SECOND QUARTER AND FIRST HALF 2014 RESULTS

# Q2

## Second Quarter and First Half 2014 Results

| July 24, 2014 | Oslo, Norway

A Clearer Image | www.pgs.com

# Clear Strategic Direction and Technological Edge Near Term Challenges

Highlights Q2 2014

- Revenues of $337.0 million, compared to $381.7 million in Q2 2013
- EBITDA of $170.6 million, compared to $209.6 million in Q2 2013
- EBIT, excluding impairments, of $55.3 million, compared to $110.6 million in Q2 2013
- Group EBIT margin, excluding impairments, of 16%, compared to 29% in Q2 2013
- Cash flow from operations of $40.2 million, compared to $271.3 million in Q2 2013
- EPS of $0.14, compared to $0.33 in Q2 2013
- Record MultiClient revenues from Europe
- Approved and paid dividend of NOK 2.30 per share
- PGS Towed EM streamer voted best new geoscience technology by a jury of industry experts nominated by Harts E&P magazine
- Launched Complete Wavefield Imaging, an imaging technology detecting shallow hazards from GeoStreamer data

"Our second quarter was impacted by lower MultiClient revenues than expected, due to lack of pre-funding from the Triton MultiClient survey in the Gulf of Mexico. MultiClient revenues from other projects of the library remained healthy. Mobilization delays on certain Marine Contract surveys impacted the contract margin negatively. The projects have performed well after start-up.

We strongly believe in the technical and commercial success of the Triton survey in the Gulf of Mexico, which has historically been one of the most attractive areas for MultiClient investments. A fast track imaging product from key areas of the Triton survey is now available and we expect to secure pre-funding for the survey in H2.

Less predictable customer spending and current low bidding activity indicate risk of a weaker market towards the end of the year. Accordingly, we have lowered our full year EBITDA guidance to approximately $850 million.

Our strategy remains firm with focus on productivity leadership, technology differentiation and shareholder return."

Jon Erik Reinhardsen,
President and Chief Executive Officer

| **Key Financial Figures** (In USD millions, except per share data) | **2nd Quarter** | | **Six months** | | **Full year** |
|---|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** | **2013** |
| Revenues | 337.0 | 381.7 | 629.5 | 776.5 | 1,501.6 |
| EBITDA (as defined, see note 1) | 170.6 | 209.6 | 309.2 | 411.9 | 828.9 |
| EBIT ex. impairment charges | 55.3 | 110.6 | 100.5 | 207.4 | 397.1 |
| EBIT as reported | 46.2 | 110.6 | 91.4 | 207.4 | 382.1 |
| Income before income tax expense | 34.5 | 97.3 | 47.2 | 185.2 | 327.9 |
| Net income to equity holders | 29.7 | 71.5 | 34.3 | 134.0 | 238.3 |
| Basic earnings per share ($ per share) | 0.14 | 0.33 | 0.16 | 0.62 | 1.11 |
| Diluted earnings per share ($ per share) | 0.14 | 0.33 | 0.16 | 0.62 | 1.10 |
| Net cash provided by operating activities | 40.2 | 271.3 | 222.1 | 374.0 | 775.3 |
| Cash investment in MultiClient library | 99.6 | 68.1 | 215.8 | 141.0 | 373.0 |
| Capital expenditures (whether paid or not) | 149.4 | 199.9 | 281.3 | 271.3 | 437.8 |
| Total assets (at period end) | 3,665.7 | 3,444.6 | 3,665.7 | 3,444.6 | 3,544.3 |
| Cash and cash equivalents (at period end) | 42.9 | 329.7 | 42.9 | 329.7 | 263.8 |
| Net interest bearing debt (at period end) | 1,091.5 | 617.2 | 1,091.5 | 617.2 | 666.7 |

## PGS Group

| In USD millions | 2nd Quarter | | Six months | | Full year |
|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2013 |
| Contract revenues | 171.5 | 192.8 | 287.4 | 400.1 | 677.5 |
| MC pre-funding | 74.8 | 65.2 | 149.0 | 157.8 | 360.5 |
| MC late sales | 60.3 | 90.2 | 125.1 | 149.1 | 311.3 |
| Imaging [1)] | 24.3 | 28.8 | 52.3 | 55.9 | 122.7 |
| Other | 6.1 | 4.7 | 15.7 | 13.6 | 29.6 |
| Total revenues | 337.0 | 381.7 | 629.5 | 776.5 | 1,501.6 |
| EBITDA | 170.6 | 209.6 | 309.2 | 411.9 | 828.9 |
| EBIT | 46.2 | 110.6 | 91.4 | 207.4 | 382.1 |
| Pretax profit | 34.5 | 97.3 | 47.2 | 185.2 | 327.9 |
| Net income | 29.7 | 71.5 | 34.3 | 134.0 | 238.3 |
| MC cash investment | 99.6 | 68.1 | 215.8 | 141.0 | 373.0 |
| Pre-funding %[2)] | 75% | 96% | 69% | 112% | 97% |
| Operating exp. | (166.4) | (172.1) | (320.3) | (364.6 | (672.7) |
| **Vessel allocation[3]** | | | | | |
| Contract | 48% | 50% | 42% | 52% | 46% |
| MultiClient | 37% | 26% | 42% | 32% | 42% |
| Steaming | 8% | 18% | 11% | 12% | 10% |
| Yard | 7% | 6% | 6% | 4% | 2% |
| Standby | 0% | 0% | 0% | 0% | 0% |

[1)] External Imaging revenues.
[2)] Pre-funding revenues as a percentage of MultiClient cash investment.
[3)] Percentage of total 3D streamer capacity measured in streamer utilization.

*In the first half of 2014* revenues for Petroleum Geo-Services ASA ("PGS" or "the Company") decreased $147.0 million, or 19%, compared to the first half of 2013. The reduction is caused by lower revenues from all areas.

Contract revenues decreased by $112.7 million, or 28%, in the first half of 2014 compared to the first half of 2013, primarily due to less capacity allocated to contract activities and lower prices achieved, especially in Q1.

Pre-funding revenues in the first half of 2014 corresponded to 69% of capitalized MultiClient cash investments (excluding capitalized interest), compared to 112% in the first half of 2013. The lower pre-funding level in the first half of 2014 was primarily due to lack of pre-funding for the Triton MultiClient survey in the Gulf of Mexico. In the first half of 2014 pre-funding revenues were higher in Europe and Asia Pacific, compared to the first half of 2013.

Higher capitalized cash investment in the MultiClient library in the first half of 2014, compared to the first half of 2013 reflects more capacity allocated to MultiClient activities.

MultiClient late sales in the first half of 2014 decreased by $24.0 million, or 16%, compared to the first half of 2013, caused by lower sales in all regions except South America and Africa.

