Earnings Release
Q3 – 2019

Supporting Exploration – Optimizing Production

PGS

Strong Earnings Improvement in a Recovering Market

Highlights Q3 2019

- Segment Revenues of $234.2 million, compared to $192.1 million in Q3 2018
- Segment EBITDA of $160.2 million, compared to $132.8 million in Q3 2018
- Segment EBIT of $38.0 million, compared to a loss of $2.7 million in Q3 2018
- Contract revenues of $76.3 million, compared to $34.3 million in Q3 2018
- Segment MultiClient pre-funding revenues of $94.9 million, with a corresponding pre-funding level of 125%, compared to $95.7 million and 94% in Q3 2018
- MultiClient late sales revenues of $53.9 million, compared to $56.0 million in Q3 2018
- Cash flow from operations of $151.9 million, compared to $133.3 million in Q3 2018
- Order book of $336 million in Q3 2019, more than a doubling compared to Q3 2018
- As reported revenues according to IFRS of $276.5 million and an EBIT of $50.3 million, compared to $163.4 million and an EBIT loss of $10.4 million in Q3 2018

"Our contract revenues more than doubled from Q3 2018 and continue to benefit from an improving market environment. For completed and secured 2019 work, our prices are on average close to 40% higher than the 2018 average.

We used a majority of our Q3 capacity on attractive and well pre-funded MultiClient projects in the North Atlantic region, as well as certain parts of Asia Pacific. Total MultiClient sales in Q3 were in line with our expectations. High sales from surveys in the processing phase contributed to a high pre-funding level in Q3, and brings our pre-funding expectation for the full year to be in the high-end of our targeted range of 80-120%.

Q3 was another quarter with strong utilization, and we experience significantly higher demand, compared to last year. Our order book is up sequentially, and we are confident in achieving good utilization for all eight active vessels during the coming winter season."

Rune Olav Pedersen,
President and Chief Executive Officer

Outlook

PGS expects the significant cash flow generation among clients and an increase in exploration and production spending, including offshore spending, to contribute to a continuing recovery of the marine seismic market fundamentals. Contract seismic is the activity currently benefitting the most from the improvement, driven by more 4D acquisition and generally higher demand for new proprietary seismic data.

Based on current operational projections, with eight vessels in operation through year-end, and with reference to disclosed risk factors, PGS expects full year 2019 gross cash costs of approximately $575 million.

2019 MultiClient cash investments are expected to be approximately $250 million.

Approximately 50% of 2019 active 3D vessel time is currently expected to be allocated to MultiClient acquisition.

Capital expenditure for 2019 is expected to be approximately $60 million.

The order book totaled $336 million at September 30, 2019 (including $102 million relating to MultiClient). The order book was $300 million at June 30, 2019 and $144 million at September 30, 2018.

Key Financial Figures

(In millions of US dollars, except per share data)	Quarter ended September 30, 2019	Quarter ended September 30, 2018	Year to date September 30, 2019	Year to date September 30, 2018	Year ended December 31, 2018
Profit and loss numbers Segment Reporting					
Segment Revenues	234.2	192.1	591.7	589.3	834.5
Segment EBITDA	160.2	132.8	361.9	361.3	515.9
Segment EBIT ex. impairment and other charges, net	38.0	(2.7)	26.2	(11.7)	36.3
Profit and loss numbers As Reported					
Revenues	276.5	163.4	598.2	604.5	874.3
EBIT	50.3	(10.4)	0.4	13.0	39.4
Net financial items	(12.9)	(18.2)	(66.7)	(56.2)	(87.3)
Income (loss) before income tax expense	37.4	(28.6)	(66.3)	(43.3)	(47.9)
Income tax expense	(5.9)	(6.8)	(16.3)	(21.2)	(40.0)
Net income (loss) to equity holders	31.5	(35.4)	(82.6)	(64.4)	(87.9)
Basic earnings per share ($ per share)	0.09	(0.10)	(0.24)	(0.19)	(0.26)
Other key numbers As Reported by IFRS					
Net cash provided by operating activities	151.9	133.3	379.5	328.6	445.9
Cash investment in MultiClient library	75.7	101.9	203.5	236.9	277.1
Capital expenditures (whether paid or not)	10.2	14.1	40.9	26.4	42.5
Total assets	2,262.4	2,397.2	2,262.4	2,397.2	2,384.8
Cash and cash equivalents	36.0	44.4	36.0	44.4	74.5
Net interest bearing debt*	1,015.9	1,149.0	1,015.9	1,149.0	1,109.6
Net interest bearing debt, including lease liabilities following IFRS 16*	1,220.3		1,220.3		

*Following implementation of IFRS 16, prior periods are not comparable to September 2019

Condensed Consolidated Statements of Profit and Loss and Other Comprehensive Income

