Annual Report 2016

Productivity and Technology Leadership

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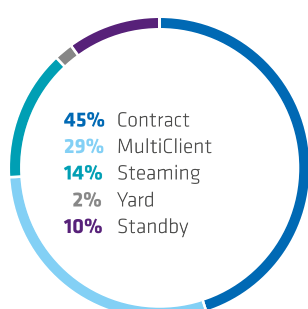
Key Figures

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

Annual General Meeting	**May 10**, 2017
Q1 2017 Earnings Release	**May 11**, 2017
Q2 2017 Earnings Release	**July 27**, 2017
Q3 2017 Earnings Release	**October 26**, 2017
Q4 2017 Earnings Release	**February 1**, 2018

Vessel Utilization 2016



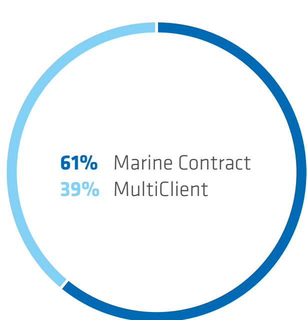
Number of Patents Granted

552 as of year-end 2016

511 as of year-end 2015

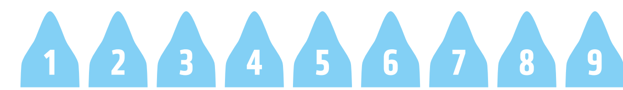
Patents granted under the laws of the US, the UK and Norway

Active Vessel Time 2016



Average Number of Active 3D Vessels in 2016

Average Number of Active 3D Vessels in 2015



Business Highlights 2016

In 2016, PGS focused on sales, operations, cost and cash flow discipline to navigate through another challenging year.

Financial flexibility is a priority for PGS and in 2016 the Company completed a comprehensive refinancing process to reduce debt and extend maturities on some key credit facilities. The refinancing was well received by all stakeholders.

Costs continued to be a priority and total gross cash cost for 2016 amounted to $662.3 million, $130.8 million lower than in 2015, and more than 40% lower than in 2014.

Capital expenditures ("capex"), excluding new builds, were kept at a similar low level in 2016 as in 2015. This was enabled by in-sea equipment from cold-stacked vessels being deployed on vessels in operation. In addition the Company has reduced and deferred investments related to other activities.

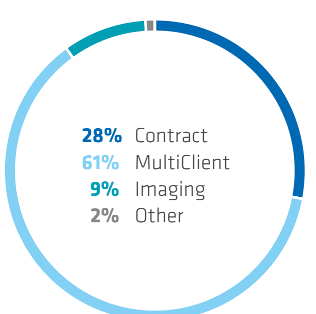
PGS achieved a pre-funding ratio of 121% on $201.0 million of capitalized MultiClient cash investment. The MultiClient sales-to-investment ratio ended at 2.3 times for the full year 2016, a positive trend compared to the previous year when the ratio was 1.9 times. This highlights the robustness of PGS' MultiClient business.

In March, PGS took delivery of *Ramform Tethys*. Compared to the two previous Ramform™ Titan-class vessels *Ramform Tethys* is further enhanced when it comes to equipment handling on the back deck and engine power.

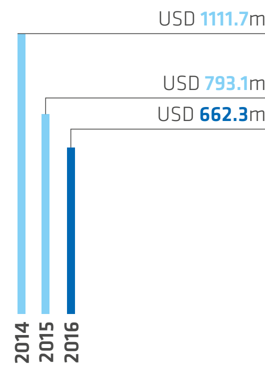
Vessel operations continued to improve and were overall very good, demonstrating the Company's leading capabilities in executing complex marine 3D acquisition projects.

Imaging capabilities have been further strengthened. The Company is continuing to benefit from enhanced processing and imaging workflows applied to the unique GeoStreamer® data and new supercomputing capacity significantly contributing to reduced cycle times on advanced imaging.

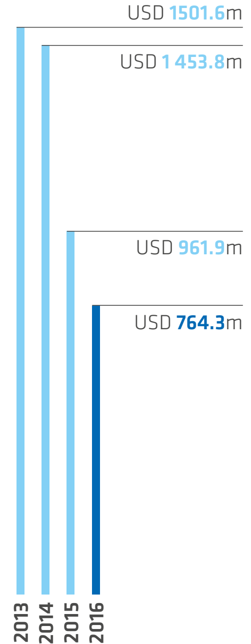
Revenue Split



PGS Gross Cash Cost



PGS Revenues



Key Financial Figures

In USD million except per share data	2016	2015	2014	2013
Revenues	764.3	961.9	1 453.8	1 501.6
EBITDA (as defined)	313.3	484.4	702.6	828.9
EBIT ex. impairment charges	(137.5)	15.8	177.3	397.1
EBIT as reported	(180.3)	(430.4)	104.2	382.1
Net income	(293.9)	(527.9)	(50.9)	238.3
EPS	(1.21)	(2.43)	(0.24)	1.11
Net cash provided by operating activities	320.9	487.9	584.3	775.3
Capital expenditures	208.6	165.7	371.3	437.8
Cash investment in MultiClient library	201.0	303.3	344.2	373.0
Total assets	2 817.0	2 914.1	3 563.0	3 544.3
MultiClient library	647.7	695.0	695.2	576.9
Cash and cash equivalents	61.7	81.6	54.7	263.8
Shareholders equity	1 359.4	1 463.7	1 901.6	2 065.6
Net interest bearing debt	1 029.7	994.2	1 048.0	666.7

Productivity and Technology Leadership

PGS Annual Report

Global News

ecember 14th, 2016

Marine Contract | MultiClient | Operations | Imaging & Engineering

Refinancing Plan

At an extraordinary general meeting on December 14, PGS shareholders resolved to approve the private placement raising gross proceeds of approximately NOK 1.9 billion (approximately USD 225 million) and authorized a subsequent offering.

PGS has carried out a private placement of new ordinary shares for gross proceeds of approximately NOK 1.9 billion (~USD 225 million). The Company then carried out a subsequent offering to existing eligible shareholders of approximately NOK 300 million (~USD 35 million).

The proceeds from the Private Placement will be used primarily to finance an inter-conditional exchange offer (the "Exchange Offer") for PGS' existing 7.375% Senior Notes due December 2018 (the "2018 Notes"). The Exchange Offer was launched together with the Private Placement and 94% of the holders accepted the Exchange Offer by 6 December 2016. The Exchange Offer was therefore completed as planned on 20 December 2016.

In November 2016, the Company further agreed with the banks in the revolving credit facility syndicate to extend a portion of its revolving credit facility currently due 18 September 2018 (the "RCF") until 18 September 2020.

Upon completion of the Private Placement and the Exchange Offer, the RCF will be reduced from USD 500 million to USD 400 million. On 18 September 2018, the RCF will be further reduced to USD 350 million. Finally, the RCF refinancing includes covenant reset to retain flexibility in the liquidity reserve out to 2020 and no change in security position for the RCF banks.

The approval by the extraordinary general meeting was the last condition in the refinancing plan which was launched on 22 November 2016 and it will now go forward as planned.

Jon Erik Reinhardsen, President & CEO

The PGS Sh

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Share Facts

As of December 31, 2016 PGS had 325,0... shares outstanding, including Am... Depository Shares ("ADS"), all of which... of the same class, and carry equal voting a... 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

(Continued on page 5)

Annual Report 2016

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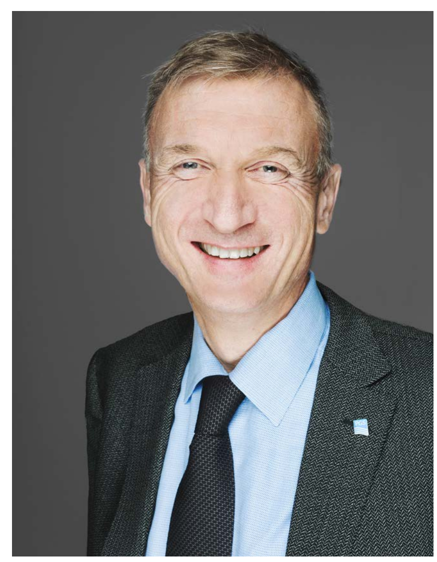
Letter From the CEO



Jon Erik Reinhardsen
President & CEO

Dear Fellow Shareholder

In 2016 we reduced cash costs and capital expenditures (excluding new builds) further, improved our fleet capabilities and refinanced to align our capital structure better to the market conditions.

2016 started more challenging than anticipated with a sharp decline in the oil price. After a very slow first quarter, fundamentals improved gradually as the oil price started its recovery towards the end of the quarter. With the gradual oil price recovery we experienced early signs of a stabilizing market and improved sentiment, driven by better cash flows among oil companies. We believe this development drove activity in the middle to latter part of the year. However, our activity slowed down again towards the end of the year. Overall 2016 showed a further reduction of activity levels and revenues for the marine seismic industry.

Over several years we have focused and grown our MultiClient business as a strategic move to increase value creation and reduce earnings volatility over the cycle. We are now benefiting from this strategy as MultiClient acquisition continues to increase as a percent of total seismic acquired by the industry. Our MultiClient library is geographically diverse, covers prospective areas, is of high quality and efficiently acquired due to the GeoStreamer technology, our productive Ramform vessels and our cost reduction efforts. From being a challenger, our MultiClient performance is now at par with the best in the industry. We continue to build an attractive MultiClient library, which will benefit us in the coming years.

Our extensive experience with GeoStreamer data has given us an edge when it comes to processing of multicomponent streamer data. During 2016 client feedback has been increasingly positive and our imaging capabilities are now comparable to the best in the industry. We have an ambition of being recognized as number one in all our four business areas. Our marine contract activity and vessel operations are industry leading and we are getting there with our MultiClient and Imaging businesses.

Reduction of cash costs and capital expenditures, excluding new builds, are high on the agenda to improve our cash flow in a challenging market. In 2016 we have reduced gross cash costs by another $131.0 million, of which a majority comes from vessel capacity adjustments. This comes in addition to substantial reductions realized in 2015 and brings our gross cash cost base to be more than 40% lower than full year 2014.

Seismic equipment made available from cold-stacked vessels is used as replacement equipment for the vessels in operation, thereby minimizing our capital expenditures for maintaining efficient streamer spreads for these vessels. We have deferred and reduced investments related to other activities and continued to improve our procurement processes.

Ramform Hyperion is the fourth and last Ramform Titan-class vessel. With the four Ramform Titan-class vessels PGS is holding all the aces.

In March 2016 we took delivery of *Ramform Tethys*, the third in a series of four Ramform Titan-class vessels, which further strengthened our fleet productivity and competitive edge. The new build program will be completed with delivery of the fourth vessel, *Ramform Hyperion*, in March 2017. Following completion of the new build program our cash commitments are significantly reduced and our cash flow should be more balanced going forward.

In November we launched a comprehensive refinancing to strengthen the financial position through the ongoing market uncertainty by reducing debt and improving the maturity structure of our debt and drawing facilities. The refinancing was well received by all stakeholders and consisted of a three main elements:

- An extension of the revolving credit facility from 2018 to 2020.
- An equity private placement of approximately $225 million (followed by a subsequent offering of approximately $35 million completed in January 2017).
- An exchange offer for the $450 million Senior Notes maturing in 2018, whereby bondholders representing approximately 94% of the outstanding amount exchanged 50% of their holding for cash at 95% of par value and exchanged the remaining 50% into new Senior Notes maturing in December 2020.

We expect the higher and more stable oil price and improved cash flow among clients, combined with an increasing constraint on available streamers in the industry to benefit the marine 3D seismic market fundamentals going forward.

PGS' excellent reputation, unique technologies and solid market share in the high-end market segment and our strengthened financial position makes us an attractive contractor and partner for oil companies now and in the future.

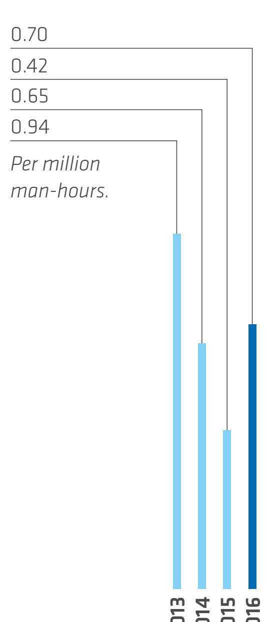
Jon Erik Reinhardsen
President & CEO

The World of PGS

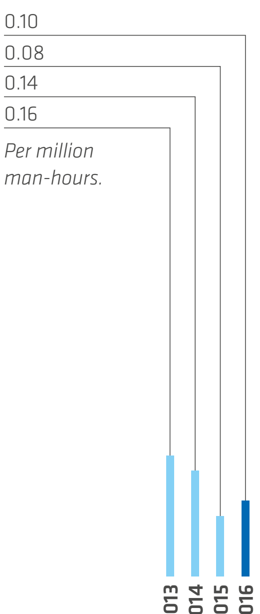
Offices

Headquartered in Oslo, Norway, PGS has offices in 17 countries around the world and operates regional centres in London, Houston and Kuala Lumpur.

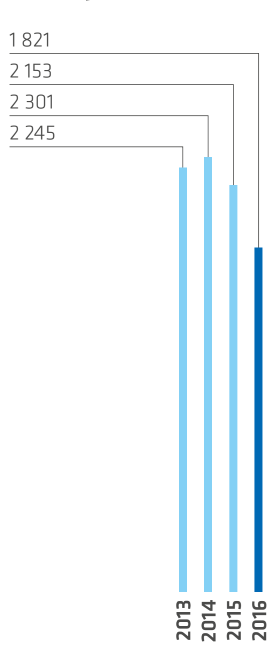
Total Recordable Case Frequency ("TRCF")



Lost Time Injury Frequency ("LTIF")



Average Number of Employees



** Calculations based on rounded man-hour figures.*

MultiClient

Industry 3D Acquisition

More than **45%** of total 2016 marine 3D acquisition (in sq.km) was done as MultiClient

PGS MultiClient 3D Library

Comprising more than **720 000** sq.km, of which approximately **33%** is GeoStreamer 3D data.

PGS MultiClient 2D Library

Comprising more than **625 000** line kilometers, of which approximately **60%** is GeoStreamer 2D data.

Business Areas

Marine Contract

Marine Market Leadership
Marine Contract acquires seismic data exclusively for 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 and decommissioning 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.

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 has improved after delivery of the Ramform Titan-class vessels.

The Company's most prominent technology differentiator is the dual-sensor streamer technology – GeoStreamer.

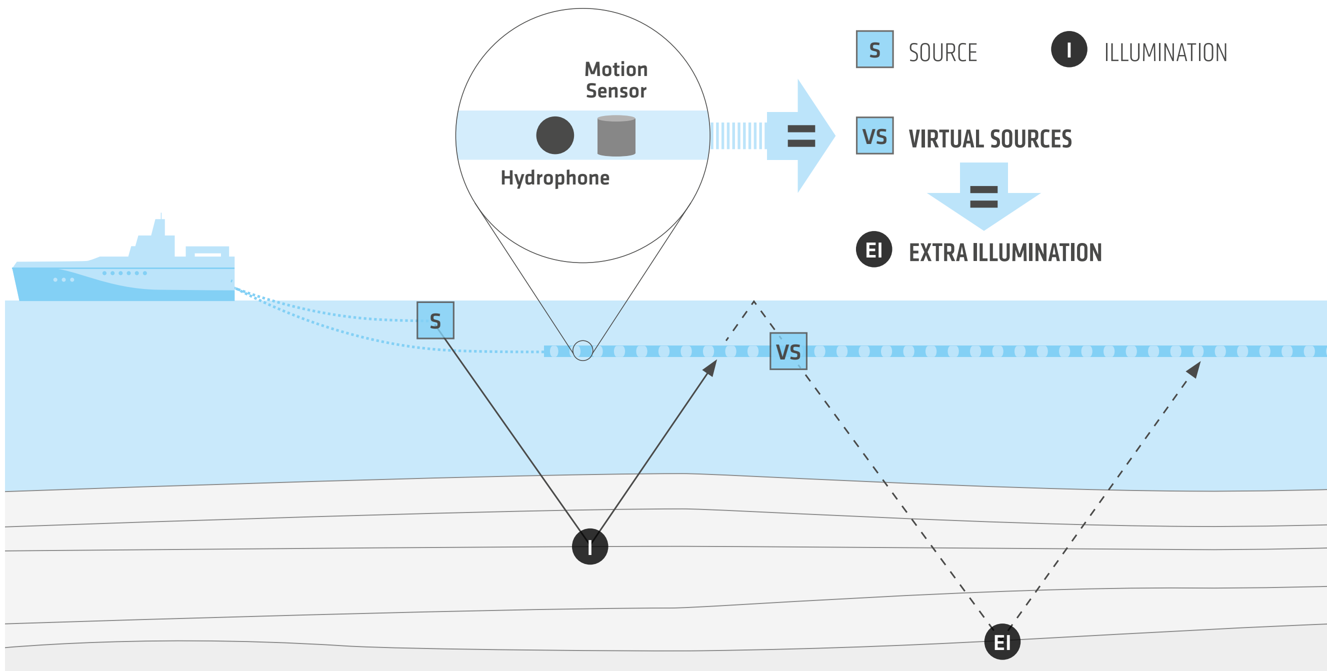
Benefits of the GeoStreamer, compared to a conventional survey streamer, are higher resolution, better depth imaging, and superior operational efficiency. GeoStreamer improves the seismic value chain, from acquisition through processing. Unique Imaging products utilize the full benefits of the GeoStreamer technology.

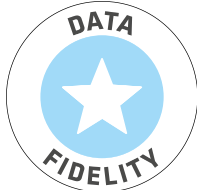
Ramform

Engineered for geoscience, the seismic acquisition platform with reliable performance and superior safety.

GeoStreamer

Dual sensors for more measurements, fewer assumptions and better decisions. Separated Wavefield Imaging ("SWIM®") is a processing technology based on the GeoStreamer technology, which utilizes both up and down going wavefields to enable high resolution imaging.





Better Image Quality

Dual-sensors combined with towing the streamers at depth, 3D spread control, source steering, continuous recording and the ability to tow dense streamer spreads, all contribute to subsurface images of greater clarity, accuracy and reliability.

Reduced Survey Time

Faster turnaround time means less exposure to weather and faster access to data. We minimize the time it takes to complete a survey using 3D spread control, source steering, continuous recording, flexible tow depth and barnacle mitigation.

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 Pertra. 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 file for Chapter 11 under the US Bankruptcy code in July. PGS emerged from Chapter 11 in November the same year.

2005

Pertra 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®.

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.

2011

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

2012

PGS exercised options to build another two Ramform Titan-class vessels. PGS launched its Towed EM streamer 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. The Company delivered on the 2014 cost reduction program.

2015

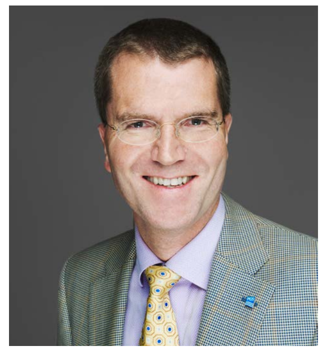
In an uncertain market environment PGS focused on cash flow and increased its liquidity reserve. The Company implemented substantial reductions in cost and capital expenditures, took proactive steps to address overcapacity and further strengthened its productivity leadership and fleet flexibility. *Ramform Titan* deployed the world's largest streamer spread offshore Myanmar.

2016

Ramform Tethys was delivered, the third in a series of four Ramform Titan-class vessels, improving fleet capabilities further with excellent operational performance. Continued high focus on keeping costs and capital expenditures at a low level. Refinanced the Company in order to extend maturities and reduce debt and interest expense.

Executive Management

Jon Erik Reinhardsen
President and CEO



Gottfred Langseth
Executive Vice President and CFO

Rune Olav Pedersen
Executive Vice President and General Counsel

Mr. Reinhardsen 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. Reinhardsen 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.

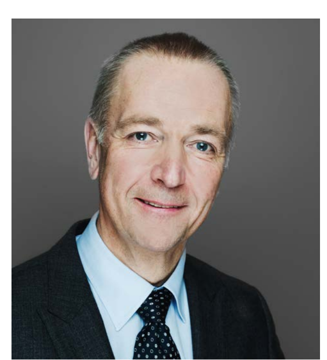
Earlier in his career, Mr. Reinhardsen led Aker Maritime ASA's Global Products business and was engaged in merger and acquisition activities, new business development, marketing and sales, and investor relations. He also led Aker ASA's seismic venture Aker Geo that was later sold to CGG. Mr. Reinhardsen is a member of the board of directors of Oceaneering International, Inc., Borregaard ASA, Telenor ASA and Awilhelmsen Management AS. He has also served on the board of directors of Cameron Int. Corp, Hoegh Autoliners AS and Hoegh LNG Holdings Ltd. Mr. Reinhardsen 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.

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. Mr. Langseth worked at Arthur Andersen Norway from 1991 to 1997. 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.

Mr. Pedersen joined PGS in October 2010 as General Counsel. In September 2014 he also became responsible for Group Communication, Strategic Customer Relations and Marketing, and his responsibilities were further expanded in September 2015 to include Corporate Development. Prior to joining PGS, Mr. Pedersen was, for more than four years, a partner in the law firm Arntzen de Besche and previous to that Lawyer and Associate in the same firm. He started his career as a Junior Research Fellow at the University of Oslo, and has also served as a Deputy Judge in a District Court of Norway. Mr. Pedersen is a non-executive Director of Azimuth Ltd, and deputy non-executive Director of the Norwegian Shipowners' Mutual War Risk Insurance Association. Mr. Pedersen earned his Law Degree from the University of Oslo, and enhanced his expertise within European competition law with a post graduate diploma from Kings College London. In 2014 Mr. Pedersen earned an Executive MBA from London Business School.

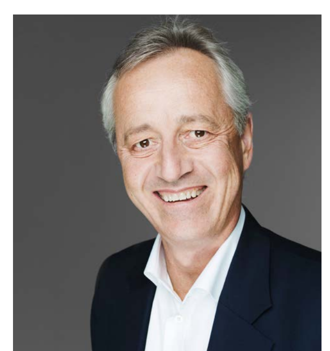
Per Arild Reksnes
Executive Vice President,
Operations

Mr. Reksnes was appointed Executive Vice President in April 2010, initially to run PGS' New Ventures business area, then responsible for Marine Contract and subsequently Operations. 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/NTNU (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. Mr. 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 chairperson of the Board of Norsar. Mr. Strandenes was awarded a Master of Science degree (Cand. Real) from the University of Bergen in 1981.

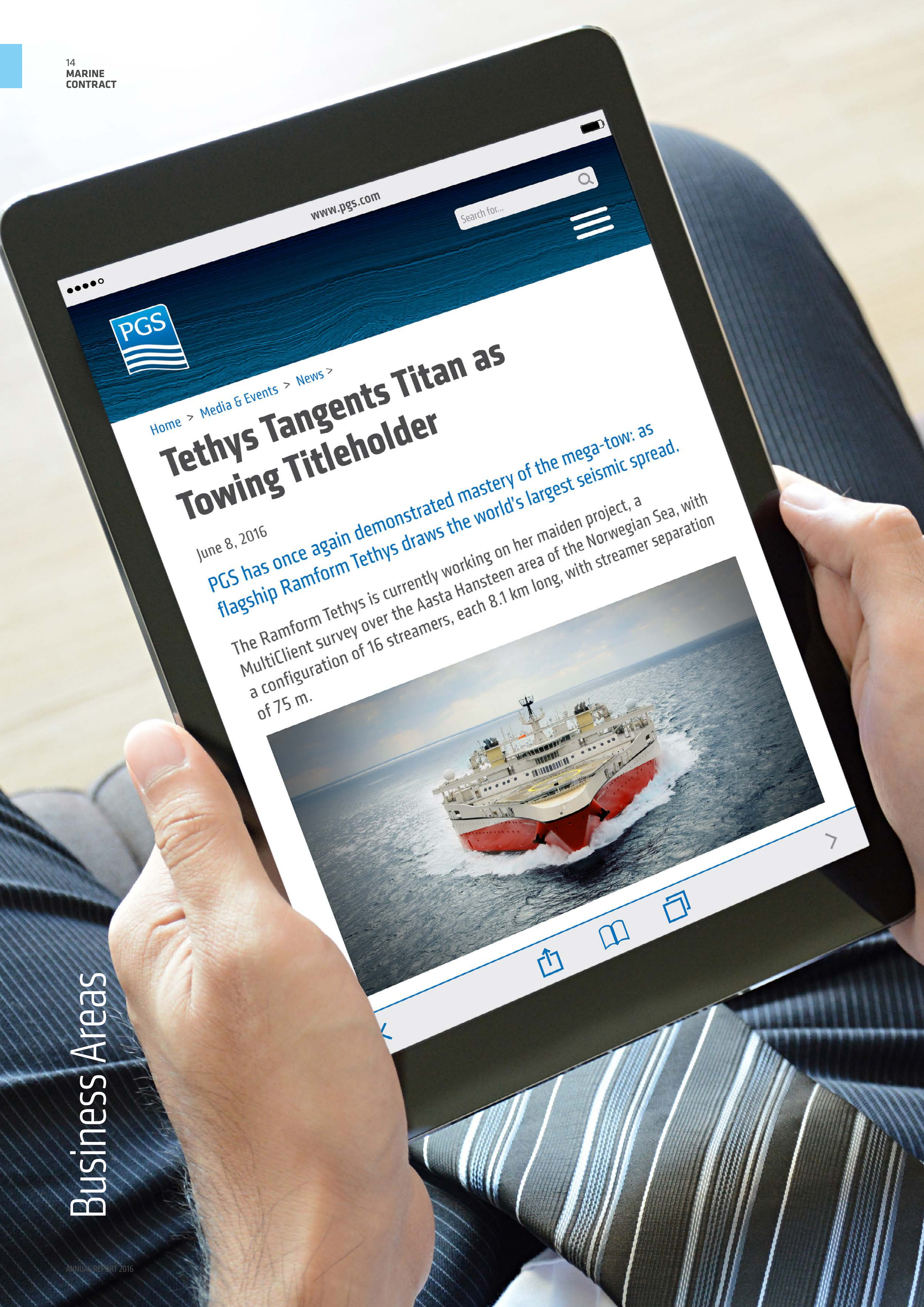


Magne Reiersgaard
Executive Vice President,
Marine Contract

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. Mr. Reiersgard's prior management roles at PGS include President, Marine Geophysical NSA Region, based in Houston; President, Marine Geophysical Asia Pacific Region, headquartered 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 Geophysicists ("SEG") Foundation. Mr. Reiersgard 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, Mr. 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 Director at Large from 2013 to 2016. Mr. Cambois received his Ph.D. in Geophysics from the University of Texas at Austin.



Business Areas

Marine Contract

Marine Contract acquires seismic data under proprietary contracts with clients. The business area primarily offers streamer seismic. Additional solutions include 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 and EM data, offered with the highest available data quality, and delivered through safe and environmentally sound operations.

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 windows is a significant PGS advantage. The Ramform seismic design is now in its fifth generation, with the latest four new build vessels demonstrating outstanding efficiency, productivity and safety records.

The GeoStreamer Edge

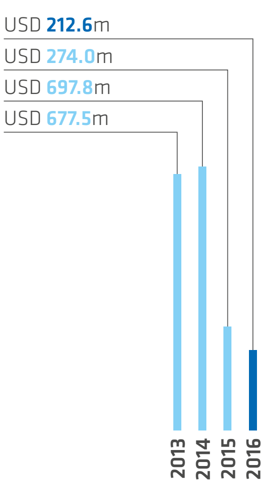
PGS introduced the GeoStreamer technology in 2007. Today, this multi-component streamer technology is recognized as the leading streamer technology among a majority of oil companies. With the early development and implementation of GeoStreamer, PGS enjoys a clear advantage in the segment for high-end data quality. Such data yields clearer subsurface images, and furnishes added information vital to analyzing the characteristics of specific reservoirs and other geological bodies. Getting the most out of GeoStreamer data demands proprietary data imaging techniques and experience. As the sole provider of multicomponent streamer data for many years, PGS has built up a comprehensive portfolio of imaging tools to support GeoStreamer operations.

Towed EM and OptoSeis

Towed Streamer Electromagnetics ("Towed EM") and OptoSeis are two developing segments for PGS. The unique Towed EM solution yields benefits such as higher data quality from denser data sampling, substantially higher acquisition efficiency, real-time quality control, and onboard processing capability, when compared to competitors' node-based solutions. 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 fiber-optic technology 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. Optoseis has unique reliability advantages compared to electrically based systems.

Marine Contract Revenues



MultiClient

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

Value Proposition

MultiClient helps oil companies achieve their exploration objectives by providing access to a modern and diversified global seismic database. Licensing MultiClient data enables oil companies to screen for and develop new exploration opportunities, and reduce risk and cycle times. Oil companies can consequently optimize their decision-making, whether it is applying for blocks over frontier open acreage or pursuing near-field exploration in mature areas.

GeoStreamer technology provides unique data quality and longevity. GeoStreamer data also allows for an integrated reservoir characterization approach to be adopted, through the prediction of reservoir lithology and fluid content, enabling prospects to be further de-risked.

PGS selectively invests in MultiClient surveys in areas that are not only prospective for oil and gas, but also have clear access routes to acreage for oil companies, for example through license rounds. PGS offers a range of commercial models for data licensing, designed to suit the exploration objectives and ambitions of any oil company.

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

PGS MultiClient Library

By year-end 2016 the MultiClient data library comprised individual 3D surveys acquired by PGS with a global footprint of more than 720 000 square kilometers of 3D data, one third of which is GeoStreamer data. In addition, 625 000 line kilometers of 2D data have been acquired, of which 60% is GeoStreamer data.

MegaSurveys and MegaProjects

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

MegaSurveys and MegaProjects enable oil companies to explore, with 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 covered more than 734 000 square kilometers by year-end 2016 (including PGS acquired footprint). In addition, PGS has incorporated GeoStreamer data together with MegaSurvey seismic to create the next generation MegaSurveyPlus product, which by year-end 2016 comprised more than 57 000 square kilometers of 3D data worldwide.

