

PROSPECTUS



Petroleum Geo-Services ASA

(a public limited company incorporated under the laws of the Kingdom of Norway)

Organisation number 916 235 291

www.pgs.com

LISTING OF CONVERTIBLE NOTES ON OSLO BØRS

Listing of Petroleum Geo-Services ASA

U.S.\$ 400,000,000 2.7 per cent. Convertible Notes due 2012 convertible into Ordinary Shares
of Petroleum Geo-Services ASA

ISIN NO 0010402761

THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO BUY, SUBSCRIBE OR
SELL ANY OF THE SECURITIES DESCRIBED HEREIN. THIS PROSPECTUS SERVES
AS A LISTING PROSPECTUS AS REQUIRED BY APPLICABLE LAWS AND NO
SECURITIES ARE BEING OFFERED OR SOLD PURSUANT TO THIS PROSPECTUS.

17 March 2008

Important information

This prospectus (the “**Prospectus**”) has been prepared in connection with the listing on Oslo Børs (the “**Listing**”) of Petroleum Geo-Services ASA’s (“**PGS**” or the “**Company**”) U.S. \$ 400,000,000 2.7 per cent. convertible notes due 2012 (the “**Notes**”). The Notes are convertible into ordinary shares of the Company (“**Ordinary Shares**”) in accordance with the terms and conditions of the Notes (the “**Conditions**”).

The Company has furnished the information in this Prospectus. Barclays Bank PLC (“**Barclays**”) and Carnegie ASA (“**Carnegie**” and together with Barclays the “**Joint Lead Managers**”) make no representation or warranty, whether expressed or implied, as to the accuracy or completeness of such information, and nothing contained in this Prospectus is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers. This Prospectus has been prepared to comply with the Norwegian Securities Trading Act 2007 and related legislation, including the EC Commission Regulation EC/809/2004. Oslo Børs has reviewed and approved this Prospectus in accordance with the Norwegian Securities Trading Act 2007 Section 7-7. This Prospectus has been published in an English version only.

All inquiries relating to this Prospectus should be directed to the Company. No other person has been authorized to give any information, or make any representation, on behalf of the Company in connection with the Listing. If given or made, such other information or representation must not be relied upon as having been authorised by the Company or the Joint Lead Managers.

The information contained herein is complete and accurate as of the date hereof and subject to change, completion or amendment without notice. There may have been changes affecting the Company or its subsidiaries subsequent to the date of this Prospectus. Any new material information and any material inaccuracy that might have an effect on the assessment of the Notes or the Ordinary Shares arising after the publication of this Prospectus and before the Listing, will be published and announced promptly as a supplement to this Prospectus in accordance with Section 7-15 of the Norwegian Securities Trading Act 2007. Neither the delivery of this Prospectus nor the completion of the Listing at any time after the date hereof will, under any circumstances, create any implication that there has been no change in the Company’s affairs since the date hereof or that the information set forth in this Prospectus is correct as of any time since its date.

The distribution of this Prospectus may in certain jurisdictions be restricted by law. Persons in possession of this Prospectus are required to inform themselves about and to observe any such restrictions. This Prospectus does not constitute an offer of, or an invitation to subscribe or purchase, any of the Notes or other securities.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933 as amended (the “**US Securities Act**”), or with any securities authority of any state of the United States. The Notes are being offered and sold in offshore transactions outside the United States in reliance on Regulation S (“**Regulation S**”) under the US Securities Act and, except in a transaction exempt from the registration requirements of the US Securities Act, may not be offered, sold or delivered within the United States or to or for the benefit of U.S. persons.

The contents of this Prospectus are not to be construed as legal, business or tax advice. Each reader of this Prospectus should consult with its own legal, business or tax advisor as to legal, business or tax aspects of an investment in the Notes. If you are in any doubt about the

contents of this Prospectus you should consult your stockbroker, bank manager, lawyer, accountant or other professional adviser.

In the ordinary course of their respective businesses, the Joint Lead Managers and certain of its respective affiliates have engaged, and may continue to engage, in investment and commercial banking transactions with the Company and its subsidiaries.

Without limiting the manner in which the Company may choose to make any public announcements, and subject to the Company's obligations under applicable law, announcements relating to the matters described in this Prospectus will be considered to have been made once they have been received by Oslo Børs and distributed through its information system.

All documents incorporated by reference in this Prospectus will be available for inspection at:
Petroleum Geo-Services ASA
Strandveien 4
1366 Lysaker
Norway

Investing in the Notes involves risks. See Section 2 “Risk Factors” of this Prospectus.

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1 SUMMARY

The following summary should be read as an introduction to this Prospectus, and is qualified in its entirety, by the more detailed information and the Appendices appearing elsewhere in this Prospectus. Any decision to invest in the Notes should be based on a consideration of the Prospectus as a whole.

In case a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might have to bear the cost of translating the Prospectus before legal proceedings are initiated. Civil liability attaches to those persons who are responsible for the summary, including any translation thereof, and applied for its notification, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

1.1 Description of PGS

PGS is a leading worldwide geophysical company. PGS provides an extensive range of seismic services and products for the petroleum industry including data acquisition, processing, reservoir analysis and interpretation. The Company also possesses an extensive multi-client data library.

The Company was formed in 1962, but started trading under its current name in 1991 after a merger between Geoteam AS and Nopec AS. Its shares have been listed on Oslo Børs since August 1992. Today, PGS is headquartered at Lysaker, Norway and the Company with subsidiaries (referred to herein as the “**Group**”) has offices in 26 different countries with large regional offices in London, Houston and Singapore.

After the recent acquisition (the “**Acquisition**”) of all of the shares in Arrow Seismic ASA, a Norwegian incorporated company listed on Oslo Børs (“**Arrow**”), the sale of Ramform Victory and the delivery of the newbuild Ramform Sovereign, the Group currently owns 15 marine streamer vessels, including 6 vessels of the unique Ramform class, which are all in operations. In addition, PGS has ordered one new-build vessel scheduled for delivery in Q2 2009, respectively, and Arrow has ordered four high capacity seismic new build vessels for delivery in 2008 and 2009 (of which two are leased to another seismic company). Arrow has also purchased two vessels planned for conversion.

The Group operates between 8 and 12 onshore crews and has 20 data processing centers.

The business is divided into two segments, marine and onshore. In addition, data processing and technology is reported as part of the marine segment. The marine segment (including data processing and technology), which accounts for approximately 80 per cent. of the Group’s total turnover, is managed from Lysaker, Norway. The onshore segment accounts for approximately 20 per cent. of the Group’s total turnover and is managed from Houston, Texas, USA.

The marine business acquires, markets and sells seismic data worldwide, which is used by companies to help locate oil and natural gas, and to determine the size and structure of known oil and natural gas reservoirs. The Company acquires seismic data both on an exclusive contract basis for its customers as well as on its own behalf as multi-client data for licensing to multiple customers on a non-exclusive basis. Multi-client revenues come from customer pre-funding of an acquisition as well as from the sale of data that has already been acquired and is part of the library (the latter being referred to as late sales).

Data processing and technology, which is a part of the marine segment, consists of data processing, interpretation, technology development, research and development and reservoir-related consulting activities.

The onshore business consists of PGS' seismic acquisition operations on land, in shallow water and in transition zones. Operations also include seismic data acquisition for the onshore multi-client library.

Please refer to Section 8 for a more comprehensive summary of the Group's business.

1.2 Purpose and background of the Listing

The Notes are currently not listed on Oslo Børs or any other regulated market place. The Ordinary Shares are listed on Oslo Børs. The Company has decided to list the Notes on Oslo Børs in order to provide a regulated marketplace for the trading of its Notes and to facilitate potential liquidity in the Notes. The Company has applied for and received approval from Oslo Børs for a listing of the Notes. It is expected that the Notes will be listed on Oslo Børs on or about 19 March 2008, but no assurances can be given that the Listing can be achieved by that date, or at all. Transaction costs and all other directly attributable costs in connection with the Listing will be paid by the Company. The total costs incurred by the Company in connection with the Listing are expected to amount to approximately NOK 300,000.

1.3 Summary of risk factors

A number of risk factors may adversely affect the Company and the Group as a whole. Below is a brief summary of the most relevant risk factors described in Section 2. Please note that the risks mentioned below are not the only risks that may affect the Group's business or the value of the Notes. Additional risks not presently known to the Board of Directors of the Company or which are currently considered immaterial may also impair its business operations and prospects.

Risks associated with the Group and the industry in which it operates: Risk related to economic development and trends; significant investments made without certainty of revenue; multi-jurisdictional operations; government regulations and political environment; significant fluctuations of revenue from period to period; service life and technical aspects; competition; construction of new-builds and vessel conversions; operating issues; insurance protection; access to personnel; substantial losses incurred in the past and the technology becoming obsolete.

Risks associated with the Group's financing and accounts: Risk related to borrowing and leverage; exchange rate fluctuations; difficulties in comparing historical financial figures; and complex tax regimes.

Risks associated with the Notes: Risk related to liquidity; market price; enforcement of civil liabilities for investors residing in the United States; Notes not being a suitable investment for all investors; redemption prior to maturity; Noteholders bearing the risk for fluctuations in the price for the Company's shares; subordination of the Notes to the Company's secured indebtedness and the subsidiaries' indebtedness; reliance on the Norwegian Central Security Depository's (the "VPS") system for transfers, payments and conversion; and restrictions in the transferability of the Notes.

1.4 Directors, senior management and employees

1.4.1 Board of Directors

The Company's Board of Directors consists of: Jens Ulltveit-Moe (chairperson); Francis Robert Gugen; Harald Norvik; Wenche Kjølås; Siri Beate Hatlen; Holly Van Deursen and Daniel J. Piette.

1.4.2 Management

The Company's senior management consists of: Svein Rennemo President and CEO; Gottfred Langseth Executive Vice President and CFO; Rune Eng Group President Marine; Eric Wersich Group President Onshore and Sverre Strandenes Group President Data Processing and Technology. Mr. Rennemo will retire on 1 April 2008 and be replaced as President and CEO by Jon Erik Reinhardsen.

1.4.3 Employees

As of the date of this Prospectus, the Group employs approximately 2,500 employees, excluding crew hired for specific time periods (which is generally the length of a specific project).

1.5 Advisors and auditor

The Joint Lead Managers for the Listing are Barclays Bank PLC, 5 The North Colonnade, Canary Wharf, London E14 4BB, United Kingdom and Carnegie ASA, P.O. Box 684, 0106 Oslo, Norway.

The Company's Norwegian legal counsel is Arntzen de Besche Advokatfirma AS, P.O. Box 2734 Solli, 0204 Oslo, Norway. The Company's international counsel is Clifford Chance, 10 Upper Bank Street, London E14 5JJ DX, 149120 Canary Wharf 3, United Kingdom.

The Managers' Norwegian legal counsel is Wiersholm, Mellbye & Bech Advokatfirma AS, Ruseløkkveien 26, P.O. Box 1400 Vika, 0115 Oslo. The Managers' international counsel is Linklaters LLP, One Silk Street, London EC2Y 8HQ, United Kingdom.

The Company's independent auditor is Ernst & Young AS, Oslo Atrium, P.O. Box 20, 0051 Oslo, Norway.

1.6 Major shareholders and related party transactions

As at 5 February 2008, the Company had a total of 3,428 shareholders, of which 2,663 are Norwegian shareholders and the remaining are foreign shareholders. The table below shows the 20 largest shareholders in PGS registered with the VPS as at 5 February 2008:

	Shareholder	Shares	%	Country	Division
1	State Street Bank	17,153,582	9.53%	USA	Nominee
2	Folketrygdfondet	13,171,560	7.32%	NOR	Ordinary
3	Citibank	11,018,439	6.12%	USA	Nominee
4	Umoe Invest	9,600,822	5.33%	NOR	Ordinary
5	JPMorgan Chase	8,252,900	4.58%	USA	Ordinary
6	Morgan Stanley	5,427,475	3.02%	GBR	Ordinary
7	JPMorgan Chase	4,800,000	2.67%	GBR	Nominee
8	Petroleum Geo-Services	4,111,757	2.28%	NOR	Ordinary
9	Fidelity Funds	3,320,400	1.84%	USA	Ordinary
10	UBS	3,255,996	1.81%	CHE	Ordinary
11	Clearstream Banking	3,116,713	1.73%	LUX	Nominee
12	Mellon Bank	2,804,467	1.56%	USA	Nominee
13	State Street Bank	2,588,952	1.44%	USA	Nominee
14	Vital Forsikring	2,503,116	1.39%	NOR	Ordinary
15	UBS	2,292,707	1.27%	GBR	Nominee
16	Investors Bank	1,884,958	1.05%	USA	Nominee
17	Morgan Stanley	1,817,389	1.01%	GBR	Nominee
18	HSBC Bank	1,799,643	1.00%	GBR	Nominee
19	Bank of New York	1,796,568	1.00%	USA	Ordinary
20	State Street Bank	1,694,866	0.94%	USA	Nominee
	20 Largest	102,412,310	56.89%		
	Total	180,000,000	100%		

To the knowledge of the Company, no single shareholder is owning, indirectly or directly, a controlling part of the Company's shares.

1.7 The Notes

On 3 December 2007, the Company's Board of Directors approved the issuance of U.S.\$ 400,000,000 2.7 per cent. Convertible Notes due 2012, convertible into Ordinary Shares of the Company. The Notes have been issued in accordance with the Norwegian Public Limited Companies Act. The Notes have a final maturity date of 3 December 2012.

The net proceeds from the Notes have been used to the refinancing of a bridge facility of U.S.\$ 450,000,000 which has been utilised to finance the Acquisition, and will further be used for general corporate purposes.

The Notes will bear an interest at a rate of 2.7 per cent. per annum, payable semi-annually in arrear, and the initial conversion price is NOK 216.19 per Ordinary Share (subject to the adjustments as set out in Condition 6 (b) of the Conditions included in Section 6 of this Prospectus). The Notes are issued in denominations of U.S.\$ 100,000. Consequently, the Notes are convertible into a maximum share capital increase of NOK 30,632,782. The latest date for conversion of the Notes is 28 November 2012. PGS will be entitled to redeem the Notes prior to the final maturity under certain circumstances, see Condition 7 of the Conditions.

The Notes are freely transferable, are issued fully paid and registered with the VPS.

The Conditions of the Notes are set out in full in Section 6 of this Prospectus.

1.8 Share capital and shareholder matters

PGS is a Norwegian public limited company with registration number 916 235 291. The Company's registered share capital is NOK 540,000,000, divided into 180,000,000 shares with a nominal value of NOK 3.00 each. The shares are fully paid and are listed on Oslo Børs under the ticker "PGS". All issued shares in the Company are vested with equal shareholder rights in all respects. There is only one class of shares and all shares are freely transferable. The Company's articles of association are attached to this Prospectus as Appendix 1.

1.9 Selected financial information

The Company has reported its annual accounts in 2005 and 2006 on the basis of both Norwegian and US GAAP. The primary basis for reporting to financial markets has been US GAAP. As from 1 January 2007, the Company has reported quarterly financial accounts on the basis of IFRS in addition to Norwegian GAAP. The quarterly accounts are not audited.

The following table sets out certain selected financial information of the Company for the years ended 2005 and 2006. The figures below have been extracted without material adjustment from the consolidated annual reports for the year ended 31 December 2006.

US GAAP financial information

In U.S. \$ millions (unless otherwise stated)	31 Dec 2006 (Audited)	31 Dec 2005 (Audited)
<u>Income Statement data</u>		
Revenue from continuing operations	1 308.5	888.0
Profit (loss) from continuing operations	229.4	(97.1)
Profit from discontinued operations, net of tax	69.2	209.7
Profit (loss) attributable to equity shareholders	298.6	112.6
<u>Balance Sheet data</u>		
Non-current assets	633.1	1 113.5
Current assets	592.7	604.1
Total assets	1 225.8	1 717.6
Shareholders' equity	444.9	329.3
Non-current liabilities and minority interest in consolidated subsidiaries	409.8	1 015.6
Current liabilities	371.1	372.7
Total shareholders' equity and liabilities	1 225.8	1 717.6
<u>Per share data</u>		
Weighted average basic and diluted number shares outstanding	180 000 000	180 000 000
Basic and diluted earnings per share (U.S.\$)	1.66	0.63
Basic and diluted earnings (loss) per share, from continuing operations (U.S.\$)	1.27	(0.54)

1.10 Documents on display

The following documents may be inspected at www.pgs.com and at the Company's offices at Strandveien 4, 1366 Lysaker, Norway:

- The Company's Articles of Association
- The Company's historical financial information and auditors report for the 2006 and 2005 financial years
- The Trust Deed between the Company and The Law Debenture Trust Corporation p.l.c. (the "**Trustee**")
- The Paying and Conversion Agency Agreement between the Company, the Trustee and Nordea Bank Norge ASA, Verdipapirservice (the "**Paying and Conversion Agent**" and the "**Registrar**")

2 RISK FACTORS

Investing in the Notes involves inherent risks. Prospective investors should consider, among other things, the risk factors set out in this Prospectus before making an investment decision. The risks described below are not the only ones facing the Company and the Group. Additional risks not presently known to the Company or that the Company currently deems immaterial may also impair the Group's business operations and adversely affect the price of the Notes. If any of the following risks actually occur, the Group's, and thereby the Company's, business, financial position and operating results could be materially adversely affected. A prospective investor should consider carefully the factors set forth below, and elsewhere in the Prospectus, and should consult his or her own expert advisors as to the suitability of an investment in the Notes. An investment in the Notes is suitable only for investors who understand the risk factors associated with this type of investment and who can afford a loss of all or part of the investment.

2.1 Risks attached to the Group and the industry in which it operates

2.1.1 Economic development and trends

The demand for geophysical services is dependent upon overall global economic development and oil and gas price developments. Fluctuations and changes in these conditions may affect the Group's revenues and results. The Group's business and operations will depend substantially on the level of activity and capital spending by oil and gas companies in particular in relation to development and exploration. The activities of the oil and gas companies tend to follow the prices of oil and gas which have fluctuated widely over the recent years. A decrease in the prices of oil and gas may have a negative impact on the expenditure on exploration activities and thus may affect the demand for the services of the Group. Financial projections for and valuation of the Group's assets are largely based on certain assumptions including those related to future market conditions for the markets in which the Group will sell its services. Actual changes in market conditions may affect the accuracy of the assumptions and future prospects of the Group. Historically, the markets for oil and gas have been volatile and currently oil and gas prices worldwide are significantly above historic levels.

2.1.2 Significant investments are made without certainty of revenue

PGS invests significant amounts in acquiring and processing seismic data that the Group owns ("multi-client data"). Future multi-client data licenses, including the timing of such licenses, are uncertain and depend on a variety of factors, many of which are beyond the Group's control. By making such investments, the Group assumes the risk that:

- it may not fully recover the costs of the data through future licenses; and
- the value of the multi-client data could be adversely affected by, among other things, any adverse change in the general prospects for oil and natural gas exploration, development and production activities in the areas where the Group acquires multi-

client data, by technological or regulatory changes and by other industry or general economic developments.

2.1.3 Multi-jurisdictional operations

The Group's revenue is derived from operations in a variety of jurisdictions, hereunder countries which are regarded as unsafe or politically unstable. These operations are subject to varying degrees of risks inherent in doing business in such areas, including:

- war, terrorist activities, political, civil or labour disturbances, border disputes and embargoes;
- damage to equipment or violence directed at employees;
- the possibility of unfavourable changes in tax or other laws;
- work stoppages;
- renegotiation or nullification of existing contracts;
- restrictions on currency repatriation or the imposition of new laws or regulations that preclude or restrict the conversion and free flow of currencies;
- difficult environment to enforce contractual rights;
- the imposition of new laws or regulations that have the effect of restricting operations or increasing the cost of operations; and
- the disruption or delay of licensing or leasing activities.

2.1.4 Government regulation and political risks

The Group's operations are subject to numerous international conventions as well as national, state and local laws, and regulations in force in the jurisdictions in which the Group conducts, or will conduct, its business. These laws and regulations relate to the protection of the environment, natural resources, human health and safety, taxes, certification, licensing and other requirements. In particular, compliance with environmental regulations may require significant expenditures and breaches may result in fines and penalties, which may be material. The technical requirements of these laws and regulations are becoming increasingly complex, stringently enforced and expensive to comply with and this trend is likely to continue. Whilst the Company has also paid particular attention to safety and environment in their planning of the business, stricter regulation or changes in the application of existing regulations may impose increased costs on operating the business of the Group, or otherwise impact the Group's financial condition, operating results or future prospects. The Company cannot predict the extent to which its future cash flow and earnings may be affected by mandatory compliance with any such new legislation or regulations.

2.1.5 *Revenues may fluctuate significantly from period to period*

The Group's future revenues may fluctuate significantly from quarter to quarter and from year to year as a result of various factors including the following:

- increases and decreases in industry-wide capacity to acquire seismic data;
- fluctuating oil and natural gas prices, which may impact customer demand for the Group's services;
- different levels of activity planned by the customers;
- the timing of offshore lease sales and licensing rounds and the effect of such timing on the demand for seismic data and geophysical services;
- the timing of award and commencement of significant contracts for geophysical data acquisition services;
- weather and other seasonal factors;
- seasonality and other variations in the licensing of geophysical data from the Group's multi-client data library; and
- reduced vessel utilisation due to longer than scheduled yardstays, steaming for two Ramform vessels and delays in obtaining necessary permits.

For instance, on 19 December 2007, the Company announced that compared to the guidance given in the Company's interim financial report for the third quarter 2007, the expected fourth quarter 2007 productive time and related revenues and margins in the marine contract segment have been reduced. This was primarily due to longer than scheduled yardstays and steaming for two Ramform vessels and a delay in obtaining operational permits for one Ramform vessel. Please see Section 8.6 – "*Recent developments*" – for further information on the announcement.

2.1.6 *Service life and technical risks*

The service life of a modern seismic vessel is generally considered to exceed twenty-five years, but may ultimately depend on its efficiency, vessel maintenance and demand for such equipment. There can be no guarantee that the vessels owned or operated by the Group will have a long service life. The vessels may experience particular unforeseen technical problems or deficiencies, new environmental requirements may be enforced, or new technical solutions or vessels may be introduced that are more efficient than the vessels owned or operated by the Group, causing less demand and use of these vessels.

2.1.7 Competition

The markets in which the Group operates are highly competitive. The Group may face competition from certain companies within the seismic industry as well as other ship owners. Furthermore, overcapacity in the seismic market would have a negative effect on the operating results of the Group.

2.1.8 Construction risks

Arrow, a newly acquired subsidiary of PGS, currently has four new building projects and two conversion projects. In addition, the Group has one new building project independent of Arrow. As a result, the Group is exposed to the risk of failure, cost overruns, delayed delivery, and technically unsound solutions associated with the new building and conversion projects. There can be no assurances that delays and cost overruns will not occur and such events, if occurring, could have an adverse impact on the financial position of the Group.

2.1.9 Operating risks

The Group's assets are concentrated in a single industry and the Group may be more vulnerable to particular economic, political, regulatory, environmental or other developments than a company with a more diversified portfolio of activities. It is not possible to give any guarantees that the vessels will be employed for the duration of their service life. There is an inherent exposure to technical risks, which may lead to operational problems, and increased operational costs and/or loss of earnings, additional investments, penalty payments, and other such costs which may have a material effect on the earnings and financial position of the Group.

