

PGS' ambition is to develop **superior seismic data quality** to support customers' exploration and production success

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# ANNUAL REPORT 2013

A Clearer Image | [www.pgs.com](http://www.pgs.com)



# KEY FIGURES

Petroleum Geo-Services (PGS) is a focused Marine geophysical company that provides a broad range of seismic and reservoir services, including acquisition, imaging, interpretation, and field evaluation. The Company's MultiClient data library is among the largest in the seismic industry, with modern 3D coverage in all significant offshore hydrocarbon provinces of the world.

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### STREAMER MARKET SHARE OF

21%

AS OF YEAR-END 2013 (PGS ESTIMATE)

### PROPOSED DIVIDEND INCREASE OF

39%

COMPARED TO 2012

### NUMBER OF SEISMIC 3D VESSELS IN OPERATIONS

11

AS OF APRIL 2014

### NUMBER OF PATENTS GRANTED

395

PATENTS

Patents held by PGS granted under the laws of the U.S., the UK and Norway

### AVERAGE STREAMERS PER VESSEL

12.9

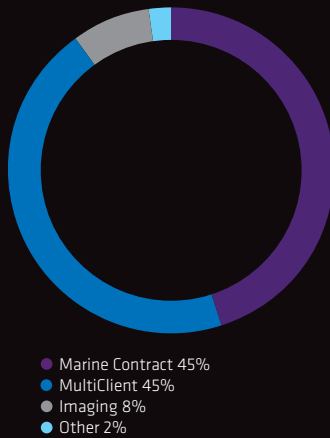
BY THE END OF 2015

### AVERAGE VESSEL AGE

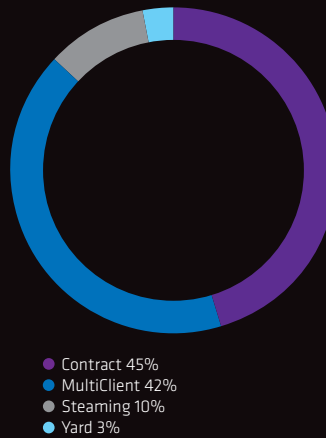
9.2

YEARS BY THE END OF 2015

**REVENUE SPLIT**

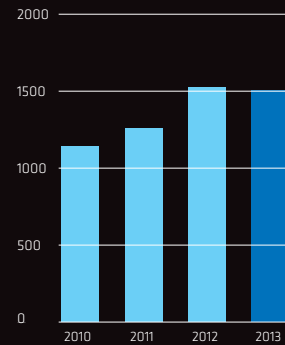


**VESSEL UTILIZATION**



**PGS REVENUES**

In millions of US dollars



**BUSINESS  
HIGHLIGHTS  
2013**

Improved earnings compared to 2012 driven by all business areas.

MultiClient late sales at a record high, delivering good returns on the investments made in MultiClient.

Took delivery of *Ramform Titan*, the first in a series of four Ramform Titan-class vessels.

Amended and extended the revolving credit facility.

Completed the first ever full-scale simultaneous acquisition of Towed EM and 2D GeoStreamer® seismic.

New imaging technologies enabled PGS to get a perfect seismic tie at well locations in areas where, until now, this has been impossible.

Commenced acquisition of the Triton Full Azimuth GeoStreamer survey in the Gulf of Mexico.

Introduced a Quality Improvement Program to capture lost revenues by preventing quality related losses.

The Board of Directors proposes a dividend of NOK 2.30 per share, up 39 percent from 2012.

**KEY FINANCIAL FIGURES**

In USD million except per share data

	2013	2012	2011	2010
Revenues	1,501.6	1,518.3	1,253.3	1,135.1
EBITDA (as defined)	828.9	776.2	534.8	475.4
EBIT ex. impairment charges <sup>1</sup>	397.1	293.0	141.3	130.5
EBIT as reported	382.1	293.8	138.7	51.4
Net income	238.3	185.5	33.7	(14.0)
EPS	1.11	0.86	0.16	(0.07)
Net cash provided by operating activities	775.3	752.9	480.4	355.5
Capital expenditures	437.8	368.1	279.9	223.5
Cash investment in MultiClient library	373.0	297.4	203.9	166.7
Total assets	3,544.3	3,275.6	3,137.2	3,035.0
MultiClient library	576.9	382.3	334.1	310.8
Cash and cash equivalents	263.8	390.3	424.7	432.6
Shareholders equity	2,065.6	1,911.5	1,771.7	1,755.3
Net interest bearing debt	666.7	435.6	394.2	279.2

<sup>1</sup> See notes to the financial statements for details of impairments by period presented



PGS took delivery of the *Ramform Atlas* in late January 2014, the second in a series of four Ramform Titan-class vessels.

CEO letter 2013

# DEAR FELLOW SHAREHOLDER

All business areas contributed to the higher margins we achieved in 2013. Going forward, we are targeting continued earnings growth driven by the vessel new build program and our industrial business approach.



We entered 2013 at a strong pace. However, sharper focus on cost and improved cash flow among our customers became increasingly apparent during the first half of the year and made the market more challenging than anticipated. PGS responded by shifting more capacity into MultiClient activities, where better opportunities were identified. Reallocating capacity delayed revenue timing, since the MultiClient business model entails sales over a number of years.

#### **The Industrial Approach**

The Industrial Approach is all about establishing a sound, industrial platform for delivering performance through the cycle and generating consistent returns to our shareholders. The platform is supported by three pillars: a vessel investment strategy, an operational strategy and a financial strategy.

Our ongoing new build program is governed by our vessel investment strategy, which specifically targets capacity investments that will bolster PGS' market differentiation. Our most sustainable competitive advantage is the productivity of the fleet, primarily the high capacity Ramform vessels. Since 2008 we have taken delivery of five new vessels. *Ramform Atlas*, the latest fleet addition, was delivered late January 2014. Two more Ramform Titan-class deliveries are scheduled for 2015.

Fleet renewal has reduced the average vessel age significantly and by end 2015 we will have increased the number of streamers in the water by more than 50 percent since 2012. Market share is not a PGS objective, but critical mass is. We will only deploy PGS capital to new builds when we can establish real productivity differentiation and of course can see the prospect of a satisfactory Return On Capital Employed. All other

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