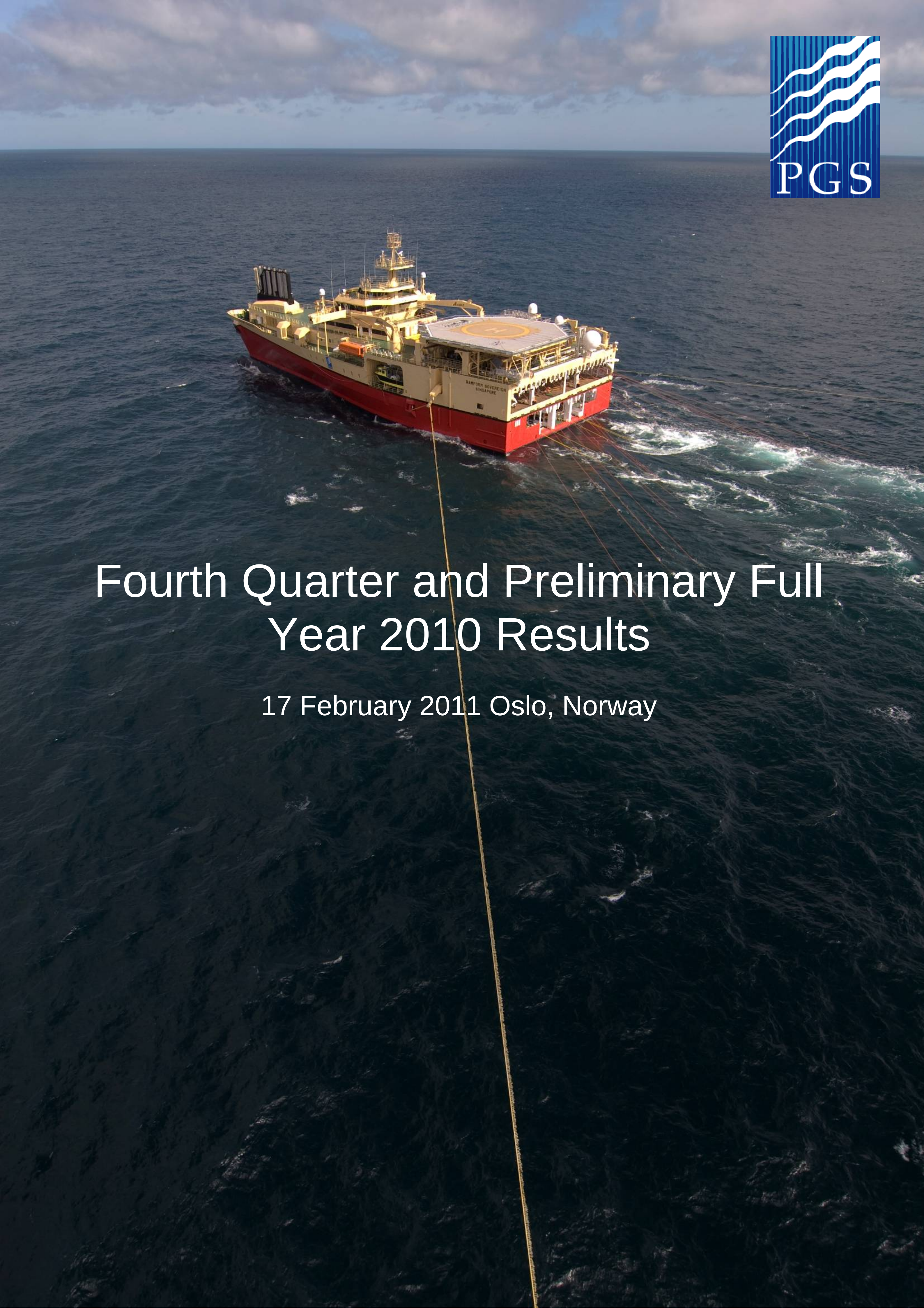

Fourth Quarter and Preliminary Full Year 2010 Results

17 February 2011 Oslo, Norway

Delivery as Promised – Uniquely Positioned

Highlights 2010

- Delivered strong performance through the cycle with full year EBITDA of $463.3 million
- Full year Marine contract EBIT margin of 17% with improving GeoStreamer® momentum
- Strong MultiClient sales with improved sales to investment ratio
- Improved Q4 2010 revenues, EBITDA and EBIT compared to Q4 2009
- Order book increased 19% since Q3 2010, to $584 million
- Fleet renewal and expansion program initiated for growth

"Having achieved our target for 2010, PGS is well positioned. In the near term, as we enter 2011, we have almost all capacity secured for the first half of the year and Q3 is firming up. We are equally well positioned to take full advantage of the stronger market ahead. Anticipating continued growth in seismic demand, we have embarked upon a fleet renewal and expansion program with delivery of the first vessel due in Q1 2013.

The new Ramform W-class equipped with GeoStreamer will improve our cost and technology advantage further. This, combined with the strongest balance sheet in PGS' history means we are very competitively positioned."

