



Earnings Release

Q1 - 2017

Productivity and Technology Leadership

Slow Start to 2017

Significant Order Book Increase

Highlights Q1 2017

- Revenues of \$154.8 million, compared to \$203.1 million in Q1 2016
- EBITDA of \$30.1 million, compared to \$78.6 million in Q1 2016
- EBIT, excluding impairments and other charges, a loss of \$83.5 million, compared to a loss of \$30.2 million in Q1 2016
- MultiClient pre-funding revenues of \$39.7 million with a corresponding pre-funding level of 118%, compared to \$59.9 million and 124% respectively in Q1 2016
- MultiClient late sales of \$39.3 million, compared to \$65.3 million in Q1 2016
- Cash flow from operations of \$30.0 million, compared to 133.3 million in Q1 2016
- Completed subsequent offering, following the Company's Q4 2016 refinancing, resulting in gross proceeds of approximately \$35 million
- *Ramform Hyperion* delivered, which completes the new build program and related capex



"Our financial performance in Q1 2017 reflects the challenging winter season, with weak utilization, low prices for marine contract work and low MultiClient investment activity. However, our order book has increased sequentially by almost 60% to the highest level in two years. The increase is primarily due to more secured pre-funding for our MultiClient projects, and a higher volume of contract jobs combined with increased prices.

The price increase comes primarily as a result of our strong position in the 4D production seismic market and some industry capacity constraints in Q2 and Q3. A majority of the \$340 million order book is scheduled for execution this year, and the order book duration is in line with previous quarters.

While it may still be too early to conclude that the market has turned, the increased order book and visibility makes me increasingly confident that we will be able to deliver 2017 in accordance with our plan."

A handwritten signature in black ink, appearing to read "Jon Erik Reinhardsen". The signature is fluid and cursive.

Jon Erik Reinhardsen,
President and Chief Executive Officer

Outlook

PGS expects the improved cash flow among clients, combined with growing limitations on streamer availability in the industry, to benefit marine 3D seismic market fundamentals going forward. The Company expects the volume of marine 3D seismic acquired by the industry to increase in 2017 compared to 2016, partly driven by an increase in 4D streamer monitoring surveys and more MultiClient 3D projects.

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

MultiClient cash investments are expected to be \$250-275 million, with a pre-funding level of approximately 100%.

Approximately 50% of the 2017 active 3D vessel time is expected to be allocated to MultiClient acquisition.

Capital expenditure for 2017 is expected to be approximately \$150 million, of which approximately \$87 million relates to the completion of *Ramform Hyperion*, and was paid in Q1 2017.

The order book totaled \$340 million at March 31, 2017 (including \$196 million relating to MultiClient), compared to \$215 million at December 31, 2016 and \$204 million at March 31, 2016.

Key Financial Figures

(In millions of US dollars, except per share data)	Quarter ended		Year ended
	March 31,		December 31,
	2017	2016	2016
Revenues	154.8	203.1	764.3
EBITDA	30.1	78.6	313.3
EBIT ex. impairment and other charges, net	(83.5)	(30.2)	(137.5)
EBIT as reported	(93.7)	(31.6)	(180.3)
Income (loss) before income tax expense	(103.0)	(62.2)	(262.8)
Net income (loss) to equity holders	(106.5)	(57.1)	(293.9)
Basic earnings per share (\$ per share)	(0.32)	(0.24)	(1.21)
Net cash provided by operating activities	30.0	133.3	320.9
Cash investment in MultiClient library	33.6	48.3	201.0
Capital expenditures (whether paid or not)	101.6	108.9	208.6
Total assets	2,824.3	3,029.2	2,817.0
Cash and cash equivalents	38.8	116.6	61.7
Net interest bearing debt	1,093.2	1,120.9	1,029.7

Condensed Consolidated Statements of Profit and Loss and Other Comprehensive Income

(In millions of US dollars)	Note	Quarter ended		Year ended
		March 31,		December 31,
		2017	2016	2016
Revenues	1	154.8	203.1	764.3
Cost of sales	2	(112.2)	(106.2)	(393.2)
Research and development costs	2	(3.5)	(5.8)	(19.5)
Selling, general and administrative costs	2	(9.0)	(12.5)	(38.4)
Amortization and impairment of MultiClient library	3	(70.6)	(68.1)	(323.9)
Depreciation and amortization of long term assets (excl. MultiClient library)	3	(44.5)	(40.7)	(157.0)
Impairment and loss on sale of long-term assets (excl. MultiClient library)	3	-	-	(12.0)
Other charges, net	3	(8.8)	(1.4)	(0.6)
Total operating expenses		(248.6)	(234.7)	(944.6)
Operating profit (loss)/EBIT		(93.7)	(31.6)	(180.3)
Share of results from associated companies	4	(4.9)	(25.3)	(30.1)
Interest expense	5	(11.5)	(6.8)	(46.1)
Other financial expense, net	6	7.1	1.6	(6.4)
Income (loss) before income tax expense		(103.0)	(62.2)	(262.8)
Income tax	7	(3.5)	5.1	(31.2)
Net income (loss) to equity holders of PGS ASA		(106.5)	(57.1)	(293.9)
Other comprehensive income				
Items that will not be reclassified to profit and loss	12	(4.3)	(5.5)	(32.7)
Items that may be subsequently reclassified to profit and loss	12	(0.3)	0.3	(0.9)
Other comprehensive income for the period, net of tax		(4.6)	(5.2)	(33.6)
Total comprehensive income to equity holders of PGS ASA		(111.1)	(62.3)	(327.5)

