Earnings Release
Q3 - 2015

Productivity and Technology Leadership

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Proactive Management in an Uncertain Market

Highlights Q3 2015

- Revenues of $225.7 million, compared to $394.2 million in Q3 2014
- EBITDA of $115.3 million, compared to $181.7 million in Q3 2014
- EBIT, excluding impairments and other charges, of $9.1 million, compared to $77.3 million in Q3 2014
- Cash flow from operations of $71.3 million, compared to $230.7 million in Q3 2014
- MultiClient Pre-funding revenues of $83.8 million with a corresponding pre-funding level of 88%, compared to $55.4 million and 79% respectively in Q3 2014
- Cost reduction program ahead of plan
- Total Leverage Ratio requirement for Revolving Credit Facility increased to 4.00:1 through Q1 2017, with no dividend to be paid for 2015
- Ramform Explorer and Challenger in process of being cold-stacked and Ramform Viking to be stacked end October
- Entered into attractive charter agreements for Sanco Swift and Sanco Sword, leading to cold-stacking of Ramform Vanguard and Ramform Valiant
- Agreement to postpone delivery of Ramform Hyperion to Q1 2017
- Full year EBITDA expected to be approximately $500 million

"MultiClient pre-funding revenues for the first three quarters were solid at $282.4 million, with a corresponding pre-funding level of 121% highlighting the attractiveness of our projects, and the reduced earnings volatility we get from our increased MultiClient focus.

Despite a sequential improvement in the marine contract EBIT margin, we experienced a further market deterioration over the summer, mainly driven by intense competition in preparation for the weaker winter season. Contract revenues and margin through Q4 and Q1 will be adversely impacted.

We have taken further steps to adapt to the current challenging market environment. We have negotiated an amendment to the financial covenants for our Revolving Credit Facility, creating significantly more headroom and preserving our strong liquidity reserve. We continue to cut costs and reduce capital expenditures to optimize cash flow. With the cold-stacking of Ramform Viking and other initiatives taken in Q3, our estimated cost reduction for 2015 is now increased to approximately $320 million. We have implemented a significant reduction of 2015 CAPEX and further, benefiting 2016 CAPEX, agreed with the shipyard to postpone the delivery of Ramform Hyperion to Q1 2017, subject to approval from the ECA financing banks.

In order to position our fleet for the future and address the industry's vessel oversupply, we have entered into agreements to charter the two vessels Sanco Sword and Sanco Swift, both among the most competitive conventional vessels in the seismic industry."

Jon Erik Reinhardsen,
President and Chief Executive Officer

Outlook

The low oil price, reduced oil company spending and intense competition for work among seismic companies impact pricing and utilization negatively. PGS expects market uncertainty and low earnings visibility to continue well into 2016.

Based on the current operational projections and with reference to disclosed risk factors, PGS expects full year 2015 EBITDA to be approximately $500 million.

MultiClient cash investments are expected to be approximately $285 million, with a pre-funding level above 100%.

Somewhat above 50% of active 3D capacity is expected to be used for MultiClient in 2015.

Capital expenditures are estimated to be approximately $175 million, of which approximately $130 million is for the new builds Ramform Tethys and Ramform Hyperion.

The order book totaled $245 million at September 30, 2015 (including $103 million of committed pre-funding on MultiClient projects), compared to $259 million at June 30, 2015 and $466 million at September 30, 2014. As of October 19, 2015 approximately 85% of available capacity (which excludes stacked vessels) for Q4 is booked, with corresponding numbers for Q1 2016, Q2 2016 and Q3 2016 being approximately 50%, 55% and 10%, respectively.

Key Financial Figures

(In millions of US dollars, except per share data)	Quarter ended September 30, 2015	Quarter ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014	Year ended December 31, 2014
Revenues	225.7	394.2	732.6	1 023.6	1 453.8
EBITDA (as defined, see note 13)	115.3	181.7	368.0	490.9	702.6
EBIT ex. Impairment and other charges	9.1	77.3	38.7	177.4	177.3
EBIT as reported	(62.7)	52.5	(97.5)	143.9	104.2
Income before income tax expense	(80.5)	27.4	(148.4)	74.6	16.7
Net income to equity holders	(110.0)	8.4	(193.3)	42.7	(50.9)
Basic earnings per share ($ per share)	(0.51)	0.04	(0.90)	0.20	(0.24)
Net cash provided by operating activities	71.3	230.7	366.7	453.0	584.3
Cash investment in MultiClient library	95.5	70.4	233.1	286.3	344.2
Capital expenditures (whether paid or not)	17.0	53.1	121.8	334.4	371.3
Total assets	3 246.6	3 685.5	3 246.6	3 685.5	3 563.0
Cash and cash equivalents	82.3	90.4	82.3	90.4	54.7
Net interest bearing debt	1 068.4	1 039.5	1 068.4	1 039.5	1 048.0

