



Earnings Release

Q1 - 2018

Refocused & Reenergized

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A Good Start for Achieving Positive 2018 Cash Flow

Note: Petroleum Geo-Services ASA and its subsidiaries (“PGS” or “the Company”) has implemented the new revenue recognition standard, IFRS 15, as the Company’s external financial reporting method. This change impacts the timing of revenue recognition for MultiClient pre-funding revenues and related amortization. PGS will for internal management purposes continue to use the revenue recognition principles applied in previous periods, which are based on percentage of completion, and use this for numbers disclosed as Segment Reporting. See Note 15 for definitions of terms discussed in this report. See Note 16 for a description of the change in revenue recognition resulting from the implementation of IFRS 15. PGS will not restate prior periods.

Highlights Q1 2018

- As Reported revenues of \$201.3 million and EBIT loss of \$7.3 million, according to IFRS
- Segment Revenues of \$197.8 million, compared to \$154.8 million in Q1 2017
- Segment EBITDA of \$92.3 million, compared to \$30.1 million in Q1 2017
- Segment EBIT, a loss of \$22.7 million, compared to a loss of \$83.5 million in Q1 2017
- Segment MultiClient pre-funding revenues of \$58.6 million with a corresponding pre-funding level of 109%, compared to \$39.7 million and 118% in Q1 2017
- Segment MultiClient late sales revenues of \$83.5 million, compared to \$39.3 million in Q1 2017
- Cash flow from operations of \$73.4 million, compared to \$30.0 million in Q1 2017
- Total Leverage Ratio, as defined in the Company’s Credit Facility, below 3.0:1



“The favorable geographical spread of our MultiClient library and our well positioned surveys, combined with improving market sentiment contributed to solid MultiClient late sales revenues in the quarter. MultiClient pre-funding revenues were dominated by new data acquisition in Brazil and West Africa, and we achieved a pre-funding level of 109%, within our targeted range. With a capitalized MultiClient cash investment of \$53.7 million, our segment sales-to-investment ratio was more than 2.6 times.

All our contract activities in the quarter were offshore West Africa, and we expect to continue to operate some of our vessels in this region in the coming quarters. The marine contract market is still challenging and was, as expected, seasonally weak also this winter. We expect pricing for contract work to be higher during the summer season compared to what we have achieved this winter.

This was our first quarter operating under the new organizational structure, and I am pleased to see that we do so with success. Revenue generation is ahead of plan, while our Q1 gross cash cost was impacted by higher activity level and the fact that some cost reductions have gradually taken effect during the quarter. Our full year 2018 cost guidance is adjusted to reflect the impact of a weaker USD, higher fuel prices and changes to our project schedule. The first quarter results and our progress to date reaffirm our confidence in being on track to be cash flow positive after debt service this year.”

A handwritten signature in blue ink, appearing to read 'Rune Olav Pedersen'.

Rune Olav Pedersen,
President and Chief Executive Officer

Outlook

PGS expects the higher oil price, improved cash flow among clients and unsustainable reserve replacement ratios to benefit marine seismic market fundamentals going forward. While the Company expects market sentiment to improve during 2018, there remains a risk that a market recovery will take some time. The Company continues to plan its cost and capital expenditures for 2018 to achieve a positive cash flow post debt service.

Based on the current operational projections and with reference to disclosed risk factors, PGS expects full year 2018 gross cash cost of approximately \$600 million.

2018 MultiClient cash investments are expected to be approximately \$275 million.

Approximately 60% of the 2018 active 3D vessel time is expected to be allocated to MultiClient acquisition.

Capital expenditure for 2018 is expected to be approximately \$50 million.

The order book totaled \$211 million at March 31, 2018 (including \$161 million relating to MultiClient), compared to \$135 million at December 31, 2017 and \$340 million at March 31, 2017. The Company has mobilized both of the two flexible winter capacity vessels to the market and plan to operate eight 3D vessels during the summer season 2018.

Key Financial Figures

(In millions of US dollars, except per share data)	Quarter ended March 31,		Year ended December 31,
	2018	2017	2017
Revenues	201.3	154.8	838.8
EBIT	(7.3)	(93.7)	(383.6)
Income (loss) before income tax expense	(29.6)	(103.0)	(468.1)
Net income (loss) to equity holders	(40.0)	(106.5)	(523.4)
Basic earnings per share (\$ per share)	(0.12)	(0.32)	(1.55)
Net cash provided by operating activities	73.4	30.0	281.8
Cash investment in MultiClient library	53.7	33.6	213.4
Capital expenditures (whether paid or not)	4.0	101.6	154.5
Total assets	2,501.9	2,824.3	2,482.8
Cash and cash equivalents	38.4	38.8	47.3
Net interest bearing debt	1,150.9	1,093.2	1,139.4
Segment Reporting			
Segment Revenues	197.8	154.8	838.8
Segment EBITDA	92.3	30.1	374.1
Segment EBIT ex. impairment and other charges, net	(22.7)	(83.5)	(147.1)

Condensed Consolidated Statements of Profit and Loss and Other Comprehensive Income