Condensed Consolidated Statements of Financial Position

(In millions of US dollars)	Note	March 31,		December 31,
		2017	2016	2016
ASSETS				
Cash and cash equivalents	10	38.8	116.6	61.7
Restricted cash	10	40.1	30.4	32.3
Accounts receivable		79.8	95.1	98.4
Accrued revenues and other receivables		142.1	119.8	120.3
Other current assets		70.9	103.3	69.1
Total current assets		371.7	465.2	381.9
Property and equipment	8	1,449.1	1,459.0	1,391.5
MultiClient library	9	626.7	692.8	647.7
Restricted cash	10	71.5	58.9	68.7
Deferred tax assets		54.1	89.2	55.5
Other long-term assets		92.9	103.3	113.1
Other intangible assets		158.3	160.9	158.6
Total long-term assets		2,452.5	2,564.0	2,435.1
Total assets		2,824.3	3,029.2	2,817.0
LIABILITIES AND SHAREHOLDERS' EQUITY				
Short-term debt and current portion of long-term debt	10	52.1	37.7	38.8
Accounts payable		74.9	46.2	54.9
Accrued expenses and other current liabilities		135.9	191.0	133.3
Income taxes payable		20.2	25.6	19.4
Total current liabilities		283.1	300.6	246.4
Long-term debt	10	1,171.2	1,267.8	1,132.0
Deferred tax liabilities		0.8	1.6	2.5
Other long-term liabilities		84.0	56.2	76.7
Total long-term liabilities		1,256.1	1,325.5	1,211.2
Common stock; par value NOK 3; issued and outstanding 338,579,996 shares		138.5	104.0	133.7
Treasury shares, par value		(0.8)	(1.1)	(0.8)
Additional paid-in capital		848.3	624.4	816.3
Total paid-in capital		986.0	727.3	949.2
Accumulated earnings		399.2	742.8	505.7
Other comprehensive income		(100.1)	(67.1)	(95.5)
Total shareholders' equity		1,285.1	1,403.0	1,359.4
Total liabilities and shareholders' equity		2,824.3	3,029.2	2,817.0

Condensed Consolidated Statements of Cash Flows

(In millions of US dollars)	Quarter ended		Year ended
	March 31,		December 31,
	2017	2016	2016
Net income (loss) to equity holders of PGS ASA	(106.5)	(57.1)	(293.9)
Depreciation, amortization, impairment and loss on sale of long-term assets	115.0	108.8	493.0
Share of results in associated companies	4.9	25.3	30.1
Interest expense	11.5	6.8	46.1
Loss (gain) on sale and retirement of assets	(6.9)	1.0	4.5
Change in deferred tax	(0.3)	(8.6)	24.7
Income taxes paid	(2.4)	(1.5)	(7.4)
Other items	0.2	4.3	0.7
(Increase) decrease in accounts receivable, accrued revenues & other receivables	(3.3)	56.1	52.2
Increase (decrease) in accounts payable	19.7	(1.3)	9.9
Change in other current items related to operating activities	(2.8)	0.1	(33.0)
Change in other long-term items related to operating activities	0.9	(0.6)	(6.1)
Net cash provided by operating activities	30.0	133.3	320.9
Investment in MultiClient library	(33.6)	(48.3)	(201.0)
Investment in property and equipment	(107.6)	(114.4)	(218.2)
Investment in other intangible assets	(3.2)	(2.9)	(11.1)
Investment in other current -and long-term assets	(2.3)	(93.3)	(93.1)
Proceeds from sale and disposal of assets	23.7	-	2.5
Increase in long-term restricted cash	3.3	(1.1)	(7.8)
Net cash used in investing activities	(119.7)	(260.0)	(528.7)
Proceeds, net of deferred loan costs, from issuance of long-term debt	76.6	78.6	102.5
Repayment of long-term debt	(13.1)	(6.2)	(235.3)
Net drawdown of Revolving Credit Facility	(25.0)	95.0	165.0
Proceeds from sale of treasury shares/share issue	35.4	-	217.1
Interest paid	(7.1)	(5.8)	(61.4)
Net cash (used in) provided by financing activities	66.8	161.6	187.9
Net increase (decrease) in cash and cash equivalents	(22.9)	34.8	(19.9)
Cash and cash equivalents at beginning of period	61.7	81.6	81.6
Cash and cash equivalents at end of period	38.8	116.4	61.7

