Petroleum Geo-Services AS

Consolidated Financial Statements

Q4-2023

Reassuring Late Sales and Attractive 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 Q4 2023

- Revenues and Other Income of $265.6 million, compared to $215.0 million in Q4 2022
- Cash flow from operations of $114.4 million, compared to $81.3 million in Q4 2022
- Cash and cash equivalents of $177.2 million, compared to $358.3 million in Q4 2022
- Gross debt of $778.1 million, compared to $1,051.3 million in Q4 2022
- Commenced large offshore wind site characterization survey in the US
- Shareholders approved the merger plan with TGS with close to 100% support
- After year-end, repaid the Term Loan B and refinanced the Super Senior Loan

In Q4, Petroleum Geo-Services AS and its subsidiaries (the "Company") delivered a doubling of Q4 MultiClient late sales, compared to the average of the three first quarters of 2023, which speaks to the value of the Company's well-positioned and geographically diverse MultiClient data library. In Q4 most of the Company's late sales came from Europe and West Africa.

The Company worked on highly pre-funded MultiClient projects in Brazil and Malaysia in the quarter, and in addition the Company recorded significant sales from surveys in the processing phase.

Profitability of the Company's contract projects in Q4 were at level with the summer season. The Company is experiencing lower acquisition activity over the winter season. At the same time the value of contract leads continues to grow. In addition, the Company see increasing opportunities for new MultiClient programs and anticipate a more robust summer season market.

The Company successfully entered the offshore wind site characterization market in 2023. In Q4, the Company took another step by commencing a large contract job offshore the US which will continue to late Q2 2024. The recent announcement of a follow-on project in Europe and a growing opportunity basket for more offshore wind work bodes well for the Company's New Energy business.

For the full year 2023 the Company benefitted from an improving data acquisition market with a high pre-funding level on our MultiClient projects and increasing profitability for contract work. Despite this, revenues declined compared to 2022 owing to unexpected scheduling and operational challenges, and lower than expected MultiClient late sales.

In September, PGS ASA announced an intention to merge with TGS ASA to establish the premier energy data company and in December shareholders of both companies approved the merger with close to 100% support. The process with the Norwegian and UK competition authorities is ongoing and PGS ASA expect the legal merger process to close in Q2 2024. The combined company will be a complete, fully integrated service provider uniquely positioned to unlock substantial value for shareholders, customers and employees.

Outlook

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

Offshore energy investments are expected to continue to increase in 2024. The seismic acquisition market benefits from the higher spending level and a limited supply of seismic vessels. PGS New Energy is expected to benefit from an increasing tendering activity for offshore wind site characterization projects.

Condensed Consolidated Statements of Profit and Loss and Other Comprehensive Income

(In millions of US dollars)	Note	Quarter ended December 31, 2023	Quarter ended December 31, 2022	Year ended December 31, 2023	Year ended December 31, 2022
Revenues and Other Income	1	264.4	197.3	713.8	804.9
Revenues from group companies		1.2	17.7	5.0	20.1
Total revenues and other income		265.6	215.0	718.8	825.0
Cost of sales	2	(87.3)	(88.7)	(284.3)	(319.4)
Research and development costs	2	(1.5)	(1.9)	(5.9)	(6.9)
Selling, general and administrative costs	2	(11.4)	(8.5)	(38.1)	(34.5)
Amortization and impairment of MultiClient library	3	(60.3)	(50.8)	(214.2)	(245.7)
Depreciation and amortization of non-current assets (excl. MultiClient library)	3	(19.3)	(24.1)	(63.5)	(95.8)
Impairment and gain/(loss) on sale of non-current assets (excl. MultiClient library)	3	(0.3)	(5.7)	(6.6)	(5.3)
Other charges, net	3	(0.0)	4.4	0.1	5.7
Total operating expenses		(180.1)	(175.3)	(612.5)	(701.9)
Operating profit (loss)/EBIT		85.3	39.8	106.3	123.1
Share of results from associated companies	4	1.1	(6.6)	1.7	(5.0)
Interest expense	5	(26.9)	(28.8)	(110.1)	(108.2)
Interest and other financial gain (expense) within group companies		(4.8)	(5.5)	(16.5)	(10.6)
Other financial expense, net	6	0.9	1.8	4.8	9.0
Income (loss) before income tax expense		55.6	0.6	(13.8)	8.3
Income tax	7	2.0	(5.6)	(9.1)	(24.2)
Net income (loss)		**57.6**	**(5.0)**	**(22.9)**	**(15.9)**
Other comprehensive income					
Items that will not be reclassified to profit and loss	11	(0.9)	(1.3)	(7.2)	38.4
Items that may be subsequently reclassified to profit and loss	11	(0.9)	(0.8)	(1.3)	2.1
Other comprehensive income (loss) for the period, net of tax		(1.8)	(2.1)	(8.5)	40.5
Total comprehensive income (loss) to equity holders		**55.8**	**(7.1)**	**(31.4)**	**24.6**

