Earnings Release
Q1 - 2016

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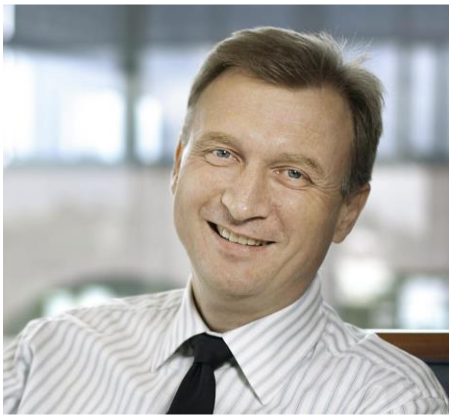
Strong Cost Management in Face of Continued Market Uncertainty

Highlights Q1 2016



- Revenues of $203.1 million, compared to $251.1 million in Q1 2015
- EBITDA of $78.6 million, compared to $127.5 million in Q1 2015
- EBIT excluding impairments and other charges/(income) of negative $30.2 million, compared to a profit of $13.6 million in Q1 2015
- Cash flow from operations of $133.3 million, compared to $212.4 million in Q1 2015
- MultiClient pre-funding revenues of $59.9 million with a corresponding pre-funding level of 124%, compared to $86.6 million and 135% respectively in Q1 2015
- MultiClient late sales of $65.3 million, compared to $56.7 million in Q1 2015
- MultiClient revenues benefited from sales to Azimuth Ltd.
- Liquidity reserve of $496.6 million, compared to $558.9 million in Q1 2015
- 90% active vessel time in Q1 2016, compared to 63% in Q1 2015
- Cost and capital expenditures further reduced
- *Ramform Tethys* delivered, the third in a series of four ultra-productive Ramform Titan-class vessels

“The marine seismic market continues to be challenging, with the further weakening of the oil price around the start of the year having a negative impact on MultiClient sales and contract awards in Q1. Excellent operational vessel performance has offset some of the impact of weak market fundamentals. We cold-stacked four 3D vessels last year and with a smaller and more productive fleet we are now delivering significantly improved utilization.

Q1 MultiClient revenues ended at a solid $125.2 million, including $56 million of sales to Azimuth. The MultiClient pre-funding level ended at a strong 124% underlining the attractiveness of our MultiClient projects. In Q1 PGS increased its investment in Azimuth, intended to maintain our minority share of 45% with no further capital contributions for the next two years. We support the counter cyclical investment strategy of Azimuth and our investment level has over time corresponded to the cash contributions from data sales and services we provide to Azimuth.

In the current weak market we continue to focus on what we can control through relentless sales efforts, strict cost discipline, operational excellence and capitalizing on the youngest and most productive fleet in the industry. We are on track to deliver further cost savings in 2016 of $80 million. Delivery of the *Ramform Tethys* in March and commencement of operations of the chartered vessel *Sanco Swift* in Q2 will strengthen our position further.”

Jon Erik Reinhardsen,
President and Chief Executive Officer

Outlook

The low oil price and reduction in oil companies’ spending continue to impact seismic demand. PGS expects market uncertainty and low earnings visibility to continue through 2016.

Based on the current operational projections and with reference to disclosed risk factors, PGS expects full year 2016 gross cash cost of approximately $715 million. This amount represents the sum of reported net operating expenses (excluding depreciation, amortization, impairments and other charges/(income)) and the cash operating costs capitalized as investments in the MultiClient library as well as capitalized development costs.

MultiClient cash investments are expected to be approximately $230 million, with a pre-funding level of approximately 100%.

Slightly less than 50% of active 3D vessel time is currently planned for MultiClient acquisition.

Capital expenditures are expected to be approximately $225 million, of which approximately $165 million is for the new builds *Ramform Tethys* and *Ramform Hyperion*.

The Company has initated a process to increase headroom under the maintenance covenant for its revolving credit facility (Ref. description in Note 10).

The order book totaled $204 million at March 31, 2016 (including $104 million relating to MultiClient), compared to $240 million at December 31, 2015 and $394 million at March 31, 2015.

