited Liability Companies Act, PGS ASA ("PGS" or "the Company") and its Board of Directors (the "Board") has for our President & CEO (the "CEO") and the executive officers (the "Senior Executives") established a Policy related to determination of salary and other benefits (the "Policy"). The Policy is outlined below, and was approved by the shareholders at the Annual General Meeting ("AGM") on 21 April, 2021. The Policy will apply for a four year policy period from the 2021 AGM, or until the general meeting resolving changes to the Policy if earlier.

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

Overview of Total Compensation for the CEO and Senior Executives

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

PGS has with the help of an external advisor identified a specific peer group of comparable companies across relevant markets. The advisor has collected, and combined information related to total compensation level and structure amongst these companies. As of December 31, 2020, the peer group consisted of 15 companies from Norway and Europe. These companies are of comparable size and have international operations in the oil & gas and oil services sectors. The peer group is subject to regular review. The Board and its Remuneration and Corporate Governance Committee ("Remco") uses this information, among other tools, to benchmark and decide on an appropriate total compensation structure for the CEO and Senior Executives. Remco and the Board evaluate the remuneration of the CEO and Senior Executives regularly. As part of its meeting schedule, Remco annually reviews the total compensation level and the mix between fixed and variable compensation. As part of this review, the mix between long-and short-term incentives, and the mix between corporate financial goals and personal performance goals are evaluated. At the beginning of each calendar year the corporate financial goals and its targets and ranges are reviewed and approved by Remco and the Board. PGS has routines for detecting and preventing conflicts of interests, and thereby ensuring a balanced determination of compensation of the CEO and Senior Executives.

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

Fixed elements

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

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

Short Term Incentive Plans

Participation in the STI Plans and the minimum-, target- and maximum pay-out levels under such plans are determined by the Company on an annual basis. Minimum-, target- and maximum pay-out levels are annually reviewed and approved by Remco and the Board. Bonus payments under the STI Plans to the CEO and Senior Executives will be based partly on the Company and its subsidiaries achievement of one or more key performance indicators ("KPIs"), and partly on achievement of agreed goals in the individual's personal performance contract. The personal performance KPIs are related to areas such as financial, strategic, operational-, organizational, people, and ESG (environmental, social and governance). Bonus payments under the STI Plan, is for the CEO and Senior Executives over time targeted to be 85% and 57% of base salary respectively, whereas payments are capped to 150% and 100% respectively.

Separately, for incentivization purposes, the Board may award a discretionary bonus to CEO and/or Senior Executives in the event the Company is involved in major transactions that is deemed to protect or generate shareholder value and be in the Company's best long-term interests. Such discretionary bonus will be capped to 150% and 100% of base salary for the CEO and Senior Executives respectively.

Long Term Incentive Plans

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

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

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

The full LTI Plan including the KPIs, goals, the size of the pool of PRSUs subject for award, and the LTI Plan terms

and conditions will be presented in the Calling Notice for each AGM for shareholder approval.

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

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

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)	**2021**	**2020**
Audit fees	1.3	1.4
Tax services	0.2	0.4
All other fees	0.1	0.1
Total	**1.6**	**1.9**

Note 31 – Subsidiaries

The ownership percentage in subsidiaries as of December 31, 2021, was as follows:

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

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

Note 32 – Subsequent Events

The Company's operation is not directly impacted by the recent invasion of Ukraine. But for the PGS group there are approximately $5 million outstanding from Ukraine and Russian customers where recoverability may be at risk. Find further information in the consolidated financial statements.

