Earnings Release

Q4 and Preliminary Full Year 2017 Results

Productivity and Technology Leadership

MultiClient Drives Revenue and EBITDA Growth

Re-focused for Positive 2018 Cash Flow

Highlights 2017

- Revenues of $838.8 million, compared to $764.3 million in 2016
- EBITDA of $374.1 million, compared to $313.4 million in 2016
- EBIT, excluding impairments and other charges, a loss of $147.1 million, compared to a loss of $137.5 million in 2016
- Net loss of $523.4 million, impacted by impairments and other charges of $177.0 million related primarily to reorganization and ceasing activities that do not currently generate cash
- MultiClient pre-funding revenues of $299.4 million with a corresponding pre-funding level of 140%, compared to $242.3 million and 121% in 2016
- MultiClient late sales of $235.0 million, compared to $226.8 million in 2016
- Cash flow from operations of $281.8 million, compared to $320.9 million in 2016
- Liquidity reserve of $257.3 million at year-end 2017, compared to $271.7 million in 2016
- *Ramform Hyperion* delivered, the last new-build in a series of four Ramform Titan-class vessels
- Rune Olav Pedersen appointed new President & CEO
- Settled all ongoing disputes related to ISS Service tax for licensing of MultiClient data with the tax authorities of Rio de Janeiro
- Implemented a centralized, simplified and streamlined organization to reduce annual gross cash cost by more than $100 million

"We experienced a strong finish to our MultiClient sales from all regions in Q4, making the full year MultiClient performance an improvement from 2016. Our capitalized MultiClient investments ended at $213.4 million. We achieved a sales-to-investment ratio of close to 2.5 times, continuing on the positive trend from 2016 when the ratio for the year was 2.3 times.

The marine contract market was challenging in 2017 with significant seasonal swings. To address the continued difficult market fundamentals we implemented a centralized, simplified and streamlined organization in Q4, combined with improved flexibility for vessel and imaging capacity.

The reorganization has been executed according to plan and we commenced operating in the new organization from 1 January 2018. We are confident that we will reduce the full year gross cash cost by more than $100 million in 2018, compared to 2017, which together with lower capital expenditure should position us well to achieve our target of delivering positive cash flow after debt service this year."

Rune Olav Pedersen,
President and Chief Executive Officer

Outlook

Petroleum Geo-Services ASA ("PGS" or the "Company") expects the higher oil price, improved cash flow among clients and unsustainable reserve replacement ratios to benefit the marine 3D seismic market fundamentals going forward. While the Company expects the market sentiment to improve during 2018, there is a risk that a market recovery will take some time. For this reason the Company is planning its cost and capital expenditures for 2018 targeting a positive cash flow post debt service in a flat market compared to 2017.

Based on the current operational projections and with reference to disclosed risk factors, PGS expects full year 2018 gross cash cost below $575 million.

2018 MultiClient cash investments are expected to be approximately $250 million.

More than 50% of the 2018 active 3D vessel time is expected to be allocated to MultiClient acquisition.

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

The order book totaled $135 million at December 31, 2017 (including $101 million relating to MultiClient), compared to $167 million at September 30, 2017 and $215 million at December 31, 2016. The Company has seen increased order intake in January and expects to be able to book and operate eight 3D vessels from Q2 2018 in accordance with its base 3D vessel operation plan.

Key Financial Figures

(In millions of US dollars, except per share data)	Quarter ended December 31, 2017	Quarter ended December 31, 2016	Year ended December 31, 2017	Year ended December 31, 2016
Revenues	235.9	154.1	838.8	764.3
EBITDA	122.8	53.1	374.1	313.3
EBIT ex. impairment and other charges, net	(24.5)	(65.5)	(147.1)	(137.5)
EBIT as reported	(159.2)	(92.4)	(383.6)	(180.3)
Income (loss) before income tax expense	(191.5)	(118.7)	(468.1)	(262.8)
Net income (loss) to equity holders	(194.8)	(156.1)	(523.4)	(293.9)
Basic earnings per share ($ per share)	(0.58)	(0.61)	(1.55)	(1.21)
Net cash provided by operating activities	84.3	64.7	281.8	320.9
Cash investment in MultiClient library	54.0	47.8	213.4	201.0
Capital expenditures (whether paid or not)	23.4	28.7	154.5	208.6
Total assets	2,482.8	2,817.0	2,482.8	2,817.0
Cash and cash equivalents	47.3	61.7	47.3	61.7
Net interest bearing debt	1,139.4	1,029.7	1,139.4	1,029.7