Condensed Consolidated Statements of Profit and Loss

(In millions of US dollars)	Note	Quarter ended September 30, 2015	Quarter ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014	Year ended December 31, 2014
Revenues	1	225.7	394.2	732.6	1 023.6	1 453.8
Cost of sales	2	95.7	186.2	317.8	458.0	653.6
Research and development costs	2	4.3	11.6	15.3	30.6	37.6
Selling, general and administrative costs	2	10.5	14.7	31.6	44.2	59.9
Depreciation and amortization	3	106.1	104.4	329.2	313.5	525.4
Impairment and loss on sale of long-term assets	3	65.3	25.0	122.3	34.0	73.8
Other charges/(income)	2	6.5	(0.2)	13.9	(0.5)	(0.7)
Total operating expenses		288.4	341.7	830.0	879.8	1 349.7
Operating profit/EBIT		(62.7)	52.5	(97.5)	143.9	104.2
Share of results from associated companies		0.8	(8.6)	(9.2)	(26.6)	(30.9)
Interest expense	4	(6.9)	(7.7)	(22.2)	(22.6)	(30.1)
Other financial expense, net	5	(11.7)	(8.8)	(19.5)	(20.1)	(26.5)
Income before income tax expense		(80.5)	27.4	(148.4)	74.6	16.7
Income tax expense	6	29.5	18.9	44.9	31.9	67.6
Net income to equity holders of PGS ASA		**(110.0)**	**8.4**	**(193.3)**	**42.7**	**(50.9)**
Other comprehensive income						
Items that will not be reclassified to profit and loss	11	1.6	-	(0.8)	(5.9)	(27.9)
Items that may be subsequently reclassified to profit and loss	11	(0.3)	0.5	0.4	6.5	3.7
Other comprehensive income for the period, net of tax		1.3	0.5	(0.4)	0.6	(24.2)
Total comprehensive income to equity holders of PGS ASA		**(108.7)**	**8.9**	**(193.7)**	**43.3**	**(75.1)**

Condensed Consolidated Statements of Financial Position

(In millions of US dollars)	Note	September 30, 2015	September 30, 2014	December 31, 2014
ASSETS				
Cash and cash equivalents	9	82.3	90.4	54.7
Restricted cash	9	18.4	16.2	20.2
Accounts receivable		174.0	191.7	265.6
Accrued revenues and other receivables		125.2	177.1	180.6
Other current assets		115.7	139.5	136.3
Total current assets		515.7	614.9	657.4
Property and equipment	7	1 407.9	1 745.7	1 663.5
MultiClient library	8	807.1	769.8	695.2
Restricted cash	9	49.3	75.1	72.0
Deferred tax assets		70.0	105.2	95.9
Other long-term assets		64.1	55.3	55.2
Goodwill		139.9	139.9	139.9
Other intangible assets		192.7	179.7	183.8
Total long-term assets		2 730.9	3 070.6	2 905.6
Total assets		**3 246.6**	**3 685.5**	**3 563.0**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Short-term debt and current portion of long-term debt	9	24.8	24.9	24.8
Accounts payable		48.7	94.2	74.9
Accrued expenses and other current liabilities		204.1	272.2	272.2
Income taxes payable		32.8	34.6	37.9
Total current liabilities		310.4	425.8	409.8
Long-term debt	9	1 172.0	1 185.5	1 160.1
Deferred tax liabilities		12.9	6.7	14.1
Other long-term liabilities		58.3	49.2	77.4
Total long-term liabilities		1 243.2	1 241.4	1 251.6
Common stock; par value NOK 3;				
issued and outstanding 217,799,997 shares		96.5	96.5	96.5
Treasury shares, par value		(1.7)	(1.9)	(1.9)
Additional paid-in capital		532.3	525.2	526.9
Total paid-in capital		627.1	619.8	621.5
Accumulated earnings		1 127.1	1 434.5	1 340.9
Other comprehensive income		(61.2)	(36.0)	(60.8)
Total shareholders' equity		1 693.0	2 018.3	1 901.6
Total liabilities and shareholders' equity		**3 246.6**	**3 685.5**	**3 563.0**