The seismic data acquisition operations are exposed to extreme weather and other hazardous conditions. In particular, a substantial portion of the Group's operations are subject to perils that are customary for marine operations, including capsizing, grounding, collision, interruption and damage or loss from severe weather conditions, fire, explosions and environmental contamination from spillage. Any of these risks, whether in the marine or onshore operations, could result in damage to or destruction of vessels or equipment, personal injury and property damage, suspension of operations or environmental damage. In addition, the operations involve risks of a technical and operational nature due to the complex systems that are utilised. If any of these risks materialise, the Group's business could be interrupted and the Group could incur significant liabilities. In addition, many similar risks may result in curtailment or cancellation of, or delays in, exploration and production activities of the customers, which could in turn adversely impact the Group's operations.

2.1.10 Insurance protection

The Group does not carry full insurance for all of its operating risks. Although the Group generally attempts to carry insurance against the destruction of or damage to the seismic vessels and equipment in amounts that the Company considers customary in the industry, such insurance coverage is subject to various exclusions. In addition, the Group may not be able to maintain adequate insurance cover for its vessels and equipment in the future or do so

at premiums that are considered reasonable. The Group does not maintain insurance to protect against loss of revenues caused by business interruptions. An accident involving any of the Group's assets could result in loss of earnings, fines or penalties, higher insurance costs and damage to the reputation of the Company. The Group may not have sufficient insurance cover for the entire range of risks resulting in that particular losses may not be covered. Any significant loss or liability not insured could have a material adverse effect on its business, financial condition and results of operations. In addition, the loss of or continuing unavailability of one or several of the vessels could have an adverse effect on the Group even if effective insurance cover should be available.

2.1.11 Access to personnel

The Group's success depends, to a significant extent, upon management and key employees. Attracting key personnel will assist in the expansion of the Group's business. The maritime and seismic industries face competition for skilled personnel. There is no assurance that the Group will successfully attract the personnel required to continue to expand its business and to successfully execute its business strategy.

2.1.12 PGS has experienced substantial losses in the past and may do so in the future

PGS has experienced substantial losses in the past. For the year ended 31 December 2004, PGS suffered a net loss of U.S.\$ 135,000,000. In addition, in July 2003, PGS implemented a financial restructuring plan that was accomplished through reorganisation under Chapter 11 of the U.S. Bankruptcy Code. The Group's cash flow from the Group's operations may not be sufficient to fund ongoing activities and implement its business plans, and PGS may experience substantial losses also in the future.

2.1.13 Technology may become obsolete

The Group's technology could be rendered obsolete because technological changes and new products and services are regularly introduced to the Group's markets, and the Group may not be able to develop and produce competitive products and services on a cost-effective and timely basis. The Group will be required to invest substantial capital to maintain competitive technologies. Technology changes rapidly, and new and enhanced products and services are frequently introduced in the relevant markets. The Group's success depends to a significant extent on its ability to develop and produce new and enhanced products and services on a cost effective and timely basis in accordance with industry demands. While the Group commits resources to research and development, it may encounter resource constraints or technical or other difficulties that could delay introduction of new and enhanced products and services in the future. In addition, continuing development of new products and services inherently carries the risk of obsolescence of older products and services. New and enhanced products and services, if introduced, may not gain market acceptance or may be adversely affected by technological changes.

2.2 Risk associated with the Group's financing and accounts

2.2.1 Borrowing and leverage

The Group is highly leveraged. This high leverage exposes the Group to additional risks and restricts the Group in various ways in terms of how the Group operates its business. The Group's existing credit facility, and other debt and contractual obligations, contain customary prepayment provisions, representations and warranties, covenants and restrictions, events of default and other customary provisions for such financings. Because of the level of debt and related contractual obligations, now or in the future:

- the Group may need to dedicate a substantial portion of its cash flow from operations to debt service, which will reduce the amount of cash flow it will have available for capital investment, working capital and other general corporate purposes;
- the Group will be vulnerable to adverse developments in general economic and industry conditions;
- the Group may have constraints in responding to changing market conditions or in pursuing favourable business opportunities;
- the Group may be limited in its ability to borrow additional funds; and
- the Group may be at a competitive disadvantage as compared to competitors that have less debt and/or less onerous contractual obligations.

In addition to existing debt obligations, from time to time the Group may enter into transactions to acquire assets or shares of other companies, or to contract new-buildings. These transactions along with the Group's ongoing operations may be financed partially or wholly with debt, which may increase the Group's debt levels. Depending on future investment plans, the Group may require additional financing, which may not be available or, if available, may not be available on favourable terms. Failure to obtain such financing on a timely basis could cause the Group to forfeit or forego various opportunities. Failure to obtain financing on attractive terms may result in increased financing costs and could adversely affect the Group's earnings and financial position.

2.2.2 Exchange rate fluctuations

Currency exchange rate fluctuations and currency devaluations could have a material impact on the Group's results of operations from time to time. Historically, most of the Group's revenue and operating expenses have been generated in U.S.\$, NOK and British pounds, but the Group predominantly sells its products and services in U.S.\$ while a higher portion of the operating expenses are incurred in NOK and British pounds. A depreciation in the U.S.\$ compared to these other currencies would adversely affect the Group's reported results of operations because expenses denominated in NOK or British pounds would be converted into U.S.\$, the Company's reporting currency, at an increased value.

Although the Group may periodically undertake limited hedging activities in an attempt to reduce some currency fluctuation risks, these activities do not provide complete protection from currency-related losses. In addition, in some circumstances our hedging activities can require the Group to make cash outlays. Finally, the amount of currency hedging transactions the Group is able to enter into may be limited due to the fact that the Company has a non-investment grade credit rating.

2.2.3 Fresh-start reporting and change from U.S. GAAP to IFRS may make the historical financial statements difficult to compare

In connection with the November 2003 consummation of PGS' reorganisation plan, PGS adopted, as of 1 November 2003, fresh-start reporting in accordance with US requirements. Because such requirements obliged PGS to reset its assets and liabilities to then current fair values, the Company's financial condition and results of operations after the reorganisation are not comparable to the financial condition and results of operations reflected in the historical financial statements for periods prior to November 2003. This may make it difficult to assess the Group's performance for fiscal years 2006, 2005 and 2004 compared to the performance for fiscal years 2003 and 2002.

In addition, effective 1 January 2007, the Company changed its basis for financial reporting from U.S. GAAP, which was applied through the year ended 31 December 2006, to International Financial Reporting Standards ("IFRS"). The Company's financial reporting under IFRS differs in certain respects from U.S. GAAP, and these differences could be material. The Company has separately reported the effects of changing to IFRS to the market, including the impact on its financial statements for 2006. The change from U.S. GAAP to IFRS makes the Company's financial reports difficult to compare to financial reports for earlier years.

2.2.4 Risks associated with taxation

As a multinational organisation, the Group is subject to taxation in many jurisdictions around the world with increasingly complex tax laws. The amounts of taxes the Group pays in these jurisdictions could increase substantially as a result of changes in these laws or their interpretations by the relevant taxing authorities, which could have a material adverse effect on the Group's liquidity and results of operations. In addition, those authorities could review tax returns and impose additional taxes and penalties, which could be material. The Company has identified issues in several jurisdictions that could eventually make the Group liable to pay material amounts in taxes relating to prior years. Additional issues that the Company is not currently aware of may be identified in the future.

2.3 Risk related to the Notes

In addition to the above described risk factors (which also apply for the Notes), the following risks apply specifically to the Notes:

2.3.1 Liquidity risk

No market-maker agreement has been made in connection with the Notes, which may represent a liquidity risk for the investor. Further, no liquid market has existed for the Notes and it is not possible to predict whether, if the Notes are listed on the Oslo Børs, this will provide satisfactory liquidity in the Notes.

2.3.2 Market risk

The price of the Notes will depend on circumstances related to the Company and the Group, and in the oil and offshore industry in general. The price will also depend on general fluctuation in the industrial bond market.

2.3.3 It may be difficult for investors based in the United States to enforce civil liabilities predicated on U.S. securities laws against the Company, its affiliates, directors and officers

The Company is organised under the laws of Norway. Some of the Company's directors and officers reside outside of the United States, and the substantial parts of the Group's assets are located outside of the United States. As a result, it may be difficult for investors in the United States to effect service of process within the United States upon the Company or the Company's directors and officers that reside outside of the United States or to enforce judgments obtained in U.S. courts predicated on the civil liability provisions of U.S. Federal securities laws against the Company or the Company's directors and officers. In addition, punitive damages in actions brought in the United States or elsewhere may be unenforceable in Norway.

2.3.4 Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- understand thoroughly the terms of the Notes and be familiar with the behavior of financial markets in which they participate; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

2.3.5 The Notes may be redeemed prior to maturity

In the event that the Company would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any authority therein or thereof having power to tax, the Company may redeem all outstanding Notes.

In addition, the Notes are redeemable at the Company's option in certain other limited circumstances and accordingly the Company may choose to redeem the outstanding Notes at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Notes.

2.3.6 Noteholders will bear the risk of fluctuation in the price of the Company's shares

The market price of the Notes is expected to be affected by fluctuations in the market price of the Company's shares and it is impossible to predict whether the price of the shares will rise or fall. Trading prices of the shares will be influenced by, among other things, the financial position of the Company, the results of operations and political, economic, financial and other factors. Any decline in the price of the shares may have an adverse effect on the market price of the Notes.

Future issues or sales of the shares may significantly affect the trading price of the Notes or the shares. The future issue of shares by the Company or the disposal of shares by any of the major shareholders of the Company or the perception that such issues or sales may occur may significantly affect the trading price of the Notes and the shares.

2.3.7 Rights to receive payment on the Notes are subordinated to the Company's secured indebtedness and structurally subordinated to the indebtedness and liabilities of the Company's subsidiaries

Certain of the Group's properties and assets are being used to secure its existing debt. The Notes will be effectively subordinated to any of the Company's secured obligations with respect to the assets that secure such obligations. The terms of the Notes do not prevent any of the Company or its subsidiaries from incurring additional debt and the Company's subsidiaries are generally permitted to secure their indebtedness (subject to the provisions of Condition 2 - see "*Terms and Conditions of the Notes - Negative Pledge*"). In addition, the Notes will be structurally subordinated to the existing and future indebtedness and other liabilities and obligations of the Company's subsidiaries. Claims of creditors of such entities will have priority over the assets of such entities over the Company and its creditors, including the Noteholders.

2.3.8 As the Notes are cleared through VPS, investors will have to rely on VPS' procedures for transfers, payments and conversion of Notes

The Notes will clear through VPS. Pursuant to the rules and procedures of VPS, investors will not be entitled to receive Notes in definitive form. VPS will maintain a register in which it will record details of the holders of the Notes. Investors will be able to trade their beneficial interests only through VPS.

The Company will discharge its payment obligations under the Notes by making payments through VPS for distribution to its account holders. A holder of a beneficial interest in a Bond must rely on the procedures of VPS to receive payments under the Notes and to receive delivery of the Company's shares upon conversion of Notes. The Company has no responsibility or liability for the records relating to beneficial interests in the Notes.

2.3.9 Transfer of the Notes may be restricted by law

The Company has not, and will not, register the Notes under the US Securities Act, as amended. Holders of the Notes may not offer or sell the Notes in the United States, except pursuant to an exemption from, or in transaction not subject to, the registration requirements of the US Securities Act. Further, an offer or sale of the Notes in other jurisdictions may be restricted. It is the obligation of each Noteholder to ensure that offers and sales of the Notes comply with applicable laws.

3 RESPONSIBILITY FOR THE PROSPECTUS

The Board of Directors of Petroleum Geo-Services ASA accepts responsibility for the information contained in this Prospectus. The Board of Directors hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of our knowledge, in accordance with the facts and contains no omissions likely to affect its import.

Lysaker, 17 March 2008

The Board of Directors of Petroleum Geo-Services ASA

Francis Robert Gugen

Jens Ulltveit-Moe
Chairperson

Harald Norvik

Wenche Kjølås

Siri Beate Hatlen

Holly Van Deursen

Daniel J. Piette

4 NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus includes “forward-looking” statements, including, without limitation, projections and expectations regarding the Group’s future financial position, business strategy, plans and objectives. When used in this document, the words “projects”, “forecasts”, “estimates”, “expects”, “anticipates”, “believes”, “plans”, “intends”, “may”, “might”, “will”, “would”, “can”, “could”, “should”, “seek to” or, in each case, their negative, or other variations or similar expressions, as they relate to the Company, its subsidiaries or its management, are intended to identify forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company and its subsidiaries, or, as the case may be, the industry, to materially differ from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company’s present and future business strategies and the environment in which the Company and its subsidiaries will operate. Factors that could cause the Group’s actual results, performance or achievements to materially differ from those in the forward-looking statements include but are not limited to:

- the competitive nature of the markets in which the Group operates;
- global and regional economic conditions;
- government regulations;
- changes in political events; and
- force majeure events

Prospective investors in the Notes are cautioned that forward-looking statements are not guarantees of future performance and that the Group's actual financial position, operating results and liquidity, and the development of the industry in which it operates may differ materially from those made in or suggested by the forward-looking statements contained in this Prospectus. The Group cannot guarantee that the intentions, beliefs or current expectations upon which its forward-looking statements are based will occur. These forward-looking statements are subject to risks, uncertainties and assumptions, including those discussed elsewhere in this Prospectus. Forward-looking statements include statements regarding:

- title to assets;
- the amount and nature of capital expenditure;
- the timing and amount of future operating costs;
- availability of equipment;
- business strategies and plans of management; and
- acquisitions

Some important factors that could cause actual results to differ materially from those in the forward-looking statements are, in certain instances, included with such forward-looking statements and in Section 2 “Risk Factors” in this Prospectus.

The Company undertakes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to the Group or to persons acting on the Group's behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Prospectus.

5 THE LISTING

5.1 Purpose of the Listing

The Company has decided to list the Notes on Oslo Børs in order to provide a regulated marketplace for the trading of its Notes and to facilitate satisfactory liquidity in the Notes.

5.2 The Listing

The Notes are currently not listed on Oslo Børs or any other regulated market place. The Company's Ordinary Shares are listed on Oslo Børs and registered with the VPS with ISIN NO 0010199151.

The Company has applied for and received approval from Oslo Børs for a listing of the Notes. It is expected that the Notes will be listed on Oslo Børs on or about 19 March 2008, but no assurances can be given that the Listing can be achieved by that date.

The ISIN of the Notes is 0010402761. The Notes are electronically registered financial instruments registered with the Norwegian Central Securities Depository, VPS. The address of VPS is Biskop Gunnerus' gate 14 A, 0185 Oslo, and the mailing address is Postboks 4, 0051 Oslo, Norway.

5.3 Expenses in connection with the Listing

Transaction costs and all other directly attributable costs in connection with the Listing will be paid by the Company. The total costs incurred by the Company in connection with the Listing are expected to amount to approximately NOK 300,000.

5.4 Corporate authorisations

At the Board of Directors' meeting held 3 December 2007, the Company approved the issue of U.S.\$ 400,000,000 2.7 per cent. Convertible Notes due 2012 convertible into Ordinary Shares of the Company. The Notes have been issued in accordance with the Norwegian Public Limited Companies Act. The Notes have a final maturity date of 3 December 2012. The effective interest is equal to the nominal interest as of the date of issuance.

The net proceeds from the Notes has been used to the refinancing of a bridge facility of U.S.\$ 450,000,000 which has been utilised to finance the Acquisition, and will further be used for general corporate purposes.

The Notes are issued pursuant to an authorisation granted by the Company's shareholders in the annual general meeting held 15 June 2007. The authorisation reads:

- (i) *The Company may raise convertible loans at a total amount of NOK 3.500.000.000. The Board of Directors are authorised to negotiate and enter into convertible loan agreements within the limits and in accordance with the terms of this authorisation.*
- (ii) *The share capital of the Company may be increased by a total of NOK 54,000,000 as a result of the loans raised being converted into equity.*
- (iii) *The shareholders' preferential rights to subscribe the loans may be set aside.*
- (iv) *The authorisation shall be effective from the date it is registered in the Norwegian Register of Business Enterprises and shall be valid for a period of one year from its effective date.*

At the Board of Directors' meeting held 3 December 2007, the Board of Directors utilised the authorisation granted by the shareholders as follows:

- a. *The Company shall issue Notes with an aggregate principal amount of USD 400,000,000 by which the holders of such Notes (the lenders) shall have the right to demand issuance of shares in the Company by setting off the debt against the Company (convertible notes).*
- b. *The persons listed in Appendix 1 will subscribe the Notes, and each investor subscribes for such part of the Notes and against such consideration as set out in item e) below. The existing shareholders' preferential right is set aside, cf. Section 11-4 of the Norwegian Public Limited Companies Act.*
- c. *The Notes shall be subscribed by 31 December 2007 and subscription shall take place by way of a designated subscription form, cf. Section 11-5 first paragraph, cf. Section 10-7 of the Norwegian Public Limited Companies Act.*
- d. *The nominal value of the Notes shall be USD 100,000. The exchange rate between USD and NOK shall be fixed such that one USD equals 5.5188 NOK. The conversion price is NOK 216.19. Consequently each Note entitles the holder to 2552.732 shares upon conversion which equal a maximum share capital increase of NOK 30,632,782. The interest shall be 2.7% and as further set out in the "Terms and Conditions for the Notes". Interest shall be paid semi-annually in arrear. The Notes shall be repaid in its entirety 3 December 2012 (the "Final Maturity Date"). The Notes shall be paid to account no. 5012.04.43345.*
- e. *The Notes shall be subscribed at nominal value.*
- f. *The Notes shall be paid to the company by 1 February 2008.*
- g. *At conversion of the Notes NOK 3 per share shall be paid for each share with nominal value NOK 3. Payment of the share contribution is made by set off against the nominal value of the Notes. The balance between the nominal value of the shares and the value of the Notes is added to the Company's premium fund. In the case that the nominal value of the Company's shares is changed during the term of the loan, an amount similar to the new nominal value shall be paid per share at conversion of the Notes. Only the debt can be converted. Should the nominal value of the debt not be divisible by the conversion price, it shall be rounded down to the nearest whole number of shares. The Noteholders will have the right to receive any amount not*

used in connection with the rounding off in cash and as further set out in item 6 (a) of the "Terms and Conditions for the Notes". Interest accrued since the latest interest due date, but not fallen due by the conversion date will not be converted into shares. When the conversion right is exercised, the Company's share capital will be increased without the holding of a general meeting. The Company shall ensure that the share capital increase resulting from the conversion is registered with the Norwegian Register of Business Enterprises without undue delay. The Board gives the management of the Company the authority to issue shares in connection with the conversion.

- h. A demand for conversion may be presented at any time during the term of the Notes, for the whole or parts of the Notes, on several occasions, but must be presented at the latest on the date falling six days prior to the Final Maturity Date.*
- i. Shares acquired by conversion shall be equal with the other ordinary shares in the Company and give right to dividend payments from the time of issuance.*
- j. Issuance of new shares in the Company when existing shareholders have preferential rights, issuance of financial instruments as described in Chapter 11 of the Norwegian Public Limited Companies Act, share capital decrease with payment to the Company's shareholders, funds issue, share split, share splice, dividend payments, completion of mergers and de-mergers and other changes to the Company's share capital that are not in the bond holders interest, shall entail an adjustment of the conversion price such as to maintain the value of the conversion right. Item 6 (b) of the Terms and Conditions of the Notes gives further provisions as to adjustment to the conversion price.*
- k. The subscription right may not be separated from the debt.*
- l. Further, the terms and conditions set out in "Terms and Conditions for the Notes" dated 3 December 2007 (enclosed with the calling notice for this board meeting and attached to these minutes as Appendix 2) apply and are hereby approved.*

5.5 Advisors and auditor

The Joint Lead Managers for the Listing are Barclays Bank PLC, 5 The North Colonnade, Canary Wharf, London E14 4BB, United Kingdom and Carnegie ASA, P.O. Box 684, 0106 Oslo, Norway.

The Company's Norwegian legal counsel is Arntzen de Besche Advokatfirma AS, P.O. Box 2734 Solli, 0204 Oslo, Norway. The Company's international counsel is Clifford Chance, 10 Upper Bank Street, London E14 5JJ DX, 149120 Canary Wharf 3, United Kingdom.

The Managers' Norwegian legal counsel is Wiersholm, Mellbye & Bech Advokatfirma AS, Ruseløkkveien 26, P.O. Box 1400 Vika, 0115 Oslo. The Managers' international counsel is Linklaters LLP, One Silk Street, London EC2Y 8HQ, United Kingdom.

The Company's independent auditor is Ernst & Young AS, Oslo Atrium, P.O. Box 20, 0051 Oslo, Norway.

6 TERMS AND CONDITIONS OF THE NOTES

The following, subject to completion and amendment, and save for the paragraphs in italics, is the text of the Terms and Conditions of the Notes.

The issue of the U.S.\$ 400,000,000 2.70 per cent. Convertible Notes due 2012 (the “**Notes**”, which expression shall, unless otherwise indicated, include any further notes issued pursuant to Condition 17 and consolidated and forming a single series with the Notes) was (save in respect of any such further notes) authorised by a resolution of the Board of Directors of Petroleum Geo-Services ASA (the “**Issuer**”) passed on 3 December 2007, as authorised by the annual general meeting of the Issuer held on 15 June 2007. The Notes are constituted by a trust deed dated 20 December 2007 (the “**Trust Deed**”) between the Issuer and The Law Debenture Trust Corporation p.l.c. (the “**Trustee**”, which expression shall include all persons for the time being appointed as the trustee or trustees under the Trust Deed) as trustee for the holders (as defined below) of the Notes. The statements set out in these Terms and Conditions (the “**Conditions**”) are summaries of, and are subject to, the detailed provisions of the Trust Deed. The Noteholders (as defined below) are entitled to the benefit of, and are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and those provisions applicable to them which are contained in the Paying and Conversion Agency Agreement dated 20 December 2007 (the “**Agency Agreement**”) relating to the Notes between the Issuer, the Trustee, Nordea Bank Norge ASA, Verdipapirservice in its capacity as paying and conversion agent (the “**Paying and Conversion Agent**”, which expression shall include any successor as paying and conversion agent under the Agency Agreement) and Nordea Bank Norge ASA, Verdipapirservice in its capacity as registrar (the “**Registrar**”, which expression shall include any successor as registrar under the Agency Agreement). Copies of the Trust Deed and the Agency Agreement are available for inspection at the office of the Trustee at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom and at the specified offices of the Paying and Conversion Agent and the Registrar.

Capitalised terms used but not defined in these Conditions shall have the meanings attributed to them in the Trust Deed unless the context otherwise requires or unless otherwise stated.

1 Form, Denomination, Title and Status

(a) *Form and Denomination*

The Notes are issued in registered, dematerialised form in the Norwegian Securities Depository System (“*Verdipapirsentralen*”) (the “**VPS**”) in principal amounts of U.S.\$100,000 (“**authorised denominations**”).

(b) *Title*

Title to the Notes will pass by transfer and registration as described in Condition 4. The registered holder of any Note will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all

purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it) and no person will be liable for so treating the holder.

(c) *Status of the Notes*

The Notes constitute direct, unconditional, unsubordinated and (subject to Condition 2) unsecured obligations of the Issuer ranking *pari passu* and rateably, without any preference among themselves, and equally with all other existing and future unsecured and unsubordinated indebtedness of the Issuer but, in the event of insolvency, save for such indebtedness that may be preferred by provisions of law that are mandatory and of general application.

