PGS

Second Quarter and First Half 2010 Results

EBITDA Guidance Maintained
Fleet Upgrades Strengthen Competitive Platform

July 29, 2010: OSLO, NORWAY – Petroleum Geo-Services ASA ("PGS" or the "Company") reported an EBITDA of $71.4 million (33 percent margin) in Q2 2010. The results were impacted by significant investments in vessel upgrades and repositioning of vessels, as earlier indicated. The upgrades further strengthen PGS' fleet as the most cost effective in the industry.

- **Group performance:** Q2 2010 revenues were $214.9 million, with a corresponding EBIT of $5.3 million, compared to revenues of $294.3 million in Q2 2009 and an EBIT of $32.9 million.

- **Marine: Q2 2010** revenues were lower compared to the same period last year, primarily driven by more time spent steaming and at yard, lower prices for Marine contract work with 2009 having benefited from activity priced before the credit crunch, and lower MultiClient pre-funding revenues. Industry capacity additions scheduled for 2010 continue to put pressure on conventional streamer pricing.

- **Most of the 2010 GeoStreamer® capacity sold:** Strong customer interest for GeoStreamer® continues. *Ramform Valiant* was equipped with GeoStreamer® in June and *Ramform Explorer* completed the same upgrade in July.

- **GeoStreamer® price uplifts:** Relative pricing differentiation for GeoStreamer® work continues to improve with margins of more than 1000 basis points above conventional streamer margins.

- **Order book increasing:** Order book increased by approximately $90 million from Q1 2010 and total order book is now $499 million.

- **Two break-through contracts for OptoSeis:** PGS has signed an agreement with Petrobras to install a fiber-optic system at the Jubarte field, and a collaboration agreement with Shell to develop an onshore fiber-optic exploration and reservoir monitoring system.

- **More flexible credit facility:** The Company amended its revolving credit and Term Loan B facility in May 2010 to increase financial flexibility.

- **Negative net financial items**: Foreign exchange fluctuations and amendment and redemption of credit facilities resulted in a cost of $18.2 million in Q2 2010.

- **Organizational changes implemented:** Following sale of the Onshore business PGS implemented its new organizational structure.

- **EBITDA guidance maintained**: The Company maintains its full year EBITDA guidance of $450 million, supported by GeoStreamer® success and increased MultiClient pre-funding revenues in the second half, offset by a weak contract market for conventional streamers and some MultiClient late sales uncertainty.

Jon Erik Reinhardsen, Chief Executive Officer and President of PGS, commented:

"The upgrade of Ramform Explorer to become one of the most efficient vessels in the industry will together with the GeoStreamer® upgrade of Ramform Valiant and delivery of the new PGS Apollo pave the way for increased efficiency and reduced exposure to the industry cycles. The second quarter was impacted by repositioning of vessels and significant investments in vessel and GeoStreamer® upgrades. New industry capacity will continue to put pressure on pricing in the second half, but we remain on track to meet our current full year EBITDA guidance."

Key Financial Figures (In millions of dollars, except per share data)	**Quarter ended June 30,**		**Six months ended June 30,**		**Year ended December 31, 2009 Audited** [1]
	2010 Unaudited	**2009 Unaudited**	**2010 Unaudited**	**2009 Unaudited**	
Revenues from continuing operations	$ 214.9	$ 294.3	$ 474.3	$ 685.1	$ 1,350.2
Adjusted EBITDA (as defined)	71.4	154.1	170.7	360.5	672.1
EBIT excluding special items [2]	5.3	81.2	40.1	236.3	386.9
EBIT	5.3	32.9	39.6	137.5	233.3
Income (loss) before income tax expense	(27.4)	40.2	(12.4)	129.8	228.1
Net income (loss) to equity holders	(22.3)	41.0	(6.1)	95.2	165.8
Basic earnings per share ($ per share)	(0.11)	0.22	(0.03)	0.53	0.88
Diluted earnings per share ($ per share)	(0.11)	0.22	(0.03)	0.53	0.88
Net cash provided by operating activities	63.8	208.1	179.3	353.5	676.1
Cash investment in MultiClient library	51.7	56.7	103.8	101.6	183.1
Capital expenditures	52.7	56.8	100.6	150.5	231.2
Total assets (period end)	2,690.4	3,132.4	2,690.4	3,132.4	2,929.4
Cash and cash equivalents (period end)	159.8	168.1	159.8	168.1	126.0
Net interest bearing debt (period end)	$ 616.3	$ 962.1	$ 616.3	$ 962.1	$ 774.0

[1] Financial information for the full year 2009 is derived from the audited financial statements as presented in the 2009 Annual Report.

[2] Impairment charges of $0.5 million in Q1 2010 and $153.6 million for the full year 2009.

Second Quarter and First Half 2010 Highlights

Operations PGS Group

In the first half of 2010 consolidated revenues were $474.3 million, compared to $685.1 million in the first half of 2009. The decrease is mainly due to lower contract and MultiClient pre-funding revenues. First half 2009 benefited from a strong order book of work awarded before the downturn with significantly higher prices.

Consolidated EBIT was $39.6 million in the first half of 2010, compared to $137.5 million in the first half of 2009, including impairments.

Income before income tax expense in the first half of 2010 was a loss of $12.4 million, compared to a profit of $129.8 million in the first half of 2009.

Net income to equity holders was a loss of $6.1 million in the first half of 2010, compared to a profit of $95.2 million in the first half of 2009.

The sale of the Onshore business to Geokinetics Inc. ("Geokinetics") was completed February 12, 2010. Geokinetics paid approximately $184 million in cash for the Onshore business, and PGS received 2.15 million shares in Geokinetics, corresponding to a 12 percent ownership. The gain from sale of the Onshore business was $8.8 million.

In Q2 2010 consolidated revenues were $214.9 million, compared to $294.3 million in Q2 2009. The decrease is mainly due to lower contract and MultiClient pre-funding revenues, and reduced revenue due to more steaming and yard stays associated with vessel upgrades.

EBIT was $5.3 million, compared to $32.9 million in Q2 2009.

Income before income tax expense in Q2 2010 was a loss of $27.4 million, compared to a profit of $40.2 million in Q2 2009.

Net income to equity holders was a loss of $22.3 million in Q2 2010, compared a profit of $41.0 million in Q2 2009.

Operations Marine

In the first half of 2010 total revenues were $471.3 million, compared to $685.1 million in the first half of 2009, with the first half of 2009 having benefited from activity priced before the credit crunch,

Contract revenues decreased from $471.6 million in the first half of 2009 to $282.2 million in the first half of 2010, reflecting less 3D capacity allocated to contract work and reduced prices.

Total MultiClient revenues (pre-funding and late sales revenues combined) were $136.3 million in the first half of 2010, compared to $157.9 million in the first half of 2009. The decrease mainly reflects lower pre-funding revenues, partially offset by higher late sales.

Pre-funding revenues were 66 percent of MultiClient cash investments, excluding capitalized interest, in the first half of 2010, compared to 104 percent in the first half of 2009. The lower pre-funding rate reflects the nature of specific project business models, which are weighted to higher levels of late sales.

Capitalized cash investments in MultiClient library, excluding capitalized interest, were $103.8 million in the first half of 2010, compared to $101.6 million in the first half of 2009.

External data processing ("DP") revenues were $48.1 million in the first half of 2010, compared to $45.0 million in the first half of 2009.

Marine reported an EBIT of $60.3 million in the first half of 2010, compared to $162.1 million in the first half of 2009.

Operating expenses in the first half of 2010 (before depreciation, amortization, impairments and other operating income) decreased by $20.6 million compared to the first half of 2009, primarily due to a decrease in project-related costs, partially offset by an increase in fleet costs reflecting an increase in owned vessel capacity.

In Q2 2010 Marine revenues were $213.0 million, compared to $294.3 million in Q2 2009.

Contract revenues decreased from $152.3 million in Q2 2009 to $126.8 million in Q2 2010, reflecting primarily lower prices. The Company used 46 percent of its total 3D capacity to acquire marine contract seismic in Q2 2010, the same percentage as in Q2 2009. Vessel steaming and yard time made up 19 percent and 4 percent respectively of total 3D capacity in Q2 2010, compared to 9 percent and 5 percent respectively in Q2 2009. The EBIT margin on marine contract acquisition work was approximately 14 percent in Q2 2010, down from 23 percent in Q1 2010 and 44 percent in Q2 2009. The decrease in Marine contract EBIT margin from Q1 2010 is mainly due to increased steaming, yard time and continued pricing pressure.

Total MultiClient revenues (pre-funding and late sales revenues combined) were $59.8 million in Q2 2010, compared to $111.7 million in Q2 2009. In Q2 2010, 31 percent of total 3D capacity was used for MultiClient acquisition, compared to 40 percent in Q2 2009.

