PGS ANNUAL REVIEW 2006

A CLEARER IMAGE

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FINANCIAL CALENDAR 2007

Q2 2007 Earnings Release
July 26, 2007

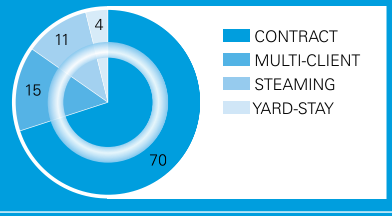
Q3 2007 Earnings Release
October 24, 2007

For a full financial review of PGS for 2006, please go to www.pgs.com

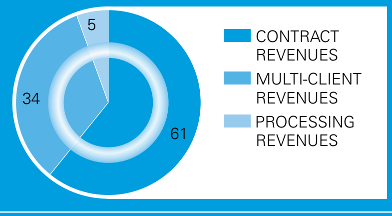
BUSINESS AREAS

MARINE

Vessel utilization 2006
In percent of total streamer months in percent

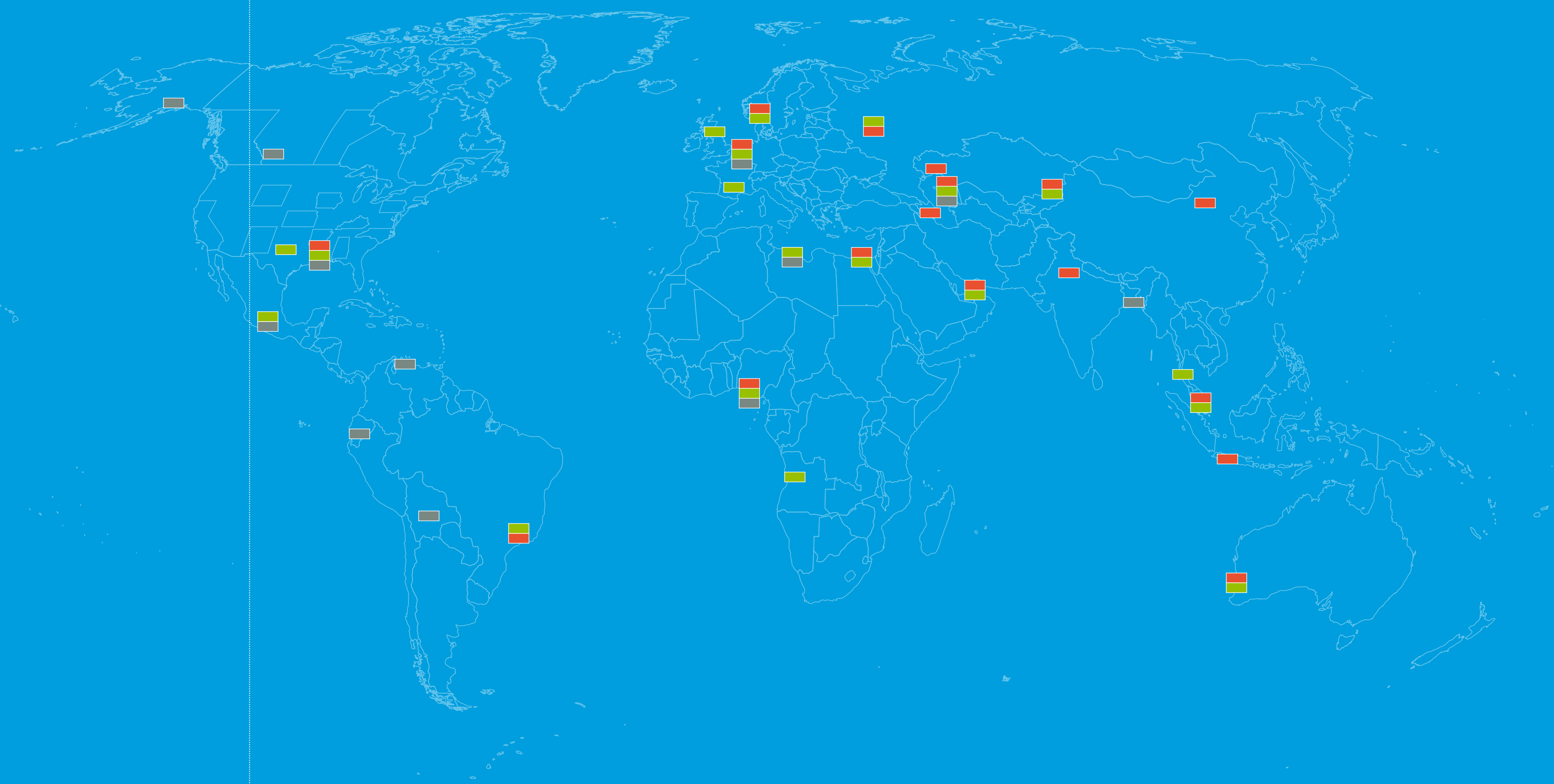


Revenues 2006
Split of total revenues in percent



Key figures
in USD Million (US GAAP) except head count

	2006	2005	2004	2003
Revenues	1 044.5	724.7	570.8	599.5
Operating profit	399.9	154.5	(35.0)	(55.3)
Total assets	997.9	797.3	795.1	959.3
Head count	1 381	1 192	1 115	1 143



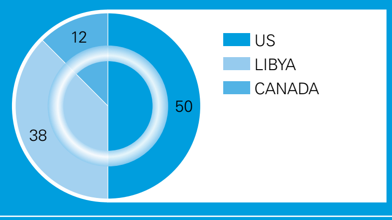
DP AND TECHNOLOGY

Our data processing and technology unit is reported under our Marine segment.

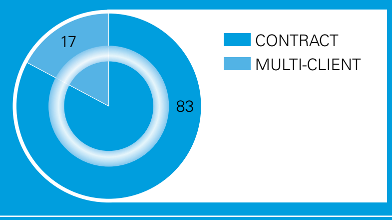
As of December 31, 2006, we operated seventeen land-based seismic data processing centers, with the largest centers being located in Houston, London, Rio de Janeiro and Perth.

ONSHORE

Geographical spread of crews
Per December 31, 2006 in percent

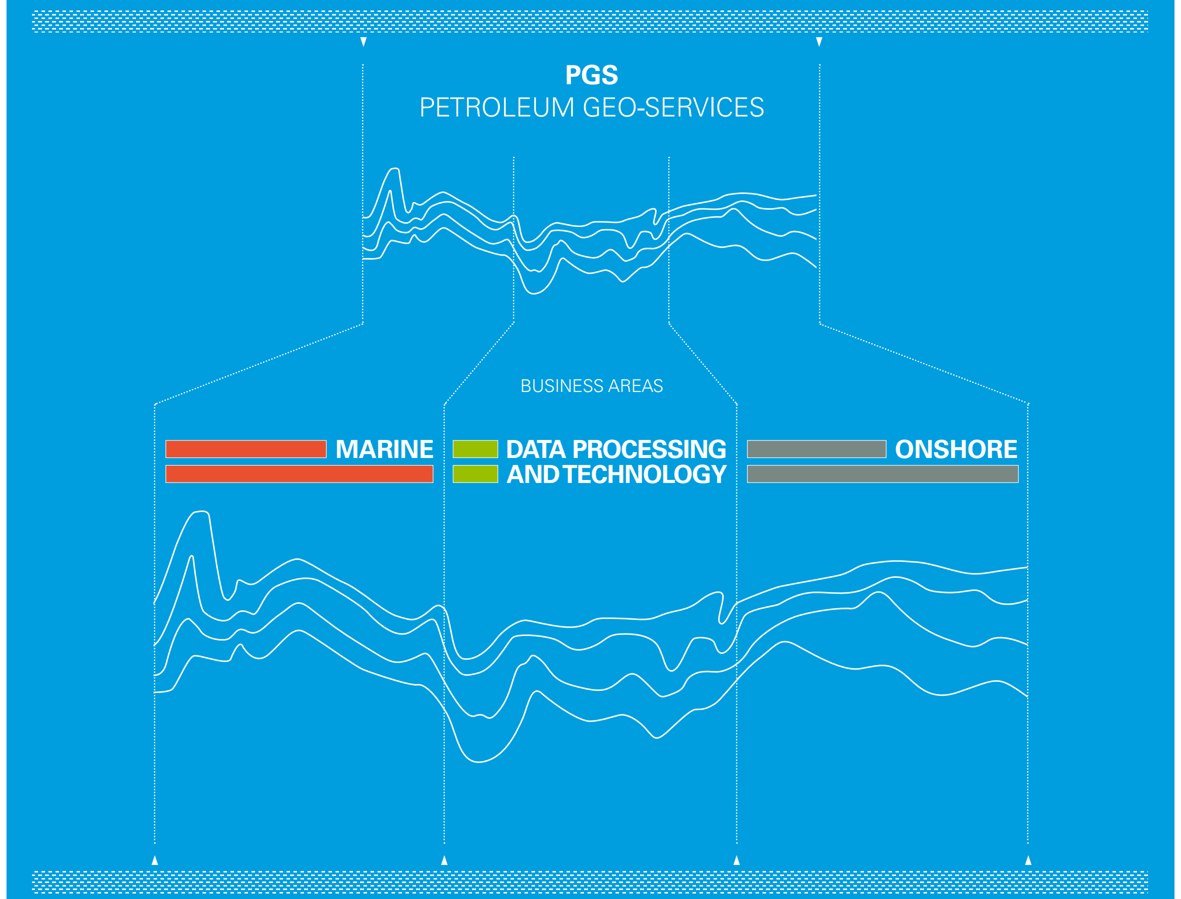


Revenues 2006
Split of total revenues in percent



Key figures
in USD million (US GAAP) except head count

	2006	2005	2004	2003
Revenues	263.4	152.5	133.2	150.4
Operating profit	37.7	(9.8)	(4.5)	16.1
Total assets	126.4	98.8	90.5	117.4
Head count	1 589	3 237	1 011	1 479



Petroleum Geo-Services is a focused geophysical company providing a broad range of seismic and reservoir services, including acquisition, processing, interpretation, and field evaluation. The company also possesses the world's most extensive multi-client data library. PGS operates on a worldwide basis with headquarters at Lysaker, Norway.

KEY FINANCIAL FIGURES

In USD million (US GAAP)	2006	2005	2004	2003
Revenues	1 308.5	888.0	707.5	762.4
Adjusted EBITDA	608.5	324.4	224.6	319.3
Operating profit	409.9	130.2	(68.3)	(71.9)
Net income	298.6	112.6	(134.7)	547.1
EPS [1]	1.66	0.63	(0.75)	3.04
Cashflow from operations	563.4	280.7	282.4	227.1
Capex	(165.4)	(90.4)	(62.4)	(23.4)
Multi-client investments	(113.7)	(55.7)	(41.1)	(90.6)
Total assets	1 225.8	1 717.6	1 852.2	1 997.4
Multi-client library	49.4	146.2	244.7	408.0
Cash	142.7	144.0	168.4	156.4
Shareholders equity	444.8	329.3	222.9	353.6
Net interest bearing debt	195.5	828.7	995.3	1 077.0

NON FINANCIAL NUMBERS

	2006	2005	2004	2003
Head count	3 168	4 618	2 382	2 857
LTIF	0.31	0.33	0.44	0.21
TRCF	2.34	2.19	2.40	2.82
Change in share price OSE [1]	137%	65%	46%	255%
Change in share price NYSE [2]	127%	50%	2%	

[1] PGS delisted its existing shares in relation to the financial restructuring November 5th 2003 and issued 20 million new shares November 6th 2003. The shares were later split 3:1 on June 8th 2005 and again in 3:1 December 18th 2006

[2] The PGS share was relisted on NYSE 17th December 2004

HIGHLIGHTS 2006

- Successful demerger of our former production business, Petrojarl
- Continued strong safety performance
- Strong full year cash flow and significant debt reduction
- Significant improvement in our marine seismic contract operating profit margins
- Significantly increased Onshore revenues and operating profit
- Higher pre-funding levels and multi-client late sales
- Re-entry into the Gulf of Mexico with a new, large multi-client survey
- Commencement of construction on two new and enhanced Ramform vessel

2007 DEVELOPMENTS
January through May 2007

- Started executing our share repurchase program
- Entered into agreements with the Japanese Ministry of Economy, Trade and Industry ("METI") regarding the sale of *Ramform Victory*, subject to a four- to ten-year service agreement
- Proposed to pay a special dividend of NOK 10 per share and commenced an evaluation of a delisting of our ADSs from the New York Stock Exchange and a deregistration of our ADSs and shares under the U.S. Securities Exchange Act

SVEIN RENNEMO – PRESIDENT AND CEO:

BEST YEAR EVER

Svein Rennemo

Mr. Rennemo joined PGS in November 2002 as president and chief executive officer.

2006 has been a year of decisive progress for PGS - the best year ever in financial results and in value creation for our shareholders. Our commitment to HSE is reflected in continued strengths in processes and results. The 2007 outlook is one of continued strength.

With the demerger of our FPSO activities in Petrojarl mid 2006 PGS is again a dedicated and focused geophysical services company. That has been our strategic objective since successfully restructuring in 2003 and the divestment of our E&P activities in Pertra in 2005. The execution of this strategy has been good and the timing fortuitous, coinciding with a very substantial expansion of the geophysical services markets globally.

Our achievements in the core business during 2006 proved the enormous strengths of PGS as a dedicated geophysical services company. We had the best year ever in terms of vessel operations – the lowest technical downtime, the highest acquisition speed, improvements in total fleet efficiency. We delivered a more than 80% increase in contract EBIT margins on the marine side despite strong industry wide cost inflation. The reentry into the Gulf of Mexico with the huge WAZ-technology Crystal Survey represented a milestone in our new multi-client strategy. Our Onshore business combined substantial activity expansion with strong profitability improvements, successfully entering into Libya and enhancing multi-client activity in North America.

2006 was also a year of important cross-roads and key choices for PGS. We not only demerged Petrojarl. We also concluded after careful evaluations that there was substantially more upside for our shareholders in pursuing a decisive organic growth strategy than to drive for a large-scale acquisition . This organic growth strategy builds on our current areas of strengths – a leadership in seismic 3D marine acquisition through the Ramform vessel fleet and proven operational capabilities. The two new Ramform vessels for delivery early 2008 and mid 2009 are the major expansion steps. The much stronger emphasis on new multi-client and reprocessing of the current multi-client library offshore – the largest in the industry - are also building on current strengths. Doubling multi-client investments both in 2006 and in 2007 underlines this commitment.

> With the demerger of our FPSO activities in Petrojarl mid 2006 PGS is again a dedicated and focused geophysical services company.

But the organic growth strategy also takes us into less proven areas and areas where PGS has not excelled to the same degree. Data processing will expand in a few chosen areas like depth imaging, wide azimuth and multi-azimuth. Introduction and commercialization of selected new technologies have top priority and will include areas like fiber optics, a new generation of streamers and electromagnetics.