Condensed Consolidated Statements of Financial Position

(In millions of US dollars)	Note	Quarter ended December 31, 2023	December 31, 2022
ASSETS			
Cash and cash equivalents	10	177.2	358.3
Restricted cash	10	5.0	11.6
Accounts receivables		172.3	169.4
Accrued revenues and other receivables		137.1	124.7
Other current assets		79.3	60.6
Receivables from group companies		0.4	8.6
Total current assets		571.3	733.2
Property and equipment	8	751.8	740.4
MultiClient library	9	310.8	291.5
Restricted cash	10	53.4	59.2
Deferred tax assets		14.6	-
Other non-current assets		23.2	28.6
Other intangible assets		74.9	73.4
Receivables from group companies		48.6	-
Total non-current assets		1,277.3	1,193.1
Total assets		**1,848.6**	**1,926.3**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Interest-bearing debt	10	131.1	367.1
Lease liabilities	10	35.8	32.9
Accounts payable		58.2	33.4
Accrued expenses and other current liabilities		150.1	110.2
Deferred revenues		206.0	154.4
Income taxes payable		22.7	18.9
Liabilities to group companies		11.5	-
Total current liabilities		615.4	716.9
Interest-bearing debt	10	623.4	659.7
Lease liabilities	10	45.0	54.3
Deferred tax liabilities		0.1	0.1
Other non-current liabilities		3.7	4.3
Liabilities to group companies		321.8	221.0
Total non-current liabilities		994.0	939.4
Shareholders' equity			
Share capital, par value		1.3	1.3
Additional paid-in capital		237.5	237.5
Total paid-in capital		238.8	238.8
Accumulated earnings and other equity		0.4	31.2
Total shareholders' equity		239.2	270.0
Total liabilities and shareholders' equity		**1,848.6**	**1,926.3**

Condensed Consolidated Statements of Changes in Shareholders' Equity

For the year ended December 31, 2023

(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	-	-	(22.9)	(22.9)
Other comprehensive income (loss)	-	-	(8.5)	(8.5)
Other equity changes	-	-	0.6	0.6
Balance as of December 31, 2023	**1.3**	**237.5**	**0.4**	**239.2**