(In millions of US dollars)	Note	Quarter ended September 30, 2019	Quarter ended September 30, 2018	Year to date September 30, 2019	Year to date September 30, 2018	Year ended December 31, 2018
Revenues	2	276.5	163.4	598.2	604.5	874.3
Cost of sales	3	(59.9)	(44.0)	(189.0)	(181.3)	(256.0)
Research and development costs	3	(2.9)	(2.0)	(7.2)	(7.9)	(10.8)
Selling, general and administrative costs	3	(11.2)	(13.2)	(33.6)	(38.8)	(51.8)
Amortization and impairment of MultiClient library	4	(131.2)	(87.8)	(287.2)	(279.6)	(385.3)
Depreciation and amortization of long term assets (excl. MultiClient library)	4	(19.6)	(23.3)	(81.0)	(79.8)	(117.5)
Other charges, net	4	(1.4)	(3.5)	0.2	(4.0)	(13.5)
Total operating expenses		(226.2)	(173.8)	(597.8)	(591.4)	(834.9)
Operating profit (loss)/EBIT		50.3	(10.4)	0.4	13.0	39.4
Share of results from associated companies	5	0.1	(2.8)	(13.8)	(6.0)	(18.9)
Interest expense	6	(16.4)	(15.3)	(51.5)	(46.3)	(62.0)
Other financial expense, net	7	3.4	(0.2)	(1.4)	(4.0)	(6.4)
Income (loss) before income tax expense		37.4	(28.6)	(66.3)	(43.3)	(47.9)
Income tax	8	(5.9)	(6.8)	(16.3)	(21.2)	(40.0)
Net income (loss) to equity holders of PGS ASA		**31.5**	**(35.4)**	**(82.6)**	**(64.4)**	**(87.9)**
Other comprehensive income						
Items that will not be reclassified to profit and loss	13	(12.7)	(1.0)	(16.8)	12.4	11.6
Items that may be subsequently reclassified to profit and loss	13	(0.6)	(0.1)	1.4	(0.1)	(4.8)
Other comprehensive income (loss) for the period, net of tax		(13.3)	(1.1)	(15.4)	12.3	6.8
Total comprehensive income (loss) to equity holders of PGS ASA		**18.2**	**(36.5)**	**(98.0)**	**(52.1)**	**(81.1)**
Earnings per share attributable to equity holders of the parent during the period						
Basic and diluted earnings per share	12	0.09	(0.10)	(0.24)	(0.19)	(0.26)

Condensed Consolidated Statements of Financial Position

(In millions of US dollars)	Note	September 30, 2019	September 30, 2018	December 31, 2018
ASSETS				
Cash and cash equivalents	11	36.0	44.4	74.5
Restricted cash	11	3.2	4.5	4.3
Accounts receivable		102.6	105.7	160.3
Accrued revenues and other receivables		54.4	51.2	61.1
Other current assets		61.8	75.0	64.8
Total current assets		258.0	280.9	365.0
Property and equipment	9	1,160.2	1,181.4	1,062.2
MultiClient library	10	652.3	709.3	654.6
Restricted cash	11	38.6	37.9	38.9
Other non-current assets		51.2	70.0	66.6
Other intangible assets		102.1	117.7	106.7
Total non-current assets		2,004.4	2,116.3	1,929.0
Asset held for sale	9	-	-	90.8
Total assets		**2,262.4**	**2,397.2**	**2,384.8**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Interest bearing debt	11	221.2	77.2	51.2
Lease liabilities	11	48.9	2.8	3.2
Accounts payable		62.0	58.4	67.0
Accrued expenses and other current liabilities		106.6	104.8	110.6
Deferred revenues		112.4	161.0	160.6
Income taxes payable		18.5	20.9	32.5
Total current liabilities		569.6	425.0	425.1
Interest bearing debt	11	864.7	1,146.1	1,164.7
Lease liabilities	11	155.5	-	-
Deferred tax liabilities		0.1	0.8	0.8
Other non-current liabilities		56.6	75.5	72.4
Total non-current liabilities		1,076.9	1,222.4	1,237.9
Common stock; par value NOK 3; issued and outstanding 338,579,996 shares		138.5	138.5	138.5
Additional paid-in capital		851.7	849.0	850.1
Total paid-in capital		990.2	987.5	988.6
Accumulated earnings		(366.1)	(232.9)	(257.2)
Other capital reserves		(8.2)	(4.9)	(9.6)
Total shareholders' equity		615.9	749.7	721.8
Total liabilities and shareholders' equity		**2,262.4**	**2,397.2**	**2,384.8**

Condensed Consolidated Statements of Changes in Shareholders' Equity

For the nine months ended September 30, 2019 and the year ended December 31, 2018

(In millions of US dollars)	Share capital par value	Additional paid-in capital	Accumulated earnings	Other capital reserves	Shareholders' equity
	Attributable to equity holders of PGS ASA				
Balance as of January 1, 2018	**138.5**	**851.4**	**(105.6)**	**(4.8)**	**879.5**
Profit (loss) for the period	-	-	(87.9)	-	(87.9)
Other comprehensive income (loss)	-	-	11.6	(4.8)	6.8
Share based payments	-	3.0	-	-	3.0
Share based payments, cash settled	-	(4.3)	-	-	(4.3)
Adjustment to opening balance IFRS 15	-	-	(75.3)	-	(75.3)
Balance as of December 31, 2018	**138.5**	**850.1**	**(257.2)**	**(9.6)**	**721.8**
Effect from implementation of IFRS 16	-	-	(9.5)	-	(9.5)
Balance as of January 1, 2019	**138.5**	**850.1**	**(266.7)**	**(9.6)**	**712.3**
Profit (loss) for the period	-	-	(82.6)	-	(82.6)
Other comprehensive income (loss)	-	-	(16.8)	1.4	(15.4)
Share based payments	-	2.6	-	-	2.6
Share based payments, cash settled	-	(1.0)	-	-	(1.0)
Balance as of September 30, 2019	**138.5**	**851.7**	**(366.1)**	**(8.2)**	**615.9**

For the nine months ended September 30, 2018

(In millions of US dollars)	Share capital par value	Additional paid-in capital	Accumulated earnings	Other capital reserves	Shareholders' equity
	Attributable to equity holders of PGS ASA				
Balance as of January 1, 2018	**138.5**	**851.4**	**(105.6)**	**(4.8)**	879.5
Profit (loss) for the period	-	-	(64.4)	-	(64.4)
Other comprehensive income (loss)	-	-	12.4	(0.1)	12.3
Share based payments	-	1.9	-	-	1.9
Share based payments, cash settled	-	(4.3)	-	-	(4.3)
Adjustment to opening balance IFRS 15	-	-	(75.3)	-	(75.3)
Balance as of September 30, 2018	**138.5**	**849.0**	**(232.9)**	**(4.9)**	**749.7**

