Annual Report
2015

Productivity and Technology Leadership

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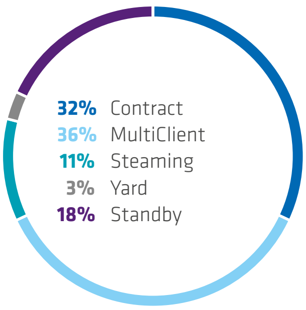
Key Figures

Petroleum Geo-Services (PGS) is a focused Marine geophysical company that provides a broad range of seismic and reservoir services, including acquisition, imaging, interpretation, and field evaluation. The Company's MultiClient data library is among the largest in the seismic industry, with modern 3D coverage in all significant offshore hydrocarbon provinces of the world.

Financial Calendar

Q1 2016 Earnings Release	**May 3**, 2016
Annual General Meeting	**May 11**, 2016
Q2 2016 Earnings Release	**July 21**, 2016
Q3 2016 Earnings Release	**October 27**, 2016
Q4 2016 Earnings Release	**February 16**, 2017

Vessel Utilization 2015



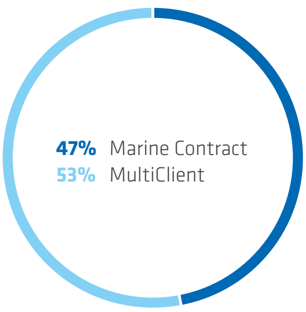
Number of Patents Granted

511 as of year-end 2015

454 as of year-end 2014

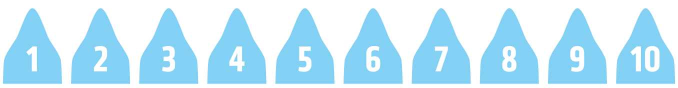
Patents granted under the laws of the US, the UK and Norway

Active Vessel Time 2015



Average Number of Active 3D Vessels in 2015

Average Number of Active 3D Vessels in 2014



Business Highlights 2015

Significant cost reductions sufficient to offset enough of the revenue decline to preserve EBITDA margin at 50 percent, compared to 48 percent in 2014.

Solid MultiClient performance in a challenging market.

Net debt reduced by approximately $50 million and available liquidity reserve increased by approximately $100 million.

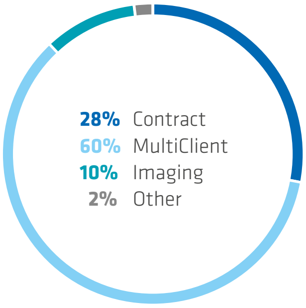
Successfully completed a private placement, gross proceeds amounted to NOK 919.6 million.

Capital expenditures significantly reduced.

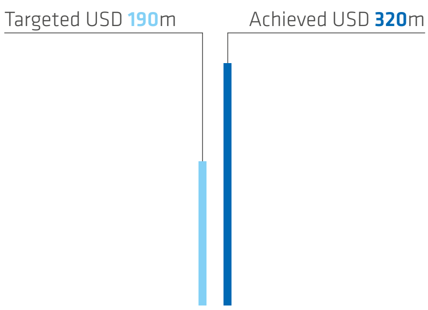
Entered into agreements to charter *Sanco Swift* and *Sanco Sword*. By chartering the two Sanco vessels PGS went some way in addressing the industry's overcapacity.

Imaging capabilities further strengthened.

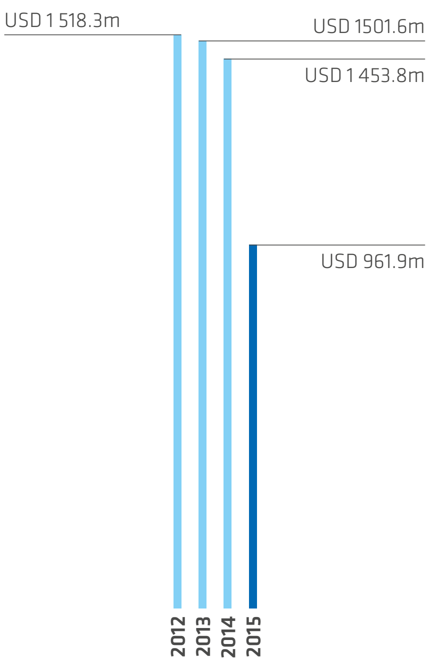
Revenue Split



2015 Cost Reductions



PGS Revenues



Key Financial Figures

In USD million except per share data	2015	2014	2013	2012
Revenues	961.9	1 453.8	1 501.6	1 518.3
EBITDA (as defined)	484.4	702.6	828.9	776.2
EBIT ex. impairment charges	15.8	177.3	397.1	293.0
EBIT as reported	(430.4)	104.2	382.1	293.8
Net income	(527.9)	(50.9)	238.3	185.5
EPS	(2.43)	(0.24)	1.11	0.86
Net cash provided by operating activities	487.9	584.3	775.3	752.9
Capital expenditures	165.7	371.3	437.8	368.1
Cash investment in MultiClient library	303.3	344.2	373.0	297.4
Total assets	2 914.1	3 563.0	3 544.3	3 275.6
MultiClient library	695.0	695.2	576.9	382.3
Cash and cash equivalents	81.6	54.7	263.8	390.3
Shareholders equity	1 463.7	1 901.6	2 065.6	1 911.5
Net interest bearing debt	994.2	1 048.0	666.7	435.6

Productivity and Technology Leadership

Annual Report

2015

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Letter From the CEO

Jon Erik Reinhardsen
President & CEO

Dear Fellow Shareholder

During 2015 we increased our liquidity reserve and improved our fleet capabilities.

Demand for seismic acquisition and imaging services was weak in 2015. This was mainly caused by the oil companies' increased focus on reducing cost and improving cash flow, a priority shift which started already in 2013.

To meet this challenge we have for several years focused on improving our competitiveness and financial position. Last year we reduced our net debt by approximately $50 million and increased the liquidity reserve by approximately $100 million, despite significant capital expenditures on our ongoing new build program.

Cash flow continues to be a priority and so we have implemented substantial reductions to cash costs and to capital expenditures. Cost savings amount to more than $300 million, or approximately 30 percent of our cash cost base, when comparing full year cash cost in 2015 to 2014. The initiatives include stacking of vessels, staff reductions, office closures and relocations, and a strong cost focus throughout the Company.

Seismic equipment made available from stacked vessels is used as replacement and upgrade for the remaining vessels in operation, thereby reducing our maintenance capital expenditures to close to the minimum possible. In addition we have deferred and reduced investments related to other activities and improved our procurement processes.

In June we entered into an operational sale and leaseback agreement for the *PGS Apollo*, followed by charter agreements for *Sanco Swift* and *Sanco Sword* in October. After the cold-stacking of the first generation Ramform vessels, these chartered high-end conventional 3D ships will constitute a flexible supplement to our core ultra-high-end Ramform S-class and Titan-class vessels; and we will operate the youngest and most productive fleet in the industry. PGS' unique fleet position will be further enhanced by the *Ramform Tethys*, with delivery in March 2016, and the *Ramform Hyperion*, which is scheduled for delivery in Q1 2017. Vessel productivity is the key to achieve the lowest cash cost per unit produced.

We have since 2010 focused and grown our MultiClient business as a strategic move to reduce earnings volatility over the cycle. We are now benefiting from this strategy. In a tough market environment our MultiClient business delivered strong results with a pre-funding level of 125 percent and total revenues of 1.9 times capitalized MultiClient cash investments. At the same time we

Ramform Tethys, the newest Ramform Titan-class vessel.

continued to build an attractive MultiClient library, which will benefit us in the coming years.

Our unique GeoStreamer technology provides us with a significant competitive edge and we continue to build on the GeoStreamer platform to deliver impressive Imaging solutions to customers.

The actions taken in 2015 are in accordance with our strategic framework for long-term value creation. After the last new build delivery in 2017 our capital expenditures will be stepped down to maintenance levels and cash flow potential will improve significantly, capitalizing on our unique fleet and our GeoStreamer technology.

The sustained oil price weakness and cautious spending pattern of our clients continue to impact seismic demand negatively, and we expect demand for seismic services to be lower in 2016 than in 2015. Despite a global industry reduction of 3D vessel capacity of approximately 50 percent since 2013, the market is still oversupplied. We are well prepared for a challenging 2016 with the implementation of further cost reductions and a continued disciplined approach to capital expenditures. However, depending on how the market develops, we may still have to implement further measures to maintain our operational and financial flexibility.

Looking further out, oil companies will eventually have to continue exploring for oil and gas resources to meet energy demand and to compensate for the depletion rates from producing fields. PGS' excellent reputation, unique technologies and solid market share in the higher-end market segment makes us an attractive contractor and partner for oil companies now and in the future.

Lastly I would like to thank our Chairperson Francis Gugen and Vice Chairperson Harald Norvik as they now leave the Board after 13 years of service. With their knowledge, experience and contributions to the Board discussions they have played important roles in developing PGS to become a market leader in the marine seismic industry.

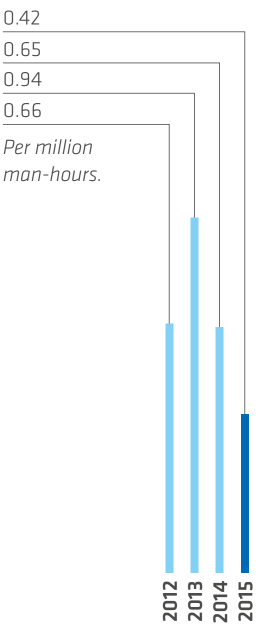
Jon Erik Reinhardsen
President & CEO

The World of PGS

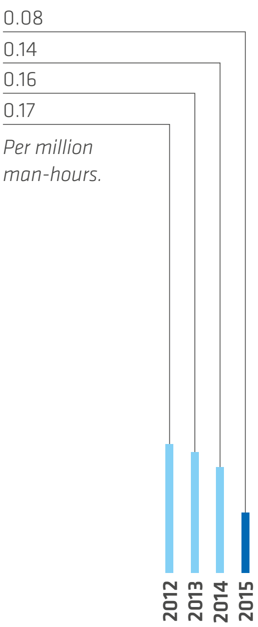
Offices

PGS has offices in 18 countries around the world and operates regional centres in London, Houston, and Kuala Lumpur, with the headquarters in Oslo, Norway.

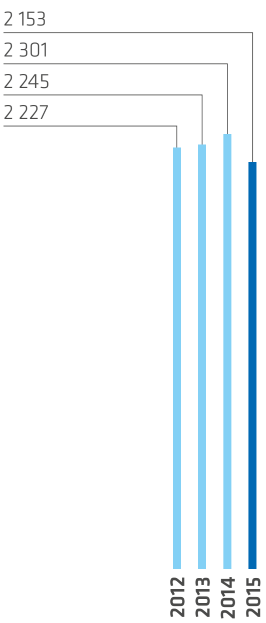
Reduced
Total Recordable Case Frequency ("TRCF")



Reduced
Lost Time Injury Frequency ("LTIF")



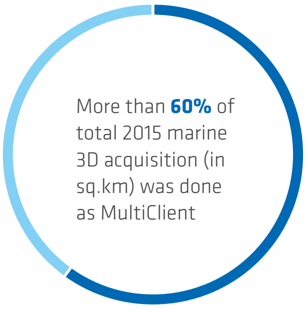
Reduced
Average Number of Employees



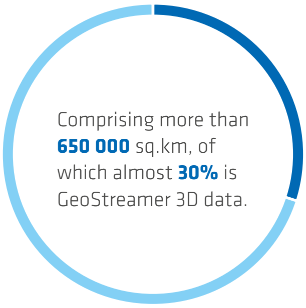
** Calculations based on rounded man-hour figures.*

MultiClient

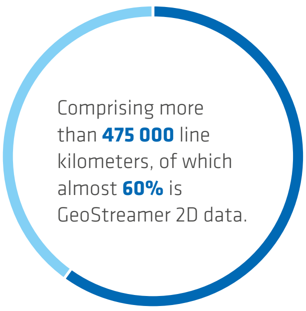
Industry 3D Acquisition



PGS MultiClient 3D Library



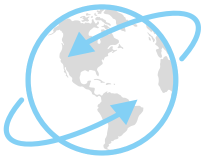
PGS MultiClient 2D Library



Ramform Titan-class

Endurance

Endurance of **120** days without re-fueling

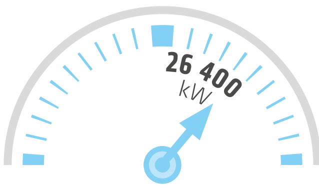


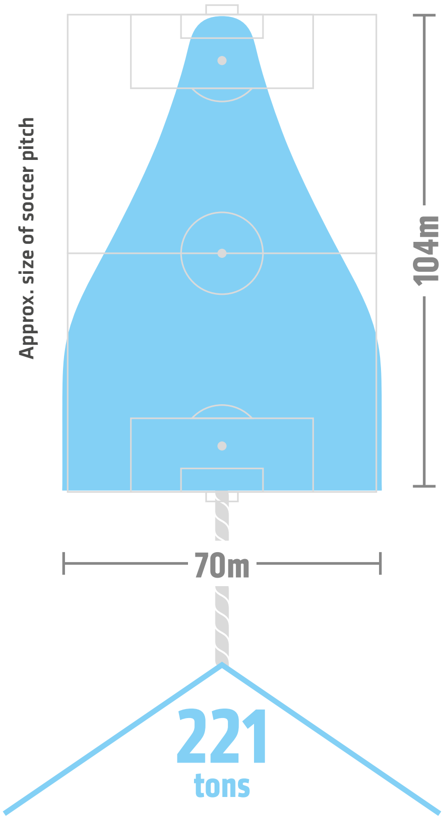
Fuel Capacity

Providing flexibility and endurance.

Engine Power

Additional power enables more in-sea and onboard equipment.



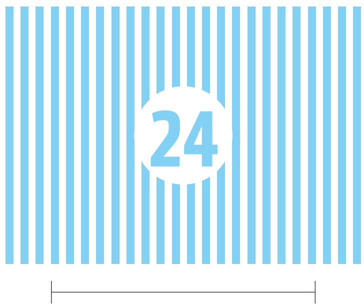


Wire Pull @ 4.5 kts

This measures towing force through the water and is a more realistic representation of towing capability than bollard pull.

Towing Capacity

streamers



18 streamers in exploration mode with 100 meter streamer separation

Competitive Advantages

PGS' two foremost competitive advantages are the Ramform fleet and the proprietary GeoStreamer technology platform. The Ramform vessels deliver proven operational capabilities and superior efficiency and deploy state-of-the-art technologies.

The Company's most prominent technology differentiator is the dual-sensor streamer technology – GeoStreamer. Benefits of GeoStreamer, compared to a conventional streamer, are higher resolution, better depth imaging, and superior operational efficiency. GeoStreamer improves the seismic value chain, from acquisition through processing.

Unique Imaging products take advantage of the full benefits of the GeoStreamer technology.

PGS holds the industry record for vessels that tow and handle the greatest number of streamers. Fleet efficiency has improved after delivery of the first two Ramform Titan-class vessels and it will continue to improve when the Company takes delivery of *Ramform Tethys* in March 2016 and *Ramform Hyperion* in Q1 2017, completing the fleet renewal program.

Business Areas

Marine Contract

Marine Market Leadership
Marine Contract delivers exclusive seismic surveys to oil and gas exploration and production companies.

MultiClient

Diverse MultiClient Library
MultiClient initiates and manages seismic surveys which PGS acquires, processes, markets and sells to multiple customers on a non-exclusive basis.

Operations

Productivity Leadership
Operations supports Marine Contract and MultiClient with vessel resources and manages fleet renewal and decommissioning strategies.

Imaging & Engineering

Technology Differentiation
Imaging and Engineering processes seismic data acquired by PGS for its MultiClient library and for external clients on contract and manages research and development activities.

The PGS History

1991
Geoteam and Precision Seismic merge to form Petroleum Geo-Services ("PGS"). Later the Company merged with Nopec. PGS' vision was to provide the most efficient acquisition of 3D marine seismic data.

1992
PGS was incorporated as a public limited liability company, Petroleum Geo-Services ASA, and listed on Oslo Stock Exchange.

1993
Initial public offering on NASDAQ in the United States. With the acquisition of Tensor Inc., specialists in 3D processing and depth imaging, PGS expanded into the data processing field.

1994
Acquisition of ERC – a reservoir consultancy group.

1995
Ramform seismic vessel technology was introduced with delivery of the *Ramform Explorer*. From 1995 to 1999, PGS designed, built, and deployed six proprietary Ramform survey vessels and grew to become a worldwide leader in the development and industrialization of 3D marine seismic acquisition.

1997
PGS was listed on the New York Stock Exchange. PGS Production is conceived with the acquisition of Golar-Nor and the FPSOs *Petrojarl I* and *Petrojarl Foinaven*.

1998
The production services business Atlantic Power was acquired. PGS added the *Ramform Banff* to the fleet of FPSO vessels.

1999
A fourth FPSO, the *Petrojarl Varg*, was bought from Saga Petroleum.

2000
PGS sold its subsidiary Spinnaker Exploration.

2001
The Company's data management business was sold to Landmark Graphics Corporation. *Ramform Victory* tows the world's first 16 streamer spread.

2002
PGS bought into the Varg field in the North Sea from Norsk Hydro and Statoil and established the exploration and production company Pertra. PGS completes the world's 1st commercial Multi Azimuth ("MAZ") survey at Varg.

2003
PGS sold Atlantis to Sinochem. An inability to meet debt obligations made PGS file for Chapter 11 under the US Bankruptcy code in July. PGS emerged from Chapter 11 in November the same year.

2005
Pertra was sold to Talisman, and PGS became a dedicated oil services company. In December the same year a full refinancing of the Company was completed.

2006
PGS de-merged its floating production business by listing and distributing to shareholders the company Petrojarl ASA. PGS becomes a dedicated geophysical services company and announces a plan to build two Ramform S-class vessels.

2007
In 2007 PGS introduced the GeoStreamer, the first ever dual sensor streamer. The Company sells *Ramform Victory* to the Japanese Ministry of Economy Trade and Industry ("METI"). PGS acquired Arrow Seismic, MTEM and Applied Geophysical Services ("AGS"). The first dividend in PGS history was paid.

2008
PGS took delivery of the *Ramform Sovereign* and the vessel sets new industry record with deployment of 17 streamers.

2009
PGS took delivery of the *Ramform Sterling* and launches the imaging technology hyperBeam®.

2010
PGS emerged as a focused marine geophysical company, following sale of its Onshore seismic business. PGS was reorganized into global product lines within four business areas: Marine Contract, MultiClient, Operations and Imaging & Engineering. *PGS Apollo* joined the fleet.

2011
PGS orders two new Ramform Titan-class vessels from Mitsubishi Heavy Industries Shipbuilding Co. Ltd in Japan, with options for two additional vessels.

2012
PGS exercised options to build another two Ramform Titan-class vessels. PGS launched its Towed EM streamer technology, made a successful installation of an OptoSeis® permanent reservoir monitoring system at the Jubarte field in Brazil and launched Separated Wavefield Imaging – SWIM.

2013
PGS took delivery of the *Ramform Titan*, the first vessel in a series of four Ramform Titan-class ships. The company re-entered the Gulf of Mexico with acquisition of the Triton Full Azimuth GeoStreamer MultiClient survey.

2014
Ramform Atlas, the second Ramform Titan-class vessel was delivered in January. The Company delivered on the 2014 cost reduction program.

2015
In an uncertain market environment PGS focused on cash flow and increased its liquidity reserve. The Company implemented substantial reductions in cost and capital expenditures, took proactive steps to address overcapacity and further strengthened its productivity leadership and fleet flexibility. *Ramform Titan* deployed the world's largest streamer spread offshore Myanmar.

TO BE CONTINUED

Executive Management

Jon Erik Reinhardsen
President and CEO

Gottfred Langseth
Executive Vice President and CFO

Rune Olav Pedersen
Executive Vice President and General Counsel

Mr. Reinhardsen joined PGS in April 2008 as President and Chief Executive Officer. Prior to heading PGS, he was Alcoa's President, Global Primary Products Growth. At Alcoa, he was responsible for developing and implementing major primary metals and refining growth opportunities for the company worldwide. Mr. Reinhardsen joined Alcoa from Norway-based Aker Solutions ASA, an international engineering and construction contractor for the oil, gas, chemicals, petrochemicals, mining, and metal processing industries. As Group Executive Vice President for Aker Solutions based in Houston, Texas, he was responsible for all non-European contracting operations and product businesses worldwide.

Earlier in his career, Mr. Reinhardsen led Aker Maritime ASA's Global Products business and was engaged in merger and acquisition activities, new business development, marketing and sales, and investor relations. He also led Aker ASA's seismic venture Aker Geo that was later sold to CGG. In June 2009, Mr. Reinhardsen was elected to the board of directors of Cameron. Cameron was sold to Schlumberger in 2016. He is also a member of the board of directors of Telenor ASA and Awilhelmsen AS. Mr. Reinhardsen earned a master's degree in Applied Mathematics and Geophysics from the University of Bergen, Norway. He completed the International Executive Program of the Institute for Management Development (IMD) in Lausanne, Switzerland in 1991.

Mr. Langseth joined PGS in November 2003 and was appointed Executive Vice President and Chief Financial Officer as of January 1, 2004. He was Chief Financial Officer of the information technology company Ementor ASA from 2000 to 2003. Mr. Langseth was Senior Vice President of Finance and Control at the offshore engineering and construction company Aker Maritime ASA from 1997 to 2000. Mr. Langseth worked at Arthur Andersen Norway from 1991 to 1997. Mr. Langseth was certified as a Norwegian state-authorized public accountant in 1993 and holds a Master of Business Administration degree from the Norwegian School of Economics and Business Administration.

Mr. Pedersen joined PGS in October 2010 as General Counsel. In September 2014 he also became responsible for Group Communication, Strategic Customer Relations and Marketing, and his responsibilities were further expanded in September 2015 to include Corporate Development. Prior to joining PGS, Mr. Pedersen was, for more than four years, a partner in the law firm Arntzen de Besche and previous to that Lawyer and Associate in the same firm. He started his career as a Junior Research Fellow at the University of Oslo, and has also served as a Deputy Judge in a District Court of Norway. Mr. Pedersen is a non-executive Director of Azimuth Ltd, and deputy non-executive Director of the Norwegian Shipowners' Mutual War Risk Insurance Association. Mr. Pedersen earned his Law Degree from the University of Oslo, and enhanced his expertise within European competition law with a post graduate diploma from Kings College London. In 2014 Mr. Pedersen earned an Executive MBA from London Business School.

Per Arild Reksnes
Executive Vice President, Operations

Mr. Reksnes was appointed Executive Vice President in April 2010, initially to run PGS' New Ventures business area, then responsible for Marine Contract and subsequently Operations. From 2007–2010, he was PGS Marine's President, EAME (Europe, Africa, Middle East) and CIS. His job titles at PGS have included President for Geoscience and Engineering, President for Technology, Vice President for Profiling and Marketing, and Vice President, Technical Marketing. Per Arild Reksnes joined PGS in 2001 from his position as Chief Professional Geophysics at Norsk Hydro. During his 16 years at Norsk Hydro, he held several geophysics and management positions. Mr. Reksnes holds a Master's degree in Applied Geophysics from the University of Oslo and a Master's degree in Technology Management from MIT/NTH (Norwegian University of Science and Technology).

Sverre Strandenes
Executive Vice President, MultiClient

Mr. Strandenes was appointed Executive Vice President MultiClient in May 2010. He previously had been PGS' Group President, Imaging & Engineering since November 2006. Mr. Strandenes has held several senior PGS management positions, including President, Marine Geophysical EAME Region (Europe, Africa, and Middle East). Prior to joining PGS in 1995, Mr. Strandenes was the Geosciences department manager at Norsk Hydro Research Center. During his 14 years at Norsk Hydro he held several geophysics and management positions. Mr. Strandenes is a Board Member of Azimuth Ltd, and Chairperson of the Board of Norsar. Mr. Strandenes was awarded a Master of Science degree (Cand. Real) from the University of Bergen in 1981.

Magne Reiersgaard
Executive Vice President, Marine Contract

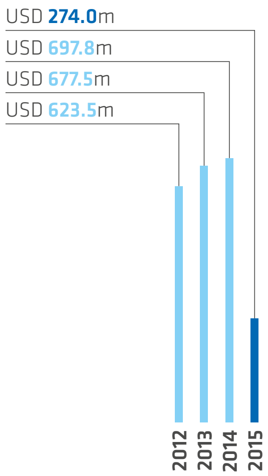
Mr. Reiersgaard joined PGS at its inception in 1990/91 and has held a number of key executive positions in the PGS Group. He has been Executive Vice President, Operations since April 2010, before becoming Executive Vice President Marine Contract in November 2014. Mr. Reiersgard's prior management roles at PGS include President, Marine Geophysical NSA Region, based in Houston; President, Marine Geophysical Asia Pacific Region, headquartered in Singapore; and Vice President, Marine Acquisition. Prior to joining PGS, he held various management positions in the survey division of Geoteam AS. Currently on the Board of Directors of IAGC (International Association of Geophysical Contractors), he is also a Board Member of the not-for-profit Society of Exploration Geophysicists ("SEG") Foundation. Mr. Reiersgard holds an electronics degree from Agder University College, Grimstad, Norway, and a business degree from BI Norwegian School of Management.

Guillaume Cambois
Executive Vice President, Imaging & Engineering

Mr. Cambois joined PGS in 2007 as the senior advisor spearheading deployment of PGS' GeoStreamer technology. He took over as Marine Contract President, Asia-Pacific in March 2009 and in May 2010 advanced to Executive Vice President, Imaging and Engineering. During a 20-year career at the geophysical services company CGG prior to joining PGS, Mr. Cambois held various executive management posts, such as Executive Vice President, Data Processing and Chief Technology Officer. An active member of the Society of Exploration Geophysicists, he was the Society's Vice President in 2007/2008 and is currently serving as Director at Large. Mr. Cambois received his Ph.D. in Geophysics from the University of Texas at Austin.

Business Areas

Marine Contract Revenues



Marine Contract

Seismic Data under Exclusive Client Contracts

Marine Contract acquires seismic data on behalf of its clients, which receive ownership and all rights to it. Marine Contract covers streamer seismic, towed streamer electromagnetics and permanent reservoir monitoring.

Value Proposition

Marine Contract's value proposition is to meet customers' requirements for efficient and cost-effective delivery of seismic data, offered with the highest available data quality and delivered through safe and environmentally sound operations.

The Ramform Advantage

PGS has a unique advantage in being the only seismic operator to use vessels of the Ramform design. The ability to tow large, dense streamer spreads, as well as rapid streamer deployment and retrieval, are critical factors for high productivity. Measured in terms of unit production cost, no other fleet in the industry delivers comparable cost-effectiveness. The capability to complete large surveys in short time spans is a significant PGS advantage.

The GeoStreamer Edge

PGS introduced the GeoStreamer technology in 2007. Today, the dual sensor streamer technology is recognized as a leading streamer technology among the majority of oil companies. With the early development and implementation of GeoStreamer, PGS enjoys a clear advantage in the segment for high-end data quality. Such data yields clearer subsurface images, and provides added information vital to analyzing the characteristics of specific reservoirs or other geological bodies.

Market Polarization Favors PGS

Larger survey size combined with a need for improved data quality favor PGS' Ramform fleet. Getting the most out of GeoStreamer data demands proprietary data imaging techniques and experience.

"The PGS fleet will extend its competitive advantage over the coming years"

From an efficiency perspective, the PGS fleet will extend its competitive advantage over the coming year as the Company will take delivery of *Ramform Tethys* in March 2016 and *Ramform Hyperion* in Q1 2017.

New Growth Opportunities

Towed Streamer Electromagnetics ("Towed Streamer EM") technology and OptoSeis are two key ventures for PGS. The Towed EM solution yields benefits such as high data quality from dense data sampling, high acquisition efficiency, real-time quality control, and onboard processing capability. PGS is the only company that can combine simultaneous EM and seismic acquisition - a solution with the potential to become the ultimate exploration tool.

OptoSeis is a fiber-optic technology which forms the backbone of PGS' system for permanent reservoir monitoring ("PRM") of producing fields in the marine environment (OptoSeis Marine) and for 3D acquisition on land (OptoSeis Land). PGS has installed an OptoSeis Marine system for Petrobras on parts of the Jubarte field offshore Brazil.

MultiClient

Supporting Exploration Success

MultiClient manages and licenses a world-class library of seismic data that PGS has acquired on a non-exclusive basis. The Company makes significant investments in new surveys each year, ensuring that customers have high quality, modern data to explore effectively for oil and gas resources.

Value Proposition

MultiClient helps oil companies achieve their exploration objectives by providing access to a modern global seismic database. Licensing MultiClient data enables oil companies to screen for and develop new exploration opportunities. As well as reducing risk and cycle times companies can consequently optimize their decision-making, whether it is applying for blocks over frontier open acreage or near-field exploration in mature areas. Increasingly PGS MultiClient data is also used during the field development stage, as its GeoStreamer technology provides unique data quality and longevity with respect to quantitative interpretation and reservoir characterization.

> "PGS selectively invests in MultiClient surveys in areas that are not only prospective for oil and gas, but also have clear access routes to acreage for oil companies, for example through license rounds"

PGS offers a range of commercial models for data licensing, designed to suit the exploration objectives and ambitions of any oil company.

The MultiClient business area leverages the full capability of PGS' high-end seismic fleet, GeoStreamer technology and superior imaging solutions.

PGS MultiClient Library

The MultiClient data library comprises individual surveys that have been acquired by PGS and which total more than 650,000 square kilometers of 3D data, almost 30 percent of which is GeoStreamer 3D data and 475,000 line kilometers of 2D data, of which 60 percent is GeoStreamer 2D data. GeoStreamer is the preferred technology for MultiClient acquisition and is used for all of PGS' MultiClient surveys as the Company continuously builds and upgrades its library.

MegaSurveys and MegaProjects

MegaSurveys and MegaProjects are well-recognized MultiClient products of PGS and key business enablers for oil companies seeking to get a regional understanding of the prospectivity of an area. MegaSurveys are large-scale, seamlessly merged 3D data sets, while MegaProjects are merged 2D and 3D data sets. These products are constructed by combining many surveys - both PGS and third party data - into large, contiguous, regional volumes for plug-and-play access by oil companies.

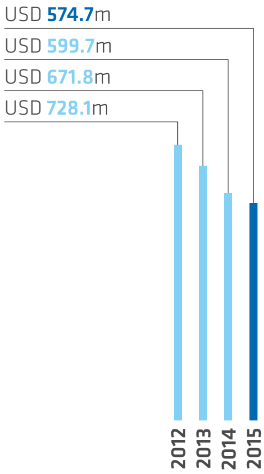
MegaSurveys and MegaProjects enable oil companies to explore, with unparalleled insight, into the geology and hydrocarbon potential of entire basins. PGS also uses MegaSurveys and MegaProjects as a path-finding tool for developing new MultiClient projects.

PGS MegaSurveys alone now offer a total 3D coverage of more than 704,000 square kilometers. In addition, PGS has incorporated GeoStreamer data together with MegaSurvey seismic that has been reprocessed from field data to create the next generation MegaSurveyPlus product, which by year-end 2015 comprised more than 57,000 square kilometers of 3D data worldwide.

Geological and Reservoir Expertise

PGS' Reservoir Services personnel are experts in sub-surface interpretation and reservoir characterization. These skills and services are not only integral to the planning, location and imaging of the Company's MultiClient surveys, but also for interpreting and defining the hydrocarbon potential of areas covered by the MultiClient data library. The reservoir characterization teams help oil companies to better quantify reservoir fluid properties, to improve drilling success in both frontier and mature petroleum basins. PGS has consequently built extensive knowledge about petroleum basins around the globe, which has enhanced PGS' ability to better assess the variety of sub-surface risks that a client faces.

MultiClient Revenues



Providing a Range of Business Models

In recent years, an increasing number of smaller-sized oil companies are pursuing business models that typically involve access to PGS' services or MultiClient library in exchange for ownership in their licenses. In order for PGS to benefit from the value creation of these equity positions while avoiding conflicts of interest, the Company has entered into an agreement with the Azimuth Group, whereby PGS divests its direct ownership in licenses to Azimuth. PGS holds a minority ownership position in Azimuth.

Operations

Building Sustainable Competitive Advantages

Operations supports Marine Contract and MultiClient with reliable and efficient seismic acquisition services and is responsible for resource planning and fleet strategies.

Value Proposition

The PGS fleet delivers high-quality GeoStreamer 3D and 2D data safely and efficiently to the Company's customers.

Safety – a Cornerstone

HSEQ leadership implies continuous improvement through identifying, assessing, mitigating, and managing risks affecting employees, clients, contractors, assets and the environment.

The Fleet Advantage

The 3D vessels in PGS' fleet have the highest average towing capacity in the seismic industry. Both the Ramform S-class and the Ramform Titan-class continue to move the benchmarks for seismic acquisition. During 2015 *Ramform Sovereign* started a 12 streamer survey with 150 meter streamer separation using 8.1 kilometers long streamers and *Ramform Titan* started a huge 18 streamer survey with 100 meter streamer separation. Performance of the new Ramform Titan-class vessels has surpassed all expectations, and PGS is able to fully utilize the Ramform Titan-class productivity in commercial work for clients.

Industry Leading Performance

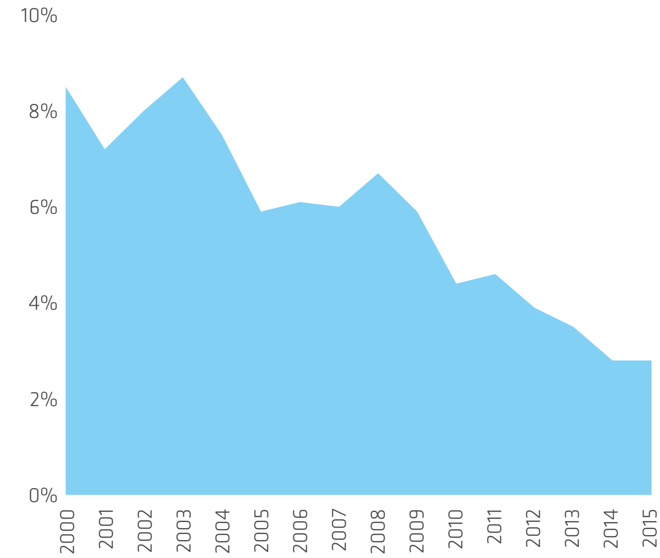
Technical downtime as a percentage of total fleet time for the PGS fleet has decreased steadily for more than 20 years. Similarly, performance over the same period has improved. Performance is a measure of how well PGS utilizes the time available to acquire seismic data. The acknowledged efficiency and productivity benefits of the PGS Ramform vessels, the proprietary seismic technologies, along with the quality of PGS' personnel, make the PGS fleet industry leading.

"PGS aims to have industry leading HSEQ performance, with the ambition of zero injury to people and minimal harm to the environment"

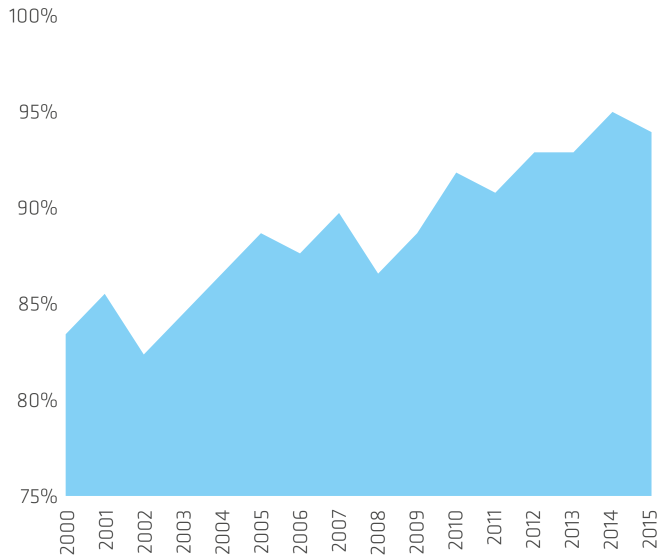
Exploiting the GeoStreamer Benefits

GeoStreamer is a proprietary, dual sensor streamer technology unique to PGS. In addition to delivering superior seismic data quality, GeoStreamer significantly widens the weather window in which data acquisition can be performed. Improved operational efficiency is a clear PGS advantage, with customers benefitting from shorter cycle times. With an aft beam of the Ramform Titan-class vessels of 70 meters, 30 meters wider than the Ramform S- and V-class vessels, the back deck of a Ramform Titan-class vessel is stable enough to operate in harsh environments and exploit the full potential of the improved weather window created by the GeoStreamer technology.

Total Downtime – The Time PGS is Not Able to Acquire Seismic



Performance – Actual Production of Seismic in Percent of Available Production Time



"The 3D vessels in PGS' fleet have the **highest average towing capacity** in the seismic industry"

Imaging & Engineering

Science and Technology in PGS

The Imaging department provides a full range of advanced imaging and reservoir-related processing services to a global exploration and production customer base and to the MultiClient business of PGS. The Engineering department constitutes the R&D center.

