Petroleum Geo-Services AS

Consolidated Financial Statements

Q3-2023

Strong MultiClient Pre-funding Performance
Establishing the Premier Energy Data Company

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 Q3 2023

- Revenues and Other Income according to IFRS of $158.2 million, compared to $199.3 million in Q3 2022
- Cash flow from operations of $111.1 million, compared to $185.2. million in Q3 2022
- Announced intention to merge with TGS ASA to create the premier energy data company
- $75 million new loan to prepay parts of the 2024 term loan B and extend debt maturity profile
- Completed acquisition of the first offshore wind site characterization survey and mobilized for new large contract in the US

In Q3, Petroleum Geo-Services AS and its subsidiaries (the "Company") had most of its active 3D vessel capacity allocated to attractive MultiClient programs in Europe, Brazil, Egypt and Malaysia.

MultiClient late sales fluctuate between quarters and ended below the Company's expectations in Q3. The seismic market is improving, and the Company believes the increasing exploration focus will positively impact sales from the MultiClient library going forward.

The Company's New Energy business has successfully entered the offshore wind site characterization market this year. The Company completed its first offshore wind site characterization survey in Q3 and announced award of a large project in the US, where it has now commenced acquisition. The Q3 contract revenues include approximately $6 million related to offshore wind. Seismic contract activity was modest in the quarter with only one 3D vessel on contract work. Approximately one month was used for acquisition of a carbon storage survey and the remaining two months for a 4D project under a framework agreement signed in 2021, with lower rates than in today's market.

The order book increased 28% sequentially. A major part of the increase is contract work with pricing for the winter season at similar levels as experienced during the summer. The Company have now booked approximately 60% of our 3D vessel capacity for the first half next year.

In September PGS ASA announced an intention to merge with TGS ASA to establish the premier energy data company. PGS ASA, in concert with TGS ASA, raised equity to position the capital structure. The merger plan is now agreed and each of PGS ASA and TGS ASA have s called for extraordinary shareholders' meetings to be held December 1, 2023, to vote on the merger. The Company expect that the merger will complete during the first half of 2024. The new combined company will be a complete, fully integrated service provider where clients will benefit from scale, a unique technology portfolio and premier service offering.

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 improving on the back of increased focus on energy security, several years of low investment in new oil and gas supplies, and high oil and gas prices.

Offshore investments in oil and gas exploration and production are increasing in 2023. The seismic acquisition market is benefitting 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 September 30, 2023	Quarter ended September 30, 2022	Year to date September 30, 2023	Year to date September 30, 2022	Year ended December 31, 2022
Revenues and Other Income	1	157.3	198.5	449.5	607.6	804.9
Revenues from group companies		0.9	0.8	3.9	2.3	20.1
Total revenues and other income		158.2	199.3	453.4	609.9	825.0
Cost of sales	2	(48.7)	(88.9)	(197.1)	(230.7)	(319.4)
Research and development costs	2	(1.2)	(1.8)	(4.4)	(5.0)	(6.9)
Selling, general and administrative costs	2	(8.0)	(8.9)	(26.6)	(25.9)	(34.5)
Amortization and impairment of MultiClient library	3	(76.4)	(40.2)	(153.8)	(194.9)	(245.7)
Depreciation and amortization of non-current assets (excl. MultiClient library)	3	(8.6)	(22.2)	(44.2)	(71.7)	(95.8)
Impairment and gain/(loss) on sale of non-current assets (excl. MultiClient library)	3	-	-	(6.3)	0.4	(5.3)
Other charges, net	3	-	1.8	0.1	1.3	5.7
Total operating expenses		(142.9)	(160.2)	(432.3)	(526.5)	(701.9)
Operating profit (loss)/EBIT		15.3	39.1	21.1	83.4	123.1
Share of results from associated companies	4	0.1	0.8	0.6	1.5	(5.0)
Interest expense	5	(26.4)	(29.0)	(83.2)	(79.3)	(108.2)
Interest and other financial gain (expense) within group companies		(4.1)	(3.2)	(11.7)	(5.1)	(10.6)
Other financial expense, net	6	8.7	1.1	3.8	7.2	9.0
Income (loss) before income tax expense		(6.4)	8.8	(69.4)	7.7	8.3
Income tax	7	(0.7)	(4.4)	(11.0)	(18.6)	(24.2)
Net income (loss)		**(7.1)**	**4.4**	**(80.4)**	**(10.9)**	**(15.9)**
Other comprehensive income						
Items that will not be reclassified to profit and loss	11	(7.6)	7.5	(6.3)	39.7	38.4
Items that may be subsequently reclassified to profit and loss	11	-	0.1	(0.4)	2.9	2.1
Other comprehensive income (loss) for the period, net of tax		(7.6)	7.6	(6.7)	42.6	40.5
Total comprehensive income (loss) to equity holders		**(14.7)**	**12.0**	**(87.1)**	**31.7**	**24.6**