MultiClient pre-funding revenues were $34.0 million in Q2 2010, compared to $82.7 million in Q2 2009. The decrease is due to less capacity allocated to MultiClient and later startup of MultiClient projects in the North Sea.

Pre-funding revenues in Q2 were 66 percent of capitalized MultiClient cash investments, excluding capitalized interest, compared to 146 percent in Q2 2009. The lower pre-funding rate in Q2 2010 reflects the nature of specific project business models, which are weighted to higher levels of late sales.

MultiClient late sales were $25.8 million in Q2 2010, compared to $29.1 million in Q2 2009, reflecting lower late sales in Europe, Brazil and Asia Pacific, partially offset by higher late sales in the Gulf of Mexico.

Capitalized cash investment in MultiClient library, excluding capitalized interest, was $51.7 million in Q2 2010, compared to $56.7 million in Q2 2009, reflecting less 3D capacity allocated to MultiClient.

External data processing ("DP") revenues were $24.9 million in Q2 2010, compared to $24.5 million in Q2 2009. DP continues to gain momentum, as technology advances such as GeoStreamer® and hyperBeam and investments in capacity yield a stable order book, resulting in consistent revenues in a challenging market. All the 3D GeoStreamer® projects awarded so far will be processed by PGS. The use of hyperBeam on our Crystal III MultiClient survey has allowed an ultra-fast velocity model building.

Marine EBIT was $16.3 million in Q2 2010, compared to $44.0 million in Q2 2009. The decrease is primarily driven by lower contract and MultiClient pre-funding revenues.

Operating expenses (before depreciation, amortization and impairments) increased by $1.6 million compared to Q2 2009.

Ocean Explorer is expected to be de-rigged and taken out of operations in Q3 2010 and *Falcon Explorer* was de-rigged as a seismic vessel in Q2 2010 and is now used as a support vessel.

The order book totaled $499 million for Marine at June 30, 2010, including $78 million of committed pre-funding on scheduled MultiClient projects and the estimated value of the OptoSeis agreement with Petrobras, compared to $559 million at June 30, 2009 and $409 million at March 31, 2009.

Other (including Corporate, Global Shared Services and PGS EM)

In the first half of 2010 the EBIT loss was $20.2 million, compared to a loss of $25.1 million in the first half of 2009.

The results include the electro-magnetic ("EM") operations of PGS EM with an EBIT loss of $4.8 million in the first half of 2010, compared to a loss of $11.3 million in the first half of 2009. During the first half of 2009 PGS EM restructured the organization to be more in line with market demand.

In Q2 2010 the EBIT loss was $10.6 million, the same as in Q2 2009.

The results include the electro-magnetic ("EM") operations of PGS EM with an EBIT loss of $1.8 million in Q2 2010, compared to a loss of $4.3 million in Q2 2009.

The Company expensed $2.1 million in Q2 2010 related to contracts on buildings no longer in use.

Global shared services had revenues of $1.8 million in Q2 2010 from a service agreement with Geokinetics following the sale of Onshore. The services terminated in June 2010.

Technology

In the first half of 2010 the Company reported $11.3 million in research and development costs, compared to $13.0 million in the first half of 2009. In the first half of 2010 the Company capitalized $6.1 million in development costs, compared to $2.8 million in the first half of 2009.

In Q2 2010, the Company reported $5.8 million, in research and development costs, compared to $6.9 million in Q2 2009, and capitalized $3.6 million and $1.9 million in development costs, respectively. These expenses mainly relate to the core business activities of marine seismic acquisition and processing. The reduction in 2010 expenses and increase in capitalized amounts compared to 2009 primarily relate to the capitalizing of the Towed EM development. Fiber-optic and streamer control system developments comprised the other main components of the capitalized costs in Q2 2010.

In Q2 2010 PGS signed an agreement with Petrobras to provide and install its OptoSeis fiber-optic permanent monitoring system in the Jubarte field in the North Campos Basin, Espirito Santo basin offshore Brazil. The agreement also includes seismic acquisition and processing for the project. A collaboration with Shell was also announced in the quarter to develop an ultra-high channel count fiber-optic seismic sensing system for onshore exploration and reservoir monitoring. Such a system will enable scalability far beyond what is currently available.

Depreciation and Amortization

In the first half of 2010 gross depreciation (before capitalization to MultiClient library) was $81.8 million, compared to $73.4 million in the first half of 2009, reflecting increased capacity after entry of *Ramform Sterling* and *PGS Apollo* to the fleet in July 2009 and March 2010 respectively, partially offset by sale of *Geo Atlantic*, in July 2009.

Amortization of the MultiClient library totaled $67.3 million (49 percent of MultiClient revenues) in the first half of 2010, compared to $62.2 million (39 percent of MultiClient revenues) in the first half of 2009.

In Q2 2010 gross depreciation (before capitalization to MultiClient library) was $41.6 million, compared to $35.9 in Q2 2009, reflecting the entry of *Ramform Sterling* and *PGS Apollo* to the fleet.

Amortization of the MultiClient library totaled $32.5 million (54 percent of MultiClient revenues) in Q2 2010, compared to $45.4 million (41 percent of MultiClient revenues) in Q2 2009. Pre-funding revenues are amortized with a rate of at least 45 percent (as long as such amortization does not exceed total cost).

Income (loss) from associated companies

In the first half of 2010 the loss from associated companies was $ 2.1 million. This is the combined result from the joint venture PGS Khazar and the ownership interest in Geokintetics.

The quoted market price for the ownership interest in Geokinetics was $8.0 million less than the book value as of June 30, 2010 due to a recent significant drop in the share price. If the situation continues this may trigger a write down.

Interest Expense

In the first half of 2010 gross interest expense was $29.4 million, compared to $38.5 million in the first half of 2009. The decrease primarily reflects a reduction in interest bearing debt.

Capitalized interest for MultiClient surveys and construction in progress was $4.7 million in the first half of 2010, compared to $17.7 million in the first half of 2009. The decrease is due to a reduction of vessels under construction.

In Q2 2010 gross interest expense was $14.4 million, compared to $18.9 million in Q2 2009.

Capitalized interest for MultiClient surveys and construction in progress was $2.0 million in Q2 2010, compared to $9.1 million in Q2 2009. The decrease is primarily due to a reduction of vessels under construction.

Other Financial Income

In the first half of 2010 other financial income was a gain of $8.2 million compared to a gain of $7.4 million in the first half of 2009. The gain in the first half of 2010 was primarily attributable to gain from sale of equity investments of $3.0 million and interest income of $3.5 million, compared to an interest income of $2.7 million and a gain on repurchase of convertible notes of $3.8 million in the first half 2009.

In Q2 2010 other financial income was a gain of $2.3 million compared to a gain of $6.3 million in Q2 2009. The gain in Q2 2010 was primarily attributable to interest income of $1.7 million, compared to an interest income of $1.6 million in Q2 2009, in addition to the gain on repurchase of convertible notes mentioned above in Q2 2009.

Other Financial Expense

In the first half 2010 other financial expense was $12.6 million, compared to $3.8 million in the first half 2009.

In Q2 2010 other financial expense was $10.6 million, compared to $1.9 million in Q2 2009. The increase is primarily due to amendment of The Company's $950 million credit agreement in order to enhance operational, commercial and financial flexibility. Total fees for the amendment were $7.0 million. The Company also paid a fee of $1.2 million for redeeming the 8.28% Notes before its due date (see the Liquidity and Financing paragraph for more details).

Currency Exchange Gain (Loss)

In the first half of 2010 currency exchange was a loss of $20.1 million, compared to a currency gain of $9.8 million in the first half of 2009. The loss in the first half of 2010 is primarily a result of NOK and GBP weakening against the USD. The Company holds foreign currency positions to balance its operational currency exposure. These positions are not accounted for as hedges, but marked to market at each balance sheet date together with receivables and payables in non US currencies, generally causing the short term effect to be negative when the USD appreciates.

In Q2 2010 currency exchange was a loss of $10.0 million, compared to a currency gain of $12.6 million in Q2 2009. The loss in Q2 2010 is explained by the same factors as for the first half 2010.

Income Tax Expense

In the first half of 2010 income tax expense was $2.2 million, compared to $32.0 million in the first half of 2009. The estimated current tax expense in the first half of 2010 was $16.2 million, compared to $21.6 million in the first half of 2009. Deferred tax represented a benefit of $14.0 million in the first half of 2010, compared to an expense of $10.4 million in the first half of 2009.

In Q2 2010 the income tax benefit was $2.8 million, compared to an expense of $4.0 million in Q2 2009. The estimated current tax expense in Q2 2010 was $8.6 million, compared to $8.0 million in Q2 2009. Deferred tax represented a benefit of $11.4 million in Q2 2010, compared to a benefit of $4.0 million in Q2 2009.