Condensed Consolidated Statements of Cash Flows

	Quarter ended December 31,		Year ended December 31,	
(In millions of US dollars)	2023	2022	2023	2022
Income (loss) before income tax expense	55.6	0.6	(13.8)	8.3
Depreciation, amortization, impairment	79.9	80.2	278.0	346.8
Share of results in associated companies	(1.1)	6.7	(1.8)	5.0
Interest expense	26.9	28.8	110.1	108.2
Loss (gain) on sale and retirement of assets	-	(0.5)	-	(1.0)
Income taxes paid	(4.4)	(8.9)	(19.9)	(23.6)
Other items	2.2	4.1	13.9	6.6
(Increase) decrease in accounts receivables, accrued revenues & other receivables	-11.5	(61.4)	65.2	(104.4)
Increase (decrease) in deferred revenues	(46.4)	46.2	67.0	31.0
Increase (decrease) in accounts payable	19.0	(0.3)	25.2	(4.7)
Change in other current items related to operating activities	8.8	(2.1)	(36.5)	38.2
Change in other long-term items related to operating activities	(14.6)	(12.1)	(17.0)	(11.1)
Net cash provided by operating activities	**114.4**	**81.3**	**470.4**	**399.3**
Investment in MultiClient library	(37.6)	(25.0)	(185.8)	(106.4)
Investment in property and equipment	(24.5)	(8.6)	(89.2)	(48.6)
Investment in other intangible assets	(2.8)	(2.1)	(10.1)	(9.8)
Investment in other current -and non-current assets	-	1.8	-	1.8
Proceeds from sale and disposal of assets	-	(0.1)	-	1.2
Net change in intercompany balances	3.0	151.3	40.2	215.9
Net cash used in investing activities	**(61.9)**	**117.3**	**(244.9)**	**54.1**
Interest paid on interest-bearing debt	(7.7)	(24.0)	(78.2)	(90.5)
Proceeds from issuance of long-term debt (a)	0.2	47.1	501.9	47.1
Repayment of interest-bearing debt	(11.7)	(26.3)	(798.3)	(170.1)
Payment of lease liabilities (recognized under IFRS 16)	(7.8)	(8.9)	(32.0)	(36.1)
Payments of leases classified as interest	(1.9)	(1.4)	(7.2)	(6.4)
Decrease (increase) in restricted cash related to debt service	(0.1)	1.1	7.2	(0.7)
Net cash (used in) provided by financing activities	**(29.0)**	**(12.4)**	**(406.6)**	**(256.7)**
Net increase (decrease) in cash and cash equivalents	23.5	186.2	(181.1)	196.7
Cash and cash equivalents at beginning of period	153.7	172.1	358.3	161.6
Cash and cash equivalents at end of period	**177.2**	**358.3**	**177.2**	**358.3**

Notes to the Condensed Interim Consolidated Financial Statements
Fourth Quarter and Preliminary Full Year 2023 Results

Note 1 – Revenues

Revenues and Other Income by service type:

	Quarter ended December 31,		Year ended December 31,	
	2023	2022	2023	2022
-Contract	83.8	91.8	279.7	316.9
-MultiClient pre-funding	93.7	8.6	207.7	139.3
-MultiClient late sales	80.9	92.0	200.1	325.9
-Imaging	5.6	4.8	25.5	22.7
-Other Income	0.4	0.1	0.8	0.1
-Revenues from group companies	1.2	17.7	5.0	20.1
Total Revenues and Other Income	**265.6**	**215.0**	**718.8**	**825.0**

Vessel Allocation(1):

	Quarter ended December 31,		Year ended December 31,	
	2023	2022	2023	2022
Contract	25%	63%	30%	51%
MultiClient	31%	12%	43%	20%
Steaming	18%	16%	12%	11%
Yard	14%	3%	7%	5%
Stacked/standby	12%	6%	8%	13%

The Q4 2023 vessel statistics includes 7 vessels. The comparative period Q4 2022 is based on 6 vessels. The statistics excludes cold-stacked vessels.
Sanco Swift, rigged for offshore wind site characterization since early Q2 2023, is excluded from the statistics.

Total Revenues and Other Income
For the full year 2023, revenues amounted to $718.8 million, a decrease of $106.2 million, or 13%, compared to 2022. The decrease is driven by lower MultiClient late sales and contract revenues, partially offset by a higher volume of MultiClient surveys completed and delivered to clients, driving pre-funding revenues.

In Q4 2023, revenues were $265.6 million, an increase of $50.6 million, or 24%, compared to Q4 2022. The increase is due to a higher volume of MultiClient surveys completed and delivered to clients, partially offset by lower contract and MultiClient late sales revenues.

Contract revenues
For the full year 2023, contract revenues decreased by $37.2 million, or 12%, compared to 2022. The decrease is primarily due to less 3D vessel capacity allocated to contract work, partially offset by higher prices. Contract revenues for the full year 2023 include $24.0 million related to offshore wind site characterization surveys.

In Q4 2023, contract revenues decreased $8.0 million, or 9%, compared to Q4 2022. The decrease is explained by the same factors as for the full year.

