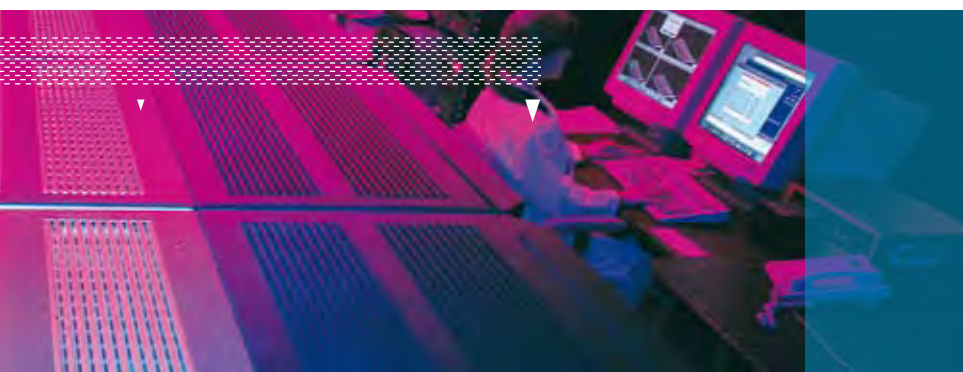




Petroleum Geo-Service ASA



PGS ANNUAL REVIEW 2008

A Clearer Image

2009 DEVELOPMENTS January through March 2009

- In early March 2009, PGS received formal notification by Factorias Vulcano, the shipyard building the Arrow new-builds, that it intends to deliver hull number 532 to satisfy the shipbuilding contract specified for hull number 533.
- In mid-March, PGS announced a co-operation agreement with TGS Nopec to combine PGS DeSoto Canyon survey with TGS Hernando survey in the Gulf of Mexico.
- Late March 2009, WesternGeco canceled the charter party for hull number 532 based on information received and Arrow notified the yard that it cancels the shipbuilding contract for new-build 532.
- By the end of March, the yard sends a notice of "commencement of arbitration," disputing Arrow's right to terminate the shipbuilding contract for new-build 532.
- Jens Ulltveit-Moe has notified the PGS Nomination Committee and Board of Directors that he intends to step down as Chairperson of the Board of PGS.

FINANCIAL CALENDAR 2009

- Q1 2009 Earnings Release
May 12, 2009
- Annual General Meeting
May 14, 2009
- Q2 2009 Earnings Release
July 23, 2009
- Q3 2009 Earnings Release
Oct 27, 2009

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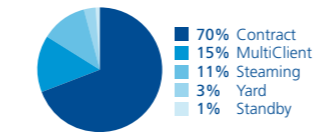
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MARINE

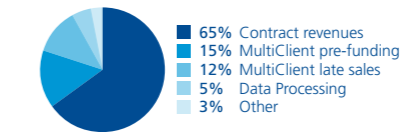
Key figures (in USD million)	2008	2007	2006
Revenues	1 638.8	1 273.8	1 044.5
Adjusted EBITDA	940.0	755.2	575.3
Operating profit	695.0 *	526.5	357.2
Total assets	2 597.9	2 460.9	1 138.1
Head count	1 991	1 593	1 381

* Including impairments of USD 62.0 million.

Vessel utilization 2008 In percent of total streamer months



Marine revenues 2008 Split of total revenues in percent



DATA PROCESSING AND TECHNOLOGY

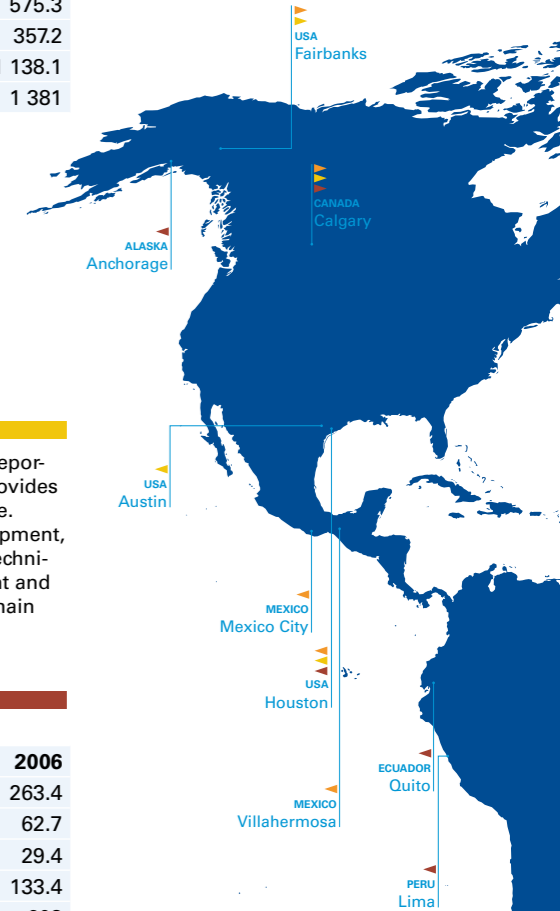
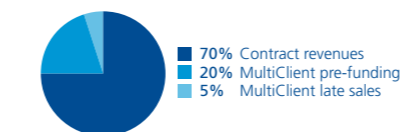
Data Processing & Technology is managed as a separate organization, but its financials are reported as a part of Marine. Within the business unit, there are 4 sub-groups. Data Processing provides full seismic data processing services to the global exploration and production customer base. Geoscience & Engineering is the R&D activity within the Company supporting image development, processing, streamer and EM research. Reservoir Services is a leading team of subsurface technical and commercial interpretation experts providing skills that are integral to PGS MultiClient and MegaSurveys. Commercialization & New Ventures is strengthening PGS' innovation value chain from idea to generation of commercial launch.

ONSHORE

Key figures (in USD million)	2008	2007	2006
Revenues	273.1	246.4	263.4
Adjusted EBITDA	74.2	79.2	62.7
Operating profit	11.8	11.3	29.4
Total assets	234.4	161.7	133.4
Onshore employees	714	731	608
Onshore temporary employees *	2 223	644	981

* Onshore temporary employees include crew hired on specific time periods (generally the length of a specific project). The large growth in 2008 relates mainly to Mexico and Peru, which accounts for 1 592 out of the total 2 223 temporary employees at December 31, 2008.

Onshore revenues 2008 Split of total revenues in percent



HIGHLIGHTS 2008

- Strong full-year operating cash flow of USD 914.6 million, an increase of 27% from the previous record set in 2007 and an EBITDA of USD 967.8 million, up 21% from 2007.
- Marine seismic contract operating profit margin of 49%, the highest ever recorded for PGS.
- High total pre-funding levels (105% of capitalized MultiClient investments, excluding capitalized interest).
- Strong total MultiClient late sales of USD 202.5 million.
- Delivery of *Ramform Victory* to the Japanese Ministry of Economy, Trade and Industry (METI), after the agreement was finalized in 2007. On delivery PGS recorded a gain of USD 71.6 million and the Company will continue to provide licenses as well as operational services and support under a long-term agreement.



KEY FINANCIAL FIGURES

In USD million	2008	2007	2006
Revenues	1 917.5	1 519.9	1 308.4
Adjusted EBITDA	967.8	800.8	614.3
Operating profit	542.7 *	494.5	359.5
Net income	417.4	470.0	394.7
EPS	2.37	2.65	2.19
Cash flow from operations	914.6	722.8	627.2
Capital expenditures	(450.6)	(260.4)	(164.2)
MultiClient investments	(290.0)	(282.8)	(119.2)
Total assets	3 064.8	2 875.0	1 369.3
MultiClient library	294.6	173.9	92.8
Cash and cash equivalent	95.2	145.3	124.0
Shareholders equity	1 145.7	740.7	603.7
Net interest bearing debt	1 135.6	1 172.7	195.5

* Including impairments of USD 161.1 million

NON FINANCIAL FIGURES

	2008	2007	2006
Head count	5 206 *	3 223	3 168
Lost Time Incident Frequency (LTIF)	0.63	0.65	0.31
Total Recordable Case Frequency (TRCF)	1.94	2.55	2.34

* In Onshore there are a lot of temporary employees (generally the length of a specific project). The large growth in 2008 relates mainly to Mexico and Peru, which accounts for 1 592 out of the total 2 223 temporary employees at December 31, 2008. Temporary onshore employees in 2007 and 2006 were 644 and 981 respectively.

- ▶ Appointment of a new Chief Executive Officer. Jon Erik Reinhardsen started in the position on April 1, 2008.
- ▶ Listing of the USD 400 million convertible notes due 2012 on the Oslo Stock Exchange. The notes were used to secure permanent financing of the Arrow acquisition in November 2007 at favorable terms, while increasing financial flexibility.
- ▶ Delivery of the new *Ramform Sovereign* in March. The vessel's performance has been excellent and has set several industry records. *Ramform Sovereign* contributes towards improving productivity, efficiency and flexibility of the PGS fleet even further.
- ▶ Award of several large contracts, for both Marine and Onshore segments.
- ▶ Debt repayments of \$133.1 million, net.

- ▶ Experienced a weaker market for electromagnetic surveying and recognized an impairment charge of USD 99.1 million relating to MTEM which was acquired in 2007.
- ▶ Delays on Arrow new-build program in Spain. Impairment charge of USD 59.9 million is primarily related to the vessels *Polar Sea* and *Southern Explorer*.
- ▶ Qualified for the Norwegian tonnage tax (NTT) regime. The 2009 Norwegian state budget included amendments required for our subsidiaries owning vessels to qualify. Annual tax savings are expected to be USD 30-40 million.
- ▶ Commercialization of the proprietary GeoStreamer® technology by acquiring approximately 30,000 line kilometers of 2D data worldwide with excellent productivity and data quality.

- ▶ GeoStreamer® installation on *Atlantic Explorer*. The first 3D vessel to be equipped with GeoStreamer® commenced a MultiClient GeoStreamer® survey in DeSoto Canyon in the Gulf of Mexico late 2008.
- ▶ Processing of Crystal II Wide Azimuth survey finalized with excellent results. The data was ready for the Central Gulf of Mexico lease sale in March 2009.

Dear Fellow Shareholder

2008 was the strongest year ever in PGS' history. We saw the price of oil at record levels and exploration activity peaked.

PGS delivered great margins and ended the year with a strong order book and robust financing in place. We have the world's most productive and cost efficient fleet, competitive returns on MultiClient investments, leading edge data processing capabilities, and several unique technologies and, most importantly, a very experienced and dedicated staff known for quality of execution, flexibility and innovation. We are well positioned to meet a more challenging market.

PGS is committed to manage its business in such a way that it minimizes the risk to the health and safety of its employees. Despite a systematic approach to continuously improve our performance in HSEQ, in 2008 we experienced a tragic fatality in our 50% held joint venture in Russia, PGS Khazar. This incident was fully investigated, root cause established and action taken to prevent reoccurrence. We will work hard to reach our goal of having the best HSEQ performance in our industry. Our Lost Time Incident frequency for 2008 was 0.63 per million man hours and our Total Recordable Case Frequency was 1.94 per million man hours.

During 2008, our Marine operations increased in both revenue and operating profit. The launch of *Ramform Sovereign* in March 2008 contributed to a more efficient, automated and standardized fleet. This summer we will take delivery of another Ramform S-class, the *Ramform Sterling*. Quality of assets has been a trademark of PGS. As the size and complexity of surveys continue to increase in today's

market, the productivity of the PGS fleet becomes an even more important differentiator allowing the customers quicker access to seismic data and contributing to the profitability of the Company. Likewise our MultiClient business has once again demonstrated its industry leading return on invested capital as well as the highest pre-funding levels in the industry.

Our Onshore operations performed in line with 2007 with decreased activity in the Eastern Hemisphere being offset by higher activity levels in Latin America and North America. An important milestone for securing our position in Latin America was a large multi-year contract (approximately USD 165 million) signed with PEMEX in Mexico. Increased MultiClient investments in Onshore have proved to be a prudent strategy. Our focus on high channel counts and high density has once again delivered margins comparable to the best of our peers.

2008 represents the year we caught up and in some areas surpassed our peers in data processing capability. Following the acquisition of Applied Geophysical Services (AGS) in 2007, we spent last year rolling out the AGS Beam Migration technology to all parts of the PGS organization. This combined with other new technologies has brought PGS to a top tier position in high-end data processing imaging. In a recent PGS customer survey as many as 60% say PGS is above industry standard in data processing quality and almost 90% of clients say the Company is industry standard or above.

PGS has 3,000 staff and another 3,000 temporary employees and contractors engaged around the world. We have 45 offices, including 21 data processing centers, in 31 countries. Our employee base is truly international.

GeoStreamer® - Commercial Breakthrough

2008 represented the commercial breakthrough for PGS' new and proprietary GeoStreamer® technology. During the year PGS acquired more than 30,000 line kilometers of 2D GeoStreamer® data with excellent results. When the GeoStreamer® was launched in June 2007 it was heralded as the biggest breakthrough in streamer technology for 60 years. It is the first ever dual sensor streamer, giving better depth penetration, enhanced resolution and improved operational efficiency. The GeoStreamer® technology is unique in its ability to generate a better image beneath salt, basalt and other complex geological structures. As the world's future oil and gas reserves become increasingly more difficult to find, we expect the GeoStreamer® to play a key role in locating these valuable resources. In the fourth quarter of 2008, the GeoStreamer® was installed on the first 3D vessel and successful operations commenced before year-end.

PGS technology is among the best in the market, and in some areas unparalleled. Our marine fleet is the most efficient. We are industry leading in cost, productivity and returns from the MultiClient library and are well positioned to generate healthy cash flows even in a weak market.



«2008 was the strongest year ever in PGS' history.»

Entering 2009, PGS has an order book of more than one billion dollars, forming a strong foundation for expected revenues. Our customer base is very solid with predominantly super majors, national oil companies and larger independent oil companies as clients. The seismic market has been characterized by relatively short term contracts and order books. PGS saw its order book duration increase from an average of approximately five months in 2007 to eight months in 2008.

Outlook

Still, the year ahead represents a very different set of prospects and challenges. The low oil price has resulted in fewer bids from our customers. This, combined with added streamer capacity coming to the market, will put pressure on margins, in particular towards the fourth quarter. We are, however, well positioned to meet this market given our competitive services, leading technologies and long-term financing and we believe for the same reasons we will come strengthened out of this period relative to our competitors.

The world will need to find and put into production another six times Saudi Arabia's oil production capacity over the next 20 years to meet predicted demand, according to the IEA World Energy Outlook 2008 report. The long term prospects for our industry are great.

We are searching for oil in increasingly more complex areas, water depths, reservoir depths and geologies. The

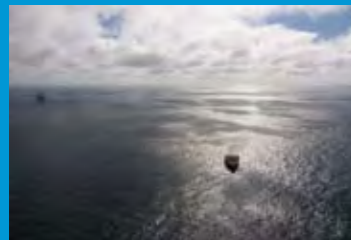
age of easy oil is over. We strongly believe this will continue to grow the demand for advanced Higher Density (HD) seismic. Our customers require more pixels in the subsurface images we produce. In addition, we have seen and continue to see a strong growth in the less cyclical production seismic, so called HD4D, where the aim is through regularly repeated surveys to improve production from producing fields. Our advanced fleet is uniquely positioned to compete and harvest good margins from both these HD markets in the years to come.

I feel confident that PGS will come out of the current challenging cycle as a stronger player, taking a larger share of the most profitable, high-end part of the market for seismic services. PGS is competitively positioned to get through a downturn, with a robust financial position, state-of-the-art fleet with a leading edge cost position, attractive and commercialized technology and a significant share of the HD market. Thanks to our strategy of building a strong order book, 2009 will be another good year for PGS.