Tax expense for the first half of 2010 and Q2 is negatively impacted by developments relating to tax contingencies and impairment of deferred tax asset in specific countries, partly offset by vessel operations being tax exempt inside tonnage tax regimes.

The Company has substantial deferred tax assets in different jurisdictions, predominantly in Norway. Deferred tax assets recognized in the consolidated statements of financial position amounted to $221.1 million as of June 30, 2010, compared to $209.9 million as of June 30, 2009.

The Company has received the final tax assessment from the Tax Appeal Board of the Central Tax Office in Norway ("CTO") regarding exit from the previous shipping tax regime, effective January 1, 2002. There is an uncertainty whether the Company will be granted a change of tax depreciations or deductions in tax returns for previous years based on the final assessment. The Company has based the accounting on the final assessment with an assumption that historical tax depreciations/deductions can be changed. The Company has in April 2010 filed a lawsuit challenging the decision by the Tax Appeal Board at the CTO since its primary position, supported by external shipbroker valuations, is that it had a loss at the time of exit.

The Company has an ongoing dispute in Brazil related to municipal services tax ("ISS") on sale of MultiClient data. The issue has been disclosed and explained in annual and quarterly reports since 2005. As of June 30, 2010 the Company estimates the total exposure to be approximately $164 million, including possible penalties and interest, none of which has been accrued because the matter is considered more likely than not to be resolved in PGS' favor. PGS has presented a bank guarantee of $27 million following an ISS foreclosure presented by the tax office in Rio de Janeiro, Brazil in December 2009. The bank guarantee was required as part of the court suit filed by PGS on February 4, 2010 to challenge the assessment.

Capital Investment

In the first half of 2010 cash investment in MultiClient library totaled $103.8 million, excluding capitalized interest, compared to $101.6 million in the first half of 2009. The increase is primarily due to more capacity allocated to MultiClient and the Crystal III (East Breaks) Wide Azimuth Survey in the Gulf of Mexico, which commenced in November 2009 and was completed early June 2010.

Capital expenditures, excluding capitalized interest, totaled $100.6 million in the first half of 2010, compared to $150.5 million in the first half of 2009.

The main capital expenditures in the first half of 2010 were streamer investments of $61.7 million, other seismic equipment of $14.7 million, rigging expenditures of $5.9 million and maritime equipment of $8.5 million.

In Q2 2010 cash investment in MultiClient library totaled $51.7 million, excluding capitalized interest, compared to $56.7 million in Q2 2009. The decrease is primarily due to less capacity allocated to MultiClient.

Capital expenditures, excluding capitalized interest, totaled $52.7 million in Q2 2010, compared to $56.8 million in Q2 2009.

The main capital expenditures in Q2 2010 were streamer investments of $33.1 million, other seismic equipment of $4.7 million, rigging expenditures of $3.1 million and maritime equipment of $7.5 million.

PGS took delivery of the 3D vessel *PGS Apollo* on March 26, 2010 from the Factorias Vulcano shipyard group in Spain and it commenced operation in mid-May. The vessel is equipped with 10 full length streamers and 12 streamer reels, and is a purpose-built and efficient seismic ship in the medium-to-high capacity segment. The vessel has proven to be a valuable supplement to PGS' existing high capacity Ramform fleet.

The work on New Build (“NB”) 535, at the same shipyard group, has shown limited progress to date. PGS will be entitled to terminate the contract if the vessel is not delivered by January 31, 2010 plus 200 days.

Arrow Seismic ASA including its subsidiaries (”Arrow”) has paid all scheduled pre-delivery yard installments on NB 535, approximately EUR 40 million, and Arrow has received bank guarantees for the full amount. If in the future the shipbuilding contract for NB 535 is terminated, Arrow will be entitled to call on these guarantees. Such termination would result in a material impairment charge.

Liquidity and Financing

In the first half of 2010 net cash provided by operating activities was $179.3 million compared to $353.5 million in the first half of 2009. The decrease is primarily due to lower profitability on Marine contract work, lower MultiClient revenues and a corresponding lower adjusted EBITDA.

During the first half of 2010 PGS received $172.3 million (net of transaction cost, cash disposed and $4.6 million of proceeds temporarily held in escrow account) from sale of Onshore to Geokinetics and $51.9 million in refund guarantee and interests after the arbitration court ruled in favor of PGS regarding cancelation of NB 532.

The yard disputed Arrow’s right to cancel the shipbuilding contracts for NB 532 and NB 533 due to delays beyond milestones set forth in the shipbuilding contract, and submitted the dispute to arbitration in Norway. The full amount Arrow claims from the yard is EUR 39.7 million for each vessel with the addition of interests and full legal costs. The claim related to NB 532 was confirmed by the arbitration court in January 2010, and Arrow received on the basis of this EUR 32 million plus interest of EUR 5 million through bank guarantees in the first half of 2010.

The hearing in the second arbitration concerning NB 533 was completed in June 2010. A ruling from the arbitration court is expected in Q3 2010. The amounts secured by bank guarantees are the same for NB 533 as for NB 532.

In Q2 2010, net cash provided by operating activities was $63.8 million compared to $208.1 million in Q2 2009. The decrease is primarily due to lower profitability on Marine contract work, lower MultiClient revenues and a corresponding lower adjusted EBITDA. Q2 2010 had a positive contribution from continued reduction in working capital, albeit less than Q2 2009.

At June 30, 2010, cash and cash equivalents amounted to $159.8 million, compared to $350.6 million at March 31, 2010 and $168.1 million at June 30, 2009. Restricted cash amounted to $8.2 million at June 30, 2010 compared to $31.4 million at March 31, 2010 and $17.7 million at June 30, 2009. In Q2 2010 the Company made $121.2 million of debt repayments and repurchased 900,000 own shares for the amount of $9.2 million.

As of June 30, 2010, $470.5 million was outstanding under the Term Loan B maturing in 2015. In addition, the Company has $344.5 million nominal amount of convertible notes outstanding. The 8.28% Notes, with a balance of $33.9 million, was fully redeemed on June 1, 2010. There are no drawings on the $350.0 million revolving credit facility maturing in 2012.

The total interest bearing debt, including capital leases, was $784.3 million as of June 30, 2010 compared to $919.3 million as of March 31, 2010 and $1,147.9 million as of June 30, 2009.

Net interest bearing debt (interest bearing debt less cash and cash equivalents, restricted cash and interest bearing investments) was $616.3 million as of June 30, 2010 compared to $537.4 million as of March 31, 2010 and $962.1 million as of June 30, 2009.

The Company is subject to interest rate risk on debt, including capital leases. The risk is managed through using a combination of fixed and variable rate debt, together with interest rate swaps where appropriate, to fix the borrowing cost. As of June 30, 2010 the Company had approximately 91 percent of its debt on fixed interest rate and the weighted average interest rate on gross debt was approximately 4.8 percent, inclusive credit margins paid on the debt. The swap agreements used to fix the interest rate on $375 million of the debt matures from second half 2010 through 2014 and is matched against the Term Loan B. The swap agreements are accounted for as interest rate hedges as long as the hedging criteria are met.

Given the Company's interest rate swaps and cash holdings, for every one percentage point hypothetical increase in LIBOR, the annual net interest expense on the Company's debt, including capital leases, would decrease by approximately $0.4 million.

In Q2 2010 PGS received support from lenders to approve amendments to the definition of adjusted EBITDA used in calculating the leverage ratio in respect of maintenance and incurrence-based financial covenants of the $950 million senior secured credit facilities, consisting of the $600 million Term Loan B and the $350 million revolving credit facility. After the amendment MultiClient investments shall be deducted from EBITDA only with the amount, if any, that such investments exceed pre-funding revenues in the same measurement period. The amendment will enhance PGS' operational, commercial and financial flexibility. Total fees and expenses for the amendment was $7.0 million, and $100 million of the Term Loan B was prepaid in Q2 2010.

The credit agreement for the $600 million (remaining balance $470.5 million) Term Loan B and the $350 million revolving credit facility contains certain terms that place some limitations on the Company. The revolving credit facility contains a covenant whereby total leverage cannot exceed 3.00:1 in 2010 and 2.75:1 thereafter. At June 30, 2010 the total leverage ratio was 2.05:1. The credit agreement generally requires the Company to apply 50 percent of excess cash flow to repay outstanding borrowings when the senior leverage ratio exceeds 2.0:1 or if total leverage ratio exceeds 2.5:1 for the financial year.

Risk factors

The Company emphasize that the information included herein contains certain forward-looking statements that address activities, events or developments that the Company expects, projects, believes or anticipates will or may occur in the future. These statements are based on various assumptions made by the Company, which are beyond its control and are subject to risks and uncertainties. The Company is subject to a large number of risk factors including but not limited to the demand for seismic services, the demand for data from our MultiClient data library, the attractiveness of our technology, changes in governmental regulations affecting our markets, technical downtime, licenses and permitting and weather conditions.