Jon Erik Reinhardsen,
President and Chief Executive Officer

Key Financial Figures (In USD millions, except per share data)	**4th quarter**		**Full year**	
	2010 Unaudited	**2009 Unaudited**	**2010 Unaudited**	**2009 Audited 1)**
Revenues from continuing operations	364.4	303.7	1,135.1	1,350.2
EBITDA (as defined)	161.5	141.5	463.3	672.1
EBIT excluding impairment charges 2)	44.5	45.5	136.9	386.9
EBIT as reported	45.8	43.0	57.8	233.3
Income (loss) before income tax expense	38.3	29.9	(2.2)	228.1
Net income (loss) to equity holders	39.7	22.9	(7.6)	165.8
Basic earnings per share ($ per share)	0.19	0.12	(0.04)	0.88
Diluted earnings per share ($ per share)	0.19	0.12	(0.04)	0.88
Net cash provided by operating activities	103.6	158.8	343.4	676.1
Cash investment in MultiClient library	24.3	47.1	166.7	183.1
Capital expenditures	59.2	41.3	211.4	231.2
Total assets (period end)	3,001.5	2,929.4	3,001.5	2,929,4
Cash and cash equivalents (period end)	432.6	126.0	432.6	126.0
Net interest bearing debt (period end)	286.4	774.0	286.4	774.0

1) Financial information for the full year 2009 is derived from the audited financial statements as presented in the 2009 Annual Report.

2) Net reversal of impairment charge of $1.3 million in Q4 2010. Net impairment charge for the full year 2010 was $79.1 million, compared to $153.6 million for the full year 2009.

PGS Group

In USD millions	4th quarter		Full year	
	2010	2009	2010	2009
Revenues	364.4	303.7	1,135.1	1,350.2
EBITDA	161.5	141.5	463.3	672.1
EBIT 1)	44.5	45.5	136.9	386.9
Net impairments	1.3	(2.4)	(79.1)	(153.6)
EBIT	45.8	43.0	57.8	233.3
Pretax income	38.3	29.9	(2.2)	228.1
Net income	39.7	22.9	(7.6)	165.8

1) Excluding impairment charges

Full year 2010 revenues for Petroleum Geo-Services ASA ("PGS" or "the Company") were lower than in 2009 mainly due to lower Marine contract revenues, partly offset by higher MultiClient revenues. Most of the Marine contract work done in 2009 benefitted from work contracted before the market downturn. Less capacity used for Marine contract work in 2010, compared to 2009 also contributed to lower Marine contract revenues.

Revenues in Q4 2010 were higher than in Q4 2009, mainly due to better pre-funding and contract revenues, partially offset by lower late sales revenues.

In USD millions	4th quarter		Full year	
	2010	2009	2010	2009
Contract rev.	180.6	158.2	629.1	893.1
MC pre-funding	76.4	31.5	198.3	169.0
MC late sales	73.7	87.7	192.3	182.1
Processing 1)	30.8	23.5	103.5	90.2
Other	2.9	2.9	12.0	15.8
Total revenues	364.4	303.7	1,135.1	1,350.2
MC cash inv.	24.3	47.1	166.7	183.1
Pre-funding %	314%	67%	119%	92%
Opex	202.9	162.1	671.8	678.1
Vessel allocation 2)				
Contract	79%	60%	60%	64%
MC	9%	19%	26%	21%
Steaming	9%	15%	11%	10%
Yard	3%	6%	3%	5%
Standby	0%	0%	0%	0%

1)External Processing revenues.
2)Percentage of total 3D streamer capacity measured in streamer utilization.

Contract revenues increased in Q4 2010 compared to Q4 2009, due to more vessel capacity used for contract acquisition. The EBIT margin on Marine contract acquisition work was approximately 5% in Q4 2010, down from 25% in Q3 2010 and 12% in Q4 2009. The decrease in Marine contract EBIT margin is mainly due to a higher than normal level of scheduling and production interruptions, impacting performance of the overall fleet. Marine contract EBIT margins will fluctuate from quarter to quarter and was 17% for the full year.

Q4 2010 MultiClient pre-funding and late sales combined were record high at $150.1 million.

Pre-funding revenues in Q4 2010 corresponded to 314% of capitalized MultiClient cash investments, excluding capitalized interest, compared to 67% in Q4 2009. The exceptionally high pre-funding rate is primarily a result of additional pre-funding from late participants on the Crystal III Wide Azimuth survey in the Gulf of Mexico and GeoStreamer surveys in the North Sea, which were still in the processing stages in Q4 2010 and thus classified as pre-funding.

MultiClient late sales were solid in Q4 2010, including the Gulf of Mexico. Compared to Q4 2009, late sales were higher in Asia Pacific and Brazil, but lower in the Gulf of Mexico and West Africa. Late sales in Europe were approximately in line with Q4 2009.

Lower capitalized cash investment in the MultiClient library in Q4 2010, compared to Q4 2009 reflects less 3D capacity allocated to MultiClient in the quarter.

External data processing revenues were record high in Q4 2010, with Q4 revenues of $30.8 million, closing out 2010 full year revenues at $103.5 million. The double digit growth from 2009 is based on strong worldwide growth in PGS' eighteen strategically placed centers.

PGS continues to gain momentum in processing, as technology advances such as GeoStreamer and hyperBeam, and investments in depth technologies and capacity yield a stronger order book and improved market position. All the 3D GeoStreamer projects awarded so far are being processed by PGS.

Operating expenses (before depreciation, amortization and impairments) increased by $40.8 million in Q4 2010, compared to Q4 2009, due to decreased cash costs capitalized to the MultiClient library reflecting the increased Contract activity, some increased vessel operating costs and increased DP costs as a result of increased processing capacity.

