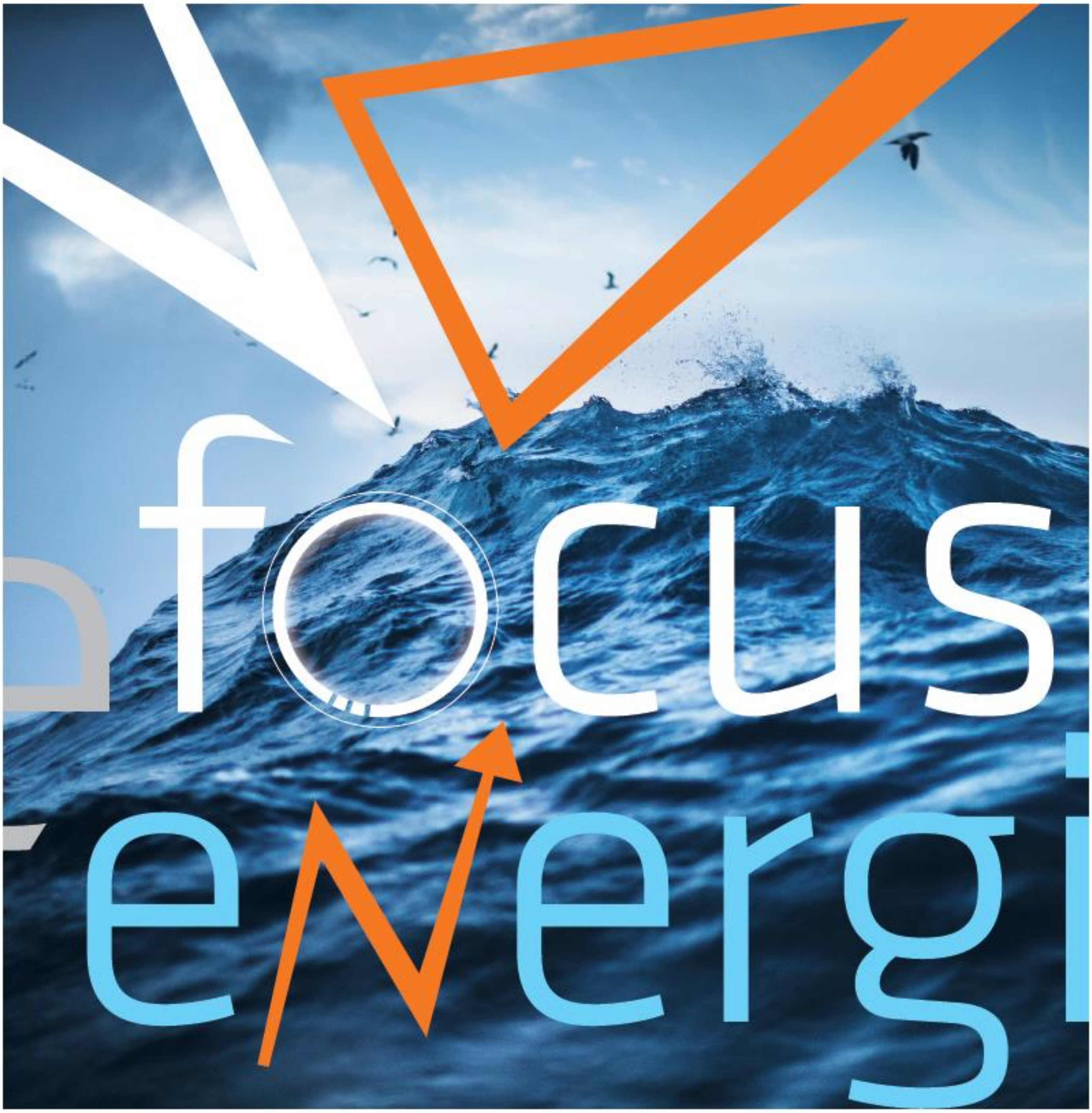

Earnings Release
Q2 - 2018

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Progressing as Planned

Note: Petroleum Geo-Services ASA and its subsidiaries (“PGS” or “the Company”) implemented the new revenue recognition standard, IFRS 15, as the Company’s external financial reporting method. This change, which took effect January 1st 2018, impacts the timing of revenue recognition for MultiClient pre-funding revenues and related amortization. For internal management purposes PGS continues to use the revenue recognition principles applied in previous years, which are based on percentage of completion, and use this for numbers disclosed as Segment Reporting. See Note 15 for definitions of terms discussed in this report. See Note 16 for a description of the change in revenue recognition resulting from the implementation of IFRS 15. PGS has not restated prior periods.

Highlights Q2 2018

- As Reported revenues of $239.7 million and EBIT of $30.5 million, according to IFRS
- Segment Revenues of $199.4 million, compared to $240.5 million in Q2 2017
- Segment EBITDA of $136.0 million, compared to $112.5 million in Q2 2017
- Segment EBIT of $13.6 million, compared to a loss of $8.7 million in Q2 2017
- Segment MultiClient pre-funding revenues of $94.0 million with a corresponding pre-funding level of 116%, compared to $50.2 million and 115% in Q2 2017
- Segment MultiClient late sales revenues of $68.7 million, compared to $77.4 million in Q2 2017
- Cash flow from operations of $121.7 million, compared to $49.4 million in Q2 2017
- Total Leverage Ratio, as defined in the Company’s Credit Facility, of 2.83:1

“Most of our active 3D vessel capacity was allocated to MultiClient in the quarter and pre-funding revenues dominated the sales mix. MultiClient late sales did not benefit materially from any license rounds, but the quarter still demonstrates a continuance of the strong trend from the two previous quarters. Year-to-date late sales are up more than 30% compared to 2017.

We have generated a larger pipeline of new MultiClient projects and expect to increase our MultiClient cash investment to approximately $300 million this year, with an active 3D vessel capacity allocation to MultiClient of approximately 65% and an unchanged pre-funding requirement.

Our contract activities in Q2 related mainly to completion of surveys we commenced in Q1, offshore West Africa. The marine contract market is improving, but still challenging, and it is encouraging that our estimate of the total value of bids and leads for contract work is at its highest level for more than three years.

The visibility of Q4 fleet utilization is strengthening. However, our reported order book remains low at quarter end, as we are in the final phase of formalizing projects. With the ongoing bid activities and our MultiClient plans, we expect that we will achieve acceptable utilization of the vessels we plan to operate in Q4.

Our cost reductions are progressing as planned and for the first time in two and a half years we are reporting positive EBIT. We are on track to be cash flow positive after debt servicing this year.”

Rune Olav Pedersen,
President and Chief Executive Officer

Outlook

PGS expects the higher oil price, improved cash flow among clients and an exceptionally low oil and gas discovery rate to benefit the marine seismic market fundamentals going forward. The Company continues to plan its cost and capital expenditures for 2018 to achieve positive cash flow post debt service[1].

Based on the current operational projections and with reference to disclosed risk factors, PGS expects full year 2018 gross cash costs of approximately $600 million.

2018 MultiClient cash investments are expected to be approximately $300 million.

Approximately 65% of 2018 active 3D vessel time is expected to be allocated to MultiClient acquisition.

Capital expenditure for 2018 is expected to be approximately $50 million.