2 Negative Pledge

So long as any of the Notes remain outstanding (as defined in the Trust Deed), the Issuer will not create or permit to subsist, and will ensure that none of its Material Subsidiaries will create or permit to subsist, any mortgage, charge, lien, pledge or other form of encumbrance or security interest (each a “**Security Interest**”) upon the whole or any part of its present or future property or assets (including any uncalled capital) to secure any Relevant Indebtedness or any guarantee of or indemnity in respect of any Relevant Indebtedness unless in any such case, before or at the same time as the creation of the Security Interest, any and all action necessary shall have been taken to the satisfaction of the Trustee to ensure that such other Security Interest or guarantee or other arrangement (whether or not including the giving of a Security Interest) is provided in respect of all amounts payable by the Issuer under the Notes and the Trust Deed either (i) as the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Noteholders or (ii) as shall be approved by an Extraordinary Resolution (as defined in paragraph 1.4 of Schedule 1 to the Trust Deed) of the Noteholders.

3 Definitions

In these Conditions, unless otherwise provided:

“**Additional Ordinary Shares**” has the meaning provided in Condition 6(c).

“**business day**” means, in relation to any place, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business in that place.

“**Cash Dividend**” has the meaning provided in Condition 6(b)(iii).

a “**Change of Control**” occurs when any person or persons, acting together, acquires control of the Issuer (other than as a result of an Exempt Newco Scheme).

“**Change of Control Conversion Price**” has the meaning provided in Condition 6(b)(x).

“**Change of Control Notice**” has the meaning provided in Condition 6(g).

“Change of Control Period” means the period commencing on the date on which a Change of Control occurs and ending 60 calendar days following such date or, if later, 60 days following the date on which a Change of Control Notice is given as required by Condition 6(g).

“Closing Date” means 20 December 2007.

“control” means (i) the acquisition or control of more than 50 per cent. of the Voting Rights of the Issuer or (ii) the right to appoint and/or remove all or the majority of the members of the Issuer’s Board of Directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of Voting Rights, contract or otherwise and **“controlled”** shall be construed accordingly.

“Conversion Date” has the meaning provided in Condition 6(h).

“Conversion Notice” has the meaning provided in Condition 6(h).

“Conversion Period” has the meaning provided in Condition 6(a).

“Conversion Price” has the meaning provided in Condition 6(a).

“Conversion Right” has the meaning provided in Condition 6(a).

“Current Market Price” means, in respect of an Ordinary Share at a particular date, the average of the Volume Weighted Average Price of an Ordinary Share for the five consecutive dealing days ending on the dealing day immediately preceding such date; provided that if at any time during the said five-dealing-day period the Volume Weighted Average Price shall have been based on a price ex-Dividend (or ex- any other entitlement) and during some other part of that period the Volume Weighted Average Price shall have been based on a price cum-Dividend (or cum- any other entitlement), then:

- (a) if the Ordinary Shares to be issued or transferred do not rank for the Dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares shall have been based on a price cum-Dividend (or cum- any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the date of first public announcement of such Dividend (or entitlement); or
- (b) if the Ordinary Shares to be issued or transferred do rank for the Dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares shall have been based on a price ex-Dividend (or ex- any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof increased by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the date of first public announcement of such Dividend (or entitlement),

and provided further that if on each of the said five dealing days the Volume Weighted Average Price shall have been based on a price cum-Dividend (or cum- any other

entitlement) in respect of a Dividend (or other entitlement) which has been declared or announced but the Ordinary Shares to be issued do not rank for that Dividend (or other entitlement) the Volume Weighted Average Price on each of such dates shall for the purposes of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the date of the first public announcement of such Dividend or entitlement,

and provided further that, if the Volume Weighted Average Price of an Ordinary Share is not available on one or more of the said five dealing days, then the average of such Volume Weighted Average Prices which are available in that five-dealing-day period shall be used (subject to a minimum of two such prices) and if only one, or no, such Volume Weighted Average Price is available in the relevant period the Current Market Price shall be determined in good faith by an Independent Financial Adviser.

“**dealing day**” means a day on which the Relevant Stock Exchange or relevant stock exchange or securities market is open for business, (other than a day on which the Relevant Stock Exchange or relevant stock exchange or securities market is scheduled to or does close prior to its regular weekday closing time).

“**Delivery Date**” means the third dealing day following the relevant Conversion Date or Reference Date or, if such day is not an Oslo business day, the first Oslo business day thereafter.

“**Dividend**” means any dividend or any form of distribution to Shareholders (including a Spin-Off) whether of cash, assets or other property, and whenever paid or made and however described (and for these purposes a distribution of assets includes without limitation an issue of Ordinary Shares, or other Securities credited as fully or partly paid up by way of capitalisation of profits or reserves) provided that:

- (a) where a Dividend in cash is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the issue or delivery of Ordinary Shares or other property or assets, or where a capitalisation of profits or reserves is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the payment of the Dividend in cash, then for the purposes of this definition the Dividend in question shall be treated as a Cash Dividend of the greater of (i) such cash amount and (ii) the Fair Market Value (on the date of the first public announcement of such Dividend or capitalisation (as the case may be) or if later, the date on which the number of Ordinary Shares (or amount of property or assets, as the case may be) which may be issued or delivered is determined), of such Ordinary Shares or other property or assets;
- (b) any issue of Ordinary Shares falling within Condition 6(b)(ii) shall be disregarded;
- (c) a purchase or redemption or buy back of share capital of the Issuer by the Issuer or any Subsidiary of the Issuer shall not constitute a Dividend unless, in the case of purchases, redemptions or buy backs of Ordinary Shares by or on behalf of the

Issuer or any of its Subsidiaries, the weighted average price per Ordinary Share (before expenses) on any one day (a “**Specified Share Day**”) in respect of such purchases, redemptions or buy backs (translated, if not in Norwegian Kroner, into Norwegian Kroner at the spot rate ruling at the close of business on such day as determined in good faith by an Independent Financial Adviser (or if no such rate is available on that date, the equivalent rate on the immediately preceding date on which such rate is available), exceeds by more than 5 per cent. the average of the closing prices of the Ordinary Shares on the Relevant Stock Exchange (as published by or derived from the Relevant Stock Exchange) on the five dealing days immediately preceding the Specified Share Day or, where an announcement (excluding, for the avoidance of doubt for these purposes, any general authority for such purchases approved by a general meeting of Shareholders or any notice convening such a meeting of Shareholders) has been made of the intention to purchase Ordinary Shares at some future date at a specified price, on the five dealing days immediately preceding the date of such announcement, in which case such purchase shall be deemed to constitute a cash Dividend in Norwegian Kroner to the extent that the aggregate price paid (before expenses) in respect of such Ordinary Shares purchased by the Issuer or, as the case may be, any of its Subsidiaries (translated where appropriate into Norwegian Kroner as provided above) exceeds the product of (i) 105 per cent. of the average closing price of the Ordinary Shares determined as aforesaid and (ii) the number of Ordinary Shares so purchased; and

- (d) if the Issuer or any of its Subsidiaries shall purchase any receipts or certificates representing Ordinary Shares, the provisions of paragraph (c) shall be applied in respect thereof in such manner and with such modifications (if any) as shall be determined in good faith by an Independent Financial Adviser.

“**equity share capital**” means, in relation to a company, its issued share capital excluding any part thereof which, neither as regards dividends, nor as regards capital, carries any right to participate beyond a specified amount in a distribution.

“**Exempt Newco Scheme**” means a Newco Scheme where immediately after completion of the relevant scheme of arrangement the ordinary shares or units (or equivalent) of Newco are (1) admitted to listing and to trading on the Oslo Stock Exchange or (2) admitted to listing and to trading on such other regulated, regularly operating, recognised stock exchange or securities market as the Issuer or Newco may determine.

“**Fair Market Value**” means, with respect to any property on any date, the fair market value of that property as determined in good faith by an Independent Financial Adviser provided, that (i) the Fair Market Value of a Cash Dividend paid or to be paid shall be the amount of such Cash Dividend; (ii) the Fair Market Value of any other cash amount shall be the amount of such cash; (iii) where Securities, Spin-Off Securities, options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by an

Independent Financial Adviser), the fair market value (a) of such Securities or Spin-Off Securities shall equal the arithmetic mean of the daily Volume Weighted Average Prices of such Securities or Spin-Off Securities and (b) of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights, in the case of both (a) and (b) during the period of five trading days on the relevant market commencing on such date (or, if later, the first such trading day such Securities or Spin-Off Securities, options, warrants or other rights are publicly traded); and (iv) in the case of (i) converted into Norwegian Kroner (if declared or paid in a currency other than Norwegian Kroner) at the rate of exchange used to determine the amount payable to Shareholders who were paid or are to be paid or are entitled to be paid the Cash Dividend in Norwegian Kroner; and in any other case, converted into Norwegian Kroner (if expressed in a currency other than Norwegian Kroner) at such rate of exchange as may be determined in good faith by an Independent Financial Adviser to be the spot rate ruling at the close of business on that date (or if no such rate is available on that date the equivalent rate on the immediately preceding date on which such a rate is available).

“Final Maturity Date” means 3 December 2012.

“indebtedness for or in respect of moneys borrowed or raised” means any present or future indebtedness (whether being principal, interest or other amounts) for or in respect of (i) money borrowed, (ii) liabilities under or in respect of any acceptance or acceptance credit or (iii) any notes, bonds, debentures, debenture stock, loan stock or other securities offered, issued or distributed whether by way of public offer, private placing, acquisition consideration or otherwise and whether issued for cash or in whole or in part for a consideration other than cash.

“Independent Financial Adviser” means an independent investment bank of international repute appointed by the Issuer and approved in writing by the Trustee or, if the Issuer fails to make such appointment and such failure continues for a reasonable period (as determined by the Trustee) and the Trustee is indemnified and/or secured as to costs to its satisfaction against the costs, fees and expenses of such adviser, appointed by the Trustee following notification to the Issuer.

“Interest Payment Date” has the meaning provided in Condition 5(a).

“Interest Period” has the meaning provided in Condition 5(a).

“Interest Rate” has the meaning provided in Condition 5(a).

“Loan Notes” means notes, bonds, debentures, debenture stock, loan stock or other securities issued to commercial banks or other participants in loan syndication markets (and including, for the avoidance of doubt, the U.S.\$950,000,000 Credit Agreement dated 29 June 2007 among, *inter alios*, the Issuer and PGS Finance Inc., as borrowers) which are not intended to be listed or ordinarily dealt in on any recognised listing authority, stock exchange or over-the-counter or other securities market and which for the

avoidance of doubt shall not include any notes, bonds, debentures, debenture stock, loan stock or other securities issued in the capital markets, whether by way of public offer or private placement.

“Material Subsidiary” means at any relevant time a Subsidiary of the Issuer:

- (i) whose total assets or gross revenues (or, where the Subsidiary in question prepares consolidated accounts, whose total consolidated assets or gross consolidated revenues, as the case may be) represent not less than (a) 10 per cent. of the total consolidated assets or (b) 10 per cent. of the gross consolidated revenues (as the case may be) of the Issuer and its Subsidiaries, all as calculated by reference to the then latest audited accounts (or consolidated accounts as the case may be) of such Subsidiary and the then latest audited consolidated accounts of the Issuer and its consolidated Subsidiaries; or
- (ii) to which is transferred all or substantially all of the assets and undertaking of a Subsidiary which immediately prior to such transfer is a Material Subsidiary.

A certificate from two Directors or duly appointed attorneys of the Issuer that, in their opinion, a Subsidiary of the Issuer is or is not or was or was not at any particular time a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Trustee and the Noteholders.

“Newco Scheme” means a scheme of arrangement or analogous proceeding which effects the interposition of a limited liability company (**“Newco”**) between the Shareholders of the Issuer immediately prior to the scheme of arrangement or analogous proceeding (the **“Existing Shareholders”**) and the Issuer; provided that only ordinary shares of Newco are issued to Existing Shareholders and that immediately after completion of the scheme of arrangement the only shareholders of Newco are the Existing Shareholders and that all Subsidiaries of the Issuer immediately prior to the scheme of arrangement (other than Newco, if Newco is then a Subsidiary of the Issuer) are Subsidiaries of the Issuer immediately after the scheme of arrangement.

“Non-Cash Dividend” has the meaning provided in Condition 6(b)(iii).

“Norwegian Kroner” and **“NOK”** means the lawful currency of the Kingdom of Norway.

“Noteholder” and **“holder”** mean the person in whose name a Note is registered in the Register (as defined in Condition 4(a)).

“Optional Redemption Date” has the meaning provided in Condition 7(b).

“Optional Redemption Notice” has the meaning provided in Condition 7(b).

“Ordinary Shares” means fully paid common shares in the capital of the Issuer currently with a par value of NOK 3.00 each.

“**Oslo business day**” means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business in Oslo.

“**Oslo Stock Exchange**” means Oslo Børs ASA.

“**Parity Value**” means, in respect of any dealing day, the U.S. dollar amount calculated as follows:

$$PV = OS \times MP$$

Where

PV = the Parity Value

OS = the number of Ordinary Shares that would fall to be delivered on the exercise of Conversion Rights in respect of a Note in the principal amount of U.S.\$100,000, assuming the Conversion Date to be such dealing day

MP = the closing price for the Ordinary Shares as published by or derived from the Relevant Stock Exchange on such dealing day, provided that if on any such dealing day the Ordinary Shares shall have been quoted cum-Dividend or cum-any other entitlement the closing price on such dealing day shall be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the date of first public announcement of such Dividend or entitlement, translated into U.S. dollars at the Prevailing Rate on such dealing day.

a “**person**” includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity).

“**Prevailing Rate**” means, in respect of any dealing day, the noon buying rate on that day for cable transfers of Norwegian Kroner as certified for customs purposes by the Federal Reserve Bank of New York or if on such dealing day such rate is not available, such rate prevailing on the immediately preceding day on which such rate is so available.

“**Record Date**” has the meaning provided in Condition 8(c).

“**Register**” has the meaning provided in Condition 4(a).

“**Relevant Date**” means, in respect of any Note, whichever is the later of (i) the date on which payment in respect of it first becomes due and (ii) if any amount of the money payable is improperly withheld or refused the date on which payment in full of the amount outstanding is made or (if earlier) the date on which notice is duly given by the Issuer or to the Noteholders in accordance with Condition 16 that such payment will be made, provided that such payment is in fact made as provided in these Conditions.

“**Relevant Indebtedness**” means any present or future indebtedness (whether being principal, interest or other amounts), in the form of or evidenced by notes, bonds, debentures or other similar debt instruments, whether issued for cash or in whole or in

part for a consideration other than cash, and which are, or are capable of being, quoted, listed or ordinarily dealt in or traded on any recognised stock exchange, over-the-counter or other securities market, other than (i) the U.S.\$69,770,000 8.28% First Preferred Mortgage Notes due 2011 issued by Oslo Seismic Inc. on 1 May 2006 and guaranteed by the Issuer and (ii) Loan Notes issued by the Issuer.

“**Relevant Stock Exchange**” means the Oslo Stock Exchange or if at the relevant time the Ordinary Shares are not at that time listed and admitted to trading on the Oslo Stock Exchange, the principal stock exchange or securities market on which the Ordinary Shares are then listed or quoted or dealt in.

“**Retroactive Adjustment**” has the meaning provided in Condition 6(c).

“**Securities**” means any securities including, without limitation, Ordinary Shares, or options, warrants or other rights to subscribe for or purchase or acquire Ordinary Shares.

“**Shareholders**” means the holders of Ordinary Shares.

“**Specified Date**” has the meaning provided in Condition 6(b)(vii) and/or (viii).

“**Spin-Off**” means:

- (a) a distribution of Spin-Off Securities by the Issuer to Shareholders as a class; or
- (b) any issue, transfer or delivery of any property or assets (including cash or shares or securities of or in or issued or allotted by any entity) by any entity (other than the Issuer) to Shareholders as a class or, in the case of or in connection with a Newco Scheme, Existing Shareholders, as a class (but excluding the issue and allotment of shares by Newco to Existing Shareholders), pursuant in each case to any arrangements with the Issuer or any of its Subsidiaries.

“**Spin-Off Securities**” means equity share capital of an entity other than the Issuer or options, warrants or other rights to subscribe for or purchase equity share capital of an entity other than the Issuer.

“**Subsidiary**” of any person means (i) a company more than 50 per cent. of the Voting Rights of which is owned or controlled, directly or indirectly, by such person or by one or more other Subsidiaries of such person or by such person and one or more Subsidiaries thereof or (ii) any other person (other than a company) in which such person, or one or more other Subsidiaries of such person or such person and one or more other Subsidiaries thereof, directly or indirectly, has at least a majority ownership and power to direct the policies, management and affairs thereof.

“**Tax Redemption Date**” has the meaning provided in Condition 7(c).

“**Tax Redemption Notice**” has the meaning provided in Condition 7(c).

“**Volume Weighted Average Price**” means, in respect of an Ordinary Share, Security or, as the case may be, a Spin-Off Security on any dealing day, the volume-weighted average price of an Ordinary Share, Security or, as the case may be, a Spin-Off Security published

by or derived (in the case of an Ordinary Share) from the Relevant Stock Exchange or (in the case of a Security or Spin-Off Security) from the principal stock exchange or securities market on which such Securities or Spin-Off Securities are then listed or quoted or dealt in, if any or, in any such case, such other source as shall be determined in good faith to be appropriate by an Independent Financial Adviser on such dealing day, provided that if on any such dealing day where such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of an Ordinary Share, Security or a Spin-Off Security, as the case may be, in respect of such dealing day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding dealing day on which the same can be so determined.

“Voting Rights” means the right generally to vote at a general meeting of shareholders of the relevant entity (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency).

“VPS” has the meaning provided in Condition 1(a).

“VPS Account” means an investor account in the VPS.

References to any provision of any statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such modification or re-enactment.

References to any issue or offer or grant to Shareholders or Existing Shareholders “as a class” or “by way of rights” shall be taken to be references to an issue or offer or grant to all or substantially all Shareholders or Existing Shareholders, as the case may be, other than Shareholders or Existing Shareholders, as the case may be, to whom, by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant.

In making any calculation or determination of Current Market Price or Volume Weighted Average Price, such adjustments (if any) shall be made as an Independent Financial Adviser considers appropriate to reflect any consolidation or sub-division of the Ordinary Shares or any issue of Ordinary Shares by way of capitalisation of profits or reserves, or any like or similar event.

For the purposes of Conditions 6(b), (c), (h) and (i) and Condition 11 only, (a) references to the “issue” of Ordinary Shares shall include the transfer and/or delivery of Ordinary Shares, whether newly issued and allotted or previously existing or held by or on behalf of the Issuer or any of its Subsidiaries, and (b) Ordinary Shares held by or on behalf of the Issuer or any of its respective Subsidiaries (and which, in the case of Conditions 6(b)(iv) and (vi), do not rank for the relevant right or other entitlement) shall not be considered as or treated as “in issue”.

4 Registration and Transfer of Notes

(a) *Registration*

The Issuer will cause the Notes to be registered in the VPS in a register (the “**Register**”) to be kept by the Registrar in accordance with relevant legislation governing the VPS. The names and addresses of the holders of the Notes, the particulars of the Notes held by them, all transfers, redemptions and conversions of Notes and such other information as is required to be registered in the VPS will be entered on the Register.

(b) *Transfer*

Notes may, subject to the terms of the Agency Agreement and to Conditions 4(c) and 4(d), be transferred in whole or in part in an authorised denomination by way of a transfer between individual VPS Accounts in accordance with the procedures from time to time of the VPS therefor.

No transfer of a Note will be valid unless and until entered on the Register. A Note may be registered only in the name of, and transferred only to, a person holding a VPS Account.

(c) *Formalities Free of Charge*

Such transfer will be effected without charge subject to (i) the person making such application for transfer paying or procuring the payment of any taxes, duties and other governmental charges in connection therewith and (ii) the Registrar being satisfied with the documents of title and/or identity of the person making the application.

(d) *Closed Periods*

Neither the Issuer nor the Registrar will be required to register the transfer of any Note (or part thereof) (i) during the period of 15 days ending on and including the day immediately prior to the Final Maturity Date or any earlier date fixed for redemption of the Notes pursuant to Condition 7(b) or 7(c); (ii) in respect of which a Conversion Notice has been delivered in accordance with Condition 6(h); (iii) in respect of which a holder has exercised its right to require redemption pursuant to Condition 7(e); or (iv) during the period of 15 days ending on (and including) any Record Date in respect of any payment of interest on the Notes.

5 Interest

(a) *Interest Rate*

The Notes bear interest from and including the Closing Date at the rate of 2.70 per cent. per annum (the “**Interest Rate**”) calculated by reference to the principal amount thereof and payable semi-annually in equal instalments in arrear on 3 June and 3 December in each year (each an “**Interest Payment Date**”), save that the first

payment of interest will be made on 3 June 2008 in respect of the period from (and including) the Closing Date to (but excluding) 3 June 2008.

Where interest is required to be calculated for any period which is not an Interest Period, it will be calculated on the basis of a 360 day year consisting of 12 months of 30 days each, and in the case of an incomplete month, the number of days elapsed.

“**Interest Period**” means the payment period beginning on (and including) the Closing Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

(b) Accrual of Interest

Each Note will cease to bear interest (i) where the Conversion Right shall have been exercised by a Noteholder, from the Interest Payment Date immediately preceding the relevant Conversion Date or, if none, the Closing Date (subject in any such case as provided in Condition 6(j)) or (ii) where such Note is being redeemed or repaid pursuant to Condition 7 or Condition 10, from the due date for redemption or repayment thereof unless payment of principal is improperly withheld or refused, in which event interest will continue to accrue at the Interest Rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant holder, and (b) the day seven days after the Trustee or the Paying and Conversion Agent has notified Noteholders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

6 Conversion of Notes

(a) Conversion Period and Conversion Price

Subject as provided below, each Note shall entitle the holder (a “**Conversion Right**”) to convert (“**Conversion**”) such Note into new and/or existing Ordinary Shares, credited as fully paid, subject to and as provided in these Conditions.

The number of Ordinary Shares to be issued or delivered on exercise of a Conversion Right shall be determined by dividing the principal amount of the relevant Note to be converted (translated into NOK at the fixed rate of NOK 5.5188 = U.S.\$1.00) by the conversion price (the “**Conversion Price**”) in effect on the relevant Conversion Date.

The initial Conversion Price is NOK 216.19 per Ordinary Share. The Conversion Price is subject to adjustment in the circumstances described in Condition 6(b).

A Noteholder may exercise the Conversion Right in respect of a Note by delivering a Conversion Notice (as defined in Condition 6(h)) to the specified office of the

Paying and Conversion Agent in accordance with Condition 6(h) whereupon the Issuer shall (subject as provided in these Conditions) procure the delivery, to or as directed by the relevant Noteholder of Ordinary Shares credited as paid up in full as provided in this Condition 6.

Subject to, and as provided in these Conditions, the Conversion Right in respect of a Note may be exercised, at the option of the holder thereof, at any time (subject to any applicable fiscal or other laws or regulations and as hereinafter provided) from 30 January 2008 to the close of business (in the place where the specified office of the Paying and Conversion Agent is located) on the date falling six days prior to the Final Maturity Date (both days inclusive) or, if the Notes shall have been called for redemption pursuant to Condition 7(b) or 7(c) prior to the Final Maturity Date, then up to the close of business (at the place aforesaid) on the sixth day before the date fixed for redemption thereof pursuant to Condition 7(b) or 7(c), unless there shall be default in making payment in respect of such Note on such date fixed for redemption, in which event the Conversion Right shall extend up to the close of business (at the place aforesaid) on the date on which the full amount of such payment becomes available for payment and notice of such availability has been duly given in accordance with Condition 16 or, if earlier, the Final Maturity Date; provided that, in each case, if the final such date for the exercise of Conversion Rights is not a business day at the place aforesaid, then the period for exercise of the Conversion Right by Noteholders shall end on the immediately preceding business day at the place aforesaid.