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

For a further description of other relevant risk factors we refer to the Annual Report for 2009.

As a result of these and other risk factors, actual events and actual results may differ materially from those indicated in or implied by such forward-looking statements.

Outlook 2010

Based on the current operational forecast and with reference to the aforementioned risk factors, the Company maintains its full year 2010 EBITDA guidance of $450 million. As a result of the accelerated GeoStreamer® rollout program, capital expenditures are expected to increase by approximately $30 million in 2010, from the earlier indication of $175 million. Pre-funding ratio for full year 2010 is expected to be close to pre-funding ratio for 2009.

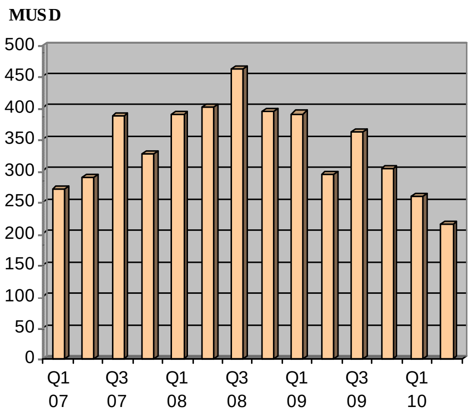
Most of the Company's 2010 3D capacity is now sold. The primary risks relating to the full year guidance are MultiClient sales, operational downtime and scheduling events in the second half of the year. The guidance could also be impacted if the Company makes changes to investment plans.

The Company's vessel operation in the Gulf of Mexico has not been significantly impacted by the Macondo incident. Management sees some uncertainty related to late sales in the second half of 2010.

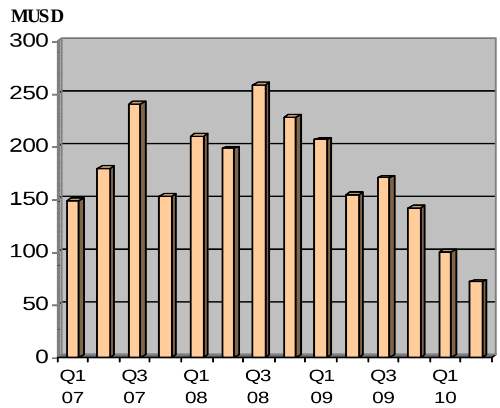
Petroleum Geo-Services ASA and Subsidiaries
Consolidated Statements of Operations

		Quarter ended June 30,		Six months ended June 30,		Year ended December 31,
	Note	2010 Unaudited	2009 Unaudited	2010 Unaudited	2009 Unaudited	2009 Audited
		(In thousands of dollars, except share data)				
Revenues	4	$ 214 861	$ 294 270	$ 474 294	$ 685 092	$ 1 350 202
Cost of sales		123 384	121 461	263 561	286 369	605 980
Research and development costs	5	5 753	6 949	11 272	12 989	22 806
Selling, general and administrative costs		14 284	11 713	28 731	25 250	49 270
Depreciation and amortization	4, 6	66 112	72 992	130 641	124 142	285 269
Impairment of long-lived assets	4, 7	-	48 221	538	98 806	153 615
Total operating expenses		209 533	261 336	434 743	547 556	1 116 940
Operating profit (loss)/EBIT	4	5 328	32 934	39 551	137 536	233 262
Income/(loss) from associated companies		(2 125)	(33)	(2 712)	(409)	1 901
Interest expense	8	(12 325)	(9 748)	(24 724)	(20 767)	(45 232)
Other financial income	9	2 309	6 320	8 163	7 378	24 489
Other financial expense	10	(10 572)	(1 860)	(12 567)	(3 755)	(11 117)
Currency exchange gain (loss)		(9 980)	12 561	(20 143)	9 844	24 806
Income (loss) before income tax expense (benefit)		(27 365)	40 174	(12 432)	129 827	228 109
Income tax expense (benefit)		(2 759)	3 993	2 153	32 041	51 942
Income (loss) from continuing operations		(24 606)	36 181	(14 585)	97 786	176 167
Income (loss) from discontinued operations, net of tax	17	2 301	4 859	8 535	(2 582)	(8 248)
Net income (loss)		**$ (22 305)**	**$ 41 040**	**$ (6 050)**	**$ 95 204**	**$ 167 919**
Net income attributable to minority interests		(5)	(2)	62	(2)	2 094
Net income (loss) to equity holders of PGS ASA		**$ (22 300)**	**$ 41 042**	**$ (6 112)**	**$ 95 206**	**$ 165 825**
Earnings per share, to ordinary equity holders of PGS ASA:						
- Basic	16	$ (0.11)	$ 0.22	$ (0.03)	$ 0.53	$ 0.88
- Diluted	16	$ (0.11)	$ 0.22	$ (0.03)	$ 0.53	$ 0.88
Earnings per share from continuing operations, to ordinary equity holders of PGS ASA:						
- Basic	16	$ (0.12)	$ 0.20	$ (0.07)	$ 0.54	$ 0.92
- Diluted	16	$ (0.12)	$ 0.20	$ (0.07)	$ 0.54	$ 0.92
Weighted average basic shares outstanding		197 934 706	184 074 962	197 967 172	180 155 760	189 061 076
Weighted average diluted shares outstanding		198 970 199	184 074 962	199 064 574	180 155 760	189 061 575

Revenues by Quarter 2007- 2010



Adjusted EBITDA (1) by Quarter 2007- 2010



Notes: (1) Adjusted EBITDA, when used by the Company, means income before income tax expense less, currency exchange gain (loss), other financial expense, other financial income, interest expense, income (loss) from associated companies, impairment of long lived assets and depreciation and amortization. See Support Tables for a more detailed discussion of and reconciliation of Adjusted EBITDA to income before income tax expense (benefit). Adjusted EBITDA may not be comparable to other similary titled measures from other companies. PGS has included Adjusted EBITDA as a supplemental disclosure because management believes that it provides useful information regarding PGS' ability to service debt and to fund capital expenditures and provides investors with a helpful measure for comparing its operating performance with that of other companies. Adjusted EBITDA is considered a non IFRS measure.

Petroleum Geo-Services ASA and Subsidiaries
Consolidated Statements of Comprehensive Income

	Note	Quarter ended June 30, 2010 Unaudited	Quarter ended June 30, 2009 Unaudited	Six months ended June 30, 2010 Unaudited	Six months ended June 30, 2009 Unaudited	Year ended December 31, 2009 Audited
		(In thousands of dollars)				
Net income for the period		$ (22 305)	$ 41 040	$ (6 050)	$ 95 204	$ 167 919
Other comprehensive income:						
Cash flow hedges	13	(1 088)	6 045	(1 633)	11 403	15 582
Deferred tax on cash flow hedges		312	(1 674)	781	(3 246)	(4 388)
Revaluation of shares available-for-sale	13	(3 425)	6 218	(1 862)	7 814	(2)
Translation adjustments and other		(30)	28	(116)	47	26
Other comprehensive income for the period, net of tax		(4 231)	10 617	(2 830)	16 018	11 218
Total comprehensive income for the period		(26 536)	51 657	(8 880)	111 222	179 137
Total comprehensive income attributable to minority interests		(5)	(2)	62	(2)	2 094
Total comprehensive income to equity holders of PGS ASA		**$ (26 531)**	**$ 51 659**	**$ (8 942)**	**$ 111 224**	**$ 177 043**

Petroleum Geo-Services ASA and Subsidiaries
Consolidated Statements of Financial Position

