Petroleum Geo-Services AS

Consolidated Financial Statements

Q2-2023

Continued Increase in Contract Rates

Note: Petroleum Geo-Services AS is a holding company ultimately wholly owned by its listed parent PGS ASA, and owning directly or indirectly the absolute majority, of the subsidiaries in the PGS ASA group of companies. Petroleum Geo-Services AS is the issuer of the $450 million Nordic bond and is pursuant to the bond terms required to file unaudited consolidated interim quarterly financial statements in accordance with IFRS within 2 months after the end of the relevant quarter.

Highlights Q2 2023

- Revenues and Other Income of $153.5 million, compared to $273.5 million in Q2 2022
- Cash flow from operations of $111.1 million, compared to $57.7 million in Q2 2022
- Commenced acquisition of PGS first offshore wind site characterization survey
- Secured another multi-season MultiClient project in the Norwegian Sea, evidencing renewed exploration interest in the region

Petroleum Geo-Services AS and its subsidiaries (the "Company") continue to deliver improving rates and margins on contract work. The strong acquisition revenues are achieved despite weather related challenges for the vessels working on the Norwegian continental shelf in the early part of the Europe season, and a delayed yard stay for the Ramform Sovereign. Further, it was a meaningful increase in MultiClient late sales in the second quarter, which more than doubled from the first quarter this year.

The New Energy business continues to progress and in Q2 the Company commenced acquisition of the first offshore wind site characterization survey in the Irish Sea. The Company's offshore wind site characterization offering has attracted considerable client interest, and recently it announced another large contract in the US by a leading renewable energy company with mobilization scheduled for August and completion scheduled for February next year.

Petroleum Geo-Services AS refinanced earlier this year deliberately leaving $138 million of the Term Loan B to be repaid in March 2024. According to internal estimates the Company can manage this repayment with liquidity reserve and cash flow generation over the next quarters. However, to further increase the liquidity headroom and financial robustness the Company announced 20th July 2023 commitments of $75 million from supportive creditors for a separate facility to refinance parts of the March 2024 Term Loan B maturity.

Outlook

As the global energy transition evolves, the Company expects global energy consumption to continue to increase over the longer term with oil and gas remaining an important part of the energy mix. Offshore reserves will be vital for future energy supply and support demand for marine seismic services. The seismic market is recovering on the back of increased focus on energy security, several years of low investment in new oil and gas supplies, and higher oil and gas prices.

Offshore investments in oil and gas exploration and production are expected to increase in 2023. The seismic acquisition market is likely to benefit from the higher exploration and production spending, and a limited supply of seismic vessels.

Condensed Consolidated Statements of Profit and Loss and Other Comprehensive Income

(In millions of US dollars)	Note	Quarter ended June 30, 2023	Quarter ended June 30, 2022	Year to date June 30, 2023	Year to date June 30, 2022	Year ended December 31, 2022
Revenues and Other Income	1	152.7	272.8	292.1	409.2	804.9
Revenues from group companies		0.8	0.7	2.9	1.5	20.1
Total revenues and other income		153.5	273.5	295.0	410.7	825.0
Cost of sales	2	(61.1)	(68.9)	(148.3)	(141.8)	(319.4)
Research and development costs	2	(1.4)	(1.5)	(3.2)	(3.2)	(6.9)
Selling, general and administrative costs	2	(9.0)	(8.2)	(18.7)	(17.1)	(34.5)
Amortization and impairment of MultiClient library	3	(41.1)	(112.4)	(77.4)	(154.7)	(245.7)
Depreciation and amortization of non-current assets (excl. MultiClient library)	3	(15.0)	(21.2)	(35.7)	(49.5)	(95.8)
Impairment and gain/(loss) on sale of non-current assets (excl. MultiClient library)	3	(6.3)	0.4	(6.3)	0.4	(5.3)
Other charges, net	3	0.1	2.5	0.1	(0.5)	5.7
Total operating expenses		(133.8)	(209.3)	(289.5)	(366.4)	(701.9)
Operating profit (loss)/EBIT		19.7	64.2	5.5	44.3	123.1
Share of results from associated companies	4	0.2	1.0	0.5	0.7	(5.0)
Interest expense	5	(26.1)	(26.5)	(56.8)	(50.3)	(108.2)
Interest and other financial gain (expense) within group companies		(3.7)	(1.3)	(7.6)	(1.9)	(10.6)
Other financial expense, net	6	2.6	3.2	(4.9)	6.1	9.0
Income (loss) before income tax expense		(7.3)	40.6	(63.3)	(1.1)	8.3
Income tax	7	(5.5)	(9.3)	(10.3)	(14.2)	(24.2)
Net income (loss)		**(12.8)**	**31.3**	**(73.6)**	**(15.3)**	**(15.9)**
Other comprehensive income						
Items that will not be reclassified to profit and loss	11	0.7	19.8	1.3	32.1	38.4
Items that may be subsequently reclassified to profit and loss	11	-	0.9	(0.4)	2.8	2.1
Other comprehensive income (loss) for the period, net of tax		0.7	20.7	0.9	34.9	40.5
Total comprehensive income (loss) to equity holders		**(12.1)**	**52.0**	**(72.7)**	**19.6**	**24.6**