Parent Company Financial Statements

PGS ASA (Parent Company)

Statements of Profit and Loss

(In millions of NOK)	Note	Year ended December 31, 2021	2020
Revenue	2	**3.1**	**9.3**
Selling, general, administrative and other costs	2, 14	(49.1)	(45.2)
Total operating expenses		**(49.1)**	**(45.2)**
Operating loss		**(46.0)**	**(35.9)**
Interest expense, net	2, 3	(9.2)	(561.8)
Impairment, net of reversal of impairment on shares in subsidiaries/ intercompany receivables	1, 6	-	(2 974.8)
Dividends/group contributions received from subsidiaries	2	145.6	406.5
Other financial items, net	2, 4	(9.0)	111.1
Income (loss) before income taxes		**81.3**	**(3 054.9)**
Income tax	5	-	-
Net income (loss)		**81.3**	**(3 054.9)**

PGS ASA (Parent Company)

Statements of Financial Position

(In millions of NOK)	Note	December 31, 2021	2020
ASSETS			
Non-current assets:			
Shares in subsidiaries	1, 6	2 262.8	6 486.0
Intercompany receivables	1, 2, 6	-	3 529.9
Total non-current assets		**2 262.8**	**10 015.9**
Current assets:			
Intercompany receivables	2	260.3	83.8
Other current assets		7.2	101.3
Restricted cash	7	0.5	1.2
Cash and cash equivalents	7	35.8	936.1
Total current assets		**303.9**	**1 122.5**
Total assets		**2 566.6**	**11 138.4**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity:			
Common stock; par value NOK 3; issued and outstanding 387,206,996 shares	8	1 202.0	1 161.6
Additional paid-in capital	8	5 994.4	5 958.3
Total paid in capital		7 196.4	7 119.9
Other equity	8	(4 764.9)	(4 846.1)
Total shareholders' equity		**2 431.5**	**2 273.8**
Non-current liabilities:			
Interest bearing debt	9, 10	30.5	-
Intercompany debt	1, 2	-	1 416.1
Other non-current liabilities	11	40.4	80.3
Total non-current liabilities		**70.9**	**1 496.4**
Current liabilities:			
Interest bearing debt	9, 10	-	7 295.7
Accrued expenses and other short-term liabilities	13	64.2	72.5
Total current liabilities		**64.2**	**7 368.2**
Total liabilities and shareholders' equity		**2 566.6**	**11 138.4**

Oslo, March 2, 2022

Board of Directors

PGS ASA

Walter Qvam *Chairperson* | Anne Grethe Dalane *Vice Chairperson* | Marianne Kah | Richard Herbert | Trond Brandsrud
Anette Valbø | Eivind Vesterås | Gunhild Myhr | Rune Olav Pedersen *President & Chief Executive Officer*

PGS ASA (Parent Company)

Statements of Cash Flows

(In millions of NOK)	Note	Year ended December 31, 2021	2020
Cash flows provided by (used in) operating activities:			
Net income (loss)		81.3	(3 054.9)
Adjustments to reconcile net income to net cash used in operating activities:			
Impairment, net of reversal of impairment of shares/intercompany receivables	6	-	2 974.8
Interest expense		-	645.2
Loss (gain) sale of subsidaries		-	-
Dividends/group contributions	2	(145.6)	(406.5)
Foreign exchange (gain) loss, unrealized	4	(17.2)	(173.9)
Changes in current assets and current liabilities		(26.4)	(115.5)
Other items		36.1	137.1
Net cash provided by (used in) operating activities		**(71.8)**	**6.3**
Cash flows provided by (used in) investing activities:			
Investment in subsidiaries, net	2, 6	(1,038.6)	-
Received dividends from subsidaries		145.6	406.5
Reduced (increased) intercompany receivables		17.6	(563.4)
Increased (reduced) intercompany debt		15.7	169.8
Change in restricted cash		0.7	(0.1)
Net cash provided by (used in) investing activities		**(859.0)**	**12.7**
Cash flows provided by (used in) financing activities:			
Proceeds, net of deferred loan costs, from issuance of non-current debt/net cash payment for debt amendment	9	30.5	1 140.0
Net change of drawing on the Revolving Credit Facility	9	-	1 615.9
Proceeds from share issue	8	-	828.0
Repayment of interest bearing debt	9	-	(1 995.3)
Interest paid		-	(590.9)
Net cash provided by (used in) financing activities		**30.5**	**997.7**
Net increase (decrease) in cash and cash equivalents		**(900.3)**	**1 016.7**
Effect of exchange rate changes on cash and cash equivalents		-	(98.1)
Cash and cash equivalents at beginning of year		936.1	17.5
Cash and cash equivalents at end of year		**35.8**	**936.1**

