



Annual Report 2014

Productivity and Technology Leadership



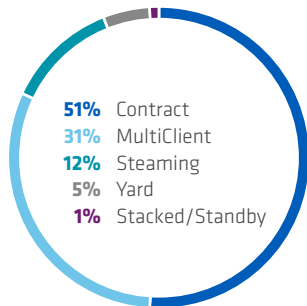
Key Figures

Petroleum Geo-Services (PGS) 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.

Financial Calendar 2015

- Q1 2015 Earnings Release **April 30**, 2015
- Annual General Meeting **May 13**, 2015 at 15:00 CET
- Q2 2015 Earnings Release **July 23**, 2015
- Q3 2015 Earnings Release **October 23**, 2015

Vessel Utilization 2014



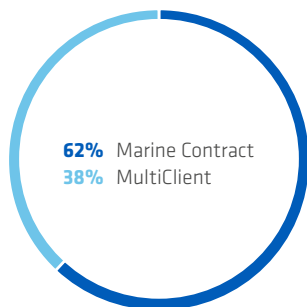
Number of Patents Granted

454 as of year-end 2014

395 as of year-end 2013

Patents granted under the laws of the US, the UK and Norway

Active Vessel Time 2014



Number of Ramform Vessels



as of year-end 2014



as of year-end 2013

Business Highlights 2014

Operating profit in 2014 decreased from the previous year.

Despite challenging market conditions the Company recorded close to record high MultiClient late sales revenues.

In January, PGS took delivery of Ramform Atlas, the second in a series of four Ramform Titan-class vessels.

In March 2014 PGS amended and extended its Term Loan B facility, with new maturity in 2021. At the same time the Company secured Export Credit Financing for the two last Ramform Titan-class vessels.

During the summer of 2014, PGS expanded on its Towed Streamer EM activities by covering all of the blocks included in the 23rd licensing round in the Barents Sea South East area.

In September, the Company decided to stack the two low-end vessels Pacific Explorer and Nordic Explorer.

The Atlantic Explorer was permanently de-rigged from 3D operations to a 2D, source and EM acquisition vessel, one year earlier than original plan.

PGS further increased its cost reduction programs during 2014, achieving savings of approximately USD 90 million compared to cost prognosis at the start of the year.

Delivery times for the two last Ramform Titan-class vessels, Ramform Tethys and the Ramform Hyperion, was rescheduled to first quarter and third quarter 2016.

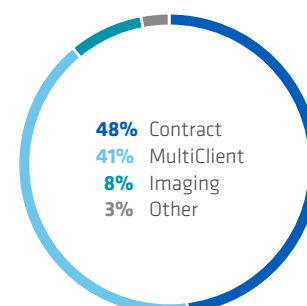
For 2014, the Board of Directors proposes a dividend of NOK 0.70 per share.

Key Financial Figures

In USD million except per share data	2014	2013	2012	2011
Revenues	1 453.8	1 501.6	1 518.3	1 253.3
EBITDA (as defined)	702.6	828.9	776.2	534.8
EBIT ex. impairment charges ¹	178.0	397.1	293.0	141.3
EBIT as reported	104.2	382.1	293.8	138.7
Net income	(50.9)	238.3	185.5	33.7
EPS	(0.24)	1.11	0.86	0.16
Net cash provided by operating activities	584.3	775.3	752.9	480.4
Capital expenditures	371.3	437.8	368.1	279.9
Cash investment in MultiClient library	344.2	373.0	297.4	203.9
Total assets	3 563.0	3 544.3	3 275.6	3 137.2
MultiClient library	695.2	576.9	382.3	334.1
Cash and cash equivalents	54.7	263.8	390.3	424.7
Shareholders equity	1 901.6	2 065.6	1 911.5	1 771.7
Net interest bearing debt	1 048.0	666.7	435.6	394.2

¹ See notes to the financial statements for details of impairment by period presented

Revenue Split

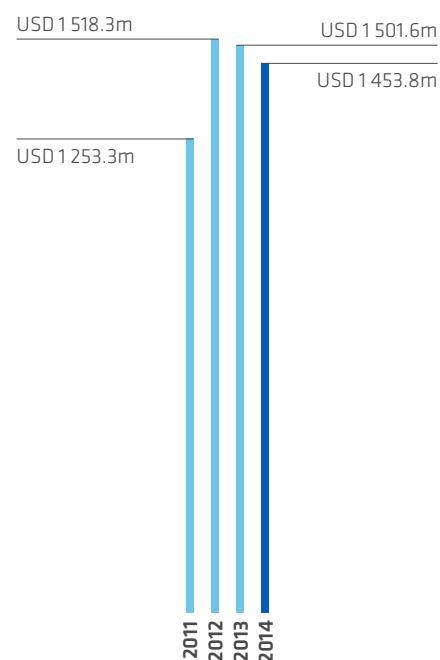


Cost Reductions

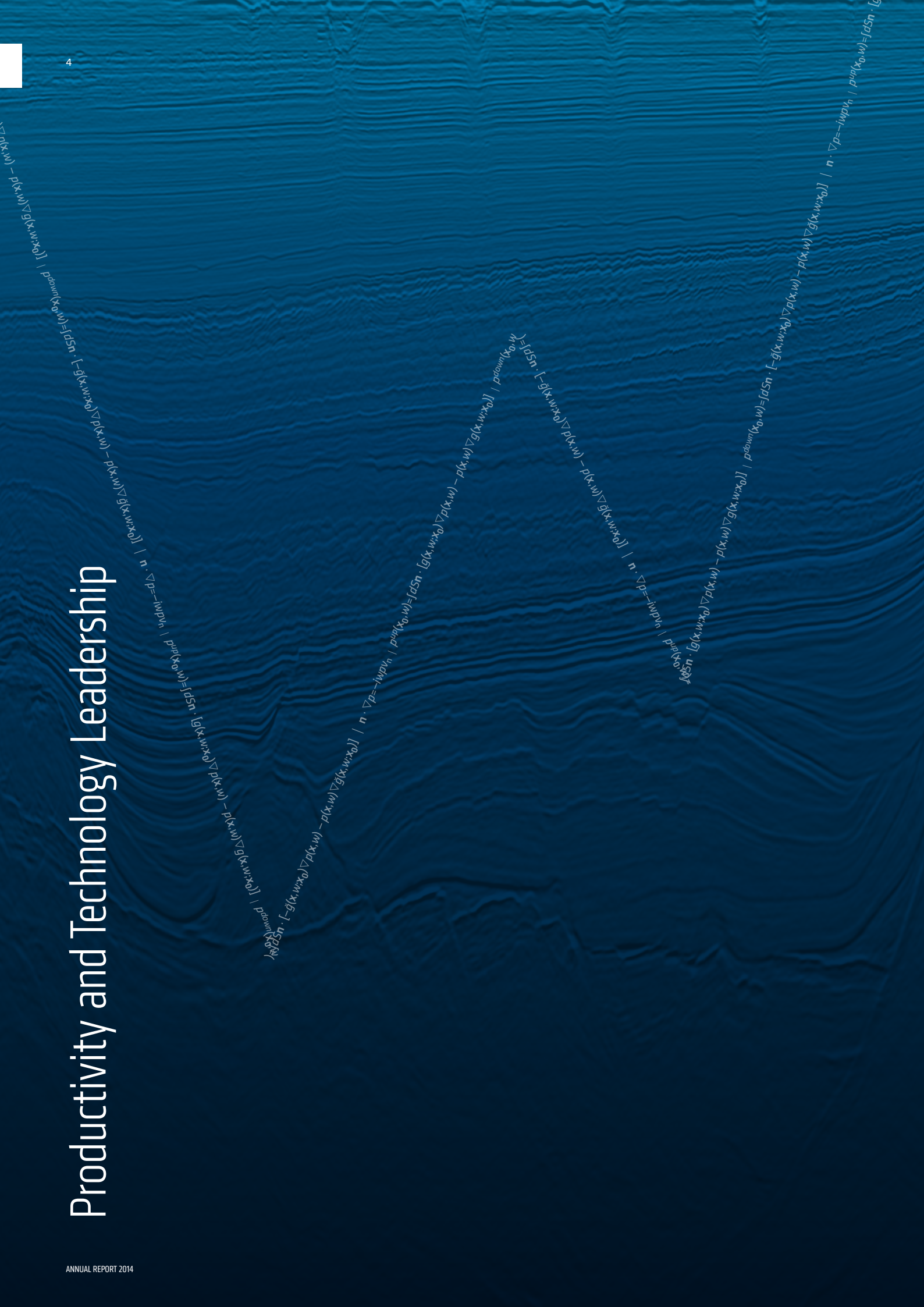
2015 Target USD 190m

2014 Actual USD 90m

PGS Revenues



Productivity and Technology Leadership



Annual Report

2014

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Letter From the CEO



Jon Erik Reinhardtsen
President & CEO

Dear Fellow Shareholder

Our financial performance in 2014 was impacted by the lower oil price, causing market conditions to be more difficult in the second half of the year. Marine contract margins and MultiClient pre-funding levels were influenced the most, while MultiClient late sales held up quite well with revenues close to record high.

The seismic market deteriorated significantly during 2014. Oil companies entered 2014 with a high focus on reducing cost and improving cash flow, a priority shift which started in 2013. This trend was accelerated in 2014 by the significant reduction of the oil price, which fell more than 50 percent from June to year-end and impacted seismic bidding, pricing and vessel utilization negatively.

Our Strategy – How to Deal with the Downturn

With 25 year's history we have gained significant experience on how to tackle the cycles of the marine seismic market. Our strategic priorities over recent years have captured these learnings. We know that decisions made when times are good will be tested when the market is weak.

The first key learning is that conservative financial gearing creates cyclical robustness. High operational gearing should not be combined with high financial gearing. The Company's debt structure is simple, comprising of four facilities with strong counter-parties, and there are no maturities before 2018. We focus on cash preservation to safeguard our ability to perform through the cycle and continue to pay dividends to shareholders; as a clear measure of our determination to maintain through cycle discipline. For 2014, the Board of Directors will propose

a dividend of NOK 0.7 per share at the upcoming annual general meeting.

Developing a focused organization that can optimize profitability by balancing Marine contract and MultiClient activities is another important contributor to reduce earnings volatility over the cycle. Since 2010 we have had an increased focus on MultiClient, leading to growth in size and profitability. Pre-funding has been at healthy levels and is targeted to be in the range of 80-120 percent of capitalized MultiClient cash investments. High pre-funding de-risks the projects and ensures a fair book value of our MultiClient library. The book value is further supported by the strong late sales we achieved in 2014.

Over the past decades we have understood the importance of staying ahead on vessel productivity. The seismic industry is asset intensive and in such an industry the lowest cash cost always wins and delivers market share leadership. There is a significant difference in productivity between the most attractive and the least attractive vessels in the seismic market. PGS' strategy for adding capacity is to build vessels with the objective of optimizing financial and operating performance over their full 25 years useful life, rather than minimizing capital expenditures.

Our ongoing new build program therefore represents investments that will bolster PGS' market differentiation. PGS' most sustainable competitive advantage is the productivity of the Ramform fleet, which will be further enhanced in 2016 when we take delivery of the two last new builds. Our remaining new build program is fully financed through export credit facilities from Japan and available liquidity resources.

Technology creates differentiation and downside protection. When competition gets tough and rates go low we have numerous examples where we have been able to up-sell GeoStreamer® and thereby improve margins. Our technology position has improved significantly over the last years and we intend to continue to harvest from our technology pipeline. The GeoStreamer imaging technology we launched in 2013 was developed further in 2014 with great success. We believe GeoStreamer imaging technology will increasingly become yet another important differentiator for the Company.

Finally, another important learning from the past is to stay focused on core business. PGS has in the past ventured into areas with significant capital commitments and low returns on the invested capital. In 2010, we finalized the sale of our Onshore (land seismic) business and became a focused marine geophysical company. A decision we are very pleased with.

We are convinced that every downturn creates opportunities, thus it is important to retain financial flexibility should opportunities arise. However, we will continue to be very cautious in the deployment of any such financial flexibility.

Mixed Financial Results – Further Strengthening of Debt Structure

MultiClient late sales revenues ended at \$309.0 million in 2014, just \$2.3 million below the record sales achieved in 2013. This confirms the attractiveness of our MultiClient library and our ability to generate solid returns on our MultiClient investments. The lower pre-funding level experienced in 2014, compared to 2013 was mainly due to the Triton MultiClient survey in the Gulf of Mexico, where we saw somewhat muted sales among clients as a result of a later mobilized overlapping survey from a competitor. Our overall MultiClient performance in 2014 demonstrated healthy demand for quality products in attractive locations, despite customers' increased focus on cost and improved cash flow.

Marine Contract's operating margin for the full year 2014 ended at 15 percent, significantly lower than the year before and reflects lower prices caused by a deteriorating market.

We amended and extended our Term Loan B and secured export credit financing for the two last Ramform Titan-class vessels in the first quarter of 2014. Optimum timing,

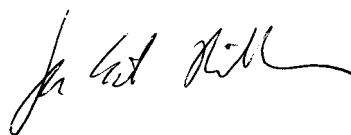
no doubt, given the increasing uncertain market conditions experienced during the year. By year-end the average time to maturity for our debt and drawing facilities has increased from approximately four years to five years with an average interest rate of 4.6 percent.

Outlook

We are in a challenging period for the seismic industry. With the lower oil price, oil companies have a cautious spending pattern. The low activity negatively impacts bidding, pricing and utilization, with low visibility in all regions. It will take time for the oil companies to restructure and adapt to a lower cost environment and we expect the weak market conditions to continue throughout 2015. Until demand starts to increase, the seismic industry has to continue to decommission capacity to balance supply with current market demand.

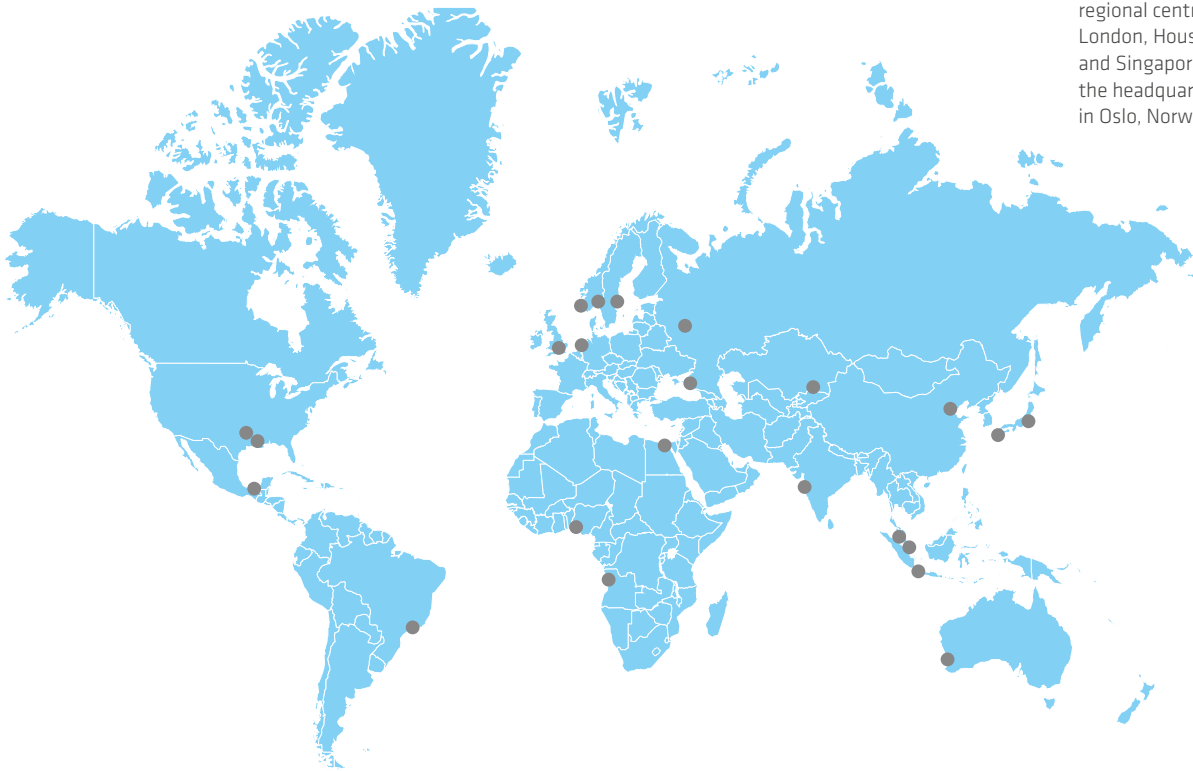
Over the last years we have positioned the Company to perform over the cycle with a solid balance sheet, MultiClient discipline and the most productive fleet in the industry. We are well placed to navigate in the current market environment.

Looking further into the future the long-term prospects for our industry are promising. Oil companies will have to continue exploring for oil and gas resources in order to meet energy demand and to reduce the oil and gas production depletion rate. PGS' excellent reputation, unique technologies and solid market share in the higher-end market segment make us an attractive contractor and partner for oil companies now and in the future.



Jon Erik Reinhardsen
President & CEO

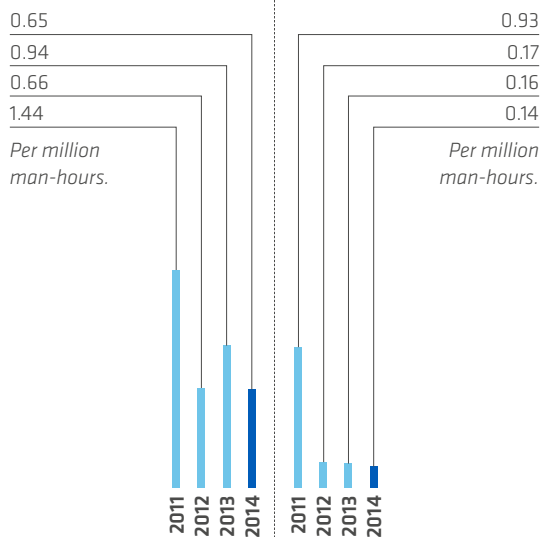
The World of PGS



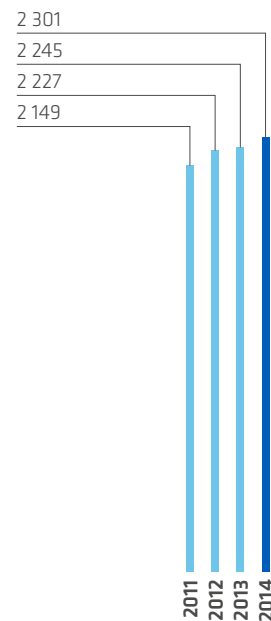
Offices

PGS has offices in 19 countries around the world and operates major regional centres in London, Houston, and Singapore, with the headquarters in Oslo, Norway.

Reduced Total Recordable Case Frequency (TRCF) Reduced Lost Time Incident Frequency (LTIF)

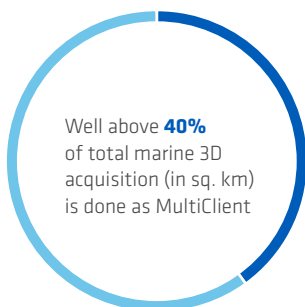


Average Number of Employees



MultiClient

Industry 3D Acquisition



The PGS 3D MultiClient library is comprised of more than 720 000 square kilometers

Coverage includes **163 172** square kilometers of GeoStreamer data

The PGS 2D MultiClient library is comprised of more than 480 000 line kilometers

Coverage includes **275 992** line kilometers of GeoStreamer data

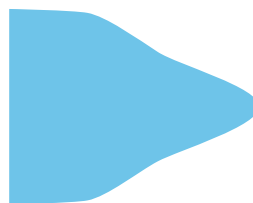
Towed Streamer EM

Barents Sea MultiClient Program

10 500 line kilometers – acquired

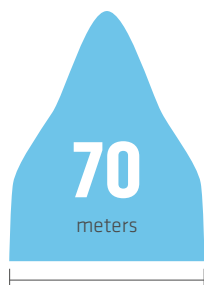
100 days – duration of survey

8 400 meter – cable length

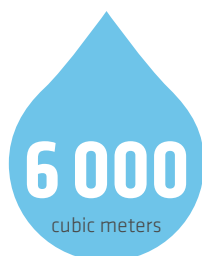


Ramform Titan-class

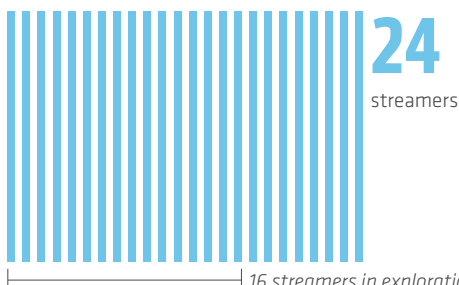
Aft Beam



Fuel Capacity



Towing Capacity



16 streamers in exploration mode with 100 meter streamer separation

Competitive Advantages

PGS' two foremost competitive advantages are the Ramform fleet and the proprietary GeoStreamer technology platform. The Ramform vessels deliver proven operational capabilities and superior efficiency and deploy state-of-the-art technologies.

PGS holds the industry record for vessels that tow and handle the greatest number of streamers. Fleet efficiency continued to improve in 2014 as the Ramform Atlas was delivered in Q1. In 2016, two more Ramform Titan-class vessels are scheduled for delivery, the Ramform Tethys and the Ramform Hyperion.

The Company's most prominent technology differentiator is the dual-sensor streamer technology – GeoStreamer. Benefits of the GeoStreamer, compared to a conventional survey streamer, are higher resolution, better depth imaging, and superior operational efficiency. GeoStreamer improves the seismic value chain, from acquisition through processing.

Business Areas

Marine Contract



Marine Market Leadership

Marine Contract delivers acquisition of proprietary seismic data to oil and gas exploration and production companies.

MultiClient



Diverse MultiClient Library

MultiClient initiates and manages seismic surveys which PGS acquires, processes, markets and sells to multiple customers on a non-exclusive basis.

Operations



Productivity Leadership

Operations supports Marine Contract and MultiClient with vessel resources and manages fleet renewal strategies.

Imaging & Engineering



Technology Differentiation

Imaging and Engineering processes seismic data acquired by PGS for its MultiClient library and for external clients on contract and manages research and development activities.

The PGS History

1991

Geoteam and Precision Seismic merge to form Petroleum Geo-Services (PGS). Later the Company merged with Nopec. PGS' vision was to provide the most efficient acquisition of 3D marine seismic data.

1992

PGS was incorporated as a public limited liability company, Petroleum Geo-Services ASA, and listed on Oslo Stock Exchange.

1993

Initial public offering on NASDAQ in the United States. With the acquisition of Tensor Inc., specialists in 3D processing and depth imaging, PGS' expanded into the data processing field.

1994

Acquisition of ERC – a reservoir consultancy group.

1995

Ramform seismic vessel technology was introduced with delivery of the Ramform Explorer. From 1995 to 1999, PGS designed, built, and deployed six proprietary Ramform survey vessels and grew to become a worldwide leader in the development and industrialization of 3D marine seismic acquisition.

1997

PGS was listed on the New York Stock Exchange. PGS Production is conceived with the acquisition of Golar-Nor and the FPSOs Petrojarl I and Petrojarl Foinaven.

1998

The production services business Atlantic Power was acquired. PGS added the Ramform Banff to the fleet of FPSO vessels.

1999

A fourth FPSO, the Petrojarl Varg, was bought from Saga Petroleum.

2000

PGS sold its subsidiary Spinnaker Exploration.

2001

The Company's data management business was sold to Landmark Graphics Corporation. Ramform Victory tows the world's first 16 streamer spread.

2002

PGS bought into the Varg field in the North Sea from Norsk Hydro and Statoil and established the exploration and production company Petra. PGS completes the world's 1st commercial Multi Azimuth (MAZ) survey at Varg.

2003

PGS sold Atlantis to Sinochem. An inability to meet debt obligations made PGS to file for Chapter 11 under the US Bankruptcy code in July. PGS emerged from Chapter 11 in November the same year.

2005

Petra was sold to Talisman, and PGS became a dedicated oil services company. In December the same year a full refinancing of the Company was completed.

2006

PGS de-merged its floating production business by listing and distributing to shareholders the company Petrojarl ASA. PGS becomes a dedicated geophysical services company and announces a plan to build two Ramform S-class vessels.

2007

In 2007 PGS introduced the GeoStreamer, the first ever dual sensor streamer. The Company sells Ramform Victory to the Japanese Ministry of Economy Trade and Industry (METI). PGS acquired Arrow Seismic, MTEM and Applied Geophysical Services (AGS). The first dividend in PGS history was paid.

2008

PGS took delivery of the Ramform Sovereign and the vessel sets new industry record with deployment of 17 streamers.

2009

PGS took delivery of the Ramform Sterling and launches the imaging technology hyperBeam. Share issue of approximately 10 percent to strengthen the Company's balance sheet.

2010

PGS emerged as a focused marine geophysical company, following sale of its Onshore seismic business. PGS was reorganized into global product lines within four business areas: Marine Contract, MultiClient, Operations and Imaging & Engineering. PGS Apollo joined the fleet. Share issue of approximately 10 percent in order to position PGS for future growth.

2011

PGS orders two new Ramform Titan-class vessels from Mitsubishi Heavy Industries Ltd in Japan, with options for additionally two vessels.

2012

PGS exercised options to build another two Ramform Titan-class vessels. PGS launched its Towed EM steamer technology, made a successful installation of an OptoSeis permanent reservoir monitoring system at the Jubarte field in Brazil and launched Separated Wavefield Imaging – SWIM.

2013

PGS took delivery of the Ramform Titan, the first vessel in a series of four Ramform Titan-class ships. The company re-entered the Gulf of Mexico with acquisition of the Triton Full Azimuth GeoStreamer MultiClient survey.

2014

Ramform Atlas, the second Ramform Titan-class vessel was delivered in January. PGS further strengthened long term financing through Term Loan B extension and securing export credit financing for the last two Ramform Titan-class vessels. The Company delivered on the 2014 cost reduction program.

2015

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Executive Management

Jon Erik Reinhardtsen

President and CEO

Mr Reinhardtsen joined PGS in April 2008 as President and Chief Executive Officer. Prior to heading PGS, he was Alcoa's President, Global Primary Products Growth. At Alcoa, he was responsible for developing and implementing major primary metals and refining growth opportunities for the company worldwide. Mr Reinhardtsen joined Alcoa from Norway-based Aker Solutions ASA, an international engineering and construction contractor for the oil, gas, chemicals, petrochemicals, mining, and metal processing industries. As Group Executive Vice President for Aker Solutions based in Houston, Texas, he was responsible for all non-European contracting operations and product businesses worldwide.

Earlier in his career, Mr Reinhardtsen led Aker Maritime ASA's Global Products business and was engaged in merger and acquisition activities, new business development, marketing and sales, and investor relations. He also led Aker ASA's seismic venture Aker Geo that was later sold to CCG. In June 2009, Mr Reinhardtsen was elected to the board of directors of Cameron. He is also a member of the board of directors of Telenor ASA and Awilhelmsen AS. Mr Reinhardtsen earned a master's degree in Applied Mathematics and Geophysics from the University of Bergen, Norway. He completed the International Executive Program of the Institute for Management Development (IMD) in Lausanne, Switzerland in 1991.

Gottfred Langseth

Executive Vice President and CFO

Mr Langseth joined PGS in November 2003 and was appointed Executive Vice President and Chief Financial Officer as of January 1, 2004. He was Chief Financial Officer of the information technology company Ementor ASA from 2000 to 2003. Mr Langseth was Senior Vice President of Finance and Control at the offshore engineering and construction company Aker Maritime ASA from 1997 to 2000. Langseth worked at Arthur Andersen Norway from 1991 to 1997. Mr Langseth is a member of the board of directors of Mesta AS. Mr Langseth was certified as a Norwegian state-authorized public accountant in 1993 and holds a Master of Business Administration degree from the Norwegian School of Economics and Business Administration.

Per Arild Reksnes

Executive Vice President, Operations

Mr Reksnes was promoted to Executive Vice President in April 2010, initially to run PGS' New Ventures business area and subsequently Marine Contract. From 2007–2010, he was PGS Marine's President, EAME (Europe, Africa, Middle East) and CIS. His job titles at PGS have included President for Geoscience and Engineering, President for Technology, Vice President for Profiling and Marketing, and Vice President, Technical Marketing. Per Arild Reksnes joined PGS in 2001 from his position as Chief Professional Geophysics at Norsk Hydro. During his 16 years at Norsk Hydro, he held several geophysics and management positions. Mr Reksnes holds a Master's degree in Applied Geophysics from the University of Oslo and a Master's degree in Technology Management from MIT/NTH (Norwegian University of Science and Technology).



Sverre Strandenes

Executive Vice President, MultiClient

Mr Strandenes was appointed Executive Vice President MultiClient in May 2010. He previously had been PGS' Group President, Imaging & Engineering since November 2006. Strandenes has held several senior PGS management positions, including President, Marine Geophysical EAME Region (Europe, Africa, and Middle East). Prior to joining PGS in 1995, Mr Strandenes was the Geosciences department manager at Norsk Hydro Research Center. During his 14 years at Norsk Hydro he held several geophysics and management positions. Mr Strandenes is a board member of Azimuth Ltd, and Chairman of the Board of Norsar. Sverre Strandenes was awarded a Master of Science degree (Cand. Real) from the University of Bergen in 1981.

Magne Reiersgaard

Executive Vice President,
Marine Contract

Mr Reiersgaard joined PGS at its inception in 1990/91 and has held a number of key executive positions in the PGS Group. He has been Executive Vice President, Operations since April 2010, before becoming Executive Vice President Marine Contract in November 2014. Magne Reiersgaard's prior management roles at PGS include President, Marine Geophysical NSA Region, based in Houston; President, Marine Geophysical Asia Pacific Region, head-quartered in Singapore; and Vice President, Marine Acquisition. Prior to joining PGS, he held various management positions in the survey division of Geoteam AS. Currently on the Board of Directors of IAGC (International Association of Geophysical Contractors), he is also a board member of the not-for-profit Society of Exploration Geophysics (SEG) Foundation. Mr Reiersgaard holds an electronics degree from Agder University College, Grimstad, Norway, and a business degree from BI Norwegian School of Management.

Guillaume Cambois

Executive Vice President,
Imaging & Engineering

Mr Cambois joined PGS in 2007 as the senior advisor spearheading deployment of PGS' GeoStreamer technology. He took over as Marine Contract President, Asia-Pacific in March 2009 and in May 2010 advanced to Executive Vice President, Imaging and Engineering. During a 20-year career at the geophysical services company CGG prior to joining PGS, Guillaume Cambois held various executive management posts, such as Executive Vice President, Data Processing and Chief Technology Officer. An active member of the Society of Exploration Geophysicists, he was the Society's Vice President in 2007/2008 and is currently serving as Director at Large. Mr Cambois received his Ph.D. in Geophysics from the University of Texas at Austin.

From left to right;
Sverre Strandenes,
Guillaume Cambois,
Gottfred Langseth,
Jon Erik Reinhardsen,
Magne Reiersgaard
and Per Arild Reksnes.

Marine Contract Revenues

USD 697.8m
USD 677.5m
USD 623.5m
USD 627.0m





Marine Contract

Seismic Data under Exclusive Client Contracts

Marine Contract acquires seismic data under proprietary contracts with its customers and covers Streamer Seismic, Towed Streamer Electromagnetics and Permanent Reservoir Monitoring.

Value Proposition

Marine Contract's value proposition is to meet customers' requirements for efficient and cost-effective delivery of seismic data, offered with the highest available data quality, and delivered through safe and environmentally sound operations.

“No other fleet in the industry delivers comparable cost-effectiveness”

The Ramform Advantage

PGS has a unique advantage in being the only seismic operator to use vessels of the Ramform design. The ability to tow large, dense streamer spreads, as well as rapid streamer deployment and retrieval, are critical factors for high productivity. Measured in terms of unit production cost, no other fleet in the industry delivers comparable cost-effectiveness. The capability to complete large surveys in short time spans is a significant PGS advantage, particularly in light of the near doubling of average survey size over the last years.

The GeoStreamer Edge

PGS introduced GeoStreamer technology in 2007. Implementation on 2D vessels began in 2008, followed by the first 3D vessels in 2009. Today, the dual sensor streamer technology is recognized as the leading streamer technology among a majority of oil companies. The introduction of GeoStreamer has encouraged PGS competitors to develop a similar technology. With the early development and implementation of GeoStreamer, PGS enjoys a clear advantage in the segment for high-end data quality. Such data yields clearer subsurface images, and furnishes added information vital to analyzing the characteristics of specific reservoirs or other geological bodies.

Market Polarization Favours PGS

Larger survey size combined with an increasing focus on data quality favour PGS' Ramform fleet. The requirement for GeoStreamer quality data to image deep and complex structures also favours PGS' technology

offering. Getting the most out of GeoStreamer data demands proprietary data analysis techniques and experience, which in turn draw customers to PGS.

From an efficiency perspective, the PGS fleet will extend its competitive advantage over the coming years as the Company continues to take delivery of new Ramform Titan-class vessels with greater capabilities than the older Ramform vessels.

“PGS is the only company that can combine simultaneous EM and seismic acquisition”

Asset Light Growth Opportunities

Towed Streamer Electromagnetics (Towed Streamer EM) technology and OptoSeis are two key ventures for PGS. The Towed EM solution yields benefits such as high data quality from dense data sampling, high acquisition efficiency, real-time quality control, and on-board processing capability. PGS is the only company that can combine simultaneous EM and seismic acquisition – a solution with the potential to become the ultimate exploration tool.

OptoSeis is a fibre-optic technology which forms the backbone of PGS' system for permanent reservoir monitoring (PRM) of producing fields in the marine environment (OptoSeis Marine) and for 3D acquisition on land (OptoSeis Land). PGS has installed an OptoSeis Marine system for Petrobras on parts of the Jubarte field offshore Brazil. Delivered as a turnkey system, Jubarte's OptoSeis is the world's first PRM system installed at water depths greater than 1 000 meters.

The development of a permanent land-based fibre-optic system for 3D seismic acquisition is a joint development between Shell and PGS. The project's goal is to deliver cost-effective large 3D surveys with ultra-high channel density.

Both Towed Streamer EM and OptoSeis have significant growth potential in the future.



MultiClient

Supporting Exploration Success

MultiClient manages and licenses a world-class library of seismic data that PGS has acquired on a non-exclusive basis. The Company makes significant investments in new surveys each year, ensuring that customers have high quality, modern data to explore effectively for oil and gas.

Value Proposition

MultiClient helps oil companies achieve their exploration objectives by providing rapid access to a modern global seismic database that enables them to better understand the prospectivity of an area. Licensing MultiClient data, through a variety of commercial models, enables oil companies to screen for new exploration opportunities. As well as reducing risk and cycle times companies can optimize their decision-making, whether it is applying for blocks over frontier open acreage or near-field exploration in mature areas. PGS consequently and selectively invests in MultiClient surveys in areas which are not only prospective for oil and gas, but also have clear access routes to acreage for oil companies, for example through license rounds.

The MultiClient business area leverages the full capability of PGS' high-end seismic fleet, GeoStreamer technology and unique imaging solutions.

MultiClient's Reservoir Services organization acts in full support of MultiClient, delivering world-class expertise in geology, geophysics, and reservoir characterization. This expertise is used to identify the most prospective areas for new MultiClient surveys, as well as to apply interpretation technology to map potential hydrocarbon accumulations.

“PGS MultiClient library includes more than 160 000 square kilometers of recent GeoStreamer 3D data and more than 275 000 line kilometers of recent GeoStreamer 2D data”

PGS MultiClient Library

The MultiClient data library currently comprises individual surveys totaling more than 550 000 square kilometers of conventional 3D data and 200 000 line kilometers of conventional 2D data, all acquired by PGS. GeoStreamer is now the preferred technology for MultiClient acquisition and is used for the majority of PGS' MultiClient surveys as the Company continuously builds upon and upgrades its library. The MultiClient library currently includes more

than 160 000 square kilometers of recent GeoStreamer 3D data and more than 275 000 line kilometers of recent GeoStreamer 2D data, in addition to its conventional library.

MegaSurveys and MegaProjects

MegaSurveys and MegaProjects are well-recognized PGS MultiClient products and key business enablers for oil companies trying to get a regional understanding of the prospectivity of an area. MegaSurveys are merged 3D data sets, while MegaProjects are merged 2D and 3D data sets. These products are constructed by seamlessly combining many MultiClient surveys – both PGS data sets and those of third parties – into large, contiguous, regional volumes.

MegaSurveys and MegaProjects enable oil companies to explore, with previously unparalleled insight into the geology and hydrocarbon potential of entire basins. PGS also uses MegaSurveys and MegaProjects as a path-finding tool for developing new MultiClient projects.

PGS MegaSurveys alone now offer a total 3D coverage of more than 670 000 square kilometers. PGS has also begun to incorporate GeoStreamer data together with MegaSurvey seismic that has been reprocessed from field data to create the MegaSurveyPlus product, which by year-end 2014 comprised more than 50,000 square kilometers of 3D data worldwide.