Condensed Consolidated Statements of Changes in Shareholders' Equity

For the three months ended March 31, 2016

(In millions US of dollars)	Attributable to equity holders of PGS ASA					Shareholders equity
	Common stock par value	Treasury shares par value	Additional paid-in capital	Accumulated earnings	Other comprehensive income	
Balance as of January 1, 2016	104.0	(1.1)	622.8	799.9	(61.9)	1,463.7
Total comprehensive income	-	-	-	(57.1)	(5.2)	(62.3)
Employee benefit plans	-	-	1.6	-	-	1.6
Balance as of March 31, 2016	104.0	(1.1)	624.4	742.8	(67.1)	1,403.0

For the three months ended March 31, 2017

(In millions US of dollars)	Attributable to equity holders of PGS ASA					Shareholders equity
	Common stock par value	Treasury shares par value	Additional paid-in capital	Accumulated earnings	Other comprehensive income	
Balance as of January 1, 2017	133.7	(0.8)	816.3	505.7	(95.5)	1,359.4
Total comprehensive income	-	-	-	(106.5)	(4.6)	(111.1)
Share issue (1)	4.8	-	30.6	-	-	35.4
Employee benefit plans	-	-	1.4	-	-	1.4
Balance as of March 31, 2017	138.5	(0.8)	848.3	399.2	(100.1)	1,285.1

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

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

Note 1 – Revenues

Revenues by service type:

(In millions of US dollars)	Quarter ended March 31,		Year ended December 31,
	2017	2016	2016
Marine revenues by service type:			
- Contract seismic	61.4	59.2	212.6
- MultiClient pre-funding	39.7	59.9	242.3
- MultiClient late sales	39.3	65.3	226.8
- Imaging	13.8	16.6	70.0
- Other	0.6	2.1	12.6
Total revenues	154.8	203.1	764.3

Vessel allocation(1):

	Quarter ended March 31,		Year ended December 31,
	2017	2016	2016
Contract	53 %	68 %	45 %
MultiClient	21 %	22 %	29 %
Steaming	10 %	10 %	14 %
Yard	5 %	0 %	2 %
Stacked/standby	11 %	0 %	10 %

1) The vessel allocation excludes all cold stacked vessels and includes eight 3D vessels in Q1 2017, compared to six 3D vessels in Q1 2016 .

In Q1 2017 revenues for Petroleum Geo-Services ASA (“PGS” or “the Company”) decreased by \$48.3 million, or 24%, compared to Q1 2016. The reduction is mainly driven by a 40% decline in MultiClient late sales revenues and a 34% reduction in MultiClient pre-funding revenues, somewhat offset by a 4% increase in marine contract revenues. In Q1 2016 the Company had MultiClient revenues of \$56 million from associated companies in the Azimuth Ltd. Group.

Marine contract revenues in Q1 2017 increased slightly compared to Q1 2016. The 3D capacity, in terms of streamer months, used for marine contract activities was similar between the two quarters. Q1 marine contract revenues reflect a still challenging market environment with very low prices. The Company experienced a significant order book increase during Q1 2017 as a result of more secured pre-funding for scheduled MultiClient projects and an increase of volume and pricing for marine contract work. The price increase for marine contract work comes primarily as a result of PGS’ strong position in the 4D production seismic market and some industry capacity constraints in Q2 and Q3 2017.

MultiClient pre-funding revenues in Q1 2017 were lower than in Q1 2016 primarily due to a lower MultiClient investment activity. In Q1 2017, MultiClient pre-funding revenues corresponded to 118% of capitalized MultiClient cash investment (excluding capitalized interest), compared to 124% in Q1 2016.

MultiClient late sales revenues in Q1 2017 were lower than in Q1 2016. MultiClient late sales are expected to continue to see regional and quarterly fluctuations. Late sales were strongest in Europe and South America.

The decrease in external imaging revenues in Q1 2017 of \$2.8 million, or 17%, compared to Q1 2016 reflects the challenging global market for imaging services.

Note 2 – Net Operating Expenses

(In millions of US dollars)	Quarter ended		Year ended
	March 31,		December 31,
	2017	2016	2016
Cost of sales before investment in MultiClient library	(145.8)	(154.6)	(594.2)
Research and development costs before capitalized development costs	(6.7)	(7.8)	(29.7)
Selling, general and administrative costs	(9.0)	(12.5)	(38.4)
Cash costs, gross	(161.5)	(174.9)	(662.3)
Cash investment in MultiClient library	33.6	48.3	201.0
Capitalized development costs	3.2	2.0	10.2
Net operating expenses	(124.7)	(124.6)	(451.0)

Reported gross cash cost for the Company in Q1 2017 was \$13.4 million, or 8%, lower than in Q1 2016. The decrease is mainly driven by general cost reductions.