Jon Erik Reinhardsen
Chief Executive Officer and President

Competitively Positioned

PGS is a focused and dedicated geophysical company and one of the three largest in the world. The Company operates through the business units Marine, Data Processing & Technology and Onshore.



MARINE



DATA PROCESSING AND TECHNOLOGY



ONSHORE

PGS provides a broad range of geophysical and reservoir services globally, including seismic and electromagnetic data acquisition, processing and interpretation and field evaluation. PGS operates through its three business units, Marine, Data Processing & Technology and Onshore. In the Marine segment PGS acquires and markets seismic data worldwide to oil and natural gas companies and governments. They, in turn, use the data to find hydrocarbons, to determine the size and structure of reservoirs and to help optimize the production of existing resources.

Data Processing & Technology is managed as a separate organization, but its financials are reported as a part of Marine. Within the business unit, there are 4 sub-groups. Data Processing provides full seismic data processing services to the global exploration and production customer base. Geoscience & Engineering is the R&D activity within the Company supporting image development, processing, streamer and EM research. Reservoir Services is a leading team of subsurface technical and commercial interpretation experts providing skills that are integral to PGS MultiClient and MegaSurveys. Commercialization & New Ventures is strengthening PGS' innovation value chain from idea to generation of commercial launch.

Onshore conducts seismic acquisitions on land, in shallow water and transition zones and has its own MultiClient library.

PGS History

PGS was established in 1991 with the merger of Geoteam and Nopec. The Company was listed on the Oslo Stock Exchange in 1992 and on Nasdaq in 1993. Four years later the Company transferred its American Depository Shares (ADS) to the New York Stock Exchange. Today, PGS is listed at the Oslo Stock Exchange and the ADS trades at the US Pink Sheets. During 1995 to 1999 PGS constructed and deployed 6 Ramform vessels and became one of the leading companies to develop and industrialize Marine 3D seismic worldwide.

In 1998, the Company acquired Golar-Nor, the owner of Petrojarl I

and Petrojarl Foinhaven and obtained a footprint in the floating production market. The Company later added Ramform Banff and Petrojarl Varg to its fleet. Around the turn of the century the financial situation of PGS was challenging. The sale of its subsidiary Spinnaker gave some headroom. In 2002, 70% of the Varg field in the North Sea was acquired and the exploration and production company Pertra was established in an attempt to capitalize on the favorable oil market. The Company's subsidiary Atlantis was also used to capitalize on the E&P market. Later, in 2003, PGS sold Atlantis to Sinochem. Soon after the Company filed for Chapter 11 of the US Bankruptcy Code. PGS emerged from Chapter 11 proceedings after 4 months.

In March 2005, Pertra was sold to Talisman and PGS became a dedicated oil services company. Divestments continued and in 2006 PGS demerged its floating production unit Petrojarl. PGS then became a focused geophysical company. Today, the Company has a competitive edge in its Ramform vessel fleet with proven operational capabilities, superior efficiency and leading technology. PGS holds the industry record in terms of towing and handling number of streamers. This advantage became even stronger after the Company took delivery of the new *Ramform Sovereign* in March 2008 and will increase further after delivery of *Ramform Sterling* in the summer of 2009. The two Ramform S-class vessels are the world's most advanced seismic vessels, capable of towing 22 streamers with a record wide spread of 1.3 kilometers.

PGS Key Figures

2008 was the best year in the history of PGS with revenues of approximately USD 1.9 billion. Earnings before interest, tax depreciation and amortization (EBITDA) and operating profit (EBIT), excluding impairment charges, were USD 968 million and 704 million respectively, an increase of 21% and 42% from the previous year.

PGS' head office is at Lysaker, Norway. The Company is represented in 31 countries around the world, with larger regional offices in London, Houston and Singapore. At year-end

2008 PGS had approximately 3,000 full time employees and another 3,000 temporary employees and contractors engaged around the world.

Contract and MultiClient

When the Company acquires contract seismic, the data is acquired under exclusive contractual agreements with a customer. When the Company acquires MultiClient seismic the Company itself invests in seismic surveys which are then marketed to multiple customers on a non-exclusive basis. MultiClient revenues come from customers pre-funding the surveys, as well as from the sale of data that has already been acquired and processed and is a part of the MultiClient library. The latter is referred to as late sales.



MARINE

PGS' business unit Marine acquires and markets seismic data that is used by oil and natural gas companies and governments globally. They use the data to find hydrocarbons, to determine the size and structure of reservoirs and to help optimize the production of existing resources.

PGS MARINE

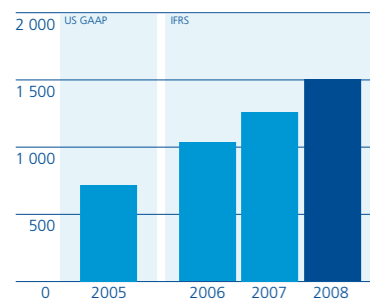
State-of-the-art Fleet
Efficiency and Productivity Leadership
MultiClient Library
GeoStreamer®



GeoStreamer® is the first dual sensor streamer providing better resolution higher penetration and improved operational efficiency. During 2008 PGS acquired 30,000 line kilometers of 2D GeoStreamer® data with excellent results.

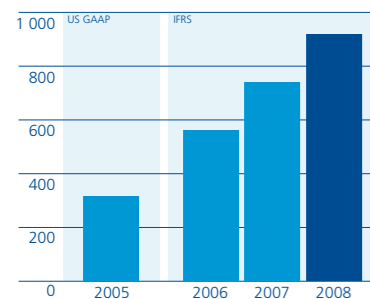
2008 Strongest Performance in History

Marine Revenues in USD million



In 2008 PGS business unit Marine achieved its best year ever. The markets for contract and MultiClient work were exceptionally strong and the Company capitalized on its ability to deliver quality data on time. The roll-out of GeoStreamer® was an important milestone in 2008.

Marine Adjusted EBITDA in USD million



PGS is one of the world's three largest marine seismic companies and owns the industry's largest international marine MultiClient library.

- PGS' marine streamer fleet consists of:
- 6 Ramform vessels capable of towing up to 22 streamers
 - 5 classic streamer vessels capable of towing 4 to 8 streamers
 - 2 2D vessels

The PGS fleet is growing and the newest addition, *Ramform Sovereign*, was delivered in March 2008. It is a state-of-the-art, purpose built seismic vessel capable of towing up to 22 streamers. The second vessel in the Ramform S-class family, *Ramform Sterling*, is on schedule for delivery in June 2009.

After the acquisition of Arrow Seismic in 2007, PGS will gain access to two

new high-end 3D vessels. The first vessel, *PGS Apollo*, is scheduled for delivery in 2009 and the second, *PGS Artemis*, is scheduled for delivery in 2010.

PGS is acknowledged for its Ramform vessels which are an important competitive advantage for the Company. They have a delta shaped hull with a characteristic extreme maximum aft beam, twice the beam of a conventional vessel, allowing for efficient retrieval and deployment of streamers and air guns. Propulsion power is industry leading and the Ramform S-class has enough thrust to pull a 1.3 kilometer wide spread with streamer lengths of more than 8 kilometers. In 2008 the *Ramform Sovereign* set two industry records – simultaneous towing of 17 streamers and towing the widest spread achieved by a single vessel (14 streamers with

100 meter separation = 1.3 kilometer wide spread). A Ramform and its full streamer spread is the world's largest man made moving object and it takes skilled and experienced people to operate such a machine. The acknowledged efficiency and productivity of the Ramform vessels makes the PGS fleet industry leading.

2008 HSE Performance

Marine had a Lost Time Incidents Frequency (LTIF) of 1.35 per million man hours in 2008, compared to a LTIF of 0.61 in 2007, and a Total Recordable Case Frequency (TRCF) of 2.26 per million man hours, compared to 2.20 in 2007. This increase in incident frequency breaks a multi-year trend of steadily improving statistics. It is a trend which is recognized among other companies within our industry and also other parts of oilfield services activity. The main reasons for this are believed to be related to a dilution of personnel experience in an expanding business, combined with more stringent reporting procedures. To counter this trend, PGS has implemented enhanced induction training for new recruits along with awareness campaigns for the most common causes of accidents and has renewed its focus on HSE training throughout the Group.

2008 Operational Performance

The two largest revenue contributors are contract seismic, where data is acquired under exclusive contractual agreements with a customer, and MultiClient, where PGS itself invests in seismic surveys which are then marketed to multiple customers on a non-exclusive basis. Marine had rev-

enues of USD 1,638.8 million in 2008, an increase of 29% compared to 2007. Revenues from contract seismic acquisition increased by 54%, compared to 2007 and ended at USD 1,065.0 million. The increase is due to more capacity allocated to contract seismic and improvement in the market for marine contract work. MultiClient revenues were USD 439.4 million, down 13% compared to 2007. Europe, Brazil and the Gulf of Mexico were the regions with the highest MultiClient revenue contributions in 2008.

Pre-funding as a percentage of cash investments in MultiClient data, excluding capitalized interest, decreased to 112% in 2008 compared to 143% in 2007. At the same time, capitalized cash investments in the MultiClient library, excluding capitalized interest, increased from USD 214.5 million in 2007 to 223.7 million in 2008. In 2008, the Company used 80% of active vessel time to acquire contract seismic and 20% to acquire MultiClient seismic. This compares to approximately 64% and 36%, respectively, in 2007. Given the market outlook the Company expects to invest less in MultiClient in 2009 compared to 2008.

At December 31, 2008, the order book for Marine and Data Processing was USD 871 million, compared to USD 843 million as of December 31, 2007.

HD3D®

HD3D® seismic is a premium seismic data product. HD3D® delivers the highest resolution, highest quality

3D data products to address a broad range of challenges, related both to exploration, detailed reservoir description, and time-lapse reservoir monitoring (4D).

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

Roll-Out of GeoStreamer®

GeoStreamer® is a proprietary dual sensor streamer technology unique to PGS. Demand has surpassed all expectations and during 2008 the technology has been commercialized and widely accepted among oil companies. By year-end 2008, the Company operated four 2D vessels with GeoStreamer® and the first 3D vessel was equipped with GeoStreamer® in fourth quarter 2008. (See case on page 14 and 15 for more details).

Market and Market Position

PGS Marine has a market share of approximately 28%, measured in acquired square kilometers of 3D seismic. Measured by number of streamers the market share is 22%, reflecting the efficiency of the PGS fleet. The Company's main competitors are WesternGeco and CGGVeritas. Other established, but smaller players in the seismic market are Fugro with its Geoscience Division and TGS Nopec. Recent new entrants are Polarcus and Scan Geophysical. Additionally, there are several niche players such as Electromagnetic Geoservices, Off-shore Hydrocarbon Mapping, Seabird

GEOSTREAMER® - A BREAKTHROUGH IN STREAMER TECHNOLOGY

As a part of PGS' HD3D® strategy the Company launched its GeoStreamer® at the European Association of Geoscientists and Engineers (EAGE) Exhibition in 2007. It is the world's first dual sensor streamer with motion sensors (geophones) in addition to conventional pressure sensors (hydrophones). The GeoStreamer® is a proprietary technology, unique to PGS and provides higher resolution, better penetration and improved operational efficiency (see images to the right). Respected geoscientists claim it is the most significant advance in towed marine streamer technology since its original invention 61 years ago.

During 2008, the Company has acquired and processed approximately 30,000 line kilometers of 2D GeoStreamer® data and 10 customers have been served.

The first 3D vessel was equipped with GeoStreamer® in fourth quarter 2008 and

started on a MultiClient job in the DeSoto Canyon in the Gulf of Mexico at year-end. BP America was the main underwriter of the survey and has collaborated on the technical specifications. The MultiClient survey will be a springboard to new opportunities in the Gulf of Mexico.

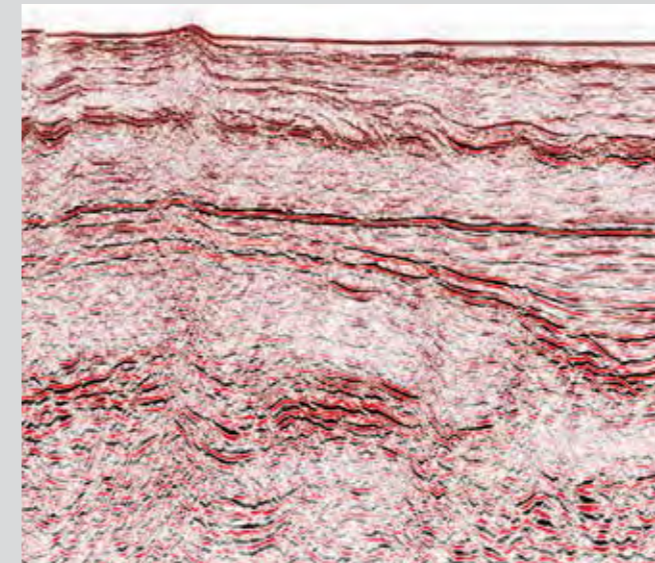
Improved operational efficiency was proved by a North Sea GeoStreamer® survey conducted during December 2008 and the first half of January 2009, when the weather is typically too rough to shoot seismic with conventional streamers. Despite the season and the weather experienced on this survey, the data quality was first class. This bodes well for future winter acquisition in the North Sea with GeoStreamer®.

Endorsement of the technology has been demonstrated throughout 2008 by direct awards and significant price uplifts. The technology is very beneficial in areas of

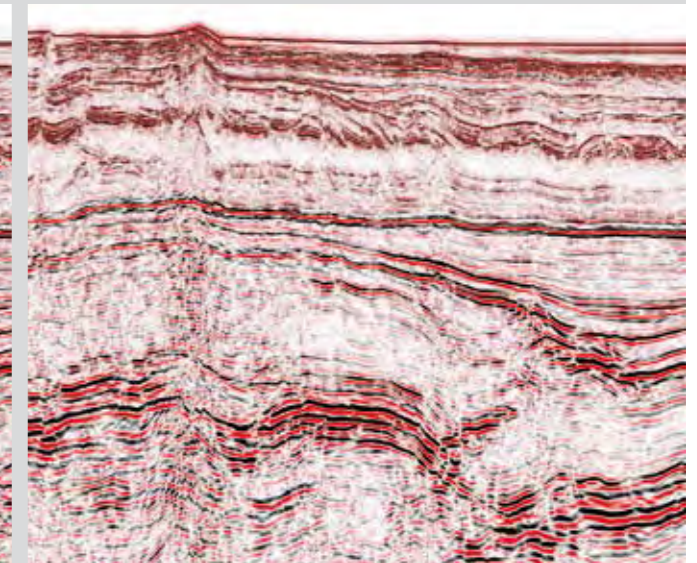
complex geology and where conventional seismic methods have traditionally failed to produce adequate imaging. The Company is scheduled for several contract GeoStreamer® jobs during 2009.

Roll-out of the technology will continue with at least one more 3D vessel in 2009. Customer support of this technology has been rapid and positive.

Conventional Streamer



GeoStreamer®



Exploration and Reservoir Exploration Technology all of whom are active within limited areas of PGS' overall service scope.

Throughout 2007, there were two significant company acquisitions within the seismic industry. WesternGeco acquired EasternEcho and PGS acquired Arrow Seismic. The seismic market has consolidated further as a result of CGGVeritas' bid for Wavefield Inseis launched in November 2008. Now that the transaction is consummated, the three largest players control approximately 80% of capacity in the industry.

