IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS WITHIN THE MEANING OF RULE 144A UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT") OR (2) PERSONS OUTSIDE OF THE UNITED STATES IN ACCORDANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT (AND, IF INVESTORS ARE RESIDENT IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA, A QUALIFIED INVESTOR).

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached Offering Memorandum, and you are therefore advised to read this disclaimer page carefully before reading, accessing or making any other use of the attached Offering Memorandum. In accessing the attached Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of Your Representation: In order to be eligible to view this Offering Memorandum or make an investment decision with respect to the securities, you must: (i) be outside the United States; or (ii) be a qualified institutional buyer (as defined in Rule 144A under the U.S. Securities Act). You have been sent the attached Offering Memorandum on the basis that you have confirmed to each of the Initial Purchasers set forth in the attached Offering Memorandum (collectively, the "Initial Purchasers"), being the sender or senders of the attached, that either: (A) the e-mail address to which this Offering Memorandum has been delivered is not located in the United States, its territories and possessions, any state of the United States or the District of Columbia; "possessions" include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands; or (B) you and any customers you represent are qualified institutional buyers and, in either case, that you consent to delivery by electronic transmission.

This Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and, consequently, none of the Initial Purchasers, any person who controls any Initial Purchaser, Petroleum Geo-Services ASA, or any of its subsidiaries, nor any director, officer, employer, employee or agent of theirs, or affiliate of any such person, accepts any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

You are reminded that the attached Offering Memorandum has been delivered to you on the basis that you are a person into whose possession this Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to deliver this Offering Memorandum to any other person. You may not transmit the attached Offering Memorandum (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the Initial Purchasers. If you receive this document by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers are licensed brokers or dealers in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of the Company in such jurisdiction.

Restrictions: Nothing in this electronic transmission constitutes an offer of securities for sale in the United States.

Any securities to be issued will not be registered under the U.S. Securities Act or the securities laws of any other jurisdiction and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

This document is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

Petroleum Geo-Services ASA

$300,000,000

7.375% Senior Notes due 2018

Petroleum Geo-Services ASA, a company incorporated under the laws of the Kingdom of Norway (the "Company"), is offering $300.0 million aggregate principal amount of its 7.375% Senior Notes due 2018 (the "Notes"). Interest on the Notes will be payable semi-annually on each June 15 and December 15, beginning on June 15, 2012. Prior to December 15, 2015, the Company may redeem the Notes at the applicable make-whole premium described in this offering memorandum (the "Offering Memorandum"). In addition, the Company may redeem up to 35% of the aggregate principal amount of the Notes prior to December 15, 2014 with the net proceeds of certain equity offerings. At any time on or after December 15, 2015, the Company may redeem all or a portion of the Notes by paying a specific premium to you as set forth in this Offering Memorandum. The Company may also redeem all, but not less than all, of the Notes in the event of certain developments affecting taxation, plus accrued and unpaid interest. If we undergo a change of control, each holder may require the Company to repurchase all or a portion of its Notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the date of repurchase. The Notes will mature on December 15, 2018.

The Notes will be senior obligations of the Company and will rank equally in right of payment with all other existing and future senior debt of the Company. The Notes will be guaranteed (the "Guarantees"), jointly and severally, on a senior basis by the subsidiaries of the Company (other than the subsidiary of the Company formed under the laws of Egypt) that guarantee its existing senior credit facility (collectively, the "Guarantors"). Each Guarantee will rank equally in right of payment to all existing and future senior debt of such Guarantor. The Notes and Guarantees will be effectively subordinated to all of the Company's and the Guarantors' existing and future secured debt to the extent of the value of the assets securing such debt and to all existing and future debt of all of the Company's subsidiaries that do not guarantee the Notes.

This Offering Memorandum includes information on the terms of the Notes and Guarantees, including redemption and repurchase prices, covenants and transfer restrictions.

We have filed an application for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange. There is no assurance that the Notes will be listed and admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange. The Notes will be made ready for delivery in book-entry form through the facilities of The Depository Trust Company ("DTC") for the account of its participants, including Euroclear Bank S.A./N.V. and Clearstream Banking *société anonyme*, on or about November 15, 2011 (the "Issue Date").

Investing in the Notes involves a high degree of risk. See "Risk Factors" beginning on page 18.

The Notes and the Guarantees have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") or the securities laws of any other jurisdiction. The Notes may not be offered or sold within the United States except to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A of the U.S. Securities Act ("Rule 144A") or in offshore transactions in reliance on Regulation S of the U.S. Securities Act ("Regulation S"). You are hereby notified that sellers of the Notes may be relying on the exemption from Section 5 of the U.S. Securities Act provided by Rule 144A. For a description of certain restrictions on transfers of the Notes, see "Plan of Distribution" and "Notice to Investors."

Price: 98.638% plus accrued interest, if any, from the Issue Date.

Joint Bookrunners

Barclays Capital **The Royal Bank of Scotland** **UBS Investment Bank**

Co-Managers

ABN AMRO **DnB NOR Markets** **Lloyds Securities** **Nordea**

The date of this Offering Memorandum is November 9, 2011.

You should rely only on the information contained in this Offering Memorandum. None of the Company, the Guarantors or the Initial Purchasers (as defined herein) has authorized anyone to provide prospective investors with different information, and you should not rely on any such information. The Company and the Guarantors are not, and the Initial Purchasers are not, making an offer of the Notes in any jurisdiction where this offer is not permitted. You should not assume that the information contained in this Offering Memorandum is accurate as of any date other than the date on the front of this Offering Memorandum.

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IMPORTANT INFORMATION

In making an investment decision regarding the Notes offered by this Offering Memorandum, you must rely on your own examination of the Company and the terms of this offering (the "Offering"), including the merits and risks involved. The Offering is being made on the basis of this Offering Memorandum only.

Except as provided below, the Company accepts responsibility for the information contained in this Offering Memorandum. We have made all due inquiries and confirm that to the best of our knowledge and belief, the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information. The information set out in relation to section of this Offering Memorandum describing clearing arrangements, including the section entitled "Book-Entry; Delivery and Form," is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, as currently in effect. While we accept responsibility for accurately summarizing the information concerning DTC, we accept no further responsibility in respect of such information. In addition, this Offering Memorandum contains summaries, believed to be accurate, of some of the terms of specific documents, but reference is made to the actual documents, copies of which will be made available upon request, for the complete information contained in those documents. You should contact the Company or the Initial Purchasers with any questions about this Offering or if you require additional information to verify the information contained in this Offering Memorandum. All summaries are qualified in their entirety by this reference. Copies of such documents and other information relating to the issuance of the Notes will be available at the specified offices of the listing agent in Luxembourg. See "Listing and General Information."

You are not to construe the contents of this Offering Memorandum as investment, legal or tax advice. You should consult your own legal, tax and business advisers regarding an investment in the Notes.

You should base your decision to invest in the Notes solely on information contained in this Offering Memorandum. Neither we nor the Initial Purchasers have authorized anyone to provide you with any different information.

The Company is offering the Notes in reliance on an exemption from registration under the U.S. Securities Act for an offer and sale of securities that does not involve a public offering. If you purchase the Notes, you will be deemed to have made certain acknowledgments, representations and warranties as detailed under "Notice to Investors." You may be required to bear the financial risk of an investment in the Notes for an indefinite period. Neither we nor the Initial Purchasers are making an offer to sell the Notes in any jurisdiction where the offer and sale of the Notes is prohibited.

You are responsible for making your own examination of the Company and your own assessment of the merits and risks of investing in the Notes. None of the Company, the Guarantors or the Initial Purchasers is making any representation to you regarding the legality of an investment in the Notes by you under appropriate legal investment or similar laws. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose.

Each prospective purchaser of the Notes must comply with all applicable laws and rules and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither we nor the Initial Purchasers shall have any responsibility therefor.

We have prepared this Offering Memorandum solely for use in connection with the offer of the Notes to qualified institutional buyers under Rule 144A under the U.S. Securities Act and outside the United States under Regulation S under the U.S. Securities Act. You agree that you will hold the information contained in this Offering Memorandum and the transactions contemplated hereby in confidence. You may not distribute this Offering Memorandum to any person, other than a person retained to advise you in connection with the purchase of the Notes.

The Company and the Initial Purchasers may reject any offer to purchase the Notes in whole or in part, sell less than the entire principal amount of the Notes offered hereby or allocate to any purchaser less than all of the Notes for which it has subscribed. The Initial Purchasers and certain of their related entities may acquire, for their own accounts, a portion of the Notes.

We have not authorized any dealer, salesperson or other person to give any information or represent anything to you other than the information contained in this Offering Memorandum. You must not rely on unauthorized information or representations.

This Offering Memorandum does not offer to sell or ask for offers to buy any of the securities in any jurisdiction where it is unlawful, where the person making the offer is not qualified to do so, or to any person who cannot legally be offered the securities.

The information in this Offering Memorandum is current only as of the date on the cover page, and may change after that date. For any time after the cover date of this Offering Memorandum, we do not represent that our affairs are the same as described herein or that the information in this Offering Memorandum is correct, nor do we imply those things by delivering this Offering Memorandum or selling securities to you.

The information set out in those sections of this Offering Memorandum describing clearing and settlement is subject to any change or reinterpretation of the rules, regulations and procedures of DTC currently in effect. Investors wishing to use this clearing system are advised to confirm the continued applicability of its rules, regulations and procedures. None of the Company or the Guarantors will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, book-entry interests held through the facilities of any clearing system or for maintaining, supervising or reviewing any records relating to such book-entry interests.

The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the U.S. Securities Act and applicable securities laws of any other jurisdiction pursuant to registration or exemption therefrom. Prospective purchasers should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time. See "Notice to Investors."

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and trade the Notes on the Euro MTF market, and the Company has submitted this Offering Memorandum to the competent authority in connection with the listing application. In the course of any review by the competent authority, the Company may be requested to make changes to the financial and other information included in this Offering Memorandum in producing listing particulars for such listing. Comments by the competent authority may require significant modification or reformulation of information contained in this Offering Memorandum or may require the inclusion of additional information, including financial information in respect of the Guarantors. The Company may also be required to update the information in this Offering Memorandum to reflect changes in our business, financial condition or results of operations and prospects. We cannot guarantee that our application for admission of the Notes on the Luxembourg Stock Exchange will be approved as of the settlement date for the Notes or any date thereafter, and settlement of the Notes is not conditioned on obtaining this listing.

The distribution of this Offering Memorandum and the offer and sale of the Notes are restricted by law in some jurisdictions. This Offering Memorandum does not constitute an offer to sell or an invitation to subscribe for or purchase any of the Notes in any jurisdiction in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation.

Each prospective offeree or purchaser of the Notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes or possesses or distributes this Offering Memorandum, and must obtain any consent, approval or permission required under any regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither the Company nor the Initial Purchasers shall have any responsibility therefor. See "—Notice to U.S. Investors", "—Notice to United Kingdom Investors", "Plan of Distribution" and "Notice to Investors."

The Initial Purchasers make no representation or warranty, express or implied, as to, and assume no responsibility for, the accuracy or completeness of the information contained in this Offering Memorandum. Nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers as to the past or the future.

Investing in the Notes involves risks. See "Risk Factors" beginning on page 18.

STABILIZATION

IN CONNECTION WITH THE ISSUE OF THE NOTES, BARCLAYS BANK PLC (THE "STABILIZING MANAGER") (OR ANY PERSON ACTING ON BEHALF OF THE STABILIZING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILIZING MANAGER) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN 30 CALENDAR DAYS AFTER THE DATE ON WHICH THE COMPANY RECEIVED THE PROCEEDS OF THE NOTES OR NO LATER THAN 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES, WHICHEVER IS EARLIER.

NOTICE TO U.S. INVESTORS

This Offering is being made in the United States in reliance upon an exemption from registration under the U.S. Securities Act for an offer and sale of the Notes which does not involve a public offering. In making your purchase, you will be deemed to have made certain acknowledgments, representations and agreements. See "Notice to Investors."

This Offering Memorandum is being provided (1) to a limited number of U.S. investors that the Company reasonably believes to be "qualified institutional buyers" under Rule 144A for informational use solely in connection with their consideration of the purchase of the Notes and (2) to investors outside the United States in connection with offshore transactions complying with Rule 903 or Rule 904 of Regulation S. The Notes described in this Offering Memorandum have not been registered with, recommended by or approved by the U.S. Securities and Exchange Commission (the "SEC"), any state securities commission in the United States or any other securities commission or regulatory authority, nor has the SEC, any state securities commission in the United States or any such securities commission or authority passed upon the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF

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

NOTICE TO UNITED KINGDOM INVESTORS

This Offering Memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

MARKET AND INDUSTRY DATA

Unless otherwise expressly indicated or noted below, all information regarding markets, market size, market share, market position, growth rates and other industry data pertaining to our business contained in this Offering Memorandum are based on estimates prepared by us based on certain assumptions and our knowledge of the industry in which we operate as well as data from various market research publications, publicly available information and industry publications, including reports published by various third-party sources. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. We have not independently verified such data.

In many cases, there is no readily available external information (whether from trade associations, government bodies or other organizations) to validate market-related analyses and estimates, requiring us to rely on our own internally developed estimates regarding our position in the industry, our market share and the market shares of various industry participants based on experience, our own investigation of market conditions and our review of industry publications, including information made available to the public by our competitors. While the Company has examined and relied upon certain market or other industry data from external sources as the basis of its estimates, neither the Company nor the Initial Purchasers have verified that data independently. The Company and the Initial Purchasers cannot assure you of the accuracy and completeness of, and take no responsibility for, such data.

Similarly, while the Company believes its internal estimates to be reasonable, these estimates have not been verified by any independent sources and the Company and the Initial Purchasers cannot assure you as to their accuracy. Unless otherwise indicated, data on the Company's market position and market share are based on the Company's best estimate. The Company's estimates involve risks and uncertainties and are subject to change based on various factors.

TRADEMARKS AND TRADE NAMES

We own or have rights to trademarks or trade names that we use in conjunction with the operation of our business. In addition, our name, logo and website name and address are our service marks or trademarks. Each trademark, trade name or service mark by any other company appearing in this Offering Memorandum belongs to its holder. Some of the more important trademarks that we use include the Ramform™ seismic vessels, GeoStreamer® equipment and services, MTEM® equipment and services, OptoSeis® equipment and services, and HD3D® seismic solution software, PGS hyperBeam® seismic solution software and services, and GeoSource™ equipment and services.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum includes forward-looking statements within the meaning of the securities laws of certain applicable jurisdictions. These forward-looking statements include, but are not limited to, the discussion of the changing dynamics of the industry in which the Company competes and the demand for the Company's products and services. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "aim", "anticipates", "believes", "continue", "could", "estimates", "expects", "forecasts", "guidance", "intends", "may", "plan", "should" or "will" or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Offering Memorandum and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition and performance, liquidity, prospects, growth, strategies and the industry in which we operate.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual financial condition, results of operations and cash flows, and the development of the industry in which we operate, may differ materially from those made in or suggested by the forward-looking statements contained in this Offering Memorandum. In addition, even if our financial condition, results of operations and cash flows, and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this Offering Memorandum, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause these differences include, but are not limited to:

- the level of capital expenditures by the oil and gas industry and changes in demand for seismic products and services;
- our ability to convert backlog into revenues and our clients' ability to unilaterally terminate certain contracts in our backlog;
- the effects of competition and related pricing pressures due to excess capacity;
- the seasonal nature of our revenues;
- the costs of compliance with governmental regulation, including environmental, health and safety laws;

- market developments affecting, and other changes in, the demand for seismic data and related services;
- the social, political and economic risks of our global operations, including tax liabilities;
- our ability to fully recover our investments in our MultiClient library;
- fluctuations in amounts we amortize from our MultiClient library;
- our high fixed costs;
- exposure to foreign exchange rate risk;
- our ability to finance our operations on acceptable terms;
- exposure to fluctuations in fuel costs;
- technological obsolescence of our equipment and software;
- difficulties and costs in protecting intellectual property rights and exposure to infringement claims by others;
- the effects of weather or other delays on our operations;
- ongoing operational risks and our ability to have adequate insurance against such risks;
- any impairment of our deferred tax assets;
- our dependence on a small number of significant clients;
- any disruption or adverse event affecting our key operational suppliers;
- strikes or other labor disruptions;
- our ability to attract and retain senior management and highly skilled employees;
- shorter than anticipated service life of our vessels; and
- our substantial leverage and restrictions in our debt agreements that could impair our activities.

The foregoing factors should not be construed as exhaustive. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date hereof. We urge you to read this Offering Memorandum, including the sections entitled “Risk Factors”, “Operating and Financial Review and Prospects” and “Business”, for a more complete discussion of the factors that could affect our future performance and the industry in which we operate.

Except as required by law or the rules and regulations of any stock exchange on which the Notes are listed, we undertake no obligation to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Offering Memorandum, including those set forth under “Risk Factors.”

CERTAIN DEFINITIONS

As used in this Offering Memorandum, the following terms have the following meanings:

“Board” refers to the board of directors of the Company.

“Company” or “PGS” refers to Petroleum Geo-Services ASA.

"Credit Agreement" refers to the $950,000,000 Credit Agreement, dated as of June 29, 2007, as amended by an amendment dated May 21, 2010, among Petroleum Geo-Services ASA and PGS Finance, Inc. as Borrowers, the other guarantors party thereto, Barclays Capital and UBS Securities LLC, as Term Loan Arrangers and Bookrunners, Barclays Capital, DnB NOR Bank ASA, Fortis Bank (Nederland) N.V. and UBS Securities LLC as Revolving Credit Arrangers and Revolving Credit Lead Bookrunners, UBS AG, Stamford Branch, as Term Loan Administrative Agent and Collateral Agent, Barclays Bank PLC, Revolving Credit Administrative Agent and Barclays Capital as Global Coordinator and Documentation Agent. Certain roles under the Credit Agreement have subsequently been transferred among the parties to the Credit Agreement. See "Plan of Distribution."

"$" and "dollar" refers to the United States dollar.

"Credit Facility" refers to the loans made available under the Credit Agreement, consisting of the Term Loans and the Revolving Facility.

"Convertible Notes" refers to the Company's 2.7% convertible notes due 2012 ($293.1 million aggregate principal amount outstanding as of September 30, 2011).

"Group", "we", "us" and "our" refer to the Company and its consolidated subsidiaries.

"High Density 3D" or "HD3D" refers to a premium seismic data product that addresses a broad range of challenges in exploration, reservoir description and reservoir monitoring. High density refers to the amount of data for a given area; 3D refers to the imaging that can result from an analysis of the data. 4D surveys are a type of HD3D specifically addressing reservoir monitoring and refer to repetitive data acquisition for a given field enabling the data to be reviewed for developments over time. There are several ways to acquire HD3D. The most common HD3D technique is to use a narrower streamer separation than the 100 meters typically used for exploration seismic. Acquisition techniques such as Wide Azimuth, Multi Azimuth and repetitive 4D surveying are also HD3D product offerings.

"Initial Purchasers" refers to Barclays Bank PLC, The Royal Bank of Scotland plc, UBS Limited, ABN AMRO Bank N.V., DnB NOR Bank ASA, Lloyds Securities Inc. and Nordea Bank Danmark A/S.

"new builds" refers to vessels currently under construction.

"NOK" refers to the Norwegian kroner.

"Offering" refers to this offering of the Notes pursuant to this Offering Memorandum.

"Revolving Facility" refers to the $350 million revolving credit facility made available to Petroleum Geo-Services ASA and PGS Finance, Inc., as co-borrowers, under the Credit Agreement.

"Term Loans" refers to the $600 million term B loans made available to Petroleum Geo-Services ASA and PGS Finance, Inc., as co-borrowers, under the Credit Agreement.

"Trustee" refers to Citibank, N.A., London Branch, as trustee on behalf of the holders of Notes.

For definitions of industry-specific and other technical terminology, please see the section of this Offering Memorandum entitled "Glossary" beginning on page A-1.

PRESENTATION OF FINANCIAL DATA AND NON-IFRS MEASURES

This Offering Memorandum includes audited consolidated financial information of the Company for each of the years ended December 31, 2008, 2009 and 2010 and as of December 31, 2009 and 2010 (the "Audited Consolidated Financial Statements") and unconsolidated financial information of the Company for each of the years ended December 31, 2008, 2009 and 2010 and as of December 31, 2009 and 2010 (the "Company-Only Unconsolidated Financial Statements"). This Offering Memorandum also contains the unaudited consolidated financial information of the Company as of and for the nine months ended September 30, 2010 and 2011 (the "Unaudited Consolidated Financial Statements" and, together with the Audited Consolidated Financial Statements, the "Consolidated Financial Statements"). The Consolidated Financial Statements, together with the Company-Only Unconsolidated Financial Statements, are referred to herein as the "Financial Statements." The Audited Consolidated Financial Statements in this Offering Memorandum have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"), the Unaudited Consolidated Financial Statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* and the Company-Only Unconsolidated Financial Statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting standards and practices in Norway, and is presented in Norwegian kroner.

The unaudited consolidated financial information for the twelve months ended September 30, 2011 included in this Offering Memorandum was derived by adding the restated consolidated financial data for the year ended December 31, 2010 as reflected in note 17 to our Unaudited Consolidated Financial Statements appearing elsewhere in this Offering Memorandum (which has been restated with the change of policy for the accounting of major overhaul of vessels) to the unaudited consolidated financial data for the nine months ended September 30, 2011 and subtracting the unaudited consolidated financial data for the nine months ended September 30, 2010. The unaudited consolidated financial data for the nine months ended September 30, 2011 and September 30, 2010, as well as for the twelve months ended September 30, 2011, also reflect the change in accounting policy for recognition of costs incurred in connection with major overhaul of vessels. The financial information for the twelve months ended September 30, 2011 has been prepared for illustrative purposes only and is not necessarily representative of our results of operations for any future period or our financial condition at any future date and is not prepared in the ordinary course of our financial reporting.

The Company-Only Unconsolidated Financial Statements have been included in this Offering Memorandum because the independent auditor's report issued on March 21, 2011 relating to the Audited Consolidated Financial Statements for the year ended December 31, 2010 was also issued in respect of, and refers to, the Company-Only Unconsolidated Financial Statements as at December 31, 2010 and for the year then ended.

From January 1, 2011, we changed the policy for recognition of costs incurred in connection with major overhaul of vessels. Under the new policy, the directly attributable costs incurred in connection with major overhaul activities are capitalized and depreciated over the estimated period until the next similar overhaul. The former policy was to expense such costs when incurred. The change is made to better reflect the economic reality, reduce volatility and align the accounting to industry practice and practice among other vessel owning companies. The change principally reduces cost of sales and increases depreciation and amortization expense. The change in policy has been applied for the nine month period ended September 30, 2011 and is reflected in the Unaudited Consolidated Financial Statements. Each of the quarterly periods in the year ended December 31, 2010 has been restated to reflect this change for comparative purposes. See note 17 to our Unaudited Consolidated Financial Statements appearing elsewhere in this Offering Memorandum. Our Audited Consolidated Financial Statements have not been restated to reflect this change. We estimate that, if we had applied this change in policy for the years ended December 31, 2008, 2009 and 2010, our cost of sales would have been reduced by $15.0 million, $6.9 million and $12.1 million, respectively, and depreciation and amortization would have been increased by $15.3 million, $18.4 million and $18.6 million, respectively.

The financial information included in this Offering Memorandum includes some measures which are not accounting measures within the scope of IFRS. As used in this Offering Memorandum, the following terms have the following meanings:

"EBITDA" means income (loss) before income tax expense before currency exchange gain (loss), other financial expense, other financial income, interest expense, income (loss) from associated companies, other operating income, impairments of long-lived assets and depreciation and amortization.

"EBITDA margin" means EBITDA for the period divided by revenue for that period.

"Marine Contract EBIT margin" means the Marine Contract operating profit, excluding impairments and unusual items, for the period divided by Marine Contract revenue for the period.

"net debt" means long-term and short-term debt (including the current portion of long-term debt and gross of deferred loan costs) less cash and equivalents.

"net interest bearing debt" means long-term and short-term debt (including the current portion of long-term debt and gross of deferred loan costs) less cash and cash equivalents, restricted cash and interest bearing investments.

We have included EBITDA as a supplemental disclosure because we believe it provides useful information regarding our ability to service debt and to fund capital expenditures and provides investors with a helpful measure for comparing our operating performance with that of other companies. Marine Contract EBIT margin, EBITDA, EBITDA margin, net debt, net interest bearing debt and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. You should exercise caution in comparing Marine Contract EBIT margin, EBITDA, EBITDA margin, net debt and net interest bearing debt as reported by us to Marine Contract EBIT margin, EBITDA, EBITDA margin, net debt and net interest bearing debt of other companies. EBITDA as presented here differs from the definition of "Consolidated Cash Flow" contained in the Indenture. None of Marine Contract EBIT margin, EBITDA, EBITDA margin, net debt or net interest bearing debt is a measurement of performance under IFRS and you should not consider any of Marine Contract EBIT margin, EBITDA, EBITDA margin, net debt or net interest bearing debt as an alternative to (a) operating profit or profit for the period (as determined in accordance with IFRS) as a measure of our operating performance, (b) cash flows from operating, investing and financing activities as a measure of our ability to meet our cash needs or (c) any other measures of performance under generally accepted accounting principles. Marine Contract EBIT margin, EBITDA and EBITDA margin have limitations as analytical tools, and you should not consider them in isolation, or as a substitute for an analysis of our results as reported under IFRS. Some of these limitations are:

- they do not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- they do not reflect the significant interest expense, or the cash requirements necessary, to service interest or principal payments, on our debts;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often need to be replaced in the future and EBITDA and EBITDA margin do not reflect any cash requirements that would be required for such replacements;
- some of the exceptional items that we eliminate in calculating EBITDA and EBITDA margin reflect cash payments that were made, or will in the future be made; and

- the fact that other companies in our industry may calculate Marine Contract EBIT margin, EBITDA and EBITDA margin differently than we do, which limits their usefulness as comparative measures.

Certain amounts and percentages included in this Offering Memorandum have been rounded. Accordingly, in certain instances, the sum of the numbers in a column of a table may not exactly equal the total figure for that column.

The financial information included in this Offering Memorandum is not intended to comply with the applicable accounting requirements of the U.S. Securities Act and the related rules and regulations of the SEC which would apply if the Notes were being registered with the SEC.

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SUMMARY

This summary contains information about this Offering and about us. It does not contain all the information that may be important to you. Before making an investment decision, you should read this entire Offering Memorandum carefully, including the Financial Statements and the notes thereto and the other financial information contained in this Offering Memorandum, as well as the risks described under "Risk Factors." Certain defined terms used herein are defined elsewhere in this Offering Memorandum.

Our Business

Overview

We are a leading marine seismic survey and data processing company operating in all of the major oil and natural gas offshore basins worldwide. We acquire, process, analyze, interpret, license and sell seismic data to a wide range of the independent and sovereign oil and gas exploration and production companies worldwide, which in turn use these data to identify subsurface indicators for hydrocarbons, determine the size and structure of reservoirs, and optimize reservoir production. In addition, we own and market a valuable marine seismic data library and license the use of these data to clients on a non-exclusive basis.

Noted for our technological innovation, we rank among the three largest marine seismic survey and data processing companies measured by marine three dimensional (3D) acquisition capacity. Headquartered in Lysaker, Norway, we currently own and/or operate 11 marine 3D streamer vessels including seven vessels of the unique Ramform class and have 39 offices, including 25 data processing centers, in 26 countries. We are a public company with our shares listed on the Oslo Stock Exchange (Symbol: PGS) with a market capitalization of approximately $2.2 billion as of November 2, 2011. For the twelve months ended September 30, 2011, we generated total revenues of $1,273.1 million and EBITDA of $553.0 million and, as of September 30, 2011, had an order book of $501 million.

The combination of our superior fleet and data streamer technology enable us to have a leading position in the growing HD3D segment of the overall seismic market. Due to our unique and innovative Ramform vessels, we believe that, on average, we are able to acquire a larger area of data per day than our competitors, and achieve higher resolution more efficiently through the use of our HD3D capabilities. The Ramform's wide delta-shape hull, which allows for up to 22 streamer reels across the back deck supported by advanced streamer handling and towing systems, enables us to safely and efficiently operate more streamers per vessel than our competitors. Our innovative and unique GeoStreamer technology, launched in 2007, is the industry's only dual sensor marine streamer with both pressure and velocity sensors, providing superior quality data with less image noise, wider bandwidth and higher resolution. GeoStreamer GS, our latest technology that combines the proven GeoStreamer technology with our new source technology, GeoSource, is the first marine acquisition system to eliminate both source and receiver ghosts, resulting in superior bandwidth and data quality. Several of our innovations, including GeoStreamer, are secured by patents that protect what we believe to be competitive advantages. As of December 31, 2010, we held 253 patents under the laws of the United States, the United Kingdom and Norway.

Our innovation and advanced technologies extend to our data processing operations, which provide high quality and increasingly fast seismic imaging to our clients and for our data library. We maintain a full suite of state-of-the-art imaging technology, with a focus on productivity and technology differentiation. Our data processing operations are further enhanced through proprietary imaging techniques that, when combined with GeoStreamer, create what we believe to be the highest quality data for our customers.

Our operations are organized into four business units: Marine Contract, MultiClient, Operations, and Data Processing & Technology ("DP&T").

- Marine Contract initiates and manages client relationships for seismic data acquired under exclusive contracts with a diversified client base comprising a wide range of the world's independent and sovereign oil and gas exploration and production companies, such as Petrobras, Statoil, Total, ENI, BP, Chevron, Cairn Energy and the Norwegian Petroleum Directorate. Marine Contract seismic work accounted for approximately 70% of our streamer utilization in 2010 and approximately 66% of our streamer utilization in the nine months ended September 30, 2011. For the twelve months ended September 30, 2011, Marine Contract revenues were $642.3 million, or 50% of our total revenues.

- MultiClient initiates and manages the projects and the client relationships related to seismic data licensed on a non-exclusive basis from our library of field surveys covering substantial parts of the major offshore hydrocarbon basins that we and our clients believe have the highest potential for development such as offshore Brazil, the Gulf of Mexico, offshore West Africa, the Mediterranean Sea and the North Sea, while we retain ownership of the seismic data. This enables us to provide multiple companies licensed access to the data. MultiClient has two revenue sources: (1) pre-funding of surveys from customers (together with our investment) and (2) late sales from our MultiClient library of acquired and processed data. MultiClient survey production accounted for approximately 30% of our streamer utilization in 2010 and 34% of our streamer utilization in the nine months ended September 30, 2011. For the twelve months ended September 30, 2011, MultiClient revenues totaled $505.9 million representing 40% of our total revenues, of which $261.6 million, or approximately half, consisted of customer pre-funding.

- Operations supports both our Marine Contract and MultiClient units with reliable and efficient data acquisition by managing the operation of our seismic vessels and related equipment, including fleet expansion and maintenance. We estimate that we have the most cost efficient fleet, measured by cash cost per streamer per day, of high-capacity streamer vessels in the world that are crewed by well trained, highly experienced personnel. We own and/or operate seven Ramform vessels that have substantially higher production capacity than conventional ships used by our competitors. In addition, our Operations unit ensures compliance with our strict Health, Safety, Environment & Quality ("HSEQ") policy in connection with vessel operation.

- DP&T processes the seismic data we acquire for our MultiClient library and for our clients on contract and manages our research and development activities.

    - Our worldwide network of data processing centers offers the flexibility to deliver customized seismic processing services in major centers, in remote locations and on all our seismic vessels. We have significant experience in the world's most hydrocarbon rich areas allowing us to offer high quality processing services for marine streamer, land and seafloor data regardless of whether the data was acquired by our vessels or by another acquisition provider. For the twelve months ended September 30, 2011, data processing external revenues totaled $111.1 million, or 9% of our total revenues.

    - Geoscience & Engineering constitutes our research and development center. Core projects are GeoStreamer, fiber optic technology, survey fleet efficiency, high-end imaging and automation, and electromagnetic ("EM") acquisition development. We are also known for our leading technology in image enhancement and presentation once the data is acquired.

Business Strengths

We believe that we benefit from the following key strengths:

Superior fleet. Led by the unique design of our Ramform vessels, we currently have the leading position in the high end 10+ streamer market segment by number of vessels. The ability to tow large, dense streamer spreads—as well as rapid streamer deployment and retrieval systems—are critical factors governing seismic acquisition efficiency. Our Ramform vessels with their "Delta" shape are specially designed to excel at these tasks through their wide back deck permitting us to tow more streamers. This higher streamer capacity combined with other technological innovations on our newer Ramform vessels such as the roll compensated helideck, steerable sources, dual workboat capacity and unique gear handling systems, result in greater data acquisition capacity and cost efficiency compared with conventional vessels. As a result, we believe that, on average, we are able to acquire a larger area of data per day than our competitors, and achieve higher resolution more efficiently through the use of our HD3D capabilities. We currently own and/or operate 11 marine 3D streamer vessels: seven vessels of the unique Ramform class which are equipped with up to 22 streamer reels; one 10-streamer vessel; and three six-streamer vessels.

Technological leadership. We believe that we have some of the most advanced technologies in the marine seismic industry. Our flagship GeoStreamer technology is the only towed dual-sensor streamer in the industry, yielding greater depth penetration, enhanced resolution, and improved operational efficiency as compared to conventional streamers. GeoStreamer technology is unique in its ability to generate sharper, more precise imaging for complex targets, at great depth or beneath salt, basalt, and other complex geological structures. In addition to acquiring better seismic data quality, the GeoStreamer can be towed deeper below the sea surface than a conventional streamer, which significantly improves operational efficiency under rough sea conditions. We have recently introduced GeoStreamer GS, combining our GeoStreamer with our new GeoSource technology resulting in improved image resolution for our clients. Our technological leadership enables our customers to obtain new insight into mature exploration and production areas and more accurately predict reservoir parameters.

Focus on HD3D. HD3D is a premium product suite that addresses a broad range of challenges in exploration, reservoir description and reservoir monitoring. HD3D has grown significantly over the last eight years and is estimated to have represented approximately 40% of the total market in 2010 measured by streamer usage. We believe that the demand for HD3D, and especially 4D surveys, is more stable than conventional 3D seismic surveys. This stability is driven in part by our customers' need to explore deeper and more complex reserves and in part by the increased focus on maximizing recovery of remaining hydrocarbons from their existing fields, which are typically allocated in our customers' production budgets and are typically less exposed to cyclical variations. In 2010, approximately 65% of the streamer capacity on our Ramform vessels was used on HD3D data acquisition compared to, according to our estimates, approximately 35% for the rest of the industry.

Leading MultiClient library while maintaining spending discipline. We own one of the largest and most geographically diverse libraries of marine MultiClient 3D data including substantially all of the major marine oil and natural gas basins in the world. The total size of our library exceeds 400,000 km^2 of high quality worldwide 3D seismic data and more than 200,000 line kilometers of 2D data uncovering frontier and developing hydrocarbon areas. Unique to PGS, MegaSurveys combine several MultiClient data sets of many different vintages and types into one large continuous seismic image data set, giving clients a cost effective way of acquiring large sets of data in a region at a fraction of the cost for obtaining such data individually. This allows them to gain a deeper understanding of the region's geology and hydrocarbon potential than through single data sets. We seek to mitigate the cost-recovery risks associated with obtaining the MultiClient library through pre-funding of the acquisition costs. For example, pre-funding as a percentage of cash investments in MultiClient data, excluding capitalized interest, has exceeded 100% in six of the last eight years.

High operational efficiency. Our Operations unit is the backbone of delivery for efficient seismic acquisition. Our Ramform vessels and GeoStreamer technology provide the platform, but our efficient streamer handling and smooth operation of seismic surveys are achieved through strong maintenance programs, homogenous work processes and equipment pools, and continuous improvement efforts of our personnel and crew to ensure that our vessels and equipment are operating effectively. These efforts have seen several back-deck equipment advances that are proprietary to our seismic survey acquisition. Our technical downtime as a percentage of total fleet time, which is the ratio of downtime (excluding standby, unfavorable weather, and voyage time) to time spent on survey production activities, has been on a decreasing trend from 20% as of December 31, 1997 to 7% as of December 31, 2010, despite increased size and complexity of operations.

Experienced management team and highly qualified workforce. We have a highly experienced management team with over 120 years of experience collectively at PGS or in our industry, which we believe is key to our success. Management have improved HSEQ and operational efficiency that have driven our recent performance in a testing market. In addition, the experience of our management team has been demonstrated through a significant reduction in net interest bearing debt from $1,135.6 million as of December 31, 2008 to $421.6 million as of September 30, 2011, notwithstanding the recent overcapacity and pricing pressure present in the marine seismic industry. We also employ geophysicists, geologists, engineers and other highly skilled persons that have contributed to maintaining our operational excellence and leading technology in the industry. We believe that the strength of our management team and our highly qualified workforce will be a significant factor in maintaining our competitive advantages and charting our strategy for the future.

Business Strategy

Our strategy is to be the most effective high-end marine 3D seismic data provider and to manage our business successfully through any market eventuality. The key elements of our strategy are as follows:

Maintain and enhance our fleet advantage. Continuing to enhance the cost efficiency of our fleet will enable us to continue to deliver our services at a low unit cost, reduce our exposure to the cyclicality of the seismic industry, and enable us to deliver higher margins in weak parts of the cycle as compared to our competitors. We also believe that the short-term outlook for the geophysical services sector, particularly the marine segment, is characterized by a continuing recovery in demand that will eventually satisfy the current market overcapacity and trigger a price increase, particularly at the high (HD3D) end of the market. To prepare for this, we have contracted to build two new fifth-generation Ramform vessels for delivery in 2013, with an option exercisable by April 2012 to purchase two additional vessels from the same manufacturer for delivery in 2015. These vessels are designed to take full advantage of our GeoStreamer technology and will further strengthen our leading position in the fastest growing and most advanced segments of the seismic market. We have established a disciplined organic expansion program upgrading some of our existing fleet to, among other improvements, equip the majority of our 3D fleet with GeoStreamers by the end of 2013. This will allow us to maintain our leading position in the growing HD3D market.

Continue to develop innovative technology. We believe that the development of new technologies will be necessary to meet the demand for geophysical services as our clients continue to request our surveys in more challenging locations offshore. We intend to build on our industry leading technologies through our research and development efforts. Some of the current initiatives include:

- Next generation updates and enhancements for our GeoStreamer and GeoSource technologies to further improve our industry leading data clarity in our surveys.
- Further improvements to our data processing using, among other technologies, beam migration technology, such as our proprietary PGS hyperBeam, to deliver better images more quickly to our customers. This would allow our clients to adapt their surveys quickly, enabling more informed decisions to cut costs and reduce risk.

- Development of our towed EM streamer system, which is expected to be launched in 2012 and make EM data significantly cheaper and more easily accessible to oil companies by improving efficiency compared to already commercialized methods. EM data could provide more detailed information about the fluid content of potential reservoirs as compared to standard seismic data.
- Successful completion of the first installation and continued improvement and marketing of OptoSeis, which is a fiber-optic seismic monitoring system that will be permanently installed on the seabed to optimize reservoir recovery at producing fields by providing on-demand seismic monitoring of reservoir changes over time.

We believe that to sustain our leadership position in the marine geophysical industry, we need to continuously address changing customers' needs and requests. This may lead to selective investments in technologies/services developed outside PGS. We expect any such investment to have clear synergies with our core business, enhance our high-end positioning, and have the potential for significant financial returns. Investments could take the form of part ownership until the new technology/service has shown enough potential to be included in our core business.

Enhance efficiency. We intend to continue to focus on the efficiency of our operations. Our Operations unit seeks ways to further minimize technical downtime and maximize utilization and cost efficiency as a key to maintaining our competitive advantage and enhancing our margins. We have emphasized maintaining a culture focused on HSEQ across our business as a way of increasing productivity by reducing work-related incidents. Through continuous risk assessments and improvements of processes and systems, we seek to deliver sustainable excellence in operations. In addition, we are continuing to upgrade our seismic vessels with our leading back-deck and in-sea equipment technology to further improve efficiency.

Develop well-positioned data libraries. We intend to take advantage of our global footprint, excellent customer relationships and local knowledge to create additional value from our MultiClient library. We have recently established MultiClient as a separate business unit to provide enhanced focus and improve performance. We believe that MegaSurveys are one of our key competitive advantages in this area, and intend to selectively allocate streamer resources to grow our library and further diversify our product offering, which we believe will provide greater protection in market downturns. We will also maintain our policy of significant pre-funding, varying depending on the individual project, to mitigate the risks in our investment.

Maintain prudent capital structure. We intend to maintain a prudent capital structure that includes diverse financing sources and conservative leverage. As demonstrated by our equity private placement in November 2010 and our significant long-term debt reduction since 2008, we seek to preserve a conservative financial profile. We have contracted with Mitsubishi Heavy Industries Ltd. ("Mitsubishi") to build two new fifth generation Ramform vessels scheduled to be delivered in 2013 with an option for delivery of two additional vessels in 2015. We are currently exploring the availability of export credit financing for the construction of the first two fifth generation Ramform vessels we have contracted to build (the "Export Credit Financing"), which based upon discussions, will be secured by such new vessels and certain other collateral related to such vessels. See "Operating and Financial Review of Prospects—Liquidity and Capital Resources" and "Description of Certain Financing Arrangements—Export Credit Financing."

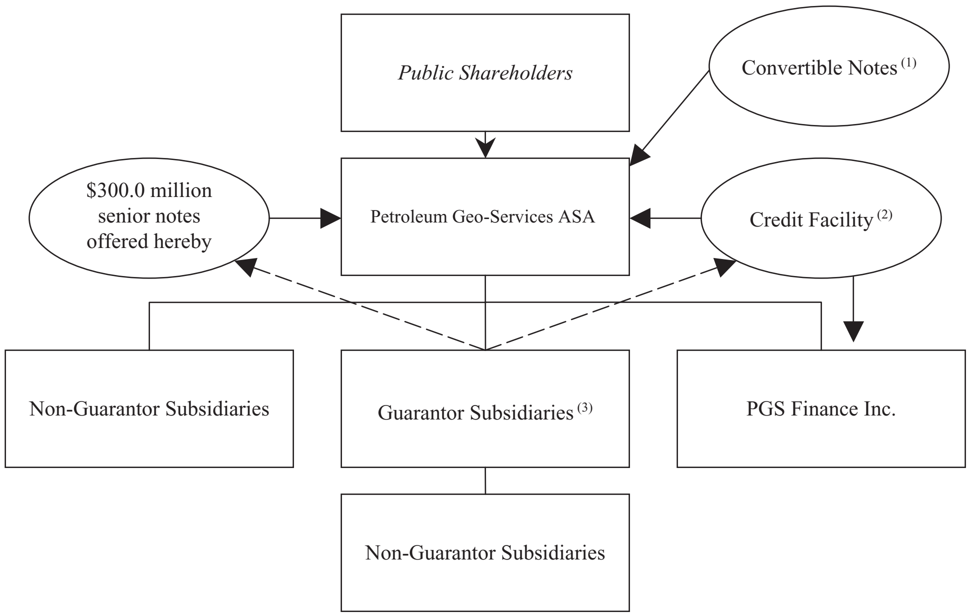
Outlook

Based on the current operational forecast, and based on its results through the date of this Offering Memorandum (including the change in accounting policy), the Company expects a full year 2011 EBITDA of approximately $525 million. Capital expenditures, including new builds, are estimated at approximately $275 million. MultiClient cash investment is currently forecasted at approximately $200 million with a pre-funding level of approximately 100%.

The information relating to our forecast for the year ending December 31, 2011, including EBITDA, capital expenditures and investments in MultiClient, are estimates. These estimates are subject to the risks related to our business, including those set out under "Risk Factors" in this Offering Memorandum, and are inherently subject to modification. While we believe these estimates to be reasonable, our actual results could vary from these estimates and these differences could be material.

SUMMARY CORPORATE AND FINANCING STRUCTURE

The net proceeds of the Offering will be used for general corporate purposes. See "Use of Proceeds." The following diagram summarizes our corporate structure and our material outstanding financing arrangements on a *pro forma* basis after giving effect to the Offering:



(1) As of September 30, 2011, there was $293.1 million aggregate principal amount outstanding of Convertible Notes.

(2) Consists of a term B loan with $470.5 million outstanding as of September 30, 2011 and an undrawn $350 million Revolving Facility, excluding $2.4 million of standby letters of credit, in each case made available to PGS and PGS Finance, Inc. as co-borrowers. See "Description of Certain Financing Arrangements—Existing Credit Facility."

(3) With the exception of the subsidiary formed under the laws of Egypt ("PGS Egypt"), each of our subsidiaries that guarantees the Credit Facility will also guarantee the Notes. For a list of Guarantors see "Description of the Notes—Certain Definitions—Guarantors." For the year ended December 31, 2010, the Company and Guarantors, collectively, represented 79% of our revenue and 99% of our EBITDA and on December 31, 2010, the Company and Guarantors held 82% of our total assets on a consolidated basis (excluding intercompany assets and liabilities other than in the calculation of EBITDA).

THE OFFERING

The summary below describes the principal terms of the indenture governing the Notes. Certain terms and conditions described below are subject to important limitations and exceptions. The "Description of the Notes" section of this Offering Memorandum contains a more detailed description of the terms and conditions of the Notes including the definitions of certain terms used in this summary.

Issuer	Petroleum Geo-Services ASA.
Issue Date	On or about November 15, 2011.
Notes Offered	$300.0 million aggregate principal amount of 7.375% Senior Notes due 2018 (the "Notes").
Maturity Date	The Notes will mature on December 15, 2018.
Interest Rate	The Notes will bear interest at a rate of 7.375% per annum.
Interest Payment Dates	Interest on the Notes will be payable semi-annually in cash in arrears on June 15 and December 15 of each year, beginning on June 15, 2012.
Form and Denomination	The Company will issue the Notes on the Issue Date in global form in minimum denominations of $200,000 and integral multiples of $1,000 in excess thereof, maintained in book-entry form. Notes in denominations of less than $200,000 will not be available.
Guarantees	With the exception of PGS Egypt, the Notes will be guaranteed on a senior basis by each of the direct and indirect subsidiaries of the Company that guarantee the Company's obligations under the Credit Facility.
Ranking	The Notes will be general obligations of the Company and will be: • senior obligations of the Company; • equal ("*pari passu*") in right of payment with all existing and future indebtedness of the Company that is not subordinated to the Notes, including indebtedness under the Credit Facility; • senior in right of payment to any and all future obligations of the Company that are expressly subordinated to the Notes; • unconditionally guaranteed by the Guarantors; • effectively subordinated to the Company's existing and future secured indebtedness, including indebtedness under the Credit Facility, to the extent of the value of such property and assets securing such indebtedness; and • structurally subordinated to all obligations of the Company's subsidiaries that are not Guarantors.

The Guarantee of the Notes to be provided by each Guarantor will be the general obligation of such Guarantor and will be:

- *pari passu* with all existing and future senior indebtedness of such Guarantor that is not subordinated in right of payment to its Guarantee, including indebtedness under the Credit Facility;
- senior to all future indebtedness of such Guarantor, if any, that is expressly subordinated in right of payment to its Guarantee;
- effectively subordinated to the Guarantor's existing and future secured indebtedness, including indebtedness under the Credit Facility, to the extent of the value of such property and assets securing such indebtedness; and
- structurally subordinated to all existing and future indebtedness of any Guarantor's subsidiaries that do not guarantee the Notes.

As of September 30, 2011, after giving *pro forma* effect to the Offering, the Company and the Guarantors would have had on a consolidated basis, total debt (gross of debt issuance costs, any original issue discount and the Convertible Note value attributable to equity) of $1,063.8 million, all of which is senior indebtedness, including the Notes and $470.5 million of secured indebtedness.

Use of Proceeds . . . . We expect to use the net proceeds from the sale of the Notes for general corporate purposes. We intend to repurchase or repay the outstanding principal amount of Convertible Notes on or before maturity with cash on hand, which may include the net proceeds received from this Offering. See "Use of Proceeds."

Optional Redemption . . . . The Company may redeem the Notes:

- in whole or in part at any time on or after December 15, 2015, at the redemption prices described in this Offering Memorandum under the caption "Description of the Notes—Optional Redemption," plus accrued and unpaid interest to the date of redemption;
- at any time and from time to time prior to December 15, 2014, in an aggregate principal amount not to exceed 35% of the aggregate principal amount of Notes originally issued, with the proceeds of one or more qualifying equity offerings, at a redemption price equal to 107.375% of the principal amount redeemed plus accrued and unpaid interest to the date of redemption; and

- in whole or in part at any time prior to December 15, 2015, at a redemption price equal to 100% of the principal and the applicable "make-whole" premium, plus accrued and unpaid interest, if any, to the date of redemption.

See "Description of the Notes—Optional Redemption."

Additional Amounts; Tax Redemption

All payments in respect of the Notes or the Guarantees will be made without withholding or deduction for any taxes or other governmental charges, except to the extent required by law. If withholding or deduction is required by law, subject to certain exceptions, the Company (or Guarantor, as appropriate) will pay additional amounts so that the net amount each holder of the Notes receives is no less than the holder would have received in the absence of such withholding or deduction. See "Description of the Notes—Additional Amounts."

If certain changes in the law of any relevant taxing jurisdiction become effective that would impose withholding taxes on the payments on the Notes, the Company may redeem the Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption. See "Description of the Notes—Redemption for Taxation Reasons."

Change of Control . . . .

If the Company experiences specific kinds of changes of control, each noteholder will have the right to require the Company to repurchase all or part of its notes at 101% of their principal amount, plus accrued and unpaid interest. See "Description of the Notes—Put Option of Holders—Change of Control."

Certain Covenants . . . .

The indenture governing the Notes (the "Indenture") and the Guarantees will, among other things, restrict the ability of the Company and its restricted subsidiaries to:

- borrow or guarantee additional indebtedness;
- pay dividends, repurchase shares and make distributions of certain other payments;
- make certain investments;
- create certain liens;
- merge or consolidate with other entities;
- enter into certain transactions with affiliates;
- sell, lease or transfer certain assets, including shares of any restricted subsidiary of the Company; and

- guarantee certain types of other indebtedness of the Company and its restricted subsidiaries without also guaranteeing the Notes.

	Each of the covenants is subject to significant exceptions and qualifications. See "Description of the Notes—Certain Covenants."
Transfer Restrictions	The Notes have not been, and will not be, registered under U.S. federal or state or any foreign securities laws and are subject to restrictions on resale. See "Notice to Investors." We have not agreed to, or otherwise undertaken to, register the Notes in the United States (including by way of an exchange offer).
Absence of a Public Market for the Notes	The Notes will be new securities for which there will be no established trading market. Accordingly, there can be no assurances as to the development or liquidity of any market for the Notes.
Listing	The Company has applied to list the Notes on the Official List of the Luxembourg Stock Exchange and to trade the Notes on the Euro MTF market.
Governing Law	The Notes, the Indenture and the Guarantees will be governed by New York law.
Trustee	Citibank, N.A., London Branch.
Paying Agent and Transfer Agent	Citibank, N.A., London Branch.
Registrar	Citigroup Global Markets Deutschland AG.
U.S. Paying Agent and U.S. Registrar	Citibank, N.A., New York Branch.

RISK FACTORS

Investing in the Notes involves substantial risks. Please see the section of this Offering Memorandum captioned "Risk Factors" for a discussion of certain risks you should carefully consider before investing in the Notes.

OTHER INFORMATION

Our principal administrative office and the Company's registered office are at Strandveien 4, P.O. Box 89, N-1366 Lysaker, Norway (telephone number: +47 67 52 64 00).

The independent auditor of Petroleum Geo-Services ASA and its subsidiaries is KPMG AS.

SUMMARY FINANCIAL DATA

The summary financial data provided below has been derived from our Audited Consolidated Financial Statements as of December 31, 2009 and 2010 and for each of the years ended December 31, 2008, 2009 and 2010, prepared in accordance with IFRS, and the Unaudited Consolidated Financial Statements as of and for the nine months ended September 30, 2010 and 2011, prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

The unaudited consolidated financial information for the twelve months ended September 30, 2011 set forth below was derived by adding the restated consolidated financial data for the year ended December 31, 2010 as reflected in note 17 to our Unaudited Consolidated Financial Statements appearing elsewhere in this Offering Memorandum (which has been restated with the change of policy for the accounting of major overhaul of vessels) to the unaudited consolidated financial data for the nine months ended September 30, 2011 and subtracting the unaudited consolidated financial data for the nine months ended September 30, 2010. The financial information for the twelve months ended September 30, 2011 (which reflects the change in accounting policy for recognition of costs incurred in connection with major overhaul of vessels) has been prepared for illustrative purposes only and is not necessarily representative of our results of operations for any future period or our financial condition at any future date and is not prepared in the ordinary course of our financial reporting. See "Presentation of Financial Data and Non-IFRS Measures" and Note 17 to our Unaudited Consolidated Financial Statements appearing elsewhere in this Offering Memorandum for more information.

The financial information below includes certain Non-IFRS measures used to evaluate our economic and financial performance. These measures are not identified as accounting measures under IFRS and therefore should not be considered as an alternative measure to evaluate the performance of our Group. See "Presentation of Financial Data and Non-IFRS Measures."

This Offering Memorandum includes unaudited consolidated *pro forma* financial data which has been adjusted to reflect certain effects of the Offering on our financial position and net financial expenses as of and for the twelve months ended September 30, 2011. The unaudited consolidated *pro forma* financial data has been prepared for illustrative purposes only and does not purport to represent what our actual consolidated financial position or net financial expenses would have been if the Offering had occurred (i) on September 30, 2011 for the purposes of the calculation of net financial position and (ii) on September 30, 2010 for the purposes of the calculation of net financial expenses, nor does it purport to project our consolidated financial position and net financial expenses at any future date. The unaudited *pro forma* adjustments and the unaudited *pro forma* financial data set forth in this Offering Memorandum are based on available information and certain assumptions and estimates that we believe are reasonable and may differ materially from the actual adjusted amounts.

You should read this summary financial data in conjunction with "Operating and Financial Review and Prospects" and our Consolidated Financial Statements included elsewhere in this Offering Memorandum.

	Year ended December 31,[1]			Nine months ended September 30,[1]		Twelve months ended September 30, 2011[1]
	2008	2009	2010	2010	2011	
	(in $ millions, except ratios or percentages)					
Income Statement Data						
Revenues	**1,647.4**	**1,350.2**	**1,135.1**	**770.7**	**908.7**	**1,273.1**
Cost of sales[2]	662.3	606.0	594.0	402.5	455.7	635.0
Research and development costs[2]	19.4	22.8	21.8	15.8	22.2	28.2
Selling, general and administrative costs[2]	72.8	49.3	56.0	40.2	41.1	56.8
Depreciation and amortization[3]	273.2	285.3	326.4	223.3	298.2	419.9
Impairments of long-lived assets	161.1	153.6	79.1	80.4	—	(1.3)
Other operating income	(71.6)	—	—	—	(4.4)	(4.4)
Total operating expenses	**1,117.2**	**1,116.9**	**1,077.3**	**762.3**	**812.8**	**1,134.2**
Operating profit	**530.2**	**233.3**	**57.8**	**8.4**	**95.9**	**138.9**
Income (loss) from associated companies	(16.2)	1.9	(10.2)	(9.9)	(7.6)	(7.9)
Interest expense	(58.5)	(45.2)	(47.0)	(35.8)	(31.2)	(42.4)
Other financial income	27.2	24.5	13.9	9.5	17.4	21.7
Other financial expense	(14.6)	(11.1)	(17.6)	(17.0)	(14.3)	(14.9)
Currency exchange gain (loss)	(29.8)	24.8	0.9	0.7	(8.3)	(8.0)
Income (loss) before income tax expense	**438.4**	**228.1**	**(2.2)**	**(44.0)**	**52.0**	**87.4**
Income tax expense	26.1	51.9	13.9	17.1	23.2	20.0
Income (loss) from continuing operations	**412.3**	**176.2**	**(16.1)**	**(61.1)**	**28.8**	**67.4**
Income (loss) from discontinued operations, net of tax[4]	5.8	(8.2)	8.5	10.4	0.6	(1.2)
Net income (loss)	**418.1**	**167.9**	**(7.5)**	**(50.8)**	**29.4**	**66.2**
Cash Flow Data						
Net cash provided by operating activities	914.6	676.1	343.4	250.1	329.9	
Net cash used in investing activities	(753.3)	(366.0)	(129.2)	(46.2)	(499.4)	
Net cash (used in) provided by financing activities	(211.4)	(279.3)	92.5	(161.9)	(86.3)	
Net increase (decrease) in cash and cash equivalents[5]	(50.0)	30.7	306.6	42.0	(255.7)	

	Year ended December 31,[1]			Nine months ended September 30,[1]		Twelve months ended September 30, 2011[1]
	2008	2009	2010	2010	2011	
	(in $ millions, except ratios or percentages)					
Balance Sheet Data (at end of period)						
Cash and cash equivalents[5]	95.2	126.0	432.6	168.0	176.9	176.9
Working capital[6]	37.5	75.9	84.5	62.5	122.7	122.7
Total assets	3,064.8	2,929.4	3,001.5	2,690.2	2,907.6	2,907.6
Property and equipment	1,562.4	1,283.5	1,179.7	1,221.1	1,294.1	1,294.1
MultiClient library	294.6	293.2	310.8	355.5	350.6	350.6
Net interest bearing debt[7]	1,135.6	774.0	286.4	602.9	421.6	421.6
Net debt[8]	1,154.0	792.0	357.6	619.3	573.7	573.7
Total shareholders' equity	1,139.7	1,449.0	1,721.8	1,435.1	1,757.9	1,757.9
Other Financial Data						
EBITDA[9]	893.1	672.1	463.3	312.1	389.7	553.0
EBITDA margin[9][10]	54.2%	49.8%	40.8%	40.5%	42.9%	43.4%
Capital expenditure (property and equipment)[11]	446.5	235.1	211.4	162.5	247.3	308.3
Capital expenditure (MultiClient library)[12]	229.0	183.1	166.7	142.4	175.4	199.7
Interest expense, gross	98.4	70.5	55.4	42.6	37.2	50.0
Ratio of net debt to EBITDA[8][9]	1.3x	1.2x	0.8x	—	—	1.0x
Ratio of EBITDA to interest expense, gross[9]	9.1x	9.5x	8.4x	—	—	11.1x
Pro Forma Financial Data						
Pro forma cash and cash equivalents[5][13]						464.7
Pro forma net debt[8][14]						585.9
Pro forma interest expense, gross[15]						72.1
Ratio of *pro forma* net debt to EBITDA[8][9][14]						1.1x
Ratio of EBITDA to *pro forma* interest expense, gross[9][15]						7.7x

(1) From January 1, 2011 we changed the policy for recognition of costs incurred in connection with major overhaul of vessels. Under the new policy the directly attributable costs incurred in connection with major overhaul activities are capitalized and depreciated over the estimated period until the next similar overhaul. The former policy was to expense such costs when incurred. The change is made to better reflect the economic reality, reduce volatility and align the accounting to industry practice and practice among other vessel owning companies. The change in policy is applied for the nine month periods ended September 30, 2010 and 2011 and the twelve month period ended September 30, 2011. This change has not been applied to any other periods presented. See "Presentation of Financial Data and Non-IFRS Measures" and note 17 to our Unaudited Consolidated Financial Statements appearing elsewhere in this Offering Memorandum.

(2) Excluding depreciation and amortization, which is shown separately.

(3) Amortization related to the MultiClient library was $145.5 million, $153.4 million and $191.3 million for the years ended December 31, 2008, 2009 and 2010 and $119.7 million and $185.3 million for the nine months ended September 30, 2010 and 2011. For more information, see "Operating and Financial Review and Prospects—Explanation of Key Income Statement Items—Depreciation and amortization" and note 7 and note 19 to our Audited Consolidated Financial Information included elsewhere in this Offering Memorandum.

(4) Income from discontinued operations for the years ended December 31, 2008, 2009 and 2010 and for the nine months ended September 30, 2010 and 2011, includes results from our Onshore division sold in February 2010 and additional proceeds received from the sale of our Atlantis oil and gas activities in 2003 and sale of Atlantic Power Group in 2002. See note 4 to our Audited Consolidated Financial Statements and note 16 to our Unaudited Consolidated Financial Statements included elsewhere in this Offering Memorandum for more information.

(5) Cash and cash equivalents does not include restricted cash of $18.4 million, $18.0 million, $71.2 million, $16.4 million and $93.3 million as of December 31, 2008, December 31, 2009, December 31, 2010, September 30, 2010 and September 30, 2011, respectively. Restricted cash as of December 31, 2010 and September 30, 2011 primarily consists of moneys deposited with the Banco do Brasil related to the ongoing dispute in Brazil related to the Company's alleged obligation to pay municipal services tax ("ISS"). Amounts deposited are held on an interest bearing bank account with Banco do Brasil and will be released to the Company if and when a positive ruling is awarded, which may take several years. The Company has foreign currency contracts in place to economically hedge approximately 65% of the deposited amount. See notes 12 and 27 to our Audited Consolidated Financial Statements and note 14 to our Unaudited Consolidated Financial Statements included elsewhere in this Offering Memorandum.

(6) We define working capital as the sum of accounts receivable, accrued revenue and other receivables and other current assets minus the sum of accounts payable, accrued expenses and income tax payables.

(7) We define net interest bearing debt to be long-term and short-term debt (including the current portion of long-term debt and gross of deferred loan costs) less cash and cash equivalents, restricted cash and interest bearing investments.

(8) We define net debt to be long-term and short-term debt (including the current portion of long-term debt and gross of deferred loan costs) less cash and cash equivalents. Cash and cash equivalents do not include restricted cash. See note (5) above for more information.

(9) We define EBITDA to be income (loss) before income tax expense before currency exchange gain (loss), other financial expense, other financial income, interest expense, income (loss) from associated companies, other operating income, impairments of long-lived assets and depreciation and amortization. EBITDA is not a measure of performance under IFRS and you should not consider EBITDA as an alternative to (a) operating profit or net income (as determined in accordance with IFRS) as a measure of our operating performance, (b) cash flows from operating, investing and financing activities as a measure of our ability to meet our cash needs or (c) any other measures of performance under generally accepted accounting principles.

We believe that EBITDA is a useful indicator of our ability to incur and service our indebtedness and can assist securities analysts, investors and other parties to evaluate our company. EBITDA and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. You should exercise caution in comparing EBITDA as reported by us to EBITDA of other companies. EBITDA as presented here differs from the definition of "Consolidated Cash Flow" contained in the Indenture.

The following table reconciles income before income tax expense to EBITDA for the periods indicated.

	Year ended December 31,[a]			Nine months ended September 30,[a]		Twelve months ended September 30, 2011[a]
	2008	2009	2010	2010	2011	
	(in $ millions)					
Income before income tax expense	438.4	228.1	(2.2)	(44.0)	52.0	87.4
Currency exchange (gain) loss	29.8	(24.8)	(0.9)	(0.7)	8.3	8.0
Other financial expense	14.6	11.1	17.6	17.0	14.3	14.9
Other financial income	(27.2)	(24.5)	(13.9)	(9.5)	(17.4)	(21.7)
Interest expense	58.5	45.2	47.0	35.8	31.2	42.4
Loss (income) from associated companies	16.2	(1.9)	10.2	9.9	7.6	7.9
Other operating income	(71.6)	—	—	—	(4.4)	(4.4)
Impairment of long-lived assets	161.1	153.6	79.1	80.4	—	(1.3)
Depreciation and amortization	273.2	285.3	326.4	223.3	298.2	419.9
EBITDA	**893.1**	**672.1**	**463.3**	**312.1**	**389.7**	**553.0**

(a) From January 1, 2011 we changed the policy for recognition of costs incurred in connection with major overhaul of vessels. Under the new policy the directly attributable costs incurred in connection with major overhaul activities are capitalized and depreciated over the estimated period until the next similar overhaul. The former policy was to expense such costs when incurred. The change is made to better reflect the economic reality, reduce volatility and align the accounting to industry practice and practice among other vessel owning companies. The change in policy is applied for the nine month periods ended September 30, 2010 and 2011 and the twelve month period ended

September 30, 2011. This change has not been applied to any other periods presented. See "Presentation of Financial Data and Non-IFRS Measures" and note 17 to our Unaudited Consolidated Financial Statements appearing elsewhere in this Offering Memorandum.

(10) Represents EBITDA for the period divided by revenue for that period.

(11) Includes capital expenditures on new-builds on charter but excludes capital expenditures from discontinued operations.

(12) Represents investments in MultiClient library excluding such investments from discontinued operations.

(13) *Pro forma* cash and cash equivalents include total cash and cash equivalents of $176.9 million as of September 30, 2011, adjusted to give effect to the Offering, as described in "Use of Proceeds." Includes the estimated net proceeds from the issuance of the Notes, after deduction of estimated initial purchasers' discounts and commissions and estimated issuance costs and expenses.

(14) *Pro forma* net debt consists of net debt of $573.7 million as of September 30, 2011, adjusted to give effect to the Offering, as described in "Use of Proceeds." Under IFRS, long-term debt as of September 30, 2011 is disclosed net of deferred loan costs of $7.2 million. *Pro forma* net debt is gross of estimated debt issuance costs of $8.1 million and original issue discount of $4.1 million relating to the Notes.

(15) *Pro forma* interest expense, gross reflects gross interest expense of $50.0 million for the twelve months ended September 30, 2011, adjusted for the Offering as described in "Use of Proceeds" as if the Offering had occurred on September 30, 2010.

Pro forma interest expense, gross has been presented for illustrative purposes only and does not purport to represent what our gross interest expense would have actually been had the Offering occurred on the date assumed, nor do they purport to project our gross interest expense for any future period or our financial condition at any future date.

RISK FACTORS

An investment in the Notes involves risks. Before investing in the Notes, you should consider carefully the following risk factors and all information contained in this Offering Memorandum. Additional risks and uncertainties of which we are not aware or that we believe are immaterial may also adversely affect our business, financial condition, liquidity, results of operations or prospects. If any of these events occurs, our business, financial condition, liquidity, results of operations or prospects could be materially and adversely affected, the Company may not be able to pay interest or principal on the Notes when due and you could lose all or part of your investment.

This Offering Memorandum also contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this Offering Memorandum.

Risks Related to Our Industry

The success of our business largely depends on the level of capital expenditures by the oil and gas industry, which can be significantly affected by volatile oil and natural gas prices.

Demand for our products and services has historically been dependent upon the level of capital expenditures by oil and gas companies for exploration, production and development activities. These expenditures are significantly influenced by hydrocarbon prices and by expectations regarding future hydrocarbon prices. An actual decline, or the perceived risk of a decline, in oil and/or natural gas prices could cause oil and gas companies to reduce their overall level of activity or spending, in which case demand for our services may decline and revenues may be adversely affected through lower demand for seismic services and products. Oil and gas prices may fluctuate based on relatively minor changes in the supply of and demand for oil and gas, expectations regarding future supply of, and demand for, hydrocarbons and certain other factors beyond our control. See "Industry Overview."

Factors affecting the prices of hydrocarbons (and, consequently, demand for our products and services) include:

- Demand for hydrocarbons;
- Worldwide political, military and economic conditions, including political developments in the Middle East and North Africa, economic growth levels, the availability of financing and the ability of OPEC to set and maintain production levels and prices for oil;
- Laws or regulations restricting the use of fossil fuels or taxing such fuels and governmental policies regarding atmospheric emissions and use of alternative energy;
- Levels of oil and gas production;
- The rate of decline of existing and new oil and gas reserves;
- The availability and discovery rate of new oil and natural gas reserves;
- Oil and gas inventory levels;
- The price and availability of alternative fuels;
- Policies of governments regarding the exploration for and production and development of oil and gas reserves in their territories; and
- Global weather conditions, with warmer temperatures decreasing demand for products such as heating oil and with hurricanes and monsoons that can affect oil and gas operations over a wide area.

Increases in oil and natural gas prices may not increase demand for our services or otherwise have a positive effect on our financial condition or results of operations. Previously forecasted trends in oil and gas exploration and development activities may not continue and demand for our products may not reflect the level of activity in the industry. For example, the Deepwater Horizon platform disaster in April 2010, which resulted in a large-scale oil spill in the Macondo oil field in the Gulf of Mexico (the "Macondo Incident"), severely reduced the demand for seismic studies in that part of the world. Demand in marine seismic grew elsewhere as expected, but not enough to offset the reduction in the number of vessels operating in the Gulf of Mexico. Consequently, a sustained imbalance between supply and demand continued through 2010 and prices remained flat. Moreover, even during periods of high commodity prices, customers may reduce their levels of capital expenditures for seismic exploration and production for a variety of reasons, including their lack of success in exploration efforts.

Our backlog (or order book) estimates are based on certain assumptions and are subject to unexpected adjustments and cancellations and thus may not be timely converted to revenues in any particular fiscal period, if at all, or be indicative of our actual operating results for any future period.

Our backlog (or order book) estimates represent those marine seismic acquisition projects for which a client has executed a contract and has a scheduled start date for the project, marine seismic acquisition projects for which we have a written letter of intent to award a contract from our customers as well as unrecognized precommitted funding from our MultiClient business unit. Backlog estimates are based on a number of assumptions and estimates including assumptions related to foreign exchange rates and proportionate performance of contracts and our valuation of assets, such as seismic data, to be received by us as payment under certain agreements. The realization of our backlog estimates is further affected by our performance under day rate contracts, as the early or late completion of a project under day rate contracts will generally result in decreased or increased, as the case may be, revenues derived from these projects.

In accordance with industry practice, contracts for the provision of seismic services typically can be cancelled at the sole discretion of the client without payment of significant cancellation costs to the service provider. As a result, even if contracts are recorded in backlog, there can be no assurance that such contracts will be wholly executed by us, generate actual revenue or not be renegotatiated at a lower price, or even that the total costs already incurred by us in connection with the contract would be covered in full pursuant to any cancellation clause. Even where a project proceeds as scheduled, it is possible that the client may default and fail to pay amounts owed to us. Material delays, payment defaults and cancellations could reduce the amount of backlog currently reported, and consequently, could inhibit the conversion of that backlog into revenues.

We are subject to intense competition in the markets where we carry out our operations, which could limit our ability to maintain or increase our market share or maintain our prices at profitable levels.

Most of our contracts are obtained through a competitive bidding process, which is standard for the seismic services industry in which we operate. Important factors in winning contracts include price, performance and timeliness of service, service quality, technological capacity, performance, reputation, experience of personnel, customer relations and long-standing relationships. While there are few direct competitors in the 3D marine seismic market, there are several large, international companies as well as smaller, local companies we compete with for data processing and interpretation. In addition, we compete with major service providers and government-sponsored enterprises and affiliates. Some of our competitors in both marine seismic acquisition and data processing and interpretation have greater financial and other resources than us. These and other competitors may be better positioned to withstand and adjust more quickly to volatile market conditions such as fluctuations in oil and gas prices and production levels, as well as changes in government regulations. In addition, if geophysical service competitors increase their capacity (or do not reduce capacity if demand decreases), the excess supply in the seismic services market could apply downward pressure on prices. The negative effects of the competitive environment in which we operate could have a material adverse effect on our results of operations.

The revenues we derive from marine seismic acquisition vary significantly during the year.

Our marine seismic acquisition revenues are partially seasonal in nature. The marine data acquisition business is, by its nature, exposed to unproductive interim periods due to necessary repairs or transit time from one operational zone to another during which revenue is not received. Other factors that cause variations from quarter to quarter include the effects of weather conditions in a given operating area, the internal budgeting process of some important clients for their exploration expenses, and the time needed to mobilize production means or obtain the administrative authorizations necessary to commence data acquisition contracts.

Our business is subject to governmental regulation, which may adversely affect our future operations.

Our operations are subject to a variety of international, federal, provincial, state, foreign and local laws and regulations, including environmental, health and safety, and labor laws. We invest financial and managerial resources to maintain compliance with these laws and related permit requirements. Our failure to do so could result in fines or penalties, enforcement actions, claims for personal injury or property damages, or obligations to investigate and remediate contamination. Failure to obtain the required permits on a timely basis may also prevent us from operating in some cases, resulting in crew downtime and operating losses. Moreover, if applicable laws and regulations, including environmental, health and safety requirements, or the interpretation or enforcement thereof, become more stringent in the future, we could incur capital or operating costs beyond those currently anticipated. The adoption of laws and regulations that directly or indirectly curtail exploration by oil and gas companies could also materially adversely affect our operations by reducing the demand for our geophysical products and services.

We may be affected by new environmental laws or regulations intended to limit or reduce emissions of gases, such as carbon dioxide and methane, which may be contributing to climate change, that may impact our operations or, more generally, the production and demand for fossil fuels such as oil and gas. The European Union has already established greenhouse gas regulations, and many other countries, including the United States, are in the process of doing so. This could cause us to incur additional direct or indirect costs resulting from our suppliers incurring additional compliance costs that get passed on to us or that reduce our customers' demand for our products or services.

Events in recent years, including the Macondo Incident, have heightened governmental and environmental concerns about the oil and gas industry. From time to time, legislative proposals have been introduced that would materially limit or prohibit offshore drilling in certain areas. Such restrictions on drilling in certain areas of the Gulf of Mexico and elsewhere, including the conditions for lifting the recent moratorium/suspension in the Gulf of Mexico, the adoption of associated new safety requirements and policies regarding the approval of drilling permits and restrictions on development and production activities in the Gulf of Mexico have had negative effects and may further impact the operations of oil and gas companies that wish to carry out exploration and development projects in the Gulf of Mexico. Our client mix could be altered with the disappearance of small- and medium-sized players in this location, which could decrease our sales of MultiClient data. In the short term, while there have been some encouraging developments, U.S. authorities have not yet announced a new five-year lease roll plan, which is required for the industry to regain full understanding and confidence to plan, invest and execute new seismic projects fully, which could have an effect on the profile of MultiClient sales in 2011.

Risks Relating to Our Business

Current economic uncertainty and the volatility of oil and natural gas prices could have a significant adverse effect on our financial condition, our results of operations, our cash flows and our ability to borrow.

The demand for geophysical services is dependent upon overall global economic development and oil and gas price developments. Fluctuations and changes in these conditions may affect our revenues and results. Global market and economic conditions are uncertain and volatile. Commencing in late 2008, prices for oil and natural gas declined significantly and did not recover significantly. During that period of depressed commodity prices, many oil and gas exploration and production companies significantly reduced their levels of capital spending, including amounts dedicated to the purchase of marine seismic data services, driving the prices for our products and services down and consequently also our profits. For the year ended December 31, 2010, lower profits from selling our products and services was combined with us recording $79.1 million in impairment charges on long-lived assets. This combination made us suffer a net loss of $7.5 million for the year ended December 31, 2010. See "—Risks Related to Our Industry—The success of our business largely depends on the level of capital expenditures by the oil and gas industry, which can be significantly affected by volatile oil and natural gas prices" and "Operating and Financial Review and Prospects." Uncertainty about the global economy has had and may in the future to continue to have a significant adverse impact on commercial performance and financial condition of many companies, which may affect some of our customers and suppliers. These developments could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Turmoil in the credit markets, such as has been experienced in recent periods, could also adversely affect us and our customers. Limited access to external funding has in the past caused some customers to reduce their capital spending to levels supported by their internal cash flow. Some companies have found their access to liquidity constrained or subject to more onerous terms. In this context, there can be no assurance that our customers will be able to borrow money on a timely basis or on reasonable terms, which could have a negative impact on their demand for our products, and impair the ability of our customers to pay us for our products and services on a timely basis, or at all.

In addition, the potential impact on the liquidity of major financial institutions may limit our ability to fund our business strategy through borrowings under either existing or new debt facilities in the public or private markets and on terms we believe to be reasonable. Persistent volatility in the financial markets could have a material adverse effect on our ability to refinance all or a portion of our indebtedness and to otherwise fund our operational requirements. See "—Risks Relating to Our Debt, the Notes and the Guarantees—Our ability to generate cash depends on many factors beyond our control, and we may not be able to generate cash required to service our debt."

We are subject to risks related to our international operations that could harm our business and results of operations.

With operations worldwide, including in emerging markets, our business and results of operations are subject to various risks inherent in international operations. These risks include:

- instability of foreign economies and governments, which can cause investment in capital projects by our potential clients to be withdrawn or delayed, reducing or eliminating the viability of some markets for our services;
- risks of war, uprisings, riots, terrorism and civil disturbance, which can make it unsafe to continue operations, adversely affect both budgets and schedules and expose us to losses;
- risk of piracy, which may result in the delay or termination of customer contracts in affected areas;

- seizure, expropriation, nationalization or detention of assets, renegotiation or nullification of existing contracts;
- foreign exchange restrictions, import/export quotas, sanctions and other laws and policies affecting taxation, trade and investment;
- restrictions on currency repatriation or the imposition of new laws or regulations that preclude or restrict the conversion and free flow of currencies;
- unfavorable changes in tax or other laws, including the imposition of new laws or regulations that restrict operations or increase the cost of operations, see "—We are a multinational organization subject to taxation in many jurisdictions around the world and we could be obligated to pay additional taxes in various jurisdictions;"
- disruption or delay of licensing or leasing activities;
- work stoppages; and
- availability of suitable personnel and equipment, which can be affected by government policy, or changes in policy, which limit the importation of qualified crew members or specialized equipment in areas where local resources are insufficient.

We are exposed to these risks in all of our operations to some degree, and such exposure could be material to our financial condition and results of operations particularly in emerging markets where the political and legal environment is less stable. We cannot assure you that we will not be subject to material adverse developments with respect to our operations or that any insurance coverage we have will be adequate to compensate us for any losses arising from such risks.

A significant percentage of our seismic equipment that we use in certain foreign countries require prior U.S. government approval in the form of an export license and may otherwise be subject to tariffs and import/export restrictions. These laws can change over time and may result in limitations on our ability to compete globally. We currently have a special comprehensive export license from the U.S. Department of Commerce for a certain period of time subject to our compliance with its terms. We are currently in compliance with applicable U.S. laws and regulations and the terms of our comprehensive license and have procedures in place to ensure our continued compliance, although there can be no assurance that we will continue to do so in the future. Such non-compliance could result in material fines and penalties and/or the retraction of our comprehensive license, which could have a material adverse effect on our business. In addition, we generate some revenues from data processing services from customers in Syria and Libya, of which such nations are currently subject to U.S. sanctions by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC"). Currently, we are in compliance with the laws and regulations with respect to such customer relationships. In the future, we may generate revenues in other countries that become subject to U.S. trade embargoes and/or U.S. sanctions by OFAC, which are currently not restricted.

We are exposed to significant risks in relation to compliance with anti-corruption laws and regulations and economic sanction programs.

Doing business on a worldwide basis requires us to comply with the laws and regulations of various jurisdictions (including, without limitation, the United States, the United Kingdom, Brazil, Italy, Norway, Russia, Japan, Singapore and others where we conduct operations). In particular, our international operations are subject to anti-corruption laws and regulations, such as the U.S. Foreign Corrupt Practices Act of 1977 ("FCPA"), the United Kingdom Bribery Act of 2010 (the "Bribery Act"), the Norwegian Criminal Code of 1902 ("Norwegian Criminal Code," and together with the FCPA and the Bribery Act, "Anti-Corruption Laws"), and economic sanction programs, including those administered by the UN, EU and OFAC and regulations set forth under the Comprehensive Iran

Accountability Divestment Act (collectively, "Sanctions"). The FCPA prohibits providing anything of value to foreign officials for the purposes of obtaining or retaining business or securing any improper business advantage. As part of our business, we may deal with state-owned business enterprises, the employees of which are considered foreign officials for purposes of the FCPA. The provisions of the Bribery Act and the Norwegian Criminal Code extend beyond bribery of foreign public officials and are more onerous than the FCPA in a number of other respects, including jurisdiction, non-exemption of facilitation payments and penalties. Economic sanctions programs restrict our business dealings with certain sanctioned countries.

As a result of doing business in foreign countries, we are exposed to a risk of violating anti-corruption laws and sanctions regulations applicable in those countries where we, our partners or agents operate. Some of the international locations in which we operate lack a developed legal system and have high levels of corruption. Our continued expansion and worldwide operations, including in developing countries, our development of joint venture relationships worldwide and the employment by us of local agents in the countries in which we operate increase the risk of violations of Anti-Corruption Laws, OFAC, or similar laws. Violations of anti-corruption laws and sanctions regulations are punishable by civil penalties, including fines, denial of export privileges, injunctions, asset seizures, debarment from government contracts (and termination of existing contracts) and revocations or restrictions of licenses, as well as criminal fines and imprisonment. In addition, any major violations could have a significant impact on our reputation and consequently on our ability to win future business.

We have policies and procedures designed to assist our compliance with applicable laws and regulations and have trained our employees to comply with such laws and regulations. While we believe that we have a strong culture of compliance and that we have adequate systems of control, we seek to continuously improve our systems of internal controls, to remedy any weaknesses we identify through appropriate corrective action depending on the circumstances, including additional training, improvement of internal controls and oversight, and deployment of additional resources and to take appropriate action in case of any breach of our rules and procedures which might include disciplinary measures, suspensions of employees and ultimately termination of such employees. There can be no assurance, however, that our policies and procedures will be followed at all times or effectively detect and prevent violations of the applicable laws by one or more of our employees, consultants, agents or partners and, as a result, we could be subject to penalties and material adverse consequences on our business, financial condition or results of operations if we failed to prevent any such violations.

We may be required to post performance bonds or guarantees for certain obligations, which we may be unable to provide, or if we do provide, may be called under circumstances that we believe to be improper.

Certain of our clients and certain tax, social security or customs authorities may request that we or certain of our subsidiaries post performance bonds or guarantees issued by banks or insurance companies, including in the form of stand-by letters of credit, in order to guarantee our legal or contractual obligations. As of September 30, 2011, we had $2.4 million of standby letters of credit and bid and performance bonds outstanding under a variety of facilities, which were not material singularly or in the aggregate. We cannot assure you that we will be able to provide these bonds or guarantees in the amounts or durations required or for the benefit of the necessary parties. Our failure to comply with these requests could reduce our capacity to conduct business or perform our contracts. In addition, if we do provide these bonds or guarantees, our clients or the relevant authorities may call them under circumstances that we believe to be improper, and we may not be able to challenge such actions effectively in local courts.

We invest significant amounts of money in acquiring and processing seismic data for MultiClient surveys and for our data library without knowing precisely how much of the data we will be able to sell or when and at what price we will be able to sell the data.

We invest significant amounts of money in acquiring and processing seismic data that we own, which we call MultiClient data. Our future MultiClient data licenses, including the timing of such licenses, are uncertain and depend on a variety of factors, many of which are beyond our control. By making such investments, we assume the risk that:

- We may not fully recover the costs of acquiring and processing the data through future sales. The amounts of these data sales are uncertain and depend on a variety of factors, many of which are beyond our control. In addition, the timing of these sales is unpredictable, and sales can vary greatly from period to period. Additionally, each of our individual surveys has a limited book life based on its location, so a particular survey may be subject to significant amortization even though sales of licenses associated with that survey are weak or non-existent, thus reducing our profits. See "—The amounts we amortize from our MultiClient data library each period may fluctuate significantly, and these fluctuations can have a significant effect on our results of operations."
- Technological or regulatory changes or other developments could also materially adversely affect the value of the data. Regulatory changes that affect the ability of our customers to develop exploration programs (such as limitation on drillings), either generally or in a specific location where we have acquired seismic data, could materially adversely affect the value of the seismic data contained in our library. Technology changes could also make existing data obsolete.
- The value of our MultiClient data could be significantly adversely affected if any material adverse change occurs in the general prospects for oil and gas exploration, development and production activities in the areas where we acquire MultiClient data or more generally.
- We attempt to protect our MultiClient seismic data from misuse from customers primarily through contractual provisions that permit the use of the data only by that particular customer on a non-transferable basis. Such provisions can be effective only if misuse of the data by customers or third parties can be detected and if our rights can be enforced through legal action. If widespread misuse were to occur, our MultiClient revenues would be adversely affected.

Any reduction in the market value of such data will require us to write down its recorded value, which could have a material adverse effect on our results of operations.

The amounts we amortize from our MultiClient data library each period may fluctuate significantly, and these fluctuations can have a significant effect on our results of operations.

The manner in which we account for our MultiClient data library has a significant effect on our results of operations. We record the costs incurred on our MultiClient data library in a manner consistent with our capital investment and operating decision analysis, which generally results in each component of the library being recorded and evaluated separately. We amortize the capitalized cost of our MultiClient data library principally on the relationship of actual data licenses for the relevant data to our estimates of total, including future, licensing of data. On an annual basis, we categorize each MultiClient survey into one of four amortization categories with amortization rates of 90%, 75%, 60% or 45% of sales. Classification of each project into a rate category is based on the ratio of its remaining net book value to estimated remaining sales. To the extent that such sales estimates, or the assumptions used to make those estimates, prove to be higher than actual sales, increased amortization rates will be applied to the MultiClient library in later years, decreasing the profitability of the Company's future operations. The MultiClient library may also become subject to the minimum amortization policy. For more information on amortization policies, including the minimum amortization policy, see our Audited Consolidated Financial Results included elsewhere in this Offering Memorandum. Our licensing estimates are inherently imprecise and may vary from period to period depending upon market developments and our expectations. Changes in the amounts and timing of data licenses as well as changes in amortization rates may result in impairment charges or changes in our amortization expense, which will affect our results of operations.

The high fixed costs of our operations could result in operating losses.

We are subject to high fixed costs which primarily consist of depreciation, maintenance expenses associated with our seismic data acquisition, processing and interpretation equipment and certain crew costs. Extended periods of significant unanticipated downtime or low productivity caused by reduced demand, weather interruptions, equipment failures, permit delays or other causes could reduce our profitability and have a material adverse effect on our financial condition and results of operations because we will not be able to reduce our fixed costs as fast as revenues decline.

Our results of operations may be significantly affected by currency fluctuations.

We conduct business in various currencies, including the U.S. dollar, Brazilian real, Euro, Singapore dollar, Nigerian naira, British pound and Norwegian kroner. We are subject to foreign currency exchange rate risk on cash flows related to sales, expenses, financing, and investment transactions in currencies other than the U.S. dollar. We predominantly sell our products and services in U.S. dollars, but also to some extent in other currencies. In addition to U.S. dollars, a significant proportion of our operating expenses are incurred in British pounds and Norwegian kroner. Fluctuations in the exchange rate of the U.S. dollar against such other currencies, have had in the past and could have in the future a significant effect upon our results of operations. Although we may periodically undertake limited hedging activities in an attempt to reduce some currency fluctuation risks, these activities do not provide complete protection from currency-related losses. In addition, in some circumstances our hedging activities can require us to make cash outlays. We cannot predict the effect of future exchange rate fluctuations on our operating results. See "Operating and Financial Review and Prospects—Quantitative and Qualitative Disclosure about Market Risk—Currency Exchange Risk."

Our working capital needs are difficult to forecast and may vary significantly, which could result in additional financing requirements that we may not be able to meet on satisfactory terms, or at all.

It is difficult for us to predict with certainty our working capital needs. This difficulty is due primarily to working capital requirements related to the marine seismic acquisition business where our revenues vary in material respects as a result of, among other things, the timing of our projects, or clients' budgetary cycles and our receipt of payment. We may therefore be subject to significant and rapid increases in our working capital needs that could require us to seek additional financing sources. Restrictions in our debt agreements may impair our ability to obtain other sources of financing, and access to additional sources of financing may not be available on terms acceptable to us, or at all. See also "—The high fixed costs of our operations could result in operating losses."

We perform a portion of our contract seismic work under turnkey arrangements. If we bid too low on these contracts, we could incur losses on projects and experience reduced profitability.

Many of our contracts for seismic data acquisition are turnkey contracts, where our work is delivered at a predetermined fixed price. In submitting a bid on a turnkey contract, we estimate our costs associated with the project. However, our actual costs can vary from our estimated costs because of changes in assumed operating conditions (including weather, fishing activity, interference from other seismic vessels and other operating disturbances), exchange rates and equipment productivity, among others. In addition, we may bid too low as a result of market pricing pressure. As a result, we may experience reduced profitability or losses on projects if our bids on turnkey contracts are too low and/or actual costs exceed estimated costs.

Our profitability could be negatively impacted by excess capacity in our industry.

When demand for marine seismic services increases, industry participants have previously responded by increasing capacity by building new seismic vessels or converting existing vessels for use in marine seismic data acquisition operations. A significant increase in the industry's capacity could have an adverse effect on the pricing of our services and our profitability.

Our results of operations may be affected by fluctuations in fuel costs.

Our marine seismic data acquisition business, with a fleet of 13 seismic vessels, including two 2D vessels, generates significant fuel costs, which we estimate will be approximately $100 million for 2011, assuming an average price of crude oil between $100-$110 per barrel. Fuel costs can vary significantly depending on the supply location, local regulations and the price per barrel of crude oil at a given time. Only a portion of this variation can be contractually charged to or negotiated with the client. Based on our fuel consumption in 2010, a 10% increase in fuel costs would increase our total fuel costs and operating expenses by approximately $0.7 million per month. We do not hedge against this exposure, although we are seeking cost adjustments on long-term contracts.

Technological changes and new products and services are frequently introduced in the market, and our technology could be rendered obsolete by these introductions, or we may not be able to develop and produce new and enhanced products on a cost-effective and timely basis.

The development of seismic data acquisition, processing and interpretation equipment has been characterized by rapid technological advancements in recent years and we expect this trend to continue. Our success depends to a significant extent upon our ability to develop and produce new and enhanced products and services on a cost-effective and timely basis in accordance with industry demands. While we commit substantial resources to research and development, we may encounter resource constraints or technical or other difficulties that could delay the introduction of new and enhanced products and services in the future. We are currently investing in the design and development of upgrades to our existing GeoStreamer and GeoSource technology as well as other enhancements to provide better quality images to customers. However, we may not be successful in developing and deploying this technology in a manner that is commercially viable and such technology and equipment unique to us, including the Ramform vessels, may not perform as we anticipate. In addition, the continuing development of new products risks making our older products obsolete. New and enhanced products and services, if introduced, may not gain market acceptance and may be materially adversely affected by technological changes or product or service introductions by one of our competitors.

We depend on proprietary technology and are exposed to risks associated with the misappropriation or infringement of that technology.

Our ability to maintain or increase prices for our products and services depends in part on our ability to differentiate the value delivered by our products and services from those delivered by our competitors. Our proprietary technology plays an important role in this differentiation. We rely on a combination of patents, trademarks and trade secret laws to establish and protect our proprietary technology, such as GeoStreamer and GeoStreamer GS (combination of GeoStreamer and GeoSource). We endeavor to obtain patents on our technology in Norway, the United States and the United Kingdom and in other jurisdictions that we consider important to our business. Patents last up to 20 years, depending on the date of filing and the protection accorded by each country. In addition, we enter into confidentiality and license agreements with our employees, customers and potential customers which limit access to and distribution of our technology. However, actions that we take to protect our proprietary rights may not be adequate to deter the misappropriation or independent third-party development of our technology. Although we do not believe that any current litigation involving our intellectual property rights or the intellectual rights of others will have a material impact on us, such litigation may take place in the future. In addition, the laws of certain foreign countries do not protect proprietary rights to the same extent as the laws of the United States, which may limit our ability to pursue third parties that misappropriate our proprietary technology.