Value Proposition

PGS provides marine geophysical solutions that enable faster hydrocarbon discovery and recovery with less risk. This applies to data acquired both for external and internal customers (PGS MultiClient). The Imaging department of the Imaging and Engineering business area focuses on delivering geophysical solutions featuring significantly improved seismic imaging and characterization. The Engineering department develops geophysical technologies and services that enhance PGS' leadership position in operational efficiency and differentiates the service capabilities of PGS for the identification and characterization of complex reservoirs.

"An entirely new arena of seismic imaging solutions has also been enabled by GeoStreamer, namely, the ability to construct subsurface seismic images using multiples"

GeoStreamer Advantage

PGS reduces risk for clients in their quest for hydrocarbons in offshore areas. A key success factor is the dual-sensor GeoStreamer technology. An entirely new arena of seismic imaging solutions has also been enabled by GeoStreamer, namely, the ability to construct subsurface seismic images using multiples. Furthermore, the elimination of dynamic sea-state effects upon the seismic images removes many noise modes confronting high-accuracy reservoir monitoring during reservoir depletion, and improves operational windows during rougher weather. GeoStreamer has also proven to be the preferred industry platform for the prediction of reservoir rock and fluid distributions, essential for optimal hydrocarbon recovery.

Imaging Department

The GeoStreamer platform delivers a range of previously unrealized opportunities for better reservoir interpretation and characterization, and the Imaging department has consequently developed several state-of-the-art products that PGS and clients consider competitive advantages. These technologies include the Separated Wavefield Imaging ("SWIM") and Complete Wavefield Imaging ("CWI") technologies that exploit surface multiple wavefields, refractions and diving waves, and primary reflection wavefields. High-end imaging solutions create new play opportunities and reduce cycle times to recovery. PGS' robust visualization tools have enhanced customers' target interpretation, characterization, and decision-making processes.

Engineering Department

The Engineering department comprises PGS' research and development activities. Projects span a diverse range of development and support functions for marine seismic acquisition and other PGS commercial services.

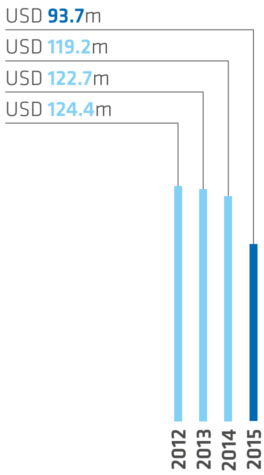
PGS has major R&D offices in the United States, the UK, and Norway. New technologies that provide the right geophysical solutions to address the discovery and recovery challenges facing a diverse customer base are a priority for PGS' Engineering department. A cornerstone of PGS' technology leadership is the implementation of efficiency and productivity enhancements across all platforms, including greater automation of activities where appropriate and practical. The Company focuses on reducing the exposure of people and the environment to potential hazards in all areas of activity.

Intellectual Property

PGS' patents, trademarks, service marks, copyrights, and licenses protect the Company's proprietary technology. PGS's intellectual property includes the Ramform™ seismic vessels as well as the acclaimed GeoStreamer®, GeoSource®, OptoSeis®, HD3D® and hyperBeam® technology suites. These intellectual property rights collectively represent a material business asset. As of December 31, 2015, PGS held 511 patents granted under the laws of the U.S., the UK, and Norway – an increase of 57 new patents in these jurisdictions in 2015 versus 2014. Additional patent-protected innovations help reinforce and preserve the competitive advantages achieved by PGS through technological differentiators.

> "New technologies that provide the right geophysical solutions to address the discovery and recovery challenges facing a diverse customer base are a priority for PGS' Engineering department"

External Imaging Revenues



On average **1.8 million** PGS shares were traded daily on the Oslo Stock Exchange in 2015

The PGS Share

The PGS share is listed on the Oslo Stock Exchange in Norway. In the United States, PGS' ADS are traded over the counter.

Share Facts

PGS has 239,579,996 shares outstanding, including American Depository Shares ("ADS"), all of which are of the same class, and carry equal voting and dividend rights. Each share has a par value of NOK 3. The ticker code for PGS at the Oslo Stock Exchange is "PGS" and the shares are denominated in Norwegian kroner ("NOK"). The Company's ADS are traded over the counter in the US, have the ticker code "PGSVY" and are denominated in US dollars ("USD"). Each ADS represents one share. An American Depository Receipt, with the acronym ADR, is the actual physical certificate confirming ADS ownership. The term ADR is often used for both the certificates and the securities themselves.

In November 2015, PGS successfully completed a private placement of 23,579,999 shares. Gross proceeds from the private placement amounted to NOK 919.6 million.

Share Price Development

2015 was a very challenging year for the seismic industry. A declining and sustained relatively low oil price has resulted in significantly reduced spending by oil companies. The PGS share price declined 14 percent during 2015, after a 41 percent decline during 2014.

On average, approximately 1.8 million PGS shares were traded daily on the Oslo Stock Exchange in 2015.

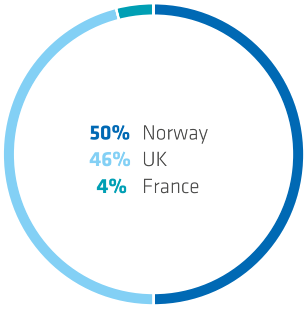
The liquidity of PGS' ADS is significantly lower; the average daily ADS trading volume was 9,689 shares in 2015.

Shareholders

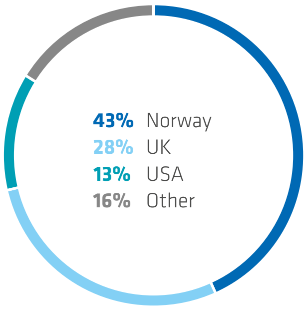
PGS had 5,190 shareholders on record as of December 31, 2015, according to the Norwegian Central Securities Depository ("VPS"). By year-end 2015 non-Norwegian investors owned approximately 57 percent of the outstanding PGS shares. In 2015, non-Norwegian ownership increased by approximately nine percentage points, compared to the shareholder structure as of year-end 2014. This was mainly driven by UK-based investors increasing their holdings from almost 20 percent to 28 percent. Holdings by US-based increased from 7 percent to 13 percent. These increases were partially offset by other non-Norwegian shareholders, mainly domiciled in Europe, which decreased their holdings from 21 percent to 16 percent.

As of December 31, 2015, Ferd AS was the largest PGS shareholder, owning 24.2 million shares or 10.1 percent of the Company. As of year-end 2015, the Company held 1,395,569 own shares, equal to 0.59 percent of total shares outstanding.

PGS Sell-side Analyst Location



Citizenship of Shareholders



20 Largest PGS Shareholders as of December 31, 2015

		December 31, 2015	
Rank	**Shareholder**	**Total shares**	**Ownership percent**
1	Ferd AS	24,175,800	10.09
2	Kiltearn Partners LLP	19,474,520	8.13
3	DNB ASA	15,454,737	6.45
4	Edinburgh Partners LLP	11,983,424	5.00
5	Folketrygdfondet	11,554,386	4.82
6	Lancaster Investment Management LLP	10,632,122	4.44
7	Svenska Handelsbanken	6,763,799	2.82
8	Dimensional Fund Advisors L.P.	6,703,638	2.80
9	Highclere International Investors LLP	5,622,121	2.35
10	Kommunal Landspensjonskasse	4,783,810	2.00
11	Schroders PLC	4,644,809	1.94
12	Danske Bank AS	4,315,909	1.80
13	Nordea AB	4,095,584	1.71
14	Safe Investment Company Limited	4,015,067	1.68
15	BNP Baripas SA	3,437,942	1.43
16	Legal & General Group PLC	3,384,994	1.41
17	Storebrand Kapitalforvaltning AS	3,222,332	1.34
18	Statoil ASA	3,196,739	1.33
19	Prudential PLC	3,073,589	1.28
20	Eleva Capital LLP	2,657,900	1.11
	Other shareholders	86,386,774	36.06
	Total	**239,579,996**	**100.00**

The data is provided by Nasdaq Advisory Services and is obtained through an analysis of beneficial ownership and fund manager information provided in replies to disclosure of ownership notices issued to all custodians in relation to the PGS share register provided by the Norwegian Central Securities Depository ("VPS"). Every reasonable effort has been made to verify the data, however neither PGS nor Nasdaq Advisory Services can guarantee the accuracy of the analysis, which is updated each quarter.

Distribution of Information and IR Activities

All Company information considered material to the capital markets is published via the Oslo Stock Exchange's news service: www.newsweb.no, and posted on the Company's website: www.pgs.com. PGS holds public presentations and arranges conference calls and webcasts in connection with quarterly earnings releases. The Company hosts an annual Capital Markets Day presentation for the investment community, and management regularly meets with investors and participates at investor conferences.

Analyst Coverage

As of December 31, 2015, there were 26 sell-side analysts covering PGS on a regular basis, with market updates and estimates of PGS' financial results. Of these, 12 are based in the UK, one in France and the rest in Norway. An updated list of analyst coverage is published on the Company's website: www.pgs.com.

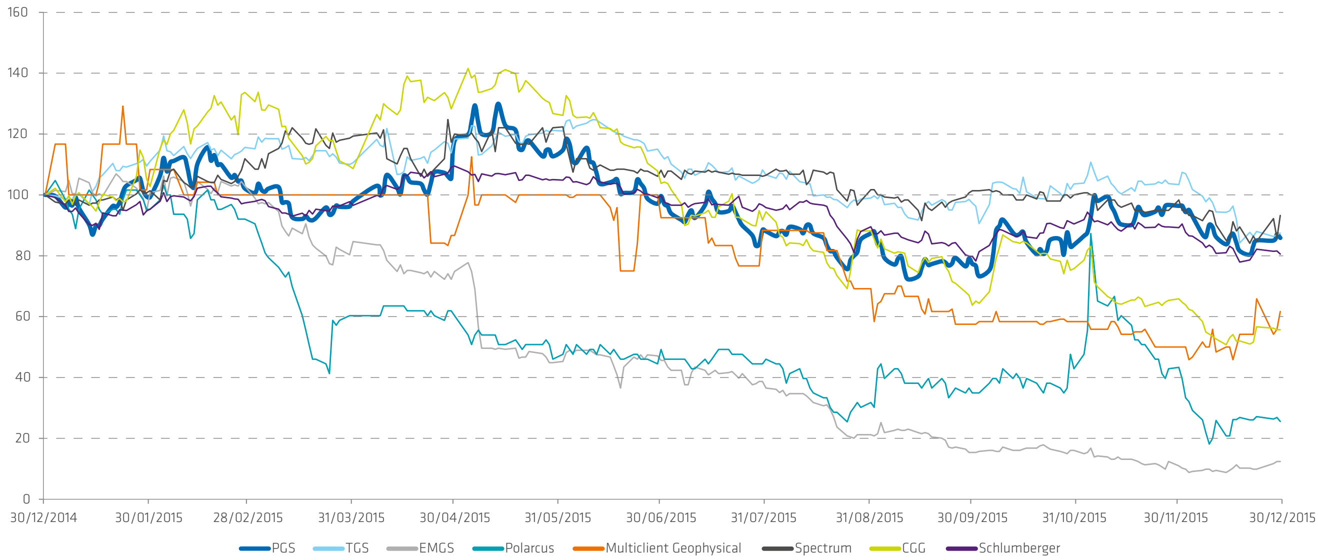
Dividend

PGS implemented its dividend policy in 2011. PGS' dividend policy is to distribute between 25 to 50 percent of net income over the business cycle. In October 2015 PGS received consent from the required lenders to its combined Revolving Credit and Term Loan B facility to amend the leverage ratio maintenance covenant for a period up to mid 2018. As a condition PGS agreed that a dividend shall not be proposed for 2015 and that for the remaining part of the amendment period a dividend can only be paid if Total Leverage Ratio ("TLR") is below 2.75:1 for two consecutive quarters and the TLR is reset to 2.75:1, as it was before the amendment.

Share Price

Share price as of year-end 2015 NOK **36.35**
Share price as of year-end 2014 NOK **42.34**

PGS Share Price Performance During 2015 Relative to Peers



2016 Annual General Meeting

PGS' 2016 Annual General Meeting is scheduled for May 11, 2016 at 15:00 CET at the Company's headquarters at Lilleakerveien 4C, 0216 Oslo, Norway. Each PGS share is entitled to one vote. Please note that Norwegian regulations stipulate that shares must be registered in the name of a specific owner in order for that person (or duly authorized agent) to be allowed to vote. Shareholders who wish to attend the Annual General Meeting are requested to pre-register via the Company's registrar. The registrar's contact information follows:

DNB Bank ASA
Registrar Services
PO Box 1600 Sentrum
NO-0021 Oslo, Norway
Phone:+4723268021
Email: kua@dnb.no

Owners of American Depository Shares can vote by surrendering their shares to the ADS depositary bank, Deutsche Bank, so that title to the shares in question is appropriately recorded in the share register maintained by Norway's VPS prior to the meeting date.

Contact Information for ADS Shareholders

The depositary bank for PGS' ADS shares is Deutsche Bank; the contact information is as follows:

Deutsche Bank Shareholder Services
American Stock Transfer & Trust Company
6201 15th Avenue Brooklyn, NY 11219, USA
E-mail: DB@amstock.com
Toll-free number: +1 800 937 5449
Direct Dial: +1 718 921 8124

Corporate Credit Rating

The Company is rated by Standard & Poor's Rating Services and Moody's Investor Services. An updated overview of the Company's credit rating is available on the Company's website: www.pgs.com.

Corporate Governance

Petroleum Geo-Services is committed to maintaining high standards of corporate governance. We believe that effective corporate governance is essential to our Company's success and establishes the framework by which we conduct ourselves in delivering services to our customers and creating value for our shareholders.

Petroleum Geo-Services ASA is registered in Norway as a public limited liability company, and our corporate governance model is based on Norwegian corporate law and the Norwegian Code of Practice for Corporate Governance (the NUES Recommendations). To the extent practicable, PGS adheres to requirements applicable to registrants of foreign securities in the United States, where our American Depositary Shares ("ADS") are publicly traded. We have also implemented corporate governance guidelines particularly suited to our Company and the industry in which we operate.

The Norwegian Public Limited Liability Companies Act section 5-6 (4) requires that the Annual General Meeting ("AGM") approves the statement of Corporate Governance. Consequently, this report will be presented to the General Meeting on May 11, 2016.

Our corporate governance principles, which have been adopted by our Board of Directors, are summarized below. Our website provides full versions of our basic corporate governance documents and an overview of our governance structure. These items include the Company's Articles of Association, the Board of Directors' Rules of Procedure, and the charters for the Company's Audit Committee, Remuneration and Corporate Governance Committee, and Nomination Committee. The documents can be downloaded from our website: www.pgs.com.

In accordance with the Norwegian Accounting Act section 3-3b, PGS is required to give a statement of our corporate governance in the Board of Directors report. In the Board of Directors report we refer to this document.

1. Code of Conduct, Core Values and Corporate Responsibility

We have adopted a Code of Conduct that reflects our commitment to our shareholders, customers, and employees to carry out our business with the utmost integrity. Our Code of Conduct and Core Values are available in full on our website: www.pgs.com.

At the heart of our Core Values is also a principled approach to Corporate Responsibility. We have built our framework for Corporate Responsibility around four key areas: People, Environment, Conduct, and Stakeholders. For a further description, see our Corporate Responsibility Report, which is available at www.pgs.com.

2. Business

PGS is a focused marine geophysical company that provides a broad range of seismic and reservoir services, including acquisition, imaging, interpretation, and field evaluation. The Company's MultiClient data library is among the largest in the seismic industry. The Company operates on a worldwide basis with headquarters in Oslo, Norway.

Our business purpose, as presented in the Company's Articles of Association, is as follows:

"The business of the Company is to provide services to and participate and invest in energy related businesses."

Our business operations and the goals and strategies for our business areas are presented in greater detail on pages 15–21 and 37-46 of the annual report.

3. Equity and Dividends

Shareholders' equity as of December 31, 2015 was $1,463.7 million, corresponding to 50 percent of total assets. The Board of Directors believes that the Company's net interest-bearing debt should be at moderate levels. The current guideline is to plan for a net interest-bearing debt not to exceed two times annual EBITDA in a strong market. The current net interest-bearing debt of $994.2 million is around the upper end of this guideline, with a risk going forward that net interest bearing debt will exceed the targeted level due to further pressure on EBITDA and an expected increase of net interest-bearing debt due to the completion of the new build program. In a situation where net interest-bearing debt exceeds the targeted level, actions to come back inside may be gradual and take place over a period of time. The Board continually monitors the adequacy of the Company's equity in light of its objectives, strategy, and risk profile. The Company's funding and equity positions are considered satisfactory by the Board of Directors.

The Board of Directors has adopted a dividend policy whereby it is the intention to distribute 25 to 50 percent of annual net income as dividends. The Board of Directors has no general authorization to distribute dividends. Any year's dividend is decided by the AGM after a proposal from the Board of Directors. In October 2015 the Company received consent from required lenders under its combined Revolving Credit and Term Loan B facility, to amend the leverage ratio maintenance covenant and to make certain other amendments, see pages 70-71 of the annual report for details. To secure these amendments the Company agreed not to propose a dividend for 2015 and that until the end of second quarter 2018 the Company can only propose a dividend if the total leverage ratio is below 2.75:1.

The Board of Directors is authorized to buy back up to 10 percent of the Company's share capital (treasury shares). The current authorization expires on June 30, 2016. However, a new authorization will, in line with past practice, be proposed at the next AGM.

It has been an ongoing practice of PGS shareholders to grant limited authorizations to the Board of Directors permitting it to increase the Company's share capital and/or issue convertible loans for certain defined purposes. The current authorization was utilized when the Company in Q4 2015 completed a private placement of approximately 9.99 percent of the issued share capital. A new authorization will be proposed at the next AGM.

Separate General Meeting votes are held for (a) authorizations to increase the share capital related to employee stock option programs, (b) authorizations to increase the share capital for other purposes, (c) authorization to issue convertible loans and (d) authorization to acquire treasury shares. When a proposed resolution encompasses share capital increases and/or the issuance of convertible loans and/or acquisition of treasury shares for various purposes, the Company does not find it practical to hold separate votes on each element of proposals.

4. Equal Treatment of Shareholders and Transactions with Close Associates

PGS has a single share class and all shares carry the same rights. At our General Meetings, each share carries one vote. Our Board of Directors is committed to equal treatment of shareholders in all respects.

When applicable, transactions involving the Company's own shares are carried out through a stock exchange, or at prevailing stock-exchange prices if carried out in an alternative manner.

Transactions between the Company and shareholders, a shareholder's parent company, members of the Board of Directors, executive officers, or close associates of any such party (referred to as "Close Associates") shall be conducted at arm's length and at market terms. Material transactions with Close Associates will be subject to independent valuation by third parties. According to PGS' Code of Conduct, our employees shall not have any personal or financial interest that might conflict with those of PGS nor influence, or appear to influence judgments or actions in carrying out their responsibilities on behalf of the Company. According to our Rules of Procedure, a member of our Board of Directors may not participate in discussions or decision-making as to issues in which the director or any person closely associated with the director has a material personal or financial interest. The Code of Conduct and Rules of Procedure are available on our website: www.pgs.com.

5. Freely Transferable Shares

The Company's shares are freely transferable.

6. General Meetings

Through participation in General Meetings, our shareholders exercise ultimate authority over the Company and elect the members of its Board of Directors and the chairperson of the Board of Directors.

Pursuant to the Company's Articles of Association, the notice of an AGM is distributed at least four weeks in advance of the meeting to shareholders or their depository banks. For ADS holders, the record date for notice-distribution purposes is set at approximately five weeks prior to the AGM. A copy of the call notice with appendices will be posted on our website: www.pgs.com.

Notices convening Extraordinary General Meetings ("EGM") must be distributed at least two weeks ahead of the meeting. The Board of Directors is to call shareholders to an EGM upon a written demand by the Company's independent auditor or shareholders representing at least five percent of the share capital, or for other purposes.

Shareholders who wish to attend a General Meeting must notify the Company's registrar or PGS by the deadline stated in the meeting notice, which must be at least two working days before the General Meeting.

According to the Company's Articles of Association, documents to be considered at the General Meeting may be published on our website. The same applies to documents that, due to statutory requirements must be attached to, or included in the notice calling the General Meeting. If the documents are published in such a manner, the statutory requirements for distribution shall not apply. Nevertheless, shareholders are entitled to request that documents to be considered by the General Meeting be sent to them via regular mail.

To vote at General Meetings, in person or by proxy, a shareholder must be registered with the Norwegian Central Securities Depository ("VPS"). Holders of American Depositary Shares ("ADS") may vote according to the underlying shares by: (a) having the underlying shares transferred to an account with the Norwegian Central Securities Depository in the name of the holder, (b) attending the meeting as a shareholder

Once a year, the Nomination Committee meets with each director individually and discusses how the Board and its committees function and **whether there is a need for changes** to the Board

by providing their name and address and a confirmation from Deutsche Bank, depositary for the ADS, to the effect that they are the beneficial owner of the underlying shares, or (c) authorizing Deutsche Bank to vote the ADS on their behalf in accordance with specific guidelines.

An owner with shares registered through a custodian has voting rights equivalent to the number of shares covered by the custodial arrangement, provided that the owner of the shares, within two working days ahead of the General Meeting, provides PGS with his or her name and address together with written confirmation from the custodian to the effect that he or she is the beneficial owner of the shares held in custody.

Written and/or electronic voting in accordance with the Norwegian Public Limited Liability Companies Act, section 5-8b, shall be allowed for meetings where such method of voting is arranged by the Board of Directors.

All directors generally attend the AGM together with the chairperson of the Nomination Committee and the auditor. In accordance with the Company's Articles of Association, the chairperson of the Board of Directors chairs General Meetings. This is a deviation from the NUES Recommendation (identified below) No. 6 for making arrangements to ensure an independent chairperson for the General Meetings. The reason for this deviation is that the Company has found this more practical and that PGS wishes to ensure that General Meetings are chaired by a competent person having proper insight into PGS' overall operations.

7. Nomination Committee

According to our Articles of Association, the Company has a Nomination Committee comprised of three members to be elected by our shareholders at the AGM. The majority of Nomination Committee members shall qualify as independent parties, pursuant to the Norwegian Code of Practice for Corporate Governance. The term of service shall be two years unless the General Meeting determines that the period shall be shorter.

The Nomination Committee's main responsibilities, which are set out in its charter, are to propose nominees for election as members and chairperson of the Board of Directors and the Nomination Committee. Further, the Committee proposes remuneration to be paid to members of the Board of Directors and Nomination Committee. Remuneration is approved by the General Meeting. Annually, the Nomination Committee produces a written report containing its nominations and proposals, which is distributed in advance of each AGM.

Once a year, the Nomination Committee meets with each director individually and discusses how the Board and its committees function and whether there is a need for changes to the Board. The Nomination Committee also keeps contact with shareholders and the Chief Executive Officer as part of its work.

Nomination Committee Members

The Nomination Committee comprises Roger O'Neil (Chairperson), C. Maury Devine, and Hanne Harlem. All three were re-elected at the AGM held May 13, 2015 for a service period ending with the 2016 AGM.

Shareholders who wish to propose new Board members or new members of the Nomination Committee may do so by submitting a candidate's name to PGS' investor relations staff via the Company's website: www.pgs.com by following the link, "Nominate a Board Member." The deadline for submissions each year is the end of February. Alternatively, candidates can be proposed by letter to PGS or via email to: ir@pgs.com. PGS does not employ any Nomination Committee members and none is a member of the Board of Directors.

In 2015, the Nomination Committee held two meetings. The Nomination Committee's report on its work and recommendations will be distributed with the notice of the 2016 AGM.

8. Board of Directors – Composition and Independence

According to the Company's Articles of Association, our Board of Directors shall have from three to thirteen directors. The period of service for members of the Board of Directors shall be one year.

The Board has adopted its own Rules of Procedure that establish in more detail its roles and responsibilities, including:

- Directors' qualifications
- Requirement that a majority of the Board, a majority of the members of the Remuneration and Corporate Governance Committee, and all members of the Audit Committee are considered to be independent directors
- Annual review and determination of the independence of each director.

The composition of the Board of Directors is a reflection of the Company's commitment to protect the common interests of all shareholders and the Company's need for expertise, capacity, and diversity.

As of December 31, 2015, the Board of Directors comprised eight shareholder representatives and three directors elected among the employees. Current board members are presented on the Company's website: www.pgs.com and in this annual report.

All shareholder elected Directors are independent of the Company's management. All Directors are also per December 31, 2015, independent of our major business relations. The Board of Directors has considered whether Walter Qvam, who was appointed to the Board of Directors in November 2013, can be considered independent as he is the Chief Executive Officer of Kongsberg Gruppen ASA. Kongsberg Gruppen ASA, which through its subsidiaries, is a provider of various services and equipment to PGS. However, this activity is not significant for either of the two companies involved, and the Board has concluded that Mr. Qvam is to be regarded as independent of the Company. All Directors except for Morten Borge are independent of our major shareholders. Mr. Borge is an Investment Director in Ferd. Ferd owns 10.1 percent of the shares in the Company. No shareholder elected member of our Board of Directors may be an executive of PGS. Directors are not permitted to perform paid consultancy work for PGS. Eight board members, directly or indirectly, own PGS shares.

Shareholders and other interested parties may communicate directly with our independent Directors by written correspondence addressed to Petroleum Geo-Services ASA, Board of Directors (Independent Members), Secretary of the Board of Directors or to the Company's EVP & General Counsel Rune Olav Pedersen, PO Box 251, NO-0216 Oslo, Norway. Further, our website: www.pgs.com invites shareholders wishing to discuss corporate governance or corporate responsibility matters to contact Mr. Pedersen by phone or arrange a meeting with him.

9. The work of the Board of Directors

In accordance with Norwegian corporate law, our Board of Directors has overall responsibility for management of the Company, while the Company's Chief Executive Officer ("CEO") is responsible for day-to-day management.

The Board of Directors provides oversight of the CEO's day-to-day management and company activities in general. The Board of Directors is also responsible for ensuring that appropriate management, guidelines, and control systems are in place and are followed. The CEO, as agreed with the chairperson of the Board of Directors, annually submits a schedule of the meetings of the Board of Directors in the upcoming calendar year. The schedule is subject to Board approval. In 2015, the Board of Directors held thirteen meetings including conference calls. During 2015, all directors participated in all regular meetings and conference calls, with the exception of one director who missed one regular meeting and two directors who missed a conference call.

Key elements of the Rules of Procedure cover the Board of Directors' responsibilities to determine the Company's financial targets, set strategies along with the CEO and executive committees, and approve business plans, budgets, and budgetary and risk frameworks. In its supervision of the Company's business activities, the Board of Directors will seek to ensure that satisfactory procedures are in place for monitoring and follow-up of Board-approved corporate principles and guidelines covering areas such as ethical conduct; adherence to laws, rules, and regulations; health, safety and environment; and corporate social responsibility.

The Rules of Procedure also require an annual self-evaluation to determine whether the Board of Directors and its committees are functioning effectively. The annual self-evaluation is prepared and facilitated by the Remuneration and Corporate Governance Committee. An anonymous survey is carried out and the findings are discussed by the Board of Directors. The survey's findings are made available to the Nomination Committee. The Chairperson of the Nomination Committee also shares with the Board relevant information for improvement of Board processes that may come up in their annual interviews with individual directors.

Each scheduled Board of Directors meeting includes a separate session at which issues may be discussed without the presence of management.

The tasks and duties of the CEO vis-à-vis the Company's Board of Directors are also outlined in the Rules of Procedure, along with the tasks and duties of the chairperson of the Board of Directors. The CEO participates in all board meetings other than closed sessions. The Board of Directors elects a vice chairperson to chair board meetings in the chairperson's absence. The full text of the Board of Directors' Rules of Procedure is available at: www.pgs.com.

Our governance structure is organized as described below.

Our Board of Directors is responsible for the supervision of our business activities. The Board has established an Audit Committee and a Remuneration and Corporate Governance Committee to assist in organizing and carrying out its responsibilities.

Board responsibilities include:

- The Board of Directors appoints the Company's CEO
- The Board of Directors, along with the CEO, is committed to operating PGS in an effective and ethical manner in order to create value for the Company's shareholders. Our Code of Conduct requires management to maintain an awareness of the risks involved in carrying out our business strategies. Personal interests must not override or conflict with the interests of PGS.

The responsibilities of the CEO include:

- Day-to-day management of company activities
- Organizing PGS' Executive Committees and the Disclosure Committee to further assist the CEO
- The CEO, under the guidance and supervision of the Board of Directors and the Audit Committee, is responsible for ensuring that the Company's financial statements in all material respects, fairly present the Company's financial condition and the results of its operations. Timely disclosure of issues to the Board of Directors is also essential to the assessment of the Company's financial condition, business performance and risks.

Board of Directors Committees

Our Audit Committee comprises board members Anne Grethe Dalane (Chairperson), Carol Bell, Daniel J. Piette, Walter Qvam, Anette Valbø and Berit Osnes. All shareholder elected members of the committee are considered independent of the Company. The committee's functions are to assist the Board of Directors in its supervision of the integrity of PGS' financial statements; to monitor the independent auditor's qualifications, independence and performance; to monitor the performance of the internal audit function; and to promote and review compliance with laws and regulatory requirements.

PGS' Remuneration and Corporate Governance Committee comprises board members Holly Van Deursen (Chairperson), Harald Norvik, Morten Borge, and Espen Grimstad. The function of the committee is to assist in matters relating to compensation, benefits, and perquisites of the CEO and other senior executives. Review and modification of the Company's guidelines for good corporate governance are also committee responsibilities.

10. Risk Management and Internal Control

The Board of Directors is responsible for ensuring that appropriate guidelines, monitoring, and internal control systems are in place. These are to include embedding risk management, designating risk ownership, and implementing risk responses and controls.

The Board of Directors has systems in place to assess that the CEO exercises appropriate and effective management. The Board of Directors' Audit Committee assesses the integrity of PGS' accounts. It also inquiries into, on behalf of the Board of Directors, issues related to financial review and external audit of PGS' accounts. Further, the Board of Directors and the Audit Committee supervise and verify that effective internal control systems are in place, including systems for risk management and financial reporting.

The Board of Directors and the Audit Committee take steps to ensure that the Company's internal control functions are working as intended and that necessary measures are taken to reduce extraordinary risk exposure. Furthermore, the Board of Directors makes certain that there are satisfactory routines for follow-up of principles and guidelines adopted by the Board of Directors governing ethical conduct; compliance with laws, rules and regulations; health, safety and working environment; and corporate social responsibility.

The Company's anti-corruption program includes a policy, a management statement, and procedures as to several ethical issues, periodic training, high risk area assessment and monitoring, compulsory contract wording, etc. The policy and procedures are available at www.pgs.com. The program is evaluated on a regular basis by the Audit Committee.

Management maintains and regularly reviews a risk matrix setting out the main risks for the Company. These risk factors and the Company's risk mitigating activities are subject to discussion in the Board of Directors at least once a year.

Management conducts day-to-day follow-up of financial management and reporting. Management has established a structured process to ensure that Internal Control over Financial Reporting is effective. The process includes identification and assessment of all material financial reporting risks, identifying and documenting relevant controls to address these risks, and monitoring that controls are implemented and performed. For controls that are not operationally effective at year-end, their potential financial exposure and impact on the consolidated financial statements are evaluated.

Internal Audit Department
PGS has an Internal Audit Department reporting directly to the Audit Committee on its audit planning and audit reports. The purpose of the Internal Audit Department is to perform independent, objective assurance and consulting activities that add value and improve the Company's initiatives in financial, operational and compliance areas.

The scope of work for the Internal Audit Department includes determining whether the Company's risk management, control, and governance processes, as designed and represented by management, are adequate and well-functioning. The department has established a process for ensuring that adequate internal control-related activities are integrated into significant PGS business operations worldwide and that focus is directed towards areas of perceived high risk. Any non-conformance is systematically followed up and corrective measures are implemented and their effects monitored.

11. Remuneration of the Board of Directors and Executive Management

Remuneration of board members is not linked to performance but is based on participation in meetings and is subject to annual approval by the General Meeting. Board members shall not solicit or accept specific assignments for PGS beyond their role as Board members. Board members do not hold any PGS share options.

For details on compensation to individual board members, please see Note 28 to the financial statement of PGS.

The Board of Directors is responsible for ensuring that **appropriate guidelines, monitoring, and internal control systems** are in place

Remuneration payable to board members will be proposed by the Nomination Committee according to its charter, and submitted to the AGM for approval.

Executive remuneration is one of the primary tasks of the Remuneration and Corporate Governance Committee. The committee annually reviews the total compensation level, the mix between fixed and performance related compensation and the mix between short, medium and long-term compensation. The Remuneration and Corporate Governance Committee has developed an annual schedule in order to ensure and facilitate a structured approach to the annual review of executive compensation. The committee has also engaged an external advisor for this work.

A specific peer group of comparable companies and an executive remuneration philosophy have been adopted. The peer group currently consists of nineteen companies from Norway, Europe, and the Americas. All companies are of comparable size and have international operations in the oil service sector. The external advisor collects and compiles relevant information on peer group companies. This information is used by the Remuneration and Corporate Governance Committee for benchmarking executive remuneration. The executive remuneration policy document includes certain targets and guidelines on how the Company's executives should compare to the peer group. These tools, amongst others, are used by the Remuneration and Corporate Governance Committee to decide on an appropriate remuneration structure and to set appropriate total remuneration.

Compensation for the CEO adheres to the same process as that used for other executives, but is also subject to approval by the Board of Directors.

PGS currently has a compensation structure for executive managers that includes a base salary, benefits such as newspaper and mobile phone subscriptions, cash bonuses, pension plans, and stock-based long-term incentive programs. Features of these programs include an absolute ceiling on performance-related remuneration and a cap on maximum gain on option programs. For further details on the compensation structure and total compensation to executive team members, see Note 28 to the financial statement of PGS.

12. Information and Communications

The Board of Directors is committed to reporting financial results and other relevant information based on openness and the requirement of equal treatment of all shareholders and securities market participants. The Company complies with relevant disclosure rules and regulations. Announcements are released through the Nasdaq OMX reporting channel and posted on the Oslo Stock Exchange's news service: www.newsweb.no. In addition, all announcements are available on the Company's website: www.pgs.com. The Company's policy of accessibility for shareholders is also presented on the Company's website.

The Company has an investor relations function to ensure that requests for information from shareholders, analysts and other interested parties are satisfied. The Company has an active investor communication program which includes senior management roadshows in connection with reporting of financial results, presentations at relevant investor conferences, and availability for one-on-one meetings. The Company hosts a Capital Markets Day presentation once a year.

The Board of Directors and the Nomination Committee send a letter to the largest shareholders once a year inviting them to join in a dialogue on corporate governance and corporate responsibility matters. The letter is also posted on www.pgs.com and any shareholder may initiate communication with the Company on these matters. During 2015, several meetings and phone conferences were conducted with shareholders under this initiative.

13. Takeover Bids

The Board of Directors has established guiding principles for how it will act in the event of a takeover bid. The Board of Directors will ensure that all shareholders are treated equally and seek to prevent disruptions to, or interference with, Company operations to the extent possible. In the event of a takeover bid, the Board of Directors will, in accordance with its overall responsibilities and good corporate governance, act in the best interest of shareholders and ensure that they are given sufficient information in the matter. If a takeover bid is made, the Board of Directors will issue a statement containing a recommendation as to whether the shareholders should accept or reject the offer, including an independent valuation of the offer. The Company's Articles of Association do not contain any restrictions, limitations, or defence mechanisms against acquisition of its shares.

14. Auditor

The Audit Committee shall support the Board of Directors in the administration and exercise of its responsibility for supervision of the work of the independent auditor, who shall keep the Board of Directors informed of all aspects of its work for PGS. This duty includes submission of an annual plan for the audit of PGS. The auditor attends all Audit Committee meetings and, at least twice a year, meets with the Audit Committee without the presence of management. In-house policies govern the use of the auditor's services. Use of the auditor for services other than the audit of PGS requires pre-approval by the Audit Committee.

The independent auditor meets with the full Board of Directors at least once a year in connection with the preparation of the annual financial statements and, at least once a year, presents a review of PGS' financial reporting and internal control procedures for financial reporting. At least once a year, the independent auditor meets with the Board of Directors without the presence of any member of the executive management.

Remuneration paid to the auditor for mandatory and other audit services will be reported to the AGM for approval.

15. Compliance with Laws, Rules, Regulations and Recommendations

As part of PGS' Business Practice outlined on www.pgs.com, PGS is inter alia committed to comply with relevant laws, rules, and regulations. In addition, PGS complies with the current recommendations set forth in the NUES Recommendations, subject only to deviations identified and justified in this report. The NUES Recommendations are available at www.nues.no.

The Board of Directors further conducts periodic reviews of PGS' corporate governance policies and procedures, including the Board of Directors' Rules of Procedure. This process is conducted annually and managed by the Remuneration and Corporate Governance Committee. Any changes to policies or procedures are presented to the Board of Directors for approval.

The Board of Directors is committed to **reporting financial results** and other relevant information **based on openness**

Board of Directors

Francis Gugen
Chairperson
Elected 2003

Mr. Gugen was elected PGS Board Chairperson in May 2009. Currently an energy-industry consultant and investor. Previously he worked at Amerada Hess Corporation for 18 years, from 1982 to 2000. Mr. Gugen served as Chief Executive of Amerada Hess UK from 1995 to 2000 and Amerada Hess' Chief Executive of North West Europe from 1998 to 2000. His board positions at listed companies include Board Chairperson of IGas Energy Plc and Board Member of SBM Offshore NV; Mr. Gugen is an IGas Energy investor. Mr. Gugen is also Chairperson of the Board and investor in a number of privately held companies. A UK chartered accountant, he has also worked at Arthur Andersen. As of March 31, 2016, Mr. Gugen owns 30,000 PGS shares.

