



Earnings Release

Q2 - 2015

Productivity and Technology Leadership

Resilient MultiClient Performance

Highlights Q2 2015

- Revenues of \$255.8 million, compared to \$337.0 million in Q2 2014
- EBITDA of \$125.1 million, compared to \$170.6 million in Q2 2014
- EBIT, excluding impairments and other charges, of \$15.9 million, compared to \$55.0 million in Q2 2014
- Cash flow from operations of \$83.1 million, compared to \$40.2 million in Q2 2014
- MultiClient Pre-funding revenues of \$112.0 million with a corresponding pre-funding level of 152%, compared to \$74.8 million and 75% respectively in Q2 2014
- Sale and operating leaseback of the PGS Apollo strengthens PGS financial position further
- First mover after Mexican energy reform, with footprint further expanded through cooperation with Schlumberger and Spectrum
- Cost savings ahead of plan



“In a very challenging market, Q2 MultiClient pre-funding revenues ended at a solid \$112.0 million. The corresponding pre-funding level was 152% driven by strong funding for ongoing surveys, efficient operations and good sales from projects in the processing stage.

Marine contract revenues and margin were negatively impacted by the weak market conditions and slightly more idle time than expected in the quarter.

We have a strong financial position with a liquidity reserve of \$545.7 million and are well positioned to navigate the current market environment. Our cost reduction program is progressing ahead of plan and the full year 2015 target is now increased to approximately \$250 million.”

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

Jon Erik Reinhardsen,
President and Chief Executive Officer

Outlook

The low oil price and reduced oil company spending impact pricing and utilization negatively. PGS expects market uncertainty and low earnings visibility to continue well into 2016.

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

MultiClient cash investments are expected to be approximately \$300 million, with a pre-funding level above 100%. Approximately 50% of active 3D capacity is now expected to be used for MultiClient in 2015.

Capital expenditures are estimated to be approximately \$225 million, of which almost \$150 million is for the new builds Ramform Tethys and Ramform Hyperion.

The order book totaled \$259 million at June 30, 2015 (including \$140 million of committed pre-funding on MultiClient projects), compared to \$394 million at March 31, 2015 and \$558 million at June 30, 2014. A reasonable amount of work is in the process of being firmed up in July and, due to the stacking of Ramform Challenger and Ramform Explorer, the Company has less capacity to sell for Q4 2015 and Q1 2016. As of July 20, 2015 approximately 95% of available capacity for Q3 is booked, with corresponding numbers for Q4 2015 and Q1 2016 being approximately 65% and 30%, respectively.

Key Financial Figures

(In millions of US dollars, except per share data)	Quarter ended June 30,		Six months ended June 30,		Year ended December 31,
	2015	2014	2015	2014	2014
Revenues	255.8	337.0	506.9	629.5	1 453.8
EBITDA (as defined, see note 13) (1)	125.1	170.6	252.6	309.2	702.6
EBIT ex. Impairment and other charges	15.9	55.0	29.5	100.1	177.3
EBIT as reported	(45.7)	46.2	(34.8)	91.4	104.2
Income before income tax expense	(57.9)	34.5	(67.9)	47.2	16.7
Net income to equity holders	(63.8)	29.7	(83.3)	34.3	(50.9)
Basic earnings per share (\$ per share)	(0.30)	0.14	(0.39)	0.16	(0.24)
Net cash provided by operating activities	83.1	40.2	295.4	222.1	584.3
Cash investment in MultiClient library	73.6	99.6	137.6	215.8	344.2
Capital expenditures (whether paid or not)	63.3	149.4	104.8	281.3	371.3
Total assets	3 297.4	3 665.7	3 297.4	3 665.7	3 563.0
Cash and cash equivalents	57.6	42.9	57.6	42.9	54.7
Net interest bearing debt	995.0	1 091.5	995.0	1 091.5	1 048.0

(1) In Q2, \$4.9 million of severance cost and other related restructuring cost is reported as part of "other charges" due to increased significance of one off charges relating to ongoing cost reductions. \$2.8 million was incurred in Q1 and as a result \$7.7 million is classified as other charges for the six months ended June 30, 2015.

