Petroleum Geo-Services ASA

Prospectus for

Listing of 20,000,000 New Shares in the
Reorganized Petroleum Geo-Services ASA,
each with a par value of NOK 30

Offer to Existing Shareholders of 6,000,000 New Shares,
each with a par value of NOK 30

Offering price: $14.17 per share

Offer Period: October 22 to November 5, 2003,
both dates inclusive, and both dates subject to extension,
but to expire no later than
June 30, 2005

Receiving Agent for the Offering

ABG SUNDAL COLLIER

The date of this Prospectus is September 14, 2003.

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NOTICES TO THE SHAREHOLDERS – IMPORTANT INFORMATION

On June 18, 2003 PGS announced an agreement in principle for a proposed financial restructuring of the Company. A majority of the Company's creditors, plus Existing Shareholders representing approximately 20% of the Existing Shares, have publicly announced their support of the Restructuring. The terms of the Restructuring are further described in this Prospectus, see Sections 2.2.2 and 3. This Prospectus has been prepared in connection with the listing of the New Shares and the offer of New Shares to the Existing Shareholders of PGS, which will form a part of the Restructuring. The Prospectus is also intended to provide Existing Shareholders with background information to the Extraordinary General Meeting to be held on October 16, 2003.

The Disclosure Statement attached hereto as Appendix 4 has been prepared to meet the requirements under US bankruptcy law for soliciting acceptances from interested parties to the Plan of Reorganization. This Prospectus has been prepared in order to comply with the requirements under Norwegian law for disclosure in connection with the listing of the New Shares and the Offering. The information in the Disclosure Statement to a large degree overlaps with the information contained in this Prospectus, but is attached hereto in order to comply with US law requirements for disseminating equal information to all interested parties in the Chapter 11 case. However, it cannot be ruled out that information relevant to readers of this Prospectus is contained only in the Disclosure Statement.

In the presentation of information throughout this Prospectus, certain assumptions regarding shareholder approvals and other matters in connection with the Restructuring and the Offering as described herein have been made, including:

- Existing Shareholders approving of the Restructuring as such;
- Existing Shareholders making all resolutions necessary to effectuate the Restructuring;
- Necessary votes from Affected Creditors being obtained;
- US Bankruptcy Court approving the Plan of Reorganization;
- US Bankruptcy Court issuing a Confirmation Order; and
- The various conditions for effectiveness and consummation of the Plan of Reorganization being satisfied or duly waived.

For a preliminary timetable for the Restructuring, including the Offering, see the Section "Principal events and documents in connection with the Refinancing and the Offering".

This Prospectus has been submitted (on or about the same time it has been submitted to the US Bankruptcy Court, in a supplement to the Plan) to Oslo Børs for review to ensure that it complies with the applicable requirements in the Securities Trading Act of 1997, the Norwegian Stock Exchange Act of 2001 and the Norwegian Stock Exchange Regulations of 1997.

Unless otherwise stated, the source of information provided in this Prospectus is the Company. No person is authorized to give any information or to make any representation in connection with the Offering other than as contained in this Prospectus and, if given or made, any information or representation not so contained herein must not be relied upon as having been authorized by or on behalf of the Company or the Receiving Agent. The delivery of this Prospectus at any time does not imply that the information contained in it is correct as at any time subsequent to its date or that there has been no change in the affairs of the Company or its subsidiaries or affiliates since the date hereof. Any material circumstance and any material inaccuracy in this Prospectus that might affect the assessment of the New Shares, which arises or is identified between the time of the publication of this Prospectus and the end of the Offer Period, will be included in a press release issued by PGS, and to the extent required by section 14-6 of the Stock Exchange Regulations, in a supplementary prospectus. Announcements by PGS or the Receiving Agent concerning this Prospectus or the matters described herein must be considered as made when they are published via press release.

This Prospectus does not constitute an offer to sell, or an invitation by or on behalf of the Company or the Receiving Agent to subscribe or purchase the New Shares in any jurisdiction in which such offer or sale is unlawful. The distribution of this Prospectus and the Offering in certain jurisdictions may be restricted by law. Persons who are in possession of this Prospectus are required by the Company and the Receiving Agent to inform themselves about and to observe any such restrictions. This Prospectus may not be used for, or in connection with, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstances in which such offer or solicitation is not authorized or is unlawful. No action has been taken or will be taken by PGS or the Receiving Agent in any jurisdiction other than the Kingdom of Norway that would permit a public offering of the New Shares.

Notice regarding forward-looking statements

Certain statements included herein may constitute forward-looking statements that involve a number of risks and uncertainties. Certain of such forward-looking statements can be identified by the use of forward-looking terminology such as "believes", "expects", "may", "are expected to", "will", "will continue", "should", "would be", "seeks" or "anticipates" or similar expressions or the negative thereof or comparable terminology, or by discussions of strategy, plans or intentions. Such forward-looking statements are necessarily dependent on assumptions, data or methods that may be incorrect or imprecise. Certain statements under Sections 5, 6 and 8 regarding the Company's financial position, revenues, cash flow, earnings, business strategy, competitive factors and other plans and objectives for future operations are forward-looking statements. The Company can give no assurance that such expectations will prove to be correct. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to vary materially from such forward-looking statements, including, but not limited to, those discussed in Section 12. Other factors contained in this Prospectus could also cause actual results to vary materially from the future results indicated in such forward-looking statements.

Unless otherwise specified or unless the context otherwise requires, references in this Prospectus to "NOK" are to the Norwegian Kroner, references to "$" or "USD" are to the US dollar. For indicative purposes only, the USD/NOK spot rate as at September 11, 2003 was 7.37.

TO US INVESTORS:

THE NEW SHARES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR ANY STATE SECURITIES COMMISSION IN THE UNITED STATES NOR HAS THE SEC OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR THE ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE IN THE UNITED STATES. THE NEW SHARES HAVE NEITHER BEEN NOR WILL BE OFFERED OR SOLD IN A TRANSACTION REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE NEW SHARES ARE BEING OFFERED TO U.S. SHAREHOLDERS PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND OF ANY STATE SECURITIES OR "BLUE SKY" LAWS. THE NEW SHARES MAY NOT BE TRANSFERRED BY U.S. SHAREHOLDERS EXCEPT IN ACCORDANCE WITH AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND OF ANY STATE SECURITIES OR "BLUE SKY" LAWS. US SHAREHOLDERS SHOULD ALSO NOTE THE FOLLOWING:

THIS OFFERING IS MADE IN RESPECT OF THE SECURITIES OF A FOREIGN COMPANY. THE OFFERING IS SUBJECT TO THE DISCLOSURE REQUIREMENTS OF A FOREIGN COUNTRY THAT ARE DIFFERENT FROM THOSE OF THE UNITED STATES. FINANCIAL STATEMENTS INCLUDED IN THE DOCUMENT, IF ANY, MAY HAVE BEEN PREPARED IN ACCORDANCE WITH FOREIGN ACCOUNTING STANDARDS THAT MAY NOT BE COMPARABLE TO THE FINANCIAL STATEMENTS OF UNITED STATES COMPANIES.

IT MAY BE DIFFICULT FOR YOU TO ENFORCE YOUR RIGHTS AND ANY CLAIM YOU MAY HAVE ARISING UNDER THE U.S. FEDERAL SECURITIES LAWS, SINCE THE ISSUER IS LOCATED IN A FOREIGN COUNTRY, AND SOME OR ALL OF ITS OFFICERS AND DIRECTORS MAY BE RESIDENTS OF A FOREIGN COUNTRY. YOU MAY NOT BE ABLE TO SUE THE FOREIGN COMPANY OR ITS OFFICERS OR DIRECTORS IN A FOREIGN COURT FOR VIOLATIONS OF THE U.S. SECURITIES LAWS. IT MAY BE DIFFICULT TO COMPEL A FOREIGN COMPANY AND ITS AFFILIATES TO SUBJECT THEMSELVES TO A U.S. COURT'S JUDGMENT.

TO UK INVESTORS:

THIS PROSPECTUS IS COMMUNICATED ONLY TO SHAREHOLDERS OF PGS ASA. IT IS NOT COMMUNICATED TO, DIRECTED AT, OR MAY BE RELIED UPON BY ANY OTHER PERSON. THIS OFFERING IS NOT AN OFFER TO THE PUBLIC IN THE UNITED KINGDOM WITHIN THE MEANING OF THE PUBLIC OFFERS OF SECURITIES REGULATIONS 1995 ("POS"). THIS PROSPECTUS MAY ONLY BE DISTRIBUTED IN CIRCUMSTANCES WHICH DO NOT RESULT IN AN OFFER TO THE PUBLIC IN THE UNITED KINGDOM WITHIN THE MEANING OF THE POS.

TO SWEDISH INVESTORS:

THIS PROSPECTUS IS COMMUNICATED ONLY TO SHAREHOLDERS OF PGS ASA LISTED IN THE TRANSCRIPT FROM THE NORWEGIAN REGISTRY OF SECURITIES (VERDIPAPIRSENTRALEN) AROUND THE DATE OF DISTRIBUTION OF THE PROSPECTUS. THE OFFERING IS NOT MADE TO ANY OTHER SWEDISH INVESTOR THAN THOSE LISTED IN SUCH TRANSCRIPT.

TO FRENCH INVSTORS:

THIS PROSPECTUS HAS NOT BEEN SUBMITTED FOR APPROVAL BY THE COMMISSION DES OPÉRATIONS DE BOURSE. THE RECEIVING AGENT AND PGS ASA HAS REPRESENTED AND AGREED THAT (i) IT HAS NOT OFFERED OR SOLD AND WILL NOT OFFER OR SELL, DIRECTLY OR INDIRECTLY, ANY SECURITIES TO THE PUBLIC IN FRANCE, AND (ii) OFFERS AND SALES OF SECURITIES IN FRANCE WILL BE MADE IN ACCORDANCE WITH ARTICLES L.411-1, L.411-2 AND L.412-1 OF THE CODE AND DECREE RELATING TO OFFERS TO "QUALIFIED INVESTORS" AND/OR A "RESTRICTED CIRCLE OF INVESTORS". IN ADDITION, THE RECEIVING AGENT AND PGS ASA HAS REPRESENTED AND AGREED THAT IT HAS NOT DISTRIBUTED OR CAUSED TO BE DISTRIBUTED AND WILL NOT DISTRIBUTE OR CAUSE TO BE DISTRIBUTED IN FRANCE, THIS PROSPECTUS OR ANY OTHER OFFERING MATERIAL RELATING TO THE SHARES IN PGS ASA OTHER THAN TO INVESTORS TO WHOM OFFERS AND SALES OF SECURITIES IN FRANCE MAY BE MADE AS DESCRIBED ABOVE.

IMPORTANT INFORMATION TO ADR-HOLDERS:

THIS PROSPECTUS HAS BEEN DISTRIBUTED TO ALL HOLDERS OF RECORD OF AMERICAN DEPOSITARY RECEIPTS OF PGS ASA AS OF 3 SEPTEMBER 2003 (THE “ADR RECORD DATE”). CONSISTENT WITH PAST PRACTICE IN PGS ASA, ONLY HOLDERS OF RECORD AS OF THE ADR RECORD DATE (AND BENEFICIAL HOLDERS SUBMITTING PROOF OF OWNERSHIP AS OF THE SAME DATE) WILL BE ENTITLED TO SUBMIT PROXIES AND VOTING INSTRUCTIONS FOR THE EXTRAORDINARY MEETING OF SHAREHOLDERS CALLED TO APPROVE THE RESTRUCTURING (THE “EGM”), INCLUDING THE PLAN.

FURTHER DETAILS OF THE VOTING PROCEDURE, INCLUDING DEADLINES FOR SUBMITTING PROXIES AND VOTING INSTRUCTIONS, IS SET OUT IN MATERIALS DISTRIBUTED BY CITIBANK, N.A. AS DEPOSITARY AGENT TOGETHER WITH THE CALLING NOTICE FOR THE EGM, AND ADR-HOLDERS ARE ADVISED TO READ THIS MATERIAL CAREFULLY AND COMPLY WITH THE INSTRUCTIONS SET OUT THEREIN.

PRINCIPAL EVENTS AND DOCUMENTS IN CONNECTION WITH THE RESTRUCTURING AND THE OFFERING

Estimated timetable of certain key events

This estimated timetable should be read in conjunction with the more detailed information contained elsewhere in this Prospectus, and in particular Section 3.

June 18, 2003	Annual General Meeting of PGS ASA
	PGS announcing agreement in principle for the proposed Restructuring
July 29, 2003	PGS filing under chapter 11 of the US Bankruptcy Code with the US Bankruptcy Court
September 3, 2003	ADR Record Date, cut-off date for distribution of EGM material to ADR Holders and rights for ADR Holders to vote on the Restructuring.
September 10, 2003	Disclosure Statement hearing
September 15, 2003	Calling of EGM, distribution of creditor voting material
October 9, 2003	Deadline for submitting proxies and voting instructions for ADR Holders
October 14, 2003	Voting deadline for creditors
October 16, 2003	Extraordinary General Meeting of PGS ASA
October 21, 2003	Confirmation Hearing at the US Bankruptcy Court
October 22 to November 5, 2003	Offer Period for the Offering (subject to extension, but to expire no later than June 30, 2005)
November 5, 2003	Anticipated date for consummation of the Plan
November 6, 2003	Anticipated date of registration of the New Shares to Existing Shareholders pursuant to the Plan and the Offering on subscribing shareholders' accounts at the VPS

The Company believes that the Offering (not including the New Shares acquired by the Underwriters pursuant to the Underwriting Agreement) will qualify for an exemption from registration under the Securities Act pursuant to section 1145 of the United States Bankruptcy Code. If approval has not been obtained under section 1145, the Offering will have to be made on a registered basis, implying that the Offer Period (both start date and end date) and the settlement of the Offering will be delayed.

Principal documents – where to find information

In its announcement on June 18, 2003, of the agreement in principle for the proposed Restructuring, PGS issued a press release describing, i.a., the key terms of such agreement and disclosing certain summary figures and assumptions relating to its business plan, which formed part of the basis for the Restructuring. You can obtain such press release, as well as certain other information on the Restructuring, at PGS' Internet site *(http://www.pgs.com).* (Updated projections for the Company are included in the Disclosure Statement.)

In connection with its filing under chapter 11, referred to above, PGS filed the Disclosure Statement, including, i.a., the Plan of Reorganization, to provide holders of claims and equity interests that are entitled to vote on the Plan with sufficient information to allow them to make an informed decision on whether to accept or reject the Plan. PGS also filed as supplement to the Plan (as defined in the Plan), the Amended Articles of Association, the New Senior Notes Indenture, the New Term Loan Agreement, the Plan Support Agreement and the Underwriting Agreement. All Plan documents are subject to revision and modification prior to the Effective Date, which may result in material changes to the terms of such. You can obtain certain of the Plan documents referred to above at PGS' Internet site *(http://www.pgs.com).* A draft of this Prospectus was filed with the Bankruptcy Court. The Plan, the Disclosure Statement, the Voting Procedures Order and notice of the Confirmation Hearing are included as Appendices to this Prospectus.

PGS provides Citibank, N.A., as depositary under the deposit agreement among PGS, the depositary and all holders from time to time of ADRs representing PGS' ADSs, with annual reports in the English language. These reports include a description of PGS' business and its annual audited consolidated financial statements. PGS also furnishes the depositary in English with PGS' quarterly reports to shareholders and all other materials distributed to its Norwegian shareholders.

After the depositary receives these items, it promptly mails them to all record holders of the ADRs registered on its books. The depositary will make, to the extent permitted by law, these items available for inspection by registered holders of ADRs at its principal office, currently located at 111 Wall Street, 5th Floor, New York, New York 10043. As a foreign private issuer, PGS is exempt from the rules under the US Securities Exchange Act of 1934 prescribing the furnishing and content of proxy statements.

PGS also files reports, including annual reports on Form 20-F and reports on Form 6-K, with the SEC under the rules and regulations of the SEC that apply to foreign private issuers. Any document PGS files with the SEC can be read and copied at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. Information about the operation of the SEC's Public Reference Room can be obtained by calling the SEC at 1-800-SEC-1330. You can also obtain information about PGS at the Company's offices in Oslo and at PGS' Internet site *(http://www.pgs.com)*, as well as at the Internet site of Oslo Børs *(http://www.oslobors.no)*

RESPONSIBILITY STATEMENTS

Statement by the Board of Directors

This Prospectus has been prepared to provide information in connection with the Offering. The members of the Board of Directors of Petroleum Geo-Services ASA confirm that, to the best of their knowledge, the information contained in the Prospectus is in accordance with the facts and contains no omissions likely to affect the import of the Prospectus. Market conditions and future prospects have been appraised on the basis of best judgment.

Lysaker, September 14, 2003

The Board of Directors of Petroleum Geo-Services ASA

Statement by the Receiving Agent

ABG Sundal Collier Norge ASA is acting as Receiving Agent in connection with the Offering. We have not performed any due diligence nor any other form of investigation or verification of the information contained in this Prospectus. Consequently, we cannot guarantee that the contents of this Prospectus are correct or complete, and we do not accept any liability or responsibility in connection with this Prospectus or order of shares in Petroleum Geo-Services ASA on the basis of the information herein. As of September 11, 2003, the Receiving Agent holds 0 shares and its employees hold 570 shares in Petroleum Geo-Services ASA.

Oslo, September 14, 2003

ABG Sundal Collier Norge ASA

Statement by the Company's Norwegian legal counsel

We have acted as Norwegian legal counsel to Petroleum Geo-Services ASA in connection with the Offering described in this Prospectus.

We have reviewed the following sections of this Prospectus: Section 4 (The Offering and the Underwriting), Section 9 (Shareholder Matters and Description of Share Capital), sub-section 10.1 (Norwegian Taxation), Section 11 (Legal Matters) and Section 12 (Risk Factors). Based on the information we have received, the descriptions pertaining legal and tax matters given in these sections fairly describe the relevant facts.

We have also reviewed the Calling Notice for the Extraordinary General Meeting of the Company to be held on October 16, 2003. We can confirm that the decrease of the share capital and the increase of the share capital related to the Offering and described in the Calling Notice will be valid and binding upon the Company, provided that they are each resolved by a qualified majority of the shareholders in the Extraordinary General Meeting. A separate statement on the validity of the decrease and increase in the share capital will be provided to the OSE as soon as they have been approved by the Extraordinary General Meeting.

We have not performed any due diligence or any form of investigation or verification of the information contained in this Prospectus, and our statements are based solely on factual information received from the Company. Our statement is limited to the above and does not relate to the content of any other parts of this Prospectus, including any statements being of commercial, accounting or financial nature. Our statement is limited to Norwegian law.

Oslo, September 14, 2003

Wikborg, Rein & Co.

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1 DEFINITIONS AND ABBREVIATIONS

The following terms are used in the Prospectus. When used in this Prospectus, these terms have the meaning assigned to them in the table below unless otherwise indicated. The Plan of Reorganization and the Disclosure Statement, enclosed herewith as Appendix 4 and Appendix 5, also contain a number of definitions. Although certain of the definitions and terms in the main part of the Prospectus conform with the definitions and terms in the Plan and the Disclosure Statement, readers of this Prospectus should refer to the respective definitions when reading the respective parts of the Prospectus.

2D	Two-dimensional
3D	Three-dimensional
4D	Four-dimensional
Adjusted EBITDA	earnings before interest, taxes, depreciations and amortization adjusted for items that PGS' management believes to be non-recurring
ADR	American Depositary Receipt
ADR Holder	Holders of record of ADRs representing ADSs issued by PGS ASA, and beneficial holders of such ADRs
ADS	American Depositary Share
Affected Creditors	creditors of PGS that will be affected by the Restructuring, as defined in Section 3.3
Amended Offering	shall have the meaning assigned in Section 4.5
Atlantis	Atlantis Norge AS, an oil and gas field company, previously owned by PGS ASA
Bankruptcy Code	title 11 of the United States Code, as amended from time to time, as applicable to the reorganization of PGS
Board	Board of Directors of PGS ASA
bopd	barrels of oil per day
bpd	barrels per day
Business Day	a day banks are generally open for business in New York and Norway
bwpd	barrels of water per day
CGG	Compagnie Générale de Géophysique
Confirmation Hearing	the hearing to be held by the Bankruptcy Court regarding confirmation of the Plan, as such hearing may be adjourned or continued from time to time
Confirmation Order	the order of the Bankruptcy Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code
Disclosure Statement	the disclosure statement for the Plan of Reorganization filed with the US Bankruptcy Court on July 29, 2003 or, as the case may be, the Disclosure Statement for First Amended Plan of Reorganization of Petroleum Geo-Services, dated September 10, 2003 and attached as Appendix 4 to this Prospectus and approved by the US Bankruptcy Court
DP	Dynamic Positioning
Effective Date	the date on which the reorganization of PGS ASA is made effective, being no sooner than eleven (11) calendar days after the date of confirmation of the Plan (or, if such date is not a Business Day, the next succeeding Business Day), provided that (a) all conditions to the Effective Date set forth in Section 9.2 of the Plan of Reorganization have been satisfied or waived, and (b) in the event that the Offering, and the issuance of the Rights and Offered New Shares, is exempt under section 1145 of the Bankruptcy Code, that the Offering has been

	completed; *provided, that*, for the avoidance of doubt, that it shall not be a condition precedent to the occurrence of the Effective Date that the Offering, and the issuance of the Rights and the Offered New Shares, is exempt under section 1145 of the Bankruptcy Code
Existing Junior Subordinated Debentures	the Existing Junior Subordinated Debentures due 2039, currently owned by and held of record in the name of the trustee for the related indenture, for the benefit of the holders of the PGS Trust Preferred Securities. The PGS Trust Preferred Securities are converted into Existing Junior Subordinated Debentures as a result of PGS filing its reorganization case
Existing Shareholders	shareholders (including holders of ADSs) of PGS ASA prior to the Restructuring being completed, or, in the context of the right to receive New Shares pursuant to the Plan or to order New Shares under the Offering, Existing Shareholders as of the Effective Date
Existing Shares	all of the 103,345,987shares issued by PGS ASA, of par value NOK 5 each, as at the date of this Prospectus, to be cancelled at the Effective Date
Exit Facility	shall have the meaning assigned in Section 3.3
Extraordinary General Meeting	the extraordinary general meeting of PGS ASA to be held on October 16, 2003
FPSO	Floating production, storage and offloading
GAAP	Generally Accepted Accounting Principles
HD3D™	High Density Three-Dimensional seismic acquisition, Trade Mark of PGS ASA
LIBOR	London Inter-Bank Offer Rate
Material Subsidiary	a material subsidiary of Reorganized PGS ASA as defined in the New Senior Notes indentures and/or the New Term Loan agreement
mboe	million barrels of oil-equivalents
mmscfd	million standard cubic feet per day
mt	metric tons
NCS	Norwegian Continental Shelf
New Senior A Notes	the 7-year 10% senior unsecured notes to be issued to Affected Creditors who select Package B Distribution in the Restructuring (see further details in Section 3.3)
New Senior B Notes	the 3-year 8% senior unsecured notes to be issued to Affected Creditors who select Package B Distribution in the Restructuring (see further details in Section 3.3)
New Shares	the 20,000,000 ordinary shares, each with a par value of NOK 30, constituting the share capital of Reorganized PGS ASA, after cancellation of the Existing Shares
New Term Loan	the 8-year $475 million unsecured senior term loan facility to be issued to Affected Creditors who select Package A Distribution in the Restructuring (see further details in Section 3.3)
NOK	Norwegian Kroner, being the legal tender of Norway
Offering	the offering of 6,000,000 New Shares to Existing Shareholders, as further described in this Prospectus
Offer Period	October 22 to November 5, 2003 (both dates inclusive) subject to extension as described in Section 4.1.7
Offered New Shares	the 6,000,000 New Shares that are offered to the Existing Shareholders in the Offering
Offering Price	the price to be paid for each Offered New Share, being $14.17

Order Form	the form included as Appendix 8 to this Prospectus for the order for New Shares under the Offering
Oslo Børs	the Oslo Stock Exchange
Package A Distribution	shall have the meaning ascribed to such term in Section 3.3
Package A Holder	an Affected Creditor electing to receive Package A Distribution under the Plan
Package B Distribution	shall have the meaning ascribed to such term in Section 3.3
Package B Holder	an Affected Creditor electing to receive Package B Distribution under the Plan
PGS ASA	Petroleum Geo-Services ASA, a Norwegian public limited company with its registered address at Strandveien 4, N-1366 Lysaker, Norway
PGS, the Company or the PGS Group	PGS and each of its subsidiaries
PGS Shares	ordinary shares in the share capital of PGS ASA; may refer to Existing Shares and/or New Shares depending on the context
PGS Trust Preferred Securities	the 9 ⅝%, $143.750 million of trust preferred securities issued by PGS Trust I. The PGS Trust Preferred Securities are converted into Existing Junior Subordinated Debentures as a result of PGS filing its reorganization case
PL 038	Production License 038 on the NCS
Plan of Reorganization or the Plan	the proposed plan for the reorganization of PGS ASA filed with the US Bankruptcy Court on July 29, 2003, or, as the case may be, the First Amended Plan of Reorganization of Petroleum Geo-Services, dated September 10, 2003 and attached as Exhibit A to the Disclosure Statement and approved by the US Bankruptcy Court
Plan Securities	collectively, the New Senior A Notes, the New Senior B Notes, the New Shares and the Rights
Plan Support Agreement	that certain agreement entered into as of June 18, 2003, among certain banks, bondholders and critical shareholders of PGS ASA
Projections	the projected financial information contained in the Disclosure Statement relating to the Reorganized Company
Prospectus	this Prospectus (including the appendices) dated September 14, 2003
Receiving Agent	ABG Sundal Collier Norge ASA
Registrar	a financial institution appointed to record issue and ownership of a company's securities, PGS ASA's Registrar currently being Nordea Bank Norge ASA, Verdipapirservice
Reorganized Company or Reorganized PGS	together, Reorganized PGS ASA and each of its subsidiaries on and after the Effective Date
Reorganized PGS ASA	PGS ASA on and after the Effective Date
Restructuring	the proposed restructuring of the financial obligations of PGS, as set forth in the Plan of Reorganization
Right or Rights	the non-transferable right or rights of Existing Shareholders, as of the Effective Date, to purchase Offered New Shares for the offer price of $14.17 per share
SEC	the US Securities and Exchange Commission
Securities Act	the US Securities Act of 1933, as amended
TLP	Tension Leg Platform
PGS Trust Preferred Securities	the 9 ⅝%, $143.750 million of trust preferred securities issued by PGS Trust I. The PGS Trust Preferred Securities are converted into Existing Junior Subordinated Debentures as a result of PGS filing its reorganization case

Underwriters	the members of the underwriting syndicate of the Offering as described in Section 4.2.2
Underwriting Agreement	the agreement dated July 25, 2003 between the Underwriters and PGS ASA
US	United States of America
US Bankruptcy Court	the United States Bankruptcy Court, Southern District of New York
USD or $	United States dollars, being the legal tender of the US
US Holder	a shareholder resident in the US
Veritas	Veritas DGC Inc.
Voting Procedures Order	that certain order of the Bankruptcy Court establishing procedures for voting on the Plan, and establishing other procedures and notice requirements related to confirmation of the Plan and attached as Appendix 7 to this Prospectus
VPS	the Norwegian Registry of Securities (Verdipapirsentralen)

2 SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information contained elsewhere in this Prospectus.

2.1 THE PGS GROUP

PGS is a technologically focused oil service company principally involved in geophysical and floating production services.

Geophysical Services provides a broad range of services, including acquisition, processing and marketing of seismic data. Oil and gas companies use the seismic data to explore for new oil and gas reserves, to develop existing oil and gas reservoirs and to manage producing oil and gas fields.

Floating Production operates a fleet of FPSO vessels for harsh weather environments, currently operating in the North Sea. These vessels are contracted to oil and gas companies as floating production installations for offshore oil and gas production. The FPSOs are equipped to process, store and offload the oil and process, re-inject or export the gas.

Pertra is the operator of PL 038 (including the production from the Varg field), of which Pertra owns 70%.

In addition, the Company provides certain geophysical and other services that help oil and gas companies monitor producing oil and gas reservoirs in order to improve efficiency and potentially to increase ultimate recoveries.

PGS has approximately 3,900 employees and operates on a worldwide basis with headquarter in Oslo, Norway. The Company has been listed on Oslo Børs since 1992.

2.2 THE FINANCIAL RESTRUCTURING

2.2.1 Background

PGS' business and operations depend on the exploration, development and production spending by oil and gas companies, and such spending is subject to wide fluctuation depending upon energy prices, demand and a variety of other factors. The business is capital intensive, and together with substantial declines in operating results, this generally has resulted in PGS being highly leveraged and a substantial portion of cash flow from operations being dedicated to debt service. As of December 31, 2002, PGS had approximately $1.1 billion of debt and other contractual obligations maturing in 2003.

Beginning in July 2002, PGS started receiving significant credit rating downgrades. As a result of such, PGS has experienced extreme difficulty in obtaining additional financing and/or refinancing on suitable terms to meet its liquidity needs.

In the autumn of 2002, following changes in the Board and management of PGS, the business of PGS was refocused on an intensive financial restructuring and work began on an operational reorganization. The principal focus was short-term improvements to increase cash flow, along with intensified processes to divest activities outside PGS' core areas of seismic services and floating production. Due to the realization of one-time non-cash charges of approximately $1.2 billion, related primarily to write downs of the value of the Banff FPSO vessel, its seismic data library and Atlantis, PGS commenced discussions with various creditors to obtain waivers of financial covenant defaults that resulted from such charges.

Ultimately, PGS determined that the continued viability of its business required restructuring its highly leveraged capital structure, and started comprehensive negotiations with its creditors. It was decided that a filing under chapter 11 of the Bankruptcy Code was the best means available to recapitalize and restructure its businesses, which would allow its subsidiaries to continue operations in the ordinary course.

On June 18, 2003, PGS ASA and the holders of a majority of the bank claims and bondholder claims as well as certain substantial shareholders entered into the Plan Support Agreement. The Plan Support Agreement is a binding agreement to support the Plan of Reorganization, subject to conclusion of definitive agreements and documentation and the satisfaction of certain specified conditions.

2.2.2 The Restructuring

Basis for the restructuring

The proposed Restructuring has been designed to:

- maximize recovery to stakeholders by maintaining the value of the combined PGS Group;
- provide a sufficient capital structure that supports a competitive and industry-leading business and is aligned with PGS' projected future cash flows;
- offer creditors some flexibility in choosing the components of their recovery; and
- allow Existing Shareholders to retain an economic interest in the business.

Main terms

The Restructuring will affect the following creditors of PGS ASA: PGS' $2,140 million senior unsecured creditors, comprising $680 million of bank debt and $1,460 million of bond debt, and holders of the PGS Trust Preferred Securities ($144 million of subordinated loan).

Creditors of PGS other than the Affected Creditors would not be affected by the Restructuring and would therefore retain their existing claims against the restructured entity (Reorganized PGS ASA) upon completion of the Restructuring.

Recovery to Affected Creditors

PGS' $2,140 million senior unsecured creditors, comprising $680 million of bank debt and $1,460 million of bond debt, would be entitled to select between two recovery packages in any proportion (subject to certain adjustments as a consequence of over-/under subscription):

Package A Distribution

- $475 million in an 8-year unsecured senior term loan facility, interest at LIBOR + 1.15%, with $35 million annual repayment in semi-annual installments followed by a final repayment of $230 million at maturity if fully subscribed

Package B Distribution

- $350 million of 7-year 10% senior unsecured notes
- $250 million of 3-year 8% senior unsecured notes
- 91% of PGS' New Shares after giving New Shares to the holders of Existing Junior Subordinated Debentures claims and Existing Shareholders, as described below, further reduced to 61% after the Existing Shareholders (including the Underwriters) acquire 30% of the New Shares for $85 million
- $85 million of proceeds from the acquisition of 30% of the New Shares by the Existing Shareholders (including the Underwriters).

In addition, Affected Creditors (other than the holders of Existing Junior Subordinated Debentures) would receive, subject to certain adjustments, a pro rata share of the cash of PGS in excess of $50 million (calculated on October 31, 2003). Package A Holders would also receive 90% of their relative share of further proceeds in respect of the sale of Atlantis, and both Package A and B Holders would receive a payment to reflect interest forgone if the Restructuring is completed after 31 October 2003, subject to certain conditions.

Package B Holders would receive New Shares in the Restructuring in exchange for conversion of debt, and will waive their right to receive 5% of the total New Shares without any consideration in favor of the holders of Existing Junior Subordinated Debentures claims. The claims constituted by the Existing Junior Subordinated Debentures will be cancelled.

Recovery to Existing Shareholders

The Package B Holders would waive their right to receive 4% of the New Shares in favor of Existing Shareholders.

In addition, as presented in this Prospectus, Existing Shareholders (including the Underwriters) would be offered Rights to acquire such number of New Shares that would increase the aggregate ownership of such shareholders from 4% to 34%, for an aggregate consideration of $85 million.

2.3 THE OFFERING AND UNDERWRITING

2.3.1 Share capital

The registered share capital of PGS ASA as at the date of this Prospectus is NOK 516,729,935 divided into 103,345,987 shares, of par value NOK 5 each fully paid. Upon completion of the Restructuring, all Existing Shares will be cancelled and the share capital will be reduced to zero without any payment to the Existing Shareholders in respect of the cancelled shares (apart from the 800,000 New Shares to be distributed to Existing Shareholders as described in Section 4.1.3 and the right to order New Shares pursuant to the Offering). Simultaneously with the registration of the reduction of the share capital to zero, Reorganized PGS ASA will issue 20,000,000 New Shares with a par value of NOK 30 per share, giving a total share capital of NOK 600,000,000.

2.3.2 Issue of and distribution of the New Shares

The New Shares will be issued and distributed as follows:

All the 20,000,000 New Shares will be subscribed for by the Package B Holders in conversion of debt owed by PGS ASA to the Package B Holders. The right of the Package B Holders to receive New Shares may be reduced as follows:

> (i) The Package B Holders will waive their right to receive 1,000,000 of the New Shares, equaling 5% of the equity of Reorganized PGS ASA, in favor of the holders of Existing Junior Subordinated Debentures claims.
>
> (ii) The Package B Holders will further waive their right to receive 800,000 of the New Shares, equaling 4% of the equity of Reorganized PGS ASA, in favor of the Existing Shareholders. For each approximately 129.18 Existing Shares, the Existing Shareholders would thus receive one New Share.

The Package B Holders shall in addition to such waivers conditionally waive their right to receive the 6,000,000 New Shares, equaling 30% of the equity of Reorganized PGS ASA, so that such shares can be offered, subject to the Underwriting Agreement, to the Existing Shareholders on the terms set forth in this Prospectus.

2.3.3 Offering information

- This Prospectus is made available to all the Existing Shareholders (including the Underwriters) on record with VPS, as evidenced by a transcript from the VPS around the date of distribution of the Prospectus. It will furthermore be made available to all ADR Holders as of 3 September 2003.
- Each Existing Shareholder as of the Effective Date is entitled to order a number of New Shares up to his pro rata share of 75% of the Offered New Shares (4,500,000 New Shares), with the remaining 25% of the Offered New Shares (1,500,000 New Shares) being reserved for and pre-committed by the Underwriters under the terms of the Underwriting Agreement.
- Each Existing Share thus gives the right to order 0.04354 New Shares. Existing Shareholders need 23 Existing Shares to order each New Share. Over-subscription is not allowed.
- The rights to order New Shares cannot be separated from the Existing Shares and will, hence, not be listed or publicly traded at any time.
- The Offering Price for each Offered New Share is $14.17. Holders of Existing Shares that are entitled to receive less than 100 New Shares can pay the Offering Price in NOK at a fixed exchange rate to be announced prior to they commencement of the Offer Period. All other holders of Existing Shares participating in the Offer must pay the Offering Price in USD.