MultiClient Library

PGS owns a substantial library of marine MultiClient seismic data in all of the major oil and gas basins of the world, including the Gulf of Mexico, the North Sea, West Africa, Brazil and the Asia Pacific region. The marine MultiClient data library comprises 385,000 square kilometers of 3D and 160,000 line kilometers of recent 2D seismic. In addition, PGS has integrated 169,000 square kilometers of third party data to build MegaSurveys. MegaSurveys integrate multiple surveys into a single contiguous dataset to offer high quality data for full basin-wide prospectivity and regional modeling studies.

Goals and Strategies

PGS Marine aims at capturing value from its strong operating platform by using productivity leadership, increasing streamer count on its vessels and maximizing the Company's capacity utilization.



This is the new Ramform Sovereign, which PGS took delivery of in March 2008.

PGS will focus on value-added products and services such as HD3D®, Wide Azimuth, Multi Azimuth, 4D and MegaSurveys and, at the same time, will continue to build the MultiClient library.

Outlook 2009

PGS expects Marine contract revenues to decrease despite additional capacity coming on stream throughout 2009. Price pressure will have a negative impact on margins. The main drivers behind the expected decrease in revenue and lower margins are cuts and delays in exploration and production spending by oil companies as a result of the global financial crisis and liquidity squeeze. The global economic situation has resulted in sharply lower oil prices through the second half of 2008, continuing into 2009.

MultiClient investments are expected to be lower in 2009 than in 2008.

Marine capital expenditures are expected to decrease as the new-build program is about to enter its final phase.

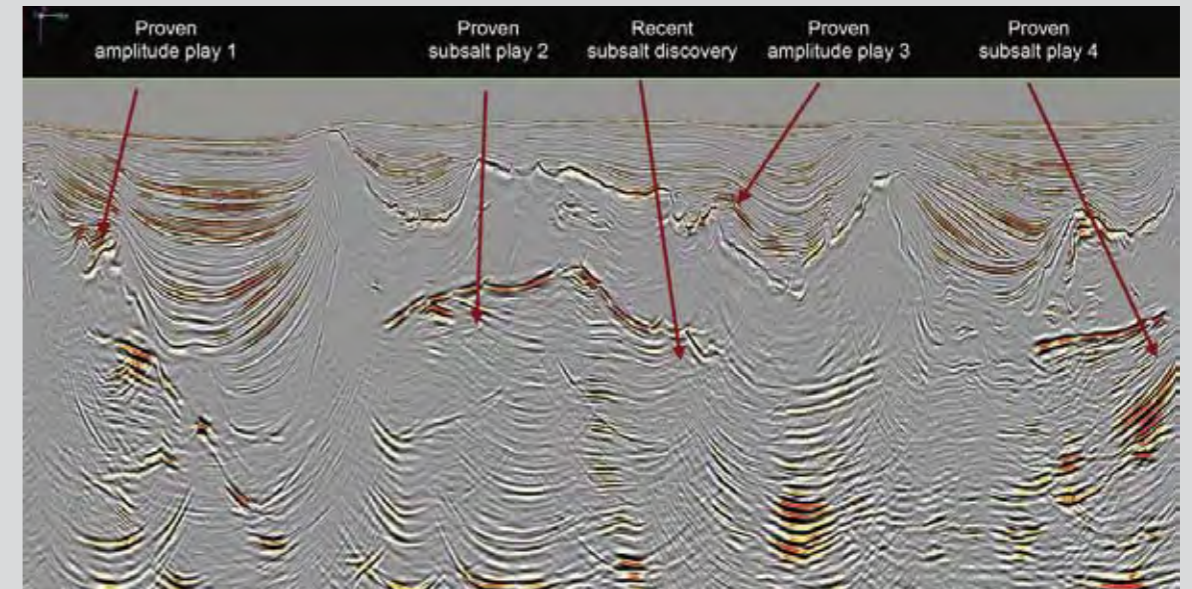


DATA PROCESSING AND TECHNOLOGY

PGS' business unit Data Processing and Technology, which includes specialized depth imaging, reservoir-related consulting activities and electromagnetic surveying, saw further growth in 2008 with external revenues increasing by USD 21.9 million. Technology development and deployment is conducted by the Geoscience & Engineering organization with a global responsibility for research and development, as well as geophysical support for the seismic operations. The Commercialization & New Ventures Group has the overall responsibility for introducing new technology products to the market.

PGS DATA PROCESSING AND TECHNOLOGY

Data Processing
Reservoir Services
Geoscience & Engineering
Commercialization & New Ventures



AGS Beam Migration of a line from the deep water Gulf of Mexico through proven hydrocarbon fields and a recent discovery.

A Top Tier Position

2008 represents the year PGS caught up and in some areas surpassed our peers in data processing capabilities. PGS has a top tier position in high-end data processing imaging and in a recent PGS customer survey almost 90% of clients say the company is industry standard or above in data processing quality.

Data Processing

Data Processing is focused on providing geophysical solutions to better image and characterize the customers' reservoirs. During 2008, PGS experienced strong growth in its data processing capabilities in general, with particular improvements in depth imaging capabilities. The Company's leading edge data processing now delivers competitive advantage in the marketplace, supplementing the overall position of PGS as a leading provider of seismic to find and characterize complex reservoirs. Since 2006, Data Processing has grown by 105% with new offices being opened in Japan, Oman and Mumbai during 2007. PGS has introduced several new products, including the GeoStreamer®, Beam Migration and ReverseTime Migration, further complementing the Company's full suite of state-of-the-art imaging technology.

GeoStreamer® has continued to build strong momentum in the industry during 2008. In excess of 30,000 line kilometer of 2D data have been acquired and processed worldwide and Data Processing has established centers of excellence in Perth, London and Houston to support the implementation in each region. The GeoStreamer® has delivered unsurpassed data quality and operational efficiency, and further improvements in resolution and penetration are being experienced with the Company's first commercial 3D project in the Gulf of Mexico.

With the purchase of Applied Geophysical Services (AGS) in fourth quarter 2007, it was critical to quickly establish improved workflows including AGS Beam Migration in order to capitalize on the investment. In first quarter 2008, PGS successfully completed its largest depth imaging

project, utilizing Beam Migration for model building, for an external customer in the Gulf of Mexico. Through training of 20 Beam Migration experts, and establishing best practices, Beam Migration has been accepted by customers around the world and has contributed to 24% of Data Processing's total revenue. AGS Beam Migration has been applied on several MultiClient 3D surveys including the Gulf of Mexico, Brazil, Africa and the North Sea. This has resulted in higher quality data, cost savings and the ability to have data available in the market faster.

As the customers address more complex reservoirs with algorithms like ReverseTime Migration, which are more compute intensive than Beam Migration, it is critical that PGS continues to deliver timely and cost effective solutions. PGS addresses this by optimizing algorithms and the delivery of effective compute resources. In 2007, PGS established a MegaCenter in Kuala Lumpur, Malaysia and in 2008 the Company upgraded its London MegaCenter which increased capacity by an additional 250%. The London MegaCenter is designed to deliver the compute requirements in the coming years by utilizing only 60% of the power requirements and costs of conventional data centers. This state-of-the-art MegaCenter combined with Kuala Lumpur and Houston centers will provide PGS Data Processing with the ability to grow in the coming years. These centers combined with the 20 land-based data processing centers, will allow PGS to better serve customers by providing local

presence and access to a worldwide resource.

Reservoir Services

PGS Reservoir is a leading team of sub-surface technical interpretation experts, providing skills that are integral to PGS MultiClient, MegaSurvey, Electromagnetic and Data Processing businesses by producing a full range of interpretation and reservoir characterization products. These advanced interpretation and reservoir characterization services are also performed for PGS' clients. The team is internationally recognized for ultra large-scale regional interpretation projects, the ability to evaluate and develop exploration and production assets and for providing services to governments in managing exploration licensing rounds. PGS' clients include national, major and independent oil companies, governments and financial institutions. Through these projects, PGS has gained a depth of knowledge of petroleum basins around the globe and an ability to assess the variety of sub-surface risks the Company faces.

Life of Field Seismic

Seismic monitoring of the field production improves recovery and can give the field-owners a very high return on investment. PGS has developed a unique fiber-optical technology for permanent seismic monitoring. In 2008, a PGS OptoSeis® system was successfully installed and trenched on the sea bottom at the Ekofisk field that is operated by ConocoPhillips. Seismic data were also successfully acquired.

Geoscience & Engineering

PGS' R&D is focused on marine seismic acquisition and data processing as well as cable-based electromagnetic (EM) technology. PGS has large R&D departments in the US, UK and Norway and additional groups have recently been established in The Netherlands, Sweden, Perth and Singapore.

The aim of R&D in PGS is to develop technology and services that sustain a leadership position in operational efficiency and differentiates the Company's service provisions in finding and characterizing customers' complex reservoirs.

Modeling and Visualization:

Successful seismic surveys require careful planning to balance cost and quality objectives. PGS has developed one of the best and most comprehensive survey planning software packages: Nucleus, which is also widely distributed in the oil and gas industry. It can simulate the result of a seismic survey with different source and receiver configurations through sophisticated seismic modeling. The recent release of Nucleus+, has increased user efficiency significantly. Currently, the scope of Nucleus is being extended towards electromagnetic modeling methods.

3D visualization has become an integral part of the geophysical workflow in PGS. The Company's unique holoSeis visualization technology is a part of the workflow from quality control of seismic data during acquisition, to building complex velocity models

BEAM FEATURE

In 2007 PGS acquired Applied Geophysical Services (AGS), a specialist depth imaging company. AGS is known for their proprietary, fast 3D pre-stack Beam Migration technology that produces accurate images of complex geology with unparalleled speed. PGS has already seen great benefit from Beam Migration technology, both applied to our MultiClient data and on proprietary projects.

Development of the AGS Beam Migration began in 1999 and it now represents a unique and complimentary alternative to the industry standard Kirchhoff and wave equation migrations. One of the main advantages of AGS Beam Migration is the computational speed. This allows for rapid migration iteration on very large datasets, while still providing a high-fidelity image of complex geology including steep and over-turned dips. This, coupled with the ability to remove unwanted multiples and

noise, has led to considerable success when AGS Beam Migration is applied in complex and difficult areas. In the Beaufort Sea, for example, the use of the AGS Beam Migration led to new understandings of the geology where a structure, previously identified as a shale diapir, is now seen as an inversion anticline. Complex areas such as sub-salt, sub-basalt and carbonates all start to reveal their secrets when Beam Migration is applied.

As the Beam Migration also produces gathers that can be used to analyze residual move-out (which is a measure of the correctness of the velocity model), we are now working to exploit this in the PGS velocity model building tools. By integrating the Beam Migration and tomography tools into the holoSeis™ visualization environment, we are developing an exceptional tool for velocity model building, QC and editing that will offer unique capabilities and very rapid

turnaround time in model building. 2009 will see these developments moving the previously time-consuming and restrictive process of velocity model building to new levels of interactivity and interpretability.

24% of Data Processing revenues came from Beam Migration in 2008 and now, with experts worldwide, the benefits of integrating AGS Beam into PGS will continue to deliver value.

for pre-stack depth migration and to visualize the end product for customers. The Company has more than 500 holoSeis installations worldwide in offices and onboard seismic vessels, with capability to visualize exceptionally large volumes of 3D data.

Marine Acquisition Technology:

The first ever towed dual sensor streamer, the GeoStreamer® has been developed and commercialized. The unique solid streamer design will see further development, and significant R&D efforts are deployed towards improving all elements of the Company's acquisition systems and capabilities.

PGS' Electromagnetic (EM) R&D program is focusing on developing highly efficient and reliable EM technology to be used in combination with seismic for risk reduction and improved exploration success. Multi-Transient Electromagnetic (MTEM®) is a proven remote sensing method for direct hydrocarbon detection and delineation. The development of a towed EM system is ongoing and promises acquisition efficiency similar to towed seismic streamer acquisition.

Processing Technology:

The R&D teams support a worldwide network of Data Processing centers with leading edge technology. A significant part of the efforts are aimed at further improving the Company's depth imaging capabilities. PGS has developed a high-fidelity suite of Kirchhoff, Wave Equation and Reverse Time Migration algorithms that constitute a unique depth imaging

portfolio upgraded to handle all acquisition geometries, including Wide Azimuth and Multi Azimuth. Furthermore, a significant part of R&D efforts are aimed at developing processing methodology to take full advantage of the PGS GeoStreamer® technology. Advanced interpolation and regularization schemes and powerful noise and multiple suppression methods have been developed in order to deliver solutions to better image and characterize complex reservoirs.

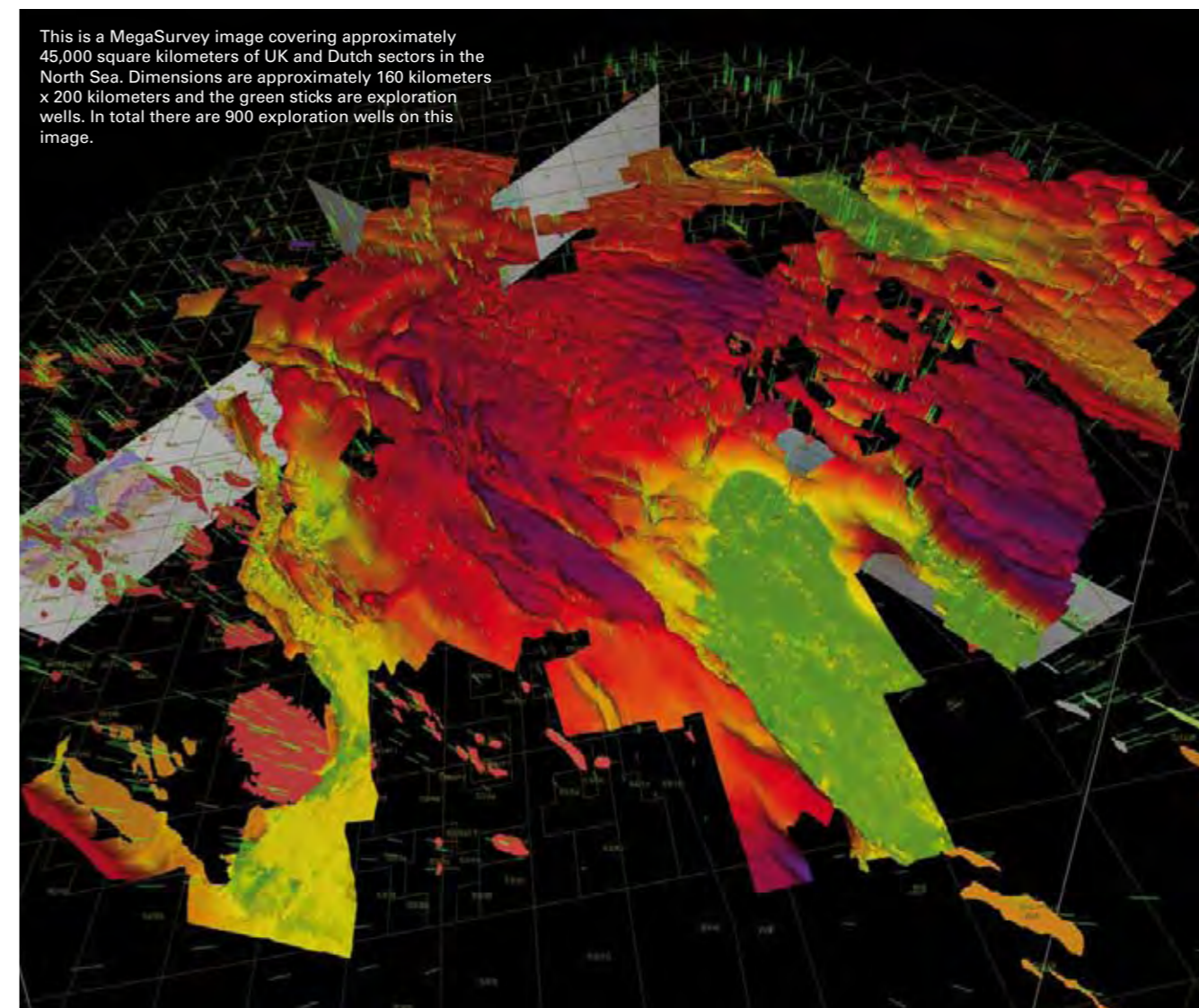
Innovation

PGS is investing in a significant portfolio of technology R&D projects. It is of utmost importance to invest in the right R&D projects, but also ensure that the project performance follows best practices. During 2008, PGS introduced significant improvements and new processes for the Innovation Value Chain. One of the most significant improvements was the introduction of Portfolio Management Boards with the mandate to capture, screen, and rank projects for each business segment.