Conversion Rights may not be exercised (i) following the giving of notice by the Trustee pursuant to Condition 10 or (ii) in respect of a Note which the relevant holder has exercised its right to require the Issuer to redeem pursuant to Condition 7(e).

Conversion Rights may not be exercised by a Noteholder in circumstances where the relevant Conversion Date would fall during the period commencing on the Record Date in respect of any payment of interest on the Notes and ending on the relevant Interest Payment Date (both days inclusive).

The period during which Conversion Rights may (subject as provided below) be exercised by a Noteholder is referred to as the “**Conversion Period**”.

Conversion Rights may only be exercised in respect of an authorised denomination.

Fractions of Ordinary Shares will not be delivered on conversion or pursuant to Condition 6(c). However, the Issuer will make a cash payment to the relevant exercising Noteholder in respect of any such fraction equal to the product of the closing price of an Ordinary Share on the relevant Conversion Date as published by or derived from the Relevant Stock Exchange multiplied by such fraction and converted into U.S. dollars at the Prevailing Rate. Payment of any such amount

shall be made by transfer to a U.S. dollar account in New York as specified in the relevant Conversion Notice. If the Conversion Right in respect of more than one Note is exercised at any one time such that Ordinary Shares to be delivered on conversion or pursuant to Condition 6(c) are to be registered in the same name, the number of such Ordinary Shares to be delivered in respect thereof shall be calculated on the basis of the aggregate principal amount of such Notes being so converted and rounded down to the nearest whole number of Ordinary Shares.

The Issuer will procure that Ordinary Shares to be delivered or transferred on conversion will be delivered or transferred in electronic form to the holder of the Notes completing the relevant Conversion Notice or his nominee by entry with the VPS Account of such holder of the Notes or his nominee as soon as possible and on or about the relevant Delivery Date. Such Ordinary Shares will be deemed to be issued or delivered as of the relevant Delivery Date. The Issuer will procure that any Additional Ordinary Shares to be issued and delivered pursuant to Condition 6(c) will be deemed to be issued and delivered as of the date the relevant Retroactive Adjustment takes effect or as at the date of issue of Ordinary Shares if the adjustment results from the issue of Ordinary Shares (each such date, the “**Reference Date**”).

Pursuant to Norwegian company law, no Ordinary Shares shall be deemed issued until (i) the issue of such Ordinary Shares has been approved by a resolution of the Board of Directors of the Issuer (or by the management of Issuer if the Board of Directors have authorised the management to issue Ordinary Shares in connection with the exercise of Conversion Rights in respect of the Notes), (ii) the statutory auditor of the Issuer has confirmed that the Ordinary Shares to be issued are fully paid up, (iii) the applicable share capital increase has been registered by the Norwegian Register of Business Enterprises and (iv) the Ordinary Shares have been entered with the VPS.

(b) *Adjustment of Conversion Price*

Upon the happening of any of the events described below, the Conversion Price shall be adjusted as follows:

- (i) If and whenever there shall be a consolidation, reclassification or subdivision in relation to the Ordinary Shares, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such consolidation, reclassification or subdivision by the following fraction:

$$\frac{A}{B}$$

where:

A = is the aggregate number of Ordinary Shares in issue immediately before such consolidation, reclassification or subdivision, as the case may be; and

B = is the aggregate number of Ordinary Shares in issue immediately after, and as a result of, such consolidation, reclassification or subdivision, as the case may be.

Such adjustment shall become effective on the date the consolidation, reclassification or subdivision, as the case may be, takes effect.

- (ii) If and whenever the Issuer shall issue any Ordinary Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) other than (1) where any such Ordinary Shares issued instead of the whole or part of a Dividend in cash which the Shareholders would or could otherwise have received or (2) where the Shareholders may elect to receive a Dividend in cash in lieu of such Ordinary Shares, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate nominal amount of the issued Ordinary Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Ordinary Shares immediately after such issue.

Such adjustment shall become effective on the date such Ordinary Shares have been entered with the VPS.

- (iii) If and whenever the Issuer shall pay or make any Dividend to Shareholders, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the relevant Dividend by the following fraction:

$$\frac{A-B}{A}$$

where:

A is the Current Market Price of one Ordinary Share on the dealing day immediately preceding the date of the first public announcement of the relevant Dividend or, in the case of a purchase of Ordinary Shares or any receipts or certificates

representing shares by or on behalf of the Issuer or any Subsidiary of the Issuer, on which such Ordinary Shares are purchased or, in the case of a Spin-Off, is the mean of the Volume Weighted Average Prices of an Ordinary Share for the five consecutive dealing days ending on the dealing day immediately preceding the first date on which the Ordinary Shares are traded ex- the relevant Spin-Off; and

- B is the portion of the Fair Market Value, with such portion being determined by dividing the Fair Market Value of the aggregate Dividend by the number of Ordinary Shares entitled to receive the relevant Dividend (or, in the case of a purchase of Ordinary Shares or any receipts or certificates representing shares by or on behalf of the Issuer or any Subsidiary of the Issuer, by the number of Ordinary Shares in issue immediately prior to such purchase), of the Dividend attributable to one Ordinary Share.

Such adjustment shall become effective on the date on which the relevant Dividend is paid or made or, in the case of a purchase of Ordinary Shares or any receipts or certificates representing Ordinary Shares, on the date such purchase is made or, in any such case if later, the first date upon which the Fair Market Value of the relevant Dividend is capable of being determined as provided herein.

For the purposes of the above, the Fair Market Value of a Cash Dividend shall (subject as provided in paragraph (a) of the definition of “Dividend” and in the definition of “Fair Market Value”) be determined as at the date of the first public announcement of the relevant Dividend, and in the case of a Non-Cash Dividend, the Fair Market Value of the relevant Dividend shall be the Fair Market Value of the relevant Spin-Off Securities or, as the case may be, the relevant property or assets.

“Non-Cash Dividend” means any Dividend which is not a Cash Dividend, and shall include a Spin-Off.

“Cash Dividend” means (i) any Dividend which is to be paid or made in cash (in whatever currency), but other than falling within paragraph (b) of the definition of “Spin-Off” and (ii) any Dividend determined to be a Cash Dividend pursuant to paragraph (a) of the definition of “Dividend”, and for the avoidance of doubt, a Dividend falling within paragraph (c) or (d) of the definition of “Dividend” shall be treated as being a Non-Cash Dividend.

- (iv) If and whenever the Issuer shall issue Ordinary Shares to Shareholders as a class by way of rights, or issue or grant to Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase any

Ordinary Shares, in each case at a price per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share on the dealing day immediately preceding the date of the first public announcement of the terms of the issue or grant of such Ordinary Shares, options, warrants or other rights, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A+B}{A+C}$$

where:

- A is the number of Ordinary Shares in issue immediately before such announcement;
- B is the number of Ordinary Shares which the aggregate amount (if any) payable for the Ordinary Shares issued by way of rights, or for the options or warrants or other rights issued by way of rights and for the total number of Ordinary Shares deliverable on the exercise thereof, would purchase at such Current Market Price per Ordinary Share; and
- C is the number of Ordinary Shares issued or, as the case may be, the maximum number of Ordinary Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights.

Such adjustment shall become effective on the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants on the Relevant Stock Exchange.

- (v) If and whenever the Issuer shall issue any Securities (other than Ordinary Shares or options, warrants or other rights to subscribe for or purchase any Ordinary Shares) to Shareholders as a class by way of rights or grant to Shareholders as a class by way of rights any options, warrants or other rights to subscribe for or purchase any Securities (other than Ordinary Shares or options, warrants or other rights to subscribe for or purchase Ordinary Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A-B}{A}$$

where:

- A is the Current Market Price of one Ordinary Share on the dealing

day immediately preceding the first date on which the terms of such issue or grant are publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Ordinary Share.

Such adjustment shall become effective on the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants on the Relevant Stock Exchange.

- (vi) If and whenever the Issuer shall issue (otherwise than as mentioned in subparagraph (b)(iv) above) wholly for cash any Ordinary Shares (other than Ordinary Shares issued on conversion of the Notes or on the exercise of any rights of conversion into, or exchange or subscription for or purchase of, Ordinary Shares) or issue or grant (otherwise than as mentioned in subparagraph (b)(iv) above) wholly for cash any options, warrants or other rights to subscribe for or purchase any Ordinary Shares (other than the Notes, which term shall for this purpose include any further notes issued pursuant to Condition 17 and forming a single series with the Notes), in each case at a price per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share on the dealing day immediately preceding the date of the first public announcement of the terms of such issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A+B}{A+C}$$

where:

A is the number of Ordinary Shares in issue immediately before the issue of such Ordinary Shares or the grant of such options, warrants or rights;

B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the issue of such Ordinary Shares or, as the case may be, for the Ordinary Shares to be issued or otherwise made available upon the exercise of any such options, warrants or rights, would purchase at such Current Market Price per Ordinary Share; and

C is the number of Ordinary Shares to be issued pursuant to such issue of such Ordinary Shares or, as the case may be, the maximum number of Ordinary Shares which may be issued upon exercise of such options, warrants or rights calculated as at the

date of issue of such options, warrants or rights.

Such adjustment shall become effective on the date such Ordinary Shares have been entered with the VPS or, as the case may be, the grant of such options, warrants or rights.

- (vii) If and whenever the Issuer or any Subsidiary of the Issuer or (at the direction or request of or pursuant to any arrangements with the Issuer or any Subsidiary of the Issuer) any other company, person or entity (otherwise than as mentioned in sub-paragraphs (b)(iv), (b)(v) or (b)(vi) above) shall issue wholly for cash or for no consideration any Securities (other than the Notes, which term shall for this purpose exclude any further notes issued pursuant to Condition 17 and forming a single series with the Notes), which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, Ordinary Shares (or shall grant any such rights in respect of existing Securities so issued) or Securities which by their terms might be redesignated as Ordinary Shares, and the consideration per Ordinary Share receivable upon conversion, exchange, subscription or redesignation is less than 95 per cent. of the Current Market Price per Ordinary Share on the dealing day immediately preceding the date of the first public announcement by the Issuer or any Subsidiary as mentioned above of the terms of issue of such Securities (or the terms of such grant), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue (or grant) by the following fraction:

$$\frac{A+B}{A+C}$$

where:

- A is the number of Ordinary Shares in issue immediately before such issue or grant (but where the relevant Securities carry rights of conversion into or rights of exchange or subscription for Ordinary Shares which have been issued by the Issuer for the purposes of or in connection with such issue, less the number of such Ordinary Shares so issued);
- B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription attached to such Securities or, as the case may be, for the Ordinary Shares to be issued or to arise from any such redesignation would purchase at such Current Market Price per Ordinary Share; and

C is the maximum number of Ordinary Shares to be issued or otherwise made available upon conversion or exchange of such Securities or upon the exercise of such right of subscription attached thereto at the initial conversion, exchange or subscription price or rate or, as the case may be, the maximum number of Ordinary Shares which may be issued or arise from any such redesignation.

Provided that if at the time of issue of the relevant Securities or date of grant of such rights (as used in this sub-paragraph (b)(vii) the “**Specified Date**”) such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time (which may be when such Securities are converted or exchanged or rights of subscription are exercised or, as the case may be, such Securities are redesignated or at such other time as may be provided) then for the purposes of this sub-paragraph (b)(vii), “C” shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such conversion, exchange, subscription, purchase or acquisition or, as the case may be, redesignation had taken place on the Specified Date.

Such adjustment shall become effective on the date of issue of such Securities or, as the case may be, the grant of such rights.

- (viii) If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such Securities (other than the Notes, which term shall for this purpose include any further notes issued pursuant to Condition 17 and forming a single series with the Notes) as are mentioned in sub-paragraph (b)(vii) above (other than in accordance with the terms (including terms as to adjustment) applicable to such Securities upon issue) so that following such modification the consideration per Ordinary Share receivable has been reduced and is less than 95 per cent. of the Current Market Price per Ordinary Share on the dealing day immediately preceding the date of the first public announcement by the Issuer or any Subsidiary as mentioned above of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by the following fraction:

$$\frac{A+B}{A+C}$$

where:

- A is the number of Ordinary Shares in issue immediately before such modification (but where the relevant Securities carry rights of conversion into or rights of exchange or subscription for Ordinary Shares which have been issued, purchased or acquired by the Issuer or any Subsidiary of the Issuer (or at the direction or request or pursuant to any arrangements with the Issuer or any Subsidiary of the Issuer) for the purposes of or in connection with such issue, less the number of such Ordinary Shares so issued, purchased or acquired);
- B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription attached to the Securities so modified would purchase at such Current Market Price per Ordinary Share or, if lower, the existing conversion, exchange or subscription price of such Securities; and
- C is the maximum number of Ordinary Shares which may be issued or otherwise made available upon conversion or exchange of such Securities or upon the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as an Independent Financial Adviser shall consider appropriate for any previous adjustment under this sub-paragraph (b)(viii) or sub-paragraph (b)(vii) above.

Provided that if at the time of such modification (as used in this sub-paragraph (b)(viii) the “**Specified Date**”) such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time (which may be when such Securities are converted or exchanged or rights of subscription are exercised or at such other time as may be provided) then for the purposes of this sub-paragraph (b)(viii), “C” shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such conversion, exchange or subscription had taken place on the Specified Date.

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such Securities.

- (ix) If and whenever the Issuer or any Subsidiary of the Issuer or (at the direction or request of or pursuant to any arrangements with the Issuer or any Subsidiary of the Issuer) any other company, person or entity shall

offer any Securities in connection with which offer Shareholders as a class are entitled to participate in arrangements whereby such Securities may be acquired by them (except where the Conversion Price falls to be adjusted under sub-paragraphs (b)(ii), (iii), (iv), (vi) or (vii) above or (x) below (or would fall to be so adjusted if the relevant issue or grant was at less than 95 per cent. of the Current Market Price per Ordinary Share on the relevant dealing day) or under sub-paragraph (b)(v) above) the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the making of such offer by the following fraction:

$$\frac{A-B}{A}$$

where:

A is the Current Market Price of one Ordinary Share on the dealing day immediately preceding the date on which the terms of such offer are first publicly announced; and

B is the Fair Market Value on the date of such public announcement by the Issuer or any Subsidiary as mentioned above of the portion of the relevant offer attributable to one Ordinary Share.

Such adjustment shall become effective on the first date on which the Ordinary Shares are traded ex-rights on the Relevant Stock Exchange.

- (x) If a Change of Control shall occur, then upon any exercise of Conversion Rights where the Conversion Date falls during the Change of Control Period, the Conversion Price (the “**Change of Control Conversion Price**”) shall be determined as set out below, but in each case adjusted, if appropriate, under this Condition 6(b).

$$\text{COCCP} = \text{OCP} / (1 + (\text{CP} \times c/t))$$

where:

COCCP = means the Change of Control Conversion Price

OCP = means the Conversion Price in effect immediately prior to the Change of Control

CP = means 40 per cent. (expressed as fraction)

c = means the number of days from and including the date the Change of Control occurs to but excluding the Final Maturity Date

t = means the number of days from and including the Closing Date to but excluding the Final Maturity Date

- (xi) If the Issuer determines that an adjustment should be made to the Conversion Price as a result of one or more circumstances not referred to above in this Condition 6(b) (even if the relevant circumstance is specifically excluded from the operation of sub-paragraphs (b)(i) to (x) above), the Issuer shall, at its own expense and acting reasonably, request an Independent Financial Adviser to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof and the date on which such adjustment should take effect and upon such determination such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that an adjustment shall only be made pursuant to this sub-paragraph (b)(xi) if such Independent Financial Adviser is so requested to make such a determination not more than 21 days after the date on which the relevant circumstance arises and if the adjustment would result in a reduction to the Conversion Price.

Notwithstanding the foregoing provisions, where the events or circumstances giving rise to any adjustment pursuant to this Condition 6(b) have already resulted or will result in an adjustment to the Conversion Price or where the events or circumstances giving rise to any adjustment arise by virtue of any other events or circumstances which have already given or will give rise to an adjustment to the Conversion Price or where more than one event which gives rise to an adjustment to the Conversion Price occurs within such a short period of time that, in the opinion of the Issuer, a modification to the operation of the adjustment provisions is required to give the intended result, such modification shall be made to the operation of the adjustment provisions as may be advised by an Independent Financial Adviser to be in its opinion appropriate to give the intended result and provided further that, for the avoidance of doubt, the issue of Ordinary Shares pursuant to the exercise of Conversion Rights shall not result in an adjustment to the Conversion Price.

For the purpose of any calculation of the consideration receivable or price pursuant to sub-paragraphs (b)(iv), (vi), (vii) and (viii), the following provisions shall apply:

- (a) the aggregate consideration receivable or price for Ordinary Shares issued for cash shall be the amount of such cash;
- (b) (x) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the conversion or exchange of any Securities shall be deemed to be the consideration or price received or receivable for any such Securities and (y) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the exercise of rights of subscription attached to any Securities or upon the exercise of any options, warrants or rights shall be

deemed to be that part (which may be the whole) of the consideration or price received or receivable for such Securities or, as the case may be, for such options, warrants or rights which are attributed by the Issuer to such rights of subscription or, as the case may be, such options, warrants or rights or, if no part of such consideration or price is so attributed, the Fair Market Value of such rights of subscription or, as the case may be, such options, warrants or rights as at the date of the first public announcement of the terms of issue of such Securities or, as the case may be, such options, warrants or rights, plus in the case of each of (x) and (y) above, the additional minimum consideration receivable or price (if any) upon the conversion or exchange of such Securities, or upon the exercise of such rights or subscription attached thereto or, as the case may be, upon exercise of such options, warrants or rights and (z) the consideration receivable or price per Ordinary Share upon the conversion or exchange of, or upon the exercise of such rights of subscription attached to, such Securities or, as the case may be, upon the exercise of such options, warrants or rights shall be the aggregate consideration or price referred to in (x) or (y) above (as the case may be) divided by the number of Ordinary Shares to be issued upon such conversion or exchange or exercise at the initial conversion, exchange or subscription price or rate;

- (c) if the consideration or price determined pursuant to (a) or (b) above (or any component thereof) shall be expressed in a currency other than Norwegian Kroner it shall be converted into Norwegian Kroner at such rate of exchange as may be determined in good faith by an Independent Financial Adviser to be the spot rate ruling at the close of business on the date of the first public announcement of the terms of issue of such Securities (or if no such rate is available on that date, the equivalent rate on the immediately preceding date on which such rate is available); and
- (d) in determining consideration or price pursuant to the above, no deduction shall be made for any commissions or fees (howsoever described) or any expenses paid or incurred for any underwriting, placing or management of the issue of the relevant Ordinary Shares or Securities or otherwise in connection therewith.

(c) *Retroactive Adjustments*

If the Delivery Date in relation to the conversion of any Note shall be after any consolidation, reclassification or sub-division as is mentioned in Condition 6(b)(i), or after the record date or other due date for the establishment of entitlement for any such issue, distribution, grant or offer (as the case may be) as is mentioned in Condition 6(b)(ii), (iii), (iv), (v) or (ix), or after any such issue or grant as is mentioned in Conditions 6(b)(vi) and (vii), in any case in circumstances where the

relevant Conversion Date falls before the relevant adjustment becomes effective under Condition 6(b) (such adjustment, a “**Retroactive Adjustment**”), then the Issuer shall (conditional upon the relevant adjustment becoming effective) procure that there shall be issued or delivered to the converting Noteholder, in accordance with the instructions contained in the Conversion Notice, such additional number of Ordinary Shares (if any) (the “**Additional Ordinary Shares**”) as, together with the Ordinary Shares issued or to be issued or delivered on conversion of the relevant Note (together with any fraction of an Ordinary Share not so issued), is equal to the number of Ordinary Shares which would have been required to be issued or delivered on conversion of such Note if the relevant adjustment (more particularly referred to in the said provisions of Condition 6(b)) to the Conversion Price had in fact been made and become effective immediately prior to the relevant Conversion Date.

(d) *Decision of an Independent Financial Adviser*

If any doubt shall arise as to the appropriate adjustment to the Conversion Price, and following consultation between the Issuer and an Independent Financial Adviser, a written opinion of such Independent Financial Adviser in respect of such adjustment to the Conversion Price shall be conclusive and binding on all concerned, save in the case of manifest error.

(e) *Employees’ Share Schemes*

No adjustment will be made to the Conversion Price where Ordinary Shares or other Securities (including rights, warrants and options) are issued, offered, exercised, allotted, appropriated, modified or granted to, or for the benefit of, employees or former employees (including Directors holding or formerly holding executive office or the personal service company of any such person) or their spouses or relatives, in each case, of the Issuer or any of its Subsidiaries or any associated company or to trustees to be held for the benefit of any such person, in any such case pursuant to any employees’ share or option scheme.

(f) *Rounding Down and Notice of Adjustment to the Conversion Price*

On any adjustment, the resultant Conversion Price, if not an integral multiple of NOK 0.01, shall be rounded down to the nearest whole multiple of NOK 0.01. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and/or any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time.

Notice of any adjustments to the Conversion Price shall be given by the Issuer to Noteholders in accordance with Condition 16 and the Trustee promptly after the determination thereof.

The Conversion Price shall not in any event be reduced to below the nominal value of the Ordinary Shares and the Issuer undertakes that it shall not take any action, and shall procure that no action is taken, that would otherwise result in an adjustment to the Conversion Price to below such nominal value.

(g) Change of Control

Within 14 calendar days following the occurrence of a Change of Control, the Issuer shall give notice thereof to the Trustee and to the Noteholders in accordance with Condition 16 (a “**Change of Control Notice**”). Such notice shall contain a statement informing Noteholders of their entitlement to exercise their Conversion Rights as provided in these Conditions, or to exercise their rights to require redemption of their Notes pursuant to Condition 7(e).

The Change of Control Notice shall also specify:

- (i) all information material to Noteholders concerning the Change of Control;
- (ii) the Conversion Price immediately prior to the occurrence of the Change of Control and the Change of Control Conversion Price applicable pursuant to Condition 6(b)(x) during the Change of Control Period;
- (iii) the closing price of the Ordinary Shares as derived from the Relevant Stock Exchange as at the latest practicable date prior to the publication of such notice;
- (iv) the last day of the Change of Control Period;
- (v) the Change of Control Put Date (as defined in Condition 7(e)); and
- (vi) such other information relating to the Change of Control as the Trustee may require.

The Trustee shall not be required to take any steps to ascertain whether a Change of Control or any event which could lead to a Change of Control has occurred or may occur.

(h) Procedure for exercise of Conversion Rights

The Conversion Right may be exercised by a Noteholder during the Conversion Period by delivering a duly completed and signed notice of conversion (a “**Conversion Notice**”) in the form (for the time being current) obtainable from the Paying and Conversion Agent to the specified office of the Paying and Conversion Agent, during its usual business hours. Conversion Rights shall be exercised subject in each case to any applicable fiscal or other laws or regulations applicable in the jurisdiction in which the specified office of the Paying and Conversion Agent is

located. If such delivery is made after the end of normal business hours or on a day which is not a business day in the place of the specified office of the Paying and Conversion Agent, such delivery shall be deemed for all purposes of these Conditions to have been made on the next following such business day.