The Company seeks to be proactive in managing its gross cash cost base and has achieved a significant reduction compared to the \$1,111.7 million reported for the full year 2014. Capacity reduction is the main contributor, in addition to office closures, staff reductions, reduced fuel cost, favorable foreign exchange development, and other general cost savings measures. PGS expects full year 2017 gross cash cost to be approximately \$700 million, which is an increase compared to approximately \$662 million reported for the full year 2016. The increase from 2016 is primarily driven by more operated capacity, including the delivery of *Ramform Hyperion*, and an expected increase in fuel prices, partly offset by further cost reductions.

The decrease in gross R&D costs in Q1 2017, compared to Q1 2016 is driven by overall cost reductions and focus on supporting, validating and deploying existing projects. The Company's R&D costs are mainly incurred to support and develop core business activities of marine seismic acquisition and imaging.

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

Amortization and impairment of MultiClient library consist of the following:

(In millions of US dollars)	Quarter ended		Year ended
	March 31,		December 31,
	2017	2016	2016
Amortization of MultiClient library	(69.2)	(68.1)	(279.2)
Accelerated amortization of MultiClient library	-	-	(14.6)
Impairment of MultiClient library	(1.4)	-	(30.1)
Total	(70.6)	(68.1)	(323.9)

Amortization of the MultiClient library as a percentage of MultiClient revenues was 88% in Q1 2017, compared to 54% in Q1 2016. The high amortization rate in Q1 2017 is primarily due to relatively low MultiClient revenues combined with straight-line recognition of amortization on completed projects.

Impairment of the MultiClient library of \$1.4 million in Q1 2017 relates to surveys performing weaker than anticipated.

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

(In millions of US dollars)	Quarter ended		Year ended
	March 31,		December 31,
	2017	2016	2016
Gross depreciation	(53.6)	(52.1)	(218.7)
Depreciation capitalized and deferred, net	9.2	11.4	61.7
Total	(44.5)	(40.7)	(157.0)

Q1 2017 gross depreciation was in line with Q1 2016, while the capitalized depreciation was \$2.2 million, or 19%, lower as a result of somewhat less vessel capacity allocated to MultiClient projects.

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

(In millions of US dollars)	Quarter ended March 31,		Year ended December 31,
	2017	2016	2016
Property and equipment	-	-	(12.0)
Total	-	-	(12.0)

The Company recorded significant impairment charges in 2015 and 2016. The market for seismic data is still uncertain and depending on several factors, including market developments and the Company's projections and plans, further impairment of long-term assets, including property and equipment, MultiClient library and deferred tax asset may arise in future periods.

Other charges, net consist of the following:

(In millions of US dollars)	Quarter ended March 31,		Year ended December 31,
	2017	2016	2016
Restructuring cost	(0.4)	(2.4)	(4.7)
Onerous contract with customers	(8.4)	0.6	3.7
Other	-	0.4	0.4
Total	(8.8)	(1.4)	(0.6)

Other charges, net in Q1 2017 primarily relates to provision for onerous contracts.

As of March 31, 2017 the Company's provision for onerous contracts amounted to a total of \$15.8 million, an increase of \$8.4 million compared to December 31, 2016 and an increase of \$5.3 million compared to March 31, 2016. The provision primarily represents the estimated loss in future periods relating to certain binding customer contracts where revenues are lower than the full cost, including depreciation, of completing the contract.

Note 4 – Share of Results from Associated Companies

The share of results from associated companies for Q1 2017 primarily relate to the 45% interest in the Azimuth Group.

Note 5 – Interest Expense

Interest expense consists of the following:

(In millions of US dollars)	Quarter ended March 31,		Year ended December 31,
	2017	2016	2016
Interest expense, gross	(14.6)	(14.9)	(66.6)
Capitalized interest, MultiClient library	1.4	4.8	12.6
Capitalized interest, construction in progress	1.8	3.3	7.9
Total	(11.5)	(6.8)	(46.1)

Compared to Q1 2016, gross interest expense remained fairly flat in Q1 2017 as a result of a similar debt level.

Interest expense capitalized to the MultiClient library and construction in progress was down in Q1 2017, compared to Q1 2016, due to less MultiClient surveys in progress and lower aggregate capital expenditures on new build projects.

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,
	2017	2016	2016
Interest income	0.8	1.1	3.4
Currency exchange gain (loss)	0.4	1.2	(5.2)
Other	5.8	(0.7)	(4.5)
Total	7.1	1.6	(6.4)

Other financial expense, net, improved in Q1 2017 compared to Q1 2016 primarily due to a gain on sale of financial investments.