Note 1 — Summary of Significant Accounting Policies

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

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

Shares in subsidiaries (see note 6) are presented at cost less impairment. Impairment is recognized based upon the carrying value of the individual shares and net intercompany receivables in the subsidiaries less the estimated recoverable amount (based on discounted estimated future cash flows). If estimated recoverable amounts increase, impairment charges are reversed accordingly. There is no fixed plan for repayment of long-term intercompany receivables and payables.

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

Note 2 — Intercompany Transactions

PGS ASA has intercompany transactions with its subsidiaries. PGS ASA charged out management fee to PGS Geophysical AS, NOK 3.1 and NOK 9.3 million in 2021 and 2020, respectively. Guarantee fee income is NOK 3.4 million in 2021. Dividends/group contributions from subsidiaries were NOK 145.6 and NOK 406.5 million in 2021 and 2020, respectively.

In February 2021, as part of a restructure of the PGS Group, the Company contributed most of its assets and liabilities to its subsidiary Petroleum Geo-Services AS. The shares in Petroleum Geo-Services as was subsequently contributed as a capital increase in kind to PGS Holding I Ltd, a UK entity 100% owned by PGS ASA.
The contribution in kind amounted to NOK 976 429 378,- and consisted of;

- all cash and cash equivalents, except restricted cash related to employees,
- all subsidiaries except for PT Petroprima Geo-Service Nusantra,
- TLB and RCF, being all external interest-bearing debt,
- all receivables and debt to group companies as of 31.12.2020.

Following the transaction, the Company have significantly reduced its activity related to financing of subsidiaries.

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

Subsidiaries	**Year ended December 31, 2021**	
(In millions of NOK)	**Net interest**	**Net Receivables/ (Liabilities)**
Petroleum Geo-Services AS	16.9	259.1
Petroleum Geo-Services, Inc.	-	0.2
PGS Exploration (UK) Ltd.	-	0.6
PGS Suporte Logistico e Servicos Ltda.	-	0.3
PGS Imaging, Inc.	-	0.1
Sum transactions intercompany	16.9	260.3
Accumulated impairment		-
Net transactions intercompany		**260.3**

Subsidiaries	**Year ended December 31, 2020**	
(In millions of NOK)	**Net interest**	**Net Receivables/ (Liabilities)**
Multiklient Invest AS	10.9	448.3
Natuna Ventures Pte. Ltd.	-	100.2
Petroleum Geo-Services AS	-	103.7
Petroleum Geo-Services, Inc.	-	515.7
Petroleum Geo-Services (UK) Ltd.	(22.1)	(251.2)
PGS Americas, Inc	-	230.8
Petroleum Geo-Services Asia Pacific Pte. Ltd.	(17.7)	(119.1)
PGS Australia PTY Ltd	-	657.7
PGS Imaging S.A. de C.V.	-	33.7
PGS Data Processing Middle East SAE (Egypt)	(6.1)	9.3
PGS Egypt for Petroleum Services	(31.8)	(565.6)
PGS EM Ltd.	73.0	947.1
PGS Exploration (M) SDN BHD	-	181.1
PGS Geophysical Nigeria Limited	-	40.8

(Table continued on next page)