- The Offering is open for acceptances from October 22, 2003 to November 5, 2003, both dates inclusive. All Order Forms must be received by the order office (see Section 4.1.8) no later than 16:00 Norwegian time / 10:00 New York time on the last day of the Offer Period. Payment must be made in conjunction with the subscription.
- The Offer Period may be extended, in one or more rounds, until June 30, 2005. Such extensions will be notified by notices published through the Oslo Børs information system. PGS ASA will endeavor to extend the Offer Period so that both the start date and the last date will be moved.
- Holders of ADSs may participate in the Offering on the same pro rata basis as other holders of Existing Shares and may receive new ADSs in respect of New Shares they acquire in the Offering.
- The Company believes that the Offering will qualify for an exemption from registration under the Securities Act pursuant to section 1145 of the United States Bankruptcy Code and that the US Bankruptcy Court will confirm this in its Confirmation Order ("1145 Approval"), and the above description of the Offering is based on this assumption. Should 1145 Approval not be obtained, the Offer as described in this Prospectus will be rescinded, and any orders for New Shares will be null and void, and any payments made will be returned. Such rescission will be announced through the Oslo Stock Exchange information system. In the absence of an 1145 Approval, the Offering can only be consummated as a registered offering under the Securities Act or pursuant to another exemption from registration under US securities laws. In such event, it is anticipated that the Offering will be delayed. See Section 12.1.11 for a more detailed description of this risk and its consequences.

2.3.4 Underwriting

The Underwriters have committed, pursuant to the terms of the Underwriting Agreement, to purchase 1,500,000 New Shares for $21.25 million, which represents 25% of the Offered New Shares and 7.5% of the New Shares.

The Underwriters have further committed to purchase any remaining Offered New Shares not purchased by Existing Shareholders in the Offering.

The members of the underwriting syndicate are as shown below:

Underwriter	*Amount ($ million)*
Umoe Invest AS	60
CGG	22
TS Industri Invest AS	3
Total underwriting commitment	85

2.4 RISK FACTORS

Before making any decision relating to the Offering, Existing Shareholders should carefully consider all of the information contained in this Prospectus (including the appendices), and in particular certain factors, which may adversely affect some or all of the Company's activities and consequently the value of the New Shares, as further described in Section 12.

3 THE FINANCIAL RESTRUCTURING

3.1 BACKGROUND FOR THE RESTRUCTURING

PGS is a technologically focused oil service company whose business includes:

- acquiring, processing and marketing seismic data. Oil and gas companies use the data to explore for new oil and gas reserves, to develop existing oil and gas reservoirs and to manage producing oil and gas fields;
- providing geophysical and other services that help oil and gas companies monitor producing oil and gas reservoirs to increase ultimate recoveries;
- providing floating production, storage and offloading, or FPSO, vessels. These vessels permit oil and gas companies to produce oil and gas from offshore fields and to process, store and offload the oil and gas for transport to refineries, distribution companies and end-users; and
- operating the Production License 038 on the NCS, including the Varg field.

PGS' business and operations depend on the exploration, development and production spending by oil and gas companies, and such spending is subject to wide fluctuation depending upon energy prices, demand and a variety of other factors. The business is very capital intensive, requiring significant investment in multi-client data, vessels and computer processing, seismic and other equipment. These capital expenditures, together with substantial declines in operating results, generally have resulted in PGS being highly leveraged and a substantial portion of cash flow from operations being dedicated to debt service. As of December 31, 2002, PGS had approximately $1.1 billion of debt and other contractual obligations maturing in 2003.

The problems of PGS stem primarily from excessive investments from 1998 to 2001, as well as a significant over capacity in the marine seismic market, where prices failed to support investments in the fleet. PGS invested heavily in the *Ramform Banff,* Atlantis and its multi-client data library. These investments were largely financed by the issuance of the notes currently outstanding and the borrowings under PGS' bank facilities. Cash flow from these investments has been significantly lower than expected and PGS' assets are assumed to have a value lower than its debt.

In November 2001, PGS entered into a definitive merger agreement with Veritas, a geophysical services company, to combine the two companies. The consummation of the merger agreement was conditioned upon, among other terms, although subject to certain amendments, the sale of Atlantis. The failure of PGS to consummate the Atlantis transaction in a timely manner, among other factors, resulted in the termination of the merger agreement by Veritas on July 30, 2002. During the first seven months of 2002, a substantial portion of administrative time and resources were spent on planning and preparing for the proposed merger.

Beginning in July 2002, PGS started receiving significant credit rating downgrades. As a result of below investment grade debt ratings, PGS has experienced extreme difficulty in obtaining additional financing and/or refinancing on suitable terms to meet its liquidity needs. It has also been required to increase the quarterly redemption rate of the mandatory redeemable cumulative preferred securities of one of its subsidiaries relating to its multi-client data library securitization to an amount equal to 100% of actual revenue recognized from the licensing of the securitized library data held by that subsidiary.

In the autumn of 2002, following the acquisition of more than 10% of the Existing Shares by the Norwegian industrial group Umoe, there were changes in the Board and senior management of PGS. The business of PGS was refocused on an intensive financial restructuring and work began on an operational reorganization. The principal focus was short-term improvements to increase cash flow, along with intensified processes to divest activities outside PGS' core areas of seismic services and floating production. Further, in the third fiscal quarter of 2002, PGS realized one-time non-cash charges of approximately $1.2 billion, related primarily to write downs of the value of the Banff FPSO vessel, its seismic data library and Atlantis. Due to these charges, PGS commenced discussions with various creditors to obtain waivers of financial covenant defaults that resulted from such charges.

As a result, PGS determined that the continued viability of its businesses required restructuring its highly leveraged capital structure. In late 2002, PGS engaged UBS Limited and ABG Sundal Collier Norge ASA as financial advisors to assist it in restructuring its debt and started comprehensive negotiations with its creditors related to the restructuring of its debt. In connection with the negotiations, PGS' bank lenders and bondholders each formed a committee and engaged advisors. Beginning in December 2002, PGS held discussions with such banks, as well as representatives of the bondholders, to explore the feasibility of negotiating a restructuring plan whereby PGS operating revenue would be sufficient to satisfy both its operational expenses and debt service obligations.

Ultimately, PGS determined that a filing under chapter 11 of the Bankruptcy Code was the best means available to recapitalize and restructure its businesses. Because the debt service obligations were generally limited to PGS ASA, it was determined that only PGS ASA would seek chapter 11 protection, thereby allowing its subsidiaries to continue operations in the ordinary course.

On June 18, 2003 PGS ASA, and the holders of a majority of the bank claims and bondholder claims as well as certain major shareholders entered into the Plan Support Agreement. The Plan Support Agreement is a binding agreement, i.a., to support the Plan of Reorganization, subject to conclusion of definitive agreements and documentation and the satisfaction of certain specified conditions.

3.2 BASIS FOR THE RESTRUCTURING

The proposed Restructuring has been designed to:

- maximize recovery to stakeholders by maintaining the value of the combined PGS Group;
- provide a sufficient capital structure that supports a competitive and industry-leading business; the Restructuring involves reducing the Company's financial debt from approximately $2.5 billion to approximately $1.3 billion through conversion of the existing bank and bond debt into new debt (refer to Section 8.3 for an overview of PGS' debt post the Restructuring) and a majority of the equity of the Reorganized PGS ASA;
- give the Company a capital structure that is aligned with its projected future cash flows;
- offer creditors some flexibility in choosing the components of their recovery; and
- allow Existing Shareholders to retain an economic interest in the business.

The proposed Restructuring is mainly based on a business plan (a description of which is included in the Disclosure Statement attached as Appendix 4 hereto), prepared by the Company.

The Reorganized PGS ASA will have a balanced ownership structure representing both present creditors and shareholders. Under the Plan, it is intended that PGS' banks and bondholders, and holders of the Existing Junior Subordinated Debentures claims, would own 61 % and 5% of the New Shares, respectively. It is further contemplated that Existing Shareholders (including the Underwriters) would own 34% of the New Shares, which includes Rights to acquire 30% of the New Shares for $85 million (pursuant to the terms of the Plan and this Prospectus) which would otherwise have been allocated to the banks and bondholders, with the remaining 4% being distributed pro rata to Existing Shareholders without any consideration to be paid in respect thereof.

The proposed Restructuring is implemented through a court supervised reorganization plan, at the PGS ASA level, pursuant to chapter 11 of the Bankruptcy Code. None of the PGS' subsidiaries are involved in the chapter 11 proceeding. Therefore, PGS' day-to-day business with current and future customers, vendors, lessors and employees would remain intact and claims from vendors, lessors, employees and other subsidiary creditors would be unaffected by the Restructuring.

The proposed terms have been developed in discussions with PGS' bank lenders and an ad hoc committee of PGS bondholders, representing a combined 54% of PGS' $2,140 million senior unsecured, pari passu creditors. The Company has also obtained support for the Restructuring from Existing Shareholders representing approximately 20% of the Existing Shares. Such parties have all signed the Plan Support Agreement.

The Plan Support Agreement provides for any bank debt, bonds or Existing Shares sold by the parties thereto to remain subject to the Plan Support Agreement to support the Restructuring. Furthermore, to the extent any of these parties purchase additional bank debt, bonds or Existing Shares, they have agreed these will also be subject to the Plan Support Agreement.

The Company intends for the Restructuring to be completed before year-end 2003, subject to the satisfaction of relevant conditions. A timetable setting forth certain key elements for the Restructuring is included in the introduction to this Prospectus.

3.3 MAIN TERMS OF THE RESTRUCTURING

Below is set out a summary of the terms of the Restructuring. For full details consult Appendix 4 – "Plan of Reorganization".

The Restructuring will affect the following creditors of PGS ASA: PGS' $2,140 million senior unsecured creditors, comprising $680 million of bank debt and $1,460 million of bond debt, and holders of the PGS Trust Preferred Securities ($144 million of subordinated loan), all of the above, the "Affected Creditors".

Allowed claims of the creditors of PGS other than the Affected Creditors would not be affected by the Restructuring and would therefore retain their existing claims within the restructured entity upon completion of the Restructuring. Unaffected creditors would include PGS trade and subsidiary obligations, PGS Oslo Seismic Services Ltd. 8.28% Secured Mortgage Notes, PGS capital and operating lease and UK defeased lease obligations and PGS Multi Client Services Securitized Preferred Securities.

Recovery to Affected Creditors

PGS' $2,140 million senior unsecured creditors, comprising $680 million of bank debt and $1,460 million of bond debt, would be entitled to select between two recovery packages in any proportion (subject to certain adjustments as a consequence of over-/under subscription as discussed below):

Package A Distribution

- $475 million in an 8-year unsecured senior term loan facility (the "Term Loan"), interest at LIBOR + 1.15%, with $35 million annual repayment in semi-annual installments followed by a final repayment of $230 million at maturity if fully subscribed, otherwise the facility will be repaid by semi-annual repayments equal to 3.684% of the face amount of the New Term Loan, subject to a cap of $40 million on aggregate annual repayments, with a final balloon repayment of all amounts then outstanding due 8 years after the Effective Date.

Package B Distribution

- $350 million of 7-year 10% senior unsecured notes ("New Senior A Notes")
- $250 million of 3-year 8% senior unsecured notes ("New Senior B Notes")
- 91% of PGS' New Shares after giving New Shares to the holders of Existing Junior Subordinated Debentures claims and Existing Shareholders, as described below, further reduced to 61% following the contemplated acquisition by the Existing Shareholders (including the Underwriters) of 30% of the New Shares for $85 million pursuant to the Rights
- $85 million of proceeds from the acquisition of 30% of the New Shares by the Existing Shareholders (including the Underwriters) pursuant to the Rights

The Restructuring would include terms to provide for circumstances in which Package A Distribution is under- or oversubscribed. Oversubscription of Package A Distribution would occur if more than $680 million of Affected Creditors (other than holders of Existing Junior Subordinated Debentures claims, who have no election rights) elected for Package A Distribution, and under-subscription if less than $680 million elected for Package A Distribution.

If Package A Distribution is undersubscribed, the New Term Loan would be reduced and the amount of New Senior A Notes issued would be increased by up to $400 million. If Package A Distribution is oversubscribed, the New Term Loan would be increased by up to approximately $712 million, while the New Senior A Notes and New Senior B Notes would be reduced proportionally with the under subscription.

For a summary of the terms of the new debt, see Section 8.3.

In addition, Affected Creditors (other than the holders of Existing Junior Subordinated Debentures) would receive, subject to certain adjustments, a pro rata share of the cash of PGS in excess of $50 million (calculated on October 31, 2003). Package A Holders would also receive their pro rata share of 90% of further proceeds in respect of the sale of Atlantis, and both Package A and B Holders would receive a payment to reflect interest forgone if the Restructuring is completed after 31 October 2003, subject to certain conditions.

Package B Holders would receive New Shares in the Restructuring in exchange for conversion of debt, and will waive their right to receive 5% of the total New Shares without any consideration in favor of the holders of the Existing Junior Subordinated Debentures claims. The claims constituted by the Existing Junior Subordinated Debentures will be cancelled.

Recovery to Existing Shareholders

The Package B Holders would waive their right to receive 4% of the New Shares in favor of Existing Shareholders, provided that Existing Shareholders vote in favor of the Restructuring.

In addition, as presented in this Prospectus, Existing Shareholders (including the Underwriters) would be offered Rights to acquire such number of New Shares that would increase the aggregate ownership of such shareholders from 4% to 34%, for an aggregate consideration of $85 million, i.e. an Offering Price of $14.17 per share. (Such consideration will be for the benefit of and payable to the Package B Holders and PGS would thus not receive any of the proceeds from such acquisition.)

As a condition stipulated in the Plan Support Agreement, the exercise of the Rights to acquire 30% of the New Shares from the Package B Holders has been underwritten by the following significant Existing Shareholders (underwriting commitment in parenthesis): Umoe Invest AS ($60 million), CGG ($22 million) and TS Industri Invest AS ($3 million). The Underwriters will be obliged, subject to certain conditions, to purchase the part of the Offered New Shares not being subscribed for in the Offering. In consideration for such underwriting, the Underwriters have received the right (and also have the obligation) to acquire 25% of the 6,000,000 New Shares being provided to PGS Existing Shareholders. Existing Shareholders (including the Underwriters) would therefore have the right to acquire their pro rata share of the remaining three quarters of the Offered New Shares, i.e. the 4,500,000 New Shares. After the Offering, the Underwriters will hold an aggregate minimum of approximately 13% (assuming the Underwriters to acquire their reserved shares as well as subscribing for their pro rata share of the Offered New Shares) and an aggregate maximum of approximately 31% of the New Shares (assuming no other Existing Shareholders acquire Offered New Shares).

PGS Board

The composition of the Board of PGS will be structured such that the Affected Creditors who select Package B Distribution will be entitled to select a simple majority of the members of the Board. A super-majority (66 2/3%) of PGS' shareholders present and voting in a general meeting would be required to change the composition of the Board for two years following completion of the Restructuring. It is envisaged that Mr. Jens Ulltveit-Moe will be Chairman of the Board. One additional board member will be elected by the Existing Shareholders.

Stock listing and ratings

PGS intends to continue the listing of its ordinary shares on Oslo Børs and for its ADSs to continue trading on the US over-the-counter market. It is intended that the New Senior A Notes and the New Senior B Notes will be rated by the major credit rating agencies.

Subject to approval by the Board of Directors of Reorganized PGS ASA, Reorganized PGS ASA shall use commercially reasonable efforts to have the New Shares listed on a national stock exchange in the US or on NASDAQ as soon as practicable following the Effective Date.

Retained cash and working capital financing

PGS would retain $50 million of cash as of the completion of the Restructuring. In addition, PGS expects to procure (and has the right to do so under the Plan), if necessary, a secured exit working capital facility of $70 million (the "Exit Facility").

PGS is further entitled to enter into a secured bonding facility of up to $40 million, to be made available for the issue of bonds (guarantees, bonds, indemnities, letters of credit, and other equivalent instruments issued or to be issued in connection with the trading activities of the PGS Group) by banks or financial institutions on behalf of members of the PGS Group.

3.4 REORGANIZED PGS

After the Effective Date, PGS ASA will continue to exist as Reorganized PGS ASA in accordance with the laws of the Kingdom of Norway and pursuant to the Amended Articles of Association. Except as otherwise provided in the Plan, on and after the Effective Date, all property of the estate of PGS ASA, including all claims, rights and causes of action and any property acquired by PGS ASA or Reorganized PGS under or in connection with the Plan, will vest in Reorganized PGS ASA free and clear of all Claims, liens, charges, other encumbrances and equity interests. On and after the Effective Date, Reorganized PGS may operate its business and may use, acquire and dispose of property and compromise or settle any claims without supervision of or approval by the Bankruptcy Court and free and clear of any restrictions of the Bankruptcy Code or the Bankruptcy rules other than restrictions expressly imposed by the Plan or the Confirmation Order. Without limiting the foregoing, Reorganized PGS ASA may pay the charges that it incurs on or after the Effective Date for professional persons' fees, disbursements, expenses or related support services without application to the Bankruptcy Court.

4 THE OFFERING AND UNDERWRITING

The Offering is conditional upon the consummation of the Plan at the Effective Date, the occurrence of the Effective Date being subject to such conditions as set forth in the Plan, Section 9 – "Conditions Precedent to Confirmation and Consummation of the Plan" – see Exhibit A to the Disclosure Statement. Further, the Offering will be delayed, and a new prospectus will be issued, if relevant exemptions from SEC registration are not obtained; see Section 4.5.

4.1 OFFERING INFORMATION

4.1.1 Share capital

The registered share capital of PGS ASA as at the date of this Prospectus is NOK 516,729,935 divided into 103,345,987 shares, of par value NOK 5 each fully paid (the "Existing Shares"). The Existing Shares are registered with VPS under ISIN NO. 0004225004. The Registrar is Nordea Bank Norge ASA, Verdipapirservice, PO Box 1666 Sentrum, N-0107, Oslo, Norway.

Upon completion of the Restructuring (at the Effective Date), all Existing Shares will be cancelled and the share capital will be reduced to zero without any payment to the Existing Shareholders in respect of the cancelled shares (apart from the 800,000 New Shares to be distributed to Existing Shareholders as described below and the right to order New Shares pursuant to the Offering). Simultaneously with the registration of the reduction of the share capital to zero, the Reorganized PGS ASA will issue 20,000,000 New Shares with a par value of NOK 30 per share, giving a total share capital of NOK 600,000,000. The difference between the subscription price per share and the par value will be allocated to the share premium fund. As the subscription price will depend on various factors including the USD/NOK exchange rate and the preferences of the creditors between Package A Distribution and Package B Distribution, neither the actual subscription price nor the premium per share can be determined presently. The New Shares will be registered with the VPS under ISIN NO. 001 0199151. The Registrar will be Nordea Bank Norge ASA, Verdipapirservice (see address above).

4.1.2 Fractional shares

No fractional shares of New Shares or cash in lieu thereof will be distributed under the Plan or as part of the Offering. For purposes of distribution, fractional shares of New Shares shall be rounded down to the next whole number or zero, as applicable. Neither PGS, Reorganized PGS nor the Receiving Agent shall have any obligation to make a distribution that is less than one (1) New Share. Fractional shares of New Shares that are not distributed in accordance with the above shall be returned to Reorganized PGS.

4.1.3 Subscription for and distribution of the New Shares

The New Shares will be issued and distributed as follows:

- All the 20,000,000 New Shares will be subscribed for by the Package B Holders through two share issues (14,000,000 New Shares and 6,000,000 New Shares, respectively), in conversion of debt owed by PGS ASA to the Package B Holders. From the first share issue, the right of the Package B Holders to receive shares may be reduced as follows:

  (i) The Package B Holders will waive their right to receive 1,000,000 of the New Shares, equaling 5% of the equity of the Reorganized PGS ASA, for no consideration, in favor of the holders of the Existing Junior Subordinated Debentures claims.

  (ii) The Package B Holders will further waive their right to receive 800,000 of the New Shares, equaling 4% of the equity of the Reorganized PGS ASA, for no consideration, in favor of the Existing Shareholders. For each approximately 129.18 Existing Share, the Existing Shareholders would thus receive one New Share.

- After giving effect to these deductions, as well as the Offering of 6,000,000 New Shares, the Package B Holders would own 12,200,000 New Shares, equaling 61% of the equity of Reorganized PGS ASA.

4.1.4 The New Shares offered to the Existing Shareholders

The Package B Holders shall in addition to the waivers described in Section 4.1.3, conditionally waive their right to receive the 6,000,000 New Shares (equaling 30% of the equity of the Reorganized PGS ASA), so that such shares can be offered for subscription on the terms set forth in this Prospectus. Of the 6,000,000 New Shares offered (i.e., the Offered New Shares), 1,500,000 New Shares are reserved for and pre-committed by the Underwriters under the Underwriting Agreement, with the remaining 4,500,000 New Shares being offered to the Existing Shareholders.

4.1.5 Entitlement to order

This Prospectus, including the Order Form, has been forwarded to holders of record (as evidenced by a transcript from the VPS) of Existing Shares around the date of this Prospectus. The Prospectus has been distributed to ADR Holders consistent with past practice in PGS ASA. The Order Form so distributed sets forth, i.a., the maximum number of Offered New Shares such holder of Existing Shares (assuming it is the holder in respect of the same number of shares as of the Effective Date) is entitled to purchase.

Each Existing Shareholder as of the Effective Date is entitled to order a number of New Shares up to his pro rata share of 75% of the Offered New Shares (4,500,000 New Shares). **Each Existing Share thus gives the right to order 0.04354 New Shares**, implying that one Right (which gives the right to purchase one Offered New Share), will require 23 Existing Shares. Over-subscription is not allowed. Fractional shares will not be distributed, see Section 4.1.2.

As the Rights will not be allocated to Existing Shareholders before the end of the Offer Period, Existing Shareholders holding a different number of Existing Shares when ordering New Shares than what is included on the Order Form, or who have not received an Order Form including the above-mentioned information, must themselves calculate the number of New Shares that they are eligible to order based on the information above.

The Rights cannot be separated from the Existing Shares and will, hence, not be listed or publicly traded at any time.

Upon receipt of a duly completed Order Form, the Receiving Agent will, as provided for in the Order Form, cause the VPS account holding the Existing Shares of the purchaser to be blocked, until such time the Offering is completed, at which time the Existing Shares will be cancelled. Should the VPS account contain other securities, the Order Form will authorize the Receiving Agent to transfer the Existing Shares of the purchaser to a separate VPS account, to be blocked in the same manner. An Existing Shareholder ordering New Shares is thus not permitted to subsequently sell the Existing Shares representing the Rights.

An order for New Shares is irrevocable.

Existing Shareholders that are entitled to but choose not to participate in the Offering, will for no consideration automatically receive their pro rata share of the 800,000 New Shares that the Package B Holders will waive their right to receive, see Section 3.3 and 4.1.3 (ii).

4.1.6 The Offering Price

The Offering Price for each Offered New Share is $14.17. The Offering Price ($85 million divided by the 6,000,000 Offered New Shares offered to the Existing Shareholders including the Underwriters) reflects the agreement between PGS, certain of PGS' creditors and certain Existing Shareholders, as set forth in the Plan Support Agreement, on the total terms of the Restructuring and the consideration, rights and obligations provided to the Affected Creditors and the Existing Shareholders thereunder.

The Offering Price reflects an implied value of the equity of Reorganized PGS of approximately $283 million, which is lower than what follows from application of the mid-point of the valuation estimates for Reorganized PGS included in the Disclosure Statement (under the assumptions set forth therein; see Appendix 5 hereto). The valuation estimates, which were developed by PGS solely for purposes of formulating and negotiating a plan of reorganization and analyzing the projected recoveries under the Plan, gave an estimated mid-point value for PGS' enterprise and equity values of $1,500 million and $320 million, respectively.

According to the Disclosure Statement, the above-mentioned value estimates represent estimated fully distributed reorganization values and do not necessarily reflect values that could be attainable in public or private markets. The equity value ascribed in the analysis does not purport to be an estimate of the post-reorganization market value. Such market value, if any, may be materially different from the equity value ranges in the valuation analysis.

4.1.7 Offer Period

The Offering is open for acceptances from October 22, 2003 to November 5, 2003, both dates inclusive. All Order Forms (and full payment as described below) must be received by the order office (see Section 4.1.8) no later than 16:00 Norwegian time / 10:00 New York time on the last day of the Offer Period.

The Offer Period may be extended, in one or more rounds, until June 30, 2005. Such extensions will be notified by notices published through the Oslo Børs information system. PGS ASA will endeavor to extend the Offer Period so that both the start date and the last date will be moved.

4.1.8 Order office

Order Forms may be sent by mail or fax to:

ABG Sundal Collier Norge ASA, PO Box 1444 Vika, N-0115 Oslo, Norway, Fax: +47 22 01 60 62.

4.1.9 Payment for the New Shares

The Offering Price for New Shares shall be paid by each subscribing Existing Shareholder in conjunction with the subscription, as set forth on the Order Form. Payment shall be made to a bank account of the Receiving Agent, as set forth in the Order Form. Holders of Existing Shares that are entitled to receive less than 100 New Shares can pay the Offering Price in NOK at a fixed exchange rate to be announced prior to the commencement of the Offer Period. All other holders of Existing Shares participating in the Offer must pay the Offering Price in USD.

Subscriptions received without payment or payment instructions having been made, shall be rejected.

4.1.10 Allocation of New Shares, settlement of the Offering

Upon expiry of the Offer Period, the Receiving Agent shall verify each subscription and may reject any incorrect or incomplete Order Form, including subscriptions without payment.

Upon confirmation that all conditions for completion of the Restructuring have been satisfied, including that the Offered New Shares have been issued by PGS ASA, that the Receiving Agent has received all the Offered New Shares from PGS ASA, and that the Receiving Agent has received payment for the Offered New Shares, the Receiving Agent shall cause the payment received relating to the Offered New Shares to be transferred to the Package B Holders, simultaneously with the Offered New Shares being transferred to the VPS accounts of the purchasers. All purchasers not receiving their New Shares under the Company's ADS arrangements (see Section 4.1.12) must have a valid VPS account (established and maintained by such investment bank or Norwegian bank who may operate VPS accounts) in order to receive their New Shares.

All determinations as to the proper completion, due execution, timeliness, eligibility, arising in connection with the submission of the Order Form and other matters affecting the validity or effectiveness of any attempted exercise of any Rights shall be reasonably made by the Receiving Agent whose determination shall be final and binding.

Deliveries required to be received by the Receiving Agent in connection with an attempted exercise of Rights will not be deemed to have been so received or accepted until actual receipt thereof has occurred at the address of the Receiving Agent set forth in the Order Form and any defects or irregularities shall have been waived or cured within such time as the Receiving Agent may determine in its reasonable discretion. Neither PGS ASA nor the Receiving Agent will have any obligation to give notice to any holder of Rights of any defect or irregularity relating to such holder's countersigned Order Form nor shall PGS ASA or the Receiving Agent incur any liability as a result of not giving any such notice.

4.1.11 Shareholders' rights relating to the New Shares

The Existing Shareholders purchasing New Shares in the Offering shall have full shareholders' rights in PGS ASA in respect of their New Shares once said shares are credited to their VPS account.

Please refer to Section 9.7.7 for a summary of shareholder's rights under Norwegian law and PGS ASA's Articles of Association.

4.1.12 ADSs and new ADSs

Currently, each ADS represents one Existing Share. Citibank, N.A., ("Citibank") located at 111 Wall Street, New York, New York 10043 acts as the depositary bank for the ADSs and has appointed Den Norske Bank ASA, Stranden 21, N-0021 Oslo, Norway and Nordea Bank Norge ASA, Postboks 1666 Sentrum, N-0107 Oslo, Norway, as custodians, through which the Existing Shares on deposit under the ADS program are held.

The Company appointed Citibank as depositary bank pursuant to a deposit agreement, dated May 25, 1993, which was subsequently amended on April 24, 1997. A copy of the original deposit agreement is on file with the SEC under the cover of a Registration Statement on Form F-6 (Registration No. 33-61500). A copy of the amendment is on file with the SEC under the cover of a Registration Statement on Form F-6 (Registration No. 333-10856). An owner of ADSs may obtain a copy of the deposit agreement from the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington D.C. 20549.

The Existing Shares underlying the ADSs are deposited into accounts maintained by the custodian with VPS. An ADS also represents any other securities or property received by the depositary bank or the custodian in respect of Existing Shares upon any recapitalization or reorganization affecting PGS ASA or to which it is a party.

Each owner of ADSs becomes a party to the deposit agreement and therefore is bound by its terms as well as by the terms of the ADR that represents such owner's ADSs. The deposit agreement and the ADR specify the owner's rights and obligations as well as those of the depositary bank. An ADS owner appoints the depositary bank to act on his or her behalf in certain circumstances. The deposit agreement is governed by New York law. However, PGS ASA's obligations to the holders of Existing Shares continue to be governed by the laws of the Kingdom of Norway, which may be different from the laws of the United States.

On the Effective Date, or as soon thereafter as reasonably practicable, the existing ADSs will be cancelled and new ADSs will be issued to holders of existing ADSs, based on their pro rata share of the distribution to Existing Shareholders. The deposit agreement will be accordingly amended in order to maintain the current ratio of one ADS representing one Existing Share with respect to the New ADSs and the New Shares.

Holders of ADSs may participate in the Offering on the same pro rata basis as other holders of Rights and may receive new ADSs in respect of New Shares they acquire in the Offering.

Citibank, which is the depositary bank for the ADSs, shall be the Rights Agent for purposes of permitting holders of ADSs to participate in the Offering. PGS and Citibank will work together to establish such procedures as are necessary to provide holders of ADSs with substantially the same opportunity to participate in the Offering as holders of Existing Shares who do not hold such shares through the ADS system, subject, however, to the terms and conditions of the depositary agreement.

4.2 UNDERWRITING

An underwriting syndicate comprising certain significant Existing Shareholders (see Section 4.2.2) has committed to underwrite the Offering of the New Shares on the terms set out below in this Section.

4.2.1 The underwriting

The Underwriters have committed, and are entitled, pursuant to the terms of the Underwriting Agreement, to purchase 1,500,000 New Shares for $21.25 million, which represents 25% of the Offered New Shares and 7.5% of the New Shares. Thereafter, each Existing Shareholder, including the Underwriters, will have the right, under the terms set forth in Section 4.1, to purchase its pro rata interest of the remaining Offered New Shares. Such pro rata interest shall be calculated based on the number of Existing Shares held by each Existing Shareholder out of the total number of Existing Shares as of the Effective Date.

The Underwriters have further committed to purchase any remaining Offered New Shares not purchased by Existing Shareholders in the Offering.

The Underwriters will pay for and receive the 1,500,000 New Shares on the Effective Date. The Underwriters are obliged to acquire the shares on the Effective Date regardless of the availability of the 1145 exemption, as such shares can be issued under a separate registration exemption.

4.2.2 Underwriters

The members of the underwriting syndicate are as shown below:

Underwriter	*Amount ($ million)*
Umoe Invest AS	60
CGG	22
TS Industri Invest AS	3
Total underwriting commitment	85

4.2.3 Underwriting terms

The terms of the underwriting are governed by the Underwriting Agreement. The liability of the Underwriters is several but not joint, so that each of them is only liable for its pro rata share of the underwriting commitment, up to the maximum amount for which he is liable.

The Underwriters have only assumed the risk of the Offered New Shares not being fully subscribed, and are not liable for any payment failures by a subscriber. The commitment of the Underwriters is subject to a "material adverse change" clause that allows the Underwriters to cancel their commitment in the event of *force majeure* (defined as circumstances exclusively occasioned by forces of nature without interference of any person, and acts of war, including acts of terrorism) or in the event of an industrial accident caused by forces outside of the control of the parties to the Underwriting Agreement, if such force majeure or industrial accident has reduced the mid-point of the range of enterprise values of PGS as set forth in the Disclosure Statement to less than 80% of such value.

The Underwriters may not assign their rights and obligations under the Underwriting Agreement and will not receive any fee, commission or other consideration for the commitments under the Underwriting Agreement.

The Underwriters are compensated for their underwriting solely through their right to acquire New Shares as described in Section 4.2.1. PGS ASA has assessed the compensation to Underwriters in light of the requirements under Norwegian law for equal treatment of shareholders. PGS ASA believes that the compensation to the Underwriters is fair in the overall context of the Restructuring, and that it does not constitute a breach of the said requirements.

4.3 COSTS RELATED TO THE OFFERING

Costs and expenses in connection with the Offering, including the preparation of this Prospectus, will be paid by the Company, and are expected to be:

- Approximately NOK 250,000 to the law firm Wikborg, Rein & Co, Kronprinsesse Märthas plass 1, 0117 Oslo, Norway. Fees are calculated mainly on the number of hours spent in connection with the preparation of the Offering.

In addition, the Company will cover expenses for the printing and distribution of this Prospectus and other sundry expenses connected with the Offering.

Except for costs related to its settlement operations, ABG Sundal Collier Norge ASA will not charge any fee over and above its agreed fee as financial advisor to PGS.

The expenses will be charged entirely to the profit and loss account of the Company.

4.4 JURISDICTION

The Offering and this Prospectus are subject to Norwegian law, unless otherwise indicated. Any dispute arising in respect of the Offering or this Prospectus is subject to the exclusive jurisdiction of Norwegian courts.

4.5 AMENDED OFFERING

The Company believes that the Offering (not including the New Shares acquired by the Underwriters pursuant to the Underwriting Agreement) will qualify for an exemption from registration under the Securities Act pursuant to section 1145 of the United States Code and that the US Bankruptcy Court will confirm this in its Confirmation Order ("1145 Approval"), and the above description of the Offering is based on this assumption. Should 1145 Approval not be obtained, the Offer as described in this Prospectus will be rescinded, and any orders for New Shares will be null and void, and any payments made will be returned. Such rescission will be announced through the Oslo Stock Exchange information system. In the absence of an 1145 Approval, the Offering can only be consummated as a registered offering under the Securities Act or pursuant to another exemption from registration under US securities laws. It is anticipated that the Confirmation Order, setting forth, i.a., whether 1145 Approval has been given, will be rendered on or about October 21, 2003, before the start of the Offer Period. However, it must be appreciated that the date is determined by the US Bankruptcy Court. The Company will announce the Confirmation Order through the Oslo Børs information system as soon it is made.

If the Company does not succeed in obtaining an 1145 Approval, which will not be known at the time of the Extraordinary General Meeting, the 6,000,000 New Shares (30% of the New Shares) intended for sale in the Offering will not be subscribed for.

The preparation of the registration statement, and the approval of it by the SEC, would cause the Offering (both start date and end date) to be postponed for an uncertain period of time pending SEC review of the registration statement (the "Amended Offering").

The Amended Offering will be arranged as an issue of shares by Reorganized PGS ASA for cash ($85 million), where the cash received will be used for repaying $85 million of incremental debt to the Package B Holders. A new prospectus will be provided for the Amended Offering.

The Underwriters will as soon as possible following completion of the Restructuring subscribe and pay for the 1,500,000 New Shares (equaling 7.5% of the New Shares), pursuant to an alternative exemption from the registration requirements under the Securities Act, which they are entitled and obligated to purchase. Such subscription and payment is thus not conditional upon the registration statement being declared effective by SEC. If the Amended Offering is not completed by March 31, 2004, each of the Underwriters has the right to cancel his commitment under the Underwriting Agreement. If not cancelled as of March 31, 2004, the outstanding commitment may be cancelled as of July 31, 2004 and July 31, 2005, if the Amended Offering has not been completed by such date.

To enable the Company to conduct the Amended Offering, the Board has proposed that the Extraordinary General Meeting gives the Board the following two authorizations:

(i) to increase the share capital by up to NOK 45,000,000 through a private placement of 1,500,000 New Shares to the Underwriters, and to the extent the Underwriters do not subscribe, to the Package B Holders, where the price per share shall be the counter-value in NOK of $14.17 being the equivalent of $85,000,000 for 6,000,000 New Shares. The Board shall waive the pre-emptive rights of shareholders and the authorization shall expire on September 30, 2005. The Board may only use the authority if the US Bankruptcy Court does not grant 1145 Approval.

(ii) to increase the share capital by up to NOK 135,000,000 through a private placement of 4,500,000 New Shares to the Existing Shareholders as of the Effective Date, and to the extent the Existing Shareholders do not subscribe, to the Underwriters, and to the extent the Underwriters do not subscribe, to the Package B Holders, where the price per share shall be the counter-value in NOK of $14.17 being the equivalent of $85,000,000 for 6,000,000 New Shares. The Board shall waive the pre-emptive rights of shareholders and the authorization shall expire on September 30, 2005. The Board may only use the authority if the US Bankruptcy Court does not grant 1145 Approval.