Maintaining fleet efficiency and reliability is important for PGS, including its 2D fleet. In Q4 2010 the vessel *Sanco Spirit*, which is on a five year charter to PGS, was rigged for PGS 2D acquisition and started operation early 2011. The vessel will replace the *Beaufort Explorer*, which will be de-rigged in Q1 2011. *Nordic Explorer* was mobilized as a 3D vessel in Q4 2010 initially for use offshore West Africa.

The order book totaled $584 million at 31 December 2010, including $43 million of committed pre-funding on scheduled MultiClient projects and the estimated value of the OptoSeis agreement with Petrobras, compared to $438 million at 31 December 2009 and $489 million at 30 September 2010.

Technology

In USD millions	4th quarter		Full year	
	2010	2009	2010	2009
R&D cost gross	9.5	7.7	34.9	31.6
Capitalized dev. costs	(3.6)	(2.5)	(13.2)	(8.7)
Net R&D costs	6.0	5.2	21.8	22.8

The R&D costs relate mainly to the core business activities of marine seismic acquisition and processing. The increase in capitalized amounts in 2010 compared to 2009 primarily relate to the capitalizing of the towed electro-magnetic ("EM") development. Fiber-optic and streamer control system developments comprised the other main components of the capitalized costs in 2010.

Depreciation and Amortization

In USD millions	4th Quarter		Full year	
	2010	2009	2010	2009
Gross depreciation	46.3	42.7	171.4	156.6
Capitalized depr. to MC library	(5.6)	(9.1)	(36.3)	(24.8)
Amortization of MC library	76.3	62.5	191.3	153.4
Depreciation and amortization	117.0	96.1	326.4	285.3

The increase in gross depreciation in Q4 2010, compared to Q4 2009 primarily reflects entry of *PGS Apollo* to the fleet and increased investment in GeoStreamer.

Amortization of the MultiClient library was 51% of MultiClient revenues in Q4 2010, compared to 52% of MultiClient revenues in Q4 2009. Pre-funding revenues are amortized with a rate of at least 45% (as long as such amortization does not exceed total cost).

Impairment of Long-Lived Assets

Impairment of long lived assets was a net positive $1.3 million, which consisted of reversal of previous impairment charges recorded on cancelled New Build ("NB") in Spain totalling $15.0 million, due to a received pledge in future payments by Armada Seismic to Factorias Vulcano and register of a mortgage on NB 533 in Spain. The decision to take *Beaufort Explorer* out of operation resulted in an impairment charge of $14.7 million.

Interest Expense

In USD millions	4th Quarter		Full year	
	2010	2009	2010	2009
Gross interest expense	(12.8)	(15.7)	(55.4)	(70.5)
Capitalized interest MC lib.	1.6	0.3	5.9	6.0
Capitalized. interest constr. in progress	---	1.8	2.5	19.2
Interest expense	(11.2)	(13.6)	(47.0)	(45.2)

The decrease in gross interest expense in Q4 2010, compared to Q4 2009 primarily reflects a reduction in interest bearing debt.

Other Financial Income

In USD millions	4th Quarter		Full year	
	2010	2009	2010	2009
Interest income	0.8	2.6	5.7	7.2
Gain on repurchase of Convertible bond	---	---	---	3.8
Gain sale shares	3.4	0.1	6.5	8.7
Gain on investments	---	0.7	0.7	3.7
Other	0.1	(1.2)	0.9	1.1
Other financial income	4.3	2.2	13.9	24.5

Other financial income of $4.3 million in Q4 2010 primarily related to gain from sale of shares held in smaller E&P companies.

Other Financial Expense

In Q4 2010, other financial expense was a loss of $ 0.6 million, compared to a loss of $4.0 million in Q4 2009. The loss in Q4 2009 related to a consent solicitation to amend certain terms in the $400 million convertible note.

Currency Exchange Gain (Loss)

In Q4 2010, there was a currency exchange gain of $0.2 million, compared to a gain of $1.5 million in Q4 2009. The Company holds foreign currency positions to balance its operational currency exposure. These positions are not accounted for as hedges, but marked to market at each balance sheet date together with receivables and payables in non US currencies, generally causing the short term effect to be positive when the USD depreciates.

Income Tax Expense

In Q4 2010, the income tax expense was a benefit of $3.2 million compared to an expense of $3.6 million in Q4 2009. Income tax expense for the full year 2010 was $13.9 million compared to $51.9 million in 2009.

The estimated current tax expense in Q4 2010 was a benefit of $9.2 million compared to an expense of $24.6 million in Q4 2009. Current tax expense for the full year was $18.9 million compared to $50.1 million in 2009.

The Q4 tax expense is positively impacted by reduction in valuation allowance related to prepaid income tax in Brazil and improvement of certain tax positions following finalization of 2009 tax returns.

The Company has 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 31 December 2010, compared to $207.9 million as of 31 December 2009.

In Q4 2010, the dispute with the Norwegian Central Tax Office for Large Enterprises (“CTO”) regarding exit from the previous shipping tax regime in 2002 was settled. The settlement increased deferred tax expense by approximately $1 million.

The Company has an ongoing dispute with the tax office of Rio de Janeiro in Brazil related to municipal services tax (“ISS”) on the sale of MultiClient data relating to years 2000 and onwards. The issue has been disclosed in annual and quarterly reports since 2005. As of 31 December 2010, the Company estimates the total exposure to be approximately $169 million, including possible penalties and interest. 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, PGS 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 PGS if and when a positive final ruling is awarded, which may take several years. The deposits are reported as long-term restricted cash.