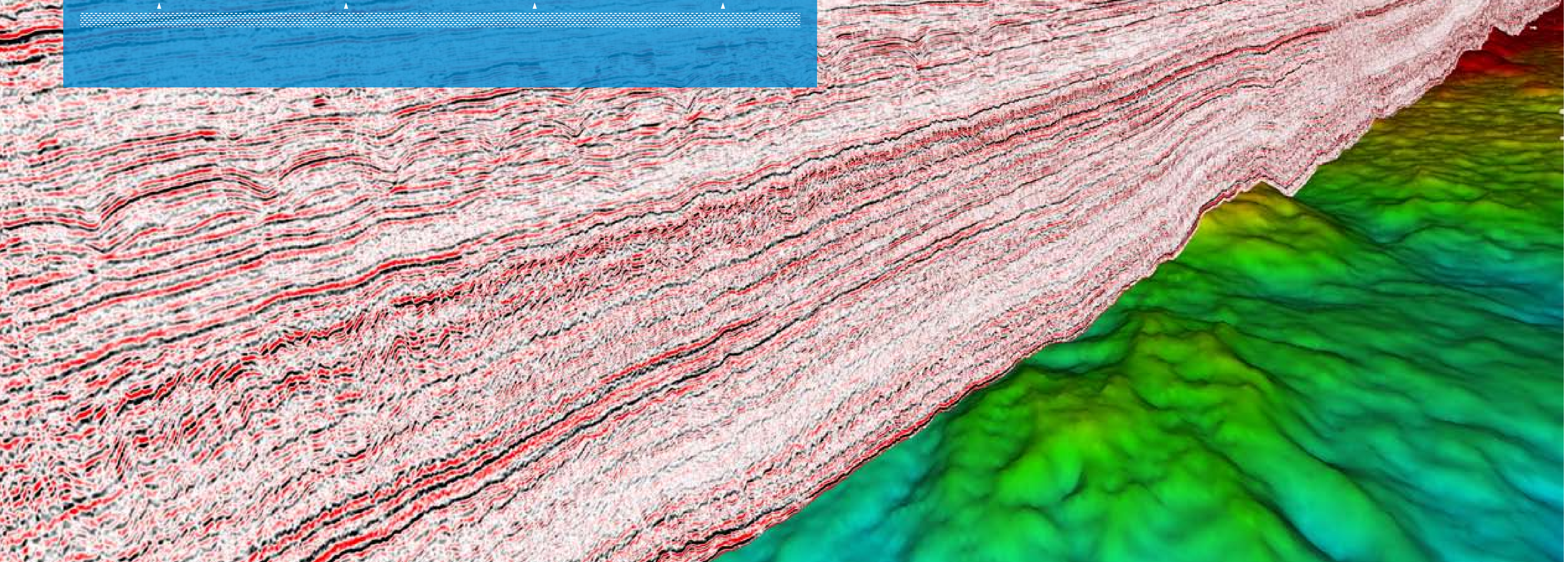
It is more valid than ever that a successful strategy is about successful strategy execution. Recruiting the right people and retaining and developing the competent people we have in PGS today will be decisive, as the industry competes intensively for skills and competences. The very comprehensive people development effort we have started in cooperation with Duke Executive Education exemplifies our commitment – this is a battle we intend to win.

In the foreseeable future the seismic industry will continue to be impacted by the strong rise in E&P spending. Oil companies are struggling to halt the downward trend in reserve replacement ratios – and they are struggling to meet their production growth targets. Increasingly, national oil companies are exploring a larger part of their national territories through new seismic surveys. And increasingly international oil companies are seeking access to more advanced seismic technologies to meet the challenge of getting more out of mature areas while reducing the added risk from rapidly climbing drilling cost.

These trends are good news for an advanced seismic operator like PGS. That is why we look towards 2007, 2008 and beyond with considerable confidence.

CREATING A CLEARER IMAGE

PGS was among the first companies worldwide to develop and market 3D seismic. With the demerger of Petrojarl in June 2006, we are now a focused and dedicated geophysical company, among one of the three largest in the world.



Today, PGS operates through our two business units, Marine and Onshore. The principal offices are at Lysaker, Norway. We are represented in 26 different countries with larger regional offices in London, Houston and Singapore. PGS had 3,168 full time employees at year end 2006. Our revenues for 2006 were approximately USD 1.3 billion.

We provide a broad range of geophysical and reservoir services globally, including seismic data acquisition, processing and interpretation and field evaluation. We are one of the world's leading operators in marine seismic, with a global market share of approximately 28 percent. In the market for onshore seismic services, we are one of the larger operators worldwide.

MARKET OUTLOOK 2007

The markets in which we operate showed strong improvement in 2006. Oil prices remained at high levels, and oil companies increased their exploration and production (E&P) spending. E&P spending is expected to increase further in 2007 and, in the medium to long-term, high oil price levels are expected to positively impact our core markets.

The global marine seismic fleet was at full capacity utilization in 2006. Demand is expected to increase further in 2007, outweighing increase of marine seismic capacity and resulting in further improved prices. However, as the industry is operating at full capacity, we experience significant cost inflation, which we expect to continue in 2007.

In 2007, we expect the following factors to influence our performance:

MARINE

- Marine contract EBIT margin expected to increase substantially to around 50-55%
- Multi-client revenues expected to be higher than 2006
- Multi-client investments are expected to be approximately USD 170-190 million
- Capital expenditure is expected to be approximately USD 200 million

ONSHORE

- Revenues and operating profit expected to be approximately in line with 2006
- Multi-client investments are planned to be approximately USD 60 million
- Capital expenditure is expected to be in the range of USD 20-25 million

MARINE

PGS business unit Marine acquires, processes, interprets, markets and sells seismic data worldwide that is used by oil and natural gas companies to help them find oil and natural gas, to determine the size and structure of the reservoirs, and to help them manage the production of reservoirs.

In fourth quarter 2006, PGS started acquiring the large wide azimuth multi-client survey Crystal in Gulf of Mexico. Seismic data is expected to be available ahead of the planned lease sale in October 2007.

PGS' Marine streamer fleet consists of:

- 6 Ramform vessels capable of towing up to 20 streamers
- 5 Classic streamer vessels capable of towing 4 to 8 streamers
- 1 2D vessel

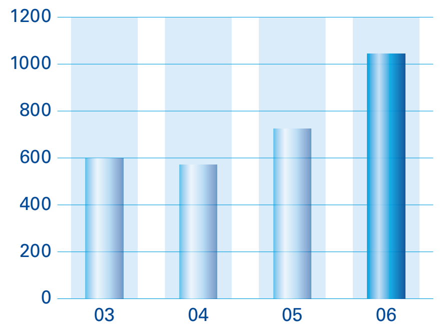
We are among the world's largest companies acquiring marine seismic data and own the most exstensive marine 3D multi-client library. We also have considerable data processing activity.

2006 OPERATIONAL PERFORMANCE

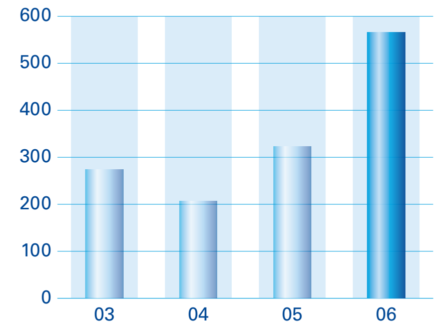
Marine had revenues of USD 1 044.5 million in 2006, an increase of 44% compared with 2005. Revenues from contract seismic acquisition increased by 50% to USD 635.6 million, primarily due to improvement in the market for marine contract seismic and strong operating performance. Multi-client revenues were USD 353.2 million, up 37% compared to 2005. Europe, Brazil and Gulf of Mexico, contributed the most to multi-client revenues in 2006.

Pre-funding as a percentage of cash investments in multi-client data increased to 162% in 2006 compared to 87% in 2005. In 2006, we used 83% of our active vessel time acquiring contract seismic, and 17% acquiring multi-client seismic, compared to approximately 91% and 9%, respectively, in 2005. We expect to utilize approximateley 30% of our active vessel time for multi-client acquisition in 2007.

Revenues
in USD million (US GAAP)



Adjusted EBITDA
in USD million (US GAAP)



At December 31, 2006, our order backlog in Marine was USD 512 million, compared with USD 365 million at December 31, 2005.

2006 HSE PERFORMANCE

Marine had a Lost Time Incidents Frequency (LTIF) of 0.49 per million man hours in 2006, compared to a LTIF of 0.33 in 2005, and a Total Recordable Case Frequency (TRCF) of 1.48 per million man hours, compared to a 1.32 in 2005.

MARKET AND MARKET POSITION

PGS Marine has a market share of approximately 28%, measured in acquired square kilometer 3D seismic. Our main competitors are WesternGeco and CGGVeritas.

MULTI-CLIENT LIBRARY

We own a significant library of marine multi-client seismic data in most of the major oil and gas basins of the world, including the Gulf of Mexico, the North Sea, West Africa, Brazil and the Asia Pacific region.

HD3D®

HD3D® seismic is a premium seismic data product. HD3D® will deliver the highest resolution, highest quality 3D data product to address a broad range of problems and challenges, both related to exploration and time-lapse reservoir monitoring ("4D").

We intend to grow and consolidate our HD3D® strengths by developing new technologies that further improve efficiencies and that fully exploit the potential value of properly sampled seismic data.

GOALS AND STRATEGIES

In Marine we aim to capture the value from our strong operating platform and expected market upturn by using our productivity leadership, increasing our streamer count and maximizing our capacity utilization.

We will focus on value-added products and services such as HD3D®, MultiAzimuth and MegaSurveys, while increasing our multi-client investments, including new multi-client investments in Gulf of Mexico.

In the long-term, we aim to sustain our market share.

OUTLOOK

We expect Marine to improve its streamer contract operating profit margin to around 50-55% in 2007, compared to approximately 40% in 2006. Multi-client revenues are expected to be higher in 2007 than the level at 2006 of USD 353 million. The multi-client investments in 2007 are expected to be approximately USD 170-190 million, compared to USD 81 million in 2006. The capital expenditure in Marine in 2007, excluding multi-client investments, is expected to be approximately USD 200 million, up from USD 146 million in 2006.

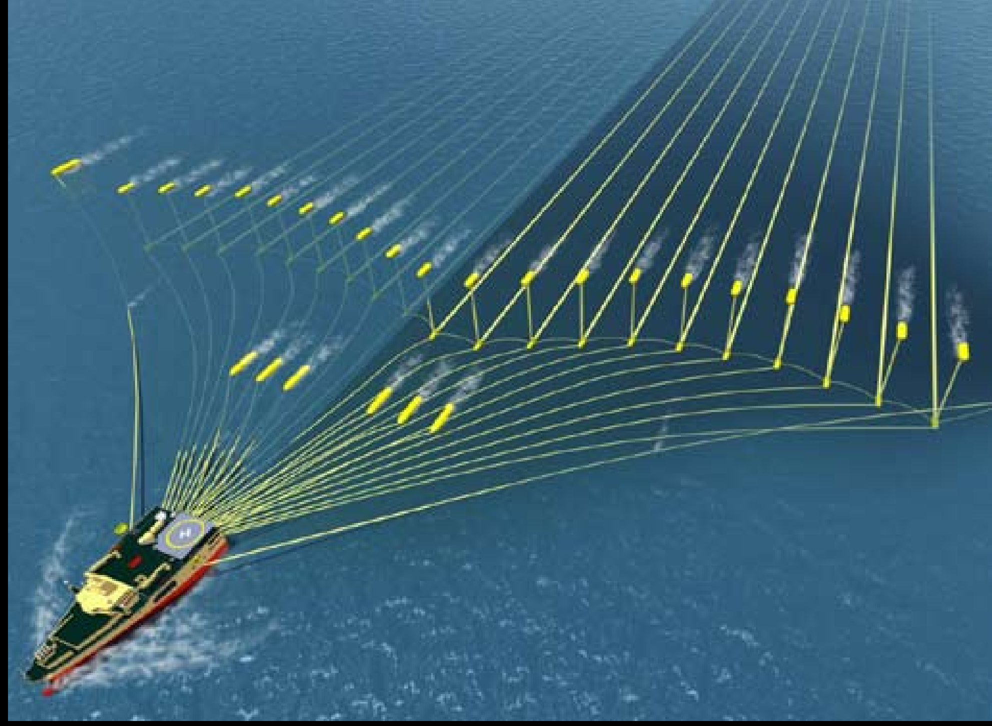
MARINE

RAMFORM –THE SUCCESS CONTINUES

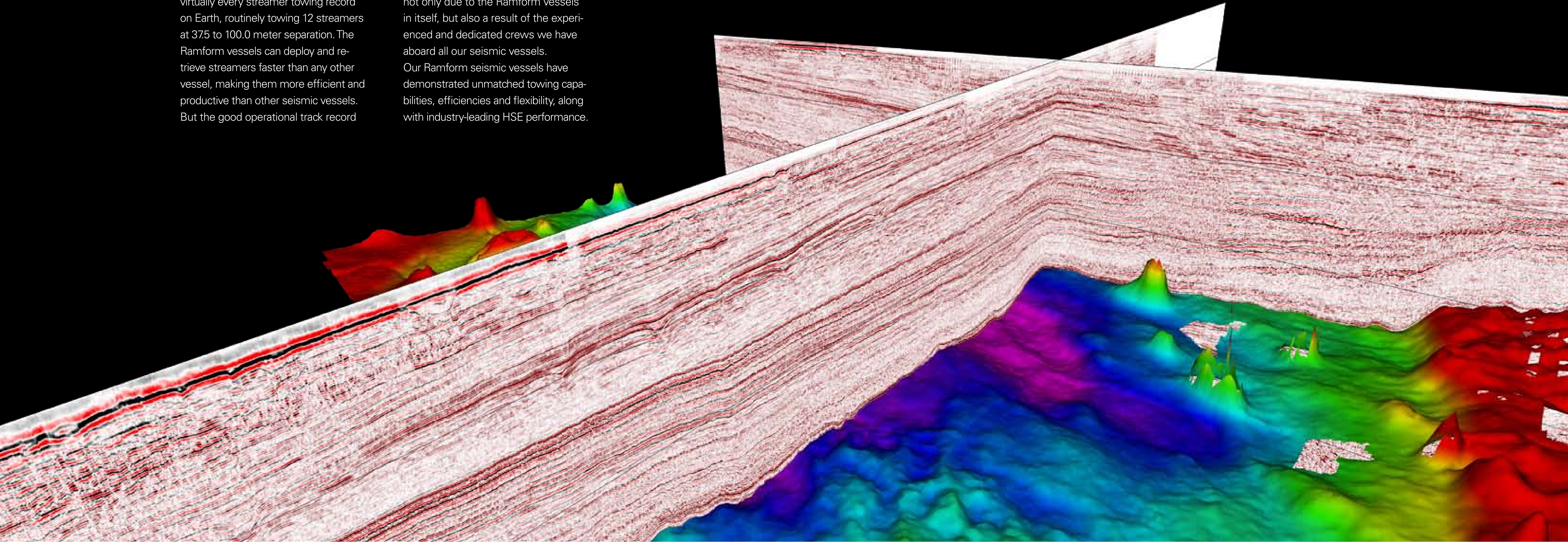
At the heart of our world class efficiency as a seismic company, lies the Ramform vessel design, the most innovative and recognizable seismic vessel in the world.