The Company holds foreign currency positions to manage its operational currency exposure. These positions are marked to market at each balance sheet date together with receivables and payables in non-US currencies.

Note 7 – Income Tax and Contingencies

Income tax consists of the following:

(In millions of US dollars)	Quarter ended March 31,		Year ended December 31,
	2017	2016	2016
Current tax	(3.8)	(3.5)	(6.3)
Deferred tax	0.3	8.6	(24.9)
Total	(3.5)	5.1	(31.2)

Current tax expense in Q1 2017 of \$3.8 million primarily relates to foreign tax. The deferred tax benefit for Q1 is low, compared to the reported loss before income taxes, since no deferred tax benefit is recognized due to the uncertainty regarding recoverability in the current weak market.

Tax Contingencies

The Company has ongoing tax disputes related to charter of vessels into Brazil. The assessments, which seek to levy 15% withholding tax and 10% CIDE (service) tax, amount to \$34.9 million in total. Because the Company considers it more likely than not that the contingency will be resolved in its favor, no provision has been made for any portion of the exposure.

Other contingencies

The Company has an ongoing dispute in Brazil related to 5% ISS tax on the sale of MultiClient data from year 2000 and onwards. As of March 31, 2017, the exposure is \$145.2 million, including possible penalties and interest. PGS has made deposits covering \$70.9 million of the total exposure. The deposits are included in long-term restricted cash. In Q4 2016 the last part of the dispute related to the ISS tax was heard by the Taxpayers Council. The Council requested more information and a new date for ruling the case has not been set. This part of the ISS case has not yet gone to legal trial and the Company has consequently not made any deposit related to this part of the case, which represents a total exposure of approximately \$74.2 million. 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.

Note 8 – Property and Equipment

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

(In millions of US dollars)	Quarter ended March 31,		Year ended December 31,
	2017	2016	2016
Seismic equipment	7.4	-	18.9
Vessel upgrades/Yard	6.2	11.5	20.1
Processing equipment	0.8	0.8	12.8
Newbuilds	86.9	96.4	154.4
Other	0.3	0.3	2.4
Total capital expenditures, whether paid or not	101.6	108.9	208.6
Adjustment to prior years capital expenditures	5.3	-	-
Change in working capital and Capital leases	0.7	5.5	9.6
Investment in property and equipment	107.6	114.4	218.2

Ramform Hyperion was delivered from the shipyard Mitsubishi Heavy Industries Shipbuilding Co. Ltd (“MHIS”) in Japan in March 2017, which concludes the Company’s new build program. The capital expenditure of *Ramform Hyperion* amounted to \$263.1 million, including commissioning and a comprehensive seismic equipment package, but excluding capitalized interest and post-delivery cost.

Following completion of the new build program PGS is in a better position to generate cash flow and the Company will not embark on new builds for the foreseeable future.

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,
	2017	2016	2016
Completed during 2011	-	8.1	-
Completed during 2012	7.0	16.7	9.3
Completed during 2013	14.5	23.8	16.6
Completed during 2014	54.8	85.8	61.2
Completed during 2015	106.9	151.6	117.1
Completed during 2016	281.6	62.6	303.4
Completed during 2017	22.4	-	-
Completed surveys	487.3	348.6	507.6
Surveys in progress	139.4	344.2	140.1
MultiClient library, net	626.7	692.8	647.7

Key figures MultiClient library:

(In millions of US dollars)	Quarter ended		Year ended
	March 31,	2016	December 31,
	2017		2016
MultiClient pre-funding revenue	39.7	59.9	242.3
MultiClient late sales	39.3	65.3	226.8
Cash investment in MultiClient library	33.6	48.3	201.0
Prefunding as a percentage of MultiClient cash investment	118 %	124 %	121 %
Capitalized interest in MultiClient library	1.4	4.8	12.6
Capitalized depreciation (non-cash)	9.2	12.7	62.1
Amortization of MultiClient library	(69.2)	(68.1)	(279.2)
Accelerated amortization of MultiClient library	-	-	(14.6)
Impairment of MultiClient library	(1.4)	-	(30.1)

In Q1 2017, MultiClient pre-funding revenues corresponded to 118% of capitalized MultiClient cash investment (excluding capitalized interest), compared to 124% in Q1 2016. The continued high pre-funding level illustrates the Company's ability to generate solid MultiClient projects attracting strong customer interest, combined with industry leading project execution and reduced cost. The Company expects to achieve a pre-funding level of approximately 100% for the full year 2017.

The reduced MultiClient cash investment in Q1 2017, compared to Q1 2016 is mainly due to less 2D and imaging activity. Cash investment related to 3D acquisition was also slightly down since surveys in Q1 2017 generally were less cost and capital intensive.