The order book totaled $187 million at June 30, 2018 (including $138 million relating to MultiClient), compared to $211 million at March 31, 2018 and $248 million at June 30, 2017. The Company operated eight 3D vessels in Q2 2018.

[1] The financial target of being cash flow positive after debt servicing excludes payments relating to severance and other restructuring provisions made in Q4 2017 as well as drawings/repayments on the RCF.

Key Financial Figures

(In millions of US dollars, except per share data)	Quarter ended June 30, 2018	Quarter ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017	Year ended December 31, 2017
Revenues	239.7	240.5	441.0	395.3	838.8
EBIT	30.5	(17.4)	23.2	(111.1)	(383.6)
Income (loss) before income tax expense	14.8	(37.5)	(14.7)	(140.5)	(468.1)
Net income (loss) to equity holders	10.4	(32.2)	(29.2)	(138.7)	(523.4)
Basic earnings per share ($ per share)	0.03	(0.10)	(0.09)	(0.42)	(1.55)
Net cash provided by operating activities	121.7	49.4	195.1	79.4	281.8
Cash investment in MultiClient library	81.3	43.8	135.0	77.4	213.4
Capital expenditures (whether paid or not)	8.3	12.9	12.3	114.5	154.5
Total assets	2,386.3	2,860.1	2,386.3	2,860.1	2,482.8
Cash and cash equivalents	24.4	53.3	24.4	53.3	47.3
Net interest bearing debt	1,145.3	1,126.2	1,145.3	1,126.2	1,139.4
Segment Reporting					
Segment Revenues	199.4	240.5	397.2	395.3	838.8
Segment EBITDA	136.0	112.5	228.4	142.6	374.1
Segment EBIT ex. impairment and other charges, net	13.6	(8.7)	(9.1)	(92.2)	(147.1)

Condensed Consolidated Statements of Profit and Loss and Other Comprehensive Income

(In millions of US dollars)	Note	Quarter ended June 30, 2018	Quarter ended June 30, 2017*	Six months ended June 30, 2018	Six months ended June 30, 2017*	Year ended December 31, 2017*
Revenues	2	239.7	240.5	441.0	395.3	838.8
Cost of sales	3	(51.9)	(114.4)	(137.6)	(226.7)	(411.1)
Research and development costs	3	(3.1)	(4.5)	(5.9)	(8.0)	(17.6)
Selling, general and administrative costs	3	(8.4)	(9.0)	(25.3)	(17.9)	(36.0)
Amortization and impairment of MultiClient library	4	(123.6)	(80.5)	(191.9)	(151.1)	(426.3)
Depreciation and amortization of long term assets (excl. MultiClient library)	4	(17.8)	(42.9)	(56.5)	(87.4)	(154.4)
Impairment and loss on sale of long-term assets (excl. MultiClient library)	4	-	(9.9)	-	(9.9)	(94.2)
Other charges, net	4	(4.4)	3.4	(0.5)	(5.4)	(82.8)
Total operating expenses		(209.1)	(257.8)	(417.8)	(506.4)	(1,222.4)
Operating profit (loss)/EBIT		30.5	(17.4)	23.2	(111.0)	(383.6)
Share of results from associated companies	5	0.3	-	(3.2)	(4.9)	(20.7)
Interest expense	6	(15.3)	(14.8)	(31.1)	(26.3)	(57.8)
Other financial expense, net	7	(0.7)	(5.3)	(3.7)	1.8	(6.0)
Income (loss) before income tax expense		14.8	(37.5)	(14.7)	(140.5)	(468.2)
Income tax	8	(4.4)	5.3	(14.5)	1.8	(55.2)
Net income (loss) to equity holders of PGS ASA		**10.4**	**(32.2)**	**(29.2)**	**(138.7)**	**(523.4)**
Other comprehensive income						
Items that will not be reclassified to profit and loss	13	13.1	(5.9)	13.3	(10.2)	0.4
Items that may be subsequently reclassified to profit and loss	13	(2.2)	2.5	-	2.2	3.2
Other comprehensive income for the period, net of tax		10.9	(3.4)	13.3	(8.0)	3.6
Total comprehensive income to equity holders of PGS ASA		**21.3**	**(35.6)**	**(15.9)**	**(146.7)**	**(519.8)**
Earnings per share attributable to equity holders of the parent during the period						
Basic and diluted earnings per share	12	0.03	(0.10)	(0.09)	(0.42)	(1.55)

**2017 numbers are not restated and are not comparable to 2018, refer to Note 16 for further information.*

Condensed Consolidated Statements of Financial Position

		June 30,		December 31,
(In millions of US dollars)	Note	2018	2017	2017
ASSETS				
Cash and cash equivalents	11	24.4	53.3	47.3
Restricted cash	11	20.7	21.9	19.8
Accounts receivable		114.9	144.3	162.8
Accrued revenues and other receivables		43.7	138.9	133.2
Other current assets		93.1	81.5	84.7
Total current assets		296.9	439.9	447.7
Property and equipment	9	1,212.5	1,393.8	1,297.6
MultiClient library	10	661.0	606.7	512.3
Restricted cash	11	23.3	89.6	23.5
Deferred tax assets		-	53.8	-
Other long-term assets		72.4	94.9	78.5
Other intangible assets		120.2	181.3	123.2
Total long-term assets		2,089.4	2,420.2	2,035.1
Total assets		**2,386.3**	**2,860.1**	**2,482.8**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Short-term debt and current portion of long-term debt	11	77.2	52.1	77.6
Accounts payable		73.4	74.2	81.5
Accrued expenses and other current liabilities		112.0	139.8	173.0
Deferred revenues		113.2	9.3	13.8
Income taxes payable		23.1	21.2	21.4
Total current liabilities		398.8	296.6	367.2
Long-term debt	11	1,122.8	1,219.9	1,135.8
Deferred tax liabilities		0.8	0.7	0.8
Other long-term liabilities		78.2	91.9	99.5
Total long-term liabilities		1,201.8	1,312.6	1,236.1
Common stock; par value NOK 3; issued and outstanding 338,579,996 shares		138.5	138.5	138.5
Treasury shares, par value		-	(0.6)	-
Additional paid-in capital		848.8	849.7	851.4
Total paid-in capital		987.3	987.6	989.9
Accumulated earnings		(196.8)	366.8	(105.6)
Other capital reserves		(4.8)	(103.5)	(4.8)
Total shareholders' equity		785.7	1,250.9	879.5
Total liabilities and shareholders' equity		**2,386.3**	**2,860.1**	**2,482.8**

Condensed Consolidated Statements of Changes in Shareholders' Equity

For the six months ended June 30, 2017

	Attributable to equity holders of PGS ASA					
(In millions US of dollars)	Share capital par value	Treasury shares par value	Additional paid-in capital	Accumulated earnings	Other capital reserves	Shareholders' equity
Balance as of January 1, 2017	**133.7**	**(0.8)**	**816.3**	**418.2**	**(8.0)**	**1,359.4**
Profit (loss) for the period	-	-	-	(138.7)	-	(138.7)
Other comprehensive income (loss)	-	-	-	(10.2)	2.2	(8.0)
Share issue	4.8	-	30.6	-	-	35.4
Share based payments	-	0.2	2.8	(0.2)	-	2.8
Balance as of June 30, 2017	**138.5**	**(0.6)**	**849.7**	**269.1**	**(5.8)**	**1,250.9**