Condensed Consolidated Statements of Profit and Loss and Other Comprehensive Income

(In millions of US dollars)	Note	Quarter ended December 31, 2017	Quarter ended December 31, 2016	Year ended December 31, 2017	Year ended December 31, 2016
Revenues	1	235.9	154.1	838.8	764.3
Cost of sales	2	(99.2)	(86.4)	(411.0)	(393.2)
Research and development costs	2	(5.4)	(5.3)	(17.6)	(19.5)
Selling, general and administrative costs	2	(8.4)	(9.4)	(36.0)	(38.4)
Amortization and impairment of MultiClient library	3	(121.6)	(97.6)	(426.3)	(323.9)
Depreciation and amortization of long term assets (excl. MultiClient library)	3	(39.9)	(42.0)	(154.4)	(157.0)
Impairment and loss on sale of long-term assets (excl. MultiClient library)	3	(55.8)	(7.8)	(94.2)	(12.0)
Other charges, net	3	(64.7)	1.9	(82.8)	(0.6)
Total operating expenses		(395.1)	(246.6)	(1,222.4)	(944.6)
Operating profit (loss)/EBIT		(159.2)	(92.4)	(383.6)	(180.3)
Share of results from associated companies	4	(12.9)	(6.2)	(20.7)	(30.1)
Interest expense	5	(15.9)	(14.3)	(57.8)	(46.1)
Other financial expense, net	6	(3.5)	(5.8)	(6.0)	(6.4)
Income (loss) before income tax expense		(191.5)	(118.7)	(468.2)	(262.8)
Income tax	7	(3.3)	(37.4)	(55.2)	(31.2)
Net income (loss) to equity holders of PGS ASA		**(194.8)**	**(156.1)**	**(523.4)**	**(293.9)**
Other comprehensive income					
Items that will not be reclassified to profit and loss	12	(2.2)	13.4	0.4	(32.7)
Items that may be subsequently reclassified to profit and loss	12	(1.3)	(2.0)	3.2	(0.9)
Other comprehensive income for the period, net of tax		(3.5)	11.4	3.6	(33.6)
Total comprehensive income to equity holders of PGS ASA		**(198.3)**	**(144.7)**	**(519.8)**	**(327.5)**

Condensed Consolidated Statements of Financial Position

(In millions of US dollars)	Note	December 31, 2017	December 31, 2016
ASSETS			
Cash and cash equivalents	10	47.3	61.7
Restricted cash	10	19.8	32.3
Accounts receivable		162.8	98.4
Accrued revenues and other receivables		133.2	120.3
Other current assets		84.7	69.1
Total current assets		447.7	381.9
Property and equipment	8	1,297.6	1,391.5
MultiClient library	9	512.3	647.7
Restricted cash	10	23.5	68.7
Deferred tax assets		-	55.5
Other long-term assets		78.5	113.1
Other intangible assets		123.2	158.6
Total long-term assets		2,035.1	2,435.1
Total assets		**2,482.8**	**2,817.0**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Short-term debt and current portion of long-term debt	10	77.6	38.8
Accounts payable		81.5	54.9
Accrued expenses and other current liabilities		186.8	133.3
Income taxes payable		21.4	19.4
Total current liabilities		367.2	246.4
Long-term debt	10	1,135.8	1,132.0
Deferred tax liabilities		0.8	2.5
Other long-term liabilities		99.5	76.7
Total long-term liabilities		1,236.1	1,211.2
Common stock; par value NOK 3;			
issued and outstanding 338,579,996 shares		138.5	133.7
Treasury shares, par value		-	(0.8)
Additional paid-in capital		851.4	816.3
Total paid-in capital		989.9	949.2
Accumulated earnings		(18.5)	505.7
Other comprehensive income		(91.9)	(95.5)
Total shareholders' equity		879.5	1,359.4
Total liabilities and shareholders' equity		**2,482.8**	**2,817.0**

Condensed Consolidated Statements of Changes in Shareholders' Equity

For the twelve months ended December 31, 2016

(In millions US of dollars)	Share capital 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, 2016	**104.0**	**(1.1)**	**622.8**	**799.9**	**(61.9)**	**1,463.7**
Total comprehensive income	-	-	-	(293.9)	(33.6)	(327.5)
Share issue	29.7		187.4	-	-	217.1
Share based payments	-	0.3	6.1	(0.3)	-	6.1
Balance as of December 31, 2016	**133.7**	**(0.8)**	**816.3**	**505.7**	**(95.5)**	**1,359.4**