Condensed Consolidated Statements of Cash Flows

(In millions of US dollars)	Quarter ended September 30, 2015	Quarter ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014	Year ended December 31, 2014
Net income (loss) to equity holders of PGS ASA	**(110.0)**	**8.4**	**(193.3)**	**42.7**	**(50.9)**
Depreciation, amortization, impairment and loss on sale of long-term assets	171.4	129.4	451.4	347.5	599.2
Share of loss in associated companies and impairments	(0.8)	8.6	9.2	26.6	30.9
Interest expense	6.9	7.7	22.2	22.6	30.1
Loss (gain) on sale and retirement of assets	0.6	-	(2.1)	1.8	8.4
Income taxes paid	(4.5)	(5.5)	(20.9)	(12.3)	(18.4)
Other items	1.4	3.2	9.1	13.5	12.7
(Increase) decrease in accounts receivable, accrued revenues & other receivables	(12.6)	15.9	143.7	(8.3)	(81.2)
Increase (decrease) in accounts payable	(20.9)	21.3	(29.9)	23.2	11.5
Change in other current items related to operating activities	17.2	33.5	(26.3)	2.8	25.6
Change in other long-term items related to operating activities	22.6	8.1	3.7	(7.1)	16.4
Net cash provided by operating activities	**71.3**	**230.7**	**366.7**	**453.0**	**584.3**
Investment in MultiClient library	(95.5)	(70.4)	(233.1)	(286.3)	(344.2)
Investment in property and equipment	(13.8)	(70.6)	(116.7)	(337.9)	(383.4)
Investment in other intangible assets	(6.0)	(8.5)	(14.5)	(20.3)	(26.3)
Investment in other current -and long-term assets	0.8	(2.7)	(15.2)	(26.1)	(32.3)
Proceeds from sale and disposal of assets	3.0	-	87.1	4.9	6.2
Increase in long-term restricted cash	(0.9)	(3.2)	(3.0)	(3.2)	(6.3)
Net cash used in investing activities	**(112.4)**	**(155.4)**	**(295.4)**	**(668.9)**	**(786.3)**
Proceeds, net of deferred loan costs, from issuance of long-term debt	37.7	-	37.7	105.4	143.4
Repayment of long-term debt	(6.2)	(46.3)	(18.6)	(128.5)	(94.7)
Net drawdown of Revolving Credit Facility	40.0	38.1	(10.0)	198.1	100.0
Purchase of treasury shares	-	(4.9)	-	(15.1)	(15.1)
Proceeds from sale of treasury shares	-	-	-	2.9	2.9
Dividend paid	-	(7.4)	(20.3)	(84.0)	(84.0)
Interest paid	(5.7)	(7.3)	(32.5)	(36.3)	(59.6)
Net cash (used in) provided by financing activities	**65.8**	**(27.8)**	**(43.7)**	**42.5**	**(7.1)**
Net increase (decrease) in cash and cash equivalents	24.7	47.5	27.6	(173.4)	(209.1)
Cash and cash equivalents at beginning of period	57.6	42.9	54.7	263.8	263.8
Cash and cash equivalents at end of period	**82.3**	**90.4**	**82.3**	**90.4**	**54.7**

Condensed Consolidated Statements of Changes in Shareholders' Equity

For the nine months ended September 30, 2014

(In millions US of dollars)	Common stock par value	Treasury shares par value	Additional paid-in capital	Accumulated earnings	Other comprehensive income	Shareholders equity
	Attributable to equity holders of PGS ASA					
Balance as of January 1, 2014	**96.5**	**(1.4)**	**519.5**	**1 479.4**	**(28.4)**	**2 065.6**
Total comprehensive income	-	-	-	42.7	0.6	43.3
Transfer of actuarial gains and losses net of tax	-	-	-	8.2	(8.2)	-
Dividend paid (1)	-	-	-	(84.0)	-	(84.0)
Acquired treasury shares	-	(0.7)	-	(14.4)	-	(15.1)
Employee benefit plans	-	0.2	5.7	2.6	-	8.5
Balance as of September 30, 2014	**96.5**	**(1.9)**	**525.2**	**1 434.5**	**(36.0)**	**2 018.3**

