# Q4

## FOURTH QUARTER
## 2014 RESULTS

| February 12, 2015 | Oslo, Norway

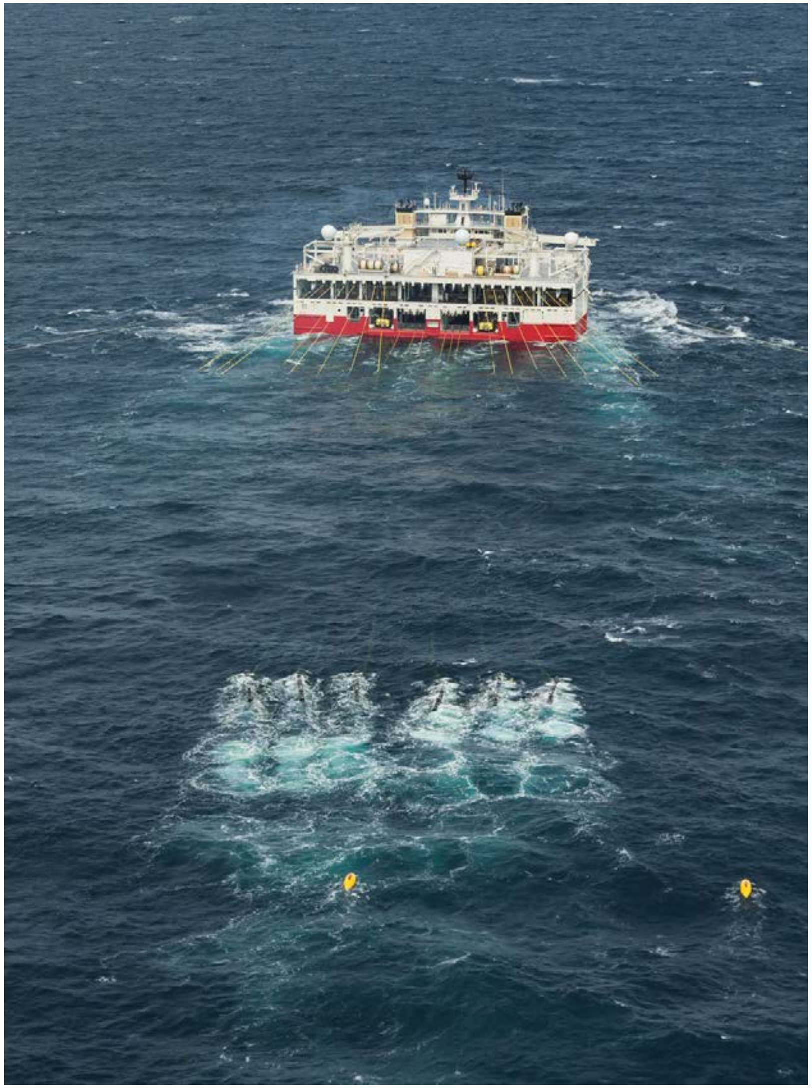
A Clearer Image | www.pgs.com

# Cautionary Statement

- This presentation contains forward looking information
- Forward looking information is based on management assumptions and analyses
- Actual experience may differ, and those differences may be material
- Forward looking information is subject to significant uncertainties and risks as they relate to events and/or circumstances in the future
- This presentation must be read in conjunction with the press release for the fourth quarter and preliminary full year 2014 results and the disclosures therein

# Strong 2014 MultiClient Late Sales

## Well Placed to Navigate Current Market Environment



- Financial performance:
  - EBITDA of USD 702.6 million
  - Late sales of USD 309.0 million – close to record high
  - Marine contract EBIT margin of 15%
- Further strengthened long term financing with no maturities before 2018
- Took delivery of *Ramform Atlas* in Q1
- Beat target for 2014 Cost Reduction Program
- The Board of Directors will propose a dividend of NOK 0.7 per share

**Full year 2015 guidance reiterated**

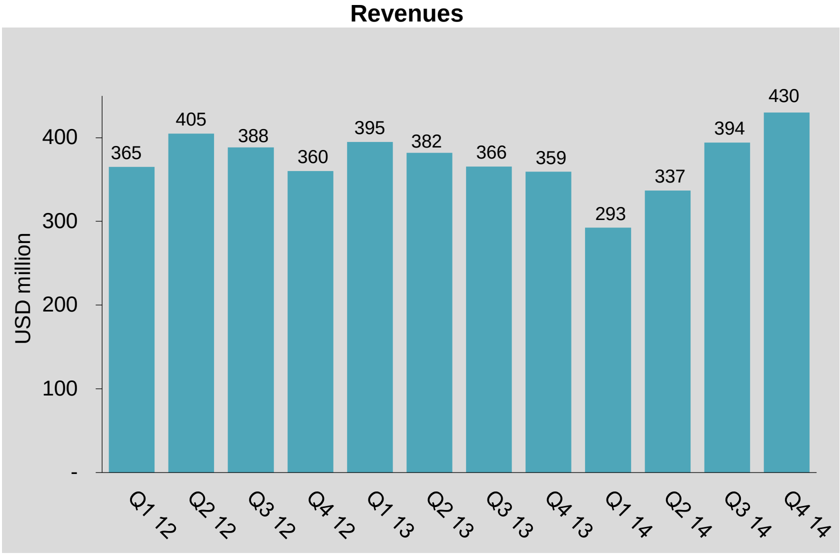
# Q4 2014 Highlights – Record Late Sales

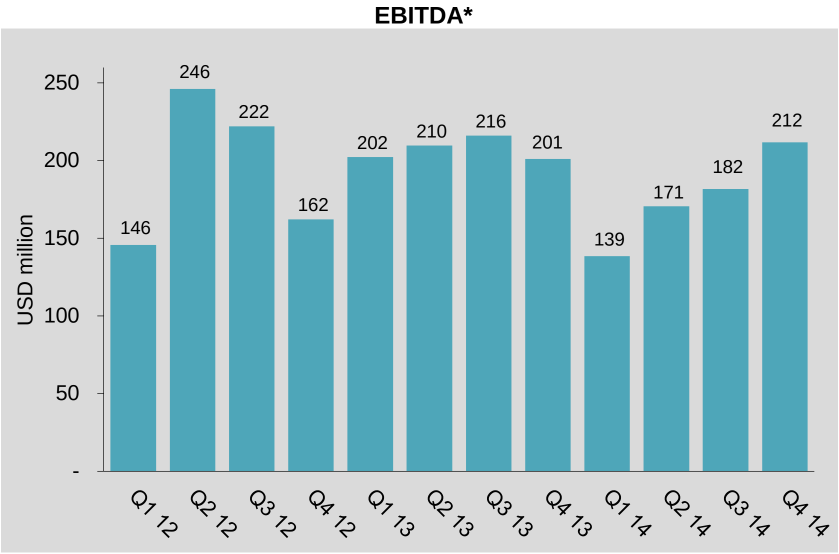
- Financial performance:
  - Solid quarterly revenues of USD 430.1 million
  - Record quarterly MultiClient late sales of USD 120.0 million
  - Breakeven marine contract EBIT margin

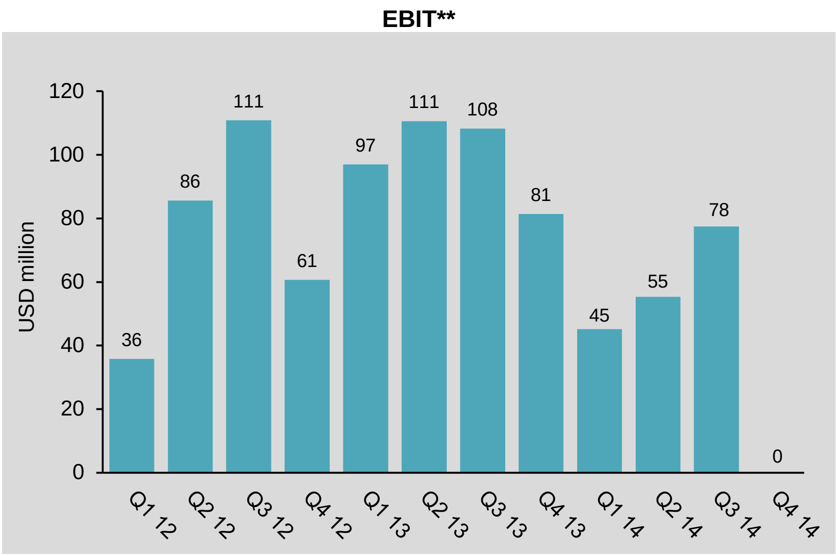
- Quarter impacted by high amortization rate and impairment of older and less productive vessels

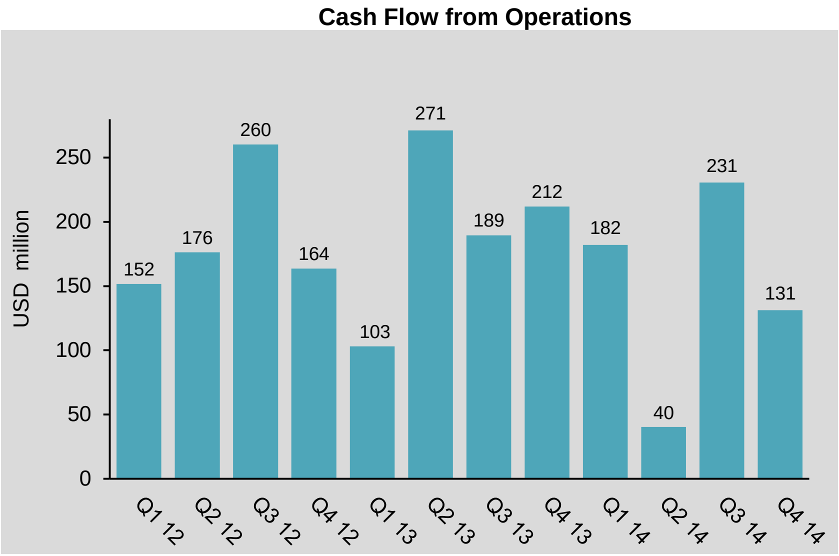
- Market deteriorated significantly during the quarter