For the twelve months ended December 31, 2017

(In millions US of dollars)	Share capital 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, 2017	**133.7**	**(0.8)**	**816.3**	**505.7**	**(95.5)**	**1,359.4**
Total comprehensive income	-	-	-	(523.4)	3.6	(519.8)
Share issue	4.8	-	30.6	-	-	35.4
Share based payments	-	0.8	4.5	(0.8)	-	4.5
Balance as of December 31, 2017	**138.5**	**-**	**851.4**	**(18.5)**	**(91.9)**	**879.5**

Condensed Consolidated Statements of Cash Flows

	Quarter ended December 31,		Year ended December 31,	
(In millions of US dollars)	2017	2016	2017	2016
Net income (loss) to equity holders of PGS ASA	**(194.8)**	**(156.1)**	**(523.4)**	**(293.9)**
Depreciation, amortization, impairment and loss on sale of long-term assets	217.3	147.4	674.7	493.0
Share of results in associated companies	12.9	6.2	20.7	30.1
Interest expense	15.9	14.3	57.8	46.1
Loss (gain) on sale and retirement of assets	2.5	1.5	(2.9)	4.5
Change in deferred tax	0.6	37.0	42.9	24.7
Income taxes paid	(5.6)	(1.3)	(12.7)	(7.4)
Other items	11.3	(6.3)	14.9	0.7
(Increase) decrease in accounts receivable, accrued revenues & other receivables	(38.7)	34.2	(77.3)	52.2
Increase (decrease) in accounts payable	(2.5)	(0.2)	18.7	9.9
Change in other current items related to operating activities	60.4	(7.5)	43.4	(33.0)
Change in other long-term items related to operating activities	5.0	(4.5)	25.0	(6.1)
Net cash provided by operating activities	**84.3**	**64.7**	**281.8**	**320.9**
Investment in MultiClient library	(54.0)	(47.8)	(213.4)	(201.0)
Investment in property and equipment	(14.8)	(25.9)	(148.8)	(218.2)
Investment in other intangible assets	(3.3)	(3.5)	(17.0)	(11.1)
Investment in other current -and long-term assets	-	-	(2.3)	(93.1)
Proceeds from sale and disposal of assets	-	1.0	23.7	2.5
Decrease (increase) in long-term restricted cash	56.3	(4.5)	57.7	(7.8)
Net cash used in investing activities	**(15.8)**	**(80.7)**	**(300.1)**	**(528.7)**
Proceeds, net of deferred loan costs, from issuance of long-term debt	(0.2)	(10.4)	76.4	102.5
Repayment of long-term debt	(12.8)	(210.0)	(51.8)	(235.3)
Net change of drawing on the Revolving Credit Facility	(10.0)	30.0	-	165.0
Proceeds from sale of treasury shares/share issue	-	217.1	35.4	217.1
Interest paid	(22.2)	(26.3)	(56.3)	(61.4)
Net cash (used in) provided by financing activities	**(45.2)**	**0.4**	**3.7**	**187.9**
Net increase (decrease) in cash and cash equivalents	23.0	(15.6)	(14.5)	(19.9)
Cash and cash equivalents at beginning of period	24.2	77.3	61.7	81.6
Cash and cash equivalents at end of period	**47.2**	**61.7**	**47.2**	**61.7**

Notes to the Condensed Interim Consolidated Financial Statements
Fourth Quarter and Preliminary Full Year 2017 Results

Note 1 – Revenues

Revenues by service type:

(In millions of US dollars)	Quarter ended December 31,		Year ended December 31,	
	2017	2016	2017	2016
Marine revenues by service type:				
- Contract seismic	40.5	29.3	241.3	212.6
- MultiClient pre-funding	107.7	50.9	299.4	242.3
- MultiClient late sales	70.5	52.4	235.0	226.8
- Imaging	9.8	19.6	51.0	70
- Other	7.4	1.9	12.1	12.6
Total revenues	**235.9**	**154.1**	**838.8**	**764.3**

Vessel allocation(1):

	Quarter ended December 31,		Year ended December 31,	
	2017	2016	2017	2016
Contract	23%	25%	41%	45%
MultiClient	23%	27%	31%	29%
Steaming	15%	15%	11%	14%
Yard	7%	4%	3%	2%
Stacked/standby	32%	29%	14%	10%

1) The statistics exclude cold-stacked vessels.