Harald Norvik
Vice Chairperson
Elected 2003
Remuneration and Corporate Governance Committee Member

Mr. Norvik is an independent advisor and consultant. He is Board Member of ConocoPhillips, Inc. and Deep Ocean Holding, and Umoe. Mr. Norvik was President and Chief Executive Officer of Statoil from 1988 to 1999. From 1981 to 1988, he was Finance Director and a member of the Executive Board of the Aker Group. Mr. Norvik served as Personal Secretary to the Prime Minister of Norway and as State Secretary in the Ministry of Petroleum and Energy from 1979 to 1981. He received his Master of Science (M.Sc.) in business from the Norwegian School of Economics and Business Administration. As of March 31, 2016, Mr. Norvik owns 8,000 PGS shares.

Holly Van Deursen
Board Member
Elected 2006
Remuneration and Corporate Governance Committee Chairperson

Ms. Van Deursen currently holds non-executive director positions with Petroleum Geo-Services, Bemis Company, Inc., Actuant Corporation, Capstone Turbine Corporation, and Anson Industries, Inc. She served on BP plc's Top-Forty Executive Team as Group Vice President, Petrochemicals from 2003 to 2005 and Group Vice President, Strategy from 2001 to 2003. Prior to these executive appointments, Ms. Van Deursen held a variety of senior positions with BP and Amoco in Chicago, London, and Hong Kong and has served on the boards of directors of the American Chemistry Council and Amoco's joint ventures in Korea, Taiwan, and Japan. Ms. Van Deursen holds a B.Sc. in Chemical Engineering from the University of Kansas and an MBA from the University of Michigan. As of March 31, 2016, Ms. Van Deursen owns 2,000 PGS shares.

Daniel J. Piette
Board Member
Elected 2007
Audit Committee Member

Mr. Piette is a Board Member of Headwave Inc, a software company that offers technology for interpretation and manipulation of upstream exploration data. He also serves on the Board of Visitors for the University of Wisconsin – Madison School of Geological Engineering. Mr. Piette acts as an advisor to Blueware, a technology delivery company, and Deep Imaging Technologies, a company collecting EM data over shale wells during hydraulic fracturing. Until January of 2013, Mr. Piette was the President, CEO and Chairperson of TerraSpark Geosciences Inc. Previously, Mr. Piette was President, CEO, and Board Member of Object Reservoir. Mr. Piette was President and CEO of OpenSpirit Corporation from 2003 to 2011. After receiving his B.Sc. with honors in Mining Engineering from the University of Wisconsin-Madison in 1980, he held several executive management positions in the oil and gas industry, including Business Unit Manager at Input/Output, President and CEO of Bell Geospace, and Vice President and General Manager of the Asia Pacific region for Landmark Graphics. As of March 31, 2016, Mr. Piette owns 10,000 PGS shares.

Carol Bell
Board Member
Elected 2009
Audit Committee Member

Dr. Bell has over 30 years of experience in the energy industry, with particular expertise in investment and financing in the oil and gas sector. She is a non-executive director of Ophir Energy plc and the BlackRock Commodities Investment Trust plc (both listed in London), and two Oslo listed holding companies in the Fred Olsen Group (Ganger Rolf ASA and Bonheur ASA). She is also a director of S4C (the Welsh Language Public Service Broadcaster) and Finance Wales (the Venture Capital arm of the Welsh Government. Dr. Bell has held senior positions in investment banking, including Managing Director of the Global Oil & Gas Group at Chase Manhattan Bank, Head of European Equity Research at JPMorgan and Global Head of its Oil and Gas Equity Research Team. She began her career in corporate planning and development with RTZ Oil and Gas and later worked at Charterhouse Petroleum plc. She was awarded a Ph.D in May 2005 for her research on the evolution of economic and trade relations in the Ancient Eastern Mediterranean across the Late Bronze/Iron Age transition, and in 2006 published a book on this subject. She was educated as a scientist, earning an M.A. in Biochemistry from Cambridge University, a B.A. in Geology from the Open University, and a Ph.D. in Archaeology from University College, London. As of March 31, 2016, Dr. Bell owns 5,000 PGS shares.

Walter Qvam
Board Member
Elected 2013
Audit Committee Member

Mr. Qvam is President and Chief Executive Officer of Kongsberg Group ASA. He has previously held leading positions in various prominent Norwegian and international businesses in a variety of fields, including oil & gas, shipping (DNV - Det Norske Veritas), IT (Capgemini), transportation (the Norwegian State Railway) and consultancy (Gemini Consulting). Mr. Qvam graduated Master of Science (M.Sc.) from the Norwegian University of Science and Technology (1979), and has also studied at INSEAD in Singapore (1985). He is Chairperson of the Council of Det Norske Veritas. As of March 31, 2016, Mr. Qvam does not own any PGS shares.

Anne Grethe Dalane
Board Member
Elected 2013
Audit Committee Chairperson

Ms. Dalane is a Senior Executive at Yara International and previously held a number of senior positions at Norsk Hydro. She is currently Chief Financial Officer Downstream at Yara International. Her previous experience covers a range of fields including HR as well as oil and gas. She has been Region Director Latin America and Country Manager of Argentina. Ms. Dalane's background is in economics and she holds a business degree from the Norwegian School of Economics NHH. As of March 31, 2016, Ms. Dalane does not own any PGS shares.

Morten Borge
Board Member
Elected 2015
Remuneration and Corporate Governance Committee Member

Mr. Borge is Investment Director and co-head of Ferd Capital, where he is responsible for the overall concept and execution of strategy. He has previously been Chief Financial Officer in Interwell AS and held various positions within the audit company PwC. He currently serves as Board Member for Aibel AS, Interwell AS and Servi Group AS. Morten Borge holds a Master of Science (M.Sc.) Finance from the Norwegian School of Management where he also qualified as a Certified Public Accountant. As of March 31, 2016, Mr. Borge does not own any PGS shares.

Board of Directors

Anette Valbø
Board Member – Employee Elected
Elected 2015
Audit Committee Member

Ms. Valbø joined PGS in 2002. Her current position is Business Controller, Marine Contract. She has previously held similar positions within the Operations business area. Prior to joining PGS, Ms. Valbø served in various positions within auditing and accounting in Frontline Ltd. and DNB. Ms. Valbø holds a bachelor degree in accounting and auditing from Molde University College, Norway. As of March 31, 2016, Ms. Valbø owns 2,972 shares in PGS.

Espen Grimstad
Board Member – Employee Elected
Elected 2015
Remuneration and Corporate Governance Committee Member

Mr. Grimstad is Senior Navigation Specialist in PGS Operations business area and has worked for PGS since 2001. After 10 years offshore, working with navigation, he joined Operations Technical Support at PGS headquarters. Mr. Grimstad holds a Master of Science (M.Sc.) in Geomatics from the Norwegian University of Life Science at Ås and the University of Glasgow. He is also the employee representative of PGS Tekna. As of March 31, 2016, Mr. Grimstad owns 783 shares in PGS.

Berit Osnes
Board Member – Employee Elected
Elected 2015
Audit Committee Member

Ms. Osnes is Senior Vice President Special Sales in PGS MultiClient business area. Before joining PGS in 2006, she held various technical and management positions in the geophysical industry with Geoteam AS and Veritas DGC Ltd. Prior to that she was employed by Norsk Hydro for 11 years, working within field development, exploration and geophysical operations. Ms. Osnes holds a Master of Science (M.Sc.) in Geophysics from the Norwegian University of Science and Technology (1987). As of March 31, 2016, Ms. Osnes owns 6,043 shares in PGS.

Board of Directors' Report

PGS response to the challenging seismic market in 2015 was to focus on sales, cost reduction, cash flow and capacity management. With the initiatives implemented, the Company is well positioned to navigate the current market environment.

Petroleum Geo-Services ("PGS" or "the Company") is a focused marine geophysical company that provides a broad range of seismic and reservoir services, including acquisition, imaging, interpretation, and field evaluation. The Company's MultiClient data library is among the largest in the seismic industry, with modern 3D coverage in all significant offshore hydrocarbon provinces of the world. The Company operates on a worldwide basis with headquarters in Oslo, Norway.

PGS is organized in four business areas: Marine Contract, MultiClient, Operations, and Imaging & Engineering ("I&E").

- **Marine Contract:** manages projects and customer relationships pertaining to seismic data acquired under exclusive contracts; the diversified customer base comprises a broad range of the world's independent and national oil and gas exploration and production companies.
- **MultiClient:** initiates and manages projects and customer relationships pertaining to seismic data licensed on a non-exclusive basis from the Company's data library of seismic surveys. The PGS MultiClient library covers substantial areas in major offshore hydrocarbon basins that the Company and its customers deem to have the highest potential for exploration and production, such as the North Sea, offshore West Africa, Brazil, in the Gulf of Mexico and offshore Australia.
- **Operations:** supports both Marine Contract and MultiClient with reliable and efficient seismic vessels capacity, related equipment and skilled crew. Operations is also responsible for fleet expansion and reduction strategies as well as vessel maintenance.
- **I&E:** images seismic data acquired for PGS' MultiClient library and as a contract service to external customers. It also manages the Company's research and development activities.

2015 Business Highlights

PGS has proactively cut costs in 2015 by stacking four Ramform vessels, staff reductions, office closures and other initiatives. The Company also benefitted from the lower oil price reducing fuel cost and from favorable development of currency exchange rates.

Total reduction of cash cost for the full year 2015, compared to full year 2014, amounted to almost $320 million, excluding restructuring charges. The cost reductions were sufficient to offset enough of the revenue decline to preserve the Company's EBITDA margin at 50 percent, compared to 48 percent in 2014.

MultiClient revenues in 2015 ended at $574.7 million. With capitalized MultiClient cash investment of $303.3 million the Company achieved a sales-to-investment ratio of 1.9 times. This highlights the robustness of PGS MultiClient business, contributing significantly to the full year EBITDA.

Financial flexibility remains a priority for PGS. During the year the Company's net interest bearing debt was reduced by approximately $50 million and the available liquidity reserve was increased by approximately $100 million.

In November PGS successfully completed a private placement of 23,579,999 shares. Gross proceeds from the private placement amounted to NOK 919.6 million.

Capital expenditures were significantly reduced in 2015, compared to 2014 due to lower capital expenditures relating to new builds and a significant reduction of maintenance capital expenditures.

In October PGS entered into agreements to charter *Sanco Swift* and *Sanco Sword*. In chartering the two Sanco vessels PGS went some way towards addressing the industry's overcapacity, by replacing two Ramform vessels with the two new additions, as well as better positioning the PGS fleet for the future. These vessels are relatively new and contribute to reducing the average vessel age of the PGS fleet and strengthening PGS footprint in the mid-market segment.

Imaging capabilities have been strengthened, with the Company continuing to benefit from enhanced processing and imaging workflows applied to GeoStreamer data and new supercomputing capacity significantly contributing to reduced cycle times on advanced imaging.

Strategy Review

PGS' strategic ambitions are anchored in five core pledges:

- To care
- To deliver productivity leadership
- To develop superior data quality
- To innovate
- To perform over the cycle.

The Company will only invest capital in vessels when **differentiation can be achieved** over a substantial part of the useful life of the vessel

PGS has a strategic ambition to care for employees' health and safety alongside caring for the environment and society at large. PGS' vision is to be a pioneer in HSEQ in the world-wide geophysical industry with zero injury to people and minimum harm to the environment. HSEQ leadership requires continuous improvement through identifying, assessing, mitigating, and managing risk affecting PGS employees, contractors, and the environment.

Productivity leadership is served first and foremost by PGS' fleet of Ramform vessels, which will be further enhanced when all Ramform Titan-class vessels are in operation. GeoStreamer increasingly contributes to PGS productivity. The fleet capabilities were complemented further by the charter agreements for the *Sanco Swift* and *Sanco Sword*. The two Sanco vessels are powerful and well suited for the mid-market segment and for reconnaissance surveys, which some oil companies favor in a challenging market environment.

When adding capacity, PGS takes a long term view and invests through the cycle. The Company will only invest capital in vessels when differentiation can be achieved over a substantial part of the useful life of the vessel, offering the prospect of a satisfactory and sustained return on capital employed.

Oil companies are ultimately seeking superior data quality. The ability to deliver an ever clearer, more informative seismic image requires successful product innovation. PGS introduced GeoStreamer in 2007 and was the first to offer a dual-sensor streamer. PGS claims with pride that GeoStreamer has been the greatest game-changer in the seismic industry since the launch of 3D seismic, and that it is a supreme example of PGS' technology differentiation. To further advance the GeoStreamer technology platform, the Company has developed a number of spin-off products and technologies, such as Separated Wavefield Imaging ("SWIM"), Complete Wavefield Imaging ("CWI") and innovative survey designs based on the SWIM methodology. The Company expects these technologies to become ever more important market differentiators going forward.

As for operational innovation, PGS was the first company to deploy vessels capable of towing more than 20 streamers delivering unique reservoir-focused solutions based on the high-performance GeoStreamer technology platform. The Company is well positioned to generate more technology driven services such as OptoSeis Permanent Reservoir Monitoring ("PRM") system and Towed Streamer EM.

The seismic market is cyclical by nature. PGS aims to perform over the cycle and mitigate its exposure to industry cyclicality by proactive financial management, focus on solid MultiClient performance to reduce earnings volatility, taking a proactive approach to capacity and capital allocation between MultiClient and contract work, maintaining cost and capital discipline, and focusing on cash flow, cost control, improved productivity, quality improvement, and technology differentiation.

Markets and Main Businesses

PGS is one of the largest participants in the global marine 3D seismic market, with a market share by year-end 2015 of approximately 25 percent, measured by number of streamers.

The market activity going into 2015 was low due the oil companies' efforts to reduce cost and adapt to a lower oil price environment. The shift in sentiment from exploration to cash preservation has changed the demand for seismic to one driven mainly by the commitments the oil companies have under E&P licenses and where oil companies position themselves for strategically important licensing rounds. In addition, production seismic, 4D work, makes up a part of the total demand, and there is also some opportunistic spending among oil companies, with a solid financial position, where they consider it beneficial to take advantage of the current low pricing being charged for seismic services.

The total square kilometers of marine 3D seismic acquired in 2015 declined by close to 20 percent compared to 2014, the second consecutive year in which volume declined as the oil companies started to focus on cost reduction and cash preservation as of 2013. Most seismic companies responded to the challenging market environment by reducing capacity. As a result, the industry capacity (average number of streamers) in 2015 declined in tandem with the reduction in volume. From the peak in 2013 to Q1 2016 the aggregated active streamer capacity has been reduced by almost 50 percent.

MultiClient accounted for a majority of PGS business activity in 2015, with approximately 53 percent of active 3D vessel time spent on MultiClient work with an average pre-funding level of 125 percent of capitalized MultiClient cash investments. The remaining 47 percent of active 3D vessel time was used for acquisition of contract surveys. The market is trending towards more MultiClient, but the distinction between MultiClient and Contract is diminishing as MultiClient projects are to an increasing degree put out for bid.

Technology

PGS has invested considerable resources to develop and deliver seismic and electromagnetic ("EM") solutions for customers focusing on efficiency and best-in-class imaging quality.

GeoStreamer, the first-ever dual-sensor streamer and a proprietary PGS technology, represents a game changer in streamer technology and the best proof of PGS' technology differentiation. GeoStreamer affects the entire E&P life cycle, reducing exploration risk, improving the delineation of reservoir details, enabling accurate reservoir characterization, and better production management. Seismic operations are also more efficient, translating to cheaper hydrocarbon discovery and recovery.

The PGS towed streamer EM system is another industry first, significantly improving EM survey efficiency and enabling EM to complement seismic information in a manner that is geologically consistent, low cost and of greater value. EM data provides complementary information about reservoir fluid volumes and reservoir quality, thereby also contributing to the entire E&P life cycle.

High efficiency technologies enable high-end solutions. For example, the unique design of GeoStreamer has created several new paradigms for how seismic data is used by PGS customers. SWIM is a technology that significantly improves understanding of shallow geology and drilling hazards whilst simultaneously enabling improvements in survey efficiency - a concept previously viewed as contradictory. CWI is an associated seismic workflow that uses seismic wavefield information previously inaccessible to geophysicists to improve the understanding of seismic velocities in rocks, especially those in the first kilometer below the seafloor where historically available methods have failed. This renewed confidence translates to spatially more accurate structural understanding of deep drilling targets, higher resolution at all depths, and reduced exploration and drilling risk. SWIM and CWI are examples of unique solutions made possible by GeoStreamer data.

Financial Results

During 2015, PGS adapted to the challenging market environment. Costs were significantly reduced and capital expenditures ended lower than initially guided. The Company has strengthened its balance sheet by maintaining a healthy cash flow from operations, completing a sale and operating leaseback of *PGS Apollo* and a through successful equity issue. Cost reductions achieved in 2015 were sufficient to offset enough of the revenue decline to preserve the Company's EBITDA margin at 50 percent compared to 48 percent in 2014.

Total revenues in 2015 were $961.9 million, compared to $1,453.8 million in 2014, a decrease of 34 percent. The revenue reduction reflects the oil companies' increasingly cautious spending patterns, which negatively impacts pricing, utilization and the general demand for seismic services.

Marine contract revenues were impacted the most by the weak market and full year 2015 revenues for this business area ended at $274.0 million, a decrease of $423.8 million or 61 percent, compared to 2014, primarily as a result of lower prices, more non chargeable vessel time and somewhat less capacity allocated to marine contract activities.
The full year marine contract EBIT margin ended at negative 27 percent, compared to a positive 15 percent in 2014.

The margin reduction is a result of a deteriorating market, especially in the second half of the year.

In 2015, MultiClient pre-funding revenues ended at $380.4 million, an increase of $89.7 million or 31 percent, compared to 2014. Despite the generally difficult market, the Company has been able to generate projects attracting strong customer interest.

MultiClient late sales in 2015 were $194.3 million, a decrease of $114.7 million or 37 percent, compared to 2014. The Europe library was the main contributor to MultiClient late sales in 2015.

Total MultiClient revenues (pre-funding and late sales combined) decreased by $25.0 million or 4 percent, compared to 2014 and ended at $574.7 million.

Cash investment in the MultiClient library decreased by $40.9 million, or 12 percent, to $303.3 million in 2015, compared to 2014. Pre-funding as a percentage of capitalized cash investment was 125 percent in 2015, compared to 84 percent in 2014. The increased pre-funding level is primarily due to the Company being able to generate MultiClient projects attracting strong customer interest, combined with strong project execution and reduced cost.

The Company's MultiClient activities contributed to most of the cash generation in 2015 and also got allocated a higher share of fleet capacity with a 2015 fleet allocation ratio (active 3D vessel time for marine contract versus MultiClient data acquisition) of approximately 47:53, compared to 62:38 in 2014.

Operating costs, which include cost of sales, expensed research and development costs, and selling, general and administrative costs, totaled $477.5 million in 2015, compared to $751.1 million in 2014, a decrease of $273.6 million, or 36 percent. Substantial cost savings initiatives, which were the main contributor, combined with a stronger USD and lower fuel prices explains the significantly lower cost base in 2015, compared to 2014. The Company continuously monitors the development of its total cash operating cost base, which is the sum of the reported net operating expenses (excluding depreciation, amortization, impairments and other charges/(income)) and the cash operating costs capitalized as investments in MultiClient library. The $150 million cash cost savings initially planned for the full year 2015 (as compared to full year 2014) ended at $318.5 million, excluding restructuring charges.

Full year 2015, gross research and development costs decreased by $21.3 million, or 39 percent, to $32.6 million. The decrease is primarily driven by a lower cost level and finalizing existing projects. The Company's R&D activities focus on the core business of marine seismic acquisition and imaging.

Net depreciation and amortization for 2015 amounted to $468.5 million, compared to $525.4 million in 2014, a decrease of $56.9 million or 11 percent for the reasons explained below.

Gross depreciation decreased by $33.3 million, to $245.2 million in 2015 as a result of reduced capital expenditures over the last year and write downs of the depreciable asset base.

Capitalized depreciation increased by $6.9 million in 2015, compared to 2014 due to more vessel capacity allocated to MultiClient projects.

MultiClient amortization for 2015 decreased by $16.6 million, or 5 percent, to $327.6 million, compared to 2014. MultiClient amortization as a percentage of total MultiClient revenues was 57 percent in 2015, which is in line with the amortization rate in 2014.

PGS recorded a $102.5 million impairment of the MultiClient library in Q4 2015. The MultiClient library is accounted for on a survey by survey basis. The impairment generally relate to surveys where the Company, owing to the lower oil price, is experiencing lower revenues and so total expected sales are reduced and/or pushed out in time. The carrying value of the Company's MultiClient library was $695.0 million as of December 31, 2015, compared to $695.2 million as of December 31, 2014.

During 2015, PGS recorded impairments and losses on sale of assets of $397.2 million, including the write down of the MultiClient library, compared to $73.8 million in 2014. The impairments recorded in 2015 were due to cold stacking of the four Ramform vessels *Ramform Challenger, Ramform Explorer, Ramform Valiant* and *Ramform Viking* amounting to $65.3 million, impairments of goodwill and intangible assets, primarily stemming from acquisitions made in a significantly stronger market, of $172.4 million and loss on sale of the *PGS Apollo* of $56.9 million related to sale and operating leaseback of the vessel. After recording these non-cash charges there is no remaining carrying value of goodwill as of December 31, 2015.

The Company has based its asset valuations on the expectation of a continued weak market through 2016 with a gradual recovery thereafter. Depending on several factors, including market developments and the Company's projections and plans, further impairments of long-term assets, including property and equipment, MultiClient library and deferred tax assets could arise in future periods.

Fleet adjustments and other cost reductions have led to one-off costs relating to staff reductions and other restructuring activities. The Company incurred $38.6 million of charges relating to restructuring and severance costs in 2015. These charges are included in "Other charges/(income)" in the consolidated statement of profit and loss.

In addition, the Company recorded a provision for onerous contracts of $11.1 million in Q4 2015. The provision represents the estimated loss in future periods relating to binding customer contracts where revenues are lower than the full cost of completing the contract. The provision is included in "Other charges/(income)" and will be reversed over the periods during which the contractual services are rendered.

Operating loss in 2015 was $430.4 million, compared to an operating profit of $104.2 million in 2014.

For the full year 2015 the share of results from associated companies amounted to a loss of $16.1 million and was primarily related to exploration expenses in Azimuth Ltd., where PGS has a 45 percent interest, compared to a loss of $30.9 million in 2014 relating to Azimuth Ltd., and one-off charges related to sale of PGS Khazar and Seafloor Geophysical Solutions.

Gross interest expense remained fairly flat in 2015 compared to 2014. The increase in capitalized interest to construction in progress for the full year 2015, compared to the full year 2014 is due to higher aggregate capital expenditures for the new builds under construction.

Other financial expense, net, of $29.6 million in 2015, compared to $26.5 million in 2014 is mainly driven by a foreign currency loss as a result of a significant depreciation of the Brazilian Real against USD and the effect on certain legal deposits in Brazilian Real. The strong USD against most other currencies, including Norwegian Kroner, has a significant favorable impact on the Company's cost base.

Income tax expense, which consists of current and deferred tax expense, was $22.4 million in 2015, compared to $67.6 million in 2014. Current tax expense relates primarily to foreign taxes, including withholding taxes, or income taxes in countries in which PGS has no carry forward losses or where there are limitations on the utilization of such losses. The deferred tax expense for the full year 2015 of $2.8 million reflects the fact that most of the impairments in 2015 did not create a tax benefit; large foreign exchange movements adversely impacting the value of deferred tax asset positions in Norway; and a more cautious estimate for recoverability of foreign tax credits and deferred tax assets, compared to $26.3 million in 2014.

PGS is subject to taxation in many jurisdictions around the world with increasingly complex tax laws. PGS has identified issues in several jurisdictions that could eventually make the Company liable to pay tax claims relating to prior years in excess of the liability recognized in financial statements. Reference is made to Note 9 of the 2015 financial statements for a description of significant tax contingencies.

Net income to equity holders of PGS ASA was a loss of $527.9 million in 2015, compared to a loss of $50.9 million in 2014.

Cash Flow, Financial Position and Financing

Net cash provided by operating activities totaled $487.9 million in 2015, compared to $584.3 million in 2014. The decrease is mainly due to reduced earnings, partly offset by a reduction in net working capital. In the current market environment some clients seek extended payment terms, which may put upward pressure on working capital going forward.

Cash and cash equivalents totaled $81.6 million as of December 31, 2015, compared to $54.7 million as of December 31, 2014. Liquidity reserve for the Company was $556.6 million as of December 31, 2015, compared to $454.7 million as of December 31, 2014. In addition to the liquidity reserve of $556.6 million the Company has an undrawn amount of $220.5 million on the Export Credit Financing ("ECF") facility to cover yard installments on the two remaining Ramform Titan-class new builds.

As of December 31, 2015 drawings of $25.0 million were outstanding on the $500.0 million revolving credit facility maturing in 2018.

In October 2015, PGS entered into an agreement with the lenders to its combined Revolving Credit and Term Loan B facility to amend the leverage ratio maintenance covenant and to make certain other amendments. The maintenance covenant, Total Leverage Ratio ("TLR"), was changed from maximum 2.75:1 to 4.00:1 for the period up to and including Q1 2017, thereafter tightening by 0.25:1 each quarter down to 2.75:1 by Q2 2018. The Company agreed that a dividend shall not be proposed for 2015 and that for the remaining part of the amendment period dividend can only be paid if TLR is below 2.75:1 for two consecutive quarters and the TLR requirement is reset to 2.75:1.

In November 2015, PGS successfully completed a private placement of 23,579,999 shares. Gross proceeds from the private placement amounted to NOK 919.6 million.

PGS interest-bearing debt is comprised the following components:

	December 31,	
(In USD million)	**2015**	**2014**
Secured:		
Term Loan B	393.0	397.0
Revolving Credit Facility	25.0	100.0
USD 450 million Senior Notes, due 2018	450.0	450.0
Japanese Export Credit Financing	279.2	262.0
Total	**1,147.2**	**1,209.0**

Net interest-bearing debt (interest-bearing debt less cash and cash equivalents, restricted cash, and interest-bearing investments) was $994.2 million as of December 31, 2015, compared to $1,048.0 million as of December 31, 2014.

Investments

In 2015, total MultiClient cash investment, excluding capitalized interest, amounted to $303.3 million, compared to $344.2 million in 2014, a decrease of $40.9 million. The decrease is primarily due to lower cost of acquisition, partially offset by more capacity allocated to MultiClient.

Capital expenditures, whether paid or not, totaled $165.7 million in 2015, compared to $371.3 million in 2014, a decrease of $205.6 million or 55 percent. The significant reduction in capital expenditures in 2015, compared to 2014 is due to lower capital expenditures relating to new builds and a significant reduction of maintenance capital expenditures, largely attributable to using equipment from cold-stacked vessels onto the remaining vessels in operation.

Financial Market Risk

PGS is exposed to certain market risks, including adverse changes in interest rates and foreign currency exchange rates, as discussed below.

Interest Rate Risk

The Company has a mixture of fixed and floating interest rate debt combined with financial instruments, such as interest rate swaps, to manage the impact of interest rate fluctuations.

As of December 31, 2015, the debt structure of the Company included $534.2 million of floating interest rate debt, with interest based on six month LIBOR rates, plus a margin. Fixed interest rate debt amounted to $613.0 million. For every (hypothetical) one percentage point increase in LIBOR, the annual net interest expense of the Company's net debt, including finance leases, would increase (with some delay) by approximately $4.5 million.

Currency Exchange Risk

PGS conducts business primarily in US dollars ($ or USD), but also in several other currencies, including British pounds (GBP), Norwegian kroner (NOK), Brazilian real (BRL), euro (EUR), and Singapore dollars (SGD). PGS is subject to foreign currency exchange rate risk on cash flows related to sales, expenses, financing, and investment transactions in currencies other than the US dollar.

The Company predominantly sells its products and services in US dollars, and to a limited extent in other currencies. In addition to USD, a significant proportion of PGS' operating expenses are incurred in NOK and GBP. Less substantial amounts are incurred in various other currencies. Thus, regarding expenses and revenues in currencies other than US dollars, such expenses will typically exceed revenues.

A stronger US dollar reduces PGS' operating expenses as reported in US dollars. It is estimated that a 10 percent change of the US dollar against the two most significant non-USD currencies, NOK and GBP, would have an annual impact on operating profit of $17-20 million, and $9-10 million, respectively, before currency hedging.

PGS hedges part of its foreign currency exposure related to operating income and expenses by entering into forward currency exchange contracts. While the Company enters into these contracts with the purpose of reducing its exposure to exchange rate fluctuations, the contracts are not treated as hedges unless they are specifically designated as hedges of firm commitments or certain cash flows. Consequently, these forward currency exchange contracts are recorded at estimated fair value with gains and losses included as Currency exchange gain (loss) in Other financial expense, net in the consolidated statement of profit and loss.

As of December 31, 2015, PGS had net open forward contracts to buy/sell GBP, NOK, BRL and NGN. The total nominal amount of these contracts was approximately $174.2 million, compared to $157.6 million as of December 31, 2014. Of the total notional amounts of forward exchange contracts, $20.8 million and $34.4 million was accounted for as fair value hedges and cash flow hedges, respectively, as of December 31, 2015 and $32.9 million was accounted for as fair value hedges as of December 31, 2014. Outstanding contracts at year-end 2015 had a net negative fair value of $2.1 million, compared to a net negative fair value of $5.6 million at year-end 2014.

A 10 percent depreciation of the US dollar against all the currencies in which the Company holds derivative contracts would increase the fair value of these contracts by approximately $9.3 million. The effect on the consolidated statements of profit and loss would have been positive $3.5 million.

All interest-bearing debts are denominated in US dollars.

Credit Risk

PGS' accounts receivable are primarily from multinational, integrated oil companies and independent oil and natural gas companies, including companies that are owned in whole or in part by governments. The Company manages its exposure to credit risk through ongoing credit evaluations of customers. Due to the nature of the Company's customer base, a low level of losses on accounts receivable has been incurred over the years. Due the current market circumstances, where requests for extended credit terms may be more frequent and credit risk is generally increasing, the Company has implemented additional processes to monitor and follow up credit risk.

PGS monitors the counterparty credit risk of its banking partners, including derivatives counterparties and the institutions in which cash is held on deposit.

Liquidity Risk

As of December 31, 2015, PGS had cash and cash equivalents of $81.6 million and a total liquidity reserve, including available unutilized drawings of the Revolving Credit Facility, of $556.6 million, compared to $54.7 million and $454.7 million respectively at year-end 2014. In addition the Company has committed undrawn export credit facilities of $220.5 million at year-end 2015. These facilities are available for financing the two new-builds under construction in Japan.

PGS does not have any material debt maturities until second half of 2018.

The undrawn portion of the Revolving Credit Facility ("RCF") constitutes a significant portion of the Company's liquidity reserve. In the current weak market it is likely that the Company will need to make additional drawings on the RCF during the coming year. In 2015 the TLR covenant, with which the Company must comply in order to draw on the RCF, was increased to maximum 4.00:1 from Q4 2015 through Q1 2017, with a subsequent step down, as described above. While the actual TLR was substantially below this level at year end 2015, there is a risk, due to the weak market, that the TLR may increase to be close to, or exceed, 4.00:1 during 2016. The Company expects to be able, if and when such risk becomes significant, to agree further amendments to ensure that the RCF is available for drawing or to implement other available measures to avoid a covenant breach.

If the Company ends up breaching the TLR covenant, this would represent an event of default under the loan agreement. In such case the Company may be able to continue to access the RCF if it receives a waiver of the breach or if the Company implements remedial actions acceptable to the banks. Should a breach continue without a waiver or remediation by the Company, the RCF agent or a majority of the RCF banks could ultimately declare default and demand a repayment of drawings under the RCF, which again would represent an event of default in most of the Company's other loan agreements. However, this scenario is in the Company's view highly unlikely since firstly it believes that it has plans and available measures to avoid an event of default and secondly, even in an event of default, several viable alternatives to avoid acceleration would exist.

Based on the year-end cash balance, available liquidity resources, and the current structure and terms of the Company's debt, it is the Board's opinion that PGS has

In this uncertain market environment PGS has, during 2015, **focused on sales, cash flow and increasing the liquidity reserve**

Last year marked the **lowest TRCF in ten years**, including a record five months without any recordable injuries anywhere in PGS

sufficient funding and liquidity to support its operations and investment programs.

Commodity Risk

Operation of seismic vessels requires substantial fuel purchases. Thus, PGS is exposed to fuel price fluctuations. Based on the Company's fuel consumption in 2015, a 10 percent increase in fuel prices would increase the total fuel costs and operating expenses by approximately $0.5 million per month. The Company seeks to pass fuel price risk to customers on a majority of contract work.

Operational and Other Risks

Demand for the Company's products and services depend on the level of spending by oil and gas companies on hydrocarbon-resource exploration, field development, and production. Spending levels are heavily influenced by oil and gas prices and the oil and gas companies' focus areas. In addition to the risk of less demand for PGS' services or for data from the MultiClient data library, the Company is subject to a large number of other risk factors including, but not limited to increased competition, the attractiveness of its technology, changes in governmental regulations affecting the markets, technical downtime, licenses and permits, and operational hazards such as weather conditions.

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

Shares, Share Capital, and Dividend

PGS has 239,579,996 shares issued and outstanding, all of which are of the same class and carry equal voting and dividend rights. Each share has a par value of NOK 3.

PGS' ordinary shares are listed on the Oslo Stock Exchange (ticker: "PGS") and denominated in Norwegian kroner. The PGS share continues to be traded as an American Depositary Share ("ADS") over the counter in the US (ticker: "PGSVY"). Quotes are denominated in US dollars and each ADS represents one share.

As of December 31, 2015, the Company held 1,403,579 treasury shares, primarily to be able to satisfy the exercise of options granted under the employee option programs, and to satisfy the share based incentive schemes.

The Company has agreed that dividend shall not be proposed for 2015 in accordance with the provision of the amended Total Leverage Ratio ("TLR") maintenance covenant for the Revolving Credit Facility. Through the amendment period , Q4 2015 to Q2 2018, a dividend can only be paid in this period if TLR is below 2.75:1 for two consecutive quarters and the TLR requirement is reset to 2.75:1 (i.e. as it was before the amendment).

Health, Safety, Environment and Quality ("HSEQ")

HSEQ management and reporting are key parameters for the evaluation of business performance at all PGS management levels and by the Company's Board of Directors.

2015 saw a continued steady improvement in the HSEQ performance. The PGS organization (core fleet vessels and PGS offices) had the following health and safety incident levels in 2015:

Incident	2015	2014
Fatalities	0	0
Lost time injuries	1	2
Restricted Work Day Cases	3	5
Medical treatment cases	1	2
High potential incidents	0	2

Total Company activity was reduced (core fleet vessels and PGS offices) in 2015 and comprised 11,809,248 man-hours, compared to 13,844,079 man-hours in 2014.

Incident	2015	2014
Lost Time Injury Frequency ("LTIF")	0.08	0.14
Total Recordable Case Frequency ("TRCF")	0.42	0.65

Last year marked the lowest TRCF in ten years, including a record five months without any recordable injuries anywhere in PGS.

Strong management, commitment to leading by example and creating a good culture for working together across units and sharing knowledge and learning, is essential to strong HSEQ performance. Improved focus on contractor management and their integration into the PGS fleet is another factor. Moreover, continuous focus on risk management, and embedding the risk aspect in all parts of operations has had positive impact on the performance statistics. These elements have all been contributing factors to improved HSEQ performance.

Organization

PGS had an average of 2,153, 2,301 and 2,245 regular active employees in the years ended December 31, 2015, 2014 and 2013, respectively.

As of December 31, 2015, PGS employees represented 61 nationalities; 30 percent of the office based employees are women (four percent of offshore employees are women). Among staff working in Norway, 35 percent are women. The Board of Directors has six male and five female directors.

At the headquarters in Oslo, 29 percent of management positions are held by women. Seven percent of women working for the Norwegian organization of PGS work part-time.

PGS strives to improve the nationality and gender diversity of staff. Long-standing practices include ensuring that offshore crews are culturally diverse and balanced, and that cultural sensitivity training is offered at all levels of the organization.

The average monthly salary of all active regular employees as of December 2015 was $7,211 ($5,650 for female employees and $7,669 for male employees) based on February 1, 2016 exchange rates.

PGS headquarter is located in Oslo, Norway. The Company also has offices in other cities in Norway, and in 18 other countries: Angola, Australia, Brazil, China, Egypt, India, Indonesia, Japan, Kazakhstan, Malaysia, Mexico, the Netherlands, Nigeria, Russia, Singapore, Sweden, United Kingdom and United States of America.

Board of Directors and Corporate Governance

The Board of Directors has the following members: Francis Gugen (Chairperson), Harald Norvik (Vice Chairperson), Holly Van Deursen, Daniel J. Piette, Carol Bell, Walter Qvam, Anne Grethe Dalane, Morten Borge, Anette Valbø, Berit Osnes and Espen Grimstad. The three latter are employee elected Board members.