MultiClient late sales
For the full year 2023 MultiClient late sales revenues decreased by $125.8 million, or 39%, compared to 2022 when the Company benefitted from significant transfer fees and recognition of revenues related to a 2-year MultiClient access agreement with Shell. In 2023 MultiClient late sales were highest in Europe and West Africa. The seismic market is improving, and the Company believes the increasing exploration focus will positively impact sales from the MultiClient library going forward.

In Q4 2023 MultiClient late sales revenues decreased by $11.1 million, or 12%, compared to Q4 2022. In Q4 2023 MultiClient late sales were highest in Europe and West Africa.

MultiClient pre-funding revenues
For the full year 2023, As Reported MultiClient pre-funding revenues according to IFRS increased by $68.4 million, or 49%, compared to 2022. The increase is a result of higher volume of MultiClient projects finalized and delivered to clients.

In Q4 2023, As Reported MultiClient pre-funding revenues according to IFRS increased $85.1 million, or 990%, compared to Q4 2022. The increase is explained by the same factor as for the full year. The volume of completed MultiClient projects in Q4 2023 was approximately $47.1 million higher than what the Company earlier expected, and as disclosed in the Q3 2023 earnings release.

Note 2 – Net Operating Expenses

Net operating expenses consist of the following:

	Quarter ended December 31,		Year ended December 31,	
(In millions of US dollars)	2023	2022	2023	2022
Cost of sales including investment in MultiClient library	(130.1)	(111.9)	(480.8)	(428.6)
Research and development costs before capitalized development costs	(4.1)	(3.7)	(15.0)	(15.0)
Selling, general and administrative costs	(11.4)	(8.6)	(38.1)	(34.5)
Cash Cost, gross	**(145.6)**	**(124.2)**	**(533.9)**	**(478.1)**
Steaming deferral, net	5.2	(1.7)	10.8	2.8
Cash investment in MultiClient library	37.6	25.0	185.7	106.4
Capitalized development costs	2.6	1.8	9.1	8.1
Net operating expenses	**(100.2)**	**(99.1)**	**(328.3)**	**(360.8)**

For the full year 2023, gross cash cost increased by $55.8 million, or 12%, compared to 2022. The increase is primarily due to more operated vessel capacity with *Ramform Victory* in 3D seismic operation and *Sanco Swift* used as an offshore wind site characterization vessel, partially offset by lower fuel and project management costs.

In Q4 2023, gross cash cost increased by $21.4 million, or 17%, compared to Q4 2022. The increase is primarily explained by the same factors as for the full year.

For the full year 2023, cash costs capitalized to the MultiClient library increased by $79.3 million, or 75%, compared to 2022. The increase is mainly due to more 3D vessel capacity allocated to MultiClient acquisition.

In Q4 2023, cash costs capitalized to the MultiClient library increased by $12.6 million, or 50%, compared to Q4 2022. The increase is explained by the same factors as for the full year.

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

Amortization and impairment of MultiClient library consist of the following:

	Quarter ended December 31,		Year ended December 31,	
(In millions of US dollars)	2023	2022	2023	2022
Amortization of MultiClient library	(37.7)	(23.7)	(155.9)	(128.2)
Accelerated amortization of MultiClient library	(22.6)	(15.6)	(58.3)	(106.0)
Impairment of MultiClient library	-	(11.5)	-	(11.5)
Total	**(60.3)**	**(50.8)**	**(214.2)**	**(245.7)**

For the full year 2023, total amortization of the MultiClient library decreased by $20.0 million, or 9%, compared to 2022. The decrease is mainly driven by a lower portion of accelerated amortization and no impairment charges. Amortization was 53% of MultiClient revenues in 2023, compared to 50% in 2022. The higher amortization rate reflects a lower proportion of late sales in the mix.

In Q4 2023, total amortization of the MultiClient library increased by $21.0 million, or 53%, compared to Q4 2022. The increase is mainly driven by more MultiClient surveys completed and delivered to clients. Amortization was 35% of MultiClient revenues in Q4 2023, compared to 39% in Q4 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 December 31, 2023	2022	Year ended December 31, 2023	2022
Gross depreciation*	(28.4)	(28.4)	(110.4)	(122.1)
Deferred Steaming depreciation, net	1.6	0.2	1.7	0.4
Depreciation capitalized to the MultiClient library	7.5	4.1	45.2	25.9
Total	**(19.3)**	**(24.1)**	**(63.5)**	**(95.8)**

*includes depreciation of right-of-use assets amounting to $5.8 million and $4.1 million for the quarter ended December 31, 2023 and 2022 respectively. For the full year 2023 and 2022, depreciation of right-of-use assets amounts to $18.9 and $17.6 million respectively.