	Note	June 30, 2010 Unaudited	June 30, 2009 Unaudited	December 31, 2009 Audited
		(In thousands of dollars)		
ASSETS				
Current assets:				
Cash and cash equivalents	15	$ 159 814	$ 168 116	$ 125 961
Restricted cash	15	8 204	7 725	7 977
Shares available-for-sale		-	13 502	2 039
Accounts receivable		122 630	244 803	197 098
Accrued revenues and other receivables		140 248	171 989	216 846
Assets held-for-sale	17	3 000	63 250	227 292
Other current assets		91 920	122 729	90 148
Total current assets		525 816	792 114	867 361
Long-term assets:				
Property and equipment		1 305 892	1 464 824	1 283 463
Multi-client library	11	349 863	348 493	293 238
Restricted cash	15	-	10 014	10 014
Deferred tax assets		221 122	209 898	207 890
Investments in associated companies		23 509	13 983	7 043
Shares available-for-sale		16 559	1 942	10 004
Other long-lived assets		7 379	16 362	12 053
Goodwill		139 852	175 092	139 852
Other intangible assets		100 373	99 713	98 490
Total long-term assets		2 164 549	2 340 321	2 062 047
Total assets		$ 2 690 365	$ 3 132 435	$ 2 929 408
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Short-term debt and current portion of long-term debt	15	$ -	$ 92 656	$ 26 109
Current portion of capital lease obligations	15	118	462	348
Accounts payable		82 205	84 861	87 153
Accrued expenses		242 200	313 100	286 079
Liabilities held-for-sale	17	-	-	26 008
Income taxes payable		40 996	77 909	54 914
Total current liabilities		365 519	568 988	480 611
Long-term liabilities:				
Long-term debt	15	776 483	1 043 429	882 580
Long-term capital lease obligations	15	-	106	-
Deferred tax liabilities		25 111	33 713	31 228
Other long-term liabilities		90 319	108 497	85 952
Total long-term liabilities		891 913	1 185 745	999 760
Shareholders' equity:				
Paid-in capital:				
Common stock; par value NOK 3;				
issued and outstanding 197,999,999 shares		86 583	86 583	86 583
Treasury shares, par value		(414)	(89)	-
Additional paid-in capital		240 305	232 828	237 542
Total paid-in capital		326 474	319 322	324 125
Accumulated earnings		1 132 726	1 077 021	1 147 551
Cumulative translation adjustment and other reserves		(26 274)	(18 644)	(23 444)
Minority interests		7	3	805
Total shareholders' equity	14	1 432 933	1 377 702	1 449 037
Total liabilities and shareholders' equity		$ 2 690 365	$ 3 132 435	$ 2 929 408

Petroleum Geo-Services ASA and Subsidiaries
Consolidated Statements of Cash Flows

	Quarter ended June 30, 2010 Unaudited	Quarter ended June 30, 2009 Unaudited	Six months ended June 30, 2010 Unaudited	Six months ended June 30, 2009 Unaudited	Year ended December 31, 2009 Audited
	(In thousands of dollars)				
Cash flows provided by operating activities:					
Net income (loss)	$ (22 300)	$ 41 042	$ (6 112)	$ 95 206	$ 165 825
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	66 112	72 992	130 641	124 142	285 269
Depreciation and amortization, discontinued operations	-	6 117	-	11 997	22 701
Impairments of long-lived assets	-	48 221	538	98 806	153 615
(Gain) loss on sale of assets	1 367	469	1 804	(152)	47
(Income) loss from associated companies	2 124	33	2 712	409	(1 901)
Interest expense	12 325	9 761	24 718	20 577	45 035
(Increase) decrease in deferred income taxes	(15 436)	(4 725)	(18 391)	9 010	7 095
Net decrease (increase) in restricted cash	6 625	4 650	(1 315)	635	383
Income taxes paid	(16 581)	(14 532)	(27 432)	(28 181)	(65 487)
Gain on sale of shares	-	-	(3 044)	-	(8 670)
Gain on sale of subsidiary (Onshore), net of transaction cost	(7)	-	(8 809)	-	-
Other items	11	(1 352)	(521)	1 868	2 908
(Increase) decrease in accounts receivable, net	(19 633)	36 535	61 067	(15 900)	(15 703)
(Increase) decrease in unbilled and other receivables	27 336	9 139	46 208	53 707	45 721
(Increase) decrease in other current assets	(8 394)	(4 826)	(2 494)	20 406	39 354
(Increase) decrease in other long-lived assets	(1 159)	3 843	4 616	3 780	6 963
Increase (decrease) in accounts payable	3 254	(3 792)	(3 272)	(13 175)	(6 686)
Increase (decrease) in accrued expenses and income taxes payable	23 871	8 288	(25 583)	(20 908)	21 394
Increase (decrease) in other long-term liabilities	4 211	(3 748)	3 896	(8 752)	(21 781)
Net cash provided by operating activities	63 726	208 115	179 227	353 475	676 082
Cash flows (used in) provided by investing activities:					
Investment in MultiClient library	(51 693)	(56 739)	(103 781)	(101 583)	(183 083)
Investment in MultiClient library, discontinued operations	-	(584)	(1 208)	(2 825)	(3 599)
Capital expenditures	(52 698)	(56 813)	(100 599)	(150 478)	(231 227)
Capital expenditures on new-builds on charter	-	(320)	-	(1 016)	(3 839)
Capital expenditures, discontinued operations	-	(3 948)	-	(5 643)	(10 538)
Proceeds/ refunds from new-build cancellations	-	-	51 935	-	-
Investment in other intangible assets	(3 652)	(1 934)	(6 171)	(2 912)	(7 811)
Investment in other intangible assets, discontinued operations	-	(1 529)	(219)	(1 567)	(4 577)
Investment/sale of assosiated companies, net	(65)	-	(65)	-	-
Proceeds from sale of assets and assosiated companies	-	271	-	1 724	12 143
Proceeds from assets held-for-sale, net	-	-	-	-	58 000
Investment in available-for-sale shares	(2 900)	-	(9 347)	-	(8 128)
Proceeds from sale of avaiable-for-sale shares	-	-	6 725	-	14 681
Sale of subsidiaries (Onshore)	-	-	171 433	-	-
Other items, net	1 000	29	1 000	29	1 956
Net cash provided by investing activities	(110 008)	(121 567)	9 703	(264 271)	(366 022)
Cash flows provided by (used in) financing activities:					
Proceeds from issuance of common stock, net	-	98 523	-	98 523	98 523
Purchase of treasury shares	(9 179)	-	(9 179)	-	-
Proceeds from issuance of long-term debt	-	-	-	20 000	20 000
Repayment of long-term debt	(121 153)	(113 147)	(122 620)	(119 164)	(354 538)
Principal payments under capital leases	(116)	(3 201)	(236)	(3 483)	(3 703)
Proceeds from sale of treasury shares	52	20 276	52	20 276	20 276
Dividend paid to minorities in subsidiaries	-	(5)	(860)	(5)	(1 299)
Interest paid	(14 100)	(22 622)	(22 234)	(32 483)	(58 606)
Net cash used in financing activities	(144 496)	(20 176)	(155 077)	(16 336)	(279 347)
Net increase (decrease) in cash and cash equivalents	(190 778)	66 372	33 853	72 868	30 713
Cash and cash equivalents at beginning of period	350 592	101 744	125 961	95 248	95 248
Cash and cash equivalents at end of period	**$ 159 814**	**$ 168 116**	**$ 159 814**	**$ 168 116**	**$ 125 961**

Petroleum Geo-Services ASA
Notes to the Interim Consolidated Financial Statements - Second Quarter 2010

Note 1 - General

In December 2009 the Company entered into an agreement to sell PGS Onshore business ("Onshore") to the US-based Geokinetics. The transaction was closed February 12, 2010. The results for Onshore are included in discontinued operations in the consolidated statements of operations and was classified as asset held-for-sale in the consolidated statement of financial positions as of December 31, 2009 (see Note 17 and 18). The Notes are restated for all periods presented.

The Company is a Norwegian limited liability company and has prepared its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU. The consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") No. 34 "*Interim Financial Reporting"*.

(1) Certain reclassifications have been made to prior period amounts to conform to the current presentation, including restatement of Onshore to discontinued operations (see above). Financial information for the full year 2009 is derived from the audited financial statements as presented in the 2009 Annual Report.

(2) Adjusted EBITDA, when used by the Company, means income before income tax expense (benefit) less, currency exchange gain (loss), other financial expense, other financial income, interest expense, income (loss) from associated companies, impairments of long-lived assets and depreciation and amortization. EBITDA may not be comparable to other similar titled measures from other companies. PGS has included Adjusted EBITDA as a supplemental disclosure because management believes that it provides useful information regarding PGS' ability to service debt and to fund capital expenditures and provides investors with a helpful measure for comparing its operating performance with that of other companies.

Note 2 - Basis of presentation

The consolidated interim financial statements reflects all adjustments, in the opinion of PGSs management, that are necessary for a fair presentation of the results of operations for all periods presented. Operating results for the quarter period is not necessary indicative of the results that may be expected for any subsequent interim period or year. The interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2009.

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Company's consolidated financial statements for the year ended December 31, 2009. See Note 2 to the Consolidated Financial Statements in the 2009 Annual Report for information of the Company's significant accounting policies.

Note 3 - New policies and standards adopted in 2010

None of the new accounting standards that came into effect on January 1, 2010 had a significant impact in the first six months of 2010.

Note 4 - Segment information

The Company has, up until the sale of Onshore (see above), operated its business in two segments; Marine and Onshore. The financial information to be reviewed by the chief operating decision maker based on the change in organization from May 1, 2010 has not yet been decided. PGS has therefore presented segment information as in previous quarters.
"Other" includes Corporate administration costs, unallocated Global Shared Services costs (net) and PGS EM. Financial items and income tax expense are not included in the measure of segment performance. Onshore is presented as discontinued operation and is not included in the tables below.