A Conversion Notice, once delivered, shall be irrevocable.

The conversion date in respect of a Note (the “**Conversion Date**”) shall be the Oslo business day immediately following the date of the delivery of the Notes and the Conversion Notice and, if applicable, the making of any payment to be made as provided below.

A Noteholder exercising a Conversion Right must pay directly to the relevant authorities any taxes and capital, stamp, issue and registration duties arising on conversion (other than any taxes or capital duties or stamp duties payable in the Kingdom of Norway in respect of the allotment and issue of any Ordinary Shares on such conversion (including any Additional Ordinary Shares), which shall be paid by the Issuer) and such Noteholder must pay all, if any, taxes arising by reference to any disposal or deemed disposal of a Note or interest therein in connection with such conversion. For the avoidance of doubt, the Trustee shall not be responsible for determining whether such taxes or capital, stamp, issue or registration duties are payable or the amount of such taxes or capital, stamp, issue or registration duties and it shall not be responsible or liable for any failure by the Issuer to pay such taxes or capital, stamp, issue or registration duties.

Ordinary Shares to be issued or delivered on exercise of Conversion Rights will be issued or delivered in electronic form through the facilities of the VPS to such VPS Account as specified by the Noteholder in the relevant Conversion Notice.

The Issuer will take all necessary steps to procure that the Ordinary Shares to be issued or delivered on exercise of Conversion Rights are issued and/or delivered by no later than the Delivery Date (as defined below) and will promptly make all necessary filings with, and applications to, the Relevant Stock Exchange for the admission to listing and to trading of such Ordinary Shares.

(i) *Ordinary Shares*

- (i) Ordinary Shares issued or delivered upon conversion of the Notes will be fully paid and will in all respects rank *pari passu* with the fully paid Ordinary Shares in issue on the relevant Delivery Date or, in the case of Additional Ordinary Shares, on the relevant Reference Date, except in any such case for any right excluded by mandatory provisions of applicable law except that such Ordinary Shares or, as the case may be, Additional Ordinary Shares will not rank for any rights, distributions or payments the record date or other due date for the establishment of entitlement for which

falls prior to the relevant Conversion Date or, as the case may be, the relevant Reference Date.

- (ii) Save as provided in Condition 6(j), no payment or adjustment shall be made on conversion for any interest which otherwise would have accrued on the relevant Notes since the last Interest Payment Date preceding the Conversion Date relating to such Notes (or, if such Conversion Date falls before the first Interest Payment Date, since the Closing Date).

(j) *Interest on Conversion*

If any notice requiring the redemption of any Notes is given pursuant to Condition 7(b) or 7(c) on or after the fifteenth Oslo business day prior to a record date which has occurred since the last Interest Payment Date (or in the case of the first Interest Period, since the Closing Date) in respect of any Dividend or distribution payable in respect of the Ordinary Shares where such notice specifies a date for redemption falling on or prior to the date which is 14 days after the Interest Payment Date next following such record date, interest shall accrue at the applicable Interest Rate on Notes in respect of which Conversion Rights shall have been exercised and in respect of which the Conversion Date falls after such record date and on or prior to the Interest Payment Date next following such record date in respect of such Dividend or distribution, in each case from and including the preceding Interest Payment Date (or, if such Conversion Date falls before the first Interest Payment Date, from the Closing Date) to but excluding such Conversion Date. The Issuer shall pay any such interest by not later than 14 days after the relevant Conversion Date by transfer to a U.S. dollar account with a bank in New York in accordance with instructions given by the relevant Noteholder in the relevant Conversion Notice.

(k) *Purchase or Redemption of Ordinary Shares*

The Issuer may exercise such rights as it may from time to time enjoy to purchase or redeem or buy back its own shares (including Ordinary Shares) or any depositary or other receipts representing the same without the consent of the Noteholders.

(l) *No duty to Monitor*

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists which may require an adjustment to be made to the Conversion Price and will not be responsible to the Noteholders or any other person for any loss arising from any failure by it to do so.

(m) *Consolidation, Amalgamation or Merger*

Without prejudice to Condition 6(b)(x), in the case of any consolidation, amalgamation or merger of the Issuer with any other corporation (other than a consolidation, amalgamation or merger in which the Issuer is the continuing

corporation), or in the case of any sale or transfer of all, or substantially all, of the assets of the Issuer, the Issuer will forthwith notify the Trustee and the Noteholders of such event and take such steps as shall be required by the Trustee (including the execution of a deed supplemental to or amending the Trust Deed) to ensure that each Note then outstanding will (during the period in which Conversion Rights may be exercised) be converted into the class and amount of shares and other securities and property receivable upon such consolidation, amalgamation, merger, sale or transfer by a holder of the number of Ordinary Shares which would have become liable to be issued upon exercise of Conversion Rights immediately prior to such consolidation, amalgamation, merger, sale or transfer. Such supplemental deed supplement or amendment will provide for adjustments which will be as nearly equivalent as may be practicable to the adjustments provided for in this Condition 6. The above provisions of this Condition 6(m) will apply, *mutatis mutandis* to any subsequent consolidations, amalgamations, mergers, sales or transfers.

7 Redemption, Purchase and Cancellation

(a) *Final Redemption*

Unless previously purchased and cancelled, redeemed or converted as herein provided, the Notes will be redeemed at their principal amount on the Final Maturity Date. The Notes may only be redeemed at the option of the Issuer prior to the Final Maturity Date in accordance with Condition 7(b) or 7(c).

(b) *Redemption at the Option of the Issuer*

On giving not less than 30 nor more than 60 days' notice (an "**Optional Redemption Notice**") to the Trustee and to the Noteholders (which notice shall be irrevocable) in accordance with Condition 16, the Issuer may redeem all, but not some only, of the Notes on the date (the "**Optional Redemption Date**") specified in the Optional Redemption Notice at their principal amount, together with accrued but unpaid interest to such date:

- (i) at any time on or after 10 January 2011, if the Parity Value on at least 20 dealing days in any period of 30 consecutive dealing days ending not earlier than 15 days prior to the giving of the relevant Optional Redemption Notice, exceeds U.S.\$130,000; or
- (ii) if, at any time prior to the date on which the relevant Optional Redemption Notice is given, Conversion Rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 85 per cent. or more in principal amount of the Notes originally issued; or
- (iii) at any time within the period of 45 days after the end of the Change of Control Period.

(c) *Redemption for Taxation Reasons*

At any time the Issuer may, having given not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Noteholders (which notice shall be irrevocable) redeem (subject to the second following paragraph) all, and not some only, of the Notes at their principal amount ("**Tax Redemption Date**"), together with accrued but unpaid interest to such date, if (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that the Issuer has or will become obliged to pay additional amounts in respect of principal or interest pursuant to Condition 9 as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Norway or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Closing Date, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee (a) a certificate signed by two Directors or duly appointed attorneys of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer (taking reasonable measures available to it) and (b) an opinion of independent legal or tax advisers of recognised international standing to the effect that such change or amendment has occurred and that the Issuer is or will be obliged to pay such additional amounts as a result thereof (irrespective of whether such amendment or change is then effective) and the Trustee shall accept such certificate and opinion as sufficient evidence of the matters set out in (i) and (ii) above in which event it shall be conclusive and binding on the Noteholders.

Upon the expiry of a Tax Redemption Notice, the Issuer shall (subject to the next following paragraph) redeem the Notes at their principal amount, together with accrued interest to such date.

If the Issuer gives a notice of redemption pursuant to this Condition 7(c), each Noteholder will have the right to elect that his Note(s) shall not be redeemed and that the provisions of Condition 9 shall not apply in respect of any payment of interest to be made on such Note(s) which falls due after the relevant Tax Redemption Date whereupon no additional amounts shall be payable in respect thereof pursuant to Condition 9 and payment of all amounts shall be made subject to the deduction or withholding of the taxation required to be withheld or deducted by the Kingdom of Norway or any political subdivision or any authority thereof or therein having power to tax. To exercise such right, the holder of the relevant Note must complete, sign and deposit at the specified office of any Paying and Conversion Agent a duly completed and signed notice of election, in the form for

the time being current, obtainable from the specified office of the Paying and Conversion Agent on or before the day falling 10 days prior to the Tax Redemption Date.

(d) Optional and Tax Redemption Notices

Any Optional Redemption or Tax Redemption Notice shall be irrevocable. Any such notice shall specify (i) the Optional Redemption Date or, as the case may be, the Tax Redemption Date, (ii) the Conversion Price, the aggregate principal amount of the Notes outstanding and the closing price of the Ordinary Shares as derived from the Relevant Stock Exchange, in each case as at the latest practicable date prior to the publication of the Optional Redemption Notice or, as the case may be, the Tax Redemption Notice and (iii) the last day on which Conversion Rights may be exercised by Noteholders.

(e) Redemption at the option of Noteholders

Following the occurrence of a Change of Control, the holder of each Note will have the right to require the Issuer to redeem that Note on the Change of Control Put Date at its principal amount, together with accrued interest to such date. To exercise such right, the holder of the relevant Note must, at any time in the Change of Control Period, deliver a duly completed and signed notice of exercise, in the form for the time being current, obtainable from the specified office of the Paying and Conversion Agent (a “**Change of Control Put Exercise Notice**”) at the specified office of the Paying and Conversion Agent. The “**Change of Control Put Date**” shall be the fourteenth calendar day after the expiry of the Change of Control Period.

Payment in respect of any such Note shall be made by transfer to a bank in New York specified by the relevant Noteholder in the applicable Change of Control Put Exercise Notice.

A Change of Control Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem all Notes the subject of Change of Control Put Exercise Notices delivered as aforesaid on the Change of Control Put Date.

(f) Purchase

Subject to the requirements (if any) of any stock exchange on which the Notes may be admitted to listing and trading at the relevant time and subject to compliance with applicable laws and regulations, the Issuer or any Subsidiary of the Issuer may at any time purchase Notes in the open market or otherwise at any price. Any purchase by tender shall be made available to all Noteholders alike. The Notes so purchased, while held by or on behalf of the Issuer or such Subsidiary, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 13(a) and 14.

(g) *Cancellation*

All Notes which are redeemed or in respect of which Conversion Rights are exercised will be cancelled and may not be reissued or resold. Subject to the requirements (if any) of any stock exchange on which the Notes may be admitted to listing and trading at the relevant time and subject to compliance with all applicable laws and regulations, Notes purchased by the Issuer or any of its Subsidiaries may be re-sold by the Issuer at the Issuer's discretion.

(h) *Multiple Notices*

If more than one notice of redemption is given pursuant to this Condition 7, the first of such notices to be given shall prevail.

8 **Payments**

(a) *Principal*

Payment of principal in respect of the Notes and accrued interest payable on a redemption of the Notes other than on an Interest Payment Date will be made to the persons shown in the Register at the close of business on the Record Date.

(b) *Interest and other Amounts*

(i) Payments of interest due on an Interest Payment Date will be made to the persons shown in the Register at close of business on the Record Date.

(ii) Payments of all amounts other than as provided in Condition 8(a) and (b)(i) will be made as provided in these Conditions.

(c) *Record Date*

“**Record Date**” means the fourteenth business day, in the place of the specified office of the Registrar, before the due date for the relevant payment.

(d) *Payments*

Each payment in respect of the Notes pursuant to Conditions 8(a) and (b)(i) will be made by transfer to a U.S. dollar account maintained by the relevant Noteholder with a bank in New York as notified by the relevant Noteholder to the Registrar and the Principal Paying and Conversion Agent from time to time. However, upon application by the holder to the specified office of the Registrar or the Paying and Conversion Agent not less than 15 days before the due date for any payment in respect of a Note, such payment may be made by U.S. dollar cheque mailed to the holder of the relevant Note at his address appearing in the Register.

Where payment is to be made by cheque, the cheque will be mailed, on the business day preceding the due date for payment (at the risk and, if mailed at the request of the holder otherwise than by ordinary mail, expense of the holder).

(e) *Payments subject to fiscal laws*

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(f) *Delay in payment*

Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due (i) as a result of the due date not being a business day, or (ii) if a cheque mailed in accordance with this Condition arrives after the date for payment.

(g) *Business Days*

In this Condition, “**business day**” means a day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for business, in New York City and in the place of the specified office of the Registrar.

(h) *Paying and Conversion Agent, Registrar, etc.*

The initial Paying and Conversion Agent and Registrar and their initial specified offices are listed below. The Issuer reserves the right under the Agency Agreement at any time, with the prior written approval of the Trustee, to vary or terminate the appointment of the Paying and Conversion Agent or the Registrar and appoint an additional Paying and Conversion Agent or other Paying, Transfer and Conversion Agents, provided that it will (i) maintain a Paying and Conversion Agent or another Registrar, (ii) maintain a Paying and Conversion Agent with a specified office in a jurisdiction that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive and (iii) maintain a Registrar with a specified office outside the United Kingdom. Notice of any change in the Paying and Conversion Agents or the Registrar or their specified offices will promptly be given by the Issuer to the Noteholders in accordance with Condition 16.

(i) *Fractions*

When making payments to Noteholders, if the relevant payment is not of an amount which is a whole multiple of the smallest unit of the relevant currency in which such payment is to be made, such payment will be rounded down to the nearest unit.

9 Taxation

All payments made by on or behalf the Issuer in respect of the Notes will be made free from any restriction or condition and be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Kingdom of Norway or any political subdivision or any authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law.

In the event that any such withholding or deduction is required to be made, the Issuer will pay such additional amounts as will result in the receipt by the Noteholders of the amounts which would otherwise have been receivable had no such withholding or deduction been required, except that no such additional amount shall be payable in respect of interest on any Note:

- (a) to a holder (or to a third party on behalf of a holder) who is subject to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with the Kingdom of Norway other than merely by holding the Note or by receipt of amounts in respect of the Note or where the withholding or deduction could be avoided by the holder making a declaration of non-residence or other similar claim for exemption to the appropriate authority which such holder is legally capable and competent of making but fails to do so; or
- (b) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

References in these Conditions to principal and interest shall be deemed also to refer to any additional amounts which may be payable under this Condition or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

10 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured as to costs to its satisfaction), give notice in writing to the Issuer that the Notes are, and they shall accordingly thereby immediately become, due and repayable at their principal amount together with accrued interest if any of the following events (each an “**Event of Default**”) shall have occurred:

- (a) default is made for more than five Oslo business days in the payment on the due date of principal or interest or any other amount in respect of any of the Notes; or

- (b) the Issuer does not perform or comply with any one or more of its other obligations in respect of the Notes or the Trust Deed, which default is (in the opinion of the Trustee) incapable of remedy or, if capable of remedy, is not (in the opinion of the Trustee) remedied within 30 days after the Issuer receiving from the Trustee written notice of such default or such longer period as the Trustee may permit in its absolute discretion; or
- (c)
 - (i) any other present or future indebtedness of the Issuer or any Subsidiary of the Issuer for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer or the relevant Subsidiary; or
 - (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period (as initially agreed);
provided that the aggregate amount of such indebtedness in respect of which one or more of the events mentioned above in this paragraph (c) have occurred equals or exceeds U.S.\$45,000,000 or its equivalent in any other currency; or
- (d) a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer or any Material Subsidiary of the Issuer and is not discharged or stayed within 30 days or such longer period as may be permitted by the Trustee; or
- (e) any step is taken to enforce any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any Material Subsidiary of the Issuer (including the taking of possession or the appointment of a receiver, administrative receiver, administrator manager or other similar person); or
- (f) the Issuer or any Material Subsidiary of the Issuer is insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or any Material Subsidiary of the Issuer; or
- (g) an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer or any Material Subsidiary of the Issuer, or the Issuer or any Material Subsidiary of the Issuer ceases or threatens to cease to carry on all or (in the opinion of the Trustee) a material part of its business or operations, except for the

purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by the Trustee or by an Extraordinary Resolution of the Noteholders, or (ii) in the case of a Material Subsidiary of the Issuer, whereby the undertaking and assets of the Material Subsidiary of the Issuer are transferred to or otherwise vested in the Issuer or another Material Subsidiary of the Issuer; or

- (h) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Notes, or the Trust Deed, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Notes or the Trust Deed admissible in evidence is not taken, fulfilled or done; or
- (i) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs; or
- (j) it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Trust Deed.

11 Undertakings

Whilst any Conversion Right remains exercisable, the Issuer will, save with the approval of an Extraordinary Resolution or with the prior written approval of the Trustee where, in its opinion, it is not materially prejudicial to the interests of the Noteholders to give such approval:

- (a) not issue or pay up any Securities, in either case by way of capitalisation of profits or reserves, other than:
 - (i) by the issue of fully paid Ordinary Shares to Shareholders and other holders of shares in the capital of the Issuer which by their terms entitle the holders thereof to receive Ordinary Shares; or
 - (ii) by the issue of Ordinary Shares paid up in full (in accordance with applicable law) and issued wholly, ignoring fractional entitlements, in lieu of the whole or part of a cash dividend; or
 - (iii) by the issue of fully paid equity share capital (other than Ordinary Shares) to the holders of equity share capital of the same class and other holders of shares in the capital of the Issuer which by their terms entitle the holders thereof to receive equity share capital (other than Ordinary Shares); or
 - (iv) by the issue of Ordinary Shares or any equity share capital to, or for the benefit of, any employee or former employee, director or executive holding or formerly holding executive office of the Issuer or any of its Subsidiaries or any associated company or to trustees or nominees to be

held for the benefit of any such person, in any such case pursuant to an employee, director or executive share or option scheme whether for all employees, directors, or executives or any one or more of them,

unless, in any such case, the same constitutes a Dividend or otherwise gives rise (or would, but for the provisions of Condition 6(f) relating to the carry forward of adjustments, give rise) to an adjustment to the Conversion Price;

- (b) not modify the rights attaching to the Ordinary Shares with respect to voting, dividends or liquidation nor issue any other class of equity share capital carrying any rights which are more favourable than the rights attaching to the Ordinary Shares but nothing in this Condition 11(b) shall prevent:
 - (i) any consolidation, reclassification or subdivision of the Ordinary Shares; or
 - (ii) any modification of such rights which is not, in the opinion of an Independent Financial Adviser (acting as an expert) selected by the Issuer, approved in writing by the Trustee, materially prejudicial to the interests of the holders of the Notes; or
 - (iii) any issue of equity share capital where the issue of such equity share capital results, or would, but for the provisions of Condition 6(f) relating to the carry forward of adjustments or the fact that the consideration per Ordinary Share receivable therefore is at least 95 per cent. of the Current Market Price per Ordinary Share, otherwise result, in an adjustment to the Conversion Price; or
 - (iv) any issue of equity share capital or modification of rights attaching to the Ordinary Shares, where prior thereto the Issuer shall have instructed an Independent Financial Adviser to determine what (if any) adjustments should be made to the Conversion Price as being fair and reasonable to take account thereof and such Independent Financial Adviser shall have determined in good faith either that no adjustment is required or that an adjustment resulting in an increase in the Conversion Price is required and, if so, the new Conversion Price as a result thereof and the basis upon which such adjustment is to be made and, in any such case, the date on which the adjustment shall take effect (and so that the adjustment shall be made and shall take effect accordingly);
- (c) procure that no Securities (whether issued by the Issuer or any Subsidiary of the Issuer or procured by the Issuer or any Subsidiary of the Issuer to be issued or issued by any other person pursuant to any arrangement with the Issuer or any Subsidiary of the Issuer) issued without rights to convert into, or exchange or subscribe for, Ordinary Shares shall subsequently be granted such rights exercisable at a consideration per Ordinary Share which is less than 95 per cent. of the Current

Market Price per Ordinary Share at the close of business on the last dealing day preceding the date of the first public announcement of the proposed inclusion of such rights unless the same gives rise (or would, but for the provisions of Condition 6(f) relating to the carry forward of adjustments, give rise) to an adjustment to the Conversion Price and that at no time shall there be in issue Ordinary Shares of differing nominal values, save where such Ordinary Shares have the same economic rights;

- (d) not make any issue, grant or distribution or any other action taken if the effect thereof would be that, on the exercise of Conversion Rights, Ordinary Shares could not, under any applicable law then in effect, be legally issued as fully paid;
- (e) not reduce its issued share capital, or any uncalled liability in respect thereof, or any non-distributable reserves, except:
 - (i) pursuant to the terms of issue of the relevant share capital; or
 - (ii) by means of a purchase or redemption of share capital of the Issuer to the extent permitted by applicable law; or
 - (iii) by way of transfer to reserves as permitted under applicable law; or
 - (iv) where the reduction is permitted by applicable law and the Trustee is advised by an Independent Financial Adviser, acting as expert, that the interests of the Noteholders will not be materially prejudiced by such reduction; or
 - (v) where the reduction is permitted by applicable law and results in (or would, but for the provisions of Condition 6(f) relating to the carry forward of adjustments, result in) an adjustment to the Conversion Price,

provided that, without prejudice to the other provisions of these Conditions, the Issuer may exercise such rights as it may from time to time enjoy pursuant to applicable law to purchase its Ordinary Shares and any depositary or other receipts or certificates representing Ordinary Shares without the consent of Noteholders;

- (f) if any offer is made to all (or as nearly as may be practicable all) Shareholders (or all (or as nearly as may be practicable all) Shareholders other than the offeror and/or any associate (or affiliate) of the offeror) to acquire the whole or any part of the issued Ordinary Shares, or if any person proposes a scheme with regard to such acquisition, give notice of such offer or scheme to the Noteholders at the same time as any notice thereof is sent to the Shareholders (or as soon as practicable thereafter) that details concerning such offer or scheme may be obtained from the specified offices of the Paying and Conversion Agent and, where such an offer or scheme has been recommended by the Board of Directors of the Issuer, or where such an offer has become or been declared unconditional in all respects, use all reasonable endeavours to procure that a like offer or scheme is extended to the

holders of any Ordinary Shares issued during the period of the offer or scheme arising out of the exercise of the Conversion Rights by the Noteholders;

- (g) use its reasonable endeavours to ensure that the Ordinary Shares issued upon exercise of Conversion Rights will, as soon as is practicable, be admitted to listing and to trading on the Relevant Stock Exchange and will be listed, quoted or dealt in, as soon as is practicable, on any other stock exchange or securities market on which the Ordinary Shares may then be listed or quoted or dealt in;
- (h) procure that it shall not become domiciled or resident in or subject generally to the taxing authority of any jurisdiction (other than the Kingdom of Norway) unless it would not thereafter be required pursuant to then current laws and regulations to withhold or deduct for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of such jurisdiction or any political subdivision thereof or therein having power to tax in respect of any payment on or in respect of the Notes;
- (i) in the event of a Newco Scheme, the Issuer shall take (or shall procure that there is taken) all necessary action to ensure that (to the satisfaction of the Trustee) immediately upon completion of the scheme of arrangement, at its option, either (a) Newco is substituted under the Notes and the Trust Deed as principal debtor in place of the Issuer (with the Issuer providing an unconditional and irrevocable guarantee) subject to and as provided in the Trust Deed or (b) Newco becomes a guarantor under the Notes and the Trust Deed and, in either case, that such other adjustments are made to these Conditions and the Trust Deed to ensure that the Notes may be converted into or exchanged for ordinary shares of Newco *mutatis mutandis* in accordance with and subject to these Conditions and the Trust Deed; and
- (j) for so long as any Note remains outstanding, (1) use its best endeavours to ensure that its issued and outstanding Ordinary Shares shall be admitted to listing and to trading on the Oslo Stock Exchange or another regulated, regularly operating, recognised stock exchange or securities market in the European Union and (2) use its reasonable endeavours to ensure that the Notes are admitted to listing and trading on the Oslo Stock Exchange or another regulated, regularly operating, recognised stock exchange or securities market in the European Union by not later than 45 days after the Closing Date and to maintain such admission; and
- (k) at all times keep available for issue free from pre-emptive rights out of its authorised but unissued capital sufficient authorised but unissued Ordinary Shares to enable the exercise of a Conversion Right, and all rights of subscription and conversion for Ordinary Shares, to be satisfied in full.