(1) NOK 2.30 per share was paid as ordinary dividend for 2013

For the nine months ended September 30, 2015

(In millions US of dollars)	Common stock par value	Treasury shares par value	Additional paid-in capital	Accumulated earnings	Other comprehensive income	Shareholders equity
	Attributable to equity holders of PGS ASA					
Balance as of January 1, 2015	**96.5**	**(1.9)**	**526.9**	**1 340.9**	**(60.8)**	**1 901.6**
Total comprehensive income	-	-	-	(193.3)	(0.4)	(193.7)
Dividend paid (1)	-	-	-	(20.3)	-	(20.3)
Employee benefit plans	-	0.2	5.4	(0.2)	-	5.4
Balance as of September 30, 2015	**96.5**	**(1.7)**	**532.3**	**1 127.1**	**(61.2)**	**1 693.0**

(1) NOK 0.70 per share was paid as ordinary dividend for 2014

Notes to the Condensed Interim Consolidated Financial Statements
Third Quarter 2015 Results

Note 1 – Revenues

Revenues by service type:

	Quarter ended September 30,		Nine months ended September 30,		Year ended December 31,
(In millions of US dollars)	2015	2014	2015	2014	2014
Marine revenues by service type:					
- Contract seismic	77.3	238.6	230.5	526.0	697.8
- MultiClient pre-funding	83.8	55.4	282.4	204.4	290.7
- MultiClient late sales	36.6	63.9	126.8	189.0	309.0
- Imaging	21.7	30.6	75.5	82.9	119.2
- Other	6.3	5.7	17.4	21.4	37.1
Total revenues	**225.7**	**394.2**	**732.6**	**1 023.6**	**1 453.8**

Vessel allocation:

	Quarter ended September 30,		Nine months ended September 30,		Year ended December 31,
	2015	2014	2015	2014	2014
Contract	35 %	62 %	34 %	49 %	51 %
MultiClient	48 %	21 %	41 %	35 %	31 %
Steaming	8 %	13 %	11 %	11 %	12 %
Yard	1 %	4 %	2 %	5 %	5 %
Stacked/standby	8 %	0 %	12 %	0 %	1 %

Revenues for PGS, or the Company, decreased $168.5 million, or 43%, compared to Q3 2014. The lower revenues reflect a 68% reduction in contract revenues and a 43% reduction in MultiClient late sales, partially offset by a 51% increase in MultiClient pre-funding revenues.

The reduced marine contract revenues in Q3 2015, compared to Q3 2014 were due to less capacity used for contract work, lower average pricing and higher non-chargeable vessel time. The EBIT margin for marine contract acquisition work was approximately break-even in Q3 2015, which is an improvement from Q2 2015, but down from positive 27% in Q3 2014. The weaker marine contract EBIT margin in Q3 2015 compared to Q3 2014 is caused by a generally lower pricing level, standby costs, market driven vessel schedule inefficiencies and permitting delays. The marine contract EBIT margin will fluctuate from quarter to quarter influenced by factors such as vessel scheduling, vessel transits, project specific variables and market conditions.

The increased MultiClient pre-funding revenues in Q3 2015, compared to Q3 2014 were primarily due to more capacity allocated to MultiClient acquisition. Projects in North America contributed the most to pre-funding revenues in Q3 2015, and the increase from Q3 2014.

The reduced MultiClient late sales revenues in Q3 2015, compared to Q3 2014 are a reflection of clients' focus on preserving cash and reducing investments. Europe was the main contributor to MultiClient late sales in the quarter and compared to Q3 2014 MultiClient late sales were weaker in all regions, except Europe.

External imaging revenues for Q3 2015 were down 29% compared to Q3 2014. While Q3 revenues were approximately in line with Q2 2015 revenues, the decrease against the prior period primarily reflects a greater portion of resources allocated to MultiClient projects and a difficult global market environment. Imaging develops and delivers processing solutions that leverage the GeoStreamer advantages to generate unique solutions. All Imaging of the Company's MultiClient surveys is done in-house, and Imaging applies the same technical competency to internal production. Imaging has a pro-active cost focus which enables the Company to balance cost reductions with maintaining capacity and competency.

Note 2 – Net Operating Expenses Excluding Depreciation, Amortization and Impairments

(In millions of US dollars)	Quarter ended September 30, 2015	Quarter ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014	Year ended December 31, 2014
Cost of sales	95.7	186.2	317.8	458.0	653.6
Research and development costs, gross	7.6	16.7	24.8	42.5	53.9
Capitalized development costs	(3.3)	(5.0)	(9.5)	(11.9)	(16.3)
Selling, general and administrative costs	10.5	14.7	31.6	44.2	59.9
Other charges/(income)	6.5	(0.2)	13.9	(0.5)	(0.7)
Total	**116.9**	**212.4**	**378.5**	**532.3**	**750.4**

Reported net operating expenses for the Group (before depreciation, amortization, and impairments) in Q3 2015 were $102.2 million, or 48%, lower than in Q3 2014, if other charges are excluded. Cost savings initiatives implemented in 2014 combined with an even stronger cost focus this year, a generally stronger USD and continued low fuel prices, contributed to the significantly lower cost base in Q3 2015, compared to Q3 2014. The reported cost of sales also benefitted from more operating cost capitalized as investment to the MultiClient library in Q3 2015, compared to Q3 2014.