(In millions of US dollars)	Note	Quarter ended March 31,		Year ended December 31,
		2018	2017*	2017*
Revenues	2	201.3	154.8	838.8
Cost of sales	3	(85.7)	(112.2)	(411.1)
Research and development costs	3	(2.8)	(3.5)	(17.6)
Selling, general and administrative costs	3	(16.9)	(9.0)	(36.0)
Amortization and impairment of MultiClient library	4	(68.3)	(70.6)	(426.3)
Depreciation and amortization of long term assets (excl. MultiClient library)	4	(38.7)	(44.5)	(154.4)
Impairment and loss on sale of long-term assets (excl. MultiClient library)	4	-	-	(94.2)
Other charges, net	4	3.9	(8.8)	(82.8)
Total operating expenses		(208.6)	(248.6)	(1 222.4)
Operating profit (loss)/EBIT		(7.3)	(93.7)	(383.6)
Share of results from associated companies	5	(3.5)	(4.9)	(20.7)
Interest expense	6	(15.8)	(11.5)	(57.8)
Other financial expense, net	7	(3.0)	7.1	(6.0)
Income (loss) before income tax expense		(29.6)	(103.0)	(468.2)
Income tax	8	(10.4)	(3.5)	(55.2)
Net income (loss) to equity holders of PGS ASA		(40.0)	(106.5)	(523.4)
Other comprehensive income				
Items that will not be reclassified to profit and loss	13	0.2	(4.3)	0.4
Items that may be subsequently reclassified to profit and loss	13	2.2	(0.3)	3.2
Other comprehensive income for the period, net of tax		2.4	(4.6)	3.6
Total comprehensive income to equity holders of PGS ASA		(37.6)	(111.1)	(519.8)
Earnings per share attributable to equity holders of the parent during the period				
Basic and diluted earnings per share	12	(0.12)	(0.32)	(1.55)

*2017 numbers are not restated and are not comparable to 2018, refer to Note 16 for further information.

Condensed Consolidated Statements of Financial Position

(In millions of US dollars)	Note	March 31,		December 31,
		2018	2017	2017
ASSETS				
Cash and cash equivalents	11	38.4	38.8	47.3
Restricted cash	11	4.4	40.1	19.8
Accounts receivable		134.4	79.8	162.8
Accrued revenues and other receivables		93.0	142.1	133.2
Other current assets		74.2	70.9	84.7
Total current assets		344.3	371.7	447.7
Property and equipment	9	1 251.5	1 449.1	1 297.6
MultiClient library	10	671.7	626.7	512.3
Restricted cash	11	38.0	71.5	23.5
Deferred tax assets		-	54.1	-
Other long-term assets		75.4	92.9	78.5
Other intangible assets		121.0	158.3	123.2
Total long-term assets		2 157.6	2 452.5	2 035.1
Total assets		2 501.9	2 824.3	2 482.8
LIABILITIES AND SHAREHOLDERS' EQUITY				
Short-term debt and current portion of long-term debt	11	77.4	52.1	77.6
Accounts payable		60.2	74.9	81.5
Accrued expenses and other current liabilities		136.2	128.6	173.0
Deferred revenues		197.2	7.3	13.8
Income taxes payable		26.1	20.2	21.4
Total current liabilities		497.1	283.1	367.2
Long-term debt	11	1 139.2	1 171.2	1 135.8
Deferred tax liabilities		0.8	0.8	0.8
Other long-term liabilities		97.7	84.0	99.5
Total long-term liabilities		1 237.6	1 256.1	1 236.1
Common stock; par value NOK 3; issued and outstanding 338,579,996 shares		138.5	138.5	138.5
Treasury shares, par value		-	(0.8)	-
Additional paid-in capital		851.4	848.3	851.4
Total paid-in capital		989.9	986.0	989.9
Accumulated earnings		(220.1)	307.4	(105.6)
Other capital reserves		(2.6)	(8.3)	(4.8)
Total shareholders' equity		767.2	1 285.1	879.5
Total liabilities and shareholders' equity		2 501.9	2 824.3	2 482.8

Condensed Consolidated Statements of Changes in Shareholders' Equity

For the three months ended March 31, 2017

(In millions US of dollars)	Attributable to equity holders of PGS ASA					Shareholders equity
	Share capital par value	Treasury shares par value	Additional paid-in capital	Accumulated earnings	Other capital reserves	
Balance as of January 1, 2017	133.7	(0.8)	816.3	418.2	(8.0)	1 359.4
Profit (loss) for the period				(106.5)		(106.5)
Other comprehensive income (loss)	-	-	-	(4.3)	(0.3)	(4.6)
Share issue	4.8		30.6	-	-	35.4
Share based payments	-		1.4	-	-	1.4
Balance as of March 31, 2017	138.5	(0.8)	848.3	307.4	(8.3)	1 285.1

For the year ended December 31, 2017

(In millions US of dollars)	Attributable to equity holders of PGS ASA					Shareholders equity
	Share capital par value	Treasury shares par value	Additional paid-in capital	Accumulated earnings	Other capital reserves	
Balance as of January 1, 2017	133.7	(0.8)	816.3	418.2	(8.0)	1 359.4
Profit (loss) for the period				(523.4)		(523.4)
Other comprehensive income (loss)				0.4	3.2	3.6
Share issue	4.8		30.6	-	-	35.4
Share based payments		0.8	4.5	(0.8)		4.5
Balance as of December 31, 2017	138.5	-	851.4	(105.6)	(4.8)	879.5

For the three months ended March 31, 2018

(In millions US of dollars)	Attributable to equity holders of PGS ASA					Shareholders equity
	Share capital par value	Treasury shares par value	Additional paid-in capital	Accumulated earnings	Other capital reserves	
Balance as of January 1, 2018	138.5	-	851.4	(105.6)	(4.8)	879.5
Profit (loss) for the period				(40.0)		(40.0)
Other comprehensive income (loss)				0.2	2.2	2.4
Share issue				-	-	-
Share based payments				0.6	-	0.6
Adjustment to opening balance*				(75.3)		(75.3)
Balance as of March 31, 2018	138.5	-	851.4	(220.1)	(2.6)	767.2