“PGS Reservoir Services provides skills that are integral to positioning and profiling PGS' MultiClient projects and vital to PGS' Imaging business”

Geological and Reservoir Expertise

PGS Reservoir Services provides skills that are integral to positioning and profiling PGS' MultiClient projects and vital to PGS' Imaging business. Reservoir Services personnel are experts in sub-surface interpretation and reservoir characterization.

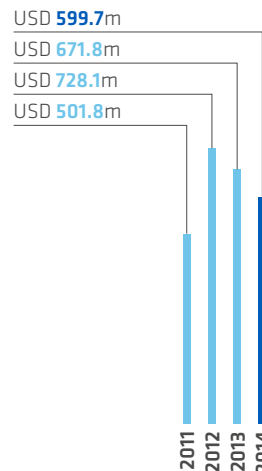
Reservoir teams produce interpretation products and services, including exploration play studies and inversion volumes that complement PGS' MultiClient services and enhance the value of PGS data sets. Through these projects, PGS has gained extensive knowledge about petroleum basins around the globe and enhanced the Company's ability to accurately assess the variety of sub-surface risks a client faces.

To meet the oil industry's growing demand for enhanced oil recovery and improved reservoir understanding, PGS is investing in state-of-the-art reservoir characterization skills and technologies. The Company's reservoir-focused services help clients to better image reservoirs, quantify reservoirs and fluid properties and, ultimately, improve drilling success.

Providing a Range of Business Models

In recent years, an increasing number of smaller-sized oil companies are pursuing business models that typically involve access to PGS' services or MultiClient library in exchange for ownership in their licenses. In order for PGS to benefit from the value creation of these equity positions while avoiding conflicts of interest, the Company has entered into an agreement with Azimuth Ltd, whereby PGS divests its direct ownership in licenses to Azimuth Ltd. PGS holds a minority ownership position in Azimuth. This arrangement provides a means for PGS to organize its equity business while remaining at arm's length from the client's core business.

MultiClient Revenues





Operations

Building Sustainable Competitive Advantages

Operations supports both Marine Contract and MultiClient with reliable and efficient seismic production services as well as resource planning and fleet strategies.

Value Proposition

PGS fleet delivers high-quality GeoStreamer 2D and 3D data safely and efficiently to the Company's customers.

“PGS aims to have best-in-class HSEQ performance”

Safety – a Cornerstone

PGS aims to have best-in-class HSEQ performance, with the ambition of zero injury to people and minimal harm to the environment. HSEQ leadership implies continuous improvement through identifying, assessing, mitigating, and managing risks affecting employees, clients, contractors, assets and the environment.

The Fleet Advantage

The PGS 3D fleet comprises nine Ramform vessels and the PGS Apollo. In addition the Company has two 2D vessels that produce high quality 2D GeoStreamer and/or EM projects for MultiClient.

The 3D vessels in PGS' fleet have the highest average towing capacity in the seismic industry. The two Ramform Titan-class vessels in operation have surpassed all expectations.

PGS leadership position on towing capacity will be further strengthened by the two next Ramform Titan-class vessels which will be delivered in Q1 and Q3 2016.

Best-in-Class Performance

Technical downtime as a percentage of total fleet time for the PGS fleet has decreased steadily over the last 20 years. Similarly, performance over the same period has improved. Performance is a measure of how well PGS utilizes the time available to acquire seismic data. The acknowledged efficiency and productivity benefits of the PGS Ramform vessels, the proprietary seismic technologies, along with the quality of PGS' personnel, make the PGS fleet industry leading.

Exploiting the GeoStreamer Benefits

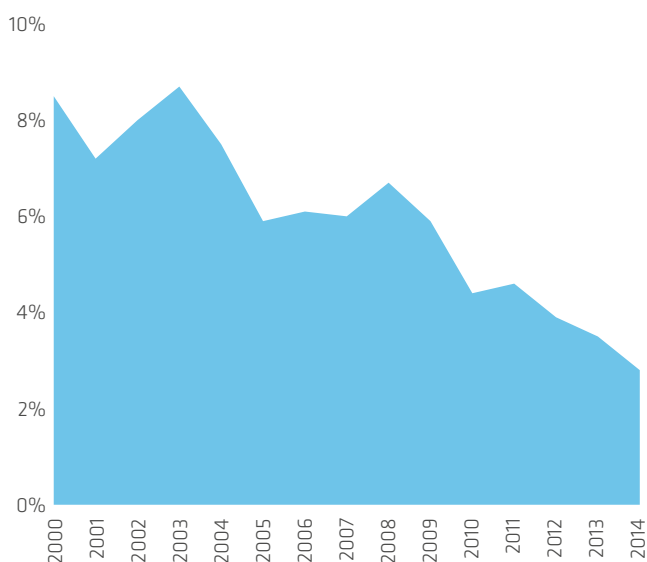
In addition to delivering superior seismic data quality, GeoStreamer significantly widens the weather window in which data acquisition can be performed. Improved operational efficiency is a clear PGS advantage and a significant contributor to increased margins, with customers benefiting from shorter cycle times. With an aft beam of the Ramform Titan-class vessels of 70 meters, 30 meters wider than the Ramform S- and V-class vessels, the back deck of a Ramform Titan-class vessel is stable enough to operate in harsh environments and exploit the full potential of the improved weather window created by the GeoStreamer technology.

“GeoStreamer significantly widens the weather window”

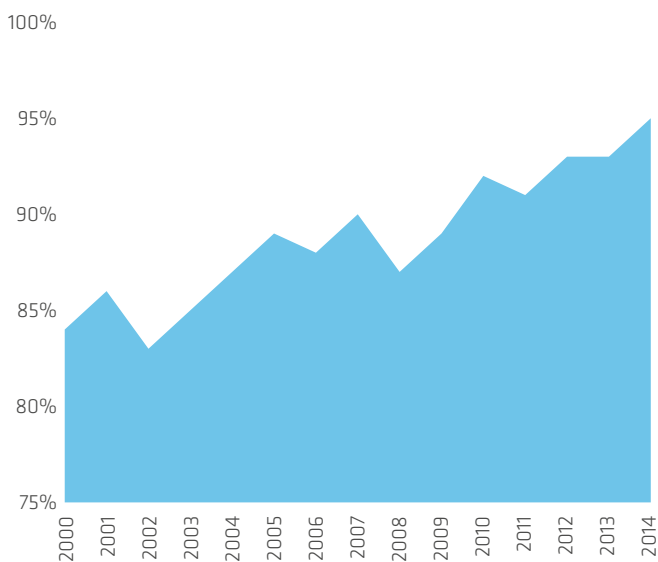
GeoStreamer Roll-out

GeoStreamer is a proprietary, dual sensor streamer technology unique to PGS. Demand for GeoStreamer acquisition has surpassed all projections. GeoStreamer technology was launched in 2007 and quickly gained widespread acceptance among oil companies. PGS rolled out the new streamer technology on 2D vessels in 2008 to prove its benefits to customers. In 2009, PGS extended the roll-out to 3D operations, and the Atlantic Explorer was the first 3D vessel to have the new streamer technology installed. In late 2009, Ramform Challenger was equipped with GeoStreamer to become the Company's first high-capacity Ramform vessel to deploy the advanced streamer technology. Survey and vessel performance have been excellent since the conversion to GeoStreamer. Since then, PGS has equipped all its vessels with Geostreamers, except the Ramform Sterling, which is scheduled to be upgraded at the next opportunity.

Total Downtime – The Time PGS is Not Able to Acquire Seismic



Performance – Actual Production of Seismic in % of Available Production Time



“We will only add capacity when differentiation can be achieved over a substantial part of the useful life of the vessel, offering the prospect of a satisfactory and sustained return”





Imaging & Engineering

Science and Technology in PGS

The Imaging department provides a full range of advanced imaging and reservoir-related processing services to a global exploration and production customer base and to the PGS MultiClient business. The Engineering department constitutes the PGS R&D centre.

Value Proposition

PGS provides marine geophysical solutions that enable faster hydrocarbon discovery and recovery with less risk. This applies to data acquired both for external and internal customers (PGS MultiClient). The Imaging department of the Imaging and Engineering business area focuses on delivering geophysical solutions featuring significantly improved seismic imaging and characterization. The Engineering department develops geophysical technologies and services that enhance PGS' leadership position in operational efficiency and differentiate PGS strong service capabilities for identification and characterization of complex reservoirs.

GeoStreamer Advantage

PGS reduces risk for clients in their quest for hydrocarbons in offshore areas. A key success factor is the dual-sensor GeoStreamer technology. An entirely new arena of seismic imaging solutions has also been enabled by GeoStreamer, namely, the ability to construct subsurface seismic images using multiples. Furthermore, the elimination of dynamic sea-state effects upon the seismic images removes many noise modes confronting high-accuracy reservoir monitoring during reservoir depletion, and improves operational windows during rougher weather. GeoStreamer has also proven to be the preferred platform for prediction of reservoir rock and fluid distributions.

“The GeoStreamer platform delivers a range of previously unrealized opportunities for better reservoir interpretation and characterization”

Imaging Department

Growth within the PGS Imaging department is attributed to proprietary GeoStreamer processing and best-in-class imaging tools. The GeoStreamer platform delivers a range of previously unrealized opportunities for better reservoir interpretation and characterization, and the Imaging department has consequently developed several state-of-

the-art products that PGS and clients consider competitive advantages. These technologies include the Separated Wavefield Imaging (SWIM) and Complete Wavefield Imaging (CWI) technologies that exploit surface multiple wavefields as well as primary reflection wavefields. High-end imaging technology has generated higher quality products and shortened cycle times. PGS' robust visualization tools have enhanced customers' target interpretation, characterization, and decision-making processes.

Engineering Department

The Engineering department comprises PGS's research and development (R&D) activities. Projects span a diverse range of development and support functions for marine seismic acquisition and other PGS commercial services. Technologies also include PGS' Towed Streamer Electromagnetic (Towed Streamer EM) technology and several innovative technologies not yet commercialized.

“New technologies that provide the right solutions to address the geophysical challenges facing a diverse customer base are a priority for PGS' Engineering department”

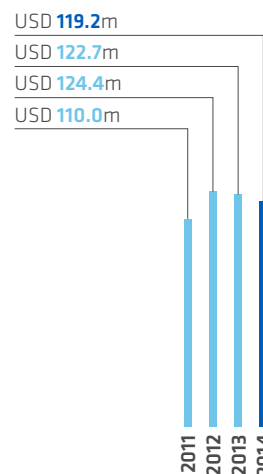
PGS has major R&D offices in the United States, the UK, and Norway. New technologies that provide the right solutions to address the geophysical challenges facing a diverse customer base are a priority for PGS' Engineering department. A cornerstone of PGS' technology leadership is the implementation of efficiency and productivity enhancements, including greater automation of activities where appropriate and practical. The Company focuses on reducing the exposure of people and the environment to potential hazards in all areas of activity.

Intellectual Property

Intellectual Property PGS' patents, trademarks, service marks, copyrights, and licenses protect its proprietary technology. PGS's intellectual property includes the

Ramform™ seismic vessels as well as the acclaimed GeoStreamer®, GeoSource®, OptoSeis®, HD3D® and hyperBeam® technology suites. These intellectual property rights collectively represent a material business asset. As of December 31, 2014, PGS held 454 patents granted under the laws of the U.S., the UK, and Norway – an increase of 54 new patents in these jurisdictions in 2014. Additional patent-protected innovations help reinforce and preserve the competitive advantages achieved by PGS through technological differentiators.

External Imaging Revenues



2.4 million PGS shares were traded daily on the Oslo Stock Exchange in 2014

The PGS Share

The PGS share has its primary listing on the Oslo Stock Exchange in Norway. In the United States, PGS' ADS are traded over the counter.

Share Facts

PGS has 217 799 997 shares outstanding, including American Depository Shares (ADS), all of which are of the same class, and carry equal voting and dividend rights. Each share has a par value of NOK 3. The ticker code for PGS at the Oslo Stock Exchange is "PGS" and the shares are denominated in Norwegian kroner (NOK). The Company's ADS are traded over the counter in the US, have the ticker code "PGSVY" and are denominated in US dollars (USD). Each ADS represents one share. An American Depository Receipt, with the acronym ADR, is the actual physical certificate confirming ADS ownership. The term ADR is often used for both the certificates and the securities themselves.

Share Price Development

2014 was a challenging year for the seismic industry. An oil price decline of approximately 50 percent in the second half of the year made oil companies' very cautious in their spending behavior, and a more muted investment level and less predictable spending pattern impacted seismic bidding, pricing and utilization negatively. This was reflected in the share price development of PGS, and during 2014 it declined 41 percent. Other European seismic shares also generally performed poorly.

On average, approximately 2.4 million PGS shares were traded daily on the Oslo Stock Exchange in 2014.

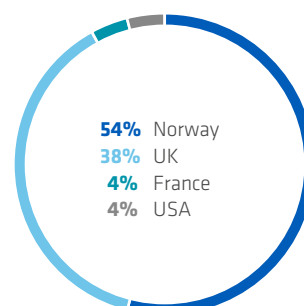
The liquidity of PGS' ADS is significantly lower; the average daily ADS trading volume was approximately 36 597 shares in 2014.

Shareholders

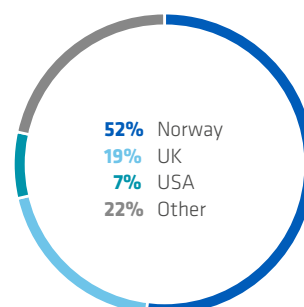
PGS had 5 343 shareholders on record as of December 31, 2014, according to the Norwegian Central Securities Depository (VPS). By year-end 2014 non-Norwegian investors owned approximately 48 percent of the outstanding PGS shares. In 2014, non-Norwegian ownership decreased by approximately 15 percentage points, compared to the shareholder structure as of year-end 2013. The decline was mainly driven by US-based investors decreasing their holdings from 21 percent to seven percent. Holdings among UK-based investors partially offset the US decline, and increased from approximately 13 percent to almost 20 percent. Holdings of other non-Norwegian shareholders, mainly domiciled in Europe, declined from approximately 30 percent to 21 percent.

PGS has a diverse shareholder base in which all the most commonly practiced investment strategies are present. Investors focusing on Value account for approximately 30 percent of shareholders. Investors with focus on Growth and Growth At a Reasonable Price (GARP) accounts for approximately 20 percent each. The more risk-seeking hedge funds constitute about three percent, and so do index investors. Shareholders with "Other" mandates, such as mixed style, venture capital funds, and private equity investors make up 23 percent. As of December 31, 2014, Ferd was the largest PGS shareholder, owning 22.0 million shares or 10.1 percent of outstanding shares.

PGS Sell-side Analyst Location



Citizenship of Shareholders



20 Largest PGS Shareholders as of December 31, 2014

Rank	Shareholder	Shares Held	Ownership in Percent
1	Ferd AS	21 997 800	10.10
2	Folketrygdfondet	16 200 830	7.44
3	The Northern Trust Co. (nominee)	15 863 113	7.28
4	Euroclear Bank (nominee)	13 244 611	6.08
5	Verdipapirfondet DNB Norge	8 585 670	3.94
6	Clearstream Banking (nominee)	6 087 714	2.80
7	Odin Norge	5 729 886	2.63
8	Verdipapirfondet DNB Norge Selektiv	4 084 746	1.88
9	Elo Mutual Pension Insurance Co	3 720 000	1.71
10	Petroleum Geo-Services ASA	3 685 019	1.69
11	Deutsche Bank Trust Co. Americas (nominee) ¹	3 305 690	1.52
12	Statoil Pensjon	3 147 724	1.45
13	State Street Bank and Trust Co. (nominee)	2 684 737	1.23
14	The Bank of New York Mellon (nominee)	2 486 115	1.14
15	J.P. Morgan Chase Bank (nominee)	2 367 646	1.09
16	DNB Livsforsikring ASA	2 159 861	0.99
17	Deutsche Bank AG	2 153 391	0.99
18	The Bank of New York Mellon	2 124 676	0.98
19	KLP Aksje Norge	2 095 016	0.96
20	Fondfinans Spar	2 000 000	0.92
	Other shareholders	94 075 752	43.19
Total		217 799 997	100.00

Source: Shareholdings according to The Norwegian Central Securities Depository (VPS). Actual beneficiary shareholding may be different.

¹) The beneficial owners of American Depository Shares held by depositaries are not disclosed in the above table due to depository agreement terms.

Distribution of Information and IR Activities

All Company information considered material to the capital markets is published via the Oslo Stock Exchange's news service: www.newsweb.no, and posted on the Company's website: www.pgs.com. PGS holds public presentations and arranges conference calls and webcasts in connection with quarterly earnings releases. The Company hosts an annual Capital Markets Day presentation for the investment community, and management regularly meets with investors and participates at investor conferences.

Treasury Shares

PGS is authorized to purchase up to 10 percent of its own share capital. The authorization was made by the Company's 2014 Annual General Meeting and remains valid for one year following its date of registration with the Norwegian Register of Business Enterprises. As of December 31, 2014, the Company held 3,685,019 own shares, equal to 1.69 percent of total shares outstanding.

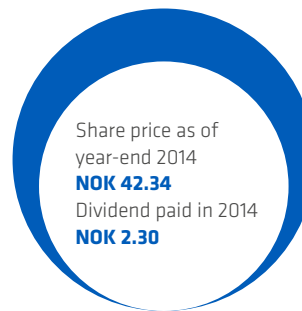
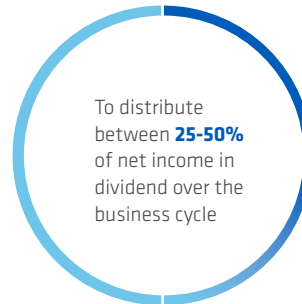
Analyst Coverage

As of December 31, 2014, there were 26 sell-side analysts covering PGS on a regular basis, with market updates and estimates of PGS' financial results. Of these, ten are based in the UK, one in France, one in the US, and the rest in Norway. An updated list of analyst coverage is published on the Company's website: www.pgs.com.

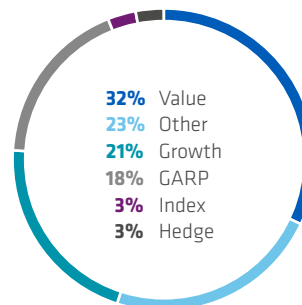
Dividend

PGS implemented its dividend policy in 2011. PGS' dividend policy is to distribute between 25 to 50 percent of net income over the business cycle, and is a testament of the Company's commitment to deliver cash returns to shareholders. The Board of Directors expects to propose to the 2015 Annual General Meeting a dividend of NOK 0.70 per share for the 2014 financial year.

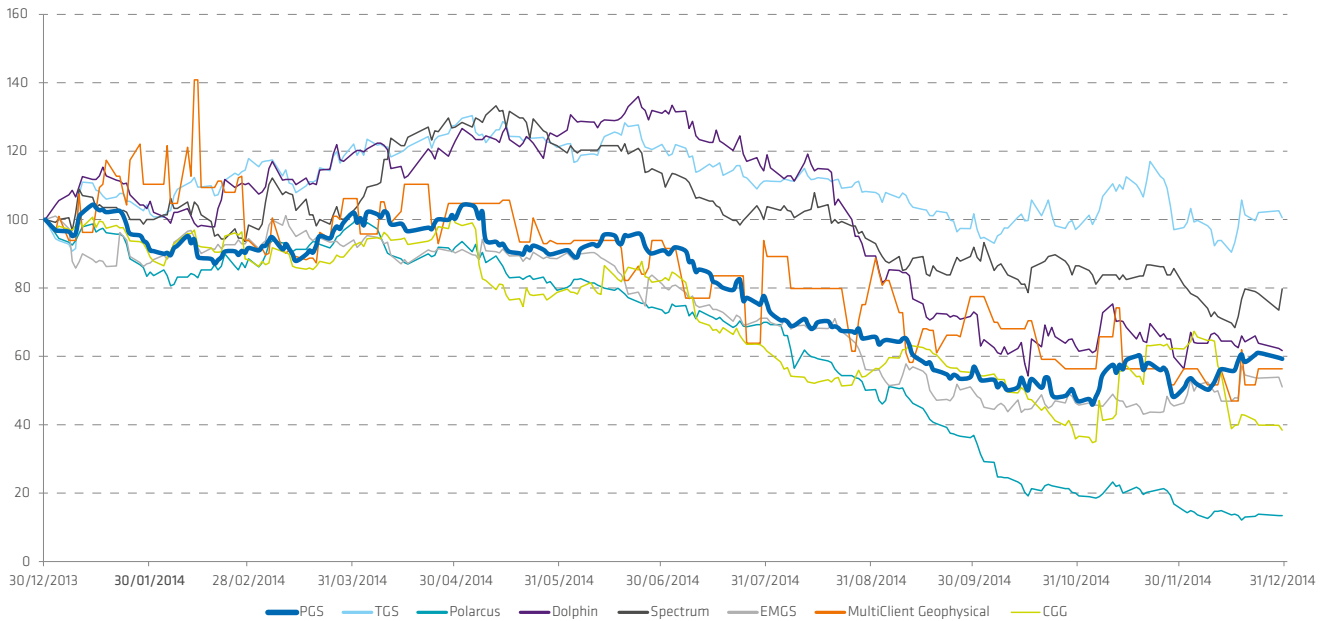
Dividend Policy



Composition of Investor Strategies



PGS Share Price Performance During 2014 Relative to Peers



2015 Annual General Meeting

PGS' 2015 Annual General Meeting is scheduled for May 13, 2015 at 15:00 CET at the Company's headquarters at Lilleakerveien 4C, 0216 Oslo, Norway. Each PGS share is entitled to one vote. Please note that Norwegian regulations stipulate that shares must be registered in the name of a specific owner in order for that person (or duly authorized agent) to be allowed to vote. Shareholders who wish to attend the Annual General Meeting are requested to pre-register via the Company's registrar. The registrar's contact information is as follows:

DNB Bank ASA

Registrar Services
PO Box 1600 Sentrum
NO-0021 Oslo, Norway
Phone: +4723268021
Email: kua@dnb.no

Owners of American Depository Shares can vote by surrendering their shares to the ADS depository bank, Deutsche Bank, so that title to the shares in question is appropriately recorded in the share register maintained by Norway's VPS prior to the meeting date.

Contact Information for ADS Shareholders

The depository bank for PGS' ADS shares is Deutsche Bank; the contact information is as follows:

Deutsche Bank Shareholder Services
American Stock Transfer & Trust Company
6201 15th Avenue Brooklyn, NY 11219, USA
E-mail: DB@amstock.com
Toll-free number: +1 800 937 5449
Direct Dial: +1 718 921 8124

Corporate Debt Rating

PGS is rated 'B+' by Standard and Poor's and 'Ba2' by Moody's Investor Service. In 2011, the Company issued USD 300 million of Senior Notes with seven years maturity, and in 2012 an add-on of USD 150 million aggregate principal amount was placed at 107.5 percent of par. Both Standard and Poor's and Moody's Investor Service awarded the notes the same rating they had applied at the corporate level. The same ratings are also assigned to PGS' corporate secured debt facility, which includes the Term Loan B and the Revolving Credit Facility.

Corporate Governance

Petroleum Geo-Services is committed to maintaining high standards of corporate governance. We believe that effective corporate governance is essential to our Company's success and establishes the framework by which we conduct ourselves in delivering services to our customers and creating value for our shareholders.

Petroleum Geo-Services ASA is registered in Norway as a public limited liability company, and our corporate governance model is based on Norwegian corporate law and the Norwegian Code of Practice for Corporate Governance (the NUES Recommendations). To the extent practicable, PGS adheres to requirements applicable to registrants of foreign securities in the United States, where our American Depositary Shares (ADS) are publicly traded. We have also implemented corporate governance guidelines particularly suited to our Company and the industry in which we operate.

The Norwegian Public Limited Liability Companies Act section 5-6 (4) requires that the Annual General Meeting (AGM) approves the statement of Corporate Governance. Consequently, this report will be presented to the General Meeting on May 13, 2015.

Our corporate governance principles, which have been adopted by our Board of Directors, are summarized below. Our website provides full versions of our basic corporate governance documents and an overview of our governance structure. These items include the Company's Articles of Association, the Board of Directors' Rules of Procedure, and the charters for the Company's Audit Committee, Remuneration and Corporate Governance Committee, and Nomination Committee. The documents can be downloaded from our website: www.pgs.com.

In accordance with the Norwegian Accounting Act section 3-3b, PGS is required to give a statement of our corporate governance in the Board of Directors report. In the Board of Directors report we refer to this document.

1. Code of Conduct, Core Values and Corporate Responsibility

We have adopted a Code of Conduct that reflects our commitment to our shareholders, customers, and employees to carry out our business with the utmost integrity. Our Code of Conduct and Core Values are available in full on our website: www.pgs.com.

At the heart of our Core Values is also a serious approach to Corporate Responsibility. We have built our framework for Corporate Responsibility around four key areas: People, Environment, Conduct, and Stakeholders.

For a further description, see our Corporate Responsibility Report, which is available at www.pgs.com.

2. Business

PGS 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. The Company operates on a worldwide basis with headquarters in Oslo, Norway.

Our business purpose, as presented in the Company's Articles of Association, is as follows:

"The business of the Company is to provide services to and participate and invest in energy related businesses."

Our business operations and the goals and strategies for our business areas are presented in greater detail on pages 14-21 and 36-44 of the annual report.

3. Equity and Dividends

Shareholders' equity as of December 31, 2014 was \$1 901.6 million, corresponding to 53 percent of total assets. The Board of Directors believes that the Company's net interest-bearing debt should be at moderate levels. The current guideline is to plan for a net interest-bearing debt that should not exceed two times annual EBITDA in the weak part of a business cycle and not exceed one times annual EBITDA at the peak of the cycle. The current net interest-bearing debt of \$1 048.0 million is within this range, and the Company's funding and equity positions are considered satisfactory by the Board of Directors. The Board continually monitors the adequacy of the Company's equity in light of its objectives, strategy, and risk profile.

The Board of Directors has adopted a dividend policy whereby it is the intention to distribute 25 to 50 percent of net income as dividends over the business cycle. The Board of Directors has no authorization to distribute dividend. Any dividend is decided by the AGM after a proposal from the Board of Directors.

The Board of Directors is authorized to buy back up to 10 percent of the Company's share capital (treasury shares). The current authorization expires on June 30, 2015. However,

a new authorization will, in line with past practice, be proposed at the next AGM.

It has been an ongoing practice of PGS shareholders to grant limited authorizations to the Board of Directors permitting it to increase the Company's share capital and/or issue convertible loans for certain defined purposes. The current authorizations expire on June 30, 2015, but new authorizations will be proposed at the next AGM.

Separate General Meeting votes are held for (a) authorizations to increase the share capital related to employee stock option programs, (b) authorizations to increase the share capital for other purposes, (c) authorization to issue convertible loans and (d) authorization to acquire treasury shares. When a proposed authorization encompasses share capital increases and/or the issuance of convertible loans and/or acquisition of treasury shares for various purposes, the Company does not find it practical to hold separate votes on each proposed purpose.

4. Equal Treatment of Shareholders and Transactions with Close Associates

PGS has a single share class and all shares carry the same rights. At our General Meetings, each share carries one vote. Our Board of Directors is committed to equal treatment of shareholders in all respects.

When applicable, transactions involving the Company's own shares should be carried out through a stock exchange, or at prevailing stock-exchange prices if carried out in an alternative manner.

Transactions between the Company and shareholders, a shareholder's parent company, members of the Board of Directors, executive officers, or close associates of any such party (referred to as "Close Associates") shall be conducted at arm's length and at market terms. Material transactions with Close Associates will be subject to independent valuation by third parties. According to PGS' Code of Conduct, our employees shall not have any personal or financial interest that might conflict with those of PGS nor influence, or appear to influence judgments or actions in carrying out their responsibilities on behalf of the Company. According to our Rules of Procedure, a member of our Board of Directors may not participate in discussions or decision-making as to issues in which the director or any person closely associated with the director has a material personal or financial interest. The Code of Conduct and Rules of Procedure are available on our website: www.pgs.com.

5. Freely Transferable Shares

The Company's shares are freely transferable.

6. General Meetings

Through participation in General Meetings, our shareholders exercise ultimate authority over the Company and elect the members of its Board of Directors and the chairperson of the Board of Directors.

Pursuant to PGS' Articles of Association, the notice of an AGM is distributed at least four weeks in advance of the meeting to shareholders or their depository banks. For ADS holders, the record date for notice-distribution purposes is set at approximately five weeks prior to the AGM. A copy of the call notice with appendices will be posted on our website: www.pgs.com.

Notices convening Extraordinary General Meetings (EGM) must be distributed at least two weeks ahead of the meeting. The Board of Directors is to call shareholders to an EGM upon a written demand by the Company's independent auditor or shareholders representing at least five percent of the share capital, or for other purposes.

Shareholders who wish to attend a General Meeting must notify the Company's registrar or PGS by the deadline stated in the meeting notice, which must be at least two working days before the General Meeting.

According to the Company's Articles of Association, documents to be considered at the General Meeting may be published on our website. The same applies to documents that, due to statutory requirements must be attached to, or included in the notice calling the General Meeting. If the documents are published in such a manner, the statutory requirements for distribution shall not apply. Nevertheless, shareholders are entitled to request that documents to be considered by the General Meeting be sent to them via regular mail.

To vote at General Meetings, in person or by proxy, a shareholder must be registered with the Norwegian Central Securities Depository (VPS). Holders of American Depositary Shares (ADS) may vote according to the underlying shares by: (a) having the underlying shares transferred to an account with the Norwegian Central Securities Depository in the name of the holder, (b) attending the meeting as a shareholder by providing their name and address and a confirmation from Deutsche Bank, depository for the ADS, to the effect that they are the beneficial owner of the underlying shares, or (c) authorizing Deutsche Bank to vote the ADS on their behalf in accordance with specific guidelines.

An owner with shares registered through a custodian has voting rights equivalent to the number of shares covered by the custodial arrangement, provided that the owner of the shares, within two working days ahead of the General Meeting, provides PGS with his or her name and address

According to PGS' Articles of Association, our Board of Directors shall have from three to thirteen directors

together with written confirmation from the custodian to the effect that he or she is the beneficial owner of the shares held in custody.

Written and/or electronic voting in accordance with the Norwegian Public Limited Liability Companies Act, section 5-8b, shall be allowed for meetings where such method of voting is arranged by the Board of Directors.

All directors generally attend the AGM together with the chairperson of the Nomination Committee and the auditor. In accordance with our Articles of Association, the chairperson of the Board of Directors chairs General Meetings. This is a deviation from the NUES Recommendation (identified below) No. 6 for making arrangements to ensure an independent chairperson for the General Meetings. The reason for this deviation is that the Company has found this more practical and that PGS wishes to ensure that General Meetings are chaired by a competent person having proper insight into PGS' overall operations.

7. Nomination Committee

According to our Articles of Association, the Company has a Nomination Committee comprised of three members to be elected by our shareholders at the AGM. The majority of Nomination Committee members shall qualify as independent parties, pursuant to the Norwegian Code of Practice for Corporate Governance. The term of service shall be two years unless the General Meeting determines that the period shall be shorter.

The Nomination Committee's main responsibilities, which are set out in its charter, are to propose nominees for election as members and chairperson of the Board of Directors and the Nomination Committee. Further, the Committee proposes remuneration to be paid to members of the Board of Directors and Nomination Committee. Remuneration is approved by the General Meeting. Annually, the Nomination Committee produces a written report containing its nominations and proposals, which is distributed in advance of each AGM.

Once a year, the Nomination Committee meets with each director individually and discusses how the Board and its committees function and whether there is a need for changes to the Board. The Nomination Committee also keeps contact with shareholders and the Chief Executive Officer as part of its work.

Current Nomination Committee

The current Nomination Committee comprises Roger O'Neil (chairperson), C. Maury Devine, and Hanne Harlem. All three were re-elected at the AGM held May 8, 2014 for a service period ending with the 2015 AGM.

Shareholders who wish to propose new Board members or new members of the Nomination Committee may do so by submitting a candidate's name to PGS' investor relations staff

via the Company's website: www.pgs.com by following the link, "Nominate a Board Member." The deadline for submissions each year is the end of February. Alternatively, candidates can be proposed by letter to PGS or via email to: ir@pgs.com. PGS does not employ any Nomination Committee members and none are members of the Board of Directors.

In 2014, the Nomination Committee held four meetings. The Nomination Committee's report on its work and recommendations will be distributed with the notice of the 2015 AGM.

8. Board of Directors – Composition and Independence

According to PGS' Articles of Association, our Board of Directors shall have from three to thirteen directors. The period of service for members of the Board of Directors shall be one year.

The Board has adopted its own Rules of Procedure that establish in more detail its roles and responsibilities, including:

- Directors' qualifications
- Requirement that a majority of the Board, a majority of the members of the Remuneration and Corporate Governance Committee, and all members of the Audit Committee are considered to be independent directors
- Annual review and determination of the independence of each director.

The composition of the Board of Directors is a reflection of the Company's commitment to protect the common interests of all shareholders and the Company's need for expertise, capacity, and diversity.

All directors are independent of the Company's management. All directors are also per December 31, 2014, independent of our major business relations and major shareholders. The Board of Directors has considered whether Walter Qvam, who was appointed to the Board of Directors in November 2013, can be considered independent as he is the Chief Executive Officer of Kongsberg Gruppen ASA. Kongsberg Gruppen ASA, through its subsidiaries, is a provider of various services and equipment to PGS. However, this activity is not significant for either of the two companies involved, and PGS' Board has concluded that Mr Qvam is to be regarded as independent of the Company. No member of our Board of Directors may be an executive of PGS. Directors are not permitted to perform paid consultancy work for PGS. Five board members, directly or indirectly, own PGS shares.

Shareholders and other interested parties may communicate directly with our independent directors by written correspondence addressed to Petroleum Geo-Services, Board of Directors (Independent Members), Secretary of the Board of Directors or to the Company's General Counsel Rune

Olav Pedersen, PO Box 251, NO-0216 Oslo, Norway. Further, our website: www.pgs.com invites shareholders wishing to discuss corporate governance or corporate responsibility matters to contact Mr Pedersen by phone or arrange a meeting with him.

Current Board of Directors

As of December 31, 2014, the Board of Directors comprised eight shareholder representatives. Current board members are presented on the Company's website: www.pgs.com and in this annual report.

9. The Work of the Board of Directors

In accordance with Norwegian corporate law, our Board of Directors has overall responsibility for management of the Company, while the Company's Chief Executive Officer (CEO) is responsible for day-to-day management.

The Board of Directors provides oversight of the CEO's day-to-day management and company activities in general. The Board of Directors is also responsible for ensuring that appropriate management, guidelines, and control systems are in place and are followed. The CEO, as agreed with the chairperson of the Board of Directors, annually submits a schedule for the meetings of the Board of Directors in the upcoming calendar year. The schedule is subject to Board approval. In 2014, the Board of Directors held ten meetings including conference calls. During 2014, all directors participated in all meetings and conference calls, with the exception of one director who missed one meeting and three directors who missed one conference call.

Key elements of the Rules of Procedure cover the Board of Directors' responsibilities to determine the Company's financial targets, set strategies along with the CEO and executive committees, and approve business plans, budgets, and budgetary and risk frameworks. In its supervision of the Company's business activities, the Board of Directors will seek to ensure that satisfactory procedures are in place for monitoring and follow-up of Board-approved corporate principles and guidelines covering areas such as ethical conduct; adherence to laws, rules, and regulations; health, safety and environment; and corporate social responsibility.

The Rules of Procedure also require an annual self-evaluation to determine whether the Board of Directors and its committees are functioning effectively. The annual self-evaluation is prepared and facilitated by the Remuneration and Corporate Governance Committee. An anonymous survey is carried out and the findings are discussed by the Board of Directors. The survey's findings are made available to the Nomination Committee. The Chairperson of the Nomination Committee also shares with the Board relevant information for improvement of Board processes that may come up in their annual interviews with individual directors.

Each scheduled Board of Directors meeting includes a separate session at which issues may be discussed without the presence of management.

The tasks and duties of the CEO vis-à-vis the Company's Board of Directors are also outlined in the Rules of Procedure, along with the tasks and duties of the chairperson of the Board of Directors. The CEO participates in all board meetings other than closed sessions. The Board of Directors elects a vice chairperson to chair board meetings in the chairperson's absence. The full text of the Board of Directors' Rules of Procedure is available at: www.pgs.com.

Our governance structure is organized as described below.

Our Board of Directors is responsible for the supervision of our business activities. The Board has established an Audit Committee and a Remuneration and Corporate Governance Committee to assist in organizing and carrying out its responsibilities.

Board responsibilities include:

- The Board of Directors appoints the Company's CEO
- The Board of Directors, along with the CEO, is committed to operating PGS in an effective and ethical manner in order to create value for the Company's shareholders. Our Code of Conduct requires management to maintain an awareness of the risks involved in carrying out our business strategies. Personal interests must not override or conflict with the interests of PGS.