The decrease of R&D costs in Q3 2015, compared to Q3 2014 is driven by focus on deploying and finalizing existing projects. The Company's R&D costs are focused on the core business activities of marine seismic acquisition and imaging.

Cost reduction has been a priority for PGS since 2012, when the Profit Improvement Program was introduced. The Company monitors the development of its total cash operating cost base which is the sum of the reported net operating expenses (before depreciation, amortization and impairments) and the cash operating costs capitalized as MultiClient cash investment. The $150 million savings originally planned for 2015 were increased to $270 million in the second quarter. In addition to the cold stacking of Ramform Explorer and Ramform Challenger from late September, the Company has decided to cold-stack Ramform Viking around end October. This, combined with other initiatives taken in the third quarter, reduces cost by another $50 million, to reach a total cost reduction of approximately $320 million, excluding restructuring cost, when comparing the full year 2015 to the full year 2014.

Fleet adjustment and other cost reductions have led to one off reorganization costs relating to staff reductions and other restructuring activities. The Company incurred $6.7 million of charges relating to restructuring and severance cost in Q3 2015. The Company expects to incur approximately $30 million of charges relating to restructuring and severance cost for the full year 2015, of which $14.5 million were recorded during the first three quarters of 2015 and included in "other charges/(income)" in the profit and loss statement.

Note 3 – Depreciation, Amortization and Impairment

Depreciation, amortization and impairment consists of the following:

(In millions of US dollars)	Quarter ended September 30, 2015	Quarter ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014	Year ended December 31, 2014
Gross depreciation	60.2	71.2	191.0	206.3	278.5
Depreciation capitalized and deferred, net	(32.8)	(20.6)	(87.6)	(81.9)	(97.3)
Amortization of MultiClient library	78.7	53.9	225.8	189.1	344.2
Impairment and loss on sale of assets	65.3	25.0	122.3	34.0	73.8
Total	**171.4**	**129.4**	**451.5**	**347.5**	**599.2**

In Q3 2015, gross depreciation decreased as a result of generally reduced capital expenditures and write downs made in Q4 2014. Capitalized depreciation increased in Q3 2015, compared to Q3 2014 as a result of more vessel capacity allocated to MultiClient projects.

Amortization rate of the MultiClient library as a percentage of MultiClient revenues was 65% in Q3 2015, compared to 45% in Q3 2014. The Q3 2015 amortization expense includes a write down relating to certain surveys where sales in the current weak market are lower and more uncertain than previously expected. The amortization level can vary from quarter to quarter depending on the MultiClient sales mix and other factors. For the full year 2015 the Company expects an amortization rate of approximately 60%.

PGS recorded impairments of fixed assets of $65.3 million in Q3 2015. The impairments relate to seismic vessels and were primarily triggered by the decision to cold stack Ramform Viking in Q4 2015, combined with the planned cold-stacking of Ramform Vanguard and Ramform Valiant in connection with taking over operation of Sanco Swift and Sanco Sword as described in Note 13 Subsequent Events, below.

Before or at the time of taking delivery of Sanco Swift and Sanco Sword, PGS plans to cold-stack Ramform Vanguard and Ramform Valiant and use the equipment on these vessels to equip the two chartered vessels. The seismic equipment from the Ramform Viking will be used as replacement for the rest of the PGS fleet in order to reduce future capital expenditure related to maintenance.

With this change to capacity planning, which involves stacking of all of the three Ramform V-class vessels at least into 2017, the likely timing for return of Ramform Challenger and Ramform Explorer to the 3D market is pushed out in time compared to earlier estimates. Depending on market development and the Company's plans for returning the stacked vessels to 3D operations, estimates for recoverable value could change.

The weak seismic market exposes the Company to impairment of assets and restructuring cost. In 2014 and 2015, the Company recorded impairments of long-term assets and incurred restructuring costs. The Company currently expects a continued weak market into 2016 and a gradual recovery in the years 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, Deferred tax asset and Goodwill, and/or restructuring costs may arise in future periods.