Condensed Consolidated Statements of Cash Flows

	Quarter ended September 30,		Year to date September 30,		Year ended December 31,
(In millions of US dollars)	2019	2018	2019	2018	2018
Net income (loss) to equity holders of PGS ASA	31.5	(35.4)	(82.6)	(64.4)	(87.9)
Depreciation, amortization, impairment	150.8	111.1	368.2	359.4	504.8
Share of results in associated companies	(0.1)	2.8	13.8	5.9	18.9
Interest expense	16.4	15.3	51.5	46.3	62.0
Loss (gain) on sale and retirement of assets	(0.2)	-	(1.5)	2.2	2.4
Income taxes paid	(5.1)	(8.6)	(28.7)	(22.6)	(30.0)
Other items	(4.6)	0.4	(0.9)	(1.9)	(1.2)
(Increase) decrease in accounts receivable, accrued revenues & other receivables	49.1	1.7	89.0	68.2	3.8
Increase (decrease) in deferred revenues	(84.2)	47.8	(48.2)	(12.8)	(12.5)
Increase (decrease) in accounts payable	18.5	(10.2)	3.7	(16.2)	(8.4)
Change in other current items related to operating activities	(29.1)	9.4	5.2	(37.4)	(3.1)
Change in other long-term items related to operating activities	8.9	(1.0)	10.0	2.0	(2.9)
Net cash provided by operating activities	**151.9**	**133.3**	**379.5**	**328.6**	**445.9**
Investment in MultiClient library	(75.7)	(101.9)	(203.5)	(236.9)	(277.1)
Investment in property and equipment	(22.2)	(14.9)	(50.4)	(35.9)	(48.0)
Investment in other intangible assets	(5.4)	(5.5)	(12.2)	(17.4)	(19.9)
Investment in other current -and long-term assets	-	-	(0.5)	(2.6)	(6.6)
Proceeds from sale and disposal of assets	1.0	-	70.1	-	1.5
Net cash used in investing activities	**(102.3)**	**(122.3)**	**(196.5)**	**(292.8)**	**(350.1)**
Interest paid on interest bearing debt	(14.0)	(12.1)	(42.9)	(44.0)	(63.4)
Repayment of interest bearing debt	(12.9)	(13.9)	(38.5)	(39.7)	(80.2)
Net change of drawing on the Revolving Credit Facility	(5.0)	35.0	(95.0)	45.0	75.0
Payment of lease liabilities (recognized under IFRS 16)	(11.5)	-	(34.4)	-	-
Payments of leases classified as interest	(3.4)	-	(10.7)	-	-
Net cash (used in) provided by financing activities	**(46.8)**	**9.0**	**(221.5)**	**(38.7)**	**(68.6)**
Net increase (decrease) in cash and cash equivalents	2.8	20.0	(38.5)	(2.9)	27.2
Cash and cash equivalents at beginning of period	33.2	24.4	74.5	47.3	47.3
Cash and cash equivalents at end of period	**36.0**	**44.4**	**36.0**	**44.4**	**74.5**

Notes to the Condensed Interim Consolidated Financial Statements
Third Quarter 2019 Results

Note 1 – Segment Reporting

Following the Company's organizational change effective January 1, 2018, PGS has only one operating segment focused on delivery of seismic data and services.

Following the implementation of the new accounting standard for revenues, IFRS 15, in 2018, 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 costs to forecasted sales. This differs from IFRS reporting which recognizes revenue from MultiClient pre-funding agreements and related amortization at the "point in time" when the customer receives access to, or delivery of, the finished data. See Note 15 for further description of the principles applied.

The table below provides a reconciliation of the Group's segment numbers ("Segment") against the financial statements prepared in accordance with IFRS ("As Reported"):

	Quarter ended September 30,					
	2019	2018	2019	2018	2019	2018
(In millions of US dollars)	Segment Reporting		Adjustments		As Reported	
Total revenues	234.2	192.1	42.3	(28.7)	276.5	163.4
Cost of sales	(59.9)	(44.0)	-	-	(59.9)	(44.0)
Research and development costs	(2.9)	(2.0)	-	-	(2.9)	(2.0)
Selling, general and administrative costs	(11.2)	(13.2)	-	-	(11.2)	(13.2)
Amortization of MultiClient library	(102.6)	(112.3)	(28.6)	24.5	(131.2)	(87.8)
Depreciation and amortization (excl. MultiClient library)	(19.6)	(23.3)	-	-	(19.6)	(23.3)
Operating profit (loss)/ EBIT, ex impairment and other charges, net	**38.0**	**(2.7)**	**13.7**	**(4.2)**	**51.7**	**(6.9)**

	Year to date September 30,					
	2019	2018	2019	2018	2019	2018
(In millions of US dollars)	Segment Reporting		Adjustments		As Reported	
Total revenues	591.7	589.3	6.5	15.2	598.2	604.5
Cost of sales	(189.0)	(181.3)	-	-	(189.0)	(181.3)
Research and development costs	(7.2)	(7.9)	-	-	(7.2)	(7.9)
Selling, general and administrative costs	(33.6)	(38.8)	-	-	(33.6)	(38.8)
Amortization of MultiClient library	(254.7)	(293.2)	(29.3)	21.5	(284.0)	(271.7)
Depreciation and amortization (excl. MultiClient library)	(81.0)	(79.8)	-	-	(81.0)	(79.8)
Operating profit (loss)/ EBIT, ex impairment and other charges, net	**26.2**	**(11.7)**	**(22.8)**	**36.6**	**3.4**	**25.0**

	Year ended December 31, 2018		
(In millions of US dollars)	Segment Reporting	Adjustments	As Reported
Total revenues	834.5	39.8	874.3
Cost of sales	(256.0)	-	(256.0)
Research and development costs	(10.8)	-	(10.8)
Selling, general and administrative costs	(51.8)	-	(51.8)
Amortization of MultiClient library	(362.1)	(0.6)	(362.7)
Depreciation and amortization (excl. MultiClient library)	(117.5)	-	(117.5)
Operating profit (loss)/ EBIT, ex impairment and other charges, net	**36.3**	**39.2**	**75.5**

For the quarter ended September 30, 2019 and for 2019 year to date, MultiClient pre-funding revenues, As Reported, were higher than Segment pre-funding revenues. This difference is solely related to the timing of revenue recognition.

