



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2019 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	917 313 199
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	SHEARWATER GEOSERVICES HOLDING AS
Forretningsadresse:	Damsgårdsveien 135 5160 LAKSEVÅG

Regnskapsår

Årsregnskapets periode:	01.01.2019 - 31.12.2019
-------------------------	-------------------------

Konsern

Morselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Regnskapslovens alminnelige regler
Benyttet ved utarbeidelsen av årsregnskapet til konsernet:	IFRS

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Hilde Marie Bjerga
Dato for fastsettelse av årsregnskapet:	31.08.2020

Grunnlag for avgivelse

År 2019: Årsregnskapet er elektronisk innlevert
År 2018: Tall er hentet fra elektronisk innlevert årsregnskap fra 2019

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 26.10.2022



Resultatregnskap

Beløp i: USD	Note	2019	2018
RESULTATREGNSKAP			
Kostnader			
Varekostnad	9,10	1 023 000	264 000
Sum kostnader		1 023 000	264 000
Driftsresultat		-1 023 000	-264 000
Finansinntekter og finanskostnader			
Annen finansinntekt		3 000	3 000
Sum finansinntekter		3 000	3 000
Annen rentekostnad		162 000	26 000
Sum finanskostnader		162 000	26 000
Netto finans		-159 000	-23 000
Ordinært resultat før skattekostnad		-1 182 000	-287 000
Skattekostnad på ordinært resultat			361 000
Ordinært resultat etter skattekostnad		-1 182 000	-648 000
Årsresultat		-1 182 000	-648 000
Overføringer og disponeringer			
Overføringer til/fra annen egenkapital		-1 183 000	-648 000
Sum overføringer og disponeringer		-1 183 000	-648 000



Balanse

Beløp i: USD	Note	2019	2018
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Finansielle anleggsmidler			
Investering i datterselskap	3	506 769 000	416 059 000
Sum finansielle anleggsmidler		506 769 000	416 059 000
Sum anleggsmidler		506 769 000	416 059 000
Omløpsmidler			
Varer			
Fordringer			
Andre fordringer		34 000	62 000
Konsernfordringer	11	34 000	91 826 000
Sum fordringer		68 000	91 888 000
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	5	176 000	256 000
Sum bankinnskudd, kontanter og lignende		176 000	256 000
Sum omløpsmidler		244 000	92 144 000
SUM EIENDELER		507 013 000	508 203 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	4,6	33 125 000	33 125 000
Beholdning av egne aksjer	4	-442 000	-442 000
Overkurs	4	83 977 000	83 977 000
Annen innskutt egenkapital	4	392 980 000	392 980 000
Sum innskutt egenkapital		509 640 000	509 640 000



Balanse

Beløp i: USD	Note	2019	2018
Opptjent egenkapital			
Annen egenkapital	4	-5 676 000	-4 493 000
Sum opptjent egenkapital		-5 676 000	-4 493 000
Sum egenkapital		503 964 000	505 147 000
Sum langsiktig gjeld		0	0
Kortsiktig gjeld			
Leverandørgjeld		15 000	22 000
Kortsiktig konserngjeld	11	2 836 000	3 034 000
Annen kortsiktig gjeld		199 000	0
Sum kortsiktig gjeld		3 050 000	3 056 000
Sum gjeld		3 050 000	3 056 000
SUM EGENKAPITAL OG GJELD		507 014 000	508 203 000



Konsernets resultatregnskap

Beløp i: USD	Note	2019	2018
RESULTATREGNSKAP			
Inntekter			
Marine acquisition	4	363 967 000	129 246 000
Processing and imaging	4	9 966 000	5 362 000
Other income	4	53 962 000	13 222 000
Sum inntekter		427 895 000	147 830 000
Kostnader			
Cost of sales	5,6,7	284 057 000	126 717 000
Depreciation	10,11	98 149 000	33 732 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler	10	4 408 000	
Sales, general and adm cost	7	14 444 000	9 170 000
Acquisiton cost		6 577 000	7 311 000
Other losses (gains) net		-485 000	556 000
Sum kostnader		407 150 000	177 486 000
Driftsresultat		20 745 000	-29 656 000
Finansinntekter og finanskostnader			
Financial income	8	610 000	575 000
Sum finansinntekter		610 000	575 000
Financial expenses	8	47 893 000	14 381 000
Sum finanskostnader		47 893 000	14 381 000
Netto finans		-47 283 000	-13 806 000
Ordinært resultat før skattekostnad		-26 538 000	-43 462 000
Skattekostnad på ordinært resultat	9	2 139 000	-8 604 000
Ordinært resultat etter skattekostnad		-28 677 000	-34 858 000
Årsresultat		-28 677 000	-34 858 000
Overføringer og disponeringer			
Overføringer til/fra annen egenkapital		-28 676 000	-34 858 000
Sum overføringer og disponeringer		-28 676 000	-34 858 000



Konsernets resultatregnskap

Beløp i: USD	Note	2019	2018
---------------------	-------------	-------------	-------------



Konsernets balanse

Beløp i: USD	Note	2019	2018
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Konsesjoner, patenter, lisenser, varemerker og lignende rettigheter	3,11	25 038 000	27 859 000
Utsatt skattefordel	9	200 000	1 200 000
Goodwill	3,11	2 048 000	2 048 000
Sum immaterielle eiendeler		27 286 000	31 107 000
Varige driftsmidler			
Vessels	10	677 729 000	717 718 000
Seismic equipment and other equipment	10	80 495 000	110 741 000
Manufacturing equipment	10	4 938 000	10 360 000
Right of use assets	10	7 957 000	0
Sum varige driftsmidler		771 119 000	838 819 000
Finansielle anleggsmidler			
Long term receivable	3,16	619 000	12 891 000
Sum finansielle anleggsmidler		619 000	12 891 000
Sum anleggsmidler		799 024 000	882 817 000
Omløpsmidler			
Varer			
Varer	13	31 038 000	22 970 000
Sum varer		31 038 000	22 970 000
Fordringer			
Kundefordringer	4,13	72 371 000	27 523 000
Andre fordringer	3,4,13, 19	38 157 000	24 038 000
Sum fordringer		110 528 000	51 561 000
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	15,17	70 506 000	82 896 000
Sum bankinnskudd, kontanter og lignende		70 506 000	82 896 000



Konsernets balanse

Beløp i: USD	Note	2019	2018
Sum omløpsmidler		212 072 000	157 427 000
SUM EIENDELER		1 011 096 000	1 040 244 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	19	33 125 000	33 125 000
Beholdning av egne aksjer		-442 000	-442 000
Overkurs		83 977 000	83 977 000
Annen innskutt egenkapital		392 980 000	392 980 000
Sum innskutt egenkapital		509 640 000	509 640 000
Opptjent egenkapital			
Annen egenkapital		-77 490 000	-48 814 000
Sum opptjent egenkapital		-77 490 000	-48 814 000
Sum egenkapital		432 150 000	460 826 000
Gjeld			
Langsiktig gjeld			
Utsatt skatt	3,9	174 000	290 000
Sum avsetninger for forpliktelser		174 000	290 000
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	12,17	158 371 000	502 994 000
Other long term liabilities	16	6 604 000	
Sum annen langsiktig gjeld		164 975 000	502 994 000
Sum langsiktig gjeld		165 149 000	503 284 000
Kortsiktig gjeld			
Current porition of long term debt	12,14, 16,17	356 558 000	36 593 000
Leverandørgjeld		34 674 000	21 612 000
Betalbar skatt	9	1 042 000	



Konsernets balanse

Beløp i: USD	Note	2019	2018
Annen kortsiktig gjeld	4,14	21 525 000	17 929 000
Sum kortsiktig gjeld		413 799 000	76 134 000
 Sum gjeld		 578 948 000	 579 418 000
 SUM EGENKAPITAL OG GJELD		 1 011 098 000	 1 040 244 000



Skattedirektoratet

Saksbehandler Torstein Kinden Helleland	Deres dato 14.06.2017	Vår dato 19.06.2017
Telefon 22078139	Deres referanse Kristian Rådal	Vår referanse 2017/668031

SHEARWATER GEOSERVICES HOLDING AS
Damsgårdsveien 131
5160 LAKSEVÅG

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for Shearwater GeoServices Holding AS, org.nr. 917 313 199

Vi viser til deres brev av 5. mai 2017 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for Shearwater GeoServices Holding AS.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering Shearwater GeoServices Holding AS dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Bakgrunn

Shearwater GeoServices Holding AS er eid av Rasmussengruppen AS og GC Rieber Shipping ASA. Shearwater GeoServices Holding AS med datterselskaper tilbyr tjenester innen seismikkvirksomhet internasjonalt. Konsernet operer hvor engelsk klart er det dominerende arbeidsspråket. Konsernets arbeidsspråk er engelsk. Selskapet driver virksomhet i en internasjonal bransje. Alle sentrale aktører og samarbeidspartnere innen denne bransjen behersker og benytter engelsk. En norsk oversettelse vil kun ha til formål å oppfylle regnskapslovens språkkrav.

Skattedirektoratets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal "årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

"Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan

Postadresse
Postboks 9200 Grønland
0134 Oslo

Besøksadresse:
Se www.skatteetaten.no
Org.nr: 996250318
E-post: skatteetaten.no/sendepost

Sentralbord
800 80 000
Telefaks
22 17 08 60



foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.”

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til “*informative regnskaper for ulike grupper av regnskapsbrukere*”. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt vekt på at selskapet er eid av to aksjeselskaper. Eierkretsen er begrenset. Selskapet opererer i en internasjonal bransje. Videre er det vektlagt at alle sentrale aktører og samarbeidspartnere innen denne bransjen behersker og benytter engelsk.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

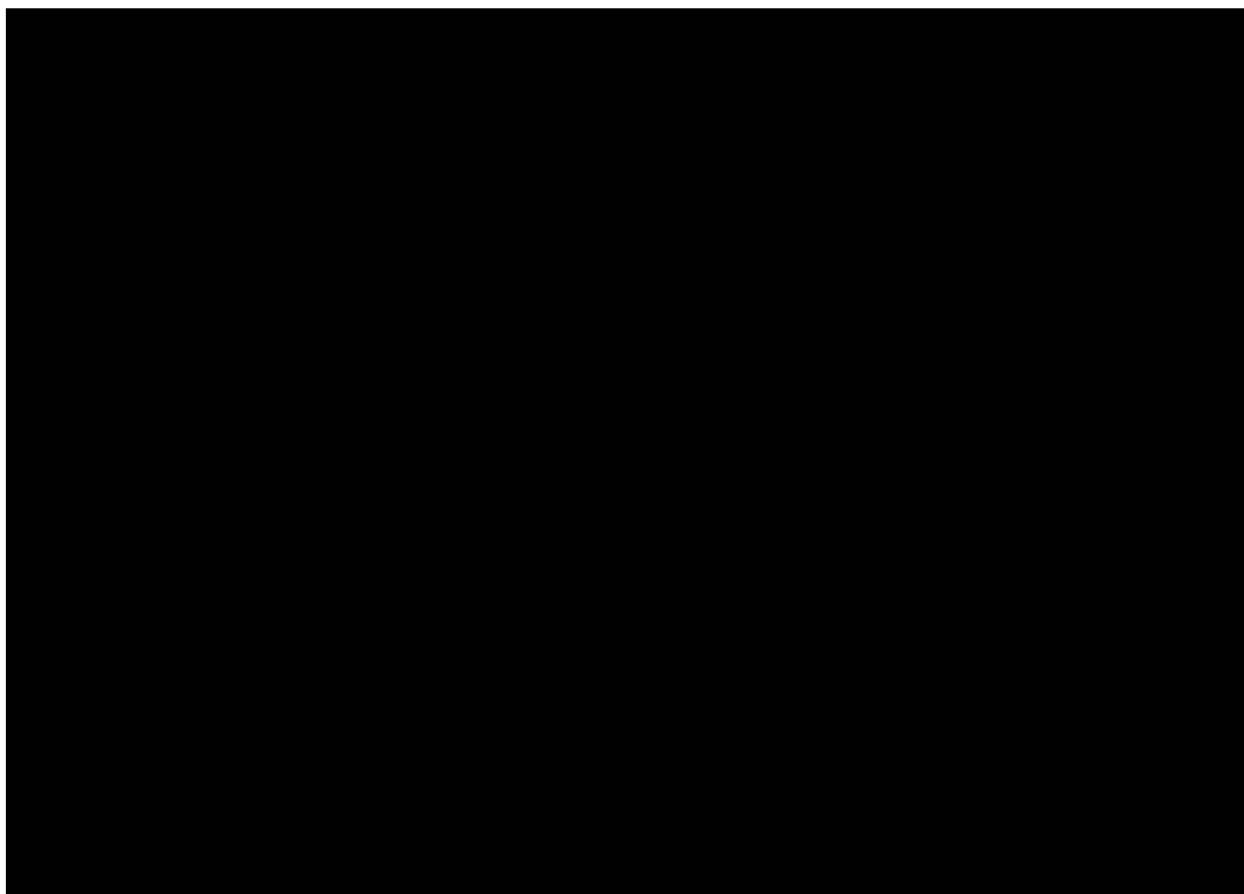
Rune Tystad
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Torstein Kinden Helleland

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer



Shearwater GeoServices Holding AS
Annual Report
www.shearwatergeo.com





Annual Report 2019

Shearwater's modern fleet, expert imaging teams and innovative software combine to offer exceptional results.

The powerful fleet, complete with modern technology, is manned by experienced crews working safely and efficiently in all operating conditions to deliver a cost-effective and high-quality service.

Shearwater is the cutting-edge geophysical services company.

Table of contents

Message from the CEO	2
About Shearwater	4
Board of directors	10
Management	12
Board of directors' report	14
Responsibility statement	21
Sustainability Report	22
Group Financial Statement	37
Contact	86



Message from the CEO

For us, 2020 started on a high note. We made another step towards fulfilling the strategic ambition Shearwater was founded on by taking over CCG's marine acquisition assets and entering a long-term capacity agreement as announced in June of 2019. Market conditions improved steadily through the year, reflected in a growing backlog and higher vessel rates, and an increase in our active fleet and processing and imaging activity. Our revenue of USD 427.9 million and adjusted EBITDA of USD 129.4 million in 2019 were up from USD 147.8 million and USD 11.9 million respectively, in 2018.

However, circumstances have changed. The Covid-19 pandemic has had an unprecedented impact on people, businesses and nations. We are also subject to increased oil market uncertainties and lower commodity prices as OPEC and Russia initially failed to agree on future production levels at the same time as oil demand dropped over night due to the pandemic. Consequently, many of our customers have reassessed investment plans, including seismic spending, resulting in aggregated reductions to the industry's 2020 capital spending forecasts of about 30%.

Safeguarding people and business continuity

Against this backdrop - let me reiterate - we are in this for the long run as a leading global marine acquisition specialist. Our dedicated team, entrepreneurial mindset and scale will see us through to the other side. We shall remain the partner of choice to our E&P and multiclient seismic customers around the world. Our ambition is to even strengthen that position as we navigate through this market.

We proactively take steps to manage the situation and follow local health advisories, practicing social distancing and home office where possible. Our thoughts are with all those whose health and lives are affected by this virus, and we stay focused on the actions required to prevent its spread.

We execute our business continuity plans to ensure uninterrupted services to our customers. We also prepare for a world returning to a new normality. This means, we maintain our focus on safety, quality and efficiency throughout our value chain. We are in constant dialogue with our customers as a partner in all aspects of business operations. I am very happy to say that as of today, with a few exceptions, all our customers are progressing with their sanctioned surveys as planned.

Navigating from a strong platform

Today, we have a high-end fleet of 23 seismic vessels, including an industry-leading fleet of five ocean bottom platforms. As the market leader, we are active in all offshore basins and across all marine survey types including 3D, 4D and ocean bottom seismic as well high-quality processing and imaging services.

Through 2019, we successfully completed the integration of the WesternGeco acquisition business following the transaction in 2018. By January 2020, we had increased our active fleet from 3 to 11 vessels, grown the



SHEARWATER

Annual Report 2019

organisation by almost 40% to more than 800 employees and increased our backlog to 196 vessels-months from nine vessel-months a year earlier, with an estimated revenue backlog of USD 1.2 billion.

We have a growing client base of highly supportive and satisfied customers consisting of E&P majors, independents, NOCs and multiclient seismic companies. We will continue to strengthen our leading position in the 4D market and our presence in the ocean bottom segment is growing steadily as we aim to break the cost curve both in operational efficiency and node technology. All of this puts us in a good position to navigate through these challenging times and position to take advantage in a recovering market.

Long-term ambitions remain firm

Our line of sight and business outlook has become more uncertain since the turn of the year. We have long-term capacity agreements in place which provide us with a level of visibility, but at the same time we acknowledge that activity levels will be far lower than anticipated as we move into the second half of the year.

There are many factors that will influence the extent of a slowdown. It will put our team, our flexible business model, and our company to the test. We have built Shearwater to be agile - to adjust and adapt to the cycles driving our business. We will leverage our position as the acquisition market leader built through our strategy of market consolidation and scale, and as a provider of high-quality geophysical solutions all the way from sensor to image.

The continuous dedication shown by the whole Shearwater team and support from our customers and owners makes this possible. I would like to take this opportunity to thank all my colleagues, our customers and shareholders for their unwavering support throughout 2019 and in the recent months while manoeuvring through the Covid-19 market set-back.

Our long-term ambitions remain firm, and while we short-term are buffeted by increased uncertainty, we will seek to navigate so that we emerge on the other side as a stronger company.

Irene Waage Basili
CEO, Shearwater GeoServices AS



Image: Ayca Eleman, MMO. Oceanic Vega, Black Sea

About Shearwater

Shearwater GeoServices Holding AS is a global, customer-focused and technology-driven provider of market leading marine geophysical services, from sensor to image. The company has the world's largest fleet of high-end seismic vessels and a portfolio of proprietary technologies and software that provide customers with a full range of geophysical acquisition techniques, effective surveys and high-quality data. Shearwater has approximately 800 employees, an industry-leading cost position and a strong balance sheet.

Headquartered in Bergen, Norway, Shearwater is owned by RASMUSSENGRUPPEN AS, GC Rieber Shipping ASA, Schlumberger and Eidesvik Offshore ASA.

Shearwater History

In 2016 RASMUSSENGRUPPEN AS and GC Rieber Shipping ASA established Shearwater GeoServices Holding AS as a jointly owned marine geophysical company. At its inception, Shearwater had a very experienced team of industry professionals and a fleet of four modern, high capacity seismic vessels equipped with streamers. Based on the Rasmussen Group's significant financial strength and willingness to make further investments in the industry, Shearwater's goal from day one was to become a consolidator of the seismic industry.

In 2018 Shearwater and Schlumberger entered into an agreement for Shearwater to acquire the marine seismic acquisition assets and operations of WesternGeco, the geophysical services product line of Schlumberger. Shearwater acquired 10 high-end seismic acquisition vessels, including seven 3D vessels and three multipurpose vessels (MPVs) configured to serve the growing Ocean Bottom Seismic (OBS) market, 12 complete streamer sets with spares, as well as two source vessels. The transaction also included WesternGeco's proprietary marine seismic technology, as well as development and manufacturing facilities in Norway and Malaysia. As part of the transaction, Schlumberger became a shareholder in Shearwater.

In 2019 Shearwater and CGG S.A. entered into an agreement for Shearwater to acquire five high-end seismic acquisition vessels, two legacy seismic vessels and five complete streamer sets. The agreement also included a five-year utilization commitment from CGG for an annual minimum of two vessel-years from Shearwater over the period. This commitment provides Shearwater with a guaranteed cash flow and activity level, resulting in a greatly improved visibility and more robust business model. The seismic vessels were jointly owned by CGG and Eidesvik Offshore ASA and as part of the transaction Eidesvik Offshore became a shareholder in Shearwater.

The CGG-transaction was completed in January 2020 and today Shearwater has a fleet of 23 vessels, including a fleet of five dedicated OBS vessels (MPVs and specialised source vessels).



Marine Acquisition

Shearwater owns and operates a fleet of purpose-built seismic vessels designed for safe and efficient data acquisition using towed streamers, ocean bottom nodes (OBN) and ocean bottom cables (OBC). Combined with onboard and onshore data processing expertise, the company delivers industry leading quality products and solutions.

Shearwater offers the world's most advanced marine seismic acquisition technologies for exploration, reservoir delineation, characterization, and monitoring. The company's range of leading streamer technologies is the result of extensive research and engineering over many decades. Providing the best data quality and operational performance in the industry, the Qmarine and Isometrix systems have set new standards in seismic acquisition.

Shearwater is recognised as the market leader and vendor of choice in time-lapse 4D seismic based on experience and technologies such as multicomponent streamer, source and receiver steering and availability of a purpose-built fleet for multi-vessel surveys.

Ocean bottom seismic acquisition is a rapidly growing area of the seismic market, including both Ocean Bottom Node (OBN) and Ocean Bottom Cable (OBC) approaches. Shearwater offers high-quality seabed solutions for shallow and deepwater environments, including the Qseabed multicomponent seabed seismic system, Nodes-on-a-Rope (NOAR), Deepwater ROV nodes, as well as hybrid combinations with towed-streamer technologies. Our broad portfolio of cost-effective, high-quality seabed seismic acquisition technologies is complemented by experience in processing and imaging these datasets.

Shearwater utilises innovative techniques for custom marine acquisition solutions. Regardless of the complexity and requirements of the client's marine seismic challenge, Shearwater offers the widest range of acquisition techniques to provide the level of subsurface illumination and image fidelity needed to make informed decisions about reservoirs.

Fleet

Shearwater today owns and operates a fleet of 23 high-end seismic vessels. This includes five ocean bottom seismic vessels, including three flexible vessels equipped for receiver deployment, source and towed streamer, and two recently re-equipped high-end wide-tow high capacity source vessels capable of nine source string spreads. Shearwater's fleet includes a significant number of the industry's most powerful towed streamer vessels, in terms of streamer count, towing capacity, endurance and efficiency.