12 Prescription

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of such payment and thereafter any principal, interest or other sums payable in respect of such Notes shall be forfeited and revert to the Issuer.

Claims in respect of any other amounts payable in respect of the Notes shall become void unless made within 10 years following the due date for payment thereof.

13 Meetings of Noteholders, Modification and Waiver, Substitution

(a) Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer or the Trustee if requested in writing by (i) Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding or (ii) the Oslo Stock Exchange, provided that a meeting called for by the Oslo Stock Exchange must be for the purpose of considering the replacement of the Trustee. The quorum for any meeting convened to consider an Extraordinary Resolution will be one or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the principal amount of the Notes so held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Notes or the dates on which interest is payable in respect of the Notes, (ii) to reduce or cancel the principal amount, or interest on, the Notes or to reduce the amount payable or redemption of the Notes, (iii) to modify or cancel the Conversion Rights, other than pursuant to or as a result of any amendments to these Conditions and the Trust Deed made pursuant to and in accordance with the provisions of Condition 11(i) (“**Newco Scheme Modification**”), (iv) to increase the Conversion Price other than in accordance with these Conditions or pursuant to a Newco Scheme Modification, (v) to change the currency of any payment in respect of the Notes, or (vi) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be one or more persons holding or representing not less than three-quarters, or at any adjourned meeting not less than one-quarter, in principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed

shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed).

No consent or approval of Bondholders shall be required in connection with any Newco Scheme Modification.

(b) *Modification and Waiver*

The Trustee may agree, without the consent of the Noteholders, to (i) any modification of any of the provisions of the Trust Deed, any trust deed supplemental to the Trust Deed, the Agency Agreement, any agreement supplemental to the Agency Agreement, the Notes or these Conditions which in the Trustee's opinion is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law, and (ii) any other modification to the Trust Deed, any trust deed supplemental to the Trust Deed, the Agency Agreement, any agreement supplemental to the Agency Agreement, the Notes or these Conditions (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed, any trust deed supplemental to the Trust Deed, the Agency Agreement, any agreement supplemental to the Agency Agreement, the Notes or these Conditions which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Noteholders. The Trustee may, without the consent of the Noteholders, determine any Event of Default or a Potential Event of Default (as defined in the Trust Deed) should not be treated as such, provided that in the opinion of the Trustee, the interests of Noteholders will not be materially prejudiced thereby. Any such modification, authorisation or waiver shall be binding on the Noteholders and, if the Trustee so requires, such modification shall be notified to the Noteholders promptly in accordance with Condition 16.

(c) *Substitution*

The Trustee may, without the consent of the Noteholders, agree with the Issuer (01) to the substitution in place of the Issuer (or any previous substitute or substitutes under this Condition) as the principal debtor under the Notes and the Trust Deed of any Subsidiary of the Issuer subject to (a) the Notes being unconditionally and irrevocably guaranteed by the Issuer, and (b) the Notes continuing to be convertible or exchangeable into Ordinary Shares as provided in these Conditions *mutatis mutandis* as provided in these Conditions, with such amendments as the Trustee shall consider appropriate or (02) to the substitution of Newco as provided in Condition 11(i) provided that in any such case, (x) the Trustee is satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution, and (y) certain other conditions set out in the Trust Deed have been complied with. In the case of such a substitution the Trustee may agree, without the consent of the Noteholders, to a change of the law governing the Notes and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially

prejudicial to the interests of the Noteholders. Any such substitution shall be binding on the Noteholders and shall be notified promptly to the Noteholders.

(d) Entitlement of the Trustee

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and, in particular but without limitation, shall not have regard to the consequences of the exercise of its trusts, powers or discretions for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory, and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

14 Enforcement

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer as it may think fit to enforce the provisions of the Trust Deed and the Notes, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed or the Notes unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding, and (ii) it shall have been indemnified and/or secured as to costs to its satisfaction. No Noteholder shall be entitled to proceed directly against the Issuer or unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

15 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including relieving it from taking proceedings unless indemnified and/or secured to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit. The Trustee may rely without liability to Noteholders on a report, confirmation or certificate or any advice of any accountants, financial advisers or investment bank, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee shall be obliged to accept and be entitled to rely on any such report, confirmation or certificate or advice where the Issuer procures delivery of the same pursuant to its obligation to do so under a condition hereof or any provision of the

Trust Deed and such report, confirmation or certificate or advice shall be binding on the Issuer, the Trustee and the Noteholders in the absence of manifest error.

16 Notices

Notices to Noteholders shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*) and in the VPS and, for so long as the Notes are listed on the Oslo Stock Exchange, on the Oslo Stock Exchange information system. Any such notice shall be in the English language or, if not in the English language, accompanied by a certified English language translation and shall be deemed to have been given on the date of the last such publication as provided above. Any notice to be given pursuant to these Conditions shall be given by the Issuer, unless the Issuer specifically requests that the Paying and Conversion Agent gives such notice pursuant to the terms of the Agency Agreement.

17 Further Issues

The Issuer may from time to time without the consent of the Noteholders create and issue further notes, bonds or debentures either having the same terms and conditions in all respects as the outstanding notes, bonds or debentures of any series (including the Notes) or in all respects except for the first payment of interest on them and so that such further issue shall be consolidated and form a single series with the outstanding notes, bonds or debentures of any series (including the Notes) or upon such terms as to interest, conversion, premium, redemption and otherwise as the Issuer may determine at the time of their issue. Any further notes, bonds or debentures forming a single series with the outstanding notes, bonds or debentures of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other notes, bonds or debentures may, with the consent of the Trustee, be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of notes, bonds or debentures of other series in certain circumstances where the Trustee so decides.

18 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

19 Governing Law and Jurisdiction

(a) Governing Law

The Trust Deed and the Notes are governed by, and shall be construed in accordance with, English law. The Agency Agreement is governed by, and shall be construed in accordance with, Norwegian law.

(b) *Jurisdiction*

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed or the Notes and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed or the Notes (“**Proceedings**”) may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts and has waived any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of the Trustee and each of the Noteholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

(c) *Agent for Service of Process*

The Issuer has irrevocably appointed Petroleum Geo-Services (UK) Limited at its registered office for the time being, currently at PGS Court, Halfway Green, Walton-on-Thames, Surrey, KT12 1RS, United Kingdom as its agent in England to receive service of process in any Proceedings in England. Nothing herein or in the Trust Deed shall affect the right to serve process in any other manner permitted by law.

7 THE COMPANY AND THE GROUP

The name of the issuer of the Notes is Petroleum Geo-Services ASA. The Company also trades under the name “PGS”. The organisation number of the Company is 916 235 291, and the registered address is Strandveien 4, 1366 Lysaker, Norway. The telephone number is +47 67 52 64 00.

The Company was incorporated on 9 June 1962, but started trading under its current name in 1991 after a merger between Geoteam AS and Nopec AS. The Company is a public limited company incorporated and existing under the laws of the Kingdom of Norway. The Company is subject to the Norwegian Public Limited Companies Act.

There have not been any recent developments occurring which, in the opinion of the Company, are substantial for the assessment of the Company’s solvency.

The Group consists of the Company and over 80 subsidiaries. A Group corporate chart is attached hereto as Appendix 2. The Company is the holding company for its directly held subsidiaries. The subsidiaries are incorporated in a variety of jurisdictions, including but not limited to, the United States, the United Kingdom, Venezuela, Brazil, Malaysia, Isle of Man and Norway. The Company is the corporate, financial and administrative head entity within

the Group, and does not carry out any business activities except for exercising its ownership over its subsidiaries. The Company is also the main borrower of the Group and does from time to time issue parent guarantees in respect of some of its subsidiaries. The Company's offices are at Lysaker, Norway, where the Company's executive employees are situated.

The independent auditor of the Company for the financial years ending 31 December 2005 and 2006 has been Ernst & Young AS, registered address Oslo Atrium, P.O. Box 20 0051 Oslo Norway. Ernst & Young AS is a member of the Norwegian Institute of Public Accountants (*den Norske Revisorforening*).

There has been no material adverse change in the Company's prospects since 31 December 2006.

The Company is not aware of any material contracts that are not entered into by the Company in the ordinary course of its business, which could result in any member of the Group being under an obligation or entitlement that is material to the Company's ability to meet its obligation to Noteholders in respect of the Notes.

Other than the fact that the subsidiaries to a larger or lesser extent perform the services offered by the Group, and that the subsidiaries provide the Company with dividend payments and are participating in securing existing debt arrangements, the Company, as the ultimate parent company of the Group, is not dependent on any of the subsidiaries. Consequently, the cash flow from the subsidiaries' operations is necessary for the Company in order to pay the Notes and other financial and monetary obligations.

8 THE BUSINESS OF THE GROUP

8.1 Introduction

The Group is one of the major global participants in the acquisition of marine three-dimensional (3D) seismic data. The Group acquires, processes, interpret, markets and sells seismic data worldwide that is used by oil and natural gas companies to help them find oil and natural gas and to determine the size and structure of known oil and natural gas reservoirs. In the seismic projects, the Group is involved in planning the seismic surveys and acquiring and processing the seismic data. Oil and natural gas companies use this information in evaluating whether to acquire new leases or licenses in areas with potential accumulations of oil and natural gas, in selecting drilling locations, in modeling oil and natural gas reservoir areas and in managing producing reservoirs. The Group uses the Group's High Density 3D – HD3D® – technology to acquire 3D data with higher trace densities, giving improved resolution of the subsurface and higher quality images of the reservoirs.

Oil and natural gas companies use 4D or time lapse surveys, which are surveys produced by the repetition of identical 3D surveys over time, to assist in their evaluation of subsurface geophysical conditions that change over time due to the depletion and production of reservoir fluids. This evaluation provides for more efficient production of the reservoir and the possible

extension of the reservoir's useful life. The Group provides this service as well as the acquisition of more conventional two dimensional (2D) seismic data.

The Group acquires seismic data both on an exclusive contract basis for its customers and on its own behalf as multi-client data for licensing from time to time to multiple customers on a non-exclusive basis. In some of the projects, the Group shares interests in the revenue from the sales of the multi-client data with third parties. During 2006, the Group used its active seismic vessel acquisition capacity, measured by time, approximately 83 per cent. to acquire contract data and approximately 17 per cent. to acquire multi-client data. This compares to approximately 91 per cent. and 9 per cent., respectively, for 2005 and 88 per cent. and 12 per cent., respectively, for 2004.

The Group manages its business in two segments as follows:

- *Marine*, which consists of streamer seismic data acquisition and marine multi-client library. The marine segment has a global scope, and includes the Group's data processing, technology development, research and development and reservoir-related consulting activities; and
- *Onshore*, which consists of all seismic operations on land and in very shallow water and transition zones, and including our onshore multi-client library. The onshore segment is regional in scope, namely focusing on North America, South America and Africa.

In the Group's financials, data processing and technology is reported as part of the marine segment. The marine segment (including data processing and technology) accounts for approximately 80 per cent. of the Group's total turnover, and is managed from Lysaker, Norway. The onshore segment accounts for approximately 20 per cent. of the Group's total turnover and is managed from Houston, Texas.

8.2 Contract and Multi-Client Operations

8.2.1 Contract Operations

When the Group acquires seismic data on a contract basis, the customers direct the scope and extent of the survey and retain ownership of the data obtained. Contracts for seismic data acquisition, which are generally awarded on a competitive bid basis, may include both a day-rate and a production rate element.

Under these contracts, the customer assumes primary responsibility for interruption of acquisition operations due to factors that are beyond the Group's control, including weather and permitting. Contracts are also awarded on a turnkey basis. With turnkey contracts, the customers pay based upon the number of seismic lines or square kilometres of seismic data collected.

The Group performed contract operations during 2006 in the North Sea; offshore Brazil; offshore West and South Africa; in the Mediterranean; offshore Australia, New Zealand, Malaysia and other countries in the Asia Pacific region; offshore Russia; offshore Qatar; onshore in the continental U.S. as well as Alaska, Canada, Mexico, Venezuela, Libya and Bangladesh; and in shallow water offshore Nigeria.

8.2.2 *Multi-Client Operations*

From the perspective of an oil and natural gas company, licensing multi-client seismic data on a non-exclusive basis is typically less expensive on a per unit basis than acquiring the seismic data on an exclusive basis. From the Group's perspective, multi-client seismic data can be more cost effective to acquire and may be sold a number of times to different customers over a period of years. As a result, multi-client seismic data has the potential to be more profitable than contract data. However, when the Group acquires multi-client seismic data the Group assumes the risk that future sales may not cover the cost of acquiring and processing such seismic data. Obtaining pre-funding for a portion of these costs reduces this risk, and typically the Group requires a relatively high level of pre-funding before beginning a project. The Group determines the level of pre-funding that is required before initiating a multi-client seismic survey by evaluating various factors affecting the sales potential of each survey. These factors include:

- the existence, quality and age of any seismic data that may already exist in the area;
- the amount of leased acreage in the area;
- whether or when an award of a license to explore and develop an area for production to be covered by a survey is expected to be granted;
- the prospectivity of the area in question for hydrocarbons and for future licenses of multi-client data;
- the existing infrastructure in the region to transport oil and natural gas to market;
- the historical turnover of the leased acreage;
- the political and economic stability of the countries where the data are to be acquired; and
- the level of interest from oil and natural gas companies in the area.

The Group owns a significant library of marine multi-client data in most of the major oil and natural gas basins of the world, including the Gulf of Mexico, the North Sea, offshore West Africa, offshore Brazil and the Asia Pacific region. The Group's onshore library is entirely in North America. After substantial reductions in its multi-client investments in 2003 and 2004,

the Group increased its investments in multi-client library by 35 per cent. in 2005 (as compared to 2004) and by 104 per cent. in 2006 (as compared to 2005).

In its multi-client operations, the Group makes initial sales of the data prior to project completion, which the Group refers to as pre-funding sales, and the Group refers to all further sales as late sales. The Group makes a substantial portion of these late sales in connection with acreage licensing round activity in those regions where the Group has a data library. Typically, customers are required to pay an amount for access to the data and additional amounts, or uplift fees, upon award of a concession or sometimes upon execution of a production sharing or similar contract. The timing and regularity of such license round activity varies considerably depending upon a number of factors, including in particular the geopolitical stability of the region in question. As a result, both the total amount and the timing of late sales can be difficult to forecast accurately, with potentially significant revenue swings from quarter to quarter and from year to year.

The Group attempts to protect its multi-client seismic data from misuse by customers primarily through contractual provisions that permit the use of the data only by that particular customer on a non-transferable basis. Such provisions can be effective only if misuse of the data by customers or third parties can be detected and if the Group's rights can be enforced through legal action.

The Group's multi-client data is marketed primarily through its own sales organisation.

8.3 Marine Segment

8.3.1 Marine Acquisition

The Company believes that the Group operates one of the most advanced marine seismic data acquisition fleets in the world. In carrying out the operating activities, the Group enters into, from time to time, agency agreements, joint venture agreements and joint operating agreements with third parties.

8.3.2 Streamer Seismic Acquisition

In the streamer operations, the Group uses its seismic vessel fleet to acquire 2D, 3D, 4D and HD3D[®] seismic data as described above under Section 8.1.

8.3.3 Vessel Fleet and Crews

The Group acquires marine seismic data using seismic crews primarily through owned and chartered vessels that have been constructed or modified to the Group's specifications and outfitted with a complement of data acquisition, recording, navigation and communications equipment. The seismic crews, which are generally employed by the Group, direct the positioning of a vessel using sophisticated navigation equipment, deploy and retrieve streamers, cables, receivers and energy sources, and operate all of the seismic systems. The seismic crews do not perform maritime operation of the vessels. The vessel maritime crews are employed by the Group, by the owner of a chartered vessel, or by a contract operator.

After the acquisition of Arrow, the sale of Ramform Victory and the delivery of the newbuild Ramform Sovereign, the Group currently owns 15 marine streamer vessels, including 6 vessels of the unique Ramform class, which are all in operations. In addition, PGS has ordered one Ramform new-build vessel scheduled for delivery in Q2 2009, respectively. In 2007 the Group reached an agreement with the Japanese Ministry of Economy, Trade and Industry (“METI”) for a long term cooperation agreement, which includes the sale and flag change of the 3D seismic vessel Ramform Victory and the continued provision by PGS of intellectual property and technical and operational services. The vessel was delivered in Q1 2008 (please see a more detailed description under Section 8.5). Further, Arrow has ordered four high capacity seismic new build vessels for delivery in 2008 and 2009 (of which two are contracted). Arrow has also purchased two vessels planned for conversion.

The fleet contains the following vessels:

Vessel Name	Year Rigged/ Converted	Total Length (feet)	Total Beam (feet)	Maximum Streamer Capacity	Maximum Streamers Deployed (through 31 December 2006)	Owned or Charter Expiration
3D Seismic Vessels						
Ramform Explorer	1995	269	130	12	12	Owned
Ramform Challenger	1996	283	130	16	12	Owned(1)
Ramform Valiant	1998	283	130	20	12	2023(1)
Ramform Viking	1998	283	130	20	10	Owned
Ramform Vanguard	1999	283	130	20	12	Owned
Ramform Sovereign	2008	335	131	22	N/A	Owned
Atlantic Explorer	1994	300	57	6	6	Owned
Pacific Explorer	1994	300	72	8	8	Owned
Nordic Explorer	1993	266	54	6	6	Owned
Ocean Explorer	1993/2006	266	59	6	6	Owned

Orient Explorer	1995	269	.49	4	4	2007(2)
2D/Source Seismic Vessels:						
Falcon Explorer	1997/2006	268	53	1	1	Owned
<i>Aquila Explorer</i>		233	57	Source	N/A	Time charter 4 years from 2007 and PGS option of 2x2years
<i>Harrier Explorer</i>		266	60	Source	N/A	Time charter 6 month from 2007 and PGS option 2 x 6 moths
Support Vessels:						
Remus	1998	153	33	N/A	N/A	Owned
Romulus	1997	144	35	N/A	N/A	Owned
Under construction:						
Ramform Sterling	Expected delivery Q2-2009	335	131	22	N/A	Owned

(1) The Group has UK lease arrangements for each of the *Ramform Valiant* and the *Ramform Challenger*. Under the leases, the Group leases the vessels under long-term charters that give the Group the option to purchase the vessels for a *de minimis* amount at the end of the charter periods. The leases are legally defeased because the Group has made payments to banks in consideration for which the banks have assumed liability to the lessors equal to basic rentals and termination sum obligations.

(2) The charter agreement for the *Orient Explorer* has a one-year term and will be extended annually for each year until 2011, unless the Group terminates the charter by giving three months' notice.










The seismic vessels have an equipment complement consisting of the following:

- recording instrumentation;
- digital recording streamers;
- acoustic positioning systems for source and streamer locations;

- multiple navigation systems for vessel positioning; and
- a source control system that controls the synchronisation of the energy sources and an air gun array firing system that activates the acoustic energy source.

Prior to the Acquisition of Arrow, the vessels had a normal utilisation of approximately 85 per cent., the remaining 15 per cent. is divided between yard time and steaming.

Vessels acquired as part of the Acquisition of Arrow:

Vessel name	Built/ Converted	Delivery date	Streamer capacity*	Charterer	
Geo Atlantic	2000/2006	Oct. 2006	12	Fugro Geoteam	
CGG Laurentian	1983/2005	July 2006	6	CGGVeritas	
Polar Sea	1993/2007	Nov. 2007	Source	Available	
Polar Explorer	1992/2008	Q1 2008	1/source	Available	
Polar Pearl	1993/2008	TBD	TBD	Available	
Newbuilding 532	2008/n.a.	Q1 2008	12-16	Western Geco	
Newbuilding 533	2008/n.a.	Q4 2008	12-16	Western Geco	
Newbuilding 534	2008/n.a.	Q2 2009	12-16	Available	
Newbuilding 535	2008/n.a.	Q4 2009	12-16	Available	

(1) The Group has Spanish tax lease arrangements for each of the Newbuildings 532 - 535. Under the leases, the Group leases the vessels under bare-boat charters that give the Group the option to purchase the vessels for a de minimis amount at the end of the charter periods.

(2) The Polar Explorer has been renamed Southern Explorer.

(3) Delivery dates for Newbuildings 532 and 533 have been delayed, but this does not have significant economic effect to PGS as the vessels are chartered to Western Geco.

8.3.4 Data processing and technology

The Group's data processing business forms a part of its marine segment and provides seismic data processing services

- which are used to develop multi-client data that is added to the Group's own multi-client data library;
- which are used to reprocess and enhance older multi-client data to increase the potential for additional late sales; and
- to clients for their own use.

The Group performs some processing services offshore onboard its seismic vessels, but the Group performs the majority of such services in its land-based data processing centres. As of the date of this Prospectus, the Group has 20 land-based data processing centres. The largest data processing centres are located in Houston, Texas, USA; London, UK; Rio de Janeiro, Brazil; and Perth, Australia. The Group has inter-connected through high capacity network links its four centres located in Houston, London, Perth, and Lysaker (Norway).

Through its seismic data processing operations the Group provides:

- 2D and 3D time and depth imaging services for land and marine seismic surveys;
- onboard (vessel) seismic data processing for reduced delivery times and enhanced real-time quality control;
- multi-component and time-lapse seismic data processing;
- wide-azimuth and multi-azimuth seismic processing;
- “HD3D” seismic processing; and
- specialised signal enhancement techniques.

The data processing and technology segment also includes geosciences and engineering, fiber optic technology and subsurface technical and commercial expertise including large scale regional interpretations (often referred to as “PGS MegaSurveys”), and consulting services for evaluating exploration prospects and managing producing fields and reservoirs.

The Group is working to commercialize operations and solutions within electromagnetic surveys, see below under 8.5.

8.4 Onshore segment

The onshore segment consists of seismic acquisition operations on land and in very shallow water and transition zones. This segment also includes the Group’s onshore multi-client library. The Group conducts contract onshore seismic acquisition throughout the world, but mainly focusing on North America, South America and Africa. The onshore multi-client library is entirely in the United States.

The Group is pursuing disciplined capital and geographic growth through selected opportunities in strategic markets worldwide, and is expanding the multi-client onshore library in the U.S. mid-continent and elsewhere, building on its successful HD3D[®] Wide Azimuth programs.

In the market for onshore seismic services, the Group believes that it is one of the larger worldwide operators, measured in terms of revenues. The Group competes in the onshore segment not only on price and crew availability, but also by differentiating itself from the

competitors by its quality and safety performance of its operations. In addition the Group has a reputation for implementing proactive social action programs enabling sustainable development and successful operations in community sensitive areas. The Group believes that it can remain competitive by capitalising on its project execution and management skills and by continuing to provide a high-quality technical product. The majority of the Group's recording equipment pool is relatively uniform, facilitating changing crew counts and channel counts on any specific crew as the market dictates.