Condensed Consolidated Statements of Financial Position

(In millions of US dollars)	Note	Quarter ended June 30, 2023	Quarter ended June 30, 2022	Year ended December 31, 2022
ASSETS				
Cash and cash equivalents	10	136.4	219.7	358.3
Restricted cash	10	7.4	16.1	11.6
Accounts receivables		134.5	179.3	169.4
Accrued revenues and other receivables		102.6	82.0	124.7
Other current assets		74.3	65.2	60.6
Receivables from group companies		-	0.3	8.6
Total current assets		455.2	562.6	733.2
Property and equipment	8	748.7	765.6	740.4
MultiClient library	9	311.9	309.1	291.5
Restricted cash	10	58.1	56.0	59.2
Other non-current assets		29.3	31.4	28.6
Other intangible assets		74.1	81.9	73.4
Receivables from group companies		51.9	-	-
Total non-current assets		1,274.0	1,244.0	1,193.1
Total assets		**1,729.2**	**1,806.6**	**1,926.3**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Interest-bearing debt	10	185.2	263.3	367.1
Lease liabilities	10	26.6	35.5	32.9
Accounts payable		49.2	47.2	33.4
Accrued expenses and other current liabilities		62.9	91.5	110.2
Deferred revenues		264.7	77.8	154.4
Income taxes payable		18.3	17.2	18.9
Liabilities to group companies		0.6	-	-
Total current liabilities		607.5	532.5	716.9
Interest-bearing debt	10	585.9	877.7	659.7
Lease liabilities	10	55.4	63.1	54.3
Deferred tax liabilities		0.1	0.1	0.1
Other non-current liabilities		4.4	4.2	4.3
Liabilities to group companies		278.3	64.1	221.0
Total non-current liabilities		924.1	1,009.2	939.4
Shareholders' equity				
Share capital, par value		1.3	1.3	1.3
Treasury shares, par value		-	-	-
Additional paid-in capital		237.5	237.5	237.5
Total paid-in capital		238.8	238.8	238.8
Accumulated earnings and other equity		(41.2)	26.1	31.2
Other capital reserves		-	-	-
Total shareholders' equity		197.6	264.9	270.0
Total liabilities and shareholders' equity		**1,729.2**	**1,806.6**	**1,926.3**

Condensed Consolidated Statements of Changes in Shareholders' Equity

For the six months ended June 30, 2023 and the year ended December 31, 2022

(In millions of US dollars)	Attributable to equity holders: Share capital par value	Additional paid-in capital	Accumulated earnings and other equity	Shareholders' equity
Balance as of January 1, 2022	**1.3**	**237.5**	**6.3**	**245.1**
Profit (loss) for the period	-	-	(15.9)	(15.9)
Other comprehensive income (loss)	-	-	40.5	40.5
Earlier year adjustment	-	-	0.3	0.3
Balance as of December 31, 2022	**1.3**	**237.5**	**31.2**	**270.0**
Profit (loss) for the period	-	-	(73.6)	(73.6)
Other comprehensive income (loss)	-	-	0.9	0.9
Other equity changes	-	-	0.3	0.3
Balance as of June 30, 2023	**1.3**	**237.5**	**(41.2)**	**197.6**

For the six months ended June 30, 2022

(In millions of US dollars)	Attributable to equity holders: Share capital par value	Additional paid-in capital	Accumulated earnings	Shareholders' equity
Balance as of January 1, 2022	**1.3**	**237.5**	**6.3**	**245.1**
Profit (loss) for the period	-	-	(15.3)	(15.3)
Other comprehensive income (loss)	-	-	34.9	34.9
Earlier year adjustment	-	-	0.2	0.2
Balance as of June 30, 2022	**1.3**	**237.5**	**26.1**	**264.9**