# Financial Summary



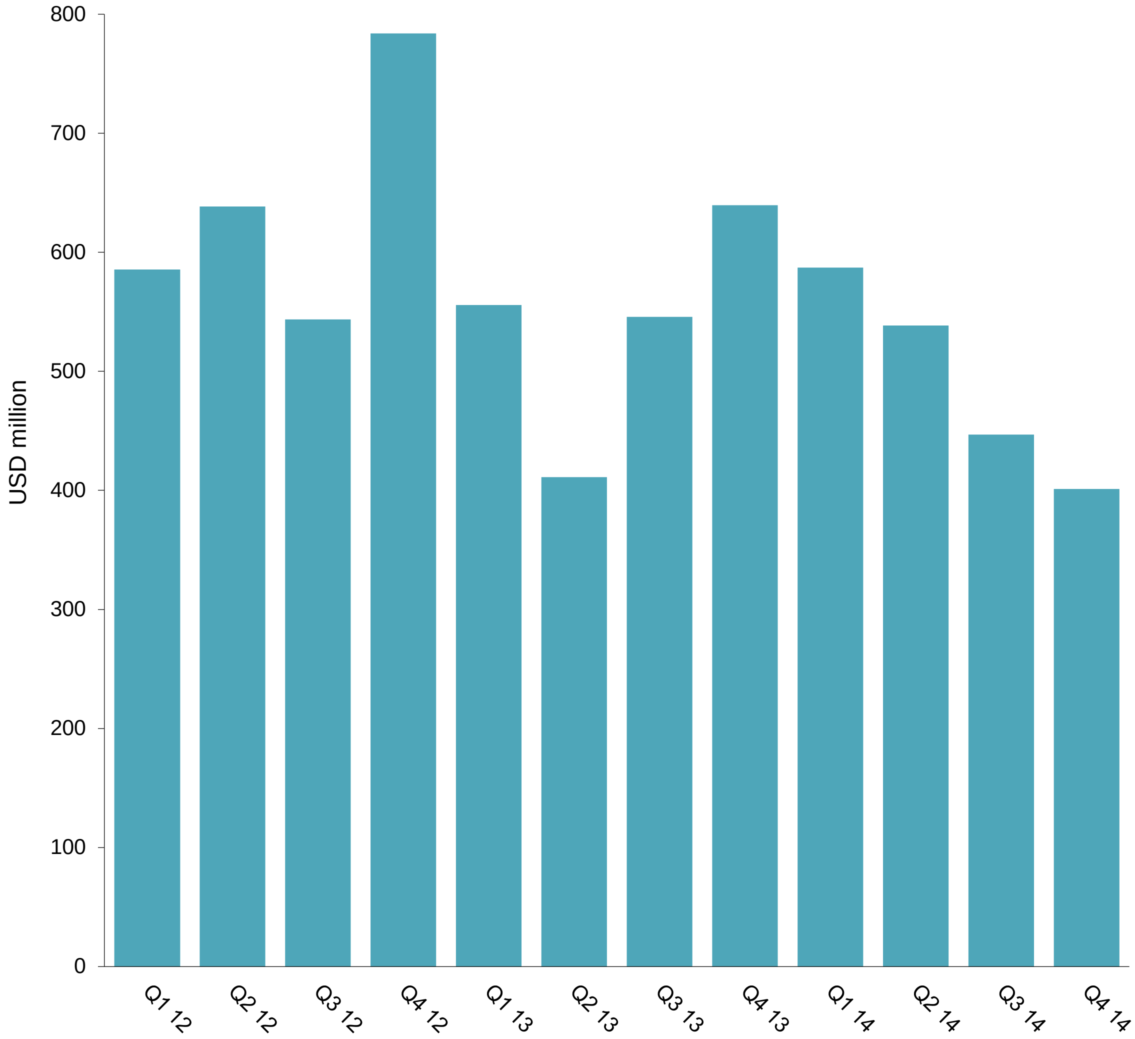




*EBITDA, when used by the Company, means EBIT less other operating (income) expense, impairments of long-term assets and depreciation and amortization.
**Excluding impairments of USD 39.7 million in Q4 2014, USD 25.0 million in Q3 2014, USD 9.1 million in Q2 2014, USD 15 million in Q4 2013, USD 0.1 million in Q4 2012 and reversal of impairment of USD 0.9 million in Q2 2012.

# Order Book




- Order book of USD 410 million by end Q4 2014
- Vessel booking*
  - ~80% booked for Q1 2015
  - ~55% booked for Q2 2015
  - ~30% booked for Q3 2015
  - ~20% booked for Q4 2015

*As of February 9, 2015. For Q1 *Ramform Explorer* is excluded and idle time already incurred for the quarter is treated as unsold.

# Financials

Unaudited Fourth Quarter and Preliminary Full Year 2014 Results

# Condensed Consolidated Statement of Operations Summary

| | Q4 | Q4 | | Full year | Full year | |
|---|---|---|---|---|---|---|
| **USD million (except per share data)** | **2014** | **2013** | **% change** | **2014** | **2013** | **% change** |
| Revenues | 430.1 | 359.5 | 20 % | 1 453.8 | 1 501.6 | -3 % |
| EBITDA* | 211.8 | 201.0 | 5 % | 702.6 | 828.9 | -15 % |
| Operating profit (EBIT) ex impairment charges | 0.0 | 81.4 | -100 % | 178.0 | 397.1 | -55 % |
| Operating profit (EBIT) | (39.7) | 66.4 | -160 % | 104.2 | 382.1 | -73 % |
| Net financial items | (18.3) | (21.6) | 15 % | (87.5) | (54.2) | -61 % |
| Income (loss) before income tax expense | (58.0) | 44.8 | -229 % | 16.7 | 327.9 | -95 % |
| Income tax expense (benefit) | 27.5 | 14.7 | 87 % | 59.4 | 89.6 | -34 % |
| Net income to equity holders | (85.5) | 30.1 | -384 % | (42.8) | 238.3 | -118 % |
| EPS basic | ($0.40) | $0.14 | -386 % | ($0.20) | $1.11 | -118 % |
| EBITDA margin* | 49.2 % | 55.9 % | | 48.3 % | 55.2 % | |
| EBIT margin ex impairment charges | 0.0 % | 22.6 % | | 12.2 % | 26.4 % | |

*EBITDA, when used by the Company, means EBIT less other operating (income) expense, impairments of long-term assets and depreciation and amortization.

The accompanying unaudited financial information has been prepared under IFRS. This information should be read in conjunction with the unaudited fourth quarter and preliminary full year 2014 results, released on February 12, 2015.

# Impairment Charge and Increased MultiClient Amortization

- Impairment charge of USD 39.7 million in Q4 2014 (full year USD 73.8 million) relates to older and less productive vessels and equipment, and were triggered by vessel retirement, stacking and a weaker near-term outlook for pricing and utilization
  - Q4 impairment charge relates primarily to *Ramform Explorer* and *Southern Explorer*

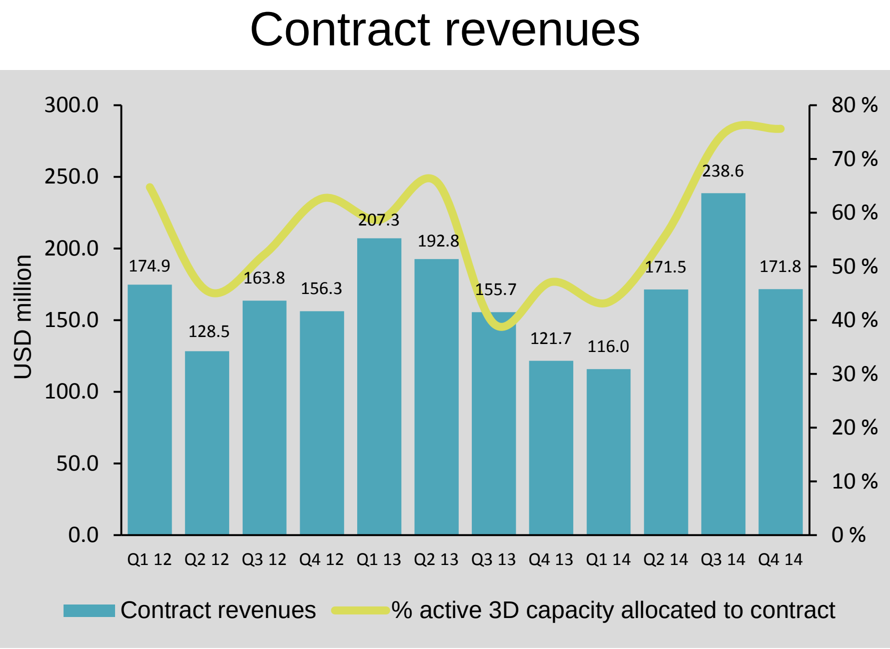
- Q4 MultiClient amortization rate of 75% of sales brings full year amortization rate to 57%
  - Q4 amortization rate impacted by more Triton sales in the mix and additional (non sales related) amortization as a result of management taking a more cautious view of sales forecasts in light of the sharply declining oil price and increased market uncertainty