Claims may be asserted against us for violation of the intellectual property rights of third parties, particularly our competitors.

We may from time to time be accused of patent infringement or violation of other proprietary rights of third parties, especially if our competitors view our technology to be similar to certain of their products or know-how. Our industry is heavily reliant on technology and certain of our intellectual property utilizes the similar principles as those of our competitors. While we have procedures in place to ensure that we do not infringe the rights of third parties, there can be no assurance that we will not be a party to litigation or subject to interim or permanent injunctions as a result of such claims. Furthermore, we may be forced to enter into settlement negotiations or payment of damages if we were to be found guilty of intellectual property infringement, potentially resulting in considerable cost and effort.

Our business experiences extreme weather and other hazardous conditions.

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

The nature of our business subjects us to significant ongoing operating risks for which we may not have adequate insurance or for which we may not be able to procure adequate insurance on acceptable terms, if at all.

We do not carry full insurance for all of our operating risks. Although we generally attempt to carry insurance against the destruction of or damage to the seismic vessels and equipment in amounts that we consider customary in the industry, such insurance coverage is subject to various exclusions. In addition, we may not be able to maintain adequate insurance cover for our vessels and equipment in the future or do so at premiums that are considered reasonable. We do not maintain insurance to protect against loss of revenues caused by business interruptions. An accident involving any of our or our operating subsidiaries' assets could result in loss of earnings, fines or penalties, higher insurance costs and damage to the reputation of the Company. We may not have sufficient insurance cover for the entire range of risks resulting in that particular losses may not be covered. Any significant loss or liability not insured could have a material adverse effect on our business, financial condition and results of operations. In addition, the loss of or continuing unavailability of one or several of the vessels could have an adverse effect on us even if effective insurance cover should be available.

We are a multinational organization subject to taxation in many jurisdictions around the world and we could be obligated to pay additional taxes in various jurisdictions.

As a multinational organization, we are subject to taxation in many jurisdictions around the world with increasingly complex tax laws. The amounts of taxes we pay in these jurisdictions could increase substantially as a result of changes in these laws or their interpretations by the relevant taxing authorities, which could have a material adverse effect on our liquidity and results of operations. In addition, those authorities could review our tax returns and impose additional taxes and penalties, which could be material. We have identified issues in several jurisdictions that could eventually make us liable to pay material amounts in taxes relating to prior years. In addition, our Brazilian subsidiary has an ongoing dispute in Brazil related to municipal services tax ("ISS") on sales of MultiClient data. As of September 30, 2011, we estimated the total exposure to be approximately $164 million, including possible penalties and interest. While we believe that it is more likely than not that the contingency will be resolved in its favor, there can be no assurance that a positive final ruling will be awarded or when such final adjudication may occur. For more information, see "Business—Legal Proceedings." In addition to such potential ISS tax liability in Brazil, there may be in the future other claims from governmental tax authorities for unpaid tax amounts as well as additional issues we identify that we are currently not aware of.

The value of our deferred tax assets could become impaired, which could materially and adversely affect our results of operations.

The Company has significant deferred tax assets in different jurisdictions, predominantly in Norway. Deferred tax assets recognized in our consolidated statements of financial position amounted to $192.4 million as of September 30, 2011. These deferred tax assets can be used to offset taxable profit in future periods and reduce income taxes payable in those future periods. The carrying amount of deferred tax assets is reviewed at each end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Such a reduction could result in material non-cash expenses in the period in which the valuation is adjusted and could materially and adversely affect our results of operations.

We are dependent upon a small number of significant clients.

We derive a significant amount of our revenues from a small number of clients each year, although our significant clients may vary between years. In 2010 our two most significant customers accounted for 12.7% and 7.5% of our consolidated revenues, compared to 16.1% and 6.7% in 2009 and 11.2% and 6.3% in 2008, respectively.

Disruptions to our supply chain may adversely affect our ability to deliver our products and services to our customers.

Our supply chain consists of multi-national organizations responsible for the supply, manufacture and logistics supporting our products and services around the world. We are vulnerable to disruptions in this supply chain from changes in government regulations, tax and currency changes, strikes, boycotts, closures of supplier plants, fires, explosions and other disruptive events as well as from unavailability of critical resources. These disruptions may have an adverse impact on our ability to deliver products and services to our customers. In particular, we rely on a sole supplier for our GeoStreamer technology. If such supplier encounters financial difficulties or otherwise becomes unable to supply us with the equipment we require, we may not be able to replace them without disruption to our business and we may incur higher costs. Any interruption in the supply of our key equipment, including, but not limited to GeoStreamer, could adversely affect our business, financial condition and results of operation.

Our future pension costs and required levels of contributions could be unfavorably impacted by changes in actuarial assumptions and future market performance of plan assets, which could adversely affect our financial condition and results of operations.

We have defined benefit pension obligations for certain of our employees. The funding position of our pension plans is impacted by the performance of the financial markets, particularly the equity markets, and the discount rates used to calculate our pension obligations for funding and expense purposes. Recent significant declines in the financial markets have negatively impacted the value of the assets in our pension plans. In addition, lower bond yields may reduce our discount rates resulting in increased pension contributions and expense.

Funding obligations are determined under government regulations in specific jurisdictions and are measured each year based on the value of assets and liabilities on a specific date. If the financial markets do not provide the long-term returns that are expected under the governmental funding calculations, we could be required to make larger contributions. The equity markets can be, and recently have been, very volatile, and therefore our estimate of future contribution requirements can change dramatically in relatively short periods of time. Similarly, changes in interest rates can impact our contribution requirements. In a low interest rate environment, the likelihood of higher contributions in the future increases.

Organized strikes or work stoppages by unionized employees may have a material adverse effect on our business, financial condition and results of operations.

We are party to collective bargaining agreements with trade unions that cover certain of our employees. Upon the expiration of any collective bargaining agreement, our inability to negotiate acceptable contracts with trade unions could result in strikes by the affected workers and increased operating costs as a result of higher wages or benefits paid to union members. We have experienced strikes or other work stoppages in the past and we can not assure you that we will not experience another labor disruption in the future in the course of renegotiation of our labor arrangements or otherwise. If any of our unionized employees were to engage in a strike or other work stoppage, we could experience a significant disruption of operations and/or higher ongoing labor costs, which may have a material adverse effect on our business, financial condition and results of operations.

Our failure to attract and retain qualified employees, including our senior management, may materially adversely affect our future business and operations.

Our future results of operations will depend in part upon our ability to retain our existing highly skilled and qualified employees and to attract new employees. A number of our employees are highly skilled scientists and technicians. We compete with other seismic products and services companies and, to a lesser extent, companies in the oil industry for skilled geophysical and seismic personnel, particularly in times when demand for seismic services is relatively high. A limited number of such skilled personnel is available, and demand from other companies may limit our ability to fill our human resources needs. If we are unable to hire, train and retain a sufficient number of qualified employees, this could impair our ability to compete in the geophysical services industry and to develop and protect our know-how.

Our success also depends to a significant extent upon the abilities and efforts of members of our senior management, the loss of whom could materially adversely affect our business and results of operations. Although we do not anticipate that we will have to replace any of our senior management team or any such employee in the near future, the loss of services of any of the members of our senior management or any such employee could adversely affect our business until a suitable replacement can be found.

We have had losses in the past and there is no assurance of our profitability for the future.

We have experienced substantial losses in the past. For the year ended December 31, 2004, we suffered a net loss of $134.7 million. In addition, in July 2003, we implemented a financial restructuring plan that was accomplished through reorganization under Chapter 11 of the U.S. Bankruptcy Code. Our cash flow from operations may not be sufficient to fund ongoing activities and implement its business plans. From time to time we may enter into transactions to acquire assets or shares of other companies, or to contract new-builds. These transactions along with our ongoing operations may be financed partially or wholly with debt, which may increase our debt levels. Depending on future investment plans, we may require additional financing, which may not be available or, if available, may not be available on favourable terms. Failure to obtain such financing on a timely basis could cause us to forfeit or forego various opportunities. Failure to obtain financing on attractive terms may result in increased financing costs and could adversely affect our earnings and financial position.

Furthermore, our business is capital intensive, and we make significant investments in vessels and in processing, seismic and other equipment. We also incur relatively high fixed costs in our operations. As a result, if we cannot keep our vessels and other equipment utilized at relatively high levels, due to reduced demand, weather interruptions, equipment failure, technical difficulties, labor unrest or other causes, we could incur significant operating losses.

The service life of our vessels may be shorter than anticipated.

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

Risks Relating to Our Debt, the Notes and the Guarantees

Our substantial debt could adversely affect our financial health and prevent us from fulfilling our obligations under the Notes.

We have a substantial amount of debt and significant debt service obligations. As of September 30, 2011, on a *pro forma* basis, after giving effect to the Offering, we would have had total debt (gross of debt issuance costs, any original issue discount and the Convertible Note value attributable to equity) of $1,063.8 million, of which $300.0 million would have been debt incurred in this Offering and $763.8 million of debt which will mature prior to the maturity of the Notes. As of September 30, 2011, our Revolving Facility provided for additional borrowings of up to $350.0 million, excluding $2.4 million of standby letters of credit, and all of these borrowings would be secured and effectively rank senior to the Notes. See “Capitalization.”

Our substantial debt could have important negative consequences for us and for you as a holder of the Notes. For example, our substantial debt could:

- require us to dedicate a large portion of our cash flow from operations to service debt and fund repayments on our debt, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- increase our vulnerability to adverse general economic or industry conditions;
- limit our flexibility in planning for, or reacting to, changes in our business or the industry in which we operate;
- limit our ability to raise additional debt or equity capital in the future;

- restrict us from making strategic acquisitions or exploiting business opportunities;
- make it difficult for us to satisfy our obligations with respect to the Notes and our other debt; and
- place us at a competitive disadvantage compared to our competitors that have less debt.

In addition, a portion of our debt bears interest at variable rates that are linked to changing market interest rates. Although we may hedge a portion of our exposure to variable interest rates by entering into interest rate swaps, we cannot assure you that we will do so in the future. As a result, an increase in market interest rates would increase our interest expense and our debt service obligations, which would exacerbate the risks associated with our leveraged capital structure.

The Company's Revolving Facility contains, and future credit facilities may contain, one or more financial covenants which the Company could fail to meet.

The Revolving Facility requires the Company and certain of its subsidiaries to satisfy a maximum total leverage test. See "Description of Certain Financing Arrangements—Existing Credit Facility." In addition, future credit facilities entered into by us may require us to satisfy a maximum total leverage test and potentially additional financial covenants. The ability of the Company and its subsidiaries to comply with these tests in the Revolving Facility and future credit facilities may be affected by events beyond their control and we cannot assure you that they will continue to meet these tests. The failure of the Company and such subsidiaries to comply with these obligations could lead to a default under these credit facilities unless we can obtain waivers or consents in respect of any breaches of these obligations thereunder. We cannot assure you that these waivers or consents will be granted. A breach of any of these covenants or the inability to comply with the required financial ratios could result in a default under these credit facilities. In the event of any default under these credit facilities, the lenders under these facilities will not be required to lend any additional amounts to us or our operating subsidiaries and could elect to declare all outstanding borrowings, together with accrued interest, fees and other amounts due thereunder, to be immediately due and payable. Any event of default under these credit facilities could also be an event of default under the Notes. If the debt under our credit facilities or the Notes (as a result of cross acceleration under the Indenture) were to be accelerated, we cannot assure you that our assets would be sufficient to repay such debt in full.

We and our subsidiaries may be able to incur substantially more debt.

Subject to the restrictions in the Credit Agreement, the Indenture and other outstanding debt, we may be able to incur substantial additional debt in the future, which could also be secured. As of September 30, 2011, our Revolving Facility provided for additional borrowings of up to $350.0 million, and all of these borrowings would be secured and would effectively rank senior to the Guarantees. Although the terms of these credit facilities contain restrictions on the incurrence of additional debt, these restrictions are subject to a number of significant qualifications and exceptions, and debt incurred in compliance with these restrictions could be substantial. To the extent new debt is added to our currently anticipated debt levels, the substantial leverage related risks described above would increase.

Our ability to generate cash depends on many factors beyond our control, and we may not be able to generate cash required to service our debt.

Our ability to make scheduled payments on the Notes and to meet our other debt service obligations or refinance our debt depends on our future operating and financial performance and ability to generate cash. This will be affected by our ability to successfully implement our business strategy, as well as general economic, financial, competitive, regulatory, technical and other factors beyond our control. If we cannot generate sufficient cash to meet our debt service obligations or fund our other business needs, we may, among other things, need to refinance all or a portion of our debt, including the Notes, obtain additional financing, delay planned acquisitions or capital expenditures or sell assets. We cannot assure you that we will be able to generate sufficient cash through any of the foregoing. If we are not able to refinance any of our debt, obtain additional financing or sell assets on commercially reasonable terms or at all, we may not be able to satisfy our obligations with respect to our debt, including the Notes. See "Operating and Financial Review and Prospects—Liquidity and Capital Resources."

We expect to be able to repay or refinance the principal amounts outstanding under our outstanding Notes upon maturity. If we are unable to do so, we expect to refinance such principal amounts with new debt. We may, however, be unable to refinance such principal amounts on terms satisfactory to us or at all.

Restrictions imposed by the Indenture, the Credit Agreement and our other outstanding debt may limit our ability to take certain actions.

The Indenture, the Credit Agreement, and certain other agreements governing our other outstanding debt, currently or in the future, may limit our flexibility in operating our business. For example, these agreements restrict the ability of the Company and certain of its subsidiaries to, among other things:

- borrow money;
- pay dividends or make other distributions;
- create certain liens;
- make certain asset dispositions;
- make certain loans or investments;
- issue or sell share capital of our subsidiaries;
- guarantee indebtedness;
- enter into transactions with affiliates; or
- merge, consolidate or sell, lease or transfer all or substantially all of our assets.

We cannot assure you that the operating and financial restrictions and covenants in the Indenture, the Credit Agreement and agreements governing our other outstanding debt will not adversely affect our ability to finance our future operations or capital needs or engage in other business activities that may be in our interest. We cannot guarantee that operating and financial restrictions and covenants in the Indenture, the Credit Agreement and certain of our other credit facilities will permit us to execute our business strategy as we intend to do so.

In addition to limiting our flexibility in operating our business, a breach of the covenants in the Indenture could cause a default under the terms of our other financing agreements, including the Credit Agreement, causing all the debt under those agreements to be accelerated, which could also lead to the acceleration of the Notes. If this were to occur, we can make no assurances that we would have sufficient assets to repay our debt.

We may be unable to repurchase the Notes as required upon a Change of Control.

If the Company experiences a Change of Control (as defined in the Indenture), the Company would be required to make an offer to repurchase all outstanding Notes at 101% of their principal amount plus accrued and unpaid interest, if any, to the date of repurchase. However, the Company may be unable to do so because it might not have enough available funds, particularly since a Change of Control could in certain circumstances cause part or all of our other debt to become due and payable. See "Description of the Notes—Put Option of Holders—Change of Control."

You may be unable to enforce judgments against us or our directors and officers.

The Company is incorporated in Norway, and all except three of our current directors and executive officers reside outside the United States. All or a substantial portion of the assets of these persons and the Company are located outside the United States. In addition, our auditors are also organized outside the United States. As a result, it may be difficult or impossible to serve process against any of these persons in the United States, including for U.S. securities laws violations. Furthermore, as all or substantially all of the assets of these persons are located outside of the United States, it may not be possible to enforce judgments obtained in courts in the United States predicated upon civil liability provisions of the federal securities laws of the United States against these persons. Additionally, there is doubt as to the enforceability in Norway of civil liabilities based on the civil liability provisions of the securities laws of the United States. See "Enforcement of Civil Liabilities."

Relevant local insolvency laws may not be as favorable to you as insolvency laws of the jurisdictions with which you are familiar.

The Company is incorporated in Norway. Some of our subsidiaries are incorporated or organized in jurisdictions other than Norway and are subject to the insolvency laws of such jurisdictions, which include Singapore, Brazil, Isle of Man and the United Kingdom. The insolvency laws of these jurisdictions may not be as favorable to your interests as creditors as the bankruptcy laws of the United States or certain other jurisdictions. In addition, there can be no assurance as to how the insolvency laws of these jurisdictions will be applied in relation to one another, and the laws of such jurisdictions may be materially different from, or be in conflict with, each other. In the event that any one or more of the Company or the Company's subsidiaries experience financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings.

Norwegian Insolvency Law

In the event that the Company applies for debt negotiations or declares bankruptcy, your ability to receive payment under the Notes may be limited. The below summary is not and does not represent itself as complete, and you are strongly recommended to seek own legal advice on this topic.

Norway has not incorporated EC council regulation 1346/2000 on insolvency proceedings. It is nevertheless possible for a Norwegian company to be subject to bankruptcy proceedings in a EU member state, subject to the test set out in the regulation.

The procedural rules of debt negotiation and bankruptcy are set out in the Bankruptcy Act (*Konkursloven*). The rules about the ceasing and distribution of the debtor's assets and priority between creditors, are set out in the Creditors Security Act (*Dekningsloven*). The rules regarding distribution of the debtor's assets under the Creditors Security Act are the same under both debt negotiation and bankruptcy, and is discussed below.

The Bankruptcy Act permits two types of proceedings, namely debt negotiation and ordinary bankruptcy.

Debt Negotiation

A debtor who is unable to meet its obligations as they become due can apply to the courts for the opening of debt negotiation proceedings. The object of such proceedings is to negotiate with creditors either toward reaching a voluntary debt settlement (*gjeldsordning*) or a compulsory composition (*tvangsakkord*). During debt negotiation proceedings, the debtor is assisted by a court appointed debt negotiations committee (*gjeldsnemd*). The committee shall assist the debtor and protect the interest of creditors.

If the conditions for the opening of debt negotiation proceedings are met, the court shall declare the debt negotiation opened. The debtor will during the proceedings maintain the ability to manage its businesses and finances, subject to the debt negotiations committee's supervision. Among other things, the debtor can not in this period take on new debt or renew old debts, or sell, pledge or lease its real property, business premises or material assets. The opening of debt negotiation precludes the seizure of debtor's assets to enforce the payment of debt in existence prior to the time of filing for the opening of debt negotiation proceedings. Further, as a general rule, the opening of debt negotiations suspends for a period of three months the creditors' possibility of filing for the debtor's bankruptcy on basis of debt in existence prior to the time of filing.

Voluntary debt settlement

The debt negotiations committee shall produce a complete overview of the debtor's business and obligations, and shall if it finds that either debt negotiations or compulsory composition may be possible, issue a statement describing the debtor's overall financial position. The committee shall in such case also assist the debtor in developing a debt restructuring proposal. Such proposal can, among other, include delayed repayments, a percentage debt reduction and disposal of assets (with or without release from debts not repaid by such realization) or a combination of these and/or other measures.

The proposal must include all known unsecured debts of the debtor existing prior to the opening of the restructuring proceedings. It is not, however, required to include the restructuring of secured debts or debts with statutory priority in the proposal.

The debt negotiations committee shall present the debt restructuring proposal to the creditors, who within a deadline of no less than two weeks and no more than three weeks shall accept or reject the proposal. The proposal only becomes binding if it is approved by all creditors whose claims it is proposed to restructure. If the committee following a rejected proposal still believes that a revised proposal may be accepted by the creditors, a revised and final proposal may be presented to the relevant creditors.

Compulsory composition

The process for compulsory composition is the same as for voluntary restructuring as far as until the debt negotiations committee's proposal to creditors. The debt negotiations committee's proposal under compulsory composition can include delayed payments and percentage reduction of debt. The committee can only propose disposal of assets if the debtor is released of all debt which is not covered by the funds received by asset disposal; *provided*, *however*, that the debtor guarantees that the disposal will cover at least 25% of the outstanding unsecured debt. The committee can also propose a combination of the set measures.

Unless all unsecured creditors agree on a lower amount, their claims shall not be reduced by more than 75%.

The outcome of compulsory composition is subject to a creditor vote. Several classes of creditors are not entitled to vote, including creditors whose claim is fully backed by security. The majority required for a proposal to become binding depends on the proposed percentage reduction of the debt included in the proposal.

As is the case for voluntary debt settlement, the debtor can make one final revised proposal in the event that the initial proposal fails to get the required majority; *provided*, *however*, that the proposal is recommended by the debt negotiations committee. A completed compulsory composition which is resolved by the required majority is binding for all unsecured creditors. Once declared, debt negotiation proceedings can only be stopped on the request of the debtor and subject to the written consent of all known unsecured creditors.

The court will suspend the debt negotiation proceedings and declare bankruptcy if, among other, the debt negotiations committee reports that there is no real prospect for the debtor to achieve a voluntary or compulsory composition, or if the debtor has failed to present a proposal to creditors within reasonable time.

Bankruptcy

Other than by court order as set out above, bankruptcy can only be opened if the debtor is insolvent and subject to the application by the debtor or a creditor. The debtor is insolvent if it can not pay its debts as they become due, unless the inability to pay on time is temporary. However, the debtor is not insolvent if its assets and income together likely will exceed the debtor's obligations, even though creditors may receive payment later than the due date. The creditor is also considered insolvent if the debtor itself declares insolvency, has ceased its payments, or if seizure of assets or debt enforcement against the debtor during the last three months before the filing date has been unsuccessful.

Following declaration of bankruptcy, an administrator appointed by the court takes control of the debtor. In the event of bankruptcy in a company the size and complexity as the Company, the court will appoint a creditors' committee of up to three members, who together with the administrator constitutes the administrators in bankruptcy.

During the bankruptcy proceedings the debtor has no authority to dispose of its assets, receive payment of claims belonging to the estate or to accept obligations on behalf of the estate. Following a review of the estate's assets, obligations and any continuing business, the administrators shall sell the debtor's assets, including, if appropriate, debtor's continuing business, and use the receipts to pay creditors.

Creditor's Security Act

The bankruptcy estate can, as a general rule, seize all assets which are owned by the debtor at the time of the opening of bankruptcy.

Certain dispositions of the debtor during up to three months before the filing date can be reversed, including among other, the debtor's payment of not yet due debt and the granting of security for old unsecured debt. Certain dispositions during a period of up to ten years before the filing date which, if the debtor's financial position was weak or thereby became substantially weakened, can also be reversed if the counterparty to such dispositions knew or should have known about the debtor's difficult financial situation and the matters because of which the disposition is unreasonable.

Unsecured creditors, whose claim against the debtor existed before the time of opening of the bankruptcy, will have priority after payments to cover the debts to secured creditors and after certain unsecured claims which have priority. Such claims include, among other, subject to certain qualifications, the costs of administration of the estate, certain obligations accepted by the estate during the bankruptcy, workers' claims for remuneration, taxes and value added tax and social security contributions. Any remaining cash after distribution to secured creditors and on the prioritized claims will be distributed to the unsecured creditors, including to the holders of the Notes, on a pro rata basis. Norwegian law does not include provisions permitting the administrators to give priority to unsecured debt which by its terms is defined as "senior unsecured" or similar, ahead of unsecured debt which by its terms is not specifically junior to specific senior debt or defined as subordinated to any other debt of the debtor.

Claims against the debtor which are denominated in a foreign currency, i.e. any other currency than NOK, will be converted into NOK based on the exchange rate on the filing date unless the creditor is specifically entitled to apply the rate of an earlier date.

The Company's ability to pay principal and interest on the Notes may be affected by our organizational structure. The Company is dependent upon payments from other members of our corporate group to fund payments to you on the Notes, and such other members might not be able to make such payments in some circumstances.

The Company's ability to make payments on the Notes is dependent directly upon interest or other payments it receives from other members of our corporate group.

The ability of other members of our corporate group to make payments to the Company will depend upon their cash flows and earnings which, in turn, will be affected by all of the factors discussed in these "Risk Factors." Furthermore, some of our credit facilities contain certain restrictions on the borrowers thereunder from making certain distributions or payments of capital or income to their members. As a result, the amounts that the Company expects to receive from other members of our corporate group may not be forthcoming or sufficient to enable the Company to service its obligations on the Notes.

The Guarantors are either intermediate holding companies or operating subsidiaries of the Company.

Corporate benefit, capital maintenance laws and other limitations on the Guarantees may adversely affect the validity and enforceability of the Guarantees of the Notes.

The laws of certain of the jurisdictions in which the Guarantors are organized limit the ability of these subsidiaries to guarantee debt of a related company. These limitations arise under various provisions or principles of corporate law which include rules governing capital maintenance, under which, among others, the risks associated with a guarantee on account of a parent company's debt need to be reasonable and economically and operationally justified from the guarantor's or grantor's perspective, as well as thin capitalization and fraudulent transfer principles. If these limitations were not observed, the Guarantees by these Guarantors could be subject to legal challenge. In these jurisdictions, the Guarantees will contain language limiting the amount of debt guaranteed so that applicable local law restrictions will not be violated. No assurance can be given that such limiting language will be accepted by a court of law in the jurisdictions of the relevant Guarantor. Accordingly, if you were to enforce the Guarantees by a Guarantor in one of these jurisdictions, your claims are likely to be limited. In some cases, where the amount that can be guaranteed or secured is limited by reference to the net assets and legal capital of the Guarantor or by reference to the outstanding debt owed by the relevant Guarantor to the Company under intercompany loans that amount might have reached zero or close to zero at the time of any insolvency or enforcement. Furthermore, although we believe that the Guarantees by these Guarantors will be validly given in accordance with local law restrictions, there can be no assurance that a third-party creditor would not challenge these Guarantees and prevail in court.

The Indenture will also provide that, except under very limited circumstances, only the Trustee will have standing to bring an enforcement action in respect of the Notes and the Guarantees. Moreover, the Indenture will restrict the rights of holders of the Notes to initiate insolvency proceedings or take other legal actions against the Guarantors and by accepting any Note you will be deemed to have agreed to these restrictions. As a result of these restrictions, holders of the Notes will have limited remedies and recourse under the Guarantees in the event of a default by the Company or a Guarantor.

The Notes and the Guarantees will be unsecured and the claims of secured creditors will have priority.

The Notes and the Guarantees will be unsecured obligations of the Company and the Guarantors, respectively. Debt under the Credit Agreement and various of our other facilities are presently secured by share pledges over the capital stock of certain material subsidiaries of the Company and could in the future, with the Company's consent, be secured by liens on the property and assets (other than shares of capital stock) of the Company and its subsidiaries. In addition, subject to the restrictions in our senior secured credit facilities and in other outstanding debt, we may be able to incur substantial additional secured debt. The secured creditors of the Company and the Guarantors will have priority over the assets securing their debt to the extent of the value of such assets. In the event that any of such secured debt becomes due or a secured lender proceeds against the assets that secure the debt, the assets would be available to satisfy obligations under the secured debt before any payment would be made on the Notes or under any of the Guarantees. Any assets remaining after repayment of our secured debt may not be sufficient to repay all amounts owing under the Notes. As of September 30, 2011, the Company and the Guarantors had $470.5 million of secured debt outstanding.

The Notes will be structurally subordinated to the liabilities of non-guarantor subsidiaries.

Some, but not all, of our subsidiaries will guarantee the Notes. Generally, holders of indebtedness of, and trade creditors of, non-guarantor subsidiaries, including lenders under bank financing agreements, are entitled to payments of their claims from the assets of such subsidiaries before these assets are made available for distribution to any Guarantor, as direct or indirect shareholders.

Accordingly, in the event that any of the non-guarantor subsidiaries becomes insolvent, liquidates or otherwise reorganizes:

- the creditors of the Guarantors (including the holders of the Notes) will have no right to proceed against such subsidiary's assets; and
- creditors of such non-guarantor subsidiary, including trade creditors, will generally be entitled to payment in full from the sale or other disposal of the assets of such subsidiary before any Guarantor, as direct or indirect shareholder, will be entitled to receive any distributions from such subsidiary.

Furthermore, the intercompany liabilities of the Guarantors will not be subordinated in right of payment to the claims of the holders of the Notes under the relevant guarantees and will therefore rank *pari passu* in right of payment, on a pro rata basis, with the claims under those guarantees. Any satisfaction by a Guarantor of intercompany liabilities by payment to another non-guarantor subsidiary would therefore result in the transfer of assets from a Guarantor to such non-guarantor subsidiary before the satisfaction in full of the claims under the Notes or the guarantees. Accordingly, in the event that any such non-guarantor subsidiary became insolvent, the creditors of such non-guarantor subsidiary, including trade creditors, will generally be entitled to payment in full from the assets obtained by such non-guarantor subsidiary as a result of the settlement of the relevant intercompany liabilities before any Guarantor or the Company, as a direct or indirect shareholder, will be entitled to receive any distributions from such non-guarantor subsidiary.

As of September 30, 2011, our non-guarantor subsidiaries did not have any debt (other than obligations of PGS Egypt under the Credit Facility) and approximately $83.2 million of liabilities, including trade payables and accrued expenses but excluding intercompany obligations, all of which would have ranked structurally senior to the Notes and the Guarantees.

Certain jurisdictions may impose withholding taxes on payments under the guarantees.

Payments on interest made by Petroleum Geo-Services Asia Pacific Pte. Ltd., Petroleum Geo-Services (UK) Limited, PGS Exploration (UK) Limited and Seismic Exploration (Canada) Ltd. and payments on interest and principal made by PGS Investigação Petrolífera Ltda under their guarantees may (in each case) be subject to withholding tax, the amount of which will vary depending on the tax laws and regulations of the applicable jurisdiction in force on the date such payments are made, the residency of the recipient and the availability of double-tax treaty relief.

Insolvency laws and other limitations on the Guarantees, including fraudulent conveyance statutes, may adversely affect their validity and enforceability.

Our obligations under the Notes will be guaranteed by the Guarantors. The initial Guarantors are organized under the laws of Singapore, Brazil, Isle of Man, Norway, Singapore, the United Kingdom and the United States. In addition, future Guarantors may be incorporated or organized under the laws of other jurisdictions. Although laws differ among jurisdictions, in general, applicable fraudulent transfer and conveyance and equitable principles, insolvency laws and, in the case of the Guarantees, limitations on the enforceability of judgments obtained in courts in such jurisdictions could limit the enforceability of the Guarantee against a Guarantor. The court may also in certain circumstances avoid the Guarantee where the company is close to or in the vicinity of insolvency. The following discussion of fraudulent transfer, conveyance and insolvency law, although an overview, describes generally applicable terms and principles, which are defined under the relevant jurisdiction's fraudulent transfer and insolvency statutes.

In an insolvency proceeding, it is possible that creditors of the Guarantors or the appointed insolvency administrator may challenge the Guarantees, and intercompany obligations generally, as fraudulent transfers or conveyances or on other grounds. If so, such laws may permit a court, if it makes certain findings, to:

- void or invalidate all or a portion of a Guarantor's obligations under its Guarantee;
- direct that holders of the Notes return any amounts paid under a Guarantee or any security to the relevant Guarantor or to a fund for the benefit of the Guarantor's creditors; and
- take other action that is detrimental to you.

If we cannot satisfy our obligations under the Notes and any Guarantee is found to be a fraudulent transfer or conveyance or is otherwise set aside, we cannot assure you that we can ever repay in full any amounts outstanding under the Notes. In addition, the liability of each Guarantor under its Guarantee will be limited to the amount that will result in such Guarantee not constituting a fraudulent conveyance or improper corporate distribution or otherwise being set aside.

However, there can be no assurance as to what standard a court would apply in making a determination of the maximum liability of each. Also, there is a possibility that the entire Guarantee may be set aside, in which case the entire liability may be extinguished. In order to initiate any of these actions under fraudulent transfer or other applicable principles, courts would need to find that, at the time the Guarantees were issued, the Guarantor:

- issued such Guarantee with the intent of hindering, delaying or defrauding current or future creditors or with a desire to prefer some creditors over others, or created such security after its insolvency;
- issued such Guarantee in a situation where a prudent businessman as a shareholder of such Guarantor would have contributed equity to such Guarantor; or
- received less than reasonably equivalent value for incurring the debt represented by the Guarantee on the basis that the Guarantee were incurred for our benefit, and only indirectly the Guarantor's benefit, or some other basis and (i) was insolvent or rendered insolvent by reason of the issuance of the Guarantee, or subsequently became insolvent for other reasons; (ii) was engaged, or was about to engage, in a business transaction for which the Guarantor's assets were

unreasonably small; or (iii) intended to incur, or believed it would incur, debts beyond its ability to make required payments as and when they would become due.

Different jurisdictions evaluate insolvency on various criteria, but a Guarantor generally may, in different jurisdictions, be considered insolvent at the time it issued a Guarantee if:

- its liabilities exceed the fair market value of its assets;
- it cannot pay its debts as and when they become due; and/or
- the present salable value of its assets is less than the amount required to pay its total existing debts and liabilities, including contingent and prospective liabilities, as they mature or become absolute.

Although we believe that we are solvent, and will be so after giving effect to the offering of the Notes, there can be no assurance of which standard a court would apply in determining whether a Guarantor was "insolvent" as of the date the Guarantees were issued or that, regardless of the method of valuation, a court would not determine that a Guarantor was insolvent on that date, or that a court would not determine, regardless of whether or not a Guarantor was insolvent on the date its Guarantee was issued, that payments to holders of the Notes constituted fraudulent transfers on other grounds.

The Notes may be issued with original issue discount for U.S. federal income tax purposes.

If the stated principal amount of the notes exceeds their issue price by more than a *de minimis* amount, the notes will be treated as issued with original issue discount ("OID") for U.S. federal income tax purposes. In such event, holders subject to U.S. federal income taxation generally will be required to include the OID in gross income (as ordinary income) as such amounts accrue (on a constant yield to maturity basis), in advance of the receipt of cash payment thereof and regardless of such holder's method of accounting for U.S. federal income tax purposes. See "Tax Considerations— Certain United States Federal Income Tax Considerations."

Enforcing your rights as a noteholder or under the Guarantees across multiple jurisdictions may prove difficult.

The Notes will be issued by the Company, a company which is incorporated under the laws of Norway. Each of the initial Guarantors is incorporated under the laws of one of Singapore, Brazil, Isle of Man, Norway, the United Kingdom and the United States.

In addition, future Guarantors may be incorporated or organized under the laws of other jurisdictions. In the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in any of these countries. Such multi-jurisdictional proceedings are likely to be complex and costly for creditors and otherwise may result in greater uncertainty and delay regarding the enforcement of your rights. Your rights under the Notes and the Guarantees will be subject to the insolvency and administrative laws of several jurisdictions and there can be no assurance that you will be able to effectively enforce your rights in such complex, multiple bankruptcy, insolvency or similar proceedings.

In addition, the bankruptcy, insolvency, administrative and other laws of the Company's and the Guarantors' jurisdictions of organization may be materially different from, or in conflict with, each other and those of the United States, including in the areas of rights of creditors, priority of governmental and other creditors, the ability to obtain post-petition interest and the duration of the proceeding. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's law should apply, adversely affect your ability to enforce your rights under the Notes and the Guarantees in these jurisdictions or limit any amounts that you may receive.

The laws of certain of the jurisdictions in which the Guarantors are organized limit the ability of these subsidiaries to guarantee debt of a sister company or to a parent company incorporated in a different jurisdiction than such Guarantor. See "—Corporate benefit, capital maintenance laws and other limitations on the Guarantees may adversely affect the validity and enforceability of the Guarantees of the Notes."

An active trading market may not develop for the Notes.

The Notes are new securities for which there is currently no existing market. Although we have made an application to list the Notes on the Official List of the Luxembourg Stock Exchange and to trade the Notes on the Euro MTF market, we cannot assure you that the Notes will become or will remain listed on any stock exchange. We cannot assure you as to the liquidity of any market that may develop for the Notes, the ability of holders of the Notes to sell them or the price at which the holders of the Notes may be able to sell them.

The liquidity of any market for the Notes will depend on the number of holders of the Notes, prevailing interest rates, the market for similar securities and other factors, including general economic conditions and our own financial condition, performance and prospects, as well as recommendations by securities analysts. Historically, the market for non-investment-grade debt, such as the Notes, has been subject to disruptions that have caused substantial price volatility. We cannot assure you that if a market for the Notes were to develop, such a market would not be subject to similar disruptions. We have been informed by certain of the Initial Purchasers that they intend to make a market for the Notes after the offering is completed. However, the Initial Purchasers are not obligated to do so and may cease their market-making activity at any time without notice. In addition, such market-making activity will be subject to limitations imposed by the U.S. Securities Act and other applicable laws and regulations. As a result, we cannot assure you that an active trading market for the Notes will develop or, if one does develop, that it will be maintained.

The Notes are subject to restrictions on transfer.

The Notes have not been and will not be registered under the U.S. Securities Act or any U.S. state securities laws. You may not offer the Notes in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws, or pursuant to an effective registration statement. We have not undertaken to register the Notes or to effect any exchange offer for the Notes in the future. Furthermore, we have not registered the Notes under any other country's securities laws. It is your obligation to ensure that your offers and sales of the Notes within the United States and other countries comply with applicable securities laws. See "Notice to Investors."

You will not be considered owners or holders of the Notes unless and until Notes are in definitive registered form, or definitive registered notes, are issued in exchange for book-entry interests.

Interests in the Global Notes (as such term is defined in "Book-Entry; Delivery and Form") will trade in book-entry form only. Unless and until the Notes in definitive registered form, or definitive registered notes, are issued in exchange for book-entry interests (ownership interests in the Global Notes), owners of book-entry interests will not be considered owners or holders of the Notes. DTC, or its nominee, will be the registered holder of the Rule 144A Global Notes (as such term is defined in "Book-Entry; Delivery and Form") and the Regulation S Global Notes (as such term is defined in "Book-Entry; Delivery and Form"). After payment to DTC, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of DTC, Euroclear Bank S.A./N.V. ("Euroclear") or Clearstream Banking *société anonyme* ("Clearstream") as applicable, and if you are not a participant in DTC, Euroclear or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder under the Indenture. See "Book-Entry; Delivery and Form."

Unlike the holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from DTC, Euroclear or Clearstream or, if applicable, from a participant. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any request actions on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until definitive registered notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through DTC, Euroclear or Clearstream. We cannot assure you that the procedures to be implemented through DTC, Euroclear or Clearstream will be adequate to ensure the timely exercise of rights under the Notes. See "Book-Entry; Delivery and Form."

We do not present separate financial statements for each Guarantor.

We have not presented in this Offering Memorandum separate financial statements for each Guarantor, and we are not required to do so in the future under the Indenture.

USE OF PROCEEDS

We estimate that the net proceeds from the Offering, after deducting the Initial Purchasers' discounts and other expenses, will be approximately $287.8 million. We expect to use the net proceeds for general corporate purposes. We intend to repurchase or repay the outstanding principal amount of Convertible Notes on or before maturity with cash on hand, which may include the net proceeds received from this Offering.

CAPITALIZATION

The following table sets forth (i) our consolidated capitalization and cash and cash equivalents as of September 30, 2011 and (ii) our consolidated capitalization and cash and cash equivalents as adjusted to give effect to the Offering and the use of proceeds therefrom as set forth under the caption "Use of Proceeds." This table should be read in conjunction with "Use of Proceeds" and our Unaudited Consolidated Financial Statements appearing elsewhere in this Offering Memorandum.

	As of September 30, 2011 Actual	Adjustments	As of September 30, 2011 As adjusted
		(in $ millions)	
Cash and cash equivalents[1]	**176.9**	**287.8**	**464.7**
Indebtedness (including current portion)			
Existing Credit Facility[2]	470.5	—	470.5
Notes offered hereby[3]	—	300.0	300.0
Discount on Notes offered hereby[3]	—	(4.1)	(4.1)
Convertible Notes[4]	293.1	—	293.1
Convertible Note value attributed to equity[5]	(13.2)	—	(13.2)
Capitalized lease obligations	0.2	—	0.2
Unamortized deferred loan costs[6]	(7.2)	(8.1)	(15.3)
Total debt	**743.4**	**287.8**	**1,031.2**
Shareholders' equity			
Total shareholders' equity	**1,757.9**	**—**	**1,757.9**
Total capitalization	**2,501.3**	**287.8**	**2,789.1**

(1) Cash and cash equivalents does not include restricted cash of $93.3 million as of September 30, 2011. See note 14 to our Unaudited Consolidated Financial Statements included elsewhere in this Offering Memorandum. The adjustment includes the estimated net proceeds from the issuance of the Notes, after deducting estimated Initial Purchasers' discounts and commissions and estimated issuance costs and expenses.

(2) This amount reflects the total outstanding indebtedness (current and non-current) gross of unamortized deferred loan costs, including accrued and unpaid interest, under our existing Credit Facility at September 30, 2011. As of September 30, 2011, we had $470.5 million of term B loans outstanding under our existing Credit Facility and no cash drawn under our $350 million revolving credit facility. See "Description of Certain Financing Arrangements—Existing Credit Facility."

(3) The Notes have been reflected in the table at their aggregate principal amount of $300.0 million. The issuance costs and $4.1 million of original issue discount associated with the Notes will be amortized over the life of the Notes as additional interest expense.

(4) The Convertible Notes have been reflected in the table at their aggregate principal amount outstanding at September 30, 2011. We expect to use the net proceeds from the sale of the Notes for general corporate purposes. We intend to repurchase or repay the outstanding principal amount of Convertible Notes on or before maturity with cash on hand, which may include the net proceeds received from this Offering.

(5) Remaining portion of Convertible Notes attributed to equity at issuance and amortized over life of Convertible Notes as imputed interest.

(6) Represents unamortized debt issuance costs as of September 30, 2011, adjusted for the capitalization of the estimated fees and expenses we will pay in connection with the Offering.

SELECTED FINANCIAL AND OTHER INFORMATION

The selected financial data provided below has been derived from our Audited Consolidated Financial Statements as of December 31, 2009 and 2010 and for each of the years ended December 31, 2008, 2009 and 2010, prepared in accordance with IFRS, and the Unaudited Consolidated Financial Statements as of and for the nine months ended September 30, 2010 and 2011, prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

The unaudited consolidated financial information for the twelve months ended September 30, 2011 set forth below was derived by adding the restated consolidated financial data for the year ended December 31, 2010 as reflected in note 17 to our Unaudited Consolidated Financial Statements appearing elsewhere in this Offering Memorandum (which has been restated with the change of policy for the accounting of major overhaul of vessels) to the unaudited consolidated financial data for the nine months ended September 30, 2011 and subtracting the unaudited consolidated financial data for the nine months ended September 30, 2010. The financial information for the twelve months ended September 30, 2011 (which reflects the change in accounting policy for recognition of costs incurred in connection with major overhaul of vessels) has been prepared for illustrative purposes only and is not necessarily representative of our results of operations for any future period or our financial condition at any future date and is not prepared in the ordinary course of our financial reporting. See "Presentation of Financial Data and Non-IFRS Measures" and note 17 to our Unaudited Consolidated Financial Statements appearing elsewhere in this Offering Memorandum for more information.

The financial information below includes certain non-IFRS measures used to evaluate our economic and financial performance. These measures are not identified as accounting measures under IFRS and therefore should not be considered as an alternative measure to evaluate the performance of our Group. See "Presentation of Financial Data and Non-IFRS Measures."

You should read this selected financial data in conjunction with "Operating and Financial Review and Prospects" and our Consolidated Financial Statements included elsewhere in this Offering Memorandum.

	Year ended December 31,[1]			Nine months ended September 30,[1]		Twelve months ended September 30, 2011[1]
	2008	**2009**	**2010**	**2010**	**2011**	
	(in $ millions, except ratios or percentages)					
Income Statement Data						
Revenues	**1,647.4**	**1,350.2**	**1,135.1**	**770.7**	**908.7**	**1,273.1**
Cost of sales[2]	662.3	606.0	594.0	402.5	455.7	635.0
Research and development costs[2]	19.4	22.8	21.8	15.8	22.2	28.2
Selling, general and administrative costs[2]	72.8	49.3	56.0	40.2	41.1	56.8
Depreciation and amortization[3]	273.2	285.3	326.4	223.3	298.2	419.9
Impairments of long-lived assets	161.1	153.6	79.1	80.4	—	(1.3)
Other operating income	(71.6)	—	—	—	(4.4)	(4.4)
Total operating expenses	**1,117.2**	**1,116.9**	**1,077.3**	**762.3**	**812.8**	**1,134.2**

	Year ended December 31,[1]			Nine months ended September 30,[1]		Twelve months ended September 30, 2011[1]
	2008	2009	2010	2010	2011	
	(in $ millions, except ratios or percentages)					
Operating profit	**530.2**	**233.3**	**57.8**	**8.4**	**95.9**	**138.9**
Income (loss) from associated companies	(16.2)	1.9	(10.2)	(9.9)	(7.6)	(7.9)
Interest expense	(58.5)	(45.2)	(47.0)	(35.8)	(31.2)	(42.4)
Other financial income	27.2	24.5	13.9	9.5	17.4	21.7
Other financial expense	(14.6)	(11.1)	(17.6)	(17.0)	(14.3)	(14.9)
Currency exchange gain (loss)	(29.8)	24.8	0.9	0.7	(8.3)	(8.0)
Income (loss) before income tax expense	**438.4**	**228.1**	**(2.2)**	**(44.0)**	**52.0**	**87.4**
Income tax expense	26.1	51.9	13.9	17.1	23.2	20.0
Income (loss) from continuing operations	**412.3**	**176.2**	**(16.1)**	**(61.1)**	**28.8**	**67.4**
Income (loss) from discontinued operations, net of tax[4]	5.8	(8.2)	8.5	10.4	0.6	(1.2)
Net income (loss)	**418.1**	**167.9**	**(7.5)**	**(50.8)**	**29.4**	**66.2**
Cash Flow Data						
Net cash provided by operating activities	914.6	676.1	343.4	250.1	329.9	
Net cash used in investing activities	(753.3)	(366.0)	(129.2)	(46.2)	(499.4)	
Net cash (used in) provided by financing activities	(211.4)	(279.3)	92.5	(161.9)	(86.3)	
Net increase (decrease) in cash and cash equivalents[5]	(50.0)	30.7	306.6	42.0	(255.7)	
Balance Sheet Data (at end of period)						
Cash and cash equivalents[5]	95.2	126.0	432.6	168.0	176.9	176.9
Working capital[6]	37.5	75.9	84.5	62.5	122.7	122.7
Total assets	3,064.8	2,929.4	3,001.5	2,690.2	2,907.6	2,907.6
Property and equipment	1,562.4	1,283.5	1,179.7	1,221.1	1,294.1	1,294.1
MultiClient library	294.6	293.2	310.8	355.5	350.6	350.6
Net interest bearing debt[7]	1,135.6	774.0	286.4	602.9	421.6	421.6
Net debt[8]	1,154.0	792.0	357.6	619.3	573.7	573.7
Total shareholders' equity	1,139.7	1,449.0	1,721.8	1,435.1	1,757.9	1,757.9

	Year ended December 31,[1]			Nine months ended September 30,[1]		Twelve months ended September 30, 2011[1]
	2008	2009	2010	2010	2011	
	(in $ millions, except ratios or percentages)					
Other Financial Data						
EBITDA[9]	893.1	672.1	463.3	312.1	389.7	553.0
EBITDA margin[9][10]	54.2%	49.8%	40.8%	40.5%	42.9%	43.4%
Capital expenditure (property and equipment)[11]	446.5	235.1	211.4	162.5	247.3	308.3
Capital expenditure (MultiClient library)[12]	229.0	183.1	166.7	142.4	175.4	199.7
Interest expense, gross	98.4	70.5	55.4	42.6	37.2	50.0
Ratio of net debt to EBITDA[8][9]	1.3x	1.2x	0.8x	—	—	1.0x
Ratio of EBITDA to interest expense, gross[9]	9.1x	9.5x	8.4x	—	—	11.1x

(1) From January 1, 2011 we changed the policy for recognition of costs incurred in connection with major overhaul of vessels. Under the new policy the directly attributable costs incurred in connection with major overhaul activities are capitalized and depreciated over the estimated period until the next similar overhaul. The former policy was to expense such costs when incurred. The change is made to better reflect the economic reality, reduce volatility and align the accounting to industry practice and practice among other vessel owning companies. The change in policy is applied for the nine month periods ended September 30, 2010 and 2011 and the twelve month period ended September 30, 2011. This change has not been applied to any other periods presented. See "Presentation of Financial Data and Non-IFRS Measures" and note 17 to our Unaudited Consolidated Financial Statements appearing elsewhere in this Offering Memorandum.

(2) Excluding depreciation and amortization, which is shown separately.

(3) Amortization related to the MultiClient library was $145.5 million, $153.4 million and $191.3 million for the years ended December 31, 2008, 2009 and 2010 and $119.7 million and $185.3 million for the nine months ended September 30, 2010 and 2011. For more information, see "Operating and Financial Review and Prospects—Explanation of Key Income Statement Items—Depreciation and amortization" and note 7 and note 19 to our Audited Consolidated Financial Information included elsewhere in this Offering Memorandum.

(4) Income from discontinued operations for the years ended December 31, 2008, 2009 and 2010 and for the nine months ended September 30, 2010 and 2011, includes results from our Onshore division sold in February 2010 and additional proceeds received from the sale of our Atlantis oil and gas activities in 2003 and sale of Atlantic Power Group in 2002. See note 4 to our Audited Consolidated Financial Statements and note 16 to our Unaudited Consolidated Financial Statements included elsewhere in this Offering Memorandum for more information.

(5) Cash and cash equivalents does not include restricted cash of $18.4 million, $18.0 million, $71.2 million, $16.4 million and $93.3 million as of December 31, 2008, December 31, 2009, December 31, 2010, September 30, 2010 and September 30, 2011. Restricted cash as of December 31, 2010 and September 30, 2011 primarily consists of moneys deposited with the Banco do Brasil related to the ongoing dispute in Brazil related to the Company's alleged obligation to pay ISS tax. Amounts deposited are held on an interest bearing bank account with Banco do Brasil and will be released to the Company if and when a positive ruling is awarded, which may take several years. The Company has foreign currency contracts in place to economically hedge approximately 65% of the deposited amount. See notes 12 and 27 to our Audited Consolidated Financial Statements and note 14 to our Unaudited Consolidated Financial Statements included elsewhere in this Offering Memorandum.

(6) We define working capital as the sum of accounts receivable, accrued revenue and other receivables and other current assets minus the sum of accounts payable, accrued expenses and income tax payables.

(7) We define net interest bearing debt to be long-term and short-term debt (including the current portion of long-term debt and gross of deferred loan costs) less cash and cash equivalents, restricted cash and interest bearing investments.

(8) We define net debt to be long-term and short-term debt (including the current portion of long-term debt and gross of deferred loan costs) less cash and cash equivalents. Cash and cash equivalents do not include restricted cash. See note (5) above for more information.

(9) We define EBITDA to be income (loss) before income tax expense before currency exchange gain (loss), other financial expense, other financial income, interest expense, income (loss) from associated companies, other operating income, impairments of long-lived assets and depreciation and amortization. EBITDA is not a measure of performance under IFRS and you should not consider EBITDA as an alternative to (a) operating profit or net income (as determined in accordance with IFRS) as a measure of our operating performance, (b) cash flows from operating, investing and financing activities as a measure of our ability to meet our cash needs or (c) any other measures of performance under generally accepted accounting principles.

We believe that EBITDA is a useful indicator of our ability to incur and service our indebtedness and can assist securities analysts, investors and other parties to evaluate our company. EBITDA and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. You should exercise caution in comparing EBITDA as reported by us to EBITDA of other companies. EBITDA as presented here differs from the definition of "Consolidated Cash Flow" contained in the Indenture.

The following table reconciles income before income tax expense to EBITDA for the periods indicated.

	Year ended December 31,[a]			Nine months ended September 30,[a]		Twelve months ended September 30, 2011[a]
	2008	2009	2010	2010	2011	
	(in $ millions)					
Income before income tax expense	438.4	228.1	(2.2)	(44.0)	52.0	87.4
Currency exchange (gain) loss	29.8	(24.8)	(0.9)	(0.7)	8.3	8.0
Other financial expense	14.6	11.1	17.6	17.0	14.3	14.9
Other financial income	(27.2)	(24.5)	(13.9)	(9.5)	(17.4)	(21.7)
Interest expense	58.5	45.2	47.0	35.8	31.2	42.4
Loss (income) from associated companies	16.2	(1.9)	10.2	9.9	7.6	7.9
Other operating income	(71.6)	—	—	—	(4.4)	(4.4)
Impairment of long-lived assets	161.1	153.6	79.1	80.4	—	(1.3)
Depreciation and amortization	273.2	285.3	326.4	223.3	298.2	419.9
EBITDA	**893.1**	**672.1**	**463.3**	**312.1**	**389.7**	**553.0**

(a) From January 1, 2011 we changed the policy for recognition of costs incurred in connection with major overhaul of vessels. Under the new policy the directly attributable costs incurred in connection with major overhaul activities are capitalized and depreciated over the estimated period until the next similar overhaul. The former policy was to expense such costs when incurred. The change is made to better reflect the economic reality, reduce volatility and align the accounting to industry practice and practice among other vessel owning companies. The change in policy is applied for the nine month periods ended September 30, 2010 and 2011 and the twelve month period ended September 30, 2011. This change has not been applied to any other periods presented. See "Presentation of Financial Data and Non-IFRS Measures" and note 17 to our Unaudited Consolidated Financial Statements appearing elsewhere in this Offering Memorandum.

(10) Represents EBITDA for the period divided by revenue for that period.

(11) Includes capital expenditures on new-builds on charter but excludes capital expenditures from discontinued operations.

(12) Represents investments in MultiClient library excluding such investments from discontinued operations.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion and analysis should be read in conjunction with our Audited Consolidated Financial Statements as of December 31, 2009 and 2010 and for the each of the years ended December 31, 2008, 2009 and 2010, prepared in accordance with IFRS, and our Unaudited Consolidated Financial Statements as of and for the nine months ended September 30, 2010 and 2011, prepared in accordance with International Accounting Standard 34 Interim Financial Reporting, included elsewhere in this Offering Memorandum.

The following discussion contains forward-looking statements. Actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this Offering Memorandum, particularly under "Forward-Looking Statements" and "Risk Factors."

Introduction

We are a leading marine seismic survey and data processing company operating in all of the major oil and natural gas offshore basins worldwide. We acquire, process, analyze, interpret, license and sell seismic data to a wide range of the independent and sovereign oil and gas exploration and production companies worldwide, which in turn use these data to identify subsurface indicators for hydrocarbons, determine the size and structure of reservoirs, and optimize reservoir production. In addition, we own and market a valuable marine seismic data library and license the use of these data to clients on a non-exclusive basis.

Noted for our technological innovation, we rank among the three largest marine seismic survey and data processing companies measured by marine three dimensional (3D) acquisition capacity. Headquartered in Lysaker, Norway, we currently own and/or operate 11 marine 3D streamer vessels including seven vessels of the unique Ramform class and have 39 offices, including 25 data processing centers, in 26 countries. We are a public company with our shares listed on the Oslo Stock Exchange (Symbol: PGS) with a market capitalization of approximately $2.2 billion as of November 2, 2011. For the twelve months ended September 30, 2011, we generated total revenues of $1,273.1 million and EBITDA of $553.0 million and, as of September 30, 2011, had an order book of $501 million.

The combination of our superior fleet and data streamer technology enable us to have a leading position in the growing HD3D segment of the overall seismic market. Due to our unique and innovative Ramform vessels, we believe that, on average, we are able to acquire a larger area of data per day than our competitors, and achieve higher resolution more efficiently through the use of our HD3D capabilities. The Ramform's wide delta-shape hull, which allows for up to 22 streamer reels across the back deck supported by advanced streamer handling and towing systems, enables us to safely and efficiently operate more streamers per vessel than our competitors. Our innovative and unique GeoStreamer technology, launched in 2007, is the industry's only dual sensor marine streamer with both pressure and velocity sensors, providing superior quality data with less image noise, wider bandwidth and higher resolution. GeoStreamer GS, our latest technology that combines the proven GeoStreamer technology with our new source technology, GeoSource, is the first marine acquisition system to eliminate both source and receiver ghosts, resulting in superior bandwidth and data quality. Several of our innovations, including GeoStreamer, are secured by patents that protect what we believe to be competitive advantages. As of December 31, 2010, we held 253 patents under the laws of the United States, the United Kingdom and Norway.

Our innovation and advanced technologies extend to our data processing operations, which provide high quality and increasingly fast seismic imaging to our clients and for our data library. We maintain a full suite of state-of-the-art imaging technology, with a focus on productivity and technology differentiation. Our data processing operations are further enhanced through proprietary imaging techniques that, when combined with GeoStreamer, create what we believe to be the highest quality data for our customers.

Our operations are organized into four business units: Marine Contract, MultiClient, Operations, and DP&T.

- Marine Contract initiates and manages client relationships for seismic data acquired under exclusive contracts with a diversified client base comprising a wide range of the world's independent and sovereign oil and gas exploration and production companies, such as Petrobras, Statoil, Total, ENI, BP, Chevron, Cairn Energy and the Norwegian Petroleum Directorate. Marine Contract seismic work accounted for approximately 70% of our streamer utilization in 2010 and approximately 66% of our streamer utilization in the nine months ended September 30, 2011. For the twelve months ended September 30, 2011, Marine Contract revenues were $642.3 million, or 50% of our total revenues.

- MultiClient initiates and manages the projects and the client relationships related to seismic data licensed on a non-exclusive basis from our library of field surveys covering substantial parts of the major offshore hydrocarbon basins that we and our clients believe have the highest potential for development such as offshore Brazil, the Gulf of Mexico, offshore West Africa, the Mediterranean Sea and the North Sea, while we retain ownership of the seismic data. This enables us to provide multiple companies licensed access to the data. MultiClient has two revenue sources: (1) pre-funding of surveys from customers (together with our investment) and (2) late sales from our MultiClient library of acquired and processed data. MultiClient survey production accounted for approximately 30% of our streamer utilization in 2010 and 34% of our streamer utilization in the nine months ended September 30, 2011. For the twelve months ended September 30, 2011, MultiClient revenues totaled $505.9 million representing 40% of our total revenues, of which $261.6 million, or approximately half, consisted of customer pre-funding.

- Operations supports both our Marine Contract and MultiClient units with reliable and efficient data acquisition by managing the operation of our seismic vessels and related equipment, including fleet expansion and maintenance. We estimate that we have the most cost efficient fleet, measured by cash cost per streamer per day, of high-capacity streamer vessels in the world that are crewed by well trained, highly experienced personnel. We own and/or operate seven Ramform vessels that have substantially higher production capacity than conventional ships used by our competitors. In addition, our Operations unit ensures compliance with our strict HSEQ policy in connection with vessel operation.

- DP&T processes the seismic data we acquire for our MultiClient library and for our clients on contract and manages our research and development activities.

    - Our worldwide network of data processing centers offers the flexibility to deliver customized seismic processing services in major centers, in remote locations and on all our seismic vessels. We have significant experience in the world's most hydrocarbon rich areas allowing us to offer high quality processing services for marine streamer, land and seafloor data regardless of whether the data was acquired by our vessels or by another acquisition provider. For the twelve months ended September 30, 2011, data processing external revenues totaled $111.1 million, or 9% of our total revenues.

    - Geoscience & Engineering constitutes our research and development center. Core projects are GeoStreamer, fiber optic technology, survey fleet efficiency, high-end imaging and automation, and EM acquisition development. We are also known for our leading technology in image enhancement and presentation once the data is acquired.

Factors Affecting Our Results of Operations

Geophysical market environment

Overall demand for seismic services and equipment is dependent on spending by oil and gas companies and governments for exploration, development and production and field management activities and on the level of capacity in the market.

We believe the level of spending by oil and gas companies depends on their assessment of their ability to efficiently supply the oil and gas market in the future and the current balance of hydrocarbon supply and demand. In 2010, we saw an increase in demand for seismic services. Activity among oil companies increased on the back of general economic growth and normalization of financial markets, with a stable and increasing oil price and a need to continue exploring new areas and enhance oil recovery from producing fields to pursue an acceptable replacement of reserves.

Despite the increase in activity, there is still overcapacity in the market. During 2010, there was a capacity increase of approximately 20%, measured by number of streamers, primarily as a result of delivery of vessels ordered before the market downturn late 2008. The oversupply has continued to put pressure on pricing for conventional seismic data acquisition. In 2011, we expect that oil and gas companies, supported by sustained higher oil prices, will continue to grow their exploration and production expenses with a stronger emphasis on exploration, leading to increased demand for seismic services. We also expect that current overcapacity in the market will begin to decrease towards the end of this year.

The Macondo Incident, in April 2010, put a halt to the U.S. offshore market activity. The repositioning of seismic capacity from the Gulf of Mexico to other markets caused some additional pressure on the supply/demand balance. While there have been some encouraging signs pointing toward a recovery in the region, activity in the Gulf of Mexico is currently at historically low levels and a return to previous activity levels would have a positive impact on the seismic supply/demand balance.

See "Industry Overview" for a discussion of developments in the geophysical industry.

Disposals

In December 2009, the Company entered into an agreement to sell the Onshore business to Geokinetics Inc. ("Geokinetics"). The transaction closed on February 12, 2010. Geokinetics paid approximately $184 million in cash and 2.15 million of its shares, representing approximately 12% of the current outstanding common shares of Geokinetics. The historical consolidated statements of operations has been restated and the results from Onshore are included in discontinued operations for all periods presented and as of December 31, 2009 the asset and liabilities related to Onshore were classified as held-for-sale.

Change in accounting policy for major overhaul of vessels

From January 1, 2011 we changed the policy for recognition of costs incurred in connection with major overhaul of vessels. Under the new policy the directly attributable costs incurred in connection with major overhaul activities are capitalized and depreciated over the estimated period until the next similar overhaul. The former policy was to expense such costs when incurred. The change is made to better reflect the economic reality, reduce volatility and align the accounting to industry practice and practice among other vessel owning companies. The change principally reduces cost of sales and increases depreciation and amortization expense. The change in policy has been applied for the nine month period ended September 30, 2011 and is reflected in the comparative period discussion herein of the nine months ended September 30, 2011 compared against the nine months ended September 30, 2010 and in the Unaudited Consolidated Financial Statements. See note 17 to our Unaudited Consolidated Financial Statements appearing elsewhere in this Offering Memorandum. Our Audited

Consolidated Financial Statements have not been restated to reflect this change. See "Presentation of Financial Data and Non-IFRS Measures" for more information on the estimated impact on this change in policy for the years ended December 31, 2008, 2009 and 2010.

Impairment charges

We review the carrying amounts of our tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If, in accordance with applicable accounting rules any impairment loss is required to be recognized, the charge is recognized immediately and presented separately in the consolidated statements of operations. During the periods presented, we have recognized impairment losses, primarily associated with the write down of vessels and cancellation of new build contracts subsequent to the acquisition in 2007 of Arrow Seismic ASA and the write down of intangible assets relating to the acquisition of MTEM Limited ("MTEM"), a provider of electromagnetic (EM) services, in 2007 and impairment of vessels planned to be stacked. Impairment losses can vary significantly between periods.

For a more complete discussion of the impairment charges, please see notes 2 and 18 to our Audited Consolidated Financial Statements.

Change in the relative mix of Marine Contract and MultiClient projects

We allocate our seismic acquisition and processing capacity between Marine Contract and MultiClient based on an aim to maximize our profitability over time. We make a budgetary vessel allocation decision annually as part of the budget process. Relative strength of demand, geographical focus and specific projects are considered in this process. When we make our budgetary vessel allocation decision, we establish a portfolio threshold for the MultiClient pre-funding levels, allowing for flexibility of pre-funding while taking into account the risk profile of individual surveys. Subsequently, MultiClient surveys are on a survey by survey basis reviewed by our internal MultiClient risk board and approved by management based on specific business plans. A key decision criteria for MultiClient investments is that the project delivers a risk adjusted profitability that on a discounted basis compares favorably to alternative use of our capacity for contract work.

Since 2007, we have on average used 28% of our seismic available acquisition capacity for MultiClient and 72% for Marine Contract, but in individual years allocation has deviated by up to 10 percentage points from this average. In certain geographical markets, such as the U.S. Gulf of Mexico, streamer capacity utilized for MultiClient is significantly greater than contract acquisition due to the nature of the licensing regime, block sizes and other factors.

If we allocate more seismic acquisition capacity to MultiClient in any individual year, this would normally have a negative impact on our revenues in that year. The reason is that a significant portion of the total revenues from such incremental MultiClient activity would normally be collected in later years. The impact on EBITDA and EBIT is dependant on the characteristics, including pre-funding level and revenue, of the MultiClient projects as well as the profitability in the Marine Contract market, but an increase in the share allocated to MultiClient activity would normally be negative for our EBIT and neutral or positive for our EBITDA in the acquisition year as a result of the high capitalization of costs associated with MultiClient.

Change in currency exchange rates

We conduct business in various currencies and are subject to foreign currency exchange rate risk on cash flows related to sales, expenses, financing and investing transactions in currencies other than the U.S. dollar. A strong U.S. dollar generally favors our operating results and cash flow, because a significant proportion of our costs of operation are incurred in currencies other than the U.S. dollar. We hold foreign currency positions, including derivative financial instruments, to balance our 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. As a result, fluctuations in the value of the U.S. dollar against other currencies can have a significant impact on our results of operations. As a general rule, the short-term effect is positive when the U.S. dollar depreciates.

For a more complete discussion of the impact of foreign currency fluctuations and the extent to which we hedge this exposure, see "Quantitative and Qualitative Disclosures About Market Risk—Currency Exchange Risk."

Seasonality

We experience seasonality as a result of weather-related factors. Weather conditions in the North Sea generally prevent the full operation of seismic crews and vessels in the winter season and, due to vessel relocation, generally adversely impact our first and fourth quarter results and, to a lesser extent, our second quarter results. Storm seasons in the tropics can also affect our operations when we have crews in the Gulf of Mexico or tropical Asia. During these periods, we generally relocate our seismic vessels to areas with more favorable weather conditions to conduct seismic activities, or we conduct repairs and maintenance. On the other hand, our fourth quarter revenue has historically been positively affected by end-of-year sales of MultiClient data to oil and natural gas companies. In addition, timing of licensing activities and oil and natural gas lease sales may significantly affect quarterly operating results.

Our results of operations fluctuate from quarter to quarter due to a number of other factors. Oil and natural gas industry capital expenditure budgets and spending patterns influence our results. These budgets are not necessarily spent in equal or progressive increments during the year, with spending patterns affected by individual customer requirements and industry-wide conditions. In addition, under our revenue recognition policy, revenue recognition from data licensing contracts depends, among other things, upon when the customer selects the data. In addition, many of our contract projects are relatively short term. The timing of start-up and completion and crew or vessel movement can significantly affect our results of operations from period to period. As a result, our seismic services revenue does not necessarily flow evenly or progressively during a year or from year to year.

Backlog

Our backlog (or order book) consists of contracted marine seismic acquisition, including projects for which we have received a written letter of intent to award a contract from our customers, unrecognized committed MultiClient pre-funding and data processing orders. Our estimated backlog as of September 30, 2011 was approximately $501 million as compared to $489 million as of September 30, 2010. Backlog estimates are based on a number of assumptions and estimates including assumptions related to foreign exchange rates and proportionate performance of contracts and our valuation of assets, such as seismic data, to be received by us as payment under certain agreements. The realization of our backlog estimates are further affected by our performance under day rate contracts, as the early or late completion of a project under day rate contracts will generally result in decreased or increased, as the case may be, revenues derived from these projects. Contracts for services are occasionally modified by mutual consent and may be cancelable by the client under certain circumstances. See "Business—Business Units—Marine Contract." Consequently, backlog as of any particular date may not be indicative of actual operating results for any future period. See "Risk Factors—Risks Related to Our Industry—Our backlog estimates are based on certain assumptions and are subject to unexpected adjustments and cancellations and thus may not be timely converted to revenues in any particular fiscal period, if at all, or be indicative of our actual operating results for any future period."

Capacity

Overall demand for our services is dependent on spending by our clients for exploration, production development and field management activities. This spending by our clients depends, in part, on present and expected future oil and gas prices. Our decisions for seismic capacity increases are based on estimates for demand for our services typically over the next five to 10 years whereas new vessels are typically delivered two years after the investment decision is made. As a result, the supply and demand balance in marine seismic services is affected by decisions and projections that were made on average over two years earlier while the average order backlog for the vessels is typically four to eight months. The supply and demand balance can to some extent be adjusted short term by retiring the least cash cost effective vessels, often the older vessels, which occurred industry-wide in the post-2008 down cycle.

Explanation of Key Income Statement Items

Revenue

We recognize revenue when persuasive evidence of a sale arrangement exists, delivery has occurred or services have been rendered, the sales price is fixed or determinable and collection is reasonably assured. We defer the unearned component of payments received from customers for which the revenue recognition requirements have not been met. Consideration is generally allocated among the separate units of accounting based on their estimated relative fair values when elements have stand alone value. If an element of a customer agreement does not have stand alone value, revenue is deferred and recognized over the period services are provided. Our revenue recognition policy is described in more detail below.

Proprietary sales/contract sales

We perform seismic services under contract for a specific customer, whereby the seismic data is owned by that customer. We recognize proprietary/contract revenue as the services are performed and become chargeable to the customer on a proportionate performance basis over the term of each contract. Progress is measured in a manner generally consistent with the physical progress of the project, and revenue is recognized based on the ratio of the project's progress to date, provided that all other revenue recognition criteria are satisfied.

Sales of MultiClient library data

- Late sales—We grant a license to a customer, which entitles the customer to have access to a specifically defined portion of the MultiClient data library. We recognize revenue for late sales when the customer executes a valid license agreement and has received the underlying data or has the right to access the licensed portion of the data, the customer's license payment is fixed and determinable and collection is reasonably assured.

- Volume sales agreements—We grant licenses to the customer for access to a specified number of blocks of MultiClient library within a defined geographical area. These licenses typically enable the customer to select and access the specific blocks over a period of time. Although the license fee is fixed and determinable in all cases, the payment terms of individual volume sales agreements vary, ranging from payment of the entire fee at the commencement of the agreement, to installment payments over a multi-year period, to payment of the license fee as the specific blocks are selected. Revenue recognition for volume sales agreements is based on a proportion of the total volume sales agreement revenue, measured as the customer executes a license for specific blocks and the customer has received the data or has been granted access to the data and collection is reasonably assured.

- Pre-funding arrangements—We obtain funding from a limited number of customers before a seismic project is completed. In return for the pre-funding, the customer typically gains the ability to direct or influence the project specifications, to access data as it is being acquired and to pay discounted prices. We recognize pre-funding revenue as the services are performed on a proportional performance basis. Progress is measured in a manner generally consistent with the physical progress of the project, and revenue is recognized based on the ratio of the project's progress to date, provided that all other revenue recognition criteria are satisfied.

Other services.

Revenue from other services is recognized as the services are performed, provided all other recognition criteria are satisfied.

Cost of sales

Cost of sales consists of costs directly or indirectly attributable to producing and delivering our products or services to our customers. As such, cost of sales includes costs relating to operating our vessels and processing centers, such as salary and social expenses, fuel and lube, materials and supplies, charter hire for vessels, office and equipment rent, travel and maintenance. Cost of sales also includes costs relating to our support and management functions, but excludes depreciation and amortization expense which are presented separately in our statement of operations.

Research and development costs

Research and development costs are expensed as incurred and are presented excluding associated depreciation and amortization.

Selling, general and administrative costs

Selling, general and administrative costs consist of all direct and indirect selling expenses and all general and administrative expenses which are not attributable to producing and delivering our products or services to our customers.

Depreciation and amortization

Depreciation and amortization consists of gross depreciation and amortization (including amortization of the MultiClient library) reduced by the depreciation capitalized to the MultiClient library.

In accordance with the prevalent practice within our industry, we amortize our MultiClient library on a survey by survey basis using both a principal and a secondary method. The principal method is intended to match amortization expense with the revenues relating to MultiClient projects, while the secondary method ensures that the carrying value of any survey is amortized to zero by the end of the fifth year after survey completion.

Under our principal method of amortization, we record as amortization a percentage of revenues from a survey in the period based on the ratio of a survey's carrying value to estimated total remaining sales, or, in the case of an unfinished project, estimated cost as a percentage of estimated total sales. Based on such calculation we categorize each MultiClient survey into one of four amortization categories with amortization rates of 90%, 75%, 60% or 45% of sales, by rounding upwards to the nearest category. Each category therefore comprises surveys for which the remaining book value, including cost to complete the survey, if applicable, as a percentage of estimated remaining sales is less than or equal to the amortization rate applicable to that category.

By applying the secondary method, which is the minimum amortization, we may record additional amortization expense on individual surveys. Such additional amortization will be recorded if, and only if, the carrying value of a survey, after applying our principal method of amortization, is higher than what would follow from a straight-line reduction of the book value to zero at the end of the fifth year after completion of the survey. This requirement is applied each year-end regardless of future sales estimates for the MultiClient library survey.

From January 1, 2011, we changed the policy of how directly attributable costs incurred in connection with major overhaul of vessels are capitalized and depreciated over the estimated period until the next similar overhaul in order to better reflect the economic reality, reduce volatility and align the accounting to industry practice and practice among other vessel owning companies. See "—Factors Affecting Our Results of Operations—Change in accounting policy for major overhaul of vessels" and note 17 to our Unaudited Consolidated Financial Statements appearing elsewhere in this Offering Memorandum for more information on this change.

Impairment of long-lived assets

We review the carrying amounts of our tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount of an asset is the higher of the fair market value of an asset or a cash generating unit's fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately and presented separately in the consolidated statements of operations.

Income (loss) from associated companies

We account for our investments in joint ventures and associated companies using the equity method. Income (loss) from associated companies primarily consists of our share in the results of operations from Genesis Petroleum Corporation PLC ("Genesis") (which was sold in 2009), Geokinetics, PGS Khazar and Fortis. We received our investment in Geokinetics as part of the disposition of our Onshore business, which occurred in February 2010.

Other financial income and expense

Other financial income consists primarily of interest income, gains from sale of shares and gains on repurchases of the Convertible Notes and fair value adjustments of financial instruments. Other financial expense consists mainly of amendment and instruction fees associated with our long-term debt and fair value adjustments of financial instruments.

Income tax expense

Income tax expense represents the sum of the current tax expense (or recovery) plus the change in deferred tax liabilities and assets during the period, except for current and deferred income tax relating to items recognized directly in equity, in which case the tax is also recognized directly in equity. We entered the Norwegian tonnage tax regime for some of the vessel owning subsidiaries in 2008. In the Norwegian tonnage tax regime the vessel-related income is tax exempt from ordinary income taxation.

We include deductions/benefits from uncertain tax positions when it is probable that the tax position will be ultimately sustained.

Marine Contract EBIT margin

Marine Contract EBIT margin is calculated in respect of our Marine Contract seismic acquisition business unit and is the Marine Contract operating profit, excluding any impairments and unusual items, for the period divided by Marine Contract revenue for that period.

Results of Operations

Results of operations for the nine months ended September 30, 2010 compared to the nine months ended September 30, 2011

The following table sets forth our main operating results extracted from our unaudited condensed consolidated statements of operations for the nine months ended September 30, 2010 and the nine months ended September 30, 2011:

	Nine months ended September 30,[1]		
	2010	2011	% change
	(in $ millions)		
Revenues	770.7	908.7	18
Cost of sales[2]	402.5	455.7	13
Research and development costs[2]	15.8	22.2	41
Selling, general and administrative costs[2]	40.2	41.1	2
Depreciation and amortization	223.3	298.2	34
Impairments of long-lived assets	80.4	—	100
Other operating income	—	(4.4)	100
Total operating expenses	**762.3**	**812.8**	**7**
Operating profit	**8.4**	**95.9**	**1,028**
Income (loss) from associated companies	(9.9)	(7.6)	(23)
Interest expense	(35.8)	(31.2)	13
Other financial income	9.5	17.4	83
Other financial expense	(17.0)	(14.3)	(16)
Currency exchange gain (loss)	0.7	(8.3)	n/a
Income (loss) before income tax expense	**(44.0)**	**52.0**	**218**
Income tax expense	17.1	23.2	36
Income (loss) from continuing operations	**(61.1)**	**28.8**	**147**
Income (loss) from discontinued operations, net of tax	10.4	0.6	(94)
Net income (loss)	**(50.8)**	**29.4**	**158**

(1) From January 1, 2011 we changed the policy for recognition of costs incurred in connection with major overhaul of vessels. Under the new policy the directly attributable costs incurred in connection with major overhaul activities are capitalized and depreciated over the estimated period until the next similar overhaul. The former policy was to expense such costs when incurred. The change is made to better reflect the economic reality, reduce volatility and align the accounting to industry practice and practice among other vessel owning companies. The change in policy is applied for the nine month periods ended September 30, 2010 and 2011. See "Presentation of Financial Data and Non-IFRS Measures" and note 17 to our Unaudited Consolidated Financial Statements appearing elsewhere in this Offering Memorandum.

(2) Excluding depreciation and amortization, which is shown separately.

Revenue. The following table sets forth our mix of revenues for the nine months ended September 30, 2010 and the nine months ended September 30, 2011:

	Nine months ended September 30,		
	2010	**2011**	**% change**
	(in $ millions)		
Contract revenues	448.5	461.6	3
Multi-client pre-funding	121.9	185.2	52
Multi-client late sales	118.6	170.6	44
Data processing[1]	72.6	80.2	10
Other	9.1	11.0	73
Total revenues	**770.7**	**908.7**	**18**

(1) External revenues only.

Total revenues were $908.7 million in the nine months ended September 30, 2011, compared to $770.7 million in the nine months ended September 30, 2010, an increase of $138.0 million, or 18%.

In the nine months ended September 30, 2011, Marine Contract revenues increased by $13.1 million, or 3%, to $461.6 million as compared to the nine months ended September 30, 2010 due to more vessel capacity used for contract acquisition and more streamer capacity as a result of the upgrade of the *Ramform Explorer* and *Ramform Challenger* and conversion of the *Nordic Explorer* from 2D to 3D operations.

MultiClient pre-funding revenues in the nine months ended September 30, 2011 increased by $63.3 million, or 52%, to $185.2 million as compared to the nine months ended September 30, 2010 due to more GeoStreamer capacity, and strong interest for GeoStreamer surveys in Europe, especially in the North Sea campaigns that have a higher pre-funding rate than other regions. Pre-funding revenues were also higher in Asia Pacific and West Africa offset by lower pre-funding revenues in the Gulf of Mexico and Brazil as a result of less capacity being allocated in those regions.

Pre-funding revenues in the nine months ended September 30, 2011 corresponded to 106% of capitalized MultiClient cash investments, excluding capitalized interest, compared to 86% in the nine months ended September 30, 2010 when the pre-funding level was lower due to the nature of specific project business models in the first half of 2010, partially offset by strong pre-funding levels in the third quarter of 2010 reflecting strong interest in GeoStreamer MultiClient surveys in the North Sea.

MultiClient late sales in the nine months ended September 30, 2011 increased by $52.0 million or 44% to $170.6 million as compared to the nine months ended September 30, 2010, driven by higher sales in all regions. Higher late sales in Asia Pacific was primarily due to the recognition of sales in the second quarter of 2011 as a result of the resolution of the border dispute between Brunei and Malaysia.

Data Processing revenues in the nine months ended September 30, 2011 increased by $7.6 million or 10% to $80.2 million as compared to the nine months ended September 30, 2010, driven by significant growth in our data processing technological capacity and staffing and greater demand for high technology solutions, such as GeoStreamer and depth processing, particularly in the Brazil data processing center, in the Houston international market and in Asia Pacific.

The order book totaled $501 million as of September 30, 2011, including $60 million of committed pre-funding on scheduled MultiClient projects and the estimated value of the OptoSeis agreement with Petrobras, as compared to $489 million as of September 30, 2010.

Cost of sales. Cost of sales totaled $455.7 million in the nine months ended September 30, 2011 compared to $402.5 million in the nine months ended September 30, 2010, an increase of $53.2 million, or 13%. This increase was mainly due to increased vessel time charters and related costs, increased fuel costs and increased salaries and social expenses.

Research and development costs. Reported research and development ("R&D") costs (excluding capitalized development costs) in the nine months ended September 30, 2011 increased by $6.4 million or 41% to $22.2 million as compared to the nine months ended September 30, 2010. The R&D costs in the nine months ended September 30, 2011 mainly relate to the core business activities of marine seismic acquisition and processing, but a significant amount is related to the EM and fiber-optic permanent monitoring systems. The increase in gross R&D costs in the nine months ended September 30, 2011 as compared to the nine months ended September 30, 2010, is primarily driven by increases in development activity for towed EM, along with increases in marine seismic projects.

Selling, general and administrative costs. Selling, general and administrative costs totaled $41.1 million in the nine months ended September 30, 2011 compared to $40.2 million in the nine months ended September 30, 2010, an increase of $0.9 million, or 2%.

Depreciation and amortization. Depreciation and amortization for the nine months ended September 30, 2011 amounted to $298.2 million, compared to $223.3 million in the nine months ended September 30, 2010, an increase of $74.9 million or 34%. Depreciation increased by $9.3 million or 9% to $112.9 million in the nine months ended September 30, 2011, primarily due to the entry of *PGS Apollo* and *Sanco Spirit* to the fleet in the second quarter and fourth quarter of 2010, respectively, and increased investments in GeoStreamer and other equipment, partially offset by de-rigging of the *Beaufort Explorer*.

MultiClient library amortization increased by $65.6 million, or 55%, to $185.3 million for the nine months ended September 30, 2011. MultiClient amortization as a percentage of total MultiClient revenues was 52% in the nine months ended September 30, 2011, compared to 50% in the nine months ended September 30, 2010.

The net book value of our MultiClient library was $350.6 million as of September 30, 2011, compared to $355.5 million as of September 30, 2010.

Operating profit. Based on the foregoing, operating profit in the nine months ended September 30, 2011 was $95.9 million, compared to $8.4 million in the nine months ended September 30, 2010.

Marine Contract EBIT margin. The Marine Contract EBIT margin on Marine Contract acquisition work was approximately 8% in the nine months ended September 30, 2011 down from 21% in the nine months ended September 30, 2010. Marine Contract EBIT margins will fluctuate from quarter to quarter. The lower margin in the nine months ended September 30, 2011, compared to the nine months ended September 30, 2010 is primarily due to more GeoStreamer capacity being used on MultiClient and only one vessel being allocated to Marine Contract work in the 2011 North Sea season, historically one of the most profitable regions. Production variances, more scheduled yard stays and higher costs from increased fuel prices and the effect of a weaker U.S. dollar have also negatively influenced the Marine Contract EBIT margin.

Income (loss) from associated companies. The income (loss) from associated companies was a loss of $7.6 million in the nine months ended September 30, 2011 compared to a loss of $9.9 million in the nine months ended September 30, 2010. This is due to decreased share of net loss relating to our investment in Geokinetics.

Interest expense. Interest expense was $31.2 million in the nine months ended September 30, 2011, compared to $35.8 million in the nine months ended September 30, 2010. The decrease primarily reflects a reduction of interest bearing debt.

Other financial income. Other financial income was $17.4 million in the nine months ended September 30, 2011, compared to $9.5 million in the nine months ended September 30, 2010. The increase is primarily due to gain from the sale of shares in Cove Energy and San Leon Energy, and sale of assets to the newly established investment company Azimuth.

In the third quarter of 2011, we participated in the establishment of the oil and gas exploration and production ("E&P") focused investment company Azimuth primarily by contributing such existing equity holdings in smaller E&P companies. We own 45% of Azimuth and have entered into a cooperation agreement whereby we provide certain services to Azimuth and whereby Azimuth is invited to invest in any future equity settlement that we may receive as payment for its library or services. In the third quarter of 2011, transactions between PGS and Azimuth resulted in other operating income of $4.4 million.

Other financial expense. Other financial expense was $14.3 million in the nine months ended September 30, 2011, compared to $17.0 million in the nine months ended September 30, 2010. In the nine months ended September 30, 2011 the amount includes a $9.0 million negative fair value adjustment of derivatives, primarily related to the convertible bond in SeaBird Exploration Plc ("Seabird"), a $2.3 million loss attributable to our repurchase of Convertible Notes in the third quarter of 2011 and a fair value adjustment of warrants in Geokinetics preferred stock due to reduction of share price. In the nine months ended September 30, 2010 we expensed a total of $8.2 million of fees to amend our credit facility and redeem the 8.28% Notes which were due in 2011.

Currency Exchange Gain (Loss). Currency exchange gain (loss) was a loss of $8.3 million in the nine months ended September 30, 2011, compared to a gain of $0.7 million in the nine months ended September 30, 2010. The loss for the period was due to a depreciation of the U.S. dollar. To manage the foreign currency exposure on our operations we generally enter into forward contracts to buy NOK, GBP and other currencies where we incur expenditures. When the U.S. dollar depreciates we generally record gains on these contracts.

Income tax expense. Income tax expense was $23.2 million in the nine months ended September 30, 2011, compared to $17.1 million in the nine months ended September 30, 2010. Our income tax expense increased primarily as a result of increased income and unfavorable foreign exchange movements and losses in countries where deferred tax benefits are not recognized. The tax expense in the nine months ended September 30, 2011 includes a current tax expense of $4.8 million, compared to a current tax expense of $28.1 million in the nine months ended September 30, 2010. Current tax expense relates primarily to foreign taxes or income taxes in countries in which we have no carry-forward losses or where there are limitations on the application of such losses.

Deferred tax was $18.4 million in the nine months ended September 30, 2011, compared to a benefit of $10.9 million in the nine months ended September 30, 2010. We have substantial deferred tax assets in different jurisdictions, predominantly in Norway. Deferred tax assets recognized in the consolidated statements of financial position amounted to $192.4 million as of September 30, 2011, compared to $222.3 million as of September 30, 2010.

Income (loss) from discontinued operations, net of tax. We had income from discontinued operations of $0.6 million in the nine months ended September 30, 2011 compared to income of $10.4 million in the nine months ended September 30, 2010. The income in 2011 was primarily a result of an adjustment of estimates for remaining outstanding matters relating to the sale of our onshore business. The income in the nine months ended September 30, 2010 primarily relates to the gain on sale of the onshore business less transaction costs.

Net income (loss). Based on the foregoing, net income was a gain of $29.4 million in the nine months ended September 30, 2011, compared to a loss of $50.9 million in the nine months ended September 30, 2010.

Results of operations for the year ended December 31, 2009 compared to the year ended December 31, 2010

The following table sets forth our main operating results extracted from our Audited Consolidated Financial Statements for the year ended December 31, 2009 and the year ended December 31, 2010:

	Year ended December 31,[1]		
	2009	2010	% change
	(in $ millions)		
Revenues	1,350.2	1,135.1	(16)
Cost of sales[2]	606.0	594.0	(2)
Research and development costs[2]	22.8	21.8	(4)
Selling, general and administrative costs[2]	49.3	56.0	14
Depreciation and amortization	285.3	326.4	14
Impairments of long-lived assets	153.6	79.1	(49)
Other operating income	—	—	—
Total operating expenses	**1,116.9**	**1,077.3**	**(4)**
Operating profit	**233.3**	**57.8**	**(75)**
Income (loss) from associated companies	1.9	(10.2)	(637)
Interest expense	(45.2)	(47.0)	4
Other financial income	24.5	13.9	(43)
Other financial expense	(11.1)	(17.6)	59
Currency exchange gain (loss)	24.8	0.9	(96)
Income (loss) before income tax expense	**228.1**	**(2.2)**	**(101)**
Income tax expense	51.9	13.9	(73)
Income (loss) from continuing operations	**176.2**	**(16.1)**	**(109)**
Income (loss) from discontinued operations, net of tax	(8.2)	8.5	204
Net income (loss)	**167.9**	**(7.5)**	**(105)**

(1) From January 1, 2011 we changed the policy for recognition of costs incurred in connection with major overhaul of vessels. Under the new policy the directly attributable costs incurred in connection with major overhaul activities are capitalized and depreciated over the estimated period until the next similar overhaul. The former policy was to expense such costs when incurred. The change is made to better reflect the economic reality, reduce volatility and align the accounting to industry practice and practice among other vessel owning companies. The change in policy has not been applied for the periods presented. See "Presentation of Financial Data and Non-IFRS Measures" and note 17 to our Unaudited Consolidated Financial Statements appearing elsewhere in this Offering Memorandum.

(2) Excluding depreciation and amortization, which is shown separately.

Revenue. The following table sets forth our mix of revenues for the year ended December 31, 2009 and the year ended December 31, 2010:

	Year ended December 31,		
	2009	2010	% change
	(in $ millions)		
Contract revenues	893.1	629.1	(30)
Multi-client pre-funding	169.0	198.3	17
Multi-client late sales	182.1	192.3	6
Data processing[1]	90.2	103.5	15
Other	15.8	12.0	(24)
Total revenues	**1,350.2**	**1,135.1**	**(16)**

(1) External revenues only.

Total revenues were $1,135.1 million, compared to $1,350.2 million in 2009, a decrease of $215.1 million, or 16%.

Revenues from Marine Contract decreased by $264.0 million, or 30%, to $629.1 million in 2010 due to lower prices as a result of the precipitous decline in oil and natural gas prices in 2008 and 2009, which resulted in significant curtailments in capital expenditures by independent oil and gas companies, including spending for marine seismic acquisition services. The market for our services rapidly weakened in late 2008, but due to a strong order book we were able to deliver Marine Contract services at higher prices well into 2009. In 2010, despite demand for seismic acquisition services increasing on the back of a recovery of the oil and natural gas price, due to a significant number of new seismic vessels entering the market, overcapacity and low market prices negatively impacted our revenues in 2010.

Total MultiClient revenues (pre-funding and late sales combined) increased by $39.4 million, or 11%, to $390.5 million in 2010, driven by increased demand for MultiClient data as a result of a stable and strong oil price and increased exploration spending.

MultiClient late sales revenues increased by $10.2 million, or 6%, to $192.3 million in 2010. The increase was due to generally improved demand, offset by a weaker Gulf of Mexico market following the Macondo incident in April 2010.

MultiClient pre-funding revenues increased by $29.3 million, or 17%, to $198.3 million in 2010, as a result of allocating more of our capacity to MultiClient acquisition and increased pre-funding ratio. Our pre-funding as a percentage of capitalized cash investment was 119% in 2010, compared to 92% in 2009. The increase in pre-funding level was driven by strong pre-funding revenues on the Crystal III Wide Azimuth survey in the Gulf of Mexico and GeoStreamer surveys in the North Sea, as well as a general recovery of demand, after a very difficult 2009 where several clients reduced their spending.

Cash investment in the MultiClient library was reduced by $16.4 million, or 9%, to $166.7 million in 2010. In 2010, the fleet allocation factor (active 3D vessel time for marine contract vs. MultiClient data acquisition) was approximately 70:30, compared to 75:25 in 2009.

Revenues from Data Processing, consisting of external revenues, increased by $13.3 million, or 15%, to $103.5 million, due to increased processing demand, including demand for more advanced processing, and continued success in growing our depth processing activities based on the beam migration technology acquired as part of the acquisition of Applied Geophysical Services ("AGS") in 2007.