Condensed Consolidated Statements of Cash Flows

(In millions of US dollars)	Quarter ended June 30, 2023	Quarter ended June 30, 2022	Year to date June 30, 2023	Year to date June 30, 2022	Year ended December 31, 2022
Income (loss) before income tax expense	(7.3)	40.6	(63.2)	(1.1)	8.3
Depreciation, amortization, impairment	56.1	133.6	113.1	204.2	346.8
Share of results in associated companies	(0.2)	(1.0)	(0.6)	(0.9)	5.0
Interest expense	26.1	26.5	56.8	50.4	101.2
Loss (gain) on sale and retirement of assets	-	-	-	(0.5)	(1.0)
Income taxes paid	(7.5)	(9.8)	(13.3)	(11.8)	(23.6)
Other items	-	2.7	11.8	2.7	6.6
(Increase) decrease in accounts receivables, accrued revenues & other receivables	27.5	(88.3)	80.4	(89.7)	(104.4)
Increase (decrease) in deferred revenues	51.6	(53.2)	110.3	(46.2)	31.0
Increase (decrease) in accounts payable	2.6	22.0	5.8	8.1	(4.7)
Change in other current items related to operating activities	(36.3)	(18.1)	(53.9)	21.0	45.2
Change in other long-term items related to operating activities	(1.5)	2.7	(2.3)	(3.4)	(11.1)
Net cash provided by operating activities	**111.1**	**57.7**	**244.9**	**132.8**	**399.3**
Investment in MultiClient library	(42.9)	(26.2)	(77.8)	(47.7)	(106.4)
Investment in property and equipment	(33.1)	(11.0)	(53.2)	(26.8)	(48.6)
Investment in other intangible assets	(2.3)	(2.5)	(5.2)	(4.9)	(9.8)
Investment in other current -and non-current assets	-	-	-	-	1.8
Proceeds from sale and disposal of assets	-	0.4	-	0.4	1.2
Net change in intercompany balances	(9.8)	68.8	(6.3)	65.2	215.9
Net cash used in investing activities	**(88.1)**	**29.5**	**(142.5)**	**(13.8)**	**54.1**
Interest paid on interest-bearing debt	(7.4)	(21.9)	(33.1)	(41.8)	(90.5)
Proceeds from issuance of long-term debt (a)	(9.2)	-	432.5	-	47.1
Repayment of interest-bearing debt	(11.7)	-	(706.6)	-	(170.1)
Payment of lease liabilities (recognized under IFRS 16)	(8.1)	(9.0)	(16.2)	(18.4)	(36.1)
Payments of leases classified as interest	(1.7)	(1.7)	(3.4)	(3.5)	(6.4)
Decrease (increase) in restricted cash related to debt service	-	1.4	2.5	2.8	(0.7)
Net cash (used in) provided by financing activities	**(38.1)**	**(31.2)**	**(324.3)**	**(60.9)**	**(256.7)**
Net increase (decrease) in cash and cash equivalents	(15.1)	56.0	(221.9)	58.1	196.7
Cash and cash equivalents at beginning of period	151.5	163.7	358.3	161.6	161.6
Cash and cash equivalents at end of period	**136.4**	**219.7**	**136.4**	**219.7**	**358.3**

a) Proceeds from issuance of a $450 million bond, net of issuance discount and $8.6 million in debt issuance cost settled in Q2 2023

Notes to the Condensed Interim Consolidated Financial Statements
Second Quarter and First Half 2023 Results

Note 1 – Revenues

Revenues and Other Income by service type:

	Quarter ended June 30,		Year to date June 30,		Year ended December 31,
	2023	2022	2023	2022	2022
-Contract	69.3	62.8	159.8	124.3	316.9
-MultiClient pre-funding	24.0	96.5	40.3	111.4	139.4
-MultiClient late sales	52.5	107.4	78.1	162.2	325.9
-Imaging	6.8	6.1	13.7	11.3	22.7
-Other Income	0.1	-	0.2	-	(0.0)
-Revenues from group companies	0.8	0.7	2.9	1.5	20.1
Total Revenues and Other Income	**153.5**	**273.5**	**295.0**	**410.7**	**825.0**

Vessel Allocation(1):

	Quarter ended June 30,		Year to date June 30,		Year ended December 31,
	2023	2022	2023	2022	2022
Contract	33%	41%	42%	40%	51%
MultiClient	43%	24%	33%	20%	20%
Steaming	12%	14%	11%	11%	11%
Yard	10%	9%	6%	8%	5%
Stacked/standby	2%	12%	8%	21%	13%

(1) The statistics exclude cold-stacked vessels. The Q2 2023 vessel statistics is based on 6 active 3D vessels. From Q3 2023 the Company will be operating 7 active vessels. The comparative periods Q2 2022 and full year 2022 is based on 6 vessels.

Total Revenues and Other Income

In the first half 2023, revenues amounted to $295.0 million, compared to $410.7 million in the first half 2022, a decrease of $115.7 million, or 28%. The decrease is driven by lower MultiClient revenues, partially offset by higher Contract revenues.

In Q2 2023, revenues amounted to $153.5 million, compared to $273.5 million in Q2 2022, a decrease of $120.0 million or 44%.

The reduction of MultiClient revenues in Q2 and the first half 2023 relate both to lower MultiClient late sales, where the Company had significant transfer fees revenues in 2022, and lower pre-funding revenues due to a low volume of MultiClient projects finalized and delivered to clients.

Contract revenues

In the first half 2023, Contract revenues increased by $35.5 million, or 29%, compared to the first half 2022. The increase is mainly driven by higher rates.

In Q2 2023, Contract revenues increased by $6.5 million, or 10%, compared to Q2 2022. The increase is driven by higher rates, partially offset by less 3D vessel capacity used for contract acquisition work. Contract revenue for Q2 2023 include $5.5 million related to an offshore wind survey.

MultiClient late sales

In the first half 2023, MultiClient late sales revenues decreased by $84.1 million, or 52%, compared to the first half 2022 when the Company benefitted from significant transfer fees. Late sales were highest in South America and Europe.

In Q2 2023, MultiClient late sales revenues decreased by $54.9 million, or 51%, compared to Q2 2022, when the Company recorded significant transfer fees. The highest late sales were achieved from data in South America and Europe.

MultiClient pre-funding revenues

In the first half 2023, MultiClient pre-funding revenues decreased by $71.1 million, or 64%, compared to the first half 2022. The decrease is a result of a lower volume of MultiClient projects finalized and delivered to clients.