Condensed Consolidated Statements of Financial Position

(In millions of US dollars)	Note	Quarter ended September 30, 2023	Quarter ended September 30, 2022	Year ended December 31, 2022
ASSETS				
Cash and cash equivalents	10	153.7	172.1	358.3
Restricted cash	10	9.6	15.7	11.6
Accounts receivables		137.7	133.8	169.4
Accrued revenues and other receivables		171.6	79.6	124.7
Other current assets		66.2	54.9	60.6
Receivables from group companies		-	0.1	8.6
Total current assets		538.8	456.2	733.2
Property and equipment	8	746.2	748.8	740.4
MultiClient library	9	325.4	311.7	291.5
Restricted cash	10	52.6	59.8	59.2
Other non-current assets		22.1	39.1	28.6
Other intangible assets		74.2	81.6	73.4
Receivables from group companies		48.9	44.2	-
Total non-current assets		1,269.4	1,285.2	1,193.1
Total assets		**1,808.2**	**1,741.4**	**1,926.3**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Interest-bearing debt	10	126.4	372.5	367.1
Lease liabilities	10	36.4	34.3	32.9
Accounts payable		50.9	36.0	33.4
Accrued expenses and other current liabilities		120.9	95.3	110.2
Deferred revenues		267.8	108.8	154.4
Income taxes payable		16.5	17.2	18.9
Liabilities to group companies		-	0.2	-
Total current liabilities		618.9	664.3	716.9
Interest-bearing debt	10	636.5	628.9	659.7
Lease liabilities	10	47.0	54.3	54.3
Deferred tax liabilities		0.1	0.1	0.1
Other non-current liabilities		4.1	3.8	4.3
Liabilities to group companies		318.8	113.5	221.0
Total non-current liabilities		1,006.5	800.6	939.4
Shareholders' equity				
Share capital, par value		1.3	1.3	1.3
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		(56.0)	37.7	31.2
Total shareholders' equity		182.8	276.5	270.0
Total liabilities and shareholders' equity		**1,808.2**	**1,741.4**	**1,926.3**

Condensed Consolidated Statements of Changes in Shareholders' Equity

For the nine months ended September 30, 2023 and the year ended December 31, 2022

	Attributable to equity holders			
(In millions of US dollars)	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	-	-	(80.4)	(80.4)
Other comprehensive income (loss)	-	-	(6.7)	(6.7)
Other equity changes	-	-	(0.1)	(0.1)
Balance as of September 30, 2023	**1.3**	**237.5**	**(56.0)**	**182.8**

For the nine months ended September 30, 2022

	Attributable to equity holders			
(In millions of US dollars)	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	-	-	(10.9)	(10.9)
Other comprehensive income (loss)	-	-	42.6	42.6
Earlier year adjustment	-	-	(0.3)	(0.3)
Balance as of September 30, 2022	**1.3**	**237.5**	**37.7**	**276.5**