*Refer to note 16

Condensed Consolidated Statements of Cash Flows

(In millions of US dollars)	Quarter ended March 31,		Year ended December 31,
	2018	2017	2017
Net income (loss) to equity holders of PGS ASA	(40.0)	(106.5)	(523.4)
Depreciation, amortization, impairment and loss on sale of long-term assets	105.9	115.0	674.7
Share of results in associated companies	3.5	4.9	20.7
Interest expense	15.8	11.5	57.8
Loss (gain) on sale and retirement of assets	2.1	(6.9)	(2.9)
Change in deferred tax	-	(0.3)	42.9
Income taxes paid	(8.3)	(2.4)	(12.7)
Other items	0.6	0.2	14.9
(Increase) decrease in accounts receivable, accrued revenues & other receivables	(2.2)	(3.3)	(77.3)
Increase (decrease) in accounts payable	(17.0)	19.7	18.7
Change in other current items related to operating activities	9.2	(2.8)	43.4
Change in other long-term items related to operating activities	3.8	0.9	25.0
Net cash provided by operating activities	73.4	30.0	281.8
Investment in MultiClient library	(53.7)	(33.6)	(213.4)
Investment in property and equipment	(14.1)	(107.6)	(148.8)
Investment in other intangible assets	(7.1)	(3.2)	(17.0)
Investment in other current -and long-term assets	-	(2.3)	(2.3)
Proceeds from sale and disposal of assets	-	23.7	23.7
Decrease (increase) in long-term restricted cash	-	3.3	57.7
Net cash used in investing activities	(74.9)	(119.7)	(300.1)
Proceeds, net of deferred loan costs, from issuance of long-term debt	-	76.6	76.4
Repayment of long-term debt	(13.1)	(13.1)	(51.8)
Net change of drawing on the Revolving Credit Facility	15.0	(25.0)	-
Proceeds from sale of treasury shares/share issue	-	35.4	35.4
Interest paid	(9.4)	(7.1)	(56.3)
Net cash (used in) provided by financing activities	(7.4)	66.8	3.7
Net increase (decrease) in cash and cash equivalents	(8.9)	(22.9)	(14.5)
Cash and cash equivalents at beginning of period	47.3	61.7	61.7
Cash and cash equivalents at end of period	38.4	38.8	47.2

Notes to the Condensed Interim Consolidated Financial Statements First Quarter 2018 Results

Note 1 – Segment Reporting

Following the Company's reorganization with effect from Q1 2018, PGS now has only one operating segment. Because the previous segments, Marine Contract and MultiClient, satisfied the aggregation criteria under IFRS 8 operating segments, this change in segments does not result in a change to the segment reporting for previous periods.

Following the implementation of the new accounting standard for revenues, IFRS 15, MultiClient pre-funding revenues are no longer recognized under the previously applied percentage of completion method. Instead, all such revenues are recognized at delivery of the final processed data, which is typically significantly later than the acquisition of the seismic data.

PGS management has, for the purpose of its internal reporting, continued to report according to the principle applied in 2017 and earlier years, where MultiClient pre-funding revenue is recognized on a percentage of completion basis, and the related amortization of MultiClient library based upon the ratio of aggregate capitalized survey cost to forecasted sales. Reference is made to Note 16 for further information.

The table below sets out a summary of the Group's segment numbers for Q1 2018 and 2017, respectively.

			Quarter ended March 31,			
	2018	2017	2018	2017	2018	2017
	Segment Reporting		Adjustments		As Reported	
Total revenues	197.8	154.8	3.5	-	201.3	154.8
Cost of sales	(85.7)	(112.2)	-	-	(85.7)	(112.2)
Research and development costs	(2.8)	(3.5)	-	-	(2.8)	(3.5)
Selling, general and administrative costs	(16.9)	(9.0)	-	-	(16.9)	(9.0)
Amortization of MultiClient library	(76.3)	(69.2)	8.0	-	(68.3)	(69.2)
Depreciation and amortization (excl. MultiClient library)	(38.7)	(44.4)	-	-	(38.7)	(44.4)
Operating profit/ EBIT ex impairment and other charges,net	(22.7)	(83.5)	11.5	-	(11.2)	(83.5)

There are no differences between Segment and As Reported income statement figures for the year ended December 31, 2017

Segment Reporting applies a percentage of completion revenue recognition principle for MultiClient prefunding agreements and recognizes MultiClient library amortization in the same periods as the revenues. This differs from IFRS reporting which recognizes revenue from MultiClient prefunding agreements and related amortization at the "point in time" which the customer receives access to, or delivery of, the finished data. See Note 16 for further description of the principles applied.

Note 2 – Revenues

Revenues by service type:

			Quarter ended March 31,		Year ended December 31,
	2018	2017	2018	2017	2017
	Segment Reporting		As Reported		As Reported
Marine revenues by service type:					
- Contract seismic	44.5	61.4	44.5	61.4	241.3
- MultiClient pre-funding	58.6	39.7	62.1	39.7	299.4
- MultiClient late sales	83.5	39.3	83.5	39.3	235.0
- Imaging	6.7	13.8	6.7	13.8	51.0
- Other	4.6	0.6	4.6	0.6	12.1
Total revenues	197.8	154.8	201.3	154.8	838.8

Vessel allocation(1):

	Quarter ended March 31,		Year ended December 31,
	2018	2017	2017
Contract	36%	53%	41%
MultiClient	31%	21%	31%
Steaming	4%	10%	11%
Yard	0%	5%	3%
Stacked/standby	29%	11%	14%

1) The statistics exclude cold-stacked vessels.

The comments to revenues in this note relate to both As Reported Revenues and Segment Revenues unless otherwise stated.

Total revenues

Reported revenues for PGS in Q1 2018 amounted to \$201.3 million. Following implementation of IFRS 15, reported revenues for MultiClient pre-funding are not comparable to previous periods, reference is made to Note 16 for further information.