Note 2 – Revenues

Revenues by service type:

	Quarter ended September 30,			
	2019	2018	2019	2018
(In millions of US dollars)	Segment Reporting		As Reported	
-Contract seismic	76.3	34.3	76.3	34.3
-MultiClient pre-funding	94.9	95.7	137.2	67.0
-MultiClient late sales	53.9	56.0	53.9	56.0
-Imaging	8.7	6.1	8.7	6.1
-Other	0.4	-	0.4	-
Total Revenues	**234.2**	**192.1**	**276.5**	**163.4**

	Year to Date September 30,				Year ended December 31,	
	2019	2018	2019	2018	2018	2018
(In millions of US dollars)	Segment Reporting		As Reported		Segment Reporting	As Reported
-Contract seismic	215.0	108.5	215.0	108.5	149.5	149.5
-MultiClient pre-funding	191.8	248.2	198.3	263.4	282.4	322.2
-MultiClient late sales	160.4	208.3	160.4	208.3	371.9	371.9
-Imaging	22.5	19.5	22.5	19.5	25.8	25.8
-Other	2.0	4.8	2.0	4.8	4.9	4.9
Total Revenues	**591.7**	**589.3**	**598.2**	**604.5**	**834.5**	**874.3**

Vessel Allocation(1):

	Quarter ended September 30,		Year to date September 30,		Year ended December 31,
	2019	2018	2019	2018	2018
Contract	32%	19%	35%	22%	22%
MultiClient	56%	68%	46%	54%	44%
Steaming	12%	5%	9%	9%	10%
Yard	0%	0%	1%	1%	2%
Stacked/standby	0%	8%	9%	14%	22%

(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
As Reported revenues in Q3 2019, amounted to $276.5 million, compared to $163.4 million in Q3 2018.

Segment revenues in Q3 2019 ended at $234.2 million, compared to $192.1 million in Q3 2018, an increase of $42.1 million, or 22%. The increase is mainly driven by an increase in contract revenues.

Contract revenues
In Q3 2019, contract revenues increased by $42.0 million, or 122%, compared to Q3 2018. The increase comes as a result of significantly higher prices and more capacity allocated to contract work.

MultiClient pre-funding revenues
As Reported MultiClient pre-funding revenues in Q3 2019 were $137.2 million, predominately driven by completion of surveys in North and South America. This was an increase of $70.2 million, or 105%, compared to Q3 2018, owing to more projects completed and delivered to customers in the period.

Segment MultiClient pre-funding revenues in Q3 2019 ended at $94.9 million, a decrease of $0.8 million, or 1%, compared to Q3 2018. Maintaining pre-funding revenues at the same level despite significantly less capacity allocated to MultiClient comes as a result of more sales from surveys in the processing phase in Q3 2019, compared to Q3 2018. MultiClient pre-funding revenues in Q3 2019 were highest in North and South America and Europe.

MultiClient late sales

In Q3 2019, MultiClient late sales revenues decreased by $2.1 million, or 4%, compared to Q3 2018. MultiClient library sales leads in Q3 2019 were weighted towards surveys in the processing phase, and the Company finalized a relatively larger share of these leads (where revenues are reported as pre-funding) compared to sales leads of completed MultiClient surveys.

Note 3 – Net Operating Expenses

	Quarter ended September 30,		Year to date September 30,		Year ended December 31,
(In millions of US dollars)	2019	2018	2019	2018	2018
Cost of sales before investment in MultiClient library	(138.1)	(136.4)	(391.8)	(411.7)	(530.1)
Research and development costs before capitalized development costs	(4.5)	(4.6)	(12.5)	(15.0)	(19.7)
Selling, general and administrative costs	(11.2)	(13.2)	(33.6)	(38.8)	(51.8)
Cash Cost, gross	**(153.8)**	**(154.3)**	**(437.9)**	**(465.5)**	**(601.6)**
Steaming deferral, net	2.5	(9.5)	(0.7)	(6.5)	(3.0)
Cash investment in MultiClient library	75.7	101.9	203.5	236.9	277.1
Capitalized development costs	1.6	2.6	5.3	7.1	8.9
Net operating expenses	**(74.0)**	**(59.3)**	**(229.8)**	**(228.0)**	**(318.6)**

In Q3 2019, gross cash costs decreased by $0.5 million compared to Q3 2018. Implementation of IFRS 16 reduced gross cash costs by approximately $12.0 million in the quarter, compared to Q3 2018. This reduction was offset by better vessel utilization and higher project specific and geographical area related costs.

Cash costs capitalized to the MultiClient library in Q3 2019 decreased by $26.2 million, or 26%, compared to Q3 2018, primarily as a result of less vessel capacity allocated to MultiClient.

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

Amortization and impairment of MultiClient library consist of the following:

	Quarter ended September 30,		Year to date September 30,		Year ended December 31,
(In millions of US dollars)	2019	2018	2019	2018	2018
As Reported					
Amortization of MultiClient library	(63.0)	(72.3)	(162.9)	(166.2)	(212.3)
Accelerated amortization of MultiClient library	(68.2)	(15.5)	(121.1)	(105.5)	(150.4)
Impairment of MultiClient library	-	-	(3.2)	(7.9)	(22.6)
Total	**(131.2)**	**(87.8)**	**(287.2)**	**(279.6)**	**(385.3)**
Segment reporting					
Amortization of MultiClient library	(102.6)	(112.3)	(254.7)	(293.2)	(362.1)
Total	**(102.6)**	**(112.3)**	**(254.7)**	**(293.2)**	**(362.1)**

Segment MultiClient library amortization

In Q3 2019, Segment amortization of the MultiClient library as a percentage of MultiClient revenues was 69%, compared to 74% in Q3 2018. The lower Segment amortization rate is primarily due to higher sales from surveys in the processing phase.