Condensed Consolidated Statements of Cash Flows

(In millions of US dollars)	Quarter ended September 30, 2023	Quarter ended September 30, 2022	Year to date September 30, 2023	Year to date September 30, 2022	Year ended December 31, 2022
Income (loss) before income tax expense	(6.4)	8.8	(69.4)	7.7	8.3
Depreciation, amortization, impairment	85.0	62.4	198.1	266.6	346.8
Share of results in associated companies	(0.1)	(0.8)	(0.7)	(1.7)	5.0
Interest expense	26.4	29.0	83.2	79.4	101.2
Loss (gain) on sale and retirement of assets	-	(0.5)	-	(0.5)	(1.0)
Income taxes paid	(2.2)	(2.9)	(15.5)	(14.7)	(23.6)
Other items	(0.1)	0.3	11.5	2.5	6.6
(Increase) decrease in accounts receivables, accrued revenues & other receivables	(3.7)	46.7	76.7	(43.0)	(104.4)
Increase (decrease) in deferred revenues	3.1	31.0	113.4	(15.2)	31.0
Increase (decrease) in accounts payable	0.4	(12.5)	6.2	(4.4)	(4.7)
Change in other current items related to operating activities	8.6	19.3	(45.3)	40.3	45.2
Change in other long-term items related to operating activities	0.1	4.4	(2.2)	1.0	(11.1)
Net cash provided by operating activities	**111.1**	**185.2**	**356.0**	**318.0**	**399.3**
Investment in MultiClient library	(70.4)	(33.7)	(148.2)	(81.4)	(106.4)
Investment in property and equipment	(11.5)	(13.2)	(64.7)	(40.0)	(48.6)
Investment in other intangible assets	(2.1)	(2.8)	(7.3)	(7.7)	(9.8)
Investment in other current -and non-current assets	-	-	-	-	1.8
Proceeds from sale and disposal of assets	-	0.9	-	1.3	1.2
Net change in intercompany balances	43.5	(0.6)	37.2	64.6	215.9
Net cash used in investing activities	**(40.5)**	**(49.4)**	**(183.0)**	**(63.2)**	**54.1**
Interest paid on interest-bearing debt	(37.4)	(24.7)	(70.5)	(66.5)	(90.5)
Proceeds from issuance of long-term debt (a)	69.2	-	501.7	-	47.1
Repayment of interest-bearing debt	(80.0)	(143.8)	(786.6)	(143.8)	(170.1)
Payment of lease liabilities (recognized under IFRS 16)	(8.0)	(8.8)	(24.2)	(27.2)	(36.1)
Payments of leases classified as interest	(1.9)	(1.5)	(5.3)	(5.0)	(6.4)
Decrease (increase) in restricted cash related to debt service	4.8	(4.6)	7.3	(1.8)	(0.7)
Net cash (used in) provided by financing activities	**(53.3)**	**(183.4)**	**(377.6)**	**(244.3)**	**(256.7)**
Net increase (decrease) in cash and cash equivalents	17.3	(47.6)	(204.6)	10.5	196.7
Cash and cash equivalents at beginning of period	136.4	219.7	358.3	161.6	161.6
Cash and cash equivalents at end of period	**153.7**	**172.1**	**153.7**	**172.1**	**358.3**

a) Proceeds from issuance of $75 million term loan, net of issuance cost amounting to $5.1 million.

Notes to the Condensed Interim Consolidated Financial Statements
Third Quarter 2023 Results

Note 1 – Revenues

Revenues and Other Income by service type:

	Quarter ended September 30,		Year to date September 30,		Year ended December 31,
	2023	2022	2023	2022	2022
-Contract	36.1	100.7	195.9	225.1	316.9
-MultiClient pre-funding	73.6	19.4	113.9	130.8	139.4
-MultiClient late sales	41.1	71.8	119.2	233.9	325.9
-Imaging	6.2	6.6	19.9	17.8	22.7
-Other Income	0.3	-	0.6	-	(0.0)
-Revenues from group companies	0.9	0.8	3.9	2.3	20.1
Total Revenues and Other Income	**158.2**	**199.3**	**453.4**	**609.9**	**825.0**