Our six Ramform seismic vessels hold virtually every streamer towing record on Earth, routinely towing 12 streamers at 37.5 to 100.0 meter separation. The Ramform vessels can deploy and retrieve streamers faster than any other vessel, making them more efficient and productive than other seismic vessels. But the good operational track record experienced by our seismic vessels is not only due to the Ramform vessels in itself, but also a result of the experienced and dedicated crews we have aboard all our seismic vessels.
Our Ramform seismic vessels have demonstrated unmatched towing capabilities, efficiencies and flexibility, along with industry-leading HSE performance.

We are currently building our seventh and eighth Ramform vessels. The vessels are based on the proven design of the previous six, but with increased speed and towing capability. Ramform 7, named *Ramform Sovereign*, is expected to be delivered in first quarter 2008 and is expected to be the most productive vessel in the industry. It will, in addition, enhance our leading position in advanced seismic, such as HD3D®, wide- and multi-azimuth.
The first Ramform vessel was delivered to us in 1995. After eleven years in operation, it is still one of the most advanced seismic vessels in the global fleet.



We are currently building two new Ramform vessels. The first, *Ramform Sovereign*, is expected to be delivered in first quarter 2008.



MARINE

THE CRYSTAL SURVEY – GOING FOR THE SUB SALT PROSPECTS

In fourth quarter 2006, PGS began shooting the Crystal multi-client wide azimuth survey in Gulf of Mexico with our high capacity *Ramform Viking* vessel as recording vessel and *Ocean Explorer* and *Falcon Explorer* as shooting vessels.

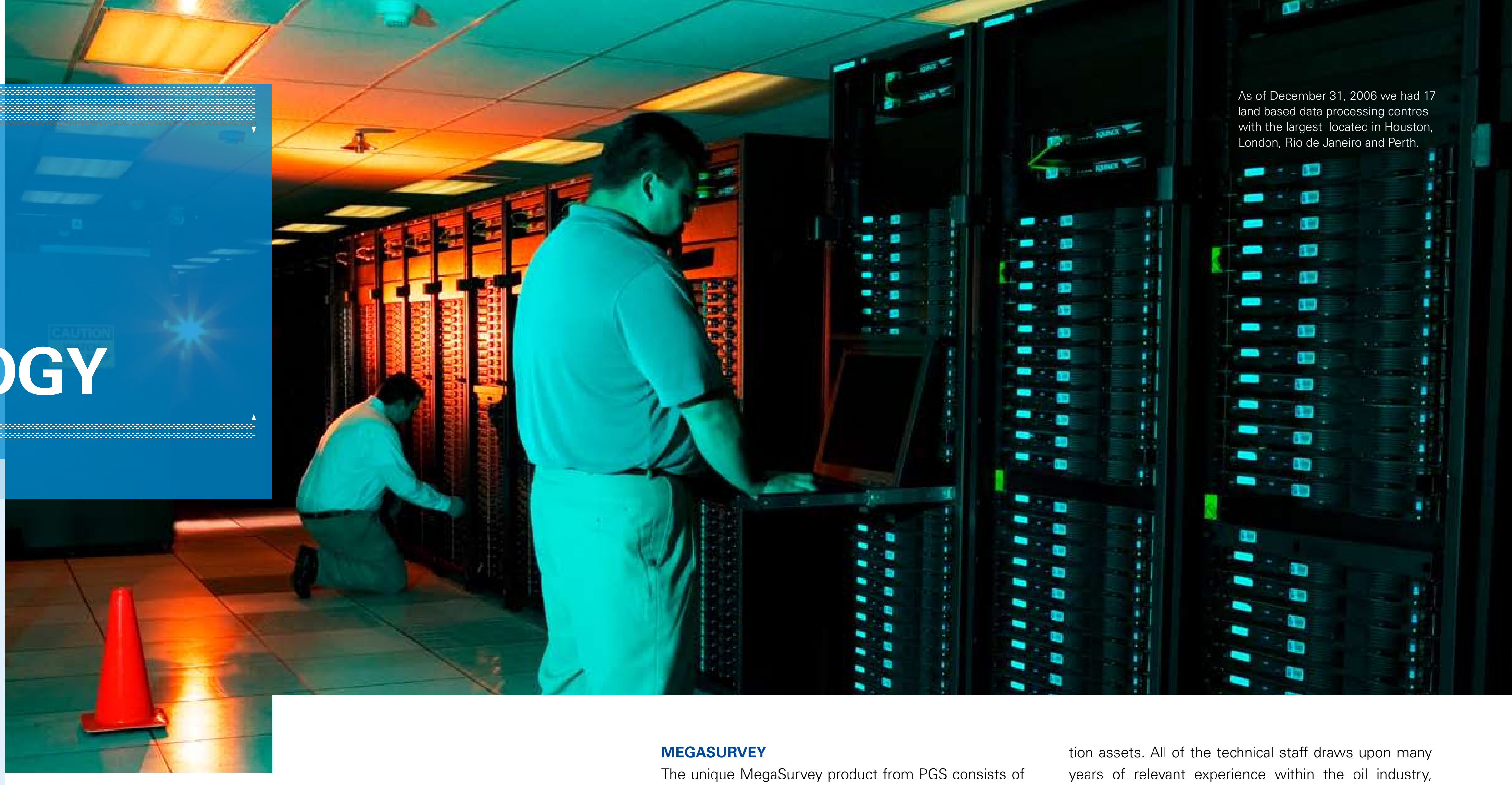
Covering an area of approximately 9,345 square kilometers, equal to approximately 1.3 million soccer fields, the multi-client survey will provide the oil and gas industry wide azimuth seismic data over large areas in Keathley Canyon, Walker Ridge, Garden Banks and Green Canyon in Gulf of Mexico.

By acquiring the seismic data with wide azimuth technology, we are able to provide the oil and gas industry a much improved illumination of the salt bodies and what is beneath them in the deep water areas of Gulf of Mexico. The geology in the lower tertiary in Gulf of Mexico is prolific with significant potential for oil and gas prospects.

Data from the survey will be available ahead of the planned lease-sale in October 2007. BP is the primary financial and technical partner of the Crystal survey. BP is regarded as the leading exponent of wide- and multi-azimuth technology in the exploration community, and we are proud of working together with them on this exciting project.

The Crystal survey is one of the first multi-client wide azimuth surveys ever shot, and the largest survey PGS has ever shot in the Gulf of Mexico. We are already in discussions with other clients regarding future potential wide azimuth surveys.

DATA PROCESSING AND TECHNOLOGY



As of December 31, 2006 we had 17 land based data processing centres with the largest located in Houston, London, Rio de Janeiro and Perth.

In November 2006 we formed a new global entity named PGS Data Processing & Technology. The group includes our Data Processing business unit and our Geoscience & Engineering organization. The latter has a global responsibility for technology development and research & development, as well as geophysical support for the seismic operations. In addition, the group performs internal and external reservoir-related consulting activities.

A Commercialization & New Ventures group is expected to be established within Data Processing & Technology in early 2007. The group will have the overall responsibility for introducing new technology products to the market.

DATA PROCESSING

Data Processing is an integrated part of our business, and provides seismic data processing as part of our multi-client services. Before the multi-client data is delivered to our clients, the acquired seismic data is processed to provide a clear image of the subsurface for reservoir interpretation.

The processing services add value to our multi-client business through timely delivery of high-quality end-products for our clients. Data Processing also provides proprietary seismic data processing services to clients. Improvements in processing hardware and software technology lead to continuous improvements of the final seismic image, and thus reprocessing of older vintage data is a key step in maximizing value of seismic data. Accordingly, PGS rejuvenates its vintage multi-client library through re-processing to increase late-sales potential.

Some of the processing services are performed offshore onboard the seismic vessels, but the majority is performed in our land-based data processing centers. Our data processing services had as of December 31st 2006, 17 land based centers. The processing software R&D group is organized within the Geoscience & Engineering group. The major data processing computer capacity is organized within Data Processing as a Global Computer Resources operation. Our largest computer centers are located in Houston Texas, London UK, Rio de Janeiro Brazil, and Perth Australia. The four centers: Houston, London, Perth, and Lysaker, are interconnected through high capacity network links.

Through our seismic data processing operations we provide:

- 2D and 3D Time and Depth Imaging services for land and marine seismic surveys.
- Onboard (vessel) seismic data processing for reduced delivery times and enhanced real-time quality control for data that we acquire;
- Multi-component and time-lapse seismic data processing;
- Wide-Azimuth and Multi-azimuth seismic processing;
- HD3D® seismic processing; and
- Specialized signal enhancement techniques.

MEGASURVEY

The unique MegaSurvey product from PGS consists of huge volumes of seismic data and is a method to conduct detailed prospectivity studies on a regional scale. PGS has MegaSurveys in the North Sea, offshore Australia and offshore West Africa.

GEOSCIENCE & ENGINEERING

The R&D activity includes development and implementation of advanced and efficient software to be used by the Data Processing division, where the main focus is on applications like seismic imaging, multiple attenuation and processing of data from non-conventional survey geometries like multi- and wide azimuth projects. The R&D activity also includes development and implementation of state-of-the-art high-end 3D visualization, seismic modeling and survey design systems. Finally, we have significant R&D activity within marine technology including streamer systems, seismic source systems and towing systems for large streamer spreads. This activity is a key factor in maintaining our industry leadership in efficient acquisition of marine seismic data.

PGS Reservoir is a leading international provider of sub-surface technical and commercial expertise. We are internationally recognized for ultra large-scale regional interpretation projects – PGS MegaSurveys – and for our ability to evaluate and manage exploration and production assets. All of the technical staff draws upon many years of relevant experience within the oil industry, mostly from international oil companies. Much of the work is carried out in integrated multi-disciplinary teams tailored to meet the client requirements. The teams are comprised of professional geoscientists, petrophysicists and reservoir engineers. We work for a client base that includes independent and major oil companies, governments and financial institutions. Through these projects, we have gained a depth of sub-surface knowledge of petroleum basins around the globe.

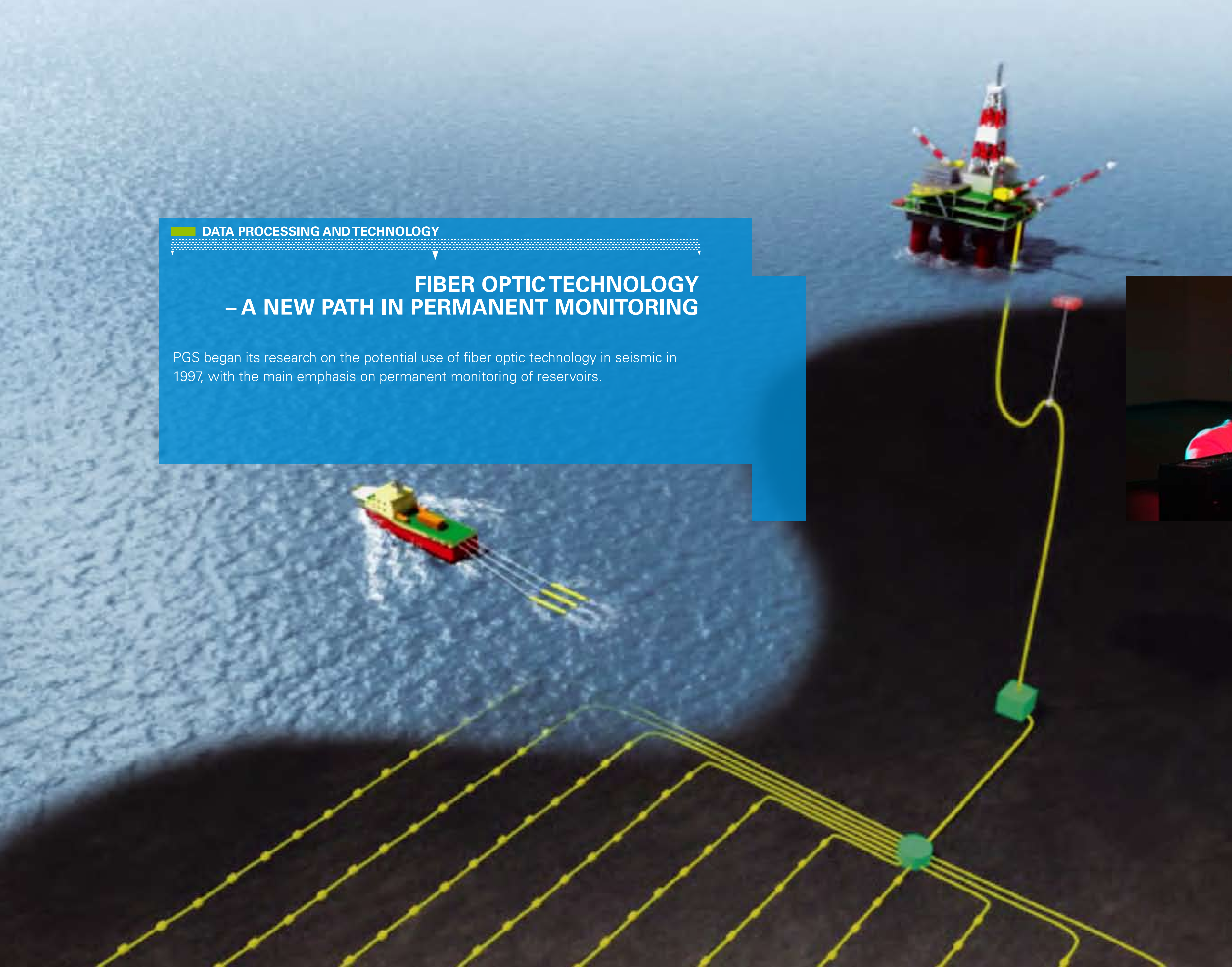
INTELLECTUAL PROPERTY

Our patents, trademarks, service marks, copyrights and licenses protect our proprietary technology, including our Ramform seismic vessels and HD3D® seismic solution software. Our intellectual property rights collectively represent a material asset to our business. However, no single patent, trademark, copyright, license or piece of technical information is of material importance to our business when taken as a whole. As of December 31, 2006, we held 170 patents under the laws of the US, the UK and Norway. The duration of these patents varies from 7 to 19 years, depending upon the date filed and the duration of protection granted by each country.

