



# First Quarter

# 2015

Productivity and Technology Leadership

# Robust MultiClient Sales

## Strong Financial Structure

### Highlights Q1 2015

- Revenues of \$251.1 million, compared to \$292.5 million in Q1 2014
- EBITDA of \$124.8 million, compared to \$138.5 million in Q1 2014
- EBIT of \$10.9 million, compared to \$45.2 million in Q1 2014
- Strong cash flow from operations of \$212.4 million, compared to \$182.1 million in Q1 2014
- MultiClient Pre-funding revenues of \$86.6 million with a corresponding pre-funding level of 135%, compared to \$74.2 million and 64% respectively in Q1 2014
- Late sales of \$56.7 million, compared to \$64.8 million in Q1 2014
- Strong balance sheet with \$558.9 million liquidity reserve and no significant debt maturities before 2018
- Cost savings target substantially increased to drive \$220 million cost reduction in 2015
- Full year guidance reiterated – market uncertainty remains



“Q1 MultiClient revenues ended at a solid \$143.3 million. I am particularly pleased to see that we have achieved good late sales from our well positioned MultiClient data library. High pre-funding revenues achieved in the quarter were mainly driven by three large MultiClient projects; one in Australia and two in West Africa.

Weak Q1 vessel utilization impacted financial performance negatively in the quarter, including our marine contract EBIT margin. During the quarter we have intensified our efforts to improve bookings, which should lead to improved utilization in the coming two quarters.

The sustained low oil price and cautious spending behavior among oil companies will continue to impact the seismic market. We have proactively implemented significant cost savings over the last four years, with a cost reduction of approximately \$220 million expected to be achieved in 2015. As a further step in adapting to the weak market we have decided to cold stack Ramform Explorer and Ramform Challenger after they complete this year’s North Sea summer season.”

A handwritten signature in black ink, appearing to read 'Jon Erik Reinhardsen'.

Jon Erik Reinhardsen,  
President and Chief Executive Officer

### Outlook

The sharp oil price decline since mid-June 2014 has resulted in a more cautious spending pattern among oil companies impacting bidding, pricing and utilization negatively. PGS expects market uncertainty and low earnings visibility to continue well into 2016.

Based on the current operational projections and with reference to disclosed risk factors, PGS expects full year 2015 EBITDA to be in the range of \$550-700 million.

MultiClient cash investments are expected to be in the range of \$275-300 million, with a pre-funding level at or above 100%.

Approximately 45% of active 3D capacity now expected to be used for MultiClient in 2015.

Capital expenditures are estimated to be approximately \$250 million, of which almost \$150 million is for Ramform Tethys and Ramform Hyperion.

## Key Financial Figures

(In millions of US dollars, except per share data)	Quarter ended March 31,		Year ended December 31,
	2015	2014	2014
Revenues	251.1	292.5	1 453.8
EBITDA (as defined, see note 14)	124.8	138.5	702.6
EBIT ex. Impairment charges	10.9	45.2	178.0
EBIT as reported	10.9	45.2	104.2
Income before income tax expense	(10.0)	12.7	16.7
Net income to equity holders	(19.5)	4.6	(50.9)
Basic earnings per share (\$ per share)	(0.09)	0.02	(0.24)
Net cash provided by operating activities	212.4	182.1	584.3
Cash investment in MultiClient library	64.0	116.2	344.2
Capital expenditures (whether paid or not)	41.5	131.9	371.3
Total assets	3 501.0	3 562.0	3 563.0
Cash and cash equivalents	148.9	208.6	54.7
Net interest bearing debt	955.9	760.4	1 048.0

## Condensed Consolidated Statements of Profit and Loss

(In millions of US dollars)	Note	Quarter ended March 31,		Year ended December 31,
		2015	2014	2014
Revenues	1	251.1	292.5	1 453.8
Cost of sales	2	108.7	128.6	653.6
Research and development costs	2	5.9	8.8	37.6
Selling, general and administrative costs	2	11.8	16.6	59.9
Depreciation and amortization	3	114.1	93.5	525.4
Impairment of long-term assets	3	-	-	73.8
Other operating income	2	(0.2)	(0.2)	(0.7)
Total operating expenses		240.2	247.3	1 349.7
Operating profit/EBIT		10.9	45.2	104.2
Loss from associated companies	4	(7.6)	(15.6)	(30.9)
Interest expense	5	(7.8)	(7.5)	(30.1)
Other financial expense, net	6	(5.4)	(9.4)	(26.5)
Income before income tax expense		(10.0)	12.7	16.7
Income tax expense	7	9.5	8.1	67.6
<b>Net income to equity holders of PGS ASA</b>		<b>(19.5)</b>	<b>4.6</b>	<b>(50.9)</b>
<b>Other comprehensive income</b>				
Items that will not be reclassified to profit and loss	12	(3.4)	0.1	(27.9)
Items that may be subsequently reclassified to profit and loss	12	0.4	6.1	3.7
<b>Other comprehensive income for the period, net of tax</b>		<b>(3.0)</b>	<b>6.2</b>	<b>(24.2)</b>
<b>Total comprehensive income to equity holders of PGS ASA</b>		<b>(22.5)</b>	<b>10.8</b>	<b>(75.1)</b>

