



# Third Quarter 2010 Results

29 October 2010 Oslo, Norway





# GeoStreamer® Increasing Earnings Momentum

## Highlights Q3 2010

- Marine Contract EBIT margin of seasonally strong 25%, up from 14% in Q2
- Late sales of \$50.6 million, up 97% from Q2
- MultiClient pre-funding rate of 139%, up from 66% in Q2
- Terminated NB 535 (*PGS Artemis*), with a corresponding impairment charge of \$80 million
- EBITDA guidance maintained



“Higher Contract revenues, improved margins and stronger MultiClient sales have delivered an upturn in performance from Q2. Solid MultiClient pre-funding revenues are driven by strong interest in GeoStreamer®, and we intend to continue remapping the mature North Sea region with our game-changing streamer technology next year. Our geographically diverse MultiClient library and broad spectrum of MultiClient offerings have limited the extent to which we have been affected by the Macondo incident in the Gulf of Mexico.

We currently see an increase in market and bid activity, with good leads for late sales. We have secured a good start for next year with more than 70% of Q1 capacity already booked. For the remainder of 2010 we have good visibility for Marine contract and MultiClient pre-funding revenues with all of the capacity booked. “

Jon Erik Reinhardsen,  
President and Chief Executive Officer

Key Financial Figures (In USD millions, except per share data)	3 <sup>rd</sup> quarter		Nine months		Year 2009 Audited <sup>1)</sup>
	2010 Unaudited	2009 Unaudited	2010 Unaudited	2009 Unaudited	
Revenues from continuing operations	296.4	361.5	770.7	1,046.5	1,350.2
EBITDA (as defined)	131.0	170.2	301.8	530.6	672.1
EBIT excluding impairment charges <sup>2)</sup>	52.3	105.1	92.4	341.4	386.9
EBIT	(27.6)	52.7	12.0	190.2	233.3
Income (loss) before income tax expense	(28.1)	68.4	(40.5)	198.2	228.1
Net income (loss) to equity holders	(41.2)	47.7	(47.3)	143.0	165.8
Basic earnings per share (\$ per share)	(0.21)	0.24	(0.24)	0.77	0.88
Diluted earnings per share (\$ per share)	(0.21)	0.24	(0.24)	0.77	0.88
Net cash provided by operating activities	60.5	163.8	239.8	517.3	676.1
Cash investment in MultiClient library	38.6	34.4	142.4	136.0	183.1
Capital expenditures	51.6	39.4	152.2	190.0	231.2
Total assets (period end)	2,653.9	3,011.5	2,653.9	3,011.5	2,929.4
Cash and cash equivalents (period end)	168.0	184.0	168.0	184.0	126.0
Net interest bearing debt (period end)	602.9	813.0	602.9	813.0	774.0

1) Financial information for the full year 2009 is derived from the audited financial statements as presented in the 2009 Annual Report.

2) Impairment charges of \$79.9 million in Q3 2010, \$80.4 million YTD Q3 2010, \$52.4 million in Q3 2009, \$151.2 million YTD Q3 2009 and \$153.6 million for the full year 2009.

## PGS Group

In USD millions	3 <sup>rd</sup> Quarter		Nine months		Year 2009
	2010	2009	2010	2009	
Revenues	296.4	361.5	770.7	1046.5	1350.2
EBITDA	131.0	170.2	301.8	530.6	672.1
EBIT <sup>1)</sup>	52.3	105.1	92.4	341.4	386.9
Impairments	(79.9)	(52.4)	(80.4)	(151.2)	(153.6)
EBIT	(27.6)	52.7	12.0	190.2	233.3
Pretax income	(28.1)	68.4	(40.5)	198.2	228.1
Net income	(41.2)	47.7	(47.3)	143.0	165.8

<sup>1)</sup> Excluding impairment charges

Petroleum Geo-Services ASA ("PGS" or the "Company") delivered lower revenues in Q3 2010 compared to Q3 2009, primarily since Q3 last year benefitted from work contracted before the market downturn. The decrease is mainly due to lower contract revenues as a result of lower prices and less capacity used for contract work, partially offset by higher MultiClient ("MC") revenues.

The decrease in EBIT, excluding impairment charges, from \$105.1 million in Q3 2009 to \$52.3 million in Q3 2010 is due to lower contract revenues, mainly due to lower prices, partially offset by higher MultiClient revenues.

In USD millions	3 <sup>rd</sup> quarter		Nine months		Year 2009
	2010	2009	2010	2009	
Contract rev.	166.3	263.3	448.5	734.9	893.1
MC pre-funding	53.5	31.5	121.9	137.6	169.0
MC late sales	50.6	42.7	118.6	94.5	182.1
Processing <sup>1)</sup>	24.6	21.6	72.6	66.7	90.2
Other	1.4	2.4	9.1	13.0	15.8
Total revenues	296.4	361.5	770.7	1046.5	1350.2
MC cash inv.	38.6	34.4	142.4	136.0	183.1
Pre-funding %	139%	91%	86%	101%	92%
Opex	165.5	191.3	469.1	515.9	678.1
<b>Vessel allocation <sup>2)</sup></b>					
Contract	57%	73%	41%	49%	64%
MC	29%	16%	23%	16%	21%
Steaming	10%	8%	9%	7%	10%
Yard	4%	3%	2%	3%	5%
Standby	0%	0%	0%	0%	0%

<sup>1)</sup> External Processing revenues.

<sup>2)</sup> Percentage of total 3D steamer capacity measured in steamer utilization.

Contract revenues decreased in Q3 2010 compared to Q3 2009, due to lower prices and less vessel capacity used for contract acquisition. The EBIT margin on Marine contract acquisition work was approximately 25% in Q3 2010, up from 14% in Q2 2010, but down from 37% in Q3 2009. The increase in Marine contract EBIT margin from Q2 2010 is mainly due to good

productivity and less time spent on steaming and yard stays. Q3 is normally seasonally stronger than Q2.

The increase in MultiClient pre-funding revenues in Q3 2010 is due to more capacity allocated to MultiClient and higher pre-funding on North Sea surveys compared to Q3 2009.

Pre-funding revenues in Q3 2010 were 139% of capitalized MultiClient cash investments, excluding capitalized interest, compared to 91% in Q3 2009. The higher pre-funding rate reflects strong interest for GeoStreamer® MultiClient surveys in the North Sea. In Q3 2010, the Company recorded an adjustment of cost capitalized to the MultiClient projects in the first half of 2010. This had the effect of reducing both capitalized cash investment and EBIT in Q3 2010 by approximately USD 4 million.

MultiClient late sales benefited from the resolution of a border dispute between Brunei and Malaysia, resulting in stronger late sales in Asia Pacific, compared to the same period last year. The Company also achieved higher late sales in Brazil and West Africa, partially offset by lower late sales in the North Sea and the Gulf of Mexico, than in Q3 2009.

Higher capitalized cash investment in the MultiClient library in Q3 2010, compared to Q3 2009 reflects more 3D capacity being allocated to MultiClient.

External data processing ("DP") revenues increased, due to growth in the Americas and Australasia. PGS continues to gain momentum in DP, as technology advances such as GeoStreamer® and hyperBeam and investments in depth technologies and capacity yield a stable order book, resulting in consistent revenues in a challenging market. All the 3D GeoStreamer® projects awarded so far will be processed by PGS. The use of hyperBeam on the Company's Crystal III MultiClient survey has allowed for an ultra-fast velocity model building.

Operating expenses (before depreciation, amortization and impairments) decreased by \$25.8 million in Q3 2010, compared to Q3 2009, due to reduced vessel operating costs, reduction in project variable costs, a reduction in low-end capacity vessels, and increased cash cost capitalized to the MultiClient library reflecting the increased MultiClient activity.

*Ocean Explorer* was de-rigged as a seismic vessel in Q3 2010 and is now used as a support vessel. The same was done with *Falcon Explorer* in Q2 2010.