External imaging revenues in the first half of 2014 were down $3.6 million, or 6%, compared to the first half of 2013. The decline is primarily due to a higher allocation of resources to MultiClient imaging in Gulf of Mexico and Asia Pacific and higher variability in national oil companies' spending. All imaging of the Company's MultiClient surveys is done in-house. As the streamer count has increased the imaging resource base and technical competency have expanded to deliver strong external production while continuing to meet internal needs.

*In Q2 2014*, total revenues decreased $44.7 million, or 12%, compared to Q2 2013 mainly due to lower contract and MultiClient late sales revenues, partially offset by slightly higher pre-funding revenues.

Contract revenues decreased by $21.3 million, or 11%, in Q2 2014, compared to Q2 2013. The decrease is caused by lower prices compared to Q2 2013 and mobilization delays on some Marine Contract surveys, relating to permitting, weather and technical problems. The permitting issue and the technical problems have been resolved and will not impact earnings momentum in 2H of 2014. The EBIT margin for marine contract acquisition was approximately 19% in Q2 2014, excluding the impairment charge, up from 15% in Q1 2014, but down from 29% in Q2 2013. The marine contract EBIT margin will fluctuate from quarter to quarter influenced by factors such as vessel scheduling, vessel transits, project specific variables and market conditions.

MultiClient pre-funding revenues in Q2 2014 corresponded to 75% of capitalized cash investments (excluding capitalized interest), compared to 96% in Q2 2013. The lower pre-funding level in Q2 2014 is primarily due to lack of pre-funding for the Triton MultiClient survey in the Gulf of Mexico. Excluding the investment in the Triton MultiClient survey, which accounted for approximately $50 million of capitalized MultiClient cash investment in the quarter, the Q2 pre-funding level for the remaining MultiClient portfolio was 157% of capitalized MultiClient cash investment. The Company expects a pre-funding level of approximately 100% for the full year 2014. Productivity for MultiClient acquisition projects was strong in Q2.

Pre-funding revenues in Q2 2014 primarily came from projects in Europe, Africa and Asia Pacific. Compared to Q2 2013, pre-funding revenues were higher in Europe, Asia Pacific and the Middle East. The project mix of MultiClient surveys, which is an important factor for the pre-funding level, will vary from quarter to quarter depending on the opportunities arising.

Capitalized MultiClient cash investment in Q2 2014 increased by $31.5 million, or 46%, compared to Q2 2013, reflecting more capacity allocated to MultiClient acquisition.

MultiClient late sales revenues in Q2 2014 decreased by $29.9 million, or 33%, compared to Q2 2013, with revenues being lower in Europe, North America and Asia Pacific. Total MultiClient sales from Europe in Q2 2014 of $81.2 million were record high.

In Q2 2014 external Imaging revenues were down $4.5 million, or 16%, compared to Q2 2013. The reduced revenues are explained by the same factors as in the comment for the first half of 2014.

Net operating expenses (before depreciation, amortization and impairments) in Q2 2014 were $5.7 million lower than in Q2 2013, primarily reflecting more costs capitalized to the MultiClient library, partially offset by a higher cost base as a result of more vessel capacity.

The order book totalled $558 million at June 30, 2014, (including $86 million of committed pre-funding on MultiClient projects), compared to $446 million at June 30, 2013 and $610 million at March 31, 2014.

### Technology

| In USD millions | 2nd Quarter | | Six months | | Full year |
|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2013 |
| R&D cost gross | 13.4 | 13.0 | 25.7 | 24.2 | 55.1 |
| Capitalized dev. costs | (3.2) | (3.3) | (6.7) | (6.1) | (16.4) |
| Net R&D costs | 10.2 | 9.7 | 19.0 | 18.1 | 38.7 |

The Company's R&D costs mainly relate to the current core business activities of marine seismic acquisition and processing plus the development and completion of the Company's Towed EM solution.

The increase of R&D costs and capitalized development costs *in the first half of 2014* compared to the first half of 2013 reflects more Q1 marine seismic field trial activity and increased levels of imaging research and development. Overall resource levels remain roughly the same.

In Q2 2014 PGS Towed EM streamer was voted best new geoscience technology by industry magazine Harts E&P. The decision was unanimous and made by an independent panel of industry experts. This award substantiates PGS' strong technology position.

In the quarter PGS also launched Complete Wavefield Imaging, which integrates advanced technology and workflows for velocity model building and depth imaging by utilizing primaries, multiples and refractions. Complete Wavefield Imaging is an imaging technology detecting shallow hazards from GeoStreamer data and thereby creating a single full purpose survey for exploration, development, shallow hazards, site surveys and base line for 4D seismic and reservoir monitoring. The GeoStreamer technology platform reduces total E&P costs and shortens field development cycle-time.

### Depreciation and Amortization

| In USD millions | 2nd Quarter | | Six months | | Full year |
|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2013 |
| Gross depreciation | 69.7 | 56.3 | 135.1 | 115.5 | 243.9 |
| Depreciation capitalized and deferred, net | (25.7) | (17.5) | (61.2) | (39.2) | (113.2) |
| Amortization of MC library | 71.6 | 60.4 | 135.2 | 128.6 | 301.8 |
| Depreciation and amortization | 115.6 | 99.2 | 209.1 | 204.9 | 432.5 |

*In the first half of 2014*, gross depreciation increased by $19.6 million, or 17%, compared to the first half of 2013. The increase is due to *Ramform Titan* and *Ramform Atlas* now being a part of the PGS fleet, vessel upgrades and continued investments in GeoStreamer.

Capitalized depreciation increased by $22.0 million in the first half of 2014 compared to the first half of 2013 as a result of more vessel capacity allocated to MultiClient projects.

Amortization of the MultiClient library as a percentage of MultiClient revenues was 49% in the first half of 2014, compared to 42% in the first half of 2013.

*In Q2 2014*, gross depreciation and capitalized depreciation increased $13.4 million and $8.2 million respectively, compared to Q2 2013, due to the same reasons as mentioned above for the first half.

Amortization of the MultiClient library as a percentage of MultiClient revenues was 53% in Q2 2014 compared to 39% in Q2 2013. The increase is primarily due to a change in the mix between pre-funding and late sales, with higher proportion of pre-funding revenues, which carry a higher amortization. The amortization level can vary from quarter to quarter depending on the MultiClient sales mix. For the full year 2014 PGS expects an amortization rate of approximately 50%.

### Impairments of Long Term Assets

*In Q2 2014* the Company recorded an impairment of $9.1 million, related to vessel and equipment retirement.

### Loss from Associated Companies

*In the first half of 2014* loss from associated companies amounted to $18.0 million and related to Azimuth and impairments of PGS Khazar LLC and Seafloor Geophysical Solutions (“SGS”), compared to $2.4 million in the first half 2013.