Condensed Consolidated Statements of Profit and Loss

(In millions of US dollars)	Note	Quarter ended June 30,		Six months ended June 30,		Year ended December 31,
		2015	2014	2015	2014	2014
Revenues	1	255.8	337.0	506.9	629.5	1 453.8
Cost of sales	2	115.5	143.3	222.1	271.7	653.6
Research and development costs	2	5.2	10.2	11.1	19.0	37.6
Selling, general and administrative costs	2	10.0	12.9	21.1	29.6	59.9
Depreciation and amortization	3	109.1	115.6	223.1	209.1	525.4
Impairment and loss on sale of long-term assets	3	56.9	9.1	56.9	9.1	73.8
Other charges/(income)	2	4.7	(0.3)	7.4	(0.4)	(0.7)
Total operating expenses		301.5	290.8	541.8	538.1	1 349.7
Operating profit/EBIT		(45.7)	46.2	(34.8)	91.4	104.2
Loss from associated companies	4	(2.4)	(2.4)	(10.0)	(18.0)	(30.9)
Interest expense	5	(7.4)	(7.4)	(15.2)	(14.9)	(30.1)
Other financial expense, net	6	(2.3)	(1.9)	(7.7)	(11.3)	(26.5)
Income before income tax expense		(57.9)	34.5	(67.9)	47.2	16.7
Income tax expense	7	5.9	4.9	15.4	13.0	67.6
Net income to equity holders of PGS ASA		(63.8)	29.7	(83.3)	34.3	(50.9)
Other comprehensive income						
Items that will not be reclassified to profit and loss	12	1.0	(6.0)	(2.4)	(5.9)	(27.9)
Items that may be subsequently reclassified to profit and loss	12	0.3	(0.1)	0.7	6.0	3.7
Other comprehensive income for the period, net of tax		1.3	(6.1)	(1.7)	0.1	(24.2)
Total comprehensive income to equity holders of PGS ASA		(62.5)	23.6	(85.0)	34.4	(75.1)

Condensed Consolidated Statements of Financial Position

(In millions of US dollars)	Note	June 30,		December 31,
		2015	2014	2014
ASSETS				
Cash and cash equivalents	10	57.6	42.9	54.7
Restricted cash	10	19.7	17.4	20.2
Accounts receivable		137.9	174.4	265.6
Accrued revenues and other receivables		148.8	210.3	180.6
Other current assets		119.0	141.9	136.3
Total current assets		483.0	586.9	657.4
Property and equipment	8	1 508.9	1 773.0	1 663.5
MultiClient library	9	749.9	727.9	695.2
Restricted cash	10	63.2	80.5	72.0
Deferred tax assets		97.4	114.0	95.9
Other long-term assets		64.3	70.4	55.2
Goodwill		139.9	139.9	139.9
Other intangible assets		190.8	173.1	183.8
Total long-term assets		2 814.4	3 078.8	2 905.6
Total assets		3 297.4	3 665.7	3 563.0
LIABILITIES AND SHAREHOLDERS' EQUITY				
Short-term debt and current portion of long-term debt	10	24.8	185.0	24.8
Accounts payable		66.0	89.4	74.9
Accrued expenses and other current liabilities		194.7	241.7	272.2
Income taxes payable		34.2	38.7	37.9
Total current liabilities		319.7	554.8	409.8
Long-term debt	10	1 099.6	1 040.2	1 160.1
Deferred tax liabilities		16.1	6.2	14.1
Other long-term liabilities		62.2	52.2	77.4
Total long-term liabilities		1 177.8	1 098.6	1 251.6
Common stock; par value NOK 3; issued and outstanding 217,799,997 shares		96.5	96.5	96.5
Treasury shares, par value		(1.7)	(1.6)	(1.9)
Additional paid-in capital		530.5	523.2	526.9
Total paid-in capital		625.3	618.1	621.5
Accumulated earnings		1 237.0	1 430.7	1 340.9
Other comprehensive income		(62.5)	(36.5)	(60.8)
Total shareholders' equity		1 799.9	2 012.3	1 901.6
Total liabilities and shareholders' equity		3 297.4	3 665.7	3 563.0