Segment revenues for PGS in Q1 2018 increased by \$40.0 million, or 25%, compared to Q1 2017. The increase is driven by 112% higher MultiClient late sales revenues and 47% higher MultiClient pre-funding revenues, partially offset by 28% lower contract revenues and a 52% reduction of Imaging revenues.

Marine contract revenues

Marine contract revenues in Q1 2018 decreased by \$16.9 million, compared to Q1 2017, primarily as a result of less capacity being allocated to contract 3D activities, partially offset by higher prices. The marine contract market is still challenging and was, as expected, seasonally weak also this winter.

MultiClient pre-funding revenues

Reported MultiClient pre-funding revenues, according to IFRS 15, in Q1 2018 was \$62.1 million, and were predominately driven by completion of surveys in North Europe. Following implementation of IFRS 15, MultiClient pre-funding revenues are not comparable to previous periods, reference is made to Note 16 for further information.

Segment MultiClient pre-funding revenues in Q1 2018 increased by \$18.9 million, compared to Q1 2017, primarily due to more 3D vessel capacity allocated to MultiClient acquisition. MultiClient pre-funding revenues were highest in Brazil, West Africa and Europe.

MultiClient late sale revenues

MultiClient late sales revenues in Q1 2018 increased by 44.2 million, compared to Q1 2017. Higher MultiClient late sales revenues are primarily driven by an improving market sentiment in combination with a geographically diverse MultiClient library and well-positioned MultiClient surveys in relation to recently held license rounds. MultiClient late sales are expected to continue to experience regional and quarterly fluctuations. Late sales were distributed across regions and highest in Europe, Brazil and Mediterranean.

External Imaging revenues

External Imaging revenues decreased by \$7.1 million in Q1 2018, compared to Q1 2017, as a result of a challenging market for imaging services, overall reduced capacity and increased utilization for processing of MultiClient data, as the Company change focus to more internal use of imaging resources.

Note 3 – Net Operating Expenses

(In millions of US dollars)	Quarter ended March 31,		Year ended December 31,
	2018	2017	2017
Cost of sales before investment in MultiClient library	(139.5)	(145.8)	(624.5)
Research and development costs before capitalized development costs	(4.4)	(6.7)	(29.4)
Selling, general and administrative costs	(16.9)	(9.0)	(36.0)
Cash costs, gross	(160.8)	(161.5)	(690.0)
Cash investment in MultiClient library	53.8	33.6	213.4
Capitalized development costs	1.6	3.2	11.8
Net operating expenses	(105.5)	(124.7)	(464.7)

Gross cash cost for PGS in Q1 2018 was in line with Q1 2017. Some of the Company's cost reductions have gradually taken effect during the quarter. The Q1 2018 gross cash cost level is also impacted by approximately \$5 million of net steaming cost charge, higher fuel cost, higher reimbursable and project driven cost, including an early mobilization of *Ramform Sovereign* from warm stack, and a weaker USD.

PGS gross cash cost has been substantially reduced since 2014 when the Company had an annual gross cash cost of \$1,111.7 million. Management expects that the full year 2018 gross cash cost will be approximately \$600 million. The cost level in Q1 2018 was above the planned run rate as some cost reductions have been gradually realized during the quarter. In addition the quarter was impacted by relatively high reimbursable and project driven cost and a net reduction in deferred steam cost. The estimated full year 2018 gross cash cost is increased from the Company's initial estimate of approximately \$575 million to reflect a significant weakening of USD against NOK and GBP, higher estimated fuel cost due to the oil price increase, some delay in realizing parts of the cost reductions, as well as a higher activity level and changes to the project schedule. The full year 2018 estimate is sensitive to changes in exchange rates and oil price, both of which have moved significantly during Q1 2018.

Following the reorganization of PGS, effective January 1, 2018, more office facility and sales costs are classified as "Selling, general and administrative costs."

Note 4 – Amortization, Depreciation, Impairments and Other Charges, net

Amortization and impairment of MultiClient library consist of the following:

(In millions of US dollars)	Quarter ended March 31,		Year ended December 31,
	2018	2017	2017
Amortization of MultiClient library	(40.3)	(69.2)	(366.4)
Accelerated amortization of MultiClient library	(28.0)	-	(0.4)
Impairment of MultiClient library	-	(1.4)	(59.4)
Total	(68.3)	(70.6)	(426.3)
Segment reporting			
Amortization of MultiClient library	(76.3)	(69.2)	(366.4)
Accelerated amortization of MultiClient library	-	-	(0.4)
Total	(76.3)	(69.2)	(366.8)

Segment Amortization of the MultiClient library as a percentage of MultiClient Segment Revenues was 54% in Q1 2018, compared to 88% in Q1 2017. The lower Segment amortization rate in Q1 2018 is primarily due to higher MultiClient Segment Revenues, and especially late sales revenues.

MultiClient library amortization as Reported according to IFRS

Total MultiClient amortization, As Reported according to IFRS, as a percentage of MultiClient revenues was 47% in Q1 2018. The Company recognized accelerated amortization of \$28.0 million on projects completed during the quarter. Following implementation of IFRS 15, MultiClient amortization, As Reported, is not comparable to previous periods. See Note 16.

Explanation of the difference between Segment MultiClient library amortization and As Reported

As a consequence of adopting IFRS 15, amortization As Reported also includes accelerated amortization. With effect from January 1, 2018, revenue As Reported from MultiClient prefunders is recognized when the customer is granted access to the finished survey or upon delivery of the finished data (see Note 16). Concurrent with recognizing this revenue, the Company records an accelerated amortization to reduce the net book value of the survey to the estimated net present value of the forecasted remaining sales.