Based on the quality and scale of the fleet, Shearwater may accommodate all types of exploration and development projects, from large-scale regional 3D surveys to focused 4D production monitoring. Combining some of the world's most innovative and efficient vessels with the most advanced acquisition systems,



Annual Report 2019

provides the ability to deploy the optimal acquisition configuration to meet the requirements of every survey design and technique. This ensures exceptional results in even the toughest environments.

Towed Streamer Fleet



Amazon Warrior



Amazon Conqueror



SW Empress



SW Marquis



Oceanic Vega



Sirius Oceanic



Geo Coral



Geo Caribbean



SW Duchess



SW Amundsen



SW Duke



SW Columbus



SW Magellan



SW Eagle



Geo Celtic



Trident



Oceanic Challenger



SW Alize

Ocean Bottom Fleet



SW Vespucci



SW Cook



SW Tasman

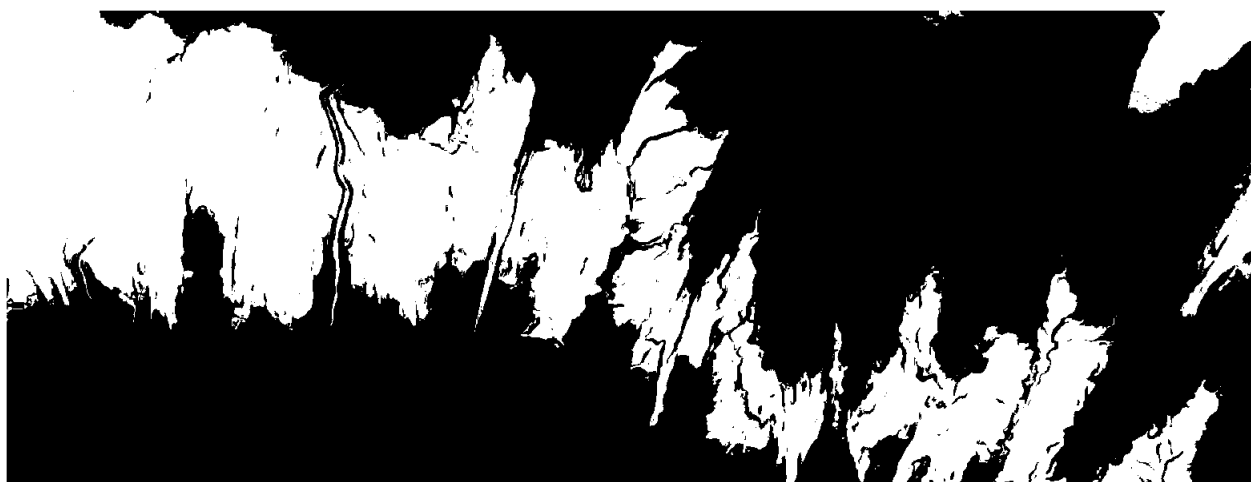


Emerald



Diamond

Please see www.shearwatergeo.com for additional vessel information



Processing & Imaging

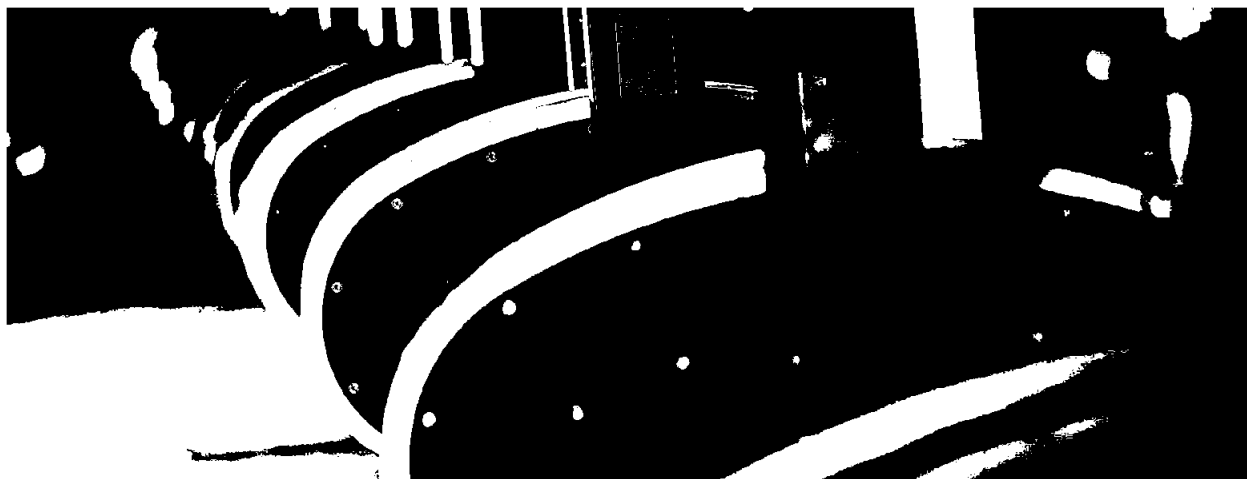
Shearwater has built a dynamic and flexible team of leading processing geophysicists to provide marine towed streamer, ocean bottom, and land seismic data processing and imaging. They provide an integrated expert service for customers' processing and re-processing projects.

The experienced onboard and onshore processing teams ensure the highest quality 2D and 3D imaging in all geological environments. What's more, access to in-house clusters and proven use of cloud computing enables Shearwater to provide the results in a time frame that allows customers to meet their decision deadlines.

Strong integration between acquisition and processing technology development, and between operational teams in acquisition and processing, enables Shearwater to deliver integrated solutions for clients. Fast-track processed data carried out during acquisition enables clients to make decisions during or soon after acquisition which would normally take months or years.

The proprietary Reveal software provides a modern, highly interactive and user-friendly platform for all aspects of processing and imaging. From onboard Real Time Quality Control (RTQC) to final model building, Shearwater's experts use the same Reveal user interface to provide a cost-effective service and superior data quality. Leading Exploration & Production companies use Reveal as their geophysical software due to its ease of use, flexibility, and extensibility for fast technology innovation.

Customers benefit from in-house R&D teams who develop new, industry-leading algorithms to provide innovative ways to improve the image quality delivered. Shearwater's main processing hub is in the UK, with the company offering nimble flexible teams to establish project specific centres close to clients' offices as required.



Technology

Shearwater offers the world's most advanced marine seismic acquisition technologies for exploration, reservoir delineation, characterization, and monitoring. The company shares the vision of combining science and technology to create new business value.

The company has an experienced research and development organisation comprising of more than 80 permanent staff with background in geophysics, signal processing, computer science and electrical and mechanical engineering disciplines. They are based in Norway, the UK and in the US. A state-of-the art manufacturing facility in Malaysia converts research ideas into physical products, which can be mass produced and deployed commercially and allow customers to realize additional value.

Shearwater's range of leading streamer technologies is the result of extensive research and engineering over many decades. Providing the best data quality and operational performance in the industry, the Qmarine and Isometrix systems have set new standards in seismic acquisition.

Ocean bottom seismic (OBS) acquisition, with either nodal technology or the established Qseabed system, delivers the highest-quality multicomponent data in the most efficient and cost-effective manner possible.

The eSource bandwidth-controlled seismic source technology preserves the low-frequency energy required for seismic exploration, while suppressing unwanted high-frequency energy. This technology was jointly developed with an industrial partner Teledyne Bolt and made available to the entire industry considering the environmental benefits it provides.

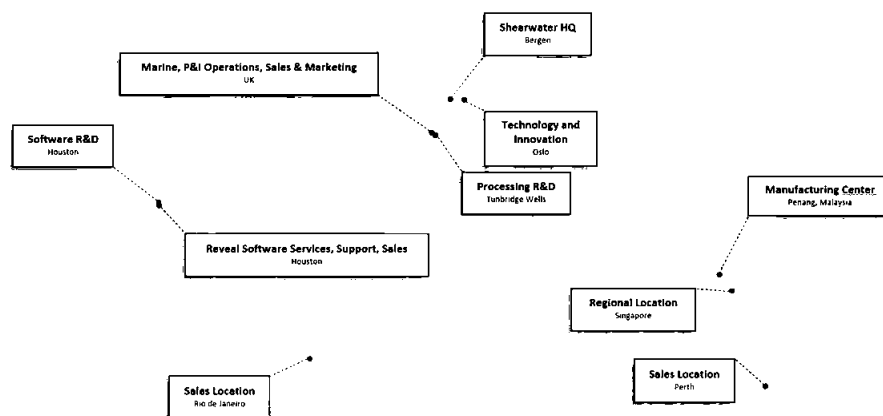
Shearwater is committed to developing new and innovative solutions and products, improving data quality, reducing acquisition cost and improving turn-around times. The company follows an open-minded approach and promotes collaboration within the industry to develop the next generation of products and services. One such example is Project BASS, Shearwater's marine vibratory source project which is developed in collaboration with Equinor and the Research Council of Norway.



SHEARWATER

Annual Report 2019

Locations





Board of directors



Robert Hobbs
Chairman of the Board

Robert Hobbs has over 30 years of experience in the upstream sector of the oil and gas business, holding senior management positions with both exploration and production operators as well as service companies.

Until 2016, Mr. Hobbs served as CEO of TGS-NOPEC. Prior to that, he utilized his exploration geoscience background in staff and executive roles at Marathon Oil, Veritas DGC, Union Texas Petroleum, and Exxon. He also has served as Chairman of the International Association of Geophysical Contractors, the geophysical industry's global trade association. Mr. Hobbs holds a bachelor of science degree in geology from Baylor University and a master of science degree in geoscience from University of Southern California.



Stein Vidar Håland
Board Member

Stein Vidar Håland has been a part of Rasmussen Group since 1976, and today he holds the position as CFO for RASMUSSENGRUPPEN AS.

Mr. Håland holds a degree from Norges Handelshøyskole (NHH).



Hanne Skaarberg Holen
Board Member

Hanne Skaarberg Holen is a Partner with Ernst & Young in Oslo, and has over 30 years experience focused on tax and company law.

Ms. Skaarberg Holen has a business management degree from the University of Lausanne and a law degree from the University of Oslo. She has a background as an auditor, lawyer, and partner in PwC, where she gained extensive knowledge regarding the organisation of functions, income, expenses, authority and responsibility within large corporate structures. Additionally, Ms. Skaarberg Holen has been a Partner and Managing Partner at Arntzen de Besche and Thommessen, and has management and board experience from both listed and private companies.



Vijay Kasibhatla
Board Member

Mr. Vijay Kasibhatla serves as Director of Mergers and Acquisitions (M&A) at Schlumberger Limited.

Prior to this role, Mr. Kasibhatla has held a number of other positions within Schlumberger including more recently, as Finance & Commercial Director of Schlumberger Production Management (SPM), as Financial Controller for the Integrated Project management business (IPM) and as an M&A portfolio manager focusing on various acquisitions and divestitures for Schlumberger. He served as a Director at Saxon Energy Services Inc. and OneLNG.

Mr. Kasibhatla holds an M.S. degree in Chemical Engineering from the University of Kentucky and an M.B.A from London Business School.



SHEARWATER

Annual Report 2019



Trygve Lauvdal
Board Member

Trygve Lauvdal is Investment Director at RASMUSSENGRUPPEN AS.

He has nine years of equity research experience from DNB, specializing in the technology sector from 2001 to 2008 and the industrial- and renewable energy sector from 2008 to 2010. He started his career at ABB in 1997.

Mr. Lauvdal holds a PhD in engineering cybernetics from NTNU.



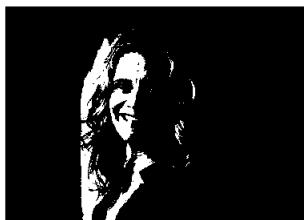
Einar Ytredal
Board Member

Einar Ytredal is CEO of GC Rieber Shipping, appointed November 2018.

He has worked with the company since 2007, first as Vice President Finance and then as CFO from 2011 to 2018. Prior to this Mr. Ytredal worked for seven years in Deloitte.

Mr. Ytredal has an MSc in Economics and Business Administration as well as an MSc in Accounting and Auditing.

Management



Irene Waage Basili
CEO

Before being part of establishing Shearwater GeoServices in 2016, Irene held the position as CEO in GC Rieber Shipping for six years. Prior to this Irene was VP of Marine Strategy with PGS, following PGS' acquisition of Arrow Seismic in 2007 where Irene served as CEO. Irene has more than 25 years of experience from the maritime industry both within offshore service and conventional shipping.

Irene gained her degree in Business Administration from Boston University School of Management and has several leadership courses from Solstrandprogrammet (Norway) and IMD (Switzerland).

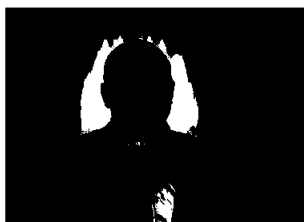
She serves as Director of the Board of Pacific Basin Ltd. (Hong Kong Stock Exchange).



Andreas Hveding Aubert
CFO

Andreas has over ten years' financial management experience in the oil industry. He has worked with companies such as Technocean/Reef Subsea and more recently, Omega Subsea.

In 2007 Andreas gained a Master's Degree in Accounting and Auditing, prior to this he also obtained a Master's Degree in Business Administration and Management.



Peter Hooper
CCO

Peter has over twenty years' experience in offshore seismic, sub-sea survey and marine operations. Peter had gained considerable operational experience working in both offshore and senior management roles. In 2006 he co-founded the seismic survey company, Wavefield AS and following a corporate merger later became Senior Vice President of Marine Operations at CGGVeritas before joining Dolphin Geophysical where he served as VP Operations and later CCO.

Peter holds a BSc (Hons) from the University of Aberdeen and a post Graduate Diploma in Hydrographic Surveying from the University of Plymouth.



Patrick Legh-Smith
SVP Marine Acquisition

Patrick began his career as a seismologist in 1988 and joined WesternGeco in 1992. He has held a number of operations and management positions both offshore and onshore in Asia, Europe, the Middle East and the US, including marine fleet manager, HSE manager and marine manager Eastern Hemisphere. Patrick also served in technical management positions including fleet technical support and new builds manager before being named WesternGeco vice president marine in 2015.

He holds a BSc (Hons) in ocean electronics from the University of North Wales, Bangor and an MSc in marine resource management from Herriot Watt University.



SHEARWATER

Annual Report 2019



Simon Telfer
SVP Processing & Imaging

Simon has over 15 years' experience in Seismic Processing & Imaging in both offshore and onshore roles.

Prior to joining Shearwater GeoServices he worked for Dolphin Geophysical where he held the position of Onboard Processing Manager and was responsible for establishing the department and also part of the team that launched Processing & Imaging using OpenCPS. Before joining Dolphin Geophysical he worked for CGG in the Houston and London offices as a Geophysical Advisor and Veritas DGC in onshore and offshore positions.

Simon holds an M.Sci. in Exploration Geophysics from University College London.



Roy Bampton
SVP Reveal

Roy has over 30 years of experience in the seismic industry. His career began at Digicon Geophysical as Project Manager in the EAME and APAC regions. Following the merger with Veritas, he became the HSE Manager at Veritas DGC in Houston, later becoming the VP of the Acquisition Division.

During the merger of CGG and Veritas, Roy was appointed SVP of Acquisition for the Western Hemisphere and more recently he was VP for Acquisition for the same region at Dolphin Geophysical.

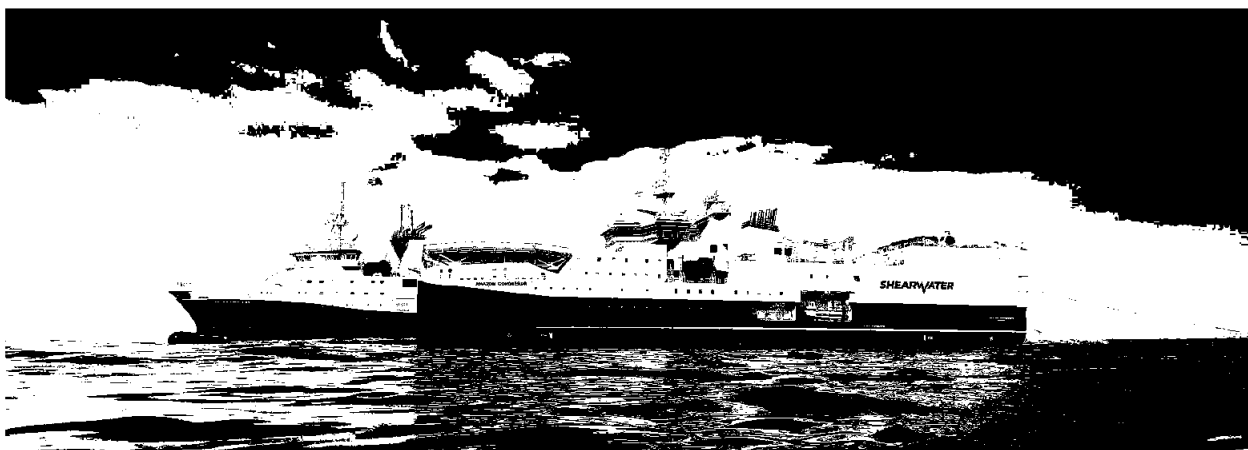


Linda Rudolfsen Myklebust
SVP Corporate Services

After graduating from the University of Bergen with her law degree in 2000, Linda joined the Banking and Finance Group in the law firm Wikborg Rein with financing and transactions as her main areas of practice. In 2006 she moved on to a Senior Legal Counsel position in the legal department of Petroleum Geo-Services ASA (PGS), providing commercial, legal advice and support to the corporate department and the various operational departments within PGS.

Odfjell Drilling is an international drilling, well service and engineering company listed on the Oslo Stock Exchange. From 2011, Linda headed the legal department, having the overall responsibility for all legal and contractual issues.

Linda served as a member of the Board of Directors of Spectrum ASA from 2012 to 2017.



Board of directors' report

Shearwater GeoServices Holding AS (Shearwater) is a leading full-service provider of marine geophysical acquisition services with operations in all major offshore basins around the world. Following the completion of the transaction between Shearwater and Schlumberger in November 2018, Shearwater has experienced a significant increase of its operation from having three active vessels at the beginning of the year to 10 active vessels during the 2019 North Sea summer season.

In June 2019, Shearwater and CGG signed a term-sheet related to a strategic partnership for marine acquisition services, and the transaction was completed on 8 January 2020. The agreements covered the purchase of five modern high-end and two additional streamer vessels previously owned by CGG Marine Resources Norge AS and Eidesvik Offshore ASA as well as streamers to equip all the vessels. The strategic partnership also includes a capacity agreement where CGG commits to utilize vessel capacity corresponding to two vessel-years annually over a five-year period, which secures CGG access to strategic vessel capacity for future multiclient projects while securing Shearwater long-term cashflow and activity. The completion of the transaction strengthens Shearwater's position as the leading global marine acquisition service provider.

Shearwater and CGG further announced a technology partnership for the development, manufacturing, commercialisation and support of marine streamer seismic acquisition systems. The partnership targets bringing the best towed streamer technology to the market, and to benefit from scale and cost optimal solutions. The transaction is expected to close in 2020.

Today, Shearwater owns and operates a fleet of 23 fully equipped seismic vessels offering a full range of acquisition services including 3D, 4D and ocean bottom seismic (OBS). All streamer vessels have full streamer packages as well as ample access to spares. Shearwater also develops and offers high quality processing and imaging services and Reveal software. The group holds a portfolio of proprietary streamer technology and processing software enabling efficient execution of geophysical surveys and delivery of high-quality data.

The number of employees increased from 564 at the end of 2018 to 708 at year-end 2019. Our highly qualified employees have enabled Shearwater to safely and quickly utilise the acquired assets and to start offering its increased range of geophysical services to customers worldwide.

The marine seismic market improved significantly through 2019 with increased activity and a strong positive trend in day rates. Shearwater was able to achieve a healthy utilisation for its active vessels. The combination of Shearwater's competitive cost base, strong operational performance and increased day rates led to financial performance in 2019 which exceeded expectations at the start of the year.

Activity levels and market rates continued the positive trend into early 2020. However, in early March the Covid-19 pandemic and a significant negative oil price development impacted the markets for Shearwater's services. Energy companies responded to lower oil price and increased uncertainty by reducing exploration and production investments. This led to a decline in the number of seismic projects in the market for the second half of the year and two contracts were cancelled by clients in the second quarter of 2020. While the



SHEARWATER

Annual Report 2019

oil price recently has recovered from the lows earlier in 2020, uncertainty remains high with reduced market visibility and risk of further negative impact to Shearwater's operational and financial development. In order to mitigate this risk, the company has maintained a very active dialogue with customers and partners to ensure alignment on project execution, future opportunities and technology development.

The Board of Directors is confident that Shearwater will be able to manoeuvre through a challenging market and position for a market recovery based on the company's strong market position, low cost base and limited capex requirements in the short- to medium term, combined with the significant backlog secured through long-term capacity agreements.

Financial review

Income Statement

Total revenue and other income for the Shearwater Group in 2019 was USD 427.9 million and adjusted EBITDA was USD 129.4 million compared to USD 147.8 million and USD 11.9 million, respectively, in 2018. In November 2019 there was an incident on the Polar Marquis where a significant part of the equipment was lost. Insurance proceeds related to this incident of USD 32.5 million is included in other income. The operating profit (EBIT) for 2019 was USD 20.7 million compared to an operating loss of USD 29.7 million in 2018, and net financial items were negative USD 47.3 million in 2019 compared to negative USD 13.8 million in 2018.

The Group's net loss after tax amounted to USD 28.7 million in 2019 compared to a net loss of USD 34.9 million in 2018.

Cash Flow

Net cash flow from operations in 2019 was USD 89.2 million compared to negative USD 12.6 million in 2018.

Cash flow from investing activities was negative USD 25.6 million.