As earlier disclosed, PGS has also presented a bank guarantee of Brazilian Real 49 million ($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 PGS on 4 February 2010 to challenge the assessment. PGS has decided to replace the guarantee with a deposit to reduce cost. This will likely take place in Q1 2011.

With its multi-national operations, the Company is subject to taxation in many jurisdictions around the world with increasingly complex tax laws. As previously disclosed, the Company has identified issues in several jurisdictions that could eventually make it liable to pay amounts in taxes relating to prior years. The Company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due.

Capital Expenditures

In USD millions	4th Quarter		Full year	
	2010	2009	2010	2009
Seismic in sea equipment	38.1	35.5	120.4	82.0
Vessel upgrades	15.6	4.0	36.0	8.9
Processing equip.	3.2	1.1	14.1	7.4
New Builds	0.4	0.0	34.7	128.3
Other	1.9	0.7	6.2	4.6
Total	59.2	41.3	211.4	231.2

The main capital expenditures in Q4 2010 were seismic in sea equipment, primarily GeoStreamer rollout, and vessel upgrades associated with rigging of *Sanco Spirit* and *Nordic Explorer*.

Liquidity and Financing

In Q4 2010, net cash provided by operating activities was $103.6 million, compared to $158.8 million in Q4 2009. The decrease relates primarily to an increase in working capital towards the end of the year. The working capital increase is caused by higher accounts receivables since, among other things, significant MultiClient sales made in December was not yet due by year-end.

In Q4 2010, PGS subsidiary Arrow Invest VI Ltd received EUR 45 million as repayment of all prepaid installments on the vessel 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 Q3 2010.

For both NB 532 and NB 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, Arrow has received a pledge in a future payment by Armada Seismic to Factorias Vulcano for NB 533 in the amount of EUR 10 million. In addition, Arrow has registered a pledge in the NB 533 vessel for an amount of approximately EUR 7 million with addition of interest.

In Q4 2010, the Company completed a private placement directed towards professional Norwegian and international investors. 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 approximately $269 million. The equity issue was initiated to facilitate the launch of a fleet renewal and expansion program by building two fifth generation Ramform vessels, as well as ensuring that the Company maintains a robust financial profile and strategic flexibility, and is positioned for future growth.

In Q4 2010, PGS invested $9.8 million in a $30 million private placement of preferred shares issued by Geokinetics.

At 31 December 2010, cash and cash equivalents amounted to $432.6 million, compared to $168.0 million at 30 September 2010 and $126.0 million at 31 December 2009. Restricted cash amounted to $71.2 million at 31 December 2010 compared to $16.4 million at 30 September 2010 and $18.0 million at 31 December 2009. The increase in restricted cash is primarily due to a deposit of approximately $65 million related to a law suit with the Rio de Janeiro court to seek confirmation that sale of MultiClient data in Brazil is not subject to ISS tax. The amount deposited is reported as long-term restricted cash and held on an interest bearing bank account with Banco do Brazil. The amount, with interest, will be released to PGS if and when a positive final ruling is awarded.

As of 31 December 2010, $470.5 million was outstanding under the Term Loan B maturing in 2015. In addition, the Company has $344.5 million nominal amount of convertible notes outstanding. There are no drawings on the $350.0 million revolving credit facility maturing in 2012. In Q1 2011 the maturity of the revolving credit facility was extended to 15 May 2015, see “Events After the End of the Reporting Period” for more details.

The total interest bearing debt, including capital leases, was $790.2 million as of 31 December 2010 compared to $787.3 million as of 30 September 2010 and $918.0 million as of 31 December 2009.

Net interest bearing debt (interest bearing debt less cash and cash equivalents, restricted cash and interest bearing investments) was $286.4 million as of 31 December 2010 compared to $602.9 million as of 30 September 2010 and $774.0 million as of 31 December 2009.

The Company 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 where appropriate, to fix the borrowing cost. As of 31 December 2010 the Company had approximately 78% of its debt on fixed interest rate and the weighted average cash interest rate on gross debt was approximately 4.2%, including credit margins paid on the debt. The swap agreements used to fix the interest rate on $300 million of the debt matures from mid 2012 through 2014 and is matched against the Term Loan B. The swap agreements are accounted for as interest rate hedges as long as the hedging criteria are met.

Given the Company's interest rate swaps and cash holdings, for every one percentage point hypothetical increase in LIBOR, the annual net interest expense on the Company's debt, including capital leases, would decrease by approximately $2.6 million.

The credit agreement for the $600 million (remaining balance $470.5 million) Term Loan B and the $350 million revolving credit facility contains certain terms that place limitations on the Company. The revolving credit facility contains a covenant whereby total leverage ratio (as defined) cannot exceed 3.00:1 in 2010 and 2.75:1 thereafter. At 31 December 2010 the total leverage ratio was 1.94:1. The credit agreement generally requires the Company to apply 50% of excess cash flow to repay outstanding borrowings when the senior leverage ratio exceeds 2.00:1 or if total leverage ratio exceeds 2.50:1 for the financial year.