The order book totaled \$489 million at September 30, 2010, including \$60 million of committed pre-funding on scheduled MultiClient projects and the estimated value of the OptoSeis agreement with Petrobras, compared to \$533 million at September 30, 2009 and \$499 million at June 30, 2010.

## Technology

In USD millions	3 <sup>rd</sup> quarter		Nine months		Year 2009
	2010	2009	2010	2009	
R&D cost gross	8.0	8.1	25.4	23.9	31.6
Capitalized dev. costs	(3.4)	(3.5)	(9.6)	(6.2)	(8.7)
Net R&D costs	4.6	4.6	15.8	17.6	22.8

The R&D costs relate mainly to the core business activities of marine seismic acquisition and processing. The capitalized amounts for Q3 2010 are on the same level as Q3 2009. The increase in capitalized amounts year to date 2010 compared to year to date 2009 primarily relate to the capitalizing of the Towed electro-magnetic ("EM") development. Fiber-optic and streamer control system developments comprised the other main components of the capitalized costs in 2010.

## Depreciation and Amortization

In USD millions	3 <sup>rd</sup> Quarter		Nine months		Year 2009
	2010	2009	2010	2009	
Gross depreciation	43.2	40.6	125.1	113.9	156.6
Capitalized depr. to MC library	(12.3)	(4.3)	(30.7)	(15.7)	(24.8)
Amortization of MC library	47.8	28.8	115.0	91.0	153.4
Depreciation and amortization	78.7	65.1	209.4	189.2	285.3

The increase in gross depreciation in Q3 2010, compared to Q3 2009 primarily reflects entry of *PGS Apollo* to the fleet.

Amortization of the MultiClient library was 46% of MultiClient revenues in Q3 2010, compared to 39% of MultiClient revenues in Q3 2009. Pre-funding revenues

are amortized with a rate of at least 45% (as long as such amortization does not exceed total cost).

## Impairment of Long-Lived Assets

In Q3 2010 PGS cancelled the shipbuilding contract for New Build ("NB") 535. The cancellation resulted in an impairment charge of \$79.9 million in Q3 2010 and also refund of all yard instalments with interest as described in the paragraph "Liquidity and Financing".

## Income (Loss) from Associated Companies

The loss from associated companies of \$7.2 million is primarily related to the Company's 12% ownership interest in Geokinetics. Part of the loss is due to Geokinetics reporting a significantly weaker Q2 result than earlier estimated in PGS' Q2 financial statements. Geokinetics has announced order book increases and is expected to show improved results going forward.

## Interest Expense

In USD millions	3 <sup>rd</sup> Quarter		Nine months		Year 2009
	2010	2009	2010	2009	
Gross interest expense	(13.2)	(16.3)	(42.6)	(54.8)	(70.5)
Capitalized interest MC lib.	2.1	2.3	4.3	5.7	6.0
Capitalized interest constr. in progress	---	3.1	2.5	17.5	19.2
Interest expense	(11.1)	(10.9)	(35.8)	(31.6)	(45.2)

The decrease in gross interest expense in Q3 2010, compared to Q3 2009 primarily reflects a reduction in interest bearing debt.

The Company currently does not have any vessels under construction.

## Other Financial Income

In USD millions	3 <sup>rd</sup> Quarter		Nine months		Year 2009
	2010	2009	2010	2009	
Interest income	1.4	1.9	4.9	4.6	7.2
Gain repayment Convertible bond	---	---	---	3.8	3.8
Gain sale shares	---	8.2	3.0	8.6	8.7
Gain on investments	---	3.1	0.7	3.1	3.7
Other	---	1.7	0.9	2.2	1.1
Other financial income	1.4	14.9	9.5	22.3	24.5

Other financial income in Q3 2010 was \$1.4 million of interest income. The higher total financial income in Q3 2009 was attributable to the sale of shares in Borders & Southern Petroleum and Endeavour International Corporation of \$8.2 million and a gain on investments in Cove Energy and San Leon of \$3.1 million.

## Other Financial Expense

In Q3 2010, other financial expense was \$ 4.4 million, compared to \$3.4 million in Q3 2009.

## Currency Exchange Gain (Loss)

In Q3 2010, there was a currency exchange gain of \$20.8 million, compared to a gain of \$13.5 million in Q3 2009. The gain in Q3 2010 is primarily a result of a significant weakening of USD against NOK and GBP. The Company holds foreign currency positions to balance its operational currency exposure. These positions are not accounted for as hedges, but marked to market at each balance sheet date together with receivables and payables in non US currencies, generally causing the short term effect to be positive when the USD depreciates.

## Income Tax Expense

In Q3 2010, the income tax expense was \$14.9 million compared to \$16.3 million in Q3 2009. The estimated current tax expense in Q3 2010 was \$11.9 million compared to \$3.8 million in Q3 2009. Deferred tax represented an expense of \$3.0 million in Q3 2010 compared to an expense of \$12.5 million in Q3 2009.

The impairment charge relating to Arrow NB 535 is not tax deductible and has not benefited reported income tax expense.

The Company has substantial deferred tax assets in different jurisdictions, predominantly in Norway. Deferred tax assets recognized in the consolidated statements of financial position amounted to \$222.3 million as of September 30, 2010, compared to \$189.5 million as of September 30, 2009.

The Company, in Q4 2009 received the final tax assessment from the Tax Appeal Board of the Central Tax Office in Norway ("CTO") regarding exit from the previous shipping tax regime, effective January 1, 2002. There is an uncertainty whether the Company will be granted a change of tax depreciation or deductions in tax returns for previous years based on the assessment. The Company has based the accounting on the final assessment with the assumption that historical tax depreciation/deductions can be changed. The Company, in April 2010, filed a lawsuit challenging the decision by the Tax Appeal Board of the CTO since it is the Company's primary position, supported by external shipbroker valuations, that it had a loss at the time of exit. The proceedings are scheduled for November 2010.

The Company has an ongoing dispute with the tax office of Rio de Janeiro in Brazil related to municipal services tax ("ISS") on the sale of MultiClient data relating to years 2000 and onwards. The issue has been disclosed in annual and quarterly reports since 2005. As of September 30, 2010, the Company estimates the total exposure to be approximately \$177 million, including possible penalties and interest. The increase from Q2 2010 is primarily due to a strengthening of Brazilian real against USD and to interest.

In October 2010, the Company deposited 110 million Brazilian real (approximately \$65 million) with the Rio de Janeiro court so as to be able to file a lawsuit to seek confirmation that the sale of MultiClient data is not subject to ISS. The lawsuit relates to periods after 2005, which have not yet been assessed, as well as to future transactions. Going forward, PGS will continue depositing amounts relating to future transactions. This change of tactics is designed to optimize the Company's position by seeking earlier resolution of the issue and avoiding exposure to potential further penalty and escalation claims.

Because the Company considers it more likely than not that the contingency will be resolved in its favor, no accruals have been made for any portion of the exposure. Amounts deposited are held on an interest bearing bank account with Banco do Brazil and will be released to PGS if and when a positive final ruling is awarded, which may take several years. The deposits are expected to be reported as long-term restricted cash.

As previously disclosed, PGS has also presented a bank guarantee of Brazilian Real 49 million (\$29 million) following an ISS foreclosure presented by the tax office in Rio de Janeiro for the earliest exposure years. The bank guarantee was required in connection with the lawsuit filed by PGS on February 4, 2010 to challenge the assessment. PGS is evaluating replacing the guarantee with a deposit to reduce costs.