Net cash flow from financing activities was negative USD 76.0 million in 2019 compared to positive USD 630.5 million in 2018. Cash flow from financing in 2018 included the equity capital increase and draw-down of the bridge facility related to the WesternGeco transaction of a total of USD 650 million. Interest expense on long-term debt, payment of instalments and financial leases amounted to negative USD 78.3 million. Net cash flow for the year was negative USD 12.4 million compared to positive USD 34.2 million in 2018.

Statement of financial position

The Group's total assets as of 31 December 2019 amounted to USD 1 011.1 million compared to USD 1 040.2 million at the end of 2018, while total assets in Shearwater GeoServices Holding AS were USD 507.0 million compared to USD 508.2 million at the end of 2018. As of 31 December 2019, the Group's booked value of vessels was USD 677.7 million, and the booked value of seismic equipment was USD 80.5 million compared to USD 717.7 million and USD 110.7 million respectively, at the end of 2018.

The Group's book equity as of 31 December 2019 was USD 432.2 million corresponding to an equity ratio of 42.7%, compared to corresponding figures at the end of 2018 of USD 460.8 million and 44.3%. Shearwater GeoServices Holding AS's equity was USD 504.0 million, corresponding to an equity ratio of 99.4%, compared to USD 505.1 million and equity ratio of 99.4% at the end of 2018.

Financing

Group interest-bearing debt was USD 514.9 million as of 31 December 2019, of which USD 356.6 million was classified as short-term debt, compared to USD 539.6 million of which USD 36.6 million was classified as short-term debt at the end of 2018. The increase in the short-term debt was due to the bridge facility maturing in



SHEARWATER

Annual Report 2019

November 2020. The average maturity of the Group's loan portfolio was 2.2 years, down from 3.3 years at the end of 2018.

The Group paid instalments of USD 32.1 million during 2019, compared to USD 5.6 million in 2018. As of 31 December 2019, the Group's cash holding was USD 70.5 million of which USD 7.6 million was classified as restricted. Net interest-bearing debt was USD 444.4 million, compared to USD 456.7 million at 31 December 2018.

The Group has a USD 325 million facility relating to the WesternGeco acquisition which matures in November 2020. The Group is in close dialogue with existing lenders on a solution that will provide the Group with a suitable long-term financial platform.

The Group debt covenants are tied to free liquidity, working capital, equity and market value of the vessels. The Group was compliant with its covenants as of 31 December 2019 and remains compliant with these at the time of signing of this annual report.

Going concern

Shearwater is currently in close dialogue with existing lenders on the refinancing of the USD 325 million facility relating to the WesternGeco acquisition which matures in November 2020. Based on indications from the creditors, the Board is confident that a solution will be found that provides Shearwater with a suitable long-term financial platform.

The Board of Directors confirms that the financial statements for 2019 have been prepared based on the assumption of a going concern and the Board believes that this assumption is appropriate and in accordance with section 3-3 of the Norwegian Accountancy Act.

Application of the parent company's net income for 2019: Shearwater GeoServices Holding AS had a loss of USD 1.2 million in 2019 and the loss is proposed added to uncovered losses.

Risks and risk management

The Group has developed a risk management system which reports to the Board semi-annually, addressing and evaluating risks across main categories and specific factors. The Group is committed to managing risks by actively capturing opportunities and addressing undesired risks by mitigating probability and severity.

The Company emphasises that this annual report includes certain forward-looking statements of expected activities or developments. The statements are based on assumptions and estimates, and some of them are beyond the company's control and therefore subject to risks and uncertainties.

Market risk

The profitability and cash flow from the Group's operations will depend upon the overall demand and activity level of operators and oil companies which in turn are impacted by the market price for oil and gas. Energy prices are subject to numerous factors outside of the Group's control, including economic and political conditions, supply and demand, the policies of the Organisation of Petroleum Exporting Countries (OPEC), currency exchange rates and the availability of alternative fuel sources.

Oil and gas commodity prices have been relatively low in recent years, which has had a negative impact on oil and gas companies' E&P (exploration and production) spending. Oil price fluctuations may have a significant impact on the Group's business through project postponements and reduced operational activity. However, higher or lower commodity demand and prices do not necessarily translate into increased or decreased activity. Customers' project development time, reserve replacement needs, as well as expectations of future

16

commodity demand and prices are additional factors that influence the demand for the Group's services. Each one of these may have a material impact on results from operations and profitability.

The period with relatively lower oil and gas prices has reduced the supply of seismic vessels, with several units removed from the market in recent years through decommissioning or temporary lay-up. With a significant share of the global seismic vessel capacity in lay-up, there is a risk that a potential increase in demand may be overestimated and lead to excess supply as vessels are reactivated and negatively impact market rates and the Group's operational and financial performance.

Operational risk

Shearwater is exposed to operational risks, especially related to offshore services, such as mechanical breakdowns, technical problems, collisions, bad weather and other force majeure events. If any of these risks materialises, the Group's business could be interrupted, and the Group could incur significant liabilities. While some of these risks are covered by insurance, there may be significant deductibles. The risks may ultimately result in curtailment or cancellation of, or delays in, exploration and production activities for the customers, which in turn may adversely impact Group operations and have a material negative impact on Group earnings and valuation.

There is also a general inherent risk related to conducting international business. These include, but are not limited to, unexpected changes in regulatory requirements, difficulties in staffing and managing foreign operations, social and political instability, fluctuations in currency exchange rates, potentially adverse tax consequences, legal uncertainties regarding liability and enforcement, and changes in local laws and controls on the repatriation of capital or profits. Any of these risks could materially affect the Group's operations and, consequently, the financial position and profit of the Group. Shearwater seeks to minimise operational risk and is dedicated to ensuring good and stable operations and has introduced adequate systems and routines for quality assurance from the time the Group was established.

Financial risk

Foreign exchange risk

A majority of Group's revenue is in USD. As the Group has a global footprint, the Group has and will have revenue in other currencies going forward with associated foreign exchange risk. The Group is seeking to match operational cost with revenue in terms of currency. As USD is expected to represent the majority of Group revenues, liabilities are also mainly held in USD. The Group's expenses are mainly recorded in USD, GBP, EUR and NOK. The Group may attempt to minimise risks by implementing hedging arrangements when appropriate but will not be able to fully avoid foreign exchange related risks. Currency exchange rates are subject to the prevailing supply and demand situation in the foreign exchange markets. Changes in currency exchange rates relative to the USD may affect the USD value of the Group's assets and thereby impact the Group's total return on such assets.

Interest rate risk

Most of the Group's bank loans are subject to floating interest with interest cost exposed to fluctuations in interest rates. At the end of 2019, interest rate exposure for 13% of Group liabilities were secured through fixed interest mortgages.

Credit risk

Lack of or delayed payment from customers may significantly and adversely impact Group revenue and liquidity. Customers are mainly companies within the energy industry. This concentration may impact the Group's overall exposure to credit risk as customers may be simultaneously affected by prolonged changes in

economic and industry conditions, as well as by the general constraints on liquidity resulting from continued low oil prices. The Covid-19 pandemic has a negative effect on Shearwater's client's financial position and could increase counterparty risk. Further, laws and regulations in some jurisdictions in which the Group operates could make collection difficult or time-consuming. The Group gives due consideration to the credit quality of its potential clients during contract negotiations to minimise credit risk.

Liquidity risk

The Group was established in December 2016 with solid backing from owners injecting substantial liquidity into Shearwater. Shareholders injected an additional USD 50 million to increase liquidity in connection with the acquisition of the shares in Reflection Marine ASA (the holding company of Schlumberger's marine acquisition segment) in November 2018.

The Group has a mix of short- and long-term financing in place with recognised financial institutions and is in the process of negotiating new long-term financing arrangements.

The current seismic exploration market lacks visibility due to volatile energy markets caused by the Covid-19 pandemic and this may be reflected in lower activity levels and rates for the services provided by Shearwater. The expected development in the second half of 2020 may reduce Group liquidity. Shearwater, along with the rest of the industry is dependent on a market recovery with increased rates over time to maintain a satisfactory liquidity situation.

Organisation and working environment

In 2019, Shearwater experienced a significant growth in number of permanent employees from 564 per year-end 2018 to 708 at the end of 2019. During the year, Shearwater prioritised establishing a strong Group-wide organisational culture through the Shearwater Focus program and continuous attention to creating a good working environment both onshore and offshore.

Integration of Reflection Marine employees into the Shearwater organisation started when the transaction closed and continued through 2019. Shearwater has been able to attract skilled employees in its target areas and has a highly dedicated and motivated workforce. As an employer, Shearwater does not accept discrimination of any kind towards its employees or other parties involved in the company's activities. This includes all unjust treatment, exclusion or preference based on ethnicity, gender, age, sexual orientation, disability, religion, political persuasion or other circumstances.

The Group sick leave ratio was 1.01% in 2019. During 2019, Shearwater executed several operations in areas with high fishing activity and heavy commercial traffic. Shearwater focus on safety in all its activities and no incidents with serious harm to personnel occurred in 2019.

Quality, health, environment and safety

The Group's management systems are aligned to IOGP guidelines, certified to ISO9001 and compliant with ISO14001 and ISO45001 standards. Shearwater have implemented best-in-class Integrated Management System software to actively facilitate and transparently communicate QHSE compliance. The system's architecture is based on the ISO and IOGP 510 models, and the software is widely used in other industries where compliance to safe working practices is paramount.

The Group's fleet of modern seismic vessels provide inherently safe working environments for the crews, with proven seaworthiness and spacious back-deck layouts. The well-tested but seldom-used redundant propulsion systems allow any one of them to be confidently deployed in extreme environments, or in and around existing oilfield infrastructure. The technical capabilities of the vessels provide a cornerstone for safe and efficient surveys.



Marine seismic acquisition projects can be exposed to unique and variable hazards depending upon where in the world prospects are located. Shearwater's extensive experience within the industry enables the Group to thoroughly identify potential hazards, accurately document their effects and secure the appropriate resources to mitigate the potential risks to acceptable levels. The Group promotes the use of proactive, leading indicators that are specifically configured to reflect the level of QHSE effort from the workforce. Calculation and publication of such indicators are used, for example, to actively monitor trends in the safety culture of each crew over the duration of a project, or between vessels. Continually improving upon the performance of these indicators drives the Group's ongoing effort towards our goal of zero loss, zero harm and zero rework. Shearwater is a Governing Member of IAGC.

Corporate governance

The ultimate parent company in the Shearwater group is Shearwater GeoServices Holding AS, a limited liability company registered in Norway. Shearwater's governance and corporate management is based on Norwegian corporate law and compliance with relevant principles in the "Norwegian Code of Practice for Corporate Governance" (the NUES recommendation).

It is the Group's view that effective corporate governance is fundamental to success, and a framework for successful services to customers and value creation for owners. Good corporate governance is characterised by open, responsible communication and cooperation among the owners, its Board of Directors, and management, in the context of both short-term and long-term value creation perspectives.

Shearwater maintains corporate policies to ensure that all employees carry out their activities in an ethical manner and in accordance with current legislation and Shearwater standards. The Corporate Social Responsibility Policy and the Code of Conduct have been approved by the Board of Directors, and addresses personal conduct and business practice, including handling conflict of interest, combating corruption and respecting human rights. These policies apply to all employees worldwide as well as our suppliers, consultants and business partners.

It is through the general meeting of shareholders that the shareholders of Shearwater exercise ultimate authority in the company and elect the members of the Board of Directors. The Board is elected by the shareholders of the Company to oversee management and to assure that the shareholders' long-term interests are served. The Board of Directors is responsible for the administration, development, and supervision of all Shearwater business.

The Board of Directors currently consists of six directors, four shareholders' representatives and two independent directors. In accordance with Norwegian corporate law, the Board of Directors has overall responsibility for management of the Company, while the CEO is responsible for day-to-day management.

The Board of Directors has adopted Corporate Governance Guidelines that sets further rules of procedures for the Board of Directors and the CEO.

Shareholder information

Shearwater GeoServices Holding AS has two classes of shares, class A and class B, of which the latter carry no voting rights. As of 31 December 2019, three shareholders owned the class A shares with RASMUSSENGRUPPEN AS holding 65%, GC Rieber Shipping ASA holding 20% and Schlumberger Norge AS holding 15%. In 2017, the Company issued class B shares which are currently owned by the Company and key employees. Note 19 in the Financial Statements contains more detailed shareholder information.

Following the completion of the transaction with CGG, on 8 January 2020, the class A shares are owned 62.4% by RASMUSSENGRUPPEN AS, 19.2% by GC Rieber Shipping ASA, 14.6% by Schlumberger Norge AS and 3.9% by Eidsvik Offshore ASA.



Annual Report 2019

Prospects

Shearwater's operations are exposed to developments in the markets for oil and gas exploration and production. In 2019, there was a significant increase in activity level and market rates as demand for seismic data rebounded after several years depressed E&P activity following the oil price collapse in 2014.

The positive trend continued into 2020 until the Covid-19 pandemic started to unfold, and OPEC and Russia failed to agree on oil production quotas. The corresponding negative impact on commodity markets and subsequent reductions in E&P investments is expected to lead to a significant decline in demand for Shearwater's services in the second half of the year.

Longer-term, the Covid-19 pandemic's impact will likely ease and global economic activity will recover and drive increased demand for oil and gas. While the seismic market was improving going into 2020, it was from a historically low level reflecting years of reduced exploration across the E&P industry. Long-term growth in energy demand and more focus on enhanced oil recovery will require the E&P sector to resume and increase exploration and development investments in parallel with the expected growth in the renewable energy sector. This provides a positive outlook for the market for Shearwater's services.

Shearwater is the largest provider of marine seismic acquisition services with a low-cost base and limited capex requirement over the coming years. A significant backlog through the capacity agreements with CGG and Schlumberger, combined with a strong balance sheet and support from its owners, provides operational and financial resilience in current market conditions and position Shearwater to manoeuvre a challenging market for the rest of 2020 and to later capitalise on a market recovery.



Annual Report 2019

Responsibility statement

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 31 December 2019 has been prepared in accordance with the Norwegian Accounting Act § 3-9 and Finance Ministry's prescribed regulations from 3 November 2014 on simplified implementation of international accounting standards, and that the information gives a true and fair view of the Group's assets, liabilities, financial position and profit or loss as a whole. We also confirm, to the best of our knowledge, that the annual report includes a fair review of important events that have occurred in the accounting period and their impact on the condensed set of financial statements.

Shearwater GeoServices Holding AS

Bergen, 25th August 2020

Robert Hobbs

Chairman of the Board

Stein Vidar Håland

Board member

Hanne Skaarberg Holen

Board member

Vijay Kasibhatla

Board member

Trygve Lauvdal

Board member

Einar Ytredal

Board member

Irene Waage Basili

Chief Executive Officer

Sustainability Report

Shearwater GeoServices owns and operates the world's largest, fully equipped fleet of high-end seismic vessels and is one of few marine geophysical acquisition companies with its own proprietary technology portfolio, processing & imaging and software capabilities.

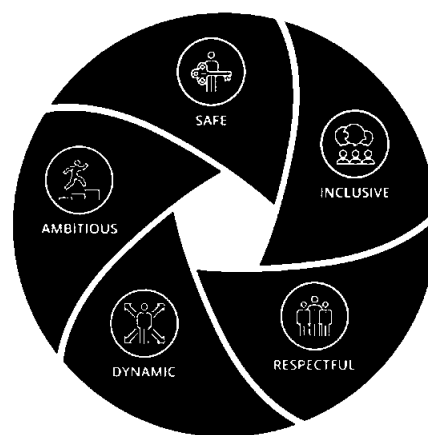
The takeover of Schlumberger's marine acquisition business in 2018 and CGG's acquisition fleet and equipment in 2020 have made Shearwater the leading provider of marine geophysical services. By consolidating the marine seismic market following the 2014-2016 downturn, we have created new opportunities for long-term value generation and assumed greater responsibilities relating to material environmental, social and governance (ESG) factors impacting our business.

We are part of a value chain ensuring supply of safe and affordable energy, important factors for economic growth and the development of societies around the world. Oil and gas will remain important sources of energy and input to the industrial sector in years to come. The services, technologies and geophysical data we ultimately provide, help improve efficiency and reduce the environmental impact of offshore oil and gas exploration and production by reducing dry hole count, maximizing production from existing infrastructure, and creating opportunities for the identification of CO₂ sequestration reservoirs.

We rely on a well-developed framework for risk management and QHSE to ensure safe and efficient operations and seek to minimise unnecessary use of resources and our environmental impact. We are a responsible and inclusive employer, impacting positively on local job creation and development. We show due respect for the individual, human rights and employment practices.

Focus – our employee engagement program:

We believe in a shared working culture, whereby all our global offices and associated staff promote the same five behaviors





CEO foreword

“Our ambition is to be the leading provider of marine seismic acquisition services through high quality, competitive and flexible services to our global customer base. We will capitalise on our critical mass, leading cost position and strong balance sheet to be the preferred partner for our customers. Our commitment to sustainability is reflected in safe operations, minimising our environmental impact and focus on developing technologies that transform our industry and drive efficiencies.”

Irene Waage Basili, CEO of Shearwater GeoServices Holding AS

Stakeholder engagement and material ESG factors

This is Shearwater’s first sustainability report. It is informed by the Global Reporting Initiative (GRI) standards and references ESG indicators based on guidelines published by the Norwegian Shipowners’ Association.¹ Additionally, we support key United Nations Sustainable Development Goals (SDGs).

Through our business activities as a growing global company, we engage with a wide range of stakeholders. These are defined as; customers, partners, regulators, suppliers, investors and lenders as well as employees and group functions as leading internal stakeholders.

Safety, Quality and Integrity represent our core values, which together with the five behaviours of our Focus employee program are ingrained in all our activities and sets out our dedication to being honest and straightforward. Transparency is a key part of building trust and we seek to keep an open dialogue with stakeholders who are affected by our business or who can affect us.

Based on continuous stakeholder dialogue, Shearwater has defined the following ESG factors as the most important for our long-term value creation; safe and efficient operations; leveraging technology leadership to minimise environmental impact; being a fair, non-discriminating employer focused on competence; and sound governance.

During 2020, we will continue with and conclude our ESG related materiality analysis. We will identify stakeholders’ expectations and the risk factors and opportunities they perceive as most important to Shearwater’s long-term value creation and where we can contribute the most in relation to environmental, social and governance topics. As part of this process we will seek to define long-term targets that reflect our ambitions and provide a basis for tracking our progress.

¹ The Norwegian Shipowner’s Association Guidelines: ESG reporting in the shipping and offshore industries

UN Sustainable Development Goals² (SDGs)

The UN SDGs are a collection of 17 global goals designed to achieve a better and more sustainable future for all. Shearwater acknowledges that everyone must contribute in order to achieve these goals. Our sustainability strategy is centred around areas of sustainable development in which we as a company can make a difference. By analysing our business in relation to the UN SDGs, we have chosen to focus on six goals. Below is a brief summary of how we contribute to achieving these goals. More detailed information is provided where relevant under the different topics of this report.

UN Goal	UN definition	Shearwater's contribution
 3 GOOD HEALTH AND WELL-BEING	Ensure healthy lives and promote well-being for all at all ages	- We are dedicated to reducing emissions that may negatively affect the health of our employees and people in the vicinity of our operations - Shearwater is implementing new procedures and standards to further minimise emissions and waste and continues to monitor any health-related risks through our QHSE systems
 5 GENDER EQUALITY	Achieve gender equality and empower all women and girls	- The industry in which Shearwater operates is characterised by skewed gender distribution - We aim to use our position to encourage a more gender equal industry - We will implement new standards and policies which will increase our diversity and allow us to lead by example
 8 DECENT WORK AND ECONOMIC GROWTH	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	- We seek to reduce emissions and waste that may negatively affect the health of our employees and people in the vicinity of our operations - We have set an ambition to offer technical and vocational guidance and training programs to support our employees' further education - In 2020, we created a new training manager position, which will be responsible for developing new training programs - A Shearwater Training Standard shall be developed together with a Career Progression Program

² The UN Sustainable Development Goals (SDGs) were agreed by all 193 UN member states in 2015, and guide governments, civil society and the private sector in a collaborative effort for change towards a sustainable development.

	Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation	• We invest significant amounts in in-house research, development and innovation, and are developing technologies that can reduce environmental impact for the entire industry • We track and report GHG emissions and intensity and respond to environmental challenges through technical and social innovation
	Ensure sustainable consumption and production patterns	• We respect the social and environmental impact of our business and incorporate sustainable development as a material part of our vision, policies and short- and long-term strategy • We are dedicated to improving the efficiency of our material- and energy consumption.
	Conserve and sustainably use the oceans, seas and marine resources for sustainable development	• We focus on minimising our impact on life under water through more sustainable solutions reducing emissions, spills and any unwanted impact on marine life as a result of our operations • We seek to minimise our impact by applying best practices and following the strictest standards available for our industry • We contribute to sea and ocean health by collecting marine debris through our participation in the Ghost Net Initiative

Safe and efficient operations

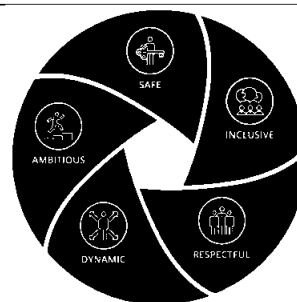
“Safety in Shearwater is based upon everyone’s personal commitment to care for themselves and their colleagues - whether an employee, contractor, client or other stakeholder - we are all part of one inclusive team. That means abiding by our standards of safety and going out of your way to Observe and Intervene, to Stop a job where necessary and to be respectful of others’ intervention on ourselves. You will always have my support and that of any manager when you stop the job because you feel it is unsafe!”

– Irene Waage Basili, CEO

The people of Shearwater make up who we are. A highly skilled and motivated workforce executing their jobs in a safe and efficient manner is essential to the success of our company, to the execution of our strategy and to our continued growth. Safeguarding our people and our partners is part of our “license to operate” and a prerequisite for providing decent working conditions as part of SDG numbers 3 and 8.

Safe – Focus on zero incidents

Safe behavior in this industry is paramount. Shearwater employees are encouraged to familiarise themselves with our safety tools and use of our management system for incident reporting. We have found a direct correlation between an increase in safety interventions and a decrease in incidents. This motivates our management team to keep ‘safe’ as our No. 1 priority and to promote it as top of the list of our focus culture.



