Earnings Release

Q3 - 2017

Productivity and Technology Leadership

MultiClient Projects Drive Revenues

Highlights Q3 2017

- Rune Olav Pedersen appointed new President & CEO with effect from September 1, 2017
- Revenues of $207.6 million, compared to $224.1 million in Q3 2016
- EBITDA of $108.6 million, compared to $112.7 million in Q3 2016
- EBIT, excluding impairments and other charges, a loss of $30.4 million, compared to a loss of $5.4 million in Q3 2016
- Impairments and other charges of $82.9 million related to stacked vessels and specific MultiClient surveys, and in addition a write down of remaining deferred tax asset
- MultiClient pre-funding revenues of $101.8 million with a corresponding pre-funding level of 124%, compared to $84.3 million and 134% in Q3 2016
- MultiClient late sales of $47.8 million, compared to $63.2 million in Q3 2016
- Cash flow from operations of $118.4 million, compared to $80.4 million in Q3 2016
- Liquidity reserve of $224.2 million, compared to $417.3 million in Q3 2016

"Our MultiClient business continues to deliver solid revenues. The pre-funding level of 124% achieved in Q3 is driven by GeoStreamer MultiClient projects offshore Canada and in the North Sea. MultiClient late sales were satisfactory considering the impacts of Hurricane Harvey and that we did not benefit from any particular license rounds this quarter.

The improved pricing for marine contract projects in Q3 compared to last year was offset by a challenging project in Asia Pacific, resulting in unsatisfactory financial results for our marine contract activities in the quarter.

The order book decreased sequentially as a result of high production and low order intake, however the negative trend ceased in October and subsequent to quarter end we have secured several projects for execution in Q4 and Q1 2018.

We are taking measures to be able to deliver positive cash flow after debt service in the current challenging environment by implementing a centralized, simplified and streamlined organizational structure, combined with a reduced baseline for 3D capacity and improved flexibility for vessels and imaging. These initiatives will reduce our gross cash cost by at least $100 million in 2018, compared to our operating costs this year."

Rune Olav Pedersen,
President and Chief Executive Officer

Outlook

PGS expects the improved cash flow among clients, combined with growing limitations on streamer availability in the industry, to benefit marine 3D seismic market fundamentals longer-term. There is a risk that a market recovery will take some time. Increased seasonal variations will impact activity and pricing in the coming winter season.

Based on the current operational projections and with reference to disclosed risk factors, PGS expects full year 2017 gross cash cost to be below $700 million.

MultiClient cash investments are expected to approximate $225 million, with a pre-funding level above 100%.

Approximately 45% of the 2017 active 3D vessel time is expected to be allocated to MultiClient acquisition.

Capital expenditure for 2017 is expected to approximate $150 million, of which approximately $89 million relates to the delivery of *Ramform Hyperion* in Q1 2017.

The order book totaled $167 million at September 30, 2017 (including $115 million relating to MultiClient), compared to $248 million at June 30, 2017 and $190 million at September 30, 2016. Order intake improved in October and subsequent to 30 September the Company has received awards amounting to approximately $55 million.

Key Financial Figures

(In millions of US dollars, except per share data)	Quarter ended September 30, 2017	Quarter ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016	Year ended December 31, 2016
Revenues	207.6	224.1	602.9	610.2	764.3
EBITDA	108.6	112.7	251.3	260.2	313.3
EBIT ex. impairment and other charges, net	(30.4)	(5.4)	(122.6)	(71.9)	(137.5)
EBIT as reported	(113.3)	(11.5)	(224.4)	(87.8)	(180.3)
Income (loss) before income tax expense	(136.1)	(24.2)	(276.6)	(143.9)	(262.8)
Net income (loss) to equity holders	(189.9)	(29.0)	(328.6)	(137.7)	(293.9)
Basic earnings per share ($ per share)	(0.56)	(0.12)	(0.97)	(0.58)	(1.21)
Net cash provided by operating activities	118.4	80.4	197.8	256.2	320.9
Cash investment in MultiClient library	82.0	63.0	159.4	153.1	201.0
Capital expenditures (whether paid or not)	16.6	19.0	131.1	179.9	208.6
Total assets	2,644.3	2,988.5	2,644.3	2,988.5	2,817.0
Cash and cash equivalents	24.2	77.3	24.2	77.3	61.7
Net interest bearing debt	1,113.2	1,208.6	1,113.2	1,208.6	1,029.7

Condensed Consolidated Statements of Profit and Loss and Other Comprehensive Income