Key Financial Figures

(In millions of US dollars, except per share data)	Quarter ended March 31, 2016	Quarter ended March 31, 2015	Year ended December 31, 2015
Revenues	203.1	251.1	961.9
EBITDA (as defined, see note 13)	78.6	127.5	484.4
EBIT ex. impairment and other charges/ (income)	(30.2)	13.6	15.8
EBIT as reported	(31.6)	10.9	(430.4)
Income (loss) before income tax expense	(62.2)	(10.0)	(505.5)
Net income (loss) to equity holders	(57.1)	(19.5)	(527.9)
Basic earnings per share ($ per share)	(0.24)	(0.09)	(2.43)
Net cash provided by operating activities	133.3	212.4	487.9
Cash investment in MultiClient library	48.3	64.0	303.3
Capital expenditures (whether paid or not)	108.9	41.5	165.7
Total assets	3 029.2	3 501.0	2 914.1
Cash and cash equivalents	116.6	148.9	81.6
Net interest bearing debt	1 120.9	955.9	994.2

Condensed Consolidated Statements of Profit and Loss

(In millions of US dollars)	Note	Quarter ended March 31, 2016	Quarter ended March 31, 2015	Year ended December 31, 2015
Revenues	1	203.1	251.1	961.9
Cost of sales	2	106.2	106.6	413.1
Research and development costs	2	5.8	5.9	20.3
Selling, general and administrative costs	2	12.5	11.0	44.1
Depreciation and amortization	3	108.8	114.1	468.5
Impairment and loss on sale of long-term assets	3	-	-	397.2
Other charges/(income)	3	1.4	2.7	49.0
Total operating expenses		234.7	240.2	1 392.3
Operating profit (loss)/EBIT		(31.6)	10.9	(430.4)
Share of results from associated companies	4	(25.3)	(7.6)	(16.1)
Interest expense	5	(6.8)	(7.8)	(29.5)
Other financial expense, net	6	1.6	(5.4)	(29.6)
Income (loss) before income tax expense		(62.2)	(10.0)	(505.5)
Income tax expense (benefit)	7	(5.1)	9.5	22.4
Net income (loss) to equity holders of PGS ASA		**(57.1)**	**(19.5)**	**(527.9)**
Other comprehensive income				
Items that will not be reclassified to profit and loss	12	(5.5)	(3.4)	1.3
Items that may be subsequently reclassified to profit and loss	12	0.3	0.4	(2.4)
Other comprehensive income for the period, net of tax		(5.2)	(3.0)	(1.1)
Total comprehensive income to equity holders of PGS ASA		**(62.3)**	**(22.5)**	**(529.0)**

Condensed Consolidated Statements of Financial Position

(In millions of US dollars)	Note	March 31, 2016	March 31, 2015	December 31, 2015
ASSETS				
Cash and cash equivalents	10	116.6	148.9	81.6
Restricted cash	10	30.4	18.5	19.0
Accounts receivable		95.1	152.5	112.8
Accrued revenues and other receivables		119.8	133.4	158.1
Other current assets		103.3	146.4	98.8
Total current assets		465.2	599.8	470.3
Property and equipment	8	1 459.0	1 640.4	1 397.5
MultiClient library	9	692.8	715.2	695.0
Restricted cash	10	58.9	60.8	52.5
Deferred tax assets		89.2	97.7	79.4
Other long-term assets		103.3	59.8	57.7
Goodwill		-	139.9	-
Other intangible assets		160.9	187.4	161.6
Total long-term assets		2 564.0	2 901.2	2 443.8
Total assets		**3 029.2**	**3 501.0**	**2 914.1**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Short-term debt and current portion of long-term debt	10	37.7	24.8	24.8
Accounts payable		46.2	55.8	52.6
Accrued expenses and other current liabilities		191.0	284.8	196.5
Income taxes payable		25.6	34.2	24.4
Total current liabilities		300.6	399.6	298.4
Long-term debt	10	1 267.8	1 144.8	1 099.9
Deferred tax liabilities		1.6	15.2	1.6
Other long-term liabilities		56.2	60.4	50.5
Total long-term liabilities		1 325.5	1 220.4	1 152.0
Common stock; par value NOK 3;				
issued and outstanding 239,579,996 shares		104.0	96.5	104.0
Treasury shares, par value		(1.1)	(1.9)	(1.1)
Additional paid-in capital		624.4	528.8	622.8
Total paid-in capital		727.3	623.4	725.7
Accumulated earnings		742.8	1 321.4	799.9
Other comprehensive income		(67.1)	(63.8)	(61.9)
Total shareholders' equity		1 403.0	1 880.9	1 463.7
Total liabilities and shareholders' equity		**3 029.2**	**3 501.0**	**2 914.1**