Cost of sales. Cost of sales decreased by $12 million, or 2%, to $594 million in 2010. In 2009, we retired *Falcon Explorer* (2D) and *Ocean Explorer* (3D) from seismic operations and converted them to support vessels. We also terminated the charter and ceased operations of *Orient Explorer* (3D), which reduced our operating cost. This was offset by salary adjustments, a weaker U.S. dollar and a significant increase of fuel cost as a result of higher fuel prices compared to 2009 and the entry of *PGS Apollo* in May 2010. Total salary and social cost increased by 1% and fuel cost increased by approximately 28% in 2010 as compared to 2009.

Research and development costs. Reported research and development costs decreased by $1.0 million, to $21.8 million in 2010. The expenses mainly relate to the core business activities of marine seismic acquisition and processing, as well as our efforts to develop a towed EM solution. Capitalized development projects totaled $13.2 million in 2010, compared to $8.7 million in 2009. Capitalized development costs primarily relate to OptoSeis and towed EM.

Selling, general and administrative costs. Selling, general and administrative costs for 2010 amounted to $56.0 million, compared to $49.3 million in 2009, an increase of $6.7 million or 14%. We implemented strong cost reduction measures in 2009 to address the impact of the financial crisis and the rapidly weakening seismic market. In 2010 some of the shorter term cost measures were slightly released resulting in an increase of some cost items, including travel cost.

Depreciation and amortization. Depreciation and amortization for 2010 amounted to $326.4 million, compared to $285.3 million in 2009, an increase of $41.1 million or 14%.

Depreciation increased by $3.2 million or 2% to $135.1 million in 2010. Depreciation increased due to full year impact of *Ramform Sterling*, which was delivered mid-year 2009, entry of *PGS Apollo* in mid-May 2010, and investments in GeoStreamer, partially offset by an increase of the amount of depreciation capitalized as part of the MultiClient library.

MultiClient amortization for 2010 increased by $37.9 million, or 25% to $191.3 million in 2010. MultiClient amortization as a percentage of total MultiClient revenues was 49% in 2010, compared to 44% in 2009. The increase is driven by an increase in the share of sales relating to newer MultiClient data, which carry a higher book value. Amortization also includes a write-down of certain specific MultiClient surveys due to weaker than planned performance.

The net book value of our MultiClient library was $310.8 million as of December 31, 2010, compared to $293.2 million as of December 31, 2009.

Impairment of long-lived assets. In 2010, we recorded $79.1 million in impairment charges on long-lived assets. The impairments primarily relate to the cancellation of the Arrow NB 535 and *Beaufort Explorer*, partially offset by reversal of previously recorded impairment charges on cancelled new-builds in Spain. In 2009, we recorded $153.6 million in impairment charges on long-lived assets. The impairment charges primarily relate to the cancellation of Arrow NB 532 and 533 and the adjustment of the book value of *Geo Atlantic* to estimated market value.

Operating profit. Based on the foregoing, operating profit in 2010 was $57.8 million and, excluding impairment of long-lived assets, $136.9 million. In 2009, operating profit was $233.3 million and, excluding impairment of long-lived assets, $386.9 million.

Marine Contract EBIT margin. The Marine Contract EBIT margin for Marine Contract work in 2010 was 17% as compared to 39% in 2009. This decrease is primarily due to most of the work executed in 2009 was signed late 2008 at higher prices.

Income (loss) from associated companies. The income from associated companies was a loss of $10.2 million in 2010 compared to a profit of $1.9 million in 2009. This is due to losses from the associated company Geokinetics in 2010, partly offset by improved profitability from PGS Khazar.

Interest expense. Interest expense was $47.0 million in 2010, compared to $45.2 million in 2009. The increase is due to a reduction of capitalized interest associated with construction in progress, partly offset by lower interest bearing debt and reduced interest rates.

Other financial income. Other financial income was $13.9 million in 2010, compared to $24.5 million in 2009. The reduction is primarily due to: a $3.8 million gain in 2009 relating to a repurchase of Convertible Notes; a reduction of gains from sale of shares by $5.2 million; and a $1.5 million reduction of interest income.

Other financial expense. Other financial expense was $17.6 million in 2010, compared to $11.1 million in 2009. The increase is primarily due to an increase of fees and costs relating to amendment of some of our debt facilities and a write down of shares available for sale.

Currency exchange gain (loss). Currency exchange gain (loss) was a gain of $0.9 million in 2010, compared to a gain of $24.8 million in 2009. The large gain in 2009 was due to a significant depreciation of the U.S. dollar. To manage the foreign currency exposure on our operations we generally enter into forward contracts to buy NOK, GBP and other currencies where we incur expenditures. When the U.S. dollar depreciates we generally record gains on these contracts.

Income tax expense. Income tax expense was $13.9 million in 2010, compared to $51.9 million in 2009. The tax expense in 2010 includes a current tax expense of $18.9 million, compared to a current tax expense of $50.1 million in 2009. The decrease of current tax expense was primarily due to lower taxable profits due to the lower general profitability of our business as well as reduction of a valuation allowance related to prepaid income tax in Brazil of $12.3 million in 2010, compared to an increase of the same valuation allowance by $21.0 million in 2009. Current tax expense relates primarily to foreign taxes or income taxes in countries in which we have no carry-forward losses or where there are limitations on the application of such losses.

In the fourth quarter of 2010, the dispute with the Norwegian Central Tax Office for Large Enterprises regarding exit from the previous shipping tax regime in 2002 was settled. The settlement increased deferred tax expense by approximately $1 million. We also have an ongoing dispute with the tax office of Rio de Janeiro in Brazil related to ISS tax on the sale of MultiClient data relating to years 2000 and onwards. Please see our Audited Consolidated Financial Statements included elsewhere in this Offering Memorandum for more information.

We have substantial deferred tax assets in different jurisdictions, predominantly in Norway. Deferred tax assets recognized in the consolidated statements of financial position amounted to $210.8 million as of December 31, 2010, compared to $207.9 million as of December 31, 2009.

Income (loss) from discontinued operations, net of tax. We had income from discontinued operations of $8.5 million in 2010 compared to a loss of $8.2 million in 2009. The amount relates in both years primarily to our onshore operations which was sold in the first quarter of 2010. The loss in 2009 was primarily a result of operational losses from our onshore business tax and other expenses in preparation of the sale of the onshore business. The income in 2010 primarily relates to the gain on sale of the onshore business less transaction cost.

Net income (loss). Based on the foregoing, net income was a loss of $7.5 million in 2010, compared to a gain of $165.8 million in 2009.

Results of operations for the year ended December 31, 2008 compared to the year ended December 31, 2009

The following table sets forth our main operating results extracted from our Audited Consolidated Financial Statements for the year ended December 31, 2008 and the year ended December 31, 2009:

	Year ended December 31,[1]		
	2008	**2009**	**% change**
	(in $ millions)		
Revenues	1,647.4	1,350.2	(18)
Cost of sales[2]	662.3	606.0	(9)
Research and development costs[2]	19.4	22.8	18
Selling, general and administrative costs[2]	72.8	49.3	(32)
Depreciation and amortization	273.2	285.3	4
Impairments of long-lived assets	161.1	153.6	(5)
Other operating income	(71.6)	—	100
Total operating expenses	**1,117.2**	**1,116.9**	**—**
Operating profit	**530.2**	**233.3**	**(56)**
Income (loss) from associated companies	(16.2)	1.9	112
Interest expense	(58.5)	(45.2)	23
Other financial income	27.2	24.5	(10)
Other financial expense	(14.6)	(11.1)	24
Currency exchange gain (loss)	(29.8)	24.8	183
Income before income tax expense	**438.4**	**228.1**	**(48)**
Income tax expense	26.1	51.9	99
Income from continuing operations	**412.3**	**176.2**	**(57)**
Income (loss) from discontinued operations, net of tax	5.8	(8.2)	(241)
Net income	**418.1**	**167.9**	**(60)**

(1) From January 1, 2011 we changed the policy for recognition of costs incurred in connection with major overhaul of vessels. Under the new policy the directly attributable costs incurred in connection with major overhaul activities are capitalized and depreciated over the estimated period until the next similar overhaul. The former policy was to expense such costs when incurred. The change is made to better reflect the economic reality, reduce volatility and align the accounting to industry practice and practice among other vessel owning companies. The change in policy has not been applied for the periods presented. See "Presentation of Financial Data and Non-IFRS Measures" and note 17 to our Unaudited Consolidated Financial Statements appearing elsewhere in this Offering Memorandum.

(2) Excluding depreciation and amortization, which is shown separately.

Revenue. The following table sets forth our mix of revenues (from continuing operations) for the year ended December 31, 2008 and the year ended December 31, 2009:

	Year ended December 31,		
	2008	2009	% change
	(in $ millions)		
Contract revenues	1,069.4	893.1	(16)
Multi-client pre-funding	249.6	169.0	(32)
Multi-client late sales	189.8	182.1	(4)
Data processing[1]	86.0	90.2	5
Other	52.6	15.8	(70)
Total revenues	**1,647.4**	**1,350.2**	**(18)**

(1) External revenues only.

Total revenues (from continuing operations) were $1,350.2 million, compared to $1,647.4 million in 2008, an 18% decrease.

Revenues from Marine Contract decreased by $176.3 million, or 16%, from $1,069.4 million in 2008 to $893.1 million in 2009. The decrease was primarily driven by a significant reduction in demand in the marine seismic market following the financial crisis and a sharp drop in oil prices in late 2008. While we had a strong Marine Contract order book built through 2008, the turbulence towards the end of 2008 slowed down new projects, which resulted in overcapacity and reduced prices. This had an increasingly material impact on our Marine Contract revenues throughout 2009, especially in the second half of that year.

Total MultiClient revenues (pre-funding and late sales combined) decreased by $88.3 million, or 20%, to $351.1 million in 2009, due primarily to lower pre-funding revenues.

MultiClient pre-funding revenues decreased by $80.6 million, or 32%, to $169.0 million in 2009. The reduction of pre-funding revenues was due to both lower investment in new MultiClient surveys and a lower pre-funding ratio. We reduced cash investments in the MultiClient library by $45.9 million, or 20%, to $183.1 million in 2009. Pre-funding as a percentage of cash investments in MultiClient data was 92% in 2009, compared to 109% in 2008. The decrease in pre-funding level was driven by a generally weaker market and the Wide Azimuth project that commenced in early November 2009 in the Gulf of Mexico, where the level of pre-funding is generally lower than in other regions. In 2009, the fleet allocation factor (active 3D vessel time) for contract vs. MultiClient data acquisition was approximately 75:25, compared to 80:20 in 2008.

MultiClient late sales revenues decreased by $7.7 million, or 4%, to $182.1 million in 2009. This was due to decreased demand, although the demand gradually began to recover through 2009 after a sharp fall in the fourth quarter of 2008.

Revenues from Data Processing, consisting of external revenues, increased by $4.1 million, or 5%, to $90.2 million in 2009, as a result of successful investment in growing our processing business through further leveraging on the beam migration technology acquired through the acquisition of AGS in 2007.

Cost of sales. Cost of sales totaled $606.0 million in 2009 compared to $662.3 million in 2008, a decrease of $56.3 million or 9%. Our costs generally decreased in 2009, as activity levels decreased and we focused on cost reduction and increasing cash flow. In late 2008, we returned most chartered vessels to their owners so that by year-end 2009, only the 2D vessel *Harrier Explorer* remained on charter. In early 2009 we restructured our EM activities to reduce cost relating to EM operations and focus on development of a towed EM solution. Other factors were a general reduction in travel expenses, fuel costs, yard and maintenance and project-related costs.

Research and development costs. Reported research and development costs increased by $3.4 million, or 18%, to $22.8 million. The expenses mainly relate to the core business activities of marine seismic acquisition and processing, as well as our efforts to develop a towed EM solution. Capitalized development projects totaled $8.7 million in 2009, compared to $11.5 million in 2008. Capitalized development costs primarily relate to OptoSeis and towed EM.

Selling, general and administrative costs. Selling, general and administrative cost totaled $49.3 million in 2009 compared to $72.8 million in 2008, a decrease of $23.5 million or 32%. The decrease primarily relates to cost reduction measures which were introduced as a response to the weakening seismic market and the financial crisis in general. Measures included reduction of travel cost as well as costs relating to various programs and use of consultants. In addition, employee bonus cost was reduced as a result of weaker financial performance.

Depreciation and amortization. Depreciation and amortization for 2009 amounted to $285.3 million, compared to $273.2 million in 2008, an increase of $12.1 million or 4%. The increase in depreciation is mainly due to the entry of *Ramform Sovereign* in March 2008 and *Ramform Sterling* in June 2009 partially offset by reduced depreciation after the sale of Geo Atlantic in June 2009.

MultiClient amortization for 2009 increased by $7.9 million, or 5% compared to 2008. MultiClient amortization as a percentage of total MultiClient revenues was 44% in 2009, compared to 33% in 2008. The increase is driven by an increase in the share of sales relating to newer MultiClient data, which carry a higher book value. Amortization also includes a write down of certain specific MultiClient surveys due to weaker than planned performance.

The net book value of our MultiClient library was $293.2 million as of December 31, 2009, compared to $294.6 million as of December 31, 2008.

Impairment of long-lived assets. In 2009, we recorded $153.6 million in impairment charges on long-lived assets. The impairments primarily relate to the cancellation of the two Arrow NB's 532 and NB 533, and the sale of the *Geo Atlantic* vessel. In 2008, we recorded $161.1 million in impairment charges primarily relating to impairments of intangible assets recorded on acquisition of MTEM as a result of weaker EM market development.

Operating profit. Based on the foregoing, operating profit in 2009 was $233.3 million and, excluding impairment of long-lived assets, $386.9 million. In 2008, operating profit was $530.2 million and, $619.8 million excluding impairment of long-lived assets and the gain of $71.6 million from the sale of *Ramform Victory* (now *Shigen*) in 2008.

EBIT margin. The EBIT margin for Marine Contract work in 2009 was 39%, compared to 49% in 2008. The decrease was primarily due to a declining 3D market as a result of financial crisis and a sharp decline in oil prices accompanied by reduced exploration and production spending. This was offset due to efforts to build order book continuity and contract for rates before the market began the most significant part of its decline.

Income (loss) from associated companies. The income from associated companies was a profit of $1.9 million in 2009 compared to a loss of $16.2 million in 2008. The positive contribution in 2009 was primarily from PGS Khazar, while the significant loss in 2008 was due to an investment in Genesis, where our share of Genesis's annual loss and an impairment charge amounted to $14.4 million.

Interest expense. Interest expense was $45.2 million in 2009, compared to $58.5 million in 2008. The decrease is due to the lower outstanding amount of lower interest-bearing debt and reduced interest rates, which was partially offset by a decrease in capitalized interest associated with the MultiClient library and construction in progress.

Other financial income. Other financial income was $24.5 million in 2009, compared to $27.2 million in 2008. This slight reduction is primarily due to a difference of $8.4 million recorded as gain from a repurchase of our Convertible Notes in 2008 as compared to 2009 and a $7.1 million reduction of interest income. This was offset by a $8.7 million gain recognized in 2009 from our sale of shares in Genesis.

Other financial expense. Other financial expense was $11.1 million in 2009, compared to $14.6 million in 2008. This slight decrease is due to impairment of shares held for sale recorded in 2008 offset by certain fees and costs related to our Convertible Notes.

Currency exchange gain (loss). Currency exchange gain (loss) was a gain of $24.8 million in 2009, compared to a loss of $29.8 million in 2008. This increase was due to the weakening in the U.S. dollar during 2009.

Income tax expense. Income tax expense was $51.9 million in 2009, compared to $26.1 million in 2008. The income tax expense for 2008 was positively impacted by the entry of parts of our vessel operations into the new tonnage tax regime for ships in Norway, effective January 1, 2008, and developments relating to exit from the previous shipping tax regime, effective January 1, 2002, which benefited tax expense by a total of $107.0 million. This positive impact was offset by a write-down relating to $21.0 million of prepaid income tax in Brazil.

In 2009, we received the final tax assessment from the Tax Appeal Board of the Norwegian Central Tax Office (CTO) regarding exit from the previous shipping tax regime, effective January 1, 2002. The final assessment had a lower taxable exit gain than the draft assessment from the CTO, and therefore decreased income tax expense in 2009 by $31.8 million. Uncertainty remained as to whether we would be granted a change of tax depreciation in tax returns for previous years based on the final assessment. We based our accounting on the final assessment with an assumption that historical tax depreciation can be changed, but considered taking the case to court, since our primary position was that we had a loss at the time of exit.

The tax expense in 2009 includes a current tax expense of $50.1 million, compared to a current tax expense of $77.4 million in 2008. Current tax expense relates primarily to foreign taxes or income taxes in countries in which we have no carry-forward losses or where there are limitations on the application of such losses.

At year-end 2009, deferred tax assets, in the consolidated statements of financial position amounted to $207.9 million, while remaining unrecognized deferred tax assets in other jurisdictions were $115.2 million. We had some significant unresolved tax contingencies as described in more detail in notes 10 and 27 in our Audited Consolidated Financial Statements, including the exit from the previous shipping tax regime in 2002 and ISS (service tax) in Brazil.

Income (loss) from discontinued operations, net of tax. The loss from discontinued operations, net of tax, was $8.2 million in 2009, compared to income of $5.8 million in 2008. The loss in 2009 primarily relates to Onshore activities. Onshore revenues for 2009 totaled $194.6 million, a decrease of $78.5 million, or 29%, from 2008. The decrease is primarily due to lower activity levels in North America, including MultiClient, and in North Africa, which were partially offset by higher activity in Mexico.

Net income (loss). Based on the foregoing, net income was $165.8 million in 2009, compared to $417.4 million in 2008.

Liquidity and Capital Resources

Overview

Our primary sources of liquidity are cash generated by our Marine Contract, MultiClient and data processing services that we provide to our clients. Other sources can be drawings on our Revolving Facility and debt financings such as capital leases and vessel financings. Our primary uses of capital include capital expenditures and investment in MultiClient library. Capital expenditures are primarily payment for construction of seismic vessels, purchase of equipment for marine seismic acquisition and processing of seismic data. Working capital fluctuates during the year and such can be both a source and use of liquidity. Our cash position, consistent with our revenues, depends to a large extent on the level of demand for our services. We may also supplement cash from operations with borrowings under our Revolving Facility periodically from time to time as the need arises. The nature of our capital sources and uses is not expected to change during 2011.

Historical Cash Flows

The following table summarizes our consolidated statements of cash flow for the periods indicated. Please refer to the relevant statements of cash flow included elsewhere in this Offering Memorandum for more detailed information.

	Year ended December 31,[(1)]			Nine months ended September 30,[(1)]	
	2008	2009	2010	2010	2011
			(in $ millions)		
Net cash provided by operating activities	914.6	676.1	343.4	250.1	329.9
Net cash used in investing activities	(753.3)	(366.0)	(129.2)	(46.2)	(499.4)
Net cash provided by (used in) financing activities	(211.4)	(279.3)	92.5	(161.9)	(86.3)
Net increase (decrease) in cash and cash equivalents	(50.0)	30.7	306.6	42.0	(255.7)
Cash and cash equivalents at beginning of period	145.3	95.2	126.0	126.0	432.6
Cash and cash equivalents as of the end of the period	**95.2**	**126.0**	**432.6**	**168.0**	**176.9**

(1) From January 1, 2011 we changed the policy for recognition of costs incurred in connection with major overhaul of vessels. Under the new policy the directly attributable costs incurred in connection with major overhaul activities are capitalized and depreciated over the estimated period until the next similar overhaul. The former policy was to expense such costs when incurred. The change is made to better reflect the economic reality, reduce volatility and align the accounting to industry practice and practice among other vessel owning companies. The change in policy is applied for the nine month periods ended September 30, 2010 and 2011 and the twelve month period ended September 30, 2011. This change has not been applied to any other periods presented. See "Presentation of Financial Data and Non-IFRS Measures" and note 17 to our Unaudited Consolidated Financial Statements appearing elsewhere in this Offering Memorandum.

Net cash provided by operating activities.

Net cash provided by operating activities totaled $329.9 million in the nine months ended September 30, 2011, compared to $250.1 million in the nine months ended September 30, 2010. The increase is largely attributable to a higher EBITDA and improvement to working capital.

Net cash provided by operating activities totaled $343.4 million in 2010, compared to $676.1 million in 2009. The decline is largely attributable to lower profitability.

Net cash provided by operating activities totaled $676.1 million in 2009, compared to $914.6 million in 2008. The decline is largely attributable to lower profitability.

Net cash used in investing activities.

Net cash used in investing activities amounted to $499.4 million in the nine months ended September 30, 2011, compared to $46.2 million of net cash used in investment activities in the nine months ended September 30, 2010. The increase is primarily due to higher MultiClient cash investments, increased capital expenditures on new builds, loans to associated companies and deposits made related to an ongoing dispute with the tax office of Rio de Janeiro in Brazil related to ISS tax, while in 2010 we received cash from the cancellation of new builds and the sale of the Onshore business.

During the nine months ended September 30, 2011, we made total MultiClient cash investment, excluding capitalized interest, of $175.4 million, compared to $142.4 million in the nine months ended September 30, 2010, an increase of $33.0 million. The increase is primarily due to an increase of MultiClient activity in the North Sea, primarily with our GeoStreamer technology as well as a large MultiClient survey in Australia and Brazil, offset by reduced MultiClient activity in the Gulf of Mexico.

Capital expenditures totaled $247.3 million in the nine months ended September 30, 2011, compared to $162.5 million in the nine months ended September 30, 2010, an increase of $84.8 million or 52%. The increase is largely attributable to significant capital expenditures recorded on new builds after final agreements with Mitsubishi were signed early in April 2011 and continued investments in GeoStreamer.

In January 2011, the Company and SeaBird signed a strategic cooperation agreement to further develop ocean bottom node solutions for deep water. In connection with the strategic cooperation agreement, SeaBird has issued a five year convertible loan of $42.9 million at inception to the Company. The loan bears interest at 9% per annum that can be paid in cash or in kind. The loan can be converted into ordinary shares at a conversion price of $0.5993 per share at any time until maturity.

Net cash used in investing activities amounted to $129.2 million in 2010, compared to $366.0 million 2009. This decrease is primarily due to amounts recorded in 2010 from a refund of $157.4 million received from the cancellation of a construction contract and $176.8 million from the sale of our Onshore business. See note 18 to our Consolidated Audited Financial Statements for more information.

During 2010, we made total MultiClient cash investment, excluding capitalized interest, of $166.7 million, compared to $183.1 million in 2009, a decrease of $16.4 million. The decrease is primarily due to lower 2D MultiClient activity and less reprocessing of existing MultiClient data.

Capital expenditures totaled $211.4 million in 2010, compared to $231.2 million in 2009, a decrease of $19.9 million or 9%. The decline is largely attributable to reduced capital expenditures for new-builds, partly offset by accelerated GeoStreamer investments.

Cash used in investing activities amounted to $366.0 million in 2009, compared to $753.3 million 2008. This decrease is primarily due to decreased capital expenditures on new builds and decreased investment in our MultiClient library.

During 2009, we made total cash investments for continuing operations, excluding capitalized interest, of $183.1 million in the MultiClient data library, compared to $229.0 million in 2008, a decrease of $45.9 million. The decrease is primarily due to lower 2D MultiClient activity and reprocessing of existing MultiClient data, in addition to fewer chartered-in vessels used for MultiClient surveying.

Capital expenditures for continuing operations totaled $231.2 million in 2009, compared to $414.5 million in 2008, a decrease of $183.3 million or 44%. The decline is largely attributable to reduced capital expenditures for vessel new-builds.

Net cash (used in) provided by financing activities.

Net cash used in financing activities amounted to $86.3 million in the nine months ended September 30, 2011, compared to $161.9 million in the nine months ended September 30, 2010. This decrease was due to the repayment of our long-term debt in the first nine months ended September 30, 2010 as well as the corresponding decreased interest cost in the nine months ended September 30, 2011. In the third quarter of 2011, we bought back $51.4 million of nominal value of our Convertible Notes at a price of 98.5% of par.

The net cash inflow provided by financing activities amounted to $92.5 million in 2010, compared to a net cash outflow used in financing activities of $279.3 million in 2009 and $211.4 million in 2008. The changes are primarily due to the net proceeds received from the issuance of common stock, repayments of long-term debt and corresponding changes in interest costs paid, in each of the respective financial years.

During 2010, we received a net $268.6 million from the issuance of common stock, compared to $98.5 million in 2009 and none in 2008. In 2010, we repaid $127.4 million of long-term debt, compared to net repayments of long-term debt of $334.5 million in 2009 and $115.4 million in 2008. Interest paid totaled $80.2 million in 2008, $58.6 million in 2009 and $40.6 million in 2010, the decrease primarily reflecting the decrease in our long-term debt.

Contractual Obligations

The following table summarizes our contractual obligations as at December 31, 2010:

	Less than 1 year	2-5 years	More than 5 years	Total
		(in $ millions)		
Contractual Obligations:				
Long-term debt(1)	20.9	871.9	—	892.8
Operating leases	63.8	104.5	11.0	179.3
Total contractual obligations	**84.7**	**976.4**	**11.0**	**1,072.1**

(1) Consists primarily of amounts outstanding under our Credit Facility and the Convertible Notes. Also includes the expected interest portion (excluding interest rate swaps) of $102.6 million based on forward interest rates as of December 31, 2010.

Available liquidity

As of September 30, 2011, we had an unrestricted cash balance of $176.9 million and a total liquidity reserve, including unutilized drawing facilities, of $524.5 million, compared to $432.6 million and $778.9 million, respectively, as of December 31, 2010. On a *pro forma* basis as of September 30, 2011, assuming the completion of the Offering as described in this Offering Memorandum, we would have had an unrestricted cash balance of $464.7 million and a total liquidity reserve, including unutilized drawing facilities, of $812.3 million. We have a structured approach to monitoring of credit risk against financial counterparties and have no reason to doubt their ability to meet their funding commitments if and when called upon to do so.

The Credit Agreement for the $600 million (remaining balance $470.5 million) Term Loan B and the $350 million Revolving Facility contains certain terms that place limitations on the Company. The Revolving Facility contains a covenant whereby total leverage ratio (as defined) cannot exceed 3.00:1 in

2010 and 2.75:1 thereafter. At September 30, 2011 the total leverage ratio was 1.41:1. The Credit Agreement generally requires the Company to apply 50% of excess cash flow (as defined) to repay outstanding borrowings when the senior secured leverage ratio exceeds 2.00:1 or if the total leverage ratio exceeds 2.50:1 for the financial year. See "Description of Certain Financing Arrangements—Existing Credit Facility." In addition to the Revolving Facility, we anticipate that the principal source of our liquidity will be net cash generated from operating activities and, as a result, significant risks to our sources of liquidity include operational risks. See "Risk Factors—Risks Relating to Our Debt, the Notes and the Guarantees" and "Risk Factors—Risks Relating to Our Business."

As of September 30, 2011, we had no outstanding cash amounts drawn under our Revolving Facility. We are required to post letters of credit or performance bonds in connection with a number of marine seismic acquisition contracts and data processing contracts as security for the performance of our obligations under those contracts. As of September 30, 2011, we had $2.4 million of standby letters of credit outstanding under the Revolving Facility, as well as bid and performance bonds drawn under a variety of separate committed and uncommitted bonding facilities, which were not material singularly or in the aggregate.

For purposes of local payroll and other operating expenses we typically maintain cash balances with local banks in many of the foreign jurisdictions in which we operate. In some jurisdictions, our ability to transfer such balances to our central accounts can require a period of weeks, or even months, due to local banking and other regulatory requirements. We do not consider the cash balances maintained in such accounts to be material.

Our principal uses of funds are anticipated to be for operating expenses, capital expenditures (including investments in our MultiClient library), construction of vessels and debt service.

Based on cash balances, available liquidity resources, and the current structure and terms of our debt, we believe we have adequate liquidity to support our operation and investment program. We have a solid debt structure as to existing debt, with no material scheduled maturities until 2012 and financial covenants that are not unduly restrictive.

We cannot assure you, however, that our business will generate sufficient cash flow from operations or that future borrowings will be available to us under the Revolving Facility in an amount sufficient to enable us to repay our indebtedness or to fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness on or before maturity. However, materially adverse future market developments could require us to implement measures to meet financial covenants or refinance debt. We cannot assure you that we will be able to refinance any of our indebtedness on commercially reasonable terms or at all. To service our indebtedness, including the Notes, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control.

Capital Expenditures

The following table summarizes our capital expenditures incurred, whether or not paid, for the periods indicated. Please refer to the relevant statements of cash flow included elsewhere in this Offering Memorandum for more detailed information.

	Year ended December 31		Nine months ended September 30,	
	2009	**2010**	**2010**	**2011**
	(in $ millions)			
Seismic in-sea equipment	82.0	120.4	82.3	117.7
Vessel upgrades/Yard	8.9	36.0	30.7	52.5
Processing Equipment	7.4	14.1	10.9	9.9
New builds	128.3	34.7	34.3	48.7
Other	4.6	6.2	4.3	3.9
Total	**231.2**	**211.4**	**162.5**	**232.8**

In the nine months ended September 30, 2011, the primary capital expenditures were seismic in sea equipment, primarily GeoStreamer, and costs in relation to scheduled classing and periodic maintenance, mainly related to *Ramform Viking*, *Ramform Challenger*, *PGS Apollo* and *Pacific Explorer*. We also recorded significant capital expenditures on new builds after final agreements with Mitsubishi in February 2011.

In February 2011, we ordered two fifth generation Ramform vessels, with the option for another two vessels, from Mitsubishi. Final agreements were signed in April 2011. The vessels are the first in the new, fifth-generation Ramform series. Agreed deliveries of the two first vessels are in 2013, while the options for delivery for the two additional vessels in 2015 must be declared by April 2012.

The estimated total cost of the new generation Ramform is approximately $250 million each, including commissioning and a comprehensive seismic package, but excluding capitalized interest cost. The agreement with Mitsubishi provides for payment based on five defined milestones, with 50% payable upon delivery. See "Business—Material Contracts." In-sea seismic equipment is being procured by us separate from the shipbuilding contract. The capital expenditure on the first two vessels in the nine months ended September 30, 2011 was $48.7 million.

We expect to focus our capital expenditures primarily on the construction of new vessels and continued GeoStreamer roll-out as well as capital replacement, equipment upgrades and other maintenance spending on our existing fleet. We currently expect to spend approximately $275 million on capital expenditures in 2011, of which approximately $125 million is expected to be allocated to the maintenance of our existing vessels, facilities and equipment and approximately $150 million of our 2011 capital expenditures budget is expected to be allocated to the construction of the fifth generation Ramform vessels, the GeoStreamer roll-out and capacity expansion in data processing. We continuously reevaluate our capital budget based on market conditions and other factors and may defer or accelerate capital expenditures depending on market conditions or our ability to obtain capital on attractive terms. Depending on the market demand for marine seismic services or other growth opportunities that may arise, we may require additional debt or equity financing. In addition, we are currently exploring the availability of the Export Credit Financing, which based upon discussions, will be secured by such new vessels and certain other collateral related to such vessels. If we were to obtain such financing on terms acceptable to us, such indebtedness would increase our debt commitments. See "Description of Certain Financing Arrangements—Export Credit Financing."

Off-balance sheet arrangements

The Company had aggregate outstanding letters of credit and related types of guarantees, not reflected in our Audited Consolidated Financial Statements, of $63.7 million and $49.3 million as of December 31, 2010 and 2009, respectively. Other than these items and certain long-term agreements entered into with customers and suppliers, we have not entered into any other off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Quantitative and Qualitative Disclosure about Market Risk

The following discussion should be read in conjunction with the notes to our Audited Consolidated Financial Statements contained elsewhere in this Offering Memorandum, which summarize our significant accounting policies with respect to, among other things, derivative financial instruments and hedging, and provide certain information with respect to derivative financial instruments held by us.

In the normal course of business, we are exposed to certain market risks, including adverse changes in interest rates and foreign currency exchange rates, as discussed below. These foreign exchange rate risks principally relate to risk on cash flows related to sales, expenses, financing, and investment transactions in currencies other than the U.S. dollar. The interest rate risk primarily relates to indebtedness outstanding under our Credit Facility. We enter into derivative contracts to hedge partially the foreign exchange rate and interest rate risks.

Interest rate risk

We enter into financial instruments, such as interest rate swaps, to manage the impact of interest rate fluctuations. As of December 31, 2010, our debt structure included $470.5 million in floating interest rate debt with interest based on three month LIBOR rates, plus a margin. The fixed interest rate debt, consisting of the Convertible Notes, had a book value of $319.6 million as of December 31, 2010. In July 2011, we repurchased $51.4 million in principal amount of Convertible Notes reducing the aggregate principal amount outstanding to $293.1 million using $50.6 million of available cash. To reduce the adverse effects of any interest rate increases, we have a portfolio of running interest rate swaps (“Interest Rate Swaps”) that has a total nominal value of $300.0 million and a portfolio of forward starting interest swaps that has a nominal value of $200.0 million as of September 30, 2011. The forward starting interest rate swap will start running when $200.0 million of the current running interest rate swaps mature, effectively extending the fixed interest rate period. The fair value of the Interest Rate Swap portfolio was negative $28.1 million as of December 31, 2010. The Interest Rate Swaps are for periods of six months to four years. Taking into account the effect of Interest Rate Swaps, for every (hypothetical) one percentage point increase in LIBOR, the annual net interest expense of our debt, including finance leases, would increase by approximately $2.6 million.

Our policy is to maintain a minimum of 50% of our borrowings in fixed rate instruments using interest rate swaps to achieve this when necessary. As of September 30, 2011, we had approximately 78% of our debt at a fixed interest rate.

Currency exchange risk

We conduct business in various currencies, including the U.S. dollar, Brazilian real, Euro, Singapore dollar, Nigerian naira, British pound and Norwegian kroner. We are subject to foreign currency exchange rate risk on cash flows related to sales, expenses, financing, and investment transactions in currencies other than the U.S. dollar. We predominantly sell our products and services in U.S. dollars, but also to some extent in other currencies. In addition to U.S. dollars, a significant proportion of our operating expenses are incurred in British pounds and Norwegian kroner; less substantial amounts are incurred in Singapore dollars and various other currencies. Thus, regarding expenses and revenues in currencies other than the U.S. dollar, such expenses will typically exceed revenues.

A stronger U.S. dollar reduces our operating expenses as reported in U.S. dollars. For example, we estimate that a 10% appreciation of the U.S. dollar against the two most significant non- U.S. dollar currencies, Norwegian kroner and British pounds, would have had an annual net positive impact on our operating profit for the year ended December 31, 2010 of $15 million to $20 million and $6 million to $10 million, respectively, before currency hedging.

We hedge part of our foreign currency exposure related to operating income and expenses by entering into forward currency exchange contracts. While we enter into these contracts with the purpose of reducing our exposure to changes in exchange rates, we do not treat these contracts as hedges unless they are specifically designated as hedges of firm commitments or certain cash flows. Consequently, these forward currency exchange contracts are recorded at estimated fair value with gains and losses included in other financial items, net.

As of December 31, 2010, we had net open forward contracts to buy/sell British pounds, Norwegian kroner, Euro, Singapore dollars, and Brazil's real. The total nominal amount of these contracts was approximately $240.5 million, compared to $319.0 million at year-end 2009. Of the total notional amounts of forward exchange contracts, none were accounted for as fair value hedges as of December 31, 2010 and $8.7 million were accounted for as fair value hedges as of December 31, 2009. There were no designated foreign currency cash flow hedges in 2010 or in 2009. Outstanding contracts at year-end 2010 had a net negative fair value of $0.1 million, compared to a net positive fair value of $14.4 million at year-end 2009.

At December 31, 2010, 10% appreciation of the U.S. dollar against all the currencies we have derivative contracts in, would decrease the fair value of these contracts by approximately $7.1 million. The profit and loss effect of such change would be a loss $7.1 million. All interest bearing debt is denominated in U.S. dollars.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations is based upon our Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted under IFRS. The preparation of these financial statements requires us to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities.

For a discussion of the significant accounting policies that impact our Consolidated Financial Statements, see note 2 to our Audited Consolidated Financial Statements appearing elsewhere in this Offering Memorandum.

INDUSTRY OVERVIEW

Marine Seismic Market Overview

Seismic surveys provide information about the geological structure below the earth's surface and are used in the exploration of oil and gas and the production phase of an oil and/or gas field life cycle. In order to obtain marine seismic data, compressed air guns towed by a survey vessel create energy pulses that are reflected from the subsurface and detected by hydrophones towed on streamers. The survey vessel records the data from the reflected energy. Computer software then processes this data to produce a subsurface image, which is used to identify areas where the accumulation of hydrocarbons is most likely to be. This highlights the most promising places to drill for oil and gas, or to drill injection wells to optimize reservoir management.

Technology plays a pivotal role in the marine seismic market, and as such, continuous development has driven the increase in exploration success rates. Advanced seismic technology enables oil companies to better characterize prospects, increase drilling efficiency and identify resources in new complex plays (such as sub-salt). Additionally, technology drives demand for vessel-intensive acquisition services and vessel utilization rates: if there are more streamers on a vessel, the seismic data acquired is of a higher quality and the seismic operations will be more efficient. One example of technological development is HD3D seismic acquisition approach, a premium suite of seismic data products that addresses a broad range of challenges in exploration, reservoir description, and reservoir monitoring. Measured in vessel months, HD3D activity accounts for approximately 30% of the total seismic market and is expected to grow in the coming years. Demand for HD3D and especially 4D surveys is more stable in a downturn than demand for conventional 3D seismic, given its exposure to the more sustainable and less cyclical production segment.

According to industry consultant Spears & Associates, Inc. ("Spears") in their January 2011 report, the size of the global seismic industry was $11.8 billion in 2010, including seismic acquisition, data processing and the sale of seismic equipment. The seismic industry represents approximately 5% of total spending in the oilfield services market, and Spears expects the market to grow by 5% to $12.3 billion in 2011. In addition, based on our own estimates, we expect the marine seismic data acquisition market to grow by 12-13% measured by square kilometers surveyed.

There are four leading participants in the marine segment (WesternGeco, CGGVeritas, Fugro and PGS) who together operate approximately 75% of the global fleet of seismic vessels and streamer capacity. Based on the number of towed streamers, our estimated market share is 22%.

Key Drivers

The seismic industry is dependent upon the spending levels of oil and gas companies for exploration, development and production of oil and gas. Traditionally, these spending levels are heavily influenced by the prices of oil and gas and have the following effects:

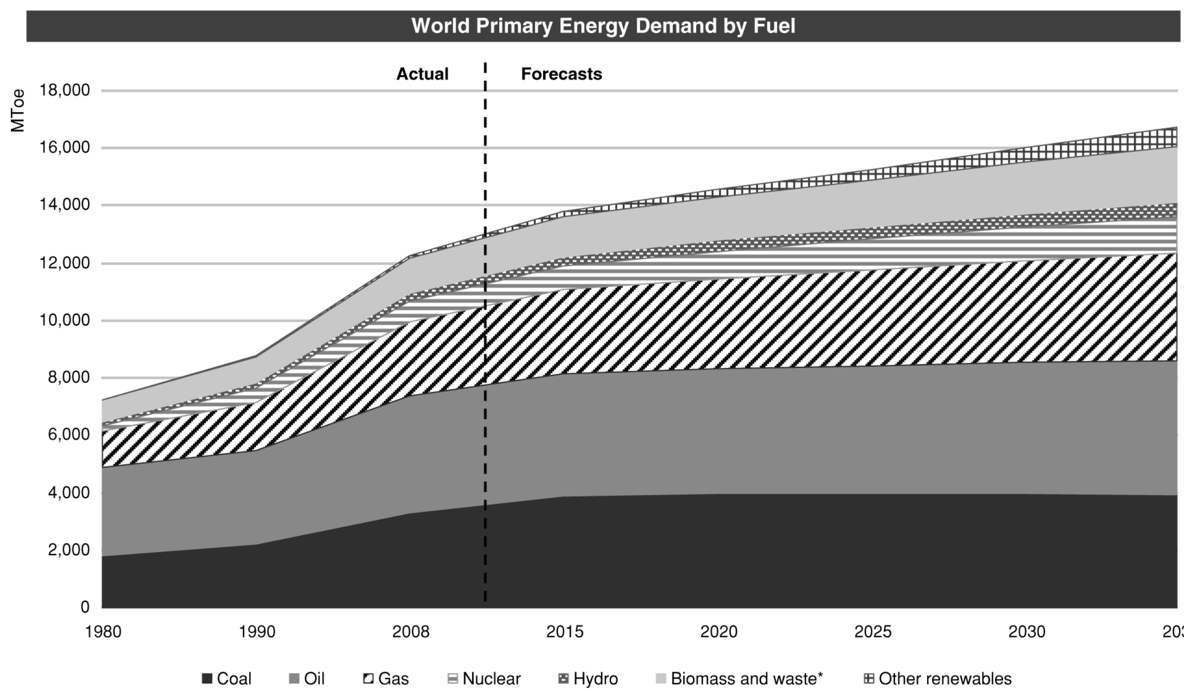
- Any incremental cash flow generated by operators due to a higher oil price environment provides more flexibility to increase exploration expenses: i.e., more seismic data acquisition;
- Contrarily, when oil prices decrease, operators re-focus on development/production and put on hold their exploration programs; and
- There is a high correlation between the price of Brent Blend and seismic sales leads and active tenders.

MultiClient seismic activity has historically been a leading indicator for a recovery. When oil exploration and production companies with a cautious approach to spending in a downturn become more optimistic and consider new exploration opportunities, they tend to buy MultiClient data, which is cheaper than proprietary contract work, leading to an increase in MultiClient interest. In a strong commodity market where our clients are more confident about the price of hydrocarbons, we will generally see companies start to be more interested in our Marine Contract offerings.

In recent years, 4D surveys (production seismic) have increased market share. Demand for 4D surveys is less cyclical than demand for conventional 3D seismic, due to its focus on already producing fields. According to E&P research by major brokerage houses approximately 80% of the total E&P spending is used for development of producing fields; hence the seismic sector is becoming less cyclical with higher exposure towards the production segment.

The Demand Side

In 2011, Brent oil prices have averaged $111.26 per barrel. Based on the forward curve as of November 2, 2011, Brent forward price average is $95.10 per barrel for 2015 according to Bloomberg. The increase in global capital expenditure budgets for 2011 in tandem with higher oil prices (and consequently higher oil price expectations) is consistent with historical trends and these forecasted prices are well above the level needed to justify exploration and development of reserves in most regions. Following underinvestment by the oil industry in the late 1990s and early 2000s, spare production capacity has been reduced. Exploration remains a key tool for oil and natural gas companies to improve reserve replacement ratios and increase production. According to the IEA World Energy Outlook 2010, worldwide primary energy demand is forecasted to increase by approximately 36% by 2035.



Source: IEA World Energy Outlook 2010. New Policies Scenario. * Note Biomass and waste includes traditional and modern uses.

Furthermore, according to the IEA, the contribution of offshore discoveries, including deepwater, has increased significantly since the early 1990s and since 2000, more than half of all the oil that has been discovered is in deep water. In our view, the average discovery sizes in the period 2005 through 2009 (the latest data available to us) of ultra deep water and deep water as compared to shelf and onshore supports the attractiveness of deepwater reserves as a relatively hydrocarbon rich resource as compared to onshore and shelf basins.

The Supply Side

The seismic industry is traditionally characterized by low barriers to entry. As demand for seismic services has increased, the industry has historically been quick to respond with increased investment in new build vessels, with a lead time of approximately two years. In the last cycle, a number of new seismic companies were established as vehicles for investment in speculative capacity. These companies have targeted the low- to mid-end segments for 3D vessels equipped with six to ten streamers. These vessels are often economically viable in high day rate environments, but struggle to become cash positive in an oversupplied market. Our Ramforms lead the industry in purpose built high capacity streamer vessels, which increase the efficiency of marine seismic surveying and are thus better equipped to handle low day rate environments.

Despite the increase in seismic activity and significant reduction of 3D capacity in the seismic industry in 2009, there is still a surplus in the market. During 2010, there was a capacity increase of approximately 20%, measured by number of streamers, primarily as a result of delivery of vessels ordered before the market downturn late 2008. The oversupply has continued to put pressure on pricing for conventional seismic acquisition. According to our estimates, capacity growth in 2011, 2012 and 2013 is expected to be 7%, 7% and 5%, respectively.

The Current Outlook

Continued high oil prices as well as an increased need for oil exploration to sustain and increase current production levels of oil and gas yields a solid demand for marine seismic services.

In the short term, we believe that supply and demand will gradually even out for a number of reasons:

- *Normalization of the situation in Gulf of Mexico.* The Macondo Incident led to a drilling ban in the U.S. waters of Gulf of Mexico, resulting in a standstill in new marine seismic acquisition. The situation is showing signs of slowly normalizing, with new permits awarded to seismic companies and the announcement of Western Gulf of Mexico Lease Sale 218 scheduled for December 14, 2011. We believe that eventually this will lead to more seismic vessels back in to the Gulf, resulting in lower vessel availability elsewhere in the world and more normalized supply and demand dynamics in those areas.
- *Increasing interest in HD3D seismic surveys.* As the oil companies realize the benefit of denser seismic data as a tool for minimizing risk, the uptake of HD3D will continue to increase. With more streamer capacity being allocated to single surveys, reducing the number of available streamers in the market.
- *Continued high oil price.* The geopolitical uncertainty in many regions combined with increasing demand for oil is likely to sustain an environment in which oil prices remain high. This price level will sustain and increase the exploration capital expenditures among oil companies.

As energy companies continue their search for new hydrocarbon resources in regions involving deeper waters, harsher environments, extreme reservoir depths and complex geologies, the use of seismic as a risk mitigating tool and, in particular, the use of high density seismic technology in which we have a leading position, are likely to increase. Marine seismic surveys will play a more prominent role in balancing the reserve replacement ratio and maximizing production output from depleting fields. OPEC's 2010 World Oil Outlook estimates that the world energy demand is forecast to increase 40% by 2030, and oil demand under OPEC's reference case is forecast to reach 105.5 million barrels per day by 2030 (up 21 million barrels per day from 2009). As the costs of drilling offshore in deep water increase, the need for risk reduction through accurate and deep penetrating seismic images will become more imperative.

BUSINESS

Our Business

We are a leading marine seismic survey and data processing company operating in all of the major oil and natural gas offshore basins worldwide. We acquire, process, analyze, interpret, license and sell seismic data to a wide range of the independent and sovereign oil and gas exploration and production companies worldwide, which in turn use these data to identify subsurface indicators for hydrocarbons, determine the size and structure of reservoirs, and optimize reservoir production. In addition, we own and market a valuable marine seismic data library and license the use of these data to clients on a non-exclusive basis.

Noted for our technological innovation, we rank among the three largest marine seismic survey and data processing companies measured by marine three dimensional (3D) acquisition capacity. Headquartered in Lysaker, Norway, we currently own and/or operate 11 marine 3D streamer vessels including seven vessels of the unique Ramform class and have 39 offices, including 25 data processing centers, in 26 countries. We are a public company with our shares listed on the Oslo Stock Exchange (Symbol: PGS) with a market capitalization of approximately $2.2 billion as of November 2, 2011. For the twelve months ended September 30, 2011, we generated total revenues of $1,273.1 million and EBITDA of $553.0 million and, as of September 30, 2011, had an order book of $501 million.

The combination of our superior fleet and data streamer technology enable us to have a leading position in the growing HD3D segment of the overall seismic market. Due to our unique and innovative Ramform vessels, we believe that, on average, we are able to acquire a larger area of data per day than our competitors, and achieve higher resolution more efficiently through the use of our HD3D capabilities. The Ramform's wide delta-shape hull, which allows for up to 22 streamer reels across the back deck supported by advanced streamer handling and towing systems, enables us to safely and efficiently operate more streamers per vessel than our competitors. Our innovative and unique GeoStreamer technology, launched in 2007, is the industry's only dual sensor marine streamer with both pressure and velocity sensors, providing superior quality data with less image noise, wider bandwidth and higher resolution. GeoStreamer GS, our latest technology that combines the proven GeoStreamer technology with our new source technology, GeoSource, is the first marine acquisition system to eliminate both source and receiver ghosts, resulting in superior bandwidth and data quality. Several of our innovations, including GeoStreamer, are secured by patents that protect what we believe to be competitive advantages. As of December 31, 2010, we held 253 patents under the laws of the United States, the United Kingdom and Norway.

Our innovation and advanced technologies extend to our data processing operations, which provide high quality and increasingly fast seismic imaging to our clients and for our data library. We maintain a full suite of state-of-the-art imaging technology, with a focus on productivity and technology differentiation. Our data processing operations are further enhanced through proprietary imaging techniques that, when combined with GeoStreamer, create what we believe to be the highest quality data for our customers.

Our operations are organized into four business units: Marine Contract, MultiClient, Operations, and DP&T.

- Marine Contract initiates and manages client relationships for seismic data acquired under exclusive contracts with a diversified client base comprising a wide range of the world's independent and sovereign oil and gas exploration and production companies, such as Petrobras, Statoil, Total, ENI, BP, Chevron, Cairn Energy and the Norwegian Petroleum Directorate. Marine Contract seismic work accounted for approximately 70% of our streamer utilization in 2010 and approximately 66% of our streamer utilization in the nine months ended

September 30, 2011. For the twelve months ended September 30, 2011, Marine Contract revenues were $642.3 million, or 50% of our total revenues.

- MultiClient initiates and manages the projects and the client relationships related to seismic data licensed on a non-exclusive basis from our library of field surveys covering substantial parts of the major offshore hydrocarbon basins that we and our clients believe have the highest potential for development such as offshore Brazil, the Gulf of Mexico, offshore West Africa, the Mediterranean Sea and the North Sea, while we retain ownership of the seismic data. This enables us to provide multiple companies licensed access to the data. MultiClient has two revenue sources: (1) pre-funding of surveys from customers (together with our investment) and (2) late sales from our MultiClient library of acquired and processed data. MultiClient survey production accounted for approximately 30% of our streamer utilization in 2010 and 34% of our streamer utilization in the nine months ended September 30, 2011. For the twelve months ended September 30, 2011, MultiClient revenues totaled $505.9 million representing 40% of our total revenues, of which $261.6 million, or approximately half, consisted of customer pre-funding.

- Operations supports both our Marine Contract and MultiClient units with reliable and efficient data acquisition by managing the operation of our seismic vessels and related equipment, including fleet expansion and maintenance. We estimate that we have the most cost efficient fleet, measured by cash cost per streamer per day, of high-capacity streamer vessels in the world that are crewed by well trained, highly experienced personnel. We own and/or operate seven Ramform vessels that have substantially higher production capacity than conventional ships used by our competitors. In addition, our Operations unit ensures compliance with our strict HSEQ policy in connection with vessel operation.

- DP&T processes the seismic data we acquire for our MultiClient library and for our clients on contract and manages our research and development activities.

  - Our worldwide network of data processing centers offers the flexibility to deliver customized seismic processing services in major centers, in remote locations and on all our seismic vessels. We have significant experience in the world's most hydrocarbon rich areas allowing us to offer high quality processing services for marine streamer, land and seafloor data regardless of whether the data was acquired by our vessels or by another acquisition provider. For the twelve months ended September 30, 2011, data processing external revenues totaled $111.1 million, or 9% of our total revenues.

  - Geoscience & Engineering constitutes our research and development center. Core projects are GeoStreamer, fiber optic technology, survey fleet efficiency, high-end imaging and automation, and EM acquisition development. We are also known for our leading edge technology in image enhancement and presentation once the data is acquired.

Business Strengths

We believe that we benefit from the following key strengths:

Superior fleet. Led by the unique design of our Ramform vessels, we currently have the leading position in the high end 10+ streamer market segment by number of vessels. The ability to tow large, dense streamer spreads—as well as rapid streamer deployment and retrieval systems—are critical factors governing seismic acquisition efficiency. Our Ramform vessels with their "Delta" shape are specially designed to excel at these tasks through their wide back deck permitting us to tow more streamers. This higher streamer capacity combined with other technological innovations on our newer Ramform vessels such as the roll compensated helideck, steerable sources, dual workboat capacity and unique gear handling systems, result in greater data acquisition capacity and cost efficiency compared with conventional vessels. As a result, we believe that, on average, we are able to acquire a larger area of data per day than our competitors, and achieve higher resolution more efficiently through the use of our HD3D capabilities. We currently own and/or operate 11 marine 3D streamer vessels: seven vessels of the unique Ramform class which are equipped with up to 22 streamer reels; one 10-streamer vessel; and three six-streamer vessels.

Technological leadership. We believe that we have some of the most advanced technologies in the marine seismic industry. Our flagship GeoStreamer technology is the only towed dual-sensor streamer in the industry, yielding greater depth penetration, enhanced resolution, and improved operational efficiency as compared to conventional streamers. GeoStreamer technology is unique in its ability to generate sharper, more precise imaging for complex targets, at great depth or beneath salt, basalt, and other complex geological structures. In addition to acquiring better seismic data quality, the GeoStreamer can be towed deeper below the sea surface than a conventional streamer, which significantly improves operational efficiency under rough sea conditions. We have recently introduced GeoStreamer GS, combining our GeoStreamer with our new GeoSource technology resulting in improved image resolution for our clients. Our technological leadership enables our customers to obtain new insight into mature exploration and production areas and more accurately predict reservoir parameters.

Focus on HD3D. HD3D is a premium product suite that addresses a broad range of challenges in exploration, reservoir description and reservoir monitoring. HD3D has grown significantly over the last eight years and is estimated to have represented approximately 40% of the total market in 2010 measured by streamer usage. We believe that the demand for HD3D, and especially 4D surveys, is more stable than conventional 3D seismic surveys. This stability is driven in part by our customers' need to explore deeper and more complex reserves and in part by the increased focus on maximizing recovery of remaining hydrocarbons from their existing fields, which are typically allocated in our customers' production budgets and are typically less exposed to cyclical variations. In 2010, approximately 65% of the streamer capacity on our Ramform vessels was used on HD3D data acquisition compared to, according to our estimates, approximately 35% for the rest of the industry.

Leading MultiClient library while maintaining spending discipline. We own one of the largest and most geographically diverse libraries of marine MultiClient 3D data including substantially all of the major marine oil and natural gas basins in the world. The total size of our library exceeds 400,000 km^2 of high quality worldwide 3D seismic data and more than 200,000 line kilometers of 2D data uncovering frontier and developing hydrocarbon areas. Unique to PGS, MegaSurveys combine several MultiClient data sets of many different vintages and types into one large continuous seismic image data set, giving clients a cost effective way of acquiring large sets of data in a region at a fraction of the cost for obtaining such data individually. This allows them to gain a deeper understanding of the region's geology and hydrocarbon potential than through single data sets. We seek to mitigate the cost-recovery risks associated with obtaining the MultiClient library through pre-funding of the acquisition costs. For example, pre-funding as a percentage of cash investments in MultiClient data, excluding capitalized interest, has exceeded 100% in six of the last eight years.

High operational efficiency. Our Operations unit is the backbone of delivery for efficient seismic acquisition. Our Ramform vessels and GeoStreamer technology provide the platform, but our efficient streamer handling and smooth operation of seismic surveys are achieved through strong maintenance programs, homogenous work processes and equipment pools, and continuous improvement efforts of our personnel and crew to ensure that our vessels and equipment are operating effectively. These efforts have seen several back-deck equipment advances that are proprietary to our seismic survey acquisition. Our technical downtime as a percentage of total fleet time, which is the ratio of downtime (excluding standby, unfavorable weather, and voyage time) to time spent on survey production activities, has been on a decreasing trend from 20% as of December 31, 1997 to 7% as of December 31, 2010, despite increased size and complexity of operations.

Experienced management team and highly qualified workforce. We have a highly experienced management team with over 120 years of experience collectively at PGS or in our industry, which we believe is key to our success. Management have improved HSEQ and operational efficiency that have driven our recent performance in a testing market. In addition, the experience of our management team has been demonstrated through a significant reduction in net interest bearing debt from $1,135.6 million as of December 31, 2008 to $421.6 million as of September 30, 2011, notwithstanding the recent overcapacity and pricing pressure present in the marine seismic industry. We also employ geophysicists, geologists, engineers and other highly skilled persons that have contributed to maintaining our operational excellence and leading technology in the industry. We believe that the strength of our management team and our highly qualified workforce will be a significant factor in maintaining our competitive advantages and charting our strategy for the future.

Business Strategy

Our strategy is to be the most effective high-end marine 3D seismic data provider and to manage our business successfully through any market eventuality. The key elements of our strategy are as follows:

Maintain and enhance our fleet advantage. Continuing to enhance the cost efficiency of our fleet will enable us to continue to deliver our services at a low unit cost, reduce our exposure to the cyclicality of the seismic industry, and enable us to deliver higher margins in weak parts of the cycle as compared to our competitors. We also believe that the short-term outlook for the geophysical services sector, particularly the marine segment, is characterized by a continuing recovery in demand that will eventually satisfy the current market overcapacity and trigger a price increase, particularly at the high (HD3D) end of the market. To prepare for this, we have contracted to build two new fifth-generation Ramform vessels for delivery in 2013, with an option exercisable by April 2012 to purchase two additional vessels from the same manufacturer for delivery in 2015. These vessels are designed to take full advantage of our GeoStreamer technology and will further strengthen our leading position in the fastest growing and most advanced segments of the seismic market. We have established a disciplined organic expansion program upgrading some of our existing fleet to, among other improvements, equip the majority of our 3D fleet with GeoStreamers by the end of 2013. This will allow us to maintain our leading position in the growing HD3D market.

Continue to develop innovative technology. We believe that the development of new technologies will be necessary to meet the demand for geophysical services as our clients continue to request our surveys in more challenging locations offshore. We intend to build on our industry leading technologies through our research and development efforts. Some of the current initiatives include:

- Next generation updates and enhancements for our GeoStreamer and GeoSource technologies to further improve our industry leading data clarity in our surveys.
- Further improvements to our data processing using, among other technologies, beam migration technology, such as our proprietary PGS hyperBeam, to deliver better images more quickly to our customers. This would allow our clients to adapt their surveys quickly, enabling more informed decisions to cut costs and reduce risk.
- Development of our towed EM streamer system, which is expected to be launched in 2012 and make EM data significantly cheaper and more easily accessible to oil companies by improving efficiency compared to already commercialized methods. EM data could provide more detailed information about the fluid content of potential reservoirs as compared to standard seismic data.
- Successful completion of the first installation and continued improvement and marketing of OptoSeis, which is a fiber-optic seismic monitoring system that will be permanently installed on

the seabed to optimize reservoir recovery at producing fields by providing on-demand seismic monitoring of reservoir changes over time.

We believe that to sustain our leadership position in the marine geophysical industry, we need to continuously address changing customers' needs and requests. This may lead to selective investments in technologies/services developed outside PGS. We expect any such investment to have clear synergies with our core business, enhance our high-end positioning, and have the potential for significant financial returns. Investments could take the form of part ownership until the new technology/service has shown enough potential to be included in our core business.

Enhance efficiency. We intend to continue to focus on the efficiency of our operations. Our Operations unit seeks ways to further minimize technical downtime and maximize utilization and cost efficiency as a key to maintaining our competitive advantage and enhancing our margins. We have emphasized maintaining a culture focused on HSEQ across our business as a way of increasing productivity by reducing work-related incidents. Through continuous risk assessments and improvements of processes and systems, we seek to deliver sustainable excellence in operations. In addition, we are continuing to upgrade our seismic vessels with our leading back-deck and in-sea equipment technology to further improve efficiency.

Develop well-positioned data libraries. We intend to take advantage of our global footprint, excellent customer relationships and local knowledge to create additional value from our MultiClient library. We have recently established MultiClient as a separate business unit to provide enhanced focus and improve performance. We believe that MegaSurveys are one of our key competitive advantages in this area, and intend to selectively allocate streamer resources to grow our library and further diversify our product offering, which we believe will provide greater protection in market downturns. We will also maintain our policy of significant pre-funding, varying depending on the individual project, to mitigate the risks in our investment.

Maintain prudent capital structure. We intend to maintain a prudent capital structure that includes diverse financing sources and conservative leverage. As demonstrated by our equity private placement in November 2010 and our significant long-term debt reduction since 2008, we seek to preserve a conservative financial profile. We have contracted with Mitsubishi to build two new fifth generation Ramform vessels scheduled to be delivered in 2013 with an option for delivery of two additional vessels in 2015. We are currently exploring the availability of Export Credit Financing, which based upon discussions, will be secured by such new vessels and certain other collateral related to such vessels. See "Operating and Financial Review of Prospects—Liquidity and Capital Resources" and "Description of Certain Financing Arrangements—Export Credit Financing."

Our History

Petroleum Geo-Services ASA was established with the merger of Geoteam a.s. and Nopec a.s. in January 1991 and is a public limited liability company established under the laws of the Kingdom of Norway. We are organized as a holding company that owns subsidiary companies that conduct substantially all of our business. We listed our ordinary shares on the Oslo Stock Exchange in 1992, commenced an initial public offering and listing in the United States on NASDAQ in 1993, and in 1997 listed our American Depository Shares ("ADSs") on the New York Stock Exchange. Today, our shares remain listed on the Oslo Stock Exchange while quotations for our ADSs are available through the US Pink Sheets.

In the late 1990s, we designed, built and deployed six proprietary Ramform survey vessels and made some key acquisitions to become one of the worldwide leaders in developing and industrializing 3D marine seismic acquisition. As the year 2000 approached, we encountered financial difficulties due to aggressive growth in an unfavorable market straining our liquidity. Certain non-core asset sales and other dispositions provided some assistance, but, due to several factors, including a weakening seismic market, we voluntarily filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code in July 2003, emerging four months later.

We are now a focused marine geophysical company with the sale of Onshore seismic business to Geokinetics in late 2009 with our foremost competitive advantage being the Ramform seismic fleet. The Ramform vessel delivers proven operational capabilities, superior efficiency, and deploys state-of-the art technologies. We hold the industry record for towing and handling the greatest number of streamers. Fleet efficiency will improve further in 2013 when we take delivery of the first fifth generation Ramform vessel in the first half and the second fifth generation Ramform in the second half. Our proprietary GeoStreamer technology is another key competitive advantage, complemented and enhanced by sophisticated data processing and imaging capabilities.

Business Units

Marine Contract

Marine Contract initiates and manages client relationships for seismic data acquired under exclusive contracts with a diversified client base comprising a wide range of the world's independent and sovereign oil and gas exploration and production companies, such as Petrobras, Statoil, Total, ENI, BP, Chevron, Cairn Energy and the Norwegian Petroleum Directorate. Marine Contract seismic work accounted for approximately 70% of our streamer utilization in 2010 and approximately 66% of our streamer utilization in the nine months ended September 30, 2011. Our market share in the international marine contract market is driven by our distinct focus on specially designed seismic vessels that can tow the largest streamer spreads in the industry. In the twelve months ended September 30, 2011, Marine Contract revenues were $642.3 million, or 50% of our total revenues.

When we acquire seismic data on a contract basis, our customers direct the scope and extent of the survey and retain ownership of the data obtained. Most of our Marine Contract business is obtained through competitive bidding. We generally require approximately 30 days of preparation and diligence in order to prepare and submit a bid in response to a request for proposal. In certain circumstances, various factors, such as the difficulty of the sea conditions, sub-surface conditions and obstructions, may require considerably more time to prepare and submit a bid. Our clients usually ask us to quote a "turnkey" rate for each completed unit of recorded data, or they may ask for a "day rate" bid. Current market conditions at the time drive our portfolio of outstanding contracts in terms of pricing (turnkey, day rate or a combination of the two). A turnkey contract provides for a fixed fee to be paid per square kilometer of seismic data collected or based upon the number of seismic lines used. Day rate contracts provide for payments based on agreed rates per units of time, which are typically expressed in number of days.

We have entered into master service agreements with some of our clients. These agreements specify payment terms, establish standards of performance and allocate certain operational risks through indemnity and related provisions and are supplemented on a project-by-project basis. Our contracts generally contain provisions that require our clients to pay a standby rate for periods during which a project is delayed. However, these provisions may not cover all instances of delay, or may be limited in duration, although the customer assumes primary responsibility for interruption of acquisition operations due to factors that are beyond our control, including weather and permitting.

Marine seismic surveys are conducted through the deployment of submersible cables (streamers) and acoustic sources (airguns) from marine vessels. Streamers are each up to 10 kilometers long and carry hydrophone groups normally spaced 12.5 meters apart along the length of the streamer. The recording capacity of a vessel is dependent upon the number of streamers it tows and the number of acoustic sources it carries, as well as the configuration of its data recording system. By increasing the number of streamers and acoustic sources used, a marine seismic operator can perform large surveys more rapidly and efficiently.

In 2010, we utilized our active streamer 3D vessel acquisition capacity to perform contract operations in the Mediterranean Sea, the North Sea and off the coasts of West Africa and Brazil, as well as in the Asia-Pacific region. We also have expertise in frontier areas and have been pioneering in the Arctic seas and the East coast of Africa.

In many cases, data interpretation and processing is included in the total package bid, and in others it is bid separately. Where possible, we seek to combine our marine seismic acquisition with processing and interpretation services. Throughout the entire process we coordinate with our client in an effort to add value at each stage of seismic data acquisition, processing and interpretation. We believe that this integrated offering of seismic data services allows us to sell multiple or bundled services that offer our clients greater value and helps us to capture the highest available margins.

MultiClient

MultiClient initiates and manages projects acquiring data for our library of field surveys covering substantial parts of the major offshore hydrocarbon basins that we and our clients believe have the highest potential for development such as offshore Brazil, the Gulf of Mexico, offshore West Africa, the Mediterranean Sea and the North Sea, while we retain ownership of the seismic data. The processed data sets are marketed to multiple customers on a non-exclusive basis. MultiClient has two revenue sources: customers who are pre-funding surveys and late sales from our MultiClient library of acquired and processed data. Reservoir Services consulting is part of the MultiClient business. Reservoir Services constitutes a dedicated team of subsurface and production geoscientists providing interpretation and reservoir characterization expertise to PGS and external customers. In the twelve months ended September 30, 2011, MultiClient revenues totaled $505.9 million representing 40% of our total revenues, of which $261.6 million, or approximately half, consisted of customer pre-funding.

From the perspective of an oil and natural gas company, licensing MultiClient seismic data on a non-exclusive basis is typically less expensive on a per unit basis than acquiring the seismic data on an exclusive basis. From our perspective, MultiClient seismic data can be more cost effective to acquire and may be sold a number of times to different customers over a period of years. As a result, MultiClient seismic data has the potential to be more profitable than contract data. However, when we acquire MultiClient seismic data we assume the risk that future sales may not cover the cost of acquiring and processing such seismic data. Obtaining pre-funding for a portion of these costs reduces this risk, and typically we require a high level of pre-funding before beginning a project. In return for the pre-funding, the customer typically gains the ability to direct or influence the project specifications, to access data as it is being acquired and to pay discounted prices. We determine the level of pre-funding that we will require before initiating a MultiClient seismic survey by evaluating various factors affecting the sales potential of each survey. These factors include: the existence, quality and age of any seismic data that may already exist in the area; the amount of leased acreage in the area; whether or when an award of a license to explore and develop an area for production to be covered by a survey is expected to be granted; the prospectivity of the area in question for hydrocarbons and for future licenses of MultiClient data; the existing infrastructure of the region to transport oil and natural gas to market; the historical turnover of the leased acreage; the political and economic stability of the countries where the data is to be acquired; and the level of interest from oil and natural gas companies in the area. MultiClient survey production accounted for approximately 30% of our streamer utilization in 2010 and 34% of our streamer utilization in the nine months ended September 30, 2011.

Our MultiClient library contains "prospect-ready" 3D and 2D data and therefore accelerate the exploration-production process. Our unique MegaSurveys combine several MultiClient data sets of many different vintages and types into one large continuous seismic image data set, giving clients a cost effective way of acquiring large sets of data in a region at a fraction of the cost for obtaining such data individually. This allows them to gain a deeper understanding of the region's geology and prospectives than through single data sets.

We own a significant library of MultiClient data in all of the major marine oil and natural gas basins of the world, including the Gulf of Mexico, the North Sea, offshore West Africa, offshore Brazil and the Asia Pacific region. In 2010, we expanded the size and the value of our U.S. Gulf of Mexico, Brazilian, and North Sea MultiClient data set by acquiring new blocks in key areas and by imaging the subsurface with our latest processing technology. In particular, we used wide azimuth technology in the deep offshore waters of the Gulf of Mexico for improved sub-salt illumination.

In our MultiClient operations, we make initial sales of the data prior to project completion, which we refer to as pre-funding sales, and we refer to all further sales as late sales. We make a substantial portion of these late sales in connection with acreage licensing round activity in those regions where we have a data library. Typically, customers are required to pay an amount for access to the data and additional amounts, or uplift fees, upon award of a concession or sometimes upon execution of a production sharing or similar contract. We may also receive additional cash amounts as certain project milestones are reached. The timing and regularity of such license round activity varies considerably depending upon a number of factors, including in particular the geopolitical stability of the region in question. As a result, both the total amount and the timing of late sales can be difficult to forecast accurately, with potentially significant revenue swings from quarter to quarter and from year to year. See "Risk Factors—Risks Related to Our Business—We invest significant amounts of money in acquiring and processing seismic data for MultiClient surveys and for our data library without knowing precisely how much of the data we will be able to sell or when and at what price we will be able to sell the data." In addition, our seismic data licenses are typically transferable only under limited circumstances and only upon payment to us of a specified transfer fee.

We believe that offering marine seismic acquisition services in a MultiClient structure and licensing the data from our library is not only an effective business strategy in times of high capital spending, but also during times of industry-wide reductions in capital expenditures. In addition, in certain geographical markets, with the Gulf of Mexico as the most important example, the MultiClient model dominates over contract acquisition due to the nature of the licensing regime, block sizes and other factors. In 2007, we began data acquisition for Wide Azimuth surveys in the Gulf of Mexico, with the third of our wide azimuth surveys in the region, Crystal III completed in 2010. Exploration in the Gulf of Mexico has historically been hampered by the industry's inability to accurately image deep structure with conventional 3D narrow azimuth seismic data due to the complexity in the geology, such as multiple levels of salt sheets. Our Crystal III project has addressed this complexity with an imaging strategy using beam migration applied with the wide azimuth data. Excluding the Crystal III Wide Azimuth project, a significant majority of our MultiClient work now is accomplished using GeoStreamer. Using the GeoStreamer for MultiClient allows us to offer a differentiated product and showcase our GeoStreamer acquired data to a greater number of clients. In addition, the increased productivity of the GeoStreamer allows us to save acquisition costs when used for our MultiClient surveys.

The efficiencies we create by acquiring MultiClient seismic surveys allow our customers to acquire data at a lower cost and with less risk. Furthermore, through what we refer to as "PGS Equity," we have begun to assist startup companies and smaller exploration and production companies by providing access to our MultiClient library data and/or services in return for licenses or shares of equity. For each investment case, we develop a commercial model and exit strategy, and strive to ensure that any conflict of interest with our client base is avoided. As of December 31, 2010, the value of the PGS Equity portfolio was approximately $33.3 million. While the significant majority of our MultiClient sales are in cash, the PGS Equity business model provides additional flexibility where we see an advantageous opportunity.

Operations

Overview

Operations supports both our Marine Contract and MultiClient business units with reliable and efficient production by managing the operation of our seismic vessels and related equipment, including fleet expansion and maintenance. In addition, excellent HSEQ performance is important for reducing technical downtime and operating our seismic vessels cost-effectively. Operations personnel worldwide implement our HSEQ management systems, including continuous risk-assessment which improves all operations, processes and systems. In addition, automation of work processes onboard new vessels and equipment design upgrades enhance efficiency and reduce the risk of injuries.

Ongoing training and employee development have been vital to creating a skilled and motivated workforce. In addition, automation of work processes onboard new vessels and equipment design upgrades enhance efficiency and reduce the risk of injuries. In addition, we maintain a strong environmental focus and exercises sound corporate social responsibility at all levels.

2010 HSEQ Marine Performance

Excellent overall HSEQ performance and the industry's most efficient fleet have been key to reducing technical downtime and enhancing performance. We developed our HSEQ Management Systems in accordance with the guidelines set by the International Association of Oil and Gas Producers, International Association of Geophysical Contractors as well as international standards such as OSHAS 18001 and ISO 14001. Our HSEQ Policy describes how we manage health and safety risk, process risk, environmental matters relating to our business, including the impact on our operations in the locations in which we operate, and our relationships with customers, contractors and suppliers.

In 2010, our Marine operation had a Lost Time Incidents Frequency ("LTIF") of 0.889 per million man-hours, while in 2009 it was 0.589. The Total Recordable Case Frequency ("TRCF") was in 2010 2.795 per million man-hours compared to a TRCF of 2.357 in 2009. Technical downtime as a percentage of total fleet time has dropped sharply, from roughly 14% in 1992 to approximately 3.5% in 2010. In addition, we have had fewer interruptions during production runs. From 1997 to year-end 2010, production activity uptime, which measures the relationship between survey production activities and downtime, excluding standby, unfavorable weather, and voyage time, increased from 80% to 93%.

Fleet Enhancement, Expansion and Maintenance

In late 2010, we launched a fleet renewal and expansion program. Two new fifth generation Ramform vessels have been ordered from the shipyard Mitsubishi. The vessels build on the demonstrated strengths of the current Ramform fleet, while improving capabilities in a number of key parameters. Delivery of the first vessel is scheduled for the first half of 2013. The vessels will further strengthen our premier status in the fast-growing HD3D market segment, where a premium seismic data product is required to understand the geology at deeper target and in more complex structures. For conducting HD3D surveys large spreads are favorable, with long offsets and dense streamer separation, and the new fifth generation Ramform is even better suited for these surveys than the existing Ramform fleet. For more information regarding our vessels, please see below under "—Asset Base—Vessel Fleet and Crews."

To improve our data acquisition capabilities even further, we are in the process of rolling out GeoStreamer on the entire fleet and will take delivery of two new fifth generation GeoStreamer-equipped Ramform vessels in the coming three years with an option for two additional fifth generation Ramform vessels also from Mitsubishi. Considerable demand for GeoStreamer surveys justified the start of an accelerated GeoStreamer rollout in 2010. The *Ramform Valiant* was upgraded to a GeoStreamer vessel in the second quarter of 2010, and *Ramform Explorer* completed its GeoStreamer upgrade in the third quarter of that fiscal year. In addition, the *Ramform Viking* was equipped with GeoStreamers in the first quarter of 2011 and *PGS Apollo* in the second quarter of 2011. Currently, more than 50% of our streamer capacity uses GeoStreamer.

Data Processing & Technology

Data Processing

Our DP&T business unit focuses on delivering geophysical solutions that offer significantly improved imaging and characterization of customers' reservoirs. DP&T processes the seismic data we acquire and manages our research and development activities:

- Data Processing provides a full range of processing, advanced imaging, and reservoir-related processing services to a global exploration and production customer base—and to our MultiClient library and regional "MegaSurveys."
- Geoscience & Engineering constitutes our research & development center. Its core projects include GeoStreamer, fiber optic technology, survey fleet efficiency, high-end imaging and automation, and electromagnetic survey systems.

We provide seismic data processing and reservoir services through our network of data processing centers and reservoir teams located around the world. We operated 25 worldwide processing and imaging centers. External revenues from our Data Processing business accounted for 9% of our consolidated revenues in 2010 and 9% for the nine months ended September 30, 2011.

Data Processing Activity

We process seismic data acquired by our marine seismic acquisition crews as well as seismic data acquired by non-affiliated third parties. Wide-Azimuth and high-density acquisition trends in marine seismic data have been a significant source of the growth in demand for our data processing services. In addition, we reprocess previously processed data using new techniques to improve the quality of seismic images. Demand for processing and imaging remained relatively strong overall as of September 30, 2011 as high-end imaging technologies were in high demand.

Successful seismic surveys require careful planning to balance cost and quality objectives. We have developed one of the best and most comprehensive survey-planning software packages: Nucleus. Our proprietary Nucleus software is widely used throughout the oil and gas industry. It can simulate the results of a seismic survey with different source and receiver configurations through sophisticated seismic modeling. The release of Nucleus+ has increased user efficiency significantly.

Our unique holoSeis visualization technology is an integral part of the workflow—from quality control of seismic data during acquisition, to building complex velocity models for pre-stack depth migration and to visualize the end product for customers. We have more than 500 holoSeis installations worldwide in offices and onboard seismic vessels that provide the capability to visualize exceptionally large volumes of 3D data.

Processing Technology

We have invested considerable resources to developing and delivering efficient data processing solutions and technological differentiators to our clients. In the realm of time processing, this has included a client-rated "best in class" 3D SRME demultiple solution. We have also developed a widely used, proprietary suite of multidimensional regularization algorithms, and technologically advanced solutions for the automated selection of dense velocity fields including Optivel. Optivel uses a generic algorithm to quickly provide the optimum velocity and anisotropic parameter fields on even the densest processing grids. Focus is also placed on development projects to ensure that each processing project is completed with optimum efficiency, which brings clients excellent value for their money.

We also offer GeoStreamer as an integrated acquisition and processing solution. We have developed proprietary technology and built up considerable know-how concerning the generation of up-going pressure wavefield data (P-UP) and full processing through to the final product delivery. The GeoStreamer wavefield separation process was deployed onboard our 3D vessels in 2010. Workflows have been implemented to match the new GeoStreamer data with non-GeoStreamer legacy data in the context of 4D processing. Full backward compatibility has been demonstrated.

The enhanced low-frequency signal content delivered by GeoStreamer technology and the ability to separate the recorded wavefield into up- and down-going components can be used to improve velocity-model building and depth imaging. Our processing technology has been upgraded to take full advantage of these capabilities.

Data acquisition covering additional energy at the low-frequency range is also used as input to full waveform inversion, an automated method to refine seismic velocity models. The application of the technique to GeoStreamer data has been proven, and a 3D example was presented at the Society of Exploration Geophysicists (SEG) convention.

GeoSource

GeoSource was introduced at our Capital Markets Day presentation in 2010. GeoSource is a de-ghosting application developed for GeoStreamer data. GeoSource provides a full de-ghosting solution, wherein GeoStreamer removes the streamer ghost and GeoSource eliminates the source ghost. GeoSource further improves GeoStreamer bandwidth and gives unrivaled image resolution.

Innovation

We are investing in a significant portfolio of technology projects. It is important to invest in the right projects and to ensure that project performance adheres to best practices. We have comprehensive processes for idea generation, R&D portfolio management, and product development, as well as a strategy which forms the basis for technology roadmapping and technology R&D policies.

GeoStreamer, our unique dual-sensor solid streamer, will undergo further development. Significant research and development efforts continue to improve all elements of our acquisition systems and capabilities. The first GeoStreamer steering system was successfully installed on a 2D vessel in 2009 and on a 3D vessel in 2010. The 2010 installation included the initial deployment of lateral streamer steering for 3D GeoStreamer surveys. When fully deployed, the new system will consist of three main parts: the eBird three-wing depth and lateral force device, our proprietary onboard steering control system, and a new inline acoustic system for positioning seismic streamers. The eBird is a new type of inline depth and lateral force device developed in cooperation with Kongsberg Seatex. The system will provide benefits in several areas, including efficiency, HSEQ and data quality. The first full-spread production deployment has taken place in Q2 2011.

In 2009, we successfully tested our towed EM system over the Peon Gas Field in the North Sea. Field tests continued in 2010 with the first 3D tests at Peon and Troll and a simultaneous EM and seismic acquisition test. The Towed 3D EM system employs a single vessel that tows an EM source and EM streamers. This system is under development and promises to be significantly more efficient than the conventional node-based CSEM systems currently offered to the industry. The offshore tests run in 2009 and 2010 were major milestones in the towed EM development project. Field testing will continue in November 2011 with a new and stronger source that will improve the depth of investigation. Past tests have proved to be an excellent platform from which to develop a complete commercial product for launch in 2012.

In addition to GeoSource and towed EM, OptoSeis is another technological advancement in using seismic services for reservoir surveillance. OptoSeis is a fiber-optic seismic monitoring system that is permanently installed on the seabed. The system helps optimize reservoir recovery at producing fields by providing on-demand seismic monitoring of reservoir changes over time. In 2010, we signed an agreement with Petrobras to install a permanent seismic monitoring system at the Jubarte field off the coast of Brazil, which is a significant step in providing seismic services to our customers using this permanent monitoring technology.

Customers

We have a diversified client base for both our Marine Contract and MultiClient services consisting of a wide range of the world's independent and sovereign oil and gas exploration and production companies, such as Petrobras, Statoil, Total, ENI, BP, Chevron, Cairn Energy and the Norwegian Petroleum Directorate.

In 2010, our two most significant customers accounted for 12.7% and 7.5% of our consolidated revenues, compared to 16.1% and 6.7% in 2009 and 11.2% and 6.3% in 2008, respectively. The percentages exclude sales to customers from discontinued operations. Because we work on different projects for various clients on a regular basis, it is not uncommon for our top clients to change from year to year. See "Risk Factors—Risk Factors Related to Our Business—We are dependent upon a small number of significant clients."

Revenues by Region

The following table sets forth our consolidated external revenues by region for the periods indicated. Since we provide services worldwide to the oil and natural gas industry and a substantial portion of our property and equipment is mobile, the respective locations at the end of the period (as listed in the tables below, together with MultiClient library) are not necessarily indicative of the earnings of the related property and equipment during the period. The geographic classification of external revenues listed below is based upon location or performance or, in the case of MultiClient seismic data sales, the area where the survey was physically conducted.

	Year ended December 31,		
	2008	2009	2010
		($ in millions)	
Revenues external customers[(1)]			
Americas (excluding Brazil)	141.8	144.1	177.7
Brazil	112.4	238.1	177.2
UK	74.1	156.3	73.1
Norway	363.4	195.0	151.8
Asia/Pacific	510.7	288.4	245.8
Africa	202.8	200.9	215.2
Middle East/Other	242.2	127.4	94.3
Total	**1,647.4**	**1,350.2**	**1,135.1**

(1) Consists of property and equipment, MultiClient library, investment in associated companies, and goodwill and other intangible assets.

Sales and Marketing

Our MultiClient data is marketed primarily through our own sales organization. While we rely upon the traditional utilization of our key personnel in making sales calls, we also receive a significant amount of projects through word-of-mouth referrals and repeat client business.

Intellectual Property

Our patents, trademarks, service marks, copyrights, and licenses protect our proprietary technology. Our intellectual property rights collectively represent a material business asset. As of December 31, 2010, we held 253 patents under the laws of the United States, the United Kingdom, and Norway. For more information on our material trademarks and service marks, see "Trademarks and Trade Names." Additional innovations that are patent protected sharpens focus on competitive advantages achieved through technological differentiators.

Competition

General

Most contracts are obtained through a competitive bidding process, which is standard for the industry in which we operate. Important factors in awarding contracts include price, performance and timeliness of service, service quality, technological capacity, performance, reputation, experience of personnel, customer relations and long-standing relationships. We compete with large, international companies as well as smaller, local companies. In addition, we compete with major service providers and government-sponsored enterprises and affiliates. Some of our competitors have substantially greater financial and other resources.

Marine

The offshore sector has four leading participants: WesternGeco, PGS, Fugro and CGGVeritas who together operate approximately 75% of the global fleet of seismic vessels and streamer capacity. Based on the number of towed streamers, our estimated market share is 22%. From 1999 to mid-2004, the offshore market experienced excess supply, which put downward pressure on prices. Because of the high fixed costs in this sector, excess supply was not reduced by operators but rather channeled into MultiClient libraries. Whereas supply remained flat in 2003, demand increased gradually until mid-2004 and more rapidly thereafter, leading to a rapid and significant price recovery. The market upturn was confirmed in the second half of 2004 with a continuous increase of contract volumes and MultiClient sales of existing and new libraries, which continued until mid-2008. Following the decline in oil prices in the second half of 2008 and in 2009, demand in seismic services significantly decreased, which, together with the increase in the global fleet, has led to over-capacity in the offshore acquisition market and subsequent downward pressure on prices. To offset some of the supply/demand imbalance, most of the larger seismic companies took measures to reduce capacity. We estimate the number of 3D vessels (six streamers or more) decreased from 54 vessels at the end of 2008 to 47 at the end of 2009. However, in 2010, as the demand grew again, a significant number of new vessels that were ordered prior to the downturn entered the marine market. In addition, the seismic vessels that were conducting MultiClient surveys in the Gulf of Mexico at the time of the Macondo Incident were redeployed to the international contract market. Despite the growth in demand, the marine market remained oversupplied during all of 2010. We estimate the number of 3D vessels (six streamers or more) began increasing again, to 56 vessels at the end of 2010. We foresee an additional capacity increase in 2011 of approximately 9% measured by number of streamers, which is significantly lower than the approximately 20% capacity increase we experienced in 2010.

Data Processing

The processing, imaging and reservoir sector is very competitive. We compete based on a number of factors, including technology, price, performance, dependability, turnaround time and processing capacity availability. Our processing operations compete primarily for time processing contracts with WesternGeco and CGGVeritas. For depth imaging and other advanced processing applications, we also compete with several smaller processing companies such as GXT, which is a part of ION. We compete for time processing contracts based primarily on price and technology, but processing capacity, turnaround time and processing location are also important factors. This market is characterized by greater client loyalty than the acquisition sector, as evidenced by the presence of processing centers on client premises. Processing capacity has multiplied in recent years as a result of improvements in computing technology. This increase in computing power has allowed improved processing quality and deadlines, as well as the use of more complex and accurate algorithms. We estimate that the processing market has grown 5% in 2009 and 2010.

Subsidiaries

For a list of our subsidiaries as of December 31, 2010, see note 35 to our Audited Consolidated Financial Statements included elsewhere in this Offering Memorandum.

Employees

We had approximately 2,090, 2,192 and 2,058 employees (excluding Onshore employees) as of December 31, 2010, 2009 and 2008, respectively. In certain of the regions where we operate, certain of our employees are organized in labor unions. Our relationships with the unions have generally been good, but there remains a risk of industrial action that would impact our operations. See "Risk Factors—Risks Relating to Our Business—Organized strikes or work stoppages by unionized employees may have a material adverse effect on our business, financial condition and results of operations."

For the year ended December 31, 2010, our payroll costs including salaries and bonuses, social security, pension and other benefits equated to approximately $309.8 million. Our employees receive a salary with a variable annual bonus component and participate in certain defined benefits and defined contribution pension schemes. For a discussion of certain of our incentive plans and our pension scheme, see "Management" and notes 30, 33 and 34 to our Audited Consolidated Financial Statements.

Operating Conditions and Insurance

Our operations are exposed to extreme weather and other hazardous conditions. These operations are subject to risks of injury to personnel and loss of equipment. We have safety compliance programs staffed by full-time professional employees and a program for developing, implementing and managing our responsibility for the health and safety of our employees and the environments in which we operate. Systems for reporting and tracking the occupational health of our employees are in place in our business units. Company-wide initiatives focus on the further development of our environmental management systems. We consider each employee to be a vital contributor to health, safety and environment in our company, and we are fully committed to our health, safety and environment program.

Since 1994, we have operated our own captive re-insurance company through a wholly-owned subsidiary, Seahouse Insurance Ltd., that provides insurance for our seismic equipment, including marine acquisition vessels and equipment, onshore equipment and data processing and information technology hardware and software. As part of this insurance, all of our seismic vessels have a level of such insurance against war and terrorism risks that we believe is customary for our industry. As noted below, this insurance is subject to deductibles and limits of coverage and is supplemented by commercial reinsurance arrangements with creditworthy re-insurers.

We obtain a substantial portion of our casualty insurance through our wholly-owned captive re-insurance company. As of December 31, 2010, we retained a maximum risk retention of $9.8 million per year, in excess of underlying deductibles. Our various operating companies have a deductible per occurrence when obtaining this casualty insurance from the captive company, which include $125,000 for any one accident or occurrence for our seismic vessels, plus $100,000 additional machinery deductible for vessels built prior to 1990, and $200,000 for any one accident or occurrence for our streamers except for the Ramform S class which is $300,000 for any one accident or occurrence. Other deductibles for equipment in storage, in transit, seismic data and cargo vary between $15,000 and $100,000.

Regulatory and Environmental Matters

In various areas of the world, we are required to obtain and have licenses to acquire MultiClient seismic data. Licensing and permitting requirements vary widely. We believe that we have complied in all material respects with the licensing and permitting requirements relating to our acquisition of MultiClient data.

Our operations are also affected by the exploration and production licensing requirements of various governmental authorities. The timing and extent of licensing of areas for exploration and production activities influence the level of seismic activity within a particular country. Prospective licensees often purchase MultiClient seismic data prior to the award of a license. Following a license award, license holders will generally acquire seismic data for the newly licensed area if they have not previously obtained MultiClient data. In the North Sea, the governments of Norway and the United Kingdom generally hold licensing rounds for exploration and production every year. In the Gulf of Mexico, including blocks for exploration and production are typically held twice each year, once offshore Texas and once offshore Louisiana. In Brazil, a license round was last held in December 2008, as the subsequent round was withdrawn due to the large discoveries made offshore Brazil. The regulatory body in Brazil (*Agência Nacional do Petróleo, Gás Natural e Biocombustíveis*) plans on commencing the next round most likely in early 2012. In other areas of the world, the timing and extent of these licensing rounds might be more irregular, and the licenses awarded may be subject to resolution of border disputes. The length of the actual license to explore for oil and natural gas varies from region to region.

Additionally, our operations are affected by a variety of other laws and regulations, including laws and regulations relating to:

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

Our operations are subject to a variety of laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. Numerous governmental departments issue rules and regulations implementing their laws, which are often complex. Compliance with these rules and regulations is often costly, and failure to comply can carry substantial penalties or fines. Under these laws, rules and regulations, we may be liable for remediation or removal costs, damages and other costs associated with releases of hazardous materials including oil into the environment.

Efforts to improve safety and environmental performance over the last few years continued as some procedures were strengthened and others implemented to increase awareness among personnel and subcontractors, including obligatory regular meetings in the field and onboard our vessels. A comprehensive Health, Safety and Environment management system, placing particular emphasis on risk management, has been in place for many years, covering all activities and is continuously adapted.

We believe that we are in compliance in all material respects with these regulations. We cannot assure you, however, that any future changes in the requirements or mode of enforcement of these laws and regulations will not have a material adverse effect on our business, financial condition, results of operations or cash flows. See "Risk Factors—Risks Related to Our Industry—Our business is subject to governmental regulation, which may adversely affect our future operations."

Asset Base

Vessel Fleet and Crews

We are recognized throughout the industry for our Ramform vessels. The ships have a delta-shaped hull with a characteristic extremely wide aft beam, twice that of a conventional vessel. This allows for efficient deployment and retrieval of streamers and seismic sources. The Ramform's propulsion power is also the industry leader. The Ramform S-class has enough thrust to tow a 1.4-kilometer-wide spread of streamers that are more than eight kilometers long. The acknowledged efficiency and productivity benefits of our Ramform vessels—and the operational effectiveness of our personnel—make the PGS fleet industry leading.