(In millions of US dollars)	Note	Quarter ended September 30, 2017	Quarter ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016	Year ended December 31, 2016
Revenues	1	207.6	224.1	602.9	610.2	764.3
Cost of sales	2	(85.1)	(99.8)	(311.8)	(306.7)	(393.2)
Research and development costs	2	(4.2)	(3.7)	(12.2)	(14.2)	(19.5)
Selling, general and administrative costs	2	(9.7)	(7.8)	(27.6)	(29.0)	(38.4)
Amortization and impairment of MultiClient library	3	(153.6)	(95.4)	(304.7)	(226.4)	(323.9)
Depreciation and amortization of long term assets (excl. MultiClient library)	3	(27.1)	(31.9)	(114.5)	(115.0)	(157.0)
Impairment and loss on sale of long-term assets (excl. MultiClient library)	3	(28.5)	-	(38.4)	(4.2)	(12.0)
Other charges, net	3	(12.7)	3.1	(18.1)	(2.5)	(0.6)
Total operating expenses		(320.9)	(235.5)	(827.3)	(697.9)	(944.6)
Operating profit (loss)/EBIT		(113.3)	(11.5)	(224.3)	(87.8)	(180.3)
Share of results from associated companies	4	(2.9)	2.4	(7.8)	(23.9)	(30.1)
Interest expense	5	(15.6)	(13.9)	(41.9)	(31.7)	(46.1)
Other financial expense, net	6	(4.3)	(1.2)	(2.5)	(0.5)	(6.4)
Income (loss) before income tax expense		(136.1)	(24.2)	(276.6)	(143.9)	(262.8)
Income tax	7	(53.7)	(4.8)	(51.9)	6.2	(31.2)
Net income (loss) to equity holders of PGS ASA		**(189.9)**	**(29.0)**	**(328.6)**	**(137.7)**	**(293.9)**
Other comprehensive income						
Items that will not be reclassified to profit and loss	12	12.8	(36.7)	2.6	(46.1)	(32.7)
Items that may be subsequently reclassified to profit and loss	12	2.3	(0.2)	4.5	1.1	(0.9)
Other comprehensive income for the period, net of tax		15.1	(36.9)	7.1	(45.0)	(33.6)
Total comprehensive income to equity holders of PGS ASA		**(174.8)**	**(65.9)**	**(321.5)**	**(182.7)**	**(327.5)**

Condensed Consolidated Statements of Financial Position

(In millions of US dollars)	Note	September 30, 2017	September 30, 2016	December 31, 2016
ASSETS				
Cash and cash equivalents	10	24.2	77.3	61.7
Restricted cash	10	20.4	13.8	32.3
Accounts receivable		121.9	131.1	98.4
Accrued revenues and other receivables		135.4	121.8	120.3
Other current assets		79.1	74.7	69.1
Total current assets		380.9	418.7	381.9
Property and equipment	8	1,329.9	1,420.8	1,391.5
MultiClient library	9	566.1	682.1	647.7
Restricted cash	10	94.3	86.4	68.7
Deferred tax assets		0.7	101.9	55.5
Other long-term assets		93.7	120.1	113.1
Other intangible assets		178.7	158.5	158.6
Total long-term assets		2,263.4	2,569.8	2,435.1
Total assets		**2,644.3**	**2,988.5**	**2,817.0**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Short-term debt and current portion of long-term debt	10	51.8	37.7	38.8
Accounts payable		79.7	55.9	54.9
Accrued expenses and other current liabilities		135.9	158.5	133.3
Income taxes payable		20.8	19.1	19.4
Total current liabilities		288.2	271.1	246.4
Long-term debt	10	1,183.3	1,326.1	1,132.0
Deferred tax liabilities		0.9	2.6	2.5
Other long-term liabilities		94.8	103.0	76.7
Total long-term liabilities		1,279.0	1,431.7	1,211.2
Common stock; par value NOK 3;				
issued and outstanding 338,579,996 shares		138.5	104.0	133.7
Treasury shares, par value		-	(0.9)	(0.8)
Additional paid-in capital		850.7	627.5	816.3
Total paid-in capital		989.2	730.6	949.2
Accumulated earnings		176.3	662.0	505.7
Other comprehensive income		(88.4)	(106.9)	(95.5)
Total shareholders' equity		1,077.1	1,285.7	1,359.4
Total liabilities and shareholders' equity		**2,644.3**	**2,988.5**	**2,817.0**

