



Petrojarl ASA

A public limited liability company organized under the laws of the Kingdom of Norway

Global Offering of 7,499,995 Firm Shares and up to 7,499,995 Additional Shares Indicative Offer Price Range: NOK 37 to NOK 47 per Share

The information contained in this Prospectus relates to the global offering (the “Global Offering”) of up to 14,999,990 ordinary shares of Petrojarl ASA (“Petrojarl” or the “Company”), with a par value of NOK 2 each (the “Shares”), to be sold by Petroleum Geo-Services ASA (“PGS”), and the listing of the Shares on the Oslo Stock Exchange (the “OSE”). The Global Offering will be effected concurrently with the demerger of Petrojarl from PGS (the “Demerger”).

The Global Offering consists of 7,499,995 Shares (the “Firm Shares”) and up to 7,499,995 additional Shares (the “Additional Shares”). To the extent that ABG Sundal Collier Norge ASA and UBS Limited (together, the “Joint Global Coordinators”), on behalf of the managers named herein (the “Managers”), sell more Shares than the Firm Shares, PGS has granted them an option (the “Over-Allotment Option”) to purchase up to an additional 7,499,995 Shares at the Offer Price (as defined below), exercisable by the Joint Global Coordinators within 30 days after the first day of trading of the Shares on the OSE, solely to cover over-allotments or short positions incurred, if any, in connection with the Global Offering. The Shares offered in the Global Offering, both the Firm Shares and the Additional Shares are herein referred to as the “Offer Shares.” Petrojarl will not receive any proceeds from the sale of the Offer Shares by PGS.

The Global Offering comprises (i) a Retail Offering, in which Offer Shares are being offered to the public in Norway; (ii) an Institutional Offering, in which Offer Shares are being offered to institutional investors and professional investors in Norway and to institutional investors outside Norway and the United States in compliance with Regulation S (“Regulation S”) under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”) and, in the United States, to qualified institutional buyers (“QIBs”) as defined in, and in reliance on, Rule 144A (“Rule 144A”) under the U.S. Securities Act; (iii) an Employee Offering directed at employees of Petrojarl in Norway and the United Kingdom; and (iv) a Management Offering directed to the directors and senior management of Petrojarl.

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States other than as set forth herein. Prospective purchasers that are QIBs are hereby notified that the Managers and PGS may be relying on the exemption from the registration requirements of Section 5 of the U.S. Securities Act provided by Rule 144A. For a description of certain restrictions regarding the offer, sale, resale and transfer of the Offer Shares, see “Terms of the Global Offering” and “Transfer Restrictions.”

Investing in the Offer Shares involves risks. See “Risk Factors” beginning on page 11.

Prior to the Global Offering, there has been no public trading market for the Shares. It is expected that the Shares will be admitted for trading and listing on the OSE. At the time of the Global Offering, the Shares will not be listed on any stock exchange outside of Norway. The price for the Offer Shares (the “Offer Price”) is expected to be determined on or about June 29, 2006. The Offer Shares are being offered by the Managers severally subject to, among other conditions, their receipt and acceptance of the Offer Shares and their right to reject any application for Offer Shares in whole or in part.

It is expected that delivery of the Offer Shares through the book-entry facilities of the Norwegian Registry of Securities, Verdipapirsentralen (“VPS”), Clearstream Banking S.A., Luxembourg (“Clearstream”) and Euroclear Bank S.A./N.V. (“Euroclear”) against payment will occur on or about July 5, 2006. Dealings in the Shares on the OSE are expected to commence on or about June 30, 2006.

Joint Global Coordinators and Joint Bookrunners

ABG Sundal Collier

UBS Investment Bank

Co-Manager

Carnegie ASA

June 14, 2006

In accordance with requirements under applicable U.S. securities laws, this Prospectus should be deemed to be confidential in connection with its distribution in the United States. You are authorized to use this Prospectus solely for the purpose of considering the purchase of the Offer Shares in the Global Offering. You may not reproduce or distribute this Prospectus, in whole or in part, and you may not disclose any of the contents of this Prospectus or use any information contained herein for any purpose other than considering an investment in the Offer Shares. You agree to the foregoing by accepting delivery of this Prospectus.

This Prospectus has been prepared to comply with the Norwegian Securities Trading Act and related secondary legislation including the EC Commission Regulation EC/809/2004. This Prospectus has been prepared solely in the English language. The OSE has reviewed and approved this Prospectus in accordance with the Norwegian Securities Trading Act Section 5-7.

PGS and Petrojarl have furnished the information in this Prospectus. You acknowledge and agree that the Managers make no representation or warranty, express or implied, as to the accuracy or completeness of such information, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by the Managers. You also acknowledge that you have not relied on the Managers in connection with your investigation of the accuracy of this information or your decision whether to purchase any of the Offer Shares. PGS and Petrojarl acknowledge responsibility for the information contained in this Prospectus and confirm, to the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), that the information contained in this Prospectus is in accordance with the facts and contains no omissions likely to affect the import of the information contained herein.

No person is authorized to give information or to make any representation in connection with the Global Offering or the sale of the Offer Shares other than as contained in this Prospectus. If any such information is given or made, it must not be relied upon as having been authorized by PGS, Petrojarl, any of the Managers or any of their affiliates, advisers or selling agents.

The information contained herein is as of the date hereof and subject to change, completion and amendment without notice. In accordance with Section 5-15 of the Norwegian Securities Trading Act, every new factor, material mistake, or material inaccuracy relating to the information included in this Prospectus, which is capable of affecting the assessment of the Offer Shares between the time when this Prospectus is approved and the expiry of the Offering Period (as defined herein) will be included in a supplement to this Prospectus. Neither the publication nor distribution of this Prospectus nor any sale made hereunder shall under any circumstances create any implication that the information herein is correct as of any date subsequent to the date of this Prospectus.

In making an investment decision, prospective investors must rely upon their own examination of Petrojarl and the information in this Prospectus, including the information relating to the risks involved with an investment in Petrojarl.

None of PGS, Petrojarl, the Managers or any of their respective representatives is making any representation to you regarding the legality of an investment in the Offer Shares, and you should not construe anything in this Prospectus as legal, business or tax advice. You are encouraged to consult your own advisors as to legal, tax, business, financial and related aspects of an investment in the Offer Shares. You must comply with all laws applicable in any jurisdiction in which you may buy, offer or sell the Offer Shares or possess or distribute this Prospectus, and you must obtain all applicable consents and approvals. None of PGS, Petrojarl or the Managers shall have any responsibility for any of the foregoing legal requirements.

The distribution of this Prospectus and the offering and sale of the Offer Shares in certain jurisdictions may be restricted by law. PGS, Petrojarl and the Managers require persons in possession of this Prospectus to inform themselves about and to observe any such restrictions. This Prospectus does not constitute an offer of, or an invitation to purchase, any of the Offer Shares in any jurisdiction in which such offer or sale would be unlawful. No one has taken any action that would permit a public offering of the Shares to occur outside of Norway and the United Kingdom. For a description of such restrictions in certain jurisdictions, please see “Notices to Investors.”

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Summary

This summary must be read as an introduction to this Prospectus and any decision to invest in the Offer Shares should be based on a consideration of this Prospectus as a whole. Following the implementation of the relevant provisions of the Prospectus Directive (as defined in “Notice to Investors – Notice to Prospective Investors in the EEA”) in each Member State of the European Economic Area (“EEA”), no civil liability will attach to the responsible persons in any such Member State solely on the basis of this summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to the information contained in this Prospectus is brought before a court in a Member State of the EEA, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating this Prospectus before the legal proceedings are initiated.

Unless otherwise indicated or the context otherwise requires, all references in this Prospectus to “Petrojarl” or the “Company” refer to Petrojarl ASA together with its consolidated subsidiaries. For definitions of certain technical terms used throughout this Prospectus, see “Glossary of Terms” found elsewhere in this Prospectus.

This summary highlights certain information about Petrojarl, the Shares and the Global Offering. It likely does not contain all the information that may be important to you. You should read the entire Prospectus, including the Petrojarl Combined Financial Statements and Petrojarl Pro Forma Financial Information included herein, before making an investment decision. In particular, you should carefully consider the information set out under the heading “Risk Factors.”

Introduction

Petrojarl is one of the largest operators of floating production, storage and offloading vessels (“FPSOs”) in the North Sea, measured by production capacity and number of vessels. Petrojarl owns and operates four FPSOs, Ramform Banff, Petrojarl I, Petrojarl Foinaven and Petrojarl Varg, operates two shuttle tankers and charters one storage tanker on a time charter basis. The four FPSOs have a combined maximum production capacity of 339,000 barrels of oil per day and a crude oil storage capacity of one million barrels. Average production for the three months ended March 31, 2006 was 96,500 barrels of oil per day. All four FPSOs are double hulled, rated for harsh environments and capable of working in deepwater fields.

Petrojarl’s revenues for the years ended December 31, 2004 and 2005 were \$298.2 million and \$280.7 million, respectively.

Petrojarl’s principal executive office is at Beddingen 16, Trondheim, Norway. The mailing address is P.O. Box 482 Sentrum, NO-7014 Trondheim, Norway, and the telephone number is +47 73 98 30 00. Petrojarl’s registration number is 989 600 699.

Explanatory Note Regarding Petrojarl and the Demerger

The Global Offering is subject to consummation of PGS’ separation of its activities relating to the business of contractor operation of FPSOs in the North Sea (the “Production Business”) through the Demerger. Under Norwegian law, a demerger is the transfer of part of the assets, rights and liabilities of a company to a newly formed or pre-existing company in exchange for shares of the receiving company.

Petrojarl was incorporated as a wholly-owned subsidiary of PGS on March 2, 2006, for the purpose of acting as the receiving company in the Demerger. On March 27, 2006, the respective Boards of Directors of PGS and Petrojarl entered into a demerger plan (the “Demerger Plan”) governing the allocation of assets, rights and liabilities between PGS and Petrojarl pursuant to the Demerger. PGS’ shareholders approved the Demerger Plan at an extraordinary general meeting held on April 28, 2006. Upon consummation of the Demerger, the Production Business will be demerged to Petrojarl. Until the Demerger is consummated, Petrojarl will remain a wholly-owned subsidiary of PGS with no subsidiaries or operational activity.

The Demerger will be consummated upon registration of the transaction in the Norwegian Register of Business Enterprises (the “Completion Date”), expected to occur on or about June 29, 2006. In general, this Prospectus has been prepared on the basis that all conditions for consummation of the Demerger will be satisfied, that the Demerger will be consummated and that Petrojarl will operate as a separate company

from the Completion Date. While all of the consents to the Demerger required under various agreements of PGS and Petrojarl have not been received as of June 14, 2006, PGS and Petrojarl are confident that all the material consents will be received prior to consummation of the Demerger. However, no assurances can be given that such consents will be received prior to consummation of the Demerger.

In conjunction with the consummation of the Demerger, 80.01% of the outstanding Shares will be issued to PGS' shareholders. The remaining 19.99% of the Shares, or 14,999,990 Shares, will be held by PGS and offered hereby pursuant to the Global Offering.

For a further description of the Demerger, please see "The Demerger."

History

Petrojarl was incorporated on March 2, 2006 by PGS ASA under the name of Petrojarl ASA. Petrojarl is a public limited liability company organized under, and governed by, Norwegian law.

Competitive strengths

Petrojarl believes that its principal competitive strengths are its:

- high quality fleet;
- experienced management team;
- established position in the North Sea;
- high operating standards;
- attractive contract model;
- track record of successful project execution;
- hulls available for conversion;
- capacity to undertake new projects; and
- health, safety, environment and quality ("HSEQ") performance.

Business Strategy

Petrojarl aims to double its FPSO fleet by 2010 under a strategy comprised of two key components:

- to continue to build on Petrojarl's position as one of the leading FPSO operators in the North Sea; and
- to target suitable growth opportunities beyond the North Sea.

Board of directors

Keith Nicholas Henry (Chairperson), Clare Mary Joan Spottiswoode and Rolf Erik Rolfsen, directors of PGS, serve as the current members of the interim Board of Directors of Petrojarl. Upon consummation of the Demerger, Messrs. Henry and Rolfsen shall resign from the Board of Directors of PGS. With effect from consummation of the Demerger, Keith Nicholas Henry (Chairperson), Rolf Erik Rolfsen, Jarle Erik Sandvik, Jorunn Johanne Sætre and Joey Shaista Horn will serve on the Board of Directors of Petrojarl.

Executive management

Petrojarl's senior management consists of the following persons: Espen Klitzing (President and CEO), Erik Evjen (Chief Financial Officer), Helge Krafft (Executive Vice President), Rolf Børresen (Senior Vice President, Engineering), Sverre W. Stenvaag (Senior Vice President, Operations) and Nils B. Johannessen (Vice President, Human Resources, Information Technology & Administration).

Employees

As of the date of this Prospectus, the Production Business employs 524 employees (including 4 temporary employees). Of these, 108 are employed in the onshore organization, while 416 employees are employed in offshore positions on FPSOs and tankers. Upon completion of the Demerger, such employees will be employed by Petrojarl.

Auditor

Ernst & Young AS (“Ernst & Young”) is Petrojarl’s independent auditor. Ernst & Young is a member of Den Norske Revisorforening (the Norwegian Institute of Public Accountants).

Advisors

ABG Sundal Collier and UBS Limited are acting as Joint Global Coordinators and Joint Bookrunners for the Global Offering. Arntzen de Besche Advokatfirma AS and Willkie Farr & Gallagher LLP are PGS’ legal advisors in connection with the Global Offering.

Share capital

As of the date of this Prospectus, Petrojarl’s share capital is NOK 29,999,980, divided into 14,999,990 Shares, each with a par value of NOK 2.00. As of the Completion Date, Petrojarl will have a fully paid share capital of NOK 149,999,980, divided into 74,999,990 Shares, each with a par value of NOK 2.00.

Key shareholders

Until the Completion Date, PGS will be the sole shareholder of Petrojarl. Upon consummation of the Demerger, Petrojarl will issue one Share for each outstanding PGS share. The table below sets forth information concerning the four largest registered holders of PGS shares as of June 9, 2006.

<u>Shareholders</u>	<u>Number of shares:</u>	<u>Share (%)</u>
Citibank, N.A. ⁽¹⁾	4,815,724	8.03
Morgan Stanley & Co. Inc.	4,129,603	6.88
State Street Bank & Trust Co.	3,441,000	5.74
Umoe Industri AS ⁽²⁾	3,087,332	5.15

(1) Citibank, N.A. serves as the depository for the PGS American depository receipt facility.

(2) Umoe Industri AS is controlled by the Chairman of PGS, Mr. Jens Ulltveit-Moe. Mr. Ulltveit-Moe also controls Agra AS, which holds 100,000 shares of PGS.

On June 14, 2006 Fidelity Investments Ltd. disclosed that it, on behalf of investors, controls 6,063,837 shares in PGS equal to 10.11%.

Documents on display

The following documents (or copies thereof) may be physically inspected at Petrojarl’s principal executive offices at Beddingen 16, P.O. Box 482 Sentrum, NO-7014 Trondheim, Norway (telephone number +47 73 98 30 00):

- The articles of association of Petrojarl,
- The Petrojarl Combined Financial Statements,
- The Demerger Plan, and
- The Shareholder Information Statement in connection with the Demerger, dated April 10, 2006.

The Global Offering

Unless otherwise indicated, the information in this Prospectus assumes that the Managers will not exercise their Over-Allotment Option to purchase additional Shares from PGS. For further information See “Terms of the Global Offering – Over-Allotment Option and Stabilization.”

The Global Offering	The Global Offering comprises: <ul style="list-style-type: none">• a Retail Offering, in which the Offer Shares are being offered to the public in Norway;• an Institutional Offering, in which the Offer Shares are being offered to institutional investors and professional investors in Norway and to institutional investors outside Norway and the United States in compliance with Regulation S and, in the United States, to QIBs in reliance upon Rule 144A;• an Employee Offering, in which the Offer Shares are being offered, at a discount to the Offer Price, to Petrojarl’s employees in Norway and the United Kingdom; and• a Management Offering, in which the Offer Shares are being offered to the directors and senior management of Petrojarl.
The Selling Shareholder	PGS is the sole Selling Shareholder. If the Over-Allotment Option is exercised in full, PGS will sell all of its equity interest in Petrojarl. If the Over-Allotment Option is not exercised at all, PGS will continue to hold 10% of the Shares.
Offer Shares	PGS is offering 7,499,995 Offer Shares, exclusive of any Shares offered pursuant to the Over-Allotment Option.
Indicative Offer Price Range	The indicative offer price range for the Offer Shares has been set at NOK 37 to NOK 47 per Offer Share. The Offer Price will be established by the Joint Global Coordinators and representatives of PGS following completion of the Offer Period on or about June 29, 2006.
Shares Outstanding After the Global Offering	74,999,990 Shares.
Offering Period	June 19 to 29, 2006, unless extended.
Over-Allotment Option	PGS has granted to the Joint Global Coordinators, on behalf of the Managers, an option to purchase up to an additional 7,499,995 Shares (equal to 50% of the total number of Offer Shares and 10% of the total Shares outstanding after the Demerger), exercisable by the Joint Global Coordinators within 30 calendar days after the first day of trading of the Shares on the OSE, solely to cover over-allotments or short positions incurred, if any, in connection with the Global Offering.
Joint Global Coordinators, and Joint Bookrunners	ABG Sundal Collier Norge ASA and UBS Limited.
Co-Manager	Carnegie ASA.
Managers	ABG Sundal Collier Norge ASA, UBS Limited and the Co-Manager.
Listing of the Shares	It is expected that the Shares will be admitted for trading and listing on the OSE on or about June 30, 2006. At the time of the Global Offering, the Shares will not be listed on any stock exchange outside of Norway.
Use of Proceeds	Petrojarl will not receive any proceeds from the sale of the Offer Shares by PGS.

Lock-up Agreements	Petrojarl, PGS (to the extent it continues to hold Shares following the Global Offering) and the directors and members of senior management of Petrojarl have agreed to restrictions on transfers of the Shares following the Global Offering. See “Terms of the Global Offering – Trading Market and Lock-up Agreements.”
OSE Ticker Symbol	PETRO
Payment and Delivery	Delivery of, and payment for, the Offer Shares is expected to occur on or about July 5, 2006.
Share Codes	The Shares have ISIN NO 0010309560.

Summary Historical Financial Data

This Prospectus includes the audited combined financial statements of Petrojarl as of and for the years ended December 31, 2004 and 2005, and the unaudited combined financial statements of Petrojarl as of March 31, 2006 and for the three months ended March 31, 2005 and 2006, prepared in accordance with U.S. GAAP. These financial statements are referred to herein as the “Petrojarl Combined Financial Statements.” The Petrojarl Combined Financial Statements have been derived from PGS’ consolidated financial statements (the “PGS Financial Statements”) as of and for the years ended December 31, 2004 and 2005, and as of March 31, 2006 and for the three months ended March 31, 2005 and 2006, respectively, and reflect the operations being transferred to Petrojarl in the Demerger. The Petrojarl Combined Financial Statements have been prepared using PGS’ historical basis (book values) and are presented as if Petrojarl had been a separate entity for all periods presented. However, they do not reflect the capitalization and debt level outlined in the Demerger Plan. For a further description of the basis for presentation of the Petrojarl Combined Financial Statements, please see “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Petrojarl Combined Financial Statements,” and the Petrojarl Combined Financial Statements included elsewhere in this Prospectus.

Once listed on the OSE, Petrojarl will prepare its financial statements in accordance with International Financial Reporting Standards (“IFRS”). Accordingly, the Petrojarl Combined Financial Statements may not be indicative of Petrojarl’s future performance and do not necessarily reflect what its financial position and results of operations would have been had it actually operated as a stand-alone entity during the periods presented.

The following tables present certain summary financial information derived from the Petrojarl Combined Financial Statements as of and for the periods indicated. You should read the following summary of combined financial information with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the Petrojarl Combined Financial Statements included elsewhere in this Prospectus.

	Years Ended December 31,		Three Months Ended March 31,	
	2004	2005	2005	2006
	(thousands of U.S. dollars)			
			(unaudited)	(unaudited)
Selected Combined Statement of Operations Information (U.S. GAAP):				
Revenues	\$298,202	\$280,677	\$67,712	\$66,518
Cost of Sales ⁽¹⁾	168,003	184,324	38,925	40,852
Depreciation and amortization	44,562	44,064	11,187	11,121
Selling, general and administrative costs ⁽¹⁾	13,878	14,823	3,713	3,239
Other operating (income) expense, net	2,008	(5,593)	–	–
Total operating expenses	<u>228,451</u>	<u>237,618</u>	<u>53,825</u>	<u>55,212</u>
Operating profit	69,751	43,059	13,887	11,306
Other income (expense)				
Income from associated companies	722	243	–	42
Interest expense	(29,094)	(23,477)	(6,250)	(4,586)
Debt redemption and refinancing costs	–	(28,975)	–	–
Other financial items, net	(7,468)	(2,441)	(179)	(212)
Income (loss) before minority interest	33,911	(11,591)	7,458	6,550
Minority interest	(289)	(27)	(40)	(1)
Net (loss) income	<u>\$ 33,622</u>	<u>\$ (11,618)</u>	<u>\$ 7,418</u>	<u>\$ 6,549</u>

(1) Excluding depreciation and amortization which is presented separately.

	December 31,		March 31,
	2004	2005	2006
	(thousands of U.S. dollars)		
	(unaudited)		
Selected Combined Balance Sheet Information (U.S. GAAP):			
Cash and cash equivalents	\$ 4,529	\$ 13,550	\$ 12,295
Property and equipment, net	637,277	593,878	619,358
Total assets	751,870	676,447	707,968
Total liabilities	407,536	343,701	368,674
Capital from parent	343,372	331,961	338,508
Total liabilities and capital from parent	\$751,870	\$676,447	\$707,968

Summary Pro Forma Financial Data

This Prospectus includes certain pro forma financial information for Petrojarl for the year ended December 31, 2005 and as of and for the three months ended March 31, 2006 (the “Petrojarl Pro Forma Financial Information”). The Petrojarl Pro Forma Financial Information has been prepared on the basis of the Petrojarl Combined Financial Statements, adjusted for differences between U.S. GAAP and IFRS and certain other pro forma adjustments described under “Petrojarl Pro Forma Financial Information.” The Petrojarl Pro Forma Financial Information has been prepared for illustrative purposes only and is not intended to present what Petrojarl’s financial position or results of operations would have been if the Demerger had occurred on an earlier date and Petrojarl had operated as a separate entity and prepared its financial statements in accordance with IFRS. The Petrojarl Pro Forma Financial Information is not intended to project Petrojarl’s financial position or results of operations for any future period. For further information, please see the Petrojarl Pro Forma Financial Information included elsewhere in this Prospectus.

The pro forma adjustments reflected in the Pro Forma Income Statement for the year ended December 31, 2005 have been examined by Ernst & Young, Petrojarl’s independent auditors, as indicated in their report included elsewhere in this Prospectus. The pro forma adjustments reflected in the unaudited Petrojarl Pro Forma Financial Information as of March 31, 2006 and the three months then ended have been reviewed by Ernst & Young. The examination and the review reports in respect of the pro forma adjustments are prepared in accordance with Norwegian Auditing Standards. The Petrojarl Pro Forma Financial Information has been prepared based on IFRS and the requirements of the OSE (including Annex I of the Prospectus Directive Regulation (commission regulation (EC) No. 809/2004). This information is not in compliance with Regulation S-X in the United States. In the event the Shares would be registered under the U.S. Securities Act, the Petrojarl Pro Forma Financial Information, including the examination and review report by the auditors, would be amended and/or removed from any registration statement under the U.S. Securities Act.

The Pro Forma Financial Information has been prepared on a basis consistent with the accounting policies to be applied by Petrojarl under IFRS. For purposes of the Petrojarl Pro Forma Financial Information it has been assumed that January 1, 2005 was the transition date to IFRS for the entities, assets and liabilities transferred in the Demerger, which is consistent with the transition date to be applied by Petrojarl.

The following tables present certain summary pro forma financial information derived from the Petrojarl Pro Forma Financial Information for the periods indicated. You should read the following summary pro forma financial information with “Selected Combined Financial Data,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the Petrojarl Pro Forma Financial Information included elsewhere in this Prospectus.

	Three Months Ended March 31, 2006		
	Combined (US GAAP)	Pro forma Adjustments	Pro forma
	(unaudited)	(thousands of U.S. dollars)	(unaudited)
Revenues	\$66,518	\$ –	\$66,518
Cost of sales ⁽¹⁾	40,852	(678)	40,174
Depreciation and amortization	11,121	2,490	13,611
Selling, general and administrative costs ⁽¹⁾	3,239	–	3,239
Other operating (income) expense, net	–	(1,302)	(1,302)
Total operating expenses	55,212	510	55,722
Operating profit	11,306	(510)	10,796
Other income (expense):			
Income from associated companies	42	–	42
Interest expense	(4,586)	1,445	(3,141)
Other financial items, net	(212)	785	573
Income (loss) before minority interest	6,550	1,720	8,270
Minority interest	(1)	1	–
Net income	<u>\$ 6,549</u>	<u>\$ 1,721</u>	<u>\$ 8,270</u>
Attributable to:			
Shareholder of Petrojarl			\$ 8,246
Minority interest			\$ 24

(1) Excluding depreciation and amortization which is presented separately.

	Year Ended December 31, 2005		
	Combined (US GAAP)	Pro forma Adjustments	Pro forma
	(thousands of U.S. dollars)	(thousands of U.S. dollars)	(thousands of U.S. dollars)
Revenues	\$280,677	\$ –	\$ 280,677
Cost of sales ⁽¹⁾	184,324	(3,225)	181,099
Depreciation and amortization	44,064	(6,297)	37,767
Selling, general and administrative costs ⁽¹⁾	14,823	–	14,823
Reversal of impairment long-lived assets	–	(207,853)	(207,853)
Other operating (income) expenses net	(5,593)	28,464	22,871
Total operating expenses	237,618	(188,911)	48,706
Operating profit	43,059	188,911	231,970
Other income (expense):			
Income from associated companies	243	–	243
Interest expense	(23,477)	6,643	(16,834)
Debt redemption and refinancing costs	(28,975)	28,975	–
Other financial items, net	(2,441)	(4,899)	(7,340)
Income (loss) before minority interest	(11,591)	219,630	208,039
Minority interest	(27)	27	–
Net (loss) income	<u>\$ (11,618)</u>	<u>\$ 219,657</u>	<u>\$ 208,039</u>
Attributable to:			
Shareholder of Petrojarl			\$ 207,645
Minority interest			\$ 394

(1) Excluding depreciation and amortization which is presented separately.

Summary of Risk Factors

Risks Related to Petrojarl's Business

- Petrojarl may incur operating losses if it cannot keep its vessels and other equipment utilized at high levels.
- Petrojarl may be adversely affected if demand for its services from oil and natural gas companies decreases.
- PGS has recorded substantial losses in the past and Petrojarl may, as a standalone entity, do so in the future.
- Petrojarl is subject to risk of labor disputes and adverse employee relations, and such disputes may disrupt its business operations and adversely affect its results of operations and financial condition.
- Petrojarl will have significant indebtedness and other obligations that restrict it in various ways.
- Petrojarl's future revenues may fluctuate significantly from period to period, including as a result of the natural decline in output over the life of a field.
- Petrojarl's technology could be rendered obsolete by existing technologies or as a result of technological changes, and Petrojarl may not be able to develop and produce competitive technologies on a cost-effective and timely basis.
- Petrojarl's business is subject to governmental regulation and environmental laws with which it may be difficult to comply and which could lead to significant liabilities.
- Petrojarl's joint venture agreement with Teekay Shipping Corporation is dependent on future agreement to realize projects, and is subject to approval from the competition authorities.
- Petrojarl is subject to a number of hazards relating to its offshore operations.
- Because Petrojarl does not carry insurance to cover some operating risks, its results of operations could be materially adversely affected if one or more of those uninsured events occurred.
- Because Petrojarl generates revenue and incurs expenses in various currencies, exchange rate fluctuations and devaluations could have a material adverse effect on its results of operations.
- Petrojarl faces strong competition that could limit its ability to maintain or increase its market share and to maintain the prices it charges for its services at profitable levels.
- Petrojarl's operating results could suffer as a result of risks arising from its service agreements.
- Petrojarl's operating results could suffer from failure to redeploy vessels following expiration or termination of its service agreements.
- Petrojarl generates the majority of its revenues from a limited number of FPSOs and customers, and the loss of revenues from any of these vessels or customers could have a material adverse effect on its financial condition and business prospects.
- Petrojarl's strategy of pursuing selective acquisition opportunities and conversion projects is subject to a number of challenges.
- Petrojarl depends on attracting and retaining qualified employees to manage, operate and develop its business.
- Petrojarl is subject to complex tax regimes in Norway and the United Kingdom.
- Petrojarl could be adversely affected by violations of applicable anti-corruption laws.

- Petrojarl is subject to various risks associated with international operations, some of which could materially adversely affect its business or results of operations.

Risks Related to Financial Reporting Matters

- Petrojarl will apply new accounting standards in accordance with IFRS subsequent to the Global Offering, and, as a result, financial reporting and financial results for subsequent periods may not be comparable with some of the financial information presented herein.
- PGS has had issues regarding its internal control over financial reporting, and as a result, Petrojarl may also have significant control deficiencies regarding its system of internal controls over financial reporting. Failure to achieve and maintain effective internal controls could adversely affect both Petrojarl's ability to provide timely and accurate financial statements and the trading prices of the Shares.

Risks related to the Demerger

- Petrojarl does not have an operating history as an independent public company.
- Norwegian law subjects Petrojarl to secondary joint-liability with PGS after the Demerger.

Risks Related to the Ownership of the Shares

- There has been no public market for the Shares prior to the Global Offering, and the price of the Shares may be volatile.
- Holders of the Shares that are registered in a nominee account may not be able to exercise voting rights as readily as shareholders whose Shares are registered in their own names with the VPS.
- Pre-emptive rights may not be available to U.S. holders.
- Because Petrojarl is a non-U.S. company and many of its directors and executive officers are not residents of the United States, you may have difficulty bringing a lawsuit against Petrojarl and such persons in the United States and obtaining or enforcing judgments against them.
- Because PGS may retain up to a 10% stake in Petrojarl, PGS may be able to influence matters requiring stockholder approval.

Risk Factors

The Global Offering involves a high degree of risk. You should carefully consider the risks and uncertainties described below, in addition to the other information included in this Prospectus, before deciding whether to invest in any of the Offer Shares. Petrojarl's business, financial condition and results of operations could be seriously harmed by any of the events or occurrences described in these risks. Any of the following risks could cause the trading price of the Shares to decline, and you may lose all or part of your investment. Furthermore, the risks and uncertainties described below may not be the only ones Petrojarl faces. Additional risks and uncertainties not presently known to Petrojarl or that it currently deems immaterial may also adversely affect its business operations and financial results.

Risks Related to Petrojarl's Business

Petrojarl may incur operating losses if it cannot keep its vessels and other equipment utilized at high levels.

Petrojarl's business is capital intensive, and it will make significant investments in vessels and in processing and other equipment. Petrojarl will also incur relatively high fixed costs in its operations. If it cannot keep its vessels and other equipment utilized at relatively high levels, due to reduced demand, weather interruptions, equipment failure, technical difficulties, labor unrest or other causes, Petrojarl could incur significant operating losses.

Petrojarl may be adversely affected if demand for its services from oil and natural gas companies decreases.

Petrojarl's results of operations will depend substantially upon exploration, development and production spending by oil and natural gas companies. Capital expenditures, and in particular exploration and development expenditures, by oil and natural gas companies have tended in the past to follow trends in the prices of oil and natural gas, which have fluctuated widely in recent years. Lower oil and natural gas prices, actual or projected, may reduce the level of that spending, which could materially adversely affect Petrojarl.

PGS has recorded substantial losses in the past and Petrojarl may, as a standalone entity, do so in the future.

Although Petrojarl has no operating history as a separate entity, Petrojarl's parent company prior to the Demerger, PGS, has experienced substantial losses in the past. For the year ended December 31, 2004, PGS suffered a net loss of \$135 million. PGS also reported operating losses and net losses for 2002 and a small operating profit for 2003. In addition, in July 2003, PGS implemented a financial restructuring plan that was accomplished through a reorganization under Chapter 11 of the U.S. Bankruptcy Code. In the Petrojarl Combined Financial Statements for 2005, Petrojarl recorded a net loss of \$11.6 million. Petrojarl may continue to incur operating losses and net losses in the future as a standalone entity. For instance, Petrojarl expects to record an operating loss in the second and third quarters of 2006. For further information, please see "Management's Discussion and Analysis of Financial Conditions and Results of Operations – Outlook".

Petrojarl is subject to the risk of labor disputes and adverse employee relations, and such disputes may disrupt its business operations and adversely affect its results of operations and financial condition.

Approximately 255 of Petrojarl's employees are represented by trade unions pursuant to industry-wide collective bargaining agreements. In 2004, the FPSO Petrojarl I was selected by the Norwegian Shipowners Association to be included in a general employee lockout affecting several Norwegian Continental Shelf installations. Production from Petrojarl I was shut down from September 12 through October 27, 2004. In addition, for approximately two weeks in October 2004, production on the FPSO Petrojarl Varg was shut down as a result of the same labor conflict. There can be no assurances that similar or more serious labor disputes will not arise in the future, and Petrojarl can not predict the extent to which such disputes may affect its business, results of operations or financial condition.

Petrojarl will have significant indebtedness and other obligations that restrict it in various ways.

After the consummation of the Demerger, Petrojarl will have a high level of indebtedness in relation to its equity capitalization. Petrojarl will have approximately \$325 million of interest-bearing indebtedness outstanding upon consummation of the Demerger, solely consisting of amounts outstanding under the

revolving credit facility with ING Bank N.V. (the “ING Facility”), for which ING Bank N.V. has committed pursuant to a mandate letter and term sheet. The ING Facility will be entered into prior to the Completion Date of the Demerger. This high leverage exposes Petrojarl to additional risks and restricts Petrojarl in various ways in terms of how Petrojarl operates its business. Petrojarl’s credit facility, and other debt and contractual obligations, contain customary prepayment provisions, representations and warranties, covenants and restrictions, events of default and other customary provisions for such financings. The covenants and restrictions include provisions that could restrict Petrojarl’s ability, among other things, to: sell assets; incur additional indebtedness or issue preferred stock; prepay interest and principal on its other indebtedness; pay dividends and distributions or repurchase its capital stock; create liens on assets; make investments, loans, guarantees or advances; make acquisitions; engage in mergers or consolidations; enter into sale and leaseback transactions; engage in transactions with affiliates; amend material agreements governing its indebtedness; change its business; enter into agreements that restrict dividends from subsidiaries; and enter into speculative financial derivative agreements. In addition, Petrojarl’s credit facility requires it to comply with certain financial covenants, which include: a minimum interest coverage ratio; a minimum liquidity amount; a forward looking debt service cover ratio and loan to FPSO value ratio. The credit facility will be guaranteed by most of Petrojarl’s subsidiaries and will be secured with liens and other security interests over substantially all of its material assets and those of its subsidiaries. For a further description of the ING Facility, please see “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Long-Term Borrowings – New Bank Facilities.” Because of the high level of debt and related contractual obligations:

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

Petrojarl’s future revenues may fluctuate significantly from period to period, including as a result of the natural decline in output over the life of a field.

Petrojarl’s future revenues may fluctuate significantly from quarter to quarter and from year to year as a result of various factors including but not limited to the following:

- fluctuating oil and natural gas production levels on the fields it produces as a result of the natural decline in output over the life of a field or otherwise;
- levels of activity planned by its customers, including drilling activities, well interventions and maintenance;
- the commencement or termination of significant contracts for offshore production services;
- weather and other seasonal factors, including lower production in summer months as a result of scheduled maintenance; and
- reduced production capacity on its FPSOs as a result of mechanical and technical problems.

Petrojarl’s technology could be rendered obsolete by existing technologies or as a result of technological changes, and Petrojarl may not be able to develop and produce competitive technologies on a cost-effective and timely basis.

Petrojarl will be required to invest substantial capital to maintain competitive technologies. Technology changes rapidly and its success depends on its ability to develop and produce new and enhanced

technologies on a cost-effective and timely basis in accordance with industry demands. For instance, Petrojarl's vessels could be rendered obsolete by existing and competing technologies such as long distance pipelines and satellite tie-ins. While Petrojarl will commit resources to research and development, it may encounter resource constraints or technical or other difficulties that could delay introduction of new and enhanced technologies in the future. In addition, continuing development of new technologies inherently carries the risk of obsolescence of older technologies. New and enhanced technologies, if introduced, may not gain market acceptance or may be adversely affected by technological changes.

Petrojarl's business is subject to governmental regulation and environmental laws with which it may be difficult to comply and which could lead to significant liabilities.

Petrojarl's operations are subject to various governmental laws and regulations, including those relating to equipping and operating offshore vessels, vessel safety, oil production and taxation of earnings. In addition, Petrojarl depends on demand for its services from the offshore oil and gas industry and, therefore, is affected by changing taxes, price controls and other laws that affect the oil and gas industry generally and offshore exploration and production specifically. New laws and regulations curtailing exploration and development drilling for oil for economic or other policy reasons or practical restrictions on Petrojarl's ability to provide services to its clients could adversely affect its operations by limiting demand for offshore production services. Petrojarl cannot predict the extent to which its future operations and earnings may be affected by new legislation, new regulations or changes in existing regulations.

Petrojarl's operations and assets are also affected by various environmental protection laws and regulations, including, but not limited to, those relating to discharges of materials into the environment, the handling and disposal of waste and the health and safety of employees. The technical requirements of these laws and regulations are becoming increasingly complex, stringently enforced and expensive to comply with and this trend is likely to continue. The enactment of stricter legislation or the adoption of stricter regulation could have a significant impact on Petrojarl's operating costs, as well as on the oil and gas industry in general. Sanctions for non-compliance with environmental laws may include, but are not limited to, revocation of permits, corrective action orders, administrative or civil penalties and criminal prosecution. Certain environmental laws provide for strict, joint and several liability without regard to negligence or fault for natural resource damages, health and safety, remediation and clean-up costs of spills and other releases of hazardous substances, and such laws may impose liability for personal injury or property damage as a result of exposure to hazardous substances. Further, such laws and regulations may expose Petrojarl to liability for the conduct of others or for acts that complied with all applicable laws when they were performed. There can be no assurances that Petrojarl will be able to comply with such laws in the future. The failure to comply with such laws or regulations could result in substantial liabilities to third parties or governmental entities which could have a material adverse effect on Petrojarl's business, financial condition and results of operations.

Petrojarl's joint venture agreement with Teekay Shipping Corporation is dependent on future agreement to realize projects, and is subject to approval from the competition authorities.

The joint venture agreement entered into between Petrojarl and Teekay Shipping Corporation is dependent on the two parties being able to find the right form of cooperation under the joint venture to carry out the projects envisioned to be undertaken by the joint venture, and to make corresponding firm commitments pursuant to the joint venture agreement. If the parties are unable to consummate projects under the joint venture, Petrojarl will have to refocus its strategy outside the North Sea.

Furthermore, the joint venture agreement is subject to approval from the competition authorities, and there can be no assurance that such approval will be obtained, and if so, on acceptable terms.

Petrojarl is subject to a number of hazards relating to its offshore operations.

Petrojarl's services often take place under extreme weather and other hazardous conditions. In particular, substantially all of its operations will be subject to perils that are customary for marine operations, including capsizing, grounding, collision, interruption and damage or loss from severe weather conditions, fire, explosions and environmental contamination from spillage. Any of these risks could result in damage to or destruction of vessels or equipment, personal injury and property damage, suspension of operations or environmental damage. In addition, its operations will involve risks of a technical and operational nature

due to the complex systems that Petrojarl utilizes. If any of these events occur, Petrojarl's operations could be interrupted and it could incur significant liabilities and losses.

Because Petrojarl does not carry insurance to cover some operating risks, its results of operations could be materially adversely affected if one or more of those uninsured events occurred.

Petrojarl does not carry insurance covering all of its operating risks. Although it generally will attempt to carry insurance against the destruction of or damage to its floating production, storage and offloading vessels and equipment in amounts that it considers adequate, such insurance coverage is subject to exclusions for losses due to war and terrorists acts. In addition, Petrojarl may not be able to maintain adequate insurance for its vessels and equipment in the future or do so at a cost that it considers reasonable. Petrojarl does not maintain insurance to protect against loss of revenues caused by business interruptions, except for limited protection on the FPSOs Petrojarl Foinaven and Petrojarl Varg. A substantial portion of its casualty insurance is provided by PGS captive reinsurance company Seahouse Insurance Ltd ("Seahouse"). Petrojarl's existing service agreement with Seahouse expires October 1, 2007. For a further description, see "Petrojarl's Business – Governmental Regulation and Environmental Matters – Operating Conditions and Insurance."

Because Petrojarl generates revenue and incurs expenses in various currencies, exchange rate fluctuations and devaluations could have a material adverse effect on its results of operations.

Currency exchange rate fluctuations and currency devaluations could have a material adverse effect on Petrojarl's results of operations from time to time. Historically, most of its revenue has been generated in U.S. dollars, but it predominantly incurs operating expenses in Norwegian kroner and British pounds. As Petrojarl's reporting currency is the U.S. dollar, a depreciation of the U.S. dollar against these other currencies adversely affects its reported results of operations. Although Petrojarl periodically will undertake limited hedging activities in an attempt to reduce certain currency fluctuation risks, these activities provide only limited protection against currency-related losses. In addition, in some circumstances its hedging activities can require it to make cash outlays.

Petrojarl faces strong competition which could limit its ability to maintain or increase its market share or to maintain the prices it charges for its services at profitable levels.

Petrojarl operates in markets that are highly competitive and subject to volatile market conditions. Most of its service agreements are obtained through competitive bidding processes which is standard for the industry in which it operates. Petrojarl competes with both international and local companies. While price is a major factor influencing whether Petrojarl is awarded an FPSO contract, other important factors include equipment availability, service quality, technological capacity and performance, as well as reputation, experience and customer relations. While Petrojarl is a leader in the North Sea FPSO market, some of its competitors may be better positioned to withstand and adjust more quickly to volatile market conditions, such as fluctuations in oil prices and exploration and production levels or changes in government regulations.

In addition, the FPSO market is characterized by high capital costs, long lead times for construction of production units and competition in obtaining service agreements. FPSOs have few alternative uses and, because of their nature and the environment in which they operate, have relatively high capital costs, whether or not operating. Because these costs are essentially fixed, and in order to avoid additional expenses associated with temporarily idling or "stacking" FPSOs, Petrojarl may from time to time be required to bid its products and services for operation or delivery at unattractive prices. Petrojarl cannot predict the future level of demand for its products or services.

Petrojarl's operating results could suffer as a result of risks arising from its service agreements.

Petrojarl's service agreements involve various risks, including but not limited to:

- failure to operate at high levels on a sustained basis for technical reasons, including operational difficulties that require modification of vessels or equipment, or due to strikes, employee lockouts or other labor unrest;
- reduced revenues to the extent that production decreases because all of Petrojarl's contracts contain a volume dependent tariff element;

- contract termination prior to the scheduled or anticipated expiration date for the contracts; and
- failure of the underlying reservoir and/or the prevailing market prices for oil and natural gas to allow production of the expected amounts of oil and natural gas under contracts where Petrojarl's compensation depends to a significant degree on the amount of oil and natural gas produced.

Petrojarl's operating results could suffer from failure to redeploy vessels following expiration or termination of its service agreements.

Unless extended, each of Petrojarl's current offshore production service agreements will expire during the next 10 year period. Petrojarl's clients may also terminate these contracts prior to their expiration. In particular:

- the Petrojarl I contract may be canceled without cause if the client provides Petrojarl with six months' notice or terminates for cause upon specified *force majeure* events; the insolvency or bankruptcy of its K/S Petrojarl I A/S subsidiary or demonstration by that subsidiary that it is not capable of performing the work; or its substantial breach of the contract;
- the Ramform Banff contract may be canceled without cause if the client provides Petrojarl with six months' notice, or terminates for cause upon a breach of the contract that is not remedied within agreed deadlines, and specified insolvency and bankruptcy related events;
- the Petrojarl Varg contract may be canceled without cause if the client provides Petrojarl with 90 days' notice; and
- the Petrojarl Foinaven contract may be canceled without cause if the client provides Petrojarl with a minimum of two years' notice, or terminates for cause upon the total loss of the vessel, a breach of the contract that is not remedied within agreed deadlines, specified insolvency and bankruptcy related events or specified *force majeure* events.

While under current market conditions it is unlikely that Petrojarl's customers will exercise any such rights to terminate or cancel any of these agreements, there can be no assurances that Petrojarl's customers will not exercise these early termination rights in the future.

Petrojarl's operating results are significantly dependent upon its ability to redeploy its vessels following a contract expiration or termination. Any idle time prior to commencement of a new contract or the inability of Petrojarl to redeploy the vessels at rates yielding acceptable profit could have a material adverse effect on its operating results.

Petrojarl generates the majority of its revenues from a limited number of FPSOs and customers, and the loss of revenues from any of these vessels or customers could have a material adverse effect on its financial condition and business prospects.

Petrojarl generates the majority of its revenues from contract payments under its existing service agreements for its four high specification FPSOs. The loss of revenues from any of these FPSOs or customers, whether as a result of damage or destruction of the vessel, Petrojarl's inability to meet production uptime requirements, the depletion of any of the oil fields on which Petrojarl operates its FPSOs, the termination of its service agreements for any reason after the expiration of the minimum contract period, the inability or unwillingness of any of Petrojarl's customers to make payments under any of its service agreements for the FPSOs, or Petrojarl's inability to obtain new service agreements could have a material adverse effect on Petrojarl's business, financial condition and results of operation.

Petrojarl's strategy of pursuing selective acquisition opportunities and conversion projects is subject to a number of challenges.

The acquisition of assets or businesses on a selective basis or the making of strategic investments on a selective basis in companies, assets or ventures that are complementary to Petrojarl's business is a key component of Petrojarl's business strategy. Petrojarl believes that attractive acquisition and strategic investment opportunities may arise from time to time, and any such acquisition or investment could be significant. While Petrojarl from time to time is engaged in discussions with potential sellers or business

partners, such discussions may not result in the consummation of an acquisition or strategic investment and Petrojarl may be unable to identify or complete any acquisitions or investments at an acceptable price level or raise financing for such acquisitions or investments on acceptable terms. Furthermore, Petrojarl cannot predict the effect, if any, that any announcement or consummation of an acquisition or strategic investment would have on the trading price of the Shares.

In addition, a part of Petrojarl's strategy is to convert tankers to FPSOs. Such conversion projects expose Petrojarl to a number of risks, including lack of shipyard capacity and the difficulty of completing the conversion in a timely and cost effective manner. There can be no assurance that such conversion projects will be successful.

Petrojarl depends on attracting and retaining qualified employees to manage, operate and develop its business.

The development of Petrojarl's business depends in large part upon its ability to attract and retain highly skilled and qualified personnel with the technical expertise required for its business. Petrojarl's business, results of operations and financial condition could be materially adversely affected by increased labor costs or by Petrojarl's inability to hire, train and retain a sufficient number of qualified employees.

Petrojarl is subject to complex tax regimes in Norway and the United Kingdom.

Petrojarl is subject to taxation in Norway and the United Kingdom and is faced with increasingly complex tax laws. The amounts of taxes it pays could increase substantially as a result of changes in these laws or their interpretations by the relevant taxing authorities, which could have a material adverse effect on its liquidity and results of operations. In addition, those authorities could review its tax returns and impose additional taxes and penalties which could be material. The UK HM Revenue and Customs has raised an issue relating to the rate at which capital allowances can be claimed by the lessor of Petrojarl Foinaven. If the UK HM Revenue and Customs is successful in challenging the rate, the lessor would be liable for increased taxes on Petrojarl Foinaven in early periods (and decreased taxes in later years), and Petrojarl's rent payable would increase. The amount that the rentals could increase depends primarily on the amount of the asset that will be subject to a different depreciation rate. The recorded liability for this issue in the Petrojarl Combined Financial Statements at March 31, 2006 was £7.3 million. Management currently believes that £60 million to £70 million represents a worst case scenario for this liability. As part of the Demerger Plan, PGS has agreed to pay 50% of any liability in excess of £13 million related to this liability. Under the ING Facility an event of default will occur if Petrojarl is required to pay (whether by increased rent or otherwise) an amount in excess of \$25 million in relation to this tax liability, subject to a suspension of such event of default while such tax liability is being contested and Petrojarl's payment obligation in respect thereof is suspended pending resolution of such contest. For a further description of this issue, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – UK Leases."

In addition, Petrojarl is corresponding with UK tax authorities who have raised questions regarding transfer pricing related to the level of deduction for charter hire to affiliated companies. This may result in changes to the previous year's tax assessments and thereby reduce the amount of loss carried forward in the UK.

Petrojarl could be adversely affected by violations of applicable anti-corruption laws.

Petrojarl is committed to doing business in accordance with applicable anti-corruption laws. Any violations of such laws could result in substantial civil and/or criminal penalties and might adversely affect its business, results of operations or financial condition.

Petrojarl is subject to various risks associated with international operations, some of which could materially adversely affect its business or results of operations.

Petrojarl's operations are presently carried out in the North Sea, subjecting Petrojarl principally to the laws of Norway and the United Kingdom. Changing laws and policies affecting trade, investment and changes in tax structures could have a materially adverse effect on Petrojarl's business and operating results. Petrojarl's future international operations may expose it to numerous political, economic and other uncertainties including risks of war and other international conflicts, expropriation or nationalization of assets, renegotiation or nullification of contracts and risks related to changing political conditions. In addition, Petrojarl's future foreign operations could face the additional risks of fluctuating currency values,

currency shortages and controls of foreign currency exchange. There can be no assurance that Petrojarl will not be subject to material adverse developments with respect to its international operations.

Risks Related to Financial Reporting Matters

Petrojarl will apply new accounting standards in accordance with IFRS subsequent to the Global Offering, and, as a result, financial reporting and financial results for subsequent periods may not be comparable with some of the financial information presented herein.

The Petrojarl Combined Financial Statements included in this Prospectus and the accounts of the Production Business historically (as part of PGS) have been prepared and presented in accordance with U.S. GAAP. Going forward, Petrojarl will prepare its financial statements in accordance with IFRS, which differs from U.S. GAAP in certain material respects. As a result, Petrojarl's future results may not be comparable with either the Petrojarl Combined Financial Statements or the results of the Production Business contained in PGS' historical consolidated financial statements.

In addition, applying IFRS standards to Petrojarl's financial statements may give rise to a change in the presentation and results of Petrojarl's financial information. For example, financial statements prepared in accordance with IFRS may have different asset values than if Petrojarl's financial statements were prepared in accordance with U.S. GAAP. This may result in Petrojarl reporting higher depreciation and lower profits and could lead to an increased risk of future asset impairment charges by Petrojarl.

PGS has had issues regarding its internal control over financial reporting and, as a result, Petrojarl may also have significant control deficiencies regarding its system of internal controls over financial reporting. Failure to achieve and maintain effective internal controls could adversely affect both Petrojarl's ability to provide timely and accurate financial statements and the trading prices of the Shares.

In September 2003, PGS' independent auditors, Ernst & Young, identified material weaknesses regarding various elements of PGS' system of internal controls over financial reporting. A material weakness condition exists when significant control deficiencies, or a combination of control deficiencies, are present that result in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. In May 2005, in connection with the audit of PGS' 2004 financial statements under U.S. GAAP, Ernst & Young confirmed the continuation of these matters that, in the aggregate, they considered to constitute a material weakness.

Despite significant improvements in the overall design and controls in relation to the preparation of financial statements, PGS' assessment of the progress made for the period relevant to the 2005 financial reporting indicated that significant control deficiencies remained with respect to the sufficiency of PGS' supervisory review procedures related to income tax provision and, in addition, that not all significant accounting issues were documented and concluded upon timely with sufficient detail and technical reference, specifically regarding pension plan settlements and segment disclosures. A significant deficiency exists when the timeliness and quality control procedures allow more than a remote likelihood that a misstatement of PGS' annual financial statements that is more than inconsequential may not be prevented or detected. Ernst & Young issued a letter dated April 4, 2006 addressing these significant deficiencies.

As discussed above, Petrojarl has no operating history as a separate entity. Petrojarl's financial reporting systems have been historically interlinked with PGS' and consequently, such control deficiencies may also affect its financial reporting following the consummation of the Demerger.

Because Petrojarl will not register the Offer Shares under the U.S. Securities Act and will be exempt from the reporting requirements of Rule 12(g) under the United States Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act"), it will not be subject to Section 404 of the Sarbanes-Oxley Act of 2002 ("SOX"), which requires public companies to (i) have and maintain effective disclosure controls and procedures to ensure timely disclosure of material information, and have management review the effectiveness of those controls on a quarterly basis and (ii) have and maintain effective internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements, and have management review the effectiveness of those controls on an annual basis (and have the independent auditor attest to the effectiveness of such internal controls). Although Petrojarl will not be required to comply with these requirements, if it does not maintain effective internal control over financial

reporting, it may be unable to process key components of its financial reporting timely and accurately and investors and rating agencies could lose confidence in Petrojarl's reported financial information and the trading prices of the Shares could be adversely affected.

Risks related to the Demerger

Petrojarl does not have an operating history as an independent public company.

Although the Production Business historically was operated as a separate business within PGS, Petrojarl management, including legal, finance and accounting services, has been organized under PGS. Upon consummation of the Demerger, such services must be provided by Petrojarl's own management.

Norwegian law subjects Petrojarl to secondary joint liability with PGS after the Demerger.

As a result of the Demerger, the obligations of PGS are divided between Petrojarl and PGS in accordance with the terms of the Demerger Plan. Under the Norwegian Public Limited Companies Act, Petrojarl will be secondarily liable following consummation of the Demerger for the obligations of PGS that existed at the completion of the Demerger. Conversely, PGS will be secondarily liable for Petrojarl's obligations which existed at the completion of the Demerger.

If either Petrojarl or PGS would be liable under the Demerger Plan for an obligation that arose prior to completion of the Demerger and fails to satisfy that obligation, the non-defaulting party would be secondarily liable for the obligation (absent a waiver of such liability by the third party beneficiary of such obligation). This secondary liability extends to currently known obligations as well as to contingent liabilities, such as judgments rendered against either Petrojarl or PGS after the consummation of the Demerger, provided that the known or contingent liability on which a judgment is based existed prior to the completion of the Demerger. Pursuant to the Norwegian Public Limited Companies Act, this statutory liability is unlimited in time, but as to Petrojarl, limited in amount to the equivalent of the net value received by Petrojarl under the Demerger.

Although PGS and Petrojarl have sought waivers of such secondary liability under each of their respective material agreements, there can be no assurance that such waivers will be granted or that they will be received prior to consummation of the Demerger.

Risks Related to the Ownership of the Shares

There has been no public market for the Shares prior to the Global Offering, and the price of the Shares may be volatile.

No public market for the Shares has existed or will exist at the time of the Global Offering. The Offer Price will be established by the Joint Global Coordinators and PGS using the book-building procedure. The Offer Price may not correspond to the price at which the Shares are traded on the OSE after the Global Offering.

The Shares will be listed on the OSE concurrent with the completion of the Demerger. There can be no assurance as to the trading price of the Shares following such listing. Following the distribution of Petrojarl Shares in connection with the Demerger and until an orderly trading market develops, the price of the Shares may fluctuate significantly. There can be no assurance that an orderly trading market will develop.

Holders of the Shares that are registered in a nominee account may not be able to exercise voting rights as readily as shareholders whose Shares are registered in their own names with the VPS.

Beneficial owners of the Shares that are registered in a nominee account (e.g., through brokers, dealers or other third parties) may not be able to vote such Shares unless their ownership is re-registered in their names with the VPS prior to Petrojarl's general meetings. Petrojarl cannot guarantee that beneficial owners of the Shares will receive the notice for a general meeting in time to instruct their nominees to either effect a re-registration of their Shares or otherwise vote their Shares in the manner desired by such beneficial owners.

Pre-emptive rights may not be available to U.S. holders.

In accordance with Norwegian law, prior to issuance of any new Shares for consideration in cash, Petrojarl must offer holders of then-outstanding Shares pre-emptive rights to subscribe and pay for a sufficient

number of Shares to maintain their existing ownership percentages, unless these rights are waived at a general meeting of the shareholders. These pre-emptive rights are generally transferable during the subscription period for the related offering and may be quoted on the OSE.

U.S. holders of the Shares may not be able to receive, trade or exercise pre-emptive rights for new Shares in Petrojarl unless a registration statement under the U.S. Securities Act is effective with respect to such rights or an exemption from the registration requirements of the U.S. Securities Act is available. Petrojarl is not currently subject to the reporting requirements of the U.S. Exchange Act and has no intention to subject itself to such reporting. If U.S. holders of the Shares are not able to receive, trade or exercise pre-emptive rights granted in respect of their Shares in any rights offering by Petrojarl, then they may not receive the economic benefit of such rights. In addition, their proportionate ownership interests in Petrojarl will be diluted.

Because Petrojarl is a non-U.S. company and many of its directors and executive officers are not residents of the United States, you may have difficulty bringing a lawsuit against Petrojarl and such persons in the United States and obtaining or enforcing judgments against them.

Petrojarl is incorporated in the Kingdom of Norway, and substantially all of its current directors and executive officers reside outside the United States. All or a substantial portion of Petrojarl's assets and the assets of these persons are located outside the United States. As a result, you may have difficulty:

- suing Petrojarl or its directors and executive officers in the United States;
- obtaining a judgment in the Kingdom of Norway in an original action based solely on United States federal securities laws; and
- enforcing in the Kingdom of Norway judgments obtained in the United States courts that are based upon the civil liability provisions of the United States federal securities laws.

Because PGS may retain up to a 10% stake in Petrojarl, PGS may be able to influence matters requiring stockholder approval.

In the event that the Over-Allotment Option is not exercised in full by the Joint Global Bookrunners, PGS will retain ownership of up to 10% of Petrojarl's outstanding Shares upon completion of the Global Offering. In such event, PGS will be one of the two largest Petrojarl shareholders upon completion of the Offering and, acting alone or with others, may be able to influence matters requiring stockholder approval, including the election of directors and approval of significant transactions. This concentration of ownership may have the effect of, among other things, delaying or preventing a change in control of Petrojarl, which some investors might deem to be in the best interests of the shareholders.

Responsibility for this Prospectus

This Prospectus has been prepared by PGS and Petrojarl in connection with the Global Offering described herein and the planned listing of Petrojarl on the OSE.

The Board of Directors of PGS, with its registered office at Strandveien 4, NO-1366 Lysaker, Norway, hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of their knowledge in accordance with the facts and contains no omissions likely to affect its import.

Further, PGS hereby confirms that it has ownership of the Offer Shares, that the Offer Shares will be sold free of any encumbrances and that the Managers have been authorized to transfer the Offer Shares to investors to whom Offer Shares have been allocated upon completion of the Global Offering.

June 14, 2006

The Board of Directors of PGS

Jens Ulltveit-Moe
Chairperson

Keith Nicolas Henry
Vice-Chairperson

Clare Mary Joan Spottiswoode
Director

Francis Gugen
Director

Harald Norvik
Director

Rolf Erik Rolfsen
Director

Anthony Tripodo
Director

Statement from Petrojarl

This Prospectus has been prepared by PGS and Petrojarl in connection with the Global Offering described herein and the planned listing of Petrojarl on the OSE.

In connection with the planned listing of Petrojarl on the OSE and the Global Offering, Petrojarl ASA, with its registered office at Beddingen 16, NO 7014 Trondheim, Norway, hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omissions likely to affect its import.

June 14, 2006

The Board of Directors of Petrojarl

Keith Nicolas Henry
Chairperson

Rolf Erik Rolfsen
Director

Clare Mary Joan Spottiswoode
Director

Cautionary Note Regarding Forward-Looking Statements

This Prospectus contains forward-looking statements, including statements based on assumptions about future market conditions, operations and results. The words “believe,” “anticipate,” “aims,” “expect,” “project,” “estimate,” “predict,” “intend,” “target,” “assume,” “may,” “might,” “could,” “should,” “will” or, in each case, their negative, or other variations or comparable terminology are intended to identify such forward-looking statements. Forward-looking statements appear in a number of places in this Prospectus including, without limitation, in “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Industry Overview” and “Petrojarl’s Business.” These forward-looking statements address matters such as:

- production capacity, technological developments and other trends in the business in which Petrojarl operates;
- business strategies, including in relation to geographic target areas and potential acquisitions, and the goal of Petrojarl to double its FPSO fleet by 2010;
- the ability of Petrojarl to maintain current service agreements for its FPSOs, the estimated productive lives of the fields served by such vessels and the periods during which Petrojarl expects such vessels to continue to produce in these fields;
- the outlook for redeployment of Petrojarl’s FPSOs in case its current service agreements were to be terminated;
- operating regularity and levels of production for Petrojarl’s FPSOs;
- future capital expenditures, investments in Petrojarl’s business and dividends;
- governmental and tax regulations and enforcement; and
- future exposure to interest rate changes, currency devaluations or exchange rate fluctuations; in particular fluctuations in the value of the U.S. dollar to the Norwegian kroner and the British pound.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. While Petrojarl has prepared these forward-looking statements in good faith and on the basis of assumptions it believes to be reasonable, Petrojarl cautions you that forward-looking statements are not guarantees or warranties of future performance and that its actual financial condition, actual results of operations and cash flows and the development of the markets or industry in which it operates may differ materially from those made in or implied by the forward-looking statements contained in this Prospectus. Important factors that could cause those differences include, but are not limited to:

- the effect of changes in demand, pricing and competition for Petrojarl’s services, including decreased exploration, development and production spending by oil and natural gas companies, increased competition from other FSPO operators or changes in the global demand for oil and natural gas;
- the termination of any of Petrojarl’s service agreements;
- Petrojarl’s inability to redeploy its vessels following the termination of any of its service agreements;
- decreased production from any of Petrojarl’s vessels as a result of technical or mechanical problems, adverse weather conditions, labor disruptions or otherwise;
- the level of required repair and maintenance expenditures on Petrojarl’s vessels;
- management’s ability to develop and execute a successful strategy, including partnerships, such as Petrojarl’s joint venture with Teekay Shipping Corporation, acquisitions, divestitures and ability to manage growth;

- adverse regulatory, legislative and judicial developments;
- Petrojarl's failure to retain key personnel;
- the adverse impact of currency exposures; and
- the impact of worldwide economic, political and business conditions.

Because of the foregoing, Petrojarl urges you not to place undue reliance on any of these forward-looking statements. Moreover, Petrojarl undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law or stock exchange regulations.

When considering these forward-looking statements, you should keep in mind the risk factors and other cautionary statements disclosed elsewhere in this Prospectus, including those described in "Risk Factors."

Dividends and Dividend Policy

Petrojarl does not currently expect to pay dividends to its shareholders. In general, any future dividend will be subject to determination by Petrojarl's Board of Directors based on its results of operations and financial condition, its future business prospects, any applicable legal or contractual restrictions and any other factors that the Board of Directors considers relevant. Any proposal by the Board of Directors must be approved by Petrojarl's shareholders. For a further discussion on dividends, please see "Securities Trading in Norway – Dividends." In addition, pursuant to the terms of the ING Facility, Petrojarl will be subject to certain restrictions on paying dividends. For a description of those restrictions, see "Management's Discussion and Analysis of Financial Conditions and Results of Operations – Liquidity and Capital Resources – Long-term Borrowings."

Pro Forma Capitalization and Indebtedness

The following table sets forth Petrojarl's pro forma capitalization under IFRS as of March 31, 2006, giving effect to the Demerger.

You should read this information in conjunction with the Petrojarl Pro Forma Financial Information included elsewhere in this Prospectus. Please note that the Petrojarl Pro Forma Financial Information is different from the Petrojarl Combined Financial Statements. Please refer to the Petrojarl Pro Forma Financial Information for further information.

	As of March 31, 2006 Pro Forma
	(thousands of U.S. dollars) (unaudited)
Secured and guaranteed long-term debt (net of transaction cost) ⁽¹⁾	\$319,000
Other liabilities ⁽²⁾	124,898
Total liabilities	443,898
Total equity	506,760
Total	<u>950,658</u>
A. Cash at bank and at hand ⁽³⁾	26,807
B. Short term bank deposits	–
C. Liquidity (A) + (B)	<u>26,807</u>
D. Current financial debt	–
E. Net Current financial indebtedness (C) – (D)	<u>(26,807)</u>
F. Non-current bank loans (gross) ⁽¹⁾	325,000
G. Non-current Financial indebtedness	<u>325,000</u>
H. Net financial indebtedness (E) + (G)	<u>\$298,193</u>

(1) In connection with the Demerger, Petrojarl will assume interest bearing gross debt of \$325.0 million to PGS with the intention of an immediate repayment. To finance this repayment, Petrojarl has obtained a commitment in the form of a mandate letter and term sheet for the ING Facility. The ING Facility will be entered into prior to the Completion Date of the Demerger. The initial borrowing under the ING Facility is expected to be \$325.0 million in order to repay debt to PGS at the Completion Date of the Demerger. In connection with the ING Facility, \$6.0 million will be incurred in loan expenses. Secured and guaranteed long-term debt is shown net of this to reflect amortized cost in accordance with IFRS.

(2) Other liabilities consist of accounts payable \$10.1 million, accrued expenses \$24.5 million, derivative financial liabilities \$33.3 million, asset removal obligation \$22.1 million, provision UK Lease Contingency \$22.6 million, pension liability \$11.2 million and other \$1.1 million.

(3) Upon completion of the Demerger, Petrojarl will receive from PGS \$46.5 million in cash, adjusted for certain items as described in the Demerger Plan. Actual repayments and borrowings from PGS, and certain pro forma adjustments which would have affected repayments and borrowings for the three months ended March 31, 2006, have been adjusted to cash and cash equivalents at March 31, 2006. PGS will not charge interest in 2006 and, therefore, the pro forma interest expense in 2006 has no cash effect. Cash at bank and at hand has been reduced by the \$6.0 million described in footnote (1) above.

Exchange Rate Information

In this Prospectus, unless otherwise specified or the context otherwise requires:

- references to “krone,” “kroner” and “NOK” are to the lawful currency of Norway;
- references to “dollar,” “dollars” and “\$” are to the lawful currency of the United States;
- references to “euro” and “€” are to the single currency of the participating member states in the Third Stage of European Economic and Monetary Union, or EMU, of the Treaty Establishing the European Community, as amended from time to time; and
- references to “British pound,” “British pounds,” “Sterling,” “GBP” and “£” are to the lawful currency of the United Kingdom.

The following table sets forth for the periods indicated certain information regarding the noon buying rate for the kroner, expressed in kroner per dollar as reported by the Federal Reserve Bank of New York. The rates below may differ from the actual rates used in the preparation of the financial statements and other financial information appearing in this Prospectus. The inclusion of the exchange rates is not meant to suggest that the kroner amounts actually represent such dollar amounts or that such amounts could have been converted into dollars at any particular rate, if at all.

	<u>Period End</u>	<u>Average⁽¹⁾</u>	<u>High</u>	<u>Low</u>
Year				
2001	8.9724	8.9991	9.4538	8.5391
2002	6.9375	7.9839	9.1110	6.9375
2003	6.6660	7.0801	7.6560	6.6440
2004	6.0794	6.7399	7.1408	6.0551
2005	6.7444	6.4412	6.8023	6.0667
Month				
January 2006	6.6537	6.6287	6.7483	6.5242
February 2006	6.7474	6.7526	6.8490	6.6416
March 2006	6.5460	6.6317	6.7340	6.5267
April 2006	6.1645	6.3922	6.5267	6.1645
May 2006	6.0687	6.1040	6.1642	6.0142
June 2006 (through June 13)	6.2245	6.1127	6.2245	6.1937

(1) The average of the noon buying rates for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York on the last business day of each month during the applicable period.

The noon buying rate for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York was NOK 6.2245 per dollar as of June 13, 2006.

Selected Combined Financial Data

The following tables present selected financial information derived from the Petrojarl Combined Financial Statements as of and for the years ended December 31, 2004 and 2005, and as of March 31, 2006 and for the three months ended March 31, 2005 and 2006 prepared in accordance with U.S. GAAP. You should read the following summary of historical financial information with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Petrojarl Combined Financial Statements included elsewhere in this Prospectus.

	Years Ended December 31,		Three Months Ended March 31,	
	2004	2005	2005	2006
	(thousands of U.S. dollars)			
			(unaudited)	(unaudited)
Selected Combined Statement of Operations				
Information (U.S. GAAP):				
Revenues	\$298,202	\$280,677	\$67,712	\$66,518
Cost of sales ⁽¹⁾	168,003	184,324	38,925	40,852
Depreciation and amortization	44,562	44,064	11,187	11,121
Selling, general and administrative costs ⁽¹⁾	13,878	14,823	3,713	3,239
Other operating (income) expense, net	2,008	(5,593)	—	—
Total operating expenses	228,451	237,618	53,825	55,212
Operating profit	69,751	43,059	13,887	11,306
Other income (expense):				
Income from associated companies	722	243	—	42
Interest expense	(29,094)	(23,477)	(6,250)	(4,586)
Debt redemption and refinancing costs	—	(28,975)	—	—
Other financial items, net	(7,468)	(2,441)	(179)	(212)
Income (loss) before minority interest	33,911	(11,591)	7,458	6,550
Minority interest	(289)	(27)	(40)	(1)
Net (loss) income	\$ 33,622	\$ (11,618)	\$ 7,418	\$ 6,549

(1) Excluding depreciation and amortization which is presented separately.