### Capital Investment

In USD millions	3 <sup>rd</sup> Quarter		Nine months		Year 2009
	2010	2009	2010	2009	
Seismic in sea equipment	36.1	36.3	82.3	46.5	82.0
Vessel upgrades	10.3	---	20.4	4.9	8.9
Processing	3.2	1.8	10.9	6.3	7.4
New Builds	1.0	0.5	34.3	128.3	128.3
Other	1.0	0.8	4.3	3.9	4.6
Total	51.6	39.4	152.2	189.9	231.2

The main capital expenditures in Q3 2010 were seismic in sea equipment, due to GeoStreamer® rollout, and upgrade of the *Ramform Explorer*, which was completed in the second half of July 2010.

### Liquidity and Financing

In Q3 2010, net cash provided by operating activities was \$60.5 million compared to \$163.8 million in Q3 2009. The decrease relates to lower earnings and reversal of the strong working capital improvements reported in first half 2010. The working capital was impacted by increased late sales revenues in September, which are not yet collected and an increase in restricted cash as described below.

In Q3 2010, PGS received EUR 37 million from the bank of the Factorias Vulcano shipyard in Spain, following an arbitration award confirming that Arrow was entitled

to cancel the vessel NB 533 and reclaim all prepayments made to the yard.

For both NB 532 and NB 533 approximately EUR 7 million per vessel with the addition of interest is still overdue to be paid by Factorias Vulcano in spite of the final arbitration awards ordering payment. The outstanding amounts are not covered by bank guarantees and the Arrow companies are pursuing different alternatives to enforce the claims. Among other things, Arrow has received a court order granting seizure of any future payments from Armada Seismic to Factorias Vulcano for NB 532. PGS have provided a restricted cash deposit of approx \$12 million as security for this order of seizure.

The termination of NB 535 has not been disputed by the shipyard and the Company has in October 2010 received payment of EUR 45 million under the bank guarantees. See the paragraph "Events after the end of the reporting period."

At September 30, 2010, cash and cash equivalents amounted to \$168.0 million, compared to \$159.8 million at June 30, 2010 and \$184.0 million at September 30, 2009. Restricted cash amounted to \$16.4 million at September 30, 2010 compared to \$8.2 million at June 30, 2010 and \$26.1 million at September 30, 2009.

As of September 30, 2010, \$470.5 million was outstanding under the Term Loan B maturing in 2015. In addition, the Company has \$344.5 million nominal amount of convertible notes outstanding. There are no drawings on the \$350.0 million revolving credit facility maturing in 2012.

The total interest bearing debt, including capital leases, was \$787.3 million as of September 30, 2010 compared to \$784.3 million as of June 30, 2010 and \$1,023.1 million as of September 30, 2009.

Net interest bearing debt (interest bearing debt less cash and cash equivalents, restricted cash and interest bearing investments) was \$602.9 million as of September 30, 2010 compared to \$616.3 million as of June 30, 2010 and \$813.0 million as of September 30, 2009.

The Company is subject to interest rate risk on debt, including capital leases. The risk is managed through using a combination of fixed and variable rate debt,

together with interest rate swaps where appropriate, to fix the borrowing cost. As of September 30, 2010 the Company had approximately 82% of its debt on fixed interest rate and the weighted average interest rate on gross debt was approximately 4.4%, inclusive of credit margins paid on the debt. The swap agreements used to fix the interest rate on \$325 million of the debt matures from end of 2010 through 2014 and is matched against the Term Loan B. The swap agreements are accounted for as interest rate hedges as long as the hedging criteria are met.

Given the Company's interest rate swaps and cash holdings, for every one percentage point hypothetical increase in LIBOR, the annual net interest expense on the Company's debt, including capital leases, would decrease by approximately \$0.1 million.

The credit agreement for the \$600 million (remaining balance \$470.5 million) Term Loan B and the \$350 million revolving credit facility contains certain terms that place some limitations on the Company. The revolving credit facility contains a covenant whereby total leverage ratio (as defined) cannot exceed 3.00:1 in 2010 and 2.75:1 thereafter. At September 30, 2010 the total leverage ratio was 2.15:1. The credit agreement generally requires the Company to apply 50% of excess cash flow to repay outstanding borrowings when the senior leverage ratio exceeds 2.0:1 or if total leverage ratio exceeds 2.5:1 for the financial year.

## **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, which are beyond its control and 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 our MultiClient data library, the attractiveness of our technology, changes in governmental regulations affecting our markets, technical downtime, licenses and permitting and weather conditions.

Contracts for services are occasionally modified by mutual consent and in certain instances may be cancelled by customers on 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 2009. 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.

## **Outlook 2010**

Based on the current operational forecast and with reference to the aforementioned risk factors, the Company maintains its full year 2010 EBITDA guidance of \$450 million.

All of the Company's 2010 3D capacity is now sold. The primary risks relating to the full year guidance are MultiClient sales, operational downtime and scheduling events in Q4 2010.

## **Events After the End of the Reporting Period**

PGS subsidiary Arrow Seismic Invest VI Ltd received in October 2010 EUR 45 million as repayment of all pre-paid installments on the vessel NB 535 with addition of interest. The payment was made by the bank of the Spanish yard Factorias Juliana following the undisputed cancellation of NB 535 in Q3 2010.

In October 2010 the Company deposited 110 million Brazilian real (approximately \$65 million) with Rio de Janeiro state court and filed a lawsuit to seek confirmation that sale of MultiClient data is not subject to Brazilian municipal services tax ("ISS").



Lysaker, October 28, 2010

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*Petroleum Geo-Services is a focused geophysical company providing a broad range of seismic and reservoir services, including acquisition, processing, interpretation, and field evaluation. The company also possesses the world's most extensive MultiClient data library. PGS operates on a worldwide basis with headquarters at Lysaker, Norway.*

*For more information on Petroleum Geo-Services visit [www.pgs.com](http://www.pgs.com).*

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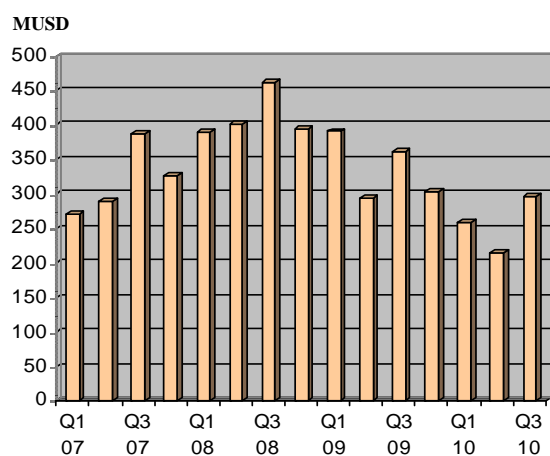
**Petroleum Geo-Services ASA and Subsidiaries**  
**Consolidated Statements of Operations**

	Note	Quarter ended September 30,		Nine months ended September 30,		Year ended December 31,
		2010 Unaudited	2009 Unaudited	2010 Unaudited	2009 Unaudited	2009 Audited
(In thousands of dollars, except share data)						
Revenues	4	\$ 296 410	\$ 361 453	\$ 770 704	\$ 1 046 545	\$ 1 350 202
Cost of sales		149 291	175 882	412 852	462 251	605 980
Research and development costs	5	4 569	4 643	15 841	17 632	22 806
Selling, general and administrative costs		11 512	10 777	40 243	36 027	49 270
Depreciation and amortization	4, 6	78 732	65 067	209 373	189 209	285 269
Impairment of long-lived assets	4, 7	79 880	52 406	80 418	151 212	153 615
Total operating expenses		323 984	308 775	758 727	856 331	1 116 940
Operating profit (loss)/EBIT	4	(27 574)	52 678	11 977	190 214	233 262
Income/(loss) from associated companies		(7 231)	1 626	(9 943)	1 217	1 901
Interest expense	8	(11 052)	(10 866)	(35 776)	(31 633)	(45 232)
Other financial income	9	1 385	14 897	9 548	22 275	24 489
Other financial expense	10	(4 438)	(3 363)	(17 005)	(7 118)	(11 117)
Currency exchange gain (loss)		20 841	13 450	698	23 294	24 806
Income (loss) before income tax expense (benefit)		(28 069)	68 422	(40 501)	198 249	228 109
Income tax expense (benefit)		14 945	16 300	17 098	48 341	51 942
Income (loss) from continuing operations		(43 014)	52 122	(57 599)	149 908	176 167
Income (loss) from discontinued operations, net of tax	17	1 822	(4 375)	10 357	(6 957)	(8 248)
<b>Net income (loss)</b>		<b>\$ (41 192)</b>	<b>\$ 47 747</b>	<b>\$ (47 242)</b>	<b>\$ 142 951</b>	<b>\$ 167 919</b>
Net income attributable to minority interests		5	(1)	67	(3)	2 094
<b>Net income (loss) to equity holders of PGS ASA</b>		<b>\$ (41 197)</b>	<b>\$ 47 748</b>	<b>\$ (47 309)</b>	<b>\$ 142 954</b>	<b>\$ 165 825</b>