Condensed Consolidated Statements of Cash Flows

(In millions of US dollars)	Quarter ended September 30, 2017	Quarter ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016	Year ended December 31, 2016
Net income (loss) to equity holders of PGS ASA	**(189.9)**	**(29.0)**	**(328.6)**	**(137.7)**	**(293.9)**
Depreciation, amortization, impairment and loss on sale of long-term assets	209.2	127.3	457.5	345.5	493.0
Share of results in associated companies	2.9	(2.4)	7.8	23.9	30.1
Interest expense	15.6	13.9	41.9	31.7	46.1
Loss (gain) on sale and retirement of assets	(0.2)	1.2	(5.4)	3.0	4.5
Change in deferred tax	53.3	4.1	42.3	(12.1)	24.7
Income taxes paid	0.2	(1.8)	(7.1)	(6.1)	(7.4)
Other items	1.6	0.9	3.6	7.0	0.7
(Increase) decrease in accounts receivable, accrued revenues & other receivables	26.0	(32.2)	(38.6)	18.0	52.2
Increase (decrease) in accounts payable	0.5	(3.3)	21.2	10.1	9.9
Change in other current items related to operating activities	(15.8)	1.9	(16.8)	(25.5)	(33.0)
Change in other long-term items related to operating activities	15.1	(0.2)	20.0	(1.6)	(6.1)
Net cash provided by operating activities	**118.4**	**80.4**	**197.8**	**256.2**	**320.9**
Investment in MultiClient library	(82.0)	(63.0)	(159.4)	(153.1)	(201.0)
Investment in property and equipment	(9.3)	(10.9)	(134.0)	(192.3)	(218.2)
Investment in other intangible assets	(7.5)	(2.2)	(13.7)	(7.6)	(11.1)
Investment in other current -and long-term assets	-	-	(2.3)	(93.1)	(93.1)
Proceeds from sale and disposal of assets	-	1.5	23.7	1.5	2.5
Increase in long-term restricted cash	(1.2)	(1.7)	1.4	(3.4)	(7.8)
Net cash used in investing activities	**(100.0)**	**(76.3)**	**(284.3)**	**(447.9)**	**(528.7)**
Proceeds, net of deferred loan costs, from issuance of long-term debt		-	76.6	112.8	102.5
Repayment of long-term debt	(13.2)	(10.5)	(39.0)	(25.3)	(235.3)
Net drawdown of Revolving Credit Facility	(25.0)	40.0	10.0	135.0	165.0
Proceeds from sale of treasury shares/share issue	-	-	35.4	-	217.1
Interest paid	(9.4)	(6.1)	(34.1)	(35.1)	(61.4)
Net cash (used in) provided by financing activities	**(47.6)**	**23.4**	**48.9**	**187.4**	**187.9**
Net increase (decrease) in cash and cash equivalents	(29.1)	27.6	(37.5)	(4.3)	(19.9)
Cash and cash equivalents at beginning of period	53.3	49.7	61.7	81.6	81.6
Cash and cash equivalents at end of period	**24.2**	**77.3**	**24.2**	**77.3**	**61.7**

Condensed Consolidated Statements of Changes in Shareholders' Equity

For the nine months ended September 30, 2016

	Attributable to equity holders of PGS ASA					
(In millions US of dollars)	Share capital par value	Treasury shares par value	Additional paid-in capital	Accumulated earnings	Other comprehensive income	Shareholders' equity
Balance as of January 1, 2016	**104.0**	**(1.1)**	**622.8**	**799.9**	**(61.9)**	**1,463.7**
Total comprehensive income	-	-	-	(137.7)	(45.0)	(182.7)
Share based payments	-	0.2	4.7	(0.2)	-	4.7
Balance as of September 30, 2016	**104.0**	**(0.9)**	**627.5**	**662.0**	**(106.9)**	**1,285.7**

For the nine months ended September 30, 2017

	Attributable to equity holders of PGS ASA					
(In millions US of dollars)	Share capital par value	Treasury shares par value	Additional paid-in capital	Accumulated earnings	Other comprehensive income	Shareholders' equity
Balance as of January 1, 2017	**133.7**	**(0.8)**	**816.3**	**505.7**	**(95.5)**	**1,359.4**
Total comprehensive income	-	-	-	(328.6)	7.1	(321.5)
Share issue (1)	4.8	-	30.6	-	-	35.4
Share based payments	-	0.8	3.8	(0.8)	-	3.8
Balance as of September 30, 2017	**138.5**	**-**	**850.7**	**176.3**	**(88.4)**	**1,077.1**

(1) Transaction costs amounting to $0.3 mill are recognized against "Additional paid-in capital".