DATA PROCESSING AND TECHNOLOGY

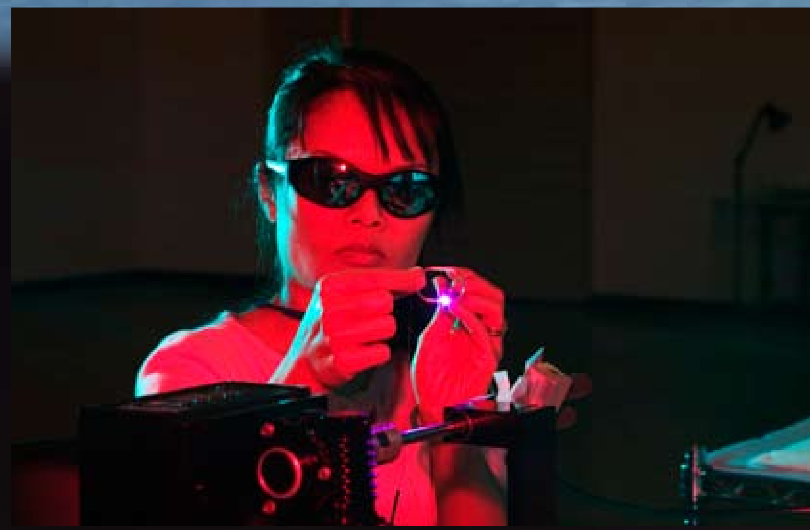
FIBER OPTIC TECHNOLOGY – A NEW PATH IN PERMANENT MONITORING

PGS began its research on the potential use of fiber optic technology in seismic in 1997, with the main emphasis on permanent monitoring of reservoirs.



By permanently placing fiber optic cables over a reservoir, we are able to detect even minor changes in the reservoir characteristics. This will improve the oil and gas companies' understanding of their key assets and prospects to enhance recovery.

There are several advantages of a fiber optic system compared to a conventional one. A fiber optic system consists of passive optical cables and sensors with no in-sea electronics,



utilizing proven optical components from the telecommunication industry. Secondly, the fiber optic sensors are all designed to perform in deep water without the need for external pressure housing. In addition, a fiber optic system operates with no electrical power and with a lower weight, making it easier and safer to employ at seabed. These advantages provide the foundation for making a system that is more reliable.

In 2006, a fiber optic cable was tested in the Gulf of Mexico, in cooperation with a major oil company. The test proved to be a success and we are currently building a 12-kilometer cable that will be deployed in 2007 on a producing field in deep water.

Although fiber optic technology in seismic is in its early days, we in PGS are excited to be one of the pioneers of this emerging technology.

ONSHORE

In the beginning of 2006, PGS started acquiring contract seismic data with three crews in Libya.

PGS Onshore consists of all our seismic acquisition operations on land, in shallow water and transition zones, and includes an onshore multi-client library in the US.

We conduct contract onshore and transition zone seismic acquisition throughout the world and operated between eight and eleven crews in 2006. We also have our own onshore multi-client library, which is located entirely in the US. Our high channel count crews, modern equipment, including desert and arctic environmental specific operating gear, and experienced technical staff secure the highest efficiency combined with the best data quality.

We have demonstrated market-leading seismic service performance, operating seismic crews in the terrain types: desert, arctic, jungle and swamp, highland and mountaintop, and transition zone.

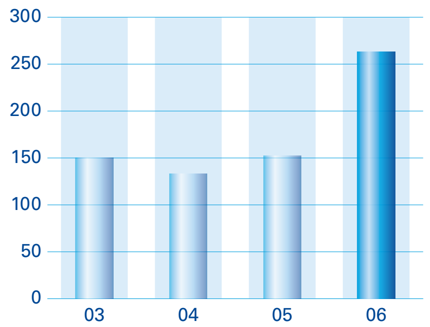
As of December 31, 2006, we had eight onshore crews conducting activities in the US, Canada and Libya.

2006 OPERATIONAL PERFORMANCE

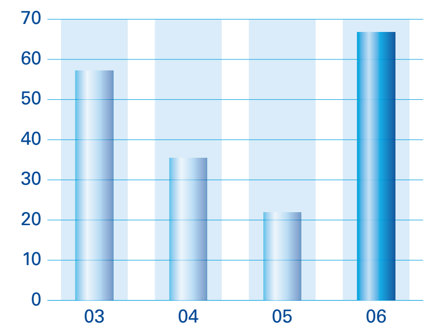
Onshore revenues for 2006 increased by 73% to USD 263.4 million compared with 2005. The operating profit was USD 37.7 million, compared to an operating loss of USD 9.8 million in 2005. The performance in 2006 was primarily affected by strong performance on projects in Libya as well as good multi-client sales in the US.

At December 31, 2006, our order backlog for onshore seismic was USD 138 million, compared with USD 137 million at December 31, 2005.

Revenues
in USD million (US GAAP)



Adjusted EBITDA
in USD million (US GAAP)



2006 HSE PERFORMANCE

Onshore operations recorded a Lost Time Incidents Frequency (LTIF) of 0.22 incidents per million man hours and a Total Recordable Case Frequency (TRCF) of 2.73 incidents per million man hours during the year, compared to a LTIF and TRCF of 0.33 and 2.68, respectively, in 2005.

COMPETITIVE ADVANTAGE

Equipping our highly-experienced personnel with fully-compatible, state of the art recording electronics allows us to deploy on average more channels per crew than other companies. We offer traditional 3D and HD3D® acquisition with the highest efficiency. Hands-on experience executing HD3D® surveys and experienced technical staff secure optimal survey design and high data quality.

Proactive social development programs have created a competitive advantage in countries like Bangladesh, Bolivia, Ecuador and Mexico. We work to establish a good relationship and communication with the local population in the areas where we work and strive to ensure that the jobs go to the people in the area. We also sponsor educational programs, among other efforts to promote social development.

MARKET AND MARKET POSITION

In the market for onshore seismic services, we are one of the larger worldwide operators, measured in terms of revenues. We compete in the onshore segment based on price, crew availability and other factors. We believe that we can remain competitive by capitalizing on our project execution and management skills and by continuing to provide a high-quality technical product. The majority of our recording equipment pool is relatively uniform, facilitating changing crew counts and channel counts on any specific crew as the market dictates.

ONSHORE MARKET PERSPECTIVES

We expect an improvement in the onshore seismic markets in Alaska, the US and North Africa in 2007, compared to 2006. In Canada, Latin America, the Middle East and South East Asia, we expect to see flat development, while West Africa is expected to show a decline in activity in 2007.

ONSHORE MULTI-CLIENT LIBRARY

Onshore has a multi-client data library which covers a wide range of terrain, entirely in the United States, from shallow water 3D data images in the Texas Gulf Coast to HD3D® data in the Alaskan Foothills. PGS Onshore is expanding the multi-client library in the U.S. mid-continent. The onshore multi-client library has a size of approximately 8 000 square kilometers and is included in our multi-client library.

GOALS AND STRATEGIES

Onshore will continue its focused market approach and financial discipline going forward. We will use our operational expertise and standardized equipment to improve our financial performance. We will continue our social responsibility program and efforts to promote HD3D® in the onshore market.

OUTLOOK

We expect revenues and operating profit in Onshore in 2007 to be approximately in line with 2006, when revenues were USD 263 million and operating profit was USD 38 million. Cash investments in the multi-client library in 2007 are expected to be approximately USD 60 million, compared to USD 32 million in 2006. Capital expenditure in Onshore is expected to be approximately USD 20-25 million in 2007, compared to USD 17 million in 2006.

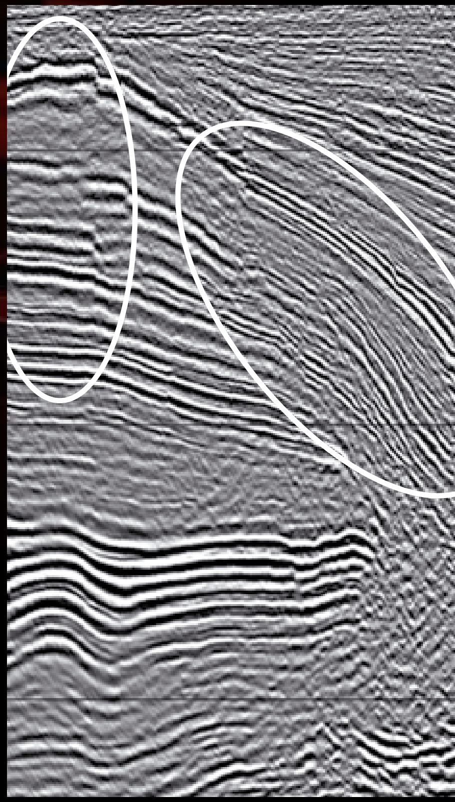
ONSHORE

HD3D®
IN ONSHORE

Onshore started acquiring high density 3D (HD3D®) multi-client seismic in 2002. Since then, nearly all new multi-client surveys that have been acquired have been HD3D® seismic. PGS Onshore also shoots a significant amount of HD3D® contract seismic.

Since 2002, Onshore has invested approximately USD 100 million in new multi-client seismic in the U.S., while, at the same time, had multi-client revenues of USD 140 million. Much of this investment has taken place in the Wichita Mountain Front located in Southwestern Oklahoma, USA where PGS has acquired over 5 500 square kilometers of multi-client data. PGS survey design has evolved over the years, continually pushing the envelope and redefining state-of-the-art acquisition. The term HD or 'high density' refers to how often the subsurface is sampled.

The images show strike line from conventional survey with dynamite (to the left) and HD3D® survey with Vibroseis (to the right). Note the fault clarity and improved bandwidth the HD3D® survey conveys.



Current surveys in the Wichita Mountain Front contain over a million data samples per square mile: a five fold increase over what we acquired just 5 years ago.

Drilling an exploration well is often very costly and has considerable risk associated to it. HD3D® seismic improves our customer's chances of success by providing them with a Clearer Image of the geology. HD3D® technology also saves our clients time and costs by allowing them to use the same survey for both exploration and development. Due to the high quality of our HD3D® data petroleum producers are able to shorten the cycle time from discovery to field development.

HD3D® seismic onshore has not only been a success factor for our clients, but also for PGS, our employees and shareholders. We expect the demand for HD3D® seismic onshore will continue to increase going forward.

2006 was another strong year for PGS health, safety and environment performance, with further advances in both management commitment as well as in management of risk at all operational levels of the company; building on a strong HSE culture in the pursuit of continual improvement.

HEALTH, SAFETY, ENVIRONMENT & QUALITY

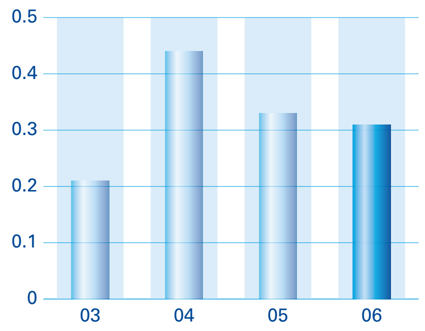
Our objective remains to be in the top tier when it comes to health, safety, environment and quality.

Specific areas of improvement during 2006 were:
- Further development of competence at management and operational levels
- Alignment and simplification of our Management Systems
- Improvement in the way we identify, manage and mitigate risk
- Quality improvement in audit programs and non-conformance management
- Behavioral programs

FROM LAGGING TO LEADING FOCUS

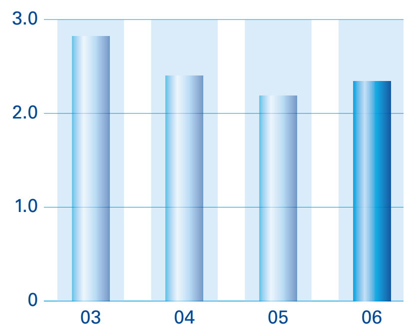
We have continued and further developed the philosophy that real improvements in Health, Safety and Environmental performance for the future, and more importantly handling latent risk threats, are achieved by promoting and measuring active efforts to improve the safe working environment and safe working practices, rather than measuring lagging errors which only tell us about the past. The 2006 HSEQ improvement plans at all levels and in all product lines were constructed with a range of initiatives and targets with an emphasis on leading indicators such as:
- Improved auditing routines and handling of non-conformances
- Formal and standardized approach to management visits, audits and inspections of field operations.
- Specific improvements in the management of sub-contractors
- Development of project risk analysis tools to quantify HSEQ, commercial, technical, political and security risks at the pre-contract phase.
- Development of the 'Intervention' concept for field crews as part of a behavioral focus
- New routines to use quantified potential risk values to determine preventative action

Lost Time Incidents Frequency (LTIF)



BEST IN CLASS
environmental and social performance
STOREBRAND SRI

Total Recordable Case Frequency (TRCF)



In a move to address underlying operational risk, the main lagging indicator focus will shift to the metric HiPoF (High Potential incident Frequency), calculated as the number of high potential incidents per million man-hours.

This shift from lagging to leading indicators is an invaluable tool in developing management commitment. During 2006, the number of managers directly involved in the execution of HSEQ improvement plans approximately doubled compared to 2005.

PGS further implemented the TopSet® incident investigation methodology during 2006 with the training of a number of in-house tutors, qualified to hold recognized investigator courses with crew and management staff. The TopSet® method applies simple and standardized logic to the performance of investigations at the scene of an incident in addition to using methodical root cause analysis.

Incident handling has also been systematically linked to potential risk ratings to define the level of management involvement in a post-incident investigation. This link ensures that trivial events which could have had potentially serious consequences are identified and that preventative action is taken to make sure sufficient barriers are in place.

We believe that successful operations depend heavily upon the cooperation and trust of the indigenous population – which is best attained through demonstrated social responsibility.

By applying the PGS Core Values of Leadership in HSE, People Focus and Integrity, Initiative and Innovation, Delivery and Reliability in all of our projects and major business decisions, we ensure that all of our stakeholders are protected and included.

Particularly in our Onshore business, issues and needs vary from community to community, and from project to project, so our program is adaptable and locally driven. We take responsibility for establishing good relationships with local communities.

"We like to develop seismic work in the pre-job stages by involving the community so they can get collective benefit out of having the seismic done," says Norberto Soto, General Manager of Latin America at PGS Onshore.

"Establishing good relationships and opening communications paths at the start of a job before we get in the field is one of the most important things to do."

It is about more than simply providing local employment, it involves determining what the community itself believes it needs and then working to provide lasting help with those needs.

PGS Social Responsibility programs over 2006 consistently have the following elements:
- Staffed crew social action team
- Provision or support of health services to communities
- Participation by Community leaders in PGS Crew decision-making
- Informing of and consultation of communities regarding our activities and provision of local employment
- Sponsorship of educational needs, e.g. refurbishing schools, funding libraries/books etc.
- Repairing, or even rebuilding, of selected local infrastructure

.

The local population must experience that they benefit from our presence. We believe that maintaining positive community relations plays a key role in ensuring the security of our personnel and operations.