Condensed Consolidated Statements of Cash Flows

(In millions of US dollars)	Quarter ended March 31, 2016	Quarter ended March 31, 2015	Year ended December 31 2015
Net income (loss) to equity holders of PGS ASA	**(57.1)**	**(19.5)**	**(527.9)**
Depreciation, amortization, impairment and loss on sale of long-term assets	108.8	114.1	865.8
Share of results in associated companies	25.3	7.6	16.1
Interest expense	6.8	7.8	29.5
Loss (gain) on sale and retirement of assets	1.0	1.0	0.3
Income taxes paid	(1.5)	(11.6)	(25.2)
Other items	4.3	2.7	14.5
(Increase) decrease in accounts receivable, accrued revenues & other receivables	56.1	147.3	172.1
Increase (decrease) in accounts payable	(1.3)	(32.6)	(33.9)
Change in other current items related to operating activities	0.1	18.1	0.4
Change in other long-term items related to operating activities	(9.2)	(22.5)	(23.6)
Net cash provided by operating activities	**133.3**	**212.4**	**487.9**
Investment in MultiClient library	(48.3)	(64.0)	(303.3)
Investment in property and equipment	(114.4)	(30.7)	(164.0)
Investment in other intangible assets	(2.9)	(4.9)	(19.0)
Investment in other current -and long-term assets	(93.3)	5.1	(24.2)
Proceeds from sale and disposal of assets	-	-	88.6
Increase in long-term restricted cash	(1.1)	(1.9)	(5.0)
Net cash used in investing activities	**(260.0)**	**(96.4)**	**(426.9)**
Proceeds, net of deferred loan costs, from issuance of long-term debt	78.6	-	35.8
Repayment of long-term debt	(6.2)	(6.2)	(24.8)
Net drawdown of Revolving Credit Facility	95.0	(10.0)	(75.0)
Proceeds from sale of treasury shares/share issue	-	-	104.2
Dividend paid	-	-	(20.3)
Interest paid	(5.8)	(5.6)	(54.0)
Net cash (used in) provided by financing activities	**161.6**	**(21.8)**	**(34.1)**
Net increase (decrease) in cash and cash equivalents	34.8	94.2	26.9
Cash and cash equivalents at beginning of period	81.6	54.7	54.7
Cash and cash equivalents at end of period	**116.4**	**148.9**	**81.6**

Condensed Consolidated Statements of Changes in Shareholders' Equity

For the three months ended March 31, 2015

	Attributable to equity holders of PGS ASA					
(In millions US of dollars)	Common stock par value	Treasury shares par value	Additional paid-in capital	Accumulated earnings	Other comprehensive income	Shareholders equity
Balance as of January 1, 2015	**96.5**	**(1.9)**	**526.9**	**1 340.9**	**(60.8)**	**1 901.6**
Total comprehensive income	-	-	-	(19.5)	(3.0)	(22.5)
Employee benefit plans	-	-	1.9	-	-	1.9
Balance as of March 31, 2015	**96.5**	**(1.9)**	**528.8**	**1 321.4**	**(63.8)**	**1 881.0**

For the three months ended March 31, 2016

	Attributable to equity holders of PGS ASA					
(In millions US of dollars)	Common stock par value	Treasury shares par value	Additional paid-in capital	Accumulated earnings	Other comprehensive income	Shareholders equity
Balance as of January 1, 2016	**104.0**	**(1.1)**	**622.8**	**799.9**	**(61.9)**	**1 463.7**
Total comprehensive income	-	-	-	(57.1)	(5.2)	(62.3)
Employee benefit plans	-	-	1.6	-	-	1.6
Balance as of March 31, 2016	**104.0**	**(1.1)**	**624.4**	**742.8**	**(67.1)**	**1 403.0**

Notes to the Condensed Interim Consolidated Financial Statements
First Quarter 2016 Results

Note 1 – Revenues

Revenues by service type:

(In millions of US dollars)	Quarter ended March 31, 2016	Quarter ended March 31, 2015	Year ended December 31, 2015
Marine revenues by service type:			
- Contract seismic	59.2	68.8	274.0
- MultiClient pre-funding	59.9	86.6	380.4
- MultiClient late sales	65.3	56.7	194.3
- Imaging	16.6	30.3	93.7
- Other	2.1	8.7	19.6
Total revenues	**203.1**	**251.1**	**961.9**

Vessel allocation(1):

	Quarter ended March 31, 2016	Quarter ended March 31, 2015	Year ended December 31, 2015
Contract	68 %	31 %	35 %
MultiClient	22 %	32 %	39 %
Steaming	10 %	14 %	11 %
Yard	0 %	5 %	3 %
Stacked/standby	0 %	18 %	12 %

In Q1 2016, revenues for Petroleum Geo-Services ASA ("PGS" or "the Company") was $203.1 million, a decrease of $48.0 million, or 19%, compared to Q1 2015. The reduction is mainly driven by a 31% decline in MultiClient pre-funding revenues and 14% lower marine contract revenues, although the absolute pre-funding level remained robust at 124%. This was partially offset by a 15% increase in MultiClient late sales revenues. The reduction in consolidated revenues reflects an increasingly cautious spending pattern amongst oil companies, which intensified further in the quarter due to the oil price weakness experienced around the start of the year.