For the full year 2023, gross depreciation decreased by $11.7 million, or 10%, compared to 2022. The decrease comes from a generally low investment level in property and equipment over recent years.

For the full year 2023, depreciation capitalized to the MultiClient library increased by $19.3 million, or 75%, compared to 2022. The increase is mainly due to more vessel days allocated to MultiClient, partially offset by lower gross depreciation.

In Q4 2023, depreciation capitalized to the MultiClient library increased by $3.4 million, or 83%, compared to Q4 2022. The increase is mainly due to more vessel days allocated to MultiClient.

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

(In millions of US dollars)	Quarter ended December 31, 2023	2022	Year ended December 31, 2023	2022
Property and equipment	(0.3)	-	(6.6)	0.4
Other Intangible assets	-	(5.7)	-	(5.7)
Total	**(0.3)**	**(5.7)**	**(6.6)**	**(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. During the year 2023 and per December 31, 2023, the Company has not identified any impairment triggers for the vessels from the performed tests. The Company did however recognize $6.6 million of impairments earlier in 2023 regarding vessel equipment which was not expected to be taken into use. The seismic market is recovering, but the recoverable values of seismic vessels and other 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:

(In millions of US dollars)	Quarter ended December 31, 2023	2022	Year ended December 31, 2023	2022
Onerous contracts with customers	-	-	-	11.0
Provision for bad debt	-	-	-	(3.4)
Gain (loss) sale subsidiaries	-	(2.0)	-	(2.0)
Other	-	6.4	0.1	0.1
Total	**-**	**4.4**	**0.1**	**5.7**

As of December 31, 2023, the Company has no provision for onerous customer contracts. 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

For the full year 2023, share of results from associated companies was a gain of $1.7 million, compared to a net loss of $5.0 million for the full year 2022.

In Q4 2023, the share of results from associated companies was a gain of $1.1 million, compared to a loss of $6.5 million in Q4 2022.

Note 5 – Interest Expense

Interest expense consists of the following:

	Quarter ended December 31,		Year ended December 31,	
(In millions of US dollars)	2023	2022	2023	2022
Interest on debt, gross	(25.7)	(28.9)	(105.4)	(107.3)
Imputed interest cost on lease agreements	(1.9)	(1.3)	(7.3)	(6.4)
Capitalized interest, MultiClient library	0.7	1.4	2.6	5.5
Total	**(26.9)**	**(28.8)**	**(110.1)**	**(108.2)**

For the full year 2023, gross interest expense decreased by $1.8 million, or 2%, compared to 2022. The decrease is due to a considerable reduction of gross interest-bearing debt, partly offset by an increase of LIBOR/SOFR interest rates, which increases the cost of floating rate debt, as well as a high interest rate on the new $450 million bonds.

In Q4 2023, gross interest expense decreased by $3.2 million, or 11%, compared to Q4 2022. The decrease is explained by the same factors as for the full year.

Note 6 – Other Financial Expense, net

Other financial expense, net consists of the following:

	Quarter ended December 31,		Year ended December 31,	
(In millions of US dollars)	2023	2022	2023	2022
Interest income	4.6	2.7	20.1	6.9
Currency exchange gain (loss)	(3.3)	(0.7)	(1.7)	2.4
Write off deferred and other loan cost	-	-	(11.2)	-
Other	(0.4)	(0.2)	(2.4)	(0.3)
Total	**0.9**	**1.8**	**4.8**	**9.0**

For the full year 2023, interest income increased by $13.2 million compared to 2022. The increase is primarily due to $10.1 million interest income recognized in Q3 and Q4 2023 following the arbitration award on a transfer fee dispute as explained in note 10 and a higher interest rate for cash and cash equivalents held as bank deposits. The $11.2 million reported as "write off deferred and other loan cost" is from the early repayment of $600 million Term Loan B in Q1 and includes a proportionate write off of deferred loan cost and the fair value adjustment from modification of debt treated as extinguishment in 2021.