For the year ended December 31, 2017

	Attributable to equity holders of PGS ASA					
(In millions US of dollars)	Share capital par value	Treasury shares par value	Additional paid-in capital	Accumulated earnings	Other capital reserves	Shareholders' equity
Balance as of January 1, 2017	**133.7**	**(0.8)**	**816.3**	**418.2**	**(8.0)**	**1,359.4**
Profit (loss) for the period	-	-	-	(523.4)	-	(523.4)
Other comprehensive income (loss)	-	-	-	0.4	3.2	3.6
Share issue	4.8	-	30.6	-	-	35.4
Share based payments	-	0.8	4.5	(0.8)	-	4.5
Balance as of December 31, 2017	**138.5**	**-**	**851.4**	**(105.6)**	**(4.8)**	**879.5**

For the six months ended June 30, 2018

	Attributable to equity holders of PGS ASA					
(In millions US of dollars)	Share capital par value	Treasury shares par value	Additional paid-in capital	Accumulated earnings	Other capital reserves	Shareholders' equity
Balance as of January 1, 2018	**138.5**	**-**	**851.4**	**(105.6)**	**(4.8)**	**879.5**
Profit (loss) for the period	-	-	-	(29.2)		(29.2)
Other comprehensive income (loss)	-	-	-	13.3	-	13.3
Share based payments	-		0.9	-	-	0.9
Share based payments, cash settled	-	-	(3.5)	-	-	(3.5)
Adjustment to opening balance*	-	-	-	(75.3)	-	(75.3)
Balance as of June 30, 2018	**138.5**	**-**	**848.8**	**(196.8)**	**(4.8)**	**785.7**

**Refer to Note 16*

Condensed Consolidated Statements of Cash Flows

(In millions of US dollars)	Quarter ended June 30, 2018	Quarter ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017	Year ended December 31, 2017
Net income (loss) to equity holders of PGS ASA	**10.4**	**(32.2)**	**(29.2)**	**(138.7)**	**(523.4)**
Depreciation, amortization, impairment and loss on sale of long-term assets	141.3	133.3	247.2	248.3	674.7
Share of results in associated companies	(0.3)	-	3.2	4.9	20.7
Interest expense	15.3	14.8	31.1	26.3	57.8
Loss (gain) on sale and retirement of assets	-	1.7	2.1	(5.2)	(2.9)
Change in deferred tax	-	(10.6)	-	(10.9)	42.9
Income taxes paid	(5.8)	(4.9)	(14.1)	(7.3)	(12.7)
Other items	(2.9)	1.8	(2.3)	2.0	14.9
(Increase) decrease in accounts receivable, accrued revenues & other receivables	68.8	(61.3)	66.6	(64.6)	(77.3)
Increase (decrease) in accounts payable	11.0	1.0	(6.0)	20.7	18.7
Change in other current items related to operating activities	(115.3)	1.8	(106.5)	(1.0)	43.4
Change in other long-term items related to operating activities	(0.8)	4.0	3.0	4.9	25.0
Net cash provided by operating activities	**121.7**	**49.4**	**195.1**	**79.4**	**281.8**
Investment in MultiClient library	(81.3)	(43.8)	(135.0)	(77.4)	(213.4)
Investment in property and equipment	(6.9)	(17.1)	(21.0)	(124.7)	(148.8)
Investment in other intangible assets	(4.8)	(3.0)	(11.9)	(6.2)	(17.0)
Investment in other current -and long-term assets	(2.6)	-	(2.6)	(2.3)	(2.3)
Proceeds from sale and disposal of assets	-	-	-	23.7	23.7
Decrease (increase) in long-term restricted cash	-	(0.7)	-	2.6	57.7
Net cash used in investing activities	**(95.6)**	**(64.6)**	**(170.4)**	**(184.3)**	**(300.1)**
Proceeds, net of deferred loan costs, from issuance of long-term debt	-	-	-	76.6	76.4
Repayment of long-term debt	(12.7)	(12.7)	(25.8)	(25.8)	(51.8)
Net change of drawing on the Revolving Credit Facility	(5.0)	60.0	10.0	35.0	-
Proceeds from sale of treasury shares/share issue	-	-	-	35.4	35.4
Interest paid	(22.5)	(17.6)	(31.9)	(24.7)	(56.3)
Net cash (used in) provided by financing activities	**(40.1)**	**29.7**	**(47.5)**	**96.5**	**3.7**
Net increase (decrease) in cash and cash equivalents	(14.0)	14.5	(22.8)	(8.4)	(14.4)
Cash and cash equivalents at beginning of period	38.4	38.8	47.3	61.7	61.7
Cash and cash equivalents at end of period	**24.4**	**53.3**	**24.4**	**53.3**	**47.3**

Notes to the Condensed Interim Consolidated Financial Statements
Second Quarter and First Half 2018 Results

Note 1 – Segment Reporting

Following the Company's reorganization with effect from January 1, 2018, PGS now has only one operating segment. Because the previous segments, Marine Contract and MultiClient, satisfied the aggregation criteria under IFRS 8 operating segments, this change in segments does not result in a change to the segment reporting for previous periods.

Following the implementation of the new accounting standard for revenues, IFRS 15, MultiClient pre-funding revenues are no longer recognized under the previously applied percentage of completion method. Instead, all such revenues are recognized at delivery of the final processed data, which is typically significantly later than the acquisition of the seismic data.

PGS management has, for the purpose of its internal reporting, continued to report according to the principle applied in 2017 and earlier years, where MultiClient pre-funding revenue is recognized on a percentage of completion basis, and the related amortization of MultiClient library based upon the ratio of aggregate capitalized survey cost to forecasted sales. Reference is made to Note 16 for further information.

The table below sets out a summary of the Group's segment numbers for first half and Q2 2018 and 2017, respectively.

	Quarter ended June 30,					
	2018	2017	2018	2017	2018	2017
	Segment Reporting		Adjustments		As Reported	
Total revenues	199.4	240.5	40.3	-	239.7	240.5
Cost of sales	(51.6)	(114.4)	-	-	(51.6)	(114.4)
Research and development costs	(3.1)	(4.5)	-	-	(3.1)	(4.5)
Selling, general and administrative costs	(8.7)	(9.0)	-	-	(8.7)	(9.0)
Amortization of MultiClient library	(104.6)	(78.3)	(11.1)	-	(115.7)	(78.3)
Depreciation and amortization (excl. MultiClient library)	(17.8)	(42.9)	-	-	(17.8)	(42.9)
Operating profit/ EBIT ex impairment and other charges,net	**13.6**	**(8.7)**	**29.2**	**-**	**42.8**	**(8.7)**

	Six months ended June 30,					
	2018	2017	2018	2017	2018	2017
	Segment Reporting		Adjustments		As Reported	
Total revenues	397.2	395.3	43.8	-	441.0	395.3
Cost of sales	(137.2)	(226.7)	-	-	(137.2)	(226.7)
Research and development costs	(6.0)	(8.0)	-	-	(6.0)	(8.0)
Selling, general and administrative costs	(25.6)	(17.9)	-	-	(25.6)	(17.9)
Amortization of MultiClient library	(180.9)	(147.5)	(3.1)	-	(184.0)	(147.5)
Depreciation and amortization (excl. MultiClient library)	(56.5)	(87.4)	-	-	(56.5)	(87.4)
Operating profit/ EBIT ex impairment and other charges,net	**(9.1)**	**(92.2)**	**40.7**	**-**	**31.6**	**(92.2)**

There are no differences between Segment and As Reported income statement figures for the year ended December 31, 2017.