“Zero loss, zero harm and zero rework”

Our industry has always placed an overriding importance on health and safety. At Shearwater, we acknowledge the duty of care that we hold for the health and safety of our employees and contractors. We demand safe behaviour from all our stakeholders and encourage it as both a personal and professional value. Our managers maintain a personal commitment for upholding the QHSE culture of Shearwater and are accountable for its safety performance. We hold the firm conviction that all uncontrolled incidents are preventable and aspire to zero injuries.

Shearwater held a series of Safety Behaviour workshops during 2019 to reset and anchor our QHSE Culture by taking the best from all legacies. The accurate identification of potential risk formed the basis of the workshops and all subsequent reporting is monitored for this: near miss incidents are therefore investigated

Shearwater’s QHSE Management System is fully compliant with ISM and ISO 9001, and is aligned with IOGP guidelines, ISO14001 and ISO45001 standards. We have implemented best-in-class Integrated Management System software to actively facilitate and transparently communicate QHSE compliance. The system's architecture is based on the ISO model, and the software is widely used in other hazardous industries where compliance to safe working practices is paramount.

SHEARWATER

Annual Report 2019

Our fleet of modern seismic vessels provide inherently safe working environments for their crews, with proven seaworthiness and spacious back-deck layouts. Their well-tested but seldom-used redundant propulsion systems allow any one of them to be confidently deployed in extreme environments, or in and around existing oilfield infrastructure. The technical capabilities of our vessels provide a cornerstone for safe and efficient surveys.

Marine seismic acquisition projects can be exposed to unique and variable hazards depending upon where in the world prospects are located. Our extensive industry experience enables us to identify potential hazards, accurately document their effects and secure the appropriate resources to mitigate the residual risks to acceptable levels.

Shearwater promotes the use of proactive, leading indicators that are specifically configured to reflect the level of QHSE effort from the workforce. Calculation and publication of such indicators are used, for example, to actively monitor trends in the safety culture of each crew over the duration of a project, or between two vessels. Continually improving upon the performance of these indicators drives our ongoing effort towards our goal of zero loss, zero harm and zero rework.



ZERO HARM
think safety



ZERO LOSS
infinite gain



ZERO REWORK
right first time

In 2019, we achieved a significant improvement in HSE performance. The number of recordable injuries halved from eight in 2018 to four last year. At the same time the annual exposure increased from 2.1 million man-hours to 5.6 million. This was achieved by continuous safety focus onboard the vessels and our employee's dedication to creating a safe working environment.

In 2019, we had one high potential incident with the fire on our vessel Polar Marquis, exposing the crew of 55 to possible harm. Through their preparation and response, the event was handled professionally and effectively with no personnel injuries.

Covid-19 response

Since the outbreak of the Covid-19 pandemic in early 2020, Shearwater has proactively taken steps to manage the situation. Group health advisories have been regularly updated to reflect changes that take place as the pandemic progresses. All operations and decisions are made in compliance with local and international regulations and recommendations, respecting updated restrictions put in place by authorities. Additional information can be found on our web page: www.shearwatergeo.com



Image: Ayca Eleman, MMO. Oceanic Vega, Black Sea

Leveraging technology leadership to minimise environmental impact

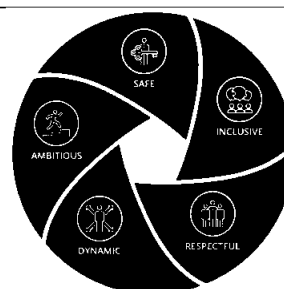
As the owner of the world's largest fleet of high-end seismic vessels with operations in all major offshore basins of the world, we acknowledge our environmental responsibilities and are committed to minimising the negative impact of our operations. We are a technology leader within the marine seismic industry and several of our solutions contribute to directly reducing our and indirectly our partners' greenhouse gas (GHG) emissions and impact of our operations on life below sea. These factors are connected to our contribution to SDGs number 9, 12 and 14.

We require all vessels to continuously seek operational improvements to prevent pollution, minimize other negative external impact, and comply with relevant laws and regulatory requirements in the countries of operation. Our ambition goes beyond compliance with regulatory requirements and industry guidelines. Our main exposures are related to air emissions from vessel operations, noise emissions from execution of seismic surveys and potential spills to the sea.

We are committed to investing in technology development, leveraging our strong in-house competencies, over the industry cycles, often in direct partnership with our customers. New solutions for data acquisition, procession and imaging benefit us our partners and the environment. Our ability to respond to changing industry needs is one of our competitive advantages and drivers for long-term value creation. This is also reflected in our common corporate culture.

Dynamic – Focus on striving ahead

In our business we understand the need to adapt quickly to changing market conditions or variations in client requirements. We often refer to this as being 'nimble'. Many of our industry peers find quick reactions harder to achieve. This gives us a clear competitive advantage. For this reason, it is easy for us to recognise how dynamic we are and how important this is to winning market share.



Air emissions and fuel consumption

The main environmental impact from marine operations is related to GHG emissions to air, such as carbon dioxide (CO₂), as well as nitrogen oxides (NO_x) and sulphur oxides (SO_x) primarily from combustion of marine

fuels by the vessels' main engines and generators. Therefore, we are focused on operational and technological initiatives to reduce fuel consumption as the primary measures to minimise air emissions.

In 2019, Shearwater had total CO₂ emissions of 260,772 metric tonnes while total SO_x emissions were 1,400 tonnes generated from fuel consumption on owned and controlled vessels. The nominal level of emissions will over time depend on the fleet activity. To measure underlying improvement in performance, we focus on CO₂ emissions per full-fold (FF) square kilometre surveyed. For each square kilometre of seismic production, Shearwater emitted 3.638 tonnes of CO₂ in 2019.

	2019
Total CO ₂ emissions (tonnes)	260,772 ¹
Total SO _x emission (tonnes)	1,400
Total NO _x emission (tonnes)	2,927
CO ₂ Ton per FF km ²	3.64
CO ₂ Ton per FF sail km	1.87
CO ₂ Ton per FF CMP km	0.076

1) Calculated using
The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)

Vessel operations

Shearwater operates one of the industry's most modern seismic fleets, counting 16 vessels at end of 2019. In January 2020, seven more units joined the fleet, increasing it to 23 vessels. Our fleet size provides scale and flexibility to minimise long vessel transits between projects and improve planning of vessel location against demand. This reduces emissions tied to long inter-regional transits.

By having full ownership and control of all our vessels we ensure quality throughout all operations. By focusing on our core business of marine contract seismic, we avoid implicit waste from utilisation driven multi-client surveys.

All our vessels are equipped with an intelligent Power Management System which controls the engines and generators based on set load limits to optimise operations and minimise consumption, running hours and emissions. Shearwater has a Ship Energy Efficiency Management Plan (SEEMP) in place, in compliance with IMO Guideline of MEPC 59/24 Annex 19. All vessels in the fleet have an approved IMO SEEMP Part II Ship Fuel Oil Collection Plan as stated in MARPOL Annex VI, Reg. 5.4.5. By application of the Quality Management System, Shearwater continuously improves practices and equipment reliability, thereby reducing re-work and infill.

Technology and innovation

Monowing: Towed streamer seismic operations use deflectors to maintain crossline separation in their seismic spreads, which are towed in the water behind the vessel. The Monowing (a proprietary Shearwater design) is a large, highly efficient, controllable single hydrofoil wing, which is towed vertically at the depth of the streamer system.

Continuous improvement to the Monowing technology since its introduction in 1995 has enabled Shearwater to increase its efficiency and utility. The Monowing deflector system produces substantially less drag through the water compared to other deflector systems. This reduces the overall required towing-force from the vessels and thereby fuel consumption and emissions. Shearwater vessels employing the Monowing technology are 20-25% more fuel-efficient than comparable units and therefore emitting 20-25% less GHG than other vane technology for an equivalent spread.



Further, by capitalising on proprietary technology Shearwater can ensure that a survey area can be covered with the minimum number of traverses and therefore reduce source effort to complete the survey.

Sulphur emissions: Shearwater has made a principal decision to use MGO (Marine Gas Oil) clean fuel on all its vessels in accordance with the new IMO regulations which came into effect in January 2020. We will not install scrubbers or continue to use HFO (Heavy Fuel Oil) on the vessels in the fleet with this capability. Using only MGO is considered a more environmentally robust alternative than opting for the open or closed scrubber technology and continued HFO fuel use, irrespective of potential monetary savings possible with continued use of HFO fuel.

Noise emissions

The potential environmental impact of noise emitted by marine seismic energy sources during seismic operations has been subject to considerable focus in recent years. The industry has been challenged on the potential impact of sound source arrays on marine life. Shearwater is working proactively with industry associations and various regulatory authorities to increase focus on scientific analysis of the impact of noise emissions. In parallel, we continue to invest and promote environmentally friendly technologies which reduce any potential impact to marine life from its operations.

Shearwater complies with the frameworks and mitigation measures prescribed by regulatory bodies such as the US Minerals Management Service (MMS), the UK's Joint Nature Conservation Committee, the Australian Government Department of Environment and Heritage, and the Canada-Nova Scotia Offshore Petroleum Board. The following overview captures some of the prevention and mitigation measures available:

- **Marine Mammal Observers (MMO):** Depending on local regulatory requirements, Shearwater either subcontracts third-party observers or ensures training is provided to own personnel. A training program is established and approved by the MMS for the Gulf of Mexico. Shearwater also has a documented Observation Reporting Procedure which complies with existing regulatory requirements and allows the adoption of industry best practise where no local regulations exist
- Shearwater follows documented soft-start procedures to ensure that nearby fauna are not harmed by the seismic source when a line is started. This practice is always followed, even when no local regulations exist
- **Project Design Service:** Shearwater offers an integrated project design service. Part this service is to optimise the amplitude and bandwidth of acoustic energy put into the water column, based on modelling using existing data where available. This ensures that sound source array volumes meet geophysical objectives without being excessive. In areas, where regulations prohibit certain survey geometries, Shearwater can propose alternative designs and technologies like eSource, which may together unlock opportunities for better acquisition designs
- **Passive Acoustic Monitoring:** In some regions, it is a requirement to augment visual observation of marine life with Passive Acoustic Monitoring (PAM). The PAM system listens to mammal sounds in the water and alerts the crew of a potential mammal presence in the area of operation, so that preventive operational measures can be undertaken. Shearwater personnel have extensive experience from use of PAM equipment in operations offshore Australia, Canada and the North Sea

Technology and innovation

Shearwater has embedded environmental responsibility and efficiency within all its marine acquisition technology projects.

Project BASS: Shearwater is developing a marine vibratory source technology in collaboration with Equinor. Marine vibratory energy sources, as compared to the commonly used pneumatic energy sources are non-impulsive and emit energy over a longer time. In addition, vibratory sources allow much higher control over the emitted acoustic energy into the water, and creative use of such control shall enable several times higher productivity in marine seismic acquisition, resulting in faster surveys and reduced fuel consumption.

SHEARWATER

Annual Report 2019

Furthermore, the non-impulsive mode of energy emission is believed to reduce the potential damage from seismic exploration towards marine life.

The technology is under development at Shearwater's research and development centre in the Oslo area. Upon successful completion, the technology will be deployed for marine seismic acquisition throughout Shearwater fleet of vessels.

eSource: Shearwater operates the eSource technology on selected projects, which is jointly developed together with Teledyne Bolt, the industry-leading supplier of marine seismic energy sources. The eSource is a bandwidth-controlled seismic source technology which preserves the low-frequency energy required for seismic exploration, while suppressing the unwanted high frequency energy. Limiting the unwanted high-frequency energy reduces the potential disturbance to marine life without affecting the seismic data quality.

Emissions to sea

Shearwater is committed to preserving the health of the oceans. Our daily operating at sea means we may directly impact the marine environment through emissions and spills. Managing related risks, reducing our negative impact and using our competencies and capabilities to contribute to cleaner oceans are key focus areas going forward.

Ballast water

Ballast water is essential to control trim, list, draught, stability, or stresses of the ship. However, ballast water may contain aquatic organisms or pathogens which, if introduced into the sea, may create hazards to the environment, human health, property or resources, impair biological diversity or interfere with other legitimate uses of such areas. Our ballast water plan is written in accordance with the requirements of Regulation B-1 of the International Convention for the Control and Management of Ships' Ballast Water and Sediments, 2004 (the Convention) and the associated Guidelines. The purpose of the plan is to meet the requirements for the control and management of ship's ballast water and sediments in accordance with the Guidelines for Ballast Water Management and the Development of Ballast Water Management Plans resolution MEPC.127(53).

Spills to sea

All our vessels have an externally certified Shipboard Oil Pollution Emergency Plans (SOPEP) in place and perform oil spill drills based on a pre-defined regular schedule. Any spill incidents or near incidents are reported into the main reporting and remedial action database, SWIMS. This also includes Shearwater's volunteer initiative to report on any gear lost to the sea. During 2019, all reported spills were confined to secondary containment onboard and nothing was spilled to sea.

Ship recycling

Shearwater has adopted a Sustainable Ship Recycling Policy to ensure that it recycles its assets in an environmentally responsible manner. Shearwater will use EU compliant ship recycling facilities which comply with:

- (i) Regulation (EU) No 1257/2013 of the European Parliament and of the Council of 20 November 2013 on ship recycling;
- (ii) ISO 9001, ISO 14001, OSHMAS 18001 standards; and
- (iii) all local and national rules and regulations.

Shearwater will enter into contracts for the recycling of its vessels directly with such EU compliant yards.

Ghost Net Initiative

Shearwater has decided to use its fleet as a platform to contribute to reducing the amount of plastic in the world's ocean and participates in the Ghost Net Initiative of the International Association of Geophysical

Contractors (IAGC). There is roughly 145 billion tons of plastic in the oceans today and every day and estimated additional 8 million tons of plastic waste enters the sea³. We contribute by collecting and reporting on plastic and marine debris that is encountered during operations. In 2019, we collected an estimated 14.1 tons of plastic and marine debris. The reporting system has been further implemented in 2020.

A fair, non-discriminating employer focused on competence

A competent and motivated workforce driving towards the same goals is vital to our success. 2019 was a year of extensive growth, reflected both in projects and people. The number of full-time employees reached over 800 with an increase of more than 30% compared to 2018. "Inclusive" is one of our core values and represents Shearwater's policy of treating our employees fairly and equally.

Inclusive – Focus on working together

At Shearwater we are very well aware of our place in the geophysical contractor market and our ability to compete successfully and how to increase our impact every day. We have an acute understanding that our people are central to the delivery of our strategy. Having an inclusive culture, we encourage open communication of our ambitions through one-to-one and team discussions with whole-Company Town Hall Meetings where we invite everyone to contribute



Diversity

As a growing global company with an increasing workforce, we continue to emphasise diversity in all aspects of our organisation. We are an equal opportunity employer which respects diversity and considers it a strength and a driver for long-term value creation and part of our ambition to support SDG number 5.

Discrimination of any kind is not tolerated, including discrimination based on ethnicity, colour, gender, age, disability, marital status, sexual orientation, religion, political or other opinion, national or social origin, or other status. Our goal is to have an including working environment that is free from all discrimination and harassment, facilitating and ensuring personal development. We give our co-workers the opportunity to use their skills and qualifications in order to contribute to the value of Shearwater and to their personal growth.

We recognise that we operate in a male dominated industry. According to IMO, women represent only 2% percent of the world's 1.2 million seafarers, of which 94% work in the cruise industry. Shearwater aims to contribute to a more gender-diverse industry and is working towards balancing the gender composition across the company.

As per 31 of December 2019, women made up 16% of the workforce. The number reflects that 96% of the offshore workforce was male. The onshore gender distribution is more balanced with 33% female employees

³ <https://www.iagc.org/ghost-net-initiative.html>



as of year-end. Our management team consisted of two women out of seven members, and our Board of Directors has one female director out of six in total.

In 2020 we will start reporting internally on diversity on a quarterly basis. This will help us visualise the current gender, age and nationality split, measure our progress during the year and set realistic future targets. We will report on KPIs such as gender ratio both in offshore and onshore positions, and gender ratio in new hirings.

2019	% female	% male
Offshore	4	96
Total workforce	16	84
Management	29	71
Board of Directors	17	83

Diverse backgrounds and experiences promote innovation and better business decisions enabling us to respond with agility to fluctuating and complex markets and environments. At Shearwater, we consider age and nationality to be important diversity factors and believe that having a workforce with a mixture of age-groups and nationalities is important for our value creation.

Our work force is diverse in terms of age and nationality. Our total global workforce represents 32 different nationalities in onshore offices and 51 nationalities offshore as of end of 2019. Employees' age ranges from 20 to 69, with the majority in the ages 30-39.

In 2020, we will increase efforts to recognise and reward the performance, efforts and loyalty of our people and continue to attract talented new individuals to join Shearwater. Creating junior positions, engaging in trainee programs and increasing our presence at universities and job fairs, are important parts of our hiring strategy. In addition to this, we acknowledge and appreciate our experienced staff, and will continue to work on keeping our retention rates high.

Human and Labour Rights

Shearwater openly supports the United Nations Universal Declaration of Human Rights, The United Nations Global Compact, the Modern Slavery Act 2015 of UK and the standards advocated by the International Labour Organisation. We comply with the above legislation and principles and adopt them in our agreements with our suppliers.

We seek to ensure that all our activities worldwide are conducted in accordance with basic human rights. We do not directly or indirectly accept forced, compulsory or physically abusive labour. We support the abolition of child labour. We treat our employees equally, regardless of sex, race, colour, national origin, religion or other protected status. Shearwater further respects the employees' right to be represented and part of collective bargaining, as provided by the applicable laws.

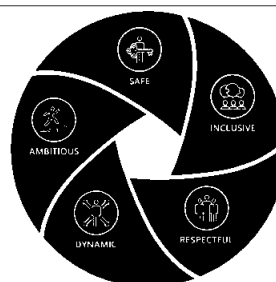
Training and Development

Shearwater has adopted a systematic approach to ensure organisational stability and that we have the right people with the right skills in the right place by providing training and development, and thereby supporting SDG number 8 in relation to offering meaningful and inclusive jobs.

We have a distinct competitive advantage gained by the integration of legacy seismic technologies and experienced people. In 2020, we will increase our efforts to recognise and reward performance, efforts and loyalty of our people and continue to attract talented new individuals to join Shearwater. Many of our employees have "critical knowledge", and we strive to recognise, appreciate and further develop our experienced staff.

Ambitious – Focus on being the best

Ambition is encouraged for individuals in pursuit of career progression. It is recognised by all employees that in Shearwater ambition is the achievement of personal goals to deliver for the business first. Persistent success leads to an expectation on managers to ensure both recognition and progression. Ambition is in Shearwater's DNA as a system of progressive goals to become the obvious choice in the world of oil & gas exploration.



With the recent corporate acquisitions completed, Shearwater has entered a new phase where we shift from integration to working systematically on developing and formalising our work processes. Training and employee development are essential to grow our workforce and to achieve a sustainable organisation for the future. A new position of Training Manager was established in early 2020 to further facilitate initiatives both for offshore and onshore personnel.

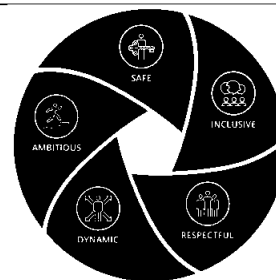
We are continuing to develop a Shearwater Training Standard. An effective Training Program is based on identifying skills, knowledge and competencies required by the organization to deliver on our long-term strategic plan. Learning and improving technical and soft skills is a continuous process and important for all employees.

The Shearwater Performance Appraisal process and succession planning has been created to recognise, discuss, capture and reflect on performance feedback from employees and management and defining our potential successors and high performing employees.

All of the initiatives will be supported by a tool which will provide a full overview where required and also facilitate awareness training through e-learning and other online initiatives.

Respectful – Focus on successful relationships

Being straight-forward with people goes a long way in clearly communicating information, directing activities and avoiding errors. We expect everyone to ask for support when they need it. Training and development is not only directed by the management, but also identified by our employees. The competency frameworks





we have in place have been created by our own highly competent people. We structure our success.

Organic growth will be important for Shearwater going forward and we remain committed to “promotion from within” and enabling the further development and growth of our employees.

Sound Governance

Shearwater is committed to promoting transparency, accountability and ethical behaviour in all aspects of our business. We obey the laws and regulations of the jurisdictions in which our operations take place. We recognise that through our global operations we are exposed to activities in nations and regions with under-developed frameworks for addressing both human rights and corruption.

All employees are required to behave ethically, with integrity and to disclose any conflicts of interest as soon as they become apparent, whether they are internal or external, personal or organisational. Our activities generate local revenue in terms of salaries and tax income, factors supporting the SDG number 8 on decent work and economic growth.

Shearwater has developed a Code of Conduct which provides basic principles for behaviour and business practice. This Code of Conduct applies to all Shearwater board members, managers, employees, hired personnel, consultants, agents and all other third parties acting on behalf of Shearwater. It is available on the company web page, company intranet, posted on company notice boards and part of the induction for new hires. It is further a general attachment to any material contract Shearwater enters into with any third party.

Shearwater further encourages a free and open culture and recognizes that effective and honest communication is essential if concerns about breaches and failures are to be effectively dealt with and Shearwater's success ensured. Shearwater's whistleblowing policy is designed to provide guidance to all those who work with or within Shearwater whom feel the need to raise certain issues relating to Shearwater with someone in confidence.

Whistleblowing is to notify about critical conditions related to Shearwater's operations. Critical conditions could be practices or events conflicting with legal framework, the Shearwater Code of Conduct or other Shearwater policies.

Co-workers who wish to raise or discuss any issues of critical conditions can either contact the HR Department in full confidence, or alternatively make a disclosure directly to the Shearwater compliance department. Any employee or individual making such a disclosure is protected from detrimental treatment by Shearwater or any of its representatives.

There were no whistle-blower incidents reported in 2019.