Notes to the Condensed Interim Consolidated Financial Statements
Third Quarter 2017 Results

Note 1 – Revenues

Revenues by service type:

(In millions of US dollars)	Quarter ended September 30, 2017	Quarter ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016	Year ended December 31, 2016
Marine revenues by service type:					
- Contract seismic	43.5	54.2	200.8	183.3	212.6
- MultiClient pre-funding	101.8	84.3	191.7	191.4	242.3
- MultiClient late sales	47.8	63.2	164.5	174.4	226.8
- Imaging	12.5	16.0	41.2	50.4	70.0
- Other	2.0	6.4	4.7	10.7	12.6
Total revenues	**207.6**	**224.1**	**602.9**	**610.2**	**764.3**

Vessel allocation(1):

	Quarter ended September 30, 2017	Quarter ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016	Year ended December 31, 2016
Contract	28%	33%	47%	51%	45%
MultiClient	53%	45%	33%	30%	29%
Steaming	5%	10%	10%	13%	14%
Yard	2%	2%	2%	2%	2%
Stacked/standby	12%	10%	8%	4%	10%

1) The statistics exclude cold-stacked vessels.

Revenues for Petroleum Geo-Services ASA ("PGS" or "the Company") in Q3 2017 decreased by $16.5 million, or 7%, compared to Q3 2016. The decrease is mainly driven by a 24% reduction in MultiClient late sales revenues and 20% lower contract revenues, partially offset by a 21% increase in MultiClient pre-funding revenues. *Ramform Hyperion* entered into operation early Q2 2017 and PGS operated more streamer capacity in Q3 2017, compared to Q3 2016.

Lower marine contract revenues in Q3 2017, compared to Q3 2016 is a result of less vessel capacity allocated to contract operations. Pricing of marine contract projects in Q3 2017 was generally higher than in Q3 2016, but the improved pricing was for PGS offset by a very challenging project completed in Asia Pacific in the quarter.

MultiClient pre-funding revenues increased by $17.5 million in Q3 2017, compared to Q3 2016, primarily due to more vessel capacity allocated to MultiClient activities. Pre-funding revenues were highest in North America and Europe.

MultiClient late sales revenues in Q3 2017 decreased by $15.4 million, compared to Q3 2016. Late sales revenues in the quarter were impacted by Hurricane Harvey, which interrupted business for some companies in the Houston area. PGS Houston office was closed August 28 and re-opened late October, however most of PGS Houston organization have been operational since early September. Further the Company did not benefit from any particular license rounds in the quarter. Late sales revenues were highest in Europe and West Africa.

External Imaging revenues in Q3 2017 decreased by $3.5 million, 22%, compared to Q3 2016 as a result of a challenging market for imaging services and more computing capacity allocated to processing of MultiClient data.

Note 2 – Net Operating Expenses

(In millions of US dollars)	Quarter ended September 30, 2017	Quarter ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016	Year ended December 31, 2016
Cost of sales before investment in MultiClient library	(167.2)	(163.7)	(471.2)	(460.7)	(594.2)
Research and development costs before capitalized development costs	(6.6)	(5.9)	(20.8)	(20.9)	(29.7)
Sellling, general and administrative costs	(9.7)	(7.8)	(27.6)	(29.0)	(38.4)
Cash costs, gross	**(183.5)**	**(177.3)**	**(519.7)**	**(510.5)**	**(662.3)**
Cash investment in MultiClient library	82.0	63.9	159.4	154.0	201.0
Capitalized development costs	2.4	2.2	8.6	6.7	10.2
Net operating expenses	**(99.0)**	**(111.3)**	**(351.6)**	**(349.9)**	**(451.0)**

Reported gross cash cost for the Company increased by 6.2 million, or 3%, in Q3 2017, compared to Q3 2016. The increase is mainly driven by more vessel capacity in operation as a result of *Ramform Hyperion* entering operation early Q2 2017, higher external project specific costs, higher fuel price and less favorable foreign exchange rates, partly offset by a general cost reductions.

The Company has reduced gross cash cost by almost 40% compared to the $1,111.7 million reported for the full year 2014. Capacity reduction, office closures, staff reductions, reduced fuel cost, favorable foreign exchange development, and other general cost savings measures are the principal contributors to these cost savings.

Further cost reductions are planned in order for PGS to become able to deliver positive cash flow after debt service, assuming a flat market from 2017. The Company intends to centralize, simplify and streamline the organization, and improve the flexibility for vessels and imaging capacity. PGS targets a reduction of gross cash cost by at least $100 million from the 2017 level, excluding restructuring cost. Restructuring cost is estimated to amount to $40-50 million, mostly relating to severance payments, and will for the most part be recorded in Q4 2017. This estimate is subject to change as the actual implementation of initiatives may deviate from current assumptions.