Revenues for PGS for the full year 2017 increased by $74.5 million, or 10%, compared to 2016. The increase is driven by a 24% higher MultiClient pre-funding revenues, 13% higher contract revenues, and 4% higher MultiClient late sales revenues, partially offset by a 27% decrease in Imaging revenues. *Ramform Hyperion* entered into operation early Q2 2017 and PGS operated more streamer capacity in 2017, compared to 2016.

In 2017, MultiClient pre-funding revenues increased by $57.1 million, compared to 2016, primarily due to more vessel capacity allocated to MultiClient activities and higher sales from surveys in the processing phase. Pre-funding revenues were highest in Europe and North America.

MultiClient late sales revenues increased by $8.2 million in 2017, compared to 2016. Late sales revenues were highest in Europe and North America.

Marine contract revenues increased by $28.7 million in 2017, compared to 2016 as a result of generally higher prices, partly offset by challenging operations on some projects.

External Imaging revenues decreased by $19.0 million in 2017, compared to 2016, due to an increasingly challenging market for imaging services and more computing capacity allocated to processing of MultiClient data.

In Q4 2017 revenues increased by $81.8 million, or 53%, compared to Q4 2016. The increase is driven by more than a doubling of MultiClient pre-funding revenues, 35% higher MultiClient late sales revenues and 38% higher contract revenues, partially offset by a 50% decrease in Imaging revenues.

MultiClient pre-funding revenues increased by $56.8 million in Q4 2017, compared to Q4 2016, primarily due to significantly more sales from surveys in the processing phase and higher pre-funding on projects in the acquisition phase, partially offset by less capacity allocated to MultiClient. Pre-funding revenues were strong in all regions and highest in Asia Pacific, Europe and South America.

MultiClient late sales revenues in Q4 2017 increased by $18.1 million, compared to Q4 2016. Late sales revenues were driven by a good seasonal improvement with generally high interest for data among oil companies. Late sales revenues were highest in West Africa, Europe and South America.

Marine contract revenues increased by $11.2 million in Q4 2017, compared to Q4 2016, primarily as a result of more capacity allocated to contract work and a generally higher pricing level.

Note 2 – Net Operating Expenses

(In millions of US dollars)	Quarter ended December 31, 2017	Quarter ended December 31, 2016	Year ended December 31, 2017	Year ended December 31, 2016
Cost of sales before investment in MultiClient library	(153.3)	(133.4)	(624.5)	(594.2)
Research and development costs before capitalized development costs	(8.6)	(8.8)	(29.4)	(29.7)
Sellling, general and administrative costs	(8.4)	(9.4)	(36.0)	(38.4)
Cash costs, gross	**(170.3)**	**(151.6)**	**(690.0)**	**(662.3)**
Cash investment in MultiClient library	54.0	47.0	213.4	201.0
Capitalized development costs	3.2	3.5	11.8	10.2
Net operating expenses	**(113.1)**	**(101.0)**	**(464.7)**	**(451.0)**

Reported gross cash cost for the Company increased by $27.7 million for the full year 2017, compared to the full year 2016. The increase is mainly driven by more vessel capacity in operation as a result of *Ramform Hyperion* entering operation early Q2 2017, higher fuel cost and less favorable foreign exchange rates, partly offset by a general cost reduction.

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 and other general cost savings measures are the principal contributors to these cost savings, in addition to lower fuel prices and beneficial development of currency exchange rates compared to 2014.

Further cost reductions were implemented in Q4 2017 to position the Company to become cash flow positive after debt service in 2018, assuming a flat market from 2017. The Company centralized, simplified and streamlined its organization and implemented more flexibility for vessels and imaging capacity in order to reduce costs by more than $100 million in 2018, compared to 2017, excluding restructuring cost.

The increase of gross cash cost in Q4 2017 compared to Q4 2016 is mainly driven by higher project costs on certain surveys.

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

Amortization and impairment of MultiClient library consist of the following:

(In millions of US dollars)	Quarter ended December 31, 2017	Quarter ended December 31, 2016	Year ended December 31, 2017	Year ended December 31, 2016
Amortization of MultiClient library	(107.4)	(76.6)	(366.4)	(279.2)
Accelerated amortization of MultiClient library	-	-	(0.4)	(14.6)
Impairment of MultiClient library	(14.2)	(21.0)	(59.4)	(30.1)
Total	**(121.6)**	**(97.6)**	**(426.3)**	**(323.9)**

Amortization of the MultiClient library as a percentage of MultiClient revenues was 69% for the full year 2017, compared to 63% for the full year 2016. The amortization expense for the full year 2017 ended at $366.8 million, including accelerated amortization.