The responsibilities of the CEO include:

- Day-to-day management of company activities
- Organizing PGS' Executive Committees and the Disclosure Committee to further assist the CEO
- The CEO, under the guidance and supervision of the Board of Directors and the Audit Committee, is responsible for ensuring that the Company's financial statements in all material respects, fairly present the Company's financial condition and the results of its operations. Timely disclosure of issues to the Board of Directors is also essential to the assessment of the Company's financial condition, business performance and risks.

Board of Directors Committees

Our Audit Committee comprises board members Harald Norvik (chairperson), Carol Bell, Daniel J. Piette, and Anne Grethe Dalane. All committee members are considered independent of the Company. The committee's functions are to assist the Board of Directors in its supervision of the integrity of PGS' financial statements; to monitor the independent auditor's qualifications, independence and performance; to monitor the performance of the internal audit function; and to promote and review compliance with laws and regulatory requirements.

PGS' Remuneration and Corporate Governance Committee comprises board members Holly Van Deursen (chairperson), Ingar Skaug, and Walter Qvam. The function of the committee is to assist in matters relating to compensation, benefits, and perquisites of the CEO and other senior executives. Review and modification of the Company's guidelines for good corporate governance are also committee responsibilities.

10. Risk Management and Internal Control

The Board of Directors is responsible for ensuring that appropriate guidelines, monitoring, and internal control systems are in place. These are to include embedding risk management, designating risk ownership, and implementing risk responses and controls.

The Board of Directors has systems in place to assess that the CEO exercises appropriate and effective management. The Board of Directors' Audit Committee assesses the integrity of PGS' accounts. It also inquires into, on behalf of the Board of Directors, issues related to financial review and external audit of PGS' accounts. Further, the Board of Directors and the Audit Committee supervise and verify that effective internal control systems are in place, including systems for risk management and financial reporting.

The Board of Directors and the Audit Committee take steps to ensure that the Company's internal control functions are working as intended and that necessary measures are taken to reduce extraordinary risk exposure. Furthermore, the Board of Directors makes certain that there are satisfactory routines for follow-up of principles and guidelines adopted by the Board of Directors governing ethical conduct; compliance with laws, rules and regulations; health, safety and working environment; and corporate social responsibility.

The Company's anti-corruption program includes a policy, a management statement, and procedures as to several ethical issues, periodic training, high risk area assessment and monitoring, compulsory contract wording, etc. The policy and procedures are available at www.pgs.com. The program is evaluated on a regular basis by the Audit Committee.

Management maintains and regularly reviews a risk matrix setting out the main risks for the Company. These risk factors and the Company's risk mitigating activities are subject to discussion in the Board of Directors at least once a year.

Management conducts day-to-day follow-up of financial management and reporting. Management has established a structured process to ensure that Internal Control over Financial Reporting is effective. The process includes identification and assessment of all material financial reporting risks, identifying and documenting relevant controls to address these risks, and monitoring that controls are implemented and performed. For controls that are

not operationally effective at year-end, their potential financial exposure and impact on the consolidated financial statements are evaluated.

Internal Audit Department

PGS has an Internal Audit Department reporting directly to the Audit Committee on its audit planning and audit reports. The purpose of the Internal Audit Department is to perform independent, objective assurance and consulting activities that add value and improve the Company's initiatives in financial, operational and compliance areas.

The scope of work for the Internal Audit Department includes determining whether the Company's risk management, control, and governance processes, as designed and represented by management, are adequate and well-functioning. The department has established a process for ensuring that adequate internal control-related activities are integrated into significant PGS business operations worldwide and that focus is directed towards areas of perceived high risk. Any non-conformance is systematically followed up and corrective measures are implemented and their effects monitored.

11. Remuneration of the Board of Directors and Executive Management

Remuneration of board members is not linked to performance but is based on participation in meetings and is subject to annual approval by the General Meeting. Board members shall not solicit or accept specific assignments for PGS beyond their role as Board members. Board members do not hold any PGS share options.

For details on compensation to individual board members, please see Note 28 to the financial statement of PGS.

Remuneration payable to board members will be proposed by the Nomination Committee according to its charter, and submitted to the AGM for approval.

Executive remuneration is one of the primary tasks of the Remuneration and Corporate Governance Committee. The committee annually reviews the total compensation level, the mix between fixed and performance related compensation and the mix between short, medium and long-term compensation. The Remuneration and Corporate Governance Committee has developed an annual schedule in order to ensure and facilitate a structured approach to the annual review of executive compensation. The committee has also engaged an external advisor for this work.

A specific peer group of comparable companies and an executive remuneration philosophy have been adopted. The peer group currently consists of nineteen companies from Norway, Europe, and the Americas. All companies are of comparable size and have international operations

Our **Board of Directors** is responsible for the supervision of our business activities

in the oil service sector. The external advisor collects and compiles relevant information on peer group companies. This information is used by the Remuneration and Corporate Governance Committee for benchmarking executive remuneration. The executive remuneration policy document includes certain targets and guidelines on how the Company's executives should compare to the peer group. These tools amongst others, are used by the Remuneration and Corporate Governance Committee to decide on an appropriate remuneration structure and to set appropriate total remuneration.

Compensation for the CEO adheres to the same process as that used for other executives, but is also subject to approval by the Board of Directors.

PGS currently has a compensation structure for executive managers that include a base salary, benefits such as newspaper and mobile phone subscriptions, cash bonuses, pension plans, and stock-based long-term incentive programs. Features of these programs include an absolute ceiling on performance-related remuneration and a cap on maximum gain on option programs. For further details on the compensation structure and total compensation to executive team members, see Note 28 to the financial statement of PGS.

12. Information and Communications

The Board of Directors is committed to reporting financial results and other relevant information based on openness and the requirement of equal treatment of all shareholders and securities market participants. The Company complies with relevant disclosure rules and regulations. Announcements are released through the Nasdaq OMX reporting channel and posted on the Oslo Stock Exchange's news service: www.newsweb.no. In addition, all announcements are available on the Company's website: www.pgs.com. The Company's policy of accessibility for shareholders is also presented on the Company's website.

The Company has an investor relations function to ensure that requests for information from shareholders, analysts and other interested parties are satisfied. The Company has an active investor communication program which includes senior management roadshows in connection with reporting of financial results, presentations at relevant investor conferences, and availability for one-on-one meetings. The Company hosts a Capital Markets Day presentation once a year.

The Board of Directors and the Nomination Committee send a letter to the largest shareholders once a year inviting them to join in a dialog on corporate governance and corporate responsibility matters. The letter is also posted on www.pgs.com and any shareholder may initiate

communication with the Company on these matters. During 2014, several meetings and phone conferences were conducted with shareholders under this initiative.

13. Takeover Bids

The Board of Directors has established guiding principles for how it will act in the event of a takeover bid. The Board of Directors will ensure that all shareholders are treated equally and seek to prevent disruptions to, or interference with, Company operations to the extent possible. In the event of a takeover bid, the Board of Directors will, in accordance with its overall responsibilities and good corporate governance, act in the best interest of shareholders and ensure that they are given sufficient information in the matter. If a takeover bid is made, the Board of Directors will issue a statement containing a recommendation as to whether the shareholders should accept or reject the offer, including an independent valuation of the offer. The Company's Articles of Association do not contain any restrictions, limitations, or defense mechanisms against acquisition of its shares.

14. Auditor

The Audit Committee shall support the Board of Directors in the administration and exercise of its responsibility for supervision of the work of the independent auditor, who shall keep the Board of Directors informed of all aspects of its work for PGS. This duty includes submission of an annual plan for the audit of PGS. The auditor attends all Audit Committee meetings and, at least twice a year, meets with the Audit Committee without the presence of management. In-house policies govern the use of the auditor's services. Use of the auditor for services other than the audit of PGS requires pre-approval by the Audit Committee.

The independent auditor meets with the full Board of Directors at least once a year in connection with the preparation of the annual financial statements and, at least once a year, presents a review of PGS' financial reporting and internal control procedures for financial reporting. At least once a year, the independent auditor meets with the Board of Directors without the presence of any member of the executive management.

Remuneration paid to the auditor for mandatory and other audit services will be reported to the AGM for approval.

15. Compliance with Laws, Rules, Regulations and Recommendations

As part of PGS' Business Practice outlined on www.pgs.com, PGS is inter alia committed to comply with relevant laws, rules, and regulations. In addition, PGS complies with the current recommendations set forth in the NUES Recommendations, subject only to

Board of Directors



Francis Gugen
Chairperson
Elected 2003

Mr Gugen was elected PGS Board Chairman in May 2009. Currently an energy-industry consultant and investor, he worked at Amerada Hess Corporation for 18 years, from 1982 to 2000. Mr Gugen served as Chief Executive of Amerada Hess UK from 1995 to 2000 and Amerada Hess' Chief Executive of North West Europe from 1998 to 2000. His board positions at listed companies include Board Chairman of IGas Energy Plc and Board Member of SBM Offshore NV; Mr Gugen is an IGas Energy investor. Francis Gugen is also Chairman of the Board and investor in a number of privately held companies. A UK chartered accountant, he has also worked at Arthur Andersen. As of April 10, 2015, Mr Gugen owns 30 000 PGS shares.



Harald Norvik
Vice Chairperson
Elected 2003
Audit Committee Chairperson

Mr Norvik is an independent advisor and consultant. He is Board Chairman of Aschehoug Publishing House and Board Member of ConocoPhillips, Inc., Deep Ocean Holding, and Umoe. Mr Norvik was President and Chief Executive Officer of Statoil from 1988 to 1999. From 1981 to 1988, he was Finance Director and a Member of the Executive Board of the Aker Group. Harald Norvik served as Personal Secretary to the Prime Minister of Norway and as State Secretary in the Ministry of Petroleum and Energy from 1979 to 1981. He received his Master of Science in Business from the Norwegian School of Economics and Business Administration. As of April 10, 2015, Mr Norvik owns 8 000 PGS shares.



Holly Van Deursen
Board member
Elected 2006
Remuneration and Corporate
Governance Committee Chairperson

Ms Van Deursen currently holds non-executive director positions with Petroleum Geo-Services, Bemis Company, Inc., Actuant Corporation, Capstone Turbine Corporation, and Anson Industries, Inc. She served on BP plc's Top-Forty Executive Team as Group Vice President, Petrochemicals from 2003 to 2005 and Group Vice President, Strategy from 2001 to 2003. Prior to these executive appointments, Ms Van Deursen held a variety of senior positions with BP and Amoco in Chicago, London, and Hong Kong and has served on the boards of directors of the American Chemistry Council and Amoco's joint ventures in Korea, Taiwan, and Japan. Ms Van Deursen holds a B.Sc. in Chemical Engineering from the University of Kansas and an MBA from the University of Michigan. As of April 10, 2015, Ms Van Deursen owns 2 000 PGS shares.



Daniel J. Piette
Board Member
Elected 2007
Audit Committee Member

Mr Piette is a Board Member of Headwave, Inc, a software company that offers technology for the interpretation and manipulation of upstream exploration data. He also serves on the Board of Visitors for the University of Wisconsin - Madison School of Geological Engineering. Until January of 2013, Mr Piette was the President, CEO, and Chairman of TerraSpark Geosciences, Inc, a software company that offered technology for the interpretation of seismic data. Previously, Mr Piette was President, CEO, and a Board Member of Object Reservoir. Mr Piette was President and CEO of OpenSpirit Corporation from 2003 to 2011. After receiving his B.Sc. with honors in Mining Engineering from the University of Wisconsin-Madison in 1980, he held several executive management positions in the oil and gas industry, including business unit manager for the land acquisition systems group at Input/Output, President and CEO of Bell Geospace, and Vice President and General Manager of the Asia Pacific region for Landmark Graphics. As of April 10, 2015, Mr Piette owns 10 000 PGS shares.



Carol Bell
Board Member
Elected 2009
Audit Committee Member

Dr Bell has over 30 years of experience in the energy industry, with particular expertise in investment and financing in the oil and gas sector. She is a non-executive director of Ophir Energy plc and the BlackRock Commodities Investment Trust plc (both listed in London) and two Oslo listed holding companies in the Fred Olsen Group (Ganger Rolf ASA and Bonheur ASA). She is also a director of S4C (the Welsh Language Public Service Broadcaster) and Finance Wales (the Venture Capital arm of the Welsh Government). Dr Bell has held senior positions in investment banking, including Managing Director of the Global Oil & Gas Group at Chase Manhattan Bank, Head of European Equity Research at JPMorgan and Global Head of its Oil and Gas Equity Research Team. She began her career in corporate planning and development with RTZ Oil and Gas and later worked at Charterhouse Petroleum plc. She was awarded a Ph.D in May 2005 for her research on the evolution of economic and trade relations in the Ancient Eastern Mediterranean across the Late Bronze/ Iron Age transition, and in 2006 published a book on this subject. She was educated as a scientist, earning an M.A. in Biochemistry from Cambridge University, a B.A. in Geology from the Open University, and a Ph.D. in Archaeology from University College, London. As of April 10, 2015, Dr. Bell owns 5 000 PGS shares.



Ingar Skaug
Board Member
Elected 2009
Remuneration and Corporate Governance Committee Member

Mr Skaug was Group CEO of the maritime industrial group Wilh. Wilhelmsen ASA from 2003 to 2010, after having served in several senior management positions within the group since 1990. Previously, Mr Skaug was VP and Deputy Chief Operating Officer of SAS Airlines, a position that capped nearly three decades. Mr Skaug is a Board Member of the ferry, roll-on roll-off, and logistics company DFDS AS, the travel bureau Berg-Hansen and Bery Maritime. He is also Board Chairman of Center for Creative Leadership, Ragni Invest, and Deputy Board Chairman and a member of the auditing committee of J. Lauritzen AS. In 2013 he joined Environor AS and Vectura AS as Board Chairman and ABN/AGN as Board Member. He received his MBA degree from the University of Nürnberg, Germany. As of April 10, 2015, Mr Skaug does not own any PGS shares.



Walter Qvam
Board Member
Elected 2013
Remuneration and Corporate Governance Committee Member

Mr Qvam is President and Chief Executive Officer of Kongsberg Group ASA. He has previously held leading positions in various prominent Norwegian and international businesses in a variety of fields, including oil & gas, shipping (DNV - Det Norske Veritas), IT (Cappgemini), transportation (the Norwegian State Railway) and consultancy (Gemini Consulting). Mr Qvam graduated Master of Science (M.Sc.) from the Norwegian University of Science and Technology (1979), and has also studied at INSEAD in Singapore (1985). He is Chairman of the Council of Det Norske Veritas. As of April 10, 2015, Mr Qvam does not own any PGS shares.



Anne Grethe Dalane
Board Member
Elected 2013
Audit Committee Member

Ms Dalane is a senior executive at Yara International and previously held a number of senior positions at Norsk Hydro. She is currently Business Process Owner, Sales at Yara International. Her previous experience covers a range of fields including HR as well as oil and gas. She has been Region Director Latin America and Country Manager of Argentina. Ms Dalane's background is in economics and she holds a business degree from the Norwegian School of Economics NHH. As of April 10, 2015, Anne Grethe Dalane does not own any PGS shares.

$$n \cdot \nabla p = -i\omega p v_n \mid p^{up}(x_0, w) = \int dS n \cdot [g(x, w; x_0) \nabla p(x, w) - p(x, w) \nabla g(x, w; x_0)] \mid p^{down}(x_0, w) = \int dS n \cdot [-g(x, w; x_0) \nabla p(x, w) - p(x, w) \nabla g(x, w; x_0)] \mid n \cdot \nabla p = -i\omega p v_n \mid p^{up}(x_0, w)$$

Board of Directors' Report

PGS reported weaker results in 2014 compared to 2013. The oil price decline of approximately 50 percent in the second half of the year made oil companies very cautious in their spending behavior. A more muted investment level and less predictable spending pattern impacted seismic bidding, pricing and vessel utilization negatively. PGS responded to the situation by capitalizing on the measures it had already put in place, expanding on its cost reduction program and continuing to proactively prepare for challenging times ahead.

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 is organized in four business areas: Marine Contract, MultiClient, Operations, and Imaging & Engineering (I&E).

- **Marine Contract** manages projects and customer relationships pertaining to seismic data acquired under exclusive contracts; the diversified customer base comprises a broad range of the world's independent and national oil and gas exploration and production companies.
- **MultiClient** initiates and manages projects and customer relationships pertaining to seismic data licensed on a non-exclusive basis from the Company's data library of seismic surveys. The PGS MultiClient library covers substantial areas in the major offshore hydrocarbon basins that the Company and its customers deem to have the highest potential for exploration and production, such as the North Sea, offshore West Africa, Brazil, in the Gulf of Mexico and offshore Australia.

- **Operations** supports both Marine Contract and MultiClient with reliable and efficient data acquisition by managing the Company's seismic vessels and related equipment, including fleet expansion and maintenance.
- **I&E** images seismic data acquired for PGS' MultiClient library and as a contract service to external customers. It also manages the Company's research and development activities.

2014 Business Highlights

Operating profit in 2014 decreased from the previous year. The decline reflects weaker market conditions as a result of increased cost and cash flow focus from oil companies, which started in 2013 and was further intensified with the significant fall of the oil price in the second half of 2014.

Despite challenging market conditions the Company recorded close to record high MultiClient late sales revenues. This confirms the attractiveness of the Company's MultiClient library and its ability to generate solid returns on MultiClient investments.

In January, PGS took delivery of Ramform Atlas, the second in a series of four Ramform Titan-class vessels. The Ramform Titan-class vessels are the most powerful and efficient marine seismic acquisition vessels in the world. The first vessel, the Ramform Titan, was delivered in April 2013 and both vessels have performed above expectations. The vessels are able to fully utilize the rough weather benefits of the GeoStreamer technology, and thereby further improve efficiency.

Financial flexibility remains a strategic priority for PGS. Following an increase and extension of the Revolving Credit Facility late 2013, the Company, in March 2014, amended and extended its Term Loan B facility, with new maturity in 2021. At the same time the Company secured Export Credit Financing for the two last Ramform Titan-class vessels that are still under construction. With these changes the average time to maturity of the Company's interest bearing debt and drawing facilities is increased to approximately five years, with no material maturities before 2018.

During the summer of 2014, PGS expanded on its Towed Streamer EM activities by covering all of the blocks included in the Norwegian 23rd licensing round in the Barents Sea South East area. The Towed Streamer EM MultiClient program was undertaken with industry support and the Company considers further sales potential to be significant.

In September, the Company decided to stack its two low-end vessels Pacific Explorer and Nordic Explorer. The Atlantic Explorer was permanently de-rigged from 3D operations to a 2D, source and EM acquisition vessel, one year earlier than originally planned. In the fourth quarter the Ramform Explorer was warm-stacked over the winter to reduce costs.

PGS further increased its cost reduction programs during 2014, achieving savings of approximately \$90 million compared to the cost prognosis at the start of the year; including the effect of stacking of vessels and a beneficial impact from lower fuel cost and a stronger US dollar. To right size the Company and preserve earnings capacity PGS will continue reducing costs. PGS plans to reduce costs by another \$190 million in 2015, before growth and schedule driven changes. Initiatives include the full year effect of the vessel retirements mentioned earlier, office closures, relocations and staff reductions.

The delivery times for the two last Ramform Titan-class vessels, Ramform Tethys and the Ramform Hyperion, have been rescheduled to first quarter and third quarter 2016. The delay was agreed with the shipyard in order to improve production schedule at the yard, and PGS will benefit from lower capital expenditures in 2015 at no extra cost. The revised delivery schedule is subject to finalization of corresponding amendments to the financing agreements.

PGS implemented its dividend policy in 2011. In May 2014 the Company paid a dividend of NOK 2.30 per share, an increase of 39 percent from previous year. At the time of payment, the dividend provided a yield of close to 3.5 percent. For 2014, the Board of Directors proposes a dividend of NOK 0.70 per share; in line with its dividend policy, whereby it is the intention to distribute between 25 to 50 percent of net income over the business cycle. This policy is a testament to the Company's industrial approach to the business and its commitment to deliver cash returns to shareholders.

Strategy Review

PGS' strategic ambitions are anchored in five core pledges:

- To care
- To deliver productivity leadership
- To develop superior data quality
- To innovate
- To perform over the cycle

PGS has a strategic ambition to care for employees' health and safety alongside caring for the environment and society at large. PGS' vision is to be a pioneer in HSEQ in the world-wide geophysical industry with zero injury to people and minimum harm to the environment. HSEQ leadership requires continuous improvement through identifying, assessing, mitigating, and managing risk affecting PGS employees, contractors, and the environment.

Productivity leadership is served first and foremost by PGS' fleet of Ramform vessels. Given the trend towards larger surveys and shorter cycle times between award of a license and the required drilling of the first well, efficiency and reliability are important performance criteria differentiating PGS from its competition. PGS' productivity leadership position in the industry will be further enhanced when all Ramform Titan-class vessels are in operation. GeoStreamer increasingly contributes to PGS productivity. With all but one vessel equipped with GeoStreamer, the Company is positioned to get full benefit out of the deeper tow enabled by GeoStreamer.

When adding capacity, PGS takes a long term view and invests through the cycle, backed by a solid balance sheet. The Company will only add capacity when differentiation can be achieved over a substantial part of the useful life of the vessel, offering the prospect of a satisfactory and sustained return on capital employed (ROCE).

Oil companies are ultimately seeking superior data quality. The ability to deliver an ever clearer, more informative seismic image requires successful product innovation. PGS introduced GeoStreamer in 2007 and was first to offer a dual-sensor streamer, despite failed industry efforts over many years to develop a dual-sensor streamer. PGS claims with pride that GeoStreamer has been the greatest game-changer in the seismic industry since the launch of 3D seismic, and that it is a supreme example of PGS' technology differentiation. To further advance the GeoStreamer technology platform, the Company has developed a number of spin-off products and technologies, such as GeoSource (GeoStreamer GS), Separated Wavefield Imaging (SWIM), Complete Wavefield Imaging (CWI) and innovative survey designs based on the SWIM methodology. The Company expects these technologies

to become an ever more important market differentiators going forward.

Regarding operational innovation, PGS was the first company to deploy vessels capable of towing more than 20 streamers. So the Company delivers unique reservoir-focused solutions based on the high-performance GeoStreamer technology platform. The technology pipeline of PGS is good with a handful of technologies in process of entering a harvesting mode. Combining them with the Company's vehicle for monetizing on the MultiClient library beyond cash sales, the Azimuth structure, they constitute PGS asset light growth opportunities and include;

- OptoSeis Permanent Reservoir Monitoring (PRM) system
- Towed Streamer EM
- Improved towing productivity stemming from the benefit of SWIM processing

The seismic market is cyclical by nature. PGS aims to perform over the cycle and mitigate its exposure to industry cyclicality by maintaining a strong balance sheet, taking a proactive approach to capacity and capital allocation between MultiClient and contract work, maintaining cost and capital discipline, and focusing on productivity, cost control, quality improvement, and technology differentiation.

Markets and Main Businesses

PGS is one of the three largest participants in the global marine 3D seismic market, with a market share at year-end 2014 of approximately 23 percent, measured by number of streamers.

The market activity going into 2014 was slow due to oil companies' efforts to cut costs and improve cash flow. Restructuring of the oil companies' cost base became even more into focus in the second half of 2014 when the oil price declined by approximately 50 percent, which negatively impacted seismic bidding, pricing and utilization further.

The total square kilometers of marine 3D seismic acquired in 2014 declined by approximately 11 percent compared to 2013, the first volume decline since the financial crisis in 2009. Well established seismic companies responded to the challenging market environment by reducing capacity and as a result industry capacity (average number of streamers) in 2014 was down seven percent compared to 2013.

Contract seismic work accounted for a majority of PGS business activity in 2014, with approximately 62 percent of active 3D vessel time spent on contract work. 38 percent of active 3D vessel time was used for acquisition of new MultiClient surveys with average pre-funding of 85 percent of capitalized MultiClient cash investments. The reason for the lower pre-funding level compared to earlier years is primarily the delayed pre-funding revenues on the Triton

MultiClient survey in the Gulf of Mexico. PGS did not secure certain pre-funding for this project before the fourth quarter 2014.

Technology

High-end imaging technology not only contributes to imaging revenue growth, but results in higher-quality data, shorter cycle times, and better-informed decision-making. PGS' goal is to efficiently and effectively provide imaging that is recognized as state-of-the-art for improved oil finding.

GeoStreamer, the first-ever dual-sensor streamer and a proprietary PGS technology, represents a game changer in streamer technology and the best proof of PGS' technology differentiation. GeoStreamer delivers enhanced resolution, better depth imaging, and improved operational efficiency, to better enable our customers to discover hydrocarbons more cheaply.

GeoStreamer is used as an integrated acquisition and imaging solution that enables PGS to deliver unparalleled features to differentiate the Company's oil finding product capabilities from industry alternatives.

PGS has invested considerable resources to develop and deliver efficient imaging solutions and technological differentiators to customers. Separated Wavefield Imaging (SWIM) is a game changing technology and has the potential to both improve data quality and make seismic acquisition more efficient.

Complete Wavefield Imaging (CWI) is a workflow to generate a high-resolution velocity model of the near-surface, to unravel the shallow heterogeneities, prevalent especially in the North Sea. A more accurate velocity model of the shallow layers renders it far easier to calculate the correct depth of much deeper exploration targets and thereby to improve the chances of finding oil. CWI uses reflections, refractions and multiples to image the complete wavefield for a better image and is only possible with GeoStreamer data.

While seismic data yields an image of the subsurface geological structure, EM data can provide information about the fluid content of reservoirs. PGS is bringing to the market a Towed Streamer EM system. The benefits of towed streamer EM acquisition are many, and customers have shown good interest in the technology. First and foremost, acquisition efficiency is significantly improved, compared to existing EM acquisition technologies.

Financial Results

Total revenues in 2014 were \$1 453.8 million, compared to \$1 501.6 million in 2013, a decrease of three percent, mainly due to lower MultiClient pre-funding revenues, partially offset by increased marine contract revenues.

MultiClient pre-funding revenues were lower than planned for the Triton MultiClient survey in the Gulf of Mexico, where the Company experienced a wait-and-see attitude among clients due to an overlapping survey from a competitor. The weak sales from the Triton MultiClient survey was the main reason for the decrease in MultiClient pre-funding revenues compared to 2013, as well as some delayed revenues on MultiClient projects acquired in the fourth quarter.

MultiClient late sales revenues ended at \$309.0 million, less than one percent down from the record level achieved in 2013. The strong performance demonstrates healthy demand for quality products in attractive locations, despite clients' focus on reducing costs and preserving cash.

Total MultiClient revenues (pre-funding and late sales combined) decreased by \$72.1 million or 11 percent, compared to 2013 and ended at \$599.7 million.

Cash investment in the MultiClient library decreased by \$28.8 million, or 8 percent, to \$344.2 million in 2014, compared to 2013. Pre-funding as a percentage of capitalized cash investment was 84 percent in 2014, compared to 97 percent in 2013. The decrease in pre-funding level was primarily driven by the same factors mentioned above describing the lower pre-funding revenues. Because of management's focus on income generation in 2014, the fleet allocation ratio (active 3D vessel time for Marine Contract vs. MultiClient data acquisition) was approximately 62:38, compared to 52:48 in 2013.

Revenues from Marine Contract seismic acquisition increased by \$20.3 million, or three percent, to \$697.8 million in 2014 as a result of the Company's disciplined allocation of more capacity to contract activities, partially offset by lower prices. The marine contract EBIT margin for the full-year 2014 was 15 percent, compared to 29 percent in 2013. The margin reduction is a result of a deteriorating market.

Operating costs, which include cost of sales, expensed research and development costs, and selling, general and administrative costs, totaled \$751.2 million in 2014, compared to \$672.7 million in 2013, an increase of \$78.5 million, or 12 percent. The increase primarily reflects less costs being capitalized to the MultiClient library and a higher cost base as a result of more vessel capacity. Cost inflation was moderate and the cash cost for the Company started to come down in the fourth quarter showing effects of cost reduction initiatives implemented earlier in the year.

Full year 2014, gross research and development costs decreased by \$1.2 million, or two percent, to \$53.9 million. The decrease is primarily driven by a reduction in towed EM development cost, partially offset by an increase in marine seismic source development.

Net depreciation and amortization for 2014 amounted to \$525.4 million, compared to \$432.5 million in 2013,

an increase of \$92.9 million or 21 percent for the reasons explained below.

Gross depreciation increased by \$34.6 million, to \$278.5 million in 2014, driven by entry of the Ramform Titan and Ramform Atlas to the fleet, which were delivered in second quarter 2013 and first quarter 2014, respectively, and continued GeoStreamer investments. Entry of the two new Ramform Titan-class vessels has increased PGS 3D streamer capacity by approximately 20 percent net of the retirement of Pacific Explorer and Atlantic Explorer.

Capitalized depreciation decreased by \$15.9 million in 2014, compared to 2013 since less 3D vessel capacity was allocated to MultiClient projects.

MultiClient amortization for 2014 increased by \$42.4 million, or 14 percent, to \$344.2 million, compared to 2013. MultiClient amortization as a percentage of total MultiClient revenues was 57 percent in 2014, which is up from 45 percent recorded in 2013. The increased amortization rate is primarily due to higher non-sales related amortization as a result of a more cautious view of sales forecast in light of the sharply declining oil price in the second half of the year.

The net book value of the MultiClient library was \$695.2 million as of December 31, 2014, compared to \$576.9 million as of December 31, 2013.

During 2014, PGS recorded impairment charges of \$73.8 million, compared to \$15.0 million in 2013. The impairments recorded in 2014 related to vessels and equipment and were triggered by vessel retirement and stacking of older and less productive vessels, and a weaker near-term outlook for pricing and utilization. Despite the severe downturn in the market, impairments were moderate due to the low cost base of the Company's fleet.

Operating profit in 2014 was \$104.2 million, compared to \$382.1 million in 2013.

Loss from associated companies in 2014 amounted to \$30.9 million and was related to Azimuth Ltd., and one off charges related to PGS Khazar and Seafloor Geophysical Solutions.

Gross interest expense remained fairly flat in 2014 compared to 2013 since lower interest rates offset a higher average debt level. The increase in capitalized interest to the MultiClient library for the full year 2014 compared to 2013 relates to a higher value of projects in process of being completed. The reduction of capitalized interest related to construction in progress compared to 2013 is due to completion of Ramform Atlas.

Other financial expense, net of \$26.5 million in 2014 compared to \$7.6 million in 2013 is mainly attributable to a foreign currency loss. The foreign currency loss relates to a significant strengthening of the US dollar and primarily

the effect it makes on legal deposits and other receivables in Brazilian Real. The strengthening of the US dollar against most other currencies has a positive impact on the Company's cost base going forward. As a result of refinancing the term loan B deferred loan cost 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 2014.

Income tax expense was \$67.6 million in 2014, compared to \$89.6 million in 2013. Current tax expense for the full year was \$41.3 million, compared to \$32.2 million in 2013. Current tax expense relates primarily to foreign taxes or income taxes in countries in which PGS have no carry forward losses or where there are limitations on the application of such losses. Deferred tax expense for the full year 2014 was \$26.3 million compared to \$57.4 million in 2013.

The high reported tax expense is primarily a result of foreign exchange movements impacting deferred tax assets which primarily are in NOK, foreign taxes where the Company has taken a cautious view on realizing full benefit from tax credit in Norway and non-deductible impairments of vessels within tonnage tax regimes.

With multinational operations, PGS is subject to taxation in many jurisdictions around the world with increasingly complex tax laws. PGS has identified issues in several jurisdictions that could eventually make the Company liable to pay tax claims relating to prior years in excess of the liability recognized in financial statements. Reference is made to Note 9 of the 2014 financial statements for a description of significant tax contingencies.

Net income to equity holders of PGS ASA was a loss of \$50.9 million in 2014, compared to a profit of \$238.3 million in 2013.

Cash Flow, Financial Position and Financing

Net cash provided by operating activities totaled \$584.3 million in 2014, compared to \$775.3 million in 2013. The decrease is mainly due to reduced profitability and an increase of working capital. Higher MultiClient revenues towards the end of the year explain a majority of the working capital increase, and will benefit first quarter 2015. In the current market environment some clients are seeking extended payment terms, which may put upward pressure on the working capital going forward.

Cash and cash equivalents totaled \$54.7 million as of December 31, 2014, compared to \$263.8 million as of December 31, 2013. Liquidity reserve for the Company was \$454.7 million as of December 31, 2014, compared to \$763.8 million as of December 31, 2013.

At December 31, 2014 drawings of \$100.0 million were outstanding on the \$500.0 million revolving credit facility maturing in 2018.

In March 2014, the Company amended and extended its Term Loan B facility. The facility which had a remaining amount of \$470 million falling due in 2015 was extended to 2021 with a reduced amount of \$400 million. At the same time the Company secured Export Credit Financing for the two last Ramform Titan-class vessels. The delivery times for the vessels have been re-scheduled to first quarter and third quarter 2016, subject to finalization of corresponding amendments to the financing agreement. The loans will have a tenor of 12 years from delivery of the vessels with semi-annual equal installments.

PGS interest-bearing debt comprises the following primary components:

(In USD million)	December 31,	
	2014	2013
<i>Secured:</i>		
Term Loan B	397.0	470.5
Revolving Credit Facility	100.0	---
Japanese Export Credit Financing	262.0	119.8
<i>Unsecured:</i>		
USD 450 million Senior Notes, due 2018	450.0	450.0
Total	1 209.0	1 040.3

Net interest-bearing debt (interest-bearing debt less cash and cash equivalents, restricted cash, and interest-bearing investments) was \$1 048.0 million as of December 31, 2014, compared to \$666.7 million as of December 31, 2013.

With the successful completion in March 2014 of both the refinancing of the Term Loan B and the Export Credit Financing for the two last Ramform Titan-class vessels, the average time to maturity for the Company's debt and drawing facilities has increased to approximately five years at end 2014.

Investments

In 2014, total MultiClient cash investments, excluding capitalized interest, amounted to \$344.2 million, compared to \$373.0 million in 2013, a decrease of \$28.8 million. The decrease is primarily due to less vessel capacity allocated to MultiClient in 2014 than in 2013.

Capital expenditures, whether paid or not, totaled \$371.3 million in 2014, compared to \$437.8 million in 2013, a decrease of \$66.5 million or 15 percent. The decrease is largely attributable to lower capital expenditures related to vessel new-builds, \$198.4 million in 2014 compared to \$258.5 million in 2013.

Financial Market Risk

PGS is exposed to certain market risks, including adverse changes in interest rates and foreign currency exchange rates, as discussed below.

Interest Rate Risk

The Company has a mixture of fixed and floating interest rate debt combined with financial instruments, such as interest rate swaps, to manage the impact of interest rate fluctuations.

As of December 31, 2014, the debt structure of the Company included \$615.0 million of floating interest rate debt, with interest based on one-to six month LIBOR rates, plus a margin. Fixed interest rate debt amounted to \$594.0 million. In addition the Company has a portfolio of interest rate swaps (IRS) with a total nominal value of \$100.0 million, all with remaining periods of less than one year. The fair value of the IRS portfolio was minus \$0.6 million as of December 31, 2014. Taking into account the effect of interest rate swaps, for every (hypothetical) one percentage point increase in LIBOR, the annual net interest expense of the Company's net debt, including finance leases, would increase (with some delay) by approximately \$4.3 million.

Currency Exchange Risk

PGS conducts business primarily in US dollars (\$ or USD), but also in several other currencies, including British pounds (GBP), Norwegian kroner (NOK), Brazilian real (BRL), euro (EUR), and Singapore dollars (SGD). PGS is subject to foreign currency exchange rate risk on cash flows related to sales, expenses, financing, and investment transactions in currencies other than the US dollar.

The Company predominantly sells its products and services in US dollars, and to a limited extent in other currencies. In addition to USD, a significant proportion of PGS' operating expenses are incurred in NOK and GBP. Less substantial amounts are incurred in various other currencies. Thus, regarding expenses and revenues in currencies other than US dollars, such expenses will typically exceed revenues.

A stronger US dollar reduces PGS' operating expenses as reported in US dollars. It is estimated that a 10 percent change of the US dollar against the two most significant non-USD currencies, NOK and GBP, would have an annual impact on operating profit of \$21-23 million, and \$10-12 million, respectively, before currency hedging.

PGS hedges part of its foreign currency exposure related to operating income and expenses by entering into forward currency exchange contracts. While the Company enters into these contracts with the purpose of reducing its exposure to exchange rate fluctuations, the contracts are not treated as hedges unless they are specifically designated as hedges of firm commitments or certain cash

flows. Consequently, these forward currency exchange contracts are recorded at estimated fair value with gains and losses included in the line Currency exchange gain (loss) in the consolidated statement of operations.

As of December 31, 2014, PGS had net open forward contracts to buy/sell GBP, NOK, BRL and ZAR. The total nominal amount of these contracts was approximately \$157.6 million, compared to \$188.2 million as of December 31, 2013. Of the total notional amounts of forward exchange contracts, \$32.9 million was accounted for as fair value hedges as of December 31, 2014 and \$51.4 million was accounted for as fair value hedges as of December 31, 2013. There were no designated foreign currency cash flow hedges in 2013 or in 2012. Outstanding contracts at year-end 2014 had a net negative fair value of \$5.6 million, compared to a net positive fair value of \$1.0 million at year-end 2013.