8.5 Major transactions during 2007

During 2007, the Company acquired MTEM, Ltd, a provider of electromagnetic ("EM") services used to detect the presence of hydrocarbons, for a price of U.S.\$ 275 million on a debt free basis. MTEM is a company with patent protected technology and MTEM currently has several supplementary patent applications pending. The technology is complementary to PGS' own development of towed EM, the technologies together positioning PGS to address the emerging EM market. The EM technology can be utilised both within the marine and the onshore business segments.

Further, during 2007, PGS acquired Applied Geophysical Services, Inc. ("AGS") for a price of U.S.\$ 51 million, subject to certain adjustments for changes in working capital. PGS estimates an enterprise value for AGS of approximately USD 46 million. AGS is based in Houston, Texas, USA and specialises in providing advanced depth imaging services to the oil and gas industry, currently focusing primarily on the depth market in the Gulf of Mexico, using a proprietary 3D beam migration technology. AGS has more than a 20 year track record in the Gulf of Mexico.

In 2007, PGS also purchased Roxicon Geogrids AS based in Stavanger Norway for U.S.\$ 12 million. Roxicon is specialising in multi-client seismic data merging for the North Sea based on released data sets for the Norwegian Continental Shelf.

In November 2007, PGS acquired approximately 91 per cent. of the shares in Arrow at a price of NOK 96 per share. By a mandatory offer and offer to and notification of compulsory acquisition document dated 3 December 2007, PGS acquired the remaining outstanding shares in Arrow pursuant to the provisions of the Norwegian Securities Trading Act of 1997 and the Norwegian Public Limited Companies Act. At the date of this Prospectus, PGS is the owner of all the issued and outstanding shares in Arrow.

In 2007, PGS has also announced that it has reached an agreement with METI for a long term cooperation agreement, which includes the sale and flag change of the 3D seismic vessel Ramform Victory and the continued provision by PGS of intellectual property and technical and operational services. The vessel will be used by METI in a planned 10 years seismic campaign to survey approximately 70,000 square kilometres of the Japanese Continental Shelf. As part of the transaction, a service agreement has been entered into between PGS and METI for technical and operational support providing PGS with an exclusive right to provide such services relating to Ramform Victory during the survey period. The commercial terms of the agreement are fixed for four years. METI took delivery of Ramform Victory in January

2008. Under the agreements, aggregate amounts of U.S.\$ 225 million (approximately 91 per cent. of which is denominated in JPY) became payable to PGS upon reaching defined milestones and delivery of the vessel, with approximately 60 per cent. being paid in 2007 and 45 per cent. being paid in Q1 2008. It is the intention of PGS to purchase the vessel at the end of the survey period. Further, the Company has also been invited to deliver additional services relating to Ramform Victory after the sale to METI, including the maritime operation of the vessel

8.6 Recent developments

On 19 December 2007, the Company announced in a press release that compared to the guidance given in the Company's interim financial report for the third quarter 2007, the expected fourth quarter 2007 productive time and related revenues and margins in the marine contract segment have been reduced. This is primarily due to longer than scheduled yardstays and steaming for two Ramform vessels and a delay in obtaining operational permits for one Ramform vessel.

9 BOARD OF DIRECTORS AND MANAGEMENT

9.1 Board of Directors

The Board of Directors of the Company consists of:

Jens Ulltveit-Moe – Chairperson
Francis Robert Gugen – Vice Chairperson/Director
Siri Beate Hatlen – Director
Wenche Kjølås – Director
Harald Norvik – Director
Holly Van Deursen – Director
Daniel J. Piette – Director

Mr. Ulltveit-Moe has been the chairperson of the Board of Directors since September 2002. He is the founder and has been president and chief executive officer of Umoe AS, a shipping and industry company, since 1984. From 2000 to 2004, he was the president of the Confederation of Norwegian Business and Industry. From 1980 to 1984, Mr. Ulltveit-Moe served as managing director of Knutsen OAS. From 1972 to 1980, he was managing director of the tanker division of SHV Corporation. From 1968 to 1972, Mr. Ulltveit-Moe was an associate with McKinsey & Company, Inc. in New York and London. Mr. Ulltveit-Moe holds a master's degree in business administration from the Norwegian School of Economics and Business Administration and a master's degree in international affairs from the School of International Affairs, Columbia University, New York. As of the date of this Prospectus, Mr. Ulltveit-Moe holds, directly or indirectly, 10,600,822 Ordinary Shares in PGS, of which 1,000,000 are on forward contracts until 5 June 2008.

Mr. Gugen is currently active as a consultant and an investor in the energy industry. He served with Amerada Hess Corporation for eighteen years, from 1982 to 2000, holding

various positions including chief executive of Amerada Hess UK from 1995 to 2000 and chief executive of Northwestern Europe from 1998 to 2000. Mr. Gugen acts as chairperson and non-executive director for various other companies, including the AIM listed Island Gas Resources plc, Chrysaor Limited and The Britannia Building Society, where he also sits on the audit committee. Mr. Gugen has earlier worked for Arthur Andersen and is a UK chartered accountant. As of the date of this Prospectus, Mr. Gugen holds, directly or indirectly, no Ordinary Shares in PGS.

Ms. Hatlen is currently Executive Vice President in Statkraft AS. Before that she was an independent consultant from 1996 until 2007 and worked as manager for hire in several companies. She is Chairperson of the Board of Directors of AS Vinmonopolet, a wine retailer, and Samlaget, a publishing firm. In addition she holds board memberships among others in the industrial group Kongsberggruppen ASA, and the technical university NTNU. From 1986 to 1996, she held various positions in Statoil's Project Division. In 1984, she worked for one year at Elf Aquitaine, France. From 1981 to 1983 she worked for Norwegian Petroleum Consultants. Ms. Hatlen holds a master of science degree in Process Engineering from the Technical University of Trondheim (NTNU) and an MBA from INSEAD. As of the date of this Prospectus, Ms. Hatlen holds, directly or indirectly, no Ordinary Shares in PGS.

Ms. Kjølås is currently working as chief financial officer in Grieg Logistics AS, a logistics provider. Prior to that, she served as chief financial officer in the food company Kavli Holding AS. From 1997 to 1999, she acted as Managing Director in O.Kavli AS, Norway, and from 1995 as Financial Director in Kavli Holding AS. From 1993 to 1995, she was Financial Manager in Hakon Gruppen AS, a food retailer, in Bergen. From 1986 to 1992, she was employed with Touche Ross Management Consultants; from 1986 to 1990 as Management Consultant in Bergen and from 1990 to 1992 as Manager. Ms. Kjølås has board experience from several companies, including the aquaculture company Cermaq ASA, the offshore vessel company DOF ASA, the shared services provider Grieg Group Resources AS, O.Kavli AS and the dairy Q-Meieriene AS. She is also member of the General Assembly of Sparebankstiftelsen DnBNOR. As of the date of this Prospectus, Ms. Kjølås holds, directly or indirectly, 2,000 Ordinary Shares in PGS through the company Jawendel AS.

Mr. Norvik is strategic adviser in the consulting company ECON Pöyry. He is chairman of the Board of Directors of Telenor ASA and in the publishing firm Aschehoug, member of the Board of Directors in ConocoPhillips Inc. and member of the Board of Directors in Umoe. He served as chief executive officer of Statoil from 1988 to 1999. He was finance director and a member of the executive board of the Aker Group from 1981 to 1988. He served as personal secretary to the Prime Minister of Norway and as Deputy Minister in The Ministry of Petroleum and Energy from 1979 to 1981. Mr. Norvik has a master of science degree in business from The Norwegian School of Economics and Business Administration. As of the date of this Prospectus, Mr. Norvik holds, directly or indirectly, no Ordinary Shares in PGS.

Ms. Van Deursen currently divides her time between advising and investing in start-up companies and serving as a non-executive director of Petroleum Geo-Services, Anson Industries, Bemis Company, Inc. and Capstone Microturbine Corporation and a not-for-profit school. She served as a member of BP plc's top-forty executive team, as Group Vice

President Petrochemicals from 2003 to 2005 and Group Vice President Strategy from 2001 to 2003. Prior to these executive positions, Ms. Van Deursen held a variety of senior roles with BP and Amoco Corporation in Chicago, London and Hong Kong. She has previously served on the Board of Directors of the American Chemistry Council, as well as Amoco joint ventures in Korea, Taiwan and Japan. Ms. Van Deursen holds a Bachelor of Science degree in Chemical Engineering from the University of Kansas and a masters degree in business administration from the University of Michigan. As of the date of this Prospectus, Ms. Van Deursen holds, directly or indirectly, no Ordinary Shares in PGS.

Mr. Piette is currently working as CEO in Open Spirit Corporation. Open Spirit Corporation is an independent software company focused on providing integration solutions for upstream applications and data to E&P companies. Mr. Piette has a BS in Mining Engineering with Honors from the University of Wisconsin. Before joining Open Spirit Corporation in 2003 Mr. Piette was a Business Unit Manager at Input/Output, running the Land Data Acquisition Systems group in 2002 and 2003. From 2001 he worked as COO for S/N Technologies which was acquired by Input/Output in 2002. In the period 2000 to 2001 he ran his own consulting business out of Houston. In 1996, he joined Bell Geospace, a venture funded start-up that used military technology to collect gravity gradient data for natural resource exploration, as VP of Sales and Marketing. He was appointed President and CEO in 1999. He worked for Landmark Graphics from 1989 to 1996 holding several positions, lastly as Vice President and General Manager of the Asia Pacific region, based in Singapore. Before this he has also held numerous positions with Terra-Mar, DPC&A and Exxon Company USA. As of the date of this Prospectus, Mr. Piette holds, directly or indirectly, 400 Ordinary Shares in PGS.

The business address of the Directors is Strandveien 4, 1366 Lysaker, Norway.

None of the Directors has any conflict of interest between the duties the Directors have towards the Company and the duties or rights the Directors have towards private interests or other commitments.

9.2 Senior management

The senior management of the Company consists of:

Svein Rennemo President and CEO

Gottfred Langseth Executive Vice President and CFO

Rune Eng Group President Marine

Eric Wersich Group President Onshore

Sverre Stranden Group President Data Processing and Technology

The business address for the senior management is Petroleum Geo-Services ASA, Strandveien 4, 1366 Lysaker, Norway.

Mr. Rennemo will resign from his position on 1 April 2008. The new President and CEO of the Company will be Jon Erik Reinhardsen.

Mr. Rennemo joined PGS in November 2002 as president and chief executive officer. Prior to joining PGS, he was a partner in ECON Management. From 1997 to 2001, Mr. Rennemo was chief executive officer of Borealis, one of the world's largest producers of polyolefin plastics, headquartered in Copenhagen, Denmark, having previously served as chief financial officer and deputy chief executive officer since 1994. From 1982 to 1994, he filled various senior management positions within Statoil, among them group chief financial officer and president of Statoil Petrochemicals. From 1972 to 1982, he served as a policy analyst and advisor with the Central Bank and the Ministry of Finance in Norway and the OECD Secretariat in Paris. Mr. Rennemo earned a master's degree in economics at the University of Oslo in 1971. He has held a number of non-executive Board positions in Norway and internationally and currently serves as a non-executive chairman of the Board of Directors of Statnett SF (Norway). As of the date of this Prospectus, Mr. Rennemo held, directly or indirectly, 44,765 Ordinary Shares in PGS.

Mr. Langseth joined PGS in November 2003 and was named executive vice president and chief financial officer as of January 1, 2004. He was chief financial officer at the information technology company Ementor ASA from 2000 to 2003. Mr. Langseth was senior vice president of finance and control at the offshore construction company Aker Maritime ASA from 1997 to 2000. He served with Arthur Andersen Norway from 1991 to 1997, qualifying as a Norwegian state authorised public accountant in 1993. Mr. Langseth has a master's degree in business administration from the Norwegian School of Economics and Business Administration. As of the date of this Prospectus, Mr. Langseth held, directly or indirectly, 5,257 Ordinary Shares in PGS.

Mr. Eng was appointed President Marine in August 2004. Since joining PGS in 1997, he has held the position of area manager Scandinavia and from 2000 has served as president for the EAME region (Europe, Africa and Middle East). Prior to joining PGS, Mr. Eng held different positions in Fugro-Geoteam. This included a board position in Sevoteam, a Russian-Norwegian joint operating company involved in offshore seismic studies. Mr. Eng held a senior consultant position in Digital Equipment Computing promoting the use of reservoir simulation in the oil industry. Mr. Eng has a bachelor's degree in applied geophysics from the University of Oslo and a master of science degree from Chalmers University of Technology (Sweden). As of the date of this Prospectus, Mr. Eng held, directly or indirectly, 18,138 Ordinary Shares in PGS.

Mr. Wersich joined Onshore in January 2000 as vice president of western hemisphere and was appointed president of Onshore in June 2003. Mr. Wersich worked with Western Geophysical from 1984 to 2000, employed in various operational and management positions in North America, Latin America, Europe and the Middle East. He is a graduate of the Colorado School of Mines, where he earned a bachelor of engineering degree in geophysics. As of the date of this Prospectus, Mr. Wersich held, directly or indirectly, 6,333 Ordinary Shares in PGS.

Mr. Strandenes was appointed Group President, Data Processing and Technology in November, 2006. He joined PGS in 1995 from Norsk Hydro Research Centre, where he served as Department Manager of Geosciences. Since 1995, Mr. Strandenes has held various

senior management positions within the Company, most recently as President, Marine Geophysical EAME Region. Mr. Strandenes graduated with a master's degree in geophysics from the University of Bergen in 1981. As of the date of this Prospectus, Mr. Strandenes held, directly or indirectly, 4,652 Ordinary Shares in PGS.

Mr. Reinhardsen will take up his position as President and CEO on 1 April 2008. Prior to joining the Company, Mr. Reinhardsen served as President of Growth of the NYSE listed company ALCOA. Mr. Reinhardsen has held numerous positions inter alia within the Aker Kværner group. He has a degree in mathematics and geophysics from the University of Bergen, and an IEP degree from Lausanne, Switzerland. He currently serves as a director on the board of Leif Hoegh & Co. Ltd. As of the date of this Prospectus, Mr. Reinhardsen does not hold any Ordinary Shares in PGS.

None of the senior executives has any conflict of interest between the duties the senior executives have towards the Company and the duties or rights the senior executives have towards private interests or other commitments.

9.3 Other committees

9.3.1 Shareholder appointed nomination committee

The Company's shareholders have elected a nomination committee in accordance with Norwegian corporate governance best practices. The members of the committee, consisting of Mr. Roger O'Neil (chairperson), Ms. Hanne Harlem and Ms. C. Maury Devine, are not members of the Board of Directors. The business address for the members of the nomination committee is Petroleum Geo-Services ASA c/o secretary of the nomination committee Rune Olav Pedersen, Strandveien 4, 1366 Lysaker Norway. Except for being members of the nomination committee, none of the members has any formal positions with the Company. The nomination committee is responsible for making recommendations for consideration by the shareholders relating to:

- individuals who are nominated to serve as members of the Board of Directors and as the chairperson of the Board of Directors;
- individuals who are nominated to serve as members of the nomination committee and as the chairperson of the nomination committee;
- the remuneration of the directors and the members of the nomination committee; and
- any amendments of the nomination committee mandate and charter.

None of the members of the nomination committee has any conflict of interest between the duties the members have towards the Company and the duties or rights the members have towards private interests or other commitments.

9.3.2 *Sub-committees to the Board of Directors*

The Company's remuneration and corporate governance committee consists of Mr. Norvik (chairperson), Ms. Hatlen and Ms. Van Deursen. The committee is a sub-committee established by the Board of Directors. The remuneration and corporate governance committee supports the Board of Directors in the administration and exercise of the Board of Directors' responsibility for supervisory oversight of (i) overall policy and structure with respect to compensation and incentive matters, including compensation and incentive arrangements for the Company's chief executive officer and other senior executive officers and (ii) the Group's corporate governance policies and structure.

The Company's audit committee currently consists of three members, Mr. Gugen (chairperson), Ms. Kjølås and Mr. Piette. The committee is a sub-committee established by the Board of Directors. The audit committee acts to support the Board of Directors in the administration and exercise of the Board of Directors' responsibility for supervisory oversight under applicable Norwegian and other laws and stock exchange listing standards in connection with the Company's financial statements and various audit, accounting and regulatory requirements. The audit committee is responsible for proposing to the full Board of Directors, for presentation and election at the Company's annual general meeting of shareholders, the independent registered public accounting firm of PGS. The audit committee is also responsible for supporting the Board of Directors in the administration and exercise of the Board of Directors' responsibility for supervisory oversight in relation to, among other items:

- financial statement and disclosure matters, including the Company's quarterly and annual financial statements and related disclosures;
- reviewing the quarterly and annual financial statements, including reviewing major issues regarding accounting principles and financial statement presentations, the adequacy of our internal controls and discussing significant financial reporting issues and judgments made in connection with preparation of the financial statements;
- provision by the auditor of audit services and permitted non-audit services;
- audits of our financial statements, including reviewing the Company's critical accounting policies and practices;
- the Company's relationship with its independent registered public accounting firm, including the qualifications, performance and independence of the auditors;
- the Company's internal audit function; and
- responsibilities to comply with various legal and regulatory requirements that could affect the Company's financial statements.

10 THE SHARES OF THE COMPANY – SHAREHOLDER MATTERS

10.1 Share capital – Authorizations granted to the Board of Directors

10.1.1 Share capital

The Company's registered share capital is NOK 540,000,000, divided into 180,000,000 shares with a nominal value of NOK 3.00 each. The shares are fully paid and are listed on the Oslo Børs under the ticker "PGS" and registered with VPS with ISIN NO 0010199151. The shares are ordinary shares issued by Petroleum Geo-Services ASA and created and registered under the Norwegian Public Limited Companies Act. Information regarding past and the further performance of the shares, including its volatility can be obtained at the Company's registered address at Strandveien 4, 1366 Lysaker Norway. Alternatively, the information can be found at

http://www.oslobors.no/ob/aksje_kursutvikling?menu2show=1.1.2.1.&p_instrid=ticker.ose.PGS.

All issued shares in the Company are vested with equal shareholder rights in all respects. There is only one class of shares and all shares are freely transferable. The Company's articles of association are attached hereto as Appendix 1.

10.1.2 Authorisations granted to the Board of Directors

The shareholders have granted the Board of Directors two authorisations to issue new shares, one for general purposes and one for fulfilling the Company's employee share option scheme. The authorisations were granted by the ordinary general meeting held 15 June 2007.

The first, general, authorisation reads:

- (i) The Board of Directors is authorised to increase the Company's share capital by a total amount of NOK 54,000,000, through one or more subscriptions. The Board of Directors is further authorised to determine the price and terms of such offerings and subscriptions, including but not limited to, whether in the Norwegian and/or the international markets, whether private or public and whether or not underwritten.*
- (ii) The authorisation includes the right to increase the Company's share capital in return for non-cash contributions and the right to assume special obligations on behalf of the Company. The authorisation shall be utilised in connection with potential acquisitions of companies or businesses within the oil and energy sector, including the oil service sector.*
- (iii) The Board of Directors is further authorised to waive the preferential rights pursuant to Section 10-4 of the Public Limited Companies Act.*
- (iv) The authorisation includes a resolution to merge, c.f. the Public Limited Companies Act Section 13-5.*
- (v) The authorisation shall be effective from the date it is registered in the Norwegian Register of Business Enterprises and shall be valid for a period of one year from its effective date.*

The second authorisation, linked to the option program of PGS, reads:

- (i) *The Board of Directors is authorised to increase the Company's share capital by a total amount of NOK 6,750,000, through one or more subscriptions. The Board of Directors is further authorised to determine the price and terms of such offerings and subscriptions within the limits and in accordance of terms of the Company's share option program in force at any time.*
- (ii) *The authorisation shall only be utilised in connection with the Company's share option program in force at any time.*
- (iii) *The Board of Directors is further authorised to waive the preferential rights pursuant to Section 10-4 of the Public Limited Companies Act.*
- (iv) *The authorisation shall be effective from the date it is registered in the Norwegian Register of Business Enterprises and shall be valid for a period of one year from its effective date.*

Further, at the ordinary general meeting held 15 June 2007, the Board of Directors was granted the authorisation to acquire treasury shares as follows:

- (i) *The Board of Directors is authorised to acquire shares in the Company. The shares are to be acquired at market terms on a regulated market where the shares are traded. The shares are to be disposed of either as part of satisfying existing or future employee incentive schemes, as part of consideration payable for acquisitions made by the Company, as part of consideration for any mergers, demergers or acquisitions involving the Company, by way of cancellation of the shares in part or full, or to raise funds for specific investments.*
- (ii) *The maximum face value of the shares which the Company may acquire pursuant to this authorisation is in total NOK 54,000,000. The minimum amount which may be paid for each share acquired pursuant to this power of attorney is NOK 3, and the maximum amount is NOK 300.*
- (iii) *This authorisation applies for a maximum of 12 months after registration by the Norwegian Register of Business*

Under the share buy back program, PGS can repurchase its shares from time to time at prevailing market prices on the open market where the shares are traded. The purpose of the share repurchase program is to allow the Company to optimise its capital structure. Repurchased shares may be reissued under the Company's employee stock option or other incentive plans, as consideration payable for acquisitions made by PGS, or as consideration for any merger, demerger or acquisition in which PGS participates. In addition, PGS may elect to cancel shares repurchased.

10.2 Shareholders

As at 5 February 2008, the Company had a total of 3,428 shareholders, of which 2,663 are Norwegian shareholders and the remaining are foreign shareholders. The table below shows the 20 largest shareholders in PGS registered with the VPS as at 5 February 2008:

	Shareholder	Shares	%	Country	Division
1	State Street Bank	17,153,582	9.53%	USA	Nominee
2	Folketrygdfondet	13,171,560	7.32%	NOR	Ordinary
3	Citibank	11,018,439	6.12%	USA	Nominee
4	Umoe Invest	9,600,822	5.33%	NOR	Ordinary
5	JPMorgan Chase	8,252,900	4.58%	USA	Ordinary
6	Morgan Stanley	5,427,475	3.02%	GBR	Ordinary
7	JPMorgan Chase	4,800,000	2.67%	GBR	Nominee
8	Petroleum Geo-Services	4,111,757	2.28%	NOR	Ordinary
9	Fidelity Funds	3,320,400	1.84%	USA	Ordinary
10	UBS	3,255,996	1.81%	CHE	Ordinary
11	Clearstream Banking	3,116,713	1.73%	LUX	Nominee
12	Mellon Bank	2,804,467	1.56%	USA	Nominee
13	State Street Bank	2,588,952	1.44%	USA	Nominee
14	Vital Forsikring	2,503,116	1.39%	NOR	Ordinary
15	UBS	2,292,707	1.27%	GBR	Nominee
16	Investors Bank	1,884,958	1.05%	USA	Nominee
17	Morgan Stanley	1,817,389	1.01%	GBR	Nominee
18	HSBC Bank	1,799,643	1.00%	GBR	Nominee
19	Bank of New York	1,796,568	1.00%	USA	Ordinary
20	State Street Bank	1,694,866	0.94%	USA	Nominee
	20 Largest	102,412,310	56.89%		
	Total	180,000,000	100%		

To the knowledge of the Company, no shareholder owns, indirectly or directly, a controlling part of the Company's shares, and the Company is not aware of any agreements between shareholders which may affect the control of the Company.