Note 4 – Interest Expense

Interest expense consists of the following:

	Quarter ended September 30,		Nine months ended September 30,		Year ended December 31,
(In millions of US dollars)	2015	2014	2015	2014	2014
Interest expense, gross	(14.5)	(14.8)	(43.2)	(42.2)	(56.8)
Capitalized interest, MultiClient library	5.0	5.3	14.7	14.9	20.3
Capitalized interest, construction in progress	2.6	1.8	6.3	4.7	6.4
Total	**(6.9)**	**(7.7)**	**(22.2)**	**(22.6)**	**(30.1)**

Interest expense in Q3 2015 was relatively unchanged compared to Q3 2014. Slightly more interest expense was capitalized to construction in progress in Q3 2015 compared to Q3 2014, due to higher aggregate capital expenditures for the new builds.

Note 5 – Other Financial Expense, Net

Other financial expense, net consists of the following:

	Quarter ended September 30,		Nine months ended September 30,		Year ended December 31,
(In millions of US dollars)	2015	2014	2015	2014	2014
Interest income	0.6	0.5	1.4	1.4	2.3
Write-off relating to Term loan refinancing	-	-	-	(8.8)	(8.8)
Currency exchange gain (loss)	(10.7)	(7.9)	(15.1)	(7.4)	(13.4)
Other	(1.6)	(1.4)	(5.8)	(5.3)	(6.6)
Total	**(11.7)**	**(8.8)**	**(19.5)**	**(20.1)**	**(26.5)**

The higher net other financial expense in Q3 2015, compared to Q3 2014 was mainly due to a significant depreciation of the Brazilian Real against USD and the effect on certain legal deposits in Brazilian Real (see Note 6 - Income Tax Expense). The strong USD against most other currencies, including Norwegian Kroner, has a significant positive impact on the Company's cost base.

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 6 – Income Tax Expense

Income tax expense consists of the following:

(In millions of US dollars)	Quarter ended September 30, 2015	Quarter ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014	Year ended December 31, 2014
Current tax expense	5.4	9.7	19.7	28.0	41.3
Deferred tax expense	24.1	9.2	25.2	3.9	26.3
Total	**29.5**	**18.9**	**44.9**	**31.9**	**67.6**

Current tax expense for Q3 2015 of $5.4 million relates primarily to foreign tax. The high deferred tax expense in the quarter is caused by large foreign exchange movements impacting deferred tax asset positions in Norway and Brazil, as well as a more cautious estimate for recoverability of foreign tax credits.

There is a proposal to reduce the Norwegian corporate income tax rate from 27% to 25% effective from January 1, 2016. While the rate reduction is positive longer term, it will result in a reduction in deferred tax asset of approximately $4 million which would be recognized as tax expense in Q4 2015, if enacted.

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 September 30, 2015, the exposure is $96.0 million, including possible penalties and interest. PGS has made deposits covering $49.3 million of the total exposure. Due to a significant depreciation of Brazilian Real, both the exposure amount and the value of the deposit has reduced significantly year to date. There has been no significant development of the dispute in 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 $26 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 2014 financial statements.

Note 7 – Property and Equipment

Capital expenditures 1) consists of the following:

(In millions of US dollars)	Quarter ended September 30, 2015	Quarter ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014	Year ended December 31, 2014
Seismic equipment	9.1	14.3	11.0	87.8	93.8
Vessel upgrades/Yard	0.7	14.6	10.9	44.9	54.0
Processing equipment	1.4	3.7	4.4	13.0	13.5
Newbuilds	4.9	17.9	81.5	182.5	198.4
Other	0.9	2.6	14.0	6.2	11.6
Total	**17.0**	**53.1**	**121.8**	**334.4**	**371.3**

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

Following cold-stacking of Ramform Challenger and Ramform Explorer late Q3 2015, Ramform Sterling will be upgraded to GeoStreamer using the available streamers. Ramform Viking will be cold-stacked around end October. The remaining available streamers and in-sea equipment from these three vessels will allow the Company to reduce maintenance capital expenditures going forward for the remaining fleet.

PGS has two Ramform Titan-class new builds, Ramform Tethys and Ramform Hyperion, under construction at Mitsubishi Heavy Industries Ltd (MHI) in Japan. Ramform Tethys is scheduled for delivery Q1 2016. PGS has agreed with MHI to move the delivery date of Ramform Hyperion to Q1 2017. The agreement on Ramform Hyperion is subject to final documentation and approval from the ECA financing banks.

The cost of each of the two vessels is approximately $285.0 million, including commissioning and a comprehensive seismic equipment package, but excluding capitalized interest and post-delivery cost. PGS expect to be able to reduce somewhat the cash portion of this cost by using available equipment from the pool of in-sea equipment.