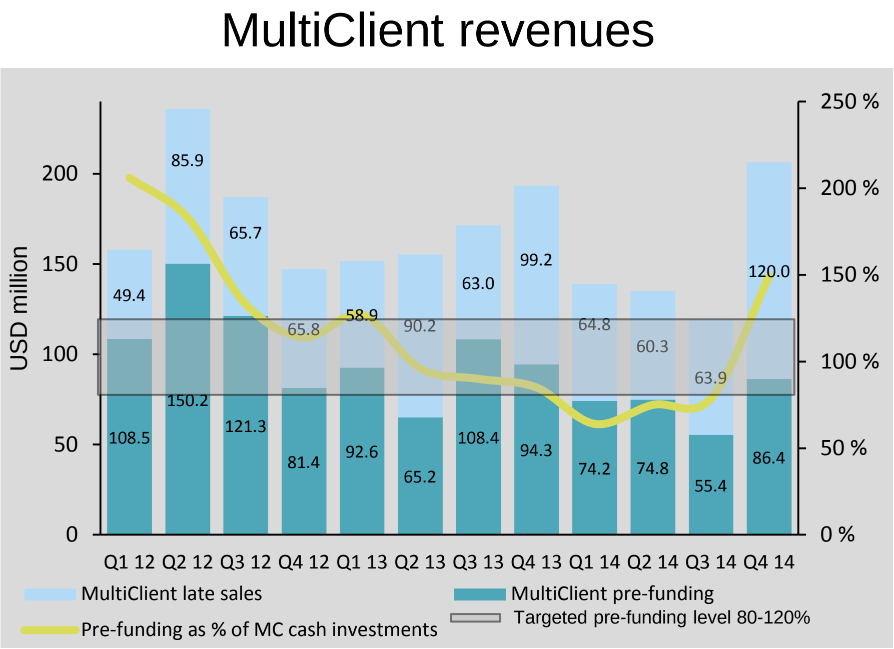
# Stronger USD Negatively Impacts Q4 2014 Net Financial Items and Tax

- Q4 financial expenses include a foreign currency loss of USD 6.0 million (full year USD 13.4 million)
  - Strengthening of the USD which negatively impacts the Company's marked to market currency positions
  - Q4 loss primarily caused by net exposure to Brazilian Real
  - A stronger USD against most other currencies has a significant positive impact on the cost base going forward

- High reported tax expense as a result of:
  - Foreign exchange movements impacting deferred tax assets which primarily are in NOK
  - Foreign taxes where the Company has taken a cautious view on realizing full benefit from tax credit in Norway
  - Non-deductible impairments of vessels within tonnage tax regimes

# Q4 2014 Operational Highlights

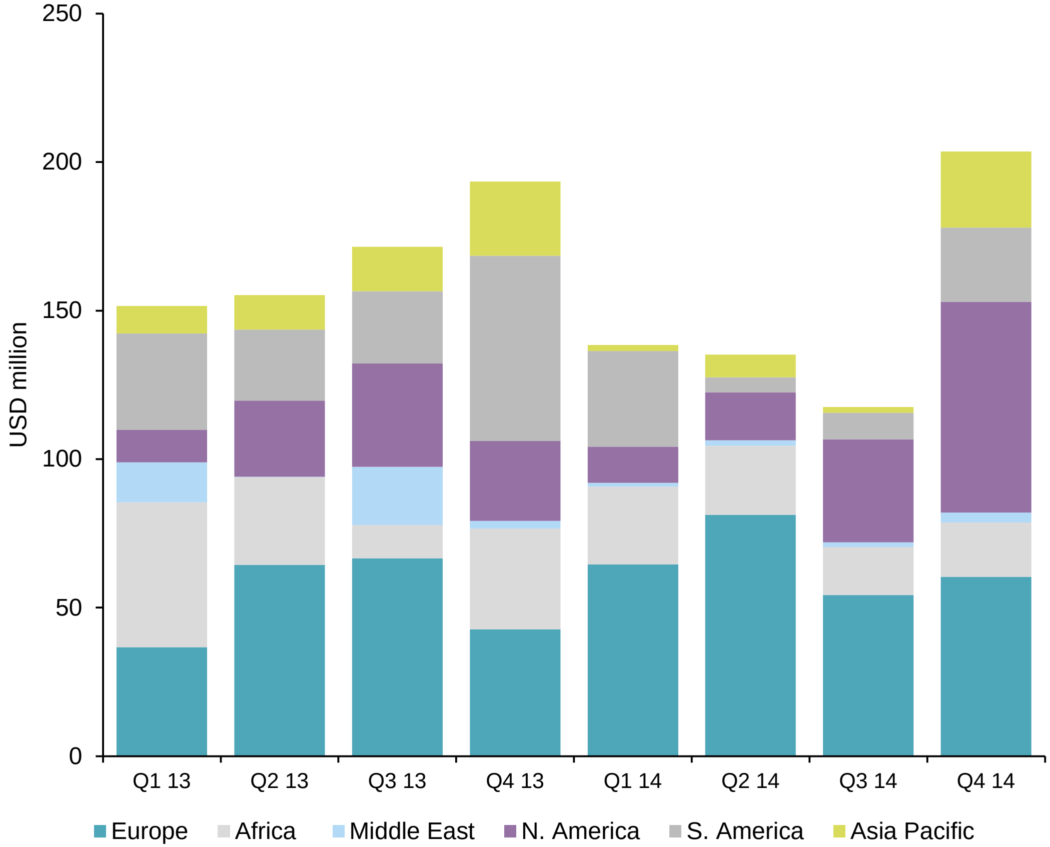



- Marine contract revenues of USD 171.8 million and a breakeven EBIT margin
  - Approximately 5 percentage points negative impact from standby and expensed steaming cost
- Total MultiClient revenues of USD 206.4 million
  - Record MultiClient late sales of USD 120.0 million
  - Pre-funding revenues lower than earlier indication due to timing of revenue recognition being delayed into Q1 2015 on one project
  - Pre-funding level of 149%
  - Pre-funding level for the full year 2014 ended at 84%

# MultiClient Revenues per Region

## Pre-funding and Late Sales Revenues Combined




- Strong MultiClient sales performance in Q4 2014
- Pre-funding revenues were highest in North America and Asia Pacific
- Good late sales in Europe and South America

**24% of active 3D vessel capacity allocated to MultiClient in Q4 2014**

# Key Operational Numbers

| | 2014 | | | | 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| **USD million** | **Q4** | **Q3** | **Q2** | **Q1** | **Q4** | **Q3** | **Q2** | **Q1** |
| Contract revenues | 171.8 | 238.6 | 171.5 | 116.0 | 121.7 | 155.7 | 192.8 | 207.3 |
| MultiClient Pre-funding | 86.4 | 55.4 | 74.8 | 74.2 | 94.3 | 108.4 | 65.2 | 92.6 |
| MultiClient Late sales | 120.0 | 63.9 | 60.3 | 64.8 | 99.2 | 63.0 | 90.2 | 58.9 |
| Imaging | 36.2 | 30.6 | 24.3 | 28.0 | 32.6 | 34.3 | 28.8 | 27.1 |
| Other | 15.7 | 5.7 | 6.1 | 9.5 | 11.7 | 4.2 | 4.7 | 8.9 |
| **Total Revenues** | **430.1** | **394.2** | **337.0** | **292.5** | **359.5** | **365.6** | **381.7** | **394.8** |
| Operating cost | (218.3) | (212.5) | (166.4) | (154.0) | (158.5) | (149.6) | (172.1) | (192.5) |
| **EBITDA*** | **211.8** | **181.7** | **170.6** | **138.5** | **201.0** | **216.0** | **209.6** | **202.3** |
| Other operating income | 0.2 | 0.2 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Impairment of long-term assets | (39.7) | (25.0) | (9.1) | | (15.0) | | | |
| Depreciation | (56.8) | (50.5) | (44.0) | (29.8) | (27.2) | (27.2) | (38.8) | (37.5) |
| MultiClient amortization | (155.1) | (53.9) | (71.6) | (63.7) | (92.6) | (80.7) | (60.4) | (68.2) |
| **EBIT** | **(39.7)** | **52.5** | **46.2** | **45.2** | **66.4** | **108.3** | **110.6** | **96.8** |
| CAPEX, whether paid or not | (36.9) | (53.1) | (149.4) | (131.9) | (73.3) | (93.2) | (199.9) | (71.4) |
| Cash investment in MultiClient | (57.9) | (70.4) | (99.6) | (116.2) | (111.0) | (120.9) | (68.1) | (72.9) |
| **Order book** | **410** | **466** | **558** | **610** | **669** | **579** | **446** | **592** |

**EBITDA, when used by the Company, means EBIT less other operating (income) expense, impairments of long-term assets and depreciation and amortization.