In Q2 2023, MultiClient pre-funding revenues decreased by $72.5 million, or 75%, compared to Q2 2022.

Note 2 – Net Operating Expenses

Net operating expenses consist of the following:

(In millions of US dollars)	Quarter ended June 30, 2023	Quarter ended June 30, 2022	Year to date June 30, 2023	Year to date June 30, 2022	Year ended December 31, 2022
Cost of sales including investment in MultiClient library	(110.7)	(102.3)	(233.7)	(195.6)	(428.6)
Research and development costs before capitalized development costs	(3.5)	(3.7)	(7.6)	(7.5)	(15.0)
Selling, general and administrative costs	(9.0)	(8.2)	(18.7)	(17.1)	(34.5)
Cash Cost, gross	**(123.2)**	**(114.2)**	**(260.0)**	**(220.2)**	**(478.1)**
Steaming deferral, net	6.7	7.2	7.6	6.1	2.8
Cash investment in MultiClient library	42.9	26.2	77.8	47.7	106.4
Capitalized development costs	2.1	2.2	4.4	4.3	8.1
Net operating expenses	**(71.5)**	**(78.6)**	**(170.2)**	**(162.1)**	**(360.8)**

In the first half 2023, gross cash cost increased by $39.8 million, or 18%, compared to the first half 2022. The increase is primarily due to higher 3D vessel utilization and activity level, *Sanco Swift* being rigged and used as an offshore wind site characterization vessel, more project related costs and rigging of *Ramform Victory*.

In Q2 2023, gross cash cost increased by $9.0 million, or 8%, compared to Q2 2022.

In the first half 2023, cash costs capitalized to the MultiClient library increased by $30.1 million, or 63%, compared to the first half 2022. The increase is mainly due to more 3D vessel capacity allocated to MultiClient acquisition.

In Q2 2023, cash cost capitalized to the MultiClient library increased by $16.7 million, or 64%, compared to Q2 2022.

Note 3 – Amortization, Depreciation, Impairments and Other Charges, net

Amortization and impairment of MultiClient library consist of the following:

(In millions of US dollars)	Quarter ended June 30, 2023	Quarter ended June 30, 2022	Year to date June 30, 2023	Year to date June 30, 2022	Year ended December 31, 2022
As Reported					
Amortization of MultiClient library	(38.9)	(32.9)	(75.2)	(71.3)	(128.2)
Accelerated amortization of MultiClient library	(2.2)	(79.5)	(2.2)	(83.4)	(105.9)
Impairment of MultiClient library	-	-	-	-	(11.5)
Total	**(41.1)**	**(112.4)**	**(77.4)**	**(154.7)**	**(245.7)**

In the first half 2023, total amortization of the MultiClient library decreased by $77.3 million, or 50%, compared to the first half 2022. The decrease is mainly driven by significantly lower accelerated amortization, partially offset by a small increase of straight-line amortization for the library of completed MultiClient surveys. Amortization was 65% of MultiClient revenues in the first half 2023, compared to 57% in the first half 2022. The higher amortization rate reflects a lower proportion of late sales in the mix.

In Q2 2023, total amortization of the MultiClient library decreased by $71.3 million, or 63%, compared to Q2 2022. Amortization was 54% of MultiClient revenues in Q2 2023, compared to 55% in Q2 2022.

Depreciation, amortization and impairment of non-current assets

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

(In millions of US dollars)	Quarter ended June 30, 2023	Quarter ended June 30, 2022	Year to date June 30, 2023	Year to date June 30, 2022	Year ended December 31, 2022
Gross depreciation*	(27.2)	(30.5)	(55.2)	(64.4)	(122.2)
Deferred Steaming depreciation, net	0.9	1.9	0.6	1.0	0.4
Depreciation capitalized to the MultiClient library	11.3	7.4	18.9	13.9	25.9
Total	**(15.0)**	**(21.2)**	**(35.7)**	**(49.5)**	**(95.9)**

*includes depreciation of right-of-use assets amounting to $4.3 million and $4.4 million for the quarter ended June 30, 2023 and 2022 respectively.
For the full year 2022, depreciation of right-of-use assets amounts to $17.6 million.

In the first half 2023, gross depreciation decreased by $9.2 million, or 14%, compared to the first half 2022. The decrease comes from a generally low investment level in property and equipment over recent years.

In Q2 2023, gross depreciation decreased by 3.3 million, or 11%, compared to Q2 2022.

In the first half 2023, depreciation capitalized to the MultiClient library increased by $5.0 million, or 36%, compared to the first half 2022. The increase is mainly because of more vessel days allocated to MultiClient, partially offset by lower gross depreciation.

In Q2 2023, depreciation capitalized to the MultiClient library increased by $3.9 million, or 53%, compared to Q2 2022.

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

	Quarter ended June 30,		Year to date June 30,		Year ended December 31,
(In millions of US dollars)	2023	2022	2023	2022	2022
Property and equipment	(6.3)	0.4	(6.3)	0.4	0.4
Other Intangible assets	-	-	-	-	(5.7)
Total	**(6.3)**	**0.4**	**(6.3)**	**0.4**	**(5.3)**

Impairment tests on vessels and equipment are performed at year end and whenever there are events, changes in assumptions or indication of potential loss of value. The Company has in Q2 2023 performed an impairment review following an increase of the estimated weighted average cost of capital. The review did not result in impairment charges relating to seismic acquisition vessels. The Company did however recognize a $6.3 million impairment in Q2 2023 of vessel equipment which is not expected to be taken into use.