*In Q2 2014* loss from associated companies amounted to $2.4 million, primarily from PGS Khazar LLC, compared to $0.9 million in Q2 2013.

### Interest Expense

| In USD millions | 2nd quarter | | Six months | | Full year |
|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2013 |
| Gross interest expense | (14.1) | (15.5) | (27.4) | (29.2) | (57.6) |
| Capitalized interest MC library | 5.5 | 2.2 | 9.7 | 4.1 | 10.5 |
| Capitalized interest constr. in progress | 1.2 | 5.5 | 2.8 | 9.3 | 14.8 |
| Net interest expense | (7.4) | (7.8) | (14.9) | (15.8) | (32.3) |

The increase in capitalized interest to the MultiClient library in the first half of 2014 and in Q2, compared to the same periods in 2013 relates primarily to more vessel capacity being allocated to MultiClient.

The reduction of capitalized interest related to construction in progress in the first half of 2014 and Q2 2014 compared to the same time periods in 2013 is due to the completion of *Ramform Titan* and *Ramform Atlas*.

### Other Financial Expense, Net

| In USD millions | 2nd quarter | | Six months | | Full year |
|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2013 |
| Interest income | 0.6 | 0.6 | 0.9 | 0.9 | 1.6 |
| Write off relating to Term Loan B refinancing | --- | --- | (8.8) | --- | --- |
| Currency exchange gain (loss) | (0.1) | (4.0) | 0.6 | (1.6) | (7.6) |
| Other | (2.4) | (1.2) | (4.0) | (3.3) | (1.6) |
| Net financial expense | (1.9) | (4.6) | (11.3) | (4.0) | (7.6) |

The $8.8 million fair value adjustments and refinancing cost recorded in the first half of 2014 relates to refinancing of the Term Loan B, where the remaining fair value of interest rate hedges and un-amortized deferred loan cost of the original loan was expensed.

The Company holds foreign currency positions to balance its operational currency exposure. These positions are marked to market at each balance sheet date together with receivables and payables in non-US currencies, generally causing a currency exchange loss when the US dollar appreciates.

### Income Tax Expense and Tax Contingencies

*In the first half of 2014* the income tax expense was $13.0 million compared to $51.2 million in the first half of 2013. Current tax expense in the first half of 2014 was $18.2 million compared to $20.4 million in the first half of 2013. Deferred tax in the first half of 2014 was a benefit of $5.2 million compared to an expense of $30.8 million in the first half of 2013.

*In Q2 2014* the income tax expense was $4.9 million compared to $25.8 million in Q2 2013. The current tax expense in Q2 2014 was $6.8 million compared to $5.2 million in Q2 2013. Deferred tax in Q2 2014 was a benefit of $1.9 million compared to an expense of $20.6 million in Q2 2013.

The Company has an ongoing dispute in Brazil related to ISS tax on the sale of MultiClient data from year 2000 and onwards. The issue has been disclosed in annual and quarterly reports since 2005. At June 30, 2014, the Company estimates the total exposure to be approximately $163 million, including possible penalties and interest. PGS has made deposits totaling $94 million, primarily in 2010 and 2011, relating to ongoing legal processes. 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.

Following a federal tax audit in Brazil for the years 2006-2008, the Company in 2012 received two tax assessments for 2008 claiming approximately $73 million. One assessment asserts that charter of vessels into Brazil is subject to a 15% withholding tax instead of 0%. The second assessment levies a service tax of 10% (“CIDE”) on the same charters. 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.

### Capital Expenditures[1)]

| In USD millions | 2nd Quarter | | Six months | | Full year |
|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2013 |
| Seismic equipment | 25.9 | 19.1 | 73.5 | 30.1 | 91.7 |
| Vessel upgrades/Yard | 28.0 | 20.2 | 30.3 | 28.4 | 44.3 |
| Processing equipment | 5.0 | 5.0 | 9.3 | 11.0 | 23.3 |
| New Builds | 87.6 | 152.2 | 164.6 | 196.2 | 258.5 |
| Other | 2.9 | 3.4 | 3.6 | 5.6 | 20.0 |
| Total | 149.4 | 199.9 | 281.3 | 271.3 | 437.8 |

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

The main capital expenditures in the first half of 2014 and in Q2 2014 were related to the new build program and seismic equipment.

**New Builds**

PGS has two Ramform Titan-class new builds under construction at Mitsubishi Heavy Industries Ltd in Japan with scheduled deliveries in 2015.

The cost of each of the two vessels is approximately $285 million including commissioning and a comprehensive seismic equipment package, but excluding capitalized interest and post-delivery cost. The cost is slightly higher than the first two vessels in the Titan-class series due to additional costs related to new technology, both maritime and seismic, certain incentives in the shipbuilding contract, and inflationary price increase on equipment and project costs.

The agreement with the shipyard provides for payment based on five defined milestones per vessel, with 50% payable at delivery. Seismic equipment is procured by PGS separately from the shipbuilding contract. Accumulated capital expenditures related to the two last Ramform Titan-class new builds as of June 30, 2014 were $131.5 million.

**Liquidity and Financing**

In Q2 2014 net cash provided by operating activities was $40.2 million compared to $271.3 million in Q2 2013. Following a sharp reduction in working capital in Q1 2014, Q2 shows a significant increase as a result of more revenue production towards the end of the quarter as well as a back-end loaded cash flow profile on a turnkey contract that will be billed in Q3 and receipt of some customer payments just after quarter end.

At June 30, 2014, cash and cash equivalents amounted to $42.9 million, compared to $329.7 million at June 30, 2013 and $208.6 million at March 31, 2013.

Restricted cash amounted to $97.9 million at June 30, 2014, compared to $90.7 million at June 30, 2013 and $97.8 million at March 31, 2014.

The relatively high level of restricted cash relates to deposits made in 2010 and 2011 of approximately $94 million to initiate law suits with the Rio de Janeiro courts to seek confirmation that sale of MultiClient data in Brazil is not subject to ISS tax (see annual report 2013 for more details). The deposits are denominated in Brazilian Real.

At June 30, 2014, $399.0 million was outstanding under the Term Loan B maturing in 2021 and $450.0 million was outstanding of the Senior Notes maturing in 2018. Drawings of $160 million were outstanding on the $500.0 million revolving credit facility maturing in 2018.

PGS has established export credit financing totaling $555.0 million for the four Ramform Titan-class vessels. The loans have a tenor of 12 years from drawing, with repayment in equal semi-annual installments. $125.0 million was drawn under this facility upon delivery of the *Ramform Titan* in Q2 2013. Another $125.0 million was drawn after delivery of *Ramform Atlas* in Q1 2014. The remaining $305.0 million will be drawn during construction and/or around delivery of the two remaining Ramform Titan-class vessels, scheduled for delivery in 2015. Of the $250.0 million already drawn $15.7 million are repaid and as of June 30, 2014 total export credit financing lines are $539.3 million.