Dividend Policy

The Board of Directors has adopted a dividend policy whereby it is the intention to propose to the Annual General Meeting ("AGM") a distribution between 25 percent and 50 percent of future net income as dividends. It is the intention to implement this policy by introducing a proposal for dividends to the AGM for the first time in 2012 based on the financial results in 2011. The dividend is currently expected to be approximately $40 million, which equates to NOK 1.1 per share, at current exchange rate.

Risk Factors

The Company emphasizes that the information included herein contains certain forward-looking statements that address activities, events or developments that the Company expects, projects, believes or anticipates will or may occur in the future. These statements are based on various assumptions made by the Company, which are beyond its control and are subject to risks and uncertainties. The Company is subject to a large number of risk factors including but not limited to the demand for seismic services, the demand for data from our MultiClient data library, the attractiveness of our technology, changes in governmental regulations affecting our markets, technical downtime, licenses and permitting and weather conditions.

Contracts for services are occasionally modified by mutual consent and in certain instances may be cancelled by customers on short notice without compensation. Consequently, the order book as of any particular date may not be indicative of actual operating results for any succeeding period.

For a further description of other relevant risk factors we refer to the Annual Report for 2009. As a result of these and other risk factors, actual events and actual results may differ materially from those indicated in or implied by such forward-looking statements.

Outlook 2011

Based on the current operational forecast assuming flat prices versus Q4 2010 and with reference to the aforementioned risk factors, the Company expects a full year 2011 EBITDA of approximately $500 million.

Capital expenditures, excluding new builds, are estimated at approximately $185 million and MultiClient cash investment will be in the range of $180-200 million.

Events After the End of the Reporting Period

25 January 2011, the Company signed an agreement to extend the maturity of the revolving credit facility ("RCF") from 2012 to 2015. The purpose of the extension is to secure a longer term liquidity reserve.

Margin on the new RCF is 225 basis points, compared to 175 basis points earlier.

In January 2011, PGS and SeaBird Exploration Ltd. ("SeaBird") signed a strategic cooperation agreement to further develop ocean bottom node solution. The cooperation will compliment PGS' product offering in reservoir monitoring and PGS will get exclusive right to offer SeaBird's autonomous seabed recording technology at market terms in Brazil. SeaBird will issue a five year convertible bond of NOK 240 million directed towards PGS with strike price NOK 3.35 and 9% interest.

Lysaker, 16 February 2011

Francis Gugen *Chairperson*	Annette Malm Justad *Director*
Harald Norvik *Vice Chairperson*	Daniel J. Piette *Director*
Carol Bell *Director*	Ingar Skaug *Director*
Holly Van Deursen *Director*	Jon Erik Reinhardsen *Chief Executive Officer*

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

For more information on Petroleum Geo-Services visit www.pgs.com.

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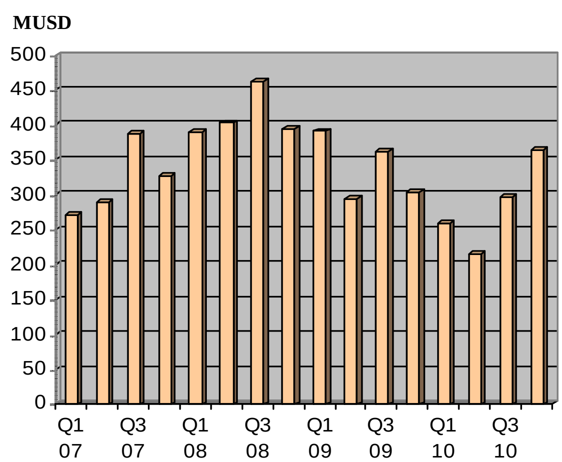
The information included herein contains certain forward-looking statements that address activities, events or developments that the Company expects, projects, believes or anticipates will or may occur in the future. These statements are based on various assumptions made by the Company, which are beyond its control and are subject to certain additional risks and uncertainties. The Company is subject to a large number of risk factors including but not limited to the demand for seismic services, the demand for data from our MultiClient data library, the attractiveness of our technology, unpredictable changes in governmental regulations affecting our markets and extreme weather conditions. For a further description of other relevant risk factors we refer to our Annual Report for 2009. As a result of these and other risk factors, actual events and our actual results may differ materially from those indicated in or *implied by such forward-looking statements. The reservation is also made that inaccuracies or mistakes may occur in the information given above about current status of the Company or its business. Any reliance on the information above is at the risk of the reader, and PGS disclaims any and all liability in this respect.*

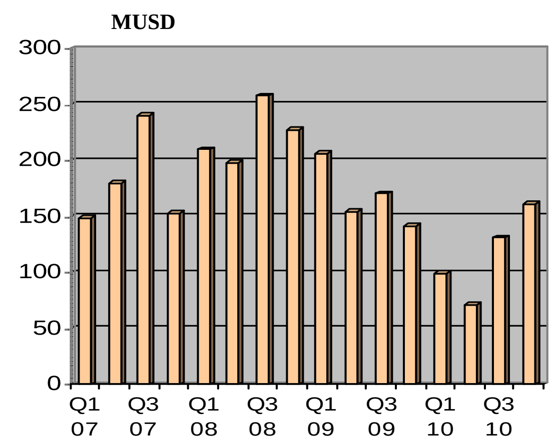
Petroleum Geo-Services ASA and Subsidiaries
Consolidated Statements of Operations