Corruption and Facilitation Payments

Shearwater opposes all forms of corruption and works actively to ensure that it does not exist in our company. Corruption undermines legitimate business and involves distortion of competition, is detrimental to the business reputation and exposes Shearwater and individuals for risk.

Shearwater adheres to the Foreign Corrupt Practices Act (FCPA) and other applicable international anti-corruption laws. Shearwater closely monitors our corruption risk and pays strict attention to operations in countries that are particularly risky. In 2019, we had zero port calls to countries with the 20 lowest ranking in Transparency International's Corruption Perception index. However, we had a net revenue of USD 230,000 from reimbursables from a 2018 project in Equatorial Guinea.



Annual Report 2019

Facilitation payments are payments made to secure the performance of a routine or necessary action to which the payer has a legal or other entitlement. Such payments are most often small but can also be substantial. We recorded zero facilitation payments and had no fines or no-monetary sanctions in 2019.

Supply chain management

Shearwater manages its business in a trustful manner. All business associates are expected to have implemented ethical standards corresponding to those of Shearwater. Before making significant commitments or entering into major projects with new business associates, we ensure that we have sufficient information about such potential business associates to determine whether the business relationship may expose Shearwater to corruption or human rights issues. The closer the cooperation/relationship, the more important it is for Shearwater to have detailed information of the business associate. Thus it may be necessary to perform a thorough due diligence investigation of potential business associates including the evaluation of any reputation risks. For critical suppliers like shipping agents or commercial agents, Shearwater always performs screenings through either Dow Jones or Trace prior to any engagement.

Enterprise Risk Management

Shearwater management performs a quarterly review of corporate risks identified by the organisation, which is also reported to the Board on a semi-annual basis. The reporting has a separate risk category for QHSE and involves Environmental considerations.

In addition, environmental and social governance is lifted to a strategic level to ensure continuous focus. Further on, the enterprise risk assessment process includes reports on compliance with anti-corruption legislation, sanctions and other internationally agreed conventions. The risk reporting ensures management and Board dedication to initiatives introduced to reduce risks and provides the organisation with a reporting tool to raise concerns, initiate measures and monitor risks.

Corporate Governance

Sound corporate governance is fundamental to commercial success and long-term value creation for the owners and other stakeholders of Shearwater. Please see the Corporate Governance section under Board of Directors' Report for more detailed information.



SHEARWATER

Annual Report 2019

GROUP FINANCIAL STATEMENT
SHEARWATER GEOSERVICES
HOLDING AS



SHEARWATER

Annual Report 2019

Group Financial Statement

CONSOLIDATED INCOME STATEMENT

THE SHEARWATER GEOSERVICES HOLDING AS GROUP

(In thousands of USD)	Note	2019	2018
Operating revenue and other income			
Marine acquisition	4	363,967	129,246
Processing and imaging	4	9,966	5,362
Other income	4	53,962	13,222
Total revenue and other income		427,895	147,830
Operating expenses			
Cost of sales	5, 6, 7	284,057	126,717
Depreciation	10, 11	98,149	33,732
Impairment of equipment	10	4,408	-
Sales, general and administration cost	7	14,444	9,170
Acquisition cost		6,577	7,311
Other losses (gains) net	8	-485	556
Total operating expenses		407,150	177,486
Operating profit (EBIT)		20,745	-29,655
Financial income	8	610	575
Financial expenses	8	-47,893	-14,382
Net financial items (+profit/-loss)		-47,283	-13,806
Net income before taxes		-26,538	-43,462
Taxes	9	2,139	-8,604
Net income (+profit/-loss)		-28,676	-34,858

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Net income for the year		-28,676	-34,858
Other comprehensive income		-	-
Total comprehensive income for the year		-28,676	-34,858
<i>Earnings per share</i>	20	-0.50	-1.70
<i>Diluted earnings per share</i>	20	-0.50	-1.70



SHEARWATER

Annual Report 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION THE SHEARWATER GEOSERVICES HOLDING AS GROUP

(In thousands of USD)		31 December	
		2019	2018
ASSETS			
Goodwill	3, 11	2,048	2,048
Intangible assets	3, 11	25,038	27,859
Deferred tax asset	9	200	1,200
Total intangible assets		27,286	31,107
Vessel and marine equipment	10	677,729	717,718
Seismic equipment and other equipment	10	80,495	110,741
Right of use assets	10	7,957	-
Manufacturing equipment	10	4,938	10,360
Total tangible assets		771,119	838,819
Long-term receivables	3, 16	619	12,891
Total financial non-current assets		619	12,891
Total non-current assets		799,024	882,817
Inventory and pre-payments	13	31,038	22,970
Trade receivables	4, 13	72,371	30,332
Other receivables	3, 4, 13, 19	38,157	21,229
Cash and cash equivalents	15, 17	70,506	82,896
Total current assets		212,072	157,427
Total assets		1,011,097	1,040,244



SHEARWATER

Annual Report 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION THE SHEARWATER GEOSERVICES HOLDING AS GROUP

(In thousands of USD)	Notes	31 December	
		2019	2018
EQUITY AND LIABILITIES			
Share capital	19	33,125	33,125
Share premium		83,977	83,977
Other paid in capital		392,980	392,980
Own shares		-442	-442
Retained earnings		-77,490	-48,814
Total equity		432,150	460,826
Deferred tax liability	3, 9	174	290
Long-term debt	12, 17	158,371	502,994
Other long-term liabilities	16	6,604	-
Total long-term liabilities		165,149	503,284
Current portion of long-term debt	12, 14, 16, 17	356,558	36,593
Trade payables		34,674	21,612
Taxes payable	9	1,042	-
Other short-term liabilities	4, 14	21,525	17,929
Total short-term liabilities		413,798	76,134
Total liabilities		578,947	579,418
Total equity and liabilities		1,011,097	1,040,244

Robert Scott Hobbs
Chairman of the Board

Bergen 25th August 2020

Einar Vredal
Board member

Trygve Lauvdal
Board member

Vijay Babu Kasibhatla
Board member

Marne Skaarberg Holen
Board member

Stein Vidar Håland
Board member

Irene Waage Basili
Chief Executive Officer



CONSOLIDATED CASH FLOW STATEMENT THE SHEARWATER GEOSERVICES HOLDING AS GROUP

(In thousands of USD)	Notes	2019	2018
Cash flow from operating activities:			
Profit before tax		-26,538	-43,462
Paid tax		-213	-
Depreciation and write down	10	102,557	33,732
Capitalised depreciation	10	-1,588	-
Profit on sale of equipment		-2,777	-
Net taxes received		-	386
Net interest expenses	8	41,789	12,406
Change in current assets / liabilities		-24,003	-15,659
Net cash flow from operating activities		89,229	-12,597
Cash flow from investing activities:			
Payments for fixed assets	10	-22,259	-4,173
Payments for sale of equipment		3,367	-
Net cash effect from investment in subsidiaries	3	-6,722	-579,492
Net cash flow from investing activities		-25,614	-583,664
Cash flow from financing activities			
Capital increase		-	325,000
Proceeds from sale of own shares	19	-	537
Drawdown of long-term loan	12	-	325,000
Transaction costs related to loans and borrowings	12	-	-6,160
Repayment of long-term loan	12	-32,100	-5,600
Drawdown of shareholder loan	19	22,305	-
Repayment of shareholder loan	19	-20,650	-
Repayment of lease liabilities		-4,378	-214
Interest paid		-41,792	-8,396
Interest received		610	337
Net cash flow from financing activities		-76,005	630,505
Net increase in cash and cash equivalents		-12,390	34,243
Cash and cash equivalents at start of period		82,896	48,653
Cash and cash equivalents at end of period	15	70,506	82,896



SHEARWATER

Annual Report 2019

STATEMENT OF CHANGES IN EQUITY THE SHEARWATER GEOSERVICES HOLDING AS GROUP

For the year ended 31 December 2019

(In thousands of USD)	Share capital	Share premium	Other paid in capital	Own shares	Retained earnings	Total equity
Balance at 1 January 2019	33,125	83,977	392,980	-442	-48,814	460,826
Total comprehensive income					-28,676	-28,676
Total equity at 31 December 2019	33,125	83,977	392,980	-442	-77,491	432,150

For the year ended 31 December 2018

(In thousands of USD)	Share capital	Share premium	Other paid in capital	Own shares	Retained earnings	Total equity
Balance at 1 January 2018	10,399	83,977	-	-499	-14,420	79,457
Capital increase - 14.11.18	17,767		307,233			325,000
Share issue - 14.11.18	4,959		85,747			90,706
Sale of own shares				57	463	521
Total comprehensive income					-34,858	-34,858
Total equity at 31 December 2018	33,125	83,977	392,980	-442	-48,814	460,826



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

NOTE 1: GENERAL INFORMATION

Shearwater GeoServices Holding AS (the parent company) is a Norwegian registered company with corporate office in Bergen, with subsidiaries in Norway, United Kingdom, United States, Singapore and Malaysia.

Shearwater is a global provider of 3D, 4D and ocean bottom marine seismic data acquisition, land and marine processing and imaging products, data processing software and manufacturing.

The consolidated financial statement was authorised for issue by the Board of Directors on August 25 2020.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the company have been prepared in accordance with the Norwegian Accounting Act § 3-9 and the financial statements comply with International Financial Reporting Standards (IFRS). All amounts are in USD.

2.1 Basis for consolidation

The consolidated financial statements incorporate the financial statements of Shearwater GeoServices Holding AS and entities controlled (subsidiaries) by Shearwater GeoServices Holding AS. Control is achieved when the Group is exposed, or has rights, to variable returns from involvement with the investee and has the ability to affect those returns through its power over the investee.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three following elements of control:

- Power over investee
- Exposure, or rights, to variable returns from its involvement with the investee
- Ability to use its power over the investee to affect its returns

Consolidation of subsidiaries begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are eliminated but also considered as impairment indicator of the asset transferred. Accounting policies of subsidiaries will be changed when it is necessary to ensure consistency with the policies adopted by the Group.

2.2 Business combinations

The purchase method is applied when accounting for business combinations. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Cost directly attributable to the acquisition is expensed. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

The preliminary purchase price allocation in a business combination is changed if new information on the fair value becomes available and is applicable on the date when control is assumed. The allocation may be altered prior to the expiry of a 12-month period.

2.3 Foreign currency

The consolidated financial statements are presented in USD, which is the Group's presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss. The parent and all the subsidiaries have USD as their functional currency.

Non-monetary assets items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at the closing rate.

The assets and liabilities of entities with other functional currency than USD are translated into USD at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of an entity, the deferred cumulative amount recognised in the equity relating to that particular entity is recognised in profit or loss.

2.4 Property, Plant and Equipment (PPE)

Property, plant and equipment acquired by the Group are presented at historical cost less accumulated depreciation and impairment changes. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

If an indication of impairment exists, an impairment test is performed. If the recoverable amount of a tangible non-current asset is lower than book value, the asset will be written down to the higher of fair value less cost to sell and value in use. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gains or losses on derecognising of the asset calculated as the difference between the net disposal and the carrying amount of the asset is included in the income statement in the year the asset is derecognised.

Depreciation on items of property, plant and equipment are mainly depreciated using the straight-line method to allocate their cost to their residual values. One of the subsidiaries is using depreciation by production.

<i>Asset group</i>	<i>Useful life</i>
Office equipment including hardware	3 years
Vessels	25 years
Periodical maintenance	2.5-5 years
Fixed seismic equipment onboard vessel	5 - 7 years
Seismic equipment, leased and owned	5 - 7 years
Processing equipment	3 - 7 years
Manufacturing and engineering equipment	3 - 5 years

The residual values and estimated useful lives of items of property, plant and equipment are reviewed, and adjusted annually as appropriate, at the year-end balance sheet date.

2.5 Intangible assets

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

Research and development costs

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

financial and other resources to complete the development to use or sell the intangible asset; and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

The Group has not yet completed projects where the criteria for recognition of intangible assets has been met.

Goodwill

The difference between the cost of an acquisition and the fair value of net identifiable assets on the acquisition date is recognised as goodwill. For investment in associates, goodwill is included in the investment's carrying amount.

Goodwill is not amortised but is tested for impairment annually or more frequently if there are indications that the value should be impaired. The impairment test involves determining the recoverable amount of the cash-generating units, which corresponds to the highest of fair value less costs to sell or the value in use.

Patents, licenses and software

Patents, licenses and technology are stated at cost less accumulated amortisation and accumulated impairment. Amortisation is calculated on a straight-line basis over 10 years which is the estimated period of benefit.

2.6 Inventories

Inventories are stated at the lowest of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.7 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Subsequent to initial recognition trade receivables and contract assets are measured at amortised cost less provision for lifetime expected credit losses. Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due. Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

2.8 Cash and cash equivalents

Cash includes cash in hand and at bank. Cash equivalents are short-term liquid investments that can be immediately converted into a known amount of cash and have at initial recognition a maximum term to maturity of three months.

2.9 Equity

Costs of equity transactions

Share issuance costs and other transaction costs that are incremental and directly related to an equity transaction are shown in equity as a deduction, net of tax, from the proceeds.

2.10 Leases

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

Group as a lessee

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

Lease term

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

Measurement of lease liabilities

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

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

Measurement of right-of-use asset

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

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

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

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

Short term leases and low value leases

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

Group as a lessor

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

2.11 Income tax**Current income tax**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Income tax expense represents the sum of the current tax expense (or recovery) plus the change in deferred tax liabilities and asset during the period, except for current and deferred income tax relating to items recognised directly in equity, in which case the tax is also recognised directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.



Deferred tax assets and liabilities are calculated using the liability method for all temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and for tax purposes, including tax losses carried forward. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred income tax is recognised on temporary differences arising on investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

The Group includes deductions/benefits from uncertain tax positions when it is probable that the tax position will be ultimately sustained.

The carrying amount of deferred income tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each end of the reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The probability assessment is based on Management's judgement and estimates in regards to future taxable income and tax planning opportunities (see separate note describing accounting estimates below, cf 2.19).

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period. The income tax rate in Norway is 22% from 1 January 2019. Deferred tax/liability on all temporary differences in the Norwegian group companies are calculated using a tax rate of 22%.

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

2.12 Employee benefits

Pension obligations

The companies in the group have a defined contribution plan. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior period. The Group has no further payment obligations once the contributions have been paid. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity for pension, based on obligatory, agreed on or voluntary basis. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.13 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the corporate management, which consist of the Group's CEO, CFO and CCO.

2.14 Revenue recognition

Revenue from contracts with customers arises primarily from performance of proprietary/exclusive seismic services in accordance with customer specifications. Revenue is recognised at the amount that the Group expects to be entitled to and expects to collect under the contract. (If a contract has multiple performance obligations, consideration is allocated among the performance obligations based on their estimated relative fair values).

Where the Group has satisfied its performance obligations and has a right to consideration, accrued revenue is recognised. The principles applied for each of the main types of contracts with customers are described in more detail in note 4.2.

2.15 Provisions

A provision is recognised when the Group has an obligation (legal or self-imposed) as a result of a previous event, it is probable (more likely than not) that a financial settlement will take place as a result of this obligation and the size of the amount can be measured reliably. If the effect is considerable, the provision is calculated by discounting estimated future cash flows using a discount rate before tax that reflects the market's pricing of the time value of money and, if relevant, risks specifically linked to the obligation.

2.16 Classification of assets and liabilities in the balance sheet

Assets meant for permanent ownership or use and receivables which are due later than one year after the end of the accounting period are classified as fixed assets. Other assets are classified as current assets. Liabilities which are due later than one year after the end of the accounting period are classified as long-term liabilities. Other liabilities are classified as current liabilities. Next year's instalments on long-term debt are classified as current liabilities in the balance sheet.

2.17 Events after the balance sheet date

New information on the Group's financial position on the balance sheet which becomes known after the balance sheet date is recorded in the annual accounts. Events after the balance sheet date that do not affect the Group's financial position on the balance sheet but will affect the Group's financial position in the future are disclosed if significant.

2.18 Cash flow statement

The cash flow statement is presented using the indirect method. Cash and cash equivalents include cash, bank deposits and other short term highly liquid placement with original maturities of three months or less. The cash flows are divided into operating activities, investing activities and financing activities.

2.19 Use of estimates, judgements and assumptions in the preparation of the financial statements

Management has used estimates and assumptions which have affected the assets, liabilities, income and expenses, as well as the disclosures regarding potential obligations. This particularly relates to deferred tax assets, provisions for liabilities and write-downs of fixed assets when there are indications of impairment. The estimates may change as a consequence of future events. The estimates and the underlying assumptions are reassessed continuously. Changes in accounting estimates are recognised in the income statement in the period the changes occur. If the changes also relate to future periods, the effect will be distributed over the present and future periods.

Impairment of seismic vessel and equipment

The Group applied a pre-tax discount rate of 10.7% in determining discounted cash flows in connection with the impairment evaluations of seismic vessels and equipment. The rates reflect the estimated weighted average cost of capital for Group activities.

Seismic vessels and equipment are regularly reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Future cash flows expected to be generated from the use and eventual disposal of the assets are estimated to determine the amount of impairment, if any.

Estimating future cash flows requires management to make judgments regarding long-term forecasts of future revenues and costs related to the assets subject to review. These forecasts are subject to uncertainty as they require assumptions about demand for our products and services, future market conditions and technological developments. Significant and unanticipated changes in these assumptions could result in impairments in a future period.

In estimating future cash flows of the seismic fleet, management has assumed that revenue levels for the fleet in 2020 will be similar to that experienced in 2019. Thereafter, management has forecast improved margins that generate operating profit ("EBIT") margins slightly below average historic margins. Had EBIT margins that are 3 percentage points lower been assumed for the long term, then impairment of the fleet would approximate \$30

million as of December 31, 2019. Had EBIT margins that are 5 percentage points lower been assumed for the long term, then impairment of the fleet would approximate \$110 million as of December 31, 2019.

Deferred tax assets

Deferred tax assets are recognised in the balance sheet when it is probable that the company will have sufficient future taxable profit to benefit from the tax asset. Significant management judgment is required to estimate the amount of deferred tax assets that can be recognised in the balance sheet. Based on budgets considering the Group's existing market conditions, none of the losses carried forward can be utilised in the very near term. Reference is made to note 9 – taxes.

2.20 New and amended standards and interpretations adopted by the Company

IFRS 16

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

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

- Use of a single discount rate to a portfolio of leases with similar characteristics
- The use of hindsight when determining the length of the lease term
- Initial direct costs are excluded from the measurement of the right of use asset

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

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

At 1 January 2019, the Group recognised lease liabilities for properties that were previously classified as operating leases. These liabilities were measured at the present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. A corresponding right-of-use-asset was recognised, measured at the amount equal to the lease liability.

The Group also adopted the following amendments to IFRS standards;

- *Prepayment Features with Negative Compensation – Amendments to IFRS 9*
- *Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28*
- *Annual Improvements to IFRS Standards 2015 – 2017 Cycle*
- *Plan Amendment, Curtailment or Settlement – Amendments to IAS 19*
- *Plan Amendment, Curtailment or Settlement – Amendments to IAS 19*
- *Interpretation 23 Uncertainty over Income Tax Treatments*

of which none had any effect on the Group's financial statement.

2.21 New standards and interpretations not yet adopted

There are no standards or interpretations that are not yet effective that would be expected to have a material impact on the Group's financial statements.



NOTE 3: BUSINESS COMBINATION

On 14 November 2018, the wholly owned subsidiary Trace Invest AS acquired 100% of the shares in Reflection Marine ASA, the holding company of Schlumberger's marine acquisition segment. Schlumberger announced early 2018 their intention to exit the Marine Seismic industry and started sounding the market for potential buyers. Shearwater and Schlumberger entered into a definitive agreement for Shearwater to acquire the marine seismic acquisition assets and operations of WesternGeco, the geophysical product line of Schlumberger. Following approval from applicable authorities and all conditions present, the deal was closed on 14 November 2018.

With the acquisition and the legacy Shearwater vessels and equipment, the company has the worlds largest fleet of high-end seismic vessels and a portfolio of proprietary technologies and software that provide customers with a full-range of geophysical acquisition techniques.

(In millions of USD)

Purchase consideration

Cash paid	600
Minority interest in Shearwater GeoServices Holding AS	91
Contingent consideration	7
Total purchase consideration	697

The assets and liabilities recognised as a result of the acquisition are as follows:

	Note	
Cash		21
Trade receivables		7
Inventories and pre-payments		3
Manufacturing and engineering equipment	10	11
Seismic equipment	10	94
Vessels	10	519
Intangible assets	11	28
Customer contracts - minimum commitment	11	26
Trade payables		-5
Deferred tax liability	9	-7
Net identifiable assets acquired		696
Goodwill	11	1
Net assets acquired		697

The goodwill is attributable to the workforce and will not be deductible for tax purposes.

There were no acquisitions in the year ending 31 December 2019.

Minimum commitment

A minimum commitment was included in the agreement for the transaction as part of the consideration. The minimum commitment agreement lasts for two years from the closing of the transaction. Under the minimum commitment the Group is required to at all times have minimum two seismic acquisition vessels available for Schlumberger. The available vessels may be in the form of cold stacked vessels, in which case Shearwater shall make reasonable efforts to minimize time and cost of mobilisation. Schlumberger shall pay as consideration for the reservation of the vessels a total fee of USD 70,000,000. This fee is to be invoiced monthly in arrears.

As of 31 December 2019 short term receivable towards Schlumberger for the reservation fee is USD 11.2 million. At the end of 2018, USD 12.8 was classified as short-term receivable and USD 11.3 million as long-term receivable.



Contingent consideration

As part of the SPA the parties agreed to an adjustment in purchase price based on certain criterias in relation to working capital and cash in the Reflection Marine ASA group. A deviation from the set target in this respect would trigger an adjustment, either increasing or decreasing the total purchase consideration. The final adjustment in the purchase price ended up at USD 6.7 million compared to the estimate of USD 5.9 million, with the difference increasing goodwill.