Total interest bearing debt, including capital leases, was $1,243.5 million at June 30, 2014 compared to $1,046.1 million at June 30, 2013 and $1,089.8 million at March 31, 2014.

Net interest bearing debt (interest bearing debt less cash and cash equivalents, restricted cash and interest bearing loans and investments) was $1,091.5 million at June 30, 2014 compared to $617.2 million at June 30, 2013 and $760.4 million at March 31, 2014.

At June 30, 2014, the Company had approximately 66% of its debt at fixed interest rates. The weighted average cash interest cost of gross debt reflects an interest rate of approximately 4.9%, including credit margins paid on the debt.

The revolving credit facility contains a covenant whereby total leverage ratio (as defined) cannot exceed 2.75:1. At June 30, 2014 the total leverage ratio was 1.67:1.

**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 2013. 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 2014**

Based on the current operational projections and with reference to the aforementioned risk factors, PGS expects full year 2014 EBITDA to be approximately $850 million. Due to reduced predictability with regards to customers' seismic purchases, particularly MultiClient, the uncertainty range around the EBITDA guidance is wider than normal.

MultiClient cash investments are expected to be approximately $350 million, with a pre-funding level of approximately 100% of capitalized cash investment.

Capital expenditures are estimated to be approximately $425 million, of which $275 million are related to the new build program.

Oslo, July 23, 2014

Francis R. Gugen
*Chairperson*

Daniel J. Piette
*Director*

Harald Norvik
*Vice Chairperson*

Ingar Skaug
*Director*

Carol Bell
*Director*

Walter Qvam
*Director*

Holly A. Van Deursen
*Director*

Anne Grethe Dalane
*Director*

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 22 countries with regional centers in London, Houston and Singapore. Our headquarters is in Oslo, Norway and the PGS share is listed on the Oslo stock exchange (OSE:PGS).*

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

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

**Executive Officers:**

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

**Other Corporate Management:**

| | |
|---|---|
| Terje Bjølseth | SVP Global Human Resources |
| Tore Langballe | SVP Corporate Communications |
| Rune Olav Pedersen | General Counsel |
| Jostein Ueland | SVP Business Development |
| Joanna Oustad | SVP HSEQ |

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

**Financial Calendar:**

| | |
|---|---|
| Q2 2014 report | July 24, 2014 |
| Q3 2014 report | October 23, 2014 |
| CMD | December 19, 2014 |

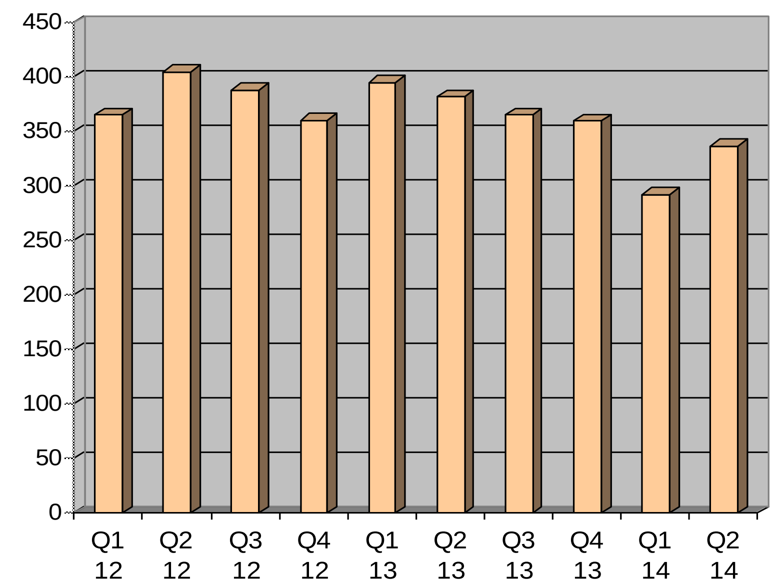
The dates are subject to change.

Petroleum Geo-Services ASA and Subsidiaries

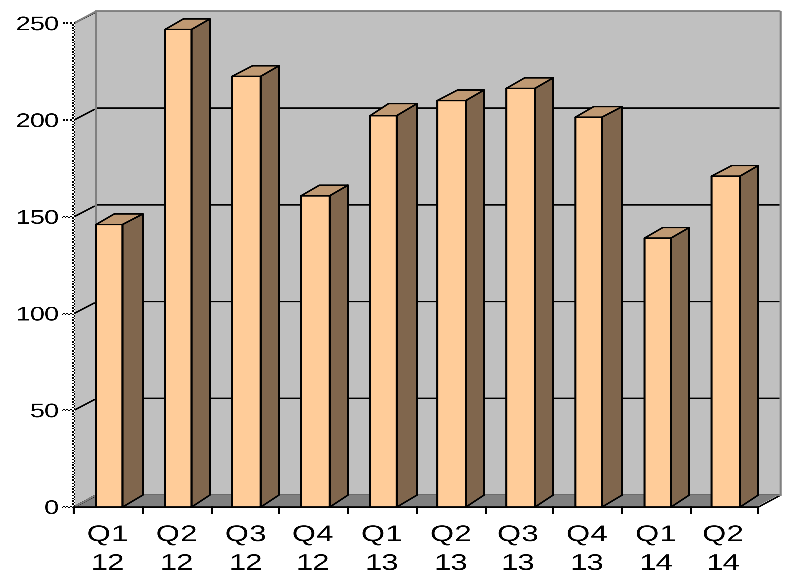
Condensed Consolidated Statements of Operations