## Condensed Consolidated Statements of Financial Position

(In millions of US dollars)	Note	March 31,		December 31,
		2015	2014	2014
<b>ASSETS</b>				
Cash and cash equivalents	10	148.9	208.6	54.7
Restricted cash	10	18.5	19.7	20.2
Accounts receivable		152.5	154.8	265.6
Accrued revenues and other receivables		133.4	127.8	180.6
Other current assets		146.4	138.3	136.3
Total current assets		599.8	649.2	657.4
Property and equipment	8	1 640.3	1 697.5	1 663.5
MultiClient library	9	715.2	666.3	695.2
Restricted cash	10	60.8	78.1	72.0
Deferred tax assets		97.7	110.9	95.9
Other long-term assets		59.8	50.1	55.2
Goodwill		139.9	139.9	139.9
Other intangible assets		187.4	170.0	183.8
Total long-term assets		2 901.2	2 912.8	2 905.6
<b>Total assets</b>		<b>3 501.0</b>	<b>3 562.0</b>	<b>3 563.0</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
Short-term debt and current portion of long-term debt	10	24.8	25.1	24.8
Accounts payable		55.8	70.6	74.9
Accrued expenses and other current liabilities		284.8	269.1	272.2
Income taxes payable		34.2	29.5	37.9
Total current liabilities		399.6	394.3	409.8
Long-term debt	10	1 144.8	1 045.7	1 160.1
Deferred tax liabilities		15.2	6.4	14.1
Other long-term liabilities		60.4	46.3	77.4
Total long-term liabilities		1 220.4	1 098.4	1 251.6
Common stock; par value NOK 3; issued and outstanding 217,799,997 shares		96.5	96.5	96.5
Treasury shares, par value		(1.9)	(1.7)	(1.9)
Additional paid-in capital		528.8	521.3	526.9
Total paid-in capital		623.4	616.1	621.5
Accumulated earnings		1 321.4	1 483.6	1 340.9
Other comprehensive income		(63.8)	(30.4)	(60.8)
Total shareholders' equity		1 881.0	2 069.3	1 901.6
<b>Total liabilities and shareholders' equity</b>		<b>3 501.0</b>	<b>3 562.0</b>	<b>3 563.0</b>

## Condensed Consolidated Statements of Cash Flows

(In millions of US dollars)	Quarter ended		Year ended
	March 31,		December 31,
	2015	2014	2014
<b>Net income (loss) to equity holders of PGS ASA</b>	<b>(19.5)</b>	<b>4.6</b>	<b>(50.9)</b>
Depreciation, amortization and impairment of long-term assets	114.1	93.5	599.2
Share of loss in associated companies and impairments	7.6	15.6	30.9
Interest expense	7.8	7.5	30.1
Loss on sale and retirement of assets	1.0	1.8	8.4
Income taxes paid	(11.6)	(4.7)	(18.4)
Other items	2.7	10.5	12.7
(Increase) decrease in accounts receivable, accrued revenues & other receivables	147.3	77.9	(81.2)
Increase (decrease) in accounts payable	(32.6)	6.7	11.5
Change in other current items related to operating activities	18.1	(19.3)	25.6
Change in other long-term items related to operating activities	(22.5)	(12.0)	16.4
<b>Net cash provided by operating activities</b>	<b>212.4</b>	<b>182.1</b>	<b>584.3</b>
Investment in MultiClient library	(64.0)	(116.2)	(344.2)
Investment in property and equipment	(30.7)	(144.2)	(383.4)
Investment in other intangible assets	(4.9)	(6.7)	(26.3)
Investment in other current -and long-term assets	5.1	(2.0)	(32.3)
Proceeds from sale and disposal of assets	-	3.5	6.2
Increase in long-term restricted cash	(1.9)	-	(6.3)
<b>Net cash used in investing activities</b>	<b>(96.4)</b>	<b>(265.6)</b>	<b>(786.3)</b>
Proceeds, net of deferred loan costs, from issuance of long-term debt	-	112.7	143.4
Repayment of long-term debt	(6.2)	(75.8)	(94.7)
Net drawdown of Revolving Credit Facility	(10.0)	-	100.0
Purchase of treasury shares	-	(4.3)	(15.1)
Proceeds from sale of treasury shares	-	1.3	2.9
Dividend paid	-	-	(84.0)
Interest paid	(5.6)	(5.6)	(59.6)
<b>Net cash (used in) provided by financing activities</b>	<b>(21.8)</b>	<b>28.3</b>	<b>(7.1)</b>
Net increase (decrease) in cash and cash equivalents	94.2	(55.2)	(209.1)
Cash and cash equivalents at beginning of period	54.7	263.8	263.8
<b>Cash and cash equivalents at end of period</b>	<b>148.9</b>	<b>208.6</b>	<b>54.7</b>