	Note	Quarter ended December 31, 2010 Unaudited	Quarter ended December 31, 2009 Unaudited	Year ended December 31, 2010 Unaudited	Year ended December 31, 2009 Audited
		(In thousands of dollars, except share data)			
Revenues	4	$ 364 430	$ 303 657	$ 1 135 134	$ 1 350 202
Cost of sales		181 187	143 729	594 039	605 980
Research and development costs	5	5 950	5 174	21 791	22 806
Selling, general and administrative costs		15 771	13 243	56 014	49 270
Depreciation and amortization	4, 6	116 983	96 060	326 356	285 269
Impairment of long-lived assets	4, 7	(1 282)	2 403	79 136	153 615
Total operating expenses		318 609	260 609	1 077 336	1 116 940
Operating profit (loss)/EBIT	4	45 821	43 048	57 798	233 262
Income/(loss) from associated companies		(240)	684	(10 183)	1 901
Interest expense	8	(11 220)	(13 599)	(46 996)	(45 232)
Other financial income	9	4 312	2 214	13 860	24 489
Other financial expense	10	(575)	(3 999)	(17 580)	(11 117)
Currency exchange gain (loss)		218	1 512	916	24 806
Income (loss) before income tax expense (benefit)		38 316	29 860	(2 185)	228 109
Income tax expense (benefit)		(3 195)	3 601	13 903	51 942
Income (loss) from continuing operations		41 511	26 259	(16 088)	176 167
Income (loss) from discontinued operations, net of tax	17	(1 809)	(1 291)	8 548	(8 248)
Net income (loss)		**$ 39 702**	**$ 24 968**	**$ (7 540)**	**$ 167 919**
Net income attributable to minority interests		-	2 097	67	2 094
Net income (loss) to equity holders of PGS ASA		**$ 39 702**	**$ 22 871**	**$ (7 607)**	**$ 165 825**
Earnings per share, to ordinary equity holders of PGS ASA:					
- Basic	16	$ 0.19	$ 0.12	$ (0.04)	$ 0.88
- Diluted	16	$ 0.19	$ 0.12	$ (0.04)	$ 0.88
Earnings per share from continuing operations, to ordinary equity holders of PGS ASA:					
- Basic	16	$ 0.20	$ 0.12	$ (0.08)	$ 0.92
- Diluted	16	$ 0.20	$ 0.12	$ (0.08)	$ 0.92
Weighted average basic shares outstanding		207 045 002	197 824 160	200 052 867	189 061 076
Weighted average diluted shares outstanding		208 108 898	198 335 781	200 052 867	189 061 575

Revenues by Quarter 2007- 2010



EBITDA (1) by Quarter 2007- 2010



Notes: (1) EBITDA, when used by the Company, means income before income tax expense less, currency exchange gain (loss), other financial expense, other financial income, interest expense, income (loss) from associated companies, impairment of long-lived assets and depreciation and amortization. See Support Tables for a more detailed discussion of and reconciliation of EBITDA to income before income tax expense (benefit). EBITDA may not be comparable to other similary 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. EBITDA is considered a non IFRS measure.

Petroleum Geo-Services ASA and Subsidiaries
Consolidated Statements of Comprehensive Income

	Note	Quarter ended December 31, 2010 Unaudited	Quarter ended December 31, 2009 Unaudited	Year ended December 31, 2010 Unaudited	Year ended December 31, 2009 Audited
		(In thousands of dollars)			
Net income for the period		$ 39 702	$ 24 968	$ (7 540)	$ 167 919
Other comprehensive income:					
Cash flow hedges	13	4 249	7 694	2 701	15 582
Deferred tax on cash flow hedges		(1 494)	(2 234)	(732)	(4 388)
Revaluation of shares available-for-sale	13	7 581	(1 721)	11 946	(2)
Translation adjustments and other		(13)	(14)	(1 412)	26
Other comprehensive income for the period, net of tax		10 323	3 725	12 503	11 218
Total comprehensive income for the period		50 025	28 693	4 963	179 137
Total comprehensive income attributable to minority interests		-	2 097	67	2 094
Total comprehensive income to equity holders of PGS ASA		**$ 50 025**	**$ 26 596**	**$ 4 896**	**$ 177 043**

Petroleum Geo-Services ASA and Subsidiaries
Consolidated Statements of Financial Position

	Note	December 31, 2010 Unaudited	December 31, 2009 Audited
		(In thousands of dollars)	
ASSETS			
Current assets:			
Cash and cash equivalents	15	$ 432 579	$ 125 961
Restricted cash	15	4 773	7 977
Shares available-for-sale		-	2 039
Accounts receivable		225 301	197 098
Accrued revenues and other receivables		145 187	216 846
Assets held-for-sale	17	-	227 292
Other current assets		98 432	90 148
Total current assets		906 272	867 361
Long-term assets:			
Property and equipment		1 179 735	1 283 463
Multi-client library	11	310 843	293 238
Restricted cash	15	66 395	10 014
Deferred tax assets		210 766	207 890
Investments in associated companies		24 523	7 043
Shares available-for-sale		33 282	10 004
Other long-lived assets		27 245	12 053
Goodwill		139 852	139 852
Other intangible assets		102 594	98 490
Total long-term assets		2 095 235	2 062 047
Total assets		$ 3 001 507	$ 2 929 408
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term debt and current portion of long-term debt	15	$ -	$ 26 109
Current portion of capital lease obligations	15	-	348
Accounts payable		95 486	87 153
Accrued expenses		244 938	286 079
Liabilities held-for-sale	17	-	26 008
Income taxes payable		43 994	54 914
Total current liabilities		384 418	480 611
Long-term liabilities:			
Long-term debt	15	783 693	882 580
Deferred tax liabilities		20 757	31 228
Other long-term liabilities		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		96 490	86 583
Treasury shares, par value		(240)	-
Additional paid-in capital		503 111	237 542
Total paid-in capital		599 361	324 125
Accumulated earnings		1 133 377	1 147 551
Cumulative translation adjustment and other reserves		(10 942)	(23 444)
Minority interests		12	805
Total shareholders' equity	14	1 721 808	1 449 037
Total liabilities and shareholders' equity		$ 3 001 507	$ 2 929 408