A 10 percent depreciation of the US dollar against all the currencies in which the Company holds derivative contracts would increase the fair value of these contracts by approximately \$1.9 million. The effect on the consolidated statements of operations would have been negative \$1.0 million.

All interest-bearing debts are denominated in US dollars.

Credit Risk

PGS' accounts receivable are primarily from multinational, integrated oil companies and independent oil and natural gas companies, including companies that are owned in whole or in part by governments. The Company manages its exposure to credit risk through ongoing credit evaluations of customers. The Board deems the Company's exposure to credit risk as moderate due to the nature of the Company's customer base, the long-term relationships, and the low level of losses on accounts receivable incurred over the years.

PGS monitors the counterparty credit risk of its banking partners, including derivatives counter-parties and the institutions in which cash is held on deposit.

Liquidity Risk

As of December 31, 2014, PGS had cash and cash equivalents of \$54.7 million and a total liquidity reserve, including available unutilized drawings of the Revolving Credit Facility, of \$454.7 million, compared to \$263.8 million and \$763.8 million respectively at year-end 2013. In addition the Company has committed undrawn export credit facilities of 266.5 million at year-end 2014. These facilities are available for financing the two new-builds under construction in Japan. The Company has a structured approach to monitoring credit risks as to financial counter-parties.

PGS has a robust debt structure with adequate maturity profile. Financial covenants relating to existing facilities are

not unduly restrictive. However, adverse future market developments could require PGS to implement measures to meet or seek to amend financial covenants, amend loan agreements or refinance debt.

Based on the year-end cash balance, available liquidity resources, and the current structure and terms of the Company's debt, it is the Board's opinion that PGS has adequate funding and liquidity to support its operations and investment programs.

Commodity Risk

Operation of seismic vessels requires substantial fuel purchases. Thus, PGS is exposed to fuel price fluctuations. Based on the Company's fuel consumption in 2014, a 10 percent increase in fuel prices would increase the total fuel costs and operating expenses by less than \$1.0 million per month. The Company seeks to pass fuel price risk to customers on a majority of contract work.

Operational and Other Risks

Demand for the Company's products and services depend on the level of spending by oil and gas companies on hydrocarbon-resource exploration, field development, and production. Spending levels are heavily influenced by oil and gas prices and the oil and gas companies' focus areas. In addition to the risk of less demand for PGS' services or for data from the MultiClient data library, the Company is subject to a large number of other risk factors including, but not limited to increased competition, the attractiveness of its technology, changes in governmental regulations affecting the markets, technical downtime, licenses and permits, and operational hazards such as weather conditions.

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

Shares, Share Capital, and Dividend

PGS has 217 799 997 shares issued and outstanding, all of which are of the same class and carry equal voting and dividend rights. Each share has a par value of NOK 3.

PGS' ordinary shares are listed on the Oslo Stock Exchange (ticker: PGS) and denominated in Norwegian kroner. The PGS share continues to be traded as an American Depositary Share (ADS) over the counter in the US (ticker: PGSVY). Quotes are denominated in US dollars and each ADS represents one share.

As of December 31, 2014, the Company held 3,685,019 treasury shares, primarily to be able to satisfy the exercise

of options granted under the employee option programs, and to satisfy the share based incentive schemes.

The Board of Directors will propose to the 2015 Annual General Meeting (AGM) a dividend of NOK 0.70 per share for the year ended December 31, 2014. PGS has a dividend policy which aims to distribute 25 to 50 percent of net income as dividends over the business cycle. Proposals for dividend distributions in future years will be subject to assessment of business performance, operating environment, and growth opportunities to determine the appropriate dividend disbursement in any specific year. Dividend payout decision will take non-recurring items into consideration and excess cash flow in peak years could qualify for extraordinary dividend.

Health, Safety, Environment and Quality (HSEQ)

HSEQ management and reporting are key parameters for the evaluation of business performance at all PGS management levels and by the Company's Board of Directors.

PGS' HSEQ performance improved in 2014 compared to 2013. The PGS organization (core fleet vessels and PGS offices) had the following health and safety incident levels in 2014:

Incident	2014	2013
Fatalities	0	0
Lost Time Injuries	2	2
Restricted Work Day Cases	5	5
Medical Treatment Cases	2	5
High Potential Incidents	2	4

Total Company activity (core fleet vessels and PGS offices) in 2014 comprised 13 844 079 man-hours. Total activity in 2013 amounted to 12 746 042 man-hours.

Incident	2014	2013
Lost Time Injury Frequency (LTIF)	0.14	0.16
Total Recordable Case Frequency (TRCF)	0.65	0.94

The Company's risk management system was further developed in 2014 to ensure that all hazards associated with activities are identified, risks assessed, and appropriate mitigation measures determined. PGS implemented measures that strengthen processes and systems for risk and change management, and intensified the Company-wide focus on carrying out formal and informal risk assessments offshore and onshore.

Organization

PGS had an average of 2 301, 2 245 and 2 227 regular active employees in the years ended December 31, 2014, 2013 and 2012 respectively.

As of December 31, 2014, PGS employees represented 67 nationalities; 32 percent of the office based employees are women (six percent of offshore employees are women).

Among staff working in Norway, 37 percent are women. The Board of Directors has five male and three female directors.

At the headquarters in Oslo, 29 percent of management positions are held by women. Five percent of women and one percent of men working for the Norwegian organization of PGS work part-time.

PGS consciously strives to improve the nationality and gender diversity of staff. Long-standing practices include ensuring that offshore crews are culturally diverse and balanced, and that cultural sensitivity training is offered at all levels of the organization.

The average monthly salary of all active regular employees as of December 2014 was \$7 384 (\$5 765 for female employees and \$7 858 for male employees) based on February 1, 2015 exchange rates.

PGS headquarter is located in Oslo, Norway. The Company also has offices in other cities in Norway, and in 19 other countries: Angola, Australia, Brazil, China, Egypt, France, India, Indonesia, Japan, Kazakhstan, Malaysia, Mexico, the Netherlands, Nigeria, Russia, Singapore, Sweden, United Kingdom and United States of America.

Board of Directors and Corporate Governance

The Board of Directors has the following members: Francis Gugen (Chairperson), Harald Norvik (Vice Chairperson), Holly Van Deursen, Daniel J. Piette, Carol Bell, Ingar Skaug, Walther Qvam, and Anne Grethe Dalane.

The Board has established two sub-committees: an Audit Committee, comprising Harald Norvik (Chairperson), Carol Bell, Daniel J. Piette, and Anne Grethe Dalane, and the Remuneration and Corporate Governance Committee, consisting of Holly Van Deursen (Chairperson), Ingar Skaug, and Walther Qvam. The committees act as preparatory bodies for the Board of Directors and assist the Directors in exercising their responsibilities.

PGS also has a Nomination Committee, elected by the shareholders, consisting of Roger O'Neil (Chairperson), Hanne Harlem, and C. Maury Devine.

PGS' corporate governance principles are adopted by the Board of Directors. The Board periodically reviews these principles. Statements of the corporate governance structure are described in more detail in the corporate governance section of this annual report. The Company's

articles of association, in addition to full versions of the rules of procedures for the Board of Directors, the Audit Committee charter, the Remuneration and Corporate Governance Committee charter, the Nomination Committee charter, and PGS' Code of Conduct are available on the Company's website www.pgs.com (follow the links: About us > Corporate Governance).

Since 2004, PGS has maintained a compliance hotline operated by an external service provider in order to facilitate reporting of any concerns regarding inappropriate business conduct. The Company encourages use of the hotline by anyone who has concerns relating to compliance with laws and regulations, breaches of the code of conduct, fair treatment, or any other matter. Concerns can also be raised directly with the General Counsel or any Board member.

PGS published a corporate responsibility report together with its 2013 annual report. The Company has signed up to UN Global Compact and progress of corporate responsibility activities will be reported in accordance with the 10 principles of UN Global Compact and published on the Company web page.

Outlook

In the second half of 2014 there was a sharp decline in the oil price. As a result, oil companies adopted a more cautious spending pattern impacting seismic bidding, pricing and utilization negatively.

The muted activity level has continued into 2015 and PGS expects the weak market to continue throughout the year. Due to the lower activity level, further capacity reduction will be required to achieve a better supply/demand balance and improve pricing and utilization.

PGS is adapting to the challenging market environment by aiming for cash costs reductions of at least \$190 million in 2015, before taking account of the effects of growth and schedule driven changes. Further capacity and cost adjustments will be considered in light of market developments.

Over the last years PGS management has positioned the Company to perform over the cycle - with a solid balance sheet, MultiClient discipline and the most productive fleet in the industry. The Company is well placed to navigate in the current market environment.

Looking beyond the near term challenges, exploration for oil and gas resources will have to increase in order to meet a growing energy demand and replace the decline of existing production.

PGS is well positioned to differentiate itself from peers going forward. The Company's services are competitive, it offers leading-edge technologies, and its balance sheet is robust.

The Board emphasizes that forward looking statements contained in this report are based on various assumptions made by management, depend on factors beyond its control, and are subject to certain risks and uncertainties. Accordingly, actual results may differ materially from those contained in forward looking statements.

Pursuant to section 3-3a of the Norwegian Accounting Act, the Board confirms that the 2014 financial statements have been prepared based on the assumption of a going concern and that it believes that this assumption is appropriate.

Allocation of Parent Company's Result for 2014

The financial statements of the parent company, Petroleum Geo-Services ASA (PGS ASA), are prepared and presented in accordance with generally accepted accounting principles in Norway (N GAAP). PGS ASA reported a net loss of NOK 319.6 million for 2014, compared to a net income of NOK 702.2 million in 2013. PGS ASA is a holding company with no material operating activities. The net loss for 2014 is primarily caused by foreign currency losses.

The Board proposes that the net loss for 2014 of NOK 319 616 000 is transferred to other equity and a dividend of NOK 149 880 000 to be distributed to the shareholders from other equity. Total shareholders' equity in PGS ASA as of December 31, 2014 was NOK 10 568 415 000, corresponding to 45 percent of total assets. Total shareholder's equity as of December 31, 2013 was NOK 11 021 711 000.

London, March 18, 2015
Board of Directors
Petroleum Geo-Services ASA

Anne Grethe Dalane

Ingar Skaug

Carol Bell

Holly Van Deursen

Daniel J. Piette

Walter Qvam

Francis Gugen
Chairperson

Harald Norvik
Vice Chairperson

Jon Erik Reinhardsen
Chief Executive Officer

Responsibility Statement


Today, the Board of Directors and the Chief Executive Officer reviewed and approved the Board of Directors' report and the consolidated and separate annual financial statements for PGS ASA, for the year ending and as of December 31, 2014.

PGS ASA's consolidated financial statements have been prepared and presented in accordance with IFRSs and IFRICs as adopted by the EU and additional disclosure requirements in the Norwegian Accounting Act, and that should be used as of December 31, 2014. The separate financial statements for PGS ASA have been prepared in accordance with the Norwegian Accounting Act and Norwegian accounting standards as of December 31, 2014. The Board of Directors report for the group and the parent company is in accordance with the requirements of the Norwegian Accounting Act and Norwegian accounting standard 16, as of December 31, 2014.

To the Best of Our Knowledge:

- The consolidated and separate annual financial statements for 2014 have been prepared in accordance with applicable accounting standards.
- The consolidated and separate annual financial statements give a true and fair view of the assets, liabilities, financial position, and result of operations as a whole as of December 31, 2014, for the group and the parent company.
- The Board of Directors' report for the group and the parent company include a true and fair review of:
 - The development and performance of the business and the position of the group and the parent company.
 - The principal risks and uncertainties the group and the parent company face.

London, March 18, 2015
Board of Directors
Petroleum Geo-Services ASA



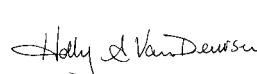
Anne Grethe Dalane



Ingar Skaug



Carol Bell



Holly Van Deursen



Daniel J. Piette



Walter Qvam



Francis Gugen
Chairperson



Harald Norvik
Vice Chairperson



Jon Erik Reinhardsen
Chief Executive Officer

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Petroleum Geo-Services Consolidated

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Petroleum Geo-Services ASA Parent Company

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Petroleum Geo-Services
Consolidated Statements of Operations

(In millions of US dollars)	Note	Year ended December 31,		
		2014	2013	2012
Revenues	5	1,453.8	1,501.6	1,518.3
Cost of sales	4	653.6	570.9	642.4
Research and development costs		37.6	38.7	38.3
Selling, general and administrative costs		59.9	63.1	61.4
Depreciation and amortization	6	525.4	432.5	484.3
Impairment (reversal) of long-term assets	6	73.8	15.0	(0.8)
Other operating (income) expense		(0.7)	(0.7)	(1.1)
Total operating expenses		1,349.7	1,119.5	1,224.5
Operating profit	5	104.2	382.1	293.8
Loss from associated companies	16	(30.9)	(14.3)	(4.2)
Interest expense	7	(30.1)	(32.3)	(37.8)
Other financial expense, net	8	(26.5)	(7.6)	(23.3)
Income before income tax expense		16.7	327.9	228.5
Income tax expense	9	67.6	89.6	42.9
Net income (loss) for the year		(50.9)	238.3	185.5
Earnings per share, to ordinary equity holders of PGS ASA:	10			
- Basic		(\$0.24)	\$1.11	\$0.86
- Diluted		(\$0.24)	\$1.10	\$0.85

Petroleum Geo-Services
Consolidated Statements of Comprehensive Income

(In millions of US dollars)	Note	Year ended December 31,		
		2014	2013	2012
Net income (loss)		(50.9)	238.3	185.5
Other comprehensive income				
Actuarial gains (losses) on defined benefit pension plans	24	(34.7)	(12.2)	25.4
Income tax effect on actuarial gains and losses	9	6.8	2.5	(7.0)
Items that will not be reclassified to statements of operations		(27.9)	(9.7)	18.4
Revaluation of cash flow hedges:				
Gains (losses) arising during the period		-	0.1	(5.0)
Reclassification adjustments for losses included in the statements of operations		9.1	8.8	12.5
Deferred tax on cash flow hedges	9	(2.5)	(2.6)	(2.1)
Revaluation of shares available-for-sale:				
Gains (losses) arising during the period		(1.1)	(0.6)	1.0
Reclassification adjustments for losses (gains) included in the statements of operations		-	1.4	(0.9)
Other comprehensive income (loss) from associated companies		(2.0)	0.6	(1.3)
Translation adjustments and other		0.2	(0.1)	0.1
Items that may be subsequently reclassified to statements of operations		3.7	7.6	4.3
Other comprehensive income (loss), net of tax		(24.2)	(2.1)	22.7
Total comprehensive income (loss) to equity holders of PGS ASA		(75.1)	236.2	208.2

Petroleum Geo-Services
Consolidated Statements of Changes in Shareholders' Equity

(In millions of US dollars)	Attributable to equity holders of PGS ASA					
	Paid-in capital	Treasury shares	Additional paid-in capital	Accumulated earnings	Other (c) comprehensive income	Shareholders' equity
Balance as of January 1, 2013	96.5	(0.5)	513.3	1,328.5	(26.3)	1,911.5
Total comprehensive income	-	-	-	238.3	(2.1)	236.2
Dividend paid (a)	-	-	-	(60.7)	-	(60.7)
Acquired treasury shares	-	(1.0)	-	(28.2)	-	(29.2)
Employee benefit plans	-	0.1	6.2	1.5	-	7.8
Balance as of December 31, 2013	96.5	(1.4)	519.5	1,479.4	(28.4)	2,065.6
Total comprehensive income (loss)	-	-	-	(50.9)	(24.2)	(75.1)
Transfer of actuarial gains and losses net of tax	-	-	-	8.2	(8.2)	-
Dividend paid (b)	-	-	-	(84.0)	-	(84.0)
Acquired treasury shares	-	(0.7)	-	(14.4)	-	(15.1)
Employee benefit plans	-	0.2	7.4	2.6	-	10.2
Balance as of December 31, 2014	96.5	(1.9)	526.9	1,340.9	(60.8)	1,901.6

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

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

(c) Other comprehensive income mainly relates to actuarial losses (\$56 million) net of tax on defined benefit pension plans.

Petroleum Geo-Services
Consolidated Statements of Financial Position

(In millions of US dollars)	Note	December 31,	
		2014	2013
ASSETS			
Current assets			
Cash and cash equivalents	20	54.7	263.8
Restricted cash	11	20.2	14.6
Accounts receivable	20	265.6	177.1
Accrued revenues and other receivables	12	180.6	183.3
Other current assets	13	136.3	124.5
Total current assets		657.4	763.3
Long-term assets			
Property and equipment	14	1,663.5	1,629.5
MultiClient library	15	695.2	576.9
Restricted cash	11	72.0	74.8
Deferred tax assets	9	95.9	110.0
Other long-term assets	16	55.2	85.0
Goodwill	17	139.9	139.9
Other intangible assets	18	183.8	164.9
Total long-term assets		2,905.6	2,781.0
Total assets		3,563.0	3,544.3
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term debt and current portion of long-term debt	19, 20	24.8	10.8
Accounts payable	20	74.9	66.0
Accrued expenses	22	272.2	279.4
Income taxes payable	9	37.9	34.3
Total current liabilities		409.8	390.5
Long-term liabilities			
Long-term debt	19, 20	1,160.1	1,019.6
Deferred tax liabilities	9	14.1	6.2
Other long-term liabilities	23	77.4	62.4
Total long-term liabilities		1,251.6	1,088.2
Shareholders' equity			
Common stock; par value NOK 3; issued and outstanding 217,799,997 shares	25	96.5	96.5
Treasury shares, par value	25	(1.9)	(1.4)
Additional paid-in capital		526.9	519.5
Total paid in capital		621.5	614.6
Accumulated earnings		1,340.9	1,479.4
Other comprehensive income		(60.8)	(28.4)
Total shareholders' equity		1,901.6	2,065.6
Total liabilities and shareholders' equity		3,563.0	3,544.3

London, March 18, 2015
 Board of Directors
 Petroleum Geo-Services ASA

Anne Grethe Dalane

Ingar Skaug

Carol Bell

Holly Van Deursen

Daniel J. Piette

Walter Qvam

Francis Gugen
 Chairperson

Harald Norvik
 Vice Chairperson

Jon Erik Reinhardsen
 Chief Executive Officer

Petroleum Geo-Services
Consolidated Statements of Cash Flows

(In millions of US dollars)	Notes	Year ended December 31,		
		2014	2013	2012
Cash flows provided by operating activities:				
Net income(loss) for the year		(50.9)	238.3	185.5
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation, amortization and impairment of long-term assets	6	599.2	447.5	483.5
Share of loss in associated companies and impairments	16	30.9	14.3	4.2
Interest expense	7	30.1	32.3	37.8
Loss on sale and retirement of assets		8.4	8.6	11.2
Income taxes paid		(18.4)	(33.8)	(28.5)
Other items		12.7	3.5	7.3
(Increase) decrease in accounts receivable, accrued revenues and other receivables		(81.2)	(30.7)	(2.9)
Increase (decrease) in accounts payable		11.5	17.0	(8.0)
Change in other short-term items related to operating activities		25.6	34.7	57.0
Change in other long-term items related to operating activities		16.4	43.6	5.8
Net cash provided by operating activities		584.3	775.3	752.9
Cash flows used in investing activities:				
Investment in MultiClient library	15	(344.2)	(373.0)	(297.4)
Investment in property and equipment	14	(383.4)	(438.5)	(358.5)
Investment in other intangible assets	18	(26.3)	(29.2)	(28.0)
Investment in other current- and long-term assets		(32.3)	(22.0)	(0.1)
Proceeds from sale of other current- and long-term assets		6.2	2.6	31.4
(Increase) decrease in long-term restricted cash		(6.3)	(0.6)	(5.4)
Net cash used in investing activities		(786.3)	(860.7)	(658.0)
Cash flows used in financing activities:				
Proceeds, net of deferred loan cost, from issuance of long-term debt	19	143.4	114.6	156.3
Repayment of long-term debt	19	(94.7)	(11.9)	(190.6)
Net draw-down of Revolving Credit Facility	19	100.0	-	-
Purchase of treasury shares	25	(15.1)	(29.2)	(11.3)
Proceeds from sale of treasury shares		2.9	1.6	7.1
Dividend paid		(84.0)	(60.9)	(41.7)
Interest paid		(59.6)	(55.3)	(49.1)
Net cash used in financing activities		(7.1)	(41.1)	(129.3)
Net decrease in cash and cash equivalents		(209.1)	(126.5)	(34.4)
Cash and cash equivalents as of January 1		263.8	390.3	424.7
Cash and cash equivalents as of December 31		54.7	263.8	390.3

Note 1 – General Information about the Company and Basis of Presentation

General information

Petroleum Geo-Services ASA (“PGS ASA”) is a public limited liability company established under the laws of the Kingdom of Norway in 1991. Unless stated otherwise, references herein to the “Company” and “PGS” refer to Petroleum Geo-Services ASA and its subsidiaries.

PGS is a technologically focused oilfield service company principally involved in providing geophysical services worldwide. PGS provides a broad range of seismic and reservoir services, including acquisition, imaging, interpretation and field evaluation. The Company’s headquarters are at Lilleaker, Norway.

Basis of presentation

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”). IFRS as adopted by the EU differs in certain respects from IFRS as issued by the International Accounting Standards Board (“IASB”). References to IFRS hereafter should be construed as references to IFRS as adopted by the EU. The consolidated financial statements are prepared using the historical cost basis, except for available-for-sale financial assets and derivative financial instruments that have been measured at fair value. The consolidated financial statements are presented in US Dollars (“\$” or “dollars”) rounded to the nearest million, unless otherwise indicated.

The consolidated financial statements were authorized for issue by the Board of Directors on March 18, 2015.

Note 2 – Summary of Significant Accounting Policies

Adoption of new and revised policies and standards and interpretations

The Company adopted IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosure of interests in other entities”. Further, the Company adopted the changes to IAS 27 “Consolidated and Separate Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”. The adopted standards do not have a significant impact on the consolidated financial statements of the Company.

Consolidation

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Company has control. Currently exercisable and potential voting rights are considered when assessing whether the Company controls another entity. In addition the Company considers to control an entity when it is exposed, or has rights, to variable returns from its involvement, and has the ability to affect those returns through its power over the entity.

Joint arrangements and investments in associated companies

A joint arrangement is a contractual arrangement whereby the Company undertakes an economic activity that is subject to joint control and which strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control. A joint arrangement is classified as joint operation if the parties have joint control of the arrangement, and have rights to the assets, and obligations for the liabilities, relating to the arrangement. If the parties in the joint arrangement have rights to the net assets of the arrangement, it is classified as a joint venture.

An associated company is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest

in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies, generally accompanying a shareholding of between 20% and 50% of the voting rights.

The Company accounts for its investments in joint ventures and associates using the equity method of accounting. Under the equity method, investments are carried in the consolidated statements of financial position at cost as adjusted for post-acquisition changes in the Company’s share of the net assets (i.e. profit or loss and equity adjustments), less impairment in the value of individual investments. Losses in excess of the Company’s investment (which includes long-term interests that, in substance, form part of the Company’s net investment) are not recognized, unless the Company has incurred legal or constructive obligations or made payments on behalf of the investment. Profits and losses resulting from sales of assets between the Company and the investee are deferred to the extent of the interest in the investee, and recognized when the assets are sold to an independent party or otherwise expensed. The Company accounts for its investment in a joint operation by recognising the relative share the Company has in assets, liabilities, revenues and expenses in the investee. The Company periodically reviews its net investments to determine whether there is an indication of impairment. If such indication exists, the recoverable amount of the net investment is estimated in order to determine the extent of the impairment (if any). The Company accounts for its investment in a joint operation by recognising the relative share the Company has in assets, liabilities, revenues and expenses in the investee. PGS has cooperation agreements to invest in certain multi-client data projects with other parties. These agreements are classified as joint operations where the parties have rights to the assets and liabilities of the investment. PGS recognizes its relative share of the investment in multi-client data and its share of revenue, amortization and costs.

Long-term assets held-for-sale

Non-current assets are classified as held-for-sale when their carrying amount will be recovered principally through sale rather than through continuing use. This condition is deemed to exist when the sale is highly probable, the asset is available for immediate sale in its present condition and management is committed to the sale. Such assets are measured at the lower of carrying amount and fair value less costs to sell and are presented separately in the consolidated statements of financial position.

Cash and cash equivalents and restricted cash

Cash and cash equivalents include demand deposits and all highly liquid financial instruments purchased with original maturities of three months or less. Cash and cash equivalents that are restricted from the Company’s use are presented separately in the consolidated statements of financial position and are classified as current or long-term depending on the nature of the restrictions. Such restrictions primarily relate to the Brazilian tax claim deposit (Note 11), employee tax withholdings, cash collateral for bid or performance bonds, certain health insurance and restricted deposits under contracts.

Foreign currency translation and transactions

The financial statements of subsidiaries and associates whose functional currency is not US dollar are translated using the current exchange rate. Assets and liabilities are translated at the rate of exchange in effect at the period end; share par value and paid-in capital are translated at historical exchange rates; and revenues and expenses are translated at the average rate of exchange in effect during the period. Translation adjustments are recorded as a separate component in the consolidated statements of other comprehensive income.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of realized

and unrealized monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of operations, except when recognized in the consolidated statements of other comprehensive income as qualifying cash flow hedges.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment. The cost of internally generated intangible assets, other than those specified below, is expensed as incurred.

MultiClient library

The MultiClient library consists of seismic data surveys which are licensed to customers on a non-exclusive basis. Costs directly incurred in acquiring, imaging and otherwise completing seismic surveys are capitalized to the MultiClient library. Costs incurred while relocating or “steaming” a vessel or crew from one location to another and borrowing costs incurred during the acquisition and imaging phases of the survey are also capitalized to the MultiClient library.

A project remains in surveys-in-progress until imaging is complete, which may be some months or up to more than a year after data acquisition ends, at which point it is transferred to finished library.

The Company records the costs incurred on the MultiClient library in a manner consistent with its capital investment and operating decision analysis, which generally results in each component of the MultiClient library being recorded and evaluated separately. The cost of projects within the same political regime, with similar geological traits and that are marketed collectively are recorded and evaluated as a group by year of completion.

Sales amortization – The Company amortizes each MultiClient library survey based on the ratio of survey cost to forecast sales. On an annual basis each survey is placed in an amortization category 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.

Minimum amortization – An integral component of amortization of the MultiClient library is the minimum amortization policy. The book value of each survey (including groups of surveys) of the MultiClient library is reduced to a specified percentage by year-end, based on the age of the survey in relation to its year of completion. This requirement is applied each year-end regardless of future sales estimates for the survey. The specified percentage generates the maximum permitted book value for each survey as the product of the percentage multiplied by the original capitalized cost of the survey at the respective period end. Any additional or minimum amortization charges required are then determined through a comparison of the remaining book value to the maximum permitted book value allowed for each survey.

The specified percentages used to determine the maximum book value of the MultiClient library surveys are summarized as follows:

Calendar year after project completion	5-year profile	3-year profile
Year 0 (a)	100%	100%
Year 1	80%	66%
Year 2	60%	33%
Year 3	40%	0%
Year 4	20%	
Year 5	0%	

(a) Represents the year in which the survey is classified as completed.

All surveys, except derivative products, have a 5-year profile starting in the year after project completion. Derivative processed products have a 3-year profile starting in the year after data delivery. Derivative products are mainly reprocessing which creates data that can be licensed separately from the original survey.

Impairment – The Company classifies, as amortization expense in its consolidated statements of operations, impairment of individual MultiClient surveys that are based on changes in project specific expectations and that are not individually material. The Company expects this additional, non-sales related, amortization expense to occur regularly because each individual survey is evaluated at least annually for impairment or when specific indicators exist. The Company classifies as impairment in its consolidated statements of operations write-downs related to fundamental changes in estimates affecting a larger part of the Company’s MultiClient library where the effects are material. See impairment of property, equipment and intangibles below.

Research and development costs

Research costs are expensed as incurred. An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if all of the following have been demonstrated: technical and commercial feasibility of completing the intangible asset so that it will be available for use or sale; the intention to complete the intangible asset and use or sell it; the ability to use or sell the intangible asset; how the intangible asset will generate probable future economic benefits; the availability of adequate technical, financial and other resources to complete the development to use or sell the intangible asset; and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally generated intangible assets is the sum of the expenditure incurred from the date on which the intangible asset first satisfies the recognition criteria above. All other development costs are expensed as incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortization and accumulated impairment, on the same basis as intangible assets acquired separately. Capitalized development costs are amortized on a straight-line basis over the estimated useful life of the asset.

Patents, licenses and technology

Patents, licenses and technology are stated at cost less accumulated amortization and accumulated impairment. Amortization is calculated on a straight-line basis over the estimated period of benefit, ranging from one to twenty years.

Property and equipment

Property and equipment are stated at cost, excluding the costs of the day-to-day servicing, less accumulated depreciation and impairment. Depreciation is calculated on a straight-line basis over the useful life of the assets based on cost less estimated residual values. The estimated useful lives for property and equipment are as follows:

Years	
Seismic vessels	25 - 30
Seismic and operations equipment, incl. computers	3 - 15
Buildings and related leasehold improvements	1 - 17
Fixture, furniture, fittings and office computers	3 - 5
Major overhauls	3 - 7.5

Subsequent expenditures and major inspections/overhauls are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of replaced asset components are de-recognized. All other repairs and maintenance are charged to the consolidated statements of operations during the period in which they are incurred.

The assets' residual values, useful lives and method of depreciation are reviewed, and adjusted if appropriate, at least at each year-end.

Assets under construction are carried at cost, less accumulated impairment. Cost includes borrowing costs incurred during construction in accordance with the Company's accounting policy as stated below. Depreciation commences when the asset is ready for its intended use.

A component of property and equipment is de-recognized upon disposal or when no future economic benefit is expected from its use or disposal. Gains and losses arising on de-recognition of assets (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of operations in the year de-recognized.

Significant spare parts are capitalized along with the assets to which they relate. Other spare parts, consumables and bunker inventory are classified as other current assets and stated at cost.

Steaming costs

Steaming costs relate to relocating or "steaming" a vessel and its crew from one location to another. Steaming costs are capitalized or deferred to the extent the probable future economic inflows from the projects to which the vessel will steam are sufficient to recover the cost of the steam. The recoverable steaming cost associated with MultiClient surveys is capitalized as a part of the MultiClient library (see above). The recoverable steaming costs associated with exclusive contract surveys is deferred and charged to the consolidated statements of operations based upon the percentage of completion of the surveys.

Impairment of property, equipment and intangibles

Tangible and intangible assets are reviewed to determine whether there is any indication of impairment. If such indication exists, or when annual impairment testing for an asset is required, the recoverable amount of the asset is estimated to determine the extent of the impairment, if any. An asset's recoverable amount is the higher of (i) its fair value less cost to sell and (ii) its value in use. This determination is made for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the carrying amount of an asset (or cash generating unit) exceeds its recoverable amount, the carrying amount is reduced to its recoverable amount and the impairment is recognized immediately and presented separately in the consolidated statements of operations.

Goodwill does not generate cash flows independently of other assets or groups of assets and is allocated to the cash-generating units expected to benefit from the synergies of the combination that gave rise to the goodwill.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Goodwill (and the cash-generating unit to which goodwill is allocated) and intangible assets not yet available for use are evaluated for impairment annually, or whenever there is an indication that the asset may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit (including goodwill allocation), the impairment is applied first to reduce the carrying amount of goodwill and then to reduce the carrying amount of the other assets in the unit pro-rata, based on their relative carrying amounts.

Reversal of an impairment is recognized if the circumstances that gave rise to the impairment no longer exist. The carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount. The increased carrying amount may not exceed the carrying amount that would have existed had no impairment been recognized for the asset (cash-generating unit). The reversal is presented separately in the consolidated statements of operations. Impairment recognized on goodwill is not subject to reversal.

Derivative financial instruments and hedging

The Company uses derivative financial instruments to reduce its exposure related to fluctuations in foreign currency rates and interest rates. Derivative instruments are recognized in the consolidated statements of financial position at their fair values. Realized and unrealized gains and losses attributable to derivative instruments that do not qualify for hedge accounting are recognized as other financial items, net, as they arise. In limited circumstances, the company may apply hedge accounting if it meets certain criteria at hedge inception and on an ongoing basis.

Fair value hedges

Fair value hedges are used to hedge currency risk on equipment purchases denominated in currencies other than USD. The change in fair value of the hedging instrument is recognized in the consolidated statements of operations. The change in fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the consolidated statements of operations. When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in the consolidated statements of operations.

Cash flow hedges

Cash flow hedging is used to hedge interest rate risk. The effective portion of the gain or loss on the hedging instrument is recognized in the consolidated statements of other comprehensive income, while any ineffective portion is recognized immediately in the consolidated statements of operations. Amounts recorded in the consolidated statements of other comprehensive income are transferred to the consolidated statements of operations when the hedged transaction affects the consolidated statements of operations. If a cash flow hedge is discontinued, any subsequent change in value is recorded directly to the consolidated statement of operations. The fair value of the derivatives at the time is retained in other comprehensive income and amortized as an adjustment to the effective interest rate over the term of highly probable expected cash flow.

Revenue recognition

The Company recognizes revenue when (i) persuasive evidence of a sale arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the sales price is fixed or determinable and collection is reasonably assured. The Company defers the unearned component of payments received from customers for which the revenue recognition requirements have not been met. Consideration is generally allocated among the separate units of accounting based on their estimated relative fair values when elements have stand alone value. If an element of a customer agreement does not have stand alone value, revenue is deferred and recognized over the period

services are provided. The Company's revenue recognition policy is described in more detail below.

Sales of MultiClient library data

Late sales – The Company grants a license to a customer, which entitles the customer to have access to a specifically defined portion of the MultiClient data library. The Company recognizes revenue for late sales on completed surveys when the customer executes a valid license agreement and has received the underlying data or has the right to access the licensed portion of the data, the customer's license payment is fixed and determinable and collection is reasonably assured.

Pre-funding arrangements – The Company obtains funding from a limited number of customers before a seismic survey project is completed. In return for the pre-funding, the customer typically gains the ability to direct or influence the project specifications, to access data as it is being acquired and to pay discounted prices. The Company recognizes pre-funding revenue on surveys-in-progress as the services are performed on a proportional performance basis. Progress is measured in a manner generally consistent with the physical progress on the project, and revenue is recognized based on the ratio of the project's progress to date, provided that all other revenue recognition criteria are satisfied.

Proprietary sales/Marine contract sales/Imaging revenues

The Company performs seismic services under contract for a specific customer, whereby the seismic data is owned by that customer. The Company recognizes proprietary/contract revenue as the services are performed and become chargeable to the customer on a proportionate performance basis over the term of each contract. Progress is measured in a manner generally consistent with the physical progress of the project, and revenue is recognized based on the ratio of the project's progress to date, provided that all other revenue recognition criteria are satisfied.

Other services

Revenue from other services is recognized as the services are performed, provided all other recognition criteria are satisfied.

Income taxes

Income tax expense is comprised of the sum of current tax expense (or benefit) plus the change in deferred tax liabilities and assets during the period, except for current and deferred income tax relating to items recognized in the consolidated statements of other comprehensive income, in which case the tax is also recognized in the consolidated statements of other comprehensive income.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are calculated using the liability method for all temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and for tax purposes, including tax losses carried forward. A deferred tax liability is not recognized on temporary differences arising from the initial recognition of goodwill.

Deferred income tax is recognized on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences can be controlled by the Company and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent it is no longer probable that estimated future taxable profit will be sufficient to recover all or part of the deferred tax asset. Unrecognized deferred

tax assets are reassessed at the end of each reporting period and are recognized to the extent it has become probable that estimated future taxable profit is sufficient to recover the deferred tax asset. The probability assessment is based on Management's judgment and estimates of future taxable income, including the estimated effect of tax planning opportunities (see separate note describing accounting estimates below).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the estimated year of realization or settlement, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes are related to the same taxable entity and the same taxation authority. Deferred tax assets and liabilities are classified as long-term in the consolidated statements of financial position.

Accounting for uncertain tax positions are described in note 3.

Employee benefits

Pension obligations

The Company operates various pension plans. The plans are funded through payments to insurance companies or trustee-administered funds. The Company has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan which defines an amount of pension benefit that an employee will receive on retirement, dependent on factors such as age, years of service and compensation.

The liability recognized for defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period and reduced by the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using estimated interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Past service costs, which is an increase in the present value of the defined benefit obligation for employee services in prior periods due to current period changes to a defined benefit plan, are recognized immediately in the consolidated statements of operations unless the changes to the defined benefit plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are recognized on a straight-line basis over the vesting period.

Actuarial gains and losses due to current period changes in assumptions applied are recognized immediately in other comprehensive income.