Intellectual Property

PGS' patents, trademarks, service marks, copyrights and licenses protect its proprietary technology, including the Ramform seismic vessels, Multi-Transient Electro Magnetic (MTEM®), GeoStreamer®, OptoSeis® and HD3D® seismic solution software. The Company's intellectual property rights collectively represent a material asset to its business. As of December 31, 2008, PGS held 130 different patents under the laws of the US, the UK and Norway. PGS has significantly increased

the number of patents filed the last year in alignment with the increased focus on competitive advantage through technological differentiators. PGS was granted 61 patents last year.



This is a MegaSurvey image covering approximately 45,000 square kilometers of UK and Dutch sectors in the North Sea. Dimensions are approximately 160 kilometers x 200 kilometers and the green sticks are exploration wells. In total there are 900 exploration wells on this image.



ONSHORE

PGS' business unit Onshore consists of all seismic acquisition operations worldwide on land, in shallow water and in transition zone environments and includes an onshore MultiClient library.

PGS ONSHORE

MultiClient Library
High Channel Count Crews
Competitive Advantage
Strong HSE Performance



TRANSITION ZONE OPERATIONS

A map of data acquisition in many oil and gas producing countries will reveal a scarcity of data along the coastal belt even though producing basins often span this divide. Data acquisition in this Transition Zone (TZ) – the near coastal shallow water environment – is both technically difficult and relatively expensive. This area can also be of an environmentally sensitive nature, requiring strong planning and the right equipment so as to minimize impact. As oil companies seek new reserves and a full understanding of the geological environment, TZ data acquisition has become increasingly important.

PGS business unit Onshore has worldwide experience of acquiring TZ data from the north slope of Alaska to the west coast of Africa and from the Gulf of Mexico to South East Asia. This experience is being enhanced with developments in new technology to provide PGS' customers with a varied and

flexible solution to their data acquisition challenges.

At present, PGS operates one of the industry's largest (9,000 channel) radio-based acquisition crews which are ideally suited for data acquisition in environmentally sensitive TZ areas. The absence of telemetry by cable, facilitates flexible deployment of recording sensors in varied terrain and the avoidance of any impact on areas required to be excluded for environmental reasons. This operating experience with high channel count systems is recognized by the developers and manufacturers of the next generation of cableless systems who are in active collaboration with PGS.

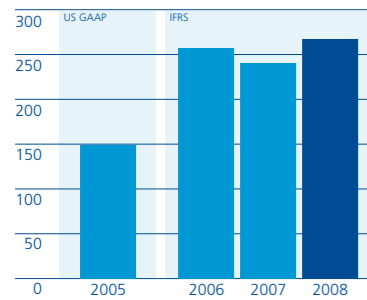
Onshore also operate a traditional cable recording system for TZ operations with proprietary equipment design modifications which provides a seamless acquisition capability with Onshore's HD3D® land

acquisition systems. To complement the recording equipment, PGS has developed a crew configuration of specialized deployment boats and innovative seismic source options. The crew is designed for disassembly and shipping in standard containerized form, facilitating mobilization anywhere in the world, providing PGS with access to varied and wide spread areas of operation and the ability to take advantage of market opportunities worldwide.

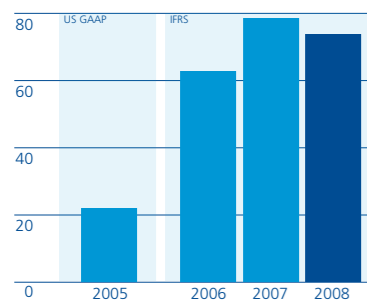
Transition Zone acquisition capabilities will continue to be a focus for innovation, development and market opportunity, complementing PGS' Marine and Onshore operations.

Performance Improved

Revenues in USD million



Adjusted EBITDA in USD million



Onshore performed better in 2008 than in the previous year. North and South America are currently the business unit's most active regions.

PGS business unit Onshore has a strong position in the market. Quality, technology, experience, efficiency and crew availability are important factors for securing market share. HSE performance is also a crucial differentiator and Onshore has an excellent HSE record with an industry leading HSE management system. PGS' business unit Onshore is confident that it can remain competitive by capitalizing on its project execution and management skills and by continuing to provide a high-quality technical solution. Operational efficiency gives Onshore one of the highest average revenues per crew among the top five major international onshore companies. Onshore's homogeneous recording equipment pool facilitates changing crew channel-counts on any specific project, as the market dictates.

The onshore market is very competitive as a result of the relatively low barriers to entry and fluctuating demand. The markets in North and South America have been impacted to a lesser degree than the Eastern Hemisphere by this pressure during

2008. Onshore experienced a growing reactivation in the Latin American market during 2008, which is expected to continue in 2009.

2008 HSE Performance

Onshore operations recorded a Lost Time Incidents Frequency (LTIF) of 0.08 incidents per million man hours and a Total Recordable Case Frequency (TRCF) of 1.73 incidents per million man hours during the year, compared to a LTIF and TRCF of 0.58 and 2.67, respectively, in 2007.

2008 Operational Performance

Onshore revenues for 2008 increased 11% to USD 273.1 million compared to 2007. Operating profit for 2008 increased to USD 11.8 million. Improved financial performance is primarily attributable to increased activity in Latin America, better crew continuity and lower amortization rates.

At December 31, 2008, the order book for Onshore was USD 194 million, compared to USD 144 million at December 31, 2007.

Core Operating Regions

PGS business unit Onshore conducts onshore, shallow water and transition zone seismic acquisition worldwide. The three core regions are North America, Latin America, and the Eastern Hemisphere.

Onshore has experienced increased activity in the Latin American region with operations in Peru, Brazil and Mexico, including the award of a large multi-year contract in Mexico by PEMEX. The survey will be carried out from 2008 to 2012 and the area to be surveyed is in excess of 2,000 square kilometers. Successful operational history provides confidence for further expansion in both Mexico and other parts of Latin America.

In 2008 Onshore operated up to 12 crews, 6 of which were located in the North American region. Of these six crews, one was conducting transition zone operations and one to two have been dedicated to MultiClient work in the US. In 2007, PGS Onshore increased its MultiClient investments significantly. MultiClient investments have decreased slightly throughout 2008, but are still at historical high levels.

Onshore MultiClient Library

The Onshore MultiClient data library consists of high quality surveys covering some of the most active oil and gas provinces in the United States. 2008 saw continued growth in the MultiClient segment of the Onshore business, as demonstrated by sustained year-on-year investment levels. In 2008 PGS acquired its 15th survey

in the Wichita Mountain Front region of Oklahoma bringing total coverage to over 2,600 square miles. Onshore also acquired, and released, two new surveys in the Deep Bossier gas play in East Texas. These surveys totaled 580 square miles and brought total coverage in the trend to just below 1,000 square miles. Onshore MultiClient sales decreased as a result of extensive cuts in capital expenditures among clients during the last quarter of 2008. Onshore expects a temporary slowdown in MultiClient investment activity for 2009. However, in the long run the Company expects solid returns on MultiClient investments.

Competitive Advantage

At year-end 2008 Onshore owned and operated approximately 86,000 channels. The business unit has focused on the high density 3D (HD3D®) part of the market and has, therefore, increased channel count per crew, resulting in 50% increase in average channel count per crew over the last four years. Onshore offers both traditional 3D and HD3D® seismic acquisition.

The homogeneous state-of-the-art asset base is continually being modernized and new technologies are adopted. Onshore is evaluating and testing available cableless recording systems as well as pursuing the development of land and shallow water energy sources. These are clear differentiators which will improve operations. The high channel-count crews and modern equipment, coupled with experienced technical staff, secures, for PGS clients, optimal

survey designs, high efficiency and the best data quality.

Onshore has demonstrated market-leading seismic service performance, operating seismic crews in a variety of terrain types, including desert, arctic, jungle, swamp, highland and mountaintop and transition zones.

Proactive social and environmental development programs have created another important competitive advantage. Onshore works to establish strong relationships and communications with the local population in the areas it is operating and strives to ensure that, wherever possible, employment and benefit go to the people in the area. Onshore also sponsors educational programs, among other efforts, to promote social development.

Goals and Strategies

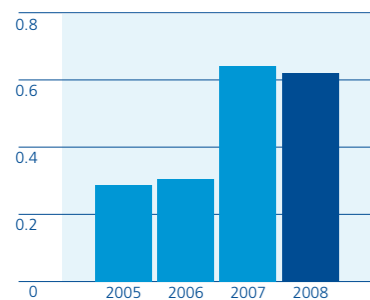
Onshore will continue its focused market approach and financial discipline going forward. The business unit will use its operational expertise and standardized equipment to deliver sound financial performance in a challenging market. Onshore intends to continue its social responsibility programs and the efforts to promote HD3D® in the onshore market.

Outlook 2009

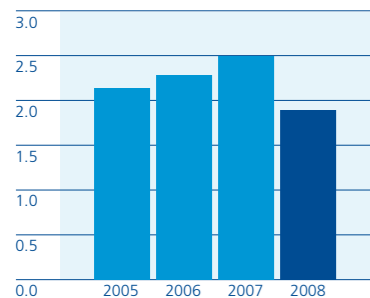
PGS Onshore expects financial results to be weaker than in the two previous years, due to a more challenging market environment. As a part of the Company's cost reduction program capital expenditures will be reduced.

Health, Safety, Environment & Quality

Lost Time Incidents Frequency (LTIF)



Total Recordable Case Frequency (TRCF)



Leadership in Health, Safety, Environment & Quality (HSEQ) is a core value within PGS and employees strive, every day, to adhere to principles put in place to maintain a culture where the goal to prevent harm to people and the environment becomes intrinsic in the Company's business processes. HSEQ management and reporting is a key element in evaluation of business performance for all management levels and the Board of Directors. The PGS principles are defined in the opening statement of the Company's new HSEQ Policy Statement:

"We believe that all accidents are avoidable. Making a difference in HSEQ means we have to 'live' our HSEQ commitment on a 24/7 basis by:

- Acting in a safe and responsible manner.
- Leading by example and promoting trust.
- Intervening and welcoming intervention from others.
- Stopping any activity we feel is unsafe or where control is being lost.
- Accept responsibility for our actions.
- Contribute to continual improvement."

HSEQ Performance

In 2008 PGS rolled out a new HSEQ initiative called "The Road Ahead," a five year HSEQ strategy aimed at industry leading performance for systems, plant and equipment and people.

In 2008 the Company experienced one fatality in its 50% held joint venture in Russia, PGS Khazar. The fatality occurred in Astrakhan during a lay up period when vessels were undergoing maintenance. The vessel in question was positioned in a dry dock and one member of the crew fell from an access staging into the dry dock. This incident was fully investigated, root cause established and action taken to prevent reoccurrence.

PGS experienced thirteen lost time incidents in 2008, compared to twelve in 2007. Overall, Lost Time Incident Frequency (LTIF) was 0.63 per million man hours in 2008, compared to 0.65 for 2007. The Total Recordable Case Frequency (TRCF) improved to 1.94 per million man hours in 2008 compared to 2.55 in 2007.

As part of "The Road Ahead" HSEQ

initiative, achievements in 2008 includes:

- Increased awareness in the organization of HSEQ and Security.
- Implementation of a new HSEQ Policy Statement and Environmental Statement.
- PGS Golden Rules of Safety established.
- Improved incident reporting and investigation.
- Improved HSEQ co-operation between the business units and the Group HSEQ.
- Improved focus on 'Office' HSEQ.
- Development of Environmental Aspect Registers.
- Identification and selection of a HSEQ software package to manage HSEQ data on a global basis.
- Appointment of a HSEQ Manager for Data Processing & Technology.

Marine Operations

During 2008, the marine emergency response competence was developed to a significantly higher level than ever before in PGS. Regional Marine Acquisition teams, vessels, sales and marketing teams, as well as corporate functions, were all involved in table-top, as well as realistic role play, training and exercises organized on a regular basis in co-operation with Falk-Nutec in Bergen. The exercises during 2008 have also allowed the emergency response teams to benefit from the functionality available through the '1-Voice' Crisis Management tool.

For vessel operations, analysis of 2007 data showed an increasing trend to a high proportion of injuries, both recordable and minor, to be attributed to cuts from various sharp objects and hand tools as well as slips, trips and falls. As a response, two campaigns were run onboard all vessels highlighting the hazards resulting in cut injuries and slips, trips and falls, including mandatory training in the use of sharp tools for all crew and changes to the induction training. The results of the campaigns included a conclusive reversal of the trend in cut injuries as well as a reduction in slips and trips.

Marine TRCF increased significantly from 1.48 per million man hours in

2006 to 2.20 in 2007 as a result of fleet growth and difficult market conditions in the global maritime crewing market. In 2008, PGS experienced a leveling off with a TRCF of 2.26 per million man hours. This is despite a total increase of 65% in the PGS marine workforce since January 2007.

2008 also saw a further increase in total HSEQ reporting from the seismic fleet, with a significant 16% increase year-on-year in the number of reports from the field operations, and now represents a 35-fold increase in the number of HSEQ related reports recorded centrally compared to 2004 when web-based reporting tools were introduced to the marine fleet.

Following the accomplished improvements in reporting and standardization of data gathering during the previous three years, PGS Marine were, in 2008, able to put a higher focus on root cause analysis of a broader range of reported incidents than has been achieved in the past. With all seismic crews now manned with personnel trained in the TopSet® root cause analysis techniques and with new procedures and targets, the proportion of reported incidents that resulted in detailed root cause investigations aimed at preventing reoccurrence was significantly increased. PGS believe that this approach will reduce the frequency of repeated incidents as basic root causes are identified and eliminated, or mitigated.

With such a large volume of HSEQ data now received from the vessel operations (in excess of 14,000 reports from vessels in 2008) PGS introduced the 'SAFE Card' unsafe act and improvement suggestion system to replace the previous unsafe act reporting system. This change is designed and intended to empower the workforce to capture improvement potential while still maintaining a strong tradition of unsafe act reporting and personal intervention. LTIF for Marine was 1.35 per million man hours in 2008, compared to 0.61 in 2007. Improved reporting standards contribute to the increase in LTIF from 2007 to 2008.

Onshore Operations

In 2008 Onshore experienced a great

improvement in HSEQ performance with LTIF of 0.08 incidents per million man hours, compared to an LTIF of 0.58 in 2007. The Business unit experienced only a single Lost Time Incident (LTI) in late January 2008, which was a frostbite case in Canada, thereafter, reaching 12.4 million hours without a LTI in 2008 and this has continued into 2009 reaching nearly 15 million hours (14.92) through to mid-March 2009. Total Recordable incidents also reduced from 32 in 2007 to 23 in 2008, with a corresponding reduction in TRCF of 2.67 per million man hours in 2007 to 1.73 in 2008. This is a 35% decrease in frequency for the year.