	December 31,		March 31,	
	2004	2005	2006	
	(thousands of U.S. dollars)			
			(unaudited)	
Selected Combined Balance Sheet				
Information (U.S. GAAP):				
Assets				
Cash and cash equivalents	\$ 4,529	\$ 13,550	\$ 12,295	
Restricted cash	2,218	2,010	2,518	
Accounts receivable, net	23,212	30,506	33,727	
Unbilled and other receivables	3,583	3,081	6,876	
Other current assets	50,760	12,135	13,828	
Total current assets	84,302	61,282	69,244	
Property and equipment, net	637,277	593,878	619,358	
Investments in associated companies	5,411	5,653	5,695	
Other intangible assets, net	8,685	2,228	646	
Other long-lived assets	16,195	13,406	13,025	
Total assets	\$751,870	\$676,447	\$707,968	

	Years Ended December 31,		Three Months Ended	
	2004	2005	2005	2006
	(thousands of U.S. dollars)			
			(unaudited)	(unaudited)
Selected Combined Statement of Cash Flow				
Information (U.S. GAAP):				
Net cash provided by operating activities	\$ 60,937	\$ 74,444	\$ 29,632	\$ 2,798
Net cash (used in) investing activities	(988)	(11)	(11)	(35,018)
Net cash (used in) provided by financing activities	(62,315)	(65,412)	(25,127)	30,965
Cash and cash equivalents at end of period	\$ 4,529	\$ 13,550	\$ 9,023	\$ 12,295

Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion is based on the Petrojarl Combined Financial Statements prepared in accordance with U.S. GAAP. You should read the discussion of Petrojarl's financial condition and results of operations under this caption in combination with the Petrojarl Combined Financial Statements included elsewhere in this Prospectus. The following information contains forward-looking statements. You should refer to the section of this Prospectus captioned "Cautionary Note Regarding Forward-Looking Statements" for cautionary statements relating to this information.

Overview

Petrojarl is one of the largest operators of floating production storage and offloading vessels in the North Sea, measured by production capacity and number of vessels. Petrojarl owns and operates four FPSOs, the Ramform Banff, Petrojarl I, Petrojarl Foinaven and Petrojarl Varg, and operates two shuttle tankers and charters one storage tanker on a time charter basis. The four FPSOs have a combined maximum production capacity of 339,000 barrels of oil per day and a crude oil storage capacity of one million barrels. Average production for the three months ended March 31, 2006 was 96,500 barrels of oil per day. All four FPSOs are double hulled, rated for harsh environments and capable of working in deepwater fields.

Factors Affecting Petrojarl's Results of Operations

Petrojarl's future operating results will depend on numerous factors, including those described under "Risk Factors" in this Prospectus. Factors that will impact Petrojarl's future operating results include, but are not limited to, the following:

- the payments that Petrojarl receives under the service agreements for its vessels are made up of day rates and production tariff payments, the economic terms of which were agreed prior to the commencement of operations under the service agreement or as a result of renegotiations. The day rates generally consist of a fixed fee to cover the cost of operating, maintaining and insuring the vessel, and additional tariff payments linked to the volume of oil produced and, for Petrojarl 1, the amount of water reinjected;
- the service agreements for the Petrojarl FPSOs, other than for Ramform Banff, are typically life-of-field contracts, with certain termination rights for Petrojarl triggered at specific levels of production, except for the Ramform Banff. As oil prices affect the economics of a particular field, a prolonged period of low oil prices would be expected to reduce the duration of existing service agreements for fields that are nearing the end of their lives and negatively affect decisions to, for example, enter into tieback arrangements with respect to marginal fields. However, Petrojarl would expect that an extended period of high oil prices would induce the field operators to extend the contracts and increase production via the FPSOs;
- upon termination of the service agreements, Petrojarl would expect to redeploy the FPSOs to new fields in accordance with new service agreements. The prevailing price of oil and level of exploration, development and production activities may affect the potential for redeployment of the FPSOs. High oil prices and exploration and production levels would generally result in a higher number of new redeployment opportunities, and vice versa;
- the development of Petrojarl's main market drivers, which include prices and price expectations for oil and natural gas. Such prices and price expectations affect the demand for exploration and production related services and the economics in developing and producing small and medium sized oil and natural gas fields;
- Petrojarl's ability to optimize performance of its FPSOs and profitably expand its business, including:
 - sustaining high regularity and uptime;
 - maximizing volumes and revenues under current contracts, including further extension of contract duration where appropriate; and

- capturing new profitable contract opportunities and achieving timely redeployment of vessels on terms and at volumes reflecting their production capacities;
- foreign currency exchange rate fluctuations between the U.S. dollar, in which currency most of Petrojarl's revenue is denominated, and the Norwegian kroner or the British pound, in which currencies Petrojarl incurs significant operating expenses;
- the extent to which Petrojarl participates in strategic acquisitions or dispositions of assets or businesses or in one or more joint ventures involving such assets or businesses, including Petrojarl's participation in the Teekay Petrojarl Offshore joint venture, through which Petrojarl intends to pursue growth opportunities beyond the North Sea region;
- Petrojarl's ability to continue to develop or acquire competitive technological solutions; and
- level of required repair and maintenance expenditures on the existing vessels.

Outlook

The markets in which Petrojarl operates showed strong improvement in 2005. Oil prices remained at high levels, and oil companies increased their exploration and production spending. Petrojarl expects exploration and production spending to increase further in 2006 and believes that, in the medium to long term, high oil price levels will positively affect Petrojarl's core markets. Within the floating production market, increased focus on smaller fields and tail-end optimization forms a basis for growth in outsourcing where Petrojarl's floating production activity is well positioned with market leadership in the North Sea and the potential to grow in selected international markets.

In 2006, Petrojarl expects the following factors to influence its performance:

- Total revenues from Petrojarl's four FPSOs are expected to be somewhat lower than in 2005, reflecting that:
 - Production levels on Petrojarl Varg are expected to be negatively affected by reservoir and well related issues at least through August 2006; and that
 - Production of Petrojarl Foinaven in the second quarter of 2006 is expected to be negatively affected by a 30-day production slow-down to perform maintenance on separators, which slow-down commenced on May 20, 2006, during which time average daily production is expected to be reduced to approximately 40,000 barrels per day.
- Operating expenses, including maintenance, are expected to be broadly in line with 2005 in local currency. However, with the current exchange rate of the U.S. dollar, we expect a slightly higher cost level in U.S. dollars.
- As a consequence of these negative events, affecting primarily the second and third quarters of 2006, and seasonality causing higher maintenance costs in the same periods, Petrojarl is expecting an operating loss for both the second and third quarters of 2006.

In addition, as daily production volume from the Petrojarl Varg is currently at levels which would allow Petrojarl to terminate the production contract with 90 days' notice, Petrojarl has initiated discussions with Talisman to address the situation and seek to improve the current compensation structure. In parallel, the work to seek redeployment opportunities for Petrojarl Varg has been accelerated.

For a discussion regarding Petrojarl's expected capital expenditures in 2006, please see "Capital Requirements and Commitments" below.

Petrojarl Combined Financial Statements

The Petrojarl Combined Financial Statements have been carved out from the PGS Financial Statements as of and for the years ended December 31, 2004 and 2005 and as of March 31, 2006 and for the three months

ended March 31, 2005 and 2006, and have been prepared in accordance with U.S. GAAP. In the opinion of management, all adjustments considered necessary for a fair presentation have been included therein. Intercompany accounts and transactions have been eliminated. The Petrojarl Combined Financial Statements have been derived from the PGS Financial Statements, and include the operations being transferred to Petrojarl pursuant to the Demerger. The operations and companies to be demerged are the operations reported as the Production Business in PGS' historical segment reporting.

In connection with its emergence from Chapter 11 reorganization, PGS adopted "fresh-start" reporting for financial statement purposes, effective November 1, 2003, in accordance with AICPA Statement of Position 90-7 ("SOP 90-7"), "Financial Reporting by Entities in Reorganization under the Bankruptcy Code." Under SOP 90-7, PGS adjusted the recorded value of its assets and liabilities to reflect their fair market value as of the date it emerged from Chapter 11 reorganization. This significantly changed the book value of several of the assets and liabilities of Petrojarl.

The preparation of the Petrojarl Combined Financial Statements required identifying all of the assets and liabilities, revenues and expenses associated with the "carved out" operations. Assets owned by PGS and its subsidiaries that were not historically part of a subsidiary demerged to Petrojarl have been allocated to Petrojarl based on specific identification (in particular, Ramform Banff and Petrojarl Varg). Costs and expenses of services provided by PGS have been reflected in the Petrojarl Combined Financial Statements in accordance with Staff Accounting Bulletin No. 55 (SAB 55). When specific identification was not practicable, the allocation of expenses was done on a basis that, in the opinion of management, was reasonable.

As described in "The Demerger," Petrojarl will, pursuant to the terms of the Demerger Plan, assume interest bearing gross debt of \$325 million. However, for the purpose of the Petrojarl Combined Financial Statements, the relative enterprise value of the Production Business transferred to Petrojarl in the Demerger has been used as the objective basis for allocating to Petrojarl PGS' net interest bearing debt at December 31, 2005 and actual interest expense incurred in the periods presented. The gross debt level derived from this methodology has been rolled back based on intercompany payments between PGS and Petrojarl in 2004 and 2005, and in the three months ended March 31, 2005 and 2006. As a result, the amount of Petrojarl's equity as of December 31, 2005, \$332.0 million, was calculated based on interest bearing debt of \$239.3 million compared to the level of \$325 million assumed upon consummation of the Demerger. The average interest rate based on external borrowings of PGS has been calculated for 2004, 2005 and the three months ended March 31, 2005 and 2006, and these rates have been used in calculating interest expense in the Petrojarl Combined Financial Statements.

In the fourth quarter of 2005, PGS completed a refinancing of a substantial portion of its long-term debt and credit facilities and, in particular, the notes it had issued in connection with its 2003 Chapter 11 restructuring. The related debt redemption premium and refinancing costs are allocated to Petrojarl based on the same principle as allocation of net interest bearing debt, resulting in a total cost of \$29.0 million in the Petrojarl Combined Financial Statements.

PGS' policy has been to charge the costs of shared services and corporate center support to the operating business segments based on their consumption of such services. However, certain costs related to general management, corporate accounting and similar functions have previously been considered to be general overhead costs and have not been charged to the Production Business.

For purposes of the Petrojarl Combined Financial Statements, these general corporate costs have been allocated between PGS and Petrojarl for 2004, 2005 and the three months ended March 31, 2005 and 2006, based on proportional gross revenues charged to third parties. General corporate services are by nature difficult to allocate. However, it is management's view that a proportionate allocation based on revenues for the individual business units is a reasonable basis for this allocation, as revenues are the best indicator of the activity level in the business unit and as such the best indicator of the level of services necessary from the corporate center.

Management believes the assumptions underlying the Petrojarl Combined Financial Statements are reasonable. The Petrojarl Combined Financial Statements do not reflect the capitalization and debt level agreed in the Demerger Plan, and they include allocation of PGS' corporate costs and other costs that would not necessarily reflect costs that would be continued by Petrojarl or that would have been incurred by

Petrojarl if it had been a separate company in the periods presented. The creation of Petrojarl as an independent company will require the creation of most of the services currently provided by the PGS corporate center.

Seasonality

Petrojarl generally experiences some seasonal effects related to normal maintenance and refurbishment activities for its FPSOs that typically take place during the summer months, which generally increases operating expenses relating to repair and maintenance in the second and third quarter and often reduces revenues in the same periods as production levels are lower in a maintenance phase.

Results of Operations

Three Months Ended March 31, 2005 and Three Months Ended March 31, 2006

Revenues

The table below presents Petrojarl's mix of revenues for the three months ended March 31, 2005 and 2006 by vessel.

Vessel	Three Months Ended March 31,	
	2005	2006
	(thousands of U.S. dollars)	
	(unaudited)	(unaudited)
Petrojarl I	\$14,064	\$11,797
Petrojarl Foinaven	21,563	22,293
Ramform Banff	11,256	11,645
Petrojarl Varg	20,544	19,940
Other	285	843
Total revenues	<u>\$67,712</u>	<u>\$66,518</u>

Petrojarl's revenues for the three months ended March 31, 2006 decreased \$1.2 million (2%) as compared to the same period in 2005. Petrojarl I revenues declined by \$2.3 million (16%) primarily due to natural field production decline, while revenues from Ramform Banff increased by \$0.4 million (3%), based on escalation of the minimum day rate provisions of the service contract. Petrojarl Foinaven revenues increased by \$0.7 million (3%), as slightly reduced production volumes were more than offset by changes in the production mix yielding higher tariff revenue and costs reimbursed by the operator. Revenues from Petrojarl Varg decreased by \$0.6 million (3%), with production volumes in line with volumes for the three months ended March 31, 2005, but still negatively affected by reservoir performance and well related issues. Production from Petrojarl Varg for the three months ended March 31, 2005 was negatively affected by damage to the main production riser on the Varg field that reduced production until March 2005.

Cost of Sales

The main cost of sales components (excluding depreciation and amortization) within Petrojarl are (i) salaries and social costs, (ii) charterhire and operation of shuttle and storage tankers, (iii) repair and maintenance and (iv) other costs and allocated onshore support. On an annual basis, each of these components constitutes between approximately 20% to 30% of the total costs of sales.

Total cost of sales for the three months ended March 31, 2006, excluding depreciation and amortization, increased by \$1.9 million (5%) as compared to the same period in 2005. The primary reason for this increase was an increase in salaries and social costs by approximately 8% for the three months ended March 31, 2006, due to pay increases affecting the industry in general. Furthermore, cost of charterhire and operation of the shuttle and storage tankers increased by 9% in the first quarter of 2006 compared to the first quarter of 2005 while other costs and allocated onshore support increased by slightly more than 20%, such increase was primarily due to strengthening of the onshore support organization.

This increase was partially offset by a decrease of repair and maintenance costs of approximately 7% for the three months ended March 31, 2006 compared to the same period in 2005.

Depreciation and Amortization

Depreciation and amortization expenses relate primarily to the depreciation of Petrojarl's FPSOs, leasehold improvements, buildings and other fixtures. Depreciation and amortization expenses also include the amortization of certain intangible assets recognized upon PGS' adoption of fresh-start reporting effective as of November 1, 2003.

Depreciation and amortization for the three months ended March 31, 2006 was generally in line with the three months ended March 31, 2005 with a reduction of \$0.1 million (1%) compared to the same period in 2005.

Selling, General and Administrative Costs

Selling, general and administrative costs decreased \$0.5 million for the three months ended March 31, 2006 compared to the same period in 2005 to a total of \$3.2 million (13%). The primary reason for the decrease is a reduction in the costs allocated to Petrojarl related to PGS shared services and corporate center support.

Interest Expense and Other Financial Items, Net

As described under the heading “ – Petrojarl Combined Financial Statements” above, for the purpose of the Petrojarl Combined Financial Statements, it has been assumed that the relative enterprise value forming basis for the demerger ratio was considered to be an objective basis for allocating net interest bearing debt at December 31, 2005 and actual interest expense incurred in the periods. The gross debt level derived from this methodology has been rolled backwards in periods prior to December 31, 2005 and rolled forwards thereafter based on intercompany payments between PGS and Petrojarl in 2005 and the three months ended March 31, 2006. Consequently, the amount of Petrojarl's interest bearing debt was estimated to be \$239.3 million at December 31, 2005 compared to the level of \$325 million assumed upon consummation of the Demerger. The average interest rate based on external borrowings of PGS has been calculated for the three months ended March 31, 2005 and 2006 and these rates have been used in calculating interest expense in these combined financial statements.

On this basis, interest expense for the three months ended March 31, 2006 amounted to \$4.6 million, a reduction of \$1.7 million (27%) from the same period in 2005. The decrease reflects a significant reduction of the interest rate assumed following the refinancing of PGS in the three months ended December 31, 2005. For a further discussion of the refinancing of PGS, please see “ – Year Ended December 31, 2004 compared to Year Ended December 31, 2005 – Interest Expense and Other Financial Items, Net” below.

Other financial items, net, amounted to an expense of \$0.2 million for both the three months ended March 31, 2006 and 2005.

Income Tax Expense

There was no income tax expense for either of the three months ended March 31, 2005 or 2006. As of March 31, 2006, Petrojarl had a total of \$135 million of deferred tax assets (net of deferred tax liabilities) in Norway and the United Kingdom (compared to \$133 million as of December 31, 2005). As of March 31, 2005 and March 31, 2006, Petrojarl established valuation allowances for all of these deferred tax assets.

Operating Profit and Net Income

Operating profit for the three months ended March 31, 2006 was \$11.3 million, compared to a profit of \$13.9 million for the same period in 2005. Petrojarl reported net income of \$6.5 million for the three months ended March 31, 2006, compared to a net income of \$7.4 million for the same period in 2005.

Year Ended December 31, 2004 compared to Year Ended December 31, 2005

Revenues

The table below presents Petrojarl's mix of revenues for 2004 and 2005 by vessel.

Vessel	Years Ended December 31,	
	2004	2005
	(thousands of U.S. dollars)	
Petrojarl I	\$ 61,303	\$ 53,394
Petrojarl Foinaven	96,595	89,191
Ramform Banff	51,509	46,483
Petrojarl Varg	87,133	89,920
Other	1,662	1,689
Total revenues	<u>\$298,202</u>	<u>\$280,677</u>

Petrojarl's revenues for 2005 decreased \$17.5 million (6%) as compared to 2004. Petrojarl I revenues declined by \$7.9 million (13%) and Petrojarl Foinaven revenues declined by \$7.4 million (8%) primarily due to natural field production declines. In addition, production from Petrojarl Foinaven was reduced by problems related to oil and water separation and related maintenance slowdown and shutdown. Revenues from Ramform Banff decreased by \$5.0 million (10%), primarily due to a \$3.7 million lump sum modification job for Canadian Natural Resources included in 2004 revenues, while production compensation had been realized at the minimum day rate both in 2004 and 2005. Production levels on Ramform Banff have been fairly consistent, just above 10,000 barrels per day, both in 2004 and 2005. Revenues from Petrojarl Varg increased by \$2.8 million (3%), primarily due to increased production. Both 2004 and 2005 were negatively affected by damage to the main production riser on the Varg field that reduced production from November 5, 2004 until March 9, 2005. The compensation structure in the Petrojarl Varg production contract was amended, effective May 29, 2004, to a combination of a fixed day rate and a production tariff (as compared to the previous pure production tariff).

Cost of Sales

Total cost of sales, excluding depreciation and amortization, increased by \$16.3 million (10%) in 2005 as compared to 2004. The primary reason for this increase was an increase in repair and maintenance costs, which increased by more than 30% from 2004. This increase was partially due to normal cost increases and partially due to an ongoing project of replacing mooring wires and anchor chains on Petrojarl Foinaven which constituted close to 40% of the cost increase. This project commenced in late 2004 and will be continued into 2006 and parts of 2007. Salaries and social costs increased by approximately 15% in 2005, due to a combination of increases in wages and a weakening of the U.S. dollar compared to Norwegian kroner and British pound. Because the Petrojarl Combined Financial Statements are prepared using the U.S. dollar and most of Petrojarl's payroll is denominated in Norwegian kroner and British pound, a weakened U.S. dollar increases the expenses related to salaries and social costs reported in U.S. dollars. Cost of charterhire and operation of the shuttle and storage tankers was reduced by more than 10% in 2005. This was caused partly by a renegotiated timecharter of the storage tanker on the Banff field and because of the low U.S. dollar interest rate level in the beginning of the year, as the charterhire of shuttle tankers for the Foinaven field is linked to the U.S. dollar LIBOR interest rate. Other costs and allocated onshore support increased by slightly less than 10%, primarily due to a strengthening of Petrojarl's onshore support organization in addition to the effect of the weakened U.S. dollar.

Depreciation and Amortization

Depreciation and amortization decreased in 2005 by \$0.5 million (1%) compared to 2004. In 2005 and 2004 the net book value of intangible assets and other long-lived assets (favorable lease contracts) were reduced by \$0.6 million and \$1.8 million, respectively, as a result of the recognition of deferred tax assets, which had been offset by full valuation allowance when PGS adopted fresh-start reporting on November 1, 2003 (please see "– Deferred Tax Assets" below). This reduction is the result of the application of SOP 90-7, which requires realization of pre-restructuring tax assets to be recorded as a reduction of intangible assets recognized upon adoption of fresh-start reporting. Additional realization of such valuation allowance, and corresponding reduction of the net book value of intangible assets, may occur in future periods if financial statements are prepared under U.S. GAAP.

Selling, General and Administrative Costs

Selling, general and administrative costs increased \$0.9 million in 2005 compared to 2004 to a total of \$14.8 million (7%). The primary reason for the increase is an increase in the allocated corporate cost from PGS, partly caused by the implementation of Peoplesoft accounting system in the Production Business in the beginning of 2005, in addition to higher corporate costs in the areas of internal audit and legal and tax services. Also, because Petrojarl incurs most of its selling, general and administrative costs in Norwegian kroner and British pounds, the weakening of the U.S. dollar against these currencies increased its reported cost.

Other Operating (Income) Expense, Net

Petrojarl recorded other operating income, net, of \$5.6 million in 2005 compared to an expense of \$2.0 million in 2004. This increase resulted from the release of liabilities related to Petrojarl's UK lease on Ramform Banff (as described in further detail in " – Liquidity and Capital Resources – UK Leases" below) in 2005, while the cost in 2004 was mainly related to Petrojarl's share of the cost related to the 2002 PGS U.S. GAAP consolidated financial statements and the re-audit of PGS' financial statements for the year ended December 31, 2001, which were completed in 2004.

Interest Expense and Other Financial Items, Net

Interest expense for 2005 amounted to \$23.5 million, a reduction of \$5.6 million from 2004. The decrease of approximately 19% reflects a significant reduction of interest-bearing debt from an average level of \$307 million in 2004 to an average of \$243 million in 2005. This is partially offset by an increase of the average interest rate from 9.48% to 9.66%.

Income from associated companies totaled \$0.2 million in 2005 compared to \$0.7 million in 2004 resulting from lower income from the 40% investment in the French company Ikdam Production SA, which owns the FPSO Ikdam.

Other financial items, net, amounted to an expense of \$2.4 million in 2005 compared to an expense of \$7.5 million in 2004. The decrease of \$5.1 million primarily relates to a foreign exchange loss of \$1.0 million in 2005 compared to a loss of \$5.7 million in 2004. In addition, 2004 included expenses related to the 2003 reorganization of PGS of \$0.9 million, whereas no such costs were recorded in 2005.

In 2005, PGS completed the refinancing of a substantial portion of its indebtedness, including the notes issued in connection with the 2003 Chapter 11 restructuring. In April 2005, PGS redeemed \$175 million principal amount of the \$250 million 8% Senior Notes due 2006 at 102% of par value. In November 2005, PGS redeemed the remaining \$75 million principal amount of such notes at 101% of par value. In December 2005, PGS completed a tender offer and consent solicitation for the \$746 million 10% Senior Notes due 2010. As a result, approximately \$741.3 million aggregate principal amount of such notes were retired at a price of 113.64% of par value. The total cost of the refinancing, net of the aggregate amount of new debt incurred, was \$107.3 million, including repayment premiums and expenses. This amount was charged to expense in 2005 and classified as debt redemption and refinancing cost. The debt redemption premium and refinancing costs in 2005 are allocated to Petrojarl based on the same principle as allocation of net interest bearing debt, resulting in a total cost of \$29.0 million. Petrojarl did not incur any comparable costs for 2004.

Income Tax Expense

There were no income tax expenses in 2004 or 2005. At December 31, 2005, Petrojarl had a total of \$132.7 million of deferred tax assets (net of deferred tax liabilities) in Norway and the UK. At December 31, 2005 and 2004, Petrojarl established valuation allowances for all of these deferred tax assets.

Operating Profit and Net Income (Loss)

Operating profit for 2005 was \$43.1 million, compared to a profit of \$69.8 million for 2004.

Petrojarl reported a net loss of \$11.6 million for 2005, compared to a net profit of \$33.6 million for 2004. As described above, net income for 2005 is significantly impacted by debt redemption and refinancing costs of \$29.0 million.

Segment and Geographic Information

Petrojarl manages its business in one segment which consists of the ownership and operation of four harsh environment FPSOs in the North Sea. Petrojarl's principal markets are the United Kingdom and Norway. The table below presents a breakdown of Petrojarl's total revenues from Norway and the United Kingdom:

	UK	Norway	Total
	(in thousands of U.S. dollars)		
Revenues, external customers:			
2004	\$148,104	\$150,098	\$298,202
2005	\$135,674	\$145,003	\$280,677
Q1 2005	\$ 32,819	\$ 34,893	\$ 67,712
Q1 2006	\$ 33,938	\$ 32,580	\$ 66,518

Discussion Regarding Market Risk

Petrojarl is exposed to a variety of market risks principally as a result of fluctuations in foreign currency exchange rates and interest rates. Despite the production tariff element in its contracts, Petrojarl is not directly exposed to the market price of oil and gas under the service agreements.

In order to manage market risks, Petrojarl anticipates entering into market sensitive instruments based on internal policies and guidelines designed to reduce Petrojarl's exposure to any adverse effects of changes in market conditions. While Petrojarl does not believe that the use of such market sensitive instruments will have a material adverse effect on its consolidated financial position, results of operation or prospects, no guarantees can be given that Petrojarl's hedging strategy will be effective.

Foreign Exchange Rate

Petrojarl is exposed to fluctuations in foreign currency exchange rates, because a significant portion of its expenses is denominated in currencies that are different from the currency in which its revenues are denominated. Petrojarl's revenues are primarily denominated in U.S. dollars. Petrojarl's financial indebtedness is also denominated primarily in U.S. dollars, while approximately half of Petrojarl's operating expenses are denominated in Norwegian kroner with the remaining expenses approximately equally divided between U.S. dollars and British pounds.

Previously, Petrojarl's currency exposure has been reduced by hedging activities at the PGS corporate level. A proportionate part of these contracts are allocated to Petrojarl in the Petrojarl Combined Financial Statements. However, under the Demerger Plan, no forward exchange contracts will be transferred to Petrojarl. Petrojarl anticipates reducing the majority of the exposure related to fluctuations in foreign currency exchange rates by purchasing foreign currency exchange contracts to the extent that it cannot naturally mitigate the currency exposure by applying U.S. dollar denominated revenues to U.S. dollar denominated expenses and indebtedness. Outstanding currency exposure will be managed regularly and netted across the operations as a group.

Interest Rate Exposure

Petrojarl will have significant borrowings under the ING Facility. Advances under the ING Facility bear interest at rates typically expressed as a margin over the appropriate interbank rate. Under the documentation of the ING Facility, Petrojarl will be required to enter into acceptable hedging arrangements. Petrojarl expects to fix the majority of its floating interest rate risk exposure related to the ING Facility.

Liquidity and Capital Resources

Liquidity – General

Upon completion of the Demerger, Petrojarl will repay the loan from PGS incurred as part of the Demerger in the amount of \$325 million. To finance this repayment obligation Petrojarl has obtained a commitment in the form of a mandate letter and term sheet for the ING Facility. The ING Facility will be entered into prior to the Completion Date of the Demerger (see “– Long-term Borrowings” below).

Upon completion of the Demerger, Petrojarl will have an estimated cash balance of \$40 to \$45 million and will have an expected undrawn amount under the ING Facility of \$100 million. While Petrojarl's management believes that it has adequate sources of funds to meet its liquidity needs for the 2006 to 2007 period, its ability to meet its obligations in the longer term depends on future performance, which, in turn, is subject to many factors beyond its control. As a result of Petrojarl entering into future contracts for the deployment of new FPSO units, Petrojarl may incur significant capital expenditures which may require additional liquidity from external financing sources.

Petrojarl believes that it has sufficient working capital for its present requirements during the twelve months following the date of this Prospectus.

Sources of Liquidity – Capital Resources

Petrojarl's internal sources of liquidity have historically been cash and cash equivalents, cash flow from operations and intra-group loans made available from PGS.

Upon completion of the Demerger, Petrojarl will receive \$46.5 million of cash from PGS adjusted for certain items as described in the Demerger Plan. Petrojarl is expected to have cash and cash equivalents (including restricted cash of \$2 to \$3 million) of approximately \$40 to \$45 million upon completion of the Demerger.

Net Cash Flow from Operating Activities

Net cash provided by operating activities totaled \$2.8 million in the three months ended March 31, 2006, compared to \$29.6 million for the same period in 2005. The main reason for this variance was movements in other current assets, accounts payable and accrued expenses. In 2005, net cash provided by operating activities totaled \$74.4 million, compared to \$60.9 million in 2004.

Net Cash Used in or Provided by Investing and Financing Activities

Net cash used in investing activities was negligible in 2004 and 2005, but in the three months ended March 31, 2006, Petrojarl purchased the vessel Rita Knutsen for \$35.0 million. The reason for the low figures in 2004 and 2005 is that maintenance and replacement of components of Petrojarl's FPSOs are expensed as they are incurred and none of the vessels had yard stays or significant upgrades in these periods.

PGS uses a centralized approach to cash management and the financing of its operations. As a result, Petrojarl's operations have not had external financing. Cash and cash equivalents in the combined financial statements primarily represent cash held in a group account cash management system. Petrojarl's internal sources of liquidity are cash and cash equivalents and cash flow from operations.

In the Petrojarl Combined Financial Statements, the interest bearing loan from PGS is \$239.3 million as of December 31, 2005, and \$270.3 million as of March 31, 2006, while the gross debt upon consummation of the Demerger will be \$325 million. The ING Facility is a five-year revolving credit facility with ING Bank N.V. with a total commitment of \$425 million (see “– Long-term Borrowings” below).

Petrojarl made repayments on intra-group debt of \$36.4 million and \$62.3 million in 2005 and 2004, respectively. In the three months ended March 31, 2006 Petrojarl drew \$31.0 million of intra-group debt, mainly to finance the purchase of Rita Knutsen, while in the three months ended March 31, 2005 Petrojarl made a repayment of intra-group debt of \$25.1 million. In 2005, Petrojarl was allocated \$29.0 million of the PGS group's refinancing cost. At completion of the Demerger, Petrojarl expects to make a repayment of \$325 million to PGS as described above.

Capital Requirements and Commitments

Petrojarl's capital requirements are affected primarily by results of operations and debt service requirements, lease obligations, working capital needs and the outcome of significant contingencies. In the future, capital requirements could be significantly influenced by the targeted expansion of the FPSO fleet through conversion of tankers to FPSOs.

For 2006, Petrojarl expects capital expenditure on its existing vessels to continue at a low level because Petrojarl's FPSOs are not expected to have substantial capital expenditure needs through the end of 2006. In 2006, Petrojarl acquired the tanker Rita Knutsen to have available for conversion to an FPSO. The

acquisition cost for the tanker of \$35 million was paid in January and March 2006. In general, the capital expenditure for a conversion into an FPSO will be substantial and could typically range between \$150 and \$300 million depending on the particular project. No final determination has been made with respect to the conversion of the vessel.

As of the date of this Prospectus, Petrojarl did not have any material commitments for future capital expenditures. Petrojarl intends to make maintenance and refurbishment expenditures as required so as to maintain the FPSOs in good working condition. Petrojarl intends to make other capital expenditures as conditions dictate and financial resources permit. Finally, Petrojarl may also incur capital expenditures significantly above the amounts described above to pursue new business opportunities and as a result of new or modified service agreements.

Long-Term Borrowings

New Bank Facilities

Petrojarl has obtained a commitment in the form of a mandate letter and term sheet for a \$425 million revolving credit facility, which is currently being syndicated into the international bank market (the ING Facility). The ING Facility will be entered into prior to the Completion Date of the Demerger. This facility will be fully underwritten by ING Bank N.V. Petrojarl intends to use the cash proceeds of the ING Facility (i) to refinance up to \$325 million of an intracompany loan provided by PGS to Petrojarl and (ii) for general corporate purposes of Petrojarl and certain of its affiliates. The ING Facility also provides for the issuance of a letter of credit in the amount of £10 million by ING Bank N.V. to A&L CF March (1) Limited, a company incorporated under the laws of England and Wales, which acts as the lessor of certain equipment used on the Ramform Banff FPSO.

The borrowings under the ING Facility will bear interest at a rate equal to an applicable margin plus a LIBOR rate determined by reference to the cost of funds for deposits in U.S. dollars for the interest period relevant to such borrowing adjusted for certain additional costs. The initial applicable margin for the borrowings is expected to be 1.0%. From and after January 1, 2007, the applicable margin will be adjusted based on the percentage of available commitments under the ING Facility utilized at such time (expected to be between 0.85% and 1.15%). In addition, Petrojarl is required to pay an unused commitment fee to the lenders equal to 40% of the applicable margin in effect at such time, multiplied by the aggregate unused commitments.

The amount available to Petrojarl for draw-down under the ING Facility will be subject to quarterly reductions in the amount of \$11.25 million starting from the earlier of three months after the initial drawdown date of the facility or September 30, 2006. Remaining amounts outstanding under the ING Facility shall be due and payable on June 30, 2011.

Petrojarl may voluntarily prepay amounts outstanding under the ING Facility, which amounts shall be available for reborrowing. In addition, the ING Facility must be prepaid (subject to customary exclusions) with the proceeds of asset sales and insurance and warranty recoveries, and in the event of a total loss of one of Petrojarl's FPSOs (in an amount calculated under the definitive credit agreement).

Obligations under the ING Facility will be guaranteed by Petrojarl and certain of its material subsidiaries and are secured by a pledge of substantially all the tangible and intangible assets of Petrojarl and each guarantor, including equity interests in each guarantor and its subsidiaries, in each case to the extent not prohibited by the contractual obligations of such entities.

The ING Facility contains financial covenants requiring Petrojarl, subject to customary conditions and exceptions, to (i) maintain an interest coverage ratio of at least 2.5:1, (ii) ensure that the cash and cash equivalents held by the obligors under the credit facility are equal to at least \$40 million, (iii) ensure that its debt service coverage ratio is not less than 1.1:1 and (iv) maintain the ratio of the corrected fair market value of Petrojarl's FPSOs to the aggregate outstanding under the ING Facility at no less than 1.5 to 1.0.

The ING Facility also contains certain customary negative covenants that, subject to customary exceptions, may restrict Petrojarl from, among other things, changing its jurisdiction of organization, engaging in certain mergers or consolidations, incurring additional debt, creating security interests on its assets, disposing of assets other than in the ordinary course, making capital expenditures, paying dividends and

making investments. The ING Facility further requires Petrojarl to observe certain customary covenants, including, but not limited to, covenants relating to the provision of information, maintenance of government approvals and licenses, compliance with law, maintenance of corporate existence and line of business.

The ING Facility contains certain events of default customary for bank financings of this nature (including events of default relating to the failure of PGS to provide a guarantee for certain liabilities for which Petrojarl may be secondarily liable under Norwegian law and relating to any tax liability of Petrojarl in excess of \$25.0 million becoming payable in respect of the UK lease for Petrojarl Foinaven), the occurrence of which would allow the lenders to accelerate all outstanding loans and terminate their commitments.

The ING Facility also contains certain conditions precedent customary for bank financings, including the consummation of the Demerger, maintenance of satisfactory insurance coverage, absence of default, truth of representations and warranties, evidence of all necessary consents, minimum liquidity, satisfactory hedging, confirmation of ownership of vessels, absence of liens other than permitted liens, evidence of valid security interests in collateral, payment of fees and expenses, delivery of satisfactory corporate and loan documentation and legal opinions and other customary conditions precedent, the non-fulfillment of which would allow the lenders to postpone making their loans or terminate their commitments.

Long-Term Contractual Obligations

The following table presents Petrojarl's long-term contractual obligations related to its loan and lease agreements and other long-term liabilities and related payments due in total and by period as of March 31, 2006:

Contractual Obligation	Total	Payments Due By Period			
		2006	2007-2008	2009-2010	Thereafter
		(millions of U.S. dollars) (unaudited)			
Long-term debt obligations ⁽¹⁾	\$325.0	\$ –	\$12.5	\$ 90.0	\$222.5
Operating lease obligations ⁽²⁾	70.0	17.0	30.6	17.1	5.3
Other long-term liabilities ⁽³⁾	48.3	6.3	13.9	4.4	23.7
Total	<u>\$443.3</u>	<u>\$23.3</u>	<u>\$57.0</u>	<u>\$111.5</u>	<u>\$251.5</u>

(1) Based on the expected drawdown and maturity of the ING Facility which is different from the long-term debt shown in the Petrojarl Combined Financial Statements of \$270 million and is presented gross (not adjusted for borrowing costs) unlike the Petrojarl Pro Forma Financial Information.

(2) Includes the minimum lease commitment for FPSO shuttle and storage tankers and charter hire for the six-month cancellation period for a storage tanker operating on the Banff field in the North Sea. Petrojarl is required to charter the vessel for as long as the Ramform Banff produces the Banff field, which could extend to 2014 depending on the field operator. The maximum payment for the charter through 2014 is \$95.1 million. The minimum lease commitment is net of sublease income related to time charter of a FPSO shuttle tanker to a third party amounting to \$5.7 million up until October 10, 2006.

(3) Excludes other long-term liabilities that are contingent and not determinable with respect to the timing of future payments (see the table below captioned "Other Long-Term Liabilities").

The table below is provided to illustrate the expected timing of future payments related to other long-term liabilities reported in Petrojarl's combined balance sheet as of March 31, 2006. Determining the expected future cash flow presented in the table requires management to make estimates and assumptions because the timing of any payments related to these long-term liabilities generally is not fixed and determinable but rather depends on future events. Management believes that its estimates and assumptions are reasonable, but actual results may vary from what it has estimated or assumed. As a result, reported liabilities and expenses of Petrojarl could be materially affected if the assumptions and estimates were changed significantly.

<u>Other Long-Term Liabilities</u>	<u>Payments Due By Period</u>					<u>Not determinable</u>
	<u>Total</u>	<u>2006</u>	<u>2007-2008</u>	<u>2009-2010</u>	<u>Thereafter</u>	
			(millions of U.S. dollars) (unaudited)			
Other long-term liabilities:						
Pension liability ⁽¹⁾	\$ 5.6	\$0.4	\$ 0.8	\$0.8	\$ 3.6	\$ -
Asset removal obligation ⁽²⁾	20.1	-	-	-	20.1	-
Accrued liabilities related to Petrojarl's UK leases:						
related to interest rate differential ⁽³⁾	22.6	5.9	13.1	3.6	-	-
related to tax indemnifications	12.8	-	-	-	-	12.8
Other	0.7	-	-	-	-	0.7
Total	\$61.8	\$6.3	\$13.9	\$4.4	\$23.7	\$13.5

(1) Represents the aggregate shortfall of pension plan assets compared to projected benefit obligations for Petrojarl's plans, as recognized on the combined balance sheet. Petrojarl will pay this obligation over time, in accordance with the funding requirements of the life insurance companies through which Petrojarl funds its plans in Norway. Such requirements are subject to change over time, but Petrojarl expects these payments to be made over several years.

(2) Net book value of asset removal obligation as of March 31, 2006 relates to the Ramform Banff operations.

(3) The estimated net present value of future payments related to interest rate differential on Petrojarl's UK leases as of March 31, 2006 is \$32.8 million based on forward interest rate curves (and discounted with the forward interest rate curves), which is \$10.2 million higher than the amount included in recorded liabilities reported in the Petrojarl Combined Financial Statements. Payments through 2008 reflect estimated total payments based on forward interest rate curves as of March 31, 2006. The amount presented for 2009 to 2010 is the residual amount.

UK Leases

PGS entered into capital leases from 1996 to 1998 relating to the FPSO Petrojarl Foinaven and the production equipment for the Ramform Banff. The terms for the leases range from 13 to 15 years. PGS has indemnified the lessors for the tax consequences resulting from changes in tax laws or interpretations thereof or adverse rulings by the tax authorities and for variations in actual interest rates from those assumed in the leases. There are no limits on either of these indemnities. As part of the Demerger Plan, this obligation to indemnify the lessors has been transferred to Petrojarl, however, PGS has agreed to cover 50% of any payments in excess of £13.0 million for the specific issue related to the Petrojarl Foinaven as described below.

The lessors claim tax depreciation (capital allowances) on the capital expenditures that were incurred for the acquisition of the leased assets. The UK HM Revenue and Customs generally deferred for a period of time agreeing to the capital allowances claimed under such leases pending the outcome of a legal proceeding in which the HM Revenue and Customs was challenging capital allowances associated with a defensed lease. In November 2004, the highest UK court of appeal ruled in favor of the taxpayer and rejected the position of the HM Revenue and Customs. In connection with the adoption of fresh-start reporting by PGS on November 1, 2003 and before the November 2004 ruling, PGS recorded a liability of £10.4 million (\$17.5 million) related to Petrojarl. Petrojarl will release applicable portions of this liability if and when the UK HM Revenue and Customs accepts the lessors' claims for capital allowances under each lease. In 2005, Petrojarl released £3.1 million (\$5.6 million) of the liability related to the Ramform Banff lease.

The remaining accrued liability at March 31, 2006 of £7.3 million (\$12.8 million) relates to the Petrojarl Foinaven lease where the UK HM Revenue and Customs has raised a separate issue about the accelerated

rate at which tax depreciation is available. If the UK HM Revenue and Customs is successful in challenging that rate, the lessor would be liable for increased taxes on Petrojarl Foinaven in early periods (and decreased taxes in later years), and Petrojarl's rent payable would increase. How much the rentals could increase depends primarily on the extent to which the asset will be subject to a different depreciation rate. Management currently believes that £60 million to £70 million represents a worst case scenario for this liability. As part of the Demerger Plan, PGS has agreed to cover 50% of any payment in excess of £13 million related to this liability. The ING Facility contains an event of default if Petrojarl is required to pay (whether by increased rents or otherwise) an amount in excess of \$25 million in relation to this tax liability, subject to a suspension of such event of default while such tax liability is being contested and Petrojarl's payment obligation in respect thereof is suspended pending resolution of such contest.

The leases are legally defeased because Petrojarl has made payments to independent third-party banks in consideration for which these banks have assumed liability to the lessors equal to basic rentals and termination sum obligations. The defeased rental payments are based on assumed Sterling LIBOR rates of 8% per annum. If actual interest rates are greater than the assumed interest rates, Petrojarl receives rental rebates. Conversely, if actual interest rates are less than the assumed interest rates, Petrojarl pays rentals in excess of the defeased rental payments. Over the last several years, the actual interest rates have been below the assumed interest rates. Effective November 1, 2003, PGS adopted fresh-start reporting, and recorded a liability equal to the fair value of the future additional required rental payments based on forward market rates for Sterling LIBOR and an 8% discount rate. This liability, which is amortized based on future rental payments, amounted to £15.2 million (\$29.3 million) at December 31, 2004, £13.4 million (\$23.2 million) at December 31, 2005, and £13.0 million (\$22.6 million) at March 31, 2006.

Currently, interest rates are below the assumed interest rates. Based on forward market rates for Sterling LIBOR, the net present value, discounted with the forward interest rate curves, of the additional required rental payments amounted to £18.8 million (\$32.8 million) as of March 31, 2006. Of this amount, £1.1 million (\$2.0 million) was accrued at March 31, 2006, in addition to the remaining fresh-start liability of £13.0 million (\$22.6 million) as described above.

Additional required rental payments were \$4.9 million and \$5.0 million, respectively, for each of the years ended December 31, 2005 and 2004. No such payments were made in the three months ended March 31, 2005 and 2006.

Regarding the UK leases on the production equipment for the Ramform Banff, Petrojarl has entered into an agreement providing certain options to the lessor with respect to early termination of the leases at reduced termination sums. The lease related to Ramform Banff likely will be terminated in 2006. For further details, please see "The Demerger – Other Demerger Related Agreements."

Critical Accounting Policies and Estimates

In order to prepare the Petrojarl Combined Financial Statements, management has made estimates and assumptions that affect the reported amount of assets and liabilities, Petrojarl's disclosure of contingent assets and liabilities and the amounts of reported revenues and expenses. Management evaluates its estimates and assumptions from time to time and may employ outside experts to assist in its evaluations. Management believes that its estimates and assumptions are reasonable, but acknowledges that actual results may vary from what it has estimated or assumed. Petrojarl's significant accounting policies are described in notes to the Petrojarl Combined Financial Statements included elsewhere in this Prospectus.

Listed and summarized in greater detail below are those accounting policies that management believes to be the most critical in the preparation and evaluation of the Petrojarl Combined Financial Statements and that involve the use of assumptions and estimates that require a higher degree of judgment and complexity. As a result, Petrojarl's reported assets, liabilities, revenues and expenses could be materially affected if management's assumptions and estimates were changed significantly, and Petrojarl's actual financial position, results of operations, cash flows and future developments may differ materially from management's assumptions and estimates. Petrojarl's critical accounting policies and related estimates for the periods discussed below relate to:

- revenue recognition;
- long-lived assets, particularly impairment and depreciation, depletion and amortization;

- asset retirement obligations;
- fresh start reporting; and
- deferred tax assets.

Revenue Recognition

Petrojarl generally recognizes revenue from its floating production services in two components. First, it recognizes tariff based revenues, based on the number of barrels produced, as production occurs. Second, it recognizes day rate revenues over the passage of time.

Accounting for Long-Lived Assets

Property and equipment are stated at cost less accumulated depreciation, amortization and impairment charges. Depreciation and amortization are calculated based on cost less estimated salvage values using the straight-line method for all property and equipment, excluding leasehold improvements and capital leases, which are amortized over the asset life or lease term whichever is shorter.

Expenditures for major property and equipment that have an economic useful life of at least one year are capitalized as individual assets and depreciated over their useful lives. Maintenance and repairs, including periodic maintenance and class surveys for FPSOs are expensed as incurred. Petrojarl capitalizes the applicable portion of interest costs to major capital projects. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in the results of operations.

Management reviews long-lived assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the total of the undiscounted future cash flows is less than the carrying amount of the asset or group of assets, an impairment loss is recognized for the difference between the estimated fair value and the carrying value of the asset or group of assets. Management assesses for possible impairment long-lived assets, such as floating production vessels and other property and equipment, upon the occurrence of a triggering event. Events that can trigger assessments for possible impairments include, but are not limited to: (a) significant decreases in the market value of an asset, (b) significant changes in the extent or manner of use of an asset, (c) a physical change in the asset, (d) a significant decrease in the price of oil and (e) a significant change in oil production for vessels on tariff based contracts.

Estimating undiscounted future cash flows requires management to make judgments about long-term forecasts of future revenues and costs related to the assets subject to review. These forecasts are uncertain as they require assumptions about demand for Petrojarl's products and services, future market conditions and future technological developments. Significant and unanticipated changes in these assumptions could require a provision for impairment in a future period. Given the nature of these evaluations and their application to specific assets and specific times, it is not possible to reasonably quantify the impact of changes in these assumptions.

Through 2003, the future cash flow expectations for several of Petrojarl's assets declined in line with difficult markets. As a result, Petrojarl recorded substantial impairments both in 2002 and in 2003. In addition, Petrojarl recognized a substantial reduction in asset values when PGS adopted fresh-start accounting in November 2003. In line with a strengthening of the markets, the future cash flow expectations have generally increased subsequent to 2003, although expectations for certain individual assets have decreased. However, Petrojarl has not identified any impairment in 2004, 2005 or the three months ended March 31, 2006. Under U.S. GAAP, previous impairments cannot be reversed.

Asset Retirement Obligations

Petrojarl implemented FASB Interpretation No. 47 "Accounting for Conditional Asset Retirement Obligations" ("FIN 47") as of December 31, 2005. FIN 47 is an interpretation of Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143"), which refers to legal obligations to perform asset retirement activities. FIN 47 requires an entity to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated, even if timing and/or method of settlement is conditional on a future event that may

not be within the control of the entity. The implementation of FIN 47 had no quantitative effect on Petrojarl.

In accordance with SFAS 143, Petrojarl records the fair value of an asset retirement obligation as a liability in the period when it is incurred (typically when the asset is installed at the production location). When the liability is recorded, Petrojarl capitalizes the cost by increasing the carrying amount of the related properties, plant and equipment. Over time, the liability is increased for the change in its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Also, revisions to a previously recorded asset retirement obligation may result from changes in the assumptions used to estimate the cash flows required to settle the asset retirement obligation. The effect of such changes is recorded as an adjustment to the related asset.

Fresh-Start Reporting

PGS adopted fresh-start reporting upon its emergence from its Chapter 11 reorganization in accordance with SOP 90-7. Accordingly, all assets and liabilities of Petrojarl were adjusted to reflect their reorganization value as of November 1, 2003, which approximates fair value at the date of reorganization. PGS engaged independent financial advisors to assist in the determination of the reorganization value of the combined entity and for most of the individual assets and liabilities. Assets and liabilities were valued based on a combination of the cost, income and market approach.

Similar to the estimates made for long-lived assets as described above, the estimates of fair value made for purposes of fresh-start reporting required judgments regarding long-term forecasts of future revenues and costs related to all significant assets and liabilities. These forecasts are uncertain in that they require assumptions about demand for PGS' products and services, future market conditions and technological developments. Significant and unanticipated changes to these assumptions could require a provision for impairment in a future period.

Upon adoption of fresh-start reporting, PGS recorded a liability equal to the fair value of the future additional required rental payments based on forward market rates for Sterling LIBOR and an 8% discount rate. This liability, which is amortized based on future rental payments, amounted to £15.2 million (\$29.3 million) at December 31, 2004, £13.4 million (\$23.2 million) at December 31, 2005 and £13.0 million (\$22.6 million) at March 31, 2006.

For additional information about UK leases, please read “– Liquidity and Capital Resources – UK Leases.”

Deferred Tax Assets

At March 31, 2006, Petrojarl had a total of \$135 million of deferred tax assets (net of deferred tax liabilities) in Norway and the United Kingdom (compared to \$133 million as of December 31, 2005). The tax losses carried forward are estimated to be \$197.3 million in Norway and \$83.1 million in the United Kingdom as of December 31, 2005, taking into account the tax losses allocated from PGS pursuant to the Demerger. Tax losses can be carried forward indefinitely in the United Kingdom and Norway. Petrojarl has established valuation allowances for all of its deferred tax assets at December 31, 2004 and 2005, and March 31, 2006. A valuation allowance, by tax jurisdiction, is established when it is more likely than not that all or some portion of the deferred tax assets will not be realized. The valuation allowance is periodically adjusted based upon the available evidence.

The estimates of projected near term future taxable income are based on a variety of factors and assumptions, many of which are subjective and are outside of management's control. Accordingly, these estimates could differ significantly from year to year, and Petrojarl may end up realizing deferred tax assets even though it has not been recognized on the balance sheet.

When PGS adopted fresh-start reporting, effective November 1, 2003, it established valuation allowances for deferred tax assets. As and when such deferred tax assets for which a valuation allowance is established are realized in subsequent periods, the tax benefit is recorded as a reduction of the carrying value of long-term intangible assets and other long-lived assets (favorable lease contracts) existing at adoption of fresh-start accounting until the value of such assets is reduced to zero. Any recognition of fresh-start deferred tax assets after intangible assets are reduced to zero will be credited to shareholders' equity. In the Petrojarl Combined Financial Statements, the reduction of intangible assets as a result of such realization of

deferred tax assets are recorded as an adjustment to shareholders' equity with an effect of \$0.6 million for 2005 and \$1.8 million for 2004 and there were no adjustments in the three months ended March 31, 2006.

Pensions

The total amount accrued by Petrojarl for pension, retirement or similar benefits for Petrojarl's employees as of December 31, 2005 was approximately \$5.7 million.

Petrojarl Pro Forma Financial Information

Petrojarl consists of entities, assets and liabilities that were under common control but which never formed a legal group. In order to present historical information for the Petrojarl Group, the Petrojarl Combined Financial Statements have been prepared based on the PGS Financial Statements. Since PGS is reporting under U.S. GAAP, the Petrojarl Combined Financial Statements have been prepared in accordance with U.S. GAAP. Petrojarl will apply IFRS as adopted by EU once listed on the OSE. Therefore, Petrojarl has prepared and presented the Petrojarl Pro Forma Financial Information, which contains certain adjustments in order to reflect the differences between U.S. GAAP and IFRS (as applied by Petrojarl), in addition to certain other pro forma adjustments as further described below.

Petrojarl's pro forma income statement for the year ended December 31, 2005 has been prepared on the basis of the Petrojarl Combined Financial Statements for the year ended December 31, 2005. Petrojarl's unaudited pro forma balance sheet as of March 31, 2006 and the unaudited pro forma income statement for the three months ended March 31, 2006 have been prepared on the basis of the unaudited Petrojarl Combined Financial Statements as of and for the three months ended March 31, 2006.

The pro forma adjustments reflected in the pro forma income statement for the year ended December 31, 2005 have been examined by Ernst & Young, Petrojarl's independent auditors, as indicated in their report included elsewhere in this Prospectus. The pro forma adjustments reflected in the Petrojarl Pro Forma Financial Information as of March 31, 2006 and the three months then ended have been reviewed by Ernst & Young. The examination and the review report in respect of the pro forma adjustments are prepared in accordance with Norwegian Auditing Standards. The Petrojarl Pro Forma Financial Information has been prepared based on IFRS and the requirements of the OSE (including Annex I of the Prospectus Directive Regulation (Commission Regulation (EC) No. 809/2004)). This information is not in compliance with Regulation S-X in the United States. In the event the Shares would be registered under the U.S. Securities Act, the Petrojarl Pro Forma Financial Information, including the examination and review report by the auditors, would be amended and/or removed from any registration statement under the U.S. Securities Act.

The Petrojarl Pro Forma Financial Information has been prepared on a basis consistent with the accounting policies to be applied by Petrojarl under IFRS. In the Petrojarl Pro Forma Financial Information it has been further assumed that January 1, 2005 was the transition date to IFRS for the entities, assets and liabilities transferred in the Demerger. This is consistent with the transition date to be applied by Petrojarl.

In connection with PGS' emergence from Chapter 11 reorganization, PGS adopted "fresh-start" reporting for financial statement purposes under U.S. GAAP, effective November 1, 2003, in accordance with AICPA Statement of Position 90-7. PGS adjusted the recorded value of its assets and liabilities to reflect their fair market value as of the date it emerged from Chapter 11 reorganization. This significantly changed the book value of several of the assets and liabilities of Petrojarl. Fresh-start accounting as applied by PGS under U.S. GAAP in conjunction with chapter 11 is not an allowed alternative under current IFRS. The recognized assets and liabilities that materialized in the Petrojarl Combined Financial Statements as a consequence of the adoption of fresh-start reporting have been removed in the Petrojarl Pro Forma Financial Information to the extent that similar accounting treatment does not follow from the application of IFRS.

The pro forma adjustments, as described in more detail below, are based on available information and certain assumptions. The Petrojarl Pro Forma Financial Information has been prepared for illustrative purposes only and is not intended to represent what Petrojarl's financial position or results of operations would actually have been if the Demerger had occurred on an earlier date and Petrojarl had operated as a separate group. The Petrojarl Pro Forma Financial Information is not intended to project Petrojarl's financial position or results of operations for any future period.

For further information, please see the Petrojarl Combined Financial Statements and the Petrojarl Pro Forma Financial Information included elsewhere in this Prospectus.

Pro Forma Adjustments

Property and Equipment

Depreciation

The carrying amount of the FPSOs in the Petrojarl Combined Financial Statements are based on “fresh-start” reporting under U.S. GAAP. Fresh start reporting is currently not an allowed alternative under IFRS and as a consequence, Petrojarl has retrospectively applied the requirements in IAS 16 Property, Plant and Equipment and made necessary adjustments to depreciation and carrying amounts. IFRS requires that each significant part of an item of property, plant and equipment is depreciated separately, which is not specifically stated in U.S. GAAP. Under IFRS residual values are reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change shall be accounted for as a change in an accounting estimate. Under U.S. GAAP, residual value is only estimated on initial recognition which, for U.S. GAAP purposes, was on the date “fresh start” accounting was applied, and only reduced downwards if applicable. The pro forma adjustments of the vessels and depreciation reflect the effect on depreciation of implementing components and reassessment of residual values and useful lives.

Impairment and Reversals

Retrospective application of IAS 36 *Impairment of Assets* would have resulted in impairments in 2003 and reversal of these impairments in 2005, which has been recognized in the 2005 pro forma income statement.

Asset Removal Obligation for the Banff Field

Petrojarl has asset removal obligations related to the Banff subsea installation. Accounting for asset removal obligations under U.S. GAAP and IFRS are broadly similar, but some differences exist. Differences may arise when an entity changes cost estimates or discount rates. There have been no changes in cost estimates in the periods presented, but changes in discount rates have been reflected in the Petrojarl Pro Forma Financial Information. As a result of the vessel’s carrying amount and historical impairments and reversals, adjustments to the asset removal obligation has been recorded as impairment in accordance with IFRIC 1 in 2005. For the three months ended March 31, 2006, a reduction in the asset removal obligation resulting from changes in interest rate has been recorded as other operating income, as the carrying amount of the component is zero.

UK Leases; Petrojarl Foinaven and Ramform Banff

Contingencies

For fresh-start reporting purposes under U.S. GAAP, the fair value of the specific tax exposure related to these leases were recorded as a liability. Applicable portions of this liability are released if and when the UK HM Revenue and Customs accepts the lessors’ claim for capital allowance under each lease. In 2005, the liability related to the Ramform Banff lease was released under U.S. GAAP.

There is still a contingency related to the Petrojarl Foinaven lease, where the UK HM Revenue and Customs has raised an issue about the accelerated rate at which tax depreciation is available. In the Pro Forma Financial Information, the “fresh start” liabilities and their related income statement effects have been removed. An accrual of £13 million (\$22.5 million) related to the contingency regarding tax indemnification on Petrojarl Foinaven was made in the Petrojarl Pro Forma Financial Information (other income (expense) in the income statement) for 2005 since the requirements under IAS 37 for recognizing a provision were considered to be met.

Interest rate differential

The UK leases are defeased. However, Petrojarl has an obligation to top up the difference between the implicit interest in the lease (fixed rate) and the realized interest on the defeasance bank investment. Payments are due from Petrojarl when rentals are due, generally once or twice a year. Under US GAAP, obligations associated with lease obligations are initially accounted for under FAS 13. Such arrangements are required to be assessed for embedded derivatives. If the economic characteristics and risks of the embedded derivatives are clearly and closely related to the economic characteristics and risks associated with the host lease contract then separate accounting for the embedded derivative is not required. A reassessment is not triggered by the subsequent derecognition of the lease obligation. Any remaining obligations under the lease arrangement are accounted for on an accrual basis under FAS 13. In fresh start

accounting a fair market value of this obligation was established, which is amortized over the life-time of the leases.

Under IFRS, obligations associated with the lease obligations are initially accounted for under IAS 17. As under US GAAP, such arrangements are assessed for embedded derivatives and these derivatives are separately accounted for unless their characteristics are clearly and closely related to those of the host lease contract. The derecognition of obligations associated with sale-leaseback arrangements is within the scope of IAS 39. Under IAS 39, the derecognition of both the asset and liability must be considered. Transfers of financial assets in settlement of lease obligations must be evaluated to determine the extent to which risks and rewards of ownership of the financial asset are retained. Based on the evaluation of the contracts in question, it was concluded that the financial asset is derecognised in its entirety as a result of the transfer, but the transfer results in the entity obtaining a new financial liability under IFRS, and this financial liability should be measured at fair value, and in this case the subsequent changes in fair value will be recognized through the income statement. We consider that it would be most appropriate to continue to fair value it as it has the characteristics of a derivative in IAS 39.9:

- (a) its value changes in response to the change in specified interest rates
- (b) it required no initial net investment and
- (c) it is settled at future dates.

As such, a difference emerges on the accounting associated with the residual obligations upon initial derecognition of obligations under lease arrangements between IFRS and US GAAP. Under IFRS, these obligations are accounted for at fair value with corresponding changes in fair value reported through the income statement. Under US GAAP, such obligations are accounted for on an accrual basis under FAS 13. In the Petrojarl Pro Forma Financial Information the fresh start accounting effects related to this item have been removed and the fair value of these interest rate differentials have been recorded upon transition to IFRS and at each subsequent balance sheet date as derivative financial instrument. The changes in fair values of these derivatives are recorded in the pro forma income statement (other financial items, net).

Pensions

Petrojarl has in the Petrojarl Pro Forma Financial Information applied the exemption given in IFRS 1 First-time Adoption and recognized all cumulative actuarial gains and losses at the date of transition to IFRS. The minimum liabilities recorded in capital from parent in the Petrojarl Combined Financial Statements have similarly been reversed in the Petrojarl Pro Forma Financial Information. In addition, the discount rate applied in the calculations under IFRS is different than the discount rates applied under U.S. GAAP. The discount rates used to determine benefit and obligations as of January 1, 2005 and December 31, 2005 are as follows:

	January 1, 2005	December 31, 2005
Combined Financial Statements (U.S. GAAP)	4.8%	4.3%
Pro Forma Financial Information (IFRS)	4.3%	3.9%

The US GAAP discount rate includes an assumed risk premium for corporate bonds over the Norwegian government bond rate. Under IFRS the rate on government bonds is used as there is currently not considered to be a significant market for corporate bonds in Norway.

Intangible assets and other Long-lived Assets

Intangible assets in the Petrojarl Combined Financial Statements were recognized in conjunction with the adoption of fresh start reporting in November 2003 related to existing FPSO contracts and favorable lease contracts. Petrojarl has adjusted for this in the Petrojarl Pro Forma Financial Information by removing these assets from the balance sheet and reversing the income statement effects of amortization and lease expense for the periods presented in the Petrojarl Pro Forma Financial Information.

Financial Income and Expense

In connection with the Demerger, Petrojarl will assume interest bearing gross debt of \$325 million to PGS with the intention of an immediate repayment. To finance this repayment Petrojarl has obtained a commitment in the form of a mandate letter and term sheet for the ING Facility, which is currently being syndicated into the international bank market. The ING Facility will be entered into prior to the Completion Date of the Demerger. The initial borrowing under the ING Facility is expected to be \$325 million. For the purpose of the Petrojarl Pro Forma Financial Information, the interest bearing debt to PGS upon Demerger is assumed to have been drawn December 31, 2005. Under IFRS the debt is recorded at amortised cost of \$319 million (nominal debt of \$325 million, net of transaction cost). Actual repayments and borrowings to and from PGS, and pro forma adjustments which would have affected repayments and borrowings, for the year ended December 31, 2005, have been adjusted to the loan balance during 2005 and interest expense is adjusted accordingly, to reflect the terms of the ING Facility. Upon completion of the Demerger, Petrojarl ASA will receive \$46.5 million of cash from PGS adjusted for certain items as described in the Demerger Plan. Furthermore, estimated transaction costs of the new debt equal to \$6.0 million will be payable around the completion of the Demerger. The net effect of \$40.5 million is adjusted in cash and cash equivalents at January 1, 2005 and through December 31, 2005. Actual repayments and borrowings from PGS, and pro forma adjustments which would have affected repayments and borrowings, for the three months ended March 31, 2006 have been adjusted to cash and cash equivalents at March 31, 2006. Under the Demerger Plan the loan from PGS will not carry any interest during the period beginning January 1, 2006 until completion of the Demerger. Therefore, the pro forma interest expenses for the three months ended March 31, 2006 are credited to equity as contribution from PGS. Interest income has been pro forma adjusted for these adjustments to cash and cash equivalents.

Effects of Pro Forma Adjustments

Following is a presentation of the effects of the pro forma adjustments described above on net income (loss) for the year ended December 31, 2005 and the three months ended March 31, 2006 and the shareholder's equity as of March 31, 2006:

	Net income	
	For the Year Ended December 31, 2005	For the Three Months Ended March 31, 2006
	(thousands of U.S. dollars)	
		(unaudited)
As reported in Petrojarl Combined Financial Statements (U.S. GAAP) . . .	\$ (11,618)	\$ 6,549
Minority interest in U.S. GAAP	27	1
Income/(loss) before minority interest	(11,591)	6,550
Property and equipment:		
Depreciations	(31)	(4,072)
Reversal of impairments	207,853	-
Asset removal obligation Banff field	661	(291)
UK Leases:		
Contingencies related to Petrojarl Foinaven and Ramform Banff	(29,880)	(76)
Interest rate differential	(3,202)	3,370
Pensions	(357)	(246)
Amortization intangible assets and lease expenses	8,489	2,122
Financial Income and expense	36,097	913
Pro forma reported amount (IFRS)	<u>\$208,039</u>	<u>\$ 8,270</u>

	Total Equity
	as of March 31, 2006
	(thousands of U.S. dollars)
	(unaudited)
Shareholder's equity as reported in Combined Financial Statements (unaudited)	
(U.S. GAAP)	\$338,508
Minority interest in U.S. GAAP	786
Shareholder's equity and minority interest in U.S. GAAP	<u>339,294</u>
Difference in net income for the period ended March 31, 2006	1,720
Differences in net income for the year ended December 31, 2005	219,630
Equity adjustments Pro forma	
Interest expense Q1 06 – not payable	5,002
Minimum pension liability and repayment of capital from parent recorded as comprehensive income (loss) (combined 2005)	609
Adjustments based on transition to IFRS as of January 1, 2005	
FPSOs	29,417
Asset Removal Obligation Banff field	(736)
UK Leases:	
Contingencies Petrojarl Foinaven/Ramform Banff	20,073
Interest rate differential	(9,370)
Accrued interest—Interest rate differential	482
Pensions	(5,643)
Intangible assets and other long-lived assets	(19,129)
Minority interest and other long-lived assets	188
Financing adjustments	<u>(74,777)</u>
Pro forma reported amount (IFRS)	<u><u>\$506,760</u></u>

Industry Overview

Background

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

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

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

Market for FPSO services

As traditional offshore hydrocarbon basins, such as the North Sea, have matured, developments in these regions have increasingly involved smaller fields, with shorter expected producing lives. For the development of these smaller fields to be profitable, oil and gas companies must reduce development cost levels and financial exposure. As a result, oil and gas companies have increasingly focused on subsea installations and reusable FPSO systems as opposed to the more traditional fixed steel and concrete platforms, which in general cannot be used on more than one field.

As a consequence of maturing traditional producing basins, the oil and gas industry has begun to look to new and more challenging areas for reserves. Several developing regions are characterized by deep water and have limited infrastructure in place. FPSOs have proved to be an effective development solution in such areas as they are typically cheaper to install in deep water compared to fixed systems, require little infrastructure and generally have shorter lead times to first oil. Regions such as Brazil and West Africa have similar characteristics to those described above and are already well developed FPSO markets. The continued pace of oil and gas development in these regions indicates that they are expected to be the major areas of growth for FPSO developments going forward.

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

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

Extended well testing or production testing

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

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

Early production

When the decision has been made to develop a field into full production, engineering, building and installing the permanent facilities commences. This period of investment can typically extend for three to five years before a positive cash flow is established. The field's overall profitability may be significantly improved by providing income through maintaining a certain level of production during this period without impairing the subsequent permanent production and by reducing the need for, or level of, construction financing. Typical production rates during an early production phase may range from 30,000 to 70,000 barrels per day, from one to six wells.

Life-of-field development

Utilizing fixed installations may not be economically attractive for smaller and medium-sized fields with production lives of three to eight years, as the investment in the installation has to be fully depreciated over the life of the field. These fields provide the basis for the market for life-of-field development by FPSO systems, as FPSOs can be redeployed to more than one field and thus do not have to be fully depreciated on the initial field.

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

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

Competing technologies

Petrojarl's FPSO systems will generally compete with other FPSO systems, as well as with fixed installations, subsea production installations tied back to existing infrastructure, semi-submersibles, jack-up platforms and other floating or land-based production systems. Competition between FPSO systems and other offshore production systems is based on a number of factors including water depth, availability or proximity of transportation infrastructure, size of the producing field, cost and schedule for modifications, as well as local regulatory framework.

FPSOs perform similar tasks as fixed installations, with the exception of drilling and heavy well maintenance. To combine drilling and heavy well maintenance with production, some oil companies have

opted for semi-submersible platforms. The choice between an FPSO and either a fixed installation or another floating system as a means of development is dependent on comprehensive technical and financial evaluation of the individual field to be developed.

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

Water depth

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

Estimated reserves

For the use of an FPSO to become economically attractive to either an oil company or a contractor, the estimated reserves generally need to be between 20 and 200 million barrels oil equivalent ("mboe"), depending on reservoir characteristics, fiscal regime and proximity to infrastructure. Normal production lifetimes for such fields are typically between three and 10 years. Smaller reserves (less than 20 mboe) generally cannot by themselves economically support production by an FPSO.

The decision by an oil and gas company of whether to lease or purchase an FPSO system is primarily dependent on expected production lifetimes of fields, which affect the redeployment value of the FPSO, but may also depend upon the relevant tax depreciation regime. However, certain fields, such as the Foinaven field, are produced by FPSOs even though the recoverable reserves are expected to be well above 200 mboe. Production of such larger fields by FPSOs typically occurs in situations in which water depth or the lack of infrastructure in the area makes the use of a fixed installation impractical.