Segment Reporting applies a percentage of completion revenue recognition principle for MultiClient pre-funding agreements and recognizes MultiClient library amortization in the same periods as the revenues. This differs from IFRS reporting which recognizes revenue from MultiClient pre-funding agreements and related amortization at the "point in time" which the customer receives access to, or delivery of, the finished data. See Note 16 for further description of the principles applied.

For the first half 2018 and for Q2 2018 MultiClient pre-funding revenues, As Reported, were higher than Segment pre-funding revenues. This difference is related to timing of revenue recognition and it is likely that As Reported pre-funding revenues will be lower than Segment pre-funding revenues in the second half of 2018.

Note 2 – Revenues

Revenues by service type:

	Quarter ended June 30,		Quarter ended June 30,		Year ended December 31,
	2018	2017	2018	2017	2017
	Segment Reporting		As Reported		As Reported
- Contract seismic	29.7	95.9	29.7	95.9	241.3
- MultiClient pre-funding	94.0	50.2	134.3	50.2	299.4
- MultiClient late sales	68.7	77.4	68.7	77.4	235.0
- Imaging	6.7	14.9	6.7	14.9	51.0
- Other	0.3	2.1	0.3	2.1	12.1
Total revenues	**199.4**	**240.5**	**239.7**	**240.5**	**838.8**

Revenues by service type:

	Six months ended June 30,		Six months ended June 30,		Year ended December 31,
	2018	2017	2018	2017	2017
	Segment Reporting		As Reported		As Reported
- Contract seismic	74.2	157.3	74.2	157.3	241.3
- MultiClient pre-funding	152.5	89.9	196.4	89.9	299.4
- MultiClient late sales	152.2	116.7	152.2	116.7	235.0
- Imaging	13.4	28.7	13.4	28.7	51.0
- Other	4.9	2.7	4.9	2.7	12.1
Total revenues	**397.2**	**395.3**	**441.0**	**395.3**	**838.8**

Vessel allocation(1):

	Quarter ended June 30,		Six months ended June 30,		Year ended December 31,
	2018	2017	2018	2017	2017
Contract	12 %	60 %	24 %	57 %	41 %
MultiClient	62 %	24 %	46 %	23 %	31 %
Steaming	18 %	15 %	11 %	13 %	11 %
Yard	3 %	0 %	2 %	1 %	3 %
Stacked/standby	5 %	1 %	17 %	6 %	14 %

1) The statistics exclude cold-stacked vessels.

The comments to revenues in this note relate to both As Reported Revenues and Segment Revenues unless otherwise stated.

Total revenues
In the first half 2018, As Reported revenues amounted to $441.0 million. *In Q2 2018* As Reported revenues were $239.7 million. Following implementation of IFRS 15, reported revenues for MultiClient pre-funding are not comparable to previous periods, reference is made to Note 16 for further information.

Segment Revenues in the first half 2018 of $397.2 million were in line with the first half 2017.

Segment Revenues for PGS in Q2 2018 decreased by $41.1 million, or 17%, compared to Q2 2017. The decrease is primarily driven by a change in vessel deployment towards more MultiClient activity and vessel relocation, and 69% lower contract seismic revenues, partially offset by 87% higher MultiClient pre-funding revenues. In addition MultiClient late sales revenues were 11% lower primarily since there where less impact of specific license round triggers in Q2 2018.

Contract revenues
In the first half 2018, contract seismic revenues decreased by $83.1 million, or 53%, compared to the first half 2017, primarily as a result of less capacity being allocated to contract 3D activities, partially offset by higher prices. The contract seismic market is still challenging, however the value of leads and bids in the market is the highest in more than three years.

In Q2 2018, contract seismic revenues decreased by $66.1 million, or 69%, compared to Q2 2017, explained by the same reasons as for the first half of 2018.

MultiClient pre-funding revenues
In the first half 2018, MultiClient pre-funding revenues, As Reported according to IFRS 15, were $196.4 million, predominately driven by completion of surveys in Europe and South America. *In Q2 2018* MultiClient pre-funding revenues, As Reported, were $134.3 million, predominately driven by completion of surveys in Middle East, North America and Asia Pacific. Following implementation of IFRS 15, MultiClient pre-funding revenues are not comparable to previous periods, reference is made to Note 16 for further information.

Segment MultiClient pre-funding revenues in the first half 2018 increased by $62.6 million, compared to the first half 2017, primarily due to more 3D vessel capacity allocated to MultiClient acquisition. MultiClient pre-funding revenues in the first half 2018 were highest in Europe, West Africa and South America.

Segment MultiClient pre-funding revenues in Q2 2018 increased by $43.8 million, or 87%, compared to Q2 2017, for the same reasons as for the first half. MultiClient pre-funding revenues in Q2 2018 were highest in Europe, West Africa and North America.

MultiClient late sale revenues
In the first half 2018, MultiClient late sales revenues increased by $35.5 million, or 30.5%, compared to the first half 2017. Higher MultiClient late sales revenues were primarily driven by improving market sentiment in combination with a geographically diverse MultiClient library attracting good licensing interest from clients. MultiClient late sales are expected to continue to experience regional and quarterly fluctuations. Late sales were distributed across regions and highest in Europe and South America.

In Q2 2018, MultiClient late sales revenues decreased by $8.6 million, or 11%, compared to Q2 2017. Lower MultiClient late sales revenues were primarily driven by decreased sales from the library in Europe, where the Company in Q2 2017 had significant revenues relating to the 29th UK license round. MultiClient late sales are expected to continue to experience regional and quarterly fluctuations. Late sales were highest in Europe.

External Imaging revenues
In the first half 2018, external Imaging revenues decreased by $15.3 million, or 53%, compared to the first half 2017, as a result of a challenging market for imaging services, overall reduced capacity and increased utilization for processing of MultiClient data, as the Company changed its focus to more internal use of imaging resources.

In Q2 2018, external imaging revenues decreased by $8.2 million, or 55%, compared to Q2 2017.

Note 3 – Net Operating Expenses

	Quarter ended June 30,		Six months ended June 30,		Year ended December 31,
(In millions of US dollars)	2018	2017	2018	2017	2017
Cost of sales before investment in MultiClient library	(132.9)	(158.2)	(272.3)	(304.0)	(624.5)
Research and development costs before capitalized development costs	(6.0)	(7.5)	(10.5)	(14.2)	(29.4)
Sellling, general and administrative costs	(8.7)	(9.0)	(25.6)	(17.9)	(36.0)
Cash costs, gross	**(147.6)**	**(174.7)**	**(308.4)**	**(336.2)**	**(690.0)**
Cash investment in MultiClient library	81.3	43.8	135.0	77.4	213.4
Capitalized development costs	2.9	3.0	4.5	6.2	11.8
Net operating expenses	**(63.4)**	**(127.9)**	**(168.9)**	**(252.6)**	**(464.7)**

In the first half 2018, gross cash costs for PGS were $308.4 million, or 8%, lower than in the first half 2017.