| (In millions of US dollars, except share data) | Note | Quarter ended June 30, 2014 | Quarter ended June 30, 2013 | Six months ended June 30, 2014 | Six months ended June 30, 2013 | Year ended December 31, 2013 |
|---|---|---|---|---|---|---|
| Revenues | 3 | 337.0 | 381.7 | 629.5 | 776.5 | 1 501.6 |
| Cost of sales | | 143.3 | 148.2 | 271.7 | 316.3 | 570.9 |
| Research and development costs | 4 | 10.2 | 9.7 | 19.0 | 18.1 | 38.7 |
| Selling, general and administrative costs | | 12.9 | 14.2 | 29.6 | 30.2 | 63.1 |
| Depreciation and amortization | 3, 5 | 115.6 | 99.2 | 209.1 | 204.9 | 432.5 |
| Impairment of long-term assets | 3 | 9.1 | - | 9.1 | - | 15.0 |
| Other operating income | 3 | (0.3) | (0.2) | (0.4) | (0.4) | (0.7) |
| Total operating expenses | | 290.8 | 271.1 | 538.1 | 569.1 | 1 119.5 |
| Operating profit/EBIT | 3 | 46.2 | 110.6 | 91.4 | 207.4 | 382.1 |
| Loss from associated companies and impairment | 11 | (2.4) | (0.9) | (18.0) | (2.4) | (14.3) |
| Interest expense | 6 | (7.4) | (7.8) | (14.9) | (15.8) | (32.3) |
| Other financial expense, net | 7 | (1.9) | (4.6) | (11.3) | (4.0) | (7.6) |
| Income before income tax expense | | 34.5 | 97.3 | 47.2 | 185.2 | 327.9 |
| Income tax expense | | 4.9 | 25.8 | 13.0 | 51.2 | 89.6 |
| **Net income to equity holders of PGS ASA** | | **29.7** | **71.5** | **34.3** | **134.0** | **238.3** |
| **Earnings per share, to ordinary equity holders of PGS ASA:** | | | | | | |
| - Basic | | 0.14 | 0.33 | 0.16 | 0.62 | 1.11 |
| - Diluted | | 0.14 | 0.33 | 0.16 | 0.62 | 1.10 |
| Weighted average basic shares outstanding | | 214 617 208 | 215 519 087 | 214 901 976 | 216 036 288 | 215 566 344 |
| Weighted average diluted shares outstanding | | 215 283 293 | 216 242 353 | 215 605 837 | 216 895 663 | 216 400 525 |

**Revenues by Quarter**
**2012 - 2014**
**MUSD**




**EBITDA by Quarter**
**2012 - 2014**
**MUSD**



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

| (In millions of US dollars) | Note | Quarter ended June 30, 2014 | Quarter ended June 30, 2013 | Six months ended June 30, 2014 | Six months ended June 30, 2013 | Year ended December 31, 2013 |
|---|---|---|---|---|---|---|
| **Net income for the period** | | 29.7 | 71.5 | 34.3 | 134.0 | 238.3 |
| Other comprehensive income: | | | | | | |
| Actuarial gains (losses) on defined benefit pensions plans | | (7.2) | - | (7.1) | - | (12.2) |
| Income tax effect on actuarial gains and losses | | 1.2 | - | 1.2 | - | 2.5 |
| Items that will not be reclassified to statements of operations | | (6.0) | - | (5.9) | - | (9.7) |
| Cash flow hedges | | | | | | |
| Gains (losses) arising during the period | | - | (0.2) | - | (0.8) | 0.1 |
| Reclassification adjustments for losses (gains) included in the condensed consolidated statements of operations | | - | 2.4 | 9.1 | 4.8 | 8.8 |
| Deferred tax on cash flow hedges | | - | (0.6) | (2.5) | (1.1) | (2.6) |
| Revaluation of shares available-for-sale | | | | | | |
| Gains (losses) arising during the period | | (0.1) | 0.5 | (0.1) | (0.6) | (0.6) |
| Reclassification adjustments for losses (gains) included in the condensed consolidated statements of operations | | - | - | - | 0.8 | 1.4 |
| Other comprehensive income (loss) of associated companies | | 0.1 | - | (0.6) | 0.7 | 0.6 |
| Translation adjustments and other | | (0.1) | (0.2) | 0.1 | (0.3) | (0.1) |
| Items that may be subsequently reclassified to statements of operations | | (0.1) | 1.9 | 6.0 | 3.5 | 7.6 |
| Other comprehensive income for the period, net of tax | | (6.1) | 1.9 | 0.1 | 3.5 | (2.1) |
| **Total comprehensive income to equity holders of PGS ASA** | | 23.6 | 73.4 | 34.4 | 137.5 | 236.2 |

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

| (In millions of US dollars) | Note | June 30, 2014 | June 30, 2013 | December 31, 2013 |
|---|---|---|---|---|
| ASSETS | | | | |
| *Current assets:* | | | | |
| Cash and cash equivalents | 9 | 42.9 | 329.7 | 263.8 |
| Restricted cash | 9 | 17.4 | 10.4 | 14.6 |
| Accounts receivable | | 174.4 | 138.6 | 177.1 |
| Accrued revenues and other receivables | | 210.3 | 225.1 | 183.3 |
| Other current assets | | 141.9 | 114.2 | 124.5 |
| Total current assets | | 586.9 | 818.0 | 763.3 |
| *Long-term assets:* | | | | |
| Property and equipment | | 1 773.0 | 1 603.2 | 1 629.5 |
| MultiClient library | 8 | 727.9 | 438.1 | 576.9 |
| Restricted cash | 9 | 80.5 | 80.3 | 74.8 |
| Deferred tax assets | | 114.0 | 136.8 | 110.0 |
| Other long-term assets | | 70.4 | 75.3 | 85.0 |
| Goodwill | | 139.9 | 139.9 | 139.9 |
| Other intangible assets | | 173.1 | 153.0 | 164.9 |
| Total long-term assets | | 3 078.8 | 2 626.6 | 2 781.0 |
| Total assets | | 3 665.7 | 3 444.6 | 3 544.3 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | |
| *Current liabilities:* | | | | |
| Short-term debt and current portion of long-term debt | 9,10 | 185.0 | 10.8 | 10.8 |
| Accounts payable | | 89.4 | 64.9 | 66.0 |
| Accrued expenses and other current liabilities | | 241.7 | 277.6 | 279.4 |
| Income taxes payable | | 38.7 | 33.4 | 34.3 |
| Total current liabilities | | 554.8 | 386.7 | 390.5 |
| *Long-term liabilities:* | | | | |
| Long-term debt | 9,10 | 1 040.2 | 1 027.8 | 1 019.6 |
| Deferred tax liabilities | | 6.2 | 7.4 | 6.2 |
| Other long-term liabilities | | 52.2 | 60.0 | 62.4 |
| Total long-term liabilities | | 1 098.6 | 1 095.2 | 1 088.2 |
| *Shareholders' equity:* | | | | |
| *Paid-in capital:* | | | | |
| Common stock; par value NOK 3; issued and outstanding 217,799,997 shares | | 96.5 | 96.5 | 96.5 |
| Treasury shares, par value | | (1.6) | (1.4) | (1.4) |
| Additional paid-in capital | | 523.2 | 515.9 | 519.5 |
| Total paid-in capital | | 618.1 | 611.0 | 614.6 |
| Accumulated earnings | | 1 430.7 | 1 374.5 | 1 479.4 |
| Other comprehensive income | | (36.5) | (22.8) | (28.4) |
| Total shareholders' equity | | 2 012.3 | 1 962.7 | 2 065.6 |
| Total liabilities and shareholders' equity | | 3 665.7 | 3 444.6 | 3 544.3 |