In Q4 2017 the amortization rate for the MultiClient library as a percentage of MultiClient revenues was 60%, compared to 74% in Q4 2016. The lower amortization rate in Q4 2017 is primarily due to higher MultiClient late sales revenues.

Impairment of the MultiClient library of $14.2 million and $59.4 million in Q4 2017 and full year 2017, respectively, primarily relates to surveys performing weaker than anticipated.

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

(In millions of US dollars)	Quarter ended December 31, 2017	Quarter ended December 31, 2016	Year ended December 31, 2017	Year ended December 31, 2016
Gross depreciation	(56.1)	(54.7)	(226.0)	(218.7)
Depreciation capitalized and deferred, net	16.2	12.7	71.6	61.7
Total	**(39.9)**	**(42.0)**	**(154.4)**	**(157.0)**

For the full year 2017, gross depreciation increased by $7.3 million, or 3%, compared to the full year 2016 primarily as a result of an increase in the active 3D fleet arising from *Ramform Hyperion* coming into operation early Q2 2017, partially offset by lower book values due to impairment charges. Capitalized depreciation increased by $10.0 million, or 16%, compared to full year 2016 owing to more vessel capacity allocated to MultiClient projects.

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

(In millions of US dollars)	Quarter ended December 31, 2017	Quarter ended December 31, 2016	Year ended December 31, 2017	Year ended December 31, 2016
Property and equipment	(2.2)	(7.8)	(40.6)	(12.0)
Other Intangible assets	(53.6)	-	(53.6)	-
Total	**(55.8)**	**(7.8)**	**(94.2)**	**(12.0)**

PGS recorded an impairment charge on property and equipment of $40.6 million for the full year 2017, compared to $12.0 million in 2016, primarily relating to a reduced baseline for 3D vessel capacity.

In Q4 2017, as a result of a continued weak seismic market and as a consequence of the reorganization, the Company recognized a $33.0 million impairment on its EM technology assets, writing down the assets to an estimated recoverable value of $10 million as of December 31, 2017. The impairment primarily reflects management's suspension of the Company's EM activities until the activity is able to generate sufficient cash to cover operating costs. The Company also recognized a $20.0 million impairment on its OptoSeis technology assets. Management is currently exploring possibilities of divesting the OptoSeis technology.

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 December 31, 2017	Quarter ended December 31, 2016	Year ended December 31, 2017	Year ended December 31, 2016
Severance cost	(33.9)	(0.5)	(34.5)	(4.7)
Onerous lease contracts	(5.8)	-	(21.8)	-
Loss on ISS settlement	(14.4)	-	(14.4)	-
Onerous contract with customers	(8.4)	2.4	(2.4)	3.7
Other	(2.3)	-	(9.8)	0.4
Total	**(64.7)**	**1.9**	**(82.8)**	**(0.6)**

Other charges, net for the full year 2017 and in Q4 2017 primarily relates to onerous lease contracts for vessels and office space where there is uncertainty as to whether the capacity will be placed in service prior to expiration of the lease period; loss from settling all Municipal Services Tax ("ISS") disputes on licensing of MultiClient data with the tax authorities of Rio de Janeiro (see Note 7 for more details); and employee severance costs arising from the reorganization completed in Q4 2017.

In Q4 2017 the Company incurred restructuring costs primarily relating to employee severance costs, office closures and onerous lease contracts.

As of December 31, 2017 the Company's provision for onerous customer contracts amounted to a total of $9.7 million, an increase of $8.4 million compared to September 30, 2017 and an increase of $2.4 million compared to December 31, 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 for the full year 2017 relates to its interest in the Azimuth Group. The loss in Q4 primarily reflects write down of $7.0 million of its investment and a loss on dilution of PGS ownership interest from 44% to 32%, as a result of PGS not fully participating in recent capital increases. PGS retains the option to, throughout 2018 and H1 2019, acquire shares in the Azimuth companies on certain conditions with the aim to in fully or partly neutralize the effect of the dilution, and bring back PGS' ownership to approximately 44%.