Condensed Consolidated Statements of Cash Flows

(In millions of US dollars)	Quarter ended June 30,		Six months ended June 30,		Year ended December 31,
	2015	2014	2015	2014	2014
Net income (loss) to equity holders of PGS ASA	(63.8)	29.7	(83.3)	34.3	(50.9)
Depreciation, amortization, impairment and loss on sale of long-term assets	166.0	124.7	280.0	218.2	599.2
Share of loss in associated companies and impairments	2.4	2.4	10.0	18.0	30.9
Interest expense	7.4	7.4	15.2	14.9	30.1
Loss (gain) on sale and retirement of assets	(3.7)	-	(2.7)	1.8	8.4
Income taxes paid	(4.8)	(2.1)	(16.4)	(6.8)	(18.4)
Other items	5.0	(0.2)	7.7	10.2	12.7
(Increase) decrease in accounts receivable, accrued revenues & other receivables	9.0	(102.2)	156.3	(24.3)	(81.2)
Increase (decrease) in accounts payable	23.6	(4.8)	(9.0)	1.8	11.5
Change in other current items related to operating activities	(61.6)	(11.5)	(43.5)	(30.8)	25.6
Change in other long-term items related to operating activities	3.6	(3.2)	(18.9)	(15.2)	16.4
Net cash provided by operating activities	83.1	40.2	295.4	222.1	584.3
Investment in MultiClient library	(73.6)	(99.6)	(137.6)	(215.8)	(344.2)
Investment in property and equipment	(72.2)	(123.2)	(102.9)	(267.3)	(383.4)
Investment in other intangible assets	(3.6)	(5.1)	(8.5)	(11.8)	(26.3)
Investment in other current -and long-term assets	(21.1)	(21.4)	(16.0)	(23.4)	(32.3)
Proceeds from sale and disposal of assets	84.1	1.3	84.1	4.9	6.2
Increase in long-term restricted cash	(0.2)	-	(2.1)	-	(6.3)
Net cash used in investing activities	(86.6)	(248.0)	(183.0)	(513.4)	(786.3)
Proceeds, net of deferred loan costs, from issuance of long-term debt	-	(7.3)	-	105.5	143.4
Repayment of long-term debt	(6.2)	(6.3)	(12.4)	(82.2)	(94.7)
Net drawdown of Revolving Credit Facility	(40.0)	160.0	(50.0)	160.0	100.0
Purchase of treasury shares	-	(5.8)	-	(10.2)	(15.1)
Proceeds from sale of treasury shares	-	1.6	-	2.9	2.9
Dividend paid	(20.3)	(76.6)	(20.3)	(76.6)	(84.0)
Interest paid	(21.3)	(23.5)	(26.8)	(29.0)	(59.6)
Net cash (used in) provided by financing activities	(87.8)	42.1	(109.5)	70.4	(7.1)
Net increase (decrease) in cash and cash equivalents	(91.3)	(165.7)	2.9	(220.9)	(209.1)
Cash and cash equivalents at beginning of period	148.9	208.6	54.7	263.8	263.8
Cash and cash equivalents at end of period	57.6	42.9	57.6	42.9	54.7

Condensed Consolidated Statements of Changes in Shareholders' Equity

For the six months ended June 30, 2014

(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, 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

For the six months ended June 30, 2015

(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, 2015	96.5	(1.9)	526.9	1 340.9	(60.8)	1 901.6
Total comprehensive income	-	-	-	(83.3)	(1.7)	(85.0)
Dividend paid (1)	-	-	-	(20.3)	-	(20.3)
Exercise of employee benefit plans	-	0.2	-	(0.2)	-	-
Employee benefit plans	-	-	3.6	-	-	3.6
Balance as of June 30, 2015	96.5	(1.7)	530.5	1 237.0	(62.5)	1 799.9

(1) NOK 0.70 per share was paid as ordinary dividend for 2014

Notes to the Condensed Interim Consolidated Financial Statements – Second Quarter and First Half 2015 Results

Note 1 – Revenues

Revenues by service type:

(In millions of US dollars)	Quarter ended June 30,		Six months ended June 30,		Year ended December 31,
	2015	2014	2015	2014	2014
Marine revenues by service type:					
- Contract seismic	84.4	171.5	153.2	287.4	697.8
- MultiClient pre-funding	112.0	74.8	198.6	149.0	290.7
- MultiClient late sales	33.5	60.3	90.2	125.1	309.0
- Imaging	23.5	24.3	53.8	52.3	119.2
- Other	2.4	6.1	11.1	15.7	37.1
Total revenues	255.8	337.0	506.9	629.5	1 453.8