Note 3 – Amortization, Depreciation, Impairments and Other Charges, net

Amortization and impairment of MultiClient library consist of the following:

	Quarter ended September 30,		Nine months ended September 30,		Year ended December 31,
(In millions of US dollars)	2017	2016	2017	2016	2016
Amortization of MultiClient library	(111.9)	(86.2)	(259.0)	(202.6)	(279.2)
Accelerated amortization of MultiClient library	-	-	(0.4)	(14.6)	(14.6)
Impairment of MultiClient library	(41.7)	(9.2)	(45.2)	(9.2)	(30.1)
Total	**(153.6)**	**(95.4)**	**(304.7)**	**(226.4)**	**(323.9)**

Amortization of the MultiClient library as a percentage of MultiClient revenues was 75% in Q3 2017, compared to 58% in Q3 2016. The high amortization rate in Q3 2017 is primarily due a lower proportion of MultiClient late sales revenues.

PGS recorded MultiClient library impairments of $41.7 million in Q3 2017, relating to specific surveys, primarily located in the Gulf of Mexico, where the Company has seen less than expected sales.

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

	Quarter ended September 30,		Nine months ended September 30,		Year ended December 31,
(In millions of US dollars)	2017	2016	2017	2016	2016
Gross depreciation	(56.7)	(55.3)	(169.9)	(164.0)	(218.7)
Depreciation capitalized and deferred, net	29.6	23.3	55.4	49.0	61.7
Total	**(27.1)**	**(31.9)**	**(114.5)**	**(115.0)**	**(157.0)**

Gross depreciation was slightly higher in Q3 2017, compared to Q3 2016 primarily as a result of an increase in the active 3D fleet arising from *Ramform Hyperion* coming into operation early Q2 2017. Capitalized depreciation increased since more vessel capacity was allocated to MultiClient projects.

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

	Quarter ended September 30,		Nine months ended September 30,		Year ended December 31,
(In millions of US dollars)	2017	2016	2017	2016	2016
Property and equipment	(28.5)	-	(38.4)	(4.2)	(12.0)
Total	**(28.5)**	**-**	**(38.4)**	**(4.2)**	**(12.0)**

PGS recorded an impairment charge of $28.5 million in Q3 2017 relating to a reduced baseline for 3D vessel capacity to be operated going forward. The impairment primarily reflects a write-down to an aggregate estimated recoverable value of $27.0 million of the V-class vessels that are stacked or will be stacked near-term.

The Company has recorded significant impairment charges. The market for seismic data is still uncertain and depending on 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 September 30, 2017	Quarter ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016	Year ended December 31, 2016
Restructuring cost	0.1	(0.8)	(0.6)	(4.2)	(4.7)
Onerous contract with customers	3.2	3.6	6.0	3.8	4.1
Onerous lease contracts	(16.0)	0.5	(16.0)	(2.5)	(0.3)
Other	-	(0.2)	(7.5)	0.4	0.4
Total	**(12.7)**	**3.1**	**(18.1)**	**(2.5)**	**(0.6)**

Other charges, net in Q3 2017 primarily relates to a $16.0 million onerous contract provision for the *Sanco Sword* charter agreement, partially offset by a reversal of provisions for onerous customer contracts. With a reduced baseline for operated 3D vessel capacity it is uncertain whether *Sanco Sword* will be placed in service prior to the expiration of the firm charter period in 2020.

As of September 30, 2017 the Company's provision for onerous customer contracts amounted to a total of $1.3 million, a decrease of $3.2 million compared to June 30, 2017 and a decrease of $8.3 million compared to September 30, 2016. 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 4 – Share of Results from Associated Companies

The share of results from associated companies in Q3 2017 primarily relates to the 43% interest in the Azimuth Group.

Note 5 – Interest Expense

Interest expense consists of the following:

(In millions of US dollars)	Quarter ended September 30, 2017	Quarter ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016	Year ended December 31, 2016
Interest expense, gross	(16.9)	(17.4)	(47.3)	(48.6)	(66.6)
Capitalized interest, MultiClient library	1.3	1.8	3.6	10.6	12.6
Capitalized interest, construction in progress	-	1.6	1.8	6.2	7.9
Total	**(15.6)**	**(13.9)**	**(41.9)**	**(31.7)**	**(46.1)**

Gross interest expense in Q3 2017 decreased somewhat compared to Q3 2016 as a result of a lower debt level.

Less interest expense capitalized to the MultiClient library and construction in progress in Q3 2017, compared to Q3 2016 was due to lower net book value of MultiClient surveys in progress and completion of the new build program.

Note 6 – Other Financial Expense, net

Other financial expense, net consists of the following:

(In millions of US dollars)	Quarter ended September 30, 2017	Quarter ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016	Year ended December 31, 2016
Interest income	0.5	0.8	1.0	2.6	3.4
Currency exchange gain (loss)	(3.3)	(0.4)	(6.2)	1.0	(5.2)
Other	(1.4)	(1.6)	2.7	(4.1)	(4.5)
Total	**(4.3)**	**(1.2)**	**(2.5)**	**(0.5)**	**(6.4)**

Other financial expense, net increased in Q3 2017, compared to Q3 2016 primarily as a result of a higher currency exchange loss in the quarter.