Revenues by operating segment and service type for the periods presented:

	Quarter ended June 30,		Six months ended June 30,		Year ended December 31,
	2010	2009	2010	2009	2009
Revenues by continued operations:			(In thousands of dollars)		
Marine revenues by service type:					
- Contract seismic	$ 126 771	$ 152 288	$ 282 155	$ 471 615	$ 893 050
- MultiClient pre-funding	34 011	82 658	68 332	106 099	169 043
- MultiClient late sales	25 757	29 084	67 957	51 801	181 635
- Data Processing	24 864	24 458	48 071	45 034	90 158
- Other	1 637	5 782	4 820	10 543	15 816
Marine revenues	**$ 213 040**	**$ 294 270**	**$ 471 335**	**$ 685 092**	**$ 1 349 702**
Other revenues by service type:					
- MultiClient late sales	-	-	-	-	$ 500
- Other	1 821	-	2 959	-	-
Other revenues	**$ 1 821**	**$ -**	**$ 2 959**	**$ -**	**$ 500**
Total revenues by service type:					
- Contract seismic	$ 126 771	$ 152 288	$ 282 155	$ 471 615	$ 893 050
- MultiClient pre-funding	34 011	82 658	68 332	106 099	169 043
- MultiClient late sales	25 757	29 084	67 957	51 801	182 135
- Data Processing	24 864	24 458	48 071	45 034	90 158
- Other	3 458	5 782	7 779	10 543	15 816
Total revenues (continuing operation)	**$ 214 861**	**$ 294 270**	**$ 474 294**	**$ 685 092**	**$ 1 350 202**

Operating profit (loss)/EBIT by operating segment for the periods presented:

	Quarter ended June 30,		Six months ended June 30,		Year ended December 31,
	2010	2009	2010	2009	2009
Operating profit (loss)/ EBIT from continuing operations:			(In thousands of dollars)		
Marine:					
Adjusted EBITDA	$ 80 198	$ 163 125	$ 186 508	$ 379 688	$ 702 355
Impairments of long-lived assets	-	(48 221)	(538)	(98 806)	(153 224)
Depreciation and amortization (a)	(31 410)	(25 525)	(58 381)	(57 354)	(122 394)
Amortization of MultiClient library (a)	(32 488)	(45 333)	(67 276)	(61 399)	(151 572)
Operating profit/EBIT, Marine	16 300	44 046	60 313	162 129	275 165
Other:					
Adjusted EBITDA	$ (8 408)	$ (8 404)	$ (15 177)	$ (19 625)	$ (29 661)
Impairments of long-lived assets	-	-	-	-	(391)
Depreciation and amortization (a)	(2 230)	(2 144)	(5 005)	(4 685)	(9 464)
Amortization of MultiClient library (a)	-	(33)	-	(789)	(1 860)
Operating profit (loss)/EBIT, Other	(10 638)	(10 581)	(20 182)	(25 099)	(41 376)
Inter-segment eliminations:					
Adjusted EBITDA	$ (350)	$ (574)	$ (601)	$ 421	$ (548)
Depreciation and amortization (a)	-	37	-	74	-
Amortization of MultiClient library (a)	16	6	21	11	21
Operating profit (loss)/EBIT, Other	(334)	(531)	(580)	506	(527)
Total Operating profit:					
Adjusted EBITDA	$ 71 440	$ 154 147	$ 170 730	$ 360 484	$ 672 146
Impairments of long-lived assets	-	(48 221)	(538)	(98 806)	(153 615)
Depreciation and amortization (a)	(33 640)	(27 632)	(63 386)	(61 965)	(131 858)
Amortization of MultiClient library (a)	(32 472)	(45 360)	(67 255)	(62 177)	(153 411)
Total Operating profit (loss)/EBIT	**$ 5 328**	**$ 32 934**	**$ 39 551**	**$ 137 536**	**$ 233 262**

(a) Presented separately in the Consolidated Statements of Operations.

Note 5 - Research and development costs

Resarch and development costs, net of capitalized portion were as follows for the periods presented:

	Quarter ended June 30,				Six months ended June 30,				Year ended December 31,	
	2010		2009		2010		2009		2009	
					(In thousands of dollars)					
Research and development costs, gross	$	9 397	$	8 812	$	17 389	$	15 751	$	31 555
Capitalized development costs		(3 644)		(1 863)		(6 117)		(2 762)		(8 749)
Total	**$**	**5 753**	**$**	**6 949**	**$**	**11 272**	**$**	**12 989**	**$**	**22 806**

Note 6 - Depreciation and amortization

Depreciation and amortization consists of the following for the periods presented:

	Quarter ended June 30,				Six months ended June 30,				Year ended December 31,	
	2010		2009		2010		2009		2009	
					(In thousands of dollars)					
Gross depreciation	$	41 642	$	35 866	$	81 845	$	73 365	$	156 639
Depreciation capitalized to MultiClient library		(8 002)		(8 234)		(18 459)		(11 400)		(24 781)
Amortization of MultiClient library		32 472		45 360		67 255		62 177		153 411
Total	**$**	**66 112**	**$**	**72 992**	**$**	**130 641**	**$**	**124 142**	**$**	**285 269**

The Company amortizes its MultiClient library primarily based on the ratio between the cost of surveys and the total forecasted sales for such surveys. In applying this method, surveys are categorized into four amortization categories with amortization rates of 90%, 75%, 60% or 45% of sales amounts. Each category includes surveys where the remaining unamortized cost as a percentage of remaining forecasted sales is less than or equal to the amortization rate applicable to each category.

The Company also applies minimum amortization criteria for the library projects based generally on a five-year life. The Company calculates and records minimum amortization individually for each MultiClient survey or pool of surveys at quarterly basis. At year-end, or when specific impairment indicators exists, the Company carry out an impairment test of individual MultiClient surveys. The Company classifies these impairment charges as amortization expense in its consolidated statement of operations since this additional, non-sales related amortization expense, is expected to occur regularly.

Note 7 - Impairments of long-lived assets

Impairments of long-lived assets consists of the following for the periods presented:

	Quarter ended June 30,				Six months ended June 30,				Year ended December 31,	
	2010		2009		2010		2009		2009	
					(In thousands of dollars)					
Property and equipment	$	-	$	48 221	$	538	$	98 806	$	153 615
Total	**$**	**-**	**$**	**48 221**	**$**	**538**	**$**	**98 806**	**$**	**153 615**

Note 8 - Interest expense

Interest expense consists of the following for the periods presented:

	Quarter ended June 30,				Six months ended June 30,				Year ended December 31,	
	2010		2009		2010		2009		2009	
					(In thousands of dollars)					
Interest expense, gross	$	(14 370)	$	(18 885)	$	(29 427)	$	(38 485)	$	(70 472)
Capitalized interest, multi-client library		1 265		1 857		2 168		3 389		6 000
Capitalized interest, construction in progress		780		7 280		2 535		14 329		19 240
Total	**$**	**(12 325)**	**$**	**(9 748)**	**$**	**(24 724)**	**$**	**(20 767)**	**$**	**(45 232)**

Note 9 - Other financial income

Other financial income consists of the following for the periods presented:

	Quarter ended June 30,				Six months ended June 30,				Year ended December 31,	
	2010		2009		2010		2009		2009	
					(In thousands of dollars)					
Interest income	$	1 725	$	1 632	$	3 489	$	2 676	$	7 238
Gain on repurchase of convertible notes		-		3 778		-		3 778		3 778
Gain from sale of shares		-		409		3 044		409		8 671
Gain on investment in shares available for sale		409		-		711		-		3 749
Other		175		501		919		515		1 053
Total	**$**	**2 309**	**$**	**6 320**	**$**	**8 163**	**$**	**7 378**	**$**	**24 489**

Note 10 - Other financial expense

Other financial expense consists of the following for the periods presented:

	Quarter ended June 30,				Six months ended June 30,				Year ended December 31,	
	2010		2009		2010		2009		2009	
					(In thousands of dollars)					
Instruction fee convertible note (includes costs)	$	-	$	-	$	-	$	-	$	(6 895)
Amendment fees USD 950 million Credit Facilities		(7 029)		-		(7 029)		-		-
Fee in connection with redemption of 8.28% Notes		(1 229)		-		(1 229)		-		-
Other		(2 314)		(1 860)		(4 309)		(3 755)		(4 222)
Total	**$**	**(10 572)**	**$**	**(1 860)**	**$**	**(12 567)**	**$**	**(3 755)**	**$**	**(11 117)**

Note 11 - MultiClient library

The net book-value of the MultiClient library by year of completion is as follows:

	June 30, 2010	June 30, 2009	December 31, 2009
	(In thousands of dollars)		
Completed during 2004 and prior years	$ -	$ 1 472	$ -
Completed during 2005	639	1 531	1 044
Completed during 2006	2 045	474	1 796
Completed during 2007	6 983	16 792	8 785
Completed during 2008	41 178	96 721	46 925
Completed during 2009	146 458	108 716	160 978
Completed during 2010	13 061	-	-
Completed surveys	210 364	225 706	219 528
Surveys in progress	139 499	122 787	73 710
MultiClient library, net	**$ 349 863**	**$ 348 493**	**$ 293 238**

As of June 30, 2009 MultiClient library includes Onshore surveys for $61.6 million. As of December 31, 2009 such surveys are presented as held for sale.