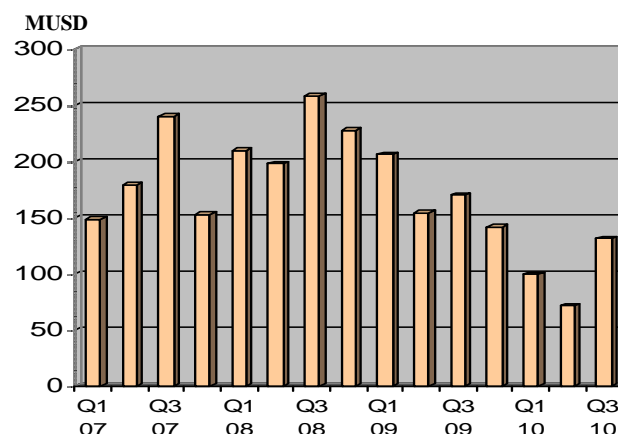
**Earnings per share, to ordinary equity holders of PGS ASA:**

- Basic	16	\$ (0.21)	\$ 0.24	\$ (0.24)	\$ 0.77	\$ 0.88
- Diluted	16	\$ (0.21)	\$ 0.24	\$ (0.24)	\$ 0.77	\$ 0.88
<b>Earnings per share from continuing operations, to ordinary equity holders of PGS ASA:</b>						
- Basic	16	\$ (0.22)	\$ 0.26	\$ (0.29)	\$ 0.81	\$ 0.92
- Diluted	16	\$ (0.22)	\$ 0.26	\$ (0.29)	\$ 0.81	\$ 0.92
Weighted average basic shares outstanding		197 164 108	197 818 233	197 696 543	186 107 949	189 061 076
Weighted average diluted shares outstanding		197 164 108	197 818 233	197 696 543	186 107 949	189 061 575

**Revenues by Quarter**  
**2007- 2010**



**EBITDA (1) by Quarter**  
**2007- 2010**



Notes: (1) EBITDA, when used by the Company, means income before income tax expense less, currency exchange gain (loss), other financial expense, other financial income, interest expense, income (loss) from associated companies, impairment of long lived assets and depreciation and amortization. See Support Tables for a more detailed discussion of and reconciliation of EBITDA to income before income tax expense (benefit). EBITDA may not be comparable to other similarly titled measures from other companies. PGS has included EBITDA as a supplemental disclosure because management believes that it provides useful information regarding PGS' ability to service debt and to fund capital expenditures and provides investors with a helpful measure for comparing its operating performance with that of other companies. EBITDA is considered a non IFRS measure.

Petroleum Geo-Services ASA and Subsidiaries  
Consolidated Statements of Comprehensive Income

	Note	Quarter ended September 30,		Nine months ended September 30,		Year ended December 31,
		2010	2009	2010	2009	2009
		Unaudited	Unaudited	Unaudited	Unaudited	Audited
(In thousands of dollars)						
<b>Net income for the period</b>		\$ (41 192)	\$ 47 747	\$ (47 242)	\$ 142 951	\$ 167 919
Other comprehensive income:						
Cash flow hedges	13	85	(3 515)	(1 548)	7 888	15 582
Deferred tax on cash flow hedges		(19)	1 092	762	(2 154)	(4 388)
Revaluation of shares available-for-sale	13	6 227	(6 095)	4 365	1 719	(2)
Translation adjustments and other		(1 284)	(7)	(1 399)	40	26
Other comprehensive income for the period, net of tax		5 009	(8 525)	2 180	7 493	11 218
<b>Total comprehensive income for the period</b>		(36 183)	39 222	(45 062)	150 444	179 137
Total comprehensive income attributable to minority interests		5	(1)	67	(3)	2 094
<b>Total comprehensive income to equity holders of PGS ASA</b>		\$ (36 188)	\$ 39 223	\$ (45 129)	\$ 150 447	\$ 177 043

Petroleum Geo-Services ASA and Subsidiaries  
Consolidated Statements of Financial Position

	Note	September 30,		December 31,
		2010	2009	2009
		Unaudited	Unaudited	Audited
(In thousands of dollars)				
<b>ASSETS</b>				
<i>Current assets:</i>				
Cash and cash equivalents	15	\$ 167 963	\$ 184 008	\$ 125 961
Restricted cash	15	16 367	16 087	7 977
Shares available-for-sale		-	2 312	2 039
Accounts receivable		125 068	262 334	197 098
Accrued revenues and other receivables		198 572	213 070	216 846
Assets held-for-sale	17	3 000	5 250	227 292
Other current assets		87 455	126 804	90 148
Total current assets		598 425	809 865	867 361
<i>Long-term assets:</i>				
Property and equipment		1 184 805	1 334 584	1 283 463
Multi-client library	11	355 541	359 218	293 238
Restricted cash	15	-	10 014	10 014
Deferred tax assets		222 281	189 542	207 890
Investments in associated companies		16 345	6 358	7 043
Shares available-for-sale		27 051	8 506	10 004
Other long-lived assets		7 884	15 917	12 053
Goodwill		139 852	175 092	139 852
Other intangible assets		101 686	102 403	98 490
Total long-term assets		2 055 445	2 201 634	2 062 047
Total assets		\$ 2 653 870	\$ 3 011 499	\$ 2 929 408
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<i>Current liabilities:</i>				
Short-term debt and current portion of long-term debt	15	\$ -	\$ 15 790	\$ 26 109
Current portion of capital lease obligations	15	-	462	348
Accounts payable		90 674	72 191	87 153
Accrued expenses		215 266	296 252	286 079
Liabilities held-for-sale	17	-	-	26 008
Income taxes payable		42 644	70 920	54 914
Total current liabilities		348 584	455 615	480 611
<i>Long-term liabilities:</i>				
Long-term debt	15	780 168	996 775	882 580
Deferred tax liabilities		27 359	29 788	31 228
Other long-term liabilities		99 002	110 092	85 952
Total long-term liabilities		906 529	1 136 655	999 760
<i>Shareholders' equity:</i>				
<i>Paid-in capital:</i>				
Common stock; par value NOK 3; issued and outstanding 197,999,999 shares		86 583	86 583	86 583
Treasury shares, par value		(370)	(89)	-
Additional paid-in capital		241 724	235 133	237 542
Total paid-in capital		327 937	321 627	324 125
Accumulated earnings		1 092 073	1 124 769	1 147 551
Cumulative translation adjustment and other reserves		(21 265)	(27 169)	(23 444)
Minority interests		12	2	805
Total shareholders' equity	14	1 398 757	1 419 229	1 449 037
Total liabilities and shareholders' equity		\$ 2 653 870	\$ 3 011 499	\$ 2 929 408