In Q2 2018, gross cash costs for PGS were $147.6 million, or 16%, lower than in Q2 2017 primarily as a result of the reorganization and cost initiative implemented by the Company Q4 2017 and somewhat less 3D vessel capacity in operation.

PGS gross cash costs have been substantially reduced since 2014 when the Company had an annual gross cash costs of $1,111.7 million. PGS expects that the full year 2018 gross cash costs will be approximately $600 million. The full year 2018 gross cash cost estimate is sensitive to changes in exchange rates and oil price and will also be impacted by changes in activity levels.

Following the reorganization of PGS, effective January 1, 2018, more office facility and sales costs are classified as "Selling, general and administrative costs."

Note 4 – Amortization, Depreciation, Impairments and Other Charges, net

Amortization and impairment of MultiClient library consist of the following:

(In millions of US dollars)	Quarter ended June 30, 2018	Quarter ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017	Year ended December 31, 2017
Amortization of MultiClient library	(53.9)	(77.9)	(94.2)	(147.1)	(366.4)
Accelerated amortization of MultiClient library	(61.8)	(0.4)	(89.8)	(0.4)	(0.4)
Impairment of MultiClient library	(7.9)	(2.2)	(7.9)	(3.5)	(59.4)
Total	**(123.6)**	**(80.5)**	**(191.9)**	**(151.1)**	**(426.3)**
Segment reporting					
Amortization of MultiClient library	(104.6)	(77.9)	(180.9)	(147.1)	(366.4)
Accelerated amortization of MultiClient library	-	(0.4)	-	(0.4)	(0.4)
Impairment of MultiClient library	-	(2.2)	-	(3.5)	(59.4)
Total	**(104.6)**	**(80.5)**	**(180.9)**	**(151.0)**	**(426.2)**

In the first half 2018, Segment Amortization of the MultiClient library as a percentage of MultiClient Segment Revenues was 59%, compared to 71% in the first half 2017. The lower Segment amortization rate is primarily due to higher MultiClient Segment Revenues, especially late sales revenues, since amortization of completed surveys are principally done on a straight line basis.

In Q2 2018, Segment Amortization of the MultiClient library as a percentage of MultiClient Segment Revenues was 64%, compared to 61% in Q2 2017. The higher Segment amortization rate in Q2 2018 is primarily due to slightly lower MultiClient late sales revenues.

The impairment charge of $7.9 million in Q2 2018 relates mainly to projects in Asia Pacific.

MultiClient library amortization As Reported according to IFRS

In the first half 2018, total MultiClient amortization, As Reported according to IFRS, as a percentage of MultiClient revenues was 53% and in Q2 2018 it was 57%. The Company recognized accelerated amortization of $89.8 million on projects completed during the first half of 2018 and $ 61.8 million in Q2 2018. Following implementation of IFRS 15, MultiClient amortization, As Reported, is not comparable to previous periods. See Note 16.

Explanation of the difference between Segment MultiClient library amortization and As Reported

As a consequence of adopting IFRS 15, amortization As Reported also includes accelerated amortization. With effect from January 1, 2018, revenue As Reported from MultiClient pre-funders is recognized when the customer is granted access to the finished survey or upon delivery of the finished data (see Note 16). Concurrent with recognizing this revenue, the Company records an accelerated amortization to reduce the net book value of the survey to the estimated net present value of the forecasted remaining sales.

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

(In millions of US dollars)	Quarter ended June 30, 2018	Quarter ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017	Year ended December 31, 2017
Gross depreciation	(51.3)	(59.6)	(104.4)	(113.2)	(226.0)
Depreciation capitalized and deferred, net	33.5	16.7	47.9	25.8	71.6
Total	**(17.8)**	**(42.9)**	**(56.5)**	**(87.4)**	**(154.4)**

In the first half 2018, gross depreciation decreased $8.8 million, or 8%, compared to the first half 2017, while the capitalized depreciation was $47.9 million, or 86%, higher as a result of more 3D vessel capacity allocated to MultiClient surveys.

In Q2 2018, gross depreciation decreased by $8.3 million, or 14%, compared to Q2 2017 as a result of generally lower investment level over recent years. Capitalized depreciation was $33.5 million, or 100%, higher in Q2 2018 compared to Q2 2017 due to the same factors as for the first half 2018.

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

(In millions of US dollars)	Quarter ended June 30, 2018	Quarter ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017	Year ended December 31, 2017
Property and equipment	-	(9.9)	-	(9.9)	(40.6)
Other Intangible assets	-	-	-	-	(53.6)
Total	-	**(9.9)**	-	**(9.9)**	**(94.2)**

The Company has recorded significant impairment charges in recent years. The market for seismic data is still uncertain and dependent upon several factors, further impairments may arise in future periods.

Other charges, net consist of the following:

	Quarter ended June 30,		Six months ended June 30,		Year ended December 31,
(In millions of US dollars)	2018	2017	2018	2017	2017
Severance cost	0.4	(0.3)	(0.9)	(0.7)	(34.5)
Onerous lease contracts	-	-	-	-	(21.8)
Loss on ISS settlement	-	-	-	-	(14.4)
Onerous contracts with customers	1.1	11.2	7.1	2.8	(2.4)
Other	(5.8)	(7.5)	(6.7)	(7.5)	(9.8)
Total	**(4.4)**	**3.4**	**(0.5)**	**(5.4)**	**(82.8)**

In the first half 2018 and in Q2 2018, Other charges, net primarily relate to reversal of provision for onerous contracts and write down, in Q2, of the Company's claim against third parties relating to termination of ship building contracts in Spain in 2009.

As of June 30, 2018, the Company's provision for onerous customer contracts amounted to a total of $2.5 million, a decrease of $1.1 million compared to March 31, 2018 and a decrease of $2.1 million compared to June 30, 2017. The provision represents the estimated loss in future periods relating to certain binding customer contracts where revenues are lower than the full cost, including depreciation, of completing the contract.

Note 5 – Share of Results from Associated Companies

The share of results from associated companies of negative $3.2 million in the first half 2018 and a profit of $0.3 million in Q2 2018 primarily relate to the approximate 32% interest in the Azimuth Group.

Note 6 – Interest Expense

Interest expense consists of the following:

	Quarter ended June 30,		Six months ended June 30,		Year ended December 31,
(In millions of US dollars)	2018	2017	2018	2017	2017
Interest expense, gross	(17.0)	(15.8)	(34.1)	(30.4)	(64.4)
Capitalized interest, MultiClient library	1.7	1.0	3.0	2.3	4.8
Capitalized interest, construction in progress	-	-	-	1.8	1.8
Total	**(15.3)**	**(14.8)**	**(31.1)**	**(26.3)**	**(57.8)**

Gross interest expense both in Q2 2018 and the first half 2018 increased compared to the corresponding periods in 2017, primarily as a result of an increase of interest rates on the Company's floating rate debt due to an increase of LIBOR.