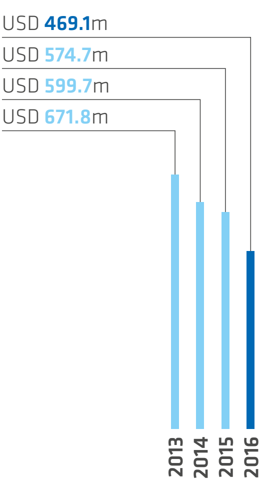
Geological and Reservoir Expertise

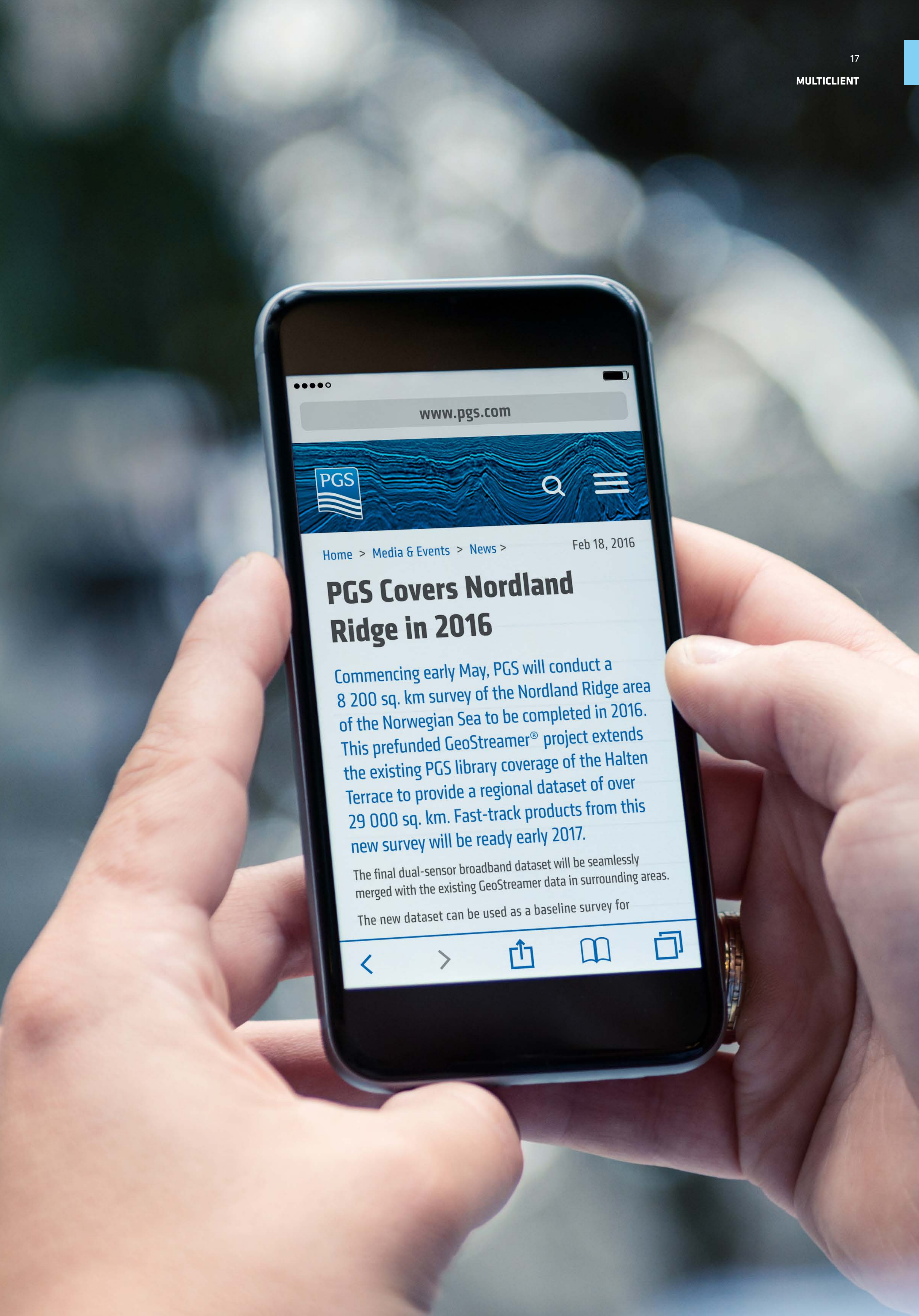
PGS' Reservoir Services personnel are experts in sub-surface interpretation and reservoir characterization. These skills and services are not only integral to the planning, location and imaging of the Company's MultiClient surveys, but also for interpreting and defining the hydrocarbon potential of areas covered by the data library. The reservoir characterization teams help oil companies to better quantify reservoir fluid properties, to improve drilling, success in both frontier and mature petroleum basins. PGS has consequently built extensive knowledge about petroleum basins around the globe, which has enhanced the Company's ability to better assess the variety of sub-surface risks that a client faces.

Providing Different 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.

MultiClient Revenues

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Feb 18, 2016
PGS Covers Nordland Ridge in 2016
Commencing early May, PGS will conduct a 8 200 sq. km survey of the Nordland Ridge area of the Norwegian Sea to be completed in 2016. This prefunded GeoStreamer® project extends the existing PGS library coverage of the Halten Terrace to provide a regional dataset of over 29 000 sq. km. Fast-track products from this new survey will be ready early 2017.
The final dual-sensor broadband dataset will be seamlessly merged with the existing GeoStreamer data in surrounding areas.
The new dataset can be used as a baseline survey for

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Enhancing the Ramform Titan-class Acquisition Platform
March 17, 2016
The third of four Ramform Titan-class vessels, the Ramform Tethys, was celebrated in a naming ceremony at the Mitsubishi Heavy Industries Shipbuilding Co. yard in Nagasaki, Japan on March 17, 2016.
PGS' two first Ramform Titan-class vessels, the Ramform Titan and the Ramform Atlas were delivered in 2013 and 2014 and have delivered beyond expectations on all aspects, especially within safety, efficiency and productivity.
The Ramform Tethys, and the Ramform Hyperion, will be even better due to small modifications of equipment handling on the back deck and an increase in engine power to 26 400 kW from 23 040 kW on the first two Ram
Titan-class vessels.

Operations

Operations supports Marine Contract and MultiClient with reliable and efficient seismic acquisition services and is responsible for resource planning and fleet strategies.

Value Proposition

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

Safety – a Cornerstone

PGS aims to have industry leading 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 3D vessels in PGS' fleet have the highest average towing capacity in the seismic industry. Both the Ramform S-class and the Ramform Titan-class continue to move the benchmarks for seismic acquisition. Performance of the new Ramform Titan-class vessels has surpassed all expectations, and PGS is able to fully utilize the Ramform Titan-class productivity in commercial work for clients.

Industry Leading Performance

Performance is a measure of how well PGS utilizes the time available to acquire seismic data.

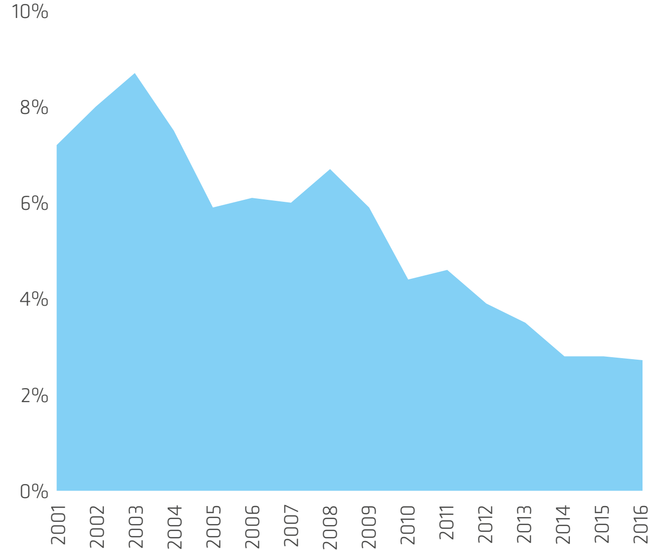
Downtime (technical and maritime) as a percentage of total fleet time for the PGS fleet has decreased steadily for more than 20 years. Hence, performance over the same period has improved. The acknowledged efficiency and productivity benefits of the PGS Ramform vessels, the proprietary seismic technologies, along with the quality of PGS' personnel, make the PGS fleet industry leading.

Exploiting the GeoStreamer Benefits

GeoStreamer is a proprietary, dual sensor streamer technology unique to PGS. 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, with customers benefitting 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.

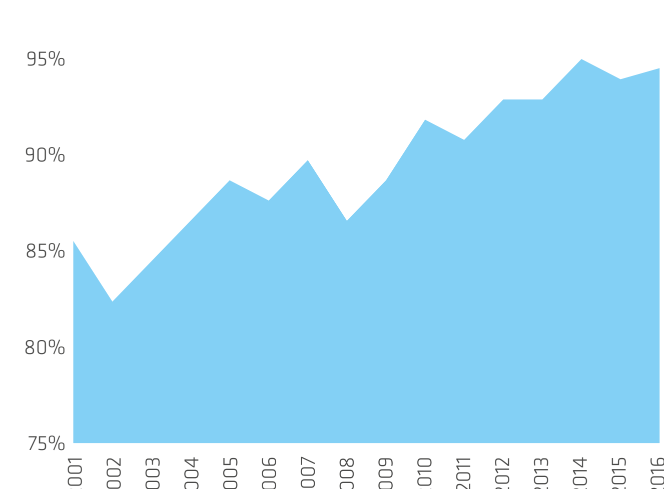
Total Downtime

All technical and maritime lost time in percent of total time



Performance

Actual production of seismic in percent of available production time



Imaging & Engineering

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 Geoscience & Engineering department constitutes the PGS R&D center.

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 Geoscience & Engineering department develops geophysical technologies and services that enhance PGS' leadership position in operational efficiency and differentiate the PGS service capabilities for the 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 industry platform for the prediction of reservoir rock and fluid distributions, essential for optimal hydrocarbon recovery.

Imaging Department

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"), Complete Wavefield Imaging ("CWI") and Full Waveform Inversion ("FWI") technologies that exploit surface multiple wavefields, refractions and diving waves, and primary reflection wavefields. High-end imaging solutions create new play opportunities and reduce cycle times to recovery. PGS' robust visualization tools have enhanced customers' target interpretation, characterization, and decision-making processes.

Geoscience & Engineering Department

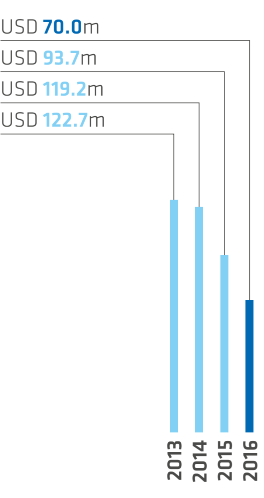
The Geoscience & Engineering department comprises PGS's research and development activities. Projects span a diverse range of development and support functions for marine seismic acquisition and other PGS commercial services.

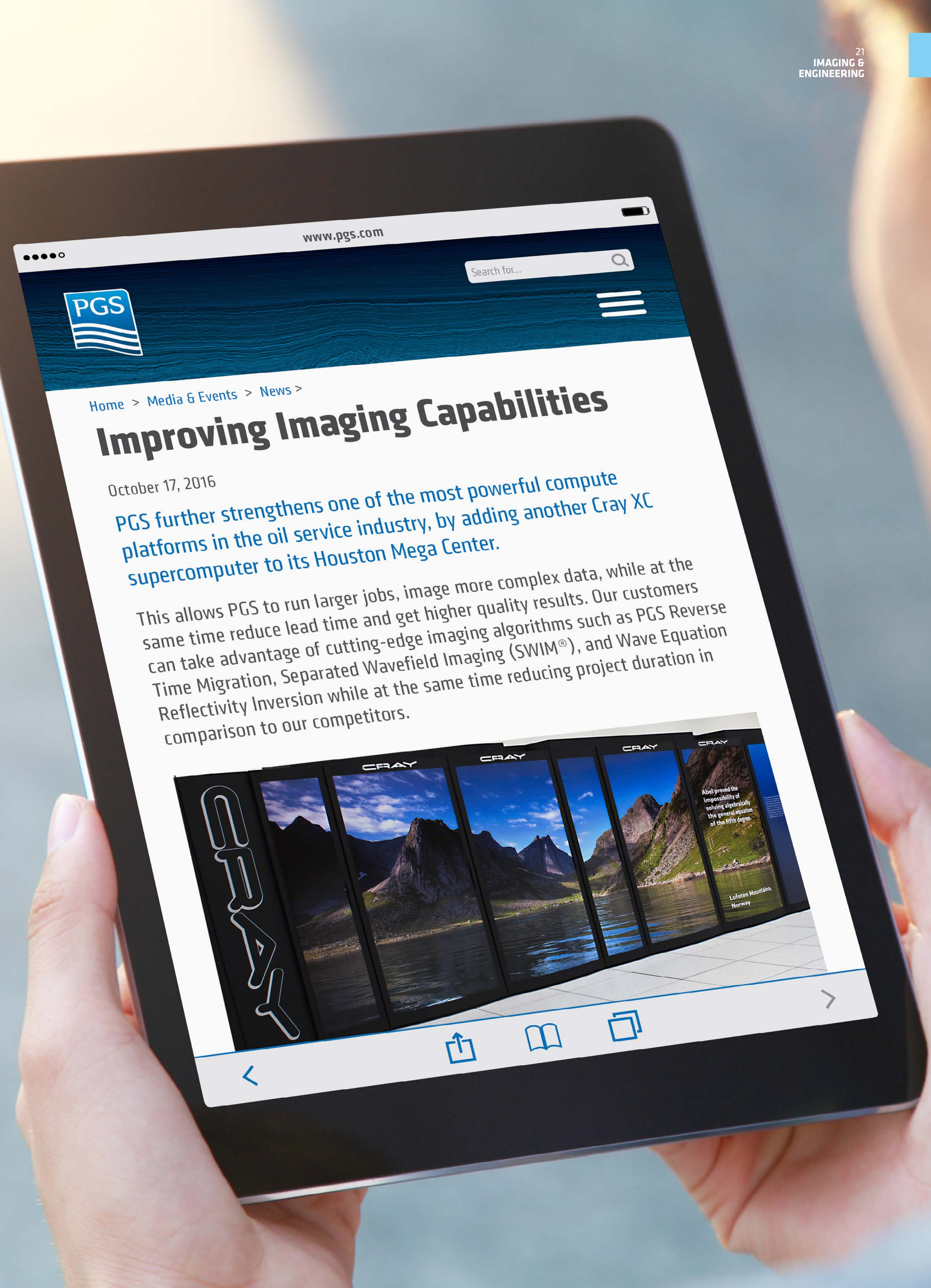
PGS has major R&D offices in the United States, the UK, and Norway. New technologies that provide the right geophysical solutions to address the discovery and recovery challenges facing a diverse customer base are a priority for PGS' Geoscience & Engineering department. A cornerstone of PGS' technology leadership is the implementation of efficiency and productivity enhancements across all platforms, 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

PGS' patents, trademarks, service marks, copyrights, and licenses protect the Company's 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, 2016, PGS held 552 patents granted under the laws of the U.S., the UK, and Norway – an increase of 41 new patents in these jurisdictions in 2016 versus 2015. Additional patent-protected innovations help reinforce and preserve the competitive advantages achieved by PGS through technological differentiators.

External Imaging Revenues

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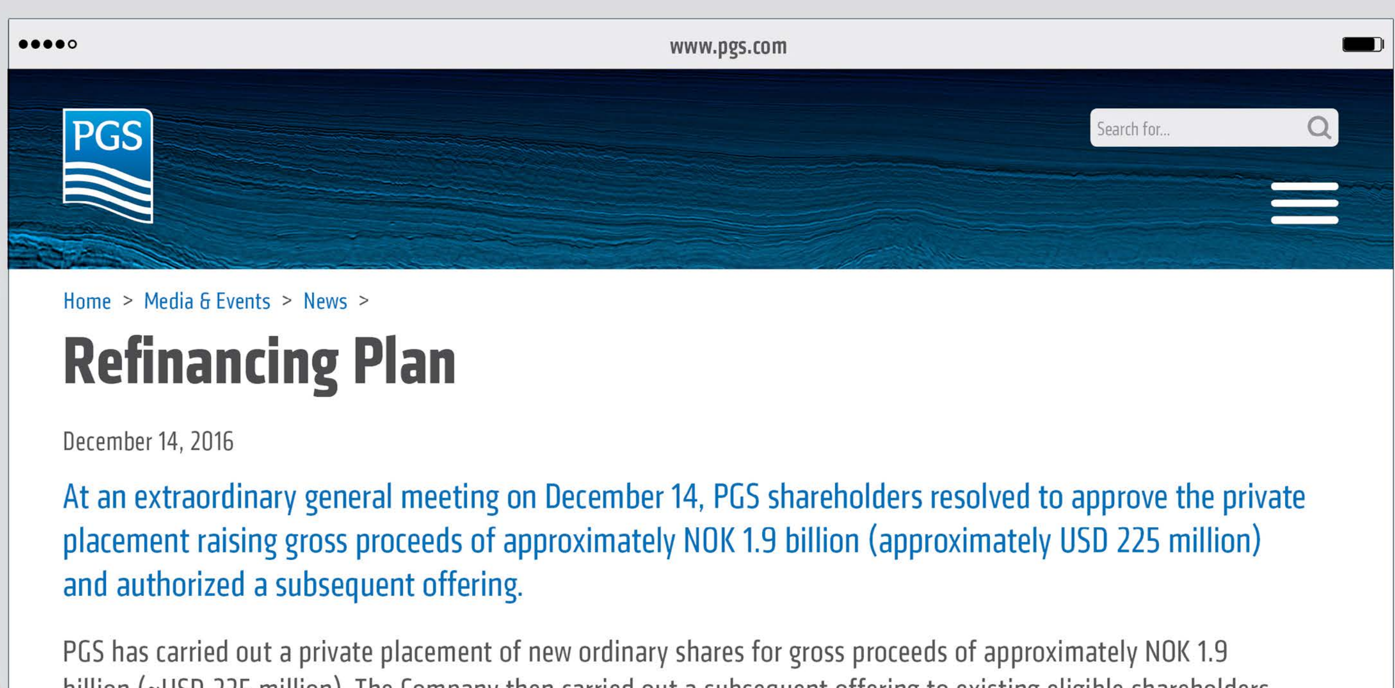
Improving Imaging Capabilities
October 17, 2016
PGS further strengthens one of the most powerful compute platforms in the oil service industry, by adding another Cray XC supercomputer to its Houston Mega Center.
This allows PGS to run larger jobs, image more complex data, while at the same time reduce lead time and get higher quality results. Our customers can take advantage of cutting-edge imaging algorithms such as PGS Reverse Time Migration, Separated Wavefield Imaging (SWIM®), and Wave Equation Reflectivity Inversion while at the same time reducing project duration in comparison to our competitors.
CRAY
Lofoten Mountains, Norway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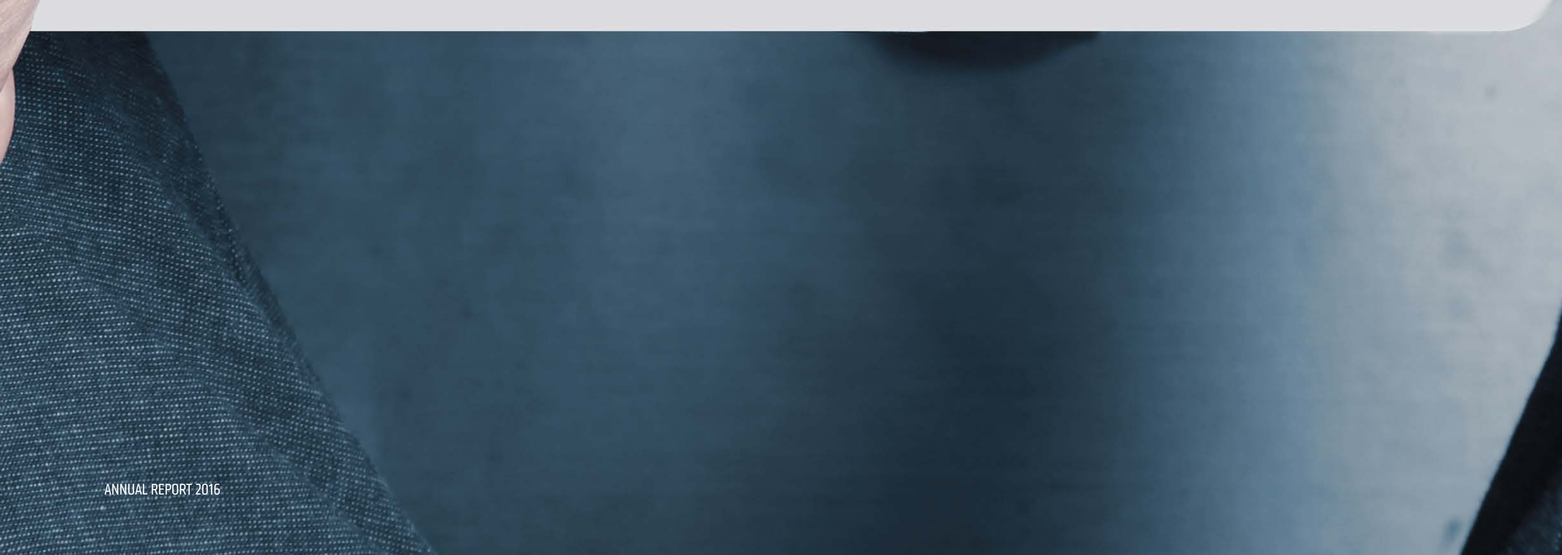
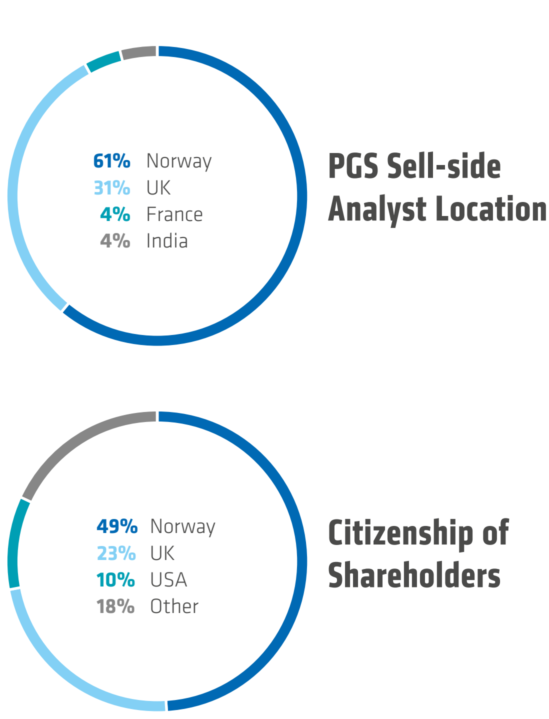
Refinancing Plan
December 14, 2016
At an extraordinary general meeting on December 14, PGS shareholders resolved to approve the private placement raising gross proceeds of approximately NOK 1.9 billion (approximately USD 225 million) and authorized a subsequent offering.
PGS has carried out a private placement of new ordinary shares for gross proceeds of approximately NOK 1.9 billion (~USD 225 million). The Company then carried out a subsequent offering to existing eligible shareholders of approximately NOK 300 million (~USD 35 million). The proceeds from the Private Placement will be used primarily



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

As of December 31, 2016 PGS had 325 079 996 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

The beginning of 2016 was challenging for the seismic industry with a sharp decline in the oil price. After a very slow start to the year, fundamentals improved somewhat as the oil price gradually recovered throughout the year. The industry experienced early signs of a stabilizing market and improved sentiment, driven by better cash flows among oil companies. This development drove some improvement of MultiClient performance in the middle, to latter part of the year. However, for PGS activity slowed down again towards the end of the year. Overall 2016 showed a further reduction of activity levels and revenues for the marine seismic industry, which also was reflected in a share price decline of 16% during 2016.

On average, approximately 2.6 million PGS shares were traded daily on the Oslo Stock Exchange in 2016.

The liquidity of PGS' ADS is significantly lower; the average daily ADS trading volume was approximately 7 273 shares in 2016.

Shareholders

PGS had 6 270 shareholders on record as of December 31, 2016, according to the Norwegian Central Securities Depository ("VPS"). In 2016, non-Norwegian ownership decreased by approximately six percentage points, compared to the shareholder structure as of year-end 2015. The decline was mainly driven by UK-based investors decreasing their holdings from approximately 28% to 23%. Holdings among US-based investors decreased from 13% to almost 10%. These decreases were partially offset by other non-Norwegian shareholders, mainly domiciled in Europe, which increased their holdings from 16% to 18%.

As of December 31, 2016, Ferd AS was the largest PGS shareholder, owning 35.8 million shares or 10.6% of the Company. As of year-end 2016, the Company held 695,664 own shares, equal to 0.21% of total shares outstanding.

Distribution of Information and IR Activities

All Company information considered material to the capital market 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 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.

Analyst Coverage

As of December 31, 2016, there were 23 sell-side analysts covering PGS on a regular basis, with market updates and estimates of PGS' financial results. Of these, 7 are based in the UK, one in France, one in India and the rest in Norway. An updated list of analyst coverage is published on the Company's website: www.pgs.com.

20 Largest PGS Shareholders as of December 31, 2016

	December 31, 2016	
	Total shares	Ownership percent
Ferd AS	35 823 200	11.02
DNB Asset Management AS	30 341 901	9.33
Folketrygdfondet	17 019 735	5.24
Edinburgh Partners Limited	16 290 814	5.01
Lancaster Investment Management LLP	11 539 164	3.55
Kiltearn Partners LLP	9 644 195	2.97
Hermes Investment Management Ltd.	7 554 465	2.32
KLP Forsikring	6 390 748	1.97
M & G Investment Management Ltd.	6 172 710	1.90
Danske Capital (Norway)	5 696 403	1.75
Dimensional Fund Advisors, L.P.	5 327 525	1.64
Schroder Investment Management Ltd. (SIM)	5 299 698	1.63
Henderson Global Investors Ltd.	4 592 274	1.41
Statoil Kapitalforvaltning ASA	4 074 157	1.25
Swedbank Asset Management AS	4 068 954	1.25
Handelsbanken Asset Management	3 960 938	1.22
Eika Kapitalforvaltning AS	3 287 556	1.01
Carnegie Kapitalforvaltning AS	3 192 761	0.98
Legal & General Investment Management Ltd.	3 190 808	0.98
TT International	3 103 587	0.95
Other shareholders	138 508 403	42.61
Total	**325 079 996**	**100.0**

The data is provided by Nasdaq Advisory Services and is obtained through an analysis of beneficial ownership and fund manager information provided in replies to disclosure of ownership notices issued to all custodians in relation to the PGS share register provided by the Norwegian Central Securities Depository ("VPS"). Every reasonable effort has been made to verify the data, however neither PGS nor Nasdaq Advisory Services can guarantee the accuracy of the analysis, which is updated each quarter.

2017 Annual General Meeting

PGS' 2017 Annual General Meeting is scheduled for May 10, 2017 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 follows:

DNB Bank ASA
Registrar Services
PO Box 1600 Sentrum
NO-0021 Oslo, Norway
Phone:+47 23 26 80 21
Email: kua@dnb.no

Owners of American Depository Shares can vote by surrendering their shares to the ADS depositary 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 depositary 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
Direct Dial: +1 718 921 8137

Corporate Credit Rating

PGS corporate rating is 'CCC+' with a stable outlook by Standard and Poor's (updated January 11, 2017) and 'Caa2' with a stable outlook by Moody's Investor Service (updated November 25, 2016). Both rating agencies assign the same rating as their corporate rating to PGS' corporate secured debt facility, which includes the Term Loan B and the Revolving Credit Facility. The USD 26.9 million 2018 notes are rated Caa2 by Moody's Investor Service while rating for the same note is withdrawn by Standard and Poor's. The 2020 notes are not rated.

PGS Share Price Performance During 2016 Relative to Peers

Setting the standard for the next 25 years

RAMFORM TITAN-CLASS

Reliable performance Superior safety Engineered for geoscience

Visit our website to read more about how our fleet is designed to meet acquisition needs.

A Clearer Image | www.pgs.com

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 10, 2017.

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 principled 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 15–21 and 37-46 of the annual report.

3. Equity and Dividends

The shareholders' equity as of December 31, 2016 was $1 359.4 million, corresponding to 48% 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 not to exceed two times annual EBITDA in the weak part of a business cycle and not to exceed one times annual EBITDA in a strong market. As a result of the weak market the current net interest-bearing debt of $1 029.7 million is above this guideline. In a situation where net interest-bearing debt exceeds the targeted level, actions to come back inside may be gradual and take place over a period of time. The Board continually monitors the adequacy of the Company's equity in light of its objectives, strategy, and risk profile.

As part of this process the Board of Directors decided to initiate a refinancing exercise during 2016. On 14 December 2016, an Extraordinary General Meeting ("EGM") resolved to approve a private placement of new shares, each with a par value of NOK 3.00, for gross proceeds of a NOK amount equivalent to approximately $225 million (the "Private Placement"). PGS also offered new shares, each with a par value of NOK 3.00, for gross proceeds of up to a NOK amount equivalent to $35 million, directed towards existing shareholders of PGS that were not allocated new shares in the Private Placement (the "Subsequent Offering"). This Subsequent Offering was more than fully subscribed on

January 6, 2017. A portion of the gross proceeds from the Private Placement was used to fund the exchange of the Company's 7.375% senior notes due December 2018 (the "Old Notes") for new 7.375% senior exchange notes due December 2020 and a cash payment (the "Exchange Offer") to which a required number of holders of the Old Notes consented to on December 23, 2016. In relation to this refinancing, the Company also received consent from required lenders under its combined Revolving Credit and Term Loan B facility, to an extension of the maturity date of the Revolving Credit to September 2020 and a reduction of the revolving commitments thereunder to $400 million, with a further reduction to $350 million in September 2018.

Following the refinancing process the Company's funding and equity positions are considered satisfactory by the Board of Directors.

The Company has used above the alternative performance measures being "EBITDA" and "net interest-bearing debt". These terms are defined in the annual report.

The Board of Directors has adopted a dividend policy whereby it is the intention to distribute 25 to 50% of annual net income as dividends. The Board of Directors has no general authorization to distribute dividends. Any year's dividend is decided by the AGM after a proposal from the Board of Directors.

The Company is restricted in its combined Revolving Credit and Term Loan B facility from proposing a dividend for 2016 and while the facility remains in place it provides certain requirements to be in place before the Company can propose a dividend.

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, 2017. However, a new authorization will, in line with past practice, be proposed at the next AGM. Purchase of treasury shares are subject to restrictions in the Revolving Credit and Term Loan B facility identical to those applicable for distribution of dividends.

It has been an ongoing practice of PGS shareholders to grant authorizations to the Board of Directors permitting it to increase the Company's share capital or issue convertible loans for up to 10 percent of the Company's share capital for certain defined purposes. The current authorizations expire on June 30, 2017. New authorization in line with past practice 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 resolution 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 element of proposals. This is a deviation from the NUES Recommendation (identified below) No. 3 where it is recommended that when the General Meeting is to consider mandates to the board of directors for the issue of shares for different purposes, each mandate should be considered separately by the meeting.