For defined contribution plans, the Company pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Bonus plans

The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Share-based payments

Share options are measured at the fair value of the equity instrument at the grant date. Fair value is measured using the Black-Scholes

pricing model. The expected life used in the model is based on management's best estimate and considers the effects of non-transferability, exercise restrictions and behavioral considerations. Social security tax on share options is based on the intrinsic value as of the end of the reporting period and is recorded as a liability over the option period.

Restricted Stock Unit Plans are measured at the grant date using the current market value reduced by expected dividends paid before the vesting date, which is then further discounted.

Interest bearing debt and borrowings

Interest bearing loans are recognized initially at fair value less transaction costs. Subsequent to initial recognition, interest bearing loans are measured at amortized cost using the effective interest method. Gains and losses are recognized in the consolidated statements of operations when the liabilities are de-recognized as well as through the amortization process.

Financial assets and liabilities

Financial assets and liabilities are recognized when the Company becomes party to the contractual obligations of the financial instrument and are initially recognized at fair value.

Financial assets and liabilities are classified into categories as follows:

Financial assets and liabilities measured at fair value through the consolidated statements of operations.

This category is comprised of financial assets and liabilities held-for-trading and financial assets and liabilities designated upon initial recognition as measured at fair value through the consolidated statements of operations.

Financial assets and liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. Derivatives are classified as held-for-trading unless designated as effective hedging instruments.

After initial recognition, financial assets and liabilities in this category are measured at fair value with unrealized gains and losses recognized through the consolidated statements of operations.

Financial assets and liabilities measured at amortized cost

This category is comprised of loans and receivables and other non-derivative financial assets and liabilities with fixed or determinable payments that are not quoted in an active market. These financial assets and liabilities are initially recognized at fair value, with additions for directly attributable transaction costs. After initial measurement, they are carried at amortized cost using the effective interest method less any allowance for impairment.

Financial assets and liabilities measured at fair value through the consolidated statements of other comprehensive income

This category is comprised of financial assets and liabilities that are non-derivatives and are either designated as available-for-sale or not classified in any of the other categories. After initial measurement, they are measured at fair value with unrealized gains or losses recognized in the consolidated statements of other comprehensive income. When the asset or liability is disposed of, the cumulative gain or loss previously recorded in the consolidated statements of other comprehensive income is reversed and recognized in the consolidated statements of operations.

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length

market's transaction, reference to the current fair value of other instruments that are substantially the same, discounted cash flow analysis or other valuation models. An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 20.

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity instruments designated as available-for-sale, a significant or prolonged decline in the fair value of the instrument below its cost is an indication of impairment. If such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any previously recognized impairment – is reversed through the consolidated statements of other comprehensive income and recognized in the consolidated statements of operations. Impairments recognized in the consolidated statements of operations on equity instruments are not reversed. Impairment testing of trade receivables is described in Note 20 "Credit risk".

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value through the consolidated statements of operations.

Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year, excluding ordinary shares purchased by the Company and held as treasury shares. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For diluted earnings per share, dilutive potential ordinary shares are determined independently for each period presented. When the number of ordinary shares outstanding changes (e.g. share split) the weighted average number of ordinary shares outstanding during all periods presented is adjusted retrospectively. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Standards issued but not yet effective (which the Company has not early adopted)

Standards and interpretations that are issued up to the date of issuance of the consolidated financial statements, but not yet effective, are disclosed below. The Group's intention is to adopt the relevant new and amended standards and interpretations when they become effective, subject to EU approval before the consolidated financial statements are issued.

IFRS 9 Financial Instruments

IFRS 9 will eventually replace IAS 39 Financial Instruments: Recognition and Measurement. In order to expedite the replacement of IAS 39, the IASB divided the project into phases: classification and measurement, hedge accounting and impairment. New principles for impairment were published in July 2014 and the standard is now completed. The parts of IAS 39 that have not been amended as part of this project have been transferred into IFRS 9.

The Standard is not yet approved by the EU. The Company expect to implement IFRS 9 from January 1, 2018. The standard is not expected to have a significant effect on the Company's consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

The IASB and the FASB have issued their joint revenue recognition standard, IFRS 15. The standard replaces existing IFRS and US GAAP revenue requirements. The core principle of IFRS 15 is that revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard applies to all revenue contracts and provides a model for the recognition and measurement of sales of some non-financial assets (e.g., disposals of property, plant and equipment).

The Standard is not yet approved by the EU. The Company expects to implement the amendments from January 1, 2017. The effect the Standard is expected to have on the Company's consolidated financial statements at the date of implementation is currently unknown.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

The amendments are not yet approved by the EU. The Company expects to implement the amendments from January 1, 2016. The effect the Standard is expected to have on the Company's consolidated financial statements at the date of implementation is currently unknown.

Note 3 – Critical Accounting Judgments, Estimates and Assumptions

Critical judgments

The preparation of financial statements in accordance with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities. In many circumstances, the ultimate outcome related to the estimates, assumptions and judgments may not be known for several years after the preparation of the financial statements. Actual amounts may differ materially from these estimates due to changes in general economic conditions, changes in laws and regulations, changes in future operating plans and the inherent imprecision associated with estimates.

Estimation uncertainty and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Discount rate

The Company applied a pre-tax discount rate of 9.5% (or post-tax 9.0%) in determining discounted cash flows in connection with the impairment evaluations of Seismic vessels and equipment, MultiClient library, Intangible Assets and Goodwill. This rate reflects the estimated Weighted Average Cost of Capital for the Company.

Inflation rate

In estimating discounted cash flow for Seismic vessels and equipment and Goodwill, an estimated inflation rate of 1% was assumed in determining the nominal cash flows. For estimating the discounted

cash flow from the Towed EM activity, an additional growth rate of 1.5% was assumed, reflecting the fact that this is a relatively new service. No inflation rate assumption is applied when estimating cash flows from the MultiClient library and other Intangible assets.

Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent it is probable that future taxable profit will be available against which the losses can be utilized. Significant management judgment is required to estimate the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profit.

Forecast sales of MultiClient library

At least annually, management forecasts future sales for each MultiClient library survey for purposes of determining the amortization rate and amount of impairment, if any. In forecasting sales, management considers past experience, market developments, general prospects for hydrocarbons in the area, political risk, likelihood and timing of exploration licensing rounds, existence of competitor data sets and general economic conditions. Because of the inherent difficulty in forecasting sales and future developments, it is possible that the amortization rates could deviate significantly from year to year. In addition, future revenues on a survey may not be sufficient to cover the existing carrying value. To the extent the actual revenues achieved prove to be less than forecasted, future periods will reflect lower profitability due to increased amortization rates and/or impairments of MultiClient library surveys. The minimum amortization policy is designed to reduce the risk of an increase in future years' amortization rates or impairment as result of unfavorable variances in revenues ultimately achieved compared to forecasts.

A 10% reduction in the sales forecast for all surveys with a net book value as of December 31, 2014 would have resulted in a further write down or non sales related amortization of \$35 million in 2014 and 4 percentage point higher composite sales amortization rate for those surveys in future periods.

Seismic vessels and equipment

Depreciation is based on management estimates of the future economic benefits and expected useful lives of seismic vessels and equipment. These estimates may change due to changes in market conditions including competition, technological development, use of the assets and strategic considerations.

Impairment of seismic vessels and equipment

Seismic vessels and equipment are regularly reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Future cash flows expected to be generated from the use and eventual disposal of the assets are estimated to determine the amount of impairment, if any.

Estimating future cash flows requires management to make judgments regarding long-term forecasts of future revenues and costs related to the assets subject to review. These forecasts are subject to uncertainty as they require assumptions about demand for our products and services, future market conditions and technological developments. Significant and unanticipated changes in these assumptions could result in impairments in a future period.

In estimating future cash flows of the seismic fleet, management has assumed that revenue levels for each vessel will be negatively impacted by a weak market in 2015 and 2016 and increase thereafter to levels that generate operating profit (EBIT) margins similar to average historic margins. Had EBIT margins that are 5 percentage points lower than average historic EBIT margins been assumed, then additional impairment of certain vessels would result totaling approximately \$30 million as of December 31, 2014.

Forecast future revenues from services and products related to intangible assets

At least annually, management forecasts future cash flows from services and products related to intangible assets, hereof \$94 million relating to Towed EM activity, see also 18. In forecasting cash flows, management considers the future market demand, extent of completion, technological and engineering requirements and the likelihood and timing of completing the service or product offering. Because of the inherent difficulty in estimating these factors, it is possible that future revenues and cash flows from these activities will not be sufficient to recover the existing carrying value of the related assets.

In estimating future cash flows management has estimated that the roll-out of Towed EM service offering to the vessels in the fleet will occur over a period of up to 10 years. The timing of the roll-out is dependent upon the level of interest of customers; completion of the development in yielding an efficient solution and resolution of the patent infringement case (See note 21). An assumption that the roll-out and/or increase in customer interest takes 2 years longer to achieve would result in an impairment of \$20 million as of December 31, 2014. Had a 10% reduction in estimated gross future revenues from Towed EM activity without any adjustments to estimated future costs been assumed, then a \$25 million impairment would have resulted as of December 31, 2014.

Impairment testing of Goodwill

In estimating future cash flows from the Marine Contract and MultiClient cash generating units, management has assumed that revenue levels will be negatively impacted by a weak market in 2015 and 2016 and increase thereafter to levels that generate EBIT margins similar to average historic margins. Had EBIT margins that are 5 percentage points lower than average historical EBIT margins been assumed; or had the discount rate been 1.5% higher, then an impairment of \$42 million of Goodwill would have resulted as of December 31, 2014.

Provision for contingencies, claims and tax litigations

The Company records accruals for contingencies, claims and other uncertain liabilities, including tax contingencies, when it is more likely than not that a liability has been incurred and the amount can be reasonably estimated. These accruals are adjusted periodically as assessments change or new or additional information becomes available. In estimating the likelihood of an unfavorable outcome, management evaluates the specific facts and circumstances in light of the related laws and regulations; advice from external counsel; and the outcome of similar cases, if any. Because of the inherent uncertainty in estimating the future outcome of such matters, it is possible that some of these matters will ultimately result in the Company incurring a material liability. See note 9 and 21 for further descriptions.

Note 4 – Cost of Sales

(In millions of US dollars)	Year ended December 31,		
	2014	2013	2012
Vessel operating cost	648.6	616.9	574.3
Sales, project and project management cost	165.7	153.6	167.1
Imaging, Geoscience and Engineering cost	154.9	149.9	137.3
Other	28.6	24.9	55.1
Total cash cost of sales	997.8	945.3	933.8
Less amount capitalized to MultiClient library	344.2	374.4	291.4
Net cost of sales	653.6	570.9	642.4

Note 5 – Segment, Revenue and Geographic Information

Executive management regularly evaluates the operating segments operational and financial performance. The financial information disclosed is consistent with that used by executive management in controlling the Company's business, for making strategic decisions and for allocating resources. The Company's operating segments are managed separately and represent strategic business product lines. The segments serve a similar worldwide market. Segment customers are primarily composed of the same major multi-national, independent and national or state-owned oil companies.

Marine Contract and MultiClient segments satisfy the aggregation criteria under IFRS and accordingly, are presented as a combined Marine reporting segment. Financial items, income tax expense and liabilities are not included in the measure of segment performance.

(In millions of US dollars)	Year ended December 31,		
	2014	2013	2012
Revenues by service lines within Marine segment:			
Marine Contract	697.8	677.5	623.5
MultiClient pre-funding	290.7	360.5	461.3
MultiClient late sales	309.0	311.3	266.8
Imaging	119.2	122.7	124.4
Other	37.1	29.6	42.3
Total revenues	1,453.8	1,501.6	1,518.3
Operating costs (a)	(751.2)	(672.7)	(742.1)
EBITDA	702.6	828.9	776.2
Other operating income	0.7	0.7	1.1
Impairments of long-term assets and assets held-for-sale (note 6)	(73.8)	(15.0)	0.8
Depreciation and amortization (note 6)	(181.2)	(130.7)	(139.6)
Amortization of MultiClient library (note 6)	(344.2)	(301.8)	(344.7)
Operating profit (loss)	104.2	382.1	293.8

Statement of financial position items and cash investments for the year

Investments in joint venture and associated companies	32.5	48.1	38.5
Total assets	3,563.0	3,544.3	3,275.6
Cash used for investments in long-term assets (b)	753.9	839.4	693.5

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

(b) Consist of cash investments in MultiClient library, capital expenditures and investments in other intangible assets

Because the Company provides services worldwide to the oil and gas industry, a substantial portion of the property and equipment is mobile, and their respective locations at the end of each period (as listed in the tables below together with the MultiClient library) are not necessarily indicative of the earnings generated by the related property and equipment during the period. Property and equipment is classified based upon location of ownership. Goodwill is classified in the same geographic area as the underlying acquired assets. The geographic classification of statements of operations items is based upon location of performance or, in the case of MultiClient seismic data sales, the geographic area covered by the data being licensed.

(In millions of US dollars)	Year ended December 31,		
	2014	2013	2012
Revenues external customers			
Americas (excluding Brazil and Falkland Islands)	365.0	259.7	165.1
Falkland Islands	29.1	134.1	11.7
Brazil	157.8	133.2	181.3
UK	122.8	132.4	163.6
Norway	339.1	200.4	174.5
Asia/Pacific	128.2	172.0	284.0
Africa (excluding Angola)	203.8	164.5	170.0
Angola	90.0	179.1	301.4
Middle East/Other	18.1	126.2	66.7
Total	1,453.8	1,501.6	1,518.3

Revenues, including inter-area (In millions of US dollars)	Year ended December 31,		
	2014	2013	2012
Americas (excluding Brazil and Falkland Islands)	365.4	262.6	165.7
Falkland Islands	29.1	134.1	11.7
Brazil	157.9	133.2	181.3
UK	146.3	165.3	188.8
Norway	340.9	204.0	180.5
Asia/Pacific	128.2	172.0	284.2
Africa (excluding Angola)	214.3	176.8	179.2
Angola	90.0	179.1	301.4
Middle East/Other	18.5	126.2	66.7
Elimination inter-area revenues	(36.8)	(51.7)	(41.2)
Total	1,453.8	1,501.6	1,518.3

(In millions of US dollars)	December 31,	
	2014	2013
Americas (excluding Brazil)	273.3	174.8
Brazil	63.6	64.1
UK	318.3	342.7
Norway	1,280.7	1,220.5
Asia/Pacific (excluding Singapore)	74.7	101.9
Singapore	538.2	480.7
Africa	109.6	70.3
Middle East/Other	56.6	104.3
Total	2,715.0	2,559.3

(a) Consists of Property and equipment, MultiClient library, Investments in associated companies (note 16), Goodwill and Other intangible assets.

In 2014, aggregate revenues from the two largest customers accounted for 10.4% and 9.9% of the Company's consolidated revenues, compared to 11.0% and 9.0% in 2013 and 13.8% and 10.3% in 2012, respectively.

Note 6 – Depreciation, Amortization and Impairments of Long-Term Assets

Depreciation and amortization consist of the following:

(In millions of US dollars)	Year ended December 31,		
	2014	2013	2012
Gross depreciation and amortization	(278.5)	(243.9)	(222.5)
Depreciation capitalized and deferred, net	97.3	113.2	82.9
Amortization of MultiClient library (Note 15)	(344.2)	(301.8)	(344.7)
Net depreciation and amortization expense	(525.4)	(432.5)	(484.3)

Impairments and reversal of impairments of long-term assets consist of the following:

(In millions of US dollars)	Year ended December 31,		
	2014	2013	2012
Impairment of property and equipment (Note 14)	(61.3)	(15.0)	(0.9)
Impairment assets held-for-sale (Note 13 and 22)	(12.5)	-	-
Reversal of impairment of property and equipment (Note 14)	-	-	1.7
Net impairment	(73.8)	(15.0)	0.8

Note 7 – Interest Expense

Interest expense consists of the following:

(In millions of US dollars)	Year ended December 31,		
	2014	2013	2012
Interest cost, gross	(56.8)	(57.6)	(51.4)
Interest capitalized to the MultiClient library (Note 15)	20.3	10.5	5.6
Interest capitalized to construction in progress (Note 14)	6.4	14.8	8.0
Total	(30.1)	(32.3)	(37.8)

The average interest rate used to determine the amount of interest cost eligible for capitalization was 5.1%, 5.5% and 5.9% for the years ended December 31, 2014, 2013 and 2012, respectively.

Note 8 – Other Financial Expense, Net

Other financial expense, net consists of the following:

(In millions of US dollars)	Year ended December 31,		
	2014	2013	2012
Interest income	2.3	1.6	3.6
Loss on repurchase of convertible notes	-	-	(7.5)
Fair value adjustments to financial instruments	-	-	(6.7)
Write off relating to Term loan refinancing	(8.8)	-	-
Currency exchange loss	(13.4)	(7.6)	(7.3)
Other	(6.6)	(1.6)	(5.4)
Total	(26.5)	(7.6)	(23.3)

Note 9 – Income Taxes

Net income tax expense from continuing operations consists of the following:

(In millions of US dollars)	Year ended December 31,		
	2014	2013	2012
Current taxes (a)	41.3	32.2	43.9
Deferred taxes	26.3	57.4	(1.0)
Total income tax expense	67.6	89.6	42.9

(a) Current tax mainly relates to withholding taxes in countries of operation.

The deferred tax asset recognized in other comprehensive income arises from the following temporary differences:

(In millions of US dollars)	December 31,	
	2014	2013
Pensions (Note 24)	(10.9)	(4.1)
Cash flow hedges (Note 20)	-	(2.4)
Total recognized in other comprehensive income	(10.9)	(6.5)

The income tax expense differs from the amounts computed when applying the Norwegian statutory tax rate to income before income taxes as a result of the following:

(In millions of US dollars)	Year ended December 31,		
	2014	2013	2012
Income before income tax expense from continuing operations	16.7	327.9	228.5
Norwegian statutory rate	27%	28%	28%
Provision for income taxes at statutory rate	4.5	91.8	64.0
Increase (reduction) in income taxes from:			
Effect of tax rates other than statutory tax rate in Norway	1.4	(1.1)	(3.5)
Tax exempt income within tonnage tax regimes net of vessel impairments (a)	(7.6)	(34.2)	(29.1)
Losses from equity investments	9.2	3.6	0.8
Foreign taxes not deductible or subject to credit	22.8	7.4	5.5
Change in tax rate (b)	-	4.1	1.1
Currency effects (c)	19.0	14.7	(15.9)
Changes in tax contingencies recognized as tax expense (benefit)	-	(4.0)	(1.9)
Changes in unrecognized deferred tax assets	14.2	6.7	22.3
Prior period adjustments	(0.7)	(2.4)	3.9
Other permanent items	4.7	3.0	(4.3)
Income tax expense	67.6	89.6	42.9

Notes to selected items in the preceding table:

- The Company's vessel operations are mainly within the Norwegian Tonnage Tax regime under which operating profit is tax exempt.
- The Norwegian corporate income tax rate was reduced from 28% to 27% effective from 1 January 2014. As a result, a reduction in deferred tax asset of \$3.8 million was recognized in 2013.
- Currency effects primarily relate to translating tax positions in local currency to US dollar functional currency.

The tax effects of the Company's temporary differences are as follows:

(In millions of US dollars)	December 31,	
	2014	2013
Deferred tax assets		
MultiClient library	(24.6)	(33.7)
Derivatives	(1.7)	(2.0)
Employee benefits	(19.9)	(20.5)
Tax loss carry-forwards	(170.6)	(171.0)
Tax credits	(19.9)	(22.0)
Unrealized exchange loss	(21.2)	(16.8)
Other	(27.1)	(21.2)
Deferred tax assets, gross	(284.9)	(287.2)
Deferred tax liabilities		
Property and equipment	40.5	38.3
Intangible assets	39.3	27.1
Current accruals/liabilities	10.6	9.0
Deferred taxable gain/revenue	16.7	9.8
Other	3.4	1.7
Deferred tax liabilities, gross	110.5	85.9
Deferred tax assets, net	(174.5)	(201.3)
Deferred tax assets not recognized in the consolidated statements of financial position	92.7	97.5
Net recognized deferred tax assets	(81.8)	(103.8)

(In millions of US dollars)	December 31,	
	2014	2013
Deferred tax assets	(95.9)	(110.0)
Deferred tax liabilities	14.1	6.2
Income tax assets, gross	(81.8)	(103.8)

Deferred tax assets specified by jurisdiction, both recognized and unrecognized, and tax losses including expiration periods as of December 31, 2014 are as follows:

(In millions of US dollars)	Tax losses	Expiry dates	Recognized	Unrecognized
			deferred tax assets	deferred tax assets
Brazil	50.2	None	-	39.6
Norway	314.8	None	78.1	12.5
Singapore	173.6	None	0.4	-
UK	63.6	None	17.4	18.7
Other	90.3	2015 - No expiry	-	21.9
	692.4		95.9	92.7

It is the Company's current view that unremitted earnings from international operations in subsidiaries are expected to be reinvested indefinitely, and as a result, no withholding tax have been provided for unremitted earnings.

With its multi-national operations, the Company is subject to taxation in many jurisdictions around the world with increasingly complex tax laws. The Company has matters in several jurisdictions that could eventually make it liable for material amounts of taxes relating to prior years.

Total provision for uncertain tax positions are recognized as follows:

(In millions of US dollars)	December 31,	
	2014	2013
Other long-term liabilities	2.2	2.1
Total provision for uncertain tax positions	2.2	2.1

Brazil tax audits 2006-2008

In May 2012, the Company received two tax assessments for 2008 from the federal tax authorities in Brazil claiming approximately \$62 million including interests and penalties. One assessment asserts that seismic vessels do not meet the definition of a vessel and therefore the charters into Brazil are subject to a 15% withholding tax instead of 0%. The second assessment levies a 10% tax ("CIDE") on the same charters. In 2012, the first administrative appeal level ruled in favor of PGS with respect to the withholding tax claim but upheld the CIDE assessment. On July 17, 2013, the second administrative appeal level ruled in favor of PGS with respect to the withholding tax claim and on Dec 10, 2014, the third administrative level denied to admit the appeal from the tax authorities. PGS is waiting for the formal notification of the case. The CIDE case is still pending before the second level. Because the Company considers it more likely than not that this contingency will be resolved in its favor, no provision is recognized for any portion of the exposure.

Other tax contingencies

The Company estimates the likelihood of unfavorable outcomes for other tax contingencies amounting to approximately \$30 million as reasonably possible and approximately \$150 million as remote.

Note 10 – Earnings Per Share Information

Specification of average number of shares:

	Year ended December 31,		
	2014	2013	2012
Weighted average basic shares outstanding (a)	214,603,496	215,566,344	216,634,550
Dilutive potential shares (b)	787,239	834,181	833,388
Weighted average diluted shares outstanding	215,390,735	216,400,525	217,467,938

- (a) Weighted average basic shares outstanding for each year is reduced by the average number of treasury shares owned by the Company during the year (see Note 25)
- (b) For the years ended December 31, 2014, 2013 and 2012, respectively, share options equivalent to 2,644,500, 2,711,000 and 5,649,689 common shares, were excluded from the calculation of diluted earnings per share as they were anti-dilutive.

Note 11 – Restricted Cash

Restricted cash consists of the following:

(In millions of US dollars)	December 31,	
	2014	2013
Current:		
Restricted Cash ECA loan (Note 19)	15.9	9.6
Restricted payroll withholding taxes	4.0	4.5
Other	0.3	0.5
Total restricted cash, current	20.2	14.6
Long-term:		
Deposits ISS disputes (Note 21)	72.0	74.8
Total current and long-term	92.2	89.4

Note 12 – Accrued Revenues and Other Receivable

Accrued revenues and other receivables consist of the following:

(In millions of US dollars)	December 31,	
	2014	2013
Accrued revenues (a)	169.5	166.1
Other receivables	11.1	17.2
Total	180.6	183.3

- (a) Accrued revenue relates to services for which revenue has been recognized and which will be invoiced and collected within 12 months.

Note 13 – Other Current Assets

Other current assets consist of the following:

(In millions of US dollars)	December 31,	
	2014	2013
Consumables, supplies and fuel inventory	55.7	54.4
Prepaid operating expenses	19.9	12.7
Withholding taxes and taxes receivable	15.4	7.5
Deferred steaming costs	14.0	25.0
Unrealized gain on hedging	11.6	3.8
Prepaid reinsurance	8.3	7.1
Loan to joint venture	-	6.5
Assets held-for-sale	7.5	4.0
Other	3.9	3.5
Total	136.3	124.5

Note 14 – Property and Equipment

The changes in property and equipment, including property and equipment under finance leases, are as follows:

(In millions of US dollars)	Construction of vessels in progress	Seismic vessels and equipment	Fixtures, furniture and fittings	Buildings and other	Total
Cost as of January 1, 2013	266.9	2,345.0	58.3	28.5	2,698.7
Capital expenditures/recoveries	258.5	158.4	19.2	1.7	437.8
Capitalized interest	14.8	-	-	-	14.8
Asset completed for intended use	(267.8)	267.8	-	-	-
Asset retirements	-	(53.5)	(4.7)	(0.6)	(58.8)
Cost as of December 31, 2013	272.4	2,717.6	72.9	29.6	3,092.5
Capital expenditures/recoveries	295.6	75.2	-	0.5	371.3
Capitalized interest	6.4	-	-	-	6.4
Assets completed for intended use	(411.3)	388.6	5.5	17.2	-
Asset retirements	-	(108.5)	(3.0)	(2.0)	(113.5)
Cost as of December 31, 2014	163.1	3,072.9	75.4	45.2	3,356.7
Accumulated depreciation as of January 1, 2013	-	1,008.4	42.7	14.0	1,065.2
Impairments as of January 1, 2013	-	194.3	0.4	1.2	195.9
Depreciation	-	226.7	6.9	3.5	237.1
Impairments	-	15.0	-	-	15.0
Asset retirements	-	(45.1)	(4.4)	(0.6)	(50.2)
Depreciation as of December 31, 2013	-	1,190.0	45.2	16.9	1,252.1
Impairments as of December 31, 2013	-	209.3	0.4	1.2	210.9
Depreciation	-	258.5	2.7	9.9	271.1
Impairments	-	61.3	-	-	61.3
Asset retirements	-	(97.5)	(3.0)	(1.7)	(102.2)
Depreciation as of December 31, 2014	-	1,351.0	44.9	25.1	1,421.0
Impairments as of December 31, 2014	-	270.6	0.4	1.2	272.2
Balance as of December 31, 2013	272.4	1,318.4	27.2	11.5	1,629.5
Balance as of December 31, 2014	163.1	1,451.3	30.1	18.9	1,663.5

Impairments

Management regularly evaluates its fleet plan and capital expenditure levels in light of market conditions. In 2013 and 2014 management performed such evaluations and made decisions which resulted in impairments of certain vessels in the fleet described below.

The Company no longer expects to re-rig the stacked source vessel Polar Sea. Impairments in the amount of \$15 million in 2013 and \$2.2 million in 2014 were recognized in adjusting the vessel's carrying value down to its estimated sales value of \$0.4 million as of December 31, 2014.

In 2014 the 2D/source vessels Pacific Explorer and Nordic Explorer, both of which were near the end of their economic useful life, were removed from service and their carrying values adjusted to the agreed (or estimated) sales price of \$2 to \$3 million per vessel, resulting in an aggregate impairment of \$7.5 million.

Final completion of the vessel Southern Explorer, currently at a yard (see note 21), remains undetermined. As a result of this continued uncertainty, in 2014 the vessel's carrying value was adjusted to its estimated fair value of \$8.5 million, resulting in an impairment of \$17 million.

As a result of the significant downturn in the marine seismic market at the end of 2014, the recoverability of net book values for each vessel in the PGS fleet was evaluated. Based upon this evaluation, the carrying value of the vessel Ramform Explorer was adjusted to its estimated value-in-use of \$6.0 million resulting in an impairment of \$30 million.

New build program – Ramform Titan-class vessels

Ramform Titan and Ramform Atlas were delivered in May 2013 and January 2014, respectively. Ramform Tethys and Ramform Hyperion are now scheduled for delivery from Mitsubishi Heavy Industries Ltd. in Q1 and Q3 2016, subject to finalization of amendments to the financing agreements to accommodate the revised delivery dates. 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. As of December 31, 2014 an aggregate of \$420 million has yet to be incurred on Ramform Tethys and Ramform Hyperion.

Arrow – vessels

In 2007, the Company acquired the Arrow Group which was constructing four 10-12 streamer seismic 3D vessels at the Factorias Vulcano shipyard group in Spain (the Arrow NB's). Subsequently, three of the new-build contracts were cancelled due to delays (NB 532, NB 533 and NB 535). The Company took delivery of NB 534, named PGS Apollo in 2010. For the cancelled Arrow vessels, NB 532 and NB 533, approximately EUR 11 million is still outstanding from Factorias Vulcano. Arrow is currently taking steps to recover the values. The net book value of the receivable from the Spanish yard is \$6.3 million and \$10.1 million as of December 31, 2014 and 2013, respectively.

Note 15 – MultiClient Library

The changes in the MultiClient library are as follows:

(In millions of US dollars)	2014	2013
Balance as of January 1,	576.9	382.3
Capitalized cash costs	344.2	373.0
Capitalized interest	20.3	10.5
Capitalized depreciation	98.0	112.9
Amortization expense	(344.2)	(301.8)
Balance as of December 31,	695.2	576.9

Amortization expense for the year ended December 31, 2014 includes \$90.9 million of non-sales related amortization. This amount is comprised of \$40.0 million in minimum amortization and \$50.9 million of impairments to reflect the discounted cash flow of future sales on certain individual surveys. For the year ended December 31, 2013 the non-sales related amortization totaled \$40.1 million, comprised of \$30.0 million in minimum amortization and \$10.1 million of impairments. For the year ended December 31, 2012, the non-sales related amortization totaled \$35.0 million, comprised of \$23.9 million of minimum amortization and \$11.1 million of impairments.

The net carrying value of the MultiClient library, by the year of survey completion is as follows:

(In millions of US dollars)	December 31,	
	2014	2013
Completed surveys:		
Completed during 2009	-	27.6
Completed during 2010	11.3	20.5
Completed during 2011	17.9	32.1
Completed during 2012	29.1	45.2
Completed during 2013	46.6	60.2
Completed during 2014	104.5	-
Completed surveys	209.4	185.6
Surveys in progress	485.8	391.3
MultiClient library	695.2	576.9

For information purposes, the following table shows the hypothetical application of the Company's minimum amortization requirements to the components of the existing MultiClient library.

(In millions of US dollars)	Future minimum amortization
During 2015	25.8
During 2016	64.6
During 2017	122.6
During 2018	148.2
During 2019	181.3
During 2020	152.7
Future minimum amortization	695.2

Because the minimum amortization requirements apply to the MultiClient library on a survey-by-survey basis rather than in the aggregate, the Company may incur significant minimum amortization charges in a year even when the aggregate amount of ordinary amortization charges recognized exceeds the aggregate minimum amortization charges.

PGS has cooperation agreements to invest in certain multi-client data projects with other parties. These agreements are classified as joint operations where the parties have rights to the assets and liabilities of the investment. PGS recognizes its relative share of the investment in multi-client data and its share of revenue, amortization and costs.

	Year ended December 31, 2014
(In millions of US dollars)	
Gross revenues	124.9
Revenue share	54.8
Amortization	(45.8)
Impairment	(1.9)
PGS' part of the joint MultiClient Library	18.8

Note 16 – Other Long-Term Assets

Other long-term assets consist of the following:

(In millions of US dollars)	December 31,	
	2014	2013
Investments in joint venture and associated companies (a)	32.5	48.1
Loan to PF Thor (note 21)	14.2	10.9
Claims against yard (NB's 532 and 533) (Note 14)	6.3	10.1
Deferred loan costs on undrawn new-build borrowing facilities (b)	-	3.8
Loans to joint venture and associated company (a)	-	3.5
Other long-term receivables	2.2	8.6
Total	55.2	85.0

(a) Specification of investments in and loans to joint venture and associated companies:

(In millions of US dollars)	December 31, 2014			December 31, 2013		
	Net book value	Loan	Ownership	Net book value	Loan	Ownership
Corporations and limited partnerships						
Azimuth Ltd.	-	-	45%	12.2	-	45%
Azimuth II Ltd.	32.3	-	45%	20.3	-	45%
Azinam Ltd.	0.1	-	-	0.1	-	-
Seafloor Geophysical Solutions (SGS)	-	-	-	13.0	-	33%
PGS Overseas Operations (Cyprus) Ltd	-	-	-	2.4	3.5	50%
Other	0.1	-	-	0.1	-	-
Total	32.5	-	-	48.1	3.5	-

(In millions of US dollars)	Share of income (loss) 2014	Share of income (loss) 2013
Corporations and limited partnerships		
Azimuth Ltd.	(12.7)	(4.9)
Azimuth II Ltd.	(12.0)	(2.4)
Azinam Ltd.	-	0.5
Seafloor Geophysical Solutions (SGS)	(3.6)	(0.4)
PGS Overseas Operation (Cyprus) Ltd	(2.6)	(7.1)
Other	0.1	(0.1)
Total	(30.9)	(14.3)

The Company owns 45% of both Azimuth Limited and Azimuth II Limited, which together are the holding companies of the Azimuth Group. The remaining 55% are held by a majority shareholder, and the investment is therefore recognized as an associated company. The Azimuth Group consists of several operating entities which invest in Exploration and Production (E&P) companies and exploration assets.

In 2011, the Company participated in the establishment of Azimuth Limited primarily by contributing existing equity holdings in smaller E&P companies. In 2012, the Company received shares in Azinam Limited as part of the settlement for exploration assets in Namibia. In addition to shares the Company received a convertible loan of \$12.8 million. In 2013, the Company participated in the establishment of Azimuth II Limited by contributing exploration assets in UK and Ireland, shares in Azinam Limited and Fortis Petroleum Corporation AS, and the convertible loan

provided by Azinam Limited. In 2014, the Company has contributed \$25.7 million to the Azimuth Group, mostly settled by sale of data and services. During 2014 the Azimuth Group has also purchased data and services from the Company for \$22.5 million.

The Company has entered into a cooperation agreement whereby the Company provides certain services to the Azimuth Group. The Azimuth Group has the right to buy, for cash and at fair value, up to 50% of any future equity settlement that the Company may receive as payment for its library or services. The Company has a right but no obligation to provide further funding of Azimuth Group and has no guarantees outstanding.

The following table illustrates the summarized financial information at December 31:

(In millions of US dollars)	Azimuth Limited		Azimuth II Limited	
	2014	2013	2014	2013
Current assets	1.6	9.5	7.7	0.6
Non-current assets	16.0	23.8	83.8	22.4
Current liabilities	6.5	5.5	0.2	22.9
Non-current liabilities	-	-	-	-
Equity	11.1	27.8	91.3	0.1
Revenue	-	-	-	-
Operating expenses	4.1	9.8	0.7	0.3
Financial expenses	16.8	3.5	16.6	2.6
Profit before tax	(20.9)	(13.3)	(17.3)	(2.9)
Income tax expense	-	-	-	-
Profit for the year	(20.9)	(13.3)	(17.3)	(2.9)
Other comprehensive income	(1.6)	(0.5)	(1.5)	(0.5)
Total comprehensive income	(22.5)	(13.8)	(18.8)	(3.4)

In 2013, the Company acquired 33.4% of Seafloor Geophysical Solutions (SGS). SGS is a marine geophysical company focusing on seafloor acquisition, based on ocean bottom seismic technology. The strategic agreement provided PGS exclusive rights to market and offer SGS' node services to clients in the Brazilian market. In 2014, the main shareholder withdrew the funding of SGS and the operations and agreements were cancelled. The Company recognized a loss of \$3.6 million on the investment in 2014. The Company has no obligation to provide further funding of SGS and has no guarantees outstanding.

In 2013 the Company owned 50% of PGS Overseas Operations (Cyprus) Ltd (POOL) whose wholly-owned Russian subsidiary, PGS Khazar LLC, performs shallow-water and transition zone seismic services in the Caspian Sea. In connection with additional funding of PGS Khazar LLC operations, during 2014 the Company increased its ownership interest in POOL to 89.89% pursuant to which it became a consolidated subsidiary. Since late 2013 the Company has been marketing the sale of PGS Khazar LLC and has recorded the assets and liabilities at the lower of cost and estimated fair value. The Company recognized impairment on long-term assets related to PGS Khazar LLC of \$5 million in 2013 and \$15.1 million in 2014, of which \$5 million and \$2.6 million, respectively, are included in loss from associated companies and \$12.5 million in 2014 is included in impairment of long-term assets.

(b) Deferred loan costs is comprised of loan fees, guarantee fees and professional fees associated with separate financing arranged for each of the vessels Ramform Titan and Ramform Atlas. The related portion of deferred loan costs were in 2014 reclassified and presented as a reduction of long-term debt when each loan facility was drawn (note 19).

Note 17 – Goodwill

The operating segments Marine Contract and MultiClient are cash generating units to which goodwill is allocated for the purpose of evaluating for impairment.