Depreciation and amortization of long term assets (excl. MultiClient library) consist of the following:

(In millions of US dollars)	Quarter ended March 31,		Year ended December 31,
	2018	2017	2017
Gross depreciation	(53.1)	(53.6)	(226.0)
Depreciation capitalized and deferred, net	14.4	9.2	71.6
Total	(38.7)	(44.5)	(154.4)

Gross depreciation in Q1 2018 was in line with Q1 2017, while the capitalized depreciation was \$5.2 million, or 56%, higher as a result of more 3D vessel capacity allocated to MultiClient activities.

Impairment and loss on sale of long-term assets (excluding MultiClient library) consist of the following:

(In millions of US dollars)	Quarter ended March 31,		Year ended December 31,
	2018	2017	2017
Property and equipment	-	-	(40.6)
Other Intangible assets	-	-	(53.6)
Total	-	-	(94.2)

The Company has recorded significant impairment charges in recent years. The market for seismic data is still uncertain and dependent upon several factors, including market developments and the Company's projections and plans, further impairment of long-term assets, including property and equipment, intangible assets and MultiClient library may arise in future periods.

Other charges, net consist of the following:

(In millions of US dollars)	Quarter ended March 31,		Year ended December 31,
	2018	2017	2017
Severance cost	(1.3)	(0.4)	(34.5)
Onerous lease contracts	-	-	(21.8)
Loss on ISS settlement	-	-	(14.4)
Onerous contracts with customers	6.1	(8.4)	(2.4)
Other	(0.9)	-	(9.8)
Total	3.9	(8.8)	(82.8)

Other charges, net in Q1 2018 primarily relate to reversal of provision for onerous contracts.

As of March 31, 2018 the Company's provision for onerous customer contracts amounted to a total of \$3.6 million, a decrease of \$6.1 million compared to December 31, 2017 and a decrease of \$12.2 million compared to March 31, 2017. The provision represents the estimated loss in future periods relating to certain binding customer contracts where revenues are lower than the full cost, including depreciation, of completing the contract.

Note 5 – Share of Results from Associated Companies

The share of results from associated companies of negative \$3.5 million in Q1 2018 primarily relate to the approximate 32% interest in the Azimuth Group.

Note 6 – Interest Expense

Interest expense consists of the following:

(In millions of US dollars)	Quarter ended March 31,		Year ended December 31,
	2018	2017	2017
Interest expense, gross	(17.1)	(14.6)	(64.4)
Capitalized interest, MultiClient library	1.3	1.4	4.8
Capitalized interest, construction in progress	-	1.8	1.8
Total	(15.8)	(11.5)	(57.8)

Gross interest expense in Q1 2018 increased by \$2.5 million, or 17%, compared to Q1 2017 primarily as a result of an increase of interest rates on the Company's floating rate debt due to an increase of LIBOR.

Note 7 – Other Financial Expense, net

Other financial expense, net consists of the following:

(In millions of US dollars)	Quarter ended March 31,		Year ended December 31,
	2018	2017	2017
Interest income	0.3	0.8	1.4
Currency exchange gain (loss)	(1.7)	0.4	(7.3)
Other	(1.7)	5.8	-
Total	(3.0)	7.1	(6.0)

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.

Note 8 – Income Tax and Contingencies

Income tax consists of the following:

(In millions of US dollars)	Quarter ended March 31,		Year ended December 31,
	2018	2017	2017
Current tax	(10.4)	(3.8)	(12.3)
Change in deferred tax	-	0.3	(42.9)
Total	(10.4)	(3.5)	(55.2)

Current tax expense in Q1 2018 primarily relates to foreign withholding tax and corporate tax relating to significantly increased revenues in South America.

Tax Contingencies

The Company 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 \$47.0 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.

Note 9 – Property and Equipment

Capital expenditures, whether paid or not, consists of the following:

(In millions of US dollars)	Quarter ended March 31,		Year ended December 31,
	2018	2017	2017
Seismic equipment	3.9	7.4	35.7
Vessel upgrades/Yard	-	6.2	18.7
Processing equipment	-	0.8	6.6
Newbuilds	-	86.9	89.0
Other	0.1	0.3	4.5
Total capital expenditures, whether paid or not	4.0	101.6	154.5
Adjustment to prior years capital expenditures	-	5.3	5.3
Change in working capital and capital leases	10.1	0.7	(10.9)
Investment in property and equipment	14.1	107.6	148.8

Following the completion of the new build program in Q2 2017, investment in property and equipment consists mainly of maintenance equipment for the Company's seismic acquisition and imaging activities.

Note 10 – MultiClient Library

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

(In millions of US dollars)	March 31,		December 31,
	2018	2017	2017
Completed during 2012	-	7.0	-
Completed during 2013	5.7	14.5	7.6
Completed during 2014	29.6	54.8	35.5
Completed during 2015	60.7	106.9	69.3
Completed during 2016	168.0	281.6	185.7
Completed during 2017	84.7	22.4	90.8
Completed during 2018	17.7	-	-
Completed surveys	366.4	487.3	389.0
Surveys in progress	305.3	139.4	123.3
MultiClient library, net	671.7	626.7	512.3

The comments to Note 10 relates to both As Reported and Segment Reporting unless otherwise stated.

As more fully described in Note 16, following the implementation of IFRS 15 the carrying value of As Reported Surveys in progress was increased by \$155 million as of January 1, 2018. Comparable figures for 2017 are not restated.