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

Excluding the *Ramform Victory* (now *Shigen*), we currently operate a combined fleet of 15 vessels, including seven Ramform vessels in the high capacity segment, capable of towing between 12 and 22 streamers, one 10 streamer vessel in the medium capacity segment, three classic streamer vessels, capable of towing up to eight streamers, one 2D vessel and two support vessels. With this fleet we can increase our geographical coverage and minimize unproductive time by reducing vessels' transit between areas of operation. Each vessel is equipped with geophysical recording instrumentation, digital geophysical streamer cable, cable location and geophysical data location systems, multiple navigation systems, a source control system that controls the synchronization of the energy source, and a firing system that generates the acoustic impulses. Streamer cables contain hydrophones that receive the acoustic impulses reflected by variations in the subsurface strata.

During 2008, the GeoStreamer technology was commercialized, followed by wide acceptance among oil companies. We started rolling out the new streamer technology on 2D vessels in 2008 to prove its benefits to customers. In 2009, we extended the rollout to 3D operations, and the *Atlantic Explorer* was the first 3D vessel to have the new streamer technology installed. In late 2009, *Ramform Challenger* was equipped with GeoStreamer to become our first high-capacity Ramform vessel to deploy the advanced streamer technology. Survey and vessel performance has been excellent since the conversion to GeoStreamer.

Along with delivering better seismic data quality, GeoStreamer significantly widens the weather window in rough-sea surveys, because GeoStreamer can be towed deeper than conventional streamers. For example, North Sea efficiency has on individual surveys seen improvements of up to 20% to 25% using GeoStreamer. Improved operational efficiency is a clear advantage we have over our competitors and a significant contributor to increased margins, while customers benefit from shorter cycle times.

Demand for seismic survey work dropped sharply in late 2008 as a result of the worldwide financial crisis and falling oil prices. Focus among oil companies shifted from growth to preserving cash and cutting costs. During 2009, we implemented measures to reduce capacity and improve the supply/demand balance by reducing capacity with 40 streamers. We continued our fleet optimization in 2010 by converting *Ocean Explorer* and *Falcon Explorer* from 2D/source vessels to support vessels.

The following table provides certain information concerning the seismic vessels we currently operate.

Vessel Name	Year Rigged/ Converted	Total Length (Meters)	Total Beam (Meters)	Maximum Streamer Capability	Owned or Charter Expiration
3D Seismic Vessels:					
Ramform Sterling	2009	102.2	40.0	22	Owned
Ramform Sovereign	2008	102.2	40.0	22	Owned
Ramform Vanguard	1999	86.2	39.6	20	Owned
Ramform Valiant	1998	86.2	39.6	20	2023[1]
Ramform Viking	1998	86.2	39.6	20	Owned
Ramform Challenger	1996	86.2	39.6	16	Owned[1]
Ramform Explorer	1995	83.1	39.6	12	Owned
PGS Apollo	2010	106.8	19.2	12	Owned
Atlantic Explorer	1994	91.3	17.4	6	Owned
Pacific Explorer	1994	91.4	22.0	8	Owned
Nordic Explorer	1993	81.1	16.5	6	Owned
Ocean Explorer	1993	81.0	18.0	6	Owned
2D Seismic Vessels:					
Sanco Spirit	2009	86.5	16.0	1	2015 with option for three additional two-year periods
Support Vessels:					
Falcon Explorer	1997	81.2	16.0	N/A	Owned
Ocean Explorer	1993	81.0	18.0	N/A	Owned

(1) We have UK lease arrangements for the *Ramform Valiant* and the *Ramform Challenger.* The legal title of *Ramform Valiant* is held by the lessor. The interest of the lessor in *Ramform Challenger* is taken by a conditional sale agreement from an affiliate of the Company. The lease structures are fully, legally defeased. We are not liable for the expected periodic lease rents, the lease rents are paid by third party banks, a position that was assumed at the start of the lease in return for a payment made by us at that time. We are liable for any variation on the lease rents. The *Ramform Valiant* lease rents vary with changes in both UK corporation tax ("Corporation Tax") and interest rates. The *Ramform Challenger* lease rents vary with changes only in Corporation Tax as this lease assumes a fixed interest rate. We can terminate either lease contract at any time with prior notice, exercising the lessee's rights as sales agent and retaining economic ownership and take legal title of the vessels in the Group.

We have signed an agreement with Mitsubishi for the delivery of two new fifth generation Ramform vessels, with the option for another two vessels. The first two vessels are expected to be delivered in 2013. The new fifth generation Ramforms' total cost will be approximately $250 million each, including construction follow-up, commissioning and a comprehensive seismic package.

Leased Premises

Our principal offices are at Lysaker, Norway in leased premises. We also maintain leased data operating centers and offices in other cities in Norway, and in 25 other countries: Angola, Australia, Brazil, China, Egypt, France, India, Indonesia, Japan, Kazakhstan, Libya, Malaysia, Mexico, Netherlands, Nigeria, Oman, Russia, São Tomé & Principe, Singapore, Sweden, Turkmenistan, United

Kingdom, United Arab Emirate, United States of America and Vietnam. We believe that all leased properties are well maintained and are suitable for our present activities.

Legal Proceedings

From time to time, we are involved in or threatened with various legal proceedings arising in the ordinary course of business. We do not expect that any of these proceedings, either individually or in the aggregate, will result in a material adverse effect on our consolidated financial condition or results of operations. However, the result of any pending disputes or litigation cannot be predicted with any certainty.

Brazil service tax claim. Our Brazilian subsidiary has an ongoing dispute in Brazil related to municipal services tax ("ISS") on sale of MultiClient data. The municipality has contended that licensing of MultiClient data is equal to providing a service to our clients. ISS is a local service tax and our primary view is that licensing of MultiClient data held by us should be treated as rental of an intangible asset, which is clearly not a service under the relevant provisions, and therefore not be subject to ISS. This has been confirmed by several external advisors and we intend to vigorously defend our view. As of September 30, 2011, we estimated the total exposure to be approximately $164 million, including possible penalties and interest. In 2010, we also presented a bank guarantee of Brazilian real 49 million (approximately $29 million) following an ISS foreclosure presented by the tax office in Rio de Janeiro for the earliest exposure years. The bank guarantee was required in connection with the lawsuit that we filed on February 4, 2010 to challenge the assessment. We decided to replace the guarantee with a deposit to reduce cost in March 2011. In October 2010, we deposited 110 million Brazilian real (approximately $65 million) with the Rio de Janeiro court so as to be able to file a lawsuit to seek confirmation that the sale of MultiClient data is not subject to ISS. The lawsuit relates to periods after 2005, which have not yet been assessed, as well as to future transactions. Going forward, we will continue depositing amounts relating to future transactions. Because we consider it more likely than not that the contingency will be resolved in our favor, no accruals have been made for any portion of the exposure. Amounts deposited are held on an interest bearing bank account with Banco do Brasil and will be released to us if and when a positive final ruling is awarded, which may take several years. The deposit is presented as long-term restricted cash in the statements of financial position.

Nigerian Injunction. We have an ongoing dispute with our former agent in Nigeria, Toubkal Overseas Limited ("Toubkal"). The contract with Toubkal was terminated in February 2009 and our right to terminate is not in dispute. Toubkal is alleging a right to commission on past and future revenues pursuant to the contract, and to that end, Toubkal has filed an application for an injunction in the courts of Nigeria against PGS Geophysical AS and PGS Exploration (Nigeria) Limited on May 27, 2011, and served on June 16, 2011. The stated purpose of the injunction application is the preservation of assets in Nigeria in anticipation of litigation or arbitration. We have engaged counsel and plan to oppose the application. As of the date hereof, no lawsuit or demand for arbitration has been filed, although it is possible that Toubkal will initiate a lawsuit against us. The amount Toubkal intends to claim under a potential lawsuit has yet to be disclosed to us directly or under any document filed with the courts of Nigeria.

India tax dispute. We have an ongoing tax dispute with the Indian revenue authorities ("IRA") related to the tax treatment of seismic data acquisition performed offshore of India for Indian clients. In the tax years 2003 to 2010, our services were taxed pursuant to a special tax rule applicable to companies engaged in certain oil and gas activities in India. This rule resulted in a tax withholding on the gross payments we received from our clients in the region at a rate of 4.2%. This withholding typically resulted in us not having to pay any additional tax when we filed our annual tax return in India. The IRA are arguing that we (and other companies in our industry) should not be able to avail ourselves of this special tax rule and instead should have applied a higher withholding rate of 10%. We estimate that the maximum amount of tax would be approximately $40 million for all the years covered. Each of the years under audit are in different phases of litigation in the Indian courts. Based on our view and the view of our local tax advisors, we believe that it is more likely than not that we will prevail in this dispute and will have no additional tax exposure.

Material Contracts

Petrobras Optoseis Agreement. On June 14, 2010 , certain of our subsidiaries entered into an agreement with an affiliated entity of Petrobras ("Petrobras") for the implementation and operation of a permanent seismic system (Optoseis) in the Jubarte Field off the coast of Brazil. Pursuant to the agreement, we agreed, at our expense, to monitor the field on behalf of Petrobras, including, but not limited to, maintenance and installation of the equipment, supply of the requisite personnel and management of the equipment and services related thereto, including processing data. The term of the contract is five years from the contract date, and may be extended another five years. In exchange for the services and equipment, Petrobras will pay us a fixed amount (subject to adjustment) corresponding to an agreed upon unit price of services performed as well as a fixed amount (subject to adjustment) corresponding to the supply of the monitoring equipment. The amount is payable upon each provision of measurement data to Petrobras. The contract also provides for certain penalties to be charged against our fee if we, *inter alia*, do not perform the services under the contract in a timely manner or if there are other conditions not satisfied in regards to the quality of the data delivered. Petrobras has a right to terminate the agreement upon certain events, such as bankruptcy or other circumstances of our non-performance under the contract.

Ramform Victory (*now Shigen*) *Service Agreement.* On June 14, 2011, our subsidiary entered into an amended and restated operational support service agreement (the "Service Agreement") with Japan Oil, Gas and Metals National Corporation ("JOGMEC"). This agreement was made in connection with our sale of *Ramform Victory* (now *Shigen*) to the Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry, Japan ("METI") pursuant to a sales agreement dated May 11, 2007. METI has appointed JOGMEC to be the operating entity of the vessel and to enter into the Service Agreement. The Service Agreement details METI's purpose for entering into the sales agreement for *Ramform Victory* (now *Shigen*), which was for METI to obtain non-commercial governmental geophysical explorations mainly on but not limited to the Japanese continental shelf through performing in research projects using the vessel and training services to be provided by us under the Service Agreement. This is expected to last for ten years from June 14, 2007, although the initial term of the Service Agreement expires on March 31, 2012 and automatically extends for up to five additional periods of one year if not terminated by JOGMEC with prior notice. The services to be provided by us are, including, but not limited to, (i) the training of Japanese offshore seismic crew in seismic operations, (ii) the licensing of technology and know-how, (iii) the provision of technical and operational support, (iv) the licensing and sub-licensing of various software and hardware and (v) providing all crew and personnel (including onshore and offshore personnel) necessary to perform the foregoing. JOGMEC is responsible at all times, at its expense, to maintain full insurance coverage for their exposure as ship owners/managers, including full Protection and Indemnity Insurance with respect to the vessel. In exchange for the services, JOGMEC has agreed to pay us, upon receipt of periodic invoices, agreed upon salaries for our personnel, daily rates for other personnel and services and annual fees for licensing of software and access to HSEQ management programs. The Service Agreement also specifies different rates for other services we provide thereunder as well as adjustment mechanics based on inflation and other indices.

Mitsubishi Shipyard Agreements. On April 14, 2011, our subsidiary, PGS Falcon AS, entered into two shipbuilding contracts with Mitsubishi, each for the construction of a fifth generation Ramform vessel. Each contract specifies the total purchase price of the relevant vessel and the terms of payment.

The contract provides that subject to certain terms and conditions, (i) a first installment of 10% of the total contract price was due within 5 business days after the contract date, (ii) a second installment of 10% of the total contract price is due 12 months after the contract date, (iii) a third installment of 10% of the total contract price is due upon the commencement of steel cutting of the vessel, (iv) a fourth installment of 20% of the total contract price is due upon floating the vessel and (v) the remaining 50% of the total contract price, plus or minus any increase or decrease due to modifications and/or adjustments made after the contract date, if any, is due upon delivery. Upon any dispute between us and Mitsubishi regarding payment, any disputed change orders, variation or modifications, we are entitled to take delivery of the vessel by paying the undisputed amount due at delivery and issuing to Mitsubishi a bank guarantee or equivalent for the disputed amount. The dispute will then be decided in arbitration with the costs of entering the disputed amount as security shared proportionally between the parties according to the final outcome of the dispute. The total contract price is subject to adjustment, subject to certain terms and conditions, upon certain deficiencies in performance by Mitsubishi and/or the delivered vessel, including, *inter alia*, delayed delivery and (a) insufficient speed of the vessel, (b) higher fuel consumption and (c) lower deadweight tonnage, in each case as compared to what is expressly provided for in the contract specifications. The contract provides that Mitsubishi is responsible for the care and custody of and assume the risk of loss or damage to the vessel and other items, materials and equipment from the time of the keel laying until delivery. In the event of loss or damage to the vessel while in the care and custody of Mitsubishi during that period, Mitsubishi shall be required, at its own cost, reconstruct, repair or replace the vessel and shall indemnify us from and against any such loss or damage. In addition, from the time of keel laying until delivery of the vessel, Mitsubishi is required to insure the vessel and all machinery and equipment, including our supplied equipment for installation, built into or installed in or upon the vessel in an amount not les than the aggregate amount of all installments we have paid as of that date, plus the value of our equipment in the custody of Mitsubishi for installation.

In addition, PGS Falcon AS, on April 14, 2011 entered into an option agreement with Mitsubishi providing for two separate and independently declarable options to purchase and take delivery of an additional two vessels based on same or substantially similar specifications, and on the same terms, conditions and guarantees, as the shipbuilding contracts described above.

MANAGEMENT

Board of Directors

Under our articles of association, the Board comprises between three and thirteen members who serve one-year terms. Our Board of Directors currently has seven members. The following table sets out the name, age (as of September 30, 2011) and the year of initial appointment for each of the members of the Board as of the date of this Offering Memorandum:

Name	Age	First appointment date
Francis Gugen	62	Elected 2003; Chairperson since May 2009
Harald Norvik	65	Elected 2003; Vice Chairperson since 2009
Carol Bell	53	Elected 2009
Holly Van Deursen	52	Elected 2006
Daniel J. Piette	54	Elected 2007
Annette Malm Justad	53	Elected 2008
Ingar Skaug	65	Elected 2009

Mr. Gugen. Mr. Gugen was elected Chairperson in May 2009. Currently an energy-industry consultant and investor, Mr. Gugen worked at Amerada Hess Corporation for 18 years, from 1982 to 2000. He served as Chief Executive of Amerada Hess UK from 1995 to 2000 and Amerada Hess' Chief Executive of North West Europe from 1998 to 2000. Mr. Gugen's position on the Board of Directors of listed companies include Chairman of IGas Energy (in which he is also an investor) and a member of SBM Offshore NV. Francis Gugen is also Chairman of the Board and investor in a number of privately held companies. A UK chartered accountant, Mr. Gugen has also worked at Arthur Andersen.

Mr. Norvik. Mr. Norvik is an independent advisor and consultant. He is Chairman of the Board of Telenor, Chairman of the Board of Aschehoug Publishing House, Chairman of the Board of Midsona AB, and Board Member of ConocoPhillips Inc. and Umoe. Mr. Norvik was President and Chief Executive Officer of Statoil from 1988 to 1999. From 1981 to 1988, he was Finance Director and a Member of the Executive Board of the Aker Group. Harald Norvik served as Personal Secretary to the Prime Minister of Norway and as State Secretary in the Ministry of Petroleum and Energy from 1979 to 1981. He received his Master of Science in Business from the Norwegian School of Economics and Business Administration.

Dr. Bell. Dr. Bell has over 30 years of experience in the energy industry, with particular expertise in investment and financing in the oil and gas sector. She is the senior non-executive director of Hardy Oil and Gas plc, a member of the Investment Advisory Committee of Gemini Oil and Gas, a private investment fund, a Consultant on Oil & Gas to Europa Partners, a corporate finance advisory firm and a Director of Det norske. Dr. Bell is Chair of the Investment Committee of Girton College, University of Cambridge. She has held senior positions in investment banking, including Managing Director of the Global Oil & Gas Group at Chase Manhattan Bank, Head of European Equity Research at J.P. Morgan and Global Head of its Oil and Gas Equity Research Team. Dr. Bell began her career in corporate planning and development with RTZ Oil and Gas and later worked at Charterhouse Petroleum plc. She was awarded a Ph.D. in May 2005 for her research on the evolution of economic and trade relations in the Ancient Eastern Mediterranean across the Late Bronze/Iron Age transition, and in 2006 published a book on this subject. Dr. Bell is Honorary Treasurer of the British School in Athens. She was educated as a scientist, earning an M.A. in Biochemistry from Cambridge University, a B.A. in Geology from the Open University, and a Ph.D. in Archaeology from University College, London.

Ms. Van Deursen. Ms. Van Deursen currently holds nonexecutive director positions with Petroleum Geo-Services ASA, Bemis Company, Inc., Actuant Corporation, Capstone Turbine

Corporation, and Anson Industries, Inc. She served on BP'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 appointments, Ms. Van Deursen held a variety of senior positions with BP and Amoco in Chicago, London, and Hong Kong. She served on the boards of directors of the American Chemistry Council and Amoco's joint ventures in Korea, Taiwan, and Japan. Ms. Van Deursen holds a B.Sc. in Chemical Engineering from the University of Kansas and an MBA from the University of Michigan.

Mr. Piette. Mr. Piette is Chief Executive Officer and a Board Member of Object Reservoir, a technology and services company focused on addressing complex reservoir modeling challenges in shale and other unconventional gas environments. As President and Chief Executive Officer of OpenSpirit Corporation from 2003 to 2011, Dan Piette led the upstream and E&P software company through seven years of 20% annual growth and spearheaded its acquisition by TIBCO Software Inc.(NASDAQ: TIBX) in 2010. After receiving his B.Sc. with honors in Mining Engineering from the University of Wisconsin-Madison in 1980, Mr. Piette held several executive management positions in the oil and gas industry, including business unit manager for the land acquisition systems group at Input/Output, President and Chief Executive Officer of Bell Geospace, and Vice President and General Manager of the Asia Pacific region for Landmark Graphics.

Ms. Malm Justad. Ms. Malm Justad is presently working as an independent consultant for, and was until September 2010 Chief Executive Officer of, Eitzen Maritime Services. She has served as 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 with Norsk Hydro ASA. Ms. Malm Justad holds a Master's degree in Technology Management from MIT/NTH, as well as a M.Sc. in Chemical engineering from NTH (now NTNU, Norwegian University of Science and Technology). Annette Malm Justad is also a Board Member of American Shipping Company ASA and Awilco LNG ASA.

Mr. Skaug. Mr. Skaug was Group Chief Executive Officer of the maritime industrial group Wilh. Wilhelmsen ASA from 2003 to 2010, after having served in several senior management positions with the group since 1990. Previously, Mr. Skaug was Vice President and Deputy Chief Operating Officer of SAS Airlines, a position that capped nearly three decades with the airline. Mr. Skaug is a Board Member of the ferry company DFDS AS, offshore safety monitoring innovator Miros, and the travel bureau Berg-Hansen. He is also Chairman of the Board of Bery Maritime AS and Ragni Invest AS, and Deputy Board Chairman of J. Lauritzen AS. Ingar Skaug is a member of the Advisory Board of Bremen Lagerhaus Gesellschaft (BLG) International Logistics Corp and Chairman of the Center for Creative Leadership. Mr. Skaug received his MBA degree from the University of Nürnberg, Germany.

The business address of each member of the Board is Petroleum Geo-Services ASA, Strandveien 4, P.O. Box 89, N-1366 Lysaker, Norway (telephone number: +47 67 52 64 00).

All directors are independent of the Company's management. As of December 31, 2010, all directors are also independent of our major business relations. No member of our Board of Directors may be an executive of PGS. Directors are not permitted to perform paid consultancy work for us.

The Board has established two subcommittees: an Audit Committee and the Remuneration and Corporate Governance Committee. Our Audit Committee comprises board members Harald Norvik (chairperson), Carol Bell, and Daniel J. Piette. The majority of committee members are considered independent of the Company. The committee's functions are to assist our Board of Directors in its supervision of the integrity of our financial statements; to monitor the independent auditor's qualifications, independence, and performance; to monitor the performance of the internal audit function; and to ensure that we are in compliance with legal and regulatory requirements. Our Remuneration and Corporate Governance Committee comprises board members Holly Van Deursen (chairperson), Annette Malm Justad and Ingar Skaug. The function of the committee is to assist in matters relating to the compensation, benefits and perquisites of our Chief Executive Officer and other senior executives. Review and modification of the Company's guidelines for good corporate governance and succession planning are also committee responsibilities.

For information in respect to the remuneration of directors for the year ended December 31, 2010, see Note 34 to our Audited Consolidated Financial Statements included elsewhere in this Offering Memorandum.

Executive Management

The following table sets out the name, age (as of September 30, 2011) and title for each member of our corporate management as of the date of this Offering Memorandum:

Name	Age	Title
Jon Erik Reinhardsen	54	President and Chief Executive Officer
Gottfred Langseth	45	Executive Vice President and Chief Financial Officer
Sverre Strandenes	55	Executive Vice President, MultiClient
Guillaume Cambois	47	Executive Vice President, Data Processing and Technology
Per Arild Reksnes	54	Executive Vice President, Marine Contract
Magne Reiersgard	50	Executive Vice President, Operations

Mr. Reinhardsen. Mr. Reinhardsen joined PGS in April 2008 as President and Chief Executive Officer. Prior to leading PGS, he was Alcoa's President, Global Growth, Primary Products. In this position, he was responsible for developing and realizing major primary metals and refining growth opportunities for the company worldwide. During the period from 1983 to 2005, Mr. Reinhardsen held several executive positions at the Aker Kværner engineering and construction group, among them Group Executive Vice President, Deputy Chief Executive Officer, and Executive Vice President of Aker Kværner Oil & Gas AS, based in Houston, Texas. At Aker Maritime ASA, Jon Erik Reinhardsen was Executive Vice President of the Products and Technology business. Among his business development achievements was the launch of the marine seismic company Aker Geo AS. Reinhardsen holds a Master's degree in Applied Mathematics and Geophysics from the University of Bergen, Norway. He has also completed the International Executive Program at the Institute for Management Development (IMD) in Lausanne, Switzerland.

Mr. Langseth. Mr. Langseth joined PGS in November 2003 and was appointed Senior Vice President and Chief Financial Officer as of January 1, 2004. He was Chief Financial Officer of the information technology company Ementor ASA from 2000 to 2003. Mr. Langseth was Senior Vice President of Finance and Control at the offshore engineering and construction company Aker Maritime ASA from 1997 to 2000. Langseth worked at Arthur Andersen Norway from 1991 to 1997; he was certified as a Norwegian state-authorized public accountant (CPA) in 1993. Mr. Langseth received his Master of Business Administration degree from the Norwegian School of Economics and Business Administration.

Mr. Strandenes. Mr. Strandenes was appointed Executive Vice President MultiClient on May 1, 2010. Prior to that he held the position of Group President, Data Processing & Technology from November 2006. Sverre Strandenes has held several senior PGS management positions; before taking charge of Data Processing and Technology operations in 2006, he was President, Marine Geophysical EAME Region (Europe, Africa, and Middle East). Prior to joining PGS in 1995, Mr. Strandenes was the Geosciences department manager at Norsk Hydro Research Centre. Sverre Strandenes received his M.S. in Geophysics from the University of Bergen in 1981.

Mr. Cambois. Mr. Cambois joined PGS in 2007 as the senior advisor spearheading deployment of our GeoStreamer technology. From March 2009, he acted as Marine President, Asia-Pacific. Prior to joining PGS, Guillaume Cambois spent 20 years with the geophysical services company CGGVeritas, at which he held various management positions including Executive Vice President Data Processing and Chief Technology Officer. An active member of the Society of Exploration Geophysicists, he was the Society's Vice President in 2007/2008. Mr. Cambois received his Ph.D. in Geophysics from the University of Texas at Austin.

Mr. Reksnes. Mr. Reksnes advanced to EVP in April 2010, serving initially as chief of the New Ventures area, followed by heading Marine Contract. From 2007-2010, he was PGS Marine's President for Europe, Africa, Middle East and CIS. His job titles at PGS have included President for Technology, Vice President for Profiling and Marketing, and Vice President Technical Marketing. Per Arild Reksnes joined PGS in 2001 from his position as Chief Geophysics Professional at Norsk Hydro. During 16 years at Norsk Hydro, he held several geophysical and management positions. Mr. Reksnes holds a Master's degree in Applied Geophysics from the University of Oslo, and a Master's degree in Technology Management from MIT/ NT H (Norwegian University of Science and Technology).

Mr. Reiersgard. Mr. Reiersgard joined PGS at its inception and has held a number of key executive positions at PGS, including Vice President, Marine Acquisition; President, Marine Geophysical Asia Pacific Region, based in Singapore; and most recently President, Marine Geophysical NSA Region, based in Houston. Prior to joining PGS, he held various management positions in the survey division of Geoteam AS. He is currently on the Board of Directors of IAGC (International Association of Geophysical Contractors), an office he has held since 2005; Mr. Reiersgard served as Chairman of IAGC in 2006/2007. Mr. Reiersgard holds an Electronics degree from Agder University College, Grimstad, Norway and a business degree from BI Norwegian School of Management.

The business address for the senior managers is Petroleum Geo-Services ASA, Strandveien 4, P.O. Box 89, N-1366 Lysaker, Norway (telephone number: +47 67 52 64 00).

Executive Officer Remuneration

Employment Agreements

All of our executive officers have employment agreements. These agreements generally provide for fixed annual salaries and a mutual notice period for termination.

Annual performance bonus scheme

The Board of Directors has established an annual performance bonus scheme for the Company's Chief Executive Officer and other executive officers. In 2010, the Chief Executive Officer participated in a performance bonus scheme where he was entitled to a cash bonus and a share purchase bonus provided that the Company and the Chief Executive Officer met certain financial and non-financial performance targets. Any amount the Chief Executive Officer received as a share purchase bonus, on a net basis after withholding tax, are required to be used to buy our ordinary shares at market price and retained for a minimum of three years. Other executive officers, listed above, who were employed by the Company during 2010 and remain employed as of March 1, 2011 are participants in a bonus scheme where they are entitled to a cash bonus. In each case the target bonus can be increased or decreased in cases of performance above or below the targets set for such executive and the Company. The Board of Directors determined that the bonus under the performance bonus scheme for these executives for the year ended December 31, 2010 would be in aggregate $2,221,041. For fiscal year 2011, the Board of Directors has decided that these executives will participate in the same performance bonus scheme as the Chief Executive Officer as described above.

Retention bonus plans

In addition to the above annual performance bonus scheme the Board of Directors established a retention bonus scheme for the Company's executive officers, excluding the Chief Executive Officer, effective January 1, 2007. The yearly retention bonus was a fixed percentage of base salary at the time of payment. The first yearly retention bonus was paid in October 2008 and thereafter yearly to October 2010. As of December 31, 2010 there are no earned and accrued retention bonuses under this scheme for the CEO or any executive officers. The Company also maintains an employee share option program. For information regarding the employee share option program, see note 33 to our Audited Consolidated Financial Statements included elsewhere in this Offering Memorandum.

For further information in respect to the remuneration of our executive management for the year ended December 31, 2010, see note 34 to our Audited Consolidated Financial Statements included elsewhere in this Offering Memorandum.

PRINCIPAL SHAREHOLDERS

Share Capital

The ordinary shares of the Company are listed on the Oslo Stock Exchange. As of December 31, 2010, the share capital of the Company was NOK 653,399,991, divided into 217,799,997 shares with nominal value NOK 3. The Company does not have any other classes of share capital. All shares have equal voting rights and equal rights to dividends. There were no changes in the Company's share capital during 2010. As of December 31, 2010, the Company held 543,981 of its shares as treasury shares.

In 2010, the Board of Directors resolved to introduce a dividend policy. Subject to compliance with our contractual restrictions and applicable law, we intend to distribute 25% to 50% of future net income as dividends. We currently expect to propose a dividend for the year 2011 of approximately $40 million to be paid following the 2012 annual general meeting. The dividend will be subject to business performance, operating environment and growth opportunities when determining the appropriate level in any specific year. The dividend payout decision will take nonrecurring items into consideration and excess cash flow in peak years could qualify for extraordinary dividend.

At the annual general meeting held May 11, 2011, the authorization for a share repurchase program for up to 10% of our share capital, initially granted in 2006, was extended for another year. In addition, the Board of Directors were authorized to increase our share capital by up to 10% as a result of each of the conversion of convertible loans raised or through one or more offerings and subscriptions.

Principal Shareholders

The following table lists each shareholder holding 3% or more of our issued share capital as of November 3, 2011:

Shareholder	Number of ordinary shares	Ownership percentage
Folketrygdfondet[1]	21,142,610	9.71%
State Street Bank	17,261,647	7.93%
Euroclear Bank	6,578,805	3.02%
Total	**45,342,050**	**20.8%**

(1) The Norwegian State Pension Fund.

Security Ownership of Directors and Corporate Management

As of October 7, 2011, the members of our Board of Directors held a combined total of 52,000 shares, while corporate management held a combined total of 125,211 shares.

The following table sets forth share ownership on an individual basis for our Board of Directors as of November 3, 2011:

Board of Directors

Shareholder	Number of ordinary shares	Ownership percentage
Francis Gugen, Chairperson	30,000	*
Harald Norvik, Vice Chairperson	8,000	*
Holly Van Deursen	2,000	*
Daniel J. Piette	7,000	*
Annette Malm Justad	—	*
Carol Bell	5,000	*
Ingar Skaug	—	*
Total	**52,000**	*

* Less than one percent.

Corporate management

The following table sets forth share ownership on an individual basis for members of our corporate management as of November 3, 2011:

Shareholder	Number of ordinary shares	Ownership percentage
Jon Erik Reinhardsen	68,632	*
Gottfred Langseth	28,752	*
Guillaume Cambois	1,885	*
Magne Reiersgard	8,678	*
Per Arild Reksnes	7,934	*
Sverre Strandenes	9,330	*
Total	**125,211**	*

* Less than one percent.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

We sell certain goods and services to associated companies in which we own less than a majority of the share capital. These goods and services consist of MultiClient data, administrative services and data processing. In 2010, the total value of the goods and services was $5.0 million. In addition, we sell seismic services to ConocoPhillips, for which a member of our Board of Directors, Mr. Harold Norvik, also serves as a director. Total sales to ConocoPhillips were $4.2 million, $13.1 million and $10.1 million for the years ended December 31, 2010, 2009 and 2008, respectively.

We purchase maritime management services from Wilh. Wilhelmsen, for which a member of our Board of Directors, Mr. Ingar Skaug, served as their Group Chief Executive Officer until October 1, 2010. Total purchases from Wilh. Wilhemsen were $6.4 million and $6.1 million for the years ended December 31, 2010 and 2009, respectively. Mr. Skaug was not a member of our Board of Directors in the year ended December 31, 2008.

The Company had certain outstanding balances with associated companies as of December 31, 2010 and during the year received interest income associated with a loan to an associate.

The Company believes all transactions with related parties are priced on an arm's length basis.

Directors of the Company are also on the boards of certain customers and suppliers. As of December 31, 2010, the Company did not have any significant outstanding balances with any of these companies.

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

The terms of certain of our financing arrangements are summarized below.

Existing Credit Facility

The following is a summary of provisions of our existing Credit Facility.

On June 29, 2007, we entered into a $950 million senior secured credit agreement (the "Credit Facility") with UBS AG, Stamford Branch as administrative agent for the senior secured term loan B facility (the "Term Facility") and collateral agent, Barclays Bank Plc as administrative agent for the Revolving Facility (as defined below) and the lenders party thereto, pursuant to which Petroleum Geo-Services ASA and PGS Finance, Inc., as co-borrowers, borrowed $600 million under the Term Facility and obtained a $350 million senior secured revolving facility (which revolving facility includes letter of credit subfacilities) (the "Revolving Facility"). In addition, Petroleum Geo-Services ASA and PGS Finance Inc. may borrow up to an additional $400 million as an incremental facility either in the form of a term loan B or a revolving loan provided that certain conditions are met. Proceeds from loans under the Term Facility were used to refinance then outstanding debt and to pay an extraordinary dividend. Proceeds of loans under the Revolving Facility may be used for the general corporate purposes of the Company and its subsidiaries. Revolving loans may be made at any time prior to the final maturity of the Revolving Facility. The Term Facility originally amortized in equal quarterly instalments of $1.5 million and matures on June 30, 2015. In January 2011, the final maturity of the Revolving Facility was extended to May 15, 2015.

In 2010, the Company made repayments of $101.5 million of the Term Facility of which $100.0 million was optional, while in 2009 it made no repayment of the Term Facility. As a result of the optional repayment in 2010 referred to in the prior sentence, the Company is no longer required to make quarterly amortization payments. In 2009, the Company made net repayments of $230 million of the Revolving Facility.

The Term Facility has a floating interest rate of LIBOR plus a margin of 175 basis points or base rate plus a margin of 100 basis points. Borrowings under the Revolving Facility bear interest at a rate equal to LIBOR plus a margin of 225 basis points. The Company has hedged the interest rate on certain of the borrowings under the Term Facility by entering into interest rate swaps where the Company receives a floating interest rate based on 3 months LIBOR and pays a fixed interest rate between 2.60% to 5.34% with a remaining life of 1.0 to 3.7 years. See note 26 to our Audited Consolidated Financial Statements for additional information.

The obligations of the borrowers under the Credit Facility are guaranteed by our material subsidiaries (as defined in the Credit Agreement). We have pledged as first-priority security in favor of the lenders under the Credit Facility the shares of each of our material subsidiaries.

The Credit Facility generally requires the Company to apply 50% of excess cash flow to repay outstanding borrowings for periods when the total leverage ratio exceeds 2.5:1 or the senior secured leverage ratio (as defined in the Credit Agreement) exceeds 2:1. Excess cash flow for any period is defined as net cash flow provided by operating activities less capital expenditures and scheduled debt services during that period, minus capital income taxes to be paid in the next period and capital expenditure committed in the period but to be paid in future periods. The Company can make optional payments to reduce the outstanding principal balance with no penalty.

The Credit Facility contains financial covenants and affirmative and negative covenants. The Revolving Facility contains a financial maintenance test that provides that the total leverage ratio (as defined in the Credit Agreement) may not exceed 2.75:1.0. The Term Facility does not benefit from this covenant but does contain an incurrence covenant prohibiting the Company from incurring additional indebtedness (other than certain specified indebtedness) unless the total leverage ratio is less than

3.00:1.0 (measured over the last 4 quarters). In addition, the Credit Facility restricts or could restrict our ability, among other things, to sell assets without the sales proceeds being reinvested in the business or used to repay debt; incur additional indebtedness or issue preferred shares; prepay interest and principal on our other indebtedness; pay dividends and distributions or repurchase our capital stock; create liens on assets; make investments, loans, guarantees or advances; make acquisitions; engage in mergers or consolidations; enter into sale and leaseback transactions; engage in transactions with affiliates; amend material agreements governing our indebtedness; change our business; enter into agreements that restrict dividends from subsidiaries; and enter into speculative financial derivative agreements. Events of default under the Credit Facility include, among other things, payment and covenant breaches, insolvency of us or our subsidiaries, the occurrence of certain events constituting a "change of control" and certain defaults in respect of other material financial indebtedness.

The Credit Facility was amended on May 21, 2010. This amendment involved changes to certain financial definitions and its total leverage financial covenant and enabled the lenders under the Credit Facility to extend the maturity date thereunder for revolving loans past the initial maturity date of the Revolving Facility.

At September 30, 2011, we had $470.5 million outstanding under the Term Facility. At September 30, 2011, the Company had no amounts outstanding under the Revolving Facility, excluding $2.4 million of standby letters of credit.

Convertible Notes

On December 19, 2007, the Company issued the Convertible Notes, convertible into its ordinary shares at the holder's option. The Convertible Notes are convertible into ordinary shares at an initial conversion price of NOK 216.19 per share at any time up to November 28, 2012. Upon a change of control the Convertible Notes may be redeemed at the holder's option at their principal amount, together with accrued interest, to the date fixed for redemption. If the conversion option is not exercised, the Convertible Notes will be redeemed on December 3, 2012 at their principal amount together with unpaid accrued interest. The Convertible Notes contain a customary negative pledge covenant.

The net proceeds received from the issue of the Convertible Notes were used to refinance a $450 million bridge facility used to finance the acquisition of all the shares in Arrow Seismic ASA and for general corporate purposes.

The interest charged for the year is calculated by applying an effective interest rate of 6.89%. This includes a coupon interest rate of 2.7% per annum. Interest is payable semi-annually on June 3rd and December 3rd.

In July 2011, we purchased $51.4 million in principal amount of Convertible Notes reducing the aggregate principal amount outstanding to $293.1 million using $50.6 million of available cash. We expect to use the net proceeds from the sale of the Notes for general corporate purposes. We intend to repurchase or repay the outstanding principal amount of Convertible Notes on or before maturity with cash on hand, which may include the net proceeds from this Offering.

Intercompany Arrangements

We have certain intercompany debt arrangements provided under bilateral unsecured mutual credit facilities which contain maximum amounts that may be outstanding at any time. The amounts borrowed thereunder bear interest at a margin over LIBOR and are repayable upon demand at any time. The unsecured mutual credit facilities do not contain covenants, representations and warranties or events of default. As of September 30, 2011, there was $478 million in intercompany indebtedness outstanding, of which $289 million was owed by the Company and/or Guarantors to our non-guarantor subsidiaries.

Export Credit Financing

We are currently seeking to establish the Export Credit Financing and intend to do the same for the additional two vessels if we exercise our option with Mitsubishi. We have entered into discussions with financial institutions regarding the Export Credit Financing. Based on these discussions set out below is a summary of what we expect certain of the key terms of the Export Credit Financing to include. The summary set forth below does not reflect any binding commitment by any institution to provide the Export Credit Financing on these terms, or at all, and the final terms of the Export Credit Financing may differ from the summary described below, and such differences may be material. In addition, although we currently intend to finance our vessel expansion program through the use of Export Credit Financing, there can be no assurance that we will enter into any definitive documentation regarding Export Credit Financing as we may elect to finance our expansion program through other types of borrowings.

The Export Credit Financing is likely to be made available to one of our wholly-owned subsidiaries (currently anticipated to be PGS Falcon AS), as borrower. The Company is likely to be required to provide a full and unconditional guarantee. We are currently seeking financing of approximately $250 million which would be made available to the borrower under a term loan facility agreement (the "Export Credit Facility Agreement"). The funds would be made available upon the date of delivery of each vessel, which are expected to occur around March 31, 2013 and December 31, 2013. The facility may be split into two or more different tranches, and we expect that each tranche will have a final maturity date after the maturity date of the Notes although each tranche is also likely to require interim amortization payments.

Subject to certain conditions, we expect that the the Export Credit Facility Agreement will provide for voluntary and mandatory prepayment provisions customary in facilities of this type, such as (i) the ability to voluntary prepay borrowings subject to a prepayment premium with respect to certain tranches of the outstanding loans and (ii) a requirement to prepay amounts borrowed under the facility if either of the vessels is sold, or is not delivered, or suffers a major casualty, or becomes a total loss or in any case of event of default thereunder.

We expect that the obligations under the Export Credit Facility Agreement will be secured by first priority mortgages over the vessels, assignment of management agreements related to the management of the vessels, pledge of the borrower's rights under a debt service reserve account and assignment of insurance rights in the vessels.

The Export Credit Facility Agreement will contain customary representations and warranties, covenants and events of default for facilities of this type, subject to appropriate grace periods, exceptions and materiality, as applicable.

DESCRIPTION OF THE NOTES

General

You can find the definitions of certain terms used in this description of the notes under the caption "—Certain Definitions." In this description, the word "*Company*" refers only to Petroleum Geo-Services ASA, and not to any of its subsidiaries.

The Notes will be issued pursuant to the Indenture dated as of the Issue Date among, *inter alios*, the Company, the Guarantors and Citibank, N.A., London Branch, as trustee (the "*Trustee*"), in a private transaction that is not subject to the registration requirements of the Securities Act. The terms of the Notes will include those stated in the Indenture. The Indenture will not incorporate or include any of the provisions of the U.S. Trust Indenture Act of 1939, as amended.

The following description is a summary of the material provisions of the Indenture and the Notes. It does not restate those agreements in their entirety. We urge you to read the Indenture because it, and not this description, will define your rights as holders of the Notes.

Only a registered holder of a Note will be treated as the owner of it for all purposes. Only registered holders will have rights under the Indenture.

Copies of the Indenture are available for inspection during normal business hours at the office of the Company referred to under the caption "—Additional Information", at the corporate trust office of the Trustee at 25 Canada Square, Canary Wharf, London E14 5LB, United Kingdom and at the specified office of each Paying Agent. Holders of the Notes are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Indenture.

Brief Description of the Notes

The Notes will, upon issuance:

- be general senior, unsecured obligations of the Company;
- rank equally in right of payment to all existing and future senior, unsecured indebtedness of the Company, except for any liabilities preferred by law;
- rank senior in right of payment to all existing and future subordinated indebtedness of the Company;
- be guaranteed on a senior, unsecured basis by certain Subsidiaries of the Company as described below;
- be effectively subordinated to all existing and future indebtedness of Subsidiaries of the Company that are not Guarantors; and
- not be entitled to registration rights with the SEC.

Holders of existing and future secured indebtedness of the Company and its Subsidiaries, including loans under the existing Senior Credit Facilities, will have claims with respect to the assets constituting collateral for such secured indebtedness that are superior to the claims of the holders of the Notes. Accordingly, the Notes and the Subsidiary Guarantees will be effectively subordinated to claims of secured creditors of the Company and the Guarantors to the extent of the value of such collateral.

Only certain Subsidiaries of the Company will guarantee the Notes. In the event of a bankruptcy, liquidation or reorganization of any Subsidiary of the Company that is not a Guarantor, that Subsidiary will pay the holders of its debt and its trade creditors before it will be able to distribute any of its assets to the Company.

As at September 30, 2011, on a *pro forma* basis after giving effect to the offering of the Offered Notes, the Company and the Guarantors would have had on a consolidated basis total debt (gross of debt issuance costs, any original issue discount and the Convertible Note value attributable to equity) of $1,063.8 million, all of which is senior indebtedness, including the Notes and $470.5 million of secured indebtedness, which secured indebtedness would rank effectively senior to the Notes and the Subsidiary Guarantees to the extent of the value of the collateral securing such indebtedness. In addition, as at September 30, 2011, the Company and its Subsidiaries had additional availability under the Senior Credit Facilities of $350.0 million (excluding $2.4 million of letters of credit drawn thereunder), which if drawn would have been secured. As at September 30, 2011, the Company's non-Guarantor Subsidiaries would have had $83.2 million of outstanding obligations (excluding obligations of PGS Egypt under the Senior Credit Facilities) including trade payables and accrued expenses but excluding intercompany obligations, which would rank structurally senior to the Notes and the Subsidiary Guarantees. Each of the Guarantors is an obligor under the Senior Credit Facilities. However, PGS Egypt, which is a guarantor of the Senior Credit Facilities, will not be a Guarantor of the Notes. The Indenture will permit the Company and its Subsidiaries (including non-Guarantors) to incur additional Indebtedness, including certain additional secured Indebtedness.

As of the Issue Date of the Indenture, all of the Company's Subsidiaries will be Restricted Subsidiaries. Under certain circumstances, the Company will be able to designate current or future Subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to the restrictive covenants set forth in the Indenture and will not guarantee the Notes.

Notes will be issued in this offering in an aggregate principal amount of $300,000,000 (the "*Offered Notes*"). The Indenture also provides the Company the flexibility of issuing additional Notes in the future in an unlimited amount; *provided*, *however*, any issuance of such additional Notes would be subject to the covenant described under the caption "—Certain Covenants—Incurrence of Indebtedness and Issuance of Disqualified Stock" and *provided further*, that if any additional Notes are not issued pursuant to a "qualified reopening" for U.S. federal income tax purposes or both the Notes and the additional Notes are issued with no more than *de minimis* original issue discount for U.S. federal income tax purposes, such additional Notes will be issued as a separate series under the Indenture and will have a separate CUSIP number or common code and ISIN as applicable, from the relevant series of Notes. The Offered Notes and any such additional Notes are collectively referred to as the "*Notes*" in this "Description of the Notes."

Whenever the covenants or default provisions or definitions in the Indenture refer to an amount in U.S. dollars, that amount will be deemed to refer to the U.S. Dollar Equivalent, respectively, of the amount of any obligation denominated in any other currency or currencies, including composite currencies.

Any other determination of the U.S. Dollar Equivalent for any purpose under the Indenture will be determined as of a date of determination as described in the definition of "U.S. Dollar Equivalent" under "—Certain Definitions" and, in any case, no subsequent change in the U.S. Dollar Equivalent after the applicable date of determination will cause such determination to be modified.

Principal, Maturity and Interest

The Offered Notes will be limited in aggregate principal amount to $300,000,000 and will mature on December 15, 2018. Interest on the Notes will accrue at the rate of 7.375% per annum and will be payable semi annually in arrears on June 15 and December 15 of each year, commencing on June 15, 2012, in the case of the Offered Notes, to holders of record on the immediately preceding June 1 and December 1. Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the Issue Date. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Payment and Paying Agents

Principal of, premium, if any, and interest on the Notes will be payable in U.S. dollars at the office or agency of the Company maintained for such purpose in the continental United States and, subject to any fiscal or other laws and regulations applicable thereto, at the specified offices of any other Paying Agent appointed by the Company for such purpose, or, at the option of the Company, payment of interest may be made by check mailed to holders of the Notes at their respective addresses set forth in the register of holders; *provided*, *however*, that all payments with respect to Notes the holders of which have given wire transfer instructions to the Company or a Paying Agent will be required to be made by wire transfer of immediately available funds to the accounts specified by the holders thereof.

If the due date for payment of the principal in respect of any Note is not a business day at the place in which it is presented for payment, the holder thereof will not be entitled to payment of the amount due until the next succeeding business day at such place and will not be entitled to any further interest or other payment in respect of any such delay.

The Corporate Trust Office of the Trustee in London will initially be designated as the Company's Paying Agent for payments with respect to the Notes. The Company shall maintain a paying agent in (i) the City of London and (ii) the City of New York. Citibank, N.A., London Branch will initially be designated as the Company's Paying Agent in London and Citibank, N.A., New York Branch will initially be designated as the Company's Paying Agent in New York; and each as the Company's agent where Notes may be surrendered for registration of transfer and exchange. The Company may at any time designate one or more additional Paying Agents or rescind the designation of any Paying Agent or approve a change in the office through which any Paying Agent acts, except that the Company will be required to maintain a Paying Agent in the continental United States. The Company will give notice to each holder of Notes, in the manner described under the caption "—Notices", of any change in Paying Agents.

Subsidiary Guarantees

General

The obligations of each Guarantor under its Subsidiary Guarantee will be general senior, unsecured obligations of such Guarantor, ranking *pari passu* in right of payment with all other senior indebtedness of such Guarantor and senior in right of payment to any subordinated indebtedness of such Guarantor. The Subsidiary Guarantees will be joint and several obligations of the Guarantors. Holders of existing and future secured indebtedness of the Guarantors, including loans under the existing Senior Credit Facilities will have claims with respect to the assets constituting collateral for such secured indebtedness that are superior to the claims of the holders of the Notes.

The Indenture will provide that the obligations of each Guarantor under its Subsidiary Guarantee will be limited to the maximum amount as will, after giving effect to such maximum amount and all other contingent and fixed liabilities of such Guarantor that are relevant under bankruptcy, fraudulent conveyance and fraudulent transfer and similar laws, and after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under its Subsidiary Guarantee, result in the obligations of such Guarantor under its Subsidiary Guarantee not constituting a fraudulent transfer or conveyance. In addition, the obligations of each Guarantor under its Subsidiary Guarantee shall be limited to the extent required by applicable law. See "Risk Factors—Risks Relating to Our Debt, the Notes and the Guarantees—Corporate benefit, capital maintenance laws and other limitations on the Guarantees may adversely affect the validity and enforceability of the Guarantees of the Notes."

Guarantors

Only certain Subsidiaries of the Company will guarantee the Notes. On the issue date, the Notes will be fully and unconditionally guaranteed by the Guarantors. The Company's other Subsidiaries will not initially guarantee the Notes and, in certain circumstances described below under the caption "—Release", the Company may elect to have the Guarantors released from their Subsidiary Guarantees. In the event of a bankruptcy, liquidation or reorganization of any Subsidiary of the Company that is not a Guarantor, that Subsidiary will pay the holders of its debt and its trade creditors before it will be able to distribute any of its assets to the Company.

The Guarantors represented (after elimination of intra group transactions other than in the calculation of EBITDA) 79% and 99% of our consolidated revenues and EBITDA, respectively, for the year ended December 31, 2010 and held 82% of our consolidated total assets on December 31, 2010.

In addition, a Restricted Subsidiary of the Company may become a Guarantor, at its option, by executing a supplemental indenture providing for a Subsidiary Guarantee in accordance with the provisions of the Indenture.

Release

The Subsidiary Guarantee of a Guarantor will be released:

(1) in connection with any sale or other disposition by the Company or any of its Restricted Subsidiaries of all or substantially all of the assets of that Guarantor (including by way of merger, consolidation, amalgamation or combination) to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary of the Company, if the sale or other disposition does not violate the covenant described below under the caption "—Put Option of Holders—Asset Sales";

(2) in connection with any sale or other disposition by the Company or any of its Restricted Subsidiaries of Capital Stock of that Guarantor (or Capital Stock of any parent company of such Guarantor (other than the Company)) following which such Guarantor or parent company is no longer a Restricted Subsidiary to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary of the Company, if the sale or other disposition does not violate the covenant described below under the caption "—Put Option of Holders—Asset Sales";

(3) if the Company designates any Restricted Subsidiary that is a Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture;

(4) in the case of any Restricted Subsidiary that after the Issue Date is required to guarantee the Notes pursuant to the covenant described under "—Certain Covenants—Guarantees of Certain Indebtedness by Restricted Subsidiaries", upon the release or discharge of the guarantee of Indebtedness by such Restricted Subsidiary which resulted in the obligation to guarantee the Notes;

(5) if such Guarantor is not the continuing or surviving Person in a consolidation, merger or other business combination transaction permitted by the covenant described under "—Merger or Consolidation—The Guarantors" and such continuing or surviving Person assumes all of the obligations of such Guarantor under its Subsidiary Guarantee and the Indenture pursuant to a supplemental indenture reasonably satisfactory to the Trustee;

(6) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided below under the captions "—Legal Defeasance and Covenant Defeasance" and "—Satisfaction and Discharge";

(7) upon the full and final payment of the Notes and performance of all Obligations of the Company and the Guarantors under the Indenture and the Notes; or

(8) as described under the caption "—Amendment and Waiver."

Upon any occurrence giving rise to a release of a Subsidiary Guarantee, as specified above, the Trustee, subject to receipt of certain documents from the Company and/or Guarantor, will execute any documents reasonably required in order to evidence or effect such release, discharge and termination in respect of such Subsidiary Guarantee. Neither the Company, the Trustee nor any Guarantor will be required to make a notation on the Notes to reflect any such release, discharge or termination.

Merger or Consolidation

The Company

The Company will not directly or indirectly: (1) consolidate, amalgamate, merge with or into or consummate any other type of business combination transaction with another Person (whether or not the Company is the surviving corporation), or (2) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole in one or more related transactions, to another Person, unless:

(1) either: (a) the Company is the surviving corporation; or (b) the Person formed by or surviving any such consolidation or merger or other business combination transaction (if other than the Company) or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made is an entity organized or existing under the laws of any member state of the Pre-Expansion European Union, the Kingdom of Norway, Switzerland, Canada, any state of the United States or the District of Columbia;

(2) the Person formed by or surviving any such consolidation or merger with the Company (if other than the Company) or the Person to which such sale, assignment, transfer, conveyance, lease or other disposition has been made assumes all the obligations of the Company under the Notes and the Indenture;

(3) immediately after giving *pro forma* effect to such transaction, no Default or Event of Default exists;

(4) the Company or the Person formed by or surviving any such consolidation or merger (if other than the Company), or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made would, on the date of such transaction after giving *pro forma* effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period (i) be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Consolidated Interest Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption "—Certain Covenants—Incurrence of Indebtedness and Issuance of Disqualified Stock" or (ii) have a Consolidated Interest Coverage Ratio no less than it was immediately prior to giving effect to such transaction; and

(5) the Company delivers to the Trustee an Officer's Certificate and opinion of counsel, in each case, stating that such consolidation, merger or transfer and such supplemental indenture comply with this covenant and that all conditions precedent in the Indenture relating to such transaction have been satisfied and that the Indenture and the Notes constitute legal, valid and binding obligations of the Company or the Person formed by or surviving any such consolidation, merger or other business combination transaction (if other than the Company) enforceable in accordance with their terms; *provided* that in giving an opinion of counsel, counsel may rely on an Officer's Certificate as to any matters of fact, including as to satisfaction of clauses (3) and (4) above.

The Guarantors

A Guarantor (other than a Guarantor whose Subsidiary Guarantee is to be released in accordance with the terms of the Subsidiary Guarantee and the Indenture as described under the clauses (1), (2), (3), (4), (6), (7) and (8) under the caption "—Subsidiary Guarantees—Release") will not, directly or indirectly: (1) consolidate, amalgamate, merge with or into or consummate any other type of business combination transaction with another Person (whether or not such Guarantor is the surviving corporation), or (2) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of such Guarantor and its Subsidiaries which are Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

(1) immediately after giving pro forma effect to that transaction or transactions, no Default or Event of Default exists; and either:

(a) a Guarantor or the Company is the surviving Person; or

(b) the Person acquiring the property in any such sale or disposition or the Person formed by or surviving any such consolidation or merger assumes all the obligations of that Guarantor under its Subsidiary Guarantee and the Indenture pursuant to a supplemental indenture reasonably satisfactory to the Trustee; and

(2) the Company delivers to the Trustee an Officer's Certificate and opinion of counsel, in each case, stating that such consolidation, merger or transfer and such supplemental indenture comply with this covenant and that all conditions precedent in the Indenture relating to such transaction have been satisfied and that the Indenture and the Notes constitute legal, valid and binding obligations of the Guarantor or the Person formed by or surviving any such consolidation, merger or other business combination transaction (if other than the Guarantor) enforceable in accordance with their terms; *provided* that in giving an opinion of counsel, counsel may rely on an Officer's Certificate as to any matters of fact, including as to satisfaction of clauses (3) and (4) above under the caption "—Merger or Consolidation—The Company."

Clauses (3) and (4) under the caption "—Merger or Consolidation—The Company" will not apply to any sale or other disposition of all or substantially all of the assets or merger or consolidation of the Company with or into any other Guarantor and clause (4) under the caption "—Merger or Consolidation—The Company" will not apply to any sale or other disposition of all or substantially all of the assets or merger or consolidation of the Company with or into an Affiliate solely for the purpose of reincorporating the Company in another jurisdiction.

Optional Redemption

At any time prior to December 15, 2015, the Company may redeem the Notes at its option, in whole or in part, at a redemption price equal to 100% of the principal amount thereof plus the Applicable Premium as of, and accrued and unpaid interest to, the date of redemption.

The Notes will also be redeemable at the Company's option on or after December 15, 2015, in whole or in part, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest thereon to the applicable redemption date, if redeemed during the 12-month period beginning December 15 of the years indicated below:

Year	Percentage
2015	103.688%
2016	101.844%
2017 and thereafter	100.000%

Further, prior to December 15, 2014, the Company may redeem on any one or more occasions Notes representing up to 35% of the sum of the aggregate principal amount of the Offered Notes plus any other Notes originally issued under the Indenture after the Issue Date at a redemption price of 107.375% of the principal amount thereof, plus accrued and unpaid interest thereon to the redemption date, with the net cash proceeds of one or more Qualified Equity Offerings; *provided* that (a) Notes representing at least 65% of the sum of the aggregate principal amount of the Offered Notes plus any other Notes originally issued under the Indenture after the Issue Date remain outstanding immediately after the occurrence of each such redemption and (b) such redemption occurs within 180 days of the date of the closing of each such Qualified Equity Offering.

Selection and Notice

If less than all of the Notes are to be redeemed at any time, the Trustee will select Notes for redemption as follows:

(a) if the Notes are listed, in compliance with the requirements of the principal securities exchange on which the Notes are listed; or

(b) if the Notes are not so listed, on a pro rata basis, or by lot, in accordance with the procedures of the applicable depository, if any.

No Notes of $200,000 or less shall be redeemed in part.

Notices of redemption shall be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered address. For so long as the Notes are listed on the Luxembourg Stock Exchange and admitted to trading on the Euro MTF market and for so long as the rules of such exchange require, notices of redemption will be published once by the Trustee, not less than five business days prior to the redemption date, in a newspaper having general circulation in Luxembourg, which is expected to be the *Luxemburger Wort* or if such newspaper ceases to be published or timely publication in it will not be practicable, in such other newspaper as the Trustee deems necessary to give fair and reasonable notice to the holders of Notes. Notices may also be published on the internet site of the Luxembourg Stock Exchange at www.bourse.lu.

Notices of redemption may be conditional.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed. A new Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the holder thereof upon surrender of the original Note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

The Trustee shall not be liable for selections made by it in accordance with this paragraph.

Redemption for Taxation Reasons

The Company may redeem the Notes, in whole but not in part, at its discretion at any time upon giving not less than 30 nor more than 60 days' prior notice to the holders of the Notes (which notice will be irrevocable and given in accordance with the procedures described in "—Selection and Notice"), at a redemption price equal to 100% of the aggregate principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Company for redemption (a "*Tax Redemption Date*") and all Additional Amounts (if any) then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date and

Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the Notes or any Subsidiary Guarantee, the Company under or with respect to the Notes or any of the Guarantors with respect to any Subsidiary Guarantee, as the case may be, is or would be required to pay Additional Amounts (but, in the case of the relevant Guarantor, only if such amount cannot be paid by the Company or another Guarantor who can pay such amount without the obligation to pay Additional Amounts), and the Company or Guarantor, as applicable, cannot avoid any such payment obligation by taking reasonable measures available (including making payment through a Paying Agent located in another jurisdiction) and the requirement arises as a result of:

(a) any amendment to, or change in, the laws or any regulations or rulings promulgated thereunder of a Relevant Taxing Jurisdiction which amendment or change is announced and becomes effective on or after the date of this Offering Memorandum (or, if the applicable Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction on a date after the date of this Offering Memorandum, such later date); or

(b) any amendment to, or change in, any official written interpretation or application of such laws, regulations or rulings (including by virtue of a holding, judgment or order by a court of competent jurisdiction or a change in published administrative practice) which amendment or change is announced and becomes effective on or after the date of this Offering Memorandum (or, if the applicable Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction on a date after the date of this Offering Memorandum, such later date).

The Company will not give any such notice of redemption earlier than 60 days prior to the earliest date on which the Company or the Guarantor, as applicable, would be obligated to make such payment or withholding if a payment in respect of the Notes were then due (or, if earlier, 60 days prior to the date on which an obligation to pay Additional Amounts begins to accrue), and the obligation to pay Additional Amounts must be in effect at the time such notice is given. Prior to the publication or, where relevant, mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company will deliver to the Trustee an opinion of independent tax counsel (the choice of such counsel to be subject to the prior written approval of the Trustee (such approval not to be unreasonably withheld)) to the effect that there has been such amendment or change described above which would entitle the Company to redeem the Notes hereunder. In addition, before the Company publishes or mails notice of redemption of the Notes as described above, it will deliver to the Trustee an Officer's Certificate to the effect that it cannot avoid its obligation to pay Additional Amounts by the Company taking reasonable measures available to it.

The Trustee will accept and shall be entitled to rely on such Officer's Certificate and opinion of counsel as sufficient evidence of the existence and satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the holders.

The foregoing provisions shall apply *mutatis mutandis* to any successor Person, after such successor Person becomes a party to the Indenture, with respect to an amendment or change described above occurring after the time such successor Person becomes a party to the Indenture.

Additional Amounts

The Indenture will provide that payments made by or on behalf of the Company or any Guarantor under or with respect to the Notes or the Subsidiary Guarantees will be made free and clear of and without withholding or deduction for or on account of any present or future tax, duty, levy, impost, assessment or other similar governmental charge (collectively, "*Taxes*") imposed or levied by or on behalf of any jurisdiction in which the Company or any Guarantor (including any successor entities) is then organized or resident for tax purposes or any political subdivision thereof or therein or any jurisdiction by or through which payment is made by the Company, any Guarantor or any Paying Agent or any political subdivision thereof or therein (each, a "*Relevant Taxing Jurisdiction*"), unless the

Company, any Guarantor or any Paying Agent is required to withhold or deduct Taxes under the laws of the Relevant Taxing Jurisdiction or by the interpretation or administration thereof by the relevant taxing authority. If the Company, any Guarantor or any Paying Agent is so required to withhold or deduct any amount for or on account of Taxes from any payment made under or with respect to the Notes or the Subsidiary Guarantees, the Company or such Guarantor will pay to each affected holder of the Notes that are outstanding on the date of the required payment, such additional amounts ("*Additional Amounts*") as may be necessary so that the net amount received by such holder (including the Additional Amounts) after such withholding or deduction will not be less than the amount such holder would have received if such Taxes had not been withheld or deducted; *provided,* however, that no Additional Amounts will be payable with respect to:

(a) any Tax imposed as a result of the presentation of a Note for payment (where presentation is required) more than 30 days after the relevant payment is first made available for payment to the holder (except to the extent that the holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30 day period);

(b) any Tax imposed or withheld by reason of the failure to comply by the holder or, if different, the beneficial owner of the Note with a request addressed to such holder or beneficial owner (and made at a time that would enable the holder or beneficial owner acting reasonably to comply with such request) to provide information, documents or other evidence concerning the nationality, residence, identity or connection with the Relevant Taxing Jurisdiction of such holder or beneficial owner which is required or imposed by a statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from all or part of such Tax;

(c) any Tax that would not have been imposed but for the holder or beneficial owner having (or being deemed to have) a present or former connection with the Relevant Taxing Jurisdiction other than the mere ownership of any Note, the receipt of any payments made by or on behalf of the Company or any Guarantor in respect thereof or any Subsidiary Guarantee and/or the enforcement of rights under such Note (including, without limitation, such holder or beneficial owner being or having been a citizen or resident thereof or being or having been present or engaged in a trade or business therein or having or having had a permanent establishment therein);

(d) any estate, inheritance, gift, sale, transfer, personal property or other similar Tax;

(e) any withholding or deduction imposed pursuant to any law implementing or complying with, or introduced in order to conform to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any agreement between the European Community and any jurisdiction providing for equivalent measures;

(f) any Tax imposed other than by withholding from payments made under or with respect to the Notes or any Subsidiary Guarantees;

(g) any Tax imposed where the holder is a fiduciary, partnership, or otherwise not the beneficial owner to the extent that no Additional Amounts would have been payable had the beneficiary, settlor, partner or beneficial owner been the holder;

(h) any tax that would not have been imposed if the Notes had been presented for payment to another Paying Agent within the European Economic Area; or

(i) as a result of any combination of (a) through (h) above.

The Company or any Guarantor will make all such withholdings or deductions required by law to be made by them and remit the full amount deducted or withheld to the relevant authority in accordance with applicable law. The Company will furnish, within 60 days after the date the payment of any such Taxes is made by the Company or any Guarantor, to the Trustee, copies of tax receipts (to the extent received from the relevant tax authorities in the usual course or as generally provided or if, notwithstanding such entity's efforts to obtain receipts, receipts are not obtained, other evidence of payments (reasonably satisfactory to the Trustee) received by the Company) evidencing that such payment has been made by the Company or any Guarantor. The Trustee will make such evidence available to the holders upon request. If reasonably requested by the Trustee, the Company or the Guarantors will provide to the Trustee such information as may be in the possession of the Company or the Guarantors (and not otherwise in the possession of the Trustee) to enable the Trustee to determine the amount of withholding taxes attributable to any particular holder; *provided*, *however*, that in no event shall the Company or the Guarantors be required to disclose any information that it reasonably deems to be confidential.

At least 30 days prior to each date on which any payment under or with respect to the Notes or the Subsidiary Guarantees is due and payable (or, if the obligation to pay Additional Amounts arises after such 30th day, promptly thereafter), if the Company or any Guarantor becomes obligated to pay Additional Amounts with respect to such payment, the Company will deliver to the Trustee and each Paying Agent an Officer's Certificate stating the fact that such Additional Amounts will be payable, and the amount so payable and will set forth such other information as necessary to enable such Paying Agent to pay such Additional Amounts to the holders of the Notes on the payment date. The Trustee and each Paying Agent shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

Whenever in the Indenture or this Offering Memorandum there is mentioned, in any context, (a) the payment of principal (and premium, if any), (b) redemption prices in connection with a redemption of the Notes, (c) interest or (d) any other amount payable on or with respect to any of the Notes or the Subsidiary Guarantees, such mention is deemed to include mention of the payment of Additional Amounts provided for in this section to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Company or a Guarantor, as the case may be, will pay any present or future stamp, court or documentary taxes or any other similar excise or property Taxes, that arise in any Relevant Taxing Jurisdiction from the initial issue or registration of the Notes or on the enforcement of any payments with respect to the Notes or any Subsidiary Guarantee.

The obligations of the Company or any Guarantor described in this "—Additional Amounts" section will survive the satisfaction and discharge of the Indenture and will apply, *mutatis mutandis*, to any jurisdiction in which any successor Person to the Company or any Guarantor is organized or resident for tax purposes or any jurisdiction from or through which such Person (or its Paying Agent) makes any payment on the Notes or any Subsidiary Guarantee and any department or any political subdivision thereof or therein.

Mandatory Redemption

Except as set forth below under the caption "—Put Option of Holders", the Company will not be required to make mandatory redemption or sinking fund payments with respect to the Notes.

Put Option of Holders

Change of Control

The Indenture will provide that, upon the occurrence of a Change of Control, each holder will have the right to require the Company to purchase all or any portion (equal to $200,000 or an integral multiple of $1,000 in excess thereof) of the holder's Notes, pursuant to the offer described below (the

"*Change of Control Offer*"), at a purchase price in cash equal to 101% of the aggregate principal amount thereof, plus accrued and unpaid interest thereon to the date of purchase (the "*Change of Control Payment*").

Within 30 days following a Change of Control, the Company will give notice to each holder of Notes, in the manner described under the caption "—Notices", and the Trustee describing the transaction that constitutes the Change of Control and offering to purchase the Notes on the date specified in such notice, which date shall be no earlier than 30 days and no later than 60 days from the date such notice is given (the "*Change of Control Payment Date*"), pursuant to the procedures required by the Indenture and described in such notice.

On or before the Change of Control Payment Date, the Company will, to the extent lawful:

(a) accept for payment all Notes or portions thereof properly tendered pursuant to the Change of Control Offer;

(b) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions thereof so tendered; and

(c) deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officer's Certificate stating the aggregate principal amount of the Notes or portions thereof being purchased by the Company.

The Paying Agent will promptly deliver to each holder of the Notes so tendered the Change of Control Payment for such Notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; *provided*, *however*, that each such new Note will be in a principal amount of $200,000 or an integral multiple of $1,000 in excess thereof. The Company will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the holders of the Notes to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. In addition, the Company could enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that could affect the Company's capital structure or the value of the Notes, but that would not constitute a Change of Control. The occurrence of a Change of Control may result in a default under the agreement governing other senior indebtedness of the Company including the term loan facility, giving the lenders thereunder the right to require the Company to repay all outstanding obligations thereunder, possibly limiting the Company's ability to purchase the Notes upon a Change of Control. The Company's ability to purchase the Notes following a Change of Control may also be limited by the Company's then existing financial resources. Should a Change of Control occur at a time when the Company lacks sufficient funds to make the Change of Control Payments or is prohibited from purchasing the Notes under instruments governing other senior indebtedness (and the Company is unable to obtain the consent of the holders of such senior indebtedness or to prepay such senior indebtedness), an Event of Default would occur under the Indenture. See "—Events of Default and Remedies" below as well as "Risk Factors—Risks Relating to Our Debt, the Notes and the Guarantees—We may be unable to repurchase the Notes as required upon a Change of Control."

The provisions described above that require the Company to make a Change of Control Offer following a Change of Control will be applicable regardless of whether any other provisions of the Indenture are applicable. The Company will not be required to make a Change of Control Offer following a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

The Company will comply with the applicable tender offer rules, including Rule l4e-l under the Exchange Act, and any other applicable securities laws and regulations in connection with a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Company will comply with such applicable securities laws and regulations and will not be deemed to have breached their obligations under the Indenture by virtue of such conflict.

With respect to the Notes, if Holders of not less than 95% in aggregate principal amount of the outstanding Notes validly tender and do not withdraw such Notes in a Change of Control Offer and the Company, or any third party making a Change of Control Offer in lieu of the Company as described above, purchases all of the Notes that have been validly tendered and not withdrawn by such Holders, the Company or such third party will have the right, upon not less than 30 nor more than 60 days' prior notice, following such purchase pursuant to the Change of Control Offer described above, to redeem all Notes of the series that remain outstanding following such purchase at a price in cash equal to the applicable Change of Control Payment plus, to the extent not included in the Change of Control Payment, accrued and unpaid interest, if any thereon, to the date of redemption.

The provisions of the Indenture relating to the Company's obligation to make a Change of Control Offer may be waived or modified, prior to the occurrence of a Change of Control, with the written consent of the holders of a majority in aggregate principal amount of the then outstanding Notes.

The definition of Change of Control includes an event by which the Company sells, leases, transfers, conveys or otherwise disposes of all or substantially all of the properties or assets of the Company and its Subsidiaries, taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Notes to require the Company to repurchase such Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the properties or assets of the Company and its Subsidiaries, taken as a whole, may be uncertain.

Asset Sales

The Indenture will provide that the Company will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale (excluding for this purpose an Event of Loss) unless:

(a) the Company or such Restricted Subsidiary, as the case may be, receives consideration at the time of such Asset Sale at least equal to the fair market value (as determined in accordance with the definition of such term set out below under the caption "—Certain Definitions", the results of which determination shall be set forth in an Officer's Certificate delivered to the Trustee) of the assets or Equity Interests issued or sold or otherwise disposed of; and

(b) at least 75% of the consideration therefor received by the Company or such Restricted Subsidiary is in the form of cash or Cash Equivalents or a combination thereof,

provided, *however*, that the amount of (1) any liabilities (as shown on the Company's or such Restricted Subsidiary's most recent balance sheet) of the Company or such Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or the Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary novation or other agreement that releases the Company or such Restricted Subsidiary from further liability, (2) any securities, notes or other obligations received by the Company or such Restricted Subsidiary from such transferee that are converted within 180 days by the Company or such Restricted Subsidiary into cash (to the extent of the cash received in that conversion), (3) any assets or Voting Stock comprising Strategic Assets and, in relation to Voting Stock, comprising the majority of the Voting Stock of a Person, (4) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Sale, to the extent that the Company and each other Restricted Subsidiary are released from any guarantee of such Indebtedness in connection with such Asset Sale, (5) consideration consisting of Indebtedness of the Company or any Guarantor received from Persons who are not the Company or any Restricted Subsidiary that is promptly cancelled and (6) any Designated Non-Cash Consideration received by the Company or any Restricted Subsidiary in such Asset Sale having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at that time outstanding, not to exceed the greater of $30,000,000 and 1% of Consolidated Total Tangible Assets of the Company (with the fair market value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value), shall be deemed to be cash for purposes of this provision.

Within 365 days after the receipt of any Net Proceeds from an Asset Sale (including, without limitation, any Event of Loss), the Company or any such Restricted Subsidiary may apply such Net Proceeds to (a) permanently repay the principal of any Pari Passu Indebtedness of the Company or such Restricted Subsidiary, (b) make capital expenditures in respect of Strategic Assets or (c) acquire (including by way of a purchase of assets or a majority of the Voting Stock of a Person, by merger, by consolidation or otherwise) Strategic Assets; *provided* that if the Company or such Restricted Subsidiary enters into a binding agreement to acquire such Strategic Assets within such 365-day period, but the consummation of the transactions under such agreement has not occurred within such 365-day period and such agreement has not been terminated, then such 365-day period will be extended by (i) in the case of an Asset Sale (excluding any Event of Loss), 180 days, and (ii) in the case of any Event of Loss, 365 days, to permit such consummation. If such consummation does not occur, or such agreement is terminated within such 180-day or such 365-day extension period, as applicable, then the Company may apply, or cause such Restricted Subsidiary to apply, within 180 days after the end of such initial 180-day or 365-day extension period, as applicable, or the effective date of such termination, whichever is earlier, such Net Proceeds as provided in clauses (a) through (c) of this paragraph. Pending the final application of any such Net Proceeds, the Company or any such Restricted Subsidiary may temporarily reduce outstanding revolving credit borrowings or otherwise invest such Net Proceeds in any manner that is not prohibited by the Indenture. Any Net Proceeds from Asset Sales that are not applied or invested as provided in clauses (a) through (c) of this paragraph will be deemed to constitute "*Excess Proceeds*."

When the aggregate amount of Excess Proceeds exceeds $20,000,000, the Company will be required to make an offer to all holders of the Notes (an "*Asset Sale Offer*") to purchase the maximum principal amount of the Notes that may be purchased out of the Excess Proceeds at an offer price in cash in an amount equal to 100% of the principal amount thereof, plus accrued and unpaid interest thereon to the date of purchase, in accordance with the procedures set forth in the Indenture; *provided*, *however*, that, if the Company is required to apply such Excess Proceeds to purchase, or to offer to purchase, any Pari Passu Indebtedness, the Company shall only be required to offer to purchase the maximum principal amount of the Notes that may be purchased out of the amount of such Excess Proceeds multiplied by a fraction, the numerator of which is the aggregate principal amount of the Notes outstanding and the denominator of which is the aggregate principal amount of the Notes outstanding plus the aggregate principal amount of Pari Passu Indebtedness outstanding. To the extent that the aggregate principal amount of the Notes tendered pursuant to an Asset Sale Offer is less than the amount that the Company is required to purchase, the Company may use any remaining Excess Proceeds for general corporate purposes in any manner not prohibited by the Indenture. If the aggregate principal amount of the Notes surrendered by holders thereof exceeds the amount that the Company is required to purchase, the Trustee shall select the Notes to be purchased on a *pro rata* basis. Upon completion of such offer to purchase, the amount of Excess Proceeds shall be reset at zero.

The agreements governing the Company's existing Credit Facilities contain and the agreements governing the Company's future Credit Facilities may contain prohibitions of certain events, including events that would constitute a Change of Control or an Asset Sale. In addition, the exercise by the holders of Notes of their right to require the Company to repurchase the Notes upon a Change of Control or an Asset Sale could cause a default under these other agreements, even if the Change of Control or Asset Sale itself does not, due to the financial effect of such repurchases on the Company. Finally, the Company's ability to pay cash to the holders of Notes upon a repurchase may be limited by the Company's then existing financial resources. See "Risk Factors—Risks Relating to our Debt, the Notes and the Guarantees."

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations to the extent such laws and regulations are applicable in connection with the purchase of the Notes as a result of an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the Asset Sale provisions of the Indenture, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Asset Sale provisions of the Indenture by virtue of such conflict.

Certain Covenants

Restricted Payments

The Indenture will provide that the Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(a) declare or pay any dividend or make any other payment or distribution on account of the Company's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, in connection with any merger or consolidation involving the Company) or to the direct or indirect holders of the Company's Equity Interests in their capacity as such (other than (i) dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Company and (ii) dividends or distributions payable to the Company or any of its Restricted Subsidiaries);

(b) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Company) any Equity Interests of the Company or any of its Restricted Subsidiaries (other than any such Equity Interests owned by the Company or any of its Restricted Subsidiaries) at the time of determination;

(c) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value, any Indebtedness that is subordinated in right of payment to the Notes or the Subsidiary Guarantees, as the case may be, except a payment of interest or principal at Stated Maturity; or

(d) make any Restricted Investment,

(all such payments and other actions set forth in clauses (a) through (d) above being collectively referred to as "*Restricted Payments*"), unless, at the time of and after giving effect to such Restricted Payment:

(1) no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof;

(2) the Company would, at the time of such Restricted Payment and after giving *pro forma* effect thereto as if such Restricted Payment had been made at the beginning of the applicable four quarter period, have been permitted to incur at least $1.00 of additional Indebtedness pursuant to the Consolidated Interest Coverage Ratio test set forth in the first paragraph of the covenant described under the caption "—Incurrence of Indebtedness and Issuance of Disqualified Stock"; and

(3) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Company and its Restricted Subsidiaries since the Issue Date (excluding Restricted Payments permitted by clauses (a) (but only to the extent duplicative of amounts paid pursuant to any other clause of the next succeeding paragraph which is otherwise excluded), (b) through (e), (j), (n) and, to the extent deducted in computing Consolidated Net Income of the Company, (f), (h) and (k) of the next succeeding paragraph), is less than the sum (without duplication) of the following:

(A) 50% of the cumulative Consolidated Net Income of the Company for the period (taken as one accounting period) from the beginning of the fiscal quarter commencing immediately prior to the Issue Date to the end of the Company's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit); *plus*

(B) 100% of the aggregate of (1) the net cash proceeds and (2) the fair market value of marketable securities transferred or conveyed to the Company (as valued at the time of transfer or conveyance to the Company, and as determined in the manner contemplated by the definition of the term "fair market value"), in each case received by the Company since the Issue Date as a contribution to its common equity capital or from the issue or sale of Equity Interests of the Company (other than Disqualified Stock) or from the issuance or sale of Disqualified Stock or debt securities of the Company that have been converted into, or exchanged or redeemed for, such Equity Interests (other than any such Equity Interests, Disqualified Stock or convertible debt securities sold to a Restricted Subsidiary of the Company and other than Disqualified Stock or convertible debt securities that have been converted into, or exchanged or redeemed for, Disqualified Stock); *plus*

(C) to the extent that any Restricted Investment that was made after the Issue Date is (a) sold, disposed of or otherwise cancelled, liquidated or repaid, 100% of the aggregate amount received in cash and the fair market value of marketable securities received by the Company or any Restricted Subsidiary (other than from a Person that is the Company or a Restricted Subsidiary), or (b) made in an entity that subsequently becomes a Restricted Subsidiary, 100% of the fair market value of the Restricted Investment of the Company and its Restricted Subsidiaries as of the date such entity becomes a Restricted Subsidiary; *plus*

(D) if any Unrestricted Subsidiary is redesignated as a Restricted Subsidiary, an amount equal to 100% of the fair market value of the Restricted Investment in such Unrestricted Subsidiary of the Company and its Restricted Subsidiaries as of the date such entity becomes a Restricted Subsidiary; *provided* that no amount will be included in Consolidated Net Income of the Company for purposes of the preceding clause (A) to the extent that it is included (at the Company's option) in this clause (D); *plus*

(E) the amount of the cash and the fair market value (as valued at the time of transfer or conveyance to the Company, and as determined in the manner contemplated by the definition of the term "*fair market value*") of marketable securities received by the Company or any of its Restricted Subsidiaries in connection with:

(i) the sale or other disposition (other than to the Company or a Restricted Subsidiary or an employee stock ownership plan or trust company by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) of Capital Stock of an Unrestricted Subsidiary of the Company; and

(ii) any dividend or distribution made by an Unrestricted Subsidiary to the Company or a Restricted Subsidiary,

provided, *however*, that no amount will be included in Consolidated Net Income of the Company for purposes of the preceding clause (A) to the extent that it is included (at the Company's option) under this clause (E).

The preceding provisions will not prohibit any of the following:

(a) the payment of any dividend within 60 days after the date of declaration thereof if at said date of declaration such payment would have complied with the provisions of the Indenture;

(b) the redemption, repurchase, retirement, defeasance or other acquisition of any subordinated Indebtedness of the Company or any Guarantor or any Equity Interests of the Company or any of its Restricted Subsidiaries in exchange for, or out of the net cash proceeds of the substantially concurrent sale (other than to a Subsidiary of the Company) of, other Equity Interests of the Company (other than any Disqualified Stock); *provided* that the amount of any such net cash proceeds that are utilized for any such redemption, repurchase, retirement, defeasance or other acquisition shall be excluded from clause (3)(B) of the preceding paragraph and clause (f) of this paragraph;

(c) the defeasance, redemption, purchase, retirement or other acquisition of subordinated Indebtedness of the Company or any Guarantor with the net cash proceeds from an incurrence of, or in exchange for, Permitted Refinancing Indebtedness;

(d) the payment of any dividend or distribution by a Restricted Subsidiary of the Company to the holders of its Equity Interests (other than the Company or any Restricted Subsidiary) then entitled to participate in such dividends on a pro rata basis;

(e) repurchases of Equity Interests deemed to occur upon exercise of stock options, warrants, or other rights if such Equity Interests represent a portion of the exercise price thereof;

(f) so long as no Default or Event of Default has occurred and is continuing, the purchase, redemption or other acquisition for value of any Equity Interests of the Company for allocation or distribution (as a free allocation or distribution or otherwise), in connection with the Company's existing employee stock option plan or any subsequent or replacement employee stock option plan; *provided* that the aggregate price paid for all such purchased, redeemed or acquired Equity Interests may not exceed (A) $5,000,000 plus (B) $5,000,000 multiplied by the number of calendar years that have commenced since the Issue Date; *provided*, *further*, that such amount may be increased by an amount not to exceed the cash proceeds from the sale of such Equity Interests of the Company received by the Company or a Restricted Subsidiary (including, without limitation, any option exercise price) to the extent the cash proceeds from the sale of such Equity Interests have not otherwise been applied to the making of Restricted Payments pursuant to clause (3)(B) of the preceding paragraph or clause (b) of this paragraph;

(g) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), the declaration and payment by the Company of dividends or distributions on the common stock or common equity interests of the Company in an amount not to exceed in any fiscal year $50,000,000; *provided* that after giving *pro forma* effect to each such dividend or distribution, the Consolidated Leverage Ratio of the Company shall be equal to or less than 2.5 to 1.0;

(h) the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Company or any preferred stock of any Restricted Subsidiary issued on or after the Issue Date in accordance with the covenant described below under the caption "—Incurrence of Indebtedness and Issuance of Disqualified Stock";

(i) payments of cash, dividends, distributions, advances or other Restricted Payments by the Company or any of its Restricted Subsidiaries to allow the payment of cash in lieu of the issuance of fractional shares upon the (x) exercise of options or warrants or (y) the conversion or exchange of Capital Stock of any such Person;

(j) any purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of the Company or any Guarantor that is subordinated in right of payment to the Notes or any Subsidiary Guarantee (other than any Indebtedness so subordinated and held by Affiliates of the Company) upon a Change of Control or Asset Sale to the extent required by the agreements governing such Indebtedness at a purchase price not greater than 101% of the principal amount of such Indebtedness, in the case of a Change of Control, and 100%, in the case of an Asset Sale, but only if the Company has complied with its obligations under the covenants described under "Put Option of Holders—Change of Control" and "Put Option of Holders—Asset Sales" and the Company repurchased all Notes tendered pursuant to the offer required by such covenants prior to offering to purchase, purchasing or repaying such Indebtedness;

(k) for any taxable period in which the Company is a member of a consolidated, affiliated, combined, unitary or similar tax group of which a direct or indirect parent of the Company is the common parent (the "*Tax Group*"), distributions or other payments by the Company to its direct or indirect parent companies to pay the portion of the Tax Group's tax liability attributable to the Company and/or its Subsidiaries;

(l) so long as no Event of Default has occurred and is continuing, other Restricted Payments not to exceed $40,000,000 in the aggregate since the Issue Date;

(m) other Restricted Payments not to exceed $20,000,000; *provided* that they will be declared and paid by the Company no later than December 31, 2012 for declaring and paying dividends to the holders of the Company's Equity Interests on account of the Company's net income in the 2011 fiscal year; and

(n) any other Restricted Investments so long as (i) immediately after giving effect to any such Investment pursuant to this clause (n), the Consolidated Leverage Ratio of the Company would be less than or equal to 2.5 to 1.0 and (ii) such Investment is made in a Person conducting a Related Business.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The fair market value of any non-cash Restricted Payment shall be determined in the manner contemplated by the definition of the term "fair market value".

Incurrence of Indebtedness and Issuance of Disqualified Stock

The Indenture will provide that the Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "*incur*" or an "*incurrence*") any Indebtedness (including, without limitation, any Acquired Indebtedness) and that the Company will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any shares of preferred stock; *provided*, *however*, that the Company or any Guarantor may incur Indebtedness or issue Disqualified Stock and any Restricted Subsidiary may issue preferred stock, in each case if the Consolidated Interest Coverage Ratio for the Company's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock is issued would have been at least 2.0 to 1.0, determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if the additional Indebtedness or Disqualified Stock had been issued or incurred, as the case may be, at the beginning of such four quarter period.

The preceding paragraph will not apply to the any of the following Indebtedness ("*Permitted Indebtedness*"):

(a) (i) Indebtedness incurred by the Company, the Guarantors and PGS Egypt under Credit Facilities that is not Permitted Vessel Financing Indebtedness and (ii) Indebtedness incurred by the Company and its Restricted Subsidiaries under Credit Facilities that is Permitted Vessel Financing Indebtedness, in an aggregate principal amount for Indebtedness under the above sub-clauses (i) and (ii) at any one time outstanding not to exceed $1,350,000,000, plus any fees, premiums, expenses (including costs of collection), indemnities and similar amounts payable in connection with such Indebtedness, and less the sum of (x) any amounts outstanding pursuant to clause (l) below and (y) any amounts derived from Asset Sales and applied to the permanent reduction of Indebtedness under Credit Facilities in accordance with the covenant described under the caption "—Put Option of Holders—Asset Sales"; *provided* that in no event shall such reduction under the foregoing clauses (x) and (y) reduce the availability under this clause (a) to less than $350,000,000 at any one time outstanding;

(b) Existing Indebtedness;

(c) Hedging Obligations;

(d) Indebtedness represented by the Offered Notes and the Subsidiary Guarantees;

(e) intercompany Indebtedness between or among the Company and any of the Restricted Subsidiaries; *provided* that if the Company or any Guarantor is the obligor on such Indebtedness, then the Indebtedness must be unsecured and any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Company or a Restricted Subsidiary of the Company, or any sale or other transfer of any such Indebtedness to a Person that is neither the Company nor a Restricted Subsidiary of the Company, shall be deemed, in each case, to constitute an incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be, as of the date of such issuance, sale or other transfer that is not permitted by this clause (e);

(f) Indebtedness incurred by the Company or any of its Restricted Subsidiaries in respect of bid, performance, surety, customs bonds, workers' compensation claims, self-insurance obligations and bankers acceptances issued for the account of the Company or any of its Restricted Subsidiaries in the ordinary course of business, including guarantees or obligations of the Company or any of its Restricted Subsidiaries with respect to letters of credit supporting such bid, performance, surety, customs bonds, workers' compensation claims, self-insurance obligations and bankers acceptances (in each case other than for an obligation for money borrowed);

(g) Indebtedness incurred by the Company or any of its Restricted Subsidiaries represented by Capital Lease Obligations, mortgage financings or purchase money obligations (or any guarantee thereof or indemnity with respect thereto), in each case, incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in the business of the Company or any of its Restricted Subsidiaries, in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to refund, refinance or replace any Indebtedness incurred pursuant to this clause (g), not to exceed the greater of (x) $60,000,000 and (y) 2.0% of Consolidated Total Tangible Assets of the Company at any time outstanding;

(h) the guarantee by the Company of Indebtedness of any of its Restricted Subsidiaries or by any Restricted Subsidiary of Indebtedness of the Company or another Restricted Subsidiary, in each case, that was permitted to be incurred by another provision of this covenant; *provided* that if the Indebtedness being guaranteed is subordinated in right of payment to the Notes or a Subsidiary Guarantee, then the guarantee shall be subordinated to the same extent as the Indebtedness being guaranteed;

(i) intercompany Indebtedness between or among the Company and any of its Restricted Subsidiaries incurred in the ordinary course of business in connection with cash pooling or other cash management arrangements;

(j) Permitted Refinancing Indebtedness incurred in exchange for, or the net proceeds of which are used to extend, refinance, renew, replace, defease or refund Indebtedness incurred pursuant to the first paragraph and clauses (b), (d), (j) and (k) of the second paragraph of this covenant;

(k) Indebtedness of any Person outstanding on the date on which such Person becomes a Restricted Subsidiary of the Company or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Company or any of its Restricted Subsidiaries (other than Indebtedness incurred to provide all or any portion of the funds used to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary of the Company or was otherwise acquired by the Company or any of its Restricted Subsidiaries); *provided*, *however*, with respect to this clause (k), that at the time of the acquisition or other transaction pursuant to which such Indebtedness was deemed to be incurred (x) the Company would have been able to incur $1.00 of additional Indebtedness pursuant to the first paragraph of this covenant after giving *pro forma* effect to the incurrence of such Indebtedness pursuant to this clause (k) or (y) the Consolidated Interest Coverage Ratio of the Company would not be less than it was immediately prior to giving *pro forma* effect to the incurrence of such Indebtedness pursuant to this clause (k);

(l) Permitted Vessel Financing Indebtedness in an aggregate principal amount including any Permitted Refinancing Indebtedness incurred to refund, refinance or replace any Permitted Vessel Financing Indebtedness incurred pursuant to this clause (l) not in excess of $500,000,000 at any time outstanding; and

(m) any additional Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount not in excess of the greater of $30,000,000 and 1.0% of Consolidated Total Tangible Assets of the Company at any one time outstanding under this clause (m) and any guarantee thereof.

For purposes of determining compliance with this "Incurrence of Indebtedness and Issuance of Disqualified Stock" covenant, if an item of proposed Indebtedness meets the criteria of more than one of the categories of Indebtedness described in clauses (a) through (m) of the second paragraph, or is entitled to be incurred pursuant to the first paragraph, of this covenant, the Company will be permitted to classify such item of Indebtedness on the date of its incurrence, or later reclassify all or a portion of such item of Indebtedness, in any manner that complies with this covenant. Indebtedness under the Senior Credit Facilities outstanding on the Issue Date will initially be deemed to have been incurred on such date in reliance on the exception provided in clause (a) of the definition of Permitted Indebtedness.

The reclassification of operating leases as Indebtedness due to a change in accounting principles will not be deemed to be an incurrence of Indebtedness for the purposes of this covenant.