Although more capacity was allocated to marine contract than in Q1 2015, the Q1 2016 marine contract revenues were lower than in Q1 2015, reflecting more challenging market conditions and lower average pricing.

MultiClient pre-funding revenues in Q1 2016 were lower than in Q1 2015 primarily due to less capacity allocated to MultiClient. The Company's MultiClient projects in the quarter were located in South America and Africa, while one project was commenced in the North Sea towards the end of the quarter.

MultiClient late sales revenues in Q1 2016 were higher than in Q1 2015 primarily driven by a $37.0 million data sale to Azimuth Ltd. (see Note 4.)

External imaging revenues in Q1 2016 were down 45% compared to Q1 2015. The decrease reflects the difficult global market and a greater portion of resources allocated to MultiClient projects.

Note 2 – Net Operating Expenses excluding Depreciation, Amortization, Impairments and Other Charges/(Income)

(In millions of US dollars)	Quarter ended March 31, 2016	Quarter ended March 31, 2015	Year ended December 31, 2015
Cost of sales, gross	154.6	170.6	716.4
Research and development costs, gross	7.8	8.8	32.6
Sellling, general and administrative costs	12.5	11.0	44.1
Cash costs, gross	**174.9**	**190.5**	**793.1**
Cash investment in MultiClient library	(48.3)	(64.0)	(303.3)
Capitalized development costs	(2.0)	(2.9)	(12.3)
Total	**124.6**	**123.5**	**477.5**

Reported net operating expenses for the Group (excluding depreciation, amortization, impairments and other charges/(income)) in Q1 2016 were slightly down compared to Q1 2015. This being a combination of lower gross cash costs in Q1 2016, mainly due to cost reductions, offset by less operating cost capitalized as investment to the MultiClient library. The Q1 2016 gross cash costs include approximately $11.5 million relating to vessels that were not operated in the quarter. The amount includes the charter and other costs for *Sanco Sword* and *Sanco Swift*, the costs to permanently derig and sell *Nordic Explorer* as well as higher costs to complete activities relating to vessels stacked in Q4 2015.

The Company continuously monitors the development of its gross 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 the MultiClient library as well as capitalized development costs. Total cost savings for the full year 2015 ended at $318.5 million (compared to full year 2014). Significant initiatives were implemented in the second half of 2015. Combining the full year effects for 2016 with foreign exchange savings, reduced fuel price and other cost initiatives the Company expects gross cash costs to be reduced by another $80 million this year.

The decrease in expensed research and development costs in Q1 2016, compared to Q1 2015 is due to reduced cost levels. The Company's R&D costs are focused on the core business activities of marine seismic acquisition and imaging.

Note 3 – Depreciation, Amortization, Impairments and Other Charges/(Income)

Depreciation, amortization and impairment consists of the following:

	Quarter ended March 31,		Year ended December 31,
(In millions of US dollars)	2016	2015	2015
Gross depreciation	52.1	66.7	245.2
Depreciation capitalized and deferred, net	(11.4)	(25.1)	(104.2)
Amortization of MultiClient library	68.1	72.5	327.6
Impairment and loss on sale of long-term assets	-	-	397.2
Other charges/(income)	1.4	2.7	49.0
Total	**110.2**	**116.8**	**914.8**

In Q1 2016, gross depreciation decreased compared to Q1 2015 as a result of a general reduction in capital expenditures related to maintenance as well as impairment charges. Capitalized depreciation decreased due to less vessel capacity allocated to MultiClient projects.

Amortization rate for the MultiClient library as a percentage of MultiClient revenues was 54% in Q1 2016, compared to 51% in Q1 2015. PGS estimates the amortization expense in 2016 to be approximately $300 million. With effect January 1, 2016 PGS amended its accounting policy for MultiClient amortization as explained in Note 13.

In Q1 2016 the Company decreased its provision for onerous contracts of $0.6 million. As of March 31, 2016 the Company's provision for onerous contracts amounted to a total of $10.5 million. 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 change of provision is included in "Other charges/(income)" and will be reversed over the periods during which the contractual services are rendered.

Note 4 – Share of Results from Associated Companies

The investment in associated companies is comprised almost entirely of PGS' 45% investment in the Azimuth companies. During Q1 2016 PGS invested $74.1 million in Azimuth. With this investment PGS aims to maintain its minority ownership of 45% for the next two years without further capital contributions. Also in Q1 2016 PGS had MultiClient pre-funding and late sales revenues from Azimuth totalling $56.0 million. PGS' investments in Azimuth will over time largely correspond to data sales and services purchased by Azimuth. PGS sees good value in the Azimuth structure and its counter-cyclical investment strategy. Azimuth has strong financial support from its other investors, which are matching the PGS investment with an amount corresponding to their ownership in the company. PGS has a right, but no obligation to invest in Azimuth Ltd.