Petroleum Geo-Services ASA and Subsidiaries
Consolidated Statements of Cash Flows

	Quarter ended December 31, 2010 Unaudited	Quarter ended December 31, 2009 Audited	Year ended December 31, 2010 Unaudited	Year ended December 31, 2009 Audited
	(In thousands of dollars)			
Cash flows provided by operating activities:				
Net income (loss)	$ 39 702	$ 22 871	$ (7 607)	$ 165 825
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	116 983	96 060	326 356	285 269
Depreciation and amortization, discontinued operations	-	3 619	-	22 701
Impairments of long-lived assets	(1 282)	2 403	79 136	153 615
(Gain) loss on sale and retirement of assets	5 469	(1 001)	9 185	47
(Income) loss from associated companies	240	(684)	10 183	(1 901)
Interest expense	11 220	13 593	46 996	45 035
(Increase) decrease in deferred income taxes	4 944	(19 416)	(11 254)	7 095
Net decrease (increase) in restricted cash	16 281	8 110	1 347	383
Income taxes paid	(3 163)	(21 025)	(36 098)	(65 487)
Gain on sale of shares	(3 439)	(59)	(6 483)	(8 670)
Gain on sale of subsidiary (Onshore), net of transaction cost	(286)	-	(10 082)	-
Other items	1 169	1 639	3 861	2 908
(Increase) decrease in accounts receivable, net	(104 325)	17 728	(54 034)	(15 703)
(Increase) decrease in unbilled and other receivables	(3 415)	(17 779)	(3 062)	45 721
(Increase) decrease in other current assets	(10 977)	24 144	(11 665)	39 354
(Increase) decrease in other long-lived assets	(2 801)	2 738	1 311	6 963
Increase (decrease) in accounts payable	4 812	19 159	10 009	(6 686)
Increase (decrease) in accrued expenses and income taxes payable	36 409	19 919	(13 497)	21 394
Increase (decrease) in other long-term liabilities	(3 921)	(13 234)	8 774	(21 781)
Net cash provided by operating activities	103 620	158 785	343 376	676 082
Cash flows (used in) provided by investing activities:				
Investment in MultiClient library	(24 335)	(47 077)	(166 711)	(183 083)
Investment in MultiClient library, discontinued operations	-	(536)	(1 208)	(3 599)
Capital expenditures	(59 186)	(41 340)	(211 371)	(231 227)
Capital expenditures on new-builds on charter	-	-	-	(3 839)
Capital expenditures, discontinued operations	-	(718)	-	(10 538)
Proceeds/ refunds from new-build cancellations	56 800	-	157 376	-
Investment in other intangible assets	(2 998)	(1 337)	(12 614)	(7 811)
Investment in other intangible assets, discontinued operations	-	(1 656)	(219)	(4 577)
Investment/sale of assosiated companies, net	(9 800)	-	(9 935)	-
Proceeds from sale of assets and assosiated companies	1 242	3 317	1 382	12 143
Proceeds from assets held-for-sale, net	2 400	-	2 400	58 000
Investment in available-for-sale shares	-	(3 197)	(15 355)	(8 128)
Proceeds from sale of avaiable-for-sale shares	8 925	1 004	15 650	14 681
Sale of subsidiaries (Onshore)	-	-	176 754	-
Other items, net	-	956	1 000	1 956
Net cash used in investing activities	(26 952)	(90 584)	(62 851)	(366 022)
Cash flows provided by (used in) financing activities:				
Proceeds from issuance of common stock, net	268 582	-	268 582	98 523
Purchase of treasury shares	(45)	-	(9 224)	-
Proceeds from issuance of long-term debt	-	-	-	20 000
Repayment of long-term debt	(4 805)	(107 810)	(127 436)	(354 538)
Long-term deposit	(66 395)	-	(66 395)	-
Principal payments under capital leases	-	(111)	(354)	(3 703)
Proceeds from sale of treasury shares	1 778	-	2 417	20 276
Dividend paid to minorities in subsidiaries	-	(1 294)	(860)	(1 299)
Interest paid	(11 167)	(17 033)	(40 639)	(58 606)
Net cash provided by financing activities	187 948	(126 248)	26 091	(279 347)
Net increase in cash and cash equivalents	264 616	(58 047)	306 616	30 713
Cash and cash equivalents at beginning of period	167 963	184 008	125 963	95 248
Cash and cash equivalents at end of period	**$ 432 579**	**$ 125 961**	**$ 432 579**	**$ 125 961**

Petroleum Geo-Services ASA
Notes to the Interim Consolidated Financial Statements - Fourth Quarter 2010

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 and was classified as asset held-for-sale in the consolidated statement of financial positions as of December 31, 2009 (see Note 17 and 18). The Notes are restated for all periods presented.