## Condensed Consolidated Statements of Changes in Shareholders' Equity

### For the quarter ended March 31, 2014

(In millions US of dollars)	Attributable to equity holders of PGS ASA					
	Common stock par value	Treasury shares par value	Additional paid-in capital	Accumulated earnings	Other comprehensive income	Shareholders equity
<b>Balance as of January 1, 2014</b>	<b>96.5</b>	<b>(1.4)</b>	<b>519.5</b>	<b>1 479.4</b>	<b>(28.4)</b>	<b>2 065.6</b>
Total comprehensive income	-	-	-	4.6	6.2	10.8
Transfer of actuarial gains and losses net of tax	-	-	-	8.2	(8.2)	-
Acquired treasury shares	-	(0.4)	-	(9.8)	-	(10.2)
Employee benefit plans	-	0.1	1.8	1.2	-	3.1
<b>Balance as of March 31, 2014</b>	<b>96.5</b>	<b>(1.7)</b>	<b>521.3</b>	<b>1 483.6</b>	<b>(30.4)</b>	<b>2 069.3</b>

### For the quarter ended March 31, 2015

(In millions US of dollars)	Attributable to equity holders of PGS ASA					
	Common stock par value	Treasury shares par value	Additional paid-in capital	Accumulated earnings	Other comprehensive income	Shareholders equity
<b>Balance as of January 1, 2015</b>	<b>96.5</b>	<b>(1.9)</b>	<b>526.9</b>	<b>1 340.9</b>	<b>(60.8)</b>	<b>1 901.6</b>
Total comprehensive income	-	-	-	(19.5)	(3.0)	(22.5)
Employee benefit plans	-	-	1.9	-	-	1.9
<b>Balance as of March 31, 2015</b>	<b>96.5</b>	<b>(1.9)</b>	<b>528.8</b>	<b>1 321.4</b>	<b>(63.8)</b>	<b>1 881.0</b>

## Notes to the Condensed Interim Consolidated Financial Statements – First Quarter 2015

### Note 1 – Revenues

Revenues by service type:

(In millions of US dollars)	Quarter ended March 31,		Year ended December 31,
	2015	2014	2014
- Contract seismic	68.8	116.0	697.8
- MultiClient pre-funding	86.6	74.2	290.7
- MultiClient late sales	56.7	64.8	309.0
- Imaging	30.3	28.0	119.2
- Other	8.7	9.5	37.1
<b>Total revenues</b>	<b>251.1</b>	<b>292.5</b>	<b>1 453.8</b>

Vessel allocation:

	Quarter ended March 31,		Year ended December 31,
	2015	2014	2014
Contract	31 %	36 %	51 %
MultiClient	32 %	47 %	31 %
Steaming	14 %	13 %	12 %
Yard	5 %	4 %	5 %
Standby	18 %	0 %	1 %

In Q1 2015, revenues for Petroleum Geo-Services ASA (“PGS” or “the Company”) decreased \$41.4 million, or 14%, compared to Q1 2014. The reduction is mainly due to a 41% reduction in contract revenues, while a 12% reduction in MultiClient late sales revenues was more than offset by a 17% increase of MultiClient pre-funding revenues.

The reduced marine contract revenues in Q1 2015, compared to Q1 2014 were due to less capacity used for contract work, lower average pricing and higher non-chargeable vessel time. The EBIT margin for marine contract acquisition work was approximately negative 40%, down from approximately break-even in Q4 2014 and 15% in Q1 2014. Most of the negative EBIT margin in the quarter is caused by standby cost and market driven vessel schedule inefficiencies, such as the planned warm-stack of Ramform Explorer over the winter, cancellation of a contract job on short notice and permitting delays. The marine contract EBIT margin will fluctuate from quarter to quarter influenced by factors such as vessel scheduling, vessel transits, project specific variables and market conditions.