PGS Exploration (UK) Ltd	(20.4)	(297.0)
PGS Falcon AS	34.3	796.2
PGS Geophysical AS	59.0	968.1
PGS Geophysical Angola	1.4	20.0
PGS Ghana Limited	-	52.8
PGS Imaging, Inc	-	185.7
PGS Japan K.K.	(3.3)	(43.4)
PGS Marine Services (Isle of Man) Ltd.	-	28.2
PGS Seismic Sevices Ltd.	1.4	17.6
PGS Shipowner AS	(1.2)	(67.6)
PGS Suporte Logistico e Servicos Ltda.	-	106.2
PGS Titans AS	8.7	159.6
PT Petroprima Geo-Servis Nusantara	-	520.2
Seahouse Insurance Ltd.	(5.4)	(44.5)
Other	(0.2)	(18.0)
Sum transactions intercompany	80.4	4 716.5
Accumulated impairment		(2 518.9)
Net transactions intercompany		**2 197.6**

Note 3 – Interest Expense, Net

Interest expense, net, consists of:

	Year ended December 31,	
(In millions of NOK)	**2021**	**2020**
Interest income, external	0.1	2.9
Interest income, intercompany	24.3	188.9
Interest expense, external	(26.2)	(645.2)
Interest expense, intercompany	(7.4)	(108.4)
Total	**(9.2)**	**(561.8)**

Note 4 – Other Financial Items, Net

Other financial items, net, consist of:

	Year ended December 31,	
(In millions of NOK)	**2021**	**2020**
Foreign currency (loss) gain, realized and unrealized	(7.4)	194.6
Guarantee fee	3.4	39.9
Other	(5.1)	(123.4)
Total	**(9.0)**	**111.1**

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)	**2021**	**2020**
Income before income taxes	81.3	(3 054.9)
Norwegian statutory tax rate	22%	22%
Provision for income taxes at the statutory rate	(17.9)	672.1
(Increase) reduction in income taxes from:		
Impairment (reversal) of shares in subsidiaries	-	(533.0)
Impairment of intercompany receivables	-	(123.1)
Other permanent items	31.6	78.2
Correction previous year	(12.8)	(6.1)
Changes in unrecognized deferred tax assets	(0.9)	(88.1)
Income tax (expense) benefit	**-**	**-**

(In millions of NOK)	Year ended December 31, 2021	2020
Temporary differences relate to:		
Pension liabilities (a)	-	4.9
Intercompany receivables	-	57.4
Other	0.0	0.2
Tax losses carried forward	1 162.1	1 100.5
Deferred tax assets, net	1 162.1	1 163.0
Deferred tax assets not recognized in the statement of financial position	(1 162.1)	(1 163.0)
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

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

			As of December 31, 2021			
(In millions of NOK)	Registered office	Shareholding (a)	Book value (b)	Equity (b)	Impairments 2021	Net income 2021
PGS Holding I Ltd (UK)	Oslo	100%	2 263	2 252	-	-
PT Petroprima Geo-Servis Nusantara	Indonesia	93%	-	-3.1	-	-1.5
Total			**2 262.8**		**-**	

(a) Voting rights are equivalent to shareholding for all companies.
(b) The numbers are preliminary and statutory audit has not been completed.

As of 31 December 2021, PGS ASA has accumulated impairments related to shares in subsidiaries totaling NOK 2.7 million. This is entirely related to the company PT Petroprima Geo-Servis Nusantara.

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

Note 7 – Restricted Cash

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

Restricted cash consists of:

(In millions of NOK)	December 31, 2021	2020
Payroll withholding taxes	0.5	1.2
Total	**0.5**	**1.2**

Note 8 – Shareholders' Equity

Changes in shareholders' equity for the years ended December 31, 2021 and 2020 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 December 31, 2019	**1 015.7**	**(0.0)**	**5 250.1**	**(1 758.8)**	**4 507.0**
Share issue	145.9	-	682.1	-	828.0
Employee benefit plans	-	-	1.9	-	1.9
Employee share options recharged to subsidiaries	-	-	24.2	-	24.2
Interest rate swaps (net of tax)	-	-	-	(31.6)	(31.6)
Actuarial gains and losses charged to equity (net of tax)	-	-	-	(0.8)	(0.8)
Net income (loss)	-	-	-	(3 054.9)	(3 054.9)
Balance as of December 31, 2020	**1 161.6**	**(0.0)**	**5 958.3**	**(4 846.1)**	**2 273.8**
Share based payments	-	-	21.7	-	21.7
Share issue*	40.4	-	14.4	-	54.8
Net income (loss)	-	-	-	81.3	81.3
Balance as of December 31, 2021	**1 202.0**	**(0.0)**	**5 994.4**	**4 764.9**	**2 431.6**