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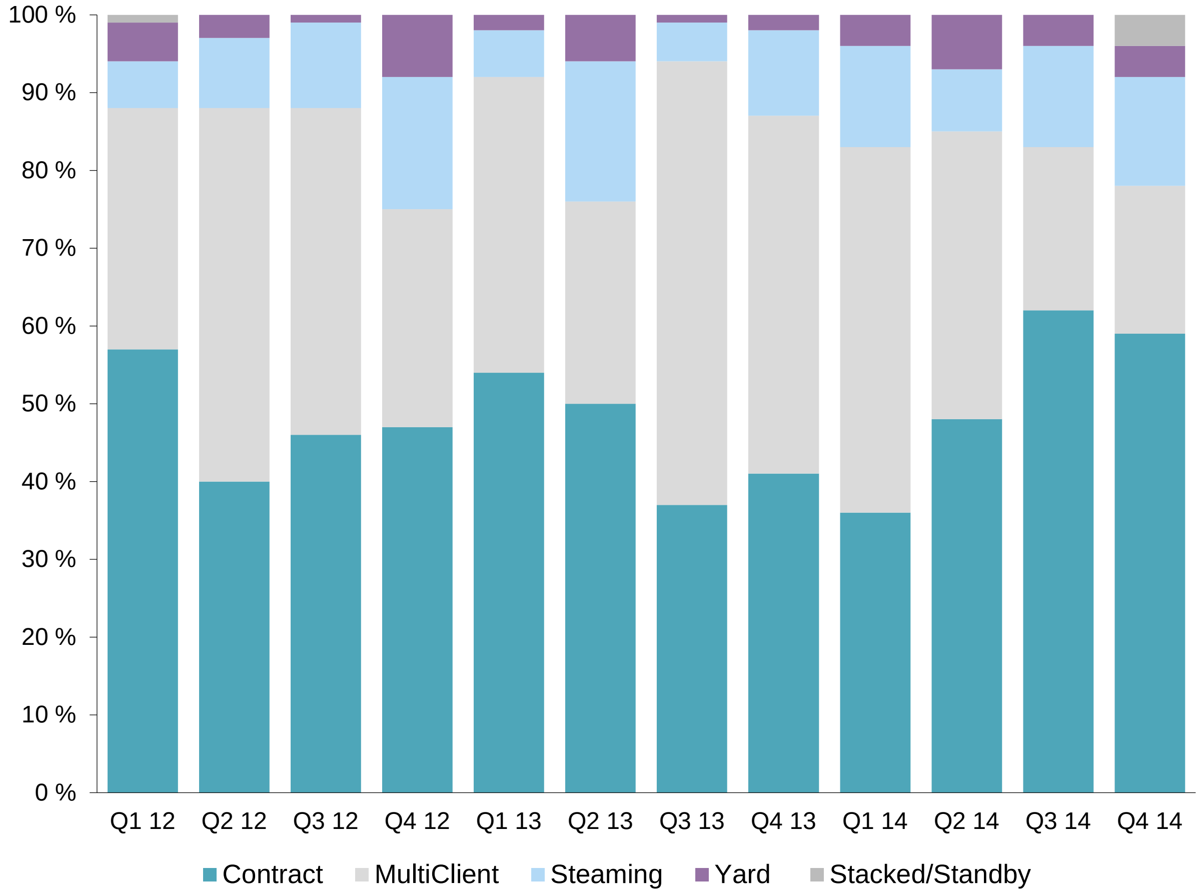
# Vessel Utilization

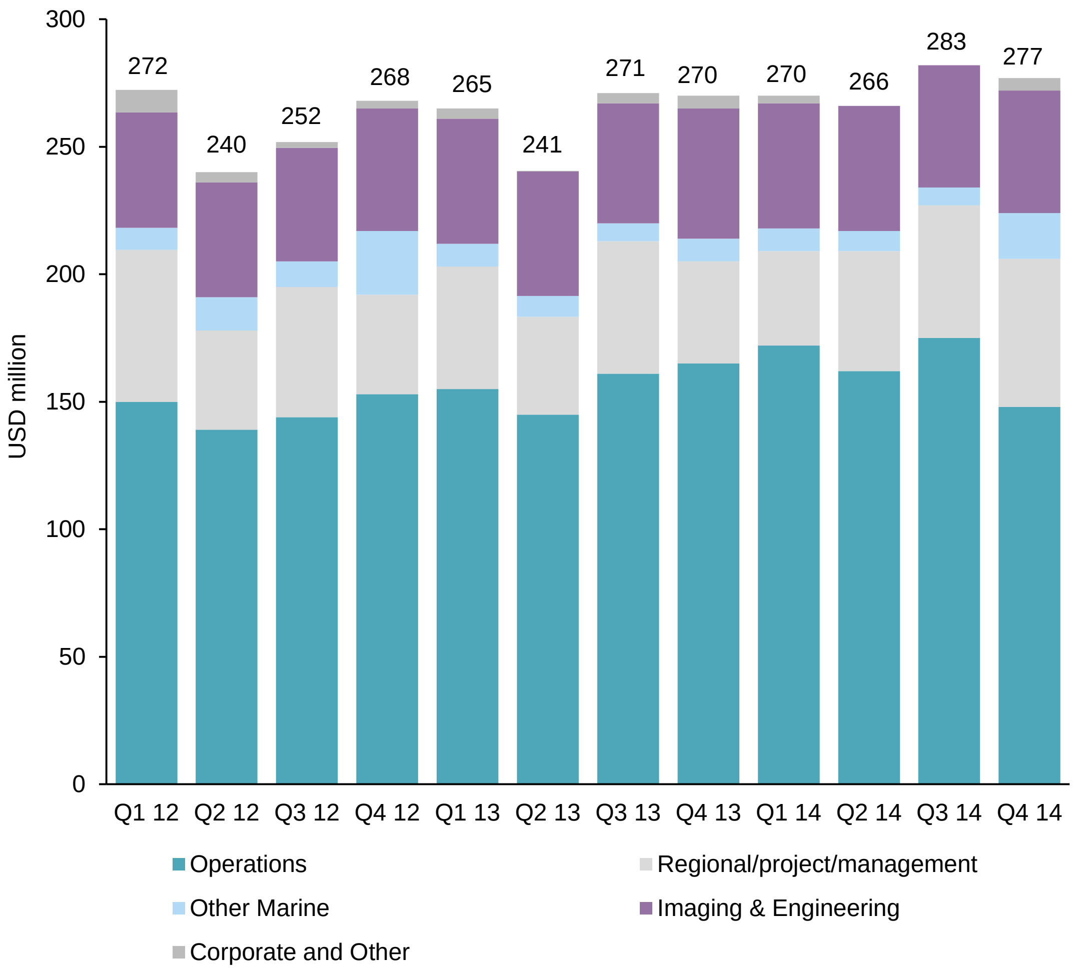
## Seismic Streamer 3D Fleet Activity in Streamer Months




- Stacked/Standby time in Q1 2015 expected to be approximately 15-20% of total vessel time
- Steaming expected to account for approximately 10% of total vessel time in Q1
- Approximately 40% of active 3D capacity scheduled for MultiClient projects in Q1

**78% active vessel time in Q4 2014**

# Group Cost* Focus Delivers Results




- Cost starting to come down as earlier guided
- Positive impact from retirement of Pacific Explorer and Nordic Explorer and reduced fuel and personnel cost
- Cost reduction partially offset in the quarter by
  - Higher OptoSeis activity
  - More steaming cost expensed
  - Increased project variable costs/reimbursable expenses
- Cost reduction programs expanded and progressing in accordance with plan

**Quarterly Cost to reduce significantly in 2015**

*Amounts show the sum of operating cost and capitalized MultiClient cash investment.

# Consolidated Statements of Cash Flows Summary

| USD million | Q4 2014 | Q4 2013 | Full year 2014 | Full year 2013 |
|---|---|---|---|---|
| Cash provided by operating activities | 131.3 | 211.9 | 584.3 | 775.3 |
| Investment in MultiClient library | (57.9) | (111.0) | (344.2) | (373.0) |
| Capital expenditures | (45.5) | (86.0) | (383.4) | (438.5) |
| Other investing activities | (14.0) | (23.0) | (58.7) | (49.2) |
| Financing activities | (49.6) | (27.1) | (7.1) | (41.1) |
| **Net increase (decr.) in cash and cash equiv.** | **(35.7)** | **(35.2)** | **(209.1)** | **(126.5)** |
| Cash and cash equiv. at beginning of period | 90.4 | 299.0 | 263.8 | 390.3 |
| **Cash and cash equiv. at end of period** | **54.7** | **263.8** | **54.7** | **263.8** |

- Q4 cash provided by operating activities negatively impacted by an increase in working capital
  - Working capital increased due to high MultiClient sales which will benefit Q1 2015 cash flow

- Q4 2014 capital expenditure primarily relates to the Ramform Titan-class new builds, GeoStreamer and yards stays on *PGS Apollo* and *Ramform Explorer*

The accompanying unaudited financial information has been prepared under IFRS. This information should be read in conjunction with the unaudited fourth quarter and preliminary full year 2014 results released February 12, 2015.

# Balance Sheet Position - Key Numbers

| | December 31 | December 31 |
|---|---|---|
| **USD million** | **2014** | **2013** |
| Total assets | 3 563.0 | 3 544.3 |
| MultiClient Library | 695.2 | 576.9 |
| Shareholders' equity | 1 909.7 | 2 065.6 |
| Cash and cash equiv. | 54.7 | 263.8 |
| Restricted cash | 92.2 | 89.4 |
| Liquidity reserve | 454.7 | 763.8 |
| Gross interest bearing debt | 1 209.0 | 1 040.8 |
| Net interest bearing debt | 1 048.0 | 666.7 |

- Liquidity reserve of USD 454.7 million
  - In addition the Company has USD 267.0 million of undrawn funding for the new builds to cover remaining yard payments
- Conservative policy to keep net debt below 1xEBITDA in a strong market and 2xEBITDA in a weak market
- Shareholders' equity at 54% of total assets

**Strong balance sheet – well positioned to handle the challenging market**

The accompanying unaudited financial information has been prepared under IFRS. This information should be read in conjunction with the unaudited fourth quarter and preliminary full year 2014 results released on February 12, 2015.