Vessel Allocation(1):

	Quarter ended September 30,		Year to date September 30,		Year ended December 31,
	2023	2022	2023	2022	2022
Contract	15%	60%	32%	40%	51%
MultiClient	72%	28%	47%	28%	20%
Steaming	6%	9%	9%	18%	11%
Yard	3%	3%	5%	3%	5%
Stacked/standby	4%	0%	7%	11%	13%

(1) The Q3 2023 vessel statistics includes 7 vessels (Ramform Victory started operation in Q3 2023). The comparative periods Q3 2022 and full year 2022 are 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

In Q3, 2023, revenues amounted to $158.2 million, compared to $199.3 million in Q3 2022, a decrease of $41.1 million, or 21%. The decrease is driven by lower contract and MultiClient late sales revenues, partially offset by significantly higher MultiClient pre-funding revenues.

Contract revenues

Contract revenues in Q3 2023 decreased by $64.6 million, or 64%, compared to Q3 2022. The decrease is primarily due to less 3D vessel capacity allocated to contract work. Q3 2023 rate level is below the rate level in Q3 2022 due to *Ramform Vanguard* working on a frame agreement signed in 2021. Contract revenues for Q3 2023 include $5.8 million related to an offshore wind site characterization survey.

MultiClient late sales

MultiClient late sales revenues in Q3 2023 decreased by $30.7 million, or 43%, compared to Q3 2022 when the Company benefitted from significant transfer fees and recognition of revenues related to a 2-year MultiClient access agreement with Shell. Late sales were highest in West Africa. In Q3 2023 the Company recognized $16.8 million of late sales revenues following the arbitration award on a transfer fee dispute as explained in note 10. The seismic market is improving, and the Company believes the increasing exploration focus will positively impact sales from the MultiClient library going forward.

MultiClient pre-funding revenues

MultiClient pre-funding revenues in Q3 2023 increased by $54.2 million, compared to Q3 2022. The increase is a result of higher volume of MultiClient projects finalized and delivered to clients. The volume of completed MultiClient projects in Q3 2023 was approximately $8 million higher than what the Company earlier expected, as disclosed in the Q2 2023 earnings release.

Note 2 – Net Operating Expenses

Net operating expenses consist of the following:

(In millions of US dollars)	Quarter ended September 30, 2023	Quarter ended September 30, 2022	Year to date September 30, 2023	Year to date September 30, 2022	Year ended December 31, 2022
Cost of sales including investment in MultiClient library	(117.0)	(121.1)	(350.8)	(316.7)	(428.6)
Research and development costs before capitalized development costs	(3.3)	(3.9)	(10.9)	(11.3)	(15.0)
Selling, general and administrative costs	(8.0)	(8.9)	(26.6)	(25.9)	(34.5)
Cash Cost, gross	**(128.3)**	**(133.9)**	**(388.3)**	**(353.9)**	**(478.1)**
Steaming deferral, net	(2.0)	(1.5)	5.6	4.6	2.8
Cash investment in MultiClient library	70.3	33.7	148.1	81.4	106.4
Capitalized development costs	2.1	2.1	6.5	6.3	8.1
Net operating expenses	**(57.9)**	**(99.6)**	**(228.1)**	**(261.6)**	**(360.8)**

Gross cash cost in Q3 2023 decreased by $5.6 million, or 4%, compared to Q3 2022. The decrease is primarily due to lower project related and fuel costs, partially offset by more operated capacity with *Ramform Victory* in 3D seismic operation and *Sanco Swift* used as an offshore wind site characterization vessel.

Cash costs capitalized to the MultiClient library in Q3 2023 increased by $36.6 million compared to Q3 2022. The increase is mainly due to more 3D vessel capacity allocated to MultiClient acquisition.