The Board has established two sub-committees: an Audit Committee, comprising Anne Grethe Dalane (Chairperson), Walther Qvam, Carol Bell, Daniel J. Piette, Anette Valbø and Berit Osnes, and the Remuneration and Corporate Governance Committee, consisting of Holly Van Deursen (Chairperson), Harald Norvik, Morten Borge and Espen Grimstad. The committees act as preparatory bodies for the Board of Directors and assist the Directors in exercising their responsibilities.

PGS also has a Nomination Committee, elected by the shareholders, consisting of Roger O'Neil (Chairperson), Hanne Harlem, and C. Maury Devine.

PGS' corporate governance principles are adopted by the Board of Directors. The Board periodically reviews these principles. Statements of the corporate governance structure are described in more detail in the corporate governance section of this annual report. The Company's articles of association, in addition to full versions of the rules of procedures for the Board of Directors, the Audit Committee charter, the Remuneration and Corporate Governance Committee charter, the Nomination Committee charter, and PGS' Code of Conduct are available on the Company's website www.pgs.com (follow the links: About us > Corporate Governance).

Since 2004, PGS has maintained a compliance hotline operated by an external service provider in order to facilitate reporting of any concerns regarding inappropriate business conduct. The Company encourages use of the hotline by anyone who has concerns relating to compliance with laws and regulations, breaches of the code of conduct, fair treatment, or any other matter. Concerns can also be raised directly with the General Counsel or any Board member.

PGS published a corporate responsibility report together with its 2013 and 2014 annual report. The Company has signed up to UN Global Compact and progress of corporate responsibility activities will be reported in accordance with the 10 principles of UN Global Compact and published on the Company web site.

Outlook

The sustained oil price weakness continues to impact oil companies' appetite for exploration and production spending. PGS expects seismic spending and volume to decline in 2016, compared to 2015. Since 2013 the industry's vessel capacity has been reduced by approximately 50 percent, which contributes positively to the supply/demand balance. Still, capacity has not yet been reduced enough to achieve market balance and so PGS is prepared for 2016 being another challenging year.

In this uncertain market environment PGS has, during 2015, focused on sales, cash flow and increasing the liquidity reserve. The Company has implemented substantial reductions in cash costs and in capital expenditures, taken proactive steps to address oversupply and further increased our productivity leadership and fleet flexibility. Tight cost controls continue and cash costs will be reduced by more than $100 million in 2016. Further capacity and cost adjustments will be considered in light of market developments.

Looking beyond the near term challenges, exploration for oil and gas resources will have to increase in order to meet a growing energy demand and to replace the decline in existing production. The Board emphasizes that valuations in the accounts and forward looking statements contained in this report are based on various assumptions made by management, depend on factors beyond its control, and are subject to certain risks and uncertainties. Accordingly, actual results may differ materially from those contained in forward looking statements.

Pursuant to section 3-3a of the Norwegian Accounting Act, the Board confirms that the 2015 financial statements have been prepared based on the assumption of a going concern and that it believes that this assumption is appropriate. The Board believes that the initiatives taken in 2015 to increase equity and liquidity reserve have been appropriate to address the challenging market and that additional measures are available should the market deteriorate beyond what is currently expected.

Allocation of Parent Company's result for 2015

The financial statements of the parent company, Petroleum Geo-Services ASA ("PGS ASA"), are prepared and presented in accordance with generally accepted accounting principles in Norway ("NGAAP"). PGS ASA reported a net loss of NOK 1 788.4 million for 2015, compared to a net loss of NOK 319.6 million in 2014. PGS ASA is a holding company with no material operating activities. The net loss for 2015 is primarily caused by impairment charges and foreign currency losses.

The Board proposes that the net loss for 2015 of NOK 1,788,445,000 is transferred from other equity. Total shareholders' equity in PGS ASA as of December 31, 2015 was NOK 9,737,668,000 corresponding to 46 percent of total assets.

London, March 11, 2016
Board of Directors
Petroleum Geo-Services ASA

Francis Gugen Chairperson	Harald Norvik Vice Chairperson	Morten Borge	Carol Bell	Holly Van Deursen	Daniel J. Piette
Berit Osnes	Anette Valbø	Walter Qvam	Espen Grimstad	Anne Grethe Dalane	Jon Erik Reinhardsen Chief Executive Officer

Responsibility Statement

Today, the Board of Directors and the Chief Executive Officer reviewed and approved the Board of Directors' report and the consolidated and separate annual financial statements for PGS ASA, for the year ending and as of December 31, 2015.

PGS ASA's consolidated financial statements have been prepared and presented in accordance with IFRSs and IFRICs as adopted by the EU and additional disclosure requirements in the Norwegian Accounting Act, and that should be used as of December 31, 2015. The separate financial statements for PGS ASA have been prepared in accordance with the Norwegian Accounting Act and Norwegian accounting standards as of December 31, 2015. The Board of Directors report for the group and the parent company is in accordance with the requirements of the Norwegian Accounting Act and Norwegian accounting standard 16, as of December 31, 2015.

To the best of our knowledge:

- The consolidated and separate annual financial statements for 2015 have been prepared in accordance with applicable accounting standards.
- The consolidated and separate annual financial statements give a true and fair view of the assets, liabilities, financial position, and result of operations as a whole as of December 31, 2015, for the group and the parent company.
- The Board of Directors' report for the group and the parent company include a true and fair review of:
  - The development and performance of the business and the position of the group and the parent company.
  - The principal risks and uncertainties the group and the parent company face.

London, March 11, 2016
Board of Directors
Petroleum Geo-Services ASA

Francis Gugen Chairperson	Harald Norvik Vice Chairperson	Morten Borge	Carol Bell	Holly Van Deursen	Daniel J. Piette
Berit Osnes	Anette Valbø	Walter Qvam	Espen Grimstad	Anne Grethe Dalane	Jon Erik Reinhardsen Chief Executive Officer

Financial Statements

Petroleum Geo-Services Consolidated

NOTES TO THE FINANCIAL STATEMENTS

Petroleum Geo-Services ASA Parent Company

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

Petroleum Geo-Services

Consolidated Statements of Profit and Loss

		Year ended December 31,		
(In millions of US dollars)	Note	**2015**	**2014**	**2013**
Revenues	5	**961.9**	**1,453.8**	**1,501.6**
Cost of sales	4	413.1	653.6	570.9
Research and development costs		20.3	37.6	38.7
Selling, general and administrative costs		44.1	59.9	63.1
Depreciation and amortization	6	468.5	525.4	432.5
Impairment and loss on sale of long-term assets	6	397.2	73.8	15.0
Other charges/(income)	30	49.0	(0.7)	(0.7)
Total operating expenses		**1,392.3**	**1,349.7**	**1,119.5**
Operating profit (loss)		**(430.4)**	**104.2**	**382.1**
Share of results from associated companies	16	(16.1)	(30.9)	(14.3)
Interest expense	7	(29.5)	(30.1)	(32.3)
Other financial expense, net	8	(29.6)	(26.5)	(7.6)
Income (loss) before income tax expense		**(505.5)**	**16.7**	**327.9**
Income tax expense	9	22.4	67.6	89.6
Profit (loss) for the year		**(527.9)**	**(50.9)**	**238.3**
Earnings (loss) per share, to ordinary equity holders of PGS ASA:	10			
- Basic		($2.43)	($0.24)	$1.11
- Diluted		($2.42)	($0.24)	$1.10

Petroleum Geo-Services

Consolidated Statements of Comprehensive Income

(In millions of US dollars)	Note	Year ended December 31, 2015	2014	2013
Profit (loss) for the year		**(527.9)**	**(50.9)**	**238.3**
Other comprehensive income				
Actuarial gains (losses) on defined benefit pension plans	24	3.0	(34.7)	(12.2)
Income tax effect on actuarial gains and losses	9	(1.7)	6.8	2.5
Items that will not be reclassified to statements of profit and loss		1.3	(27.9)	(9.7)
Revaluation of cash flow hedges:				
Gains (losses) arising during the period		(1.1)	-	0.1
Reclassification for losses (gains) in the statements of profit and loss		-	9.1	8.8
Deferred tax on cash flow hedges		-	(2.5)	(2.6)
Revaluation of shares available-for-sale:				
Gains (losses) arising during the period		-	(1.1)	(0.6)
Reclassification for losses (gains) in the statements of profit and loss		-	-	1.4
Other comprehensive income (loss) from associated companies		(0.8)	(2.0)	0.6
Translation adjustments and other		(0.5)	0.2	(0.1)
Items that may be subsequently reclassified to statements of profit and loss		(2.4)	3.7	7.6
Other comprehensive income (loss), net of tax		**(1.1)**	**(24.2)**	**(2.1)**
Total comprehensive income (loss) to equity holders of PGS ASA		**(529.0)**	**(75.1)**	**236.2**

Petroleum Geo-Services

Consolidated Statements of Changes in Shareholders' Equity

	Attributable to equity holders of PGS ASA					
(In millions of US dollars)	Share capital	Treasury shares	Additional paid-in capital	Accumulated earnings	Other comprehensive income (c)	Shareholders' equity
Balance as of January 1, 2014	**96.5**	**(1.4)**	**519.5**	**1,479.4**	**(28.4)**	**2,065.6**
Total comprehensive income	-	-	-	(50.9)	(24.2)	(75.1)
Transfer of actuarial gains and losses net of tax	-	-	-	8.2	(8.2)	-
Dividend paid (a)	-	-	-	(84.0)	-	(84.0)
Acquired treasury shares	-	(0.7)	-	(14.4)	-	(15.1)
Share based payments	-	0.2	7.4	2.6	-	10.2
Balance as of December 31, 2014	**96.5**	**(1.9)**	**526.9**	**1,340.9**	**(60.8)**	**1,901.6**
Total comprehensive income (loss)	-	-	-	(527.9)	(1.1)	(529.0)
Share issue (d)	7.5	-	89.2	-	-	96.7
Sale of own shares (e)	-	0.6	-	7.3	-	7.9
Dividend paid (b)	-	-	-	(20.3)	-	(20.3)
Share based payments	-	0.2	6.7	-	-	6.9
Balance as of December 31, 2015	**104.0**	**(1.1)**	**622.8**	**799.9**	**(61.9)**	**1,463.7**

(a) NOK 2.30 per share was paid as ordinary dividend for 2013.
(b) NOK 0.70 per share was paid as ordinary dividend for 2014.
(c) Other comprehensive income mainly relates to actuarial losses ($54.8 million) net of tax on defined benefit pension plans, other comprehensive loss from associated companies ($4.4 million), translation adjustments ($1.6 million) and cash flow hedges ($1.1 million).
(d) Transaction costs amounting to $1.8 million are recognized against "Additional paid-in capital" net of related income tax benefits of $0.5 million.
(e) Transaction costs amounting to $0.2 million are recognized against "Accumulated earnings".

Petroleum Geo-Services

Consolidated Statements of Financial Position

(In millions of US dollars)	Note	December 31, 2015	2014
ASSETS			
Current assets			
Cash and cash equivalents	20	81.6	54.7
Restricted cash	11	19.0	20.2
Accounts receivable	20	112.8	265.6
Accrued revenues and other receivables	12	158.1	180.6
Other current assets	13	98.8	136.3
Total current assets		**470.3**	**657.4**
Long-term assets			
Property and equipment	14	1,397.5	1,663.5
MultiClient library	15	695.0	695.2
Restricted cash	11	52.5	72.0
Deferred tax assets	9	79.4	95.9
Other long-term assets	16	57.7	55.2
Goodwill	17	-	139.9
Other intangible assets	18	161.6	183.8
Total long-term assets		**2,443.8**	**2,905.6**
Total assets		**2,914.1**	**3,563.0**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term debt and current portion of long-term debt	19, 20	24.8	24.8
Accounts payable	20	52.6	74.9
Accrued expenses	22	196.5	272.2
Income taxes payable	9	24.4	37.9
Total current liabilities		**298.4**	**409.8**
Long-term liabilities			
Long-term debt	19, 20	1,099.9	1,160.1
Deferred tax liabilities	9	1.6	14.1
Other long-term liabilities	23	50.5	77.4
Total long-term liabilities		**1,152.0**	**1,251.6**
Shareholders' equity			
Share capital; par value NOK 3; issued and outstanding 239,579,996 shares	25	104.0	96.5
Treasury shares, par value	25	(1.1)	(1.9)
Additional paid-in capital		622.8	526.9
Total paid-in capital		725.7	621.5
Accumulated earnings		799.9	1,340.9
Other comprehensive income		(61.9)	(60.8)
Total shareholders' equity		**1,463.7**	**1,901.6**
Total liabilities and shareholders' equity		**2,914.1**	**3,563.0**

London, March 11, 2016
Board of Directors
Petroleum Geo-Services ASA

Francis Gugen
Chairperson

Harald Norvik
Vice Chairperson

Morten Borge

Carol Bell

Holly Van Deursen

Daniel J. Piette

Berit Osnes

Anette Valbø

Walter Qvam

Espen Grimstad

Anne Grethe Dalane

Jon Erik Reinhardsen
Chief Executive Officer

Petroleum Geo-Services

Consolidated Statements of Cash Flows

		Year ended December 31,		
(In millions of US dollars)	Notes	2015	2014	2013
Cash flows provided by operating activities:				
Profit (loss) for the year		(527.9)	(50.9)	238.3
Adjustments to reconcile profit (loss) to net cash provided by operating activities:				
Depreciation, amortization, impairment and loss on sale of long-term assets	6	865.8	599.2	447.5
Share of results from associated companies	16	16.1	30.9	14.3
Interest expense	7	29.5	30.1	32.3
Loss on sale and retirement of assets		0.3	8.4	8.6
Income taxes paid		(25.2)	(18.4)	(33.8)
Other items		14.5	12.7	3.5
(Increase) decrease in accounts receivable, accrued revenues and other receivables		172.1	(81.2)	(30.7)
Increase (decrease) in accounts payable		(33.9)	11.5	17.0
Change in other short-term items related to operating activities		0.4	25.6	34.7
Change in other long-term items related to operating activities		(23.6)	16.4	43.6
Net cash provided by operating activities		**487.9**	**584.3**	**775.3**
Cash flows used in investing activities:				
Investment in MultiClient library	15	(303.3)	(344.2)	(373.0)
Investment in property and equipment	14	(164.0)	(383.4)	(438.5)
Investment in other intangible assets	18	(19.0)	(26.3)	(29.2)
Investment in other current- and long-term assets		(24.2)	(32.3)	(22.0)
Proceeds from sale of other current- and long-term assets		88.6	6.2	2.6
(Increase) decrease in long-term restricted cash		(5.0)	(6.3)	(0.6)
Net cash used in investing activities		**(426.9)**	**(786.3)**	**(860.7)**
Cash flows used in financing activities:				
Proceeds, net of deferred loan cost, from issuance of long-term debt	19	35.8	143.4	114.6
Repayment of long-term debt	19	(24.8)	(94.7)	(11.9)
Net drawdown (repayment) of Revolving Credit Facility	19	(75.0)	100.0	-
Purchase of treasury shares	25	-	(15.1)	(29.2)
Proceeds from sale of treasury shares/share issue	25	104.2	2.9	1.6
Dividend paid		(20.3)	(84.0)	(60.9)
Interest paid		(54.0)	(59.6)	(55.3)
Net cash used in financing activities		**(34.1)**	**(7.1)**	**(41.1)**
Net increase (decrease) in cash and cash equivalents		**26.9**	**(209.1)**	**(126.5)**
Cash and cash equivalents as of January 1		54.7	263.8	390.3
Cash and cash equivalents as of December 31		**81.6**	**54.7**	**263.8**

Note 1 – General Information about the Company and Basis of Presentation

General information
Petroleum Geo-Services ASA ("PGS ASA") is a public limited liability company established under the laws of the Kingdom of Norway in 1991. Unless stated otherwise, references herein to the "Company" and "PGS" refer to Petroleum Geo-Services ASA and its subsidiaries.

PGS is a technologically focused oilfield service company principally involved in providing geophysical services worldwide. PGS provides a broad range of seismic and reservoir services, including acquisition, imaging, interpretation and field evaluation. The Company's headquarters are at Lilleaker, Norway.

Basis of presentation
The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). IFRS as adopted by the EU differs in certain respects from IFRS as issued by the International Accounting Standards Board ("IASB"). References to IFRS hereafter should be construed as references to IFRS as adopted by the EU. The consolidated financial statements are prepared using the historical cost basis, except for available-for-sale financial assets and derivative financial instruments that have been measured at fair value. The consolidated financial statements are presented in US Dollars ("$" or "dollars") rounded to the nearest million, unless otherwise indicated.

The consolidated financial statements were authorized for issue by the Board of Directors on March 11, 2016.

Note 2 – Summary of Significant Accounting Policies

Consolidation
Subsidiaries
Subsidiaries are all entities (including special purpose entities) over which the Company has control. Currently exercisable and potential voting rights are considered when assessing whether the Company controls another entity. In addition, the Company is considered to control an entity when it is exposed, or has rights, to variable returns from its involvement, and has the ability to affect those returns through its power over the entity.

Joint arrangements and investments in associated companies
A joint arrangement is a contractual arrangement whereby the Company undertakes an economic activity that is subject to joint control and which strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control. A joint arrangement is classified as joint operation if the parties have joint control of the arrangement, and have rights to the assets, and obligations for the liabilities, relating to the arrangement. If the parties in the joint arrangement have rights to the net assets of the arrangement, it is classified as a joint venture.

An associated company is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies, generally accompanying a shareholding of between 20% and 50% of the voting rights.

The Company accounts for its investments in joint ventures and associates using the equity method of accounting. Under the equity method, investments are carried in the consolidated statements of financial position at cost as adjusted for post-acquisition changes in the Company's share of the net assets (i.e. profit or loss and equity adjustments), less impairment in the value of individual investments. Losses in excess of the Company's investment (which includes long-term interests that, in substance, form part of the Company's net investment) are not recognized, unless the Company has incurred legal or constructive obligations or made payments on behalf of the investment. Profits and losses resulting from sales of assets between the Company and the investee are deferred to the extent of the interest in the investee, and recognized when the assets are sold to an independent party or otherwise expensed. The Company accounts for its investment in a joint operation by recognising the relative share the Company has in assets, liabilities, revenues and expenses in the investee. The Company periodically reviews its net investments to determine whether there is an indication of impairment. If such indication exists, the recoverable amount of the net investment is estimated in order to determine the extent of the impairment (if any). The Company accounts for its investment in a joint operation by recognising the relative share the Company has in assets, liabilities, revenues and expenses in the investee. PGS has cooperation agreements to invest in certain multi-client data projects with other parties. These agreements are classified as joint operations where the parties have rights to the assets and liabilities of the investment. PGS recognizes its relative share of the investment in multi-client data and its share of revenue, amortization and costs.

Long-term assets held-for-sale
Non-current assets are classified as held-for-sale when their carrying amount will be recovered principally through sale rather than through continuing use. This condition is deemed to exist when the sale is highly probable, the asset is available for immediate sale in its present condition and management is committed to the sale. Such assets are measured at the lower of carrying amount and fair value less costs to sell and are presented separately in the consolidated statements of financial position.

Cash and cash equivalents and restricted cash
Cash and cash equivalents include demand deposits and all highly liquid financial instruments purchased with original maturities of three months or less. Cash and cash equivalents that are restricted from the Company's use are presented separately in the consolidated statements of financial position and are classified as current or long-term depending on the nature of the restrictions.

Foreign currency translation and transactions
The financial statements of subsidiaries and associates whose functional currency is not US dollar are translated using the current exchange rate. Assets and liabilities are translated at the foreign exchange rate in effect at the period end; share par value and paid-in capital are translated at historical exchange rates; and revenues and expenses are translated at the average rate of exchange in effect during the period. Translation adjustments are recorded as a separate component in the consolidated statements of other comprehensive income.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of realized and unrealized monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of profit and loss, except when recognized in the consolidated statements of other comprehensive income as qualifying cash flow hedges.

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

MultiClient library
The MultiClient library consists of seismic data surveys which are licensed to customers on a non-exclusive basis. Costs directly incurred in acquiring, imaging and otherwise completing seismic surveys are capitalized to the MultiClient library. Costs incurred while relocating or "steaming" a vessel or crew from one location to another and borrowing costs incurred during the acquisition and imaging phases of the survey are also capitalized to the MultiClient library.

A project remains in surveys-in-progress until imaging is complete, which may be some months or up to more than a year after data acquisition ends, at which point it is transferred to finished library.

The Company records the costs incurred on the MultiClient library in a manner consistent with its capital investment and operating decision analysis, which generally results in each component of the MultiClient library being recorded and evaluated separately. The cost of projects within the same political regime, with similar geological traits and that are marketed collectively are recorded and evaluated as a group by year of completion.

Sales amortization
The Company amortizes each MultiClient library survey based on the ratio of survey cost to forecast sales. On an annual basis each survey is placed in an amortization category based on this ratio. These categories range from 30-95% of sales amounts with 5% intervals, with a minimum of 45% for pre-funding. Each category includes surveys where the remaining un-amortized cost as a percentage of remaining forecasted sales is less than or equal to the amortization rate applicable to each category.

Minimum amortization
An integral component of amortization of the MultiClient library is the minimum amortization policy. The book value of each survey (including groups of surveys) of the MultiClient library is reduced to a specified percentage by year-end, based on the age of the survey in relation to its year of completion. This requirement is applied each year-end regardless of future sales estimates for the survey. The specified percentage generates the maximum permitted book value for each survey as the product of the percentage multiplied by the original capitalized cost of the survey at the respective period end. Any additional or minimum amortization charges required are then determined through a comparison of the remaining book value to the maximum permitted book value allowed for each survey.

The specified percentages used to determine the maximum book value of the MultiClient library surveys are summarized as follows:

Calendar year after project completion	5-year profile	3-year profile
Year 0 (a)	100%	100%
Year 1	80%	66%
Year 2	60%	33%
Year 3	40%	0%
Year 4	20%	
Year 5	0%	

(a) Represents the year in which the survey is classified as completed.

All surveys, except derivative products, have a 5-year profile starting in the year after project completion. Derivative processed products have a 3-year profile starting in the year after data delivery. Derivative products are mainly reprocessing which creates data that can be licensed separately from the original survey.

Impairment
The Company classifies, as amortization expense in its consolidated statements of profit and loss, impairment of individual MultiClient surveys that are based on changes in project specific expectations. The Company expects this additional, non-sales related, amortization expense to occur regularly because each individual survey is evaluated at least annually for impairment or when specific indicators exist. The Company classifies as impairment in its consolidated statements of profit and loss write-downs related to fundamental changes in estimates affecting a larger part of the Company's MultiClient library where the effects are material. See"impairment of property, equipment and intangibles" below.

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 recognized 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 recognized 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.

Patents, licenses and technology
Patents, licenses and technology are stated at cost less accumulated amortization and accumulated impairment. Amortization is calculated on a straight-line basis over the estimated period of benefit, ranging from one to fifteen years.

Property and equipment
Property and equipment are stated at cost, excluding the costs of the day-to-day servicing, less accumulated depreciation and impairment. Depreciation is calculated on a straight-line basis over the useful life of the assets based on cost less estimated residual values. The estimated useful lives for property and equipment are as follows:

Years	
Seismic vessels	25 - 30
Seismic and operations equipment, incl. computers	3 - 15
Buildings and related leasehold improvements	1 - 10
Fixture, furniture, fittings and office computers	3 - 5
Major overhauls	3 - 7.5

Subsequent expenditures and major inspections/overhauls are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of replaced asset components are de-recognized. All other repairs and maintenance are charged to the consolidated statements of profit and loss during the period in which they are incurred.

The assets' residual values, useful lives and method of depreciation are reviewed, and adjusted if appropriate, at least at each year-end.

Assets under construction are carried at cost, less accumulated impairment. Cost includes borrowing costs incurred during construction in accordance with the Company's accounting policy as stated below. Depreciation commences when the asset is ready for its intended use.

A component of property and equipment is de-recognized upon disposal or when no future economic benefit is expected from its use or disposal. Gains and losses arising on derecognition of assets (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of profit and loss in the year de-recognized.

Significant spare parts are capitalized along with the assets to which they relate. Other spare parts, consumables and bunker inventory are classified as other current assets and stated at cost.

Steaming costs
Steaming costs relate to relocating or "steaming" a vessel and its crew from one location to another. Steaming costs are capitalized or deferred to the extent the probable future economic inflows from the projects to which the vessel will steam are sufficient to recover the cost of the steam. The recoverable steaming cost associated with MultiClient surveys is capitalized as a part of the MultiClient library (see above). The recoverable

steaming costs associated with exclusive contract surveys is deferred and charged to the consolidated statements of profit and loss based upon the percentage of completion of the surveys.

Impairment of property, equipment and intangibles
Tangible and intangible assets are reviewed to determine whether there is any indication of impairment. If such indication exists, or when annual impairment testing for an asset is required, the recoverable amount of the asset is estimated to determine the extent of the impairment, if any. An asset's recoverable amount is the higher of (i) its fair value less cost to sell and (ii) its value in use. This determination is made for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the carrying amount of an asset (or cash generating unit) exceeds its recoverable amount, the carrying amount is reduced to its recoverable amount and the impairment is recognized immediately and presented separately in the consolidated statements of profit and loss.

Goodwill does not generate cash flows independently of other assets or groups of assets and is allocated to the cash-generating units expected to benefit from the synergies of the combination that gave rise to the goodwill.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Goodwill (and the cash-generating unit to which goodwill is allocated) and intangible assets not yet available for use are evaluated for impairment annually, or whenever there is an indication that the asset may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit (including goodwill allocation), the impairment is applied first to reduce the carrying amount of goodwill and then to reduce the carrying amount of the other assets in the unit pro-rata, based on their relative carrying amounts.

Reversal of an impairment is recognized if the circumstances that gave rise to the impairment no longer exist. The carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount. The increased carrying amount may not exceed the carrying amount that would have existed had no impairment been recognized for the asset (cash-generating unit). The reversal is presented separately in the consolidated statements of profit and loss. Impairment recognized on goodwill is not subject to reversal.

Derivative financial instruments and hedging
The Company uses derivative financial instruments to reduce its exposure related to fluctuations in foreign currency rates and interest rates. Derivative instruments are recognized in the consolidated statements of financial position at their fair values. Realized and unrealized gains and losses attributable to derivative instruments that do not qualify for hedge accounting are recognized as other financial items, net, as they arise. In limited circumstances, the company may apply hedge accounting if it meets certain criteria at hedge inception and on an ongoing basis.

Fair value hedges
Fair value hedges are used to hedge currency risk on equipment purchases denominated in currencies other than USD. The change in fair value of the hedging instrument is recognized in the consolidated statements of profit and loss. The change in fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the consolidated statements of profit and loss. When an un-recognized firm commitment is designated as a hedged item, the subsequent cumulative change in fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in the consolidated statements of profit and loss.

Cash flow hedges
Cash flow hedging is used to hedge interest rate risk. The effective portion of the gain or loss on the hedging instrument is recognized in the consolidated statements of other comprehensive income, while any ineffective portion is recognized immediately in the consolidated statements of profit and loss. Amounts recorded in the consolidated statements of other comprehensive income are transferred to the consolidated statements of profit and loss when the hedged transaction affects the consolidated statements of profit and loss. If a cash flow hedge is discontinued due to the hedging instrument being sold, exercised, expired or the forecasted transaction is no longer highly probable, but is still expected to occur, any subsequent change in value is recorded directly to the consolidated statement of profit and loss. The fair value of the derivatives at the time is retained in other comprehensive income and amortized as an adjustment to the effective interest rate over the term of highly probable expected cash flow.

Revenue recognition
The Company recognizes revenue when (i) a legally binding sale arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the sales price is fixed or determinable and collection is reasonably assured. The Company defers the unearned component of payments received from customers for which the revenue recognition requirements have not been met. Consideration is generally allocated among the separate units of accounting based on their estimated relative fair values when elements have stand alone value. If an element of a customer agreement does not have stand alone value, revenue is deferred and recognized over the period services are provided. The Company's revenue recognition policy is described in more detail below.

Sales of MultiClient library data
Late sales – The Company grants a license to a customer, which entitles the customer to have access to a specifically defined portion of the MultiClient data library. The Company recognizes revenue for late sales on completed surveys when the customer executes a valid license agreement and has received the underlying data or has the right to access the licensed portion of the data, the customer's license payment is fixed and determinable and collection is reasonably assured.

Pre-funding arrangements – The Company obtains funding from a limited number of customers before a seismic survey project is completed. In return for the pre-funding, the customer typically gains the ability to direct or influence the project specifications, to access data as it is being acquired and to pay discounted prices. The Company recognizes pre-funding revenue on surveys-in-progress as the services are performed on a proportional performance basis. Progress is measured in a manner generally consistent with the physical progress on the project, and revenue is recognized based on the ratio of the project's progress to date, provided that all other revenue recognition criteria are satisfied.

Proprietary sales/Marine contract sales/Imaging revenues
The Company performs seismic services under contract for a specific customer, whereby the seismic data is owned by that customer. The Company recognizes proprietary/contract revenue as the services are performed and become chargeable to the customer on a proportionate performance basis over the term of each contract. Progress is measured in a manner generally consistent with the physical progress of the project, and revenue is recognized based on the ratio of the project's progress to date, provided that all other revenue recognition criteria are satisfied.

Other services
Revenue from other services is recognized as the services are performed, provided all other recognition criteria are satisfied.

Income taxes
Income tax expense is comprised of the sum of current tax expense (or benefit) plus the change in deferred tax liabilities and assets during the period, except for current and deferred income tax relating to items recognized in the consolidated statements of other comprehensive income, in which case the tax is also recognized in the consolidated statements of other comprehensive income.

Current tax assets and liabilities 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. A deferred tax liability is not recognized on temporary differences arising from the initial recognition of goodwill.

Deferred income tax is recognized on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary differences can be controlled by the Company and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent it is no longer probable that estimated future taxable profit will be sufficient to recover all or part of the deferred tax assets. Un-recognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent it has become probable that estimated future taxable profit is sufficient to recover the deferred tax assets. The probability assessment is based on Management's judgment and estimates of future taxable income, including the estimated effect of tax planning opportunities (see note 3).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the estimated year of realization or settlement, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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 assets and liabilities are classified as long-term in the consolidated statements of financial position.

Accounting for uncertain tax positions are described in note 3.

Employee benefits

Pension obligations

The Company operates various pension plans. The plans are funded through payments to insurance companies or trustee-administered funds. The Company has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan which defines an amount of pension benefit that an employee will receive on retirement, dependent on factors such as age, years of service and compensation.

The liability recognized for defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period and reduced by the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using estimated interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Past service costs, which is an increase in the present value of the defined benefit obligation for employee services in prior periods due to current period changes to a defined benefit plan, are recognized immediately in the consolidated statements of profit and loss unless the changes to the defined benefit plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are recognized on a straight-line basis over the vesting period.

Actuarial gains and losses due to current period changes in assumptions applied are recognized immediately in other comprehensive income.

For defined contribution plans, the Company pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Bonus plans

The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Share-based payments

Share options are measured at the fair value of the equity instrument at the grant date. Fair value is measured using the Black-Scholes pricing model. The expected life used in the model is based on management's best estimate and considers the effects of non-transferability, exercise restrictions and behavioral considerations. Social security tax on share options is based on the intrinsic value as of the end of the reporting period and is recorded as a liability over the option period.

Restricted Stock Unit Plans are measured at the grant date using the current market value reduced by expected dividends paid before the vesting date, which is then further discounted.

Performance Restricted Stock Unit Plans are measured at the grant date using a Monte Carlo simulation with relative total shareholder return. The model simulates the future stock prices based on historical values over the length of the lifetime for the PRSU. The Relative TSR is calculated against a group of peer companies, where every company is ranked based on the simulations. If the rank is in the 25th percentile, 0% of the performance is met, if the rank is in the 75th percentile, 100% of the performance is met. There is a linear relationship between the percentiles. The awards are adjusted for expected future dividends. Social security tax on the PRSU is based on the intrinsic value as of the end of the reporting period.

Provision for onerous contracts

A provision is made for legally binding obligations (contracts) whereby the unavoidable costs of fulfilling the contracts exceed the economic benefits expected to be received. All costs (including depreciation of assigned assets) directly related to contract fulfillment are included in the calculation.

Interest bearing debt and borrowings

Interest bearing loans are recognized initially at fair value less transaction costs. Subsequent to initial recognition, interest bearing loans are measured at amortized cost using the effective interest method. Gains and losses are recognized in the consolidated statements of profit and loss when the liabilities are de-recognized as well as through the amortization process.

Financial assets and liabilities

Financial assets and liabilities are recognized when the Company becomes party to the contractual obligations of the financial instrument and are initially recognized at fair value.

Financial assets and liabilities are classified into categories as follows:

Financial assets and liabilities measured at fair value through the consolidated statements of profit and loss

This category is comprised of financial assets and liabilities held-for-trading and financial assets and liabilities designated upon initial recognition as measured at fair value through the consolidated statements of profit and loss.

Financial assets and liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. Derivatives are classified as held-for-trading unless designated as effective hedging instruments.

After initial recognition, financial assets and liabilities in this category are measured at fair value with unrealized gains and losses recognized through the consolidated statements of profit and loss.

Financial assets and liabilities measured at amortized cost

This category is comprised of loans and receivables and other non-derivative financial assets and liabilities with fixed or determinable payments that are not quoted in an active market. These financial assets and liabilities are initially recognized at fair value, with additions for directly attributable transaction costs. After initial measurement, they are carried at amortized cost using the effective interest method less any allowance for impairment.

Financial assets and liabilities measured at fair value through the consolidated statements of other comprehensive income
This category is comprised of financial assets and liabilities that are non-derivatives and are either designated as available-for-sale or not classified in any of the other categories. After initial measurement, they are measured at fair value with unrealized gains or losses recognized in the consolidated statements of other comprehensive income. When the asset or liability is disposed of, the cumulative gain or loss previously recorded in the consolidated statements of other comprehensive income is reversed and recognized in the consolidated statements of profit and loss.

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market's transaction, reference to the current fair value of other instruments that are substantially the same, discounted cash flow analysis or other valuation models. An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 20.

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity instruments designated as available-for-sale, a significant or prolonged decline in the fair value of the instrument below its cost is an indication of impairment. If such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any previously recognized impairment – is reversed through the consolidated statements of other comprehensive income and recognized in the consolidated statements of profit and loss. Impairments recognized in the consolidated statements of profit and loss on equity instruments are not reversed. Impairment testing of trade receivables is described in Note 20 "Credit risk".

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value through the consolidated statements of profit and loss.

Earnings per share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year, excluding ordinary shares purchased by the Company and held as treasury shares. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For diluted earnings per share, dilutive potential ordinary shares are determined independently for each period presented. When the number of ordinary shares outstanding changes (e.g. share split) the weighted average number of ordinary shares outstanding during all periods presented is adjusted retrospectively. Basic and diluted earnings per share are presented separately for continuing and discontinued operations. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Standards issued but not yet effective (which the Company has not early adopted)
Standards and interpretations that are issued up to the date of issuance of the consolidated financial statements, but not yet effective, are disclosed below. The Group's intention is to adopt the relevant new and amended standards and interpretations when they become effective, subject to EU approval before the consolidated financial statements are issued.

IFRS 9 Financial Instruments
IFRS 9 will eventually replace IAS 39 Financial Instruments: Recognition and Measurement. In order to expedite the replacement of IAS 39, the IASB divided the project into phases: classification and measurement, hedge accounting and impairment. New principles for impairment were published in July 2014 and the standard is now completed. The parts of IAS 39 that have not been amended as part of this project have been transferred into IFRS 9.

The Standard is not yet approved by the EU. The Company expect to implement IFRS 9 from January 1, 2018. The standard is not expected to have a significant effect on the Company's consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers
The IASB and the FASB have issued their joint revenue recognition standard, IFRS 15. The standard replaces existing IFRS and US GAAP revenue requirements. The core principle of IFRS 15 is that revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard applies to all revenue contracts and provides a model for the recognition and measurement of sales of some non-financial assets (e.g., disposals of property, plant and equipment).

The Standard is not yet approved by the EU. The Company expects to implement IFRS 15 from January 1, 2018. The Company has started the analysis of possible effects from implementing the standard on the company's consolidated financial statements including whether the current principle related to recognition of pre-funding revenue can continue. The Company has not yet concluded the analysis.

IFRS 16 Leases
The new lease standard sets out the principles that both parties to a contract, i.e. the lessee and the lessor apply to provide relevant information about leases in a manner that faithfully represents those transactions. To meet this objective, a lessee is required to recognise assets and liabilities arising from a lease.

The Standard is not yet approved by the EU. The Company expects to implement IFRS 15 from January 1, 2019. The effect of implementing the Standard on the Company's consolidated financial statements at the date of implementation is currently unknown.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
The amendments clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments are approved by the EU.

The Company will prospectively implement the amendments from January 1, 2016. Amortization for finished surveys will be calculated on a straight line basis over 4 years following completion of the survey. Amortization for surveys already completed as of January 1, 2016 will be calculated based upon the shorter of 4 years and the individual surveys remaining minimum amortization period as of December 31, 2015. The practice for amortization of surveys-in-progress will remain unchanged; the sales forecast method will continue to be used pursuant to which the amortization percent related to pre-funding revenue will be calculated based on the ratio of survey cost to forecast sales.