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 are 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 the Company's 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 EGM must be distributed at least three 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, depositary 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 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 the Company's 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.

Nomination Committee Members

The Nomination Committee comprises Roger O'Neil (chairperson), C. Maury Devine, and Terje Valebjørg. The two first were re-elected, whilst the latter was a first time electee, at the AGM held May 11, 2016 for a service period ending with the 2017 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 is a member of the Board of Directors.

In 2016, the Nomination Committee held six meetings and conference calls. The Nomination Committee's report on

its work and recommendations will be distributed with the notice of the 2017 AGM.

8. Board of Directors – Composition and Independence

According to the Company's 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.

As of December 31, 2016, the Board of Directors comprised six shareholder representatives and three directors elected among the employees. Current board members are presented on the Company's website: www.pgs.com and in this annual report.

All shareholder elected Directors are independent of the Company's management. All Directors are also per December 31, 2016, independent of our major business relations. All Directors except for Morten Borge are independent of our major shareholders. Mr. Borge is an Investment Director in Ferd AS. Ferd AS owns ~11% of the shares in the Company. No shareholder elected member of our Board of Directors may be an executive of PGS. Directors are not permitted to perform paid consultancy work for PGS. Six board members, directly or indirectly, own PGS shares.

Shareholders and other interested parties may communicate directly with our shareholder elected Directors by written correspondence addressed to Petroleum Geo-Services ASA, Board of Directors (shareholder elected members), Secretary of the Board of Directors or to the Company's EVP & 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.

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 of the meetings of the Board of Directors in the upcoming calendar year. The schedule is subject to Board approval. In 2016, the Board of Directors held twelve meetings including conference calls. During 2016, all the current shareholder elected directors participated in all meetings and conference calls, with the exception of one director who missed one conference call and one director who missed two conference calls.

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 Anne Grethe Dalane (chairperson), Carol Bell, Daniel J. Piette, Anette Valbø and Berit Osnes. All shareholder elected members of the committee 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), Morten Borge, and Espen Grimstad. 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 inquiries 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 monitoring 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 normally also engages 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 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. 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 2016, 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 defence 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 deviations identified and justified in this report. The NUES Recommendations are available at www.nues.no.

The Board of Directors further conducts periodic reviews of PGS' corporate governance policies and procedures, including the Board of Directors' Rules of Procedure. This process is conducted annually and managed by the Remuneration and Corporate Governance Committee. Any changes to policies or procedures are presented to the Board of Directors for approval.

Board of Directors

Walter Qvam
Chairperson
Elected 2013

Mr. Qvam was until June 6, 2016 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 (Capgemini), 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). He is Chairperson of the Council of Det Norske Veritas, Chairperson of the Board in the leading research institution SINTEF and DIGITALNORWAY - Toppindustrisenteret, amongs others. As of March 31, 2017, Mr. Qvam does not own any PGS shares.

Daniel J. Piette
Vice Chairperson
Elected 2007
Audit Committee Member

Mr. Piette is a Board Member of Headwave Inc, a software company that offers technology for 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 and of Bike Houston, a non-profit bicycling advocacy group. Mr. Piette acts as an advisor to Blueware, a technology delivery company, and Deep Imaging Technologies, a company collecting EM data over shale wells during hydraulic fracturing. Until January of 2013, Mr. Piette was the President, CEO and Chairperson of TerraSpark Geosciences Inc. Previously, Mr. Piette was President, CEO, and 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 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 March 31, 2017, Mr. Piette owns 10 000 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 March 31, 2017, Ms. Van Deursen owns 2 000 PGS shares.

Carol Bell
Board Member
Elected 2009
Audit Committee Member

Dr. Bell has over 35 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), Bonheur ASA and Tharisa plc. She is also a director of 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 March 31, 2017, Dr. Bell owns 5 560 PGS shares.

Anne Grethe Dalane
Board Member
Elected 2013
Audit Committee Chairperson

Ms. Dalane is a Senior Executive at Yara International and previously held a number of senior positions at Norsk Hydro. She is currently Chief Financial Officer Crop Nutrition 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 March 31, 2016, Ms. Dalane does not own any PGS shares.

Morten Borge
Board Member
Elected 2015
Remuneration and Corporate Governance Committee Member

Mr. Borge will from August 1, 2017 be the CEO of Ferd. Currently he is Investment Director and co-head of Ferd Capital, where he is responsible for the overall concept and execution of strategy. He has previously been Chief Financial Officer in Interwell AS and held various positions within the audit company PwC. He currently serves as Board Member for Aibel AS, Interwell AS and Servi Group AS. Morten Borge holds a Master of Science (M.Sc.) Finance from the Norwegian School of Management where he also qualified as a Certified Public Accountant. As of March 31, 2017, Mr. Borge does not own any PGS shares.

Board of Directors

Anette Valbø
Board Member – Employee Elected
Elected 2015
Audit Committee Member

Ms. Valbø joined PGS in 2002. Her current position is Business Controller, Marine Contract. She has previously held similar positions within the Operations business area. Prior to joining PGS, Ms. Valbø served in various positions within auditing and accounting in Frontline Ltd. and DNB. Ms. Valbø holds a bachelor degree in accounting and auditing from Molde University College, Norway. As of March 31, 2017, Ms. Valbø owns 5 722 shares in PGS.

Espen Grimstad
Board Member – Employee Elected
Elected 2015
Remuneration and Corporate Governance Committee Member

Mr. Grimstad is Senior Navigation Specialist in PGS Operations business area and has worked for PGS since 2001. After 10 years offshore, working with navigation, he joined Operations Technical Support at PGS headquarters. Mr. Grimstad holds a Master of Science (M.Sc.) in Geomatics from the Norwegian University of Life Science at Ås and the University of Glasgow. He is also the employee representative of PGS Tekna. As of March 31, 2017, Mr. Grimstad owns 917 shares in PGS.

Berit Osnes
Board Member – Employee Elected
Elected 2015
Audit Committee Member

Ms. Osnes is Senior Vice President Special Sales in PGS MultiClient business area. Before joining PGS in 2006, she held various technical and management positions in the geophysical industry with Geoteam AS and Veritas DGC Ltd. Prior to that she was employed by Norsk Hydro for 11 years, working within field development, exploration and geophysical operations. Ms. Osnes holds a Master of Science (M.Sc.) in Geophysics from the Norwegian University of Science and Technology (1987). As of March 31, 2017, Ms. Osnes owns 15 186 shares in PGS.

Board of Directors' Report

In 2016, PGS focused on sales, operations, cost and cash flow discipline to navigate through another challenging year. At the start of the year the oil price fell to the lowest level seen in more than a decade and despite a gradual recovery throughout 2016, further reduction of spending by oil companies resulted in lower revenues and losses for PGS. In this challenging market environment the Company initiated and successfully completed a refinancing towards the end of 2016. PGS has a strong standing in the marine seismic market and is well positioned both to manage the near-term uncertain market and to benefit from a market recovery.

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 major offshore hydrocarbon basins that PGS and customers of the Company deem to have the highest potential for exploration and production, such as the North Sea, West Africa, Brazil, Gulf of Mexico and Australia.
- **Operations:** supports both Marine Contract and MultiClient with reliable and efficient seismic vessels capacity, related equipment and skilled crew. Operations is also responsible for vessel maintenance as well as fleet expansion and reduction strategies.
- **I&E:** images seismic data acquired for PGS' MultiClient library and as a contract service to external customers, and manages the Company's research and development activities.

2016 Business Highlights

Financial flexibility is a priority for PGS and in 2016 the Company completed a comprehensive refinancing process to reduce debt and extend maturities on some key credit facilities. The refinancing was well received by all stakeholders.

Costs continued to be a priority and total gross cash cost for 2016 amounted to $662.3 million, $130.8 million lower than in 2015, and more than 40% lower than in 2014.

Capital expenditures ("capex"), excluding new builds, were kept at a similar low level in 2016 as in 2015. This was enabled by in-sea equipment from cold-stacked vessels being deployed on vessels in operation. In addition the Company has reduced and deferred investments related to other activities.

PGS achieved a pre-funding ratio of 121% on $201.0 million of capitalized MultiClient cash investment. The MultiClient sales-to-investment ratio ended at 2.3 times for the full year 2016, a positive trend compared to the previous year when the ratio was 1.9 times. This highlights the robustness of PGS' MultiClient business. The agreement to acquire the MultiClient library of Dolphin UK Ltd. on a 50/50 basis with TGS at a significant discount added strategically useful data to the MultiClient library.

In March, PGS took delivery of *Ramform Tethys*. Compared to the two previous Ramform Titan-class vessels *Ramform Tethys* is further enhanced when it comes to equipment handling on the back deck and engine power.

Vessel operations continued to improve and were overall very good, demonstrating the Company's leading capabilities in executing complex marine 3D acquisition projects.

Imaging capabilities have been further strengthened. The Company is continuing to benefit from enhanced processing and imaging workflows applied to the unique GeoStreamer data and new supercomputing capacity significantly contributing to reduced cycle times on advanced imaging.

Strategy Review

PGS' strategy is anchored in five core pledges:

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

Productivity leadership is served first and foremost by PGS' fleet of Ramform vessels, which will be further enhanced when all Ramform Titan-class vessels are in operation. GeoStreamer further contributes to PGS' productivity leadership.

The new build program is soon coming to an end and the last in a series of four Ramform Titan-class vessels, *Ramform Hyperion*, is scheduled for delivery in March 2017. PGS' fleet of six ultra-high-end Ramform vessels differentiates the Company from other seismic operators with superior productivity, more flexibility and better capabilities to acquire complex seismic surveys. Combining the ultra-high-end Ramform vessels with chartered-in mid-market capacity makes the PGS fleet capable of handling all parts of the towed seismic streamer market. PGS will only invest capital in vessels 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. With the recent fleet renewal the Company does not have any plans of building more vessels in the foreseeable future.

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 the first to offer 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 Separated Wavefield Imaging ("SWIM"), Complete Wavefield Imaging ("CWI") and innovative survey designs based on the SWIM methodology. The Company expects these technologies to become ever more important market differentiators going forward.

As for operational innovation, PGS was the first company to deploy vessels capable of towing more than 20 streamers, delivering unique reservoir-focused solutions based on the high-performance GeoStreamer technology platform. The Company is well positioned to generate more technology driven services such as Towed Streamer EM.

The seismic market is cyclical by nature and PGS aims to perform over the cycle by striving to be best in all market segments the Company operates in. The Company has for many years been industry leading within operations and marine contract acquisition, while increasingly getting recognition for the MultiClient product offering and Imaging capabilities. Over the last six years, PGS has focused and grown the MultiClient business as a strategic move to reduce earnings volatility over the cycle. The Company is now benefiting from this strategy as MultiClient acquisition continues to increase as a percent of total seismic acquired by the industry. PGS MultiClient library is geographically diverse, covers prospective areas, is of high quality and is efficiently acquired due to the GeoStreamer technology and the Ramform vessels. From being a challenger, PGS MultiClient performance was at par with the best in the industry in 2016. PGS intends to continue to build an attractive MultiClient library, which will benefit the Company in the coming years. Extensive experience with GeoStreamer has given PGS an edge regarding processing of multicomponent streamer data. During 2016, client feedback has been increasingly positive and PGS' imaging capabilities are now comparable with the best in the industry.

PGS has a strategic ambition to care for employees' health and safety, the environment and the Company's customers. 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. PGS' vision further builds on the ambition of delivering a clearer image to improve customers' success.

Markets and Main Businesses

PGS is one of the largest participants in the global marine 3D seismic market, with a market share by year-end 2016 of approximately 30%, measured by number of streamers.

The beginning of 2016 was challenging for the industry with a sharp decline in the oil price. After a very slow start to the year, fundamentals improved somewhat as the oil price gradually recovered throughout the year. The industry experienced early signs of a stabilizing market and improved sentiment, driven by better cash flows among oil companies. This development drove some improvement of MultiClient performance in the middle, to latter part of the year. However, for PGS, activity slowed down again towards the end of the year. Overall 2016 showed a further reduction of activity levels and revenues for the marine seismic industry.

The marine contract market was characterized by lower volumes, overcapacity and low pricing throughout 2016 with a particular weak fourth quarter.

The total square kilometers of marine 3D seismic acquired in 2016 ended at approximately 330 000, down approximately 11% from the previous year.

Overcapacity explains the challenging market environment. Since the peak in 2013 supply has been reduced by approximately 45%. A significant portion of the decommissioned vessels are small and old, and not likely to return to operation in a stronger market. The more competitive cold-stacked vessels with potential to re-enter operations will have to be equipped with streamers and other in-sea equipment, because this has, in most cases, been redistributed and consumed on vessels in operation to keep capex at a low level. Re-entering a competitive cold-stacked vessel will require an estimated investment of $50-60 million, and have a lead time from decision to vessel operation of approximately one year.

The industry's streamer inventory is becoming a limiting factor for seismic supply. There has been limited re-investment in streamers and seismic in-sea equipment over the last 3-4 years. With an economic life in the range of 7-10 years, inventories are reduced and ageing. Streamer constraint may limit marine seismic supply going forward without further investments into streamers and in-sea equipment.

Technology

PGS has invested considerable resources to develop and deliver solutions for customers focusing on efficiency and best-in-class imaging quality.

GeoStreamer, the first-ever dual-sensor streamer and a proprietary PGS technology, represented a game changer in streamer technology and the best proof of PGS' technology differentiation. GeoStreamer affects the entire E&P life cycle, reducing exploration risk, improving the delineation of reservoir details, enabling accurate reservoir characterization and better production management.

The PGS towed streamer EM system is another industry first, significantly improving EM survey efficiency and enabling EM to complement seismic information in a manner that is geologically consistent, low cost and of greater value. EM data provides complementary information about reservoir fluid volumes and reservoir quality, thereby also contributing to the entire E&P life cycle.

High efficiency technologies enable high-end solutions. For example, the unique design of GeoStreamer has created several new paradigms for how seismic data is used by PGS customers. SWIM is a technology that significantly improves understanding of shallow geology and drilling hazards whilst simultaneously enabling improvements in survey efficiency – a concept previously viewed as contradictory. CWI is an associated seismic workflow that uses seismic wavefield information previously inaccessible to geophysicists to improve the understanding of seismic velocities in rocks, especially those in the first kilometer below the seafloor where historically available methods have failed. This renewed confidence translates to spatially more accurate structural understanding of deep drilling targets, higher resolution at all depths, and reduced exploration and drilling risk. SWIM and CWI are examples of unique solutions made possible by GeoStreamer data.

Financial Results

PGS adapted to the challenging market environment in 2016 by continued cost and capital expenditure reductions.

Total revenues in 2016 were $764.3 million, compared to $961.9 million in 2015, a decrease of 21%. The revenue reduction reflects reduced spending by oil companies, which had a negative impact on pricing, utilization and the general demand for seismic services. The revenue mix shifted towards more MultiClient late sales, while the other revenue lines were lower compared to 2015.

Marine contract revenues ended at $212.6 million, a decrease of $61.4 million or 22%, compared to 2015, primarily as a result of lower prices, more non-chargeable vessel time, partly offset by more capacity allocated to marine contract activities.

In 2016, MultiClient pre-funding revenues ended at $242.3 million, a decrease of $138.1 million or 36%, compared to 2015. The decrease is mainly driven by a reduction in MultiClient cash investment and less capacity allocated to MultiClient activities.

MultiClient late sales in 2016 were $226.8 million, an increase of $32.5 million, or 17%, compared to 2015.

Total MultiClient revenues (pre-funding and late sales combined) decreased by $105.6 million or 18%, compared to 2015 and ended at $469.1 million.

Cash investments in the MultiClient library decreased by $102.3 million, or 34%, to $201.0 million in 2016, compared to 2015. The reduced cash investments in the MultiClient library are mainly driven by less capacity allocated to MultiClient activities and lower acquisition cost. Pre-funding as a percentage of capitalized cash investment was 121% in 2016, compared to 125% in 2015. Maintaining a relatively high and unchanged pre-funding level is primarily due to the Company being able to generate MultiClient projects attracting strong customer interest, combined with strong project execution.

The fleet allocation ratio, active 3D vessel time for marine contract versus MultiClient data acquisition, was approximately 61:39 in 2016, compared to 47:53 in 2015.

Net operating expenses, which include cost of sales, expensed research and development costs, and selling, general and administrative costs, totaled $451.0 million in 2016, compared to $477.5 million in 2015, a decrease of $26.5 million, or 6%. The decrease is primarily due

to a continued cost focus, full year effects of initiatives implemented earlier, a stronger USD and lower fuel prices. This was partially offset by less cost capitalized to the MultiClient library.

The Company monitors development of the gross cash costs closely (operating expenses before capitalization to MultiClient library and development costs), and achieved for the full year 2016 a reduction of $130.8 million, or 16%, compared to 2015.

Full year 2016, gross research and development costs decreased by $2.9 million, or 9%, to $29.7 million. This was partially offset by less capitalized development costs in 2016, compared to 2015, causing the overall research and development costs in 2016 to be in line with 2015. The Company's R&D costs are mainly incurred to support and develop core business activities of marine seismic acquisition and imaging.

MultiClient amortization (including accelerated amortization) for 2016 decreased by $33.8 million, or 10%, to $293.8 million, compared to 2015. MultiClient amortization as a percentage of total MultiClient revenues was 63% in 2016, compared to 57% for the full year 2015.

Impairment of the MultiClient library of $30.1 million for the full year 2016 relates to surveys performing weaker than anticipated. The carrying value of the Company's MultiClient library was $647.0 million as of December 31, 2016, compared to $695.0 million as of December 31, 2015.

Gross depreciation decreased by $26.5 million, to $218.7 million in 2016 as a result of general reduction in capex, excluding new builds, and lower book values due to impairment charges. Capitalized depreciation decreased by $42.5 million, or 41%, compared to full year 2015 owing to a combination of less vessel capacity being allocated to MultiClient projects and the reduced gross depreciation.

The Company recorded impairment charges, excluding impairment of MultiClient library, of $12.0 million for the full year 2016, primarily relating to adjustments to the expected schedule for returning cold-stacked vessels to operation.

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

Other charges, net, for the full year 2016 primarily relates to provision for onerous contracts.

As of December 31, 2016, the Company's provision for onerous contracts amounted to a total of $7.4 million, a decrease of $3.7 million compared to December 31, 2015. The provision primarily represents the estimated loss in future periods relating to binding customer contracts where revenues are lower than the full cost of completing the contract.

Operating loss in 2016 was $180.3 million, compared to an operating loss of $430.4 million in 2015.

For the full year 2016, the share of results from associated companies amounted to a loss of $30.1 million and was primarily related to exploration expenses in Azimuth Ltd., where PGS has a 45% interest, compared to a loss of $16.1 million in 2015, also relating to Azimuth Ltd.

Gross interest expense amounted to $66.6 million in 2016, compared to $58.2 million in 2015, an increase of $8.4 million, or 14%, as a result of a higher debt level. Capitalized interest amounted to $20.5 million in 2016 a decrease of $8.2 million, or 29%, compared to the full year 2015 due to lower aggregate new building capex and a lower volume of MultiClient surveys in progress.

Other financial expense, net, of $6.4 million in 2016 is primarily related to currency devaluation in Egypt and Nigeria. In 2015 other financial expense, net of $29.6 million was mainly driven by a foreign currency loss as a result of a significant depreciation of the Brazilian Real against USD and the effect on certain legal deposits in Brazilian Real. The strong USD against most other currencies, including Norwegian Kroner, has a significant favorable impact on the Company's cost base.

Income tax expense, which consists of current and deferred tax expense, was $31.2 million in 2016, compared to $22.4 million in 2015. The 2016 current tax expense was $6.3 million, down from $19.6 million in 2015, and relates primarily to foreign taxes, including withholding taxes, or income taxes in countries in which PGS has no carry forward losses or where there are limitations on the utilization of such losses. The deferred tax expense for the full year 2016 of $24.9 million is mainly caused by a $50 million additional valuation allowance for deferred tax assets. The Company has established the allowance since it, as a result of the weak market, has had cumulative losses in some of the primarily tax regimes, including Norway and the UK. In addition, the deferred tax expense is negatively impacted by some of the losses being within the Norwegian tonnage tax regime (with no tax assets to be recognized) and the reduction of the Norwegian corporate income tax rate from 25% to 24% effective January 1, 2017. While the income tax rate reduction is positive longer term, it resulted in a reduction in deferred tax assets of approximately $3.6 million in 2016.

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 2016 financial statements for a description of significant tax contingencies.

Net income to equity holders of PGS ASA was a loss of $293.9 million in 2016, compared to a loss of $527.9 million in 2015.

Cash Flow, Financial Position and Financing

Net cash provided by operating activities totaled $320.9 million in 2016, compared to $487.9 million in 2015 which was mainly due to lower earnings. Cash provided by operating activities in 2016 where higher than the reported EBITDA, reflecting a reduction of working capital.

Cash and cash equivalents totaled $61.7 million as of December 31, 2016, compared to $81.6 million as of December 31, 2015. Liquidity reserve for the Company was $271.7 million as of December 31, 2016, compared to $556.6 million as of December 31, 2015. The liquidity reserve as of December 31, 2016 reflects the resized Revolving Credit Facility ("RCF") of $400.0 million after the refinancing, see comments below. In addition to the liquidity reserve of $271.7 million the Company has an undrawn amount of $91.2 million on the Export Credit Financing ("ECF") facility to cover yard installments on the last new build, the *Ramform Hyperion*, scheduled for delivery in March 2017.

As of December 31, 2016, drawings of $190.0 million were outstanding on the $400.0 million RCF maturing in 2020.

To strengthen the financial position through the ongoing market uncertainty PGS completed a refinancing process in Q4 2016, consisting of three main elements:

- The RCF originally maturing in 2018 was extended to 2020 and reduced to $400.0 million, with a further scheduled reduction to $350.0 million in September 2018.
- An equity private placement of approximately $225.0 million (followed by a subsequent equity offering of approximately $35.0 million completed in January 2017).
- An exchange offer for the $450.0 million Senior Notes maturing in 2018, whereby bondholders representing approximately 94% of the outstanding amount exchanged 50% of their holding for cash at 95% of par value and exchanged the remaining 50% into new Senior Notes maturing in December 2020.

The refinancing lowers PGS' financial risk profile by reducing debt and interest expense, extending debt maturities from 2018 to 2020 and maintaining an adequate liquidity position for the Company.

As a part of the refinancing completed in Q4 2016 the stepdown of the Total Leverage Ratio ("TLR") covenant, with which the Company must comply in order to draw on the RCF, was amended to a flatter profile. It starts with a maximum of 5.50:1 from Q4 2016 through Q2 2017, then tightening by 0.25:1 in Q3 2017, another 0.50:1 in Q4 2017 and Q1 2018, and thereafter by 0.25:1 for each of the subsequent quarters down to 2:75 by Q3 2019 to stay at that level for the remaining life of the facility. At December 31, 2016 the TLR was 3.94:1.

PGS interest-bearing debt is comprised the following components:

	December 31,	
(In USD million)	**2016**	**2015**
Secured:		
Term Loan B	389.0	393.0
Revolving Credit Facility	190.0	25.0
Senior Notes, due 2018	26.0	450.0
Senior Notes, due 2020	212.0	
Japanese Export Credit Financing	374.4	279.2
Total	**1,191.4**	**1,147.2**

Net interest-bearing debt (interest-bearing debt less cash and cash equivalents, restricted cash, and interest-bearing investments) was $1 029.7 million as of December 31, 2016, compared to $994.2 million as of December 31, 2015.

Investments

In 2016, total MultiClient cash investment, excluding capitalized interest, amounted to $201.0 million, compared to $303.3 million in 2015, a reduction of $102.3 million. The reduction is primarily due to lower cost of acquisition and less capacity allocated to MultiClient.

Capex, whether paid or not, totaled $208.6 million in 2016, compared to $165.7 million in 2015, an increase of $42.9 million or 26%. The increase is driven by higher capex related to new builds.

Financial Market Risk

The Company is exposed to market risks such as interest rate risk, currency exchange risk, credit risk, liquidity risk and commodity risk, as discussed below. 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 Risk

PGS 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, 2016, the debt structure of PGS included $725.9 million of floating interest rate debt, with interest based on up to six month LIBOR rates, plus a margin. $125.0 million of this floating interest debt is swapped into fixed interest by use of interest rate swaps. Fixed interest rate debt amounted to $465.5 million. Adjusting for the interest swaps $600.9 million of the Company's debt is exposed to floating interest rates while $590.5 million have fixed interest rates. For every (hypothetical) one percentage point increase in LIBOR, the annual net interest expense of the PGS' net debt, including finance leases, would increase (with some delay) by approximately $5.4 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.

PGS predominantly sells 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% 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 $15-20 million, and $7-9 million, respectively, before currency hedging.

PGS hedges parts of the foreign currency exposure related to operating income and expenses by entering into forward currency exchange contracts. While PGS enters into these contracts with the purpose of reducing the Company's 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 as currency exchange gain (loss) in Other financial expense in the consolidated statement of profit and loss.

As of December 31, 2016, PGS had net open forward contracts to buy/sell GBP, NOK, and BRL. The total nominal amount of these contracts was approximately $122.8 million, compared to $174.2 million as of December 31, 2015. Of the total nominal amounts of forward exchange contracts, $8.6 million and $25.8 million was accounted for as fair value hedges and cash flow hedges, respectively, as of December 31, 2016 and $20.8 million was accounted for as fair value hedges and $34.4 million as cash flow hedges as of December 31, 2015. Outstanding contracts at year-end 2016 had a net negative fair value of $4.3 million, compared to a net negative fair value of $2.1 million at year-end 2015.

A 10% depreciation of the US dollar against all the currencies in which PGS holds derivative contracts would increase the fair value of these contracts by approximately $3.4 million. The effect on the consolidated statements of profit and loss would have been $0.0 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. PGS manages the exposure to credit risk through ongoing credit evaluations of customers. Due to the nature of PGS' customer base, a low level of losses on accounts receivable has been incurred over the years. Due to the current market circumstances, where requests for extended credit terms may be more frequent and credit risk is generally increasing, PGS has implemented additional processes to monitor and follow up credit risk.

PGS has a structured approach to monitor the credit risk of the Company's banking partners, including derivatives counterparties and the institutions in which cash is held on deposit.

Liquidity Risk

As of December 31, 2016, PGS had cash and cash equivalents of $61.7 million and a total liquidity reserve, including cash and cash equivalents and the undrawn part of the RCF, was $271.7 million as of December 31, 2016, compared to $81.6 million and $556.6 million respectively as of December 31, 2015. In addition, PGS has $91.2 million of undrawn credit on the ECF facility to cover the final yard installment on the *Ramform Hyperion* new build scheduled for delivery in March 2017.

The un-drawn portion of the RCF is a significant portion of PGS' liquidity reserve. In the current weak market it is likely that PGS will make additional drawings on the RCF during the coming year. In 2016 the TLR with which PGS must comply in order to draw on the RCF, was increased to maximum 5.50:1 from Q4 2016 through Q2 2017, 5.25:1 for Q3 2017 and 4.75:1 for Q4 2017, with subsequent step downs, as described above.

While PGS' actual TLR was substantially below this level at December 31, 2016, there is a risk, due to the weak

market, that PGS' TLR may increase in the future to be close to or exceed the agreed maximum TLR. If and when such risk becomes significant, PGS would seek to agree further amendments to ensure that the RCF is available for drawing or to implement other available measures to avoid a covenant breach. If PGS ultimately ends up breaching this covenant, the breach would represent an event of default under the loan agreement. In such case PGS may be able to continue to access the RCF if PGS receives a waiver of the breach or implements remedial actions acceptable to the lenders thereunder. Should a breach continue without a waiver or remediation by PGS, the RCF agent or a majority of the RCF lenders would be entitled to declare default and demand a repayment of drawings under the RCF, which in turn would represent an event of default in most of the Company's other loan agreements and debt instruments.

However, this scenario is in PGS' view highly unlikely since firstly the Company believes it has plans and available measures to avoid an event of default and secondly, even in an event of default, several viable alternatives to avoid acceleration would exist.

Based on the year-end un-restricted 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 sufficient funding and liquidity to support the Company's 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 2016, a 10% increase in fuel prices would increase the total fuel costs and operating expenses by approximately $0.5 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 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

As of December 31, 2016 PGS had 325 079 996 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, 2016, the Company held 695,664 treasury shares, primarily to be able to satisfy the share based incentive schemes.

Due to the current market conditions, the Company's operating losses, the Company's need to maintain an adequate liquidity reserve and limitations in existing loan agreements a dividend will not be proposed for 2016.

On January 5, 2017, PGS completed a subsequent offering for the shareholders that were not allocated shares in the private placement announced on November 22, 2016. In the subsequent offering 13 500 000 shares were issued at a price of NOK 22.5 per share, resulting in gross proceeds of approximately $35 million.

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.

The PGS organization (core fleet vessels and PGS offices) had the following health and safety incident levels in 2016:

Incident	2015	2015
Fatalities	0	0
Lost time injuries	1	1
Restricted Work Day Cases	4	3
Medical treatment cases	2	1
High potential incidents	1	0

The Company's activities were further reduced in 2016, (core fleet vessels and PGS offices) and comprised 10 048 472 man-hours, compared to 11 809 248 man-hours in 2015.

Incident	2016	2015
Lost Time Injury Frequency ("LTIF")	0.10	0.08
Total Recordable Case Frequency ("TRCF")	0.70	0.42

While PGS in 2015 experienced the lowest Total Recordable Case Frequency ("TRCF") in ten years, 2016 resulted in a slight increase in the number of recordable injuries offshore.

KEY SAFETY RISKS

Controlling our Greatest Risks is our First Priority

Good HSEQ management is at the heart of how we run our business. This is not just about doing the right things, it is about evolving a team that thinks the right way and then does the right things. It is about attitude and behavior.

Visit our website to read more about our commitment to HSEQ.

A Clearer Image | www.pgs.com

None of the incidents occurred when carrying out high risk tasks. To respond to this increase, a campaign with focus on reducing slip/trip/fall injuries and increasing situational awareness was initiated in Q4 2016.

Efficient use of energy was a key objective for PGS in 2016, and the Company's Operations teams implemented a number of improvements related to survey and voyage planning, as well as fuel management. These initiatives have contributed to reduction in the fleet's emissions, while also reducing cost for the Company.

PGS is also working systematically with continued emphasis on risk, team culture, HSEQ leadership, and contractor management. These areas continue to be important to improving the Company's HSEQ performance, and will also be highlighted in 2017.