(In millions of US dollars)	December 31,	
	2014	2013
Marine Contract	97.9	97.9
MultiClient	42.0	42.0
Total	139.9	139.9

The recoverable amount of goodwill is estimated based upon value-in-use and after tax cash flow projections approved by executive management. The key assumptions used relate to growth rates, revenues, operating profit, capital expenditures and discount rate.

Note 18 – Other Intangible Assets

The changes in other intangible assets are summarized as follows:

(In millions of US dollars)	Patents and licenses	Development cost	Technology and other	Exploration expenditures	Total
Cost as of January 1, 2013	196.4	83.6	22.8	5.0	307.8
Additions to costs	12.0	16.4	-	0.9	29.2
Asset retirements	(10.7)	(0.7)	-	(0.3)	(11.7)
Cost as of December 31, 2013	197.7	99.3	22.8	5.5	325.3
Additions to costs	-	16.4	10.0	-	26.4
Asset retirements	-	-	(0.1)	-	(0.1)
Cost as of December 31, 2014	197.7	115.7	32.7	5.5	351.7
Amortization as of January 1, 2013 (a)	139.2	6.3	19.5	-	165.0
Amortization expense	3.9	2.2	0.7	-	6.8
Asset retirements	(10.7)	(0.7)	-	-	(11.4)
Amortization as of December 31, 2013 (a)	132.4	7.8	20.2	-	160.4
Amortization expense	2.8	1.7	3.0	-	7.5
Asset retirements	-	-	(0.1)	-	(0.1)
Amortization as of December 31, 2014 (a)	135.2	9.5	23.1	-	167.8
Balance as of December 31, 2013	65.2	91.5	2.6	5.5	164.9
Balance as of December 31, 2014	62.4	106.2	9.6	5.5	183.8
Estimated useful life	1 to 20 years	1 to 10 years (b)	1 to 12 years	(c)	

(a) The accumulated impairment charge on intangibles other than goodwill was \$99.1 million as of December 31, 2014 and 2013.

(b) Estimated useful life from completion of development project.

(c) Capitalized exploration expenditures are not amortized until the exploration is complete and the results have been evaluated at which time the asset is evaluated for de-recognition or tested for impairment.

Note 19 – Debt and Guarantees

Long-term debt:

(In millions of US dollars)	December 31,	
	2014	2013
Secured:		
Term loan B, Libor + 175 Basis points, due 2015	-	470.5
Term loan B, Libor (minimum 75 bp) + 250 Basis points, due 2021 (a)	397.0	-
Export credit financing, due 2025	223.9	119.8
Export credit financing, due 2027	38.1	-
Revolving credit facility, due 2018 (a)	100.0	-
Unsecured:		
Senior notes, Coupon 7.375%, due 2018	450.0	450.0
Total	1,209.0	1,040.3
Less current portion	(24.8)	(10.3)
Less deferred loan costs, net of debt premiums	(24.1)	(10.4)
Total long-term debt	1,160.1	1,019.6

Undrawn facilities consists of:

(In millions of US dollars)	December 31,	
	2014	2013
Secured:		
Revolving credit facility, due 2018 (a)	400.0	500.0
Export credit financing	266.5	125.0
Unsecured:		
Bank facility (NOK 50 mill)	6.7	8.2
Performance bond	14.1	14.6
Total	687.3	647.8

- (a) The Senior secured credit facility was amended and extended in September 2013 and March 2014, for the RCF and TLB, respectively. The Company may now borrow an additional sum of secured debt: \$1,850 million less the sum of (A) any RCF commitments outstanding, (B) Term Loans outstanding and (C) Permitted vessel financing indebtedness outstanding, either as a term loan or as an RCF. Such potential additional borrowing is not committed (except for secured undrawn debt in the table) but would be secured by the same collateral that secures the Term Loan and borrowings under the existing RCF. As long as the Company stays below a leverage ratio of 3:1 it can incur further unsecured debt.

Senior Secured Credit Facility (Term loan B and Revolving Credit Facility "RCF")

The Term Loan is an obligation of PGS ASA and PGS Finance Inc. as co-borrowers; is secured by pledges of shares of material subsidiaries; and is guaranteed by the same material subsidiaries. The Term Loan has no financial maintenance covenants. Any drawings on the "RCF" would be subject to the same security.

In March 2014, the Term Loan B originally maturing in 2015 was amended and extended with a new tenor of 7 years and now matures in 2021. The floating interest rate has been revised to LIBOR (but minimum 75bps) + 250 basis points and the amount reduced to \$400 million by using existing cash to repay \$70.5 million of principal.

In September 2013, the "RCF" was increased from \$350 million to \$500 million and the maturity extended to September 2018. The margin on the extended facility changed from LIBOR + 2.25% to an initial margin of LIBOR + 1.75% with utilization fees dependent on the amount drawn (Less than \$150 million + 0.25%, between \$150 million and \$300 million + 0.40%, over \$300 million + 0.60%).

The Senior secured credit facility contains financial covenants and negative covenants that restrict the Company in various ways. The facility provides that:

- 1) For the RCF part the total leverage ratio (see Note 20 for definitions of leverage ratios) may not exceed 2.75:1.0 (maintenance covenant). The Term Loan has an incurrence test prohibiting the Company from incurring more indebtedness, with certain exceptions, (described in footnote (a) in the table above) if the total leverage is above 3.00:1.0 (rolling last 4 quarters).
- 2) The credit agreement generally requires the Company to apply 50% of excess cash flow to repay outstanding borrowings for financial years when the total leverage ratio exceeds 2.5:1 or the senior secured leverage ratio exceeds 2:1. Excess cash flow for any period is defined as net cash flow provided by operating activities less capital expenditures and scheduled debt services during that period, minus income taxes to be paid in the next period and capital expenditure committed in the period but to be paid in future periods. The Company may make optional prepayments to reduce the outstanding principal balance at no penalty.

In addition, the credit agreement and the indenture to the \$450 million Senior Notes (described below) restricts or could restrict the Company's ability, among other things, to sell assets without the sales proceeds being reinvested in the business or used to repay debt; incur additional indebtedness or issue preferred shares; prepay interest and principal on our other indebtedness; pay dividends and distributions or repurchase our capital stock; create liens on assets; make investments, loans, guarantees or advances; make acquisitions; engage in mergers or consolidations; enter into sale and leaseback transactions; engage in transactions with affiliates; amend material agreements governing our indebtedness; change our business; enter into agreements that restrict dividends from subsidiaries; and enter into speculative financial derivative agreements.

The RCF has a \$60 million sub-limit for issuance of letters of credit. Under the RCF, the Company may borrow USD, or any other currency freely available in the London banking market to which the lenders have given prior consent, for working capital and for general corporate purposes. At December 31, 2014 and 2013, the Company had zero outstanding standby letters of credit under the RCF.

Senior Notes

In December 2012, the Company issued \$150 million add on to the \$300 million Senior notes (issued in November 2011) at a premium of 107.5% of the principal amount. Both the Senior notes issued in 2011 and 2012 will be treated as a single class of debt securities under the same indenture. The Senior notes are senior obligations of the company and rank equally in right of payment with all other existing and future senior debt. The Senior notes have an incurrence test prohibiting the Company from incurring more indebtedness, with certain exceptions, if the consolidated interest coverage ratio is less than 2.0:1.0. At any time prior to December 15, 2015, the Company may redeem the Senior notes at its option, in whole or in part, at a redemption price equal to 100% of the principal amount thereof plus the applicable premium as of, and accrued and unpaid interest to, the date of redemption. Applicable premium means the greater of (i) 1.0% of the principal amount of the Senior notes; and (ii) the excess of (a) the present value at such redemption date of the redemption price of the Senior notes at December 15, 2015 (such redemption price being set forth in the table appearing below plus all required interest payments due on the Senior notes during the period from such redemption date through December 15, 2015 (excluding accrued but unpaid interest), computed using a discount rate equal to the treasury rate as of such redemption date plus 50 basis points, over (b) the principal amount of the Senior notes, if greater. The Senior notes are also redeemable at the Company's option on or after December 15, 2015, in whole or in part, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest thereon to the applicable redemption date, if redeemed during the 12-month period beginning December 15 of the years indicated below:

Year	Percentage
2015	103.69%
2016	101.84%
2017 and thereafter	100.00%

Export credit financing

The Export credit financing arrangement is comprised of four loan agreements each with Japan Bank for International Cooperation (“JBIC”) and Sumitomo Mitsui Banking Corporation (“SMBC”) and with an aggregate value of \$555 million. The loans are incurred by a wholly owned subsidiary of the Company, PGS Titans AS, for the financing of the vessels Ramform Titan, Ramform Atlas, Ramform Tethys and Ramform Hyperion. As of December 31, 2014, \$288 million has been drawn on the four loans pursuant to the delivery of Ramform Titan in 2013, Ramform Atlas in 2014 and construction advances for Ramform Tethys and Ramform Hyperion in 2014. The remaining available loan value of \$267 million will be drawn in connection with milestones payments during construction and at deliveries of Ramform Tethys and Ramform Hyperion expected in 2016. The Company and the lenders are in process of amending the loan agreements for Ramform Tethys and Ramform Hyperion to allow for the revised delivery date for the vessels agreed with the shipyard. The loans are senior facilities secured by first priority mortgages over the vessels and fittings on board (but excluding “in sea” equipment such as streamers), pledge of the borrower’s right under a debt service reserve account and assignment of insurance rights in the vessels. The loans will be repaid over 12 years in semiannual equal instalments and each will have two tranches whereby JBIC and SMBC each receive 50%. The JBIC tranche bears a fixed interest and is repaid from the 7th to 12th year after draw down, while the SMBC tranche bears a floating interest based on 6 months Libor plus a margin and is repaid from 1st to 6th year after draw down. SMBC has received credit insurance from Nippon Export and Investment Insurance (“NEXI”) and the insurance premium is paid by PGS Titans AS.

Letters of credit and guarantees

The Company has \$4.0 million and \$20 million uncommitted bid and performance bond facilities intended for regional use. Drawings under these facilities totaled \$9.9 million and \$3.4 million as of December 31, 2014 and 2013, respectively.

The Company had aggregate outstanding letters of credit and similar guarantees, not reflected in the accompanying consolidated statements of financial position, of \$42.7 million and \$22.3 million as of December 31, 2014 and 2013, respectively.

Note 20 – Financial Instruments

Fair values

The Fair Value Hierarchy disclose how fair value is determined for financial instruments recorded at fair value in the consolidated financial statement.

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly.

Level 3: techniques for which all inputs which have a significant effect on the recorded fair value that is not based on observable market data.

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 the long-term debt instruments, forward exchange contracts and interest rate swaps are estimated using quotes obtained from dealers in such financial instruments or latest quoted prices or indexes at Reuters or Bloomberg. Where market prices are not observed or quotes from dealers are not obtained, an indirect method is used by use of implied credit spread from debt instrument with similar risk characteristics.

The carrying amounts, estimated fair values of debt and derivatives instruments including how fair value is determined are summarized as follows:

(In millions of US dollars)	December 31, 2014			December 31, 2013		
	Carrying amounts	Fair values	Hierarchy Level	Carrying amounts	Fair values	Hierarchy Level
Financial assets measured at fair value						
Forward exchange contracts used for hedging	-	-	2	0.1	0.1	2
Other foreign exchange contracts	4.3	4.3	2	3.1	3.1	2
Equity shares	-	-	-	4.0	4.0	1
Financial liabilities measured at fair value						
Foreign exchange contracts used for hedging	(6.5)	(6.5)	2	(1.6)	(1.6)	2
Other foreign exchange contracts	(3.4)	(3.4)	2	(0.6)	(0.6)	2
Interest rate swaps not hedge accounted	(0.6)	(0.6)	2	(8.3)	(8.3)	2
Financial liabilities not measured at fair value						
Debt with fixed interest rate	(594.0)	(520.6)	2	(512.5)	(544.8)	2
Debt with variable interest rate	(615.0)	(560.9)	2	(527.8)	(530.8)	2

Financial risk management policies

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders such as dividends and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The management of the capital structure involves active monitoring and adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure the Company may refinance its debt, buy or issue new shares or debt instruments, sell assets or return capital to shareholders.

The Company monitors debt on the basis of the leverage ratio and other covenants in credit agreements. This ratio is calculated as gross indebtedness divided by EBITDA less non pre-funded MultiClient library investments. At December 31, 2014, the gross indebtedness was \$1,020.2 million and EBITDA less non pre-funded MultiClient library was \$610.7 million. In addition, the Company monitors a leverage ratio based on net debt. Net debt is calculated as total indebtedness (including "current and long-term debt" as shown in the consolidated statement of financial position) less cash and cash equivalents. The Company generally seeks to keep net debt below 1 or 2 times EBITDA, dependent on several factors including capital spending commitments, the state of the seismic market and macro risks. The gross leverage ratio at December 31, 2014 and 2013 was 1.67 and 1.31, respectively while the net leverage ratio was 1.46 and 0.79, respectively.

The Company is exposed to market risks such as interest rate risk, foreign exchange rate risk, credit risk and liquidity risk. The Company has written procedures and policies for establishing appropriate exposure levels for the main risks and monitoring such. The Company manages the exposure level through hedging with a mixture of fixed or floating interest rate debt or financial derivatives. The Company's risk management policies are approved by the Board of Directors. The treasury function reports regularly to the Company management and any breach of limits set in the policy shall be reported to the Board of Directors.

Interest rate exposure

The Company is subject to interest rate risk on debt, including finance leases. The risk is managed by using a combination of fixed -and variable rate debt, together with interest rate swaps, where appropriate, to fix or lower the borrowing costs.

	December 31, 2014		December 31, 2013	
	Notional amounts	Weighted average interest rate	Notional amounts	Weighted average interest rate
Debt at fixed interest rate	594.0	6.19%	512.5	6.74%
Debt at variable interest rate based on US dollar plus a margin	615.0	2.70%	527.8	1.88%
Variable interest rate debt with interest fixed	100.0	2.64%	300.0	3.50%

After giving effect to the Company's interest rate swaps, for every one-percentage point hypothetical increase in LIBOR, our annual net interest expense on our variable rate debt, inclusive finance leases and non-restricted cash holdings, will increase by \$4.3 million and would have decreased by \$2.5 million approximately at December 31, 2014 and 2013, respectively.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the Company's loans and borrowings, after the impact of hedge accounting. All other variables are held constant and the effect is calculated based on the Company's financial instrument at December 31.

(In millions of US dollars)	Increase/ (decrease) in basis points	Effect on profit before tax	Effect on equity
2014	100	(4.9)	-
2013	100	(0.1)	-

Foreign exchange rate exposure

The Company is exposed to currency fluctuation due to the effects of a predominantly USD based revenue stream, while the Company's operating expenses and capital expenditures are mainly denominated in USD, GBP, NOK and EUR. The Company maintains a foreign currency risk management strategy that uses foreign currency exchange contracts to reduce volatility in the income statement and protect against fluctuations in cash flow caused by volatility in currency exchange rates. The Company had open forward contracts to buy and sell GBP, NOK, BRL, ZAR and GBP, NOK, BRL, JPY at December 31, 2014 and 2013, respectively. The table shows exposures and foreign exchange contracts in currencies that the Company hedges on a regular basis.

(Numbers in millions)	December 31, 2014			December 31, 2013		
	NOK	GBP	BRL	NOK	GBP	BRL
Restricted cash	29.4	-	191.3	27.4	-	176.6
Current assets	25.9	0.9	-	27.3	2.2	-
Current liabilities	(250.0)	(7.9)	-	(279.2)	(8.0)	-
Pension liabilities	(24.4)	(40.6)	-	(105.8)	(21.4)	-
Other long term liabilities	-	(1.8)	-	-	(1.7)	-
Net statements of financial position exposure	(219.1)	(49.4)	191.3	(330.3)	(28.9)	176.6
Committed capital expenditure:						
Next year	(28.1)	-	-	(111.4)	-	-
1-2 years	(168.4)	-	-	(196.5)	-	-
Net forecast exposure	(196.5)	-	-	(307.9)	-	-
Forward exchange contracts	393.2	27.1	(123.4)	583.4	24.7	(120.0)
Net exposure	(22.4)	(22.3)	67.9	(54.8)	(4.2)	56.6

	Average rate		Year end spot rate	
	2014	2013	2014	2013
USD / NOK	6.254	5.861	7.408	6.080
GBP / USD	1.653	1.555	1.557	1.653
USD / BRL	2.323	2.145	2.657	2.362

Foreign exchange rate sensitivity

A 10% depreciation of the USD would have increased the fair value of the Company's foreign currency derivatives by approximately \$1.9 million (NOK, GBP, BRL, ZAR) and \$9.1 million (NOK, GBP, BRL, JPY) and the effect on income before tax would have been (\$1.0) million and \$3.6 million as of December 31, 2014 and 2013, respectively. The Company's debt and interest swaps are denominated in USD.

Exposure to credit risk

The approximate maximum credit exposure related to financial assets is as follows:

(In millions of US dollars)	December 31,	
	2014	2013
Cash and cash equivalents	54.7	263.8
Restricted cash (Note 11)	92.2	89.4
Accounts receivable	265.6	177.1
Accrued revenues and other receivables	180.6	183.3
Total	593.1	713.6

We continually monitor the counter-party credit risk of our banking partners, including derivatives counter-parties and the institutions in which our cash is held on deposit. Trade receivables are primarily with multinational integrated oil companies and independent oil and natural gas companies, including companies owned in whole or in part by governments. The Company manages its exposure to credit risk through ongoing credit evaluations of customers and counter-parties and has provided for potential credit losses through an allowance for doubtful accounts. The allowance for doubtful accounts reflects management's best estimate of probable losses inherent in accounts receivable from trade customers and is based on a number of factors consisting mainly of aging of accounts, historical experience, customer concentration, customer creditworthiness and current industry and economic trends.

(In millions of US dollars)	December 31,	
	2014	2013
Accounts receivable - trade	269.8	178.3
Allowance for doubtful accounts	(4.2)	(1.2)
Total	265.6	177.1

The Company is also exposed to credit risk relating to off-balance items such as agreements to provide future services to customers and counter-parties on derivatives and where cash is held on deposit. The Company manages its exposure to such risks through continuously monitoring of counter-parties.

Exposure to liquidity risk

The Company tries to minimize liquidity risk through ensuring access to a diversified set of funding sources, and management of maturity profile on debt and derivatives. The Company is exposed to liquidity risk related to the following:

(In millions of US dollars)	Carrying amount	Notional value	Contractual cash flows						
			Total	0-1 years	1-2 years	2-3 years	3-4 years	4-5 years	Thereafter
December 31, 2014									
<i>Non-derivative financial assets/liabilities</i>									
Trade payables	(74.9)	-	(74.9)	(74.9)	-	-	-	-	-
Debt with fixed interest rates	(594.0)	-	(758.8)	(36.8)	(36.8)	(36.8)	(486.8)	(8.8)	(152.8)
Debt with variable interest rates	(615.0)	-	(730.0)	(41.8)	(44.0)	(46.9)	(147.0)	(35.6)	(414.7)
<i>Derivative financial assets/liabilities</i>									
Interest rate swaps not hedge accounted	(0.6)	100.0	(0.6)	(0.6)	-	-	-	-	-
Forward exchange contracts used for hedging	(6.5)	32.9	(6.5)	(6.5)	-	-	-	-	-
Other foreign exchange contracts	0.9	124.7	0.9	0.9	-	-	-	-	-

(In millions of US dollars)	Carrying amount	Notional value	Contractual cash flows						
			Total	0-1 years	1-2 years	2-3 years	3-4 years	4-5 years	Thereafter
December 31, 2013									
<i>Non-derivative financial assets/liabilities</i>									
Trade payables	(66.0)	-	(66.0)	(66.0)	-	-	-	-	-
Finance lease liabilities	(0.3)	-	(0.3)	(0.3)	-	-	-	-	-
Debt with fixed interest rates	(512.5)	-	(681.9)	(34.1)	(33.9)	(33.9)	(33.9)	(483.5)	(62.6)
Debt with variable interest rates	(527.8)	-	(546.4)	(21.1)	(486.9)	(11.2)	(11.2)	(10.7)	(5.3)
<i>Derivative financial assets/liabilities</i>									
Interest rate swaps used for hedging	(8.3)	300.0	(8.3)	(7.8)	(0.5)	-	-	-	-
Forward exchange contracts used for hedging	(1.5)	51.4	(1.5)	(0.3)	(1.2)	-	-	-	-
Other foreign exchange contracts	2.5	136.8	2.5	2.5	-	-	-	-	-

In addition, the Company has operating lease commitments and CAPEX commitments, see Note 14 and 21.

Interest rate hedge accounting

In the year ended December 31, 2012, the fair value of the interest rate swaps were recorded in other comprehensive income as the effective portion of the designated and qualifying hedging instrument. The profit and loss impact of the cash flow hedges are estimated to be in the same year as the effect of the cash flows. The Company has not excluded any components of the derivative instruments' gain or loss from the assessment of hedge effectiveness with respect to the qualifying interest rate swaps. In September 2013, the Company discontinued the cash flow hedges and any subsequent change in value of the interest rate swaps has been taken directly to the consolidated statements of operations. As a result of refinancing the term loan in Q1 2014, 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.

Foreign exchange rate hedge accounting

The company entered into derivatives accounted for under fair value hedge relationships to hedge the currency risk related to NOK equipment purchases. A summary of fair value hedging relationships follows:

(In millions of US dollars)	December 31, 2014			December 31, 2013		
	Notional value	Fair value	Change in fair value	Notional value	Fair value	Change in fair value
Foreign currency derivatives designated as fair value hedging instruments	32.9	(6.5)	(5.0)	51.4	(1.5)	(2.7)
Firm commitments to purchase equipment	33.7	7.2	4.9	50.6	2.1	3.2
Foreign currency derivatives not designated as hedges	124.7	0.9	(71)	136.8	2.5	3.7

The difference between the change in the value of the derivatives and the change in the fair value of the firm commitment is primarily caused by the fact that only the spot element of the derivative is designated to hedge the object and that in previous years derivatives at the hedge designation date were already carried at fair value.

Note 21 – Leases, Contingent Liabilities and Provisions

Leases

Operating Leases

The Company has operating lease commitments expiring at various dates through 2024. Future minimum payments related to non-cancellable operating leases were as follows:

(In millions of US dollars)	December 31,	
	2014	2013
2014	-	67.8
2015	61.7	55.6
2016	53.8	41.6
2017	43.1	34.2
2018	37.0	30.2
2019	30.4	25.9
thereafter	146.5	126.2
Total	372.5	381.5

The future minimum payments under the Company's operating leases are for the following types of property:

(In millions of US dollars)	December 31,	
	2014	2013
Marine seismic and support vessels	246.3	278.4
Buildings	107.8	92.3
Data processing operations equipment	17.0	9.1
Other	1.4	1.7
Total	372.5	381.5

Rental expense for operating leases, including leases with terms of less than one year, was \$124.9 million, \$108.2 million and \$106.5 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Seismic support vessels

The Company signed 10-year time charter agreements, with renewal options, for four new seismic support vessels with P/F Seismic Support. The Company is providing financing to P/F Seismic Support during the vessel construction phase in the amount of \$21.5 million per vessel. The financing is secured by an assignment of bank refund guarantees, a pledge in shares of P/F Seismic Support and a guarantee by its parent, P/F Thor. Upon completion of each vessel, P/F Seismic Support will enter a sale and leaseback agreement with a 3rd party owner and repay the related construction loan financing to PGS. The aggregate loan balance is \$14.2 million at December 31, 2014.

P/F Seismic Support also holds options to purchase each vessel from the 3rd party owner at certain times during the lease and at the end of the lease term. At the end of the lease term, the 3rd party owner may also require P/F Seismic Support to purchase the vessel for a pre-determined amount. Should P/F Seismic Support not purchase the vessel, the 3rd party owner may require PGS to do so at a price of \$5.5 million which is estimated to be less than fair value.

UK leases

The UK lease agreement for Ramform Valiant was terminated in 2012 pursuant to which the Company paid \$2 million and obtained formal ownership of the vessel. The UK lease agreement for Ramform Challenger was terminated in 2013 pursuant to which the Company received \$4.3 million.

Contingent liabilities

Brazil service tax claim

The Company has an ongoing dispute in Brazil for municipal services tax ("ISS") related to the licensing of MultiClient data. The municipality contends that licensing of MultiClient data equates to providing a service to PGS' clients. ISS is a local service tax and the Company's primary view is that licensing of MultiClient data held by the Company should be treated as rental of an intangible asset, which is clearly not a service under the relevant provisions, and therefore not subject to ISS. This has been confirmed by several external advisors and the Company intends to vigorously defend its view. The calculated maximum exposure for ISS tax, including interest charges and penalties, was \$137 million as of December 31, 2014.

The Company has made deposits equivalent to \$72 million (\$90 million including interest) in 2010 and 2011 allowing it to file lawsuits covering some of the years, seeking to confirm that licensing of MultiClient data is not subject to ISS. The lawsuits relate to periods before 2002, where the Company has been assessed and lost at administrative appeal levels, as well as periods after 2005, which have not yet been assessed. The Company will continue depositing amounts relating to future licensing transactions. Because the Company considers it more likely than not that this contingency will be resolved in its favor, no provision is recognized for any portion of the exposure. Amounts deposited are held in an interest-bearing bank account with Banco do Brazil and will be released to the Company if and when a positive final ruling is awarded, which may take several years. Of the \$90 million, \$72 million is recognized as an asset; interest in the deposit balance is not recognized due to the uncertainty related to the case. The deposit is presented as long-term restricted cash in the statements of financial position.

Petrojarl

Following the demerger of Petrojarl (today part of Teekay) in 2006, the Company retained a joint secondary liability for certain obligations of Petrojarl. Petrojarl agreed to indemnify the Company from liabilities related to its operations. The Company remains with a joint secondary liability with Petrojarl under their FPSO service agreement with the customer for the Petrojarl Banff FPSO. The guarantee is not capped. If the claim is made and Petrojarl does not honor its obligation to indemnify PGS, it could adversely affect the Company's business, results of operation or financial condition.

Patent dispute with EMGS

On December 16, 2013, Electromagnetic Geoservices ASA ("EMGS"), a Norwegian company, filed a complaint in the United Kingdom against Petroleum Geo-Services ASA, PGS Exploration (UK) Limited and PGS Geophysical AS ("Defendants") in the High Court of Justice, Chancery Division, Patents Court. The complaint alleges that the Defendants have infringed EMGS's European patent EP 1256019 ("Refracted Wave Patent") by, inter-alia, performing one or more electromagnetic geophysical surveys in the North Sea. EMGS initiated a parallel proceeding before Oslo City Court in Norway on 4 April 2014. Oslo District Court in its judgment of 13 February 2015 ruled in favor of PGS in the lawsuit filed by EMGS against PGS for patent infringement relating to PGS' Towed Streamer EM technology. The court found that EMGS' patent NO 324 454 (the 'EMGS Patent') is invalid and that PGS' Towed Streamer EM system therefore does not infringe the EMGS Patent. The ruling has been appealed. PGS believes it will ultimately prevail in the court system.

Patent dispute with Western Geco

On September 16, 2013, WesternGeco filed a complaint against Petroleum Geo-Services ASA (later replaced by PGS Geophysical AS) and Petroleum Geo-Services, Inc. in the United States District Court for the Southern District of Texas. WesternGeco alleges infringement of four United States patents, in relation to PGS' procurement and use of DigiFIN equipment and related control products. On November 22, 2013, Petroleum Geo-Services, Inc. filed counterclaims, alleging infringement by WesternGeco of three United States patents owned by Petroleum Geo-Services, Inc. Petroleum Geo-Services, Inc. also filed and prosecuted Inter Partes Review proceedings in the United States Patent and Trademark Office against each of the four WesternGeco patents. These proceedings, which seek a determination by the patent office that WesternGeco's asserted claims are invalid, were filed in two phases on April 23, 2014 and on September 11, 2014, respectively.

On November 4, 2014, WG filed a second lawsuit. In this case, WG alleges that MultiKlient Invest AS, Petroleum Geo-Services, Inc. and PGS Geophysical AS infringed two other WesternGeco patents by having used PGS simultaneous source technology in the performance of a recent survey in the Gulf of Mexico. On January 24, 2015, WesternGeco added five patents to this case. Three of these five patents had already been asserted in the first case mentioned above. The defendant companies are currently preparing its response to this last filing.

The Company is of the opinion that it will ultimately prevail in the court system.

Provisions**Claim towards Polish yard**

In 2008, PGS subsidiary Arrow Seismic Invest IV LTD ("Arrow IV") terminated a contract with Polish yard Stocznia Marynarki Wojennej S.A. (the "yard") for the conversion of the vessel Southern Explorer. The yard subsequently detained the vessel as security for alleged claims against Arrow IV. In 2009, Arrow IV initiated a lawsuit against the yard, claiming damages and repossession of the vessel. Late 2014, the parties agreed that Arrow IV will pay \$4.4 mill to the yard and the vessel will be delivered to Arrow IV during Q1 2015.

Provisions for onerous contracts and dilapidation

The Company has recognized a provision for onerous contract related to lease agreement in Norway for an office which the Company no longer occupies. In addition, the Company has recognized provisions for dilapidation on various office leases. The aggregate provision for the onerous contract and dilapidations was \$3.6 million and \$4.8 million as of December 31, 2014 and 2013, respectively.

Note 22 – Accrued Expenses

Accrued expenses consist of the following:

(In millions of US dollars)	December 31,	
	2014	2013
Accrued revenue share	61.8	50.2
Accrued employee benefits	53.8	65.3
Accrued vessel operating expenses	33.0	34.8
Customer advances and deferred revenue	23.0	25.6
Accrued sales tax and VAT	22.6	9.5
Received, not invoiced, property and equipment	15.3	30.9
Unrealized loss on hedging	10.5	6.4
Accrued commissions	9.8	15.9
Accrued project costs	9.6	14.8
Future capital calls SGS (note 16)	-	8.0
Assets held-for-sale	2.9	-
Other	29.9	18.0
Total	272.2	279.4

Note 23 – Other Long-Term Liabilities

Other long-term liabilities consist of the following:

(In millions of US dollars)	December 31,	
	2014	2013
Pension liability (Note 24)	65.8	51.3
Unrealized loss on interest swaps/forward exchange contracts (note 20)	-	4.1
Other	11.6	7.0
Total	77.4	62.4

Note 24 – Pension Obligations

Defined benefits plans

Plan characteristics

The Company has a defined benefit pension plan for certain UK employees. The plan is funded through a separate pension trust. It is the Company's general practice to fund defined benefit plans in accordance with applicable statutory requirements. The defined benefit plan has been closed for further entrants, as defined contribution plans have been established for all new employees. As of December 31, 2014, 181 employees were participating in the defined benefit plans.

In addition, as described in Note 28, the CEO and three executive officers have an early retirement plan allowing for termination of employment without cause when the CEO or the executive officers reach the age of 62, with certain vesting criteria and defined benefits from the date of retirement and until reaching the age of 67. This plan is accounted for as a defined benefit obligation and is not funded.

Actuarial valuations and assumptions

The actuarial valuations are performed by independent actuaries in Norway and UK.

Risks

Actuarial valuations as applied in the consolidated financial statements are based upon financial and demographic assumptions which may be impacted by future events. Such future events include, but are not limited to, changes in discount rates, compensation rates and mortality rates. Changes to assumptions may have significant effect on present net pension liabilities, future pension cost and future cash requirements to fund the plans.

Plan amendment and settlement

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 2015, the Company decided to amend the UK defined benefit plan. The participants will continue to earn benefits up to December 31, 2015 at which time the plan is closed for further accrual. For service after December 31, 2015, the participants have the opportunity to join the defined contribution plan.

Financial impact

A summary of changes in the plans' aggregate projected benefit obligations and fair values of assets are summarized as follows:

(In millions of US dollars)	2014	2013
Projected benefit obligations (PBO) as of January 1, (a)	216.4	193.6
Service cost	4.5	6.5
Interest cost	8.0	8.1
Employee contributions	1.3	1.3
Social security tax	0.1	(0.1)
Actuarial loss (gain), arising from changes in demographic assumptions	0.2	(8.9)
Actuarial loss (gain), arising from changes in financial assumptions	40.9	18.6
Plan settlements	(53.1)	(0.8)
Benefits paid	(3.7)	(1.5)
Exchange rate effects	(14.4)	(0.4)
Projected benefit obligations (PBO) as of December 31, (a)	200.2	216.4

(a) \$3.3 million and \$2.7 million arise from unfunded plans as of December 31, 2014 and 2013, respectively.

Change in fair value of pension plan assets:

(In millions of US dollars)	2014	2013
Fair value of plan assets as of January 1,	165.1	151.5
Expected return on plan assets	6.3	6.5
Employer contributions	12.0	10.8
Employee contributions	1.3	1.3
Actuarial gain (loss) arising from return on plan assets	6.4	(2.5)
Plan settlements	(43.6)	(0.8)
Benefits paid	(3.7)	(1.5)
Exchange rate effects	(9.4)	(0.2)
Fair value of plan assets as of December 31,	134.4	165.1

The aggregate funded status of the plans and amounts recognized in the Company's consolidated statements of financial position are summarized as follows:

(In millions of US dollars)	December 31,	
	2014	2013
Projected benefit obligation (PBO)	200.2	216.4
Fair value of plan assets	134.4	165.1
Net pension liability	65.8	51.3

Net amount recognized as accrued pension liability is presented as other long-term liabilities (see Note 23).

Net periodic pension cost for the Company's defined benefit pension plans are summarized as follows:

(In millions of US dollars)	Year ended December 31,		
	2014	2013	2012
Service cost	4.5	6.5	7.8
Interest cost	8.0	8.1	8.0
Expected return on plan assets	(6.3)	(6.6)	(7.7)
Administration costs	-	0.1	0.1
Social security tax	0.2	0.5	0.7
Other	-	-	1.7
Net periodic pension cost	6.4	8.6	10.6

Net periodic actuarial gains and losses arising from the Company's defined benefit plans and recorded in other comprehensive income is as follows:

(In millions of US dollars)	Year ended December 31,		
	2014	2013	2012
Actuarial gain (loss), arising from changes in demographic assumptions	(0.2)	8.9	10.4
Actuarial gain (loss), arising from changes in financial assumptions	(40.9)	(18.6)	8.0
Actuarial gain (loss) arising from return on plan assets	6.4	(2.5)	7.0
Net actuarial gain (loss) recognized in other comprehensive income	(34.7)	(12.2)	25.4

Assumptions used to determine periodic pension cost:

	2014		2013	
	Norway	UK	Norway	UK
Discount rate	2.30%	3.60%	4.00%	4.65%
Return on plan assets	-	3.60%	4.00%	4.65%
Compensation increase	2.75%	3.50%	3.50%	3.50%

The discount rate assumptions used for calculating pensions reflect the rates at which the obligations could be effectively settled. Observable long-term rates on corporate bonds are used for the Norwegian and UK plans.

Plan asset allocation

The Company's pension plan asset allocations, by asset category, are presented by major plan group as follows:

(In millions of US dollars)	December 31, 2014		December 31, 2013	
	UK	Norway	UK	
Fair value plan assets	134.3	41.1	124.0	
Plan assets at fair value with quoted prices in active markets for identical assets				
Equity/diversified growth funds	45%	6%	44%	
Debt securities	41%	2%	42%	
Real estate	11%	-	9%	
Other	3%	-	5%	
Plan assets valued without quoted prices in active markets				
Equity/diversified growth funds	-	2%	-	
Debt securities	-	72%	-	
Real estate	-	17%	-	
Other	-	1%	-	
Total	100%	100%	100%	

Management of plan assets must comply with applicable laws and regulations in Norway and the UK where the Company provides defined benefits plans. Within constraints imposed by laws and regulations, and given the assumed pension obligations and future contribution rates, the majority of assets are managed actively to obtain a long-term rate of return that at least reflects the chosen investment risk.

Sensitivity

The following table show the sensitivity of pension cost (excluding amortization of actuarial gains and losses) and benefit obligation (including payroll tax) related to change in discount rate, compensation level and USD:

(In millions of US dollars)	1% increase in discount rate	1% decrease in discount rate	1% increase in compensation increase	1% decrease in compensation increase
Increase (decrease) in benefit obligations (PBO)	(22.6 %)	31.0 %	9.4 %	(8.2 %)

The Company expects to contribute approximately \$8.2 million to its defined benefit pension plans in 2015.

Defined contribution plans

Substantially all employees not eligible for coverage under the defined benefit plans in Norway and the UK are eligible to participate in pension plans in accordance with local industrial, tax and social regulations. All of these plans are considered defined contribution plans. For some of the plans, subject to statutory limitations, employees may make voluntary contributions in addition to the Company's contributions. Plan contributions made by the Company aggregated \$6.9 million, \$5.7 million and \$5.0 million for 2014, 2013 and 2012, respectively. Plan contributions made by employees aggregated \$5.4 million, \$5.1 million and \$4.0 million for 2014, 2013 and 2012, respectively.

Note 25 – Shareholder Information

As of December 31, 2014 and 2013, Petroleum Geo-Services ASA had a share capital of NOK 653,399,991 on 217,799,997 shares of par value NOK 3 each, all fully paid.