MultiClient library amortization and impairment As Reported

In Q3 2019, total amortization and impairment of the MultiClient library increased by $43.4 million, or 49%, compared to Q3 2018. The increase is mainly driven by more accelerated amortization from projects completed, partly offset by lower amortization of the library of completed MultiClient data.

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 prefunders is recognized when the customer is granted access to the finished survey or upon delivery of the finished data. 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. For more information see Note 15.

Depreciation and amortization of non-current assets (excl. MultiClient library) consist of the following:

	Quarter ended September 30,		Year to date September 30,		Year ended December 31,
(In millions of US dollars)	2019	2018	2019	2018	2018
Gross depreciation*	(49.5)	(50.6)	(154.6)	(155.0)	(203.4)
Depreciation capitalized and deferred, net	29.9	27.4	73.6	75.3	85.9
Total	**(19.6)**	**(23.3)**	**(81.0)**	**(79.8)**	**(117.5)**

*includes depreciation of right-of-use assets amounting to $ 10.2 million and $ 30.8 for the quarter ended and year to date September 30, 2019 respectively.

Gross depreciation decreased by $1.1 million, or 2% in Q3 2019, compared to Q3 2018. As a result of implementing IFRS 16, gross depreciation in Q3 2019 increased by approximately $10 million, which was almost fully offset by reduced depreciation driven by a generally lower investment level in recent years.

Capitalized depreciation in Q3 2019 increased by $2.5 million, or 9%, compared to Q3 2018 as a result of implementing IFRS 16, which was partially offset by less vessel capacity allocated to MultiClient.

Other charges, net consist of the following:

	Quarter ended September 30,		Year to date September 30,		Year ended December 31,
(In millions of US dollars)	2019	2018	2019	2018	2018
Severance cost	-	(0.8)	(0.4)	(1.7)	(2.4)
Onerous lease contracts	1.3	(1.0)	1.3	(1.0)	(1.7)
Onerous contracts with customers	(2.7)	(1.6)	0.2	5.5	6.9
Write-down supply/spare parts	-	-	-	-	(8.2)
Other	-	-	(0.9)	(6.7)	(8.1)
Total	**(1.4)**	**(3.5)**	**0.2**	**(4.0)**	**(13.5)**

As of September 30, 2019, the Company's provision for onerous customer contracts amounted to a total of $2.7 million, a decrease of $1.5 million compared to September 30, 2018 and a decrease of $0.2 million compared to December 31, 2018. The provision for onerous customer contracts represents the estimated loss in future periods relating to certain binding customer contracts where revenues are lower than the full costs, including depreciation, of completing the contract.

Note 5 – Share of Results from Associated Companies

The share of results from associated companies was a gain of $0.1 million, in Q3 2019.

Note 6 – Interest Expense

Interest expense consists of the following:

	Quarter ended September 30,		Year to date September 30,		Year ended December 31,
(In millions of US dollars)	2019	2018	2019	2018	2018
Interest on debt , gross	(15.8)	(17.4)	(48.4)	(51.4)	(69.1)
Imputed interest cost on lease agreements	(3.4)	-	(10.7)	-	-
Capitalized interest, MultiClient library	2.8	2.2	7.6	5.2	7.1
Total	**(16.4)**	**(15.3)**	**(51.5)**	**(46.3)**	**(62.0)**

Gross interest on debt for Q3 2019 decreased by $1.6 million, or 9%, compared to Q3 2018. The reduction is due to a combination of lower interest bearing debt and lower interest rates on floating rate debt.

Following implementation of IFRS 16, effective January 1, 2019, an imputed interest cost is calculated on lease liabilities and reported as interest expense. See Note 16 for further information.

Note 7 – Other Financial Expense, net

Other financial expense, net consists of the following:

	Quarter ended September 30,		Year to date September 30,		Year ended December 31,
(In millions of US dollars)	2019	2018	2019	2018	2018
Interest income	0.6	0.5	1.8	1.2	2.2
Currency exchange gain (loss)	4.6	0.6	3.6	(0.8)	(2.9)
Other	(1.8)	(1.3)	(6.8)	(4.4)	(5.7)
Total	**3.4**	**(0.2)**	**(1.4)**	**(4.0)**	**(6.4)**

The currency exchange gain in 2019 relates primarily to revaluation gains on lease obligations capitalized in accordance with IFRS 16 (Note 16) and denominated in Norwegian kroner.

Note 8 – Income Tax and Contingencies

Income tax consists of the following:

	Quarter ended September 30,		Year to date September 30,		Year ended December 31,
(In millions of US dollars)	2019	2018	2019	2018	2018
Current tax	(6.6)	(6.8)	(17.0)	(21.2)	(40.0)
Change in deferred tax	0.7	-	0.7	-	-
Total	**(5.9)**	**(6.8)**	**(16.3)**	**(21.2)**	**(40.0)**

Current tax expense decreased by $0.2 million, or 2%, in Q3 2019.

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 $39.5 million in total. Since 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:

	Quarter ended September 30,		Year to date September 30,		Year ended December 31,
(In millions of US dollars)	2019	2018	2019	2018	2018
Seismic equipment	6.1	6.9	12.4	17.4	24.4
Vessel upgrades/Yard	2.7	0.8	22.5	0.8	4.7
Processing equipment	0.9	5.4	3.9	5.7	10.4
Other	0.5	1.0	2.1	2.5	3.0
Total capital expenditures, whether paid or not	**10.2**	**14.1**	**40.9**	**26.4**	**42.5**
Change in working capital and capital leases	12.0	0.8	9.5	9.5	5.5
Investment in property and equipment	**22.2**	**14.9**	**50.4**	**35.9**	**48.0**

Investment in property and equipment consists mainly of equipment for the Company's seismic acquisition and imaging activities.