**Petroleum Geo-Services ASA and Subsidiaries**  
**Consolidated Statements of Cash Flows**

	Quarter ended		Nine months ended		Year ended
	September 30,		September 30,		December 31,
	2010	2009	2010	2009	2009
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
(In thousands of dollars)					
<b>Cash flows provided by operating activities:</b>					
Net income (loss)	\$ (41 197)	\$ 47 748	\$ (47 309)	\$ 142 954	\$ 165 825
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	78 732	65 067	209 373	189 209	285 269
Depreciation and amortization, discontinued operations	-	7 086	-	19 082	22 701
Impairments of long-lived assets	79 880	52 406	80 418	151 212	153 615
(Gain) loss on sale and retirement of assets	1 912	1 200	3 716	1 048	47
(Income) loss from associated companies	7 231	(1 626)	9 943	(1 217)	(1 901)
Interest expense	11 052	10 866	35 776	31 442	45 035
(Increase) decrease in deferred income taxes	2 193	17 501	(16 198)	26 511	7 095
Net decrease (increase) in restricted cash	(13 619)	(8 362)	(14 934)	(7 727)	383
Income taxes paid	(5 503)	(16 281)	(32 935)	(44 462)	(65 487)
Gain on sale of shares	-	(8 202)	(3 044)	(8 611)	(8 670)
Gain on sale of subsidiary (Onshore), net of transaction cost	(987)	-	(9 796)	-	-
Other items	3 208	(1 010)	2 694	1 269	2 908
(Increase) decrease in accounts receivable, net	(10 776)	(17 531)	50 291	(33 431)	(15 703)
(Increase) decrease in unbilled and other receivables	(45 855)	9 793	353	63 500	45 721
(Increase) decrease in other current assets	1 806	(5 196)	(688)	15 210	39 354
(Increase) decrease in other long-lived assets	(504)	445	4 112	4 225	6 963
Increase (decrease) in accounts payable	8 469	(12 670)	5 197	(25 845)	(6 686)
Increase (decrease) in accrued expenses and income taxes payable	(24 323)	22 383	(49 906)	1 475	21 394
Increase (decrease) in other long-term liabilities	8 799	205	12 695	(8 547)	(21 781)
Net cash provided by operating activities	60 518	163 822	239 758	517 297	676 082
<b>Cash flows (used in) provided by investing activities:</b>					
Investment in MultiClient library	(38 595)	(34 423)	(142 376)	(136 006)	(183 083)
Investment in MultiClient library, discontinued operations	-	(238)	(1 208)	(3 063)	(3 599)
Capital expenditures	(51 585)	(39 409)	(152 184)	(189 887)	(231 227)
Capital expenditures on new-builds on charter	-	(2 823)	-	(3 839)	(3 839)
Capital expenditures, discontinued operations	-	(4 177)	-	(9 820)	(10 538)
Proceeds/ refunds from new-build cancellations	48 641	-	100 576	-	-
Investment in other intangible assets	(3 445)	(3 562)	(9 616)	(6 474)	(7 811)
Investment in other intangible assets, discontinued operations	-	(1 354)	(219)	(2 921)	(4 577)
Investment/sale of associated companies, net	(70)	-	(135)	-	-
Proceeds from sale of assets and associated companies	140	7 102	140	8 826	12 143
Proceeds from assets held-for-sale, net	-	58 000	-	58 000	58 000
Investment in available-for-sale shares	(6 007)	(3 261)	(15 356)	(4 931)	(8 128)
Proceeds from sale of available-for-sale shares	-	12 978	6 725	13 677	14 681
Sale of subsidiaries (Onshore)	5 321	-	176 754	-	-
Other items, net	-	-	1 000	1 000	1 956
Net cash used in investing activities	(45 600)	(11 167)	(35 899)	(275 438)	(366 022)
<b>Cash flows provided by (used in) financing activities:</b>					
Proceeds from issuance of common stock, net	-	-	-	98 523	98 523
Purchase of treasury shares	-	-	(9 179)	-	-
Proceeds from issuance of long-term debt	-	-	-	20 000	20 000
Repayment of long-term debt	-	(127 544)	(122 631)	(246 728)	(354 538)
Principal payments under capital leases	(118)	(129)	(354)	(3 592)	(3 703)
Proceeds from sale of treasury shares	587	-	639	20 276	20 276
Dividend paid to minorities in subsidiaries	-	-	(860)	(5)	(1 299)
Interest paid	(7 238)	(9 090)	(29 472)	(41 573)	(58 606)
Net cash used in financing activities	(6 769)	(136 763)	(161 857)	(153 099)	(279 347)
Net increase in cash and cash equivalents	8 149	15 892	42 002	88 760	30 713
Cash and cash equivalents at beginning of period	159 814	168 116	125 961	95 248	95 248
<b>Cash and cash equivalents at end of period</b>	<b>\$ 167 963</b>	<b>\$ 184 008</b>	<b>\$ 167 963</b>	<b>\$ 184 008</b>	<b>\$ 125 961</b>



**Petroleum Geo-Services ASA**  
**Notes to the Interim Consolidated Financial Statements - Third Quarter 2010**

**Note 1 - General**

In December 2009 the Company entered into an agreement to sell PGS Onshore business ("Onshore") to the US-based Geokinetics. The transaction was closed February 12, 2010. The results for Onshore are included in discontinued operations in the consolidated statements of operations and was classified as asset held-for-sale in the consolidated statement of financial positions as of December 31, 2009 (see Note 17 and 18). The Notes are restated for all periods presented.

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 interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") No. 34 "Interim Financial Reporting".

(1) Certain reclassifications have been made to prior period amounts to conform to the current presentation, including restatement of Onshore to discontinued operations (see above). Financial information for the full year 2009 is derived from the audited financial statements as presented in the 2009 Annual Report.

(2) EBITDA, when used by the Company, means income before income tax expense (benefit) less, currency exchange gain (loss), other financial expense, other financial income, interest expense, income (loss) from associated companies, impairments of long-lived assets and depreciation and amortization. EBITDA may not be comparable to other similar titled measures from other companies. PGS has included EBITDA as a supplemental disclosure because management believes that it provides useful information regarding PGS' ability to service debt and to fund capital expenditures and provides investors with a helpful measure for comparing its operating performance with that of other companies.

**Note 2 - Basis of presentation**

The consolidated interim financial statements reflects all adjustments, in the opinion of PGSs management, that are necessary for a fair presentation of the results of operations for all periods presented. Operating results for the quarter period is not necessary indicative of the results that may be expected for any subsequent interim period or year. The interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2009.

The accounting policies adopted in the preparation of the 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, 2009. See Note 2 to the Consolidated Financial Statements in the 2009 Annual Report for information of the Company's significant accounting policies.

**Note 3 - New policies and standards adopted in 2010**

None of the new accounting standards that came into effect on January 1, 2010 had a significant impact in the first nine months of 2010.

**Note 4 - Segment information**

The chief operating decision maker reviews Contract and MultiClient as separate operation segments, however, as the two operating segments meets the aggregation criteria in IFRS 8 "Operating Segments", these are presented combined as Marine.

"Other" includes Corporate administration costs and unallocated Global Shared Resources costs (net). Financial items and income tax expense are not included in the measure of segment performance. Onshore is presented as discontinued operation and is not included in the tables below.