Organization

PGS had an average of 1 821, 2 153 and 2 301 regular active employees in the years ended December 31, 2016, 2015 and 2014, respectively.

As of December 31, 2016, PGS employees represented 60 nationalities; 30% of the office based employees are women (three percent of offshore employees are women). Among staff working in Norway, 35% are women. The Board of Directors has four male and five female directors.

At the headquarters in Oslo, 26% of management positions are held by women. 9% of women working for the Norwegian organization of PGS work part-time. PGS consciously strives to improve the gender diversity of staff through reporting and actively encouraging development and promotion of women to management roles. The primary development processes are Performance Management and Potential Assessment. Improving gender diversity has become increasingly challenging due to the weak seismic market, but it is a continued priority for the Company.

Being a global company PGS has implemented long-standing practices to ensure that offshore crews are culturally diverse, and that cultural sensitivity training is offered to employees.

The average monthly salary of all active regular employees as of December 2016 was $7 252 ($5 841 for female employees and $7 655 for male employees) based on February 1, 2017 exchange rates.

PGS headquarter is located in Oslo, Norway. The Company also has offices in other cities in Norway, and in 16 other countries: Angola, Australia, Brazil, China, Egypt, India, Indonesia, Japan, Malaysia, Mexico, 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: Walter Qvam (chairperson), Daniel J. Piette (vice chairperson), Holly Van Deursen, Carol Bell, Anne Grethe Dalane, Morten Borge, Anette Valbø, Berit Osnes and Espen Grimstad. The latter three are employee elected Board members.

The Board has established two sub-committees: an Audit Committee, comprising Anne Grethe Dalane (chairperson), Carol Bell, Daniel J. Piette, Anette Valbø and Berit Osnes, and the Remuneration and Corporate Governance Committee, consisting of Holly Van Deursen (chairperson), Morten Borge and Espen Grimstad. 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), C. Maury Devine, and Terje Valebjørg.

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.

Corporate responsibility reports were published in the annual reports for 2013, 2014 and 2015. The Company has signed up to UN Global Compact and going forward, progress of corporate responsibility activities will be reported in accordance with the 10 principles of UN Global Compact and published on the Company web site.

Outlook

A higher and more stable oil price and improved cash flow among oil companies will benefit the marine 3D seismic market fundamentals going forward.

PGS estimates that approximately 10% more marine 3D seismic will be acquired in 2017 compared to 2016, measured by square kilometers. The increase is expected

to be driven by an expected increase of 4D streamer monitoring surveys and more MultiClient 3D projects.

Industry capacity has been reduced significantly, but the market is still oversupplied and PGS is preparing for 2017 being another challenging year.

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

The Board emphasizes that valuations in the financial statements and 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 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 2016 financial statements have been prepared based on the assumption of a going concern and that it believes that this assumption is appropriate. The Board believes that the initiatives taken in 2016 to increase equity and liquidity reserve have been appropriate to address the challenging market and that additional measures are available should the market deteriorate beyond what is currently expected.

Allocation of Parent Company's result for 2016

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 ("NGAAP"). PGS ASA reported a net loss of NOK 1 600.2 million for 2016, compared to a net loss of NOK 1 788.4 million in 2015. PGS ASA is a holding company with no material operating activities. The net loss for 2016 is primarily caused by impairment charges and foreign currency losses.

The Board proposes that the net loss for 2016 of NOK 1 600 215 000 is transferred from other equity. Total shareholders' equity in PGS ASA as of December 31, 2016 was NOK 10 072 461 000 corresponding to 49% of total assets.

Oslo, March 15, 2017
Board of Directors
Petroleum Geo-Services ASA

Walter Qvam Chairperson	Morten Borge	Carol Bell	Holly Van Deursen	Daniel J. Piette
Berit Osnes	Anette Valbø	Espen Grimstad	Anne Grethe Dalane	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, 2016.

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, 2016. 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, 2016. 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, 2016.

To the best of our knowledge:

- The consolidated and separate annual financial statements for 2016 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, 2016, 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.

Oslo, March 15, 2017
Board of Directors
Petroleum Geo-Services ASA

Walter Qvam
Chairperson

Morten Borge

Carol Bell

Holly Van Deursen

Daniel J. Piette

Berit Osnes

Anette Valbø

Espen Grimstad

Anne Grethe Dalane

Jon Erik Reinhardsen
Chief Executive Officer

Alternative Performance Measures

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

EBITDA

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

EBIT excluding impairments and other charges

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

MultiClient prefunding level

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

Net Interest Bearing Debt

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

Capital expenditures, whether paid or not

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

Liquidity reserve

Liquidity reserve is defined as the sum of cash and cash equivalents and the un-drawn part of the Revolving Credit Facility. Management believes that Liquidity reserve is a useful measure because it provides an indication of the amount of funds readily available to the Company in the very short term at balance sheet date.

Gross cash costs and Net operating expenses

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

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

Order book

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

APM Reconciliations

EBITDA is reconciled as follows:	Year ended December 31,	
(In millions of US dollars)	2016	2015
Operating profit (loss)	(180.3)	(430.4)
Other charges, net	0.6	49.0
Amortization and impairment of MultiClient library	323.9	430.1
Depreciation and amortization of long term assets (excl. MultiClient library)	157.0	141.0
Impairment and loss on sale of long-term assets (excl. MultiClient library)	12.0	294.7
EBITDA	**313.3**	**484.4**

EBIT ex. impairment and other charges, net is reconciled as follows:	Year ended December 31,	
(In millions of US dollars)	2016	2015
Operating profit (loss)	(180.3)	(430.4)
Other charges, net	0.6	49.0
Impairment of MultiClient library	30.1	102.5
Impairment and loss on sale of long-term assets (excl. MultiClient library)	12.0	294.7
EBIT ex. impairment and other charges, net	**(137.5)**	**15.8**

Net interest bearing debt is reconciled as follows:	December 31,	
(In millions of US dollars)	2016	2015
Cash and cash equivalents	61.7	81.6
Restricted cash (current and long-term)	101.0	71.5
Short-term debt and current portion of long-term debt	(38.8)	(24.8)
Long-term debt	(1 132.0)	(1 099.9)
Adjustment for deferred loan costs (offset in long-term debt)	(21.6)	(22.5)
Net interest bearing debt	**(1 029.7)**	**(994.2)**

Total capital expenditures, whether paid or not is reconciled as follows:	December 31,	
(In millions of US dollars)	2016	2015
Seismic equipment	18.9	17.6
Vessel upgrades/yard	20.1	10.9
Processing equipment	12.8	5.3
Newbuilds	154.4	116.6
Other	2.4	15.3
Total capital expenditures, whether paid or not	**208.6**	**165.7**
Change in working capital and capital leases	9.6	(1.7)
Investment in property and equipment	218.2	164.0

Cash cost, gross and Net operating expenses are reconciled as follows:	Year ended December 31,	
(In millions of US dollars)	2016	2015
Cost of sales before investment in MultiClient library	(594.2)	(716.4)
Research and development costs before capitalized development costs	(29.7)	(32.6)
Sellling, general and administrative costs	(38.4)	(44.1)
Cash costs, gross	**(662.3)**	**(793.1)**
Cash investment in MultiClient library	201.0	303.3
Capitalized development costs	10.2	12.3
Net operating expenses	**(451.0)**	**(477.5)**

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Petroleum Geo-Services

Consolidated Statements of Profit and Loss

		Year ended December 31,	
(In millions of US dollars)	Note	2016	2015
Revenues	5	**764.3**	**961.9**
Cost of sales	4	(393.2)	(413.1)
Research and development costs		(19.5)	(20.3)
Selling, general and administrative costs		(38.4)	(44.1)
Amortization and impairment of MultiClient library	6	(323.9)	(430.1)
Depreciation and amortization of long term assets (excl. MultiClient Library)	6	(157.0)	(141.0)
Impairment and loss on sale of long-term assets (excl. MultiClient Library)	6	(12.0)	(294.7)
Other charges, net	30	(0.6)	(49.0)
Total operating expenses		**(944.6)**	**(1 392.3)**
Operating profit (loss)		**(180.3)**	**(430.4)**
Share of results from associated companies	16	(30.1)	(16.1)
Interest expense	7	(46.1)	(29.5)
Other financial expense, net	8	(6.4)	(29.6)
Income (loss) before income tax expense		**(262.8)**	**(505.5)**
Income tax	9	(31.2)	(22.4)
Profit (loss) for the year		**(293.9)**	**(527.9)**
Earnings (loss) per share, to ordinary equity holders of PGS ASA:	10		
- Basic		($1.21)	($2.43)
- Diluted		($1.21)	($2.42)

Petroleum Geo-Services

Consolidated Statements of Comprehensive Income

(In millions of US dollars)	Note	Year ended December 31, 2016	2015
Profit (loss) for the year		**(293.9)**	**(527.9)**
Other comprehensive income			
Actuarial gains (losses) on defined benefit pension plans	24	(32.8)	3.0
Income tax effect on actuarial gains and losses	9	0.1	(1.7)
Items that will not be reclassified to statements of profit and loss		(32.7)	1.3
Revaluation of cash flow hedges:			
Gains (losses) arising during the period		0.5	(1.1)
Revaluation of shares available-for-sale:			
Gains (losses) arising during the period		(0.6)	-
Reclassification adjustments for losses (gains) included in the statements of profit and loss		0.6	-
Other comprehensive income (loss) from associated companies		(1.4)	(0.8)
Translation adjustments and other		-	(0.5)
Items that may be subsequently reclassified to statements of profit and loss		(0.9)	(2.4)
Other comprehensive income (loss), net of tax		**(33.6)**	**(1.1)**
Total comprehensive income (loss) to equity holders of PGS ASA		**(327.5)**	**(529.0)**

Petroleum Geo-Services

Consolidated Statements of Changes in Shareholders' Equity

	Attributable to equity holders of PGS ASA					
(In millions of US dollars)	Share capital	Treasury shares	Additional paid-in capital	Accumulated earnings	Other comprehensive income (b)	Shareholders' equity
Balance as of January 1, 2015	**96.5**	**(1.9)**	**526.9**	**1 340.9**	**(60.8)**	**1 901.6**
Total comprehensive income (loss)	-	-	-	(527.9)	(1.1)	(529.0)
Share issue (c)	7.5	-	89.2	-	-	96.7
Sale of own shares (d)	-	0.6	-	7.3	-	7.9
Dividend paid (a)	-	-	-	(20.3)	-	(20.3)
Share based payments	-	0.2	6.7	-	-	6.9
Balance as of December 31, 2015	**104.0**	**(1.1)**	**622.8**	**799.9**	**(61.9)**	**1 463.7**
Total comprehensive income (loss)	-	-	-	(293.9)	(33.6)	(327.5)
Share issue (e)	29.7	-	187.4	-	-	217.1
Share based payments	-	0.3	6.1	(0.3)	-	6.1
Balance as of December 31, 2016	**133.7**	**(0.8)**	**816.3**	**505.7**	**(95.5)**	**1 359.4**

(a) NOK 0.70 per share was paid as ordinary dividend for 2014.
(b) Other comprehensive income relates to actuarial losses ($87.5 million) net of tax on defined benefit pension plans, other comprehensive loss from associated companies ($5.8 million), translation adjustments ($1.6 million) and cash flow hedges ($0.6 million).
(c) Transaction costs amounting to $1.8 million are recognized against "Additional paid-in capital" net of related income tax benefits of $0.5 million.
(d) Transaction costs amounting to $0.2 million are recognized against "Accumulated earnings".
(e) Transaction costs amounting to $5.3 million are recognized against "Additional paid-in capital".

Petroleum Geo-Services

Consolidated Statements of Financial Position

(In millions of US dollars)	Note	December 31, 2016	2015
ASSETS			
Current assets			
Cash and cash equivalents	20	61.7	81.6
Restricted cash	11	32.3	19.0
Accounts receivable	20	98.4	112.8
Accrued revenues and other receivables	12	120.3	158.1
Other current assets	13	69.1	98.8
Total current assets		**381.9**	**470.3**
Long-term assets			
Property and equipment	14	1 391.5	1 397.5
MultiClient library	15	647.7	695.0
Restricted cash	11	68.7	52.5
Deferred tax assets	9	55.5	79.4
Other long-term assets	16	113.1	57.7
Other intangible assets	18	158.6	161.6
Total long-term assets		**2 435.1**	**2 443.8**
Total assets		**2 817.0**	**2 914.1**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term debt and current portion of long-term debt	19, 20	38.8	24.8
Accounts payable	20	54.9	52.6
Accrued expenses	22	133.3	196.5
Income taxes payable	9	19.4	24.4
Total current liabilities		**246.4**	**298.4**
Long-term liabilities			
Long-term debt	19, 20	1 132.0	1 099.9
Deferred tax liabilities	9	2.5	1.6
Other long-term liabilities	23	76.7	50.5
Total long-term liabilities		**1 211.2**	**1 152.0**
Shareholders' equity			
Share capital; par value NOK 3; issued and outstanding 325,079,996 shares	25	133.7	104.0
Treasury shares, par value	25	(0.8)	(1.1)
Additional paid-in capital	25	816.3	622.8
Total paid-in capital		949.2	725.7
Accumulated earnings		505.7	799.9
Other comprehensive income		(95.5)	(61.9)
Total shareholders' equity		**1 359.4**	**1 463.7**
Total liabilities and shareholders' equity		**2 817.0**	**2 914.1**

Oslo, March 15, 2017
Board of Directors
Petroleum Geo-Services ASA

Walter Qvam
Chairperson

Morten Borge

Carol Bell

Holly Van Deursen

Daniel J. Piette

Berit Osnes

Anette Valbø

Espen Grimstad

Anne Grethe Dalane

Jon Erik Reinhardsen
Chief Executive Officer

Petroleum Geo-Services

Consolidated Statements of Cash Flows

(In millions of US dollars)	Note	Year ended December 31, 2016	2015
Cash flows provided by operating activities:			
Profit (loss) for the year		(293.9)	(527.9)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization, impairment and loss on sale of long-term assets	6	493.0	865.8
Share of results from associated companies	16	30.1	16.1
Interest expense	7	46.1	29.5
Loss on sale and retirement of assets		4.5	0.3
Change in deferred tax		24.7	2.8
Income taxes paid		(7.4)	(25.2)
Other items		0.7	14.5
(Increase) decrease in accounts receivable, accrued revenues and other receivables		52.2	172.1
Increase (decrease) in accounts payable		9.9	(33.9)
Change in other short-term items related to operating activities		(33.0)	0.4
Change in other long-term items related to operating activities		(6.1)	(26.4)
Net cash provided by operating activities		**320.9**	**487.9**
Cash flows provided by (used in) investing activities:			
Investment in MultiClient library	15	(201.0)	(303.3)
Investment in property and equipment	14	(218.2)	(164.0)
Investment in other intangible assets	18	(11.1)	(19.0)
Investment in other current- and long-term assets		(93.1)	(24.2)
Proceeds from sale of other current- and long-term assets		2.5	88.6
(Increase) decrease in long-term restricted cash		(7.8)	(5.0)
Net cash provided by (used in) investing activities		**(528.7)**	**(426.9)**
Cash flows provided by (used in) financing activities:			
Proceeds, net of deferred loan cost, from issuance of long-term debt	19	102.5	35.8
Repayment of long-term debt	19	(235.3)	(24.8)
Net drawdown of Revolving Credit Facility	19	165.0	(75.0)
Proceeds from sale of treasury shares/share issue	25	217.1	104.2
Dividend paid		-	(20.3)
Interest paid		(61.4)	(54.0)
Net cash provided by (used in) financing activities		**187.9**	**(34.1)**
Net increase (decrease) in cash and cash equivalents		(19.9)	26.9
Cash and cash equivalents as of January 1		81.6	54.7
Cash and cash equivalents as of December 31		**61.7**	**81.6**

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 Oslo, 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 millions of US Dollars ("$" or "dollars"), unless otherwise indicated.

The consolidated financial statements were authorized for issue by the Board of Directors on March 15, 2017.

Note 2 – Summary of Significant Accounting Policies

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. The Company 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. The Company recognizes its relative share of the investment in MultiClient 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.

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 foreign exchange rate 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 profit and loss, 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 completed surveys.

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.

Impairment of Multiclient library – The Company updates its sales forecast for each survey at each year-end and when an impairment indicator is deemed to exist. In the event the net book value of survey exceeds its net present value of estimated future cash flows an impairment is recorded in the amount of the excess. This impairment is included in "Amortization and impairment of MultiClient library" in the condensed consolidated statements of profit and loss and specified in Note 6.

Sales based amortization – While a survey is in progress, the Company amortizes each MultiClient survey based on the ratio of aggregate capitalized survey cost to forecasted 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.

Change in MultiClient amortization policy for completed surveys effective January 1, 2016 and adoption of amendments to IAS 38 "Intangible Assets":

Straight-line amortization – Upon completion of a survey, straight-line amortization commences over its estimated useful life which is generally over a period of 4 years from the date it is transferred to completed surveys.

Transition rule for completed surveys as of December 31, 2015 – For those surveys that were already complete at the time of adoption of this change, the assigned useful life for purposes of applying the straight-line amortization was determined as the shorter of 4 years or the remaining number of years to which the survey would have been subject to minimum amortization under the old policy, see below.

Accelerated amortization – Following the adoption of the straight-line amortization policy for completed surveys, recognition of impairment of library may be necessary in the event that sales on a completed survey are realized disproportionately sooner within that survey's 4-year useful life. This accelerated amortization is included in "Amortization and impairment of MultiClient library" in the condensed consolidated statements of profit and loss and specified in Note 6.

MultiClient amortization policy prior to January 1, 2016:

Sales based amortization – Prior to 2016 the sales based amortization policy described above was also applied to completed surveys as well as to surveys in progress.

Minimum amortization – In addition, completed surveys were subject to a minimum amortization. The book value of each completed survey (including groups of surveys) of the MultiClient library was reduced to a specified percentage by year-end, based on the age of the survey in relation to its year of completion. This requirement was applied each year-end regardless of future sales estimates for the survey. The specified percentage generates the maximum permitted book value for each completed 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 completed survey.

The specified percentages used to determine the maximum book value of the MultiClient library surveys for years prior to 2016 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.

As a consequence of the change to straight-line amortization for completed surveys, the minimum amortization policy is no longer relevant.

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 fifteen 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 - 10
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 derecognized. All other repairs and maintenance are

charged to the consolidated statements of profit and loss 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 derecognized 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 profit and loss in the year derecognized.

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 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 profit and loss 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.

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). 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 profit and loss. 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 profit and loss. 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 profit and loss.

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 profit and loss. Amounts recorded in the consolidated statements of other comprehensive income are transferred to the consolidated statements of profit and loss when the hedged transaction affects the consolidated statements of profit and loss. If a cash flow hedge is discontinued due to the hedging instrument being sold, exercised, expired or the forecasted transaction is no longer highly probable, but is still expected to occur, any subsequent change in value is recorded directly to the consolidated statement of profit and loss. 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) a legally binding 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 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 assets. 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 assets. The probability assessment is based on Management's judgment and estimates of future taxable income, including the estimated effect of tax planning opportunities (see note 3).

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 is 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 profit and loss 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 for bonus 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.

Performance Restricted Stock Unit Plans are measured at the grant date using a Monte Carlo simulation with relative total shareholder return. The model simulates the future stock prices based on historical values over the length of the lifetime for the PRSU. The Relative TSR is calculated against a group of peer companies, where every company is ranked based on the simulations. If the rank is in the 25th percentile, 0% of the performance is met, if the rank is in the 75th percentile, 100% of the performance is met. There is a linear relationship between the percentiles. The awards are adjusted for expected future dividends. Social security tax on PRSU and RSU is based on the intrinsic value as of the end of the reporting period.

Provision for onerous contracts
A provision is made for legally binding obligations (contracts) whereby the unavoidable costs of fulfilling the contracts exceed the economic benefits expected to be received. All costs (including depreciation of assigned assets) directly related to contract fulfillment are included in the calculation.

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 profit and loss when the liabilities are derecognized 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 profit and loss
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 profit and loss.

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 profit and loss.

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 profit and loss.

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 profit and loss. Impairments recognized in the consolidated statements of profit and loss 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 profit and loss.

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 Company will implement IFRS 9 from January 1, 2018. The standard will not have a significant effect on the Company's consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers
The IASB have issued a new revenue recognition standard, IFRS 15. The standard replaces existing IFRS 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 Company will implement IFRS 15 from January 1, 2018. The Company has started the analysis of possible effects from implementing the standard on the company's consolidated financial statements. For proprietary and contract sales and MultiClient late sales no material effects are expected following the implementation of IFRS 15. MultiClient Pre-funding revenue on in progress multi-client surveys are currently being recognised as the services are performed. We are evaluating whether the pre-funding revenue can continue to be recognised over time under IFRS 15, or whether revenue recognition of pre-funding arrangements from multi-client surveys should be recognised at point(s) in time when seismic data is delivered to the customer, which depending on the arrangement will result in a portion of pre-funding revenue being recognised at several different points in time during the survey or (all) pre-funding revenue being recognised upon the completion of the survey. The Company has not yet concluded the analysis.

IFRS 16 Leases
The new standard requires that discounted right-of-use leases be recognized in the statement of financial position as lease obligations in current and long-term liabilities and the capital value of the related leased asset recognized in Property and Equipment. The cost of the lease payments will no longer be included in cost of sales. Rather the cost of the lease will be reflected as depreciation of the capitalized asset over the lease term and as interest cost arising from the effect of discounting. As a consequence of this change, the aggregate impact to the statement of profit and loss over the entire lease term will be that: Cost of Sales will decrease by the amount of the lease payments no longer expensed to cost of sales; depreciation expense will increase due to the capitalization of the leased asset yielding a net increase to operating profit. The net increase

to operating profit will be offset by an increase in financial expense from the imputed interest arising from the effect of discounting. The Standard is not yet approved by the EU. The Company expects to implement IFRS 16 from January 1, 2019.

Other amendments issued are not yet effective, are not applicable for the group and/or will not have a significant impact on the financial statements.

Note 3 – Critical Accounting Judgments, Estimates and Assumptions

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.

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.

Impairment of seismic vessel and equipment, MultiClient library and other intangible assets

Marine seismic market outlook

Sustained oil price weakness and cautious spending pattern among oil companies continues to adversely impact seismic demand. Seismic spending is expected to remain at low levels in 2017 with generally low visibility. The impact on profitability of reduced customer demand has been partially offset by reductions in industry vessel capacity reflecting the recent retirement and cold stacking of less efficient vessels.

Management believes the weak marine seismic market will continue well into 2017. However, a relatively high correlation between E&P activity and oil companies' reserve replacement ratio will, in the long term, support a recovery of the marine seismic market. The MultiClient business returns are expected to be somewhat better relative to the returns on exclusive contract business activity. Cost effectiveness will continue to be a central driver in achieving adequate cash flow. In this regard, management believes the PGS vessel fleet, is well-positioned as the industry leader with respect to the ratio of cash operating costs to productive streamer capacity.

Discount rate

The Company applied a pre-tax discount rate of 10.8% in determining discounted cash flows in connection with the impairment evaluations of seismic vessels and equipment, intangible assets and 10.2% for the MultiClient library. The rates reflect the estimated weighted average cost of capital for Company activities.

Inflation rate

In estimating discounted cash flow for seismic vessels and equipment and other Intangible assets, an estimated inflation rate of 2% was assumed in determining the nominal cash flows. No inflation rate assumption is applied when estimating cash flows from the MultiClient library.

Forecast sales of MultiClient library

At least annually, management forecasts future sales for each MultiClient library survey for purposes of determining the amount of impairment, and for those surveys still in work-in-progress, the amortization rate to be applied against pre-funding revenues. In forecasting sales, management considers past experience, market developments as described above, 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 amount of impairment could vary significantly between periods and the amortization rate applied to surveys in progress may also vary between periods. In addition, future revenues from a survey may not be sufficient to cover the existing carrying value. To the extent the future actual revenues achieved prove to be less than forecasted, future periods will reflect lower profitability with increased amortization rates and/or impairments of MultiClient library surveys.

Sensitivity of forecasted sales on impairment evaluation

A 5% reduction in the sales forecast for all surveys with a net book value as of December 31, 2016 would have resulted in an additional impairment of approximately $10 million. A 10% reduction in the sales forecast for all surveys with a net book value as of December 31, 2016 would have resulted in an additional impairment of approximately $30 million.

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 2017 and thereafter start to increase, ultimately reaching levels that generate operating profit (EBIT) margins similar to average historic margins. Had EBIT margins that are 3 percentage points lower than average historic EBIT margins been assumed for the long term, then additional impairment of the fleet vessels would result totalling approximately $100 million as of December 31, 2016. Had EBIT margins that are 5 percentage points lower than average historic EBIT margins been assumed for the long term, then additional impairment of the fleet vessels would result totalling approximately $200 million as of December 31, 2016. See note 6 and 14 for recognised impairments.

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 approximately $50 million relating to towed EM activity, see also note 18. In forecasting cash flows, management considers current pricing indicators, expected benefit to customers, 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 and completion of the development in yielding an efficient solution. An assumption that the roll-out and/or increase in customer interest takes 3 years longer to achieve would result in a $25 million impairment as of December 31, 2016. Had a 10% reduction in estimated gross future revenues from Towed EM activity without any adjustments to estimated future costs been assumed then an impairment of approximately $15 million would have resulted as of December 31, 2016.

Depreciation of 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.

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 in the nearer term (generally 2 to 3 years forward). In recent years, the Company has experienced tax losses in most of the jurisdictions in which it operates and combined with a nearer-term outlook of continued tax losses has resulted in a write-down of deferred tax assets in 2016, primarily in Norway and UK (see Note 9). Had an assumption of reduced or break-even profitability been assumed in the aggregate for the nearer term, or in the event that the Company continues to incur tax losses and nearer-term taxable earnings expectations do not improve, a further write-down of all or a significant portion of, the remaining deferred tax asset of $55.5 million would result.

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

	Year ended December 31,	
(In millions of US dollars)	**2016**	**2015**
Vessel operating cost	(360.3)	(440.3)
Sales, project and project management cost	(95.5)	(122.7)
Imaging, Geoscience and Engineering cost	(123.2)	(122.2)
Other	(15.2)	(31.2)
Total cash cost of sales, gross	(594.2)	(716.4)
Less amount capitalized to MultiClient library	201.0	303.3
Net cost of sales, net	**(393.2)**	**(413.1)**

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.

Both Marine Contract and MultiClient provide similar seismic services and seismic data. The segments serve a similar worldwide market and the customers are primarily composed of the same major multi-national, independent and national or state-owned oil companies. The segments operate under the same regulatory environments. Marine Contract and MultiClient segments have similar economic characteristics and satisfy the aggregation criteria under IFRS 8 Operating segments, and as such, are presented as a combined Marine reporting segment.

Revenues by service lines within Marine segment:

	Year ended December 31,	
(In millions of US dollars)	**2016**	**2015**
Marine Contract	212.6	274.0
MultiClient pre-funding	242.3	380.4
MultiClient late sales	226.8	194.3
Imaging	70.0	93.7
Other	12.6	19.6
Total revenues	**764.3**	**961.9**

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 and other non-current assets are 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 profit and loss 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.

Revenues external customers	**Year ended December 31,**	
(In millions of US dollars)	**2016**	**2015**
Americas (excluding Brazil and Canada)	87.0	113.1
Brazil	73.9	67.4
Canada	72.5	95.1
UK	71.4	104.8
Norway	160.1	173.8
Asia/Pacific	181.2	204.4
Africa (excluding Angola)	83.0	165.6
Angola	7.9	23.8
Middle East/Other	27.3	13.9
Total	**764.3**	**961.9**

Revenues, including inter-area	**Year ended December 31,**	
(In millions of US dollars)	**2016**	**2015**
Americas (excluding Brazil and Canada)	110.0	146.2
Brazil	77.8	69.8
Canada	72.5	95.1
UK	84.8	125.9
Norway	160.2	174.5
Asia/Pacific	181.2	204.4
Africa (excluding Angola)	87.8	169.4
Angola	7.9	23.8
Middle East/Other	27.3	13.9
Elimination inter-area revenues	(45.3)	(61.1)
Total	**764.3**	**961.9**

Total non-current assets (a)	**December 31,**	
(In millions of US dollars)	**2016**	**2015**
Americas (excluding Brazil)	233.0	252.2
Brazil	30.0	40.1
UK	80.6	116.2
Norway	1 282.7	1 165.9
Asia/Pacific (excluding Singapore)	58.4	73.1
Singapore	292.2	423.6
Africa	101.1	121.7
Middle East/Other	209.4	112.0
Total	**2 287.4**	**2 304.8**

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

In 2016, aggregate revenues from the two largest customers accounted for 10.4% and 8.0% of the Company's consolidated revenues compared to 7.2% and 6.7% in 2015, respectively.

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

Amortization and impairment of the MultiClient library consist of the following:

	Year ended December 31,	
(In millions of US dollars)	**2016**	**2015**
Amortization of MultiClient library (note 15)	(279.2)	(327.6)
Accelerated amortization of MultiClient library (note 15)	(14.6)	-
Impairment of MultiClient library (note 15)	(30.1)	(102.5)
Amortization and impairment of MultiClient library	**(323.9)**	**(430.1)**

Amortization and depreciation of long term assets (excluding MultiClient library) consist of the following:

	Year ended December 31,	
(In millions of US dollars)	2016	2015
Gross depreciation and amortization	(218.7)	(245.2)
Depreciation capitalized and deferred, net	61.7	104.2
Depreciation and amortization of long term assets (excl. MultiClient Library)	**(157.0)**	**(141.0)**

Impairments (a) and reversal of impairments of long-term assets (excluding MultiClient library) consist of the following:

	Year ended December 31,	
(In millions of US dollars)	2016	2015
Impairment of property and equipment (note 14)	(12.0)	(122.2)
Impairment goodwill (note 17)	-	(139.9)
Impairment other intangible assets (note 18)	-	(32.6)
Impairment and loss on sale of long-term assets (excl. MultiClient Library)	**(12.0)**	**(294.7)**

(a) The company recognized a loss on the sale of *PGS Apollo* of $56.9 million in 2015 (note 14 and 21).

Note 7 – Interest Expense

Interest expense consists of the following:

	Year ended December 31,	
(In millions of US dollars)	2016	2015
Interest cost, gross	(66.6)	(58.2)
Interest capitalized to the MultiClient library (note 15)	12.6	19.6
Interest capitalized to construction in progress (note 14)	7.9	9.1
Total	**(46.1)**	**(29.5)**

The average interest rate used to determine the amount of interest cost eligible for capitalization was 4.5% for the years ended December 31, 2016 and 2015.