Note 3 – Critical Accounting Judgments, Estimates and Assumptions

The preparation of financial statements in accordance with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities. In many circumstances, the ultimate outcome related to the estimates, assumptions and judgments may not be known for several years after the preparation of the financial statements. Actual amounts may differ materially from these estimates due to changes in general economic conditions, changes in laws and regulations, changes in future operating plans and the inherent imprecision associated with estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of seismic vessel and equipment, MultiClient library and other intangible assets

Marine seismic market outlook

Sustained oil price weakness and cautious spending pattern among oil companies continues to adversely impact seismic demand. Seismic spending is expected to be reduced further in 2016 compared to 2015 with generally low visibility. The impact on profitability of reduced customer demand has been partially offset by reductions in industry vessel capacity reflecting the recent and planned retirement and cold stacking of less efficient vessels.

Management believes the weak marine seismic market will continue through 2016. However, a relatively high correlation between E&P activity and oil companies' reserve replacement ratio will, in the long term, support a recovery of the marine seismic market. The MultiClient business model is expected to increase somewhat relative to the exclusive contract business model. Cost effectiveness will continue to be a central driver in achieving adequate cash flow. In this regard, management believes the PGS vessel fleet, is well-positioned as the industry leader with respect to the ratio of cash operating costs to productive streamer capacity.

Discount rate

The Company applied a pre-tax discount rate of 9.5% in determining discounted cash flows in connection with the impairment evaluations of seismic vessels and equipment, MultiClient library, intangible assets and goodwill. This rate reflects the estimated weighted average cost of capital for the Company.

Inflation rate

In estimating discounted cash flow for seismic vessels and equipment and Goodwill, an estimated inflation rate of 1% was assumed in determining the nominal cash flows. For estimating the discounted cash flow from the Towed EM activity, an additional growth rate of 1.5% was assumed, reflecting the fact that this is a relatively new service. No inflation rate assumption is applied when estimating cash flows from the MultiClient library and other Intangible assets.

Forecast sales of MultiClient library

At least annually, management forecasts future sales for each MultiClient library survey for purposes of determining the amortization rate and amount of impairment, if any. In forecasting sales, management considers past experience, market developments as described above, general prospects for hydrocarbons in the area, political risk, likelihood and timing of exploration licensing rounds, existence of competitor data sets and general economic conditions. Because of the inherent difficulty in forecasting sales and future developments, it is possible that the amortization rates could deviate significantly from year to year. In addition, future revenues on a survey may not be sufficient to cover the existing carrying value. To the extent the actual revenues achieved prove to be less than forecasted, future periods will reflect lower profitability due to increased amortization rates and/or impairments of MultiClient library surveys. The minimum amortization policy is designed to reduce the risk of an increase in future years' amortization rates or impairment as result of unfavorable variances in revenues ultimately achieved compared to forecasts.

A 10% reduction in the sales forecast for all surveys with a net book value as of December 31, 2015 would have resulted in an additional impairment of approximately $50 million.

Impairment of seismic vessels and equipment

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 each vessel will be negatively impacted by a weak market in 2016 and thereafter start to increase, ultimately reaching levels that generate operating profit (EBIT) margins similar to average historic margins. Had EBIT margins that are 5 percentage points lower than average historic EBIT margins been assumed for the long term, then additional impairment of certain vessels would result totalling approximately $25 million as of December 31, 2015.

Forecast future revenues from services and products related to intangible assets

At least annually, management forecasts future cash flows from services and products related to intangible assets, hereof approximately $50 million relating to Towed EM activity, see also note 18. In forecasting cash flows, management considers the future market demand, extent of completion, technological and engineering requirements and the likelihood and timing of completing the service or product offering. Because of the inherent difficulty in estimating these factors, it is possible that future revenues and cash flows from these activities will not be sufficient to recover the existing carrying value of the related assets.

In estimating future cash flows management has estimated that the roll-out of Towed EM service offering to the vessels in the fleet will occur over a period of up to 10 years. The timing of the roll-out is dependent upon the level of interest of customers; completion of the development in yielding an efficient solution and resolution of the patent infringement case (see note 21). An assumption that the roll-out and/or increase in customer interest takes 2 years longer to achieve would result in an additional $30 million impairment as of December 31, 2015. Had a 10% reduction in estimated gross future revenues from Towed EM activity without any adjustments to estimated future costs been assumed then an additional impairment of approximately $25 million would have resulted as of December 31, 2015.

Seismic vessels and equipment

Depreciation is based on management estimates of the future economic benefits and expected useful lives of seismic vessels and equipment. These estimates may change due to changes in market conditions including competition, technological development, use of the assets and strategic considerations.

Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent it is probable that future taxable profit will be available against which the losses can be utilized. Significant management judgment is required to estimate the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profit.

Provision for contingencies, claims and tax litigations

The Company records accruals for contingencies, claims and other uncertain liabilities, including tax contingencies, when it is more likely than not that a liability has been incurred and the amount can be reasonably estimated. These accruals are adjusted periodically as assessments change or new or additional information becomes available. In estimating the likelihood of an unfavorable outcome, management evaluates the specific facts and circumstances in light of the related laws and regulations; advice from external counsel; and the outcome of similar cases, if any. Because of the inherent uncertainty in estimating the future outcome of such matters, it is possible that some of these matters will ultimately result in the Company incurring a material liability. See note 9 and 21 for further descriptions.

Note 4 – Cost of Sales

	Year ended December 31,		
(In millions of US dollars)	**2015**	**2014**	**2013**
Vessel operating cost	440.3	648.6	616.9
Sales, project and project management cost	122.7	165.7	153.6
Imaging, Geoscience and Engineering cost	122.2	154.9	149.9
Other	31.2	28.6	24.9
Total cash cost of sales	716.4	997.8	945.3
Less amount capitalized to MultiClient library	(303.3)	(344.2)	(374.4)
Net cost of sales	**413.1**	**653.6**	**570.9**

Note 5 – Segment, Revenue and Geographic Information

Executive management regularly evaluates the operating segments operational and financial performance. The financial information disclosed is consistent with that used by executive management in controlling the Company's business, for making strategic decisions and for allocating resources. The Company's operating segments are managed separately and represent strategic business product lines. The segments serve a similar worldwide market. Segment customers are primarily composed of the same major multi-national, independent and national or state-owned oil companies.

Marine Contract and MultiClient segments have similar economic characteristics and satisfy the aggregation criteria under IFRS 8 Operating segments, and as such, are presented as a combined Marine reporting segment. Financial items, income tax expense and liabilities are not included in the measure of segment performance.

Revenues by service lines within Marine segment	Year ended December 31,		
(In millions of US dollars)	**2015**	**2014**	**2013**
Marine Contract	274.0	697.8	677.5
MultiClient pre-funding	380.4	290.7	360.5
MultiClient late sales	194.3	309.0	311.3
Imaging	93.7	119.2	122.7
Other	19.6	37.1	29.6
Total revenues	**961.9**	**1,453.8**	**1,501.6**

Because the Company provides services worldwide to the oil and gas industry, a substantial portion of the property and equipment is mobile, and their respective locations at the end of each period (as listed in the tables below together with the MultiClient library) are not necessarily indicative of the earnings generated by the related property and equipment during the period. Property and equipment is classified based upon location of ownership. Goodwill is classified in the same geographic area as the underlying acquired assets. The geographic classification of statements of profit and loss items is based upon location of performance or, in the case of MultiClient seismic data sales, the geographic area covered by the data being licensed.

Revenues external customers	Year ended December 31,		
(In millions of US dollars)	**2015**	**2014**	**2013**
Americas (excluding Brazil, Falkland Islands and Canada)	113.1	300.2	236.9
Falkland Islands	-	29.1	134.1
Brazil	67.4	157.8	133.2
Canada	95.1	64.8	22.8
UK	104.8	122.8	132.4
Norway	173.8	339.1	200.4
Asia/Pacific	204.4	128.2	172.0
Africa (excluding Angola)	165.6	203.8	164.5
Angola	23.8	90.0	179.1
Middle East/Other	13.9	18.1	126.2
Total	**961.9**	**1,453.8**	**1,501.6**

Revenues, including inter-area	**Year ended December 31,**		
(In millions of US dollars)	**2015**	**2014**	**2013**
Americas (excluding Brazil, Falkland Islands and Canada)	146.2	300.5	239.8
Falkland Islands	-	29.1	134.1
Brazil	69.8	157.9	133.2
Canada	95.1	64.8	22.8
UK	125.9	146.3	165.3
Norway	174.5	340.9	204.0
Asia/Pacific	204.4	128.2	172.0
Africa (excluding Angola)	169.4	214.3	176.8
Angola	23.8	90.0	179.1
Middle East/Other	13.9	18.5	126.2
Elimination inter-area revenues	(61.1)	(36.8)	(51.7)
Total	**961.9**	**1,453.8**	**1,501.6**

Total non-current assets (a)	**December 31,**	
(In millions of US dollars)	**2015**	**2014**
Americas (excluding Brazil)	252.2	273.3
Brazil	40.1	63.6
UK	116.2	318.3
Norway	1,165.9	1,280.7
Asia/Pacific (excluding Singapore)	73.1	74.7
Singapore	423.6	538.2
Africa	121.7	109.6
Middle East/Other	112.0	56.6
Total	**2,304.8**	**2,715.0**

(a) Consists of Property and equipment, MultiClient library, Investments in associated companies (note 16), Goodwill and Other intangible assets.

In 2015, aggregate revenues from the two largest customers accounted for 7.2% and 6.7% of the Company's consolidated revenues, compared to 10.4% and 9.9% in 2014 and 11.0% and 9.0% in 2013, respectively.

Note 6 – Depreciation, Amortization and Impairments of Long-Term Assets

Depreciation and amortization consist of the following:

	Year ended December 31,		
(In millions of US dollars)	**2015**	**2014**	**2013**
Gross depreciation and amortization	(245.2)	(278.5)	(243.9)
Depreciation capitalized and deferred, net	104.2	97.3	113.2
Amortization of MultiClient library (note 15)	(327.6)	(344.2)	(301.8)
Net depreciation and amortization expense	**(468.5)**	**(525.4)**	**(432.5)**

Impairments and reversal of impairments of long-term assets (a) consist of the following:

	Year ended December 31,		
(In millions of US dollars)	**2015**	**2014**	**2013**
Impairment of property and equipment (note 14)	(65.3)	(61.3)	(15.0)
Impairment assets held-for-sale (note 13 and 22)	-	(12.5)	-
Impairment of MultiClient library (note 15)	(102.5)	-	-
Impairment goodwill (note 17)	(139.9)	-	-
Impairment other intangible assets (note 18)	(32.6)	-	-
Net impairment	**(340.3)**	**(73.8)**	**(15.0)**

(a) In addition, the Company recognized a loss on the sale of PGS Apollo of $56.9 million in 2015 (note 14 and 21).

Note 7 – Interest Expense

Interest expense consists of the following:

	Year ended December 31,		
(In millions of US dollars)	2015	2014	2013
Interest cost, gross	(58.2)	(56.8)	(57.6)
Interest capitalized to the MultiClient library (note 15)	19.6	20.3	10.5
Interest capitalized to construction in progress (note 14)	9.1	6.4	14.8
Total	**(29.5)**	**(30.1)**	**(32.3)**

The average interest rate used to determine the amount of interest cost eligible for capitalization was 4.5%, 5.1% and 5.5% for the years ended December 31, 2015, 2014 and 2013, respectively.

Note 8 – Other Financial Expense, Net

Other financial expense, net consists of the following:

	Year ended December 31,		
(In millions of US dollars)	2015	2014	2013
Interest income	2.7	2.3	1.6
Write off relating to Term loan refinancing	-	(8.8)	-
Currency exchange loss	(18.5)	(13.4)	(7.6)
Other	(13.7)	(6.6)	(1.6)
Total	**(29.6)**	**(26.5)**	**(7.6)**

Note 9 – Income Taxes

Net income tax expense consists of the following:

	Year ended December 31,		
(In millions of US dollars)	2015	2014	2013
Current taxes (a)	19.6	41.3	32.2
Deferred taxes	2.8	26.3	57.4
Total income tax expense	**22.4**	**67.6**	**89.6**

(a) Current tax mainly relates to withholding taxes in countries of operation.

The deferred tax asset recognized in other comprehensive income arises from the following temporary differences:

	December 31,	
(In millions of US dollars)	2015	2014
Pensions (Note 24)	(7.8)	(10.9)
Total recognized in other comprehensive income	**(7.8)**	**(10.9)**

The income tax expense differs from the amounts computed when applying the Norwegian statutory tax rate to income before income taxes as a result of the following:

	Year ended December 31,		
(In millions of US dollars)	2015	2014	2013
Income before income tax expense	(505.5)	16.7	327.9
Norwegian statutory rate	27%	27%	28%
Provision for income taxes at statutory rate	(136.5)	4.5	91.8
Increase (reduction) in income taxes from:			
Effect of tax rates other than statutory tax rate in Norway	2.7	1.4	(1.1)
Tax exempt income within tonnage tax regimes net of vessel impairments (a)	11.6	(21.5)	(34.2)
Impairments on tangible and intangible assets	72.2	13.9	-
Losses from equity investments	4.3	9.2	3.6
Foreign taxes not creditable in home country	17.7	22.8	7.4
Change in tax rate (b)	6.4	-	4.1
Currency effects (c)	24.0	19.0	14.7
Changes in tax contingencies recognized as tax expense (benefit)	-	-	(4.0)

Changes in un-recognized deferred tax assets	17.6	14.2	6.7
Prior period adjustments	(2.6)	(0.7)	(2.4)
Other permanent items	4.9	4.7	3.0
Income tax expense	**22.4**	**67.6**	**89.6**

Notes to selected items in the preceding table:

(a) The Company's vessel operations are mainly within the Norwegian Tonnage Tax regime under which operating profit is tax exempt.

(b) The Norwegian corporate income tax rate was reduced from 27% to 25% effective from January 1, 2016. As a result, a reduction in deferred tax assets of $6.4 was recognized in 2015. Effective January 1, 2014 the Norwegian corporate income tax rate was reduced from 28% to 27% which reduced the deferred tax assets with $3.8 million in 2013.

(c) Currency effects primarily relate to translating tax positions in local currency to US dollar functional currency.

The tax effects of the Company's temporary differences are as follows:

	December 31,	
(In millions of US dollars)	**2015**	**2014**
Deferred tax assets		
MultiClient library	(18.7)	(24.6)
Derivatives	(0.3)	(1.7)
Employee benefits	(11.0)	(19.9)
Tax loss carry-forwards	(173.8)	(170.6)
Tax credits	(16.0)	(19.9)
Unrealized exchange loss	(39.7)	(21.2)
Other	(39.9)	(27.1)
Deferred tax assets, gross	**(299.5)**	**(284.9)**
Deferred tax liabilities		
Property and equipment	45.8	40.5
Intangible assets	28.8	39.3
Current accruals/liabilities	25.5	10.6
Deferred taxable gain/revenue	16.5	16.7
Other	-	3.4
Deferred tax liabilities, gross	**116.7**	**110.5**
Deferred tax assets, net	(182.8)	(174.5)
Deferred tax assets not recognized in the consolidated statements of financial position	105.0	92.7
Net recognized deferred tax assets	**(77.8)**	**(81.8)**

	December 31,	
(In millions of US dollars)	**2015**	**2014**
Deferred tax assets	(79.4)	(95.9)
Deferred tax liabilities	1.6	14.1
Income tax assets, gross	**(77.8)**	**(81.8)**

Deferred tax assets specified by jurisdiction, both recognized and un-recognized, and tax losses including expiration periods as of December 31, 2015 are as follows:

(In millions of US dollars)	**Tax losses**	**Expiry dates**	**Recognized deferred tax assets**	**Un-recognized deferred tax assets**
Brazil	36.9	None	-	50.7
Norway	365.8	None	62.3	4.3
Singapore	181.7	None	-	-
UK	87.4	None	15.6	19.2
Other	80.8	2016	1.5	30.8
	755.1		**79.4**	**105.0**

It is the Company's current view that unremitted earnings from international operations in subsidiaries are expected to be reinvested indefinitely, and as a result, no withholding tax have been provided for unremitted earnings.

With its multi-national operations, the Company is subject to taxation in many jurisdictions around the world with increasingly complex tax laws. The Company has matters in several jurisdictions that could eventually make it liable for material amounts of taxes relating to prior years.

Total provision for uncertain tax positions are recognized as follows:

	December 31,	
(In millions of US dollars)	2015	2014
Other long-term liabilities (see "Other" note 23)	1.9	2.2
Total provision for uncertain tax positions	**1.9**	**2.2**

Brazil tax audits 2008 and 2011
In May 2012, the Company received two tax assessments for 2008 from the federal tax authorities in Brazil. One assessment asserts that seismic vessels do not meet the definition of a vessel and therefore the charters into Brazil are subject to a 15% withholding tax (WHT) instead of 0%. The second assessment levies a 10% tax ("CIDE") on the same charters. In April 2015 PGS received same type of assessments for 2011. PGS won the 2008 case regarding WHT early last year. The other three cases are pending at the administrative level, and the total exposure is $26.7 million. Because the Company considers it more likely than not that this contingency will be resolved in its favor, no provision is recognized for any portion of the exposure.

Other tax contingencies
The Company estimates the likelihood of unfavorable outcomes for other tax contingencies amounting to approximately $40 million as reasonably possible (20-50%) and approximately $46 million as remote (less than 20%) which are not provided for.

Note 10 – Earnings Per Share Information

Specification of average number of shares:

	Year ended December 31,		
	2015	2014	2013
Weighted average basic shares outstanding (a)	217,310,643	214,603,496	215,566,344
Dilutive potential shares (b)	1,131,067	787,239	834,181
Weighted average diluted shares outstanding	**218,441,710**	**215,390,735**	**216,400,525**

(a) Weighted average basic shares outstanding for each year is reduced by the average number of treasury shares owned by the Company during the year (see Note 25)
(b) For the years ended December 31, 2015, 2014 and 2013, respectively, share options equivalent to 1.260.500, 2.644.500 and 2.711.000 common shares, were excluded from the calculation of diluted earnings per share as they were anti-dilutive.

Note 11 – Restricted Cash

Restricted cash consists of the following:

	December 31,	
(In millions of US dollars)	2015	2014
Current:		
Restricted Cash ECA loan (Note 19)	15.8	15.9
Restricted payroll withholding taxes	3.0	4.0
Other	0.2	0.3
Total restricted cash, current	19.0	20.2
Long-term:		
Deposits ISS disputes (Note 21)	52.5	72.0
Total current and long-term	**71.5**	**92.2**

Note 12 – Accrued Revenues and Other Receivables

Accrued revenues and other receivables consist of the following:

	December 31,	
(In millions of US dollars)	2015	2014
Accrued revenues (a)	158.1	169.5
Other receivables	-	11.1
Total	**158.1**	**180.6**

(a) Accrued revenues relates to services for which revenue has been recognized and which will be invoiced and collected within 12 months.

Note 13 – Other Current Assets

Other current assets consist of the following:

(In millions of US dollars)	December 31, 2015	December 31, 2014
Consumables, supplies and fuel inventory	40.4	55.7
Prepaid operating expenses	19.4	19.9
Deferred steaming and project costs	11.9	14.0
Unrealized gain on hedging	11.2	11.6
Withholding taxes and taxes receivable	7.4	15.4
Prepaid reinsurance	7.1	8.3
Assets held-for-sale	-	7.5
Other	1.4	3.9
Total	**98.8**	**136.3**

Note 14 – Property and Equipment

The changes in property and equipment are as follows:

(In millions of US dollars)	Construction of vessels in progress	Seismic vessels and equipment	Buildings, fixtures and furniture	Total
Cost as of January 1, 2014	**272.4**	**2,717.6**	**102.5**	**3,092.5**
Capital expenditures/recoveries	295.6	75.2	0.5	371.3
Capitalized interest	6.4	-	-	6.4
Asset completed for intended use	(411.3)	388.6	22.7	-
Asset retirements	-	(240.8)	(5.0)	(245.8)
Cost as of December 31, 2014	**163.1**	**2,940.6**	**120.7**	**3,224.4**
Capital expenditures/recoveries	124.9	31.1	8.4	164.4
Capitalized interest	9.1	-	-	9.1
Asset transfers	(27.7)	27.7	-	-
Asset retirements	-	(177.0)	(24.8)	(201.9)
Sale of Apollo	-	(183.0)	-	(183.0)
Cost as of December 31, 2015	**269.4**	**2,639.4**	**104.2**	**3,013.0**

(In millions of US dollars)				
Accumulated depreciation as of January 1, 2014	**-**	**1,384.3**	**63.7**	**1,448.0**
Impairments as of January 1, 2014	**-**	**15.0**	**-**	**15.0**
Depreciation	-	258.5	12.6	271.1
Impairments (see note 3)	-	61.3	-	61.3
Asset retirements	-	(229.8)	(4.7)	(234.5)
Depreciation as of December 31, 2014	**-**	**1,417.6**	**71.6**	**1,489.2**
Impairments as of December 31, 2014	**-**	**71.7**	**-**	**71.7**
Depreciation	-	222.4	12.0	234.4
Impairments (see note 3)	-	65.3	-	65.3
Asset retirements	-	(175.1)	(24.0)	(199.1)
Sale of Apollo	-	(46.1)	-	(46.1)
Depreciation as of December 31, 2015	**-**	**1,441.6**	**59.7**	**1,501.3**
Impairments as of December 31, 2015	**-**	**114.2**	**-**	**114.2**
Balance as of December 31, 2014	**163.1**	**1,451.3**	**49.0**	**1,663.5**
Balance as of December 31, 2015	**269.4**	**1,083.6**	**44.5**	**1,397.5**

Impairments

Management regularly evaluates its fleet plan and capital expenditure levels in light of market conditions. In 2014 and 2015 management performed such evaluations and made decisions which resulted in impairments of certain vessels in the fleet described below.

2013 and 2014 impairments

The Company no longer expected to re-rig the stacked source vessel Polar Sea. Impairments in the amount $15 million in 2013 and $2.2 million in 2014 were recognized in adjusting the vessel's carrying value down to its estimated sales value of $0.4 million as of December 31, 2014. The vessel was sold in 2015.

In 2014 the 2D/source vessels Pacific Explorer and Nordic Explorer, both of which were near the end of their economic useful life, were removed from service and their carrying values adjusted to the agreed (or estimated) sales price of $2-$3 million per vessel, resulting in an aggregate impairment of $7.5 million. Pacific Explorer was sold in 2015.

As a result of the uncertainty regarding completion of the 2D/source vessel Southern Explorer, in 2014 the vessel's carrying value was adjusted to its estimated fair value of $8.5 million, resulting in an impairment of $17 million.

As a result of the significant downturn in the marine seismic market at the end of 2014, the recoverability of net book values for each vessel in the PGS fleet were evaluated. Based upon this evaluation, the carrying value of the vessel Ramform Explorer was impaired with $30 million.

2015 impairments

In late 2015, in light of the continued depressed marine seismic market and the current age of individual vessels, management assessed the fleet capacity needs for both the near term and longer term as well as considering the financial flexibility of the Company. Following this evaluation, the Company entered into operating leases for two recently-built 3D vessels, Sanco Swift and Sanco Sword (see note 21). Ramform Explorer, Ramform Challenger and the three V-class 3D vessels were cold-stacked or planned for cold-stacking into 2017. As a result of these changes in capacity and market conditions, Ramform Explorer was impaired by $11.9 million down to $0.5 mill; Ramform Challenger by $13.5 million down to $9.5 million; the three V-class vessels by an aggregate of $31.5 million down to $84.5 million in the aggregate and 2D/source vessels by an aggregate of $7.0 million down to $4.7 million in the aggregate.

(In millions of US dollars)	**2015**	**2014**	**2013**
2D and source vessels	7.1	26.7	15.0
Ramform Explorer	11.9	30.0	-
Ramform Challenger	13.5	-	-
V-Class vessels	31.5	-	-
Impairment of seismic equipment	1.3	4.6	-
Loss on sale and leaseback of Apollo (note 21)	56.9	-	-
Total impairment and loss on disposal of vessels and equipment	**122.2**	**61.3**	**15.0**

New build program – Ramform Titan-class vessels

Ramform Titan and Ramform Atlas were delivered in May 2013 and January 2014, respectively. Ramform Tethys is scheduled for delivery in Q1 2016. Ramform Hyperion is scheduled for delivery in Q1 2017, subject to finalization of amendments to the financing agreement to accommodate the revised delivery date. Both vessels will be delivered from Mitsubishi Heavy Industries Shipbuilding Co. Ltd. The cost of each of the two vessels is approximately $280 million including commissioning and a comprehensive seismic equipment package, but excluding capitalized interest and post-delivery cost. As of December 31, 2015 an aggregate of $270 million has yet to be incurred on Ramform Tethys and Ramform Hyperion.

Arrow – vessels

In 2007, the Company acquired the Arrow Group which was constructing four 10-12 streamer seismic 3D vessels at the Factorias Vulcano shipyard group in Spain (the Arrow NB's). Subsequently, three of the new-build contracts were cancelled due to delays (NB 532, NB 533 and NB 535). The Company took delivery of NB 534, named PGS Apollo in 2010. For the cancelled Arrow vessels, NB 532 and NB 533, approximately EUR 11 million is still outstanding from Factorias Vulcano. Arrow is currently in legal proceedings to recover the values. The net book value of the receivable from the Spanish yard is $5.4 million and $6.3 million as of December 31, 2015 and 2014, respectively.

Note 15 – MultiClient Library

The changes in the MultiClient library are as follows:

(In millions of US dollars)	**2015**	**2014**
Balance as of January 1,	**695.2**	**576.9**
Capitalized cash costs	303.3	344.2
Capitalized interest	19.6	20.3
Capitalized depreciation	107.0	98.0
Amortization expense	(327.6)	(344.2)
Impairments (see note 3)	(102.5)	-
Balance as of December 31,	**695.0**	**695.2**

Amortization expense for the year ended December 31, 2015 includes $46.4 million of non-sales related amortization. This amount is comprised of $23.6 million in minimum amortization and $22.8 million of impairments to reflect the discounted cash flow of future sales on certain individual surveys. For the year ended December 31, 2014 the non-sales related amortization totaled $90.9 million, comprised of $40.0 million in minimum amortization and $50.9 million of impairments. For the year ended December 31, 2013, the non-sales related amortization totaled $40.1 million, comprised of $30.0 million of minimum amortization and $10.1 million of impairments.

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

	December 31,	
(In millions of US dollars)	**2015**	**2014**
Completed surveys:		
Completed during 2010	-	11.3
Completed during 2011	10.8	17.9
Completed during 2012	19.1	29.1
Completed during 2013	25.9	46.6
Completed during 2014 (a)	91.5	117.2
Completed during 2015	175.7	-
Completed surveys	**323.1**	**222.1**
Surveys in progress	**371.9**	**473.1**
MultiClient library	**695.0**	**695.2**

(a) MultiClient library with a net book value of $12.7 million has be reclassified from “Surveys in progress” to “Completed during 2014” as of December 31, 2014.

PGS has cooperation agreements to invest in certain MultiClient data projects with other parties. These agreements are classified as joint operations where the parties have rights to the assets and liabilities of the investment. PGS recognizes its relative share of the investment in MultiClient data and its share of revenue, amortization and costs.

	Year ended December 31,	
(In millions of US dollars)	**2015**	**2014**
Total gross revenues	109.2	124.9
Revenue share	43.3	54.8
Amortization	(94.2)	(45.8)
Impairment	(0.3)	(1.9)
PGS' part of the joint MultiClient Library	45.6	18.8

Note 16 – Other Long-Term Assets

Other long-term assets consist of the following:

	December 31,	
(In millions of US dollars)	**2015**	**2014**
Investments in associated companies (a)	50.6	32.5
Loan to PF Thor (note 21)	-	14.2
Claims against yard (NB's 532 and 533) (note 14)	5.4	6.3
Other long-term receivables	1.7	2.2
Total	**57.7**	**55.2**

(a) Specification of investments in associated companies:

	December 31, 2015		December 31, 2014	
(In millions of US dollars)	**Net book value**	**Ownership**	**Net book value**	**Ownership**
Azimuth Ltd.	-	45%	-	45%
Azimuth II Ltd.	50.4	45%	32.3	45%
Azimuth III Ltd.	-	45%	-	-
Azinam Ltd.	0.1	-	0.1	-
Other	0.1	-	0.1	-
Total	**50.6**	**-**	**32.5**	**-**

(In millions of US dollars)	Share of income (loss) 2015	Share of income (loss) 2014
Azimuth Ltd.	-	(12.7)
Azimuth II Ltd.	(16.1)	(12.0)
Azimuth III Ltd.	-	-
Seafloor Geophysical Solutions (SGS)	-	(3.6)
PGS Overseas Operation (Cyprus) Ltd	-	(2.6)
Other	-	0.1
Total	**(16.1)**	**(30.9)**

The Company owns 45% of Azimuth Limited, Azimuth II Limited and Azimuth III Limited, which together are the holding companies of the Azimuth Group. The remaining 55% are held by a majority shareholder, and the investments are therefore recognized as associated companies. The Azimuth Group consists of several operating entities which invest in Exploration and Production (E&P) companies and exploration assets.

The Company contributed $34.3 and $25.7 million to the Azimuth Group in 2015 and 2014. During 2015 and 2014 the Azimuth Group purchased data and services from the Company for $25.0 and $22.5 million, respectively.

The Company entered into a cooperation agreement whereby the Company provides certain services to the Azimuth Group. The Azimuth Group has the right to purchase, for cash and at fair value, up to 50% of any future equity settlement that the Company may receive as payment for its library or services. The Company has a right but no obligation to provide further funding of Azimuth Group and has no guarantees outstanding.

The following table illustrates the summarized financial information at December 31:

	Azimuth Limited		Azimuth II Limited		Azimuth III Limited	
(In millions of US dollars)	2015	2014	2015	2014	2015	2014
Current assets	43.0	1.4	30.7	7.7	-	na
Non-current assets	10.9	15.8	131.4	81.3	-	na
Current liabilities	41.4	6.5	23.2	0.2	-	na
Non-current liabilities	10.3	2.1	-	-	-	na
Equity	2.2	8.5	138.9	88.8	-	na
Revenue	-	-	-	-	-	na
Operating expenses	3.7	4.3	0.9	0.7	-	na
Financial expenses	2.1	18.4	20.2	18.2	-	na
Profit before tax	(5.8)	(22.7)	(21.1)	(18.9)	-	na
Income tax expense	-	-	-	-	-	na
Profit for the year	(5.8)	(22.7)	(21.1)	(18.9)	-	na
Other comprehensive income	(1.3)	(2.3)	(3.5)	(2.4)	-	na
Total comprehensive income	(7.1)	(25.0)	(24.6)	(21.3)	-	na

In 2013 the Company owned 50% of PGS Overseas Operations (Cyprus) Ltd (POOL) whose wholly-owned Russian subsidiary, PGS Khazar LLC, performs shallow-water and transition zone seismic services in the Caspian Sea. In connection with additional funding of PGS Khazar LLC operations, during 2014 the Company increased its ownership interest in POOL to 89.89% pursuant to which it became a consolidated subsidiary. In late 2013 the Company began marketing the sale of PGS Khazar LLC and recorded the assets and liabilities at the lower of cost and estimated fair value. The Company recognized impairment on long-term assets related to PGS Khazar LLC of $15.1 million in 2014, of which $2.6 million were included in share of results from associated companies and $12.5 million in 2014 was included in impairment of long-term assets. PGS Khazar was sold in 2015.

Note 17 – Goodwill

The operating segments Marine Contract and MultiClient are cash generating units to which goodwill is allocated for the purpose of evaluating for impairment.

	December 31,	
(In millions of US dollars)	2015	2014
Marine Contract	-	97.9
MultiClient	-	42.0
Total	**-**	**139.9**

The recoverable amount of goodwill is estimated based upon value-in-use and after tax cash flow projections approved by executive management. Key assumptions relate to growth rates, revenues, operating profit, capital expenditures and discount rate.

The marine seismic market weakened further in 2015 and management expects the weak market fundamentals to continue through 2016. In late 2015, management's forecast cash flows from the two cash generating units were reduced, reflecting this expected prolongation of a poor market. As result, the entire balance in Goodwill of $139.9 million was impaired to nil in Q4 2015.

Note 18 – Other Intangible Assets

The changes in other intangible assets are summarized as follows:

(In millions of US dollars)	Patents, licenses, technology and other (b)	Intangible assets in development (c)	Total
Cost as of January 1, 2014	**217.3**	**108.0**	**325.3**
Additions to costs	-	26.4	26.4
Asset retirements	(0.1)	-	(0.1)
Assets transfers	17.4	(17.4)	-
Cost as of December 31, 2014	**234.6**	**117.0**	**351.7**
Additions to costs	-	21.2	21.2
Asset retirements	(1.3)	-	(1.3)
Asset transfers	75.0	(75.0)	-
Cost as of December 31, 2015	**308.3**	**63.2**	**371.6**
Amortization as of January 1, 2014 (a)	**160.4**	**-**	**160.4**
Amortization expense	7.5	-	7.5
Asset retirements	(0.1)	-	(0.1)
Amortization as of December 31, 2014 (a)	**167.8**	**-**	**167.8**
Amortization expense	10.8	-	10.8
Impairments	32.6	-	32.6
Asset retirements	(1.3)	-	(1.3)
Amortization as of December 31, 2015 (a)	**209.9**	**-**	**209.9**
Balance as of December 31, 2014	**66.8**	**117.0**	**183.9**
Balance as of December 31, 2015	**98.4**	**63.2**	**161.7**
Estimated useful life	1 to 15 years		

(a) The accumulated impairment charge on intangibles other than goodwill was $131.7 million and $99.1 million as of December 31, 2015 and 2014, respectively
(b) Includes approximately $50 million of net book value relating to towed EM technology.
(c) Includes approximately $27 million of net book value relating to fiber optic technology development.

Due in part to the significant decline in the marine seismic market, the Company has experienced a slower pace of customer interest in its Towed-EM service offering. Furthermore, the level of customer interest is expected to remain low through 2016. The current market conditions increase the uncertainty as to the level and timing of future revenues generated from this service. Accordingly, management's estimate of future cash flows has been reduced and pushed further out in time. Based upon this evaluation, the EM technology assets were adjusted down to their estimated value-in-use of $50 million resulting in an impairment of $25 million in 2015.

Note 19 – Debt and Guarantees

Long-term debt:

	December 31,	
(In millions of US dollars)	**2015**	**2014**
Secured:		
Term loan B, Libor (minimum 75 bp) + 250 Basis points, due 2021 (a)	393.0	397.0
Export credit financing, due 2025	203.1	223.9
Export credit financing, due 2027	76.1	38.1
Revolving credit facility, due 2018 (a)	25.0	100.0
Unsecured:		
Senior notes, Coupon 7.375%, due 2018	450.0	450.0
Total	1,147.2	1,209.0
Less current portion	(24.8)	(24.8)
Less deferred loan costs, net of debt premiums	(22.5)	(24.1)
Total long-term debt	**1,099.9**	**1,160.1**

Undrawn facilities consists of:

	December 31,	
(In millions of US dollars)	**2015**	**2014**
Secured:		
Revolving credit facility, due 2018 (a)	475.0	400.0
Export credit financing	220.5	266.5
Unsecured:		
Bank facility (NOK 50 mill)	5.7	6.7
Performance bond	10.7	14.1
Total	**711.9**	**687.3**

(a) The Senior secured credit facility was amended and extended in September 2013 and March 2014, for the RCF and TLB, respectively, and October 2015 for both. The Senior secured facility loan agreement permits the Company to borrow an additional sum of specific secured debt (see below on type of security) limited to: $1,850 million less the sum of (A) any RCF commitments outstanding, (B) Term Loans outstanding and (C) Permitted vessel financing indebtedness outstanding, either as a term loan or as a RCF, provided that the leverage ratio does not exceed 2.75:1. Such potential additional borrowing is not committed (except for secured un-drawn debt in the table) but would be secured by the same collateral that secures the Term Loan and borrowings under the existing RCF. As long as the Company does not exceed a leverage ratio of 3:1, it can incur further unsecured debt. Drawing of the committed RCF and Permitted vessel financing indebtedness (see Export Credit financing below) is exempted from the incurrence test.

Senior Secured Credit Facility (Term loan B and Revolving Credit Facility "RCF")
The Term Loan is an obligation of PGS ASA and PGS Finance Inc. as co-borrowers; is secured by pledges of shares of material subsidiaries; and is guaranteed by the same material subsidiaries. The Term Loan has no financial maintenance covenants. Any drawings on the "RCF" would be subject to the same security.