Vessel allocation:

	Quarter ended June 30,		Six months ended June 30,		Year ended December 31,
	2015	2014	2015	2014	2014
Contract	35 %	48 %	32 %	42 %	51 %
MultiClient	42 %	37 %	37 %	42 %	31 %
Steaming	13 %	8 %	13 %	11 %	12 %
Yard	0 %	7 %	3 %	6 %	5 %
Standby	10 %	0 %	15 %	0 %	1 %

In the first half of 2015 revenues for Petroleum Geo-Services ASA (“PGS” or “the Company”) decreased by \$122.6 million, or 19%, compared to first half of 2014. The reduction is mainly due to a 47% reduction in contract revenues, while a 28% reduction in MultiClient late sales revenues was more than offset by a 33% increase in MultiClient pre-funding revenues.

The reduced contract revenues in the first half of 2015, compared to the first half of 2014 were primarily market driven with less capacity allocated to contract activities, lower prices achieved and higher non-chargeable vessel time.

The increased pre-funding revenues in the first half of 2015, compared to the first half of 2014 were primarily due to projects in Australia, Africa and North America, as well as good sales from surveys in the processing stage.

The reduced MultiClient late sales revenue in the first half of 2015, compared to the first half of 2014, is a reflection of clients’ focus on preserving cash and reducing investments. Europe was the main contributor to late sales revenues in the first half of 2015.

External imaging revenues in the first half of 2015 were up 3%, compared to the first half of 2014. The increase primarily relates to growth in high-end GeoStreamer imaging and depth processing in the North Sea Market. Imaging develops and delivers processing solutions that leverage the GeoStreamer advantages to generate unique solutions. All Imaging of the Company’s MultiClient surveys is done in-house, and Imaging applies the same technical competency to internal production.

In Q2 2015, revenues for PGS decreased \$81.2 million, or 24%, compared to Q2 2014. The lower revenues are mainly due to a 51% reduction in contract revenues and a 44% reduction in MultiClient late sales, partially offset by a 50% increase in MultiClient pre-funding revenues.

The reduced marine contract revenues in Q2 2015, compared to Q2 2014 were due to less capacity used for contract work, lower average pricing and higher non-chargeable vessel time. The EBIT margin for marine contract acquisition work was approximately negative 15%, improved from negative 40% in Q1 2015, but down from 19% in Q2 2014. The negative contract EBIT margin in the quarter is caused by a generally low pricing level, standby cost and market driven vessel schedule inefficiencies, such as the planned warm-stack of Ramform Explorer over the winter extending into Q2 2015, difficult operational conditions for Ramform Sterling and permitting delays. Most of the margin improvement from Q1 is due to improved vessel utilization. The marine contract EBIT margin will fluctuate from quarter to quarter influenced by factors such as vessel scheduling, vessel transits, project specific variables and market conditions.

The increased MultiClient pre-funding revenues in Q2 2015, compared to Q2 2014 are explained by the same reasons as mentioned above for the first half, except for Australia which did not contribute materially in the second quarter.

External imaging revenues were fairly flat in Q2 2015, compared to Q2 2014 despite a more difficult market environment. The resilient revenues reflect the attractiveness of high-end GeoStreamer imaging and depth processing, especially in the North Sea market.

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

(In millions of US dollars)	Quarter ended June 30,		Six months ended June 30,		Year ended December 31,
	2015	2014	2015	2014	2014
Cost of sales	115.5	143.3	222.1	271.7	653.6
Research and development costs, gross	8.5	13.4	17.3	25.7	53.9
Capitalized development costs	(3.3)	(3.2)	(6.2)	(6.7)	(16.3)
Selling, general and administrative costs	10.0	12.9	21.1	29.6	59.9
Other charges/(income)	4.7	(0.3)	7.4	(0.4)	(0.7)
Total	135.4	166.1	261.6	319.9	750.4

Reported net operating expenses for the Group (before depreciation, amortization, and impairments) in Q2 2015 were \$30.7 million lower than in Q2 2014. The cost savings initiatives implemented in 2014 combined with the stronger USD and continued low fuel prices, contributed to a significantly lower cost base compared to Q2 2014. Partially offsetting these cost reductions, the Company capitalized less operating cost as investment in the MultiClient library in Q2 2015 compared to Q2 2014.