At the Annual General Meeting ("AGM") held on May 8, 2014, authority was given for the Board of Directors to acquire treasury shares at a maximum par value of the shares of NOK 65,339,999. The shares may be used to meet obligations arising from employee incentive schemes; as part of consideration payable or acquisitions made by the Company; as part of consideration for any merger, de-merger or acquisition; by way of cancellation of the shares in part or full; to raise funds for specific investments; for the purpose of repaying loans (including convertible loans); or to strengthen the Company's capital base. The Board is free to choose the method of disposal considered expedient for such purposes. Further, the Board of Directors is authorized to increase the Company's share capital by a total amount of NOK 65,339,999 through one or more subscriptions. The authorization shall be utilized in connection with potential acquisitions of companies or businesses within the oil and energy sector, including the oil service sector, settlement of obligations (including convertible loans), funding of material investments or to raise funds to strengthen the Company's capital base. The Board of Directors was further authorized to increase the share capital with a maximum of NOK 9,000,000 through one or more subscriptions in connection with the share option programs for employees. The Board was also authorized to issue convertible bonds at a total amount of NOK 3,500,000,000. The right to issue convertible bonds and the right to increase the share capital is jointly capped at 10% of the share capital of the Company. These authorizations are valid until June 30, 2015.

All shares have equal voting rights and equal rights to dividends. Any distribution of the Company's equity is dependent on the approval of the shareholders, and the ability to make distributions is limited by certain debt covenants and Norwegian Corporate Law. The ordinary shares are listed on the Oslo Stock Exchange.

The Board of Directors will propose to the AGM in 2015 a dividend for the year ended December 31, 2014 of NOK 0.7 per share (NOK 149.9 million in total). The proposed dividend is recognized as a liability in the financial statements in the period it is approved by the AGM.

The Company's holding of treasury shares reconciles as follows:

	Treasury shares	% of total shares outstanding
Balance as of January 1, 2013	1,015,607	
Acquired in 2013	1,864,893	
Used to fulfill employee share option program in 2013 (note 27)	(221,829)	
Balance as of December 31, 2013	2,658,671	1.22%
Acquired in 2014	1,512,630	
Used to fulfill employee share option program in 2014 (note 27)	(486,282)	
Balance as of December 31, 2014	3,685,019	1.69%

The 20 largest shareholders in Petroleum Geo-Services ASA were as follows:

	December 31, 2014	
	Total shares	Ownership percent
Ferd AS	21,997,800	10.10
Folketrygdfondet	16,200,830	7.44
The Northern Trust Co. (nominee)	15,863,113	7.28
Euroclear Bank (nominee)	13,244,611	6.08
Verdipapirfondet DNB Norge	8,585,670	3.94
Clearstream Banking (nominee)	6,087,714	2.80
Odin Norge	5,729,886	2.63
Verdipapirfondet DNB Norge Selektiv	4,084,746	1.88
Elo Mutual Pension Insurance Co	3,720,000	1.71
Petroleum Geo-Services ASA	3,685,019	1.69
Deutsche Bank Trust Co. Americas (nominee)	3,305,690	1.52
Statoil Pensjon	3,147,724	1.45
State Street Bank and Trust Co. (nominee)	2,684,737	1.23
The Bank of New York Mellon (nominee)	2,486,115	1.14
J.P. Morgan Chase Bank (nominee)	2,367,646	1.09
DNB Livsforsikring ASA	2,159,861	0.99
Deutsche Bank AG	2,153,391	0.99
The Bank of New York Mellon	2,124,676	0.98
KLP Aksje Norge	2,095,016	0.96
Fondfinans Spar	2,000,000	0.92
Other shareholders	94,075,752	43.19
Total	217,799,997	100.0

Shares owned or controlled by members of the Board of Directors, Chief Executive Officer and Other Executive Officers were as follows:

	December 31, 2014	
	Total shares	Ownership percent
Board of Directors		
Francis Gugen, Chairperson	30,000	(a)
Harald Norvik, Vice Chairperson	8,000	(a)
Holly Van Deursen	2,000	(a)
Daniel J. Piette	10,000	(a)
Carol Bell	5,000	(a)
Ingar Skaug	---	---
Anne Grethe Dalane	---	---
Walter Qvam	---	---
Chief Executive Officer and Other Executive Officers		
Jon Erik Reinhardsen, President and Chief Executive Officer	157,389	(a)
Gottfred Langseth, Executive Vice President and Chief Financial Officer	61,190	(a)
Guillaume Cambois, Executive Vice President Imaging and Engineering	49,038	(a)
Magne Reiersgard, Executive Vice President Marine Contract	17,427	(a)
Per Arild Reksnes, Executive Vice President Operations	14,791	(a)
Sverre Strandenes, Executive Vice President MultiClient	16,746	(a)

(a) Less than 1% of the Company's share as of December 31, 2014.

Note 26 – Related Party Transactions

The following transactions were carried out with related parties:

(In millions of US dollars)	Year ended December 31,		
	2014	2013	2012
Sale of goods and services			
Associates – MultiClient data	22.3	5.6	1.9
Associates – Administrative services	-	0.1	0.3
Associates – Data processing services	-	-	0.6
Associates – Reservoir services	0.2	0.4	1.2
Purchase of goods and services			
The Kongsberg Group Companies (a)	30.6	3.9	n/a
Other			
Associates – Interest income	-	0.3	0.2

(a) The Director Mr. Walter Qvam is CEO of the Kongsberg Group and the disclosed transactions for 2013 are for the period since his election on November 21, 2013 to year end.

The table below detail the outstanding balances with related parties for the years presented:

(In millions of US dollars)	December 31,	
	2014	2013
Loan to associate (note 16)	-	10.0

All transactions with related parties are priced on an arm's length basis.

Directors of the Company are also on the Board of certain customers and suppliers. As of December 31, 2014 and 2013, the Company did not have any significant outstanding balances with any of these companies.

Note 27 – Employee Share Option and Restricted Stock Unit Programs

Options and shares granted under the Company's employee option programs are as follows:

Grant Year	Options on shares /shares granted	Additional options granted year	Additional options granted	Description
2008	3,060,000	2009	40,000	Employee option program
2009	3,012,500	2010	190,000	Employee option program
2010	1,476,500	2011	28,000	Employee option program
2011	1,469,000	-	-	Employee option program
2012	542,300	-	-	Restricted Stock Plan (RSU)
2013	768,425	2014	10,500	Restricted Stock Plan (RSU)
2014	739,500	-	-	Restricted Stock Plan (RSU)

The programs

The Company's option programs are considered as equity-settled plans and the options are measured at fair value at date of grant. For the 2008 and 2009 plans one third of the options vest each of the three years subsequent to the date of grant. The first exercise date is one year after grant date. For the 2010 and 2011 plans, the options vest 3 and 4 years, respectively, after the date of grant for each half of the award. The options may only be exercised four times each year, during a defined period after the publication of the Company's quarterly earnings release. The latest possible exercise date for each plan is five years subsequent to the grant date.

The Restricted Stock Unit programs ("RSU") requires the participant's continued employment with the Company (or a subsidiary) and is settled three years after grant. Upon settlement, the participant will receive at no charge a number of shares in the Company which equals the number of RSUs awarded.

Share option conditions

Under the 2008-2011 option programs, the number of options subject to exercise by an employee in a calendar year may not exceed the amount which would result in a gain in excess of 1.5 times the employee's salary for the calendar year. The options include a service condition as the individuals participating in the plan must be employed by the Company for a certain period of time in order to earn the right to exercise the options.

Vesting of options granted in the 2011 program is subject to achievements of strategic goals related to business growth and profitability, HSEQ, new build program and internal control. The Board of Directors assess the Company's achievement of these goals at year end 2014, and decide the percentage of options to be vested and that may be exercised subject to the limitations in the preceding paragraph. Options that are not declared vested within four years after the grant date will not become vested or exercisable. Other than for the 2011 program the options include no performance conditions.

Exercise price

The exercise price for share options granted corresponds to the weighted average trading price for the Company's ordinary shares on the Oslo Stock Exchange, at the date of grant for the 2008 to the 2011 options.

Effect on financial statements

For the years ended December 31, 2014, 2013 and 2012, the Company recognized compensation cost with a corresponding increase in shareholders' equity of \$7.4 million, \$6.2 million and \$5.1 million, respectively. Total net unrecognized compensation cost as of December 31, 2014 was \$11.6 million (related to non-vested share-based options and RSU's), which is expected to be recognized over a period of 3 years.

The tables below detail the Company's outstanding options and share awards (RSU) for the years presented.

Year ended December 31, 2014

Grant date	Options outstanding December 31, 2013	Options exercised in 2014	Options forfeited in 2014	Options expired in 2014	Options outstanding December 31, 2014	Weighted- average remaining contractual term	Options exercisable December 31, 2014
2009	486,282	(486,282)	-	-	-	-	-
2010	1,359,500	-	(26,750)	(11,250)	1,321,500	0.4 years	1,331,500
2011	1,351,500	-	(27,250)	(1,250)	1,323,000	1.4 years	658,000
Total	3,197,282	(486,282)	(54,000)	(12,500)	2,644,500	0.9 years	1,989,500

Grant date	RSU share awards outstanding December 31, 2013	Shares granted in 2014	Shares forfeited in 2014	RSU's released in 2014	RSU share awards outstanding December 31, 2014	Weighted- average remaining contractual term
2012	511,200	-	(10,500)	(4,000)	496,700	0.4 years
2013	762,925	10,500	(16,510)	(5,500)	751,415	1.4 years
2014	-	739,500	(11,100)	-	728,400	2.4 years
Total	1,274,125	750,000	(38,110)	(9,500)	1,976,515	1.5 years

Year ended December 31, 2013

Grant date	Options outstanding December 31, 2012	Options exercised in 2013	Options forfeited in 2013	Options expired in 2013	Options outstanding December 31, 2013	Weighted-average remaining contractual term	Options exercisable December 31, 2013
2008	2,408,666	-	(65,000)	(2,343,666)	-	-	-
2009	680,111	(186,829)	(7,000)	-	486,282	0.4 years	486,282
2010	1,438,500	(35,000)	(44,000)	-	1,359,500	1.4 years	736,248
2011	1,427,500	-	(76,000)	-	1,351,500	2.4 years	-
Total	5,954,777	(221,829)	(192,000)	(2,343,666)	3,197,282	1.6 years	1,222,530

Grant date	RSU share awards outstanding December 31, 2012	Shares granted in 2013	Shares forfeited in 2013	RSU share awards outstanding December 31, 2013	Weighted-average remaining contractual term
2012	528,300	-	(17,100)	511,200	1.4 years
2013	-	768,425	(5,500)	762,925	2.4 years
Total	528,300	768,425	(22,600)	1,274,125	2.0 years

The following share options, granted under the share option plans, were exercised for all years presented:

Grant date	Year ended December 31, 2014			Year ended December 31, 2013		
	Options exercised	Exercise date	Share price at exercise date	Options exercised	Exercise date	Share price at exercise date
2009	209,667	February 19, 2014	NOK 63.00	93,585	February 20, 2013	NOK 96.65
2009	273,836	May 15, 2014	NOK 65.35	15,000	May 6, 2013	NOK 85.74
2009	2,779	June 6, 2014	NOK 65.30	29,686	July 31, 2013	NOK 80.34
2010	-	-	-	35,000	July 31, 2013	NOK 80.34
2009	-	-	-	43,558	October 31, 2013	NOK 72.22
2009	-	-	-	5,000	November 7, 2013	NOK 74.50
Total	486,282			221,289		

The table below details the Company's assumptions used to calculate estimated fair value at grant date:

Estimated fair

Grant date	Options and shares outstanding December 31, 2014	Average exercise price	Weighted average share price at grant date	Risk free rate	Dividend yield	Volatility factor	Weighted average life	value at grant date (average NOK/USD per share option/RSU)
2010	1,321,500	NOK 78.31	NOK 78.31	2.30-2.45%	-	60%	3.5 years	NOK 28.24/\$4.57
2011	1,323,000	NOK 77.19	NOK 77.19	2.61-2.76%	-	60%	3.5 years	NOK 30.35/\$5.63
2012 (a)	496,700	NOK 0	NOK 67.65	N/A	-	N/A	N/A	NOK 59.80/\$9.73
2013 (a)	751,415	NOK 0	NOK 83.85	N/A	-	N/A	N/A	NOK 72.80/\$11.97
2014 (a)	728,400	NOK 0	NOK 64.58	N/A	-	N/A	N/A	NOK 54.85/\$8.77
Total	4,621,015							

(a) Restricted Stock Units ("RSU")

Expected volatility for all grants is based on historical volatility of the Company's shares after emerging from Chapter 11 in November 2003. As a result of unusually high volatility during the international financial distress 2008 to 2009, the Company has estimated volatility for the 2009, 2010 and 2011 grants in order to reflect the expected volatility going forward.

There are no traded options of the Company's shares and there are no post vesting restrictions included in the option plan.

Note 28 – Salaries and Other Personnel Costs, Number of Employees, and Remuneration to the Board of Directors, Executive Officers and Auditors

Salary and social expenses that are included in cost of sales, research and development costs and selling, general and administrative costs consist of:

(In millions of US dollars)	Year ended December 31,		
	2014	2013	2012
Salaries and bonuses	281.7	271.4	279.4
Social security	25.4	21.1	24.3
Pension	3.4	15.8	18.3
Other benefits	39.3	29.6	36.8
Total	349.8	337.9	358.8

The Company had an average of 2,301, 2,245 and 2,227 employees during the years ended December 31, 2014, 2013 and 2012, respectively.

Chief Executive Officer (CEO) and Other Executive Officers

In 2014, the Company paid compensation to its President and CEO and other executive officers as follows:

Name and Position	Total compensation paid in 2014 (a)				Benefits paid to pension plan (d)	Accrued target bonus as of December 31, 2014
	Fixed salary	Bonus (b)	Other benefits (c)	Total paid salary and compensation (in dollars)		
Jon Erik Reinhardsen						
President and Chief Executive Officer	873,929	389,300	430,238	1,693,468	59,725	-
Gottfred Langseth						
Executive Vice President and Chief Financial Officer	592,426	168,734	322,212	1,083,372	42,897	-
Guillaume Cambois						
Executive Vice President, Imaging & Engineering	530,346	154,228	113,931	798,504	41,355	-
Magne Reiersgard						
Executive Vice President, Operations	518,454	155,073	119,628	793,155	78,240	-
Per Arild Reksnes						
Executive Vice President, Marine Contract	576,775	154,228	121,982	852,985	66,641	-
Sverre Strandenes						
Executive Vice President, MultiClient	575,649	154,228	152,401	882,277	66,641	-

(a) Amounts in NOK have been translated to US Dollars using average exchange rate for 2014 of NOK/USD 6.25.

(b) Includes payments for the 2013 performance bonus plan (paid in March 2014).

(c) Includes items such as car allowance, telephone, internet and other minor benefits. In addition, taxable gain on exercised share options.

(d) Contribution to defined benefit plans and defined contribution plans (Norway).

Share options and RSUs held by the CEO and executive officers as of December 31, 2014 were as follows:

Name	Options as of December 31, 2013	Options granted 2014	Options forfeited 2014	Options exercised 2014	Average exercise price on exercised options (NOK)	Options expired 2014	Options as of December 31, 2014	Average exercise price on outstanding options (NOK)	Weighted average remaining contractual term
Jon Erik Reinhardsen	250,000	-	-	(100,000)	37.54	-	150,000	72.71	0.86 years
Gottfred Langseth	150,000	-	-	(60,000)	35.24	-	90,000	72.71	0.86 years
Guillaume Cambois	110,000	-	-	(20,000)	37.54	-	90,000	72.71	0.86 years
Magne Reiersgard	110,000	-	-	(20,000)	35.24	-	90,000	72.71	0.86 years
Per Arild Reksnes	110,000	-	-	(20,000)	35.24	-	90,000	72.71	0.86 years
Sverre Strandenes	120,000	-	-	(30,000)	37.54	-	90,000	72.71	0.86 years

Name	RSUs as of December 31, 2013	RSUs granted 2014	RSUs forfeited 2014	RSUs exercised 2014	RSUs expired 2014	RSUs as of December 31, 2014	Weighted average remaining contractual term
Jon Erik Reinhardsen	71,500	36,000	-	-	-	107,500	1.48 years
Gottfred Langseth	42,900	21,600	-	-	-	64,500	1.48 years
Guillaume Cambois	42,900	21,600	-	-	-	64,500	1.48 years
Magne Reiersgard	42,900	21,600	-	-	-	64,500	1.48 years
Per Arild Reksnes	42,900	21,600	-	-	-	64,500	1.48 years
Sverre Strandenes	43,900	21,600	-	-	-	65,500	1.48 years

In 2013, the Company paid compensation to its President and CEO and other executive officers as follows:

Name and Position	Total compensation paid in 2013 (a)					Benefits paid to pension plan (d)	Accrued target bonus as of December 31, 2013
	Fixed salary	Bonus (b)	Other benefits (c)	Total paid salary and compensation (in dollars)			
Jon Erik Reinhardsen President and Chief Executive Officer	908,818	1,221,538	89,215	2,219,572	61,351	478,989	
Gottfred Langseth Executive Vice President and Chief Financial Officer	592,777	529,459	75,306	1,197,543	65,760	207,658	
Guillaume Cambois Executive Vice President, Imaging & Engineering	544,657	435,154	69,668	1,049,479	42,469	189,740	
Magne Reiersgard Executive Vice President, Operations	506,089	410,000	17,040	933,129	76,320	178,875	
Per Arild Reksnes Executive Vice President, Marine Contract	569,100	435,154	90,928	1,095,181	103,753	189,740	
Sverre Strandenes Executive Vice President, MultiClient	569,100	435,154	100,549	1,104,802	104,557	189,740	

(a) Amounts in NOK have been translated to US Dollars using average exchange rate for 2013 of NOK/USD 5.86.

(b) Includes payments for the 2012 performance bonus plan (paid in March 2013).

(c) Includes items such as car allowance, telephone, internet and other minor benefits. In addition, taxable gain on exercised share options.

(d) Contribution to defined benefit plans and defined contribution plans (Norway).

Share options and RSUs held by the CEO and executive officers as of December 31, 2013 were as follows:

Name	Options as of December 31, 2012	Options granted 2013	Options forfeited 2013	Options exercised 2013	Average exercise price on exercised options (NOK)	Options expired 2013	Options as of December 31, 2013	Average exercise price on outstanding options (NOK)	Weighted average remaining contractual term
Jon Erik Reinhardsen	400,000	-	-	-	-	(150,000)	250,000	61.67	1.3 years
Gottfred Langseth	240,000	-	-	-	-	(90,000)	150,000	61.67	1.3 years
Guillaume Cambois	155,000	-	-	-	-	(45,000)	110,000	69.84	1.6 years
Magne Reiersgard	170,000	-	-	-	-	(60,000)	110,000	69.84	1.6 years
Per Arild Reksnes	170,000	-	-	-	-	(60,000)	110,000	69.84	1.6 years
Sverre Strandenes	210,000	-	-	-	-	(90,000)	120,000	67.29	1.5 years

Name	RSUs as of December 31, 2012	RSUs granted 2013	RSUs forfeited 2013	RSUs exercised 2013	RSUs expired 2013	RSUs as of December 31, 2013	Weighted average remaining contractual term
Jon Erik Reinhardsen	30,000	41,500	-	-	-	71,500	2.0 years
Gottfred Langseth	18,000	24,900	-	-	-	42,900	2.0 years
Guillaume Cambois	18,000	24,900	-	-	-	42,900	2.0 years
Magne Reiersgard	18,000	24,900	-	-	-	42,900	2.0 years
Per Arild Reksnes	18,000	24,900	-	-	-	42,900	2.0 years
Sverre Strandenes	19,000	24,900	-	-	-	43,900	2.0 years

See Note 25 for shares held by the Company's CEO and other executive officers and Note 27 for further information on the share based payments programs.

Jon Erik Reinhardsen, President and CEO of the Company, had an annual fixed salary of NOK 5,115,000 in 2014. The CEO has a mutual 6-months period of notice. The CEO is, both during and after the employment, obliged to refrain from taking employment with companies that are in direct or indirect competition with PGS. This prohibition applies for a period of two years from the termination date unless the Company sets a shorter period of time.

Other executive officers have similar provisions in their employment terms, with periods of notice of twelve months or less. Further information on compensation of the CEO and other executive officers are provided in the statement on remuneration below.

Board of Directors

None of our Directors has any contract with us providing benefits upon termination of service.

The table below provides information about our Directors and compensation paid during 2014:

Name	Position	Director since	Term expire	Compensation (In dollars)
Francis Gugen	Chairperson	2003	2015	126,000
Harald Norvik	Vice Chairperson	2003	2015	89,000
Holly Van Deursen	Director	2006	2015	102,250
Daniel J. Piette	Director	2007	2015	100,250
Annette Malm Justad (a)	Director	2008	2015	29,615
Carol Bell	Director	2009	2015	94,750
Ingar Skaug	Director	2009	2015	81,500
Anne Grethe Dalane	Director	2013	2015	85,250
Walter Qvam	Director	2013	2015	80,000
Total				788,615

(a) Annette Malm Justad left the Board of Directors in 2014.

The table below provides information about our Directors and compensation paid during 2013:

Name	Position	Director since	Term expire	Compensation (In dollars)
Francis Gugen	Chairperson	2003	2014	125,250
Harald Norvik	Vice Chairperson	2003	2014	92,750
Holly Van Deursen	Director	2006	2014	103,750
Daniel J. Piette	Director	2007	2014	104,750
Annette Malm Justad	Director	2008	2014	80,750
Carol Bell	Director	2009	2014	94,750
Ingar Skaug	Director	2009	2014	80,000
Anne Grethe Dalane	Director	2013	2014	6,542
Walter Qvam	Director	2013	2014	6,542
Total				695,084

See Note 25 for shares held by the Company's Board of Directors.

Board of Directors' statement on remuneration to the CEO and the Executive Officers

In accordance with 6-16a of the Norwegian Public Limited Companies Act, the Board of Directors has prepared a statement related to the determination of salary and other benefits for our CEO and other executive officers. The guidelines set out below for our CEO and other executive officers salary and other benefits, for the coming fiscal year, will be presented to the shareholders for their advisory vote at the May 2015 Annual General Meeting.

PGS is an international company operating in the global geophysical industry. Our operations are conducted world-wide and our employment base is and needs to be largely international. The total compensation package for our CEO and other executive officers shall therefore be competitive both within the Norwegian labor market and internationally. Both the level of total compensation and the structure of the compensation package for our CEO and other executive officers shall be such that it may attract and retain highly qualified international leaders. This will require the use of several different instruments and measures also meant to provide incentives for enhanced performance and to ensure common goals and interest between the shareholders and management.

The current remuneration package for our CEO and other executive officers includes fixed elements and variable elements. The fixed elements consist of a base salary and other benefits. Other benefits include car allowance, newspaper subscription, mobile phone, internet and similar benefits. The fixed elements also include a defined contribution pension plan.

The CEO and three executive officers have an early retirement plan allowing for termination of employment without cause when the CEO or the executive officers reach the age of 62. Provided that the CEO or executive officers have been employed as a CEO or an executive officer for 10 years (or in some cases longer) the CEO or the executive officers are entitled to a yearly payment of up to 60% of the last base salary beginning in the year of retirement until the CEO or the executive officers reach the age of 67.

The variable elements today consist of a performance bonus scheme, participation in earlier years' share option program and participation in performance based restricted stock unit programs.

Participation in the performance bonus scheme and the target levels and the maximum levels of the annual performance bonus scheme are determined annually. Payment under the performance bonus scheme is based partly on achievements of agreed financial key performance indicators ("KPIs") for the group and partly on achievements of agreed operational, financial and organizational goals included in a personal performance contract.

The Group KPIs are financial targets set by the Board of Directors at the start of each fiscal year. The Group KPIs are then broken down to business unit KPIs. The CEO and other executive officers' personal performance contracts for a given year therefore contain such Group or business unit goals as well as goals linked to other personal measures of success such as HSE, operational effectiveness and organizational development.

The annual performance bonus for the CEO is approved by the Board of Directors in a meeting, based on recommendations from the Remuneration and Corporate Governance Committee. The annual performance bonus scheme for the other executive officers are reviewed and approved by the Remuneration and Corporate Governance Committee on the CEO's recommendation, and the executive officers' achievements under the scheme are also reviewed by the Remuneration and Corporate Governance Committee.

In 2014 the CEO participated in a performance bonus scheme where he was entitled to a cash bonus provided the Company and the CEO met certain financial and non-financial performance targets. The target bonus for the CEO which assumes that the company goals and the CEO's individual goals are met is a cash bonus of 85% of the CEO's annual base salary. This target bonus can be increased or decreased in cases of performance above or below the targets set for the CEO and the Company. Other executive officers, listed above, who were employed by the Company during 2014 and remain employed as of March 1, 2015 are participants in a bonus scheme where they are entitled to a cash bonus targeted at 57% of the respective executive's annual base salary. The target bonus can be increased or decreased in cases of performance above or below the targets set for the executive and the Company. The CEO's performance bonus is capped at 150% of base salary, the executive officers' at 100% of base salary.

The Board of Directors will continue to use these schemes for determining the level of annual performance bonus in the coming financial year, but given the uncertain market outlook any bonus based on the schemes' structure (e.g. max and target bonuses) will be reduced by 50% for the financial year 2015.

The Annual General Meetings in 2013 and 2014 authorized a performance based restricted stock unit program in order to ensure continued long term incentives which are linked to the development of the Company's share price. The Board of Directors will propose to the 2015 Annual General Meeting a slightly revised Long Term Incentive program. The 2015 Long Term Incentive Program will for the CEO and executive officers consist of 60% Performance based Restricted Stock Units ("PRSU") and 40% Restricted Stock Units ("RSU"). Settlement of the PRSUs and subsequent transfer of shares to the eligible employee will take place three years later subject to achieving a satisfactory Total Shareholder Return compared to the companies in the STOXX TMI Oil Equipment, Services & Distribution index adjusted for dividends and subject to further employment by the Company. Settlement of the RSUs and subsequent transfer to the eligible employees of shares in the Company will take place three years later subject principally to further employment by the Company.

The Board of Directors will propose for approval by the Annual General Meeting a pool of PRSUs and RSUs which will be granted to eligible employees in 2015. The full Long Term Incentive Plan including all targets, terms and conditions will be presented to the Annual General Meeting in May 2015 for approval. The Board of Directors will not distribute any other share based incentives than the Long Term Incentive Plan to the CEO or any executive officer during 2015.

This statement deals primarily with the remuneration of our CEO and other executive officers. However, the above described remuneration policy is to a large extent applicable to a broad group of key employees within the Company. Enhanced performance by the management groups is not achieved by our CEO and other executive officers alone but rather is dependent on a large number of managers and key employees throughout the Company. Therefore, a large and increasing number of managers and key employees are included in performance based remuneration schemes, which contain all or some of the above mentioned elements. More than 500 employees within the Company are currently eligible for performance based remuneration. In addition, all other employees may traditionally receive up to a maximum of one month salary in annual bonus. For 2015 the maximum bonus is reduced to half a month salary. The level of this bonus payment is determined by the Board of Directors based on the financial results of the Company.

Remuneration of the CEO and other executive officers are evaluated regularly by the Remuneration and Corporate Governance Committee and the Board of Directors. The Remuneration and Corporate Governance Committee annually reviews the total compensation level, the mix

between fixed and performance related compensation and the mix between short, medium and long term compensation. The Remuneration and Corporate Governance Committee has developed an annual schedule in order to ensure and facilitate a structured approach to the annual review of executive compensation. The committee has also engaged an external advisor for this work.

A specific peer group of comparable companies and an executive remuneration philosophy has been adopted. The peer group currently consists of nineteen companies from Norway, Europe and the Americas. All companies are of comparable size and with international operations within the oil service sector. The external advisor collects and combines relevant information on the companies in the peer group. This is used by the Remuneration and Corporate Governance Committee and the Board of Directors for benchmarking of executive remuneration. The executive remuneration philosophy document includes certain targets and guidelines on how the Company's CEO and executives should compare to the peer group. These tools amongst others are used by the Remuneration and Corporate Governance Committee and the Board of Directors to decide on an appropriate remuneration structure and to set appropriate total remuneration for the CEO and executive officers.

Since the Annual General Meeting in May 2014 the Board of Directors have followed the guidelines then approved by the Annual General Meeting with respect to remuneration of the CEO and the other executive officers.

Remuneration of auditor

Fees for audit and other services provided by the Company's auditor EY who was elected in May 2014, are as follows (exclusive VAT and including out of pocket expenses):

(In millions of US dollars)	Year ended December 31,		
	2014	2013	2012
Audit fees	1.7	2.6	2.7
Tax services (a) and other services	1.0	0.3	0.1
Total	2.7	2.9	2.8

(a) Fees for tax services consist of fees for tax filing services and other tax assistance.

Note 29 – Subsidiaries

The ownership percentage in subsidiaries as of December 31, 2014, was as follows:

Company	Jurisdiction	Shareholding and voting rights
PGS Onshore (Algeria) EURL	Algeria	100%
PGS Australia Pty. Ltd.	Australia	100%
Seahouse Insurance Ltd.	Bermuda	100%
PGS Investigação Petrolífera Limitada	Brazil	100%
PGS Onshore do Brazil Ltda.	Brazil	100%
PGS Suporte Logístico e Serviços Ltda.	Brazil	100%
PGS Data Processing Middle East SAE	Egypt	100%
PGS Egypt for Petroleum Services	Egypt	100%
PT PGS Nusantara	Indonesia	94%
Oslo Challenger Plc	Isle of Man	100%
Oslo Explorer Plc	Isle of Man	100%
Oslo Seismic Services Ltd.	Isle of Man	100%
PGS Marine Services (Isle of Man) Ltd.	Isle of Man	100%
PGS Shipping (Isle of Man) Ltd.	Isle of Man	100%
PGS Japan K.K.	Japan	100%
PGS (Kazakhstan) LLP	Kazakhstan	100%
PGS Asia Pacific Labuan Ltd.	Malaysia	100%
Petroleum Geo-Services Exploration (M) Sdn. Bhd.	Malaysia	100%
PGS Data Processing & Technology Sdn. Bhd.	Malaysia	100%
PGS Data Processing S.A. de C.V	Mexico	100%
Smart Technical Solutions Company S.A. de C.V	Mexico	100%
Technical Geophysical Solutions Company S.A. de C.V	Mexico	100%
PGS Geophysical (Netherlands) B.V.	Netherlands	100%
PGS Exploration (Nigeria) Ltd.	Nigeria	100%
Dalmorneftegeofizika PGS AS	Norway	49%
Multiklient Invest AS	Norway	100%
PGS Falcon AS	Norway	100%
PGS Geophysical AS	Norway	100%
PGS Overseas AS	Norway	100%
PGS Shipping AS	Norway	100%
PGS Titans AS	Norway	100%
Petroleum Geological Services LLC	Oman	70%
Natuna Ventures Pte. Ltd.	Singapore	100%
Petroleum Geo-Services Asia Pacific Pte. Ltd.	Singapore	100%
PGS Technology (Sweden) AB	Sweden	100%
Arrow Seismic Invest II Ltd.	United Kingdom	100%
Arrow Seismic Invest III Ltd.	United Kingdom	100%
Arrow Seismic Invest IV Ltd.	United Kingdom	100%
Arrow Seismic Invest V Ltd.	United Kingdom	100%
Arrow Seismic Invest VI Ltd.	United Kingdom	100%
Panoceanic Energy Limited	United Kingdom	100%
Petroleum Geo-Services (UK) Ltd.	United Kingdom	100%
PGS EM Limited	United Kingdom	100%
PGS Exploration (UK) Ltd.	United Kingdom	100%
PGS Geophysical (Angola) Ltd.	United Kingdom	100%
PGS Pension Trustee Ltd.	United Kingdom	100%
PGS Reservoir Ltd.	United Kingdom	100%
PGS Seismic (UK) Ltd.	United Kingdom	100%
PGS Seismic Services Ltd	United Kingdom	100%
Seismic Exploration (Canada) Ltd.	United Kingdom	100%
Deep Gulf LP	United States	50.1%
Petroleum Geo-Services, Inc.	United States	100%
PGS Americas, Inc.	United States	100%
PGS Imaging, Inc.	United States	100%
PGS Finance, Inc.	United States	100%
PGS Ocean Bottom Seismic, Inc.	United States	100%
PGS Servicios C.A.	Venezuela	100%
PGS Venezuela de C.A.	Venezuela	100%
PGS Overseas Operation (Cyprus) Limited	Cyprus	89.9%
PGS Khazar LLC	Russia	89.9%
PGS Khazar Kazakhstan LLP	Kazakhstan	89.9%

Financial Statements – Parent Company

Petroleum Geo-Services ASA (Parent Company)
Statements of Operations

(In millions of NOK)	Note	Year ended December 31,		
		2014	2013	2012
Revenue	2	90.7	122.1	141.8
Cost of sales	2	1.2	2.4	2.5
Salaries and other operating expenses	2	102.8	137.8	143.8
Total operating expenses		104.0	140.2	146.3
Operating loss		(13.3)	(18.1)	(4.5)
Interest expense, net	2, 3	(301.3)	(304.1)	(249.2)
Impairment, net of reversal of impairment on shares in subsidiaries/ inter-company receivables	1, 7	(661.9)	(358.0)	216.6
Dividends/group contribution received from subsidiaries	2	1,123.5	1,902.7	932.0
Other financial items, net	4	(583.8)	(330.1)	54.7
Income before income taxes		(436.9)	892.4	949.6
Income tax expense	5	(117.3)	190.2	34.6
Net income (loss)		(319.6)	702.2	915.0

Petroleum Geo-Services ASA (Parent Company)
Statements of Financial Position

(In millions of NOK)	Note	December 31,	
		2014	2013
Assets			
Long-term assets:			
Deferred tax assets	5	665.5	546.7
Shares in subsidiaries	1, 7	13,791.0	12,656.6
Inter-company receivables	1, 2, 7	8,779.7	6,529.1
Total long-term assets		23,236.3	19,732.4
Current assets:			
Short-term inter-company receivables	2	11.7	19.4
Other current assets	8	55.6	62.8
Restricted cash	9	2.5	2.6
Cash and cash equivalents		43.5	1,268.1
Total current assets		113.2	1,352.9
Total assets		23,349.5	21,085.3
Liabilities and Shareholders' Equity			
Shareholders' equity:			
Common stock; par value NOK 3; issued and outstanding 217,799,997 shares	10	653.4	653.4
Treasury shares, par value	10	(11.1)	(7.9)
Additional paid-in capital	10	2,437.9	2,386.6
Total paid in capital		3,080.2	3,032.1
Other equity	10	7,488.2	7,989.6
Total shareholders' equity		10,568.4	11,021.7
Long-term liabilities:			
Long-term debt	11, 12	6,917.5	5,551.6
Inter-company debt	1, 2	5,386.8	3,848.1
Other long-term liabilities	13	18.5	37.6
Total long-term liabilities		12,322.7	9,437.3
Current liabilities:			
Short-term inter-company debt	2	132.0	42.3
Accrued dividend	10	149.9	494.8
Accrued expenses and other short-term liabilities	16	176.4	89.2
Total current liabilities		458.3	626.3
Total liabilities and shareholders' equity		23,349.5	21,085.3

London, March 18, 2015
 Board of Directors
 Petroleum Geo-Services ASA


 Anne Grethe Dalane


 Ingar Skaug

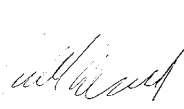

 Carol Bell


 Holly Van Deursen


 Daniel J. Piette


 Walter Qvam


 Francis Gugen
 Chairperson


 Harald Norvik
 Vice Chairperson


 Jon Erik Reinhardsen
 Chief Executive Officer

Petroleum Geo-Services ASA (Parent Company)
Statements of Cash Flows

(In millions of NOK)	Year ended December 31,		
	2014	2013	2012
Cash flows provided by (used in) operating activities:			
Net income (loss)	(319.6)	702.2	915.0
Adjustments to reconcile net income to net cash used in operating activities:			
Changes in deferred tax assets	(118.8)	202.2	49.4
Impairment, net of reversal of impairment of shares in and loan to subsidiaries	661.9	358.0	(216.6)
Dividend/ group contribution	(1,123.5)	(1,902.7)	(932.0)
Unrealized foreign exchange (gain) loss	563.2	339.7	(231.6)
Changes in current assets and current liabilities	378.3	284.4	247.0
Other items	8.8	(23.8)	191.3
Net cash provided by (used in) operating activities	50.4	(40.0)	22.5
Cash flows provided by (used in) investing activities:			
Investment in subsidiaries and changes inter-company receivables, net	(559.1)	(13.1)	421.1
Repayment of long term receivables, net	-	-	142.2
Net cash provided by (used in) investing activities	(559.1)	(13.1)	563.3
Cash flows used in financing activities:			
Proceeds, net of deferred loan costs, from issuance of long-term debt	(10.6)	(31.8)	884.9
Net drawdown of Revolving Credit Facility	625.5	-	-
Repayment of long-term debt	(441.3)	-	(1,105.9)
Investment in/ sale of own shares, net	(75.3)	(158.7)	(26.9)
Dividend paid to shareholders of PGS ASA	(493.3)	(355.6)	(238.5)
Other	(364.3)	(314.6)	(262.7)
Net cash used in financing activities	(759.2)	(860.7)	(749.1)
Net decrease in cash and cash equivalents	(1,267.9)	(913.8)	(163.3)
Effect of exchange rate changes on cash and cash equivalents	43.3	145.7	(164.4)
Cash and cash equivalents at beginning of year	1,268.1	2,036.2	2,363.9
Cash and cash equivalents at end of year	43.5	1,268.1	2,036.2

Note 1 – Summary of Significant Accounting Policies

Petroleum Geo-Services Group (“the Company”) prepares its consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union, while Petroleum Geo-Services ASA (“PGS ASA”) prepares its financial statements in accordance with the Norwegian Accounting Act and accounting principles generally accepted in Norway (“N GAAP”).