The increased MultiClient pre-funding revenues in Q1 2015, compared to Q1 2014 were primarily due to three highly pre-funded MultiClient projects; one in Australia and two in West Africa.

The reduced MultiClient late sales revenues in Q1 2015, compared to Q1 2014, is a reflection of clients’ focus on preserving cash and reducing investments. Put in perspective, the late sales performance shows resilience and proves the attractiveness and diversity of the PGS MultiClient library. Europe was the main contributor to late sales revenues in the quarter, supported by Asia Pacific and Africa. Q1 2015 revenues include sales of \$15 million to Azimuth Ltd., which is an associated company of PGS.

The 8% increase in external imaging revenues in Q1 2015, compared to Q1 2014, primarily relates to growth in high-end GeoStreamer imaging and depth processing in the North Sea Market.

The order book totaled \$394 million at March 31, 2015 (including \$210 million of committed pre-funding on MultiClient projects), compared to \$410 million at December 31, 2014 and \$610 million at March 31, 2014.

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

(In millions of US dollars)	Quarter ended March 31,		Year ended December 31,
	2015	2014	2014
Cost of sales	108.7	128.6	653.6
Research and development costs, gross	8.8	12.4	53.9
Capitalized development costs	(2.9)	(3.6)	(16.3)
Selling, general and administrative costs	11.8	16.6	59.9
Other operating income	(0.2)	(0.2)	(0.7)
<b>Total</b>	<b>126.1</b>	<b>153.8</b>	<b>750.4</b>

Cost reduction has been a priority for PGS since 2012, when the Profit Improvement Program was introduced. This continues to be an area of focus and the Company's cost reduction program this year is extended. The \$150 million savings originally planned for 2015 is now increased further, among other things including the savings from cold-stacking of Ramform Explorer and Ramform Challenger following the North Sea season, to reach a total cost reduction of approximately \$220 million for 2015.

The stacking of Ramform Explorer and Ramform Challenger will reduce quarterly operating cash cost by \$15-20 million, with full effect for Q4 2015, and will also allow the Company to reduce capital expenditures going forward by distributing in-sea equipment to the remaining fleet.

The fleet adjustment will increase costs relating to staff reductions and other restructuring activities. The Company expects to incur approximately \$20 million of charges relating to restructuring and severance cost for the full year 2015, with more than half of this to be recognized in Q2 and \$3 million already included in Q1.

Reported net operating expenses for the Group (before depreciation, amortization and impairments) in Q1 2015 were \$27.7 million lower than in Q1 2014. The cost savings initiatives implemented in 2014 combined with the stronger USD and continued low fuel prices, contributed to a significantly lower cost base compared to Q1 2014. In addition, Q1 2015 operating expenses benefited from a reduced cost level for vessels stacked or on standby, deferral of cost relating to a project to later quarters, and one time effects of changes to benefit plans. Partially offsetting these cost reductions, the Company capitalized less operating costs as investment in the MultiClient library in Q1 2015 compared to Q1 2014.

The Company's R&D costs mainly relate to the current core business activities of marine seismic acquisition and processing.

The decrease of R&D costs in Q1 2015, compared to Q1 2014 is driven by both a shift of Towed EM R&D to support operations and a reduction in activity levels as the technology is deployed, a slowdown in externally sourced and funded development and general cost reductions.

## Note 3 – Depreciation, Amortization and Impairment

Depreciation, amortization and impairment consists of the following:

(In millions of US dollars)	Quarter ended March 31,		Year ended December 31,
	2015	2014	2014
Gross depreciation	66.6	65.3	278.5
Depreciation capitalized and deferred, net	(25.1)	(35.5)	(97.3)
Amortization of MultiClient library	72.5	63.7	344.2
Impairments	-	-	73.8
<b>Total</b>	<b>114.1</b>	<b>93.5</b>	<b>599.2</b>

The increased gross depreciation in Q1 2015, compared to Q1 2014 is primarily due to full quarterly effect of Ramform Atlas, which was delivered in Q1 2014.

The decrease in capitalized depreciation in Q1 2015, compared to Q1 2014 is a result of less vessel capacity allocated to MultiClient projects in the quarter.