The decrease of R&D costs in the first half and Q2 2015, compared to the corresponding periods for 2014 is driven by overall cost reductions and focus on supporting, validating and deploying existing projects. The Company's R&D costs mainly relate to the current core business activities of marine seismic acquisition and imaging.

Cost reduction has been a priority for PGS since 2012, when the Profit Improvement Program was introduced. This continues to be an area of focus. The Company monitors the development of its total cash operating cost base which is the sum of the reported net operating expenses (before depreciation, amortization and impairments) and the cash operating costs capitalized as MultiClient cash investment. The \$150 million savings originally planned for 2015 were increased to \$220 million during the first quarter and are now increased by another \$30 million, to reach a total cost reduction of approximately \$250 million, comparing the full year 2015 to full year 2014.

Fleet adjustment and other cost reductions have led to one off reorganization costs relating to staff reductions and other restructuring activities. The Company expects to incur approximately \$20 million of charges relating to restructuring and severance cost for the full year 2015, of which \$7.7 million were recorded in the first half of 2015 and included in "other charges/(income)" in the profit and loss statement.

Note 3 – Depreciation, Amortization and Impairment

Depreciation, amortization and impairment consists of the following:

(In millions of US dollars)	Quarter ended June 30,		Six months ended June 30,		Year ended December 31,
	2015	2014	2015	2014	2014
Gross depreciation	64.2	69.7	130.8	135.1	278.5
Depreciation capitalized and deferred, net	(29.7)	(25.7)	(54.8)	(61.2)	(97.3)
Amortization of MultiClient library	74.6	71.6	147.1	135.2	344.2
Impairments and loss on sale of assets	56.9	9.1	56.9	9.1	73.8
Total	166.0	124.7	280.0	218.2	599.2

In the first half of 2015 gross depreciation decreased compared to the first half 2014 as a result of write downs made in Q4 2014 and generally reduced capital expenditures.

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

Amortization of the MultiClient library as a percentage of MultiClient revenues was 51% in the first half of 2015, compared to 49% in the first half of 2014.

In Q2 2015, gross depreciation decreased due to the same reason as mentioned above for the first half. Capitalized depreciation increased in Q2 2015, compared to Q2 2014 as a result of more vessel capacity allocated to MultiClient projects.

Amortization of the MultiClient library was 51% in Q2 2015, compared to 53% in Q2 2014. The amortization level can vary from quarter to quarter depending on the MultiClient sales mix and other factors. For the full year 2015 the Company expects an amortization rate of approximately 55%.

In Q2 2015 PGS completed a sale and operating leaseback of the PGS Apollo, the only non-Ramform design 3D vessel in the PGS fleet. Gross proceeds from the transaction amounted to \$80.0 million. PGS Apollo entered the PGS fleet in 2010 following the acquisition of Arrow Seismic ASA in 2007. The price paid reflected a strong seismic market and, as a result, the recorded cost of the vessel exceeded construction cost. PGS Apollo is the only 3D vessel which has entered the 3D fleet through an acquisition. As a result of this transaction PGS recorded a loss on sale in the quarter of \$56.9 million.

Note 4 – Loss from Associated Companies

In the first half of 2015 loss from associated companies amounted to \$10.0 million. The loss was related to Azimuth Ltd, and PGS's share of exploration costs expensed by Azimuth, in which PGS has a 45% stake. In Q1 2015, PGS recognized revenues of \$15.0 million from sales of MultiClient data to subsidiaries of Azimuth. There were no other material transactions with related parties in the first half of 2015.

Note 5 – Interest Expense

Interest expense consists of the following:

(In millions of US dollars)	Quarter ended June 30,		Six months ended June 30,		Year ended December 31,
	2015	2014	2015	2014	2014
Interest expense, gross	(14.4)	(14.1)	(28.7)	(27.4)	(56.8)
Capitalized interest, MultiClient library	4.8	5.5	9.6	9.7	20.3
Capitalized interest, construction in progress	2.1	1.2	3.8	2.8	6.4
Total	(7.4)	(7.4)	(15.2)	(14.9)	(30.1)

Interest cost for the first half and Q2 2015 was relatively unchanged versus the corresponding periods in 2014. Slightly more interest expense was capitalized to construction in progress in the first half of 2015 and Q2 2015, due to higher aggregate capital expenditures for the new builds.