In Q4 2023, interest income increased by $1.9 million, or 70%, compared to Q4 2022. The increase is due to $2.5 million interest income recognized in Q4 2023 following the arbitration award referred to above, partially offset by a lower average cash balance held during Q4 2023 compared to Q4 2022.

Note 7 – Income Tax and Contingencies

Income tax consists of the following:

	Quarter ended December 31,		Year ended December 31,	
(In millions of US dollars)	2023	2022	2023	2022
Current tax	(12.6)	(5.6)	(23.7)	(24.2)
Change in deferred tax	14.6	-	14.6	-
Total	**2.0**	**(5.6)**	**(9.1)**	**(24.2)**

For the full year 2023, the current tax expense decreased by $0.5 million, compared to 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, mainly in Africa and South America. Change in deferred tax relates to tax assets recognized on tax losses and other tax positions which the Company expects to utilize against taxable profit in certain entities.

In Q4 2023, the current tax expense increased by $7.0 million, compared to Q4 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 $44.1 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 December 31,		Year ended December 31,	
(In millions of US dollars)	2023	2022	2023	2022
Seismic equipment	18.0	6.3	50.6	33.3
Vessel upgrades/Yard	9.3	3.5	37.4	11.0
Compute infrastructure/ technology	0.1	0.9	2.7	5.5
Other	0.8	-	2.8	0.4
Total addition to property and equipment, whether paid or not	**28.2**	**10.7**	**93.5**	**50.2**
Change in working capital	(3.7)	(2.1)	(4.3)	(1.6)
Investment in property and equipment	**24.5**	**8.6**	**89.2**	**48.6**

The Company recognized additions to property and equipment relating to new or changed lease arrangements of nil and $20.7 million for Q4 2023 and the full year 2023, respectively. *In Q4 2023* the Company entered into a 6-month charter for the Sanco Atlantic, which is used as a source vessel.

Note 9 – MultiClient Library

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

	December 31,	
(In millions of US dollars)	2023	2022
Completed during 2019	-	17.0
Completed during 2020	11.4	28.9
Completed during 2021	41.4	70.8
Completed during 2022	59.6	81.6
Completed during 2023	41.5	-
Completed surveys	153.9	198.3
Surveys in progress	156.9	93.2
MultiClient library	310.8	291.5

Key figures MultiClient library:

	Quarter ended December 31,		Year ended December 31,	
(In millions of US dollars)	2023	2022	2023	2022
MultiClient pre-funding revenue *	93.7	8.6	207.7	139.3
MultiClient late sales	80.9	92.0	200.1	325.9
Cash investment in MultiClient library	37.6	25.0	185.7	106.4
Capitalized interest in MultiClient library	0.7	1.4	2.6	5.5
Capitalized depreciation (non-cash)	7.5	4.1	45.2	25.9
Amortization of MultiClient library	(37.7)	(23.7)	(155.9)	(128.2)
Accelerated amortization of MultiClient library	(22.7)	(15.6)	(58.3)	(106.0)
Impairment of MultiClient library	-	(11.5)	-	(11.5)

* Includes revenue from sale to joint operations in the amount of $23.3 and nil for the quarter ended December 31, 2023 and 2022 respectively.
For the full year 2023 and 2022, revenue from sale to joint operations amounts to $89.4 million and $25.9 million, respectively.

For the full year 2023 MultiClient cash investment increased by $79.3 million, or 75%, compared to 2022, due to more 3D vessel capacity allocated to MultiClient projects.

In Q4 2023 MultiClient cash investment increased by $12.6 million, or 50%, compared to Q4 2022, explained by the same factor as for the full year.

Note 10 – Liquidity and Financing

For the full year 2023, net cash provided by operating activities was $450.2 million, compared to $399.3 million in 2022. The increase is primarily due to a more favorable working capital development.

In Q4 2023, net cash provided by operating activities was $114.4 million, compared to $81.3 million Q4 2022. The increase is explained by the same factors as for the full year.