5 BUSINESS OVERVIEW

5.1 INTRODUCTION

PGS is a technologically focused oilfield service company principally involved in geophysical and floating production services.

The geophysical group provides a broad range of services, including acquisition, processing and marketing of seismic data. Oil and gas companies use the seismic data to explore for new oil and gas reserves, to develop existing oil and gas reservoirs and to manage producing oil and gas fields.

The production group operates a fleet of FPSO vessels for harsh weather environments, currently operating in the North Sea. These vessels are contracted to oil and gas companies as floating production installations for offshore oil and gas production. The FPSOs are equipped to process, store and offload the oil and process, reinject or export the gas.

In addition, the Company provides certain geophysical and other services that help oil and gas companies monitor producing oil and gas reservoirs in order to improve efficiency and potentially to increase ultimate recoveries.

Through its wholly owned subsidiary, Pertra, PGS also is the operator on PL 038, of which Pertra owns 70%.

PGS operates on a worldwide basis with headquarter in Oslo, Norway.

5.2 HISTORY

A summary of the Company's primary milestones includes the following:

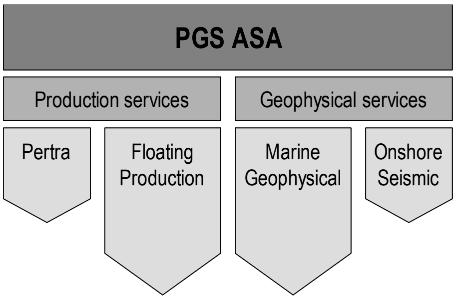
- January 1991: PGS is established with the merger of Geoteam a.s. and Nopec a.s
- August 1992: Listed on Oslo Børs
- May 1993: Initial Public Offering on Nasdaq
- 1995 – 1999: Constructed and put into operation six high capacity Ramform design 3D seismic vessels. Each vessel is capable of deploying between 16 and 20 full length streamers
- Early 1997: Establishment of a group to develop and enhance 4D land reservoir monitoring technology products and to deploy similar technology in the offshore marine environment
- April 1997: Listing on the New York Stock Exchange
- May 1998: Acquisition of Golar-Nor (Petrojarl I and Petrojarl Foinaven)
- June 1998: Agreement to acquire United Kingdom-based Atlantic Power Group, a production management and floating production specialist, subsequently forming PGS Production Services
- October 1998: Delivery of the Ramform Banff
- July 1999: Acquisition of the newly-constructed FPSO Varg (renamed Petrojarl Varg)
- June 2000: Announcement of letter of intent with Statoil to produce the Glitne field in the Norwegian sector of the North Sea with the Petrojarl I
- December 2000: Sale of remaining ownership in Spinnaker Exploration Company
- March 2001: Sale of Petrobank Data Management business and related software to Landmark Graphics Corporation, a subsidiary of Halliburton Company
- April 2001: Securitization program related to multi-client 3D data library
- November 2001: PGS and Veritas announced an agreement to combine
- February 2002: The oil company Pertra is formed, approved as new operator on the NCS and enters into agreements with Norsk Hydro and Statoil to take their 70% share of the Varg field
- July 2002: Veritas terminates the combination agreement

- August 2002: Pertra formally assumes ownership and operatorship of Varg field
- September 2002: Election of four new directors to Board of Directors
- October 2002: Appointment of new CFO
- November 2002: Appointment of new CEO
- December 2002: Completion of the sale of PGS Production Services Group Ltd (Atlantic Power)
- February 2003: Completion of the sale of Atlantis
- June 2003: Announcement of agreement in principle for the proposed Restructuring
- July 2003: Filing under chapter 11 of the Bankruptcy Code

5.3 ORGANIZATION & STRATEGY

5.3.1 Business area organization

The summary chart below illustrates the Company's business area organization.



At the parent company level (PGS ASA), certain functions common to the Company are organized; primarily group management and support functions, including shared services. The headquarters of PGS are located in Oslo, Norway.

Floating Production, operating four FSPO vessels and Pertra, being the holder of PGS' ownership and operatorship of the Varg Production License, is managed from Trondheim, Norway .

Marine Geophysical, managed from London, is now a regional organization providing the following products and services:

- Marine towed streamer acquisition
- Seafloor seismic acquisition
- Seismic data processing

Onshore Seismic, managed from Houston, is supplying land seismic survey services.

For a more detailed description of each of the different business areas, see Section 6.

As of June 30, 2003, the Company had approximately 3,900 full time employees, 81% of these were employed in geophysical services, 13% in production services including Pertra and 6% in global services and corporate functions.

5.3.2 Group strategies

In late 2002, PGS took decisive steps to align its business priorities with the Company's financial situation. The Board of Directors and management decided to move away from the previous holding company model and to focus more directly on each of the PGS' current core businesses. The management aims to leverage the Company's strong market positions, build on the core strengths of the Company and exploit its leading technology and competitive position.

The immediate strategic agenda is to a large degree set by the expected continued weakness in the markets for geophysical services in the absence of a pick-up in oil companies' exploration activity. Continued overcapacity and competitive pricing is therefore expected to continue both in the marine and the land market segments. In the markets for harsh weather FPSO capacity, the Company expects new employment opportunities to materialize during the coming years.

The continued emphasis on health, safety and the environment has been underpinning the Company's recent financial progress. This emphasis will be sustained and combined with a strong focus on day-to-day operations and regularity in all businesses. In a market environment of overcapacity and price pressure, this is critical to retaining a competitive edge.

At the same time, the work to improve cash flows and reduce cost will continue. The target of reducing cost by a minimum of $75 million in 2004 compared to 2002 is in the process of being delivered. The major cost reductions are seen in marine acquisition, data processing and support functions. Reductions in staff levels will contribute substantially towards reaching those targets, in combination with simplifications in the organizational structure and clearer management accountabilities. More effective working capital management also remains high on the agenda and is based on a detailed program for implementation.

Improvements in the balance between risk and reward are at the core of rebuilding PGS. While the prospects for further, broad capital-intensive growth obviously have been substantially reduced, the improvements in managing risks have several other and specific elements:

- Substantially lower seismic multi-client investments combined with higher requirements for pre-funding for such investments
- Shifting and sustaining more than two thirds of marine seismic capacity into contract work
- Reducing the rate of growth in the Onshore seismic business combined with increased thresholds for cash margins
- Continued push for profitable prolongations of existing FPSO employment contracts, combined with a renewed effort to exit or materially change the loss making contract for the Banff vessel
- Pursuing new production opportunities and seeking cooperation with other companies to reduce associated investment requirements for the oil company Pertra

This immediate strategic agenda for PGS' present core businesses is seen as the most effective way to create shareholder value. With a solid capital structure, success in implementing the agenda over the next couple of years will at the same time give PGS the necessary platform to combine organic growth with pursuing attractive industry restructuring opportunities as such are identified.

5.3.3 LEGAL ORGANIZATION

The following table shows the subsidiaries and affiliated companies of PGS ASA as of March 31, 2003:

Name	Jurisdiction	Ownership
PGS Shipping AS	Norway	100.00%
Oslo Seismic Services Ltd.	Isle of Man	100.00%
PGS Geophysical AS	Norway	100.00%
PGS Production AS	Norway	100.00%
PGS Reservoir Consultants AS	Norway	100.00%
Multiklient Invest AS	Norway	100.00%
Pertra AS	Norway	100.00%
Petroleum Geo-Services, Inc.	United States	100.00%
Petroleum Geo-Services (UK), Ltd.	United Kingdom	100.00%
Seahouse Insurance Ltd.	Bermuda	100.00%
PGS Mexicana SA de CV	Mexico	100.00%
PGS Rio Bonito	Brazil	99.00%
Dalmorneftegeofizika PGS AS	Norway	49.00%
Walther Hervig AS	Norway	50.00%
Geo Explorer AS	Norway	50.00%
Shanghai Tensor CNOOC Geophysical Ltd.	United Kingdom	50.00%
Baro Mekaniske Verksted AS	Norway	10.00%
Calibre Seismic Company	United States	50.00%
PGS Capital Inc.	United States	100.00%
Diamond Geophysical Company	United States	100.00%
PGS Exploration (Nigeria) Ltd.	Nigeria	100.00%
PGS Offshore Technology	Norway	100.00%
PGS Data Processing Middle East SAE	Egypt	100.00%
PGS Data Processing Inc.	United States	100.00%
PGS Intervention AS	Norway	100.00%
Petroleum Geo-Services Asia Pacific Pte. Ltd.	Singapore	100.00%
PGS Australia Pty. Ltd.	Australia	100.00%
Atlantis Ltd.	United Kingdom	100.00%
PGS Consulting AS	Norway	100.00%
UNACO AB	Sweden	100.00%
Hara Skip AS	Norway	100.00%
PGS Tensor Geofisica de Venezuela CA	Venezuela	100.00%
Atlantic Explorer AS	Norway	100.00%
PGS Exploration (Malaysia) SDN BHD	Malaysia	100.00%
PGS Exploration (US) Inc.	United States	100.00%
PGS Exploration Pty. Ltd.	Australia	100.00%
PGS Ocean Bottom Seismic, Inc.	United States	100.00%
PGS Exploration (UK) Ltd.	United Kingdom	100.00%
PGS Floating Production (UK) Ltd.	United Kingdom	100.00%
PGS Pension Trustee Ltd	United Kingdom	100.00%
PGS Tigress (UK) Ltd.	United Kingdom	100.00%
PGS Reservoir Consulting (UK) Ltd.	United Kingdom	100.00%

Continued:

Name	Jurisdiction	Ownership
Atlantic Explorer Ltd.	Isle of Man	50.00%
Oslo Seismic Services Inc.	United States	100.00%
Oslo Explorer Plc.	Isle of Man	100.00%
Oslo Challenger Plc.	Isle of Man	100.00%
PGS Shipping (Isle of Man) Ltd.	Isle of Man	100.00%
PGS Onshore, Inc.	United States	100.00%
PGS Americas, Inc.	United States	100.00%
Seismic Energy Holding Inc.	United States	100.00%
PGS Caspian AS	Norway	100.00%
PGS Multiclient Seismic Ltd.	United Kingdom	100.00%
PGS Marine Services (Isle of Man) Ltd.	Isle of Man	100.00%
Golar-Nor Offshore AS	Norway	100.00%
Golar-Nor Offshore (UK) Ltd.	United Kingdom	100.00%
K/S Petrojarl I AS	Norway	98.50%
Golar-Nor (UK) Ltd.	United Kingdom	100.00%
Deep Gulf LLC	United States	50.10%
PGS Nopec (UK) Ltd.	United Kingdom	100.00%
PGS Nominees Ltd.	United Kingdom	100.00%
Petrojarl 4 DA	Norway	99.25%
SOH, Inc.	United States	100.00%
PGS Trust I	United States	100.00%
PGS Trust II	United States	100.00%
PGS Trust III	United States	100.00%
PGS Nusantara PT	Indonesia	100.00%
PGS Processing (Angola) Ltd.	United Kingdom	100.00%
Seismic Exploration Ltd.	United Kingdom	100.00%
PGS Ikdam Ltd.	United Kingdom	100.00%
Sakhalin Petroleum Plc.	Cyprus	100.00%
Ikdam Production SA	France	40.00%
PEGEESSE Investigacao Petrolifera Limitada	Brazil	99.00%
Sea Lion Exploration Ltd.	Bahamas	100.00%
Aqua Exploration Ltd.	Bahamas	40.00%

5.4 RECENT DISPOSALS

In December 2002, PGS completed the sale of its PGS Production Services Group Ltd (formerly Atlantic Power Group Limited) to Petrofac Limited under the October 8, 2002 share sale agreement. The transaction involved total cash proceeds to PGS of approximately $25 million that was paid in December, and contingent and deferred payments of up to $15 million to be paid during 2004 and beyond.

In February 2003, PGS closed the sale of Atlantis to China National Chemicals Import & Export Corporation (‘Sinochem”). The gross proceeds of the transaction paid at completion were approximately $55 million. Additional payments of up to $50 million will be payable by Sinochem to PGS subject to the completion and terms of certain sales contracts.

Package A Holders will receive their pro rata share of 90% of further proceeds in respect of the sale of Atlantis, see Section 3.3.

5.5 COMPANY ADDRESS AND ORGANIZATION NUMBER

Petroleum Geo-Services ASA
Strandveien 4
N-1366 Lysaker, Norway
Organization number: 916235291

6 BUSINESS UNITS

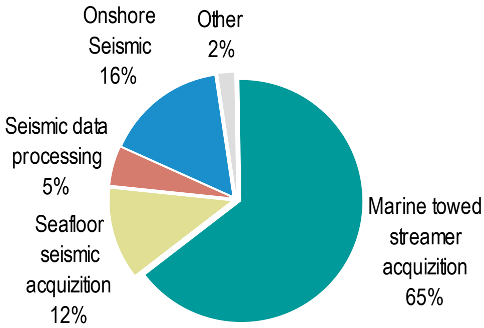
6.1 GEOPHYSICAL SERVICES

6.1.1 Introduction

PGS Geophysical acquires, processes, markets and sells high quality seismic data worldwide. Seismic projects normally involve PGS in the planning of the seismic survey and the acquiring and processing of the seismic data. Such data are then interpreted by the oil companies to produce contour maps, computer-generated graphic 2D cross-sections and 3D images of the subsurface. Oil and gas companies use this information in evaluating whether to acquire new leases or licenses in areas with potential accumulations of oil and gas, in selecting drilling locations, in modeling of oil and gas reservoirs areas and in managing producing reservoirs. The Company refers to the repetition of identical 3D surveys over the same area at different time intervals as 4D or time-lapse surveys. Oil and gas companies use these surveys to assist in their evaluation of subsurface geophysical conditions that change over time due to the depletion and production of the reservoir fluids. This evaluation provides for more efficient production of the reservoir and the possible extension of the reservoir's useful life.

PGS acquires seismic data both on an exclusive contract basis for customers and on its own behalf as multi-client data for licensing on a non-exclusive basis to others. The Company acquires contract data for the specific client that requests the data. PGS acquires and retains ownership of multi-client data for licensing from time to time to multiple customers on a non-exclusive basis. In some of the projects, interests in the revenue from the sales of the multi-client data are shared with third parties.

For fiscal year 2002, the composition of revenues for the different units within geophysical services was as follows:



6.1.2 Geographical areas of operation

PGS currently conducts the majority of the seismic data acquisition business in the North Sea and offshore Brazil and West Africa. Seismic data is also acquired in other active oil and gas exploration and/or production areas around the world from time to time, including:

- the Gulf of Mexico
- offshore Canada
- offshore China and Korea
- offshore and onshore India and Pakistan
- the Sakhalin area of Russia
- offshore Australia, Indonesia and other countries in the Asia Pacific region
- offshore and onshore in the Middle East
- the Caspian Sea area
- the Mediterranean and Black Seas
- offshore and onshore Mexico and other parts of Latin America
- the US mid continent, Rocky Mountains and Alaskan North Slope regions

6.1.3 Marine geophysical operations

To acquire marine seismic data through conventional streamer operations, a wave of acoustic energy is discharged just below the water's surface from one or more energy sources (pressurized air) towed behind one or more survey vessels. As the wave travels through the water and subsurface earth, portions of the wave are reflected back at rock layer boundaries. The reflections are detected by hydrophones contained in streamers towed behind the survey vessels. The streamers convert the reflected waves into digital data that are then transmitted to a recording unit onboard the survey vessel. The acquired data is then analyzed for quality control purposes before being input into a processing system, which enables the production of images of the subsurface. In addition to conventional streamer operations, marine seismic data can also be acquired through seafloor seismic operations in which recording cables are placed directly on the ocean floor. The cables are retrieved after data are acquired and repositioned for further acquisition. Although more costly, this method, also referred to as multi-component seismic, provides more information about the rock layer beneath the seabed.

A 2D marine seismic survey typically is produced by a single survey vessel towing a single streamer and one energy source. The seismic data acquired generally represent a vertical cross-section beneath the line tracked by the streamer, referred to as a "seismic line." 3D data are acquired by combining a large number of parallel 2D seismic lines that can be processed to produce a three-dimensional image of subsurface strata. When a 3D seismic survey is performed, a dense grid of seismic data using multiple streamer configurations over a precisely defined area is acquired. Such data acquisition requires the use of sophisticated navigation and dynamic positioning system equipment that permits the constant and precise determination of the positions of streamers and energy sources during the acquisition process. This determination of position is essential to producing accurate subsurface images. When a 4D seismic survey is performed, a series of 3D seismic surveys are repeated over the same survey area at different time intervals. This series of surveys shows the changing subsurface geophysical conditions over time and provides information about the fluid movements in the reservoir being produced.

In acquiring 3D marine seismic data, multiple vessels and multiple streamers and energy sources may be used to acquire more rapidly, and at lower unit cost, the large number of seismic lines needed to produce a 3D data volume. By increasing the number of streamers and energy sources used, large surveys can be performed more rapidly and cost-effectively. Dual vessel operations, with one vessel acting as a source/recording vessel and the other as a recording vessel, make acquiring data in areas where production platforms or other obstructions interfere with seismic operations possible. Dual vessel operations also generally allow use of shorter streamers, which improves efficiency and reduces the chance of collision or entanglement with obstructions. In addition, PGS uses multiple vessel and streamer configuration operations to acquire long offset data for imaging deep targets.

To image complex geophysical and geological areas more accurately, a more dense configuration of streamers are deployed, using a single energy source to enhance seismic data quality and resolution. This technique is known as HD3D™ seismic, and has become a cost effective method to acquire improved quality seismic data due to the utilization of vessels, like the Ramform seismic vessels, that have the capability to tow in excess of 12 streamers at a time. PGS believes that more effective 4D seismic information requires HD3D™ or similar seismic technology and increased computing capacity to better reflect the subtle changes in geophysical conditions that occur over time. PGS believes that oil and gas companies find 4D seismic surveys and related reservoir monitoring services to be particularly useful in their efforts to increase recoveries from producing petroleum reservoirs.

Seafloor seismic acquisition is used in areas where conventional streamer acquisition operations are not possible or economically feasible due to access limitations from shallow water or obstructions. Seafloor seismic acquisition is also used in areas where conventional streamer acquisition would not meet the desired geophysical objectives. As of December 31, 2002, PGS had two seafloor seismic crews. One crew was outfitted with conventional ocean bottom cable technology, capable of recording multi-component seismic data in relatively shallow water. The second crew was outfitted with PGS' proprietary FOURcE ™ seafloor seismic acquisition technology, capable of recording multi-component seismic data in deeper water depths.

In multi-component seafloor seismic operations, both hydrophone and geophone data are recorded simultaneously. Processing the data with PGS' proprietary software allows for enhanced reservoir imaging and characterization, which improves: chances of discovery success at the exploration stage, information relating to the size of and reserve estimates for reservoirs at the appraisal and development stages, decision-making regarding production strategy and maximizing total reserve recovery at the production stage.

6.1.4 Onshore Seismic operations

To acquire land seismic data, an explosive or mechanical vibrating unit is used to produce an acoustical impulse that is reflected back at rock layer boundaries. A recording unit synchronizes the shooting and captures the reflected signals via geophones placed on or planted in the ground that produce an electrical current when the ground moves. On a typical 3D land survey, several thousand geophones are laid out in multiple lines to record the acoustical impulse. The data are then processed to produce a 3D image that enables geoscientists to visualize prospective drilling areas and producing oil and gas reservoirs.

As of December 31, 2002, PGS had eight 3D land seismic acquisition crews, one 3D transition zone acquisition crew and one 2D land seismic acquisition crew operating in various areas, including Mexico, South America, the Middle East, Central Asia and the US mid continent Gulf Coast and Alaskan North Slope regions. PGS is also developing a multi client data library of gas basins in the United States.

PGS believes that its land seismic acquisition business offers the technical and administrative support for successful growth into new land markets. PGS is able to field well equipped crews on a timely basis through established volume purchase agreements that provide technologically advanced recording, positioning, drilling and camp equipment. As with the marine seismic vessels, PGS' onshore seismic crews are equipped to acquire HD3D ™ surveys in a cost effective manner.

6.1.5 Contract operations

When seismic data is acquired on a contract basis, 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, typically are turnkey contracts. Under this turnkey method, the customers pay based upon the number of seismic lines or kilometers of seismic data collected and bear some or all of the risk of business interruption, due to causes beyond PGS' control such as, among others, weather and permitting. Monthly progress payments are generally required unless the survey is expected to be concluded in a brief period of time.

PGS expects in the near term to focus on contract revenue in the North Sea, in the Asia Pacific and Middle East regions and offshore West Africa and South America. However, the Company also intends to seek opportunities for contract revenue in other areas of the world where offshore oil and natural gas operations exist. During 2002, PGS performed or secured contract work in the North Sea; offshore and onshore Mexico; offshore West Africa, Australia, China and other countries in the Asia Pacific region; offshore and onshore South America; offshore Canada; onshore in the US mid-continent, Gulf Coast and Alaskan North Slope regions and offshore and onshore in Central Asia and the Middle East.

6.1.6 Multi-client operations

PGS continues to build and market a multi-client seismic data library, including seafloor and onshore seismic data, with a particular emphasis in the North Sea, offshore Brazil and the Asia Pacific region. This geographic focus is expected to continue in the future, but PGS also intends to acquire multi-client seismic data in additional geographic areas from time to time. PGS' onshore library is currently focused on Alaska, the US mid-continent and Gulf Coast regions.

From the perspective of an oil and gas company, purchasing multi-client seismic data is less expensive on a per unit basis than contracting to have seismic data acquired on an exclusive basis. From the Company's perspective, multi-client seismic data are 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 PGS acquires multi-client seismic data the Company 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 such costs reduces this risk. The level of pre-funding required by PGS prior to initiating a multi-client seismic survey is determined 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
- the existing infrastructure in the region to transport oil and gas to market
- the historical turnover of the leased acreage

- the level of interest from oil and gas companies in the area
- Typically, the level of pre-funding required by PGS over the last several years has ranged from 20 to 50%.

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

A substantial portion of PGS' Gulf of Mexico marine seismic data library has been acquired offshore Louisiana and Texas, including deepwater areas. PGS has also acquired significant data in the North Sea and offshore Brazil and West Africa. The Company believes that the deepwater areas offshore Brazil, West Africa and in the Asia Pacific region will continue to be among the most active offshore exploration and development areas in the near future. PGS also believes that the relatively high cost of locating and producing deepwater oil and gas reservoirs will contribute to increased demand for high density marine seismic data and other specialized geophysical services which allow oil and gas companies to better define oil and gas reservoir potential.

PGS' multi client data is marketed primarily through its own sales organization. PGS also has marketed the data through various arrangements with third parties, most of which have been terminated.

6.1.7 Data processing operations

PGS provides seismic data processing services for its own seismic data acquisition operations and for third parties. The Company generally competes for data processing contracts on a competitive bid basis. These contracts generally provide for the customer to pay a flat fee per mile or kilometer processed for a prescribed set of processing procedures. Additional procedures may be quoted separately and are frequently added during the course of the project.

PGS operates four main land-based seismic data processing centers, located in Houston, Texas, US; Cairo, Egypt; London, England; and Perth, Australia. Each of these operational hubs is equipped with supercomputers for data processing. PGS also has a processing center in Oslo, Norway that is linked to the other centers' supercomputers. The company operates other remote centers, like the Oslo model, from time to time as the market demands, included dedicated in-house services for customers. PGS uses a proprietary operating system for the supercomputers, which is designed to take advantage of supercomputer architecture and can be converted to operate on a variety of supercomputers. These supercomputers offer processing capacities for the large data volumes and computer intensive algorithms requiring numerous simultaneous calculations that are inherent in seismic data processing. The Company has developed its own proprietary geophysical solutions to run in this environment, with approximately 200 separate applications, all accessible onshore and offshore within the processing flow-driven CubeManager™. Through its seismic data processing operations PGS provides:

- 3D data processing of land and marine seismic surveys
- onboard (vessel) seismic data processing for reduced delivery times and enhanced real time quality control for data
- multi component and 4D seismic data processing for reservoir characterization and monitoring
- specialized depth imaging of subsurface structures in deepwater and under salt formations
- other specialized signal enhancement techniques

PGS has deployed the onboard supercomputer processing systems for most of its marine seismic data acquisition crews and have stationed processing personnel onboard these vessels to process and provide quality control of the seismic data as they are acquired. PGS believes that onboard processing and quality control provide a competitive advantage because of the ability to process the large volume of data associated with seismic surveys concurrently with data acquisition. This concurrent process allows the Company to shorten the period of time required to deliver high quality finished data to the customer. In addition, onboard processing and quality control allow PGS to decide whether it should resurvey particular areas to fill gaps in the original data while the vessel and crew are on the prospect areas. As a result, PGS can resurvey more quickly and less expensively.

6.1.8 Competition

The seismic data acquisition and processing businesses are very competitive worldwide for both the contract market and the multi-client market. PGS competes for available seismic surveys based on a number of factors, including technology, price, performance, dependability, crew availability, turnaround time and processing capacity availability. In addition, the first company to acquire multi-client seismic data in an area generally has a competitive advantage in that area. PGS' largest competitors are WesternGeco, a joint venture between the seismic units of Schlumberger Limited and Baker Hughes Incorporated, CGG and Veritas.

All the major competitors in seismic data acquisition both acquire and process 3D seismic data. PGS' processing operations compete primarily with CGG, WesternGeco and Veritas for time processing contracts. Competition for time processing contracts is based primarily on price, but processing expertise, capacity turnaround time, technology and processing center location are also important factors.

Competition in the marine and onshore markets are fundamentally different. The marine seismic data acquisition and processing market is somewhat consolidated, with the four largest competitors (PGS, WesternGeco, CGG and Veritas) representing more than 90% of capacity, whereas in the onshore market, approximately 50% of the market is represented by a large number of small operators.

The Company estimates that it holds an overall market share (based on revenues) for seismic services of around 20%, with a relatively stronger position within production related marine services (such as HD3D services) and a relatively weaker position within the onshore market and for data processing services. Within its marine seismic data acquisition operations, PGS estimates that it has approximately 30% of the streamer capacity.

PGS believes it has the following main competitive strengths in its marine seismic data acquisition services:

- generally, high operational reliability, safety and customer satisfaction
- its ability to tow more streamers than its competitors and its superior streamer retrievability, control and stability, yielding better cost effectiveness on larger surveys
- its ultra deepwater capability, high channel and cable count in its seafloor seismic operations

6.1.9 Market outlook

In the past few years, the seismic industry has suffered from continuing soft prices, as recovery from the oil-price collapse in 1999 has been slow. The industry is currently suffering from over capacity, with the possible exception of niche technologies in marine seismic, such as 4D and HD3D™ . The over capacity has been somewhat reduced lately, as the competitors in the industry have stacked 3D vessels. The streamer count reduction has been less, as each vessel still in operation generally is capable of towing more streamers.

The marine seismic revenues have historically moved closely with the oil companies' exploration and production spending, and this trend is expected to continue. The Company expects continued pressure in the medium term in the competitive 3D market. PGS' focus on HD3D, 4D and seafloor operations is expected to mitigate this effect to some extent, as production related seismic experiences more stable pricing.

Within onshore seismic, the Company foresees continued strong competition and generally a challenging market.

6.1.10 Strategy

PGS' principal strategies include using, developing and investing in advanced technologies for the acquisition, processing, interpretation and marketing of seismic data.

Over the past several years, PGS has invested heavily in its multi-client seismic data library and in high technology acquisition equipment, including

- its Ramform seismic vessels and deep water FOURcE acquisition systems;
- its high capacity computing facilities, together with the development of specialized proprietary software for seismic imaging, multi-component processing, signal enhancement and visualization technology; and
- state-of-the-art technology in PGS' onshore seismic data acquisition equipment to enable efficient acquisition of high quality seismic data in all types of terrain

PGS' seeks to realize the benefits of these investments through a strong focus on sales of its existing data library and the exploitation of the competitive advantages of its acquisition systems and personnel to increase PGS' share of the seismic services contract market. PGS expects to reduce its investments in its multi-client data library through its project selection process. In addition, PGS expects to focus on the less volatile reservoir and production related seismic services market through application of its HD3D™ techniques, 4D acquisition and multi-component acquisition. PGS will continue to exercise strong capital discipline and focus on reducing cost while maintaining the effectiveness of its operations.

6.1.11 Fleet

PGS believes that it operates one of the most advanced marine seismic data acquisition fleets in the world. To improve crew productivity and efficiency, a high ratio of streamers towed to vessels in operation is emphasized. As of December 31, 2002, PGS had a total of ten 3D marine seismic streamer crews operating 10 seismic vessels. In addition, as of December 31, 2002, PGS had two seafloor seismic crews operating a total of nine vessels. The seafloor seismic crews perform ocean bottom seismic operations, or multi component operations. PGS does not own any 2D vessels but charters them from time to time to provide this capability when required.

Marine seismic data is acquired using seismic crews on both owned and chartered vessels that have been constructed or modified to specifications and outfitted with a full complement of data acquisition, recording, navigation and communications equipment. The crews 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 operate the vessels. The vessel maritime crews are employees of either the owner of the chartered vessels or a contract operator for the vessels.

Equipment used on the seismic vessels

Most of PGS' seismic vessels, other than those used in seafloor seismic operations, have an equipment complement consisting of the following:

- digital recording streamers
- recording instruments
- acoustic positioning systems for source and streamer locations
- supercomputer systems for data processing
- multiple navigation systems for vessel positioning
- except for vessels that record only, a source control system that controls the synchronization of the energy sources and an air gun array firing system that activates the acoustic energy source

For seafloor seismic operations, the Ocean Explorer, the Carlson Tide, the Bergen Surveyor, the Jonathan Chouest and the Dickerson Tide each have a DP system and recording instrumentation that permits the recording of data from up to 48 kilometers of ocean bottom cables. These vessels also have equipment to deploy and recover cables automatically.

Vessel information

The following table shows the marine seismic vessels owned or chartered by PGS as of December 31, 2002:

Name	Year rigged/ converted	Total length (ft)	Total beam (ft)	Long-length streamer capability	Maximum streamers deployed	Owned or charter expiration
3D Seismic Vessels						
Ramform Challenger	1996	284	130	16	12	Owned
Ramform Explorer	1995	270	130	12	8	Owned
Ramform Valiant	1998	284	130	20	10	2023 (1)
Ramform Viking	1998	284	130	20	10	2023 (1)
Ramform Victory	1999	284	130	20	16	2024 (1)
Ramform Vanguard	1999	284	130	20	10	2024 (1)
Atlantic Explorer	1994	300	58	6	6	Owned
American Explorer	1994	306	59	8	8	Owned
Nordic Explorer	1993	209	54	6	6	Owned
Orient Explorer (2)	1995/96	246	49	4	4	2004
Walther Hervig (2) (3) (4)	1997	254	56	5	4	2005
Seafloor Seismic Vessels (2)						
Carlson Tide	1995	194	40	NA	NA	2003
Dickerson Tide	1995	194	40	NA	NA	2003
Beulah Chouest	1996	195	40	NA	NA	2003
Jonathan Chouest	1996	180	34	NA	NA	2003
Falcon Explorer	1997	266	53	NA	NA	2005
Bergen Surveyor	1997	217	48	NA	NA	2004
Ocean Explorer	1993/95	269	59	NA	NA	Owned

(1) UK lease agreements. Under the lease, PGS leases the vessels from UK financial institutions under long-term charters that give PGS the option to purchase the vessels for a de minimis amount at the end of the charter periods. PGS has paid funds to large international banks to legally the future charter obligations for the vessels
(2) These vessels normally operate in a multi-vessel configuration
(3) Chartered from a limited partnership owned 50% by PGS
(4) Currently stacked or not operating

Ramform seismic vessels

As of December 31, 2002, PGS operated six Ramform design vessels in its marine seismic data acquisition operations. Each of the Ramform seismic vessels is a state of the art vessel that is capable of pulling a relatively large number of streamers and is built according to a design in which PGS has proprietary rights. The four Ramform seismic vessels delivered in 1998 and 1999 are designed to deploy up to 20 streamers.

PGS believes that the Ramform design seismic vessels represent the most advanced seismic vessels currently in operation in the world. Because of their size and unique design, including their extreme width in relation to their overall length, Ramform design seismic vessels have an increased streamer towing capacity as compared to conventional seismic vessels. In addition, the Ramform vessels have increased stability and improved motion characteristics over conventional seismic vessels. Among other things, these characteristics allow these vessels to leave seismic equipment deployed during more severe weather conditions than is possible for conventional seismic vessels. As a result, these vessels can resume production more quickly once conditions have stabilized and thereby acquire seismic data for more sustained periods of time. The size and unique design of the Ramform seismic vessels, together with PGS' advanced techniques for rapid deployment and retrieval of seismic streamers, allow PGS to acquire marine seismic data more efficiently. The Ramform design seismic vessels are also well suited for acquiring high-definition surveys, which require the use of multiple streamer configurations with narrower distances between streamers in order to generate the necessary density of seismic data for enhanced resolution. The Ramform design seismic vessel has recently completed seismic surveys using HD3D™ seismic technology. PGS is experiencing an increasing demand for data acquired in this manner.

6.2 FLOATING PRODUCTION

6.2.1 Introduction

PGS owns and/or leases[1] and operates four FPSO vessels with a combined production capability of 355,000 bopd and 270 mmscfd, and a crude oil storage capacity of more than 1 million barrels. All four vessels are double hulled, rated for harsh environments and capable of working in deepwater fields.

PGS believes that its fleet of high-specification, FPSO vessels is the most technologically advanced in the industry, with experience of operating in some of the industry's most demanding environments in the North Sea and Atlantic Margin. The Company has a total of 16 years of experience on 13 different fields.

An FPSO system is a ship-based type of mobile production unit that produces, processes, stores and offloads oil, and processes, reinjects or exports gas from offshore fields with widely differing production characteristics, sizes and water depths. The selection of a particular mobile production unit from among the several types of readily movable offshore production systems depends on the overall reservoir and environmental characteristics of the field to be developed, and its financial and schedule constraints. FPSO systems typically perform the same function as fixed offshore platforms and other floating production systems in the offshore production of oil and gas, with the exceptions of drilling and heavy well maintenance. However, FPSO systems provide a number of advantages over fixed platforms including:

- being suitable for a wide range of field sizes and water depths
- being reusable on more than one reservoir
- generally costing less and being easier to install and remove than fixed platforms
- reducing the time from discovery to production

An FPSO vessel may be either a ship-shaped vessel specifically designed to function in an FPSO system or an existing tanker or other marine vessel converted to function in an FPSO system. A typical FPSO life-of-field system consists of wells completed using subsea wellheads that are connected to the FPSO vessel by flexible flow lines, or risers. FPSO vessels are also employed in conjunction with wellhead template platforms. Risers carry oil, gas and produced water from the ocean floor to the vessel, which are processed onboard the FPSO vessel. The resulting oil is exported, either by a subsea pipeline or an offtake system using shuttle tankers. Natural gas may be exported by subsea pipeline, reinjected into the reservoir or, in some circumstances, flared. Produced water is either reinjected into the reservoir or disposed of overboard in accordance with applicable discharge regulations.

6.2.2 Market for FPSO services

The market for FPSO services differs fundamentally from the seismic market. Offshore production, either for test purposes or for full exploitation, generally takes place a relatively long time after exploration drilling has been completed. Consequently, oil and gas companies typically make production-related decisions based on different oil and gas price projections that are used for decisions relating to seismic or drilling activities. As offshore hydrocarbon basins around the world in general have matured, the oil and gas companies have increasingly focused on the development of smaller fields with relatively smaller or uncertain reservoir estimates and/or shorter expected producing lives. For development of these smaller fields to be profitable, the oil and gas companies must reduce development cost levels and financial exposure. As a result, producers have focused increasingly on subsea installations and reusable FPSO systems instead of the more traditional fixed steel and concrete platforms, which in general are not reusable.

The market for FPSO systems can generally be divided into three segments:

- extended well tests or production testing
- early production
- life-of-field development

[1] UK tax leases for the Foinaven vessel and the top-side on the Banff vessel.