The seismic market is recovering, but the recoverable values of seismic vessels and other Company assets are sensitive to the assumed margins and cycles of the seismic industry as well as changes to operational plans. As a result, impairments may arise in future periods.

Other charges, net

Other charges, net consist of the following:

	Quarter ended June 30,		Year to date June 30,		Year ended December 31,
(In millions of US dollars)	2023	2022	2023	2022	2022
Onerous contracts with customers	-	2.4	-	3.4	11.0
Provision for bad debt	-	-	-	(4.0)	(3.4)
Gain (loss) sale subsidiaries	-	-	-	-	(2.0)
Other	0.1	0.1	0.1	0.1	0.1
Total	**0.1**	**2.5**	**0.1**	**(0.5)**	**5.7**

As of June 30, 2023, the Company has no provision for onerous customer contracts. This is a decrease from the $7.6 million provision as of June 30, 2022. Provision for onerous customer contracts represents the estimated loss in future periods relating to binding customer contracts where revenues are lower than the full costs, including depreciation, of completing the contract.

Note 4 – Share of Results from Associated Companies

In Q2 2023, the share of results from associated companies was a gain of $0.2 million, compared to a gain of $1.0 million in Q2 2022.

Note 5 – Interest Expense

Interest expense consists of the following:

	Quarter ended June 30,		Year to date June 30,		Year ended December 31,
(In millions of US dollars)	2023	2022	2023	2022	2022
Interest on debt, gross	(25.0)	(26.1)	(54.5)	(49.7)	(107.3)
Imputed interest cost on lease agreements	(1.7)	(1.7)	(3.4)	(3.5)	(6.4)
Capitalized interest, MultiClient library	0.6	1.3	1.1	2.9	5.5
Total	**(26.1)**	**(26.5)**	**(56.8)**	**(50.3)**	**(108.2)**

In the first half 2023, gross interest expense increased by $4.8 million, or 10%, compared to the first half 2022. The increase is due to a considerable increase of Libor interest rates year-over-year, which increases the cost of floating rate debt, and the higher interest rate on the new $450 million bonds. This is partially offset by a reduction of interest-bearing debt and reduced imputed interest cost.

In Q2 2023, gross interest expense decreased by $1.1 million, or 4%, compared to Q2 2022. While the average interest rate on debt has increased, this is more than offset by the reduction of gross interest-bearing debt and a reduction of imputed interest cost relating to debt that the Company refinanced in Q1 2023.

Note 6 – Other Financial Expense, net

Other financial expense, net consists of the following:

	Quarter ended June 30,		Year to date June 30,		Year ended December 31,
(In millions of US dollars)	2023	2022	2023	2022	2022
Interest income	2.0	0.7	5.7	0.8	6.9
Currency exchange gain (loss)	2.1	2.3	2.2	5.1	2.4
Write off deferred and other loan cost	-	-	(11.2)	-	-
Other	(1.5)	0.2	(1.6)	0.2	(0.3)
Total	**2.6**	**3.2**	**(4.9)**	**6.1**	**9.0**

The currency exchange gain in the first half and Q2 2023 primarily arises from the NOK's depreciation against the USD, resulting in a gain on lease liabilities, as well as the strengthening of the BRL against the USD resulting in a gain on restricted cash deposits.

In the first half 2023, interest income increased by $4.9 million, compared to the first half 2022. The increase can be attributed to a substantial increase of floating interest rates earned on cash and cash equivalents.

In Q2 2023, interest income increased by $1.3 million, compared to Q2 2022.

Note 7 – Income Tax and Contingencies

Income tax consists of the following:

	Quarter ended June 30,		Year to date June 30,		Year ended December 31,
(In millions of US dollars)	2023	2022	2023	2022	2022
Current tax	(5.5)	(9.3)	(10.3)	(14.2)	(24.2)
Change in deferred tax	-	-	-	-	-
Total	**(5.5)**	**(9.3)**	**(10.3)**	**(14.2)**	**(24.2)**

In the first half 2023, the current tax expense decreased by $3.9 million, compared to the first half 2022. Current tax expense relates to foreign withholding tax and corporate tax on profits in certain countries where the Company has executed projects or made MultiClient sales, primarily in South America.

In Q2 2023, the current tax expense decreased by $3.8 million, compared to Q2 2022.

Tax Contingencies

The Company has ongoing tax disputes related to charter of vessels into Brazil. The assessments, which inter alia seek to levy 15% withholding tax and 10% CIDE (service) tax, amount to $42.8 million in total. The Company holds a legal deposit amounting to $20.5 million, initially made in Q4 2020 to challenge one of the disputes in court. The deposit is held in an interest-bearing bank account with a commercial bank. Since the Company considers it more likely than not that these contingencies will be resolved in its favor, no provision has been made for any portion of the exposure.