Note 10 – Liquidity and Financing

In Q1 2017, net cash provided by operating activities was \$30.0 million, compared to \$133.3 million in Q1 2016. The decrease is mainly due to lower earnings and a relatively flat working capital development compared to a significant working capital reduction in Q1 2016.

In the current market environment some clients are seeking extended payment terms, which put upward pressure on the working capital.

To strengthen the financial position through the ongoing market uncertainty PGS completed a refinancing in Q4 2016. The refinancing reduces PGS' financial risk profile by reducing debt and interest expense, extending debt maturities from 2018 to 2020 and maintaining an adequate liquidity position for the Company. In January 2017 PGS completed a subsequent offering for those shareholders who were not allocated shares in the private placement announced on November 22, 2016. In the subsequent offering 13,500,000 shares were issued at a price of NOK 22.5 per share, resulting in gross proceeds of approximately \$35 million.

The liquidity reserve, including cash and cash equivalents and the undrawn part of the Revolving Credit Facility ("RCF"), was \$273.8 million as of March 31, 2017, compared to \$271.7 million as of December 31, 2016 and \$496.6 million as of March 31,

2016. The liquidity reserve as of March 31, 2017 and December 31, 2016 reflects a resized RCF of \$400 million, compared to \$500 million prior to December 31, 2016. The final capital expenditure on the *Ramform Hyperion* of \$86.9 million was paid in March 2017, primarily by drawing on the remaining Export Credit Financing (“ECF”).

Long term debt consists of the following:

(In millions of US dollars)	March 31,		December 31,
	2017	2016	2016
<i>Secured</i>			
Term loan B, Libor (min. 75 bp) + 250 Basis points, due 2021	388.0	392.0	389.0
Export credit financing, due 2025	177.0	197.9	182.3
Export credit financing, due 2027	274.7	166.9	192.1
Revolving credit facility, due 2020	165.0	120.0	190.0
<i>Unsecured</i>			
Senior notes, Coupon 7.375%, due 2018	26.0	450.0	26.0
Senior notes, Coupon 7.375%, due 2020	212.0	-	212.0
Long-term debt, gross (1)	1,242.7	1,326.8	1,191.4
Less current portion LT debt	(51.2)	(37.7)	(37.8)
Less deferred loan costs, net of debt premiums	(20.3)	(21.3)	(21.6)
Total long-term debt	1,171.2	1,267.8	1,132.0

(1) Fair value of the long term debt, gross was \$1,162.9 million as of March 31, 2017, compared to \$1,017.0 million as of March 31, 2016.

Undrawn facilities consists of the following:

(In millions of US dollars)	March 31,		December 31,
	2017	2016	2016
<i>Secured</i>			
Revolving credit facility, due 2020	235.0	380.0	210.0
Export credit financing	-	129.3	91.2
<i>Unsecured</i>			
Bank facility (NOK 50 mill)	5.8	6.0	5.8
Performance bond	7.6	7.9	12.5
Total	248.4	523.2	319.5

Summary of net interest bearing debt:

(In millions of US dollars)	March 31,		December 31,
	2017	2016	2016
Cash and cash equivalents	38.8	116.6	61.7
Restricted cash (current and long-term)	111.6	89.3	101.0
Short-term debt and current portion of long-term debt	(52.1)	(37.7)	(38.8)
Long-term debt	(1,171.2)	(1,267.8)	(1,132.0)
Adjustment for deferred loan costs (offset in long-term debt)	(20.3)	(21.3)	(21.6)
Total	(1,093.2)	(1,120.9)	(1,029.7)

The relatively high level of restricted cash relates primarily to deposits made in 2010 and 2011 to initiate law suits with the Rio de Janeiro courts to seek confirmation that the sale of MultiClient data in Brazil is not subject to ISS tax (see annual report 2016 for more details). The deposits are denominated in Brazilian Real and the carrying value at end Q1 2017 was approximately \$70.9 million. Restricted cash also includes \$36.6 million held in debt service reserve and retention accounts related to the export credit financing of *Ramform Titan*, *Ramform Atlas*, *Ramform Tethys* and *Ramform Hyperion*.

At March 31, 2017, the Company had approximately 50% of its debt at fixed interest rates. The Q1 2017 weighted average cash interest cost of gross debt reflects an interest rate of approximately 4.4%, including credit margins paid on the debt. PGS has a debt structure with no material scheduled maturities until 2020, except on the ECF. The ECF is repaid in separate semi-annual instalments and the scheduled principal payments in 2016 were approximately \$34.0 million. Now after delivery of the *Ramform Hyperion*, instalments will increase to approximately \$47.0 million for 2017 and each subsequent year until it tapers off following maturity of one after one of the four facilities in the period 2025 to 2027.