The Q1 2016 share of results from associated companies amounted to a loss of $25.3 million and was primarily related to exploration expenses in Azimuth Ltd. In its equity accounting for the investment for the 45% interest in Azimuth, PGS charges to expense most of Azimuth's exploration activities. The loss mostly relates to Azimuth's MultiClient data purchase from PGS.

Note 5 – Interest Expense

Interest expense consists of the following:

(In millions of US dollars)	Quarter ended March 31, 2016	Quarter ended March 31, 2015	Year ended December 31, 2015
Interest expense, gross	(14.9)	(14.3)	(58.2)
Capitalized interest, MultiClient library	4.8	4.8	19.6
Capitalized interest, construction in progress	3.3	1.7	9.1
Total	**(6.8)**	**(7.8)**	**(29.5)**

Compared to Q1 2015, gross interest expense and capitalized interest to the MultiClient library in Q1 2016 remained fairly flat.

Interest expense capitalized to construction in progress in Q1 2016 increased by $1.6 million compared to Q1 2015, but will be lower in the quarters going forward since *Ramform Tethys* was delivered in March.

Note 6 – Other Financial Expense, Net

Other financial expense, net consists of the following:

(In millions of US dollars)	Quarter ended March 31, 2016	Quarter ended March 31, 2015	Year ended December 31, 2015
Interest income	1.1	0.5	2.7
Currency exchange gain (loss)	1.2	(4.7)	(18.5)
Other	(0.7)	(1.2)	(13.7)
Total	**1.6**	**(5.4)**	**(29.6)**

Other financial expense, net, improved in Q1 2016 compared to Q1 2015 primarily due to currency exchange gain, and higher interest income.

The Company holds foreign currency positions to manage its operational currency exposure. These positions are marked to market at each balance sheet date together with receivables and payables in non-US currencies. Foreign currency positions larger than the monetary balance sheet items in the same currency will generally cause a currency exchange loss when the US dollar appreciates.

Note 7 – Income Tax Expense (Benefit)

Income tax expense (benefit) consists of the following:

(In millions of US dollars)	Quarter ended March 31, 2016	Quarter ended March 31, 2015	Year ended December 31, 2015
Current tax expense	3.5	9.2	19.6
Deferred tax expense	(8.6)	0.3	2.8
Total	**(5.1)**	**9.5**	**22.4**

Current tax expense in Q1 2016 of $3.5 million primarily relates to foreign tax. The deferred tax income relates to the reported loss for the quarter, but no deferred tax benefit has been recognized on share of loss from associated companies.

Tax Contingencies

The Company has an ongoing dispute in Brazil related to 5% ISS tax on the sale of MultiClient data from year 2000 and onwards. As of March 31, 2016, the exposure is $118.0 million, including possible penalties and interest. PGS has made deposits covering $58.9 million of the total exposure. There has been no significant development during the quarter. Because the Company considers it more likely than not that the contingency will be resolved in its favor, no provision has been made for any portion of the exposure.

The Company also has ongoing tax disputes related to charter of vessels into Brazil. The assessments, which seek to levy 15% withholding tax and 10% CIDE (service) tax, amount to $29.5 million in total. Because the Company considers it more likely than not that the contingency will be resolved in its favor, no provision has been made for any portion of the exposure.

The Company also has other tax contingencies as described in more detail in the 2015 financial statements Note 9.

Note 8 – Property and Equipment

Capital expenditures 1) consists of the following:

	Quarter ended March 31,		Year ended December 31,
(In millions of US dollars)	2016	2015	2015
Seismic equipment	(0.2)	4.1	17.6
Vessel upgrades/Yard	11.5	5.0	10.9
Processing equipment	0.8	1.4	5.3
Newbuilds	96.4	21.2	116.6
Other	0.5	9.8	15.3
Total	**108.9**	**41.5**	**165.7**

1) Includes capital expenditure incurred, whether paid or not.

In Q1 2016, PGS took delivery of *Ramform Tethys* from Mitsubishi Heavy Industries Shipbuilding Co. Ltd ("MHIS") in Japan, the third in a series of four Ramform Titan-class vessels. *Ramform Tethys* is even better than the first two Ramform Titan-class vessels due to further enhancements of equipment handling on the back deck and increased power output. Productivity, safety, and stability are key benefits of these vessels. PGS has agreed with MHIS to move the delivery date of the last Ramform Titan-class vessel, *Ramform Hyperion,* to Q1 2017. The agreement on *Ramform Hyperion* is subject to the lenders' consent in the process of being obtained.