Utilizing existing infrastructure

Marginal fields located near existing infrastructure can often be most economically developed using a linked subsea system or a mobile production facility without storage capacity, which is connected to pipelines. However, the cost of pipelines, pumps and possibly semi-submersible processing platforms may be considerable. Consequently, FPSOs can still be an attractive alternative for reserves located within such distances of an existing platform, particularly if the potential host platform requires extensive modifications. In addition, host platforms are often operated by a different, and potentially competing, license group, which can also make such arrangements difficult to achieve. For marginal fields which are a substantial distance from any existing infrastructure, FPSOs are most often the only alternative.

Semi-submersible and jack-up platforms

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

Petrojarl's Business

Introduction

Petrojarl is one of the largest operators of floating production storage and offloading vessels in the North Sea, measured by production capacity and number of vessels. Petrojarl owns and operates four FPSOs, Ramform Banff, Petrojarl I, Petrojarl Foinaven and Petrojarl Varg, operates two shuttle tankers and charters one storage tanker on a time charter capacity. The four FPSOs have a combined maximum production capacity of 339,000 barrels of oil per day and a crude oil storage capacity of one million barrels. Average production for the three months ended March 31, 2006 was 96,500 barrels of oil per day. All four FPSOs are double hulled, rated for harsh environments and capable of working in deepwater fields.

Petrojarl believes that its fleet of FPSOs is one of the most technologically advanced in the industry. Petrojarl has experience operating in some of the industry's most demanding environments in the North Sea and the continental shelf of the Atlantic Ocean.

Petrojarl's FPSOs are operated under long-term service agreements with oil and natural gas companies. Pursuant to these service contracts, Petrojarl produces, stores and transports oil produced on oil fields on the Norwegian and United Kingdom continental shelf sectors of the North Sea.

Petrojarl ASA was incorporated on March 2, 2006 by PGS ASA under the name of Petrojarl ASA. Petrojarl ASA is a public limited liability company organized under, and governed by, Norwegian law.

Petrojarl's principal executive office is at Beddingen 16, Trondheim, Norway. The mailing address is P.O. Box 482 Sentrum, NO-7014 Trondheim, Norway, and the telephone number is +47 73 98 30 00. Petrojarl's registration number is 989 600 699.

Petrojarl's statutory auditor is Ernst & Young AS, and their business address is Christian Fredriks plass 6, NO-0154 Oslo. Ernst & Young AS is a member of Den Norske Revisorforening (The Norwegian Institute of Public Accountants).

History

The primary milestones in Petrojarl's historical development within PGS include the following:

- May 1998: Acquisition of Golar-Nor (Petrojarl I and Petrojarl Foinaven)
- October 1998: Delivery of Ramform Banff
- July 1999: Acquisition of FPSO Varg (renamed Petrojarl Varg)
- March 2001: Resumption of oil production by the re-tooled Ramform Banff
- November 2003: PGS emerged from Chapter 11 reorganization under the U.S. Bankruptcy Code
- February 2005: Sale of the PGS subsidiary Petra AS to Talisman
- January 2006: Acquisition of the shuttle tanker Rita Knutsen for possible FPSO conversion
- June 2006: Joint venture agreement with Teekay Shipping Corporation to develop new FPSO projects

Strategy

The deployment of Petrojarl I, on Oseberg in 1986, was the first use of an FPSO system in the North Sea. Its subsequent success, which has involved operations on 10 separate production contracts, has proved the viability of FPSO systems in harsh environments and has established the Petrojarl management team as one of the leading and most innovative operators of FPSOs.

Going forward, Petrojarl aims to double its FPSO fleet by 2010 under a strategy comprised of two key components: (i) to continue to build on Petrojarl's position as one of the leading owners and operators of FPSOs in the North Sea and (ii) to target suitable growth opportunities beyond the North Sea.

North Sea

Petrojarl plans to retain its position as a leading FPSO contractor in the North Sea through the redeployment of its existing FPSOs and through actively seeking to develop new projects.

Petrojarl continually aims to enhance the value of its current contracts and future redeployments through careful capacity utilization, thorough cost management and by sharing reservoir risk and upside with the oil companies through the tariff element in its incentive-based contract structures. In addition, Petrojarl is focused on maintaining its track record of achieving high levels of operating regularity and excellent health, safety, environment and quality ("HSEQ") performance.

Petrojarl is actively pursuing redeployment opportunities for its vessels and believes that there are several suitable opportunities in the North Sea, particularly on the Norwegian Continental Shelf. Petrojarl's contract structure means that such redeployments have the potential to provide significant earnings and cash flow upside relative to existing contracts nearing the end of their life. Petrojarl believes such redeployment would lead to higher tariff income from increased production levels on younger fields at higher tariff rates.

International growth & Teekay Petrojarl Offshore joint venture

Petrojarl intends to pursue growth opportunities and seek to develop new FPSO conversion projects beyond the North Sea region where it can capitalize on its strength in design, project execution and operational performance. Petrojarl views the agreed joint venture with Teekay, which will focus on converted tanker solutions, as the platform for this expansion.

The joint venture will allow Petrojarl to pursue further growth in the market for mobile production solutions worldwide more effectively. Teekay provides easier access to hulls for conversion, a global marketing organization and strong customer and shipyard relationships. This provides a natural complement to Petrojarl's topside design and engineering expertise and track record of operating FPSOs in harsh environments.

The joint venture is already actively pursuing opportunities in Brazil, the Asia Pacific region and the Gulf of Mexico. Prior to agreeing to the joint venture, Petrojarl entered into an agreement to purchase the shuttle tanker MT Rita Knutsen, with a view to converting it into an FPSO once a firm contract is secured. In addition, Petrojarl has submitted a bid to Petrobras to supply a FPSO for the Siri project in Brazil based on a conversion of the MT Che Guevara vessel, which vessel Petrojarl has an option to purchase. It is possible that, in the future, the parties may agree that these vessels will be contributed into the joint venture.

Competitive Strengths

Petrojarl believes the following key strengths distinguish it from its competitors:

High quality fleet

Petrojarl has a modern, technologically advanced fleet of double hulled vessels. Petrojarl's current vessels are designed specifically for harsh environment operations, limited shuttling distances and demanding regulatory regimes such as the North Sea and Atlantic Margin (the United Kingdom, Ireland, Norway and Canada).

Experienced management team

Petrojarl has a strong and qualified management team. Several of the members of management have extensive experience in the oil and oil service industry dating back to the first deployment of Petrojarl I in 1986. In addition, Petrojarl has recruited additional managers with complementary skill sets gained through experience in working with other large public companies. The collective expertise of the key management team puts Petrojarl in a strong position to deliver on its business strategy.

Established position in the North Sea

The North Sea market, where Petrojarl's vessels are currently deployed, has significant barriers to entry due to the strict regulatory environment. Petrojarl believes that there are a limited number of other FPSO contractors who have an FPSO fleet of comparable sophistication or the required operational experience to pose a significant competitive threat in the near future. Other major contractors operating in the North Sea include Bluewater Energy Services B.V. and Maersk A/S. In addition, several FPSOs are owned and operated by oil and gas companies.

High operating standards

Despite operating in harsh environments Petrojarl has achieved high rates of vessel up-time. In addition, Petrojarl conducts operations in a manner that promotes health and safety and minimizes the effect on the environment. Petrojarl's HSEQ practices and procedures are regularly monitored to ensure that its performance is continuously improved. Petrojarl has operated for 2.9 years since the last lost-time injury across its entire fleet, and the Petrojarl Foinaven has operated for 5.9 years since the last lost-time injury.

Attractive contract model

Petrojarl operates FPSOs for oil companies pursuant to medium and long-term service agreements, under which payments are generally made on the basis of defined day rates and production tariff elements. Such contract structures provide a better alignment of goals with field operators and allow both parties to share the reservoir risks and rewards. Petrojarl's contracts typically also include incentives linked to, among others, flaring, waste recycling and water injection regularity.

Track record of successful project execution

Petrojarl has demonstrated strong operational performance and the ability to successfully manage complex projects in harsh environments. For example, Petrojarl I was the first FPSO to be deployed in the North Sea and has since operated under 10 different production contracts. Throughout this time, the vessel has undergone improvements and extensive upgrades to the hull as well as the processing and control systems, while maintaining high levels of up-time efficiency.

Hulls available for conversion

The number of tanker hulls suitable for conversion has diminished significantly in recent years. Consequently, access to a hull suitable for conversion is critical to being competitive in bidding for new projects. In January 2006, Petrojarl purchased the Rita Knutsen, a double hull vessel of 124,472 deadweight tonnage, as a candidate for conversion to an FPSO. Petrojarl does not intend to convert the Rita Knutsen until a firm production contract has been secured in the market. Until that time, it will continue to operate as a shuttle tanker on a bareboat basis. Petrojarl also has an option to purchase the MT Che Guevara, and expects to exercise the option once it secures a firm production contract.

Capacity to undertake new projects

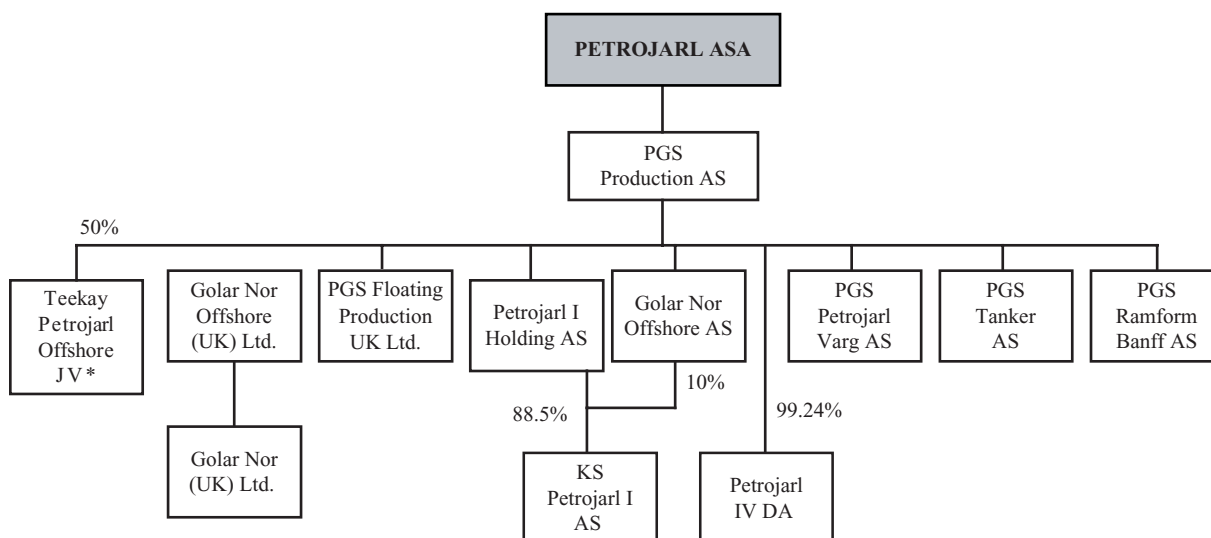
The ability to undertake and successfully execute new projects is driven by the ability to gain access to the necessary resources to design and build or convert an FPSO and equip it with the appropriate human resources. Petrojarl believes its joint venture with Teekay will give it easier access to hulls for conversion, customer relationships and will provide significant leverage with shipyards globally. Petrojarl's workforce already has extensive experience in FPSO development and operation and is well-prepared to adapt to the challenges of new projects beyond Petrojarl's existing scope of operations.

HSEQ Performance

Petrojarl is focused on maintaining its track record of achieving high levels of operating regularity and excellent HSEQ performance, which has been achieved in part by continuous and proactive work in line with international recognised standards for HSEQ. Petrojarl has been certified pursuant to the international ISO 14001 standard for environmental excellence since 1997, and, as of June 1, 2006, the vessels Petrojarl I, Petrojarl Varg and Ramform Banff have not had any Lost Time Injury for a period of almost 3 years.

Legal Structure (after giving effect to the Demerger)

Petrojarl, the parent company of the Petrojarl group, is a holding company with no production activities. The following chart illustrates the legal structure of the Petrojarl group as of the date of this Prospectus:



* The Teekay Petrojarl Offshore Joint Venture will consist of additional companies and partnerships not listed above.

Business Description

Service Agreements

Petrojarl focuses on the design, development, ownership and operation of FPSOs pursuant to medium- and long-term service agreements with oil companies. From the outset, a service agreement establishes the functional specifications that an FPSO must meet and is entered into prior to the deployment of an FPSO to an oil field. Petrojarl must deliver an FPSO that complies with these specifications and install a fully operational unit. Under the service agreements, Petrojarl is generally responsible for performing the operations of the FPSO, for managing the interface between the unit and subsea facilities and offloading systems and for decommissioning the FPSO upon the cessation of production. Oil companies are responsible for the actual drilling, completion and testing of wells and for the performance of any subsequent well interventions. Petrojarl may also be responsible for performing other activities under the service agreements, such as operating shuttle tankers.

Description of FPSOs

The following table provides information about Petrojarl's four FPSOs. In addition to these four vessels, Petrojarl operates two shuttle tankers and charters one storage tanker on a time charter basis from third-party contractors under operating leases expiring at various dates through 2014. In addition, Petrojarl owns a 40% interest in the French company Ikdam Production SA which owns the FPSO Ikdam, producing on the Isis field off the coast of Tunisia on a fixed day rate contract. As of March 31, 2006, production from this

vessel was approximately 1,500 barrels per day with a maximum processing capacity of 30,000 barrels per day.

FPSO Name	Year delivered/ acquired	Approximate total length (feet)	Approximate total width (feet)	Production capacity (barrels per day)	Displacement (metric tons)	Storage capacity (barrels)	Average Daily Production (barrels per day) ⁽²⁾
Ramform							
Banff ⁽¹⁾ . . .	1998	395	175	95,000	32,100	120,000	8,600
Petrojarl I . . .	1986	683	105	47,000	51,000	180,000	10,800
Petrojarl							
Foinaven ⁽¹⁾ .	1996	827	116	140,000	72,000	280,000	58,000
Petrojarl Varg	1999	702	125	57,000	100,000	420,000	19,100

(1) Petrojarl has UK lease arrangements for the Petrojarl Foinaven and for the Ramform Banff topside production equipment. Under the leases, Petrojarl leases the vessel/equipment under long-term charters that give it the option to purchase the vessel and equipment for a *de minimis* amount at the end of the charter periods. The leases are legally defeased because Petrojarl has made payments to banks in consideration for which the banks have assumed liability to the lessors equal to basic rentals and termination sum obligations. Regarding the UK leases on the production equipment for the Ramform Banff, Petrojarl has entered into an agreement providing certain options to the lessor with respect to the early termination of the leases at reduced termination sums. If the lease on the production equipment for the Ramform Banff is terminated under the agreement with the lessor prior to November 24, 2006, Petrojarl would either (i) be required to pay a termination sum that could amount to up to approximately £8.5 million, or (ii) have no payment obligation to the lessor, dependant on which option is exercised by the lessor.

(2) For the three months ended March 31, 2006.

Petrojarl I

The Petrojarl I FPSO is under contract to Statoil ASA, on behalf of the Glitne group, to produce from the Glitne field in the Norwegian sector of the North Sea.

The contract provides for compensation consisting of a tariff-based element of \$3.50 per barrel and a fixed day rate of \$12,750 plus up to \$5,000 per day for water injection, subject to a minimum variable amount of \$58,500 and a maximum of \$108,500. In addition, Petrojarl is entitled to receive an additional NOK 475,585 (approximately \$70,262) per day for operating expenses.

Statoil may cancel the contract on six months' notice. In addition, Statoil may terminate the contract upon specified force majeure events, the insolvency or bankruptcy of Petrojarl's subsidiary K/S Petrojarl I A/S or demonstration by that subsidiary that it is not capable of performing the work, or Petrojarl's substantial breach of the contract. Petrojarl may cancel the contract on three months' notice if the minimum variable rate has been received for 90 days' in a 120-day period, subject, however, to Statoil's right to continue the contract by increasing the tariff element. It is likely that such a termination followed by an increase in the tariff element will take place during the third quarter of 2006.

Petrojarl Varg

The Petrojarl Varg is under contract to the Talisman Energy Norge AS, on behalf of the Varg group, to produce from the Varg field in the Norwegian sector of the North Sea.

The contract provides for compensation consisting of a fixed base day rate of \$90,000 and a tariff of \$6.30 per barrel produced per day.

The charter and operating agreement may be terminated by the operator with 90 days' written notice without cause. Petrojarl can terminate with 90 days' written notice if mean weekly production drops below approximately 15,750 barrels per day. Daily production volume is currently at levels which would allow Petrojarl to terminate the production contract with 90 days' notice and Petrojarl has initiated discussions with Talisman to address the situation and seek to improve the current compensation structure. In parallel, the work to seek redeployment opportunities for Petrojarl Varg has been accelerated.

Petrojarl Foinaven

The Petrojarl Foinaven is under a contract to Britoil Plc (a subsidiary of BP Plc), on behalf of the Foinaven Co-venturers, to produce from the Foinaven field to the west of the Shetlands in the UK sector of the North Sea.

The contract provides for compensation consisting of a fixed base day rate of \$71,258 and a two-tier production dependent tariff that varies at different production levels. Petrojarl receives \$3.50 per barrel of oil produced per day up to 25,000 barrels and \$2.95 per barrel of oil produced per day in excess of 25,000 barrels, as well as \$0.75 per barrel of oil produced per day from a satellite field, East Foinaven.

The Foinaven contract is not limited in time. Britoil may terminate the contract with a minimum of two years' notice. Britoil may also terminate the contract upon the total loss of the vessel, a breach of the contract that is not remedied within agreed deadlines, specified insolvency and bankruptcy related events or specified force majeure events. In addition, Petrojarl may terminate the contract with prior notice if production-dependent tariff revenue falls below specified levels. Petrojarl can terminate with 24 months notice if production drops below about 30,000 barrels per day.

Petrojarl has additional obligations that may arise under the contract relating to the Foinaven project, including obligations to compensate Britoil up to a maximum of \$10 million for breaches of contract and to pay for pollution damage caused by diesel or lubricants.

Britoil has agreed to give the necessary consents to the Demerger subject to certain conditions which Petrojarl believes will be fulfilled prior to the Completion Date. However, the conditions to giving such consents are subjective and, in some cases, at Britoil's discretion, and no assurances can be given that such conditions will be met and that final agreement on the definitive documentation will be reached. Consequently, no assurances can be given that such consents will be received prior to consummation of the Demerger. Furthermore, to obtain the consent and to facilitate the necessary security under the ING Facility, Petrojarl has agreed to amend certain of its obligations towards Britoil to further secure Britoil's continued access to the vessel in a default situation, and to allow Britoil certain rights to step in to the operation of the vessel if Petrojarl falls below certain financial ratios which are similar to those contained in the ING Facility.

Ramform Banff

The Ramform Banff is under contract to Canadian Natural Resources International (UK) Limited, on behalf of the Banff Co-venturers, to produce from the Banff field in the UK sector of the North Sea. In 2005, wells from the nearby Kyle field were connected to Ramform Banff.

The contract provides for compensation consisting of a two-tier production dependent tariff that varies at different production levels. Petrojarl receives \$5 per barrel of oil produced per day for production of up to 15,400 barrels per day and \$3 per barrel of oil produced per day in excess of 15,400 barrels. Petrojarl also receives a fixed day rate of £40,000 (approximately \$69,000), with a minimum total day rate of \$126,800. These rates are applicable for production through 2014, with provisions for cost index adjustments. If field production extends beyond 2014, Petrojarl will be entitled to an increased day rate.

Under the terms of the contract, the Ramform Banff will continue to produce from the field until the end of the life of the field, which is estimated to be 2014. Canadian Natural Resources has the right to terminate the contract at its sole discretion on six months' notice. Upon termination of the contract, Canadian Natural Resources has the option to acquire the subsea facilities of the Ramform Banff free of charge or cost. In the event that Canadian Natural Resources does not exercise its option, Petrojarl is obligated to remove the subsea facilities at its own cost and, upon completion of its obligations under the contract, Canadian Natural Resources will owe Petrojarl's £5 million, escalated by 1.5% per annum from 2000.

Teekay Petrojarl Offshore joint venture

On June 14, 2006, Petrojarl entered into an agreement with Teekay Shipping Corporation to form a joint venture company called Teekay Petrojarl Offshore. This joint venture seeks to combine Teekay's global marketing organization and Petrojarl's engineering expertise and experience as an operator of FPSOs in harsh environments, and will focus on pursuing new opportunities in the rapidly growing international

market for FPSOs. The joint venture is expected to be a key component in achieving Petrojarl's international growth strategy.

The joint venture will only encompass new projects. Existing assets of both companies are excluded from the joint venture, including all of Petrojarl's FPSOs and redeployment of those assets, although in the future the parties may agree to the contribution of existing assets to the joint venture on arm's length terms.

Teekay is a leading provider of international crude oil and petroleum product transportation services through a spot tanker fleet, which includes the world's largest fleet of Aframax-size oil tankers, a fixed-rate fleet, which includes the world's largest fleet of shuttle tankers, and an LNG fleet. The tankers and LNG carriers provide transportation services to major oil companies, oil traders and government agencies worldwide.

The joint venture agreement entered into with Teekay requires further decisions before any commitments are firm. Furthermore, the agreement is subject to approval from the competition authorities, and there can be no assurance that such approval will be obtained, and if so, on acceptable terms.

Recent Developments

In January 2006, Petrojarl entered into an agreement to purchase the shuttle tanker MT Rita Knutsen from Knutsen OAS Shipping for \$35 million. Petrojarl has developed plans for a conversion of the ship to an FPSO. The vessel is considered as a possible FPSO solution for several upcoming projects, and a conversion will be started when a firm production contract for the ship is secured. Rita Knutsen is a double hull vessel of 124,472 dwt, built by the Daewoo shipyard in Korea in 1986. Pending a suitable contract, the ship will be operated by Knutsen OAS Shipping on a bareboat agreement.

Petrojarl has an option to purchase the MT Che Guevara vessel and on May 17, 2006, Petrojarl submitted a bid to Petrobras to supply an FPSO for the Siri project in Brazil based on a conversion of the vessel. The outcome of the Siri bid is expected to be known by the end of August 2006.

Employees

As of the date of this Prospectus, the Production Business employs 524 employees, of which 4 are temporary employees. Of these, 108 are employed in the onshore organization, while 416 employees are employed in offshore positions on FPSOs and tankers. Upon completion of the Demerger such employees will be employed by Petrojarl.

The table below reflects a breakdown of the geographic location of these employees:

<u>Location</u>	<u>Employees</u>
Norway – Trondheim (onshore)	98
Norway (offshore)	211
United Kingdom – Aberdeen (onshore)	10
United Kingdom (offshore, including tankers)	205

Approximately 255 of the employees are represented by trade unions pursuant to industry-wide collective bargaining agreements. Petrojarl believes that it maintains good relations with both its union represented and non-union represented employees. However, in 2004, Petrojarl I was selected by the Norwegian Shipowners Association to be included in a general employee lockout affecting several Norwegian Continental Shelf installations. Production from Petrojarl I was shut down from September 12 through October 27, 2004. In addition, for approximately two weeks in October 2004, production on Petrojarl Varg was shut down as a result of the same labor conflict. There can be no assurances that similar or more serious labor disputes will not arise in the future, and Petrojarl can not predict the extent to which such disputes may have a material adverse effect on its results of operations or financial condition.

Disputes and Legal Proceedings

Except for the pending discussions with the UK HM Revenue and Customs regarding capital allowances under the UK lease of Petrojarl Foinaven described in "Management's Discussion and Analysis of Financial

Condition and Results of Operations – Liquidity and Capital Resources – UK Leases,” Petrojarl is not at the date of this Prospectus involved in other material disputes or legal proceedings.

Governmental Regulation and Environmental Matters

General

Petrojarl’s operations are affected by a variety of international laws and regulations, including laws and regulations relating to:

- permitting or licensing agreements for oil and natural gas exploration, development and production activities;
- exports and imports;
- currency;
- taxes;
- occupational health and safety; and
- the protection of the environment.

Petrojarl’s operations are subject to a variety of laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. Numerous governmental departments issue rules and regulations to implement and enforce such laws that are often complex and costly to comply with and that can carry substantial penalties or fines for failure to comply. Under these laws and regulations, Petrojarl may be liable for remediation or removal costs, damages and other costs associated with releases of hazardous materials including oil into the environment. Due to a recent amendment to Norwegian legislation, FPSO units are currently required to obtain an Acknowledgement of Compliance (“AoC”) in order to obtain consent for commencing petroleum related activities on the NCS. With regard to FPSO units already in production, AoC must be obtained by January 1, 2008, in order for the activities to lawfully continue. Such AoC has not yet been obtained for the FPSO units operating on the Norwegian Continental Shelf.

Petrojarl believes that it is currently in compliance in all material respects with the requirements of applicable environmental, export/import and occupational health and safety laws and regulations. Please see “Risk Factors.”

Operating Conditions and Insurance

Petrojarl’s operations are often conducted under extreme weather and other hazardous conditions. These operations are subject to risks of injury to personnel and loss of equipment. Petrojarl has safety compliance programs staffed by full-time professional employees and a program for developing, implementing and managing its responsibility for the health and safety of its employees and the environments in which it operates. Systems for reporting and tracking the occupational health of its employees are in place in Petrojarl’s business units. Company-wide initiatives focus on the further development of the environmental management systems. Petrojarl is certified according to the international ISO 14001 environmental standard for all its FPSO units, shuttle tankers and onshore operations. Petrojarl considers each employee to be a vital contributor to the health, safety and environment of the company, and is fully committed to its health, safety and environment program.

In 1994, PGS established its own captive re-insurance company, Seahouse, to provide insurance for some of its assets. As noted below, this insurance is subject to deductibles and limits of coverage and is supplemented by commercial reinsurance arrangements. Petrojarl obtains a substantial portion of its casualty insurance through Seahouse. Its existing service agreement with Seahouse expires October 1, 2007.

Petrojarl does not carry full insurance covering all of its operating risks. Although Petrojarl generally will attempt to carry insurance against the destruction of or damage to its floating production, storage and offloading vessels and equipment in amounts that it considers adequate, such insurance coverage is subject to exclusions for losses due to war risks and terrorists acts. In addition, Petrojarl may not be able to maintain adequate insurance for its vessels and equipment in the future or do so at rates that it considers reasonable. Petrojarl does not maintain insurance to protect against loss of revenues caused by business interruptions, except for limited protection on the FPSOs Petrojarl Foinaven and Petrojarl Varg.

Management

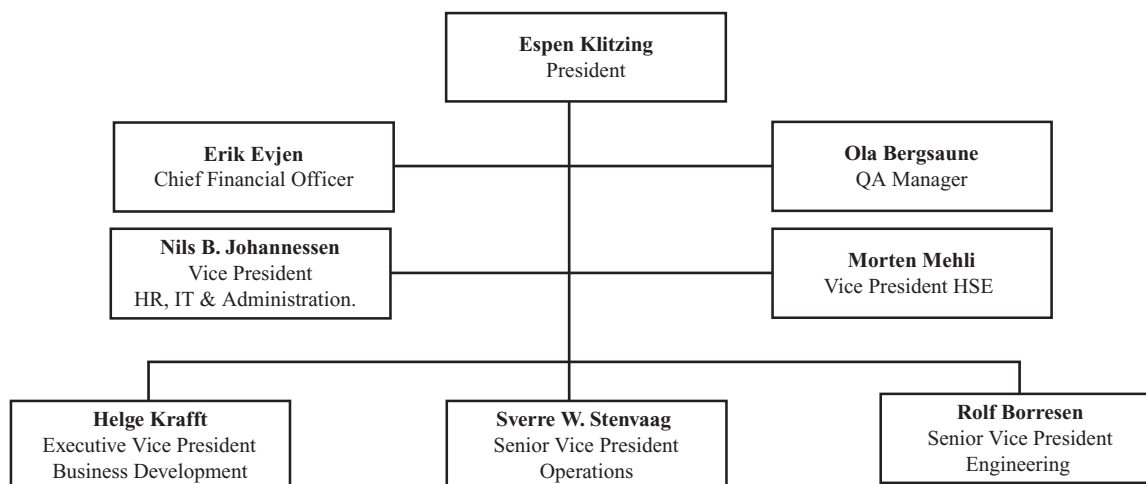
Overview

Petrojarl’s management is vested in its Board of Directors and its President and Chief Executive Officer (“CEO”). In accordance with Norwegian law, Petrojarl’s Board of Directors is responsible for, among other things:

- supervising the general and day-to-day management of its business;
- ensuring proper organization of its business;
- preparing plans and budgets for its activities;
- ensuring that its activities, accounts and asset management are subject to adequate controls; and
- undertaking investigations necessary to perform its duties.

Petrojarl’s President and CEO is responsible for day-to-day management in accordance with the instructions set out by the Board of Directors. Among other things, the CEO of a Norwegian public company is obligated to ensure that the company’s accounts are kept in accordance with existing Norwegian legislation and regulations, and that the assets of the company are managed responsibly. In addition, at least once a month the CEO of a Norwegian public company must brief the board of directors about the company’s activities, position and operating results.

The following chart sets forth Petrojarl’s management structure:



Implementation and reporting on corporate governance

Petrojarl is committed to maintaining high standards of corporate governance. Petrojarl believes that effective corporate governance is essential to the well being of the company and establishes the framework by which the company conducts itself in delivering services to its customers and value to its shareholders.

Petrojarl, which is registered in Norway as a public limited company, builds its governance model on Norwegian corporate law, the Norwegian Code of Practice for Corporate Governance (the “Code of Practice”) issued by the Norwegian Corporate Governance Board on December 8, 2005, and otherwise implements corporate governance guidelines beneficial to its business. Petrojarl will present an account of its corporate governance, including deviations, if any, from the Code of Practice, based on the “comply or explain” principle.

Petrojarl does not currently have a Nomination Committee, but the Board of Directors will, after consummation of the Demerger, consider proposing to its shareholders in a general meeting changes to its articles of association to implement a Nomination Committee and the election of its members. Moreover,

the guidelines for the Board of Directors are under implementation, and will be completed once the new Board of Directors takes office following the consummation of the Demerger.

Board of Directors

Petrojarl's current Board of Directors, which consists of directors from the present Board of Directors of PGS, has been elected as an interim board. The following persons serve on the interim Board of Directors:

- Keith Nicholas Henry, Chairperson
- Clare Mary Joan Spottiswoode
- Rolf Erik Rolfsen

Following the Demerger, with effect from, and including, June 30, 2006, the Board of Directors will consist of seven members, of whom five members have been elected by PGS as Petrojarl's sole shareholder, and the employees shall elect two members. Consequently, the interim Board of Directors will resign with effect from, and including, June 30, 2006. Petrojarl's executive management will not be represented on its new Board of Directors. The two employee-elected directors are expected to be elected by and among Petrojarl's employees after the Completion Date. In addition, upon consummation of the Demerger, Messrs. Henry and Rolfsen shall resign from the Board of Directors of PGS. With effect from, and including, June 30, 2006, the following persons will serve on the Board of Directors:

- Keith Nicholas Henry, Chairperson
- Rolf Erik Rolfsen
- Jarle Erik Sandvik
- Jorunn Johanne Sætre
- Joey Shaista Horn

In accordance with the Public Companies Act, Section 6-6, the Board of Directors will serve for a term of two years calculated from the election, and the term shall expire at the conclusion of the annual general meeting in the year in which the period of office expires. Accordingly, the period of service for Petrojarl's Board of Directors shall expire at the conclusion of the 2008 Annual General Meeting.

The name, age, qualifications and certain other information relating to each member of Petrojarl's new Board of Directors is set forth below:

Clare Mary Joan Spottiswoode
Board member

Ms. Spottiswoode (53) has been deputy chairman and senior non-executive director at British Energy since June 2002, acts as chair of British Energy's remuneration committee and has served as an independent director of that company since 2001. Ms. Spottiswoode currently acts as non-executive chair of the board of Economatters Ltd. and is a non-executive director of BioFuels, Bergesen Worldwide Gas ASA and Tullow Oil plc. Ms. Spottiswoode is also a member of the board of the Department of Health Commercial Advisory Board and a Policy Holder Advocate for Aviva. Ms. Spottiswoode previously held several non-executive director positions including Booker plc. Ms. Spottiswoode was director general of Ofgas, the UK Gas Regulation Organization, from 1993 to 1998. In 1993, Ms. Spottiswoode served as a member of the UK Deregulation Task Force, and from 1998 to 2002 she sat on the UK Public Services Productivity Panel. Ms. Spottiswoode began her career as an economist with the HM Treasury before establishing her own software company. In 1999, Ms. Spottiswoode was made a Commander of the Order of the British Empire for services to industry. Ms. Spottiswoode acts as an adviser to a number of construction and energy related organizations. Ms. Spottiswoode holds degrees in economics from Cambridge and Yale University. Ms. Spottiswoode's business address is Wagner Programme, 1 st fl Dixon House, Lloyds Av, London, EC3N 3HD, England.

Keith Nicholas Henry
Chairperson

Mr. Henry (61) has been the vice chairperson of the Board of Directors of PGS ASA since October 2003. Mr. Henry served as group executive vice president for the Kvaerner Engineering and Construction Group from March 2000 until June 2003. Mr. Henry was chief executive of National Power Plc from 1995 to 1999 and was chief executive of Brown & Root Limited from 1990 to 1995. Mr. Henry is the non-executive Chairman of Burren Energy Plc, the senior independent non-executive director at Emerald Energy Plc, and is a non-executive director of South East Water Limited. Mr. Henry acts as an adviser to and is a member of the board of directors of a number of construction and energy related organizations. Mr. Henry holds BSc and MSc degrees, and is a Fellow of the Royal Academy of Engineering. Mr. Henry's business address is Burren Energy Plc, Kierran Cross, 11 Strand, London, WC2N 5HR, England.

Rolf Erik Rolfsen
Vice Chairperson

Mr. Rolfsen (65) has been a member of the Board of Directors of PGS since September 2002 and holds several other board positions. Mr. Rolfsen is a member of the board of directors of Technip S.A., Paris and Gaz de France Norge A.S. Mr. Rolfsen is also chairperson of the executive council of the Industrial Development Fund at NTNU in Trondheim. From 1987 to 2000, Mr. Rolfsen was managing director of TOTAL Norge A.S. and from 1999 to 2000, Mr. Rolfsen was also managing director of Fina Exploration Norway. From 1980 to 1986, Mr. Rolfsen was executive vice president of Kongsberg Våpenfabrikk A.S. Mr. Rolfsen acts as an adviser to and is a member of the board of directors of a number of construction and energy related organizations. Mr. Rolfsen was educated at the College of Commerce in Oslo. Mr. Rolfsen's business address is Haakon VII g 1, 0161 Oslo, Norway.

Jarle Erik Sandvik
Board member

Mr. Sandvik (60) is a partner at the law firm of Wikborg, Rein & Co. where he advises a range of Norwegian and international companies on transactions, restructurings and operational matters. Mr. Sandvik's practice includes energy and petroleum law as well as insurance company law. Mr. Sandvik's work experience includes positions with Statoil ASA and Storebrand ASA. Mr. Sandvik holds a law degree from the University of Oslo and a Bachelors degree of Commerce from the Norwegian School of Economics and Business Administration (NHH) in Bergen. Mr. Sandvik's previous board positions include Aker ASA, Hafslund ASA and Dagbladet ASA. Mr. Sandvik's business address is Wikborg, Rein & Co, Kronprinsesse Märthas Plass, 0160 Oslo, Norway.

Jorunn Johanne Sætre
Board member

Mrs. Sætre (49) has been the Country Vice President for Halliburton in Norway and Denmark since 2001. Halliburton Norway primarily works in the upstream segment and its capability includes all services pertaining to drilling and completions of wells. Mrs. Sætre is an engineer and specializes in chemical engineering. Mrs. Sætre has been working in the field of engineering for over 25 years and has had various technical and management positions in Norway and abroad, including Director of European Research Centre in the Netherlands from 1997 to 2001 and Operator Manager in Norway from 1994 to 1997. Mrs. Sætre's business address is Halliburton, Eldfiskvegen 1, 4056 Tananger, Norway.

Joey Shaista Horn
Board member

Ms. Horn (40) has been a board member of the Norwegian company Norse Energy Corp. ASA since May 2005. Ms. Horn has significant work experience from investment banking in New York from 1987 to 1995, including Vice President of Mergers and Acquisitions at Credit Suisse First Boston, Financial Analyst and Associate with Smith Barney Corporate Finance and Director of Financial and Merchandise Planning for Saks Fifth Avenue. In Norway, Ms. Horn was a partner and equity research analyst at HQ Norden Securities in Oslo from 1996 to 2000. Ms. Horn has a MBA from Yale University, USA, and a BA in Biology from Williams College, USA. Ms. Horn is a U.S. citizen and resides in Oslo, Norway. Ms. Horn is self-employed and acts as a financial advisor to and a member of the board of directors of several retail

businesses in addition to serving on the Board of an oil and gas company. Ms. Horn's business address is Greylock Management AS, Madserud Alle 7, 0274 Oslo, Norway.

Board Committees

After consummation of the Demerger, the new Board of Directors will form an Audit Committee and a Remuneration Committee. The new Board of Directors will designate the directors to serve on such committees.

Senior Management

Petrojarl's President and Chief Executive Officer and senior management as of the date of this Prospectus are as follows:

<u>Name</u>	<u>Position</u>	<u>Age</u>	<u>Place of Residence</u>	<u>Commencement of Term of Office</u>
Espen Klitzing	President and CEO	42	Norway	2005
Erik Evjen	Chief Financial Officer	32	Norway	2006
Helge Krafft	Executive Vice President	64	Norway	1998
Rolf Børresen	Senior Vice President, Engineering	60	Norway	1984
Sverre W. Stenvaag	Senior Vice President, Operations	51	Norway	2005
Nils B. Johannessen	Vice President, Human Resources, Information Technology and Administration	44	Norway	1998

The business address of the foregoing is Beddingen 16, 7014 Trondheim, Norway. The mailing address is Postboks 482 Sentrum, N-7014 Trondheim, Norway.

The name, age, qualifications and certain other information relating to each member of the senior management of Petrojarl are set forth below:

Espen Klitzing

President and CEO

Mr. Klitzing (42) joined PGS in May 2005 as senior vice president of business development and support. Since November 2005, Mr. Klitzing has served as president for PGS' Production Business. From January to April 2005, Mr. Klitzing was a special advisor to the private investment company Kistefos. From 1999 to 2004, Mr. Klitzing was CEO of Storebrand Livsforsikring (Life Insurance), a company with a premium income of NOK 9.7 billion and NOK 125 billion in total assets. From 1995 to 1999, Mr. Klitzing was responsible for Strategic Business Development at Storebrand. Prior to joining Storebrand, Mr. Klitzing held positions with the consulting firm McKinsey & Company Inc. Mr. Klitzing also has served on numerous boards of directors. Mr. Klitzing has a degree in business administration from NHH.

Erik Evjen

Chief Financial Officer

Erik Evjen (32) joined PGS in April 2005, and was appointed CFO of Petrojarl ASA in April 2006. Prior to such time, Mr. Evjen held the position of Vice President Group Planning in PGS. From 1998 to 2005, Mr. Evjen held positions with Carnegie (a leading, publicly listed Nordic investment bank), gaining extensive experience from corporate finance, M&A advisory and equity capital markets activities. From 1992 to 1994, Mr. Evjen attended the Royal Norwegian Navy Officer School, and served as an officer with the Royal Norwegian Navy. Mr. Evjen has a degree in business administration from NHH.

Helge Krafft
Executive Vice President

Helge Krafft (64) has been with the Petrojarl Companies and the former Golar-Nor Offshore for approximately 25 years, interrupted only by a period as Chief Executive of Smedvig Limited from 1987 to 1989 and as Senior VP of Ross Offshore from 1990 to 1994. Mr. Krafft's career started at Det Norske Veritas (DNV) in 1967, immediately after having earned his M.Sc. in Naval Architecture and Marine Engineering at The Norwegian Institute of Technology in Trondheim. At DNV, Mr. Krafft worked in the Hull, Research and Machinery Department in Oslo, and later as Ship and Engineer Surveyor both in Genova, Italy, and in Oslo, Norway. In 1973, Mr. Krafft joined Det Nordenfjeldske Dampskibsselskab and initiated the establishment of Golar-Nor Offshore in 1974.

Rolf Børresen
Senior Vice President, Engineering

Rolf Børresen (60) holds a Ph.D. in the field of hydrodynamics (1984) and an M.Sc. in Naval Architecture (1971) from The Norwegian Institute of Technology (NTH) in Trondheim, as well as an M.Sc. in Naval Hydrodynamics from the University of California (1974). Dr. Børresen has been working in the field of engineering for over 30 years. Dr. Børresen arrived at Golar-Nor Production/Offshore AS in 1984, where he held the position of Engineering Manager. One year later, Dr. Børresen was appointed Vice President of Engineering and is currently Senior Vice President of Engineering. Dr. Børresen started his career at the Norwegian Ship Research Institute in Trondheim, where he worked from 1974 until 1983 as Research Engineer, at which time he accepted the position of Chief Research Engineer at the Ship and Ocean Laboratory in Trondheim.

Sverre W. Stenvaag
Vice President, Operations

Sverre Stenvaag (51) joined the Petrojarl Companies in the fall of 2005. Mr. Stenvaag brought with him extensive experience in offshore operations from the oil companies Elf and Shell. Mr. Stenvaag has been directly involved in the development of the Ormen Lange and Draugen fields, in the former as Shell's Senior Operations Representative from year 2000. Mr. Stenvaag has held a number of positions in Shell, including that of Operations Superintendent and Manager for Offshore Installations. Mr. Stenvaag worked for Elf from 1981 until 1990 during which time he held various positions in both the Heimdal and Frigg fields, including Production Superintendent for Frigg and head of Heimdal Production Operations. Mr. Stenvaag holds an M.Sc. in Petroleum Engineering from the Norwegian Institute of Technology in Trondheim.

Nils B. Johannessen
Vice President, Human Resources, Information Technology & Administration

Nils B. Johannessen (44) joined PGS Production in August 1998 in the position of Offshore Personnel Manager. Prior to his promotion in April 2005 to his current position of Vice President of Human Resources, Information Technology and Administration, Mr. Johannessen held the position of Personnel Manager for both onshore and offshore employees. Mr. Johannessen holds an honours degree in law from the University of Oslo (1989). Before arriving at PGS Production, Mr. Johannessen held a number of governmental posts, including Principal Officer in the Ministry of Health and Social Affairs (1993-1994), Assistant Director in the Norwegian Board of Health (1994) and Personnel Manager in the Directorate for Nature Management (1994-1998).

Remuneration of the Chief Executive Officer, the Senior Management, and the Board of Directors

Members of Petrojarl's interim Board of Directors will not receive any remuneration in their capacity as such.

After consummation of the Demerger, remuneration of the new Board of Directors will be based on principles approved by the Extraordinary General Meeting held on June 14, 2006, encompassing a base fee for each member, an additional fixed fee per meeting and compensation for expenses including travel time. Payments will be made subject to these principles on a quarterly basis. All payments to the Board members are however, subject to the final approval and determination of the Annual General Meeting.

The remuneration received by Petrojarl's senior management is as follows:

<u>Name</u>	<u>Position</u>	<u>Remuneration (in NOK)</u>
Espen Klitzing	President and CEO	2,100,000
Erik Evjen	Chief Financial Officer	1,300,000
Helge Krafft	Executive Vice President	1,650,000
Rolf Børresen	Senior Vice President, Engineering	1,273,000
Sverre W. Stenvaag	Vice President, Operations	1,400,000
Nils Johannessen	Vice President, Human Resources, Information Technology & Administration	780,000

Petrojarl pays Mr. Klitzing NOK 2,100,000 in annual base salary plus a maximum cash bonus of up to 50% of the annual base salary and a maximum share bonus of up to 25% of the annual base salary. Pursuant to his employment contract, Mr. Klitzing is further entitled to NOK 150,000 in annual car allowance, and free mobile phone and internet access. Further, the company provides an apartment in Trondheim. Mr. Klitzing is a member of Petrojarl's defined contribution pension scheme and the company is currently preparing an additional pension scheme to which Mr. Klitzing is intended to be admitted. In addition, Mr. Klitzing has an opportunity to exercise a right to early retirement pension. Mr. Klitzing is further covered under the company's accident and group life insurance schemes. Mr. Klitzing is entitled to severance pay upon termination of his employment contract.

Petrojarl pays Mr. Evjen NOK 1,300,000 in annual base salary plus a maximum cash bonus of up to 40% of the annual base salary and a maximum share bonus of up to 20% of the annual base salary. Pursuant to his employment contract, Mr. Evjen is further entitled to free mobile phone and internet access. The company also covers Mr. Evjen's hotel expenses in Trondheim. Mr. Evjen is a member of Petrojarl's defined contribution pension scheme and the company is currently preparing an additional pension scheme to which Mr. Evjen is intended to be admitted. Mr. Evjen is further covered under the company's accident and group life insurance schemes. Mr. Evjen is entitled to severance pay upon termination of his employment contract.

Petrojarl pays Mr. Krafft NOK 1,650,000 in annual base salary plus a maximum cash bonus of up to 50% of the annual base salary and a maximum share bonus of up to 20% of the annual base salary. Pursuant to his employment contract, Mr. Krafft is further entitled to NOK 144,000 in annual car allowance, and free mobile phone and internet access. Further, the company provides an apartment in Trondheim. Mr. Krafft is a member of Petrojarl's defined benefit pension scheme, which entitles him to a pension equivalent to 70% of the annual base salary at the age of sixty-seven. In addition, Mr. Krafft has an opportunity to exercise a right to early retirement pension. Mr. Krafft is covered under the company's accident and group life insurance schemes. Mr. Krafft is entitled to severance pay upon termination of his employment contract.

Petrojarl pays Mr. Børresen NOK 1,273,000 in annual base salary plus a maximum cash bonus of up to 40% of the annual base salary and a maximum share bonus of up to 20% of the annual base salary. Pursuant to his employment contract, Mr. Børresen is entitled to a company car, and free mobile phone and internet access. Mr. Børresen is a member of Petrojarl's defined benefit pension scheme, which entitles him to a pension equivalent to 70% of the annual base salary at the age of sixty-seven. In addition, Mr. Børresen has an opportunity to exercise a right to early retirement pension. Mr. Børresen is covered under the company's accident and group life insurance schemes. Mr. Børresen is entitled to severance pay upon termination of his employment contract.

Petrojarl pays Mr. Stenvaag NOK 1,400,000 in annual base salary plus a maximum cash bonus of up to 40% of the annual base salary and a maximum share bonus of up to 20% of the annual base salary. Mr. Stenvaag is further entitled to free mobile phone and internet access. Mr. Stenvaag is a member of Petrojarl's defined contribution pension scheme and the company is currently preparing an additional pension scheme to which Mr. Stenvaag is intended to be admitted. Mr. Stenvaag is further covered under the company's accident and group life insurance schemes.

Petrojarl pays Mr. Johannessen NOK 780,000 in annual base salary plus a maximum cash bonus of up to 40% of the annual base salary and a maximum share bonus of up to 20% of the annual base salary. According to his employment contract, Mr. Johannessen is further entitled to free mobile phone and internet

access. Mr. Johannessen is a member of Petrojarl's defined benefit pension scheme which, at maximum accrual entitles him to a pension equivalent to 70% of the annual base salary at the age of sixty-seven. In addition, Mr. Johannessen is covered under the company's accident and group life insurance schemes.

For 2005, PGS' Board of Directors established a performance bonus incentive plan for the executive officers similar to that for the chief executive officer of PGS. Under the plan, the executive officers listed above who were employed by PGS during 2005 and remained employed as of December 31, 2005 were entitled to a cash bonus of up to 40% of annual base salary and a share purchase bonus of up to 20% of annual base salary. Within these limits, bonuses were determined on the basis of achievement of financial and non-financial performance targets. Any amounts received as a share purchase bonus, on a net basis (after withholding tax), must be used to buy PGS Shares at prevailing market prices and held for a minimum of three years. The PGS Board of Directors determined that the bonus under the scheme for Espen Klitzing for 2005 would be \$93,141, which was accrued at December 31, 2005.

For the year ended December 31, 2005, PGS also had a cash bonus and share purchase bonus plan for another group of approximately 40 of its key employees that is similar to the plan described above for PGS executive officers, except that the bonus amounts and percentages for each employee are generally smaller. Petrojarl has established bonus plans for 2006 with the same principles as the 2005 bonus plans, covering approximately 40 of its key employees, except that the maximum achievable cash bonus and share bonus have been increased. The executive officers listed above are, after this increase, entitled to a cash bonus of up to 50% of annual base salary and a share purchase bonus of up to 25% of annual base salary.

In the Extraordinary General Meeting held on June 14, 2006, effective as of, and subject to, the completion of the Demerger, Petrojarl's Board of Directors was granted the authorization to negotiate and establish share option programs for management and key personnel and to increase the share capital of the Company, limited to 1,000,000 shares, for the purposes of such share option programs. At the date of this Prospectus there are no share option programs for management and key personnel of Petrojarl. For further information, please see "Description of Shares and Share Capital – Employee Share Option Plan."

Loans and Guarantees

As of the date of this Prospectus, Petrojarl has neither granted any loans to nor issued any guarantees for the benefit of any of the members of its senior management or Board of Directors.

Conflicts of Interest

Except as noted below, none of the members of Petrojarl's administrative, management or supervisory bodies, its founders nor any senior manager who is relevant to establishing that Petrojarl has the appropriate expertise and experience for the management of its business, has been convicted of fraudulent offenses during at least the previous five years, nor has any such person been involved in any bankruptcies, receiverships or liquidations acting in the capacity of any of the positions set out above during at least the previous five years. There has been no official public incrimination and/or sanctions of such person by statutory or regulatory authorities (including designated professional bodies), nor has such person ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years. On July 29, 2003 PGS filed for protection under Chapter 11 of the U.S. Bankruptcy Code. PGS exited the proceedings on November 5, 2003. During the restructuring of PGS, Rolf Børresen, Helge Krafft and Nils B. Johannessen were employed by the wholly owned subsidiary of PGS, PGS Production AS. However, none of PGS' subsidiaries were debtor parties in the restructuring. Rolf Erik Rolfsen, who is a Director of Petrojarl, served as a Director of PGS during the Chapter 11 process. Furthermore, the Chairperson of the PGS Board of Directors, Mr. Jens Ulltveit-Moe, and the Directors Harald Norvik and Rolf Erik Rolfsen held the same positions in PGS during the Chapter 11 process.

There have been no potential conflicts of interests between any duties owed to Petrojarl by the members of its administrative, management or supervisory bodies, its founders nor any senior manager who is relevant to establishing that Petrojarl has the appropriate expertise and experience for the management of its business. The private interests and or other duties of such persons have been clearly stated.

Significant and Selling Shareholders

Until the Completion Date, PGS is and will remain Petrojarl's sole shareholder. Pursuant to the terms of the Demerger, Petrojarl will issue one Share for each outstanding PGS share. The Shares issued and distributed in connection with the Demerger will constitute 80.01% of its share capital, while the Shares currently held by PGS will, on the Completion Date and prior to the consummation of the Global Offering, constitute the remaining 19.99%.

The table below sets forth certain information with respect to the beneficial ownership of the Shares by PGS as of the Completion Date, and as adjusted to reflect the sale of the Offer Shares by PGS in the Global Offering.

Selling Shareholder	Shares owned prior to the Global Offering		Shares to be Sold	Shares to be Owned after the Global Offering ⁽²⁾	
	Number	Percentage ⁽¹⁾		Number	Percentage
PGS	14,999,990	19.99%	–	–	10%

(1) At completion of the Demerger.

(2) Assuming that the Over-Allotment Option is not exercised. If the Over-Allotment Option is exercised in full, PGS will not own any Shares.

As of June 9, 2006, there were 3,249 registered holders of PGS Shares, of whom 1,268 held at least 200 PGS shares (one round lot in Petrojarl is expected to be 200 PGS Shares). Of the registered holders of PGS Shares, 708 holders, holding an aggregate of 46,993,611 PGS Shares, had registered addresses outside of Norway. On the Completion Date, these holders of 60,000,000 PGS Shares will become holders of the Shares, assuming that they continue to hold PGS Shares until the Completion Date.

The table below sets forth information concerning the 19 largest registered holders of PGS Shares as of June 9, 2006. Assuming their shareholdings in PGS remain the same until the Completion Date, these shareholders will become, along with PGS, Petrojarl's 20 largest shareholders on the Completion Date and prior to the Global Offering. These shareholders have the same voting rights as all other shareholders of Petrojarl.

Shareholders	Number of PGS Shares:	Share (%)
Citibank, N.A. ⁽¹⁾	4,815,724	8.03
Morgan Stanley & Co. Inc.	4,129,603	6.88
State Street Bank & Trust Co.	3,441,000	5.74
Umoe Industri AS ⁽²⁾	3,087,332	5.15
Fidelity Funds – Europ. Growth/Sicav	2,234,258	3.72
Folketrygdfondet	1,891,750	3.15
Bear Stearns Securities Corp.	1,629,969	2.72
JP Morgan Chase Bank	1,213,333	2.02
Vital Forsikring ASA	943,982	1.57
Morgan Stanley & Co. Client Equity Account	906,240	1.51
RBC Dexia Investor Services Trust	719,356	1.20
The Northern Trust Co.	625,189	1.04
Credit Agricole Investor Services	604,720	1.01
Clearstream Banking S.A.	598,993	1.00
Bank of New York, Brussels Branch	598,856	1.00
UBS AG, London Branch	592,443	0.99
Fortis Bank Luxembourg S.A.	588,416	0.98
Dresdner Bank AG	574,350	0.96
Morgan Stanley & Co. Client Equity Account	545,448	0.91
Total number of shares – 19 largest shareholders	29,740,962	49.6
Total number of shares	60,000,000	100.00

(1) Citibank, N.A. serves as the depository for the PGS ADR facility.

(2) Umoe Industri AS is controlled by the Chairman of PGS, Mr. Jens Ulltveit-Moe. Mr. Ulltveit-Moe also controls Agra AS, which holds 100,000 shares of PGS.

On June 14, 2006, Fidelity Investments Ltd. disclosed that it, on behalf of investors, controls 6,063,837 shares in PGS equal to 10.11%.

As of the date of this Prospectus, none of the members of Petrojarl's Board of Directors, nor its President and Chief Executive Officer or other of its key executive officers, owns any Shares. Based on their ownership of PGS Shares, on the Completion Date of the Demerger, the President and Chief Executive Officer and other senior management will own the following number of Shares (assuming their shareholding in PGS remain the same until the Completion Date):

<u>Name</u>	<u>Shares</u>
Helge Krafft	1,047
Rolf Børresen	407
Espen Klitzing	344
Nils B. Johannessen	287
Erik Evjen	160
Sverre W. Stenvaag	80
Keith Nicholas Henry	—
Clare Mary Jean Spottiswoode	—
Rolf Erik Rolfsen	—

Related Party Transactions

As of June 9, 2006, the Chairperson of the Board of Directors of PGS, Jens Ulltveit-Moe, through Umoe Industri AS and Agra AS, controlled a total of 3,087,332 PGS Shares, or 5.13% of PGS' outstanding shares. Jens Ulltveit-Moe also has a majority ownership interest in Knutsen OAS Shipping AS ("Knutsen"). Knutsen is chartering the MT Nordic Svenita from Petrojarl on a time charter contract and paid \$2.5 million, \$9.9 million and \$10.3 million to Petrojarl under this contract in the three months ended March 31, 2006 and the years ended December 31, 2005 and 2004, respectively. Petrojarl charters the vessel from an independent third party. The vessel was chartered to provide shuttle services for the Banff field, but in 2001 was chartered to Knutsen on terms approximating Petrojarl's terms under the third-party lease, due to low production on the Banff field. In addition, Petrojarl has a contract of affreightment with Knutsen for transporting crude oil relating to the Banff field and paid \$0.4 million, \$1.2 million and \$0.7 million to Knutsen under this contract in the three months ended March 31, 2006 and the years ended December 31, 2005 and 2004, respectively. Mr. Ulltveit-Moe was also the Chairperson of Uniton ASA until August 2005, a company that from time to time provides Petrojarl with equipment for its vessels.

In January 2006, PGS entered into an agreement to purchase the shuttle tanker MT Rita Knutsen for \$35 million from Knutsen and the transaction was completed March 9, 2006. The vessel is considered as a possible FPSO solution for several upcoming projects, and a conversion is intended to begin when a firm contract for the ship is secured. The vessel will be operated by Knutsen on a bareboat charter agreement until a decision to start conversion is made. Petrojarl received \$0.3 million under this bareboat agreement in the three months ended March 31, 2006. Jens Ulltveit-Moe recused himself from the PGS Board discussions relating to this transaction. The terms and conditions of this transaction were negotiated on an arm's length basis.

In connection with the Demerger, Petrojarl is entering into certain agreements with PGS that regulate the continuation for a transitional period of established commercial connections between PGS and Petrojarl, including a framework agreement and a service agreement inter alia giving Petrojarl access to PGS' global network following consummation of the Demerger. The terms and conditions of such agreements are (or will be) based on arm's length principles.

As described in "Petrojarl's Business – Governmental Regulation and Environmental Matters – Operating Conditions and Insurance." of this Prospectus, Petrojarl's vessels are principally insured by the PGS captive reinsurance company, Seahouse, and Petrojarl is at the date of this Prospectus negotiating an extension of such agreements on an arm's length basis.

Furthermore, unless Petrojarl and PGS obtain all the necessary third party consents to both PGS' and Petrojarl's existing agreements and guarantees, there will continue to be certain cross liabilities between Petrojarl and PGS related to the joint liability created by the Demerger. Please see the section entitled "The Demerger" in this Prospectus and the Demerger Plan for further details.

The Demerger

Introduction, Reasons for the Demerger

Prior to the Demerger, the activities of PGS and its subsidiaries have focused on two main business areas; the business of streamer and seafloor seismic data acquisition, seismic acquisition operations on land and marine and onshore multi-client libraries and data processing (the “Geophysical Business”) and the Production Business. Historically, the Production Business and the Geophysical Business have primarily been organized and operated as two separate businesses within PGS.

After considering various ways of separating the Production Business from the Geophysical Business, the Board of Directors of PGS concluded that distributing Shares to PGS’ shareholders, in combination with a public sale of up to 19.99% of the Shares, was the alternative that would best position Petrojarl in the capital markets and enable it to take an active part in the FPSO industry sector.

PGS chose a demerger structure because it is an established structure of transactions of this nature in Norway. Further, a demerger may be carried out on a tax-free basis in Norway for PGS and its Norwegian shareholders, and, potentially, in certain other countries where PGS has significant shareholder bases. Shareholders have, however, been cautioned in the Shareholder Information Statement that independent advice on the tax consequences of the Demerger should be obtained, and that PGS cannot give any assurances as to a tax-free outcome of the Demerger for all or any of its shareholders.

This section provides an extract and explanation of the Demerger. For full details of the Demerger, please see the Demerger Plan and related Shareholder Information Statement.

The Demerger

Under the Demerger, an independent group will be established under Petrojarl ASA to continue the Production Business, and the assets, rights and liabilities primarily related to the Production Business will be transferred to Petrojarl by means of a demerger transaction effected in accordance with Norwegian law. Under Norwegian law, a demerger is the transfer of part of the assets rights and liabilities of a company (the transferor company) to one newly formed or pre-existing company (the transferee company) in exchange for shares of the transferee company. Provided that the relevant tax, accounting, and corporate law provisions are met, a demerger may, under Norwegian law, be carried out tax-free for the Norwegian demerging company and its Norwegian shareholders.

On March 27, 2006 the respective Boards of Directors of each of PGS and Petrojarl entered into the Demerger Plan. PGS’ shareholders approved the Demerger Plan at an extraordinary general meeting on April 28, 2006. Upon the consummation of the Demerger, the Production Business will be transferred to Petrojarl. Until the Demerger is consummated, Petrojarl will remain a wholly-owned subsidiary of PGS with no subsidiaries or operational activity.

The remaining assets, rights and liabilities presently held by PGS and not transferred to Petrojarl will after completion of the Demerger remain with PGS, which will continue to operate the Geophysical Business.

Petrojarl Prior to the Demerger

Petrojarl ASA was incorporated as a wholly owned subsidiary of PGS on March 2, 2006 for the purpose of acting as the transferee company in the Demerger, and at the date of this Prospectus have a paid in capital of NOK 831,654,285, allocated to a share capital of NOK 29,999,980 divided into 14,999,990 shares, each with a par value of NOK 2.00 and a share premium fund of NOK 801,654,305. Petrojarl ASA has not had, and will not have, any operational activity prior to the Completion Date.

Allocation of Assets, Rights and Liabilities pursuant to the Demerger Plan

Upon consummation of the Demerger, the assets, rights and liabilities relating to the Production Business shall be transferred to Petrojarl. The transferred assets consist primarily of the shares in PGS Production AS (and indirectly of shares in its subsidiaries). All assets, rights and liabilities presently owned by PGS and not transferred as part of the Demerger, shall remain with PGS.

For purposes of the Demerger, Petrojarl will as of the Completion Date be deemed to have received a loan from PGS of \$325 million which shall be settled in cash on the Completion Date, unless PGS has given its consent to the extension of the loan, whether in part or in whole, beyond the Completion Date, on terms to be agreed between the parties.

Furthermore, Petrojarl will upon the Completion Date receive from PGS cash of \$46.5 million, adjusted for any net intercompany transfers in the period from the Effective Date to the Completion Date. If, following such adjustments, the cash contribution is negative, such negative amount shall be paid by Petrojarl to PGS within 15 days subsequent to the Completion Date.

If either Petrojarl or PGS after consummation of the Demerger identifies that any of the assets and rights of PGS and its subsidiaries primarily relate to and are required for the operation of the Petrojarl Business, PGS shall procure, to the extent possible, that such assets and rights (and the liabilities related thereto) shall be assigned to Petrojarl free of any additional consideration. This principle shall apply in the same manner if PGS or Petrojarl identifies that any of the assets and rights of the Petrojarl Companies primarily relate to and are required for the operation of the Geophysical Business.

Share Split Ratio; Issuance of new shares

The split ratio for the Demerger is derived from estimates of the fair value of the Production Business relative to the estimates of the fair value of PGS, both on a net debt free basis, adjusted for the agreed distribution of net debt in the Demerger. The Boards of Directors of PGS and Petrojarl have determined that the Demerger entails an allocation of the fair values in the ratio of 80% to PGS and 20% to Petrojarl. The value of PGS' retained shareholding in Petrojarl is included in the allocation. The share capital and share premium fund of PGS is consequently allocated in the same ratio of 80% to PGS and 20% to Petrojarl. Petrojarl's Board of Directors and PGS' Board of Directors are of the opinion that the legal requirements for Norwegian tax-free treatment of the Demerger are met by the above allocation.

The reduction of share capital in PGS will be effected by way of a reduction in the par value of each share. Petrojarl will then issue one Petrojarl Share for each PGS Share. Consistent with the ratio described above, the par value of each PGS Share will be reduced from NOK 10.00 by NOK 2.00 to NOK 8.00 while the par value of each Petrojarl Share will be NOK 2.00, equal to the reduction of the par value of the PGS Shares. This will be accomplished in the following manner:

- The share capital of PGS will be reduced by NOK 120,000,000 from NOK 600,000,000 to NOK 480,000,000 through reduction of the par value for each share by NOK 2.00 from NOK 10.00 to NOK 8.00.
- Petrojarl's share capital will be increased by NOK 120,000,000 from NOK 29,999,980 to NOK 149,999,980 through the issue of 60,000,000 new shares each with a par value of NOK 2.00 in the ratio of one Share per PGS Share.

Petrojarl was incorporated with an appropriate number of shares designed to give PGS a 19.99% ownership interest in Petrojarl following the Demerger.

Distribution of Shares in the Demerger

Upon consummation of the Demerger, each holder of shares in PGS (each a "PGS Share") will receive one Share with a par value of NOK 2.00 for each PGS Share it holds on the last day of trading for PGS Shares inclusive of the right to obtain Shares (expected to be June 29, 2006). For holders of PGS ADSs, Petrojarl intends to establish a sponsored Level I ADR facility in respect of the Shares. Each holder of PGS ADSs shall receive one Petrojarl ADS for each PGS ADS it holds on the applicable record date. Accordingly, Petrojarl's share capital will be increased from NOK 29,999,980 by NOK 120,000,000 to NOK 149,999,980 through the Demerger.

The existing Shares, all of which are held by PGS, will immediately after consummation of the Demerger represent 19.99% of the total number of Shares. The Shares to be issued to the holders of PGS Shares and PGS ADSs upon consummation of the Demerger will constitute the remaining 80.01% of the Shares.

Conditions for the Consummation of the Demerger

Consummation of the Demerger is subject to the following conditions:

- (a) All consents, both contractual and governmental, required for the consummation of the Demerger shall have been obtained or waived, and all rights of termination (or material alteration) of agreements shall have been waived or the deadline for exercising any such rights shall have expired without such rights having been exercised. The condition shall not apply, however, if, in the opinion of the Board of Directors of PGS, neither the potential failure to obtain consents nor the potential terminations (or alterations) of such agreements would individually or in the aggregate have a material adverse effect on the Petrojarl Companies or the PGS Companies.
- (b) OSE shall have consented to Petrojarl being listed immediately after registration of the new Shares issued in connection with the Demerger with the VPS.
- (c) Satisfactory documentation, in the opinion of the Board of Directors of PGS, shall have been produced demonstrating Petrojarl's ability to repay the loan of \$325 million from PGS upon consummation of the Demerger, unless the Board of Directors of PGS consents to an extension of the loan in whole or in part.
- (d) There shall be no outstanding indebtedness between any of the Production Companies and the PGS Companies other than the debts described in the Demerger Plan.
- (e) The deadline for objections from creditors pursuant to section 14-7 cf. section 13-15 of the Public Limited Companies Act shall have expired for both Petrojarl and PGS, and the position regarding any creditors who have raised objections has been settled or PGS shall have obtained a final ruling from Norwegian courts regarding any such objections concluding that the Demerger may nevertheless be consummated and registered with the Register.
- (f) No circumstance having a material adverse effect on the business, property, results of operation or financial condition of the PGS Companies or the Production Companies shall have occurred, unless the Board of Directors of PGS is of the opinion that it will be in the interests of the shareholders of PGS to nevertheless consummate the Demerger.
- (g) There shall have been no decision by a subsequent extraordinary general meeting of PGS, pursuant to a calling notice from the PGS Board of Directors or otherwise, to cancel the Demerger.

Consummation of the Demerger

The Global Offering is conditional upon the consummation of the Demerger and the listing of Petrojarl on the OSE.

If the conditions for consummation of the Demerger are satisfied, or where applicable waived, the respective Boards of Directors of PGS and Petrojarl will approve the consummation of the Demerger, after which notice of consummation of the Demerger will be filed with the Norwegian Register of Business Enterprises.

Consummation of the Demerger is expected to occur on or about June 29, 2006. As soon as practicable thereafter Petrojarl will cause the new Shares to be registered in the name of the registered holders of PGS Shares with the VPS, which is expected to occur on or about July 5, 2006.

Relationship with Creditors

The Demerger resolution was reported to the Norwegian Register of Business Enterprises and a public notice was issued on April 28, 2006. The creditors of PGS and Petrojarl will have the right to object to the consummation of the Demerger until June 28, 2006.

If a creditor with an undisputed and due claim raises an objection, the Demerger cannot be consummated before the claim has been settled. If a creditor with a disputed claim or a claim which is not yet due raises an objection, the Demerger cannot be consummated unless

- the claim has been settled,
- adequate security has been placed to the benefit of the creditor, or
- PGS has obtained a final ruling from a Norwegian court deciding that the Demerger may nevertheless be consummated and registered with the Register.

Under the Norwegian Public Limited Companies Act, Petrojarl will be secondarily liable following consummation of the Demerger for the obligations of PGS ASA upon the Completion Date. As most operational liabilities of PGS are vested in its subsidiaries, the majority of PGS' material liabilities are liabilities under loan agreements and guarantees. Conversely, PGS ASA will be secondarily liable for the obligations of Petrojarl upon the Completion Date.

To minimize cross liabilities following completion of the Demerger, PGS and Petrojarl have used, and will continue to use until and after the Completion Date, their best efforts to obtain waivers releasing PGS from secondary liability in respect of the Production Business, and waivers releasing Petrojarl from secondary liability relating to the Geophysical Business. PGS and Petrojarl have used, and will continue to use until and after the Completion Date, their best efforts to obtain waivers under guarantees related to the Geophysical Business releasing Petrojarl from secondary liability for the obligations of PGS ASA and waivers releasing PGS ASA from liabilities under guarantees relating to the Production Business. However, no assurances can be given that such replacements and waivers will be obtained for all the current obligations of PGS and Petrojarl, respectively.

To the extent that PGS or the other PGS Companies after the Completion Date continue to be directly liable (as distinguished from the secondary joint and several liability under section 14-11 of the Public Limited Companies Act) for contingent or actual liabilities owed by the Petrojarl Companies to third parties, Petrojarl will pay to PGS a guarantee fee calculated on the basis of the guaranteed sum at a rate equal to the average margin paid by Petrojarl on its interest-bearing debt for the continuation of such guarantees.