Key figures MultiClient library by segment for the periods presented:

	Quarter ended June 30, 2010	Quarter ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009	Year ended December 31, 2009
			(In thousands of dollars)		
Key figures Multiclient library continuing operation:					
Marine:					
MultiClient pre-funding (a)	$ 34 011	$ 82 658	$ 68 332	$ 106 099	$ 169 043
MultiClient late sales (a)	25 757	29 084	67 957	51 801	181 635
Cash investment in MultiClient library	51 693	56 734	103 781	101 572	183 059
Capitalized interest in MultiClient library	1 265	1 857	2 168	3 389	6 000
Capitalized depreciation (non-cash)	8 002	8 234	18 459	11 400	24 781
Amortization of MultiClient library	32 488	45 333	67 276	61 399	151 572
Other/Elimination:					
MultiClient late sales (a)	$ -	$ -	$ -	$ -	$ 500
Cash investment in MultiClient library	-	5	-	11	24
Amortization of MultiClient library	(16)	27	(21)	778	1 839
Total MultiClient library, key figures:					
MultiClient pre-funding (a)	**$ 34 011**	**$ 82 658**	**$ 68 332**	**$ 106 099**	**$ 169 043**
MultiClient late sales (a)	**25 757**	**29 084**	**67 957**	**51 801**	**182 135**
Cash investment in MultiClient library (b)	**51 693**	**56 739**	**103 781**	**101 583**	**183 083**
Capitalized interest in MultiClient library (c)	**1 265**	**1 857**	**2 168**	**3 389**	**6 000**
Capitalized depreciation (non-cash) (d)	**8 002**	**8 234**	**18 459**	**11 400**	**24 781**
Amortization of MultiClient library (d)	**32 472**	**45 360**	**67 255**	**62 177**	**153 411**

(a) See segment information, Note 4.

(b) See Consolidated statements of cash flows.

(c) See Interest expense above.

(d) See Depreciation and amortization above.

Note 12 - Capital expenditures (cash)

Capital expenditures (cash) were as follows for the periods presented:

	Quarter ended June 30, 2010	Quarter ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009	Year ended December 31, 2009
			(In thousands of dollars)		
Marine	$ 51 137	$ 55 944	$ 97 640	$ 147 781	$ 227 840
Other	1 561	869	2 959	2 697	3 387
Total	**$ 52 698**	**$ 56 813**	**$ 100 599**	**$ 150 478**	**$ 231 227**

Note 13 - Components of other comprehensive income

A reconciliation of reclassification adjustments included in the Consolidated Statements of Operations ("CSO") for all periods presented follows:

	Quarter ended June 30, 2010	Quarter ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009	Year ended December 31, 2009
			(In thousands of dollars)		
Cash flow hedges:					
Gains (losses) arising during the period	$ (6 014)	$ 2 059	$ (11 471)	$ 3 713	$ (1 762)
Less: Reclassification adjustments for losses included in the Consolidated Statement of Operations	4 926	3 986	9 838	7 690	17 344
Cash flow hedges, net	**$ (1 088)**	**$ 6 045**	**$ (1 633)**	**$ 11 403**	**$ 15 582**
Revaluation of shares available-for-sale:					
Gains (losses) arising during the period	$ (3 425)	$ 6 262	$ (811)	$ 7 858	$ 1 434
Less: Reclassification adjustments for (gains) included in the Consolidated Statement of Operations	-	(44)	(1 051)	(44)	(1 436)
Revaluation of shares available-for-sale, net	**$ (3 425)**	**$ 6 218**	**$ (1 862)**	**$ 7 814**	**$ (2)**

Note 14 - Shareholders' equity

	Common stock par value	Treasury shares par value	Additional paid-in capital	Accumulated earnings (deficit)	Cumulative translation adjustm. and other reserves	Minority interests	Shareholders' equity
	(In thousands of dollars)						
Balance at December 31, 2008	$ 78 208	$ (1 868)	$ 134 658	$ 963 334	$ (34 662)	$ 10	$ 1 139 680
Reconciliation Q1 2009:							
Total comprehensive income	-	-	-	54 164	5 401	-	59 565
Employee share options	-	-	3 488	-	-	-	3 488
Balance at March 31, 2009	$ 78 208	$ (1 868)	$ 138 146	$ 1 017 498	$ (29 261)	$ 10	$ 1 202 733
Reconciliation Q2 2009:							
Total comprehensive income	-	-	-	41 042	10 617	(2)	51 657
Share issue (17,999,999 shares) (a)	8 375	-	91 083	-	-	-	99 458
Sale of treasury shares (b)	-	1 779	-	18 497	-	-	20 276
Dividends to minority interests	-	-	-	-	-	(5)	(5)
Employee share options	-	-	3 599	-	-	-	3 599
Repurchase convertible notes	-	-	-	(16)	-	-	(16)
Balance at June 30, 2009	$ 86 583	$ (89)	$ 232 828	$ 1 077 021	$ (18 644)	$ 3	$ 1 377 702
Reconciliation Q3 2009:							
Total comprehensive income	-	-	-	47 748	(8 525)	(1)	39 222
Employee share options	-	-	2 305	-	-	-	2 305
Balance at September 30, 2009	$ 86 583	$ (89)	$ 235 133	$ 1 124 769	$ (27 169)	$ 2	$ 1 419 229
Reconciliation Q4 2009:							
Total comprehensive income	-	-	-	22 871	3 725	2 097	28 693
Dividends to minority interests	-	-	-	-	-	(1 294)	(1 294)
Transferred shares, deferred consideration	-	89	-	(89)	-	-	-
Employee share options	-	-	2 409	-	-	-	2 409
Balance at December 31, 2009	$ 86 583	$ -	$ 237 542	$ 1 147 551	$ (23 444)	$ 805	$ 1 449 037
Reconciliation Q1 2010:							
Total comprehensive income	-	-	-	16 188	1 401	67	17 656
Dividends to minority interests	-	-	-	-	-	(860)	(860)
Transferred shares, deferred consideration	-	-	-				-
Employee share options	-	-	1 096	-	-	-	1 096
Balance at March 31, 2010	$ 86 583	$ -	$ 238 638	$ 1 163 739	$ (22 043)	$ 12	$ 1 466 929
Reconciliation Q2 2010:							
Total comprehensive income	-	-	-	(22 300)	(4 231)	(5)	(26 536)
Acquired treasury shares	-	(418)	-	(8 761)	-	-	(9 179)
Exercise, employee share options	-	4	-	48	-	-	52
Employee share options	-	-	1 667	-	-	-	1 667
Balance at June 30, 2010	**$ 86 583**	**$ (414)**	**$ 240 305**	**$ 1 132 726**	**$ (26 274)**	**$ 7**	**$ 1 432 933**

(a) Transaction costs amounting to $3.4 milion are recognized against "Additional paid-in capital" net of related income tax benefits of $0.9 million.
(b) Transaction costs amounting to $0.7 million are recognized against "Accumulated earnings (deficit)".