# Petroleum Geo-Services ASA and Subsidiaries
## Condensed Consolidated Statements of Changes in Shareholders' Equity

***For the six months ended June 30, 2013***

| | Attributable to equity holders of PGS ASA | | | | | |
|---|---|---|---|---|---|---|
| (In millions US of dollars) | Common stock par value | Treasury shares par value | Additional paid-in capital | Accumulated earnings | Other comprehensive income | Shareholders' equity |
| **Balance at December 31, 2012** | **96.5** | **(0.5)** | **513.3** | **1 328.5** | **(16.0)** | **1 921.8** |
| Effect of retrospectively adopting IAS 19R | - | - | - | - | (10.3) | (10.3) |
| **Balance as of January 1, 2013** | **96.5** | **(0.5)** | **513.3** | **1 328.5** | **(26.3)** | **1 911.5** |
| Total comprehensive income | - | - | - | 134.4 | 3.5 | 137.9 |
| Dividend paid (1) | - | - | - | (60.9) | - | (60.9) |
| Acquired treasury shares | - | (1.0) | - | (28.2) | - | (29.2) |
| Employee benefit plans | - | 0.1 | 2.6 | 0.7 | - | 3.4 |
| **Balance as of June 30, 2013** | **96.5** | **(1.4)** | **515.9** | **1 374.5** | **(22.8)** | **1 962.7** |

(1) NOK 1.65 per share was paid as ordinary dividend for 2012.

***For the six months ended June 30, 2014***

| | Attributable to equity holders of PGS ASA | | | | | |
|---|---|---|---|---|---|---|
| (In millions US of dollars) | Common stock par value | Treasury shares par value | Additional paid-in capital | Accumulated earnings | Other comprehensive income | Shareholders' equity |
| **Balance as of January 1, 2014** | **96.5** | **(1.4)** | **519.5** | **1 479.4** | **(28.4)** | **2 065.6** |
| Total comprehensive income | - | - | - | 34.3 | 0.1 | 34.4 |
| Transfer of actuarial gains and losses net of tax | - | - | - | 8.2 | (8.2) | - |
| Dividend paid (1) | - | - | - | (84.0) | - | (84.0) |
| Acquired treasury shares | - | (0.4) | - | (9.8) | - | (10.2) |
| Employee benefit plans | - | 0.2 | 3.7 | 2.6 | - | 6.5 |
| **Balance as of June 30, 2014** | **96.5** | **(1.6)** | **523.2** | **1 430.7** | **(36.5)** | **2 012.3** |

(1) NOK 2.30 per share was paid as ordinary dividend for 2013.

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

| (In millions of US dollars) | Quarter ended June 30, 2014 | Quarter ended June 30, 2013 | Six months ended June 30, 2014 | Six months ended June 30, 2013 | Year ended December 31, 2013 |
|---|---|---|---|---|---|
| **Cash flows provided by operating activities:** | | | | | |
| Net income to equity holders of PGS ASA | 29.7 | 71.5 | 34.3 | 134.0 | 238.3 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | | |
| Depreciation, amortization and impairment of long-term assets | 124.7 | 99.2 | 218.2 | 204.9 | 447.5 |
| Share of loss in associated companies and impairments | 2.4 | 0.9 | 18.0 | 2.4 | 14.3 |
| Interest expense | 7.4 | 7.8 | 14.9 | 15.8 | 32.3 |
| Loss on sale and retirement of assets | - | 0.8 | 1.8 | 2.8 | 8.6 |
| Income taxes paid | (2.1) | (10.5) | (6.8) | (21.4) | (33.8) |
| Other items | (0.2) | 0.5 | 10.2 | 1.9 | 3.5 |
| (Increase) decrease in accounts receivable, accrued revenues & other receivables | (102.2) | 36.8 | (24.3) | (33.7) | (30.7) |
| Increase (decrease) in accounts payable | (4.8) | 12.6 | 1.8 | 9.8 | 17.0 |
| Change in other current items related to operating activities | (11.5) | 50.0 | (30.8) | 64.9 | 34.7 |
| Change in other long-term items related to operating activities | (3.2) | 1.7 | (15.2) | (7.4) | 43.6 |
| Net cash provided by operating activities | 40.2 | 271.3 | 222.1 | 374.0 | 775.3 |
| **Cash flows used in investing activities:** | | | | | |
| Investment in MultiClient library | (99.6) | (68.1) | (215.8) | (141.0) | (373.0) |
| Investment in property and equipment | (123.2) | (197.7) | (267.3) | (275.8) | (438.5) |
| Investment in other intangible assets | (5.1) | (7.2) | (11.8) | (13.9) | (29.2) |
| Investment in other current -and long-term assets | (21.4) | (0.1) | (23.4) | (3.6) | (22.0) |
| Proceeds from sale and disposal of assets | 1.3 | 0.1 | 4.9 | 2.6 | 2.6 |
| Increase in long-term restricted cash | - | (0.2) | - | (0.6) | (0.6) |
| Net cash used in investing activities | (248.0) | (273.2) | (513.4) | (432.3) | (860.7) |
| **Cash flows (used in) provided by financing activities:** | | | | | |
| Proceeds, net of deferred loan costs, from issuance of long-term debt | (7.3) | 118.6 | 105.5 | 114.6 | 114.6 |
| Repayment of debt | (6.3) | 0.4 | (82.2) | (0.9) | (11.9) |
| Drawdown of Revolving Credit Facility | 160.0 | - | 160.0 | - | - |
| Purchase of treasury shares | (5.8) | (16.5) | (10.2) | (29.2) | (29.2) |
| Proceeds from sale of treasury shares | 1.6 | 0.1 | 2.9 | 0.8 | 1.6 |
| Dividend paid | (76.6) | (60.9) | (76.6) | (60.9) | (60.9) |
| Interest paid | (23.5) | (21.7) | (29.0) | (26.7) | (55.3) |
| Net cash (used in) provided by financing activities | 42.1 | 20.0 | 70.4 | (2.3) | (41.1) |
| Net increase (decrease) in cash and cash equivalents | (165.7) | 18.1 | (220.9) | (60.6) | (126.5) |
| Cash and cash equivalents at beginning of period | 208.6 | 311.6 | 263.8 | 390.3 | 390.3 |
| **Cash and cash equivalents at end of period** | **42.9** | **329.7** | **42.9** | **329.7** | **263.8** |

# Notes to the Condensed Interim Consolidated Financial Statements - Second Quarter 2014

***Note 1 - General***

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.

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

***Note 2 - Basis of presentation***

The condensed interim consolidated financial statements reflect all adjustments, in the opinion of PGS' management, that are necessary for a fair presentation of the results of operations for all periods presented. Operating results for the interim period are not necessarily indicative of the results that may be expected for any subsequent interim period or year. The condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2013.

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, 2013 with the exeption of adoption of IFRS10, IFRS 11, IFRS 12, IAS 27 and IAS 28. The adopted standards do not have a significant impact on the condensed interim consolidated financial statements of the Company.