The Term Loan B, originally maturing in 2015, was amended and extended in March 2014, with a new tenor of 7 years and now matures in 2021. The floating interest rate was revised to LIBOR (but minimum 75bps) + 250 basis points and the amount reduced to $400 million by using existing cash to repay $70.5 million of principal. The Term Loan B is amortized by $4 million per year. The $500 million RCF is a 5 year facility maturing in September 2018. The original terms of the facility were an interest rate on drawn amounts of LIBOR + 1.75% with additional utilization fees dependent on the amount drawn (Less than $150 million + 0.25%, between $150 million and $300 million + 0.40%, over $300 million + 0.60%), and a commitment fee on undrawn amounts of 40% of the applicable margin. In October 2015, the lenders to the facility agreed to amend the leverage ratio maintenance covenant and certain other amendments. The maintenance covenant, Total Leverage Ratio (TLR), was changed from maximum 2.75:1 to 4.00:1 for the period up to and including Q1 2017, thereafter tightening by 0.25:1 each quarter down to 2.75:1 by Q2 2018. The Company agreed on a revised margin structure on the RCF. The margin starts at 2.00%, a 0.25% increase from the original margin, as long as TLR is below 2.75:1. If TLR exceeds 2.75:1, it increases stepwise linked to TLR up to a maximum of 3.25%. The Company has also agreed some further restriction on dividend and a minimum consolidated liquidity. Dividend shall not be proposed for 2015 and for the remaining part of the amendment period dividend can only be paid if TLR is below 2.75:1 for two consecutive quarters and the TLR requirement is reset to 2.75:1 (i.e. as it was before the amendment). Consolidated unrestricted cash and cash equivalent together with unused and available RCF commitment shall not be less than the amount equal to the greater of (a) $75 million and (b) 5% of consolidated net interest-bearing Indebtedness. See also note 20.

The Senior secured credit facility contains financial covenants and negative covenants that restrict the Company in various ways. The facility provides that:
1) For the RCF part the total leverage ratio (see Note 20 for definitions of leverage ratios) may not exceed the threshold agreed in the October 2015 amendment (maintenance covenant). The Term Loan has an incurrence test prohibiting the Company from incurring more indebtedness, with certain exceptions, (described in footnote (a) in the table above) if the total leverage is above 3.00:1.0 (rolling last 4 quarters).
2) The credit agreement generally requires the Company to apply 50% of excess cash flow to repay outstanding borrowings for financial years when the total leverage ratio exceeds 2.5:1 or the senior secured leverage ratio exceeds 2:1. Excess cash flow for any period is defined as net cash flow provided by operating activities less capital expenditures, MultiClient investments and scheduled debt services during that period, and on the Companys' option minus income taxes to be paid in the next period and capital expenditure committed in the period but to be paid in future periods. The Company may make optional prepayments to reduce the outstanding principal balance at no penalty.

In addition, the credit agreement and the indenture to the $450 million Senior Notes (described below) restricts or could restrict the Company's ability, among other things, to sell assets without the sales proceeds being reinvested in the business or used to repay debt; incur additional indebtedness or issue preferred shares; prepay interest and principal on our other indebtedness; pay dividends and distributions or repurchase our capital stock; create liens on assets; make investments, loans, guarantees or advances; make acquisitions; engage in mergers or consolidations; enter into sale and leaseback transactions; engage in transactions with affiliates; amend material agreements governing our indebtedness; change our business; enter into agreements that restrict dividends from subsidiaries; and enter into speculative financial derivative agreements.

The RCF has a $60 million sub-limit for issuance of letters of credit. Under the RCF, the Company may borrow USD, or any other currency freely available in the London banking market to which the lenders have given prior consent, for working capital and for general corporate purposes. At December 31, 2015 and 2014, the Company had zero outstanding standby letters of credit under the RCF.

Senior Notes
In December 2012, the Company issued $150 million add on to the $300 million Senior notes (issued in November 2011) at a premium of 107.5% of the principal amount. Both the Senior notes issued in 2011 and 2012 will be treated as a single class of debt securities under the same indenture. The Senior notes are senior obligations of the Company and rank equally in right of payment with all other existing and future senior debt. It is guaranteed by the same subsidiaries guaranteing the Senior Secured Credit Facility. The Senior notes have an incurrence test prohibiting the Company from incurring more indebtedness, with certain exceptions, if the consolidated interest coverage ratio is less than 2.0:1.0. The Senior note limits the Company to incure secured debt, without granting the Senior note the same security, exceeding an amount of $1,350 million plus some other debt baskets common in this type of financing. The Senior notes are redeemable at the Company's option on or after December 15, 2015, in whole or in part, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest thereon to the applicable redemption date, if redeemed during the 12-month period beginning December 15 of the years indicated below:

Year	Percentage
2015	103.69%
2016	101.84%
2017 and thereafter	100.00%

Export credit financing

PGS Titans AS has entered into four loans financing the deliveries of Ramform Titan, Ramform Atlas, Ramform Tethys and Ramform Hyperion. The Company guarantees payment of internal 12 years bareboat agreement between PGS Falcon AS and PGS Titan AS for the two vessels Ramform Titan and Ramform Atlas and guarantees the loans financing Ramform Tethys and Ramform Hyperion. As of December 31, 2015, $326 million has been drawn on the four loans pursuant to the delivery of Ramform Titan in 2013, Ramform Atlas in 2014 and construction advances for Ramform Tethys and Ramform Hyperion in 2014 and 2015, of which $47 million has been repaid. The remaining available loan value of $221 million will be drawn in connection with milestones payments during construction and at deliveries of Ramform Tethys and Ramform Hyperion expected in 2016 and 2017. The Company and the lenders amended the loan agreements for Ramform Tethys and Ramform Hyperion to allow for revised delivery date for the vessels agreed with the shipyard in May 2015. A further amendment due to the delay in delivery of Ramform Hyperion is currently being finalized. The loans are senior facilities secured by first priority mortgages over the vessels and fittings on board (but excluding ""in sea"" equipment such as streamers), pledge of the borrower's right under a debt service reserve account and assignment of insurance rights in the vessels. The loans will be repaid over 12 years in semi-annual equal installments and each will have two tranches whereby JBIC and SMBC each receive 50%. The JBIC tranche bears a fixed interest and is repaid from the 7th to 12th year after draw down, while the SMBC tranche bears a floating interest based on 6 months Libor plus a margin and is repaid from 1st to 6th year after draw down. SMBC has received credit insurance from Nippon Export and Investment Insurance (""NEXI"") and the insurance premium is paid by PGS Titans AS.

Letters of credit and guarantees

The Company has $20 million uncommitted bid and performance bond facilities ($24 million in 2014) intended for operational use. Drawings under these facilities totaled $9.3 million and $9.9 million as of December 31, 2015 and 2014, respectively.

The Company had aggregate outstanding letters of credit and similar guarantees (incl. the $9.3 million and $9.9 million above), not reflected in the accompanying consolidated statements of financial position, of $17.2 million and $42.7 million as of December 31, 2015 and 2014, respectively.

PGS ASA has guaranteed the payment obligation under the lease of Apollo (see note 21).

Note 20 – Financial Instruments

Fair values

The Fair Value Hierarchy disclose how fair value is determined for financial instruments recorded at fair value in the consolidated financial statement.

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
Level 2: assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly.
Level 3: techniques for which all inputs which have a significant effect on the recorded fair value that is not based on observable market data.

The carrying amounts of cash and cash equivalents, restricted cash, accounts receivable, accrued revenues and other receivables, other current assets, accounts payable and accrued expenses approximate their respective fair values because of the short maturities of those instruments. The fair values of the long-term debt instruments, forward exchange contracts and interest rate swaps are estimated using quotes obtained from dealers in such financial instruments or latest quoted prices or indexes at Reuters or Bloomberg. Where market prices are not observed or quotes from dealers are not obtained, an indirect method is used by use of implied credit spread from debt instrument with similar risk characteristics.

The carrying amounts, estimated fair values of debt and derivatives instruments including how fair value is determined are summarized as follows:

	December 31, 2015			December 31, 2014		
(In millions of US dollars)	Carrying amounts	Fair values	Hierarchy Level	Carrying amounts	Fair values	Hierarchy Level
Financial assets measured at fair value						
Other foreign exchange contracts (note 13)	1.4	1.4	2	4.3	4.3	2
Financial liabilities measured at fair value						
Foreign exchange contracts used for hedging (note 22)	(2.7)	(2.7)	2	(6.5)	(6.5)	2
Other foreign exchange contracts (See "Other" note 23)	(0.8)	(0.8)	2	(3.4)	(3.4)	2
Interest rate swaps not hedge accounted	-	-	2	(0.6)	(0.6)	2
Financial liabilities not measured at fair value						
Debt with fixed interest rate	(613.0)	(550.0)	2	(594.0)	(520.6)	2
Debt with variable interest rate	(534.2)	(419.7)	2	(615.0)	(560.9)	2

Financial risk management policies
The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders such as dividends and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The management of the capital structure involves active monitoring and adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure the Company may refinance its debt, buy or issue new shares or debt instruments, sell assets or return capital to shareholders

The Company monitors debt on the basis of the leverage ratio and other covenants in credit agreements. The Total Leverage Ratio (TLR) is calculated as total indebtedness divided by adjusted EBITDA less non pre-funded MultiClient library investments. At December 31, 2015, the total indebtedness was $1,218.2 million and adjusted EBITDA less non pre-funded MultiClient library was $475.3 million. At December 31, 2015 and 2014, the TLR was 2.56 and 1.67, respectively. Based on the total indebtedness at December 31, 2015 there was an EBITDA headroom of $170.8 million up to the maximum maintenance covenant leverage ratio.

In addition, the Company monitors leverage based on net interest-bearing debt. Net interest-bearing debt is calculated as total debt (including short-term and long-term debt as reported in the consolidated statement of financial position) less cash and cash equivalents, including restricted cash. The Company generally seeks to keep net interest-bearing debt below two times annual EBITDA in the weak part of a business cycle and below one times annual EBITDA in a strong market, dependent on several factors including capital spending commitments, the state of the seismic market and macro risks. In a situation where the net interest-bearing debt is above these levels, actions to come back inside may be gradual and take place over a period of time. At December 31, 2015 and 2014, the ratio of net interest-bearing debt to EBITDA was 2.01 and 1.46, respectively.

Interest rate exposure
The Company is subject to interest rate risk on debt, including finance leases. The risk is managed by using a combination of fixed -and variable rate debt, together with interest rate swaps, where appropriate, to fix or lower the borrowing costs.

	December 31, 2015		December 31, 2014	
	Notional amounts	**Weighted average interest rate**	**Notional amounts**	**Weighted average interest rate**
Debt at fixed interest rate	613.0	6.11%	594.0	6.19%
Debt at variable interest rate based on US dollar plus a margin	534.2	2.92%	615.0	2.70%
Variable interest rate debt with interest fixed	-	-	100.0	2.64%

After giving effect to the Company's interest rate swaps, for every one-percentage point hypothetical increase in LIBOR, our annual net interest expense on our variable rate debt, inclusive non-restricted cash holdings, would have increased by $4.5 million and $4.3 million approximately at December 31, 2015 and 2014, respectively.

Interest rate sensitivity
The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the Company's loans and borrowings, after the impact of hedge accounting. All other variables are held constant and the effect is calculated based on the Company's financial instruments as of December 31.

(In millions of US dollars)	Increase/ (decrease) in basis points	Effect on profit before tax	Effect on equity
2015	100	(5.3)	-
2014	100	(4.9)	-

Foreign exchange rate exposure
The Company is exposed to currency fluctuation due to the effects of a predominantly USD based revenue stream, while the Company's operating expenses and capital expenditures are mainly denominated in USD, GBP, NOK and EUR. The Company maintains a foreign currency risk management strategy that uses foreign currency exchange contracts to reduce volatility in the income statement and protect against fluctuations in cash flow caused by volatility in currency exchange rates. The Company had open forward contracts to buy and sell GBP, NOK, BRL, NGN and GBP, NOK, BRL, ZAR at December 31, 2015 and 2014, respectively. The table shows exposures and foreign exchange contracts in currencies that the Company hedges on a regular basis.

	December 31, 2015			December 31, 2014		
	NOK	**GBP**	**BRL**	**NOK**	**GBP**	**BRL**
Restricted cash	26.5	-	207.8	29.4	-	191.3
Current assets	13.2	0.4	18.4	25.9	0.9	-
Current liabilities	(258.1)	(3.2)	(4.4)	(250.0)	(7.9)	-
Pension liabilities	(26.5)	(23.0)	-	(24.4)	(40.6)	-
Other long term liabilities	-	(2.2)	-	-	(1.8)	-
Net statements of financial position exposure	**(244.9)**	**(28.0)**	**221.8**	**(219.1)**	**(49.4)**	**191.3**

Hedged committed operational cash flow and capital expenditure:						
Next year	(215.4)	-	-	(28.1)	-	-
1-2 years	(245.4)	-	-	(168.4)	-	-
2-3 years	(58.1)	-	-	-	-	-
Net forecast exposure	**(518.9)**	**-**	**-**	**(196.5)**	**-**	**-**
Forward exchange contracts	705.0	33.0	(145.0)	393.2	27.1	(123.4)
Net exposure	**(58.8)**	**5.0**	**76.8**	**(22.4)**	**(22.3)**	**67.9**

	Average rate		**Year end spot**	
	2015	**2014**	**2015**	**2014**
USD / NOK	8.031	6.254	8.787	7.408
GBP / USD	1.531	1.653	1.482	1.557
USD / BRL	3.216	2.323	3.955	2.657

Foreign exchange rate sensitivity
A 10% depreciation of the USD would have increased the fair value of the Company's foreign currency derivatives by approximately $9.3 million (NOK, GBP, BRL, NGN) and $1.9 million (NOK, GBP, BRL, ZAR) and the effect on income before tax would have been $3.5 million and ($1.0) million as of December 31, 2015 and 2014, respectively. The Company's debt and interest swaps are denominated in USD.

Exposure to credit risk
The approximate maximum credit exposure related to financial assets is as follows:

	December 31,	
(In millions of US dollars)	**2015**	**2014**
Cash and cash equivalents	81.6	54.7
Restricted cash (Note 11)	71.5	92.2
Accounts receivable	112.8	265.6
Accrued revenues and other receivables (Note 12)	158.1	180.6
Total	**424.0**	**593.1**

We continually monitor the counter-party credit risk of our banking partners, including derivatives counter-parties and the institutions in which our cash is held on deposit. Trade receivables are primarily with multinational integrated oil companies and independent oil and natural gas companies, including companies owned in whole or in part by governments. The Company manages its exposure to credit risk through ongoing credit evaluations of customers and counter-parties and has provided for potential credit losses through an allowance for doubtful accounts. The allowance for doubtful accounts reflects management's best estimate of probable losses inherent in accounts receivable from trade customers and is based on a number of factors consisting mainly of aging of accounts, historical experience, customer concentration, customer creditworthiness and current industry and economic trends.

	December 31,	
(In millions of US dollars)	**2015**	**2014**
Accounts receivable - trade	116.8	269.8
Allowance for doubtful accounts	(4.0)	(4.2)
Total	**112.8**	**265.6**

The Company is also exposed to credit risk relating to off-balance items such as agreements to provide future services to customers and counter-parties on derivatives and where cash is held on deposit. The Company manages its exposure to such risks through continuously monitoring of counter-parties.

Exposure to liquidity risk
The Company tries to minimize liquidity risk through ensuring access to a diversified set of funding sources, and management of maturity profile on debt and derivatives. The Company is exposed to liquidity risk related to the following:

December 31, 2015			Contractual cash flows						
(In millions of US dollars)	Carrying amount	Notional value	Total	0-1 years	1-2 years	2-3 years	3-4 years	4-5 years	Thereafter
Non-derivative financial liabilities									
Trade payables	(52.6)	-	(52.6)	(52.6)	-	-	-	-	-
Debt with fixed interest rates	(613.0)	-	(748.1)	(37.5)	(37.5)	(487.5)	(9.5)	(24.9)	(151.2)
Debt with variable interest rates	(534.2)	-	(619.4)	(40.7)	(41.5)	(67.3)	(42.6)	(31.8)	(395.5)
Total	**(1,199.8)**	**-**	**(1,420.1)**	**(130.8)**	**(79.0)**	**(554.8)**	**(52.1)**	**(56.7)**	**(546.7)**
Derivative financial assets/liabilities									
Forward exchange contracts used for hedging	(2.7)	55.2	(2.7)	(2.0)	(0.6)	(0.1)	-	-	-
Other foreign exchange contracts	0.6	119.0	0.6	0.6	-	-	-	-	-
Total	**(2.1)**	**174.2**	**(2.1)**	**(1.4)**	**(0.6)**	**(0.1)**	**-**	**-**	**-**

December 31, 2014			Contractual cash flows						
(In millions of US dollars)	Carrying amount	Notional value	Total	0-1 years	1-2 years	2-3 years	3-4 years	4-5 years	Thereafter
Non-derivative financial liabilities									
Trade payables	(74.9)	-	(74.9)	(74.9)	-	-	-	-	-
Debt with fixed interest rates	(594.0)	-	(758.8)	(36.8)	(36.8)	(36.8)	(486.8)	(8.8)	(152.8)
Debt with variable interest rates	(615.0)	-	(730.0)	(41.8)	(44.0)	(46.9)	(147.0)	(35.6)	(414.7)
Total	**(1,283.9)**	**-**	**(1,563.7)**	**(153.5)**	**(80.8)**	**(83.7)**	**(633.8)**	**(44.4)**	**(567.5)**
Derivative financial assets/liabilities									
Interest rate swaps not hedge accounted	(0.6)	100.0	(0.6)	(0.6)	-	-	-	-	-
Forward exchange contracts used for hedging	(6.5)	32.9	(6.5)	(6.5)	-	-	-	-	-
Total	**(6.2)**	**257.6**	**(6.2)**	**(6.2)**	**-**	**-**	**-**	**-**	**-**

In addition, the Company has operating lease commitments and CAPEX commitments, see Note 14 and 21.

As of December 31, 2015, PGS had cash and cash equivalents of $81.6 million and a total liquidity reserve, including available un-utilized drawings of the Revolving Credit Facility, of $556.6 million, compared to $54.7 million and $454.7 million respectively at year-end 2014. In addition the Company has committed un-drawn export credit facilities of $220.5 million at year-end 2015. These facilities are available for financing the two new-builds under construction in Japan.

PGS does not have any material debt maturities until second half of 2018.

The un-drawn portion of the Revolving Credit Facility ("RCF") constitutes a significant portion of the Company's liquidity reserve. In the current weak market it is likely that the Company will need to make additional drawings on the RCF during the coming year. In 2015 the TLR with which the Company must comply in order to draw on the RCF, was increased to maximum 4.00:1 from Q4 2015 through Q1 2017, with a subsequent step down, as described above. While the actual TLR was substantially below this level at year end 2015, there is a risk, due to the weak market, that the TLR may increase to be close to, or exceed, 4.00:1 during 2016. The Company expects to be able, if and when such risk becomes significant, to agree further amendments to ensure that the RCF is available for drawing or to implement other available measures to avoid a covenant breach.

If the Company ends up breaching the TLR covenant, this would represent an event of default under the loan agreement. In such case the Company may be able to continue to access the RCF if it receives a waiver of the breach or if the Company implements remedial actions acceptable for the banks. Should a breach continue without a waiver or re-mediation by the Company, the RCF agent or a majority of the RCF banks could ultimately declare default and demand a repayment of drawings on the RCF which again would represent an event of default in most of the Company's other loan agreements. However, this scenario is in the Company's view highly unlikely since firstly it believes that it has plans and available measures to avoid an event of default and secondly, even in an event of default, several viable alternatives to avoid acceleration would exist.

Based on the year-end cash balance, available liquidity resources, and the current structure and terms of the Company's debt, it is the Board's opinion that PGS has sufficient funding and liquidity to support its operations and investment programs.

Interest rate hedge accounting
In the year ended December 31,2012, the fair value of the interest rate swaps were recorded in other comprehensive income as the effective portion of the designated and qualifying hedging instrument. The profit and loss impact of the cash flow hedges are estimated to be in the same year as the effect of the cash flows. The Company has not excluded any components of the derivative instruments' gain or loss from the assessment of hedge effectiveness with respect to the qualifying interest rate swaps. In September 2013, the Company discontinued the cash flow hedges and any subsequent change in value of the interest rate swaps has been taken directly to the consolidated statements of profit and loss. As a result of refinancing the term loan in Q1 2014, deferred loan costs from the original instrument loan and the reserve relating to the interest of the loan held in other comprehensive income, a total of $8.8 million was expensed.

Foreign exchange rate hedge accounting

The company entered into derivatives accounted for under fair value hedge relationships to hedge the currency risk related to NOK equipment purchases. A summary of fair value hedging relationships follows:

	December 31, 2015			December 31, 2014		
(In millions of US dollars)	Notional value	Fair value	Change in fair value	Notional value	Fair value	Change in fair value
Foreign currency derivatives designated as fair value hedging instruments	20.8	(1.6)	(3.5)	32.9	(6.5)	(5.0)
Firm commitments to purchase equipment (note 13)	19.2	9.7	3.7	33.7	7.2	4.9
Foreign currency derivatives designated as cash flow hedging instruments	34.4	(1.1)	(1.1)	-	-	-
Foreign currency derivatives not designated as hedges	119.0	0.6	(0.6)	124.7	0.9	(7.1)

The difference between the change in the value of the derivatives and the change in the fair value of the firm commitment is primarily caused by the fact that only the spot element of the derivative is designated to hedge the object and that in previous years derivatives at the hedge designation date were already carried at fair value.

Note 21 – Leases, Contingent Liabilities and Provisions

Leases

Operating Leases

The Company has operating lease commitments expiring at various dates through 2027. Future minimum payments related to non-cancellable operating leases were as follows:

	December 31,	
(In millions of US dollars)	2015	2014
2015	-	55.6
2016	96.7	44.1
2017	82.0	33.4
2018	72.8	27.3
2019	60.6	20.7
2020	50.9	17.6
thereafter	141.4	80.1
Total	**504.4**	**278.8**

The future minimum payments under the Company's operating leases are for the following types of property:

	December 31,	
(In millions of US dollars)	2015	2014
Marine seismic and support vessels	352.4	152.5
Buildings	113.9	107.8
Data processing operations equipment	38.1	18.5
Total	**504.4**	**278.8**

Rental expense for operating leases, including leases with terms of less than one year, was $108.5 million, $124.9 million and $108.2 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Seismic support vessels

The Company signed 10-year time charter agreements, with renewal options, for four new seismic support vessels with P/F Seismic Support. During the construction phase, the Company provided financing to P/F Seismic Support in the amount of $21.5 million per vessel. The financing was secured by an assignment of bank refund guarantees, a pledge in shares of P/F Seismic Support and a guarantee by its parent, P/F Thor. Upon completion of each vessel, P/F Seismic Support entered into a sale and leaseback agreement with a 3rd party owner and repaid the related construction loan financing to PGS. The aggregate loan balance was nil at December 31, 2015 and $14.2 million at December 31, 2014.

P/F Seismic Support also holds options to purchase each vessel from the 3rd party owner at certain times during the lease and at the end of the lease term. At the end of the lease term, the 3rd party owner may also require P/F Seismic Support to purchase the vessel for a pre-determined amount. Should P/F Seismic Support not purchase the vessel, the 3rd party owner may require PGS to do so at a price of $5.5 million which is estimated to be less than fair value.

Swift and Sword time-charter agreements

In Q4 2015 the Company entered into operating time-charter agreements for two 3D vessels Sanco Swift and Sanco Sword, built in 2013 and 2014, respectively, from Sanco Shipping AS. The charter agreements are for an initial period of 4.5 and 5.5 years, respectively, along with three 2-year options for each vessel.

Apollo sale and leaseback

In June 2015 the Company entered into a sale and operating bareboat leaseback for PGS Apollo, the only non-Ramform designed 3D vessel in the PGS fleet at the time, and the best suited vessel for such a transaction. The gross proceeds from the transaction amounted to $80 million and the Company recognized a loss of $56.9 million. The leaseback is for 10 years with an option to extend for a 5-year period. PGS has the option to acquire the vessel after end of year 5 and 8, but no obligation.

Contingent liabilities

Brazil service tax claim

The Company has an ongoing dispute in Brazil for municipal services tax ("ISS") related to the licensing of MultiClient data. The municipality contends that licensing of MultiClient data equates to providing a service to PGS' clients. ISS is a local service tax and the Company's primary view is that licensing of MultiClient data held by the Company should be treated as rental of an intangible asset, which is clearly not a service under the relevant provisions, and therefore not subject to ISS. This has been confirmed by several external advisors and the Company intends to vigorously defend its view. The calculated maximum exposure for ISS tax, including interest charges and penalties, was $101 million as of December 31, 2015.

The Company has made deposits in local currency equivalent to $53 million ($71 million including interest) in 2010 and 2011 allowing it to file lawsuits covering some of the years, seeking to confirm that licensing of MultiClient data is not subject to ISS. The lawsuits relate to 2000-2001 and 2005 until today. The Company will continue depositing amounts relating to future licensing transactions. Because the Company considers it more likely than not that this contingency will be resolved in its favor, no provision is recognized for any portion of the exposure. Amounts deposited are held in an interest-bearing bank account with Banco do Brazil and will be released to the Company if and when a positive final ruling is awarded, which may take several years. Of the $71 million, $53 million is recognized as an asset; interest in the deposit balance is not recognized due to the uncertainty related to the case. The deposit is presented as long-term restricted cash in the statements of financial position (note 11).

Petrojarl

Following the de-merger of Petrojarl (today part of Teekay) in 2006, the Company retained a joint secondary liability for certain obligations of Petrojarl. Petrojarl agreed to indemnify the Company from liabilities related to its operations. The Company remains with a joint secondary liability with Petrojarl under their FPSO service agreement with the customer for the Petrojarl Banff FPSO. The guarantee is not capped. If the claim is made and Petrojarl does not honor its obligation to indemnify PGS, it could adversely affect the Company's business, results of operation or financial condition.

Patent disputes with EMGS

On December 16, 2013, Electromagnetic Geoservices ASA ("EMGS"), a Norwegian company, filed a complaint in the United Kingdom against Petroleum Geo-Services ASA, PGS Exploration (UK) Limited and PGS Geophysical AS ("PGS Defendants") in the High Court of Justice, Chancery Division, Patents Court. The complaint alleges that the PGS Defendants have infringed EMGS's European patent EP 1256019 ("Refracted Wave Patent") by, inter-alia, performing one or more electromagnetic geophysical surveys in the North Sea. EMGS initiated a parallel proceeding before Oslo City Court in Norway on 4 April 2014 relating to PGS' Towed Streamer EM technology for infringement of EMGS's parallel Norwegian patent, NO 324 454 (the 'EMGS Patent'). Oslo District Court in its judgment of 13 February 2015 ruled in favor of PGS. The court found that the EMGS Patent is invalid and that PGS' Towed Streamer EM system therefore does not infringe the EMGS Patent. The ruling has been appealed, and the Borgarting Court of Appeal will hear the appeal in August and September 2016. The Patents Court in the United Kingdom will hear the case in March 2016. The downside to PGS in this matter is mainly a risk of not being able to offer its EM technology to the market until the EMGS patent expire in 2021.

On March 5, 2015, PGS EM Limited filed a complaint in the U.S. District Court for the District of Delaware against EMGS and its U.S. affiliate, EMGS Americas, Inc. ("EMGS Defendants"). This complaint alleges that the EMGS Defendants have, at least by their survey activities in the Gulf of Mexico and on the U.S. outer continental shelf and by their interactions with U.S. customers and their importation of certain data products into the U.S., infringed PGS-owned U.S. patent 6,914,433, titled "Detection of Subsurface Resistivity Contrasts with Application to Location of Fluids". Both of the EMGS Defendants have answered without counterclaim. The case is now proceeding in the early stages of discovery.

PGS believes it will ultimately prevail in the court systems.

Patent dispute with Western Geco

The Company is involved in two patent litigations with WesternGeco L.L.C., a Schlumberger subsidiary, in the United States District Court for the Southern District of Texas. Both cases were initiated by WesternGeco and are in a stage of motion practice and discovery. In the first case, filed on September 16, 2013, the PGS parties are PGS Geophysical AS and Petroleum Geo-Services, Inc. In this case, WesternGeco alleges infringement by the PGS parties of four U.S. patents in relation to procurement and use of DigiFIN equipment and related control products. The PGS parties have counterclaimed, alleging infringement by WesternGeco of two U.S. patents relating to certain simultaneous shooting and data processing technology.

In the second case, filed on November 4, 2015, the PGS parties are PGS Geophysical AS, Petroleum Geo-Services, Inc. and Multiklient Invest AS. In this case, WesternGeco alleges infringement of seven U.S. patents (three of which are the same as those asserted in the first case) in relation to procurement and use of eBird equipment and also in relation to certain simultaneous shooting technology. In lieu of answer, the PGS parties have filed a motion to dismiss, which motion remains pending.

Simultaneously with the above litigations, Petroleum Geo-Services, Inc. filed Inter Partes Reviews ("IPRs") at the United States Patent and Trademark Office against claims in six of the asserted WesternGeco patents, and WesternGeco has filed IPRs against claims in the two PGS asserted patents. The first of the instituted IPRs to reach a final written decision was concluded on December 15, 2015, with the result that eight claims across three of the WesternGeco patents were declared invalid. The other IPRs remain pending. Should PGS loose the court cases there is a risk PGS have to pay for infringing the Western Geco patents. It is currently difficult to quantify how large such a payment might be.

The Company is of the opinion that it will ultimately prevail in the court system.

Note 22 – Accrued Expenses

Accrued expenses consist of the following:

	December 31,	
(In millions of US dollars)	2015	2014
Accrued revenue share	34.2	61.8
Accrued employee benefits	33.4	53.8
Customer advances and deferred revenue	28.2	23.0
Accrued vessel operating expenses	17.8	33.0
Accrued project costs	14.2	9.6
Accrued sales tax and VAT	13.2	22.6
Provision for onerous contracts	11.1	-
Received, not invoiced, property and equipment	8.8	15.3
Accrued commissions	7.7	9.8
Unrealized loss on hedging	2.7	10.5
Assets held-for-sale	-	2.9
Other	25.3	29.9
Total	**196.5**	**272.2**

Note 23 – Other Long-Term Liabilities

Other long-term liabilities consist of the following:

	December 31,	
(In millions of US dollars)	2015	2014
Pension liability (Note 24)	37.1	65.8
Other	13.4	11.6
Total	**50.5**	**77.4**

Note 24 – Pension Obligations

Defined benefits plans

Plan characteristics

The Company has a defined benefit pension plan for certain UK employees. The plan is funded through a separate pension trust. It is the Company's general practice to fund defined benefit plans in accordance with applicable statutory requirements. The UK defined benefit plan was closed for new participants in 2006, with defined contribution plans established for new employees. The UK defined benefit plan was, as described below, closed to further accrual at year end 2015. At the time of closure, 163 employees were participating in the defined benefit plan.

In addition, as described in Note 28, the CEO and three executive officers have an early retirement plan allowing for termination of employment without cause when the CEO or the executive officers reach the age of 62, with certain vesting criteria and defined benefits from the date of retirement and until reaching the age of 67. This plan is accounted for as a defined benefit obligation and is not funded.

Actuarial valuations and assumptions

The actuarial valuations are performed by independent actuaries in Norway and UK.

Risks

Actuarial valuations as applied in the consolidated financial statements are based upon financial and demographic assumptions which may be impacted by future events. Such future events include, but are not limited to, changes in discount rates, compensation rates and mortality rates. Changes to assumptions may have significant effect on present net pension liabilities, future pension cost and future cash requirements to fund the plans.

Plan amendment and settlement

In 2014 the Company terminated the Norwegian defined benefit plan and the participants were transferred to the defined contribution plan. A net pension liability of $10.2 million (projected benefit obligation of $57.4 million and plan assets of $47.2 million) was de-recognized in 2014 resulting in a settlement gain, reducing operating expenses, of approximately $6 million after one-time administration fees and costs credited to MultiClient investment.

In 2015 the Company amended the UK defined benefit plan. The participants continued to earn benefits up to December 31, 2015 at which time the plan was closed for further accrual. For service after December 31, 2015, the participants have the opportunity to join the defined contribution plan. A settlement gain of $21.1 million was recognized in 2015.

Financial impact

A summary of changes in the plans' aggregate projected benefit obligations and fair values of assets are summarized as follows:

(In millions of US dollars)	2015	2014
Projected benefit obligations (PBO) as of January 1, (a)	**200.2**	**216.4**
Service cost	3.6	4.5
Interest cost	6.7	8.0
Employee contributions	1.2	1.3
Social security tax	0.1	0.1
Actuarial loss (gain), arising from changes in demographic assumptions	(1.5)	0.2
Actuarial loss (gain), arising from changes in financial assumptions	(10.9)	40.9
Actuarial loss (gain) due to scheme experience	2.7	-
Plan settlements	(21.1)	(53.1)
Benefits paid	(1.2)	(3.7)
Exchange rate effects	(9.3)	(14.4)
Projected benefit obligations (PBO) as of December 31, (a)	**170.4**	**200.2**

(a) $3.0 million and $3.3 million arise from unfunded plans as of December 31, 2015 and 2014, respectively.

Change in fair value of pension plan assets:

(In millions of US dollars)	2015	2014
Fair value of plan assets as of January 1,	**134.4**	**165.1**
Expected return on plan assets	4.8	6.3
Employer contributions	7.9	12.0
Employee contributions	1.2	1.3
Actuarial gain (loss) arising from return on plan assets	(7.0)	6.4
Plan settlements	-	(43.6)
Benefits paid	(1.2)	(3.7)
Exchange rate effects	(6.6)	(9.4)
Fair value of plan assets as of December 31,	**133.3**	**134.4**

The aggregate funded status of the plans and amounts recognized in the Company's consolidated statements of financial position are summarized as follows:

	December 31,	
(In millions of US dollars)	2015	2014
Projected benefit obligation (PBO)	170.4	200.2
Fair value of plan assets	133.3	134.4
Net pension liability	**37.1**	**65.8**

Net amount recognized as accrued pension liability is presented as other long-term liabilities (see Note 23).

Net periodic pension cost for the Company's defined benefit pension plans are summarized as follows:

	Year ended December 31,		
(In millions of US dollars)	2015	2014	2013
Service cost	3.6	4.5	6.5
Interest cost	6.7	8.0	8.1
Expected return on plan assets/net interest cost	(4.9)	(6.3)	(6.6)
Plan settlements	(21.1)	-	-
Administration costs	-	-	0.1
Social security tax	0.1	0.2	0.5
Net periodic pension cost	**(15.7)**	**6.4**	**8.6**

Net periodic actuarial gains and losses arising from the Company's defined benefit plans and recorded in other comprehensive income is as follows:

	Year ended December 31,		
(In millions of US dollars)	**2015**	**2014**	**2013**
Actuarial gain (loss), arising from changes in demographic assumptions	1.5	(0.2)	8.9
Actuarial gain (loss), arising from changes in financial assumptions	10.9	(40.9)	(18.6)
Actuarial gain (loss) due to scheme experience	(2.7)	-	-
Actuarial gain (loss) arising from return on plan assets	(6.8)	6.4	(2.5)
Net actuarial gain (loss) recognized in other comprehensive income	**3.0**	**(34.7)**	**(12.2)**

Significant acturial assumptions:

	2015		2014	
	Norway	**UK**	**Norway**	**UK**
Discount rate	2.50%	3.90%	2.30%	3.60%
Return on plan assets	-	3.90%	-	3.60%
Compensation increase	2.50%	-	2.75%	3.50%

The discount rate assumptions used for calculating pensions reflect the rates at which the obligations could be effectively settled. Observable long-term rates on corporate bonds are used for the Norwegian and UK plans.

Plan asset allocation

The Company's pension plan asset allocations, by asset category, are presented by major plan group as follows:

	Year ended December 31,	
(In millions of US dollars)	**2015**	**2014**
Fair value plan assets	133.3	134.4
Plan assets at fair value with quoted prices in active markets for identical assets		
Equity/diversified growth funds	47%	45%
Debt securities	39%	41%
Real estate	11%	11%
Other	3%	3%
Total	**100%**	**100%**

Management of plan assets must comply with applicable laws and regulations in Norway and the UK where the Company provides defined benefits plans. Within constraints imposed by laws and regulations, and given the assumed pension obligations and future contribution rates, the majority of assets are managed actively to obtain a long-term rate of return that at least reflects the chosen investment risk.

Sensitivity

The following table show the sensitivity of pension cost (excluding amortization of actuarial gains and losses) and benefit obligation (including payroll tax) related to change in discount rate, compensation level and USD:

(In millions of US dollars)	**1% increase in discount rate**	**1% decrease in discount rate**
Increase (decrease) in benefit obligations (PBO)	(20.8 %)	28.1 %

The Company expects to contribute approximately $4.7 million to its defined benefit pension plans in 2016.

Defined contribution plans

Substantially all employees not eligible for coverage under the defined benefit 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 the plans, subject to statutory limitations, employees may make voluntary contributions in addition to the Company's contributions. Plan contributions made by the Company aggregated $6.5 million, $6.9 million and $5.7 million for 2015, 2014 and 2013, respectively. Plan contributions made by employees aggregated $5.4 million, $5.4 million and $5.1 million for 2015, 2014 and 2013, respectively.