The cash capital expenditure of *Ramform Tethys* ended at approximately $265 million, including commissioning and a comprehensive seismic equipment package, but excluding capitalized interest and post-delivery cost. The corresponding amount for *Ramform Hyperion* is expected to be approximately $265-270 million. The cost is reduced compared to earlier indications due to various cost savings, as well as re-use of available seismic equipment. During Q4 2015, PGS cold-stacked four first generation Ramform vessels and removed the seismic equipment with the intention of using the equipment on vessels in operation and for the new builds.

The agreement with the shipyard provides for payment based on five defined milestones per vessel, with 50% payable at delivery. Seismic equipment is procured by PGS separately from the shipbuilding contract. Accumulated capital expenditures related to *Ramform Hyperion* as of March 31, 2016 was $124.0 million.

In Q4 2015, PGS entered into charter agreements with Sanco Shipping AS for the modern high capacity conventional 3D vessels *Sanco Swift* and *Sanco Sword*. PGS took delivery of the two vessels in Q1 2016. PGS commenced rigging of the *Sanco Swift* with GeoStreamer in Q1 2016 and expects to start operating the vessel in the North Sea in early Q2. PGS plans to cold-stack *Ramform Vanguard* after the current European campaign.

Note 9 – MultiClient Library

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

	March 31,		December 31,
(In millions of US dollars)	2016	2015	2015
Completed during 2010	-	8.4	-
Completed during 2011	8.1	16.8	10.8
Completed during 2012	16.7	28.1	19.1
Completed during 2013	23.8	44.6	25.9
Completed during 2014	85.8	107.4	91.5
Completed during 2015	151.6	64.8	175.7
Completed during 2016	62.6	-	-
Completed surveys	348.6	270.1	323.1
Surveys in progress	344.2	445.1	371.9
MultiClient library, net	**692.8**	**715.2**	**695.0**

Key figures MultiClient library:

(In millions of US dollars)	Quarter ended March 31, 2016	Quarter ended March 31, 2015	Year ended December 31, 2015
MultiClient pre-funding revenue	59.9	86.6	380.4
MultiClient late sales	65.3	56.7	194.3
Cash investment in MultiClient library	48.3	64.0	303.3
Prefunding as a percentage of MultiClient cash investment	124 %	135 %	125 %
Capitalized interest in MultiClient library	4.8	4.8	19.6
Capitalized depreciation (non-cash)	12.7	23.8	107.0
Amortization of MultiClient library	68.1	72.5	327.6

MultiClient pre-funding revenues corresponded to 124% of capitalized MultiClient cash investment (excluding capitalized interest) in Q1 2016, compared to 135% in Q1 2015. The Company expects to achieve a pre-funding level of approximately 100% for the full year 2016.

The reduced MultiClient cash investment in Q1 2016, compared to Q1 2015 is mainly due to less capacity allocated to MultiClient projects, and a lower cost level.

Note 10 – Liquidity and Financing

In Q1 2016, net cash provided by operating activities was $133.3 million, compared to $212.4 million in Q1 2015. The decrease is mainly due to lower earnings and a weaker working capital development. In the current market environment some clients are seeking extended payment terms, which have put some upward pressure on the working capital.

The liquidity reserve, including cash and cash equivalents and the undrawn part of the revolving credit facility (“RCF”), was $496.6 million as of March 31, 2016, compared to $556.6 million as of December 31, 2015 and $558.9 million as of March 31, 2015. In addition, the Company has $129.3 million of undrawn credit on the Export Credit Financing (“ECF”) facility to cover yard installments on the *Ramform Hyperion* new build scheduled for delivery in Q1 2017.

Long term debt consists of the following:

(In millions of US dollars)	March 31, 2016	March 31, 2015	December 31, 2015
Secured			
Term loan B, Libor (min. 75 bp) + 250 Basis points, due 2021	392.0	396.0	393.0
Export credit financing, due 2025	197.9	218.7	203.1
Export credit financing, due 2027	166.9	38.1	76.1
Revolving credit facility, due 2018	120.0	90.0	25.0
Unsecured			
Senior notes, Coupon 7.375%, due 2018	450.0	450.0	450.0
Total	**1 326.8**	**1 192.8**	**1 147.2**
Less current portion	(37.7)	(24.8)	(24.8)
Less deferred loan costs, net of debt premiums	(21.3)	(23.2)	(22.5)
Total long-term debt	**1 267.8**	**1 144.8**	**1 099.9**

Fair value of the long term debt was $1,017.0 million and $1,091.5 million as of March 31, 2016 and 2015, respectively.