Key figures MultiClient library:

(In millions of US dollars)	Quarter ended March 31,		Year ended December 31,
	2018	2017	2017
MultiClient pre-funding revenue, as reported	62.1	39.7	299.4
MultiClient late sales	83.5	39.3	235.0
Cash investment in MultiClient library	53.7	33.6	213.4
Capitalized interest in MultiClient library	1.3	1.4	4.8
Capitalized depreciation (non-cash)	14.4	9.2	71.6
Amortization of MultiClient library	(40.3)	(69.2)	(366.4)
Accelerated amortization of MultiClient library	(28.0)	-	(0.4)
Impairment of MultiClient library	-	(1.4)	(59.4)
Segment Reporting			
MultiClient pre-funding revenue, Segment	58.6	39.7	299.4
Prefunding as a percentage of MultiClient cash investment	109%	118%	140%

In Q1 2018, Segment MultiClient pre-funding revenues corresponded to 109% of capitalized MultiClient cash investment (excluding capitalized interest), compared to 118% in Q1 2017. The continued high pre-funding level for the MultiClient portfolio illustrates the Company's ability to generate solid MultiClient projects attracting strong customer interest, combined with industry leading project execution and reduced cost.

The higher MultiClient cash investment in Q1 2018, compared to Q1 2017 is mainly due to more 3D vessel capacity allocated to MultiClient and a larger fleet.

Note 11 – Liquidity and Financing

In Q1 2018 net cash provided by operating activities was \$73.4 million, compared to \$30.0 million in Q1 2017. The increase is mainly driven by higher earnings. Partially offsetting this, Q1 2018 net cash provided by operating activities includes \$14.3 million of payments relating to severance and other restructuring provisions made in Q4 2017.

The liquidity reserve, including cash and cash equivalents and the undrawn part of the Revolving Credit Facility ("RCF"), was \$233.4 million as of March 31, 2018, compared to \$257.3 million as of December 31, 2017 and \$273.8 million as of March 31, 2017.

Long term debt consists of the following:

(In millions of US dollars)	March 31,		December 31,
	2018	2017	2017
<i>Secured</i>			
Term loan B, Libor (min. 75 bp) + 250 Basis points, due 2021	384.0	388.0	385.0
Export credit financing, due 2025	156.2	177.0	161.4
Export credit financing, due 2027	248.3	274.7	255.1
Revolving credit facility, due 2020	205.0	165.0	190.0
<i>Unsecured</i>			
Senior notes, Coupon 7.375%, due 2018	26.0	26.0	26.0
Senior notes, Coupon 7.375%, due 2020	212.0	212.0	212.0
Long-term debt, gross (1)	1,231.5	1,242.7	1,229.5
Less current portion LT debt	(77.2)	(51.2)	(77.2)
Less deferred loan costs, net of debt premiums	(15.2)	(20.3)	(16.5)
Total long-term debt	1,139.1	1,171.2	1,135.8

(1) Fair value of the long term debt, gross was \$1,209.2 million as of March 31 2018, compared to \$1,162.9 million as of March 31, 2017.

Undrawn facilities consists of the following:

(In millions of US dollars)	March 31,		December 31,
	2018	2017	2017
<i>Secured</i>			
Revolving credit facility, due 2020	195.0	235.0	210.0
<i>Unsecured</i>			
Bank facility (NOK 50 mill)	6.5	5.8	6.1
Performance bond	13.1	7.6	11.3
Total	214.6	248.4	227.4

Summary of net interest bearing debt:

(In millions of US dollars)	March 31,		December 31,
	2018	2017	2017
Cash and cash equivalents	38.4	38.8	47.3
Restricted cash (current and long-term)	42.4	111.6	43.2
Short-term debt and current portion of long-term debt	(77.4)	(52.1)	(77.6)
Long-term debt	(1,139.1)	(1,171.2)	(1,135.8)
Adjustment for deferred loan costs (offset in long-term debt)	(15.2)	(20.3)	(16.5)
Total	(1,150.9)	(1,093.2)	(1,139.4)

Restricted cash of \$42.4 million includes \$37.8 held in debt service reserve and retention accounts related to the export credit financing ("ECF") of *Ramform Titan*, *Ramform Atlas*, *Ramform Tethys* and *Ramform Hyperion*.

At March 31, 2018, the Company had approximately 52% of its debt at fixed interest rates. The Q1 2018 weighted average cash interest cost of gross debt reflects an interest rate of approximately 4.8%, including credit margins paid on the debt. PGS has a debt structure with no material scheduled maturities until 2020, except on the ECF. The ECF is repaid in separate semi-annual installments. Total annual ECF installments for 2018 will be approximately \$47.2 million and each subsequent year until it tapers off following maturity of one after one of the four facilities in the period 2025 to 2027.

The undrawn portion of the RCF constitutes a significant portion of the Company's liquidity reserve. As a part of the refinancing completed in Q4 2016 the stepdown of the Total Leverage Ratio ("TLR") covenant, with which the Company must comply in order to draw on the RCF, was amended to a flatter profile. It started with a maximum of 5.50:1 in Q4 2016 through Q2 2017, then tightening by 0.25:1 in Q3 2017, another 0.50:1 in Q4 2017 and Q1 2018, and thereafter by 0.25:1 for each of the subsequent quarters down to 2:75 by Q3 2019 to stay at that level for the remaining life of the facility. At March 31, 2018 the TLR was 2.99:1, well below the maximum level of 4.25:1.

If the Company were to breach the TLR covenant, this would represent a 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. For a more complete description, reference is made to the Company's 2017 Annual Report.