Extended well testing or production testing

In exploration drilling of fields in which a discovery has been made that is expected to prove commercial, it is typical to conduct a traditional short drill-stem test from the drilling rig which provides the basis for an estimate of the productivity of the well and reservoir and the composition of the reservoir fluid. The test normally takes place over a short time period of a few days and involves the flaring of the produced quantities of oil and gas. This process has proved reasonably useful and is the prevailing test method on a worldwide basis. However, the long-term effects of the reservoir's productivity can only be established through stable production from one or more wells through an extended well testing or production testing process extending over several months.

In production testing, production is conducted from one or more reservoir formations or zones, and from one or more wells. The production-testing period may typically span from 6 to 18 months with production rates of 5,000 to 30,000 bopd. The results of such testing are used to confirm estimates of the reservoir's production capacity over time, the composition of the reservoir fluid, natural mechanisms for pressure support and the risk of gas and water breakthrough. This information is used in turn to develop and calibrate precise simulation models for the reservoir, which are subsequently used in positioning and dimensioning the permanent production facilities.

The short-term nature of production tests relative to actual production and the risk of periods of off-hire between contracts make the use of FPSOs for production testing typically less attractive for the FPSO contractor than for early production and life-of-field development. In general, mainly due to the high cost involved utilizing both a drilling facility, storage tanker and offloading system, oil and gas companies rarely utilize systems for production testing and base most of their development decisions on geophysical data, exploration and appraisal wells and drill stem tests.

Early production

When the decision has been made to develop a field into full production, a period of investment starts as time and capital is expended on engineering, building and installing the permanent facilities. This period of investment can typically extend for three to five years before a positive cash flow is established. Early production, by maintaining a certain level of production during this period without impairing the subsequent permanent production, may significantly improve the field's overall profitability by reducing the need for or level of construction financing and by providing income at an early stage. Typical production rates during an early production phase may range from 30,000 to 70,000 bopd from one to six wells.

Life-of-field development

Production of smaller and medium-sized fields during a period of three to eight years utilizing fixed installations may not be economically attractive, as the investment in the installation has to be fully depreciated over the life of the field. These fields provide the basis for the significant market for life-of-field development by FPSO systems, where the FPSO systems can be renewed and thus do not have to be fully depreciated.

In the case of life-of-field production, the operator generally adapts the production facility to the reservoir's requirements. Recently, there has been growing recognition that adapting the reservoir strategy to existing equipment may be the better financial strategy, given the uncertainties surrounding reservoir estimates and the price of crude oil and natural gas. In such a case, an FPSO can provide a universal load-bearing platform for a processing plant, which is merely modified to the individual field's requirements.

An FPSO designed for life-of-field production typically has a flexible general specification for the vessel that covers its positioning ability, storage and loading capacity, accommodations, power generation and water and gas injection capabilities. The vessel is equipped to be at sea for long periods without docking for modification and re-classing and may also be refitted with equipment for well intervention and well maintenance as production continues.

Competition and competing technologies

PGS' FPSO systems will generally compete from time to time with other FPSO systems, fixed installations, subsea production installations tied back to existing infrastructure, semi-submersibles, jack-up platforms and other floating or land-based production systems. Competition between FPSO systems and other offshore production systems is based on a number of factors including water depth, the availability or proximity of transportation infrastructure, the size of the producing field and time considerations, the cost and schedule for modifications, as well as local regulatory framework. In addition to the FPSO operations and other offshore production systems of the major oil and gas companies, PGS' FPSO competitors include numerous companies that own a small number of FPSO vessels. Of the 19 FPSO systems currently operating in the North Sea, 10 are operated by oil companies and nine by contractors. PGS operates four, indicating a market share of 44% of the North Sea contractor FPSO market.

FPSOs perform similar tasks as fixed installations, with the exception of drilling and heavy well maintenance. To combine drilling and heavy well maintenance with production, some oil companies have opted for semi-submersible platforms. The choice of development system between an FPSO and either a fixed installation or another floating system is dependent on an overall technical and financial evaluation of the individual field to be developed.

The most important technical characteristics oil companies use in evaluating the applicability of an FPSO for a specific field's development include water depth, estimated reserves and distance from existing fields:

Water depth

In waters shallower than approximately 230 feet (70 meters), a steel structure, which stands on the seabed, is typically used, since, at such shallow water depths, interference problems may arise between an FPSO's risers and anchor chains. However, since the mooring costs for an FPSO are much less dependent on water depth than for a fixed installation or TLP, FPSOs are typically much more economical than either a fixed installation or TLP in deeper waters.

Estimated reserves

For the use of an FPSO to become economically attractive to either an oil company or a contractor, the estimated reserves generally need to be between 20 and 200 mboe depending on reservoir characteristics, fiscal regime and proximity to infrastructure. Normal production lifetimes for such fields are typically from three to ten years. Smaller reserves (less than 20 mboe) generally cannot by themselves economically support production by an FPSO. Larger fields typically have production lifetimes long enough to reduce the value of an FPSO's reusability which will have an effect on the choice of whether the system is leased or owned by oil company and may also be affected by tax depreciation regimes. However, certain fields, such as the Foinaven field, are produced utilizing FPSOs even though the recoverable reserves are expected to be well above 200 mboe. Production of such larger fields utilizing FPSOs typically occurs in situations in which water depth or the lack of infrastructure in the area makes the use of a fixed installation impractical.

Utilizing existing infrastructure

Marginal fields located near existing infrastructure can often be most profitably developed using a linked subsea system or a mobile production facility without storage capacity, which is connected to pipelines. The cost of pipelines, pumps and possibly semi-submersible processing platforms may, however, be considerable. As a result, FPSOs may still be an attractive alternative for reserves located within such distances of an existing platform, particularly if the potential host platform does not have optimal facilities, extensive modifications are required or the timing of available capacity does not fit. The fact that such host platforms often are operated by a different, and potentially competing license group, has also historically made such arrangements difficult to achieve. For marginal fields that are a substantial distance from any existing infrastructure, FPSOs are most often the only alternative.

Semi-submersible and jack-up platforms

If constructed to operate in harsh conditions such as the North Sea, an FPSO generally will cost approximately the same to build as a converted semi-submersible or jack-up platform. In addition, an FPSO typically will have integral storage capacity, which the semi-submersible or jack-up platform will not. Because of the limit to the number of risers that can be transferred via the turret, the use of FPSOs has previously limited the number of production wells tied directly to the vessel. Conversely, a semi-submersible or jack-up platform does not rotate relative to the seabed and can have a larger number of risers. However, as turret technology has developed, additional risers have been handled by FPSOs. Petrojarl Foinaven can operate with up to 15 risers/umbilicals (although at present only 12 are being used under the contract with BP). At the same time as turret technology has improved, improved drilling technology, including horizontal and directional drilling, has reduced the number of wells necessary for the efficient production of many fields. Subsea connection of well streams, also known as manifolding, may further reduce the required number of risers. Regardless of other considerations, if the field has a need for crude oil storage in connection with the production unit, an FPSO will typically be more economical than a semi-submersible or jack-up platform, which requires a separate storage facility.

6.2.3 Competition, market outlook and strategy

For a discussion of the competition between FPSO systems and other offshore production systems, see Section 6.2.2.

The market for FPSOs is segmented by degree of processing plant sophistication, operating conditions and regulatory regimes. Consequently, competition tends to be specific to these segments, as vessels having different specifications cannot easily be redeployed between segments.

PGS' current fleet of FPSOs is designed specifically for harsh weather operations, limited shuttling distances and demanding regulatory regimes, such as typically found in the North Sea and the Atlantic Margin (UK, Ireland, Norway and Canada). Normally, these vessels will therefore realize higher rates in such markets, although specific projects in other regions periodically demand vessels with similar technical characteristics. In addition to vessel characteristics, PGS believes its safety and operating track record are key levers in competing for new contracts.

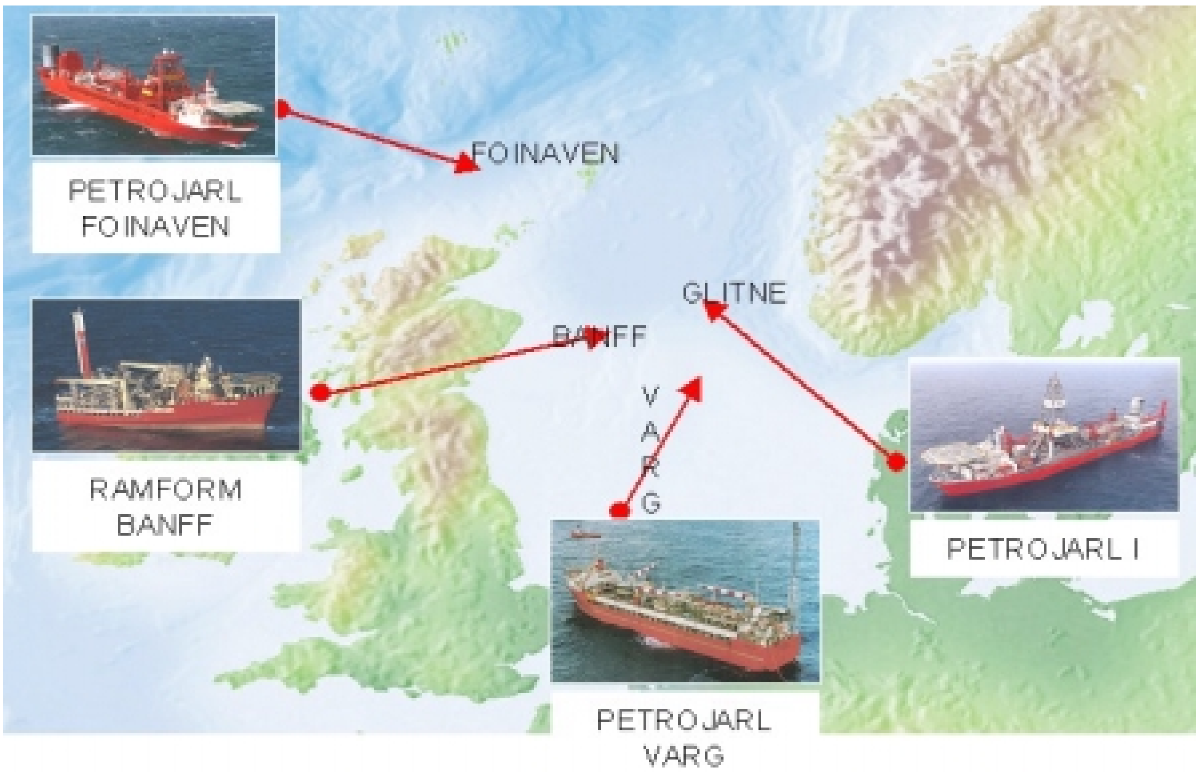
The North Sea market, where PGS' FPSOs are currently employed, has significant barriers to entry due to strict regulations, and is relatively mature, with total production being in decline. PGS thus foresees the total number of FPSOs in this region to remain at its current level. There are currently 19 FPSOs operating in the North Sea, of which PGS operates four. Other major contractors operating vessels in the North Sea include Bluewater Energy Services B.V. and Maersk A/S, each with two vessels; in addition, 10 vessels are owned by oil companies.

The FPSO market outside the North Sea, particularly in Brazil and West Africa, is growing faster than in the North Sea. While most FPSO's in these regions historically have been cheaper than the typical North Sea units, the new deepwater fields require more sophisticated vessels with characteristics more similar to those of PGS' fleet.

In view of the above, PGS aims at increasing the returns from its production business by maintaining a high level of operational performance from its existing vessels and actively pursuing various redeployment opportunities in the markets most likely to value the qualities of PGS' fleet. PGS believes a number of redeployment opportunities exist in the North Sea, particularly on the NCS, where PGS currently operates two of six vessels. The company will aggressively pursue such opportunities, while also evaluating specific opportunities in other regions.

6.2.4 Location of production units

The following map shows the PGS FPSOs at their current locations in the North Sea:



6.2.5 Petrojarl Foinaven

The Petrojarl Foinaven, currently in production for BP on the Foinaven field, is a converted submarine tender originally built in Finland for the Russian Navy (as M/V Anadyr). Her length was increased to 253 m (827 ft) by joining the existing bow and stern of the vessel to a new-build 142.5 m (466 ft), 14,592 tons double-hulled middle section. Thirty-two pre-assembled process units totaling 4,000 tons were added for Foinaven.

The vessel is turret-moored on BP's Foinaven field in the Atlantic west of the Shetland Islands and has successfully weathered severe North Atlantic storms. During 1999, Petrojarl Foinaven operated with an uptime performance of 98.5 in this harsh environment, and was certified to ISO 14001 standards for environmental procedures and performance. This unit is in the sixth year of a multi-year production contract.

<u>Specifications:</u>

Design: Russian/Finnish-designed submarine tender
Built: 1989, Wartsila, Turku yard, Finland as M/V Anadyr
Conversion Engineering: Golar-Nor Offshore (design and construction supervision of FPSO); McDermott Marine Construction (design, procurement, hook-up and commissioning supervision of the FPSO process topsides)
Conversion Fabrication: Astilleros Espanoles, Astano yard (NC-273), El Ferrol, Spain (vessel and topsides installation)
Mobilized to field: October 1996
Start of Production: November 1997

<u>Main dimensions:</u>

Length Overall: 253 m (827 ft)
Breadth: 35.5 m (116 ft)
Depth: 19.3 m (63 ft)
Draught: 12.8 m (42 ft)

<u>Process capacities:</u>

Total Liquids: 180,000 bpd
Crude Oil: 140,000 bopd
Produced Water: 120,000 bwpd with less than 40 parts per million (via hydrocyclones and disposed of overboard)
Water Injection: 165,000 bwpd
Gas production: 114 mmscfd
Gas Injection; 100 mmscfd

<u>Storage capacities:</u>

Crude Storage: 280,000 barrels in five tanks

Contract

For certain contractual issues relating to the reorganization of PGS, see Section 12.1.15.

The Petrojarl Foinaven is under contract with certain field co-operators led by field operator Britoil Plc, a subsidiary of BP, for production of the Foinaven field west of Shetland. Commercial production on the field commenced in November 1997. The Foinaven contract is not limited as to time. Britoil may terminate the contract with a minimum of two years' notice. PGS has not received any notice of termination from Britoil, and PGS currently expects that the vessel will remain on the field for a substantial period still. In the event of cancellation between November 2004 and November 2005, the contract provides that Britoil must pay a cancellation fee of $36 million, which fee reduces by $12 million per year thereafter so that no cancellation fee is payable after November 2007. Britoil may also terminate the contract without paying a cancellation fee if, among other things:

- the Petrojarl Foinaven becomes a total loss
- there is a breach of the FPSO contracts by the FPSO contractor that is not remedied within agreed deadlines
- occurrence of certain insolvency and bankruptcy related events
- force majeure events occur that are expected to continue for more than 365 days

In addition, the contract may be terminated:

- by PGS with a minimum of two years' notice, if the production dependent tariff revenue falls to less than the equivalent of $102,250 per day
- from November 26, 2003 with one year's notice if the production dependent tariff revenue falls below $35,000 per day
- under additional circumstances, including war

The contract provides for compensation consisting of a fixed day rate and a production dependent tariff. The current day rate is approximately $67,000 per day and is subject to yearly adjustment according to agreed indices. The production dependent tariff:

- is not subject to adjustment based on any index
- is equal to $3.50 per barrel for the first 25,000 barrels of production per day and $2.95 per barrel for production in excess of 25,000 barrels per day

The production dependent tariff is based on the greatest of:

- actual production
- 90% of the highest of two expected annual oil production rates reported by Britoil and the planned production profile for the year in question or
- 10,000 barrels per day

The guaranteed minimum production amount under the contract was 67,050 barrels per day in year 5, which ended in November 2002, and is 45,900 barrels per day in year 6. In periods when the Petrojarl Foinaven is not fully operational, the day rate payable is to be based on actual production.

In periods of production stoppage covered by the contract's repair and start up quota, PGS will be entitled to receive the index adjusted day rate. PGS can accumulate credits under the quota at a rate of 24 hours per month, up to an annual maximum of 14 days, to be offset by any downtime taken. In periods when production is prevented or reduced due to force majeure, PGS will receive reduced income for 60 days, and the full production rate thereafter.

PGS has additional obligations that may arise under the contract relating to the Foinaven project, including obligations to:

- compensate Britoil up to a maximum of $10 million for breaches of contract due to deficiencies that provide Britoil a right to terminate the production contract
- contribute up to 80% of the payments expected to be made by Britoil under the contract for the year following the discovery of hidden defects toward the correction of those defects, where such correction involves extraordinary expense
- pay for pollution damage caused by diesel or lubricants used on the Petrojarl Foinaven during production

6.2.6 Petrojarl I

The Petrojarl I is a purpose-built, turret-moored production vessel, recently upgraded and currently deployed on the Glitne field in the Norwegian North Sea on a multi-year contract for Statoil. The Petrojarl I can be used in full field development, extended well test or early production mode. The vessel commenced operation in August 1986 and is on its 10^{th} field.

<u>Specifications:</u>

Design: Turret-moored FPSO, originally Tentech 685, extensively modified by Golar-Nor Offshore
Engineering: Nippon Kokan KK and Golar-Nor Offshore
Builder: Nippon Kokan KK, Tsurumi
Start of Production: August 31, 1986

Main dimensions:

Length Overall: 209.0 m (683.4 ft)
Breadth: 32.0 m (104.6 ft)
Depth*: 18.0 m (59 ft)
Draught: 13.0 m (42.5 ft)
* from underside of box keel to main deck amidships

Process capacities:

Total liquids: 55,000 bpd
Crude Oil: 45,000 bopd
Gas: 31,2 mmscfd; used for fuel, gas lift or flared
Produced Water: 55,000 bwpd; processed through hydrocyclones Water Injection: 53,000 bwpd
Gas Injection/Lift: 20 mmscfd

Storage capacities:

Crude Storage: 180,000 barrels

Contract

For certain contractual issues relating to the reorganization of PGS, see Section 12.1.15.

In September 2000, PGS entered into an agreement with Statoil to produce the Glitne field in the Norwegian sector of the North Sea. PGS began production of the field with the Petrojarl I in August 2001. Production under the contract was initially expected to last between 26 and 30 months from the production commencement date, with the first 18 months of production effectively guaranteed by Statoil. During the third quarter of 2002, estimates on the Glitne reserves were upgraded, a new production well was planned and the Glitne contract was amended. This amendment will take effect when the new well comes on stream, estimated in the third quarter of 2003. PGS now expects production under the amended contract to continue until at least 2005. The contract provides for the following compensation structure until the new production well comes on stream (subject to annual adjustment according to agreed indices):

- a day rate of $121,250 plus a per barrel tariff for a period of 36 months from commencement of commercial production. The basic per barrel tariff, based on a contractual production profile, escalated from $0.50 per barrel for the first 12 months of production, to $0.70 per barrel for the following 12 months of production, and to $1.50 per barrel for the following 12 months of production. For production in excess of the contractual production profile, the tariff rates are $3.50 per barrel, $3.30 per barrel and $2.50 per barrel for the respective 12-month periods. Under certain force majeure and standby situations, PGS will receive a day rate generally equal to $85,000
- a maximum compensation of $145,000 per day from the 19th month of production through the 36th month of production (inclusive of tariff elements) (cancellation by Statoil on 12 months notice)
- After the new well comes on stream at the end of September, the following compensation structure applies:

  A day rate of NOK 451,000 per day (index adjustable) plus a modification rate of $12,750 per day and a water injection rate of $5,000 per day. Repair and standby rates are unchanged. In addition, the volume dependent tariff is adjusted to $3.50 per barrel. The volume dependent daily revenue, including modification and water injection rates, will vary from $108,500 (the maximum variable rate), to $58,500 (the minimum variable rate). Statoil may cancel the contract on six months' notice. PGS may cancel the contract on three months' notice if minimum variable rate has been received for 90 days in a 120 day period, however Statoil has the right to continue the contract by increasing the tariff element by $1 per bbl. A side-letter to the amended contract affords Pertra the option to take over the field when Statoil cancels.

Statoil may temporarily suspend production by giving notice that specifies the effective date of the suspension and the expected date for the resumption of production, as well as any mobilization plan and support functions to be maintained during the suspension period.

Statoil may terminate the contract with immediate effect and without penalties in the event that:

- a force majeure situation lasts for more than 90 days
- K/S Petrojarl 1 A/S becomes insolvent, file for bankruptcy or demonstrate through similar or related actions that it is not capable of performing the work, or
- PGS is in substantial breach of the contract

6.2.7 Petrojarl Varg

Petrojarl Varg, currently in production for PGS' subsidiary Pertra on the Varg field in the Norwegian sector of the North Sea, is the newest addition to PGS' growing fleet of high specification FPSOs. The purpose-built, double-hulled vessel was acquired from SAGA Petroleum ASA ("Saga") in July 1999. It is tied to an unmanned wellhead platform (Varg A) and offloads processed oil to a shuttle tanker.

In 2002, after acquiring 70% of production license 038 (PL038), in which the Varg field is located, PGS became the first service company to own and operate a production license in the Norwegian sector, through its subsidiary Pertra. While the vessel has so far worked exclusively on the field for which it was first constructed, with a production capacity of 60,000 bopd and storage for 470,000 barrels, she is adaptable to other offshore production requirements.

<u>Specifications:</u>

Design: Tentech 700 Series
Engineering: Maritime Tentech (hull); Far East Levingston Shipyard (FELS) (turret/fluid transfer system)
Builder: FELS (ship/turret/topsides integration)
Start of Production: 2Q 1998

<u>Main dimensions:</u>

Length Overall: 214.7 m (702 ft)
Breadth: 38.2 m (125 ft)
Depth: 28.2 m (76 ft)
Draught: 17.1 m (56 ft)
Topsides Modules: Total topsides package, 2500 mt

<u>Process capacities:</u>

Total liquids: 82,000 bpd
Crude Oil: 57,000 bopd
Gas Production: 53 mmscfd (for fuel or reinjection)
Produced Water: 57,000 bwpd
Water Injection: 100,000 bwpd
Gas Injection: 53 mmscfd

<u>Storage capacities:</u>

Crude Storage: 470,000 barrels

Contract

For certain contractual issues relating to the reorganization of PGS, see Section 12.1.15.

The Petrojarl Varg currently operates on the Varg field, where production began in December 1998.

During the third quarter of 2002, PGS' subsidiary Pertra purchased a 70% interest in PL 038. PL 038 includes the Varg license. PGS' 30% partner is Petoro, the Norwegian State holding company. Following completion of the acquisition, PGS and Petoro amended the charter and operating agreements governing production of the Varg field. The amended charter agreement provides for compensation based on a production dependent tariff equal to $11.12 per barrel of oil produced. Both PGS and Petoro may terminate this amended charter agreement with 90 days' written notice, provided that PGS is not entitled to terminate as long as the mean weekly production during normal operation on the license exceeds 15,700 barrels per day.

PGS is currently recognizing both day rate revenue related to the Petrojarl Varg and oil production revenue from Pertra's 70% share of the license. Pertra's strategy for further development of the area, and Petrojarl Varg's role in that development, is described under Pertra in Section 6.3.

6.2.8 Ramform Banff

The Ramform Banff began producing ConocoPhillips' Banff field in 1999. A purpose-built, turret-moored vessel, the ship employs a unique wedge-shaped design. The double-hulled ship has a beam that equals 45% of the LOA. The turret is located forward of midships, allowing the ship to "weather-vane," or turn with the waves.

Specifications:

Design: Roar Ramde / PGS Offshore Technology AS
Builder: Hyundai Mipo Dockyard (HMD) Ulsan, (hull), Aker McNulty (topsides)
Start of Production: January 1999

Main dimensions:

Length Overall: 120.7 m (395 ft)
Breadth: 53.5 m (175 ft)
Depth: 20.5 m (67 ft)
Draught: 12.8 m (42 ft)

Process capacities:

Crude Oil: 95,000 bopd
Gas production: 72 mmscfd
Gas export: 62 mmscfd
Produced Water: (To be advised)
Water Injection: 90,000 bwpd

Storage capacities:

Crude Storage: 120,000 barrels

Contract

For certain contractual issues relating to the reorganization of PGS, see Section 12.1.15.

In February 1997, ConocoPhillips awarded PGS a long-term contract to provide an FPSO system, the Ramform Banff, to produce the hydrocarbon reserves of the Banff field in the UK sector of the North Sea. Oil production from the field commenced in late January 1999. At that time, PGS began receiving a fixed day rate designed to cover operating expenses and a fixed tariff per barrel of stabilized crude oil produced.

If actual production averages less than 8,000 barrels per day for a period of 90 days, and continues to average less than that volume for at least two years after the commencement of the initial 90-day period, PGS has the right to terminate the contract at the end of those two years. ConocoPhillips may terminate the contract without paying a cancellation fee with twelve months' written notice or if

- the Ramform Banff becomes a total loss
- there is a breach of the FPSO contract by PGS that is not remedied within agreed deadlines
- certain insolvency and bankruptcy related events occur
- force majeure events occur that are expected to continue for more than six months

The performance of the vessel through its first 18 months in the field suffered due to excessive motion characteristics and incomplete commissioning of the vessel. Structural damage to vital parts was experienced. As a result, the Ramform Banff discontinued production on the Banff field in September 2000 and demobilized to Germany, where an upgrade to reduce vessel roll motion, repair damage due to excessive motions and improve uptime performance commenced. Production on the Banff field recommenced in March 2001. From that time, the Ramform Banff has operated with an uptime performance of 99%, with no recurrence of the previous problems.

The financial performance of the vessel continues to suffer due to relatively low levels of production resulting from underperformance of the reservoir itself, since the contract depends heavily on volume dependent tariff revenue. Additionally, the operating costs of the Ramform Banff are higher than originally expected. PGS has had to hire a storage vessel at a rate of $46,500 per day under a long-term charter in order to achieve an acceptable rate of export.

Because of the higher than expected cost of operating the field, the additional cost associated with the storage tanker and the low level of oil production from the field, PGS has incurred significant losses on the contract. During the third quarter of 2002, PGS recognized $425.2 million in impairment charges against the Ramform Banff (including a complete impairment of the subsea equipment on the Banff field). The impairment charges were based on a discounted cash flow analysis of the Ramform Banff over the life of the vessel using an 8% discount rate and estimated cash flows from the Banff field through 2007 (with market rates assumed thereafter, inclusive of storage tanker costs). Efforts to find improvements to the contract terms have so far been unsuccessful.

In January 2003 ConocoPhillips completed and put on stream through the Ramform Banff a new production well with an approximate initial production volume of 15,000 barrels of oil per day. This new production resulted in positive operational cash flow for a short period, but the well has declined significantly over time, and the vessel currently is operating at a loss. A reduction in the storage tanker rate by $9,000 from July 1, 2003 has improved the situation somewhat, but not sufficiently. The vessel must produce approximately 15,000 bopd to break even, whereas current production is approximately 10,000 bopd and declining.

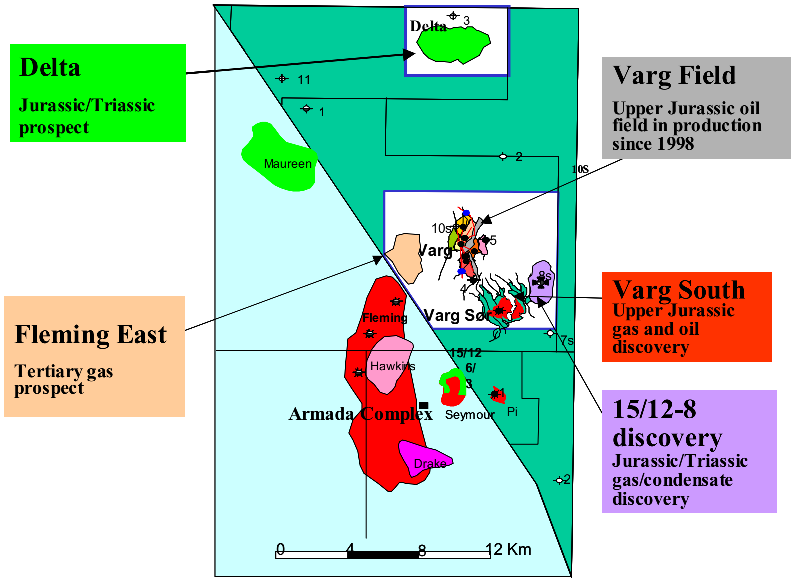
Based on a longer-term assessment of the Banff field reservoir, PGS believes that the Ramform Banff should be removed from the Banff field and deployed on a field better suited for its production capacity. This would require an amendment to the current terms of the agreement with respect to early termination,

If PGS succeeds in obtaining a new contract for the Ramform Banff, it is possible that additional capital may be needed to prepare the vessel for the new contract.

6.3 PERTRA

Pertra AS is a wholly owned subsidiary of PGS ASA, with headquarters in Trondheim, Norway. The company was formally approved as license holder and operator on the NCS, in February 2002.

On August 1, 2002, Pertra assumed 70% ownership and the operatorship of PL 038 on the NCS, in partnership with Petoro (30%), the Norwegian State Holding Company. The interests in PL 038 were purchased from Statoil (which held a 28% interest) and Norsk Hydro (which held a 42% interest). As consideration for PGS' 70% interest, PGS assumed a portion of the abandonment liabilities associated with the fields on the license (approximately $32.8 million gross before tax) and any future environmental liabilities that may be generated by production on the fields. PL 038 comprises the Varg Field, a number of prospects and the Varg South discovery, as shown in the figure below. The change in ownership and an active extended oil recovery policy on the license has allowed increased production from the field and continued employment of Petrojarl Varg. A successful sidetrack to an existing well at the end of 2002 has significantly improved the earnings of the Petrojarl Varg through 2003. Further, sustained high oil prices in 2003 allowed Pertra to drill an appraisal well in the Varg South prospect in the spring of 2003, confirming additional oil and gas reserves, currently subject to further evaluation. A development plan for this discovery is under preparation. In addition, two new sidetracks to existing wells will be drilled late 2003 and early 2004. If successful, the sidetracks are expected to add production that would allow the Petrojarl Varg to remain in the field until 2005.



The current production on the Varg field is 19,500 bpd. Including the two new sidetracks, the current remaining reserves are estimated by PGS Reservoir Services to be 20 million barrels. Out of these, 7 million barrels are considered proven (P90 estimate). The reserves on the Varg South field are currently being evaluated.

Pertra has proven a useful vehicle for developing a license and field on the NCS that would utilize PGS' production services. Further development of Pertra, including pursuing new license opportunities, will depend on strategic priorities within PGS.

PGS ASA has provided a parent company guarantee for Pertra, to cover the requirement from the Norwegian Government for a certain financial standing of companies granted licenses on the NCS, including future abandonment liabilities. Essentially, this guarantee covers risk and liability over and beyond the industry standard insurances that Pertra carries as a normal part of its business.

The concession for PL 038 is granted until April 1, 2011. There are no other commitments, over and above the abandonment liability described above, in connection with the license. PL 038 has an exemption from area fees in 2003, and Pertra has applied for an exemption also for 2004.

7 DIRECTORS, MANAGEMENT AND AUDITORS

7.1 BOARD OF DIRECTORS

The Board, which normally meets monthly, currently consists of six directors, all of whom have been elected by the shareholders. According to PGS' Articles of Association, the Board shall consist of between three and eight directors.

7.1.1 Directors

At present, the following persons comprise PGS' Board:

Jens Ulltveit-Moe (age 61), Chairman of the Board of PGS since September 2002, has been Chief Executive Officer ("CEO") and President of the UMOE Group since 1984. From 1980 to 1984, Mr. Ulltveit-Moe served as Managing Director of Knutsen OAS and from 1972 to 1980 he was the Managing Director of the Tanker Division of SHV Corporation. Mr. Ulltveit-Moe was an associate with McKinsey & Company in New York and London from 1968 to 1972. Since 2000, Mr. Ulltveit-Moe has served as the President of the Confederation of Norwegian Business and Industry. He is chairman of Unitor ASA and serves as director of several companies and institutions. Mr. Ulltveit-Moe holds a MBA from the Norwegian School of Economics and Business Administration and a MIA from the School of International Affairs, Columbia University, New York. Mr. Ulltveit-Moe resides in Bærum, Norway

Marianne Elisabeth Johnsen (age 40), a member of the Board since 2002, is a partner and founder of X-lence Group AS. Until the end of 2002, she was Vice President of Strategy and Business Development in the Elkem Shared Services Division, Elkem ASA. From 1993 to 1997, she was Head of Legal section and Administration Department at Ullevaal University Hospital. Mrs. Johnsen has also held positions in the Norwegian Ministry of Foreign Affairs and Norwegian Ministry of Justice. She serves on the boards of several companies. Mrs. Johnsen holds a law degree from the University of Oslo and received a Master's Degree with Honors in business administration (MBA) from the Solvay Business School in Brussels, Belgium. Mrs. Johnsen resides in Bærum, Norway.

Rolf Erik Rolfsen (age 63), a member of the Board since 2002, is a member of the Board of Directors of Technip-Coflexip S.A., Paris, Gaz de France Norge A.S, Umoe Mandal A.S and HÅG S.A., Paris. He is also Chairman of the executive council of the Industrial Development Fund at NTNU in Trondheim. From 1987 until 2000, he was Managing Director of the oil company TOTAL Norge A.S. and from 1999 to 2000, he was also Managing Director of Fina Exploration Norway. From 1980 to 1986, he was Executive Vice President of Kongsberg Våpenfabrikk A.S. Mr. Rolfsen was educated at the College of Commerce in Oslo. Mr. Rolfsen resides in Oslo, Norway.

Geir Aune (age 45), a member of the Board since 2002, is currently Executive Chairman of Ocean Rig ASA and has over 17 years of experience as Managing Director or chairman of several listed industrial companies, and offshore/oil service related companies since 1994. Mr. Aune has served as Vice Chairman of Wilrig ASA and CEO of NCL Holding ASA, Norwegian Cruise Line and DSND Subsea AS. Mr. Aune resides in Bærum, Norway.

Thorleif Enger (age 59), a member of the Board since 2002, has been the Executive Vice President of Norsk Hydro ASA and President of its Agriculture Division since 1999. Since 1973 he has held various positions in Norsk Hydro ASA, including the President of the E & P division from 1987 to 1996 after having been responsible for the development of the Oseberg field in the North Sea. From 1970 to 1973, he was employed by Shell US in Houston. Mr. Enger holds a PhD in Structural Engineering from the University of Colorado. Mr. Enger resides in Oslo, Norway.

Gerhard Heiberg (age 64), a member of the Board since 1992, is a partner of Norscan Partners AS. From 1989 to 1994, he was chairman of the Lillehammer Olympic Organizing Committee and responsible for the 1994 Winter Olympic Games in Lillehammer, Kingdom of Norway. From 1973 to 1989, he was Managing Director of Aker Norcem A/S, and from 1989 to 1996, he was chairman of its successor company, Aker ASA. Mr. Heiberg serves on the boards of several companies, both inside and outside of the Kingdom of Norway. Mr. Heiberg holds a degree from the College of Commerce in Oslo and received a Master's Degree in business administration from the Copenhagen Graduate School of Economics and Business Administration. Mr. Heiberg resides in Oslo, Norway.

7.1.2 Remuneration to the Board

Remuneration to the members of the Board, in their capacity as such, is subject to the approval of the shareholders, in accordance with Norwegian legislation. Total remuneration to the Board for 2002 was NOK 787,500 in director's fees (paid in July 2003) and NOK 1,325,177 in consultant's fees. In addition, $75,000 was set aside to cover a postponed payment obligation under a remuneration agreement with a former member of the Board who resigned in September 2002.

After 2002, members of the Board will receive no fees apart from the director's fees approvable by the shareholders.

The above-mentioned remuneration is exclusive of payments made to former President and Chief Executive Officer, Reidar Michaelsen, who also was a member of the Board for the entire period. In 2002, Mr. Michaelsen received an annual payment of NOK 7,728,535, in addition to other remuneration of NOK 1,281,318, in total NOK 9,009,853. Of this, NOK 7,658,376 relates to his period as President and Chief Executive Officer from January 1 to November 6, 2002. In addition, the Company made pension premium payments of NOK 31,956,199.