Tax Matters

PGS believes that the Demerger complies with the requirements for a tax-free transaction in Norway. Accordingly, it is expected that the Demerger should not give rise to any Norwegian taxes for PGS. Petrojarl will take over PGS' tax positions with respect to the assets and liabilities transferred to Petrojarl in the Demerger.

The Demerger will for Norwegian tax purposes take effect as of the Effective Date, which means that items of income and expense generated by PGS from such date will, to the extent related to the operations transferred to Petrojarl in the Demerger, be attributed to Petrojarl for tax purposes.

The tax loss carry forwards in PGS will be allocated to PGS and Petrojarl based on which company that continues the business from which the tax loss was originated. Tax loss carry forwards that cannot be allocated to any particular business will be divided between PGS and Petrojarl based upon the fair market value allocated between the two companies. The tax losses carried forward are estimated to be \$197.3 million in Norway and \$83.1 million in the UK as of December 31, 2005 taking into account the tax losses allocated from PGS. Tax losses can be carried forward indefinitely in the United Kingdom and Norway.

Employees and Pension Rights and Liabilities

The Demerger will have no direct effect on the employment relationship for the employees under the Production Business. The employees of the various subsidiaries of PGS will not be directly affected by the Demerger.

Petrojarl has separate pension funds and Petrojarl shall assume responsibility for the payment of premiums to Petrojarl's pension funds and any liability for PGS related to pensions for the existing and previous employees related to the Production Business.

The Demerger will not involve redundancies and it is not expected that the Demerger will have other significant consequences for the employees.

Demerger-Related Agreements between PGS and Petrojarl

In connection with the Demerger, the PGS Companies and the Petrojarl Companies have entered into, or will enter into, certain agreements that will regulate the continuation for a transitional period of established commercial connections between the Production Business and the Geophysical Business, including a framework agreement and a service agreement giving Petrojarl access to PGS' global network following consummation of the Demerger. The terms and conditions of the agreements between PGS and Petrojarl are, or will be, in general based on arm's length principles.

Other Demerger-Related Agreements

Petrojarl has also entered into other agreements in conjunction with the Demerger, to facilitate the demerger.

Regarding the UK leases on the production equipment for the Ramform Banff, Petrojarl has entered into an agreement providing certain options to the lessor with respect to the early termination of the leases at reduced termination sums. If the lease on the production equipment for the Ramform Banff is terminated under the agreement with the lessor prior to November 24, 2006, Petrojarl would either i) be required to pay a termination sum that could amount to up to approximately £8.5 million, or ii) have no payment obligation to the lessor, dependant on which option is exercised by the lessor. In both outcomes, payments related to interest rate differentials under the life of the lease would no longer be payable by Petrojarl. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Long-term Contractual Obligations".

In addition, an agreement has been reached, subject to certain conditions, with the operator of the Foinaven field to provide the benefit of specific financial covenants that would apply to Petrojarl following the Demerger. In case Petrojarl is not in compliance with such covenants, which are no stricter to Petrojarl than the financial covenants under the ING Facility, the operator of the Foinaven field will, subject to certain other conditions, have the right to conduct step-in activities related to the Foinaven field operations.

PGS has entered into a term sheet with Deutsche Bank, dated March 22, 2006, whereby Deutsche Bank conditionally consented to and gave all waivers with respect to the Demerger, including waivers of termination rights with respect to certain leases between PGS and Deutsche Bank relating to three seismic vessels operated by PGS and permits PGS to terminate the leases at a reduced cost to PGS. Petrojarl believes that the term sheet with Deutsche Bank will be transformed into definitive documentation prior to the Completion Date. However, no assurances can be given that such definitive documentation will be entered into prior to consummation of the Demerger.

Description of the Shares and Share Capital

The following is a summary of material information relating to Petrojarl's share capital after the Demerger, including summaries of certain provisions of Petrojarl's Articles of Association and applicable Norwegian law in effect as of the date of this Prospectus, including the Norwegian Public Limited Companies Act of 13 June 1997 no. 45. The summary does not purport to be complete and is qualified in its entirety by Petrojarl's Articles of Association and Norwegian law.

Petrojarl is a public limited liability company organized under the laws of Norway with its registered office at Beddingen 16, 7014 Trondheim, Norway. Petrojarl was incorporated on March 2, 2006, and registered with the Norwegian Register of Business Enterprises on March 16, 2006 with organizational number 989 600 699. The Shares are registered in VPS under ISIN NO 0010309560. Petrojarl's VPS account manager is Nordea Bank Norge ASA, Essensdropsgate 7, 0107 Oslo, Norway.

Stock Exchange Listing and American Depositary Receipts

After the Demerger, the Shares will be listed on the OSE. Petrojarl has not applied for listing on any other stock exchange. Petrojarl intends to set up a sponsored Level I ADR facility. An ADR is the physical certificate that evidences any number of ADSs. Each ADS will represent rights attributable to one of the Shares. The ADSs will not be listed anywhere at the time of consummation of the Demerger.

Share Capital

Current Share Capital

At the Completion Date, Petrojarl will have a fully paid share capital of NOK 149,999,980, divided into 74,999,990 shares, each with a par value of NOK 2.00 per share.

As of the date of this Prospectus there are no outstanding options, warrants, convertible loans or other instruments which would entitle the holder of any such securities to require that Petrojarl issue any shares. However, the Board of Directors has been granted the authority to issue new shares and to acquire Petrojarl's own shares as further described below.

Historic Share Capital

As of the date of incorporation, March 2, 2006, Petrojarl had a share capital of NOK 1,008,000, divided into 420,000 shares, each with a par value of NOK 2.40 per share. On March 21, 2006, the par value of the shares was changed from NOK 2.40 to NOK 2.00 per share giving Petrojarl a share capital of NOK 1,008,000 divided into 504,000 shares.

On March 21, 2006, the share capital was increased by NOK 28,991,980 to NOK 29,999,980 through the issue of 14,495,990 new shares, each with a par value of NOK 2.00 per share.

Upon completion of the Demerger, Petrojarl's share capital will be increased by NOK 120,000,000 to NOK 149,999,980, divided into 74,999,990 shares, each with a par value of NOK 2.00 per share.

As part of the approval of the Demerger Plan, the extraordinary general meeting of Petrojarl held on April 28, 2006 passed the following resolution:

1. The share capital of the Company shall be increased from NOK 29,999,980 by NOK 120,000,000 to NOK 149,999,980 through the issue of 60,000,000 new shares in the Company each with a par value of NOK 2.00 in connection with the demerger pursuant to the Demerger Plan dated March 27, 2006. The Company's share premium fund shall be increased from NOK 801,654,305 by NOK 220,903,000 to NOK 1,022,557,305.
2. Subscription of shares shall take place by way of approval of the Demerger Plan by the extraordinary general meetings of PGS ASA and Petrojarl ASA.
3. Payment of shares shall take place by transfer of assets, rights and liabilities from PGS ASA to Petrojarl ASA in accordance with the Demerger Plan when completion of the demerger is registered with the Norwegian Register of Business Enterprises.

4. The new shares shall entitle the holders to dividends from and including the financial year 2006.
5. The new shares shall be registered with the Norwegian Registry of Securities, Verdipapirsentralen, as soon as possible after the Completion Date and shall thereafter entitle the holders to full shareholder rights in Petrojarl ASA.

Authorization to Increase the Share Capital

In the Extraordinary General Meeting held on June 14, 2006, Petrojarl's Board of Directors was authorized to increase its share capital. The resolution is as follows:

1. The Board of Directors is given the authority to increase the share capital of the Company by up to NOK 2,999,998 in one or several share capital increases. Full utilization of the proxy constitutes an increase of 10% of the registered share capital.
2. The authorization is valid until the annual general meeting in 2007, but no longer than June 30, 2007.
3. The existing shareholders' right of first refusal to subscribe new shares can be set aside.
4. The authorization includes an increase in the share capital against consideration other than cash and a right to incur special obligations for the Company according to Section 10-2 of the Public Limited Companies Act.
5. The authorization includes any resolution to merge the company pursuant to Section 13-5 of the Public Limited Companies Act, and any resolution to issue shares in connection with a possible take over situation, cf. section 4-17 second paragraph of the Securities Trading Act.

Authorization to Acquire Own Shares

In the Extraordinary General Meeting held on June 14, 2006, Petrojarl's Board of Directors was granted the authorization to acquire its own shares. The resolution is as follows:

1. The Board of Directors is authorized on behalf of the Company to acquire 1,499,999 of the Company's own shares with aggregate par value of up to NOK 2,999,998, which represents 10% of the share capital.
2. The price to be paid per share shall be maximum NOK 100 and minimum NOK 2.00.
3. The acquisition and sale of the Company's own shares may take place in such manner as deemed appropriate by the Board of Directors, and may be done both by an offer to all shareholders or by negotiations with one or more shareholders.
4. The authorization is valid until the annual general meeting in 2007, but no longer than June 30, 2007.

Employee Share Option Plan

In the Extraordinary General Meeting held on June 14, 2006, Petrojarl's Board of Directors was granted the authorization to increase its share capital related to the implementation of employee option programs. The resolution is as follows:

1. The Board of Directors is authorized to increase the Company's share capital by a total amount of NOK 2,000,000 by issuance of up to 1,000,000 shares with a par value NOK 2.00 through one or more subscriptions.
2. The authorization may only be used to fulfill the obligations under the Company's share option programs for management and key personnel.

3. The Board of Directors is authorized to negotiate and establish a share option program, limited to 1,000,000 options for management and key personnel on terms and conditions as the Board of Directors see fit in accordance with the following main principles:
 - a. The exercise price for an initial grant shall be equal to the average trading price of the Company's shares on the Oslo Stock Exchange the first five days of trading after the demerger from Petroleum Geo-Services ASA has been completed.
 - b. The program shall comprise approximately 40 employees of the Company.
 - c. $\frac{1}{3}$ of the original options included in the option agreement with the individual employee may be exercised one year after entering into the option agreement, $\frac{1}{3}$ of the original options included may be exercised two years after entering into the option agreement and the remaining $\frac{1}{3}$ of the original options may be exercised three years after entering into the option agreement.
 - d. All options must be exercised within five years of entering into the option agreement.
4. To the extent the number of options outstanding from the share option program described in (3) above is less than 1,000,000, the Board of Directors is authorized to negotiate and establish supplementary share option programs to reflect new hires, changes in positions, extensions of the beneficiary group or further options to members of the beneficiary group, and otherwise to maintain attractive compensation structures. These supplementary share option programs shall be based on the same main principles as described above, always with an exercise price no less than the market price of the Company's shares at or around the time of establishing the supplementary program.
5. The Board is further authorized to waive the pre-emption rights pursuant to Section 10-4 of the Public Limited Companies Act.
6. The authorization to increase the Company's share capital shall be effective as of the date of completion of the demerger from Petroleum Geo-Services ASA provided that it is registered in the Norwegian Register of Business Enterprises and shall be valid until the annual general meeting in 2007, but no longer than June 30, 2007.

The purpose of the resolution above is to establish long-term incentive schemes for such personnel. The long-term commitment by the Company's management and key employees is considered vital for further growth. This is considered especially important in today's competitive and strong market.

Shareholders' Rights

Under Norwegian law, all shares are entitled to equal rights in a company. However, Norwegian law permits a company's articles of association to provide for different types of shares (e.g., several classes of shares). In such case, a company's articles of association must specify the different rights, preferences and privileges of the classes of shares and the total par value of each class of shares. Petrojarl's Articles of Association provide for a single class of shares with equal rights.

Limitations on the Right to Own and Transfer Shares

There are no restrictions affecting the right of Norwegian or non-Norwegian residents or citizens to own the Shares.

Petrojarl's Articles of Association do not contain any provisions restricting the transferability of the Shares.

General Meetings

In accordance with Norwegian law, the annual general meeting of Petrojarl's shareholders is required to be held each year on or prior to June 30. Norwegian law requires that written notice of general meetings be sent to all shareholders whose addresses are known at least two weeks prior to the date of the meeting. A shareholder may vote at the general meeting either in person or by proxy. Although Norwegian law does not

require Petrojarl to send proxy forms to its shareholders for general meetings, Petrojarl plans to include a proxy form with notices of general meetings. In addition to the annual general meeting, extraordinary general meetings of shareholders may be held if deemed necessary by the Board of Directors. An extraordinary general meeting must also be convened for the consideration of specific matters at the written request of Petrojarl's auditors or shareholders representing a total of at least 5% of the share capital.

Voting Rights

All of the Shares have an equal right to vote at general meetings. An owner with shares registered through a custodian approved pursuant to Section 4-10 of the Norwegian Public Limited Companies Act has voting rights equivalent to the number of shares covered by the custodian arrangement provided that the owner of the shares within two working days before the general meeting provides Petrojarl 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 and the Board of Directors does not disapprove the beneficial ownership after receipt of notification.

In general, decisions that shareholders are entitled to make under Norwegian law or Petrojarl's Articles of Association may be made by a simple majority of the votes cast. In the case of elections, the persons who obtain the most votes cast are elected. However, certain decisions, including resolutions to authorize an increase or reduction in Petrojarl's share capital, to waive preferential rights in connection with any share issue, to approve a merger or demerger and to amend its Articles of Association, must receive the approval of at least two-thirds of the aggregate number of votes cast at the general meeting at which any such action is before the shareholders for approval. There are no quorum requirements at general meetings.

Amendments to the Articles of Association, including Variation of Rights

The affirmative vote of two-thirds of the votes cast at a general meeting is required to amend Petrojarl's Articles of Association. Any amendment which would reduce any shareholder's right in respect of dividend payments or other rights to Petrojarl's assets, or restrict the transferability of the Shares, requires the affirmative vote of at least 90% of the votes cast at the general meeting. Certain types of changes in the rights of Petrojarl's shareholders require the consent of all affected shareholders as well as the vote normally required to amend its Articles of Association.

Additional Issuances and Preferential Rights

If Petrojarl issues any new shares, including bonus share issues, its Articles of Association must be amended, which requires the same vote as other amendments to its Articles of Association. In addition, under Norwegian law, Petrojarl's shareholders have a preferential right to subscribe to issues of new shares by it. The preferential rights to subscribe to an issue may be waived by a resolution in a general meeting passed by the same vote required to approve amendments to the Articles of Association.

The general meeting may, with a vote as described above, authorize the Board of Directors to issue new shares, and to waive the preferential rights of shareholders in connection with such issuances. Such authorization may be effective for a maximum of two years, and the par value of the shares to be issued may not exceed 50% of the registered nominal share capital when the authorization was granted.

The issuance of shares to holders of Shares or Petrojarl ADSs who are citizens or residents of the United States upon the exercise of preferential rights may require Petrojarl to file a registration statement in the United States under U.S. securities laws. If Petrojarl decides not to file a registration statement, these holders may not be able to exercise their preferential rights.

Under Norwegian law, bonus shares may be issued, subject to shareholder approval, by transfer from Petrojarl's distributable equity or from its share premium reserve. Any bonus issues may be effected either by issuing shares or by increasing the par value of the shares outstanding.

Related Party Transactions

Under Norwegian law, an agreement to acquire assets or services from a shareholder or connected person (e.g., a spouse or significant other, and other family members) of such shareholder or which involves consideration from the company in excess of 1/20th of the company's share capital at the time of such

acquisition is not binding on the company unless the agreement has been approved by a general meeting. Business agreements in the normal course of the company's business containing pricing and other terms and conditions which are normal for such agreements, as well as the purchase of securities at a price which is in accordance with the official quotation, do not require such approval. Any performance of an agreement which is not binding on the company must be reversed.

Minority Rights

Norwegian law contains a number of protections for minority shareholders against oppression by the majority, including but not limited to those described in this and preceding paragraphs. Any shareholder may petition the courts to have a decision of its Board of Directors or general meeting declared invalid on the grounds that it unreasonably favors certain shareholders or third parties to the detriment of other shareholders or the company itself. In certain circumstances shareholders may require the courts to dissolve the company as a result of such decisions. Minority shareholders holding 5% or more of Petrojarl's share capital have a right to demand in writing that it hold an extraordinary general meeting to discuss or resolve specific matters. In addition, any shareholder may in writing demand that Petrojarl place an item on the agenda for any shareholders' meeting if it is notified in time for such item to be included in the notice of the meeting. If the notice has been issued when such a written demand is presented, a renewed notice must be issued if at least two weeks remain before the shareholders' meeting is to be held.

Mandatory Bid Requirement

Norwegian law imposes mandatory bid requirements. For further details, see "Securities Trading in Norway – Mandatory Offer Requirement" below.

Compulsory Acquisition

Norwegian law provides a shareholder who, directly or via subsidiaries, acquires shares representing more than 90% of the total number of issued shares as well as more than 90% of the total voting rights of a company, the right to effect a compulsory acquisition for cash of any shares not already owned by the majority shareholder. For further details see "Securities Trading in Norway – Compulsory Acquisition" below.

Rights of Redemption and Repurchase of Shares

The share capital may be reduced by reducing the par value of the Shares or by canceling the issued Shares. Such a decision requires the approval of two-thirds of the votes cast at a general meeting. Redemption of individual Shares requires the consent of the holders of the Shares to be redeemed.

A Norwegian company may purchase its own shares if an authorization for the Board of Directors of the company to do so has been given by a general meeting with the approval of at least two-thirds of the aggregate number of votes cast at the meeting. The aggregate par value of treasury shares so acquired and held by the company must not exceed 10% of the company's share capital, and treasury shares may only be acquired if the company's distributable equity, according to the latest adopted balance sheet, exceeds the consideration to be paid for the shares. The authorization by the general meeting cannot be given for a period exceeding 18 months. As noted above, the Extraordinary General Meeting held on June 14, 2006 granted the Board of Directors such an authorization.

Shareholder Vote on Certain Reorganizations

A decision to merge with another company or to demerge requires a resolution of the shareholders at a general meeting passed by two-thirds of the aggregate votes cast at the general meeting. A merger plan or demerger plan signed by the Board of Directors along with certain other required documentation, would have to be sent to all shareholders at least one month prior to the shareholders' meeting. Any agreement by which Petrojarl would acquire assets or services from a shareholder or an affiliate of a shareholder against a consideration exceeding the equivalent of 5% of its share capital must be approved by the general meeting. This does not apply to acquisitions of listed securities at market prices or to agreements in the ordinary course of business entered into on normal commercial terms.

Liability of Directors

Members of the Board of Directors owe a fiduciary duty to the company and its shareholders. Such fiduciary duty requires that the board members act in the best interests when exercising their functions and exercise a general duty of loyalty and care towards Petrojarl. Their principal task is to safeguard the interests of the company.

Members of the Board of Directors may each be held liable for any damage they negligently or willfully cause Petrojarl. Norwegian law permits the general meeting to exempt any such person from liability, but the exemption is not binding if substantially correct and complete information was not provided at the general meeting when the decision was taken. If a resolution to grant such exemption from liability or not to pursue claims against such a person has been passed by a general meeting with a smaller majority than that required to amend Petrojarl's Articles of Association, shareholders representing more than 10% of the share capital or, if there are more than 100 shareholders, more than 10% of the shareholders may pursue the claim on Petrojarl's behalf and in its name. The cost of any such action is not Petrojarl's responsibility, but can be recovered from any proceeds it receives as a result of the action. If the decision to grant an exemption from liability or not to pursue claims is made by such a majority as is necessary to amend the Articles of Association, the minority shareholders cannot pursue the claim in Petrojarl's name.

Indemnification of Directors and Officers

Neither Norwegian law nor the Articles of Association contain any provision concerning indemnification by Petrojarl of the Board of Directors. At the Extraordinary General Meeting held on June 14, 2006, the shareholders passed a resolution to indemnify the relevant Directors for any future claims and approved an Indemnification Agreement, which was entered into between Petrojarl and the Directors immediately following the approval. Petrojarl is further permitted to purchase, and has purchased, insurance to cover the members of the Board of Directors against certain liabilities that they may incur in their capacity as such.

Distribution of Assets on Liquidation

Under Norwegian law, a company may be wound-up by a resolution of the company's shareholders in a general meeting passed by two-thirds of the aggregate votes cast at the meeting. The Shares rank equally in the event of a return on capital by the company upon a winding-up or otherwise.

Summary of the Articles of Association that will be in effect after consummation of the Demerger

Name of the company – The registered name is Petrojarl ASA. Petrojarl is a Norwegian public limited liability company.

Registered office – Petrojarl's registered office is in Trondheim, Norway.

Business of the company – Petrojarl is engaged in all activities relating to the ownership and operation of FPSOs, including providing services to and participating and investing in energy-related businesses.

Share capital – Petrojarl's share capital will on the Completion Date be NOK 149,999,980 divided into 74,999,990 shares.

Par value of Shares – The par value of each Share will be NOK 2.00.

Board of directors – Petrojarl's Articles of Association provide that its Board of Directors shall be composed of a minimum of three and a maximum of seven directors and two additional directors appointed by and among Petrojarl's employees.

Annual general meeting – Petrojarl's annual general meeting will be held no later than June 30 each year upon at least two weeks' written notice. The ordinary general meeting shall at least consider and resolve: Approval of the annual accounts and annual reports, including the distribution of dividends.

Other matters which according to applicable law or the Articles of Association are the responsibility of the general meeting.

Exchange Controls

Under Norwegian foreign exchange controls currently in effect, transfers of capital to and from Norway are not subject to prior government approval except for the physical transfer of payments in currency, which is restricted to licensed banks. This means that non-Norwegian resident shareholders may receive dividend payments without a Norwegian exchange control consent as long as the payment is made through a licensed bank.

Securities Trading in Norway

Prior to this offering, the Shares have not been listed or traded on any public stock market.

Introduction

The OSE was established in 1819 and is the principal market in which shares, bonds and other financial instruments are traded in Norway. The OSE is incorporated as a public limited liability company. As of December 31, 2005, the total capitalization of companies listed on the OSE amounted to approximately NOK 1.403 billion. Shareholdings of non-Norwegian companies as a percentage of total market capitalization on December 31, 2005 amounted to approximately 7.8%. The OSE is a part of the NOREX Alliance, whose other members are the Copenhagen Stock Exchange, the Stockholm Stock Exchange and the Iceland Stock Exchange.

Trading and Settlement

Trading on the NOREX exchanges is carried out in the electronic trading system SAXESS. OM Technology, a part of OM AB that owns the OM Stockholm Exchange, has developed SAXESS. This trading system is in use by all members of the NOREX Alliance, and allows brokers to operate on all such exchanges of which they are members through a single trading system. For the time being, clearing of all trades, however, takes place through different systems for trades effected on the different exchanges. Official trading takes place between 9:00 am and 4:30 pm each trading day. Orders may be placed in the system beginning at 8:15 am.

The settlement period for trading on the OSE is three days (T+3).

The ability of brokerage houses to trade for their own account is restricted to trading that occurs as an integral part of either investment services or general capital management. Trading by individual employees is also restricted.

Investment services may only be provided by Norwegian brokerage houses holding a license under the Securities Trading Act, branches of brokerage houses from an EEA-state or brokerage houses from outside the EEA that have been licensed to operate in Norway. EEA-state brokerage houses may also conduct cross-border investment services in Norway.

It is possible for brokerage houses to undertake market-making activities in listed Norwegian shares if they have a license to do so under the Securities Trading Act, or in the case of EEA-state brokerage houses, a license to carry out market making activities in their home jurisdiction. Such market-making activities will be governed by the regulations of the Securities Trading Act covering brokers' trading for own account. Such market-making activity, however, does not as such require notification to the Financial Supervisory Authority of Norway (Kredittilsynet) ("FSAN") or the OSE except for the general obligation on brokerage houses that are members of the OSE to report all trades in stock exchange listed securities.

Information, Control and Surveillance

Under Norwegian law, the OSE is required to perform a number of surveillance and control functions. The Surveillance and Corporate Control unit of the OSE monitors all market activity on a continuous basis and is responsible for the dissemination of information from listed companies to the market. Market surveillance systems are largely automated, promptly warning department personnel of abnormal market developments.

The OSE controls the issuance of securities in both the equity and bond markets in Norway. The OSE evaluates whether the issuance documentation contains the required information and whether it would otherwise be illegal to carry out the issuance.

Each listed company must deliver to the OSE copies of all reports and communications sent to its shareholders. Each company must also promptly, unless there are valid reasons for postponement, release to the OSE any other precise information about the financial instruments, the company or other matters which are suited to influence the price of the financial instruments or related financial instruments noticeably, and which are not publicly available or commonly known in the market. The OSE may levy fines on companies that violate such requirements.

VPS and Transfer of Shares

VPS is the Norwegian paperless centralized securities registry. It is a computerized bookkeeping system in which the ownership of, and all transactions relating to, Norwegian listed shares must be recorded. The Company's share register is operated through VPS. All transactions relating to securities registered with VPS are made through computerized book entries. VPS confirms each entry by sending a transcript to the registered shareholder irrespective of any beneficial ownership. To effect such entries, the individual shareholder must establish a share account with a Norwegian account agent. Norwegian banks, the Bank of Norway, authorized securities brokers in Norway and Norwegian branches of credit institutions established within the EEA are allowed to act as account agents. The entry of a transaction in VPS is prima facie evidence in determining the legal rights of parties as against the issuing company or a third party claiming an interest in the given security. VPS is strictly liable for any loss resulting from an error in connection with registering, altering or canceling a right, except in the event of contributory negligence, in which event compensation owed by VPS may be reduced or withdrawn.

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

Share Register

Under Norwegian law shares are registered in the name of the owner of the shares. As a general rule, there are no arrangements for nominee registration. However, shares may be registered in VPS in the name of a depositary (bank or other nominee) approved by the Norwegian Securities Commission, to act as nominee for foreign shareholders. An approved and registered nominee has a duty to provide information on demand about beneficial shareholders to the company and to the Norwegian authorities. In the case of registration by nominees, registration with VPS must show that the registered owner is a nominee. A registered nominee has the right to receive dividends and other distributions but cannot vote at general meetings on behalf of the beneficial owners. Beneficial owners must register with VPS or provide other sufficient proof of their ownership to the shares in order to vote at general meetings.

Foreign Investment in Norwegian Shares

Foreign investors may trade shares listed on the OSE through any broker that is a member of the OSE, whether Norwegian or foreign.

Disclosure Obligations

A person, entity or group acting in concert that acquires shares, options for shares or other rights to shares resulting in its beneficial ownership, directly or indirectly, in the aggregate meeting or exceeding the respective thresholds of $\frac{1}{20}$, $\frac{1}{10}$, $\frac{1}{5}$, $\frac{1}{3}$, $\frac{1}{2}$, $\frac{2}{3}$ or $\frac{9}{10}$ of the share capital or the voting rights in the Company has an obligation under Norwegian law to notify the OSE immediately. The same applies to disposal of shares (but not options or other rights to shares) resulting in a beneficial ownership, directly or indirectly, in the aggregate meeting or falling below said thresholds.

Insider Trading

According to Norwegian law subscription for, purchase, sale or exchange of shares which are quoted, or incitement to such dispositions, must not be undertaken by anyone who has information about the financial instruments, the company or other matters which are likely to significantly influence the price of the financial instruments or related financial instruments, and which are not publicly available or commonly known in the market. The same applies to entry into, purchase, sale or exchange of option or futures/forward contracts or equivalent rights connected with such shares or incitement to such disposition.

Mandatory Offer Requirement

Norwegian law requires any person, entity or group acting in concert that acquires more than 40% of the voting rights of a Norwegian company listed on the OSE to make an unconditional general offer for the purchase of the remaining shares in the company. The offer is subject to approval by the OSE before submission of the offer to the shareholders. The Offer Price per share must be at least as high as the highest

price paid or agreed by the offeror in the six-month period prior to the date the 40% threshold was exceeded, but equal to the market price if the market price was higher when the 40% threshold was exceeded. In the event that the acquirer thereafter, but prior to the expiration of the bid period acquires, or agrees to acquire, additional shares at a higher price, the acquirer is obliged to restate its bid at that higher price. A mandatory offer must be in cash or contain a cash alternative at least equivalent to any other consideration offered. A shareholder who fails to make the required offer must within four weeks dispose of sufficient shares so that the obligation ceases to apply (i.e., to reduce the ownership to a level below 40%). Otherwise, the OSE may cause the shares exceeding the 40% limit to be sold by public auction. A shareholder who fails to make such bid cannot, as long as the mandatory bid requirement remains in force, vote the portion of his shares that exceeds the 40% limit or exercise any rights of share ownership in respect of such shares, unless a majority of the remaining shareholders approve. The shareholder can, however, exercise the right to dividends and pre-emption rights in the event of a share capital increase. The OSE may impose a daily fine upon a shareholder who fails to make the required offer.

A shareholder or consolidated group that owns shares representing more than 40% of the votes in a listed company, and that has not made an offer for the purchase of the remaining shares in the company in accordance with the provisions concerning mandatory offers (e.g., due to available exemptions), is obliged, in general, to make a mandatory offer in the case of each subsequent acquisition. However, there are exceptions to this rule, including for a shareholder or a consolidated group that, upon admission of the company to listing on a stock exchange, owns more than 40% of the shares in the company.

There are currently proposals to amend the rules for mandatory offers which include the reduction of the threshold from 40% to 33%, but it is not certain that such proposals will be approved by the Norwegian Parliament, and if so approved, when the reduced threshold will come into force.

Compulsory Acquisition

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

Voting Rights

As a general rule, resolutions that shareholders are entitled to make pursuant to Norwegian law or Petrojarl's Articles of Association require approval by a simple majority of the votes cast. In the case of election of directors to the board of directors, the persons who obtain the most votes cast are deemed elected to fill the positions up for election. However, as required under Norwegian law, certain decisions, including resolutions to waive preferential rights in connection with any share issue, to approve a merger or demerger, to amend the Articles of Association, to authorize an increase or reduction in the share capital, to authorize an issuance of convertible loans or warrants or to authorize the Board of Directors to purchase the Shares or to dissolve Petrojarl, must receive the approval of at least two-thirds of the aggregate number of votes cast as well as at least two-thirds of the share capital represented at a shareholders' meeting. Norwegian law further requires that certain decisions, which have the effect of substantially altering the rights and preferences of any shares or class of shares receive the approval of the holders of such shares or class of shares as well as the majority required for amendments to the Articles of Association. Decisions that (i) would reduce any shareholder's right in respect of dividend payments or other rights to the assets or (ii) restrict the transferability of the shares require a majority vote of at least 90% of the share capital represented at the

general meeting in question as well as the majority required for amendments to the Articles of Association. Certain types of changes in the rights of shareholders require the consent of all shareholders affected thereby as well as the majority required for amendments to the Articles of Association.

In general, only a shareholder registered as the beneficial owner of the shares in the VPS is entitled to vote for such shares. The nominee cannot exercise voting rights on behalf of the shareholder. However, the general meetings of several Norwegian companies have accepted voting of deposited shares when the beneficial owner has documented the ownership, cf Section 4-2 of the Norwegian Public Limited Companies Act. The wording of the Articles of Association of Petrojarl (Appendix A) relating to voting of deposited shares is commonly used by several Norwegian companies.

Potential investors should note that there are varying opinions as to the interpretation of Norwegian law in respect of the right to vote nominee-registered shares. For example, in a statement on November 21, 2003, the OSE opined that “nominee-shareholders” may vote in general meetings if such holders actually prove their shareholding prior to the general meeting.

Restriction on Ownership of Shares

Petrojarl’s Articles of Association contain no provisions restricting foreign ownership of the Shares. There are no limitations under Norwegian law on the rights of non-residents or foreign owners to hold or vote shares.

Additional Issuances and Preferential Rights

All issuances of shares by Petrojarl, including bonus issues, require an amendment to the Articles of Association, which requires the same vote as other amendments to the Articles of Association (i.e., support by at least two-thirds of the votes cast). Furthermore, under Norwegian law, Petrojarl shareholders have a preferential right to subscribe for issues of new shares by Petrojarl. The preferential rights to subscribe in an issue may be waived by a resolution in a general meeting by the same vote required to approve amendments to the Articles of Association. A waiver of the shareholders’ preferential rights in respect of bonus issues requires the approval of all outstanding shares, irrespective of class. Under Norwegian law, bonus issues may be distributed, subject to shareholder approval, by transfer from Petrojarl’s free equity or from its share premium reserve. Such bonus issues may be effected either by issuing shares or by increasing the par value of the outstanding shares.

To issue shares to holders who are citizens or residents of the United States upon the exercise of preferential rights, Petrojarl may be required to file a registration statement in the United States under United States securities laws. If Petrojarl decides not to file a registration statement, such holders may not be able to exercise their preferential rights and in such event would be required to sell such rights to eligible Norwegian persons or other eligible non-U.S. holders to realize the value of such rights.

Dividends

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

Dividends in cash or in kind are payable only out of (i) the annual profit according to the adopted income statement for the last financial year, (ii) retained profit from previous years, and (iii) distributable reserves, after deduction of (a) any uncovered losses, (b) the book value of research and development, (c) goodwill, (d) net deferred tax assets recorded in the balance sheet for the last financial year, (e) the aggregate value of any treasury shares that Petrojarl has purchased or been granted security over during the preceding financial years, (f) any credit or security given pursuant to sections 8-7 to 8-9 of the Norwegian Public Limited Companies Act and provided always that such distribution is compatible with good and prudent business practice with due regard to any losses which may have occurred after the last balance sheet date or which may be expected to occur. Petrojarl cannot distribute any dividends if the equity, according to the balance sheet, amounts to less than 10% of the total balance sheet without a two months’ creditor notice period.

The board will consider the amount of dividend (if any) to recommend for approval by Petrojarl shareholders, on an annual basis, based upon Petrojarl’s earnings for the years recently ended and Petrojarl’s financial situation at the relevant point in time.

Taxation

The summary is of a general nature, and investors who wish to clarify their own tax position should consult with and rely upon their own tax advisers.

The statements herein regarding taxation are based on the tax laws in force as of the date of this Prospectus and are subject to any changes in law occurring after such date. Such changes could be made on a retrospective basis.

The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, own or dispose of the Offer Shares. Shareholders are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of shares.

Taxation of Shareholders tax resident in Norway

Taxation of dividends

Corporate Shareholders

Dividend distributions to limited liability companies and similar entities (“Corporate Shareholders”) being tax resident in Norway from a limited liability company tax resident in Norway, are exempt from Norwegian taxation.

Individual Shareholders

For individual shareholders being tax resident in Norway, dividends exceeding a risk-free rate of return are subject to taxation at 28%. The risk-free rate of return is calculated for each individual share on the basis of the cost price multiplied with an opportunity rate of interest (a risk-free rate of interest after tax). Unused allowance may be carried forward and set off against future dividends or gains upon realization of the share. The tax-free allowance will be calculated on each individual share, i.e. not on a portfolio basis.

Taxation on capital gains on disposal of shares

Corporate Shareholders

Corporate Shareholders being tax resident in Norway are exempt from capital gain taxation on realization of shares in a limited liability company tax resident in Norway.

Individual Shareholders

Sale, redemption or other disposal of shares is in principle considered as realization for Norwegian tax purposes. Losses on shares are deductible in the shareholders ordinary income. Capital gains are taxable in Norway as ordinary income, taxed at a rate of 28%. Gain or loss is calculated per share, as the difference between the consideration received and the tax basis of the share. The tax basis of each share is based on the shareholder’s purchase price for the share. Norwegian individual shareholders are entitled to deduct a deemed allowance when calculating taxable gain on sale of shares. The allowance for each share will be equal to the cost price of the share multiplied by a determined risk-free interest rate (see “– Taxations of Shareholder tax resident in Norway – Taxation of dividends” above).

If the individual shareholder owns shares acquired at different points in time, the shares that were acquired first will be regarded as the first to be disposed of (first-in first-out principle).

Net wealth tax

Individual shareholders are subject to net wealth taxation. The marginal net wealth tax rate is a maximum 1.1%. Shares listed on Oslo Børs are currently valued at 80% of the quoted value as per January 1 in the assessment year. In the year of incorporation, the shares are valued at 80% of the share’s nominal value and premium.

Norwegian corporate shareholders are exempt from net wealth tax.

Norwegian tax positions of shareholders resident in other jurisdictions

Taxation of dividends

Corporate Shareholders

According to the tax exemption method, Corporate Shareholders resident within the EU/EEA are not subject to withholding tax on dividend distributions from a Norwegian limited liability company.

According to Norwegian domestic legislation, Corporate Shareholders resident outside the EU/EEA are as a main rule subject to withholding tax at a rate of 25%. Non-EU/EEA shareholders may benefit from a lower withholding tax rate according to an applicable tax treaty between the respective state of residency and Norway. Under Norwegian law, Petrojarl is responsible for withholding of such taxes at the source.

Individual Shareholders

Individual shareholders resident in other jurisdictions are subject to withholding tax at a rate of 25%, or a lower rate pursuant to the provisions in an applicable tax treaty. Individual shareholders may, as an alternative, apply to the Norwegian tax authorities for a tax refund calculated in accordance with the principles for calculating the dividends taxation for Norwegian shareholders. Under Norwegian law, Petrojarl is responsible for the withholding of such taxes at the source.

Taxation on capital gains on disposal of shares

Corporate Shareholders

Gains from the realization of shares by a non-resident Corporate Shareholder are not subject to taxation in Norway, unless the shareholder i) holds the shares in connection with the conduct of a trade or business in Norway, or ii) has been a resident in Norway for tax purposes during the five calendar years preceding the realization, and the gains are not exempted from taxation in Norway according to an applicable tax treaty.

Individual Shareholders

Individual shareholders resident in other jurisdictions are not subject to taxation in Norway on gain from the realization of shares, unless the shareholder i) holds the shares in connection with the conduct of a trade or business in Norway, or ii) has been a resident in Norway for tax purposes during the five calendar years preceding the realization, and the gains are not exempted from taxation in Norway according to an applicable tax treaty.

Net wealth tax

Non-resident individual shareholders are not subject to net wealth taxes on shares in Norwegian limited liability companies, unless the shareholder holds the shares in connection with the conduct of a trade or business in Norway.

Corporate Shareholders are exempt from net wealth tax.

Duties on transfer of shares

No stamp or similar duties are currently imposed on the transfer of shares in Norwegian limited liability companies.

Taxation of Shareholders tax resident in the United Kingdom

The following is a summary of certain tax considerations based on current United Kingdom law and HM Revenue & Customs published practice. It is intended as a general guide and is not exhaustive. The tax treatment set out below may be improved by European law arguments. Any shareholders who are in any doubt as to their tax position should consult their professional advisers.

Taxation of dividends

A shareholder who is resident in the United Kingdom for tax purposes or a shareholder who is carrying on a trade, profession or vocation in the United Kingdom through a branch or agency or, in the case of a corporate shareholder, a permanent establishment in connection with which the shares are held will generally be subject to United Kingdom income tax or corporation tax, as the case may be, on the gross amount of any dividends paid by the Company before deduction of any Norwegian tax withheld.

Norwegian withholding tax withheld from the payment of a dividend (and not recoverable from the Norwegian tax authorities) will generally be available as a credit against the income tax or corporation tax payable by the shareholder in respect of the dividend.

An individual shareholder who is resident, but is either not domiciled or not ordinarily resident, in the United Kingdom, will be liable to United Kingdom income tax only to the extent that dividends paid by the Company are remitted or deemed to be remitted to the United Kingdom.

Capital gains tax

A disposal of shares by a shareholder who is resident or ordinarily resident in the United Kingdom for tax purposes may give rise to a chargeable gain or allowable loss for the purposes of United Kingdom taxation of capital gains.

An individual shareholder who is resident or ordinarily resident in the United Kingdom but not domiciled in the United Kingdom will be liable to United Kingdom capital gains tax only to the extent that chargeable gains made on the disposal of shares are remitted or deemed to be remitted to the United Kingdom.

Shareholders who are neither resident nor ordinarily resident in the United Kingdom and who do not return to the United Kingdom within 5 years of the disposal, will not be liable for United Kingdom tax on capital gains on the disposal of shares in the Company unless that shareholder carries on a trade, profession or vocation in the United Kingdom through a branch or agency or, in the case of a corporate shareholder, through a permanent establishment and the shares disposed of are (i) situated in the United Kingdom and (ii) used in, held or acquired for use by, or for the purposes of, the trade, branch or agency. (As registered shares are regarded as situated where they are registered, which in the case of the Company is Norway, the shares will not be situated in the United Kingdom.) Shareholders who are temporarily non-resident for a period of less than 5 years may be subject to UK tax on capital gains on disposals of their shares as if, broadly, the disposal was made in such shareholder's year of return to the UK.

Stamp duty and Stamp duty reserve tax

No United Kingdom stamp duty will be payable in connection with a transfer of shares executed and retained outside the United Kingdom.

No United Kingdom stamp duty reserve tax will be payable in respect of any agreement to transfer shares in the Company unless they are registered in a register kept in the United Kingdom by or on behalf of the Company.

Taxation of Petrojarl employees relating to discount in the Employee Offering

Taxation of Petrojarl employees tax resident in Norway

Norwegian employees of Petrojarl will be offered Offer Shares at a discount of 20% on the Offer Price. See "Terms of the Global Offering – Employee Offering – Offer Price." As a general rule, any discount from the fair market value is subject to taxation when employees are offered shares in their employer or in the parent company of their employer, c.f. the Norwegian Tax Act of 1999 Section 5-14. Such discount is considered income from employment and taxed at a marginal tax rate of 47.8% (2006 rates, including the employees social insurance contributions). However, Norwegian employees are entitled to exclude from the taxable amount up to 20% of the fair market value of shares acquired, but, in any event, no more than NOK 1,500 per employee on an annual basis. This only applies if the shares are offered to all employees under a general scheme. Based on the assumption that all of the Norwegian employees of the Petrojarl companies will be offered the Offer Shares on the same terms, the offer to the Norwegian employees should be considered a general scheme and a discount of NOK 1,500 should not be taxable for such Norwegian employees.

Taxation of Petrojarl employees tax resident in the United Kingdom

Employees of Petrojarl in the United Kingdom will be offered Offer Shares at a discount of 20% on the Offer Price but, in any event, no more than NOK 1,500 per employee. See "Terms of the Global Offering – Employee Offering – Offer Price." Offering shares to employees at a discount to the Offer Price gives rise to tax costs for the employees and their employer. In general, the amount of the discount would be considered a taxable employee benefit.

The employee would therefore be liable on grant to pay:

- income tax at his or her marginal rate on the discount (income tax increases in bands in the United Kingdom, but the basic rate of income tax is currently 22% and the highest rate is 40%. Employees earning over £38,335 in the current tax year are taxed on the top portion of their income at the highest rate); and
- national insurance contributions on the discount (for employees earning over £645 per week, the amount payable would be 1% of the discount; the rate is higher (11%) for lower earners).

In addition, the employer, assuming it is a UK entity, would be required to pay 12.8% for employer's national insurance contributions on the discount.

Taxation of Shareholders tax resident in the United States

United States Federal Income Tax Consequences

The following discussion outlines certain potential U.S. federal income tax consequences of the acquisition, ownership and disposition of the Shares. This discussion only applies to a U.S. Shareholder (as defined below) of the Shares that holds the same as capital assets for tax purposes. This discussion does not apply to certain U.S. Shareholders subject to special rules, such as dealers in securities, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, tax-exempt entities (including pension plans), certain financial institutions, life insurance companies, persons liable for alternative minimum tax, persons that hold the Shares through a partnership or other pass-through entity, persons whose functional currency is not the U.S. dollar, U.S. expatriates, persons holding an ordinary share as part of a straddle, hedging, conversion or integrated transaction, or holders of 10% or more of Petrojarl's voting shares.

This discussion is based on the Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, existing and proposed regulations, published rulings and court decisions, and the Convention between the United States and the Kingdom of Norway for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Property (the "Treaty"). These laws are subject to change at any time, possibly on a retroactive basis.

A holder of the Shares is a "U.S. Shareholder" if he or she is a beneficial owner of such Shares and is (i) a citizen or resident of the United States, (ii) a corporation created or organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate whose income is subject to United States federal income tax regardless of its source, or (iv) a trust, if (1) a court in the United States can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

A "non-U.S. Shareholder" is a beneficial owner of the Shares that is not a U.S. Shareholder.

You should consult your own tax adviser regarding the U.S. federal, state, local and other tax consequences of acquiring, owning and disposing of the Shares and Petrojarl ADSs in your particular circumstances.

Circular 230 Disclaimer

To ensure compliance with Treasury Department Circular 230, you are hereby notified that: (A) any discussion of U.S. federal tax issues in this Prospectus is not intended or written to be relied upon, and cannot be relied upon, by you for the purpose of avoiding penalties that may be imposed on you under the Internal Revenue Code of 1986, as amended, (B) such discussion is included herein in connection with the promotion or marketing (within the meaning of Circular 230) by Petrojarl of the transactions or matters addressed herein and (C) you should seek tax advice based on your particular circumstances from an independent tax advisor.

Taxation of Dividends

To ensure compliance with Treasury Department Circular 230, you are hereby notified that: (A) any discussion of U.S. federal tax issues in this Prospectus is not intended or written to be relied upon, and cannot be relied upon, by you for the purpose of avoiding penalties that may be imposed on you under the

Internal Revenue Code of 1986, as amended, (B) such discussion is included herein by Petrojarl in connection with the promotion or marketing (within the meaning of Circular 230) by Petrojarl of the transactions or matters addressed herein and (C) Petrojarl should seek tax advice based on you particular circumstances from an independent tax advisor.

A non-Norwegian shareholder is generally subject to a withholding tax at a rate of 25% on dividends distributed by Norwegian companies, unless the non-Norwegian shareholder is carrying on business activities in Norway and such shares are effectively connected with such activities. The withholding tax rate of 25% may be lower pursuant to tax treaties between Norway and the country in which the shareholder is resident. The Treaty rate is generally 15%. The Treaty withholding tax rate will generally apply to dividends paid on shares held directly by U.S. Shareholders that are residents of the United States within the meaning of the Treaty.

Subject to the passive foreign investment company rules discussed below, a U.S. Shareholder must generally include in gross income for United States federal income tax purposes as a dividend the gross amount of any distribution made by Petrojarl's out of its current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). A U.S. Shareholder must include in gross income any Norwegian tax withheld from any dividend even though such shareholder does not, in fact receive the amount withheld as tax. Such shareholder must include any dividend in income when it receives the dividend, actually or constructively. To the extent, if any, that the amount of any such distribution exceeds Petrojarl's current or accumulated earnings and profits, it will be treated first as a tax-free return of tax basis in the Shares (thereby increasing the amount of any gain or decreasing the amount of any loss received on the subsequent sale or disposition of such Shares) and thereafter as capital gain. Since Petrojarl does not calculate earnings and profits for U.S. tax purposes, however, a U.S. Shareholder should expect not to be able to establish that any portion of the distribution would be treated as recovery of basis or capital gain. The dividend will not be eligible for the dividends-received deduction generally allowed to United States corporations in respect of dividends received from other United States corporations.

For taxable years beginning after December 31, 2002, and before January 1, 2011, dividends received by U.S. Shareholders that are individuals, estates or trusts from "qualified foreign corporations," as defined in Section 1(h)(11) of the Code, are "qualified dividend income" and generally are taxed at the preferential tax rates applicable to long-term capital gains. Section 1(h)(11) of the Code defines a "qualified foreign corporation" as a foreign corporation the stock of which is readily tradable on an established securities market in the United States (including through ADSs) or a foreign corporation that is eligible for the benefits of one of certain comprehensive income tax treaties with the United States that include an exchange of information program. Petrojarl expects that it will constitute a "qualified foreign corporation" following the Demerger under the Treaty provided that it is not treated as a "Passive Foreign Investment Company," as defined below, which it believes will be the case. There can be no assurance, however, that Petrojarl will not be treated as a "Passive Foreign Investment Company" in the current or future taxable years. Dividends received in a taxable year when Petrojarl does not constitute a "qualified foreign corporation," will be subject to U.S. federal income tax at ordinary income tax rates. **The dividend rules are complex and a U.S. Shareholder should consult his or her own tax adviser regarding the dividend rules and how these rules may affect his or her U.S. federal, state, local and other income tax situation.**

The amount of the dividend that any U.S. Shareholder must include in income is the U.S. dollar value of the gross amount of the Norwegian kroner dividend, determined at the spot Norwegian kroner/U.S. dollar exchange rate on the date the dividend distribution is included in a U.S. Shareholder's income, regardless of whether the payment is, in fact, converted into U.S. dollars.

Subject to certain limitations, the Norwegian tax withheld at the Treaty rate and paid over to Norway will be creditable against a U.S. Shareholder's U.S. federal income tax liability. If a refund of the tax withheld is available to you under the laws of Norway or under the Treaty, the amount of tax withheld that is refundable will not be eligible for such credit against your U.S. federal income tax liability (and will not be eligible for the deduction against your U.S. federal taxable income). If the dividends are qualified dividend income (as discussed above), the amount of the dividend taken into account for purposes of calculating the foreign tax credit limitation will in general be limited to the gross amount of the dividend, multiplied by the reduced rate divided by the highest rate of tax normally applicable to dividends. Dividends will be income from sources outside the United States, but generally will be "passive income" or, in the case of certain U.S. Shareholders "financial services income" for purposes of computing the foreign tax credit allowable. For

taxable years beginning after December 31, 2006, dividends distributed by Petrojarl with respect to the Shares would generally constitute “passive category income” but could, in the case of certain U.S. Shareholders, constitute “general category income.” Alternatively, a U.S. Shareholder may elect to claim a U.S. tax deduction, instead of a foreign tax credit, for such Norwegian tax, but only for a year in which the U.S. Shareholder elects to do so with respect to all foreign income taxes.

Any gain or loss resulting from currency exchange fluctuations during the period from the date a U.S. Shareholder includes the dividend payment in income to the date such shareholder converts the payment in into U.S. dollars generally will be treated as ordinary income or loss. Such gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

Taxation of Capital Gains

Subject to the passive foreign investment company rules discussed below, a U.S. Shareholder who sells or otherwise disposes of the Shares will generally recognize capital gain or loss for United States federal income tax purposes equal to the difference between the U.S. dollar value of the amount realized and the U.S. Shareholder’s tax basis, determined in U.S. dollars, in such shareholder’s Shares. Capital gain of a non-corporate U.S. Shareholder is generally taxed at a maximum rate of 15% when the property has been held for more than one year. The deductibility of capital losses is subject to significant limitations. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes. If a U.S. Shareholder receives any foreign currency on the sale of the Shares, such shareholder may recognize U.S.-source ordinary income or loss as a result of currency fluctuations between the date of the sale of the Shares and the date the sales proceeds are converted into U.S. dollars.

Passive Foreign Investment Company (“PFIC”) Rules

Petrojarl believes that, following the Demerger, the Shares should not be treated as shares of a passive foreign investment company, or PFIC, for United States federal income tax purposes. However, this conclusion is a factual determination that is made annually and therefore there can be no assurance that Petrojarl will not be classified as a PFIC for the current taxable year or for any future taxable year.

A PFIC is defined as a corporation that is not formed in the United States and, for any taxable year, either (i) 75% or more of its gross income is “passive income” or (ii) the average, by fair market value (or, if the corporation is not publicly traded and either is a controlled foreign corporation or makes an election, by adjusted tax basis), of its assets that produce or are held for the production of “passive income” is 50% or more. “Passive income” generally includes dividends, interest, certain rents, and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions.

U.S. Shareholders owning shares of a PFIC are subject to the highest rate of tax on ordinary income in effect for the applicable taxable year and to an interest charge based on the value of deferral of tax for the period during which the shares of the PFIC are owned with respect to certain “excess distributions” on, and certain dispositions of, PFIC stock. Subject to certain limitations, U.S. Shareholders owning, actually or constructively, marketable stock (as defined) in a PFIC will be permitted to elect to mark that stock to market annually, rather than be subject to the tax regime described above. Amounts included in or deducted from income under this alternative (and actual gains and losses realized upon disposition, subject to certain limitations) will be treated as ordinary gains and losses. A U.S. Shareholder should consult his or her tax advisors regarding the potential application of the PFIC rules to the ownership of shares.

Backup Withholding and Information Reporting

Dividend payments, or other taxable distributions, made within the United States or through certain U.S.-related financial intermediaries generally will be subject to information reporting requirements and backup withholding tax unless such shareholder (i) is a corporation or other exempt recipient or (ii), in the case of backup withholding, provides a correct taxpayer identification number and certifies appropriately. U.S. Shareholders who are required to establish their exempt status generally must provide such certification on Internal Revenue Service Form W-9.

Backup withholding is not an additional tax. The amount of any backup withholding will be allowed as a credit against a U.S. Shareholder’s U.S. federal income tax liability and may entitle a U.S. Shareholder to a refund if the required information is furnished to the Internal Revenue Service.

Notices to Investors

Notice to Prospective Investors in The United States

The Offer Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States, and may not be offered, sold, pledged or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable state securities laws. The Offer Shares have not been recommended by any United States federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Prospectus. Any representation to the contrary is a criminal offense in the United States.

Offer Shares initially offered and sold to investors in the United States in accordance with Rule 144A will be subject to certain restrictions as described under “Transfer Restrictions.” In particular, purchasers of Offer Shares in the United States will be deemed to have made certain acknowledgements, representations and agreements, including, among other things, an agreement not to deposit any of the Offer Shares in any unrestricted depository facility.

Notice to New Hampshire Residents

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Notice to Prospective Investors in Canada

The Offer Shares have not been nor will be qualified by prospectus for sale to the public in Canada under applicable Canadian securities laws and, accordingly, any offer or sale of the Offer Shares in Canada will be made pursuant to an exemption from the applicable prospectus filing requirements, and otherwise in compliance with applicable Canadian laws. Investors in Canada should refer to the section entitled “Selling Restrictions–Canada” and Ontario purchasers in particular should refer to the subsection entitled “Rights of Action for Damages or Rescission (Ontario)”. **The Offer Price Range and Offer Price disclosed in this Prospectus are presented in NOK. On June 13, 2006, being the latest practicable date prior to the publication of this document, NOK 5.6180 = Cdn\$1.00, based on the Bank of Canada noon exchange rate.**

Notice to Investors in Japan

The Offered Shares have not been and will not be registered under the Securities and Exchange Law of Japan. No person may offer or sell, directly or indirectly, any Offered Shares in Japan or to or for the benefit or account of, any Japanese Person (including any person resident in Japan and any corporation or other entity organized under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the account of, any Japanese Person, except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time.

Certain Regulatory Issues with Respect to the United Kingdom

A person must not communicate an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (as amended) (FSMA) unless (a) such person is an authorized person or the content of the communication is approved by an authorized person in compliance with section 21 of the FSMA, or (b) in circumstances in which section 21 of the FSMA does not apply.

This Prospectus is only being distributed to and is only directed at (i) persons who are outside the United Kingdom, (ii) investment professionals falling within Article 19(5) of the United Kingdom Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”), (iii) high net worth entities, (iv) other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order and (v) persons receiving this Prospectus and an invitation or inducement to participate in the Global Offering from an authorized person in compliance with section 21 of FSMA. (all such persons together being referred to in this paragraph as “relevant persons”). The Offer Shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire any Offer Shares will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this Prospectus or any of its contents.

Notice to Prospective Investors in the EEA

This Prospectus has been prepared on the basis that all offers of the Offer Shares, other than the offer(s) contemplated in this Prospectus in Norway and the United Kingdom once the Prospectus has been approved by the competent authority in Norway and published and passported in accordance with Directive 2003/71/EC (together with any applicable implementing measures in any Member State, the “Prospectus Directive”) as implemented in Norway and the United Kingdom, will be made pursuant to an exemption under the Prospectus Directive, as implemented in member states of the EEA, from the requirement to produce a prospectus for offers of the Offer Shares. Accordingly any person making or intending to make any offer within the EEA of the Offer Shares should only do so in circumstances in which no obligation arises for the Company or any of the Managers to produce a prospectus for such offer. Neither the Company nor the Managers have authorized, nor do they authorize, the making of any offer of Offer Shares through any financial intermediary.

Notice to Certain European Investors

France. This Prospectus has not been prepared in the context of a public offering of financial instruments in France within the meaning of Article L. 41 1-2 of the French Code Monétaire et Financier. Consequently, no offering memorandum (including this Prospectus or any amendment, supplement or replacement thereto) subject to the approval (visa) of the Autorite des marchés financiers has been prepared in connection with the Offering. The Offered Shares may not be offered or sold to the public in France and neither this Prospectus, nor any other offering material or information contained therein relating to the Offered Shares may be released, issued or distributed or caused to be released, issued or distributed to the public in France, or used in connection with any offering in respect of the Offered Shares to the public in France. The Offering shall be made in France only to qualified investors (investisseurs qualifiés) acting for their own account as defined in article L. 41 1-2 of the French Code Monétaire et Financier and Décret no. 98-880 dated October 1, 1998. The direct or indirect resale to the public in France of any Offered Shares acquired by such qualified investors may be made only as provided by articles L. 412-1 and L. 621-8 of the Code Monétaire et Financier and applicable regulations thereunder. Persons into whose possession this Prospectus or any amendment, supplement or replacement thereto comes must inform themselves about and observe any such restrictions. The Offering does not constitute a solicitation by anyone not authorized to so act and this Prospectus may not be used for or in connection with the Offering to solicit anyone to whom it is unlawful to make the Offering.

Germany. This Prospectus may not be distributed, and the Offered Shares may not be sold in or from within Germany as part of the Offering except to individuals and legal entities who, on a professional or commercial basis, purchase or sell securities for their own account or for the account of a third party within the meaning of the German Securities Sales Prospectus Act (Wertpapier-Verkaufs prospektgesetz) of September 9, 1998 and its implementing regulations, which include banks, brokers, securities institutions

and other institutional investors (“Permitted Subscribers”). Permitted Subscribers have not mandated or authorized us to sell or offer the Offered Shares. This Prospectus does not constitute a public offer to buy or a solicitation of a public offer to sell any Offered Shares by the Permitted Subscribers under the meaning of the German Securities Sales Prospectus Act or any other laws applicable in Germany.

Italy. The Offering shall be made in Italy only to qualified investors (operatori quaiificati) as defined in Article 31 of Regulation No. 11522 of July 1, 1998, as amended, of the Commissione Nazionale per le Società e la Borsa. Accordingly, no prospectus (including this Prospectus or any amendment, supplement or replacement thereto) has been notified to or approved by Commissione Nazionale per le Società e la Borsa in connection with the Offering. The Offered Shares may not be offered or sold to the public in Italy and neither this Prospectus, nor any other offering material or information contained therein, may be issued or distributed or caused to be released, issued or distributed to the public in Italy, or used in connection with any offering in respect of the Offered Shares to the public in Italy. Any qualified investor purchasing Offered Shares in the Offering may do so for its own account or on behalf of other qualified investors and shall be solely responsible for ensuring that any such resale of Offered Shares occurs in compliance with applicable laws and regulations.

The Netherlands. In the Netherlands, the Offered Shares described in this Prospectus may not, are not and will not be offered, distributed, sold, transferred or delivered, directly or indirectly, to any person other than to individuals or legal entities who or which trade in securities in the conduct of their profession or trade within the meaning of Section 2 of the exemption regulation pursuant to the Netherlands Securities Market Supervision Act 1995 (Vrijstellingsregelin Wet toezicht effectenverkeer 1995), which includes banks, securities intermediaries (including dealers and brokers), insurance companies, pension funds, other institutional investors and commercial enterprises that, as an ancillary activity, regularly invest in securities.

United Kingdom. The Offered Shares may not be offered or sold to the public in the United Kingdom, except to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities or otherwise in circumstances which do not require the publication by Esmertec AG of a prospectus pursuant to the Prospectus Rules of the UK Financial Services Authority (the “FSA”). All applicable provisions of the Financial Services and Markets Act 2000 must be complied with, in respect of anything in relation to the Offered Shares in, from or otherwise involving the United Kingdom.

Terms of the Global Offering

The Offering

PGS expects that it will, on or about June 29, 2006, enter into a Purchase Agreement with ABG Sundal Collier Norge ASA (“ABG”) (Munkedamsveien 45 D, NO-0115 Oslo, Norway) and UBS Limited (1 Finsbury Avenue, London EC2M 2PP, United Kingdom), as Joint Global Coordinators and as representatives of the Managers set forth in the table below and Carnegie ASA (“Carnegie”) (P.O. Box 684 Sentrum 0106 Oslo, Norway), with respect to the Global Offering of the Offer Shares. On the terms and conditions set forth in the Purchase Agreement, each Manager is expected to agree, severally and not jointly, to purchase from PGS at the Offer Price less underwriting commissions and expenses, the number of Shares set forth opposite its name in the table below:

<u>Managers</u>	<u>Number of Shares</u>
ABG Sundal Collier Norge ASA	3,374,998
UBS Limited	3,374,998
Carnegie ASA	749,999
Total	<u>7,499,995</u>

The Managers propose to offer the Offer Shares to investors in a Global Offering comprising:

- a Retail Offering, in which Offer Shares are being offered to the public in Norway, subject to a lower limit per application of NOK 10,000 and an upper limit per application of NOK 2,000,000 for each investor. There will be no allocations of Offer Shares constituting less than one round lot, a figure that will be determined by the OSE on the basis of the final Offer Price and will likely constitute 200 Offer Shares. Consequently, one round lot may represent a higher amount than NOK 10,000. An application for Offer Shares in the Retail Offering representing between NOK 10,000 and the final value of one round lot will, unless otherwise indicated in the application form attached to this Prospectus as Appendix B (the “Retail Application Form”) be treated as an application for one round lot, even though this may represent an amount greater than NOK 10,000 (but only up to NOK 15,000);
- an Institutional Offering, in which Offer Shares are being offered to institutional investors and professional investors in Norway and to institutional investors outside Norway and the United States in compliance with Regulation S under the U.S. Securities Act and, in the United States, to QIBs in reliance on Rule 144A under the U.S. Securities Act, subject to a lower limit per application of NOK 2,000,000;
- an Employee Offering directed at employees of Petrojarl in Norway and the United Kingdom subject to a lower limit per application of NOK 10,000 and an upper limit per application of NOK 2,000,000 for each employee. Similar to the Retail Offering, there will be no allocations of Offer Shares constituting less than one round lot and applications for less than one round lot will be treated in the same manner as in the Retail Offering. Norwegian and United Kingdom employees of Petrojarl will receive a discount of 20% on the Offer Price, not exceeding NOK 1,500 per employee. The employees will receive full allocation for any application up to and including NOK 500,000 rounded down to the nearest round lot. To the extent any applications exceed NOK 500,000, such excess will be allocated in the same way as in the Retail Offering; and
- a Management Offering directed to the directors and senior management of Petrojarl, each of whom will receive a full allocation for any application amount up to NOK 1,000,000 (rounded down to the nearest round lot). The maximum subscription in the Management Offering is NOK 2,000,000.

Multiple applications are allowed in the Global Offering. If an investor applies for Offer Shares in both the Retail Offering and the Institutional Offering, the investor’s combined application will be treated as an application in the Institutional Offering. Directors and senior management of Petrojarl may only submit applications in the Management Offering.

PGS has provisionally assumed that 5% of the Global Offering will be reserved for the Retail Offering and up to 5% of the Global Offering will be reserved for the Employee and Management Offerings together. The

final determination of the number of Offer Shares attributed to the Retail, Employee and Management Offerings will only be decided following the completion of the book-building for the Institutional Offering on the basis of, inter alia, the level of applications or orders received from each of the categories of investors relative to the level of applications or orders received in the Global Offering as a whole.

Book-building for the Global Offering is expected to take place from June 19 to 15:00 hours (Norwegian time) on June 29, 2006 (both dates inclusive). PGS, together with the Joint Global Coordinators, reserves the right to extend the book-building period at any time. Any such extension of the book-building period will be announced through the OSE on or before 09:00 hours (Norwegian time) on June 29, 2006. An extension will only be made once, and for no longer than until 15:00 hours (Norwegian time) on July 6, 2006. In the event of an extension, the allocation date, the date on which the Purchase Agreement is executed, the first trading date, the payment date and the date of delivery of Offer Shares will be extended correspondingly.

PGS and the Joint Global Coordinators have set an indicative price range for the Global Offering of between NOK 37 and NOK 47 per Offer Share. Assuming that the Offer Price is set at the mid-point of this range, the Global Offering will consist of an aggregate amount of approximately NOK 630 million. The book-building process, which will form the basis for the determination of the Offer Price, will be conducted only in connection with the Institutional Offering.

The Purchase Agreement is expected to provide that the obligations of the several Managers are subject to satisfaction of certain conditions. PGS expects trading in the Shares on the Main List of the OSE to commence on or about June 30, 2006 as described below.

Unless the Purchase Agreement has been terminated prior to the commencement of trading of the Shares on the OSE, PGS expects that the Managers will, on July 5, 2006, purchase and pay for the Offer Shares which the Managers expect to deliver to investors applying for Offer Shares in the Global Offering on or about July 5, 2006. The number of Shares sold in the Global Offering, including any over-allotment of Additional Shares, will be made public through the OSE information systems prior to opening of trading on the first day of trading of the Shares on the OSE.

Institutional Offering

Offer Price

As described above, PGS and the Joint Global Coordinators have set an indicative price range for the Global Offering at between NOK 37 and NOK 47 per Offer Share. PGS and the Joint Global Coordinators will determine the Offer Price on the basis of orders placed in the Institutional Offering during the book-building process in which the Managers receive expressions of investor interest in the Offer Shares. The Offer Price, which will be set at the sole discretion of PGS, may be set below or above this indicative range. The Offer Price will be announced through a stock exchange notification by PGS to the OSE, expected to take place prior to the opening of trading on the OSE on or about June 30, 2006.

Any oral order placed in the Institutional Offering will be binding upon the investor and subject to the same terms and conditions as a written order. The Joint Global Coordinators can, at any time and in their sole discretion, require the investor to confirm any oral order by instrument in writing. Orders made may be withdrawn or amended by the investor at any time up to the end of the book-building period. After the end of the book-building period, all orders that have not been withdrawn or amended are irrevocable and binding upon the investor.

Application Offices

The Application Offices at which orders can be placed in the Institutional Offering are:

ABG Sundal Collier Norge ASA
Munkedamsveien 45 D
P.O. Box 1444 Vika
NO-0115 Oslo
Norway
Telephone: +47 22 01 60 00
Facsimile: +47 22 01 60 62

UBS Investment Bank
1 Finsbury Avenue
London
EC2M 2PP
United Kingdom
Telephone: +44 207 567 8000
Facsimile: +44 207 568 4800

Carnegie ASA
P.O. Box 684 Sentrum
0106 Oslo
Norway
Telephone: +47 22 00 93 00
Facsimile: +47 22 00 99 60

Allocation, payment for and delivery of Offer Shares

The Joint Global Coordinators expect to issue notifications of allocation of Offer Shares in the Institutional Offering on or about June 30, 2006. Payment by applicants in the Institutional Offering will take place against delivery of Offer Shares. Delivery and payment for Offer Shares is expected to take place on or about July 5, 2006.

For late payment, interest will accrue at a rate equal to the prevailing interest rate under the Norwegian Act on Overdue Payment of December 17, 1976 No. 100, which at the date of this Prospectus was 9.25% per annum of the amount due. Should payment not be made when due, the Offer Shares allocated will not be delivered to the applicants, and the Managers reserve the right, at the risk and cost of the applicant, to cancel the application and to re-allot or otherwise dispose of the allocated Offer Shares on such terms and in such manner as the Managers may decide in accordance with Norwegian law. The original applicant remains liable for payment of the Offer Price for the Offer Shares allocated to the applicant, together with any interest, cost, charges and expenses accrued, and PGS or the Managers may enforce payment for any such amount outstanding.

The Shares allocated in the Institutional Offering are expected to be traded on the Main List of the OSE from and including June 30, 2006.

Applicants selling allocated Offer Shares from June 30, 2006 and onwards must ensure that payment for such Shares is made within the deadline set out above. Accordingly, an applicant that wishes to sell Offer Shares allocated to it before it has received delivery of such Shares must ensure that payment is made when due in order to be able to deliver such Offer Shares in time to the purchaser.

Retail Offering

Offer Price

The price for the Offer Shares sold in the Retail Offering will be the same as in the Institutional Offering. Each applicant in the Retail Offering will be permitted, but not required, to indicate on the Retail Application Form that the applicant does not wish to be allocated Offer Shares should the Offer Price be set above the indicative price range mentioned under “The Offering” above. If the applicant elects to do so, the applicant will not be allocated any Offer Shares if the actual Offer Price is set above the upper end of the indicative price range. If the applicant does not make this reservation on the Retail Application Form, the application will be binding regardless of whether the Offer Price is set within, below or above the indicative price range, so long as the Offer Price has been determined on the basis of orders placed during the book-building process described above.

If any applicant in the Retail Offering who has elected to limit his or her order to a specified offer price and who would like to remove or increase such limit, this can only be achieved by completing a new Retail Application Form (which must be received by one of the Application Offices specified below prior to the close of the Retail Application Period described below). For applicants in the Retail Offering with multiple applications, PGS will in the allocation disregard applications where the price limit is set below the actual Offer Price.