In 2022, the Company recognized approximately $33 million of revenues relating to a change of control event where transfer fees were disputed by the clients. Given the inability to timely conclude the matter, the Company initiated two separate arbitration proceedings under the dispute resolution provisions of the agreements. In October 2023, the tribunal in the first arbitration issued a decision in the Company's favor, including late payment interest and reasonable legal costs. The amount due to the Company following this decision, net of any revenue share to third parties, was per year-end estimated to approximately $43 million. This was received in Q1 2024. The decision relates to agreements where the Company already recognized $18 million as revenues in 2022 and as a result the Company recognized additional $17 million of late sales revenues in Q3 2023. The second arbitration proceeding, for which the Company recognized approximately $15 million in Q4 2022 was settled in Q4 2023 at an amount more than covering the amount earlier recognized.

The liquidity reserve, including cash and cash equivalents, was $177.2 million as of December 31, 2023, compared to $358.3 million as of December 31, 2022, and $153.7 million as of September 30, 2023.

Interest-bearing debt consists of the following:

	December 31,	
(In millions of US dollars)	2023	2022
Secured		
Term loan B, Libor + 6-750 basis points (linked to total leverage ratio ("TLR")), due 2024	69.8	737.9
Super Senior Loan, Libor + 675 Basis points, due 2024	50.0	50.0
Term loan, SOFR + 700 basis points, due 2026	75.0	-
Export credit financing, due 2025	36.5	100.3
Export credit financing, due 2027	96.8	163.1
Senior notes, Coupon 13.5%, due 2027	450.0	-
Total loans and bonds, gross (1)	**778.1**	**1,051.3**
Less current portion	(131.1)	(367.1)
Less deferred loan costs, net of debt premiums	(23.4)	(19.9)
Less modification of debt treated as extinguishment	(0.2)	(4.6)
Non-current interest-bearing debt	**623.4**	**659.7**

(1) The estimated fair value of total loans and bonds, gross was $824.1 million as of December 31, 2023, compared to $1,015.5 million as of December 31, 2022.

The line "Modification of debt treated as extinguishment" in the table relates 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 Term Loan B ("TLB") and further reduced by $0.5 million by the end of 2023 due to time elapsed.

Undrawn facilities consists of the following:

	December 31,	
(In millions of US dollars)	2023	2022
Unsecured		
Performance bond	24.2	22.0
Total	**24.2**	**22.0**

Summary of net interest-bearing debt:

	December 31,	
(In millions of US dollars)	2023	2022
Loans and bonds gross	(778.1)	(1,051.3)
Cash and cash equivalents	177.2	358.3
Restricted cash (current and non-current)	58.4	70.8
Net interest-bearing debt, excluding lease liabilities	**(542.5)**	**(622.2)**
Lease liabilities current	(35.8)	(32.9)
Lease liabilities non-current	(45.0)	(54.3)
Net interest-bearing debt, including lease liabilities	**(623.3)**	**(709.4)**

Restricted cash of $58.4 million includes $32.7 million held in debt service reserve and retention accounts related to the ECF loans for *Ramform Titan*, *Ramform Atlas, Ramform Tethys and Ramform Hyperion*.

On December 31, 2023, the Company had approximately 75% of its debt (excluding lease liabilities) at fixed interest rates. The weighted average cash interest rate was approximately 11.44%, including credit margins, as of December 31, 2023, compared to 8.98% and 11.32% as of December 31, 2022, and September 30, 2023, respectively.

The $450 million Bonds

On March 31, 2023, the Company issued bonds of $450 million at 98% of par (the "Bonds"). 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 proceeds from the Bonds, together with cash on balance sheet, were used to repay $600 million of the TLB in Q1 2023.

The Bond terms have restrictions on incurrence of further indebtedness, but with certain baskets and exceptions.

The $75 million loan

A $75 million loan (the "Loan") was drawn September 18, 2023, with the net proceeds used to partly repay the existing TLB. The Loan has an interest rate of SOFR + 7.00% and matures December 15, 2026. Beginning on June 30, 2024, the Loan will have a quarterly amortization at a rate of 6.25% of the original principal amount. The Loan can be repaid without a premium starting from June 30, 2024. The Loan is subject to the same financial covenants as the $450 million Bonds.