Amortization of the MultiClient library as a percentage of MultiClient revenues was 51% in Q1 2015, compared to 46% in Q1 2014. The amortization level can vary from quarter to quarter depending on the MultiClient sales mix and other factors. For the full year 2015 the Company expects an amortization rate of approximately 55%.

#### Note 4 – Loss from Associated Companies

Loss from associated companies amounted to \$7.6 million in Q1 2015. The loss was related to Azimuth Ltd, and PGS's share of exploration costs expensed by Azimuth, where PGS has a 45% ownership. In Q1 2015, PGS recognized revenues of \$15.0 million from sales of MultiClient data to subsidiaries of Azimuth.

#### Note 5 – Interest Expense

Interest expense consists of the following:

(In millions of US dollars)	Quarter ended March 31,		Year ended December 31,
	2015	2014	2014
Interest expense, gross	(14.3)	(13.3)	(56.8)
Capitalized interest, MultiClient library	4.8	4.2	20.3
Capitalized interest, construction in progress	1.7	1.6	6.4
<b>Total</b>	<b>(7.8)</b>	<b>(7.5)</b>	<b>(30.1)</b>

Interest cost relating to the Company's debt was relatively unchanged from Q1 2014. Slightly more interest expense was capitalized to the MultiClient library and construction in progress.

#### Note 6 – Other Financial Expense, Net

Other financial expense, net consists of the following:

(In millions of US dollars)	Quarter ended March 31,		Year ended December 31,
	2015	2014	2014
Interest income	0.5	0.3	2.3
Write-off relating to Term loan refinancing	-	(8.8)	(8.8)
Currency exchange gain (loss)	(4.7)	0.6	(13.4)
Other	(1.2)	(1.5)	(6.6)
<b>Total</b>	<b>(5.4)</b>	<b>(9.4)</b>	<b>(26.5)</b>

The reduced net other financial expense in Q1 2015, compared to Q1 2014 mainly relates to cost expensed in conjunction with refinancing of the Term Loan B recorded in Q1 2014. This was partially offset by a currency loss of \$4.7 million in Q1 2015, reflecting a significant strengthening of the USD and primarily its effect on legal deposits in Brazilian Real. The strengthening of USD against most other currencies will have a positive impact on the Company's cost base going forward.

The Company holds foreign currency positions to manage its operational currency exposure. These positions are marked to market at each balance sheet date together with receivables and payables in non-US currencies. Foreign currency positions larger than the monetary balance sheet items in the same currency will generally cause a currency exchange loss when the US dollar appreciates.



## Note 7 – Income Tax Expense

Income tax expense consists of the following:

(In millions of US dollars)	Quarter ended March 31,		Year ended December 31,
	2015	2014	2014
Current tax expense	9.2	11.4	41.3
Deferred tax expense	0.3	(3.3)	26.3
<b>Total</b>	<b>9.5</b>	<b>8.1</b>	<b>67.6</b>

The reported tax expense for Q1 2015 was negatively impacted by foreign taxes that are neither deductible nor creditable and losses in countries where deferred tax benefit is not recognized.

### Tax Contingencies

The Company has an ongoing dispute in Brazil related to 5% ISS tax on the sale of MultiClient data from year 2000 and onwards. As of March 31, 2015, the exposure is \$118 million, including possible penalties and interest. PGS has made deposits covering \$61.0 million of the total exposure. There has been no significant development in the quarter. Because the Company considers it more likely than not that the contingency will be resolved in its favor, no provision has been made for any portion of the exposure.

The Company also has ongoing tax disputes related to charter of vessel into Brazil. The assessments levy 15% withholding tax and 10% CIDE (service) tax and are in total, including penalties and interest, \$31 million. During the quarter the disputed amount was reduced since the Company received a final positive ruling on withholding tax for 2008, partly offset by receiving a new assessment for a later year. Because the Company considers it more likely than not that the contingency will be resolved in its favor, no provision has been made for any portion of the exposure.

The Company also has other tax contingencies as described in more detail in the 2014 financial statements.

## Note 8 – Property and Equipment

Capital expenditures 1) consists of the following:

(In millions of US dollars)	Quarter ended March 31,		Year ended December 31,
	2015	2014	2014
Seismic equipment	4.1	47.6	93.8
Vessel upgrades/Yard	5.0	2.3	54.0
Processing equipment	1.4	4.3	13.5
Newbuilds	21.2	77.0	198.4
Other	9.8	0.7	11.6
<b>Total</b>	<b>41.5</b>	<b>131.9</b>	<b>371.3</b>

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

Following the stacking of Ramform Explorer and Ramform Challenger, PGS expects to upgrade Ramform Sterling to GeoStreamer using the streamers this makes available. Remaining available streamers and in-sea equipment will allow the Company to reduce maintenance capital expenditures going forward for the remaining fleet.