Revenues by operating segment and service type for the periods presented:

	Quarter ended		Nine months ended		Year ended
	September 30,		September 30,		December 31,
	2010	2009	2010	2009	2009
(In thousands of dollars)					
<b>Revenues by continued operations:</b>					
Marine revenues by service type:					
- Contract seismic	\$ 166 309	\$ 263 280	\$ 448 464	\$ 734 895	\$ 893 050
- MultiClient pre-funding	53 546	31 465	121 878	137 564	169 043
- MultiClient late sales	50 648	42 651	118 605	94 452	182 135
- Data Processing	24 553	21 639	72 624	66 673	90 158
- Other	1 530	2 418	6 350	12 961	15 816
Marine revenues	\$ 296 586	\$ 361 453	\$ 767 921	\$ 1 046 545	\$ 1 350 202
- Other, non Marine	(176)	-	2 783	-	-
Total revenues (continuing operation)	\$ 296 410	\$ 361 453	\$ 770 704	\$ 1 046 545	\$ 1 350 202

Operating profit (loss)/EBIT by operating segment for the periods presented:

	Quarter ended		Nine months ended		Year ended
	September 30,		September 30,		December 31,
	2010	2009	2010	2009	2009
(In thousands of dollars)					
<b>Operating profit (loss)/ EBIT from continuing operations:</b>					
<i>Marine:</i>					
EBITDA	\$ 131 795	\$ 174 397	\$ 314 977	\$ 545 089	\$ 691 012
Impairments of long-lived assets	(79 880)	(52 406)	(80 418)	(151 212)	(153 615)
Depreciation and amortization (a)	(29 442)	(34 401)	(89 270)	(93 240)	(125 339)
Amortization of MultiClient library (a)	(47 781)	(28 781)	(115 057)	(90 969)	(153 432)
Operating profit/EBIT, Marine	(25 308)	58 809	30 232	209 668	258 626
<i>Other:</i>					
EBITDA	\$ (698)	\$ (3 273)	\$ (12 549)	\$ (13 902)	\$ (18 318)
Depreciation and amortization (a)	(1 509)	(1 816)	(5 067)	(5 016)	(6 519)
Operating profit (loss)/EBIT, Other	(2 207)	(5 089)	(17 616)	(18 918)	(24 837)
<i>Inter-segment eliminations:</i>					
EBITDA	\$ (59)	\$ (973)	\$ (660)	\$ (552)	\$ (548)
Depreciation and amortization (a)	-	(74)	-	-	-
Amortization of MultiClient library (a)	-	5	21	16	21
Operating profit (loss)/EBIT, Other	(59)	(1 042)	(639)	(536)	(527)
<b>Total Operating profit:</b>					
EBITDA	\$ 131 038	\$ 170 151	\$ 301 768	\$ 530 635	\$ 672 146
Impairments of long-lived assets	(79 880)	(52 406)	(80 418)	(151 212)	(153 615)
Depreciation and amortization (a)	(30 951)	(36 291)	(94 337)	(98 256)	(131 858)
Amortization of MultiClient library (a)	(47 781)	(28 776)	(115 036)	(90 953)	(153 411)
Total Operating profit (loss)/EBIT	\$ (27 574)	\$ 52 678	\$ 11 977	\$ 190 214	\$ 233 262

(a) Presented separately in the Consolidated Statements of Operations.

**Note 5 - Research and development costs**

Research and development costs, net of capitalized portion were as follows for the periods presented:

	Quarter ended September 30,		Nine months ended September 30,		Year ended December 31,
	2010	2009	2010	2009	2009
	(In thousands of dollars)				
Research and development costs, gross	\$ 8 014	\$ 8 125	\$ 25 403	\$ 23 876	\$ 31 555
Capitalized development costs	(3 445)	(3 482)	(9 562)	(6 244)	(8 749)
Total	\$ 4 569	\$ 4 643	\$ 15 841	\$ 17 632	\$ 22 806

**Note 6 - Depreciation and amortization**

Depreciation and amortization consists of the following for the periods presented:

	Quarter ended September 30,		Nine months ended September 30,		Year ended December 31,
	2010	2009	2010	2009	2009
	(In thousands of dollars)				
Gross depreciation	\$ 43 221	\$ 40 575	\$ 125 066	\$ 113 940	\$ 156 639
Depreciation capitalized to MultiClient library	(12 270)	(4 284)	(30 729)	(15 684)	(24 781)
Amortization of MultiClient library	47 781	28 776	115 036	90 953	153 411
Total	\$ 78 732	\$ 65 067	\$ 209 373	\$ 189 209	\$ 285 269

The Company amortizes its MultiClient library primarily based on the ratio between the cost of surveys and the total forecasted sales for such surveys. In applying this method, surveys are categorized into four amortization categories with amortization rates of 90%, 75%, 60% or 45% of sales amounts. Each category includes surveys where the remaining unamortized cost as a percentage of remaining forecasted sales is less than or equal to the amortization rate applicable to each category.

The Company also applies minimum amortization criteria for the library projects based generally on a five-year life. The Company calculates and records minimum amortization individually for each MultiClient survey or pool of surveys at quarterly basis. At year-end, or when specific impairment indicators exists, the Company carry out an impairment test of individual MultiClient surveys. The Company classifies these impairment charges as amortization expense in its consolidated statement of operations since this additional, non-sales related amortization expense, is expected to occur regularly.

**Note 7 - Impairments of long-lived assets**

Impairments of long-lived assets consists of the following for the periods presented:

	Quarter ended September 30,		Nine months ended September 30,		Year ended December 31,
	2010	2009	2010	2009	2009
	(In thousands of dollars)				
Property and equipment	\$ 79 880	\$ 52 406	\$ 80 418	\$ 151 212	\$ 153 615
Total	\$ 79 880	\$ 52 406	\$ 80 418	\$ 151 212	\$ 153 615

**Note 8 - Interest expense**

Interest expense consists of the following for the periods presented:

	Quarter ended September 30,		Nine months ended September 30,		Year ended December 31,
	2010	2009	2010	2009	2009
	(In thousands of dollars)				
Interest expense, gross	\$ (13 165)	\$ (16 281)	\$ (42 592)	\$ (54 766)	\$ (70 472)
Capitalized interest, multi-client library	2 113	2 282	4 281	5 671	6 000
Capitalized interest, construction in progress	-	3 133	2 535	17 462	19 240
Total	\$ (11 052)	\$ (10 866)	\$ (35 776)	\$ (31 633)	\$ (45 232)

**Note 9 - Other financial income**

Other financial income consists of the following for the periods presented:

	Quarter ended September 30,		Nine months ended September 30,		Year ended December 31,
	2010	2009	2010	2009	2009
	(In thousands of dollars)				
Interest income	\$ 1 434	\$ 1 931	\$ 4 923	\$ 4 607	\$ 7 238
Gain on repurchase of convertible notes	-	-	-	3 778	3 778
Gain from sale of shares	-	8 202	3 044	8 611	8 671
Gain on investment in shares available for sale	-	3 053	711	3 053	3 749
Other	(49)	1 711	870	2 226	1 053
Total	\$ 1 385	\$ 14 897	\$ 9 548	\$ 22 275	\$ 24 489

**Note 10 - Other financial expense**

Other financial expense consists of the following for the periods presented:

	Quarter ended September 30,		Nine months ended September 30,		Year ended December 31,
	2010	2009	2010	2009	2009
	(In thousands of dollars)				
Amendment fees USD 950 million Credit Facilities	\$ -	\$ -	\$ (7 029)	\$ -	\$ -
Fee in connection with redemption of 8.28% Notes	-	-	(1 229)	-	-
Instruction fee convertible note (includes costs)	-	-	-	-	(6 895)
Other	(4 438)	(3 363)	(8 747)	(7 118)	(4 222)
Total	\$ (4 438)	\$ (3 363)	\$ (17 005)	\$ (7 118)	\$ (11 117)

**Note 11 - MultiClient library**

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

	September 30,		December 31,
	2010	2009	2009
	(In thousands of dollars)		
Completed during 2004 and prior years	\$ -	\$ 874	\$ -
Completed during 2005	175	1 192	1 044
Completed during 2006	818	474	1 796
Completed during 2007	6 425	15 036	8 785
Completed during 2008	37 953	92 617	46 925
Completed during 2009	140 875	108 960	160 978
Completed during 2010	34 645	-	-
Completed surveys	220 890	219 153	219 528
Surveys in progress	134 651	140 065	73 710
MultiClient library, net	<b>\$ 355 541</b>	<b>\$ 359 218</b>	<b>\$ 293 238</b>

As of September 30, 2009 MultiClient library includes Onshore surveys for \$60.1 million. As of December 31, 2009 such surveys are presented as held for sale.