Note 7 – Other Financial Expense, net

Other financial expense, net consists of the following:

	Quarter ended June 30,		Six months ended June 30,		Year ended December 31,
(In millions of US dollars)	2018	2017	2018	2017	2017
Interest income	0.4	(0.3)	0.8	0.5	1.4
Currency exchange gain (loss)	0.3	(3.2)	(1.4)	(2.8)	(7.3)
Other	(1.4)	(1.7)	(3.1)	4.1	-
Total	**(0.7)**	**(5.3)**	**(3.7)**	**1.8**	**(6.0)**

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

Note 8 – Income Tax and Contingencies

Income tax consists of the following:

(In millions of US dollars)	Quarter ended June 30, 2018	Quarter ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017	Year ended December 31, 2017
Current tax	(4.4)	(5.3)	(14.5)	(9.1)	(12.3)
Change in deferred tax	-	10.6	-	10.9	(42.9)
Total	**(4.4)**	**5.3**	**(14.5)**	**1.8**	**(55.2)**

Current tax expense during the first half 2018 and in Q2 2018 primarily relates to foreign withholding tax and corporate tax relating to significantly increased revenues in South America.

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 $41.0 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.

Note 9 – Property and Equipment

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

(In millions of US dollars)	Quarter ended June 30, 2018	Quarter ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017	Year ended December 31, 2017
Seismic equipment	6.6	7.7	10.5	15.1	35.7
Vessel upgrades/Yard	-	0.1	-	6.3	18.7
Processing equipment	0.3	2.4	0.3	3.2	6.6
Newbuilds	-	2.1	-	89.0	89.0
Other	1.4	0.6	1.5	0.9	4.5
Total capital expenditures, whether paid or not	**8.3**	**12.9**	**12.3**	**114.5**	**154.5**
Adjustment to prior years capital expenditures	-	-	-	5.3	5.3
Change in working capital and capital leases	(1.4)	4.2	8.7	4.9	(10.9)
Investment in property and equipment	**6.9**	**17.1**	**21.0**	**124.7**	**148.8**

Following the completion of the new build program in Q2 2017, investment in property and equipment consists mainly of maintenance equipment for the Company's seismic acquisition and imaging activities.

Note 10 – MultiClient Library

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

(In millions of US dollars)	June 30, 2018	June 30, 2017	December 31, 2017
Completed during 2012	-	4.7	-
Completed during 2013	3.8	12.4	7.6
Completed during 2014	23.7	48.7	35.5
Completed during 2015	52.0	95.9	69.3
Completed during 2016	150.1	260.7	185.7
Completed during 2017	78.5	48.5	90.8
Completed during 2018	51.1	-	-
Completed surveys	359.2	471.0	389.0
Surveys in progress	301.8	135.7	123.3
MultiClient library, net	**661.0**	**606.7**	**512.3**

The comments to Note 10 relates to both As Reported and Segment Reporting unless otherwise stated.

As more fully described in Note 16, following the implementation of IFRS 15 the carrying value of As Reported Surveys in progress was increased by $155 million as of January 1, 2018. Comparable figures for 2017 are not restated.

Key figures MultiClient library:

(In millions of US dollars)	Quarter ended June 30, 2018	Quarter ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017	Year ended December 31, 2017
MultiClient pre-funding revenue, as reported *	134.3	50.2	196.4	89.9	299.4
MultiClient late sales	68.7	77.4	152.2	116.7	235.0
Cash investment in MultiClient library	81.3	43.8	135.0	77.4	213.4
Capitalized interest in MultiClient library	1.7	1.0	3.0	2.3	4.8
Capitalized depreciation (non-cash)	33.5	16.7	47.9	25.8	71.6
Amortization of MultiClient library	(53.9)	(77.9)	(94.2)	(147.1)	(366.4)
Accelerated amortization of MultiClient library	(61.8)	(0.4)	(89.8)	(0.4)	(0.4)
Impairment of MultiClient library	(7.9)	(2.2)	(7.9)	(3.5)	(59.4)
Segment Reporting					
MultiClient pre-funding revenue, Segment *	94.0	50.2	152.5	89.9	299.4
Prefunding as a percentage of MultiClient cash investment	116 %	115 %	113 %	116 %	140 %

**Includes revenue from sales to joint operations in the amount of $ 17.2 million, $ 14.8 million and $ 50.3 million for Q2 2018, Q2 2017 and the year ended December 31, 2017 respectively.*

In the first half 2018, Segment MultiClient pre-funding revenues corresponded to 113% of capitalized MultiClient cash investment (excluding capitalized interest), compared to 116% in the first half 2017. The continued high pre-funding level for the MultiClient portfolio illustrates the Company's ability to generate solid MultiClient projects attracting strong customer interest, combined with industry leading project execution and reduced cost.

In Q2 2018, Segment MultiClient pre-funding revenues corresponded to 116% of capitalized MultiClient cash investment (excluding capitalized interest), compared to 115% in Q2 2017.

The higher MultiClient cash investment in the first half and Q2 2018, compared to the same periods in 2017 are mainly due to more 3D vessel capacity allocated to MultiClient.

Note 11 – Liquidity and Financing

In the first half 2018 net cash provided by operating activities was $195.1 million, compared to $79.4 million in the first half 2017. The increase is mainly driven by higher earnings and a better working capital development. Partially offsetting this, the first half of 2018 net cash provided by operating activities includes the negative impact of $26.8 million of payments relating to severance and other restructuring provisions made in Q4 2017.

In Q2 2018 net cash provided by operating activities was $121.7million, compared to $49.4 million in Q2 2017. The increase is mainly the same reasons as for the first half 2018. In Q2 2018, cash payments of severance and other restructuring provisions amounted to $12.5 million.

The liquidity reserve, including cash and cash equivalents and the undrawn part of the Revolving Credit Facility ("RCF"), was $224.0 million as of June 30, 2018, compared to $233.4 million as of March 31, 2018 and $228.3 million as of June 30, 2017.

Long term debt consists of the following:

(In millions of US dollars)	June 30, 2018	June 30, 2017	December 31, 2017
Secured			
Term loan B, Libor (min. 75 bp) + 250 Basis points, due 2021	383.0	387.0	385.0
Export credit financing, due 2025	151.0	171.8	161.4
Export credit financing, due 2027	241.9	268.3	255.1
Revolving credit facility, due 2020	200.0	225.0	190.0
Unsecured			
Senior notes, Coupon 7.375%, due 2018	26.0	26.0	26.0
Senior notes, Coupon 7.375%, due 2020	212.0	212.0	212.0
Long-term debt, gross (1)	**1,213.9**	**1,290.1**	**1,229.5**
Less current portion LT debt	(77.2)	(51.2)	(77.2)
Less deferred loan costs, net of debt premiums	(13.9)	(19.0)	(16.5)
Total long-term debt	**1,122.8**	**1,219.9**	**1,135.8**

(1) Fair value of the long term debt, gross was $1,201.8 million as of June 30 2018, compared to $1,198.7 million as of June 30, 2017.