Note 8 – Property and Equipment

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

	Quarter ended June 30,		Year to date June 30,		Year ended December 31,
(In millions of US dollars)	2023	2022	2023	2022	2022
Seismic equipment	7.4	6.6	25.4	21.7	33.3
Vessel upgrades/Yard	13.4	2.4	23.4	5.1	11.0
Compute infrastructure/ technology	1.4	2.6	2.3	3.1	5.5
Other	0.8	4.6	1.6	5.2	0.4
Total addition to property and equipment, whether paid or not	**23.0**	**16.2**	**52.7**	**35.1**	**50.2**
Change in working capital	10.1	(5.2)	0.5	(8.3)	(1.6)
Investment in property and equipment	**33.1**	**11.0**	**53.2**	**26.8**	**48.6**

In addition, the Company recognized additions to property and equipment relating to new or changed lease arrangements of $5.8 million and $4.6 million for the quarter ended June 30, 2023, and 2022, respectively. For the full year 2022, the Company recognized additions to property and equipment relating to new or changed lease arrangements of $11.4 million.

Note 9 – MultiClient Library

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

(In millions of US dollars)	June 30, 2023	June 30, 2022	December 31, 2022
Completed during 2018		3.9	
Completed during 2019	4.2	31.8	17.0
Completed during 2020	19.6	37.4	28.9
Completed during 2021	56.1	92.9	70.8
Completed during 2022	70.6	37.7	81.6
Completed during 2023	3.0	-	-
Completed surveys	153.5	203.7	198.3
Surveys in progress	158.4	105.4	93.2
MultiClient library	311.9	309.1	291.5

Key figures MultiClient library:

	Quarter ended June 30,		Year to date June 30,		Year ended December 31,
(In millions of US dollars)	2023	2022	2023	2022	2022
MultiClient pre-funding revenue *	24.0	96.5	40.3	111.4	139.4
MultiClient late sales	52.5	107.4	78.1	162.2	325.9
Cash investment in MultiClient library	42.9	26.2	77.8	47.7	106.4
Capitalized interest in MultiClient library	0.6	1.3	1.1	2.9	5.5
Capitalized depreciation (non-cash)	11.3	7.4	18.9	13.9	25.9
Amortization of MultiClient library	(38.9)	(32.9)	(75.2)	(71.3)	(128.2)
Accelerated amortization of MultiClient library	(2.2)	(79.5)	(2.2)	(83.4)	(105.9)
Impairment of MultiClient library	-	-	-	-	(11.5)

In the first half 2023, MultiClient cash investment increased by $30.1 million, or 63%, compared to the first half 2022, due to more 3D vessel capacity allocated to MultiClient projects.

In Q2 2023, MultiClient cash investment increased by $16.7 million, or 64%, compared to Q2 2022.

Note 10 – Liquidity and Financing

In the first half 2023, net cash provided by operating activities was $244.9 million, compared to $132.8 million in the first half 2022. The increase is primarily due to a more favorable payment profile on acquisition projects and the phasing of revenues through the first half 2023 compared to 2022, combined with cash inflow from a higher receivable balance at the start of 2023 compared to the start of 2022.

In Q2 2023, net cash provided by operating activities was $111.1 million, compared to $57.7 million in Q2 2022.

In 2022, the Company recorded revenues of approximately $30 million of transfer fees relating to a change of control event where the amount is still not agreed with the client. Given the inability to timely conclude the negotiations, the Company has initiated two arbitration proceedings under the dispute resolution provisions of the agreements. The proceedings are expected to be concluded during the second half of 2023 and 2024 respectively, unless settled earlier. The Company has only recognized revenues that, based on the Company's best estimate and external legal advice, are conservatively expected to be due to the Company, and the resolution of the dispute may result in additional revenues. The delay in settling this matter impacts the Company's working capital as of June 30, 2023.

The liquidity reserve, including cash and cash equivalents, was $137.1 million as of June 30, 2023, compared to $219.8 million as of June 30, 2022, and $154.1 million as of March 31, 2023.

On March 31, 2023, the Company issued a $450 million 4-year senior secured bond (the "Bonds"). The proceeds from the Bonds, together with cash on balance sheet, were used to repay $600 million of the Term Loan B ("TLB"). After the prepayment, the next and final scheduled maturity of the TLB is $137.9 million due on March 19, 2024. The Company's Super Senior Loan of $50 million has a scheduled maturity on March 18, 2024, which at the Company's option can be extended by one year.

The TLB agreements have a liquidity sweep requirement where liquidity reserve in excess of $175 million at quarter-end shall be used to repay the TLB.

Interest-bearing debt consists of the following:

(In millions of US dollars)	June 30, 2023	June 30, 2022	December 31, 2022
Secured			
Term loan B, Libor + 6-750 basis points (linked to total leverage ratio ("TLR")), due 2024	137.9	873.0	737.9
Super Senior Loan, Libor + 675 Basis points, due 2024	50.0	-	50.0
Export credit financing, due 2025	46.9	109.4	100.3
Export credit financing, due 2027	110.0	189.1	163.1
Senior notes, Coupon 13.5%, due 2027	450.0	-	-
Total loans and bonds, gross (1)	**794.8**	**1,171.5**	**1,051.3**
Less current portion	(185.2)	(263.3)	(367.1)
Less deferred loan costs, net of debt premiums	(23.2)	(23.6)	(20.0)
Less modification of debt treated as extinguishment	(0.5)	(6.9)	(4.6)
Non-current interest-bearing debt	**585.9**	**877.7**	**659.7**

(1) Fair value of total loans and bonds, gross was $ 780.9 million as of June 30, 2023, compared to $1,105.3 million as of June 30, 2022.