***Note 3 - Segment information***

The chief operating decision maker reviews Contract and MultiClient as separate operating segments, however, as the two operating segments meet the aggregation criteria in IFRS 8 "Operating Segments", they are presented combined as "Marine". "Other" includes Corporate administration costs and unallocated Global Shared Resources costs (net). Other financial expense, net and income tax expense are not included in the measure of segment performance.

Revenues by operating segment and service type:

| | Quarter ended June 30, | | Six months ended June 30, | | Year ended December 31, |
|---|---|---|---|---|---|
| (In millions of US dollars) | 2014 | 2013 | 2014 | 2013 | 2013 |
| Marine revenues by service type: | | | | | |
| - Contract seismic | 171.5 | 192.8 | 287.4 | 400.1 | 677.5 |
| - MultiClient pre-funding | 74.8 | 65.2 | 149.0 | 157.8 | 360.5 |
| - MultiClient late sales | 60.3 | 90.2 | 125.1 | 149.1 | 311.3 |
| - Imaging | 24.3 | 28.8 | 52.3 | 55.9 | 122.7 |
| - Other | 6.1 | 4.6 | 15.7 | 13.5 | 29.3 |
| Marine revenues | **337.0** | **381.6** | **629.5** | **776.4** | **1 501.3** |
| - Other, non Marine | - | 0.1 | - | 0.1 | 0.3 |
| Total revenues | **337.0** | **381.7** | **629.5** | **776.5** | **1 501.6** |

Operating profit (loss) EBIT by operating segment:

| | Quarter ended June 30, | | Six months ended June 30, | | Year ended December 31, |
|---|---|---|---|---|---|
| (In millions of US dollars) | 2014 | 2013 | 2014 | 2013 | 2013 |
| *Marine:* | | | | | |
| EBITDA | 167.8 | 210.4 | 309.4 | 416.4 | 840.9 |
| Other operating income | 0.3 | 0.2 | 0.4 | 0.4 | 0.7 |
| Impairment of long-term assets (b) | (9.1) | - | (9.1) | - | (15.0) |
| Depreciation and amortization (a) | (42.0) | (37.2) | (69.9) | (73.2) | (123.9) |
| Amortization of MultiClient library (a) | (71.6) | (60.4) | (135.2) | (128.6) | (301.8) |
| Operating profit EBIT, Marine | 45.4 | 113.0 | 95.6 | 215.0 | 400.9 |
| *Other:* | | | | | |
| EBITDA | 2.8 | (0.8) | (0.2) | (4.5) | (12.0) |
| Depreciation and amortization (a) | (2.0) | (1.6) | (4.0) | (3.1) | (6.8) |
| Operating loss EBIT, Other | 0.8 | (2.4) | (4.2) | (7.6) | (18.8) |
| *Total Operating profit:* | | | | | |
| EBITDA | 170.6 | 209.6 | 309.2 | 411.9 | 828.9 |
| Other operating income | 0.3 | 0.2 | 0.4 | 0.4 | 0.7 |
| Impairment of long-term assets (b) | (9.1) | - | (9.1) | - | (15.0) |
| Depreciation and amortization (a) | (44.0) | (38.8) | (73.9) | (76.3) | (130.7) |
| Amortization of MultiClient library (a) | (71.6) | (60.4) | (135.2) | (128.6) | (301.8) |
| Total Operating profit EBIT | **46.2** | **110.6** | **91.4** | **207.4** | **382.1** |

(a) Presented combined in the condensed consolidated statements of operations.

(b) Effective 2014 equipment impairments and losses on scrapped equipment are aggregated and presented as impairments in the condensed consolidated statements of operations. In prior years these items are included in cost of sales and amounted to $7.0 million for the year ended December 31, 2013.

### *Note 4 - Research and development costs*
Research and development costs, net of capitalized portion were as follows:

| (In millions of US dollars) | Quarter ended June 30, 2014 | Quarter ended June 30, 2013 | Six months ended June 30, 2014 | Six months ended June 30, 2013 | Year ended December 31, 2013 |
|---|---|---|---|---|---|
| Research and development costs, gross | 13.4 | 13.0 | 25.7 | 24.2 | 55.1 |
| Capitalized development costs | (3.2) | (3.3) | (6.7) | (6.1) | (16.4) |
| Total | **10.2** | **9.7** | **19.0** | **18.1** | **38.7** |

### *Note 5 - Depreciation and amortization*
Depreciation and amortization consists of the following:

| (In millions of US dollars) | Quarter ended June 30, 2014 | Quarter ended June 30, 2013 | Six months ended June 30, 2014 | Six months ended June 30, 2013 | Year ended December 31, 2013 |
|---|---|---|---|---|---|
| Gross depreciation | 69.7 | 56.3 | 135.1 | 115.5 | 243.9 |
| Depreciation capitalized and deferred, net | (25.7) | (17.5) | (61.2) | (39.2) | (113.2) |
| Amortization of MultiClient library | 71.6 | 60.4 | 135.2 | 128.6 | 301.8 |
| Total | **115.6** | **99.2** | **209.1** | **204.9** | **432.5** |

The Company amortizes its MultiClient library primarily based on the ratio between cost of surveys and the total forecasted sales for such surveys. The surveys are categorized into amortization categories based on this ratio. These categories range from 30-95% of sales amounts with 5% intervals, with a minimum of 45% for pre-funding. 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 on a quarterly basis. At year-end, or when specific impairment indicators exists, the Company carries out an impairment test of individual MultiClient surveys. The Company classifies these impairment charges as amortization expense in its condensed consolidated statements of operations since this additional, non-sales related amortization expense, is expected to occur regularly.

### *Note 6 - Interest expense*
Interest expense consists of the following:

| (In millions of US dollars) | Quarter ended June 30, 2014 | Quarter ended June 30, 2013 | Six months ended June 30, 2014 | Six months ended June 30, 2013 | Year ended December 31, 2013 |
|---|---|---|---|---|---|
| Interest expense, gross | (14.1) | (15.5) | (27.4) | (29.2) | (57.6) |
| Capitalized interest, MultiClient library | 5.5 | 2.2 | 9.7 | 4.1 | 10.5 |
| Capitalized interest, construction in progress | 1.2 | 5.5 | 2.8 | 9.3 | 14.8 |
| Total | **(7.4)** | **(7.8)** | **(14.9)** | **(15.8)** | **(32.3)** |

### *Note 7 - Other financial expense, net*
Other financial expense, net consists of the following:

| (In millions of US dollars) | Quarter ended June 30, 2014 | Quarter ended June 30, 2013 | Six months ended June 30, 2014 | Six months ended June 30, 2013 | Year ended December 31, 2013 |
|---|---|---|---|---|---|
| Interest income | 0.6 | 0.6 | 0.9 | 0.9 | 1.6 |
| Write-off relating to Term loan refinancing (a) | - | - | (8.8) | - | - |
| Currency exchange gain (loss) | (0.1) | (4.0) | 0.6 | (1.6) | (7.6) |
| Other | (2.4) | (1.2) | (4.0) | (3.3) | (1.6) |
| Total | **(1.9)** | **(4.6)** | **(11.3)** | **(4.0)** | **(7.6)** |

(a) Arose from Term Loan refinancing. See note 10.