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 September 30, 2023	Quarter ended September 30, 2022	Year to date September 30, 2023	Year to date September 30, 2022	Year ended December 31, 2022
Amortization of MultiClient library	(43.0)	(33.2)	(118.1)	(104.5)	(128.2)
Accelerated amortization of MultiClient library	(33.4)	(7.0)	(35.7)	(90.4)	(105.9)
Impairment of MultiClient library	-	-	-	-	(11.5)
Total	**(76.4)**	**(40.2)**	**(153.8)**	**(194.9)**	**(245.7)**

Total IFRS amortization of the MultiClient library in Q3 2023 increased by $36.2 million, or 90%, compared to Q3 2022. The increase is driven by higher MultiClient pre-funding revenues. Amortization was 67% of MultiClient revenues in Q3 2023, compared to 44% in Q3 2022. The higher amortization rate reflects a lower proportion of late sales in the mix.

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 September 30, 2023	Quarter ended September 30, 2022	Year to date September 30, 2023	Year to date September 30, 2022	Year ended December 31, 2022
Gross depreciation*	(26.7)	(29.3)	(81.9)	(93.7)	(122.1)
Deferred Steaming depreciation, net	(0.7)	(0.8)	-	0.3	0.4
Depreciation capitalized to the MultiClient library	18.8	7.9	37.7	21.7	25.9
Total	**(8.6)**	**(22.2)**	**(44.2)**	**(71.7)**	**(95.8)**

*includes depreciation of right-of-use assets amounting to $4.7 million and $4.3 million for the quarter ended September 30, 2023 and 2022 respectively.
For the full year 2022, depreciation of right-of-use assets amounts to $17.6 million.

Gross depreciation in Q3 2023 decreased by $2.6 million, or 9%, compared to Q3 2022. The decrease comes from a generally low investment level in property and equipment over recent years.

Depreciation capitalized to the MultiClient library in Q3 2023 increased by $10.9 million, or 138%, compared to Q3 2022. The increase is mainly due to more vessel days allocated to MultiClient, partially offset by lower gross depreciation.

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

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

There were no impairments recorded in Q3 2023. 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 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:

	Quarter ended September 30,		Year to date September 30,		Year ended December 31,
(In millions of US dollars)	2023	2022	2023	2022	2022
Onerous contracts with customers	-	7.6	-	11.0	11.0
Provision for bad debt	-	0.6	-	(3.4)	(3.4)
Gain (loss) sale subsidiaries	-	-	-	-	(2.0)
Other	-	(6.4)	0.1	(6.3)	0.1
Total	**-**	**1.8**	**0.1**	**1.3**	**5.7**

As of September 30, 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

The share of results from associated companies in Q3 2023 was a gain of $0.1 million, compared to a gain of $0.8 million in Q3 2022.

Note 5 – Interest Expense

Interest expense consists of the following:

	Quarter ended September 30,		Year to date September 30,		Year ended December 31,
(In millions of US dollars)	2023	2022	2023	2022	2022
Interest on debt, gross	(25.3)	(28.8)	(79.8)	(78.4)	(107.3)
Imputed interest cost on lease agreements	(1.9)	(1.5)	(5.4)	(5.0)	(6.4)
Capitalized interest, MultiClient library	0.8	1.3	2.0	4.1	5.5
Total	**(26.4)**	**(29.0)**	**(83.2)**	**(79.3)**	**(108.2)**

Gross interest expense decreased by $3.5 million, or 12%, compared to Q3 2022. The decrease is due to a considerable reduction of gross interest-bearing debt and reduced imputed interest costs, partially 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.