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 the two last Ramform Titan-class new builds as of September 30, 2015 were $245.0 million.

Note 8 – MultiClient Library

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

	September 30,		December 31,
(In millions of US dollars)	2015	2014	2014
Completed during 2009	-	8.6	-
Completed during 2010	3.3	15.6	11.3
Completed during 2011	14.8	25.0	17.9
Completed during 2012	25.9	41.1	29.1
Completed during 2013	33.5	53.2	46.6
Completed during 2014 (1)	103.0	67.4	117.2
Completed during 2015	178.0	-	-
Completed surveys	358.5	210.9	222.1
Surveys in progress	448.6	558.9	473.1
MultiClient library, net	**807.1**	**769.8**	**695.2**

(1) MultiClient library as of December 31, 2014 with net book value of $12.7 million was reclassified from "Surveys in progress" to "Completed during 2014" in Q1 2015.

Key figures MultiClient library:

	Quarter ended September 30,		Nine months ended September 30,		Year ended December 31,
(In millions of US dollars)	2015	2014	2015	2014	2014
MultiClient pre-funding revenue	83.8	55.4	282.4	204.4	290.7
MultiClient late sales	36.6	63.9	126.8	189.0	309.0
Cash investment in MultiClient library	95.5	70.4	233.1	286.3	344.2
Prefunding as a percentage of MultiClient cash investment	88 %	79 %	121 %	69 %	84 %
Capitalized interest in MultiClient library	5.0	5.3	14.7	14.9	20.3
Capitalized depreciation (non-cash)	35.4	20.0	90.1	80.8	98.0
Amortization of MultiClient library	78.7	53.9	225.8	189.1	344.2

In Q3 2015, pre-funding revenues corresponded to 88% of capitalized MultiClient cash investment (excluding capitalized interest), compared to 79% in Q3 2014. The pre-funding level in the quarter is driven by good interest for the Company's projects in The North Sea, and North and South America. The sequential decline in pre-funding level is mainly caused by a lower share of customers committing to projects in the processing phase, which fluctuates between quarters. Year to date the pre-funding level is 121%, a strong evidence of PGS' attractive MultiClient projects and the Company's determination to maintain a robust pre-funding level over time.

The increased MultiClient cash investment in Q3 2015, compared to Q3 2014 is mainly due to more capacity allocated to MultiClient projects, partially offset by a reduced cost level and less capital intensive surveys.

Note 9 – Liquidity and Financing

In Q3 2015, net cash provided by operating activities was $71.3 million, compared to $230.7 million in Q3 2014. The decrease is mainly due to lower earnings and an increase in working capital. Working capital has shown a significant improvement year to date despite some reversal in Q3. In the current market environment some clients are seeking extended payment terms, which may put upward pressure on the working capital going forward. To date the Company has not experienced any significant changes to the average credit days towards customers.

The liquidity reserve as of end Q3 was $492.3 million and includes cash and cash equivalents and the undrawn part of the revolving credit facility.

Long term debt consists of the following:

(In millions of US dollars)	September 30, 2015	September 30, 2014	December 31, 2014
Secured			
Term loan B, Libor (minimum 75 bp) + 250 Basis points, due 2021	394.0	398.0	397.0
Export credit financing, due 2025	208.3	229.1	223.9
Export credit financing, due 2027	76.2	38.1	38.1
Revolving credit facility, due 2018	90.0	120.0	100.0
Unsecured			
Senior notes, Coupon 7.375%, due 2018	450.0	450.0	450.0
Total	**1 218.5**	**1 235.2**	**1 209.0**
Less current portion	(24.8)	(24.8)	(24.8)
Less deferred loan costs, net of debt premiums	(21.7)	(24.9)	(24.1)
Total long-term debt	**1 172.0**	**1 185.5**	**1 160.1**

Undrawn facilities consists of the following:

(In millions of US dollars)	September 30, 2015	September 30, 2014	December 31, 2014
Secured			
Revolving credit facility, due 2018	410.0	380.0	400.0
Export credit financing	220.4	266.5	266.5
Unsecured			
Bank facility (NOK 50 mill)	5.9	7.8	6.7
Performance bond	15.7	17.7	14.1
Total	**652.0**	**672.0**	**687.3**

Summary of net interest bearing debt:

(In millions of US dollars)	September 30, 2015	September 30, 2014	December 31, 2014
Cash and cash equivalents	82.3	90.4	54.7
Restricted cash (current and long-term)	67.7	91.3	92.2
Interest bearing receivables	-	14.0	14.2
Short-term debt and current portion of long-term debt	(24.8)	(24.9)	(24.8)
Long-term debt	(1 172.0)	(1 185.5)	(1 160.1)
Adjustment for deferred loan costs (offset in long-term debt)	(21.7)	(24.9)	(24.1)
Total	**(1 068.4)**	**(1 039.5)**	**(1 048.0)**

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 2014 for more details). The deposits are denominated in Brazilian Real and the carrying value at end Q3 2015 is approximately $49.3 million. Restricted cash also includes $12.7 million held in debt service reserve accounts related to the export credit financing of Ramform Titan and Ramform Atlas.

At September 30, 2015, 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 revolving credit facility contains a covenant whereby total leverage ratio (as defined) cannot exceed 2.75:1. At September 30, 2015 the total leverage ratio was 2.03:1.

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 and certain other amendments. The maintenance covenant, Total Leverage Ratio (TLR), is 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. PGS has agreed a revised margin structure on the Revolving Credit facility. The margin starts at 200 basis points (bps), a 25bps increase from existing 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 325bps. The Company has also agreed that 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 (i.e. as it was before the amendment).

Note 10 – Earnings per Share

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

	Quarter ended September 30,		Nine months ended September 30,		Year ended December 31,
	2015	2014	2015	2014	2014
- Basic	(0.51)	0.04	(0.90)	0.20	(0.24)
- Diluted	(0.51)	0.04	(0.90)	0.20	(0.24)
Weighted average basic shares outstanding	214 609 428	214 505 211	214 334 130	214 768 125	214 603 496
Weighted average diluted shares outstanding	215 187 380	214 967 152	215 284 233	215 503 702	215 390 735

Note 11 – Components of Other Comprehensive Income

A reconciliation of reclassification adjustments included in the Consolidated Statements of Profit and Loss:

	Quarter ended September 30,		Nine months ended September 30,		Year ended December 31,
(In millions of US dollars)	2015	2014	2015	2014	2014
Actuarial gains (losses) on defined benefit pensions plans	2.0	-	(1.0)	(7.1)	(34.7)
Income tax effect on actuarial gains and losses	(0.4)	-	0.2	1.2	6.8
Items that will not be reclassified to profit and loss	**1.6**	**-**	**(0.8)**	**(5.9)**	**(27.9)**
Cash flow hedges					
Reclassification adjustments for losses (gains) included in profit and loss	-	-	-	9.1	9.1
Deferred tax on cash flow hedges	-	-	-	(2.5)	(2.5)
Revaluation of shares available-for-sale					
Gains (losses) arising during the period	-	0.2	-	0.1	(1.1)
Other comprehensive income (loss) of associated companies		(0.1)	1.0	(0.7)	(2.0)
Translation adjustments and other	(0.3)	0.4	(0.6)	0.5	0.2
Items that may be subsequently reclassified to profit and loss	**(0.3)**	**0.5**	**0.4**	**6.5**	**3.7**

Note 12 – Subsequent Events

PGS has in October 2015 entered into agreements to charter the two vessels Sanco Swift and Sanco Sword from Sanco Shipping AS. PGS considers these vessels to be among the most attractive conventional 3D vessels in the seismic industry, making the PGS fleet even more competitive relative to peers. The vessels are fairly new (delivered in 2013 and 2014) and taking them on long-term time charters would constitute a fleet renewal of the PGS 3D fleet as the first generations of Ramform vessels are approaching 20 years of age. The vessels are expected to be made available to PGS during Q1 2016. The initial charter agreements are for 4.5 and 5.5 years respectively with 3x2 year options for both of the vessels. The terms of the charter agreements are attractive and reflect the current challenging seismic market. The agreements give PGS flexibility for conventional vessel capacity management in the future.

Before or at the time of taking delivery of Sanco Swift and Sanco Sword, PGS plans to cold-stack Ramform Vanguard and Ramform Valiant and use the equipment on these vessels to equip the two chartered vessels.

Further, 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 and certain other amendments. Reference is made to description in Note 9 Liquidity and Financing.

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, 2014.

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, 2014.

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/gain 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.

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 2014. 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, October 22, 2015

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 19 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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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 and CFO
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
Rune Olav Pedersen - General Counsel and SVP Legal, Communications & Marketing

Web-Site:
www.pgs.com

Financial Calendar:

Q3 2015 report	October 23, 2015
CMD	December 4, 2015
Q4 2015 report	February 15, 2016
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