Liens

The Indenture will provide that the Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien on any property or asset now owned or hereafter acquired, or any income or profits therefrom, except Permitted Liens, to secure (a) any Indebtedness of the Company or such Restricted Subsidiary, unless prior to, or contemporaneously therewith, the Notes are equally and ratably secured, or (b) any Indebtedness of any Guarantor, unless prior to, or contemporaneously therewith, the Subsidiary Guarantee of such Guarantor is equally and ratably secured; *provided*, *however*, that if such Indebtedness is expressly subordinated to the Notes or any Subsidiary Guarantee, the Lien securing such Indebtedness will be subordinated and junior to the Lien securing the Notes or the Subsidiary Guarantee, as the case may be, with the same relative priority as such Indebtedness has with respect to the Notes or the Subsidiary Guarantee.

Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

The Indenture will provide that the Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to do any of the following:

(a) (1) pay dividends or make any other distributions to the Company or any of its Restricted Subsidiaries on its Capital Stock or (2) pay any Indebtedness owed to the Company or any of its Restricted Subsidiaries;

(b) make loans or advances to the Company or any of its Restricted Subsidiaries; or

(c) transfer any of its properties or assets to the Company or any of its Restricted Subsidiaries,

except for such encumbrances or restrictions existing under or by reason of:

(1) agreements governing Credit Facilities or Existing Indebtedness, and any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings thereof; *provided* that such agreements and amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings are not materially less favorable to the holders of the Notes, taken as a whole, with respect to such dividend and other payment restrictions, than those contained, in the case of Credit Facilities, in agreements governing the Senior Credit Facilities or, in the case of Existing Indebtedness, in agreements governing such Existing Indebtedness, in either case as in effect on the date of the Indenture;

(2) the Indenture, the Notes, and the Subsidiary Guarantees and the Senior Credit Facilities;

(3) any agreement for the sale or other disposition of Equity Interests in a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending the sale or other disposition;

(4) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Company or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided* that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the Indenture to be incurred;

(5) customary provisions restricting the subletting or assignment of any lease or the transfer of copyrighted or patented materials;

(6) purchase money obligations for property acquired in the ordinary course of business that impose restrictions of the nature described in clause (c) above on the property so acquired;

(7) customary provisions in agreements for the sale of property or assets;

(8) customary provisions in agreements that restrict the assignment of such agreements or rights thereunder;

(9) provisions with respect to the disposition or distribution of assets or property in any joint venture agreement, assets sale agreement, stock sale agreement or other similar agreement, in each case entered into in the ordinary course of business, but in each case only to the extent such encumbrance or restriction relates to the transfer of the property, or encumbers or restricts the assets, subject to such agreement;

(10) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business;

(11) an agreement or instrument relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under "Incurrence of Indebtedness and Issuance of Disqualified Stock" if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders of the Notes than (a) the encumbrances and restrictions contained in the Senior Credit Facilities, in each case, as in effect on the Issue Date or (b) in comparable financings (as determined in good faith by the Company) and where, in the case of clause (b), the Company determines in good faith at the time of issuance of such Indebtedness that such encumbrances or restrictions will not adversely affect, in any material respect, the Company's ability to make principal or interest payments on the Notes;

(12) Permitted Refinancing Indebtedness; *provided* that the encumbrances and restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially less favorable to the holders of the Notes, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;

(13) any Liens not prohibited by the covenant described above under the caption "—Liens" that limit the right of the debtor to dispose of the assets subject to such Liens; or

(14) applicable law.

Transactions with Affiliates

The Indenture will provide that the Company will not, and will not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate (each of the foregoing, an "*Affiliate Transaction*") or series of related Affiliate Transactions involving aggregate payments or consideration in excess of $2,000,000, unless:

(a) such Affiliate Transaction is on terms that, when taken as a whole, are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with an unrelated Person or, if there is no such comparable transaction, on terms that are fair and reasonable to the Company or such Restricted Subsidiary; and

(b) the Company delivers to the Trustee (1) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $5,000,000, a resolution of the Board of Directors set forth in an Officer's Certificate certifying that such Affiliate Transaction or series of related Affiliate Transactions complies with clause (a) above and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors and (2) with respect to any Affiliate Transaction or series of related

Affiliate Transactions involving aggregate consideration in excess of $35,000,000, an opinion as to the fairness to the Company or the relevant Subsidiary of such Affiliate Transaction or series of related Affiliate Transactions from a financial point of view issued by an accounting, appraisal or investment banking firm that is, in the judgment of the Board of Directors, qualified to render such opinion and is independent with respect to the Company,

provided, *however*, that the following shall be deemed not to be Affiliate Transactions:

(A) any employment agreement or other employee compensation plan or arrangement (including stock option plans) entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business of the Company or such Restricted Subsidiary;

(B) transactions between or among the Company and its Restricted Subsidiaries (including any Person that becomes a Restricted Subsidiary as a result of any such transaction);

(C) loans or advances to officers, directors and employees of the Company or any of its Restricted Subsidiaries made in the ordinary course of business and consistent with past practices of the Company and its Restricted Subsidiaries in an aggregate amount not to exceed $5,000,000 outstanding at any one time;

(D) transactions between or among the Company or any Restricted Subsidiary and Person (other than an Unrestricted Subsidiary of the Company) that is an Affiliate of the Company solely because the Company or a Restricted Subsidiary or any Affiliate of the Company or a Restricted Subsidiary owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls such Person;

(E) indemnities of officers, directors and employees of the Company or any of its Restricted Subsidiaries permitted by provisions of the organizational documents of the Company or such Restricted Subsidiary or applicable law;

(F) the payment of reasonable and customary regular fees to directors of the Company or any of its Restricted Subsidiaries who are not employees of the Company or any Subsidiary;

(G) any agreement or arrangement in effect as of the Issue Date or any amendment thereto or replacement thereof or any transaction contemplated thereby (including pursuant to any amendment or replacement agreement) so long as any such amendment or replacement agreement, taken as a whole, is no more disadvantageous to the holders of the Notes in any material respect than the original agreement as in effect on the Issue Date; and

(H) Restricted Payments and Permitted Investments (other than Permitted Investments described in paragraph (c) and (f) of the definition of Permitted Investments) that are permitted by the provisions of the Indenture described above under the caption "—Restricted Payments."

Guarantees of Certain Indebtedness by Restricted Subsidiaries

The Indenture will provide that the Company will not permit any Restricted Subsidiary (other than (x) any Guarantor and (y) PGS Egypt), directly or indirectly, to guarantee any Indebtedness of the Company or any Guarantor under (i) the Senior Credit Facilities or (ii) any Public Debt (the "*Other Company Indebtedness*") unless such Restricted Subsidiary (if it is not already a Guarantor) contemporaneously executes and delivers a Subsidiary Guarantee and a supplemental indenture to the Indenture in accordance with its terms, which Subsidiary Guarantee will be senior to such Restricted Subsidiary's guarantee of such Other Company Indebtedness if such Other Company Indebtedness so guaranteed is subordinated Indebtedness.

Each additional Subsidiary Guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Notwithstanding the foregoing, the Company shall not be obligated to cause such Restricted Subsidiary to execute and deliver a Subsidiary Guarantee to the extent that such Subsidiary Guarantee would reasonably be expected to give rise to or result in a violation of applicable law which, in any case, cannot be prevented or otherwise avoided through measures reasonably available to the Company or such Restricted Subsidiary or any liability for the officers, directors or shareholders of such Restricted Subsidiary.

Future Guarantee by PGS Egypt

The Indenture will provide that, if PGS Egypt is a Material Subsidiary as of the last day of its most recently completed fiscal year beginning with the fiscal year ending December 31, 2011 (and as determined on the basis of the audited consolidated financial statements of the Company for such fiscal year), the Company will use commercially reasonable efforts to cause PGS Egypt, and PGS Egypt will use commercially reasonable efforts, to become a Guarantor, within a period of time from the date of determination that is reasonable in the good faith judgment of an Officer of the Company having regard to applicable formalities, local practices and substantive provisions of applicable law, by executing and delivering a Subsidiary Guarantee and a supplemental indenture to the Indenture in accordance with its terms.

Such Subsidiary Guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Notwithstanding the foregoing, the Company shall not be obligated to cause PGS Egypt to execute and deliver a Subsidiary Guarantee to the extent that such Subsidiary Guarantee would reasonably be expected to give rise to or result in a violation of applicable law which, in any case, cannot be prevented or otherwise avoided through measures reasonably available to the Company or PGS Egypt or any liability for the officers, directors or shareholders of PGS Egypt.

Maintenance of Listing

The Company will use its commercially reasonable efforts to maintain the listing of the Notes on the Luxembourg Stock Exchange and admitted to trading on the Euro MTF market for so long as any Notes are outstanding; *provided* that if at any time the Company determines that it will not maintain such listing, it will obtain prior to the delisting of the Notes from the Luxembourg Stock Exchange, and thereafter use its best efforts to maintain, a listing of such Notes on another "recognized stock exchange" as defined in Section 1005 of the Income Tax Act 2007 of the United Kingdom.

Reports

For so long as any Notes are outstanding, the Company will furnish to the Trustee the following reports:

(1) within 120 days after the end of the Company's fiscal year beginning with the fiscal year ending December 31, 2011, annual reports containing the following information with a level of detail that is substantially comparable to this Offering Memorandum and the following information: (a) audited consolidated statements of financial position of the Company as of the end of the two most recent fiscal years and audited consolidated statements of operation, consolidated statements of comprehensive income and consolidated statements of cash flows of the

Company for the two most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) *pro forma* income statement and balance sheet information of the Company (which need not comply with Article 11 of Regulation S-X under the U.S. Exchange Act), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates (unless such *pro forma* information has been provided in a previous report pursuant to clause (2) or (3) below) (*provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case, the Company will provide, in the case of a material acquisition, acquired company financials); (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition and liquidity and capital resources, and a discussion of material commitments and contingencies and critical accounting policies; (d) a description of the business, management and shareholders of the Company, material affiliate transactions and material debt instruments; and (e) material recent developments;

(2) within 60 days following the end of each of the first three fiscal quarters in each fiscal year of the Company beginning with the fiscal quarter ending September 30, 2011, quarterly reports containing the following information: (a) an unaudited consolidated statements of financial position as of the end of such quarter and unaudited consolidated statements of operations, consolidated statements of comprehensive income and consolidated statements of cash flows for the quarterly and year to date periods ending on the unaudited consolidated statements of financial position date, and the comparable prior year periods for the Company, together with condensed footnote disclosure; (b) *pro forma* income statement and balance sheet information of the Company (which need not comply with Article 11 of Regulation S-X under the U.S. Exchange Act), together with explanatory footnotes, for any acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal quarter as to which such quarterly report relates (*provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case, the Company will provide, in the case of a material acquisition, acquired company financials); (c) an operating and financial review of the unaudited financial statements, including a discussion of the consolidated financial condition and results of operations of the Company and any material change between the current quarterly period and the corresponding period of the prior year; and (d) material recent developments; and

(3) promptly after the occurrence of any material acquisition, disposition or restructuring of the Company and its Subsidiaries, taken as a whole, or any changes of the chief executive officer or chief financial officer at the Company or change in auditors of the Company or any other material event that the Company announces publicly, a report containing a description of such event;

provided, *however*, that the reports set forth in clauses (1), (2) and (3) above will not be required to (i) contain any reconciliation to U.S. generally accepted accounting principles or (ii) include separate financial statements for any Guarantors or non-guarantor Subsidiaries of the Company.

In addition, if the Company has designated any of its Subsidiaries as Unrestricted Subsidiaries and such Subsidiaries are Significant Subsidiaries, then the quarterly and annual financial information required by the preceding paragraph will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Company.

All financial statements will be prepared in accordance with IFRS. Except as provided for above, no report need include separate financial statements for the Company or Subsidiaries of the Company or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this Offering Memorandum.

In addition, for so long as any Notes remain outstanding, the Company has agreed that it will furnish to the holders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act.

Contemporaneously with the furnishing of each such report discussed above, the Company will also (a) file a press release with the appropriate internationally recognized wire services in connection with such report and (b) post such report on the Company's website. The Company will also make available copies of all reports required by clauses (1) through (3) of the first paragraph of this covenant, to the extent and in the manner permitted by such rules, and post such reports on the official website of the Luxembourg Stock Exchange.

Future Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if such designation would not cause a Default. For purposes of making such designation, all outstanding Investments by the Company and its Restricted Subsidiaries in the Subsidiary so designated will be deemed to be Restricted Payments at the time of such designation, in an amount equal to the fair market value of such Investments at the time of such designation. Such designation will only be permitted if such Restricted Payments would be permitted by the terms of the Indenture at such time and if such Restricted Subsidiary otherwise meets the definition of "Unrestricted Subsidiary."

The Board of Directors may also redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if such redesignation complies with the requirements of the Indenture described in the definition of "Unrestricted Subsidiary." If the aggregate amount of all Restricted Payments calculated for purposes of the first paragraph of the covenant described under the caption "—Restricted Payments" above includes an Investment in an Unrestricted Subsidiary that subsequently becomes a Restricted Subsidiary pursuant to the terms of this paragraph, then the aggregate amount of such Restricted Payments will be reduced by an amount equal to the net reduction in Restricted Investments made in such Unrestricted Subsidiary, not to exceed the amount of Investments previously made by the Company or any Restricted Subsidiary in such Unrestricted Subsidiary.

Any designation or redesignation pursuant to this covenant by the Board of Directors will be evidenced by the filing with the Trustee of a Board Resolution giving effect to such action and evidencing the valuation of any Investment relating thereto (as determined in good faith by the Board of Directors) and an Officer's Certificate certifying that such action and valuation complied with the preceding requirements.

Suspension of Covenants and Events of Default

The covenants described under "—Certain Covenants—Restricted Payments", "—Certain Covenants—Incurrence of Indebtedness and Issuance of Disqualified Stock", "—Certain Covenants—Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries", "—Certain Covenants—Transactions with Affiliates", "—Certain Covenants—Future Designation of Restricted and Unrestricted Subsidiaries", "—Put Option of Holders—Asset Sales", clause (4) under "—Merger or Consolidation—The Company" and the Events of Default described below under clauses (f) and (g) under "—Events of Default and Remedies" (collectively, the "*Suspended Provisions*") will no longer be in effect upon the Notes attaining Investment Grade Status. If at any time the Notes are downgraded from Investment Grade Status, then the Suspended Provisions will thereafter be reinstated as if such covenants had never been suspended and be applicable pursuant to the terms of the Indenture (including in connection with performing any calculation or assessment to determine compliance with the terms of the Indenture), unless and until the Notes subsequently attain Investment Grade Status (in which event the Suspended Provisions shall again no longer be in effect for such time that the Notes maintain Investment Grade Status); *provided*, *however*, that no Default, Event of Default or breach of any kind shall be deemed to exist under the Indenture with respect to the Suspended Provisions based on, and none of the Company or any of its Subsidiaries shall bear any liability for, any actions taken or events occurring after the Notes attain Investment Grade Status and before any reinstatement of such Suspended Provisions as provided above, or any actions taken at any time pursuant to any contractual obligation arising prior to such reinstatement, regardless of whether such actions or events would have been permitted if the applicable Suspended Provisions remained in effect during such period. The Company shall not designate any Restricted Subsidiary to be an Unrestricted Subsidiary at any time during which the Notes have an Investment Grade Status.

There can be no assurance that the Notes will ever achieve Investment Grade Status or that any such rating, if achieved, will be maintained.

Events of Default and Remedies

The Indenture will provide that each of the following constitutes an Event of Default:

(a) default for 30 days in the payment when due of interest on the Notes;

(b) default in payment when due of the principal of or premium, if any, on the Notes;

(c) failure by the Company (i) for 30 days after it receives written notice from the Trustee or at least 25% in principal amount of the then outstanding Notes to comply with the provisions described under the caption "—Put Option of Holders—Asset Sales" or (ii) to comply with the provisions described under the caption "—Put Option of Holders—Change of Control";

(d) failure by the Company for 60 days after it receives written notice from the Trustee or at least 25% in principal amount of the then outstanding Notes to comply with any of its agreements in the Indenture or the Notes (other than a default in performance, or breach, or a covenant or agreement which is specifically dealt with in clauses (a), (b), (c) or (e));

(e) failure by the Company or the relevant Guarantor to comply with the provisions described under "—Merger or Consolidation";

(f) a default occurs under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries), whether such Indebtedness or guarantee exists on the date of the Indenture or is created after the date of the Indenture, which default (1) is caused by a failure to pay principal of or premium or interest on such Indebtedness prior to the expiration of any grace period provided in such Indebtedness, including any extension thereof (a "*Payment Default*"), or (2) results in the acceleration of such Indebtedness prior to its express maturity and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates in excess of $25,000,000 and *provided*, *further*, that if any such default is cured or waived or any such acceleration rescinded, or such Indebtedness is repaid, within a period of 10 days from the continuation of such default beyond the applicable grace period or the occurrence of such acceleration, as the case may be, such Event of Default and any consequential acceleration of the Notes shall be automatically rescinded, so long as such rescission does not conflict with any judgment or decree;

(g) failure by the Company or any of its Restricted Subsidiaries to pay final judgments (not covered by insurance) aggregating in excess of $25,000,000, which judgments are not paid, discharged or stayed for a period of 60 days;

(h) the repudiation by any Guarantor of its obligations under its Subsidiary Guarantee or the unenforceability of any Subsidiary Guarantee for any reason other than as provided in the Indenture;

(i) the entry by a court of competent jurisdiction of (A) a decree or order for relief in respect of the Company or any Significant Subsidiary in an involuntary case or proceeding under any applicable Bankruptcy Law or (B) a decree or order adjudging the Company or a Significant Subsidiary bankrupt or insolvent, or seeking reorganization, arrangement, adjustment or composition of or in respect of the Company or any Significant Subsidiary under any applicable law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Company or any Significant Subsidiary or of any substantial part of their respective properties or ordering the winding up or liquidation of their affairs, and any such decree, order or appointment pursuant to any Bankruptcy Law for relief shall continue to be in effect, or any such other decree, appointment or order shall be unstayed and in effect, for a period of 100 consecutive days; or

(j) (A) the Company or any Significant Subsidiary (x) commences a voluntary case or proceeding under any applicable Bankruptcy Law or any other case or proceeding to be adjudicated bankrupt or insolvent or (y) consents to the filing of a petition, application, answer or consent seeking reorganization or relief under any applicable Bankruptcy Law, (B) the Company or any Significant Subsidiary consents to the entry of a decree or order for relief in respect of the Company or such Significant Subsidiary in an involuntary case or proceeding under any applicable Bankruptcy Law or to the commencement of any bankruptcy or insolvency case or proceeding against it or, (C) the Company or any Significant Subsidiary (x) consents to the appointment of, or taking possession by, a custodian, receiver, liquidator, administrator, supervisor, assignee, trustee, sequestrator or similar official of the Company or such Significant Subsidiary or of any substantial part of their respective properties, (y) makes an assignment for the benefit of creditors or (z) admits in writing its inability to pay its debts generally as they become due.

If any Event of Default occurs and is continuing, the Trustee may, by notice to the Company, or the Holders of at least 25% in principal amount of the then outstanding Notes may, by notice to the Company and the Trustee, and the Trustee shall, upon the request of such Holders, declare all the Notes to be due and payable immediately. Upon any such declaration, the Notes shall become due and payable immediately. Notwithstanding the foregoing, in the case of an Event of Default arising under clause (i) or (j) in the preceding paragraph with respect to the Company or any Significant Subsidiary, all outstanding Notes will become due and payable immediately without further action or notice. The holders of a majority in principal amount of the then outstanding Notes by written notice to the Trustee may on behalf of all of the holders rescind an acceleration and its consequences if the rescission would not conflict with any judgment or decree and if all existing Events of Default (except non-payment of principal, interest or premium that have become due solely because of such acceleration) have been cured or waived. Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, holders of a majority in principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from holders of the Notes notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest) if it determines that withholding notice is in their interest.

The holders of a majority in principal amount of the Notes then outstanding by notice to the Trustee may on behalf of the holders of all of the Notes waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of the principal of or interest on the Notes.

The Company will be required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Company will be required, upon becoming aware of any Default or Event of Default, to deliver to the Trustee a statement specifying such Default or Event of Default.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator, member, partner or stockholder or other owner of Capital Stock of the Company or any Guarantor, as such, shall have any liability for any obligations of the Company or any Guarantor under the Notes, the Subsidiary Guarantees or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of the Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the federal securities laws, and it is the view of the Commission that such a waiver is against public policy.

Legal Defeasance and Covenant Defeasance

The Company may, at its option and at any time, elect to have all of the obligations of itself and the Guarantors discharged with respect to the outstanding Notes and the Subsidiary Guarantees, respectively ("*Legal Defeasance*"), except for:

(a) the rights of holders of outstanding Notes to receive payments in respect of the principal of and premium, if any, and interest on such Notes when such payments are due from the trust referred to below;

(b) the Company's obligations with respect to the Notes concerning issuing temporary Notes, registration of transfer or exchange of the Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(c) the rights, powers, trusts, duties and immunities of the Trustee, and the Company's and any Guarantor's obligations in connection with them; and

(d) the Legal Defeasance provisions of the Indenture.

In addition, the Company may, at its option and at any time, elect to have the obligations of the Company and any Guarantor released with respect to certain covenants that are described in the Indenture ("*Covenant Defeasance*"), and thereafter any omission to comply with such obligations shall not constitute a Default or Event of Default with respect to the Notes. If Covenant Defeasance occurs, certain other events (not including non-payment, bankruptcy, receivership, rehabilitation and insolvency events) described under the caption "—Events of Default and Remedies" will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Company must irrevocably deposit with the Trustee, in trust, for the benefit of the holders of the Notes, cash in U.S. dollars, non-callable U.S. Government Securities, or a combination thereof, in such amounts as will be sufficient, in the opinion of an internationally recognized firm of independent public accountants, to pay the principal of and premium and interest on the outstanding Notes on the Stated Maturity or on the applicable redemption date, as the case may be, and the Company must specify whether the Notes are being defeased to maturity or to a particular redemption date;

(2) in the case of Legal Defeasance, the Company shall have delivered to the Trustee an opinion of counsel reasonably acceptable to the Trustee confirming that (A) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (B) since the date of the Indenture, there has been a change in the applicable income tax law, in either case

to the effect that, and based thereon such opinion of counsel shall confirm that, the holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal or Norwegian income tax purposes, respectively, as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Company shall have delivered to the Trustee an opinion of counsel reasonably acceptable to the Trustee confirming that the holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal or Norwegian income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default shall have occurred and be continuing either (A) on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) or (B) insofar as Events of Default from bankruptcy or insolvency events are concerned, at any time in the period ending on the 550th day after the date of deposit;

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under any material agreement or instrument (other than the Indenture) to which the Company or any of its Restricted Subsidiaries is a party or by which the Company or any of its Restricted Subsidiaries is bound;

(6) the Company must have delivered to the Trustee an opinion of counsel to the effect that, after the 550th day following the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally;

(7) the Company must deliver to the Trustee an Officer's Certificate stating that the deposit was not made by the Company with the intent of preferring the holders of the Notes over the other creditors of the Company or with the intent of defeating, hindering, delaying or defrauding creditors of the Company or others; and

(8) the Company must deliver to the Trustee an Officer's Certificate and an opinion of counsel, each stating that all conditions precedent provided for relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Amendment and Waiver

Except as provided below, the Indenture or the Notes may be amended or supplemented with the consent of the holders of at least a majority in principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, the Notes), and any existing default or compliance with any provision of the Indenture or the Notes may be waived with the consent of the holders of a majority in principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a tender offer or exchange offer for the Notes).

Without the consent of holders holding at least 90% of the principal amount of Notes then outstanding, an amendment, supplement or waiver may not (with respect to any Notes held by a non-consenting holder):

(a) reduce the principal amount of the Notes whose holders must consent to an amendment, supplement or waiver;

(b) reduce the principal of or change the fixed maturity of any Note or alter the provisions with respect to the redemption or purchase of the Notes by the Company;

(c) reduce the rate of or change the time for payment of interest on any Note;

(d) waive a Default or Event of Default in the payment of principal of or premium or interest on the Notes (except a rescission of acceleration of the Notes by the holders of at least a majority in principal amount of the Notes and a waiver of the payment default that resulted from such acceleration);

(e) make any Note payable in money other than that stated in the Notes;

(f) make any change in the provisions of the Indenture relating to waivers of past defaults or the rights of holders of the Notes to receive payments of principal of or premium or interest on the Notes;

(g) waive a redemption or repurchase payment with respect to any Note;

(h) make any change in the ranking of the Notes relative to other Indebtedness of the Company or the Subsidiary Guarantees relative to other Indebtedness of the Guarantors, in either case in a manner adverse to the holders of the Notes;

(i) release any Guarantor from any of its obligations under its Subsidiary Guarantee or the Indenture, except in accordance with the terms of the Indenture;

(j) make any change in the provisions described under the caption "—Additional Amounts" in a manner adverse to the holders; or

(k) make any change in the preceding amendment, supplement and waiver provisions.

Notwithstanding the foregoing, without the consent of any holder of the Notes, the Company, the Guarantors and the Trustee may amend or supplement the Indenture or the Notes to cure any ambiguity, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated Notes, to provide for the assumption of the Company's obligations to holders of the Notes in the case of a merger or consolidation or sale of all or substantially all of the Company's properties or assets, to make any change that would provide any additional rights or benefits to the holders of the Notes or that does not materially adversely affect the legal rights under the Indenture of any such holder, to secure the Notes pursuant to the requirements of the covenant described above under the caption "—Certain Covenants—Liens", or to add any Guarantor or to release any Guarantor from its Subsidiary Guarantee, in each case as provided in the Indenture.

In formulating its opinion on such matters, the Trustee shall be entitled to rely absolutely on such evidence as it sees fit, including on opinions of counsel and Officer's Certificates.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect as to all Notes issued thereunder, when:

(1) either:

(a) all Notes that have been authenticated (except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust and thereafter repaid to the Company) have been delivered to the Trustee for cancellation; or

(b) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the giving of a notice of redemption or otherwise or will become due and payable within one year and the Company or any Guarantor has irrevocably deposited or caused to be irrevocably deposited with the Trustee as trust funds in trust solely for the benefit of the holders of the Notes, cash in U.S. dollars, non-callable U.S. Government Securities, or a combination thereof, in such amounts as will be sufficient without consideration of any reinvestment of interest, to pay and discharge the entire indebtedness on the Notes not previously delivered to the Trustee for cancellation, including principal, premium, if any, and accrued interest to the date of maturity or redemption;

(2) no Default or Event of Default shall have occurred and be continuing on the date of such deposit or shall occur as a result of such deposit and such deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Company or any Guarantor is a party or by which the Company or any Guarantor is bound;

(3) the Company and each Guarantor has paid or caused to be paid all other sums payable by it under the Indenture; and

(4) the Company has delivered an Officer's Certificate and an opinion of counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

The Trustee

Citibank, N.A., London Branch serves as trustee under the Indenture.

The Indenture will contain certain limitations on the rights of the Trustee, should it become a creditor of the Company or any Guarantor, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest and a Default occurs it must eliminate such conflict within 90 days or resign.

The holders of a majority in principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture will provide that in case an Event of Default shall occur (that is not cured), the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any holder of Notes, unless such holder has offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

Initially, Citibank, N.A., New York Branch will act as Registrar and Transfer Agent in New York, and Notes may be presented for registration of transfer and exchange at the office of the Trustee at Citibank, N.A., New York Branch, 388 Greenwich Street, 14th Floor, New York, NY 10013, United States of America. Citibank, N.A., London Branch will act initially as Transfer Agent, and Notes may be presented for registration of transfer and exchange at its office indicated on the back cover page of this Offering Memorandum.

Prescription

Claims against the Company and any Guarantor for the payment of principal, interest and Additional Amounts, if any, on the Notes will be prescribed six years after the applicable due date for the payment thereof.

Governing Law

The Indenture, the Notes and the Subsidiary Guarantees will be governed by the laws of the State of New York.

Consent to Jurisdiction

The Indenture will provide that any suit, action or proceeding with respect to the Indenture, the Notes or the Subsidiary Guarantees may be brought in any New York state or federal court located in the Borough of Manhattan in the City of New York (a "*New York Court*") and that the Company and the Guarantors will submit to the non-exclusive jurisdiction of such courts.

Enforceability of Judgments; Indemnification for Foreign Currency Judgments

A significant portion of the assets of the Company and its subsidiaries is outside the United States, so any judgment obtained in the United States against the Company or any Guarantor, including judgments relating to payments with respect to the Notes, may not be fully collectible within the United States.

The Company has been informed by its Norwegian counsel that the United States is not a "Contracting State" to the 2007 Lugano Convention on the Recognition of Judgments in Civil and Commercial Matters (the "*Lugano Convention*") and no convention on the mutual recognition and enforcement of judgments exists between the United States and Norway. Consequently, a final judgment obtained in a New York Court for a sum of money in relation to the Indenture or the Notes will only be recognized and enforceable by the Norwegian courts if the jurisdiction of the New York Court has been agreed, specifically and not generally, between the parties in accordance with the Norwegian Civil Procedure Act, provided, however, that such judgment is subject to recognition and enforcement only insofar as this would not be in breach of mandatory law or contrary to public policy in Norway.

The Indenture will also provide that obligations of the Company to any holder of the Notes or the Trustee shall, notwithstanding any judgment in a currency (the "*Judgment Currency*") other than United States dollars (the "*Agreement Currency*"), be discharged only to the extent that on the day following receipt by such holder of the Notes or the Trustee, as the case may be, of any amount in the Judgment Currency, such holder of the Notes or the Trustee may in accordance with normal banking procedures purchase the Agreement Currency with the Judgment Currency. If the amount of the Agreement Currency so purchased is less than the amount originally to be paid to such holder of the Notes or the Trustee, as the case may be, in the Agreement Currency, the Company agrees, as a separate obligation and notwithstanding such judgment, to pay to such holder of Notes or the Trustee, as the case may be, the difference, and if the amount of the Agreement Currency so purchased exceeds the amount originally to be paid to such holder of the Notes or the Trustee, as the case may be, such holder of the Notes or the Trustee, as the case may be, agrees to pay to or for the account of the Company such excess; *provided* that such holder of the Notes or the Trustee, as the case may be, shall not have any obligation to pay any such excess as long as a default by the Company or any Guarantor in its obligations under the Notes, the Indenture or the Subsidiary Guarantees has occurred and is continuing, in which case such excess may be applied by such holder of the Notes or the Trustee, as the case may be, to such obligations.

Additional Information

Anyone who receives this Offering Memorandum may obtain a copy of the Indenture without charge by contacting the Group Treasurer at (+47 67 52 64 00).

Purchase

The Company, the Trustee and their respective Affiliates may at any time and from time to time purchase any Note or a beneficial interest in any Note in the open market or otherwise at any price.

Notices

Any notice to holders of the Notes will be mailed by first class mail or delivered by overnight air courier guaranteeing next day delivery, in each case to their respective registered addresses shown on the register kept by the Registrar. For Notes which are represented by global certificates held on behalf of the Depository Trust Company ("*DTC*"), notices may be given by delivery of the relevant notices to DTC for communication to entitled account holders in substitution for the aforesaid mailing. So long as the Notes are listed on the Luxembourg Stock Exchange and admitted to trading on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, any such notice (including notices of redemption) will be published in a newspaper having general circulation in Luxembourg, which is expected to be the *Luxemburger Wort*, or if such newspaper ceases to be published or timely publication in it will not be practicable, in such other newspaper as the Trustee deems necessary to give fair and reasonable notice to the holders of Notes. Notices may also be published on the internet site of the Luxembourg Stock Exchange at www.bourse.lu. In addition, for so long as the Notes are listed on the Luxembourg Stock Exchange and admitted to trading on the Euro MTF market, the Company will provide to the exchange a copy of all notices to holders of the Notes.

Listing

Application has been made to list the Notes on the Luxembourg Stock Exchange and trade the notes on the Euro MTF market.

Certain Definitions

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all such terms, as well as any other capitalized terms used herein for which no definition is provided.

"*Acquired Indebtedness*" means, with respect to a specified Person, (a) Indebtedness of any other Person existing at the time such other Person is merged with or into or becomes a Subsidiary of such specified Person or (b) Indebtedness relating to properties or assets acquired by such specified Person. Acquired Indebtedness shall be deemed to be incurred on the date the acquired Person becomes a Restricted Subsidiary or the date of the related acquisition of properties or assets from such Person.

"*Affiliate*" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of the Indenture, "*control*", as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of Voting Stock, by agreement or otherwise; *provided*, *however*, that for purposes of this definition beneficial ownership of 10% or more of the Voting Stock of a Person shall be deemed to be control. For purposes of the Indenture, the terms "*controlling*", "*controlled by*" and "*under common control with*" have correlative meanings.

"*Applicable Premium*" means, with respect to any Note on any redemption date, the greater of:

(a) 1.0% of the principal amount of the Note; and

(b) the excess of (1) the present value at such redemption date of (A) the redemption price of the Note at December 15, 2015 (such redemption price being set forth in the table appearing above under the caption "—Optional Redemption") plus (B) all required interest payments due on the Note during the period from such redemption date through December 15, 2015 (excluding accrued but unpaid interest), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points over (2) the principal amount of the Note, if greater.

For the avoidance of doubt, calculation of the Applicable Premium shall not be a duty or obligation of the Trustee or any Paying Agent.

"*Asset Sale*" means:

(a) the sale, lease, conveyance or other disposition (a "*disposition*") of any properties or assets (including, without limitation, by way of a sale and leaseback), excluding dispositions in the ordinary course of business (*provided* that the disposition of all or substantially all of the properties or assets of the Company and its Subsidiaries taken as a whole will be subject to the provisions of the Indenture described above under the caption "—Put Option of Holders—Change of Control" and the provisions described above under the caption "—Merger or Consolidation—The Company" and not to the provisions of the "—Put Option of Holders—Asset Sales)";

(b) the issue or sale by the Company or any of its Restricted Subsidiaries of Equity Interests of any of the Company's Subsidiaries; and

(c) any Event of Loss,

whether, in the case of clauses (a), (b) or (c), in a single transaction or a series of related transactions; *provided* that such transaction or series of related transactions (1) involves properties or assets (other than in connection with an Event of Loss) having a fair market value in excess of $5,000,000 or (2) results in the payment of net proceeds (including insurance proceeds from an Event of Loss) in excess of $5,000,000. Notwithstanding the preceding provisions of this definition, the following transactions will be deemed not to be Asset Sales:

(A) (1) the disposition of surplus, obsolete or worn out equipment or other property in the ordinary course of business by the Company or any Restricted Subsidiary, or of other inventory and equipment of the Company or any Restricted Subsidiary determined by the management of the Company or such Restricted Subsidiary to be no longer useful in the operation of the business of the Company and its Restricted Subsidiaries taken as a whole, and the abandonment or other disposition of intellectual property that is, in the reasonable judgment of the Company or such Restricted Subsidiary, no longer economically practicable to maintain or useful in the conduct of the business of the Company and its Restricted Subsidiaries taken as a whole; and (2) a sale, lease, licensing, transfer or other disposition of inventory and segments of the Multi-Client Data Library, in each case, in the ordinary course of business;

(B) a disposition of properties or assets (including Equity Interests) by the Company to a Restricted Subsidiary or by a Restricted Subsidiary to the Company or to a Restricted Subsidiary;

(C) a disposition of cash or Cash Equivalents;

(D) a disposition of properties or assets (including Equity Interests) that constitutes a Restricted Payment that is permitted by the provisions of the Indenture described above under the caption "—Certain Covenants—Restricted Payments";

(E) any trade or exchange by the Company or any Restricted Subsidiary of equipment or other properties or assets for equipment or other properties or assets owned or held by another Person; *provided* that the fair market value of the properties or assets traded or exchanged by the Company or such Restricted Subsidiary (together with any cash or Cash Equivalents) is reasonably equivalent to the fair market value of the properties or assets (together with any cash or Cash Equivalents) to be received by the Company or such Restricted Subsidiary;

(F) the creation or perfection of a Lien on any properties or assets (or any income or profits therefrom) of the Company or any of its Restricted Subsidiaries that is not prohibited by the covenant described under the caption "—Certain Covenants—Liens";

(G) the surrender or waiver of contract rights or the settlement, release or surrender of contractual, non contractual or other claims of any kind;

(H) the sale or discount, in each case without recourse, of accounts receivable arising in the ordinary course of business, but only in connection with the compromise of collection thereof;

(I) the factoring of accounts receivable arising in the ordinary course of business pursuant to arrangements customary in the region; and

(J) the grant in the ordinary course of business of any non-exclusive license of patents, trademarks, registrations therefor and other similar intellectual property.

The fair market value of any non-cash proceeds of a disposition of properties or assets and of any properties or assets referred to in the foregoing clause (E) of this definition shall be determined in the manner contemplated in the definition of the term "fair market value", the results of which determination shall be set forth in an Officer's Certificate delivered to the Trustee.

"*Attributable Indebtedness*" in respect of a sale and leaseback transaction means, at the time of determination, the present value (discounted at the rate of interest implicit in such transaction, determined in accordance with IFRS) of the obligation of the lessee for net rental payments during the remaining term of the lease included in such sale and leaseback transaction (including any period for which such lease has been extended or may, at the option of the lessor, be extended). As used in the preceding sentence, the term "*net rental payments*" under any lease for any such period shall mean the sum of rental and other payments required to be paid with respect to such period by the lessee thereunder, excluding any amounts required to be paid by such lessee on account of maintenance and repairs, insurance, taxes, assessments, water rates or similar charges. In the case of any lease that is terminable by the lessee upon payment of penalty, such net rental payment shall also include the amount of such penalty, but no rent shall be considered as required to be paid under such lease subsequent to the first date upon which it may be so terminated.

"*Bankruptcy Law*" means (i) Title 11 of the U.S. Code or (ii) any other law of the United States (or any political subdivision thereof), the Kingdom of Norway or the laws of any other jurisdiction or any political subdivision thereof relating to bankruptcy, insolvency, receivership, winding up, liquidation, reorganization or relief of debtors including, without limitation, in relation to the Company, bankruptcy, insolvency, its voluntary or judicial liquidation, composition with creditors, reprieve from payment, controlled management, fraudulent conveyance, general settlement with creditors, reorganization or similar or equivalent laws affecting the rights of creditors generally.

"*Board of Directors*" means the Board of Directors of the Company, or any authorized committee of the Board of Directors.

"*Capital Lease Obligation*" means, at the time any determination thereof is to be made, the amount of the liability in respect of a capital lease that would at such time be required to be capitalized on a balance sheet in accordance with IFRS.

"*Capital Stock*" means:

(a) in the case of a corporation, corporate stock;

(b) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock, including preferred stock;

(c) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited); and

(d) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"*Cash Equivalents*" means, as to any person:

(a) securities issued, or directly, unconditionally and fully guaranteed or insured, by any member state of the Organization of Economic Cooperation and Development (an "*OECD Member State*") or any agency or instrumentality thereof (*provided* that the full faith and credit of the OECD Member State is pledged in support thereof) having maturities of not more than one year from the date of acquisition by such person and a rating of "A−" (or such other similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (with respect to rating organizations operating in the United States as defined in Rule 436 under the Securities Act);

(b) time deposits and certificates of deposit of any commercial bank having, or which is the principal banking subsidiary of a bank holding company organized under the laws of the OECD Member State, any state, province or other governmental unit thereof or the District of Columbia having, capital and surplus aggregating in excess of $500.0 million and a rating of "A" (or such other similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (with respect to rating organizations operating in the United States as defined in Rule 436 under the Securities Act) with maturities of not more than one year from the date of acquisition by such person;

(c) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (a) above entered into with any financial institution meeting the qualifications specified in clause (b) above, which repurchase obligations are secured by a valid perfected security interest in the underlying securities;

(d) commercial paper issued by any person incorporated in a OECD Member State rated at least P-1 from Moody's Investors Service, Inc. or at least A-1 from Standard & Poor's Ratings Services or any successor to its rating agency business (or equivalent rating by a nationally recognized rating agency in the relevant OECD Member State) and in each case maturing within 12 months after the date of acquisition by such person;

(e) investments in money market funds substantially all of whose assets are comprised of securities of the types described in clauses (a) through (d) above; and

(f) demand deposit accounts maintained in the ordinary course of business.

"*Change of Control*" means the occurrence of any of the following:

(a) the sale, lease, transfer, conveyance or other disposition (other than by merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Subsidiaries, taken as a whole;

(b) the adoption, by holders of Capital Stock of the Company, of a voluntary plan relating to the liquidation or dissolution of the Company;

(c) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any "person" (as such term is used in Section 13(d)(3) of the Exchange Act) becomes the "beneficial owner" (as such term is defined in Rule 13d-3 and Rule 13d-5 under the Exchange Act), directly or indirectly through one or more intermediaries, of more than 50% of the voting power of the outstanding Voting Stock of the Company; or

(d) the first day on which more than a majority of the members of the Board of Directors are not Continuing Directors,

provided, *however*, that a transaction in which the Company becomes a Subsidiary of another Person (other than a Person that is an individual) shall not constitute a Change of Control if (1) the shareholders of the Company immediately prior to such transaction "beneficially own" (as such term is defined in Rule 13d-3 and Rule 13d-5 under the Exchange Act), directly or indirectly through one or more intermediaries, at least a majority of the voting power of the outstanding Voting Stock of such other Person immediately following the consummation of such transaction and (2) immediately following the consummation of such transaction, no "person" (as such term is defined above), other than such other Person (but including the holders of the Equity Interests of such other Person), "beneficially owns" (as such term is defined above), directly or indirectly through one or more intermediaries, more than 50% of the voting power of the outstanding Voting Stock of the Company.

"*Consolidated Cash Flow*" means, with respect to any Person for any period, the Consolidated Net Income of such Person for such period plus, to the extent deducted or excluded in calculating Consolidated Net Income for such period:

(a) provision for taxes based on income or profits of such Person and its Restricted Subsidiaries for such period;

(b) Consolidated Interest Expense of such Person and its Restricted Subsidiaries for such period;

(c) depreciation and amortization (including (i) amortization or impairment, if any, of goodwill and of other intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period and (ii) depreciation and amortization of pre-paid capitalized cash expenses relating to the development of the Multi-Client Data Library) of such Person and its Restricted Subsidiaries;

(d) other non-cash expenses (excluding any such non cash expense to the extent that it represents an accrual of or reserve for cash expenses in any future period or amortization of a prepaid cash expense that was paid in a prior period) of such Person and its Restricted Subsidiaries less any non-cash items increasing Consolidated Net Income of such Person and its Restricted Subsidiaries (other than items that will result in cash receipt); and

(e) any expenses, fees, charges or other costs related to any equity offering (other than an offering of Disqualified Stock), Permitted Investment, acquisition, disposition, recapitalization, listing or the incurrence of Indebtedness, in each case as permitted by the indenture (whether or not successful); *less*

(f) non-cash items increasing Consolidated Net Income of such Person for such period (other than non-cash items increasing such Consolidated Net Income pursuant to clauses (a) to (i) of the definition of Net Income), other than the reversal of a reserve for cash charges in a future period in the ordinary course of business;

in each case, on a consolidated basis and determined in accordance with IFRS.

"*Consolidated Interest Coverage Ratio*" means, with respect to any Person for any period, the ratio of the Consolidated Cash Flow of such Person for such period to the Consolidated Interest Expense of such Person for such period; *provided* that in calculating the Consolidated Interest Coverage Ratio or any element thereof for any period, *pro forma* effect will be given to any realized synergies, cost efficiencies and cost savings that in the good faith determination of an Officer of the Company relate to, or directly or indirectly result from, or are associated with, any Asset Sale, Investment, acquisition, reorganization, restructuring or operational improvement initiative that has occurred during the period included in the calculation or any prior period as if such realized synergies, cost efficiencies or cost savings had been effective throughout the period included in the calculation; *provided further*, without limiting the application of the previous proviso, without duplication, that:

(a) if the Company or any Restricted Subsidiary has incurred, assumed, guaranteed, repaid, repurchased, redeemed, defeased or otherwise discharged any Indebtedness since the beginning of the period for which the Consolidated Interest Coverage Ratio is being calculated or if the transaction giving rise to the need to calculate the Consolidated Interest Coverage Ratio is an incurrence of Indebtedness or both, Consolidated Cash Flow and Consolidated Interest Expense for such period shall be calculated after giving effect on a *pro forma* basis (as determined in good faith by the Company) to such incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness;

(b) if, since the beginning of such period, the Company or any Restricted Subsidiary shall have made any Asset Sale, Consolidated Cash Flow for such period shall be reduced by an amount equal to the Consolidated Cash Flow (if positive) directly attributable to the assets which are the subject of such Asset Sale for such period, or increased by an amount equal to the Consolidated Cash Flow (if negative) directly attributable thereto, for such period and the Consolidated Interest Expense for such period shall be reduced by an amount equal to the Consolidated Interest Expense directly attributable to any Indebtedness of the Company or of any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Company and the continuing Restricted Subsidiaries in connection with such Asset Sale for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, the Consolidated Interest Expense for such period directly attributable to the Indebtedness of such Restricted Subsidiary to the extent the Company and the continuing Restricted Subsidiaries are no longer liable for such Indebtedness after such sale);

(c) if, since the beginning of such period, the Company or any Restricted Subsidiary (by merger or otherwise) shall have made an Investment in any Restricted Subsidiary (or any Person which becomes a Restricted Subsidiary) or an acquisition of assets, including any acquisition of an asset occurring in connection with a transaction giving rise to the need to calculate the Consolidated Interest Coverage Ratio, which constitutes all or substantially all of an operating unit of a business, Consolidated Cash Flow and Consolidated Interest Expense for such period shall be calculated after giving *pro forma* effect thereto (including the incurrence of any Indebtedness) as if such Investment or acquisition occurred on the first day of such period;

(d) if, since the beginning of such period, any Person (that subsequently became a Restricted Subsidiary or was merged with or into the Company or any Restricted Subsidiary since the beginning of such period) shall have made any Asset Sale or any Investment or acquisition of assets that would have required an adjustment pursuant to clause (b) or (c) above if made by the Company or a Restricted Subsidiary during such period, Consolidated Cash Flow and Consolidated Interest Expense for such period shall be calculated after giving pro forma effect thereto as if such Asset Sale or Investment or acquisition occurred on the first day of such period; and

(e) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses disposed of during such period, shall be excluded and (2) the Consolidated Interest Expense attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses disposed of during such period, shall be excluded, but only to the extent that the obligations giving rise to such Consolidated Interest Expense will not be obligations of the referent Person or any of its Restricted Subsidiaries following such period.

If any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Indebtedness shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any interest rate swap agreements, interest rate cap agreements, interest rate collar agreements or other agreement or arrangements designed to protect against fluctuations against interest rates applicable to such Indebtedness for a period equal to the remaining term of such interest rate agreement, interest rate cap agreement, interest rate collar agreement or other agreement or arrangement).

"*Consolidated Interest Expense*" means, with respect to any Person for any period, the sum, without duplication, of the following:

(a) the consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued (including, without limitation, amortization of original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net of all payments made or received (if any) pursuant to Hedging Obligations in respect of interest rates but excluding amortization of debt issuance costs and non-cash charges (including non-cash interest expenses) related to convertible bonds); and

(b) the consolidated interest expense of such Person and its Restricted Subsidiaries that was capitalized during such period.

"*Consolidated Leverage*" means, with respect to any Person, the sum of the aggregate outstanding Indebtedness of such Person and its Restricted Subsidiaries (excluding Hedging Obligations).

"*Consolidated Leverage Ratio*" means, with respect to any Person for any date of determination, the ratio of (x) Consolidated Leverage of such Person at such date to (y) the aggregate amount of Consolidated Cash Flow of such Person for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Company are available; *provided* that in calculating the Consolidated Cash Flow element for purposes of determining the Consolidated Leverage Ratio as referred to above, *pro forma* effect will be given to any realized synergies, cost efficiencies and cost savings relating to, or directly or indirectly resulting from, or associated with, any Asset Sale, Investment, acquisition, reorganization, restructuring or operational improvement initiative that has occurred during the period included in the calculation or any prior period as if such realized synergies, cost efficiencies or cost savings had been effective throughout the period included in the calculation; *provided further*, without limiting the application of the previous proviso, without duplication, that:

(a) if, since the beginning of such period, the Company or any Restricted Subsidiary shall have made any Asset Sale, Consolidated Cash Flow for such period shall be reduced by an amount equal to the Consolidated Cash Flow (if positive) directly attributable to the assets which are the subject of such Asset Sale for such period, or increased by an amount equal to the Consolidated Cash Flow (if negative) directly attributable thereto, for such period;

(b) if, since the beginning of such period, the Company or any Restricted Subsidiary (by merger or otherwise) shall have made an Investment in any Restricted Subsidiary (or any Person which becomes a Restricted Subsidiary) or an acquisition of assets, including any acquisition of an asset occurring in connection with a transaction giving rise to the need to calculate the Consolidated Leverage Ratio, which constitutes all or substantially all of an operating unit of a business, Consolidated Cash Flow for such period shall be calculated after giving *pro forma* effect thereto (including the incurrence of any Indebtedness) as if such Investment or acquisition occurred on the first day of such period;

(c) if, since the beginning of such period, any Person (that subsequently became a Restricted Subsidiary or was merged with or into the Company or any Restricted Subsidiary since the beginning of such period) shall have made any Asset Sale or any Investment or acquisition of assets that would have required an adjustment pursuant to clause (a) or (b) above if made by the

Company or a Restricted Subsidiary during such period, Consolidated Cash Flow for such period shall be calculated after giving *pro forma* effect thereto as if such Asset Sale or Investment or acquisition occurred on the first day of such period;

(d) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses disposed of during such period, shall be excluded; and

(e) in the event that the specified Person or any of its Subsidiaries which are Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness or issues, repurchases or redeems preferred stock subsequent to the commencement of the period for which the Consolidated Leverage Ratio is being calculated and on or prior to such calculation date (including the transaction giving rise to the need to calculate the Consolidated Leverage Ratio), then the Consolidated Leverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by the Company) to such incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom.

If any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest expense on such Indebtedness shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any interest rate swap agreements, interest rate cap agreements, interest rate collar agreements or other agreement or arrangements designed to protect against fluctuations against interest rates applicable to such Indebtedness for a period equal to the remaining term of such interest rate swap agreement, interest rate cap agreement, interest rate collar agreement or other agreement or arrangement).

"*Consolidated Net Income*" means, with respect to any Person for any period, the aggregate of the Net Income of such Person and its Restricted Subsidiaries for such period, on a consolidated basis; *provided* that:

(a) the Net Income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting shall be included only to the extent of the amount of dividends or distributions paid in cash to the referent Person or a Restricted Subsidiary thereof;

(b) solely for the purpose of determining the amount available for Restricted Payments under clause (3)(A) of the second paragraph under the caption "—Certain Covenants—Restricted Payments", any Net Income (or loss) of any Restricted Subsidiary (other than any Guarantor) will be excluded if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Company (or any Guarantor that holds the Equity Interests of such Restricted Subsidiary, as applicable) by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (i) restrictions that have been waived or otherwise released, (ii) restrictions pursuant to the Notes or the Indenture and (iii) contractual restrictions in effect on the Issue Date with respect to the Restricted Subsidiary and other restrictions with respect to such Restricted Subsidiary that taken as a whole, are not materially less favorable to the holders of the Notes than such restrictions in effect on the Issue Date except that the Company's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Company or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary (other than any Guarantor), to the limitation contained in this clause); and

(c) the cumulative effect of a change in accounting principles shall be excluded.

"*Consolidated Total Tangible Assets*" means, with respect to any Person as of any date, the consolidated total assets (excluding goodwill) of such Person and its Restricted Subsidiaries as of such date, as determined in accordance with IFRS on the basis of the most recent audited consolidated balance sheet of such Person as of the date of the determination.

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness ("*primary obligations*") of any other Person (the "*primary obligor*"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

(a) for the purchase or payment of any such primary obligation; or

(b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"*Continuing Directors*" means, as of any date of determination, any member of the Board of Directors of the Company who (i) was a member of the Board of Directors on the Issue Date or (ii) was nominated for election by the nomination committee of the Company.

"*Convertible Notes*" means the Company's existing 2.7% convertible notes due 2012.

"*Credit Facility*" or "*Credit Facilities*" means one or more debt facilities, indentures or other arrangements (including the Senior Credit Facilities or commercial paper facilities) with banks, insurance companies, other financial institutions or investors providing for revolving credit loans, term loans, notes, receivables financings, letters of credit or other forms of guarantees and assurances, or other Indebtedness, including overdrafts, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, repaid or refinanced (and whether in whole or in part and whether or not with the original administrative agent or lenders or another administrative agent or agents or other bank or institutions and whether provided under the Senior Credit Facilities and one or more other credit or other agreements, indentures, financing agreements or otherwise) and, for the avoidance of doubt, includes any agreement extending the maturity of, refinancing or restructuring all or any portion of the indebtedness under such agreements or any successor agreements.

"*Default*" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"*Designated Non-Cash Consideration*" means the fair market value of non-cash consideration received by the Company or one of its Restricted Subsidiaries in connection with an Asset Sale that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash or Cash Equivalents received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under "—Put Option of Holders—Asset Sales."

"*Disqualified Stock*" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, matures (excluding any maturity as a result of an optional redemption by the issuer thereof) or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder thereof, in whole or in part, on or prior to the date that is 91 days after the date on which the Notes mature or are redeemed or retired in full; *provided*, *however*, that any Capital Stock that would constitute Disqualified Stock solely because the holders thereof (or of any security into which it is convertible or for which it is exchangeable) have the right to require the issuer to repurchase such Capital Stock (or such security into which it is convertible or for which it is exchangeable) upon the occurrence of any of the events constituting an Asset Sale or a Change of Control shall not constitute Disqualified Stock if such Capital Stock (and all such securities into which it is convertible or for which it is exchangeable) provides that the issuer thereof may not repurchase or redeem any such Capital Stock (or any such security into which it is convertible or for which it is exchangeable) pursuant to such provisions prior to compliance by the Company with the provisions of the Indenture described under the caption "—Put Option of Holders—Change of Control" or "—Put Option of Holders—Asset Sales", as the case may be.

"*Equity Interests*" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"*Event of Loss*" means, with respect to any property or asset of the Company or any Restricted Subsidiary, any damage to such property or asset that results in an insurance settlement with respect thereto on the basis of a total loss or a constructive or compromised total loss.

"*Exchange Act*" means the U.S. Securities Exchange Act of 1934, as amended.

"*Existing Indebtedness*" means Indebtedness of the Company and its Restricted Subsidiaries (other than Indebtedness under the Senior Credit Facilities) in existence on the date of the Indenture, until such amounts are repaid, but shall not include any Indebtedness that is repaid with the proceeds of the Offered Notes.

"*fair market value*" means, with respect to any asset or Investment, the sale value that would be obtained in an arm's length free market transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy such asset or Investment at the time of the event requiring such determination, as determined in good faith by the Board of Directors of the Company.

"*guarantee*" means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness.

"*Guarantor*" means (1) each of PGS Shipping AS, PGS Shipping (Isle of Man) Limited, Multiklient Invest AS, Petroleum Geo-Services (UK) Limited, PGS Exploration (UK) Limited, Petroleum Geo-Services, Inc., PGS Geophysical AS, PGS Investigacao Petrolifera Ltda, PGS Exploration (Norway) AS, Seismic Exploration (Canada) Ltd., Arrow Seismic ASA, PGS Falcon AS and Petroleum Geo-Services Asia Pacific Pte. Ltd.; and (2) any other Subsidiary of the Company (including any Restricted Subsidiary that becomes a Guarantor at its option) that executes a supplemental indenture providing for a Subsidiary Guarantee in accordance with the provisions of the Indenture, and their respective successors and assigns, in each case, until the Subsidiary Guarantee of such Person has been released in accordance with the provisions of the Indenture.

"*Hedging Obligations*" means, with respect to any Person, the obligations of such Person under:

(a) interest rate swap agreements, interest rate cap agreements and interest rate collar agreements;

(b) other agreements or arrangements designed to protect such Person against fluctuations in interest rates; and

(c) any foreign currency futures contract, option or similar agreement or arrangement designed to protect such Person against fluctuations in currency exchange rates or commodity prices,

in each case to the extent such obligations are incurred in the ordinary course of business of such Person and not for speculative purposes.

"*IFRS*" means International Financial Reporting Standards, the accounting principles adopted by the International Accounting Standards Board and its predecessor, as in effect from time to time.

"*Indebtedness*" means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables):

(1) in respect of borrowed money, including, without limitation, any guarantee thereof;

(2) evidenced by bonds, notes, debentures or similar instruments for which such Person is responsible or liable;

(3) representing reimbursement obligations in respect of letters of credit, bankers' acceptances or similar instruments (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of incurrence);

(4) representing Capital Lease Obligations;

(5) representing the balance deferred and unpaid of the purchase price of any property or services due more than six months after such property is acquired or such services are completed;

(6) representing any Hedging Obligations; and

(7) representing Attributable Indebtedness,

if and to the extent any of the preceding items (other than repurchase obligations in respect of letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet (excluding the footnotes thereto) of the specified Person prepared in accordance with IFRS.

The term "Indebtedness" shall not include:

(1) any lease of property which would be considered an operating lease under IFRS as in effect on the Issue Date;

(2) Contingent Obligations in the ordinary course of business;

(3) in connection with the purchase by the Company or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing of such purchase; or

(4) the avoidance of doubt, any contingent obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage taxes.

"*Investment Grade Status*" shall occur when the Notes receive a rating of "BBB−" or higher from Standard & Poor's (or its equivalent under any successor rating categories of Standard & Poor's) and a rating of "Baa3" or higher from Moody's (or its equivalent under any successor rating categories of Moody's) or, if either such entity ceases to rate the Notes for reasons outside the normal control of the Company, the equivalent investment grade credit rating from any other "nationally recognized statistical rating organization" (within the meaning of the Exchange Act), selected by the Company as a replacement agency.

"*Investments*" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the forms of direct or indirect loans (including guarantees by the referent Person of, and Liens on any assets of the referent Person securing, Indebtedness or other obligations of other Persons), advances or capital contributions (excluding commission, travel and similar advances to directors, officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with IFRS; *provided*, *however*, that the following shall not constitute Investments: (1) extensions of trade credit or other advances to customers on commercially reasonable terms in accordance with normal trade practices or otherwise in the ordinary course of business, (2) Hedging Obligations and (3) endorsements of negotiable instruments and documents in the ordinary course of business. If the Company or any Restricted Subsidiary of the Company sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary of the Company such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary of the Company, the Company shall be deemed to have made an Investment on the date of any such sale or disposition equal to the fair market value of the Equity Interests of such Restricted Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption "—Certain Covenants—Restricted Payments."

"*Issue Date*" means November 15, 2011.

"*Lien*" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in any assets by way of security).

"*Material Subsidiary*" means a Subsidiary of the Company that as of the date of determination represents (determined separately without double counting and, for the avoidance of doubt, excluding all intra-group items and Investments in Subsidiaries of the Company) 10% or more of the Company's consolidated total assets, revenues or Consolidated Cash Flow, in each case, measured on the basis of the Company's audited financial statements for the then most recently completed fiscal year and, in relation to Consolidated Cash Flow, having regard to the adjustments required by the definition of Consolidated Cash Flow.

"*Multi-Client Data Library*" means the library of seismic data acquired and maintained by the Company and its Subsidiaries from time to time for sale and license to clients on a non-exclusive basis.

"*Net Income*" means, with respect to any Person, the net income (or loss) of such Person, determined in accordance with IFRS and before any reduction in respect of preferred stock dividends, excluding, however (to the extent included in such income or loss):

(a) any goodwill or other asset impairment charges (but, for the avoidance of doubt, excluding depreciation and amortization of pre-paid capitalized cash expenses relating to the development of, together with any asset impairment charges related to, the Multi-Client Data Library);

(b) any gain or loss, together with any related provision for taxes on such gain (but not loss), realized in connection with (1) the sale or other disposition of any asset or disposed operations of the Company or any Restricted Subsidiaries (including pursuant to any sale leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by the Company) or (2) the disposition of any securities by such Person or any of its Restricted Subsidiaries or the extinguishment of any Indebtedness of such Person or any of its Restricted Subsidiaries;

(c) (w) any extraordinary, exceptional or unusual gain, loss or charge, (x) any financial impacts of natural disasters (including fire, flood and storm and related events), (y) any non-cash charges or reserves in respect of any restructuring, redundancy, integration or severance or (z) any expenses, charges, reserves or other costs related to the Refinancing;

(d) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity-based awards;

(e) all deferred financing costs written off and premium paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write-off or forgiveness of Indebtedness;

(f) any one time non-cash charges or any increases in amortization or depreciation resulting from purchase accounting, in each case, in relation to any acquisition of another Person or business or resulting from any reorganization or restructuring involving the Company or its Subsidiaries;

(g) any unrealized gains or losses in respect of Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;

(h) any unrealized foreign currency transaction gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies; and

(i) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Company or any Restricted Subsidiary owing to the Company or any Restricted Subsidiary will be excluded.

"*Net Proceeds*" means the aggregate cash proceeds received by the Company or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non cash consideration received in any Asset Sale), net of (without duplication) the following:

(a) the direct costs relating to such Asset Sale (including, without limitation, legal, accounting and investment banking fees, sales commissions, recording fees, title transfer fees, title insurance premiums, appraiser fees, other out of pocket expenses and costs incurred in connection with preparing such asset for sale) and any relocation expenses incurred as a result thereof;

(b) taxes paid or estimated to be payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements that will result in a reduction in consolidated tax liability);

(c) amounts required to be applied to the repayment of Indebtedness (other than under a revolving credit facility) secured by a Lien on the asset or assets that were the subject of such Asset Sale; and

(d) any reserve (including any reserve against any liabilities associated with such Asset Sale and retained by the Company or the relevant Restricted Subsidiary) established in accordance with

IFRS or any amount placed in escrow, in either case for adjustment in respect of the sale price of such asset or assets, until such time as such reserve is reversed or such escrow arrangement is terminated, in which case Net Proceeds shall include only the amount of the reserve so reversed or the amount returned to the Company or its Restricted Subsidiaries from such escrow arrangement, as the case may be.

"*Non Recourse Debt*" means Indebtedness:

(a) as to which neither the Company nor any of its Restricted Subsidiaries (1) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness) or is otherwise directly or indirectly liable (as a guarantor or otherwise) or (2) constitutes the lender;

(b) no default with respect to which (including any rights the holders thereof may have to take enforcement action against an Unrestricted Subsidiary) would permit (upon notice, lapse of time or both) the holders of Indebtedness of the Company or any of its Restricted Subsidiaries (other than the Notes) to declare a default on such Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity; and

(c) as to which the lenders have been notified in writing that they will not have any recourse to the stock or assets of the Company or any of its Restricted Subsidiaries.

"*Offering*" means the offering of the Offered Notes by the Company pursuant to this Offering Memorandum.

"*Officer*" means, with respect to any Person, the chief executive officer and the chief financial officer of such Person (or executive officers performing equivalent functions) or a responsible accounting or financial officer of such Person or the general counsel (or legal officer performing similar functions) of such Person.

"*Officer's Certificate*" means, with respect to any Person, a certificate signed by one Officer of such Person.

"*Pari Passu Indebtedness*" means, with respect to any Net Proceeds from Asset Sales, Indebtedness of the Company and its Restricted Subsidiaries the terms of which require the Company or such Restricted Subsidiary to apply such Net Proceeds to offer to purchase such Indebtedness.

"*Permitted Investments*" means:

(a) any Investment in the Company (including, without limitation, any acquisition of the Notes or other loans or advances) or in a Restricted Subsidiary of the Company, other than any Investment described in clause (a) of the definition of "Restricted Payments";

(b) any Investment in cash or Cash Equivalents;

(c) any Investment by the Company or any Restricted Subsidiary of the Company in a Person if as a result of such Investment (1) such Person becomes a Restricted Subsidiary of the Company or (2) such Person is merged or consolidated with or into, or transfers or conveys all or substantially all of its properties or assets to, or is liquidated into, the Company or a Restricted Subsidiary of the Company;

(d) any Investment made as a result of the receipt of non-cash consideration from (1) an Asset Sale that was made pursuant to and in compliance with the covenant described above under the caption "—Put Option of Holders—Asset Sales" or (2) a disposition of assets that does not constitute an Asset Sale;

(e) Investments in stock, obligations or securities received in settlement of any claim or debts owing to the Company or any Restricted Subsidiary as a result of bankruptcy or insolvency proceedings or received in satisfaction of any judgment or in settlement of any claim in circumstances where the Company does not expect it would receive cash payment in a timely manner, or upon the foreclosure, perfection or enforcement of any Lien in favor of the Company or any Restricted Subsidiary, in each case as to any claim or debts owing to the Company or any Restricted Subsidiary that arose in the ordinary course of business of the Company or any such Restricted Subsidiary; *provided* that any stock, obligations or securities received in settlement of any claim or debts that arose in the ordinary course of business (and received other than as a result of bankruptcy or insolvency proceedings or received in satisfaction of any judgment or in settlement of any claim in circumstances where the Company does not expect it would receive cash payment in a timely manner, or upon foreclosure, perfection or enforcement of any Lien) that are, within 180 days of receipt, converted into cash or Cash Equivalents shall be treated as having been cash or Cash Equivalents at the time received;

(f) Investments in the form of guarantees of Indebtedness permitted to be incurred by the covenant described above under the caption "—Certain Covenants—Incurrence of Indebtedness and Issuance of Disqualified Stock";

(g) Investments in Related Businesses made as a result of the receipt of non cash consideration from the non-exclusive license for use of all or any part of the Multi-Client Data Library substantially consistent with past practices;

(h) Investments in any Person in exchange for, or out of the net cash proceeds of, an issue or sale by the Company of Equity Interests (other than Disqualified Stock);

(i) Loans and advances to officers and directors to cover payroll, travel, entertainment, moving, other relocation and similar matters, consistent with past practice and made in good faith pursuant to the Company's policies on such expenses, that are expected at the time of such advances to be treated as expenses in accordance with IFRS;

(j) any Investment existing on, or made pursuant to binding commitments existing on, the Issue Date and any Investment consisting of an extension, modification or renewal of any Investment existing on, or made pursuant to a binding commitment existing on, the Issue Date; *provided* that the amount of any such Investment may be increased (a) as required by the terms of such Investment as in existence on the Issue Date or (b) as otherwise permitted under the Indenture;

(k) Loans and advances (or guarantees to third-party loans) to directors, officers or employees of the Company or any Restricted Subsidiary made in the ordinary course of business and consistent with the Company's past practices or past practices of the Restricted Subsidiaries, as the case may be, in an amount outstanding not to exceed at any one time $5,000,000;

(l) Any payments or other transactions pursuant to a tax sharing agreement between the Company and any other Person with whom the Company files or filed a consolidated tax return or with which the Company is or was part of a consolidated group for tax purposes or any tax advantageous group contribution made pursuant to applicable legislation;

(m) loans or advances to (i) directors, officers or employees of the Company or any Restricted Subsidiary to pay for the purchase of Capital Stock of the Company or any direct or indirect parent company thereof pursuant to management equity plans or similar management or employee benefit arrangement or (ii) stock option plans, trust and similar asset pools to pay for the purchase of Capital Stock of the Company or any direct or indirect parent company thereof not to exceed $5,000,000 in the aggregate outstanding at any one time;

(n) Investments in the Notes and the Convertible Notes; and

(o) other Investments in any Person having an aggregate fair market value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (o) that are at the time outstanding, do not exceed the greater of (i) $30,000,000 and (ii) 1.0% of Consolidated Total Tangible Assets of the Company.

"*Permitted Liens*" means:

(a) (i) Liens securing the Senior Credit Facilities and (ii) Liens in the form of share pledges over the share capital of any Guarantor securing Credit Facilities (other than the Senior Credit Facilities), in each case (i) and (ii) incurred pursuant to clause (a) of the second paragraph of the covenant described under the caption "—Certain Covenants—Incurrence of Indebtedness and Issuance of Disqualified Stock";

(b) Liens in favor of the Company and its Restricted Subsidiaries;

(c) Liens on any property or asset of a Person existing at the time such Person is merged into or consolidated with the Company or any Restricted Subsidiary of the Company; *provided* that such Liens were in existence prior to such merger or consolidation, were not created in contemplation of it and do not extend to any property or asset of the Company or any of its Restricted Subsidiaries other than those of the Person merged into or consolidated with the Company or any of its Restricted Subsidiaries;

(d) Liens on any property or asset existing at the time of acquisition thereof by the Company or any Restricted Subsidiary of the Company; *provided* that such Liens were in existence prior to such acquisition, were not created in contemplation of it and do not extend to any other property or asset of the Company or any of its Restricted Subsidiaries;

(e) Liens securing the performance of statutory obligations, surety or appeal bonds, bid or performance bonds, insurance obligations or other obligations of a like nature incurred in the ordinary course of business;

(f) Liens securing Hedging Obligations;

(g) Liens existing on the date of the Indenture;

(h) Liens securing Indebtedness (including Capital Lease Obligations) permitted by clause (g) of the second paragraph of the covenant described under the caption "—Certain Covenants—Incurrence of Indebtedness and Issuance of Disqualified Stock"; *provided* that such Liens extend only to the property, plant or equipment financed by such Indebtedness;

(i) any interest or title of a lessor under an operating lease;

(j) Liens arising by reason of deposits necessary to obtain standby letters of credit in the ordinary course of business;

(k) Liens on real or personal property or assets of the Company or a Restricted Subsidiary thereof to secure Indebtedness incurred for the purpose of (1) financing all or any part of the purchase price of such property or assets incurred prior to, at the time of, or within 180 days after, the acquisition of such property or assets or (2) financing all or any part of the cost of construction or improvement of any such property or assets; *provided* that the amount of any such financing shall not exceed the amount expended in the acquisition of, or the construction of, such property or assets and such Liens shall not extend to any other property or assets of the Company or a Restricted Subsidiary (other than any associated accounts, contracts and insurance proceeds);

(l) judgment Liens not giving rise to an Event of Default so long as any appropriate legal proceeding which may have been duly initiated for the review of such judgment shall not have been finally terminated or the period within which such proceeding may be initiated shall not have expired;

(m) Liens securing Indebtedness of the Company or any Restricted Subsidiary of the Company that does not exceed the greater of (i) $30,000,000 at any one time outstanding and (ii) 1.0% of Consolidated Total Tangible Assets of the Company;

(n) Liens securing Acquired Indebtedness incurred pursuant to (i) the first paragraph and (ii) clause (k) of the second paragraph, of the covenant described under the caption "—Certain Covenants—Incurrence of Indebtedness and Issuance of Disqualified Stock"; *provided* that such Liens (1) secured such Acquired Indebtedness at the time of and prior to the incurrence of such Acquired Indebtedness by the Company or a Restricted Subsidiary of the Company and were not granted in connection with, or in anticipation of, such incurrence, and (2) do not extend to any property or asset of the Company or any of its Restricted Subsidiaries other than the property or asset that secured the Acquired Indebtedness prior to the time that it became Acquired Indebtedness of the Company or a Restricted Subsidiary of the Company;

(o) statutory Liens of landlords and carriers, warehousemen, mechanics, suppliers, materialmen, repairmen, employees, pension plan administrators or other like Liens arising in the ordinary course of the Company's or any Restricted Subsidiary's business and with respect to amounts not yet delinquent or being contested in good faith by appropriate proceedings and for which a reserve or other appropriate provision, if any, as shall be required in conformity with IFRS shall have been made or Liens arising solely by virtue of any statutory or common law provisions relating to attorney's liens or bankers' liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depositary institution;

(p) Liens for taxes, assessments, government charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with IFRS shall have been made;

(q) zoning restrictions, easements, licenses, reservations, title defects, rights of others for rights-of-way, utilities, sewers, electrical lines, telephone lines, telegraph wires, restrictions, encroachments and other similar charges, encumbrances or title defects and Incurred in the ordinary course of business that do not in the aggregate materially interfere with in any material respect the ordinary conduct of the business of the Company and its Restricted Subsidiaries on the properties subject thereto, taken as a whole;

(r) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security or other insurance (including unemployment insurance);

(s) Liens incurred in connection with a cash management program established in the ordinary course of business for the Company's benefit or that of any Restricted Subsidiary in favor of a bank or trust company of the type described in the definition of "Cash Equivalents";

(t) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual, or warranty requirements of the Company or any Restricted Subsidiary, including rights of offset and set-off;

(u) Liens on the vessels securing Permitted Vessel Financing Indebtedness incurred to finance the construction or acquisition of such vessels; *provided* that Liens may also be extended to secure other property or assets in connection with such Permitted Vessel Financing Indebtedness customarily found in Indebtedness of that type, including, but not limited to, Liens on management service agreements, insurance and cash collateral deposited in debt reserve accounts;

(v) Any extension, renewal or replacement, in whole or in part, of any Lien described in the foregoing clauses (a) through (u) and this clause (v); *provided* that any such extension, renewal or replacement shall be no more restrictive in any material respect than the Lien so extended, renewed or replaced and shall not extend in any material respect to any additional property or assets; and

(w) Liens securing Permitted Refinancing Indebtedness with respect to any Indebtedness secured by Liens referred to in clauses (c), (d), (g), (h), (k), (n) and (u) above and in this clause (w).

"*Permitted Refinancing Indebtedness*" means any Indebtedness of the Company or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to extend, refinance, renew, replace, defease or refund other Indebtedness of the Company or any of its Restricted Subsidiaries; *provided*, *however*, that:

(a) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount of (or accreted value, if applicable), plus premium, if any, and accrued interest on, the Indebtedness so extended, refinanced, renewed, replaced, defeased or refunded (plus the amount of expenses incurred in connection therewith);

(b) such Permitted Refinancing Indebtedness has a final maturity date no earlier than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded;

(c) if the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded is subordinated in right of payment to the Notes, such Permitted Refinancing Indebtedness is subordinated in right of payment to the Notes on terms at least as favorable, taken as a whole, to the holders of the Notes as those contained in the documentation governing the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; and

(d) if the Company is the obligor on the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded, then such Permitted Refinancing Indebtedness is solely Indebtedness of the Company;

provided, *however*, that a Restricted Subsidiary that is also a Guarantor may guarantee Permitted Refinancing Indebtedness incurred by the Company, whether or not such Restricted Subsidiary was an obligor or guarantor of the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; *provided further*, *however*, that if such Permitted Refinancing Indebtedness is subordinated to the Notes, such guarantee shall be subordinated to such Restricted Subsidiary's Subsidiary Guarantee to at least the same extent.

"*Permitted Vessel Financing Indebtedness*" means Indebtedness the net proceeds from the Incurrence of which are applied towards the acquisition or construction of vessels used in the business of the Company and its Restricted Subsidiaries (or any business reasonably related or complimentary thereto).

"*Person*" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization, limited liability company or government or other entity.

"*PGS Egypt*" means PGS Egypt Petroleum Services, a company organized under the laws of Egypt.

"*Pre-Expansion European Union*" means the European Union as of January 1, 2004, including the countries of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, The Netherlands, Portugal, Spain, Sweden and the United Kingdom, but not including any country which became or becomes a member of the European Union after January 1, 2004.

"*Public Debt*" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities that are capable of being listed, quoted or traded on an organized securities exchange or similar trading platform.

"*Qualified Equity Offering*" means any issuance and sale of Equity Interests (other than Disqualified Stock) of the Company pursuant to a *bona fide* underwritten offering registered under the Securities Act; or exempt from registration thereunder.

"*Refinancing*" means the Offering and the repayment, repurchase or redemption of the Convertible Notes.

"*Related Business*" means (i) any business conducted by the Company or any of its Subsidiaries on the date of the Indenture or any other business or activity that is reasonably similar thereto or a reasonable extension, development or expansion thereof or is reasonably ancillary thereto and (ii) any other business that engages in the design, construction, development, expansion, improvement, creation or production of Strategic Assets.

"*Restricted Investment*" means an Investment other than a Permitted Investment.

"*Restricted Subsidiary*" of a Person means any Subsidiary of such Person that is not an Unrestricted Subsidiary.

"*Securities Act*" means the U.S. Securities Act of 1933, as amended.

"*Senior Credit Facilities*" means the Credit Facilities pursuant to the credit agreement dated as of June 29, 2007, among the Company and PGS Finance, Inc., as borrowers, the other guarantors party thereto as guarantors, the lenders party thereto, Barclays Bank PLC as Issuing Banking and Revolving Credit Administrative Agent and the other parties thereto, as amended or supplemented on May 21, 2010, as further amended, restated, modified, renewed or restructured and, for the avoidance of doubt, includes any agreement extending the maturity of or restructuring all or any portion of the indebtedness under such agreement.

"*Significant Subsidiary*" means any Restricted Subsidiary of the Company that would be a "significant subsidiary" as defined in Article 1, Rule 1 02 of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the date of the Indenture.

"*Stated Maturity*" means, with respect to any mandatory sinking fund or other installment of interest or principal on any series of Indebtedness, the date on which such payment of interest or principal was scheduled to be paid in the original documentation governing such Indebtedness, and shall not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"*Strategic Assets*" means assets (including Capital Stock) or rights (other than assets that would be classified as current assets in accordance with IFRS) of the kind used or usable by the Company or its Restricted Subsidiaries in the business of providing products, services or software to the oil and gas industry (or any business that is reasonably complementary or related thereto or is a reasonable extension thereof, including, without limitation, companies using the Company's data, as determined in good faith by the Board of Directors).

"*Subsidiary*" means, with respect to any Person:

(a) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person (or a combination thereof);

(b) any partnership (1) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (2) the only general partners of which are such Person or of one or more Subsidiaries of such Person (or any combination thereof); and

(c) any other Person whose results for financial reporting purposes are consolidated with those of such Person in accordance with IFRS.

"*Subsidiary Guarantee*" means the guarantee by each Guarantor of the Company's obligations under the Indenture and the Notes (including any Additional Notes), executed pursuant to the provisions of the Indenture.

"*Treasury Rate*" means, as of any redemption date in respect of the Notes, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15(519) that has become publicly available at least two business days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to December 15, 2015; *provided*, *however*, that if the period from the redemption date to December 15, 2015 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

"*Unrestricted Subsidiary*" means any Subsidiary of the Company that is designated by the Board of Directors as an Unrestricted Subsidiary pursuant to a Board Resolution and any Subsidiary of an Unrestricted Subsidiary. The Board of Directors may designate a Subsidiary as an Unrestricted Subsidiary only to the extent that such Subsidiary at the time of such designation:

(a) has no Indebtedness other than Non Recourse Debt;

(b) is not party to any agreement, contract, arrangement or understanding with the Company or any Restricted Subsidiary of the Company unless such agreement, contract, arrangement or understanding does not violate the terms of the Indenture described under the caption "—Certain Covenants—Transactions with Affiliates"; and

(c) is a Person with respect to which neither the Company nor any of its Restricted Subsidiaries has any direct or indirect obligation (1) to subscribe for additional Equity Interests or (2) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results.

Any such designation by the Board of Directors shall be evidenced to the Trustee by filing with the Trustee the Board Resolution giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions and was permitted by the covenant described under the caption "—Certain Covenants—Restricted Payments." If, at any time, any Unrestricted Subsidiary would fail to meet the foregoing requirements as an Unrestricted Subsidiary, it shall thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness of such Subsidiary shall be deemed to be incurred by a Restricted Subsidiary of the Company as of such date (and, if such Indebtedness is not permitted to be incurred as of such date under the covenant described under the caption "—Certain Covenants—Incurrence of Indebtedness and Issuance of Disqualified Stock", the Company shall be in default of such covenant). The Board of Directors may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that such designation shall be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of the Company of any outstanding Indebtedness of such Unrestricted Subsidiary and such designation shall only be permitted if:

(1) such Indebtedness is permitted under the covenant described under the caption "—Certain Covenants—Incurrence of Indebtedness and Issuance of Disqualified Stock", calculated

on a *pro forma* basis as if such designation had occurred at the beginning of the four quarter reference period; and

(2) no Default or Event of Default would be in existence following such designation.

"*U.S. Dollar Equivalent*" means, with respect to any monetary amount in a currency other than U.S. dollars, at or as of any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the spot rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by Reuters (or, if Reuters ceases to provide such spot quotations, by any other reputable service as is providing such spot quotations, as selected by the Company) at approximately 11:00 a.m. (New York City time) on the date not more than two business days prior to such determination.

"*U.S. Government Securities*" means the direct obligations of, or obligatory guarantees by, the United States of America, and the payment for which the United States of America pledges its full faith and credit.

"*Voting Stock*" of any Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the board of directors, managers or trustees of such Person.

"*Weighted Average Life to Maturity*" means, when applied to any Indebtedness at any date, the number of years obtained by dividing (a) the sum of the products obtained by multiplying (1) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect thereof, by (2) the number of years (calculated to the nearest one twelfth) that will elapse between such date and the making of such payment, by (b) the then outstanding principal amount of such Indebtedness.

"*Wholly Owned Restricted Subsidiary*" of any Person means a Restricted Subsidiary of such Person to the extent that:

(a) all of the outstanding Capital Stock or other ownership interests of which (other than directors' qualifying shares and Capital Stock held by other statutorily required minority shareholders) shall at the time be owned directly or indirectly by such Person; or

(b) such Restricted Subsidiary is organized in a foreign jurisdiction and is required by the applicable laws and regulations of such foreign jurisdiction or its governmental agencies, authorities or state owned businesses to be partially owned by the government of such foreign jurisdiction or individual or corporate citizens of such foreign jurisdiction or another foreign jurisdiction in order for such Restricted Subsidiary to transact business in such foreign jurisdiction; *provided* that such Person, by contract or otherwise, controls the business and management of such Restricted Subsidiary.

BOOK-ENTRY; DELIVERY AND FORM

General

The certificates representing the notes will be issued in fully registered form without interest coupons.

Notes sold in reliance on Rule 144A will initially be represented by permanent global notes in fully registered form without interest coupons (each a "Rule 144A Global Note") and will be deposited with Citibank, N.A. as a custodian for DTC and registered in the name of Cede & Co as nominee of DTC.

Notes sold in offshore transactions in reliance on Regulation S under the U.S. Securities Act will be represented by permanent global notes in fully registered form without interest coupons (each a "Regulation S Global Note") and will be deposited with Citibank, N.A. as a custodian for DTC and registered in the name of Cede & Co as nominee of DTC.

Any beneficial interest in a Regulation S Global Note or a Rule 144A Global Note (each a "Global Note") that is transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note or a Regulation S Global Note, respectively, will, upon transfer, cease to be an interest in the type of Global Note previously held and become an interest in the other type of Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interests in such other type of Global Note for as long as it remains such an interest.

The Global Notes (and any notes issued in exchange therefor) will be subject to certain restrictions on transfer set forth therein and in the applicable Indenture and will bear the legend regarding such restrictions set forth under the heading "Notice to Investors" herein. Subject to such restrictions, QIBs or non-U.S. purchasers may elect to take physical delivery of their certificates (each a "Certificated Security") instead of holding their interests through the Global Notes (and which are then ineligible to trade through DTC) (collectively referred to herein as the "Non-Global Purchasers"). Upon the transfer to a QIB of any Certificated Security initially issued to a Non-Global Purchaser, such Certificated Security will, unless the transferee requests otherwise or the Global Notes have previously been exchanged in whole for Certificated Securities, be exchanged for an interest in the Global Notes. For a description of the restrictions on transfer of Certificated Securities and any interest in the Global Notes, see "Notice to Investors."

The Global Notes

The Company expects that pursuant to procedures established by DTC (i) upon the issuance of the Global Notes, DTC or its custodian will credit, on its internal system, the principal amount at maturity of the individual beneficial interests represented by such Global Notes to the respective accounts of persons who have accounts with such depositary and (ii) ownership of beneficial interests in the Global Notes will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants). Such accounts initially will be designated by or on behalf of the Initial Purchasers and ownership of beneficial interests in the Global Notes will be limited to persons who have accounts with DTC ("participants") or persons who hold interests through participants. Holders may hold their interests in the Global Notes directly through DTC if they are participants in such system, or indirectly through organizations which are participants in such system (including Euroclear and Clearstream).

So long as DTC, or its nominee, is the registered owner or holder of the notes, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the notes represented by such Global Notes for all purposes under the applicable Indenture. No beneficial owner of an interest in the Global Notes will be able to transfer that interest except in accordance with DTC's procedures, in addition to those provided for under the applicable Indenture.

Payments of the principal of, premium (if any), and interest (including Additional Amounts) on the Global Notes will be made to DTC or its nominee, as the case may be, as the registered owner thereof. None of the Company, the trustee or any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interest.

The Company expects that DTC or its nominee, upon receipt of any payment of principal, premium, if any, or interest (including Additional Amounts) on the Global Notes, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the Global Notes as shown on the records of DTC or its nominee. The Company also expects that payments by participants to owners of beneficial interests in the Global Notes held through such participants will be governed by standing instructions and customary practice, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

Transfers between participants in DTC will be effected in the ordinary way through DTC's same-day funds system in accordance with DTC rules and will be settled in same day funds. If a holder requires physical delivery of a Certificated Security for any reason, including to sell notes to persons in states which require physical delivery of the notes, or to pledge such securities, such holder must transfer its interest in a Global Note, in accordance with the normal procedures of DTC and with the procedures set forth in the applicable Indenture.

DTC has advised the Company that it will take any action permitted to be taken by a holder of Notes (including the presentation of notes for exchange as described below) only at the direction of one or more participants to whose account the DTC interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of notes as to which such participant or participants has or have given such direction. However, if there is an Event of Default under the applicable Indenture, DTC will exchange the Global Notes for Certificated Securities, which it will distribute to its participants and which will be legended as set forth under the heading "Notice to Investors."

DTC has advised the Company as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "Clearing Agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies and clearing corporations and certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly ("indirect participants").

Although DTC has agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants of DTC, it is under no obligation to perform such procedures, and such procedures may be discontinued at any time. Neither the Company nor the trustee will have any responsibility or liability for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Certificated Securities

Certificated Securities shall be issued in exchange for beneficial interests in the Global Notes (i) if requested by a holder of such interests or (ii) if DTC is at any time unwilling or unable to continue as a depositary for the Global Notes and a successor depositary is not appointed by the Company within 90 days.

TAX CONSIDERATIONS

Norwegian Taxation

Introduction

The following is a general description of certain Norwegian tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of Notes should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Norway of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes. This summary is based upon the law as in effect on the date of this Offering Memorandum and is subject to any change in law that may take effect after such date.

Taxation of Noteholders Tax Resident Outside Norway

Withholding tax on interest payments

Payment of principal and interest on Notes to persons who have no connection with Norway other than the holding of such Notes issued by the Company are not subject to Norwegian tax, and may hence be made without deduction of any withholding tax or any other Norwegian taxes, duties, assessments or governmental charges.

Capital gains tax

Capital gains or profits realized on the sale or redemption or other disposal of such Notes by persons who have no connection with Norway other than the holding of the Notes are not subject to Norwegian taxes or duties.

Stamp duty

There is currently no stamp duty or other charges in Norway on the purchase, redemption or sale or other disposal of Notes.

Inheritance tax

Notes will not be subject to Norwegian inheritance tax provided that, at the time of death of the holder, such holder has no connection with Norway other than the holding of such Notes and provided that the Notes have not been used in, or in connection with, any business activity operated through a permanent establishment in Norway. If the holder is a Norwegian citizen resident outside Norway, the notes will be subject to Norwegian inheritance tax only if no inheritance tax or similar is due in the country of residence.

Taxation of Noteholders Tax Resident in Norway

The summary below is based on the assumption that the Notes are classified as debentures (*mengdegjeldsbrev*) for the purposes of the tax laws of Norway.

Interest payments

Noteholders tax resident in Norway are taxable for interest accrued at year-end on Notes as ordinary income at the rate of 28%. Interest accrued in a foreign currency such as U.S. dollars are calculated in Norwegian kroner. When interest payments are received, any difference in currency exchange rate between year-end and the subsequent time of payment is taxable/deductible.

If notes are issued at a price lower than the stated principal amount of the Notes, the embedded interest element corresponding to the difference between the issue price and the stated principal amount of the Notes price is taxable proportionally for each year until maturity.

Capital gains tax

Noteholders tax resident in Norway are taxable for capital gains on redemption or sale of Notes as ordinary income at the rate of 28%. Correspondingly, a loss on redemption or sale of Notes is tax deductible. Gain or loss is calculated per Note, as the difference between the consideration received in respect of the Note and the tax basis of the Note. The tax basis values of Notes, which are denominated in U.S. dollars, are generally calculated in Norwegian kroner based on the exchange rate between U.S. dollars and Norwegian kroner at the time of acquisition of the Notes. The tax basis is increased with any taxable accrued interest that has not been paid at the time of a sale. Consideration received in a foreign currency such as U.S. dollars is generally calculated in Norwegian kroner based on the exchange rate between U.S. dollars and Norwegian kroner at the time of redemption or sale.

Costs incurred in connection with the acquisition, redemption or sale of Notes is added to the tax basis and thus becomes deductible in the year of the redemption or sale of the respective Notes.

Net wealth tax

Noteholders that are individuals tax resident in Norway are subject to net wealth taxation in Norway, and Notes are included as part of the taxable base for this purpose. Notes will be valued at market value on January 1 in the year after the income year. The maximum aggregated rate of net wealth tax is currently 1.1%. Noteholders that are Norwegian corporations or similar entities are not subject to net wealth taxation.

Stamp duty

There is currently no stamp duty or other charges in Norway on the purchase, redemption, sale or other disposal of Notes.

Inheritance tax

When Notes are transferred either through inheritance or as a gift, such transfer may give rise to inheritance or gift tax in Norway if the decedent, at the time of death, or the donor, at the time of the gift, is a resident or citizen of Norway, or if the Notes are effectively connected with a business carried out through a permanent establishment in Norway.

Certain United States Federal Income Tax Considerations

TO COMPLY WITH INTERNAL REVENUE SERVICE CIRCULAR 230, PROSPECTIVE INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS OFFERING MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY PROSPECTIVE INVESTORS, FOR THE PURPOSES OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED; (B) SUCH DISCUSSION IS BEING USED IN CONNECTION WITH THE PROMOTION OR MARKETING BY US OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) PROSPECTIVE INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following discussion is a general summary of certain U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes by U.S. holders (as defined below), but does not purport to be a complete analysis of all potential tax consequences. This summary is based upon the U.S. Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations issued thereunder, and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change (possibly with retroactive effect) so as to result in U.S. federal income tax consequences different from those discussed below. No rulings from the Internal Revenue Service ("IRS") have been or are expected to be sought by the Company with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes or that any such position would not be sustained.

This discussion is limited to U.S. holders (as defined below). Non-U.S. investors should consult their own advisors regarding the tax consequences to them of investing in the Notes.