Note 6 – Other Financial Expense, Net

Other financial expense, net consists of the following:

(In millions of US dollars)	Quarter ended June 30,		Six months ended June 30,		Year ended December 31,
	2015	2014	2015	2014	2014
Interest income	0.3	0.6	0.8	0.9	2.3
Write-off relating to Term loan refinancing	-	-	-	(8.8)	(8.8)
Currency exchange gain (loss)	0.3	(0.1)	(4.4)	0.6	(13.4)
Other	(3.0)	(2.4)	(4.2)	(4.0)	(6.6)
Total	(2.3)	(1.9)	(7.7)	(11.3)	(26.5)

The reduced net other financial expense in first half 2015 and Q2 2015, compared to first half 2014 and Q2 2014 mainly relates to cost expensed in conjunction with refinancing of the Term Loan B recorded in Q1 2014. This was partially offset by a currency loss of \$4.6 million in Q1 2015, reflecting a significant strengthening of the USD and primarily its effect on legal deposits in Brazilian Real. The strengthening of the USD against most other currencies will have a positive impact on the Company's cost base going forward.

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

Note 7 – Income Tax Expense

Income tax expense consists of the following:

(In millions of US dollars)	Quarter ended June 30,		Six months ended June 30,		Year ended December 31,
	2015	2014	2015	2014	2014
Current tax expense	5.1	6.8	14.3	18.2	41.3
Deferred tax expense	0.8	(1.9)	1.1	(5.2)	26.3
Total	5.9	4.9	15.4	13.0	67.6

The reported tax expense for Q2 2015 and first half of 2015 was negatively impacted by the non-deductible loss on sale of PGS Apollo, foreign taxes that are neither deductible nor creditable, foreign exchange movements and losses in countries where deferred tax benefit is not recognized.

Tax Contingencies

The Company has an ongoing dispute in Brazil related to 5% ISS tax on the sale of MultiClient data from year 2000 and onwards. As of June 30, 2015, the exposure is \$124 million, including possible penalties and interest. PGS has made deposits covering \$63 million of the total exposure. There has been no significant development in the quarter. Because the Company considers it more likely than not that the contingency will be resolved in its favor, no provision has been made for any portion of the exposure.

The Company also has ongoing tax disputes related to charter of vessels into Brazil. The assessments levy 15% withholding tax and 10% CIDE (service) tax and are in total, including penalties and interest, \$33 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.

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

Note 8 – Property and Equipment

Capital expenditures 1) consists of the following:

(In millions of US dollars)	Quarter ended June 30,		Six months ended June 30,		Year ended December 31,
	2015	2014	2015	2014	2014
Seismic equipment	(2.2)	25.9	1.9	73.5	93.8
Vessel upgrades/Yard	5.2	28.0	10.2	30.3	54.0
Processing equipment	1.6	5.0	3.0	9.3	13.5
Newbuilds	55.4	87.6	76.6	164.6	198.4
Other	3.3	2.9	13.1	3.6	11.6
Total	63.3	149.4	104.8	281.3	371.3

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

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

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

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

The agreement with the shipyard provides for payment based on five defined milestones per vessel, with 50% payable at delivery. Seismic equipment is procured by PGS separately from the shipbuilding contract. Accumulated capital expenditures related to the two last Ramform Titan-class new builds as of June 30, 2015 were \$240.1 million.

Note 9 – MultiClient Library

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

(In millions of US dollars)	June 30,		December 31,
	2015	2014	2014
Completed during 2009	-	15.9	-
Completed during 2010	6.1	16.8	11.3
Completed during 2011	15.9	26.3	17.9
Completed during 2012	27.6	41.2	29.1
Completed during 2013	43.0	54.0	46.6
Completed during 2014 (1)	105.9	66.9	117.2
Completed during 2015	130.3	-	-
Completed surveys	328.8	221.1	222.1
Surveys in progress	421.1	506.8	473.1
MultiClient library, net	749.9	727.9	695.2

(1) MultiClient library as of December 31, 2014 with net book value of \$12.7 million was reclassified from "Surveys in progress" to "Completed during 2014" in Q1 2015.