Modification of debt treated as extinguishment is linked to the Q1 2021 rescheduling of the $135 million revolving credit facility. The remaining balance was reduced by $3.9 million in Q1 2023 due to the $600 million repayment of the TLB and further reduced by $0.2 million in Q2 2023 due to time elapsed.

Undrawn facilities consists of the following:

(In millions of US dollars)	June 30, 2023	June 30, 2022	December 31, 2022
Secured			
Performance bond	24.7	17.1	22.0
Total	**24.7**	**17.1**	**22.0**

Summary of net interest-bearing debt:

(In millions of US dollars)	June 30, 2023	June 30, 2022	December 31, 2022
Loans and bonds gross	(794.8)	(1,171.5)	(1,051.3)
Cash and cash equivalents	136.4	219.7	358.3
Restricted cash (current and non-current)	65.5	72.1	70.8
Net interest-bearing debt, excluding lease liabilities	**(592.9)**	**(879.7)**	**(622.2)**
Lease liabilities current	(26.6)	(35.5)	(32.9)
Lease liabilities non-current	(55.4)	(63.1)	(54.3)
Net interest-bearing debt, including lease liabilities	**(674.9)**	**(978.3)**	**(709.4)**

Restricted cash of $65.4 million includes $37.4 million held in debt service reserve and retention accounts related to the export credit financing ("ECF") loans for *Ramform Titan*, *Ramform Atlas, Ramform Tethys and Ramform Hyperion*.

On June 30, 2023, the Company had approximately 76% of its debt (excluding lease liabilities) at fixed interest rates. The weighted average cash interest rate was approximately 11.2%, including credit margins, as of June 30, 2023, compared to 7.92% and 8.98% as of June 30, 2022, and December 31, 2022, respectively.

The main credit agreements contain minimum liquidity and maximum leverage ratio covenants. The TLB and Super Senior Loan require a minimum liquidity of $75 million a maximum Total Net Leverage Ratio* ("TNLR") of 2.75:1. The bond terms have a minimum liquidity covenant of $50 million and a maximum leverage ratio (Net Interest Bearing Debt to last twelve months IFRS EBITDA) of 3.00:1 from Q1 2023 to Q4 2024 and 2.50:1 thereafter. On June 30, 2023, the TNLR was 1.48:1 and leverage ratio calculated according to the bond terms was 2.09:1. The Company expects to comply with the financial covenants in its loan agreements going forward.

New $450 million Bonds

On March 31, 2023, the Company issued Bonds of $450 million at 98% of par. The Bonds have a 4-year tenor, maturing March 31, 2027, with a coupon of 13.5% paid semiannually. The Bonds are non-callable for 2 years and can thereafter be called at 106.75 per cent of par between March 31, 2025, and September 29, 2025, 105.06 per cent of par between September 30, 2025, and March 30, 2026, 103.38 per cent of par between March 31, 2026, and September 29, 2026, and thereafter 100.50 per cent of par.

The bond terms have restrictions on incurrence of further indebtedness, but with certain baskets and exceptions. The most important exception is that the Company can either issue an additional $50 million of bonds (a so called "tap issue") or issue other secured debt, on a pari passu basis with the Bonds, to refinance up to $75 million of the outstanding TLB. Further, the at any time outstanding gross amount under the ECF loans can be refinanced as pari passu debt with the Bonds. The bond terms further permit a super senior (priority in right of payments to the Bonds) facility of up to $75 million of which no more than $60 million can be in the form of cash drawings.

The Company is permitted to pay dividends of up to 50 per cent of net profit (after tax) when the TLB is repaid in full and leverage ratio is below 1.0:1.0.

New loan facility

On July 19, 2023, the Company received commitments for a loan facility of $75 million. The new loan will be issued at 95% of par and will, subject to customary conditions, be drawn in Q3 with net proceeds used for partial prepayment of the existing TLB. The new loan matures December 15, 2026, with an interest rate of SOFR + 7.00%. The new loan has a quarterly amortization of 6.25% of the original principal amount, starting June 30, 2024. The loan can be prepaid at par from June 2024.

*The Total Net Leverage Ratio ("TNLR") is calculated as the consolidated indebtedness, net of restricted cash held for debt service in respect of the ECF and unrestricted cash and cash equivalents, divided by adjusted Produced EBITDA less non-pre-funded MultiClient library investments. See PGS ASA consolidated financial statement Q2 2023 for further details.