Acquired receivables

The fair value of acquired trade receivables was USD 7.1 million, which equalled the gross contractual amount for trade receivables confirmed paid in 2018 and 2019.

Revenue and profit contribution

The acquired business contributed revenues of USD 7.2 million, and a net loss of USD 7.4 million for the period 14 November to 31 December 2018. Loss in the period was mainly due to depreciation as the business gave a positive EBITDA contribution.

An estimated revenue for the acquired business given acquisition at the beginning of the year, including comparative figures for 2017 is as follows:

(In millions of USD)	2018	2017
Proforma revenue figures	137	125

Note that the amounts were based on the Group's previous years utilisation of its then existing fleet and rates in a demanding market.

Purchase consideration - cash outflow

(In millions of USD)	
Cash consideration	-600
Cash in Reflection Marine ASA group	21
Net outflow of cash	-579

Acquisition related costs of USD 6.6 million in 2019 (2018: USD 7.3 million) not directly attributable to the issue of shares are included in administrative expenses in profit and loss, and in operating cash flows in the statement of cash flows.

NOTE 4: REVENUE

4.1 Segment information

The chief executive officer, the chief financial officer and the chief commercial officer are responsible for following up and ensuring that the Group's performance is in line with the Group's existing strategy both from a product perspective as well as enabling the Group to evolve within its given parameters. Within the Group there are four defined segments; Marine Acquisition, Processing & Imaging, Software and Manufacturing and Engineering. Except for Manufacturing and Engineering, all the segments have been part of the Group from December 2016. After the transaction with Schlumberger in 2018, the management/steering committee defined certain parts of the acquired business Manufacturing and Engineering.

Marine Acquisition

The Group owns and operates a fleet of purpose built seismic vessels designed for safe and efficient seismic acquisition using towed streamers, ocean bottom nodes (OBN) and ocean bottom cables (OBC). Combined with our onboard and onshore data processing expertise we deliver industry leading quality products. For this segment the end product will be the delivery of unprocessed seismic data.

Processing & Imaging

The Group processes and re-processes both land and marine seismic data by combining the latest processing software with experienced geophysicists and efficient hardware. Our onboard and onshore processing teams provide expertise and service to achieve the highest quality 2D and 3D imaging.



Software

The Group's Reveal software provides advanced processing and imaging algorithms from Real Time QC on vessels, through to building and depth imaging.

Manufacturing and engineering

This segment includes research and development, engineering services as well as manufacturing. The Group has extensive competence covering the entire process from drawing board to manufacturing streamers and nodes, also enabling the Group to do the maintenance and repair of equipment inhouse.

The steering committee primarily uses a measure of earnings before interest, tax, depreciation and amortisation (EBITDA, see below) to assess the performance of the operating segments. The Group presents a full income statement with split between operating segments over the EBITDA line on a monthly basis. The Group also includes the statement of financial position in the monthly reporting, however the balance figures are not reported specifically per segment.

The Group operates world-wide and while the geographical markets have a central place at the project planning stage and when presenting the Group's backlog, it is not considered a separate segment in the internal financial reporting.

(In thousands of USD)	Marine	Processing		Manufacturing	Not	
2019	Acquisition	& Imaging	Software	& engineering	allocated	Total
Income statement						
Total operating revenue and other income	363,967	9,966	5,573	11,181	37,207	427,895
Operating expenses	250,161	8,092	4,497	19,897	15,854	298,501
EBITDA	113,805	1,874	1,077	-8,715	21,353	129,394
Acquisition cost					6,577	6,577
Depreciation and amortisation	88,145	106	77	5,623	4,197	98,149
Impairment	4,408					4,408
Operating profit EBIT	21,251	1,768	999	-14,338	10,579	20,260
Interest income					610	610
Interest expense	-8,937				-32,592	-41,530
Other financial income/expenses	-54				-5,824	-5,878
Income tax expense					-2,139	-2,139
Net Income	12,260	1,768	999	-14,338	-29,366	-28,676
Statement of financial position						
Goodwill	2,048					2,048
Intangible assets				25,038		25,038
Deferred tax assets	200					200
Total intangible assets	2,248			25,038		27,286
Total tangible assets	755,660			4,938	10,521	771,119
Total long-term liabilities	158,371				6,778	165,149
Total short-term liabilities	27,607				386,191	413,798

Not allocated income includes insurance settlement of MUS\$ 32.5 for streamers due to breakdown of Polar Marquis in Nov 2019.



SHEARWATER

Annual Report 2019

(In thousands of USD) 2019	Marine Acquisition	Processing & Imaging	Software	Manufacturing & engineering	Not allocated	Total
Cash flow						
EBITDA	113,805	1,874	1,077	-8,715	21,353	129,394
Change in current assets	12,950				-213	12,737
Change in current assets with no cash impact	-2,777				-50,125	-52,902
Net cash flow from operating activities	123,978	1,874	1,077	-8,715	-28,985	89,229
Payment for fixed assets	-20,097				-2,162	-22,259
Payment from sale of fixed assets	3,367					3,367
Investments in subsidiaries					-6,722	-6,722
Net cash flow from investing activities	-16,730				-8,883	-25,614
Net cash effect shareholder loan					1,655	1,655
Repayment of long-term loan including interest	-41,911				-31,981	-73,892
Other financing activities					-3,768	-3,768
Net cash flow from financing activities	-41,911				-34,094	-76,005
Net change in cash flow	65,337	1,874	1,077	-8,715	-71,962	-12,390

(In thousands of USD) 2018	Marine Acquisition	Processing & Imaging	Software	Manufacturing & engineering	Not allocated	Total
Income statement						
Total operating revenue and other income	129,246	5,362	5,267	2,451	5,504	147,830
Operating expenses	111,265	7,363	3,799	2,484	10,976	135,887
EBITDA	17,981	-2,001	1,468	-33	-12,783	11,943
Acquisition cost					7,311	7,311
Depreciation and amortisation	32,764			643	324	33,732
Operating profit EBIT	-14,783	-2,001	1,468	-1,029	-20,418	-29,099
Interest income					337	337
Interest expense	-9,018				-3,749	-12,768
Other financial income/expenses	6	-45	-8		-1,885	-1,932
Income tax expense					8,604	8,604
Net Income	-23,795	-2,046	1,460	-1,029	-17,111	-34,858
Statement of financial position						
Goodwill	2,048					2,048
Intangible assets				27,859		27,859
Deferred tax assets					1,200	1,200
Total intangible assets	2,048			27,859	1,200	31,107
Total tangible assets	827,260			10,360	1,199	838,819
Total long-term liabilities	182,922				320,362	503,284
Total short-term liabilities	32,100				44,034	76,134



(In thousands of USD)	Marine Acquisition	Processing & Imaging	Software	Manufacturing & engineering	Not allocated	Total
2018						
Cash flow						
EBITDA	17,981	-2,001	1,468	-33	-12,783	4,632
Change in current assets with no cash impact	3,747				-20,977	-17,230
Net cash flow from operating activities	21,728	-2,001	1,468	-33	-33,759	-12,597
Payment for fixed assets	-4,173					-4,173
Net cash effect from investments in subsidiaries					579,492	579,492
Net cash flow from investing activities	-4,173				579,492	583,664
Net draw-down long-term loan					643,840	643,840
Repayment of long-term loan including interest	-13,996					-13,996
Other financing activities		-214			874	660
Net cash flow from financing activities	-13,996	-214			644,714	630,505
Net change in cash flow	3,559	-2,215	1,468	-33	31,463	34,243

* EBITDA, as used by the Group, cannot without further analysis be compared to similar terminology used by other companies. EBITDA is used internally to continuously measure the Group's ability to serve its debt and capital cost. Acquisition cost is not included in EBITDA as it is not considered ordinary operating expense.

4.2 Revenue from Contracts with Customers

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

Products and service lines

(In thousands of USD)	Year ended	
	31 Dec 2019	31 Dec 2018
Marine acquisition	363,967	129,246
Processing and Imaging	9,966	5,362
Software	5,573	5,267
Manufacturing & Engineering	11,181	2,451
Other revenue	37,207	5,504
Total	427,895	147,830
Timing of revenue recognition		
Point in time	33,983	5,785
Services transferred over time	393,912	142,045
Total revenue from contract with customers	427,895	147,830

Performance obligations

Marine Acquisition and processing and imaging

Exclusive contracts/Processing

The Group performs seismic services under contract in accordance with customer specifications. Such service contracts are considered to contain one performance obligation. This performance obligation is considered



satisfied over time because the Group performs the service at the customer specification, the resultant data is owned by the customer and the Group has no alternative right to otherwise use or benefit from the resultant data. The Group recognises proprietary/contract revenue over time as the services are performed and the Group is entitled to the compensation under the contract. Depending on nature of the contract, progress is measured either based on square kilometres or time progressed. Progress for processing/imaging services are measured based on a model taking into account both working hours and processing.

Mobilisation revenue and cost

Mobilisation revenue and the related mobilisation costs of moving the seismic vessel and its crew from one location to the location specified by the contract is deferred and charged to expense over the contract duration based on percentage of completion. The estimated probable future economic inflows are documented at inception and cover the costs capitalised or deferred. If the projects are not able to cover all of the costs which could be capitalised or deferred, then only those costs that are recoverable are capitalised/deferred.

The performance obligation is satisfied over time and payment is generally due monthly or upon defined project milestones. In the instance the customer contract includes both marine acquisition and processing, the Group divides the revenue proportionately based on expected costs, which is an estimate of relative standalone selling price.

Software

Depending on type of contract, the performance obligation is measured as a combination of performance over time and at a point in time. Most customers purchase and install the Reveal software, generating revenue recognised at one point in time for the Group. Maintenance, which includes program updates, are recognised over time while licenses include a combination of the two. Payment is generally due monthly.

Manufacturing and engineering

Engineering

The Group performs engineering projects related to development of seismic- /streamer technology. The performance obligation is regarded as satisfied over time as the service is at the customer's specification and project progress is measured and invoiced upon defined project milestones.

Manufacturing

Revenue related to equipment sales is recognised when the control of the equipment is transferred to the customer. If the contract requires any means of prepayment from the client such payments are recorded as a contract liability under 'Other short term liabilities'. The performance obligation for repair of streamers is also recognised at a point in time when the repair is completed and the article returned to customer.

Other

The performance obligation is generally satisfied over time and payment due monthly. Revenue that occurs on ad hoc basis and not a natural part of the Group's defined segments is often considered satisfied at a point in time. In 2019 and 2018 part of other revenue is insurance settlement recognised at a point in time.

Net operating revenue by geography

(In thousands of USD)	Year ended	
	31 Dec 2019	31 Dec 2018
Europe, Africa and Middle East - EAME	260,137	72,279
Asia / Pacific - APAC	87,873	69,113
North and South America - NSA	79,884	6,438
Total	427,895	147,830



SHEARWATER

Annual Report 2019

The Group has recognised the following assets and liabilities related to contracts with customers:

Assets related to contract with customers	2019	2018
Trade receivables	50,881	27,523
Mobilisation and transit costs recognised (costs to fulfil a contract)	13,352	5,971
Receivables, invoiced after balance sheet date	21,490	2,810
Contract liabilities	2019	2018
Prepayment from customers/Deferred revenues	6,217	3,978
Expected delivery of remaining performance obligations		
Within one year	255,088	50,979
More than one year	-	-

Compared with 2018 figures contract assets particularly, but also contract liabilities, have changed considerably. This is due to a combination of an increase in demand for seismic services in 2019 and that the Group has more vessels available for use due to the WesternGeco transaction in November 2018.

Trade receivables are non-interest bearing and primarily on terms of 30 to 60 days. Receivables, invoiced after balance sheet date are initially recognised as revenue earned. This is generally related to marine acquisition and imaging projects awaiting a final confirmation of work done for the period before invoicing can be finalised. Contract liabilities consists of revenue billed as well as accrued costs to be billed, but not yet recognised. The Group expects all deferred revenues in 2019 to be recognised during 2020.

Assets recognised from costs to fulfil a contract

With reference to the contract balances above, the Group's work in progress consist of costs related to mobilisation of the vessel and transit costs, costs accrued during transit from one project to start of mobilisation for the next project. These costs are amortised on a straight-line basis over the term of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue.

	2019	2018
Assets recognised from costs incurred to fulfil a contract	13,352	5,971
Amortisation and impairment loss recognised as cost of providing services during the period	-5,441	-855

NOTE 5: SPECIFICATION COST OF SALES

	Year ended	
(In thousands of USD)	31 Dec 2019	31 Dec 2018
Vessel operating cost	250,161	111,265
Processing and Imaging cost	13,998	12,968
Manufacturing and Engineering cost	19,897	2,484
Total cost of sales	284,057	126,717



NOTE 6: SALARY AND PERSONNEL EXPENSES

Number of employees in the group as of year-end:

Location	2019	2018
Offshore	368	301
Norway offices	108	86
UK offices	123	92
US office	27	19
Malaysia office	77	62
Singapore office	5	4
Total employees	708	564

With higher utilisation of the vessels in 2019, as well as positioning the organisation for acquiring CGG vessels in 2020, the Group has seen a steady increase of employees in 2019, leaving total full-time employees at 708 at end of the year. In 2018 the Group went from an average of 232 employees in Jan-Oct to an average of 564 in Nov-Dec, mainly related to the more than 300 employees who joined Shearwater as part of the Group's acquisition mid Nov 2018 (see note 3).

(In thousands of USD)	Year ended	
	31 Dec 2019	31 Dec 2018
Salary cost	58,528	25,066
Social security	2,446	1,038
Pension and insurance cost	4,409	1,424
Other benefits	1,345	1,223
Total salary and benefits cost *	66,728	28,751

* included in Sales, general and administration costs

(In thousands of USD)	No of B-shares	Salary	Bonus	Other benefits	Pension premium	Total
MANAGEMENT REMUNERATION 2019						
Irene Waage Basili, CEO	20,000	412	141	3	8	564
Andreas Aubert, CFO	10,000	350	144	2	8	505
Peter Hooper, CCO	20,000	413	135	3	8	560
Linda Myklebust	1,518	240	104	2	8	354
Patrick Leigh-Smith	-	186	-	-	15	201
Roy Bampton	3,036	270	-	14	16	299
Simon Telfer	3,036	186	-	-	15	201
Total Management remuneration *	57,590	2,056	524	24	79	2,684

* Amounts in currencies other than USD have been translated to USD using average exchange rate for the year

Included in the CEO's contract is a severance package of 12 months pay.

The Chairman of the Board has received NOK 658,333 as remuneration in 2019 (2018: NOK 600,000), and one other member of the board received NOK 375 000 as remuneration in 2019.



(In thousands of USD)	No of B-shares	Salary	Bonus	Other benefits	Pension premium	Total
MANAGEMENT REMUNERATION 2018						
Irene Waage Basili, CEO	20,000	428	151	2	9	590
Andreas Aubert, CFO	10,000	176	28	2	8	215
Peter Hooper, CCO	20,000	327	48	2	9	386
Benedicte Bjørøy	1,518	108	5	2	6	121
Linda Myklebust	1,518	178	-	2	9	189
Patrick Leigh-Smith	-	24	-	2	16	42
Roy Bampton	3,036	263	-	13	16	292
Simon Telfer	3,036	191	-	2	15	208
Total Management remuneration*	59,108	1,696	231	27	87	2,042

* Amounts in currencies other than USD have been translated to USD using average exchange rate for the year

Pensions

All employees not eligible for coverage under the defined contribution plans in Norway and the UK are eligible to participate in pension plans in accordance with local industrial, tax and social regulations. All of these plans are considered defined contribution plans. For some of these plans, subject to statutory limitations, employees may make voluntary contributions in addition to the Group's contributions.

With the acquisition of Schlumberger's marine acquisition segment, the number of employees eligible for pension plans have increased rapidly from the date of the acquisition, mid-November 2018. The pension expenses in the income statement for 2019 is USD 1 438 thousand while 2018 totalled to USD 574 thousand.

NOTE 7: AUDITORS FEE

(In thousands of USD)	Year ended	
	31 Dec 2019	31 Dec 2018
Statutory audit	378	276
Other attestation services	7	8
Statutory audit required by law	385	284
Other services outside the audit scope	484	152
Tax advice	42	5
Other services	526	157
Total auditor's fee *	911	441

* included in Sales, general and administration cost

Of statutory audit fee in 2019, USD 109 thousand relates to subsidiaries audited by other audit firms than the parent company (2018: USD 65 thousand). The audit fee is excluding VAT.



NOTE 8: FINANCIAL INCOME AND EXPENSES

(In thousands of USD)	Year ended	
	31 Dec 2019	31 Dec 2018
Interest income	610	337
Other financial income	-	239
Total financial income	610	575
Interest on loans	-46,804	-14,043
Interest on leases	-704	-25
Other financial cost	-385	-314
Total financial expenses	-47,893	-14,382
Net financial income (+) / expenses (-)	-47,283	-13,806

Net currency gain of USD 485 thousand (2018: loss of USD 556 thousand) related to operating activities are shown as other losses (gains) in the income statement. The increase in interest on loans is mainly related to a bridge facility draw down utilised when acquiring the shares in Reflection Marine ASA mid November 2018. See note 3 and note 12 for more information.

NOTE 9: TAX

(In thousands of USD)	Year ended	
	31 Dec 2019	31 Dec 2018
Tax payable	1,255	9
Tax credit paid to the group	-	-403
Change in deferred tax/tax assets	884	-8,210
Income tax expense	2,139	-8,604
Reconciliation of income tax expense for the year		
Net income before taxes	-26,538	-43,462
Norwegian statutory tax rate	22%	23%
Estimated tax	-5,838	-9,996
Deferred tax assets recognised	1,000	-1,200
Change in deferred tax assets not recognised	14,343	-1,731
Other differences	-	2,444
Tax credit paid to the group	-	403
Permanent differences including effects of tonnage tax regime and tax rates other than statutory tax rate in Norway	-7,366	1,476
Income tax expense (income)	2,139	-8,604



SHEARWATER

Annual Report 2019

Deferred tax liabilities/assets

Fixed assets	-349	8,910
Profit and loss account	781	987
Net long-term debt	-72	131
Net short-term receivables	46	47
Tax losses carried forward	-63,307	-44,039
Deducted interests carried forward	-40,124	-5,575
Basis for calculation of deferred tax	-103,026	-39,539
Norwegian statutory tax rate	22%	22%
Deferred tax liability in Norwegian tonnage tax company	174	290
Deferred tax liabilities in the balance sheet	174	290
Deferred tax liability from acquisition transaction*	7,034	7,034
Recognised deferred tax asset in Norwegian entities	-7,034	-7,034
Recognised deferred tax asset in UK entity	-200	-1,200
Deferred tax assets in the balance sheet	-200	-1,200
Not recognised deferred tax asset in Norwegian entities	-16,010	-1,881
Not recognised deferred tax asset in UK entity	-4,268	-4,054

* Relates to tax effect of additional group values of seismic equipment, engineering and manufacturing equipment and patents/software acquired in November 2018.

By end of 2019 the Group had tax losses carried forward of USD 63.3 million whereof USD 1.0 million is basis for capitalisation. The disclosure of deferred tax benefits on net tax reducing differences and carry forward losses, is based on estimated future earnings. Based on budgets taking into account the Groups's existing market, the Group does not expect to be able to utilise the deferred tax assets through taxable profits in the very near future.


NOTE 10: TANGIBLE, NON-CURRENT ASSETS

(In thousands of USD)	Seismic vessels	Seismic equipment	Manufacturing & engineering equipment	Office equipment	Right of use asset	Total
Cost:						
Acquisition cost at period start	749,154	133,978	11,003	1,600	-	895,735
Additional capital expenditures	5,782	14,527	201	1,748	11,976	34,235
Sale of equipment	-	-867	-	-	-	-867
Disposals during the year	-	-18,685	-	-21	-	-18,707
Acquisition cost at 31 Dec 2019	754,936	128,953	11,204	3,327	11,976	910,396
Accumulated depreciation:						
Balance at period start	31,436	24,436	643	401	-	56,916
Depreciation for the period	40,817	40,071	5,623	362	4,019	90,892
Depreciation periodical maintenance	4,436	-	-	-	-	4,436
Impairment	-	4,408	-	-	-	4,408
Less disposals during the year	-	-18,962	-	-	-	-18,962
Deferred mob cost	518	1,069	-	-	-	1,588
Accumulated depreciation at 31 Dec 2019	77,207	51,023	6,266	763	4,019	139,277
Balance sheet values at 31 Dec 2019	677,729	77,931	4,938	2,564	7,957	771,119
<i>Estimated useful lifetime</i>	<i>25 yrs.</i>	<i>3 to 7 yrs.</i>	<i>3 to 7 yrs.</i>	<i>3 to 5 yrs.</i>	<i>1 to 5 yrs.</i>	

There are no major investments of tangible assets in 2019. An incident aboard Polar Marquis in November this year resulted in a loss of seismic equipment with a remaining book value of MUS\$ 4. The vessel itself will need extensive repair, taking her out of operation for the foreseeable future. Insurance claim is settled for the seismic equipment. Depreciation charged to the income statement is reflecting estimated useful lifetime for the vessels and equipment. For details regarding deferred mobilisation cost, see accounting principles for tangible assets.

Other assets (right of use) are office and warehouse buildings previously identified as operating leases under IAS 17. Short term leases, such as bareboat or timecharter hire of support/chase vessels have not been capitalised as all lease contracts are 12 months or less. Total short term leases not capitalised at the end of the year totals to USD 12.8 million (see note 16).