Note 5 – Interest Expense

Interest expense consists of the following:

(In millions of US dollars)	Quarter ended December 31, 2017	Quarter ended December 31, 2016	Year ended December 31, 2017	Year ended December 31, 2016
Interest expense, gross	(17.1)	(18.0)	(64.4)	(66.6)
Capitalized interest, MultiClient library	1.2	2.0	4.8	12.6
Capitalized interest, construction in progress	-	1.7	1.8	7.9
Total	**(15.9)**	**(14.3)**	**(57.8)**	**(46.1)**

Gross interest expense for the full year 2017 and Q4 2017 decreased somewhat compared to the same periods in 2016 as a result of a lower debt level.

The reduction of capitalized interest expense to the MultiClient library and construction in progress for the full year 2017 and Q4 2017, compared to the same periods in 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 December 31, 2017	Quarter ended December 31, 2016	Year ended December 31, 2017	Year ended December 31, 2016
Interest income	0.4	0.9	1.4	3.4
Currency exchange gain (loss)	(1.1)	(6.2)	(7.3)	(5.2)
Other	(2.7)	(0.4)	(0.0)	(4.5)
Total	**(3.5)**	**(5.8)**	**(6.0)**	**(6.4)**

The reduction of other financial expense, net in Q4 2017 compared to Q4 2016 is primarily due to reduced currency exchange losses.

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 December 31, 2017	Quarter ended December 31, 2016	Year ended December 31, 2017	Year ended December 31, 2016
Current tax	(2.7)	(0.4)	(12.3)	(6.3)
Change in deferred tax	(0.6)	(37.0)	(42.9)	(24.9)
Total	**(3.3)**	**(37.4)**	**(55.2)**	**(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 in the future, 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 $50.5 million in total. Because the Company considers it more likely than not that the contingency will be resolved in its favor, no provision has been made for any portion of the exposure.

ISS Contingency

Up through November 2017, the Company had an ongoing dispute in Brazil related to Municipal Services Tax ("ISS") on the licensing of MultiClient data. The Company had made deposits in local currency equivalent to USD $71.3 million allowing it to file lawsuits covering a number of the disputed years seeking to confirm that licensing of MultiClient data is not subject to ISS. Amounts

deposited were held in an interest-bearing bank account with Banco do Brazil. The deposit was presented as long-term restricted cash in the statements of financial position (see Note 21 to the 2016 annual report). In Q4 2017 the Municipality of Rio de Janeiro published new regulations relating to licensing of MultiClient data and PGS settled all ongoing ISS tax disputes with the Municipality of Rio de Janeiro under the provisions of these regulations. As a consequence of the resolution, the Company recovered $59.4 million of the amount on deposit resulting in a net expense of $14.4 million presented in Other charges.

Note 8 – Property and Equipment

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

	Quarter ended December 31,		Year ended December 31,	
(In millions of US dollars)	2017	2016	2017	2016
Seismic equipment	10.1	13.3	35.7	18.9
Vessel upgrades/Yard	10.2	5.7	18.7	20.1
Processing equipment	1.4	1.6	6.6	12.8
Newbuilds	-	7.5	89.0	154.4
Other	1.7	0.6	4.5	2.4
Total capital expenditures, whether paid or not	**23.4**	**28.7**	**154.5**	**208.6**
Adjustment to prior years capital expenditures	-	-	5.3	-
Change in working capital and capital leases	(8.5)	(2.8)	(10.9)	9.6
Investment in property and equipment	**14.8**	**25.9**	**148.8**	**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:

	December 31,	
(In millions of US dollars)	2017	2016
Completed during 2011	-	-
Completed during 2012	-	9.3
Completed during 2013	7.6	16.6
Completed during 2014	35.5	61.2
Completed during 2015	69.3	117.1
Completed during 2016	185.7	303.4
Completed during 2017	90.8	-
Completed surveys	389.0	507.6
Surveys in progress	123.3	140.1
MultiClient library, net	**512.3**	**647.7**

Key figures MultiClient library:

	Quarter ended December 31,		Year ended December 31,	
(In millions of US dollars)	2017	2016	2017	2016
MultiClient pre-funding revenue	107.7	50.9	299.4	242.3
MultiClient late sales	70.5	52.4	235.0	226.8
Cash investment in MultiClient library	54.0	47.8	213.4	201.0
Prefunding as a percentage of MultiClient cash investment	199%	107%	140%	121%
Capitalized interest in MultiClient library	1.2	2.0	4.8	12.6
Capitalized depreciation (non-cash)	16.2	13.3	71.6	62.1
Amortization of MultiClient library	(107.4)	(76.6)	(366.4)	(279.2)
Accelerated amortization of MultiClient library	-	-	(0.4)	(14.6)
Impairment of MultiClient library	(14.2)	(21.0)	(59.4)	(30.1)

In 2017, MultiClient pre-funding revenues corresponded to 140% of capitalized MultiClient cash investment (excluding capitalized interest), compared to 121% in 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 project execution and reduced cost, as well as ability to generate sales from surveys during the processing phase.