Note 6 – Other Financial Expense, net

Other financial expense, net consists of the following:

	Quarter ended September 30,		Year to date September 30,		Year ended December 31,
(In millions of US dollars)	2023	2022	2023	2022	2022
Interest income	9.8	3.4	15.5	4.2	6.9
Currency exchange gain (loss)	(0.7)	(2.0)	1.6	3.1	2.4
Write off deferred and other loan cost	-	-	(11.2)	-	-
Other	(0.4)	(0.3)	(2.1)	(0.1)	(0.3)
Total	**8.7**	**1.1**	**3.8**	**7.2**	**9.0**

Interest income in Q3 2023 increased by $6.4 million compared to Q3 2022. The increase is primarily due to $7.6 million interest income recognized following the arbitration award on a transfer fee dispute as explained in note 10.

Note 7 – Income Tax and Contingencies

Income tax consists of the following:

(In millions of US dollars)	Quarter ended September 30, 2023	Quarter ended September 30, 2022	Year to date September 30, 2023	Year to date September 30, 2022	Year ended December 31, 2022
Current tax	(0.7)	(4.4)	(11.0)	(18.6)	(24.2)
Change in deferred tax	-	-	-	-	-
Total	**(0.7)**	**(4.4)**	**(11.0)**	**(18.6)**	**(24.2)**

The current tax expense in Q3 2023 decreased by $3.7 million compared to Q3 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.

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 $42.0 million in total. The Company holds a legal deposit amounting to $19.8 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:

(In millions of US dollars)	Quarter ended September 30, 2023	Quarter ended September 30, 2022	Year to date September 30, 2023	Year to date September 30, 2022	Year ended December 31, 2022
Seismic equipment	7.2	5.3	32.6	27.0	33.3
Vessel upgrades/Yard	4.7	2.4	28.1	7.5	11.0
Compute infrastructure/ technology	0.3	1.5	2.6	4.6	5.5
Other	0.4	0.3	2.0	5.5	0.4
Total addition to property and equipment, whether paid or not	**12.6**	**9.5**	**65.3**	**44.6**	**50.2**
Change in working capital	(1.1)	3.7	(0.6)	(4.6)	(1.6)
Investment in property and equipment	**11.5**	**13.2**	**64.7**	**40.0**	**48.6**

In addition, the Company recognized additions to property and equipment relating to new or changed lease arrangements of $9.5 million and $0.4 million for the quarter ended September 30, 2023, and 2022, respectively. In Q3 2023 the Company agreed a new two-year charter period for *Sanco Swift*, which is currently rigged as an offshore wind site characterization vessel.

Note 9 – MultiClient Library

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

(In millions of US dollars)	September 30, 2023	September 30, 2022	December 31, 2022
Completed during 2018		1.2	
Completed during 2019	0.5	25.2	17.0
Completed during 2020	15.5	33.1	28.9
Completed during 2021	48.8	84.9	70.8
Completed during 2022	65.1	38.8	81.6
Completed during 2023	12.2	-	-
Completed surveys	142.1	183.2	198.3
Surveys in progress	183.3	128.5	93.2
MultiClient library	325.4	311.7	291.5

Key figures MultiClient library:

(In millions of US dollars)	Quarter ended September 30, 2023	Quarter ended September 30, 2022	Year to date September 30, 2023	Year to date September 30, 2022	Year ended December 31, 2022
MultiClient pre-funding revenue *	73.6	19.4	113.9	130.8	139.4
MultiClient late sales	41.1	71.8	119.2	233.9	325.9
Cash investment in MultiClient library	70.3	33.7	148.1	81.4	106.4
Capitalized interest in MultiClient library	0.8	1.3	2.0	4.1	5.5
Capitalized depreciation (non-cash)	18.8	7.9	37.7	21.7	25.9
Amortization of MultiClient library	(43.0)	(33.2)	(118.1)	(104.5)	(128.2)
Accelerated amortization of MultiClient library	(33.4)	(7.0)	(35.7)	(90.4)	(105.9)
Impairment of MultiClient library	-	-	-	-	(11.5)

* Includes revenue from sale to joint operations in the amount of $30.6 and $8.2 million for the quarter ended September 30, 2023 and 2022 respectively.
Year to date 2023 and 2022, revenue from sale to joint operations amounts to $66.0 million and $25.9 million, respectively.