Key figures MultiClient library:

(In millions of US dollars)	Quarter ended June 30,		Six months June 30,		Year ended December 31,
	2015	2014	2015	2014	2014
MultiClient pre-funding revenue	112.0	74.8	198.6	149.0	290.7
MultiClient late sales	33.5	60.3	90.2	125.1	309.0
Cash investment in MultiClient library	73.6	99.6	137.6	215.8	344.2
Prefunding as a percentage of MultiClient cash investment	152 %	75 %	144 %	69 %	84 %
Capitalized interest in MultiClient library	4.8	5.5	9.6	9.7	20.3
Capitalized depreciation (non-cash)	30.9	28.1	54.7	60.7	98.0
Amortization of MultiClient library	74.6	71.6	147.1	135.2	344.2

In the first half of 2015 pre-funding revenues corresponded to 144% of capitalized MultiClient cash investment (excluding capitalized interest), compared to 69% in the first half of 2014. The solid pre-funding level is driven by projects in Australia, Africa, North America and the North Sea, as well as further customer commitment to projects in the processing phase, and reflects attractive projects and the Company's determination over time to maintain a robust pre-funding level.

The reduced MultiClient cash investment in the first half of 2015, compared to first half 2014 is mainly due to less capacity allocated to MultiClient projects and a reduced cost level.

In Q2 2015 pre-funding revenues corresponded to 152% of capitalized MultiClient investment (excluding capitalized interest), compared to 75% in Q2 2014. The high pre-funding level is driven by the same reasons as mentioned above for the first half, except for Australia which did not contribute materially in Q2 2015.

The reduced MultiClient cash investment in Q2 2015, compared to Q2 2014 is mainly due to reduced cost level and less capital intensive surveys.

Note 10 – Liquidity and Financing

In the first half of 2015 net cash provided by operating activities was \$295.4 million, compared to \$222.1 million in first half 2014. The increase is mainly due to an improvement of working capital.

In Q2 2015, net cash provided by operating activities was \$83.1 million, compared to \$40.2 million in Q2 2014. The increase is due to the same reasons as mentioned above for the first half of 2015. In the current market environment some clients are seeking extended payment terms, which may put upward pressure on the working capital going forward. To date the Company has not experienced any significant changes to the number of days sales outstanding.

The liquidity reserve as of end Q2 was \$545.7 million and includes, in addition to cash and cash equivalents and the undrawn part of the revolving credit facility, a \$38.1 million drawing under the export credit financing relating to the Q2 floating installment for Ramform Tethys, which was called in Q2 but received after quarter end.

Long term debt consists of the following:

(In millions of US dollars)	June 30,		December 31,
	2015	2014	2014
<i>Secured</i>			
Term loan B, Libor (minimum 75 bp) + 250 Basis points, due 2021	395.0	399.0	397.0
Export credit financing, due 2025	213.5	234.5	223.9
Export credit financing, due 2027	38.1	-	38.1
Revolving credit facility, due 2018	50.0	160.0	100.0
<i>Unsecured</i>			
Senior notes, Coupon 7.375%, due 2018	450.0	450.0	450.0
Total	1 146.6	1 243.5	1 209.0
Less current portion	(24.8)	(185.0)	(24.8)
Less deferred loan costs, net of debt premiums	(22.2)	(18.3)	(24.1)
Total long-term debt	1 099.6	1 040.2	1 160.1

Undrawn facilities consists of the following:

(In millions of US dollars)	June 30,		December 31,
	2015	2014	2014
<i>Secured</i>			
Revolving credit facility, due 2018	450.0	340.0	400.0
Export credit financing	258.5	304.6	266.5
<i>Unsecured</i>			
Bank facility (NOK 50 mill)	6.3	8.2	6.7
Performance bond	16.3	18.9	14.1
Total	731.1	671.7	687.3

Summary of net interest bearing debt:

(In millions of US dollars)	June 30,		December 31,
	2015	2014	2014
Cash and cash equivalents	57.6	42.9	54.7
Restricted cash (current and long-term)	82.9	97.9	92.2
Interest bearing receivables	11.2	11.2	14.2
Short-term debt and current portion of long-term debt	(24.8)	(185.0)	(24.8)
Long-term debt	(1 099.6)	(1 040.2)	(1 160.1)
Adjustment for deferred loan costs (offset in long-term debt)	(22.2)	(18.3)	(24.1)
Total	(995.0)	(1 091.5)	(1 048.0)

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 sale of MultiClient data in Brazil is not subject to ISS tax (see annual report 2014 for more details). The deposits are denominated in Brazilian Real and the carrying value at end Q2 2015 is approximately \$63.0 million. Restricted cash also includes \$12.8 million held in debt service reserve accounts related to the export credit financing of Ramform Titan and Ramform Atlas.