Note 25 – Shareholder Information

At the Annual General Meeting ("AGM") held on May 13, 2015, authority was given for the Board of Directors to acquire treasury shares at a maximum par value of the shares of NOK 65,339,999. The shares may be used to meet obligations arising from employee incentive schemes; as part of consideration payable for acquisitions made by the Company; as part of consideration for any mergers, de-mergers or acquisitions; by way of cancellation of the shares in part or full; to raise funds for specific investments; for the purpose of repaying loans (including convertible loans); or to strengthen the Company's capital base. The Board is free to choose the method of disposal considered expedient for such purposes. Further, the Board of Directors is authorized to increase the Company's share capital by a total amount of NOK 65,339,999 through one or more subscriptions. The authorization shall be utilized in connection with potential acquisitions of companies or businesses within the oil and energy sector, including the oil service sector, settlement of obligations (including convertible loans), funding of material investments or to raise funds to strengthen the Company's capital base. The Board of Directors was further authorized to increase the share capital with a maximum of NOK 7,700,000 through one or more subscriptions in connection with the share option programs for employees. The Board was also authorized to issue convertible bonds at a total amount of NOK 3,500,000,000. The share capital of the Company may be increased by a total amount of NOK 65.339.999 as a result of the convertible loans being converted into equity. The right to issue convertible bonds and the right to increase the share capital is jointly capped at 10% of the share capital of the Company. These authorizations are valid until June 30, 2016.

As of December 31, 2014, Petroleum Geo-Services ASA had a share capital of NOK 653,399,991 on 217,799,997 shares of par value NOK 3 each, all fully paid. On November 17, 2015, the share capital was increased through a private placement with gross proceeds of NOK 849.4 million. As a result, the share capital as of December 31, 2015, was NOK 718,739,988 on 239,579,996 shares of par value NOK 3 each, all fully paid.

All shares have equal voting rights and equal rights to dividends. Any distribution of the Company's equity is dependent on the approval of the shareholders, and the ability to make distributions is limited by certain debt covenants and Norwegian Corporate Law. The ordinary shares are listed on the Oslo Stock Exchange.

The Company's holding of treasury shares reconciles as follows:

	Treasury shares	% of total shares outstanding
Balance as of January 1, 2014	**2,658,671**	
Acquired in 2014	1,512,630	
Used to fulfill employee benefit programs in 2014 (note 27)	(486,282)	
Balance as of December 31, 2014	**3,685,019**	**1.69%**
Sale of treasury shares November 12, 2015	(1,800,000)	
Used to fulfill employee benefit programs in 2015 (note 27)	(489,450)	
Balance as of December 31, 2015	**1,395,569**	**0.58%**

The 20 largest shareholders in Petroleum Geo-Services ASA were as follows:

	December 31, 2015	
	Total shares	**Ownership percent**
Ferd AS	24,175,800	10.09
Kiltearn Partners LLP	19,474,520	8.13
DNB ASA	15,454,737	6.45
Edinburgh Partners Limited	11,983,424	5.00
Folketrygdfondet	11,554,386	4.82
Lancaster Investment Management LLP	10,632,122	4.44
Svenska Handelsbanken	6,763,799	2.82
Dimensional Fund Advisors L.P.	6,703,638	2.80
Highclere International Investors LLP	5,622,121	2.35
Kommunal Landspensjonskasse	4,783,810	2.00
Schroders PLC	4,644,809	1.94
Danske Bank AS	4,315,909	1.80
Nordea AB	4,095,584	1.71
SAFE Investment Company Limited	4,015,067	1.68
BNP Baripas SA	3,437,942	1.43
Legal & General Group PLC	3,384,994	1.41
Storebrand Kapitalforvaltning AS	3,222,332	1.34
Statoil ASA	3,196,739	1.33
Prudential PLC	3,073,589	1.28
Eleva Capital LLP	2,657,900	1.11
Other shareholders	86,386,774	36.06
Total	**239,579,996**	**100.0**

(a) The data in this table is provided by Nasdaq Advisory Services and is obtained through an analysis of beneficial ownership and fund manager information provided in replies to disclosure of ownership notices issued to all custodians in relation to the PGS share register provided by the Norwegian Central Securities Depository (VPS). Every reasonable effort has been made to verify the data, however neither PGS nor Nasdaq Advisory Services can guarantee the accuracy of the analysis.

Shares owned or controlled by members of the Board of Directors, Chief Executive Officer and Other Executive Officers were as follows:

	December 31, 2015	
	Total shares	**Ownership percent**
Board of Directors		
Francis Gugen, Chairperson	30,000	(a)
Harald Norvik, Vice Chairperson	8,000	(a)
Holly Van Deursen	2,000	(a)
Daniel J. Piette	10,000	(a)
Carol Bell	5,000	(a)
Anne Grethe Dalane	---	---
Walter Qvam	---	---
Morten Borge	---	---
Berit Osnes	6,043	---
Anette Valbø	2,972	---
Espen Vollan Grimstad	783	---
Chief Executive Officer and Other Executive Officers		
Jon Erik Reinhardsen, President and Chief Executive Officer	187,389	(a)
Gottfred Langseth, Executive Vice President and Chief Financial Officer	69,807	(a)
Guillaume Cambois, Executive Vice President Imaging and Engineering	58,555	(a)
Magne Reiersgard, Executive Vice President Marine Contract	17,427	(a)
Per Arild Reksnes, Executive Vice President Operations	23,588	(a)
Sverre Strandenes, Executive Vice President MultiClient	26,602	(a)

(a) Less than 1% of the Company's share as of December 31, 2015.

Note 26 – Related Party Transactions

The following transactions were carried out with related parties:

	Year ended December 31,		
(In millions of US dollars)	**2015**	**2014**	**2013**
Sale of goods and services			
Associates – MultiClient data	25.0	22.3	5.6
Associates – Administrative services	-	-	0.1
Associates – Reservoir services	-	0.2	0.4
Purchase of goods and services			
The Kongsberg Group (a)	20.9	30.6	3.9
Other			
Associates – Interest income	-	-	0.3

(a) The Director Mr. Walter Qvam is CEO of the Kongsberg Group and the disclosed transactions for 2013 are for the period since his election on November 21, 2013 to year end.

The Company did not have any significant outstanding balances with related parties as of December 31, 2015 and 2014.

All transactions with related parties are priced on an arm's length basis.

Chief Executive Officer (CEO), other Executive Officers and Directors of the Company are also on the Board of certain customers and suppliers. As of December 31, 2015 and 2014, the Company did not have any significant outstanding balances with any of these companies.

Note 27 – Employee Share Option and Restricted Stock Unit Programs

Options, RSU's and PRSU's granted under the Company's employee share based programs are as follows:

Grant Year	Options, RSU's and PRSU's granted	Additional options granted year	Additional options granted	Description
2009	3,012,500	2010	190,000	Employee option program
2010	1,476,500	2011	28,000	Employee option program
2011	1,469,000	-	-	Employee option program
2012	542,300	-	-	Restricted Stock Plan (RSU)
2013	768,425	2014	10,500	Restricted Stock Plan (RSU)
2014	739,500	2015	2,000	Restricted Stock Plan (RSU)
2015	657,100	-	-	Restricted Stock Plan (RSU)
2015	776,100	-	-	Performance based Restricted Stock Plan (PRSU)

The programs

The Company's option programs are considered as equity-settled plans and the options are measured at fair value at date of grant. For the 2009 plans one third of the options vest each of the three years subsequent to the date of grant. The first exercise date is one year after grant date. For the 2010 and 2011 plans, the options vest 3 and 4 years, respectively, after the date of grant for each half of the award. The options may only be exercised four times each year, during a defined period after the publication of the Company's quarterly earnings release. The latest possible exercise date for each plan is five years subsequent to the grant date.

The Restricted Stock Unit programs ("RSU") requires the participant's continued employment with the Company (or a subsidiary) and is settled three years after grant. Upon settlement, the participant will receive at no charge a number of shares in the Company which equals the number of RSUs awarded. In 2015, the Company also granted a Performance based Restricted Stock Unit program ("PRSU"). The awards are based on the financial position of the Company and a review of the individual participant's performance prior to award.

Share option conditions

Under the 2009-2011 option programs, the number of options subject to exercise by an employee in a calendar year may not exceed the amount which would result in a gain in excess of 1.5 times the employee's salary for the calendar year. The options include a service condition as the individuals participating in the plan must be employed by the Company for a certain period of time in order to earn the right to exercise the options.

Vesting of options granted in the 2011 program is subject to achievements of strategic goals related to business growth and profitability, HSEQ, new build program and internal control. The Board of Directors assess the Company's achievement of these goals at year end 2014, and decide the percentage of options to be vested and that may be exercised subject to the limitations in the preceding paragraph. Options that are not declared vested within four years after the grant date will not become vested or exercisable. Other than for the 2011 program the options include no performance conditions.

Exercise price

The exercise price for share options granted corresponds to the weighted average trading price for the Company's ordinary shares on the Oslo Stock Exchange, at the date of grant for the 2009 to the 2011 options.

Effect on financial statements

For the years ended December 31, 2015, 2014 and 2013, the Company recognized compensation cost with a corresponding increase in shareholders' equity of $6.9 million, $7.4 million and $6.2 million, respectively. Total net un-recognized compensation cost as of December 31, 2015 was $10.2 million (related to non-vested share-based options, RSU's and PRSU's), which is expected to be recognized over a period of 3 years.

The tables below detail the Company's outstanding options and share awards (RSU and PRSU) for the years presented.

Year ended December 31, 2015

Grant date	Options outstanding December 31, 2014	Options exercised in 2015	Options forfeited in 2015	Options expired in 2015	Options outstanding December 31, 2015	Weighted-average remaining contractual term	Options exercisable December 31, 2015
2010	1,321,500	-	-	(1,321,500)	-	-	-
2011	1,323,000	-	(11,750)	(50,750)	1,260,500	0.4 years	1,260,500
Total	**2,644,500**	**-**	**(11,750)**	**(1,372,250)**	**1,260,500**	**0.4 years**	**-**

Grant date	RSU share awards outstanding December 31, 2014	RSU's granted in 2015	RSU's forfeited in 2015	RSU's released in 2015	RSU share awards outstanding December 31, 2015	Weighted-average remaining contractual term
2012	496,700	-	(7,250)	(489,450)	-	-
2013	751,415	-	(53,085)	-	698,330	0.4 years
2014	728,400	2,000	(38,800)	-	691,600	1.4 years
2015	-	657,100	(17,850)	-	639,250	2.5 years
Total	**1,976,515**	**659,100**	**(116,985)**	**(489,450)**	**2,029,180**	**1.4 years**

Grant date	PRSU share awards outstanding December 31, 2014	PRSU's granted in 2015	PRSU's forfeited in 2015	PRSU's released in 2015	PRSU share awards outstanding December 31, 2015	Weighted-average remaining contractual term
2015	-	776,100	(21,850)	-	776,100	2.5 years
Total	**-**	**776,100**	**(21,850)**	**-**	**776,100**	**2.5 years**

Year ended December 31, 2014

Grant date	Options outstanding December 31, 2013	Options exercised in 2014	Options forfeited in 2014	Options expired in 2014	Options outstanding December 31, 2014	Weighted-average remaining contractual term	Options exercisable December 31, 2014
2009	486,282	(486,282)	-	-	-	-	-
2010	1,359,500	-	(26,750)	(11,250)	1,321,500	0.4 years	1,321,500
2011	1,351,500	-	(27,250)	(1,250)	1,323,000	1.4 years	658,000
Total	**3,197,282**	**(486,282)**	**(54,000)**	**(12,500)**	**2,644,500**	**0.9 years**	**1,989,500**

Grant date	RSU share awards outstanding December 31, 2013	RSU's granted in 2014	RSU's forfeited in 2014	RSU's released in 2014	RSU share awards outstanding December 31, 2014	Weighted-average remaining contractual term
2012	511,200	-	(10,500)	(4,000)	496,700	0.4 years
2013	762,925	10,500	(16,510)	(5,500)	751,415	1.4 years
2014	-	739,500	(11,100)	-	728,400	2.4 years
Total	**1,274,125**	**750,000**	**(38,110)**	**(9,500)**	**1,976,515**	**1.5 years**

The following share options, granted under the share option plans, were exercised for all years presented:

	Year ended December 31, 2014		
Grant date	**Options exercised**	**Exercise date**	**Share price at exercise date**
2009	209,667	February 19, 2014	NOK 63.00
2009	273,836	May 15, 2014	NOK 65.35
2009	2,779	June 6, 2014	NOK 65.30
Total	**486,282**		

The table below details the Company's assumptions used to calculate estimated fair value at grant date:

Grant date	Options, RSU's and PRSU's outstanding December 31, 2015	Average exercise price	Weighted average share price at grant date	Risk free rate	Dividend yield	Volatility factor	Weighted average life	Estimated fair value at grant date (average NOK/USD per share option/ RSU/PRSU)
2010	1,321,500	NOK 78.31	NOK 78.31	2.30-2.45%	-	60%	2.5 years	NOK 28.24/$4.57
2011	1,323,000	NOK 77.19	NOK 77.19	2.61-2.76%	-	60%	2.5 years	NOK 30.35/$5.63
2012 (a)	496,700	NOK 0	NOK 67.65	N/A	-	N/A	N/A	NOK 59.80/$9.73
2013 (a)	751,415	NOK 0	NOK 83.85	N/A	-	N/A	N/A	NOK 72.80/$11.97
2014 (a)	728,400	NOK 0	NOK 64.58	N/A	-	N/A	N/A	NOK 54.85/$8.77
2015 (a)	657,100	NOK 0	NOK 47.25	N/A	-	N/A	N/A	NOK 43.91/$5.62
2015 (b)	776,100	NOK 0	NOK 47.25	N/A	-	N/A	N/A	NOK 37.73/$4.06
Total	**6,054,215**							

(a) Restricted Stock Units ("RSU")
(b) Performance based Restricted Stock Units ("PRSU")

The estimated fair value of the RSU and PRSU's granted are lower than the weighted average share price at the same date as the fair value calculations include adjustment for expected dividends up to vesting. In addition, the fair value of the PRSU's is reduced due to the performance conditions in the program. Expected volatility for all grants is based on historical volatility of the Company's shares after emerging from Chapter 11 in November 2003. As a result of unusually high volatility during the international financial distress 2008 to 2009, the Company has estimated volatility for the 2009, 2010 and 2011 grants in order to reflect the expected volatility going forward.

There are no traded options of the Company's shares and there are no post vesting restrictions included in the option plan.

Note 28 – Salaries and Other Personnel Costs, Number of Employees, and Remuneration to the Board of Directors, Executive Officers and Auditors

Salary and social expenses that are included in cost of sales, research and development costs and selling, general and administrative costs consist of:

	Year ended December 31,		
(In millions of US dollars)	2015	2014	2013
Salaries and bonuses	222.2	281.7	271.4
Social security	18.5	25.4	21.1
Pension	(9.2)	3.4	15.8
Other benefits	38.0	39.3	29.6
Total	**269.5**	**349.8**	**337.9**

The Company had an average of 2,153, 2,301 and 2,245 employees during the years ended December 31, 2015, 2014 and 2013, respectively.

Chief Executive Officer (CEO) and Other Executive Officers
In 2015, the Company paid compensation to its President and CEO and other executive officers as follows:

	Total compensation paid in 2015 (a)					
Name	Fixed salary	Bonus	Other benefits (b)	Total paid salary and compensation (in dollars)	Pension benefits (c)	Accrued target bonus as of December 31, 2015
Jon Erik Reinhardsen						
President and Chief Executive Officer	645,866	-	207,715	853,580	356,761	-
Gottfred Langseth						
Executive Vice President and Chief Financial Officer	434,769	-	136,064	570,833	151,479	-
Guillaume Cambois						
Executive Vice President, Imaging & Engineering	398,920	-	222,540	621,460	35,523	-
Magne Reiersgard						
Executive Vice President, Operations	489,000	-	133,146	622,146	98,840	-
Per Arild Reksnes						
Executive Vice President, Marine Contract	414,770	-	145,176	559,946	104,784	-
Sverre Strandenes						
Executive Vice President, MultiClient	413,601	-	143,991	557,593	201,523	-

(a) Amounts in NOK have been translated to US Dollars using average exchange rate for 2015 of NOK/USD 8.03.
(b) Includes items such as RSU's, car allowance, telephone, internet and other minor benefits.
(c) Contribution to defined contribution plans (Norway) and earned benefits for members of the defined benefit plan.

Share options, RSUs and PRSU's held by the CEO and executive officers as of December 31, 2015 were as follows:

Name	Options as of December 31, 2014	Options granted 2015	Options forfeited 2015	Options exercised 2015	Average exercise price on exercised options (NOK)	Options expired 2015	Options as of December 31, 2015	Average exercise price on outstanding options (NOK)	Weighted average remaining contractual term
Jon Erik Reinhardsen	150,000	-	-	-	-	(75,000)	75,000	72.47	0.37
Gottfred Langseth	90,000	-	-	-	-	(45,000)	45,000	72.47	0.37
Guillaume Cambois	90,000	-	-	-	-	(45,000)	45,000	72.47	0.37
Magne Reiersgard	90,000	-	-	-	-	(45,000)	45,000	72.47	0.37
Per Arild Reksnes	90,000	-	-	-	-	(45,000)	45,000	72.47	0.37
Sverre Strandenes	90,000	-	-	-	-	(45,000)	45,000	72.47	0.37

Name	RSUs as of December 31, 2014	RSUs granted 2015	RSUs forfeited 2015	RSUs exercised 2015	RSUs expired 2015	RSUs as of December 31, 2015	Weighted average remaining contractual term
Jon Erik Reinhardsen	107,500	26,000	-	(30,000)	-	103,500	1.41
Gottfred Langseth	64,500	18,000	-	(18,000)	-	64,500	1.41
Guillaume Cambois	64,500	18,000	-	(18,000)	-	64,500	1.41
Magne Reiersgard	64,500	18,000	-	(18,000)	-	64,500	1.41
Per Arild Reksnes	64,500	18,000	-	(18,000)	-	64,500	1.41
Sverre Strandenes	65,500	18,000	-	(19,000)	-	64,500	1.41

Name	PRSUs as of December 31, 2014	PRSUs granted 2015	PRSUs forfeited 2015	PRSUs exercised 2015	PRSUs expired 2015	PRSUs as of December 31, 2015	Weighted average remaining contractual term
Jon Erik Reinhardsen	-	79,000	-	-	-	79,000	2.42
Gottfred Langseth	-	27,000	-	-	-	27,000	2.42
Guillaume Cambois	-	27,000	-	-	-	27,000	2.42
Magne Reiersgard	-	27,000	-	-	-	27,000	2.42
Per Arild Reksnes	-	27,000	-	-	-	27,000	2.42
Sverre Strandenes	-	27,000	-	-	-	27,000	2.42

In 2014, the Company paid compensation to its President and CEO and other executive officers as follows:

	Total compensation paid in 2014 (a)					
Name	Fixed salary	Bonus (b)	Other benefits (c)	Total paid salary and compensation (in dollars)	Pension benefits (d)	Accrued target bonus as of December 31, 2015
Jon Erik Reinhardsen						
President and Chief Executive Officer	827,635	389,300	430,238	1,647,173	438,494	-
Gottfred Langseth						
Executive Vice President and Chief Financial Officer	559,233	168,734	322,212	1,050,179	171,541	-
Guillaume Cambois						
Executive Vice President, Imaging & Engineering	530,346	154,228	113,994	798,568	41,355	-
Magne Reiersgard						
Executive Vice President, Operations	489,000	155,073	119,628	763,701	107,694	-
Per Arild Reksnes						
Executive Vice President, Marine Contract	521,664	154,228	121,982	797,874	131,204	-
Sverre Strandenes						
Executive Vice President, MultiClient	520,538	154,228	152,401	827,167	253,561	-

(a) Amounts in NOK have been translated to US Dollars using average exchange rate for 2014 of NOK/USD 6.25.
(b) Includes payments for the 2013 performance bonus plan (paid in March 2014).
(c) Includes items such as taxable gain on exercised share options, car allowance, telephone, internet and other minor benefits.
(d) Contribution to defined contribution plans (Norway) and earned benefits for members of the defined benefit plan.

Share options and RSUs held by the CEO and executive officers as of December 31, 2014 were as follows:

Name	Options as of December 31, 2013	Options granted 2014	Options forfeited 2014	Options exercised 2014	Average exercise price on exercised options (NOK)	Options expired 2014	Options as of December 31, 2014	Average exercise price on outstanding options (NOK)	Weighted average remaining contractual term
Jon Erik Reinhardsen	250,000	-	-	(100,000)	37.54	-	150,000	72.71	0,86 years
Gottfred Langseth	150,000	-	-	(60,000)	35.24	-	90,000	72.71	0,86 years
Guillaume Cambois	110,000	-	-	(20,000)	37.54	-	90,000	72.71	0,86 years
Magne Reiersgard	110,000	-	-	(20,000)	35.24	-	90,000	72.71	0,86 years
Per Arild Reksnes	110,000	-	-	(20,000)	35.24	-	90,000	72.71	0,86 years
Sverre Strandenes	120,000	-	-	(30,000)	37.54	-	90,000	72.71	0,86 years

Name	RSUs as of December 31, 2013	RSUs granted 2014	RSUs forfeited 2014	RSUs exercised 2014	RSUs expired 2014	RSUs as of December 31, 2014	Weighted average remaining contractual term
Jon Erik Reinhardsen	71,500	36,000	-	-	-	107,500	1,48 years
Gottfred Langseth	42,900	21,600	-	-	-	64,500	1,48 years
Guillaume Cambois	42,900	21,600	-	-	-	64,500	1,48 years
Magne Reiersgard	42,900	21,600	-	-	-	64,500	1,48 years
Per Arild Reksnes	42,900	21,600	-	-	-	64,500	1,48 years
Sverre Strandenes	43,900	21,600	-	-	-	65,500	1,48 years

See Note 25 for shares held by the Company's CEO and other executive officers and Note 27 for further information on the share based payments programs.

Jon Erik Reinhardsen, President and CEO of the Company, had an annual fixed salary of NOK 5,115,000 in 2015. The CEO has a mutual 6-months period of notice. The CEO is, both during and after the employment, obliged to refrain from taking employment with companies that are in direct or indirect competition with PGS. This prohibition applies for a period of two years from the termination date unless the Company sets a shorter period of time.

Other executive officers have similar provisions in their employment terms, with periods of notice of twelve months or less.

Further information on compensation of the CEO and other executive officers are provided in the statement on remuneration below.

Board of Directors
None of our Directors has any contract with us providing benefits upon termination of service.

The table below provides information about our Directors and compensation paid during 2015:

Name	Position	Director since	Term expire	Compensation (In dollars)
Francis Gugen	Chairperson	2003	2016	129,250
Harald Norvik	Vice Chairperson	2003	2016	75,620
Holly Van Deursen	Director	2006	2016	104,250
Daniel J. Piette	Director	2007	2016	113,250
Carol Bell	Director	2009	2016	100,750
Ingar Skaug (a)	Director	2009	2016	29,585
Anne Grethe Dalane	Director	2013	2016	89,920
Walter Qvam	Director	2013	2016	77,000
Morten Borge	Director	2015	2016	48,225
Berit Osnes	Director	2015	2017	-
Anette Valbø	Director	2015	2017	-
Espen Vollan Grimstad	Director	2015	2017	-
			Total	**767,850**

(a) Ingar Skaug left the Bord of Directors in 2015.

The table below provides information about our Directors and compensation paid during 2014:

Name	Position	Director since	Term expire	Compensation (In dollars)
Francis Gugen	Chairperson	2003	2015	126,000
Harald Norvik	Vice Chairperson	2003	2015	89,000
Holly Van Deursen	Director	2006	2015	102,250
Daniel J. Piette	Director	2007	2015	100,250
Annette Malm Justad (a)	Director	2008	2015	29,615
Carol Bell	Director	2009	2015	94,750
Ingar Skaug	Director	2009	2015	81,500
Anne Grethe Dalane	Director	2013	2015	85,250
Walter Qvam	Director	2013	2015	80,000
			Total	**788,615**

(a) Annette Malm Justad left the Bord of Directors in 2014.

See Note 25 for shares held by the Company's Board of Directors.

Board of Directors' statement on remuneration to the CEO and the Executive Officers
In accordance with §6-16a of the Norwegian Public Limited Companies Act, the Board of Directors has prepared a statement related to the determination of salary and other benefits for our CEO and other executive officers. The guidelines set out below for our CEO and other executive officers salary and other benefits, for the coming fiscal year, will be presented to the shareholders for their advisory vote at the May 2016 Annual General Meeting.

PGS is an international company operating in the global geophysical industry. Our operations are conducted world-wide and our employment base is and needs to be largely international. The total compensation package for our CEO and other executive officers shall therefore be competitive both within the Norwegian labor market and internationally. Both the level of total compensation and the structure of the compensation package for our CEO and other executive officers shall be such that it may attract and retain highly qualified international leaders. This will require the use of several different instruments and measures also meant to provide incentives for enhanced performance and to ensure common goals and interest between the shareholders and management.

The current remuneration package for our CEO and other executive officers includes fixed elements and variable elements. The fixed elements consist of a base salary and other benefits. Other benefits include car allowance, newspaper subscription, mobile phone, internet and similar benefits. The fixed elements also include a defined benefit and a defined contribution pension plan.

The CEO and three executive officers have an early retirement plan allowing for termination of employment without cause when the CEO or the executive officers reach the age of 62. Provided that the CEO or executive officers have been employed as a CEO or an executive officer for 10 years (or in some cases longer) the CEO or the executive officers are entitled to a yearly payment of up to 60% of the last base salary beginning in the year of retirement until the CEO or the executive officers reach the age of 67.

The variable elements today consist of a performance bonus scheme, participation in earlier years' share option program and participation in performance based restricted stock unit programs.

Participation in the performance bonus scheme and the target levels and the maximum levels of the annual performance bonus scheme are determined annually. Normally payment under the performance bonus scheme is based partly on achievements of agreed financial key performance indicators ("KPIs") for the group and partly on achievements of agreed operational, financial and organizational KPIs included in a personal performance contract. However, due to the extraordinary poor market conditions the Board has decided that the CEO and the executive officers shall not be included in a bonus program for 2016. Should 2016 turn out to be materially better than anticipated the Board may elect to give the CEO and the executive officers a bonus at the Board's discretion. Such bonus will in any case be substantially lower than what would have followed from the normal performance bonus scheme. The Board expects that it will reinstate the regular annual bonus program for the CEO and the executive officers in 2017.

In 2015 the CEO and the executive officers participated in a performance bonus scheme where they were entitled to a cash bonus provided the Company and the CEO and each executive officer met certain financial and non-financial performance targets. However, the Board decided during 2015 to cancel all bonus payments to all employees, including the CEO and the executive officers. This was due to the weak financial performance of the Company, which in the Board's opinion was driven by the challenging market conditions.

The Annual General Meetings in 2013, 2014 and 2015 authorized a performance based restricted stock unit program in order to ensure continued long term incentives which are linked to the development of the Company's share price. The Board of Directors will propose to the 2016 Annual General Meeting a Long Term Incentive program similar to the 2015 Long Term Incentive Program. The 2016 Long Term Incentive Program will for the CEO and executive officers consist of 60% Performance based Restricted Stock Units ("PRSU") and 40% Restricted Stock Units ("RSU"). Settlement of the PRSUs and subsequent transfer of shares to the eligible employee will take place three years later subject to achieving a satisfactory Total Shareholder Return compared to a the companies in STOXX TMI Oil Equipment, Services & Distribution index adjusted for dividends and further employment by the Company. Settlement of the RSUs and subsequent transfer to the eligible employee of shares in the Company will take place three years later subject principally to further employment by the Company.

The Board of Directors will propose for approval by the Annual General Meeting a pool of PRSUs and RSUs which will be granted to eligible employees in 2016. The full Long Term Incentive Plan including all targets, terms and conditions will be presented to the Annual General Meeting in May 2016 for approval. The Board of Directors will not distribute any other share based incentives than the Long Term Incentive Plan to the CEO or any executive officer during 2016.

This statement deals primarily with the remuneration of our CEO and other executive officers. However, the above described remuneration policy is to a large extent applicable to a broad group of key employees within the Company. Enhanced performance by the management groups is not achieved by our CEO and other executive officers alone but rather is dependent on a large number of managers and key employees throughout the Company. Therefore, a large number of managers and key employees are normally included in performance based remuneration schemes, which contain all or some of the above mentioned elements (not applicable for 2016). In addition, all other employees may traditionally receive up to a maximum of one month salary in annual bonus (not applicable for 2016).

Remuneration of the CEO and other executive officers are evaluated regularly by the Remuneration and Corporate Governance Committee and the Board of Directors. The Remuneration and Corporate Governance Committee annually reviews the total compensation level, the mix between fixed and performance related compensation and the mix between short, medium and long term compensation. The Remuneration and Corporate Governance Committee has developed an annual schedule in order to ensure and facilitate a structured approach to the annual review of executive compensation. The committee has also engaged an external advisor for this work.

A specific peer group of comparable companies and an executive remuneration philosophy has been adopted. The peer group currently consists of nineteen companies from Norway, Europe and the Americas. All companies are of comparable size and with international operations within the oil service sector. The external advisor collects and combines relevant information on the companies in the peer group. This is used by the Remuneration and Corporate Governance Committee and the Board of Directors for benchmarking of executive remuneration. The executive remuneration philosophy document includes certain targets and guidelines on how the Company's CEO and executives should compare to the peer group. These tools amongst others are used by the Remuneration and Corporate Governance Committee and the Board of Directors to decide on an appropriate remuneration structure and to set appropriate total remuneration for the CEO and executive officers.

Since the Annual General Meeting in May 2015 the Board of Directors have followed the guidelines then approved by the Annual General Meeting with respect to remuneration of the CEO and the other executive officers.

Remuneration of auditor

Fees for audit and other services provided by the Company's auditor EY who was elected in May 2014, are as follows (exclusive VAT and including out of pocket expenses):

	Year ended December 31,		
(In millions of US dollars)	**2014**	**2013**	**2012**
Audit fees	1.5	1.7	2.6
Tax services (a) and other services	0.1	1.0	0.3
Total	**1.6**	**2.7**	**2.9**

(a) Fees for tax services consist of fees for tax filing services and other tax assistance.

Note 29 – Subsidiaries

The ownership percentage in subsidiaries as of December 31, 2015, was as follows:

Company	Jurisdiction	Shareholding and voting rights
PGS Onshore (Algeria) EURL	Algeria	100%
PGS Australia Pty. Ltd.	Australia	100%
Seahouse Insurance Ltd.	Bermuda	100%
PGS Investigacào Petrolifera Limitada	Brazil	100%
PGS Onshore do Brazil Ltda.	Brazil	100%
PGS Suporte Logistico e Servicos Ltda.	Brazil	100%
PGS Data Processing Middle East SAE	Egypt	100%
PGS Egypt for Petroleum Services	Egypt	100%
PT PGS Nusantara	Indonesia	94%
Oslo Seismic Services Ltd.	Isle of Man	100%
PGS Marine Services (Isle of Man) Ltd.	Isle of Man	100%
PGS Japan K.K.	Japan	100%
PGS Asia Pacific Labuan Ltd.	Malaysia	100%
Petroleum Geo-Services Exploration (M) Sdn. Bhd.	Malaysia	100%
PGS Data Processing & Technology Sdn. Bhd.	Malaysia	100%
PGS Data Processing S.A. de C.V	Mexico	100%
PGS Geophysical (Netherlands) B.V.	Netherlands	100%
PGS Exploration (Nigeria) Ltd.	Nigeria	100%
Dalmorneftegeofizika PGS AS	Norway	49%
Multiklient Invest AS	Norway	100%
PGS Falcon AS	Norway	100%
PGS Geophysical AS	Norway	100%
PGS Overseas AS	Norway	100%
PGS Shipping AS	Norway	100%
PGS Titans AS	Norway	100%
Petroleum Geological Services LLC	Oman	70%
Natuna Ventures Pte. Ltd.	Singapore	100%
Petroleum Geo-Services Asia Pacific Pte. Ltd.	Singapore	100%
PGS Technology (Sweden) AB	Sweden	100%
PGS Geophysical (UK) Ltd.	United Kingdom	100%
PGS Geophysical Services (UK) Ltd.	United Kingdom	100%
Arrow Seismic Invest IV Ltd.	United Kingdom	100%
Arrow Seismic Invest V Ltd.	United Kingdom	100%
Arrow Seismic Invest VI Ltd.	United Kingdom	100%
Panoceanic Energy Limited	United Kingdom	100%
Petroleum Geo-Services (UK) Ltd.	United Kingdom	100%
PGS EM Limited	United Kingdom	100%
PGS Exploration (UK) Ltd.	United Kingdom	100%
PGS Geophysical (Angola) Ltd.	United Kingdom	100%
PGS Pension Trustee Ltd.	United Kingdom	100%
PGS Reservoir Ltd.	United Kingdom	100%
PGS Seismic (UK) Ltd.	United Kingdom	100%
PGS Seismic Services Ltd	United Kingdom	100%
Seismic Exploration (Canada) Ltd.	United Kingdom	100%
Deep Gulf LP	United States	50.1%
Petroleum Geo-Services, Inc.	United States	100%
PGS Americas, Inc.	United States	100%
PGS Imaging, Inc.	United States	100%
PGS Finance, Inc.	United States	100%
PGS Ocean Bottom Seismic, Inc.	United States	100%
PGS Servicios C.A.	Venezuela	100%
PGS Venezuela de C.A.	Venezuela	100%
PGS Overseas Operation (Cyprus) Limited	Cyprus	89.9%

Note 30 – Other Charges/(Income)

(In millions of US dollars)	Year ended December 31, 2015	2014	2013
Stacking and upgrade cost	17.6	-	-
Restructuring cost	16.3	-	-
Onerous contracts with customers	11.1	-	-
Other	4.0	(0.7)	(0.7)
Total	**49.0**	**(0.7)**	**(0.7)**

Financial Statements – Parent Company

Petroleum Geo-Services ASA (Parent Company)

Statements of Profit and Loss

		Year ended December 31,		
(In millions of NOK)	Note	2015	2014	2013
Revenue	2	**74.0**	**90.7**	**122.1**
Cost of sales		1.2	1.2	2.4
Selling, general, administrative and other costs	2,16	105.0	102.8	137.8
Total operating expenses		**106.2**	**104.0**	**140.2**
Operating loss		**(32.2)**	**(13.3)**	**(18.1)**
Interest expense, net	2, 3	(270.3)	(301.3)	(304.1)
Impairment, net of reversal of impairment on shares in subsidiaries/intercompany receivable	1, 6	(1,068.1)	(661.9)	(358.0)
Dividends/group contribution received from subsidiaries	2	(27.0)	1,123.5	1,902.7
Other financial items, net	2, 4	(588.4)	(583.8)	(330.1)
Income (loss) before income taxes		**(1,986.0)**	**(436.9)**	**892.4**
Provision (benefit) for income taxes	5	(197.6)	(117.3)	190.2
Net income (loss)		**(1,788.4)**	**(319.6)**	**702.2**

Petroleum Geo-Services ASA (Parent Company)

Statements of Financial Position

(In millions of NOK)	Note	December 31, 2015	December 31, 2014
ASSETS			
Long-term assets			
Deferred tax assets	5	866.1	665.5
Shares in subsidiaries	1, 6	12,993.2	13,791.0
Intercompany receivables	1,2,6	6,873.1	8,779.7
Total long-term assets		**20,732.4**	**23,236.3**
Current assets			
Accounts receivable, net	2	45.6	11.7
Other current assets	7	15.1	55.6
Restricted cash	8	2.5	2.5
Cash and cash equivalents		181.0	43.5
Total current assets		**244.2**	**113.2**
Total assets		**20,976.6**	**23,349.5**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity:			
Share capital; par value NOK 3; issued and outstanding 239,579,996 shares	9	718.7	653.4
Treasury shares, par value	9	(4.2)	(11.1)
Additional paid-in capital	9	3,264.5	2,437.9
Total paid in capital		3,979.0	3,080.2
Other equity	9	5,758.7	7,488.2
Total shareholders' equity		**9,737.7**	**10,568.4**
Long-term liabilities:			
Long-term debt	10, 11	7,521.8	6,917.5
Intercompany debt	1, 2	3,554.0	5,386.8
Other long-term liabilities	12	25.2	18.5
Total long-term liabilities		**11,101.0**	**12,322.7**
Current liabilities:			
Short-term intercompany debt	2	-	132.0
Accrued dividend	9	-	149.9
Accrued expenses and other short-term liabilities	10, 15	138.0	176.4
Total current liabilities		**138.0**	**458.3**
Total liabilities and shareholders' equity		**20,976.6**	**23,349.5**

London, March 11, 2016
Board of Directors
Petroleum Geo-Services ASA

Francis Gugen
Chairperson

Harald Norvik
Vice Chairperson

Morten Borge

Carol Bell

Holly Van Deursen

Daniel J. Piette

Berit Osnes

Anette Valbø

Walter Qvam

Espen Grimstad

Anne Grethe Dalane

Jon Erik Reinhardsen
Chief Executive Officer

Petroleum Geo-Services ASA (Parent Company)

Statements of Cash Flows

		Year ended December 31,		
(In millions of NOK)	Notes	**2015**	**2014**	**2013**
Cash flows provided by (used in) operating activities:				
Profit (loss) for the year		(1,788.4)	(319.6)	702.2
Adjustments to reconcile net income to net cash used in operating activities:				
Changes in deferred tax assets	5	(200.6)	(118.8)	202.2
Impairment, net of reversal of impairment of shares in subsidiaries/ intercompany receivable	6	1,068.1	661.9	358.0
Dividend/group contribution	2	27.0	(1,123.5)	(1,902.7)
Foreign exchange (gain) loss	4	504.6	563.2	339.7
Changes in current assets and current liabilities		227.9	378.3	284.4
Other items		78.1	8.8	(23.8)
Net cash provided by (used in) operating activities		**(83.3)**	**50.4**	**(40.0)**
Cash flows provided by (used in) investing activities:				
Investment in subsidiaries and changes in intercompany receivables, net	6	493.9	(559.1)	(13.1)
Net cash provided by (used in) investing activities		**493.9**	**(559.1)**	**(13.1)**
Cash flows used in financing activities:				
Proceeds, net of deferred loan costs, from issuance of long-term debt	10	(14.3)	(10.6)	(31.8)
Net drawdown of Revolving Credit Facility	10	(598.2)	625.5	-
Share issue	9	833.9	-	-
Repayment of long-term debt	10	(32.1)	(441.3)	-
Investment in/sale of own shares, net	9	68.8	(75.3)	(158.7)
Dividend paid to shareholders of PGS ASA	9	(149.9)	(493.3)	(355.6)
Interest paid		(399.8)	(364.3)	(314.6)
Net cash used in financing activities		**(291.6)**	**(759.2)**	**(860.7)**
Net increase (decrease) in cash and cash equivalents		**118.9**	**(1,267.8)**	**(913.8)**
Effect of exchange rate changes on cash and cash equivalents		18.7	43.3	145.7
Cash and cash equivalents at beginning of year		43.5	1,268.1	2,036.2
Cash and cash equivalents at end of year		**181.0**	**43.5**	**1,268.1**

Note 1 – Summary of Significant Accounting Policies

Petroleum Geo-Services Group ("the Company") prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, while Petroleum Geo-Services ASA ("PGS ASA") prepares its financial statements in accordance with the Norwegian Accounting Act and accounting principles generally accepted in Norway ("N GAAP").