7.1.3 New Board to be elected as part of the Restructuring

Upon completion of the Restructuring, a new Board will be elected. The Board will be elected by a simple majority of the general meeting, but is expected to reflect the following principles, which has been agreed between the Affected Creditors and certain significant Existing Shareholders being parties to the Plan Support Agreement, who will together hold the majority of the New Shares:

The composition of the Board will be structured such that the holders of Package B debt will be entitled to nominate a simple majority of the members (after inclusion of any employee representatives required under Norwegian law, if any), while the Existing Shareholders will be entitled to nominate the remaining shareholder elected board members (being a minimum of 2 to be selected).

Any change of the composition of the Board (except for board members selected by employees, if any, in accordance with the requirements of Norwegian law) during the first two years after completion of the Restructuring other than the replacement of a director by a personal deputy appointed at a shareholders meeting approving the initial board, will require a 66 2/3 % shareholder vote (calculated on the basis of those present and voting), and the PGS ASA's Articles of Association shall be amended accordingly.

At least one of the directors to be nominated by the Existing Shareholders will be Mr. Ulltveit-Moe (subject to Mr. Ulltveit-Moe not objecting, withdrawing or being unable to serve as a director for any reason), who will also be the chairman of the Board and elected as such by the general meeting. To the extent that the general meeting voting for confirmation of the Restructuring does not select Mr. Ulltveit-Moe as chairman, or Mr. Ulltveit-Moe is unable to serve for one of the reasons set forth above, this shall not affect the terms of the Plan Support Agreement, however, Affected Creditors who have elected for Package B Distribution and who have executed or are bound by the Plan Support Agreement will, if possible, procure the calling of a new general meeting to elect Mr. Ulltveit-Moe to be Chairman (and will themselves vote in favor of such election).

7.2 SENIOR MANAGEMENT GROUP

PGS' Senior Management Group comprises the President & Chief Executive Officer, the Chief Financial Officer, the Senior Vice President-Production, the President PGS Marine Geophysical, the Senior Vice President-Finance and Treasurer and the Vice President-Group Planning.

7.2.1 Members of the Senior Management Group

The following persons comprise PGS' senior management:

Svein Rennemo (age 56) joined PGS in November 2002 as President and CEO. Prior to joining PGS, he was a partner at ECON Management. Until 2001, Mr. Rennemo was Chief Executive Officer of Borealis, one of the world's leading producers of polyolefin plastics, headquartered in Copenhagen, Denmark. He was appointed CEO in 1997, having served as Chief Financial Officer (CFO) and deputy CEO since 1994. From 1982 to 1994, he filled various senior management positions with Statoil, among them CFO and the President of Statoil Petrochemicals. From 1972 to 1982, he has served as macro economic policy analyst and advisor with the Central Bank and the Ministry of Finance in the Kingdom of Norway and with the OECD Secretariat in Paris. Mr. Rennemo earned a Master's Degree in economics at the University of Oslo in 1971. Mr. Rennemo resides in Oslo, Norway.

Knut Øversjøen (age 38) has been the Senior Vice President and CFO since joining PGS in September 2002. Prior to joining PGS, he held similar positions at the UMOE Group, Enitel ASA and Hafslund ASA and also worked as a senior investment banker at Elkem. From 1990 to 1996, he was Assistant Treasurer at Hafslund Nycomed. In addition, he has served on the Board of Directors of Actinor Shipping ASA, Fesil ASA, Sparebank1 MidtNorge, Pemco AS, Unitor ASA, Tensil Ltd. and Pelican AS. Mr. Øversjøen has a Master's Degree in economics from the Norwegian Business School of Economics. Mr. Øversjøen resides in Bærum, Norway.

Sam R. Morrow (age 54) has been the Senior Vice President-Finance and Treasurer of PGS since 1996. Prior to joining PGS, Mr. Morrow was CFO of SeaMar, Inc., a supply vessel and marine management company. From 1993 to 1994, Mr. Morrow served as Senior Vice President and CFO of Total Energy Services, Inc., an oilfield services and products company. From 1985 until 1993, Mr. Morrow was CFO of The Western Company of North America, an oilfield services company. Mr. Morrow received his bachelor's degree in economics from De Pauw University in 1971 and his MBA from the University of Michigan in 1973. Mr. Morrow resides in Houston, Texas, USA.

Kaare Gisvold (age 60), Senior Vice President-Production since Spring 2003, joined PGS in December 1997 as part of its acquisition of the FPSO operations (Golar-Nor Offshore) of Awilco ASA. From 1983 through December 1997, Mr. Gisvold was CEO of Golar-Nor Offshore, where he was responsible for the technical and commercial development of the FPSO group. From 1981 to 1983, Mr. Gisvold worked with Volvo of Sweden. From 1971 through 1981, Mr. Gisvold was responsible for developing and running the MARINTEK laboratories in Trondheim, Norway. Mr. Gisvold received both an MSc and a PhD in naval architecture and marine engineering from the Technical University of Norway in 1967 and 1971, respectively. Mr. Gisvold resides in Trondheim, Norway.

Anthony Ross Mackewn (age 56) joined PGS as Technology Director of PGS Nopec in 1993, transferred to PGS Exploration in 1996 as Managing Director of PGS Exploration UK Ltd., was named President Exploration EAME in 1999, President PGS Geophysical Services in 2001 and President PGS Marine Geophysical in 2003. Mr. Mackewn graduated with an honors degree in physics from the University of Southampton in 1969. Mr. Mackewn resides in Lindfield, West Sussex, England.

Andreas J. Enger (age 41) has been the Vice President-Group Planning since joining PGS in January 2003. Prior to joining PGS, Mr. Enger was a partner at McKinsey and Company, a management consulting firm, where he led their Middle East Energy practice from 1999 to 2002. He graduated with an MSc in Engineering Cybernetics from the Norwegian Institute of Technology in 1985 and a MBA with distinction from INSEAD in 1988. Mr. Enger resides in Ski, Norway.

Sverre Strandenes (age 47) is Senior Vice President Global Services. Mr. Strandenes joined PGS in 1995, from the position as Department Manager Geosciences with Norsk Hydro Research Centre. He assumed the position as President of PGS Research in 1996. Strandenes became Senior Vice President of PGS Geophysical during 2001 with responsibility from company profiling and marketing, and moved into the position of Senior Vice President Corporate Communications in PGS ASA during 2002. He was named Senior Vice President Global Services during February 2003. Mr. Strandenes graduated with a master degree in geophysics from the University of Bergen in 1981. Mr. Strandenes resides in Bærum, Norway.

7.2.2 Remuneration to the President & CEO

Remuneration to the President and CEO is subject to approval of the Board. As of the date of this Prospectus, Mr. Rennemo is entitled to an annual salary of NOK 3,250,000. He can achieve a maximum of 40% of base salary in annual bonus reflecting business achievements. He is not entitled to any pension rights from PGS, for which he receives an annual compensation of NOK 250,000.

As regards remuneration to former President and CEO, Reidar Michalsen, see Section 7.1.2.

The Plan Support Agreement includes a permitted payment of incentive bonuses to management and key employees, limited to a grand total of $2 million upon achievement of key business goals and completion of the Restructuring. This comes in addition to the $1 million bonus scheme existing at the signing of the Plan Support Agreement. The Board of Directors has approved a combined retention and incentive bonus scheme for senior managers and key employees and has granted a mandate to the CEO to take the appropriate steps for implementing the scheme. One part has been paid out in July 2003, and the remainder will be paid out reflecting business results for 2003.

7.2.3 Shares owned by the Board and Senior Management

The table below shows Existing Shares (including ADSs) and share options owned or controlled, directly or indirectly, by members of the Board and senior management and/or related parties to such persons. Pursuant to the Plan, all stock options currently outstanding would be cancelled without any compensation.

Name	Position	Existing Shares owned	Number of outstanding options
Jens Ulltveit-Moe	Chairman	12,288,900	none
Gerhard Heiberg	Director	60,000	none
Geir Aune	Director	none	none
Thorleif Enger	Director	none	none
Marianne Johnsen	Director	none	none
Rolf Erik Rolfsen	Director	none	none
Svein Rennemo	President CEO	none	none
Kaare Gisvold	Senior VP	67,000	none
Anthony Ross Mackewn	President	1,500	none
Sam R. Morrow	SVP	1,000	none
Knut Øversjøen	CFO	none	none
Andreas J. Enger	VP	none	none

Through it being an Underwriter, Umoe Invest AS, controlled by Jens Ulltveit-Moe, has the right (and obligation) to acquire 1,058,824 New Shares as well as the right (and obligation) to acquire its pro rata share of any remaining Offered New Shares not purchased in the Offering (see Section 4.2). For additional information on the option plans, see Section 9.4.

7.3 SUPER-MAJORITY REQUIREMENTS

Under Norwegian law, the board of directors of a company makes its decisions based on simple majority. As part of the Restructuring, it has been proposed to the Extraordinary General Meeting of PGS on October 16, 2003 to give an instruction to the Board, requiring the support of the members of the Board nominated by the Existing Shareholders (or their successors) for certain “major transactions”, for two years after the completion of the Restructuring.

“Major transactions” shall mean:

- any single sale of assets or series of sales of assets, in any calendar year, in excess of $100 million and not otherwise requiring approval by 66 2/3% of the shareholders in a general meeting;
- changes to PGS’ key executive management;
- new financings or borrowings over $25 million;
- application of ”major proceeds”, defined as the proceeds from the sale of any assets of the Company and any of its subsidiaries (including the proceeds from the sales of Atlantic Power and Atlantis) in excess of $100 million, it being understood that any proceeds received by the Company prior to the earlier of 31 October 2003 and completion of the Restructuring will not be included in major proceeds;
- material acquisitions, which is defined as any single acquisition of assets or series of acquisition of assets, in any calendar year, in excess of $100 million and not otherwise requiring approval by 66 2/3% of the shareholders present and voting in a general meeting;
- proposals to change the Articles of Association of the Company; and
- proposals for issuance of new equity or equity-like securities.

Any changes to the instructions must be approved by a shareholder meeting with 2/3 majority of the votes cast.

7.4 AUDITORS

The Norwegian GAAP annual statutory accounts of PGS ASA and the consolidated financial statements of PGS as of and for the year ended December 31, 2000 have been audited by PricewaterhouseCoopers DA, Karenslyst allè 12, N-0277 Oslo, independent public accountants. On June 19, 2001 the Annual General Meeting of PGS ASA decided to replace PricewaterhouseCoopers as auditors with Arthur Andersen & Co, Drammensveien 165, N-0213 Oslo, with effect from the financial year 2001. Following the combination of Arthur Andersen and Ernst & Young in Norway effective May 2002, Ernst & Young AS, Oslo Atrium, Christian Frederiks plass 6, PO Box 20, N-0051 Oslo, is the statutory auditor of PGS. The annual statutory (Norwegian GAAP) accounts of PGS ASA and the consolidated financial statements of PGS as of and for the year ended December 31, 2001 and 2002 have been audited by Ernst & Young AS, independent public accountants.

The audit reports issued by PricewaterhouseCoopers and Ernst & Young in relation to the 2000 and 2001 statutory financial statements, respectively, were unqualified. The audit report issued by Ernst & Young in relation to the 2002 statutory financial statements contains an explanatory "matter of emphasis" paragraph describing the uncertainties related to the company's ability to survive as a going concern:

"Without affecting the conclusion in the preceding paragraph, we would emphasize that there is a significant uncertainty about the Company's ability to continue as an ongoing concern. The going concern assumption depends on additional equity and restructuring of the debt. The Company is in negotiations with its lenders about a refinancing of the debt and the Company is in breach of several of its loan covenants. No reclassification has been done to short-term debt as it is assumed that a refinancing will be achieved. Should the Company not succeed with an agreement which ensures the ability to continue as a going concern, this may result in substantial losses, as the assets in the event of dissolution or forced liquidation could be realized at values substantially below book values. In such situation, liquidation expenses and contingent liabilities could also give rise to substantial losses. We refer to the Board of Directors' report and accompanying notes to the financial statements for further information."

8 FINANCIAL INFORMATION

8.1 FINANCIAL ACCOUNTS

PGS' primary financial reporting to the market has historically been based on US GAAP, with reconciliation to Norwegian GAAP where appropriate. Audited financial information prepared in accordance with US GAAP for the fiscal year ended December 31, 2002 is not currently available due to the re-audit of PGS' financial statements, as further described in Section 12.1.13. Audited financial information of PGS prepared in accordance with US GAAP as of and for the fiscal years ended December 31, 2001 and 2000 can be found in PGS' 2001 Annual Report on Form 20-F filed with the SEC. The financial information presented in that annual report for those years may be restated following completion of the re-audit, and the restatements could materially change that information. Being a Norwegian Public Limited Liability Company, PGS also issues financial statements prepared in accordance with Norwegian GAAP. The 2000 Norwegian GAAP financial statements were audited by PricewaterhouseCoopers DA, whose report dated March 12, 2001 expressed an unqualified opinion on those statements. The 2001 Norwegian GAAP financial statements were audited by Ernst & Young AS, whose report dated May 22, 2002 expressed an unqualified opinion on those statements. The audited financial statements and the directors' report for PGS' fiscal year ended December 31, 2002, prepared in accordance with Norwegian GAAP, were approved by the annual general meeting on June 18, 2003. Ernst & Young AS audited the 2002 financial statements under Norwegian GAAP. The auditor's report for 2002, dated June 10, 2003 included a matter of emphasize paragraph, see Section 7.4.

The 2002 financial statements under Norwegian GAAP are available over the Internet at http://*www.pgs.com* and were filed with the SEC in a Report on Form 6-K on July 2, 2003. Copies of the filings that PGS has made electronically with the SEC may be obtained over the Internet at http://*www.sec.gov*.

Consequently, in this Prospectus, for consistency of comparison, the annually financial figures are included according to Norwegian GAAP. As for the first half-year figures, these are included according to US GAAP, which is the format that has been, and is intended to continue to be, PGS' primary reporting to the market, with Norwegian GAAP reconciliation as appropriate. Any restatements of financial information as referred to above may impact the quarterly information provided herein.

As a result of the consummation of the Plan and the transactions contemplated by the Plan, the financial condition and results of operations of the Reorganized PGS from and after the Effective Date will not be comparable to the financial condition or results of operations reflected in the historical financial statements of PGS contained herein and in the exhibits attached hereto.

8.1.1 Consolidated income statements

The Norwegian GAAP consolidated annual income statements and US GAAP first half-year income statements are included below. Norwegian GAAP figures for 2000, 2001 and 2002 year-end are audited, while first half-year figures (US GAAP) are unaudited.

	Norwegian GAAP, Audited			US GAAP, Unaudited	
$ (000)	2000	2001	2002	H1 2002	H1 2003
Revenue	**757,368**	**885,063**	**994,019**	**475,300**	**593,091**
Cost of sales	296,694	381,019	476,212	217,970	302,534
Depreciation and amortization	*256,371*	*325,544*	*357,532*	*159,901*	*175,361*
Research and technology costs	*6,677*	*3,752*	*2,766*	*1,473*	*1,195*
Selling, general and administrative costs	*55,894*	*66,505*	*56,198*	*27,684*	*25,507*
Impairments and other unusual items	*364,025*	*-106,546*	*823,332*	*-50,628*	*51,966*
Total operating expenses	979,661	670,274	1,716,040	356,400	556,563
Operating profit	**-222,293**	**214,789**	**-722,021**	**118,900**	**36,528**
Income from equity investments	59,841	-544	-1,691	-1,694	739
Financial expense net	-132,498	-140,808	-148,473	-68,940	-77,825
Other income, net	-32,860	-22,305	39,307	-9,966	-3,370
Income before income taxes	**-327,810**	**51,132**	**-832,878**	**38,300**	**-43,928**
Provision for income taxes	-128,152	30,028	205,269	67,599	35,017
Income from continuing operations	**-199,658**	**21,104**	**-1,038,147**	**-29,299**	**-78,945**
Operations held for sale/discontinued operations, net of tax	-1,570	-9,810	-207,545	6,351	-2,398
Income before cumulative effect of accounting change	**-201,228**	**11,294**	**-1,245,692**	**-22,948**	**-81,343**
Cumulative effect of accounting change, net of tax	-6,555	0	0	-185,933	-10,109
Net income	**-207,783**	**11,294**	**-1,245,692**	**-208,881**	**-91,452**

Basic income per share before cum. effect of acc. change	-1.97	0.11	-12.05	-0.22	-0.78
Cumulative effect of accounting change, net of tax	-0.07	0.00	0.00	-1.80	-0.10
Basic income per share	**-2.04**	**0.11**	**-12.05**	**-2.02**	**-0.88**

Diluted income per share before cum. effect of acc. change	-1.97	0.11	-12.05	-0.22	-0.78
Cumulative effect of accounting change, net of tax	-0.07	0.00	0.00	-1.80	-0.10
Diluted income per share	**-2.04**	**0.11**	**-12.05**	**-2.02**	**-0.88**

Basic shares outstanding (000)	102,021	102,768	103,346	103,346	103,346
Diluted shares outstanding (000)	102,021	102,788	103,346	103,346	103,346

No dividends have been paid during the period above.

8.1.2 Consolidated balance sheets

The Norwegian GAAP annual consolidated balance sheets, and first half-year balance sheets according to US GAAP, are included below. Norwegian GAAP figures for 2000, 2001 and 2002 year-end are audited, while first half-year figures (US GAAP) are unaudited.

	Norwegian GAAP, Audited			US GAAP, Unaudited	
$ (000)	2000	2001	2002	H1 2002	H1 2003
Other intangible assets	30,403	12,600	7,555	12,141	6,260
Deferred tax benefits	227,939	174,568	75,439	110,900	67,129
Goodwill	38,547	44,801	0	0	0
Property and equipment, net	2,199,574	2,233,672	1,689,898	2,297,353	1,660,867
Multi-client library, net	848,720	918,072	660,383	964,870	638,187
Investments in associated companies	16,566	20,713	12,240	24,300	8,908
Other financial assets	44,737	33,551	26,366	32,805	22,259
Total long-term assets	**3,406,486**	**3,437,977**	**2,471,881**	**3,442,369**	**2,403,610**
Oil and gas assets	0	0	17,324	0	28,805
Accounts receivable, net	221,141	234,887	220,895	230,768	215,175
Assets held for sale	189,167	241,097	65,309	295,736	0
Other current assets	84,992	97,921	74,390	91,024	75,782
Cash and equivalents	139,731	102,130	113,031	60,988	144,990
Total current assets	**635,031**	**676,035**	**490,949**	**678,516**	**464,752**
Total assets	**4,041,517**	**4,114,012**	**2,962,830**	**4,120,885**	**2,868,362**
Common stock	71,260	71,807	71,807	71,089	71,089
Additional paid-in capital	1,035,266	1,044,497	0	1,225,115	0
Other equity	50,864	91,723	-103,353	-138,897	-186,618
Total shareholders' equity	**1,157,390**	**1,208,027**	**-31,546**	**1,157,307**	**-115,529**
Guarranteed preferred beneficial interest in					
PGS junior subordinated debt securities	**140,050**	**141,000**	**142,322**	**141,707**	**142,681**
Mandatorily redeemable cumulative preferred subsidiary					
securities related to multi-client library securitization	**0**	**163,588**	**63,954**	**108,587**	**21,955**
Deferred income taxes	76,675	37,524	97,307	73,503	151,014
Other long-term liabilities	62,435	24,766	55,305	22,462	72,382
Long-term capital lease obligations	12,560	41,683	76,075	99,537	70,503
Long-term debt	2,159,421	1,903,571	1,310,325	1,927,818	1,304,661
Total long term liabilities	**2,311,091**	**2,007,544**	**1,539,012**	**2,123,320**	**1,598,560**
ST debt and current portion of LT debt and capital lease obligations	20,624	246,429	959,550	279,607	957,780
Debt and other liabilities held for sale	49,572	55,732	19,980	60,651	0
Accounts payable and accrued expenses	350,852	275,244	250,524	238,453	243,821
Income taxes payable	11,938	16,448	19,034	11,253	19,094
Total current liabilities	**432,986**	**593,853**	**1,249,088**	**589,964**	**1,220,695**
Total liabilities and equity	**4,041,517**	**4,114,012**	**2,962,830**	**4,120,885**	**2,868,362**

8.1.3 Consolidated statements of cash flows

The Norwegian GAAP annual consolidated statements of cash flows, and first half-year figures according to US GAAP are included below. Norwegian GAAP figures for 2000, 2001 and 2002 year-end are audited, while first half-year figures (US GAAP) are unaudited.

	Norwegian GAAP, Audited			US GAAP, Unaudited	
$ (000)	2000	2001	2002	H1 2002	H1 2003
Net income	-207,783	11,294	-1,245,692	-208,881	-91,452
Depreciation and amortization charged to expense	256,371	325,544	357,532	159,901	175,361
Impairments and loss on sale of subsidiary, net	321,070	-97,027	1,039,472	185,933	33,979
Cash effect related to assets and liabilities held for sale	-1,650	-3,295	5,864	2,057	2,915
Provision for deferred income taxes	-139,303	22,756	184,577	65,879	27,209
Changes in current assets and current liabilities	-72,636	-74,721	-28,376	-48,129	-5,161
Loss on sale of assets	199	294	7,561	550	735
Other items	239	23,562	10,086	7,601	-13,333
Net cash provided by operating activities	**156,507**	**208,407**	**331,024**	**164,911**	**130,253**
Investment in multi-client library	-264,541	-230,166	-190,436	-120,098	-68,611
Capital expenditures	-69,897	-185,294	-60,894	-40,207	-26,635
Development of assets held for sale	-45,320	-54,329	-77,229	-39,446	0
Sale of subsidiary/investment in affiliated company	150,508	175,000	20,222	0	50,115
Other items	-12,086	-19,485	-9,030	-4,031	2,315
Net cash used in investing activities	**-241,336**	**-314,274**	**-317,367**	**-203,782**	**-42,816**
Net proceeds from issuance of long-term debt	223,845	0	0	8,098	0
Net proceeds from issuance of subsidiary preferred stock	0	234,285	0	0	0
Net proceeds from issuance of common stock, incl stock option exerc	7,425	816	0	0	0
Repayment of long-term debt	-15,447	-11,414	-241,826	-234,760	-5,442
Repayment of subsidiary preferred stock	0	-77,280	-98,983	-54,657	-42,194
Net increase in bank facility and short-term debt	-34,409	-5,667	335,348	274,843	-48
Principal payments under capital lease obligations	-7,775	-7,806	-15,496	-5,591	-7,800
Net receipts under tax equalization swap contracts	-8,068	-64,575	9,566	9,566	0
Other items	0	0	8,098	0	0
Net cash provided by financing activities	**165,571**	**68,359**	**-3,293**	**-2,501**	**-55,484**
Effect of exchange rate changes in cash and cash equivalents	-221	-93	537	230	6
Net increase in cash and cash equivalents	**80,521**	**-37,601**	**10,901**	**-41,142**	**31,959**
Cash and cash equivalents at beginning of period	59,210	139,731	102,130	102,130	113,031
Cash and cash equivalents at end of period	**139,731**	**102,130**	**113,031**	**60,988**	**144,990**

8.1.4 Split of revenues and Adjusted EBITDA

The Norwegian GAAP annual segment information and US GAAP first half-year segment information are included below. All figures are unaudited.

Revenue by segment

	Norwegian GAAP, Unaudited			US GAAP, Unaudited	
$ (000)	2000	2001	2002	H1 2002	H1 2003
Marine seismic	361,639	450,492	511,958	229,746	286,439
Land seismic	44,211	91,173	109,094	65,203	81,619
Data processing & other	56,754	52,842	50,353	23,292	26,618
Total Geophysical revenue (A)	462,604	594,507	671,405	318,241	394,676
Production revenue (B)	294,764	290,556	322,614	157,059	198,415
Total revenue	**757,368**	**885,063**	**994,019**	**475,300**	**593,091**
(A) Geophysical revenue by service type					
Multi-client pre-funding	95,734	70,506	106,544	69,861	43,017
Multi-client late sales	152,502	168,910	162,508	65,467	81,164
Contract seismic	158,944	307,272	357,363	160,126	245,947
Other	55,424	47,819	44,990	22,787	24,548
Total Geophysical revenue	**462,604**	**594,507**	**671,405**	**318,241**	**394,676**
(B) Production revenue by operations					
Petrojarl I	32,409	20,269	62,631	30,362	31,625
Petrojarl Foinaven	127,890	124,059	133,364	66,652	62,677
Ramform Banff	48,541	47,357	37,886	18,606	23,943
Petrojarl Varg	84,396	87,715	69,455	40,731	36,256
Other FPSO	873	10,119	242	77	167
Total FPSO	294,109	289,519	303,578	156,428	154,668
Pertra AS	0	0	32,697	0	68,113
Other	655	1,037	1,222	631	0
Elimination of internal charter of Petrojarl Varg	0	0	-14,883	0	-24,366
Total Production revenue	**294,764**	**290,556**	**322,614**	**157,059**	**198,415**

Revenue by region

	Norwegian GAAP, Unaudited			US GAAP, Unaudited	
$ (000)	2000	2001	2002	H1 2002	H1 2003
North and South America	144,124	172,780	220,633	132,127	155,434
Europe, Africa and Middle East	498,114	563,938	631,216	295,264	391,936
Asia Pacific	115,130	148,345	142,170	47,909	45,721
Total revenue	**757,368**	**885,063**	**994,019**	**475,300**	**593,091**

Adjusted EBITDA

	Norwegian GAAP, Unaudited			US GAAP, Unaudited	
$ (000)	2000	2001	2002	H1 2002	H1 2003
Geophysical					
Operating profit (loss)	-258,047	119,694	-389,229	11,149	4,034
Plus: Depreciation and amortization	209,064	268,231	295,511	125,864	143,697
Plus: Unusual items	288,595	-113,445	390,002	3,521	21,727
Adjusted EBITDA, Geophysical	**239,612**	**274,480**	**296,284**	**140,534**	**169,458**
Production					
Operating profit (loss)	35,754	95,095	-329,176	53,602	55,071
Plus: Depreciation and amortization	47,307	57,313	62,021	34,037	31,664
Plus: Unusual items	75,430	6,899	429,714	0	7,662
Adjusted EBITDA, Production	**158,491**	**159,307**	**162,559**	**87,639**	**94,397**
Non-segment charges					
Operating profit (loss)	0	0	-3,616	54,149	-22,577
Plus: Unusual items	0	0	3,616	-54,149	22,577
Adjusted EBITDA, Non-segment	**0**	**0**	**0**	**0**	**0**
Total Adjusted EBITDA					
Operating profit (loss)	-222,293	214,789	-722,021	118,900	36,528
Plus: Depreciation and amortization	256,371	325,544	357,532	159,901	175,361
Plus: Unusual items	364,025	-106,546	823,332	-50,628	51,966
Adjusted EBITDA	**398,103**	**433,787**	**458,843**	**228,173**	**263,855**

8.1.5 Reconciliation of Norwegian and US GAAP

The following tables show the differences in net income (loss) and total shareholders' equity between Norwegian and US GAAP financial statements.

		Unaudited		Unaudited	
$ (000)	2000	2001	2002	H1 2002	H1 2003
Net income (loss) in accordance with Norwegian GAAP	-207,783	11,294	-1,245,692	-21,735	-284,807
Increase (decrease) due to accounting for:					
Impairment of assets	0	0	0	0	199,528
Depreciation difference as a result of impairment of assets	0	0	0	0	-3,439
Business combinations	-5,429	-7,483	-147,586	-187,678	-3,356
Tax effect	1,697	642	1,170	532	622
Net income (loss) in accordance with US GAAP	**-211,515**	**4,453**	**-1,392,108**	**-208,881**	**-91,452**

		Unaudited		Unaudited	
$ (000)	2000	2001	2002	H1 2002	H1 2003
Shareholders' equity in accordance with Norwegian GAAP	1,157,390	1,208,027	-31,546	1,191,035	-315,887
Increase (decrease) due to accounting for:					
Impairment of assets	0	0	0	0	199,528
Depreciation difference as a result of impairment of assets	0	0	0	0	-3,439
Business combinations	212,172	189,399	41,811	1,719	38,456
Tax effect	-19,584	-35,979	-34,808	-35,447	-34,187
Shareholders' equity in accordance with US GAAP	**1,349,978**	**1,361,447**	**-24,543**	**1,157,307**	**-115,529**

8.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

8.2.1 FISCAL YEAR 2002

(The comments and discussion of 2001 and 2002 in this Section refer to Norwegian GAAP figures.) In December 2002, PGS ASA sold its subsidiary PGS Production Group Limited and entered into a definitive agreement to sell Atlantis, with financial effect from January 2003. Accordingly, the financial position and results of operations and cash flows for these subsidiaries have been presented as operations held for sale/discontinued operations for the years ended December 31, 2002, 2001 and 2000, and the financial results from these activities are shown separately.

Total revenue for 2002 was $994.0 million, an increase of 12% compared to 2001. Geophysical services contributed 68% of revenue in 2002, while the remaining 32% came from production services. Equivalent ratios for 2001 were 67% and 33%, respectively. The percentage change from 2001 to 2002 is principally due to increased revenue from the seismic contract market, as well as higher pre-funding of multi-client seismic projects. Operating profit for 2002 was a loss of $722.0 million, a decrease of $936.8 million from 2001. This operating loss includes impairments of assets, multi-client library and goodwill, as well as certain one-time expenses.

Geophysical services revenue for 2002 totaled $671.4 million, an increase of 13% from 2001. The increase in 2002 was primarily attributable to a higher level of contract seismic activity due to the increased efforts in this market. In 2002, the revenue from this market was $50.1 million higher than in 2001, an increase of 16%. Revenue from pre-funding of multi-client projects increased by $36.0 million compared to 2001, an increase of 51%. Sale of completed multi-client data (late sales) generated revenue of $162.5 million, a decrease of 4% from 2001. Together, revenue from the sale of multi-client data was $269.1 million, an increase of 12% from 2001. Operating profit from geophysical services do not include revenue from multi-client volume licensing arrangements that had been entered into with clients as of December 31, but which, according to the revenue recognition principles, cannot be entered as revenue in the financial statements. These volume arrangements totaled $19.2 million and $26.0 million as of December 31, 2002 and December 31, 2001, respectively. Of the increased revenue from geophysical services, marine services contributed $61.5 million, while $17.9 million came from land seismic.

Revenue from the production services totaled $322.6 million for 2002, which was 11% higher than for 2001. The increase was primarily due to Petrojarl I, which contributed $42.4 million to the increase. This vessel was only operational in the latter half of 2001, partially offset by $9.9 million in revenue in 2001 earned from sublease of shuttle tankers in the spot market. In 2002, all four of the production vessels were in full operation, compared with 2001, when comprehensive upgrades were completed on Petrojarl I and Ramform Banff, along with a minor upgrade of Petrojarl Foinaven. After the upgrade completed in the first quarter of 2001, Ramform Banff has delivered an uptime performance of around 99%, but production output from the field decreased significantly. Revenue from Ramform Banff for 2002 was therefore $9.5 million (20%) lower than for 2001, as this vessel only output on average 12% of its daily capacity. PGS is evaluating alternative production solutions for the Banff-field, and alternative projects for the Ramform Banff. Based on the poor financial results from this vessel and so-far unsuccessful efforts to find alternative production solutions, in 2002 PGS impaired $425.2 million in assets related to the vessel and sub-sea equipment on the Banff-field. This impairment was based on discounted cash flows from the Ramform Banff over the lifetime of the vessel, with a discount rate of 8% and estimated revenues from the Banff-field through 2007. Revenue from Petrojarl I in 2002 was $42.4 million higher than for 2001. This vessel began production on the Glitne-field during the third quarter of 2001 and continued production throughout the entire 2002 year. Revenue from Petrojarl Foinaven was $133.4 million, or 8% higher than for 2001, primarily resulting from a production capacity upgrade (undertaken during the second and third quarter of 2001) and an upgrade for the Foinaven-field (during the fourth quarter of 2001).

In August 2002, the Company acquired 70% of production license (PL) 038 on the Norwegian sector of the North Sea. The license interests were bought from Statoil, which held a 28% share of PL 038, and Norsk Hydro, which held 42% of the field. The license partner is Petoro AS, which holds the remaining 30%. As consideration for the 70% share, the Company assumed its portion of the field's abandonment liabilities associated with the field on the license, approximately $32.8 million before tax, as well as potential future environmental liabilities associated with production from the field. The Company's FPSO Petrojarl Varg produces and has produced from this field since December 1998. The Company has also carried out seismic and geological surveys over the area to evaluate potential development of the field, including drilling of new sidetrack wells and development of Varg South. Total revenue from Petrojarl Varg/the Varg-field for 2002 totaled $87.3 million, approximately the same as for 2001 ($87.7 million).

Other production-related revenues for 2002 totaled $1.5 million, which is $9.7 million lower than for 2001.This reflects revenue from sublease of the shuttle tankers on the spot market, while their respective production vessels were undergoing upgrade. PGS had no such revenue in 2002.

Cost of sales for 2002 was $476.2 million, an increase of $95.2 million compared to 2001, or 25%. Cost of sales as a percentage of revenue was 48% for 2002, compared to 43% in 2001. The increased cost of sales reflects a decrease in costs capitalized to the multi-client library, as well as a generally higher costs associated with an increase in activity from 2001 to 2002. Costs capitalized to the multi-client library decreased by $28.0 million, or 13%, while gross cost of sales increased by $67.2 million, or 11%.

By segment, cost of sales related to the geophysical services increased by $66.5 million, or 24%, from 2001. This increase was due to a decrease in capitalization of costs to the multi-client library, as well as an increase in gross cost of sales by $38.5 million. The reduction in capitalized costs reflects the change of focus from multi-client projects to contract work. The increase in gross cost of sales is due to increased activity, especially in land seismic.

Cost of sales related to production services increased by $34.8 million, or 31%, from 2001, primarily reflecting full-year production periods from the FPSO vessels in 2002 compared to significant periods of costs suspension into upgrade projects during 2001. The increased cost of sales also reflects a reversal of a previous recorded loss contract accrual (from 2000) on Ramform Banff of $8.2 million in 2002 and $16.5 million in 2001.

Net cost of sales related to general corporate functions decreased by $6.1 million from 2001. Depreciation and amortizations for 2002 were $357.5 million, an increase of $32.0 million from 2001, or 10%. As a percentage of revenue, depreciation and amortization represented 36% and 37% for 2002 and 2001, respectively. Amortization of the multi-client library increased by $17.5 million to $212.9 million, an increase of 9% from 2001. Minimum amortizations of $39.8 million and $39.1 million for 2002 and 2001, respectively, are included in the amortization of the multi-client data library. The average amortization rates for multi-client seismic were 79% and 82% for 2002 and 2001, respectively (including minimum amortization). Ordinary depreciation increased by $15.8 million, or 10%, of which $11.1 million (up 11%) were in geophysical services and $4.7 million (up 8%) were in production services; this is a result of increased activity in both areas of operation and the fact that all four of the production vessels were fully utilized throughout 2002, compared with 2001, when some of the vessels were undergoing upgrades. In 2002, PGS capitalized depreciation of $31.5 million, as part of the multi-client library; the equivalent figure for 2001 was $30.2 million.

Research and technology costs decreased by $1.0 million to $2.8 million in 2002, or 26% from 2001.

Selling, general and administrative costs decreased by $10.3 million to $56.2 million, or 15% from 2001. As a percentage of revenue, selling, general and administrative costs represented 6% and 8% for 2002 and 2001, respectively. These cost reductions were the result of a cost cutting program, as well as the introduction of a flatter and slimmer organization.

Impairments and other unusual items for 2002 include:

- $268.4 million in impairment of multi-client data library.
- $425.2 million in impairment of Ramform Banff and sub-sea equipment related to the Banff-field.
- $48.0 million in impairment of assets relating to geophysical services (marine, land and data processing).
- $14.7 million in impairment of investments in associated companies.
- $43.4 million in impairment of goodwill.
- $2.9 million in net gain relating to the terminated combination with Veritas.
- $3.6 million in costs relating to restructuring/refinancing of debt.
- $22.9 million in severance packages and other one-time charges.

Operating profit before impairments and unusual items was $101.3 million for 2002, a decrease of 6% from 2001. Operating profit before impairments and unusual items as a percentage of revenue was 10% in 2002, compared to 12% in 2001.