PGS has two Ramform Titan-class new builds under construction at Mitsubishi Heavy Industries Ltd (MHI) in Japan with delivery originally scheduled for 2015. PGS and MHI have agreed a revised construction schedule for Ramform Tethys and Ramform Hyperion and delivery is now scheduled for Q1 and Q3 2016.

The cost of each of the two vessels is approximately \$285.0 million including commissioning and a comprehensive seismic equipment package, but excluding capitalized interest and post-delivery cost.

The agreement with the shipyard provides for payment based on five defined milestones per vessel, with 50% payable at delivery. Seismic equipment is procured by PGS separately from the shipbuilding contract. Accumulated capital expenditures related to the two last Ramform Titan-class new builds as of March 31, 2015 were \$184.0 million.

## Note 9 – MultiClient Library

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

(In millions of US dollars)	March 31,		December 31,
	2015	2014	2014
Completed during 2009	-	21.7	-
Completed during 2010	8.4	18.6	11.3
Completed during 2011	16.8	30.0	17.9
Completed during 2012	28.1	42.6	29.1
Completed during 2013	44.6	55.3	46.6
Completed during 2014 1)	107.4	2.9	117.2
Completed during 2015	64.8	-	-
Completed surveys	270.1	171.1	222.1
Surveys in progress	445.1	495.2	473.1
<b>MultiClient library, net</b>	<b>715.2</b>	<b>666.3</b>	<b>695.2</b>

1) MultiClient library with net book value of \$12.7 million has been reclassified from "Surveys in progress" to "Completed during 2014" as of December 31, 2014.

Key figures MultiClient library:

(In millions of US dollars)	Quarter ended March 31,		Year ended December 31,
	2015	2014	2014
MultiClient pre-funding revenue	86.6	74.2	290.7
MultiClient late sales	56.7	64.8	309.0
Cash investment in MultiClient library	64.0	116.2	344.2
Prefunding as a percentage of MultiClient cash investment	135 %	64 %	84 %
Capitalized interest in MultiClient library	4.8	4.2	20.3
Capitalized depreciation (non-cash)	23.8	32.7	98.0
Amortization of MultiClient library	72.5	63.7	344.2

Pre-funding revenues in Q1 2015 corresponded to 135% of capitalized MultiClient cash investment (excluding capitalized interest), compared to 64% in Q1 2014. The solid pre-funding level is driven by projects in Australia and Africa, as well as further customer commitment to projects in the processing phase, and reflects the Company's determination over time to maintain discipline when it comes to achieving minimum pre-funding levels.

The reduced MultiClient cash investment in Q1 2015, compared to Q1 2014 is mainly due to less capacity allocated to MultiClient projects and reduced cost level.

## Note 10 – Liquidity and Financing

In Q1 2015, net cash provided by operating activities was \$212.4 million, compared to \$182.1 million in Q1 2014. The increase is mainly due to a strong improvement of working capital. In the current market environment some clients are seeking extended payment terms, which may put upward pressure on the working capital going forward.

At March 31, 2015, cash and cash equivalents amounted to \$148.9 million, compared to \$208.6 million at March 31, 2014 and \$54.7 million at December 31, 2014.

Restricted cash amounted to \$79.3 million at March 31, 2015, compared to \$97.8 million at March 31, 2014 and \$92.2 million at December 31, 2014.

The relatively high level of restricted cash relates to deposits made in 2010 and 2011 to initiate law suits with the Rio de Janeiro courts to seek confirmation that sale of MultiClient data in Brazil is not subject to ISS tax (see annual report 2014 for more details). The deposits are denominated in Brazilian Real and the carrying value at end Q1 2015 is approximately \$61.0 million.