There are numerous examples of superior incident prevention performance on individual Onshore crews, with 2 crews exceeding 3 million hours without LTI in Mexico & Peru, 1 crew achieving this milestone with over 2 million hours in USA and additionally 3 other crews exceeding 1 million hours in Brazil, Tunisia & Morocco. The Onshore crew in Peru completed its programs and were LTI free over 2 years and achieved 5.3 million man hours without an LTI.

Onshore focused on people, department heads, managers and subcontractors during 2008 by increasing training and accountability for HSEQ. The business unit implemented a computer based basic HSEQ training and induction program which all staff were required to complete. For subcontractors, a tight subcontractor management standard was put in place coupled with aggressive auditing and accountability. Onshore continued the strong implementation of vehicle management, design, tracking and dedicated driver monitoring supervision programs during 2008, including the introduction of purpose built and engineered personnel carrier vehicles in Mexico. This focus on transport led to a marked reduction in vehicle incidents such that there was no recordable incident that occurred as a result of vehicle incidents in 2008.

Onshore have continued these increased efforts, particularly in HSEQ training, HSEQ meetings, manager visits, HSEQ drill and are highly focused to continually improve upon

the world-class performance achieved during 2008.

Environmental Focus

Implementation of an updated company wide environment management framework was initiated during 2008, which, over time, will improve capabilities to measure, monitor and assess the environmental performance of operations worldwide. PGS' Environment Statement sets out company commitment to achieving effective environment management through implementing a process based on the principles of ISO 14001 and continuous improvement.

Updated key companywide Environment Aspect Registers have been established (for primary business divisions) during 2008 and key company wide Environmental Aspects have been identified for monitoring environmental performance and achieving continual improvements. These include:

- Waste management/recycling/segmentation.
- Oil spill/accidental release.
- Interaction of field operations & flora/fauna.
- Carbon footprint/reporting.
- Use of Best Available 'environment' Technology/materials/procedures.

Reduced Fuel Consumption

PGS is actively investigating and assessing several alternatives for achieving improved fuel efficiency and reductions in fuel use and greenhouse gas emissions. The Company aims to lower the fuel consumption per streamer or common depth point kilometer of collected seismic data by its marine vessel fleet. The new S-class Ramform vessels, *Sovereign* and *Sterling*, are designed and constructed with propulsion systems having improved efficiency. This results in 20–30% lower emissions than the V-class Ramform vessels.

S-Class design:

- High-efficiency seismic vessel with high streamer capacity and bollard pull.
- 25% longer endurance and 60% higher production capacity compared with the existing Ramform fleet.

- Designed and constructed according to DNV Clean Design notation for transoceanic operating vessels.
- The hull design includes a double skin and oil is not stored adjacent to the sea.

S-Class propulsion:

The increased diameter of the nozzle enables better propulsion. The efficiency rudder on the *Ramform Sterling* gives a better utilization of the propeller resulting in less fuel consumption.

Seismic Surveys and the Marine Environment

Interest in protecting the marine environment, particularly in relation to sound levels, has increased significantly in recent years. Several exploration areas have implemented specific regulations and/or guidelines relating to seismic survey activities offshore in an effort to reduce the risk to marine animals, particularly mammals, turtles and fish. PGS has experience of conducting seismic operations in many of these sensitive areas and continues to demonstrate its commitment to conducting marine operations in an environmentally responsible manner.

Generic monitoring and mitigation measures, which are now considered to be basic elements of regulatory marine mammal mitigation strategies, include:

- Seismic survey planning.
- Determining a suitable weather window to facilitate an efficient seismic operation.
- Minimize the risk to marine life.
- Marine mammal monitoring.
- Source "soft-start" procedures.
- Exclusion or safety zones.

The *Ramform Sovereign* has a purpose-built "sky lounge" to accommodate marine mammal observers during survey operations.

Regulatory requirements for such measures vary between geographic regions and are based on a combination of a precautionary approach and the results of various levels of scientific research.

It is widely recognized within the

scientific, regulatory and industry communities that there are still many uncertainties or knowledge gaps in understanding of the marine environment and of any potential effects that manmade (anthropogenic) underwater sound may have on marine life. Continued investments in scientific research, facilitates better understanding and helps governments, industries and the general public to remove some of this uncertainty.

PGS supports and actively participates in industry efforts from the International Association of Geophysical Contractors and the International Association of Oil & Gas Producers by providing resources to support scientific research in this area.

Nitrogen Oxide (NOx) Emissions

As a leading geophysical company based in Norway, PGS is committed to investing in projects to reduce its NOx emissions. An upgrading program is being implemented for existing vessels during their major yard stays in which the main machinery is being changed to low-NOx versions providing the same performance:

- *Atlantic Explorer*: The main engine will be rebuilt to provide a low-NOx engine resulting in a 25–30% reduction in NOx emissions.
- Ramform V-class engines: Several of the Ramform V-class vessels have had their main machinery upgraded to the best low-NOx specifications available in the market for that dedicated engine type.
- Ramform S-Class: The Ramform S-class vessels are being constructed in accordance to DNV Clean Design notation which requires the NOx emissions from diesel engines to be reduced by 20% compared with the standard requirements.

PGS also participates in research and concept development activities. These are aimed at establishing renewable energy as a supplement for conventional fuel and to reducing the conventional propulsion power required on board.

HSEQ Objectives 2009

The following overall HSEQ objectives have been defined for 2009:

- The roll-out and implementation of the PGS Golden Rules of Safety throughout the organization.
- The implementation of a HSEQ Management software tools 'Synergi' that will improve the HSEQ reporting and management of incidents and data and provide better trend analysis.
- Improvement in the HSEQ reporting and the raising of HSEQ standards in all PGS office locations.

Corporate Governance

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

PGS is registered in Norway as a public limited liability company and our governance model is based on Norwegian corporate law and the Norwegian Code of Practice for Corporate Governance, as applicable at all times. We also adhere to requirements applicable to foreign registrants in the U.S. where our American Depositary Shares (ADS) are publicly traded to the extent practicable. In addition, we implement corporate governance guidelines beneficial to our business.

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

Code of Conduct and Core Values

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

Business

Our business is defined in our Articles of Association as:

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

The goals and strategies for our business areas are presented on page 7, 14, 15, 25 and page 42 of this annual review.

Equity and Dividends

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

Equal Treatment of Shareholders and Transactions with Related Parties

PGS has one class of shares. In our General Meetings each share has one vote. Our Board is committed to equal treatment of shareholders in all respects. When applicable, transactions by the Company in its own shares should be carried out through the stock exchange, or at prevailing stock exchange prices if carried out in any other way.

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

Transactions between us and related parties shall be conducted at market

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

Freely Transferable Shares

Our shares are freely transferable.

General Meetings

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

Notice of the General Meeting, including all pre-material, is generally given at least four weeks in advance to the shareholders or their depository bank. For ADS holders, a record date is set approximately 5 weeks prior to the Annual General Meeting (AGM). A copy of the calling notice with appendices will be posted at our website, www.pgs.com.

The notice convening an Extraordinary General Meeting shall be given at least two weeks before the meeting if the holding of the meeting is demanded in writing by the independent auditor or shareholders representing at least 5% of the share capital.

Shareowners who wish to take part in a General Meeting must give notice to PGS by the date stated in the calling notice, which date must be at least two working days before the General Meeting.

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

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

Nomination Committee

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

The Current Nomination Committee

The current members of the Nomination Committee consist of Roger O'Neil (chairperson), Hanne Harlem and C. Maury Devine. They were all re-elected in the AGM held May

7, 2008 for a new service period of one year. Shareholders who wish to propose new board members to PGS may do so by submitting a proposal of a candidate to the administration on www.pgs.com, "Nominate a Board Member". None of the members of our Nomination Committee are employed by us or are members of our Board. In 2008, our Nomination Committee had 2 meetings. A report regarding the work of our Nomination Committee will be distributed with the calling notice for our AGM.

Board of Directors – Composition and Independence

According to our Articles of Association our Board shall have from three to thirteen directors. No member of the Board is elected for a period exceeding two years for each elected period. The Board has adopted internal rules of procedures that establish in more detail its role and responsibilities, including:

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

All directors are independent from our management and major business relations, as defined in the Norwegian principles for corporate governance. Five of our seven current shareholder appointed directors are independent from our largest shareholders, as defined in the Norwegian principles for corporate governance. Our chairperson, Mr. Jens Ulltveit-Moe controls the Umoe Group, whereas Harald Norvik is a member of the board of directors in Umoe. At December 31, 2008 the Umoe Group owned 9.27 percent of the shares in PGS. No member of our Board shall be an executive of PGS. Directors cannot perform paid consultancy work for us. Three of the board members, directly or indirectly, own shares in PGS.

Shareholders and other interested parties may communicate directly with our independent directors by sending a written letter in an envelope addressed to Petroleum Geo-Services "Board of Directors (Independent

Members)". General Counsel Espen Sandvik, P.O. Box 89, 1325 Lysaker, Norway.

The Current Board of Directors

As of December 31, 2008, the Board consisted of seven shareholder representatives. Neither the Chief Executive Officer (CEO) nor any other member of the executive management in PGS is a director of the Board. The current members of the Board are presented on www.pgs.com.

The Work of the Board of Directors

In accordance with Norwegian corporate law, our Board has overall responsibility for management of our Company, while our CEO is responsible for day-to-day management. Our Board supervises our CEO's day-to-day management and our activities in general. It is also responsible for ensuring that appropriate steering and control systems are in place. Our CEO shall, in agreement with the chairperson of the Board, annually present a meeting calendar covering the next calendar year to the Board for approval. In 2008 our Board had 9 meetings.

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

shall have a vice-chairperson to chair our Board in our chairperson's absence. The full version of the rules of procedures for our Board is available on www.pgs.com. Our governance structure is organized as described below:

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

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

Board Committees

Our Audit Committee consists of the board members Francis Gugen (chairperson), Wenche Kjøllås and Daniel J. Piette. Its function is to assist our Board in its oversight of the integrity of the financial statements of PGS, monitoring the independent auditor's qualifications, independence and performance, as well as the performance of the internal audit function, and ensure that PGS is in compliance with certain legal and regulatory requirements.

Our Remuneration and Corporate

Governance Committee consists of the board members Harald Norvik (chairperson), Holly Van Deursen and Annette Malm Justad. Malm Justad replaced Siri Beate Hatlen as of May 7, 2008. The function of the Committee is to assist with the matters relating to the compensation, benefits and perquisites of our CEO and other senior executives and examine and maintain our guidelines regarding good corporate governance.

Risk Management and Internal Control

The Board is responsible for ensuring that appropriate steering and control systems are in place.

The Board ensures that the CEO uses proper and effective management and control systems, including systems for risk management. The Board makes sure that the control functions are working as intended and that the necessary measures are taken to reduce extraordinary risk exposure. Furthermore, the Board makes certain that satisfactory routines exist to ensure follow-up of principles and guidelines adopted by the Board in relation to ethical behavior, conformity to law, health, safety and working environment and social responsibility.

PGS' management conduct day-to-day follow-up of financial management and reporting. The Board's Audit Committee assesses the integrity of our accounts and inquires into, for the Board, items related to the financial review and control and external audit of accounts.

PGS has a proper internal auditing system and the Board ensures that it is capable of producing reliable annual reports and that the external auditor's recommendations are given proper attention.

The Board shall conduct an annual self-evaluation to determine whether it and its committees are functioning effectively, which evaluation will then be discussed and considered by the Board in its consideration of any appropriate action or response. In addition, the Board shall conduct a periodic review of PGS' corporate governance policies and procedures, including the Boards Rules of

Procedure. The Remuneration and Corporate Governance Committee shall assist the Board with its annual self-evaluation and any periodic review of corporate governance policies and procedures.

Non-conformances are systematically followed up and corrective measures monitored.

Remuneration of the Board of Directors and the Executive Management

The remuneration of the members of the Board is not linked to performance, but is based on participation in meetings and is approved by the General Meeting annually. The Board Members shall not take on specific assignments for us in addition to their appointment as a member of the Board. No member of the Board holds any options in PGS.

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

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

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

Information and Communications

Our Board is committed to reporting financial results and other relevant information based on openness and taking into account the requirement for equal treatment of all participants in the securities market. As a listed company, we comply with relevant regulations regarding disclosure. Announcements are released through the Hugin system and posted on www.newsweb.no. In addition, all announcements are available on the company's website www.pgs.com. Our shareholder policy is described on www.pgs.com.

Takeovers

The Board has established guiding principles for how it will act in the event of a takeover bid. The Board will not seek to hinder or obstruct any takeover bids for our activities or shares, or exercise mandates or pass any resolutions that obstruct takeover bids that are put forward. In the event of a takeover bid, the Board will, in accordance with its overall responsibility for corporate governance, act for the benefit of our shareholders and ensure that the shareholders are given sufficient information. If an offer is made, the Board will issue a statement evaluating the offer and making a recommendation as to whether our shareholders should or should not accept the offer. PGS' Articles of Association do not contain any restrictions, limitations or defense mechanisms on acquiring our shares.

Auditor

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

The independent auditors meet with our full Board of Directors at least once a year in connection with the preparation of the annual accounts and, at least once a year, presents a review of our financial reporting and internal control procedures over financial reporting. The auditor will be asked annually to confirm in writing that the auditor satisfies the requirements for independence. The auditor shall also provide our Audit Committee with a summary of all services, in addition, to audit work that has been undertaken for us. The remuneration paid to the auditor with respect to audit services will be reported to the AGM for approval.

Board of Directors

Jens Ulltveit-Moe Chairperson (elected 2002)

Mr. Ulltveit-Moe has been our Chairman of the Board of Directors since September 2002. He is the founder and has been President and Chief Executive Officer of Umoe AS, a shipping and industry company, since 1984. From 2000 to 2004, he was the President of the Confederation of Norwegian Business and Industry. From 1980 to 1984, Mr. Ulltveit-Moe served as Managing Director of Knutsen OAS. From 1972 to 1980, he was Managing Director of the tanker division of SHV Corporation. From 1968 to 1972, Mr. Ulltveit-Moe was an Associate with McKinsey & Company, Inc. in New York and London. Mr. Ulltveit-Moe holds a Master's Degree in Business Administration from the Norwegian School of Economics and Business Administration and a Master's Degree in International Affairs from the School of International Affairs, Columbia University, New York.

Francis Gugen Board Member (elected 2003)

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

Wenche Kjelås Board Member (elected 2006)

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

Harald Norvik Board Member (elected 2003)

Mr. Norvik is a partner in the consulting company ECON. He is Chairman of the Board of Directors in the publishing firm Aschehoug, Member of the Board of Directors in ConocoPhillips and Member of the Board of Directors in the service and technology provider Ability Group. He served as Chief Executive Officer of Statoil from 1988 to 1999. He was Finance Director and a Member of the Executive Board of the Aker Group from 1981 to 1988. He served as Personal Secretary to the Prime Minister of Norway and as Deputy Minister in The Ministry of Petroleum and Energy from 1979 to 1981. Mr. Norvik has a Master of Science Degree in Business Administration from The Norwegian School of Economics and Business Administration.

Holly van Deursen Board Member (elected 2006)

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

Daniel J. Piette Board Member (elected 2007)

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

Malm Justad Board member (elected 2008)

Ms. Malm Justad is currently working as CEO in Eitzen Maritime Services. Prior to this, she was Vice President and Head of Purchasing at Yara International ASA, Vice President and Fleet Manager at Norgas Carriers AS and has held various technical and commercial positions for Norsk Hydro ASA. Ms. Malm Justad holds a Master's Degree in Technology Management from MIT/NTH, as well as a Master's Degree in Chemical Engineering from NTH. She serves on the board of Camillo Eitzen & co ASA and Aker American Shipping ASA.