In addition to field operations efforts, PGS has also encouraged community activities at its office locations:
- Volunteer work, food and clothing contributions to Houston Food Bank and other local relief agencies
- PGS matching funds raised by individual employees to support Charitable Organizations
- PGS Charities Day for selected charity organizations to present options to PGS employees

MARINE

HSEQ performance in Marine remained strong during 2006 with lagging indicators showing a flat trend with no significant changes in total recordable case frequency (TRCF) or lost time incident frequency (LTIF). More significant was the completion of the first Level 3 HSEQ improvement plan on all of PGS' seismic vessels. Key points in the Level 3 Plan included systematic process audits of the management system, focus on non-conformances and the correct handling of these in addition to a formalized approach to risk ratings for incidents.

In contrast to 2005, the improvement plans at all levels were owned and executed by the management, and not HSEQ professionals: further strengthening Leadership in HSEQ – a PGS Core Value.

The office in Houston is PGS largest office. Our Onshore segment is managed from Houston. In addition, both Marine and Data Processing and Technology are present in Houston.

During 2006, PGS Marine achieved the significant milestone of taking maritime management control of four streamer vessels and two support vessels. This development required development and implementation of a Safety Management System in compliance with ISM regulations and a license to operate granted only following close scrutiny from independent class auditors. Looking ahead, the maritime Safety Management System will be integrated into the PGS Management System to provide a seamless framework for all vessels and operations.

A major milestone reached during 2006 was the certification of both Perth and Rio Data Processing centers to ISO9001:2000. This achievement represents the completion of the initial phase of the quality improvement project with all major Data Processing centers now accredited.

2006 also presented a number of challenges regarding security and logistics for vessel operations worldwide, particularly in locations where civil unrest or criminal activities were an issue. Again, by applying the PGS core values, the vessels have been able to continue while reducing risk to levels regarded as ALARP (as low as reasonably practicable) while performing our commitments to customers.

ONSHORE

HSEQ performance at Onshore also remained strong during 2006. There was no significant change in TRCF. LTIF decreased by 33% while total exposure hours increased by approximately 51% to 13.6 million man-hours.

PGS Onshore's key improvements during 2006 included:

- Completion of the Level 1 & Level 2 HSEQ Improvement plans
- Identification of HSE Management Support Team
- Formalized Management Visit Auditing
- Verification of alignment of ERP, Environmental Management Plans and Safety Management Systems with ISO and OSHAS standards
- Increased technical training and placement of additional HSE Staff

Despite well-organized and implemented security plans, there were two serious kidnap events in our Nigeria Operations during 2006, both of which were successfully handled through coordination with our local area and business unit and group management teams. These events highlighted the need to remain vigilant with our security arrangements and continue with improvement projects on emergency preparedness and crisis management.

PGS Onshore has extensive ongoing programs related to several HSE courses, technical courses and other training courses for its employees.

Onshore expect to continue in 2007 to develop and implement its Behavioral Safety and HSE Culture Program through a multi-faceted approach including a PGS Core Values Program, Team Building and leadership Courses, PGS Onshore HSE Culture presentations to crews in addition to various other PGS group initiatives. We believe that ensuring the safe and incident free behavior of individuals is a function of our Culture, and this is the key for us to take our HSEQ programs to the next level and ensuring that they stay there.

HSEQ OBJECTIVES 2007

The following overall HSEQ objectives have been defined for 2007:

- Integration of Duty of Care into PGS Management System
- State-of-the art and company-wide emergency response capability
- Formalize and standardization of High Potential event management
- Increased focus on Security and HSE in the office environment

PGS is committed to maintaining high standards of corporate governance. We believe that effective corporate governance is essential to the well-being of our company and establishes the framework by which we conduct ourselves in delivering services to our customers and value to our shareholders.

CORPORATE GOVERNANCE

PGS is registered in Norway as a public limited liability company and our governance model is based on Norwegian corporate law and the Norwegian Code of Practice for Corporate Governance of 8 December 2005. We also adhere to requirements applicable to foreign registrants in the U.S. where our American Depositary Shares (ADS) are publicly traded, including the New York Stock Exchange listing standards and the requirements of the SEC. In addition we implement corporate governance guidelines beneficial to our business.

Our corporate governance principles are adopted by our Board of Directors. Below is a summary of our principles. Our articles of association, in addition to full versions of our corporate governance principles, our rules of procedures for our Board of Directors (Board), our Audit Committee charter, our Remuneration and Corporate Governance Committee charter and our Nomination Committee charter are available on our website www.pgs.com.

CODE OF CONDUCT AND CORE VALUES

We have adopted a Code of Conduct that reflects our commitment to our shareholders, customers and employees to conduct our business with the utmost integrity. Our Code of Conduct and Core Values are available in full versions on www.pgs.com.

BUSINESS

Our business is defined in our articles of association as:

"The business of the Company is to provide services to and participate and invest in energy related businesses."

The goals and strategies for our business areas are presented on page 32 and page 33 of this annual review.

EQUITY AND DIVIDENDS

Our dividend policy is described on www.pgs.com.

EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH RELATED PARTIES

We have one class of shares. In our general meetings each share has one vote. Our Board is committed to equal treatment of shareholders in all respects. When applicable, transactions in our shares should be carried out through the stock exchange.

An owner with shares registered through a custodian has voting rights equivalent to the number of shares which are covered by the custodian arrangement, provided that the owner of the shares, within two working days before the General Meeting provides us with his name and address together with a confirmation from the custodian to the effect that he is the beneficial owner of the shares held in custody.

Transactions between us and related parties shall be conducted at market values. Material transactions will be subject to independent valuation by third parties. According to our Code of Conduct, none of our employees shall have any personal or financial interest which might conflict with ours, or influence or appear to influence their judgment or actions in carrying out their responsibilities to PGS. According to our Rules of Procedures, a member of our Board may not participate in the discussion or decision of issues, where the director, or any person closely related to the director, has material personal or financial interest in the matter.

FREELY TRANSFERABLE SHARES

Our shares are freely transferable.

GENERAL MEETINGS

Through the General Meetings, our shareholders exercise ultimate authority and elect the members of our Board and the chairperson.

Notice of the General Meeting including all prematerial, is generally given at least four weeks in advance to the shareholders or their depositary bank. For ADS holders, a record date is set approximately 5 weeks prior to the Annual General Meeting.

The notice convening an Extraordinary General Meeting shall be given at least two weeks before the meeting if the holding of the meeting is demanded in writing by the independent auditor or shareholders representing at least 5% of the share capital. Shareowners who wish to take part in a General Meeting must give notice to PGS by the date stated in the calling notice, which date must be at least two working days before the General Meeting.

To vote at the General Meeting, in person or by proxy, a shareholder must be registered with the Norwegian Registry of Securities. Holders of ADS may vote the shares underlying the ADS by: (a) having the underlying shares transferred to an account with the Norwegian Registry of Securities in the name of the holder, (b) attending the meeting as a shareholder by providing their name and address and a confirmation from Citibank, depositary for the ADS, to the effect that they are the beneficial owner of the underlying shares, or (c) authorizing Citibank to vote the ADS on their behalf.

In accordance with our Articles of Association, the Chairperson of the Board of Directors chairs the General Meeting.

NOMINATION COMMITTEE

According to our Articles of Association we shall have a Nomination Committee consisting of three members to be elected by our shareholders at the general meeting. The majority of the members of the Committee shall qualify as "independent". The term of service shall be two years unless the General Meeting determines that the period shall be shorter. The Nomination Committee's main duties are to propose nominees for election as members and chairperson to the Board of Directors and the Nomination Committee, and to propose the fees to be paid to the members of the Board and the Nomination Committee. The Nomination Committee shall provide a report to our shareholders prior to the general meeting.

THE CURRENT NOMINATION COMMITTEE

The current members of the Nomination Committee consist of Roger O'Neil (chairperson), Hanne Harlem and C. Maury Devine. Shareholders who wish to propose new board members to PGS could do so by sending an e-mail to Mr. O'Neil at ir@pgs.com. None of the members of our Nomination Committee are employed by us or are members of our Board. In 2006, our Nomination Committee had six meetings. A report regarding the work of our Nomination Committee will be distributed with the calling notice for our Annual General meeting.

BOARD OF DIRECTORS – COMPOSITION AND INDEPENDENCE

According to our articles of association our Board shall have from three to eight directors. The Board has adopted internal rules of procedures that establish in more detail its role and responsibilities, including:

- directors' qualifications;
- qualification of a majority of the Board and all of the members of the Audit and Remuneration Committees as "independent directors"; and
- annual review and determination of the independence of each director.

No member of our Board shall be an executive of PGS. Directors cannot perform paid consultancy work for us. In addition, a majority of the Board shall be "independent" in accordance with the listing standards of the New York Stock Exchange. No director will qualify as "independent" unless our Board affirmatively determines that the director has no material relationship with us.

At its meeting held on February 23, 2007, our Board affirmatively determined that Holly van Deursen, Francis Gugen, Siri Beate Hatlen, Wenche Kjølås and Harald Norvik individually have no material relationship with us and that each is therefore an "independent" director under applicable NYSE listing standards. A majority of the directors are further independent of the ten largest shareholders as of December 31, 2006.

Shareholders and other interested parties may communicate directly with our independent directors by sending a written letter in an envelope addressed to Petroleum Geo-Services "Board of Directors (Independent Members)", General Counsel Rune Olav Pedersen, P.O. Box 89, 1325 Lysaker, Norway.

THE CURRENT BOARD OF DIRECTORS

As of December 31, 2006, the Board consisted of seven shareholder representatives. Anthony Tripodo resigned from the Board with effect from February 1, 2007, after being appointed chief financial officer of Tesco Corporation. Neither the CEO nor any other member of the executive management in PGS is a director of the Board. The current members of the Board are presented on page 34 and 35 of this annual report and on www.pgs.com.

THE WORK OF THE BOARD OF DIRECTORS

In accordance with Norwegian corporate law, our Board has overall responsibility for management of our Company, while our CEO is responsible for day-to-day management. Our Board supervises our CEO's day to-day management and our activities in general. It is also responsible for ensuring that appropriate steering and control systems are in place. Our CEO shall, in agreement with the chairperson of the Board, annually present a meeting calendar covering the next calendar year to the Board for approval. In 2006 our Board had 18 meetings.

Our Board has adopted internal rules of procedures, which establish in more detail its role and responsibilities in relation to the management and supervision of the Company. The rules emphasize, among other things, our Board's responsibility to decide our financial targets and determine our overriding strategy in collaboration with our CEO and our executive committees, and to approve our business plans, budgets and frameworks. In its supervision of our business activities, our Board will seek to ensure that there exist satisfactory routines for follow-up of principles and guidelines required by our Board in relation to ethical behaviour, conformity to law, health, safety and environment, and social responsibility. The rules also require provision for an annual self-evaluation of our Board to determine whether our Board and its committees are functioning effectively. The tasks and duties of our CEO vis-à-vis our Board are outlined in the rules, along with the tasks and duties of the chairperson of our Board. Our Board shall have a vice-chairperson to chair our Board in our chairperson's absence. The full version of the rules of procedures for our Board of Directors is available on www.pgs.com.

Our governance structure is organized as described below:

Our Board is responsible for the development and supervision of our business activities. Our Board has established an Audit Committee and a Remuneration and Corporate Governance Committee to assist in organizing and carrying out its responsibilities.

- Our Board of Directors appoints our CEO.
- Our CEO is responsible for the day-today management of our activities.
- Our CEO has organized our Executive committees and our Disclosure Committee to further assist in discharging our CEO's responsibilities.
- Our Board, along with our CEO, is committed to operating PGS in an effective and ethical manner in order to create value for our shareholders. Our Code of Conduct requires our management to maintain an awareness of the risks to PGS in carrying out our business strategies and not to put personal interests ahead of or in conflict with the interests of PGS.
- Our CEO, under the oversight and guidance of our Board and our Audit Committee, is responsible for ensuring that our financial statements fairly present in all material respects our financial condition and results of operations and that we make timely disclosures needed to assess our financial and business soundness and risks.

BOARD COMMITTEES

Our Audit Committee consists of the board members Francis Gugen (chairperson), Wenche Kjølås and Harald Norvik. Norvik replaced Anthony Tripodo as of February 1, 2007, when Tripodo resigned from the Board. Its function is to; assist our Board in its oversight of the integrity of the financial statements of PGS; the independent auditor's qualifications, independence, and performance; the performance of the internal audit function; and compliance with legal and regulatory requirements. Our Audit Committee is composed of members that satisfy the SEC's and the NYSE's independence requirements.

Our Remuneration and Corporate Governance Committee consists of the board members Harald Norvik (chairperson), Holly van Deursen and Siri Beate Hatlen. The function of the Committee is to assist with the matters relating to the compensation, benefits and perquisites of our CEO and other senior executives and examine and maintain our guidelines regarding good corporate governance.

REMUNERATION OF THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT

The remuneration of the members of the Board is not linked to performance, but is based on participation in meetings, and is approved by the General Meeting annually. The Board Members shall not take on specific assignments for us in addition to their appointment as a Member of the Board.

For details on compensation for each member of the Board see www.pgs.com.

The remuneration to our Board will be proposed by the Nomination Committee according to its charter at our Annual General Meeting.

The compensation structure and guidelines for executive managers are subject to annual review by the Remuneration and Corporate Governance committee and are approved by the Board. PGS currently has a compensation structure for our executive managers including base salary, cash bonus, share bonus, a retention bonus and a stock option program. For further details on our compensation structure and total compensation to our executive team see www.pgs.com.

INFORMATION AND COMMUNICATIONS

Our Board is committed to reporting financial results and other relevant information based on openness and taking into account the requirement for equal treatment of all participants in the securities market. As a listed company, we comply with relevant regulations regarding disclosure. Announcements are released through Oslo Stock Exchange's Company Disclosure System and through relevant channels in the US market. In addition, all announcements are available on the company's website www.pgs.com. Our shareholder policy is described on www.pgs.com.

TAKE-OVERS

Our Board will not seek to hinder or obstruct any take-over bids for our activities or shares, or exercise mandates or pass any resolutions that obstruct take over bids that are put forward.

AUDITOR

Our Audit Committee shall support the Board in the administration and exercise of its responsibility for supervisory oversight of the work of the independent auditors, which shall keep our Board informed of all aspects of its work for PGS. This includes submission of an annual plan for the audit of PGS. The auditor meets our Audit Committee at least once a year without management present. Our internal procedures limit the use of services from our auditors.

The independent auditor shall meet our Audit Committee at least once a year in connection with the preparation of the annual accounts, and at least once a year present to our Audit Committee a review of our internal control procedures. The auditor will be asked annually to confirm in writing that the auditor satisfies the requirements for independence. The auditor shall also provide our Audit Committee with a summary of all services in addition to audit work that have been undertaken for us. The remuneration paid to the auditor will be reported in the Annual General Meeting for approval.