Long term debt consists of the following:

(In millions of US dollars)	March 31,		December 31,
	2015	2014	2014
<i>Secured</i>			
Term loan B, Libor (minimum 75 bp) + 250 Basis points, due 2021	396.0	400.0	397.0
Export credit financing, due 2025	218.7	239.5	223.9
Export credit financing, due 2027	38.1	-	38.1
Revolving credit facility, due 2018	90.0	-	100.0
<i>Unsecured</i>			
Senior notes, Coupon 7.375%, due 2018	450.0	450.0	450.0
<b>Total</b>	<b>1 192.8</b>	<b>1 089.5</b>	<b>1 209.0</b>
Less current portion	(24.8)	(24.8)	(24.8)
Less deferred loan costs, net of debt premiums	(23.2)	(19.0)	(24.1)
<b>Total long-term debt</b>	<b>1 144.8</b>	<b>1 045.7</b>	<b>1 160.1</b>

Undrawn facilities consists of the following:

(In millions of US dollars)	March 31,		December 31,
	2015	2014	2014
<i>Secured</i>			
Revolving credit facility, due 2018	410.0	500.0	400.0
Export credit financing	266.5	304.6	266.5
<i>Unsecured</i>			
Bank facility (NOK 50 mill)	6.2	8.3	6.7
Performance bond	15.1	18.8	14.1
<b>Total</b>	<b>697.8</b>	<b>831.7</b>	<b>687.3</b>

Summary of net interest bearing debt:

(In millions of US dollars)	March 31,		December 31,
	2015	2014	2014
Cash and cash equivalents	148.9	208.6	54.7
Restricted cash (current and long-term)	79.3	97.8	92.2
Interest bearing receivables	8.7	23.0	14.2
Short-term debt and current portion of long-term debt	(24.8)	(25.1)	(24.8)
Long-term debt	(1 144.8)	(1 045.7)	(1 160.1)
Adjustment for deferred loan costs (offset in long-term debt)	(23.2)	(19.0)	(24.1)
<b>Total</b>	<b>(955.9)</b>	<b>(760.4)</b>	<b>(1 048.0)</b>

Total interest bearing debt, including capital leases, was \$1,192.8 million at March 31, 2015, compared to \$1,089.5 million at March 31, 2014 and \$1,209.0 million at December 31, 2014.

Net interest bearing debt (interest bearing debt less cash and cash equivalents, restricted cash and interest bearing loans and investments) was \$955.9 million at March 31, 2015, compared to \$760.4 million at March 31, 2014 and \$1,048.0 million at December 31, 2014.

At March 31, 2015, the Company had approximately 50% of its debt at fixed interest rates. The weighted average cash interest cost of gross debt reflects an interest rate of approximately 4.5%, including credit margins paid on the debt.

The revolving credit facility contains a covenant whereby total leverage ratio (as defined) cannot exceed 2.75:1. At March 31, 2015 the total leverage ratio was 1.51:1.

## Note 11 – Earnings per Share

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

	Quarter ended		Year ended
	March 31,		December 31,
	2015	2014	2014
- Basic	(0.09)	0.02	(0.24)
- Diluted	(0.09)	0.02	(0.24)
Weighted average basic shares outstanding	214 114 978	215 192 286	214 603 496
Weighted average diluted shares outstanding	214 776 809	215 809 169	215 390 735

## Note – 12 Components of Other Comprehensive Income

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

(In millions of US dollars)	Quarter ended		Year ended
	March 31,		December 31,
	2015	2014	2014
Actuarial gains (losses) on defined benefit pensions plans	(4.3)	0.1	(34.7)
Income tax effect on actuarial gains and losses	0.9	-	6.8
<b>Items that will not be reclassified to profit and loss</b>	<b>(3.4)</b>	<b>0.1</b>	<b>(27.9)</b>
<i>Cash flow hedges</i>			
Gains (losses) arising during the period	-	-	-
Reclassification adjustments for losses (gains) included in profit and loss	-	9.1	9.1
Deferred tax on cash flow hedges	-	(2.5)	(2.5)
<i>Revaluation of shares available-for-sale</i>			
Gains (losses) arising during the period	-	-	(1.1)
Reclassification adjustments for losses (gains) included in profit and loss	-	-	-
<i>Other comprehensive income (loss) of associated companies</i>	0.9	(0.7)	(2.0)
Translation adjustments and other	(0.5)	0.2	0.2
<b>Items that may be subsequently reclassified to profit and loss</b>	<b>0.4</b>	<b>6.1</b>	<b>3.7</b>

## Note 13 - Other Contingencies

On February 13, 2015 the Oslo District Court ruled in favor of PGS in the lawsuit filed by Electromagnetic GeoServices (EMGS) against PGS for patent infringement relating to PGS' Towed Streamer EM technology. Oslo District Court found that the EMGS patent was invalid. The patent was found to be anticipated by four different and independent prior art documents. EMGS has appealed the judgment.

On March 5, 2015 PGS filed a lawsuit against EMGS in the District of Delaware (USA) for infringement of a PGS patent related to acquiring and processing of electromagnetic data.