Note 8 – Other Financial Expense, Net

Other financial expense, net consists of the following:

	Year ended December 31,	
(In millions of US dollars)	2016	2015
Interest income	3.4	2.7
Currency exchange loss	(5.2)	(18.5)
Other	(4.5)	(13.7)
Total	**(6.4)**	**(29.6)**

Note 9 – Income Taxes

Income tax consists of the following:

	Year ended December 31,	
(In millions of US dollars)	2016	2015
Current taxes (a)	(6.3)	(19.6)
Deferred taxes	(24.9)	(2.8)
Total income tax expense	**(31.2)**	**(22.4)**

(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:

	December 31,	
(In millions of US dollars)	2016	2015
Pensions (Note 24)	(7.9)	(7.8)
Total recognized in other comprehensive income	**(7.9)**	**(7.8)**

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:

	Year ended December 31,	
(In millions of US dollars)	**2016**	**2015**
Income (loss) before income tax	(262.8)	(505.5)
Norwegian statutory rate	25 %	27 %
Provision for income taxes at statutory rate	65.7	136.5
Increase (reduction) in income taxes from:		
Effect of tax rates other than statutory tax rate in Norway	(7.2)	(2.7)
Tax exempt income within tonnage tax regimes net of vessel impairments (a)	(22.6)	(11.6)
Impairments on tangible and intangible assets	-	(72.2)
Losses from equity investments	(7.5)	(4.3)
Foreign taxes not creditable in home country	(4.8)	(17.7)
Change in tax rate (b)	(4.4)	(6.4)
Currency effects (c)	(2.3)	(24.0)
Changes in unrecognized deferred tax assets	(46.9)	(17.6)
Prior period adjustments	2.8	2.6
Other permanent items	(4.0)	(4.9)
Income tax	**(31.2)**	**(22.4)**

Notes to selected items in the preceding table:
(a) The Company's vessel operations are mainly within the Norwegian Tonnage Tax regime under which operating profit is tax exempt.
(b) The Norwegian corporate income tax rate was reduced from 25% to 24% effective from January 1, 2017. As a result, a reduction in deferred tax assets of $3.6 million was recognized in 2016. Effective January 1, 2016, the Norwegian corporate income tax rate was reduced from 27% to 25% which reduced the deferred tax assets with $6.4 million in 2015. In addition, further reductions in the UK corporate income tax rate were enacted both in 2016 and 2015.
c) 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:

	December 31,	
(In millions of US dollars)	**2016**	**2015**
Deferred tax assets		
MultiClient library	(6.9)	(18.7)
Derivatives	(1.1)	(0.3)
Employee benefits	(13.1)	(11.0)
Tax loss carry-forwards	(205.2)	(173.8)
Tax credits	(13.3)	(16.0)
Unrealized exchange loss	(17.4)	(39.7)
Other	(26.9)	(39.9)
Deferred tax assets, gross	**(283.7)**	**(299.5)**
Deferred tax liabilities		
Property and equipment	42.0	45.8
Intangible assets	27.9	28.8
Current accruals/liabilities	14.6	25.5
Deferred taxable gain/revenue	2.7	16.5
Deferred tax liabilities, gross	**87.1**	**116.7**
Deferred tax assets, net	(196.6)	(182.8)
Deferred tax assets not recognized in the consolidated statements of financial position	143.6	105.0
Net recognized deferred tax assets	**(53.0)**	**(77.8)**

	December 31,	
(In millions of US dollars)	**2016**	**2015**
Deferred tax assets	(55.5)	(79.4)
Deferred tax liabilities	2.5	1.6
Income tax assets, gross	**(53.0)**	**(77.8)**

Deferred tax assets specified by jurisdiction, both recognized and unrecognized, and tax losses including expiration periods as of December 31, 2016 are as follows:

(In millions of US dollars)	Tax losses	Expiry dates	Recognized deferred tax assets	Un-recognized deferred tax assets
Brazil	42.7	None	-	31.7
Norway	463.5	None	43.7	44.5
Singapore	174.8	None	-	-
UK	122.0	None	10.8	29.8
Other	101.1	None, 2035 for US	1.1	37.6
	904.0		**55.5**	**143.6**

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:

	Year ended December 31,	
(In millions of US dollars)	**2016**	**2015**
Other long-term liabilities (see "Other" note 23)	3.3	1.9
Total provision for uncertain tax positions	**3.3**	**1.9**

Tax Contingencies
The Company has ongoing tax disputes related to charter of vessels into Brazil. The assessments, which seek to levy 15% withholding tax and 10% CIDE (service) tax, amount to $33.6 million in total. Because the Company considers it more likely than not that the contingency will be resolved in its favor, no provision has been made for any portion of the exposure.

Other tax contingencies
The Company estimates the likelihood of unfavorable outcomes for other tax contingencies amounting to approximately $27 million as reasonably possible (20-50%) and approximately $21 million as remote (less than 20%) which are not provided for.

Note 10 – Earnings Per Share Information

Specification of average number of shares:

	Year ended December 31,	
	2016	**2015**
Weighted average basic shares outstanding (a)	242 555 132	217 310 643
Dilutive potential shares (b)	1 088 467	1 131 067
Weighted average diluted shares outstanding	**243 643 599**	**218 441 710**

(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, 2016 and 2015, respectively, share options equivalent to zero and 1 260 500 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:

	December 31,	
(In millions of US dollars)	**2016**	**2015**
Current:		
Restricted Cash ECA loan (Note 19)	24.0	15.8
Restricted payroll withholding taxes	4.3	3.0
Other	4.0	0.2
Total restricted cash, current	32.3	19.0
Long-term:		
Deposits ISS disputes (Note 21)	68.7	52.5
Total	**101.0**	**71.5**

Note 12 – Accrued Revenues and Other Receivables

Accrued revenues and other receivables consist of the following:

	December 31,	
(In millions of US dollars)	2016	2015
Accrued revenues (a)	115.2	158.1
Other receivables	5.1	-
Total	**120.3**	**158.1**

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

Note 13 – Other Current Assets

Other current assets consist of the following:

	December 31,	
(In millions of US dollars)	2016	2015
Consumables, supplies and fuel inventory	38.5	40.4
Prepaid operating expenses	14.3	19.4
Withholding taxes and taxes receivable	5.1	7.4
Unrealized gain on on firm commitment subject to hedge accounting	3.9	11.2
Deferred steaming and project costs	3.1	11.9
Prepaid reinsurance	1.9	7.1
Other	2.3	1.4
Total	**69.1**	**98.8**

Note 14 – Property and Equipment

The changes in property and equipment are as follows:

(In millions of US dollars)	Construction of vessels in progress	Seismic vessels and equipment	Buildings, fixtures and furniture	Total
Cost as of January 1, 2015	**163.1**	**2 940.6**	**120.7**	**3 224.4**
Capital expenditures/recoveries	124.9	31.1	8.4	164.4
Capitalized interest	9.1	-	-	9.1
Asset transfers	(27.7)	27.7	-	-
Asset retirements	-	(177.0)	(24.8)	(201.9)
Sale of *PGS Apollo*	-	(183.0)	-	(183.0)
Cost as of December 31, 2015	**269.4**	**2 639.4**	**104.2**	**3 013.0**
Capital expenditures/recoveries	154.4	49.2	4.9	208.5
Capitalized interest	7.9	-	-	7.9
Asset transfers	(280.3)	280.3	-	-
Asset retirements	-	(87.2)	(10.0)	(97.2)
Cost as of December 31, 2016	**151.4**	**2 881.7**	**99.1**	**3 132.1**

(In millions of US dollars)				
Accumulated depreciation as of January 1, 2015	**-**	**1 417.6**	**71.6**	**1 489.2**
Impairments as of January 1, 2015	**-**	**71.7**	**-**	**71.7**
Depreciation	-	222.4	12.0	234.4
Impairments (see note 3)	-	65.3	-	65.3
Asset retirements	-	(175.1)	(24.0)	(199.1)
Sale of Apollo	-	(46.1)	-	(46.1)
Depreciation as of December 31, 2015	**-**	**1 426.6**	**59.7**	**1 486.3**
Impairments as of December 31, 2015	**-**	**129.2**	**-**	**129.2**
Depreciation	-	194.7	10.6	205.3
Impairments (see note 3)	-	12.0	-	12.0
Asset retirements	-	(82.3)	(10.0)	(92.2)
Depreciation as of December 31, 2016	**-**	**1 546.9**	**60.3**	**1 607.3**
Impairments as of December 31, 2016	**-**	**133.3**	**-**	**133.3**

Balance as of December 31, 2015	**269.4**	**1 083.6**	**44.5**	**1 397.5**
Balance as of December 31, 2016	**151.4**	**1 201.4**	**38.8**	**1 391.5**

Impairments

Management regularly evaluates its fleet plan and capital expenditure levels in light of market conditions. In 2015 and 2016 management performed such evaluations and made decisions which resulted in impairments of certain vessels in the fleet described below.

2015 impairments

In late 2015, in light of the continued depressed marine seismic market and the current age of individual vessels, management assessed the fleet capacity needs for both the near term and longer term as well as considering the financial flexibility of the Company. Following this evaluation, the Company entered into operating leases for two recently-built 3D vessels, *Sanco Swift* and *Sanco Sword* (see note 21). *Ramform Explorer*, *Ramform Challenger* and the three V-class 3D vessels were cold-stacked or planned for cold-stacking into 2017. As a result of these changes in capacity and market conditions, *Ramform Explorer* was impaired by $11.9 million down to its estimated salvage value of $0.5 mill; *Ramform Challenger* by $13.5 million down to its estimated value-in-use of $9.5 million; the three V-class vessels by an aggregate of $31.5 million down to their estimated value-in-use of $84.5 million in the aggregate and 2D/source vessels by an aggregate of $7.1 million down to $4.7 million in the aggregate.

2016 impairments

In late 2016, following management's evaluation of expected future fleet capacity needs, *Ramform Challenger* was impaired by $7.0 million down to its estimated salvage value of $0.7 million reflecting a greater uncertainty with respect to the probability that this cold-stacked vessel will return to service before the end of its scheduled useful life.

	Year ended December 31,	
(In millions of US dollars)	**2016**	**2015**
2D and source vessels	(0.8)	(7.1)
Ramform Explorer	-	(11.9)
Ramform Challenger	(7.0)	(13.5)
V-Class vessels	-	(31.5)
Impairment of seismic equipment	(4.2)	(1.3)
Loss on sale and leaseback of *PGS Apollo* (note 21)	-	(56.9)
Total impairment and loss on disposal of vessels	**(12.0)**	**(122.2)**

New build program – Ramform Titan-class vessels

Ramform Titan, Ramform Atlas and *Ramform Tethys* were delivered in May 2013, January 2014 and March 2016, respectively. *Ramform Hyperion* is scheduled for delivery in Q1 2017. The vessel will be delivered from Mitsubishi Heavy Industries Shipbuilding Co. Ltd. in Japan. The cost of *Ramform Hyperion* is approximately $260 million including commissioning and a comprehensive seismic equipment package, but excluding capitalized interest and post-delivery cost. As of December 31, 2016, an aggregate of $85 million has yet to be incurred on *Ramform Hyperion*.

Note 15 – MultiClient Library

The changes in the MultiClient library are as follows:

(In millions of US dollars)	**2016**	**2015**
Balance as of January 1,	**695.0**	**576.9**
Capitalized cash costs	201.0	303.3
Capitalized interest	12.6	19.6
Capitalized depreciation	62.1	107.0
Amortization expense	(279.2)	(327.6)
Accelerated amortization	(14.6)	-
Impairments (see note 3)	(30.1)	(102.5)
Other	0.9	-
Balance as of December 31,	**647.7**	**695.0**

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

	December 31,	
(In millions of US dollars)	**2016**	**2015**
Completed surveys:		
Completed during 2011	-	10.8
Completed during 2012	9.3	19.1
Completed during 2013	16.6	25.9
Completed during 2014	61.2	91.5
Completed during 2015	117.1	175.7
Completed during 2016	303.4	-
Completed surveys	**507.6**	**323.1**
Surveys in progress	**140.1**	**371.9**
MultiClient library	**647.7**	**695.0**

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. The following are a summary of the financial information:

	Year ended December 31,	
(In millions of US dollars)	**2016**	**2015**
Total gross revenues for the projects	90.2	109.2
Revenue share to other parties	30.7	43.3
Total amortization for the projects	(44.6)	(94.2)
Total impairment for the projects	-	(0.3)
PGS' part of the joint MultiClient Library	52.4	45.6

Note 16 – Other Long-Term Assets

Other long-term assets consist of the following:

	December 31,	
(In millions of US dollars)	**2016**	**2015**
Investments in associated companies (a)	89.6	50.6
Other receivables	23.5	6.1
Total	**113.1**	**57.7**

(a) Specification of investments in associated companies as follows:

	December 31, 2016		December 31, 2015	
(In millions of US dollars)	**Net book value**	**Ownership**	**Net book value**	**Ownership**
Azimuth Ltd.	-	44 %	-	45 %
Azimuth II Ltd.	46.9	44 %	50.4	45 %
Azimuth III Ltd.	42.5	45 %	-	45 %
Azinam Ltd.	0.1	-	0.1	-
Other	0.1	-	0.1	-
Total	**89.6**	**-**	**50.6**	**-**

	Year ended December 31, 2016			Year ended December 31, 2015		
(In millions of US dollars)	**Profit (loss) for the year**	**Adjustments (a)**	**Share of income (loss)**	**Profit (loss) for the year**	**Adjustments (a)**	**Share of income (loss)**
Azimuth Ltd.	(5.5)	5.6	0.1	(2.5)	2.4	(0.1)
Azimuth II Ltd.	(8.6)	1.0	(7.6)	(10.2)	(5.8)	(16.0)
Azimuth III Ltd.	-	(22.5)	(22.5)	-	-	-
Azinam Ltd.	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total			**(30.1)**			**(16.1)**

(a) Adjustments relate primarily to exploration costs in Azimuth. Exploration costs, hereof seismic data purchased by Azimuth (including data purchased from PGS) is capitalized in the Azimuth financial statements and subject to impairment testing. In its equity method accounting for the investment in Azimuth, PGS charges to expense most of Azimuth's exploration costs, including seismic data purchased by Azimuth from PGS.

The Company owns 44% of Azimuth Limited and Azimuth II Limited and 45% of Azimuth III Limited, which together are the holding companies of the Azimuth Group. The remaining shares are held by a majority shareholder and minority shareholder comprised of employees of Azimuth. The investments are therefore accounted for as associated companies. The Azimuth Group consists of several operating entities which invest in Exploration and Production (E&P) companies and exploration assets.

The Company has contributed $74.1 and $34.3 million to the Azimuth Group in 2016 and 2015, respectively. During 2016 and 2015 the Azimuth Group purchased data and services from the Company for $60.8 and $25.0 million, respectively.

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 (100% basis) as of December 31:

	Azimuth Limited		Azimuth II Limited		Azimuth III Limited	
(In millions of US dollars)	2016 (preliminary)	2015(a)	2016 (preliminary)	2015(a)	2016 (preliminary)	2015
Current assets	5.3	19.4	22.1	30.7	14.4	-
Non-current assets	12.4	24.9	155.8	131.9	50.0	-
Current liabilities	5.4	18.3	0.1	23.2	64.5	-
Non-current liabilities	20.1	23.6	-	-	-	-
Equity	(7.8)	2.4	177.8	139.4	(0.1)	-
Revenue	-	-	-	-	-	-
Operating expenses	4.4	3.7	6.6	0.8	0.1	-
Financial expenses	7.9	1.9	12.5	21.8	-	-
Income (loss) before tax	(12.3)	(5.6)	(19.1)	(22.6)	(0.1)	-
Income tax	-	-	-	-	-	-
Profit (loss) for the year	(12.3)	(5.6)	(19.1)	(22.6)	(0.1)	-
Other comprehensive income	(0.4)	(1.2)	(0.7)	(1.4)	-	-
Total comprehensive income	(12.7)	(6.8)	(19.8)	(24.0)	(0.1)	-

(a) The preliminary 2015 financial statements numbers for the Azimuth companies included in the 2015 Annual report have been updated to reflect final numbers.

As of December 31, 2016 and 2015, PGS' share of cumulative losses (as adjusted for PGS accounting principles) in Azimuth Limited exceeded PGS investment in that associate. Because PGS has no further obligation to fund its share of losses for Azimuth Limitd, PGS' share of cumulative losses recognized from this associate are limited to its investment. Unrecognized losses amounted to $1.7 million and $2.7 million for the year ended December 31, 2016 and 2015, respectively. Cumulative unrecognized losses amount to $4.4 million and $2.7 million as December 31, 2016 and 2015, respectively.

Note 17 – Goodwill

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

2015 Impairments

The marine seismic market weakened further in 2015 and management expected the weak market fundamentals to continue through 2016. In late 2015, management's estimate of future cash flows from the two cash generating units were reduced, reflecting the expected prolongation of a poor market. As result, the entire balance in Goodwill of $139.9 million was impaired to nil in Q4 2015.

Note 18 – Other Intangible Assets

The changes in other intangible assets are summarized as follows:

(In millions of US dollars)	Patents, licenses, technology and other (b)	Intangible assets in development (c)	Total
Cost as of January 1, 2015	**234.6**	**117.0**	**351.7**
Additions to costs	-	21.2	21.2
Asset retirements	(1.3)	-	(1.3)
Asset transfers	75.0	(75.0)	-
Cost as of December 31, 2015	**308.3**	**63.2**	**371.6**
Additions to costs	0.1	10.2	10.3
Asset retirements	(6.4)	-	(6.4)
Asset transfers	18.7	(18.7)	-
Cost as of December 31, 2016	**320.7**	**54.7**	**375.5**

Amortization as of January 1, 2015 (a)	**167.8**	**-**	**167.8**
Amortization expense	10.8	-	10.8
Impairment	32.6	-	32.6
Asset retirements	(1.3)	-	(1.3)
Amortization as of December 31, 2015 (a)	**209.9**	**-**	**209.9**
Amortization expense	13.4	-	13.4
Asset retirements	(6.4)	-	(6.4)
Amortization as of December 31, 2016 (a)	**216.9**	**-**	**216.9**
Balance as of December 31, 2015	**98.4**	**63.2**	**161.6**
Balance as of December 31, 2016	**103.8**	**54.7**	**158.6**
Estimated useful life	1 to 15 years		

(a) The accumulated impairment charge on intangibles other than goodwill was $131.7 million as of December 31, 2016 and 2015.
(b) Includes approximately $48 million of net book value relating to towed EM technology.
(c) Includes approximately $27 million of net book value relating to fiber optic technology development.

2015 Impairments
Due in part to the significant decline in the marine seismic market, the Company has experienced a slower pace of customer interest in its Towed EM service offering. Furthermore, the level of customer interest is expected to remain low through 2016. The current market conditions increase the uncertainty as to the level and timing of future revenues generated from this service. Accordingly, management's estimate of future cash flows has been reduced and pushed further out in time. Based upon this evaluation, the EM technology assets were adjusted down to their estimated value-in-use of $50 million resulting in an impairment of $25 million in 2015.

Note 19 – Debt and Guarantees

Long-term debt:

	December 31,	
(In millions of US dollars)	**2016**	**2015**
Secured:		
Term loan B, Libor (minimum 75 bp) + 250 Basis points, due 2021	389.0	393.0
Export credit financing, due through 2025	182.3	203.1
Export credit financing, due through 2027	192.1	76.1
Revolving credit facility, due 2020 (a)	190.0	25.0
Unsecured:		
Senior notes, Coupon 7.375%, due 2018	26.0	450.0
Senior notes, Coupon 7.375%, due 2020	212.0	-
Total	1 191.4	1 147.2
Less current portion	(37.8)	(24.8)
Less deferred loan costs, net of debt premiums	(21.6)	(22.5)
Total long-term debt	**1 132.0**	**1 099.9**

Undrawn facilities consists of:

	December 31,	
(In millions of US dollars)	**2016**	**2015**
Secured:		
Revolving credit facility, due 2020 (a)	210.0	475.0
Export credit financing	91.2	220.5
Unsecured:		
Bank facility (NOK 50 mill)	5.8	5.7
Performance bond	12.5	10.7
Total	**319.5**	**711.9**

(a) The latest amendment of the Senior secured credit facility took place with effective December 23, 2016, when the maturity date of the RCF was extended with two years to 2020. The RCF was by this amendment reduced from $500 million to $400 million with a scheduled reduction to $350 million from its original maturity date in September 2018 to September 2020.

Credit Facility (Term Loan B and Revolving Credit Facility)
On June 29, 2007, the Company entered into a $950 million senior secured credit agreement (the "Credit Facility"). It consisted of a $600 million term loan B facility (the "Term Loan") and a $350 million Revolving Credit Facility (the "Revolving Facility") with Petroleum Geo-Services ASA and PGS Finance, Inc., as co-borrowers. Proceeds from loans under the Term Loan were used to refinance the outstanding debt and to pay an extraordinary dividend. Proceeds of loans under the Revolving Facility may be used for the general corporate purposes. Revolving loans may be made at any time prior to the final maturity of the Revolving Facility. Borrowings under the Credit Facility are secured by pledges of the shares of material subsidiaries and are guaranteed by the same material subsidiaries.

The Revolving Facility originally maturing in June 2012 was in January 2011 extended to May 15, 2015 for the same amount and again in September 2013 to September 18, 2018 and at the same time increased from $350 million to $500 million. In November 2016, effective from December 23, 2016 PGS extended the maturity date to September 18, 2020 and the amount reduced to $400 million upon the effectiveness of the Revolving Facility Amendments and to $350 million from September 18, 2018. Pursuant to the terms of the Revolving Facility, our total leverage ratio cannot exceed 5.50:1 for the quarter ending December 31, 2016 through and including the quarter ending June 30, 2017. For the quarter ending September 30, 2017, the maximum total leverage ratio will be 5.25:1 ; for the quarter ending December 31, 2017, the ratio will be 4.75:1; and for the quarter ending March 31, 2018, the ratio will be 4.25:1. Thereafter, the maximum total leverage ratio will be tightened by 0.25:1 each quarter through the quarter ending June 30, 2019. From the period ending September 30, 2019, the maximum total leverage ratio will remain at 2.75:1. Borrowings under the Revolving Facility have an interest rate equal to an adjusted LIBOR rate plus a margin in the interval from 3.25% to 6.25% dependent on the reported total leverage ratio at the end of the previous quarter through September 17, 2019 and from 3.75% to 6.75% dependent on the reported total leverage ratio from and after September 18, 2019, with additional utilization fees dependent on the amount drawn (less than $150 million: 0.25%; between $150 million and $300 million: 0.50%; over $300 million: 0.80%), and a commitment fee on undrawn amounts of 50% of the applicable margin. In the Fourth Amendment to the Credit Agreement that came into effect in October 2015, the Company agreed some further restriction on dividend and a minimum consolidated liquidity. The Revolving Facility also contains a minimum consolidated liquidity covenant as long as the total leverage ratio exceeds 2.75:1. If total leverage ratio exceeds 2.75:1, consolidated unrestricted cash and cash equivalents and the unused and available revolving commitments shall not be less than the amount equal to the greater of (a) $75 million and (b) 5% of the consolidated net interest-bearing indebtedness. Dividends may not be declared or paid before April 1, 2017 and can only be declared or paid if our total leverage ratio is below 2.75:1 for the two most recent fiscal quarters and the total leverage ratio requirement is reset to 2.75:1 for the remaining term of the Credit Agreement.

The Term Loan, originally maturing in 2015, was amended and extended in March 2014, with a new tenor of seven years and now matures in 2021. The floating interest rate was revised to LIBOR (but minimum 0.75%) + 2.50% and the amount reduced to $400 million by using existing cash to repay $70.5 million of principal. The Term Loan is amortized by $4 million per year. The Term Loan has no financial maintenance covenants.

The Credit Facility contains financial covenants and negative covenants that restrict us in various ways.

The facility provides that:

i) for the Revolving Facility part the total leverage ratio may not exceed the threshold agreed in the November 2016 extension and amendment (maintenance covenant). The Credit Facility combined (Revolving Facility and Term Loan) has an incurrence test prohibiting the Company from incurring more senior indebtedness, with certain exceptions, if the total leverage ratio is above 3.00:1.0. The Credit Facility loan agreement permits us to borrow an additional sum of specific secured debt limited to: $1 850 million less the sum of (A) any Revolving Facility commitments outstanding, (B) Term Loans outstanding and (C) Permitted vessel financing indebtedness outstanding, either as a term loan or as a Revolving Facility, provided that the total leverage ratio does not exceed 2.75:1. Such potential additional borrowing is not committed (except for secured un-drawn debt in the table), but would be secured by the same collateral that secures the Term Loan and borrowings under the existing Revolving Facility. As long as the Company does not exceed a total leverage ratio of 3.00:1, the Company can incur further senior unsecured debt. Drawing of the committed Revolving Facility and Permitted vessel financing indebtedness (see "—Export Credit Financing" below) is exempted from the incurrence test.

(ii) the Credit Facility generally requires the Company to apply 50% of excess cash flow to repay outstanding Term Loan 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 (excluding capital expenditure financed by certain borrowings), MultiClient investments and scheduled debt services (excluding certain debt incurred to finance capital expenditures) during that period, and on the Company's option 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 Facility and Notes Indenture (described below) restrict or could restrict our 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 (including restrictions when our total leverage ratio exceeds 3.0 to 1.0); pay dividends and distributions or re-purchase 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 Revolving Facility has a $60 million sub-limit for issuance of letters of credit. Under the Revolving Facility, 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, 2016, the Company had zero outstanding standby letters of credit under the Revolving Facility.

At December 31, 2016, the Company had $389 million outstanding under the Term Loan and $190 million outstanding under the Revolving Facility.

Senior notes, Coupon 7.375%, due 2018 ("Old Notes")
The Old Notes were issued in two separate transactions. On November 15, 2011, the Company issued $300 million aggregate principal amount of 7.375% Senior Notes due 2018 (the "Original Notes") in an offering that was not subject to the registration requirements of the U.S. Securities Act. The Company issued an additional $150 million aggregate principal amount of 7.375% Senior Notes due 2018 in a transaction that similarly was not subject to the registration requirements of the U.S. Securities Act on December 27, 2012 (the "Additional Notes"). Both the Original Notes and the Additional Notes are admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market of the Luxembourg Stock Exchange.

The Old Notes are governed by the Old Notes Indenture. The Old Notes are the Company's senior obligations and rank equally in right of payment with all existing and future senior indebtedness of the Company and senior in right of payment to all existing and future indebtedness of the Company that is subordinated in right of payment to the Old Notes. The Old Notes are guaranteed, jointly and severally, on a senior basis by the subsidiaries of the Company that provide a guarantee in respect of obligations under the Credit Facility. Each guarantee ranks equally in right of payment with all existing and future senior indebtedness of such guarantor and senior in right of payment to all existing and future indebtedness of such guarantor that is subordinated in right of payment to its guarantee. The Original Notes and the Additional Notes together constitute a single class of debt securities under the Old Notes Indenture and vote as a single class for purposes of amendments or waivers. As part of the Exchange Offer an amendments was made to the Old Notes' Indenture eliminating substantially all of the negative covenants, all of the reporting covenants and certain of the events of default in the Old Notes Indenture.

The Old Notes will mature on December 15, 2018. Interest is payable in cash semi-annually on each June 15 and December 15. Currently, the Company may redeem all or a portion of the Old Notes at 101.844% of their principal amount plus accrued and unpaid interest, if any, to the redemption date, with the specified premium declining to par on December 15, 2017. At December 31, 2016, the Company had $26 million outstanding under the Old Note.

Senior notes, Coupon 7.375%, due 2020 ("New Notes")
On December 23, 2016, the Company issued $212 million in aggregate principal amount of 7.375% Senior Notes due 2020 (the "New Notes") as part of the Exchange Offer in an offering that was not subject to the registration requirements of the U.S. Securities Act. The New Notes are admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market of the Luxembourg Stock Exchange.

The New Notes are governed by the New Notes Indenture. The New Notes are the Company's senior obligations and rank equally in right of payment with all existing and future senior indebtedness of the Company and senior in right of payment to all existing and future indebtedness of the Company that is subordinated in right of payment to the New Notes. The New Notes are guaranteed, jointly and severally, on a senior basis by the subsidiaries of the Company that provide a guarantee in respect of obligations under the Credit Facility. Each guarantee ranks equally in right of payment with all existing and future senior indebtedness of such guarantor and senior in right of payment to all existing and future indebtedness of such guarantor that is subordinated in right of payment to its guarantee. The New Notes Indenture contains a number of covenants that, among other things, restrict, subject to certain exceptions, the Company's ability to incur or guarantee additional indebtedness; pay dividends, repurchase shares and make distributions of certain other payments; make certain investments; create certain liens; merge or consolidate with other entities; enter into certain transactions with affiliates; sell, lease or transfer certain assets, including shares of any restricted subsidiary of the Company; and guarantee certain types of other indebtedness of the Company and its restricted subsidiaries without also guaranteeing the New Notes.

The New Notes will mature on December 15, 2020. Interest is payable in cash semi-annually on each June 15 and December 15. The Company may redeem all or a portion of the Old Notes at 103.688% of their principal amount plus accrued and unpaid interest, if any, from December 15, 2017, with the specified premium declining to 101.844% on December 15, 2018 and to par on December 15, 2019.

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 $546.1 million. The loans are incurred by a subsidiary, PGS Titans AS, for the financing of the vessels *Ramform Titan*, *Ramform Atlas*, *Ramform Tethys* and *Ramform Hyperion*. PGS ASA guarantees the obligations under the two internal 12 year bareboat charter agreements between PGS Falcon AS and PGS Titans AS for the two vessels *Ramform Titan* and *Ramform Atlas* and guarantees the loans financing *Ramform Tethys* and *Ramform Hyperion*. As of December 31, 2016, $454.9 million has been drawn on the four loans pursuant to the delivery of *Ramform Titan* in 2013, *Ramform Atlas* in 2014, *Ramform Tethys* in 2016 and construction advances for *Ramform Hyperion* in 2014, 2015 and 2016, of which $80.5 million has been repaid. The remaining available loan value of $91.2 million will be drawn upon in connection with the delivery of *Ramform Hyperion* expected in March 2017. The Company and the lenders amended the loan agreements for *Ramform Tethys* and *Ramform Hyperion* to allow for revised delivery date for the vessels agreed with the shipyard in 2015 and 2016. 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 installments 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 $20 million uncommitted bid and performance bond facilities ($20 million in 2015) intended for operational use. Drawings under these facilities totaled $7.5 million and $9.3 million as of December 31, 2016 and 2015, respectively.