Note 12 – Earnings per Share

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

	Quarter ended March 31,		Year ended December 31,
	2018	2017	2017
- Basic	(0.12)	(0.32)	(1.55)
- Diluted	(0.12)	(0.32)	(1.55)
Weighted average basic shares outstanding	338,573,019	336,240,620	337,860,603
Weighted average diluted shares outstanding	341,330,831	337,869,814	340,234,632

Note 13 – Other Comprehensive Income

Changes to Other comprehensive income consists of the following:

(In millions of US dollars)	Quarter ended March 31,		Year ended December 31,
	2018	2017	2017
Actuarial gains (losses) on defined benefit pensions plan	0.2	(4.3)	11.2
Income tax effect on actuarial gains and losses	-	-	(10.8)
Items that will not be reclassified to profit and loss	0.2	(4.3)	0.4
<i>Cash flow hedges</i>			
Gains (losses) arising during the period	2.0	0.2	2.3
Reclassification adjustments for losses (gains) included in profit and loss	-	0.1	0.3
<i>Shares available for sale</i>			
Gains (losses) arising during the period	-	-	-
Reclassification adjustments for losses (gains) included in profit and loss	-	-	-
<i>Other comprehensive income (loss) of associated companies</i>	0.2	(0.6)	0.6
Items that may be subsequently reclassified to profit and loss	2.2	(0.3)	3.2

Note 14 – Reconciliation of alternative performance measures

(In millions of US dollars)	Quarter ended March 31,		Year ended December 31,
	2018	2017	2017
Operating profit (loss)	(7.3)	(93.7)	(383.6)
Segment adjustment to Revenues as reported	(3.5)	-	-
Other charges net	(3.9)	8.8	82.8
Amortization and impairment of MultiClient library	68.3	70.6	426.3
Depreciation and amortization of long term assets (excl. MultiClient library)	38.7	44.5	154.4
Impairment and loss on sale of long-term assets (excl. MultiClient library)	-	-	94.2
Segment EBITDA ex. Other Charges, net	92.3	30.1	374.1

(In millions of US dollars)	Quarter ended March 31,		Year ended December 31,
	2018	2017	2017
Operating profit (loss)	(7.3)	(93.7)	(383.6)
Segment adjustment to Revenues As Reported	(3.5)	-	-
Other charges, net	(3.9)	8.8	82.8
Segment adjustment to Amortization As Reported	(8.0)	-	-
Impairment of MultiClient library	-	1.4	59.4
Impairment and loss on sale of long-term assets (excl. MultiClient library)	-	-	94.2
EBIT ex. impairment and other charges, net	(22.7)	(83.5)	(147.2)

The European Securities and Markets Authority (“ESMA”) issued guidelines on Alternative Performance Measures (“APMs”) that came into force on July 3, 2016. The Company has defined and explained the purpose of the APMs in the paragraphs below.

Financial statement captions used in defining the APMs relate to both As Reported figures and Segment figures unless otherwise stated.

Segment EBITDA

Segment EBITDA, when used by the Company, means Segment EBIT excluding other charges, impairment and loss on sale of long-term assets and depreciation and amortization. A reconciliation between Segment EBIT excluding other charges, impairment and loss on long-term asset and depreciation and amortization and Segment EBITDA is shown above. Segment 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 the measure 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.

IFRS EBIT and Segment EBIT, excluding impairments and other charges

Management believes that IFRS EBIT and Segment EBIT, excluding impairments and other charges, is a useful measure in that the measures provide an indication of the profitability of the Company’s operating activities for the period without regard to significant events and/or decisions in the period that are expected to occur less frequently. IFRS EBIT and Segment EBIT, excluding impairments and other charges is reconciled above.

MultiClient pre-funding level

The MultiClient pre-funding level is calculated by dividing the MultiClient pre-funding revenues, as per segment reporting, by the cash investment in MultiClient library, as reported in the Statements of Cash Flows. Management believes that the MultiClient pre-funding percentage is a useful measure in that provides some indication of the extent to which the Company’s financial risk is reduced on new MultiClient investments.

Net interest bearing debt

Net interest bearing debt is defined as the sum of long-term and short-term interest bearing debt, less cash and cash equivalents and restricted cash. Net interest bearing debt is reconciled in Note 10 above. Management believes that Net Interest Bearing Debt (“NIBD”) is a useful measure because it provides indication of the hypothetic minimum necessary debt financing to which the Company is subject at balance sheet date.

Liquidity reserve

Liquidity reserve is defined in Note 10. Management believes that liquidity reserve is a useful measure because it provides an indication of the amount of funds readily available to the Company in the very short term at balance sheet date.

Gross cash costs

Gross cash costs are defined as the sum of reported net operating expenses (excluding depreciation, amortization, impairments and other charges, net) and the cash operating costs capitalized as investments in the MultiClient library as well as capitalized development costs. Gross cash costs are reconciled in Note 2. Management believes that the gross cash costs figure is a useful measure because it provides an indication of the level of cash costs incurred by the Company irrespective of the extent to which the fleet is working on MultiClient projects or the extent to which its R&D expenditures qualify for capitalization.

Net operating expenses

Net operating expenses are defined as gross cash costs (as per above) less capitalized investments in the MultiClient library and capitalized development costs and is reconciled in Note 3. Management believes this figure is a useful measure because it provides an indication of the level of net cash costs incurred by the Company in running current period commercial activities that are not devoted to investment.

Order book

Order book is defined as the aggregate value of future work on signed customer contracts or letters of award. Management believes that the Order book figure is a useful measure in that it provides an indication of the amount of customer backlog and committed activity in the coming periods.

Capital expenditures, whether paid or not

Capital expenditures means investments in property and equipment irrespective of whether paid in the period, but excluding capitalized interest cost.

Note 15 – 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.

Profit and loss for the interim period are not necessarily indicative of the results that may be expected for any subsequent interim period or year. The condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2017.

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, 2017. Reference is made to Note 16 for changes following IFRS 15.

Note 16 – Change in accounting principles

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2017, except for the adoption of new standards effective as of January 1, 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Except for IFRS 15 no new standards had any impact for the Group.