In 2006, PGS delivered its best result ever and substantially improved its financial position. Our operating and HSE performance continued at a strong level.

FINANCIAL REVIEW

With the demerger of our production segment, Petrojarl, in June 2006, we became a focused geophysical company. Our emphasis going forward is growing our business.

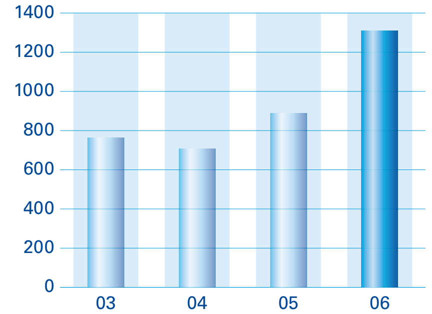
BUSINESS HEADLINES 2006

In 2006 we:

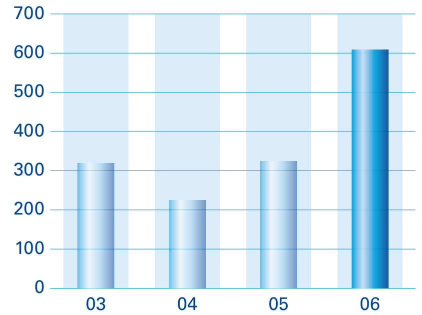
- Successfully de-merged our production activity, Petrojarl. Our shareholders received shares in Petrojarl valued at USD 541 million as of December 31, 2006. PGS received net cash USD 396 million through the demerger and public offering
- Continued our strong safety performance with a lost time incident frequency (LTIF) of 0.31, compared to 0.33 in 2005
- Achieved a strong full-year operating cash flow of USD 563 million and a significant debt reduction of USD 657 million
- Significantly improved our Marine seismic contract operating profit margins, to approximately 40%, compared to 20% in 2005
- Increased our Onshore revenues and Onshore operating profit by USD 111 million and USD 47 million, respectively
- Achieved very high pre-funding levels (131% of capitalized investments) and strong multi-client late sales of USD 249 million
- Re-entered Gulf of Mexico with a new, large multi-client survey
- Started new build programs to deliver two new and enhanced Ramform vessels.

In addition, during the first five months of 2007 we have started executing our share repurchase program and entered into a Heads of Agreement with the Japanese Ministry of Economy, Trade and Industry (METI) which will include the sale of Ramform Victory. We have proposed to pay a special dividend of NOK 10 per share and

Revenues
in USD million (US GAAP)



Adjusted EBITDA
in USD million (US GAAP)



commenced an evaluation of a delisting of our ADSs from the New York Stock Exchange and a deregistration of our ADSs and shares under the US Securities Exchange Act of 1934.

MARKETS AND MAIN BUSINESSES

MARINE

We are one of three major global participants in the marine 3D market, with a market share of approximately 28%. Our streamer acquisition fleet, totaling eleven 3D vessels at year-end 2006, with the six Ramform vessels in the high-capacity segment, is one of the most modern in the industry.

The marine 3D market experienced a strong improvement in 2006 driven by increased demand for seismic from oil and gas companies. The margin we realized on contract seismic improved significantly compared to 2005. At the end of 2006, our order backlog in Marine was approximately USD 512 million, compared to USD 365 million at December 31, 2005.

Contract seismic continued to dominate our activity in 2006, although the investments in new multi-client data increased further compared to 2005. Pre-funding of new multi-client investments continued at higher levels and late sales for the year came in significantly higher than anticipated at the beginning of 2006.

ONSHORE

In the market for onshore seismic services we are one of the larger worldwide operators. The onshore segment remains price competitive, since a number of competitors have added capacity and additional companies have entered the international seismic market.

In 2006, PGS Onshore had substantial activity in the US and North and West Africa. Strong operating performance in North Africa, coupled with high interest for multi-client data in the US, were the main contributors to a substantial improvement in the operating result in 2006, compared to 2005. PGS Onshore continued to invest in its multi-client library onshore US in 2006. However, the majority of the crews performed contract work.

FINANCIAL RESULTS

Total revenues for 2006 based on US GAAP were USD 1 308.5 million compared to USD 888.0 million in 2005, an increase of 47%.

Marine 2006 revenues totaled USD 1 044.5 million, an increase of USD 319.8 million, or 44%, from 2005. Revenues from contract seismic acquisition increased USD 211.4 million from USD 424.2 million in 2005 to USD 635.6 million in 2006, primarily due to a stronger marine seismic market and strong operating performance. Multi-client late sales increased by USD 3.2 million, or 1%, to USD 222.0 million in 2006. Marine increased its investments in multi-client data by USD 35.0 million, or 76%, to USD 81.2 million in 2006. Revenues from multi-client pre-funding increased by USD 91.3 million, or 228%, from USD 40.0 million in 2005 to USD 131.3 million in 2006. Pre-funding as a percentage of cash investments in multi-client data increased to 162% in 2006 compared to 87% in 2005. In 2006 the fleet allocation (active vessel time) between contract and multi-client data acquisition was approximately 83%/17% compared to approximately 91%/9% in 2005.

Onshore revenues for 2006 totaled USD 263.4 million, an increase of USD 110.9 million or 73% from 2005. Onshore had three crews in activity in Libya during 2006, which all commenced acquiring seismic in Libya in early 2006, as well as significant activity in the domestic US. At the same time, Onshore started up a project in Nigeria in October 2005, which contributed to revenues throughout 2006. The projected was completed in December 2006, and Onshore has as of March 2007 no activity in Nigeria.

Cost of sales totaled USD 620.7 million in 2006 compared to USD 498.3 million in 2005, an increase of USD 122.4 million or 25%.

Marine cost of sales increased by USD 62.7 million, mainly as a result of increased salaries and social expences, material and supplies and general operating expences as a result of increased activity and number of employees, partly offset by increased investments in multiclient library. Onshore cost of sales increased by USD 65.2 million, primarily related to increased activity.

Research and development costs increased by USD 7.8 million or 79% to USD 17.7 million, while selling, general and administrative costs increased by USD 6.1 million or 11% to USD 61.5 million. The primary reasons for the increase are increased bonus expences, increased compensation costs and increased activity. In addition, we are spending more on technology development and on chartered capacity and similar measures to optimize the productivity of our 3D vessels. There has been a strong general cost level increase for fuel, personnel and project-related costs, such as support and shooting vessels.

Depreciation and amortization for 2006 was USD 198.6 million compared to USD 208.6 million in 2005, a decrease of USD 10.0 million, or 5%.

Multi-client amortization for 2006 decreased by USD 8.3 million (6%) compared with 2005. Amortization for 2006 includes USD 6.7 million of non-sales related amortization, compared to USD 35.4 million in 2005. Multi-client amortization as percentage of multi-client revenues was 32% in 2006, compared to 46% in 2005.

In 2006, we reduced the book value of our multi-client library by USD 92.7 million as a result of the recognition of deferred tax assets, which had been offset by full valuation allowance when we adopted fresh-start reporting. As such, this reduction is not a policy or judgment relating to our mulit-client library, but instead reflects the application of SOP 90-7. The net book value of our multi-client library was USD 49.4 million as of December 31, 2006, compared to USD 146.2 million as of December 31, 2005. The relatively low book value will result in relatively low ordinary amortization relating to sales from our existing library, while amortization relating to sales from new library investments will be higher.

Operating profit was USD 409.9 million in 2006 compared to an operating profit of USD 130.2 million in 2005.

Interest expense was USD 53.2 million in 2006 compared to USD 95.8 million in 2005 primarily due to a substantial reduction of debt and reduced interest rates on debt. Other financial items, net amounted to a loss of USD 0.6 million in 2006 compared to a loss of USD 103.1 million in 2005.

The 2005 financial statements included a charge of USD 107.3 million relating to debt premiums and refinancing costs since we in December 2005 repaid/refinanced our USD 250 million 8% Senior Notes due 2006 and USD 741.3 million of our USD 746 million 10% Senior Notes due 2010.

Income tax expense was an expense of USD 123.7 million in 2006 compared to an expense of USD 24.4 million in 2005. The tax expense in 2006 included current taxes of USD 63.7 million and net deferred tax expenses of USD 60.0 million. Taxes payable related primarily to foreign taxes in regions where we are subject to withholding taxes or deemed to have permanent establishment and where we had no carryover losses.

Income from discontinued operations, net of tax, was USD 69.2 million in 2006 compared to USD 209.6 million in 2005. The income from discontinued operations in 2006 primarily relates to the demerger of our Production segment and the related sale of shares in Petrojarl, while the result from discontinued operations in 2005 included a gain from the sale of our subsidiary Pertra of USD 157.9 million as well as the operating result of our production segment.

Net income for the group for 2006 was USD 298.6 million compared to USD 112.6 million in 2005.

DEMERGER OF OUR PRODUCTION BUSINESS

On June 29, 2006 we completed the demerger plan to separate our geophysical and production businesses into two independently listed companies.

Our subsidiary companies that conduct the production business, and the assets, rights and liabilities related to the production business were transferred to a wholly-owned subsidiary named Petrojarl ASA. Our subsidiary companies that conduct the geophysical business, and the assets, rights and liabilities related to the geophysical business, were retained under Petroleum Geo-Services ASA.

Each holder of our ordinary shares received one ordinary share of Petrojarl for each of our shares held, and each holder of American Depositary Shares ("PGS ADSs") representing our ordinary shares received one American Depositary Share representing an ordinary share in Petrojarl ("Petrojarl ADSs") for each PGS ADS held. The ordinary shares in Petrojarl ASA started trading on the Oslo Stock Exchange June 30, 2006. Petrojarl was not listed in the US.

Immediately after consummation of the demerger, PGS ASA held shares in Petrojarl representing a 19.99% interest in Petrojarl. These shares were subsequently sold in third quarter 2006, and we hold no shares in Petrojarl as of December 31, 2006.

Upon completion of the demerger and IPO of Petrojarl, on June 29, 2006, we received net cash proceeds from the capitalization and demerger of Petrojarl of USD 269.8 million. We received in addition USD 126.1 million, net of expense, as settlement for the sale of 19.99% of the outstanding shares in Petrojarl. We used the proceeds to repay parts of our term-loan.

CASH FLOW, BALANCE SHEET AND FINANCING

Net cash provided by operating activities totaled USD 563.4 million in 2006 compared to USD 280.7 million in 2005, primarily driven by strong improvement in profit.

Cash and cash equivalents (excluding restricted cash) totaled USD 124.0 million at December 31, 2006 compared to USD 121.5 million at December 31, 2005. Restricted cash totaled USD 18.7 million at December 31, 2006 compared to USD 22.5 million at December 31, 2005.

During 2006 we reduced our financial debt by using cash flow from operations, as well as cash from the demerger of Petrojarl, to reduce our originally USD 850 million term loan. As of December 31, 2006, USD 243.6 million was outstanding under the term loan. We have a credit facility of USD 150 million, which matures in December 2010. At December 31, 2006, USD 3.5 million of non-expired letters of credits were issued under the facility, whereas USD 146.5 million were available for drawing. We do not expect to reduce our financial leverage significantly going forward.

The term loan matures in December 2012 and has a floating interest rate of LIBOR plus 225 basis points.

The nominal value of interest bearing debt, including capital leases, was approximately USD 338 million as of December 31, 2006 compared to USD 980 million at December 31, 2005.

Our interest bearing debt consisted of the following primary components at December 31:

(In USD million)	2006	2005
10% Senior Notes, due 2010	4	5
8.28% First Preferred Mortgage Notes, due 2011	76	88
Term loan (Libor + applicable margin), due 2012	244	850
Other loans, due 2006	-	3
Total debt	324	946
Capital leases	14	34
Total	338	980

Net interest bearing debt (interest bearing debt, including capital leases, less cash and cash equivalents, restricted cash and interest bearing investments) was approximately USD 195 million at December 31, 2006 compared to USD 829 million at December 31, 2005.

INVESTMENTS

During 2006, we made a total cash investment of USD 113.7 million in multi-client data library compared to USD 55.7 million in 2005, an increase of USD 58.0 million, or 104%.

Capital expenditures, excluding discontinued operations, totaled USD 165.4 million in 2006 compared to USD 90.4 million in 2005, an increase of USD 75.0 million. Capital expenditures in Marine increased by USD 74.2 million to USD 146.4 million in 2006. The increase relates primarily to our ongoing new building programs.

FINANCIAL MARKET RISK

We are exposed to certain market risks, including adverse changes in interest rates and foreign currency exchange rates, as discussed below.

INTEREST RATE RISK

We enter into financial instruments, such as interest rate swaps, to manage the impact of possible changes in interest rates.

As of December 31, 2006, we had total outstanding indebtedness of USD 338.2 million of which USD 257.7 million bore interest at a variable rate based on USD LIBOR plus a margin. Through interest rate swaps we have fixed the interest rate on USD 175 million of the term debt as of December 31, 2006. For every one percentage point increase in the LIBOR rate our annual interest expense will increase by approximately USD 0.8 million.

CURRENCY EXCHANGE RISK

We conduct business in various currencies including the Bangladeshi taka, Bolivian boliviano, Brazilian real, Indian rupee, Kazakhstan tenge, Mexican peso, Nigerian naira, Saudi riyal, United Arab Emirates dirham, Venezuelan bolivar, British pound and the Norwegian kroner. We are subject to foreign currency exchange rate risk on cash flows related to sales, expenses, financing and investing transactions in currencies other than the U.S. dollar.

Our cash flow from operation is primarily denominated in US dollars (USD), British pounds (GBP) and Norwegian kroner (NOK). We predominantly sell our products and services in US dollars while a significant portion of our operating expenses are incurred in British pounds and Norwegian kroner. We therefore typically have higher expenses than revenue denominated in British pounds and Norwegian kroner.

In 2005 we started hedging a portion of our foreign currency exposure related to operating expenses by entering into forward currency exchange contracts. While we enter into these contracts with the purpose of reducing our exposure to changes in exchange rates, we do not account for the contracts as hedges except if they are specifically designated to firm commitments. Consequently, these forward currency exchange contracts are recorded at estimated fair value using the mid rate and gains and losses are included in other financial items, net. In 2006 we hedged the payment that will be made in non USD for our two new vessels to be built. The hulls will be paid for in NOK and currency hedges put in place for these exposures are treated as fair value hedges in our accounts. As of December 31, 2006, we had net open forward contracts to buy British pounds, Norwegian kroner and Euro amounting to approximately USD 314 million with a fair value of USD 6.2 million (gain), which has been recognized in our statements of operations. Of this amounts a notional value of USD 124.5 million is accounted for as fair value hedges.

At December 31, 2005, comparable figures were USD 194 million in nominal value of forward contracts with a fair value of USD 7.2 million (loss).