The Company had aggregate outstanding letters of credit and similar guarantees (incl. the $9.3 million and $9.9 million above), not reflected in the accompanying consolidated statements of financial position, of $15.6 million and $17.2 million as of December 31, 2016 and 2015, respectively.

PGS ASA has guaranteed the payment obligation under the lease of *PGS Apollo* (see note 21).

Note 20 – Financial Instruments

Fair values

The Fair Value Hierarchy discloses 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:

	December 31, 2016			December 31, 2015		
(In millions of US dollars)	Carrying amounts	Fair values	Hierarchy Level	Carrying amounts	Fair values	Hierarchy Level
Financial assets measured at fair value						
Other foreign exchange contracts (note 13)	-	-	2	1.4	1.4	2
Investments	15.8	15.8	1	-	-	-
Financial liabilities measured at fair value						
Foreign exchange contracts used for hedging (note 22)	(0.9)	(0.9)	2	(2.7)	(2.7)	2
Other foreign exchange contracts (See "Other" note 23)	(3.4)	(3.4)	2	(0.8)	(0.8)	2
Interest rate swaps hedge accounted	(0.2)	(0.2)	2	-	-	2
Financial liabilities not measured at fair value						
Debt with fixed interest rate	(465.5)	(446.4)	2	(613.0)	(550.0)	2
Debt with variable interest rate	(725.9)	(653.9)	2	(534.2)	(419.7)	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. The Total Leverage Ratio (TLR) is calculated as total indebtedness divided by adjusted EBITDA less non pre-funded MultiClient library investments. At December 31, 2016, the total indebtedness was $1,257.5 million and adjusted EBITDA less non pre-funded MultiClient library was $319.1 million. At December 31, 2016 and 2015, the TLR was 3.94 and 2.56, respectively. Based on the total indebtedness at December 31, 2016 there was an EBITDA headroom of $90.5 million up to the maximum maintenance covenant leverage ratio.

In addition, the Company monitors leverage based on net debt. Net debt is calculated as total debt (including short-term and long-term debt as reported in the consolidated statement of financial position) less cash and cash equivalents, including restricted cash. The Company generally seeks to keep net debt below two times annual EBITDA in the weak part of a business cycle and below one times annual EBITDA in a strong market, dependent on several factors including capital spending commitments, the state of the seismic market and macro risks. In a situation where the net debt is above these levels, actions to come back inside may be gradual and take place over a period of time. As of December 31, 2016 and 2015, the ratio of net debt to EBITDA was 3.21 and 2.01, respectively.

The Company is exposed to market risks such as interest rate risk, foreign exchange rate risk, credit risk and liquidity risk. 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, 2016		December 31, 2015	
	Notional amounts	Weighted average interest rate	Notional amounts	Weighted average interest rate
Debt at fixed interest rate	465.5	5.17 %	613.0	6.11 %
Debt at variable interest rate based on US dollar plus a margin	600.9	4.25 %	534.2	2.92 %
Variable interest rate debt with interest fixed	125.0	1.62 %	-	-

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 non-restricted cash holdings, would have increased by $5.4 million and $4.5 million approximately at December 31, 2016 and 2015, 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 as of December 31.

(In millions of US dollars)	Increase/(decrease) in basis points	Effect on profit before tax	Effect on other comprehensive income
2016	100	(6.0)	3.1
2015	100	(5.3)	-

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 and GBP, NOK, BRL, NGN at December 31, 2016 and 2015, respectively. The table shows exposures and foreign exchange contracts in currencies that the Company hedges on a regular basis.

	December 31, 2016			December 31, 2015		
	NOK	**GBP**	**BRL**	**NOK**	**GBP**	**BRL**
Restricted cash	37.3	-	221.2	26.5	-	207.8
Current assets	4.5	1.4	2.2	13.2	0.4	18.4
Current liabilities	(80.2)	(3.7)	(8.9)	(258.1)	(3.2)	(4.4)
Pension liabilities	(29.4)	(44.4)	-	(26.5)	(23.0)	-
Other long term liabilities	(53.5)	(2.2)	-	-	(2.2)	-
Net statements of financial position exposure	**(121.3)**	**(48.9)**	**214.5**	**(244.9)**	**(28.0)**	**221.8**
Hedged committed operational cash flow and capital expenditure:						
Next year	(216.2)	-	-	(215.4)	-	-
1-2 years	(48.4)	-	-	(245.4)	-	-
2-3 years	-	-	-	(58.1)	-	-
Net forward commitments	**(264.6)**	**-**	**-**	**(518.9)**	**-**	**-**
Forward exchange contracts	389.6	25.8	(142.0)	705.0	33.0	(145.0)
Net exposure	**3.7**	**(23.1)**	**72.5**	**(58.8)**	**5.0**	**76.8**

	Average rate		Year end spot	
	2016	**2015**	**2016**	**2015**
USD / NOK	8.402	8.031	8.614	8.787
GBP / USD	1.346	1.531	1.228	1.482
USD / BRL	3.465	3.216	3.253	3.955

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 $3.4 million (NOK, GBP, BRL) and $9.3 million (NOK, GBP, BRL, NGN) and the effect on income before tax would have been zero and $3.5 million as of December 31, 2016 and 2015, respectively. The Company's debt and interest swaps are denominated in USD.

(In millions of US dollars)	December 31, 2016		December 31, 2015	
Change in fair value of derivatives with a 10% depreciation of USD:	**Gross effect**	**Effect on Income before tax**	**Gross effect**	**Effect on Income before tax**
NOK	5.0	1.6	8.9	3.1
GBP	3.2	3.2	4.9	4.9
BRL	(4.8)	(4.8)	(4.0)	(4.0)
NGN	-	-	(0.5)	(0.5)
Total	**3.4**	**-**	**9.3**	**3.5**

Exposure to credit risk

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

	December 31,	
(In millions of US dollars)	**2016**	**2015**
Cash and cash equivalents	61.7	81.6
Restricted cash (Note 11)	101.1	71.5
Accounts receivable	98.4	112.8
Accrued revenues and other receivables (Note 12)	120.3	158.1
Total	**381.5**	**424.0**

We continually monitor the counterparty credit risk of our banking partners, including derivatives counterparties 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 counterparties 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. As of December 31, 2016, approximately $17 million are over 60 days past due.

	December 31,	
(In millions of US dollars)	**2016**	**2015**
Accounts receivable - trade	102.1	116.8
Allowance for doubtful accounts	(3.7)	(4.0)
Total	**98.4**	**112.8**

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

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:

December 31, 2016			Contractual cash flows						
(In millions of US dollars)	**Carrying amount**	**Notional value**	**Total**	**0-1 years**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**Thereafter**
Non-derivative financial liabilities									
Trade payables	(54.9)	-	(54.9)	(54.9)	-	-	-	-	-
Debt with fixed interest rates	(465.5)	-	(580.3)	(23.8)	(50.2)	(27.4)	(254.8)	(30.1)	(194.0)
Debt with variable interest rates	(725.9)	-	(850.5)	(65.6)	(68.3)	(64.5)	(244.5)	(400.8)	(6.8)
Total	**(1 246.3)**	**-**	**(1 485.7)**	**(144.3)**	**(118.5)**	**(91.9)**	**(499.3)**	**(430.9)**	**(200.8)**
Derivative financial assets/liabilities									
Interest rate swaps hedge accounted	(0.2)	125.0	(0.3)	(0.6)	0.1	0.2	-	-	-
Forward exchange contracts used for hedging	(0.9)	34.4	(0.9)	(0.8)	(0.1)	-	-	-	-
Other foreign exchange contracts	(3.4)	88.4	(3.4)	(3.4)	-	-	-	-	-
Total	**(4.5)**	**247.8**	**(4.6)**	**(4.8)**	**-**	**0.2**	**-**	**-**	**-**

December 31, 2015			Contractual cash flows						
(In millions of US dollars)	**Carrying amount**	**Notional value**	**Total**	**0-1 years**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**Thereafter**
Non-derivative financial liabilities									
Trade payables	(52.6)	-	(52.6)	(52.6)	-	-	-	-	-
Debt with fixed interest rates	(613.0)	-	(748.1)	(37.5)	(37.5)	(487.5)	(9.5)	(24.9)	(151.2)
Debt with variable interest rates	(534.2)	-	(619.4)	(40.7)	(41.5)	(67.3)	(42.6)	(31.8)	(395.5)
Total	**(1 199.8)**	**-**	**(1 420.1)**	**(130.8)**	**(79.0)**	**(554.8)**	**(52.1)**	**(56.7)**	**(546.7)**
Derivative financial assets/liabilities									
Forward exchange contracts used for hedging	(2.7)	55.2	(2.7)	(2.0)	(0.6)	(0.1)	-	-	-
Other foreign exchange contracts	0.6	119.0	0.6	0.6	-	-	-	-	-
Total	**(2.1)**	**174.2**	**(2.1)**	**(1.4)**	**(0.6)**	**(0.1)**	**-**	**-**	**-**

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

As of December 31, 2016, the Company had cash and cash equivalents of $61.7 million and a total liquidity reserve, including available unutilized drawings of the Revolving Credit Facility, of $271.7 million, compared to $81.6 million and $556.6 million respectively at year-end 2015. In addition the Company has

committed undrawn export credit facilities of $91.2 million at year-end 2016. This amount is available to finance the final instalment of last vessel being built under the new-build program in Japan. The Company has a structured approach to monitoring of credit risk against financial counterparties and has no reason to doubt their ability to meet their funding commitments if and when called upon to do so.

The Company does not have any material scheduled debt maturities until second half of 2020, except scheduled installments on the export credit debt and any remaining Old Notes. The export credit debt is paid back in separate semi-annual installments and scheduled principal payments in 2017 are approximately $34 million and after delivery of the Ramform Hyperion in aggregate approximately $47 million for 2017 and each year forward to it taper off following the maturity of one after one of the four facilities in the period 2025 to 2027.

The un-drawn portion of the Revolving Credit Facility ("RCF") constitutes a significant portion of the Company's liquidity reserve. In the current weak market it is likely that the Company will need to make additional drawings on the RCF during the coming year. In 2016 the TLR with which the Company must comply in order to draw on the RCF, was increased to maximum 5.50:1 from Q4 2016 through Q2 2017, 5.25:1 for Q3 2017 and 4.75:1 for Q4 2017, with subsequent step downs, as described in note 19.

While PGS' actual TLR was substantially below this level at December 31, 2016, there is a risk, due to the weak market, that PGS' TLR may increase in the future to be close to or exceed the agreed maximum TLR. If and when such risk becomes significant, PGS would seek to agree further amendments to ensure that the RCF is available for drawing or to implement other available measures to avoid a covenant breach. If PGS ultimately ends up breaching this covenant, the breach would represent an event of default under the loan agreement. In such case PGS may be able to continue to access the RCF if PGS receives a waiver of the breach or implements remedial actions acceptable to the lenders thereunder. Should a breach continue without a waiver or remediation by PGS, the RCF agent or a majority of the RCF lenders would be entitled to declare default and demand a repayment of drawings under the RCF, which in turn would represent an event of default in most of the Company's other loan agreements and debt instruments. However, this scenario is in the Company's view highly unlikely since firstly it believes that it has plans and available measures to avoid an event of default and secondly, even in an event of default, several viable alternatives to avoid acceleration would exist.

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 sufficient funding and liquidity to support its operations and investment programs.

Interest rate hedge accounting

In December 2016 the Company entered into interest rate swaps, with a total notional amount of $125 million, to fix the interest rate on part of its floating rate debt. 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. At December 31, 2016 the interest rate swaps had a negative fair value of $0.2 million recorded in other comprehensive income.

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:

	December 31, 2016			December 31, 2015		
(In millions of US dollars)	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	8.6	(0.5)	0.6	20.8	(1.6)	(3.5)
Firm commitments to purchase equipment (note 13)	8.1	3.9	(0.6)	19.2	9.7	3.7
Foreign currency derivatives designated as cash flow hedging instruments	25.8	(0.4)	0.3	34.4	(1.1)	(1.1)
Foreign currency derivatives not designated as hedges	88.4	(4.3)	(18.8)	119.0	0.6	(0.6)

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

Operating Leases

The Company has operating lease commitments expiring at various dates through 2027. Future minimum payments related to non-cancellable operating leases were as follows:

	December 31,	
(In millions of US dollars)	2016	2015
2016	-	96.7
2017	83.1	82.0
2018	68.2	72.8
2019	61.0	60.6
2020	50.6	50.9
2021	36.4	37.1
thereafter	101.8	104.3
Total	**401.1**	**504.4**

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

	December 31,	
(In millions of US dollars)	**2016**	**2015**
Marine seismic and support vessels	296.9	352.4
Buildings	83.6	113.9
Imaging equipment	20.6	38.1
Total	**401.1**	**504.4**

Rental expense for operating leases, including leases with terms of less than one year, was $126.7 million and $108.5 million for the years ended December 31, 2016 and 2015, respectively.

Seismic support vessels
The Company leases four seismic support vessels under time-charter agreements which expire in 2024-2025. The lessor holds options to purchase each vessel from the 3rd party owner at certain times during each lease and at the end of the lease term. At the end of each lease, the 3rd party owner may also require the lessor to purchase the vessel for a pre-determined amount. Should the lessor not purchase the vessel, the 3rd party owner may require PGS to purchase the vessel for a price of $5.5 million which is estimated to be less than fair value.

Time-charter agreements
In Q4 2015 the Company entered into operating time-charter agreements for two 3D vessels *Sanco Swift* and *Sanco Sword*, built in 2013 and 2014, respectively, from Sanco Shipping AS. The charter agreements are for an initial period of 4.5 and 5.5 years, respectively, along with three 2-year options for each vessel.

Sale and leaseback
In 2015, the Company entered into a sale and operating bareboat leaseback for *PGS Apollo*. The gross proceeds from the transaction amounted to $80 million and the Company recognized a loss of $56.9 million. The leaseback is for 10 years with an option to extend for a 5-year period. PGS has the option but no obligation, to acquire the vessel after end of year 5 and 8.

Contingent liabilities
Brazil service tax claim
The Company has an ongoing dispute in Brazil related to Municipal Services Tax ("ISS") on the licensing of MultiClient data. The Rio de Janeiro municipality contends that licensing of MultiClient data is equal to providing a service to the Group's clients. ISS is a local service tax and the Company's primary view is that licensing of MultiClient data held by it should be treated as rental of an intangible asset, which is clearly not a service under the relevant provisions, and therefore should not be subject to ISS. This has been confirmed by several external advisors and the Company intends to vigorously defend its view. As of December 31, 2016, the Company estimated the maximum exposure to be $134.9 million, including interest charges and penalties.

The Company has made deposits in local currency equivalent to $68 million as of December 31, 2016 allowing the Company to file lawsuits covering tax years 2000-2001 and 2005 until today, seeking to confirm that licensing of MultiClient data is not subject to ISS. Going forward, the Company will continue depositing amounts relating to future licensing transactions. Amounts deposited are held in an interest-bearing bank account with Banco do Brasil and will be released to the Company if and when a positive final ruling is awarded, which may take several years. The deposited amount including interest is equivalent to $98.7 million as of December 31, 2016. It is only the deposit exclusive of interest that is recognized as an asset as of December 31, 2016. The deposit is presented as long-term restricted cash in the statements of financial position. The tax dispute covering the period from mid-year 2001 to mid-year 2005 is at the administrative tax level and the Company has not made any deposit related to this part of the case, which represents a total cash exposure equivalent to $66.9 million. The case concerning these years was heard in November 2016, but the council found that a new hearing is necessary in order to consider the facts more closely.

Because the Company considers it more likely than not that this contingency for all years will be resolved in its favor, no provision has been made for any portion of the exposure.

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 disputes with EMGS
On April 13, 2016, PGS and EMGS announced they have settled the patent disputes between the companies. The Settlement agreement grants PGS a license to the EMGS patent for operation of its Towed Streamer EM system. EMGS is similarly granted a license to the PGS patent. Both licenses are royalty free and valid world-wide for the validity period of the relevant patent.

Patent Dispute with Western Geco
The Company is involved in two patent litigations with WesternGeco L.L.C., a Schlumberger subsidiary, in the United States District Court for the Southern District of Texas. Both cases were initiated by WesternGeco. In the first case, filed on September 16, 2013, the PGS parties are PGS Geophysical AS and Petroleum Geo-Services, Inc. In this case WesternGeco alleges infringement by the PGS parties of four U.S. patents in relation to procurement and use of DigiFIN equipment and related control products. The PGS parties have counterclaimed, alleging infringement by WesternGeco of two U.S. patents relating to simultaneous shooting and data processing technology. In the second case, filed on November 4, 2015, the PGS parties are PGS Geophysical AS, Petroleum Geo-Services, Inc. and Multiklient Invest AS. In this case WesternGeco alleges infringement of five U.S. patents (three of which are the same as in the first case) in relation to procurement and use of eBird equipment, and two U.S. patents in relation to simultaneous shooting technology. In lieu of answer, the PGS parties have filed a motion to dismiss, which motion remains pending. Both cases were stayed on October 25, 2016, pending the outcome of a separate litigation between WesternGeco and ION Geophysical Corporation.

Contemporaneous with the above litigations, Petroleum Geo-Services, Inc. has filed Inter Partes Reviews ("IPRs") at the United States Patent and Trademark Office ("USPTO") against claims in six of the asserted WesternGeco patents, and WesternGeco has filed IPRs against claims in the two asserted PGS patents. All of the IPRs either remain pending at the USPTO or are on appeal.

Although the Company is of the opinion that it will ultimately prevail in the court system, the outcome of any litigation is difficult to predict. If either company is ultimately found to have infringed one or more valid claims in the other's patents, then it may be required to pay substantial damages and/or royalties, and it may be subject to an injunction prohibiting the use of certain equipment or techniques in the U.S. 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.

Note 22 – Accrued Expenses

Accrued expenses consist of the following:

	December 31,	
(In millions of US dollars)	**2016**	**2015**
Accrued employee benefits	22.7	33.4
Accrued revenue share	21.2	34.2
Accrued sales tax and VAT	14.4	13.2
Accrued vessel operating expenses	13.0	17.8
Accrued project costs	11.0	14.2
Customer advances and deferred revenue	8.4	28.2
Onerous contracts	7.4	11.1
Accrued commissions	6.7	7.7
Unrealized loss on hedging	4.3	2.7
Received, not invoiced, property and equipment	0.9	8.8
Other	23.2	25.3
Total	**133.3**	**196.5**

Note 23 – Other Long-Term Liabilities

Other long-term liabilities consist of the following:

	December 31,	
(In millions of US dollars)	**2016**	**2015**
Pension liability (Note 24)	58.0	37.1
Other	18.7	13.4
Total	**76.7**	**50.5**

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 UK defined benefit plan was closed for new entrants in 2006, with defined contribution plans established for new employees. The UK defined benefit plan was, as described below, closed to further accrual at year end 2015. 163 employees were participating in the defined benefit plan at the time of closure.

In addition, as described in Note 28, the The CEO and two 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 at least 10 years 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.

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 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 was closed for further accrual. A settlement gain of $21.1 million was recognized in 2015. 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)	2016	2015
Projected benefit obligations (PBO) as of January 1, (a)	**170.4**	**200.2**
Service cost	0.3	3.6
Interest cost	6.0	6.7
Employee contributions	-	1.2
Social security tax	0.1	0.1
Actuarial loss (gain), arising from changes in demographic assumptions	(5.7)	(1.5)
Actuarial loss (gain), arising from changes in financial assumptions	51.8	(10.9)
Actuarial loss (gain) due to scheme experience	(0.0)	2.7
Plan settlements	-	(21.1)
Benefits paid	(2.8)	(1.2)
Exchange rate effects	(33.5)	(9.3)
Projected benefit obligations (PBO) as of December 31, (a)	**186.5**	**170.4**

(a) $3.4 million and $3 million arise from unfunded plans as of December 31, 2016 and 2015, respectively.

Change in fair value of pension plan assets:

(In millions of US dollars)	2016	2015
Fair value of plan assets as of January 1,	**133.3**	**134.4**
Expected return on plan assets	4.8	4.8
Employer contributions	4.4	7.9
Employee contributions	-	1.2
Actuarial gain (loss) arising from return on plan assets	13.6	(7.0)
Benefits paid	(2.8)	(1.2)
Exchange rate effects	(24.8)	(6.6)
Fair value of plan assets as of December 31,	**128.5**	**133.3**

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

	December 31,	
(In millions of US dollars)	2016	2015
Projected benefit obligation (PBO)	186.5	170.4
Fair value of plan assets	128.5	133.3
Net pension liability	**58.0**	**37.1**

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:

	Year ended December 31,	
(In millions of US dollars)	2016	2015
Service cost	0.3	3.6
Interest cost	6.0	6.7
Expected return on plan assets/net interest cost	(4.8)	(4.9)
Plan settlements	-	(21.1)
Social security tax	0.1	0.1
Net periodic pension cost	**1.6**	**(15.7)**

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

	December 31,	
(In millions of US dollars)	2016	2015
Actuarial gain (loss), arising from changes in demographic assumptions	5.8	1.5
Actuarial gain (loss), arising from changes in financial assumptions	(52.4)	10.9
Actuarial gain (loss) due to scheme experience	(0.0)	(2.7)
Actuarial gain (loss) arising from return on plan assets	13.8	(6.8)
Net actuarial gain (loss) recognized in other comprehensive income	**(32.8)**	**3.0**

Significant acturial assumptions:

	2016		2015	
	Norway	UK	Norway	UK
Discount rate	2.60 %	2.70 %	2.50 %	3.90 %
Return on plan assets	-	2.70 %	-	3.90 %
Compensation increase	2.50 %	-	2.50 %	-

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:

	December 31,	
(In millions of US dollars)	**2016**	**2015**
Fair value plan assets	128.5	133.3
Plan assets at fair value with quoted prices in active markets for identical assets		
Equity/diversified growth funds	45 %	47 %
Debt securities	40 %	39 %
Real estate	12 %	11 %
Other	3 %	3 %
Total	**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:

	1% increase in discount rate	1% decrease in discount rate
Increase (decrease) in benefit obligations (PBO)	(20.8 %)	28.1 %

The Company expects to contribute approximately $4 million to its defined benefit pension plans in 2017.

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 $7.3 million and $6.5 million for 2016 and 2015, respectively. Plan contributions made by employees aggregated $6.0 million and $5.4 million for 2016 and 2015, respectively.

Note 25 – Shareholder Information

At the Annual General Meeting ("AGM") held on May 11, 2016, authority was given for the Board of Directors to acquire treasury shares at a maximum face value of in total NOK 71 873 998. Under no circumstances can the Company acquire shares leading to an aggregate number of treasury shares exceeding 10 percent of the total number of shares. The shares may be used to meet obligations arising from employee incentive schemes; as part of consideration payable for acquisitions made by the Company; as part of consideration for any mergers, demergers or acquisitions; 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 71 873 998 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, debt repurchases or to raise funds to strengthen the Company's capital base. The authorization includes the right to increase the Company's share capital in return for non-cash contributions and the right to assume special obligations on behalf of the Company. The Board was also authorized to issue convertible bonds at a total amount of NOK 3 500 000 000. The share capital of the Company may be increased by a total amount of NOK 71 873 998 as a result of the convertible loans being converted into equity. 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, 2017.

As of December 31, 2015, Petroleum Geo-Services ASA had a share capital of NOK 718 739 998 on 239 579 996 shares of par value NOK 3 each, all fully paid. On December 15, 2016, the share capital was increased through a private placement with gross proceeds of NOK 1 923.8 million. As a result, the share capital as of December 31, 2016, was NOK 975 239 988 on 325 079 996 shares of par value NOK 3 each, all fully paid.

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 not propose any dividend to the AGM in 2017 for the year ended December 31, 2016.

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

	Treasury shares	% of total shares outstanding
Balance as of January 1, 2015	**3 685 019**	
Sale of treasury shares November 12, 2015	(1 800 000)	
Used to fulfill employee benefit programs in 2015 (note 27)	(489 450)	
Balance as of December 31, 2015	**1 395 569**	**0.58 %**
Used to fulfill employee benefit programs in 2016 (note 27)	(705 665)	
Balance as of December 31, 2016	**689 904**	**0.21 %**

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

	December 31, 2016	
	Total shares	Ownership percent
Ferd AS	35 823 200	11.02
DNB Asset Management AS	30 341 901	9.33
Folketrygdfondet	17 019 735	5.24
Edinburgh Partners Limited	16 290 814	5.01
Lancaster Investment Management LLP	11 539 164	3.55
Kiltearn Partners LLP	9 644 195	2.97
Hermes Investment Management Ltd.	7 554 465	2.32
KLP Forsikring	6 390 748	1.97
M & G Investment Management Ltd.	6 172 710	1.90
Danske Capital (Norway)	5 696 403	1.75
Dimensional Fund Advisors, L.P.	5 327 525	1.64
Schroder Investment Management Ltd. (SIM)	5 299 698	1.63
Henderson Global Investors Ltd.	4 592 274	1.41
Statoil Kapitalforvaltning ASA	4 074 157	1.25
Swedbank Asset Management AS	4 068 954	1.25
Handelsbanken Asset Management	3 960 938	1.22
Eika Kapitalforvaltning AS	3 287 556	1.01
Carnegie Kapitalforvaltning AS	3 192 761	0.98
Legal & General Investment Management Ltd.	3 190 808	0.98
TT International	3 103 587	0.95
Other shareholders	138 508 403	42.61
Total	**325 079 996**	**100.0**

(a) The data in this table is provided by Nasdaq Advisory Services and is obtained through an analysis of beneficial ownership and fund manager information provided in replies to disclosure of ownership notices issued to all custodians in relation to the PGS share register provided by the Norwegian Central Securities Depository (VPS). Every reasonable effort has been made to verify the data, however neither PGS nor Nasdaq Advisory Services can guarantee the accuracy of the analysis.

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

	December 31, 2016	
	Total shares	Ownership percent
Board of Directors		
Walter Qvam, Chairperson	---	---
Holly Van Deursen	2 000	(a)
Daniel J. Piette	10 000	(a)
Carol Bell	5 000	(a)
Anne Grethe Dalane	---	---
Morten Borge	---	---
Berit Osnes	12 943	(a)
Anette Valbø	5 722	(a)
Espen Vollan Grimstad	783	(a)

Chief Executive Officer and Other Executive Officers		
Jon Erik Reinhardsen, President and Chief Executive Officer	310 574	(a)
Gottfred Langseth, Executive Vice President and Chief Financial Officer	128 506	(a)
Rune Olav Pedersen, Executive Vice President and General Counsel	23 017	(a)
Guillaume Cambois, Executive Vice President Imaging and Engineering	147 296	(a)
Magne Reiersgard, Executive Vice President Marine Contract	46 363	(a)
Per Arild Reksnes, Executive Vice President Operations	48 518	(a)
Sverre Strandenes, Executive Vice President MultiClient	53 621	(a)

(a) Less than 1% of the Company's share as of December 31, 2016.

Note 26 – Related Party Transactions

The following transactions were carried out with related parties:

	Year ended December 31,	
(In millions of US dollars)	**2016**	**2015**
Sale of goods and services		
Associates – MultiClient data	58.5	25.0
Associates – Other services	2.3	-
Purchase of goods and services		
The Kongsberg Group (a)	5.3	20.9

(a) The Chairperson Mr. Walter Qvam left the position as CEO of the Kongsberg Group in June 2016. The disclosed transactions for 2016 are for the period until his resignation.

The Company did not have any significant outstanding balances with related parties as of December 31, 2016 and 2015.

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

Chief Executive Officer (CEO), other Executive Officers and Directors of the Company are also on the Board of certain customers and suppliers.
As of December 31, 2016 and 2015, the Company did not have any significant outstanding balances with any of these companies.

Note 27 – Share Based Payment Programs

Options, RSU's and PRSU's granted under the Company's employee share based programs are as follows:

Grant Year	Options, RSU's and PRSU's granted	Additional options granted year	Additional options granted	Description
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	2014/2016	10,500/2,000	Restricted Stock Plan (RSU)
2014	739 500	2015	2 000	Restricted Stock Plan (RSU)
2015	657 100	-	-	Restricted Stock Plan (RSU)
2015	776 100	-	-	Performance Based Restricted Stock Plan (PRSU)
2016	647 150	-	-	Restricted Stock Plan (RSU)
2016	762 150	-	-	Performance Based Restricted Stock Plan (PRSU)

The programs
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 options granted under the last share option program from 2011 expired in 2016.

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. In 2015 and 2016, the Company also granted Performance based Restricted Stock Unit programs ("PRSU"). 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 STOXX TMI Oil Equipment, Services & Distribution index adjusted for dividends and further employment by the Company.

Effect on financial statements
For the years ended December 31, 2016 and 2015, the Company recognized compensation cost with a corresponding increase in shareholders' equity of $6.1 million and $6.9 million, respectively. Total net unrecognized compensation cost as of December 31, 2016 was $7.4 million (related to RSU's and PRSU'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 and PRSU) for the years presented.