IFRS 9 Financial Instruments

Effective January 1, 2018 the new financial instruments standard, IFRS 9, replaced existing IFRS revenue requirements (see Note 2 in the 2017 Annual Report). The standard have not had any significant effect on the Company's consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

Effective January 1, 2018 the new revenue recognition standard, IFRS 15, replaced existing IFRS revenue requirements (see Note 2 in the 2017 Annual Report).

The core principle of IFRS 15 is that revenue is recognized to depict the transfer of control 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 Company adopted IFRS 15 from January 1, 2018. IFRS 15 does not impact the recognition of revenues for proprietary contracts and MultiClient late sales.

Under the previous revenue recognition policy for MultiClient pre-funding agreements, the acquisition and processing of MultiClient data is considered a service to the pre-funders, and therefore revenue was recognized as the service is performed over time during the acquisition and processing of MultiClient data. Under IFRS 15 MultiClient pre-funding agreements are considered "right to use" licenses and the revenue is to be recognized at the point in time when the "right to use" license is transferred to the customer. This "point in time" is typically upon completion of processing of the survey and granting of access to the finished data or delivery of the finished data.

The Company has applied the modified retrospective approach in transitioning to the new principle. Under this approach, the cumulative effect of initially applying IFRS 15 is recognized at the date of initial application, i.e. in the 2018 opening balance, and the comparative periods are not restated. As a consequence, previously recognized revenue from MultiClient pre-funding agreements for which final data had not yet been delivered as of December 31, 2017 was reversed effective January 1, 2018, along with the related MultiClient amortization expense, and will be recognized in the 2018 and future periods statement of profit and loss, without prior periods being restated.

The transition adjustments to the opening balance are as follows:

Adjusted opening balance following IFRS 15

	As reported 31.12.2017	Adjustment IFRS 15	Opening Balance 01.01.2018
Accounts receivable	162.8	-	162.8
Accrued revenues and other receivables	133.2	(70.9)	62.3
Other	151.7	-	151.7
Total current assets	447.7	(70.9)	376.8
MultiClient library			
Completed surveys	389.0	-	389.0
Surveys in progress	123.3	155.7	279.0
Other	1 522.8	-	1 522.8
Total long term assets	2 035.1	155.7	2 190.8
Total assets	2 482.8	84.8	2 567.6
Accumulated earnings	(18.5)	(75.3)	(93.8)
Other equity	898.0	-	898.0
Total shareholders' equity	879.5	(75.3)	804.2
Accrued expenses, other current liabilities and deferred revenues	186.8	160.1	346.9
Other	180.4	-	180.4
Total current liabilities	367.2	160.1	527.3
Total long term liabilities	1 236.1	-	1 236.1
Total liabilities and shareholders' equity	2 482.8	84.8	2 567.5

The opening balance has been adjusted with an \$ 82.3 million in decrease in accrued revenues and a \$158.0 increase in deferred revenues, in total \$240.3 million. In Q1 2018 \$45.6 million of this adjustment has been recognized as pre-funding revenues.

If IFRS revenues for 2018 were presented in accordance with the principles applied for 2017; the financial reporting under IFRS would be the same as the Segment Reporting.

Segment Reporting Principles

Although IFRS provides a fair presentation of the profit and loss of the Company, for purposes of Segment and internal reporting management applies the revenue recognition principle used prior to 2018. MultiClient prefunding revenue is recognized using the percentage of completion method, and related MultiClient amortization is based upon the ratio of aggregate capitalized survey cost to forecasted sales. Management believes this method makes revenues coincide better with activities and resources used by the Company and provides useful information as to the progress made on MultiClient surveys in process and resultant value generation during the period.

In determining the percentage of completion, 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. Accordingly, MultiClient prefunding revenues and related MultiClient amortization are generally recognized much earlier for purposes of segment reporting as compared to IFRS reporting.

While a survey is in progress, the Company amortizes each MultiClient survey based on the ratio of aggregate capitalized survey cost to forecasted sales for segment purposes. At completion the remaining balance is amortized on a straight line basis over four years. For impairment purposes a portfolio assessment is applied and no impairment is reflected unless the MC library as a whole has a book value above estimated recoverable value. The segment reporting principle will generally result in book value of a project at completion being lower compared to the book value for IFRS reporting.

Note 17 - 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 2017. 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.

Oslo, April 25, 2018

Walter Qvam
Chairperson

Carol Bell
Director

Morten Borge
Director

Anne Grethe Dalane
Director

Richard Herbert
Director

Daniel J. Piette
Director

Holly A. Van Deursen
Director

Espen Grimstad
Director

Hege Renshus
Director

Anette Valbø
Director

Rune Olav Pedersen
Chief Executive Officer

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. The Company operates on a worldwide basis with headquarters in Oslo, Norway and the PGS share is listed on the Oslo stock exchange (OSE: PGS).

For more information on PGS visit www.pgs.com.

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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 2017. 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.

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Daniel J. Piette
Anne Grethe Dalane
Carol Bell

Morten Borge
Richard Herbert
Anette Valbø (employee elected)
Espen Grimstad (employee elected)
Hege Renshus (employee elected)

Executive Officers:

Rune Olav Pedersen	President & CEO
Gottfred Langseth	EVP & CFO
Sverre Strandenes	EVP Sales & Services
Per Arild Reksnes	EVP Operations & Technology

Other Corporate Management:

Terje Bjølseth	SVP HR
Magnus Christiansen	VP HSEQ
Lars Mysen	General Counsel
Kai Reith	SVP Corporate Development
Bård Stenberg	SVP IR & Communication

Web-Site:www.pgs.com**Financial Calendar:**

Q1 2018 report	April 26, 2018
Q2 2018 report	July 19, 2018
Q3 2018 report	October 18, 2018
Q4 2018 report	January 31, 2019

The dates are subject to change.