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 7 – Income Tax and Contingencies

Income tax consists of the following:

(In millions of US dollars)	Quarter ended September 30, 2017	Quarter ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016	Year ended December 31, 2016
Current tax	(0.5)	0.7	(9.6)	5.9	(6.3)
Change in deferred tax	(53.3)	4.1	(42.3)	(12.1)	(24.9)
Total	**(53.7)**	**4.8**	**(51.9)**	**(6.2)**	**(31.2)**

The Company has incurred several years of consecutive tax losses in the Norwegian tax jurisdiction, including for 2017 and the outlook for 2018 remains uncertain. Although the Company believes it will eventually attain a satisfactory level of profitability, sufficient convincing evidence of such as required by International Accounting Standards 12 is not present. Accordingly, the remaining deferred tax asset was expensed in Q3 2017.

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 $52.2 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.

Other 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, 2017, the aggregate cash exposure is $146.7 million, including possible penalties and interest. PGS has made deposits covering $72.2 million of the aggregate cash exposure. The deposits are included in long-term restricted cash. In Q4 2016 a part of the dispute related to the ISS tax was heard by the Taxpayers Council. The Council requested more information and a new date for hearing the case has not been set. This part of the ISS case, which represents $74.5 million of the aggregate cash exposure, has not yet gone to legal trial and the Company has consequently not made any deposit. 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. See note 21 to the 2016 annual financial statements for further details.

Recently the authorities have launched several initiatives to offer settlement and change regulations for ISS. Such initiatives could offer opportunities to settle ongoing disputes at amounts lower than the aggregate exposures and improve transparency of regulations going forward.

Note 8 – Property and Equipment

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

(In millions of US dollars)	Quarter ended September 30, 2017	Quarter ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016	Year ended December 31, 2016
Seismic equipment	10.5	2.2	25.6	5.6	18.9
Vessel upgrades/Yard	2.2	0.4	8.5	14.4	20.1
Processing equipment	2.0	9.0	5.2	11.2	12.8
Newbuilds	-	6.8	89.0	146.9	154.4
Other	1.9	0.6	2.8	1.8	2.4
Total capital expenditures, whether paid or not	**16.6**	**19.0**	**131.1**	**179.9**	**208.6**
Adjustment to prior years capital expenditures	-	-	5.3	-	-
Change in working capital and capital leases	(7.3)	(8.1)	(2.4)	12.4	9.6
Investment in property and equipment	**9.3**	**10.9**	**134.0**	**192.3**	**218.2**

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

Note 9 – 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)	2017	2016	2016
Completed during 2011		2.7	-
Completed during 2012	2.3	11.9	9.3
Completed during 2013	10.4	19.5	16.6
Completed during 2014	42.6	68.5	61.2
Completed during 2015	84.0	131.4	117.1
Completed during 2016	206.4	224.6	303.4
Completed during 2017	42.7	-	-
Completed surveys	388.5	458.5	507.6
Surveys in progress	177.6	223.6	140.1
MultiClient library, net	**566.1**	**682.1**	**647.7**

Key figures MultiClient library:

	Quarter ended September 30,		Nine months ended September 30,		Year ended December 31,
(In millions of US dollars)	2017	2016	2017	2016	2016
MultiClient pre-funding revenue	101.8	84.3	191.7	191.4	242.3
MultiClient late sales	47.8	63.2	164.5	174.4	226.8
Cash investment in MultiClient library	82.0	63.0	159.4	153.1	201.0
Prefunding as a percentage of MultiClient cash investment	124%	134%	120%	125%	121%
Capitalized interest in MultiClient library	1.3	1.8	3.6	10.6	12.6
Capitalized depreciation (non-cash)	29.8	25.7	55.4	48.7	62.1
Amortization of MultiClient library	(111.9)	(86.2)	(259.0)	(202.6)	(279.2)
Accelerated amortization of MultiClient library	-	-	(0.4)	(14.6)	(14.6)
Impairment of MultiClient library	(41.7)	(9.2)	(45.2)	(9.2)	(30.1)

In Q3 2017 MultiClient pre-funding revenues corresponded to 124% of capitalized MultiClient cash investment (excluding capitalized interest), compared to 134% in Q3 2016. The continued high pre-funding level illustrates the Company's ability to generate solid MultiClient projects attracting strong customer interest, combined with industry leading GeoStreamer technology, project execution and reduced cost.

The higher MultiClient cash investment in Q3 2017, compared to Q3 2016 is mainly due to more 3D vessel capacity allocated to MultiClient activities.