Undrawn facilities consists of the following:

(In millions of US dollars)	March 31, 2016	March 31, 2015	December 31, 2015
Secured			
Revolving credit facility, due 2018	380.0	410.0	475.0
Export credit financing	129.3	266.5	220.5
Unsecured			
Bank facility (NOK 50 mill)	6.0	6.2	5.7
Performance bond	7.9	15.1	10.7
Total	**523.2**	**697.8**	**711.9**

Summary of net interest bearing debt:

(In millions of US dollars)	March 31, 2016	March 31, 2015	December 31, 2015
Cash and cash equivalents	116.6	148.9	81.6
Restricted cash (current and long-term)	89.3	79.3	71.5
Interest bearing receivables	-	8.7	-
Short-term debt and current portion of long-term debt	(37.7)	(24.8)	(24.8)
Long-term debt	(1 267.8)	(1 144.8)	(1 099.9)
Adjustment for deferred loan costs (offset in long-term debt)	(21.3)	(23.2)	(22.5)
Total	**(1 120.9)**	**(955.9)**	**(994.2)**

The relatively high level of restricted cash relates primarily to deposits made in 2010 and 2011 to initiate law suits with the Rio de Janeiro courts to seek confirmation that sale of MultiClient data in Brazil is not subject to ISS tax (see annual report 2015 for more details). The deposits are denominated in Brazilian Real and the carrying value at end Q1 2016 is approximately $58.9 million. Restricted cash also includes $20.8 million held in debt service reserve accounts related to the export credit financing of *Ramform Titan*, *Atlas and Tethys*.

At March 31, 2016, the Company had approximately 50% of its debt at fixed interest rates. The weighted average cash interest cost of gross debt reflects an interest rate of approximately 4.4%, including credit margins paid on the debt. PGS does not have any major debt maturities before 2018.

The undrawn portion of the RCF constitutes a significant portion of the Company's liquidity reserve. In 2015 the Total Leverage Ratio ("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. While the actual TLR was 3.26 and inside the required level at March 31, 2016, there is a risk, due to the weak market, that the TLR may exceed 4.00:1 in future quarters. For this reason the Company has initiated a process to amend the TLR covenant to create more headroom.

If the Company end 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.

Note 11 – Earnings per Share

Earnings per share, to ordinary equity holders of PGS ASA:

	Quarter ended March 31, 2016	Quarter ended March 31, 2015	Year ended December 31, 2015
- Basic	(0.24)	(0.09)	(2.43)
- Diluted	(0.24)	(0.09)	(2.42)
Weighted average basic shares outstanding	238 184 427	214 114 978	217 310 643
Weighted average diluted shares outstanding	238 766 052	214 776 809	218 441 710

Note 12 –Other Comprehensive Income

Changes to Other comprehensive income consists of the following:

(In millions of US dollars)	Quarter ended March 31, 2016	Quarter ended March 31, 2015	Year ended December 31, 2015
Actuarial gains (losses) on defined benefit pensions plans	(6.7)	(4.3)	3.0
Income tax effect on actuarial gains and losses	1.2	0.9	(1.7)
Items that will not be reclassified to profit and loss	**(5.5)**	**(3.4)**	**1.3**
Cash flow hedges			
Gains (losses) arising during the period	1.9	-	(1.1)
Reclassification adjustments for losses (gains) included in profit and loss	-	-	-
Other comprehensive income (loss) of associated companies	(1.6)	0.9	(0.8)
Translation adjustments and other	-	(0.5)	(0.5)
Items that may be subsequently reclassified to profit and loss	**0.3**	**0.4**	**(2.4)**

Note 13 – Basis of Presentation

The Company is a Norwegian limited liability company and has prepared its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU. The consolidated condensed interim financial statements have been prepared in accordance with international Accounting Standards ("IAS") No. 34 "Interim Financial Reporting". The interim financial information has not been subject to audit or review.

The condensed interim consolidated financial statements reflect all adjustments, in the opinion of PGS' management, that are necessary for a fair presentation of the results of operations for all periods presented. Operating results for the interim period are not necessarily indicative of the results that may be expected for any subsequent interim period or year. The condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2015.

The accounting policies adopted in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the preparation of the Company's consolidated financial statements for the year ended December 31, 2015, with the exception of the amendments to IAS 38 as described below.

The Company adopted the amendments to IAS 38 "Intangible Assets" effective from January 1, 2016. The amendments are applied prospectively. The main amendments to accounting for the seismic MultiClient libraries are (i) During the work in progress ("WIP") phase, amortization will continue to be based on total cost versus forecasted total revenues of the project. (ii) After a project is completed, a straight-line amortization is applied. The straight-line amortization will be assigned over a remaining useful life, which for most projects is expected to be four years. The straight-line amortization will be distributed evenly through the financial year independently of sales during the quarters.

Recognition of impairment of finished library may be necessary in the event that sales on a survey are realized disproportionately sooner within that survey's 4-year useful life. This accelerated amortization (impairment) is classified as amortization expense in the condensed consolidated statements of profit and loss and amounted to $13.3 million in Q1 2016. The Company will continue to classify as amortization expense in its condensed 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 amortization expense to occur regularly because each individual survey is evaluated at least annually for impairment or when specific indicators exist.