Operating profit before impairments and unusual items for the geophysical services was $0.8 million for 2002, a decrease of $5.5 million, or 88%, from 2001. This decrease was caused by lower market rates, generally as a result of overcapacity, and an increase in the share of revenues from onshore seismic operations, which historically carries a lower margin than marine seismic.

Operating profit before impairments and unusual items for the production operations was $100.5 million for 2002, a reduction of $1.5 million, or 1%, from 2001. Operating profit before impairments and unusual items as a percentage of revenue decreased from 35% in 2001 to 31% in 2002. Although all four of the production vessels were in full operation throughout 2002, in contrast to 2001 when some of the vessels underwent upgrades, the operating profit and operating margin reflect decreased production output from the Banff-field. In addition, the operating profit for 2001 included the utilization of $16.5 million in loss contract accruals for the Ramform Banff, compared to $8.1 million in such accruals utilized during 2002. Additionally, operating profit before impairments and unusual items for 2001 included revenue from the sublease of unutilized shuttle tankers capacity into the spot market.

Net financial expense for 2002 was $7.7 million, or 5%, higher than in 2001, which reflects the decrease in capitalized interest of $14.2 million, or 72% from 2001, reflecting both the multi-client investment decrease during 2002 and the FPSO vessel upgrade projects undertaken during 2001. The effect of the decreased capitalized interest was partly offset by a 5% decrease in gross interest expense. Other income for 2002 of $39.3 million included $54.1 million in fair value gains associated with the tax equalization swap contracts, compared to $18.0 million in fair value expense for 2001. PGS terminated all outstanding tax equalization swap contracts during 2002.

Provision for income taxes from continuing operations in 2002 of $205.3 million consisted of:

- A tax expense of $3.0 million on the results of continuing operations.
- A tax benefit of $119.1 million associated with impairments and other unusual items.
- A tax expense of $106.2 million related to tax equalization swap contracts and foreign exchange fluctuations.
- A tax expense of $215.2 million in valuation allowance related to the deferred tax assets of continuing operations.

Net income on assets held for sale includes an impairment of Atlantis for $190.1 million (before tax) and $26.8 million (before tax) related to the sale of Production Group Limited.

In the first quarter of 2003 the Company implemented the new Norwegian Accounting Standard NRS (F) “Impairments of long-term assets”, where long-term assets shall be impaired to fair value (recovering amount). The evaluation should be implemented for every item classified as long-term asset with a separate cash flow, and the evaluation should be based on the highest of net sales value and use value, based on net present value on discounted future cash flows. Had the Company adopted the new accounting standard as of December 31, 2002, the effect would have been additional impairments of $130 million of property and equipment and $65 million of multi-client library.

8.2.2 First half-year 2003

(The comments and discussion of first half-year 2002 and 2003 in this Section refer to unaudited US GAAP figures.) Revenues increased to $593.1 million in the first half of 2003 compared to $475.3 million in the first half of 2002, an increase of 25%. Adjusted EBITDA for the first half of 2003 was $263.9 million compared to $228.2 million in the first half of 2002, an increase of 16%. This increase was due to a significant increase in revenues from the seismic contract market as well as revenues from oil production on the Varg field in the North Sea, which commenced in August 2002.

The FPSO vessels continued their operating performance from the first quarter through nearly all of the second quarter. However, since the end of June, one of the two high-pressure gas compressors onboard Petrojarl Foinaven has been down due to vibration and damage to coupling and bearings. The oil production will be reduced by approximately 23,500 barrels per day as long as this problem persists. PGS has full focus on solving the problem. In addition the production volume on Petrojarl Foinaven is approximately 10,000 barrels lower than originally forecasted in the business plan (a description of which is included in Appendix 5). The combined revenue from Petrojarl Varg and Pertra AS, operating on the Varg field in the North Sea, was $80.0 million in the first half of 2003, an increase of 97%, or $39.3 million, from the first half of 2002. This increase is the result of the new sidetrack oil well and increased oil prices. In total, production services generated $198.4 million in revenues in the first half of 2003 compared to $157.1 million in the first half of 2002, an increase of $41.3 million or 26%. Adjusted EBITDA, for the first half of 2003 was $94.4 million compared to $87.6 million in the first half of 2002, an increase of 8%.

All marine seismic vessels were fully utilized during the first half of 2003. Total revenue from the geophysical services was $394.7 million for the first half of 2003 compared to $318.2 million in the first half of 2002, an increase of $76.5 million or 24%. Adjusted EBITDA was $169.5 million for the first half of 2003 compared to $140.5 million for the first half of 2002, an increase of 21%.

The seismic contract business continued to be favorable, resulting in total revenues of $246.0 million in the first half of 2003 compared to $160.1 million in the first half of 2002, an increase of 54%. Multi-client pre-funding in the first half of 2003 was $43.0 million, a decrease of 38% from $69.9 million in the first half of 2002. This is in line with PGS's current focus on the seismic contract market as opposed to the multi-client business where it was focused in the past. The percentage of multi-client pre-funding on new multi-client investments increased to 63% in the first half of 2003 compared to 58% in the first half of 2002. Multi-client late sales reached $81.2 million in the first half of 2003 compared to $65.5 million in the first half of 2002, an increase of 24%. The cash investment in the multi-client library totaled $68.6 million in the first half of 2003 compared to $120.1 million in the first half of 2002, a decrease of 43%. Total multi-client cash flow was $55.6 million for the first half of 2003, an increase of 266% from $15.2 million in the first half of 2002.

In July 2003, PGS received a court judgment relating to a lawsuit by certain employees of Acadian Geophysical Services, Inc. ("Acadian"). Acadian was acquired by PGS in 1998 and the former president of Acadian had allegedly promised such employees a certain portion of the proceeds of the sale. Subsequent to the sale the, employees sued for compensation. According to the court judgment in July, such compensation aggregates $5.1 million including interest, of which $1.1 million was accrued for during 2001. Accordingly, an additional accrual for $4.0 million was recorded as cost of sales in the second quarter of 2003.

PGS decided to use the 30-day grace period for payment of interest on all of its existing senior notes during the first quarter of 2003 and part of the second quarter. The decision was made due to the Company's ongoing dialogue with its banks and bondholders in assessing PGS' financial condition and optimizing its liquidity position. All interest was paid within the relevant grace periods. PGS is continuing to defer distribution payments on preferred securities issued by its trust subsidiary PGS Trust I. Except for such payments, all outstanding interest has been paid up to July 29, 2003, the date of the filing under chapter 11 of the Bankruptcy Code.

As previously disclosed, PGS has an ongoing dialogue with the Norwegian and UK tax authorities regarding a potential tax claim involving PGS employees employed by PGS Marine Service (Isle of Man) Ltd., which is expected to be settled in the near future. In the second quarter of 2003, PGS accrued a $12.9 million charge for such taxes. There are some uncertainties as to the size of any penalty tax and whether the liability will be settled in full in Norway and/or in the UK.

In the first quarter of 2003 earnings release, PGS disclosed a plan for headcount reduction of approximately 250 employees during the second and third quarter of 2003. In the second quarter of 2003, $10.3 million was recognized as cost in relation to this headcount reduction as well as severance to certain former employees.

In the first half of 2003, $22.6 million was recognized as cost in relation to the debt restructuring and refinancing of the Company. As of June 30, 2003, a total of $26.2 million has been recognized for such costs.

The net interest bearing debt decreased by $143.7 million during the first half of 2003, of which $42.2 million relates to redemption of preferred stock that was fully repaid by end of July 2003. As of June 30, 2003, net interest bearing debt was $2,352.6 million. Gross financial expense for the first half of 2003 was $79.6 million compared to $72.2 million for the first half of 2002.

Other gain (loss), net, for the first half of 2003 was a loss of $2.6 million, which includes $1.5 million in foreign exchange losses. Other gain (loss), net, for the first half of 2002 was a loss of $11.7 million, of which $8.2 million related to foreign exchange losses.

Provision for income taxes was $35.0 million for the first half of 2003 compared to $67.6 million for the first half of 2002, a decrease of 48%.

The Company adopted SFAS No 143 "Accounting for Asset Retirement Obligations" effective January 1, 2003, and recorded a cumulative accounting effect relating to abandonment costs on the Banff-field of $10.1 million. The tax benefit relating to this charge was $3.0 million, which was offset by same amount in valuation allowance. The remaining net book value of such costs, $6.2 million, was immediately impaired and recorded as an unusual item in the consolidated income statements (first half of 2003).

Capital investments:

- Investments in multi-client library were $68.6 million in the first half of 2003 compared to $120.1 million in the second quarter of 2002, a decrease of 43%.
- Capital expenditures in Pertra AS totalled $22.2 million in the first half of 2003, relating to drilling and seismic costs for an appraisal well on Varg South. There were no such investments in the first half of 2002.
- In the first half of 2003 there were no capital expenditures related to the FPSO vessels compared to $12.4 million in the first half of 2002.
- Capital expenditures in the geophysical services were $4.4 million in the first half of 2003 compared to $27.8 million in the first half of 2002, a decrease of 84%.

8.3 DEBT STRUCTURE POST RESTRUCTURING

PGS currently has a financial debt (existing bank debt, notes and certain other debt) of approximately $2.5 billion. Through the Restructuring, the Company's financial debt will be reduced to approximately $1.3 billion. The financial debt for the Reorganized PGS will mainly consist of bank debt (the New Term Loan) and notes (the New Senior A and New Senior B Notes). The composition of the debt will depend on the subscription for the two packages of debt; Package A Distribution and Package B Distribution. If neither of the two recovery packages are oversubscribed, the debt structure of PGS at September 30, 2003 (on a pro forma basis) is estimated to be as follows, not including the Exit Facility and the bonding facility:

Description	$ million	Maturity (years)	Interest rate
Term Loan	475	8	LIBOR + 1.15%
Senior A Notes	350	7	10.00%
Senior B Notes	250	3	8.00%
Capital lease obligations	86		
Oslo Seismic Notes	104	8	8.28%
Sum	1,265		

Depending on the subscription of Package A Distribution and Package B Distribution, the total financial debt of PGS may be increased or decreased by up to $112 million and $75 million, respectively.

Pursuant to the Plan, Reorganized PGS will retain $50 million of cash.

8.3.1 Terms of New Senior A Notes and New Senior B Notes

The following summary of the New Senior A Notes and New Senior B Notes is not a complete description of their terms. The detailed terms are set forth in the indenture for such notes, the form of which was filed as a supplement to the Plan and as such can be obtained at PGS' internet site *(http://www.pgs.com)*.

The New Senior A Notes and New Senior B Notes will be senior unsecured obligations of Reorganized PGS ASA and will include the following terms and conditions, among others:

- The New Senior A Notes will bear interest at 10 percent per year, payable semi-annually in arrears, and will mature seven years after the Effective Date;
- The New Senior B Notes will bear interest at 8 percent per year, payable semi-annually in arrears, and will mature three years after the Effective Date;
- The New Senior A Notes will not be redeemable for the first four years after the Effective Date. Thereafter, they will be redeemable in whole or in part at any time at the option of Reorganized PGS ASA, at a premium in the fifth year after the Effective Date equal to 105% of their outstanding principal amount and at a premium ratably reduced thereafter, as set forth in the indenture for such notes. At maturity, the New Senior A Notes may be redeemed at 100% of their outstanding principal amount, as set forth in the indenture;
- The New Senior B Notes will be redeemable in whole or in part at any time at the option of Reorganized PGS ASA, at a premium during the first year after the Effective Date equal to 103% of their outstanding principal amount and at a premium ratably reduced thereafter. At maturity, the New Senior B Notes may be redeemed at 100% of their outstanding principal amount, as set forth in the indenture;

- The indenture will contain affirmative and negative covenants customary for senior notes of this type;
- Material Subsidiaries will guarantee Reorganized PGS ASA's obligations in respect of the New Senior A Notes and New Senior B Notes;
- If the New Senior A Notes and New Senior B Notes are not paid when due, the holders will be entitled to exercise their rights and remedies under the indenture and applicable law;
- Upon a change of control, Reorganized PGS ASA will be required to offer to repurchase the New Senior A Notes and New Senior B Notes at 101% of their outstanding principal amount, plus accrued and unpaid interest. "Change of control" is acquisition of more than 51% of the voting stock of Reorganized PGS ASA by a single person or persons acting in concert; and
- Reorganized PGS ASA will undertake to use its reasonable best efforts to have the New Senior A Notes and New Senior B Notes rated by Standard & Poor's Corporation and Moody's Investor Service, Inc. within 90 days of the Effective Date

8.3.2 Terms of the New Term Loan

The following summary of the New Term Loan is not a complete description of its terms. The detailed terms are set forth in the agreement for the New Term Loan, a form of which was filed as a supplement to the Plan and as such can be obtained at PGS' internet site *(http://www.pgs.com)*.

Subject to revision and modification prior to the Effective Date, the New Term Loan will include the following terms and conditions among others:

- Guarantors will be the Material Subsidiaries of PGS ASA;
- The facility will bear interest at a rate equal to LIBOR plus 1.15% per annum plus mandatory regulatory costs (if any);
- Subject to a cap of $40 million on aggregate annual repayments, the facility will be repaid by semi-annual repayments equal to 3.684% of the face amount of the New Term Loan (i.e. $35 million per year assuming $475 million of New Term Loan) with a final balloon repayment of all amounts then outstanding due 8 years after the Effective Date;
- Super majority lenders (i.e., 66 2/3%) will have the option to require prepayment of the New Term Loan in full as follows:
    - upon a change of control (where a person or persons acting in concert acquire 51% or more of the voting stock of Reorganized PGS ASA); and
    - if the credit rating (as rated by Standard & Poor's and Moody's) of the new entity and, if applicable, the new entity's parent or holding company is less than the credit rating of Reorganized PGS ASA immediately prior to the change of control, provided that no such prepayment event will arise where the credit rating of the new entity is at least BB/Ba2, and on fifteen business days' notice at par and without penalty or premium but subject to breakage costs
- The New Term Loan will be unsecured;
- In the event of insolvency, the liability of Reorganized PGS ASA under the New Term Loan agreement will be limited to the net present value of the New Term Loans at the date of such insolvency, with net present value calculated on the basis of a 9% per annum discount rate;
- The New Term Loan will contain usual and customary covenants; and
- Events of default of the New Term Loan will be usual and customary for transactions of this type.

8.4 FINANCIAL INSTRUMENTS

The Company periodically enters into forward exchange contracts and option contracts to hedge against foreign currency exchange risks associated with certain firm commitments and transactions related to property and equipment. The Company is most sensitive to changes in the NOK to USD exchange rates. There were no foreign currency exchange contracts outstanding at December 31, 2002 or June 30, 2003. At December 31, 2001, the Company had approximately $15 million of notional forward foreign currency exchange contracts outstanding to hedge short-term NOK and USD transactions; these contracts had a de minimis aggregate fair value. Also at December 31, 2001, the Company had approximately $17.2 million of notional forward foreign currency exchange contracts outstanding to hedge USD and Brunei dollar transactions during 2001; these contracts had an aggregate fair value of approximately $0.9 million. During 1998 and 1999, the Company entered into forward foreign currency exchange contracts known as tax equalization swaps ("TES") related to its financial debt. These contracts effectively hedge the risk related to the cash tax effect of unrealized exchange rate fluctuations. During 2002, the Company terminated all outstanding TES contracts and received $21.0 million from the counterparty as the termination settlement. Results of operations for the years ended December 31, 2002, 2001 and 2000 included $54.1 million, minus $18.0 million and minus $61.4 million, respectively, of fair value income (recognized in other expense, net) for these contracts, and direct tax benefits of minus $15.2, $5 million and $17.2 million, respectively. Additional information on these contracts can be found in note 26 to the 2002 annual report, enclosed herewith as Appendix 1.

8.5 FINANCE LEASE AGREEMENTS

PGS entered into certain lease structures from 1996 to 1998 relating to Ramforms Challenger, Valiant, Viking, Victory and Vanguard; Petrojarl Foinaven; and production equipment of the Ramform Banff.

The Company paid funds to large international banks (the "Payment Banks"), and in exchange, the Payment Banks assumed liability for making rental payments required under the leases (the "Defeased Rental Payments") and the lessors legally released the Company as obligor of such rental payments. Accordingly, the Company has recorded no capital lease obligations on its consolidated balance sheets with respect to these leases.

The Defeased Rental Payments are based on assumed Sterling LIBOR rates of between 8% and 9% (the "Assumed Interest Rates"). If actual interest rates are greater than the Assumed Interest Rates, the Company receives rental rebates. Conversely, if actual interest rates are less than the Assumed Interest Rates, the Company is required to pay rentals in excess of the Defeased Rental Payments (the "Additional Required Rental Payments"). Currently, interest rates are below the Assumed Interest Rates, and based on forward market rates for Sterling LIBOR, as of June 30, 2003 the net present value of Additional Required Rental Payments aggregated GBP 32 million, using an 8% discount rate. The Additional Required Rental Payments are reflected in other financial income (loss) as they are incurred and paid.

9 SHARE CAPITAL AND SHAREHOLDER MATTERS

9.1 SHARE CAPITAL

The registered share capital of PGS as at the date of this Prospectus is NOK 516,729,935 divided into 103,345,987 shares, of par value NOK 5 each (the "Existing Shares"). All Existing Shares will be cancelled at the Effective Date.

The registered share capital of PGS after completion of the Restructuring will be NOK 600,000,000 divided into 20,000,000 shares, of par value NOK 30 each (the "New Shares"). The difference between the subscription price per share and the par value will be allocated to the share premium fund. As the subscription price will depend on various factors including the USD/NOK exchange rate and the preferences of the creditors between Package A Distribution and Package B Distribution, neither the actual subscription price nor the premium per share can be determined presently.

The Existing Shares are registered with the Norwegian Registry of Securities ("VPS") under ISIN NO. 000 4225004. The New Shares will be registered in the VPS under ISIN NO. 001 0199151. The Registrar is and will be Nordea Bank Norge ASA, Verdipapirservice, P.O. Box 1166 Sentrum, N- 0107, Oslo, Norway.

9.2 DEVELOPMENT OF SHARE CAPITAL

The following table shows the development of the share capital of PGS over the last three years

Date	Type of change	Change in share capital (NOK)	Nominal value (NOK)	Share capital after change (NOK)	Number of shares after change
Aug. 23, 2000	Share issue*	1,189,500	5.00	511,739,935	102,347,987
May 29, 2001	Share issue*	165,000	5.00	511,904,935	102,380,987
July 31, 2001	Share issue**	4,500,000	5.00	516,404,935	103,280,987
Aug. 21, 2001	Share issue*	325,000	5.00	516,729,935	103,345,987

* Redemption of employee stock options
** Acquisition of Diamond Geophysical Service Corporation against shares

At the Effective Date, all Existing Shares will be cancelled concurrently with the issuance of the 20,000,000 New Shares.

9.3 AUTHORISATION TO ISSUE ADDITIONAL SHARES AND OTHER SECURITIES

The Board does at present not hold any authorizations to increase the share capital of the Company through share issues.

The Company has not issued, or granted authorizations to the Board to issue convertible bonds or other convertible loans.

To enable the Company to conduct an Amended Offering if the Offering does not qualify under section 1145 of the Bankruptcy Code, the Board has proposed, as described in Section 4.5, that the Extraordinary General Meeting gives the Board the following two authorizations:

(i) to increase the share capital by up to NOK 45,000,000 through a private placement to the Underwriters, and to the extent the Underwriters do not subscribe, to the Package B Holders, where the price per share shall be the counter-value in NOK of $14.17 being the equivalent of $85,000,000 for 6,000,000 New Shares. The Shareholders Meeting shall waive the pre-emptive rights of shareholders and the authorization shall expire on September 30, 2005. The Board may only use the authority if the US Bankruptcy Court does not grant 1145 Approval.

(ii) to increase the share capital by up to NOK 135,000,000 through a private placement to the Existing Shareholders as of the Effective Date of up to 4,500,000 New Shares, and to the extent the Existing Shareholders do not subscribe, to the Underwriters, and to the extent the Underwriters do not subscribe, to the Package B Holders, where the price per share shall be the counter-value in NOK of $14.17 being the equivalent of $85,000,000 for 6,000,000 New Shares. The Shareholders Meeting shall waive the pre-emptive rights of shareholders and the authorization shall expire on September 30, 2005. The Board may only use the authority if the US Bankruptcy Court does not grant 1145 Approval.

9.4 STOCK OPTIONS AND LOANS

Pursuant to the Plan, all stock options currently outstanding would be cancelled without any compensation.

Following completion of the Restructuring, Reorganized PGS is expected to, as anticipated in the Plan Support Agreement, establish a management incentive plan. Any issue of equity or warrants or authorization to do so will require approval from the shareholders of Reorganized PGS ASA, by a 66 2/3 majority, calculated on the basis of shareholders present and voting in a general meeting of Reorganized PGS ASA.

The Company has previously established an option plan under which a compensation committee is authorized to grant key employees options to purchase shares in the Company. Each employee that is granted options has the right to buy shares within the time period specified in the grant at the market price in effect at the time of the grant. As of July 27, 2003, there were no remaining authorized share options that could be granted.

Outstanding stock options under the plan as of July 27, 2003, were as follows:

Exercise dates	Number of outstanding shares	Exercise price (NOK)
July 1, 2002 - July 1, 2004	110,000	131.5
July 1, 2003 - July 1, 2006	770,000	133.0
July 1, 2003 - July 1, 2006	1,764,000	150.0
Sum	**2,644,000**	**-**

The Company also has an option plan for non-employee directors. The terms of this plan are similar to those of the employee stock option plan described above. As of July 27, 2003, there were no remaining authorized share options that could be granted. Outstanding stock options under the plan as of July 27, 2003, were as follows:

Exercise dates	Number of outstanding shares	Exercise price (NOK)
July 1, 2002 - July 1, 2004	40,000	128.5
July 1, 2003 - July 1, 2006	100,000	160.0
July 1, 2004 - July 1, 2007	100,000	103.0
Sum	**240,000**	**-**

Awards made under the plans become immediately exercisable upon occurrence of a change in control of the Company, generally defined to include certain changes in the Board, the acquisition of a certain percentage of outstanding shares, certain merger transactions and certain dispositions of all or substantially all of the assets of the Company.

Loans

During the period 1996 – 1998, Norwegian taxpayers incurred tax on the calculated gain on granted share options in the year of such grant. The calculated gain was based on an estimated 1% rise of the stock price per month during the vesting period. This estimated profit was then deducted from the actual profit when the share options eventually were exercised. PGS employees being granted share options financed the advance payment of tax on the estimated profit through bank loans, guaranteed by PGS ASA. As a result of the decline of the PGS share on the Oslo Stock Exchange, employees granted share options during this period (1996 – 1998) incurred large losses as the bank loans matured immediately once the PGS stock price fell below NOK 50. In July 2002, the Board approved that PGS ASA would agree to compensate for the net loss incurred by each employee relating to the income tax calculated on the estimated gain for these periods. During Q1 2003, PGS ASA paid down the employees' bank loans and entered into loan agreements with the employees for the amounts the employees would be refunded by the tax authorities. As of July 27, 2003, approximately NOK 10 million remains of such employee loans.

9.5 TREASURY SHARES

PGS does not own any treasury shares ("own shares"). No authorization to acquire such shares has been granted to the Board.

9.6 STOCK EXCHANGE LISTING

The Existing Shares are listed on Oslo Børs under the ticker symbol "PGS". Until February 26, 2003, PGS Shares were also listed on the New York Stock Exchange (the "NYSE") in the form of ADRs with the ticker symbol "PGO". In the US, the ADRs currently are traded over-the-counter ("OTC") and are quoted on the Pink Sheets under the ticker symbol "PGOGY". The Pink Sheets is a centralized quotation service that collects and publishes market maker quotes for OTC securities in real-time.

PGS intends to continue the listing of its ordinary shares (i.e., the New Shares) on Oslo Børs and for its ADRs to continue trading on the US OTC market. Subject to approval by the Board of Directors of Reorganized PGS ASA, Reorganized PGS ASA shall use commercially reasonable efforts to have the New Shares listed on a national stock exchange in the US or NASDAQ as soon as practicable following the Effective Date.

The chart below shows the trading prices and trading volumes for the Company's Shares for the last three years.

Source: Datastream

9.7 SHAREHOLDER MATTERS

9.7.1 Major holders of Existing Shares

As of September 11, 2003, PGS had approximately 6,300 registered ordinary shareholders. About 59% of these shares are held by non-Norwegian shareholders. The following table lists PGS' twenty largest shareholders registered in VPS as of the same date:

Shareholder	# shares	%
Citibank NA - Depositary for ADSs	40,934,381	39.6%
Umoe Invest AS	11,995,000	11.6%
Citibank NA - Depositary for ADSs	5,833,537	5.6%
CGG [1)]	4,190,000	4.1%
Vital Forsikring ASA	1,565,500	1.5%
Alendal, Torkel	1,514,500	1.5%
DnB Norge	1,060,600	1.0%
TS Industri Invest	1,050,000	1.0%
Varlo AS	950,000	0.9%
Bear Stearns Sec.	948,700	0.9%
Danske Bank	791,578	0.8%
Bjørn Ravlo AS	751,100	0.7%
Brown Brothers Harriman	750,000	0.7%
Odin Norge	750,000	0.7%
Deutsche Bank AG London	670,000	0.6%
DnB 20	622,400	0.6%
SIS Segaintersettle	618,374	0.6%
Postbanken Aksjespar	591,600	0.6%
Boston Safe Deposit	591,010	0.6%
Goldman Sachs & Co	441,200	0.4%
Top 20	**76,619,480**	**74.1%**
Other	26,726,507	25.9%
Total	**103,345,987**	**100.0%**

(1) CGG holds a number of shares through nominee accounts, and disclosed in September 2002 that it held 7.51% of outstanding shares.

Together the 20 largest shareholders, excluding holders of ADSs, hold 28.9% of the Existing Shares. The Company's largest shareholder is Umoe Invest AS, which owns 11.6% of the share capital. Members of the PGS Board and Senior Management (including Umoe Invest AS) own a total of 12.0% of the Existing Shares including ADSs (see table under Section 7.2.3). Approximately 45.2% of the Existing Shares are held through ADSs, with a total of approximately 120 record holders.

The shareholder structure of PGS ASA will change materially following the completion of the Restructuring. In the Reorganized PGS ASA, it is intended that the Affected Creditors will hold 66% of the New Shares, and the Existing Shareholders, including the Underwriters, will hold 34%. Based on its shareholdings as set forth in the table above, and assuming the Underwriters subscribe for their pro rata share (as Existing Shareholders) of the Offered New Shares the Underwriters will hold at least approximately 13% of the New Shares, with Umoe Invest AS expected to hold approximately 8.4%.

9.7.2 Shareholder policy

PGS (to be reorganized) has as its primary objective to create value for shareholders by producing a return on its capital which is commensurate with the risk represented by its operations and financial structure. Such value shall be provided to shareholders in the form of capital appreciation, and over time, dividends or other distributions. However, the terms of the New Senior A and B Notes and the New Term Loan will restrict Reorganized PGS ASA's ability to pay dividends, and cash dividends may not be paid on the New Shares for the foreseeable future.

9.7.3 Meetings of shareholders

The Annual General Meeting of PGS is required to be held each year on or prior to June 30. Norwegian law requires that written notice of general meetings be sent to shareholders whose addresses are known at least two weeks prior to the date of the meeting. A shareholder may vote by proxy. Although Norwegian law does not require PGS to send proxy forms to its shareholders for general meetings, PGS will normally include a proxy form with the notice of meetings. The PGS ASA Articles of Association, section 3, however, state that notice shall be given at least four weeks before a meeting, save for Extraordinary General Meetings requested by the auditor or shareholders representing at least 5% of the share capital of the Company. In the latter situations it is sufficient with two weeks notice.

Apart from the Annual General Meeting, Extraordinary General Meetings of shareholders may be held whenever considered necessary by the Board. An Extraordinary General Meeting shall also be convened for the consideration of specific matters at the written request of PGS' auditors or of shareholders representing at least 5% of the share capital of PGS.

For a description of the shareholders' voting rights on general meetings, see Section 9.7.7.

9.7.4 Share register

Under Norwegian law, shares are registered in the name of the owner of the shares. As a general rule, there are no arrangements for nominee registration. However, shares may be registered in the VPS by a fund manager (bank or other nominee) approved by the Norwegian Ministry of Finance, as the nominee of foreign shareholders. An approved and registered nominee has a duty to provide information on demand about beneficial shareholders to the company and to the Norwegian authorities. In the case of registration by nominees, registration with the VPS must show that the registered owner is a nominee. Registration must include the nominee's name, address and number of shares, which are the subject of the nomination agreement. A registered nominee has the right to receive dividends and other distributions but cannot vote at general meetings on behalf of the beneficial owners. Beneficial owners must register with the VPS or provide other proof of their acquisition of the shares in order to vote at general meetings.

9.7.5 The VPS and transfer of shares

The VPS is Norway's paperless centralized securities registry. It is a computerized bookkeeping system operated by an independent body in which the ownership of, and all transactions relating to, Norwegian listed shares must be recorded. PGS' share register is operated through the VPS.

All transactions relating to securities registered with the VPS are made through computerized book entries. The VPS confirms each entry by sending a transcript to the registered shareholder irrespective of any beneficial ownership. To affect such entries, the individual shareholder must establish a share account with a Norwegian account agent. Norwegian banks, the Bank of Norway, authorized securities brokers in Norway and Norwegian branches of credit institutions established within the European Economic Area are allowed to act as such agents.

The entry of a transaction in the VPS is prima facie evidence in determining the legal rights of parties as against the issuing company or a third party claiming an interest in the given security.

The VPS is strictly liable for any loss resulting from an error in connection with registering, altering or canceling a right, except in the event of contributory negligence, in which event compensation owed by the VPS may be reduced or withdrawn.

A transferee or assignee of shares may not exercise the rights of a shareholder with respect to such shares unless such transferee or assignee has registered such shareholding or has reported and shown evidence of such share acquisition, and the acquisition of shares is not prevented by law, the Articles of Association or otherwise.

9.7.6 ADSs – transfer and voting etc.

The shareholders may choose to hold their shares as ADSs, in which case the shares are represented by ADRs, as set forth in further detail in Section 4.1.12. ADSs may be transferred, at the option of the holder, by transferring the related ADRs, or by requesting the underlying shares to be issued to the holder, who transfers them to the transferee.

A holder of ADSs may vote his shares by following either of these procedures: (a) Request to be certificated, by having the underlying shares transferred to a VPS account in the name of the holder, (b) as described in the Articles of Association of PGS, present himself as a shareholder, providing name and address, and a confirmation from Citibank as depositary for the ADSs to the effect that he is the beneficial owner of the underlying shares, or (c) authorize Citibank to vote the ADSs on his behalf.

9.7.7 Summary of shareholders' rights

The below is a summary of some of the most important shareholders' rights under Norwegian law and PGS ASA's Articles of Association.

Voting rights

The Company has only one share class. Each share carries one vote.

Under Norwegian law, to vote at an Annual or Extraordinary General Meeting, a shareholder must be registered as a holder of title to the shares to be voted in the company's share register maintained by the VPS not later than at the date of the meeting. According to the PGS ASA's Articles of Association, shareholders who intend to participate in a general meeting must notify the Company by the date stated in the notice convening the meeting, which date cannot be more than two business days before the date of the meeting.

Election of directors

Directors may be removed or elected at the Annual General Meeting, but may also be removed or elected at an Extraordinary General Meeting called for that purpose. The slate of directors need not be announced prior to the meeting.

Pursuant to the Plan, any change of the composition of the Board (except for board members selected by employees, if any) during the first two years after completion of the Restructuring other than the replacement of a director by a personal deputy appointed at a shareholders meeting approving the initial board, will require a 66 2/3 % shareholder vote (calculated on the basis of those present and voting), and the PGS ASA's Articles of Association shall be amended accordingly.

Right to demand issues placed as an item on the agenda for any general meeting

Any shareholder may demand that a specific issue be placed as an item on the agenda for any general meeting provided that the Company is notified in time for such item to be included in the notice of the meeting.

Dividends

Under Norwegian law, any proposal to pay dividend must be recommended or accepted by the directors and approved by the shareholders at a general meeting. The shareholders at an Annual General Meeting may vote to reduce (but not to increase) the dividends proposed by the directors. No interim dividends may be paid in respect of a financial period as to which audited financial statements have not been approved by the Annual General Meeting of shareholders.

Norwegian law, as well as the terms of the New Senior A and B Notes and the New Term Loan, will restrict Reorganized PGS ASA's ability to pay dividends, and cash dividends may not be paid on the New Shares for the foreseeable future.

Prohibition of unreasonable benefits

Norwegian law prohibits the general meeting or the Board or any other person representing the Company from taking any action that may give a shareholder an unreasonable benefit at the expense of other shareholders or the Company.

Restriction on ownership of shares

The Articles of Association of PGS ASA contain no provisions restricting the foreign ownership of PGS Shares. The Board, as required by the Articles of Association, will refuse to approve any transfer of PGS Shares insofar as such share acquisition may impair any license to acquire real property or other rights held by PGS or any of its subsidiaries or its chances of later acquiring such license. PGS and its subsidiaries do not presently hold any license or concession, which could be impaired by such an acquisition of PGS Shares.

There are no limitations under Norwegian law on the rights of non-residents or foreign owners to hold or vote the PGS Shares.

Disclosure obligations (Disclosure of qualified holdings)

A person, entity or group acting in concert that acquires or disposes of PGS Shares, options for PGS Shares or other rights to PGS Shares resulting in its beneficial ownership, directly or indirectly, in the aggregate meeting, exceeding or falling below the respective thresholds of 1/20, 1/10, 1/5, 1/3, 1/2, 2/3 or 9/10 of the share capital or the voting rights in PGS has an obligation under Norwegian law to notify Oslo Børs immediately. A corresponding disclosure obligation applies with respect to any holder of ADRs who is entitled upon surrender of the ADRs to acquire directly or indirectly the beneficial ownership of a number of PGS Shares that, together with any other PGS Shares, additional ADSs representing PGS Shares or options to acquire PGS Shares held by such holder, in the aggregate, meets, exceeds or falls below such thresholds.

Additional issuances and preferential rights

All issuances of shares by the Company, including bonus issues, require an amendment to the Articles of Association, which requires the support of at least two-thirds of the votes cast and of the share capital represented at the general meeting. Under Norwegian law, the Company's shareholders have a preferential right to subscribe for issues of new shares. The preferential rights may be waived by a resolution in the general meeting by the same majority requirement.

The issuance of shares to holders who are citizens or residents of the United States and some other jurisdictions upon the exercise of preferential rights may require the Company to file a registration statement in the relevant jurisdiction under the relevant non-Norwegian securities law. If the Company decides not to file a registration statement, such holders may not be able to exercise their preferential rights and in such event would be required to sell the preferential rights to eligible holders to realize the value of such rights.

Mandatory offer requirement

Norwegian law requires any person, entity or group acting in concert that acquires more than 40% of the voting rights of a Norwegian company listed on Oslo Børs to make an unconditional general offer to acquire the whole of the outstanding share capital of that company or, alternatively, within four weeks, dispose of a sufficient part shares to again get below the 40% threshold. PGS ASA's Articles of Association currently include provisions that effectively introduce a lower first threshold of 33 1/3%. It will be proposed to the Extraordinary General Meeting to remove such provisions.

When the triggering threshold has been reached, the relevant shareholder must forthwith make a public announcement as to whether he will make an offer or dispose the exceeding shares The offer must be made no later than four weeks after the obligation was triggered, in the form of an offer document to all shareholders.

The offer is subject to approval by Oslo Børs before submission to the shareholders. The offering price per share must be at least as high as the highest price paid by the offeror in the six-month period prior to the date the 40% threshold was exceeded, but equal to the market price if it is clear that the market price was higher when the 40% threshold was exceeded; provided, however, that in the event that the acquirer thereafter, but prior to the expiration of the bid period acquires, or agrees to acquire, additional shares at a higher price, the acquirer is obliged to restate its bid at that higher price. A mandatory offer must be in cash or contain a cash alternative at least equivalent to any other consideration offered.