Retail Application Period

The period during which applications for Offer Shares will be accepted in the Retail Offering (the “Retail Application Period”) will last from June 19 to 29, 2006 (both dates inclusive), closing at 12:00 hours (Norwegian time). All applications must be made on the Retail Application Form attached to this Prospectus as Appendix B. Retail Application Forms together with this Prospectus can be obtained from PGS or one of the Application Offices set out below. Norwegian applicants in the Retail Offering can also apply for Offer Shares on the Internet by accessing www.pgs.com, www.abgsc.no or www.carnegie.no.

Application Forms that are incomplete or incorrectly completed or that are received after the expiry of the Retail Application Period may be disregarded without further notice to the applicant. Subject to any extension of the Retail Application Period (see below), properly completed Retail Application Forms must be received by one of the Application Offices by 12:00 hours (Norwegian time) on June 29, 2006.

PGS, together with the Joint Global Coordinators, reserves the right to extend the Retail Application Period at any time. Any such extension of the Retail Application Period will be announced through the OSE on or

before 09:00 hours (Norwegian time) on June 29, 2006. An extension will only be made once, and for no longer than until 12:00 hours (Norwegian time) on July 6, 2006. In the event of extension, the allocation date, the date on which the Purchase Agreement is executed, the first trading date, the payment date and the date of delivery of Offer Shares will be extended correspondingly. All applications made in the Retail Offering will be irrevocable and binding upon receipt of a duly completed Retail Application Form by one of the Application Offices, irrespective of any extension of the Retail Application Period.

Application Offices

The Application Office for the Retail Offering are:

ABG Sundal Collier Norge ASA
Munkedamsveien 45 D
P.O. Box 1444 Vika
NO-0115 Oslo
Norway
Telephone: +47 22 01 60 00
Facsimile: +47 22 01 60 62

Carnegie ASA
P.O. Box 684 Sentrum
0106 Oslo
Norway
Telephone: +47 22 00 93 00
Facsimile: +47 22 00 99 60

Allocation Date

The Joint Global Coordinators expect to issue notifications of allocation of Offer Shares in the Retail Offering on or about June 30, 2006. Any applicant wishing to know the precise number of Offer Shares allocated to it on June 30, 2006 may contact any Application Office beginning on the morning of June 30, 2006 during business hours. Applicants who have access to investor services through an institution that operates the applicant's VPS account should be able to check how many Offer Shares they have been allocated from and including June 30, 2006.

Payment for Allocated Offer Shares

In completing a Retail Application Form, each applicant in the Retail Offering will authorize ABG to debit the applicant's Norwegian or United Kingdom bank account, as applicable, for the total amount due for the Offer Shares allocated to the applicant. The applicant's account number must be stated on the Retail Application Form. Applicants that do not have a Norwegian bank or United Kingdom account, as applicable, must contact the Application Office prior to submitting the Retail Application Form and in sufficient time prior to end of the Retail Application Period to arrange payment. Accounts will be debited on or about July 4, 2006, and there must be sufficient funds in the stated bank account from and including July 3, 2006.

Should any applicant have insufficient funds in its account or should payment be delayed for any reason, or if it is not possible to debit the account, penalty interest at a rate equal to the prevailing interest rate under the Norwegian Act on Interest on Overdue Payments of December 17, 1976 No. 100, which at the date of this Prospectus was 9.25% per annum, will be payable on the amount due. ABG reserves the right to make up to three debits through July 18, 2006 if there are insufficient funds in the account on the debiting date. Should payment not be made when due (i.e. on July 4, 2006), the Shares allocated will not be delivered to the applicant, and ABG reserves the right, at the risk and cost of the applicant, to cancel the application and to re-allot or otherwise dispose of the allocated Offer Shares, on such terms and in such manner as ABG may decide in accordance with Norwegian law. The original applicant will remain liable for payment of the Offer Price, together with any interest, costs, charges and expenses accrued and the Managers may enforce payment for any such amount outstanding in accordance with Norwegian law.

Delivery of Allocated Offer Shares

Subject to receipt of payment from the applicant, delivery of the Offer Shares allocated in the Retail Offering is expected to take place on or about July 5, 2006. The Offer Shares allocated in the Retail Offering are expected to be traded on the Main List of the OSE from and including June 30, 2006.

Applicants selling allocated Offer Shares from June 30, 2006 and onwards must ensure that payment for such Shares is made within the deadline set out above. Accordingly, an applicant that wishes to sell Offer Shares allocated to it before it has received delivery of such Shares must ensure that payment is made when due in order to be able to deliver such Offer Shares in time to the purchaser.

Employee Offering

Offer Price

The price for the Offer Shares sold in the Employee Offering will be the Offer Price, except that Norwegian and United Kingdom employees of Petrojarl will receive a discount equal to the lesser of NOK 1,500 per employee and 20% on the aggregate Offer Price for Offer Shares allocated to them. For a brief description of the Norwegian and United Kingdom tax effect of such discount, see “Taxation.”

Each applicant in the Employee Offering will be permitted, but not required, to indicate on the Employee Application Form attached to this Prospectus as Exhibit C (the “Employee Application Form”) that the applicant does not wish to be allocated Offer Shares should the Offer Price be set above the indicative price range mentioned under “The Offering” above. If the applicant elects to do so, the applicant will not be allocated any Offer Shares if the actual Offer Price is set above the upper end of the indicative price range. If the applicant does not make this reservation on the Employee Application Form, the application will be binding regardless of whether the Offer Price is set within, below or above the indicative price range, so long as the Offer Price has been determined on the basis of orders placed during the book-building process described above.

If any applicant in the Employee Offering who has elected to limit his or her order to a specified offer price and who would like to remove or increase such limit, this can only be achieved by completing a new Employee Application Form (which must be received by the relevant Application Office prior to the close of the Employee Application Period described below). For applicants in the Employee Offering with multiple applications, PGS will in the allocation disregard applications where the price limit is set below the actual Offer Price.

Employee Application Period

The period during which applications for Offer Shares will be accepted in the Employee Offering (the “Employee Application Period”) will last from June 19 to 29, 2006 (both dates inclusive), closing at 12:00 hours (Norwegian time). All applications must be made on the Employee Application Form attached to this Prospectus as Appendix C. Employee Application Forms together with this Prospectus can be obtained from the relevant Application Office set out below.

Employee Application Forms that are incomplete or incorrectly completed, or that are received after the expiry of the Employee Application Period may be disregarded without further notice to the applicant. Subject to any extension of the Employee Application Period (see below), properly completed Employee Application Forms must be received by the relevant Application Office by 12:00 hours (Norwegian time) on June 29, 2006.

PGS, together with the Joint Global Coordinators, reserves the right to extend the Employee Application Period at any time. Any such extension of the Employee Application Period will be announced through the OSE on or before 09:00 hours (Norwegian time) on June 29, 2006. An extension will only be made one time, and for no longer than until 12:00 hours (Norwegian time) on July 6, 2006. In the event of extension, the allocation date, the date which the Purchase Agreement is executed, the first trading date, the payment date and the date of delivery of Offer Shares will be extended correspondingly. All applications made in the Employee Offering will be irrevocable and binding upon receipt of a duly completed Employee Application Form by the relevant Application Office, irrespective of any extension of the Application Period.

Application Office

The Application Offices for the Employee Offering are:

Norwegian Employee Offering:
ABG Sundal Collier Norge ASA
Munkedamsveien 45 D
P.O. Box 1444 Vika
NO-0115 Oslo
Norway
Telephone: +47 22 01 60 00
Facsimile: +47 22 01 60 62

United Kingdom Employee Offering:
ABG Sundal Collier Limited
St. Martin’s Court
10 Paternoster Row
London EC4M 7EJ
United Kingdom
Telephone: +44 207 905 5600
Facsimile: +44 207 905 5601

Allocation Date

The Joint Global Coordinators expect to issue notifications of allocation of Offer Shares in the Employee Offering on or about June 30, 2006. Any applicant wishing to know the precise number of Offer Shares allocated to it on June 30, 2006 may contact the Application Office from the morning of June 30, 2006 and onwards during business hours. Applicants who have access to investor services through an institution that operates the applicant's VPS account should be able to check how many Offer Shares they have been allocated from and including June 30, 2006.

Payment for Allocated Offer Shares

In completing the Employee Application Forms, each applicant in the Employee Offering will authorize ABG to debit the applicant's Norwegian bank account for the total amount due for the Offer Shares allocated to the applicant. The applicant's account number must be stated on the Employee Application Form. Applicants that do not have a Norwegian bank account must contact the Application Office prior to submitting the Employee Application Form and in sufficient time prior to the end of the Employee Application Period to arrange payment. Accounts will be debited on or about July 4, 2006, and there must be sufficient funds in the stated bank account from and including July 3, 2006.

Should any applicant have insufficient funds in its account or should payment be delayed for any reason, or if it is not possible to debit the account, penalty interest at a rate equal to the prevailing interest rate under the Norwegian Act on Interest on Overdue Payments of December 17, 1976 No. 100, which at the date of this Prospectus was 9.25% per annum, will be payable on the amount due. ABG reserves the right to make up to three debits through July 18, 2006 if there are insufficient funds in the account on the debiting date. Should payment not be made when due (i.e. on July 4, 2006), the Offer Shares allocated will not be delivered to the applicant, and ABG reserves the right, at the risk and cost of the applicant, to cancel the application and to re-allot or otherwise dispose of the allocated Offer Shares, on such terms and in such manner as ABG may decide in accordance with Norwegian law. The original applicant will remain liable for payment of the Offer Price, together with any interest, costs, charges and expenses accrued and the Managers may enforce payment for any such amount outstanding in accordance with Norwegian law.

Petrojarl is considering establishing a scheme whereby employees may be granted loans in connection with the Employee Offering or otherwise. The terms for such an employee loan scheme are not yet determined, but will inter alia be structured in order to mitigate any tax consequences for the employees in question.

Delivery and Trading of Allocated Offer Shares

Subject to receipt of payment by the applicant, delivery of the Offer Shares allocated in the Employee Offering is expected to take place on or about July 5, 2006. The Offer Shares allocated in the Employee Offering are expected to be traded on the Main List of the OSE from and including June 30, 2006.

Applicants selling allocated Offer Shares from June 30, 2006 and onwards must ensure that payment for such Offer Shares is made within the deadline set out above. Accordingly, an applicant that wishes to sell Offer Shares allocated to it before it has received delivery of such Shares must ensure that payment is made when due in order to be able to deliver such Offer Shares in time to the purchaser.

Management Offering

Offer Price

The Price for the Offer Shares sold in the Management Offering will be the same as in the Institutional Offering.

Applicants in the Management Offering will be given full allocation for the amount for which application has been made, up to a maximum of NOK 1,000,000 (rounded down to the nearest round lot), but can not reserve for a maximum price. The maximum subscription in the Management Offering is NOK 2,000,000.

Management Application Period

The period during which applications for Offer Shares will be accepted in the Management Offering (the "Management Application Period") will last from 09:00 hours (Norwegian time) to 17:00 hours (Norwegian time) on June 19, 2006. All applications must be made on the Management Application Form

attached to this Prospectus as Appendix D (the “Management Application Form”). Management Application Forms together with this Prospectus can be obtained from PGS or the Application Office set out below, and cannot be made over the Internet.

Management Application Forms that are incomplete or incorrectly completed or that are received after the expiry of the Management Application Period may be disregarded without further notice to the applicant.

All applications made in the Management Offering will be irrevocable and binding upon receipt of a duly completed Management Application Form by the Application Office set out below.

Application Office

The Application Office for the Management Offering is:

ABG Sundal Collier Norge ASA
Munkedamsveien 45 D
P.O. Box 1444 Vika
NO-0115 Oslo
Norway
Telephone: +47 22 01 60 00
Facsimile: +47 22 01 60 62

Allocation Date

The Joint Global Coordinators expect to issue notifications of allocation of Offer Shares in the Management Offering on or about June 30, 2006. Any applicant wishing to know the precise number of Offer Shares allocated to it on June 29, 2006 may contact the Application Office from the morning of June 30, 2006 and onwards during business hours. Applicants who have access to investor services through an institution that operates the applicant’s VPS account should be able to check how many Offer Shares they have been allocated from and including June 30, 2006.

Payment for allocated Offer Shares

In completing a Management Application Form, each applicant in the Management Offering will authorize ABG to debit the applicant’s Norwegian bank account for the total amount due for the Offer Shares allocated to the applicant. The applicant’s account number must be stated on the Management Application Form. Applicants that do not have a Norwegian bank account must contact the Application Office prior to submitting the Management Application Form and in sufficient time prior to the end of the Management Application Period to arrange payment. Accounts will be debited on or about July 4, 2006, and there must be sufficient funds in the stated bank account from and including July 3, 2006.

Should any applicant have insufficient funds in its account or should payment be delayed for any reason, or if it is not possible to debit the account, penalty interest at a rate equal to the prevailing interest rate under the Norwegian Act on Interest on Overdue Payments of December 17, 1976 No. 100, which at the date of this Prospectus was 9.25% per annum, will be payable on the amount due. ABG reserves the right to make up to three debits through July 18, 2006 if there are insufficient funds in the account on the debiting date. Should payment not be made when due (i.e. on July 4, 2006), the Shares allocated will not be delivered to the applicant, and ABG reserves the right, at the risk and cost of the applicant, to cancel the application and to re-allot or otherwise dispose of the allocated Offer Shares, on such terms and in such manner as ABG may decide in accordance with Norwegian law. The original applicant will remain liable for payment of the Offer Price, together with any interest, costs, charges and expenses accrued and the Managers may enforce payment for any such amount outstanding in accordance with Norwegian law.

Delivery and trading of allocated Offer Shares

Subject to receipt of payment by the applicant, delivery of the Shares allocated in the Global Offering is expected to take place on or about July 5, 2006. The Shares allocated in the Management Offering are expected to be traded on the OSE from and including June 30, 2006.

Applicants selling allocated Offer Shares from June 30, 2006 and onwards must ensure that payment for such Offer Shares is made within the deadline set out above. Accordingly, an applicant that wishes to sell

Offer Shares allocated to it before it has received delivery of such Shares must ensure that payment is made when due in order to be able to deliver such Offer Shares in time to the purchaser.

Mechanism of Allocation

In the Institutional Offering, PGS will determine the allocation of Offer Shares after consultation with the Joint Global Coordinators. An important aspect of the allocation principles is the desire to create an appropriate long-term shareholder structure for Petrojarl. The allocation principles will, in accordance with normal practice for institutional placements, include factors such as pre-marketing and management road-show participation and feedback, timeliness of the order, price level, relative order size, sector knowledge, investment history, perceived investor quality and investment horizon. PGS and the Joint Global Coordinators further reserve the right, at their sole discretion, to take into account the creditworthiness of any applicant. PGS and the Joint Global Coordinators may also set a maximum allocation or make no allocation to any applicant.

In the Retail Offering, no allocation will be made for a number of Offer Shares less than a round lot. All allocations will be rounded down to the nearest round lot. In the event of over-subscription, PGS will endeavor to ensure that all applicants in the Retail Offering receive Offer Shares constituting one round lot. Smaller applications might therefore be granted a higher relative allotment compared to larger applications. Notwithstanding the foregoing, PGS reserves the right to allocate Offer Shares in round lots on a random basis using VPS's simulation procedures. PGS also reserves the right to limit the total number of applicants to whom Offer Shares are allocated if it deems this to be necessary in order to keep the number of shareholders in Petrojarl at an appropriate level. If PGS should decide to limit the total number of applicants to whom Offer Shares are allocated, the applicants to whom Offer Shares will be issued will be determined on a random basis using VPS' simulation procedures.

In the Employee Offering, Petrojarl's employees will receive full allocation for any application up to and including NOK 500,000 rounded down to the nearest lot. To the extent any applications exceed NOK 500,000, such excess will be allocated in the same way as in the Retail Offering in general.

In the Management Offering, Petrojarl's directors and senior management will receive full allocation for any application up to and including NOK 1,000,000 rounded down to the nearest lot. To the extent any applications exceed 1,000,000, such excess will be allocated in the same way as in the Retail Offering in general.

Conditions for completion of the Global Offering

Completion of the Global Offering on the terms set forth in this Prospectus is expressly conditional upon the completion of the Demerger. One of the conditions for the completion of the Demerger, and consequently the completion of the Global Offering, is that OSE approves the listing of Shares on the OSE on terms acceptable to Petrojarl. There can be no assurance that the Demerger will be completed and that the OSE will give such approval. Assuming that the Demerger is completed and that OSE approves the listing of the Shares, it is expected that the Shares will commence trading on the Main List of the OSE on or about June 30, 2006. The Shares are expected to trade in round lots (*børspost*) of 200 Shares under the ticker symbol PETRO.

The Global Offering will be cancelled in the event that approval of listing by the OSE as described above is not obtained or if the Demerger is not completed prior to or on July, 6 2006.

Completion of the Global Offering on the terms set forth in this Prospectus is otherwise only conditioned on (i) PGS having approved the Offer Price and the allocation of the Offer Shares to eligible investors following the book-building process, (ii) applications having been received for all of the Offer Shares at the Offer Price, (iii) PGS and the Managers having entered into the Purchase Agreement immediately after the expiry of the book-building period and (iv) satisfaction of the conditions for the closing of the Purchase Agreement. There can be no assurance that these conditions will be satisfied.

Over-Allotment Option and Stabilization

Pursuant to the Purchase Agreement, ABG, as stabilization manager on behalf of the Managers, may over-allot in the Global Offering up to 7,499,995 Shares (the Additional Shares) (equal to 50% of the total number of Shares offered in the Global Offering and 10% of the total Shares outstanding after the Demerger). Any such Additional Shares will be offered on the same terms and conditions as the Firm Shares.

In connection with settlement and stabilization, ABG, in its capacity as stabilization manager, has entered into a stock lending arrangement with PGS as part of the Purchase Agreement. In accordance with the stock lending provisions of the Purchase Agreement, ABG may borrow Shares that will allow it to settle over-allotments made, if any, and/or net syndicate short positions, in connection with the Global Offering. If ABG borrows Shares under these provisions, it will be required to return an equivalent number of Shares to PGS by no later than the tenth business day following the third day after the last day on which the Over-Allotment Option may be exercised.

ABG, as stabilization manager on behalf of the Managers, may effect transactions that stabilize or maintain the market price of the Shares, in accordance with section 2-12 of the Norwegian Securities Trading Act, during a 30-calendar day period starting at the first day of trading of the Shares on the OSE. Stabilization activities may not be executed above the Offer Price. Details of all stabilization transactions will be disclosed to the market through OSE's information system no later than the end of the seventh daily market session following the date of execution of such transactions. There can be no assurance that stabilization transactions will be effected and such transactions may be stopped at any time.

To the extent that the Managers sell in the Global Offering a greater number of Shares than the number of Firm Shares, the Managers will have created short positions in the Offer Shares. ABG, on behalf of the Managers, may close out such short positions by purchasing Shares in the open market and/or by exercising all or part of the Over-Allotment Option and purchase the shares from PGS at a price equal to the Offer Price. The Over-Allotment Option may be exercised at any time during the 30-calendar day period starting at the first day of trading of the Shares on the OSE. To the extent that ABG, on behalf of the Managers, covers short positions by market purchases of Shares, up to the entire proceeds from the sale of Additional Shares will be used to fund such purchases.

ABG expects that it will exercise the Over-Allotment Option, on behalf of the Managers, in the event that the trading price of the Shares is higher than the Offer Price at the time the Managers are seeking to close out their net syndicate short positions in the Shares, if any. Otherwise, ABG expects that it will purchase Shares in the open market to close out the net syndicate short positions, if any. These purchases would be undertaken with a view to stabilizing the price of the Shares, as described above. Depending on the fluctuation in the price of the Shares following the commencement of trading on the OSE, ABG may close out the net syndicate short positions, if any, by a combination of market purchases and partial exercise of the Over-Allotment Option. The Purchase Agreement provides that the aggregate net gain or loss resulting from the stabilization activities conducted by ABG on behalf of the Managers will be for the account of PGS. Exercise of the Over-Allotment Option, including the date of exercise and the number of Additional Shares purchased, will be made public through the OSE information systems promptly and at least within the opening of trading on the OSE the day after it has been exercised.

Within one week after the end of the stabilization period, ABG will inform the market through OSE's information system of whether stabilization transactions have been effected, the date at which stabilization started, the date at which stabilization last occurred, and the price range within which stabilization was carried out, for each of the dates during which stabilization transactions were carried out.

Other than as stated above or as required by law, ABG does not intend to disclose publicly the extent of any over-allotment made or stabilization transactions entered into in connection with the Global Offering, although individual investors may be required to disclose interests in Offer Shares acquired in the Global Offering or arrangements connected with it in accordance with the disclosure requirements of applicable Norwegian law.

Trading Market and Lock-up Agreements

It is expected that the Shares will be admitted for listing and trading on the OSE on or about June 30, 2006. Prior to the Global Offering, there has been no public market for the Shares. PGS and the Managers cannot

assure you that a liquid trading market for the Shares can be created or sustained. The prices at which the Shares will sell after the Global Offering may be lower than the price at which the Offer Shares are sold in the Global Offering. The Offer Price may bear no relationship to the market price of the Shares subsequent to the Global Offering.

Petrojarl has agreed that it will not for a period of three months from the date of the Purchase Agreement and PGS (to the extent it continues to hold Shares following the Global Offering) and the directors and members of senior management of Petrojarl have agreed that they will not for a period of six months from the date of the Purchase Agreement (i) issue, sell, offer to sell, contract or agree to sell, hypothecate, pledge, grant any option to purchase or otherwise dispose of or agree to dispose of, directly or indirectly, any of the Shares, any securities convertible into or exchangeable for the Shares, or warrants or other rights to purchase the Shares, (ii) enter into any transaction (including any derivative transactions) having an economic effect similar to that of a sale or (iii) publicly announce an intention to effect any transaction specified in (i) or (ii), without the prior written consent of the Managers.

Selling Restrictions

No action has been or will be taken in any jurisdiction (other than Norway and the United Kingdom) that would permit a public offering of the Offer Shares, or the possession, circulation or distribution of this Prospectus or any other material relating to Petrojarl or the Offer Shares in any jurisdiction where action for that purpose is required. Accordingly, the Offer Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisement in connection with the Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

No person is authorized to give information or to make any representation in connection with the Global Offering or sale of the Offer Shares other than as contained in this Prospectus. If any such information is given or made, it must not be relied upon as having been authorized by PGS, Petrojarl or any of the Managers or any of their respective affiliates or advisers or selling agents. Neither the delivery of this Prospectus nor any sale of Offer Shares made hereunder shall under any circumstances imply that there has been no change in the Petrojarl's affairs or that the information set forth herein is correct as of any date subsequent to the date hereof.

United States

The Offer Shares have not been and will not be registered under the U.S. Securities Act, and may not be offered or sold except (i) within the United States to QIBs in reliance on Rule 144A or (ii) to certain persons in offshore transactions in compliance with Regulation S under the U.S. Securities Act, and in accordance with any applicable securities laws of any state or territory of the United States or any other jurisdiction. Accordingly, each Manager has represented and agreed that it has not offered or sold, and will not offer or sell, any of the Offer Shares as part of its allocation at any time other than to QIBs in the United States in accordance with Rule 144A or outside of the United States in accordance with Rule 903 of Regulation S. Transfer of the Offer Shares will be restricted and each purchaser of the Offer Shares in the United States will be deemed to have made certain acknowledgements, representations and agreements, as described under "Transfer Restrictions."

In addition, until 40 days after the date of this Prospectus, an offer or sale of Offer Shares within the United States by a dealer, whether or not participating in the Global Offering, may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A of the U.S. Securities Act.

European Economic Area

In relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a "Relevant Member State") an offer to the public of any Offer Shares may not be made in that Relevant Member State (other than the offers contemplated in this Prospectus in Norway and the United Kingdom once the Prospectus has been approved by the competent authority in Norway and published and passported in accordance with the Prospectus Directive as implemented in Norway and the United Kingdom) except that an offer to the public in that Relevant Member State of any Offer Shares may be made

at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000 as show in its last annual or consolidated accounts;
- (c) by the Managers to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or
- (d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Offer Shares shall result in a requirement for the publication by the Company or any Manager of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer to the public” in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Offer Shares to be offered so as to enable an investor to decide to purchase any Offer Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospective Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Canada

This document is not, and under no circumstances is it to be construed as, a prospectus, an advertisement or a public offering of the securities described herein in Canada. No securities commission or similar authority in Canada has reviewed or in any way passed upon this document or the merits of the securities described herein, and any representation to the contrary is an offence.

Representations and Agreements by Purchasers

The Institutional Offering is being made in Canada only in the Canadian provinces of British Columbia, Alberta, Ontario and Québec (the “Canadian Jurisdictions”) by way of a private placement of Offer Shares. The Institutional Offering in the Canadian Jurisdictions is being made pursuant to this document through the Managers named in this document or through their selling agents who are permitted under applicable law to distribute such securities in Canada. Each Canadian investor who purchases the Offer Shares will be deemed to have represented to the Company, the Selling Shareholder and the Managers that: (1) the offer and sale was made exclusively through this document and was not made through an advertisement of the Offer Shares in any printed media of general and regular paid circulation, radio, television or telecommunications, including electronic display, or any other form of advertising in Canada; (2) such investor has reviewed the terms referred to below under “Canadian Resale Restrictions”; (3) where required by law, such investor is, or is deemed to be, acquiring the Offer Shares as principal for its own account in accordance with the laws of the Canadian Jurisdiction in which the investor is resident and not as agent or trustee; and (4) such investor or any ultimate investor for which such investor is acting as agent is entitled under applicable Canadian securities laws to acquire the Offer Shares without the benefit of a prospectus qualified under such securities laws, and without limiting the generality of the foregoing: (i) in the case of an investor resident in a province or territory other than Ontario, without the Manager having to be registered; (ii) in the case of an investor resident in British Columbia, Alberta or Québec, such investor is an “accredited investor” as defined in section 1.1 of National Instrument 45-106 – *Prospectus and Registration Exemptions* (“NI 45-106”); (iii) in the case of an investor resident in Ontario, such investor, or any ultimate investor for which such investor is acting as agent (1) is an “accredited investor”, other than an individual, as defined in NI 45-106 and is a person to which a dealer registered in Ontario as an international dealer within the meaning of section 208 of the Regulation to the *Securities Act* (Ontario) (the “OSA”) may sell the Offer Shares or (2) is an “accredited investor”, including an individual, as defined in NI 45-106 who is purchasing the Offer Shares from a fully registered investment dealer within the meaning of section 98 of the Regulation to the OSA; and (5) such investor, if not an individual or an investment fund, has a pre-existing

purpose and was not established solely or primarily for the purpose of acquiring the Offer Shares in reliance on an exemption from applicable prospectus requirements in the Canadian Jurisdictions.

Each resident of Ontario who purchases the Offer Shares will be deemed to have represented to the Company and the Managers that such investor: (a) has been notified by the Company (i) that the Company is required to provide information (“personal information”) pertaining to the investor as required to be disclosed in Schedule I of Form 45-106F1 under NI 45-106 (including its name, address, telephone number and the number and value of any Offer Shares purchased), which Form 45-106F1 is required to be filed by the Issuer under NI 45-106; (ii) that such personal information will be delivered to the Ontario Securities Commission (the “OSC”) in accordance with NI 45-106; (iii) that such personal information is being collected indirectly by the OSC under the authority granted to it under the securities legislation of Ontario; (iv) that such personal information is being collected for the purposes of the administration and enforcement of the securities legislation of Ontario; and (v) that the public official in Ontario who can answer questions about the OSC’s indirect collection of such personal information is the Administration Assistant to the Director of Corporate Finance at the OSC, Suite 1903, Box 5520 Queen Street West, Toronto, Ontario M5H 3S8, Telephone: (416) 593-8086; and (b) has authorized the indirect collection of the personal information by the OSC. Further, the investor acknowledges that its name, address, telephone number and other specified information, including the number of Offer Shares it has purchased and the aggregate purchase price to the purchaser, may be disclosed to other Canadian securities regulatory authorities and may become available to the public in accordance with the requirements of applicable laws. Each resident of Alberta, British Columbia and Québec who purchases the Offer Shares hereby acknowledges to the Company and the Managers that its name and other specific information, including the aggregate amount of the Offer Shares it has purchased and the aggregate purchase price to the investor, may be disclosed to Canadian securities regulatory authorities and become available to the public in accordance with the requirements of applicable Canadian securities laws. By purchasing the Offer Shares, each Canadian investor consents to the disclosure of such information.

Agreement by the Managers

Each Manager has represented and agreed that the Offer Shares will only be offered or sold, directly or indirectly, in Canada only in the Canadian Jurisdictions and in compliance with applicable Canadian securities laws and accordingly, any sales of Offer Shares will be made (i) through an appropriately registered securities dealer or in accordance with an available exemption from the registered securities dealer requirements of applicable Canadian securities laws and (ii) pursuant to an exemption from the prospectus requirements of such laws.

Language of Document

Each purchaser of Offer Shares in Canada that receives a purchase confirmation hereby agrees that it is such purchaser’s express wish that all documents evidencing or relating in any way to the sale of such Offer Shares be drafted in the English language only. *Chaque acheteur au Canada des valeurs mobilières recevant un avis de confirmation à l’égard de son acquisition reconnaît que c’est sa volonté expresse que tous les documents faisant foi ou se rapportant de quelque manière à la vente des valeurs mobilières soient rédigés uniquement en anglais.*

Canadian Resale Restrictions

The distribution of the Offer Shares in the Canadian Jurisdictions is being made on a private placement basis. Accordingly, any resale of the Offer Shares must be made (i) through an appropriately registered dealer or in accordance with an available exemption from the dealer registration requirements of applicable provincial securities laws and (ii) in accordance with, or pursuant to an exemption from, the prospectus requirements of such laws. Such resale restrictions may not apply to resales made outside of Canada, depending on the circumstances. Purchasers of Offer Shares are advised to seek legal advice prior to any resale of Offer Shares.

The Company is not, and may never be, a “reporting issuer”, as such term is defined under applicable Canadian securities legislation, in any province or territory of Canada and there currently is no public market for any of the securities of the Company in Canada, including the Offer Shares, and one may never develop. Under no circumstances will the Company be required to file a prospectus or similar document with any securities regulatory authority in Canada qualifying the resale of the Offer Shares to the public in

any province or territory of Canada. Canadian investors are advised that the Company currently has no intention of filing a prospectus or similar document with any securities regulatory authority in Canada qualifying the resale of the Offer Shares to the public in any province or territory in Canada.

Rights of Action for Damages or Rescission (Ontario)

Securities legislation in Ontario provides purchasers resident in Ontario with a remedy for rescission or damages where this document and any amendment to it contains a misrepresentation.

Potential investors should refer to the provisions of the Ontario securities legislation for the particulars of these rights or consult with a legal adviser. The following is a summary of the rights of rescission or right to damages available to an Ontario purchaser under the OSA. This summary is subject to the express provisions of the OSA and the regulations, rules and policy statements made thereunder and reference is made thereto for the complete text of such provisions. The rights described below are in addition to, and without derogation from, any other right or remedy available at law to the purchasers resident in Ontario and are intended to correspond to the provisions of the OSA and are subject to the defences contained therein.

When a prospectus, such as this document, is delivered to an investor to whom securities are sold in reliance upon the “accredited investor” prospectus exemption in section 2.3 of NI 45-106, the right of action referred to in section 130.1 of the OSA is applicable, unless the prospective purchaser is (a) a Canadian financial institution or a Schedule III bank, (b) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada) or (c) a subsidiary of any person referred to in paragraphs (a) or (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary. Section 130.1 provides purchasers who purchase securities offered by a prospectus with a statutory right of action against the issuer of the securities and any selling securityholder on whose behalf the distribution is made for rescission or damages in the event that the prospectus or any amendment to it contains a “misrepresentation”, without regard to whether the purchaser relied on the misrepresentation. When used herein, “misrepresentation” means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading or false in the light of the circumstances in which it was made.

In the event this document, together with any amendment to it, is delivered to an eligible purchaser resident in Ontario who acquired Offer Shares in connection with a trade made in reliance on section 2.3 of NI 45-106, and this document contains a misrepresentation which was a misrepresentation at the time of purchase of the Offer Shares, the purchaser will have, subject to the limitations hereinafter provided, a right of action against the Company and the Selling Shareholder for damages or, while still the owner of Offer Shares, for rescission, in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages, provided that:

- (1) the owner of Offer Shares will not be entitled to commence an action to enforce these rights after (a) in the case of an action for rescission, 180 days after the date of the purchase, or (b) in the case of an action for damages, the earlier of (i) 180 days from the day the purchaser first had knowledge of the facts giving rise to the misrepresentation and (ii) three years from the date of purchase of the Offer Shares;
- (2) the defendant will not be liable to a purchaser if it proves that the purchaser purchased the Offer Shares with knowledge of the misrepresentation;
- (3) in the case of an action for damages, the defendant will not be liable for all or any portion of such damages that it proves do not represent the depreciation in value of the Offer Shares as a result of the misrepresentation relied upon; and
- (4) in no case will the amount recoverable in any action exceed the price at which the Offer Shares were sold to the purchaser.

Subject to the paragraph below, all or any one or more of the Company and any Selling Shareholder are jointly and severally liable, and every person or company who becomes liable to make any payment for a

misrepresentation may recover a contribution from any person or company who, if sued separately, would have been liable to make the same payment, unless the court rules that, in all the circumstances of the case, to permit recovery of the contribution would not be just and equitable.

Despite the paragraph above, the Company shall not be liable where it is not receiving any proceeds from the distribution of the Offer Shares being distributed and the misrepresentation was not based on information provided by the Company, unless the misrepresentation (a) was based on information that was previously publicly disclosed by the Company, (b) was a misrepresentation at the time of its previous public disclosure and (c) was not subsequently publicly corrected or superseded by the Company prior to the completion of the distribution of the Offer Shares.

Enforcement of Legal Rights

All of the directors and officers (or their equivalents) of the Company and the Selling Shareholder, as well as any experts named herein, may be located outside of Canada and, as a result, it may not be possible for purchasers to effect service of process within Canada upon the Company, the Selling Shareholder or such experts. All or a substantial portion of the assets of the Company, the Selling Shareholder and such experts may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against the Company, the Selling Shareholder or such experts in Canada or to enforce a judgment obtained in Canadian courts against the Company, the Selling Shareholder or such experts outside of Canada.

Canadian Tax Considerations and Eligibility for Investment

This document does not address the Canadian tax consequences of ownership of the Offer Shares. Prospective purchasers of Offer Shares should consult their own tax advisers with respect to the Canadian and other tax considerations applicable to their individual circumstances and with respect to the eligibility of the Offer Shares for investment by purchasers under relevant Canadian legislation.

Expenses and the Managers Relationship to the Company

PGS estimates that its expenses in connection with the Global Offering (including commissions paid to the Managers as described below) will amount to between NOK 40 million and NOK 50 million and anticipates that these expenses will be paid in cash.

No costs relating to the Global Offering will be for the account of the applicants, other than the Offer Price itself.

The following table shows the per Share and total commissions to be paid to the Managers by PGS (assuming that the Offer Price is NOK 42, the mid-point of the indicative price range for the Global Offering).

Per Share	NOK 1.84
Total	NOK 28 million

Certain of the Managers have from time to time performed banking and advisory services for PGS, for which they have received customary fees and expenses, and may continue to do so, and perform similar services for Petrojarl, in the future in the ordinary course of business.

In the Purchase Agreement, PGS and Petrojarl have made certain representations and warranties in favor of the Managers, and PGS and Petrojarl have also agreed to indemnify the Managers against certain liabilities, including liabilities under the U.S. Securities Act and other applicable securities laws. PGS has also agreed to pay costs, fees and expenses and reimburse the Managers for their expenses in connection with the sale of the Offer Shares.

VPS Registration

Petrojarl's VPS account operator is Nordea Bank Norge ASA, Custody Services/Issuer Services, Essensdropsgate 7, 0107 Oslo, Norway. The Shares are registered with the VPS and have ISIN NO 0010309569.

Transfer Restrictions

General

The Offer Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and, accordingly, may not be offered, sold, pledged or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable state securities laws or pursuant to an effective registration statement under the U.S. Securities Act. The term “United States” as used in this section has the meaning given to it by Regulation S.

Offer Shares initially offered and sold to investors in the United States pursuant to Rule 144A will be subject to the restrictions on transfers described below.

From the date on which the Shares commence trading on the OSE, expected to occur on or about June 30, 2006, until the 40th day thereafter, Citibank N.A., as depository for Petrojarl’s ADR facility, will not accept deposits of any Shares in the facility (other than the initial deposit of the Shares represented by American Depositary Shares), issued to holders of Petrojarl ADRs in the Demerger.

Purchasers of Offer Shares Offered in Reliance on Rule 144A

Each purchaser of the Offer Shares offered in reliance on Rule 144A will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S are used herein as defined in the certificate):

1. The purchaser (i) is a QIB or a broker-dealer acting for the account of a QIB, (ii) is acquiring such Shares for its own account or for the account of a QIB, and (iii) is aware that the Offer Shares are “restricted securities” within the meaning of the U.S. Securities Act;
2. The purchaser is aware that the Offer Shares have not been and will not be registered under the U.S. Securities Act and are being offered in the United States in reliance on Rule 144A;
3. The purchaser understands that (A) if in the future it decides to offer, resell, pledge or otherwise transfer any of the Offer Shares such Offer Shares may be offered, resold, pledged or otherwise transferred only (i) in the United States to a person whom the seller reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, (ii) outside the United States in a transaction complying with the provisions of Rule 904 under the U.S. Securities Act, (iii) pursuant to an exemption from registration under the U.S. Securities Act provided by Rule 144 (if available) or (iv) pursuant to an effective registration statement under the U.S. Securities Act, in each of cases (i) through (iv) in accordance with any applicable securities laws of any applicable jurisdiction, and that (B) the purchaser will, and each subsequent holder is required to, notify any subsequent purchaser of the Offer Shares from it of the resale restrictions referred to in (A) above; and
4. The purchaser acknowledges and agrees that neither the Offer Shares nor any Shares obtained or purchased in one or more prearranged transactions in substitution therefor may be deposited into any unrestricted depository receipt facility in respect of Shares established or maintained by a depository bank (including the unrestricted depository receipt facility maintained by Citibank, N.A. with respect to the Shares) unless and until such time as the Offer Shares are no longer “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act.

Enforcement of Civil Liabilities

Petrojarl and PGS are both public companies incorporated under the laws of Norway. All of Petrojarl's directors and executive officers reside outside the United States, and Petrojarl's assets and the assets of those persons are located outside the United States. As a result, it may be difficult for investors to effect service of process upon Petrojarl's non-United States resident directors, executive officers and the Norwegian experts named in this Prospectus and to enforce judgments obtained in the United States against Petrojarl or such persons in the United States, including judgments on the civil liability provisions of the federal securities laws of the United States.

Petrojarl has been advised by its Norwegian counsel, Arntzen de Besche Advokatfirma AS, that although you may bring actions against Petrojarl or any of Petrojarl's directors or executive officers resident in Norway, Norwegian courts are unlikely to apply U.S. law when deciding such cases. The recognition and enforcement of foreign judgments in Norway is dependent upon the existence of a bilateral or multilateral agreement with the foreign state in question concerning the mutual recognition and enforcement of judgments. There is no such agreement between Norway and the United States. Accordingly, judgments of the U.S. courts are not enforceable in Norway. Petrojarl may comply with a judgment of a U.S. court voluntarily, but if Petrojarl were not to do so you would have to commence an action in a Norwegian court for an original judgment. Consequently, it could prove difficult to enforce civil liabilities based on U.S. securities laws in Norway. Even if U.S. law was to be applied, it is unlikely that a Norwegian court would adjudicate awards against public policy or order in Norway, including awards of punitive damages.

Legal Matters

The validity of the Offer Shares and certain other legal matters will be passed upon by Arntzen de Besche Advokatfirma AS, Petrojarl's Norwegian legal counsel, and Willkie Farr & Gallagher LLP, Petrojarl's special U.S. legal counsel. Certain other legal matters will be passed upon for PGS by Arntzen de Besche Advokatfirma AS, Norwegian legal counsel to PGS, and Willkie Farr & Gallagher LLP, U.S. legal counsel to PGS. Certain other legal matters will be passed upon for the Managers by Thommessen Krefting Greve Lund AS Advokatfirma, Norwegian legal counsel to the Managers, and Latham & Watkins, U.S. and English legal counsel to the Managers.

Independent Auditors

The combined financial statements of Petrojarl (the companies listed in Note 2) as of and for the two years ended December 31, 2005 and 2004 included in this Prospectus have been audited by Ernst & Young AS (Ernst & Young), independent auditors as stated in their report included elsewhere in this Prospectus.

The pro forma adjustments included in the pro forma income statement for the year ended December 31, 2005 included in this Prospectus have been examined by Ernst & Young as set forth in their report included elsewhere in this Prospectus.

The pro forma adjustments included in the pro forma balance sheet as of March 31, 2006 and the income statement for the three months then ended included in this Prospectus have been reviewed by Ernst & Young as set forth in their report included elsewhere in this Prospectus. The report states that in their opinion the pro forma balance sheet as of March 31, 2006 and the income statement for the three months then ended have been properly compiled on the basis stated and the basis is consistent with the accounting policies established by the issuer. As stated in their report, the pro forma adjustments were based on the unaudited combined balance sheet as of March 31, 2006 and the unaudited combined statement of operations for the three months then ended. In addition, their report states that they did not do an examination and they do not express an opinion on the pro forma adjustments. Accordingly, the degree of reliance should be restricted in light of the limited nature of the review procedures applied.

Available Information

Petrojarl is exempt from the reporting requirements of Section 12(g) of the U.S. Exchange Act in accordance with Rule 12g3-2(b) thereunder. Pursuant to the terms of such exemption, Petrojarl will furnish to the United States Securities and Exchange Commission certain information in accordance with Rule 12g3-2(b). If at any time Petrojarl is neither subject to Section 13 or 15(d) of the U.S. Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b), Petrojarl will furnish, upon written request, to holders of the Shares, owners of beneficial interests in the Shares or prospective purchasers designated by such holders or beneficial owners, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act. As long as Petrojarl is entitled to the exemption under Rule 12g3-2(b) under the U.S. Exchange Act, it will not be required to deliver information that would otherwise be required to be delivered under Rule 144A(d)(4).

The following documents (or copies thereof) may be physically inspected at Petrojarl's principal executive office at Beddingen 16, P.O. Box 482 Sentrum NO-7014 Trondheim, Norway (telephone number +47 73 98 30 00):

- The articles of association of Petrojarl;
- The Petrojarl Combined Financial Statements;
- The Demerger Plan; and
- The Shareholder Information Statement in connection with the demerger of PGS, dated April 10, 2006.

Norwegian Summary

This Norwegian summary has been prepared for the Norwegian securities market in connection with the offering of shares in Petrojarl ASA and the listing of the shares in Petrojarl ASA on the main list of Oslo Stock Exchange. The information provided in this section is a summary of information provided in the Prospectus, and does not contain any additional information. The information is thus only provided in the Norwegian language.

Dette norske sammendraget er utarbeidet for det norske verdipapirmarkedet i forbindelse med tilbud ("Tilbudet") av opptil 14.999.990 ordinære aksjer i Petrojarl ASA ("Petrojarl") hver pålydende NOK 2 ("Aksjene") som skal tilbys av Petroleum Geo-Services ASA ("PGS"), og notering av Aksjene på hovedlisten på Oslo Børs. Tilbudet vil bli gjennomført i forbindelse med utfisjoneringsen av Petrojarl fra PGS ("Fisjonen"). Sammendraget utgjør en del av det engelskspråklige "Prospectus" ("Prospektet"). Investeringsgrunnlaget for det norske verdipapirmarkedet består således ikke kun av det norske sammendraget, men av hele Prospektet. Investorer oppfordres til å lese hele Prospektet nøye før en eventuell investeringsbeslutning treffes. Teksten i de øvrige delene av Prospektet går foran det norske sammendraget i tilfelle motstrid.

Dette norske sammendraget inneholder en oversettelse av enkelte hovedpunkter i Prospektet. Med unntak av kapitler spesielt rettet mot investorer hjemmehørende i andre land, er kapitlet "Terms of the Global Offering" i Prospektet gjengitt i det norske sammendraget. Det er også inntatt et eget kapittel med en kort angivelse av de risikoforhold som er nærmere beskrevet i Prospektet.

Oslo Børs har kontrollert og godkjent Prospektet i henhold til verdipapirhandelloven § 5-7.

Enhver ny vesentlig omstendighet, vesentlig feil eller unøyaktighet i Prospektet som kan få betydning for vurderingen av aksjene i Petrojarl, og som fremkommer mellom tidspunktet for offentliggjøringen av Prospektet og det tidspunkt aksjene i Petrojarl tas opp til notering, vil fremgå av et tillegg til Prospektet i samsvar med verdipapirhandelloven § 5-15.

Prospektet, samt dokumenter som det henvises til i Prospektet og som ikke er underlagt konfidensialitet, kan fås ved henvendelse til Joint Global Coordinators eller Petrojarl.

Dette sammendraget fremhever deler av informasjonen i Prospektet og inneholder ikke nødvendigvis all relevant informasjon. Du bør derfor lese hele Prospektet nøye, herunder de finansielle redegjørelsene før du eventuelt treffer en investeringsbeslutning. Særlig bør du vurdere de risikofaktorene som fremkommer under kapitlet "Risk Factors" i Prospektet nøye.

Presentasjon av Selskapet

Petrojarl er en av de største operatørene av flytende produksjons- og lagringsfartøy ("FPSO") i Nordsjøen, målt i produksjonskapasitet og antall fartøy. Petrojarl eier og opererer fire FPSO fartøy, Ramform Banff, Petrojarl I, Petrojarl Foinaven og Petrojarl Varg, opererer to bøyelastere og chartrer et lagringsskip på tidscerteparti. De fire FPSO fartøyene har en samlet produksjonskapasitet på 339.000 fat per dag og lagringskapasitet for råolje på en million fat. Gjennomsnittlig produksjon for første kvartal 2006 var 96.500 fat olje per dag. Alle fire FPSO fartøy har dobbelt skrog, er klassifisert for værharde forhold og kan operere på dypvannsfelt.

Petrojarls driftsinntekter for 2004 og 2005 var henholdsvis \$298,2 millioner og \$280,7 millioner.

Petrojarls forretningsadresse er Beddingen 16, Trondheim. Postadressen er Postboks 482 Sentrum, 7014 Trondheim, med telefonnummer 73 98 30 00. Petrojarls organisasjonsnummer er 989 600 699.

Petrojarl og fisjonen av PGS

Tilbudet er betinget av gjennomføring av Fisjonen. En fisjon innebærer overføring av hele eller deler av et selskaps eiendeler, rettigheter og forpliktelser til et nyopprettet eller allerede eksisterende selskap mot vederlag i aksjer i det overtakende selskapet.

Petrojarl ble stiftet 2. mars 2006 som et heleid datterselskap av PGS med det formål å være overtakende selskap i Fisjonen. Den 27. mars 2006 vedtok styrene i PGS og Petrojarl en fisjonsplan som regulerer fordelingen av eiendeler, rettigheter og forpliktelser mellom de deltakende selskapene. I ekstraordinær generalforsamling den 28. april 2006 godkjente PGS' aksjonærer Fisjonsplanen. Ved gjennomføring av Fisjonen vil FPSO virksomheten bli utfisjonert til Petrojarl. Frem til gjennomføring av Fisjonen vil Petrojarl være et heleid datterselskap av PGS uten egne datterselskap eller egen operasjonell aktivitet. Per dato for dette Prospektet er ikke alle samtykker knyttet til Petrojarls og PGS' ulike avtaler mottatt, men PGS og Petrojarl er av den oppfatning at vesentlige samtykker vil bli mottatt før gjennomføring av Fisjonen. Det kan imidlertid ikke gis noen forsikringer om at slike samtykker vil bli mottatt før gjennomføring av Fisjonen.

I forbindelse med gjennomføring av Fisjonen vil 80.01% av aksjene bli utstedt til aksjonærene i PGS. De øvrige 19.99% av aksjene vil beholdes av PGS og tilbys med dette gjennom Tilbudet. For en nærmere beskrivelse av Fisjonen, se kapittelet "*The Demerger*" i Prospektet.

Historie

Petrojarl ble stiftet 2. mars 2006 av PGS ASA, med navnet Petrojarl ASA. Petrojarl er et norsk allmennaksjeselskap.

Konkurransefortrinn

Petrojarl mener at selskapets viktigste konkurransefortrinn er dets;

- høye kvalitet på fartøyene;
- sterke ledelse
- etablerte posisjon i Nordsjøen;
- høye operasjonelle standard;
- attraktive kontraktsmodell;
- historikk for vellykkede kontraktsutførelser;
- skrog tilgjengelig for ombygging;
- kapasitet til å påta seg nye prosjekter; og
- resultater innenfor helse, sikkerhet, miljø og kvalitet ("HSEQ").

For en nærmere utdyping av disse punktene, se "*Petrojarl's Business – Competitive Strengths*" i Prospektet.

Forretningsstrategi

Petrojarl har som mål å doble sin FPSO flåte innen 2010. Petrojarls strategi består av to hovedkomponenter:

- å fortsette og styrke Petrojarls posisjon som en av de ledende FPSO operatører i Nordsjøen; og
- å forfølge nye egnede vekstmuligheter utenfor Nordsjøen.

For en nærmere beskrivelse av disse hovedelementene i strategien, se "*Petrojarl's Business – Strategy*" i Prospektet.

Styret

Keith Nicholas Henry (styreleder), Rolf Erik Rolfsen, Jarle Erik Sandvik, Jorunn Johanne Sætre og Joey Shaista Horn vil utgjøre Petrojarls styre etter gjennomføring av Fisjonen.

Petrojarls Ledelse

Petrojarls ledelse består av Espen Klitzing (daglig leder), Erik Evjen, Nils B. Johannessen, Helge Krafft, Sverre W. Stenvaag og Rolf Børresen.

Ansatte

Per datoen for Prospektet har produksjonsvirksomheten 524 ansatte, hvorav 4 er midlertidig ansatt. Av disse er 108 ansatt i land organisasjonen og 416 i stillinger offshore. Etter gjennomføring av Fisjonen vil disse være ansatt i Petrojarl.

Revisor

Petrojarls revisor er Ernst & Young AS. Ernst & Young AS er medlem av Den norske Revisorforening.

Rådgivere

ABG Sundal Collier Norge ASA ("ABG") og UBS Limited ("UBS") er "Joint Global Coordinators" og "Joint Bookrunners" for Tilbudet. Arntzen de Besche Advokatfirma AS og Willkie Farr & Gallagher LLP er juridiske rådgivere for PGS i forbindelse med Tilbudet.

Aksjekapital

Per dato for Prospektet har Petrojarl en aksjekapital på NOK 29.999.980, fordelt på 14.999.990 aksjer, hver pålydende NOK 2,00. Etter gjennomføring av Fisjonen vil Petrojarls aksjekapital være NOK 149.999.980, fordelt på 74.999.990 aksjer, hver pålydende NOK 2,00. Aksjene vil være gyldig utstedt og fullt innbetalt, og registrert i VPS under ISIN NO 0010309560.

Hovedaksjonærer

Inntil gjennomføring av Fisjonen, er PGS eneste aksjonær i Petrojarl. Etter gjennomføring av Fisjonen, vil Petrojarl utstede én aksje for hver utestående aksje i PGS. I følge Verdipapirsentralen er PGS' fire største aksjonærer per 9. juni 2006, følgende:

Aksjonærer	Antall aksjer:	Eierandel (%)
Citibank, N.A. ⁽¹⁾	4,815,724	8.03
Morgan Stanley & Co. Inc.	4,129,603	6.88
State Street Bank & Trust Co.	3,441,000	5.74
Umoe Industri AS ⁽²⁾	3,087,332	5.15

(1) Citibank, N.A. fungerer som depositar for PGS amerikanske ADR fasilitet.

(2) Umoe-Industri AS kontrolleres av PGS' styreleder, Jens Ulltveit-Moe. Jens Ulltveit-Moe eier også 100.000 Aksjer gjennom Agra AS.

Den 14. juni 2006 flagget Fidelity Investments Ltd. at selskapet, på vegne av investorer, kontrollerer 6.063.837 aksjer i PGS, hvilket utgjør 10,11%.

Dokumenter til gjennomsyn

Følgende dokumenter (eller kopier av slike) er tilgjengelig for gjennomsyn på Petrojarls hovedkontor i Beddingen 16, Trondheim (telefon 73 98 30 00):

- Petrojarls vedtekter;
- Petrojarls combined finansiell informasjon;
- Fisjonsplanen; og
- Shareholder Information Statement av 10. april 2006, utarbeidet i forbindelse med Fisjonen.

Om Tilbudet

Med mindre annet fremgår, forutsetter informasjonen i Prospektet at Tilretteleggerne ikke vil utøve sin Overtildelingsopsjon med rett til å kjøpe Tilleggsaksjer fra PGS. For nærmere informasjon, se kapittelet "Vilkår for tilbudet – Overtildeling og stabilisering", inntatt i det norske sammendraget.

Tilbudet:	Tilbudet består av: <ul style="list-style-type: none">• et offentlig tilbud i Norge (det "Offentlige Tilbudet") hvor Tilbudsaksjene tilbys til allmennheten i Norge;• et tilbud av Tilbudsaksjer til institusjonelle og profesjonelle investorer i Norge, og til institusjonelle investorer utenfor Norge og USA i samsvar med "Regulation S" i den amerikanske verdipapirlovgivningen, og til "QIB's" i USA i samsvar med samme lovgivnings "Rule 144A" (det "Institusjonelle Tilbudet");• et tilbud til de ansatte hvor Tilbudsaksjer tilbys Petrojarls ansatte i Norge og Storbritannia til rabatterte Tilbudspris ("Tilbudet til de Ansatte"); og• et tilbud av Tilbudsaksjer til ledelsen og styremedlemmene i Petrojarl ("Tilbudet til de Ledende Ansatte").
Selgende Aksjonær:	PGS er eneste selgende aksjonær. Dersom Overtildelingsopsjonen benyttes fullt ut, vil PGS selge hele sin eierandel i Petrojarl. Dersom Overtildelingsopsjonen ikke benyttes, vil PGS fortsatt eie opptil 10% av aksjene i Petrojarl.
Tilbudsaksjer:	PGS tilbyr 7.499.995 Tilbudsaksjer ("Faste Aksjer"), foruten inntil 7.499.995 ytterligere Aksjer som tilbys ved benyttelse av Overtildelingsopsjonen ("Tilleggsaksjer").
Indikativt prisintervall:	Indikativt prisintervall for tilbudsprisen er satt til mellom NOK 37 og NOK 47 per Tilbudsaksje. Tilbudsprisen vil bli fastsatt av Joint Global Coordinators og representanter fra PGS etter at Tilbudsperioden er avsluttet, rundt 29. juni 2006.
Utestående Aksjer etter Tilbudet: . .	74.999.990 Aksjer.
Tilbudsperioden	19. til 29. juni 2006, med mindre denne forlenges.
Overtildelingsopsjon	PGS har innvilget Joint Global Coordinators på vegne av Tilretteleggerne en opsjon til å kjøpe opp til 7.499.995 Aksjer (tilsvarende 50% av Tilbudsaksjene og 10% av det totale antall aksjer i Petrojarl etter gjennomføring av Fisjonen) til Tilbudsprisen. Overtildelingsopsjonen kan benyttes av Joint Global Coordinators inntil 30 kalenderdager etter første handelsdag for aksjene på Oslo Børs, kun for å dekke overtildeling eller short posisjoner som oppstår i forbindelse med Tilbudet.
"Joint Global Coordinators" og "Joint Bookrunners":	ABG Sundal Collier Norge ASA og UBS Limited.
Tilretteleggere:	ABG Sundal Collier Norge ASA, UBS Limited og Medtilrettelegger.
Medtilrettelegger:	Carnegie ASA.
Notering av Aksjene:	Det er forventet at Aksjene vil bli tatt opp til notering på Oslo Børs rundt 30. juni 2006. På tidspunktet for Tilbudet vil Aksjene i Petrojarl ikke være notert på annen børs.
Proveny:	Petrojarl vil ikke motta proveny fra salget av Tilbudsaksjene fra PGS.
Handelsforbud:	Petrojarl, PGS (i den utstrekning PGS eier aksjer i Petrojarl etter Tilbudet), Petrojarls styremedlemmer og enkelte medlemmer av

Petrojarls Ledelse, som har kjøpt aksjer gjennom Tilbudet, har akseptert et begrenset handelsforbud i etterkant av Tilbudet. Petrojarl vil også ha begrenset rett til å utstede nye aksjer etter gjennomføringen av Tilbudet. Se "Tilbudet – Handelsmarked og Handelsforbud".

Ticker kode på Oslo Børs: PETRO.

Betaling og levering: Det er forventet at betaling og levering av Tilbudsaksjene vil skje rundt 5. juli 2006.

Aksjekoder: Tilbudsaksjenes identifikasjonsnummer er ISIN NO 0010309560.

Sammendrag av combined finansiell informasjon

Prospektet viser revidert combined finansiell informasjon som er hentet fra Petrojarls reviderte combined regnskaper for 2005 og 2004, og Petrojarls ureviderte combined regnskap ("Petrojarl Combined Finansiell Informasjon") for første kvartal 2006 og 2005, utarbeidet i samsvar med U.S. GAAP. Denne finansielle informasjonen er referert til som Petrojarl Combined Finansiell Informasjon. Petrojarl Combined Finansiell Informasjon er utledet fra PGS' konsoliderte regnskaper for 2005 og 2004, og for første kvartal 2005 og 2006, og reflekterer virksomheten som skal overføres til Petrojarl ved Fisjonen. Petrojarl Combined Finansiell Informasjon er utarbeidet ved bruk av PGS' historiske data (bokførte verdier) og er presentert som om Petrojarl var en separat enhet for de aktuelle periodene. Disse reflekterer imidlertid ikke den kapitalisering og det gjeldsnivå som fremgår av Fisjonsplanen og heller ikke estimatene i Fisjonsplanen relatert til allokering av kostnader til administrasjon og globale tjenester. For ytterligere beskrivelse av presentasjonen av Petrojarl Combined Finansiell Informasjon, se "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" og "*Petrojarl Combined Financial Statements*" i Prospektet.

Etter notering av Aksjene på Oslo Børs vil Petrojarl utarbeide sine regnskaper etter International Financial Reporting Standards ("IFRS"). Følgelig vil ikke Petrojarl Combined Finansiell Informasjon være indikativ for Petrojarls fremtidige inntjening, og heller ikke nødvendigvis reflektere dets finansielle posisjon og driftsresultater slik disse hadde vært dersom selskapet faktisk hadde drevet som en selvstendig enhet gjennom de presenterte perioder.

Tabellene nedenfor reflekterer et utdrag av finansiell informasjon hentet fra Petrojarls Combined Finansiell Informasjon for de nevnte periodene, utarbeidet i samsvar med U.S. GAAP. Du bør lese dette i sammenheng med "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" og "*Petrojarl Combined Financial Statements*" i Prospektet.

	2004	2005	Første kvartal	
			2005	2006
		(tusen U.S. dollar)	(urevidert)	(urevidert)
Utvalgte combined resultatposter (US GAAP):				
Driftsinntekter	\$298.202	\$280.677	\$67.712	\$66.518
Solgte tjenesters kost ⁽¹⁾	168.003	184.324	38.925	40.852
Avskrivninger og amortiseringer	44.562	44.064	11.187	11.121
Markedsførings- og administrasjonskostnader ⁽¹⁾	13.878	14.823	3.713	3.239
Andre driftskostnader (-inntekter), netto	2.008	(5.593)	–	–
Sum driftskostnader	228.451	237.618	53.825	55.212
Driftsresultat	69.751	43.059	13.887	11.306
Andre finansinntekter (kostnader)				
Andel resultat i tilknyttede selskaper	722	243	–	42
Rentekostnader	(29.094)	(23.477)	(6.250)	(4.586)
Innløsning av gjeld og refinansieringskostnader	–	(28.975)	–	–
Sum andre finansinntekter (-kostnader)	(7.468)	(2.441)	(179)	(212)
Resultat før minoritetsinteresser	33.911	(11.591)	7.458	6.550
Minoritetsinteresser	(289)	(27)	(40)	(1)
Resultat	<u>\$ 33.622</u>	<u>\$ (11.618)</u>	<u>\$ 7.418</u>	<u>\$ 6.549</u>

(1) Eksklusiv avskrivning og amortisering som vises separat

	Pr. 31.12		Pr. 31.03
	2004	2005	2006
	(tusen U.S. dollar)		(urevidert)
Utvalgte combined balanseposter (US GAAP):			
Kontanter og bankinnskudd	\$ 4.529	\$ 13.550	\$ 12.295
Varige driftsmidler	637.277	593.878	619.358
Sum eiendeler	751.870	676.447	707.968
Sum gjeld	407.536	343.701	368.674
Egenkapital	343.372	331.961	338.508
Sum gjeld og egenkapital	\$751.870	\$676.447	\$707.968

Sammendrag av proforma regnskapsinformasjon

Prospektet viser proforma finansiell informasjon for Petrojarl for 2005 og for første kvartal 2006 (“Petrojarl Proforma Finansiell Informasjon”). Petrojarl Proforma Finansiell Informasjon er basert på Petrojarls Combined Finansielle Informasjon, justert for forskjeller mellom U.S. GAAP og IFRS og visse andre proforma justeringer beskrevet under “*Petrojarl Pro Forma Financial Information*” i Prospektet. Petrojarl Proforma Finansiell Informasjon er utarbeidet kun for illustrative formål. Petrojarl Proforma Finansiell Informasjon er ikke ment å reflektere Petrojarls finansielle situasjon eller resultater slik de hadde vært dersom Fisjonen hadde vært gjennomført på et tidligere tidspunkt, og Petrojarl hadde operert som en selvstendig enhet og utarbeidet sine konsoliderte regnskaper i samsvar med IFRS. Det er ikke intensjonen at Petrojarl Proforma Finansiell Informasjon skal forutsi Petrojarls finansielle posisjon eller driftsresultater for noen fremtidig periode. For ytterligere informasjon, se “*Petrojarl Pro Forma Financial Information*” i Prospektet.

Proforma justeringene reflektert i Proforma Finansiell Informasjon for 2005 er revidert av Ernst & Young, Petrojarls revisor, som fremgår av deres rapport inntatt i Prospektet. Proformajusteringene reflektert i den ureviderte Petrojarl Proforma Finansiell Informasjon for første kvartal 2006 er gjennomgått av Ernst & Young. Revisors beretninger vedrørende proformajusteringene er utarbeidet i samsvar med norske revisjonsstandarder. Petrojarl Proforma Finansiell Informasjon er basert på IFRS og kravene fra Oslo Børs (inkludert vedlegg 1 til forordningen (EF) Nr 809/2004). Denne informasjonen er ikke i henhold til Regulation S-X i USA. Dersom aksjer skal registreres i henhold til U.S. Securities Act, må Petrojarl Proforma Finansiell Informasjon, inkludert beretningene avgitt av revisor, endres og/eller fjernes fra et eventuelt registreringsdokument under U.S. Securities Act.

Petrojarl Proforma Finansiell Informasjon er utarbeidet med grunnlag i regnskapsstandardene som gjelder for Petrojarl under IFRS. Det er i Petrojarl Proforma Finansiell Informasjon forutsatt at overgangsdato med hensyn til IFRS for selskaper, eiendeler, rettigheter og forpliktelser var 1. januar 2005, som er i samsvar med overgangsdato for Petrojarl.

Følgende tabeller viser et utdrag av proforma finansiell informasjon utledet fra Petrojarl Proforma Finansiell Informasjon for de nevnte perioder. Du bør lese dette i sammenheng med oppsummeringen av combined finansiell informasjon i “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” og “*Petrojarl Proforma Financial Information*” inntatt i Prospektet.

	Resultat første kvartal 2006		
	Combined (U.S. GAAP)	Proforma justeringer	Proforma
	(tusen U.S. dollars)		
			(urevidert)
Driftsinntekter	\$66.518	\$ –	\$66.518
Solgte tjenesters kost ⁽¹⁾	40.852	(678)	40.174
Avskrivninger og amortiseringer	11.121	2.490	13.611
Markedsførings- og administrasjonskostnader ⁽¹⁾	3.239	–	3.239
Andre driftskostnader (inntekter) netto	–	(1.302)	(1.302)
Sum driftskostnader	55.212	510	55.722
Driftsresultat	11.306	(510)	10.796
Andre finansinntekter (kostnader)			
Andel resultat i tilknyttede selskaper	42	–	42
Rentekostnader	(4.586)	1.445	(3.141)
Sum andre finansinntekter (-kostnader)	(212)	785	573
Resultat før minoritetsinteresser	6.550	1.720	8.270
Minoritetsinteresser	(1)	1	
Resultat	\$ 6.549	\$ 1.721	\$ 8.270
Fordeles på:			
Aksjonæren i Petrojarl			8.246
Minoritetsinteresser			24

(1) Eksklusiv avskrivning og amortisering som vises separat

	Resultat 2005		
	Combined (U.S. GAAP)	Proforma justeringer	Proforma
	(tusen U.S. dollars)		
Driftsinntekter	\$ 280.677	\$ –	\$280.677
Solgte tjenesters kost ⁽¹⁾	184.324	(3,225)	181.099
Avskrivninger og amortiseringer	44.064	(6,297)	37.767
Markedsførings- og administrasjonskostnader ⁽¹⁾	14.823	–	14.823
Reversering av tidligere nedskrivninger		(207.853)	(207.853)
Andre drifts- (inntekter) kostnader	(5.593)	28.464	22.871
Sum driftskostnader	237.618	(188.911)	48.706
Driftsresultat	43.059	188.911	231.971
Andre inntekter (kostnader)			
Andel resultat i tilknyttede selskaper	243	–	243
Rentekostnader	(23.477)	6.643	(16.834)
Innløsning av gjeld og refinansieringskostnader	(28.975)	28.975	–
Sum andre finansinntekter (-kostnader)	(2.441)	(4.899)	(7.340)
Resultat før minoritetsinteresser	(11.591)	219.630	208.039
Minoritetsinteresser	(27)	27	
Resultat	\$ (11.618)	\$ 219.657	\$208.039
Fordeles på:			
Aksjonæren i Petrojarl			207.645
Minoritetsinteresser			394

(1) Eksklusiv avskrivning og amortisering som vises separat

Risikofaktorer – Sammendrag

Dette sammendraget er en kort angivelse av risikofaktorene beskrevet i kapittelet “Risk Factors” i Prospektet – se dette kapittelet for en fullstendig beskrivelse av risikofaktorene. Hver enkelt risikofaktor kan få vesentlig negativ betydning for Petrojarls virksomhet og økonomiske stilling, og således negativ betydning for verdien av Aksjene. Det foreligger en rekke selskaps- og industrispesifikke risikofaktorer. De selskaps- og industrispesifikke risikofaktorene knytter seg både til forretningsvirksomheten og til Aksjene. Ytterligere risiki og usikkerheter som per i dag er ukjente for Petrojarl, eller som Petrojarl per i dag anser er uvesentlige, kan også på en negativ måte innvirke på Petrojarls virksomhet og økonomiske resultat.

Risiko forbundet med Petrojarls forretningsvirksomhet

- Petrojarl kan gå med underskudd dersom selskapet ikke får sysselsatt fartøyene og annet utstyr på et tilstrekkelig høyt nivå.
- Petrojarl kan påvirkes negativt dersom etterspørselen etter dets tjenester fra olje- og gasselskaper avtar.
- PGS har lidt vesentlige tap tidligere, og Petrojarl, som et selvstendig selskap, kan også gjøre det i fremtiden.
- Petrojarl er utsatt for risiko for arbeidskonflikter. Slike konflikter kan avbryte Petrojarls virksomhet og ha en negativ innvirkning på dets driftsresultater og finansielle stilling.
- Petrojarl kommer til å ha betydelig gjeld og øvrige forpliktelser som begrenser selskapet på forskjellige måter.
- Petrojarls fremtidige inntekter kan variere betydelig fra periode til periode, blant annet som resultat av en naturlig reduksjon i utvinning i løpet av et oljefelts levetid.
- Petrojarls teknologi kan bli utkonkurrert av eksisterende og ny teknologi, og det er mulig at Petrojarl ikke kan utvikle og produsere konkurransedyktig teknologi til konkurransedyktige priser og tider.
- Petrojarls forretningsvirksomhet er underlagt statlig regulering og miljømessig lovgivning som kan være vanskelig eller umulig å overholde, og som kan medføre betydelige forpliktelser.
- Joint venture avtalen inngått med Teekay Shipping Corporation avhenger av fremtidig avtale for å realisere prosjekter, og krever samtykke fra konkurransemyndighetene.
- Petrojarl er utsatt for mange risiki i forbindelse med sin offshorevirksomhet.
- Fordi Petrojarl ikke har forsikringsdekning som dekker alle dets operatørrisiki, vil Petrojarls driftsresultater kunne bli vesentlig redusert dersom ett eller flere av de ikke-forsikrede forhold materialiserer seg.
- Fordi Petrojarl har inntekter og utgifter i forskjellig valuta, kan svingninger i valutakursen ha vesentlig negativ innvirkning på Petrojarls driftsresultater.
- Petrojarl er utsatt for konkurranse, som kan begrense dets evne til å opprettholde eller øke sin markedsandel, og beholde de priser det kan fakturere for sine tjenester på lønnsomme nivåer.
- Petrojarls driftsresultater kan svekkes som følge av risiki i tilknytning til dets service kontrakter.
- Petrojarls driftsresultater kan bli svekket dersom selskapet ikke får engasjert fartøyene i nye kontrakter etter utløp, eller oppsigelse av, dets gjeldende service kontrakter.
- Den vesentligste andel av Petrojarls inntekter kommer fra et begrenset antall FPSOer og kunder, og tap av inntekter fra ethvert av disse fartøyene eller fra enhver av disse kundene kan ha vesentlig negativ innflytelse på Petrojarls finansielle stilling og forretningsutsikter.