After sale of the *Ramform Sterling*, the Company maintained its fleet size by reintroducing the *Ramform Vanguard.* The year to date impact of the capital expenditure relating to the reintroduction is $15.5 million.

Following implementation of IFRS 16 (Note 16), as of September 30, 2019, right-of-use-assets amounting to $175.3 million are included as Property and equipment in the condensed consolidated statements of financial positions.

Note 10 – MultiClient Library

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

	September 30,		December 31,
(In millions of US dollars)	2019	2018	2018
Completed during 2013	-	1.9	-
Completed during 2014	-	17.8	10.7
Completed during 2015	6.6	43.3	29.7
Completed during 2016	57.0	132.4	110.1
Completed during 2017	46.9	72.4	66.3
Completed during 2018	85.7	65.0	116.4
Completed during 2019	81.1	-	-
Completed surveys	277.3	332.9	333.3
Surveys in progress	375.0	376.4	321.3
MultiClient library	652.3	709.3	654.6

The comments to this note relates to both As Reported and Segment Reporting unless otherwise stated.

Key figures MultiClient library:

(In millions of US dollars)	Quarter ended September 30, 2019	Quarter ended September 30, 2018	Year to date September 30, 2019	Year to date September 30, 2018	Year ended December 31, 2018
MultiClient pre-funding revenue, as reported *	137.2	67.0	198.3	263.4	322.2
MultiClient late sales	53.9	56.0	160.4	208.3	371.9
Cash investment in MultiClient library	75.7	101.9	203.5	236.9	277.1
Capitalized interest in MultiClient library	2.8	2.2	7.6	5.2	7.1
Capitalized depreciation (non-cash)	28.5	32.0	73.9	78.9	87.7
Amortization of MultiClient library , as reported	(63.0)	(72.3)	(162.9)	(166.2)	(212.3)
Accelerated amortization of MultiClient library, as reported	(68.2)	(15.5)	(121.1)	(105.5)	(150.4)
Impairment of MultiClient library	-	-	(3.2)	(7.9)	(22.6)
Segment Reporting					
MultiClient pre-funding revenue, Segment *	94.9	95.7	191.8	248.2	282.4
Prefunding as a percentage of MultiClient cash investment	125%	94%	94%	105%	102%

*includes revenue from sale to joint operations in the amount of $18.0 million, $30.7 million and $49.7 million for Q3 2019, Q3 2018 and the year ended December 31, 2018 respectively.

In Q3 2019, Segment MultiClient pre-funding revenues corresponded to 125% of capitalized MultiClient cash investment (excluding capitalized interest), compared to 94% in Q3 2018. The higher pre-funding level in Q3 2019 is attributable to a fundamental growth in the MultiClient market as well as more sales from surveys in the processing phase.

MultiClient cash investment decreased by $26.2 million, or 26%, compared to Q3 2018, as a result of less capacity allocated to MultiClient and a reduction of amounts reported as capitalized cash investment following the implementation of IFRS 16.

PGS is targeting a pre-funding level in the range of 80-120% of capitalized MultiClient cash investments. In the Company's MultiClient portfolio, there are significant variations of pre-funding levels on individual surveys. The actual pre-funding ratio for the first nine months was 94%.

MultiClient library amortization and impairment As Reported according to IFRS
In Q3 2019, total MultiClient amortization As Reported was 69% of MultiClient revenues. The Company recognized accelerated amortization of $68.2 million on projects completed in Q3 2019.

Note 11 – Liquidity and Financing

In Q3 2019, net cash provided by operating activities was $151.9 million, compared to $133.3 million in Q3 2018. The increase is mainly driven by higher earnings as well as the effect of classifying payments on leasing obligations as financing activity in the cash flow statement (ref. IFRS 16).

The liquidity reserve, including cash and cash equivalents and the undrawn part of the Revolving Credit Facility ("RCF"), was $216.0 million as of September 30, 2019, compared to $208.2 million as of June 30, 2019 and $159.5 million as of September 30, 2018.

Interest bearing debt consists of the following:

(In millions of US dollars)	September 30, 2019	September 30, 2018	December 31, 2018
Secured			
Term loan B, Libor (min. 75 bp) + 250 Basis points, due 2021	378.0	382.0	381.0
Export credit financing, due 2025	125.0	145.8	140.6
Export credit financing, due 2027	208.7	235.1	228.7
Revolving credit facility, due Sep 2020	170.0	235.0	265.0
Unsecured			
Senior notes, Coupon 7.375%, due 2018	-	26.0	-
Senior notes, Coupon 7.375%, due Dec 2020	212.0	212.0	212.0
Total loans and bonds, gross (1)	**1,093.7**	**1,235.9**	**1,227.3**
Less current portion	(221.2)	(77.2)	(51.2)
Less deferred loan costs, net of debt premiums	(7.8)	(12.6)	(11.4)
Non-current interest bearing debt	**864.7**	**1,146.1**	**1,164.7**

(1) Fair value of the non-current debt, gross was $1,063.6 million as of September 30, 2019, compared to $1,226.5 million as of September 30, 2018.