The undrawn portion of the RCF constitutes a significant portion of the Company’s liquidity reserve. As a part of the refinancing completed in Q4 2016 the stepdown of the Total Leverage Ratio (“TLR”) covenant, with which the Company must comply in order to draw on the RCF, was amended to a flatter profile. It starts with a maximum of 5.50:1 from Q4 2016 through Q2 2017, then tightening by 0.25:1 in Q3 2017, another 0.50:1 in Q4 2017 and Q1 2018, and thereafter by 0.25:1 for each of the subsequent quarters down to 2:75 by Q3 2019 to stay at that level for the remaining life of the facility. At March 31, 2017 the total leverage ratio was 4.88:1.

If the Company were to breach the TLR covenant, this would represent a default under the loan agreement. In such case the Company may be able to continue to access the RCF if it receives a waiver of the breach or if the Company implements remedial actions acceptable to the banks. For a more complete description, reference is made to the Company's 2016 Annual Report.

Note 11 – Earnings per Share

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

	Quarter ended March 31,		Year ended December 31,
	2017	2016	2016
- Basic	(0.32)	(0.24)	(1.21)
- Diluted	(0.32)	(0.24)	(1.21)
Weighted average basic shares outstanding	336,240,620	238,184,427	242,555,132
Weighted average diluted shares outstanding	337,869,814	238,766,052	243,643,599

Note 12 – Other Comprehensive Income

Changes to Other comprehensive income consists of the following:

(In millions of US dollars)	Quarter ended March 31,		Year ended December 31,
	2017	2016	2016
Actuarial gains (losses) on defined benefit pensions plans	(4.3)	(6.7)	(32.8)
Income tax effect on actuarial gains and losses	-	1.2	0.1
Items that will not be reclassified to profit and loss	(4.3)	(5.5)	(32.7)
<i>Cash flow hedges</i>			
Gains (losses) arising during the period	0.2	1.9	0.5
Reclassification adjustments for losses (gains) included in profit and loss	0.1	-	-
<i>Shares available for sale</i>			
Gains (losses) arising during the period	-	-	(0.6)
Reclassification adjustments for losses (gains) included in profit and loss	-	-	0.6
<i>Other comprehensive income (loss) of associated companies</i>	(0.6)	(1.6)	(1.4)
Items that may be subsequently reclassified to profit and loss	(0.3)	0.3	(0.9)

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

(In millions of US dollars)	Quarter ended March 31,		Year ended December 31,
	2017	2016	2016
Operating profit (loss)	(93.7)	(31.6)	(180.3)
Other charges, net	8.8	1.4	0.6
Amortization and impairment of MultiClient library	70.6	68.1	323.9
Depreciation and amortization of long term assets (excl. MultiClient library)	44.5	40.7	157.0
Impairment and loss on sale of long-term assets (excl. MultiClient library)	-	-	12.0
EBITDA	30.1	78.6	313.3

(In millions of US dollars)	Quarter ended March 31,		Year ended December 31,
	2017	2016	2016
Operating profit (loss)	(93.7)	(31.6)	(180.3)
Other charges, net	8.8	1.4	0.6
Impairment of MultiClient library	1.4	-	30.1
Impairment and loss on sale of long-term assets (excl. MultiClient library)	-	-	12.0
EBIT ex. impairment and other charges, net	(83.5)	(30.2)	(137.5)

Note 14 – Basis of Presentation

The Company is a Norwegian limited liability company and has prepared its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU. The consolidated condensed interim financial statements have been prepared in accordance with international Accounting Standards ("IAS") No. 34 "Interim Financial Reporting". The interim financial information has not been subject to audit or review.

Profit and loss for the interim period are not necessarily indicative of the results that may be expected for any subsequent interim period or year. The condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2016.

The accounting policies adopted in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the preparation of the Company's consolidated financial statements for the year ended December 31, 2016.

The European Securities and Markets Authority ("ESMA") issued guidelines on Alternative Performance Measures ("APMs") that came into force on July 3, 2016. The Company has defined and explained the purpose of the following APMs:

EBITDA

EBITDA, when used by the Company, means EBIT excluding other charges, impairment and loss on sale of long-term assets and depreciation and amortization. A reconciliation between reported operating profit/(loss) and EBITDA is shown in Note 13. EBITDA may not be comparable to other similarly titled measures from other companies. The Company has included EBITDA as a supplemental disclosure because management believes that the measure provides useful information regarding the Company's ability to service debt and to fund capital expenditures and provides a helpful measure for comparing its operating performance with that of other companies.

EBIT excluding impairments and other charges

Management believes that EBIT excluding impairments and other charges is a useful measure because it provides an indication of the profitability of the Company's operating activities for the period without regard to significant events and/or decisions in the period that are expected to occur less frequently. EBIT excluding impairments and other charges is reconciled in note 13.