- Petrojarls strategi om å søke utvalgte investeringer og prosjekter for konvertering gir en rekke utfordringer.
- Petrojarl er avhengig av å rekruttere og beholde kvalifisert personell for å administrere, drive og utvikle sin forretningsvirksomhet.
- Petrojarl er underlagt komplekse skatteregimer i Norge og Storbritannia.
- Petrojarl kan bli negativt påvirket av brudd på korrupsjonslovgivning.
- Petrojarl er utsatt for ulike risiki knyttet til internasjonale operasjoner, hvorav noen vil kunne ha en vesentlig negativ effekt på dets forretningsvirksomhet eller driftsresultater.

Risiko forbundet med finansiell rapportering

- Petrojarl har til hensikt å gå over til regnskapsstandarden International Financial Reporting Standards (IFRS) etter gjennomføring av Tilbudet. Som en følge av dette vil dets finansielle rapportering og resultater for de kommende inntektsår ikke nødvendigvis være sammenlignbare med den finansielle informasjonen presentert i Prospektet.
- PGS har hatt mangler i tilknytning til internkontroll vedrørende finansiell rapportering, og som et resultat av dette kan Petrojarl også ha vesentlige svakheter knyttet til internkontroll vedrørende finansiell rapportering. Mangelfull internkontroll kan påvirke Petrojarls evne til å levere korrekte regnskapsopplysninger til rett tid, samt kursen på Aksjene.

Risiko forbundet med Fisjonen

- Petrojarl har ikke tidligere operert som et uavhengig selskap.
- Norsk lov underlegger Petrojarl et solidaransvar med PGS etter Fisjonen.

Risiko forbundet med Tilbudet

- Det har ikke vært noe offentlig marked for Aksjene før Tilbudet, og kursen på Aksjene kan fluktuere.
- Aksjonærer som er forvalterregistrert kan ikke utøve stemmerett like enkelt som aksjonærer som har sine Aksjer registrert i sitt eget navn i VPS.
- Amerikanske aksjonærer kan muligens ikke benytte forkjøpsrett.
- Fordi Petrojarl ikke er et amerikansk selskap og de fleste av Petrojarls styremedlemmer og ledende ansatte ikke er bosatt i USA, vil du kunne ha vanskeligheter med å saksøke dem i USA og oppnå eller få fullbyrdet domsavgjørelser mot dem.
- Fordi PGS kan beholde en eierandel i Petrojarl på inntil 10%, kan PGS påvirke forhold som krever aksjonærsamtykke.

Vilkår for Tilbudet

Dette kapitlet gir en oversikt over transaksjonstekniske forhold vedrørende Tilbudet. Dersom det er motstrid mellom dette kapitlet og det tilsvarende engelske kapitlet "*Terms of the Global Offering*", skal beskrivelsene i det engelske kapitlet "*Terms of the Global Offering*" ha forrang.

Tilbudet

PGS forventer at selskapet rundt 29. juni 2006 vil inngå en aksjekjøpsavtale ("Aksjekjøpsavtalen"), med ABG Sundal Collier Norge ASA ("ABG") (Munkedamsveien 45 D, 0115 Oslo), UBS Limited (1 Finsbury Avenue, London EC2M 2PP, Storbritannia) og Carnegie ASA (Stranden 1, Aker Brygge, 0106 Oslo) som Joint Global Coordinators og som representanter for Tilretteleggerne, som fremgår av tabellen nedenfor, i forbindelse med Tilbudet.

Det forventes at hver Tilrettelegger på de vilkår som fremgår av Aksjekjøpsavtalen vil påta seg, på individuelt og ikke solidarisk grunnlag, å kjøpe fra PGS, til Tilbudsprisen med fradrag for honorarer og kostnader, det antall Tilbudsaksjer som fremgår av tabellen nedenfor:

<u>Tilretteleggere</u>	<u>Antall aksjer</u>
ABG Sundal Collier Norge ASA	3.374.998
UBS Limited	3.374.998
Carnegie ASA	749.999
Totalt	7.499.995

Tilretteleggerne foreslår å tilby Tilbudsaksjene til investorer gjennom Tilbudet bestående av:

- et Offentlig Tilbud i Norge, med en minimumsbestilling på NOK 10.000 og en maksimumsbestilling på NOK 2.000.000 for hver investor. Det vil ikke bli foretatt allokering for mindre enn én børspost. Hva som tilsvare en børspost vil bli nærmere fastsatt av Oslo Børs etter at Tilbudsprisen blir satt, og vil trolig tilsvare 200 Tilbudsaksjer. Én børspost vil derfor kunne tilsvare mer enn NOK 10.000. En bestilling av Tilbudsaksjer i det Offentlige Tilbudet på mellom NOK 10.000 og den endelige verdien av én børspost vil, med mindre noe annet blir angitt på bestillingsblanketten for det Offentlige Tilbudet som er vedlagt dette Prospektet som Vedlegg B (“Bestillingsblanketten for det Offentlige Tilbudet”), bli ansett som en bestilling av én børspost, selv om dette beløpet vil kunne være høyere enn NOK 10.000 (men begrenset til NOK 15.000);
- et Institusjonelt Tilbud til institusjonelle og profesjonelle investorer i Norge, og til institusjonelle investorer utenfor Norge og USA i medhold av “Regulation S” i amerikansk verdipapirlovgivning, og til “QIBs” (“Qualified Institutional Buyer”) i USA i henhold til “Rule 144A” i amerikansk verdipapirlovgivning, med minimumsbestilling på NOK 2.000.000;
- et Tilbud til Ansatte i Petrojarl i Norge og Storbritannia, med en minimumsbestilling på NOK 10.000 og en maksimumsbestilling på NOK 2.000.000 for hver ansatt. Som for det Offentlige Tilbudet, vil det ikke bli foretatt allokering for mindre enn én børspost, og bestillinger på mindre enn én børspost vil bli behandlet tilsvarende som for det Offentlige Tilbudet. De norske og britiske ansatte vil få en rabatt på 20% av Tilbudsprisen, men rabatten vil ikke overstige NOK 1.500 per ansatt. De ansatte vil få full allokering opptil NOK 500.000 rundet ned til nærmeste børspost. I den grad en bestilling overstiger NOK 500.000, vil allokeringssprinsippene være de samme som for bestillinger i det Offentlige Tilbudet; og
- et Tilbud til Ledende Ansatte og styremedlemmer i Petrojarl, som hver vil få full allokering for det bestilte beløp opptil NOK 1.000.000 (rundet ned til nærmeste hele børspost). Maksimumsbestilling i Tilbudet til de Ledende Ansatte er NOK 2.000.000 per bestiller.

Det er tillatt å foreta flere bestillinger i Tilbudet. Dersom en investor bestiller Tilbudsaksjer både i det Offentlige Tilbudet og i det Institusjonelle Tilbudet, vil investorens samlede bestilling regnes som en bestilling i det Institusjonelle Tilbudet. Styremedlemmer og medlemmer av Petrojarls ledelse kan bare levere bestillinger i Tilbudet til de Ledende Ansatte.

PGS har foreløpig antatt at 5% av Tilbudet vil bli reservert for det Offentlige Tilbudet og at inntil 5% av Tilbudet vil bli reservert for Tilbudet til Ansatte og Tilbudet til Ledende Ansatte. Den endelige allokeringen av Tilbudsaksjer til det Offentlige Tilbudet, det Institusjonelle Tilbudet, Tilbudet til Ansatte og Tilbudet til Ledende Ansatte vil bli besluttet etter at Tilbudsperioden er avsluttet, blant annet på bakgrunn av bestillingsnivået i de ulike transjene, i forhold til det totale bestillingsnivået for Tilbudet.

Book-building for Tilbudet er forventet å vare fra og med 19. juni til og med klokken 15:00 den 29. juni 2006 (“Tilbudsperioden”). PGS og Joint Global Coordinators forbeholder seg retten til å forlenge Tilbudsperioden når som helst. Enhver slik forlengelse av Tilbudsperioden vil bli offentliggjort gjennom Oslo Børs. Tilbudsperioden vil bare forlenges én gang, og bare inntil klokken 15:00 den 6. juli 2006 klokken 15.00. Dersom Tilbudsperioden forlenges, vil dato for signering av Aksjekjøpsavtalen, allokeringssdatoen, første handelsdag, betalingsfristen og dato for levering av Tilbudsaksjene bli tilsvarende forlenget.

PGS og Joint Global Coordinators har satt et indikativt prisintervall for Tilbudet mellom NOK 37 og NOK 47 per Tilbudsaksje. Dersom prisen blir satt til midtpunktet innenfor dette intervallet, vil Tilbudet utgjøre totalt ca NOK 630 millioner. Book-building, som vil danne grunnlaget for fastsettelsen av Tilbudsprisen, vil bare bli foretatt gjennom det Institusjonelle Tilbudet.

Det forventes at Tilretteleggerens forpliktelser i henhold til Aksjekjøpsavtalen vil gjøres avhengig av at visse betingelser er oppfylt. PGS forventer at Aksjene skal kunne handles på Oslo Børs' hovedliste fra eller rundt 30. juni 2006, som nærmere beskrevet under.

Med mindre Aksjekjøpsavtalen har blitt terminert før første handelsdag for Aksjene på Oslo Børs, forventer PGS at Tilretteleggerne 5. juli 2006, kjøper og betaler for alle Tilbudsaksjene som Tilretteleggerne forventer å levere til investorer under Tilbudet rundt 5. juli 2006. Antall Aksjer solgt i Tilbudet, inkludert en eventuell overtildeling av Tilleggsaksjer, vil bli offentliggjort gjennom Oslo Børs' informasjonssystem forut for åpning av første handelsdag for Aksjene på Oslo Børs.

Det Institusjonelle Tilbudet

Tilbudsprisen

Som beskrevet over, har PGS og Joint Global Coordinators satt et indikativt prisintervall for Tilbudet på mellom NOK 37 og NOK 47 per Tilbudsaksje. Når Joint Global Coordinators kjenner investorinteressen for Tilbudsaksjene, vil PGS og Joint Global Coordinators fastsette prisen på bakgrunn av antall bestillinger i Tilbudsperioden i det Institusjonelle Tilbudet. Tilbudsprisen fastsettes etter PGS' frie skjønn, og vil kunne settes innenfor, under eller over det indikative prisintervallet. Tilbudsprisen vil bli annonsert gjennom en børs melding til Oslo Børs, som forventes sendt før åpning av handel med Tilbudsaksjene på Oslo Børs rundt 30. juni 2006.

Enhver muntlig bestilling i det Institusjonelle Tilbudet vil være bindende for investoren på de samme vilkår som en skriftlig bestilling. Joint Global Coordinators kan når som helst kreve at investoren skriftlig bekrefter en muntlig bestilling. Investorer kan trekkes tilbake eller endre bestillingen frem til utløpet av "book-building"-perioden. Alle ordre som ikke er trukket tilbake eller endret på dette tidspunkt vil være bindende for investoren.

Bestillingssteder

Bestillinger under det Institusjonelle Tilbudet kan rettes til:

ABG Sundal Collier Norge ASA
Munkedamsveien 45 D
Postboks 1444 Vika
0115 Oslo
Norge

Telefon: +47 22 01 60 00
Faks: +47 22 01 60 62

UBS Investment Bank
1 Finsbury Avenue
London
EC2M 2PP
Storbritannia

Telefon: +44 207 567 8000
Faks: +44 207 568 4800

Carnegie ASA
Postboks 684 Sentrum
0106 Oslo
Norge

Telefon: +47 22 01 93 00
Faks: +47 22 00 99 60

Allokeringsdato, betaling og levering av Tilbudsaksjer

Joint Global Coordinators forventer å sende ut melding om allokering av Tilbudsaksjer i det Institusjonelle Tilbudet rundt 30. juni 2006. Betaling for allokerede Tilbudsaksjer i det Institusjonelle Tilbudet vil skje mot levering av Tilbudsaksjer. Levering og betaling for Tilbudsaksjer i Tilbudet er ventet å finne sted rundt 5. juli 2006.

Ved forsinket betaling vil det påløpe forsinkelsesrente lik den til enhver tid gjeldende forsinkelsesrente i henhold til forsinkelsesrenteloven av 17. desember 1976 nr. 100, per dato for Prospektet, 9,25% per år. Dersom betaling ikke skjer ved forfall, vil investoren ikke motta Tilbudsaksjer. Joint Global Coordinators forbeholder seg retten til, å kansellere bestillingen, og til å reallokere eller på annen måte disponere over de allokerede Tilbudsaksjene for investorens regning og risiko, på slike vilkår og på slik måte som Joint Global Coordinators måtte ønske i samsvar med norsk rett. Den opprinnelige investoren forblir ansvarlig for å betale Tilbudsprisen, samt eventuelle påløpte renter, gebyrer og kostnader, og PGS og Joint Global Coordinators vil kunne tvangsinn drive et hvert slikt utestående beløp.

Aksjene i det Institusjonelle Tilbudet er forventet å kunne handles på Oslo Børs' hovedliste rundt 30. juni 2006.

Investorer som selger Tilbudsaksjer fra og med 30. juni 2006, må forsikre seg om at Tilbudsaksjene betales ved forfall. Følgelig må enhver investor som ønsker å selge sine Tilbudsaksjer før de er levert, sørge for at betaling skjer innen forfallstidspunktet for at Tilbudsaksjene skal kunne leveres i tide til en ny kjøper.

Det Offentlige Tilbudet

Tilbudsprisen

Tilbudsprisen for Tilbudsaksjer solgt i det Offentlige Tilbudet vil være den samme som i det Institusjonelle Tilbudet. Hver investor i det Offentlige Tilbudet vil være berettiget, men ikke forpliktet til, å indikere på Bestillingsblanketten for det Offentlige Tilbudet at investoren ikke ønsker å bestille Tilbudsaksjer dersom Tilbudsprisen settes høyere enn det indikerte prisintervallet beskrevet i "Tilbudet". Dersom den enkelte investor velger å legge inn et slikt forbehold, vil investoren ikke bli tildelt Tilbudsaksjer dersom Tilbudsprisen blir satt høyere enn det indikerte prisintervallet. Dersom investoren ikke tar et slikt forbehold vil bestillingen være bindende uansett om Tilbudsprisen settes innenfor, under eller over det indikerte prisintervallet, så lenge Tilbudsprisen er fastsatt på basis av de bestillinger som er gjort i Tilbudsperioden som beskrevet i "Det Institusjonelle Tilbudet".

Dersom en investor i det Offentlige Tilbudet har valgt å begrense sin ordre til en spesifikk tilbudspris, og vil fjerne eller øke en slik begrensning, kan dette bare gjøres ved å sende inn en ny Bestillingsblankett for det Offentlige Tilbudet (som må mottas av bestillingsstedet før avsluttet tilbudsperiode angitt nedenfor). For investorer i det Offentlige Tilbudet som har flere bestillinger, vil PGS i allokeringen se bort fra bestillinger der prisen er begrenset til en pris som er lavere enn Tilbudsprisen.

Tilbudsperioden

Tilbudsperioden i det Offentlige Tilbudet vil vare fra og med 19. juni 2006 til og med 29. juni 2006 klokken 12.00. Alle bestillinger må gjøres på Bestillingsblanketten for det Offentlige Tilbudet som følger vedlagt Prospektet som vedlegg B. Bestillingsblanketter for det Offentlige Tilbudet og Prospektet kan fås på PGS' kontor eller på bestillingsstedet. Norske bestillere i det Offentlige Tilbudet kan også bestille Tilbudsaksjer på Internet på www.pgs.com, www.abgsc.no eller www.carnegie.no.

Bestillingsblanketter for det Offentlige Tilbudet som er ufullstendige eller ikke er korrekt utfylt, eller som ikke er bestillingsstedene i hende innen utløpet av tilbudsperioden, vil kunne bli sett bort fra uten nærmere varsel. Riktig utfylte Bestillingsblanketter for det Offentlige Tilbudet må være bestillingsstedet i hende innen 29. juni 2006 klokken 12.00.

PGS og Joint Global Coordinators forbeholder seg retten til å forlenge tilbudsperioden når som helst. Enhver slik endring av tilbudsperioden vil bli offentliggjort gjennom Oslo Børs sitt meldingssystem, på eller før 29. juni 2006 klokken 09.00. Tilbudsperioden vil bare forlenges én gang, og bare inntil 6. juli 2006 klokken 12.00. Dersom tilbudsperioden forlenges vil datoen for signering av Aksjekjøpsavtalen, allokeringdatoen, første handelsdag, betalingsfristen og dato for levering av aksjene bli tilsvarende forlenget. Alle bestillinger i det Offentlige Tilbudet vil være ugjenkallelige og bindende for den enkelte investor når en korrekt utfylt Bestillingsblankett er mottatt av bestillingsstedet, uavhengig av en forlengelse av tilbudsperioden.

Bestillingssted

Bestillingssteder i det Offentlige Tilbudet er:

ABG Sundal Collier Norge AS
Munkedamsveien 45 D
Postboks 1444 Vika
0115 Oslo
Norge

Carnegie ASA
Postboks 684 Sentrum
0106 Oslo
Norge

Telefon: 22 01 60 00
Faks: 22 01 60 62

Telefon: 22 00 93 00
Faks: 22 00 99 60

Allokeringsdato

Joint Global Coordinators forventer å sende ut melding om allokering i det Offentlige Tilbudet rundt 30. juni 2006. Enhver investor som ønsker å vite det eksakte antall Tilbudsaksjer vedkommende er tildelt kan kontakte bestillingsstedet fra og med morgenen den 30. juni 2006. Investorer som har tilgang til investeringstjenester ved en institusjon som opererer investorens VPS konto, skal kunne sjekke antall Tilbudsaksjer som er tildelt fra og med den 30. juni 2006.

Betaling for allokerede Tilbudsaksjer

Ved å underskrive Bestillingsblanketten for det Offentlige Tilbudet, vil vedkommende bestiller gi ABG fullmakt til å trekke et beløp tilsvarende den totale prisen for det antall bestilleren er blitt tildelt, fra bestillerens oppgitte norske eller engelske bankkonto. Bestillerens bankkontonummer må således påføres Bestillingsblanketten for det Offentlige Tilbudet. Bestillere som ikke har norsk eller engelsk bankkonto må kontakte bestillingsstedet før innsendelse av Bestillingsblanketten for det Offentlige Tilbudet i tilstrekkelig tid før utløp av tilbudsperioden, slik at betaling kan gjennomføres. Det vil bli foretatt et trekk fra bankkontoen rundt 4. juli 2006, og det må derfor være tilstrekkelige midler på den oppgitte kontoen fra og med 3. juli 2006.

Skulle det vise seg ikke å være tilstrekkelige midler på investorens konto eller skulle betalingen bli forsinket av annen årsak, eller det ikke er mulig å trekke et beløp fra den oppgitte kontoen, vil det påløpe forsinkelsesrente lik den til enhver tid gjeldende forsinkelsesrente i henhold til forsinkelsesrenteloven av 17. desember 1976 nr. 100, per dato for dette Prospektet 9,25% per år. ABG forbeholder seg retten til å trekke på kontoen opptil tre ganger frem til og med den 18. juli 2006, dersom det viser seg at det ikke er tilstrekkelige midler på den oppgitte kontoen på forfallsdagen. Dersom betaling ikke skjer ved forfall (det vil si den 4. juli 2006), vil investoren ikke motta Tilbudsaksjer. ABG forbeholder seg retten til å kansellere bestillingen, og til å reallokere eller på annen måte disponere over de allokerede aksjene, for investorens regning og risiko, på slike vilkår og på slik måte som ABG måtte ønske i samsvar med norsk rett. Den opprinnelige investoren forblir ansvarlig for å betale for de bestilte Tilbudsaksjene, samt eventuelle påløpte renter, gebyrer og kostnader, og Joint Global Coordinators vil kunne tvangsinn drive et hvert slikt utestående beløp i samsvar med norsk rett.

Leveranse og handel med Aksjene

Med forbehold om at betaling for allokerede Tilbudsaksjer er mottatt, er det forventet at levering av Tilbudsaksjene, som er allokeret i det Offentlige Tilbudet, vil skje rundt den 5. juli 2006. Aksjene allokeret i det Offentlige Tilbudet er forventet å kunne handles på Oslo Børs' hovedliste fra og med 30. juni 2006.

Investorer som selger Tilbudsaksjer fra og med 30. juni 2006, må forsikre seg om at Tilbudsaksjene betales ved forfall. Følgelig må enhver investor som ønsker å selge sine Tilbudsaksjer før de er levert, sørge for at betaling skjer innen forfallstidspunktet for at Tilbudsaksjene skal kunne leveres i tide til en ny kjøper.

Tilbudet til de Ansatte

Tilbudsprisen

Petrojarls norske og britiske ansatte vil få en rabatt på 20% av Tilbudsprisen, men rabatten vil ikke overstige NOK 1.500 per ansatt. For en kort beskrivelse av de norske og britiske skatteeffektene av en slik rabatt, se "Taxation" i Prospektet.

Hver investor i Tilbudet til de Ansatte vil være berettiget, men ikke forpliktet til, å angi på Bestillingsblanketten for ansatte som er vedlagt Prospektet som Vedlegg C ("Bestillingsblanketten for Ansatte"), at investoren ikke ønsker å bestille Tilbudsaksjer dersom Tilbudsprisen settes høyere enn det indikerte prisintervallet beskrevet i "Tilbudet". Dersom den enkelte investor velger å legge inn et slikt forbehold i Bestillingsblanketten for Ansatte, vil investoren ikke bli tildelt Tilbudsaksjer dersom Tilbudsprisen blir satt høyere enn det indikerte prisintervallet. Dersom investoren ikke tar et slikt forbehold, vil bestillingen være bindende uansett om Tilbudsprisen settes innenfor, under eller over det indikerte prisintervallet, så lenge Tilbudsprisen er fastsatt på basis av de bestillinger som er gjort under "book-building" som beskrevet over.

Dersom en investor i Tilbudet til de Ansatte har valgt å begrense sin ordre til en spesifikk tilbudspris, og vil fjerne eller øke en slik begrensning, kan dette bare gjøres ved å sende inn en ny Bestillingsblankett for Ansatte (som må mottas av bestillingsstedet før avsluttet tilbudsperiode angitt nedenfor). For investorer som har inngitt flere bestillinger i Tilbudet til de Ansatte, vil PGS i allokeringen av Tilbudsaksjene, se bort fra bestillinger der prisen er begrenset til en pris som er lavere enn den endelige Tilbudsprisen.

Tilbudsperioden

Tilbudsperioden i Tilbudet til de Ansatte vil vare fra og med 19. juni 2006 til og med 29. juni 2006 klokken 12.00. Alle bestillinger må gjøres på Bestillingsblanketten for Ansatte som er vedlagt Prospektet som vedlegg C. Bestillingsblanketter for Ansatte og Prospektet kan fås på PGS' kontor eller på de relevante bestillingsstedene.

Bestillingsblanketter for Ansatte som er ufullstendige eller ikke er korrekt utfylt, eller som ikke er det relevante bestillingsstedet i hende innen utløpet av tilbudsperioden, vil kunne bli sett bort fra uten nærmere varsel. Med mindre tilbudsperioden forlenges, må korrekt utfylte Bestillingsblanketter for Ansatte være det relevante bestillingsstedet i hende innen 29. juni 2006 klokken 12.00.

PGS og Joint Global Coordinators forbeholder seg retten til å forlenge tilbudsperioden i Tilbudet til de Ansatte når som helst. Enhver slik endring av tilbudsperioden i Tilbudet til de Ansatte vil bli offentliggjort gjennom Oslo Børs sitt meldingssystem, på eller før 29. juni 2006 klokken 09.00. Tilbudsperioden vil bare forlenges én gang, og bare inntil 6. juli 2006 klokken 12.00. Dersom tilbudsperioden i Tilbudet til de Ansatte forlenges vil datoen for signering av Aksjekjøpsavtalen, allokeringdatoen, første handelsdag, betalingsfristen og dato for levering av aksjene bli tilsvarende forlenget. Alle bestillinger i Tilbudet til de Ansatte vil være ugjenkallelige og bindende for den enkelte investor, når en korrekt utfylt bestillingsblankett er mottatt av de relevante bestillingsstedene, uavhengig av en forlengelse av tilbudsperioden i Tilbudet til de Ansatte.

Bestillingssted

Bestillingssted i Tilbudet til de Ansatte er:

Ansatte i Norge:
ABG Sundal Collier Norge AS
Mundedamsveien 45 D
Postboks 1444 Vika
0115 Oslo Norge
Norge

Telefon: +47 22 01 60 00
Faks: +47 22 01 60 62

Ansatte i Storbritannia:
ABG Sundal Collier Limited
St. Martin's Court
10 Paternoster Row
London EC4M 7EJ
United Kingdom

Telefon: +44 207 905 5600
Faks: +44 207 905 5601

Allokeringsdato

Joint Global Coordinators forventer å sende ut melding om allokering i Tilbudet til de Ansatte rundt 30. juni 2006. Enhver investor som ønsker å vite det eksakte antall Tilbudsaksjer vedkommende er tildelt, kan kontakte bestillingsstedet fra og med morgenen den 30. juni 2006. Investorer som har tilgang til investeringstjenester ved en institusjon som opererer investorens VPS konto, skal kunne sjekke antall Tilbudsaksjer som er tildelt fra og med 30. juni 2006.

Betaling for allokerte Tilbudsaksjer

Ved å underskrive Bestillingsblanketten for Ansatte vil vedkommende bestiller gi ABG fullmakt til å trekke et beløp tilsvarende den totale prisen for de tildelte Tilbudsaksjer, fra bestillerens angitte bankkonto. Bestillerens bankkontonummer må således påføres Bestillingsblanketten for Ansatte. Bestillere som ikke har norsk bankkonto må kontakte bestillingsstedet før innsendelse av Bestillingsblanketten for Ansatte i tilstrekkelig tid før utløp av tilbudsperioden, slik at betaling kan gjennomføres. Det vil bli foretatt trekk fra bankkontoen rundt 4. juli 2006, og det må derfor være tilstrekkelige midler på den oppgitte kontoen fra og med 3. juli 2006.

Skulle det vise seg ikke å være tilstrekkelige midler på investorens konto, eller skulle betalingen bli forsinket av en annen årsak, eller det ikke er mulig å trekke et beløp fra den oppgitte kontoen, vil det påløpe forsinkelsesrente lik den til enhver tid gjeldende forsinkelsesrente i henhold til forsinkelsesrenteloven av

17. desember 1976 nr. 100, per dato for Prospektet 9,25% per år. ABG forbeholder seg retten til å trekke på kontoen opptil tre ganger frem til og med 18. juli 2006, dersom det viser seg at det ikke er tilstrekkelige midler på den oppgitte kontoen på forfallsdagen. Dersom betaling ikke skjer ved forfall (det vil si den 4. juli 2006), vil investoren ikke motta Tilbudsaksjer. ABG forbeholder seg retten til å kansellere bestillingen, og til å reallokere eller på annen måte disponere over de allokerte, for investorens regning og risiko, aksjene på slike vilkår og på slik måte som ABG måtte ønske i samsvar med norsk rett. Den opprinnelige investoren forblir ansvarlig for å betale for de bestilte aksjene, samt eventuelle påløpte renter, gebyrer og kostnader, og Joint Global Coordinators vil kunne tvangsinn drive et hvert slikt utestående beløp i samsvar med norsk rett.

Petrojarl vurderer å etablere et program der ansatte kan gis lån i forbindelse med Tilbudet til de Ansatte, eller på annen måte. Vilårene for et slikt lån til ansatte er enn ikke fastsatt, men vil blant annet bli strukturert slik at det begrenser skattekonsekvensene for de ansatte.

Leveranse og handel med aksjene

Med forbehold om at betaling for allokerte Tilbudsaksjer er mottatt, er det forventet at levering av Tilbudsaksjene, som er allokert, vil skje rundt den 5. juli 2006. Aksjene allokert i Tilbudet til de Ansatte er forventet å kunne handles på hovedlisten til Oslo Børs fra og med 30. juni 2006.

Investorer som selger Tilbudsaksjer fra og med 30. juni 2006, må forsikre seg om at Tilbudsaksjene betales ved forfall. Følgelig må enhver investor som ønsker å selge sine Tilbudsaksjer før de er fysisk levert, sørge for at betaling skjer innen forfalltidspunktet for at aksjene skal kunne leveres i tide til en ny kjøper.

Tilbudet til de Ledende Ansatte

Tilbudsprisen

Tilbudsprisen for Tilbudsaksjer solgt i Tilbudet til de Ledende Ansatte vil være den samme som Tilbudsprisen i det Institusjonelle Tilbudet.

Investorer i Tilbudet til de Ledende Ansatte vil bli gitt full allokering for det bestilte beløp, opptil maksimalt NOK 1.000.000 (rundet ned til nærmeste hele børspost), men det kan ikke tas forbehold om en maksimal Tilbudspris. Maksimalbestilling i Tilbudet til de Ledende Ansatte vil være NOK 2.000.000.

Tilbudsperioden

Tilbudsperioden i Tilbudet til de Ledende Ansatte vil vare fra og med 09.00 til og med 17.00 den 19. juni 2006. Alle bestillinger må gjøres på bestillingsblanketten for Ledende Ansatte vedlagt Prospektet som Vedlegg D ("Bestillingsblanketten for Ledende Ansatte"). Bestillingsblanketten for Ledende Ansatte kan fås ved henvendelse til PGS eller bestillingsstedet. Bestillinger kan ikke gjøre over Internet.

Bestillingsblanketter for Ledende Ansatte som er ufullstendige eller ikke er korrekt utfylt, eller som ikke er bestillingsstedet i hende innen utløpet av tilbudsperioden for de Ledende Ansatte, vil kunne bli sett bort fra uten nærmere varsel.

Alle bestillinger som gjøres i Tilbudet til de Ledende Ansatte vil være ugjenkallelige og bindende når bestillingsstedet nevnt nedenfor har mottatt en korrekt utfylt Bestillingsblankett for Ledende Ansatte.

Bestillingssted

Bestillingssted i Tilbudet til de Ledende Ansatte er:

ABG Sundal Collier Norge ASA
Munkedamsveien 45 D
P.O. Box 1444 Vika
NO-0115 Oslo
Norge

Telefon: +47 22 01 60 00
Faks: +47 22 01 60 62

Allokeringsdato

Joint Global Coordinators forventer å sende ut melding om allokering i Tilbudet til de Ledende Ansatte rundt den 30. juni 2006. Enhver investor som ønsker å vite det eksakte antall Tilbudsaksjer han er tildelt kan kontakte et av bestillingsstedene fra og med morgenen den 30. juni 2006. Investorer som har tilgang til investeringstjenester ved en institusjon som opererer investorens VPS konto, skal kunne sjekke antall Tilbudsaksjer som er tildelt fra og med 30. juni 2006.

Betaling for allokerede Tilbudsaksjer

Ved å underskrive Bestillingsblanketten for Ledende Ansatte vil vedkommende bestiller gi ABG fullmakt til å trekke et beløp tilsvarende den totale prisen for de tildelte Tilbudsaksjer, fra bestillerens angitte bankkonto. Bestillerens bankkontonummer må således påføres Bestillingsblanketten for Ledende Ansatte. Bestillere som ikke har norsk bankkonto må kontakte bestillingsstedet før innsendelse av Bestillingsblanketten for Ledende Ansatte i tilstrekkelig tid før utløp av tilbudsperioden, slik at betaling kan gjennomføres. Det vil bli foretatt et trekk fra bankkontoen rundt 4. juli 2006, og det må derfor være tilstrekkelige midler på den oppgitte kontoen fra og med 3. juli 2006.

Skulle det vise seg ikke å være tilstrekkelige midler på investorens konto, eller skulle betalingen bli forsinket av annen årsak, eller det ikke er mulig å trekke et beløp fra den oppgitte kontoen, vil det påløpe forsinkelsesrente lik den til enhver tid gjeldende forsinkelsesrente i henhold til forsinkelsesrenteloven av 17. desember 1976 nr. 100, per dato for Prospektet 9,25% per år. ABG forbeholder seg retten til å trekke på kontoen opptil tre ganger frem til og med 18. juli 2006, hvis det viser seg at det ikke er tilstrekkelige midler på den oppgitte kontoen på forfallsdagen. Dersom betaling ikke skjer ved forfall (det vil si den 4. juli 2006), vil investoren ikke motta Tilbudsaksjer. ABG forbeholder seg retten til å kansellere bestillingen, og til å reallokere eller på annen måte disponere over de allokerede aksjene, for investorens regning og risiko, på slike vilkår og på slik måte som ABG måtte ønske i samsvar med norsk rett. Den opprinnelige investoren forblir ansvarlig for å betale for de bestilte aksjene, samt eventuelle påløpte renter, gebyrer og kostnader, og Joint Global Coordinators vil kunne tvangsinndrive et hvert slikt utestående beløp i samsvar med norsk rett.

Leveranse og handel med aksjene

Med forbehold om at betaling for allokerede Tilbudsaksjer er mottatt, er det forventet at levering av Tilbudsaksjene, som er allokeret Tilbudet, vil skje rundt den 5. juli 2006. Aksjene allokeret i Tilbudet til de Ledende Ansatte er forventet å kunne handles på hovedlisten til Oslo Børs fra og med 30. juni 2006.

Investorer som selger Tilbudsaksjer fra og med 30. juni 2006, må forsikre seg om at betaling for aksjene gjennomføres på det angitte tidspunkt over. Følgelig må enhver investor som ønsker å selge sine Tilbudsaksjer før de er fysisk levert, sørge for at betaling skjer innen forfalltidspunktet for at aksjene skal kunne leveres i tide til en ny kjøper.

Allokeringsmekanisme

PGS vil i samråd med Joint Global Coordinators beslutte allokering av aksjene i det Institusjonelle Tilbudet. Et viktig faktor i allokeringsprinsippene er ønsket om å danne en langsiktig aksjonærstruktur for Petrojarl. Allokeringsprinsippene vil, i samsvar med vanlig praksis for institusjonelle plasseringer, innbefatte faktorer som deltagelse i "road show", markedsføringstiltak, tilbakemelding, ordrekkefølgen, prisnivået, den relative ordestørrelsen, sektorkunnskapen, investeringshistorien, antatt investorkvalitet og investeringshorisont. PGS og Joint Global Coordinators forbeholder seg også retten til å vurdere den enkelte investors kredittverdighet. PGS og Joint Global Coordinators forbeholder seg retten til å sette en maksimumsgrense for allokering, eller velge å ikke allokere Tilbudsaksjer til noen bestillere.

Tilbudsaksjer vil ikke bli allokeret for under én børspost. Alle allokeringer vil bli rundet ned til nærmeste hele børspost. I tilfelle overbestilling, vil PGS forsøke å sørge for at alle bestillere i det Offentlige Tilbudet mottar Tilbudsaksjer som minst utgjør én børspost. Mindre bestillinger vil derfor kunne få tildelt en forholdsmessig større andel en større bestillinger. PGS forbeholder seg uansett retten til å allokere Tilbudsaksjer à én børspost på vilkårlig vis ved bruk av VPS' simuleringsprosedyrer. Dersom det er nødvendig for å holde antall aksjonærer i Petrojarl på et hensiktsmessig nivå, forbeholder PGS seg retten til å begrense det totale antall investorer som tildeles Tilbudsaksjer, forutsatt at dette ikke strider mot Oslo Børs' krav til minimum antall aksjeeiere. Dersom PGS beslutter å begrense antall investorer som får tildelt Tilbudsaksjer i Tilbudet,

vil avgjørelsen av hvilke bestillere som får tildeling, avgjøres vilkårlig ved bruk av en VPS simuleringsmetode.

Investorene i Tilbudet til de Ansatte vil få full tildeling opptil NOK 500.000, rundet ned til nærmeste hele børspost. Bestilling over NOK 500.000 vil bli allokert på samme måte som i det Offentlige Tilbudet.

I Tilbudet til de Ledende Ansatte, vil Petrojarls ledelse og styre få full allokering opp til NOK 1.000.000, rundet ned til nærmeste hele børspost. Bestillinger over NOK 1.000.000 vil bli allokert på samme måte som i det Offentlige Tilbudet.

Vilkår for gjennomføring av Tilbudet

Gjennomføring av Tilbudet på de vilkår som fremgår av Prospektet er betinget av gjennomføring av Fisjonen. Et av vilkårene for gjennomføring av Fisjonen, og dermed for gjennomføring av Tilbudet, er at Oslo Børs godkjenner at Aksjene blir notert på Oslo Børs på vilkår som er akseptable for Petrojarl. Det kan imidlertid ikke gis noen garanti for at Fisjonen vil gjennomføres og at Oslo Børs vil gi et slikt samtykke. Forutsatt at fisjonen gjennomføres og at Oslo Børs godkjenner noteringen av Aksjene, er det forventet at Aksjene vil noteres på Oslo Børs' hovedliste rundt 30. juni 2006. Aksjene forventes å kunne handles på Oslo Børs i børsposter på 200 Aksjer under tickerkodene PETRO.

Tilbudet vil bli kansellert dersom Oslo Børs ikke godkjenner notering av Aksjene, eller dersom Fisjonen ikke er gjennomført innen senest 6. juli 2006.

Gjennomføring av Tilbudet på de vilkår som fremgår av Prospektet er ellers bare betinget av (i) at PGS godkjenner Tilbudsprisen og allokeringen av aksjene til kvalifiserte investorer etter utløpet av Tilbudsperioden, (ii) at det er foretatt bestilling for alle Tilbudsaksjene til Tilbudsprisen, (iii) at PGS og Joint Global Coordinators på vegne av Tilretteleggerne har inngått Aksjekjøpsavtalen umiddelbart etter "book-building"-perioden, og (iv) at betingelsene for gjennomføringen av Aksjekjøpsavtalen blir oppfylt. Det kan ikke gis noen garanti for at disse betingelsene blir oppfylt.

Overtildeling og stabilisering

I forbindelse med Aksjekjøpsavtalen kan ABG, som ansvarlig for stabilisering på vegne av Tilretteleggerne, overtildele opp til 7.499.995 tilleggsaksjer (Tilleggsaksjene) (tilsvarende 50% av det totale antall Aksjer tilbudt gjennom Tilbudet og 10% av utestående Aksjer etter Fisjonen). Tilleggsaksjene vil tilbys på samme vilkår og betingelser som de Faste Aksjene.

I forbindelse med oppgjør og stabilisering, har ABG, som ansvarlig for stabilisering på vegne av Tilretteleggerne, inngått en avtale om lån av Aksjer fra PGS som del av Aksjekjøpsavtalen. I overensstemmelse med bestemmelsene om aksjelån i Aksjekjøpsavtalen, kan ABG låne Aksjer som vil kunne muliggjøre dekning av overtildelinger og/eller netto short-posisjoner i syndikatet i forbindelse med Tilbudet. Dersom ABG låner Aksjer på slike vilkår, er ABG forpliktet til å returnere et tilsvarende antall Aksjer til PGS senest på den tiende handelsdagen etter den tredje dagen etter at Overtildelingsopsjonen senest kan benyttes.

ABG kan som ansvarlig for stabilisering, på vegne av Tilretteleggerne, gjennomføre transaksjoner for å stabilisere eller opprettholde markedsprisen på Aksjene i samsvar med verdipapirhandelloven § 2-12, i en 30 dagers periode fra og med første dagen aksjene handles på Oslo Børs. Stabiliseringstransaksjoner kan ikke skje til priser over Tilbudsprisen. Detaljer om utøvelse av stabiliseringstransaksjoner blir offentliggjort gjennom Oslo Børs' informasjonssystem senest den syvende handelsdag etter gjennomføring av slike transaksjoner. Det er ikke gitt at stabiliseringstransaksjoner vil bli gjennomført, og de kan stoppes når som helst.

I den utstrekning Tilretteleggerne selger et større antall Aksjer (Tilleggsaksjer) enn de Faste Aksjene, vil Tilretteleggerne ha skapt short-posisjoner i Aksjene. ABG kan, på vegne av Tilretteleggerne, dekke inn slike short-posisjoner ved å kjøpe Aksjer i det åpne markedet og/eller ved å utøve hele eller deler av Overtildelingsopsjonen, og kjøpe aksjene fra PGS til en pris tilsvarende Tilbudsprisen. Overtildelingsopsjonen kan utøves når som helst innenfor en 30-dagers periode fra og med første handelsdag for Aksjene på Oslo Børs. I den utstrekning ABG, på vegne av Tilretteleggerne, dekker short-

posisjonene ved å kjøpe Aksjer i markedet, vil opp til hele provenyet fra salget av Tilleggsaksjene bli brukt til å finansiere et slikt kjøp.

ABG forventer at de vil benytte Overtildelingsopsjonen på vegne av Tilretteleggerne, dersom kursen på Aksjene er høyere enn Tegningskursen på det tidspunkt Tilretteleggerne vil lukke syndikatets eventuelle netto short-posisjoner. Ellers forventer ABG at selskapet vil kjøpe Aksjer gjennom det åpne markedet for å dekke inn syndikatets eventuelle netto short-posisjoner. Disse kjøpene vil bli gjennomført for å stabilisere kursen på aksjene som beskrevet ovenfor. Avhengig av kursutviklingen på Aksjene etter oppstart av handelen av Aksjene på Oslo Børs, vil ABG eventuelt dekke syndikatets eventuelle netto short-posisjoner delvis gjennom kjøp i markedet og delvis gjennom bruk av Overtildelingsopsjonen. Det følger av Aksjekjøpsavtalen at den samlede netto gevinst eller tap forårsaket av stabiliseringsaktiviteter utført av ABG på vegne av Tilretteleggerne skal tilfalle/dekkes av PGS. Dersom Overtildelingsopsjonen utøves, vil dato for utøvelse og antall Aksjer som erverves, bli publisert snarlig gjennom Oslo Børs' informasjonssystem, senest innen oppstart av handel på Oslo Børs dagen etter dette er gjennomført.

ABG vil, innen en uke etter avsluttet stabiliseringsperiode, informere markedet gjennom Oslo Børs' informasjonssystemer, om hvorvidt stabiliseringstransaksjoner har blitt gjennomført, når stabiliseringsperioden utløp, prisintervallet stabiliseringstransaksjonene er foretatt innenfor og den siste datoen for når stabiliseringstransaksjoner ble gjennomført.

Ut over det som fremgår ovenfor, eller som er lovpålagt, har ikke ABG til hensikt å offentliggjøre gjennomførte overtildelinger eller stabiliseringstransaksjoner i forbindelse med Tilbudet. Imidlertid kan den enkelte investor bli forpliktet til å flagge eierskap til Aksjene som er oppnådd gjennom Tilbudet, eller ordninger i tilknytning til Tilbudet, i samsvar med krav som følger av norsk lov.

Handelsmarked og handelsforbud

Det forventes at Aksjene vil noteres på Oslo Børs rundt 30. juni. Forut for Tilbudet er Petrojarls aksjer ikke omsatt på noe regulert marked. PGS og Tilretteleggerne kan ikke garantere at det vil kunne opprettes eller opprettholdes et likvid marked for Aksjene. Prisen som oppnås for Aksjene etter Tilbudet vil kunne være lavere enn Tilbudsprisen. Tilbudsprisen vil ikke nødvendigvis ha sammenheng med den prisen som oppnås i perioden etter at Tilbudet er gjennomført.

Petrojarl har akseptert at selskapene i en periode på tre måneder regnet fra dato for Aksjekjøpsavtalen, og PGS (i den grad PGS fortsatt har aksjer etter gjennomføring av Tilbudet), og medlemmene av Petrojarls ledelse og styre har akseptert at de for en periode på seks måneder regnet fra dato for Aksjekjøpsavtalen ikke skal (i) utstede, selge, tilby å selge, pantsette, gi opsjon på eller på annen måte avhende, direkte eller indirekte, Aksjer eller finansielle instrumenter som kan konverteres til Aksjer, (ii) inngå noen form for transaksjon (herunder noen form for derivater) som har en økonomisk virkning lik et salg, eller (iii) offentlig kunnngjøre intensjon om å gjennomføre slike transaksjoner som er beskrevet i (i) eller (ii), uten først å ha fått skriftlig samtykke fra Tilretteleggerne.

Handelsrestriksjoner

Det vil kun bli innhentet tillatelse til offentlig tilbud av Aksjene i Norge og Storbritannia. Distribusjon av dette Prospektet eller annet materiale om Petrojarl eller Aksjene vil derfor ikke være tillatt i andre land (med unntak av land der slik tillatelse eventuelt ikke er påkrevd). Følgelig, kan ikke Aksjene tilbys eller selges, direkte eller indirekte, i eller fra andre land eller jurisdiksjoner, unntatt der dette er tillatt etter vedkommende lands regler.

Ingen person er autorisert til å gi informasjon eller garantier i forbindelse med Tilbudet eller salg av Aksjene ut over det som fremgår av Prospektet. Dersom slik informasjon blir gitt, må den ikke anses å ha vært godkjent av PGS, Petrojarl, noen av Tilretteleggerne eller noen av deres datterselskaper, rådgivere eller salgspersoner. Levering av Prospektet eller salg av Aksjer skal heller ikke under noen omstendighet implisere at det ikke har skjedd noen endringer i Petrojarls forretningsvirksomhet eller øvrig informasjon inntatt i Prospektet etter dato for Prospektet.

Utgifter og Tilretteleggeres relasjon til Selskapet

PGS estimerer at utgiftene i forbindelse med Tilbudet (inklusive kommisjon betalt til Tilretteleggerne som beskrevet nedenfor), blir på mellom NOK 40 millioner og NOK 50 millioner, og forventer at dette vil bli betalt kontant.

Investorene i Tilbudet vil ikke bli belastet andre kostnader enn Tilbudsprisen.

Følgende tabellen viser kommisjon betalt til Tilretteleggerne fra PGS (forutsatt at Tilbudsprisen på NOK 42, ligger midt i det indikative prisintervallet):

Per Aksje	NOK 1,84
Totalt	NOK 28,0 millioner

Enkelte av Tilretteleggerne har utført finansielle og rådgivende tjenester for PGS, som de har mottatt vanlig honorar og utgiftsdekning for. Disse kan fortsette å levere slike tjenester som ledd i sin ordinære forretningsvirksomhet, og også utføre dette for Petrojarl.

I Aksjekjøpsavtalen har PGS og Petrojarl gitt visse garantier til fordel for Tilretteleggerne, og PGS og Petrojarl har også påtatt seg å holde Tilretteleggerne skadesløs for enkelte ansvar, inkludert ansvar under amerikansk verdipapirlovgivning og annen gjeldende verdipapirlovgivning. PGS har også påtatt seg å betale kostnader, honorarer og utgifter, og dekke Tilretteleggeres utgifter i forbindelse med salget av Tilbudsaksjene.

VPS registrering

Petrojarls kontofører for VPS er Nordea Bank Norge ASA, Verdipapirservice, Essensdropsgate 7, 0107 Oslo, Norge. Aksjene er registrert i VPS med ISIN nr. 0010309569.

Glossary of Terms

In the Prospectus the following terms have the meaning indicated below:

<u>Term</u>	<u>Definition</u>
ABG	ABG Sundal Collier Norge ASA
Additional Shares	Up to 7,499,995 Shares that ABG may over-allot in the Global Offering (representing in the aggregate 50% of the total number of Offer Shares and 10% of the total Shares outstanding after the Demerger)
ADR(s)	American Depositary Receipt(s)
ADS(s)	American Depositary Share(s)
AoC	Acknowledgement of Compliance
Canadian Jurisdictions	Canadian provinces of British Columbia, Alberta, Ontario and Québec
CEO	Chief Executive Officer
Clearstream	Clearstream Banking S.A., Luxembourg
Code	The Internal Revenue Code of 1986, as amended
Code of Practice	The Norwegian Code of Practice for Corporate Governance
Co-manager	Carnegie ASA
Company	Petrojarl ASA or Petrojarl ASA and its subsidiaries and affiliated companies, as the context requires
Completion Date	The date on which the Demerger will be consummated, expected to occur on or about June 29, 2006
Demerger	The proposed demerger of Petrojarl from PGS to be effected as set out in the Demerger Plan
Demerger Plan	The plan of demerger of PGS, dated as of March 27, 2006, which governs the terms of the Demerger
E&P	Exploration and production
EEA	European Economic Area
Effective Date	January 1, 2006; the date on which the Demerger shall take effect for tax and Norwegian statutory parent company financial statements purposes, and the date on which the Production Business shall be carried on for the account and risk of Petrojarl
Employee Application Form	The application form attached to this Prospectus as Exhibit C
Employee Application Period	The period during which applications for Offer Shares will be accepted in the Employee Offering, lasting from June 19 to 29, 2006 (both dates inclusive), closing at 12:00 hours (Norwegian time)
Ernst & Young	Ernst & Young AS
Euroclear	Euroclear Bank S.A./N.V.
FIN 47	FASB Interpretation No. 47 "Accounting for Conditional Asset Retirement Obligations"
Firm Shares	All Shares offered in the Global Offering other than the Additional Shares, consisting of 7,499,995 Shares
FPSO	Floating production, storage and offloading vessel
FSA	UK Financial Services Authority
FSAN	Financial Supervisory Authority of Norway (Kredittilsynet)

<u>Term</u>	<u>Definition</u>
Geophysical Business	Activities of PGS and its subsidiaries and affiliated companies that involve the business of streamer and seafloor seismic data acquisition, seismic acquisition operations on land and marine and onshore multi-client libraries and data processing
Global Offering	The global offering of up to 14,999,990 Shares to be sold by PGS as selling shareholder
HSEQ	Health, safety, environment and quality
IFRS	International Financial Reporting Standards (as adopted by EU)
ING Facility	Petrojarl's \$425 million revolving credit facility commitment from a syndicate of banks led by ING Bank N.V. in the form of a mandate letter and term sheet, which will be entered into prior to the Completion Date of the Demerger.
Joint Global Coordinators	ABG and UBS Limited
Knutsen	Knutsen OAS Shipping AS
Management Application Form	The application form attached to this Prospectus as Appendix D
Management Application Period	The period during which applications for Offer Shares will be accepted in the Management Offering, lasting from 09:00 hours (Norwegian time) to 17:00 hours (Norwegian time) on June 19, 2006
Managers	ABG, UBS Limited and Carnegie ASA
mmboe	Million barrels oil equivalent
NI 45-106	National Instrument 45-106 – <i>Prospectus and Registration Exemptions</i>
Offer Price	The price for the Offer Shares, expected to be determined on or about June 29, 2006
Offer Shares	The Shares offered in the Global Offering, including both the Firm and Additional Shares
Offering Period	June 19 to 29, 2006, unless extended
The Order	The United Kingdom Financial Services and Markets Act 2000 (Financial Promotion) Order 2005
OSA	the Securities Act (Ontario)
OSC	Ontario Securities Commission
OSE	The Oslo Stock Exchange, Oslo Børs
Over-Allotment Option	An option to purchase up to an additional 7,499,995 Shares at the Offer Price, exercisable by the Joint Global Coordinators within 30 days after the first day of trading of the Shares on the OSE, solely to cover over-allotments or short positions incurred, if any, in connection with the Global Offering.
Petrojarl	Petrojarl ASA or Petrojarl ASA and its subsidiaries and affiliated companies, as the context requires
Petrojarl ADR(s)	ADR(s) evidencing Petrojarl ADS(s)
Petrojarl ADR Depositary	Citibank, N.A., in its capacity as depositary in respect of the proposed ADR facility to be created by Petrojarl in connection with the Demerger
Petrojarl ADS(s)	ADS(s) representing Shares, each Petrojarl ADS representing one Petrojarl Share

<u>Term</u>	<u>Definition</u>
Petrojarl Combined Financial Statements	The audited combined financial statements of Petrojarl as of and for the years ended December 31, 2004 and 2005, and the unaudited combined financial statements of Petrojarl as of and for the three months ended March 31, 2005 and 2006, prepared in accordance with U.S. GAAP
Petrojarl Pro Forma Financial Information	Pro forma financial information for Petrojarl for the year ended December 31, 2005 and, as of and for the three months ended March 31, 2006
PFIC	Passive Foreign Investment Company
PGS	Petroleum Geo-Services ASA or Petroleum Geo-Services ASA and its subsidiaries and affiliated companies, as the context requires. References to PGS relating to the period prior to the Demerger are to the business, financial condition and results of operations of the Geophysical Business and the Production Business, unless the context otherwise requires. References to the business, financial condition and results of operations of PGS for the period after the Demerger are to the business, financial condition and results of operations of PGS after giving effect to the Demerger of the Production Business
PGS ADR(s)	ADR(s) evidencing PGS ADS(s)
PGS ADS(s)	ADS(s) representing PGS Shares, each representing one PGS Share
PGS Financial Statements	PGS' consolidated financial statements as of and for the years ended December 31, 2004 and 2005, and as of March 31, 2006 and for the three months ended March 31, 2005 and 2006
PGS Share(s)	Share(s) in PGS
Production Business	Activities of PGS and its subsidiaries and affiliated companies that are prior to the Demerger involved in the business of contractor operation of FPSOs in the North Sea
Prospectus	This Prospectus, dated June 14, 2006
Prospectus Directive	Directive 2003/71/EC, including any applicable implementing measures in any Relevant Member State
QIBs	Qualified institutional buyers as defined in Rule 144A
The Register	The Norwegian Register of Business Enterprises
Regulation S	Regulation S under the U.S. Securities Act
Relevant Member State	Each Member State of the EEA which has implemented the Prospectus Directive
Retail Application Form	The application form attached to this Prospectus as Appendix B
Retail Application Period	The period during which applications for Offer Shares will be accepted in the Retail Offering, lasting from June 19 to 29, 2006 (both dates inclusive), closing at 12:00 hours (Norwegian time)
Rule 144A	Rule 144A under the U.S. Securities Act
Seahouse	Seahouse Insurance Ltd
SEC	The United States Securities and Exchange Commission
SFAS 143	Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations"
Shares	Ordinary shares of Petrojarl with a par value of NOK 2.00 each
SOP 90-7	AICPA Statement of Position 90-7, "Financial Reporting by Entities in Reorganization under the Bankruptcy Code"
SOX	The Sarbanes-Oxley Act of 2002

<u>Term</u>	<u>Definition</u>
Tax Indemnities	Amounts that PGS has indemnified certain lessors party to certain UK leases for, among other things, the tax consequences resulting from changes in tax laws or interpretations thereof or adverse rulings by the tax authorities
The Treaty	The Convention between the United States and the Kingdom of Norway for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Property
U.S. Exchange Act	The United States Securities Exchange Act of 1934, as amended
U.S. GAAP	Generally accepted accounting principles in the United States
U.S. Securities Act	The United States Securities Act of 1933, as amended
VPS	The Norwegian Registry of Securities, Verdipapirsentralen

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**Petrojarl Combined Financial Statements
as of and for the Three Months Ended March 31, 2006 and 2005
(Unaudited)**

Petrojarl
Combined Balance Sheets
(Unaudited)

	March 31,	December 31,
	2006	2005
	(In thousands of dollars)	
ASSETS		
Cash and cash equivalents	\$ 12,295	\$ 13,550
Restricted cash	2,518	2,010
Accounts receivable, net	33,727	30,506
Unbilled and other receivables	6,876	3,081
Other current assets	13,828	12,135
Total current assets	69,244	61,282
Property and equipment, net	619,358	593,878
Investments in associated companies	5,695	5,653
Other intangible assets, net	646	2,228
Other long-lived assets	13,025	13,406
Total assets	<u>\$707,968</u>	<u>\$676,447</u>
LIABILITIES AND CAPITAL FROM PARENT		
Accounts payable	\$ 10,073	\$ 14,918
Accrued expenses	26,555	27,648
Total current liabilities	36,628	42,566
Long-term debt	270,268	239,303
Other long-term liabilities	61,778	61,832
Total liabilities	368,674	343,701
Minority interest in consolidated subsidiaries	786	785
Capital from parent	338,508	331,961
Total liabilities and capital from parent	<u>\$707,968</u>	<u>\$676,447</u>

The accompanying notes are an integral part of these combined financial statements.

Petrojarl
Combined Statements of Operations
(Unaudited)

	Three Months ended March 31,	
	2006	2005
	(In thousands of dollars)	
Revenues	\$66,518	\$67,712
Cost of sales (a)	40,852	38,925
Depreciation and amortization	11,121	11,187
Selling, general and administrative costs (a)	3,239	3,713
Other operating (income) expense, net	—	—
Total operating expenses	<u>55,212</u>	<u>53,825</u>
Operating profit	11,306	13,887
Other income (expense):		
Income from associated companies	42	—
Interest expense	(4,586)	(6,250)
Other financial items, net	<u>(212)</u>	<u>(179)</u>
Income before minority interest	6,550	7,458
Income tax expense	—	—
Minority interest	<u>(1)</u>	<u>(40)</u>
Net income	<u>\$ 6,549</u>	<u>\$ 7,418</u>

Note:

(a) Excluding depreciation and amortization which is shown separately.

The accompanying notes are an integral part of these combined financial statements.

Petrojarl
Combined Statements of Cash Flows
(Unaudited)

	Three Months ended March 31,	
	2006	2005
	(In thousands of dollars)	
Cash flows (used in) provided by operating activities:		
Net income (loss)	\$ 6,549	\$ 7,418
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization charged to expense	11,121	11,187
(Increase) decrease in accounts receivable, net	(7,016)	(5,921)
(Increase) decrease in other current assets	(1,693)	28,895
(Increase) decrease in other long-lived assets	381	533
Increase (decrease) in accounts payable	(4,845)	(23,092)
Increase (decrease) in accrued expenses	(1,093)	9,573
Increase (decrease) in other long-term liabilities	(54)	(1,032)
Net income from associated companies	(42)	-
Net (increase) decrease in restricted cash	(508)	689
Other items	(2)	1,382
Net cash provided by operating activities	<u>2,798</u>	<u>29,632</u>
Cash flows (used in) investing activities:		
Capital expenditures	(35,018)	(11)
Net cash (used in) provided by investing activities	<u>(35,018)</u>	<u>(11)</u>
Cash flows (used in) financing activities:		
Net increase (decrease) in interest bearing loan to Parent	30,965	(25,127)
Net cash (used in) provided by financing activities	<u>30,965</u>	<u>(25,127)</u>
Net increase (decrease) in cash and cash equivalents	(1,255)	4,494
Cash and cash equivalents at beginning of period	13,550	4,529
Cash and cash equivalents at end of period	<u>\$ 12,295</u>	<u>\$ 9,023</u>

The accompanying notes are an integral part of these combined financial statements.

Petrojarl
Combined Statement of Changes in Capital from Parent
(Unaudited)

	Capital from Parent
	(In thousands of dollars)
Balance at January 1, 2006	\$331,961
Comprehensive income (loss):	
Net income	6,549
Net foreign currency translation adjustments	(2)
Total comprehensive income (loss)	<u>6,547</u>
Balance at March 31, 2006	<u>\$338,508</u>

The accompanying notes are an integral part of these combined financial statements.

Petrojarl Combined Financial Statements – Notes to Combined Financial Statements (unaudited)

Note 1 Organization and Business

Petrojarl includes the reported production business segment of Petroleum Geo-Services ASA (“PGS” or “parent”) and is comprised of the following subsidiaries and associates;

<u>Name</u>	<u>Ownership</u>	<u>Country</u>
PGS Production AS	100.00%	Norway
Golar-Nor Offshore Ltd.	100.00%	UK
Golar-Nor Ltd.	100.00%	UK
PGS Floating Production Ltd.	100.00%	UK
Golar Nor Offshore AS	100.00%	Norway
PGS Petrojarl Varg AS	100.00%	Norway
PGS Ramform Banff AS	100.00%	Norway
PGS Tanker AS	100.00%	Norway
Petrojarl 4 DA	99.25%	Norway
KS Petrojarl I AS	98.50%	Norway
Ikdam Production SA	40.00%	France

Petrojarl also includes certain other assets, costs and expenses owned or incurred by PGS and allocated to Petrojarl in accordance with the U.S. Securities and Exchange Commission’s (“SEC”) Staff Accounting Bulletin Nos. 54 and 55 as more fully described in Note 2 below, the Petrojarl Combined Financial Statements and the footnotes thereto for the year ended December 31, 2005.

Note 2 Basis of Presentation

Presentation of Financial Information

The accompanying financial statements have been prepared on the basis described in Note 1 and intercompany accounts and transactions have been eliminated.

The accompanying unaudited combined financial statements (the “Petrojarl Combined Financial Statements”) have been carved out from PGS’ consolidated financial statements for the first quarter of 2005 and the first quarter of 2006, and have been prepared in accordance with accounting principles generally accepted in the United States. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Intercompany accounts and transactions have been eliminated.

The preparation of these Petrojarl Combined Financial Statements required identifying all of the assets and liabilities, revenues and expenses associated with the de-merged operations. Assets owned by PGS and subsidiaries that are not part of Petrojarl have been allocated to Petrojarl based on specific identification (Ramform Banff, Petrojarl Varg and the UK lease on Ramform Banff). Costs and expenses of services provided by PGS have been reflected in the Petrojarl Combined Financial Statements based on specific identification or where specific identification was not practicable, the allocation of expenses was done on a basis that, in the opinion of management, was reasonable.

Upon emergence from chapter 11, PGS adopted “fresh-start” reporting as required under the provisions of AICPA Statement of Positions (“SOP”) 90-7, “*Financial Reporting by Entities in Reorganization under the Bankruptcy Code*,” effective November 1, 2003. Adoption of fresh-start reporting results in companies reflecting the fair value of the business emerging from bankruptcy (the “reorganization value”) in the post fresh-start financial statements, and is required when the holders of the voting common shares immediately before the filing and confirmation of the reorganization plan received less than 50% of the voting shares of the emerging company and when the company’s reorganization value is less than its post-petition liabilities and allowed claims. The adoption of fresh-start reporting reflected PGS’ reorganization value as its new basis in accounting, new accounting pronouncements it was required to adopt with fresh-start reporting and changes in certain of its accounting policies.

Petrojarl generally experiences some seasonal effects related to normal maintenance and refurbishment activities for its FPSOs that typically take place during the summer months, which generally increases

operating expenses relating to repair and maintenance in the second and third quarter and often reduces revenues in the same periods as production levels are lower in a maintenance phase.

Corporate Costs

PGS' historical principle has been to charge the costs of shared services and corporate center support to the operating business segments based on their consumption of such services. However, certain costs related to general management, corporate accounting and similar functions have previously been considered to be general corporate costs and have not been charged to the Production Business.

For purposes of the Petrojarl Combined Financial Statements these general corporate overhead costs have been allocated between PGS and Petrojarl for both the first quarter of 2005 and the first quarter of 2006 based on proportional gross revenues charged to third parties. General corporate services are by nature difficult to allocate. However, it is management's view that a proportionate allocation based on revenues for the individual business units is a reasonable basis for this allocation as revenues are the best indicator of the activity level in the business unit and as such the best indicator of the level of services necessary from general corporate.

Talisman Energy Norge AS

The Petrojarl Varg produces from the Varg field on the Norwegian Continental Shelf of the North Sea under a contract with the license owners of Production License PL 038. The license is led by Talisman Energy Norge AS (formerly Pertra AS). Pertra was part of the PGS Group Accounts until March 2005. Even though Pertra never was a part of the Production Business, Pertra used their services extensively regarding purchase of supplies. Petrojarl made purchases on behalf of Pertra (including payment) which were subsequently reimbursed by Pertra. Petrojarl charged a fee for these services. The total administration costs of Petrojarl are included in the combined financial statements as well as the management fees charged to Pertra. Pertra's operations are not considered part of Petrojarl combined.

Financial Income and Expense

PGS has used a centralized approach to financing and cash management. As a result Petrojarl has not had significant separate funds or external financing. For purposes of presentation in these financial statements, a portion of the debt of PGS has been allocated to Petrojarl on the basis described below.

In calculating the financial income and expense for Petrojarl in the Petrojarl Combined Financial Statements it has been assumed that the relative enterprise value forming the base for the demerger ratio was considered to be an objective basis for allocating net interest bearing debt at December 31, 2005 and actual interest expense incurred in the periods. The gross debt level derived from this methodology has been rolled backwards and forwards based on intercompany payments between PGS and Petrojarl in 2005 and Q 1 - 2006. The average interest rate based on external borrowings of the Parent has been calculated for 2005 and Q 1 - 2006; these rates have been used in calculating interest expense in these combined financial statements.

The following information summarizes these calculations (in thousands of dollars);

	March 31, 2006	March 31, 2005
Long-term debt balance beginning of period	\$ 239,303	\$ 275,740
Change in amounts due to PGS	30,965	(25,127)
Long-term debt balance at end of period	<u>270,268</u>	<u>250,613</u>
Intercompany Interest	\$ 4,586	\$ 6,250

Allocation of interest income is based on actual cash in the entities in Petrojarl relative to PGS total cash holdings for the periods presented. Both financial income and expenses directly related to other parts of PGS have been excluded from these calculations.

Income Taxes

The Petrojarl operations have been a part of both the Norwegian tax group and the UK tax group. PGS has substantial tax loss carryforwards and will demerge a substantial part of the tax loss carryforwards to Petrojarl ASA and its subsidiaries. Deferred tax assets have previously been reduced by a full valuation allowance because it has been considered that it was not more likely than not that the deferred tax asset could be utilized.

In the Petrojarl Combined Financial Statements it has been assumed that the more likely than not criterion only applies to the remaining parts of PGS and based on this the transferred deferred tax assets has been fully offset by valuation allowance in the combined financial statements.

Cash Flow Statement

Cash flow statements are based on historical results of Petrojarl's business, and certain assumptions regarding the split of assets, liabilities and activities, of which the most important is that carve-out adjustments related to cost allocations are charged to cash flows from operations in the same periods as they are charged to results of operations.

Forward Currency Contracts

In 2005 PGS started hedging a portion of its foreign currency exposure related to operating expenses in NOK and GBP by entering into forward currency exchange contracts. These transactions were entered into on a centralized basis. While PGS enters into these contracts with the purpose of reducing the exposure to changes in exchange rates, they do not account for the contracts as effective accounting hedges. Consequently, all outstanding forward currency exchange contracts are recorded at estimated fair value and changes to fair value are charged or credited to the statement of operations.

Some of these foreign currency exchange contracts were related to currency exposure in the Petrojarl Business. In the combined financial statements we have allocated Petrojarl's share of the loss recognized in the Consolidated Financial Statements of PGS. This allocation is based on the underlying exposure related to Petrojarl in each currency compared to the total exposure in that currency.

Variable Interest Entities

In January 2003, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 46 ("FIN 46") "*Consolidation of Variable Interest Entities*", and in December 2003, the FASB issued a revised FIN 46 ("FIN 46R"), which addresses when a company should include in its financial statements the assets, liabilities and activities of another entity. FIN 46R requires consolidation of a variable interest entity ("VIE") if the reporting entity is subject to a majority of the risk of loss from the VIE's activities or is entitled to receive a majority of the VIE's residual returns or both. The consolidation requirements of FIN 46R apply immediately to VIEs created after January 31, 2003, and to all other existing structures commonly referred to as special purpose entities. The consolidation requirements applied to VIEs were created prior to January 31, 2003 and apply to Petrojarl as of its adoption of fresh-start reporting.

Petrojarl has considered its UK leases (see below) in relation to FIN 46R. As part of the evaluation process, Petrojarl has requested further information about the lessor entities, including information related to their other assets and contractual arrangements. However, Petrojarl has no rights under its agreements with the lessor entities to request or receive such information, and the lessor entities (or their owners) have denied Petrojarl access to any such information. Accordingly, Petrojarl has not been able to affirmatively determine if any of the lessor entities are in fact VIEs, and if any are VIEs, who the primary beneficiary would be. Accordingly, none of these entities are consolidated.

New Accounting Standards

In May 2005, the Financial Accounting Standards Board ("FASB") issued SFAS No. 154, "*Accounting Changes and Error Corrections*" ("*SFAS 154*"), a replacement of Accounting Principles Board ("APB") Opinion No. 20 and FASB Statement No. 3. SFAS 154 requires retrospective application to prior periods' financial statements of a voluntary change in accounting principle unless it is impracticable. APB Opinion No. 20, "*Accounting Changes*," previously required that most voluntary changes in accounting principle be recognized by including in net income of the period of the change the cumulative effect of changing to the

new accounting principle. SFAS 154 became effective for accounting changes and corrections of errors made after January 1, 2006. Adoption of this standard did not have any financial impact on Petrojarl.

Segment reporting

Petrojarl manages its business in one segment all related to the ownership and operation of four harsh environment FPSOs in the North Sea. Petrojarl's principal markets are the United Kingdom and Norway.