SHEARWATER

Annual Report 2019

(In thousands of USD)	Seismic vessels	Seismic equipment	Manufacturing & engineering equipment	Office equipment	Total
Cost:					
Acquisition cost at period start	229,977	37,968	-	1,028	268,972
Additions from acquisition transaction	519,147	93,576	11,003	-	623,726
Additional capital expenditures	30	3,570	-	572	4,173
Disposals during the year	-	-1,136	-	-	-1,136
Acquisition cost at 31 Dec 2018	749,154	133,978	11,003	1,600	895,735
Accumulated depreciation:					
Balance at period start	14,070	10,237	-	77	24,384
Adjustment previous years	-	-325	-	-	-325
Depreciation for the period	16,271	15,454	643	324	32,692
Depreciation periodical maintenance	1,040	-	-	-	1,040
Less disposals during the year	-	-900	-	-	-900
Deferred mob cost	56	-31	-	-	25
Accumulated depreciation at 31 Dec 2018	31,436	24,436	643	401	56,916
Balance sheet values at 31 Dec 2018	717,718	109,542	10,360	1,199	838,819
<i>Estimated useful lifetime</i>	<i>25 yrs.</i>	<i>3 to 7 yrs.</i>	<i>3 to 7 yrs.</i>	<i>3 to 5 yrs.</i>	

The Group's acquisition of Reflection Marine ASA with subsidiaries, increased the Group's fleet with 12 vessels, 13 complete seismic streamer packages and fixed assets related to engineering and manufacturing were acquired in 2018, see note 3 for details. All vessels in 2018 have carrying amounts in USD based on the valuation in relation to the business combination and following PPA.

Impairment

As of 31 December 2019, the Group obtained vessel market values from three reputable brokers for the Group's entire fleet. In addition, impairment testing has been performed in order to calculate the recoverable amount for the Group's fleet. Each vessel constitutes a separate cash-generating unit, which is tested separately for impairment. The recoverable amount is tested against each vessels' book value. When the calculated recoverable amount is lower than book value of the vessel, the vessel is written down to its recoverable amount. In accordance with IAS 36 the recoverable amount is defined as the highest of the assumed fair value less cost of disposal (net sales value) and value in use.

The Group has seen a steady increase in activity and pricing of contracts during 2019 and the marine acquisition segment has showed a positive EBITDA return this year, giving the Group confidence that the vessel values from the PPA in 2018 were correct. However, due to the often short-term nature of seismic contracts the Group believes that net sales value based on independent broker estimates is a very good indicator of the recoverable amount. The Group compared an average of the valuations with a reduction of sales commission, against book value. As fair values are subject to uncertainty, the Group sought to substantiate the broker valuations, inter alia with value in use calculations or tests of reasonableness of implicit rates derived from the valuations.

Based on these assessments, the Group has made no impairment in 2019.

NOTE 11: INTANGIBLE ASSETS

(In thousands of USD)	Goodwill	Patents and software	Total intangible assets
2019			
Costs as of 1 January 2019	2,048	28,212	30,260
Additions to costs (note 3)	-	-	-
Cost as of 31 December 2019	2,048	28,212	30,260
Amortisation as of 1 January 2019	-	353	353
Amortisation expense	-	2,821	2,821
Impairment	-	-	-
Amortisation as of 31 December 2019	-	3,174	3,174
Balance as of 31 December 2019	2,048	25,038	27,086
<i>Estimated useful life</i>		<i>10 years</i>	
2018			
Costs as of 1 January 2018	569	-	569
Additions to costs (note 3)	1,479	28,212	29,691
Cost as of 31 December 2018	2,048	28,212	30,260
Amortisation as of 1 January 2018	-	-	-
Amortisation expense	-	353	353
Impairment	-	-	-
Amortisation as of 31 December 2018	-	353	353
Balance as of 31 December 2018	2,048	27,859	29,907
<i>Estimated useful life</i>		<i>10 years</i>	

Patents and software

The patents and software were acquired as part of a business combination (see note 3 for details) and were recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on estimated useful lives. When estimating fair value, one considers the possibility that the theoretical lifetime of the patent agreement can deviate from the underlying technology's actual lifetime as technology can become outdated before the patent agreement expires. The Group believes that the remaining patent life, which has an average lifetime of 10 years, is a reasonably proxy for the assets' useful life

Goodwill

The additions to goodwill in 2018 were related to the transaction with Schlumberger 14th of November 2018 and is attributable to workforce. The business combination has not only increased Shearwater's tangible assets and given the Group ownership of patents and software, but also key competence within the full range of geophysical acquisition techniques (see note 3). Previous goodwill was related to the acquisition of Shearwater GeoServices Norway AS in 2016, which also held key competence for performing seismic operations.



Impairment of intangible assets

The Group tests as principle whether intangible assets have suffered any impairment on an annual basis. At the end of 2019, the Group finds that the assumptions the purchase price allocation was based on is still relevant. In addition impairment evaluations for the Group's vessels also substantiate the value of intangible assets. No impairment was made for intangible assets.

NOTE 12: LONG-TERM DEBT

The Group's long-term liabilities, including first year's instalments, are summarised as follows at year-end 2019:

(In thousands of USD)		Average interest rate 2019	Average maturity	Balance sheet 2019
Mortgage debt with floating interest	Secured	USD LIBOR + 1.9 %	2.8 years	119,606
Mortgage debt with floating interest, bridge facility	Secured	USD LIBOR + 7.0 %	0.9 years	325,000
Mortgage debt with fixed interest	Secured	USD CIRR 2.28 + 1.7 %	7.4 years	63,594
Lease liabilities (note 11 right of use asset)		8.5%	2.5 years	8,465
Amortisation effect, mortgage debt				-229
Accrued interest expenses				5,096
Total				521,532
			<i>Of which is classified as short-term debt:</i>	<i>356,558</i>
			<i>Of which is classified as long-term debt:</i>	<i>164,975</i>

For mortgage debt with fixed interest final maturity is May 2027 provided that equity guarantors extend their guarantees.

Booked value of assets pledged as security for Mortgage debt was USD 920.2 million, of which USD 62.9 million were bank deposits.

The Group's long-term liabilities, including first year's instalments, are summarised as follows at year-end 2018:

(In thousands of USD)		Average interest rate 2018	Average maturity	Balance sheet 2018
Mortgage debt with floating interest	Secured	USD LIBOR + 1.9 %	3.8 years	142,117
Mortgage debt with floating interest, bridge facility	Secured	USD LIBOR + 6,5 %	1.9 years	325,000
Mortgage debt with fixed interest	Secured	USD CIRR 2.28 + 1.7 %	8.4 years	73,183
Amortisation effect, mortgage debt				-5,206
Accrued interest expenses				4,493
Total				539,587
			<i>Of which is classified as short-term debt:</i>	<i>36,593</i>
			<i>Of which is classified as long-term debt:</i>	<i>502,994</i>

The repayment schedule for the Group's long terms liabilities, including first years's instalments, at year-end 2019:

(In thousands of USD)	
Within 1 year	356,558
From 1 to 5 years	142,631
More than 5 years	22,344
Total interest-bearing debt	521,532



SHEARWATER

Annual Report 2019

The Group's long-term financing agreements include the following covenants:

Bridge facility*:

- The Group shall have free liquidity of USD 25 million
- The Group shall at all times have positive net working capital
- The Group shall have an equity ratio of at least 35%
- The market value of the vessels shall not be less than 120% of the outstanding facility amount

Long-term bank facility**:

- The Group shall have free liquidity of USD 10 million until and including 29 June 2019
- The Group shall have free liquidity of USD 15 million from 30 June 2019

The Group was in compliance with the financial covenants at 31 December 2019 and has been since the drawdown of the financing on 22 December 2016.

In addition to the above, the following guarantees are provided by GC Rieber Shipping ASA and RASMUSSENGRUPPEN AS as part of the loan agreements:

- GC Rieber Shipping has issued a guarantee of 50% of the outstanding loans.
- RASMUSSENGRUPPEN AS has provided a cash collateral of USD 7.5 million securing on pro-rata basis Shearwater's payments instalments up until June 2019.
- Should the market value of Polar Duke, Polar Duchess, Polar Marquis and Polar Empress be reduced below 90% of the outstanding facility after 31 December 2017, GC Rieber Shipping shall within 12 months provide a guarantee deposit of the difference between the market value and the 90% level, limited to USD 10 million.

* Compliance is based on the consolidated accounts of Trace Invest AS and its subsidiaries.

** Compliance is based on the consolidated accounts of Shearwater GeoServices AS and its subsidiaries.

Liabilities from financing activities and other assets

	Borrowings	Leases	Sub-total	Cash and cash equivalents	Total
Net debt as of 1 January 2018	-221,365	-	-221,365	48,653	-172,713
Cash flows	6,257	-	6,257	34,243	40,500
Cash from new long-term debt	-325,000	-	325,000	-	-325,000
Other non-cash movements	522	-	522	-	522
Net debt as of 31 December 2018	-539,586	-	-539,586	82,896	-456,690
Recognised on adoption of IFRS 16 (see note 16)	-	-9,421	-9,421	-	-9,421
Net debt as of 1 January 2019	-539,587	-9,421	-549,007	82,896	-466,111
Cash flows	52,750	-	52,750	-12,390	40,360
Cash from new short-term debt from shareholder	-22,305	-	-22,305	-	-22,305
Repayment of lease liabilities		4,378	4,378	-	4,378
Other non-cash movements	-5,580	-3,245	-8,825	-	-8,825
Foreign exchange adjustments	1,655	-177	1,478	-	1,478
Net debt as of 31 December 2019	-513,067	-8,465	-521,531	70,506	-451,026



NOTE 13: TRADE RECEIVABLES AND OTHER CURRENT RECEIVABLES

(In thousands of USD)	2019	2018
Trade receivables	50,881	27,523
Accrued, not invoiced revenue	21,490	2,810
Trade receivables	72,371	30,332
Work in progress	13,352	5,971
Fuel and other inventory onboard vessels	15,135	8,121
Prepaid cost	2,550	8,878
Inventory and prepayments	31,038	22,970
Minimum commitment (note 3)	11,183	12,845
Insurance claim (note 10)	23,790	-
Other short-term receivables	3,185	8,384
Other receivables	38,157	21,229
Total receivables	141,566	74,531

Ageing of trade receivables

(In thousands of USD)	Total	Not due	< 30 days	30 - 60 days	60 - 90 days	> 90 days
2019	72,371	61,956	6,020	168	2,282	1,945
2018	30,332	20,817	4,605	135	222	4,554

Of trade receivables 31 December 2019, USD 252 thousand are still outstanding receivables at the time the financial statement is signed. The Group has not had any losses and expected losses not accounted for are considered to be immaterial as of 31 December 2019. As such, the Group has not identified any material losses that should be accounted for. The Group had one ongoing discussion related to compensation for a cancelled contract during 2018. The receivable was recognised as revenue and other short-term receivables at fair value.

NOTE 14: OTHER CURRENT LIABILITIES

(In thousands of USD)	2019	2018
Current portion of lease obligation according to IFRS 16	1,862	-
Short-term debt	349,600	32,100
Accrued interest	5,096	4,493
Short-term debt and current portion of long term-debt	356,558	36,593
Pre-paid revenue	6,217	3,978
National insurance contribution, payroll taxes and VAT	2,054	480
Accrued holiday allowance and other personnel charges	1,525	1,613
Contingent liability investment in Reflection Marine ASA (see note 3)	-	6,715
Other current liabilities	11,730	5,144
Other short-term liabilities	21,525	17,929



NOTE 15: CASH AND CASH EQUIVALENTS

(In thousands of USD)	2019	2018
Restricted cash *	7,610	7,594
Bank deposits	62,896	75,302
Total cash and cash equivalents	70,506	82,896

* Restricted cash contains both cash held for employee tax payments and cash used to provide guarantees to clients, vendors and financial institutions.

NOTE 16: LEASES

The Group as a lessor

The Group has a financial lease balance related to seismic equipment of USD 1.6 million of which USD 1.0 million is due within one year and USD 0.6 within three years. The effect of the lease in profit and loss is limited to USD 0.1 million per year.

The Group as a lessee

The Group adopted IFRS 16 "Leases" on 1 January 2019 using a modified retrospective approach hence the Group will not restate comparative information. IFRS 16 eliminates the classification of a lease as either an operating lease or a finance lease for lessees. The new standard requires lessees to recognise most leases on the consolidated balance sheet as lease liabilities. The Group is utilising the practical expedients for short term leases for periods of 12 months or less and low value leases.

As of 1 January 2019 the Group identified non-cancellable lease commitments related to office and warehouse buildings. At the initial measuring of the right of use assets and lease commitments were measured at USD 12.7 million, using contract value in the original currency and translating this to the exchange rate as of 31.12.18. The lease payments were then discounted at 8.5% which the Group considered to be its incremental borrowing rate. Lease payments for right of use assets will be included under depreciation and financial cost in the Group's income statement.

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

Future lease liabilities as of 31 December 2018	11,171
Effect of discounting	-1,750
Lease liabilities recognised as of 1 January 2019	9,421

The Group has the following lease commitments related to right of use assets at the end of 2019:

(In thousands of USD)	2019
Net carrying amount of right of use assets (see note 10)	7,957
Current portion of long-term debt	1,862
Non-current lease liability	6,604
Total lease liability as of 31 December 2019	8,465



Future minimum lease installments related to non-cancellable lease agreements are due as follows:

Total lease liability	2019	2018
Within 1 year	1,862	4,278
From 1 to 5 years	5,772	6,412
More than 5 years	832	480
Future minimum lease instalments	8,465	11,171

The Group charters in support- and chase vessels generally on a project to project basis. As of year end the Group had active lease agreements of a total of USD 12.8 million not registered as rights of use assets of which all were leases held for 12 months or less.

NOTE 17: FINANCIAL INSTRUMENTS

17.1 Carrying amount of financial assets and liabilities

The Group's financial assets and liabilities are included in the balance sheet as follows:

(In thousands of USD)	2019	2018
ASSETS		
<i>Financial assets at amortised cost</i>		
Trade receivables	50,881	27,523
Minimum commitment (note 3)	11,183	24,133
Cash and cash equivalents	70,506	82,896
Total financial assets	132,570	134,552
LIABILITIES		
<i>Liabilities at amortised cost</i>		
Interest bearing long-term debt	164,975	502,994
Interest bearing short-term debt	356,558	36,593
Trade payables	34,674	21,612
Other short-term liabilities	21,525	17,929
Total financial liabilities	577,732	579,128

The carrying values of financial assets and liabilities are assumed to be their fair values.

Classification as trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 30-60 days and therefore are all classified as current. The Group's impairment and other accounting policies for trade and other receivables are outlined in note 2.

Impairment and risk exposure

Information about the impairment of trade and other receivables, their credit quality and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in this note.

Compliance with loan covenants

The Group has complied with the financial covenants of its borrowing facilities during the 2019 and 2018 reporting period.

17.2 Financial risk management

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year's profit and loss information has been included where relevant to add further context.

With the increase in activity in 2019 as well as increase in employees, the Group has continued its high focus on financial risk management. Enterprise risk management systems and routines have been developed and adopted to ensure qualified reporting of risks identified, classification of risks, mitigation factors and awareness of risks throughout the organisation, and is considered a continuous work in progress. Within financial risk management there is specified focus on foreign exchange risk, counterpart and credit risk and risks related to financing. Models to improve forecasting are being tested and implemented to address fluctuation in the market place.

Market risk

(i) Foreign exchange risk

Exposure

The majority of the Group's revenue is in USD. As the Group has a global footprint, the Group has and will have revenue in other currencies going forward, leaving the Group exposed to foreign exchange risk.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed USD, was as follows:

	31/12/2019		31/12/2018	
	NOK in TUSD	EUR in TUSD	NOK in TUSD	EUR in TUSD
Trade receivables	204	238	27	6,301
Cash/bank account	5,294	1,191	16,738	1,997
Trade payables	-3,319	-2,075	-2,563	-1,820

Instruments used by the group

The Group seeks to ensure that operational cost is matched with revenue in terms of currency, and since the majority of the Group's revenue is expected to be in USD, the Group's liabilities are mainly held in USD. The Group's expenses are mainly in USD, GBP and NOK. The Group will attempt to minimise risks by implementing hedging arrangements when appropriate but will not be able to fully avoid these risks. Changes in currency exchange rates relative to the USD may affect the USD value of the Group's asset and thereby impact the Group's total return on such assets.

Sensitivity

As shown in the table above, the Group is primarily exposed to changes in USD/NOK and USD/EUR exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from NOK denominated financial instruments as cash/bank account, trade receivables and trade payables.

	Impact on post tax profit	
	2019	2018
USD/NOK exchange rate - increase 10%	-170	1,170
USD/NOK exchange rate - decrease 10%	170	-1,170
USD/EUR exchange rate - increase 10%	50	-568
USD/EUR exchange rate - decrease 10%	-50	568

Profit was less sensitive to movements in USD/NOK exchange rates in 2019 than 2018 because of the reduced amount of NOK denominated cash and bank accounts. Profit was also less sensitive to movements in USD/EUR



exchange rates in 2019 than 2018 because of the reduced amount of EUR trade receivables. The Group's exposure to other foreign exchange movements is not considered material.

Interest rate risk

The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. (See note 12 for details on loans and interest rates). At the end of 2019, 13% of the Group's liabilities were secured through mortgages with fixed interest.

	2019	% of total loans	2018	% of total loans
Variable rate borrowings	444,606	87%	467,117	86%
Fixed rate borrowings	63,594	13%	73,183	14%
	508,200		540,300	

Sensitivity

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates. The Group has no impact on other components of equity.

	Impact on post tax profit	
	2019	2018
Interest rates - increase by 70 basis points	2,093	1,307
Interest rates - decrease by 100 basis points	2,990	1,867

Credit risk

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

Credit exposure (in thousands of USD)	2019	2018
Trade receivables	50,881	27,523
Cash and cash equivalents	70,506	82,896
Total financial assets	121,387	110,419

Cash and cash equivalents

The company monitors the counterparty credit risk of banking partners.

Trade receivables

Lack of or delayed payments from customers may significantly and adversely impair the Group's revenue and liquidity. The concentration of the Group's customers in the energy industry may impact the Group's overall exposure to credit risk as customers may be similarly affected by prolonged changes in economic- and industry conditions, as well as by the general constraints on liquidity resulting from the continued low oil prices. Further, laws in some jurisdictions in which the Group operates could make collection difficult or time consuming. The Group gives due consideration to the credit quality of its potential clients during contract negotiations to minimise the credit risk.



SHEARWATER

Annual Report 2019

Ageing of trade receivables

(in thousands of USD)

	2019	2018
Not due	40,466	18,007
<30 days	6,020	4,605
30-60 days	168	135
60-90 days	2,282	222
>90 days	1,945	4,554
Total	50,881	27,523

Of trade receivables 31. December 2019, USD 252 thousand were still outstanding receivables at the time the financial statement is signed. The Group has not had any losses and expected losses not accounted for are considered to be immaterial as of 31 December 2019. As such, the Group has not identified any material losses that should be accounted for.

The Group had one ongoing discussion related to compensation for a cancelled contract in 2018. The receivable was recognised as revenue and other short-term receivable at fair value. There were at the time no indications that would imply further impairment of this receivable.

Liquidity risk

The Group was established in December 2016 with solid backing from owners injecting substantial liquidity into Shearwater. Further on Group shareholders injected additional USD 50 million to increase liquidity in connection with the acquisition of the shares in Reflection Marine ASA November 2018. The Group has a mix of short- and long-term financing in place with recognised financial institutions and is in the process of negotiating new long-term financing arrangements.

The current seismic exploration market lacks visibility due to volatile energy markets caused by the Covid-19 pandemic and this may be reflected in lower activity levels and rates for the services provided by Shearwater. This expected reduced activity second half of 2020 might have impact on the liquidity generation of the Group. Shearwater, along with the rest of the industry is dependent on a market recovery with increased rates over time to maintain a satisfactory liquidity situation.

The company is exposed to liquidity risk related to the following:

Ageing of financial liabilities

at 31.12.2019 (in thousands of USD)	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Mortgage debt with floating interest	375,949	22,937	80,757	-	479,642
Mortgage debt with fixed interest	8,233	8,025	32,535	30,497	79,289
Trade payables	34,674	-	-	-	34,674
Other current liabilities	21,525	-	-	-	21,525
Total	440,380	30,961	113,292	30,497	615,130

Ageing of financial liabilities

at 31.12.2018 (in thousands of USD)	Within 1 year	1-2 years	2-5 years	Over years	Total
Mortgage debt with floating interest	68,664	367,411	107,015	-	543,090
Mortgage debt with fixed interest	10,654	8,261	32,376	38,763	90,054
Trade payables	21,612	-	-	-	21,612
Other current liabilities	17,073	-	-	-	17,073
Total	118,003	375,672	139,391	38,763	671,829

71



Annual Report 2019

NOTE 18: SUBSIDIARIES

The Shearwater GeoServices Holding AS Group consisted of the following companies at 31 December 2019:

Company	Jurisdiction	Share-holding	Voting Power
Shearwater GeoServices AS	Norway	100%	100%
Shearwater GeoServices Norway AS	Norway	100%	100%
Shearwater GeoServices Assets AS	Norway	100%	100%
Shearwater GeoServices Ltd	United Kingdom	100%	100%
Shearwater GeoServices Inc	United States	100%	100%
Shearwater GeoServices Software Inc	United States	100%	100%
Geophysical Resources PTE Ltd	Singapore	100%	100%
Polar Ship Invest IV AS	Norway	100%	100%
Shearwater GeoServices Assets II AS	Norway	100%	100%
Armada Seismic Invest II AS	Norway	100%	100%
Delphis Ltd	Bermuda	100%	100%
Trace Invest AS	Norway	100%	100%
Reflection Marine ASA	Norway	100%	100%
Reflection Marine Norge AS	Norway	100%	100%
Reflection Marine UK Limited	United Kingdom	100%	100%
Reflection Marine Resources Ltd	British Virgin Island	100%	100%
Reflection Marine Corporation	United States	100%	100%
Shearwater GeoServices Singapore Pte Ltd	Singapore	100%	100%
Shearwater GeoServices Assets V AS	Norway	100%	100%
Shearwater Product Center Sdn. Bhd.	Malaysia	100%	100%
Shearwater GeoAssets AS	Norway	100%	100%
Shearwater GeoServices CharterCo AS	Norway	100%	100%

NOTE 19: SHAREHOLDER INFORMATION

The shares in Shearwater GeoServices Holding AS were at 31 December 2019 held as follows:

	# SHARES	VOTING POWER
RASMUSSENGRUPPEN AS	32,599,050	65%
GC Rieber Shipping ASA	9,997,711	20%
Schlumberger Norge AS	7,651,043	15%
Shearwater GeoServices Holding AS	671,970	0%
Management *	87,180	0%
<i>* held by CEO and higher level management</i>	51,006,954	100%
Reconciliation of number of shares from beginning to end of the period:	2019	2018
Number of shares at 01.01.	51,006,954	15,942,150
Conversion of debt		7,651,043
Share capital increase		27,413,761
Number of shares at 31.12.	51,006,954	51,006,954

All transactions with related parties are carried out at market terms.