MultiClient prefunding level

The MultiClient prefunding level is calculated by dividing the MultiClient prefunding revenues by the cash investment in MultiClient library, as reported in the Statements of Cash Flows. Management believes that the MultiClient prefunding percentage is a useful measure in that provides some indication of the extent to which the Company's financial risk is reduced on new MultiClient investments.

Net interest bearing debt

Net interest bearing debt is defined as the sum of long-term and short-term interest bearing debt, less cash and cash equivalents and restricted cash. Net interest bearing debt is reconciled in Note 10 above. Management believes that Net Interest Bearing Debt ("NIBD") is a useful measure because it provides indication of the hypothetical minimum necessary debt financing to which the Company is subject at balance sheet date.

Liquidity reserve

Liquidity reserve is defined in Note 10. Management believes that Liquidity reserve is a useful measure because it provides an indication of the amount of funds readily available to the Company in the very short term at balance sheet date.

Gross cash costs

Gross cash costs are defined as the sum of reported net operating expenses (excluding depreciation, amortization, impairments and other charges, net and the cash operating costs capitalized as investments in the MultiClient library as well as capitalized development costs. Gross cash costs are reconciled in Note 2. Management believes that the gross cash costs figure is a useful measure because it provides an indication of the level of cash costs incurred by the Company irrespective of the extent to which the fleet is working on MultiClient projects or the extent to which its R&D expenditures qualify for capitalization.

Net operating expenses

Net operating expenses are defined as gross cash costs (as per above) less capitalized investments in the MultiClient library and capitalized development costs and is reconciled in Note 2. Management believes this figure is a useful measure because it provides an indication of the level of net cash costs incurred by the Company in running current period commercial activities that are not devoted to investment.

Order book

Order book is defined as the aggregate value of future work on signed customer contracts or letters of award. Management believes that the Order book figure is a useful measure in that it provides an indication of the amount of customer backlog and committed activity in the coming periods.

Capital expenditures, whether paid or not

Capital expenditures means investments in property and equipment irrespective of whether paid in the period, but excluding capitalized interest cost.

Note 15 - Risk Factors

The Company emphasizes that the information included herein contains certain forward-looking statements that address activities, events or developments that the Company expects, projects, believes or anticipates will or may occur in the future. These statements are based on various assumptions made by the Company, many of which are beyond its control and all of which are subject to risks and uncertainties. The Company is subject to a large number of risk factors including but not limited to the demand for seismic services, the demand for data from the Company's MultiClient data library, the attractiveness of PGS' technology, changes in governmental regulations affecting markets, technical downtime, licenses and permitting, currency and fuel price fluctuations, and extreme weather conditions.

Contracts for services are occasionally modified by mutual consent and in certain instances may be cancelled by customers at short notice without compensation. Consequently, the order book as of any particular date may not be indicative of actual operating results for any succeeding period.

For a further description of other relevant risk factors we refer to the Annual Report for 2016. As a result of these and other risk factors, actual events and actual results may differ materially from those indicated in or implied by such forward-looking statements.

Oslo, May 10, 2017

Walter Qvam
Chairperson

Daniel J. Piette
Director

Carol Bell
Director

Anne Grethe Dalane
Director

Holly A. Van Deursen
Director

Berit Osnes
Director

Espen Grimstad
Director

Anette Valbø
Director

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

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

The information included herein contains certain forward-looking statements that address activities, events or developments that the Company expects, projects, believes or anticipates will or may occur in the future. These statements are based on various assumptions made by the Company, which are beyond its control and are subject to certain additional risks and uncertainties. The Company is subject to a large number of risk factors including but not limited to the demand for seismic services, the demand for data from our multi-client data library, the attractiveness of our technology, unpredictable changes in governmental regulations affecting our markets and extreme weather conditions. For a further description of other relevant risk factors we refer to our Annual Report for 2016. As a result of these and other risk factors, actual events and our actual results may differ materially from those indicated in or implied by such forward-looking statements. The reservation is also made that inaccuracies or mistakes may occur in the information given above about current status of the Company or its business. Any reliance on the information above is at the risk of the reader, and PGS disclaims any and all liability in this respect.

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Holly Van Deursen
Daniel J. Piette
Anne Grethe Dalane
Carol Bell

Morten Borge
Richard Herbert
Anette Valbø (employee elected)
Espen Grimstad (employee elected)
Hege Renshus (employee elected)

Executive Officers:

Jon Erik Reinhardsen	President and CEO
Gottfred Langseth	EVP & CFO
Rune Olav Pedersen	EVP & General Counsel
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
Joanna Oustad - SVP HSEQ

Web-Site:

www.pgs.com

Financial Calendar:

Q1 2017 report	May 11, 2017
Q2 2017 report	July 27, 2017
Q3 2017 report	October 26, 2017
Q4 2017 report	February 1, 2018

The dates are subject to change.