Note 3 Income taxes

At March 31, 2006, Petrojarl had a total of \$135 million of deferred tax assets (net of deferred tax liabilities) in Norway and the United Kingdom (compared to \$133 million as of December 31, 2005). The tax losses carried forward are estimated to be \$197.3 million in Norway and \$83.1 million in the United Kingdom as of December 31, 2005, taking into account the tax losses allocated from PGS pursuant to the Demerger. Tax losses can be carried forward indefinitely in the United Kingdom and Norway. Petrojarl has established valuation allowances for all of its deferred tax assets at March 31, 2006. A valuation allowance, by tax jurisdiction, is established when it is more likely than not that all or some portion of the deferred tax assets will not be realized. The valuation allowance is periodically adjusted based upon the available evidence for future taxable income.

The estimates of projected near term future taxable income are based on a variety of factors and assumptions, many of which are subjective and are outside of management's control. Accordingly, these estimates could differ significantly from year to year, and Petrojarl may end up realizing deferred tax assets even though it has not been recognized on the balance sheet.

In addition, Petrojarl is corresponding with UK tax authorities who have raised questions regarding transfer pricing related to the level of deduction for charter hire to affiliated Companies. This may result in changes to the previous year's tax assessments and thereby reduce the amount of loss carried forward in the UK.

Note 4 Employee Benefit Plans

The components of net periodic pension cost in the three months ended March 31, 2006 and 2005 were as follows (in thousands of dollars):

	March 31, 2006	March 31, 2005
Service costs	\$ 713	\$ 635
Interest costs	305	278
Expected return on plan assets	(282)	(262)
Payroll tax	102	104
Amortization of actuarial gain, net	12	20
Net periodic benefit costs	<u>\$ 850</u>	<u>\$ 775</u>

Note 5 UK Leases

Petrojarl has entered into vessel lease arrangements in the United Kingdom ("UK leases") relating to its FPSO vessel *Petrojarl Foinaven* and the topside production equipment for its FPSO vessel *Ramform Banff*. Under the leases, generally, UK financial institutions ("Lessors") acquired the assets from third parties and Petrojarl leased the assets from the Lessors under long-term charters that give Petrojarl the option to purchase the assets for a bargain purchase price at the end of the charter periods. The Lessors claim tax depreciation (capital allowances) on the capital expenditures that were incurred for the acquisition of the leased assets. Petrojarl indemnified the Lessors for the tax consequence resulting from changes in tax laws or interpretation of such laws or adverse rulings by authorities and for variations in actual interest rates from those assumed in the leases.

The lessors claim tax depreciation (capital allowances) on the capital expenditures that were incurred for the acquisition of the leased assets. Although the UK Inland Revenue generally deferred for a period of time agreeing to the capital allowances claimed under such leases pending the outcome of a legal proceeding in which the Inland Revenue was challenging capital allowances associated with a defeased lease, in

November 2004, the highest UK court of appeal ruled in favor of the taxpayer and rejected the position of the Inland Revenue. In connection with the adoption of fresh-start reporting by PGS on November 1, 2003 and before the November 2004 ruling, Petrojarl recorded a liability of £10.4 million (approximately \$17.5 million). Petrojarl will release applicable portions of this liability if and when the UK Inland Revenue accepts the lessors' claims for capital allowances under each lease.

The remaining accrued liability at March 31, 2006 of £7.3 million (\$12.8 million) relates to the Petrojarl Foinaven lease where the UK HM Revenue and Customs has raised a separate issue about the accelerated rate at which tax depreciation is available. If the UK HM Revenue and Customs is successful in challenging that rate, the lessor would be liable for increased taxes on Petrojarl Foinaven in early periods (and decreased taxes in later years), and Petrojarl's rent payable would increase. How much the rentals could increase depends primarily on the extent to which the asset will be subject to a different depreciation rate. Management currently believes that £60 million to £70 million represents a worst case scenario for this liability. As part of the Demerger Plan, PGS has agreed to cover 50% of any payment in excess of £13 million related to this liability. The ING Facility contains an event of default if Petrojarl is required to pay (whether by increased rents or otherwise) an amount in excess of \$25 million in relation to this tax liability, subject to a suspension of such event of default while such tax liability is being contested and Petrojarl's payment obligation in respect thereof is suspended pending resolution of such contest.

The leases are legally defeased because Petrojarl has made payments to independent third-party banks in consideration for which these banks have assumed liability to the lessors equal to basic rentals and termination sum obligations. The defeased rental payments are based on assumed Sterling LIBOR rates of 8% per annum. If actual interest rates are greater than the assumed interest rates, Petrojarl receives rental rebates. Conversely, if actual interest rates are less than the assumed interest rates, Petrojarl pays rentals in excess of the defeased rental payments. Over the last several years, the actual interest rates have been below the assumed interest rates. Effective November 1, 2003, Petrojarl adopted fresh-start reporting, and recorded a liability equal to the fair value of the future additional required rental payments based on forward market rates for Sterling LIBOR and an 8% discount rate. This liability, which is amortized based on future rental payments, amounted to £13.0 million (\$22.6 million) at March 31, 2006.

Currently, interest rates are below the assumed interest rates. Based on forward market rates for Sterling LIBOR, the net present value, discounted with the forward interest rate curves, of the additional required rental payments amounted to £18.8 million (\$32.8 million) as of March 31, 2006. Of this amount, £1.1 million (\$2.0 million) was accrued at March 31, 2006, in addition to the remaining fresh-start liability of £13.0 million (\$22.6 million) as described above.

No additional rental payments were made in the three months ended March 31, 2005 and 2006.

Note 6 Subsequent events

New Bank Facilities

Petrojarl has obtained a commitment in the form of a mandate letter and term sheet for a \$425 million revolving credit facility, which is currently being syndicated (the ING Facility). The ING Facility will be entered into prior to the Completion Date of the Demerger. This facility will be fully underwritten by ING Bank N.V. Petrojarl intends to use the cash proceeds of the ING Facility (i) to refinance up to \$325 million of an intracompany loan provided by PGS to Petrojarl and (ii) for general corporate purposes of Petrojarl and certain of its affiliates. The ING Facility also provides for the issuance of a letter of credit in the amount of £10 million by ING Bank N.V. to A&L CF March (1) Limited, a company incorporated under the laws of England and Wales, which acts as the lessor of certain equipment used on the Ramform Banff FPSO.

The borrowings under the ING Facility will bear interest at a rate equal to an applicable margin plus a LIBOR rate determined by reference to the cost of funds for deposits in U.S. dollars for the interest period relevant to such borrowing adjusted for certain additional costs. The initial applicable margin for the borrowings is expected to be 1.0%. From and after January 1, 2007, the applicable margin will be adjusted based on the percentage of available commitments under the ING Facility utilized at such time (expected to be between 0.85% and 1.15%). In addition, Petrojarl is required to pay an unused commitment fee to the lenders equal to 40% of the applicable margin in effect at such time, multiplied by the aggregate unused commitments.

The amount available to Petrojarl for draw-down under the ING Facility will be subject to quarterly reductions in the amount of \$11.25 million starting from the earlier of three months after the initial drawdown date of the facility or September 30, 2006. Remaining amounts outstanding under the ING Facility shall be due and payable on June 30, 2011.

Petrojarl may voluntarily prepay amounts outstanding under the ING Facility; prepaid amounts shall be available for re-borrowing. In addition, the ING Facility must be prepaid (subject to customary exclusions) with the proceeds of asset sales and insurance and warranty recoveries, and in the event of a total loss of one of Petrojarl's FPSOs (in an amount calculated under the definitive credit agreement).

Obligations under the ING Facility will be guaranteed by Petrojarl and certain of its material subsidiaries and are secured by a pledge of substantially all the tangible and intangible assets of Petrojarl and each guarantor, including equity interests in each guarantor and its subsidiaries, in each case to the extent not prohibited by the contractual obligations of such entities.

The ING Facility contains financial covenants requiring Petrojarl, subject to customary conditions and exceptions, to (i) maintain an interest coverage ratio of at least 2.5:1, (ii) ensure that the cash and cash equivalents held by the obligors under the credit facility are equal to at least \$40 million, (iii) ensure that its debt service coverage ratio is not less than 1.1:1 and (iv) maintain the ratio of the corrected fair market value of Petrojarl's FPSOs to the aggregate outstanding under the ING Facility at no less than 1.5 to 1.0.

The ING Facility also contains certain customary negative covenants that, subject to customary exceptions, may restrict Petrojarl from, among other things, changing its jurisdiction of organization, engaging in certain mergers or consolidations, incurring additional debt, creating security interests on its assets, disposing of assets other than in the ordinary course, making capital expenditures, paying dividends and making investments. The ING Facility further requires Petrojarl to observe certain customary covenants, including, but not limited to, covenants relating to the provision of information, maintenance of government approvals and licenses, compliance with law, maintenance of corporate existence and line of business.

The ING Facility contains certain events of default customary for bank financings of this nature (including events of default relating to the failure of PGS to provide a guarantee for certain liabilities for which Petrojarl may be secondarily liable under Norwegian law and relating to any tax liability of Petrojarl in excess of \$25.0 million becoming payable in respect of the UK lease for Petrojarl Foinaven), the occurrence of which would allow the lenders to accelerate all outstanding loans and terminate their commitments.

The ING Facility also contains certain conditions precedent customary for bank financings, including the consummation of the Demerger, maintenance of satisfactory insurance coverage, absence of default, truth of representations and warranties, evidence of all necessary consents, minimum liquidity, satisfactory hedging, confirmation of ownership of vessels, absence of liens other than permitted liens, evidence of valid security interests in collateral, payment of fees and expenses, delivery of satisfactory corporate and loan documentation and legal opinions and other customary conditions precedent, the non-fulfillment of which would allow the lenders to postpone making their loans or terminate their commitments.

Upon completion of the Demerger, Petrojarl will receive \$46.5 million of cash from PGS adjusted for any net intercompany transfers in the period from the Effective Date to the Completion Date.

Petrojarl was incorporated as a wholly-owned subsidiary of PGS on March 2, 2006, for the purpose of acting as the receiving Company in the demerger. Petrojarl was originated with a share capital of NOK 29,999,980 divided into 14,990,990 shares, each having a face value of NOK 2.00. Upon completion of the demerger (expected to be at the end of June) the share capital of Petrojarl will be increased by NOK 120,000,000 from NOK 29,999,980 to NOK 149,999,980 through the issue of 60,000,000 new shares each with a par value of NOK 2.00.

Britoil has agreed to give the necessary consents to the Demerger subject to certain conditions which Petrojarl believes will be fulfilled prior to the Completion Date. However, the conditions to giving such consents are subjective and, in some cases, at Britoil's discretion, and no assurances can be given that such conditions will be met and that final agreement on the definitive documentation will be reached. Consequently, no assurances can be given that such consents will be received prior to consummation of the

Demerger. Furthermore, to obtain the consent and to facilitate the necessary security under the ING Facility, Petrojarl has agreed to amend certain of its obligations towards Britoil to further secure Britoil's continued access to the vessel in a default situation, and to allow Britoil certain rights to step in to the operation of the vessel if Petrojarl falls below certain financial ratios which are similar to those contained in the ING Facility.

Teekay Petrojarl Offshore Joint Venture

In February 2006, the Company announced a proposed joint venture with Teekay Shipping Corporation to develop new FPSO projects. The joint venture is already actively pursuing opportunities in Brazil, the Asia Pacific region and the Gulf of Mexico. Prior to agreeing to the joint venture, Petrojarl entered into an agreement to purchase the shuttle tanker MT Rita Knutsen, with a view to converting it to an FPSO once a firm contract is secured. In addition, Petrojarl has submitted a bid to Petrobras to supply a FPSO for the Siri project in Brazil based on a conversion of the MT Che Guevara vessel, on which Petrojarl has an option to purchase. It is possible that, in the future, the parties may agree that these vessels will be contributed into the joint venture.

The agreement with Teekay Shipping Corporation was entered into on June 14, 2006. The joint venture company will be called Teekay Petrojarl Offshore.

Note 7 Commitments and Contingencies

Petrojarl has operating lease commitments expiring at various dates through 2013. At March 31, 2006, future minimum payments related to non-cancelable operating leases with lease terms in excess of one year are as follows:

	March 31, 2006
	Operating Leases
	(In millions of U.S. dollars)
2006	\$ 17.0
2007/2008	30.6
2009/2010	17.1
Thereafter	5.3
Total	<u>\$ 70.0</u>

This includes the minimum lease commitment for FPSO shuttle and storage tankers and charter hire for the six month cancellation period for a storage tanker operating on the Banff field in the North Sea. Petrojarl is required to charter the vessel for as long as *Ramform Banff* produces the Banff field, which could extend to 2014 depending on the customer/field operator. The maximum payment for the charter through 2014 is \$95.1 million, of which only charter hire for the six month period ending September 30, 2006 is included in the table above.

Other

Petrojarl has contingencies resulting from litigation, other claims and commitments incidental to the ordinary course of business. Management believes that the probable resolution of such contingencies will not materially affect the financial position, results of operations or cash flows of Petrojarl.

UK Leases

See note 5.

Note 8 Accounting Changes

There have been no changes to accounting principles or practices applied compared to those applied in the

- Petrojarl Combined Financial Statements for the year ended December 31, 2005
- Petrojarl Combined Financial Statements for the period ended March 31, 2005

**Petrojarl Combined Financial Statements
as of and for the Two Years ended December 31, 2005 and 2004**

Report of Independent Auditors

To the shareholder of Petrojarl

We have audited the accompanying combined balance sheets of Petrojarl (the companies listed in Note 2) as of December 31, 2005 and 2004, and the related combined statements of operations, changes in capital from parent and cash flows for the two years then ended. These financial statements are the responsibility of the companies' shareholder and management. Our responsibility is to express an opinion based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the companies' internal control over financial reporting. Our audits included consideration of internal control of financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the companies' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the combined financial position of Petrojarl at December 31, 2005 and 2004 and the combined results of their operations, changes in capital from parent and cash flows for the two years then ended in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG AS

Oslo, Norway
June 14, 2006

Petrojarl

Combined Balance Sheets

	December 31,	
	2005	2004
	(In thousands of dollars)	
ASSETS		
Cash and cash equivalents	\$ 13,550	\$ 4,529
Restricted cash	2,010	2,218
Accounts receivable, net	30,506	23,212
Unbilled and other receivables	3,081	3,583
Other current assets	12,135	50,760
Total current assets	<u>61,282</u>	<u>84,302</u>
Property and equipment, net	593,878	637,277
Investments in associated companies	5,653	5,411
Other intangible assets, net	2,228	8,685
Other long-lived assets	13,406	16,195
Total assets	<u>\$676,447</u>	<u>\$751,870</u>
LIABILITIES AND CAPITAL FROM PARENT		
Accounts payable	\$ 14,918	\$ 29,101
Accrued expenses	27,648	29,236
Total current liabilities	<u>42,566</u>	<u>58,337</u>
Long-term debt	239,303	275,740
Other long-term liabilities	61,832	73,459
Total liabilities	<u>343,701</u>	<u>407,536</u>
Minority interest in consolidated subsidiaries	785	962
Capital from parent	<u>331,961</u>	<u>343,372</u>
Total liabilities and capital from parent	<u>\$676,447</u>	<u>\$751,870</u>

The accompanying notes are an integral part of these combined financial statements.

Petrojarl

Combined Statements of Operations

	<u>Years ended December 31,</u>	
	<u>2005</u>	<u>2004</u>
	(In thousands of dollars)	
Revenues	\$280,677	\$298,202
Cost of sales (a)	184,324	168,003
Depreciation and amortization	44,064	44,562
Selling, general and administrative costs (a)	14,823	13,878
Other operating (income) expense, net	(5,593)	2,008
Total operating expenses	<u>237,618</u>	<u>228,451</u>
Operating profit	43,059	69,751
Other income (expense):		
Income from associated companies	243	722
Interest expense	(23,477)	(29,094)
Debt redemption and refinancing costs	(28,975)	-
Other financial items, net	<u>(2,441)</u>	<u>(7,468)</u>
Income (loss) before minority interest	(11,591)	33,911
Minority interest	<u>(27)</u>	<u>(289)</u>
Net (loss) income	<u>\$ (11,618)</u>	<u>\$ 33,622</u>

Note:

(a) Excluding depreciation and amortization which is shown separately.

The accompanying notes are an integral part of these combined financial statements.

Petrojarl

Combined Statements of Cash Flows

	<u>Years ended December 31,</u>	
	<u>2005</u>	<u>2004</u>
	(In thousands of dollars)	
Cash flows (used in) provided by operating activities:		
Net income (loss)	\$(11,618)	\$ 33,622
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization charged to expense	44,064	44,562
Non-cash other operating (income) expense, net	(5,593)	-
Premium on debt redemption and cost of refinancing expensed	28,975	-
Provision for deferred income taxes		
(Increase) decrease in accounts receivable, net	(6,792)	(1,532)
(Increase) decrease in other current assets	38,625	(31,419)
(Increase) decrease in other long-lived assets	2,335	1,706
Increase (decrease) in accounts payable	(14,183)	19,867
Increase (decrease) in accrued expenses	3,663	(7,551)
Increase (decrease) in other long-term liabilities	(6,034)	1,444
Loss on sale of assets	426	-
Net income from associated companies	(243)	(722)
Net (increase) decrease in restricted cash	208	(322)
Other items	611	1,282
Net cash provided by operating activities	<u>74,444</u>	<u>60,937</u>
Cash flows (used in) investing activities:		
Capital expenditures	(11)	(988)
Net cash (used in) investing activities	<u>(11)</u>	<u>(988)</u>
Cash flows (used in) financing activities:		
Net increase (decrease) in interest bearing loan to Parent	(36,437)	(62,315)
Premium on debt redemption, and cost of refinancing	(28,975)	-
Net cash (used in) financing activities	<u>(65,412)</u>	<u>(62,315)</u>
Net increase (decrease) in cash and cash equivalents	9,021	(2,366)
Cash and cash equivalents at beginning of period	4,529	6,895
Cash and cash equivalents at end of period	<u>\$ 13,550</u>	<u>\$ 4,529</u>

The accompanying notes are an integral part of these combined financial statements.

Petrojarl Combined Statement of Changes in Capital from Parent

	Capital from parent
	(in thousands of dollars)
Balance at January 1, 2004	\$311,910
Comprehensive income (loss):	
Net income	33,622
Net foreign currency translation adjustments	(337)
Total comprehensive income (loss)	<u>33,285</u>
Repayment of capital to Parent	<u>(1,823)</u>
Balance at December 31, 2004	<u>343,372</u>
Comprehensive income (loss):	
Net loss	(11,618)
Net foreign currency translation adjustments	796
Minimum pension liability	211
Total comprehensive income (loss)	<u>(10,611)</u>
Repayment of capital to Parent	<u>(800)</u>
Balance at December 31, 2005	<u>\$331,961</u>

The accompanying notes are an integral part of these combined financial statements.

Petrojarl Combined Financial Statements – Notes to Combined Financial Statements

Note 1 Organization and business

Petrojarl represents the reported production business segment of Petroleum Geo-Services ASA (“PGS” or “parent”) and is comprised of the following subsidiaries and associates;

<u>Name</u>	<u>Ownership</u>	<u>Country</u>
PGS Production AS	100.00%	Norway
Golar-Nor Offshore Ltd.	100.00%	UK
Golar-Nor Ltd.	100.00%	UK
PGS Floating Production Ltd.	100.00%	UK
Golar Nor Offshore AS	100.00%	Norway
PGS Petrojarl Varg AS	100.00%	Norway
PGS Ramform Banff AS	100.00%	Norway
PGS Tanker AS	100.00%	Norway
Petrojarl 4 DA	99.25%	Norway
KS Petrojarl I AS	98.50%	Norway
Ikdam Production SA	40.00%	France

Petrojarl also includes certain other assets, costs and expenses owned or incurred by PGS and allocated to Petrojarl in accordance with the U.S. Securities and Exchange Commission’s (“SEC”) Staff Accounting Bulletin Nos. 54 and 55 as more fully described in Note 2 below.

Note 2 Principles applied in preparation of the combined carve out financial statements

Presentation of Financial Information

The combined financial statements for Petrojarl have been carved out from PGS’ consolidated financial statements for 2004 and 2005. Petrojarl’s combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“US GAAP”).

Petrojarl represented a segment in PGS Group and in the historical information contained in these financials no segment disclosures are required.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Intercompany accounts and transactions have been eliminated.

The preparation of these combined financial statements required identifying all of the assets and liabilities, revenues and expenses associated with the “carved out” operations. Assets owned by PGS and subsidiaries that are not part of Petrojarl have been allocated to Petrojarl based on specific identification (Ramform Banff and Petrojarl Varg and the UK-lease on Ramform Banff). Costs and expenses of services provided by PGS have been reflected in these combined financial statements based on specific identification or where specific identification was not practicable, the allocation of expenses was done on a basis that, in the opinion of management, was reasonable.

Upon emergence from chapter 11, PGS adopted “fresh-start” reporting as required under the provisions of AICPA Statement of Positions (“SOP”) 90-7, “*Financial Reporting by Entities in Reorganization under the Bankruptcy Code*,” effective November 1, 2003. Adoption of fresh-start reporting results in companies reflecting the fair value of the business emerging from bankruptcy (the “reorganization value”) in the post fresh-start financial statements, and is required when the holders of the voting common shares immediately before the filing and confirmation of the reorganization plan received less than 50% of the voting shares of the emerging company and when the company’s reorganization value is less than its post-petition liabilities and allowed claims. The adoption of fresh-start reporting reflected PGS’ reorganization value as its new basis in accounting, new accounting pronouncements it was required to adopt with fresh-start reporting and changes in certain of its accounting policies.

Corporate Costs

PGS' historical principle has been to charge the costs of shared services and corporate center support to the operating business segments based on their consumption of such services. However, certain costs related to general management, corporate accounting and similar functions have previously been considered to be general overhead costs and have not been charged to the Production Business.

For purposes of the combined financial statements these general corporate costs excluding governance and investor relations, have been allocated between PGS and Petrojarl for both 2004 and 2005 based on proportional gross revenues charged to third parties. General corporate services are by nature difficult to allocate. However, it is management's view that a proportionate allocation based on revenues for the individual business units is a reasonable basis for this allocation as revenues are the best indicator of the activity level in the business unit and as such the best indicator of the level of services necessary from general corporate.

Talisman Energy Norge AS

The Petrojarl Varg produces from the Varg field on the Norwegian Continental Shelf of the North Sea under a contract with the license owners of Production Licence PL 038. The license is led by Talisman Energy Norge AS (formerly Pertra AS). Pertra was part of the PGS Group Accounts until March 2005. Even though Pertra never was a part of the Production Business, Pertra used their services extensively regarding purchase of supplies. Petrojarl made purchases on behalf of Pertra (including payment) which were subsequently reimbursed by Pertra. Petrojarl charged a fee for these services. The total administration costs of Petrojarl are included in the combined financial statements as well as the management fees charged to Pertra. Pertra's operations are not considered part of Petrojarl combined.

Financial Income and Expense

PGS has used a centralized approach to financing and cash management. As a result Petrojarl has not had significant separate funds or external financing. For purposes of presentation in these financial statements, a portion of the debt of PGS has been allocated to Petrojarl on the basis described below.

In calculating the financial income and expense for Petrojarl in the carve out financials it has been assumed that the relative enterprise value forming the base for the demerger ratio was considered to be an objective basis for allocating net interest bearing debt at December 31, 2005 and actual interest expense incurred in the periods. The gross debt level derived from this methodology has been rolled backwards based on intercompany payments between PGS and Petrojarl in 2004 and 2005. The average interest rate based on external borrowings of the Parent has been calculated for 2004 and 2005; these rates have been used in calculating interest expense in these combined financial statements.

The following information summarizes these calculations (in thousands of dollars);

	Years ended December 31,	
	2005	2004
Long-term debt balance beginning of period	\$275,740	\$338,055
Change in amounts due to PGS	(36,437)	(62,315)
Long-term debt balance at end of period	<u>239,303</u>	<u>275,740</u>
Intercompany Interest	\$ 23,477	\$ 29,094

Allocation of interest income is based on actual cash in the entities in Petrojarl relative to PGS total cash holdings for the periods presented. Both financial income and expenses directly related to other parts of PGS have been excluded from these calculations. Debt redemption premium and refinancing costs in 2005 and 2004 is allocated to Petrojarl based on the same basis as net interest bearing debt.

Income taxes

The Petrojarl operations have been a part of both the Norwegian tax group and the UK tax group. PGS has substantial tax loss carryforwards and will transfer a substantial part of the tax loss carryforwards to Petrojarl ASA and its subsidiaries after the demerger. Deferred tax assets have previously been reduced by a full valuation allowance.

In the combined financial statements it has been assumed that the more likely than not criterion only applies to the remaining parts of PGS and based on this the transferred deferred tax assets has been fully offset by valuation allowance in the combined financial statements.

Cash flow statement

Cash flow statements are based on historical results of Petrojarl's business, and certain assumptions regarding the split of assets, liabilities and activities, of which the most important is that carve-out adjustments related to cost allocations are charged to cash flows from operations in the same periods as they are charged to results of operations.

Forward currency contracts

In 2005 PGS started hedging a portion of its foreign currency exposure related to operating expenses in NOK and GBP by entering into forward currency exchange contracts. These transactions were entered into on a centralized basis. While PGS enters into these contracts with the purpose of reducing the exposure to changes in exchange rates, they do not account for the contracts as effective accounting hedges. Consequently, all outstanding forward currency exchange contracts are recorded at estimated fair value and changes to fair value are charged or credited to the statement of operations.

Some of these foreign currency exchange contracts were related to currency exposure in the Petrojarl Business. In the combined financial statements we have allocated Petrojarl's share of the loss recognized in PGS in the 2005 financials. This allocation is based on the underlying exposure related to Petrojarl in each currency compared to the total exposure in that currency.

Note 3 Significant Accounting Principles

The accompanying combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States on the basis described in Note 1 and 2.

Consolidation and Equity Investments.

Petrojarl's combined financial statements include all transactions of Petrojarl ASA, its wholly owned and majority owned subsidiaries that it controls and equity investments. Subsidiaries are consolidated in the accounts from the point of time when Petrojarl gains control. Acquisitions are accounted for using the purchase method of accounting. Acquisition prices are assigned to the assets and liabilities of the subsidiaries, using their fair value at the date of acquisition. Any excess of purchase cost over fair value of assets and liabilities is recorded as goodwill. All inter-company transactions and balances have been eliminated in consolidation. In those cases where the subsidiaries are not wholly owned, the minority interests are separately presented in the statements of operations and balance sheets.

Investments in associated companies in which Petrojarl has an ownership interest equal to or greater than 20% but equal to or less than 50%, and where Petrojarl has the ability to exercise significant influence are accounted for using the equity method.

Petrojarl periodically reviews its investments to determine if a loss in value has occurred that is other-than-temporary. Petrojarl considers all available information, including the recoverability of its investment, the earnings and near-term prospects of the investee company, factors related to the industry, conditions of the investee company and the ability, if any, to influence the management of the investee company.

Variable Interest Entities.

In January 2003, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 46 ("FIN 46") "*Consolidation of Variable Interest Entities*", and in December 2003, the FASB issued a revised FIN 46 ("FIN 46R"), which addresses when a company should include in its financial statements the assets, liabilities and activities of another entity. FIN 46R requires consolidation of a variable interest entity ("VIE") if the reporting entity is subject to a majority of the risk of loss from the VIE's activities or is entitled to receive a majority of the VIE's residual returns or both. The consolidation requirements of FIN 46R apply immediately to VIEs created after January 31, 2003, and to all other existing structures commonly referred

to as special purpose entities. The consolidation requirements applied to VIEs were created prior to January 31, 2003 and apply to Petrojarl as of its adoption of fresh-start reporting.

Petrojarl has considered its UK leases (see below) in relation to FIN 46R. As part of the evaluation process, Petrojarl has requested further information about the lessor entities, including information related to their other assets and contractual arrangements. However, Petrojarl has no rights under its agreements with the lessor entities to request or receive such information, and the lessor entities (or their owners) have denied Petrojarl access to any such information. Accordingly, Petrojarl has not been able to affirmatively determine if any of the lessor entities are in fact VIEs, and if any are VIEs, who the primary beneficiary would be. Accordingly, none of these entities are consolidated.

Use of Estimates.

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities. In many circumstances, the ultimate outcome related to the estimates, assumptions and judgments may not be known for several years after the preparation of the financial statements. Actual amounts may differ materially from these estimates due to changes in general economic conditions, changes in laws and regulations, changes in future operating plans and the inherent imprecision associated with estimates.

Cash and Cash Equivalents.

The carrying amounts of cash and cash equivalents approximate fair value. Cash and cash equivalents include demand deposits and all highly liquid financial instruments purchased with maturities of three months or less. Cash and cash equivalents that are restricted from Petrojarl's are disclosed separately in the combined balance sheets and are classified as current or long-term depending on the nature of the restrictions. Such restrictions primarily relate to employee tax withholdings.

Foreign Currency Translation.

Petrojarl's reporting currency is the U.S. dollar as it is the functional currency for substantially all of its operations. The financial statements of non-US subsidiaries using their respective local currency as their functional currency are translated using the current exchange rate method. Under the current exchange rate method, assets and liabilities are translated at the rate of exchange in effect at period end; share par value and paid-in capital are translated at historical exchange rates; and revenue and expenses are translated at the average rates of exchange in effect during the period. Translation adjustments, net of tax, are recorded as a separate component of shareholder's equity.

Operating and Capital Leases.

Petrojarl has significant operating lease arrangements in all of its operating segments and also has some capital lease arrangements for UK leases for vessels (note 4). Capital leases are lease arrangements in which the substantial financial risk and control, but not ownership, of the assets is transferred from the lessor to Petrojarl.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Petrojarl accounts for capital lease arrangements as if Petrojarl had acquired the assets, and the present value of the future lease payments is accounted for as liabilities. The assets are depreciated over the expected useful lives or the related lease terms, whichever is shorter. Operating leases are recorded using the straight-line method over the period of the lease.

Property and Equipment.

Property and equipment are stated at cost less accumulated depreciation, amortization and impairment charges. Depreciation and amortization are calculated based on cost less estimated salvage values using the straight-line method for all property and equipment, excluding leasehold improvements and capital leases, which are amortized over the asset life or lease term whichever is shorter.

The estimated useful lives for property and equipment are as follows:

	<u>Years</u>
FPSO vessels and equipment	25-30
Buildings	50
Fixture, furniture, fittings and office computers	3-5

Expenditures for major property and equipment that have an economic useful life of at least one year are capitalized as individual assets and depreciated over their useful lives. Maintenance and repairs, including periodic maintenance and class surveys for the FPSOs (floating production, storage and offloading vessels) are expensed as incurred. Petrojarl capitalizes the applicable portion of interest costs to major capital projects. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in the results of operations.

Significant spare parts are capitalized with the asset to which they pertain, while other spare parts, consumables and bunkers are classified as other current assets and stated at the lower of cost and market.

Intangible Assets.

Intangible assets are stated at cost less accumulated amortization and impairment charges. Amortization is calculated on a straight-line basis over the estimated period of benefit.

Other Long-Lived Assets.

Other long-lived assets consist of long-term receivables and fresh-start favorable contracts. Other long-term receivable includes accounts receivable expected to be collected more than twelve months after the balance sheet date including contractual receivables related to asset removal obligations.

Impairment of Long-Lived Assets.

Long-lived assets, which consist primarily of property, plant and equipment (or the group of assets, including the asset in question, that represents the lowest level of separately identifiable cash flows), are assessed for possible impairment when indications of impairments exist in accordance with SFAS 144 *Accounting for the Impairment or Disposal of Long-Lived Assets*. If the total of the undiscounted future cash flows is less than the carrying amount of the asset or group of assets, the asset is not recoverable and an impairment loss is recognized for the difference between the estimated fair value and the carrying value of the asset or groups of assets. Long lived assets are also assessed for possible impairment upon the occurrence of a triggering event. Events that can trigger assessments for possible impairments include, but are not limited to (i) significant decreases in the market value of an asset, (ii) significant changes in the extent or manner of use of an asset, (iii) a physical change in the asset, (iv) a significant decrease in the price of oil and (v) a significant change in oil production for vessels on tariff based contracts.

Revenue Recognition.

Revenue is recognized when persuasive evidence of a sale arrangement exists, delivery has occurred or services have been rendered, the sales price is fixed or determinable and collection is reasonably assured. Petrojarl defers the unearned component of payments received from customers for which the revenue recognition requirements have not been met.

Tariff-based revenue from services from operation of FPSO vessels is recognized as production occurs, while day-rate revenue is recognized over the passage of time, provided all other recognition criteria are satisfied.

Income Taxes.

Deferred tax assets and liabilities are recognized for the expected future tax consequences of transactions and events. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance to record the deferred tax assets at an amount expected to be more likely than not recoverable. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of

enactment. In accordance with Accounting Principles Board Opinion No. 23, “*Accounting for Income Taxes – Special Areas*,” Petrojarl does not recognize any deferred tax liability on unremitted earnings of foreign subsidiaries when remittance is indefinite.

When Petrojarl adopted fresh start reporting, effective November 1, 2003, Petrojarl established valuation allowances for deferred tax assets. As and when such deferred tax assets, for which a valuation allowance is established, are realized in subsequent periods, the tax benefit is recorded as a reduction of the carrying value of long-term intangible assets existing at adoption of fresh-start accounting until the value of such assets is reduced to zero. Any recognition of fresh start deferred tax assets after intangible assets are reduced to zero will be credited to equity.

Asset Retirement Obligations.

Petrojarl implemented FASB Interpretation No. 47 “*Accounting for Conditional Asset Retirement Obligations*” (“*FIN 47*”) as of December 31, 2005. FIN 47 is an interpretation of SFAS 143 “*Accounting for Asset Retirement Obligations*”, which refers to legal obligations to perform asset retirement activities. FIN 47 requires an entity to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated, even if timing and/or method of settlement is conditional on a future event that may not be within the control of the entity. The implementation of FIN 47 had no quantitative effect on Petrojarl.

In accordance with Statement of Financial Accounting Standards No. 143, “*Accounting for Asset Retirement Obligations*” (“*SFAS 143*”), Petrojarl records the fair value of an asset retirement obligation as a liability in the period when it is incurred (typically when the asset is installed at the production location). When the liability is recorded, Petrojarl capitalizes the cost by increasing the carrying amount of the related properties, plant and equipment. Over time, the liability is increased for the change in its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Also, revisions to a previously recorded asset retirement obligation may result from changes in the assumptions used to estimate the cash flows required to settle the asset retirement obligation. The effect of such changes is recorded as an adjustment to the related asset.

Commitments and Contingencies.

Petrojarl accrues for loss contingencies when it is probable that a loss will result from a contingency and the amount of the loss can be reasonably estimated.

Receivables Credit Risk.

Petrojarl’s trade receivables are primarily from multinational integrated oil companies. Petrojarl manages its exposure to credit risk through ongoing credit evaluations of customers and will provide for potential credit losses through an allowance for doubtful accounts. The allowance for doubtful accounts reflects management’s best estimate of probable losses inherent in accounts receivable from trade customers and is based on a number of factors consisting mainly of aging of accounts, historical experience, customer concentration, customer creditworthiness and current industry and economic trends. Petrojarl does not believe that exposure to concentrations of credit risk is likely to have a material adverse impact on its financial position or results of operations.

New Accounting Standards.

In May 2005, the FASB issued SFAS No. 154, “*Accounting Changes and Error Corrections*” (“*SFAS 154*”), a replacement of Accounting Principles Board (“*APB*”) Opinion No. 20 and FASB Statement No. 3. SFAS 154 requires retrospective application to prior periods’ financial statements of a voluntary change in accounting principle unless it is impracticable. APB Opinion No. 20, “*Accounting Changes*,” previously required that most voluntary changes in accounting principle be recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. SFAS 154 will become effective for accounting changes and corrections of errors made after January 1, 2006.

In December 2004, the FASB issued SFAS No. 153, “*Exchanges of Nonmonetary Assets*” (“*SFAS 153*”), an amendment of APB Opinion No. 29. SFAS 153 is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. APB Opinion No. 29, “*Accounting for Nonmonetary Transactions*” (“*APB 29*”) provided an exception to its basic measurement

principle (fair value) for exchanges of similar productive assets. Under APB 29, an exchange of a productive asset for a similar productive asset was based on the recorded amount of the asset relinquished. SFAS 153 eliminates this exception and replaces it with an exception for exchanges of nonmonetary assets that do not have commercial substance. SFAS 153 became effective for Petrojarl for nonmonetary asset exchanges occurring after July 1, 2005, and did not have any impact on the combined financial statements.

In December 2004, the FASB issued SFAS No. 123-R “Share-Based Payment” (“FASB 123-R”), which requires companies to recognize in the income statement the grant-date fair value of stock options and other equity-based compensation issued to employees. The standard becomes effective for Petrojarl as of January 1, 2006. Petrojarl has no outstanding options and is not currently issuing stock options that would cause the adoption of SFAS 123-R to impact Petrojarl’s financial position, cash flows or results of operations.

Note 4 UK Leases

Petrojarl has entered into vessel lease arrangements in the United Kingdom (“UK leases”) relating to its FPSO vessel *Petrojarl Foinaven* and the topside production equipment for its FPSO vessel *Ramform Banff*. Under the leases, generally, UK financial institutions (“Lessors”) acquired the assets from third parties and Petrojarl leased the assets from the Lessors under long-term charters that give Petrojarl the option to purchase the assets for a bargain purchase price at the end of the charter periods. The Lessors claim tax depreciation (capital allowances) on the capital expenditures that were incurred for the acquisition of the leased assets. Petrojarl indemnified the Lessors for the tax consequence resulting from changes in tax laws or interpretation of such laws or adverse rulings by authorities and for variations in actual interest rates from those assumed in the leases.

Due to the nature of the charters, Petrojarl accounts for these leases as capital leases. Petrojarl legally defeased its future charter obligations for the assets by making up-front, lump sum payments to unrelated large institutional banks (“Payment Banks”), which then assumed Petrojarl’s liability for making the periodic payments due under the long-term charters (the “Defeased Rental Payments”) and termination sum obligations under the agreements. Petrojarl has no rights to the amounts paid to Payment Banks. Due to the assumption of the charter payment obligations by the Payment Banks, the Lessors legally released Petrojarl as the primary obligor under the charters. Accordingly, Petrojarl accounted for the release as a derecognition of the capital lease obligations with respect to these UK leases.

The Defeased Rental Payments are based on assumed Sterling LIBOR rates between 8% and 9% per annum (the “Assumed Interest Rates”). If actual interest rates are greater than the Assumed Interest Rates, Petrojarl receives rental rebates. Conversely, if actual interest rates are less than the Assumed Interest Rates, Petrojarl is required to pay rentals in excess of the Defeased Rental Payments (the “Additional Required Rental Payments”). Such payments are made annually and are recorded on a straight-line basis as other financial items, net.

Effective November 1, 2003, Petrojarl adopted fresh-start reporting and recorded a liability equal to the fair value of the future Additional Required Rental Payments. Such fair value was estimated at the net present value of the Additional Required Rental Payments based on forward market rates for Sterling LIBOR and an 8% per annum discount rate. This liability, which is amortized based on future rental payments, amounted to 15.2 million British pounds (approximately \$29.3 million) at December 31, 2004 and 13.4 million British pounds (approximately \$23.2 million) at December 31, 2005.

Currently, interest rates are below the assumed interest rates. Based on forward market rates for Sterling LIBOR, the net present value, discounted with the forward interest rate curve, of the additional required rental payments aggregated 20.6 million British pounds (approximately \$35.7 million) as of December 31, 2005, of this amount, 0.3 million British pounds (approximately \$0.5 million) was accrued at December 31, 2005, in addition to the remaining fresh start liability as described above.

Additional required rental payments were \$4.9 million and \$5.0 million, respectively, for each of the years ended December 31, 2005 and 2004.

The lessors claim tax depreciation (capital allowances) on the capital expenditures that were incurred for the acquisition of the leased assets. Although the UK Inland Revenue generally deferred for a period of time

agreeing to the capital allowances claimed under such leases pending the outcome of a legal proceeding in which the Inland Revenue was challenging capital allowances associated with a defeased lease, in November 2004, the highest UK court of appeal ruled in favor of the taxpayer and rejected the position of the Inland Revenue. In connection with the adoption of fresh-start reporting by PGS on November 1, 2003 and before the November 2004 ruling, Petrojarl recorded a liability of £10.4 million (approximately \$17.5 million). Petrojarl will release applicable portions of this liability if and when the UK Inland Revenue accepts the lessors' claims for capital allowances under each lease. In 2005 Petrojarl released £3.1 million (approximately \$5.6 million) of the liability related to the Ramform Banff lease.

The remaining accrued liability at December 31, 2005 of £7.3 million (approximately \$12.7 million) relates to the Petrojarl Foinaven lease where the UK Inland Revenue has raised a separate issue about the accelerated rate at which tax depreciation is available. If the UK Inland Revenue were successful in challenging that rate, the lessor would be liable for increased taxes on Petrojarl Foinaven in early periods (and decreased taxes in later years), and Petrojarl's rent payable would increase. How much the rentals could increase depends primarily on how much of the asset will be subject to a different depreciation rate. Management believes that £60 million to £70 million (approximately \$104 million to \$121 million based on current exchange rates) represents a worst case scenario for this liability. As part of the Demerger Plan PGS has agreed to cover 50% of any payment in excess of £13 million related to this liability. The ING Facility contains an event of default if Petrojarl is required to pay (whether by increased rents or otherwise) an amount in excess of \$25 million in relation to this tax liability, subject to a suspension of such event of default which such tax liability is being contested and Petrojarl's payment obligation in respect thereof is suspended pending resolution of such contest.

In connection with the demerger we have entered into agreements, either as part of the proposed demerger plan or otherwise, to facilitate the demerger. Regarding the UK leases on the production equipment for the Ramform Banff, Petrojarl has entered into an agreement providing certain options to the lessor with respect to the early termination of the leases at reduced termination sums. If the lease on the production equipment for the Ramform Banff is terminated under the agreement with the lessor prior to November 24, 2006, Petrojarl would either i) be required to pay a termination sum that could amount to up to approximately £8.5 million, or ii) have no payment obligation to the lessor, dependant on which option is exercised by the lessor. In both outcomes, payments related to interest rate differentials under the life of the lease would no longer be payable by Petrojarl (please see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Long-term Contractual Obligations").

Note 5 Asset Retirement Obligation

The following table presents changes in asset retirement obligations for the years ending December 31, 2005 and 2004.

	December 31,	
	2005	2004
	(In thousands of dollars)	
Balance at beginning of period	\$18,254	\$16,935
Accretion expense	1,426	1,319
Balance at end of period	<u>\$19,680</u>	<u>\$18,254</u>

ARO liability as of December 31, 2005, is included in other long-term liabilities in both periods.

Petrojarl has as of December 31, 2005 asset retirement obligations for the sub-sea production facility associated with Ramform Banff FPSO operating in the North Sea. These obligations generally relate to restoration of the environment surrounding the facility and removal and disposal of all the production equipment and will be settled at the end of the contract, currently expected to be no later than 2014.

The asset retirement obligation will be covered in part by contractual payments from FPSO contract counterparties. The receivable has been included in the balance sheets under long-term receivables.

Note 6 Income Taxes

The Company's financial statements recognize the current and deferred income tax consequences that result from the Company's activities during the current and preceding periods pursuant to the provisions of FASB Statement No. 109, *Accounting for Income Taxes* (Statement 109), as if the Company were a separate taxpayer rather than a member of the parent company's consolidated income tax return group. As the Company is not in a tax paying position whether included in the PGS consolidated income tax group or not, and since all the deferred tax assets are offset by full valuation allowance, there are no income statement or balance sheet consequences related to the Company leaving the PGS consolidated income tax group. Differences between the Company's separate company income tax provision and cash flows attributable to income taxes pursuant to the provisions of the Company's tax sharing arrangement with the parent company have been recognized as capital contributions (group contributions) to the parent company. The below disclosures are prepared as if the Company were a separate taxpayer. Since net deferred tax assets are reserved by a valuation allowance, there will be no differences between the Company's hypothetical separate company tax attributes reflected in the accompanying financial statements and the actual tax attributes transferred to the Company in the separation transaction.

The expense (benefit) for income taxes from continuing operations differs from the amounts computed when applying the Norwegian statutory tax rate to income (loss) before income taxes as a result of the following:

	Year ended December 31,	
	2005	2004
	(In thousands of dollars)	
Income (loss) before income taxes and minority expense:		
Norwegian	\$(24,764)	\$ 41,049
Foreign	13,146	(7,427)
Total	(11,618)	33,622
Norwegian statutory rate	28%	28%
Expense (benefit) for income taxes at statutory rate	(3,253)	9,414
Increase (reduction) in income taxes from:		
Foreign earnings taxed at other than statutory rate	(107)	(256)
Gain (loss) from local currency other than reporting currency	(607)	1,440
Tax losses on subsidiary receivables	-	(45,295)
Other permanent items	(5,330)	1,035
Deferred tax asset valuation allowance	9,297	33,662
Total income tax expense (benefit)	\$ -	\$ -

Deferred tax assets and liabilities are summarized as follows:

	Years ended December 31, 2005		Years ended December 31, 2004	
	Asset	Liability	Asset	Liability
	(In thousands of dollars)			
Current assets and liabilities	\$ (1,047)	\$ -	\$ -	\$ -
Floating production vessels and other long lived assets . .	(30,670)	2,253	(13,226)	-
Tax losses carried forward (a)	(80,189)	-	(89,793)	-
Deferred gain (loss)	(2,487)	-	(8,192)	-
Expenses deductible when paid	(20,605)	-	(12,176)	-
Total deferred tax (asset) liability before valuation allowance	(134,998)	2,253	(123,387)	-
Deferred tax asset valuation allowance	\$ 132,745	\$ -	\$ 123,387	\$ -
Deferred tax (asset) liability	\$ (2,253)	\$(2,253)	\$ -	\$ -
Net deferred tax (asset) liability		\$ -		\$ -

(a) Tax losses carried forward of \$197.3 million in Norway and \$83.1 million in the UK can be carried forward indefinitely.

The Company evaluated the need for valuation allowances related to its deferred tax assets by considering the evidence regarding the ultimate realization of those recorded assets. A valuation allowance, by tax jurisdiction, is established when it is more likely than not that all or some portion of deferred tax assets will not be realized. The Company has recorded valuation allowances for 100% of net deferred tax assets due to cumulative losses in recent years and management's expectations about the generation of taxable income from contracts that are currently in effect. Because of these cumulative losses and future expectations, the Company has concluded that it was more likely than not that the net deferred tax assets would not be realized and have recognized the valuation allowances accordingly.

Changes in deferred taxes and valuation allowance are as follows:

	Years ended December 31, 2005		Years ended December 31, 2004	
	Deferred tax (asset) liability	Valuation allowance	Deferred tax (asset) liability	Valuation allowance
	(In thousands of dollars)			
Balance at the beginning of the year	\$ (123,387)	\$ 123,387	\$ (89,725)	\$ 89,725
Current year expense (benefit)	(9,297)	9,297	(33,662)	33,662
Change related to minority interest	(61)	61	—	—
Balance at the end of the period	<u>\$ (132,745)</u>	<u>\$ 132,745</u>	<u>\$ (123,387)</u>	<u>\$ 123,387</u>

In addition, Petrojarl is corresponding with UK tax authorities who have raised questions regarding transfer pricing related to the level of deduction for charter hire to affiliated Companies. This may result in changes to the previous year's tax assessments and thereby reduce the amount of loss carried forward in the UK.

Note 7 Property and Equipment

The components of property and equipment, including property and equipment under capitalized leases, are summarized as follows:

	December 31,	
	2005	2004
	(In thousands of dollars)	
Production vessels and equipment	\$675,062	\$680,737
Fixtures, furniture and fittings	219	206
Buildings and other	920	920
	<u>676,201</u>	<u>681,863</u>
Accumulated depreciation	<u>(82,323)</u>	<u>(44,586)</u>
Total	<u>\$593,878</u>	<u>\$637,277</u>

Depreciation for 2005 and 2004 was \$37,737 and \$37,630 respectively.

The net book value of property and equipment under UK leases were \$367,832 and \$389,541 at December 31, 2005 and 2004, respectively.

Note 8 Subsequent Events

In January 2006 Petrojarl entered into an agreement to purchase the shuttle tanker MT *Rita Knudsen* for \$35 million from Knutsen OAS Shipping AS and the transaction was completed on March 9, 2006. The vessel is considered as a possible FPSO solution for several upcoming projects, and Petrojarl intends to begin a conversion when a firm contract for the ship is secured. The vessel will be operated by Knutsen OAS Shipping AS under a bareboat charter agreement until a decision to start conversion is made.

In February 2006, the Company announced a proposed joint venture with Teekay Shipping Corporation to develop new FPSO projects. The joint venture is already actively pursuing opportunities in Brazil, the Asia Pacific region and the Gulf of Mexico. Prior to agreeing to the joint venture, Petrojarl entered into an

agreement to purchase the shuttle tanker MT Rita Knutsen, with a view to converting it to an FPSO once a firm contract is secured. In addition, Petrojarl has submitted a bid to Petrobras to supply a FPSO for the Siri project in Brazil based on a conversion of the MT Che Guevara vessel, on which Petrojarl has an option to purchase. It is possible that, in the future, the parties may agree that these vessels will be contributed into the joint venture.

In connection with the Demerger, Petrojarl will assume interest bearing gross debt of \$325 million to PGS with the intention of an immediate repayment. To finance this repayment Petrojarl has obtained a commitment in the form of a mandate letter and term sheet for a \$425 million revolving credit facility, which is currently being syndicated into the international bank market (the ING Facility). The ING Facility will be entered into prior to the Completion Date of the Demerger. This facility will be fully underwritten by ING Bank N.V. Petrojarl intends to use the cash proceeds of the ING Facility (i) to refinance \$325 million of an intracompany loan provided by PGS to Petrojarl and (ii) for general corporate purposes of Petrojarl and certain of its affiliates. The ING Facility also provides for the issuance of a letter of credit in the amount of £10 million by ING Bank N.V. to A&L CF March (1) Limited, a company incorporated under the laws of England and Wales, which acts as the lessor of certain equipment used on the Ramform Banff FPSO.

The borrowings under the ING Facility will bear interest at a rate equal to an applicable margin plus a LIBOR rate determined by reference to the cost of funds for deposits in U.S. dollars for the interest period relevant to such borrowing adjusted for certain additional costs. The initial applicable margin for the borrowings is expected to be 1.0%. From and after January 1, 2007, the applicable margin will be adjusted based on the percentage of available commitments under the ING Facility utilized at such time (expected to be between 0.85% and 1.15%). In addition, Petrojarl is required to pay an unused commitment fee to the lenders equal to 40% of the applicable margin in effect at such time, multiplied by the aggregate unused commitments.

The amount available to Petrojarl for draw-down under the ING Facility will be subject to quarterly reductions in the amount of \$11.25 million starting from the earlier of three months after the initial drawdown date of the facility or September 30, 2006. Remaining amounts outstanding under the ING Facility shall be due and payable on June 30, 2011.

Petrojarl may voluntarily prepay amounts outstanding under the ING Facility; prepaid amounts shall be available for reborrowing. In addition, the ING Facility must be prepaid (subject to customary exclusions) with the proceeds of asset sales and insurance and warranty recoveries, and in the event of a total loss of one of Petrojarl's FPSOs (in an amount calculated under the definitive credit agreement).

Obligations under the ING Facility will be guaranteed by Petrojarl and certain of its material subsidiaries and are secured by a pledge of substantially all the tangible and intangible assets of Petrojarl and each guarantor, including equity interests in each guarantor and its subsidiaries, in each case to the extent not prohibited by the contractual obligations of such entities.

The ING Facility contains financial covenants requiring Petrojarl, subject to customary conditions and exceptions, to (i) maintain an interest coverage ratio of at least 2.5:1, (ii) ensure that the cash and cash equivalents held by the obligors under the credit facility are equal to at least \$40 million, (iii) ensure that its debt service coverage ratio is not less than 1.1:1 and (iv) maintain the ratio of the corrected fair market value of Petrojarl's FPSOs to the aggregate outstanding under the ING Facility at no less than 1.5 to 1.0.

The ING Facility also contains certain customary negative covenants that, subject to customary exceptions, may restrict Petrojarl from, among other things, changing its jurisdiction of organization, engaging in certain mergers or consolidations, incurring additional debt, creating security interests on its assets, disposing of assets other than in the ordinary course, making capital expenditures, paying dividends and making investments. The ING Facility further requires Petrojarl to observe certain customary covenants, including, but not limited to, covenants relating to the provision of information, maintenance of government approvals and licenses, compliance with law, maintenance of corporate existence and line of business.

The ING Facility contains certain events of default customary for bank financings of this nature (including events of default relating to the failure of PGS to provide a guarantee for certain liabilities for which Petrojarl may be secondarily liable under Norwegian law and relating to any tax liability of Petrojarl in

excess of \$25.0 million becoming payable in respect of the UK lease for Petrojarl Foinaven), the occurrence of which would allow the lenders to accelerate all outstanding loans and terminate their commitments.

The ING Facility also contains certain conditions precedent customary for bank financings, including the consummation of the Demerger, maintenance of satisfactory insurance coverage, absence of default, truth of representations and warranties, evidence of all necessary consents, minimum liquidity, satisfactory hedging, confirmation of ownership of vessels, absence of liens other than permitted liens, evidence of valid security interests in collateral, payment of fees and expenses, delivery of satisfactory corporate and loan documentation and legal opinions and other customary conditions precedent, the non-fulfillment of which would allow the lenders to postpone making their loans or terminate their commitments.

Upon completion of the Demerger, Petrojarl will receive \$46.5 million of cash from PGS adjusted for any net intercompany transfers in the period from the Effective Date to the Completion Date.

Petrojarl was incorporated as a wholly-owned subsidiary of PGS on March 2, 2006, for the purpose of acting as the receiving Company in the demerger. Petrojarl was originated with a share capital of NOK 29,999,980 divided into 14,990,990 shares, each having a face value of NOK 2.00. Upon completion of the demerger (expected to be at the end of June) the share capital of Petrojarl will be increased by NOK 120,000,000 from NOK 29,999,980 to NOK 149,999,980 through the issue of 60,000,000 new shares each with a par value of NOK 2.00.

Britoil has agreed to give the necessary consents to the Demerger subject to certain conditions which Petrojarl believes will be fulfilled prior to the Completion Date. However, the conditions to giving such consents are subjective and, in some cases, at Britoil's discretion, and no assurances can be given that such conditions will be met and that final agreement on the definitive documentation will be reached. Consequently, no assurances can be given that such consents will be received prior to consummation of the Demerger. Furthermore, to obtain the consent and to facilitate the necessary security under the ING Facility, Petrojarl has agreed to amend certain of its obligations towards Britoil to further secure Britoil's continued access to the vessel in a default situation, and to allow Britoil certain rights to step in to the operation of the vessel if Petrojarl falls below certain financial ratios which are similar to those contained in the ING Facility.

Note 9 Related Parties

As of December 31, 2005, the Chairman of the Board, Jens Ulltveit-Moe, through Umoe AS, controlled a total of 3,037,332 shares in PGS. Jens Ulltveit-Moe also has a majority ownership interest in Knutsen OAS Shipping AS ("Knutsen"). Knutsen is chartering the MT *Nordic Svenita* and paid \$9.9 million and \$10.3 million to Petrojarl under time charter contracts for the vessel in 2005 and 2004. Petrojarl charters the vessel from an independent third party. The vessel was chartered by Petrojarl to provide shuttle services for the Banff field, but in 2001 was chartered to Knutsen on terms approximating Petrojarl's terms under the third-party lease, due to low production on the Banff field. In addition, Petrojarl has a contract of affreightment with Knutsen for transporting crude oil relating to the Banff field and paid \$1.2 million and \$0.7 million under this contract in 2005 and 2004 respectively. Mr. Ulltveit-Moe was also the Chairman of Unitor ASA until August 2005, a company that from time to time provides Petrojarl with equipment for its vessels.

Note 10 Accounts Receivable

Accounts receivable consists of the following:

	December 31,	
	2005	2004
	(In thousands of dollars)	
Accounts receivable – trade	\$30,506	\$23,212
Allowance for doubtful accounts	–	–
Total	<u>\$30,506</u>	<u>\$23,212</u>

Note 11 Other Long-Lived Assets

Other long-lived assets consist of the following:

	December 31,	
	2005	2004
	(In thousands of dollars)	
Contractual receivables	\$ 5,577	\$ 5,751
Favorable lease contracts	7,829	10,444
Total	<u>\$13,406</u>	<u>\$16,195</u>

Contractual receivables relate to contractual payments from FPSO contract counterparties that Petrojarl is entitled to receive to cover parts of its asset retirement obligations.

The fair value of certain favorable lease contracts totaling \$14.2 million were recognized in the balance sheet in connection with the adoption of fresh start reporting, effective November 1, 2003. The amortization of these contracts over the remaining lease periods (which average approximately 4 years) is recorded as an increase of lease expense as part of cost of sales. Petrojarl recorded \$2.1 million and \$2.4 million of such increase in lease expense for the years ended December 31, 2005 and 2004 respectively.

The reduction of the valuation allowance for deferred tax assets established in fresh-start accounting results in a reduction of certain intangible assets. At December 31, 2005 and 2004, Petrojarl recorded \$0.5 million and \$1.0 million, respectively, in reduction of the carrying amounts of favorable lease contracts due to reversal of valuation allowance.

Note 12 Pension Obligations

Defined Benefit Plans.

Petrojarl has historically had defined benefit pension plans for substantially all of its Norwegian employees, with eligibility determined by certain period-of-service requirements. These plans are generally funded through contributions to insurance companies. It is Petrojarl's general practice to fund amounts to these defined benefit plans at rates that are sufficient to meet the applicable statutory requirements. The defined benefit plans were closed for further entries and new defined contribution plans established for new employees (see separate section below). At December 31, 2005, 386 employees were participating in the defined benefit plans.

Pension cost for disposed subsidiaries are included for the period up to the sales closing date.

Reconciliation of the plans' aggregate projected benefit obligations and fair values of assets are summarized as follows:

Change in projected benefit obligations (PBO):

	December 31,	
	2005	2004
	(In thousands of dollars)	
Projected benefit obligations (PBO) at beginning of year	\$25,634	\$20,202
Service cost	2,766	2,334
Interest cost	1,185	1,011
Payroll tax	81	(26)
Actuarial (gain) loss, net	3,782	(129)
Benefits paid	(253)	(264)
Exchange rate effects	2,793	2,506
Projected benefit obligations (PBO) at end of year	<u>\$30,402</u>	<u>\$25,634</u>

Change in pension plan assets:

	December 31,	
	2005	2004
	(In thousands of dollars)	
Fair value of plan assets at beginning of year	\$19,330	\$14,907
Adjustment at beginning of year	(868)	(687)
Return on plan assets	1,087	957
Employer contributions	2,511	2,527
Benefits paid	(253)	(264)
Exchange rate effects	(1,938)	1,890
Fair value of plan assets at end of year	<u>\$19,869</u>	<u>\$19,330</u>

The aggregate funded status of the plans and amounts recognized in the combined balance sheets are summarized as follows:

	December 31,	
	2005	2004
	(In thousands of dollars)	
Funded status	\$(10,533)	\$(6,304)
Unrecognized actuarial (gain) loss	5,095	760
Additional minimum liability	(212)	-
Net amount recognized as pension liability	<u>\$ (5,650)</u>	<u>\$ (5,544)</u>

The pension liability is included in "Other long-term liabilities". The accumulated benefit obligation (ABO) for all defined benefit pension plans was \$23.1 million and \$21.2 million as of December 31, 2005 and 2004, respectively.

Net periodic pension costs for Petrojarl's defined benefit pension plans are summarized as follows.

	Years Ended December 31,	
	2005	2004
	(In thousands of dollars)	
Service cost	\$ 2,766	\$2,334
Interest cost	1,185	1,011
Expected return on plan assets	(1,087)	(957)
Amortization of actuarial loss (gain)	29	100
Payroll tax	408	324
Net periodic pension cost	<u>\$ 3,301</u>	<u>\$2,812</u>

Plans in which the accumulated benefit obligation exceeds plan assets are as follows:

	December 31,	
	2005	2004
	(In thousands of dollars)	
Projected benefit obligation (PBO)	\$30,120	\$20,616
Accumulated benefit obligation (ABO)	22,888	17,148
Fair value of plan assets	\$19,545	\$14,976

Assumptions used to determine net periodic pension costs:

	2005	2004
Discount rate	4.8%	5.3%
Return on plan assets	5.8%	6.3%
Compensation increase	3.2%	3.0%
Annual adjustment to pensions	3.2%	3.0%

Assumptions used to determine benefit obligations at end of years presented:

	December 31, 2005	December 31, 2004
Discount rate	4.3%	5.3%
Compensation increase	3.2%	3.0%

The discount rate assumptions used for calculating pensions reflect the rates at which the obligations could be effectively settled. Observable long-term rates on governmental bonds are used as a starting point and matched with the Company's expected cash flows. The expected long-term rate of return on plan assets is based on historical experience and by evaluating input from the trustee managing the plan's assets.

Petrojarl's pension plan asset allocation at December 31, 2005 and 2004, by asset category, are presented by major plan group as follows:

	December 31,	
	2005	2004
	(In thousands of dollars)	
Fair value of plan assets	\$19,869	\$19,330
Debt securities	62%	69%
Equity securities	23%	16%
Real estate	12%	12%
Other	3%	3%
Total	<u>100%</u>	<u>100%</u>

Average target allocations for plan assets are 15-30% in equity securities, 50-70% in debt securities, 10-15% in real estate and 3-10% in other. Maturities for the debt securities at December 31, 2005, range from two weeks to 28 years with a weighted average maturity of 4.6 years. Weighted average duration for the debt securities is 3.6 years.

Management of plan assets must comply with applicable laws and regulations in Norway where the Company provides defined benefit plans. Within constraints imposed by laws and regulations, and given the assumed pension obligations and future contribution rates, the majority of assets are managed actively to obtain a long-term rate of return that at least reflects the chosen investment risk.

Petrojarl expects to contribute approximately \$1.4 million to its defined benefit pension plans in 2006. Total pension benefit payments expected to be paid to participants from the plans are as follows:

	(In thousands of dollars)
2006	\$ 247
2007	404
2008	472
2009	584
2010	112
2011 through 2015	\$7,340

Defined Contribution Plans.

As described above under "Defined Benefit Plans," as of January 1, 2005 Petrojarl closed the Norwegian defined benefit plans for further entries and new defined contribution plans were established for new employees.

Note 13 Other Current Assets

Other current assets consist of the following:

	December 31,	
	2005	2004
	(In thousands of dollars)	
Prepaid third party costs, to be reimbursed	\$ –	\$38,787
Prepaid operating expenses	7,123	7,473
Spare parts, consumables and supplies	2,582	2,560
Other	2,430	1,940
Total	<u>\$12,135</u>	<u>\$50,760</u>

Note 14 Other Intangible Assets, Net

The components of other intangible assets, net, are summarized as follows:

	December 31,	
	2005	2004
	(In thousands of dollars)	
Existing contracts	\$ 16,643	\$16,772
Accumulated amortization	(14,415)	(8,087)
Total	<u>\$ 2,228</u>	<u>\$ 8,685</u>

Other intangible assets existing at December 31, 2005 and 2004 were recognized in conjunction with the adoption of fresh-start reporting, effective November 1, 2003.

The weighted average remaining amortization period for other intangible assets as of December 31, 2005 is 1.1 years, and the amortization expense related to these assets under existing amortization plans is \$2.0 million (2006) and \$0.2 million (2007). These amortizations are calculated as if there will be no additional effect of reduction in deferred tax asset valuation allowances credited to the other intangible assets.

The reduction of the valuation allowance for deferred tax assets established in fresh-start accounting results in a reduction of certain intangible assets. At December 31, 2005 and 2004, Petrojarl recorded \$0.1 million and \$0.8 million, respectively, in reduction of the carrying amounts of existing contracts due to reversal of valuation allowance.

Note 15 Accrued Expenses

Accrued expenses consist of the following:

	December 31,	
	2005	2004
	(In thousands of dollars)	
Accrued employee payroll	\$13,210	\$13,180
Accrued vessel operating expenses	13,590	9,021
Received, not invoiced, property and equipment	–	5,618
Other	848	1,417
Total	<u>\$27,648</u>	<u>\$29,236</u>

Note 16 Other Long-Term Liabilities

Other long-term liabilities consist of the following:

	December 31,	
	2005	2004
	(In thousands of dollars)	
Accrued liabilities UK leases (Note 4)	\$35,900	\$49,362
Pension liability (Note 12)	5,651	5,542
Asset retirement obligations ("ARO") (Note 5)	19,680	18,254
Other	601	301
Total	<u>\$61,832</u>	<u>\$73,459</u>

Note 17 Other Financial Items, Net

Other financial items, net, consist of the following:

	December 31,	
	2005	2004
	(In thousands of dollars)	
Interest income	\$ 581	\$ 511
Foreign currency gain (loss)	(1,039)	(5,684)
Cost of reorganization	—	(944)
Other	(1,983)	(1,351)
Total	<u>\$(2,441)</u>	<u>\$ 7,468</u>

Note 18 Commitments and Contingencies

Leases.

The Company has operating lease commitments expiring at various dates through 2013. At December 31, 2005, future minimum payments related to non-cancelable operating leases with lease terms in excess of one year are as follows:

	December 31, 2005
	Operating Leases
	(In thousands of dollars)
2006	\$20,231
2007	14,848
2008	14,906
2009	14,094
2010	2,658
Thereafter	5,408
Total	<u>\$72,145</u>

Future minimum payments related to non-cancelable operating leases reflect \$8.2 million in sublease income for 2006, related to a time-charter of one FPSO shuttle tanker to a third party.

The future minimum payments under the Company's operating leases relate to the Company's operations as follows:

	December 31, 2005
	(In thousands of dollars)
FPSO shuttle and storage tankers	\$56,821
Building	15,324
Total	<u>\$72,145</u>

Included in the minimum lease commitment for FPSO shuttle and storage tankers as presented in the table above is charter hire for the six month cancellation period for a storage tanker operating on the Banff field in the North Sea. The Company is required to charter the vessel for as long as *Ramform Banff* produces the Banff field, which could extend to 2014 depending on the customer/field operator. The maximum payment for the charter through 2014 is \$97.8 million, of which only charter hire for the six month period ending June 30, 2006 is included in the table above.

Rental expense for operating leases, including leases with terms of less than one year, was \$26.2 million and \$27.4 million for the years ended December 31, 2005 and 2004. Rental expense for operating leases are net of sub-lease income related to time charter of FPSO shuttle tankers to a third party amounting to \$9.9 million and \$10.3 million for the years ended December 31, 2005 and 2004.

Other.

The Company has contingencies resulting from litigation, other claims and commitments incidental to the ordinary course of business. Management believes that the probable resolution of such contingencies will not materially affect the financial position, results of operations or cash flows of the Company.

UK Leases.

See note 4

Note 19 Investments in Associated Companies

Income from associated companies accounted for using the equity method is as follows:

	Years Ended December 31,	
	2005	2004
	(In thousands of dollars)	
Ikdam Production, SA	\$243	\$722
Total	<u>\$243</u>	<u>\$722</u>

Investments and advances to associated companies accounted for using the equity method are as follows:

	Book Value December 31, 2004	Share of Income 2005	Paid-In Capital/ Dividend 2005	Equity Transaction 2005 ^(a)	Book Value December 31, 2005	Ownership Percent As of December 31, 2005
	(In thousands of dollars)					
Ikdam Production, SA	\$5,411	\$243	\$ -	\$ (1)	\$5,653	40.0%
Total	<u>\$5,411</u>	<u>\$243</u>	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$5,653</u>	

(a) Includes foreign currency translation differences.

Note 20 Supplemental Cash Flow Information

Cash paid during the year includes payments for:

	Years Ended December 31,	
	2005	2004
	(In thousands of dollars)	
Interest	\$ 2	\$ -
UK lease, additional required rental payments (Note 4)	\$4,859	\$4,981

Note 21 Segment and Geographic Information

The Company manages its business in one segment all related to the ownership and operation of four harsh environment FPSOs in the North Sea. The principal markets are the UK and Norway. Customers are primarily composed of major multi-national, independent and national or state-owned oil companies.

	UK	Norway	Africa	Total
	(In thousands of dollars)			
Revenues, external customers:				
2005	\$135,674	\$145,003	\$ -	\$280,677
2004	148,104	150,098	-	298,202
Total assets:				
December 31, 2005	393,874	276,920	5,653	676,447
December 31, 2004	435,303	311,156	5,411	751,870
Capital expenditures (cash):				
2005	-	11	-	11
2004	\$ 718	\$ 270	\$ -	\$ 988

For the years ended December 31, 2005 and 2004, customers exceeding 10% of Petrojarl's total revenue were as follows:

	December 31,	
	2005	2004
	(In thousands of dollars)	
Statoil ASA (Petrojarl I)	\$ 53,394	\$ 61,303
Britoil Plc (Petrojarl Foinaven)	89,191	96,595
Canadian Natural Resources International Ltd (Ramform Banff)	46,483	51,509
Talisman Energy Norge AS (Petrojarl Varg)	89,920	87,133
Total revenues from customers exceeding 10%	<u>\$278,988</u>	<u>\$296,540</u>
Total revenues	<u>\$280,677</u>	<u>\$298,202</u>

In certain of the regions where Petrojarl operates, a significant share of its employees is organized in labor unions. Similarly Petrojarl's operations in certain regions are members of employer unions. Therefore, Petrojarl may be affected by labor conflicts involving such labor and employer unions.