Key figures MultiClient library for the periods presented:

	Quarter ended		Nine months ended		Year ended
	September 30,		September 30,		December 31,
	2010	2009	2010	2009	2009
	(In thousands of dollars)				
<b>Key figures Multiclient library continuing operation:</b>					
MultiClient pre-funding	\$ 53 546	\$ 31 465	\$ 121 878	\$ 137 564	\$ 169 043
MultiClient late sales	50 648	42 651	118 605	94 452	182 135
Cash investment in MultiClient library (a)	38 595	34 423	142 376	136 006	183 083
Capitalized interest in MultiClient library (b)	2 113	2 282	4 281	5 671	6 000
Capitalized depreciation (non-cash) (c)	12 270	4 284	30 729	15 684	24 781
Amortization of MultiClient library (c)	47 781	28 776	115 036	90 953	153 411

(a) See Consolidated statements of cash flows.

(b) See Interest expense above.

(c) See Depreciation and amortization above.

**Note 12 - Capital expenditures (cash)**

Capital expenditures (cash) were as follows for the periods presented:

	Quarter ended		Nine months ended		Year ended
	September 30,		September 30,		December 31,
	2010	2009	2010	2009	2009
	(In thousands of dollars)				
Marine	\$ 51 018	\$ 39 063	\$ 150 219	\$ 186 844	\$ 227 840
Other	567	346	1 965	3 043	3 387
Total	<b>\$ 51 585</b>	<b>\$ 39 409</b>	<b>\$ 152 184</b>	<b>\$ 189 887</b>	<b>\$ 231 227</b>

**Note 13 - Components of other comprehensive income**

A reconciliation of reclassification adjustments included in the Consolidated Statements of Operations ("CSO") for all periods presented follows:

	Quarter ended		Nine months ended		Year ended
	September 30,		September 30,		December 31,
	2010	2009	2010	2009	2009
	(In thousands of dollars)				
Cash flow hedges:					
Gains (losses) arising during the period	\$ (4 345)	\$ (8 181)	\$ (15 816)	\$ (4 468)	\$ (1 762)
Less: Reclassification adjustments for losses included in the Consolidated Statement of Operations	4 430	4 666	14 268	12 356	17 344
Cash flow hedges, net	<b>\$ 85</b>	<b>\$ (3 515)</b>	<b>\$ (1 548)</b>	<b>\$ 7 888</b>	<b>\$ 15 582</b>
Revaluation of shares available-for-sale:					
Gains (losses) arising during the period	\$ 4 485	\$ (4 864)	\$ 3 674	\$ 2 994	\$ 1 434
Less: Reclassification adjustments for (gains) included in the Consolidated Statement of Operations	1 742	(1 231)	691	(1 275)	(1 436)
Revaluation of shares available-for-sale, net	<b>\$ 6 227</b>	<b>\$ (6 095)</b>	<b>\$ 4 365</b>	<b>\$ 1 719</b>	<b>\$ (2)</b>



**Note 14 - Shareholders' equity**

	Common stock par value	Treasury shares par value	Additional paid-in capital	Accumulated earnings (deficit)	Cumulative translation adjustm. and other reserves	Minority interests	Shareholders' equity
	(In thousands of dollars)						
Balance at December 31, 2008	\$ 78 208	\$ (1 868)	\$ 134 658	\$ 963 334	\$ (34 662)	\$ 10	\$ 1 139 680
<b>Reconciliation Q1 2009:</b>							
Total comprehensive income	-	-	-	54 164	5 401	-	59 565
Employee share options	-	-	3 488	-	-	-	3 488
Balance at March 31, 2009	\$ 78 208	\$ (1 868)	\$ 138 146	\$ 1 017 498	\$ (29 261)	\$ 10	\$ 1 202 733
<b>Reconciliation Q2 2009:</b>							
Total comprehensive income	-	-	-	41 042	10 617	(2)	51 657
Share issue (17,999,999 shares) (a)	8 375	-	91 083	-	-	-	99 458
Sale of treasury shares (b)	-	1 779	-	18 497	-	-	20 276
Dividends to minority interests	-	-	-	-	-	(5)	(5)
Employee share options	-	-	3 599	-	-	-	3 599
Repurchase convertible notes	-	-	-	(16)	-	-	(16)
Balance at June 30, 2009	\$ 86 583	\$ (89)	\$ 232 828	\$ 1 077 021	\$ (18 644)	\$ 3	\$ 1 377 702
<b>Reconciliation Q3 2009:</b>							
Total comprehensive income	-	-	-	47 748	(8 525)	(1)	39 222
Employee share options	-	-	2 305	-	-	-	2 305
Balance at September 30, 2009	\$ 86 583	\$ (89)	\$ 235 133	\$ 1 124 769	\$ (27 169)	\$ 2	\$ 1 419 229
<b>Reconciliation Q4 2009:</b>							
Total comprehensive income	-	-	-	22 871	3 725	2 097	28 693
Dividends to minority interests	-	-	-	-	-	(1 294)	(1 294)
Transferred shares, deferred consideration	-	89	-	(89)	-	-	-
Employee share options	-	-	2 409	-	-	-	2 409
Balance at December 31, 2009	\$ 86 583	\$ -	\$ 237 542	\$ 1 147 551	\$ (23 444)	\$ 805	\$ 1 449 037
<b>Reconciliation Q1 2010:</b>							
Total comprehensive income	-	-	-	16 188	1 401	67	17 656
Dividends to minority interests	-	-	-	-	-	(860)	(860)
Transferred shares, deferred consideration	-	-	-	-	-	-	-
Employee share options	-	-	1 096	-	-	-	1 096
Balance at March 31, 2010	\$ 86 583	\$ -	\$ 238 638	\$ 1 163 739	\$ (22 043)	\$ 12	\$ 1 466 929
<b>Reconciliation Q2 2010:</b>							
Total comprehensive income	-	-	-	(22 300)	(4 231)	(5)	(26 536)
Acquired treasury shares	-	(418)	-	(8 761)	-	-	(9 179)
Exercise, employee share options	-	4	-	48	-	-	52
Employee share options	-	-	1 667	-	-	-	1 667
Balance at June 30, 2010	\$ 86 583	\$ (414)	\$ 240 305	\$ 1 132 726	\$ (26 274)	\$ 7	\$ 1 432 933
<b>Reconciliation Q3 2010:</b>							
Total comprehensive income	-	-	-	(41 197)	5 009	5	(36 183)
Exercise, employee share options	-	44	-	544	-	-	588
Employee share options	-	-	1 419	-	-	-	1 419
<b>Balance at September 30, 2010</b>	<b>\$ 86 583</b>	<b>\$ (370)</b>	<b>\$ 241 724</b>	<b>\$ 1 092 073</b>	<b>\$ (21 265)</b>	<b>\$ 12</b>	<b>\$ 1 398 757</b>

(a) Transaction costs amounting to \$3.4 million are recognized against "Additional paid-in capital" net of related income tax benefits of \$0.9 million.

(b) Transaction costs amounting to \$0.7 million are recognized against "Accumulated earnings (deficit)".