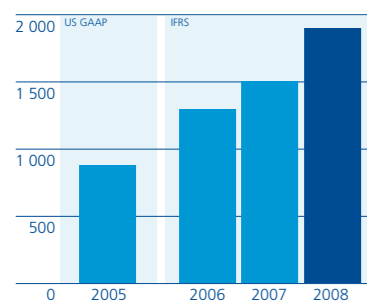
From left: Mr. Norvik, Ms. Van Deursen, Mr. Ulltveit-Moe, Mr. Piette, Ms. Kjelås, Mr. Gugen, Ms. Malm Justad.



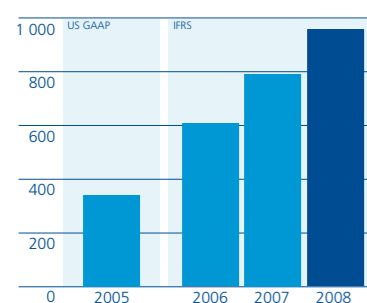
Financial Review

In 2008, PGS delivered the best full year revenues and EBIT in the history of the Company and the highest Marine contract EBIT-margin ever recorded.

Revenues
in USD million



Adjusted EBITDA
in USD million



Business Headlines 2008

- Strong full-year operating cash flow of USD 914.6 million, an increase of 27% from the previous record set in 2007 and an EBITDA of USD 967.8 million, up 21% from 2007.
- Marine seismic contract operating profit margin of 49%, the highest ever recorded for PGS.
- High total pre-funding levels (105% of capitalized MultiClient investments, excluding capitalized interest).
- Strong total MultiClient late sales of USD 202.5 million.
- Delivery of *Ramform Victory* to the Japanese Ministry of Economy, Trade and Industry (METI), after the agreement was finalized in 2007. On delivery PGS recorded a gain of USD 71.6 million and will continue to provide licenses as well as operational services and support under a long-term agreement.
- Appointment of a new Chief Executive Officer. Jon Erik Reinhardsen started in the position on April 1, 2008.
- Listing of the USD 400 million convertible notes due 2012 on the Oslo Stock Exchange. The notes were used to secure permanent financing of the Arrow acquisition in November 2007 at favorable terms, while increasing financial flexibility.
- Delivery of the new *Ramform Sovereign* in March. The performance of the vessel has been excellent and has set several industry records. *Ramform Sovereign* contributes towards improving productivity, efficiency and flexibility of PGS' fleet even further.
- Award of several large contracts, for both the Marine and the Onshore segment.
- Debt repayments of USD 133.1 million, net.
- Experienced a weaker market for electromagnetic surveying and recognized an impairment charge of USD 99.1 million relating to MTEM which was acquired in 2007.
- Delays on Arrow new-build program in Spain. Impairment charge of USD 59.9 million is primarily related to the vessels *Polar Sea* and *Southern Explorer*.
- Qualified for the Norwegian tonnage tax (NTT) regime. The 2009 Norwegian state budget included amendments required for PGS' subsidiaries owning vessels to qualify. Annual tax savings are expected to be USD 30-40 million.
- Commercialization of the proprietary GeoStreamer® technology by acquiring approximately 30,000 line kilometers of 2D data worldwide with excellent productivity and data quality.
- GeoStreamer® installation on the *Atlantic Explorer*, the first 3D vessel to be equipped with GeoStreamer®, and commenced a MultiClient GeoStreamer® survey in DeSoto Canyon in the Gulf of Mexico late 2008.
- Processing of Crystal II Wide Azimuth survey finalized with excellent results. The data was ready for the Central Gulf of Mexico lease sale in March 2009.

No share repurchases are planned in 2009. PGS has an authorization to repurchase up to 10% of the outstanding shares. As of December 31, 2008 the Company owned 2.11% of the issued shares.

Markets and Main Businesses

Marine

PGS is one of the three major global participants in the marine 3D market, with a market share of approximately 28%, measured by acquired square kilometers of 3D seismic. When measured by the number of streamers at year-end 2008, the Company's market share was 22%, reflecting the efficiency of PGS' fleet. By year-end 2008, PGS' 3D acquisition fleet totaled eleven vessels. Six Ramform vessels in the high-end segment make the fleet one of the most efficient in the industry. After delivery of *Ramform Victory* (now renamed Shigen) to METI in late January 2008, PGS took delivery of the new *Ramform Sovereign* at the beginning of March 2008. The second vessel in the Ramform S-class series, *Ramform Sterling*, is scheduled for delivery in June 2009 and work on the vessel is currently progressing according to plan at STX Europe's facility in Tomrefjord.

The marine 3D market experienced further growth in 2008 driven by increased demand for seismic from oil and gas companies. The EBIT-margin achieved on contract seismic improved further compared to 2007 and ended at 49%. At December 31, 2008, the order book for Marine was USD 871 million, compared to USD 843 million at December 31, 2007.

Contract seismic work continued to dominate the Company's activity in 2008, although investments in new MultiClient increased compared to 2007. Pre-funding of new MultiClient investments continued at high levels.

Data Processing & Technology

Growing and repositioning the data processing business is an important part of the strategy. The acquisition of Applied Geophysical Services Inc. (AGS) in 2007 significantly enhances PGS depth imaging capabilities, and the Company has capitalized on this acquisition throughout 2008. The AGS Beam Migration has been a key vehicle for lifting us to a leading position in high-end data processing imaging. In a recent PGS customer survey, almost 90% of customers said PGS is at industry standard or above and as much as 60% of clients said the Company is above industry standard

when it comes to data processing.

External data processing is becoming an increasingly important revenue contributor. External data processing revenues increased by USD 21.9 million (34%) from USD 64.1 million to USD 86.0 million in 2008.

GeoStreamer®, the first ever dual sensor streamer and a proprietary PGS technology, represents a step change in streamer technology with enhanced resolution, better penetration and improved operational efficiency. In 2008, PGS commercialized the GeoStreamer® technology by acquiring approximately 30,000 line kilometers of 2D data worldwide with excellent productivity and data quality.

GeoStreamer® was installed on the *Atlantic Explorer* in fourth quarter 2008, the first 3D vessel to be equipped with GeoStreamer®. The vessel commenced on a MultiClient GeoStreamer® survey in DeSoto Canyon in the Gulf of Mexico and will follow on with GeoStreamer® surveys in the North Sea. Endorsement of this technology is demonstrated by direct awards and the Company has experienced significant price uplifts on GeoStreamer® projects compared to conventional surveys. PGS intends to equip another 3D vessel with GeoStreamer® during 2009.

As a result of a weaker seismic market outlook, the Company adjusts its ambitions and cost structure for the new OptoSeis® reservoir surveillance technology. This technology utilizes fiber optic cables installed on the seabed of existing and producing oil fields. OptoSeis® enables seismic data "on demand" in order to monitor changes over time to optimize reservoir production. There were two pilot projects performed during 2008.

Onshore

PGS is a significant worldwide operator in the onshore seismic services market. As a result of increased competition over the last couple of years, the onshore segment remains a lower margin business compared to the Marine segment.

As of December 31, 2008, eleven onshore crews were in operation;

five in North America, three in the Latin American region and three in the Eastern Hemisphere. Throughout 2008 PGS Onshore operated up to 12 crews.

Mexico is currently the most active market for PGS, primarily driven by a large 3D contract awarded by PEMEX in second half of 2008. The contract will be carried out from 2008 to 2012 and the area to be surveyed is more than 2,000 square kilometers. The total contract value amounts to approximately USD 165 million. During 2008, Onshore continued to invest in its MultiClient library located entirely in the US. However, investments in MultiClient decreased substantially in the fourth quarter 2008 compared to the fourth quarter 2007 as a result of the financial crisis and cut in capital expenditures among some clients. During this quarter, the number of crews in the US was adjusted from four to three. At the end of 2008, the order book for Onshore was USD 194 million, compared to USD 144 million at December 31, 2007.

Other Activities

Revenues from the EM segment have been lower and the overall market development has been slower than expected, as reflected in the impairment charges made in 2008. However, the Company still believes in the EM technology and will continue to develop EM solutions. By the end of 2008, PGS had conducted a successful field trial of the towed EM system and the evolution of cost effective EM solutions for the marine environment are progressing. Furthermore, the Company will continue to refine the EM processing and inversion methods and support clients' growing acceptance of EM benefits and its place in the oil companies' value chain. PGS has decided to align resources and reduce costs of the EM segment, but will retain critical operational and engineering expertise within the organization to enable us to mobilize marine EM operations for key selected clients and the general market when it is ready.

Financial Results

Total revenues for 2008 were USD 1,917.5 million compared to USD 1,519.9 million in 2007, an increase of 26%.

Marine revenues for 2008 totaled USD 1,638.8 million, an increase of USD 365.0 million (29%), from 2007. Revenues from contract seismic acquisition increased USD 373.2 million from USD 691.8 million in 2007 to USD 1,065.0 million in 2008, primarily driven by a stronger marine seismic market, more capacity allocated to contract work, increased prices and a larger fleet. Total MultiClient revenues (pre-funding and late sales combined) decreased by USD 64.5 million (13%), to USD 439.4 million in 2008, primarily driven by lower pre-funding revenues. MultiClient pre-funding decreased by USD 56.4 million (18%), from USD 306.0 million in 2007 to USD 249.6 million in 2008. MultiClient late sales decreased by USD 8.1 million (4%), to USD 189.8 million in 2008. Marine increased its cash investments in MultiClient library by USD 9.2 million (4%), to USD 223.7 million in 2008. Pre-funding as a percentage of cash investments in MultiClient data, ended at 112% in 2008 compared to 143% in 2007. The decrease in pre-funding level is driven by relatively more 2D activity and reprocessing, which, typically, are less pre-funded than MultiClient 3D operations. In 2008 the fleet allocation (active 3D vessel time) between contract and MultiClient data acquisition was approximately 80%/20% compared to 64%/36% in 2007.

Onshore revenues for 2008 totaled USD 273.1 million, an increase of USD 26.6 million or 11% from 2007. The increase is primarily due to reactivation of the Latin American market (Mexico, Brazil and Peru) partially offset by lower activity in North Africa. Total MultiClient revenues (pre-funding and late sales combined) decreased USD 12.6 million (16%), to USD 68.6 million, primarily driven by lower late sales as a result of cuts in capital expenditures among clients in the second half of 2008, compared to 2007. MultiClient late sales decreased USD 8.3 million (40%), from USD 20.9 million in 2007 to USD 12.6 million in 2008. MultiClient pre-funding decreased by USD 4.3 million (7%), from USD 60.3 million in 2007 to USD 56.0 million in 2008. The decrease in pre-funding is primarily driven by a reduction in MultiClient cash investments of 11% from 2007 to 2008.

Operating costs, which includes cost of sales, expensed research and developments costs and selling, general and administrative costs, totaled USD 949.7 million in 2008 compared to USD 719.1 million in 2007, an increase of USD 230.6 million (32%).

Marine operating costs increased by USD 180.2 million (35%), mainly as a result of increased activity, more capacity and price inflation. Onshore operating costs increased by USD 31.7 million (19%), primarily related to higher activity than in 2007. In addition operating costs in the Other segment increased by USD 18.7 million to USD 52.0 million, primarily relating to PGS EM.

Reported research and development costs increased by USD 10.9 million (128%), to USD 19.4 million, while selling, general and administrative costs increased by USD 10.6 million (15%), to USD 83.1 million. The main driver behind the sharp percentage increase in research and development cost is related to EM applications and the Company's effort to complete development of a towed EM solution. Research and development costs are net of capitalized development projects totaling USD 11.5 million and USD 8.9 million for 2008 and 2007, respectively. The GeoStreamer® was put into production in the fourth quarter 2008 and of the USD 11.5 million, USD 5.0 million relates to developing the GeoStreamer®. The rest primarily relates mainly to development of OptoSeis®, the fiber optic solution for 4D monitoring.

PGS costs have generally increased in 2008 as the activity level increased. In addition, the Company spent more on chartered capacity to perform 2D surveys and to facilitate advanced 3D surveys and otherwise optimize the productivity of the Company's 3D vessels. There was a strong general cost increase for fuel, personnel, yard and maintenance and project-related costs, such as support and source vessels during 2008.

Depreciation and amortization for 2008 was USD 335.5 million compared to USD 313.1 million in 2007, an increase of USD 22.4 million (7%). The increase is mainly caused by higher

depreciation as a result of an increase in depreciation costs for vessels acquired in the acquisition of Arrow in November 2007, entry of Ramform Sovereign to the fleet in March 2008 and other investments made in 2008, partly offset by lower pre-funding on MultiClient surveys.

MultiClient amortization for 2008 decreased by USD 42.9 million (18%) compared to 2007. MultiClient amortization as a percentage of total MultiClient revenues was 38% in 2008, compared to 40% in 2007. The decrease is driven by less pre-funding and capacity allocated to new MultiClient projects.

The net book value of the MultiClient library was USD 294.6 million as of December 31, 2008, compared to USD 173.9 million as of December 31, 2007. The low book value will result in relatively low ordinary amortization relating to sales from the existing library, while amortization relating to sales from new library investments will be higher.

Other operating income of USD 71.6 million in 2008 relates to the sale of *Ramform Victory* to METI in January 2008.

In the fourth quarter of 2008, the Company recorded impairments of long-lived assets of USD 161.1 million. USD 99.1 million relates to impairments of intangible assets recorded on acquisition of MTEM as a result of weaker EM market development and reduced EM ambitions in 2009. Impairment indicators were identified for certain vessels due to challenging economic conditions. These included stacking of *Polar Sea*, deferral of the conversion of *Southern Explorer* and adjusting the carrying amounts of *Polar Pearl*. In addition, the cost of the new-build 532 is estimated to exceed the income it will earn under its original long-term lease agreement. These resulted in impairments charges of USD 59.9 million. In addition USD 2.1 million relates to oil and gas assets.

Operating profit was USD 542.7 million in 2008. Excluding impairments of long-lived assets the operating profit was USD 703.9 million, compared to an operating profit of USD 494.5 million in 2007.

Interest expense was USD 56.6 million in 2008 compared to USD 37.5 million in 2007. The increase is primarily due to increased interest bearing debt, partially offset by an increase of capitalized interest to the MultiClient library and construction in progress. Other financial items, net amounted to a loss of USD 35.0 million in 2008 compared to a loss of USD 7.1 million in 2007. The increased loss is primarily attributable to foreign currency loss of USD 33.1 million as a result of appreciation of the US dollar in second half of 2008. A stronger US dollar generally favors operations since a significant portion of costs of operations are incurred in other currencies. PGS holds foreign currency positions, including derivative financial instruments, to balance operational currency exposure. These positions are generally not accounted for as hedges, but marked to market at each balance sheet date together with receivables and payables in non US currencies, causing the short-term effect to be negative when the US dollar appreciates. Impairments of shares available-for-sale was a loss of USD 7.3 million in 2008 and relates to ownership in Borders & Southern and Endeavour whose share price declined significantly in the fourth quarter 2008. During 2008 PGS repurchased USD 45.5 million of nominal value of the convertible notes resulting in a gain of USD 12.1 million.