This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a U.S. holder in light of such U.S. holder's particular circumstances or to U.S. holders subject to special rules, such as financial institutions, U.S. expatriates, insurance companies, dealers in securities or currencies, traders in securities, U.S. holders whose functional currency is not the U.S. dollar, tax-exempt organizations, regulated investment companies, real estate investment trusts, partnerships or other pass through entities (or investors in such entities), persons subject to the alternative minimum tax and persons holding the Notes as part of a "straddle," "hedge," "conversion transaction" or other integrated transaction.

This discussion is limited to U.S. holders who purchase the Notes for cash in this offering at their "issue price" (as defined below) and who hold the Notes as capital assets within the meaning of section 1221 of the Code. This discussion does not consider the effect of any U.S. federal tax consequences other than U.S. federal income tax consequences (such as estate or gift tax, or the newly enacted Medicare tax on investment income). Furthermore, this summary does not address the tax consequences arising under any state, local or non-U.S. law.

For purposes of this discussion, a "U.S. holder" is a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States; (ii) a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia; (iii) any estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or if a valid election is in place to treat the trust as a U.S. person.

If any entity treated as a partnership for U.S. federal income tax purposes holds Notes, the U.S. federal income tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Prospective investors which are partnerships, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of the purchase, ownership and disposition of the Notes.

Prospective purchasers of the Notes should consult their tax advisors concerning the tax consequences of purchasing, holding and disposing of Notes in light of their particular circumstances, including the application of the U.S. federal income tax considerations discussed below, as well as the application of any other U.S. federal tax laws and state, local, non-U.S. or other tax laws.

Effect of Certain Contingencies

In certain situations, we may be obligated to pay amounts in excess of stated interest or principal on the Notes. These contingencies may implicate the provisions of Treasury Regulations relating to "contingent payment debt instruments." Under these regulations, such contingencies should not cause the Notes to be contingent payment debt instruments if, based on all facts and circumstances as of the date on which the Notes are issued, there is only a remote likelihood that any such contingencies will occur, or if such contingencies, in the aggregate, are considered incidental. We believe that the possibility of making such additional payments is remote and/or incidental and, accordingly, we do not intend to treat the Notes as contingent payment debt instruments. Our position is binding on a holder unless such holder discloses its contrary position in the manner required by applicable Treasury Regulations. Our position, however, is not binding on the IRS. If the IRS were to successfully challenge this position, a holder subject to U.S. federal income taxation generally would be required to accrue interest income on the Notes at a higher rate than the stated interest rate and any otherwise applicable OID, and to treat as ordinary income (rather than capital gain) any gain realized on the taxable disposition of a Note. Holders should consult their own tax advisors regarding this issue. The remainder of this discussion assumes that the Notes will not be treated as contingent payment debt instruments.

Payments of Stated Interest

Payments of stated interest on the Notes generally will be taxable to a U.S. holder as ordinary income at the time that such payments are received or accrued, in accordance with such U.S. holder's regular method of accounting for U.S. federal income tax purposes.

Original Issue Discount

If the stated principal amount of the Notes exceeds their issue price by more than a statutory de minimis amount (generally ¼ of 1% of the Notes' stated principal amount multiplied by the number of complete years to maturity from the issue date of the Notes), the Notes will be treated as issued with original issue discount ("OID"). In such event, a U.S. holder would be required to include the OID in gross income (as ordinary interest income) as it accrues (on a constant yield to maturity basis), before the receipt of cash payments attributable to the OID and regardless of such U.S. holder's regular method of accounting for U.S. federal income tax purposes. The issue price of a Note will equal the first price at which a substantial amount of the Notes are sold for cash to investors (not including bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers).

The amount of OID, if any, includible in income by a U.S. holder of a Note for any taxable year is the sum of the "daily portions" of OID with respect to the Note for each day on which such U.S. holder holds such Note during such taxable year. A daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID that accrued in such period. The "accrual period" of a Note may be of any length and may vary in length over the term of the Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first or last day of an accrual period. The amount of OID that accrues with respect to any accrual period is generally the excess of (i) the product of the note's "adjusted issue price" at the beginning of such accrual period and its yield to maturity, determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of such period, over (ii) the amount of stated interest allocable to such accrual period. The adjusted issue price of a Note at the start of any accrual period is generally equal to its issue price, increased by any accrued OID for each prior accrual period.

Foreign Tax Credit

Interest income (and any OID) on a Note generally will constitute foreign source income and generally will be considered "passive category income" or, in the case of certain U.S. holders, "general category income" in computing the foreign tax credit allowable to U.S. holders under U.S. federal income tax laws. The rules regarding foreign tax credits are complex and U.S. holders should consult their own advisors about the applicable limitations on claiming foreign tax credits.

Sale, Exchange, Redemption, Retirement or Other Taxable Disposition of Notes

Generally, upon the sale, exchange, redemption, retirement or other taxable disposition of a Note, a U.S. holder will recognize taxable gain or loss equal to the difference between the amount realized on the disposition (less any amount attributable to accrued but unpaid stated interest, which will be taxable as ordinary income to the extent not previously included in income) and such U.S. holder's adjusted tax basis in the Note. A U.S. holder's adjusted tax basis in a Note will generally equal the cost of such Note to such U.S. holder, increased by any OID previously includible in income by the U.S. holder.

Any gain or loss recognized by a U.S. holder upon the sale, exchange, redemption, retirement or other taxable disposition of a Note generally will be capital gain or loss and generally will be long-term capital gain or loss if at the time of the sale, exchange, redemption, retirement or other taxable disposition the Note has been held by such U.S. holder for more than one year. Long-term capital gain realized by a non-corporate U.S. holder will generally be subject to taxation at a reduced rate. The deductibility of capital losses is subject to certain limitations. Any gain or loss recognized by a U.S. holder upon the sale, exchange, redemption, retirement or other taxable disposition of a Note generally will be treated as U.S. source gain or loss, as the case may be.

Required Disclosure with Respect to Foreign Financial Assets

Under legislation enacted in 2010, individuals and certain entities that own "specified foreign financial assets" with an aggregate value in excess of $50,000 in taxable years beginning after March 18, 2010 will generally be required to file an information report with respect to such assets with their tax returns. "Specified foreign financial assets" include any financial accounts maintained by certain foreign financial institutions, as well as any of the following, but only if they are not held in accounts maintained by certain financial institutions: (i) stocks and securities issued by non-U.S. persons, (ii) financial instruments and contracts held for investment that have non-U.S. issuers or counterparties and (iii) interests in foreign entities. The Notes may be subject to these rules. U.S. holders should consult their own tax advisors regarding the application of this legislation to their ownership of the Notes and the significant penalties for non-compliance.

Information Reporting and Backup Withholding

In general, payments of stated interest, accruals of any OID and any proceeds from the sale or other disposition (including a retirement or redemption) of Notes held by a U.S. holder will be reported to the IRS unless the U.S. holder establishes an exemption from the information reporting rules. In addition, a U.S. holder that is not an exempt recipient may be subject to U.S. backup withholding tax (currently at a rate of 28% and increasing to 31% in 2013) on payments of such amounts unless such U.S. holder provides a taxpayer identification number and otherwise complies with applicable certification requirements.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be credited against a U.S. Holder's U.S. federal income tax liability and may entitle the holder to a refund, provided that the appropriate information is timely furnished to the IRS.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set out in the purchase agreement (the "Purchase Agreement") entered into on November 9, 2011 by and among the Company, each of the Guarantors and the Initial Purchasers, the Company has agreed to sell to each Initial Purchaser, and each Initial Purchaser has agreed, severally and not jointly, to purchase from the Company, together with all other Initial Purchasers, Notes in an aggregate principal amount of $300.0 million.

The following table sets forth the amount of Notes to be purchased by each Initial Purchaser in the Offering:

Initial Purchasers	Principal Amount of Notes
Barclays Bank PLC	$ 150,000,000
The Royal Bank of Scotland plc	60,000,000
UBS Limited	60,000,000
ABN AMRO Bank N.V.	8,334,000
DnB NOR Bank ASA	8,333,000
Lloyds Securities Inc.	8,333,000
Nordea Bank Danmark A/S	5,000,000
Total	$ 300,000,000

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by their counsel.

The Notes will initially be offered at the price indicated on the cover page of this Offering Memorandum. After the initial offering, the offering price and other selling terms of the Notes may from time to time be varied by the Initial Purchasers without notice.

The Purchase Agreement provides that the Company and each Guarantor will indemnify the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof.

The Notes have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States except to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act and outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act. Each purchaser of the Notes will be deemed to have made acknowledgments, representations and agreements as described under "Notice to Investors."

To the extent an Initial Purchaser that is not registered with the U.S. Securities and Exchange Commission as a U.S. registered broker-dealer intends to effect offers and sales into the United States, it will do so through one or more U.S. registered broker-dealers within the United States in accordance with the applicable securities laws, and as permitted by the Financial Industry Regulatory Authority regulations. One or more of the Initial Purchasers may sell through affiliates or other appropriately licensed entities for sales of the Notes in jurisdictions in which they are otherwise not permitted.

In relation to the United Kingdom, each Initial Purchaser has represented and agreed that:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Company or the Guarantors; and

- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

The Notes will constitute a new class of securities with no established trading market. Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and for the Notes to be admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange although there is no assurance that the Notes will be, and will remain, listed and admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange. However, there can be no assurance that the prices at which the Notes will sell in the market after this Offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this Offering. The Initial Purchasers have advised the Company that they presently intend to make a market in the Notes as permitted by applicable laws and regulations. The Initial Purchasers are not obliged, however, to make a market in the Notes and any such market making may be discontinued at any time at the sole discretion of the Initial Purchasers. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes. See "Risk Factors—Risks Relating to Our Debt, The Notes and the Guarantees—An active trading market may not develop for the Notes."

Buyers of the Notes sold by the Initial Purchasers may be required to pay stamp taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the initial offering price set forth on the cover of this Offering Memorandum.

In connection with the issue of the Notes, Barclays Bank PLC (the "Stabilizing Manager") (or any person acting on behalf of the Stabilizing Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager (or any person acting on behalf of the Stabilizing Manager) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than 30 calendar days after the date on which the Company received the proceeds of the Notes or no later than 60 calendar days after the date of the allotment of the Notes, whichever is earlier.

The Initial Purchasers or their affiliates have performed commercial and investment banking and advisory services for the Company, the Guarantors and their subsidiaries and affiliates from time to time for which they have received customary fees and expenses. The Initial Purchasers and their affiliates may, from time to time, engage in transactions with, and perform services for, the Company, the Guarantors and their subsidiaries and affiliates in the ordinary course of their business. In particular, the Initial Purchasers and/or their affiliates are lenders under the Revolving Facility and/or the Term Facility and several of the Initial Purchasers and/or their affiliates have the following roles under the Credit Agreement:

- Affiliates of Barclays Bank PLC and UBS Limited are Term Loan Arrangers and Bookrunners, Revolving Credit Arrangers and Revolving Credit Lead Bookrunners;
- Barclays Bank PLC or its affiliate is Revolving Credit Administrative Agent, Global Coordinator and Documentation Agent;
- An affiliate of UBS Limited is Term Loan Administrative Agent and Collateral Agent;
- ABN Amro Bank N.V. is Revolving Credit Arranger and Revolving Credit Lead Bookrunner; and
- DnB NOR Bank ASA is Revolving Credit Co-ordinator, Revolving Credit Arranger, Revolving Credit Lead Bookrunner the Issuing Bank.

In addition, several of the Initial Purchasers and/or their affiliates may hold positions in the loans of the Company, the Guarantors and their subsidiaries and affiliates.

NOTICE TO INVESTORS

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby.

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act or any state securities laws and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and state or other applicable securities laws. Accordingly, the Notes offered hereby are being offered and sold only to qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act, "QIBs") in reliance on Rule 144A under the U.S. Securities Act and in offshore transactions (as defined in Regulation S under the U.S. Securities Act) in reliance on Regulation S under the U.S. Securities Act.

Each purchaser of Notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with us and the Initial Purchasers as follows:

(1) It understands and acknowledges that the Notes and the Guarantees have not been registered under the U.S. Securities Act or any other applicable securities laws, are being offered for resale in transactions not requiring registration under the U.S. Securities Act or any other securities law, including sales pursuant to Rule 144A under the U.S. Securities Act, and may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the U.S. Securities Act or any applicable securities law, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraph (5) below.

(2) It is not an "affiliate" (as defined in Rule 144 under the U.S. Securities Act) of the Company or acting on the Company's behalf and it is either:

   (a) a QIB and is aware that any sale of Notes to it will be made in reliance on Rule 144A and the acquisition of Notes will be for its own account or for the account of another QIB; or

   (b) you are purchasing the Notes in an offshore transaction in accordance with Regulation S under the U.S. Securities Act.

(3) It acknowledges that neither we nor the Initial Purchasers, nor any person representing us or the Initial Purchasers, have made any representation to it with respect to the offering or sale of any Notes, other than the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes. It has had access to such financial and other information concerning us and the Notes as it has deemed necessary in connection with its decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, the Company and the Initial Purchasers.

(4) It is purchasing the Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the U.S. Securities Act or any state securities laws, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the U.S. Securities Act.

(5) Each holder of the Notes issued in reliance on Rule 144A ("Rule 144A Notes") agrees on its own behalf and on behalf of any investor account for which it is purchasing the Notes, and each subsequent holder of the Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes prior to the date (the "Resale Restriction

Termination Date") that is one year after the later of the date of the original issue and the last date on which the Company or any of our affiliates was the owner of such Notes (or any predecessor thereto) only (i) to the Company, (ii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act, (iii) for so long as the Notes are eligible pursuant to Rule 144A under the U.S. Securities Act, to a person it reasonably believes is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A under the U.S. Securities Act, (iv) pursuant to offers and sales that occur outside the United States in compliance with Regulation S under the U.S. Securities Act, (v) to an institutional accredited investor (within the meaning of Rule 501(a)(1), (2), (3) or (7) under the U.S. Securities Act) that is not a QIB and that is purchasing for its own account or for the account of another institutional accredited investor, in each case in a minimum principal amount of the Notes of $250,000 or (vi) pursuant to any other available exemption from the registration requirements of the U.S. Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to the Company's and the Trustee's rights prior to any such offer, sale or transfer (I) pursuant to clause (iv), (v) or (vi) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the other side of the security is completed and delivered by the transferor to the Trustee. Each purchaser acknowledges that each Rule 144A Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT, (E) TO AN INSTITUTIONAL ACCREDITED INVESTOR (WITHIN THE MEANING OF RULE 501(A)(1), (2), (3) OR (7) UNDER THE U.S. SECURITIES ACT) THAT IS NOT A QUALIFIED INSTITUTIONAL BUYER AND THAT IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER INSTITUTIONAL ACCREDITED

INVESTOR, IN EACH CASE IN A MINIMUM PRINCIPAL AMOUNT OF NOTES OF $250,000, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO OR FOR OFFER OR SALE IN CONNECTION WITH ANY DISTRIBUTION IN VIOLATION OF THE U.S. SECURITIES ACT OR (F) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS, AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (D), (E) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE.

If it purchases Notes, it will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

(6) It agrees that you will give to each person to whom it transfers the Notes notice of any restrictions on the transfer of such Notes.

(7) It acknowledges that until 40 days after the commencement of the offering, any offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act.

(8) It acknowledges that the Registrar will not be required to accept for registration of transfer any Notes except upon presentation of evidence satisfactory to us and the Trustee that the restrictions set forth therein have been complied with.

(9) You acknowledge that the Company, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgements, representations, warranties and agreements and agree that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by your purchase of the Notes are no longer accurate, you shall promptly notify the Initial Purchasers. If you are acquiring any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each such investor account and that you have full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

(10) It understands that no action has been taken in any jurisdiction (including the United States) by the Company or the Initial Purchasers that would result in a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the Notes in any jurisdiction where action for such purpose is required.

LEGAL MATTERS

The validity of the Notes and certain other legal matters are being passed upon for the Company by Cahill Gordon & Reindel LLP, United States counsel to the Company, and Arntzen de Besche Advokatfirma AS, Norwegian counsel to the Company. Certain legal matters will be passed upon for the Initial Purchasers by Shearman & Sterling (London) LLP, United States counsel to the Initial Purchasers, and Advokatfirmaet Thommessen AS, Norwegian counsel to the Initial Purchasers.

INDEPENDENT AUDITORS

The consolidated financial statements for each of the years ended December 31, 2008, 2009 and 2010 and as of December 31, 2009 and 2010 of Petroleum Geo-Services ASA and the unconsolidated financial statements of the Company as of and for the year ended December 31, 2010 included in this Offering Memorandum, have been audited by KPMG AS, as stated in their reports appearing herein, who are independent accountants whose audit partners are members of the Norwegian Institute of Public Accountants. See "Listing and General Information—No Incorporation of Our Annual or Interim Reports" for information in relation to our Financial Statements included in this Offering Memorandum.

ENFORCEMENT OF CIVIL LIABILITIES

The Company is incorporated under the laws of the Kingdom of Norway. Certain of the officers and members of the board of directors of the Company (the "Board" and each member, a "Director") and certain other persons referred to herein are located in or resident of Norway. All or substantially all of the assets of such persons are located outside the United States. As a result, it may not be possible for investors to effect service of process upon such persons in the United States or to enforce against them or the Company judgments obtained in the courts of the United States.

A judgment obtained outside Norway in the courts of a state which is not, under the terms of the 2007 Lugano Convention on the Recognition of Judgments in Civil and Commercial Matters (the "Lugano Convention"), a Contracting State (as defined in the Lugano Convention) or a state with which Norway has entered into a convention on the mutual recognition and enforcement of judgments, would not be recognized or enforceable in Norway as a matter of right unless the jurisdiction of such court is agreed, specifically and not generally, between the parties in a civil matter in accordance with the Norwegian Civil Procedure Act or the recognition and enforcement of such judgments is otherwise accepted under Norwegian law; *provided, however*, that such judgments are subject to recognition and enforcement only in so far as this would not be in breach of mandatory law or contrary to public policy in Norway.

The United States and Norway do not currently have a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Therefore, a final judgment for the payment of a fixed debt or a sum of money rendered by any U.S. court based on civil liability, whether or not predicated solely upon the U.S. federal securities laws, would not automatically be enforceable in Norway. In addition, there is doubt that a foreign judgment based upon U.S. securities laws would be enforced in jurisdictions in which we operate and where our assets are located.

Norway is party to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention"). Consequently, a foreign arbitral award obtained in a state which is party to the New York Convention should be recognized and enforced by a Norwegian court (under the terms of the New York Convention).

AVAILABLE INFORMATION

Each purchaser of the Notes from the Initial Purchasers will be furnished a copy of this Offering Memorandum and any related amendments or supplements to this Offering Memorandum. Each person receiving this Offering Memorandum and any related amendments or supplements to this Offering Memorandum acknowledges that:

(1) such person has been afforded an opportunity to request from us, and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;

(2) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and

(3) except as provided pursuant to (1) above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

For so long as any of the Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, we will, during any period in which we are neither subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, nor exempt from the reporting requirements under Rule 12g3-2(b) of the Exchange Act, provide to the holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, in each case upon the written request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the U.S. Securities Act.

We are not currently subject to the periodic reporting and other information requirements of the Exchange Act. However, pursuant to the Indenture governing the Notes and so long as the Notes are outstanding, we will furnish periodic information to holders of the Notes. See "Description of the Notes—Certain Covenants—Reports."

Upon request, we will provide you with copies of the Indenture, the form of the Notes and any notation of guarantee. You may request copies of such document by contacting Group Treasurer at (+47 67 52 64 00).

LISTING AND GENERAL INFORMATION

Listing and Expenses

(i) Listing:	Luxembourg Stock Exchange.
(ii) Admission to trading:	Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to trade the Notes on the Euro MTF market. There can be no assurance that the Company will be able to effect such admission of the Notes to trading on the Euro MTF market.

The Notes have been, or will be, accepted for clearance through DTC. The table below lists the CUSIP number and the International Securities Identification Number ("ISIN") for Notes represented either by Regulation S Global Notes or Rule 144A Global Notes.

	CUSIP	ISIN
Regulation S Notes	R69628 AA4	USR69628AA46
Rule 144A Notes	716599 AC9	US716599AC95

The Issuer

The Company is a public limited company subject to the Norwegian Public Limited Companies Act. The Company was incorporated on June 19, 1962 and registered under the Norwegian Companies Registry on March 12, 1995 with registration number 916 235 291. The registered office and headquarters of the Company is located at Strandveien 41366 Lysaker, Norway. The postal address is P.O. Box 89, N-1325 Lysaker, Norway and the phone number of the Company is +47 67 52 64 00.

Articles of Association

Article 2 of the Company's Articles of Association, last amended on November 15, 2010, states that the object of the Company is to provide services to and participate and invest in energy related businesses. The Company can also participate in other commercial activity by subscribing to shares or in other ways.

The Guarantors

The following is a brief description of the Company's subsidiaries that will guarantee the Notes.

PGS Shipping AS

Article 2 of the Articles of Association of PGS Shipping AS states that the object of the company is the operation of ships with associated activities, and any other business naturally related to these undertakings, including participation in business activities with corresponding objects. PGS Shipping AS is a limited company incorporated under the laws of the Kingdom of Norway on January 23, 1997. Its registered office address is Strandveien 41366 Lysaker, Norway and its postal address is P.O. Box 89, N-1325 Lysaker, Norway.

PGS Shipping (Isle of Man) Limited

PGS Shipping (Isle of Man) Limited provides services to the oil and gas extraction industry and is a company limited by shares incorporated under the laws of the Isle of Man with company number 003834V on April 24, 2009. Its address is 12-14 Finch Road, Douglas, Isle of Man IM99 1TT.

Multiklient Invest AS

Article 3 of the Articles of Association of Multiklient Invest AS states that the objects of the company are to conduct seismic multi-client surveys, and to participate in activities and companies with similar objects. Multiklient Invest AS is a limited company incorporated under the laws of the Kingdom of Norway on September 9, 1994. Its registered office address is Strandveien 41366 Lysaker, Norway and its postal address is P.O. Box 89, N-1325 Lysaker, Norway.

Petroleum Geo-Services (UK) Limited

Petroleum Geo-Services (UK) Limited provides services to the oil and gas extraction industry and is a private limited company incorporated under the laws of England and Wales on November 23, 1993. Its company number is 2874539 and its registered office is located at 4 The Heights, Brooklands, Weybridge, Surrey KT13 0NY, United Kingdom.

PGS Exploration (UK) Limited

Petroleum Exploration (UK) Limited provides services to the oil and gas extraction industry and is a private limited company incorporated under the laws of England and Wales on March 3, 1994. Its company number is 2904391 and its registered office is located at 4 The Heights, Brooklands, Weybridge, Surrey KT13 0NY, United Kingdom.

Petroleum Geo-Services, Inc.

Petroleum Geo-Services, Inc. provides services to the oil and gas extraction industry and is a corporation incorporated under the laws of the State of Delaware on February 6, 1991 with a registered office located at 1209 Orange Street, Wilmington, Delaware 19801 USA.

PGS Geophysical AS

Article 3 of the Articles of Association of PGS Geophysical AS states that the objects of the company are to conduct geophysical examinations offshore with particular emphasis on 3-D collection of seismic data, further processing and sale of such data, and any other business naturally related to these undertakings, including participating in other companies with corresponding objects, plus ownership and operation of ships and any other business related thereto. PGS Geophysical AS is a limited company incorporated under the laws of the Kingdom of Norway on April 10, 1991. Its registered office address is Strandveien 41366 Lysaker, Norway and its postal address is P.O. Box 89, N-1325 Lysaker, Norway.

PGS Investigacao Petrolifera Ltda

The corporate purpose of PGS Investigacao Petrolifera Ltda is to trade upon the assignment of the rights to use seismic data, in accordance with the rules issued by the Brazilian National Petroleum Agency (ANP) and to install permanent and other seismic monitoring equipment. PGS Investigacao Petrolifera Ltda is a limited liability company (*sociedade limitada*) formed under the laws of Brazil on August 16, 1995. Its head office is located in the City of Rio de Janeiro, State of Rio de Janeiro, at Rua Victor Civita, No. 77, Suite 402 block 1, Barra da Tijuca, 22775-044, Brazil.

PGS Exploration (Norway) AS

Article 3 of the Articles of Association of PGS Exploration (Norway) AS states that the objects of the company are to develop, handle and market business opportunities in oil production, seismic and geophysics and to further internationalization through establishing, developing and operating divisional offices and/or companies in various countries and any other business naturally related to these undertakings, including to participate in other companies with similar activities, buying and selling shares and in other ways becoming interested in other enterprises. PGS Exploration (Norway) AS is a limited company incorporated under the laws of the Kingdom of Norway on January 2, 1985. Its registered office address is Strandveien 41366 Lysaker, Norway and its postal address is P.O. Box 89, N-1325 Lysaker, Norway.

Seismic Exploration (Canada) Ltd.

Seismic Exploration (Canada) Ltd. provides services to the oil and gas extraction industry and is a private limited company incorporated under the laws of England and Wales on July 7, 1995 as PGS Ocean Bottom Seismic (UK) Limited, which subsequently changed its name to Seismic Exploration (Canada) Limited on May 10, 2001. Its company number is 3077211 and its registered office is located at 4 The Heights, Brooklands, Weybridge, Surrey KT13 0NY, United Kingdom.

Arrow Seismic ASA

Article 3 of the Articles of Association of Arrow Seismic ASA states that the company is a public company limited by shares, with business activities related to investments in the seismic industrial sector, the collection of data, the management and operation of seismic vessels, the provision of guarantees, and participation in trade and other business related to such matters. Arrow Seismic ASA is a public limited company incorporated under the laws of the Kingdom of Norway on October 27, 2005. Its registered office address is Strandveien 41366 Lysaker, Norway and its postal address is P.O. Box 89, N-1325 Lysaker, Norway.

PGS Falcon AS

PGS Falcon AS provides services to the oil and gas extraction industry. PGS Falcon AS is a limited company incorporated under the laws of the Kingdom of Norway on September 10, 2008. Its registered office address is Strandveien 41366 Lysaker, Norway and its postal address is P.O. Box 290, 1326 Lysaker, Norway.

Petroleum Geo-Services Asia Pacific Pte. Ltd.

Petroleum Geo-Services Asia Pacific Pte. Ltd. provides services to the oil and gas extraction industry and is a private company limited by shares incorporated under the laws of the Republic of Singapore on October 17, 1997. Its registration number is 199707194R and its registered office is located at 111 Somerset Road, 15-05/06 Triple One, Somerset, Singapore 238164.

Resolutions, Authorizations and Approvals by Virtue of which the Notes and the Guarantees have been Issued

The Company has obtained all necessary consents, approvals and authorizations in connection with the issue of the Notes. The issue of the Notes was approved by resolutions of the Boards of Directors of the Company passed on September 7, 2011 and by resolutions or unanimous written consents of each of the Guarantors.

No Incorporation of Websites

The contents of our websites do not form part of this Offering Memorandum.

No Incorporation of Our Annual or Interim Reports

Our publicly available annual reports, each comprising a statement of corporate social responsibility, a report of the board of directors, the annual audited consolidated financial information of Petroleum Geo-Services and the audited unconsolidated financial information of the Company, and our publicly available interim reports, are not included in this Offering Memorandum or incorporated by reference into this Offering Memorandum except for our Financial Statements which are included in this Offering Memorandum beginning on page F-1.

Post-Issuance Reporting

Except as otherwise provided herein, we do not intend to provide post-issuance information regarding the Notes. For so long as the Notes are listed on the Euro MTF, the organizational documents of the Company and of the Guarantors, along with the Indenture, which governs the Notes and the Guarantees, and the Audited Consolidated Financial Statements as of December 31, 2009 and 2010, and for each of the three years ended December 31, 2008, 2009 and 2010, as well as our most recent annual consolidated financial statements and any interim financial statements and any updated organizational documents, will be obtainable at the office of the Luxembourg Listing Agent at the attention of the Transaction Execution Group during normal business hours.

GLOSSARY

The following explanations are not intended as technical definitions, but rather to assist investors to understand certain terms used in this Offering Memorandum.

3D SRME:	3D SRME is a key 3-D demultiple method that uses the recorded data to estimate and then adaptively subtract surface related multiples from seismic data. PGS' True-Azimuth GeoStreamer enhanced 3D SRME provides the optimum demultiple solution for any acquisition azimuth and for data collected with dual-sensor streamers.
4D surveys:	4D surveying refers to doing repeated 3D seismic surveys over the same area. Some of the 4D seismic surveys are just repeated 3D seismic surveys carried out using towed streamers. Another approach is to install permanent seismic detectors on the seabed. In 4D seismic surveys, the fourth dimension is time. A 4D seismic survey is the comparison of 3D seismic surveys taken at different points in time over the same area, and if processed correctly, such surveys are used to assess changes in a producing hydrocarbon reservoir.
Fiber-optics:	Fiber-optics utilize thin, flexible, transparent fibers that transmit light between their two ends. Fibers are used instead of metal wires because signals travel along them with less loss and are immune to electromagnetic interference. Data transfer rate is also higher with fibers.
Ghosts/De-ghosting:	The surface of the ocean acts as an almost perfect acoustic mirror, causing "ghost" effects in recorded seismic data. These unwanted effects are inescapable when using conventional source arrays and conventional hydrophone-only streamers. At the source location for each shot, a time-delayed reflection from the sea surface (the "source ghost") propagates into the earth with the seismic wavefield traveling directly into the earth from the shot. The net effect is that both low and high frequency information is penalized, and the earth cannot be fully illuminated with all seismic frequencies. Likewise, at each receiver location along a streamer, a time-delayed reflection from the sea surface (the "receiver ghost") interferes in a continuous and undesirable manner with the seismic wavefield the is scattered directly from the earth to the streamer. De-ghosting is the process of removing the effects of the source ghost and/or the receiver ghost from the seismic data resulting in more accurate data.

High Density 3D:	High Density 3D or HD3D seismic is a premium seismic data product that addresses a broad range of challenges in exploration, reservoir description and reservoir monitoring. High density refers to the amount of data for a given area; 3D refers to the imaging that can result from an analysis of the data. 4D surveys are a type of HD3D specifically addressing reservoir monitoring and refer to repetitive data acquisition for a given field enabling the data can be reviewed for developments over time. There are several ways to acquire HD3D. The most common HD3D technique is to use a narrower streamer separation than the 100 meters typically used for exploration seismic. Acquisition techniques such as Wide Azimuth, Multi Azimuth and repetitive 4D surveying are also HD3D product offerings.
Inversion:	The process of deriving physical rock properties from seismic data. Inversion methods seek to describe mathematically how acoustic waves propagate through the earth, in order to create a physical model of the earth which matches the observed seismic.
Late sales:	Late sales refers to revenues obtained from customers to whom it grants a license to MultiClient library data, which entitles the customer to have access to a specifically defined portion of the MultiClient data library.
Lost Time Incident Frequency (LTIF):	Lost Time Incident Frequency (LTIF) is the number of lost time injuries divided by the number of man-hours worked in the reporting period. A lost time injury is a work injury or disease where the injured party has at least one complete day or shift off work. Note that a fatality and a cut where a person has one complete day off work count the same in lost time injury terms. PGS presents LTIF by million man-hours worked.
Multi azimuth:	Multi azimuth refers to a survey design where a seismic vessel records several times over the same survey area, but in a different direction (azimuth) each time. A combination of narrow-azimuth surveys.
Narrow azimuth survey:	Narrow azimuth is a term that describes conventional survey design, where both source and receivers are towed by the same vessel. Seismic reflections are recorded from below the receiver spread only.
Pre-funding sales:	Pre-funding sales refers to revenues obtained from customers, usually limited in number, who provide funding before a seismic project is completed. In return for the pre-funding, the customer typically gains the ability to direct or influence the project specifications, to access data as it is being acquired and to pay discounted prices.

Reservoir: A reservoir is a subsurface body of rock having sufficient permeability to store and transmit fluids. Sedimentary rocks are the most common reservoir rocks because they have more porosity than other types of rocks and form under temperature conditions at which hydrocarbons can be preserved.

Streamers: Deep water marine seismic surveys are conducted using one or more seismic cables or "streamers" towed by purpose built vessels just below the sea surface. 3D surveys use multiple streamers deployed in parallel to record data suitable for the three-dimensional interpretation of the structures beneath the sea bed. A single vessel tows multiple cables, each up to 8 kilometers in length, spaced between 50 and 150 meters apart, together with an energy source. Hydrophones are built into the streamers at regular intervals; these record and digitize the energy waves created by the energy source which are reflected back from sub-sea structures.

Sub-salt: Sub-salt means below a salt layer. The oil industry has been exploring in salt basins almost since its very inception as there has been consistent success in discovering large hydrocarbon accumulations in these basins. However, salt distorts acoustic returns and makes imaging of structures below a salt layer, or within a salt basin, difficult. Seismic acquisition companies with the ability to image in and around salt structures have a strategic advantage.

Three dimensional (3D) seismic data: A set of numerous closely-spaced seismic lines that provide a high spatially sampled measure of subsurface reflectivity. Reflectivity refers to how much energy is reflected and the quality of the data received. In particular, 3D seismic data provide detailed information about fault distribution and subsurface structures. Computer-based interpretation and display of 3D seismic data allow for more thorough analysis than 2D seismic data.

Total Recordable Case Frequency (TRCF): Total Recordable Case Frequency (TRCF) is the number of all recordable cases divided by the number of man-hours worked in the reporting period. A recordable case includes a work-related injury with or without lost time and work-related illness. PGS presents TRCF by million man-hours worked.

Towed EM: While seismic data yields an image of the subsurface geology's structure, data obtained through the use of electromagnetic (EM) technology provides more detailed information about the lithology and fluid content of potential reservoirs. To date, EM technology has been commercialized through fixed sea-bed installed nodes. PGS is developing a towed EM streamer system for use with their fleet. Compared to already commercialized EM acquisition methods, a towed solution will increase efficiency and make EM data cheaper and more easily accessible to oil companies.

Wide azimuth: Term describing a survey design where separate source vessels are used to record seismic reflections from areas out to the side of the recording spread as compared to Narrow azimuth, which records from below the receiver spread only. Wide azimuth is particularly useful in regions such as the Gulf of Mexico with complex subsurface geological structures.

INDEX TO FINANCIAL STATEMENTS

PETROLEUM GEO-SERVICES ASA AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

		Quarter ended September 30,		Nine months ended September 30,		Year ended December 31,
	Note	2011 Unaudited	2010 Unaudited(1)	2011 Unaudited	2010 Unaudited(1)	2010 Unaudited(1)
		(In thousands of dollars, except share data)				
Revenues	4	$339,897	$296,410	$908,676	$770,704	$1,135,134
Cost of sales		163,712	143,953	455,654	402,514	581,900
Research and development costs	5	9,434	4,569	22,232	15,841	21,791
Selling, general and administrative costs		13,507	11,512	41,063	40,243	56,014
Depreciation and amortization	4, 6	113,152	83,278	298,207	223,258	344,908
Impairment of long-lived assets	4, 7	—	79,880	—	80,418	79,136
Other operating income		(4,400)	—	(4,400)	—	—
Total operating expenses		295,405	323,192	812,756	762,274	1,083,749
Operating profit (loss) EBIT	4	44,492	(26,782)	95,920	8,430	51,385
Income (loss) from associated companies		(64)	(7,231)	(7,620)	(9,943)	(10,183)
Interest expense	8	(9,266)	(11,052)	(31,162)	(35,776)	(46,996)
Other financial income	9	10,392	1,385	17,406	9,548	13,860
Other financial expense	10	(5,305)	(4,438)	(14,301)	(17,005)	(17,580)
Currency exchange gain (loss)		(10,258)	20,841	(8,260)	698	916
Income (loss) before income tax expense		29,991	(27,277)	51,983	(44,048)	(8,598)
Income tax expense (benefit)		16,723	14,945	23,220	17,098	13,903
Income (loss) from continuing operations		13,268	(42,222)	28,763	(61,146)	(22,501)
Income from discontinued operations, net of tax	16	1,160	1,822	589	10,357	8,548
Net income (loss)		**$14,428**	**$(40,400)**	**$29,352**	**$(50,789)**	**$(13,953)**
Net income attributable to non-controlling interests		970	5	1,200	67	67
Net income (loss) to equity holders of PGS ASA		**$13,458**	**$(40,405)**	**$28,152**	**$(50,856)**	**$(14,020)**

(1) The financial information is derived from the 2010 audited financial statements, which has been restated for the change in accounting policy.

The unaudited numbers for the quarter and the nine months ended September 30, 2010 have been restated accordingly.

Earnings per share, to ordinary equity holders of PGS ASA:						
—Basic	16	$0.06	$(0.20)	$0.13	$(0.26)	$(0.07)
—Diluted	16	$0.06	$(0.20)	$0.13	$(0.26)	$(0.07)
Earnings per share from continuing operations, to ordinary equity holders of PGS ASA:						
—Basic	16	$0.06	$(0.21)	$0.13	$(0.31)	$(0.11)
—Diluted	16	$0.06	$(0.21)	$0.13	$(0.31)	$(0.11)
Weighted average basic shares outstanding		217,166,950	197,164,108	217,309,495	197,696,543	200,052,867
Weighted average diluted shares outstanding		217,888,280	197,164,108	218,286,519	197,696,543	200,052,867

PETROLEUM GEO-SERVICES ASA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Quarter ended September 30,		Nine months ended September 30,		Year ended December 31,
		2011 Unaudited	2010 Unaudited[(1)]	2011 Unaudited	2010 Unaudited[(1)]	2010 Unaudited[(1)]
		(In thousands of dollars)				
Net income (loss) for the period		$14,428	$(40,400)	$29,352	$(50,789)	$(13,953)
Other comprehensive income:						
Cash flow hedges	13	(2,477)	85	(1,892)	(1,548)	2,701
Deferred tax on cash flow hedges		694	(19)	530	762	(732)
Revaluation of shares available-for-sale	13	(12,604)	6,227	(20,429)	4,365	11,946
Other comprehensive income (loss) of associated companies		(1,951)	—	(1,951)	—	—
Translation adjustments and other		1,142	(1,284)	1,276	(1,399)	(1,412)
Other comprehensive income for the period, net of tax		(15,196)	5,009	(22,466)	2,180	12,503
Total comprehensive income (loss) for the period		(768)	(35,391)	6,886	(48,609)	(1,450)
Total comprehensive income attributable to non-controlling interests		970	5	1,200	67	67
Total comprehensive income (loss) to equity holders of PGS ASA		**$(1,738)**	**$(35,386)**	**$5,686**	**$(48,676)**	**$(1,517)**

PETROLEUM GEO-SERVICES ASA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	September 30, 2011 Unaudited	September 30, 2010 Unaudited(1)	December 31, 2010 Unaudited(1)
		(In thousands of dollars)		
ASSETS				
Current assets:				
Cash and cash equivalents	14	$176,886	$167,963	$432,579
Restricted cash	14	3,634	16,367	4,773
Accounts receivable		209,417	125,068	225,301
Accrued revenues and other receivables		127,403	198,572	145,187
Assets held-for-sale	16	—	3,000	—
Other current assets		90,386	87,455	98,432
Total current assets		607,726	598,425	906,272
Long-term assets:				
Property and equipment		1,294,102	1,221,142	1,213,206
MultiClient library	11	350,613	355,541	310,843
Restricted cash	14	89,678	—	66,395
Deferred tax assets		192,442	222,281	210,766
Investments in associated companies		49,735	16,345	24,523
Shares available-for-sale		10,624	27,051	33,282
Other long-lived assets		64,535	7,884	27,245
Goodwill		139,852	139,852	139,852
Other intangible assets		108,292	101,686	102,594
Total long-term assets		2,299,873	2,091,782	2,128,706
Total assets		$2,907,599	$2,690,207	$3,034,978
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Current portion of capital lease obligations	14	$105	$—	$—
Accounts payable		57,830	90,674	95,486
Accrued expenses		226,155	215,266	244,938
Income taxes payable		20,506	42,644	43,994
Total current liabilities		304,596	348,584	384,418
Long-term liabilities:				
Long-term debt	14	743,202	780,168	783,693
Long-term capital lease obligations	14	86	—	—
Deferred tax liabilities		19,584	27,359	20,757
Other long-term liabilities		82,198	99,002	90,831
Total long-term liabilities		845,070	906,529	895,281
Shareholders' equity:				
Paid-in capital:				
Common stock; par value NOK 3; issued and outstanding 217,799,997 shares		96,490	86,583	96,490
Treasury shares, par value		(354)	(370)	(240)
Additional paid-in capital		507,308	241,724	503,111
Total paid-in capital		603,444	327,937	599,361
Accumulated earnings		1,186,914	1,128,410	1,166,848
Cumulative translation adjustment and other reserves		(33,408)	(21,265)	(10,942)
Non-controlling interests		983	12	12
Total shareholders' equity		1,757,933	1,435,094	1,755,279
Total liabilities and shareholders' equity		$2,907,599	$2,690,207	$3,034,978

(1) The financial information is derived from the 2010 audited financial statements, which has been restated for the change in accounting policy.

PETROLEUM GEO-SERVICES ASA AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the nine months ended September 30, 2011

	Attributable to equity holders of PGS ASA							
	Common stock par value	Treasury shares par value	Additional paid-in capital	Accumulated earnings (deficit)	Cumulative translation adjustment and other reserves	Total	Non-controlling interests	Shareholders' equity
				(In thousands of dollars)				
Balance at January 1, 2011	**$96,490**	**$(240)**	**$503,111**	**$1,166,848**	**$(10,942)**	**$1,755,267**	**$12**	**$1,755,279**
Total comprehensive income	—	—	—	28,152	(22,466)	5,686	1,200	6,886
Dividends to minority interests	—	—	—	—	—	—	(229)	(229)
Acquired treasury shares	—	(416)	—	(11,929)	—	(12,345)	—	(12,345)
Exercise employee share options	—	302	—	3,843	—	4,145	—	4,145
Employee share options .	—	—	4,197	—	—	4,197	—	4,197
Balance at September 30, 2011	**$96,490**	**$(354)**	**$507,308**	**$1,186,914**	**$(33,408)**	**$1,756,950**	**$983**	**$1,757,933**

For the nine months ended September 30, 2010

	Attributable to equity holders of PGS ASA							
	Common stock par value	Treasury shares par value	Additional paid-in capital	Accumulated earnings (deficit)	Cumulative translation adjustment and other reserves	Total	Non-controlling interests	Shareholders' equity
				(In thousands of dollars)				
Balance at January 1, 2010	**$86,583**	**$—**	**$237,542**	**$1,147,551**	**$(23,445)**	**$1,448,231**	**$805**	**$1,449,036**
Effect of policy change (note 18)	—	—	—	39,884	—	39,884	—	39,884
Adjusted balance at January 1, 2010	**$86,583**	**$—**	**$237,542**	**$1,187,435**	**$(23,445)**	**$1,488,115**	**$805**	**$1,488,920**
Total comprehensive income[(a)]	—	—	—	(50,856)	2,180	(48,676)	67	(48,609)
Dividends to minority interests	—	—	—	—	—	—	(860)	(860)
Acquired treasury shares	—	(418)	—	(8,761)	—	(9,179)	—	(9,179)
Exercise employee share options	—	48	—	592	—	640	—	640
Employee share options .	—	—	4,182	—	—	4,182	—	4,182
Balance at September 30, 2011	**$86,583**	**$(370)**	**$241,724**	**$1,128,410**	**$(21,265)**	**$1,435,082**	**$12**	**$1,435,094**

(a) Restated for the change in accounting policy.

PETROLEUM GEO-SERVICES ASA AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Quarter ended September 30,		Nine months ended September 30,		Year ended December 31,
	2011 Unaudited	2010 Unaudited	2011 Unaudited	2010 Unaudited	2010 Unaudited[1]
	(In thousands of dollars)				
Cash flows provided by operating activities:					
Net income (loss)	$13,458	$(40,405)	$28,152	$(50,856)	$(14,020)
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	113,152	83,278	298,207	223,258	344,908
Impairments of long-lived assets	—	79,880	—	80,418	79,136
(Gain) loss on sale of assets	414	1,912	1,744	3,716	9,185
(Income) loss from associated companies	(277)	7,231	7,279	9,943	10,183
Interest expense	9,266	11,052	31,162	35,776	46,996
(Increase) decrease in deferred income taxes	20,954	2,193	17,552	(16,198)	(11,254)
Net decrease (increase) in restricted cash	15,595	(13,619)	10,506	(14,934)	1,347
Income taxes paid	(2,729)	(5,503)	(17,413)	(32,935)	(36,098)
Gain on sale of shares	(7,435)	—	(10,656)	(3,044)	(6,483)
Gain on sale of subsidiary (Onshore), net of transaction cost	—	(987)	—	(9,796)	(10,082)
Other items	3,923	3,208	3,927	2,694	3,861
(Increase) decrease in accounts receivable, net	(76,045)	(10,776)	15,884	50,291	(54,034)
(Increase) decrease in unbilled and other receivables	62,468	(45,855)	17,784	353	(3,062)
(Increase) decrease in other current assets	8,199	1,806	8,045	(688)	(11,665)
(Increase) decrease in other long-lived assets	233	(504)	(3,358)	4,112	1,311
Increase (decrease) in accounts payable	(16,021)	8,469	(35,426)	5,197	10,009
Increase (decrease) in accrued expenses and income taxes payable	12,203	(24,323)	(32,906)	(49,906)	(13,497)
Increase (decrease) in other long-term liabilities	(7,709)	8,799	(10,576)	12,695	8,777
Net cash provided by operating activities	149,649	65,856	329,907	250,096	355,518
Cash flows (used in) provided by investing activities:					
Investment in MultiClient library	(61,450)	(38,595)	(175,398)	(142,376)	(166,711)
Investment in MultiClient library, discontinued operations	—	—	—	(1,208)	(1,208)
Capital expenditures, cash	(59,438)	(56,923)	(247,324)	(162,522)	(223,510)
Proceeds/ refunds from new-build cancellations	—	48,641	—	100,576	157,376
Investment in other intangible assets	(5,068)	(3,445)	(12,130)	(9,616)	(12,614)
Investment in other intangible assets, discontinued operations	—	—	—	(219)	(219)
Investment/sale of associated companies, net	(263)	(70)	(263)	(135)	(9,935)
Loans to associated companies	—	140	(42,935)	140	—
Proceeds from sale of assets and associated companies	—	—	29	—	1,382
Proceeds from assets held-for-sale, net	—	—	—	—	2,400
Investment in available-for-sale shares	—	(6,007)	—	(15,356)	(15,355)
Proceeds from sale of available-for-sale shares	5,765	—	11,323	6,725	15,650
Long-term deposit	(1,520)	—	(32,650)	—	(66,395)
Sale of subsidiaries (Onshore)	—	5,321	—	176,754	176,754
Other items, net	—	—	—	1,000	1,000
Net cash provided by (used in) investing activities	(121,974)	(50,938)	(499,348)	(46,237)	(141,385)
Cash flows provided by (used in) financing activities:					
Proceeds from issuance of common stock, net	—	—	—	—	268,582
Purchase of treasury shares	(12,344)	—	(12,344)	(9,179)	(9,224)
Changes in long-term debt	(50,629)	—	(54,518)	(122,631)	(127,436)
Principal payments under capital leases	—	(118)	—	(354)	(354)
Proceeds from sale of treasury shares	2,708	587	4,145	639	2,417
Dividend paid to minorities in subsidiaries	—	—	—	(860)	(860)
Interest paid	(6,495)	(7,238)	(23,535)	(29,472)	(40,639)
Net cash provided by (used in) financing activities	(66,760)	(6,769)	(86,252)	(161,857)	92,486
Net increase (decrease) in cash and cash equivalents	(39,085)	8,149	(255,693)	42,002	306,618
Cash and cash equivalents at beginning of period	215,971	159,814	432,579	125,961	125,961
Cash and cash equivalents at end of period	**$176,886**	**$167,963**	**$176,886**	**$167,963**	**$432,579**

(1) The financial information is derived from the 2010 audited financial statements, which has been restated for change in accounting policy.

PETROLEUM GEO-SERVICES ASA

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS— THIRD QUARTER 2011

Note 1—General

In December 2009, the Company entered into an agreement to sell PGS Onshore business ("Onshore") to the US-based Geokinetics. The transaction was closed February 12, 2010. The results for Onshore are included in discontinued operations in the consolidated statements of operations.

The Company is a Norwegian limited liability company and has prepared its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU. The consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") No. 34 "*Interim Financial Reporting*". The interim financial information has not been subject to audit or review.

(1) Certain reclassifications have been made to prior period amounts to conform to the current presentation, due to restatement as a result of changes to a policy (see note 3). Financial information for the full year 2010 is derived from the audited financial statements as presented in the 2010 Annual Report, which has been restated for the change in accounting policy. The unaudited numbers for the quarter and the nine months ended September 30, 2010 have been restated accordingly.

(2) EBITDA, when used by the Company, means income before income tax expense (benefit) less, currency exchange gain (loss), other financial expense, other financial income, interest expense, income (loss) from associated companies, impairments of long-lived assets and depreciation and amortization. EBITDA may not be comparable to other similar titled measures from other companies. PGS has included EBITDA as a supplemental disclosure because management believes that it provides useful information regarding PGS' ability to service debt and to fund capital expenditures and provides investors with a helpful measure for comparing its operating performance with that of other companies.

Note 2—Basis of presentation

The consolidated interim financial statements reflects all adjustments, in the opinion of PGS' management, that are necessary for a fair presentation of the results of operations for all periods presented. Operating results for the interim period is not necessary indicative of the results that may be expected for any subsequent interim period or year. The interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2010.

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Company's consolidated financial statements for the year ended December 31, 2010 with the exception of the change in accounting policy as described in note 3. See Note 2 to the Consolidated Financial Statements in the 2010 Annual Report for information of the Company's significant accounting policies.

Note 3—New standards and policies adopted in 2011

None of the new accounting standards that came into effect on January 1, 2011 had a significant impact in the first nine months of 2011.

From January 1, 2011 the Company changed the policy for recognition of costs incurred in connection with major overhaul of vessels. Under the new policy the directly attributable costs incurred in

Note 3—New standards and policies adopted in 2011 (Continued)

connection with major overhaul are capitalized and depreciated over the estimated period till the next similar overhaul. The former policy was to expense such costs when incurred.

The change is made to better reflect the economic reality, reduce volatility and align the accounting to industry practice and practice among other vessel owning companies. The change in policy is applied for all reported periods, including periods prior to January 1, 2011. The restatements of periods prior to January 1, 2011 has been changed in third quarter 2011 as a result of a change in lifetime of one of the major overhaul assets. See note 17 for presentation of adjustments made in the restated periods.

Note 4—Segment information

The chief operating decision maker reviews Contract and MultiClient as separate operation segments, however, as the two operating segments meets the aggregation criteria in IFRS 8 “Operating Segments”, these are presented combined as Marine.

“Other” includes Corporate administration costs and unallocated Global Shared Resources costs (net). Financial items and income tax expense are not included in the measure of segment performance. Onshore is presented as discontinued operations and is not included in the tables below.

Revenues by operating segment and service type for the periods presented:

	Quarter ended September 30,		Nine months ended September 30,		Year ended December 31,
	2011	2010	2011	2010	2010
	(In thousands of dollars)				
Revenues by continuing operations:					
Marine revenues by service type:					
—Contract seismic	$164,882	$166,309	$461,644	$448,464	$629,101
—MultiClient pre-funding	61,135	53,546	185,167	121,878	198,278
—MultiClient late sales	83,035	50,648	170,632	118,605	192,262
—Data Processing	27,515	24,553	80,211	72,624	103,471
—Other	3,330	1,530	11,012	6,350	9,239
Marine revenues	**$339,897**	**$296,586**	**$908,666**	**$767,921**	**$1,132,351**
—Other, non Marine	—	(176)	10	2,783	2,783
Total revenues (continuing operations)	**$339,897**	**$296,410**	**$908,676**	**$770,704**	**$1,135,134**

Note 4—Segment information (Continued)

Operating profit (loss) EBIT by operating segment for the periods presented:

	Quarter ended September 30, 2011	Quarter ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010	Year ended December 31, 2010
	(In thousands of dollars)				
Operating profit (loss) EBIT from continuing operations:					
Marine:					
EBITDA	$155,280	$137,133	$395,317	$325,315	$496,188
Other operating income	4,400	—	4,400	—	—
Impairments of long-lived assets	—	(79,880)	—	(80,418)	(79,136)
Depreciation and amortization[a]	(39,979)	(32,486)	(108,518)	(98,489)	(140,751)
Amortization of MultiClient library[a]	(71,792)	(49,283)	(185,327)	(119,723)	(197,605)
Operating profit EBIT, Marine	47,909	(24,516)	105,872	26,685	78,697
Other:					
EBITDA	$(2,591)	$(698)	$(6,072)	$(12,549)	$(20,038)
Depreciation and amortization[a]	(1,381)	(1,509)	(4,362)	(5,067)	(6,573)
Operating profit (loss) EBIT, Other	(3,972)	(2,207)	(10,434)	(17,616)	(26,611)
Inter-segment eliminations:					
EBITDA	$555	$(59)	$482	$(660)	$(722)
Amortization of MultiClient library[a]	—	—	—	21	21
Operating profit (loss) EBIT, Other	555	(59)	482	(639)	(701)
Total Operating profit:					
EBITDA	$153,244	$136,376	$389,727	$312,106	$475,428
Other operating income	4,400	—	4,400	—	—
Impairments of long-lived assets	—	(79,880)	—	(80,418)	(79,136)
Depreciation and amortization[a]	(41,360)	(33,995)	(112,880)	(103,556)	(147,324)
Amortization of MultiClient library[a]	(71,792)	(49,283)	(185,327)	(119,702)	(197,584)
Total Operating profit (loss) EBIT	**$44,492**	**$(26,782)**	**$95,920**	**$8,430**	**$51,385**

(a) Presented separately in the Consolidated Statements of Operations.

Note 5—Research and development costs

Research and development costs, net of capitalized portion were as follows for the periods presented:

	Quarter ended September 30,		Nine months ended September 30,		Year ended December 31,
	2011	2010	2011	2010	2010
	(In thousands of dollars)				
Research and development costs, gross	$14,469	$8,014	$32,762	$25,403	$34,945
Capitalized development costs	(5,035)	(3,445)	(10,530)	(9,562)	(13,154)
Total	**$9,434**	**$4,569**	**$22,232**	**$15,841**	**$21,791**

Note 6—Depreciation and amortization

Depreciation and amortization consists of the following for the periods presented:

	Quarter ended September 30,		Nine months ended September 30,		Year ended December 31,
	2011	2010	2011	2010	2010
	(In thousands of dollars)				
Gross depreciation	$55,947	$47,767	$157,620	$138,951	$189,955
Depreciation capitalized to MultiClient library	(14,587)	(13,772)	(44,740)	(35,395)	(42,631)
Amortization of MultiClient library	71,792	49,283	185,327	119,702	197,584
Total	**$113,152**	**$83,278**	**$298,207**	**$223,258**	**$344,908**

The Company amortizes its MultiClient library primarily based on the ratio between the cost of surveys and the total forecasted sales for such surveys. In applying this method, surveys are categorized into four amortization categories with amortization rates of 90%, 75%, 60% or 45% of sales amounts. Each category includes surveys where the remaining unamortized cost as a percentage of remaining forecasted sales is less than or equal to the amortization rate applicable to each category.

The Company also applies minimum amortization criteria for the library projects based generally on a five-year life. The Company calculates and records minimum amortization individually for each MultiClient survey or pool of surveys on a quarterly basis. At year-end, or when specific impairment indicators exists, the Company carries out an impairment test of individual MultiClient surveys. The Company classifies these impairment charges as amortization expense in its consolidated statement of operations since this additional, non-sales related amortization expense, is expected to occur regularly.

Note 7—Impairments of long-lived assets

Impairments of long-lived assets consists of the following for the periods presented:

	Quarter ended September 30,		Nine months ended September 30,		Year ended December 31,
	2011	2010	2011	2010	2010
	(In thousands of dollars)				
Property and equipment	$—	$79,880	$—	$80,418	$94,312
Reversed impairments	—	—	—	—	(15,176)
Total	**$—**	**$79,880**	**$—**	**$80,418**	**$79,136**

Note 8—Interest expense

Interest expense consists of the following for the periods presented:

	Quarter ended September 30,		Nine months ended September 30,		Year ended December 31,
	2011	2010	2011	2010	2010
	(In thousands of dollars)				
Interest expense, gross	$(11,845)	$(13,165)	$(37,190)	$(42,592)	$(55,425)
Capitalized interest, MultiClient library	1,920	2,113	4,959	4,281	5,894
Capitalized interest, construction in progress	659	—	1,069	2,535	2,535
Total	**$(9,266)**	**$(11,052)**	**$(31,162)**	**$(35,776)**	**$(46,996)**

Note 9—Other financial income

Other financial income consists of the following for the periods presented:

	Quarter ended September 30,		Nine months ended September 30,		Year ended December 31,
	2011	2010	2011	2010	2010
	(In thousands of dollars)				
Gain from sale of shares	$7,435	$—	$10,656	$3,044	$6,483
Interest income	1,820	1,434	4,444	4,923	5,728
Gain on investment in shares available for sale	162	—	162	711	711
Other	975	(49)	2,144	870	938
Total	**$10,392**	**$1,385**	**$17,406**	**$9,548**	**$13,860**

Note 10—Other financial expense

Other financial expense consists of the following for the periods presented:

	Quarter ended September 30, 2011	Quarter ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010	Year ended December 31, 2010
	(In thousands of dollars)				
Fair value adjustments on derivatives	$(2,838)	$—	$(9,001)	$—	$—
Loss on repurchase of convertible notes	(2,268)	—	(2,268)	—	—
Amendment fees USD 950 million Credit Facilities	—	—	—	(7,029)	(7,029)
Fee in connection with redemption of 8.28% Notes	—	—	—	(1,229)	(1,229)
Other	(199)	(4,438)	(3,032)	(8,747)	(9,322)
Total	**$(5,305)**	**$(4,438)**	**$(14,301)**	**$(17,005)**	**$(17,580)**

Note 11—MultiClient library

The net book-value of the MultiClient library by year of completion is as follows:

	September 30, 2011	September 30, 2010	December 31, 2010
	(In thousands of dollars)		
Completed during 2006 and prior years	$110	$993	$348
Completed during 2007	1,365	6,425	4,627
Completed during 2008	27,543	37,953	31,380
Completed during 2009	100,371	140,875	120,618
Completed during 2010	42,060	34,645	48,082
Completed during 2011	40,706	—	—
Completed surveys	212,155	220,890	205,055
Surveys in progress	138,458	134,651	105,788
MultiClient library, net	**$350,613**	**$355,541**	**$310,843**

Note 11—MultiClient library (Continued)

Key figures MultiClient library for the periods presented:

	Quarter ended September 30,		Nine months ended September 30,		Year ended December 31,
	2011	2010	2011	2010	2010
	(In thousands of dollars)				
Key figures MultiClient library continuing operations:					
MultiClient pre-funding	$61,135	$53,546	$185,167	$121,878	$198,278
MultiClient late sales	83,035	50,648	170,632	118,605	192,262
Cash investment in MultiClient library[(a)]	61,450	38,595	175,398	142,376	166,711
Capitalized interest in MultiClient library[(b)]	1,920	2,113	4,959	4,281	5,894
Capitalized depreciation (non-cash)[(c)]	14,587	13,772	44,740	35,395	42,631
Amortization of MultiClient library[(c)]	71,792	49,283	185,327	119,702	197,584

(a) See Consolidated statements of cash flows.

(b) See Interest expense above.

(c) See Depreciation and amortization above.

Note 12—Capital expenditures

Capital expenditures were as follows for the periods presented:

	Quarter ended September 30,		Nine months ended September 30,		Year ended December 31,
	2011	2010	2011	2010	2010
	(In thousands of dollars)				
Marine	$40,364	$56,356	$230,402	$158,996	$218,873
Other	536	567	2,356	3,526	4,637
Total	**$40,900**	**$56,923**	**$232,758**	**$162,522**	**$223,510**

Note 13—Components of other comprehensive income

A reconciliation of reclassification adjustments included in the Consolidated Statements of Operations (“CSO”) for all periods presented follows:

	Quarter ended September 30,		Nine months ended September 30,		Year ended December 31,
	2011	2010	2011	2010	2010
	(In thousands of dollars)				
Cash flow hedges:					
Gains (losses) arising during the period	$(6,237)	$(4,345)	$(12,961)	$(15,816)	$(15,587)
Less: Reclassification adjustments for losses included in the Consolidated Statement of Operations	3,760	4,430	11,069	14,268	18,288
Cash flow hedges, net	**$(2,477)**	**$85**	**$(1,892)**	**$(1,548)**	**$2,701**
Revaluation of shares available-for-sale:					
Gains (losses) arising during the period	$(6,463)	$4,485	$(12,179)	$3,674	$12,438
Less: Reclassification adjustments for losses (gains) included in the Consolidated Statement of Operations	(6,141)	1,742	(8,250)	691	(492)
Revaluation of shares available-for-sale, net	**$(12,604)**	**$6,227**	**$(20,429)**	**$4,365**	**$11,946**

Note 14—Net interest bearing debt

Reconciliation of net interest bearing debt:

	September 30,		December 31,
	2011	2010	2010
	(In thousands of dollars)		
Cash and cash equivalents	$176,886	$167,963	$432,579
Restricted cash (current and long-term)	93,312	16,367	71,168
Interest bearing receivables	58,820	—	7,244
Capital lease obligations (current and long-term)	(191)	—	—
Long-term debt	(743,202)	(780,168)	(783,693)
Adjust for deferred loan costs (offset in long-term debt)	(7,198)	(7,097)	(6,473)
Total	**$(421,573)**	**$(602,935)**	**$(279,175)**

Note 15—Earnings per share

Earnings per share, to ordinary equity holders of PGS ASA, were calculated as follows:

	Quarter ended September 30,		Nine months ended September 30,		Year ended December 31,
	2011	2010	2011	2010	2010
	(In thousands of dollars)				
Net income (loss) from continuing operations	$13,268	$(42,222)	$28,763	$(61,146)	$(22,501)
Net income from discontinued operations	1,160	1,822	589	10,357	8,548
Non-controlling interests	970	5	1,200	67	67
Net income (loss) to equity holders of PGS ASA	**$13,458**	**$(40,405)**	**$28,152**	**$(50,856)**	**$(14,020)**
Effect of interest on convertible notes, net of tax	—	—	—	—	—
Net income (loss) for the purpose of diluted earnings per share	**$13,458**	**$(40,405)**	**$28,152**	**$(50,856)**	**$(14,020)**
Earnings (loss) per share:					
—Basic	$0.06	$(0.20)	$0.13	$(0.26)	$(0.07)
—Diluted	$0.06	$(0.20)	$0.13	$(0.26)	$(0.07)
Earnings (loss) per share from continuing operations:					
—Basic	$0.06	$(0.21)	$0.13	$(0.31)	$(0.11)
—Diluted	$0.06	$(0.21)	$0.13	$(0.31)	$(0.11)
Weighted average basic shares outstanding	217,166,950	197,164,108	217,309,495	197,696,543	200,052,867
Dilutive potential shares(1)	721,330	—	977,024	—	—
Weighted average diluted shares outstanding	217,888,280	197,164,108	218,286,519	197,696,543	200,052,867

(1) For all the periods 8.8 million shares related to convertible notes were excluded from the calculation of dilutive earnings per share as they were anti-dilutive.

Note 16—Income from discontinued operations, net of tax and assets/ liabilities held-for-sale

The results of operations for the Onshore segment are summarized as follows:

	Quarter ended September 30,		Nine months ended September 30,		Year ended December 31,
	2011	2010	2011	2010	2010
	(In thousands of dollars)				
Revenues	$—	$—	$—	$21,756	$21,756
Operating costs[a]	(1,160)	—	(282)	23,259	23,259
Depreciation and amortization	—	—	—	—	—
Total operating expenses	(1,160)	—	(282)	23,259	23,259
Operating profit (loss)	1,160	—	282	(1,503)	(1,503)
Financial items, net	—	—	—	286	286
Income (loss) from discontinued operations, pretax	**$1,160**	**$—**	**$282**	**$(1,217)**	**$(1,217)**

(a) Operating costs include cost of sales, research and development costs, and selling, general and administrative costs.

Income from discontinued operations, net of tax consist of the following for the periods presented:

	Quarter ended September 30,		Nine months ended September 30,		Year ended December 31,
	2011	2010	2011	2010	2010
	(In thousands of dollars)				
Income (loss) from discontinued operations, pretax	$1,160	$—	$282	$(1,217)	$(1,217)
Additional proceeds	—	—	—	1,000	1,000
Gain on sale of Onshore	—	1,122	—	15,854	16,224
Transaction costs sale of Onshore	—	(135)	—	(6,058)	(6,142)
Income tax benefit (expense)	—	835	307	778	(1,317)
Total	**$1,160**	**$1,822**	**$589**	**$10,357**	**$8,548**

Asset/liabilities held-for-sale

	September 30,		December 31,
	2011	2010	2010
	(In thousands of dollars)		
Assets held-for-sale:			
Polar Pearl	$—	$3,000	$—
Total asset held-for-sale	**$—**	**$3,000**	**$—**

Note 17—Consolidated statements of operations by quarter 2010, restated with change of policy for accounting of major overhauls

Consolidated statements of operations by quarter 2010, restated with change of policy for accounting of major overhauls on vessels.

	Q1	Q2	Q3	Q4	2010
	(In thousands of dollars)				
Revenues	$259,433	$214,861	$296,410	$364,430	$1,135,134
Cost of sales	140,060	118,501	143,953	179,386	581,900
Research and development costs	5,519	5,753	4,569	5,950	21,791
Selling, general and administrative costs	14,447	14,284	11,512	15,771	56,014
Depreciation and amortization	69,279	70,701	83,278	121,650	344,908
Impairment of long-lived assets	538	—	79,880	(1,282)	79,136
Total operating expenses	229,843	209,239	323,192	321,475	1,083,749
Operating profit (loss) EBIT	29,590	5,622	(26,782)	42,955	51,385
Income (loss) from associated companies	(587)	(2,125)	(7,231)	(240)	(10,183)
Interest expense	(12,399)	(12,325)	(11,052)	(11,220)	(46,996)
Other financial income	5,854	2,309	1,385	4,312	13,860
Other financial expense	(1,995)	(10,572)	(4,438)	(575)	(17,580)
Currency exchange gain (loss)	(10,163)	(9,980)	20,841	218	916
Income (loss) before income tax expense (benefit)	10,300	(27,071)	(27,277)	35,450	(8,598)
Income tax expense (benefit)	4,912	(2,759)	14,945	(3,195)	13,903
Income (loss) from continuing operations	5,388	(24,312)	(42,222)	38,645	(22,501)
Income (loss) from discontinued operations, net of tax	6,234	2,301	1,822	(1,809)	8,548
Net income (loss)	$11,622	$(22,011)	$(40,400)	$36,836	$(13,953)
Net income attributable to minority interests	67	(5)	5	—	67
Net income to equity holders of PGS ASA	**$11,555**	**$(22,006)**	**$(40,405)**	**$36,836**	**$(14,020)**

Specification of restatement in consolidated statements of opertations

	Q1	Q2	Q3	Q4	2010
	(In thousands of dollars)				
Operating profit (loss) EBIT as previously reported	34,223	5,328	(27,574)	45,821	57,798
Change in cost of sales	117	4,883	5,338	1,801	12,139
Change in depreciation and amortization	(4,750)	(4,589)	(4,546)	(4,667)	(18,552)
Restated operating profit (loss) EBIT	29,590	5,622	(26,782)	42,955	51,385

Note 17—Consolidated statements of operations by quarter 2010, restated with change of policy for accounting of major overhauls (Continued)

Specification of restatement in consolidated statements of financial position

	Q1	Q2	Q3	Q4
	(In thousands of dollars)			
Property and equipment as previously reported	1,293,284	1,305,892	1,184,805	1,179,735
Capitalized major overhauls	35,251	35,545	36,337	33,471
Restated property and equipment	1,328,535	1,341,437	1,221,142	1,213,206
Accumulated earnings as previously reported	1,163,739	1,132,726	1,092,073	1,133,377
Capitalized major overhauls	35,251	35,545	36,337	33,471
Restated accumulated earnings	1,198,990	1,168,271	1,128,410	1,166,848

Earnings per share (EPS)

Earnings per share, to ordinary equity holders of PGS ASA:

	Quarter ended September 30, 2010		Nine months ended September 30, 2010		Year ended December 31, 2010	
	Basic	Dilutive	Basic	Dilutive	Basic	Dilutive
EPS as previously reported	(0.21)	(0.21)	(0.24)	(0.24)	(0.04)	(0.04)
Change due to restatement	0.01	0.01	(0.02)	(0.02)	(0.03)	(0.03)
Restated EPS	(0.20)	(0.20)	(0.26)	(0.26)	(0.07)	(0.07)

Earnings per share from continuing operations, to ordinary equity holders of PGS ASA:

	Quarter ended September 30, 2010		Nine months ended September 30, 2010		2010	
	Basic	Dilutive	Basic	Dilutive	Basic	Dilutive
EPS as previously reported	(0.22)	(0.22)	(0.29)	(0.29)	(0.08)	(0.08)
Change due to restatement	0.01	0.01	(0.02)	(0.02)	(0.03)	(0.03)
Restated EPS	(0.21)	(0.21)	(0.31)	(0.31)	(0.11)	(0.11)

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	Note	2010	2009	2008
		Years ended December 31,		
		(In thousands of dollars)		
Revenues	6	$1,135,134	$1,350,202	$1,647,401
Cost of sales(1)		594,039	605,980	662,286
Research and development costs(1)		21,791	22,806	19,357
Selling, general and administrative costs(1)		56,014	49,270	72,798
Depreciation and amortization	6,7	326,356	285,269	273,164
Impairments of long-lived assets	7	79,136	153,615	161,140
Other operating income		—	—	(71,561)
Total operating expenses		1,077,336	1,116,940	1,117,184
Operating profit	6	57,798	233,262	530,217
Income (loss) from associated companies	20	(10,183)	1,901	(16,166)
Interest expense	8	(46,996)	(45,232)	(58,459)
Other financial income	9	13,860	24,489	27,219
Other financial expense	9	(17,580)	(11,117)	(14,594)
Currency exchange gain (loss)		916	24,806	(29,843)
Income before income tax expense		(2,185)	228,109	438,374
Income tax expense	10	13,903	51,942	26,098
Income (loss) from continuing operations		(16,088)	176,167	412,276
Income (loss) from discontinued operations, net of tax	4	8,548	(8,248)	5,814
Net income (loss)		**$(7,540)**	**$167,919**	**$418,090**
Net income attributable to non-controlling interests		67	2,094	706
Net income (loss) to equity holders of PGS ASA		**$(7,607)**	**$165,825**	**$417,384**

(1) Excluding depreciation and amortization, which is shown separately.

	Note	2010	2009	2008
Earnings per share, to ordinary equity holders of PGS ASA:	11			
—Basic		$(0.04)	$0.88	$2.37
—Diluted		$(0.04)	$0.88	$2.36
Earnings per share from continuing operations, to ordinary equity holders of PGS ASA:	11			
—Basic		$(0.08)	$0.92	$2.34
—Diluted		$(0.08)	$0.92	$2.33

PETROLEUM GEO-SERVICES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Years ended December 31, 2010	2009	2008
		(In thousands of dollars)		
Net income (loss)		$(7,540)	$167,919	$418,090
Other comprehensive income:				
Cash flow hedges	26	2,701	15,582	(24,588)
Deferred tax on cash flow hedges	10	(732)	(4,388)	12,994
Revaluation of shares available-for-sale	13	11,946	(2)	725
Translation adjustments and other		(1,412)	26	(676)
Other comprehensive income (loss), net of tax		12,503	11,218	(11,545)
Total comprehensive income		4,963	179,137	406,545
Total comprehensive income attributable to non-controlling interest		67	2,094	706
Total comprehensive income to equity holders of PGS ASA		$4,896	$177,043	$405,839

PETROLEUM GEO-SERVICES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2010	December 31, 2009
		(In thousands of dollars)	
ASSETS			
Current assets:			
Cash and cash equivalents		$432,579	$125,961
Restricted cash	12	4,773	7,977
Shares available-for-sale	13	—	2,039
Accounts receivable	14	225,301	197,098
Accrued revenues and other receivables	15	145,187	216,846
Assets classified as held-for-sale	16	—	227,292
Other current assets	17	98,432	90,148
Total current assets		906,272	867,361
Long-term assets:			
Property and equipment	18	1,179,735	1,283,463
MultiClient library	19	310,843	293,238
Restricted cash	12	66,395	10,014
Deferred tax assets	10	210,766	207,890
Investments in associated companies	20	24,523	7,043
Shares available-for-sale	13	33,282	10,004
Other long-lived assets	21	27,245	12,053
Goodwill	22	139,852	139,852
Other intangible assets	23	102,594	98,490
Total long-term assets		2,095,235	2,062,047
Total assets	6	$3,001,507	$2,929,408
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term debt and current portion of long-term debt	24,25	$—	$26,109
Current portion of capital lease obligations	27	—	348
Accounts payable		95,486	87,153
Accrued expenses	28	244,938	286,079
Liabilities classified as held-for-sale	16	—	26,008
Income taxes payable	10	43,994	54,914
Total current liabilities		384,418	480,611
Long-term liabilities:			
Long-term debt	25	783,693	882,580
Deferred tax liabilities	10	20,757	31,228
Other long-term liabilities	29	90,831	85,952
Total long-term liabilities		895,281	999,760
Shareholders' equity:			
Paid-in capital:			
Common stock; par value NOK 3; issued and outstanding 217,799,997 shares at December 31, 2010; issued and outstanding 197,999,999 shares at December 31, 2009	31	96,490	86,583
Treasury shares, par value	31	(240)	—
Additional paid-in capital		503,111	237,542
Total paid-in capital		599,361	324,125
Accumulated earnings		1,133,376	1,147,551
Cumulative translation adjustment and other reserves		(10,941)	(23,444)
Non-controlling interests		12	805
Total shareholders' equity		1,721,808	1,449,037
Total liabilities and shareholders' equity		$3,001,507	$2,929,408

PETROLEUM GEO-SERVICES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended December 31,		
	2010	2009	2008
	(In thousands of dollars)		
Cash flows provided by operating activities:			
Net income (loss)	$(7,607)	$165,825	$417,384
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization, continuing operations	326,356	285,269	273,164
Depreciation and amortization, discontinued operations	—	22,701	62,352
Impairments of long-lived assets	79,136	153,615	161,140
(Gain) loss on sale and retirement of assets	9,185	47	(75,581)
(Income) loss from associated companies	10,183	(1,901)	16,166
Interest expense	46,996	45,035	56,648
(Increase) decrease in deferred income taxes	(11,254)	7,095	(49,035)
Net decrease (increase) in restricted cash	1,347	383	41,049
Income taxes paid	(36,098)	(65,487)	(49,741)
Gain on sale of shares	(6,483)	(8,670)	—
Gain on sale of subsidiary (Onshore), net of transaction cost	(10,082)	—	—
Other items	3,861	2,908	6,228
(Increase) decrease in accounts receivable, net	(54,034)	(15,703)	13,451
(Increase) decrease in unbilled and other receivables	(3,062)	45,721	(32,104)
(Increase) decrease in other current assets	(11,665)	39,354	(13,688)
(Increase) decrease in other long-lived assets	1,311	6,963	8,885
Increase (decrease) in accounts payable	10,009	(6,686)	10,089
Increase (decrease) in accrued expenses and income taxes payable	(13,497)	21,394	87,404
Increase (decrease) in other long-term liabilities	8,774	(21,781)	(19,196)
Net cash provided by operating activities	343,376	676,082	914,615
Cash flows (used in) provided by investing activities:			
Investment in MultiClient library	(166,711)	(183,083)	(228,988)
Investment in MultiClient library, discontinued operations	(1,208)	(3,599)	(61,043)
Capital expenditures	(211,371)	(231,227)	(414,516)
Capital expenditures on new-builds on charter	—	(3,839)	(31,979)
Capital expenditures, discontinued operations	—	(10,538)	(36,103)
Proceeds/refunds from new-build cancellations	157,376	—	—
Investments in other intangible assets	(12,614)	(7,811)	(12,304)
Investments in other intangible assets, discontinued operations	(219)	(4,577)	(156)
Investment/sale of associated companies, net	(9,935)	—	—
Proceeds from sale of assets and associated companies	1,382	12,143	6,297
Proceeds from assets held-for-sale	2,400	58,000	24,605
Investment in available-for-sale shares	(15,355)	(8,128)	—
Proceeds from available-for-sale shares	15,650	14,681	—
Sale of subsidiaries (Onshore)	176,754	—	—
Long-term deposit	(66,395)	—	—
Other items, net	1,002	1,956	885
Net cash used in investing activities	(129,244)	(366,022)	(753,302)
Cash flows (used in) provided by financing activities:			
Proceeds from issuance of common stock, net	268,582	98,523	—
Purchase of treasury shares	(9,224)	—	—
Proceeds from issuance of long-term debt	—	20,000	33,702
Repayment of long-term debt	(127,436)	(354,538)	(149,078)
Principal payments under capital leases	(354)	(3,703)	(7,686)
Net (decrease) increase in bank facility and short-term debt	—	—	(10,000)
Proceeds from sale of treasury shares	—	20,276	—
Proceeds from exercise of employee share options	2,417	—	2,671
Dividend paid to non-controlling interets in subsidiaries	(860)	(1,299)	(737)
Interest paid	(40,639)	(58,606)	(80,232)
Net cash (used in) provided by financing activities	92,486	(279,347)	(211,360)
Net (decrease) increase in cash and cash equivalents	306,618	30,713	(50,047)
Cash and cash equivalents as of January 1	125,961	95,248	145,295
Cash and cash equivalents as of December 31	$432,579	$125,961	$95,248
Cash flow from (used in) discontinued operation (Onshore)[(a)]:			
Net cash provided by operating activities	—	23,045	48,676
Net cash used in investing activities	(1,427)	(17,350)	(96,597)
Net cash used in financing activities (capital leases)	—	—	(6,707)
Net cash from (used in) discontinued operation	(1,427)	5,695	(54,628)

(a) included in the consolidated statement of cash flow above.

PETROLEUM GEO-SERVICES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Attributable to equity holders of PGS ASA									
	Common stock		Treasury shares	Additional paid-in capital	Accumulated earnings (deficit)	Cumulative translation adjustments and other reserves	Total	Minority interests	Total equity
	Number	Par value	Par value						
	(In thousands of dollars, except for share data)								
Balance at January 1, 2009	180,000,000	$78,208	$(1,868)	$134,658	$963,334	$(34,662)	$1,139,670	$10	$1,139,680
Total comprehensive income	—	—	—	—	165,825	11,218	177,043	2,094	179,137
Share issue (17,999,999 shares)(1)	17,999,999	8,375	—	91,083	—	—	99,458	—	99,458
Sale of treasury shares(2)		—	1,779	—	18,497	—	20,276	—	20,276
Transferred shares, deferred consideration	—	—	89	—	(89)	—	—	—	—
Employee share options	—	—	—	11,801	—	—	11,801	—	11,801
Dividend to minority interests	—	—	—	—	—	—	—	(1,299)	(1,299)
Repurchase of convertible notes	—	—	—	—	(16)	—	(16)	—	(16)
Balance at December 31, 2009	197,999,999	$86,583	$—	$237,542	$1,147,551	$(23,444)	$1,448,232	$805	$1,449,037
Total comprehensive income	—	—	—	—	(7,607)	12,503	4,896	67	4,963
Share issue (19,799,998 shares)(3)	19,799,998	9,907	—	260,215	—	—	270,122	—	270,122
Acquired treasury shares		—	(420)	—	(8,805)	—	(9,225)	—	(9,225)
Exercise employee share options	—	—	180	—	2,237	—	2,417	—	2,417
Employee share options	—	—	—	5,354	—	—	5,354	—	5,354
Dividend to minority interests	—	—	—	—	—	—	—	(860)	(860)
Balance at December 31, 2010	217,799,997	$96,490	$(240)	$503,111	$1,133,376	$(10,941)	$1,721,796	$12	$1,721,808

(1) Transaction costs amounting to $3.4 million are recognized against "Additional paid-in-capital" net of related income benefits of $0.9 million.

(2) Transaction costs amounting to $0.7 million are recognized against "Accumulated earnings (deficit)".

(3) Transaction costs amounting to $4.0 million are recognized against "Additional paid-in capital" net of related income tax benefits of $1.5 million.

The components of other comprehensive income, recognized in cumulative translation adjustments and other reserves are as follows:

	Net foreign currency translation adjustments	Net unrealised gain (loss) investments	Net gain (loss) cash flow hedges		Cumulative translation adjustments and other reserves
			Interest rate	Exchange rate	
	(In thousands of dollars)				
Balance at January 1, 2009	$(1,301)	$46	$(33,407)	$—	$(34,662)
Year ended December 31, 2009:					
Revaluation of cash flow hedges	—	—	15,582	—	15,582
Deferred tax on cash flow hedges	—	—	(4,388)	—	(4,388)
Other	26	(2)	—	—	24
Balance at December 31, 2009	$(1,275)	$44	$(22,213)	$—	$(23,444)
Year ended December 31, 2010:					
Revaluation of cash flow hedges	—	—	2,701	—	2,701
Deferred tax on cash flow hedges	—	—	(732)	—	(732)
Revaluation of shares available-for-sale	—	11,946	—	—	11,946
Other	(1,412)	—	—	—	(1,412)
Balance at December 31, 2010	$(2,687)	$11,990	$(20,244)	$—	$(10,941)

Note 1—General Information about the Company and Basis of Presentation

General information

Petroleum Geo-Services ASA ("PGS ASA") is a public limited liability company established under the laws of the Kingdom of Norway in 1991. Unless stated otherwise, references herein to the "Company" and "PGS" refer to Petroleum Geo-Services ASA and its majority owned subsidiaries and affiliates, companies in which it has and controls a majority voting interest.

PGS is a technologically focused oilfield service company principally involved in providing geophysical services worldwide. PGS provides a broad range of geophysical and reservoir services, including seismic data acquisition, processing, interpretation and field evaluation. The Company's headquarters are at Lysaker, Norway. See further discussion of the Company's services in Note 6.

The Company has prepared its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). IFRS as adopted by the EU differ in certain respects from IFRS as issued by the International Accounting Standards Board ("IASB"). References to IFRS hereafter should be construed as references to IFRS as adopted by the EU. The consolidated financial statements have been prepared under the historical cost basis, except for available-for-sale financial assets and derivative financial instruments that have been measured at fair value and assets impaired that are measured on value-in-use. The consolidated financial statements are presented in US Dollars ("$" or "dollars"), which is defined as the presentation currency.

The consolidated financial statements were authorised for issue by the Board of Directors on March 21, 2011.

Significant transactions and events, including subsequent events

In December 2009, the Company entered into an agreement to sell its Onshore business ("Onshore") to Geokinetics Inc ("Geokinetics"). The transaction was closed on February 12, 2010. Geokinetics paid approximately $184 million in cash and the Company received 2.15 million shares, representing 12.2% of the current outstanding common shares of Geokinetics. In fourth quarter 2010, the Company invested additional $10 million in a $30 million private placement of preferred shares issued by Geokinetics. See Notes 4 and 20 for further information.

In first quarter 2010, the Company received EUR 32 million plus interest of EUR 5 million related to payments made on the cancelled New Build contract ("NB") 532. In third quarter 2010, the Company received the same amounts related to the cancelled NB 533. The cancellation of the NB's 532 and 533 took place in 2009. See Note 18 for further information.

In March 2010, the Company took delivery of the new-build seismic 10-streamer 3D vessel *PGS Apollo*. See Note 18 for further information.

In third quarter 2010, the Company cancelled the shipbuilding contract for NB 535, resulting in impairment charges of $79.9 million and received EUR 45 million for all prepaid instalments on the vessel NB 535 with the addition of interest in October 2010. See Note 18 for further information.

In October 2010, the Company deposited 110 million Brazilian real (approximately $65 million) with Rio de Janeiro state court related to the Brazil service tax claim (ISS). See Note 27 for further information.

Note 1—General Information about the Company and Basis of Presentation (Continued)

In November 2010, the Company completed a private placement directed towards professional Norwegian and international investors of 19,799,998 new shares with proceeds of $268.6 million, net of transaction costs. See Note 32 for further information.

In fourth quarter 2010, the Company recognized an impairment of long-lived assets with a net positive effect of $1.3 million, which mainly consist of a reversal of previous recognized impairment charges of $15.2 million on the cancelled NBs in Spain (see above), due to a received pledge in future payments by Armada Seismic to the yard and register of a mortgage on NB 533 in Spain and an impairment charge of $14.7 million relating to the decision to take *Beaufort Explorer* out of operation. See Note 18 for further information.

Income from discontinued operations for the years ended December 31, 2010, 2009 and 2008, include Onshore activities and additional proceeds that were contingent on certain events related to discontinued operations sold in 2003 (Atlantis) and 2002 (Production Services). See Note 4 for additional information.

Subsequent events

In January 2011, the Company and SeaBird Exploration Plc (SeaBird) signed a strategic cooperation agreement to further develop ocean bottom node solutions for deep water. SeaBird has issued a five year convertible loan of NOK 240 million directed towards PGS. The loan bear interest at 9% per annum that can be paid in cash or in kind. The loan can be converted into ordinary shares at a conversion price of 3.35 NOK per share at any time until maturity.

In February 2011, the Company signed a Letter of Award with Mitsubishi Heavy Industries Ltd. for the delivery of two Ramform W-class vessels, with the option for another two vessels. The vessels are the first in the new, fifth generation Ramform series. Planned deliveries of the two first vessels are in 2013.

Note 2—Summary of Significant Accounting Policies

Adoption of new and revised policies and standards and interpretations

The Company has adopted the following standard and interpretation effective for annual reporting periods beginning on 1 January 2010:

IFRS 3 (revised) Business Combinations

The revised standard continues to apply the acquisition method to business combinations, with some significant changes, including: all payments to purchase a business are to be recorded at fair value at the acquisition date, with the contingent payments that are classified as debt subsequently remeasured through the consolidated statement of operations. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquirer's net assets. All acquisition-related costs should be expensed. The revised standard shall be applied prospectively and will affect all future business combinations.

Note 2—Summary of Significant Accounting Policies (Continued)

IAS 27 (revised) Consolidated and Separate Financial Statements

The revised IAS 27 provides more guidance on accounting for changes in ownership interest in a subsidiary and the disposal of a subsidiary, compared to the current IAS 27. According to the revised standard the entity measures the interest retained in a former subsidiary at fair value upon loss of control of the subsidiary, and the corresponding gain or loss is recognised through consolidated statements of operations. The revised standard also includes a change in the requirements relating to the allocation of losses in a loss-making subsidiary. IAS 27 (R) requires total comprehensive income to be allocated between the controlling and the non-controlling party, even if this results in the non-controlling interest having a deficit balance. The revised standard will affect future transactions with non-controlling interests.

Amendments to IAS 39 Financial instruments—Recognition and measurement—Eligible Hedged Items

The amended IAS 39 clarifies the principles for determining whether a hedged risk or portion of cash flows is eligible for designation for certain risks or components of the cash flow. The approved changes gives primarily additional guidance for hedging a one-sided risk (hedging with options) and hedging of inflation risk, but also clarifies that designated risks and cash flows must be identifiable and can be reliably measured. The amendment will have no impact on the Company's consolidated financial statements.

Consolidation

Subsidiaries and business combinations

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Subsidiaries are consolidated in the financial statements from the point in time when the Company gains control. The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Acquisition cost is assigned to the assets and liabilities of the subsidiaries, including previously unrecognized intangible assets and contingent liabilities, using their fair value at the date of acquisition. Any excess of purchase cost over fair value of assets and liabilities is recorded as goodwill. Following initial recognition, goodwill is not amortized, but measured at cost less any accumulated impairment losses. All inter-company transactions and balances have been eliminated in the consolidation. In those cases where the subsidiaries are not wholly owned, the non-controlling interests are presented separately in the consolidated statements of operations and consolidated statements of financial position.

Investments in associated companies

An associated company is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Note 2—Summary of Significant Accounting Policies (Continued)

The results and assets and liabilities of associated companies are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held-for-sale (see below). Under the equity method, investments in associates are carried in the consolidated statements of financial position at cost as adjusted for post-acquisition changes in the Company's share of the net assets of the associated company (i.e. profit or loss and equity adjustments), less any impairment in the value of individual investments. Losses of an associated company in excess of the Company's interest in that associated company (which includes any long-term interests that, in substance, form part of the Company's net investment in the associated company) are not recognized, unless the Company has incurred legal or constructive obligations or made payments on behalf of the associated company. Profits and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The Company periodically reviews its investments in associated companies to determine whether there is any indication of an impairment loss. If such indication exists, the recoverable amount of the associate is estimated in order to determine the extent of the impairment loss (if any).

Investments in joint ventures

A joint venture is a contractual arrangement whereby the Company undertakes an economic activity that is subject to joint control under which strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

The Company reports its interests in jointly controlled entities using the equity method of accounting.

When the Company contributes or sells assets to the joint venture, any portion of gain or loss from the transaction is recognised based on the substance of the transaction and any gain or loss of such transactions are eliminated to the extent of the Company's interest in the joint venture. When the Company purchases assets from the joint venture, the Company does not recognise its share of the profits of the joint venture from the transaction until it resells the assets to an independent party.

The Company periodically reviews its net investments in joint ventures to determine whether there is any indication of impairment loss. If any such indication exists, the recoverable amount of the joint venture is estimated in order to determine the extent of the impairment loss (if any).

Held-for-sale and discontinued operations

Results of subsidiaries or operations disposed of during the financial year are included in the Company's profit up to the effective date of disposal. When the Company intends to dispose of, or classify as held-for-sale, a business component that represents a separate major line of business it would classify such operations as discontinued. The result from discontinued operations are reported net of tax and presented separately in the consolidated statements of operations. Assets and liabilities are presented as separate line items in the consolidated statements of financial position. Comparative consolidated statements of operations and cash flow information is restated based on the classification (as continuing and discontinued) at the current reporting date.

Non-current assets are classified as held-for-sale when their carrying amount will be recovered principally through sale rather than through continuing use. This condition is deemed to exist when the sale is highly probable, the asset is available for immediate sale in its present condition and management is committed to the sale. Such assets are measured at the lower of carrying amount and

Note 2—Summary of Significant Accounting Policies (Continued)

fair value less costs to sell and are presented separately on the face of the consolidated statements of financial position. Comparative amounts are not restated when an asset is classified as held-for-sale.

Cash and cash equivalents

The carrying amounts of cash and cash equivalents approximate fair value. Cash and cash equivalents include demand deposits and all highly liquid financial instruments purchased with original maturities of three months or less. Cash and cash equivalents that are restricted from the Company's use are presented separately in the consolidated statements of financial position and are classified as current or long-term depending on the nature of the restrictions. Such restrictions primarily relate to OSS deposit (Note 27), employee tax withholdings, cash collateral for bid or performance bonds, certain health insurance and restricted deposits under contracts.