MultiClient cash investment in Q3 2023 increased by $36.7 million, or 109%, compared to Q3 2022, due to more 3D vessel capacity allocated to MultiClient projects.

Note 10 – Liquidity and Financing

Net cash provided by operating activities was $111.1 million in Q3 2023, compared to $185.2 million in Q3 2022. The decrease is primarily due to lower late sales in Q2 2023, compared to high late sales in Q2 2022, which were collected in Q3 2022.

In 2022, the Company recognized approximately $30 million of transfer fee revenues relating to a change of control event. The transfer fees are disputed by the client, and as of September 30, 2023, the amounts were not paid. Given the inability to timely conclude the matter, the Company earlier 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' favor, including late payment interest and reasonable legal costs. The amount due to the Company, net of any revenue share to third parties, is estimated to be approximately $43 million and is expected to be received late Q4 2023 or early Q1 2024. The decision relates to agreements where the Company already recognized $18.2 million as revenues in 2022. As a result of the decision, the Company has recognized additional $16.8 million of late sales revenues and $7.6 million of interest income in Q3 2023. The second arbitration proceeding is expected to be concluded during the second half of 2024, unless settled earlier. The Company has only recognized revenues that, based on the Company's best estimate and external legal advice, are expected to be due to the Company. The delay in settling this matter impacts the Company's working capital as of September 30, 2023.

In Q3 2023, PGS ASA successfully completed an equity private placement of approximately $40.6 million. The proceeds are used to increase liquidity and enable a financially robust combined entity following the proposed merger with TGS ASA.

The liquidity reserve, including cash and cash equivalents, was $153.7 million as of September 30, 2023, compared to $172.1 million as of September 30, 2022, and $136.4 million as of June 30, 2023.

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 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 Term Loan B ("TLB"). Further, the at any time outstanding gross amount under the export credit financing ("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.

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

The proceeds from the Bonds, together with cash on balance sheet, were used to repay $600 million of the TLB in Q1 2023.

New $75 million loan
On July 19, 2023, the Company received commitments for a loan facility of $75 million. The new loan (the "Loan") was drawn September 18, 2023, with the net proceeds used to reduce 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 prepaid without a premium starting from June 30, 2024. The Loan is subject to the same financial covenants as the $450 million Bonds.

The remaining balance of the TLB due on March 19, 2024, is $69.8 million. 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 agreement has 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:

	September 30,		December 31,
(In millions of US dollars)	2023	2022	2022
Secured			
Term loan B, Libor + 6-750 basis points (linked to total leverage ratio ("TLR")), due 2024	69.8	737.9	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	41.7	105.5	100.3
Export credit financing, due 2027	103.2	184.2	163.1
Senior notes, Coupon 13.5%, due 2027	450.0	-	-
Total loans and bonds, gross (1)	**789.7**	**1,027.6**	**1,051.3**
Less current portion	(126.4)	(372.5)	(367.1)
Less deferred loan costs, net of debt premiums	(26.5)	(20.6)	(20.0)
Less modification of debt treated as extinguishment	(0.3)	(5.7)	(4.6)
Non-current interest-bearing debt	**636.5**	**628.9**	**659.7**

(1) The estimated fair value of total loans and bonds, gross was $830.8 million as of September 30, 2023, compared to $983.0 million as of September 30, 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 TLB and further reduced by $0.4 million by the end of Q3 2023 due to time elapsed.