# Attractive Debt Structure – No Maturities Before 2018

| Long term Credit Lines and Interest Bearing Debt | Nominal Amount as of end December 31, 2014 | Total Credit Line | Financial Covenants |
|---|---|---|---|
| USD 400.0 million Term Loan ("TLB"), Libor (minimum 0.75%) + 250 basis points, due 2021 | USD 397.0 million | | None, but incurrence test: total leverage ratio < 3.00:1 |
| Revolving credit facility ("RCF"), due 2018<br>70 bps commitment fee on undrawn amount<br>Libor + margin of 200-235 bps on drawn amount | USD 100.0 million | USD 500.0 million | Maintenance covenant: total leverage ratio < 2.75:1 |
| Japanese ECF, 12 year with semi-annual installments. 50% fixed/ 50% floating interest rate | USD 262.0 million | USD 529.0 million | None, but incurrence test for loan 3&4:<br>Total leverage ratio < 3.00:1 and Interest coverage ratio > 2.0:1 |
| 2018 Senior Notes, coupon of 7.375% and callable from 2015 | USD 450.0 million | | None, but incurrence test: Interest coverage ratio > 2.0:1 |

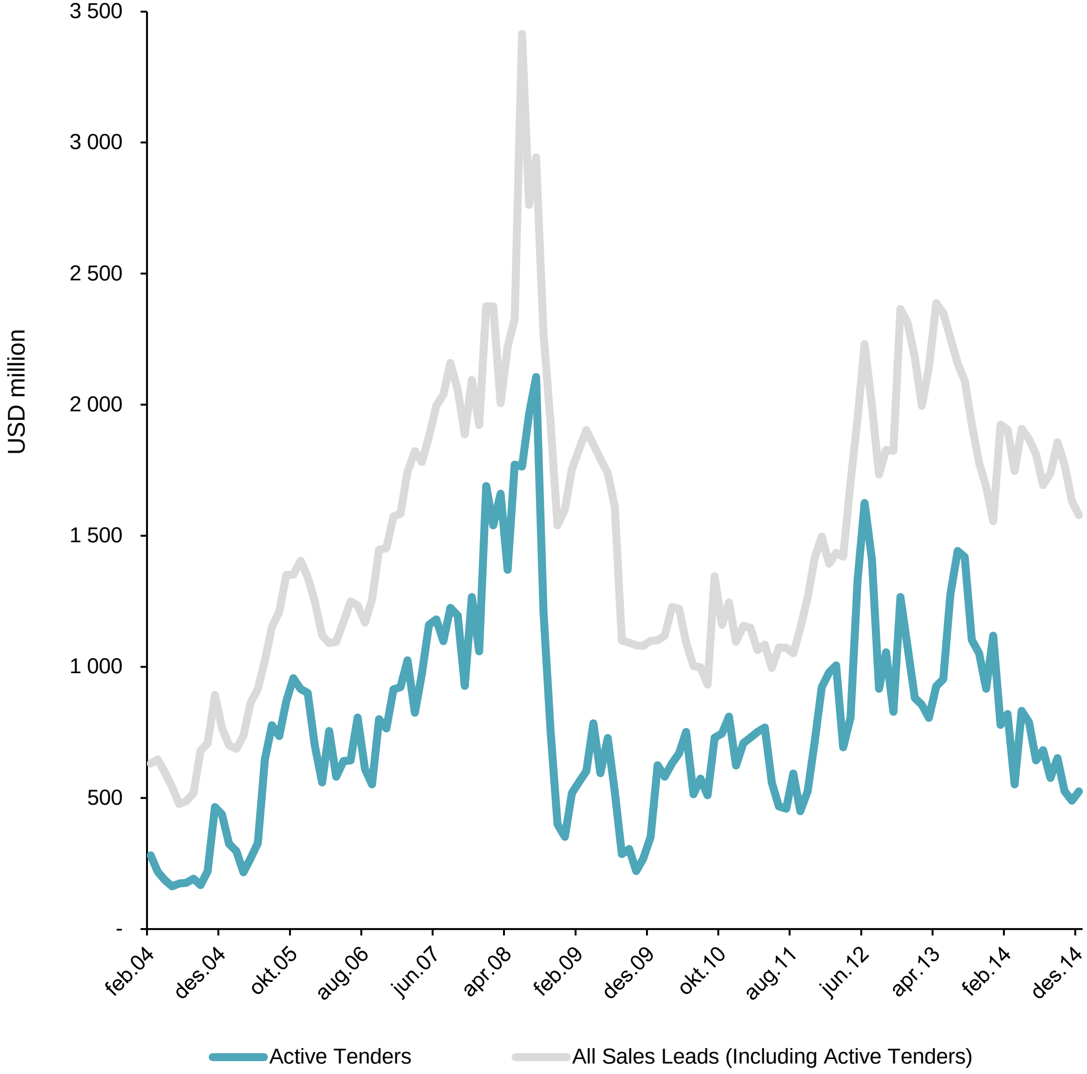
# Operational Update and Market Comments

Unaudited Fourth Quarter and Preliminary Full Year 2014 Results

# Current Market Characteristics

- Sharp oil price decline last six months
- Cautious spending pattern among oil companies impacts seismic bidding, pricing and utilization negatively
- Low visibility in all regions
- Further capacity reduction needed to balance the market
- The weak market is expected to continue throughout 2015

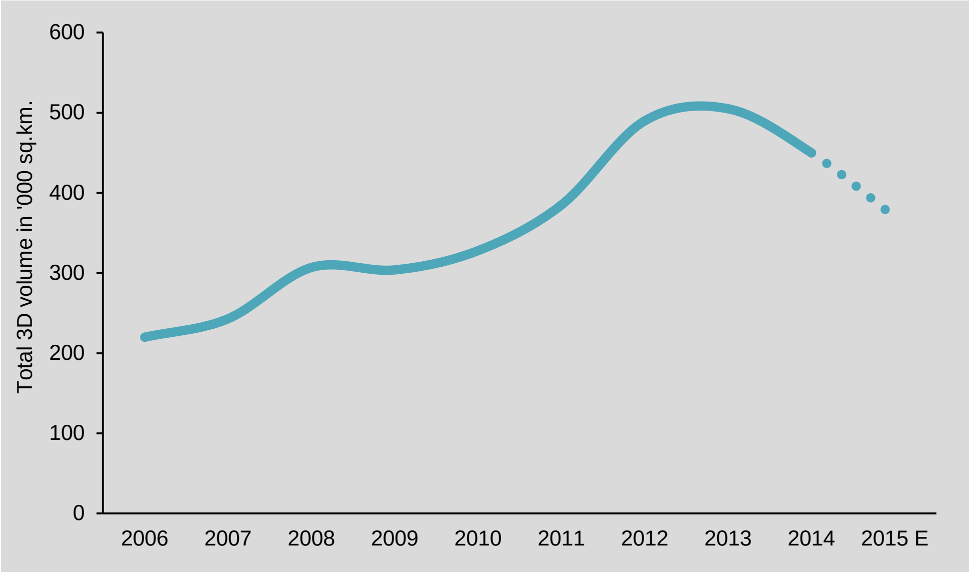
# Low Marine Contract Bidding Activity

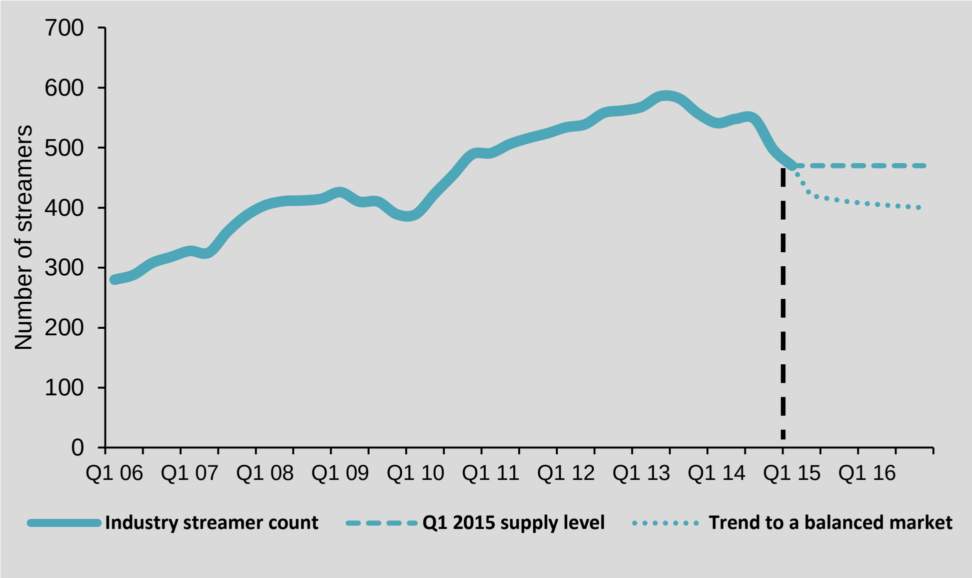



- Increased delays in conversion of Sales Leads into Active Tenders
- Low bidding activity impacts pricing and utilization negatively

Source: PGS internal estimate as of end December 2014. Value of active tenders and sales leads are the sum of active tenders and sales leads with a probability weight and represents Marine 3D contract seismic only.