Undrawn facilities consists of the following:

(In millions of US dollars)	June 30, 2018	June 30, 2017	December 31, 2017
Secured			
Revolving credit facility, due 2020	200.0	175.0	210.0
Unsecured			
Bank facility (NOK 50 mill)	6.1	6.0	6.1
Performance bond	9.4	4.1	11.3
Total	**215.5**	**185.1**	**227.4**

Summary of net interest bearing debt:

(In millions of US dollars)	June 30, 2018	June 30, 2017	December 31, 2017
Cash and cash equivalents	24.4	53.3	47.3
Restricted cash (current and long-term)	44.1	111.5	43.2
Short-term debt and current portion of long-term debt	(77.1)	(52.1)	(77.6)
Long-term debt	(1,122.8)	(1,219.9)	(1,135.8)
Adjustment for deferred loan costs (offset in long-term debt)	(13.9)	(19.0)	(16.5)
Total	**(1,145.3)**	**(1,126.2)**	**(1,139.4)**

Restricted cash of $44.1 million includes $38.1 million held in debt service reserve and retention accounts related to the export credit financing ("ECF") of *Ramform Titan*, *Ramform Atlas, Ramform Tethys and Ramform Hyperion*.

At June 30, 2018, the Company had approximately 52% of its debt at fixed interest rates. The Q2 2018 weighted average cash interest cost of gross debt reflects an interest rate of approximately 4.9%, including credit margins paid on the debt. PGS has a debt structure with no material scheduled maturities until 2020, except on the ECF, which is repaid in separate semi-annual instalments, and the Senior Notes of $26.0 million due in December 2018. Total annual ECF instalments for 2018 will be approximately $47.2 million and each subsequent year until it tapers off following maturity of one after one of the four facilities in the period 2025 to 2027.

The undrawn portion of the RCF constitutes a significant portion of the Company's liquidity reserve. As a part of the refinancing completed in Q4 2016 the stepdown of the Total Leverage Ratio ("TLR") covenant, with which the Company must comply in order to draw on the RCF, was amended to a flatter profile. It started with a maximum of 5.50:1 in 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 June 30, 2018 the TLR was 2.83:1, well below the maximum level of 4.00:1.

If the Company were to breach the TLR covenant, this would represent a default under the loan agreement. In such case the Company may be able to continue to access the RCF if it receives a waiver of the breach. For a more complete description, reference is made to the Company's 2017 Annual Report.

Note 12 – Earnings per Share

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

	Quarter ended June 30, 2018	Quarter ended June 30, 2017	Six months ended June 30, 2,018	Six months ended June 30, 2,017	Year ended December 31, 2017
- Basic	0.03	(0.10)	(0.09)	(0.42)	(1.55)
- Diluted	0.03	(0.09)	(0.09)	(0.41)	(1.55)
Weighted average basic shares outstanding	338,574,108	338,072,510	338,573,567	337,161,625	337,860,603
Weighted average diluted shares outstanding	341,121,744	339,577,238	341,213,742	338,986,280	340,234,632

Note 13 – Other Comprehensive Income

Changes to Other comprehensive income consists of the following:

(In millions of US dollars)	Quarter ended June 30, 2018	Quarter ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017	Year ended December 31, 2017
Actuarial gains (losses) on defined benefit pensions plan	13.1	4.9	13.3	0.6	11.2
Income tax effect on actuarial gains and losses	-	(10.8)	-	(10.8)	(10.8)
Items that will not be reclassified to profit and loss	**13.1**	**(5.9)**	**13.3**	**(10.2)**	**0.4**
Cash flow hedges					
Gains (losses) arising during the period	(2.0)	0.9	-	1.1	2.3
Reclassification adjustments for losses (gains) included in profit and	-	0.2	-	0.3	0.3
Other comprehensive income (loss) of associated companies	(0.2)	1.4	-	0.8	0.6
Items that may be subsequently reclassified to profit and loss	**(2.2)**	**2.5**	-	**2.2**	**3.2**

Note 14 – Reconciliation of alternative performance measures

(In millions of US dollars)	Quarter ended June 30, 2018	Quarter ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017	Year ended December 31, 2017
Operating profit (loss)	**30.5**	**(17.4)**	**23.2**	**(111.0)**	**(383.6)**
Segment adjustment to Revenues as reported	(40.3)	-	(43.8)	-	-
Other charges net	4.4	(3.4)	0.5	5.4	82.8
Amortization and impairment of MultiClient library	123.6	80.5	191.9	151.1	426.3
Depreciation and amortization of long term assets (excl. MultiClient library)	17.8	42.9	56.5	87.4	154.4
Impairment and loss on sale of long-term assets (excl. MultiClient library)	-	9.9	-	9.9	94.2
Segment EBITDA ex. Other Charges, net	**135.9**	**112.5**	**228.4**	**142.6**	**374.1**

(In millions of US dollars)	Quarter ended June 30, 2018	Quarter ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017	Year ended December 31, 2017
Operating profit (loss)	**30.5**	**(17.4)**	**23.2**	**(111.0)**	**(421.7)**
Segment adjustment to Revenues As Reported	(40.3)	-	(43.8)	-	-
Other charges, net	4.4	(3.4)	0.5	5.4	82.8
Segment adjustment to Amortization As Reported	11.1	-	3.1	-	-
Impairment of MultiClient library	7.9	2.2	7.9	3.5	59.4
Impairment and loss on sale of long-term assets (excl. MultiClient library)	-	9.9	-	9.9	94.2
EBIT ex. impairment and other charges, net	**13.5**	**(8.7)**	**(9.1)**	**(92.2)**	**(185.3)**

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

Financial statement captions used in defining the APMs relate to both As Reported figures and Segment figures unless otherwise stated.

Segment EBITDA

Segment EBITDA, when used by the Company, means Segment EBIT excluding other charges, impairment and loss on sale of long-term assets and depreciation and amortization. A reconciliation between Segment EBIT excluding other charges, impairment and loss on long-term asset and depreciation and amortization and Segment EBITDA is shown above. Segment EBITDA may not be comparable to other similarly titled measures from other companies. The Company has included EBITDA as a supplemental disclosure because PGS 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.

Segment EBIT, excluding impairments and other charges

PGS believes that Segment EBIT, excluding impairments and other charges, is a useful measure in that the measures provide 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. Segment EBIT, excluding impairments and other charges is reconciled above.

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

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

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

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

Net operating expenses
Net operating expenses are defined as gross cash costs (as per above) less capitalized investments in the MultiClient library and capitalized development costs and is reconciled in Note 3. PGS 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. PGS believes that the Order book figure is a useful measure in that it provides an indication of the amount of customer backlog and committed activity in the coming periods.

Capital expenditures, whether paid or not
Capital expenditures means investments in property and equipment irrespective of whether paid in the period, but excluding capitalized interest cost.

Note 15 – Basis of Presentation

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

Profit and loss for the interim period are not necessarily indicative of the results that may be expected for any subsequent interim period or year. The condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2017.

The accounting policies adopted in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the preparation of the Company's consolidated financial statements for the year ended December 31, 2017. Reference is made to Note 16 for changes following IFRS 15.

Note 16 – Change in accounting principles effective from 1 January 2018

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2017, except for the adoption of new standards effective as of January 1, 2018. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Except for IFRS 15 no new standards had any impact for the Company.

IFRS 9 Financial Instruments
Effective January 1, 2018 the new financial instruments standard, IFRS 9, replaced existing IFRS revenue requirements (see Note 2 in the 2017 Annual Report). The standard has not had any significant effect on the Company's consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers
Effective January 1, 2018 the new revenue recognition standard, IFRS 15, replaced existing IFRS revenue requirements (see Note 2 in the 2017 Annual Report).