If Norwegian kroner had appreciated by a further 10% against the US dollar at year-end, the fair value of the forward contracts on buying Norwegian kroner would have increased by USD 25.7 million, a similar 10% appreciation of British pounds against US dollar would have increased the fair value of the forward contracts on buying British pounds by USD 5.7 million and a 10% appreciation for Euro would have decreased the fair value of the forward contracts on buying Euro by USD 0.06 million.

Substantially all of our debt is denominated in US dollars.

CREDIT RISK

Our trade receivables are primarily from multinational integrated oil companies and independent oil and natural gas companies, including companies owned in whole or in part by foreign governments. We manage our exposure to credit risk through ongoing credit evaluations of customers. Further, we believe that our exposure to credit risk is relative low due to the nature of our customer base, the long-term relationship we have with most of our customers and the historic low level of losses on trade receivables.

LIQUIDITY RISK

As described above, at year-end we had a cash balance of USD 124.0 million and an unused USD 146.5 million secured revolving credit facility (maturing December 2010). We also have an additional overdraft facility of NOK 50 million.

Based on the year-end cash balance, available liquidity resources and the current structure and terms of our debt, we believe that we have adequate liquidity to support our operations and our investment program and that liquidity risk is at acceptable levels. In the first quarter of 2007, we used USD 49 million to repurchase shares. Further repurchase of shares as well as the special dividend of USD 300 million, is estimated to require additional funding if we keep a liquidity reserve of USD 150 million.

COMMODITY RISK

In the operation of our seismic vessels we use a substantial quantity of fuel. We are therefore exposed to changes in fuel prices. Based on our fuel consumption in 2006, if fuel prices were to increase by 10%, our fuel costs would increase by approximately USD 8 million. We do not hedge this exposure.

SHARES AND SHARE CAPITAL

Our Extraordinary General Meeting on December 13, 2006, approved the split of our shares in the ratio of three-for-one. Following the split, and as of December 31, 2006, we have 180 000 000 shares issued and outstanding, all of which are of the same class and with equal voting and dividend rights. Each share has a par value of NOK 3.

Our shares are listed on the Oslo Stock Exchange. Our American Depositary Shares ("ADSs") are listed on the New York Stock Exchange.

In general, any future dividend will be subject to determination based on our results of operations and financial condition, our future business prospects, any applicable legal or contractual restrictions and other factors that the Board of Directors considers relevant.

As of December 31, 2006, we had obtained shareholder authorization for a share repurchase program for up to 10% of our share capital. The authorization is valid until July 2007. We expect to propose an extension of the authority to the annual general meeting in June 2007.

SUBSEQUENT EVENTS

In January 2007 we started executing the share buy back program. As of May 30, 2007, we have repurchased in total 3 746 500 own shares, representing 2.08% of total shares outstanding.

In March 2007 we terminated the UK lease for *Ramform Victory* and took formal ownership of this vessel.

In March 2007 we entered into a Heads of Agreement with the Japanese Ministry of Economy, Trade and Industry (METI) for a long-term cooperation agreement, which will include the sale and flag change of the 3D seismic vessel *Ramform Victory* and the continued provision by PGS of intellectual property, technical and operational services.

In May 2007 we proposed to pay a special dividend of NOK 10 per share and commenced an evaluation of a delisting of our ADSs from the New York Stock Exchange and a deregistration of our ADSs and shares under the US Securities Exchange Act of 1934.

OUTLOOK

We have a strategy to grow our business. This strategy builds on current strengths, including our leadership position in marine 3D seismic acquisition through the Ramform vessel fleet and proven operational capabilities. Our fleet expansion program includes two next generation Ramform vessels for delivery early 2008 and mid 2009 and represents major steps both in capacity expansion and technological advancement.

We will have stronger emphasis on investments in new multi-client data and reprocessing.

We intend to grow substantially our data processing business with a strong focus on depth processing and wide- and multi-azimuth processing. We put strong emphasis in technology and will invest in technology to further enhance efficiency of operations and in bringing new technologies to the market. Investments in technology will increase with a focus on commercializing of selected new technologies.

The markets in which we operate showed strong improvement in 2006. Oil prices remained at high levels, and oil companies increased their exploration and production (E&P) spending. E&P spending is expected to increase further in 2007 and in the medium to long term high oil price levels are expected to positively impact our core markets.

The global marine seismic fleet was at full capacity utilization in 2006. Demand is expected to increase further in 2007, outweighing increases in marine seismic capacity and resulting in further improved prices. However, as the industry is operating at full capacity, we experience significant cost inflation, which we expect to continue in 2007.

In Marine we expect our 2007 streamer contract EBIT margins to increase substantially over 2006. The multi-client revenues are expected to be higher than 2006, while both multi-client investments and capital expenditures are planned to approximately double from 2006.

In 2007 we expect Onshore to continue to deliver strong results and plan to increase our multi-client investments and capital expenditures significantly compared to 2006.

We emphasize that forward looking statements contained in this report are based on various assumptions made by us that are beyond our control and that are subject to certain risks and uncertainties as disclosed in our filings with the Oslo Stock Exchange and the US Securities and Exchange Commission. Accordingly, actual results may differ materially from those contained in the forward looking statements.

THE BOARD OF DIRECTORS

Jens Ulltveit-Moe
Chairperson (elected 2002)

Mr. Ulltveit-Moe has been our chairperson of the Board of Directors since September 2002. He is the founder and has been president and chief executive officer of Umoe AS, a shipping and industry company, since 1984. From 2000 to 2004, he was the president of the Confederation of Norwegian Business and Industry. From 1980 to 1984, Mr. Ulltveit-Moe served as managing director of Knutsen OAS. From 1972 to 1980, he was managing director of the tanker division of SHV Corporation. From 1968 to 1972, Mr. Ulltveit-Moe was an associate with McKinsey & Company, Inc. in New York and London. Mr. Ulltveit-Moe holds a master's degree in business administration from the Norwegian School of Economics and Business Administration and a master's degree in international affairs from the School of International Affairs, Columbia University, New York.

Harald Norvik
Board member (elected 2003)

Mr. Norvik is a partner in the consulting company ECON. He is chairman of the Board of Directors in Aschehoug, member of the Board of Directors in ConocoPhillips and member of the Board of Directors in Ability Group. He served as chief executive officer of Statoil from 1988 to 1999. He was finance director and a member of the executive board of the Aker Group from 1981 to 1988. He served as personal secretary to the Prime Minister of Norway and as Deputy Minister in The Ministry of Petroleum and Energy from 1979 to 1981. Mr. Norvik has a Master of Science Degree in Business from The Norwegian School of Economics and Business Administration.

Siri Beate Hatlen
Board member (elected 2006)

Ms. Hatlen has been an independent consultant since 1996 and worked as manager for hire in several companies, including Flexim Infowiz, Universitetsforlaget AS and Henie Onstad Kunstsenter. She is now Chairperson of the Board of Directors of Helse Øst RHF, AS Vinmonopolet, Undervisningsbygg KF, SIVA SF, the Norwegian State Educational Loan Fund and Samlaget. In addition she holds board memberships among others in Kongsberggruppen ASA, Buskerud Energi AS and NTNU. From 1986 to 1996, she held various positions in Statoil's Project Division. In 1984, she worked for one year at Elf Aquitaine, France on an exchange basis. From 1981 to 1983 she worked for Norwegian Petroleum Consultants. Ms. Hatlen holds a master of science degree in Process Engineering from the Technical University of Trondheim and a master's degree in business administration from INSEAD.

Wenche Kjølås
Board member (elected 2006)

Ms. Kjølås is currently working as chief financial officer in Grieg Logistics AS. Prior to that, she served as chief financial officer in Kavli Holding AS. From 1997 to 1999, she acted as Managing Director in O.Kavli AS, Norway, and from 1995 as Financial Director in Kavli Holding AS. From 1993 to 1995, she was Financial Manager in Hakon Gruppen AS in Bergen. From 1986 to 1992, she was employed with Touche Ross Management Consultants; from 1986 to 1990 as Management Consultant in Bergen and from 1990 to 1992 as Manager. Ms. Kjølås has board experience from several companies, including Cermaq ASA, DOF ASA, Grieg Group Resources AS, O.Kavli AS and Q-Meieriene AS. She is also member of the Corporate Council of Vesta Insurance AS and the General Assembly of Sparebankstiftelsen DnBNOR.

Francis Gugen
Board member (elected 2003)

Mr. Gugen is currently active as a consultant and an investor in the energy industry. He served with Amerada Hess Corporation for eighteen years, from 1982 to 2000, holding various positions including chief executive of Amerada Hess UK from 1995 to 2000 and chief executive of Northwestern Europe from 1998 to 2000. Mr. Gugen acts as chairman and non-executive director for various other companies, including Island Gas Limited and The Britannia Building Society, where he also sits on the audit committee. Mr. Gugen has earlier worked for Arthur Andersen and is a UK chartered accountant.

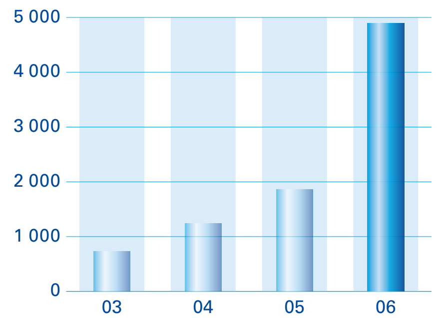
Holly Van Deursen
Board member (elected 2006)

Ms. Van Deursen currently divides her time between advising and investing in start-up companies and serving as a non-executive director of Petroleum Geo-Services, Anson Industries and a not-for-profit school. She served as a member of BP plc's top-forty executive team, as Group Vice President Petrochemicals from 2003 to 2005 and Group Vice President Strategy from 2001 to 2003. Prior to these executive positions, Ms. Van Deursen held a variety of senior roles with BP and Amoco Corporation in Chicago, London and Hong Kong. She has previously served on the Board of Directors of the American Chemistry Council, as well as Amoco joint ventures in Korea, Taiwan and Japan. Ms. Van Deursen holds a Bachelor of Science degree in Chemical Engineering from the University of Kansas and an Masters degree in Business Administration from the University of Michigan.

PGS is committed to providing the financial community with good, relevant and timely information regarding the company. PGS policy is to treat all stakeholders equally.

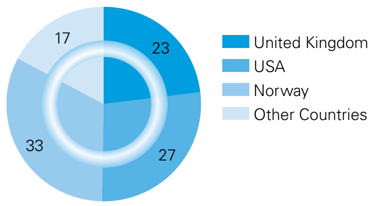
THE PGS SHARE

PGS Market Capitalization
in USD million



Market capitalization as of December 31, 2006 includes market capitilization of Petrojarl.

PGS Shareholders
Citizenship as of December 31, 2006 in percent



PGS' 20 LARGEST SHAREHOLDERS AS OF 31 DECEMBER 2006

Rank	Shareholder	Shares	Percentage
1	STATE STREET BANK & TRUST CO. (NOMINEE)	13 876 804	7.7
2	CITIBANK N.A., HOLDER OF AMERICAN DEPOSITARY SHARES ("ADS") (NOMINEE)[1]	12 698 435	7.1
3	FOLKETRYGDFONDET	12 485 160	6.9
4	MORGAN STANLEY & CO. (NOMINEE)	12 319 195	6.8
5	UMOE SHIPPING AND ENERGY AS	11 775 822	6.5
6	MORGAN STANLEY & CO. (NOMINEE)	4 659 387	2.6
7	VITAL FORSIKRING ASA	3 585 174	2.0
8	HSBC BANK PLC (NOMINEE)	3 190 245	1.8
9	RBC DEXIA INVESTOR (NOMINEE)	3 146 952	1.7
10	JP MORGAN CHASE BANK - UK (NOMINEE)	2 664 538	1.5
11	STATE STREET BANK & TRUST CO. (NOMINEE)	2 490 328	1.4
12	CREDIT AGRICOLE (NOMINEE)	2 308 278	1.3
13	MELLON BANK AS AGENT (NOMINEE)	2 125 241	1.2
14	JP MORGAN CHASE BANK - USA (NOMINEE)	2 111 778	1.2
15	DNBNOR NORGE	1 820 791	1.0
16	UBS AG, LONDON BRANCH	1 815 905	1.0
17	BANK OF NEW YORK	1 796 568	1.0
18	ODIN NORDEN	1 758 200	1.0
19	FORTIS BANK LUXEMBOURG	1 663 034	0.9
20	JP MORGAN CHASE BANK – LUXEMBOURG (NOMINEE)	1 631 709	0.9

[1] On the basis of existing depository agreements regarding owners of the ADSs, the table above does not disclose the beneficial owners of shares.

SHAREHOLDER POLICY

All company information from us that is considered relevant for our shareholders is published via the Oslo Stock Exchange (OSE), sent to the New York Stock Exchange (NYSE) and posted on our web site, www.pgs.com. We hold public presentations and arrange conference calls in conjunction with the release of our quarterly results. We host an annual Capital Markets Day and our management meets regularly with investors in the United Kingdom and US, as well as attending external conferences.

We have been awarded both the Information Symbol and the English Symbol by the Oslo Stock Exchange. The information symbol is awarded to companies that meet, among other things, defined standards for the information provided on their web site. The English Symbol is awarded to companies that meet all the requirements for the Information Symbol in English.

DIVIDEND POLICY AND SHARE BUYBACKS

PGS has authorization to buy back up to 10% of our own share capital, corresponding to a total of up to 18 million shares. The authorization is valid until July 15 2007. In January 2007, we began executing share repurchases and held as of May 30, 2007, 3 746 500 shares, or 2.08% in PGS.

We have asked our annual general meeting to renew the authorization to repurchase up to 10% of our share capital. If this is approved, the new authorization will be valid for a period of 12 months.

We have proposed a special dividend of NOK 10 per share as a result of the excellent financial results in 2006. If the proposal is approved on our annual general meeting in June, the dividend of in total approximately USD 300 million will be paid around mid July 2007.

The geophysical industry remains cyclical. We therefore target strong financial flexibility going forward. We aim for a "BB"rating from Standard and Poor's which corresponds to a gross debt of between USD 200 and 800 million, depending on market strength and visibility, as well as capital commitments and plans. As of December 31, 2006, PGS had a gross debt of USD 338 million.

GUIDANCE FOR MARINE

Based on work performed so far in 2007, our order backlog for work scheduled for 2007 and our expectations regarding future contracts, we expect Marine streamer contract EBIT margins to increase from approximately 40% in 2006 to 50-55% in 2007.

Primarily based on our plans regarding increasing our multi-client investments to USD 170-190 million in 2007, up from USD 81 million in 2006, and the associated prefunding revenues related to these investments, we expect marine multi-client revenues to be higher in 2007 than 2006. In 2006, the marine multi-client revenues were USD 353 million.

We expect to increase our capital expenditures to approximately USD 200 million in 2007, up from USD 146 million in 2006. The increase is primarily a result of our ongoing program to build to new Ramform vessels.