**Note 15 - Net interest bearing debt**

Reconciliation of net interest bearing debt:

	September 30,		December 31,
	2010	2009	2009
	(In thousands of dollars)		
Cash and cash equivalents	167 963	\$ 184 008	125 961
Restricted cash (current and long-term)	16 367	26 101	17 991
Short-term debt and current portion of long-term debt	-	(15 790)	(26 109)
Capital lease obligations (current and long-term)	-	(462)	(348)
Long-term debt	(780 168)	(996 775)	(882 580)
Adjust for deferred loan costs (offset in long-term debt)	(7 097)	(10 063)	(8 954)
<b>Total</b>	<b>\$ (602 935)</b>	<b>\$ (812 981)</b>	<b>\$ (774 039)</b>

**Note 16 - Earnings per share**

Earnings per share, to ordinary equity holders of PGS ASA, were calculated as follows:

	Quarter ended September 30,		Nine months ended September 30,		Year ended December 31,
	2010	2009	2010	2009	2009
	(In thousands of dollars)				
Net income from continuing operations	\$ (43 014)	\$ 52 122	\$ (57 599)	\$ 149 908	\$ 176 167
Net income from discontinued operations	1 822	(4 375)	10 357	(6 957)	(8 248)
Minority interest	(5)	1	(67)	3	(2 094)
<b>Net income to equity holders of PGS ASA</b>	<b>\$ (41 197)</b>	<b>\$ 47 748</b>	<b>\$ (47 309)</b>	<b>\$ 142 954</b>	<b>\$ 165 825</b>
Effect of interest on convertible notes, net of tax	-	-	-	-	-
<b>Net income for the purpose of diluted earnings per share</b>	<b>\$ (41 197)</b>	<b>\$ 47 748</b>	<b>\$ (47 309)</b>	<b>\$ 142 954</b>	<b>\$ 165 825</b>
<b>Earnings per share:</b>					
- Basic	\$ (0.21)	\$ 0.24	\$ (0.24)	\$ 0.77	\$ 0.88
- Diluted	\$ (0.21)	\$ 0.24	\$ (0.24)	\$ 0.77	\$ 0.88
<b>Earnings per share from continuing operations,</b>					
- Basic	\$ (0.22)	\$ 0.26	\$ (0.29)	\$ 0.81	\$ 0.92
- Diluted	\$ (0.22)	\$ 0.26	\$ (0.29)	\$ 0.81	\$ 0.92
Weighted average basic shares outstanding	197 164 108	197 818 233	197 696 543	186 107 949	189 061 076
Dilutive potential shares (1)	-	-	-	-	499
Weighted average diluted shares outstanding	197 164 108	197 818 233	197 696 543	186 107 949	189 061 575

(1) For all the periods 8.8 million shares related to convertible notes were excluded from the calculation of dilutive earnings per share as they were anti-dilutive.

**Note 17 - Income from discontinued operations, net of tax and assets/ liabilities held-for-sale**

The results of operations for the Onshore segment are summarized as follows:

	Quarter ended September 30,		Nine months ended September 30,		Year ended December 31,
	2010	2009	2010	2009	2009
	(In thousands of dollars)				
Revenues	\$ -	\$ 55 334	\$ 21 756	\$ 136 162	\$ 194 624
Operating costs (a)	-	44 055	23 259	122 253	175 997
Depreciation and amortization	-	7 085	-	19 082	22 702
Total operating expenses	-	51 140	23 259	141 335	198 699
Operating profit	-	4 194	(1 503)	(5 173)	(4 075)
Financial items, net	-	(71)	286	1 908	2 352
Income (loss) from discontinued operations, pretax	\$ -	\$ 4 123	\$ (1 217)	\$ (3 265)	\$ (1 723)

(a) Operating costs include cost of sales, research and development costs, and selling, general and administrative costs.

Income from discontinued operations, net of tax consist of the following for the periods presented:

	Quarter ended September 30,		Nine months ended September 30,		Year ended December 31,
	2010	2009	2010	2009	2009
	(In thousands of dollars)				
Income (loss) from discontinued operations, pretax	\$ -	\$ 4 123	\$ (1 217)	\$ (3 265)	\$ (1 723)
Additional proceeds	-	-	1 000	1 000	1 956
Gain on sale of Onshore	1 122	-	15 854	-	-
Transaction costs sale of Onshore	(135)	(418)	(6 058)	(418)	(2 368)
Income tax (expense) benefit	835	(8 080)	778	(4 274)	(6 113)
Total	\$ 1 822	\$ (4 375)	\$ 10 357	\$ (6 957)	\$ (8 248)

**Asset/ liabilities held-for-sale**

	September 30,		December 31,	
	2010	2009	2009	2009
	(In thousands of dollars)			
Assets held-for-sale				
Polar Pearl	\$ 3 000	\$ 5 250	\$ 3 000	
Total current assets Onshore	-	-	74 024	
Total long-term assets Onshore (a)	-	-	150 268	
Total asset held-for-sale	\$ 3 000	\$ 5 250	\$ 227 292	
Liabilities held-for-sale				
Total current liabilities Onshore	\$ -	\$ -	\$ 26 008	
Total liabilities held-for-sale	\$ -	\$ -	\$ 26 008	

(a) Includes \$60.5 million in MultiClient library and allocated goodwill of \$35.0 million as of December 31, 2009.

**Note 18 - Consolidated statements of operations by quarter 2009, Onshore presented as discontinued operation.**

Consolidated statements of operations by quarter 2009, Onshore presented as discontinued operation:

	Q1	Q2	Q3	Q4	2009
	(In thousands of dollars)				
Revenues	\$ 390 822	\$ 294 270	\$ 361 453	\$ 303 657	\$ 1 350 202
Cost of sales	164 908	121 461	175 882	143 729	605 980
Research and development costs	6 040	6 949	4 643	5 174	22 806
Selling, general and administrative costs	13 537	11 713	10 777	13 243	49 270
Depreciation and amortization	51 150	72 992	65 067	96 060	285 269
Impairment of long-lived assets	50 585	48 221	52 406	2 403	153 615
Total operating expenses	286 220	261 336	308 775	260 609	1 116 940
Operating profit (loss)/EBIT	104 602	32 934	52 678	43 048	233 262
Income/(loss) from associated companies	(376)	(33)	1 626	684	1 901
Interest expense	(11 019)	(9 748)	(10 866)	(13 599)	(45 232)
Other financial income	1 058	6 320	14 897	2 214	24 489
Other financial expense	(1 895)	(1 860)	(3 363)	(3 999)	(11 117)
Currency exchange gain (loss)	(2 717)	12 561	13 450	1 512	24 806
Income before income tax expense (benefit)	89 653	40 174	68 422	29 860	228 109
Income tax expense (benefit)	28 048	3 993	16 300	3 601	51 942
Income from continuing operations	61 605	36 181	52 122	26 259	176 167
Income (loss) from discontinued operations, net of tax	(7 441)	4 859	(4 375)	(1 291)	(8 248)
Net income	\$ 54 164	\$ 41 040	\$ 47 747	\$ 24 968	\$ 167 919
Net income attributable to minority interests	-	(2)	(1)	2 097	2 094
Net income to equity holders of PGS ASA	\$ 54 164	\$ 41 042	\$ 47 748	\$ 22 871	\$ 165 825

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Harald Nordvik (Vice Chairperson)  
Carol Bell  
Holly Van Deursen  
Annette Malm Justad  
Daniel J. Piette  
Ingar Skaug

**Executive Officers:**

Jon Erik Reinhardsen	President and CEO
Gottfred Langseth	Executive Vice President and CFO
Rune Eng	Executive Vice President Marine Contract
Sverre Strandenes	Executive Vice President MultiClient
Guillaume Cambois	Executive Vice President Data Processing and Technology
Per Arild Reksnes	Executive Vice President New Ventures
Magne Reiersgard	Executive Vice President Operations

**Other Corporate Management:**

Terje Bjølseth	SVP Global Human Resources
Tore Langballe	SVP Corporate Communications
Espen Sandvik	General Counsel
Jostein Ueland	SVP Business Development

**Web-Site:**

[www.pgs.com](http://www.pgs.com)

**Financial Calendar 2010:**

Q3 2010 report	October 29, 2010
CMD	December 14, 2010

The dates are subject to change.