* During 2021 PGS ASA received conversion notices from holders of the convertible bond representing NOK 40.4 million that have been converted into 13 460 701 shares. As of December 31, 2021, PGS ASA had a share capital of NOK 1,202,003,091 comprising of 400,667,697 shares of par value NOK 3 each, all fully paid.

Note 9 – Debt and Guarantees

Long term debt consists of the following:

	December 31,	
(In millions of NOK)	**2021**	**2020**
Secured:		
Term loan B, Libor + 250 Basis points, due 2021	-	17.1
Term loan B, Libor + 6-700 basis points (linked to total leverage ratio ("TLR"), due 2024	-	4 448.6
Revolving credit facility, due Sep 2020	-	1 155.7
Revolving credit facility, due Sep 2023	-	1 836.2
Unsecured:		
Convertible bond 5%, due 2024	75.8	-
Total	**75.8**	**7 457.6**
Less current portion	-	(7 295.7)
Less deferred loan costs, net of debt premiums	-	(7 295.7)
Less effect from separate derivative financial instrument convertible bond	45.3	(161.9)
Total non-current interest bearing debt	**30.5**	**-**

Undrawn facilities consist of the following:

	December 31,	
(In millions of NOK)	**2021**	**2020**
Secured:		
Revolving credit facility, due 2020	-	1 493.7
Unsecured:		
Bank facility (NOK 50 mill)	-	50.0
Performance bond	-	84.4
Total	**-**	**1 628.0**

Early 2021, the Company successfully completed a re-negotiation of amortization and maturity profiles for its main credit facilities. The negotiated result was completed by a UK Scheme of Arrangement (the "Scheme") sanctioned by an English court and having support of almost all the Company's lenders. The agreements included the issuance of a convertible loan of total NOK 116,162,097. Per December 31, 2021, NOK 75.8 million of this loan remain outstanding.

The remaining interest-bearing debt have been transferred to a subsidiary as part of a restructure, refer to note 3 for further information.

For additional information see Note 21 and 22 in the consolidated financial statements.

Note 10 – Financial Instruments

Fair values of financial instruments

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.

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.

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

(In millions of NOK)		December 31, 2021 Nominal value	December 31, 2021 Fair value	December 31, 2020 Nominal value	December 31, 2020 Fair value
Financial liabilities					
Financial liabilities at amortised cost					
Debt with fixed interest rate	2	-	-	-	-
Debt with variable interest rate	2	-	-	(7 457.6)	(6 694.0)
Convertible bond *	2	(75.8)	(67.6)	-	-
At fair value through profit and loss					
Foreign exchange contracts	2	-	-	-	-
Interest rate swaps	2	(4.5)	(4.5)	-	-
Convertible bond option conversion	2	(35.9)	(35.9)	-	-
Derivatives designated as hedging instruments					
Interest rate swaps	2	-	-	(57.3)	(57.3)
Foreign exchange contracts	2	-	-	-	-
Total		**(116.1)**	**(107.9)**	**(7 514.9)**	**(6 751.3)**

Interest rate risk management

The Company is subject to interest rate risk on debt. 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. The Company retains an interest rate swap with a notional amount of NOK 440.5 million which is matures in June 2022, paying a fixed rate of 2.36% and receiving 3-month USD LIBOR. This instrument represents an economical hedge for the variable rate loan held in Petroleum Geo-Services AS, for PGS ASA this is accounted for at fair value over profit and loss.