The increased MultiClient cash investment in 2017, compared to 2016 is mainly due to more capacity allocated to MultiClient and a larger fleet.

In Q4 2017 MultiClient pre-funding revenues corresponded to 199% of capitalized MultiClient cash investment (excluding capitalized interest), compared to 107% in Q4 2016. The extraordinary high pre-funding level in Q4 2017 is primarily explained by strong sales from surveys in the processing phase.

The higher MultiClient cash investment in Q4 2017, compared to Q4 2016 is mainly due to higher acquisition costs for the surveys acquired in the quarter.

Note 10 – Liquidity and Financing

In 2017, net cash provided by operating activities was $281.8 million for the full year 2017, compared to $320.9 million in 2016, primarily driven by an increase of working capital, primarily accounts receivable and accrued revenues, caused by the significantly higher revenues generated in Q4 2017.

In Q4 2017 net cash provided by operating activities was $84.3 million, compared to $64.7 million in Q4 2016. In Q4 2017 cash provided by operating activities was negatively impacted by the increase of working capital, which is revenue driven and will benefit cash flow in subsequent quarters.

The liquidity reserve, including cash and cash equivalents and the undrawn part of the Revolving Credit Facility ("RCF"), was $257.3 million as of December 31, 2017, compared to $224.2 million as of September 30, 2017 and $271.7 million as of December 31, 2016.

Long term debt consists of the following:

	December 31,	
(In millions of US dollars)	2017	2016
Secured		
Term loan B, Libor (min. 75 bp) + 250 Basis points, due 2021	385.0	389.0
Export credit financing, due 2025	161.4	182.3
Export credit financing, due 2027	255.1	192.1
Revolving credit facility, due 2020	190.0	190.0
Unsecured		
Senior notes, Coupon 7.375%, due 2018	26.0	26.0
Senior notes, Coupon 7.375%, due 2020	212.0	212.0
Long-term debt, gross (1)	**1,229.5**	**1,191.4**
Less current portion LT debt	(77.2)	(37.8)
Less deferred loan costs, net of debt premiums	(16.5)	(21.6)
Total long-term debt	**1,135.8**	**1,132.0**

(1) Fair value of the long term debt, gross was $1,150.3 million as of December 31, 2017, compared to $1,100.4 million as of December 31, 2016.

Undrawn facilities consists of the following:

	December 31,	
(In millions of US dollars)	2017	2016
Secured		
Revolving credit facility, due 2020	210.0	210.0
Export credit financing	-	91.2
Unsecured		
Bank facility (NOK 50 mill)	6.1	5.8
Performance bond	11.3	12.5
Total	**227.4**	**319.5**

Summary of net interest bearing debt:

(In millions of US dollars)	December 31, 2017	2016
Cash and cash equivalents	47.3	61.7
Restricted cash (current and long-term)	43.2	101.0
Short-term debt and current portion of long-term debt	(77.6)	(38.8)
Long-term debt	(1,135.8)	(1,132.0)
Adjustment for deferred loan costs (offset in long-term debt)	(16.5)	(21.6)
Total	**(1,139.4)**	**(1,029.7)**

Restricted cash of $43.2 million includes $38.2 held in debt service reserve and retention accounts related to the export credit financing ("ECF") of *Ramform Titan*, *Ramform Atlas, Ramform Tethys and Ramform Hyperion*.

At December 31, 2017, the Company had approximately 52% of its debt at fixed interest rates. The Q4 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 2018 will be approximately $47.2 million and each subsequent year until it tapers off following maturity of one after one of the four facilities in the period 2025 to 2027.

The undrawn portion of the RCF constitutes a significant portion of the Company's liquidity reserve. As a part of the refinancing completed in Q4 2016 the stepdown of the Total Leverage Ratio ("TLR") covenant, with which the Company must comply in order to draw on the RCF, was amended to a flatter profile. It started with a maximum of 5.50:1 in Q4 2016 through Q2 2017, then tightening by 0.25:1 in Q3 2017, another 0.50:1 in Q4 2017 and Q1 2018, and thereafter by 0.25:1 for each of the subsequent quarters down to 2:75 by Q3 2019 to stay at that level for the remaining life of the facility. At December 31, 2017 the total leverage ratio was 3.67:1, well below the maximum level of 4.75:1.