Year ended December 31, 2016

Grant date	Options outstanding December 31, 2015	Options exercised in 2016	Options forfeited in 2016	Options expired in 2016	Options outstanding December 31, 2016	Weighted-average remaining contractual term	Options exercisable December 31, 2016
2011	1 260 500	-	-	1 260 500	-	-	-
Total	**1 260 500**	**-**	**-**	**1 260 500**	**-**	**-**	**-**

Grant date	RSU share awards outstanding December 31, 2015	RSU's granted in 2016	RSU's forfeited in 2016	RSU's exercised in 2016	RSU share awards outstanding December 31, 2016	Weighted-average remaining contractual term
2013	698 330	2 000	(4 975)	(685 855)	9 500	0.8 years
2014	691 600	-	(17 250)	-	674 350	0.5 years
2015	639 250	-	(16 200)	-	623 050	1.4 years
2016	-	647 150	(2 500)	-	644 650	2.4 years
Total	**2 029 180**	**649 150**	**(40 925)**	**(685 855)**	**1 951 550**	**1.4 years**

Grant date	PRSU share awards outstanding December 31, 2015	PRSU's granted in 2016	PRSU's forfeited in 2016	PRSU's exercised in 2016	PRSU share awards outstanding December 31, 2016	Weighted-average remaining contractual term
2015	754 250	-	(16 200)	-	738 050	1.4 years
2016	-	762 150	(2 500)	-	759 650	2.4 years
Total	**754 250**	**762 150**	**(18 700)**	**-**	**1 497 700**	**1.9 years**

Year ended December 31, 2015

Grant date	Options outstanding December 31, 2014	Options exercised in 2015	Options forfeited in 2015	Options expired in 2015	Options outstanding December 31, 2015	Weighted-average remaining contractual term	Options exercisable December 31, 2015
2010	1 321 500	-	-	(1 316 500)	-	-	-
2011	1 323 000	-	(11 750)	(50 750)	1 260 500	0.4 years	1 260 500
Total	**2 644 500**	**-**	**(11 750)**	**(1 367 250)**	**1 260 500**	**0.4 years**	**-**

Grant date	RSU share awards outstanding December 31, 2014	RSU's granted in 2015	RSU's forfeited in 2015	RSU's exercised in 2015	RSU share awards outstanding December 31, 2015	Weighted-average remaining contractual term
2012	496 700	-	(7 250)	(489 450)	-	-
2013	751 415	-	(53 085)	-	698 330	0.4 years
2014	728 400	2 000	(38 800)	-	691 600	1.4 years
2015	-	657 100	(17 850)	-	639 250	2.5 years
Total	**1 976 515**	**659 100**	**(116 985)**	**(489 450)**	**2 029 180**	**1.4 years**

Grant date	PRSU share awards outstanding December 31, 2014	PRSU's granted in 2015	PRSU's forfeited in 2015	PRSU's exercised in 2015	PRSU share awards outstanding December 31, 2015	Weighted-average remaining contractual term
2015	-	776 100	(21 850)	-	754 250	2.5 years
Total	**-**	**776 100**	**(21 850)**	**-**	**754 250**	**2.5 years**

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

Grant date	Options, RSU's and PRSU's outstanding December 31, 2016	Average exercise price	Weighted average share price at grant date	Risk free rate	Dividend yield	Volatility factor	Weighted average life	Estimated fair value at grant date (average NOK/USD per share option/ RSU/PRSU)
2013 (a)	9 500	NOK 0	NOK 83.85	N/A	-	N/A	N/A	NOK 72.80/$11.97
2014 (a)	674 350	NOK 0	NOK 64.58	N/A	-	N/A	N/A	NOK 54.85/$8.77
2015 (a)	623 050	NOK 0	NOK 47.25	N/A	-	N/A	N/A	NOK 43.91/$5.62
2015 (b)	738 050	NOK 0	NOK 47.25	N/A	-	N/A	N/A	NOK 31.73/$4.06
2016 (a)	644 650	NOK 0	NOK 24.56	N/A	-	N/A	N/A	NOK 24.56/$2.99
2016 (b)	759 650	NOK 0	NOK 24.56	N/A	-	N/A	N/A	NOK 18.99/$2.32
Total	**3 449 250**							

(a) Restricted Stock Units ("RSU")
(b) Performance based Restricted Stock Units ("PRSU")

The estimated fair value of the RSU and PRSU's granted are lower than the weighted average share price at the same date as the fair value calculations include adjustment for expected dividends up to vesting. In addition, the fair value of the PRSU's is reduced due to the performance conditions in the program.

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:

	December 31,	
(In millions of US dollars)	**2016**	**2015**
Salaries and bonuses	181.9	271.4
Social security	14.7	21.1
Pension	8.9	15.8
Other benefits	30.2	29.6
Total	**235.7**	**337.9**

The Company had an average of 1 821 and 2 153 employees during the years ended December 31, 2016 and 2015, respectively.

Chief Executive Officer (CEO) and Other Executive Officers
In 2016, the Company paid compensation to its President and CEO and other executive officers as follows:

	Total compensation paid in 2016 (a)					
Name	Fixed salary	Bonus	Other benefits (b)	Total paid salary and compensation (in dollars)	Pension benefits (c)	Accrued target bonus as of December 31, 2016
Jon Erik Reinhardsen						
President and Chief Executive Officer	617 387	-	140 343	757 730	344 195	-
Gottfred Langseth						
Executive Vice President and Chief Financial Officer	420 756	-	95 314	516 070	142 258	-
Rune Olav Pedersen						
Executive Vice President, General Counsel	379 504	-	50 358	429 863	57 630	-
Guillaume Cambois						
Executive Vice President, Imaging & Engineering	367 158	-	180 871	548 029	7 504	-
Magne Reiersgard						
Executive Vice President, Operations	489 000	-	90 655	579 655	99 290	-
Per Arild Reksnes						
Executive Vice President, Marine Contract	395 747	-	89 697	485 443	98 755	-
Sverre Strandenes						
Executive Vice President, MultiClient	395 312	-	94 155	489 466	192 250	-

(a) Amounts in NOK have been translated to US Dollars using average exchange rate for 2016 of NOK/USD 8.416.
(b) Includes items such as RSU's, car allowance, telephone, internet and other minor benefits.
(c) Contribution to defined contribution plans (Norway) and earned benefits for members of the defined benefit plan.

Share options, RSU's and PRSU's held by the CEO and executive officers as of December 31, 2016 were as follows:

Name	Options as of December 31, 2015	Options granted 2016	Options forfeited 2016	Options exercised 2016	Average exercise price on exercised options (NOK)	Options expired 2016	Options as of December 31, 2016	Average exercise price on outstanding options (NOK)	Weighted average remaining contractual term
Jon Erik Reinhardsen	75 000	-	-	-	-	(75 000)	-	-	-
Gottfred Langseth	45 000	-	-	-	-	(45 000)	-	-	-
Rune Olav Pedersen	20 000	-	-	-	-	(20 000)	-	-	-
Guillaume Cambois	45 000	-	-	-	-	(45 000)	-	-	-
Magne Reiersgard	45 000	-	-	-	-	(45 000)	-	-	-
Per Arild Reksnes	45 000	-	-	-	-	(45 000)	-	-	-
Sverre Strandenes	45 000	-	-	-	-	(45 000)	-	-	-

Name	RSUs as of December 31, 2015	RSUs granted 2016	RSUs forfeited 2016	RSUs exercised 2016	RSUs expired 2016	RSUs as of December 31, 2016	Weighted average remaining contractual term
Jon Erik Reinhardsen	103 500	26 000	-	(41 500)	-	88 000	1.34
Gottfred Langseth	64 500	18 000	-	(24 900)	-	57 600	1.40
Rune Olav Pedersen	63 660	18 000	-	(11 060)	-	70 600	1.34
Guillaume Cambois	64 500	18 000	-	(24 900)	-	57 600	1.34
Magne Reiersgard	64 500	18 000	-	(24 900)	-	57 600	1.34
Per Arild Reksnes	64 500	18 000	-	(24 900)	-	57 600	1.34
Sverre Strandenes	64 500	18 000	-	(24 900)	-	57 600	1.34

Name	PRSUs as of December 31, 2015	PRSUs granted 2016	PRSUs forfeited 2016	PRSUs exercised 2016	PRSUs expired 2015	PRSUs as of December 31, 2016	Weighted average remaining contractual term
Jon Erik Reinhardsen	79 000	79 000	-	-	-	158 000	1.93
Gottfred Langseth	27 000	27 000	-	-	-	54 000	1.93
Rune Olav Pedersen	27 000	27 000	-	-	-	54 000	1.93
Guillaume Cambois	27 000	27 000	-	-	-	54 000	1.93
Magne Reiersgard	27 000	27 000	-	-	-	54 000	1.93
Per Arild Reksnes	27 000	27 000	-	-	-	54 000	1.93
Sverre Strandenes	27 000	27 000	-	-	-	54 000	1.93

In 2015, the Company paid compensation to its President and CEO and other executive officers as follows:

	Total compensation paid in 2015 (a)					
Name	Fixed salary	Bonus (b)	Other benefits (c)	Total paid salary and compensation (in dollars)	Pension benefits	Accrued target bonus as of December 31, 2015
Jon Erik Reinhardsen						
President and Chief Executive Officer	645 866	-	207 715	853 580	356 761	-
Gottfred Langseth						
Executive Vice President and Chief Financial Officer	434 769	-	136 064	570 833	151 479	-
Guillaume Cambois						
Executive Vice President, Imaging & Engineering	398 920	-	222 540	621 460	35 523	-
Magne Reiersgard						
Executive Vice President, Operations	489 000	-	133 146	622 146	98 840	-
Per Arild Reksnes						
Executive Vice President, Marine Contract	414 770	-	145 176	559 946	104 784	-
Sverre Strandenes						
Executive Vice President, MultiClient	413 601	-	143 991	557 593	201 523	-

(a) Amounts in NOK have been translated to US Dollars using average exchange rate for 2015 of NOK/USD 8.03.
(b) Includes items such as RSU's, car allowance, telephone, internet and other minor benefits.
(c) Contribution to defined contribution plans (Norway) and earned benefits for members of the defined benefit plan.

Share options RSU's and PRSU's held by the CEO and executive officers as of December 31, 2015 were as follows:

Name	Options as of December 31, 2014	Options granted 2015	Options forfeited 2015	Options exercised 2015	Average exercise price on exercised options (NOK)	Options expired 2015	Options as of December 31, 2015	Average exercise price on outstanding options (NOK)	Weighted average remaining contractual term
Jon Erik Reinhardsen	150 000	-	-	-	-	(75 000)	75 000	72.47	0.37
Gottfred Langseth	90 000	-	-	-	-	(45 000)	45 000	72.47	0.37
Guillaume Cambois	90 000	-	-	-	-	(45 000)	45 000	72.47	0.37
Magne Reiersgard	90 000	-	-	-	-	(45 000)	45 000	72.47	0.37
Per Arild Reksnes	90 000	-	-	-	-	(45 000)	45 000	72.47	0.37
Sverre Strandenes	90 000	-	-	-	-	(45 000)	45 000	72.47	0.37

Name	RSUs as of December 31, 2014	RSUs granted 2015	RSUs forfeited 2015	RSUs exercised 2015	RSUs expired 2015	RSUs as of December 31, 2015	Weighted average remaining contractual term
Jon Erik Reinhardsen	107 500	26 000	-	(30 000)	-	103 500	1.41
Gottfred Langseth	64 500	18 000	-	(18 000)	-	64 500	1.41
Guillaume Cambois	64 500	18 000	-	(18 000)	-	64 500	1.41
Magne Reiersgard	64 500	18 000	-	(18 000)	-	64 500	1.41
Per Arild Reksnes	64 500	18 000	-	(18 000)	-	64 500	1.41
Sverre Strandenes	65 500	18 000	-	(19 000)	-	64 500	1.41

Name	PRSUs as of December 31, 2014	PRSUs granted 2015	PRSUs forfeited 2015	PRSUs exercised 2015	PRSUs expired 2015	PRSUs as of December 31, 2015	Weighted average remaining contractual term
Jon Erik Reinhardsen	-	79 000	-	-	-	79 000	2.42
Gottfred Langseth	-	27 000	-	-	-	27 000	2.42
Guillaume Cambois	-	27 000	-	-	-	27 000	2.42
Magne Reiersgard	-	27 000	-	-	-	27 000	2.42
Per Arild Reksnes	-	27 000	-	-	-	27 000	2.42
Sverre Strandenes	-	27 000	-	-	-	27 000	2.42

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 2016. 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 for 2016:

Name	Position	Director since	Term expire	Compensation (In dollars)
Francis Gugen (a)	Chairperson	2003	2016	47 861
Harald Norvik (a)	Vice Chairperson	2003	2016	29 566
Walter Qvam	Chairperson	2013	2017	102 138
Daniel J. Piette	Vice Chairperson	2007	2017	106 444
Holly Van Deursen	Director	2006	2017	102 750
Carol Bell	Director	2009	2017	97 750
Anne Grethe Dalane	Director	2013	2017	91 750
Morten Borge	Director	2015	2017	81 250
Berit Osnes	Director	2015	2017	-
Anette Valbø	Director	2015	2017	-
Espen Vollan Grimstad	Director	2015	2017	-
			Total	**659 509**

(a) Francis Gugen and Harald Norvik left the Board of Directors in 2016.

The table below provides information about our Directors and compensation for 2015:

Name	Position	Director since	Term expire	Compensation (In dollars)
Francis Gugen	Chairperson	2003	2016	129 250
Harald Norvik	Vice Chairperson	2003	2016	75 620
Holly Van Deursen	Director	2006	2016	104 250
Daniel J. Piette	Director	2007	2016	113 250
Carol Bell	Director	2009	2016	100 750
Ingar Skaug (a)	Director	2009	2016	29 585
Anne Grethe Dalane	Director	2013	2016	89 920
Walter Qvam	Director	2013	2016	77 000
Morten Borge	Director	2015	2016	48 225
Berit Osnes	Director	2015	2017	-
Anette Valbø	Director	2015	2017	-
Espen Vollan Grimstad	Director	2015	2017	-
			Total	**767 850**

(a) Ingar Skaug left the Board of Directors in 2015.

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 2017 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 scheme.

The CEO and two 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 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. Normally 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 KPIs included in a personal performance contract. However, due to the extraordinary challenging market conditions the Board has decided to cancel all 2017 bonus programs, including to the CEO and the executive officers which was also the case in 2015 and 2016. Should 2017 turn out to be materially better than anticipated the Board may elect to give the CEO, the executive officers and other employees a bonus at the Board's discretion. Such bonus will in any case be substantially lower than what would have followed from the normal performance bonus scheme. The Board expects that it will reinstate the regular annual bonus programs in 2018.

The Annual General Meetings in 2013, 2014, 2015 and 2016 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 2017 Annual General Meeting a Long Term Incentive program similar to the 2016 Long Term Incentive Program. The 2017 Long Term Incentive Program will for the CEO and executive officers consist of 80% Performance based Restricted Stock Units ("PRSU") and 20% Restricted Stock Units ("RSU"). Settlement of 75% 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 a the companies in STOXX TMI Oil Equipment, Services & Distribution index adjusted for dividends and further employment by the Company. Settlement of 25% of the PRSUs and subsequent transfer of shares to the eligible employee will take place three years later subject to the Company achieving a set goal on cash flow after capex for the three preceding financial years. The Board of Directors will set the cash flow after capex target prior to award of the PRSUs. Settlement of the RSUs and subsequent transfer to the eligible employee 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 2017. The full Long Term Incentive Plan including all targets, terms and conditions will be presented to the Annual General Meeting in May 2017 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 2017.

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 number of managers and key employees are normally included in performance based remuneration schemes, which contain all or some of the

above mentioned elements (not applicable for 2017). In addition, all other employees may traditionally receive up to a maximum of one month salary in annual bonus (not applicable for 2017).

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 normally engages 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 executive officers 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 2016 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, are as follows (exclusive VAT and including out of pocket expenses):

	Year ended December 31,	
(In millions of US dollars)	**2016**	**2015**
Audit fees	1.6	1.5
Tax and other services	0.4	0.1
Total	**2.0**	**1.6**

Note 29 – Subsidiaries

The ownership percentage in subsidiaries as of December 31, 2016, 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 Investigacào Petrolifera Limitada	Brazil	100 %
PGS Onshore do Brazil Ltda.	Brazil	100 %
PGS Onshore Servicos Ltda.	Brazil	100 %
PGS Suporte Logistico e Servicos Ltda.	Brazil	100 %
PGS Overseas Operation (Cyprus) Limited	Cyprus	89.9%
PGS Data Processing Middle East SAE	Egypt	100 %
PGS Egypt for Petroleum Services	Egypt	100 %
PGS Ghana Limited	Ghana	90 %
PT Nusantara	Indonesia	94 %
PGS Marine Services (Isle of Man) Ltd.	Isle of Man	100 %
PGS Japan K.K.	Japan	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 %
P.G.S Imaging S.A. de C.V	Mexico	100 %
PGS Geophysical (Netherlands) B.V.	Netherlands	100 %
PGS Exploration (Nigeria) Ltd.	Nigeria	100 %
Multiklient Invest AS	Norway	100 %
PGS Falcon AS	Norway	100 %
PGS Geophysical 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 %
PGS Geophysical (UK) Ltd.	United Kingdom	100 %
PGS Geophysical Services (UK) Ltd.	United Kingdom	100 %
Arrow Seismic Invest IV 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 %
Overseas CO., C.A.	Venezuela	100 %
Venezuela Overseas Co., C.A.	Venezuela	100 %

Subsidiaries with minority interests are not considered significant and as such, are not disclosed in the consolidated statements of financial position and the consolidated statement of changes in shareholders' equity.

Note 30 – Other Charges, Net

(In millions of US dollars)	Year ended December 31, 2016	2015
Stacking and upgrade cost	-	(17.6)
Restructuring cost	(4.7)	(16.3)
Onerous contracts with customers	3.7	(11.1)
Other	0.4	(4.0)
Total	**(0.6)**	**(49.0)**

Note 31 – Subsequent Events

On January 5, 2017, PGS completed a subsequent offering for the shareholders that were not allocated shares in in the private placement announced on November 22, 2016. In the subsequent offering 13 500 000 shares were issued at a price of NOK 22.5 per share, resulting in gross proceeds of approximately $35 million.

Financial Statements – Parent Company

Petroleum Geo-Services ASA (Parent Company)

Statements of Profit and Loss

		Year ended December 31,	
(In millions of NOK)	Note	**2016**	**2015**
Revenue	2	**65.9**	**74.0**
Cost of sales		(3.2)	1.2
Selling, general, administrative and other costs	2, 14	77.1	105.0
Total operating expenses		**73.9**	**106.2**
Operating loss		**(8.0)**	**(32.2)**
Interest expense, net	2, 3	(370.0)	(270.3)
Impairment, net of reversal of impairment on shares in subsidiaries/			
Intercompany receivables	1, 6	(921.7)	(1 068.1)
Dividends/group contributions received from subsidiaries	2	204.0	(27.0)
Other financial items, net	2, 4	(109.4)	(588.4)
Income (loss) before income tax		**(1 205.1)**	**(1 986.0)**
Income tax	5	(395.1)	197.6
Net income (loss)		**(1 600.2)**	**(1 788.4)**

Petroleum Geo-Services ASA (Parent Company)

Statements of Financial Position

(In millions of NOK)	Note	December 31, 2016	2015
ASSETS			
Long-term assets:			
Deferred tax assets	5	461.3	866.1
Shares in subsidiaries	1, 6	12 094.3	12 993.2
Intercompany receivables	1, 2, 6	7 730.2	6 873.1
Other long-term assets		135.9	-
Total long-term assets		**20 421.7**	**20 732.4**
Current assets:			
Short-term intercompany receivables	2	151.9	45.6
Other current assets		1.3	15.1
Restricted cash	7	36.7	2.5
Cash and cash equivalents		138.0	181.0
Total current assets		**328.0**	**244.2**
Total assets		**20 749.7**	**20 976.6**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity:			
Common stock; par value NOK 3; issued and outstanding 325,079,996 shares	8	975.2	718.7
Treasury shares, par value	8	(2.1)	(4.2)
Additional paid-in capital	8	4 937.9	3 264.5
Total paid-in capital		5 911.1	3 979.0
Other equity	8	4 161.4	5 758.7
Total shareholders' equity		**10 072.5**	**9 737.7**
Long-term liabilities:			
Long-term debt	9, 10	6 910.9	7 521.8
Intercompany debt	1, 2	3 582.9	3 554.0
Other long-term liabilities	11	23.4	25.2
Total long-term liabilities		**10 517.1**	**11 101.0**
Current liabilities:			
Short-term intercompany debt	2	1.6	-
Accrued expenses and other short-term liabilities	13	158.5	138.0
Total current liabilities		**160.1**	**138.0**
Total liabilities and shareholders' equity		**20 749.7**	**20 976.6**

Oslo, March 15, 2017
Board of Directors
Petroleum Geo-Services ASA

Walter Qvam
Chairperson

Morten Borge

Carol Bell

Holly Van Deursen

Daniel J. Piette

Berit Osnes

Anette Valbø

Espen Grimstad

Anne Grethe Dalane

Jon Erik Reinhardsen
Chief Executive Officer

Petroleum Geo-Services ASA (Parent Company)

Statements of Cash Flows

		Year ended December 31,	
(In millions of NOK)	Notes	**2016**	**2015**
Cash flows provided by (used in) operating activities:			
Net income (loss)		(1 600.2)	(1 788.4)
Adjustments to reconcile net income to net cash used in operating activities:			
Changes in deferred tax assets	5	404.8	(200.6)
Impairment, net of reversal of impairment of shares/intercompany receivables	6	921.7	1 068.1
Dividend/group contribution	2	(204.0)	27.0
Foreign exchange (gain) loss, unrealized	4	(76.7)	504.6
Changes in current assets and current liabilities		395.3	227.9
Other items		27.2	78.1
Net cash provided by (used in) operating activities		**(131.9)**	**(83.3)**
Cash flows provided by (used in) investing activities:			
Investment in subsidiaries and changes intercompany receivables, net	6	(675.1)	493.9
Investment in other current- and long-term assets		(143.0)	-
Change in restricted cash		(34.0)	-
Net cash provided by (used in) investing activities		**(852.1)**	**493.9**
Cash flows provided by (used in) financing activities:			
Deferred loan costs from debt refinancing and amendments	9	(97.6)	(14.3)
Net drawdown of Revolving Credit Facility	9	1 414.4	(598.2)
Proceeds from sale of treasury shares/share issue	8	1 878.3	833.9
Repayment of long-term debt	9	(1 813.3)	(32.1)
Investment in/sale of own shares, net		-	68.8
Dividend paid to shareholders of PGS ASA	8	-	(149.9)
Interest paid		(436.4)	(399.8)
Net cash provided by (used in) financing activities		**945.4**	**(291.6)**
Net increase (decrease) in cash and cash equivalents		**(38.6)**	**118.9**
Effect of exchange rate changes on cash and cash equivalents		(4.4)	18.7
Cash and cash equivalents at beginning of year		181.0	43.5
Cash and cash equivalents at end of year		**138.0**	**181.0**

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 profit and loss. 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 6) 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 statement of cash flows is set up using the indirect method.

Note 2 – Intercompany Transactions

PGS ASA has significant intercompany transactions with its subsidiaries. Transactions with subsidiaries are mainly related to business support functions and financing activities. Dividends/group contributions from subsidiaries was NOK 204 million for 2016. Group contribution to subsidaries was 27 million for 2015 which was due to an adjustment of the group contribution for 2014. In addition, PGS Geophysical AS allocated costs to PGS ASA amounting to NOK 10.6 million for 2016 and NOK 12.3 million for 2015. Intercompany transactions in the statements of profit and loss consist of:

Subsidiaries	**Year ended December 31, 2016**		
(In millions of NOK)	**Revenues**	**Net interests**	**Net Receivables/ Liabilities**
Arrow Seismic Invest IV Ltd.	-	10.6	293.2
Arrow Seismic Invest VI Ltd.	-	-	54.4
Multiklient Invest AS	19.4	72.2	1 858.4
Natuna Ventures Pte. Ltd.	-	-	98.9
Petroleum Geo-Services, Inc.	0.1	35.1	912.0
Petroleum Geo-Services (UK) Ltd.	-	(43.9)	(1 253.7)
PGS Americas, Inc	0.8	(8.3)	61.6
Petroleum Geo-Services Asia Pacific Pte. Ltd.	5.1	(46.0)	(1 510.6)
PGS Australia PTY Ltd	3.6	-	603.5
PGS Data Processing S.A. de C.V.	1.1	-	137.9
PGS Data Processing and Technology Sdn. Bhd	0.1	-	(11.1)
PGS Data Processing Middle East SAE (Egypt)	0.7	(4.3)	(95.5)
PGS Egypt for Petroleum Services	0.6	0.5	(1.7)
PGS EM Ltd.	-	26.7	743.9
PGS Exploration (M) SDN BHD	1.2	-	53.2
PGS Geophysical Nigeria Limited	0.4	-	104.7
PGS Exploration (UK) Ltd	9.7	15.8	369.3
PGS Falcon AS	-	22.0	1 477.6
PGS Geophysical Netherlands BV	-	47.6	1 481.7
PGS Geophysical AS	11.3	40.5	415.1
PGS Imaging, Inc	3.2	(17.4)	(246.7)
PGS Investigacào Petrolifera Ltda.	5.6	-	223.9
PGS Japan K.K.	-	(0.7)	(29.4)
PGS Geophysical (UK) Ltd.	-	(1.5)	(41.4)
PGS Geophysical Services (UK) Ltd.	-	(1.0)	(27.6)
PGS Geophysical (Angola) Ltd.	-	(0.3)	(12.1)
PGS Onshore do Brazil Participacões Ltda.	-	-	44.8
PGS Reservoir Ltd	0.6	(2.1)	(49.4)
PGS Seismic (UK) Ltd.	-	(1.8)	(49.1)
PGS Servicios CA	-	-	15.9
PGS Shipping AS	-	(14.9)	567.8
PGS Suporte Logistico e Servicos Ltda.	1.3	(0.2)	38.8
PGS Technology (Sweden) AB	-	(0.6)	(15.0)
PGS Titans AS	-	5.7	281.8
PGS Venezuela de C.A.	-	-	34.0
PT Petroprima Geo-Servis Nusantara	-	-	70.5
Seahouse Insurance Ltd.	0.6	(5.7)	(141.9)

Seismic Exploration (Canada) Ltd.	-	(2.6)	(73.8)
Other	0.4	(8.2)	(3.8)
Sum transactions intercompany	-	-	6 380.1
Accumulated impairment	-	-	(2 082.5)
Net transactions intercompany	**65.9**	**117.2**	**4 297.7**

Subsidiaries	**Year ended December 31, 2015**		
(In millions of NOK)	**Revenues**	**Net interests**	**Net Receivables/ Liabilities**
Arrow Seismic Invest IV Ltd.	-	8.5	287.0
Arrow Seismic Invest VI Ltd.	-	-	55.5
Multiklient Invest AS	8.8	42.5	1 384.2
Natuna Ventures Pte. Ltd.	-	-	100.8
Oslo Seismic Services Ltd (IOM)	-	1.4	(48.3)
Petroleum Geo-Services, Inc.	-	23.0	935.7
Petroleum Geo-Services (UK) Ltd.	-	(38.8)	(1 230.4)
PGS Americas, Inc	0.1	(2.3)	(192.7)
Petroleum Geo-Services Asia Pacific Pte. Ltd.	2.4	(14.2)	(869.7)
PGS Australia PTY Ltd	3.4	-	709.5
PGS Data Processing S.A. de C.V.	0.1	-	154.1
PGS Data Processing and Technology Sdn. Bhd	-	-	(82.0)
PGS Data Processing, Inc.	1.7	(11.9)	(113.7)
PGS Data Processing Middle East SAE (Egypt)	0.2	(3.0)	(118.8)
PGS Egypt for Petroleum Services	8.0	(0.9)	13.7
PGS EM Ltd.	-	23.3	726.6
PGS Exploration (M) SDN BHD	1.3	-	44.3
PGS Exploration (UK) Ltd	4.1	9.3	439.9
PGS Falcon AS	-	18.1	337.6
PGS Geophysical (Netherlands) B.V.	-	19.3	807.8
PGS Geophysical AS	36.3	29.6	1 451.0
PGS Imaging, Inc	-	-	(254.7)
PGS Investigacào Petrolifera Ltda.	0.3	3.0	587.7
PGS Japan K.K.	-	(1.1)	(34.7)
PGS Geophysical Nigeria Limited	-	-	151.1
PGS Onshore do Brazil Participacões Ltda.	-	-	45.7
PGS Overseas	0.5	(13.4)	(350.1)
PGS Reservoir Ltd	0.3	(0.5)	(38.9)
PGS Seismic (UK) Ltd.	-	-	(48.3)
PGS Shipping AS	-	35.8	386.3
PGS Suporte Logistico e Servicos Ltda.	-	-	23.7
PGS Titans AS	-	4.2	34.7
PGS Venezuela de C.A.	-	-	35.7
PT Petroprima Geo-Servis Nusantara	-	-	72.1
Seahouse Insurance Ltd.	0.4	(3.3)	(135.0)
Seismic Exploration (Canada) Ltd.	-	(2.7)	(70.9)
Other	6.2	6.5	388.1
Sum Intercompany transactions	-	-	5 584.5
Accumulated impairment	-	-	(2 219.7)
Net transactions intercompany	**74.0**	**132.4**	**3 364.8**

Note 3 – Interest Expense, Net

Interest expense, net, consists of:

	Year ended December 31,	
(In millions of NOK)	2016	2015
Interest income, external	15.6	2.7
Interest income, intercompany	266.0	532.1
Interest expense, external	(502.8)	(405.4)
Interest expense, intercompany	(148.8)	(399.6)
Total	**(370.0)**	**(270.3)**

Note 4 – Other Financial Items, Net

Other financial items, net, consist of:

	Year ended December 31,	
(In millions of NOK)	2016	2015
Foreign currency (loss) gain, realized and unrealized	(124.6)	(504.6)
Other	15.2	(83.9)
Total	**(109.4)**	**(588.4)**

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:

	Year ended December 31,	
(In millions of NOK)	2016	2015
Income before income taxes	(1 205.1)	(1 986.0)
Norwegian statutory tax rate	25 %	27 %
Provision for income taxes at the statutory rate	301.3	536.2
Increase (reduction) in income taxes from:		
Change in Norwegian statutory tax rate (a)	(39.2)	(69.1)
Foreign taxes	7.3	(0.5)
Impairment (reversal) of shares in subsidiaries	(249.9)	(208.0)
Impairment of intercompany receivables	57.8	(66.3)
Other permanent items	6.5	5.1
Changes in unrecognized deferred tax assets	(478.8)	-
Income tax expense (benefit)	**(395.1)**	**197.6**

(a) The Norwegian corporate income tax rate was reduced from 25% to 24% effective from January 1, 2017. As a result, a reduction in deferred tax asset of 39.2 million was recognized in 2016. Effective January 1, 2016 the Norwegian corporate income tax rate was reduced from 27% to 25% which reduced the deferred tax asset with 69.1 million in 2015.

	Year ended December 31,	
(In millions of NOK)	2016	2015
Temporary differences relate to:		
Pension liabilities (b)	4.8	4.5
Intercompany receivables	86.5	51.8
Unrealized exchange gain (loss)	9.3	4.5
Other	17.2	20.1
Tax losses carried forward	822.2	785.2
Deferred tax assets, net	940.2	866.1
Deferred tax assets, net recognized in the statement of financial position	(478.8)	-
Deferred tax assets	**461.3**	**866.1**

(b) Change in deferred tax for actuarial gains/losses on pensions are recognized directly to shareholder's equity (see note 8 and 12).