***Note 8 - MultiClient library***

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

| (In millions of US dollars) | June 30, 2014 | June 30, 2013 | December 31, 2013 |
|---|---|---|---|
| Completed during 2008 | - | 6.8 | - |
| Completed during 2009 | 15.9 | 40.6 | 27.6 |
| Completed during 2010 | 16.8 | 25.6 | 20.5 |
| Completed during 2011 | 26.3 | 42.3 | 32.1 |
| Completed during 2012 | 41.2 | 52.9 | 45.2 |
| Completed during 2013 | 54.0 | 28.5 | 60.2 |
| Completed during 2014 | 66.9 | - | - |
| Completed surveys | 221.1 | 196.7 | 185.6 |
| Surveys in progress | 506.8 | 241.4 | 391.3 |
| **MultiClient library, net** | **727.9** | **438.1** | **576.9** |

Key figures MultiClient library:

| (In millions of US dollars) | Quarter ended June 30, 2014 | Quarter ended June 30, 2013 | Six months ended June 30, 2014 | Six months ended June 30, 2013 | Year ended December 31, 2013 |
|---|---|---|---|---|---|
| MultiClient pre-funding revenue | 74.8 | 65.2 | 149.0 | 157.8 | 360.5 |
| MultiClient late sales | 60.3 | 90.2 | 125.1 | 149.1 | 311.3 |
| Cash investment in MultiClient library (a) | 99.6 | 68.1 | 215.8 | 141.0 | 373.0 |
| Capitalized interest in MultiClient library (b) | 5.5 | 2.2 | 9.7 | 4.1 | 10.5 |
| Capitalized depreciation (non-cash) | 28.1 | 14.8 | 60.7 | 38.0 | 112.9 |
| Amortization of MultiClient library (c) | 71.6 | 60.4 | 135.2 | 128.6 | 301.8 |

(a) See condensed consolidated statements of cash flows.

(b) See note 6.

(c) See note 3.

***Note 9 - Net interest bearing debt***

Summary of net interest bearing debt:

| (In millions of US dollars) | June 30, 2014 | June 30, 2013 | December 31, 2013 |
|---|---|---|---|
| Cash and cash equivalents | 42.9 | 329.7 | 263.8 |
| Restricted cash (current and long-term) | 97.9 | 90.7 | 89.4 |
| Interest bearing receivables | 11.2 | 8.5 | 20.9 |
| Short-term debt and current portion of long-term debt (a) | (185.0) | (10.8) | (10.8) |
| Long-term debt (b) | (1 040.2) | (1 027.8) | (1 019.6) |
| Adjustment for deferred loan costs (offset in long-term debt) | (18.3) | (7.5) | (10.4) |
| **Total** | **(1 091.5)** | **(617.2)** | **(666.7)** |

(a) Includes a drawdown on the Revolving Credit Facility of $160 million during the quarter ended June 30, 2014.

(b) Includes a drawdown on the export credit facility of $125 million. In addition, the Term Loan was refinanced and resized from $470.5 million to $400 million and the maturity extended to March 2021. Both transactions occurred during the quarter ended March 31, 2014.

***Note 10 - Financial instruments***

The carrying amounts of cash and cash equivalents, restricted cash, accounts receivable, accrued revenues and other receivables, other current assets accounts payable and accrued expenses approximate their respective fair values because of the short maturities of those instruments. The fair values of other financial instruments are determined using level 2 observable inputs as described in the Company's 2013 annual report.

The carrying amounts and the estimated fair values of debt and derivative instruments are summarized as follows:

| (In millions of US dollars) | Carrying amounts June 30, 2014 | Carrying amounts June 30, 2013 | Fair values June 30, 2014 | Fair values June 30, 2013 | Notional amounts June 30, 2014 | Notional amounts June 30, 2013 |
|---|---|---|---|---|---|---|
| Total forward exchange contracts (hedge) | (1.3) | (1.6) | (1.3) | (1.6) | 35.3 | 59.5 |
| Total forward exchange contracts (non-hedge) | (3.2) | 2.1 | (3.2) | 2.1 | 144.5 | 136.5 |
| Total forward exchange contracts | **(4.5)** | **0.5** | **(4.5)** | **0.5** | **179.8** | **196.0** |
| | | | | | | |
| Interest rate swaps (hedge) | - | (14.0) | - | (14.0) | - | 300.0 |
| Interest rate swaps (non-hedge) | (3.7) | - | (3.7) | - | 250.0 | - |
| Total interest rate swaps | **(3.7)** | **(13.5)** | **(3.7)** | **(13.5)** | **250.0** | **300.0** |
| | | | | | | |
| Debt with fixed interest rate | 575.0 | 512.5 | 610.4 | 547.7 | | |
| Debt with variable interest rate | 668.3 | 533.0 | 664.9 | 522.4 | | |
| Total debt recognized at amortized cost | **1 243.3** | **1 045.5** | **1 275.3** | **1 070.1** | | |

Effective September 30, 2013, the Company discontinued hedge accounting on its interest rate swap agreements. As a result of refinancing the term loan, deferred loan costs from the original instrument loan and the reserve relating to the interest of the loan held in other comprehensive income, a total of $8.8 million was expensed in Q1 2014.

### *Note 11 - Loss from associated companies and impairment*

In Q1 2014, the Company recognized $18.8 million of revenue from MultiClient data licenses to associated companies which is expensed in the financial statements of the associated companies. The Company's share of loss from associated companies includes a proportionate share of the expensed MultiClient license cost in the amount of $7.3 million.

In addition, an impairment of $6.9 million was recognized in the first half of 2014 relating to the investments in associated companies.

### *Note 12 - Termination of Norwegian defined benefit plan and restructuring provision*

In Q1 2014, the Company decided to terminate the Norwegian defined benefit plan and the participants were transferred to the defined contribution plan as of April 1, 2014. A net pension liability of $10.2 million (projected benefit obligation of $57.4 million and plan assets of $47.2 million) was de-recognized in Q1 2014 resulting in a settlement gain, reducing operating expenses, of approximately $6 million after one-time administration fees and costs credited to MultiClient investment.

In Q1 2014, the Company recognized a restructuring provision of $1.8 million relating to closure of the office in Edinburgh.