# Global Supply and Demand Trends

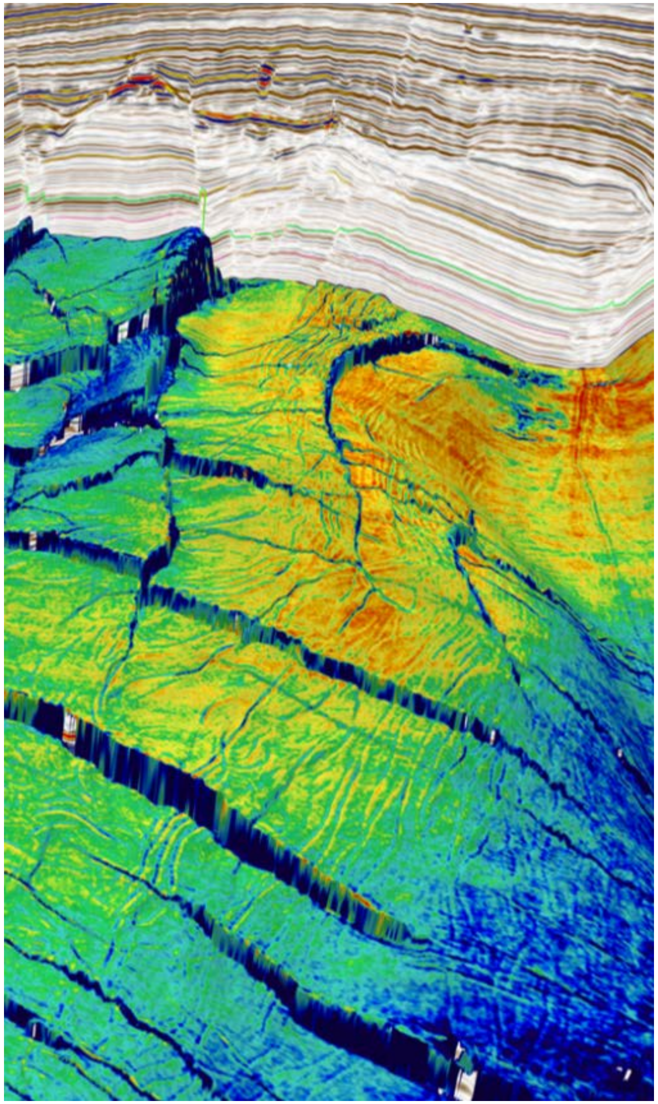



- Growth in sq.km. flattened out from 2012 to 2013
- In 2014 sq.km acquired declined 11% compared to 2013
- 15-20% decline in sq.km acquired is expected in 2015 compared to 2014
- Average 2015 streamer capacity expected to come down by approximately 10% compared to 2014
- Approximately 15% additional capacity from current level needs to be decommissioned to balance supply with near term market demand

Source of both graphs: PGS internal estimates. Capacity increases are calculated based on average number of streamers in one year compared to average number of streamers the previous year.

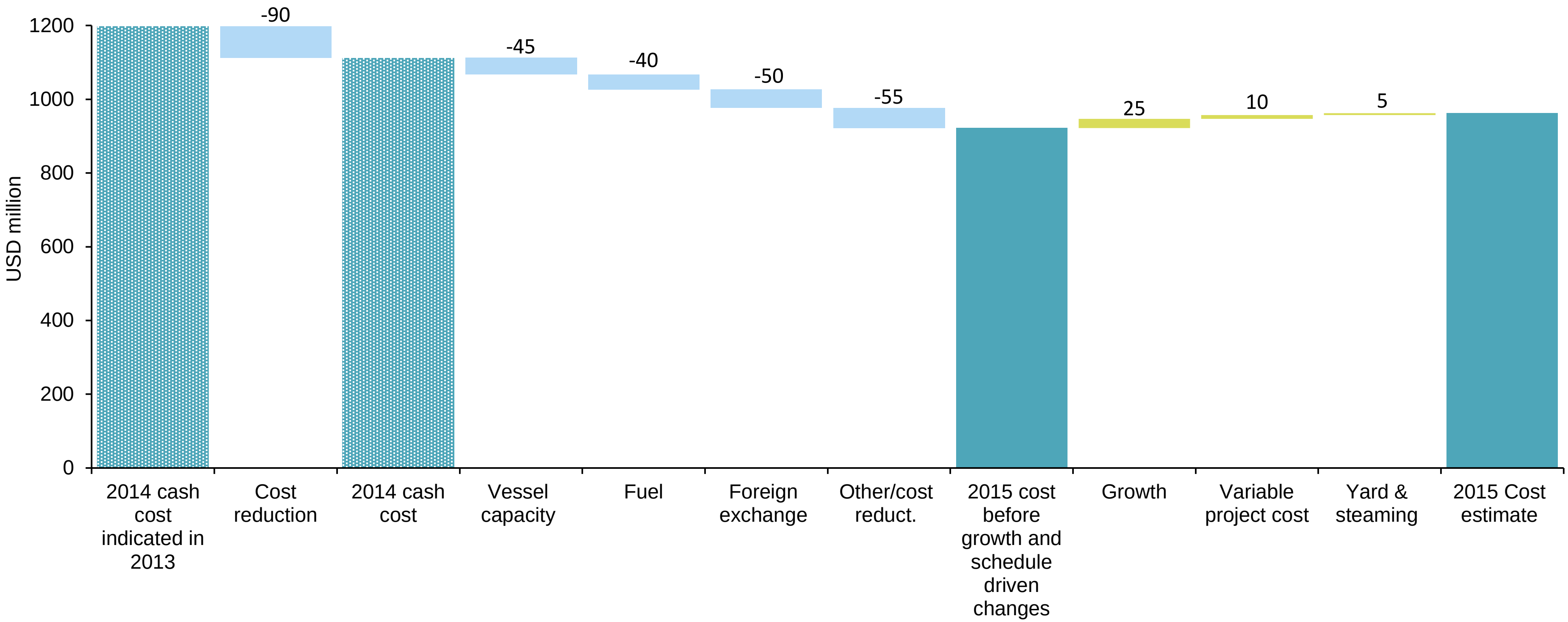
# Strategy for Taking the Lead
## Lessons Learned from Previous Downturns



- Conservative financial gearing creates cyclical robustness
  - Long term financing in place
  - Preserving dividend capacity
- MultiClient reduces earnings volatility
- Conservative pre-funding requirements protect cash flow
  - Lower late sales risk
  - Reduce library build-ups and exposure
- New-build commitments fully funded
- Lowest cash cost wins
  - Invest for 25 years use of vessels
  - Focus on maximizing value over life of vessel
- Technology creates differentiation and downside protection
- Continuous cost focus
- Stay focused on core business
  - Divest non-core when possible (PGS Onshore 2009/2010)
- Avoid capital commitments that cannot be sustained in a downturn

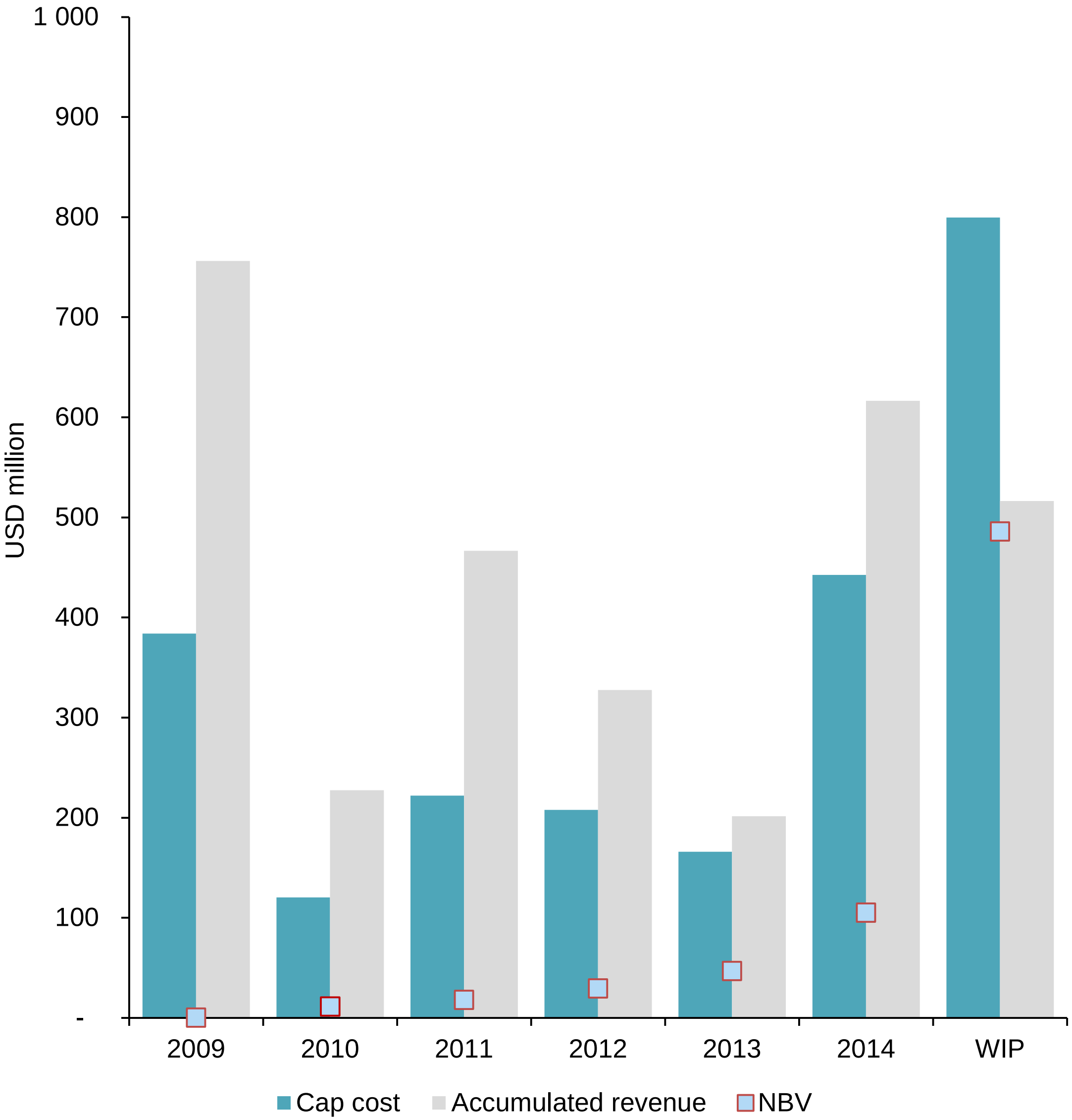
**Every Downturn Creates Opportunities**