Note 10 – Liquidity and Financing

Net cash provided by operating activities in Q3 2017 was $118.4 million, compared to $80.4 million in Q3 2016. The increase is mainly due to a reduction of working capital from receiving payments from sales made in the second half of the previous quarter.

The liquidity reserve, including cash and cash equivalents and the undrawn part of the Revolving Credit Facility ("RCF"), was $224.2 million as of September 30, 2017, compared to $228.3 million as of June 30, 2017 and $417.3 million as of September 30, 2016. The Company decreased its drawing on the RCF by $25 million in Q3 2017, partially repaying what the Company drew from the facility in the previous quarter to cover working capital fluctuations. The liquidity reserve as of September 30, 2017 and June 30, 2017 reflects a resized RCF of $400 million, compared to $500 million prior to December 31, 2016.

Long term debt consists of the following:

(In millions of US dollars)	September 30, 2017	September 30, 2016	December 31, 2016
Secured			
Term loan B, Libor (min. 75 bp) + 250 Basis points, due 2021	386.0	390.0	389.0
Export credit financing, due 2025	166.6	187.5	182.3
Export credit financing, due 2027	261.5	198.6	192.1
Revolving credit facility, due 2020	200.0	160.0	190.0
Unsecured			
Senior notes, Coupon 7.375%, due 2018	26.0	450.0	26.0
Senior notes, Coupon 7.375%, due 2020	212.0	-	212.0
Long-term debt, gross (1)	**1,252.1**	**1,386.1**	**1,191.4**
Less current portion LT debt	(51.2)	(37.7)	(37.8)
Less deferred loan costs, net of debt premiums	(17.6)	(22.3)	(21.6)
Total long-term debt	**1,183.3**	**1,326.1**	**1,132.0**

(1) Fair value of the long term debt, gross was $1,175.0 million as of September 30, 2017, compared to $1,205.5 million as of September 30, 2016.

Undrawn facilities consists of the following:

(In millions of US dollars)	September 30, 2017	September 30, 2016	December 31, 2016
Secured			
Revolving credit facility, due 2020	200.0	340.0	210.0
Export credit financing		91.2	91.2
Unsecured			
Bank facility (NOK 50 mill)	6.3	6.2	5.8
Performance bond	2.5	8.0	12.5
Total	**208.8**	**445.4**	**319.5**

Summary of net interest bearing debt:

(In millions of US dollars)	September 30, 2017	September 30, 2016	December 31, 2016
Cash and cash equivalents	24.2	77.3	61.7
Restricted cash (current and long-term)	114.7	100.2	101.0
Short-term debt and current portion of long-term debt	(51.2)	(37.7)	(38.8)
Long-term debt	(1,183.3)	(1,326.1)	(1,132.0)
Adjustment for deferred loan costs (offset in long-term debt)	(17.6)	(22.3)	(21.6)
Total	**(1,113.2)**	**(1,208.6)**	**(1,029.7)**

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 the sale of MultiClient data in Brazil is not subject to ISS tax (see annual report 2016 for more details). The deposits are denominated in Brazilian Real and the carrying value at end Q3 2017 was approximately $72.2 million. Restricted cash also includes $38.0 million held in debt service reserve and retention accounts related to the export credit financing of *Ramform Titan*, *Ramform Atlas, Ramform Tethys and Ramform Hyperion*.

At September 30, 2017, the Company had approximately 51% of its debt at fixed interest rates. The Q3 2017 weighted average cash interest cost of gross debt reflects an interest rate of approximately 4.7%, 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 instalments. Total annual ECF installments for 2017 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 September 30, 2017 the total leverage ratio was 4.34:1.

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 2016 Annual Report.

Note 11 – 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,
	2017	2016	2017	2016	2016
- Basic	(0.56)	(0.12)	(0.97)	(0.58)	(1.21)
- Diluted	(0.56)	(0.12)	(0.97)	(0.58)	(1.21)
Weighted average basic shares outstanding	338,543,497	238,880,255	337,627,311	238,481,536	242,555,132
Weighted average diluted shares outstanding	339,923,754	239,048,569	339,537,399	239,298,678	243,643,599

Note 12 – Other Comprehensive Income

Changes to Other comprehensive income consists of the following:

	Quarter ended September 30,		Nine months ended September 30,		Year ended December 31,
(In millions of US dollars)	2017	2016	2017	2016	2016
Actuarial gains (losses) on defined benefit pensions plan	12.8	(44.1)	13.4	(55.6)	(32.8)
Income tax effect on actuarial gains and losses	-	7.4	(10.8)	9.5	0.1
Items that will not be reclassified to profit and loss	**12.8**	**(36.7)**	**2.6**	**(46.1)**	**(32.7)**
Cash flow hedges					
Gains (losses) arising during the period	2.0	1.0	3.1	2.5	0.5
Reclassification adjustments for losses (gains) included in	-	(0.1)	0.3	(0.1)	-
Shares available for sale					
Gains (losses) arising during the period	-	(1.0)	-	(0.4)	(0.6)
Reclassification adjustments for losses (gains) included in	-	(0.3)	-	(0.3)	0.6
Other comprehensive income (loss) of associated companies	0.3	0.2	1.1	(0.6)	(1.4)
Items that may be subsequently reclassified to profit and loss	**2.3**	**(0.2)**	**4.5**	**1.1**	**(0.9)**

Note 13 – Reconciliation EBITDA and EBIT excl. Impairment and Other Charges

	Quarter ended September 30,		Nine months ended September 30,		Year ended December 31,
(In millions of US dollars)	2017	2016	2017	2016	2016
Operating profit (loss)	**(113.3)**	**(11.5)**	**(224.3)**	**(87.8)**	**(180.3)**
Other charges, net	12.7	(3.1)	18.1	2.5	0.6
Amortization and impairment of MultiClient library	153.6	95.4	304.7	226.4	323.9
Depreciation and amortization of long term assets (excl. MultiClient library)	27.1	31.9	114.5	115.0	157.0
Impairment and loss on sale of long-term assets (excl. MultiClient library)	28.5	-	38.4	4.2	12.0
EBITDA	**108.6**	**112.7**	**251.3**	**260.2**	**313.3**

	Quarter ended September 30,		Nine months ended September 30,		Year ended December 31,
(In millions of US dollars)	2017	2016	2017	2016	2016
Operating profit (loss)	**(113.3)**	**(11.5)**	**(224.3)**	**(87.8)**	**(180.3)**
Other charges, net	12.7	(3.1)	18.1	2.5	0.6
Impairment of MultiClient library	41.7	9.2	45.2	9.2	30.1
Impairment and loss on sale of long-term assets (excl. MultiClient library)	28.5	-	38.4	4.2	12.0
EBIT ex. impairment and other charges, net	**(30.4)**	**(5.4)**	**(122.6)**	**(71.9)**	**(137.5)**

Note 14 – 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, 2016.

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, 2016.

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 following APMs:

EBITDA
EBITDA, when used by the Company, means EBIT excluding other charges, impairment and loss on sale of long-term assets and depreciation and amortization. A reconciliation between reported operating profit/(loss) and EBITDA is shown in Note 13. 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.

EBIT excluding impairments and other charges
Management believes that EBIT excluding impairments and other charges is a useful measure because it provides 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. EBIT excluding impairments and other charges is reconciled in note 13.

MultiClient pre-funding level
The MultiClient pre-funding level is calculated by dividing the MultiClient pre-funding revenues 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 2. 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 - 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 2016. As a result of these and other risk factors, actual events and actual results may differ materially from those indicated in or implied by such forward-looking statements.

Subsequent Events

The Company is in the process of centralizing, simplifying and streamlining the PGS organization. Currently PGS is organized in four business areas. Going forward the Company will be organized in the two business areas; Sales & Services and Operations & Technology. Sverre Strandenes, earlier responsible for MultiClient will be in charge of Sales & Services, while Per Arild Reksnes, earlier responsible for Operations, will lead Operations & Technology. The Company plans to implement the new structure by year-end 2017.

PGS external financial reporting and disclosures to the market is expected to remain unchanged.

Oslo, October 25, 2017

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

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

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

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The information included herein contains certain forward-looking statements that address activities, events or developments that the Company expects, projects, believes or anticipates will or may occur in the future. These statements are based on various assumptions made by the Company, which are beyond its control and are subject to certain additional risks and uncertainties. The Company is subject to a large number of risk factors including but not limited to the demand for seismic services, the demand for data from our multi-client data library, the attractiveness of our technology, unpredictable changes in governmental regulations affecting our markets and extreme weather conditions. For a further description of other relevant risk factors we refer to our Annual Report for 2016. 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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Holly Van Deursen
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 MultiClient
Per Arild Reksnes	EVP Operations
Magne Reiersgard	EVP Marine Contract
Guillaume Cambois	EVP Imaging & Engineering

Other Corporate Management:

Terje Bjølseth	SVP Global Human Resources
Joanna Oustad	SVP HSEQ
Lars Mysen	General Counsel

Web-Site:
www.pgs.com

Financial Calendar:

Q3 2017 report	October 26, 2017
Q4 2017 report	February 1, 2018
Capital Markets Day	February 1, 2018
AGM	April 25, 2018
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.