Income tax expense was USD 32.8 million in 2008 compared to a benefit of USD 11.1 million in 2007. The income tax expense for 2008 was positively impacted by the planned entry of parts of the vessel operations to the NTT from January 1, 2008 and developments relating to exit from the previous shipping tax regime, effective January 1, 2002, aggregating USD 107 million. The tax benefit in 2008 is also positively impacted by foreign exchange movements. The 2008 tax charge included current tax expense of USD 75.8 million, compared to a current tax expense of USD 43.2 million in 2007. Current tax expense relates primarily to withholding taxes or income taxes in countries where PGS has no carry forward losses or where there are limitations on use of such losses.

PGS has substantial deferred tax

assets in different jurisdictions, predominantly in Norway and the UK. At year-end 2008, deferred tax asset amounted to USD 221.8 million in the consolidated balance sheets while remaining unrecognized deferred tax assets are USD 88.6 million.

Income from discontinued operations, net of tax, was USD 1.5 million in 2008 compared to USD 1.0 million in 2007, relating to additional proceeds from activities sold in 2003 and 2002.

Net income to equity holders of PGS ASA was USD 417.4 million compared to USD 470.0 million for 2007.

Arrow New-Builds

From the acquisition of Arrow Seismic, PGS has four 10-12 streamer seismic 3D vessels under construction at the Factorias Vulcano shipyard group in Spain (the Arrow new-builds (NB)). In 2008 the Company entered into revised agreements with the shipyard, Pymar (the Spanish shipbuilders association) and WesternGeco on incentives, delivery times and guarantees. The shipyard group is experiencing substantial delays and a tight liquidity situation, and the Company is monitoring the status of the yard closely.

The first two vessels (NB 532 and 533) are on charters to WesternGeco. The agreements with the shipyard and WesternGeco, respectively, are generally designed to be "back-to-back". According to the revised agreements, Arrow is entitled to terminate if the relevant vessels are not delivered within 120 days of the agreed delivery dates of November 30, 2008 and March 31, 2009, respectively. If either of the NB's 532 or 533 is delayed more than 120 days, Arrow will have to notify WesternGeco that Arrow has a right to terminate the shipbuilding contract with the yard. WesternGeco may then decide to terminate the charter party and any related agreements with Arrow or they may instruct Arrow not to terminate the shipbuilding contract.

In early March 2009 PGS received formal notification by Factorias Vulcano that the shipyard intends to deliver hull number 532 to satisfy the shipbuilding contract specified for hull number 533. The Company is cur-

rently assessing the legality of such substitution. Since the shipyard will not deliver NB 532 within the termination date, Arrow has received from WesternGeco a notice of intention to terminate the charter for NB 532 and Arrow has sent a notice of termination of the shipbuilding contract to the shipyard.

For NB 532 and 533, Arrow has made the contractual installments to the yard of approximately EUR 39 million per vessel, of which approximately EUR 32 million (per vessel) are secured by on-demand refund guarantees from banks. If NB 532 or 533 is more than 120 days delayed and both WesternGeco and Arrow should decide to terminate the contract related to the vessel, Arrow would be entitled to receive repayment from the yard of all installments made on the vessel as well as interest. If such terminations were to occur, PGS would be exposed to an impairment charge of close to USD 100 million (total for the two vessels) relating to the fair value adjustment recorded at the acquisition of Arrow Seismic and subsequent capitalization of interests and other costs.

The two other new-builds, *PGS Apollo* and *PGS Artemis*, are intended to be a part of PGS' seismic operations when completed. In the case of termination based on delays beyond 120 and 200 days respectively for *PGS Apollo* and *PGS Artemis* of the agreed delivery dates of June 15, 2009 and January 31, 2010 respectively, Arrow would be entitled to receive repayment from the yard of all installments made on those vessels. All installments are secured by on-demand refund guarantees, except for the second to last one which amounts to approximately EUR 7 million for each vessel. Such termination would expose us to substantial impairment charges, including the fair value adjustment recorded at the acquisition of Arrow Seismic.

On July 7, 2008, CGGVeritas issued a claim against Arrow Seismic ASA of USD 70 million. CGGVeritas claims to have a binding agreement with Arrow for a charter and ultimately the purchase of NB 534 (now renamed *PGS Apollo*). PGS views the CGGVeritas claim against Arrow as unfounded.

The hearing in court of first instance took place in the Asker & Bærum District Court in Norway on March 17-24, 2009. A court ruling is expected in the second quarter of 2009.

Cash Flow, Balance Sheet and Financing

Net cash provided by operating activities totaled USD 914.6 million in 2008 compared to USD 722.8 million in 2007, primarily driven by strong improvement in profit.

Cash and cash equivalents (excluding restricted cash) totaled USD 95.2 million at December 31, 2008 compared to USD 145.3 million at December 31, 2007. Restricted cash at December 31, 2008 totaled USD 18.4 million, compared to USD 59.4 million at December 31, 2007, which included USD 38.0 million of security deposit for the mandatory offer for Arrow.

In June 2007, PGS refinanced and established a USD 600 million Term Loan B maturing in 2015 and a USD 350 million revolving credit facility maturing in 2012. At December 31, 2008 there was USD 572.0 million outstanding under the term loan and USD 230.0 million outstanding under the revolving credit facility. In addition, the Company has a remaining balance on the Oslo Seismic Notes of USD 49.1 million.

PGS issued USD 400 million of convertible notes in December 2007. The conversion price is NOK 216.19 per share, which represented a 40% premium over the volume weighted average share price of the ordinary shares at the time of offering. During 2008, the Company repurchased USD 45.5 million of nominal value of the convertible notes, representing 11.4% of the total outstanding issue at an average price below 60% of nominal value. As of December 31, 2008, the carrying value of the convertible notes was USD 300.4 million (net of deferred loan costs).

Arrow had two secured loan facilities totaling approximately USD 350 million at December 31, 2007 relating to existing vessels and new-builds. In 2008, PGS reached agreements with the syndicate banks for the two Arrow facilities to terminate one of the facilities and continue a part of the other facility amounting to USD 125 million. As of December 31, 2008 drawing on the remaining Arrow facility totaled USD 83.9 million. The Company may have to reduce the facility amount and related drawings corresponding to a termination of any Arrow vessel new-build.

Total interest bearing debt, including capital leases but excluding deferred loan costs was USD 1,249.2 million as of December 31, 2008 compared to

USD 1,377.4 million as of December 31, 2007.

Net interest bearing debt (interest bearing debt less cash and cash equivalents, restricted cash and interest bearing investments) was USD 1,135.6 million at December 31, 2008 compared to USD 1,172.7 million at December 31, 2007.

PGS' interest bearing debt consisted of the components listed in the table at the bottom of the page.

Investments

During 2008, PGS made total cash investments, excluding capitalized interest, of USD 290.0 million in Multi-Client data library compared to USD 282.8 million in 2007, an increase of USD 7.2 million (3%).

Capital expenditures, excluding capital expenditures on new-builds on charter, totaled USD 450.6 million in 2008 compared to USD 260.4 million in 2007, an increase of USD 190.2 million. Capital expenditures in Marine increased by USD 163.2 million to USD 395.3 million in 2008. The increase is primarily due to the ongoing new-build programs.

Financial Market Risk

PGS is exposed to certain market risks, including adverse changes in interest rates and foreign currency

exchange rates, as discussed below.

Interest Rate Risk

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

As of December 31, 2008, the Company had USD 885.8 million of floating rate interest bearing debt and USD 4.1 million of capital leases, both based on US dollar one to six month LIBOR rate, plus a margin. PGS has a fixed interest rate debt with a book value of USD 359.3 million. To reduce the impact of future rises in interest rates the Company has a portfolio of interest rate swaps (IRS) with a nominal amount totaling USD 400 million. Fair value of the IRS was negative USD 47.6 million as of December 31, 2008. These IRS's have terms covering a period between two and six years. The Company's annual interest expense would increase by USD 4.9 million for every one percentage point increase in the LIBOR rate.

Currency Exchange Risk

PGS conducts business in various currencies including Brazilian real, Indian rupee, Euro, Singapore dollar, Kazakhstan tenge, Mexican peso, Moroccan dirham, Nigerian naira, Peruvian nuevo sol, Saudi riyal, British pound and the Norwegian kroner. PGS is subject to foreign currency exchange rate risk on cash flows related to sales, expenses, financing and investing transactions in currencies other than the US dollar.

Cash flow from operation(s) is primarily denominated in US dollars (USD), British pounds (GBP) and Norwegian kroner (NOK). PGS predominantly sells its products and services in US dollars, but also other currencies like Euro, British pounds and Norwegian kroner. In addition to US dollars, a significant portion of the operating expenses are incurred in British pounds and Norwegian kroner, with less substantial portions in Singapore dollars and various other currencies. The Company, therefore, typically has higher expenses than revenue denominated in non US dollar currencies.

A stronger US dollar reduces PGS' operating expenses as reported in

US dollars. The Company estimates that an appreciation of the US dollar against the two most significant non US dollar currencies (NOK and GBP) by 10% would have an annual net positive EBIT impact of USD 20 to USD 25 million before currency hedging activities.

PGS hedges a portion of its foreign currency exposure related to operating income and expenses by entering into forward currency exchange contracts. While entering into these contracts with the purpose of reducing exposure to changes in exchange rates, the Company does not account for the contracts as hedges except if they are specifically designated to firm commitments or certain cash flows. Consequently, these forward currency exchange contracts are recorded at estimated fair value and gains and losses are included in other financial items, net. During 2008, the Company had in place currency hedges for most of the payment that will be made in non US dollars for vessels under construction. The hull on the new vessels will be paid for in NOK and EUR and currency hedges put in place for these exposures are treated as fair value hedges in the accounts. As of December 31, 2008, the Company had net open forward contracts to buy/sell British pounds, Norwegian kroner, Euro, Singapore dollars and Brazilian real. The total nominal amounts of these contracts are approximately USD 514.2 million, compared to USD 804.8 million in 2007. Of this, contracts with a notional value of USD 150.8 million are accounted for as fair value hedges, compared to USD 146.7 million in 2007. There were no designated foreign currency cash flow hedges in 2008, as opposed to a notional value of USD 75.4 million in 2007. The outstanding contracts at year-end had a negative fair value of USD 35.3 million, compared to a positive fair value of USD 30.5 million in 2007. This is due to a significant appreciation of the US dollar during the second half of 2008.

A further 10% appreciation of the US dollar against all the currencies the Company has derivative contracts in, would decrease the fair value of these contracts by approximately USD 27.8 million. The profit and loss effect

of this change would be USD 20.7 million (loss).

All debt is denominated in US dollars.

Credit Risk

The Company's trade receivables are primarily from multinational integrated oil and natural gas companies, including companies that are owned in whole or in part by governments. PGS manages its exposure to credit risk through ongoing credit evaluations of customers. The Company believes its exposure to credit risk is relatively limited due to the nature of the customer base, the long-term relationship with most of customers and the historic low level of losses on trade receivables.

PGS also monitor the counter party credit risk of its banking partners, including counterparties on derivatives and where cash is held on deposit. In addition the Company is exposed to certain off balance sheet counter party credit risk related to refunds from the Spanish shipyard Factorias Vulcano, the refund guarantees from Spanish banks related to the Arrow new-builds and counterparties to the Arrow charter agreements. Except for the tight liquidity situation at the shipyard, PGS believes that other counterparties have the ability to meet their obligations when due.

Liquidity Risk

At December 31, 2008, PGS had an unrestricted cash balance of USD 95.2 million and an unused USD 120.0 million of the USD 350.0 million secured revolving credit facility (maturing June 2012) and USD 41.1 million secured Arrow facility (maturing 2017). The Company also has an additional overdraft facility of NOK 50 million. PGS continuously monitor its banks and has no reason to believe that they will not meet their funding commitments if called upon.

Based on the year-end cash balance, available liquidity resources and the current structure and terms of debt, PGS believes that it has adequate liquidity to support its operations and investment program.

The credit agreement for the USD

PGS' interest bearing debt	December 31, 2008	December 31, 2007
(In millions of dollars)		
Unsecured:		
10% Senior Notes, due 2010	5	5
Secured:		
Term loan, Libor, + margin due 2015	572	597
Revolving credit facility, due 2012	230	240
8.28% first preferred mortgage notes, due 2011	49	63
Revolving credit facility (Arrow), due 2017	38	-
Term loan (Arrow), Libor, + margin, due 2017	46	-
Convertible notes:		
Convertible notes, due 2012	306	332
Total long-term debt	1,246	1,237
Short-term debt	-	134
Total interest bearing debt	1,246	1,371

350 million revolving credit facility and the USD 600 million Term Loan B generally requires the Company to apply 50% of excess cash flow to repay outstanding borrowings for periods when the senior leverage ratio (total indebtedness-unsecured debt)/(preceding 12 month EBITDA- preceding 12 month MultiClient investments) exceeds 2.0:1 or if total leverage ratio (same as senior leverage ratio, but excluding unsecured debt) exceeds 2.5:1. Excess cash flow for any periods is defined as net cash flow provided by operating activities during that period less capital expenditures made in that period or committed to be made in the next period, less debt service payments and less accrued income taxes to be paid in the next period.

As a result of the global economic and financial crisis, capital markets are generally less predictable and available than historically experienced. This represents an increased risk for all companies with respect to meeting possible future funding needs.

PGS is aiming for asset sales of USD 200 million in 2009 to improve liquidity of the Company and better position us in a weaker market. Other measures taken to improve liquidity are to defer certain capital expenditures, reduction in MultiClient investments, releasing chartered capacity and the Company has stacked some of its 2D/ source vessels.

PGS has a solid structure on its existing debt with no material scheduled maturities until 2012 and financial covenants that are not unduly restrictive. The Company does not currently anticipate issues with financial covenants in 2009. However, depending on future market developments PGS may need to take actions to meet financial covenants or refinance debt in subsequent years.

Commodity Risk

In the operation of seismic vessels PGS use a substantial quantity of fuel. The Company is therefore exposed to changes in fuel prices. Based on the Company's fuel consumption in 2008, if fuel prices were to increase by 10%, fuel costs would increase by approximately USD 1 million per month of operating cost. PGS does not hedge

this exposure, but is seeking cost adjustments on long-term contracts. The price for oil is a primary driver for demand for PGS' services and future profitability.

Shares, Share Capital and Dividend

PGS has 180,000,000 shares issued and outstanding, all of which are of the same class and with equal voting and dividend rights. Each share has a par value of NOK 3.

PGS' ordinary shares are listed on the Oslo Stock Exchange, under the symbol "PGS", denominated in Norwegian kroner (NOK). The Company delisted from the New York Stock Exchange (NYSE) effective July 20, 2007 with the deregistration from the US Security Exchange Commission becoming effective October 18, 2007. The PGS share is still trading as an American Depositary Share (ADS) on the US Pink Sheets, under the symbol "PGSVY". Quotes are denominated in US dollars and each ADS represents one share.

No ordinary dividend will be paid to shareholders for 2008. In general, any future dividend will be proposed to the Annual General Meeting (AGM) based on the Company's results of operations and financial condition, future business prospects, any applicable legal or contractual restrictions and other factors that the Board of Directors consider relevant.

At the AGM on May 7, 2008 the authorization for a share repurchase program for up to 10% of the Company's share capital, initially given in 2006, was extended for another year. The Company expects to propose an extension of the authority to the AGM in May 2009.

As of December 31, 2008, PGS holds a total of 3,806,989 own shares, representing 2.11% of total shares outstanding. The Company uses share repurchase primarily as a means of adjusting its financial leverage within its targeted range. PGS expects to use most of the expected cash flow in 2009 for continued execution on committed projects and to reduce debt.