# Proactive Cost Reductions Continue in 2015



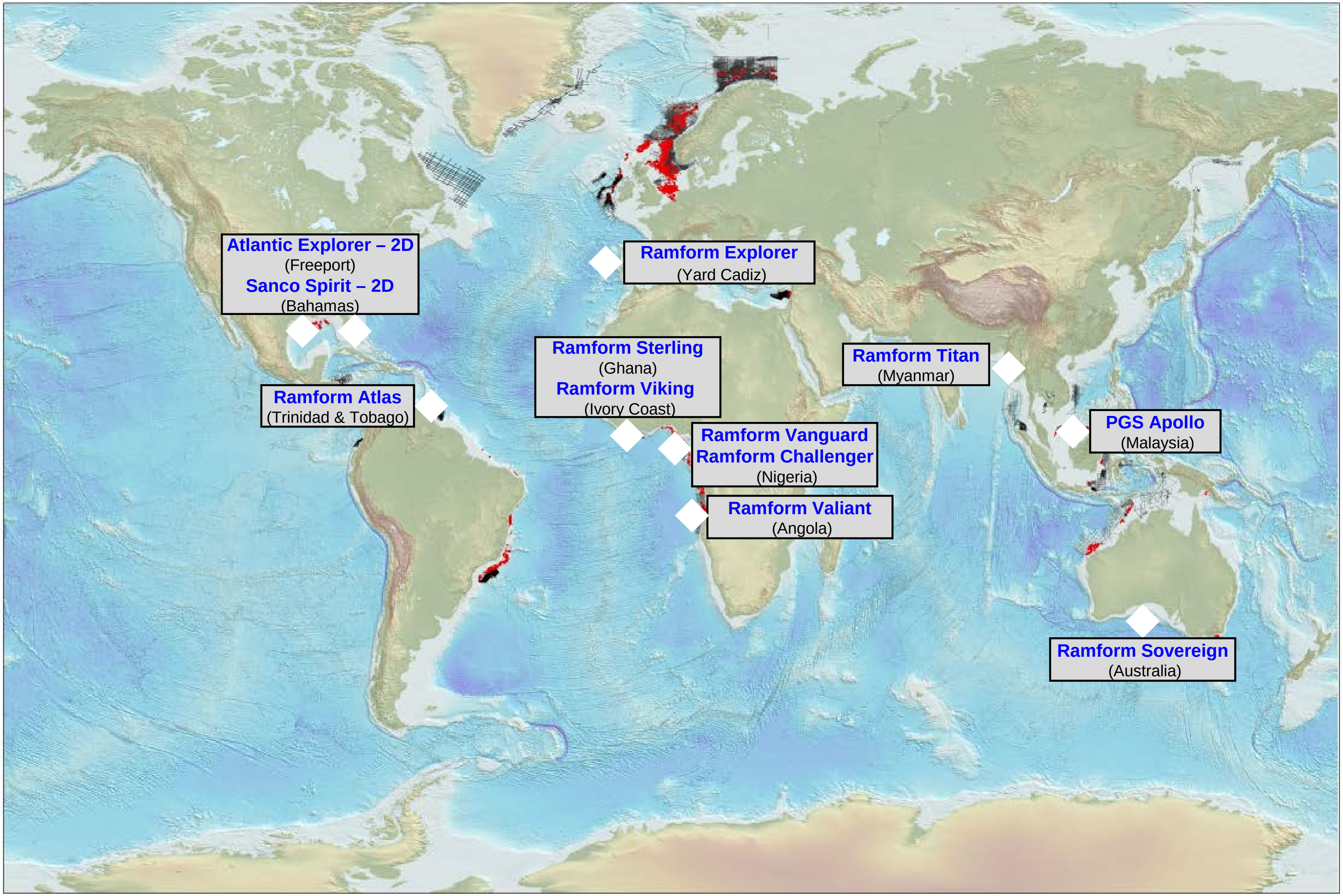

- 2014 cash cost down approximately USD 90 million from plan
- Net cash cost to be reduced further in 2015, with targeted cost savings (before growth and schedule driven changes) of approximately USD 190 million
  - Vessel retirement, office closure/relocation, staff reduction and other initiatives will contribute to significant cost savings
  - Significant impact from fuel price and a stronger USD

# Good MultiClient Sales Performance from All Vintages




- Strong sales progress for all vintages
- Moderate net book values (NBV) for surveys completed 2010-2014
- Work In Progress (WIP) approximately two years on average
- Amortization is primarily based on the ratio of cost to forecasted sales
- Full year 2015 amortization rate expected to be approximately 55%

# Streamer Operations February 2015



# Ramform Titan - Deploying Giant Spread in Record Time

- Recently *Ramform Titan* deployed 16 streamers with a length of 7,050 meters each at 100 meter separation in 4.5 days

- Efficiency in all aspects improves productivity and profitability

- State of the art vessels combined with excellent crew differentiate PGS from peers

## In Conclusion:
# Well positioned to Navigate Through the Challenging Market

- Robust balance sheet
- No debt maturities before 2018
- Reducing costs further
- Cost effective operations
- Improved productivity
- Attractive MultiClient library
- Asset light growth opportunities

**Competitively Positioned – Performance Through the Cycle**

# 2015 Guidance

- **EBITDA in the range of USD 550-700 million**

- **MultiClient cash investments of approximately USD 275-300 million**
  - Pre-funding level at or above 100%

- **Capital expenditures of approximately USD 250 million**
  - Of which new build capex slightly below USD 150 million for *Ramform Tethys* and *Ramform Hyperion*, both with new delivery dates in 2016