NOTE 22 Financial Instruments

Fair Values of Financial Instruments.

The carrying amounts of cash and cash equivalents, restricted cash, accounts receivable, unbilled and other receivables, other current assets, accounts payable and accrued expenses approximate their respective fair values because of the short maturities of those instruments.

As further described in note 2, a portion of the loss recognized in PGS Financial Statements for 2005 related to forward currency exchange contracts undertaken centrally in PGS have been allocated to Petrojarl. This allocation is based on the underlying exposure related to Petrojarl in each currency compared to the total exposure in that currency. An average exposure for each quarter has been calculated.

The estimated fair values of these derivatives are summarized as follows:

	December 31, 2005		
	Carrying Amounts	Notional Amounts	Fair Values
	(In thousands of dollars)		
Forward exchange contracts	\$(3,050)	\$78,996	\$(3,050)

Foreign Exchange Exposure.

The Company is exposed to currency fluctuation due to a predominantly USD-based revenue stream, while the Company's expenses are incurred in various currencies. The larger expense currencies other than the USD are GBP and NOK.

Interest Rate Risk

Petrojarl's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose Petrojarl to cash flow interest rate risk. As disclosed in note 8 Petrojarl has obtained a commitment in the form of a mandate letter and term sheet for a \$425 million revolving credit facility which is currently being syndicated on the international bank market (the ING Facility). The ING Facility will be entered into prior to the Completion Date of the Demerger. The borrowings under the ING Facility will bear interest at a rate equal to an applicable margin plus a LIBOR rate determined by reference to the cost of funds for deposits in U.S. dollars for the interest period relevant to such borrowing adjusted for certain additional costs. The initial applicable margin for the borrowings is expected to be 1.0%. From and after January 1, 2007, the applicable margin will be adjusted based on the percentage of available commitments under the ING Facility utilized at such time (expected to be between 0.85% and 1.15%). In addition, Petrojarl is required to pay an unused commitment fee to the lenders equal to 40% of the applicable margin in effect at such time, multiplied by the aggregate unused commitments.

Petrojarl has not entered into any hedging transactions of the variable interest rate risk which the ING Facility represents.

Note 23 Other Operating (Income) Expense, Net

Other operating (income) expense, net consists of the following:

	Years Ended December 31,	
	2005	2004
	(In thousands of dollars)	
Release of contingent liability re UK lease (Note 4)	\$ (5,593)	\$ -
Cost of employees termination	-	142
Cost relating to completion of 2002 U.S. GAAP accounts and re-audit of 2001	-	1,866
Total	<u>\$ (5,593)</u>	<u>\$ 2,008</u>

Petrojarl Pro Forma Financial Information

Reports of Independent Auditors

Report on Examination of the Petrojarl Pro Forma Financial Information for the year ended December 31, 2005

Independent Auditor's Report

We have examined the pro forma adjustments reflecting the transaction described in the Notes to the Petrojarl Pro Forma Financial Information and the application of those adjustments to the combined financial information in the accompanying pro forma income statement for the year ended December 31, 2005. The combined financial information is derived from the Petrojarl Combined Financial Statements for 2005, which were audited by us, as presented in this Prospectus. Such pro forma adjustments are based upon management's assumptions described in the Notes to the Petrojarl Pro Forma Financial Information. Petrojarl's management and Board of Directors are responsible for the Petrojarl Pro Forma Financial Information. Our responsibility is to express an opinion on the Petrojarl Pro Forma Financial Information based on our examination.

Our examination was conducted in accordance with Norwegian Auditing Standards, RS 800, and, accordingly, included such procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

The objective of the Petrojarl Pro Forma Financial Information is to show what the significant effects on the Petrojarl Combined Financial Statements might have been had the demerger transaction occurred at an earlier date and presented on a basis consistent with the accounting policies of the issuer (International Financial Reporting Standards as adopted by EU). However, the Petrojarl Pro Forma Financial Information is not necessarily indicative of the results of operations that would have been attained had the above-mentioned transaction actually occurred earlier.

In our opinion,

- management's assumptions provide a reasonable basis for presenting the significant effects directly attributable to the above-mentioned transaction described in the Notes to the Petrojarl Pro Forma Financial Information as of December 31, 2005
- the basis is consistent with the accounting policies of the issuer
- the Petrojarl Pro Forma Financial Information has been properly compiled on the basis stated

Ernst & Young AS
Oslo, Norway

Jan Egil Haga (sign)
Partner

June 14, 2006

Report on Review of the Petrojarl Pro Forma Financial Information as of March 31, 2006 and for the three months then ended

Independent Auditor's Report

We have reviewed the pro forma adjustments reflecting the transaction described in the Notes to the Petrojarl Pro Forma Financial Information and the application of those adjustments to the unaudited Petrojarl Combined Financial Information in the accompanying pro forma balance sheet of Petrojarl as of March 31, 2006, and the pro forma income statement for the three months then ended. The combined financial information is derived from the unaudited combined balance sheet as of March 31, 2006 and the unaudited combined statement of operations for the three months then ended as presented in the Prospectus. The pro forma adjustments are based upon management's assumptions as described in the Notes to the Petrojarl Pro Forma Financial Information. Petrojarl's management and Board of Directors are responsible for the Petrojarl Pro Forma Financial Information. Our responsibility is to express an opinion on the Petrojarl Pro Forma Financial Information based on our review.

Our review was conducted in accordance with Norwegian Auditing Standards SBR 2400. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's assumptions, the pro forma adjustments, and the application of those adjustments to the unaudited Petrojarl Combined Financial Information. Accordingly, we do not express such an opinion on the pro forma adjustments or the application of such adjustments to the pro forma balance sheet as of March 31, 2006, or the pro forma income statement for the three months then ended.

The objective of the Petrojarl Pro Forma Financial Information is to show what the significant effects on the Petrojarl Combined Financial Statements might have been had the demerger transaction occurred at an earlier date and presented on a basis consistent with the accounting policies of the issuer (International Financial Reporting Standards as adopted by EU). However, the Petrojarl Pro Forma Financial Information is not necessarily indicative of the results of operations or related effects on financial position that would have been attained had the above-mentioned transaction actually occurred earlier.

Based on our review, nothing came to our attention that caused us to believe that management's assumptions do not provide a reasonable basis for presenting the significant effects directly attributable to the above-mentioned transaction as described in the Notes to the Petrojarl Pro Forma Financial Information.

In our opinion,

- the basis is consistent with the accounting policies of the issuer
- the Petrojarl Pro Forma Financial Information has been properly compiled on the basis stated

Ernst & Young AS
Oslo, Norway

Jan Egil Haga (sign)
Partner

June 14, 2006

Petrojarl
Unaudited Pro Forma Balance Sheet
As of March 31, 2006

	Combined (US GAAP)	Adjustments	Pro forma (IFRS)
	(In thousands of dollars)		
ASSETS			
Cash and cash equivalents	\$ 12,295	\$ 14,512	\$ 26,807
Restricted cash	2,518	-	2,518
Accounts receivable, net	33,727	-	33,727
Unbilled and other receivables	6,876	-	6,876
Other current assets	13,828	-	13,828
Total current assets	<u>69,244</u>	<u>14,512</u>	<u>83,756</u>
Property and equipment, net	619,358	235,536	854,894
Investments in associated companies	5,695	-	5,695
Other intangible assets, net	646	(646)	-
Other long-lived assets	13,025	(6,712)	6,313
Total assets	<u>\$707,968</u>	<u>\$242,690</u>	<u>\$950,658</u>
LIABILITIES AND EQUITY			
Accounts payable	\$ 10,073	-	\$ 10,073
Accrued expenses	26,555	(1,990)	24,565
Derivative financial instrument	-	33,306	33,306
Total current liabilities	<u>36,628</u>	<u>31,316</u>	<u>67,944</u>
Long-term debt	270,268	48,732	319,000
Other long-term liabilities	61,778	(4,824)	56,954
Total liabilities	<u>368,674</u>	<u>75,224</u>	<u>443,898</u>
Minority interest in consolidated subsidiaries	786	578	1,364
Capital from parent (Combined)/Shareholder's equity (IFRS)	338,508	166,888	505,396
Total equity	<u>338,508</u>	<u>166,888</u>	<u>506,760</u>
Total liabilities and equity	<u>\$707,968</u>	<u>\$242,690</u>	<u>\$950,658</u>

The accompanying notes are an integral part of this pro forma financial information.

Petrojarl
Unaudited Pro Forma Income Statement
For the Period Ended March 31, 2006

	Combined (US GAAP)	Pro forma Adjustments	Pro forma (IFRS)
	(In thousands of dollars)		
Revenues	\$66,518	\$ –	\$66,518
Cost of sales (a)	40,852	(678)	40,174
Depreciation and amortization	11,121	2,490	13,611
Selling, general and administrative costs (a)	3,239	–	3,239
Other operating (income) expense, net	–	(1,302)	(1,302)
Total operating expenses	<u>55,212</u>	<u>510</u>	<u>55,722</u>
Operating profit	11,306	(510)	10,796
Other income (expense):			
Income from associated companies	42	–	42
Interest expense	(4,586)	1,445	(3,141)
Other financial items, net	<u>(212)</u>	<u>785</u>	<u>573</u>
Income (loss) before minority interest	6,550	1,720	8,270
Minority interest	<u>(1)</u>	<u>1</u>	<u>–</u>
Net income	<u>\$ 6,549</u>	<u>\$ 1,721</u>	<u>\$ 8,270</u>
Attributable to:			
Shareholder of Petrojarl			\$ 8,246
Minority interest			\$ 24

Note:

(a) Excluding depreciation and amortization which is shown separately.

The accompanying notes are an integral part of this pro forma financial information.

Petrojarl
Unaudited Pro Forma Income Statement
For the Year Ended December 31, 2005

	Combined (US GAAP)	Pro forma Adjustments	Pro forma (IFRS)
	(In thousands of dollars)		
Revenues	\$280,677	\$ —	\$ 280,677
Cost of sales (a)	184,324	(3,225)	181,099
Depreciation and amortization	44,064	(6,297)	37,767
Selling, general and administrative costs (a)	14,823	—	14,823
Reversal of impairment long-lived assets		(207,853)	(207,853)
Other operating (income) expense, net	(5,593)	28,464	22,871
Total operating expenses	<u>237,618</u>	<u>(188,911)</u>	<u>48,706</u>
Operating profit	43,059	188,911	231,970
Other income (expense):			
Income from associated companies	243	—	243
Interest expense	(23,477)	6,643	(16,834)
Debt redemption and refinancing costs	(28,975)	28,975	—
Other financial items, net	(2,441)	(4,899)	(7,340)
Income (loss) before minority interest	(11,591)	219,630	208,039
Minority interest	(27)	27	
Net (loss) income	<u>\$ (11,618)</u>	<u>\$ 219,657</u>	<u>\$ 208,039</u>
Attributable to:			
Shareholder of Petrojarl			\$ 207,645
Minority interest			\$ 394

Note:

(a) Excluding depreciation and amortization which is shown separately.

The accompanying notes are an integral part of this pro forma financial information.

Petrojarl Pro Forma Financial Information – Notes

Note 1 Explanatory Information

The shareholders of Petroleum Geo-Services ASA (“PGS”) approved a separation of the Company into two separately listed businesses in an extraordinary general meeting held April 28, 2006. The separation will be carried out by demerging the activities within floating production (the “Production Business”) into a newly-formed entity named Petrojarl ASA (“Petrojarl”), incorporated as a wholly owned subsidiary of PGS on March 2, 2006. Completion of the demerger is subject to certain remaining third party consents. The demerger is expected to be completed by the end of June 2006.

Britoil has agreed to give the necessary consents to the Demerger subject to certain conditions which Petrojarl believes will be fulfilled prior to the Completion Date. However, the conditions to giving such consents are subjective and, in some cases, at Britoil’s discretion, and no assurances can be given that such conditions will be met and that final agreement on the definitive documentation will be reached. Consequently, no assurances can be given that such consents will be received prior to consummation of the Demerger. Furthermore, to obtain the consent and to facilitate the necessary security under the ING Facility, Petrojarl has agreed to amend certain of its obligations towards Britoil to further secure Britoil’s continued access to the vessel in a default situation, and to allow Britoil certain rights to step in to the operation of the vessel if Petrojarl falls below certain financial ratios which are similar to those contained in the ING Facility.

Petrojarl consists of entities, assets and liabilities that were under common control but which never formed a legal group. In order to present historical information for the Petrojarl Group, the Petrojarl Combined Financial Statements have been prepared based on PGS Consolidated Financial Statements. Since PGS is reporting under US GAAP these historical Combined Financial Statements have been prepared under US GAAP. Petrojarl will apply International Financial Reporting Standards as adopted by EU (“IFRS”) in its consolidated financial statements once listed on the Oslo Stock Exchange. Therefore Petrojarl has prepared and presented the Petrojarl Pro Forma Financial Information which contain certain adjustments in order to reflect the differences between US GAAP and IFRS (as applied by Petrojarl), in addition to certain other pro forma adjustments as further described below.

The Petrojarl Pro Forma Financial Information has been prepared in accordance with paragraph 20.2 of Annex 1 of the Prospectus Directive Regulation (Commission Regulation (EC) No 809/2004 of April 29th, 2004), as required by the Oslo Stock Exchange. The Petrojarl Pro Forma Financial Information has been prepared for Petrojarl ASA (“Petrojarl” and the “Company”) and all its subsidiaries (together “Petrojarl” or the “Group”) in accordance with IFRS, and on a consistent basis with what Petrojarl will do in its first IFRS financial statements. These accounting principles are further described in note 3 below.

Petrojarl’s pro forma income statement for the year ended December 31, 2005 has been prepared on the basis of the audited Petrojarl Combined Financial Statements prepared in accordance with US GAAP for the year ended December 31, 2005. Petrojarl’s unaudited pro forma balance sheet as of March 31, 2006 and the unaudited pro forma income statement for the three months then ended have been prepared on the basis of the unaudited Petrojarl Combined Financial Statements prepared in accordance with US GAAP as of and for the three months ended March 31, 2006.

The preparation of the Combined Financial Statements for Petrojarl required identifying all of the assets and liabilities, revenues and expenses associated with the demerged operations. When specific identifications were not practicable, the allocation of expenses was done on a basis that, in the opinion of management, was reasonable. For details regarding this allocation – see the Petrojarl Combined Financial Statements.

The Petrojarl Pro Forma Financial Information has been prepared on a basis consistent with the accounting policies to be applied by Petrojarl under IFRS, which are described in note 3. In the Petrojarl Pro Forma Financial Information it has further been assumed that January 1, 2005 was the transition date to IFRS for the entities, assets and liabilities transferred in the demerger. This is consistent with the transition date to be applied by Petrojarl. In this context Petrojarl has applied existing IFRSs as adopted by EU retrospectively with the following exceptions;

- All cumulative actuarial gains or losses from the inception of the pension plans are recognized January 1, 2005

- IFRS 3 *Business Combinations* has not been applied retrospectively to business combinations that occurred prior to January 1, 2005
- Cumulative translation differences for all foreign operations are deemed to be zero at January 1, 2005

In connection with PGS' emergence from Chapter 11 reorganization, PGS adopted "fresh-start" reporting for financial statement purposes under US GAAP, effective November 1, 2003, in accordance with AICPA Statement of Position 90-7. PGS adjusted the recorded value of its assets and liabilities to reflect their fair market value as of the date it emerged from Chapter 11 reorganization. This significantly changed the book value of several of the assets and liabilities of Petrojarl. Fresh-start accounting as applied by PGS under US GAAP in conjunction with Chapter 11 is not an allowed alternative under current IFRS. The amounts recognized in Petrojarl's Combined Financial Statements as a consequence of this have been removed or adjusted in the Petrojarl Pro Forma Financial Information to the extent that similar accounting treatment does not follow from applying the IFRS principles adopted by Petrojarl as described in note 3.

The pro forma adjustments (see note 4) are based on available information and certain assumptions. The Petrojarl Pro Forma Financial Information has been prepared for illustrative purposes only and is not intended to represent what the issuer's financial position or results of operations would actually have been if the demerger had occurred on an earlier date and Petrojarl had operated as a separate group. The Petrojarl Pro Forma Financial Information is further not intended to project Petrojarl's financial position or its results of operations for any future period.

Note 2 Organization and Business

The Petrojarl Group is the largest operator of floating production storage and offloading vessels in the North Sea, measured by production capacity and number of vessels. Upon completion of the demerger, the Petrojarl Group comprises the parent company Petrojarl ASA and the following subsidiaries and associated companies;

<u>Name</u>	<u>Ownership</u>	<u>Country</u>
PGS Production AS	100.00%	Norway
Golar-Nor Offshore Ltd.	100.00%	UK
Golar-Nor Ltd.	100.00%	UK
PGS Floating Production Ltd.	100.00%	UK
Golar Nor Offshore AS	100.00%	Norway
PGS Petrojarl Varg AS	100.00%	Norway
PGS Ramform Banff AS	100.00%	Norway
PGS Tanker AS	100.00%	Norway
Petrojarl 4 DA	99.25%	Norway
KS Petrojarl I AS	98.50%	Norway
Ikdam Production SA	40.00%	France

Note 3 Significant Accounting Policies

Basis of Preparation

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The consolidated financial statements are presented in US dollars and all values are rounded to the nearest thousand (\$000) except when otherwise indicated.

Consolidation and Equity Investments

Petrojarl's consolidated financial statements include all transactions of Petrojarl ASA, its wholly owned and majority owned subsidiaries that it controls and equity investments. Subsidiaries are consolidated in the accounts from the point of time when Petrojarl gains control. Acquisitions are accounted for using the purchase method of accounting. Acquisition cost is assigned to the assets and liabilities of the subsidiaries, using their fair value at the date of acquisition. Any excess of purchase cost over fair value of assets and liabilities is recorded as goodwill. All inter-company transactions and balances have been eliminated in consolidation. In those cases where the subsidiaries are not wholly owned, the minority interests are separately presented in the statements of operations and balance sheets. The financial statements of the

subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. Adjustments are made to bring into line any difference in accounting policies that may exist.

Investments in associated companies in which Petrojarl has an ownership interest equal to or greater than 20% but equal to or less than 50%, and where Petrojarl has the ability to exercise significant influence are accounted for using the equity method of accounting.

Petrojarl periodically reviews its investments to determine if a loss in value has occurred that is other-than-temporary. Petrojarl considers all available information, including the recoverability of its investment, the earnings and near-term prospects of the investee company, factors related to the industry, conditions of the investee company and the ability, if any, to influence the management of the investee company.

Interests in Joint Ventures

A joint venture is a contractual arrangement whereby Petrojarl undertake an economic activity that is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Petrojarl reports its interests in jointly controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Petrojarl's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the financial statements on a line-by-line basis.

Where Petrojarl transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of Petrojarl's interest in the joint venture.

Use of Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities. In many circumstances, the ultimate outcome related to the estimates, assumptions and judgments may not be known for several years after the preparation of the financial statements. Actual amounts may differ materially from these estimates due to changes in general economic conditions, changes in laws and regulations, changes in future operating plans and the inherent imprecision associated with estimates.

Cash and Cash Equivalents

The carrying amounts of cash and cash equivalents approximate fair value. Cash and cash equivalents include demand deposits and all highly liquid financial instruments purchased with maturities of three months or less. Cash and cash equivalents that are restricted from Petrojarl's use are disclosed separately in the balance sheets and are classified as current or long-term depending on the nature of the restrictions. Such restrictions primarily relate to employee tax withholdings.

Foreign Currency Translation

The financial statements are presented in US dollars ("dollars"), which is the Company's functional and the Group's presentation currency. The functional currency for each entity in the Group was determined based upon that entity's operations and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the balance sheet date. All foreign exchange differences are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Operating and Financial Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Petrojarl as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Petrojarl as a lessor

Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income.

Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of such property and equipment and additional investments when that cost is incurred, if the recognition criteria are met. Depreciation and amortization are calculated based on cost less estimated residual values using the straight-line method for all property and equipment, excluding leasehold improvements and capital leases, which are amortized over the asset life or lease term whichever is shorter.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Petrojarl capitalizes the applicable portion of interest costs to major capital projects. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

The asset's residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

Significant spare parts are capitalized with the asset to which they pertain, while other spare parts, consumables and bunkers are classified as other current assets and stated at the lower of cost and market.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the

asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Impairment of Assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Revenue Recognition

Revenue is recognized when persuasive evidence of a sale arrangement exists, delivery has occurred or services have been rendered, the sales price is fixed or determinable and collection is reasonably assured. Petrojarl defers the unearned component of payments received from customers for which the revenue recognition requirements have not been met.

Tariff-based revenue from services from operation of floating production, storage and offloading vessels ("FPSOs") is recognized as production occurs, while day-rate revenue is recognized over the passage of time, provided all other recognition criteria are satisfied.

Income Taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liability is recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset, if group contribution can be given or a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes are related to the same taxable entity and the same taxation authority.

Other Taxes

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Asset Retirement Obligations

An asset retirement obligation exists where Petrojarl has a legal or constructive obligation to settle an asset retirement obligation. Where Petrojarl is required to settle an asset retirement obligation, Petrojarl has estimated and capitalized the net present value of the obligations and increased the carrying value of the related long-lived asset, with an amount equal to the depreciated value of the asset retirement obligation. Subsequent to the initial recognition, a finance cost is recorded relating to the unwinding of the discount (the obligation increases in each period due to the passage of time) on the asset retirement obligation, and the capitalized cost is expensed as ordinary depreciation in accordance with the related asset. The effect on net present value of any subsequent changes to gross removal costs or discount rates adjust the carrying value of assets and liabilities, and are expensed over the remaining estimated useful life of the related assets or project, whichever is shorter, or included in the impairment if the carrying amount of the related long-lived asset exceeds its recoverable amount. The amount deducted from asset cost should not exceed its carrying amount, and any excess is recognized immediately in the income statement (as “other operating income (expense), net”).

Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognised when Petrojarl has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where Petrojarl expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material,

provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Receivables Credit Risk

Petrojarl's trade receivables are primarily from multinational integrated oil companies. Petrojarl manages its exposure to credit risk through ongoing credit evaluations of customers and will provide for potential credit losses through an allowance for doubtful accounts. The allowance for doubtful accounts reflects management's best estimate of probable losses inherent in accounts receivable from trade customers and is based on a number of factors consisting mainly of aging of accounts, historical experience, customer concentration, customer creditworthiness and current industry and economic trends. Petrojarl does not believe that exposure to concentrations of credit risk is likely to have a material adverse impact on its financial position or results of operations.

Financial Assets and Financial Liabilities

Petrojarl classifies its financial assets and financial liabilities in the following categories: at fair value through profit or loss, loans and receivables, available for sale and other commitments. Management determines the classification of its financial assets and financial liabilities at initial recognition.

(a) Financial assets and financial liabilities at fair value through profit or loss

This category has two sub-categories: "financial assets/liabilities held for trading", and those designated at fair value through profit or loss at inception. A financial instrument is classified in this category if acquired or issued principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as "held for trading" unless they are designated as hedges. Instruments in this category are classified as current if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets and liabilities.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

(d) Other commitments

Other commitments are financial liabilities not classified at fair value through profit and loss or financial liabilities that arise when a transfer of financial assets does not qualify for de-recognition or is accounted for using the continuing involvement approach.

Except for financial instruments carried at fair value through the income statement, financial instruments are initially recognized at fair value plus transaction costs. Financial assets or financial liabilities carried at fair value through the income statement are initially recognized at fair value, and transaction costs are expensed in the income statement. Available-for-sale financial assets and financial assets or financial liabilities at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and other commitments are carried at amortized cost using the effective interest method.

The fair values of quoted financial assets and financial liabilities are based on current bid-/ask prices. If the market for a financial instrument is not active, Petrojarl establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

Petrojarl assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealized gains or losses reported in the income statement.

Derivative Financial Instruments and Hedging Activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Petrojarl designates certain derivatives as either: (1) hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge); (2) hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge); or (3) hedges of a net investment in a foreign operation (net investment hedge).

Petrojarl documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. Petrojarl also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of hedging derivatives is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to the income statement over the period to maturity.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(c) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in equity; the gain or loss relating to the ineffective portion is recognized immediately in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

(d) *Derivatives that do not qualify for hedge accounting*

Certain derivatives do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement.

Segments

Petrojarl has only one primary segment (business segment) and secondary segments in the form of the geographic principal markets for the business segment; UK and Norway.

Note 4 Pro Forma Adjustments

Property and Equipment

Depreciation

The carrying amount of the FPSO's in the Combined Financial Statements are based on fresh-start reporting under US GAAP. Fresh start reporting is currently not an allowed alternative under IFRS and as a consequence, Petrojarl has retrospectively applied the requirements in IAS 16 Property, Plant and Equipment and made necessary adjustments to depreciation and carrying amounts. IFRS requires that each significant part of an item of property, plant and equipment is depreciated separately, which is not specifically required in US GAAP. Under IFRS residual values are reviewed at least at each financial year end and, if expectations differ from previous estimates, the change shall be accounted for as a change in an accounting estimate. Under US GAAP residual value is only estimated on initial recognition, which for US GAAP purposes was on the date "fresh start" accounting was applied, and only reduced downwards if applicable. The pro forma adjustments of the vessels and depreciation reflect the effect on depreciation of implementing components and reassessment of residual values and useful lives.

Impairment and Reversals

Retrospective application of IAS 36 *Impairment of Assets* would have resulted in impairments in 2003 and reversal of these impairments in 2005, which has been recognized in the 2005 pro forma income statement.

Asset Removal Obligation for the Banff Field

Petrojarl has asset removal obligations related to the Banff subsea installation. Accounting for asset removal obligations under US GAAP and IFRS are broadly similar, but some differences exist. Differences may arise when an entity changes cost estimates or discount rates. There have been no changes in cost estimates in the periods presented, but changes in discount rates has been reflected in the Petrojarl Pro Forma Financial Information. As a result of the vessel's carrying amount and historical impairments and reversals, adjustments to the asset removal obligation has been recorded as impairment in accordance with IFRIC 1 in 2005 and as other operating income in the three months ended March 31, 2006 (as the carrying amount of the component is zero).

UK Lease Petrojarl Foinaven and Ramform Banff

Contingencies

For fresh-start reporting purposes under US GAAP the fair value of the specific tax exposure related to these leases were recorded as a liability. Applicable portions of this liability are released if and when the UK HM Revenue and Customs accepts the lessors' claim for capital allowance under each lease. In 2005, the liability related to the Ramform Banff lease was released under U.S. GAAP.

There is still a contingency related to the Petrojarl Foinaven lease, where the UK HM Revenue and Customs has raised an issue about the accelerated rate at which tax depreciation is available. In the Petrojarl Pro Forma Financial Information the "fresh start" liabilities and their related income statement effects have been removed. An accrual of £13 million (\$22.5 million) related to the contingency regarding tax indemnification on Petrojarl Foinaven was made in the Petrojarl Pro Forma Financial Information for 2005 (other income (expense) in the income statement) since the requirements under IAS 37 for recognizing a provision was considered to be met.

Interest rate differential

The UK leases are defeased. However, Petrojarl has an obligation to top up the difference between the implicit interest in the lease (fixed rate) and the realized interest on the defeasance bank investment. Payments are due from Petrojarl when rentals are due, generally once a year.

Under US GAAP, obligations associated with lease obligations are initially accounted for under FAS 13. Such arrangements are required to be assessed for embedded derivatives. If the economic characteristics and risks of the embedded derivatives are clearly and closely related to the economic characteristics and risks associated with the host lease contract then separate accounting for the embedded derivative is not required. A reassessment is not triggered by the subsequent derecognition of the lease obligation. Any remaining obligations under the lease arrangement are accounted for on an accrual basis under FAS 13. In fresh start accounting a fair market value of this obligation was established, which is amortized over the life-time of the leases.

Under IFRS, obligations associated with the lease obligations are initially accounted for under IAS 17. As under US GAAP, such arrangements are assessed for embedded derivatives and these derivatives are separately accounted for unless their characteristics are clearly and closely related to those of the host lease contract. The derecognition of obligations associated with sale-leaseback arrangements is within the scope of IAS 39. Under IAS 39, the derecognition of both the asset and liability must be considered. Transfers of financial assets in settlement of lease obligations must be evaluated to determine the extent to which risks and rewards of ownership of the financial asset are retained. Based on the evaluation of the contracts in question, it was concluded that the financial asset is derecognised in its entirety as a result of the transfer, but the transfer results in the entity obtaining a new financial liability under IFRS, and this financial liability should be measured at fair value, and in this case the subsequent changes in fair value will be recognized through the income statement. We consider that it would be most appropriate to continue to fair value it as it has the characteristics of a derivative in IAS 39.9:

- (a) its value changes in response to the change in specified interest rates
- (b) it required no initial net investment and
- (c) it is settled at future dates.

As such, a difference emerges on the accounting associated with the residual obligations upon initial derecognition of obligations under lease arrangements between IFRS and US GAAP. Under IFRS, these obligations are accounted for at fair value with corresponding changes in fair value reported through the income statement. Under US GAAP, such obligations are accounted for on an accrual basis under FAS 13. In the Petrojarl Pro Forma Financial information the fresh start accounting effects related to this item has been removed and the fair value of these interest rate differentials have been recorded upon transition to IFRS and at each subsequent balance sheet date as a derivative financial instrument. The changes in fair values of these derivatives are recorded in the pro forma income statement (other financial items, net).

Pensions

Petrojarl has in the Petrojarl Pro Forma Financial Information applied the exemption given in IFRS 1 First-time Adoption and recognized all cumulative actuarial gains and losses at the date of transition to IFRS. The minimum liabilities recorded in capital from parent in the Petrojarl Combined Financial Statements have similarly been reversed in the Petrojarl Pro Forma Financial Information. In addition, the discount rate applied in the calculations under IFRS is different than the discount rates applied under US GAAP. The discount rates used to determine the benefit and obligations as of January 1, 2005, and December 31, 2005 are as follows:

	<u>January 1, 2005</u>	<u>December 31, 2005</u>
Combined Financial Statements U.S. GAAP	4.8%	4.3%
Pro Forma Financial Information IFRS	4.3%	3.9%

The US GAAP discount rate includes an assumed risk premium for corporate bonds over the Norwegian government bond rate. Under IFRS the rate on government bonds is used as there is currently not considered to be a significant market for corporate bonds in Norway.

Intangible Assets and other Long-lived Assets

Intangible assets in the Petrojarl Combined Financial Statements were recognized in conjunction with the adoption of fresh start reporting in November 2003 related to existing FPSO contracts and favourable lease contracts. Petrojarl has adjusted for this in the Petrojarl Pro Forma Financial Information by removing these assets from the balance sheet and reverse the income statement effects of amortization and lease expenses for the periods presented in the Petrojarl Pro Forma Financial Information.

Financial Income and Expense

In connection with the Demerger, Petrojarl will assume interest bearing gross debt of \$325 million to PGS with the intention of an immediate repayment. To finance this repayment Petrojarl has obtained a commitment in the form of a mandate letter and term sheet for a five year Revolving Credit Facility (“RCF”) of \$425 million with ING Bank N.V., which is currently being syndicated into the international bank market. The ING Facility will be entered into prior to the Completion Date of the Demerger. The initial borrowing under the RCF is expected to be \$325 million. For the purpose of the Petrojarl Pro Forma Financial Information, the interest bearing debt to PGS upon demerger is assumed to have been drawn December 31, 2005. Under IFRS the debt is recorded at amortised cost of \$319 million (nominal debt of \$325, net of transaction cost). Actual repayments and borrowings to and from PGS, and pro forma adjustments which would have affected repayments and borrowings, for the year ended December 31, 2005, have been adjusted to the loan balance during 2005 and interest expense is adjusted accordingly, to reflect the terms of the RCF. Upon completion of the Demerger, Petrojarl ASA will receive \$46.5 million of cash from PGS adjusted for certain items as described in the Demerger Plan. Furthermore, estimated transaction cost of the new debt of \$6.0 million will be payable around the completion of the demerger. The net effect of \$40.5 million is adjusted in cash and cash equivalent at January 1, 2005 and through December 31, 2005. Actual repayments and borrowings from PGS, and pro forma adjustments which would have affected repayments and borrowings, for the quarter ended March 31, 2006 have been adjusted to cash and cash equivalents at March 31, 2006. Under the demerger plan the loan from PGS will not carry any interest in the period January 1, 2006 until completion of the demerger. Therefore, the pro forma interest expenses for the quarter ended March 31, 2006 is credited to equity as contribution from parent. Interest income has been pro forma adjusted for these adjustments to cash and cash equivalents.

Effects of Pro Forma Adjustments

Following is a presentation of the effects of the pro forma adjustments described above on the shareholder’s equity as of March 31, 2006 and net income (loss) for the year ended December 31, 2005 and the period ended March 31, 2006:

	Net income (loss) Year ended December 31, 2005	Net income Period ended March 31, 2006
	(In thousands of U.S. dollars) (unaudited)	
As reported in Combined Financial Statements (U.S. GAAP)	\$ (11,618)	\$ 6,549
Minority interest in U.S. GAAP	27	1
Income (loss) before minority interest	(11,591)	6,550
Property and equipment		
Depreciation	\$ (31)	\$(4,072)
Reversal of impairments	207,853	–
Asset removal obligation Banff field	661	(291)
UK Leases		
Contingencies Petrojarl Foinaven/Ramform Banff	(29,880)	(76)
Interest rate differential	(3,202)	3,370
Pensions	(357)	(246)
Amortization intangible assets	8,489	2,122
Financial Income and expense and lease expenses	36,097	913
Pro forma reported amount (IFRS)	<u>\$208,039</u>	<u>\$ 8,270</u>

	Total Equity as of March 31, 2006
	(In thousands of U.S. dollars) (unaudited)
Shareholder's equity as reported in Combined Financial Statements (unaudited) (U.S. GAAP)	\$338,508
Minority interest in U.S. GAAP	786
Shareholder's equity and minority interest in U.S. GAAP	339,294
Difference in net income for the period ended March 31, 2006	\$ 1,720
Differences in net income for the year ended December 31, 2005	219,630
Equity adjustments Pro forma	
Interest expense Q1 06 – not payable	5,002
Minimum pensions liability and repayment of capital from parent recorded as comprehensive income (loss) (combined 2005)	609
Adjustments based on transition 01.01.05	
FPSO's	29,417
Asset Removal Obligation Banff field	(736)
UK Leases:	
Contingencies Petrojarl Foinaven/Ramform Banff	20,073
Interest rate differential	(9,370)
Accrued interest – Interest rate differential	482
Pensions	(5,643)
Intangible assets and other long-lived assets	(19,129)
Minority interest	188
Financing adjustments	(74,777)
Pro forma reported amount (IFRS)	<u>\$506,760</u>

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ARTICLES OF ASSOCIATION FOR PETROJARL ASA

(Resolved in the founding convention 2 March 2006, amended and restated in extraordinary general meeting 21 March 2006, extraordinary general meeting 28 April 2006, extraordinary general meeting 29 May 2006)

§ 1 The name of the Company

The name of the Company is Petrojarl ASA.

§ 2 Registered office

The registered office of the Company shall be in the municipality of Trondheim.

§ 3 The business of the Company

The business of the Company is to provide services to and participate in energy related business, hereunder to own and operate FPSO vessels, and everything related to this, including taking part in other companies.

§ 4 Share Capital

The Share Capital of the Company is NOK 29.999.980 divided into 14.999.990 shares, each having a face value of NOK 2,00. The shares are to be registered at the Norwegian Register of Securities.

§ 5 The Board

The Board shall have 3 to 7 members as decided and elected by the General Meeting. In addition the Board shall consist of 2 members appointed by and among the employees in accordance with at all times prevailing regulations and agreements relating to employee representation.

The Signatory rights of the Company are held by two members of the Board jointly, or by the Chief Executive Officer and a member of the Board jointly.

The Board will form a quorum when more than half of the members are present.

The Board has made a decision when more than half of the present members vote in favour of a proposal, or if the number of votes is equal, the Chairman of the Board has voted in favour of the proposal. Meetings of the Board shall be held in the municipality where the Company has its registered office, or elsewhere inside or outside of Norway at the discretion of the Board.

The Chairman of the Board shall preside the meetings. If the Chairman of the Board is not present, and no Deputy Chairman has been elected, the meeting shall be presided by a person elected by the present members of the Board. If votes are equal, the election is decided by the drawing of lots.

§ 6 The General Meeting

Ordinary General Meeting shall be held within six months after the expiration of each financial year. The financial year runs from the 1st of January to the 31st of December.

The ordinary General Meeting shall consider and resolve:

1. Approval of the annual accounts and annual reports, including the distribution of dividends.
2. Other matters which according to law or the Articles of Association is the responsibility of the General Meeting.

The General Meeting shall be held in the municipality where the Company has its registered office, or in the municipality of Oslo, Bærum or Asker.

Extraordinary General Meetings shall be held when required by law.

§ 7 Notice and voting rights

Notice of the General Meeting shall be given at least 2 weeks before the meeting.

In the Company's General Meeting each share has one vote. An owner with shares registered through a custodian approved pursuant to section 4-10 of the Norwegian Public Limited Companies Act of 1997 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 provide the Company 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.

Shareowners who wish to take part in the General Meeting must give notice to the Company by the date stated in the Calling Notice, which date must be at least two working days before the General Meeting.

§ 8 Chairperson of the General Meeting

The General Meeting shall be chaired by the Chairperson of the Board of Directors.

RETAIL APPLICATION FORM

PETROJARL ASA

Bestillingsblankett for det Offentlige Tilbudet bestillinger mellom NOK 10.000 og NOK 2.000.000

For fullstendig informasjon om det offentlige tilbudet, se vedlagte Prospectus som også inneholder et norsk sammendrag ("Prospektet")

Bestilling av Tilbudsaksjer for det Offentlige Tilbudet finner sted fra og med 19. juni 2006 til og med 29. juni 2006 kl. 1200. Korrekt utfylt bestillingsblankett må være mottatt per post eller faks av:

ABG Sundal Collier Norge ASA
Munkedamsveien 45D, Postboks 1444 Vika, 0115 Oslo
Telefon: 22 01 60 00, Telefaks: 22 01 60 62

Carnegie ASA
Postboks 684 Sentrum, 0106 Oslo
Telefon: 22 00 93 00, Telefaks: 22 00 99 60

innen kl. 12.00 29. juni 2006. Den som bestiller Tilbudsaksjer har risikoen ved eventuell forsinkelse i postgang eller utilgjengelige fakslinjer. Tilretteleggerne står fritt til å akseptere eller forkaste for sent ankomne, mangelfulle eller feilaktig utfylte blanketter. PGS og Tilretteleggerne forbeholder seg retten til å forlenge Tilbudsperioden når som helst. Enhver slik endring av Tilbudsperioden vil bli offentliggjort gjennom Oslo Børs sitt meldingssystem på eller før 29. juni 2006 klokken 09.00. En forlengelse vil bare gjøres en gang, og bare inntil 6. juli 2006. Dersom Tilbudsperioden forlenges, vil dato for signering av Aksjekjøpsavtalen, allokeringstidspunktet, første handelsdag, betalingsfristen og dato for levering av aksjene bli tilsvarende forlenget. Alle tegninger vil være bindende etter at korrekt utfylt Bestillingsblankett er mottatt av ABG Sundal Collier Norge ASA, uavhengig av en eventuell forlengelse av regningsperioden.

PRIS

Pris pr Tilbudsaksje er ennå ikke fastsatt, jf "Tilbudsprisen" og "The Offering" i Prospektet. Pris pr Tilbudsaksje i det offentlige tilbudet forventes å bli mellom NOK 37 og NOK 47, men prisen kan også bli høyere eller lavere. Prisintervallet er fastsatt av styret i PGS i samråd med Tilretteleggerne. Bestillingen kan gjøres betinget av at pris pr Tilbudsaksje ikke fastsettes over prisintervallet. Dette må uttrykkelig angis i et eget felt nedenfor. Dersom bestillingen er betinget av dette, og den endelige prisen blir høyere enn prisintervallet forkastes bestillingen uten varsel. Dersom ingen slik betingelse er angitt, anses bestillingen bindende uansett endelig pris. Den endelige prisen på aksjen vil bli fastsatt etter utløpet av bestillingsperioden den 29. juni 2006 etter en bindende budgivningsprosess blant institusjonelle investorer med bestillinger over NOK 2 million ("bookbuilding"). Den endelige prisen baseres på etterspørsel på ulike prisnivåer, og vil ta utgangspunkt i prisintervallet beskrevet ovenfor.

BESTILLINGSNIVÅ

Bestilling i det offentlige tilbudet skjer i beløp, ikke i antall Tilbudsaksjer. Minimum bestillingsbeløp er NOK 10.000, mens maksimum bestillingsbeløp er NOK 2 millioner. Det vil ikke bli foretatt tildeling av Tilbudsaksjer som utgjør mindre enn en børspost. Antallet Tilbudsaksjer som utgjør en børspost vil bli fastsatt av Oslo Børs basert på prisen som fastsettes per aksje og vil trolig utgjøre 200 Tilbudsaksjer. En børspost kan således utgjøre mer eller mindre enn NOK 10.000. Bestillinger på beløp mellom NOK 10.000 og den endelige verdien av en børspost vil i dette tilfellet bli ansett som en bestilling på verdien av en børspost (men kun opp til NOK 15.000) med mindre noe annet er påført blanketten nedenfor. Bestilling for beløp som representerer mindre enn en børspost vil bli forkastet uten varsel. Dersom det bestilles Tilbudsaksjer for et høyere beløp enn NOK 2 millioner i det offentlige tilbudet, vil dette bli ansett som en bestilling på NOK 2 millioner. Dersom man ønsker å bestille for høyere beløp enn NOK 2 millioner må dette skje gjennom den institusjonelle plasseringen.

TILDELING

Endelig tildeling av Tilbudsaksjer vil bli foretatt av styret i PGS i samarbeid med Tilretteleggerne i henhold til tildelingskriterier beskrevet i "Allokeringmekanisme" og "Mechanism of Allocation" i Prospektet.

BETALING AV TILDELTE TILBUDSAKSJER

Ved bestilling av Tilbudsaksjer gir den enkelte bestiller ABG Sundal Collier Norge ASA en engangsfullmakt til å belaste en oppgitt norsk bankkonto ved betaling for de tildelte Tilbudsaksjene. Tegnere som ikke har en norsk bankkonto må kontakte Tilretteleggerne før innsendelse av Bestillingsblanketten og i tilstrekkelig tid før utløp av Tilbudsperioden, slik at betaling kan gjennomføres. Det må være dekning for hele beløpet på den oppgitte bankkonto senest fra og med 3. juli. 2006 Dersom det ikke kan belastes på forfallsdato, forbeholder tilretteleggerne seg retten til å annullere bestillingen eller selge de tildelte aksjene for bestillerens regning og risiko i henhold til norsk lov. Av for sent innbetalt beløp svares morarente etter morarenteloven av 17. desember 1976 nr 100, som per dato for Prospektet er 9,25% p.a. ABG Sundal Collier Norge ASA forbeholder seg retten til å forsøke å belaste kontoen tre ganger frem til 18. juli 2006 dersom det ikke er tilstrekkelig dekning på kontoen på forfallstidspunktet. Betales ikke aksjene ved forfall (dvs. 4. juli 2006) vil de allokerte aksjene ikke bli levert til bestilleren, og ABG Sundal Collier Norge ASA forbeholder seg retten til å beslutte, for tegnerens regning og risiko, å heve bestillingen og re-allokere eller selge aksjene på annen måte, på slike vilkår som ABG Sundal Collier Norge ASA beslutter i samsvar med norsk lov. Den opprinnelige bestilleren vil fortsatt være ansvarlig for betaling av Tilbudsprisen, med tillegg av eventuell forsikelsesrente og kostnader pådratt av Tilretteleggerne i forbindelse med fullbyrdelse av beløpet i samsvar med norsk lov.

BESTILLING AV TILBUDSAKSJER OG FULLMAKT TIL Å BELASTE BESTILLERENS BANKKONTO

Jeg/vi er kjent med innholdet i Prospektet og bestiller med dette ugjenkallelig Tilbudsaksjer for slikt beløp som fremgår nedenfor i samsvar med de betingelser som fremgår av Prospektet og denne Bestillingsblanketten, og gir med dette også ABG Sundal Collier Norge ASA fullmakt til å belaste min bankkonto som fremgår nedenfor for et beløp som tilsvarer Tilbudsaksjene tildelt meg/oss.

SPEKIFIKASJON AV BESTILLINGEN – Ansatte i Petrojarl ASA skal bruke en egen bestillingsblankett

Bestillers VPS-kontonr. *)	Jeg/vi bestiller Tilbudsaksjer for totalt NOK (minimum NOK 10.000 – maksimum NOK 2 million)
	NOK:
Valgfritt: Jeg/vi ønsker kun å bli tildelt Tilbudsaksjer hvis prisen blir fastsatt innenfor eller lavere enn det indikerte kursintervallet (kryss her hvis JA): <input type="checkbox"/>	
Valgfritt: Jeg/vi ønsker ikke at min bestilling skal justeres opp til verdien av en børspost dersom denne verdien blir høyere enn NOK 10.000 (kryss her hvis JA): <input type="checkbox"/>	

Fullmakt til å belaste konto (MÅ FYLLES UT):

Jeg/vi gir med dette ABG Sundal Collier Norge ASA en ugjenkallelig engangsfullmakt til å belaste min/vår norske bankkonto for vederlaget for de tildelte Tilbudsaksjer	(Bankkonto – 11 siffer)
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I henhold til de betingelser som fremgår ovenfor og av Prospektet, bestilles herved ugjenkallelig Tilbudsaksjer som angitt ovenfor. Det gis samtidig ugjenkallelig fullmakt til å belaste min/vår oppgitte bankkonto.

Bestillingssted og dato
Må være datert i bestillingsperioden

Forpliktende underskrift.
Når det undertegnes i henhold til fullmakt skal dokumentasjon i form av firmaattest eller fullmakt vedlegges. Foresatte må signere for umyndige.

INFORMASJON OM BESTILLEREN

Bestillerens VPS-kontonr. *)
Bestillerens fornavn
Bestillerens etternavn/firma e.l.
Gateadresse e.l. (for private: Boligadresse)
Postnummer og poststed
Fødselsnummer (11 sifre)/Org. nummer MÅ FYLLES UT
Telefonnummer dagtid
Statsborgerskap
Telefon/telefaks/e-mail
(For megler: Løpenr.)

*) For å kunne bestille Tilbudsaksjer må du ha opprettet en verdipapirkonto (VPS-konto). Opprettelse av VPS-konto må under henvisning til nye forskrifter, foretas ved personlig fremmøte medbringende legitimasjon hos en kundefører som kan være en bank eller et autorisert fondsmeglerforetak.

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EMPLOYEE APPLICATION FORM

PETROJARL ASA

Bestillingsblankett for Ansatte

For fullstendig informasjon om Tilbudet til de Ansatte, se vedlagte Prospectus som også inneholder et norsk sammendrag ("Prospektet")

Bestilling av Tilbudsaksjer for ansatte finner sted fra og med 19. juni 2006 til og med 29. juni 2006 kl. 1200. Korrekt utfylt bestillingsblankett må være mottatt per post eller faks av:

ABG Sundal Collier Norge ASA
Munkedamsveien 45D, Postboks 1444 Vika, 0115 Oslo
Telefon: 22 01 60 00, Telefaks: 22 01 60 62

innen kl. 12.00 29. juni 2006. Den som bestiller Tilbudsaksjer har risikoen ved eventuell forsinkelse i postgang eller utilgjengelige fakslinjer. Tilretteleggerne står fritt til å akseptere eller forkaste for sent ankomne, mangelfulle eller feilaktig utfylte blanketter. PGS og Tilretteleggerne forbeholder seg retten til å forlenge Tilbudsperioden når som helst. Enhver slik endring av Tilbudsperioden vil bli offentliggjort gjennom Oslo Børs sitt meldingssystem på eller før 29. juni 2006 klokken 09.00. En forlengelse vil bare gjøres en gang, og bare inntil 6. juli 2006. Dersom Tilbudsperioden forlenges, vil dato for signering av Aksjekjøpsavtalen, allokeringsdatoen, første handelsdag, betalingsfristen og dato for levering av aksjene bli tilsvarende forlenget. Alle tegninger vil være bindende etter at korrekt utfylt Bestillingsblankett er mottatt av ABG Sundal Collier Norge ASA, uavhengig av en eventuell forlengelse av tagningsperioden.

PRIS

Pris pr Tilbudsaksje er ennå ikke fastsatt, jf "Tilbudsprisen" og "The Offering" i Prospektet. Pris pr Tilbudsaksje i det offentlige tilbudet forventes å bli mellom NOK 37 og NOK 47, men prisen kan også bli høyere eller lavere. Prisintervall er fastsatt av styret i PGS i samråd med Tilretteleggerne. Bestillingen kan gjøres betinget av at pris pr Tilbudsaksje ikke fastsettes over prisintervallet. Dette må uttrykkelig angis i et eget felt nedenfor. Dersom bestillingen er betinget av dette, og den endelige prisen blir høyere enn prisintervallet forkastes bestillingen uten varsel. Dersom ingen slik betingelse er angitt, anses bestillingen bindende uansett endelig pris. Den endelige prisen på aksjen vil bli fastsatt etter utløp av bestillingsperioden den 29. juni 2006 etter en bindende budgivningsprosess blant institusjonelle investorer med bestillinger over NOK 2 million ("bookbuilding"). Den endelige prisen baseres på etterspørsel på ulike prisnivåer, og vil ta utgangspunkt i prisintervallet beskrevet ovenfor. Ansatte i Norge og Storbritannia vil få en rabatt på 20% av Tilbudsprisen begrenset oppad til NOK 1.500 per ansatt.

BESTILLINGSNIVÅ

Bestilling i det offentlige tilbudet skjer i beløp, ikke i antall Tilbudsaksjer. Minimum bestillingsbeløp er NOK 10.000, mens maksimum bestillingsbeløp er NOK 2 millioner. Det vil ikke bli foretatt tildeling av Tilbudsaksjer som utgjør mindre enn en børspost. Antallet Tilbudsaksjer som utgjør en børspost vil bli fastsatt av Oslo Børs basert på prisen som fastsettes per aksje og vil trolig utgjøre 200 Tilbudsaksjer. En børspost kan således utgjøre mer eller mindre enn NOK 10.000. Bestillinger på beløp mellom NOK 10.000 og den endelige verdien av en børspost vil i dette tilfellet bli ansett som en bestilling på verdien av en børspost (men kun opp til NOK 15.000) med mindre noe annet er påført blanketten nedenfor. Bestilling for beløp som representerer mindre enn en børspost vil bli forkastet uten varsel. Dersom det bestilles Tilbudsaksjer for et høyere beløp enn NOK 2 millioner i det offentlige tilbudet, vil dette bli ansett som en bestilling på NOK 2 millioner. Dersom man ønsker å bestille for høyere beløp enn NOK 2 millioner må dette skje gjennom den institusjonelle plasseringen.

TILDELING

Endelig tildeling av Tilbudsaksjer vil bli foretatt av styret i PGS i samarbeid med Tilretteleggerne i henhold til tildelingskriterier beskrevet i "Allokeringmekanisme" og "Mechanism of Allocation" i Prospektet.

BETALING AV TILDELTE TILBUDSAKSJER

Ved bestilling av Tilbudsaksjer gir den enkelte bestiller ABG Sundal Collier Norge ASA en engangsfullmakt til å belaste en oppgitt norsk bankkonto ved betaling for de tildelte aksjene. Tegnere som ikke har en norsk bankkonto må kontakte Tilretteleggerne for innsendelse av Bestillingsblanketten og i tilstrekkelig tid før utløp av Tilbudsperioden, slik at betaling kan gjennomføres. Det må være dekning for hele beløpet på den oppgitte bankkonto senest fra og med 3. juli 2006. Dersom det ikke kan belastes på forfallsdato, forbeholder tilretteleggerne seg retten til å annullere bestillingen eller selge de tildelte aksjene for bestillerens regning og risiko i henhold til norsk lov. Av for sent innbetalt beløp svares morarente etter morarenteloven av 17. desember 1976 nr 100 som per dato for Prospektet er 9,25% p.a. ABG Sundal Collier Norge ASA forbeholder seg retten til å forsøke å belaste kontoen tre ganger frem til 18. juli 2006 dersom det ikke er tilstrekkelig dekning på kontoen på forfallstidspunktet. Betales ikke aksjene ved forfall (dvs. 4. juli 2006) vil de allokerte aksjene ikke bli levert til bestilleren, og ABG Sundal Collier Norge ASA forbeholder seg retten til å beslutte, for tegnerens regning og risiko, å heve bestillingen og re-allokere eller selge aksjene på annen måte, på slike vilkår som ABG Sundal Collier Norge ASA beslutter i samsvar med norsk lov. Den opprinnelige bestilleren vil fortsatt være ansvarlig for betaling av Tilbudsprisen, med tillegg av eventuell forskningsrente og kostnader pådratt av Tilretteleggerne i forbindelse med fullbyrdelse av beløpet i samsvar med norsk lov.

BESTILLING AV TILBUDSAKSJER OG FULLMAKT TIL Å BELASTE BESTILLERENS BANKKONTO

Jeg/vi er kjent med innholdet i Prospektet og bestiller med dette ugjenkallelig Tilbudsaksjer for slikt beløp som fremgår nedenfor i samsvar med de betingelser som fremgår av Prospektet og denne Bestillingsblanketten, og gir med dette også ABG Sundal Collier Norge ASA fullmakt til å belaste min bankkonto som fremgår nedenfor for et beløp som tilsvarer Tilbudsaksjene tildelt meg/oss.

SPESIFIKASJON AV BESTILLINGEN

Bestillers VPS-kontnr. *)	Jeg/vi bestiller Tilbudsaksjer for totalt NOK (minimum NOK 10.000 – maksimum NOK 2 million)
	NOK:
Valgfritt: Jeg/vi ønsker kun å bli tildelt Tilbudsaksjer hvis prisen blir fastsatt innenfor eller lavere enn det indikerte kursintervallet (kryss her hvis JA): <input type="checkbox"/>	
Valgfritt: Jeg/vi ønsker ikke at min bestilling skal justeres opp til verdien av en børspost dersom denne verdien blir høyere enn NOK 10.000 (kryss her hvis JA): <input type="checkbox"/>	

Fullmakt til å belaste konto (MÅ FYLLES UT):

Jeg/vi gir med dette ABG Sundal Collier Norge ASA en ugjenkallelig engangsfullmakt til å belaste min/vår norske bankkonto for vederlaget for de tildelte Tilbudsaksjer	(Bankkonto – 11 siffer)
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I henhold til de betingelser som fremgår ovenfor og av Prospektet, bestilles herved ugjenkallelig Tilbudsaksjer som angitt ovenfor. Det gis samtidig ugjenkallelig fullmakt til å belaste min/vår oppgitte bankkonto.

Bestillingssted og dato
Må være datert i bestillingsperioden

Forpliktende underskrift.
Når det undertegnes i henhold til fullmakt skal dokumentasjon i form av firmaattest eller fullmakt vedlegges. Foresatte må signere for umyndige.

INFORMASJON OM BESTILLEREN

Bestillerens VPS-kontnr. *)
Bestillerens fornavn
Bestillerens etternavn/firma e.l.
Gateadresse e.l. (for private: Boligadresse)
Postnummer og poststed
Fødselsnummer (11 siffer)/Org. nummer MÅ FYLLES UT
Telefonnummer dagtid
Statsborgerskap
Telefon/telefaks/e-mail
(For megler: Løpenr.)

*) For å kunne bestille Tilbudsaksjer må du ha opprettet en verdipapirkonto (VPS-konto). Opprettelse av VPS-konto må under henvisning til nye forskrifter, foretas ved personlig fremmøte medbringende legitimasjon hos en kontofører som kan være en bank eller et autorisert fondsmeglerforetak.

PETROJARL ASA**Application Form Employee Offering**

Detailed information for the Global Offering can be found in the attached Prospectus
Applications for Offer Shares in the Employee Offering will take place from June 19, 2006 to 12:00 CET on June 29, 2006.
Completed application forms for Norwegian employees must be received by:

ABG Sundal Collier Norge ASA
Munkedamsveien 45D, P.O. Box 1444 Vika, N-0115 Oslo
Telephone: +47 22 01 60 00, Facsimile: +47 22 01 60 62

Completed application forms for U.K. employees must be received by:

ABG Sundal Collier Limited
St. Martin's Court, 10 Paternoster Row, London EC4M 7EJ
Telephone: +44 207 905 5600, Facsimile: +44 207 905 5601

In each instance, application forms must be received no later than 12:00 CET on June 29, 2006. Applicants bear the risk of any delays or unavailability of fax lines. Application Forms that are incomplete or incorrectly completed or that are received after the expiry of the Application Period may be disregarded without further notice to the applicant. PGS, together with the Managers, reserve the right to extend the Application Period at any time. Any such extension of the Retail Application Period will be announced through the OSE on or before 09:00 hours (Norwegian time) on June 29, 2006. An extension will only be made once, and for no longer than until 12:00 hours (Norwegian time) on July 6, 2006. In the event of extension, the allocation date, the date on which the Purchase Agreement is executed, the first trading date, the payment date and the date of delivery of Offer Shares will be extended correspondingly. All applications made will be irrevocable and binding upon receipt of a duly completed Application Form by the Application Office, irrespective of any extension of the Application Period.

PRICE

The price per Offer Share has not yet been decided; see section "The Offering" in the Prospectus. The price per Offer Share in the offering is expected to be in the range from NOK 37 to NOK 47 but the final price may be higher or lower than this. The price range has been determined by the Board of PGS in consultation with the Managers. The final price will be determined after the expiry of the application period for the Institutional Offering on 29 June 2006, following a binding tender process among investors making applications in excess of NOK 2 million ("bookbuilding"). The final price will be based on the level of demand at different price levels, based upon the indicative price range described above. Norwegian and United Kingdom employees will receive a discount equal to the lesser of NOK 1,500 per employee and 20% on the aggregate Offer Price.

ORDERS

Applications in the Offering are made in sums and not number of Offer Shares. The lower limit per application is NOK 10,000, and the upper limit per application is NOK 2,000,000 for each investor. There will be no allocations of Shares constituting less than one round lot, a figure that will be determined by the OSE on the basis of the final Offer Price and is likely to constitute 200 Offer Shares. Consequently, one round lot may represent a higher amount than NOK 10,000. An application for Shares in the Retail Offering representing between NOK 10,000 and the final value of one round lot will be treated as an application for one round lot, even though this can represent an amount greater than NOK 10,000 (but only up to NOK 15,000). Orders for amounts representing less than one lot will be cancelled without further notice. Orders in excess of NOK 2,000,000 in the Retail Offering, will be deemed as orders of NOK 2,000,000. Orders in excess of NOK 2,000,000 must be made through the Institutional Offering.

ALLOTMENT

PGS will determine the allocation of Offer Shares after consultation with the Managers pursuant to the method of allocation as described in Mechanism of Allocation, in the Offering Memorandum.

PAYMENT FOR ALLOTTED OFFER SHARES

By completing this application form, each applicant authorizes ABG Sundal Collier Norge ASA to debit the applicant's Norwegian or U.K. bank account, as the case may be, for the total amount due for shares allocated to the applicant. The applicant's account number must be stated below. Applicants that do not have a Norwegian or U.K. bank account, as the case may be, must contact the applicable application office prior to submitting the Application Form and in sufficient time prior to the end of the Management Application Period to arrange payment. Accounts will be debited on or about July 4, 2006, and there must be sufficient funds in the stated bank account from and including July 3, 2006. Should any applicant have insufficient funds in its account or should payment be delayed for any reason, or if it is not possible to debit the account, penalty interest at a rate equal to the prevailing interest rate under the Norwegian Act on Interest on Overdue Payments of December 17, 1976 No. 100, which at the date of the Prospectus is 9.25 per cent per annum, will be payable on the amount due. ABG Sundal Collier Norge ASA reserves the right to make up to three debits through July 18, 2006 if there are insufficient funds in the account on the debiting date. Should payment not be made when due (i.e. on July 4, 2006), the shares allocated will not be delivered physically to the applicant, and ABG Sundal Collier Norge ASA reserves the right, at the risk and cost of the applicant, to cancel the application and to re-allocate or otherwise dispose of the allocated shares, on such terms and in such manner as ABG Sundal Collier Norge ASA may decide in accordance with Norwegian law. The original applicant will remain liable for payment of the Offering Price, together with any interest, costs, charges and expenses accrued and the Managers may enforce payment for any such amount outstanding in accordance with Norwegian law.

APPLICATION FOR SHARES AND AUTHORIZATION TO DEBIT THE APPLICANT'S BANK ACCOUNT:

I/we, being familiar with the contents of the Prospectus, hereby irrevocably apply for Offer Shares in such amount set out below in accordance with the terms set out in the Prospectus and this Application Form, and hereby also authorize ABG Sundal Collier Norge ASA to debit my/our bank account as set out below for the amount corresponding to the Offer Shares allotted to me/us.

SPECIFICATION OF THE APPLICATION

Applicant VPS account (12 digits):*	I/we apply for Offer Shares for a total of NOK (Minimum NOK 10,000 and maximum NOK 2 million):
	NOK:
Optional: I/we wish to only be allocated Offer Shares if the price will be set within the indicated price range (check off here if YES): <input type="checkbox"/> Optional: I/we do not wish that my/our application shall be adjusted upwards if the value of one round lot exceeds NOK 10,000 (check off here if YES): <input type="checkbox"/>	

Authorization to debit bank account THIS FIELD MUST BE COMPLETED

I/we hereby irrevocably authorize ABG Sundal Collier Norge ASA to debit my/our bank account for the total amount of the Petrojarl Shares allocated to me/us	(Bank account – 11 digit)
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I hereby irrevocably apply for Offer Shares as specified above subject to the terms and conditions set out above and contained in the Prospectus, and hereby also authorize ABG Sundal Collier to debit my/our bank account as set out above for the amount of the Offer Shares allotted to me/us.

Date and place
Must be dated during the application period

Binding signature
If the application form is signed by a proxy, documentary evidence of authority to sign must be attached in the form of a Power of Attorney or Company Registration Certificate

DETAILS OF THE APPLICANT

First name
Surname / Company name
Home address (for company: Business address)
ZIP code and town
Identity number (11 digits) THIS FIELD MUST BE COMPLETED
Telephone number (daytime)
Nationality
Telephone/fax/e-mail

*) To be able to apply for Offer Shares, you must have opened a Norwegian electronic securities register (VPS) account. It is a Norwegian statutory requirement that application must be made in person bringing identification papers and must be made to an authorized Norwegian brokerage firm.

MANAGEMENT APPLICATION FORM

PETROJARL ASA

Application Form Management Offering

Detailed information for the Global Offering can be found in the attached Prospectus

Applications for Offer Shares will take place from 09:00 CET June 19, 2006 to 17:00 CET on June 19, 2006. Completed application forms must be received by:

ABG Sundal Collier Norge ASA

Munkedamsveien 45D, P.O. Box 1444 Vika, N-0115 Oslo

Telephone: +47 22 01 60 60, Facsimile: +47 22 01 60 62

no later than 17:00 CET on June 19, 2006. Applicants bear the risk of any delays or unavailability of fax lines. Application Forms that are incomplete or incorrectly completed or that are received after the expiry of the Application Period may be disregarded without further notice to the applicant. All applications made in the Management Offering will be irrevocable and binding upon receipt of a duly completed Application Form by the Application Office.

PRICE

The price per Offer Share has not yet been decided; see section "The Offering" in the Prospectus. The price per Offer Share in the offering is expected to be in the range from NOK 37 to NOK 47, but the final price may be higher or lower than this. The price range has been determined by the Board of PGS in consultation with the Managers. The final price will be determined after the expiry of the application period for the Institutional Offering on 29 June 2006, following a binding tender process among investors making applications in excess of NOK 2 million ("bookbuilding"). The final price will be based on the level of demand at different price levels, based upon the indicative price range described above.

ORDERS

Applications in the Management Offering are made in sums and not number of Offer Shares. The lower limit per application is NOK 10,000, and the upper limit per application is NOK 2,000,000 for each investor. There will be no allocations of Offer Shares constituting less than one round lot, a figure that will be determined by the OSE on the basis of the final Offer Price and is likely to constitute 200 Offer Shares. Consequently, one round lot may represent a higher amount than NOK 10,000. An application for Shares in the Management Offering representing between NOK 10,000 and the final value of one round lot will be treated as an application for one round lot, even though this can represent an amount greater than NOK 10,000 (but only up to NOK 15,000). Orders for amounts representing less than one lot will be cancelled without further notice. Orders in excess of NOK 2,000,000 in the Management Offering, will be deemed as orders of NOK 2,000,000. Orders in excess of NOK 2,000,000 must be made through the Institutional Offering.

ALLOTMENT

PGS will determine the allocation of Offer Shares after consultation with the Managers pursuant to the method of allocation as described in Mechanism of Allocation, in the Prospectus.

PAYMENT FOR ALLOTTED SHARES

By completing this application form, each applicant authorizes ABG Sundal Collier Norge ASA to debit the applicant's Norwegian bank account for the total amount due for Offer Shares allocated to the applicant. The applicant's account number must be stated below. Applicants that do not have a Norwegian bank account must contact the application office prior to submitting the Application Form and in sufficient time prior to the end of the Management Application Period to arrange payment. Accounts will be debited on or about July 4, 2006, and there must be sufficient funds in the stated bank account from and including July 3, 2006. Should any applicant have insufficient funds in its account or should payment be delayed for any reason, or if it is not possible to debit the account, penalty interest at a rate equal to the prevailing interest rate under the Norwegian Act on Interest on Overdue Payments of December 17, 1976 No. 100, which at the date of the Prospectus is 9.25 per cent per annum, will be payable on the amount due. ABG Sundal Collier Norge ASA reserves the right to make up to three debits through July 18, 2006 if there are insufficient funds in the account on the debiting date. Should payment not be made when due (i.e. on July 4, 2006), the shares allocated will not be delivered physically to the applicant, and ABG Sundal Collier Norge ASA reserves the right, at the risk and cost of the applicant, to cancel the application and to re-allocate or otherwise dispose of the allocated shares, on such terms and in such manner as ABG Sundal Collier Norge ASA may decide in accordance with Norwegian law. The original applicant will remain liable for payment of the Offering Price, together with any interest, costs, charges and expenses accrued and the Managers may enforce payment for any such amount outstanding in accordance with Norwegian law.

LOCK UP

Applicants in the Management Offering confirms by signing of this application form that they will be subject to a lock up agreement for the Offer Shares they are allotted for a period of 6 months from allotment for the Offer Shares. In this period, Offer Shares cannot be transferred, pledged, or otherwise be tied up without a written prior approval from the Managers.

APPLICATION FOR SHARES AND AUTHORIZATION TO DEBIT THE APPLICANT'S BANK ACCOUNT:

I/we, being familiar with the contents of the Prospectus, hereby irrevocably apply for Offer Shares in such amount set out below in accordance with the terms set out in the Prospectus and this Application Form, and hereby also authorize ABG Sundal Collier Norge ASA to debit my/our bank account as set out below for the amount corresponding to the Offer Shares allotted to me/us.

SPECIFICATION OF THE APPLICATION

Applicant VPS account (12 digits)*	I /we apply for Offer Shares for a total of NOK (Minimum NOK 10,000 and maximum NOK 2 million): NOK:
Optional: I/we wish to only be allocated Offer Shares if the price will be set within the indicated price range (check off here if YES): <input type="checkbox"/>	
Optional: I/we do not wish that my/our application shall be adjusted upwards if the value of one round lot exceeds NOK 10.000 (check off here if YES): <input type="checkbox"/>	

Authorization to debit bank account THIS FIELD MUST BE COMPLETED

I/we hereby irrevocably authorize ABG Sundal Collier Norge ASA to debit my/our bank account for the total amount of the Offer Shares allocated to me/us" _____ (Bank account – 11 digit)

I/we hereby irrevocably apply for Offer Shares as specified above subject to the terms and conditions set out above and contained in the Prospectus, and hereby also authorize ABG Sundal Collier Norge ASA to debit my/our bank account as set out above for the amount of the Offer Shares allotted to me/us.

Date and place
Must be dated during the application period

Binding signature
If the application form is signed by a proxy, documentary evidence of authority to sign must be attached in the form of a Power of Attorney or Company Registration Certificate

DETAILS OF THE APPLICANT

First name
Surname / Company name
Home address (for company: Business address)
ZIP code and town
Identity number /Company number (11 digits) THIS FIELD MUST BE COMPLETED
Telephone number (daytime)
Nationality
Telephone/fax/e-mail

*) To be able to apply for Offer Shares, you must have opened a Norwegian electronic securities register (VPS) account. It is a Norwegian statutory requirement that application must be made in person bringing identification papers and must be made to an authorized Norwegian brokerage firm.

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Petrojarl ASA