The Company continues to classify as impairment in its condensed 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.

EBIT or "operating profit" means Revenues less Total operating expenses. EBITDA, when used by the Company, means EBIT excluding other charges/(income), impairment and loss on sale of long-term assets and depreciation and amortization. EBITDA may not be comparable to other similarly titled measures from other companies. The Company has included EBITDA as a supplemental disclosure because management believes that is provides useful information regarding the Company's ability to service debt and to fund capital expenditures and provides a helpful measure for comparing its operating performance with that of other companies.

As a result of rounding differences, numbers may not add up to the total.

Note 14 - Risk Factors

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

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

For a further description of other relevant risk factors we refer to the Annual Report for 2015. As a result of these and other risk factors, actual events and actual results may differ materially from those indicated in or implied by such forward-looking statements.

Subsequent Events

On April 13, 2016, PGS and EMGS announced they have settled the patent disputes between the companies. The Settlement agreement grants PGS a license to the EMGS patent for operation of its Towed Streamer EM system. EMGS is similarly granted a license to the PGS patent. Both licenses are royalty free and valid world-wide for the validity period of the relevant patent.

Oslo, May 2, 2016

Francis R. Gugen
Chairperson

Daniel J. Piette
Director

Harald Norvik
Vice Chairperson

Walter Qvam
Director

Carol Bell
Director

Anne Grethe Dalane
Director

Holly A. Van Deursen
Director

Berit Osnes
Director

Espen Grimstad
Director

Anette Valbø
Director

Morten Borge
Director

Jon Erik Reinhardsen
Chief Executive Officer

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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 has a presence in 18 countries with regional centers in London, Houston and Kuala Lumpur. Our headquarters is in Oslo, Norway and the PGS share is listed on the Oslo stock exchange (OSE: PGS).

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

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The information included herein contains certain forward-looking statements that address activities, events or developments that the Company expects, projects, believes or anticipates will or may occur in the future. These statements are based on various *assumptions made by the Company, which are beyond its control and are subject to certain additional risks and uncertainties. The Company is subject to a large number of risk factors including but not limited to the demand for seismic services, the demand for data from our multi-client data library, the attractiveness of our technology, unpredictable changes in governmental regulations affecting our markets and extreme weather conditions. For a further description of other relevant risk factors we refer to our Annual Report for 2015. As a result of these and other risk factors, actual events and our actual results may differ materially from those indicated in or implied by such forward-looking statements. The reservation is also made that inaccuracies or mistakes may occur in the information given above about current status of the Company or its business. Any reliance on the information above is at the risk of the reader, and PGS disclaims any and all liability in this respect.*

FOR DETAILS CONTACT:
Bård Stenberg, VP IR & Corporate Communications
Phone: +47 67 51 43 16
Mobile: +47 992 45 235

PGS Main Offices:

OSLO (headquarter)
Petroleum Geo-Services ASA
Lilleakerveien 4C
P.O.Box 251 Lilleaker
0216 Oslo, Norway
Phone: +47 67 52 64 00

HOUSTON
Petroleum Geo-Services, Inc.
West Memorial Place I
15375 Memorial Drive, Suite 100
Houston Texas 77079, USA
Phone: +1 281 509 8000

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

KUALA LUMPUR, Malaysia
Petroleum Geo-Services Exploration
(M) Sdn. Bhd
Menara Dion, Level 11
27 Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia
Phone: +60 3 2175 3800

Board of Directors:

Francis Gugen (Chairperson)
Harald Norvik (Vice Chairperson)
Carol Bell
Holly Van Deursen
Daniel J. Piette
Anne Grethe Dalane
Walter Qvam
Morten Borge
Anette Valbø (employee elected)
Espen Grimstad (employee elected)
Berit Osnes (employee elected)

Executive Officers:

Jon Erik Reinhardsen	President and CEO
Gottfred Langseth	EVP & CFO
Rune Olav Pedersen	EVP & General Counsel
Magne Reiersgard	EVP Marine Contract
Sverre Strandenes	EVP MultiClient
Guillaume Cambois	EVP Imaging & Engineering
Per Arild Reksnes	EVP Operations

Other Corporate Management:

Terje Bjølseth - SVP Global Human Resources
Joanna Oustad - SVP HSEQ

Web-Site:
www.pgs.com

Financial Calendar:

Q1 2016 report	May 3, 2016
AGM	May 11, 2016
Q2 2016 report	July 21, 2016
Q3 2016 report	October 27, 2016
Q4 2016 report	February 16, 2017

The dates are subject to change.