PGS ASA applies the same accounting policies as described in Note 2 in the notes to the consolidated financial statements where relevant, except that unrealized foreign exchange gain (loss) on long-term intercompany loans is recognized in the statements of profit and loss. The financial statements are presented in Norwegian Kroner ("NOK") as this is the reporting currency. The functional currency is US dollars ("USD").

Shares in subsidiaries (see Note 6) are presented at cost less impairment. Impairment is recognized based upon the carrying value of the individual shares and net intercompany receivables in the subsidiaries less the estimated recoverable amount (based on discounted estimated future cash flows). If and when estimated recoverable amounts increase, impairment charges are reversed. There is no fixed plan for repayment of long-term intercompany receivables.

Any proposed dividend to shareholders for the year is recognized as a liability at year end because it is considered more likely than not that the dividend will be approved by the General Assembly the following year.

Cash flow statement is set up using the indirect method.

Note 2 – Inter-company Transactions

PGS ASA has significant inter-company transactions with its subsidiaries. Transactions with subsidiaries are mainly related to business support functions and financing activities. Dividends/group contributions received from subsidiaries was negative with NOK 27 million for 2015, due to an adjustment of group contribution for 2014. Dividend received from subsidiaries was NOK 70.3 million for 2015. Dividends/group contribution received in 2014 was NOK 1 123.5 million. In addition to the amounts presented below, PGS Geophysical AS allocated costs to PGS ASA amounting to NOK 12.3 million for 2015 and NOK 13 million for 2014. Inter-company transactions in the statements of profit and loss consist of:

Subsidiaries	**Year ended December 31, 2015**		
(In millions of NOK)	**Revenues**	**Net interests**	**Net Receivables/ Liabilities**
Arrow Seismic Invest IV Ltd.	-	8.5	287.0
Arrow Seismic Invest VI Ltd.	-	-	55.5
Multiklient Invest AS	8.8	42.5	1,384.2
Natuna Ventures Pte. Ltd.	-	-	100.8
Oslo Seismic Services Ltd (IOM)	-	1.4	(48.3)
Petroleum Geo-Services, Inc.	-	23.0	935.7
Petroleum Geo-Services (UK) Ltd.	-	(38.8)	(1,230.4)
PGS Americas Inc	0.1	(2.3)	(192.7)
PGS Asia Pacific Pte. Ltd.	2.4	(14.2)	(869.7)
PGS Australia PTY Ltd	3.4	-	709.5
PGS Data Processing SA de CV	0.1	-	154.1
PGS Data Processing & Technology Sdn Bhd	-	-	(82.0)
PGS Data Processing, Inc.	1.7	(11.9)	(113.7)
PGS Data Proc. Middle East SAE	0.2	(3.0)	(118.8)
PGS Egypt for Petroleum Services	8.0	(0.9)	13.7
PGS EM Ltd.	-	23.3	726.6
PGS Exploration Malaysia SDNBH	1.3	-	44.3
PGS Exploration (Nigeria) Ltd	0.1	-	23.4
PGS Exploration UK Ltd	4.1	9.3	439.9
PGS Falcon AS	-	18.1	337.6
PGS Geophysical Netherlands BV	-	19.3	807.8
PGS Geophysical AS	36.3	29.6	1,451.0
PGS Imaging Inc	-	-	(254.7)
PGS Investigao Petrolifera Ltda.	0.3	3.0	587.7
PGS Japan K.K.	-	(1.1)	(34.7)
PGS Geophysical Nigeria Limited	-	-	151.1
PGS Onshore do Brazil Ltda.	-	-	45.7
PGS Overseas AS	0.5	(13.4)	(350.1)
PGS Reservoir Ltd	0.3	(0.5)	(38.9)
PGS Seismic (UK) Ltd.	-	-	(48.3)
PGS Shipping AS	-	35.8	386.3
PGS Suporte Logistico e Servicos Ltda	-	-	23.7
PGS Titans AS	-	4.2	34.7
PGS Venezuela de CA	-	-	35.7

PT Petroprima Geo-Servis Nusantara	-	-	72.1
Seahouse Insurance Ltd.	0.4	(3.3)	(135.0)
Seismic Exploration (Canada) Ltd	-	(2.7)	(70.9)
Other	6.1	6.5	364.7
Gross inter-company balance			5,584.5
Accumulated impairment			(2,219.7)
Sum inter-company	**74.0**	**132.4**	**3,364.8**

Subsidiaries	**Year ended December 31, 2014**		
(In millions of NOK)	**Revenues**	**Net interests**	**Net Receivables/ Liabilities**
Arrow Seismic Invest II Ltd.	-	(0.7)	(32.2)
Arrow Seismic Invest III Ltd.	-	(0.5)	(21.2)
Arrow Seismic Invest IV Ltd.	-	5.4	31.6
Arrow Seismic Invest VI Ltd.	-	1.3	41.0
Multiklient Invest AS	20.5	13.9	1,382.1
Natuna Ventures Pte. Ltd.	-	(0.3)	62.0
Oslo Seismic Services Ltd (IOM)	-	(3.9)	(145.5)
Petroleum Geo-Services, Inc.	3.0	14.9	486.5
Petroleum Geo-Services (UK) Ltd.	-	(31.3)	(1,005.6)
PGS Americas Inc	1.1	(0.9)	121.1
PGS Asia Pacific Pte. Ltd.	2.7	(2.7)	(236.7)
PGS Australia PTY Ltd	2.9	6.0	729.5
PGS Data Processing SA de CV	1.1	3.0	(2,352.9)
PGS Data Processing & Technology Sdn Bhd	0.1	(0.2)	(157.3)
PGS Data Processing, Inc.	3.1	(2.2)	(118.2)
PGS Data Proc. Middle East SAE	1.0	(2.9)	26.3
PGS Egypt for Petroleum Services	-	(2.2)	(80.8)
PGS EM Ltd.	-	20.6	83.8
PGS Exploration Malaysia SDNBH	1.2	(0.4)	79.3
PGS Exploration (Nigeria) Ltd	0.5	(0.3)	107.7
PGS Exploration UK Ltd	14.7	15.7	591.4
PGS Falcon AS	-	14.1	168.0
PGS Geophysical Netherlands BV	-	8.6	374.0
PGS Geophysical AS	21.0	42.6	3,232.5
PGS Japan K.K.	-	(0.4)	(18.3)
PGS Overseas	1.2	(22.6)	(598.3)
PGS Reservoir Ltd	0.8	0.0	(3.0)
PGS Seismic (UK) Ltd.	-	(1.1)	(39.5)
PGS Shipping (IOM) Ltd.	-	(11.7)	(378.8)
PGS Shipping AS	-	4.0	116.9
PGS Titans AS	-	(5.9)	48.6
PGS Venezuela de CA	-	-	5.2
Seahouse Insurance Ltd.	0.8	1.5	(67.3)
Seismic Exploration (Canada) Ltd	3.5	(1.5)	(90.5)
Other	10.8	13.1	(58.5)
Sum Intercompany transactions	**90.0**	**72.7**	**2,282.7**

Note 3 – Interest Expense, Net

Interest expense, net, consist of:

	Year ended December 31,		
(In millions of NOK)	2015	2014	2013
Interest income, external	2.7	1.9	19.4
Interest income, intercompany	532.1	166.5	492.4
Interest expense, external	(405.4)	(375.9)	(342.5)
Interest expense, intercompany	(399.6)	(93.8)	(473.4)
Total	**(270.3)**	**(301.3)**	**(304.1)**

Note 4 – Other Financial Items, Net

Other financial items, net, consist of:

	Year ended December 31,		
(In millions of NOK)	2015	2014	2013
Foreign currency (loss) gain	(504.6)	(563.2)	(334.5)
Other	(83.9)	(20.6)	4.4
Total	**(588.4)**	**(583.8)**	**(330.1)**

Note 5 – Income Taxes

The income tax expense differs from the amounts computed when applying the Norwegian statutory tax rate to income before income taxes as a result of the following:

	Year ended December 31,		
(In millions of NOK)	2015	2014	2013
Income before income taxes	(1,986.0)	(436.9)	892.4
Norwegian statutory tax rate	27%	27%	28%
Provision for income taxes at the statutory rate	(536.2)	(118.0)	249.9
Increase (reduction) in income taxes from:			
Change in Norwegian statutory tax rate (a)	69.1	-	20.9
Foreign taxes	0.5	11.5	-
Impairment (reversal) of shares in subsidiaries	208.0	35.8	(51.4)
Non-taxable dividends/group contribution	-	(243.0)	(196.0)
Permanent difference impairment of intercompany receivables	66.3	186.9	172.4
Other permanent items	(5.1)	9.5	(19.7)
Change in un-recognized deferred tax assets	-	-	14.1
Income tax expense (benefit)	**(197.6)**	**(117.3)**	**190.2**

(a) The Norwegian corporate income tax rate was reduced from 27% to 25% effective from January 1, 2016. As a result, a reduction in deferred tax assets of 69.1 million was recognized in 2015. Effective January 1, 2014 the Norwegian corporate income tax rate was reduced from 28% to 27% which reduced the deferred tax assets with 20.9 million in 2013.

	December 31,	
(In millions of NOK)	2015	2014
Temporary differences relates to:		
Pension liabilities (b)	4.5	4.4
Intercompany receivables	56.0	64.8
Unrealized exchange gain (loss)	2.9	12.4
Compensation cost employee share options	11.3	6.8
Other	11.7	10.4
Tax losses carried forward	779.7	566.7
Deferred tax assets	**866.1**	**665.5**

(b) Change in deferred tax for actuarial gains/losses on pensions are recognized directly to shareholders' equity (see note 9 and 13).

Note 6 – Shares in Subsidiaries and Inter-company Receivables

Shares in subsidiaries are recognized in PGS ASA balance sheet at cost less any impairment.

	Registered office	Shareholding (a)	Book value as of 12/31/2015 (in millions of NOK) (b)	Equity as of 12/31/2015 (in millions of NOK) (b)	Impairments 2015 (in millions of NOK)	Net income 2015 (in millions of NOK) (b)
PGS Geophysical AS	Oslo	100%	3,275.8	3,126.6	-	(425.9)
PGS Asia Pacific Pte. Ltd.	Singapore	100%	3,148.7	4,701.0	-	79.6
PGS Titans AS	Oslo	100%	1,500.0	2,717.1	-	(197.3)
Petroleum Geo-Services (UK) Ltd.	London	100%	1,433.4	1,672.6	-	19.8
PGS Falcon AS	Oslo	100%	1,235.6	1,235.6	(18.9)	(250.3)
PGS Shipping AS	Oslo	100%	571.1	571.1	(569.9)	(205.6)
Multiklient Invest AS	Oslo	100%	989.7	1,413.7	-	433.4
PGS Overseas AS	Oslo	100%	811.2	811.2	(174.8)	(9.7)
Oslo Seismic Services Ltd. (IoM)	Isle of Man	100%	-	(7.6)	-	0.2
Seahouse Insurance Ltd.	Bermuda	100%	27.6	167.1	-	32.5
PGS Japan KK	Japan	100%	-	(2.7)	(0.6)	(18.2)
PGS Geophysical (Nigeria) Ltd.	Nigeria	100%	-	(19.3)	(0.3)	(20.5)
PGS EM Ltd.	Scotland	100%	-	(725.1)	-	(13.3)
Petroleum Geo-Services Inc.	Houston	100%	-	(171.2)	-	(81.9)
PGS Australia Pty. Ltd.	Perth	100%	-	(73.3)	-	(248.9)
PGS de Venezuela CA	Venezuela	100%	-	(28.1)	-	(0.0)
PGS Investigacao Petrolifera Ltda.	Brazil	99%	-	(1,373.7)	-	(386.0)
PGS Suporte Logistico e Servicios Ltda. (c)	Brazil	1%	-	(0.7)	-	38.6
PT PGS Nusantara (Indonesia)	Indonesia	93%	-	(68.0)	-	(1.9)
PGS Data Processing SA de CV	Mexico	100%	-	(51.0)	(5.9)	(47.4)
PGS Data Processing Middle East SAE (Egypt)	Egypt	100%	-	139.9	-	(234.5)
Total			**12,993.2**		**(770.3)**	

(a) Voting rights are equivalent to shareholding for all companies.
(b) The numbers are preliminary and statutory audit has not been completed.
(c) The remaining 99% shareholding is held by PGS Overseas AS.

In 2014, PGS ASA recognized impairments charges totaling NOK 132.6 million on shares in subsidiaries, mainly due to impairment of PGS EM Ltd. In 2013, PGS ASA recognized net reversal of impairment charges totaling NOK 183.7 million on shares in subsidiaries, mainly due to equity transfers from group companies to Arrow Seismic ASA.

In 2015, in addition to the NOK 770.3 million impairment of shares in subsidiaries, PGS ASA recognized impairment charges on intercompany receivables totaling NOK 297.8 million, compared to NOK 529.3 million and NOK 541.7 million in 2014 and 2013, respectively.

As of December 31, 2015, PGS ASA has accumulated impairment charges related to shares in subsidiaries and intercompany receivables totaling NOK 5.5 billion and NOK 2.2 billion, respectively.

For additional information on impairment of shares in subsidiaries and intercompany receivables, see Note 1.

Note 7 – Other Current Assets

Other current assets consist of:

	December 31,	
(In millions of NOK)	**2015**	**2014**
Short term receivables	1.4	21.5
Unrealized gain hedge contracts (Note 11)	12.3	32.3
Other	1.5	1.8
Total	**15.1**	**55.6**

Note 8 – Restricted Cash

Restricted cash as of December 31, 2015 and 2014 consists of payroll withholding taxes.

Note 9 – Shareholders' Equity

Changes in shareholders' equity for the years ended December 31, 2015 and 2014 are as follows:

	Paid-in capital				
(In millions of NOK)	Share capital	Own shares, par value	Additional paid-in capital	Other equity	Shareholders' equity
Balance as of January 1, 2014	**653.4**	**(7.9)**	**2,386.6**	**7,989.6**	**11,021.7**
Acquired treasury shares	-	(4.6)	-	(88.2)	(92.8)
Employee benefit plans	-	1.4	6.8	15.9	24.1
Employee share options recharged to subsidiaries	-	-	44.5	-	44.5
Interest rate swaps (net of tax)	-	-	-	40.2	40.2
Actuarial gains and losses charged to equity (net of tax)	-	-	-	(1.3)	(1.3)
Dividend to shareholders	-	-	-	(149.9)	(149.9)
Difference between accrued and paid dividend for 2012	-	-	-	1.5	1.5
Net income	-	-	-	(319.6)	(319.6)
Balance as of December 31, 2014	**653.4**	**(11.1)**	**2,437.9**	**7,488.2**	**10,568.4**
Share issue	65.3	-	768.5	-	833.9
Sale of treasury shares	-	5.4	-	63.4	68.8
Employee benefit plans	-	1.5	6.9	-	8.4
Employee share options recharged to subsidiaries	-	-	51.1	-	51.1
Interest rate swaps	-	-	-	(5.5)	(5.5)
Actuarial gains and losses charged to equity (net of tax)	-	-	-	1.0	1.0
Net income	-	-	-	(1,788.4)	(1,788.4)
Balance as of December 31, 2015	**718.7**	**(4.2)**	**3,264.5**	**5,758.7**	**9,737.7**

PGS ASA completed a private placement of NOK 919.6 million in November 2015 by issuing 21,779,999 new shares at the price of NOK 39 per share and at the same time sold 1,800,000 treasury shares at the same price. The share issue has increased the equity by NOK 833.9 million, net of transaction costs of NOK 11.2 million (net of tax). The proceeds from the sale of treasury shares were NOK 68.8 million, net of transaction cost of NOK 1.4 million.

As of December 31, 2015 share capital was NOK 718,739,997 consisting of 239,579,996 shares of par value NOK 3. As of December 31, 2014 share capital was NOK 653,399,991 consisting of 217,799,997 shares of par value NOK 3.

All shares have equal voting rights and are entitled to dividends. Distribution of PGS ASA's equity is dependent upon the approval of the shareholders, and the ability to make distributions is limited by certain debt covenants and Norwegian Corporate Law (see note 10 to the consolidated financial statements). A listing of PGS ASA's largest shareholders is provided in Note 25 to the consolidated financial statements.

Note 10 – Debt and Guarantees

Long-term debt
Long-term debt consists of the following:

	December 31,	
(In millions of NOK)	2015	2014
Secured:		
Term loan B, Libor (minimum 75 bp) + 250 Basis points, due 2021 (a)	3,453.2	2,940.8
Senior notes, Coupon 7.375%, due 2018	3,954.2	3,333.4
Revolving credit facility, due 2018 (a)	219.7	740.8
Total	7,627.1	7,015.0
Less current portion	(35.1)	(29.6)
Less deferred loan costs, net of debt premiums	(70.2)	(67.9)
Total long-term debt	**7,521.8**	**6,917.5**

Undrawn facilities consists of the following:

	December 31,	
(In millions of NOK)	2015	2014
Secured:		
Revolving credit facility, due 2018 (a)	4,173.8	2,963.0
Unsecured:		
Bank facility	50.0	50.0
Performance bond	94.0	104.4
Total	**4,317.8**	**3,117.5**

(a) The Senior secured credit facility was amended and extended in September 2013 and March 2014, for the RCF and TLB, respectively and October 2015 for both. The Senior secured facility loan agreement permits the Company to borrow an additional sum of specific secured debt (see below on type of security) limited to: $1,850 million less the sum of (A) any RCF commitments outstanding, (B) Term Loans outstanding and (C) Permitted vessel financing indebtedness outstanding, either as a term loan or as a RCF, provided that the leverage ratio does not exceed 2.75:1. Such potential additional borrowing is not committed (except for secured undrawn debt in the table) but would be secured by the same collateral that secures the Term Loan and borrowings under the existing RCF. As long as the Company does not exceed a leverage ratio of 3:1, it can incur further unsecured debt. Drawing of the committed RCF and Permitted vessel financing indebtedness is exempted from the incurrence test.

Senior Secured Credit Facility (Term loan B and Revolving Credit Facility "RCF")

The Term Loan is an obligation of PGS ASA and PGS Finance Inc. as co-borrowers; is secured by pledges of shares of material subsidiaries; and is guaranteed by the same material subsidiaries. The Term Loan has no financial maintenance covenants. Any drawings on the "RCF" would be subject to the same security.

The Term Loan B, originally maturing in 2015, was amended and extended in March 2014, with a new tenor of 7 years and now matures in 2021. The floating interest rate was revised to LIBOR (but minimum 75bps) + 250 basis points and the amount reduced to $400 million by using existing cash to repay $70.5 million of principal. The Term Loan B is amortized by $4 million per year. The $500 million RCF is a 5 year facility maturing in September 2018. The original terms of the facility were an interest rate on drawn amounts of LIBOR + 1.75% with additional utilization fees dependent on the amount drawn (Less than $150 million + 0.25%, between $150 million and $300 million + 0.40%, over $300 million + 0.60%), and a commitment fee on undrawn amounts of 40% of the applicable margin. In October 2015, the lenders to the facility agreed to amend the leverage ratio maintenance covenant and certain other amendments. The maintenance covenant, Total Leverage Ratio (TLR), was changed from maximum 2.75:1 to 4.00:1 for the period up to and including Q1 2017, thereafter tightening by 0.25:1 each quarter down to 2.75:1 by Q2 2018. The Company agreed on a revised margin structure on the RCF. The margin starts at 2.00%, a 0.25% increase from the original margin, as long as TLR is below 2.75:1. If TLR exceeds 2.75:1, it increases stepwise linked to TLR up to a maximum of 3.25%. The Company has also agreed some further restriction on dividend and a minimum consolidated liquidity. Dividend shall not be proposed for 2015 and for the remaining part of the amendment period dividend can only be paid if TLR is below 2.75:1 for two consecutive quarters and the TLR requirement is reset to 2.75:1 (i.e. as it was before the amendment). Consolidated unrestricted cash and cash equivalent together with unused and available RCF commitment shall not be less than the amount equal to the greater of (a) $75 million and (b) 5% of consolidated net interest-bearing Indebtedness. See also note 20.

The Senior secured credit facility contains financial covenants and negative covenants that restrict the Company in various ways. The facility provides that: 1) For the RCF part the total leverage ratio (see Note 20 in the consolidated financial statements for definitions of leverage ratios) may not exceed the threshold agreed in the October 2015 amendment (maintenance covenant). The Term Loan has an incurrence test prohibiting the Company from incurring more indebtedness, with certain exceptions, (described in footnote (a) in the table above) if the total leverage is above 3.00:1.0 (rolling last 4 quarters). 2) The credit agreement generally requires the Company to apply 50% of excess cash flow to repay outstanding borrowings for financial years when the total leverage ratio exceeds 2.5:1 or the senior secured leverage ratio exceeds 2:1. Excess cash flow for any period is defined as net cash flow provided by operating activities less capital expenditures, MultiClient investments and scheduled debt services during that period, and on the Companys' option minus income taxes to be paid in the next period and capital expenditure committed in the period but to be paid in future periods. The Company may make optional prepayments to reduce the outstanding principal balance at no penalty.

In addition, the credit agreement and the indenture to the $450 million Senior Notes (described below) restricts or could restrict the Company's ability, among other things, to sell assets without the sales proceeds being reinvested in the business or used to repay debt; incur additional indebtedness or issue preferred shares; prepay interest and principal on our other indebtedness; pay dividends and distributions or repurchase our capital stock; create liens on assets; make investments, loans, guarantees or advances; make acquisitions; engage in mergers or consolidations; enter into sale and leaseback transactions; engage in transactions with affiliates; amend material agreements governing our indebtedness; change our business; enter into agreements that restrict dividends from subsidiaries; and enter into speculative financial derivative agreements.

The RCF has a $60 million sub-limit for issuance of letters of credit. Under the RCF, the Company may borrow USD, or any other currency freely available in the London banking market to which the lenders have given prior consent, for working capital and for general corporate purposes. At December 31, 2015 and 2014, the Company had zero outstanding standby letters of credit under the RCF.

Senior Notes

In December 2012, the Company issued $150 million add on to the $300 million Senior notes (issued in November 2011) at a premium of 107.5% of the principal amount. Both the Senior notes issued in 2011 and 2012 will be treated as a single class of debt securities under the same indenture. The Senior notes are senior obligations of the company and rank equally in right of payment with all other existing and future senior debt. It is guaranteed by the same subsidiaries guaranteeing the Senior Secured Credit Facility. The Senior notes have an incurrence test prohibiting the Company from incurring more indebtedness, with certain exceptions, if the consolidated interest coverage ratio is less than 2.0:1.0. The Senior note limits the Company to incur secured debt, without granting the Senior note the same security, exceeding an amount of $1,350 million plus some other debt baskets common in this type of financing. The Senior notes are redeemable at the Company's option on or after December 15, 2015, in whole or in part, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest thereon to the applicable redemption date, if redeemed during the 12-month period beginning December 15 of the years indicated below:

Year	Percentage
2015	103.69%
2016	101.84%
2017 and thereafter	100.00%

Letters of credit and guarantees
The Company has $20 million uncommitted bid and performance bond facilities ($24 million in 2014) intended for operational use. Drawings under these facilities totaled $9.3 million and $9.9 million as of December 31, 2015 and 2014, respectively.

The Company had aggregate outstanding letters of credit and similar guarantees (incl. the $9.3 million and $9.9 million above), not reflected in the accompanying consolidated statements of financial position, of $17.2 million and $42.7 million as of December 31, 2015 and 2014, respectively.

PGS ASA has guaranteed the payment obligation under the lease of Apollo (see note 21 in the consolidated financial statements).

Note 11 – Financial Instruments

Fair values of financial instruments
The carrying amounts of cash and cash equivalents, restricted cash, accounts receivable, accrued revenues and other receivables, other current assets, accounts payable and accrued expenses approximate their respective fair values because of the short maturities of those instruments.

PGS ASA disclose the hierarchy of how fair value is determined for financial instruments recorded at fair value in the financial statements as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
Level 2: assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly.
Level 3: techniques for which all inputs which have a significant effect on the recorded fair value that is not based on observable market data.

The fair values of the long-term debt instruments, forward exchange contracts and interest rate swaps are estimated using quotes obtained from dealers in such financial instruments or latest quoted prices or indexes at Reuters or Bloomberg. Where market prices are not observed or quotes from dealers are not obtained, an indirect method is used by use of implied credit spread from debt instrument with similar risk characteristics.

The carrying amounts, estimated fair values of debt and derivatives instruments including how fair value is determined are summarized as follows:

	December 31, 2015			December 31, 2014		
(In millions of NOK)	Carrying amounts	Fair values	Level	Carrying amounts	Fair values	Level
Financial assets measured at fair value						
Other foreign exchange contracts (note 7)	12.3	12.3	2	31.9	31.9	2
Financial liabilities measured at fair value						
Foreign exchange contracts used for hedging (note 15)	(24.0)	(24.0)	2	(48.1)	(48.1)	2
Other foreign exchange contracts (note 12)	(6.4)	(6.4)	2	(25.2)	(25.2)	2
Interest rate swaps not hedge accounted	-	-	2	(4.4)	(4.4)	2
Financial liabilities not measured at fair value						
Debt with fixed interest rate	(3,954.2)	(3,400.6)	2	(3,333.4)	(2,789.7)	2
Debt with variable interest rate	(3,672.9)	(2,667.2)	2	(3,681.6)	(3,280.9)	2

Interest rate exposure
PGS ASA is subject to interest rate risk on debt, including finance leases. The risk is managed by using a combination of fixed -and variable rate debt, together with interest rate swaps, where appropriate, to fix or lower the borrowing costs.

	December 31, 2015		December 31, 2014	
(In millions of NOK)	Notional amounts	Weighted average interest rate	Notional amounts	Weighted average interest rate
Debt at fixed interest rate	3,954.2	7.38%	3,333.4	7.38%
Debt at variable interest rate based on US dollar plus a margin	3,672.9	3.21%	3,681.6	2.99%
Variable interest rate debt with interest fixed	-	-	740.8	2.64%

Foreign exchange rate exposure
PGS ASA and its subsidiaries are exposed to currency fluctuation due to the effects of a predominantly USD based revenue stream, while the companies operating expenses and capital expenditures are mainly denominated in USD, GBP, NOK and EUR. PGS ASA maintains a foreign currency risk management strategy that uses foreign currency exchange contracts to reduce volatility in the income statement and protect against fluctuations in cash flow caused by volatility in currency exchange rates. PGS ASA had open forward contracts to buy and sell GBP, NOK, BRL, NGN and GBP, NOK, BRL, ZAR at December 31, 2015 and 2014, respectively.

Exposure to liquidity risk
As of December 31, 2015, PGS had cash and cash equivalents of $81.6 million and a total liquidity reserve, including available unutilized drawings of the Revolving Credit Facility, of $556.6 million, compared to $54.7 million and $454.7 million respectively at year-end 2014. In addition the Company has committed undrawn export credit facilities of $220.5 million at year-end 2015. These facilities are available for financing the two new-builds under construction in Japan.

PGS does not have any material debt maturities until second half of 2018.

The undrawn portion of the Revolving Credit Facility ("RCF") constitutes a significant portion of the Company's liquidity reserve. In the current weak market it is likely that the Company will need to make additional drawings on the RCF during the coming year. In 2015 the TLR covenant, which the Company will have to comply with to be able to make drawings on the RCF, was increased to maximum 4.00:1 from Q4 2015 through Q1 2017, with a subsequent step down, as described above. While the actual TLR was substantially below this level at year end 2015, there is a risk, due to the weak market, that the TLR may increase to be close to, or exceed, 4.00:1 during 2016. The Company expects to be able, if and when such risk becomes significant, to agree further amendments to ensure that the RCF is available for drawing or to implement other available measures to avoid a covenant breach.

If the Company ends up breaching the TLR covenant, this would represent an event of default under the loan agreement. In such case the Company may be able to continue to access the RCF if it receives a waiver of the breach or if the Company implements remedial actions acceptable for the banks. Should a breach continue without a waiver or re-mediation by the Company, the RCF agent or a majority of the RCF banks could ultimately declare default and demand a repayment of drawings on the RCF which again would represent an event of default in most of the Company's other loan agreements. However, this scenario is in the Company's view highly unlikely since firstly it believes that it has plans and available measures to avoid an event of default and secondly, even in an event of default, several viable alternatives to avoid acceleration would exist.

Based on the year-end cash balance, available liquidity resources, and the current structure and terms of the Company's debt, it is the Board's opinion that PGS has sufficient funding and liquidity to support its operations and investment programs.

Note 12 – Other Long-Term Liabilities

Other long-term liabilities consist of:

	December 31,	
(In millions of NOK)	**2015**	**2014**
Unrealized loss hedge contracts (note 11)	6.4	-
Pension liability (note 13)	17.9	16.2
Other long-term liabilities	0.8	2.3
Total	**25.2**	**18.5**

Note 13 – Pension Obligations

PGS ASA is required to maintain a pension plan in accordance with the Norwegian Pension Benefit Act. The pension plans of PGS ASA comply with the requirements set forth in the Norwegian Pension Benefit Act.

Defined benefit plan
In 2014 the defined benefit pension plan for the Norwegian employees was terminated and the participants were transferred to the defined contribution plan. The assets and liabilities relating to the defined benefit pension plan were de-recognized.

As described in Note 28 to the consolidated financial statements there is an early retirement plan for the CEO and three executive officers allowing for termination of employment without cause when they reach the age of 62 and providing certain defined benefits from the date of retirement and until reaching the age of 67. Two employees in PGS ASA are in this plan. The plan is accounted for as a defined benefit obligation and is not funded.

The components of net periodic pension cost for PGS ASA's defined benefit pension plans are summarized as follows:

	Year ended December 31,		
(In millions of NOK)	**2015**	**2014**	**2013**
Service cost	2.1	1.9	2.3
Interest cost	0.3	0.5	0.7
Expected return on plan assets	-	(0.1)	(0.7)
Administrative costs	-	-	0.1
Payroll tax	0.3	0.3	0.4
Net periodic pension cost	**2.7**	**2.7**	**2.8**

The aggregate funded status of the plan and amounts recognized in other long-term liabilities (see note 12) is as follows:

	December 31,	
(In millions of NOK)	**2015**	**2014**
Projected benefit obligations	15.7	14.2
Funded status	**15.7**	**14.2**
Accrued payroll tax	2.2	2.0
Net pension liability (a)	**17.9**	**16.2**

(a) In 2014 PGS ASA decided to terminate the Norwegian defined benefit plan. See note 24 in the consolidated financial statements for further information.

The accumulated actuarial gains recognized in other equity are as follows:

	December 31,	
(In millions of NOK)	**2015**	**2014**
Accumulated actuarial gains	14.6	13.6
Deferred tax	(3.6)	(3.9)
Accumulated actuarial gains recognized towards other equity	**11.0**	**9.7**

Assumptions used to determine benefit obligations:

	December 31,	
	2015	**2014**
Discount rate	2.5%	2.3%
Compensation increase	2.5%	2.8%

Defined contribution plan

The defined contribution plan was established in 2005, and ASA's contributions to this plan for the years ended December 31, 2015 and 2014 was NOK 1.4 million and NOK 1.7 million, respectively.

Note 14 – Commitments

PGS ASA's operating lease commitments relate to office rent from group companies, and expire in 2024. Future minimum payments related to non-cancelable operating leases existing at December 31, 2015 are as follows:

(In millions of NOK)	**December 31, 2015**
2016	3.6
2017	3.7
2018	3.8
2019	3.9
2020	4.0
Thereafter	13.6
Total	**32.4**

Rental expense for operating leases, including leases with terms of less than one year, was NOK 3.5 million, NOK 3.7 million and NOK 4.4 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Note 15 – Accrued Expenses and Other Short-term Liabilities

Accrued expenses and other short-term liabilities consist of the following:

	December 31,	
(In millions of NOK)	**2015**	**2014**
Foreign taxes	36.5	30.8
Current portion of long-term debt	35.1	29.6
Accrued unrealized loss on hedging (note 11)	24.0	78.1
Accrued interest expense	14.7	11.9
Account payables	13.9	7.5
Accrued employee benefits	7.5	16.5
Other	6.2	1.9
Total	**138.0**	**176.4**

Note 16 – Salaries and Other Personnel Costs, Number of Employees, and Remuneration to the Board of Directors, Executive Officers and Auditors

Salary and social expenses that are included in cost of sales and selling, general, administrative and other costs consist of:

	Year ended December 31,		
(In millions of NOK)	**2015**	**2014**	**2013**
Salaries and bonus	49.3	54.3	52.9
Social security	6.9	8.8	4.5
Pension	6.0	5.7	4.5
Other benefits	0.9	0.7	6.6
Total	**63.1**	**69.5**	**68.5**

As of December 31, 2015, PGS ASA had 26 full time employees. Average labor years for the years ended December 31, 2015 and 2014 were 25.4 and 31, respectively.

Compensation to Board of Directors, CEO and Other Executive Officers
For a full listing of Board of Directors, CEO and Other Executive Officers and their compensation, see note 28 to the consolidated financial statements.

PGS ASA has not provided loans or guarantees to the Board of Directors, CEO or Other Executive Officers as of December 31, 2015.

Employee share option and restricted stock unit programs
In the 2008, 2009, 2010 and 2011 PGS ASA established employee share option programs and granted options to certain key employees. In later years, PGS ASA established Restricted Stock Unit programs (RSU) which requires the participant's continued employment with PGS ASA and is settled through receipt of shares in PGS ASA three years after grant. In 2015, PGS ASA also granted a Performance based Restricted Stock Unit program ("PRSU"). The awards are based on the financial position of the Company and a review of the individual participant's performance prior to award. See note 27 to the consolidated financial statements for further information on the share option programs, RSU's and PRSU's.

For the years ended December 31, 2015, 2014 and 2013, PGS ASA recorded compensation costs of NOK 6.9 million, NOK 6.8 million and NOK 6.4 million, respectively, recognized in additional paid-in capital. Total net un-recognized compensation cost as of December 31, 2015 was NOK 11.6 million related to non-vested share-based options, RSU's and PRSU's, which is expected to be recognized over a period of 3 years.

In 2014 486,282 options were exercised under the PGS Group share option programs. PGS ASA used own treasury shares to facilitate these transactions and recognized a charge of NOK 17.3 million in shareholders' equity. Share option costs related to non-PGS ASA employees are recharged to subsidiaries.

Remuneration of auditor
Fees for audit and other services provided by PGS ASA's auditor EY who was elected in May 2014, are as follows (exclusive VAT and inclusive out of pocket expenses):

	Year ended December 31,		
(In millions of NOK)	**2015**	**2014**	**2013**
Audit fees	1.7	1.8	4.2
Other attestation services	-	-	0.2
Fees for tax services (a)	0.1	0.1	0.4
All other fees	0.3	0.6	0.2
Total	**2.1**	**2.5**	**5.0**

(a) Include fees for tax filing services and other tax assistance.

Auditor’s Report

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To the Annual Shareholders' Meeting of
Petroleum Geo-Services ASA

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of Petroleum Geo-Services ASA, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the statements of financial positions at 31 December 2015, the statements of operations and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information. The financial statements of the Group comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statements of operations, comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Chief Executive Officer's responsibility for the financial statements

The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the Parent Company and the International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as the Board of Directors and Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.

Opinion on the financial statements of the Parent Company

In our opinion, the financial statements of Petroleum Geo-Services ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements of the Group

In our opinion, the financial statements of the Group have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and the proposal for the allocation of the result 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 the Board of Directors and Chief Executive Officer have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Oslo, 11 March 2016
ERNST & YOUNG AS

Petter Larsen
State Authorised Public Accountant (Norway)

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