10.3 Employee share option scheme

In 2005 the Board of Directors established a performance bonus incentive plan for the President and CEO, as well as for other executive officers. This plan was amended in 2006. Under the amended plan, the mentioned executives who were employed by the Company during 2006 and remained employed as of December 2006 were entitled to a maximum cash bonus of up to 50 per cent. (or in the case of the CEO 60 per cent.) of annual base salary and a maximum share purchase bonus of up to 25 per cent. (or in the case of the CEO 30 per cent.) of annual base salary. Within these limits, bonuses were determined on the basis of achievement of financial and nonfinancial performance targets. Any amounts received as a share purchase bonus, on a net basis (after withholding tax), were required to be used to buy PGS shares at market prices and held for a minimum of three years.

The Board of Directors determined that the bonus under the bonus incentive plan for these executives for 2006 would be U.S.\$ 1,583,165 in the aggregate, which amount was accrued at 31 December 2006.

As at 31 December 2006, PGS also had a cash bonus and share purchase bonus plans for approximately 177 key employees that are similar to the plan described above for the executive officers, except that the bonus amounts and percentages for each employee are smaller. This scheme has been continued in 2007. In addition, PGS established a cash bonus plans for 2007 (i.e. no share purchase scheme), covering approximately 230 additional key employees in the Group.

PGS also has a stock option program under which the Company granted options covering 2,127,000 shares during 2006 with an exercise price of NOK 111.50.

11 FINANCIAL INFORMATION

The Company has reported its annual accounts in 2005 and 2006 on the basis of both Norwegian and US GAAP. The primary basis for reporting to financial markets has been US GAAP. As from 1 January 2007, the Company has reported quarterly financial accounts on the basis of IFRS in addition to Norwegian GAAP. The quarterly accounts are not audited.

The annual accounts based on Norwegian and US GAAP, respectively, have been audited by Ernst & Young AS, the Company's independent auditor. No other financial information in this Prospectus has been audited by the auditor.

In June 2007 the Company paid a special dividend of NOK 10 per share representing a total dividend payment of NOK 1,800,000,000. Adjusted for treasury shares held by the Company the total payment made was approximately U.S.\$ 302,000,000.

No significant adverse change in the Group's financial or trading position has occurred since the date of the last audited financial information, i.e. since 31 December 2006.

The investment rating applicable to the Company is BB- and Ba2, with S&P and MOODY'S, respectively.

The annual accounts and 20-F filings are found on the Company's website under http://www.pgs.com/Investor_Relations/Financial_Reports/Annual_Reports/

The quarterly accounts for 2007 are found on the Company's website under http://www.pgs.com/Investor_Relations/Financial_Reports/Quarterly_Results/

The annual accounts and quarterly reports are also found on the Oslo Børs website, www.oslobors.no

Cross-references to PGS' annual reports:

	20-F 2006 (US GAAP)	Annual report 2005 (US GAAP)
Consolidated statement of operations	Page F-4	Page 56
Consolidated balance sheet	Page F-3	Page 55
Consolidated cash flow statement	Page F-5	Page 57
Accounting policies	Page 30 – 33	Page 59 – 65
Notes	Page F-8	Page 59 – 92
Audit report	Page F-2	Page 93

The annual report for 2005 and the 20-F for 2006, with signed auditor statements for each year, are attached hereto as Appendix 3 and Appendix 4, respectively.

12 TAXATION

12.1 Norwegian taxation related to Notes

12.1.1 Introduction

The following is a summary of certain Norwegian tax considerations relevant to the acquisition of Notes, ownership and disposal of Notes and conversion of such Notes into shares in the Company by holders that are residents of Norway for purposes of Norwegian taxation.

Investors who are not residents of Norway for tax purposes are as a main rule not subject to Norwegian income tax or Norwegian net wealth tax in connection with acquisition, holding or disposal of Notes, unless their investment is linked to a Norwegian permanent establishment or any business conducted in Norway. Residents of other jurisdictions than Norway should consult with and rely upon local tax advisors as regards tax position in their country of residence.

The summary is based on applicable Norwegian laws, rules and regulations as they exist as of the date of this Prospectus. Such laws, rules and regulations are subject to change, possibly on a retroactive basis. The summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to the holders and does not address foreign tax laws. Each holder should consult his or her own tax advisor to determine the particular tax consequences for him or her and the applicability and effect of any Norwegian or foreign tax laws and possible changes in such laws.

12.1.2 Taxation of interest

Interest on Notes is taxable income for both individual Noteholders and corporate Noteholders at a flat rate of 28 per cent. Interest on Notes is taxed on accrual basis, i.e. regardless of when the return is actually paid.

12.1.3 Taxation upon disposal, redemption or conversion of Notes

The Ministry of Finance has in a statement dated 6 December 2005 assumed that convertible notes are not comprised by the tax exemption method for corporate shareholders. The description below presumes that this statement is correct.

Redemption at the end of term as well as prior disposal is treated as realisation of Notes and will trigger a capital gain or loss. A conversion of Notes into shares will constitute a taxable event and be treated as if the Notes had been sold in exchange of shares. Capital gains will be taxable as ordinary income at a flat rate of 28 per cent. Losses will be deductible in the Noteholder's ordinary income. Any capital gain or loss is computed as the difference between the amount received by the Noteholder on realisation (the market value of the shares received in case of conversion) and the cost price of the Note. The cost price is equal to the price for which the Noteholder acquired the Notes.

Costs incurred in connection with the purchase and realisation of Notes may be deducted from the Noteholder's taxable ordinary income in the year of realisation of the Notes.

12.1.4 Withholding Tax

There is no Norwegian withholding tax for non-resident Noteholders for Notes issued by Norwegian issuers with respect to payment of interests to Noteholders.

12.1.5 Net Wealth Taxation

The value of Notes at the end of each income year will be included in the computation of the Noteholder's taxable net wealth for municipal and state net wealth tax purposes. Listed notes are valued at their quoted value on 1 January in the year of assessment. The current marginal wealth tax rate is 1.1 per cent. Resident limited liability companies and certain similar entities are exempt from Norwegian net wealth taxation.

12.1.6 Inheritance Tax

The transfer of Notes by inheritance or gift may give rise to a liability to pay inheritance or gift tax to Norway if the deceased, at the time of death, or the donor, at the time of the gift, is a resident or citizen of Norway. However, in the case of inheritance tax, if the deceased was a citizen but not a resident of Norway, Norwegian inheritance tax will not be levied if inheritance tax or a similar tax is levied in the country where the deceased was resident. Irrespective of residence or citizenship, Norwegian inheritance tax may be levied if the Notes are held in connection with the conduct of a trade or business in Norway.

The basis for the tax calculation is the nominal value of the Notes at the time the transfer takes place, unless the assumed sales price is lower.

12.1.7 Transfer Taxes

There is currently no Norwegian stamp duty or other transfer taxes, including VAT, on the transfer or issuance of Notes.

12.2 Norwegian Taxation related to the Company's shares

12.2.1 Introduction

The following is a summary of certain Norwegian tax considerations relevant to the acquisition, ownership and disposal of shares by holders that are residents of Norway for purposes of Norwegian taxation ("**resident shareholders**") and holders that are not residents of Norway for such purposes ("**non-resident shareholders**").

The summary is based on applicable Norwegian laws, rules and regulations as they exist as of the date of this Prospectus. Such laws, rules and regulations are subject to change, possibly on a retroactive basis. The summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to the shareholders and does not address foreign tax laws.

Each shareholder should consult his or her own tax advisor to determine the particular tax consequences for him or her and the applicability and effect of any Norwegian or foreign tax laws and possible changes in such laws.

12.2.2 Taxation of Dividends

Resident Corporate Shareholders

Dividends distributed from the Company to resident corporate shareholders (i.e. limited liability companies and similar entities) are currently exempt from taxation.

Resident Individual Shareholders

Dividends distributed from the Company to individual shareholders exceeding a calculated tax free allowance, will be taxed as ordinary income for the shareholder at a flat rate of 28 per cent. The tax-free allowance is calculated as the acquisition cost of the share multiplied by a determined (risk-free) interest rate after tax. The tax-free allowance will be calculated on each individual share, not on a portfolio basis. Unused allowance may be carried forward and set off against future dividends or against gains upon realisation of the same share.

The tax free allowance is allocated to the individual shareholders holding shares at the end of each calendar year. Individual shareholders who transfer shares will not be entitled to deduct any calculated allowance related to the year of transfer.

Non-resident Shareholders

Dividends distributed to non-resident shareholders are in general subject to a Norwegian withholding tax of 25 per cent., unless otherwise provided for in an applicable tax treaty (or exemptions for EEA shareholders apply, see below). Norway has entered into tax treaties with more than 70 countries. In most tax treaties the withholding tax rate is reduced to 15 per cent.

Non-resident shareholders, who have been subject to a higher withholding tax than applicable in the relevant tax treaty, may apply to the Norwegian tax authorities for a refund of the excess taxes (withheld). The application is to be filed with the Central Office – Foreign Tax Affairs.

Dividends paid to a non-resident shareholder in respect of nominee registered shares are not eligible for reduced treaty-rate withholding at the time of payment, unless the nominee, by agreeing to provide certain information regarding beneficial owners, has obtained approval for reduced treaty-rate withholding from the Central Office – Foreign Tax Affairs. To obtain such approval the nominee is required to file a summary to the tax authorities including all beneficial owners that are subject to withholding tax at a reduced rate.

Withholding tax on dividends distributed to corporate shareholders resident in the EEA has been abolished.

When distributing dividends to individual shareholders resident in EEA, the Company will deduct withholding tax according to the relevant tax treaty. If the withholding tax withheld by the Company exceeds the tax that would have been imposed according to the calculations applicable to resident individual shareholders, the individual shareholder resident in the EEA may apply for a refund of the excess tax. When calculating such tax the general withholding tax rate of 25 per cent. is applicable, and not the general tax rate of 28 per cent. applicable to resident personal shareholders. In effect this gives the personal shareholder resident in the EEA the choice between using the withholding tax rate determined in the tax treaty or, if more beneficial, the tax rate that would have applied had the foreign shareholder been a resident of Norway for tax purposes.

If a non-resident shareholder is engaged in business activities in Norway and the shares with respect to which the dividend is paid are effectively connected with such activities, the dividend will be taxed in the same manner as dividend paid to a resident shareholder, see description of taxation of resident shareholders.

In the budget proposal for 2008, the Norwegian Government has proposed to narrow the exemption from withholding tax for corporate shareholders resident within the EEA. According to the proposal, only corporate shareholders which are genuinely established and carry out genuine economic activity within the EEA will benefit from the exemption. The proposal will be decided upon by the Parliament later in 2007.

12.2.3 Taxation upon realisation of shares

Resident Corporate Shareholders

For resident corporate shareholders, gains from sale or other disposal of shares in the Company are currently exempt from taxation, and losses suffered from such realisation are not tax deductible. Costs incurred in connection with the purchase and sale of shares are not deductible.

Resident Individual Shareholders

For resident individual shareholders gains from sale or other disposal of shares are taxable as ordinary income at a rate of 28 per cent. and losses are deductible against ordinary income.

Gain or loss is calculated per share, as the difference is the sales price minus the acquisition cost of the share. A taxable gain on a share may be reduced by unused calculated allowance connected to the same share, but may not lead to or increase a deductible loss. Further, unused allowance may not be set off against gains from realisation of other shares.

The tax free allowance is allocated to the individual shareholders holding shares at the end of each calendar year. Individual shareholders who transfer shares will not be entitled to deduct any calculated allowance related to the year of transfer.

If a shareholder disposes of shares acquired at different times, the shares that were first acquired will be deemed as first sold (the FIFO-principle) upon calculating taxable gain or loss.

Costs incurred in connection with the purchase and sale of shares may be deducted in the year of sale.

A resident individual shareholder who moves abroad and ceases to be a tax resident of Norway or is regarded as tax resident of another jurisdiction according to an applicable tax treaty, will be deemed taxable in Norway for any potential gain related to the shares held at the time the tax residency ceased or the time when the shareholder was regarded as tax resident of another jurisdiction according to an applicable tax treaty, as if the shares were realised at this time (exit taxation). Currently, gains of NOK 500,000 or less are not taxable. If the shareholder moves to a jurisdiction within the EEA, potential losses related to shares held at the time tax residency ceases will be tax deductible. Taxation (loss deduction) will occur at the time the shares are actually sold or otherwise disposed of. The tax liability calculated according to these provisions will not apply i.a. if the shares are not realised within five years after the shareholder ceased to be resident in Norway for tax purposes or was regarded as tax resident in another jurisdiction according to an applicable tax treaty.

Non-resident shareholders

Gains from sale or other disposal of shares by a non-resident shareholder will not be subject to taxation in Norway unless the non-resident shareholder is an individual and (i) holds the shares effectively connected with business activities carried on in or managed from Norway, or (ii) has been a resident of Norway for tax purposes within the five calendar years preceding the sale or disposal, and the gains are not exempt pursuant to the provisions of a tax treaty. If the latter rule applies, the latent gain on the shares at the time the individual ceased to be a resident in Norway for tax purposes will be taxable in Norway.

12.2.4 Net Wealth Tax

Resident corporate shareholders and certain similar entities are exempt from Norwegian net wealth tax. For other resident shareholders, shares will form part of their basis for calculation of Norwegian net wealth tax. The current marginal net wealth tax rate is 1.1 per cent.

Listed shares are valued at 85 per cent. of their quoted value as of 1 January in the assessment year. The Norwegian Ministry of Finance has however in Ot. prp. no. 1 (2007-2008) proposed that listed shares shall be valued at 100 per cent. of their quoted value as of 1 January in the assessment year, with effect from the fiscal year 2008.

A non-resident shareholder is not subject to Norwegian net wealth tax with respect to the shares, unless his shareholding is effectively connected with a business carried out by the shareholder in Norway.

12.2.5 Inheritance Tax

When shares are transferred either through inheritance or as a gift, such transfer may give rise to inheritance or gift tax in Norway if the deceased, at the time of death, or the donor, at the time of the gift, is a resident or citizen of Norway. However, in the case of inheritance tax, if the deceased was a citizen but not a resident of Norway, Norwegian inheritance tax will not be levied if inheritance tax, or a similar tax, is levied by the deceased's country of residence. Irrespective of residence or citizenship, Norwegian inheritance tax may be levied if the shares are effectively connected with certain business activities carried out by the shareholder in Norway.

12.2.6 Transfer Taxes

There is currently no Norwegian stamp duty or other transfer taxes, including VAT, on the transfer or issuance of shares.

13 SALE OF THE NOTES

The Joint Lead Managers have entered into a subscription agreement dated 3 December 2007 with the Issuer (the “**Subscription Agreement**”).

The Company has undertaken that during the period commencing on the date of the Subscription Agreement and ending 90 days after 20 December 2007 (both dates inclusive), that it will not, without the prior written consent of the Joint Lead Managers (not to be unreasonably withheld or delayed), (i) directly or indirectly, issue, offer, pledge, sell, contract to issue or sell, issue or sell any option or contract to purchase, purchase any option or contract to issue or sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of, directly or indirectly, any Ordinary Shares or Relevant Securities (as defined below) or any securities convertible into or exercisable or exchangeable for Ordinary Shares or Relevant Securities or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequences of ownership of Ordinary Shares or Relevant Securities, whether any such swap or transaction described in (i) or (ii) above is to be settled by delivery of Ordinary Shares or Relevant Securities or such other securities, in cash or otherwise. The foregoing sentence shall not apply to the issue of the Notes or the issue of Ordinary Shares issued upon conversion of the Notes, and shall not apply to the grant of options or issuance of Ordinary Shares under any employee share option scheme of the Company in existence on or before the date of the Subscription Agreement. For the purposes of the above, “Relevant Securities” shall include any participation certificates and any depositary or other receipt, instrument, rights or entitlement representing Ordinary Shares.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Joint Lead Manager has represented that it has not offered or sold, and has agreed that it will not offer or sell, any Notes constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates, nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes. Terms used in this paragraph have the meanings given to them by Regulation S.

United Kingdom

Each Joint Lead Manager has represented, warranted and agreed that:

- it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (“FSMA”) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Company; and
- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

General

Neither the Company nor any Joint Lead Manager makes any representation that any action will be taken in any jurisdiction by any Joint Lead Manager or the Company that would permit a public offering of the Notes, or possession or distribution of the Prospectus or any other material relating to the Notes, in any country or jurisdiction where action for that purpose is required. Each Joint Lead Manager will comply to the best of its knowledge and belief in all material respects, with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Notes or has in its possession or distributes the Prospectus (in preliminary, proof or final form) or any such other material, in all cases at its own expense. It will also ensure that no obligations are imposed on the Company in any such jurisdiction as a result of any of the foregoing actions. The Company will have no responsibility for, and each Joint Lead Manager will obtain any consent, approval or permission required by it for, the acquisition, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it makes any acquisition, offer, sale or delivery. Neither Joint Lead Manager is authorised to make any representation or use any information in connection with the issue, subscription and sale of the Notes other than as will be contained in, or which is consistent with, the Prospectus or any supplement to it.

14 OTHER INFORMATION

14.1 Legal disputes

The Group operates internationally facing complex environments and jurisdictions and is involved in several legal disputes connected to its operations around the world and/or its employment base including former employees. However, during the last 12 months no new legal disputes (including legal proceedings, actual or threatened) have been identified, which may have or have had in the recent past, significant effects on the Company's or the Group's financial position or profitability.

In the Company's annual report for 2006 the Company has disclosed certain contingencies in the tax area, which could potentially be significant, as follows:

Singapore – Tax Deduction for Multi-Client Amortization

The Company previously received a tax claim from the tax authority in Singapore, which was based on the assertion that tax deductions for expenses related to investments in the multi-client data library would not be allowed. The Company filed tax returns claiming tax deductions for amortization of the multi-client library. Based on the facts and the uncertainty associated with the application of the tax law, the Company determined that it was probable that the deduction would be disallowed. Accordingly, additional tax liability was accrued based on a total disallowance of the deduction. In late February 2007, the tax authorities in Singapore decided to allow such deductions. This is considered to be a non-adjusting event occurring after the balance sheet date, which will lead to a reversal in the first quarter of 2007.

The actual effect to the tax expense in the first quarter of 2007 will be a benefit of U.S.\$ 8.5 million.

Norway – Exit Shipping Regime

Until 1 January 2002, a foreign subsidiary was included in the Norwegian shipping tax regime. No deferred taxes were recognised on unremitted earnings in this subsidiary prior to the withdrawal from the regime as these earnings at that time were expected to be reinvested indefinitely within the regime. Subsequently in 2003 it was decided to exit with effect from 2002. The Norwegian Central Tax Office (“CTO”) has not yet finalised the 2002 tax assessment in relation to withdrawal from the Norwegian shipping tax regime. The pending issue is related to the assessment of the fair value of the vessels involved. The Company based such exit values on third party valuations, while the CTO has raised the issue whether the Company’s book values at 31 December 2001, would be more appropriate as basis for computing the tax effects of the exit. Any increase of exit values will result in an increase of taxable exit gain and a corresponding increase in basis for future tax depreciation. The Company does not have sufficient information to calculate the possible additional exposure if the CTO position is upheld. However it is considered reasonably possible that a liability exists. Based on events and new information received during the first quarter of 2007 the Company has evaluated that it is more likely than not that there will not be an outflow of resources related to this contingent tax liability, hence the tax accrual as of 31 December 2006 is reversed in the first quarter of 2007.

Brazil – Service Tax Claim

The Company has an ongoing dispute in Brazil related to municipal services tax (“ISS”) for late sales of multi-client data. The issue is whether the Company is actually liable for ISS tax on such sales and, if it is liable for such taxes, to which municipality such taxes should be paid (municipalities levy ISS tax at different rates). The maximum theoretical exposure including all years at December 31, 2007 amounts to \$ 44 million of ISS tax. In addition interest charges and penalties could run up to a maximum of \$ 54 million. ISS is a service tax, and the Company’s primary view is that licensing of multi-client data held by PGS should be treated as rental of an asset rather than performance of a service, and therefore not subject to ISS. The Company intends to vigorously defend its view. The Company has not made any accrual for this contingency.

These are still in various phases of administrative proceedings. During 2007 there have been various developments in all of these contingencies, eliminating the Companies exposure in Singapore, reducing the likelihood of taxes becoming payable related to the CTO issue and increasing the Companies estimate of maximum exposure in the ISS issue in Brazil. However, at the same time the Company believes that the likelihood that the Companies position in the ISS issue will prevail has increased. The Company believes that in total its positions on the disclosed tax contingencies at the date of this Prospectus are not materially worse than disclosed in its annual report for 2006.

14.2 The Trustee

The Notes are constituted by a trust deed dated 20 December 2007 (the “**Trust Deed**”) between the Issuer and The Law Debenture Trust Corporation p.l.c. (the “**Trustee**”, which expression shall include all persons for the time being appointed as the trustee or trustees under the Trust Deed) as trustee for the holders of the Notes. The principal place of business of the Trustee is at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom.

Pursuant to the Trust Deed (and in addition to the powers granted to the Trustee pursuant to the terms and conditions set out in Section 6 to this Prospectus), the Trustee will, i.a.

- receive payments with respect to the Notes from the Company in terms of interest and principal on behalf of the Noteholders;
- upon a potential event of default or a default, instruct the Paying and Conversion Agent, the Registrar and the Company with respect to payments regarding the Notes;
- hold all payments made with respect to the Notes upon trust and to apply such moneys in accordance with the terms and conditions of the Trust Deed;
- invest any moneys held in the name or under the control of the Trustee in any investments or other assets in any part of the world whether or not they produce income or are placed on deposit in the name or under the control of the Trustee at such bank or other financial institution and in such currency as the Trustee may, in its absolute discretion, think fit;
- receive certain certificates from the Company;
- take proceedings against the Company as further set out in “*Condition 14 – Enforcement*” of the terms and conditions of the Notes (Section 6 in this Prospectus); and in the Trust Deed;
- without the consent of the Noteholders and without prejudice to its rights in respect of any subsequent breach, from time to time and at any time, if in its opinion the interests of the Noteholders will not be materially prejudiced thereby, waive or authorise, on such terms and conditions as seem expedient to it, any breach, continuing breach or proposed breach by the Issuer of any of the provisions of the Trust Deed or the Notes or determine that any event of default or potential event of default will not be treated as such for the purposes of the Trust Deed provided that the Trustee will not do so in contravention of any express direction given by an extraordinary resolution by the Noteholders; and
- be able to convene meetings of Noteholders.

A copy of the Trust Deed may be obtained at the Company’s registered address.

14.3 Documents on display

For the life of this Prospectus, the following documents may be inspected at www.pgs.com and at the Company's offices at Strandveien 4, 1366 Lysaker, Norway:

- The Articles of Association
- The Company's historical financial information and auditors report for the 2006 and 2005 financial years
- The Trust Deed between the Company and the Trustee
- The Paying and Conversion Agency Agreement between the Company, the Trustee and the Paying and Conversion Agent

14.4 Contact details for the Paying and Conversion Agent and the Registrar:

Nordea Bank Norge ASA, Verdipapirservice
Middelthunsgate 17
0362 Oslo, Norway
Telephone: +47 2248 5000

REGISTERED OFFICE OF THE COMPANY

Petroleum Geo-Services ASA
Strandveien 4
1366 Lysaker
Norway

TRUSTEE

Law Debenture Trust Corporation p.l.c.
Fifth Floor
100 Wood Street
London EC2V 7EX
United Kingdom

PAYING, TRANSFER AND CONVERSION AGENT

Nordea Bank Norge ASA, Verdipapirservice
Middelthuns gt. 17
N-0368 Oslo
Norway

REGISTRAR

Nordea Bank Norge ASA, Verdipapirservice
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LEGAL ADVISERS

To the Company as to English law

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London E14 5JJ
United Kingdom

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