The core principle of IFRS 15 is that revenue is recognized to depict the transfer of control 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 Company adopted IFRS 15 from January 1, 2018. IFRS 15 does not impact the recognition of revenues for proprietary contracts and MultiClient late sales.

Under the previous revenue recognition policy for MultiClient pre-funding agreements, the acquisition and processing of MultiClient data is considered a service to the pre-funders, and therefore revenue was recognized as the service is performed over time during the acquisition and processing of MultiClient data. Under IFRS 15 MultiClient pre-funding agreements are considered "right to use" licenses and the revenue is to be recognized at the point in time when the "right to use" license is transferred to the customer. This "point in time" is typically upon completion of processing of the survey and granting of access to the finished data or delivery of the finished data.

The Company has applied the modified retrospective approach in transitioning to the new principle. Under this approach, the cumulative effect of initially applying IFRS 15 is recognized at the date of initial application, i.e. in the 2018 opening balance, and the comparative periods are not restated. As a consequence, previously recognized revenue from MultiClient pre-funding agreements for which final data had not yet been delivered as of December 31, 2017 was reversed effective January 1, 2018, along with the related MultiClient amortization expense, and will be recognized in the 2018 and future periods statement of profit and loss, without prior periods being restated.

The transition adjustments to the opening balance are as follows:

Adjusted opening balance following IFRS 15	As reported 31.12.2017	Adjustment IFSR 15	Opening Balance 01.01.2018
Accounts receivable	162.8	-	162.8
Accrued revenues and other receivables	133.2	(70.9)	62.3
Other	151.7	-	151.7
Total current assets	**447.7**	**(70.9)**	**376.8**
MultiClient library			
Completed surveys	389.0	-	389.0
Surveys in progress	123.3	155.7	279.0
Other	1,522.8	-	1,522.8
Total long term assets	**2,035.1**	**155.7**	**2,190.8**
Total assets	**2,482.8**	**84.8**	**2,567.6**
Accumulated earnings	(18.5)	(75.3)	(93.8)
Other equity	898.0	-	898.0
Total shareholders' equity	**879.5**	**(75.3)**	**804.2**
Accrued expenses, other current liabilities and deferred revenues	186.8	160.1	346.9
Other	180.4	-	180.4
Total current liabilities	**367.2**	**160.1**	**527.3**
Total long term liabilities	**1,236.1**	**-**	**1,236.1**
Total liabilities and shareholders' equity	**2,482.8**	**84.8**	**2,567.5**

The opening balance has been adjusted with an $ 82.3 million in decrease in accrued revenues and a $158.0 increase in deferred revenues, in total $240.3 million. In Q2 2018 $95.0 million of this adjustment has been recognized as pre-funding revenues.

If IFRS revenues for 2018 were presented in accordance with the principles applied for 2017; the financial reporting under IFRS would be the same as the Segment Reporting.

Segment Reporting Principles

Although IFRS provides a fair presentation of the profit and loss of the Company, for purposes of Segment and internal reporting management applies the revenue recognition principle used prior to 2018. MultiClient pre-funding revenue is recognized using the percentage of completion method, and related MultiClient amortization is based upon the ratio of aggregate capitalized survey cost to forecasted sales. Management believes this method makes revenues coincide better with activities and resources used by the Company and provides useful information as to the progress made on MultiClient surveys in process and resultant value generation during the period.

In determining the percentage of completion, 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. Accordingly, MultiClient pre-funding revenues and related MultiClient amortization are generally recognized much earlier for purposes of segment reporting as compared to IFRS reporting.

While a survey is in progress, the Company amortizes each MultiClient survey based on the ratio of aggregate capitalized survey cost to forecasted sales for segment purposes. At completion the remaining balance is amortized on a straight line basis over four years. For impairment purposes a portfolio assessment is applied and no impairment is reflected unless the MC library as a whole has a book value above estimated recoverable value. The segment reporting principle will generally result in book value of a project at completion being lower compared to the book value for IFRS reporting.

Note 17 - Risk Factors

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

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

For a further description of other relevant risk factors we refer to the Annual Report for 2017. As a result of these and other risk factors, actual events and actual results may differ materially from those indicated in or implied by such forward-looking statements.

Oslo, July 18, 2018

Walter Qvam
Chairperson

Morten Borge
Director

Anne Grethe Dalane
Director

Richard Herbert
Director

Marianne Kah
Director

Espen Grimstad
Director

Hege Renshus
Director

Anette Valbø
Director

Rune Olav Pedersen
Chief Executive Officer

Responsibility Statement

We confirm that, to the best of our knowledge, the condensed set of financial statements for the first half year 2018, which has been prepared in accordance with IAS 34 Interim Financial reporting gives a true and fair view of the Company's consolidated assets, liabilities, financial position and result of operations, and that the first half 2018 report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

Oslo, July 18, 2018

Walter Qvam *Chairperson*	Morten Borge *Director*
Anne Grethe Dalane *Director*	Richard Herbert *Director*
Marianne Kah *Director*	Espen Grimstad *Director*
Hege Renshus *Director*	Anette Valbø *Director*
Rune Olav Pedersen *Chief Executive Officer*	

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Petroleum Geo-Services ASA and its subsidiaries ("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 and the PGS share is listed on the Oslo stock exchange (OSE: PGS).

For more information on PGS visit www.pgs.com.

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The information included herein contains certain forward-looking statements that address activities, events or developments that the Company expects, projects, believes or anticipates will or may occur in the future. These statements are based on various assumptions made by the Company, which are beyond its control and are subject to certain additional risks and uncertainties. The Company is subject to a large number of risk factors including but not limited to the demand for seismic services, the demand for data from our multi-client data library, the attractiveness of our technology, unpredictable changes in governmental regulations affecting our markets and extreme weather conditions. For a further description of other relevant risk factors we refer to our Annual Report for 2017. As a result of these and other risk factors, actual events and our actual results may differ materially from those indicated in or implied by such forward-looking statements. The reservation is also made that inaccuracies or mistakes may occur in the information given above about current status of the Company or its business. Any reliance on the information above is at the risk of the reader, and PGS disclaims any and all liability in this respect.

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Brooklands
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Surrey KT13 0NY, UK
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Board of Directors:

Walter Qvam (Chairperson)	Morten Borge
Anne Grethe Dalane	Richard Herbert
Marianne Kah	Espen Grimstad (employee elected)
Anette Valbø (employee elected)	Hege Renshus (employee elected)

Executive Officers:

Rune Olav Pedersen	President & CEO
Gottfred Langseth	EVP & CFO
Sverre Strandenes	EVP Sales & Services
Per Arild Reksnes	EVP Operations & Technology

Other Corporate Management:

Terje Bjølseth	SVP HR
Magnus Christiansen	VP HSEQ
Lars Mysen	General Counsel
Kai Reith	SVP Corporate Development
Bård Stenberg	SVP IR & Communication

Web-Site:
www.pgs.com

Financial Calendar:

Q2 2018 report	July 19, 2018
Q3 2018 report	October 18, 2018
Q4 2018 report	January 31, 2019

The dates are subject to change.