Of the \$80.0 million gross proceeds received from the sale and operating leaseback agreement of the PGS Apollo in Q2 2015 approximately \$40.0 million was used to pay down on the revolving credit facility.

At June 30, 2015, the Company had approximately 52% of its debt at fixed interest rates. The weighted average cash interest cost of gross debt reflects an interest rate of approximately 4.6%, including credit margins paid on the debt. PGS does not have any debt maturities before 2018.

The revolving credit facility contains a covenant whereby total leverage ratio (as defined) cannot exceed 2.75:1. At June 30, 2015 the total leverage ratio was 1.68:1.

Note 11 – Earnings per Share

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

	Quarter ended		Six months		Year ended
	June 30,		June 30,		December 31,
	2015	2014	2015	2014	2014
- Basic	(0.30)	0.14	(0.39)	0.16	(0.24)
- Diluted	(0.30)	0.14	(0.39)	0.16	(0.24)
Weighted average basic shares outstanding	214 272 550	214 617 208	214 194 199	214 901 976	214 603 496
Weighted average diluted shares outstanding	215 180 046	215 283 293	215 086 173	215 605 837	215 390 735

Note – 12 Components of Other Comprehensive Income

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

(In millions of US dollars)	Quarter ended		Six months		Year ended
	June 30,		June 30,		December 31,
	2015	2014	2015	2014	2014
Actuarial gains (losses) on defined benefit pensions plans	1.3	(7.2)	(3.0)	(7.1)	(34.7)
Income tax effect on actuarial gains and losses	(0.3)	1.2	0.6	1.2	6.8
Items that will not be reclassified to profit and loss	1.0	(6.0)	(2.4)	(5.9)	(27.9)
<i>Cash flow hedges</i>					
Gains (losses) arising during the period	-	-	-	-	-
Reclassification adjustments for losses (gains) included in profit and loss	-	-	-	9.1	9.1
Deferred tax on cash flow hedges	-	-	-	(2.5)	(2.5)
<i>Revaluation of shares available-for-sale</i>					
Gains (losses) arising during the period	-	(0.1)	-	(0.1)	(1.1)
Reclassification adjustments for losses (gains) included in profit and loss	-	-	-	-	-
<i>Other comprehensive income (loss) of associated companies</i>					
Translation adjustments and other	0.1	0.1	1.0	(0.6)	(2.0)
Translation adjustments and other	0.2	(0.1)	(0.3)	0.1	0.2
Items that may be subsequently reclassified to profit and loss	0.3	(0.1)	0.7	6.0	3.7

Note 13 – Basis of Presentation

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

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

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

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

Note 14 - Risk Factors

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

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

For a further description of other relevant risk factors we refer to the Annual Report for 2014. As a result of these and other risk factors, actual events and actual results may differ materially from those indicated in or implied by such forward-looking statements.

Responsibility Statement

We confirm that, to the best of our knowledge. The condensed set of financial statements for the first half year 2015, which has been prepared in accordance with IAS 34 Interim Financial reporting gives a true and fair view of the Company's consolidated assets, liabilities, financial position and result of operations, and that the first half 2015 report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

Oslo, July 22, 2015

Francis R. Gugen
Chairperson

Daniel J. Piette
Director

Harald Norvik
Vice Chairperson

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

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

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 2014. 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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Harald Norvik (Vice Chairperson)
Carol Bell
Holly Van Deursen
Daniel J. Piette
Anne Grethe Dalane

Walter Qvam
Morten Borge
Anette Valbø (employee elected)
Espen Grimstad (employee elected)
Berit Osnes (employee elected)

Executive Officers:

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

Other Corporate Management:

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

Web-Site:

www.pgs.com

Financial Calendar:

Q2 2015 report	July 23, 2015
Q3 2015 report	October 23, 2015
CMD	December 4, 2015

The dates are subject to change