A shareholder who has announced that he will make an offer but fails to do this within four weeks cannot, as long as the mandatory bid requirement remains in force, vote his shares or exercise any rights of share ownership unless a majority of the remaining shareholders approve, other than the right to receive dividends and preferential rights in the event of a share capital increase. In addition, Oslo Børs may impose a daily fine upon a shareholder who fails to make the required offer. If a shareholder has announced that he will dispose of the exceeding shares but fails to do this within four weeks, Oslo Børs may cause the shares exceeding the 40% limit to be sold by public auction, unless the shareholders has instead made an offer within the said four weeks.

Compulsory acquisition (Squeeze out right / sell out right)

If a shareholder, directly or via subsidiaries, acquires shares representing more than 90% of the total number of issued shares as well as more than 90% of the total voting rights attached to such shares, then such majority shareholder would have the right (and each remaining minority shareholder of PGS would have the right to require such majority shareholder) to effect a compulsory acquisition for cash of any shares not already owned by such majority shareholder ("Squeeze Out Right" and "Sell Out Right", respectively, as regulated by section 4-25 of the Norwegian Public Limited Companies Act 1997). Such compulsory acquisition would imply that the majority shareholder has become the owner of the thus acquired shares with immediate effect. Upon effecting the compulsory acquisition the majority shareholder would have to offer the minority shareholders a specific price per share, the determination of which price would be at the discretion of the majority shareholder. Should any minority shareholder not accept the offered price, such minority shareholder may, within a specified deadline not to be of less than two months' duration, request that the price be set by the Norwegian courts. Absent such request or other objection to the price being offered, the minority shareholders would be deemed to have accepted the offered price after the expiry of the two months deadline. The cost of such court procedure would, as a general rule, be for the account of the majority shareholder, and the courts would have full discretion in respect of the valuation of the shares as per the effectuation of the compulsory acquisition.

Sale of all or substantial part of the company's property or assets

There is no general requirement under Norwegian law that the sale, lease or exchange of all or substantially all of the property or assets of a Norwegian company requires shareholders' approval in addition to the approval of the board of directors, unless such transaction would imply that the business and the purpose of the company as described in its articles of association would be amended, in which event the approval of two-thirds of the votes cast as well as two-thirds of the share capital represented at the shareholders' meeting would be required.

Examination of the company and its accounts

Under Norwegian law, if approved by 10% or more of the share capital represented at a general meeting, any shareholder may request the courts to order an examination of the company and its accounts.

Rights upon winding-up

Under Norwegian law, PGS may be wound-up by a resolution of PGS in a general meeting passed by a two-thirds majority of the aggregate votes cast as well as two-thirds of the aggregate share capital represented at such meeting. The shares rank pari passu in the event of a return on capital by PGS upon a winding-up or otherwise.

10 TAXATION

10.1 CERTAIN NORWEGIAN TAX MATTERS

10.1.1 General

The following summarizes certain Norwegian tax consequences to PGS and the Existing Shareholders of the Restructuring. 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. This summary does not discuss all relevant aspects of Norwegian tax consequences. Therefore, each Existing Shareholder is urged to consult his or her tax advisor to determine the particular tax consequences to him or her and the applicability and effect of any Norwegian or foreign tax laws and/or changes in applicable tax laws.

10.1.2 PGS

PGS' debt to the Affected Creditors will be replaced partly with new debt and partly with New Shares (Package A Distribution and Package B Distribution), as described in Section 3.3. To the extent existing debt is not replaced with New Shares or new debt, this will for tax purposes be considered as forgiveness of part of the debt. This would primarily relate to forgiveness of debt relating to holders of claims electing Package A Distribution and the claims in respect of the Existing Junior Subordinated Debentures. Such forgiveness of debt will reduce any tax carry forward losses of the Reorganized PGS ASA with a corresponding amount.

10.1.3 Existing Shareholders

The Existing Shares will be cancelled by a capital reduction and the Existing Shareholders will thereby suffer a loss. Losses from realization of shares are in general deductible against general income. A loss is calculated for each share as the difference between the consideration received (which in the case of a complete cancellation will be zero) and the tax basis of the share, i.e. the acquisition cost, adjusted for annual changes in the taxed equity of the company during the shareholders' period of ownership, see further details under Section 10.1.5. As a part of the Restructuring, the Existing Shareholders will receive 4% of the New Shares. The Existing Shareholders will also be offered Rights to acquire such number of New Shares that would increase the ownership from 4% to 34%. It must be expected that cancellation of Existing Shares and acquisition of New Shares will be deemed as one event for Norwegian tax purposes. This means that the Existing Shareholders will be deemed to have realized for tax purposes only the number of shares corresponding to the shareholder's net reduction of ownership interest in the Restructuring, taking into consideration the 4% New Shares received by all Existing Shareholders as well as the acquisition of up to 30% of the New Shares pursuant to the Rights.

The tax basis of the Existing Shares not deemed to be realized for tax purposes will form the tax basis for the New Shares received in the Restructuring and be deductible upon a later sale or other disposition of New Shares, see Section 10.1.5. It is not clear whether the tax basis of the Existing Shares not deemed to be realized will be allocated only to the 4% New Shares received by the Existing Shareholders or both to the said 4% New Shares and the New Shares acquired under the Offering. However, it can be expected that the tax basis of the Existing Shares not deemed to be realized would be preserved intact. For New Shares acquired pursuant to the Rights, the acquisition cost will also be added to the tax basis.

The granting or exercise of the Rights is not expected to have any tax consequences for Existing Shareholders.

10.1.4 Holders of financial debt

A conversion of financial debt into New Shares is deemed as a realization of the existing claim and debt and may, for resident holders, give rise to a taxable gain or deductible loss as follows:

- Capital gains from the realization of existing bonds are taxable, irrespective of whether they are a part of the holder's business or not. Correspondingly, capital losses are deductible against general income.
- With respect to other financial debt, capital gains are not taxable in the case of realization and correspondingly, capital losses are not deductible, unless the financial debt is a part of the creditor's business.

- Capital gains from the disposition of financial debt being part of the creditor's business are taxable as general income at a rate of 28%, while losses are deductible against general income.
- A gain or loss is calculated as the difference between the consideration received and the tax basis of the notes/receivables (the issue price or acquisition cost). It must be expected that the computation should be based upon the market value of the shares received as consideration.
- Conversion of existing financial debt by a non-resident holder will not be subject to taxation in Norway unless the non-resident holder holds the existing notes/financial debt in connection with the conduct of a trade or business in Norway.

10.1.5 Ownership and disposition of New Shares

Taxation of dividends

Current Norwegian tax legislation generally provides that shareholders resident in Norway for tax purposes effectively do not suffer tax on dividends received from Norwegian companies. This is due to a credit system (tax imputation system), which has been established to avoid double taxation of companies and their shareholders. Under this system, a Norwegian limited company pays tax on its profit, including the part, which is distributed as dividends. Resident holders are required to include all dividends received when reporting their taxable income, but are eligible for a tax credit for an amount equal to the tax payable on the taxable dividend, with full imputation as a consequence.

Dividends paid to shareholders resident in Norway for tax purposes are subject to a withholding tax of 25%, unless otherwise provided for in an applicable double tax treaty. Norway has entered into tax treaties with more than 70 countries. In most tax treaties, the withholding tax rate is reduced to 15%, and in some treaties even to 5% or zero for qualified holdings. The company is responsible for withholding the withholding tax.

Shareholders not resident in Norway for tax purposes who have suffered a higher withholding tax than applicable in the relevant tax treaty may apply to the Norwegian tax authorities for a refund of the excess amount. The application is to be filed with the Central Office - Foreign Tax Affairs.

For nominee registered shares, the 25% withholding tax rate applies, unless the nominee by agreeing to provide certain information regarding beneficial owners has obtained pre-approval for a relevant reduced treaty-rate from the Central Office - Foreign Tax Affairs.

Taxation upon realization of shares

Gains from a sale or other disposition of shares by a shareholder not resident in Norway for tax purposes are taxable as general income at a flat rate of 28%. Losses are deductible against general income. The tax liability and deductibility apply irrespective of how long the shares have been owned and the number of shares that is sold. The gain or loss is calculated for each individual share as the difference between the consideration received and the tax basis of the share. The tax basis of the share is determined as the acquisition cost, adjusted for annual changes in the taxed equity of Reorganized PGS during the shareholders' period of ownership (the "RISK" method). The calculation of the change in taxed equity is based on taxable profit, reduced by taxes payable and dividends.

If the shares disposed of have been acquired at different times, the shares that were first acquired will be deemed as first sold (the FIFO principle).

Costs incurred in connection with the purchase and sale of shares are deductible in the year of sale.

Gains from the sale or other disposition of shares by a shareholder not resident in Norway for tax purposes will not be subject to taxation in Norway unless: (i) the shares are held in connection with the conduct of a trade or business in Norway or (ii), the shareholder is an individual who has been a resident of Norway for tax purposes within the five calendar years preceding the sale or disposition and the gains are not exempted pursuant to the provisions of an applicable tax treaty.

Net wealth tax

For a holder of shares resident in Norway, the shares will form part of the capital and be subject to net wealth tax. The maximum wealth tax rate is 1.1%. A resident holder that is a joint stock company or a similar entity is exempted from net wealth tax.

Listed shares are generally valued at their quoted value on January 1 in the assessment year.

A holder of shares not resident for tax purposes in Norway is not subject to Norwegian wealth tax with respect to such shares unless the holder is an individual and his shareholding is effectively connected with a business carried out by the shareholder in Norway.

Inheritance tax

Transfer of shares through inheritance or as a gift 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. The transfer is exempted from inheritance tax, but not gift tax, if the deceased was a citizen but not a resident of Norway and inheritance tax or a similar tax is levied by the deceased's country of residence. However, Norwegian inheritance tax may be levied irrespective of residence or citizenship if the shares were held in connection with the conduct of a trade or business in Norway.

Stamp duty

Norway does currently not levy stamp duty or other transfer taxes on the transfer or issuance of shares.

10.2 CERTAIN UNITED STATES TAX MATTERS

The following discussion summarizes certain US federal income tax consequences relating to the distribution of New Shares and purchase rights and an investment in New Shares by a US Holder (as defined below). This summary does not deal with the tax consequences applicable to all categories of investors, some of which (such as tax-exempt entities, banks, broker dealers, investors who hold Existing Shares, purchase rights or New Shares as part of hedging or conversion transactions and investors whose functional currency is not the USD) may be subject to special rules. In addition, this summary deals only with US Holders that will hold Existing Shares, purchase rights or New Shares as capital assets. US Holders of shares are advised to consult their own tax advisors about their particular circumstances and the effects of US federal, state, local or other laws to which they may be subject.

As used herein, the term "US Holder" means a holder of Existing Shares, purchase rights or New Shares that is (i) for United States federal income tax purposes, a citizen or resident of the United States, (ii) a corporation or other entity created or organized in or under the laws of the United States, any State of the United States or the District of Columbia, (iii) an estate or trust the income of which is subject to United States federal income taxation regardless of its source, or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust. Notwithstanding the preceding sentence, to the extent provided in Treasury regulations, certain trusts in existence on August 20, 1996, and treated as US persons prior to that date, which elect to continue to be treated as US persons, also will be US Holders. Special rules applicable in the case of a US Holder that is considered a partnership for US federal income tax purposes are not addressed herein.

10.2.1 Cancellation of Existing Shares and receipt of New Shares and Rights.

The Cancellation of Existing Shares and the Receipt of New Shares and Rights will constitute a recapitalization and holders of Existing Shares will recognize no gain or loss on such exchange. Holders of Existing Shares will have an aggregate basis in the New Shares and Rights equal to the basis in their Existing Shares, and the holding period in the New Shares and Rights will include their holding period in the Existing Shares.

10.2.2 Taxation of dividends

If the Company pays a dividend with respect to New Shares, then, for US federal income tax purposes, the gross amount of distributions (including any withholding tax thereon transferred to the Norwegian tax authorities) made by the Company out of its current or accumulated earnings and profits (as determined for US federal income purposes) will be includible in the gross income of a US Holder as dividend income on the date of receipt, but will not be eligible for the dividends received deduction generally allowed to corporations. Distributions in excess of the earnings and profits of the Company will be treated, for US federal income tax purposes, first as a non-taxable return of capital to the extent of the US Holder's basis in the New Shares and then as a gain from the sale or exchange of the New Shares. Dividends paid in a currency other than the USD will be includible in the income of a US Holder in a USD amount based on the exchange rate at the time of their receipt by such holder. Any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend is includible to the date such payment is converted into USD will be treated as ordinary income or loss.

Under new legislation, signed into law on May 28, 2003, effective for tax years beginning after December 31, 2002, through tax years beginning on or before December 31, 2008, dividend income received by an individual from a corporation organized in the United States or from a "qualified foreign corporation" is taxed at the new lower rates imposed on long-term capital gains recognized by individuals. The maximum rate of tax for such dividends is 15%.

A non-US corporation is a "qualified foreign corporation" if either (1) its stock with respect to which the dividend is paid is readily tradable on a qualifying US stock exchange or (2) the corporation is eligible for the benefits of a comprehensive tax treaty with the United States that the IRS determines is satisfactory for purposes of the provision reducing the rate of tax on dividends, and that includes an exchange of information. However, a non-US corporation which is a passive foreign investment company or a foreign personal holding company in the year the dividend is paid or in the preceding year will not qualify as a "qualified foreign corporation."

Because it has not been decided whether ADRs with respect to the New Shares will be traded on a qualifying US stock exchange, PGS AS may or may not qualify as a "qualified foreign corporation," and so dividends paid on shares with respect to which ADRs are so traded, may or may not be eligible for the lower rates.

An individual US holder will not be allowed to benefit from the lower rates unless such individual (i) holds stock for more than 60 days during the 120-day period beginning on the date that is 60 days before the date on which the share becomes ex-dividend (disregarding any period during which the US holder has diminished the risk of loss with respect to such stock (for example, by holding on option to sell such stock)), and (ii) is not under an obligation to make related payments with respect to positions in substantially similar or related property.

If an individual US Holder receives a dividend from the Company qualifying for the long-term capital gains rates and such dividend constitutes an "extraordinary dividend", and the US Holder subsequently recognize a loss on the sale or exchange of the stock in respect of which the "extraordinary dividend" was paid, then the loss will be long-term capital loss to the extent of such "extraordinary dividend." An "extraordinary dividend" for this purpose is a dividend in an amount (1) greater than or equal to 10% of the taxpayer's tax basis (or trading value) of the underlying stock, aggregating dividends with ex-dividend dates within an 85 day period, or (2) in excess of 20% of such tax basis (or trading value), aggregating dividends with ex-dividend dates within a period of 365 days.

10.2.3 Foreign tax credits

A US Holder of New Shares generally will be entitled to claim a credit against its United States federal income tax liability for the amount of Norwegian withholding tax imposed on dividends paid on such New Shares and transferred to the Norwegian tax authorities. US Holders who are entitled to the benefits of a reduced rate of Norwegian withholding tax under the income tax treaty in effect between the United States and Norway will be allowed a credit for only the amount of withholding tax provided for thereunder. The amount of the credit for Norwegian tax withheld will be subject to limitations contained in the foreign tax credit provisions of the United States Internal Revenue Code.

Depending on the particular circumstances of the US Holder, dividends with respect to the New Shares will generally be classified, for foreign tax credit purposes, as passive income or financial services income. A US Holder of New Shares who finds that, because of such limitations, it is more advantageous in such holder's particular case to claim the withholding tax as a deduction rather than as a credit may do so, but only for a year in which such holder does not claim a credit for any foreign taxes.

10.2.4 Taxation on sale or disposition of New Shares

US Holders will recognize capital gain or loss for US federal income tax purposes on the sale or other disposition of New Shares in an amount equal to the difference between the USD value of the amount realized and the US Holder's tax basis in the New Shares. Such capital gain or loss will be long-term if the New Shares have been held for more than one year. Under the new legislation discussed above, long-term capital gains recognized by individuals on sales or exchanges occurring after May 5, 2003, are eligible for taxation at new lower rates. The maximum rate for such capital gains is now 15%. Under most circumstances, gain, if any, will generally be US source income for US foreign tax credit purposes. In general, any loss arising from a disposition of New Shares should be considered US source loss for foreign tax credit purposes. However, in certain circumstances, the loss may be considered foreign source loss to the extent of certain dividends received by the holder (or a predecessor) prior to the disposition.

10.2.5 Passive foreign investment company considerations

If during any taxable year of the Company 75% or more of the Company's gross income consists of certain types of "passive income", or the average value during taxable a year of "passive assets" (generally assets that generate passive income) is 50% or more of the average value of all of the Company's assets, the Company will be treated as a "passive foreign investment company" ("PFIC") under US federal income tax law for such year. For purposes of this test, any assets or income of the Company's subsidiaries will generally be treated as held or earned by the Company. If the Company is treated as a PFIC for any taxable year, a US Holder may be subject to increased tax liability upon the sale or other disposition of New Shares or upon the receipt of certain dividends and other adverse tax consequences. In addition, as noted above, dividends received by individuals from a PFIC are not eligible for the new lower tax rate because a PFIC is not a "qualified foreign corporation."

Based on an analysis of its financial position, the Company does not expect to be considered a PFIC for the Company's current taxable year or for future years. However, because the determination of whether the Company constitutes a PFIC will be based upon the composition of the income and assets of the Company from time to time, there can be no assurance that the Company will not be considered a PFIC for any future taxable year. If the Company determines that it should be considered a PFIC for any taxable year, it will make reasonable efforts to notify US Holders.

10.2.6 Backup withholding and information reporting

Payments in respect of purchase rights or the New Shares may be subject to information reporting to the US Internal Revenue Service and to a US backup withholding tax. Backup withholding generally will not apply, however, to a holder who furnishes a correct taxpayer identification number or certificate of foreign status and makes any other required certification or who is otherwise exempt from backup withholding.

10.2.7 Gift and estate tax

An individual US Holder will be subject to US gift and estate taxes with respect to New Shares in the same manner and to the same extent as with respect to other types of personal property.

11 LEGAL MATTERS

11.1 LEGAL PROCEEDINGS

One of PGS ASA's subsidiaries has an ongoing dialogue with the Norwegian and UK tax authorities regarding a potential tax claim for its employees. $12.9 million has been accrued in charges for such taxes. There are uncertainties as to the size of any penalty tax and whether the liability will be settled in full in Norway and/or in the UK.

PGS is involved in a number of other lawsuits, all of which has arisen in the ordinary course of business. PGS does not believe that the ultimate liability, if any, resulting from any such pending litigation, will have a material adverse effect on the Company's business or consolidated financial position. There can be no assurance that PGS' beliefs or expectations as to the outcome or effect of any lawsuit or other litigation matter will prove correct and the eventual outcome of these matters could materially differ from the current estimates.

11.2 NEGATIVE EQUITY

PGS ASA's balance sheet as of 31 December 2002 shows a negative equity, and all the share capital has been lost. The shareholders were informed about the equity situation in the Annual General Meeting on 18 June 2003 as required by Norwegian law. PGS ASA and the board of directors believe that the Restructuring satisfies the action required to be taken under Norwegian law in a situation where the equity is negative and the share capital lost. However, the equity situation means that PGS ASA also after completion of the Restructuring will be restricted from paying dividends until retained earnings have been rebuilt, as a Norwegian company may only pay dividends if the value of its equity is more than 10% of the balance sheet value of its assets.

11.3 DEBTOR IN POSSESSION

Until the Bankruptcy Court has confirmed the Plan, PGS ASA operates as a debtor in possession under US Bankruptcy Law. Although PGS does not expect its ordinary business to be affected by this, PGS ASA is subject to court supervision and a number of actions that may have to be taken by PGS ASA will need to be approved by the Bankruptcy Court. Further legal consequences of the Restructuring are described in Section 12 "Risk Factors":

11.4 OTHER MATTERS

A number of other legal matters, including matters related to the reorganization of PGS ASA, are discussed in Section 12 "Risk Factors".

12 RISK FACTORS

Readers of this Prospectus should carefully consider all of the information contained herein, and in particular the following factors, which may affect some or all of the Company's/the Reorganized Company's activities, and which may make an investment in the New Shares one of high risk. This list is not exhaustive. The actual results of PGS/Reorganized PGS could differ materially from those anticipated in the forward looking statements and as a result of many factors, including the risks described below and elsewhere in this Prospectus. Some of the risk factors included below relate the consummation of the Plan as contemplated. The Offering is conditioned upon the Plan being consummated.

12.1.1 The Reorganized Company may not be able to achieve its projected financial results

PGS ASA cannot assure you that the Reorganized Company will be able to achieve the assumed revenues or cash flows utilized to project its future business prospects or otherwise meet its projected financial results. If the Reorganized Company does not achieve these projected revenue or cash flow levels, it may lack sufficient liquidity to continue operating as planned after the Effective Date.

The Projections (as defined in the Plan) have been prepared based on certain assumptions and projections with respect to the Reorganized Company's revenue generating capability, capital expenditures and operating expenses, global market conditions in the seismic industry, the market for FPSOs in the North Sea and based on information known at the time there were prepared. The business plan, which is the source of much of the information contained in the Projections, was prepared in November and December 2002 and finalized and presented in January 2003. The Projections have been updated to reflect certain developments which have taken place since January 2003. The Projections are dependent upon the successful implementation of the business plan and the validity of the other assumptions contained therein.

The assumptions used in preparing the Projections are inherently subject to significant uncertainties, all of which are difficult to predict and many of which are beyond PGS ASA's control. Projections are necessarily speculative in nature, and you should expect that some or all of the assumptions will not materialize. Therefore actual results likely will differ, perhaps materially, from those projected. PGS ASA cannot give any assurances that the assumptions and estimates that underpin the Projections are correct or that the Projections will reflect actual results of operations and cash flows. No representation is made or intended with respect to the likely existence of any particular future set of facts or circumstances. Furthermore, while management believes the assumptions and estimates underlying its Projections are reasonable, these Projections do not attempt to demonstrate the viability of the business in a "worst case" environment.

The Projections were not prepared with a view toward compliance with the guidelines established by the American Institute of Certified Public Accountants or the Financial Accounting Standards Board. Furthermore, the Projections have not been audited or reviewed by the independent accountants of PGS ASA.

12.1.2 The Chapter 11 filing may further disrupt PGS ASA and Reorganized Company's operations

The impact, if any, that the Restructuring may have on the operations of the Reorganized Company, cannot be accurately predicted or quantified. PGS ASA believes the Restructuring and consummation of the Plan in an expeditious manner will have a minimal adverse impact on relationships with customers, employees and suppliers, especially in view of the fact that the Plan is supported by a majority of banks and bondholders and certain of PGS ASA's largest shareholders and because none of the PGS' subsidiaries commenced bankruptcy cases. If confirmation and consummation of the Plan do not occur expeditiously, the Restructuring could further adversely affect PGS ASA's and PGS' subsidiaries' relationships with their customers, employees and suppliers.

However, even an expedited chapter 11 case could have a detrimental impact on the future financial condition and operations of the Reorganized Company due to the possibility that the Restructuring may create a negative image of PGS ASA in the eyes of its current and future customers, suppliers and other contract parties, as well as those of PGS ASA's subsidiaries. An extended chapter 11 proceeding may adversely affect the confidence of customers of PGS ASA's various businesses in the oil field service area, which could adversely impact revenues, notwithstanding the support offered by a majority of banks and bondholders and certain of PGS ASA's largest shareholders. A prolonged Restructuring may make it more difficult for PGS ASA to retain and attract management and other key personnel and would require senior management to spend an excessive amount of time and effort dealing with PGS ASA's financial problems instead of focusing on the operation of its businesses.

12.1.3 The Reorganized Company faces significant risks to its business operations

The business of the Reorganized Company could be adversely affected if low oil and gas prices decrease for its services

The Reorganized Company's business and operations depend substantially upon exploration, development and production spending by oil and gas companies. Capital expenditures, and in particular exploration and development expenditures, by oil and gas companies have tended in the past to follow trends in the prices of oil and gas that have fluctuated widely in recent years. Low oil and gas prices, and concerns about possible low oil and gas prices in the future, may reduce the level of those expenditures. Sustained periods of "flat" or substantially reduced capital expenditures by oil and gas companies may reduce the demand for the Reorganized Company's services and products. Generally, as overall conditions in the oil and gas industry deteriorate, demand for the services and products of the Reorganized Company may decrease and its businesses may be adversely affected. Furthermore, recoveries in oil and gas prices do not immediately increase exploration, development and production spending, so improved demand for the services and products of the Reorganized Company will generally lag behind oil and gas price increases. In 2002, PGS ASA recognized impairment charges, including multi-client data library impairment charges of $268.4 million, totaling approximately $823.3 million, due in part to weakness in PGS ASA's geophysical services business.

The Reorganized Company's results of operations could suffer as a result of risks arising from its FPSO contracts

The Reorganized Company's FPSO contracts involve various risks, including, among others, those of:

- failure to commence production from FPSO vessels in a timely manner;
- failure to operate at high uptime performance levels on a sustained basis for technical reasons, including operational difficulties that require reworking of vessels;
- termination;
- redeployment of vessels following expiration or termination of long-term contracts; and
- failure to produce expected amounts of oil and gas under contracts where the Reorganized Company's compensation depends on the volume of oil and gas produced.

Each and every one of these risks could adversely affect the Reorganized Company's results of operations.

The Reorganized Company is subject to intense competition, which could limit its ability to maintain or increase its market share and to maintain its prices at profitable levels

Most of the Reorganized Company's contracts are obtained through a competitive bidding process. While no single company competes with the Reorganized Company in both of its businesses, it is subject to intense competition from large, international companies and smaller, local companies with respect to each of its segments. The combination in 2000 of the geophysical operations of two of the Reorganized Company's largest geophysical service competitors, Geco Prakla a part of Schlumberger Limited and Western Geophysical a part of Baker Hughes Incorporated, to form Western Geco created a single very large competitor with greater financial resources in the geophysical service business. Western Geco and some other competitors have greater financial and other resources than the Reorganized Company and may be better positioned to withstand and adjust more quickly to volatile market conditions and changes in government regulations. Such competitors may also enjoy an advantage over the Reorganized Company in a competitive environment for contract awards or data sales and in the development of new technologies. Furthermore, the Reorganized Company faces increased competition in the international seismic contract market, as competitors increase their focus on this market. New low-cost competitors from China and Russia may also contribute to lower prices, in particular in the onshore seismic market, which is already highly competitive.

Owners of seismic vessels have temporarily suspended operating them in the hope of improving price levels in the marine seismic data market. If these vessels resumed operations, the increased competition could further reduce market prices.

The Reorganized Company has high levels of fixed costs

The business of the Reorganized Company is capital intensive and generally requires significant investments in multi-client data, vessels and processing, seismic and other equipment. Downtime or low productivity due to reduced demand, weather interruptions, equipment failure, technical difficulties, labor unrest or other causes can result in the Reorganized Company incurring significant operating losses.

The technology of the Reorganized Company could be rendered obsolete since technological changes and new products and services are frequently introduced to the market of the Reorganized Company and the Reorganized Company may not be able to develop and produce products on a cost-effective and timely basis

Technology changes rapidly, and new and enhanced products are frequently introduced in the market for products and services of the Reorganized Company, particularly in the seismic data processing and geophysical service sectors. The success of the Reorganized Company depends to a significant extent upon 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 Reorganized Company commits substantial resources to research and development, the Reorganized Company 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 inherently carries the risk of obsolescence with respect to older products. New and enhanced products and services, if introduced, may not gain market acceptance or may be adversely affected by technological changes.

The Reorganized Company's operating results depend on attracting and retaining qualified employees

The Reorganized Company's results of operations depend in large part upon its business skills and knowledge, which derives mainly from the ability to attract and retain highly skilled and qualified personnel. The Reorganized company may not have the ability to hire, train and retain a sufficient number of qualified employees for its operations and such inability may impact its results of operations.

PGS ASA invests significant amounts of money in acquiring and processing seismic data for its data library without knowing the extent and price it will be able to sell the data or how much of that data it will be able to sell

PGS ASA and its subsidiaries invest significant amounts in acquiring and processing seismic data that they license or sell to multiple customers, which PGS ASA and its subsidiaries call multi-client data. During 2002 and 2001, PGS ASA and its subsidiaries invested $190.4 million and $230.1 million, respectively, in multi-client data. By making such investments, PGS ASA and its subsidiaries assume the risk that:

- PGS ASA and its subsidiaries may not fully recover the costs of the multi-client data through future sales; and
- the value of PGS ASA's and its subsidiaries' multi-client data could be adversely affected if any material adverse change occurred in the general prospects for oil and gas exploration, development and production activities in the areas where they acquire multi-client data.

If either of these risks occurs, the value of the Reorganized Company's multi-client data could be impaired and the Reorganized Company would be required to take a charge against its earnings. During 2002 and 2001, PGS ASA and its subsidiaries recognized impairment charges of $268.4 million and $13.2 million, respectively, related to PGS ASA's multi-client data library.

The Reorganized Company's future sales are uncertain and depend on a variety of factors, many of which are beyond their control. In addition, the timing of these sales can vary greatly from period to period. Technological or regulatory changes or other developments also could adversely affect the value of the data.

The amounts PGS ASA amortizes from its multi-client data library each period may fluctuate significantly, and these fluctuations can have a significant effect on PGS ASA's reported results of operations

The manner in which PGS ASA accounts for its data library has a significant effect on PGS ASA's reported results of operations. PGS ASA capitalizes its investments in its multi-client data library and generally charges these investments to cost of sales as revenue is recognized. PGS ASA amortizes the cost of its multi-client data library based in part on the relationship of actual data sales for the relevant period to its estimates of total data sales.

These estimates:

- are inherently imprecise;
- may vary from period to period depending upon market developments and PGS ASA's expectations; and
- may result in periodic determinations of permanent value impairment.

Substantial changes in amortization rates can have a significant effect on PGS ASA's reported results of operations.

In addition, PGS ASA's accounting policy requires that it reduce the book value of its individual seismic surveys to a specified percentage of gross cost at the end of each year regardless of sales. In 2002 and 2001, PGS ASA recognized $39.8 million and $39.1 million, respectively, in such minimum amortization charges. PGS ASA recognizes minimum amortization charges quarterly beginning in the second quarter of each year, when it evaluates on a survey-by-survey basis the minimum amortization requirements against the remaining sales estimates for that year.

PGS ASA has had operating losses in the past and the Reorganized Company could incur operating losses in the future

In 2002 and 2001, PGS ASA and its subsidiaries incurred a net loss of $1,245.7 million on revenue of $994.0 million and net income of $11.3 million on revenue of $885.1 million, respectively. PGS ASA has taken measures to cut operating costs but the Reorganized Company may still incur losses in the future.

Unpredictable changes in governmental regulations could increase the Reorganized Company's operating costs and reduce demand for its services

The Reorganized Company's operations are affected by a variety of laws and regulations, including those relating to:

- permit or license requirements for seismic activities and for oil and gas exploration, development and production activities;
- exports and imports;
- occupational health and safety; and
- the protection of the environment.

The Reorganized Company and its customers are required to invest financial and managerial resources to comply with these laws and regulations. Because these laws and regulations and its business change from time to time, the Reorganized Company cannot predict the future costs of complying with these laws and regulations, and its expenditures could be material in the future. Modification of existing laws or regulations or adoption of new laws or regulations limiting exploration or production activities by oil and gas companies or imposing more stringent restrictions on seismic or hydrocarbon production-related operations could adversely affect the Reorganized Company by increasing its operating costs and/or reducing the demand for its services.

Because the Reorganized Company conducts a substantial amount of international operations, it has exposure to those risks inherent in doing business abroad

A significant portion of the Reorganized Company's revenue is derived from operations outside the United States and the Kingdom of Norway. These operations are subject in varying degrees to risks inherent in doing business abroad, including risks of war, terrorist activities, political, civil or labor disturbances and embargoes. Continued hostilities in the Middle East and/or the occurrence or threat of occurrence of future terrorist attacks such as those against the United States on September 11, 2001 have caused instability in the world's financial and insurance markets and may significantly increase political and economic instability in the geographic areas in which the Reorganized Company will operate. A lower level of economic activity could result in a decline in demand for the Reorganized Company's products and services, which could adversely affect its results of operations and limit its future growth prospects. The Reorganized Company's operations outside the United States and the Kingdom of Norway also will be subject to various risks related to government activities, including:

- the possibility of unfavorable changes in tax or other laws
- partial or total expropriation;

- restrictions on currency repatriation;
- the imposition of new laws or regulations that have the effect of restricting operations or increasing the cost of operations;
- imposition of new laws or regulations which preclude or restrict the conversion and free flow of currencies;
- the disruption or delay of multi-data sales and licensing or leasing activities; and
- the requirements of partial local ownership of operations.

The Reorganized Company is subject both to hazards customary for marine operations and to those more specific to its seismic and FPSO operations

The Reorganized Company's seismic data acquisition and offshore production activities often take place under extreme weather and other hazardous conditions. In particular, substantially all of the Reorganized Company's operations are subject to perils that are customary for marine operations, including capsizing, grounding, collision, interruption and damage from severe weather conditions, fire, explosions and environmental contamination from spillage. Any of these risks 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 Reorganized Company's operations involve risks of a technical and operational nature due to the complex systems that it utilizes. Furthermore, the Reorganized Company's FPSO operations are subject to additional hazards, including environmental damage from spillage. If any of these events occur, the Reorganized Company's business could be interrupted and the Reorganized Company could incur significant liabilities.

Because the Reorganized Company does not have insurance to cover some operating risks, its results of operations could be adversely affected if one or more of those risks occurred

The Reorganized Company cannot always obtain full insurance for all of its operating risks. The Reorganized Company carries insurance against the destruction of or damage to its seismic and FPSO vessels and equipment in amounts that it considers adequate, but does not maintain insurance to protect against business interruptions. As a result of market conditions following the events of September 11, 2001, premiums and deductibles for some of the Reorganized Company's insurance policies have increased substantially. For example, insurance carriers are now requiring broad exclusions for losses due to war risk and terrorist acts. In addition, some types of insurance coverage could become unavailable or available only at very expensive premiums or for reduced amounts of coverage.

Because the Reorganized Company generates revenue and incurs expenses in various currencies, exchange rate fluctuations and devaluations could have a material impact on the Reorganized Company's results of operations

Currency exchange rate fluctuations and currency devaluations could have a material impact on the Reorganized Company's results of operations from time to time. Although the Reorganized Company periodically undertakes limited hedging activities in an attempt to reduce certain currency fluctuation risks, these activities provide limited protection from currency-related losses. In recent periods, PGS ASA has been required to recognize charges relating to the fair value of tax equalization swap agreements due to changes in the exchange rate between the NOK and the USD. Additionally, in some circumstances the Reorganized Company's hedging activities can require it to make cash outlays.

Interest rate fluctuations may increase the cost of borrowing to the Reorganized Company

Interest rate fluctuations could have a material impact on the Reorganized Company's results of operations from time to time since those fluctuations may increase the amount of interest payments under the New Term Loan, certain existing leases and any future variable rate indebtedness incurred by the Reorganized Company.

The Reorganized Company's future revenues may fluctuate significantly from period to period

The Reorganized Company's future revenues may fluctuate significantly from quarter to quarter as a result of the following:

- customers' budgetary cycles;
- the timing of offshore lease sales and the effect of such timing on the demand for geophysical activities;

- the timing of receipt of significant contracts for offshore production services and geophysical data acquisition services;
- seasonal factors; and
- sales of geophysical data from the Reorganized Company's multi-client data library that will fluctuate from period to period.

The revenues and cash flow from the Varg field may decline

A PGS' subsidiary, Pertra AS, operates the oil producing Varg field under a license from the Norwegian Ministry of Petroleum and Energy. Currently, oil production from the Varg field is 19,500 barrels per day. A material decline in this daily production could result in the termination of the Pertra AS service contract for the FPSO Petrojarl Varg vessel. Should this happen, PGS ASA may be unsuccessful in redeploying the vessel and its revenues and cash flow may be adversely affected. Additionally, Pertra AS's revenues and cash flow from the Varg field would be adversely affected. See also the risk factor regarding the negative implications on certain contracts of the Restructuring.

Potentially increased payments under certain finance lease arrangements may adversely affect PGS ASA's revenues and cash flow

PGS ASA and certain PGS' subsidiaries have entered into finance lease arrangements for the seismic vessels Ramform Viking, Ramform Valiant, Ramform Vanguard, Ramform Victory and Ramform Challenger, the FPSO Petrojarl Foinaven and the topsides of the FPSO Ramform Banff with financial institutions located in the United Kingdom, as lessors. These lessors claim tax depreciation on the capital expenditure incurred upon acquisition of the leased assets.