TLB

The remaining $69.8 million balance of the TLB (due March 19, 2024) was fully repaid from cash in February 2024.

Super Senior Loan

The Company's Super Senior Loan of $50 million has a scheduled maturity on March 18, 2024. The loan can at the Company's option be extended by one year. However, to align the terms of the Super Senior Loan to the other remaining debt instruments post the full repayment of the TLB in Q1 2024, the Company instead plans to refinance the loan with a new $60 million Super Senior Loan and has in January 2024 received a commitment from TGS ASA to fund such refinancing, with such commitment being at terms similar to what was otherwise available to the Company in the market.

Covenants

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 and a maximum Total Net Leverage Ratio* ("TNLR") of 2.75:1. The Bonds and Loan 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 December 31, 2023, the TNLR was 1.37:1 and leverage ratio calculated according to the bond and loan terms was 1.66:1. The Company expects to comply with the financial covenants in its credit agreements going forward.

Impact of merger

PGS ASA ("PGS") announced on September 18, 2023, an intention to merge with TGS ASA or one of its subsidiaries ("TGS"). PGS and TGS announced on October 25, 2023, that their respective Board of Directors have approved and decided upon a definitive merger agreement and formal merger plan. On December 1, 2023, shareholders of PGS and TGS approved the merger plan with close to 100% support at the extraordinary general meetings. The parties expect that the merger will be completed during first half of 2024. The merger plan contains customary mutual restrictions for both parties until the merger is completed, as well as certain unilateral restrictions for PGS in relation to investments, equity transactions and financing.

The agreements for the $450 million Bond and the $75 million Loan both contain change-of-control provisions triggering put options/mandatory call for the bondholders/lenders at 101% and 102% of par, respectively, at the time of completing the merger. The bonds are currently trading at a price of around 110% of par which should make it unlikely that the bondholders will exercise the put option at 101% of par. The TLB and the Super Senior Loan have change-of-control provisions requiring the loans to be repaid at the time of completing the merger unless maturing earlier or otherwise agreed with the lenders. The TLB was fully repaid in February 2024. PGS plans to refinance the Super Senior Loan with a new $60 million Super Senior Loan and align covenants to the Bonds. PGS has in January received a commitment from TGS ASA to fund such refinancing.

*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.

Note 11 – Other Comprehensive Income

Other Comprehensive Income

(In millions of US dollars)	Quarter ended December 31, 2023	Quarter ended December 31, 2022	Year ended December 31, 2023	Year ended December 31, 2022
Actuarial gains (losses) on defined benefit pension plans	(0.9)	(1.3)	(7.2)	38.4
Income tax effect on actuarial gains and losses	-	-	-	-
Items that will not be reclassified to profit and loss	**(0.9)**	**(1.3)**	**(7.2)**	**38.4**
Gains (losses) on hedges	(0.9)	(0.8)	(1.3)	2.1
Other comprehensive income (loss) of associated companies	-	-	-	-
Items that may be subsequently reclassified to profit and loss	**(0.9)**	**(0.8)**	**(1.3)**	**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 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.

Note 14 – Subsequent Events
Subsequent to December 31, 2023, the Company received payment relating to the arbitration ruling in a transfer fee dispute, repaid the remaining amount of the Term Loan B, and secured commitment for a refinancing of the Super Senior Loan. Further details about these matters are outlined in Note 10.

Appendix I – Alternative Performance Measures

EBIT ex. impairment and other charges, net

	Quarter ended December 31,		Year ended December 31,	
(In millions of US dollars)	2023	2022	2023	2022
Operating profit (loss) as reported	**85.3**	**39.8**	**106.3**	**123.1**
Other charges, net	0.0	(4.4)	(0.1)	(5.7)
Impairment of MultiClient library	-	11.5	-	11.5
Impairment and loss on sale of long-term assets (excl. MultiClient library)	0.3	5.7	6.6	5.3
EBIT ex. impairment and other charges, net	**85.7**	**52.5**	**112.8**	**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 10 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 10. 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 2. 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 2. 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, February 27, 2024

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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