PGS ASA applies the same accounting policies as described in Note 2 in the notes to the consolidated financial statements where relevant, except that unrealized foreign exchange gain (loss) on long-term inter-company loans is recognized in the statements of operations. The financial statements are presented in Norwegian Kroner (“NOK”) as this is the reporting currency. The functional currency is US dollars (“USD”).

Shares in subsidiaries (see Note 7) are presented at cost less impairment. Impairment is recognized based upon the carrying value of the individual shares and net inter-company receivables in the subsidiaries less the estimated recoverable amount (based on discounted estimated future cash flows). If and when estimated recoverable amounts increase, impairment charges are reversed. There is no fixed plan for repayment of long-term inter-company receivables.

The proposed dividend to shareholders for the year is recognized as a liability at year end because it is considered more likely than not that the dividend will be approved by the General Assembly the following year.

Cash flow statement is set up using the indirect method.

Note 2 – Inter-company Transactions

PGS ASA has significant inter-company transactions with its subsidiaries. Transactions with subsidiaries are mainly related to business support functions and financing activities. Dividends/group contributions received from subsidiaries was NOK 1 123.5 million for 2014 and NOK 1 902,7 million for 2013. Inter-company transactions in the statements of operations consist of:

Subsidiaries (In millions of NOK)	Year ended December 31, 2014			
	Revenues	Cost	Net interests	Net Receivables/ Liabilities
Arrow Seismic Invest II Ltd.	-	-	0.7	(32.2)
Arrow Seismic Invest III Ltd.	-	-	0.5	(21.2)
Arrow Seismic Invest IV Ltd.	-	-	(5.4)	31.6
Arrow Seismic Invest V Ltd.	-	-	-	-
Arrow Seismic Invest VI Ltd.	-	-	(1.4)	-
Arrow Seismic LTD	1.4	-	(0.4)	11.6
Charge Oil Ltd.	-	-	-	-
Dalmorneftegeofizika-PGS AS	-	-	-	(7.5)
Multiklient Invest AS	20.5	-	(13.9)	1,382.1
Natuna Ventures Pte. Ltd.	-	-	0.3	62.0
Oslo Seismic Services Ltd (IOM)	-	-	3.9	(145.5)
Panoceanic Energy Limited	-	-	(0.1)	(5.7)
Pegesse Invest Petro Ltd	6.9	(7.9)	(15.1)	-
Petroleum Geo-Services, Inc.	3.0	(30.4)	(14.9)	486.5
PGS (Kazakhstan) LLP	-	-	-	-
Petroleum Geo-Services (UK) Ltd.	-	-	31.3	(1,005.6)
PGS Americas Inc	1.1	(6.8)	0.9	121.1
PGS Asia Pacific Labuan Ltd	-	-	-	-
PGS Asia Pacific Pte. Ltd.	2.7	-	2.7	(236.7)
PGS Australia PTY Ltd	2.9	-	(6.0)	729.5
PGS Data Processing SA de CV	1.1	-	(3.0)	(2,352.9)
PGS Data Processing & Technology Sdn Bhd	0.1	-	0.2	(157.3)
PGS Data Processing, Inc.	3.1	(13.2)	2.2	(118.2)
PGS de Venezuela CA	-	-	-	5.2
PGS Data Proc. Middle East SAE	1.0	-	2.9	26.3
PGS Egypt for Petroleum Services	-	-	2.2	(80.8)
PGS EM Ltd.	-	-	(20.6)	83.8
PGS Exploration Malaysia SDNBH	1.2	-	0.4	79.3
PGS Exploration (Nigeria) Ltd	0.5	-	0.3	107.7
PGS Exploration UK Ltd	14.7	(6.3)	(15.7)	591.4
PGS Falcon AS	-	-	(14.1)	168.0
PGS Geophysical (Angola) Ltd.	-	-	(0.1)	(1.0)
PGS Geophysical Netherlands BV	-	-	(8.6)	374.0
PGS GeophysicalAS-Turkmenistan	-	-	(0.1)	-
PGS Geophysical AS	21.0	(30.6)	(42.6)	3,232.5
PGS Japan K.K.	-	-	0.4	(18.3)
PGS LLC-DP Oman	-	-	(0.1)	-

PGS Nusantara IDN PT	0.1	-	0.2	-
PGS Onshore Algeria EURL	-	-	-	(0.2)
PGS Onshore do Brazil Ltda.	-	-	-	-
PGS Overseas AS	1.2	-	22.6	(598.3)
PGS Reservoir Ltd	0.8	-	-	(3.0)
PGS Seismic (UK) Ltd.	-	-	1.1	(39.5)
PGS Seismic Services Ltd.	-	-	0.1	(2.6)
PGS Servicios CA	-	-	-	-
PGS Shipping (IOM) Ltd.	-	-	11.7	(378.8)
PGS Shipping AS	-	-	(4.0)	116.9
PGS Suporte Logistico Ser Ltda	2.3	(2.8)	(0.3)	-
PGS Technology (Sweden) AB	-	-	0.1	(3.9)
PGS Titans AS	-	-	5.9	48.6
Seahouse Insurance Ltd.	0.8	-	1.5	(67.3)
Seismic Exploration (Canada) Ltd	3.5	-	1.5	(90.5)
Smart Technical Solutions Services SA de CV	-	-	-	(0.3)
Strike Oil Ltd	-	-	-	-
Technical Geophysical Solutions Service Company S.A.	-	-	(0.3)	(7.8)
Sum Inter-company transactions	90.0	(97.9)	(72.7)	2,282.7

Subsidiaries (In millions of NOK)	Year ended December 31, 2013			
	Revenues	Cost	Net interests	Net Receivables/ Liabilities
Arrow Seismic Invest II Ltd.	-	-	0.4	(11.0)
Arrow Seismic Invest III Ltd.	-	-	0.5	(15.6)
Arrow Seismic Invest IV Ltd.	-	-	(4.9)	23.8
Arrow Seismic Invest V Ltd.	-	-	0.2	(2.4)
Arrow Seismic Invest VI Ltd.	-	-	(1.3)	41.0
Arrow Seismic LTD	0.2	-	0.9	(20.6)
Charge Oil Ltd.	-	-	-	3.7
Dalmorneftegeofizika-PGS AS	-	-	-	(6.3)
Multiklient Invest AS	11.4	-	19.1	(608.6)
Natuna Ventures Pte. Ltd.	-	-	(2.2)	69.7
Oslo Seismic Services Ltd (IOM)	-	-	2.6	(116.1)
Panoceanic Energy Limited	-	-	-	-
Pegesse Invest Petro Ltd	1.1	-	(14.2)	242.2
Petroleum Geo-Services, Inc.	13.6	(14.4)	(13.5)	381.7
PGS (Kazakhstan) LLP	0.1	-	-	7.6
Petroleum Geo-Services (UK) Ltd.	(0.4)	(9.6)	26.7	(854.6)
PGS Americas Inc	0.1	(17.8)	0.3	20.9
PGS Asia Pacific Labuan Ltd	-	-	-	(0.2)
PGS Asia Pacific Pte. Ltd.	10.5	-	(0.6)	(63.4)
PGS Australia PTY Ltd	3.9	-	(9.0)	471.5
PGS Data Processing SA de CV	1.2	-	(2.8)	163.3
PGS Data Processing & Technology Sdn Bhd	-	-	(2.0)	22.9
PGS Data Processing, Inc.	1.9	(15.3)	2.8	(132.9)
PGS de Venezuela CA	-	-	-	4.3
PGS Data Proc. Middle East SAE	1.0	-	2.4	(80.3)
PGS Egypt for Petroleum Services	-	-	2.1	(69.2)
PGS EM Ltd.	0.2	-	(18.8)	7.2
PGS Exploration Malaysia SDNBH	0.4	-	0.6	(19.8)
PGS Exploration (Nigeria) Ltd	0.2	-	(3.9)	106.0
PGS Exploration UK Ltd	18.0	(3.2)	(6.7)	669.7
PGS Falcon AS	-	-	(8.2)	456.8
PGS Geophysical (Angola) Ltd.	-	-	(0.2)	1.0
PGS Geophysical Netherlands BV	-	-	(4.8)	183.4
PGS Geophysical AS-Turkmenistan	-	-	(0.1)	-
PGS Geophysical AS	49.9	(33.5)	(37.3)	1,264.2
PGS Japan K.K.	-	(0.4)	0.3	(11.8)
PGS LLC-DP Oman	-	-	(0.1)	0.0
PGS Nusantara IDN PT	0.1	-	(1.0)	1.7
PGS Onshore Algeria EURL	-	-	-	0.0
PGS Onshore do Brazil Ltda.	-	-	-	-

PGS Overseas AS	3.5	-	47.1	(969.5)
PGS Reservoir Ltd	0.6	-	(0.4)	12.2
PGS Seismic (UK) Ltd.	-	-	1.2	(31.5)
PGS Seismic Services Ltd.	-	-	0.1	(2.1)
PGS Servicios CA	-	-	-	-
PGS Shipping (IOM) Ltd.	-	-	9.6	(659.0)
PGS Shipping AS	-	-	3.9	(178.5)
PGS Suporte Logistico Ser Ltda	2.2	-	-	-
PGS Technology (Sweden) AB	-	-	0.1	(2.9)
PGS Titans AS	-	-	(8.6)	453.4
Seahouse Insurance Ltd.	0.4	-	(0.1)	1.9
Seismic Exploration (Canada) Ltd	-	-	1.0	(36.1)
Smart Technical Solutions Services SA de CV	-	-	-	(0.6)
Strike Oil Ltd	-	-	0.1	-
Technical Geophysical Solutions Service Company S.A.	-	-	(0.3)	5.1
Sum Inter-company transactions	120.1	(94.3)	(19.0)	722.2

Note 3 – Interest Expense, Net

Interest expense, net, consist of:

(In millions of NOK)	Year ended December 31,		
	2014	2013	2012
Interest income, external	1.9	19.4	14.4
Interest income, inter-company	166.5	492.4	510.7
Interest expense, external	(375.9)	(342.5)	(290.3)
Interest expense, inter-company	(93.8)	(473.4)	(484.0)
Total	(301.3)	(304.1)	(249.2)

Note 4 – Other Financial Items, Net

Other financial items, net, consist of:

(In millions of NOK)	Year ended December 31,		
	2014	2013	2012
Foreign currency (loss) gain	(563.2)	(334.5)	151.7
Loss on repurchase of convertible bonds	-	-	(43.7)
Other	(20.6)	4.4	(53.3)
Total	(583.8)	(330.1)	54.7

Note 5 – Income Taxes

The income tax expense differs from the amounts computed when applying the Norwegian statutory tax rate to income before income taxes as a result of the following:

(In millions of NOK)	Year ended December 31,		
	2014	2013	2012
Income before income taxes	(436.9)	892.4	949.6
Norwegian statutory tax rate	27%	28%	28%
Provision for income taxes at the statutory rate	(118.0)	249.9	265.9
Increase (reduction) in income taxes from:			
Change in Norwegian statutory tax rate	-	20.9	-
Foreign taxes paid	11.5	-	-
Impairment (reversal) of shares in subsidiaries	35.8	(51.4)	(4.1)
Non-taxable dividends/ group contribution	(243.0)	(196.0)	(188.9)
Permanent difference impairment of inter-company receivables	186.9	172.4	(59.4)
Other permanent items	9.5	(19.7)	21.1
Change in unrecognized deferred tax assets	-	14.1	-
Income tax expense	(117.3)	190.2	34.6

(In millions of NOK)	December 31,	
	2014	2013
Temporary differences relates to:		
Pension liabilities (a)	4.4	3.3
Inter-company receivables	64.8	109.7
Unrealized exchange gain (loss)	12.4	(2.8)
Shares in foreign subsidiaries	-	37.0
Compensation cost employee share options	6.8	8.4
Interest rate swaps (a)	-	14.9
Other	10.4	6.2
Tax losses carried forward	566.7	407.0
Deferred tax assets	665.5	583.7
Deferred tax assets not recognized in the statements of financial position	-	(37.0)
Deferred tax assets	665.5	546.7

(a) Change in deferred tax for actuarial gains/losses on pensions and interest swaps are recognized directly to shareholders' equity (see note 10, 12 and 14).

Note 6 – Property and Equipment

Property and equipment consists of fixtures, furniture and fittings and is summarized as follows:

(In millions of NOK)	2014	2013
Cost as of January 1	5.1	91.0
Sales/retirements	-	(85.9)
Cost as of December 31	5.1	5.1
Accumulated depreciation as of January 1	5.1	89.8
Sales/retirements	-	(84.7)
Depreciation for the year	-	-
Accumulated depreciation as of December 31	5.1	5.1
Balance as of December 31	-	-

Property and equipment is depreciated between 3 to 5 years.

Note 7 – Shares in Subsidiaries and Inter-company Receivables

Shares in subsidiaries are recognized in PGS ASA balance sheet at cost less any impairment.

	Registered office	Shareholding (a)	Book value as of 12/31/2014 (in millions of NOK)	Equity as of 12/31/2013 (in millions of NOK)	Net income 2013 (in millions of NOK)
PGS Geophysical AS	Oslo	100%	3,275.8	2,449.5	394.4
PGS Asia Pacific Pte. Ltd.	Singapore	100%	3,148.6	3,383.7	19.2
PGS Titans AS	Oslo	100%	1,500.0	791.7	(35.6)
Petroleum Geo-Services (UK) Ltd.	London	100%	1,433.4	1,079.0	37.0
PGS Falcon AS	Oslo	100%	1,254.5	1,149.8	605.5
PGS Shipping AS	Oslo	100%	1,141.0	1,307.2	388.2
Multiklient Invest AS	Oslo	100%	989.7	982.8	524.4
PGS Overseas AS (c)	Oslo	100%	985.9	1,727.3	104.9
Oslo Seismic Services Ltd. (IoM)	Isle of Man	100%	33.6	116.1	(39.4)
Seahouse Insurance Ltd.	Bermuda	100%	27.6	32.1	2.4
PGS Japan KK	Japan	100%	0.6	14.3	2.2
PGS Exploration (Nigeria) Ltd.	Nigeria	100%	0.3	3.8	8.3
PGS EM Ltd.	Scotland	100%	-	(594.5)	(23.9)
Petroleum Geo-Services Inc.	Houston	100%	-	1,699.8	4.6
PGS Australia Pty. Ltd.	Perth	100%	-	(1.2)	110.5
PGS de Venezuela CA	Venezuela	100%	-	(19.4)	(2.6)
PGS Investigacao Petrolifera Ltda.	Brazil	99%	-	(813.4)	(280.7)
PGS Suporte Logistico e Servicos Ltda. (b)	Brazil	1%	-	(94.9)	(13.8)
PT PGS Nusantara (Indonesia)	Indonesia	93%	-	(40.3)	(17.6)
Technical Geophysical Solutions Company	Mexico	100%	-	(0.3)	(0.5)
Total			13,791.0		

(a) Voting rights are equivalent to shareholding for all companies.

(b) The remaining 99% shareholding is held by PGS Overseas AS.

(c) PGS Overseas AS was merged with Arrow Seismic ASA and PGS Support AS in 2014.

In 2014 PGS ASA recognized impairment charges totaling NOK 132.6 million on shares in subsidiaries, mainly due to impairment of PGS EM Ltd. In 2013, PGS ASA recognized net reversal of impairment charges totaling NOK 183.7 million on shares in subsidiaries, mainly due to equity transfers from group companies to Arrow Seismic ASA. In 2012, PGS ASA recognized a net reversal of impairment charges totaling NOK 14.7 million on shares in subsidiaries, which included a NOK 73.3 million impairment charge related to reduced equity in Petroleum Geo-Services Inc. and PGS Australia Pty. Ltd., and a NOK 88.0 million impairment reversal in Petroleum Geo-Services (UK) Ltd.

In 2014 PGS ASA recognized impairment charges on inter-company receivables totaling NOK 529.3 million. In 2013 PGS ASA recognized impairment charges on inter-company receivables totaling NOK 541.7 million while in 2012, PGS ASA reversed previously recognized impairment charges NOK 201.9 million.

As of December 31, 2014, PGS ASA has accumulated impairment charges related to shares in subsidiaries and inter-company receivables totaling NOK 4.8 billion and NOK 2.1 billion, respectively.

For additional information on impairment of shares in subsidiaries and inter-company receivables, see Note 1.

Note 8 – Other Current Assets

Other current assets consist of:

(In millions of NOK)	December 31,	
	2014	2013
Short term receivables	21.5	40.3
Unrealized gain hedge contracts (Note 12)	32.3	19.4
Other	1.8	3.1
Total	55.6	62.8

Note 9 – Restricted Cash

Restricted cash as of December 31, 2014 and 2013 consists of payroll withholding taxes.

Note 10 – Shareholders' Equity

Changes in shareholders' equity for the years ended December 31, 2014 and 2013 are as follows:

(In millions of NOK)	Paid-in capital				Shareholders' equity
	Common stock	Own shares, par value	Additional paid-in capital	Other equity	
Balance as of January 1, 2013	653.4	(3.0)	2,348.7	7,898.6	10,897.7
Acquired treasury shares	-	(5.6)	-	(162.5)	(168.1)
Employee benefit plans	-	0.7	6.4	8.7	15.8
Employee share options recharged to subsidiaries	-	-	31.5	-	31.5
Interest rate swaps (net of tax)	-	-	-	33.9	33.9
Actuarial gains and losses charged to equity (net of tax)	-	-	-	(0.3)	(0.3)
Dividend to shareholders	-	-	-	(494.8)	(494.8)
Difference between accrued and paid dividend for 2012	-	-	-	3.8	3.8
Net income	-	-	-	702.2	702.2
Balance as of December 31, 2013	653.4	(7.9)	2,386.6	7,989.6	11,021.7
Acquired treasury shares	-	(4.6)	-	(88.2)	(92.8)
Employee benefit plans	-	1.4	6.8	15.9	24.1
Employee share options recharged to subsidiaries	-	-	44.5	-	44.5
Interest rate swaps (net of tax)	-	-	-	40.2	40.2
Actuarial gains and losses charged to equity (net of tax)	-	-	-	(1.3)	(1.3)
Dividend to shareholders	-	-	-	(149.9)	(149.9)
Difference between accrued and paid dividend for 2013	-	-	-	1.5	1.5
Net income	-	-	-	(319.6)	(319.6)
Balance as of December 31, 2014	653.4	(11.1)	2,437.9	7,488.2	10,568.4

As of December 31, 2014 and 2013 share capital is NOK 653,399,991 consisting of 217,799,997 shares of par value NOK 3, each fully paid (see Note 25 to the consolidated financial statements).

All shares have equal voting rights and are entitled to dividends. Distribution of PGS ASA's equity is dependent upon the approval of the shareholders, and the ability to make distributions is limited by certain debt covenants and Norwegian Corporate Law (see Note 19 to the consolidated financial statements). A listing of PGS ASA's largest shareholders is provided in Note 25 to the consolidated financial statements.

For the year ended December 31, 2014, PGS ASA expects to distribute a dividend of NOK 149.9 million. For the year ended December 31, 2013, PGS ASA distributed a dividend of NOK 493.3 million.

Note 11 – Debt and Guarantees

Long-term debt

Long-term debt consists of the following:

(In millions of NOK)	December 31,	
	2014	2013
Secured:		
Term loan B, Libor + 175 Basis points, due 2015	-	2,860.8
Term loan B, Libor (minimum 75 bp) + 250 Basis points, due 2021 (a)	2,940.8	-
Senior notes, Coupon 7.375%, due 2018	3,333.4	2,736.0
Revolving credit facility, due 2018 (a)	740.8	-
Total	7,015.0	5,596.8
Less current portion	(29.6)	-
Less deferred loan costs, net of debt premiums	(67.9)	(45.2)
Total long-term debt	6,917.5	5,551.6

Undrawn facilities consists of the following:

(In millions of NOK)	December 31,	
	2014	2013
Secured:		
Revolving credit facility, due 2018 (a)	2,963.0	3,040.0
Unsecured:		
Bank facility (NOK 50 mill)	50.0	50.0
Performance bond	104.4	88.8
Total	3,117.5	3,178.8

(a) The Senior secured credit facility was amended and extended in September 2013 and March 2014, for the RCF and TLB, respectively. The Company may now borrow an additional sum of secured debt: \$1,850 million (NOK 13.7 billion) less the sum of (A) any RCF commitments outstanding, (B) Term Loans outstanding and (C) Permitted vessel financing indebtedness outstanding, either as a term loan or as an RCF. Such potential additional borrowing is not committed (except for secured undrawn debt in the table) but would be secured by the same collateral that secures the Term Loan and borrowings under the existing RCF. As long as the Company stays below a leverage ratio of 3:1 it can incur further unsecured debt.

Aggregate maturities of long-term debt are as follows:

(In millions of NOK)

Year of repayment:	
2015	29.6
2016	29.6
2017	29.6
2018	4,103.8
2019	29.6
Thereafter	2,792.8
Total	7,015.0

Senior Secured Credit Facility (Term loan B and Revolving Credit Facility "RCF")

The Term Loan is an obligation of PGS ASA and PGS Finance Inc. as co-borrowers, is secured by pledges of shares of material subsidiaries and is guaranteed by the same material subsidiaries. The Term Loan has no financial maintenance covenants. Any drawings on the "RCF" would be subject to the same security.

In March 2014, the Term Loan B originally maturing in 2015 was amended and extended with a new tenor of 7 years and now matures in 2021. The floating interest rate has been revised to LIBOR (but minimum 75bps) + 250 basis points and the amount reduced to \$400 million (NOK 3 billion) by using existing cash to repay \$70.5 million (NOK 522 million) of principal.

In September 2013, the RCF was increased from \$350 million (NOK 2.1 billion) to \$500 million (NOK 3.0 billion) and the maturity extended to September 2018. The margin on the extended facility changed from LIBOR + 2.25% to an initial margin of LIBOR + 1.75% with utilization fees dependent on the amount drawn (Less than \$150 million (NOK 0.9 billion) + 0.25%, between \$150 million (NOK 0.9 billion) and \$300 million (NOK 1.8 billion) + 0.40%, over \$300 million (NOK 1.8 billion) + 0.60%).

The Senior secured credit facility contains financial covenants and negative covenants that restrict the Company in various ways. The facility provides that:

- 1) For the RCF part the total leverage ratio (see Note 20 in the consolidated financial statements for definitions of leverage ratios) may not exceed 2.75:1.0 (maintenance covenant). The Term Loan has an incurrence test prohibiting the Company from incurring more indebtedness, with certain exceptions, (described in footnote (a) in the table above) if the total leverage is above 3.00:1.0 (rolling last 4 quarters).
- 2) The credit agreement generally requires the Company to apply 50% of excess cash flow to repay outstanding borrowings for financial years when the total leverage ratio exceeds 2.5:1 or the senior secured leverage ratio exceeds 2:1. Excess cash flow for any period is defined as net cash flow provided by operating activities less capital expenditures and scheduled debt services during that period, minus income taxes to be paid in the next period and capital expenditure committed in the period but to be paid in future periods. The Company may make optional prepayments to reduce the outstanding principal balance at no penalty.

In addition, the credit agreement and the indenture to the \$450 million (NOK 3.3 billion) Senior Notes (described below) restricts or could restrict the Company's ability, among other things, to sell assets without the sales proceeds being reinvested in the business or used to repay debt; incur additional indebtedness or issue preferred shares; prepay interest and principal on our other indebtedness; pay dividends and distributions or repurchase our capital stock; create liens on assets; make investments, loans, guarantees or advances; make acquisitions; engage in mergers or consolidations; enter into sale and leaseback transactions; engage in transactions with affiliates; amend material agreements governing our indebtedness; change our business; enter into agreements that restrict dividends from subsidiaries; and enter into speculative financial derivative agreements.

The RCF has a \$60 million (NOK 445 million) sub-limit for issuance of letters of credit. Under the RCF, the Company may borrow USD, or any other currency freely available in the London banking market to which the lenders have given prior consent, for working capital and for general corporate purposes. At December 31, 2014 and 2013, the Company had zero outstanding standby letters of credit under the RCF.

Senior Notes

In December 2012, the Company issued \$150 million (NOK 0.9 billion) add on to the \$300 million (NOK 1.8 billion) Senior notes (issued in November 2011) at a premium of 107.5% of the principal amount. Both the Senior notes issued in 2011 and 2012 will be treated as a single class of debt securities under the same indenture. The Senior notes are senior obligations of the company and rank equally in right of payment with all other existing and future senior debt. The Senior notes have an incurrence test prohibiting the Company from incurring more indebtedness, with certain exceptions, if the consolidated interest coverage ratio is less than 2.0:1.0. At any time prior to December 15, 2015, the Company may redeem the Senior notes at its option, in whole or in part, at a redemption price equal to 100% of the principal amount thereof plus the applicable premium as of, and accrued and unpaid interest to, the date of redemption. Applicable premium means the greater of (i) 1.0% of the principal amount of the Senior notes; and (ii) the excess of (a) the present value at such redemption date of the redemption price of the Senior notes at December 15, 2015 (such redemption price being set forth in the table appearing below plus all required interest payments due on the Senior notes during the period from such redemption date through December 15, 2015 (excluding accrued but unpaid interest), computed using a discount rate equal to the treasury rate as of such redemption date plus 50 basis points, over (b) the principal amount of the Senior notes,

if greater. The Senior notes are also redeemable at the Company's option on or after December 15, 2015, in whole or in part, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest thereon to the applicable redemption date, if redeemed during the 12-month period beginning December 15 of the years indicated below:

Year	Percentage
2015	103.69%
2016	101.84%
2017 and thereafter	100.00%

Letters of credit and guarantees

PGS ASA had aggregate outstanding letters of credit and related types of guarantees (including counter guarantees), not reflected in the accompanying financial statements, of \$9.9 million (NOK 73.3 million) and \$5.9 million (NOK 35.3 million) as of December 31, 2014 and 2013, respectively.

Note 12 – Financial Instruments

Fair values of 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.

PGS ASA disclose the hierarchy of how fair value is determined for financial instruments recorded at fair value in the financial statements as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly.

Level 3: techniques for which all inputs which have a significant effect on the recorded fair value that is not based on observable market data.

The fair values of the long-term debt instruments, forward exchange contracts and interest rate swaps are estimated using quotes obtained from dealers in such financial instruments or latest quoted prices or indexes at Reuters or Bloomberg. Where market prices are not observed or quotes from dealers are not obtained, an indirect method is used by use of implied credit spread from debt instrument with similar risk characteristics.

The carrying amounts, estimated fair values of debt and derivatives instruments including how fair value is determined are summarized as follows:

(In millions of NOK)	December 31, 2014			December 31, 2013		
	Carrying amounts	Fair values	Level	Carrying amounts	Fair values	Level
Financial assets measured at fair value						
Forward exchange contracts used for hedging	-	-	2	0.6	0.6	2
Other foreign exchange contracts	31.9	31.9	2	18.8	18.8	2
Financial liabilities measured at fair value						
Foreign exchange contracts used for hedging	(48.1)	(48.1)	2	(9.8)	(9.8)	2
Other foreign exchange contracts	(25.2)	(25.2)	2	(3.7)	(3.7)	2
Interest rate swaps not hedge accounted	(4.4)	(4.4)	2	(50.6)	(50.6)	2
Financial liabilities not measured at fair value						
Debt with fixed interest rate	(3,333.4)	(2,789.7)	2	(2,736.0)	(2,932.4)	2
Debt with variable interest rate	(3,681.6)	(3,280.9)	2	(2,860.8)	(2,878.7)	2

Interest rate exposure

PGS ASA is subject to interest rate risk on debt, including finance leases. The risk is managed by using a combination of fixed -and variable rate debt, together with interest rate swaps, where appropriate, to fix or lower the borrowing costs.

(In millions of NOK)	December 31, 2014		December 31, 2013	
	Notional amounts	Weighted average interest rate	Notional amounts	Weighted average interest rate
Debt at fixed interest rate	3,333.4	7.38%	2,736.0	7.38%
Debt at variable interest rate based on US dollar plus a margin	3,681.6	2.99%	2,860.8	1.92%
Variable interest rate debt with interest fixed	740.8	2.64%	1,824.0	3.50%

Foreign exchange rate exposure

PGS ASA and its subsidiaries is exposed to currency fluctuation due to the effects of a predominantly USD based revenue stream, while the companies operating expenses and capital expenditures are mainly denominated in USD, GBP, NOK and EUR. PGS ASA maintains a foreign currency risk management strategy that uses foreign currency exchange contracts to protect against fluctuations in cash flow caused by volatility in currency exchange rates. PGS ASA had open forward contracts to buy and sell GBP, NOK, BRL, ZAR and GBP, NOK, BRL, JPY at December 31, 2014 and 2013, respectively.

Note 13 – Other Long-Term Liabilities

Other long-term liabilities consist of:

(In millions of NOK)	December 31,	
	2014	2013
Unrealized loss hedge contracts (note 12)	-	25.0
Pension liability (note 14)	16.2	12.6
Other long-term liabilities	2.3	-
Total	18.5	37.6

Note 14 – Pension Obligations

PGS ASA is required to maintain a pension plan in accordance with the Norwegian Pension Benefit Act. The pension plans of PGS ASA comply with the requirements set forth in the Norwegian Pension Benefit Act.

Defined benefit plan

In 2014 the defined benefit pension plan for the Norwegian employees was terminated and the participants were transferred to the defined contribution plan. The assets and liabilities relating to the defined benefit pension plan were de-recognized.

As described in Note 28 to the consolidated financial statements there is an early retirement plan for the CEO and three executive officers allowing for termination of employment without cause when they reach the age of 62 and providing certain defined benefits from the date of retirement and until reaching the age of 67. Two employees in PGS ASA are in this plan. The plan is accounted for as a defined benefit obligation and is not funded.

The components of net periodic pension cost for PGS ASA's defined benefit pension plans are summarized as follows:

(In millions of NOK)	Year ended December 31,		
	2014	2013	2012
Service cost	1.9	2.3	2.8
Interest cost	0.5	0.7	0.5
Expected return on plan assets	(0.1)	(0.7)	(0.5)
Amortization of actuarial gain	-	-	(0.9)
Administrative costs	-	0.1	0.1
Payroll tax	0.3	0.4	0.4
Net periodic pension cost	2.7	2.8	2.4

The aggregate funded status of the plan and amounts recognized in other long-term liabilities (see note 13) is as follows:

(In millions of NOK)	December 31,	
	2014	2013
Projected benefit obligations	14.2	20.1
Fair value of plan assets	-	9.1
Funded status	14.2	11.0
Accrued payroll tax	2.0	1.6
Net pension liability (a)	16.2	12.6

(a) In 2014 PGS ASA decided to terminate the Norwegian defined benefit plan. See note 24 in the consolidated financial statements for further information.

The accumulated actuarial gains recognized in other equity are as follows:

(In millions of NOK)	December 31,	
	2014	2013
Accumulated actuarial gains	13.6	15.4
Deferred tax	(3.9)	(4.4)
Accumulated actuarial gains recognized towards other equity	9.7	11.0

Assumptions used to determine benefit obligations:

	December 31,	
	2014	2013
Discount rate	2.3%	4.0%
Return on plan assets	-	4.0%
Compensation increase	2.8%	3.5%
Annual adjustment to pensions	-	0.6%

Defined contribution plan

The defined contribution plan was established in 2005, and ASA's contributions to this plan for the years ended December 31, 2014 and 2013 was NOK 1.7 million and NOK 1.7 million, respectively.

Note 15 – Commitments

PGS ASA's operating lease commitments relate to estimated office rent from group companies, and expire in 2024. Future minimum payments related to non-cancelable operating leases existing at December 31, 2014 are as follows:

(In millions of NOK)	December 31, 2014 (a)
2015	1.7
2016	1.7
2017	1.7
2018	1.7
2019	1.7
Thereafter	7.4
Total	15.9

(a) Includes estimated office lease for the periods displayed.

Rental expense for operating leases, including leases with terms of less than one year, was NOK 3.7 million, NOK 4.4 million and NOK 9.8 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Note 16 – Accrued Expenses and Other Short-term Liabilities

Accrued expenses and other short-term liabilities consist of the following:

(In millions of NOK)	December 31,	
	2014	2013
Accrued unrealized loss on hedging (note 12)	78.1	39.1
Foreign taxes	30.8	13.4
Current portion of long-term debt	29.6	-
Accrued employee benefits	16.5	15.8
Accrued interest expense	11.9	9.0
Account payables	7.5	9.4
Other	1.9	2.5
Total	176.4	89.2

Note 17 – Salaries and Other Personnel Costs, Number of Employees, and Remuneration to the Board of Directors, Executive Officers and Auditors

Salary and social expenses that are included in cost of sales and selling and general and administrative costs consist of:

(In millions of NOK)	Year ended December 31,		
	2014	2013	2012
Salaries and bonus	54.3	52.9	70.2
Social security	8.8	4.5	10.9
Pension	5.7	4.5	5.3
Other benefits	0.7	6.6	3.5
Total	69.5	68.5	89.9

As of December 31, 2014, PGS ASA had 30 full time employees. Average labor years for the years ended December 31, 2014 and 2013 were 31 and 31, respectively.

Compensation to Board of Directors, CEO and Other Executive Officers

For a full listing of Board of Directors, CEO and Other Executive Officers and their compensation, see note 28 to the consolidated financial statements.

PGS ASA has not provided loans or guarantees to the Board of Directors, CEO or Other Executive Officers as of December 31, 2014.

Share option programs

In the 2008, 2009, 2010 and 2011 PGS ASA established employee share option programs and granted options to certain key employees. In later years, PGS ASA established Restricted Stock Unit programs (RSU) which requires the participant's continued employment with PGS ASA and is settled through receipt of shares in PGS ASA three years after grant. See note 27 to the consolidated financial statements for further information on the share option programs and RSU.

For the years ended December 31, 2014, 2013 and 2012, PGS ASA recorded compensation costs of NOK 6.8 million, NOK 6.4 million and NOK 4.8 million, respectively, recognized in additional paid-in capital. Total net unrecognized compensation cost as of December 31, 2014 was NOK 10.8 million related to non-vested share-based options and RSU's, which is expected to be recognized over a period of 3 years.

In 2014 and 2013, 486,282 and 221,829 options, respectively, were exercised under the PGS Group share option programs. PGS ASA used own treasury shares to facilitate these transactions and recognized a charge of NOK 17.3 million and NOK 9.4 million in shareholders' equity in 2014 and 2013, respectively. Share option costs related to non-PGS ASA employees are recharged to subsidiaries.

Remuneration of auditor

Fees for audit and other services provided by PGS ASA's auditor EY who was elected in May 2014, are as follows (exclusive VAT and inclusive out of pocket expenses):

(In millions of NOK)	Year ended December 31,		
	2014	2013	2012
Audit fees	1.8	4.2	4.7
Other attestation services	-	0.2	-
Fees for tax services (a)	0.1	0.4	0.1
All other fees	0.6	0.2	0.1
Total	2.5	5.0	4.9

(a) Include fees for tax filing services and other tax assistance.



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Medlemmer av den norske revisorforening

To the Annual Shareholder's meeting of
Petroleum Geo-Services ASA

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of Petroleum Geo-Services ASA, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the statements of financial positions at 31 December 2014, the statements of operations and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information. The financial statements of the Group comprise the consolidated statements of financial position as at 31 December 2014, the consolidated statements of operations, comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Chief Executive Officer's responsibility for the financial statements

The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the Parent Company and the International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as the Board of Directors and Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.

Opinion on the financial statements of the Parent Company

In our opinion, the financial statements of Petroleum Geo-Services ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements of the Group

In our opinion, the financial statements of the Group have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and Chief Executive Officer have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Oslo, 18 March 2015
ERNST & YOUNG AS



Finn Kinserdal
State Authorised Public Accountant (Norway)

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Jakarta

Japan

Makuhari
Nagasaki
Tokyo (Toranomom and Uchisaiwai)

Kazakhstan

Almaty

Malaysia

Cyberjaya
Kuala Lumpur

Mexico

Villahermosa

Netherland

Leiden

Nigeria

Lagos

Norway

Bergen
Oslo
Stavanger

Russia

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Sweden

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