Undrawn facilities consists of the following:

(In millions of US dollars)	September 30, 2019	2018	December 31, 2018
Secured			
Revolving credit facility, due 2020	180.0	115.0	85.0
Unsecured			
Bank facility (NOK 50 mill)	5.5	6.1	5.8
Performance bond	9.1	7.4	12.3
Total	**194.6**	**128.5**	**103.1**

Summary of net interest bearing debt:

(In millions of US dollars)	September 30, 2019	2018	December 31, 2018
Loans and bonds gross	(1,093.7)	(1,235.9)	(1,227.3)
Cash and cash equivalents	36.0	44.5	74.5
Restricted cash (current and non-current)	41.8	42.4	43.2
Net interest bearing debt, excluding lease liabilities *	**(1,015.9)**	**(1,149.0)**	**(1,109.6)**
Lease liabilities current	(48.9)	(2.8)	(3.2)
Lease liabilities non-current	(155.5)	-	-
Net interest bearing debt, including lease liabilities *	**(1,220.3)**	**(1,151.8)**	**(1,112.8)**

**Following implementation of IFRS 16, prior periods are not comparable. Refer to note 16 for further information.*

Restricted cash of $41.8 million includes $37.9 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 September 30, 2019, the Company had approximately 55% of its debt (excluding lease liabilities) at fixed interest rates. The Q3 2019 weighted average cash interest costs of gross debt reflects an interest rate of approximately 4.82%, including credit margins paid on the debt.

PGS has a debt structure with a significant part of the debt falling due in 11 to 18 months. The RCF falls due in September 2020 and drawing under the facility is classified as current debt. The $212 million senior notes mature in December 2020 and the $378 million Term Loan B matures in March 2021. PGS plans to address these maturities in 2019 or early 2020.

The ECF loans are repaid in separate semi-annual instalments. Total annual ECF instalments for 2019 will be approximately $47.2 million and each subsequent year until they taper 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. There is a Total Leverage Ratio (“TLR”) covenant on the RCF of maximum 2.75:1, with which the Company must comply in order to draw on the facility. At September 30, 2019 the TLR was 2.55:1. The Company expects to be in compliance with the TLR covenant going forward.

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 agrees amendments of the TLR requirement or receives a waiver of a breach. For a more complete description, reference is made to the Company’s 2018 Annual Report.

Note 12 – Earnings per Share

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

	Quarter ended September 30, 2019	2018	Year to date September 30, 2019	2018	Year ended December 31, 2018
- Basic	0.09	(0.10)	(0.24)	(0.19)	(0.26)
- Diluted	0.09	(0.10)	(0.24)	(0.19)	(0.26)
Weighted average basic shares outstanding	338,578,257	338,575,506	338,578,257	338,574,220	338,575,238
Weighted average diluted shares outstanding	340,147,112	340,596,892	340,196,301	341,080,049	341,007,278

Note 13 – Other Comprehensive Income

Other Comprehensive Income

(In millions of US dollars)	Quarter ended September 30, 2019	Quarter ended September 30, 2018	Year to date September 30, 2019	Year to date September 30, 2018	Year ended December 31, 2018
Actuarial gains (losses) on defined benefit pensions plan	(12.7)	(1.0)	(16.8)	12.4	11.6
Income tax effect on actuarial gains and losses	-	-	-	-	-
Items that will not be reclassified to profit and loss	**(12.7)**	**(1.0)**	**(16.8)**	**12.4**	**11.6**
Gains (losses) on hedges	(0.4)	(0.5)	1.4	(0.5)	(4.4)
Other comprehensive income (loss) of associated companies	(0.2)	0.4	-	0.4	(0.4)
Items that may be subsequently reclassified to profit and loss	**(0.6)**	**(0.1)**	**1.4**	**(0.1)**	**(4.8)**

Note 14 – Reconciliation of alternative performance measures

Segment EBITDA ex. other Charges, net

(In millions of US dollars)	Quarter ended September 30, 2019	Quarter ended September 30, 2018	Year to date September 30, 2019	Year to date September 30, 2018	Year ended December 31, 2018
Operating profit (loss)	**50.3**	**(10.4)**	**0.4**	**13.0**	**39.4**
Segment adjustment to Revenues as reported	(42.3)	28.7	(6.5)	(15.2)	(39.8)
Other charges net	1.4	3.5	(0.2)	4.0	13.5
Amortization and impairment of MultiClient library	131.2	87.8	287.2	279.6	385.3
Depreciation and amortization of long term assets (excl. MultiClient library)	19.6	23.3	81.0	79.8	117.5
Segment EBITDA ex. Other Charges, net	**160.2**	**132.8**	**361.9**	**361.2**	**515.9**

Segment EBIT ex. impairment and other charges

(In millions of US dollars)	Quarter ended September 30, 2019	Quarter ended September 30, 2018	Year to date September 30, 2019	Year to date September 30, 2018	Year ended December 31, 2018
Operating profit (loss)	**50.3**	**(10.4)**	**0.4**	**13.0**	**39.4**
Segment adjustment to Revenues As Reported	(42.3)	28.7	(6.5)	(15.2)	(39.8)
Other charges, net	1.4	3.5	(0.2)	4.0	13.5
Segment adjustment to Amortization As Reported	28.6	(24.5)	29.3	(21.5)	0.6
Impairment of MultiClient library	-	-	3.2	7.9	22.6
Segment EBIT ex. impairment and other charges, net	**38.0**	**(2.7)**	**26.2**	**(11.8)**	**36.3**

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 non-current assets and depreciation and amortization. A reconciliation between Segment EBIT excluding other charges, impairment and loss on non-current 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 non-current and current interest bearing debt, less cash and cash equivalents and restricted cash. Net interest bearing debt is reconciled in Note 11 above. PGS believes that Net Interest Bearing Debt (“NIBD”) is a useful measure because it provides an 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 11. 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, deferred steaming, net 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 3. 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 estimated value of future Segment Revenues on signed customer contracts, letters of award or where all major contract terms are agreed. For long term contracted service agreements the order book includes estimated revenues for the nearest 12 month period. 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 costs.

Note 15 – Basis of Presentation

The Company is a Norwegian public limited liability company which prepares its annual consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU. These consolidated condensed interim financial statements have been prepared in accordance with international Accounting Standards ("IAS") No. 34 "Interim Financial Reporting". The consolidated condensed interim financial statements are presented in millions of US Dollars (”$” or “dollars”), unless otherwise indicated. 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, 2018.