Foreign currency translation and transactions

The financial statements of non-US subsidiaries having their respective local currency as their functional currency are translated using the current exchange rate method. Assets and liabilities are translated at the rate of exchange in effect at the period end; share par value and paid-in capital are translated at historical exchange rates; and revenues and expenses are translated at the average rate of exchange in effect during the period. Translation adjustments are recorded as a separate component of shareholders' equity.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of realized and unrealized monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of operations, except when deferred in shareholders' equity as qualifying cash flow hedges and qualifying net investment hedges.

Operational and finance leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

The Company has significant operating lease arrangements in all of its operating segments and also has some finance lease arrangements relating to marine seismic equipment and Spanish and UK leases for vessels (See Note 27).

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Assets under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Operating lease payments are expensed in the consolidated statements of operations on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are expensed in the period in which they are incurred.

Note 2—Summary of Significant Accounting Policies (Continued)

Goodwill

Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets other than those specified below are expensed as incurred.

MultiClient library

The MultiClient library consists of seismic data surveys to be licensed to customers on a nonexclusive basis. Costs directly incurred in acquiring, processing and otherwise completing seismic surveys are capitalized to the MultiClient library. Also included are costs incurred while relocating or "steaming" a vessel or crew from one location to another and capitalized borrowing costs.

The Company records the costs incurred on MultiClient library in a manner consistent with its capital investment and operating decision analysis, which generally results in each component of the MultiClient library being recorded and evaluated separately. Projects that are covered by the same political regime, with similar geological traits and that are marketed collectively are recorded and evaluated as a group by year of completion.

Amortization of the MultiClient library is generally recorded in proportion to revenue recognized in a period as a percentage of the total remaining expected revenue. On an annual basis the Company categorizes each MultiClient survey into one of four amortization categories with amortization rates of 90%, 75%, 60% or 45% of sales. Classification of each project into a rate category is based on the ratio of its remaining net book value to estimated remaining sales. Each category therefore is comprised of surveys for which the remaining book value as a percentage of estimated remaining sales is less than or equal to the amortization rate applicable to that category.

An integral component of amortization of the MultiClient library is the minimum amortization policy. Under this policy, the book value of each survey or group of surveys of the MultiClient library is reduced to a specified percentage by year-end, based on the age of the survey or group of surveys in relation to its year of completion. This requirement is applied each year-end regardless of future sales estimates for the MultiClient library survey or groups of surveys. The specified percentage generates the maximum permitted book value for each MultiClient library survey or group of surveys as the product of the percentage multiplied by the original book value of the MultiClient library survey or group of surveys at the respective period end. Any additional or "minimum" amortization charges required are then determined through a comparison of the remaining book value to the maximum permitted book value allowed for each survey or group of surveys of the MultiClient library.

Note 2—Summary of Significant Accounting Policies (Continued)

The specified percentages used to determine the maximum book value of its MultiClient library components are summarized as follows:

Calendar year after project completion	5-year profile	3-year profile
Year 0[a]	100%	100%
Year 1	80%	66%
Year 2	60%	33%
Year 3	40%	0%
Year 4	20%	
Year 5	0%	

(a) Represents the year in which the survey is classified as completed.

All Marine MultiClient projects have a 5-year profile starting in the year after project completion. All derivative processed products have a 3-year profile starting in the year after data delivery. Derivative products are mainly reprocessing that creates data that can be sold as a separate project.

The Company classifies as amortization expense in its consolidated statements of operations any impairment of individual MultiClient surveys that are based on changes in project specific expectations and that are not individually material. The Company expects this additional, non-sales related, amortization expense to occur regularly because the Company evaluates each individual project at least annually for impairment or when specific indicators exist. The Company classifies as impairment in its consolidated statements of operations write-downs related to fundamental changes in estimates affecting a larger part of the Company's MultiClient library where the effects are material, see *impairment of property, equipment and intangibles* below.

Research and development costs

Research costs are expensed as incurred. An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated: the technical feasibility of completing the intangible asset so that it will be available for use or sale; the intention to complete the intangible asset and use or sell it; the ability to use or sell the intangible asset; how the intangible asset will generate probable future economic benefits; the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognized, development costs are expensed as incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately. Capitalized development costs are amortized on a straight line basis over the estimated useful life.

Note 2—Summary of Significant Accounting Policies (Continued)

Patents, licenses and technology

Patents, licenses and technology are stated at cost less accumulated amortization and any impairment charges. Amortization is calculated on a straight-line basis over the estimated period of benefit, ranging from one to twenty years.

Property and equipment

Property and equipment are stated at cost, excluding the costs of the day-to-day servicing, less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis over the useful life of the assets based on cost less estimated residual values. The estimated useful lives for property and equipment are as follows:

	Years
Seismic vessels	25–30
Seismic and operations computer equipment	3–15
Buildings and related leasehold improvements	1–17
Fixture, furniture, fittings and office computers	3–5

Subsequent expenditures and major inspections/overhaul are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statements of operations during the financial period in which they are incurred.

The assets' residual values, useful lives and method of depreciation are reviewed, and adjusted if appropriate, at least at each financial year-end.

Assets under construction are carried at cost, less any impairment loss. Cost includes borrowing costs capitalized in accordance with the Company's accounting policy as stated below. Depreciation of these assets commences when the assets are ready for their intended use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of operations in the year the asset is derecognized.

Significant spare parts are capitalized with the asset to which they pertain, while other spare parts, consumables and bunkers are classified as other current assets and stated at cost.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are expensed as incurred.

Note 2—Summary of Significant Accounting Policies (Continued)

Steaming costs

Steaming costs relate to relocating or "steaming" a vessel or crew from one location to another. The Company includes such costs in the cost of the MultiClient survey or exclusive contract with which the costs are associated. The steaming costs related to MultiClient survey are capitalized as a part of the MultiClient library (see above). Steaming costs on exclusive surveys are deferred and charged to expense based upon the percentage of completion of the project.

Both for MultiClient and exclusive surveys the estimated probable future economic inflows which are documented at inception must cover the costs capitalized or deferred. If the projects are not able to cover all of the costs which could be capitalized or deferred then only those costs that are recoverable (discounted cash inflow of the project or activity undertaken exceeds the discounted cash outflow) are capitalized/deferred.

Impairment of property, equipment and intangibles

The Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately and presented separately in the consolidated statements of operations.

Goodwill does not generate cash flows independently of other assets or groups of assets and is allocated to the cash-generating units expected to benefit from the synergies of the combination that gave rise to the goodwill. Upon internal reorganization goodwill is allocated to the new cash-generating units based on the relative fair value.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Goodwill (and the cash-generating unit to which goodwill has been allocated) and intangible assets not yet available for use are tested for impairment annually, or whenever there is an indication that the asset may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit (including goodwill allocation), the impairment loss goes first to reduce the carrying amount of any goodwill and then to reduce the carrying amount of the other assets of the unit pro-rata on the basis of the carrying amount of each assets in the unit.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount. That increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been

Note 2—Summary of Significant Accounting Policies (Continued)

recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately and presented separately in the consolidated statements of operations. Impairment loss recognized for goodwill cannot be reversed in future periods.

Derivative financial instruments and hedging

The Company accounts for derivative financial instruments in accordance with IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). The Company uses derivative financial instruments to reduce risk exposure related to fluctuations in foreign currency rates and interest rates. Derivative instruments are recognized in the consolidated statements of financial position at their fair values while realized and unrealized gains and losses attributable to derivative instruments that do not qualify for hedge accounting are recognized as other financial items, net, as they arise.

The Company applies either fair value or cash flow hedge accounting when a transaction meets the specified criteria in IAS 39 for hedge accounting. To qualify for hedge accounting the instrument should be designated as a hedge at inception of a hedge relationship. At the time a financial instrument is designated as a hedge, the Company documents the relationship between the hedging instrument and the hedged item. Documentation includes risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. Accordingly, the Company formally assesses, both at the inception of the hedge and on an ongoing basis, whether the hedging derivatives have been “highly effective” in offsetting changes in the fair value or cash flows of the hedged item. A hedge is normally regarded as “highly effective” if, at inception and throughout its life, it can be expected, and actual results indicate, that changes in the fair value or cash flows of the hedged item are effectively offset by the changes in the fair value or cash flows of the hedging instrument. Actual results must be within a range of 80% to 125%. Hedge accounting will be discontinued when (a) the Company determines that a derivative is not, or has ceased to be, highly effective as a hedge, (b) the derivative expires, or is sold, terminated or exercised, (c) the hedged item matures or is sold or repaid, or (d) a forecast transaction is no longer deemed highly probable.

The Company accounts for hedges that meet these criteria as follows:

Fair value hedges: The change in fair value of the hedging instrument is recognized in the consolidated statements of operations. The change in fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the consolidated statements of operations. When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in the consolidated statements of operations.

Cash flow hedges: The effective portion of the gain or loss on the hedging instrument is recognized directly in shareholders’ equity, while any ineffective portion is recognized immediately in the consolidated statements of operations. Amounts recorded to shareholders’equity are transferred to the consolidated statements of operations when the hedged transaction affects the consolidated statements of operations.

Note 2—Summary of Significant Accounting Policies (Continued)

Revenue recognition

The Company recognizes revenue when persuasive evidence of a sale arrangement exists, delivery has occurred or services have been rendered, the sales price is fixed or determinable and collection is reasonably assured. The Company defers the unearned component of payments received from customers for which the revenue recognition requirements have not been met. Consideration is generally allocated among the separate units of accounting based on their estimated relative fair values when elements have stand alone value. If an element of a customer agreement does not have stand alone value, revenue is deferred and recognized over the period services are provided. The Company's revenue recognition policy is described in more detail below.

(a) Sales of MultiClient library data

Late sales—The Company grants a license to a customer, which entitles the customer to have access to a specifically defined portion of the MultiClient data library. The Company recognizes revenue for late sales when the customer executes a valid license agreement and has received the underlying data or has the right to access the licensed portion of the data, the customer's license payment is fixed and determinable and collection is reasonably assured.

Volume sales agreements—The Company grants licenses to the customer for access to a specified number of blocks of MultiClient library within a defined geographical area. These licenses typically enable the customer to select and access the specific blocks over a period of time. Although the license fee is fixed and determinable in all cases, the payment terms of individual volume sales agreements vary, ranging from payment of the entire fee at the commencement of the agreement, to instalment payments over a multi-year period, to payment of the license fee as the specific blocks are selected.

Revenue recognition for volume sales agreements is based on a proportion of the total volume sales agreement revenue, measured as the customer executes a license for specific blocks and the customer has received the data or has been granted access to the data and collection is reasonably assured.

Pre-funding arrangements—The Company obtains funding from a limited number of customers before a seismic project is completed. In return for the pre-funding, the customer typically gains the ability to direct or influence the project specifications, to access data as it is being acquired and to pay discounted prices.

The Company recognizes pre-funding revenue as the services are performed on a proportional performance basis. Progress is measured in a manner generally consistent with the physical progress on the project, and revenue is recognized based on the ratio of the project's progress to date, provided that all other revenue recognition criteria are satisfied.

(b) Proprietary sales/contract sales

The Company performs seismic services under contract for a specific customer, whereby the seismic data is owned by that customer. The Company recognizes proprietary/contract revenue as the services are performed and become chargeable to the customer on a proportionate performance basis over the term of each contract. Progress is measured in a manner generally consistent with the physical progress of the project, and revenue is recognized based on the ratio of the project's progress to date, provided that all other revenue recognition criteria are satisfied.

Note 2—Summary of Significant Accounting Policies (Continued)

(c) Other services

Revenue from other services is recognized as the services are performed, provided all other recognition criteria are satisfied.

Income taxes

Income tax expense represents the sum of the current tax expense (or recovery) plus the change in deferred tax liabilities and asset during the period, except for current and deferred income tax relating to items recognized directly in equity, in which case the tax is also recognized directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are calculated using the liability method for all temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and for tax purposes, including tax losses carried forward. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred income tax is recognized on temporary differences arising on investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled by the Company and it is probable that the temporary differences will not reverse in the foreseeable future.

The Company includes deductions/benefits from uncertain tax positions when it is probable that the tax position will be ultimately sustained.

The carrying amount of deferred income tax assets is reviewed at each end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each end of the reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The probability assessment is based on Management's judgement and estimates in regards to future taxable income and tax planning opportunities (see separate note describing accounting estimates below).

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes are related to the same taxable entity and the same taxation authority. Deferred tax is classified as long-term in the consolidated statements of financial position.

Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable

Note 2—Summary of Significant Accounting Policies (Continued)

estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statements of operations net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Onerous contracts

An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Existing obligations arising under onerous contracts are recognized and measured as a provision.

Employee benefits

Pension obligations

The Company operates various pension schemes. The schemes are funded through payments to insurance companies or trustee-administered funds. The Company has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period as adjusted for unrecognized actuarial gains or losses and past service costs, and as reduced by the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using estimated interest rates of high-quality corporate bonds (or government bonds where there is no deep market in high quality corporate bonds) that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation (the "corridor") are recognized in the consolidated statements of operations over the employees' expected average remaining working lives.

Past service costs, which is an increase in the present value of the defined benefit obligation for employee services in prior periods due to current period changes to a defined benefit plan, are recognized immediately in income unless the changes to the defined benefit plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are recognized on a straight-line basis over the vesting period.

For defined contribution plans, the Company pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment

Note 2—Summary of Significant Accounting Policies (Continued)

obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Bonus plans

The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Share-based payments

Equity-settled share-based payments to employees are measured at the fair value of the equity instrument at the grant date. Fair value is measured using the Black-Scholes pricing model. The expected life used in the model is based on management's best estimate and takes into account the effects of non-transferability, exercise restrictions and behavioral considerations. Social security tax on options is based on the share value as of the end of the reporting period is recorded as a liability and is recognized over the option period.

The dilutive effect of outstanding options is reflected as additional share dilution in computation of earnings per share.

Interest bearing debt and borrowings

Interest bearing loans are recognized initially at fair value less transaction costs. Subsequent to initial recognition, interest bearing loans are measured at amortized cost using the effective interest method. Gains and losses are recognized in the consolidated statements of operations when the liabilities are derecognized as well as through the amortization process.

Financial assets and liabilities

Financial assets and liabilities are recognized when the Company becomes party to the contractual obligations of the instrument and are initially recognized at fair value.

Financial assets and liabilities are classified into categories as follows:

(a) Financial assets and liabilities measured at fair value through the consolidated statements of operations

This category includes financial assets and liabilities held-for-trading and financial assets and liabilities designated upon initial recognition at fair value with change in fair value through the consolidated statements of operations. After initial measurement, financial assets and liabilities in the category are measured at fair value with unrealized gains and losses being recognized through the consolidated statements of operations.

Financial assets and liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments. Gains and losses on financial assets held-for-trading are recognized in the consolidated statements of operations.

Note 2—Summary of Significant Accounting Policies (Continued)

(b) Financial assets and liabilities measured at amortized cost

The category includes loans and receivables and other non-derivative financial assets and liabilities with fixed or determinable payments that are not quoted in an active market. Financial assets and liabilities in the category are initially recognized at fair value, with addition for directly attributable transaction costs. After initial measurement, financial assets and liabilities in the category are subsequently carried at amortized cost using the effective interest method less any allowance for impairment.

(c) Financial assets and liabilities measured at fair value through shareholders' equity

The category includes financial assets and liabilities that are non-derivatives and are either designated as available-for-sale or not classified in any of the other categories. After initial measurement, financial assets and liabilities in the category are measured at fair value with unrealized gains or losses being recognized directly in net unrealised gain (loss) investments in shareholders' equity. When the asset or liability is disposed of, the cumulative gain or loss previously recorded in shareholders' equity is recognized in the consolidated statements of operations.

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market's transaction, reference to the current fair value of other instruments that is substantially the same, discounted cash flow analysis or other valuation models. An analysis of fair values of financial instruments and further details as to how they are measures are provided in Note 26.

The Company assesses at end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity instruments designated as available-for-sale, a significant or prolonged decline in the fair value of the instrument below its cost is considered as an indicator that the instrument is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss—measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit and loss—is removed from shareholders' equity and recognized in the consolidated statements of operations. Impairment losses recognized in the consolidated statements of operations on equity instruments are not reversed through the consolidated statements of operations. Impairment testing of trade receivables is described in Note 26 "Credit risk".

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value through the consolidated statements of operations.

Treasury shares (own shares)

Own equity instruments which are reacquired (treasury shares) are recorded as a reduction of shareholders' equity. No gain or loss is recognized in the consolidated statements of operations on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Note 2—Summary of Significant Accounting Policies (Continued)

Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For diluted earnings per share, diluted potential ordinary shares are determined independently for each period presented. When the number of ordinary shares outstanding changes (e.g. share split) the weighted average number of ordinary shares outstanding during all periods presented is adjusted retrospectively. Basic and diluted earnings per share are presented separately for continuing and discontinued operations.

Classification in the consolidated statements of financial position

An asset or liability is classified as current when it is part of a normal operating cycle, when it is held primarily for trading purposes, when it falls due within 12 months and when it consists of cash or cash equivalents at the end of the reporting period. Other items are long-term. A dividend does not become a liability until it has been formally approved by the Annual General Meeting.

Consolidated statements of cash flows

The Company's consolidated statements of cash flows is prepared in accordance with the indirect method, where cash flows from operating activities are incorporated as a part of the consolidated statement of cash flow, and where the cash flows are divided into operating activities, investing activities and financing activities.

Standards issued but not yet effective (which the Company has not early adopted)

A number of new standards, amendment to standards and interpretation are not yet effective for the year ended 31 December 2010 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect of the financial statement of the Company, except for IFRS 9 *Financial Instruments,* which becomes mandatory for the Company's 2013 financial statement and could change the classification and measurement of financial assets. The Company does not plan to adopt this standard early and the extent of the impact has not been determined, however it is not expected to have a significant impact on the Company's financial position.

Note 3—Critical Accounting Judgments, Estimates and Assumptions

Critical judgments

The preparation of financial statements in accordance with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities. In many circumstances, the ultimate outcome related to the estimates, assumptions and judgments may not be known for several years after the preparation of the financial statements. Actual amounts may differ materially from these estimates due to changes in general economic conditions, changes in laws and regulations, changes in future operating plans and the inherent imprecision associated with estimates.

Note 3—Critical Accounting Judgments, Estimates and Assumptions (Continued)

In the process of applying the Company's accounting policies, which are described above, judgments made by the management that have the most significant effect on the amounts recognized in the consolidated financial statements are described below.

Estimation uncertainty and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits. The estimates of projected future taxable profits are based on a variety of factors and assumptions, many of which are subjective and are outside of the Company's control. Accordingly these estimates could differ significantly from year to year, and the Company might end up realizing more or less of the deferred tax assets than the Company has recognized in the consolidated statements of financial position.

Revenue recognition

For multiple-deliverable arrangements significant management judgment may be required in order to allocate the consideration received to separate units of accounting, depending on the available evidence to support fair value which may include experience with similar transactions, evaluations of expected profit margins, external appraisals and other evidence as situations warrant.

Amortization of MultiClient library

In determining the annual amortization rates applied to the MultiClient library, management considers expected future sales and market developments and past experience. These expectations include consideration of geographic location, prospects, political risk, exploration license periods and general economic conditions. Management updates, at least annually, the total expected revenue for each survey or group of surveys of the MultiClient library. Because of the inherent difficulty in estimating future sales and market developments, it is possible that the amortization rates could deviate significantly from year to year. To the extent that such revenue estimates, or the assumptions used to make those estimates, prove to be higher than actual revenue, the Company's future operations will reflect lower profitability due to increased amortization rates applied to the MultiClient library in later years, and the MultiClient library may also become subject to minimum amortization and/or impairment. The minimum amortization policy described in significant accounting policies is an additional element of the Company's MultiClient library accounting policy in order to reduce the inherent risk in the general amortization policy that is based on the above described sales forecasting.

Note 3—Critical Accounting Judgments, Estimates and Assumptions (Continued)

Property, equipment and other intangibles

Depreciation and amortization is based on management estimates of the future economic benefits and expected useful lives. These estimates may change due to changes in market conditions including competition, technological development, use of the assets and strategic considerations.

Impairment of property, equipment and intangibles

Property, equipment and intangibles (including goodwill) are regularly reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. In order to assess if there is any impairment, estimates are made of the future cash flows expected to result from the use of the asset and its eventual disposal.

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

Income taxes

The Company is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for uncertain tax positions based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Pension cost

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases.

Development cost

Development costs are capitalized in accordance with the accounting policy described under significant accounting policies above. Determining the probable future economic benefit, which is the maximum value of the capitalized amount, requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

Provision for contingencies, claims and tax litigations

The Company records accruals for contingencies, claims and other uncertain liabilities including possible tax litigations when it is more likely than not that a liability has been incurred and the amount

Note 3—Critical Accounting Judgments, Estimates and Assumptions (Continued)

can be reasonably estimated. These accruals are adjusted periodically as assessments change or new or additional information becomes available.

The outcomes of these issues are subject to a significant degree of uncertainty and management must make estimates and use judgment in determining the expected outcome.

Note 4—Disposals

In 2002, the Company sold its Production Services (formerly Atlantic Power Group) subsidiary to Petrofac Limited. The Company recognized the remaining additional consideration of $0.5 million in 2009.

In 2003, the Company sold its Atlantis oil and gas activities to Sinochem. In 2010, the Company recognized $1.0 million in additional proceeds ($1.0 million in both 2009 and 2008).

In December 2009, the Company entered into an agreement to sell Onshore to Geokinetics. The transaction was closed at February 12, 2010. Geokinetics paid approximately $184 million in cash and the Company received 2.15 million shares, representing approximately 12% of the current outstanding common shares of Geokinetics. The historical consolidated statements of operations has been restated and the results from Onshore are included in discontinued operations for all periods presented and as of December 31, 2009 the asset and liabilities related to Onshore were classified as held-for-sale.

The results of operations for Onshore are summarized as follows:

	Years ended December 31,		
	2010	2009	2008
	(In thousands of dollars)		
Revenues	21,756	194,624	273,074
Operating costs[(a)]	23,259	175,997	198,200
Depreciation and amortization	—	22,702	62,352
Total operating expenses	23,259	198,699	260,552
Operating profit	(1,503)	(4,075)	12,522
Financial items, net	286	2,352	(1,516)
Income before income tax expense (benefit)	(1,217)	(1,723)	11,006

(a) Operating costs include cost of sales, research and development costs, and selling, general and administrative costs.

Note 4—Disposals (Continued)

A reconciliation of income (loss) before income tax expense (benefit) for the Onshore segment, as presented above, and income (loss) from discontinued operations, net of tax, as presented in the consolidated statements of operations, is as follows:

	Years ended December 31,		
	2010	2009	2008
	(In thousands of dollars)		
Income before income tax expense (benefit)	(1,217)	(1,723)	11,006
Gain on sale of Onshore	16,224	—	—
Transaction costs Onshore	(6,142)	(2,368)	—
Additional proceeds (Atlantis and Production Services, see above)	1,000	1,956	1,462
Tax from discontinued operations	(1,317)	(6,113)	(6,654)
Income from discontinued operations, net of tax	8,548	(8,248)	5,814

The financial position for Onshore as of December 31, 2009 classified as held-for-sale is summarized as follows (see also Note 16):

	December 31, 2009
	(In thousands of dollars)
Total current assets	74,024
MultiClient library	60,565
Goodwill (Note 22)	35,240
Other long-term assets	54,463
Total long-term assets	150,268
Total assets	224,292
Total current liabilities	26,008
Total liabilities	26,008

Note 5—Acquisitions

Business combinations are recorded using the acquisition method of accounting. The Company did not enter in to any business combinations in the years ended December 31, 2010, 2009 or 2008.

Note 6—Segment and Geographic Information

Up until the sale of Onshore the Company operated its business in two segments, Marine and Onshore. Effective from May 1, 2010 the Company changed its organization to a simplified and more operational model based on service lines and the operating segments after the re-organization are Marine Contract and MultiClient.

The executive management regularly evaluates the operating segments operational and financial performance. The financial information disclosed is consistent with that used by the executive

Note 6—Segment and Geographic Information (Continued)

management in controlling the Company's business, for making strategic decisions and for allocating resources. The Company's operating segments are managed separately and represent strategic business product lines. The segments serve a similar worldwide market. Customers for both segments are primarily composed of the same major multi-national, independent and national or state-owned oil companies.

Marine Contract and MultiClient segments meet the aggregation criteria under IFRS and are accordingly presented as a combined Marine reporting segment. Effective May 2010, the Electric magnetic (EM) business was included in Marine which is reflected in the tables below. Corporate overhead and significant charges that do not relate specifically to the operations of any one segment are presented as Other. Tables below are restated accordingly. Inter-segment sales are made at prices that approximate market value. Financial items, income tax expense and liabilities are not included in the measure of segment performance.

Year ended December 31, 2010:	Marine	Other	Elimination of inter-segment items	Total continuing operations	Discontinued operations Onshore
	(In thousands of dollars)				
Revenues by service lines:					
Marine Contract	629,101	—	—	629,101	19,796
MultiClient pre-funding	198,278	—	—	198,278	—
MultiClient late sales	192,262	—	—	192,262	1,960
Data Processing	103,471	—	—	103,471	—
Other	9,239	2,783	—	12,022	—
Total revenues	1,132,351	2,783	—	1,135,134	21,756
Operating costs[a]	(648,302)	(22,821)	(721)	(671,844)	(23,259)
EBITDA	484,049	(20,038)	(721)	463,290	(1,503)
Impairments of long-lived assets (Note 7)	(79,136)	—	—	(79,136)	—
Depreciation and amortization (Note 7)	(128,482)	(6,573)	—	(135,055)	—
Amortization of MultiClient library (Note 7)	(191,322)	—	21	(191,301)	—
Operating profit (loss)	85,109	(26,611)	(700)	57,798	(1,503)
Statements of financial position items and cash investments as of December 31, 2010:					
Investment in associated companies	12,629	11,894	—	24,523	—
Total assets	2,352,201	649,306	—	3,001,507	—
Cash additions to long-lived assets[b]	386,060	4,637	—	390,697	1,427

(a) Operating costs include cost of sales, expensed research and development costs, and selling, general and administrative costs.

(b) Consist of cash investments in MultiClient library, capital expenditures, capital expenditures on new-builds on charter and investments in other intangible assets.

Note 6—Segment and Geographic Information (Continued)

Year ended December 31, 2009:	Marine	Other	Elimination of inter-segment items	Total continuing operations	Discontinued operations Onshore
	(In thousands of dollars)				
Revenues by service lines:					
Marine Contract	893,050	—	—	893,050	190,404
MultiClient pre-funding	169,043	—	—	169,043	1,595
MultiClient late sales	182,135	—	—	182,135	2,625
Data Processing	90,158	—	—	90,158	—
Other	15,816	—	—	15,816	—
Total revenues	1,350,202	—	—	1,350,202	194,624
Operating costs[(a)]	(659,190)	(18,318)	(548)	(678,056)	(175,997)
EBITDA	691,012	(18,318)	(548)	672,146	18,627
Impairments of long-lived assets (Note 7)	(153,615)	—	—	(153,615)	—
Depreciation and amortization (Note 7)	(125,339)	(6,519)	—	(131,858)	(19,076)
Amortization of MultiClient library (Note 7)	(153,432)	—	21	(153,411)	(3,626)
Operating profit (loss)	258,626	(24,837)	(527)	233,262	(4,075)
Statements of financial position items and cash investments as of December 31, 2009:					
Investment in associated companies	7,032	11	—	7,043	—
Total assets	2,425,933	279,183	—	2,705,116	224,292
Cash additions to long-lived assets[(b)]	422,546	3,414	—	425,960	18,714

(a) Operating costs include cost of sales, expensed research and development costs, and selling, general and administrative costs.

(b) Consist of cash investments in MultiClient library, capital expenditures, capital expenditures on new-builds on charter and investments in other intangible assets.

Note 6—Segment and Geographic Information (Continued)

Year ended December 31, 2008:	Marine	Other	Elimination of inter-segment items	Total continuing operations	Discontinued operations Onshore
	(In thousands of dollars)				
Revenues by service lines:					
Marine Contract	1,069,364	—	—	1,069,364	204,463
MultiClient pre-funding	249,602	—	—	249,602	55,958
MultiClient late sales	189,823	—	—	189,823	12,653
Data Processing	86,027	—	—	86,027	—
Other	52,665	18	(98)	52,585	—
Total revenues	1,647,481	18	(98)	1,647,401	273,074
Operating costs[a]	(725,757)	(30,259)	1,575	(754,441)	(198,200)
EBITDA	921,724	(30,241)	1,477	892,960	74,874
Other operating income	71,561	—	—	71,561	—
Impairments of long-lived assets (Note 7)	(161,140)	—	—	(161,140)	—
Depreciation and amortization (Note 7)	(123,094)	(4,704)	156	(127,642)	(14,913)
Amortization of MultiClient library (Note 7)	(145,543)	—	21	(145,522)	(47,439)
Operating profit (loss)	563,508	(34,945)	1,654	530,217	12,522
Cash investments as of December 31, 2008:					
Cash additions to long-lived assets[b]	668,403	18,728	812	687,943	97,146

(a) Operating costs include cost of sales, expensed research and development costs, and selling, general and administrative costs.

(b) Consist of cash investments in MultiClient library, capital expenditures, capital expenditures on new-builds on charter and investments in other intangible assets

Since the Company provides services worldwide to the oil and natural gas industry, a substantial portion of the property and equipment is mobile, and the respective locations at the end of the period (as listed in the tables below, together with MultiClient library) are not necessarily indicative of the earnings of the related property and equipment during the period. Assets of property and equipment are based upon location of physical ownership. Goodwill is presented in the same geographic area as the underlying acquired assets. The geographic classification of statements of operations amounts listed

Note 6—Segment and Geographic Information (Continued)

below is based upon location of performance or, in the case of MultiClient seismic data sales, the area where the survey was physically conducted.

Revenues external customers:[a]	Years ended December 31 2010	2009	2008
	(In thousands of dollars)		
Americas (excluding Brazil)	177,732	144,129	141,798
Brazil	177,196	238,076	112,394
UK	73,088	156,286	74,100
Norway	151,813	194,990	363,413
Asia/Pacific	245,798	288,408	510,644
Africa	215,164	200,904	202,847
Middle East/Other	94,343	127,409	242,205
Total	1,135,134	1,350,202	1,647,401

Revenues including inter-area:[a]	Years ended December 31 2010	2009	2008
	(In thousands of dollars)		
Americas (excluding Brazil)	182,924	144,129	141,798
Brazil	177,196	238,076	112,394
UK	80,998	164,167	81,978
Norway	152,500	195,398	363,812
Asia/Pacific	245,798	290,848	512,199
Africa	219,030	200,904	202,847
Middle East/Other	94,560	127,593	242,586
Elimination inter-area revenues	(17,872)	(10,913)	(10,213)
Total	1,135,134	1,350,202	1,647,401

Total non-current assets:[a]	December 31, 2010	2009
	(In thousands of dollars)	
Americas (excluding Brazil)	201,035	192,876
Brazil	12,494	21,687
UK	592,772	717,087
Norway	302,927	336,721
Asia/Pacific	595,535	516,798
Africa	31,290	12,623
Middle East/Other	21,494	24,295
Total	1,757,547	1,822,087

(a) Consists of Property and equipment, Multi-Client library, Investment in associated companies, Goodwill and Other intangible assets.

Note 6—Segment and Geographic Information (Continued)

In 2010, the Company's two most significant customers accounted for 12.7% and 7.5% of the Company's consolidated revenues, compared to 16.1% and 6.7% in 2009 and 11.2% and 6.3% in 2008, respectively (excluding discontinued operations).

Note 7—Depreciation and Amortization and Impairments of Long-Lived Assets

Depreciation and amortization consist of the following for the years presented:

	Years ended December 31,		
	2010	2009	2008
	(In thousands of dollars)		
Gross depreciation and amortization	(171,403)	(156,639)	(139,878)
Depreciation capitalized to MultiClient library (Note 19)	36,348	24,781	12,236
Amortization of MultiClient library (Note 19)	(191,301)	(153,411)	(145,522)
Total	(326,356)	(285,269)	(273,164)

Impairments and reversal of impairments of long-lived assets consist of the following for the years presented:

	Years ended December 31,		
	2010	2009	2008
	(In thousands of dollars)		
Property and equipment; impairment (Notes 16 and 18)	(94,312)	(153,615)	(59,935)
Property and equipment; reversal of impairment (Notes 16 and 18)	15,176	—	—
Other intangible assets (Note 23)	—	—	(99,129)
Oil and gas assets (other long-lived assets) (Note 21)	—	—	(2,076)
Total	(79,136)	(153,615)	(161,140)

Note 8—Interest Expense

Interest expense consists of the following:

	Years ended December 31,		
	2010	2009	2008
	(In thousands of dollars)		
Interest expense, gross	(55,425)	(70,472)	(98,428)
Interest capitalized in MultiClient library (Note 19)	5,894	6,000	7,710
Interest capitalized in construction in progress (Note 18)	2,535	19,240	32,259
Total	(46,996)	(45,232)	(58,459)

The average interest rate used to determine the amount of interest expense eligible for capitalization was 5.9%, 5.9% and 6.2% for the years ended December 31, 2010, 2009 and 2008 respectively.

Note 9—Other financial income and expenses

Other financial income consists of the following:

	Years ended December 31,		
	2010	2009	2008
	(In thousands of dollars)		
Interest income	5,728	7,238	14,368
Gain from sale of shares (Note 13 and 20)	6,483	8,671	—
Gain on repurchase of convertible notes (Note 25)	—	3,778	12,147
Gain on investments in shares available-for-sale (Note 13)	711	3,749	—
Other	938	1,053	704
Total	13,860	24,489	27,219

Other financial expenses consist of the following:

	Years ended December 31,		
	2010	2009	2008
	(In thousands of dollars)		
Amendment fees USD 950 million Credit Facilities (Note 25)	(7,029)	—	—
Fee in connection with redemption of 8.28% Notes (Note 25)	(1,229)	—	—
Impairment of shares available-for-sale (Note 13)	(1,742)	—	(7,324)
Instruction fee convertible notes (includes professional fees) (Note 25)	—	(6,895)	—
Other	(7,580)	(4,222)	(7,270)
Total	(17,580)	(11,117)	(14,594)

Note 10—Income Taxes

The net income tax expense from continuing operations consists of the following:

	Years ended December 31,		
	2010	2009	2008
	(In thousands of dollars)		
Current taxes	18,868	50,066	77,383
Deferred taxes	(4,965)	1,876	(51,285)
Total income tax expense (benefit)	13,903	51,942	26,098

The net income tax expense from discontinuing operations consists of the following:

	Years ended December 31,		
	2010	2009	2008
	(In thousands of dollars)		
Current taxes	6,677	(108)	4,405
Deferred taxes	(5,360)	6,221	2,249
Total income tax expense (benefit)	1,317	6,113	6,654

Note 10—Income Taxes (Continued)

The deferred tax liability (asset), recognized directly in shareholders' equity, is as follows:

	Years ended December 31, 2010	2009
	(In thousands of dollars)	
Interest rate hedging (Note 26)	(7,873)	(8,605)

The income tax expense differs from the amounts computed when applying the Norwegian statutory tax rate to income (loss) before income taxes as a result of the following:

	Years ended December 31, 2010	2009	2008
	(In thousands of dollars)		
Income before income tax expense from continuing operations	(2,185)	228,109	438,374
Norwegian statutory rate	28%	28%	28%
Provision for income taxes at statutory rate	(612)	63,871	122,745
Increase (reduction) in income taxes from:			
Effects of tax rates other than statutory tax rate in Norway	(2,865)	(5,323)	(7,938)
Tax exempt income inside tonnage tax regimes	(7,426)	(53,244)	(26,712)
Effects on tax expense from tonnage tax regime entry/exit old tonnage tax regime dispute	986	(31,617)	(82,203)
Impairment Arrow vessels which are non-deductible	23,107	45,186	—
Change in assessment on recoverability of prepaid income tax in Brazil	(12,332)	21,000	—
Foreign taxes not deductible or subject to credit	5,857	7,775	25,886
Currency effects[a]	2,622	2,261	(50,533)
Change in tax contingencies recognized as tax expense (benefit)	1,926	(7,311)	6,892
Change in unrecognized deferred tax assets including current year losses where no benefit was provided	2,805	18,955	65,844
Other permanent items	(165)	(9,611)	(27,883)
Income tax expense	13,903	51,942	26,098

(a) Relates to changes in tax positions in local currency for US Dollar functional currency companies.

Comments on selected line items in the preceding table:

Norway—exit old tonnage tax regime—tax dispute

Until 2002, PGS Shipping AS and PGS Shipping (Isle of Man) Ltd. were taxed under the Norwegian tonnage tax regime. In 2003 it was decided to exit with effect from January 1, 2002. The issue with the Norwegian Central Tax Office for Large Enterprises ("CTO") was related to the assessment of the fair value of the shares in PGS Shipping (IoM) Ltd. upon exit in 2002. In 2010, the dispute was settled, increasing deferred tax expense by approximately $1.0 million.

Note 10—Income Taxes (Continued)

Impairment Arrow vessels

The net impairments relating to the Arrow vessels (see Note 18), which are under the UK tonnage tax regime, are non-deductible and have as such not benefited the reported income tax expense.

Prepaid income tax in Brazil

The Company re-assessed the recoverability of $12.3 million of prepaid income tax in Brazil, since it now is more likely than not that the amount will be utilized.

Tax effects of the Company's temporary differences are summarized as follows:

	December 31,	
	2010	2009
	(In thousands of dollars)	
Deferred tax assets:		
Multi-client library	(105,590)	(116,286)
Derivatives	(7,882)	(8,605)
Employee benefits	(23,740)	(28,010)
Tax loss carry-forwards	(244,509)	(218,935)
Tax credits	(28,921)	(21,325)
Other	(49,423)	(49,953)
Income tax assets, gross	(460,065)	(443,114)
Deferred tax liability:		
Property and equipment	26,047	6,005
Intangible assets	17,417	16,338
Derivatives	11,749	14,202
Current accruals/liabilities	14,873	12,049
Deferred taxable gain/revenue	77,895	75,314
Other	18,925	27,336
Deferred tax liabilities, gross	166,906	151,244
Deferred tax assets, net	(293,159)	(291,870)
Deferred tax assets not recognized in the consolidated statements of financial position	103,150	115,209
Net recognized deferred tax assets	(190,009)	(176,661)

Net deferred tax (assets) in the consolidated statements of financial position is presented as follows:

	December 31,	
	2010	2009
	(In thousands of dollars)	
Deferred tax assets	(210,766)	(207,890)
Deferred tax liabilities	20,757	31,229
Net deferred tax (assets)	(190,009)	(176,661)

Note 10—Income Taxes (Continued)

The Company has substantial recognized deferred tax assets in different jurisdictions, predominantly in Norway. Available evidence, including recent profits and estimates of projected future taxable income, has supported a more likely than not conclusion that the related deferred tax assets would be realized in the future. The Company also has substantial deferred tax assets, predominantly in Brazil and the UK, which have not been recognized because the future utilization is uncertain.

Tax losses carried forward both recognized and unrecognized and expiration periods as of December 31, 2010 are summarized as follows:

	(In thousands of dollars)	
Brazil	156,816	No expiry
Norway	426,669	No expiry
Asia Pacific	160,609	2016—No expiry
UK	142,742	No expiry
US	11,944	2023
Other	2,298	2012—No expiry
Losses carried forward	901,078	

It is the Company's current view that unremitted earnings from international operations are expected to be reinvested indefinitely, and as a result, no Norwegian taxes have been provided.

With its multi-national operations, the Company is subject to taxation in many jurisdictions around the world with increasingly complex tax laws. The Company has possible issues (mostly related to uncertain tax positions like permanent establishment issues) in several jurisdictions that could eventually make it liable to pay material amounts in taxes relating to prior years. The Company recognizes liabilities for uncertain tax positions if it is considered more likely than not that additional tax will be due, based upon management's assessment of the most likely outcome. Total accrued contingent tax liabilities as of December 31, 2010 was \$13.3 million, of which \$1.6 million is recorded as income taxes payable and \$11.7 million as other long-term liabilities. As of December 31, 2009, such amount totalled \$18.8 million, of which \$7.3 million recorded as income taxes payable and \$11.5 million as other long-term liabilities.

Note 11—Earnings Per Share

Earnings per share, to ordinary equity holders of PGS ASA, were calculated as follows:

	Years ended December 31,		
	2010	2009	2008
	(In thousands of dollars)		
Net income (loss) from continuing operations	(16,088)	176,167	412,276
Net income (loss) from discontinued operations	8,548	(8,248)	5,814
Minority interests	(67)	(2,094)	(706)
Net income (loss) to equity holders of PGS ASA	(7,607)	165,825	417,384
Effect of interest on convertible notes, net of tax	—	—	21,541
Net income (loss) for the purpose of diluted earnings per share	(7,607)	165,825	438,925
Earnings per share:			
—Basic	$(0.04)	$0.88	$2.37
—Diluted	$(0.04)	$0.88	$2.36
Earnings per share from continuing operations:			
—Basic	$(0.08)	$0.92	$2.34
—Diluted	$(0.08)	$0.92	$2.33
Earnings per share from discontinued operations:			
—Basic	$0.04	$(0.04)	$0.03
—Diluted	$0.04	$(0.04)	$0.03
Weighted average basic shares outstanding[(a)]	200,052,867	189,061,076	176,014,248
Dilutive potential shares[(b)]	—	499	10,009,795
Weighted average diluted shares outstanding	200,052,867	189,061,575	186,024,043

(a) Weighted average basic shares outstanding for all the years have been reduced by the average numbers of treasury shares owned by the Company during the period (see Note 31).

(b) For the years ended December 31, 2010, 2009 and 2008, respectively, share options equivalent to 7,679,975, 7,480,708 and 4,543,281 shares, were excluded from the calculation of diluted earnings per share as they were anti-dilutive. In addition 8.8 million shares related to the convertible notes (see Note 25) were excluded from the calculation for the years ended December 31, 2010 and 2009, due to the anti-dilutive effect.

Note 12—Restricted Cash

Restricted cash consists of:

	December 31,	
	2010	2009
	(In thousands of dollars)	
Current:		
Restricted payroll withholding taxes	3,887	3,089
Restricted for health insurance	204	2,031
Bid/performance bonds	65	501
Restricted under contracts (guarantees)	356	377
Deposits	217	80
Other	44	1,899
Total restricted cash, current	4,773	7,977
Long-term:		
Debt service reserve fund (Note 25 and 26)	—	10,014
Deposit ISS dispute (Note 27)	66,395	—
Total current and long-term	71,168	17,991

Note 13—Shares Available-for-Sale

Shares available-for-sale as of December 31, 2010 relates mainly to the Company's investments in Cove Energy Plc ("Cove"), San Leon Energy Plc ("San Leon"), Providence Resources Plc ("Providence"), Ithaca Energy Inc ("Ithaca"), Northern Petroleum Plc ("Northern").

The components of shares available-for-sale are summarized as follows:

	December 31,	
	2010	2009
	(In thousands of dollars)	
Balance as of January 1	12,043	6,249
Investment, cash	15,354	8,128
Investment, non cash[(a)]	4,137	—
Gain on investments	711	3,749
Unrealized gain (loss) recognized to other reserves in shareholders' equity, net of reversals due to sale	11,946	(2)
Sale of shares	(9,167)	(6,081)
Impairments	(1,742)	—
Balance as of December 31	33,282	12,043

(a) Shares received in exchanges of providing acquisition services.

Note 13—Shares Available-for-Sale (Continued)

Fair value of shares available-for-sale is as follows:

	December 31, 2010		December 31, 2009	
	Fair value	Ownership	Fair value	Ownership
	(In thousands of dollars)			
Current:				
Endeavour	—	—	1,814	1.3%
Other	—	—	225	—
Long-term:				
Cove	11,149	1.5%	5,616	6.0%
San Leon	3,540	1.2%	4,388	3.4%
Providence	4,639	3.6%	—	—
Ithaca	8,649	1.3%	—	—
Northern	3,652	2.4%	—	—
Other	1,653	—	—	—
Total	33,282		12,043	

Mainly all shares available-for-sale are listed shares (AIM list at London Stock Exchanges) and the fair value is based on quoted prices at end of the relevant years.

In 2010, the Company sold the investment in Endeavour, resulting in a gain of $0.9 million. The Company has also sold shares in other investments. The total proceeds from sale of shares in 2010 were $15.7 million with a net gain of $6.5 million (see Note 9).

Note 14—Accounts Receivable

Accounts receivable consist of the following:

	December 31,	
	2010	2009
	(In thousands of dollars)	
Accounts receivable—trade	226,678	199,067
Allowance for doubtful accounts	(1,377)	(1,969)
Total	225,301	197,098

The change in allowance for doubtful accounts is as follows:

	December 31,	
	2010	2009
	(In thousands of dollars)	
Balance as of January 1	(1,969)	(2,176)
New and additional allowances	(48)	(1,999)
Write-offs and reversals	640	2,206
Total	(1,377)	(1,969)

Note 14—Accounts Receivable (Continued)

Aging analysis of accounts receivable is as follows:

	Total	Not due	Past due, but not impaired <30d	30-60d	60-90d	90-120d	>120d
			(In thousands of dollars)				
December 31, 2010	225,301	147,092	63,232	4,155	619	3,986	6,217
December 31, 2009	197,098	118,719	38,509	6,933	13,086	8,926	10,925

Note 15—Accrued Revenues and Other Receivables

Accrued revenues and other receivables consist of the following:

	December 31, 2010	2009
	(In thousands of dollars)	
Accrued, not invoiced revenues	122,284	105,991
Other receivables	19,961	5,062
VAT receivable	2,942	—
Refund guarantee (Note 18 “Arrow vessels”)	—	105,793
Total	145,187	216,846

Note 16—Assets and liabilities classified as Held-for-Sale

In December 2009 the Company entered into an agreement to sell Onshore, see Notes 1 and 4. The transaction was closed in February 2010. The assets and liabilities of Onshore was classified as held-for-sale as of December 31, 2009 (see Note 4).

In 2008, the Company decided to sell *Polar Pearl,* a vessel under conversion in the Marine segment that was acquired as part of the acquisition of Arrow in 2007 (see Note 18). The vessel was classified as held-for-sale until it was sold at end of 2010. The Company recognized a loss of $0.6 million on this transaction. In 2009, the Company recognized an impairment of $2.2 million in the consolidated statements of operations (see Note 7).

Note 17—Other Current Assets

Other current assets consist of the following:

	December 31, 2010	2009
	(In thousands of dollars)	
Spare parts, consumables and supplies	32,408	30,974
Prepaid operating expenses	23,324	22,717
Withholding taxes and taxes receivable	22,566	12,605
Deferred steaming expense	5,108	5,910
Unrealized gain forward exchange contracts (Note 26)	4,366	17,110
Prepaid reinsurances	2,809	—
Other	7,851	832
Total	98,432	90,148

Note 18—Property and Equipment (including finance leases)

The components of property and equipment, including property and equipment under finance leases, are summarized as follows:

	Construction of vessels in progress	Conversions	Seismic vessels and equipment	Fixtures, furniture and fittings	Buildings and other	Total
			(In thousands of dollars)			
Purchase costs:						
Purchase costs as of January 1, 2009	551,265	66,173	1,750,735	76,749	33,314	2,478,236
Capital expenditures[a]	128,299	—	102,938	10,521	7	241,765
Capital expenditures on new-builds on charter	3,839	—	—	—	—	3,839
Capitalized interest	19,240	—	—	—	—	19,240
Ramform Sterling delivered	(213,310)	—	213,310	—	—	—
Sale of asset	—		(135,317)	—	—	(135,317)
Retirements[a]	—	—	(78,257)	(8,233)	(2,095)	(88,585)
Classified as held-for-sale (Onshore)	—		(174,911)	(20,537)	(199)	(195,647)
Reclassified assets to other receivables (NB532 and 533)	(194,762)	—	—	—	—	(194,762)
Other/translation adjustments	—	(5,496)	5,496	5,416	(4,099)	1,317
Purchase costs as of December 31, 2009	294,571	60,677	1,683,994	63,916	26,928	2,130,086
Capital expenditures	15,724	—	188,055	6,393	1,200	211,372
Capitalized interest	2,535	—	—	—	—	2,535
PGS Apollo delivered	(182,586)	—	182,586	—	—	—
Sale of asset	—		(10,468)	—	—	(10,468)
Retirements	—	—	(53,972)	(3,816)	(3,115)	(60,903)
Reclassified assets to other receivables (NB 535)	(129,960)	—	—	—	—	(129,960)
Other/translation adjustments	377	(149)	(1,454)	(508)	(91)	(1,825)
Purchase costs as of December 31, 2010	661	60,528	1,988,741	65,985	24,922	2,140,837
Accumulated depreciation and impairments:						
Depreciation as of January 1, 2009	—	—	734,686	53,540	8,942	797,168
Impairments as of January 1, 2009	2,058	33,030	82,359	—	1,200	118,647
Depreciation[a]	—	—	151,708	12,664	2,419	166,791
Impairments[a]	95,562	—	67,026	391	—	162,979
Sale of asset	—	—	(77,317)	—	—	(77,317)
Retirements[a]	—	—	(67,718)	(6,940)	(1,885)	(76,543)
Classified as held-for-sale (Onshore)	—	—	(134,136)	(12,871)	(35)	(147,042)
Reclassified assets to other receivables (NB 532 and 533)	(97,620)	—	—	—	—	(97,620)
Other/translation adjustments	—	—	—	(403)	(36)	(439)
Depreciation as of December 31, 2009	—	—	607,223	45,990	9,405	662,618
Impairments as of December 31, 2009	—	33,030	149,385	391	1,200	184,006
Depreciation	—	—	152,145	8,134	2,614	162,893
Impairments	79,594	—	14,718	—	—	94,312
Sale of asset	—	—	(9,171)	—	—	(9,171)
Retirements	—	—	(46,684)	(3,692)	(3,079)	(53,455)
Reclassified assets to other receivables (NB 535)	(79,594)	—	—	—	—	(79,594)
Other/translation adjustments	—	—	(377)	(159)	29	(507)
Depreciation as of December 31, 2010	—	—	703,136	50,273	8,969	762,378
Impairments as of December 31, 2010	—	33,030	164,103	391	1,200	198,724
Balance as of December 31, 2009	**294,571**	**27,647**	**927,386**	**17,535**	**16,323**	**1,283,462**
Balance as of December 31, 2010	**661**	**27,498**	**1,122,501**	**14,322**	**14,753**	**1,179,735**

(a) Include Onshore presented as discontinued operation in the consolidated statements of operations and consolidated statement of cash flow.

Note 18—Property and Equipment (including finance leases) (Continued)

In March 2010, the Company took delivery of the new-build seismic 10-streamer 3D vessel *PGS Apollo*. See below.

In 2010, the Company recorded impairments on vessels and equipment of $94.3 million as a result of identifying impairment indicators, including adjusting the carrying amount of the NB 535 to estimated recoverable amount upon cancellation of the shipbuilding contract. In addition reversal of previously recognized impairments of $15.2 million related to NB 532 and 533, partly included as long-term asset at December 31, 2010 (see Note 21). See also below "Arrow vessels".

In 2009, the Company recorded impairments on vessels and equipment of $151.2 million as a result of identifying impairment indicators including adjusting the carrying amounts for *Geo Atlantic* (held-for-sale) to estimated market value and adjusting the carrying amount for NB's 532 and 533 to estimated recoverable amount. See also Note 16 for the impairment recognized in 2009 on *Polar Pearl.*

The net book value of property and equipment under UK leases were $145.9 million and $141.0 million at December 31, 2010 and 2009, respectively. See Note 27 for further description of these leases and the accounting impact of certain lease terminations.

For details of the estimated useful lives for the Company's property and equipment at December 31, 2009, see Note 2.

New-build program—Ramform vessels

In November 2010, the Company announced a program to renew and expand the fleet of seismic vessels by building two fifth generation Ramform vessels with the option for another two ships (see also below).

New-build program—Arrow vessels

Upon the acquisition of Arrow in 2007 (see Note 5), the Arrow Group was constructing four 10-12 streamer seismic 3D vessels at the Factorias Vulcano shipyard group in Spain (the Arrow NB's) The first two vessels (NB 532 and 533) were chartered to WesternGeco ("WG"), whereas the other two (NB 534 and 535), named *PGS Apollo* and *PGS Artemis*, were intended to be a part of PGS seismic operations when completed.

The Arrow Group cancelled the contracts for NB's 532 and 533 in March and August 2009, respectively due to delays. In March 2010, the Company took delivery of the NB 534 *PGS Apollo* and in the third quarter NB 535 was cancelled.

WG was released from its obligations under the charter in connection with these cancellations of NB's 532 and 533. The yard disputed the Arrow Group's right of termination of NB's 532 and 533, and initiated arbitration proceedings in Norway against the Arrow companies holding each shipbuilding contract. In both arbitration cases, the yard was ordered to pay the respective Arrow companies the full amount claimed of EUR 39.7 million per vessel, as well as interest and legal costs. The portion of the awarded amounts covered by the bank refund guarantees, approximately EUR 32 million plus interest of approximately EUR 5 million on each vessel were received in 2010.

In fourth quarter 2010, Arrow received approximately EUR 45 million as repayment of all prepaid instalments on NB 535 with addition of interest. The payment was made by the bank of the Spanish shipyard Factorias Juliana following an undisputed cancellation of the vessel in third quarter 2010.

Note 18—Property and Equipment (including finance leases) (Continued)

For both NB's 532 and 533 approximately EUR 7 million per vessel with the addition of interest to be paid by Factorias Vulcano is still overdue in spite of the final arbitration awards ordering payment. The outstanding amounts are not covered by bank guarantees and the Arrow companies are pursuing different alternatives to enforce the claims. Among other things, the Arrow Group has received a pledge in a future payment by Armada Seismic to Factorias Vulcano for the delivery of NB 533 in the amount of approximately EUR 10 million. In addition, the Arrow Group has registered a pledge in NB 533 for an amount of approximately EUR 7 million with addition of interest.

The Company has entered into a Spanish lease structure for the *PGS Apollo*, see Note 27.

Subsequent events

In February 2011, the Company signed a Letter of Award with Mitsubishi Heavy Industries Ltd. for the delivery of two Ramform W-class vessels, with the option for another two vessels. The vessels are the first in the new, fifth generation Ramform series. Planned deliveries of the two first vessels are in 2013. The new generation Ramforms' total cost will be approximately USD 250 million each, including construction follow-up, commissioning and a comprehensive seismic package.

Note 19—MultiClient Library

The components of the MultiClient library are summarized as follows:

	December 31,	
	2010	2009
	(In thousands of dollars)	
Balance as of January 1	293,238	294,601
Cash investments	166,711	186,682
Capitalized interest[a]	5,894	6,200
Capitalized depreciation[a]	36,348	24,781
Amortization expense[a]	(191,301)	(157,037)
Onshore classified as held-for-sale (Note 4)	—	(60,565)
Other	(47)	(1,424)
Balance as of December 31	310,843	293,238

(a) The 2009 figures includes Onshore presented as discontinued operation in the consolidated statements of operations.

Amortization expense for the year ended December 31, 2010 includes $26.6 million of additional non-sales related amortization, net. This amount includes $13.5 million in minimum amortization, $13.8 million of impairments and $0.7 million in reversal of previous recorded impairments to reflect the fair value of future sales on certain individual surveys. For the year ended December 31, 2009 the additional non-sales related amortization totalled $24.7 million, of which $10.1 million in minimum amortization, $15.0 million of impairments and $0.4 million in reversal of previous recorded impairments. For the year ended December 31, 2008, the additional non-sales related amortization totalled $12.6 million, of which $7.0 million in minimum amortization and $6.1 million of impairments and $0.5 million in reversal of previous recorded impairments.

Note 19—MultiClient Library (Continued)

The net carrying value of the MultiClient library, by the year in which the surveys were completed, is summarized as follows:

	December 31, 2010	December 31, 2009
	(In thousands of dollars)	
Completed surveys:		
Completed during 2005 and prior years	—	1,044
Completed during 2006	348	1,796
Completed during 2007	4,627	8,785
Completed during 2008	31,380	46,925
Completed during 2009	120,618	160,978
Completed during 2010	48,082	—
Completed surveys	205,055	219,528
Surveys in progress	105,788	73,710
MultiClient library	310,843	293,238

As of December 31, 2009 Onshore surveys are presented as held-for-sale (see Note 4).

For information purposes, the following shows the hypothetical application of the Company's minimum amortization requirements to the components of the existing MultiClient library (excluding Onshore). These minimum amortization requirements are calculated as if there will be no future sales of these surveys.

	December 31, 2010 Minimum future amortization
	(In thousands of dollars)
During 2011	23,570
During 2012	51,080
During 2013	73,413
During 2014	80,847
During 2015	46,419
During 2016	35,514
Future minimum amortization	310,843

Because the minimum amortization requirements generally apply to the MultiClient library on a survey-by-survey basis rather than in the aggregate, the Company may incur significant minimum amortization charges in a given year even if the aggregate amount of ordinary amortization charges recognized exceeds the aggregate minimum amortization charges above.

Note 20—Investments in Joint Ventures and Associated Companies

The components of investments in Joint Ventures and Associated Companies are summarized as follows:

	December 31, 2010	December 31, 2009
	(In thousands of dollars)	
Balance as of January 1	7,043	14,391
Share of income/(loss)[a]	(10,183)	634
Investment, cash	5,865	—
Investment, non cash[b]	21,798	—
Sale of shares[a]	—	(7,959)
Other	—	(23)
Balance as of December 31	24,523	7,043

(a) In 2009 gain on sale of shares was $1.2 million (no sale in 2010).

(b) Shares received as part of the Onshore sale ($19.1 million) and exchange of receivables ($2.7 million).

Specification by investment:

	Net book value December 31, 2009	Investment[a]	Share of income/(loss)	Net book value December 31, 2010	Ownership as of December 31, 2010
	(In thousands of dollars)				
Corporations and limited partnerships:					
Geokinetics Inc.	—	24,843	(12,960)	11,883	12.2%
PGS Overseas Operation (Cyprus) Ltd.	6,929	—	3,347	10,276	50.0%
Fortis Petroleum Corporation AS	—	2,685	(500)	2,185	20.0%
Other	114	135	(70)	179	—
Total	7,043	27,663	(10,183)	24,523	

(a) Include non-cash investments of $21.8 million, see below.

The Geokinetics investment was part of the Onshore transaction closed on February 12, 2010, see Note 4 for further information. The Company had the right to nominate two board members in Geokinetics and as such it is assessed that significant influence exists. Accordingly the investment is classified as associated companies. The fair value of the shares received was $19.1 million. In fourth quarter 2010, the Company invested additional $10 million in a $30 million private placement of preferred shares done by Geokinetics, of this approximately $ 4.0 million is allocated to warrants received in the transaction and presented as long-lived assets (see Note 21). The shares in Geokinetics are listed on Nasdaq and at December 31, 2010 the market value of the 12.2% ownership was $20 million.

During second half of 2010 the Company exchanged a receivable, with an estimated fair value of $2.7 million, and received a 20% ownership in Fortis Petroleum Corporation AS.

Note 20—Investments in Joint Ventures and Associated Companies (Continued)

In 2009, the Company sold the investment in Genesis Petroleum Corporation PLC (“Genesis”). The Company received $7.0 million in proceeds and recognized a gain of $1.2 million.

The following table summarizes unaudited financial information of the Company’s share of joint ventures and associated companies on a combined basis.

	Years ended December 31,		
	2010	2009	2008
	(In thousands of dollars)		
Statements of operations data:			
Revenue	70,975	7,731	3,850
Share of income (loss)	(10,183)	634	(6,332)
Sale of shares	—	1,267	—
Write-down of investment	—	—	(9,834)
Gain (loss) from equity investments	(10,183)	1,901	(16,166)

	December 31,	
	2010	2009
	(In thousands of dollars)	
Statements of financial position data:		
Total assets	101,500	8,815
Total liabilities	(76,977)	(1,772)
Net assets	24,523	7,043

Note 21—Other Long-Lived Assets

Other long-lived assets consist of the following:

	December 31,	
	2010	2009
	(In thousands of dollars)	
Claims towards yard (NB’s 532 and 533) (Note 18)	14,904	—
Warrants Geokinetics Inc. (Note 20)[a]	4,070	—
Other long-term receivables	3,594	6,858
Loan to associated company	3,132	2,960
Prepaid expenses and deposits	1,524	2,235
Unrealized gain forward exchange contracts (Note 26)	21	—
Total	27,245	12,053

(a) PGS own $10 million in 40,000 preferred shares and 1,165,000 warrants in Geokinetics as of December 31, 2010 (see Note 20). The warrants has been valued to $4.1 million using a Black-Scholes option price model as of December 31, 2010, the remaining value has been allocated to the preferred shares and has been included as part of the investment in Geokinetics.

Note 22—Goodwill

The Company tests goodwill annually for impairment or whenever there is an indication that goodwill might be impaired.

The carrying amount of goodwill as of December 31, 2009 and 2010 totalling $139.9 million, relates to the 2007 acquisitions of MTEM, AGS and Roxicon. Effective from May 1, 2010 the Company changed its organization where Marine Contract and MultiClient were established as operating segments. Accordingly goodwill was reallocated to these two segments based on the relative values.

A summary of goodwill allocated to individual cash-generating units for impairment testing is as follows:

	December 31,	
	2010	2009
	(In thousands of dollars)	
Marine Contract	97,897	97,897
MultiClient	41,955	41,955
Total	139,852	139,852

Key assumptions used in the calculations of value in use are growth rates, revenues, EBITDA, operating profit, capital expenditures and discount rates. The recoverable amounts are determined based on a value-in-use calculation using after tax cash flow projections based upon financial projections approved by executive management and an after tax discount rate of 9.9% as of December 31, 2010 and 2009. The nominal growth rate used to extrapolate cash flows beyond the initial 5 years projection period as of December 31, 2010 and 2009 was 2.5%.

Hydrocarbons continue to be a primary source of global energy in virtually all countries. Seismic services continue to be fundamental in the exploration for hydrocarbons. Countries with known or prospective hydrocarbons continue to have long term exploration and development plans extending well into the future.

Management believes that any reasonably possible change in key assumptions underlying the calculations of the recoverable amount of the Marine segment would not trigger any impairment as of December 31, 2010.

Note 23—Other Intangible Assets

The components of other intangible assets are summarized as follows:

	Patents and licenses	Development cost	Technology and other	Total
		(In thousands of dollars)		
Purchase costs:				
Purchase costs as of January 1, 2009	187,126	25,645	22,129	234,900
Additions to costs[(a)]	335	12,018	—	12,353
Other/translation adjustments	(1,057)	—	—	(1,057)
Assets held-for-sale (Onshore)	(229)	(4,539)	—	(4,768)
Purchase costs as of December 31, 2009	186,175	33,124	22,129	241,428
Additions to costs	55	12,559	—	12,614
Other/translations adjustments	(4,483)	—	—	(4,483)
Purchase costs as of December 31, 2010	181,747	45,683	22,129	249,559
Accumulated amortization:				
Amortization as of January 1, 2009	130,011	123	5,007	135,141
Amortization expense[(a)]	3,681	1,481	3,763	8,924
Other/translation adjustments	(1,019)	—	—	(1,019)
Assets held-for-sale (Onshore)	(109)	—	—	(109)
Amortization as of December 31, 2009	132,564	1,604	8,770	142,938
Amortization expense	3,262	1,481	3,763	8,506
Other/translations adjustments	(4,479)	—	—	(4,479)
Amortization as of December 31, 2010	131,345	3,085	12,533	146,965
Balance as of December 31, 2009	**53,611**	**31,520**	**13,359**	**98,490**
Balance as of December 31, 2010	**50,400**	**42,598**	**9,596**	**102,594**
Estimated useful life	1 to 20 years	10 years[(b)]	1 to 12 years	

(a) Include Onshore presented as discontinued operation in the consolidated statements of operations.

(b) Estimated useful life from completion of development project.

There were no impairment indicators in 2010 and 2009. In 2008, the Company recognised $99.1 million in impairment charges of patented an unpatented technology acquired as a part of the MTEM acquisition in 2007 (see Note 5).

The intangible assets have finite useful lives over which the assets are amortized.

Note 24—Short-Term Debt and Current Portion of Long-Term Debt

Short-term debt and current portion of long-term debt consist of the following:

	December 31,	
	2010	2009
	(In thousands of dollars)	
Current portion of long-term debt (Note 25)	—	26,109
Total	—	26,109

Note 25—Debt and Guarantees

Long-term debt

Long-term debt consists of the following:

	December 31,	
	2010	2009
	(In thousands of dollars)	
Unsecured:		
10% Senior Notes, due 2010	—	3,812
Other	—	21
Secured:		
Term loan B, Libor + margin, due 2015	470,533	572,000
8.28% first preferred mortgage notes, due 2011	—	33,910
Convertible notes:		
Convertible notes, due 2012	319,633	307,900
Total	790,166	917,643
Less current portion	—	(26,109)
Less deferred loan costs	(6,473)	(8,954)
Total long-term debt	783,693	882,580

Note 25—Debt and Guarantees (Continued)

Aggregate maturities of long-term debt and expected interest payments (excluding interest rate swaps) are as follows:

	December 31,	
	2010	2009
	(In thousands of dollars)	
Year of repayment:		
2010	—	52,157
2011	20,873	53,010
2012	344,378	347,071
2013	18,798	35,389
2014	24,332	40,852
2015	484,410	559,975
Total	892,791	1,088,454
Interest portion[a]	(102,625)	(170,811)
Total long term debt	790,166	917,643

(a) Calculation of expected interest payments are based on forward interest rates as of December 31, 2010 and 2009, respectively.

In 2010, the Company made debt repayments of $139.2 million, of which $100.0 million was an optional prepayment of the Term Loan B ("Term Loan") and $17.5 million an optional prepayment of a scheduled 2011 final repayment of the 8.28% mortgage note. In 2009 the Company made net debt repayments of $334.5 million, of which $230 million was optional repayments of the Revolving Credit Facility ("RCF") and $83.9 million related to the loans inherited from the Arrow acquisition. The Arrow facility was terminated in 2009.

In 2010, the Company made repayments of $101.5 million of the Term Loan of which $100.0 million was optional (see above), while in 2009 it made no repayment of the Term Loan. The Company has hedged the interest rate on 64% of the borrowings under the Term Loan (70% in 2009) by entering into interest rate swaps where the Company receives floating interest rate based on 3 months LIBOR and pays fixed interest rate between 4.60 to 5.34% with a remaining life of 1.5 to 3.7 years. See Note 26 for further information.

The Company's senior secured credit facility of $950 million consists of at inception an eight-year $600 million ($470.5 million outstanding) Term Loan (maturing 2015) and at inception a five-year $350 million RCF (originally maturing 2012 and extended to 2015 in January 2011). The Term Loan, which has no financial maintenance covenants, has a floating interest rate of LIBOR + 175 basis points. The credit agreement generally requires the Company to apply 50% of excess cash flow to repay outstanding borrowings for financial years when the total leverage ratio exceeds 2.5:1 or the senior leverage ratio exceeds 2:1 (see Note 26). Excess cash flow for any period is defined as net cash flow provided by operating activities less capital expenditures and scheduled debt services during that period, minus capital income taxes to be paid in the next period and capital expenditure committed in the period but to be paid in future periods. The Company can make optional prepayments to reduce the outstanding principal balance at no penalty. The Term Loan is an obligation of PGS ASA and PGS Finance Inc. as co-borrowers, is secured by pledges of shares of material subsidiaries and is guaranteed

Note 25—Debt and Guarantees (Continued)

by the same material subsidiaries. In addition, the Company may also under the $950 million credit agreement be able to borrow an additional $400 million either as a term loan or as an RCF. Such additional borrowing would be secured by the same collateral that secures the Term Loan and borrowings under the existing RCF.

The $400 million convertible notes were issued in December 2007 and are due in December 2012. The convertible notes are convertible into ordinary shares of PGS ASA. The total number of shares to be issued if all convertible notes are converted at the conversion price is 10.2 million ordinary shares, representing 4.68% of the Company's current issued ordinary share capital. Due to repurchases in 2008 and 2009, 8.8 million shares are issuable if all the notes were converted at December 31, 2010. The conversion price is NOK 216.19 per share and is fixed in USD based upon the fixed exchange rate, which represented a 40% premium over the volume weighted average price of the Company's ordinary shares at the time of offering. The fixed rate of exchange is 5.5188 NOK per 1.00 USD and the coupon has been set at 2.7% per annum payable semi-annually in arrears. The equity element of the convertible notes was calculated to 17.1% of the nominal value ($68.4 million) and was recorded to shareholders' equity, net of allocated portion of loan costs and taxes.

The 10% senior notes where repaid in 2010. In addition the Company repaid the 8.28% first preferred mortgage notes, of which $16.4 million scheduled in 2010 and $17.5 million was due in 2011.

Bank credit facilities

Under the senior secured credit facility established in June 2007 the Company has an RCF of $350 million originally maturing in 2012. In January 2011 the maturity was extended to 2015. The RCF has a $45 million sub-limit for issuance of letter of credits, whilst the bonding facility (for issuance of bid and performance bonds) included in this sub-limit under the previous RCF was in June 2007 replaced by a separate $15 million bonding facility (later increased to $30 million). The Company may borrow USD, or any other currency freely available in the London banking market to which the lenders have given prior consent, under the RCF for working capital and for general corporate purposes. Borrowings under the RCF bear interest at a rate equal to LIBOR plus a margin of 1.5% increased to 2.25% from January 25, 2011.

At December 31, 2010 and 2009, the Company had zero outstanding in cash advances, and $3.6 million and $4.1 million, respectively, of standby letters of credit were outstanding under the RCF with an applicable margin of 1.5% per annum, and $2.3 million and $7.8 million, respectively, of bid and performance bonds were drawn under the separate committed bonding facility of $30 million, with an applicable margin of 1.4%. The Company has further a smaller $2 million bid and performance bond facility intended for regional use.

The Company also has an overdraft facility of NOK 50 million as part of our Norwegian cash pooling arrangement. This facility will continue until cancelled.

Covenants

The June 2007 credit facility contains financial covenants and negative covenants that restrict the Company in various ways. The facility provides that:

- for the RCF part the total leverage ratio (see Note 26) may not exceed 3.00:1.0 in 2010 and 2.75:1.0 thereafter (maintenance covenant). The Term Loan has an incurrence test saying the

Note 25—Debt and Guarantees (Continued)

Company cannot increase total leverage above 3.25:1.0 in 2010 and 3.00:1.0 in later test periods (rolling last 4 quarters).

In addition, the credit agreement restricts or could restrict our ability, among other things, to sell assets without the sales proceeds being reinvested in the business or used to repay debt; incur additional indebtedness or issue preferred shares; prepay interest and principal on our other indebtedness; pay dividends and distributions or repurchase our capital stock; create liens on assets; make investments, loans, guarantees or advances; make acquisitions; engage in mergers or consolidations; enter into sale and leaseback transactions; engage in transactions with affiliates; amend material agreements governing our indebtedness; change our business; enter into agreements that restrict dividends from subsidiaries; and enter into speculative financial derivative agreements.

The Company is in compliance with the covenants in its loan and lease agreements as of December 31, 2010.

Pledged assets

Certain seismic vessels and seismic equipment with a net book value of $55.1 million and $60.7 million at December 31, 2010 and 2009, respectively, are pledged as security under the Company's short-term and long-term debt. As per above the mortgage note was repaid in 2010 and the mortgage is in the process of being discharged, estimated to being completed April 1, 2011. In addition shares in material subsidiaries have been pledged as security.

Letters of credit and guarantees

The Company had aggregate outstanding letters of credit and related types of guarantees, not reflected in the accompanying consolidated financial statements, of $63.7 million and $49.3 million as of December 31, 2010 and 2009, respectively.

Note 26—Financial Instruments

Fair values of financial instruments

The carrying amounts of cash and cash equivalents, restricted cash, accounts receivable, accrued revenues and other receivables, other current assets, accounts payable and accrued expenses approximate their respective fair values because of the short maturities of those instruments.

The carrying amounts and the estimated fair values of debt and derivatives instruments are summarized as follows:

	December 31, 2010			December 31, 2009		
	Carrying amounts	Notional amounts	Fair values	Carrying amounts	Notional amounts	Fair values
	(In thousands of dollars)					
Loans measured at amortized cost:						
Long-term debt (Note 25)	790,166	—	768,718	917,643	—	846,417
Derivatives measured at fair value through shareholders' equity:						
Interest rate swaps/future interest rate agreements, net unrealized (loss) gain[(a)]	(28,117)	300,000	(28,117)	(30,733)	375,000	(30,733)
Derivatives measured at fair value through consolidated statements of operations:						
Forward exchange contracts, net unrealized (loss) gain[(a)]	(35)	240,457	(35)	14,408	318,957	14,408
Interest rate swaps, net unrealized (loss) gain[(a)]	—	—	—	(1,073)	25,000	(1,073)
Interest rate differential UK lease (Note 27)	(5,774)	—	(5,774)	(6,730)	—	(6,730)

(a) The carrying amounts of forward exchange contracts and interest rate swaps are classified in the consolidated statements of financial position as follows:

	December 31,	
	2010	2009
	(In thousands of dollars)	
Interest rate swaps, net (qualifying hedges)	(28,117)	(30,733)
Forward exchange contracts, net	(35)	14,408
Other interest rate swaps, net	—	(1,073)
Total	(28,152)	(17,398)
Classified as follows:		
Other current asset (short-term unrealized gain) (Note 17)	4,366	17,110
Other long-lived assets (long-term unrealized gain) (Note 21)	21	—
Accrued expenses (short-term unrealized loss) (Note 28)	(4,075)	(6,237)
Other long-term liabilities (long-term unrealized loss) (Note 29)	(28,464)	(28,271)
Total	(28,152)	(17,398)

Note 26—Financial Instruments (Continued)

The Company is required to disclose the hierarchy of how fair value is determined for financial instruments recorded at fair value in the consolidated financial statements. The hierarchy gives highest priority to quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Level 2 includes assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly. The Company's derivative financial instruments including foreign currency forward contracts and interest rate swap agreements are valued using Level 2 inputs.

The fair values of the long-term debt instruments, forward exchange contracts and interest rate swaps are estimated using quotes obtained from dealers in such financial instruments or latest quoted prices or indexes at Reuters or Bloomberg. Where market prices are not observed or quotes form dealers not obtain an indirect method is used by use of implied credit spread from debt instrument with similar risk characteristics. The fair value of the liability component of convertible notes is determined by obtaining quotes from dealers.

Financial risk management policies

As a worldwide provider of seismic data the Company is exposed to market risks such as exchange rate risk and interest rate risk, credit risk and liquidity risk. The Company has established procedures and policies for determining appropriate risk levels for the main risks and monitoring these risk exposures.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The management of the capital structure involves active monitoring and adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure the Company may refinance its debt, buy or issue new shares or debt instruments, sell assets or return capital to shareholders.

The Company monitors debt on the basis of the leverage ratio and other covenants in credit agreements. This ratio is calculated as gross indebtedness divided by EBITDA less non pre-funded MultiClient library investments. In addition the Company monitors a leverage ratio based on net debt. Net debt is calculated as total indebtedness (including "current and long-term debt" as shown in the consolidated statements of financial position) less cash and cash equivalents. The Company generally seeks to keep net debt below 1 or 2 times EBITDA dependent on where we are in the business cycle. It implies below 1 times EBITDA in strong market and below 2 times EBITDA in weak part of the cycle. The Company is of the opinion that the policy would generally satisfy the requirements for a BB-rating (Standard and Poor's)/Ba2-rating (Moody's). The gross leverage ratio at December 31, 2010 and 2009 was 1.92 and 1.43, respectively while the net leverage ratio was 0.99 and 1.25, respectively.

The Company's treasury function monitors and manages the financial risks related to the operations of the Company. The treasury function may seek to manage the effect of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivates is governed by the Company policies approved by the Board of Directors, which provide written principles on foreign exchange rate risk, interest rate risk, credit risk and the use of financial derivative and non-derivative instruments.

Note 26—Financial Instruments (Continued)

The treasury function continuously monitors counterparties to mitigate funding, excess cash investment, cash in operation and derivative risks. Guidelines are set out in the Company policies to provide limits in respect of exposure to individual counterparties and monitoring procedures are in place to identify risk factors as they arise.

The treasury function reports regularly to the Company management and any breach of limits set in the policy shall be reported to the Board of Directors.

Interest rate exposure

The Company is subject to interest rate risk on debt, including finance leases. The risk is managed by using a combination of fixed- and variable- rate debt, together with interest rate swaps, where appropriate, to fix or lower the borrowing costs.

As of December 31, 2010, the Company has outstanding interest rate swaps in the aggregate notional amount of $300 million ($400 million as of December 31, 2009) relating to the Term Loan established in June 2007 (see Note 25). Under the interest rate swap agreements the Company receives floating interest rate payments and pays fixed interest rate payments. The weighted average fixed interest rates under the contracts are as follows:

	December 31, 2010		December 31, 2009	
Matures in:	Notional amounts	Weighted average fixed interest rate	Notional amounts	Weighted average fixed interest rate
	($ thousands)		($ thousands)	
1 year	—	—	100,000	5. 17%
1–2 years	200,000	5.05%	—	—
2–3 years	—	—	200,000	5.05%
3–4 years	100,000	5.18%	—	—
4–5 years	—	—	100,000	5.18%
Total	300,000	5.09%	400,000	5.11%

The aggregate negative fair value of these interest rate swap agreements at December 31, 2010 and 2009 was approximately $28.1 million and $31.8 million, respectively.

The following table indicates the maturity analysis of the interest rate swaps as at reporting date:

	Notional amount	Discounted carrying amount	Total expected cash flow (gross)	Cash flow matures in, <1 year	1–2 years	2–3 years	3–4 years	4–5 years
	(In thousands of dollars)							
December 31, 2010:								
Interest rate swaps	300,000	(28,117)	(28,452)	(14,354)	(9,714)	(3,028)	(1,356)	—
December 31, 2009:								
Interest rate swaps	400,000	(31,806)	(32,425)	(17,328)	(9,138)	(4,490)	(1,078)	(391)

Note 26—Financial Instruments (Continued)

The following table shows the gross amounts of debt with fixed and variable interest (including finance lease obligations):

	December 31, 2010	December 31, 2009
	(In thousands of dollars)	
Debt at fixed interest rate	319,633	345,622
Debt at variable interest rate[(a)]	470,533	572,369
Total interest bearing debt	790,166	917,991

(a) Interest based on US dollar LIBOR plus a margin.

The weighted average interest rate on the variable rate debt, inclusive finance leases, as of December 31, 2010 and 2009 was approximately 2.1% and 2.0%, respectively. As indicated above, through interest rate swaps the Company have effectively fixed the interest rate on $300 million of this floating rate debt as of December 31, 2010, with the remaining $170.5 million of the floating rate debt continuing to bear interest at a variable rate. As of December 31, 2009, the Company had fixed the interest rate on $400 million through interest rate swaps, with the remaining $172.4 million continuing to bear interest at a variable rate. After giving effect to the Company's interest rate swaps, for every one-percentage point hypothetical increase in LIBOR, our annual net interest expense on our variable rate debt, inclusive finance leases, will increase by approximately $2.6 million and $1.7 million at December 31, 2010 and 2009, respectively.

Interest rate hedge accounting

As of December 31, 2010 100% out of the total notional amount of interest rate swaps of $300 million were accounted for as cash flow hedges ($375 million out of the total notional amount of interest rate swaps of $400 million as of December 31, 2009). In the years ended December 31, 2010 and 2009, the fair value of these instruments were recorded as a reduction in other reserves (shareholders' equity) as the effective portion of the designated and qualifying hedging instrument.

Changes in the fair value of interest swaps contracts designated as cash flow hedges are as follows (recognized towards other reserves in shareholders' equity):

	Years ended December 31, 2010	Years ended December 31, 2009
	(In thousands of dollars)	
Amounts transferred from equity to the consolidated statements of operations	18,288	17,344
Effective portion of fair value booked directly to other reserves	(15,587)	(1,762)
Total change in fair value (loss)	2,701	15,582

The Company has not excluded any components of the derivative instruments' gain or loss from the assessment of hedge effectiveness with respect to the qualifying interest rate hedges.

Note 26—Financial Instruments (Continued)

The following table indicates the periods in which the cash flow associated with derivatives, which are cash flow hedges, are expected to occur:

	Notional amount	Discounted carrying amount	Total expected cash flow (gross)	Cash flow matures in, <1 year	1–2 years	2–3 years	3–4 years	4–5 years
	(In thousands of dollars)							
December 31, 2010:								
Interest rate swaps . . .	300,000	(28,117)	(28,452)	(14,354)	(9,714)	(3,028)	(1,356)	—
December 31, 2009:								
Interest rate swaps . . .	375,000	(30,733)	(31,350)	(16,253)	(9,138)	(4,490)	(1,078)	(391)

The profit and loss impact of the cash flow hedges are estimated to be in the same year as the effect of the cash flows.

Foreign exchange rate exposure

The Company is exposed to currency fluctuation due to a predominantly USD based revenue stream, while the Company's expenses are incurred in various currencies. The larger expense currencies other than the USD are GBP, NOK and EUR. The Company maintain a foreign-currency risk management strategy that uses foreign currency exchange contracts to protect against fluctuations in cash flow caused by volatility in currency exchange rates.

In 2010, the Company continued a foreign currency hedging program by entering into NOK, GBP, SGD, EUR, BRL, MXN and RUB on forward contracts.

As of December 31, 2010, the Company has open forward contracts to buy and sell GBP, NOK, SGD, BRL and EUR amounting to approximately $240.5 million (notional amount) with a negative fair value of $0.1 million. As of December 31, 2009, the Company has open forward contracts to buy and sell GBP, NOK, SGD, BRL and EUR amounting to approximately $319.0 million (notional amount) with a positive fair value of $14.4 million.

Note 26—Financial Instruments (Continued)

The following table indicates the maturity analysis of the derivates foreign currency forward contracts as at reporting date:

	Notional amount	Carrying amount	Total expected cash flow Gross	Matures in <1 year	Matures in 1–2 years
	(In thousands of dollars)				
December 31, 2010:					
Forward exchange contracts:					
Positive market value	91,310	4,387	4,395	4,373	22
Negative market value	149,147	(4,422)	(4,430)	(4,080)	(350)
	240,457	(35)	(35)	293	(328)
December 31, 2009:					
Forward exchange contracts:					
Positive market value	253,482	17,110	17,134	17,134	—
Negative market value	65,475	(2,702)	(2,704)	(2,704)	—
	318,957	14,408	14,430	14,430	—

A further 10% depreciation of the USD against all the currencies the Company have derivative contracts in, would have increased the fair value of these contracts by approximately $7.1 million. The effect on the consolidated statements of operations would have been $7.1 million. The analysis of change in fair value and effect on consolidated statements of operations is based on the Company's mix of foreign exchange contracts as of December 31, 2010, and the assumption that hedged currencies appreciate equally against USD. Figures calculated in the analysis of change in fair value and effects on consolidated statements of operations are before tax. All of the Company's debt is denominated in USD.

Foreign exchange rate hedge accounting

The derivatives entered into to hedge the exposure created by the contracts to build the new Arrow vessels have, where applicable, been designated as fair value hedges. Of the total notional amounts of forward exchange contracts as per table above, none were accounted for as fair value hedges as of December 31, 2010 and $8.7 million were accounted for as fair value hedges as of December 31, 2009. The negative fair value of these contracts was $0.2 million as of December 31, 2009. Only the spot element of the forward exchange contracts has been designated as effective hedging instruments and has been included in the assessment of hedge effectiveness.

There was no foreign exchange derivatives designated as cash flow hedges outstanding at December 31, 2010 or December 31, 2009.

The change in fair value of foreign currency derivatives used in fair value hedges of firm commitments were $0.3 million (gain), $0.9 million (gain) and $2.5 million (loss) in the years ended December 31, 2010, 2009 and 2008, respectively. The corresponding change in fair value of firm commitments were $0.6 million (loss), $0.1 million (loss) and $3.4 million (loss) for the years ended December 31, 2010, 2009 and 2008, respectively. The difference between the change in the value of the derivatives and the change in the fair value of the firm commitment is primarily caused by the fact that the derivatives at

Note 26—Financial Instruments (Continued)

the hedge designation date were already carrying a fair value. The change in foreign currency derivates (not designed as hedges) for the years ended December 31, 2010, 2009 and 2008 was $0.8 million (gain), $24.0 million (gain) and $44.5 million (loss), respectively. The changes described above (net effect) are included in foreign currency (loss) gain.

Exposure to credit risk

The Company's financial assets that are exposed to concentration of credit risk consist of trade receivables from clients, liquidity cash investment and derivative financial instruments. Trade receivables are primarily multinational integrated oil companies and independent oil and natural gas companies, including companies owned in whole or in part by governments. The Company manages its exposure to credit risk through ongoing credit evaluations of customers and has provided for potential credit losses through an allowance for doubtful accounts. The allowance for doubtful accounts reflects management's best estimate of probable losses inherent in accounts receivable from trade customers and is based on a number of factors consisting mainly of aging of accounts, historical experience, customer concentration, customer creditworthiness and current industry and economic trends.

The Company is exposed to certain credit risk related to off-balance items such as long-term agreements entered into with customers and suppliers. The Company manages its exposure to such risks through continuously monitoring of counterparties. The Company also monitors the counter party risk of its banking partners, including counterparties on derivatives and where cash is held on deposits.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting dates was as follows:

	December 31,	
	2010	2009
	(In thousands of dollars)	
Cash and cash equivalents	432,579	125,961
Accounts receivables (Note 14)	225,301	197,098
Accrued revenues, refund guarantees and other receivables (Note 15)	145,187	216,846
Restricted cash, current and long-term	71,168	17,991
Shares available-for-sale, current and long-term	33,282	12,043
Claims towards yard (NB's 532 and 533) (Note 21)	14,904	—
Long term receivables and loans to associated companies (Note 21)	10,796	9,818
Derivatives:		
—Unrealized gain forward exchange contracts, current (Note 17)	4,366	17,110
—Unrealized gain forward exchange contracts, long-term (Note 21)	21	—
Total	937,604	609,472

The Company is exposed to credit risk on certain off-balance sheet items. In addition the Company has outstanding guarantees (see Note 25).

As described above, the Company's treasury function continuously monitors counterparties to mitigate credit risk. As of December 31, 2010, the Company is not aware of any specific credit risk related to counterparties other than those described.

Note 26—Financial Instruments (Continued)

Exposure to liquidity risk

The Company is exposed to liquidity risk related to the payment of debt and derivatives with negative value. The Company tries to minimise liquidity risk through ensuring access to a diversified set of funding sources, and management of maturity profile on debt and derivatives (see Note 25 and tables above for maturity profile on debt and above for derivatives with negative value).

Note 27—Leases, Commitments and Provisions

Leases

The Company has operating lease commitments expiring at various dates through 2023. Future minimum payments related to non-cancellable operating and finance leases were as follows:

	December 31, 2010		December 31, 2009	
	Operating leases	Finance leases	Operating leases	Finance leases
	(In thousands of dollars)			
2010	—	—	51,847	360
2011	63,816	—	35,985	—
2012	37,332	—	17,333	—
2013	28,428	—	13,874	—
2014	21,678	—	9,659	—
2015	17,076	—	—	—
Thereafter	10,986	—	15,054	—
Total[a]	179,316	—	143,752	360
Imputed interest		—		(12)
Net present value of finance lease obligations		—		348
Current portion of finance lease obligations		—		(348)
Long-term portion of finance lease obligations		—		—

(a) Onshore is excluded in the year-ended December 31, 2009 numbers, see Note 4.

The Company had no finance lease arrangements for the years ended December 31, 2010 and 2009.

The future minimum payments under the Company's operating leases relate to the Company's operations as follows:

	December 31,	
	2010	2009
	(In thousands of dollars)	
Marine seismic and support vessels	82,826	54,651
Data processing operations equipment	5,493	4,994
Buildings	77,285	82,337
Other	13,712	1,770
Total	179,316	143,752

Note 27—Leases, Commitments and Provisions (Continued)

Rental expense for operating leases, including leases with terms of less than one year, was $73.5 million, $89.5 million and $146.8 million for the years ended December 31, 2010, 2009 and 2008, respectively.

Claim towards a polish yard

In 2008, PGS subsidiary Arrow Seismic Invest IV LTD ("Arrow IV") terminated a contract with Polish yard Stocznia Marynarki Wojennej S.A. (the "yard") for conversion works on the vessel *Southern Explorer.* The yard has subsequently detained the vessel as security for alleged claims against Arrow IV, whereas Arrow IV has in December 2009 initiated a law suit against the yard in which Arrow IV claims damages and repossession of the vessel.

Spanish leases

In connection with the purchase of Arrow (see Notes 5 and 18) the Company became party to Spanish lease structures for the construction of four high capacity seismic vessels (NB's 532, 533, 534 and 535). The contracts for NB's 532 and 533 were cancelled in 2009 due to delays and the NB 535 was cancelled in 2010. The NB 534 was delivered in 2010. See Note 18.

Under the tax lease scheme, the *PGS Apollo* is owned by a Spanish leasing company, which acquired and took delivery of the PGS Apollo from the shipyard in April 2010. Arrow Seismic Invest V Limited (Arrow V) is chartering the vessel under a bareboat charter party. The bareboat charter hire is paid by another lease company on behalf of Arrow V as part of the tax lease arrangement. Upon expiry of the bareboat charter period, which is expected to be during 2011, ownership of the *PGS Apollo* is transferred to Arrow V without any further payment from Arrow V. Because these agreements transfer to the Company substantially all the risks and benefits incidental to ownership of the vessels, upon commencement of the lease, the bareboat charters will be accounted for as finance leases.

UK leases

The Company entered into finance leases from 1996 to 1998 relating to *Ramforms Challenger, Valiant, Viking, Victory* and *Vanguard.* The terms for these leases ranged from 15-25 years. In 2007, the Company terminated the lease for *Ramform Victory* and took formal ownership of the vessel. The leases for *Ramform Viking* and *Ramform Vanguard* were terminated in 2006.

The Company has indemnified the lessors for the tax consequences resulting from changes in tax laws or interpretations thereof or adverse rulings by the tax authorities and for variations in actual interest rates from those assumed in the leases. The interest rate differentials are accounted for at fair value with corresponding changes in fair values reported through the consolidated statements of operations. The fair value is calculated using the forward market rates for Sterling LIBOR and a corresponding discount rate.

The remaining liability for interest rate differential on UK leases, which is accounted for at fair value, at December 31, 2010 and 2009, relates to *Ramform Valiant* and was 3.7 million British pounds (approximately $5.8 million) and 4.1 million British pounds (approximately $6.7 million), respectively.