Note 11 – Other Comprehensive Income

Other Comprehensive Income

	Quarter ended June 30,		Year to date June 30,		Year ended December 31,
(In millions of US dollars)	2023	2022	2023	2022	2022
Actuarial gains (losses) on defined benefit pension plans	0.7	19.8	1.3	32.1	38.4
Income tax effect on actuarial gains and losses	-	-	-	-	-
Items that will not be reclassified to profit and loss	**0.7**	**19.8**	**1.3**	**32.1**	**38.4**
Gains (losses) on hedges	-	0.9	(0.4)	2.8	2.1
Other comprehensive income (loss) of associated companies	-	-	-	-	-
Items that may be subsequently reclassified to profit and loss	**-**	**0.9**	**(0.4)**	**2.8**	**2.1**

Note 12 – Basis of Presentation and changes in Accounting Principles

Basis of Presentation

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

Profit and loss for the interim period are not necessarily indicative of the results that may be expected for any subsequent interim period or year. The condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2022.

The accounting policies adopted in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the preparation of the Company's consolidated financial statements for the year ended December 31, 2022.

Amortization of MultiClient library

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 data is transferred to completed surveys. If a project is jointly owned, the Company amortizes the portion of capitalized costs representing partners share of ownership.

In addition, with the straight-line amortization policy there is an accelerated amortization at the point of time when a MultiClient survey is completed and delivered to pre-funding customers. In addition, with the straight-line amortization policy for completed surveys, recognition of additional or accelerated amortization 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.

Extinguishment of debt

IFRS 9 requires an entity to derecognize a financial liability when, and only when, it is 'extinguished', that is, when the obligation specified in the contract is discharged, cancelled, or expires. IFRS 9 requires an exchange between an existing borrower and lender of debt instruments with 'substantially different' terms to be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability, or a part of it, should be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Change in Accounting Principles
The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2022, except for the adoption of new standards effective as of January 1, 2023. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments and interpretations apply for the first time in 2023, but do not have an impact on the Company's interim condensed consolidated financial statements.

Note 13 - Risk Factors

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

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

For a further description of other relevant risk factors, we refer to the Annual Report of PGS ASA and its subsidiaries for 2022. As a result of these and other risk factors, actual events and actual results may differ materially from those indicated in or implied by such forward-looking statements.

Appendix I – Alternative Performance Measures

EBIT ex. impairment and other charges, net

	Quarter ended June 30,		Year to date June 30,		Year ended December 31,
(In millions of US dollars)	2023	2022	2023	2022	2022
Operating profit (loss) as reported	**19.7**	**64.2**	**5.5**	**44.3**	**123.1**
Other charges, net	(0.1)	(2.5)	(0.1)	0.5	(5.7)
Impairment of MultiClient library	-	-	-	-	11.5
Impairment and loss on sale of long-term assets (excl. MultiClient library)	6.3	(0.4)	6.3	(0.4)	5.3
EBIT ex. impairment and other charges, net	**25.9**	**61.3**	**11.7**	**44.4**	**134.2**

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

EBIT, excluding impairments and other charges
The Company believes that EBIT, excluding impairments and other charges, is a useful measure in that it provides 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. EBIT, excluding impairments and other charges is reconciled above.

Net interest-bearing debt
Net interest-bearing debt is defined as the sum of non-current and current interest-bearing debt, less cash and cash equivalents and restricted cash. Net interest- bearing debt is reconciled in Note 11 above. The Company believes that net interest-bearing debt 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.

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.

Liquidity reserve
Liquidity reserve is defined in Note 11. The Company believes that liquidity reserve is a useful measure because it provides an indication of the amount of funds readily available to the Company in the very short term at balance sheet date.

Gross cash costs
Gross cash costs are defined as the sum of reported net operating expenses (excluding depreciation, amortization, impairments, deferred steaming, net and other charges, net) and the operating cash costs capitalized as investments in the MultiClient library as well as capitalized development costs. Gross cash costs are reconciled in Note 3. The Company believes that the gross cash costs figure is a useful measure because it provides an indication of the level of cash costs incurred by the Company irrespective of the extent to which the fleet is working on MultiClient projects or the extent to which its R&D expenditures qualify for capitalization.

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

Capital expenditures, whether paid or not
Capital expenditures means investments in property and equipment irrespective of whether paid in the period but excluding capitalized interest costs.

Oslo, August 31, 2023

Board of Directors
Petroleum Geo-Services AS

Rune Olav Pedersen *Chairperson*	**Rob Adams** *General Manager*
Gottfred Langseth *Director*	**Merethe Bryn** *Director*

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The information included herein contains certain forward-looking statements that address activities, events or developments that the Company expects, projects, believes or anticipates will or may occur in the future. These statements are based on various assumptions made by the Company, which are beyond its control and are subject to certain additional risks and uncertainties. The Company is subject to a large number of risk factors including but not limited to the demand for seismic services, the demand for data from our multi-client data library, the attractiveness of our technology, unpredictable changes in governmental regulations affecting our markets and extreme weather conditions. For a further description of other relevant risk factors, we refer to our Annual Report of PGS ASA and its subsidiaries for 2022. As a result of these and other risk factors, actual events and our actual results may differ materially from those indicated in or implied by such forward-looking statements. The reservation is also made that inaccuracies or mistakes may occur in the information given above about current status of the Company or its business. Any reliance on the information above is at the risk of the reader, and the Company disclaims any and all liability in this respect.

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