Note 6 – Shares in Subsidiaries and Intercompany Receivables

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

	Registered office	Shareholding (a)	Book value as of 12/31/2016 (in millions of NOK) (b)	Equity as of 12/31/2016 (in millions of NOK) (b)	Impairments 2016 (in millions of NOK)	Net income 2016 (in millions of NOK) (b)
PGS Geophysical AS (d)	Oslo	100 %	4 460.7	2 606.0	373.8	(996.3)
Petroleum Geo-Services Asia Pacific Pte. Ltd.	Singapore	100 %	3 148.7	4 312.7	-	(287.4)
PGS Titans AS	Oslo	100 %	1 390.0	2 661.0	-	219.7
Petroleum Geo-Services (UK) Ltd.	London	100 %	1 433.4	1 478.5	-	45.5
PGS Falcon AS	Oslo	100 %	445.1	445.1	(790.5)	(764.5)
PGS Shipping AS	Oslo	100 %	198.5	198.5	(372.6)	(207.3)
Multiklient Invest AS	Oslo	100 %	989.7	1 573.4	-	580.5
Seahouse Insurance Ltd.	Bermuda	100 %	27.6	175.8	-	62.3
PGS Japan K.K.	Japan	100 %	0.6	29.7	0.6	4.4
PGS Geophysical Nigeria Ltd.	Nigeria	100 %	-	(48.7)	-	(29.1)
PGS EM Ltd.	Scotland	100 %	-	(745.8)	-	(34.2)
Petroleum Geo-Services, Inc.	Houston	100 %	-	(222.7)	-	(47.6)
PGS Australia Pty Ltd	Perth	100 %	-	(171.7)	-	(97.4)
PGS Venezuela de C.A.	Venezuela	100 %	-	(29.2)	-	(1.6)
PGS Investigacào Petrolifera Ltda.	Brazil	99 %	-	(288.3)	(210.7)	402.3
PGS Suporte Logistico e Servicios Ltda. (c)	Brazil	1 %	-	(0.6)	-	10.8
PGS Onshore do Brazil Participacões Ltda. (c)	Brazil	0 %	-	-	(0.1)	(1.7)
PT Petroprima Geo-Servis Nusantara	Indonesia	93 %	-	(64.8)	-	-
PGS Data Processing S.A. de C.V.	Mexico	100 %	-	(45.2)	-	7.3
PGS Data Processing Middle East SAE (Egypt)	Egypt	100 %	-	137.6	-	0.4
Total			**12 094.3**		**(999.6)**	

(a) Voting rights are equivalent to shareholding for all companies.
(b) The numbers are preliminary and statutory audit has not been completed.
(c) The remaining shareholding is held by PGS Geophysical AS.
(d) PGS Overseas AS merged with PGS Geophysical AS in 2016.

In 2015, PGS ASA recognized impairment charges totaling NOK 770.3 million on shares in subsidiaries, mainly due to impairment of PGS Shipping AS.

In 2016, in addition to the NOK 999.6 million impairment of shares in subsidiaries, PGS ASA recognized net reversal of impairment charges on intercompany receivables totaling NOK 77.9 million, compared to impairment charges of NOK 297.7 million in 2015.

As of December 31, 2016, PGS ASA has accumulated impairment charges related to shares in subsidiaries and intercompany receivables totaling NOK 6.5 billion and NOK 2.1 billion, respectively.

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

Note 7 – Restricted Cash

Restricted cash consists of:

	December 31,	
(In millions of NOK)	**2016**	**2015**
Payroll withholding taxes	2.3	2.5
Deposit investment	34.5	-
Total	**36.7**	**2.5**

Note 8 – Shareholders' Equity

Changes in shareholders' equity for the years ended December 31, 2016 and 2015 are as follows:

	Paid-in capital				
(In millions of NOK)	Common stock	Own shares, par value	Additional paid-in capital	Other equity	Shareholders' equity
Balance as of January 1, 2015	**653.4**	**(11.1)**	**2 437.9**	**7 488.2**	**10 568.4**
Share issue	65.3	-	768.5	-	833.9
Sale of treasury shares	-	5.4	-	63.4	68.8
Employee benefit plans	-	1.5	6.9	-	8.4
Employee share options recharged to subsidiaries	-	-	51.1	-	51.1
Interest rate swaps (net of tax)	-	-	-	(5.5)	(5.5)
Actuarial gains and losses charged to equity (net of tax)	-	-	-	1.0	1.0
Net income	-	-	-	(1 788.4)	(1 788.4)
Balance as of December 31, 2015	**718.7**	**(4.2)**	**3 264.5**	**5 758.7**	**9 737.7**
Share issue	256.5	-	1 621.8	-	1 878.3
Employee benefit plans	-	2.1	8.6	(2.1)	8.6
Employee share options recharged to subsidiaries	-	-	43.0	-	43.0
Interest rate swaps (net of tax)	-	-	-	4.6	4.6
Actuarial gains and losses charged to equity (net of tax)	-	-	-	0.5	0.5
Net income	-	-	-	(1 600.2)	(1 600.2)
Balance as of December 31, 2016	**975.2**	**(2.1)**	**4 937.9**	**4 161.4**	**10 072.5**

PGS ASA completed a private placement of NOK 919.6 million in November 2015 by issuing 21 779 999 new shares at the price of NOK 39 per share and at the same time sold 1 800 000 treasury shares at the same price. The shares issue has increased the equity by NOK 833.9 million, net of transaction costs of NOK 11.2 million (net of tax). The proceeds from the sale of treasury shares were NOK 68.8 million, net of transaction cost of NOK 1.4 million.

As of December 31, 2015 share capital was NOK 718 739 997 consisting of 239 579 996 shares of par value NOK 3. On December 15, 2016, the share capital was increased through a private placement with gross proceeds of NOK 1 923.8 million, net of transaction costs of NOK 45.5 million. As a result, the share capital as of December 31, 2016, was NOK 975 239 988 on 325 079 996 shares of par value NOK 3 each, all fully paid.

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 9 and 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.

Note 9 – Debt and Guarantees

Long-term debt

Long-term debt consists of the following:

	December 31,	
(In millions of NOK)	2016	2015
Secured:		
Term loan B, Libor (minimum 75 bp) + 250 Basis points, due 2021	3 350.7	3 453.2
Revolving credit facility, due 2020 (a)	1 636.6	219.7
Unsecured:		
Senior notes, Coupon 7.375%, due 2018	224.0	3 954.2
Senior notes, Coupon 7.375%, due 2020	1 826.1	-
Total	**7 037.4**	**7 627.1**
Less current portion	(34.5)	(35.1)
Less deferred loan costs, net of debt premiums	(92.1)	(70.2)
Total long-term debt	**6 910.9**	**7 521.8**

Undrawn facilities consist of the following:

	December 31,	
(In millions of NOK)	2016	2015
Secured:		
Revolving credit facility, due 2020 (a)	1 808.9	4 173.8
Unsecured:		
Bank facility (NOK 50 mill)	50.0	50.0
Performance bond	107.7	94.0
Total	**1 966.6**	**4 317.8**

(a) The latest amendment of the Senior secured credit facility took place with effective December 23, 2016, when the maturity date of the RCF was extended with two years to 2020. The RCF was by this amendment reduced from $500 million to $400 with a further reduction to $350 from its original maturity date in September 2018 to September 2020.

Credit Facility (Term Loan B and Revolving Credit Facility)
On June 29, 2007, the Company entered into a $950 million senior secured credit agreement (the "Credit Facility"). It consisted of a $600 million term loan B facility (the "Term Loan") and a $350 million Revolving Credit Facility (the "Revolving Facility") with Petroleum Geo-Services ASA and PGS Finance, Inc., as co-borrowers. Proceeds of loans under the Revolving Facility may be used for the general corporate purposes. Revolving loans may be made at any time prior to the final maturity of the Revolving Facility. Borrowings under the Credit Facility are secured by pledges of shares of material subsidiaries and are guaranteed by the same material subsidiaries.

The Revolving Facility originally maturing in June 2012 was in January 2011 extended to May 15, 2015 for the same amount and again in September 2013 to September 18, 2018 and at the same time increased from $350 million to $500 million. In November 2016, effective from December 23, 2016 the Company extended the maturity date to September 18, 2020 and the amount was reduced to $400 million upon the effectiveness of the Revolving Facility Amendments and to $350 million from September 18, 2018. Pursuant to the terms of the Revolving Facility, our total leverage ratio cannot exceed 5.50:1 for the quarter ending December 31, 2016 through and including the quarter ending June 30, 2017. For the quarter ending September 30, 2017, the maximum total leverage ratio will be 5.25:1, for the quarter ending December 31, 2017, the ratio will be 4.75:1 and for the quarter ending March 31, 2018, the ratio will be 4.25:1. Thereafter, the maximum total leverage ratio will be tightened by 0.25:1 each quarter through the quarter ending June 30, 2019. From the period ending September 30, 2019, the maximum total leverage ratio will remain at 2.75:1. Borrowings under the Revolving Facility have an interest rate equal to an adjusted LIBOR rate plus a margin in the interval from 3.25% to 6.25% dependent on the reported total leverage ratio at the end of the previous quarters through September 17, 2019 and from 3.75% to 6.75% dependent on the reported total leverage ratio from and after September 18, 2019, with additional utilization fees dependent on the amount drawn (less than $150 million: 0.25%; between $150 million and $300 million: 0.50%; over $300 million: 0.80%), and a commitment fee on undrawn amounts of 50% of the applicable margin. In the Fourth Amendment to the Credit Agreement that came into effect in October 2015, the Company agreed some further restriction on dividend and a minimum consolidated liquidity. The Revolving Facility also contains a minimum consolidated liquidity covenant as long as the total leverage ratio exceeds 2.75:1. If total leverage ratio exceeds 2.75:1, consolidated unrestricted cash and cash equivalents and the unused and available revolving commitments shall not be less than the amount equal to the greater of (a) $75 million and (b) 5% of the consolidated net interest-bearing indebtedness. Dividends may not be declared or paid before April 1, 2017 and can only be declared or paid if our total leverage ratio is below 2.75:1 for the two most recent quarters and the total leverage ratio requirement is reset to 2.75:1 for the remaining term of the Credit Agreement.

The Term Loan, originally maturing in 2015, was amended and extended in March 2014, with a new tenor of seven years and now matures in 2021. The floating interest rate was revised to LIBOR (but minimum 0.75%) + 2.50% and the amount reduced to $400 million by using existing cash to repay $70.5 million of principal. The Term Loan is amortized by $4 million per year. The Term Loan has no financial maintenance covenants.

The Credit Facility contains financial covenants and negative covenants that restrict us in various ways. The facility provides that:

i) for the Revolving Facility the total leverage ratio may not exceed the threshold agreed in the November 2016 extension and amendment (maintenance covenant). The Credit Facility combined (Revolving Facility and Term Loan) has an incurrence test prohibiting us from incurring more senior indebtedness, with certain exceptions, if the total leverage ratio is above 3.00:1.0. The Credit Facility loan agreement permits us to borrow an additional sum of specific secured debt limited to: $1,850 million less the sum of (A) any Revolving Facility commitments outstanding, (B) Term Loans outstanding and (C) Permitted vessel financing indebtedness outstanding, either as a term loan or as a Revolving Facility, provided that the total leverage ratio does not exceed 2.75:1. Such potential additional borrowing is not committed (except for secured un-drawn debt in the table), but would be secured by the same collateral that secures the Term Loan and borrowings under the existing Revolving Facility. As long as the Company does not exceed a total leverage ratio of 3.00:1, the Company can incur further senior unsecured debt. Drawing of the committed Revolving Facility is exempted from the incurrence test.

(ii) the Credit Facility generally requires the Company to apply 50% of excess cash flow to repay outstanding Term Loan 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 (excluding capital expenditure financed by certain borrowings), MultiClient investments and scheduled debt services (excluding certain debt incurred to finance capital expenditures) during that period, and on the Company's option 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 Facility and Notes Indenture (described below) restrict or could restrict our 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 (including restrictions when our total leverage ratio exceeds 3.0 to 1.0); pay dividends and distributions or re-purchase 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 Revolving Facility has a $60 million sub-limit for issuance of letters of credit. Under the Revolving Facility, 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, 2016, the Company had zero outstanding standby letters of credit under the Revolving Facility.

At December 31, 2016, the Company had $389 million outstanding under the Term Loan and $190 million outstanding under the Revolving Facility.

Senior notes, Coupon 7.375%, due 2018 ("Old Notes")
The Old Notes were issued in two separate transactions. On November 15, 2011, the Company issued $300 million aggregate principal amount of 7.375% Senior Notes due 2018 (the "Original Notes") in an offering that was not subject to the registration requirements of the U.S. Securities Act. The Company issued an additional $150 million aggregate principal amount of 7.375% Senior Notes due 2018 in a transaction that similarly was not subject to the registration requirements of the U.S. Securities Act on December 27, 2012 (the "Additional Notes"). The Original Notes and the Additional Notes are admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market of the Luxembourg Stock Exchange.

The Old Notes are governed by the Old Notes Indenture. The Old Notes are the Company's senior obligations and rank equally in right of payment with all existing and future senior indebtedness of the Company and senior in right of payment to all existing and future indebtedness of the Company that is subordinated in right of payment to the Old Notes. The Old Notes are guaranteed, jointly and severally, on a senior basis by the subsidiaries of the Company that provide a guarantee in respect of obligations under the Credit Facility. Each guarantee ranks equally in right of payment with all existing and future senior indebtedness of such guarantor and senior in right of payment to all existing and future indebtedness of such guarantor that is subordinated in right of payment to its guarantee. The Original Notes and the Additional Notes together constitute a single class of debt securities under the Old Notes Indenture and vote as a single class for purposes of amendments or waivers. As part of the Exchange Offer an amendments was made to the Old Notes' Indenture eliminating substantially all of the negative covenants, all of the reporting covenants and certain of the events of default in the Old Notes Indenture.

The Old Notes will mature on December 15, 2018. Interest is payable in cash semi-annually on each June 15 and December 15. Currently, the Company may redeem all or a portion of the Old Notes at 101.844% of their principal amount plus accrued and unpaid interest, if any, to the redemption date, with the specified premium declining to par on December 15, 2017. At December 31, 2016, the Company had $26 million outstanding under the Old Note.

Senior notes, Coupon 7.375%, due 2020 ("New Notes")
$212 million of New Senior Notes were issued as part of the Exchange Offer by an Indenture dated December 23, 2016. On December 23, 2016, the Company issued $212 million in aggregate principal amount of 7.375% Senior Notes due 2020 (the "New Notes") as part of the Exchange Offer in an offering that was not subject to the registration requirements of the U.S. Securities Act. The New Notes are admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market of the Luxembourg Stock Exchange.

The New Notes are governed by the New Notes Indenture. The New Notes are the Company's senior obligations and rank equally in right of payment with all existing and future senior indebtedness of the Company and senior in right of payment to all existing and future indebtedness of the Company that is subordinated in right of payment to the New Notes. The New Notes are guaranteed, jointly and severally, on a senior basis by the subsidiaries of the Company that provide a guarantee in respect of obligations under the Credit Facility. Each guarantee ranks equally in right of payment with all existing and future senior indebtedness of such guarantor and senior in right of payment to all existing and future indebtedness of such guarantor that is subordinated in right of payment to its guarantee. The New Notes Indenture contains a number of covenants that, among other things, restrict, subject to certain exceptions, the Company's ability to incur or guarantee additional indebtedness; pay dividends, repurchase shares and make distributions of certain other payments; make certain investments; create certain liens; merge or consolidate with other entities; enter into certain transactions with affiliates; sell, lease or transfer certain assets, including shares of any restricted subsidiary of the Company; and guarantee certain types of other indebtedness of the Company and its restricted subsidiaries without also guaranteeing the New Notes.

The New Notes will mature on December 15, 2020. Interest is payable in cash semi-annually on each June 15 and December 15. The Company may redeem all or a portion of the Old Notes at 103.688% of their principal amount plus accrued and unpaid interest, if any, from December 15, 2017, with the specified premium declining to 101.844% on December 15, 2018 and to par on December 15, 2019.

Letters of credit and guarantees
The Company has $20 million uncommitted bid and performance bond facilities ($20 million in 2015) intended for operational use. Drawings under these facilities totaled $7.5 million and $9.3 million as of December 31, 2016 and 2015, respectively.

The Company had aggregate outstanding letters of credit and similar guarantees, not reflected in the accompanying consolidated statements of financial position, of $15.6 million and $17.2 million as of December 31, 2016 and 2015, respectively.

PGS ASA has guaranteed the payment obligation under the lease of Apollo (see note 21 in the notes to the consolidated financial statements) and office rental. PGS ASA guarantees the obligations under the two internal 12 year bareboat charter agreements between PGS Falcon AS and PGS Titans AS for the two vessels *Ramform Titan* and *Ramform Atlas* and guarantees the loans financing *Ramform Tethys* and *Ramform Hyperion* (see note 19 in the notes to the consolidated financial statements).

Note 10 – Financial Instruments

Fair values of financial instruments
The carrying amounts of cash and cash equivalents, restricted cash, accounts receivables, 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:

	December 31, 2016			December 31, 2015		
(In millions of NOK)	Carrying amounts	Fair values	Level	Carrying amounts	Fair values	Level
Financial assets measured at fair value						
Investments	135.9	135.9	1, 2	-	-	-
Other foreign exchange contracts	0.3	0.3	2	12.3	12.3	2
Financial liabilities measured at fair value						
Foreign exchange contracts used for hedging (note 11 / 13)	(7.8)	(7.8)	2	(24.0)	(24.0)	2
Other foreign exchange contracts (note 11 / 13)	(29.9)	(29.9)	2	(6.4)	(6.4)	2
Interest rate swaps not hedge accounted (note 11 / 13)	(1.5)	(1.5)	2	-	-	2
Financial liabilities not measured at fair value						
Debt with fixed interest rate	(2 050.1)	(1 886.1)	2	(3 954.2)	(3 400.6)	2
Debt with variable interest rate	(4 987.3)	(4 367.6)	2	(3 672.9)	(2 667.2)	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.

	December 31, 2016		December 31, 2015	
(In millions of NOK)	Notional amounts	Weighted average interest rate	Notional amounts	Weighted average interest rate
Debt at fixed interest rate	(2 050.1)	7.38 %	(3 954.2)	7.38 %
Debt at variable interest rate based on US dollar plus a margin	(3 910.6)	4.00 %	(3 672.9)	3.21 %
Variable interest rate debt with interest fixed	(1 076.7)	1.62 %	-	-

Foreign exchange rate exposure
As of December 31, 2016, the Company had cash and cash equivalents of $61.7 million and a total liquidity reserve, including available unutilized drawings of the Revolving Credit Facility, of $271.7 million, compared to $81.6 million and $556.6 million respectively at year-end 2015. In addition the Company has committed undrawn export credit facilities of $91.2 million at year-end 2016. This amount is available to finance the final instalment of last vessel being built under the new-build program in Japan. The Company has a structured approach to monitoring of credit risk against financial counterparties and has no reason to doubt their ability to meet their funding commitments if and when called upon to do so.

The Company does not have any material scheduled debt maturities until second half of 2020, except scheduled installments on the export credit debt and any remaining Old Notes. The export credit debt is paid back in separate semi-annual installments and scheduled principal payments in 2016 are approximately $34 million and after delivery of the *Ramform Hyperion* in aggregate approximately $47 million for 2017 and each year forward to it taper off following the maturity of one after one of the four facilities in the period 2025 to 2027.

The un-drawn portion of the Revolving Credit Facility ("RCF") constitutes a significant portion of the Company's liquidity reserve. In the current weak market it is likely that the Company will need to make additional drawings on the RCF during the coming year. In 2016 the TLR with which the Company must comply in order to draw on the RCF, was increased to maximum 5.50:1 from Q4 2016 through Q2 2017, 5.25:1 for Q3 2017 and 4.75:1 for Q4 2017, with subsequent step downs, as described in note 9.

While PGS' actual TLR was substantially below this level at December 31, 2016, there is a risk, due to the weak market, that PGS' TLR may increase in the future to be close to or exceed the agreed maximum TLR. If and when such risk becomes significant, PGS would seek to agree further amendments to ensure that the RCF is available for drawing or to implement other available measures to avoid a covenant breach. If PGS ultimately ends up breaching this covenant, the breach would represent an event of default under the loan agreement. In such case PGS may be able to continue to access the RCF if PGS receives a waiver of the breach or implements remedial actions acceptable to the lenders thereunder. Should a breach continue without a waiver or remediation by PGS, the RCF agent or a majority of the RCF lenders would be entitled to declare default and demand a repayment of drawings under the RCF, which in turn would represent an event of default in most of the Company's other loan agreements and debt instruments. However, this scenario is in the Company's view highly unlikely since firstly it believes that it has plans and available measures to avoid an event of default and secondly, even in an event of default, several viable alternatives to avoid acceleration would exist.

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 sufficient funding and liquidity to support its operations and investment programs.

Foreign exchange rate exposure
PGS ASA and its subsidiaries are 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 reduce volatility in the income statement and 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 and GBP, NOK, BRL, NGN at December 31, 2016 and 2015, respectively.

Note 11 – Other Long-Term Liabilities

Other long-term liabilities consist of:

	December 31,	
(In millions of NOK)	**2016**	**2015**
Unrealized loss hedge contracts (note 10)	2.2	6.4
Pension liability (note 12)	20.2	17.9
Other long-term liabilities	1.0	0.8
Total	**23.4**	**25.2**

Note 12 – 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:

	December 31,	
(In millions of NOK)	**2016**	**2015**
Service cost	2.0	2.1
Interest cost	0.4	0.3
Payroll tax	0.3	0.3
Net periodic pension cost	**2.8**	**2.7**

The aggregate funded status of the plan and amounts recognized in other long-term liabilities (see note 11) is as follows:

	December 31,	
(In millions of NOK)	**2016**	**2015**
Projected benefit obligations	17.7	15.7
Funded status	**17.7**	**15.7**
Accrued payroll tax	2.5	2.2
Net pension liability	**20.2**	**17.9**

The accumulated actuarial gains recognized in other equity are as follows:

	December 31,	
(In millions of NOK)	**2016**	**2015**
Accumulated actuarial gains	15.1	14.6
Deferred tax	(3.7)	(3.6)
Accumulated actuarial gains recognized in other equity	**11.4**	**11.0**

Assumptions used to determine benefit obligations:

	December 31,	
(In millions of NOK)	**2016**	**2015**
Discount rate	2.6%	2.5%
Compensation increase	2.5%	2.5%

Defined contribution plan
The defined contribution plan was established in 2005, and ASA's contributions to this plan for the years ended December 31, 2016 and 2015 was NOK 1.5 million and NOK 1.4 million, respectively.

Note 13 – Accrued Expenses and Other Short-term Liabilities

Accrued expenses and other short-term liabilities consist of the following:

	December 31,	
(In millions of NOK)	2016	2015
Accrued unrealized loss on hedging (note 10)	37.0	24.0
Current portion of long-term debt	34.5	35.1
Foreign taxes	26.8	36.5
Other	26.7	6.2
Account payables	21.5	13.9
Accrued employee benefits	6.7	7.5
Accrued interest expense	5.3	14.7
Total	**158.5**	**138.0**

Note 14 – 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, general, administrative and other costs consist of:

	December 31,	
(In millions of NOK)	2016	2015
Salaries and bonus	46.3	49.3
Social security	6.5	6.9
Pension	6.2	6.0
Other benefits	2.7	0.9
Total	**61.6**	**63.1**

As of December 31, 2016, PGS ASA had 23 full time employees. Man-years for the years ended December 31, 2016 and 2015 were 22.4 and 25.4, 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, 2016.

The programs

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 options granted under the last share option program from 2011 expired in 2016.

The Restricted Stock Unit programs ("RSU") (granted in each of 2012 to 2016) 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. In 2015 and 2016, the Company also granted Performance based Restricted Stock Unit programs ("PRSU"). 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 STOXX TMI Oil Equipment, Services & Distribution index adjusted for dividends and further employment by the Company. See note 27 to the consolidated financial statements for further information on the share option programs, RSU's and PRSU's.

For the years ended December 31, 2016 and 2015, PGS ASA recorded compensation costs of NOK 8.6 million and NOK 8.4 million, respectively, recognized in additional paid-in capital. Total net unrecognized compensation cost as of December 31, 2016 was NOK 57.3 million related to PRSU's and RSU's, which is expected to be recognized over a period of 3 years.

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):

	December 31,	
(In millions of NOK)	2016	2015
Audit fees	1.8	1.7
Fees for tax services (a)	0.1	0.1
All other fees	1.2	0.3
Total	**3.1**	**2.1**

(a) Include fees for tax filing services and other tax assistance.

Note 15 - Subsequent events

On January 5, 2017, PGS completed a subsequent offering for the shareholders that were not allocated shares in in the private placement announced on November 22, 2016. In the subsequent offering 13 500 000 shares were issued at a price of NOK 22.5 per share, resulting in gross proceeds of approximately $35 million.

Auditor’s Report

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Petroleum Geo-Services ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Petroleum Geo-Services ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the statements of financial position at 31 December 2016, the statements of profit and loss and cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

The consolidated financial statements comprise the consolidated statements of financial position as at 31 December 2016, the consolidated statements of profit and loss, comprehensive income, cash flows and changes in shareholders' equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations;
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway;
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2016 and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

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Impairment evaluation of MultiClient library

MultiClient library accounts for $647.7 million or approximately 23 % of total assets of the Group as of 31 December 2016. The Group performed impairment testing to determine value in use and recorded an impairment of $30.1 million in 2016.

The Group uses forecasts for future sales when determining value in use. These forecasts are based on budgets and assumptions, thus requiring considerable insight and judgment by management about future market conditions and spending on exploration and production by oil companies, including licensing activities and farm-ins. Impairment evaluation of MultiClient library is a key audit matter due to the significant management judgment involved and the current market conditions.

We evaluated management's assessment of impairment indicators for the MultiClient library. Our audit procedures included inquiries of management, test of controls and test of supporting evidence related to the sales forecasting process. Our audit procedures also included analyses and evaluation of historical accuracy of prior year's assumptions and evaluation of the assumptions based on the market information and expected developments in the seismic market.

Furthermore, we evaluated the valuation methodology, amortization policy and the discount rate applied in the value in use model. We also tested the mathematical accuracy of the value in use calculations and performed sensitivity analysis of critical assumptions. We used a valuation specialist to assist us in evaluating the discount rate applied. We also assessed the Company's disclosures regarding those assumptions and the recorded impairment losses of MultiClient library.

We refer to notes 3 and 15 of the consolidated financial statements.

Impairment evaluation of vessels and seismic equipment

Vessel and related equipment account for $1 352.8 million or approximately 48 % of total consolidated assets as of 31 December 2016. The Group performed impairment tests to determine the recoverable amounts and recorded impairments of $12 million in 2016.

Management has identified certain impairment indicators such as market capitalization being lower than book equity, continued operating losses, and reduced spending on seismic activities by customers. The Group therefore reviewed the recoverable amount by determining value in use for each vessel. Estimating the value in use requires management judgment including estimates of future revenues, operating costs, growth rates and capital expenditures and determining the discount rate. Management's impairment evaluation is a key audit matter due to the multiple variables and the significant management judgement involved in estimating future cash flows in the current market conditions.

Our procedures included assessing the assumptions and methods used by management in the impairment evaluation. We tested the key assumptions and underlying data by comparing them to external market information and historical data, and by analyzing sensitivities. We also assessed the historical accuracy of management's estimates and tested the mathematical accuracy of the impairment model. We involved a valuation specialist to assist us in evaluating the discount rate. We also assessed the disclosures regarding the assumptions and the recorded impairment losses of vessels.

We refer to notes 3 and 14 of the consolidated financial statements.

Uncertain tax positions

The Group is subject to transactional and income taxation in a number of jurisdictions, with increasingly complex tax laws. The Group has several uncertain tax positions that could eventually require the Company to pay taxes and penalties in excess of the liabilities recorded in the consolidated financial statements. The Group records provisions for 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. Because of the inherent uncertainty in interpreting tax laws and estimating the future outcome, uncertain tax positions is a key audit matter.

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In response to these risks, our audit procedures included, amongst others, reading communications with tax authorities, assessing legal opinions management obtained from external legal counsels and experts and considering the tax laws and similar cases where applicable. We have also analyzed and assessed the assumptions used to estimate the likelihood of unfavorable outcome and provisions for tax matters.

We refer to notes 3, 9 and 21 of the consolidated financial statements.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is 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 management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including the ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption, and proposal for the allocation of the result 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 management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, March 15, 2017
ERNST & YOUNG AS

Petter Larsen
State Authorized Public Accountant (Norway)

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Norway
Bergen
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Stavanger

Russia
Moscow

Singapore
Singapore

Sweden
Stockholm

UK
Weybridge

USA
Austin
Houston (Memorial Drive, Park Row and Westway Park Boulevard)

Global News

Wednesday June 8th, 2016

PGS Annual Report

Marine Contract | MultiClient | Operations | Imaging & Engineering

Tethys Tangents Titan as Towing Titleholder

PGS has once again demonstrated mastery of the mega-tow: as flagship Ramform Tethys draws the world's largest seismic spread.

Marine Contract |

Best Pa… The Lea…

The Leading Edge awa… for best paper in 2015 … presented to four PGS au… at a ceremony held at th… Annual Conference in … last night.

Thursday February 18th, 2016

PGS Annual Report

Marine Contract | MultiClient | Operations | Imaging & Engineering

PGS Covers Nordland Ridge in 2016

Commencing early May, PGS will conduct a 8 200 sq. km survey of the Nordland Ridge area of the Norwegian Sea to be completed in 2016. This prefunded GeoStreamer® project extend… the existing PGS…

…ltiClient | Operations | Imaging & E…

…Australian …shore Acreage Re…

…ta packs with good … the Australian 2016 …troleum Exploration …ease. Access modern …® data …

Last week the government announced the availability of 28 new areas located across five basins in Commonwealth waters offshore of the Territory of Ashmore and Cartier Islands and Western Au…

Global News

Wednesday January 18th, 2017

PGS Annual Report

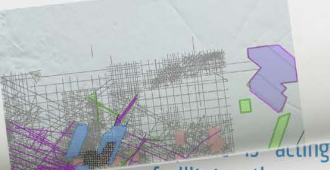
Marine Contract | MultiClient | Operations | Imaging & Engineering

Adding 40 000 sq. km to Europe and Australia

PGS has added approximately 40 000 sq. km of modern, conventional 3D and 6 000 km of 2D seismic data to its MultiClient …

3D coverage in the Barents Sea and raises the PGS data library total for this area to around 35 000 sq. km.

Meanwhile, in the North Sea 7 000 sq. km is added in the Møre Tampen and Utstord areas. A further 3 700 sq. km is located in the Central North Sea.



August 10th, 2017

Marine Contract | MultiClient | Op…

…nfirmed UK 2… …ound Blocks R…

…3D and 2D GeoStreamer® …odern 3D surveys that …citing new understanding …vant areas on the East …d Platform and the Mid …Sea High

Sea. Investment in high-qua… recognized in license appl… criteria, and new encouraging… geology and the petroleum sys… revealed by these 2D and 3D d…

Modern PGS seismic data… perfect starting point to defi… characterize the many undrilled…

PGS