Note 27—Leases, Commitments and Provisions (Continued)

Brazil service tax claim

The Company has an ongoing dispute in Brazil related to municipal services tax ("ISS") on sale of MultiClient data. The municipality has contended that licensing of MultiClient data is equal to providing a service to PGS' clients. ISS is a local service tax and the Company's primary view is that licensing of MultiClient data held by the Company should be treated as rental of an intangible asset, which is clearly not a service under the relevant provisions, and therefore not be subject to ISS. This has been confirmed by several external advisors and the Company intends to vigorously defend its view. The maximum theoretical exposure including all years at December 31, 2010 amounts to $169 million of ISS tax, including interest charges and penalties. In 2010 the Company also presented a bank guarantee of Brazilian real 49 million (approximately $29 million) following an ISS foreclosure presented by the tax office in Rio de Janeiro for the earliest exposure years. The bank guarantee was required in connection with the lawsuit filed by the Company on 4 February 2010 to challenge the assessment. The Company decided to replace the guarantee with a deposit to reduce cost in February 2011. In October 2010, the Company deposited 110 million Brazilian real (approximately $65 million) with the Rio de Janeiro court so as to be able to file a lawsuit to seek confirmation that the sale of MultiClient data is not subject to ISS. The lawsuit relates to periods after 2005, which have not yet been assessed, as well as to future transactions. Going forward, the Company will continue depositing amounts relating to future transactions. Because the Company considers it more likely than not that the contingency will be resolved in its favor, no accruals have been made for any portion of the exposure. Amounts deposited are held on an interest bearing bank account with Banco do Brazil and will be released to the Company if and when a positive final ruling is awarded, which may take several years. The deposit is presented as long-term restricted cash in the statement of positions.

Petrojarl

Following the demerger of Petrojarl in 2006, the Company retained a joint secondary liability for certain obligations of Petrojarl. Petrojarl has agreed to indemnify the Company from liabilities related to its operations. Such liabilities include liabilities related to the floating production, storage and offloading units ("FPSOs"), that the Company transferred to Petrojarl in connection with the demerger. With respect to *Petrojarl Foinaven* FPSO, PGS has provided a separate on demand guarantee. The guarantee is made in relation to the FPSO service agreement and is for the benefit of the Foinaven co-ventures and is capped at $10 million. With respect to *Petrojarl Banff* FPSO, the Company remains with a joint secondary liability with Petrojarl under their FPSO service agreement with the Banff group. The guarantee is not capped. If these claims are made and Petrojarl does not honor its obligation to indemnify PGS, it could adversely affect the Company's business, results of operation or financial condition.

Note 27—Leases, Commitments and Provisions (Continued)

Deferred consideration, acquired companies

Following the 2007 acquisitions (see Note 5) the Company had liabilities relating to deferred considerations, presented as follows:

	December 31,	
	2010	2009
	(In thousands of dollars)	
Accrued expenses (Note 28)	—	2,741
Total	—	2,741

The deferred consideration related to the acquisition of Roxicon in 2007, totalling NOK 15.8 million (approximately $2.7 million at year ended December 31, 2009), which was paid in August 2010.

Onerous contracts

The Company has a provision for onerous contracts in connection with office lease agreements in the UK. As of December 31, 2010 this relates to minimum operational lease provision of $5.1 million for offices that is no longer in use and provisions for dilapidation of $1.1 million. In total this was of $5.2 million as of December 31, 2009.

Note 28—Accrued Expenses

Accrued expenses consist of the following:

	December 31,	
	2010	2009
	(In thousands of dollars)	
Accrued employee benefits	67,008	75,349
Customer advances and deferred revenue	39,388	78,539
Accrued vessel operating expenses	31,155	40,372
Accrued revenue share	22,598	—
Accrued sales tax and VAT	18,871	18,952
Received, not invoiced, property and equipment	17,286	17,073
Accrued office cost	8,755	8,180
Accrued commissions	8,725	11,730
Accrued project cost	4,204	6,216
Unrealized loss interest swaps/forward exchange contracts (Note 26)	4,075	6,237
Accrued interest expenses	3,807	3,651
Accrued legal, audit and consulting fee	3,803	1,720
Accrued onerous contracts (Note 27)	2,422	3,597
Deferred compensation, acquired companies (Note 27)	—	2,741
Fair value adjustment of firm commitments	—	1,245
Other	12,841	10,477
Total	244,938	286,079

Note 29—Other Long-Term Liabilities

Other long-term liabilities consist of the following:

	December 31, 2010	December 31, 2009
	(In thousands of dollars)	
Pension liability (Note 30)	37,539	35,075
Unrealized loss interest swaps/forward exchange contracts (Note 26)	28,464	28,271
Tax contingencies	11,731	11,448
Accrued liabilities UK leases (Note 27)	4,885	5,965
Accrued onerous contracts (Note 27)	3,789	1,592
Other	4,423	3,601
Total	90,831	85,952

Note 30—Pension Obligations

Defined benefits plans

The Company has historically had defined benefit pension plans for substantially all of its Norwegian and UK employees, with eligibility determined by certain period-of-service requirements. In Norway these plans are generally funded through contributions to insurance companies. In the UK, the plans are funded through a separate pension trust. It is the Company's general practice to fund amounts to these defined benefit plans at rates that are sufficient to meet the applicable statutory requirements. As of January 1, 2005, the Norwegian defined benefit plans were closed for further entrants (except for seismic crew) and new defined contribution plans were established for new employees. As of March 31, 2006, the UK defined benefit plan was closed for new entrants. As of January 1, 2008, the Norwegian defined benefit plan for seismic crew were closed for further entrants, and new defined contribution plans were established for new seismic crew members. At December 31, 2010, 467 employees were participating in these plans.

Actuarial valuations and assumptions

The actuarial valuations were carried out by independent actuaries in Norway and UK.

Note 30—Pension Obligations (Continued)

Reconciliation of the plans' aggregate projected benefit obligations and fair values of assets are summarized as follows:

Change in projected benefit obligations (PBO):

	December 31, 2010	December 31, 2009
	(In thousands of dollars)	
Projected benefit obligations (PBO) at January 1	134,510	108,882
Service cost	8,721	6,843
Interest cost	7,093	5,824
Employee contributions	1,261	984
Social security tax	73	(719)
Actuarial loss, net	8,627	(3,232)
Benefits paid	(643)	(721)
Exchange rate effects	(3,848)	16,649
Projected benefit obligations (PBO) at December 31	155,794	134,510

Change in pension plan assets:

	December 31, 2010	December 31, 2009
	(In thousands of dollars)	
Fair value of plan assets at January 1	96,531	69,870
Expected return on plan assets	6,378	5,451
Employer contributions	6,229	8,381
Employee contributions	1,261	984
Actuarial gain, net	3,217	1,910
Benefits paid	(697)	(721)
Exchange rate effects	(3,130)	10,656
Fair value of plan assets at December 31	109,789	96,531

The aggregate funded status of the plans and amounts recognized in the Company's consolidated statement of financial position are summarized as follows:

	December 31, 2010	December 31, 2009
	(In thousands of dollars)	
Funded status[(a)]	46,005	37,979
Unrecognized actuarial gain (loss)	(8,466)	(2,904)
Net pension liability	37,539	35,075

(a) Includes social security tax on net pension liability.

Net amount recognized as accrued pension liability is presented as other long-term liabilities (see Note 29).

Note 30—Pension Obligations (Continued)

The accumulated benefit obligation (ABO) for all defined benefit pension plans was $128.9 million and $112.2 million as of December 31, 2010 and 2009, respectively. All plans have an accumulated benefit obligation in excess of plan assets.

Net periodic pension cost for the Company's defined benefit pension plans are summarized as follows:

	Years ended December 31,		
	2010	2009	2008
	(In thousands of dollars)		
Service cost	6,458	6,843	8,996
Interest cost	7,093	5,824	6,847
Expected return on plan assets	(6,378)	(5,451)	(6,845)
Adjustments to prior service cost	2,263	310	—
Amortization of actuarial loss	(230)	(33)	(12)
Administration costs	53	48	120
Social security tax	525	551	726
Net periodic pension cost	9,784	8,092	9,832

Assumptions used to determine periodic pension cost:

	2010		2009		2008	
	Norway	UK	Norway	UK	Norway	UK
Discount rate	4.50%	5.80%	3.80%	6.00%	4.50%	5.80%
Return on plan assets	5.70%	7.68%	5.80%	7.42%	5.50%	7.40%
Compensation rate	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Annual adjustments to pensions	1.40%	(a)	1.50%	(a)	4.00%	(a)

(a) 3.30% for services up to July 2010 and 2.25% for services thereafter in years ended December 31, 2008, 2009 and 2010.

Assumptions used to determine benefit obligations at end of years presented:

	December 31, 2010		December 31, 2009	
	Norway	UK	Norway	UK
Discount rate	4.00%	5.50%	4.50%	5.80%
Compensation increase	4.00%	4.00%	4.00%	4.00%
Annual adjustment to pensions	1.30%	(b)	1.40%	(b)
Mortality table	K2005	SAPS Light BY Medium cohort	K2005	SAPS Light BY Medium cohort

(b) 3.30% for services up to July 2010 and 2.25% for services thereafter as of December 31, 2009 and 2.3% as of December 31, 2010.

The discount rate assumptions used for calculating pensions reflect the rates at which the obligations could be effectively settled. Observable long-term rates on governmental bonds are used as a starting point and matched with the Company's expected cash flows under the Norwegian plans. Observable

Note 30—Pension Obligations (Continued)

long-term rates on corporate bonds are used for the UK plans. The expected long-term rate of return on plan assets is based on historical experience and by evaluating input from the trustee managing the plan's assets.

Historical information

The net pension liability for the past five years were as follows:

	December 31,				
	2010	2009	2008	2007	2006
	(In thousands of dollars)				
Projected benefit obligation	155,794	134,510	108,882	135,437	128,628
Fair value of plan assets	109,789	96,531	69,870	98,409	80,535
Net funded status (incl. payroll tax)	46,005	37,979	39,012	37,028	48,093

The following table show the experience adjustment from actuarial gain and losses (the effects of differences between the previous actuarial assumptions and what has actually occurred) of the Projected benefit obligation and plan assets for the years displayed:

	2010	2009	2008	2007	2006
Projected benefit obligation (PBO)	(0.55)%	2.0%	3.0%	1.2%	(0.4)%
Fair value of plan assets	3.33%	1.9%	(35.5)%	(1.0)%	3.0%

Sensitivity

The following table show the sensitivity of pension cost (excluding amortization of actuarial gains and losses) and benefit obligation (including payroll tax) related to change in discount rate, compensation level and USD:

	1% increase in discount rate	1% decrease in discount rate	1% increase in yearly compensation increase	1% decrease in yearly compensation increase	10% appreciation of USD[(a)]
	(In thousands of dollars)				
Increase (decrease) in pension cost	(2,941)	2,542	1,343	(2,062)	(878)
Increase (decrease) in benefit obligation (PBO)	(32,915)	45,001	17,814	(17,498)	(14,092)

(a) Based on the Company's mix of Norwegian plans (NOK denominated) and UK plans (GBP denominated) as of December 31, 2010.

Note 30—Pension Obligations (Continued)

Plan asset allocation

The Company's pension plan asset allocations, by asset category, are presented by major plan group as follows:

	December 31, 2010		December 31, 2009	
	Norway	UK	Norway	UK
	(In thousands of dollars)			
Fair value of plan assets	32,279	76,782	29,097	67,434
Debt securities	64%	26%	70%	46%
Equity/diversified growth funds	15%	71%	10%	52%
Real estate	20%	—	20%	—
Other	1%	3%	—	2%
Total	100%	100%	100%	100%

Management of plan assets must comply with applicable laws and regulations in Norway and the UK where the Company provides defined benefits plans. Within constraints imposed by laws and regulations, and given the assumed pension obligations and future contribution rates, the majority of assets are managed actively to obtain a long-term rate of return that at least reflects the chosen investment risk.

The Company expects to contribute approximately $5.3 million to its defined benefit pension plans in 2011.

Defined contribution plans

Substantially all employees not eligible for coverage under the defined benefit plans in Norway and the UK are eligible to participate in pension plans in accordance with local industrial, tax and social regulations. All of these plans are considered defined contribution plans.

The Company's contributions to the Norwegian defined contribution plans for the year ended December 31, 2010, 2009 and 2008 were $1.4 million, $1.4 million and $1.1 million, respectively.

Under the Company's U.S. defined contribution 401(k) plan, substantially all US employees are eligible to participate upon completion of certain period-of-service requirements. The plan allows eligible employees to contribute up to 100% of compensation, subject to IRS and plan limitations, on a pre-tax basis, with a 2010 statutory cap of $16,500 ($22,000 for employees over 50 years). Employee pre-tax contributions are matched by the Company as follows: the first 3% are matched at 100% and the next 2% are matched at 50%. All contributions vest when made. The employer matching contribution related to the plan was $1.6 million, $1.8 million and $1.8 million for the years ended December 31, 2010, 2009 and 2008, respectively. Contributions to the plan by employees for these periods were $4.2 million, $4.6 million and $4.5 million, respectively.

Aggregate employer and employee contributions under the Company's other plans for the years ended December 31, 2010, 2009 and 2008, were $1.7 million and $0.8 million (2010), $2.3 million and $1.0 million (2009) and $2.7 million and $0.9 million (2008).

Note 31—Shareholder Information

As of December 31, 2009, Petroleum Geo-Services ASA had a share capital of NOK 593,999,997 divided on 197,999,999 shares of par value NOK 3 each. On November 17, 2010, the share capital was increased through a private placement of 19,799,998 shares (see below). As a result, the share capital as of December 31, 2010, was NOK 653,399,991, divided on 217,799,997 shares of par value NOK 3 each, all fully paid.

The private placement was made on basis of an authorization of the Board given at the annual general meeting ("AGM") held April 29, 2010. The authorization allowed for the increase of the Company's share capital with up to NOK 59,399,997. The private placement comprised 19,799,998 shares, corresponding to 9.99% of the number of outstanding shares of the Company at that time, and net proceeds amounted to $268.6 million.

The private placement was initiated to preserve the Company's financial strength and strategic flexibility in addition to support the fleet expansion and renewal program.

At the AGM held on April 29, 2010, authority was also given for the Board of Directors to acquire treasury shares at a maximum face value of the shares of NOK 59,399,997. Such shares can be disposed off to satisfy existing or future employee incentive schemes, as part of the consideration payable for acquisitions made by the Company, or use as consideration in connection with mergers, demergers or acquisitions involving the Company, by way of cancellation of the shares in part or in full, to raise funds for specific investments, for the purpose of paying down loans (including convertible bonds), or in order to strengthen the Company's capital base. The Board of Directors was further authorised to increase the share capital with a maximum of NOK 28,000,000 to meet obligations under the share option programs for employees. The Board was also authorized to issue convertible bonds at a total amount of NOK 3,500,000,000. These authorizations are valid until June 30, 2011.

All shares have equal voting rights and equal rights to dividends. Any distribution of the Company's equity is dependent on the approval of the shareholders, and the ability to make distributions is limited by certain debt covenants and Norwegian Corporate Law. The ordinary shares are listed on the Oslo Stock Exchange.

The Company's holding of treasury shares reconciles as follows:

	Treasury shares	% of total shares outstanding
Balance at December 31, 2008	3,806,989	2.11%
Sale of treasury shares May 29, 2009	(3,625,223)	
Used to fulfil deferred considerations, acquired companies (Note 27)	(181,766)	
Balance at December 31, 2009	—	—
Acquired in 2010	900,000	
Used to fulfil employee share option program in 2010 (Note 33)	(359,536)	
Transfer of excess shares	3,517	
Balance at December 31, 2010	543,981	0.25%

Note 31—Shareholder Information (Continued)

The 20 largest shareholders in Petroleum Geo-Services ASA were as follows:

	December 31, 2010	
	Total shares	Ownership percent
Folketrygdfondet	20,477,610	9.40
State Street Bank & Trust (nominee)	6,086,590	2.79
Euroclear Bank (nominee)	6,051,084	2.78
Handelsbanken (nominee)	5,500,000	2.53
Clearstream Banking (nominee)	5,086,407	2.34
State Street Bank & Trust Co. (nominee)	4,500,125	2.07
State Street Bank & Trust Co. (nominee)	4,339,045	1.99
Bank of New York (nominee)	4,001,622	1.84
State Street Bank & Trust Co. (nominee)	3,797,942	1.74
Citibank N.A. (nominee)	3,758,123	1.73
JP Morgan Chase Bank (nominee)	3,620,189	1.66
Vital Forsikring	3,604,260	1.65
Caceis Bank (nominee)	3,071,202	1.41
Pensjonskassen Statoil	2,947,252	1.35
Rasmussengruppen AS	2,500,000	1.15
JP Morgan Chase Bank (nominee)	2,368,942	1.09
DNB Nor Bank	2,339,840	1.07
HSBC Bank (nominee)	2,333,105	1.07
Danske Bank (nominee)	2,212,253	1.02
The Northern Trust (nominee)	2,176,401	1.00
Other shareholders	127,028,005	58.32
Total	217,799,997	100.0

Note 31—Shareholder Information (Continued)

Shares owned or controlled by members of the Board of Directors, Chief Executive Officer and Other Executive Officers were as follows:

	December 31, 2010	
	Total shares	Ownership percent
Board of Directors:		
Francis Gugen, Chairperson	30,000	(a)
Harald Norvik, Vice Chairperson	8,000	(a)
Holly Van Deursen	—	—
Daniel J. Piette	4,000	(a)
Annette Malm Justad	—	—
Carol Bell	—	—
Ingar Skaug	—	—
Chief Executive Officer and Other Executive Officers:		
Jon Erik Reinhardsen, President and Chief Executive Officer	58,785	(a)
Gottfred Langseth, Executive Vice President and Chief Financial Officer	28,752	(a)
Guillaume Cambois, Executive Vice President Data Processing & Technology	1,885	(a)
Magne Reiersgard, Executive Vice President Operations	8,678	(a)
Per Arild Reksnes, Executive Vice President Marine Contract	5,434	(a)
Sverre Strandenes, Executive Vice President MultiClient	9,330	(a)

(a) Less than 1% of the Company's share as of December 31, 2010.

Note 32—Related Party Transactions

The following transactions were carried out with related parties:

	Years ended December 31,		
	2010	2009	2008
	(In thousands of dollars)		
Sale of goods and services			
Associates—MultiClient data	1,184	—	—
Associates—Administrative services	2,783	—	—
Associates—Data Processing	996	—	—
ConocoPhillips—Seismic services[a]	4,188	13,108	10,104
Purchase of services			
Wilh. Wilhelmsen—Maritime management services[b]	6,415	6,070	—
Other			
Associates—Interest income	172	330	—

(a) The Director Mr Harald Norvik is a board member of ConocoPhillips.

(b) The Director Mr Ingar Skaug (appointed in 2009) was the Group CEO of Wilh. Wilhelmsen ASA until October 1, 2010.

Note 32—Related Party Transactions (Continued)

The Company had the following outstanding balances with related parties at December 31, 2010:

	December 31,	
	2010	2009
	(In thousands of dollars)	
Loan to associate[(a)]	3,132	2,960
Receivable from associate	1,211	—

(a) The loan to PGS Khazar is based on a $4.1 million frame loan agreement which can be drawn on as needed. The loan bear interest of 6.5%.

All transactions with related parties are priced on an arm's length basis.

Directors of the Company are also on the Board of certain customers and suppliers. As of December 31, 2010 and 2009, the Company did not have any significant outstanding balances with any of these companies.

See also Note 34.

Note 33—Employee Share Option Programs

In 2006, the Company established an employee option program. Options covering 2,127,000 shares were granted to certain key employees. Additional 223,000 options and 25,000 options were granted from this plan in the years ended December 31, 2007 and 2008, respectively.

In 2008, the Company established a second employee option program. Options covering 3,060,000 shares were granted to certain key employees. Additional 40,000 options were granted from this plan in the year ended December 31, 2009.

In 2009, the Company established a third employee share option program. Options covering 3,012,500 shares were granted to certain key employees. Additional 190,000 options were granted from this plan in the year ended December 31, 2010.

In June 2010, the Company established a fourth employee share option program. Options covering 1,476,500 shares were granted to certain key employees.

The Company's option programs are considered as equity-settled plans and the options were measured at fair value at date of grant. For the 2006, 2008 and 2009 plans one third of the options vest each of the three years subsequent to the date of grant. First possible exercise is one year after grant date. For the 2010 plan the options will vest respectively 3 and 4 years after the date of grant for each half of the award. The options may only be exercised four times a year, during a defined period after the publication of the Company's quarterly earnings release. The latest possible exercise date for all plans is five years subsequent to the grant date.

For options granted under the 2006 employee option program, the exercise price corresponds to the weighted average trading price for the Company's ordinary shares on the Oslo Stock Exchange the week before the options were granted. For options granted under the 2008, 2009 and 2010 employee option programs the exercise price corresponds to the weighted average trading price for the Company's ordinary shares on the Oslo Stock Exchange at the date of grant.

Maximum gain on the options in the 2008, 2009 and 2010 employee option programs are subject to a cap of 1.5 times the employee's salary for each calendar year. The fair value of the cap is achieved

Note 33—Employee Share Option Programs (Continued)

through a reduction of the fair value of the options granted. There is no cap on the 2006 employee share option program.

The fair value determined at the grant date is expensed over the vesting period, using the accelerated method, based on the Company's estimate of the shares that will eventually vest. Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The options include a service condition as the individuals participating in the plan must be employed by the Company for a certain period of time in order to earn the right to exercise the share options. The options include no performance conditions.

For the years ended December 31, 2010, 2009 and 2008, the Company recognized compensation cost with a corresponding increase in shareholders' equity of $5.3 million, $11.8 million and $9.8 million, respectively. Total net unrecognized compensation cost as of December 31, 2010 was $8.8 million (related to non-vested share-based options), which is expected to be recognized over a period of 3.5 years (main portion within 1 year).

The tables below detail the Company's outstanding options for the years presented.

Year ended December 31, 2010:

Grant date:	Options outstanding December 31, 2009	Options granted in 2010	Options exercised in 2010	Options forfeited in 2010	Options outstanding December 31, 2010	Weighted-average remaining contractual term	Options exercisable December 31, 2010
2006	1,276,788	—	—	(162,006)	1,114,782	0.5 years	1,114,782
2007	201,000	—	—	(24,000)	177,000	1.4 years	177,000
2008	2,965,500	—	—	(437,334)	2,528,166	2.4 years	1,708,966
2009	3,052,500	—	(359,536)	(449,437)	2,243,527	3.4 years	533,840
2010	—	1,666,500	—	(50,000)	1,616,500	4.4 years	—
Total	7,495,788	1,666,500	(359,536)	(1,122,777)	7,679,975	2.8 years	3,534,588

Year ended December 31, 2009:

Grant date:	Options outstanding December 31, 2008	Options granted in 2009	Options exercised in 2009	Options forfeited in 2009	Options outstanding December 31, 2009	Weighted-average remaining contractual term	Options exercisable December 31, 2009
2006	1,325,781	—	—	(48,993)	1,276,788	1.5 years	1,276,788
2007	201,000	—	—	—	201,000	2.4 years	134,001
2008	3,016,500	—	—	(51,000)	2,965,500	3.4 years	988,454
2009	—	3,052,500	—	—	3,052,500	4.4 years	—
Total	4,543,281	3,052,500	—	(99,993)	7,495,788	3.8 years	2,399,243

Note 33—Employee Share Option Programs (Continued)

The following share options, granted under the share option plans, were exercised for all years presented:

	Year ended December 31, 2010			Year ended December 31, 2009		
Granted:	**Options Exercised**	**Exercise date**	**Share price at exercise date**	**Options exercised**	**Exercise date**	**Share price at exercise date**
2009	8,338	June 21, 2010	NOK 69.25	—	—	—
2009	88,465	August 4, 2010	NOK 61.55	—	—	—
2009	262,733	November 4, 2010	NOK 80.60	—	—	—
Total	359,536			—		

No share options have expired during the years ended December 31, 2010 and 2009.

The table below details the Company's assumptions used to calculate estimated fair value at grant date:

Grant date:	**Options outstanding December 31, 2010**	**Average exercise price**	**Risk free rate**	**Dividend yield**	**Volatility factor**	**Weighted average life**	**Estimated fair value at grant date (average NOK/USD per share option)**
2006[(a)]	1,114,782	NOK 111.50	3.92-4.00%	—	45%	3.5 years	NOK 44.10/$7.12
2007[(a)]	177,000	NOK 141.05	5.02-5.22%	—	43%	3.5 years	NOK 55.20/$8.87
2008	2,528,166	NOK 132.91	4.56-5.75%	—	46%	2.5 years	NOK 35.55/$6.77
2009	2,243,527	NOK 40.30	2.28%	—	55%	2.4 years	NOK 13.25/$2.08
2010	1,616,500	NOK 78.31	2.30-2.45%	—	60%	3.5 years	NOK 28.24/$4.57
Total	7,679,975						

(a) Exercise price is adjusted for special dividend of NOK 10 per share distributed in July 2007.

Expected volatility for all grants is based on historical volatility of the Company's shares after emerging from Chapter 11 in November 2003. As a result of unusual high volatility during the international financial distress 2008 to 2009, the Company has estimated volatility for the 2009 and 2010 grants in order to reflect the expected volatility going forward.

There are no traded options of the Company's shares and there are no post vesting restrictions included in the option plan.

Note 34—Salaries and Other Personnel Costs, Number of Employees, and Remuneration to the Board of Directors, Executive Officers and Auditors

Salary and social expenses that are included in cost of sales, research and development costs and selling, general and administrative costs, excluding such costs relating to discontinued operations (see Note 4) consist of:

	Years ended December 31,		
	2010	2009	2008
	(In thousands of dollars)		
Salaries and bonuses	247,940	247,092	243,308
Social security	21,834	17,935	17,551
Pension	14,544	12,805	14,830
Other benefits	25,524	25,103	25,493
Total	309,841	302,935	301,182

The Company had an average of 2,090, 2,192 and 2,058 employees during the years ended December 31, 2010, 2009 and 2008, respectively (excluding Onshore employees).

Note 34—Salaries and Other Personnel Costs, Number of Employees, and Remuneration to the Board of Directors, Executive Officers and Auditors (Continued)

Chief Executive Officer (CEO) and Other Executive Officers

In 2010, the Company paid compensation to its President and CEO and other executive officers as follows:

		Total compensation paid in 2010[a]					
Name:	Position:	Fixed salary	Bonus[b]	Other benefits[c]	Total paid salary and compensation	Benefits paid to pension plan[d]	Accrued compensation at December 31, 2010[e]
					(in dollars)		
Jon Erik Reinhardsen	President and Chief Executive Officer	784,162	610,058	38,159	1,432,379	52,697	1,706,553
Gottfred Langseth	Executive Vice President and Chief Financial Officer	523,329	697,506	36,680	1,257,515	52,808	303,384
Guillaume Cambois	Executive Vice President, Data Processing & Technology[f]	196,857	—	16,088	212,945	15,722	208,213
Magne Reiersgard	Executive Vice President, Operations[f]	274,999	124,079	78,100	477,178	55,146	270,000
Per Arild Reksnes	Executive Vice President, Marine Contract[f]	276,817	96,455	109,641	482,913	47,381	239,445
Sverre Strandenes	Executive Vice President, MultiClient	490,078	618,704	41,232	1,150,014	83,566	276,923
Rune Eng	Executive Vice President, Marine Contract[g]	451,136	658,708	231,476	1,341,320	59,585	—

(a) Amounts in NOK have been translated to US Dollars using average exchange rate for 2010 of NOK/USD 6.065.

(b) Includes payments for the 2008 and 2009 performance bonus plan (paid in April 2010) and the 2008 retention bonus plan (paid in October 2010).

(c) Includes items such as car allowance, payment to defined contribution plan, telephone, internet and other minor benefits. In addition taxable gain on exercised share options (see Note 33).

(d) Contribution to defined benefit plans and defined contribution plans (Norway).

(e) Includes accruals for the 2010 performance bonus plans (total as accrued at December 31, 2010 for all executives) and CEO deferred compensation (see below).

(f) Executive officers from May 2010 (see Note 4). Compensation payments from May 1–December 31, 2010.

(g) Rune Eng resigned in November 2010.

Note 34—Salaries and Other Personnel Costs, Number of Employees, and Remuneration to the Board of Directors, Executive Officers and Auditors (Continued)

Share options held by the CEO and executive officers at December 31, 2010 were as follows:

Name:	Number of share options at December 31, 2009	Number of options granted 2010	Number of options forfeited 2010	Numbers of options exercised 2010	Average exercise price on exercised options (NOK)	Number of share options at December 31, 2010	Average exercise price on outstanding options (NOK)	Weighted average remaining contractual term
Jon Erik Reinhardsen	300,000	75,000	—	—	—	375,000	85.01	3.2 years
Gottfred Langseth	270,000	45,000	—	—	—	315,000	92.58	2.5 years
Guillaume Cambois	105,000	45,000	—	20,000	40.29	130,000	85.59	3.4 years
Magne Reiersgard	159,999	45,000	—	—	—	204,999	89.70	2.8 years
Per Arild Reksnes	159,999	45,000	—	20,000	40.29	184,999	95.04	2.7 years
Sverre Strandenes	230,001	45,000	—	—	—	275,001	89.83	2.7 years
Rune Eng[(a)]	240,000	45,000	195,000	30,000	40.29	60,000	111.50	0.4 years

(a) Rune Eng resigned in November 2010 and the share options held at December 31, 2010 has to be exercised within first half 2011.

Eric Wersich was executive officer in Onshore, which businesses operation were sold in February 2010 (see Note 4) and compensation payments for one month in 2010 are not included in above tables.

In 2009, the Company paid compensation to its President and CEO and other executive officers as follows:

		Total compensation paid in 2009[(a)]					
Name:	Position:	Fixed salary	Bonus[(b)]	Other benefits[(c)]	Total paid salary and compensation	Benefits paid to pension plan[(d)]	Accrued 2009 compensation at December 31, 2009[(e)]
					(in dollars)		
Jon Erik Reinhardsen	President and Chief Executive Officer	648,673	—	62,230	710,903	7,806	848,066
Gottfred Langseth	Executive Vice President and Chief Financial Officer	483,306	342,555	67,163	893,024	18,314	433,384
Rune Eng	President, Marine	481,791	337,830	75,854	895,475	22,264	428,243
Eric Wersich	President, Onshore	378,125	300,000	18,498	696,623	—	327,176
Sverre Strandenes	President, Data Processing & Technology	442,762	294,125	83,448	820,335	28,396	373,502

(a) Amounts in NOK have been translated to US Dollars using average exchange rate for 2009 of NOK/USD 6.35.

(b) Includes payments for the 2007 retention bonus plan.

(c) Includes items such as car allowance, payment to defined contribution plan, telephone, internet and other minor benefits.

(d) Contribution to defined benefit plans and defined contribution plans (Norway).

(e) Includes accruals for the 2009 and 2008 performance bonus plans (including share purchase bonus), the 2008 retention bonus plan and CEO deferred compensation.

Note 34—Salaries and Other Personnel Costs, Number of Employees, and Remuneration to the Board of Directors, Executive Officers and Auditors (Continued)

Share options held by the CEO and executive officers at December 31, 2009 were as follows:

Name:	Number of share options at December 31, 2008	Number of options granted 2009	Numbers of options exercised 2009	Average exercise price on exercised options (NOK)	Number of share options at December 31, 2009	Average exercise price on outstanding options (NOK)	Weighted average remaining contractual term
Jon Erik Reinhardsen	150,000	150,000	—	—	300,000	86.67	3.9 years
Gottfred Langseth	180,000	90,000	—	—	270,000	94.95	3.1 years
Rune Eng	150,000	90,000	—	—	240,000	92.88	3.3 years
Eric Wersich	109,999	90,000	—	—	199,999	87.00	3.5 years
Sverre Strandenes	140,001	90,000	—	—	230,001	92.07	3.4 years

See Note 31 for shares held by the Company's CEO and other executive officers and Note 33 for further information on the share option programs.

Jon Erik Reinhardsen, President and CEO of the Company ("CEO"), had an annual fixed salary of NOK 4,500,000 in 2010. The CEO has a mutual 6-months period of notice. The CEO is, both during and after the employment, obliged to refrain from taking employment with companies that are direct or indirect competition with PGS. This prohibition applies for a period of two years from the termination date unless the Company sets a shorter period of time.

Other executive officers have similar provisions in their employment terms, with periods of notice of twelve months or less.

Annual performance bonus scheme

The Board of Directors has established an annual performance bonus scheme for the Company's CEO and other executive officers. In 2010 the CEO participated in a performance bonus scheme where he was entitled to a cash bonus and a share bonus provided the Company and the CEO met certain financial and non-financial performance targets. The target bonus for the CEO which assumes that the company goals and the CEO's individual goals are met is a cash bonus of 57% and a share purchase bonus of 28% of the CEO's annual base salary. These target bonuses can be increased or decreased in cases of performance above or below the targets set for the CEO and the Company. Any amount the CEO received as a share purchase bonus, on a net basis after withholding tax, are required to be used to buy PGS ordinary shares at market price and retained for a minimum of three years. Other executive officers, listed above, who were employed by the Company during 2010 and remain employed as of March 1, 2011 are participants in a bonus scheme where they are entitled to a cash bonus targeted at 42% of the respective executive's annual base salary. The target bonus can be increased or decreased in cases of performance above or below the targets set for the executive and the Company. The Board of Directors determined that the bonus under the performance bonus scheme for these executives for the years ended December 31, 2010 and 2009 would be in aggregate $2,221,041 and $1,649,644, respectively.

As the bonus for the year ended December 31, 2008 was heavily influenced by external factors outside the Company's control, the Board of Directors offered in February 2009 an increase of the 2008 bonus to all employees participating in the Company's bonus schemes on the condition that they accepted deferral of payment until March 2010. The bonus under the performance bonus incentive scheme for

Note 34—Salaries and Other Personnel Costs, Number of Employees, and Remuneration to the Board of Directors, Executive Officers and Auditors (Continued)

the year ended December 31, 2008 include an adjustment of the 2008 bonus totalling $615,850 as these executives accepted a deferral of payment until March 2010. The deferred 2008 bonus amounts were settled in cash only.

Retention bonus plans

In addition to the above annual performance bonus scheme the Board of Directors established a retention bonus scheme for the Company's executive officers, excluding the CEO, effective January 1, 2007. The yearly retention bonus was a fixed amount equivalent to 75% of base salary at the time of payment. The first yearly retention bonus was paid in October 2008 and thereafter yearly to October 2010. As of December 31 2010 there are no earned and accrued retention bonuses under this scheme for the CEO or any executive officer ($433,312 at December 31, 2009).

Board of Directors

For the years ended December 31, 2010 and 2009, compensation paid to all persons who served as Directors during any period were as follows. None of our Directors has any contract with us providing benefits upon termination of service.

The table below provides information about our Directors and compensation paid during 2010:

Name:	Position:	Director since	Term expire	Compensation
				(In dollars)
Francis Gugen	Chairperson	2003	2011	97,845
Harald Norvik	Vice Chairperson	2003	2011	93,940
Holly Van Deursen	Director	2006	2011	91,439
Wenche Kjølås	Director	2006	(a)	48,324
Daniel J. Piette	Director	2007	2011	93,192
Annette Malm Justad	Director	2008	2011	77,114
Carol Bell	Director	2009	2011	94,237
Ingar Skaug	Director	2009	2011	60,944
Total				657,037

(a) Resigned as Director May 2010.

Note 34—Salaries and Other Personnel Costs, Number of Employees, and Remuneration to the Board of Directors, Executive Officers and Auditors (Continued)

The table below provides information about our Directors and compensation paid during 2009:

Name:	Position:	Director since	Term expire	Compensation
				(In dollars)
Jens Ulltveit-Moe	Chairperson	2002	(a)	26,111
Francis Gugen	Chairperson	2003	2010	97,331
Harald Norvik	Vice Chairperson	2003	2010	70,004
Holly Van Deursen	Director	2006	2010	90,976
Wenche Kjølås	Director	2006	2010	73,069
Daniel J. Piette	Director	2007	2010	95,060
Annette Malm Justad	Director	2008	2010	67,794
Carol Bell	Director	2009	2010	—
Ingar Skaug	Director	2009	2010	—
Total				520,345

(a) Resigned as Chairperson May 2009.

See Note 31 for shares held by the Company's Board of Directors.

Board of Directors' statement on remuneration to the CEO and the Executive Officers

In accordance with §6-16a of the Norwegian Public Limited Companies Act, the Board of Directors has prepared a statement related to the determination of salary and other benefits for our CEO and other executive officers. The guidelines set out below for our CEO and other executive officers salary and other benefits, for the coming fiscal year, will be presented to the shareholders for their advisory vote at the May 2011 Annual General Meeting.

PGS is an international company operating in the global geophysical industry. Our operations are conducted world wide and our employment base is and needs to be largely international. The total compensation package for our CEO and other executive officers shall therefore be competitive both within the Norwegian labour market and internationally. Both the level of total compensation and the structure of the compensation package for our CEO and other executive officers shall be such that it may attract and retain highly qualified international leaders. This will require the use of several different instruments and measures also meant to provide incentives for enhanced performance and to ensure common goals and interest between the shareholders and management.

The current remuneration package for our CEO and other executive officers includes fixed elements and variable elements. The fixed elements consist of a base salary and other benefits. Other benefits include car allowance, newspaper subscription, mobile phone, internet and similar benefits. The fixed elements also include a pension plan. The CEO and three executive officers have an early retirement plan allowing for termination of employment when the CEO or the executive officers reach the age of 62. Provided that the CEO or executive officers have been employed as a CEO or an executive officer for 10 years (or in some cases longer) the CEO or the executive officers are entitled to up to 60% of the last base salary in the period up until the CEO or the executive officers reach the age of 67.

Note 34—Salaries and Other Personnel Costs, Number of Employees, and Remuneration to the Board of Directors, Executive Officers and Auditors (Continued)

The variable elements consist of a performance bonus scheme and participation in our share option program.

Participation in the performance bonus scheme and the target levels and the maximum levels of the annual performance bonus scheme are determined annually. Achievement under the performance bonus scheme is based partly on achievements of agreed financial key performance indicators ("KPIs") for the group and a relevant management group, and partly on achievements of agreed operational, financial and organizational KPIs included in a personal performance contract.

The Group KPIs are financial targets set by the Board of Directors at the start of a fiscal year. The Group KPIs are thereafter broken down to business unit KPIs. The personal performance contract for our CEO and other executive officers will contain such KPI goals as well as KPI goals linked to other measures of success such as HSE, operational effectiveness and organizational development.

The CEO and other executive officers have target bonus levels and maximum bonus levels. The maximum bonus levels may be exceeded by a limited and defined amount only if performance is extraordinary and very substantially above defined goals. The CEO and other executive officers will for 2011 be obliged to use one third of their annual bonus (net after withholding tax) to purchase shares in the Company and retain them for 3 years. The annual performance bonus for the CEO is approved by the Board of Directors in a meeting, based on recommendations from the Remuneration and Corporate Governance Committee. The annual performance bonus scheme for the other executive officers are reviewed and approved by the Remuneration and Corporate Governance Committee on the CEO's recommendation, and the executive officers achievements under the scheme are also reviewed by the Remuneration and Corporate Governance Committee. The Board of Directors will continue to use this scheme for determining the level of annual performance bonus in the coming fiscal year.

The Annual General Meetings in 2006, 2008, 2009 and 2010 authorized the implementation of certain share option programs. The Board of Directors this year proposes a new option program to the Annual General Meeting in May 2011. This option program follows similar principles as the existing programs. The full option program including all terms and conditions will be presented to the Annual General Meeting in May 2011 for approval.

This statement deals primarily with the remuneration of our CEO and other executive officers. However, the above described remuneration policy is to a large extent applicable to a broad group of key employees within the Company. Enhanced performance by the management groups is not achieved by our CEO and other executive officers alone but rather is dependent on a large number of managers and key employees throughout the Company. Therefore, a large and increasing number of managers and key employees are included in performance based remuneration schemes, which contain all or some of the above mentioned elements. More than 450 employees within the Company are currently eligible for performance based remuneration. In addition all other employees may receive up to a maximum of one month salary in annual bonus. The level of this bonus is determined by the Board based on the financial results of the Company.

Remuneration of the CEO and other executive officers will be evaluated regularly by the Remuneration and Corporate Governance Committee and the Board of Directors to ensure that salary and other benefits are kept, at all times within the above guidelines and principles.

Note 34—Salaries and Other Personnel Costs, Number of Employees, and Remuneration to the Board of Directors, Executive Officers and Auditors (Continued)

The CEO will on April 1, 2011 receive a set retention bonus of NOK 5,000,000 with the addition of 6% annual interest from April 1, 2008 provided that he has not left PGS willingly prior to April 1, 2011. The reason for this was that the CEO had to walk away from substantial earned equity in the company where he was formerly employed. The Board of Directors considered this necessary to secure the employment of the CEO.

Since the Annual General Meeting in May 2010 the Board of Directors have followed the guidelines then approved by the Annual General Meeting with respect to remuneration of the CEO and the other executive officers.

Remuneration of auditor

Fees for audit and other services provided by the Company's auditor are as follows (exclusive VAT and including out of pocket expenses):

	Years ended December 31,		
	2010	2009	2008
	(In thousands of dollars)		
Audit fees[a]	2,922	2,957	2,547
Other attestation services[a]	358	1,443	11
Fees for tax services[b]	145	72	278
All other fees	—	79	40
Total[c]	3,425	4,551	2,876

(a) Included within the totals are fees of $1.7 million in 2009 (include attestation services in connection with sale of Onshore) and $0.5 million in 2008 which are included within the result from discontinued operation.

(b) Fees for tax services consist of fees for tax filing services and other tax assistance.

(c) Total remuneration to auditor includes discontinued operation for the period up to demerger closing date (relates to 2009 only).

Note 35—Subsidiaries and Affiliated Companies

The ownership percentage in subsidiaries and affiliated companies as of December 31, 2010, was as follows:

Company	Jurisdiction	Shareholding and voting rights
PGS Shipping AS	Norway	100%
Oslo Seismic Services Ltd.	Isle of Man	100%
PGS Geophysical AS	Norway	100%
Multiklient Invest AS	Norway	100%
Petroleum Geo-Services, Inc.	United States	100%
Petroleum Geo-Services (UK) Ltd.	United Kingdom	100%
Seahouse Insurance Ltd.	Bermuda	100%

Note 35—Subsidiaries and Affiliated Companies (Continued)

Company	Jurisdiction	Shareholding and voting rights
Dalmorneftegeofizika PGS AS	Norway	49%
Calibre Seismic Company	United States	50%
PGS Capital, Inc.	United States	100%
PGS Exploration (Nigeria) Ltd.	Nigeria	100%
PGS Data Processing Middle East SAE	Egypt	100%
PGS Data Processing, Inc.	United States	100%
Petroleum Geo-Services Asia Pacific Pte. Ltd.	Singapore	100%
PGS Australia Pty. Ltd.	Australia	100%
Atlantis (UK) Ltd.	United Kingdom	100%
PGS Egypt for Petroleum Services	Egypt	100%
Hara Skip AS	Norway	100%
Petroleum Geo-Services Exploration (M) Sdn. Bhd.	Malaysia	100%
PGS Exploration (US), Inc.	United States	100%
PGS Ocean Bottom Seismic, Inc.	United States	100%
PGS Exploration (UK) Ltd.	United Kingdom	100%
PGS Pension Trustee Ltd.	United Kingdom	100%
PGS Reservoir Ltd.	United Kingdom	100%
Atlantic Explorer Ltd.	Isle of Man	50%
Oslo Seismic Services Inc.	United States	100%
Oslo Explorer Plc	Isle of Man	100%
Oslo Challenger Plc	Isle of Man	100%
PGS Shipping (Isle of Man) Ltd.	Isle of Man	100%
PGS Americas, Inc.	United States	100%
Seismic Energy Holdings, Inc.	United States	100%
PGS Exploration (Norway) AS	Norway	100%
PGS Multi-Client Seismic Ltd.	Jersey	100%
PGS Marine Services (Isle of Man) Ltd.	Isle of Man	100%
Deep Gulf LP	United States	50.1%
PGS Nopec (UK) Ltd.	United Kingdom	100%
PGS Nominees Ltd.	United Kingdom	100%
SOH, Inc.	United States	100%
PT PGS Nusantara	Indonesia	100%
PGS Geophysical (Angola) Ltd.	United Kingdom	100%
Seismic Exploration (Canada) Ltd.	United Kingdom	100%
PGS Investigacào Petrolifera Limitada	Brazil	100%
PGS Servicios C.A.	Venezuela	100%
PGS Venezuela de C.A.	Venezuela	100%
PGS Overseas AS	Norway	100%
PGS Suporte Logistico e Servicos Ltda.	Brazil	100%
PGS Finance, Inc.	United States	100%
PGS Japan K.K.	Japan	100%
PGS (Kazakhstan) LLP	Kazakhstan	100%

Note 35—Subsidiaries and Affiliated Companies (Continued)

Company	Jurisdiction	Shareholding and voting rights
PGS Eurasia LLC	Russia	100%
PGS Seismic (UK) Ltd.	United Kingdom	100%
PGS Data Processing & Technology Sdn. Bhd.	Malaysia	100%
PGS Onshore (Algeria) EURL	Algeria	100%
PGS Overseas Operation (Cyprus) Ltd.	Cyprus	50%
PGS Overseas Trading (Cyprus) Ltd.	Cyprus	100%
MTEM Limited	United Kingdom	100%
PGS Geophysical (Netherlands) B.V.	Netherlands	100%
PGS Technology (Sweden) AB	Sweden	100%
Natuna Ventures Pte. Ltd.	Singapore	100%
Applied Geophysical Services Corporation	United States	100%
PGS Onshore do Brazil Ltda.	Brazil	100%
PGS Onshore Servicos Ltda.	Brazil	100%
Arrow Seismic ASA	Norway	100%
Arrow Seismic Ltd.	United Kingdom	100%
Arrow Seismic Invest I Ltd.	United Kingdom	100%
Arrow Seismic Invest II Ltd.	United Kingdom	100%
Arrow Seismic Invest III Ltd.	United Kingdom	100%
Arrow Seismic Invest IV Ltd.	United Kingdom	100%
Arrow Seismic Invest V Ltd.	United Kingdom	100%
Arrow Seismic Invest VI Ltd.	United Kingdom	100%
Arrow Seismic Invest VII Ltd.	United Kingdom	100%
Petroleum Geological Services LLC	Oman	100%
PGS Falcon AS	Norway	100%
PGS Venture AS	Norway	100%
PGS Asia Pacific Labuan Ltd.	Labuan	100%
PGS Servicios de Mexico S.A. de C.V.	Mexico	100%
PGS Data Processing SA de CV	Mexico	100%

PETROLEUM GEO-SERVICES ASA
(Parent company unconsolidated financial statements)
STATEMENT OF OPERATIONS

	Note	Years ended December 31, 2010	2009	2008
		(In thousands of NOK)		
Revenue		125,401	125,913	138,397
Cost of sales		2,691	2,539	2,404
Depreciation and amortization	5	2,134	5,214	12,118
Selling, general and administrative costs		146,288	164,817	176,792
Total operating expenses		151,113	172,570	191,314
Operating loss		(25,712)	(46,657)	(52,917)
Interest expense, net	2	(307,753)	(417,405)	(407,661)
Impairment, net of reversal of impairment on shares in subsidiaries/intercompany receivable	1,6	(722,393)	(75,582)	(598,875)
Gain on sale of subsidiaries	6	176,454	—	—
Other financial items, net	3	279,214	2,758,977	675,878
Income (loss) before income taxes		(600,190)	2,219,333	(383,575)
Provision (benefit) for income taxes	4	(84,620)	314,375	(742,163)
Net income (loss)		(515,570)	1,904,958	358,588

PETROLEUM GEO-SERVICES ASA
(Parent company unconsolidated financial statements)

BALANCE SHEET

	Note	December 31, 2010	December 31, 2009
		(In thousands of NOK)	
ASSETS			
Long-term assets:			
Deferred tax assets	4	1,105,064	1,014,691
Property and equipment, net	5	2,034	4,168
Shares in subsidiaries	1,6	11,708,126	12,410,484
Intercompany receivables	1	3,018,755	4,827,946
Investments in associated companies	19	112,515	—
Other financial long-term assets	7	23,942	4
Total long-term assets		15,970,436	18,257,293
Current assets:			
Short-term intercompany receivables		25,707	27,528
Other current assets	8	88,312	121,391
Restricted cash	9	2,694	2,006
Cash and cash equivalents		2,358,867	403,798
Total current assets		2,475,580	554,723
Total assets		18,446,016	18,812,016
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity:			
Paid in capital:			
Common stock; par value NOK 3; issued and outstanding 217,799,997 shares at December 31, 2010; issued and outstanding 197,999,999 shares at December 31, 2009		653,400	594,000
Own shares, par value		(1,632)	—
Additional paid-in capital		2,181,020	614,684
Total paid in capital		2,832,788	1,208,684
Other equity		6,976,581	7,524,568
Total shareholders' equity	10	9,809,369	8,733,252
Long-term liabilities:			
Long-term debt	11,12	4,586,228	4,990,254
Intercompany debt		3,696,603	4,672,372
Other long-term liabilities	13	191,713	189,100
Total long-term liabilities		8,474,544	9,851,726
Current liabilities:			
Short-term debt and current portion of long-term debt	11	—	55,783
Short-term intercompany debt		28,354	9,401
Accounts payable		26,257	27,306
Accrued expenses	16	107,492	134,548
Total current liabilities		162,103	227,038
Total liabilities and shareholders' equity		18,446,016	18,812,016
Warranties	18		

PETROLEUM GEO-SERVICES ASA
(Parent company unconsolidated financial statements)
STATEMENT OF CASH FLOWS

	2010	2009	2008
	(In thousands of NOK)		
Cash flows provided by operating activities:			
Net income (loss)	(515,570)	1,904,958	358,588
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Changes in deferred tax assets	(90,373)	349,722	(1,069,286)
Depreciation and amortization charged to expense	2,134	5,214	12,118
Impairment of shares in and loan to subsidiaries, net	722,393	75,583	598,875
Gain on sale of subsidiaries, net	(176,454)	—	—
Dividend/group contribution classified as financing activities	(400,000)	(1,462,325)	(2,400,000)
Unrealized foreign exchange (gain) loss	168,543	(1,476,162)	2,199,430
Changes in current assets and current liabilities	4,202	(246,831)	35,500
Net (increase) decrease in restricted cash	(688)	220	208,169
Other items	98,209	64,719	314,346
Net cash provided by (used in) operating activities	(187,604)	(784,902)	257,739
Cash flows provided by (used in) investing activities:			
Investments in property and equipment	—	(589)	(2,812)
Proceeds from sale of subsidiaries, net	179,196	—	—
Investment in subsidiaries and changes intercompany receivables, net	750,708	269,641	(2,322,072)
Investment in associate	(23,832)	—	—
Net cash provided by (used in) investing activities	906,072	269,052	(2,324,884)
Cash flows provided by (used in) financing activities:			
Share issue	1,619,503	635,696	—
Repayment of long-term debt	(672,254)	(1,579,551)	(288,357)
Net increase (decrease) in bank facility and short-term debt	—	143,763	(82,177)
Investment in/sale of own shares, net	(45,084)	128,087	14,876
Receipts of dividend/group contribution from group companies	400,000	1,462,325	2,400,000
Net cash provided by financing activities	1,302,165	790,320	2,044,342
Net increase (decrease) in cash and cash equivalents	2,020,633	274,470	(22,802)
Effect of exchange rate changes on cash and cash equivalents	(65,564)	(58,879)	47,714
Cash and cash equivalents at beginning of year	403,798	188,207	163,295
Cash and cash equivalents at end of year	2,358,867	403,798	188,207

Note 1—Summary of Significant Accounting Policies

Petroleum Geo-Services Group ("the Company") has prepared its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, while the financial statements for Petroleum Geo-Services ASA ("PGS ASA") are prepared in accordance with accounting principles generally accepted in Norway ("N GAAP").

PGS ASA applies the same accounting policies as described in Note 2 in the notes to the consolidated financial statements where relevant, except that unrealized foreign exchange gain (loss) on long-term intercompany loans is recognized in the statement of operations. The financial statements are presented in Norwegian Kroner ("NOK").

Shares in subsidiaries (see Note 6) are presented at cost less any impairment. When the estimated recoverable amount (based on estimated future cash flows) is lower than the carrying value of the individual shares and intercompany in the subsidiaries, PGS ASA recognizes impairment charges. If and when estimated recoverable amounts increase, impairment charges are reversed. There is no fixed plan for repayment of long-term intercompany receivables.

See Note 4 to the consolidated financial statement regarding the sale of Onshore. In 2010 PGS ASA converted long term debt to equity in some of the disposed entities to fulfill the terms of the sales agreement. PGS ASA recognized a gain of NOK 176.5 million in 2010, mainly due to reversal of previous recognized impairments. See Note 6 for further information.

Note 2—Interest Expense, Net

Interest expense, net, consists of:

	Years ended December 31,		
	2010	2009	2008
	(In thousands of NOK)		
Interest income, external	7,340	2,391	12,845
Interest income, intercompany	147,118	342,403	797,366
Interest expense, external	(319,787)	(386,692)	(463,943)
Interest expense, intercompany	(142,424)	(375,507)	(753,929)
Total	(307,753)	(417,405)	(407,661)

Note 3—Other Financial Items, Net

Other financial items, net, consist of:

	Years ended December 31,		
	2010	2009	2008
	(In thousands of NOK)		
Group contribution received	400,000	1,400,000	2,400,000
Foreign currency (loss) gain	(63,740)	1,318,274	(1,793,971)
Amendment fees USD 950 million Credit Facilities (Note 25)	(42,895)	—	—
Dividends received	—	62,325	—
Gain on repurchase of convertible bonds	—	25,471	77,097
Instruction fee convertible note	—	(39,459)	—
Other	(14,151)	(7,634)	(7,248)
Total	279,214	2,758,977	675,878

Note 4—Income Taxes

Reconciliation of income tax (benefit) expense to taxes computed at nominal tax rate on income before income taxes:

	Years ended December 31,		
	2010	2009	2008
	(In thousands of NOK)		
Income (loss) before income taxes	(600,190)	2,219,333	(383,575)
Norwegian statutory tax rate	28%	28%	28%
Provision (benefit) for income taxes at the statutory rate	(168,053)	621,413	(107,401)
Increase (reduction) in income taxes from:			
Non-taxable gain on sale of shares in subsidiary, net	(29,368)	(1,830)	—
Impairment (reversal) of shares in subsidiaries	170,033	(77,318)	167,685
Non-taxable dividends/group contribution	(28,506)	(92,255)	—
Overestimation of taxes calculated previous years	—	—	(443,760)
Other permanent items	(33,285)	59,652	(363,967)
Changes in the tax losses carried forward[a]	—	(183,559)	—
Change in deferred tax assets not recognized in balance sheet	4,559	(11,728)	5,280
Income tax (benefit) expense	(84,620)	314,375	(742,163)

(a) See Note 10 Income taxes in the consolidated financial statement regarding the tax dispute related to the exit of old tonnage tax regime.

In accordance with the Norwegian Preliminary Accounting Standard on taxes, tax reducing and tax increasing temporary differences are offset, provided the differences can be reversed in the same period. Deferred income taxes are calculated based on the net temporary differences that exist at year-end.

Note 4—Income Taxes (Continued)

The tax effects of PGS ASA's temporary differences are summarized as follows:

	December 31,	
	2010	2009
	(In thousands of NOK)	
Temporary differences relates to:		
Property and equipment	(776)	(755)
Pension liabilities	(6,481)	(6,254)
Intercompany receivables	(504,212)	(528,134)
Unrealized (losses/accruals) gain	(17,409)	(1,777)
Shares in foreign subsidiaries	(90,608)	(86,049)
Compensation cost employee share options	(8,834)	(6,654)
Convertible notes valuation	69,451	68,645
Interest rate swaps[(a)]	(46,055)	(49,595)
Tax losses carried forward	(590,748)	(490,167)
Deferred tax assets	(1,195,672)	(1,100,740)
Deferred tax assets not recognized in the balance sheet	90,608	86,049
Deferred tax assets	(1,105,064)	(1,014,691)

(a) Change in deferred tax for interest swaps are recognized directly to shareholder's equity (see Note 10).

PGS ASA recognizes deferred tax assets when they are "more likely than not" of ultimately being realized.

As of December 31, 2010, PGS ASA has recognized deferred tax assets of NOK 1.1 billion (NOK 1.0 billion as of December 31, 2009) as available evidence, including consolidated budgets, recent profits and estimates of projected near term future taxable income, supported a more likely than not conclusion that the deferred tax assets would be realized.

Note 5—Property and Equipment

Property and equipment consists of fixtures, furniture and fittings and are summarized as follows:

	December 31,	
	2010	2009
	(In thousands of NOK)	
Purchase costs:		
Purchase costs as of January 1	90,974	90,385
Additions	—	589
Purchase costs as of December 31	90,974	90,974
Accumulated depreciation:		
Accumulated depreciation as of January 1	86,806	81,697
Depreciation	2,134	5,109
Accumulated depreciation as of December 31	88,940	86,806
Balance as of December 31	2,034	4,168

Property and equipment is depreciated over 3 to 5 years.

Depreciation and amortization expense, as presented in the statement of operations, include NOK 104,591 in amortization of licenses for the year ended December 31, 2009 (see Note 7).

Note 6—Shares in Subsidiaries

Shares in subsidiaries are recognized in PGS ASA's balance sheet at cost less any impairment:

	Registered office	Number of shares	Total share capital		Share-holding[a]	Par value		Book value as of December 31, 2010
								(In thousands of NOK)
PGS Geophysical AS	Oslo	1,396,805	NOK	139,680,500	100%	NOK	100	2,502,650
PGS Exploration (Nigeria) Ltd.	Nigeria	2,000,000	USD	2,000,000	100%	USD	1	320
Petroleum Geo-Services, Inc.	Houston	1,000	USD	1,000	100%	USD	1	698,838
Petroleum Geo-Services (UK) Ltd.	London	222,731,726	GBP	222,731,726	100%	GBP	1	1,132,439
Seahouse Insurance Ltd.	Bermuda	120,000	USD	120,000	100%	USD	1	8,165
Multiklient Invest AS	Oslo	100,000	NOK	10,000,000	100%	NOK	100	989,727
PGS Shipping AS	Oslo	4,733,975	NOK	9,467,950	100%	NOK	2	1,140,992
Petroleum Geo-Services Asia Pacific Pte. Ltd.	Singapore	100,000	SGD	100,000	100%	SGD	1	2,569,207
PGS Investigacào Petrolifera Ltda.	Brazil	—	BRL	5,000	99%	BRL	—	—
Hara Skip AS	Oslo	1,066,016	NOK	106,601,600	100%	NOK	100	304,866
Oslo Seismic Services Ltd.	Isle of Man	1	USD	1	100%	USD	1	33,570
PGS Australia Pty. Ltd.	Perth	—	—	—	100%	—	—	49,633
PGS Venezuela de C.A.	Venezuela	5,015,000	VEB	5,015,000,000	100%	VEB	1,000	—
PGS Overseas AS	Oslo	100	NOK	100,000	100%	NOK	1,000	100
PGS Suporte Logistico e Servicos Ltda.[b]	Brazil	12,088,000	BRL	12,088,000	1%	BRL	1	369
PGS Japan K.K.	Japan	10,000,000	JPY	10,000,000	100%	JPY	1	563
PGS Exploration (Norway) AS	Oslo	501,000	NOK	501,000	100%	NOK	1	11,175
PT PGS Nusantara	Indonesia	275	IDR	275,000,000	99.6%	IDR	1,000,000	186
Arrow Seismic ASA	Bergen	23,500,000	NOK	282,000,000	100%	NOK	12	1,428,397
MTEM Ltd	Scotland	270,000	GBP	270,000	100%	GBP	1	312,316
PGS Falcon AS	Oslo	43,195	NOK	4,319,500	100%	NOK	100	524,490
PGS Ventures AS	Oslo	100	NOK	100,000	100%	NOK	1,000	100
PGS Servicos de Mexico SA de CV	Mexico	500	MXN	50,000	99.8%	MXN	100	23
Total								11,708,126

(a) Voting rights are equivalent to shareholding for all companies.

(b) The remaining 99% shareholding is held by PGS Overseas AS.

In 2003, PGS ASA sold its Atlantis oil and gas activities to Sinochem. PGS ASA received $1.0 milllion (NOK 5.9 million) in 2010 in additional proceeds.

In 2009, PGS ASA entered into an agreement to sell its Onshore business (“Onshore”) to Geokinetics Inc (“Geokinetics”), see Note 4 in the consolidated statement. In 2010 PGS ASA converted long term debt to equity in some of the sold entities to fulfill the agreement. PGS ASA recognized a gain of NOK 176.5 million in 2010, mainly due to reversal of previous recognized impairments of receivables towards the sold companies.

Note 6—Shares in Subsidiaries (Continued)

In 2010, PGS ASA recognized a NOK 607 million impairment charge on the shares in Arrow ASA (NOK 700 million in 2009). The main reasons for these impairment charges are the cancellation of the new build contracts and impairment charges in the subsidiaries of Arrow ASA (see Note 18 to the consolidated financial statement). In 2009, PGS ASA also recognized a NOK 500 million impairment on shares in MTEM Ltd, due to the restructuring of the EM business in MTEM Ltd in 2008 and 2009 and NOK 1.4 billion in reversal of previous recognized impairment charges, mainly related to Multiklient Invest AS and PGS Geophysical AS due to no impairment indicators at year-ended December 31, 2009.

PGS ASA has in 2010 recognized an impairment charge of intercompany receivables of NOK 115 million. In 2009, PGS ASA recognized a NOK 352 million impairment charge on receivables.

As of December 31, 2010, PGS ASA has accumulated impairment charges related to shares totaling NOK 4.0 billion.

For additional information on impairment of shares in subsidiaries, see Note 1.

Note 7—Other Financial Long-Term Assets

Other financial long-term assets consist of:

	December 31, 2010	December 31, 2009
	(In thousands of NOK)	
Warrants Geokinetics Inc. (Note 19)	23,810	—
Unrealized gain hedge contracts (Note 12)	124	—
Long-term receivables	8	4
Total	23,942	4

Note 8—Other Current Assets

Other current assets consist of:

	December 31, 2010	December 31, 2009
	(In thousands of NOK)	
Short term receivables	59,592	20,072
Unrealized gain hedge contracts (Note 12)	25,541	98,615
Prepaid expenses	2,294	2,022
Other	885	682
Total	88,312	121,391

Note 9—Restricted Cash

Restricted cash as of December 31, 2010 and 2009 consists of payroll withholding taxes.

Note 10—Shareholders' Equity

Changes in shareholders' equity for the years ended December 31, 2010 and 2009 are as follows:

	Paid-in capital				
	Common stock	Own shares, par value	Additional paid-in capital	Other equity	Shareholders' equity
	(In thousands of NOK)				
Balance as of January 1, 2009	540,000	(11,421)	17,228	5,399,086	5,944,893
Share issue; May 28, 2009	54,000	—	587,661	—	641,661
Transferred treasury shares (MTEM)	—	545	—	(545)	—
Sale of treasury shares	—	10,876	—	117,211	128,087
Employee share options	—	—	9,795	—	9,795
Interest rate swaps/forward exchange contracts (net of tax)	—	—	—	103,967	103,967
Repurchase of convertible notes	—	—	—	(109)	(109)
Net income	—	—	—	1,904,958	1,904,958
Balance as of December 31, 2009	594,000	—	614,684	7,524,568	8,733,252
Share issue; November 17, 2010	59,400	—	1,560,103	—	1,619,503
Acquired treasury shares	—	(2,711)	—	(56,858)	(59,569)
Exercise employee share options	—	1,079	—	13,407	14,486
Employee share options	—	—	6,233	—	6,233
Interest rate swaps/forward exchange contracts (net of tax)	—	—	—	11,034	11,034
Net income	—	—	—	(515,570)	(515,570)
Balance as of December 31, 2010	653,400	(1,632)	2,181,020	6,976,581	9,809,369

PGS ASA completed a private placement of NOK 1,643,399,834 (approx $274 million) in November 2010 by issuing 19,799,998 new shares at the price of NOK 83 per share. The shares issue has increased the equity by NOK 1,620 million, net of transaction costs of NOK 23.9 million (net of tax).

PGS ASA completed a private placement of NOK 656,999,964 (approx $119 million) in May 2009 by issuing 17,999,999 new shares at the price of NOK 36.5 per share and at the same time sold 3,625,223 treasury shares at the same price.

The shares issue has increased the equity by NOK 641.7 million, net of transaction costs of NOK 15.3 million (net of tax). The proceeds from the sale of treasury shares were NOK 128.1 million, net of transaction cost.

As of December 31, 2010, Petroleum Geo-Services ASA has a share capital of NOK 653,999,991 divided on a total of 217,799,997 shares, of par value NOK 3, each fully paid in. See Note 31 to the consolidated financial statement for further information about the share capital and authorizations. As of December 31, 2009, Petroleum Geo-Services ASA has a share capital of NOK 593,999,997 divided on a total of 197,999,999 shares, of par value NOK 3, each fully paid in.

Note 10—Shareholders' Equity (Continued)

All shares have equal voting rights and are entitled to dividends. Any distribution of PGS ASA's equity is dependent on the approval of the shareholders, and the ability to make distributions is limited by certain debt covenants and Norwegian Corporate Law (see Note 25 to the consolidated financial statements). A listing of PGS ASA's largest shareholders is provided in Note 31 to the consolidated financial statements.

PGS ASA's holding of treasury shares reconciles as follows:

	Treasury shares	% of total shares outstanding
Balance at January 1, 2008	4,111,756	2.28%
Used to fulfil employee share option program in 2008[a]	(123,000)	
Used to fulfil deferred considerations, acquired companies[b]	(181,767)	
Balance at December 31, 2008	3,806,989	2.11%
Sale of treasury shares	(3,625,223)	
Used to fulfil deferred considerations, acquired companies[b]	(181,766)	
Balance at December 31, 2009	—	—
Acquired treasury shares	903,517	
Used to fulfil employee share option program in 2010[a]	(359,536)	
Balance at December 31, 2010	543,981	0.25%

(a) See Note 33 to the consolidated financial statements.

(b) See Note 27 to the consolidated financial statements.

The average number of treasury shares in the years ended December 31, 2010 and 2009 were 388,228 and 1,640,293 respectively.

No dividend was distributed in the years ended December 31, 2010, 2009 and 2008.

Note 11—Debt and Guarantees

Long-term debt

Long-term debt consists of the following:

	December 31, 2010	December 31, 2009
	(In thousands of NOK)	
Unsecured:		
10% Senior Notes, due 2010	—	21,970
Secured:		
Term Loan, Libor + margin, due 2015	2,752,618	3,296,722
Convertible notes:		
Convertible notes, due 2012	1,869,853	1,774,582
Total debt	4,622,471	5,093,274
Less current portion	—	(55,783)
Less capitalized loan cost	(36,243)	(47,237)
Total long-term debt	4,586,228	4,990,254

Aggregate maturities of long-term debt are as follows:

	December 31, 2010 (In thousands of NOK)
Year of repayment:	
2011	—
2012	1,869,853
2013	—
2014	—
2015	2,752,618
Thereafter	—
Total	4,622,471

In 2010 PGS ASA made debt repayments of NOK 672 million ($105.3 million), NOK 639 million ($100.0 million) was an optional prepayment of the term loan B (“Term Loan”) and NOK 24.6 million ($3.8 million) a repayment of the 10% Senior Notes. In 2009, PGS ASA made long-term debt repayments of NOK 1.5 billion ($250 million), which were optional repayments of the revolving credit facility (“RCF”).

In 2010, PGS ASA made repayments of NOK 648 million ($101.5 million) of the Term Loan, of which NOK 639 million ($100.0 million) was optional (maturing 2015, see below), while in 2009 PGS ASA made no repayments on this loan. The Company has hedged the interest rate on 64% of the borrowings under the Term Loan (70% in 2009) by entering into interest rate swaps where the

Note 11—Debt and Guarantees (Continued)

Company receives floating interest rate based on 3 months LIBOR and pays fixed interest rate between 4.60 to 5.34% with a remaining life of 1.5 to 3.75 years. See Note 12 for further information.

The $400.0 million convertible notes were issued in December 2007 and are due 2012. The convertible notes are convertible into ordinary shares of PGS ASA. The total number of shares to be issued if all convertible notes are converted at the initial conversion price is 10.2 million ordinary shares, representing 4.68% of PGS ASA' current issued ordinary share capital. Due to repurchases in 2008 and 2009, 8.8 million shares are issuable if all the notes were converted at December 31, 2010. The conversion price is NOK 216.19 per share and is fixed in USD based upon the fixed exchange rate, which represented a 40% premium over the volume weighted average price of PGS ASA's ordinary shares at the time of offering. The fixed rate of exchange is 5.5188 NOK per 1.00 USD and the coupon has been set at 2.7% per annum payable semi-annually in arrears. The equity element of the convertible notes was calculated to 17.1% of the nominal value (NOK 375.7 million/$68.4 million) and was recorded as a direct contribution to accumulated earnings (shareholders' equity) net of allocated portion of loan costs (NOK 8.2 million/$1.5 million).

PGS ASA' senior secured credit facility of NOK 5.5 billion ($950.0 million) consists of an eight-year NOK 3.5 billion ($600.0 million) Term Loan (maturing 2015) and a five-year NOK 2.0 billion ($350.0 million) RCF (originally maturing 2012 and extended to 2015 in January 2011 The Term Loan, which has no financial maintenance covenants, has a floating interest rate of LIBOR + 175 basis points. The credit agreement generally requires PGS ASA to apply 50% of excess cash flow to repay outstanding borrowings for periods when the total leverage ratio exceeds 2.5:1 or the senior leverage ratio exceeds 2:1 (see Note 26 to the consolidated financial statement). Excess cash flow for any period is defined as net cash flow provided by operating activities less capital expenditures and scheduled debt services during that period, minus capital income taxes to be paid in the next period and capital expenditure committed in the period but to be paid in future periods. PGS ASA can make optional payments to reduce the outstanding principal balance at no penalty. The Term Loan is an obligation of PGS ASA and PGS Finance Inc. as co-borrowers, is secured by pledges of shares of certain material subsidiaries and is guaranteed by the same material subsidiaries. In addition, PGS ASA may also be able to borrow an additional NOK 2.3 billion ($400.0 million) either as a term loan or as an RCF, which would be secured by the same collateral that secures the Term Loan and borrowings under the existing RCF.

The 10% senior notes due were repaid in 2010.

Bank credit facilities

Under the senior secured credit facility established in June 2007, PGS ASA had a RCF of NOK 2.0 billion ($350.0 million) maturing in 2012. In January 2011 the maturity of the RCF was extended to 2015. The RCF has a NOK 263.3 million ($45.0 million) sub-limit for issuance of letter of credits, whilst the bonding facility (for issuance of bid and performance bonds) included in this sub-limit under the previous RCF was in June 2007 replaced by a separate NOK 87,75 million ($15.0 million) bonding facility (later increased to NOK 175.5 million ($30 million)). PGS ASA may borrow USD, or any other currency freely available in the London banking market to which the lenders have given prior consent, under the RCF for working capital and for general corporate purposes. Borrowings under the RCF

Note 11—Debt and Guarantees (Continued)

bear interest at a rate equal to LIBOR plus a margin of 1.5%, this margin increased to 2.25% after the extension of the facility in January 2011.

At December 31, 2010 and 2009, PGS ASA had zero outstanding under the RCF, NOK 21.1 million ($3.6 million) and NOK 23.6 million ($4.1 million), respectively, of standby letters of credit were outstanding under the RCF with an applicable margin of 1.5% per annum, and NOK 13.5 million ($2.3 million) and NOK 45.0 million ($7.8 million), respectively, of bid and performance bonds were drawn under the separate bonding facility of $30 million, with an applicable margin of 1.4%.

PGS ASA has further a smaller NOK 11.7 million ($2 million) bid and performance bond facility intended for regional use.

PGS ASA has also an overdraft facility of NOK 50.0 million as part of the Norwegian cash pooling arrangement. This facility will continue until cancelled.

Long-term intercompany debt

There is no fixed plan for repayment of long-term intercompany debt.

Covenants

In addition to customary representations and warranties, PGS ASA's loan and lease agreements include various covenants. See Note 25 to the consolidated financial statements for additional information.

Letters of credit and guarantees

PGS ASA had aggregate outstanding letters of credit and related types of guarantees (incl. counter guarantees), not reflected in the accompanying financial statements, of NOK 227.6 million ($38.1 million) and NOK 128.5 million ($22.3 million) as of December 31, 2010 and 2009, respectively.

Note 12—Financial Instruments

Fair values of financial instruments

The carrying amounts of cash and cash equivalents, restricted cash, accounts receivable, accrued revenues, other current assets, accounts payable and accrued expenses approximate their respective fair

Note 12—Financial Instruments (Continued)

values because of the short maturities of those instruments. The carrying amounts and the estimated fair values of debt instruments are summarized as follows:

	December 31, 2010			December 31, 2009		
	Carrying Amounts	Notional amounts	Fair values	Carrying amounts	Notional amounts	Fair values
	(In thousands of NOK)					
Loans measured at amortized cost:						
Long-term debt (Note 11)	4,622,471	—	4,497,002	5,093,274	—	4,671,052
Derivatives measured at fair value through shareholders' equity:						
Interest rate swaps/future interest rate agreements, net unrealized (loss) gain[(a)]	(164,484)	1,755,000	(164,484)	(177,129)	2,161,313	(177,129)
Derivatives measured at fair value through statement of operations:						
Forward exchange contracts, net unrealized (loss) gain[(a)]	(205)	1,406,673	(205)	83,041	1,838,309	83,041
Interest rate swaps, net unrealized (loss) gain[(a)]	—	—	—	(6,184)	144,088	(6,184)

(a) The carrying amounts of forward exchange contracts and interest rate swaps are classified in the balance sheet as follows:

	December 31, 2010	December 31, 2009
	(In thousands of NOK)	
Interest rate swaps, net (qualifying hedges)	(164,484)	(177,129)
Forward exchange contracts, net	(205)	83,041
Interest rate swaps, net	—	(6,184)
Total	(164,689)	(100,272)
Classified as follows:		
Other financial long-term assets (long-term unrealized gain) (Note 7)	124	—
Other current asset (short-term unrealized gain) (Note 8)	25,541	98,615
Other long-term liabilities (long-term unrealized loss) (Note 13)	(166,518)	(162,938)
Accrued expenses (short-term unrealized loss) (Note 16)	(23,836)	(35,949)
Total	(164,689)	(100,272)

The fair values of the long-term debt instruments, forward exchange contracts and interest rate swaps are estimated using quotes obtained from dealers in such financial instruments or latest quoted prices at Reuters or Bloomberg.

The fair value of the liability component of convertible notes is determined by either obtaining quotes from dealers in the instrument or discounting the contractual stream of future cash flows (interest and principal) to the present value at the current rate of interest applicable to instruments of comparable credit status and providing substantially the same cash flows on the same terms, but without the equity component.

Note 12—Financial Instruments (Continued)

Interest rate exposure

PGS ASA is subject to interest rate risk on debt, including capital leases. The risk is managed through using a combination of fixed- and variable- rate debt, together with interest rate swaps and future interest rate agreements, where appropriate, to fix or lower the borrowing costs.

As of December 31, 2010, PGS ASA has outstanding interest rate swaps in the aggregate notional amount of NOK 1.8 billion ($300 millions) relating to the Term Loan established in June 2007 (see Note 11) (NOK 2.3 billion – $400 million as at December 31, 2009). Under the interest rate swap agreements PGS ASA receives floating interest rate payments and pays fixed interest rate payments. The weighted average fixed interest rates under the contracts are as follows:

	December 31, 2010		December 31, 2009	
	Notional amounts ($ thousands)	Weighted average fixed interest rate	Notional amounts ($ thousands)	Weighted average fixed interest rate
Matures in:				
1 year	—	—	100,000	5.17%
1–2 years	200,000	5.05%	—	—
2–3 years	—	—	200,000	5.05%
3–4 years	100,000	5.18%	—	—
4–5 years	—	—	100,000	5.18%
> 5 years	—	—	—	—
Total	300,000	5.09%	400,000	5.11%

The aggregate negative fair value of these interest rate swap agreements at December 31, 2010 and 2009 was NOK164.5 million ($28.1 million) and NOK 183.3 million ($31.8 million), respectively.

Interest rate hedge accounting

As of December 31, 2010, all of the interest rate swaps, notional amount $300.0 million, were accounted for as cash flow hedges ($375.0 million of a total $400 million in December 31, 2009). In the years ended December 31, 2010 and 2009, the value of these instruments were recorded as a reduction in other equity as the effective portion of the designated and qualifying hedging instrument (see Note 10).

Foreign exchange rate exposure

PGS ASA is exposed to currency fluctuation due to a predominantly USD-based revenue stream, while the expenses are incurred in various currencies. The larger expense currencies other than the USD are GBP, NOK and EUR. PGS ASA maintain a foreign-currency risk management strategy that uses foreign currency exchange contracts to protect against fluctuations in cash flow caused by volatility in currency exchange rates.

In 2010, PGS ASA continued a foreign currency hedging program by entering into NOK, GBP, SGD, EUR and BRL on forward contracts. As of December 31, 2010, PGS ASA has open forward contracts

Note 12—Financial Instruments (Continued)

to buy and sell GBP, NOK, SGD, BRL and EUR amounting to approximately NOK 1.4 billion ($241 million) (notional amount) with a negative fair value of NOK 0.2 million ($0.1 million). As of December 31, 2009, PGS ASA had open forward contracts to buy GBP, NOK, SGD, BRL and EUR amounting to approximately NOK 1.8 billion ($319 million) (notional amount) with a positive fair value of NOK 83 million ($14.4 million).

Foreign exchange rate hedge accounting

As of December 31, 2010 and 2009 none of the total notional amount of foreign exchange contracts was accounted for as fair value hedges.

Note 13—Other Long-Term Liabilities

Other long-term liabilities consist of:

	December 31,	
	2010	2009
	(In thousands of NOK)	
Unrealized loss hedge contracts (Note 12)	166,518	162,938
Pension liability (Note 14)	23,147	22,461
Other long-term liabilities	2,048	3,701
Total	191,713	189,100

Note 14—Pension Obligations

Defined benefit plan

PGS ASA sponsors a defined benefit pension plan for its Norwegian employees, comprising 7 persons. This plan is funded through contributions to an insurance company, after which the insurance company undertake the responsibility to pay out the pensions. It is PGS ASA's general practice to fund amounts to this defined benefit plan, which is sufficient to meet the applicable statutory requirements. As of January 1, 2005, the defined benefit plan was closed for further entrants and a new defined contribution plan was established for new employees (see separate section below).

PGS ASA is required to maintain a pension plan in accordance with the Norwegian Pension Benefit Act. The pension plans of PGS ASA comply with the requirements set forth in the Norwegian Pension Benefit Act.

Note 14—Pension Obligations (Continued)

Net periodic pension costs for PGS ASA's defined benefit pension plan are summarized as follows:

	Years ended December 31,		
	2010	2009	2008
	(In thousands of NOK)		
Service costs	2,857	3,052	2,430
Interest cost	833	658	859
Expected return on plan assets	(763)	(668)	(424)
Amortization of actuarial gain	(1,254)	(1,010)	(231)
Adjustment prior service cost	—	710	—
Administrative costs	41	39	77
Payroll tax	419	434	415
Net periodic pension costs	2,133	3,215	3,126

The pension liability has been calculated based on the underlying economic realities. The aggregate funded status on the plan and amounts recognized in PGS ASA's balance sheet is as follows:

	December 31,	
	2010	2009
	(In thousands of NOK)	
Funded status	3,642	5,978
Unrecognized actuarial loss	18,862	15,640
Accrued payroll tax	643	843
Net pension liability	23,147	22,461

Net amount recognized as accrued pension liability is presented as other long-term liabilities (see Note 13).

Assumptions used to determine benefit obligations:

	December 31,	
	2010	2009
Discount rate	4.0%	4.5%
Return on plan assets	5.4%	5.7%
Compensation increase	4.0%	4.0%
Annual adjustment to pensions	1.3%	1.4%

Defined contribution plan

As described above under "Defined Benefit Plan", as of January 1, 2005, PGS ASA closed the defined benefit plan for further entrants and a new defined contribution plan was established for new employees. PGS ASA's contributions to this plan for the years ended December 31, 2010 and 2009 was NOK 1.1 million and NOK 0.8 million, respectively.

Note 15—Commitments

PGS ASA's operating lease commitments relates to corporate administration and expires on various dates through 2014. Future minimum payments related to non-cancelable operating leases existing at December 31, 2010 are as follows:

	December 31, 2010
	(In thousands of NOK)
2011	4,687
2012	4,687
2013	4,687
2014	1,211
Total	15,272

Rental expense for operating leases, including leases with terms of less than one year, was NOK 11.2 million, NOK 11.2 million and NOK 11.0 million for the years ended December 31, 2010, 2009 and 2008, respectively.

Note 16—Accrued Expenses

Accrued expenses consist of the following:

	December 31,	
	2010	2009
	(In thousands of NOK)	
Foreign taxes	46,401	45,496
Accrued unrealized loss hedging (Note 12)	23,836	35,949
Accrued salary (including bonus)	23,362	19,277
Accrued interest expense	4,906	5,381
Other	8,987	28,445
Total	107,492	134,548

Note 17—Salaries and Other Personnel Costs, Number of Employees, and Remuneration to the Board of Directors, Executive Officers and Auditors

Salary and social expenses that are included in cost of sales and selling and general and administrative costs consist of:

	Years ended December 31,		
	2010	2009	2008
	(In thousands of NOK)		
Salaries and bonus	58,880	53,148	57,130
Social security	9,632	7,484	6,866
Pension	4,349	3,994	4,136
Other benefits	379	4,030	4,299
Total	73,240	68,656	72,431

As of December 31, 2010, PGS ASA had 30 full time employees. Average labor years for the years ended December 31, 2010 and 2009 were 28 and 28, respectively.

Compensation to Board of Directors, CEO and Other Executive Officers

For a full listing of Board of Directors, CEO and Other Executive Officers and their compensation, see Note 34 to the consolidated financial statements.

Share option programs

In the third quarter of 2006, the second quarter of 2008, the second quarter of 2009 and in second quarter of 2010 PGS ASA established employee share option programs and granted options to certain key employees, see Note 33 to the consolidated financial statements. For the years ended December 31, 2010, 2009 and 2008, PGS ASA recorded compensation costs of NOK 6.2 million, NOK 9.8 million and NOK 7.5 million, respectively, recognized in additional paid-in capital. Total net unrecognized compensation cost as of December 31, 2010 was NOK 8.0 million (related to non-vested share-based options), which is expected to be recognized over a period of 3.5 years (main portion within 1 year).

In 2010, 359,536 options were exercised. PGS ASA used own treasury shares to facilitate these transactions and recognized NOK 14.5 million in shareholders' equity in 2010. No options were exercised during 2009.

Note 17—Salaries and Other Personnel Costs, Number of Employees, and Remuneration to the Board of Directors, Executive Officers and Auditors (Continued)

Remuneration of auditor

Fees for audit and other services provided by PGS ASA's auditor are as follows (exclusive VAT and inclusive out of pocket expenses):

	Years ended December 31,		
	2010	2009	2008
	(In thousands of NOK)		
Audit fees	3,435	3,548	3,189
Other attestation services[(a)]	817	8,331	—
Fees for tax services[(b)]	35	—	188
All other fees	142	398	31
Total	4,429	12,277	3,408

(a) Other attestation services for 2009 include fees related to attestation services in connection with the sale of Onshore completed in 2010.

(b) Include fees for tax filing services and other tax assistance.

Note 18—Warranties

Petroleum Geo-Services ASA provides letters of credit and related types of guarantees on behalf of subsidiaries, which normally are claimed in contractual relationships were subsidiaries are contracting parties. These guarantees are considered to be ordinary in contractual relationships, as well as in PGS ASA's ordinary operations. See also Note 25 to the consolidated financial statements.

Note 19—Investment in Associated Company

Investments in associates are recognized in PGS ASA's balance sheet at cost less any impairment:

	Registered office	Ownership as of December 31, 2010	Share of income/(loss) in year ended December 31, 2010	Equity as of December 31, 2010	Book value as of December 31, 2010
			(In thousands of USD)	(In thousands of USD)	(In thousands of NOK)
Geokinetics Inc	United States	12.2%	(12,960)	46,464	112,515

The Geokinetics investment was a part of the Onshore transaction closed at February 12, 2010, see Note 4 to the consolidated financial statement for further information. The fair value of the shares received was NOK 112.5 million.

In fourth quarter 2010, PGS group invested additional $10 million (NOK 58.5 million) in 40,000 preferred stocks and 1,165,000 warrants in Geokinetics. The warrants has been valued to NOK 23.8 million using a Black-Scholes option price model as of December 31, 2010 and presented as other financial long-term assets (see Note 7). The remaining value has been allocated to the preferred shares and has been included as part of the investment in Geokinetics held by a subsidiary of PGS ASA.

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SPECIAL PURPOSE INDEPENDENT AUDITOR'S REPORT

To The Board of Directors of Petroleum Geo-Services ASA

Respective responsibilities of Directors and Auditors

We have audited the consolidated statements of operations, comprehensive income, and cash flows of Petroleum Geo-Services ASA and its subsidiaries ("the Company") for the year ended 31 December 2008 prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and in addition, the further disclosure requirements as required by the Norwegian accounting act. These statements are the responsibility of the company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these consolidated statements based on our audit.

Purpose

This special purpose independent auditor's report has been prepared to issue signed English opinions on the 2008 consolidated statements of operations, comprehensive income, and cash flows which are included in the Offering Memorandum.

Basis for Opinion

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and auditing standards and practices generally accepted in Norway effective for the audit of consolidated statements of operations, comprehensive income, and cash flows for the year ended 31 December 2008. Regarding the auditor's report for 2008, we have not performed any audit procedures subsequent to 27 March 2009, which was the date our original auditor's report for 2008 was issued. We express our opinion in accordance with the Norwegian Auditing Standard RS 800, "The Auditor's Report on Special Purpose Audit Engagements." Those auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and good auditing practices in Norway an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

KPMG AS, a Norwegian member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Statsautoriserte revisorer - medlemmer av Den norske Revisorforening

Offices in:

Oslo, Alta, Arendal, Bergen, Bodø, Elverum, Finnsnes, Grimstad, Hamar, Haugesund, Kristiansand, Larvik, Mo i Rana, Molde, Narvik, Røros, Sandefjord, Sandnessjøen, Stavanger, Stord, Tromsø, Trondheim, Tønsberg, Ålesund

Opinion

In our opinion, the consolidated statements of operations, comprehensive income, and cash flows give a true and fair view of the income, total comprehensive income and cash flows of the Company for the year ended 31 December 2008 and are prepared in accordance with the rules of the International Financial Reporting Standards as adopted by the European Union, and in addition, the further disclosure requirements as required by the Norwegian accounting act.

Oslo, 27 March 2009; the date of issuance of this special purpose report is 21 September 2011

KPMG AS

Arne Frogner
State Authorized Public Accountant (Norway)

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SPECIAL PURPOSE INDEPENDENT AUDITOR'S REPORT

To The Board of Directors of Petroleum Geo-Services ASA

Respective responsibilities of Directors and Auditors

We have audited the financial statements of Petroleum Geo-Services ASA and its subsidiaries ("the Company") which include the consolidated statement of financial position as of 31 December 2009 and the related consolidated statements of operations, comprehensive income, cash flows, and changes in equity and the accompanying notes for the year then ended prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and in addition, the further disclosure requirements as required by the Norwegian accounting act. These financial statements are the responsibility of the company's Board of Directors and Chief Executive Officer. Our responsibility is to express an opinion on these financial statements based on our audit.

Purpose

This special purpose auditor's report has been prepared to issue signed English opinions on the 2009 financial statements which are included in the Offering Memorandum.

Basis for Opinion

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and auditing standards and practices generally accepted in Norway effective for the audit of financial statements for the year ended 31 December 2009. Regarding the auditor's report for 2009 we have not performed any audit procedures subsequent to 25 March 2010, which was the date our original auditor's report for 2009 was issued. We express our opinion in accordance with the Norwegian Auditing Standard RS 800, "The Auditor's Report on Special Purpose Audit Engagements." Those auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and good auditing practices in Norway an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

KPMG AS. a Norwegian member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Statsautoriserte revisorer - medlemmer av Den norske Revisorforening

Offices in:

Oslo	Hamar	Sandefjord
Alta	Haugesund	Sandnessjøen
Arendal	Kristiansand	Stavanger
Bergen	Larvik	Stord
Bodø	Mo i Rana	Tromsø
Elverum	Molde	Trondheim
Finnsnes	Narvik	Tønsberg
Grimstad	Røros	Ålesund

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company as of 31 December 2009, and the income, total comprehensive income, cash flows, and changes in equity and the accompanying notes for the year then ended in accordance with the rules of the International Financial Reporting Standards as adopted by the European Union, and in addition, the further disclosure requirements as required by the Norwegian accounting act.

Oslo, 25 March 2010; the date of issuance of this special purpose report is 21 September 2011

KPMG AS

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To the Annual Shareholders' Meeting of Petroleum Geo-Services ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Petroleum Geo-Services ASA, which comprise the financial statements of the parent company Petroleum Geo-Services ASA and the consolidated financial statements of Petroleum Geo-Services ASA and its subsidiaries. The parent company's financial statements comprise the balance sheet as at 31 December, 2010, the statement of operations and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information. The consolidated financial statements comprise the statement of financial position, the statement of operations, the statement of comprehensive income, statement of changes in shareholder's equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Chief Executive Officer's Responsibility for the Financial Statements

The Board of Directors and the Chief Executive Officer are responsible for the preparation and fair presentation of the parent company financial statements in accordance with the Norwegian Accounting Act and generally accepted accounting standards and practices in Norway and for the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as the Board of Directors and the Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

KPMG AS, a Norwegian member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Statsautoriserte revisorer - medlemmer av Den norske Revisorforening

Offices in:

Oslo	Hamar	Sandefjord
Alta	Haugesund	Sandnessjøen
Arendal	Kristiansand	Stavanger
Bergen	Larvik	Stord
Bodø	Mo i Rana	Tromsø
Elverum	Molde	Trondheim
Finnsnes	Narvik	Tønsberg
Grimstad	Røros	Ålesund

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the separate financial statement

In our opinion, the parent company's financial statements give a true and fair view of the financial position of Petroleum Geo-Services ASA as at 31 December, 2010, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Petroleum Geo-Services ASA and its subsidiaries as at 31 December, 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption, and coverage of the loss is consistent with the financial statements and complies with the law and regulations.

Opinion on Accounting Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 21 March 2011

KPMG AS

Arne Frogner
State Authorized Public Accountant (Norway)

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Petroleum Geo-Services ASA

$300,000,000

7.375% Senior Notes due 2018

Offering Memorandum
November 9, 2011

Barclays Capital

The Royal Bank of Scotland

UBS Investment Bank

ABN AMRO

DnB NOR Markets

Lloyds Securities

Nordea