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 December 31, 2017	2016	Year ended December 31, 2017	2016
- Basic	(0.58)	(0.61)	(1.55)	(1.21)
- Diluted	(0.58)	(0.61)	(1.55)	(1.21)
Weighted average basic shares outstanding	338,552,873	254,687,364	337,860,603	242,555,132
Weighted average diluted shares outstanding	340,446,696	255,821,720	340,234,632	243,643,599

Note 12 – Other Comprehensive Income

Changes to Other comprehensive income consists of the following:

(In millions of US dollars)	Quarter ended December 31, 2017	2016	Year ended December 31, 2017	2016
Actuarial gains (losses) on defined benefit pensions plan	(2.2)	22.8	11.2	(32.8)
Income tax effect on actuarial gains and losses	-	(9.4)	(10.8)	0.1
Items that will not be reclassified to profit and loss	**(2.2)**	**13.4**	**0.4**	**(32.7)**
Cash flow hedges				
Gains (losses) arising during the period	(0.8)	(2.0)	2.3	0.5
Reclassification adjustments for losses (gains) included in profit and loss	-	0.1	0.3	-
Shares available for sale				
Gains (losses) arising during the period	-	(0.2)	-	(0.6)
Reclassification adjustments for losses (gains) included in profit and loss	-	0.9	-	0.6
Other comprehensive income (loss) of associated companies	(0.5)	(0.8)	0.6	(1.4)
Items that may be subsequently reclassified to profit and loss	**(1.3)**	**(2.0)**	**3.2**	**(0.9)**

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

	Quarter ended December 31,		Year ended December 31,	
(In millions of US dollars)	2017	2016	2017	2016
Operating profit (loss)	**(159.2)**	**(92.4)**	**(383.6)**	**(180.3)**
Other charges, net	64.7	(1.9)	82.8	0.6
Amortization and impairment of MultiClient library	121.6	97.6	426.3	323.9
Depreciation and amortization of long term assets (excl. MultiClient library)	39.9	42.0	154.4	157.0
Impairment and loss on sale of long-term assets (excl. MultiClient library)	55.8	7.8	94.2	12.0
EBITDA ex. Other Charges, net	**122.8**	**53.1**	**374.1**	**313.3**

	Quarter ended December 31,		Year ended December 31,	
(In millions of US dollars)	2017	2016	2017	2016
Operating profit (loss)	**(159.2)**	**(92.4)**	**(383.6)**	**(180.3)**
Other charges, net	64.7	(1.9)	82.8	0.6
Impairment of MultiClient library	14.2	21.0	59.4	30.1
Impairment and loss on sale of long-term assets (excl. MultiClient library)	55.8	7.8	94.2	12.0
EBIT ex. impairment and other charges, net	**(24.5)**	**(65.5)**	**(147.2)**	**(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.

IFRS 15 Revenue from Contracts with Customers
The IASB has issued a new revenue recognition standard, IFRS 15 which replaces existing IFRS revenue requirements (see Note 2 in 2016 Annual Report). The standard is effective from 1 January 2018.

Compared to the Company’s existing practice, the standard will not impact revenue recognition on contract acquisition services or sales of completed MultiClient data (late sales). While not yet concluded, there is a high likelihood that revenue on MultiClient prefunding agreements will no longer be recognized under the current percentage of completion method. Instead, all or most of such revenue would be recognized at delivery of the final processed data, which may be more than one year after acquisition of the data.

Should it be concluded that recognition of pre-funding revenues will be significantly deferred until delivery of final processed data, PGS will continue to use percentage of completion for the purpose of its internal reporting and will provide this supplemental percentage of completion information in connection with its external financial reporting. PGS will work to achieve a consistent practice for such reporting across the industry.

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.

Oslo, January 31, 2018

Walter Qvam
Chairperson

Carol Bell
Director

Morten Borge
Director

Anne Grethe Dalane
Director

Richard Herbert
Director

Daniel J. Piette
Director

Holly A. Van Deursen
Director

Espen Grimstad
Director

Hege Renshus
Director

Anette Valbø
Director

Rune Olav Pedersen
Chief Executive Officer

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Petroleum Geo-Services ASA ("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 and the PGS share is listed on the Oslo stock exchange (OSE: PGS).

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

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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 Sales & Services
Per Arild Reksnes	EVP Operations & Technology

Other Corporate Management:

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

Web-Site:
www.pgs.com

Financial Calendar:

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.