# Thank you – Questions?

# Appendix
# PGS Seismic Fleet End 2014

## Ramforms

Titan class


Ramform Titan


Ramform Atlas

Delivery 2016


Ramform Tethys


Ramform Hyperion

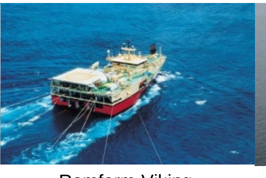
S class


Ramform Sterling


Ramform Sovereign

V class


Ramform Valiant


Ramform Viking


Ramform Vanguard


Ramform Explorer


Ramform Challenger

## Conventional


*PGS Apollo*

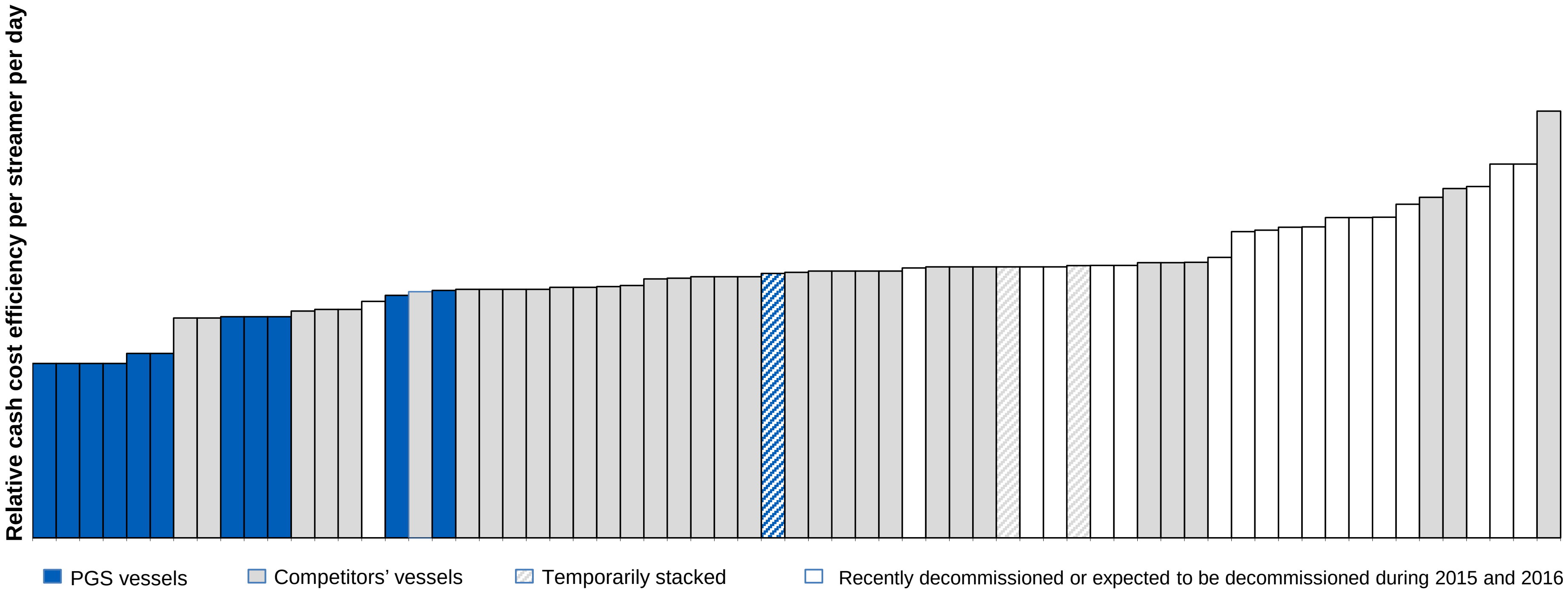
## 2D/EM/Source


*Sanco Spirit*


*Atlantic Explorer*

**PGS fleet – Flexible, with high towing capacity**

# Appendix
# Productivity Leadership is Key for Differentiation




**Expected vessel decommissioning reduces streamer capacity by 20%***

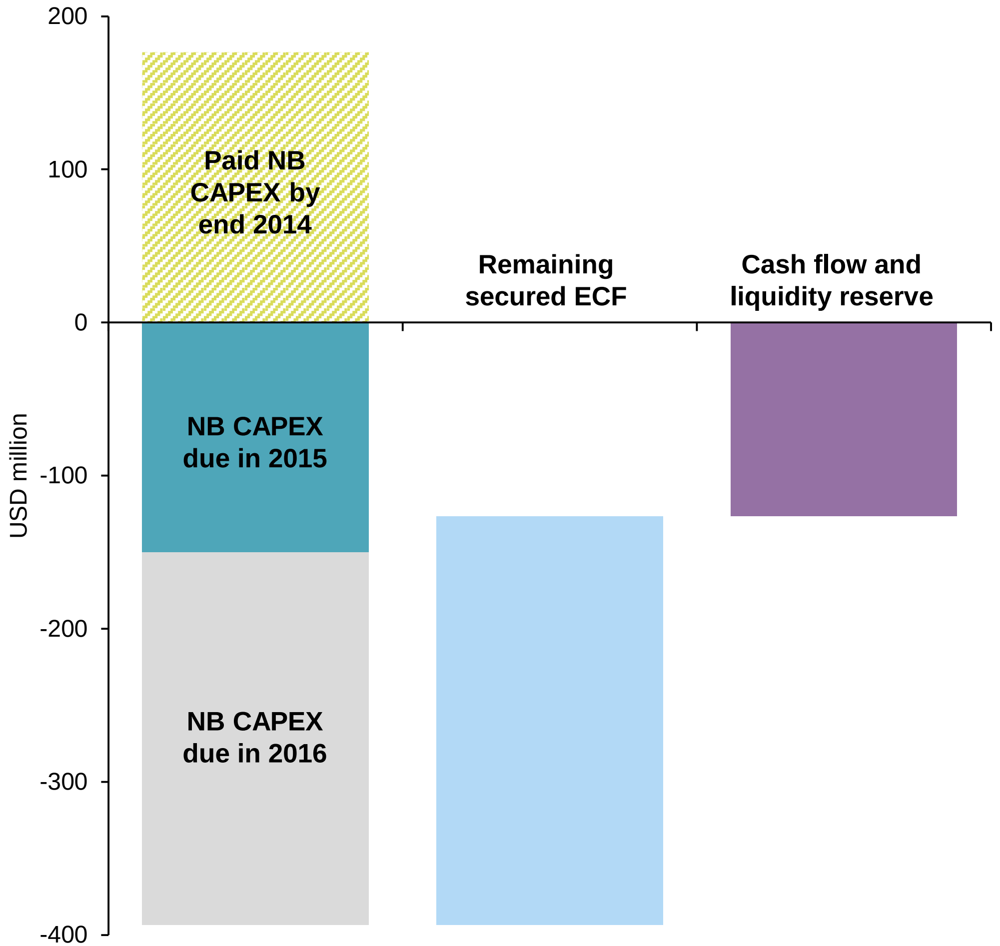
*Anticipated vessel decommissioning reduces current expected streamer capacity by end Q4 2016 by 20% compared to Q3 2013 expectations.

Source: The cash cost curve is based on PGS' internal estimates and typical number of streamer towed, and excludes GeoStreamer productivity effect. The graph shows all seismic vessels operating in the market and announced new-builds. The Ramform Titan-class vessels are incorporated with 15 streamers, S-class with 14 streamers and the V-class with 12 streamers.

## Appendix
# Rescheduled Delivery Times for New Builds

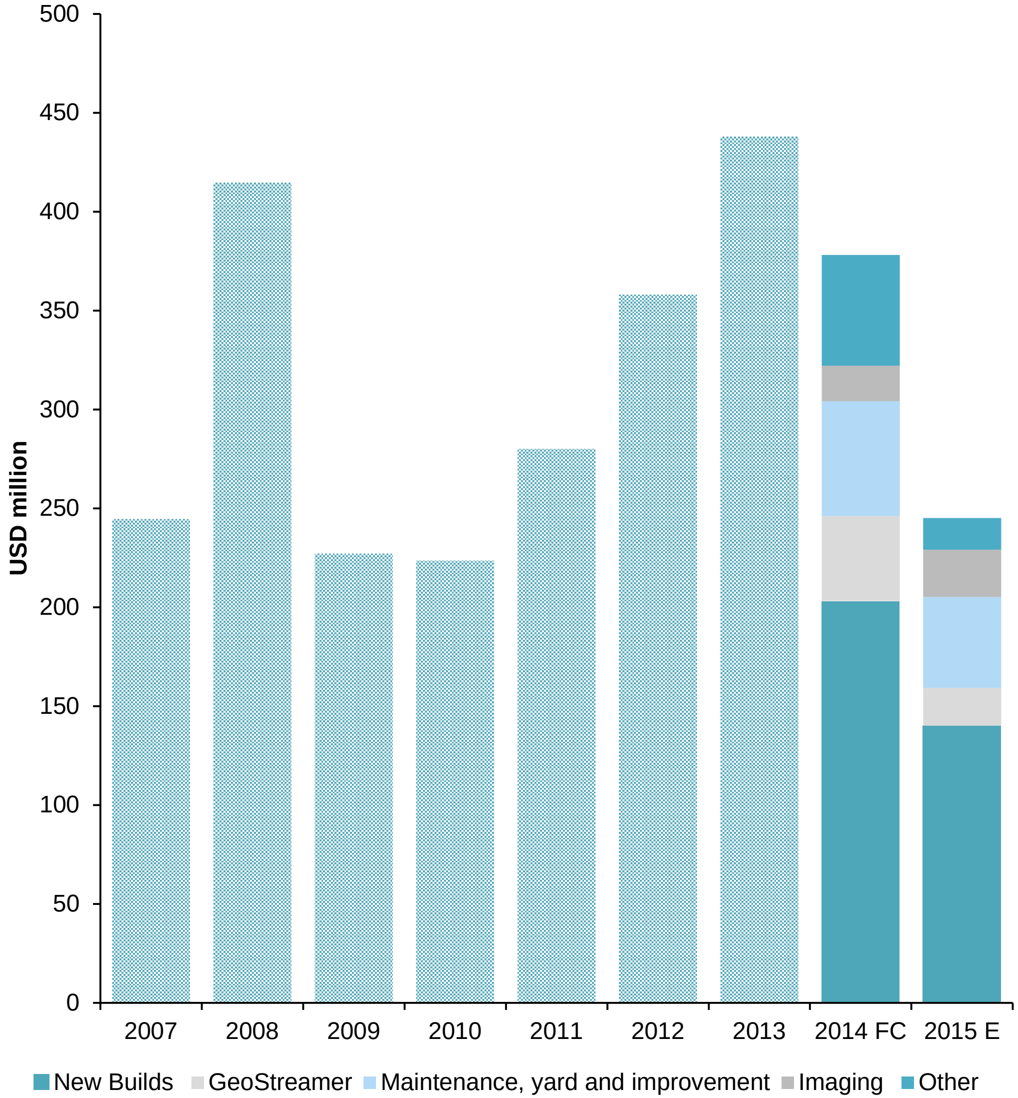
- Delivery times for *Ramform Tethys* and *Ramform Hyperion* rescheduled to Q1 and Q3 2016
- Reduces 2015 CAPEX by at least USD 160 million compared to previous baseline
- No cost impact for PGS
- Subject to certain conditions which are expected to be satisfied shortly

# Appendix
## Two Last New Builds are Fully Financed – Timing of Instalments




- Available undrawn ECF financing of USD 267 million corresponds to remaining yard instalments
- CAPEX relating to seismic equipment and project related cost will be paid out of cash from operations/available liquidity reserve
- Moderate CAPEX in 2015
- Revolving Credit Facility secures strong liquidity buffer

# Appendix
# Capital Expenditures – 2015 Trends and Projections




- Full year 2014 CAPEX expected to be approximately USD 375 million
  - Of which approximately USD 210 million relates to new builds
- 2015 CAPEX plan of approximately USD 250 million
  - Slightly less than USD 150 million relates to new builds
  - Approx. USD 20 million for GeoStreamer and related equipment (excl. new builds) and USD 50 million in maintenance, yard and improvement
- Run rate for maintenance CAPEX after delivery of all new builds estimated to be in the range of USD 180-200 million annually

# Main Yard Stays Next 12 Months

| Vessel | When | Expected Duration | Type of Yard Stay |
|---|---|---|---|
| *Ramform Explorer* | January 2015 | During Warm Stack Period | Renewal class |
| *Sanco Spirit* | June 2015 | Approximately 10 days | Renewal class (Owners Cost) |