Outlook

The seismic industry has been

impacted by the rapid changes in the financial markets and lower oil price. During 2009, the Company expects that there will be a net decline from 2008 in exploration and production spending among clients, causing margins for new contracts to decrease. At the same time, there is an increase in marine seismic capacity. PGS does not expect all the vessels announced to be delivered, due to cancellations, caused by financing difficulties, and delays. The Company further expects that stacking and scrapping of older vessel will mitigate some of the impact of new capacity in the market.

The long-term fundamentals are still well intact, especially for more advanced seismic since the easy oil has been extracted. Looking at the declining reserve replacement ratio for the industry and the forecasted decline in oil supply it is likely demand for seismic services will pick up over time.

In a temporarily weaker market, PGS will focus on cost reduction and cash generation. The Company has been proactive in adapting to a tougher market and is focusing on reducing overhead and operating costs. PGS is also reducing its ambitions for new ventures by optimizing R&D spending and re-evaluating the timing of EM and OptoSeis®.

PGS has a competitive advantage in its cost efficient and uniform fleet. This will become important for the Company in order to maintain industry leading margins and generate robust cash flow going forward.

In the Marine segment, PGS enters 2009 with a healthy order book covering approximately eight months of work. Still, for the year as a whole, the Company expects Marine contract revenues to decrease as a result of lower activity and lower prices.

PGS expects to invest less in MultiClient in 2009 compared to 2008. The Company seeks to maintain high pre-funding.

Capital expenditures are expected to decrease compared to 2008, mainly as a result of the Company's focus on reducing capital expenditures and the decision to defer any further commit-

ments of seismic equipment for PGS Artemis, due to delay of the vessel. The Company is considering equipping the vessel with existing equipment from its 6-streamer fleet.

In 2009, PGS expects Onshore to perform weaker than in 2008.

PGS emphasizes that forward looking statements contained in this report are based on various assumptions made by the Company that are beyond its control and that are subject to certain risks and uncertainties as disclosed in the Company's filings with the Oslo Stock Exchange. Accordingly, actual results may differ materially from those contained in the forward looking statements.

Executive Management



Jon Erik Reinhardsen
(Born 1956)
President and CEO

Mr. Reinhardsen joined PGS in April 2008 as President and Chief Executive Officer. Prior to joining PGS he was Vice President and Officer in Alcoa Inc responsible for developing and delivering major primary metals and refining growth opportunities for the company worldwide. In the period 1983 to 2005, he had various positions in the Aker Kværner group, among them Group Executive Vice President of Aker Kværner ASA, Deputy Chief Executive Officer and Executive Vice President of Aker Kværner Oil & Gas AS based in Houston and Executive Vice President, Business Area responsible for Products and Technology in Aker Maritime ASA. Mr. Reinhardsen was also responsible for the development of the seismic company Aker Geo ASA. Mr. Reinhardsen has a Master's Degree in Applied Mathematics and Geophysics from the University of Bergen. He has also attended the International Executive Program at the Institute for Management Development (IMD) in Lausanne, Switzerland.



Gottfred Langseth
(Born 1966)
Senior Vice President and CFO

Mr. Langseth joined PGS in November 2003 and was named Senior Vice President and Chief Financial Officer as of January 1, 2004. He was Chief Financial Officer at the information technology company Ementor ASA from 2000 to 2003. Mr. Langseth was Senior Vice President of Finance and Control at the offshore construction company Aker Maritime ASA from 1997 to 2000. He served with Arthur Andersen Norway from 1991 to 1997, qualifying as a Norwegian state authorized Public Accountant in 1993. Mr. Langseth has a Master's Degree in Business Administration from the Norwegian School of Economics and Business Administration.



Rune Eng
(Born 1961)
Group President Marine

Mr. Eng was appointed President of Marine in August 2004. Since joining PGS in 1997, he has held the position of Area Manager Scandinavia and from 2000 has served as President for the EAME region (Europe, Africa and Middle East). Prior to joining PGS, Mr. Eng held different positions in Fugro-Geoteam. This included a board position in Sevoteam, a Russian-Norwegian joint operating company involved in offshore seismic studies. Mr. Eng held a Senior Consultant position in Digital Equipment Computing promoting the use of reservoir simulation in the oil industry. Mr. Eng has a Bachelor's Degree in Applied Geophysics from the University of Oslo and a Master of Science Degree from Chalmers University of Technology (Sweden).



Eric Wersich
(Born 1963)
Group President Onshore

Mr. Wersich joined Onshore in January 2000 as Vice President of western hemisphere and was appointed President of Onshore in June 2003. Mr. Wersich worked with Western Geophysical from 1984 to 2000, employed in various operational and management positions in North America, Latin America, Europe and the Middle East. He is a graduate of the Colorado School of Mines, where he earned a Bachelor of Engineering Degree in Geophysics.



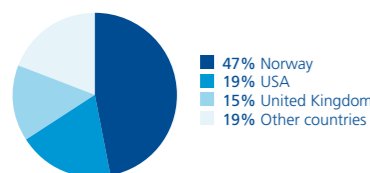
Sverre Strandenes
(Born 1956)
Group President
Data Processing and Technology

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

The PGS Share

The PGS share is trading at the Oslo Stock Exchange and is one of the most traded stocks in that market. The share price developed negatively during 2008 both relatively and compared to indices.

PGS shareholders
Citizenship as of December 31, 2008



Share Facts

PGS has 180,000,000 shares issued and outstanding, all of which are of the same class and with equal voting and dividend rights. Each share has a par value of NOK 3.

PGS' ordinary shares are listed on the Oslo Stock Exchange (OSE) under the ticker symbol "PGS" and denominated in Norwegian kroner (NOK). The Company delisted from the New York Stock Exchange (NYSE) effective July 20, 2007. Deregistration from the US Security Exchange Commission became effective October 18, 2007. The PGS share is still trading as an American Depositary Share (ADS) on the US Pink Sheets, under the ticker symbol "PGSVY". Quotes are denominated in US dollars (USD) and each ADS represents one share.

Share Development

During 2008, the PGS share developed negatively and declined 82%. Compared to other Norwegian seismic companies the PGS share performance was below TGS-Nopec and Wavefield Inseis, but above Reservoir Exploration Technology, Electromagnetic Geoservices and Scan Geophysical. The PGS share performance was below other large international seismic companies in 2008. Schlumberger, the company owning WesternGeco, was the best performing international seismic stock with a decline of 57%. In the same period the OSE Benchmark Index, the OSE10 Energy Index and Philadelphia Oil Service Sector Index fell 54%, 43% and 61% respectively. PGS is a part of the OBX index, which consists of the 25 largest and most

traded stocks at Oslo Stock Exchange. On average 2.5 million shares were traded each day during 2008 and the PGS stock is one of the most traded stocks in the Norwegian market.

Information Policy

All company information that is considered material to shareholders is published via OSE www.newsweb.no and posted on www.pgs.com. PGS holds public presentations and arranges conference calls and webcasts in conjunction with the release of quarterly results. In addition, the Company hosts an annual Capital Markets Day and management meets regularly with investors and attends conferences.

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

On January 1, 2008 the new Norwegian Securities Trading Act and the new Stock Exchange Act became operative. One of the requirements in the new regulations was that all companies trading at OSE must report in Norwegian. PGS has been granted exception from that requirement based on the Company's international operations, the share is still listed on the Pink Sheets in the US, which requires press releases to be in English, the composition of PGS' shareholder

20 largest PGS shareholders as of December 31, 2008

Rank	Shareholder	Total shares	Ownership percent
1	FOLKETRYGDFONDET	14 247 210	7.92
2	ULLTVEIT-MOE REDERI AS	11 100 822	6.17
3	CITIBANK, HOLDER OF AMERICAN DEPOSITORY SHARES («ADS») (NOMINEE) ^(a)	8 059 296	4.48
4	STATE STREET BANK (NOMINEE)	7 848 446	4.36
5	AGRA AS	5 592 100	3.11
6	CLEARSTREAM BANKING (NOMINEE)	4 650 821	2.58
7	PETROLEUM GEO-SERVICES ASA (TREASURY SHARES)	3 806 990	2.11
8	UBS AG, LONDON BRANCH (NOMINEE)	3 608 527	2.00
9	INVESTORS BANK & TRUST (NOMINEE)	3 550 907	1.97
10	MORGAN STANLEY NORWEGIAN BRANCH	2 550 101	1.42
11	DWP BANK AG (NOMINEE)	2 427 599	1.35
12	SKANDINAVISKA ENSKILDA BANKEN (NOMINEE)	2 353 629	1.31
13	BANK OF NEWYORK (NOMINEE)	2 276 297	1.26
14	DNB NOR NORGE (IV)	2 274 226	1.26
15	STATE STREET BANK (NOMINEE)	2 026 378	1.13
16	UBS (LUXEMBOURG) S.A (NOMINEE)	1 932 528	1.07
17	VITAL FORSIKRING ASA	1 907 249	1.06
18	STATOILS PENSJONSKASSE	1 873 098	1.04
19	CITIBANK (NOMINEE)	1 870 263	1.04
20	BANK OF NEWYORK	1 796 568	1.00

(a) On the basis of existing depository agreements regarding owners of the ADSs, the table above does not disclose the beneficial owners of shares.

base is international and it has been so for a number of years and the Company language is English.

Share Buybacks

PGS has authorization to buy back up to 10% of its own share capital, corresponding to a total of up to 18 million shares. The authorization is valid until June 15, 2009. As of December 31, 2008 the Company owned 3,806,990 shares corresponding to 2.11% of total shares outstanding.

At present there are no plans to pay ordinary dividends to shareholders. In general, any future dividend will be subject to determination based on results of operations and financial conditions, future business prospects, any applicable legal or contractual restrictions and other factors that the Board of Directors consider relevant.

Analyst Coverage

As of December 31, 2008 there were 22 sell-side analysts covering PGS on a regular basis with market updates and estimates for PGS' financial results. Out of these, seven are based in the UK, two in France, one in Lithuania and one in Singapore, the rest being based in Norway. An updated list can be found at www.pgs.com.

Shareholders

At the end of 2008 PGS had 6,479

registered shareholders according to the Norwegian Central Securities Depository (VPS).

Non-Norwegian investors owned approximately 53% of the shares, with the US (18%) and the UK (15%) dominating. Norwegian ownership stood at 47%. After the downturn in world wide stock markets, there has been a net decrease of hedge funds in PGS' shareholder base. Norwegian shareholders have picked up the shares foreign investors have sold causing the share of Norwegian holders to increase from approximately 30%, before the stock markets plunged, to almost 50% at year-end.

As of December 31, 2008 Umoe Group was the largest shareholder owning 9.3% of the outstanding shares. Ulltveit-Moe Rederi and Agra are subsidiaries of Umoe Group, which is owned by Jens Ulltveit-Moe, Chairman of PGS. Folketrygdfondet (The Norwegian Pension Fund) was the second largest shareholder with an ownership of 7.9%.

2009 Annual General Meeting

The 2009 annual shareholders meeting for PGS is scheduled to take place May 14, 2009 at the Company's headquarters at Lysaker, Strandveien 4, Oslo, Norway.

All shares are entitled to one vote. It is, however, a Norwegian regulation that one can only vote for shares registered in one's name. To vote at an annual or extraordinary general meeting, a shareholder must be registered as a holder of title to the shares to be voted in the share register maintained at the VPS, within two working days before the general meeting.

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

Nordea Bank Norge ASA
 Issuer Services
 P.O. Box 1166 Sentrum
 NO-0107 Oslo

Tel: +47 22 48 62 62
 Fax: +47 22 48 63 49

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

Contact Information for ADS Holders

The depository bank for PGS ADS is Citibank. They can be reached at:

Citibank Shareholder Services
 P.O.Box 43077
 Providence, RI 02940-3077
 United States

Toll free: +1 877 CITI ADR
 Outside the US Tel: +1 781 575 4555
 Fax: +1 201 324 3284

E-mail: citibank@shareholders-online.com.

Rating

As of December 31, 2008 PGS had a

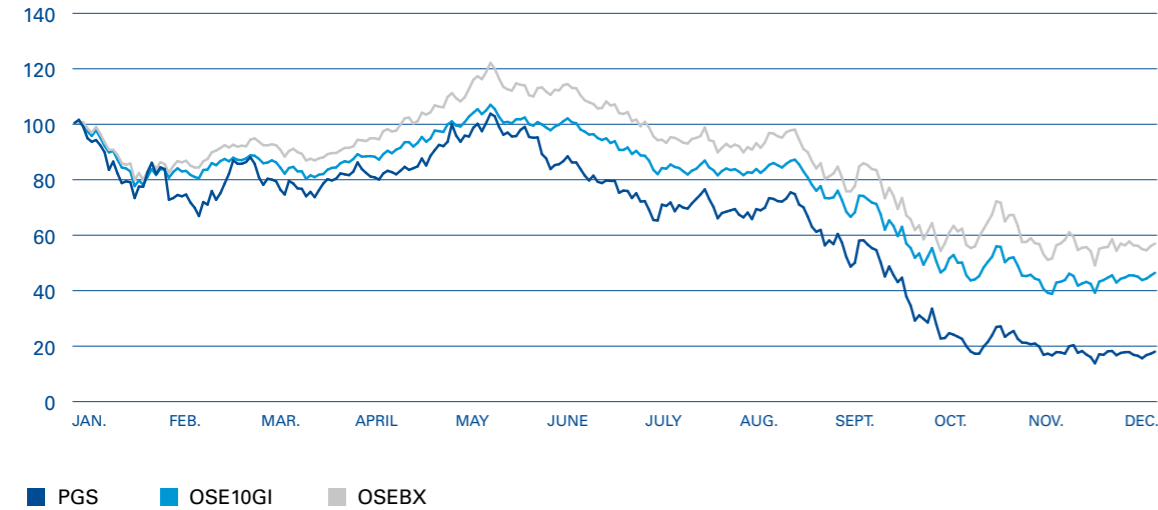
“Ba2” rating from Moody’s Investors Service and a “BB- (Stable)” rating from Standard & Poor’s. Ratings in 2007 were exactly the same as in 2008. Moody’s has in addition rated PGS’ senior secured loan to Ba2 and S&P PGS’ convertible bond to B.

International Financial Reporting Standards (“IFRS”)

PGS began reporting under IFRS from January 1, 2007. A separate transition document has been made, quantifying the differences between PGS’ previous reporting standard, US GAAP, and IFRS. The document is available on, www.pgs.com.

PGS Versus Norwegian Markets 2008

PGS share price (NOK) versus market and sector



PGS Versus US Markets 2008

PGS share price (USD) versus market and sector



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LONDON

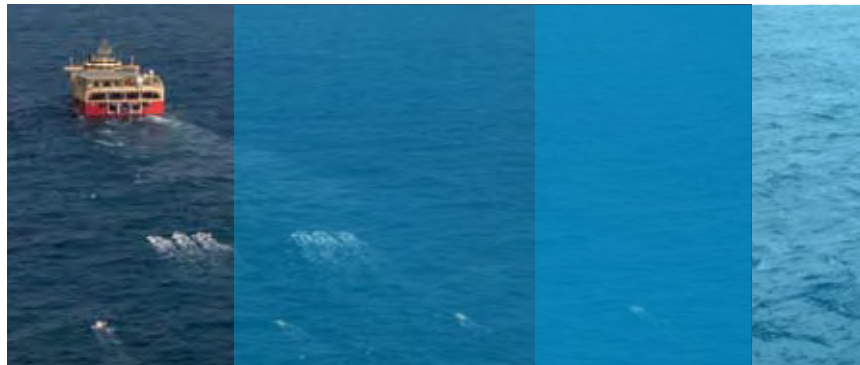
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A Clearer Image



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