Undrawn facilities consists of the following:

	September 30,		December 31,
(In millions of US dollars)	2023	2022	2022
Secured			
Performance bond	23.2	17.8	22.0
Total	**23.2**	**17.8**	**22.0**

Summary of net interest-bearing debt:

	September 30,		December 31,
(In millions of US dollars)	2023	2022	2022
Loans and bonds gross	(789.7)	(1,027.6)	(1,051.3)
Cash and cash equivalents	153.7	172.1	358.3
Restricted cash (current and non-current)	62.2	75.5	70.8
Net interest-bearing debt, excluding lease liabilities	**(573.8)**	**(780.0)**	**(622.2)**
Lease liabilities current	(36.4)	(34.3)	(32.9)
Lease liabilities non-current	(47.0)	(54.3)	(54.3)
Net interest-bearing debt, including lease liabilities	**(657.2)**	**(868.6)**	**(709.4)**

Restricted cash of $62.2 million includes $32.6 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 September 30, 2023, the Company had approximately 75% of its debt (excluding lease liabilities) at fixed interest rates. The weighted average cash interest rate was approximately 11.32%, including credit margins, as of September 30, 2023, compared to 8.85% and 8.98% as of September 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 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 September 30, 2023, the TNLR was 1.47:1 and leverage ratio calculated according to the bond terms was 2.15:1. The Company expects to comply with the financial covenants in its credit agreements going forward.

Most of the financing agreements have change of control provisions relevant to the proposed merger with TGS ASA. Reference is made to Note 14.

*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

	Quarter ended September 30,		Year to date September 30,		Year ended December 31,
(In millions of US dollars)	2023	2022	2023	2022	2022
Actuarial gains (losses) on defined benefit pension plans	(7.6)	7.5	(6.3)	39.7	38.4
Income tax effect on actuarial gains and losses	-	-	-	-	-
Items that will not be reclassified to profit and loss	**(7.6)**	**7.5**	**(6.3)**	**39.7**	**38.4**
Gains (losses) on hedges	-	0.1	(0.4)	2.9	2.1
Other comprehensive income (loss) of associated companies	-	-	-	-	-
Items that may be subsequently reclassified to profit and loss	**-**	**0.1**	**(0.4)**	**2.9**	**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' 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.

Note 14 – Subsequent Events

Merger with TGS ASA

PGS ASA announced on September 18, 2023, an intention to merge with TGS ASA or one of its subsidiaries ("TGS ASA"). PGS ASA and TGS ASA announced on October 25, 2023, that their respective Board of Directors have approved and decided upon a definitive merger agreement and formal merger plan, in line with the terms previously announced and that the companies expect to call for extraordinary general meetings where shareholders will vote over the proposed merger. If the shareholders approve the proposed merger, the parties expect that the merger will be completed during first half of 2024.

The agreements for the $450 million Bond and the $75 million Loan both contain change-of-control provisions triggering put options for the bondholders/lenders at 101% and 102% of par, respectively, at the time of completing the merger. The TLB and the Super Senior Loan have change-of-control provisions requiring the loans to be repaid upon consummation of the merger unless maturing earlier or otherwise agreed with the lenders. The merger plan contains customary mutual restrictions for both parties until the merger is completed, as well as certain unilateral restrictions for PGS ASA in relation to investments, equity transactions and financing.

Arbitration Award

As described in Note 10, the Company has previously recognized approximately $30 million of revenues from transfer fees relating to a change of control event where the amount was not agreed with the client. After quarter end, the Company received a favorable decision from the arbitrator in the first arbitration. As a result, additional revenue and interest income have been recognized in Q3 2023.

Appendix I – Alternative Performance Measures

EBIT ex. impairment and other charges, net

(In millions of US dollars)	Quarter ended September 30, 2023	Quarter ended September 30, 2022	Year to date September 30, 2023	Year to date September 30, 2022	Year ended December 31, 2022
Operating profit (loss) as reported	**15.3**	**39.1**	**21.1**	**83.4**	**123.1**
Other charges, net	-	(1.8)	(0.1)	(1.3)	(5.7)
Impairment of MultiClient library	-	-	-	-	11.5
Impairment and loss on sale of long-term assets (excl. MultiClient library)	-	-	6.3	(0.4)	5.3
EBIT ex. impairment and other charges, net	**15.3**	**37.3**	**27.3**	**81.7**	**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, November 27, 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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