## 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.

The condensed interim consolidated financial statements reflect all adjustments, in the opinion of PGS' management, that are necessary for a fair presentation of the results of operations for all periods presented. Operating results for the interim period are not necessarily indicative of the results that may be expected for any subsequent interim period or year. The condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2014.

The accounting policies adopted in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the preparation of the Company's consolidated financial statements for the year ended December 31, 2014.

EBIT or "operating profit" means Revenues less Total operating expenses. EBITDA, when used by the Company, means EBIT less other operating (income) expense, impairment of long-term assets and depreciation and amortization. EBITDA may not be comparable to other similarly titled measures from other companies. The Company has included EBITDA as a supplemental disclosure because management believes that it provides useful information regarding the Company's ability to service debt and to fund capital expenditures and provides a helpful measure for comparing its operating performance with that of other companies.

## Note 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 2014. As a result of these and other risk factors, actual events and actual results may differ materially from those indicated in or implied by such forward-looking statements.

Oslo, April 29, 2015

Francis R. Gugen  
*Chairperson*

Daniel J. Piette  
*Director*

Harald Norvik  
*Vice Chairperson*

Ingar Skaug  
*Director*

Carol Bell  
*Director*

Walter Qvam  
*Director*

Holly A. Van Deursen  
*Director*

Anne Grethe Dalane  
*Director*

Berit Osnes  
*Director*

Anette Valbø  
*Director*

Espen Grimstad  
*Director*

Jon Erik Reinhardsen  
*Chief Executive Officer*

\*\*\*\*

*Petroleum Geo-Services ("PGS" or "the Company") is a focused Marine geophysical company that provides a broad range of seismic and reservoir services, including acquisition, imaging, interpretation, and field evaluation. The Company's MultiClient data library is among the largest in the seismic industry, with modern 3D coverage in all significant offshore hydrocarbon provinces of the world. The Company operates on a worldwide basis with headquarters in Oslo, Norway.*

*PGS has a presence in 19 countries with regional centers in London, Houston and Singapore. 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](http://www.pgs.com).*

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**FOR DETAILS CONTACT:****Bård Stenberg, VP IR & Corporate Communications**

Phone: +47 67 51 43 16

Mobile: +47 992 45 235

**Rune Olav Pedersen, General Counsel and SVP Communications & Marketing**

Phone: +47 67 51 57 06

Mobile: +47 90 81 63 37

**PGS Main Offices:**

OSLO (headquarter)  
Petroleum Geo-Services ASA  
Lilleakerveien 4C  
P.O.Box 251 Lilleaker  
0216 Oslo, Norway  
Phone: +47 67 52 64 00

HOUSTON  
Petroleum Geo-Services, Inc  
West Memorial Place I  
15375 Memorial Drive, Suite 100  
Houston Texas 77079, USA  
Phone:+1 281 509 8000

**LONDON**

Petroleum Geo-Services (UK) Ltd.  
4, The Heights  
Brooklands  
Weybridge  
Surrey KT13 0NY, UK  
Phone:+44 1932 3760 00

**SINGAPORE**

Petroleum Geo-Services Asia Pacific Pte. Ltd  
111 Somerset Road  
#15-05/06  
Triple One Somerset  
Singapore 23 81 64  
Phone:+65 6735 6411

**Board of Directors:**

Francis Gugen (Chairperson)  
Harald Norvik (Vice Chairperson)  
Carol Bell  
Holly Van Deursen  
Daniel J. Piette  
Anne Grethe Dalane

Walter Qvam  
Ingar Skaug  
Anette Valbø (employee elected)  
Espen Grimstad (employee elected)  
Berit Osnes (employee elected)

**Executive Officers:**

Jon Erik Reinhardsen President and CEO  
Gottfred Langseth EVP and CFO  
Magne Reiersgard EVP Marine Contract  
Sverre Strandenes EVP MultiClient  
Guillaume Cambois EVP Imaging & Engineering  
Per Arild Reksnes EVP Operations

**Other Corporate Management:**

Terje Bjølseth SVP Global Human Resources  
Rune Olav Pedersen General Counsel and SVP  
Communications & Marketing  
Jostein Ueland SVP Business Development  
Joanna Oustad SVP HSEQ

**Web-Site:**[www.pgs.com](http://www.pgs.com)**Financial Calendar:**

Q1 2015 report April 30, 2015  
AGM May 13, 2015 at 15:00 CET  
Q2 2015 report July 23, 2015  
Q3 2015 report October 23, 2015

The dates are subject to change