The United Kingdom tax authorities have challenged the lessors' right to claim tax depreciation and the results of this challenge will depend on the outcome of a case currently before the House of Lords. Regarding the Petrojarl Foinaven, the tax authorities are also challenging the lease arrangement on the grounds of the rate at which tax depreciation is available. If the United Kingdom tax authorities successfully challenge one or more of the lease arrangements, PGS ASA could be liable for increased rental payments to the lessors, additional security for such increased rental payments and increased termination fees that would apply on either a voluntary or default termination of the lease arrangements. The lessors may impose such additional payments prior to a final resolution of the challenges by the United Kingdom tax authorities. If such challenges prove unsuccessful, any increased security would be released and increased rental payments would be rebated to PGS ASA. Any additional payments could adversely affect PGS ASA's revenues and cash flow. In addition, because additional payments become due to the lessors when interest rates are below a certain threshold, continued low interest rates could also adversely affect PGS ASA's revenues and cash flow. See also the risk factor regarding the negative implications on certain contracts of the Restructuring.

12.1.4 The Reorganized Company faces additional non-operating risks

PGS ASA may be liable for additional employer contributions with respect to employees of a certain PGS subsidiary

PGS ASA is in dialogue with Norwegian and United Kingdom tax authorities regarding a potential taxation demand for inadequate payment of employer's contributions, national insurance contributions and seamen's pensions for European Union seamen employed by PGS Isle of Man, a subsidiary of PGS ASA, on Norwegian registered ships. No accrual has been recorded for this potential liability. Any payment required by these authorities may be material.

12.1.5 Several factors may affect the Reorganized Company's ability to repay its indebtedness

Reorganized PGS ASA and/or its subsidiaries may not have sufficient cash flow to repay Reorganized PGS ASA's indebtedness or have access to sufficient financing to refinance such debt at or prior to maturity

As of the Effective Date, Reorganized PGS ASA expects to have borrowings of between $1.2 and $1.3 billion on a consolidated basis through the issuance of the New Senior A Notes, the New Senior B Notes and the New Term Loan and pre-petition indebtedness that will not be impaired under the Plan. PGS may have additional indebtedness on the Effective Date if it enters into the Exit Facility. The New Senior A Notes will mature seven years after the Effective Date and the New Senior B Notes will mature three years after the Effective Date. The New Term Loan is subject to limited semi-annual repayments and will mature with a final balloon payment in eight years after the Effective Date.

Prior to the maturities of the New Senior A Notes, the New Senior B Notes and the New Term Loan, Reorganized PGS ASA may use excess cash flow from operations, if any, to repay such indebtedness. However, excess cash flow from operations, earnings from these PGS' subsidiaries or other available assets of the Reorganized Company may be insufficient to fully repay the New Senior A Notes, the New Senior B Notes and the New Term Loan prior to or at their respective maturity dates. As a result, Reorganized PGS ASA would have to rely on external financing sources, including the Exit Facility, and/or a refinancing of the New Senior A Notes, the New Senior B Notes and the New Term Loan. There can be no assurance that Reorganized PGS ASA will be able to obtain external financing and/or to refinance this indebtedness.

There may be limitations on Reorganized PGS ASA's ability to repay its indebtedness with cash flows from its subsidiaries

Since Reorganized PGS ASA conducts a significant proportion of its activities through its subsidiaries, it may depend on its subsidiaries for dividends or other payments to generate the funds necessary to meet its debt repayment obligations. There may be limitations under applicable law on the ability of subsidiaries to make dividend or other payments to Reorganized PGS ASA, restricting the Reorganized Company's ability to use excess cash flow from operations to repay the Exit Facility, if any, the New Senior A Notes, the New Senior B Notes and the New Term Loan.

12.1.6 The terms of the New Term Loan and the New Senior Notes may restrict Reorganized PGS' ability to fund its working capital requirements

The Reorganized Company's businesses are expected to require certain amounts of working capital. While the Reorganized Company's Projections assume that sufficient funds to meet its working capital needs for the foreseeable future will be available from the cash generated by the businesses of the Reorganized Company, its ability to gain access to additional capital, if needed, including pursuant to the Exit Facility, cannot be assured, particularly in view of competitive factors, industry conditions and restrictions contained in the New Term Loan agreement and the indenture of the New Senior Notes.

12.1.7 Reorganized PGS ASA may not be able to comply with the other covenants for the New Senior Notes and the New Term Loan and existing lease arrangements

PGS ASA cannot assure you that Reorganized PGS ASA will be able to comply with the covenants for the New Senior Notes and the New Term Loan or of existing finance lease arrangements. Failure to meet these covenants could result in a default. If any default were not remedied within the applicable grace period (if any), the holders of New Senior A Notes, New Senior B Notes, the New Term Loan and/or the lessors under the finance lease arrangements, would be entitled to declare the amounts outstanding under the New Senior Notes and/or the New Term Loan and/or the finance lease arrangements, respectively, due and payable and accelerate the payment of all such amounts.

12.1.8 The Reorganized Company may not be able to secure its ordinary course trade terms

If the Reorganized Company is not able to obtain ordinary trade terms from its suppliers, the Reorganized Company's cash flow may be negatively impacted. Prior to the Restructuring, certain important suppliers altered a number of ordinary trade terms, including shortening the length of time required to pay for goods and services. The Reorganized Company cannot assure you that its suppliers will not impose further restrictive pricing and trade terms and policies in the future.

12.1.9 A market for the New Shares may not develop in the foreseeable future and these securities may be illiquid or experience significant price volatility

Although PGS ASA intends to list the New Shares on Oslo Børs immediately upon consummation of the Plan and the ADSs on a national exchange or interdealer quotation system in the United States as soon as practicable thereafter, taking into account relevant listing requirements in the United States, PGS ASA cannot assure you that a market will develop for the New Shares and/or ADSs. If a market does not develop, you may have difficulty disposing of your securities. Even if a market for such securities develops, PGS ASA cannot assure you that it will continue to exist or assure you as to the degree of price volatility in any such market that does develop.

12.1.10 The estimated valuation of the Reorganized Company and the Plan Securities, and the estimated recoveries to holders of claims, are not intended to represent the trading values of the Plan Securities

The estimated valuation of the Reorganized Company used in this Disclosure Statement has been prepared by PGS ASA based on commonly accepted valuation analysis and is not intended to represent the trading values of the Reorganized Company's securities in public or private markets. This valuation analysis is based on numerous assumptions (the realization of many of which is beyond the control of the Reorganized Company), including: (a) the Reorganized Company's ability to meet the financial projections included with this Disclosure Statement; (b) the Reorganized Company's ability to maintain sufficient financial flexibility to fund operations, working capital requirements and capital expenditures; and (c) capital and financial market conditions as of the date hereof.

Even if the Reorganized Company successfully implements its business plan and achieves the financial projections included with this Disclosure Statement, the trading market values for the Plan Securities could be adversely impacted by: (a) lack of trading liquidity for such securities; (b) lack of institutional research coverage; and (c) concentrated selling by recipients of the Plan Securities.

12.1.11 The initial issuance of the Plan Securities may not be exempt from registration under the Securities Act

PGS ASA believes that the offer and sale of the Plan Securities under the Plan satisfy the requirements of section 1145(a)(1) and section 1145(a)(2) of the Bankruptcy Code and are therefore exempt from registration under the Securities Act and US state securities laws. PGS ASA will seek an order from the Bankruptcy Court confirming such exemption. However, the Bankruptcy Court may deny such an order to PGS ASA and/or the SEC may object to PGS ASA's claim of a Securities Act exemption, in which case PGS ASA will be compelled, unless another exemption from registration is available, to offer all or a portion of the Plan Securities pursuant to a registration statement filed under the Securities Act with the SEC and which must be declared effective by the SEC. Such a filing would be delayed by PGS' lack of audited financial statements and inability to file a short form registration statement of Form F-3. The SEC may also review and comment on such registration statement, thereby further delaying its effectiveness and the issuance of all or a portion of the Plan Securities and, possibly, the payment of the cash received from the sale of the Offered New Shares.

12.1.12 Resale of the Plan Securities may be restricted by law

Subject to confirmation by the Bankruptcy Court, the New Senior A Notes, New Senior B Notes and certain of the New Shares will be distributed under the Plan without registration under the Securities Act or any state securities laws under exemptions from registration contained in section 1145(a) of the Bankruptcy Code. The New Shares purchased by the Underwriters pursuant to the Underwriting Agreement will be distributed under the Plan without registration under the Securities Act or any state securities laws under the exemption from registration contained in section 4(2) of the Securities Act. If a holder of securities offered and sold under the Plan is deemed to be an "underwriter" with respect to such securities (with certain exceptions for "ordinary trading transactions" by certain persons) or an "affiliate" of the issuer of such securities, re-sales of such securities by such holder would not be exempt from the registration requirements under the Securities Act and securities laws under section 1145 of the Bankruptcy Code and, accordingly, could be effected only under an effective registration statement or in reliance on another applicable exemption from these registration requirements.

12.1.13 The absence of audited financial statements may prevent PGS ASA from timely filing its Exchange Act reports and preclude the use of a short form registration statement

Arthur Andersen LLP was the independent public accountant that audited PGS ASA's consolidated financial statements as of December 31, 2001. In June 2002, Arthur Andersen was convicted of obstruction of justice in connection with the US government's investigation of Enron Corporation. Shortly thereafter, Arthur Andersen ceased auditing public companies and PGS ASA retained Ernst & Young as the auditor of its financial statements. Ernst & Young is currently conducting a re-audit of PGS ASA's financial statements for the fiscal year ended December 31, 2001. Until this re-audit is complete, PGS ASA will be unable to file with the SEC its Annual Report on Form 20-F for the fiscal year ended December 31, 2002 since this Exchange Act report requires audited financial statements for the past three completed fiscal years. As a result, PGS ASA is currently delinquent in its filing obligations under the Exchange Act.

If PGS ASA is required to file a registration statement under the Securities Act to register the initial issuance of any of the Plan Securities, then the delinquent filing of the annual report with the SEC will preclude PGS ASA from using a short form registration statement on Form F-3. Instead, PGS ASA will be required, for registration of the initial issuance of any of the Plan Securities, to file the long form registration statement on Form F-1. Preparation and filing of a Form F-1 registration statement could substantially delay the consummation of the Plan and the SEC may review and comment on such registration statement, possibly delaying its effectiveness and further postponing the consummation of the Plan.

PGS ASA may be required to file a long form registration statement on Form F-1 under the Securities Act solely to register the initial issuance of the Offered New Shares. While the filing of such a registration statement would not delay consummation of the Plan with respect to the issuance of the Plan Securities, other than the Offered New Shares, preparation and filing of such registration statement and possible review and comment by the SEC could substantially delay the issuance of the Offered New Shares and payment of Cash received for the sale of the Offered New Shares.

12.1.14 Bankruptcy risks

Parties in interest may object to PGS ASA's classification of claims

section 1122 of the Bankruptcy Code provides that a plan of reorganization may place a claim or an interest in a particular class only if such claim or interest is substantially similar to the other claims or interests of such class. PGS ASA believes that the classification of claims and interests under the Plan complies with the requirements set forth in the Bankruptcy Code. However, PGS ASA cannot assure you that the Bankruptcy Court will reach the same conclusion.

The commencement of the Restructuring may have negative implications under certain contracts of PGS ASA and the PGS' subsidiaries

PGS ASA and the PGS' subsidiaries are parties to various contractual arrangements under which the commencement of the Restructuring and the other transactions contemplated by the Plan could, subject to PGS ASA's rights and powers under sections 362 and 365 of the Bankruptcy Code, (a) result in a breach, violation, default or conflict, (b) give other parties thereto rights of termination or cancellation, or (c) have other adverse consequences for PGS ASA or the Reorganized Company. The magnitude of any such adverse consequences may depend on, among other factors, the diligence and vigor with which other parties to such contracts may seek to assert any such rights and pursue any such remedies in respect of such matters, and the ability of PGS ASA or the Reorganized Company to resolve such matters on acceptable terms through negotiations with such other parties or otherwise. In addition, the rights and protections afforded PGS ASA under sections 362, 365 and other applicable provisions of the of the Bankruptcy Code may not be enforceable in the Kingdom of Norway and other foreign jurisdictions where PGS ASA conducts business or owns assets.

Certain of the contracts relating to which these rights and protections may not be enforceable are described below.

A PGS' subsidiary, Pertra AS, operates the oil producing Varg field under a license from the Norwegian Ministry of Petroleum and Energy that was granted on condition of a guarantee from PGS ASA. Norwegian law permits the ministry to revoke the license if such guarantee "has become significantly weakened". The ministry may therefore revoke the license on the grounds that PGS ASA is in a significantly weaker financial position than at the time the license was granted. The commencement of the Restructuring may increase the risk that the ministry will revoke the license.

A PGS' subsidiary, Golar-Nor (UK) Limited, operates the oil producing Foinaven field under a service contract with certain field co-venturers. This contract provides for certain rights of termination on the part of the field co-venturers in the event of certain circumstances related to PGS ASA's bankruptcy or insolvency. Under an agreement relating to the Petrojarl Foinaven vessel, the field co-venturers have certain rights and options to acquire the Petrojarl Foinaven upon any termination of the service contract or the lease arrangement. The consummation of the Restructuring may cause the termination of this service contract.

PGS ASA and certain PGS' subsidiaries entered into certain finance lease agreements relating to various vessels and land equipment. The leases may be terminated upon the filing of the Restructuring, but the lessors have waived their termination rights. However, these waivers can be terminated under certain conditions relating to, among other things, the level of indebtedness of the Reorganized Company and the length of the Restructuring. In the case of the Petrojarl Foinaven lease arrangement, the lessor has expressly reserved its right to terminate the lease arrangement if the service contract terminates. If these waivers and the related leases are terminated, PGS ASA could lose the use of the vessels and be required to pay a termination fee, resulting in materially adverse consequences to its financial position and future operating results.

PGS ASA may not be able to secure confirmation of the Plan

PGS ASA cannot assure you that the requisite acceptances to confirm the Plan will be received. Even if the requisite acceptances are received, PGS ASA cannot assure you that the Bankruptcy Court will confirm the Plan. A non-accepting creditor or equity security holder of PGS ASA might challenge the balloting procedures and results as not being in compliance with the Bankruptcy Code or Bankruptcy Rules. Even if the Bankruptcy Court determined that the Disclosure Statement and the balloting procedures and results were appropriate, the Bankruptcy Court could still decline to confirm the Plan if it found that any of the statutory requirements for confirmation had not been met. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and requires, among other things, a finding by the Bankruptcy Court that the confirmation of the Plan is not likely to be followed by a liquidation or a need for further financial reorganization and that the value of distributions to non-accepting holders of claims and interests within a particular class under the Plan will not be less than the value of distributions such holders would receive if PGS ASA was liquidated under chapter 7 of the Bankruptcy Code. While PGS ASA cannot assure you that the Bankruptcy Court will conclude that these requirements have been met, PGS ASA believes that the Plan will not be followed by a need for further financial reorganization and that non-accepting holders within each class under the Plan will receive distributions at least as great as would be received following a liquidation under chapter 7 of the Bankruptcy Code when taking into consideration all administrative claims and the costs and uncertainty associated with any such chapter 7 case.

The confirmation and consummation of the Plan are also subject to certain conditions including the approval of the Plan by holders of Existing Shares at the Extraordinary General Meeting. If the Plan is not confirmed, it is unclear whether a restructuring of PGS ASA could be implemented and what distribution holders of claims or equity or similar interests ultimately would receive. If an alternative reorganization could not be agreed to, it is possible that PGS ASA would have to liquidate its assets, in which case it is likely that holders of claims or equity, including similar interest, would receive substantially less favorable treatment than they would receive under the Plan.

The obligations of certain holders of Bank claims and Bondholder claims and the Underwriters to support PGS ASA and the terms of the Plan may be terminated in certain circumstances

Pursuant to the Plan Support Agreement, holders of Bank claims and Bondholder claims and the Underwriters who hold approximately 20% of Existing Shares have agreed to support the Plan and use reasonable best efforts to facilitate the confirmation of the Plan. However, if, among other things, (i) the Restructuring is dismissed, (ii) a special ah hoc committee of holders of Bank claims and Bondholder claims determines that the Plan is not reasonably satisfactory to them, (iii) the Plan is not consummated prior to January 9, 2004 or (iv) a voluntary bankruptcy proceeding other than the Restructuring is commenced by PGS ASA or any of its subsidiaries, then the Plan Support Agreement may be terminated pursuant to its provisions and those certain holders of Bank claims and Bondholders claims and the Underwriters shall no longer be obligated to support the Plan.

Reorganized PGS ASA may not pay any dividends on the New Shares in the foreseeable future

Norwegian law restricts PGS' ability to pay dividends. In particular, PGS can only pay dividends once a year as a distribution of its annual profit and the annual profit of its Norwegian subsidiaries and neither PGS nor its Norwegian subsidiaries may pay dividends if the value of their equity is less than 10% of the balance sheet value of their assets. In addition, the terms of the New Senior Notes and the New Term Loan will restrict Reorganized PGS ASA's ability to pay dividends, and cash dividends may not be paid on the New Shares in the foreseeable future.

Certain tax implications of PGS ASA's bankruptcy and reorganization may increase the tax liability of Reorganized PGS ASA

The US federal income tax and Norwegian tax consequences of consummation of the Plan to holders of claims or equity, including similar interests, are complex and subject to uncertainty.

See chapter 10 for discussion of the income tax consequences for creditors, equity holders and PGS ASA resulting from the consummation of the Plan.

PGS ASA is, and the Reorganized Company will continue to be, subject to costs arising in connection with regulation and litigation

PGS ASA and its subsidiaries are subject to various regulatory restrictions relating to their businesses in the US and other countries in which they operate. In connection with these regulations, PGS ASA and the Reorganized Company may from time to time incur costs relating to compliance measures or penalties imposed for non-compliance by relevant regulatory authorities, or face restrictions on their operations. Certain regulations may also allow private parties rights to pursue legal remedies against PGS ASA or the Reorganized Company, under which they may be required to make payments or restrict operations. Additionally, PGS ASA and the Reorganized Company are likely to face in the normal course of their businesses from time to time other types of legal action by private parties under which they may be required to make significant payments for damages caused by PGS ASA or the Reorganized Company. Any such payments or restrictions could impact the Reorganized Company's ability to meet the Projections.

12.1.15 Risks related to Norwegian insolvency law and other insolvency laws

PGS ASA may be subject to hostile creditor action in the Kingdom of Norway and/or other jurisdictions

Under Norwegian law, both PGS ASA and any creditor may file for the bankruptcy of PGS ASA (under Norwegian law only PGS ASA may file for composition proceedings). If one of PGS ASA's creditors files for a proceeding against PGS ASA, the Norwegian bankruptcy court would be obligated to initiate bankruptcy proceedings, provided that Norwegian statutory requirements are met. Norwegian law requires that the creditor hold a valid claim and that PGS ASA be insolvent. While several defenses are available to PGS ASA to defend against such action, PGS ASA cannot be sure of their success. These defenses include lack of jurisdiction in the Kingdom of Norway, invalid claim by the creditor and failure to prove the insolvency of PGS ASA. Neither the commencement of the Restructuring nor the consummation thereof may be sufficient to prevent a hostile creditor filing in the Kingdom of Norway. This could result in parallel insolvency proceedings in the Kingdom of Norway and the United States.

Hostile creditor action in the Kingdom of Norway may include other actions, such as creditors seeking court sanctioned liens on PGS ASA's assets.

Given the international nature of its operations, PGS ASA may be subject to the laws of other jurisdictions and there can be no assurances that creditors will refrain from or be prevented from bringing insolvency proceedings in such jurisdictions where PGS ASA conducts business or owns assets.

An order of a United States bankruptcy court may not be recognized by a Norwegian court or the courts of any other country

Since the Kingdom of Norway does not have a treaty of reciprocity with the United States regarding bankruptcy proceedings and laws, an order of the US bankruptcy court may not be recognized by a Norwegian Court as binding on Norwegian creditors and assets located in the Kingdom of Norway and PGS ASA, therefore, may not receive protection in the Kingdom of Norway through the filing of a chapter 11 case.

PGS ASA (i) conducts business in, (ii) own assets in and (iii) has contracts (including financing contracts) governed by the laws of countries other than the United States and the Kingdom of Norway. The Courts of such countries may not recognize an order of the US Bankruptcy Court and may not give effect to the Plan if it is confirmed by the US Bankruptcy Court.

A Norwegian or other foreign insolvency proceeding may impact PGS ASA's subsidiaries' operations

Although a Norwegian proceeding in respect of PGS ASA will formally only involve PGS and not directly affect PGS ASA's subsidiaries, PGS ASA will be required to exercise all of its ownership interests and rights in its subsidiaries under the supervision of a creditors' committee.

The commencement of a Norwegian proceeding may also have an effect on guarantees issued by PGS ASA in connection with agreements between PGS ASA's subsidiaries and third parties. Beneficiaries of such guarantees may have a right to terminate the underlying contract with the subsidiary or request a new form of security from the subsidiary if Norwegian bankruptcy proceedings are commenced against PGS ASA (to the extent such rights did not exist upon the filing of the Restructuring).

An insolvency proceeding in another foreign jurisdiction may have similar consequences for PGS ASA.

PGS ASA may be obligated under Norwegian law to commence a Norwegian insolvency proceeding

While PGS ASA currently believes that the Plan presents the best opportunity for holders of claims and Existing Ordinary Shares to maximize their recoveries and for the business operations of PGS ASA to succeed, the Board may subsequently be required, as a matter of Norwegian corporate law, to commence an insolvency proceeding in the Kingdom of Norway (the insolvency proceedings available under Norwegian law are (i) voluntary and forced composition proceedings and (ii) liquidation proceedings). PGS ASA reserves the right to withdraw the Plan and its chapter 11 filing or to commence any kind of Norwegian insolvency proceeding in such circumstances.

13 NORWEGIAN SUMMARY

Det følgende norske sammendraget er i sin helhet basert på, og må leses i sammenheng med, mer detaljert informasjon inkludert i andre deler av dette prospektet. Ved eventuelle uoverensstemmelser vil informasjon andre steder i prospektet være gjeldende.

13.1 PGS-KONSERNET

PGS er et teknologi-fokusert oljeservice selskap med hovedvirksomhet innen geofysiske tjeneseter og flytende oljeproduksjon.

Geofysikk divisjonen tilbyr et bredt spekter av geofysiske tjenester, inkludert innsamling, prosessering og markedsføring av seismiske data. Olje- og gass selskap bruker seismiske data for å lete etter og kartlegge nye forekomster av olje og gass og for å utvikle eksisterende olje og gass reservoarer.

I tillegg tilbyr selskapet enkelte geofysiske og andre tjenester som hjelper olje- og gass selskap å kartlegge produserende felt med tanke på å forbedre effektivitet og potensielt øke total produksjon.

Flytende produksjons divisjonen opererer en flåte på fire FPSO (Floating Production, Storage and Offloading) fartøy beregnet for krevende værforhold, og hele flåten er for tiden i aktivitet i Nordsjøen. Disse fartøyene er utleid på langtidskontrakter til olje- og gass selskap som flytende offshore olje- og gass produksjons installasjoner. FPSOene er utstyrt for å prosessere, lagre og losse olje, og prosessere, reinjisere eller transportere gass.

Oljeselskapet Pertra (100% eiet av PGS) er operatør, og eier 70%, produksjonslisens PL 038 på Norsk sokkel (herunder produksjonen fra Varg feltet).

PGS har i dag ca 3.900 ansatte og opererer over hele verden med hovedkvarter i Oslo. Selskapet har vært notert på Oslo Børs siden 1992.

13.2 FINANSIELL RESTRUKTURERING

13.2.1 Bakgrunn

PGS' forretningsdrift avhenger av oljeselskapenes lete-, utviklings-, og utvinnings aktiviteter, og disse varierer med bakgrunn i olje- og gass priser og en mengde andre faktorer som påvirker selskapenes kontantstrøm. Virksomheten til PGS er kapitalkrevende, og i tillegg til store fall i drifts resultat, har dette ført til at PGS har hatt en høy gjeldsandel, hvor store deler av kontantstrøm fra drift har gått med til å betjene gjeld. Per 31. desember 2002 hadde PGS $1,1 milliarder i gjeld og andre kontraktsforpliktelser som forfaller løpet av 2003.

I juli 2002 begynte kredittvurderings selskapene å nedgradere PGS' gjeld. Som et resultat av dette har selskapet hatt store problemer med å oppnå finansiering og/eller refinansiering på akseptable vilkår for å møte likviditets behovet.

Høsten 2002, etter endringer i styre og ledelse, ble PGS sin virksomhet refokusert på en intensiv finansiell restrukturering, i tillegg til begynnelsen på en operativ restrukturering. Hovedfokus var på kortsiktige tiltak for å forbedre kontantstrøm, i tillegg til intensivering av prosessene med å selge enheter utenfor PGS' kjernevirksomheter seismiske tjeneseter og flytende produksjon. $1,2 milliarder i nedskrivninger knyttet til FPSO fartøyet Banff, seismisk multiklient bibliotek og Atlantis, førte til at PGS kom i brudd med betingelsene i flere låneavtaler. Selskapet startet derfor forhandlinger med diverse kreditorer for å oppnå unntak fra disse betingelsene.

Til slutt avgjorde PGS at virksomhetens levedyktighet var avhengig av en restrukturering av selskapets i stor grad lånefinansierte kapitalstruktur og startet omfattende forhandlinger med sine kreditorer. Det ble bestemt at kreditorbeskyttelse under kapittel 11 av amerikansk konkurslovgivning var den beste måten å re-kapitalisere og restrukturere virksomheten, samtidig som datterselskapene kunne fortsette den daglige driften.

18. juni 2003 inngikk PGS ASA og majoriteten av dets långivere, i tillegg til enkelte viktige aksjonærer, en avtale om refinansiering av PGS ASA (The Plan Support Agreement). Denne avtalen er en bindende avtale om å støtte restruktureringsplanen (The Plan of Reorganization), underlagt kriterier om inngåelse av endelige avtaler, utarbeidelse av dokumentasjon og enkelte andre spesifiserte betingelser.

13.2.2 Restruktureringen

Basis for restruktureringen

Den foreslåtte restruktureringen er utarbeidet for å;

- maksimere verdien til alle interessenter gjennom å maksimere verdien av PGS konsernet
- skape en tilstrekkelig sterk kapitalstruktur som støtter en konkurransekraftig og industriledende virksomhet og er tilpasset selskapets forventede fremtidige kontantstrøm
- gi kreditorene noe fleksibilitet i valg av struktur
- tillate eksisterende aksjonærer å opprettholde en økonomisk interesse i selskapet

Hovedbetingelser

Restruktureringen vil berøre følgende kreditorer av PGS ASA: PGS' $2.140 millioner senior usikrede kreditorer, bestående av $680 millioner i bankgjeld og $1.460 millioner i obligasjonsgjeld, i tillegg til eiere av $144 millioner i preferanseaksjer i PGS Trust 1 (preferanseaksjene er konvertert til eksisterende junior usikrede lån i forbindelse med refinansieringen).

PGS kreditorer ikke nevnt over vil ikke omfattes av refinansieringen og vil således beholde sine krav mot det restrukturerte selskapet etter gjennomføringen av restruktureringen.

Betaling til berørte kreditorer

PGS' $2.140 millioner senior usikrede kreditorer, bestående av $680 millioner i bankgjeld og $1.460 millioner i obligasjonsgjeld vil være berettiget å velge mellom to alternativer, i ethvert forhold (underlagt justeringer ved over-/under tegning):

Pakke A:

- $475 millioner i et 8 års usikret terminlån, med rente på LIBOR + 1,15%, $35 millioner i halvårlige innbetalinger fulgt av en endelig innbetaling av $230 millioner ved forfall dersom fulltegnet.

Pakke B:

- $350 millioner i 7 års 10% usikrete obligasjonslån
- $250 millioner i 3 års 8% usikrete obligasjonslån
- 91% av de nye aksjene i PGS ASA, etter å ha avgitt, som beskrevet under, nye aksjer til eierne av eksisterende junior usikrete lån og eksisterende aksjonærer, videre redusert til 61% etter at eksisterende aksjonærer (inkludert garantikonsortiet) kjøper 30% av de nye aksjene for $85 millioner.
- $85 millioner i kontanter fra provenyet fra salget av 30% av de nye aksjene til de eksisterende aksjonærene (inkludert garantikonsortiet).

I tillegg får berørte kreditorer, (unntatt eierne av eksisterende junior usikrete lån), underlagt enkelte justeringer, en pro rata andel av kontanter i PGS i utover $50 millioner (beregnet per 31. oktober 2003). Pakke A eiere vil også motta 90% av deres relative andel av ytterligere proveny i tilknytning til salget av Atlantis, og både pakke A og B eiere vil motta full betaling for tapte renter dersom restruktureringen blir fullført etter 31. oktober 2003, gitt visse betingelser.

Pakke B eiere vil motta alle de nye aksjene i restruktureringen i bytte mot konvertering av gjeld, og vil frasi seg retten til 5% av det totale antallet nye aksjer, uten vederlag, til fordel for eierne av eksisterende junior usikrete lån. Kravene til de eksisterende junior usikrete lånene vil bli kansellert.

Verdi til eksisterende aksjonærer

Pakke B eierne vil frasi seg retten til å motta 4% av de nye aksjene til fordel for eksisterende aksjonærer, gitt at disse stemmer for restruktureringen.

I tillegg, som presentert i dette prospektet, vil eksisterende aksjonærer bli tilbudt rettigheter til å bestille et slikt antall nye aksjer at disse aksjonærene får økt sin totale eierandel fra 4% til 34%, mot et totalt vederlag på $85 millioner ("Tilbudet").

13.3 TILBUD OG GARANTIKONSORTIUM

13.3.1 Aksjekapital

PGS ASAs registrerte aksjekapital på prospekt datoen er NOK 516.729.935, fullt innbetalt, fordelt på 103.345.987 aksjer, hver pålydende NOK 5,-, alle fullt innbetalt. Ved fullføring av restruktureringen vil alle eksisterende aksjer kanselleres og aksjekapitalen reduseres til null, uten vederlag til eksisterende aksjonærer (med unntak av de 800.000 nye aksjene som vil bli distribuert til eksisterende aksjonærer som beskrevet i kapittel 4.1.3 og rettighetene til å bestille øvrige nye aksjer i henhold til Tilbudet). Samtidig med registreringen av nedskrivingen av aksjekapitalen til null vil restrukturerte PGS ASA utstede 20.000.000 nye aksjer med pålydende NOK 30,- per aksje, som gir total aksjekapital på NOK 600.000.000.

13.3.2 Utstedelse og distribusjon av nye aksjer

De nye aksjene vil bli distribuert som følger:

All de 20.000.000 nye aksjer vil bli tegnet av pakke B eierne som konvertering av PGS ASA's gjeld til pakke B eierne. Pakke B eiernes rettigheter til å motta nye aksjer kan bli redusert av følgende:

1. Pakke B eierne vil frasi seg retten til å motta 1.000.000 av de nye aksjene, tilsvarende 5% av egenkapitalen i reorganiserte PGS ASA, i favør av eierne av eksisterende junior usikrede lån.
2. Dersom eksisterende aksjonærer godkjenner reorganiserings planen gjennom å stemme for på den ekstraordinære generalforsamlingen, pakke B eierne vil ytterligere frasi seg retten til å motta 800.000 av de nye aksjene, tilsvarende 4% av egenkapitalen i reorganiserte PGS ASA. For hver ca 129,18 eksisterende aksje vil de eksisterende aksjonærer motta en ny aksje.

Pakke B eierne skal, i tillegg til slike avgivelser, frasi seg retten til å motta de 6.000.000 nye aksjene, tilsvarende 30% av egenkapitalen i reorganiserte PGS ASA, slik at disse aksjene kan bli tilbudt i henhold til Tilbudet nærmere beskrevet i dette prospektet.

13.3.3 Bestillingsinformasjon

- Dette prospektet er gjort tilgjengelig for alle eksisterende aksjonærer (inkludert garantikonsortiet), basert på utskrift fra VPS rundt datoen for distribusjon av prospektet.
- Hver eksisterende aksjonær på det tidspunkt når behandlingen under kapittel 11 i den amerikanske konkurslovgivningen avsluttes (the "Effective Date") har rett til å bestille et antall nye aksjer opp til dennes pro rata andel av 75% av de tilbudte nye aksjene (4.500.000 nye aksjer), mens de resterende 25% av de tilbudte nye aksjene (1.500.000 nye aksjer) er reservert og garantert for av garantikonsortiet, på betingelsene fremsatt i garantiavtalen.
- Hver eksisterende aksje eid på Effective Date gir rett til å bestille 0,04354 nye aksjer. Eksisterende aksjonærer trenger 23 eksisterende aksjer for å bestille hver nye aksje. Overtegning er ikke tillatt.
- Rettighetene til å bestille nye aksjer kan ikke bli separert fra de eksisterende aksjene og vil således ikke på noe tidspunkt bli børsnotert eller offentlig handlet.
- Prisen for hver nye aksje under Tilbudet er $14,17. Eksisterende aksjonærer som har rett til å bestille mindre enn 100 nye aksjer kan betale i norske kroner, basert på en fast vekslingskurs som vil bli offentliggjort før bestillingsperioden starter.
- Bestillingsperioden løper fra og med 22. oktober 2003 til og med 5. november 2003. Alle bestillingsskjemaer må mottas av ABG Sundal Collier Norge ASA (se kapittel 4.1.8) ikke senere enn 16.00 norsk tid / 10.00 New York tid den siste dagen i bestillingsperioden. Betaling må gjøres samtidig med tegningen.
- Bestillingsperioden kan bli utvidet, i en eller flere omganger, til 5. januar 2004. Slike utsettelser vil bli meddelt gjennom Oslo Børs' meldingssystem. PGS ASA vil i så fall tilstrebe å endre bestillingsperioden slik at både første og siste dag i perioden endres.
- ADS eiere kan delta i bestillingen av nye aksjer på den samme pro rata basis som øvrige eiere av eksisterende aksjer og kan motta nye ADSer for de nye aksjene de bestiller.

- Selskapet antar at Tilbudet vil kvalifisere for et unntak fra registrering under "Securities Act" i henhold til kapittel 1145 av "United States Code" og at den amerikanske konkursdomstolen vil bekrefte dette (1145 godkjenning), og beskrivelsen over er basert på denne forutsetningen. Dersom slik godkjenning ikke oppnås, vil tilbudet som beskrevet i dette prospektet bli opphevet, alle bestillinger annullert og alle innbetalinger tilbakebetalt. En slik opphevelse vil bli meldt gjennom informasjonssystemet til Oslo Børs. I fravær av 1145 godkjenning kan Tilbudet bare gjennomføres som et registrert tilbud under "Securities Act" eller i henhold til andre unntaksbestemmelser. I dette tilfelle antas det at bestillingen vil bli utsatt. Se kapittel 12.1.11 for en mer detaljert beskrivelse av denne risiko og dets konsekvenser.

13.3.4 Garantikonsortium

Garantikonsortiet har garantert for, i henhold til garantiavtalen, å bestille 1.500.000 nye aksjer for $21,25 millioner, noe som representerer henholdsvis 25% av de tilbudte nye aksjene og 7,5% av alle de nye aksjene i PGS.

Garantikonsortiet har i tillegg rett til å kjøpe enhver gjenværende aksje som ikke er bestilt av eksisterende aksjonærer under Tilbudet.

Medlemmene av garantikonsortiet er som følger:

Garantist:	*Beløp ($ millioner)*
Umoe Invest	60
CGG	22
TS Industri Invest AS	3
Total garanti forpliktelse	85

13.4 RISIKOFAKTORER

Før en tar en avgjørelse i forbindelse med Tilbudet, bør eksisterende aksjonærer nøye vurdere all informasjonen i dette prospektet (inkludert vedlegg), i særdeleshet enkelte faktorer som kan påvirke negativt deler av eller hele selskapets virksomhet og derigjennom verdien av de nye aksjene, som nærmere beskrevet i kapittel 12.

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