Note 15 - Net interest bearing debt

Reconciliation of net interest bearing debt:

	June 30, 2010	June 30, 2009	December 31, 2009
	(In thousands of dollars)		
Cash and cash equivalents	159 814	$ 168 116	125 961
Restricted cash (current and long-term)	8 204	17 739	17 991
Short-term debt and current portion of long-term debt	-	(92 656)	(26 109)
Capital lease obligations (current and long-term)	(118)	(568)	(348)
Long-term debt	(776 483)	(1 043 429)	(882 580)
Adjust for deferred loan costs (offset in long-term debt)	(7 713)	(11 252)	(8 954)
Total	**$ (616 296)**	**$ (962 050)**	**$ (774 039)**

Note 16 - Earnings per share

Earnings per share, to ordinary equity holders of PGS ASA, were calculated as follows:

	Quarter ended June 30, 2010	Quarter ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009	Year ended December 31, 2009
			(In thousands of dollars)		
Net income from continuing operations	$ (24 606)	$ 36 181	$ (14 585)	$ 97 786	$ 176 167
Net income from discontinued operations	2 301	4 859	8 535	(2 582)	(8 248)
Minority interest	5	2	(62)	2	(2 094)
Net income to equity holders of PGS ASA	**$ (22 300)**	**$ 41 042**	**$ (6 112)**	**$ 95 206**	**$ 165 825**
Effect of interest on convertible notes, net of tax	-	-	-	-	-
Net income for the purpose of diluted earnings per share	**$ (22 300)**	**$ 41 042**	**$ (6 112)**	**$ 95 206**	**$ 165 825**
Earnings per share:					
- Basic	$ (0.11)	$ 0.22	$ (0.03)	$ 0.53	$ 0.88
- Diluted	$ (0.11)	$ 0.22	$ (0.03)	$ 0.53	$ 0.88
Earnings per share from continuing operations,					
- Basic	$ (0.12)	$ 0.20	$ (0.07)	$ 0.54	$ 0.92
- Diluted	$ (0.12)	$ 0.20	$ (0.07)	$ 0.54	$ 0.92
Weighted average basic shares outstanding	197 934 706	184 074 962	197 967 172	180 155 760	189 061 076
Dilutive potential shares (1)	1 035 493	-	1 097 402	-	499
Weighted average diluted shares outstanding	198 970 199	184 074 962	199 064 574	180 155 760	189 061 575

(1) For all the periods 8.8 million shares related to convertible notes were excluded from the calculation of dilutive earnings per share as they were anti-dilutive.

Note 17 - Income from discontinued operations, net of tax and assets/ liabilities held-for-sale

The results of operations for the Onshore segment are summarized as follows:

	Quarter ended June 30, 2010	Quarter ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009	Year ended December 31, 2009
	(In thousands of dollars)				
Revenues	$ -	$ 46 546	$ 21 756	$ 80 828	$ 194 624
Operating costs (a)	-	39 472	23 259	78 198	175 997
Depreciation and amortization	-	6 117	-	11 997	22 702
Total operating expenses	-	45 589	23 259	90 195	198 699
Operating profit	-	957	(1 503)	(9 367)	(4 075)
Financial items, net	-	2 142	286	1 979	2 352
Income (loss) from discontinued operations, pretax	**$ -**	**$ 3 099**	**$ (1 217)**	**$ (7 388)**	**$ (1 723)**

(a) Operating costs include cost of sales, research and development costs, and selling, general and adminstrative costs.

Income from discontinued operations, net of tax consist of the following for the periods presented:

	Quarter ended June 30, 2010	Quarter ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009	Year ended December 31, 2009
	(In thousands of dollars)				
Income (loss) from discontinued operations, pretax	$ -	$ 3 099	$ (1 217)	$ (7 388)	$ (1 723)
Additional proceeds	1 000	1 000	1 000	1 000	1 956
Gain on sale of Onshore	3	-	14 732	-	-
Transaction costs sale of Onshore	4	-	(5 923)	-	(2 368)
Income tax (expense) benefit	1 294	760	(57)	3 806	(6 113)
Total	**$ 2 301**	**$ 4 859**	**$ 8 535**	**$ (2 582)**	**$ (8 248)**

Asset/ liabilities held-for-sale

	June 30, 2010	June 30, 2009	December 31, 2009
Assets held-for-sale	(In thousands of dollars)		
Polar Pearl	$ 3 000	$ 5 250	$ 3 000
Atlantic Explorer	-	58 000	-
Total current assets Onshore	-	-	74 024
Total long-term assets Onshore (a)	-	-	150 268
Total asset held-for-sale	**$ 3 000**	**$ 63 250**	**$ 227 292**
Liabilities held-for-sale			
Total current liabilities Onshore	$ -	$ -	$ 26 008
Total liabilities held-for-sale	**$ -**	**$ -**	**$ 26 008**

(a) Includes $60.5 million in MultiClient library and allocated goodwill of $35.0 million as of December 31, 2009.

Note 18 - Consolidated statements of operations by quarter 2009, Onshore presented as discontinued operation.

Consolidated statements of operations by quarter 2009, Onshore presented as discontinued operation:

	Q1	Q2	Q3	Q4	2009
	(In thousands of dollars)				
Revenues	$ 390 822	$ 294 270	$ 361 453	$ 303 657	$ 1 350 202
Cost of sales	164 908	121 461	175 882	143 729	605 980
Research and development costs	6 040	6 949	4 643	5 174	22 806
Selling, general and administrative costs	13 537	11 713	10 777	13 243	49 270
Depreciation and amortization	51 150	72 992	65 067	96 060	285 269
Impairment of long-lived assets	50 585	48 221	52 406	2 403	153 615
Total operating expenses	286 220	261 336	308 775	260 609	1 116 940
Operating profit (loss)/EBIT	104 602	32 934	52 678	43 048	233 262
Income/(loss) from associated companies	(376)	(33)	1 626	684	1 901
Interest expense	(11 019)	(9 748)	(10 866)	(13 599)	(45 232)
Other financial income	1 058	6 320	14 897	2 214	24 489
Other financial expense	(1 895)	(1 860)	(3 363)	(3 999)	(11 117)
Currency exchange gain (loss)	(2 717)	12 561	13 450	1 512	24 806
Income before income tax expense (benefit)	89 653	40 174	68 422	29 860	228 109
Income tax expense (benfit)	28 048	3 993	16 300	3 601	51 942
Income from continuing operations	61 605	36 181	52 122	26 259	176 167
Income (loss) from discontinued operations, net of tax	(7 441)	4 859	(4 375)	(1 291)	(8 248)
Net income	**$ 54 164**	**$ 41 040**	**$ 47 747**	**$ 24 968**	**$ 167 919**
Net income attributable to minority interests	-	(2)	(1)	2 097	2 094
Net income to equity holders of PGS ASA	**$ 54 164**	**$ 41 042**	**$ 47 748**	**$ 22 871**	**$ 165 825**

Responsibility statement

We confirm that, to the best of our knowledge. The condensed set of financial statements for the first half year of 2010, which has been prepared in accordance with IAS 34 Interim Financial reporting gives a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations, and that the first half 2010 report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

Lysaker, July 28, 2010

Francis Gugen *Chairperson*	Annette Malm Justad *Director*
Harald Norvik *Vice Chairperson*	Daniel J. Piette *Director*
Carol Bell *Director*	Ingar Skaug *Director*
Holly Van Deursen *Director*	Jon Erik Reinhardsen *Chief Executive Officer*

****

Petroleum Geo-Services is a focused geophysical company providing a broad range of seismic and reservoir services, including acquisition, processing, interpretation, and field evaluation. The company also possesses the world's most extensive MultiClient data library. PGS operates on a worldwide basis with headquarters at Lysaker, Norway.

For more information on Petroleum Geo-Services visit www.pgs.com.

****

--END--

FOR DETAILS CONTACT:

Tore Langballe, SVP Corporate Communications
Phone: +47 67 51 43 75
Mobile: +47 90 77 78 41

Bård Stenberg, Investor Relations Manager
Phone: +47 67 51 43 16
Mobile: +47 99 24 52 35

PGS Main Offices:
OSLO (headquarter)
Petroleum Geo-Services ASA
Strandveien 4
P.O.Box 89
1325 Lysaker, Norway
Phone: +47 67 52 64 00
Fax: +47 67 52 64 64

HOUSTON
Petroleum Geo-Services, Inc
15150 Memorial Drive
Houston Texas 77079 USA
Phone: +1 281 509 8000
Fax: +1 281 509 8500

LONDON
Petroleum Geo-Services (UK) Ltd.
4, The Hights
Brooklands
Weybridge
Surrey KT13 0NY, UK
Phone: +44 1932 3760 00
Fax: +44 1932 3761 00

SINGAPORE
Petroleum Geo-Services Asia
111 Somerset Road
#15-05/06
Triple One Somerset
Singapore 238164
Phone: +65 6735 6411
Fax: +65 6735 6413

Board of Directors:
Francis Gugen (Chairperson)
Harald Nordvik (Vice Chairperson)
Carol Bell
Holly Van Deursen
Annette Malm Justad
Daniel J. Piette
Ingar Skaug

Executive Officers:

Jon Erik Reinhardsen	President and CEO
Gottfred Langseth	Executive Vice President and CFO
Rune Eng	Executive Vice President Marine Contract
Sverre Strandenes	Executive Vice President MultiClient
Guillaume Cambois	Executive Vice President Data Processing and Technology
Per Arild Reksnes	Executive Vice President New Ventures
Magne Reiersgard	Executive Vice President Operations

Other Corporate Management:

Terje Bjølseth	SVP Global Human Resources
Tore Langballe	SVP Corporate Communications
Espen Sandvik	General Counsel
Jostein Ueland	SVP Business Development

Web-Site:
www.pgs.com

Financial Calendar 2010:

Q2 2010 report	July 29, 2010
Q3 2010 report	October 29, 2010

The dates are subject to change.