(In millions of NOK)	December 31, 2021 Notional amounts	December 31, 2021 Weighted average interest rate	December 31, 2020 Notional amounts	December 31, 2020 Weighted average interest rate
Debt at fixed interest rate	75.8	5.00%	-	-
Debt at variable interest rate based on US dollar plus a margin	-	0.00%	(5 534.2)	6.89%
Variable interest rate debt with interest fixed	440.5	2.36%	(1 923.4)	1.93%

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.

Note 11 – Other Long-term Liabilities

Other long-term liabilities consist of:

(In millions of NOK)	December 31, 2021	December 31, 2020
Unrealized loss hedge contracts (note 10)	40.4	57.7
Pension liability (note 12)	-	21.7
Other non-current liabilities	-	0.9
Total	**40.4**	**80.3**

Note 12 – Pension Obligations

Pension obligations are transferred to Petroleum Geoservices AS as part of a restructuring of the group. Find further information about pension obligations in the consolidated financial statements.

Note 13 – Accrued Expenses and Other Short-term Liabilities

Accrued expenses and other short-term liabilities consist of the following:

	December 31,	
(In millions of NOK)	2021	2020
Accrued unrealized loss on hedging (note 10)	-	-
Foreign taxes	0.2	0.9
Account payables	61.1	61.7
Accrued employee benefits	0.5	2.4
Accrued interest expense	1.5	6.0
Other	0.9	1.5
Total	**64.2**	**72.5**

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

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

	Year ended December 31,	
(In millions of NOK)	2021	2020
Salaries and bonus	8.9	17.8
Social security	1.3	2.3
Pension	0.2	3.0
Other benefits	0.1	0.5
Total	**10.6**	**23.6**

As of December 31, 2021, PGS ASA had 0 employees. Man-years were 1 and 2 for the years 2021 and 2020, respectively.

In 2021 the members of the board were compensated with NOK 3.9 million. For a full listing of Board of Directors, CEO and Other Executive Officers and their compensation, see note 28 in the consolidated financial statements.

PGS ASA has not provided loans or guarantees to the Board of Directors as of December 31, 2021.

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)	2021	2020
Audit fees	3.2	4.8
Fees for tax services (a)	0.3	0.2
All other fees	-	-
Total	**3.6**	**5.0**

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

Note 15 – Subsequent Events

Information will come from consolidated financial statements / BoD report.

Statsautoriserte revisorer
Ernst & Young AS

Dronning Eufemias gate 6A, NO-0191 Oslo
Postboks 1156 Sentrum, NO-0107 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00

www.ey.no
Medlemmer av Den norske revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of PGS ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of PGS ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the statements of financial position as at 31 December 2020, the statements of profit and loss and cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the balance sheet as at 31 December 2020, the consolidated statements of profit and loss, comprehensive income, cash flows and changes in shareholders' equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU

Basis for opinion

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

Key audit matters

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

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

Penneo Dokumentnøkkel: [illegible]

Impairment evaluation of vessels and seismic equipment

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

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

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

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

Impairment evaluation of MultiClient library

MultiClient library accounts for $610.1 million or approximately 29 % of total assets of the Group as of 31 December 2020. The Group performed impairment testing to determine value in use and recorded an impairment loss of $34.9 million in 2020.

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

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

We refer to notes 3 and 9 of the consolidated financial statements.

Penneo Dokumentnøkkel: [illegible]

Building a better working world

Other information

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

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

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

A member firm of Ernst & Young Global Limited

Penneo Dokumentnøkkel: [illegible]

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

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

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

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

Report on other legal and regulatory requirements

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

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

Opinion on registration and documentation

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

Oslo, 23 February 2021
ERNST & YOUNG AS

The auditor's report is signed electronically

Petter Frode Larsen
State Authorised Public Accountant

A member firm of Ernst & Young Global Limited

Penneo Dokumentnøkkel:

PGS Annual Report 2021

A Clearer Image | www.pgs.com