We have two new Ramform vessels being built currently. The first, Ramform Sovereign, is expected to be delivered in the first quarter of 2008. The total cost for the two vessels is expected to be approximately USD 330 million, excluding project management costs and interest. We estimate that the total payments in 2007 relating to the construction of these vessels to be approximately USD 95 million.

Under our current streamer expansion, upgrade and replacement program, we expect to spend approximately USD 30-50 million per year in 2007-2012. Since this program is discretionary, we may in the future change the scope and annual capital expenditures related to the program.

GUIDANCE FOR ONSHORE

We expect to have between eight and twelve crews working in 2007, approximately the same number as in 2006. The revenues in Onshore are expected to be approximately in line with 2006 when they were USD 263 million.

Based on our order backlog and likely additional contract awards, we expect to be able to maintain a margin on contract work comparable with 2006 levels. We expect the operating profit for Onshore in 2007 to be approximately in line with 2006. The operating profit in Onshore in 2006 was USD 38 million.

We expect to increase our investments in the Onshore multi-client library from USD 32 million in 2006 to approximately USD 60 million in 2007. We expect increased pre-funding revenues due to increased multi-client activity.

We expect the capital expenditures in Onshore to be USD 20-25 million in 2007, up from USD 17 million in 2006.

INTEREST RATE RISK

As of December 31, 2006, we had a total outstanding indebtedness of USD 338 million, of which USD 80 million bore interest at a fixed rate and USD 258 million bore interest at a variable rate. The weighted average interest rate on the variable rate debt, including capital leases, as of December 31, 2006 was approximately 7.6%. Through interest rate swaps we have effectively fixed the interest rate on USD 175 million of this term debt as of December 31, 2006. For every one percentage point increase in LIBOR, our annual net interest expense on our variable rate debt, including capital leases, would increase by approximately USD 0.8 million.

FOREIGN CURRENCY EXCHANGE RATE RISK

Our cash flow from operations are primarily denominated in US dollar (USD), British pounds (GBP) and Norwegian kroner (NOK). We predominantly sell our products and services in USD, while a significant portion of our operating expenses is incurred in GBP and NOK. As a result, when the USD strengthens in relation to the GBP, NOK and any other currencies in which we incur operating expenses, our USD reported expenses will decrease.

We hedge a portion of our foreign currency exposure related to ongoing cash expenditures by entering into forward currency exchange contracts. As of December 31, 2006, we had net open forward contracts to buy GBP, NOK and Euro amounting to approximately USD 314 million with a fair value of USD 6 million (gain).

If NOK had appreciated by an additional 10% against USD at year-end, the fair value of the forward contracts on buying NOK would have increased by USD 26 million. A similar 10% appreciation of GBP against the USD would have increased the fair value of the forward contracts on buying GBP by USD 6 million and a 10% appreciation for Euro would have decreased the fair value of the forward contracts on buying Euro by USD 0.06 million.

COMMODITY RISK

In our operation of our seismic vessels we use substantial quantities of fuel. Based on our fuel consumption in 2006, if fuel prices were to increase by 10%, our annual fuel costs would increase by approximately USD 8 million. We do not hedge this position through derivative instruments.

SHARE FACTS

PGS ordinary shares are primary listed on the OSE, under the symbol "PGS", denominated in Norwegian kroner (NOK). PGS shares are also traded on the NYSE in the form of American Depositary Shares (ADS), under the symbol "PGS", denominated in US dollars (USD). Each ADS represents one share. PGS has 180 million shares, each with a par value of NOK 3.

We have started a process to delist our ADSs from the New York Stock Exchange and deregister our ADSs under the US Securities Exchange Act due to the limited trading of our ADSs in the US and the cost and complexity of maintaining dual listing. With the increased sophistication and transparency of the capital markets worldwide, we believe the value of maintaining a dual listing is reduced. We expect the delisting to occur during the summer of 2007.

ANALYST COVERAGE

As of December 31, 2006 there were fifteen equity sell-side analysts that cover PGS on a regular basis with market updates and estimates for PGS's financial results. Out of these, one is based in UK, two are based in the US, while one is based in France. The other analysts are based in Norway.

SHAREHOLDERS

At the end of 2006, PGS had 3 799 registered shareholders according to the Norwegian Central Securities Depository (VPS).

Non-Norwegian investors owned approximately 68% of the shares, with the UK and the US dominating. Norwegian ownership stood at approximately 32%. As of December 31, 2006, four investors had flagged ownership above 5% in PGS; Fidelity Investments, Folketrygdfondet, Gradient Capital Partners and Umoe Energy and Shipping.

2007 ANNUAL GENERAL MEETING

The annual shareholders meeting for PGS in 2007 is scheduled to take place June 15, 2007, at the company's headquarters at Lysaker, Strandveien 4, Oslo, Norway.

All shares are entitled to one vote. It is, however, a Norwegian regulation that one can only vote for shares registered in one's name. 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 our share register maintained at the VPS, within two working days before the general meeting.

Shareholders who wish to attend the meeting are asked to inform our registrar:

Nordea Bank Norge ASA
Issuer Services
P.O. Box 1166 Sentrum
0107 Oslo
Fax: +47 22 48 63 49
Tel: +47 22 48 62 62

Owners of ADSs can vote by surrendering their ADSs to our ADS registrar, Citibank, and having title to the related shares registered in our share register maintained at the VPS prior to the meeting.

CONTACT INFORMATION FOR ADR HOLDERS

Our depositary bank for PGS ADRs is Citibank. They can be reached at:

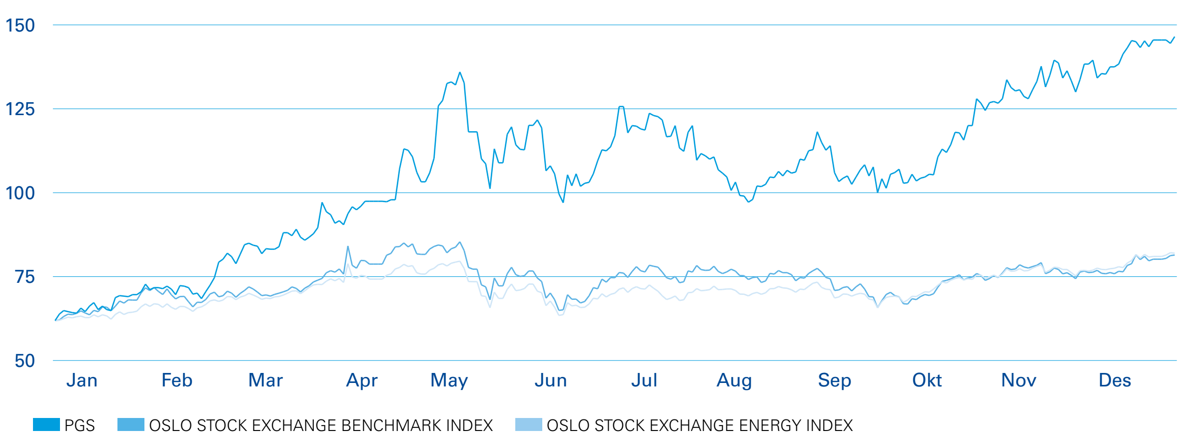
Citibank Shareholder Services
P.O.Box 43077
Providence, RI 02940-3077
United States
Toll free: +1 877 CITI ADR
Outside the US Tel: +1 816 843 4281
Fax: +1 201 324 3284
e-mail: citibank@shareholders-online.com

RATING

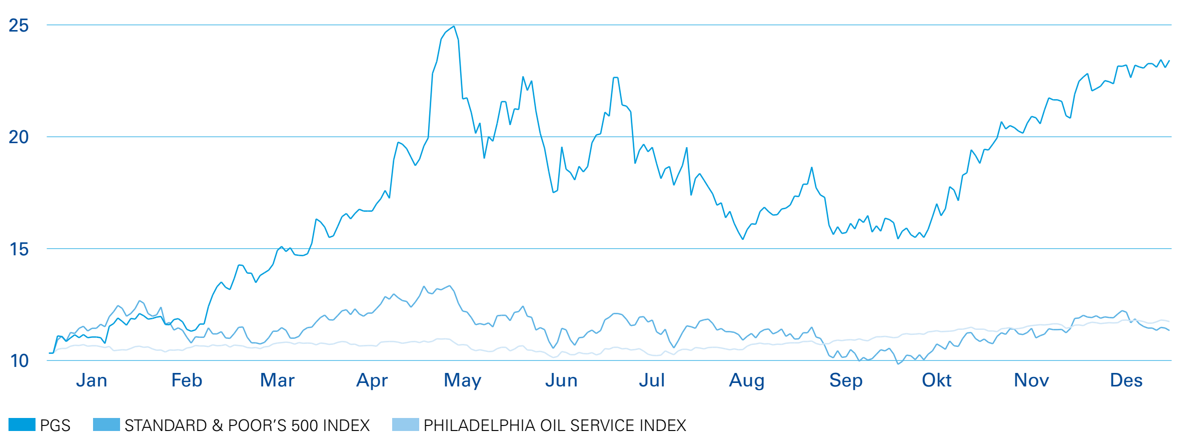
As of December 31, 2006 PGS had a "Ba3" rating from Moody's Investors Service and a "BB-" rating from Standard & Poor's. Moody's has a stable outlook, as does S&P.

International Financial Reporting Standards ("IFRS") PGS will begin reporting under IFRS from January 1, 2007. A separate transition document has been made, quantifying the differences between PGS's previous reporting standard, US GAAP, and IFRS. The document is available on our web site, www.pgs.com.

PGS versus market 2006
PGS share price (NOK) versus market and sector



PGS versus the US market 2006
PGS share price (USD) versus market and sector



EXECUTIVE OFFICERS

Svein Rennemo
(Born 1947)
President and CEO

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

Gottfred Langseth
(Born 1966)
Senior Vice President
and CFO

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

Rune Eng
(Born 1961)
Group President Marine

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

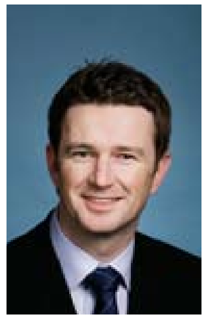
Eric Wersich
(Born 1963)
Group President Onshore

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

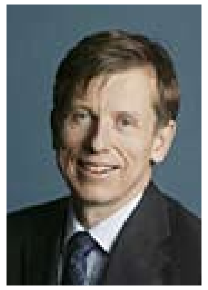
Sverre Strandenes
(Born 1956)
Group President
Data Processing and
Technology

Mr. Strandenes was appointed Group President, Data Processing and Technology in November, 2006. He joined PGS in 1995 from Norsk Hydro Research Centre, where he served as Department Manager of Geosciences. Since 1995 Mr. Strandenes has held various senior management positions within the Company, most recently as President, Marine Geophysical EAME Region. Mr. Strandenes graduated with a master's degree in geophysics from the University of Bergen in 1981.

OTHER CORPORATE MANAGEMENT



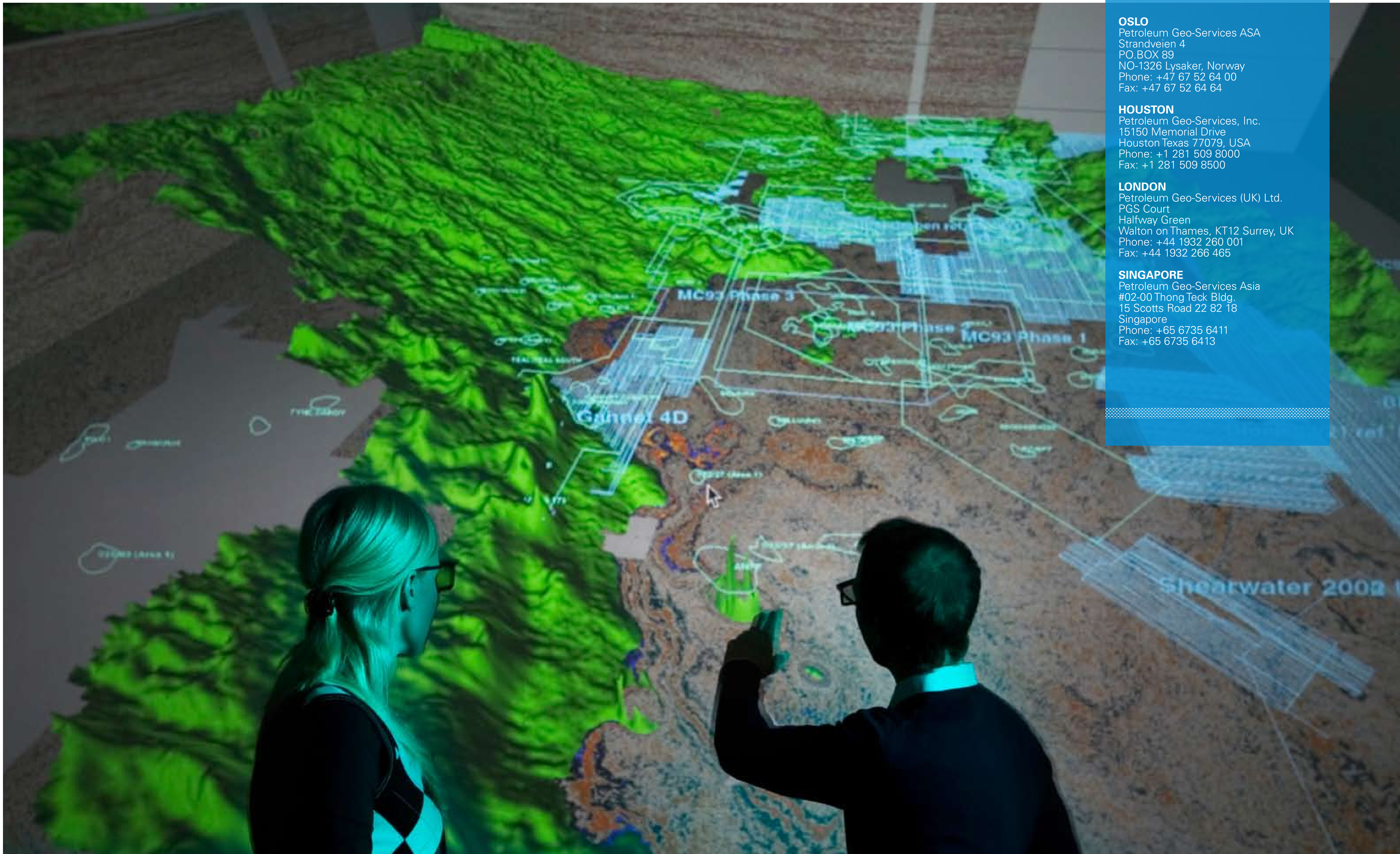
Rune Olav Pedersen
General Counsel



Ola Bøsterud
Vice President
Group Communications

Terje Bjølseth
Vice President Global
Human Resources

PGS MAIN OFFICES



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