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, 2018. Reference is made to Note 16 for changes following IFRS 16.

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 and IFRS 15. 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 costs 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 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 costs 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 16 – Change in Accounting Principles

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, 2018, except for the adoption of new standards effective as of January 1, 2019. The Company has not early adopted any standard, interpretation or amendment with effective date after January 1, 2019. With the exception of IFRS 16, no new standards or amendments impact the Company.

IFRS 16 Leases, effective from January 1, 2019
The Company adopted IFRS 16 with effect January 1, 2019. The new standard was applied using the modified retrospective approach, and therefore comparatives for the year ended December 31, 2018 have not been restated and the reclassifications and adjustments on implementation are recognized in the opening balance sheet at January 1, 2019.

On initial application of IFRS 16, the Company elected to use the following practical expedients:

- Use of a single discount rate to a portfolio of leases with similar characteristics;
- The use of hindsight when determining the length of the lease term;
- Leases for which the lease term ends within 12 months of 1 January 2019 will not be reflected as leases under IFRS 16;
- Initial direct costs are excluded from the measurement of the right of use asset.

The company has elected to apply the following application choices for IFRS 16;

- Lease contracts with a duration of less than 12 months will continue to be expensed to the income statement;
- Lease contracts for underlying assets of a low value will continue to be expensed to the income statement.-

At January 1, 2019, the Company recognized lease liabilities for all vessels, properties and other assets that were previously classified as operating leases. These liabilities were measured at the present value of remaining lease payments, discounted using the incremental borrowing rate at January 1, 2019. The weighted average incremental borrowing rate applied to the lease liabilities at January 1, 2019 was 6.4% for contracts denominated in USD, and 5.5% for property leases valued in GBP or NOK.

A corresponding right-of-use-asset was recognized, measured at the amount equal to the lease liability and adjusted by the amount of lease incentives embedded in the value of the asset, asset impairment, accrued costs of restoration and any liabilities relating to onerous leases.

At January 1, 2019, the Company recognized lease liabilities of $238 million and right-of-use assets of $202 million, together with a reduction in accrued expenses of $27 million and a decrease to equity of $9 million.

The following is a reconciliation of total operating lease commitments at December 31, 2018 to the lease liabilities recognized at January 1, 2019:

(In millions of US dollars)	
Future minimum payments at December 31, 2018	**293.6**
Commitments exempt due to expiry within 12 months	(11.9)
Commitments exempt due to low value	(0.1)
Effect of increase in lease term due to extension options	0.6
Effect of discounting	(43.7)
Lease liability at 1 January 2019	**238.5**
of which:	
Current	42.6
Non-current	195.9

Impact on MultiClient library capitalization and consolidated statement of profit and loss
Operating lease expenses previously recognized within cost of sales have been replaced by depreciation of the right-of-use-asset and interest costs arising from the effect of discounting.

A substantial amount of lease costs are directly incurred in acquiring seismic surveys, and as such are eligible for capitalization to the MultiClient library. For the year ending December 31, 2019, the adoption of IFRS 16 will result in a reduction in gross cash costs of approximately $50 million, partially offset by a reduction in MultiClient library capitalization of approximately $20 million, depending on vessel utilization. Lease costs previously recognized within gross cash costs will be replaced by depreciation of approximately $40 million and interest expense of approximately $15 million.

Accounting policy applicable from January 1, 2019
The Company leases various vessels, buildings and equipment. Lease terms correspond to the term of the lease contract, unless the Company is reasonably certain that it will exercise contractual extensions or termination options.

From January 1, 2019 leases are recognized as a right-of-use asset and corresponding lease liability at the date at which the leased asset is available for use. Lease payments are allocated between liability repayment and finance cost, is the latter charged to the consolidated statement of profit or loss over the lease period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight line basis.

Measurement of lease liabilities
Lease liabilities are measured at the net present value of lease payments due under the contract, less any lease incentives receivable, plus the costs of purchase or termination options if reasonably certain to be exercised. Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Company's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Measurement of right-of-use assets
Right-of-use assets are measured at cost, comprising the initial measurement of lease liability, lease payments made at the commencement date, initial direct costs and estimated restoration costs, less any lease incentives received.

Lease payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss.

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 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 2018. 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, October 16, 2019

Walter Qvam
Chairperson

Richard Herbert
Director

Anne Grethe Dalane
Director

Trond Brandsrud
Director

Marianne Kah
Director

Anette Valbø
Director

Hege Renshus
Director

Grunde Rønholt
Director

Rune Olav Pedersen
Chief Executive Officer

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PGS 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 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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FOR DETAILS CONTACT:
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PGS Main Offices:

OSLO (headquarter)
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HOUSTON
Petroleum Geo-Services, Inc.
West Memorial Place I
15375 Memorial Drive, Suite 100
Houston Texas 77079, USA
Phone: +1 281 509 8000

LONDON
Petroleum Geo-Services (UK) Ltd.
4 The Heights
Brooklands
Weybridge
Surrey KT13 0NY, UK
Phone: +44 1932 3760 00

Board of Directors:
Walter Qvam (Chairperson)
Anne Grethe Dalane
Marianne Kah
Richard Herbert
Trond Brandsrud
Anette Valbø (employee elected)
Hege Renshus (employee elected)
Grunde Rønholt (employee elected)

Executive Officers:

Rune Olav Pedersen	President & CEO
Gottfred Langseth	EVP & CFO
Berit Osnes	EVP New Ventures
Nathan Oliver	EVP Sales & Imaging
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:

Q3 2019 report	October 17, 2019
Q4 2019 report	January 30, 2020
2020 CMD	January 30, 2020
Q1 2020 report	April 23, 2020
Q2 2020 report	July 23, 2020
Q3 2020 report	October 22, 2020
Q4 2020 report	January 28, 2021

The dates are subject to change.