SHEARWATER

Annual Report 2019

During 2018 the Company issued 35 064 804 new shares in share class A, both through share capital increase with cash and conversion of debt. The issuance of new shares was done to facilitate acquisition of Schlumberger's marine acquisition segment (see note 3).

All shares held by Shearwater GeoServices Holding AS and key employees are in share class B. In accordance with the share based incentive program for key employees of the Company, the Company sold some of its shares to employees in 2018 for a total of USD 537 thousand. These shares are B-shares with no voting power.

Transactions with related parties

The Group has entered into a ship management agreement with GC Rieber Shipping AS, a subsidiary of GC Rieber Shipping ASA, for four of the Group's vessels. Expensed ship management fee totals USD 1.1 million in 2019 (2018: USD 1.2 million). The ship management agreement entered into in December 2016 was renewed in May 2019 and has a minimum contract period of 12 months.

The Group entered into an agreement with Schlumberger Norge AS for engineering services for a land node project in 2018 that ran into first half of 2019. Total revenue registered in 2019 is USD 4.1 million (2018: USD 1.2 million).

As part of the transaction with Schlumberger, the Group will receive a reservation fee of USD 70 million for the reservation of two vessels over a two year period. As of year end 2019 USD 11.2 million of the minimum commitment is presented as short-term receivable compared to 2018 when USD 11.2 million and USD 12.7 million was presented as long- and short-term receivables respectively. The Group has registered USD 22.0 million as revenue in 2019 (2018: USD 2.6 million, see note 3). The Group booked a USD 5.8 million as contingent liability to Schlumberger in 2018, see note 3. Final agreed upon amount totalled to USD 6.7 million.

The Group entered into a short-term loan agreement with RASMUSSENGRUPPEN AS on 28th of June 2019 to ensure sufficient capital to handle both repayment of external loans and working capital during the Summer season after reactivating seven vessels from January to May and the timing of receiving payments from customers. Short-term loan received and repaid before year end was NOK 190 million, with interest paid of NOK 11.7 million.

NOTE 20: EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit or loss attributable to equity holders of the company by the number of shares issued.

	2019	2018
Profit/(Loss) for the year	-28,676,403	-34,857,578
Weighted average number of issued shares	51,006,954	20,457,344
Basic earning per share	-0.56	-1.70

The Company has no potential shares outstanding at the year end that has a dilutive effect on the earnings per share.

NOTE 21: COMMITMENTS

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

(millions of USD)	2019
Seismic vessels	272
Seismic equipment	97

Strategic partnership for marine acquisition services

The above commitments relate to the transaction agreements with CGG Marine Resources Norge AS.

In the transaction the Group acquires vessel owning entities as well as marine seismic equipment from CGG. The Group takes over debt of USD 286.8 million in addition to a further consideration of USD 100 million, as equity through a share issue of USD 50.1 and USD 49.9 million as seller's credit. Unless the parties agrees otherwise, the seller's credit will be converted into equity.

As of 31 December 2019 the transaction had not been approved by the banks in the acquired vessel owning entities. The Group completed the transaction on 8 January. For more details about the transaction see note 23.

NOTE 22: GOING CONCERN

Shearwater is currently in close dialogue with existing lenders in order to refinance the USD 325 million facility relating to the WesternGeco acquisition which matures in November 2020. Based on indications from the creditors, the Board is confident that a solution will be found that provides Shearwater with a suitable long-term financial platform.

The Board of Directors confirms that the financial statements for 2019 have been prepared based on the assumption of a going concern and the Board believes that this assumption is appropriate and in accordance with section 3-3 of the Norwegian Accountancy Act.

NOTE 23: SUBSEQUENT EVENTS

On 4 June 2019, Shearwater announced it had signed a binding term-sheet with CGG S.A. (CGG) for a strategic partnership for marine seismic acquisition services and creation of a new streamer technology company.

On 8 January 2020, Shearwater announced that the agreements related to the strategic partnership for marine acquisition services had been completed. The agreements cover the purchase of five modern high-end and two additional streamer vessels previously owned by CGG Marine Resources Norge AS and Eidesvik Offshore ASA as well as streamers sufficient to equip the five modern vessels. The strategic partnership also includes a capacity agreement where CGG commits to utilise vessel capacity corresponding to two vessel years per year over a five year period, which secures CGG access to strategic vessel capacity for future multiclient projects while securing Shearwater a commitment of cashflow and activity for multiple years.

The technology partnership, which will be under the Sercel brand name and CGG's majority ownership, for the development, manufacturing, commercialisation and support of marine streamer seismic acquisition systems is expected to close in 2020.

Activity levels and market rates continued the positive trend into 2020, however the Covid-19 pandemic and the severe negative development on the oil price impacts the markets for Shearwater's services. Shearwater has seen two contracts cancelled by clients in Q2 2020, and continued uncertainty will increase the risk of further



SHEARWATER

Annual Report 2019

negative effects on Shearwater's business. The pandemic has a negative effect on Shearwaters client's financial position and could increase counterparty risk. Shearwater's market position, low cost base and limited capex requirement in the short- to medium term along with the significant backlog secured through long term capacity agreements, gives the Board confidence that the company will be able to manouvre through a challenging market and also to further position the company for a recovering market.



SHEARWATER

Annual Report 2019

FINANCIAL STATEMENT SHEARWATER GEOSERVICES HOLDING AS



Annual Report 2019

INCOME STATEMENT SHEARWATER GEOSERVICES HOLDING AS

(In thousands of USD)		2019	2018
Operating revenue		-	-
Total revenue		-	-
Cost of sales	9, 10	1,023	264
Total cost of sales		1,023	264
Operating profit		-1,023	-264
Financial income		3	3
Financial expenses		162	26
Total financial items		-160	-23
Net income before taxes		-1,183	-287
Taxes	7	-	361
Net income		-1,183	-648
Transferred from other equity		-1,183	-648



Annual Report 2019

STATEMENT OF FINANCIAL POSITION SHEARWATER GEOSERVICES HOLDING AS

(In thousands of USD)		31 Dec 2019	31 Dec 2018
ASSETS	Note		
Investment in shares	3	506,769	416,059
Total financial non-current assets		506,769	416,059
Other short-term receivables		34	62
Receivables to group companies	11	34	91,826
Cash and cash equivalents	5	176	256
Total current assets		245	92,143
Total assets		507,014	508,203



SHEARWATER

Annual Report 2019

STATEMENT OF FINANCIAL POSITION SHEARWATER GEOSERVICES HOLDING AS

(In thousands of USD)

31 Dec 2019 31 Dec 2018

EQUITY AND LIABILITIES

Share capital (15 942 150 shares at NOK 5.50)	4, 6	33,125	33,125
Own shares (759 150 shares at NOK 5.50)	4	-442	-442
Share Premium	4	83,977	83,977
Other paid in capital	4	392,980	392,980
Retained earnings	4	-5,676	-4,493
Total Equity		503,964	505,147

Short-term liabilities

Trade creditors		15	23
Liabilities to group companies	11	2,836	3,034
Other short-term liabilities		199	-
Total short-term liabilities		3,050	3,056

Total equity and liabilities		507,014	508,203
-------------------------------------	--	----------------	----------------

Bergen, 25th August 2020

Robert Scott Hobbs
Chairman of the Board

Einar Yrødal
Board member

Trygve Lauvdal
Board member

Vijay Babu Kasibhatla
Board member

Kanne Skaarberg Holen
Board member

Stein Vidar Håland
Board member

Irene Waage Basili
Chief Executive Officer



SHEARWATER

Annual Report 2019

CASH FLOW STATEMENT THE SHEARWATER GEOSERVICES HOLDING AS

(In thousands of USD)	2019	2018
Cash flow from operating activities:		
Net income before taxes	-1,183	-287
Change in group receivables / liabilities	91,594	-90,655
Change in current assets / liabilities	219	-49
Net cash flow from operating activities	90,630	-90,991
Cash flow from investing activities:		
Net investment in subsidiaries	-90,710	-325,000
Sale of own shares	-	521
Net cash flow from investing activities	-90,710	-324,479
Cash flow from financing activities		
Share subscription	-	90,706
Net cash effect capital increase	-	325,000
Net cash flow from financing activities	-	415,706
Net change in cash and cash equivalents	-80	236
Cash and cash equivalents at 01.01.	256	20
Cash and cash equivalents at 31.12.	176	256

**NOTE 1: CORPORATE INFORMATION**

Shearwater Geoservices Holding AS (the parent company) is a Norwegian registered company with subsidiaries in Norway. Shearwater Geoservices is a new and innovative global provider of 3D marine seismic data, imaging products and data processing software.

NOTE 2: ACCOUNTING PRINCIPLES

The financial statements are prepared in accordance with the Norwegian Generally Accepted Accounting Principles (NGAAP) as set out in the Norwegian Accounting Act of 1998. The accounting principles are described below.

Use of functional currency

The Company is presenting its financial statements in USD, as this is defined as the presentation currency. The main assets in the Company is the investment in Trace Invest AS and Shearwater GeoServices AS whose activities are predominantly in USD. The functional currency in the Group accounts is also USD. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary assets items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Classification of assets and liabilities in the balance sheet

Assets intended for permanent ownership or use and receivables due later than one year after the balance sheet date are classified as fixed assets. Other assets are classified as current assets. Liabilities due later than one year after the balance sheet date are classified as long-term debt. Other liabilities are classified as short-term debt. The first year's instalments on long-term debt are classified as part of long-term debt, but are specified in accompanying notes.

Investments in subsidiaries and associated companies

Investments in subsidiaries and associated companies are valued in accordance with the cost method. If fair value is lower than cost, and the fall in value is not considered to be temporary, the investment will be valued at fair value.

Cash and bank deposits

Cash and bank deposits, etc. include bank deposits, cash in hand and short-term bank deposits with an original maturity of three months or less.

Taxes

Tax expenses are related to profit before tax and are expensed for when they incur. The tax expense consists of tax payable (tax on taxable income for the year) and change in net deferred tax. The tax expense is allocated to ordinary profit and extra-ordinary profit in accordance with the basis for the taxes. Deferred tax liability and deferred tax assets are presented net in the balance sheet. The disclosure of deferred tax benefits on net tax reducing differences and carry-forward losses, is based on estimated future earnings.

Cash flow statement

The Company's cash flow statement shows the Company's cash flows distributed between operating activities, investment activities and financing activities. The statement shows the impact of the different activities on the Company's cash and cash equivalents. The cash flow statement is presented based on the indirect method.



NOTE 3: INVESTMENT IN SUBSIDIARIES

(In thousands of USD)		SHAREHOLDING AND VOTING POWER	CARRYING AMOUNT	RESULT 2019	EQUITY 31.12.20 19
COMPANY	OFFICE / JURISDICTION				
Shearwater GeoServices AS	Bergen, Norway	100%	91,053	-763	91,261
Trace Invest AS	Bergen, Norway	100%	415,712	-30,103	365,628
Shearwater GeoAssets AS	Bergen, Norway	100%	4	0	3

The subsidiaries have not finalised their annual reports at the time of the Company's sign off on 25th August 2020.

Trace Invest is the holding company for the Reflection Marine group acquired in November 2018. In February, an account receivable of USD 90.7 million towards Trace Invest AS was converted to equity capital through a share capital increase. Even though the carrying amount is higher than Trace Invest's equity, the Company does believe that assumptions used in the purchase price allocation signed June 2019 is still relevant, stating that transaction value was higher than booked values due to underlying subsidiaries' additional values. At 31 December 2019 the difference between booked equity and value of investment is considered temporary in nature.

NOTE 4: EQUITY

(In thousands of USD)						
	Share capital	Own shares	Share premium	Additional paid in capital	Retained earnings	Total equity
Equity as of 01.01.2019	33,125	-442	83,977	392,980	-4,493	505,147
Net income for the year					-1,183	-1,183
Total Equity per 31.12.2019	33,125	-442	83,977	392,980	-5,676	503,964

	Number of Shares	Par value in USD	Carrying amount (1000 USD)
A-shares	50,247,804	0.65	32,626
B-shares	759,150	0.66	499
Total	51,006,954		33,125

NOTE 5: CASH AND CASH EQUIVALENTS

(In thousands of USD)	2019	2018
Restricted cash	-	-
Bank deposits	176	256
Total cash and cash equivalents	176	256


NOTE 6: SHAREHOLDER INFORMATION

		Number of shares	Ownership	Voting rights
RASMUSSENGRUPPEN AS	A-shares	32,599,050	64%	65%
GC Rieber Shipping ASA	A-shares	9,997,711	20%	20%
Schlumberger Norge AS	A-shares	7,651,043	15%	15%
Shearwater GeoServices Holding AS	B-shares	671,970	1%	0%
Management*	B-shares	87,180	0%	0%
<i>* held by CEO and higher-level management</i>		51,006,954	100%	100%

The B-shares have no voting rights in the company, other than that, the shares are equal to the A-shares. Should certain specific events occur, B-shares will become A-shares.

The company has no significant transactions with related parties.

NOTE 7: TAXES

(In thousands of USD)	2019	2018
Calculation of taxes payable		
Net tax income for the year*	-1,953	1,844
Permanent differences	33	-
Change in temporary differences	-	-
Taxable income	-1,920	1,844
Losses carried forward		-273
Net taxable income	-1,920	1,571
Tax rate	22%	23%
Taxes payable		361
<i>* Based on taxable income in tax return for 2019 and 2018</i>		
Specification of tax expense		
Payable tax on net income for the year	-	361
Change in deferred tax	-	-
Tax expense	-	361
Taxes in balance sheet		
Tax payable	-	361
Tax on group contribution	-	-361
Total taxes in balance sheet	-	-
Calculation of deferred tax / tax asset		
Net temporary differences	-	-
Loss carried forward	1,920	-
Basis for deferred tax	1,920	-
Tax rate	22%	22%
Deferred tax asset	422	-
Of which not booked	-422	-
Deferred tax asset	-	-



NOTE 8: FOREIGN EXCHANGE RATES

The following exchange rates have been used when preparing the financial statement:

CURRENCY	31 Dec 2019	31 Dec 2018	Average 2019	Average 2018
NOK/USD	8.7803	8.6885	8.8037	8.1338

NOTE 9: EMPLOYEES

The company has no employees, but CEO is contracted from the subsidiary Shearwater GeoServices Norway AS. There has been no remuneration to CEO from Shearwater GeoServices Holding AS as the salary has been provided from the subsidiary Shearwater GeoServices Norway AS. The CEO holds 20,000 B-shares as of 31 December 2019.

The chairman of the board has received NOK 658 333 as remuneration in 2019 (2018: NOK 600 000), and one other member of the board received NOK 375 000 as remuneration in 2019.

NOTE 10: AUDITORS FEE

(In thousands of USD)	2019	2018
Audit services	151	60
Other attestation services	2	6
Tax consulting	-	-
Other services outside the audit scope	470	136
Total auditors fee	623	203

The Company first registered for VAT in May 2018. Auditor's fee presented for 2018 is therefore a combination of including and excluding VAT. Auditor's fee presented in 2019 is excluding VAT.

NOTE 11: GOING CONCERN

Shearwater is currently in close dialogue with existing lenders in order to refinance the USD 325 million facility held by Trace Invest AS relating to the WesternGeco acquisition which matures in November 2020. Based on indications from the creditors, the Board is confident that a solution will be found that provides Shearwater with a suitable long-term financial platform.

The Board of Directors confirms that the financial statements for 2019 have been prepared based on the assumption of a going concern and the Board believes that this assumption is appropriate and in accordance with section 3-3 of the Norwegian Accountancy Act.

NOTE 12: SUBSEQUENT EVENTS

Activity levels and market rates continued the positive trend into 2020, however the Covid-19 pandemic and the severe negative development on the oil price impacts the markets for Shearwater's services. Shearwater has seen two contracts cancelled by clients in Q2 2020, and continued uncertainty will increase the risk of further negative effects on Shearwater's business. The pandemic has a negative effect on Shearwater's client's



SHEARWATER

Annual Report 2019

financial position and could increase counterparty risk. Shearwater's market position, low cost base and limited capex requirement in the short- to medium term along with the significant backlog secured through long term capacity agreements, gives the Board confidence that the company will be able to manouvre through a challenging market and also to further position the company for a recovering market.



Annual Report 2019

Contact



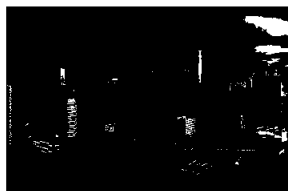
LONDON, UNITED KINGDOM
+44 (0) 1293 903296
2 City Place
Beehive Ring Rd
Gatwick
West Sussex
RH6 0PA



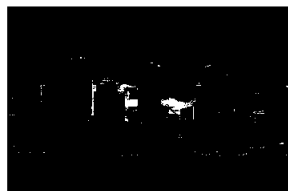
TUNBRIDGE WELLS, UNITED KINGDOM
+44 (0) 1892 701000
77 Mount Ephraim
Brockbourne House
Tunbridge Wells
Kent
TN4 8BS



BERGEN, NORWAY
+47 55 38 75 00
Damsgårdsveien 135
5160 Laksevåg
Bergen
Norway



HOUSTON, USA
+1 (281) 921-8000
1080 Eldridge Parkway
Suite 1100
Houston
TX 77077



SINGAPORE
+65 6232 2744
6 Battery Road
Level 42
Singapore
049909



OSLO, NORWAY
Veritasveien 1,
N-1363 Høvik
Norway



MALAYSIA
1661 Jalan Perusahaan
Bukit Tengah Industrial Park
Bukit Mertajam
14000 Penang



To the General Meeting of Shearwater GeoServices Holding AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Shearwater GeoServices Holding AS, which comprise:

- The financial statements of the parent company Shearwater GeoServices Holding AS (the Company), which comprise the statement of financial position as at 31 December 2019, the income statement and cash flow statement for the year then ended, and notes to the financial statement, including a summary of accounting principles, and
- The consolidated financial statements of Shearwater GeoServices Holding AS and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated income statement, consolidated statement of comprehensive income, statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statement, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

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

PricewaterhouseCoopers AS, Sandviksbodene 2A, Postboks 3984 - Sandviken, NO-5835 Bergen

T: 02316, org. no.: 987 009 713 VAT, www.pwc.no

State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm



Independent Auditor's Report - Shearwater GeoServices Holding AS

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to <https://revisorforeningen.no/revisjonsberetninger>

(2)



Independent Auditor's Report - Shearwater GeoServices Holding AS

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

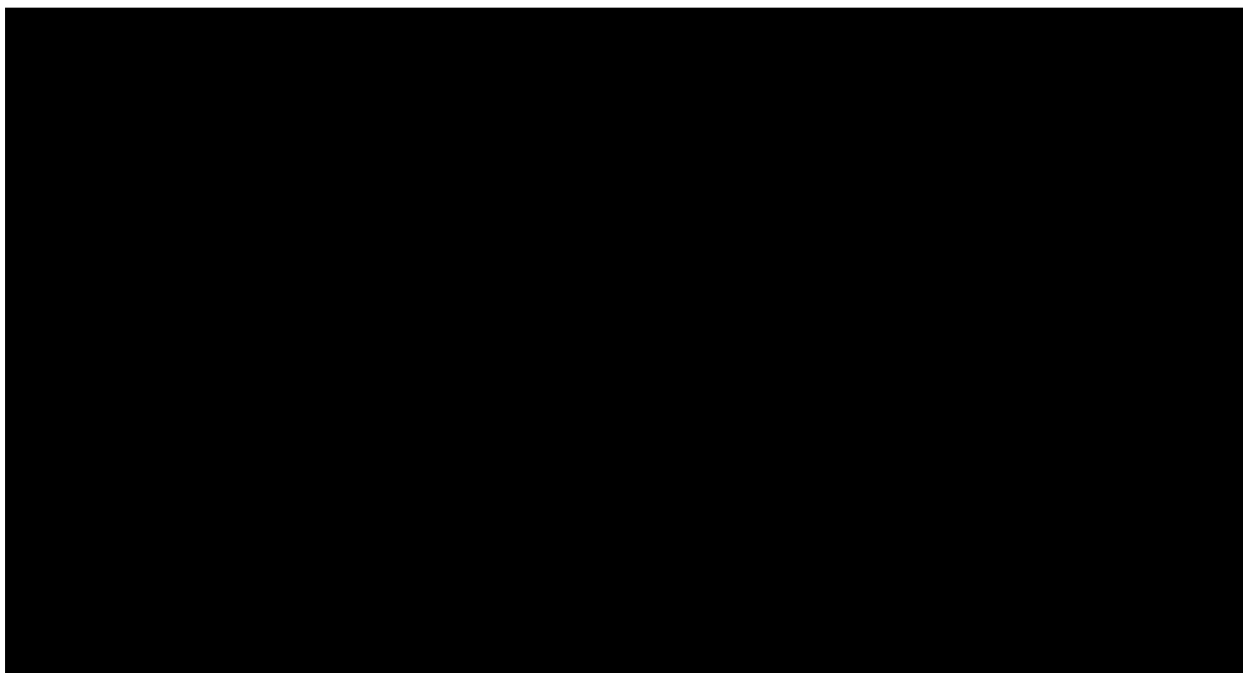
Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Bergen, 25 August 2020
PricewaterhouseCoopers AS

Jon Haugervåg
State Authorised Public Accountant
(This document is signed electronically)



www.shearwatergeo.com