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"*.
(1) Certain reclassifications have been made to prior period amounts to conform to the current presentation, including restatement of Onshore to discontinued operations (see above). Financial information for the full year 2009 is derived from the audited financial statements as presented in the 2009 Annual Report.
(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 quarter 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, 2009.

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, 2009. See Note 2 to the Consolidated Financial Statements in the 2009 Annual Report for information of the Company's significant accounting policies.

Note 3 - New policies and standards adopted in 2010

None of the new accounting standards that came into effect on January 1, 2010 had a significant impact in 2010.

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 operation and is not included in the tables below.

Revenues by operating segment and service type for the periods presented:

	Quarter ended December 31, 2010	Quarter ended December 31, 2009	Year ended December 31, 2010	Year ended December 31, 2009
Revenues by continued operations:	(In thousands of dollars)			
Marine revenues by service type:				
- Contract seismic	$ 180 637	$ 158 155	$ 629 101	$ 893 050
- MultiClient pre-funding	76 400	31 479	198 278	169 043
- MultiClient late sales	73 657	87 683	192 262	182 135
- Data Processing	30 847	23 485	103 471	90 158
- Other	2 889	2 855	9 239	15 816
Marine revenues	**$ 364 430**	**$ 303 657**	**$ 1 132 351**	**$ 1 350 202**
- Other, non Marine	-	-	2 783	-
Total revenues (continuing operation)	**$ 364 430**	**$ 303 657**	**$ 1 135 134**	**$ 1 350 202**

Operating profit (loss)/EBIT by operating segment for the periods presented:

	Quarter ended December 31, 2010	Quarter ended December 31, 2009	Year ended December 31, 2010	Year ended December 31, 2009
Operating profit (loss)/ EBIT from continuing operations:	(In thousands of dollars)			
Marine:				
EBITDA	$ 169 072	$ 145 923	$ 484 049	$ 691 012
Impairments of long-lived assets	1 282	(2 403)	(79 136)	(153 615)
Depreciation and amortization (a)	(39 212)	(32 099)	(128 482)	(125 339)
Amortization of MultiClient library (a)	(76 265)	(62 463)	(191 322)	(153 432)
Operating profit/EBIT, Marine	54 877	48 958	85 109	258 626
Other:				
EBITDA	$ (7 489)	$ (4 416)	$ (20 038)	$ (18 318)
Depreciation and amortization (a)	(1 506)	(1 503)	(6 573)	(6 519)
Operating profit (loss)/EBIT, Other	(8 995)	(5 919)	(26 611)	(24 837)
Inter-segment eliminations:				
EBITDA	$ (61)	$ 4	$ (721)	$ (548)
Depreciation and amortization (a)	-	-	-	-
Amortization of MultiClient library (a)	-	5	21	21
Operating profit (loss)/EBIT, Other	(61)	9	(700)	(527)
Total Operating profit:				
EBITDA	$ 161 522	$ 141 511	$ 463 290	$ 672 146
Impairments of long-lived assets	1 282	(2 403)	(79 136)	(153 615)
Depreciation and amortization (a)	(40 718)	(33 602)	(135 055)	(131 858)
Amortization of MultiClient library (a)	(76 265)	(62 458)	(191 301)	(153 411)
Total Operating profit (loss)/EBIT	**$ 45 821**	**$ 43 048**	**$ 57 798**	**$ 233 262**

(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 December 31, 2010	Quarter ended December 31, 2009	Year ended December 31, 2010	Year ended December 31, 2009
	(In thousands of dollars)			
Research and development costs, gross	$ 9 542	$ 7 679	$ 34 945	$ 31 555
Capitalized development costs	(3 592)	(2 505)	(13 154)	(8 749)
Total	**$ 5 950**	**$ 5 174**	**$ 21 791**	**$ 22 806**

Note 6 - Depreciation and amortization

Depreciation and amortization consists of the following for the periods presented:

	Quarter ended December 31, 2010	Quarter ended December 31, 2009	Year ended December 31, 2010	Year ended December 31, 2009
	(In thousands of dollars)			
Gross depreciation	$ 46 337	$ 42 699	$ 171 403	$ 156 639
Depreciation capitalized to MultiClient library	(5 619)	(9 097)	(36 348)	(24 781)
Amortization of MultiClient library	76 265	62 458	191 301	153 411
Total	**$ 116 983**	**$ 96 060**	**$ 326 356**	**$ 285 269**

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 at quarterly basis. At year-end, or when specific impairment indicators exists, the Company carry 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 December 31, 2010	Quarter ended December 31, 2009	Year ended December 31, 2010	Year ended December 31, 2009
	(In thousands of dollars)			
Property and equipment	$ 13 894	$ 2 403	$ 94 312	$ 153 615
Reversed impairments	(15 176)	-	(15 176)	-
Total	**$ (1 282)**	**$ 2 403**	**$ 79 136**	**$ 153 615**

Note 8 - Interest expense

Interest expense consists of the following for the periods presented:

	Quarter ended December 31, 2010	Quarter ended December 31, 2009	Year ended December 31, 2010	Year ended December 31, 2009
	(In thousands of dollars)			
Interest expense, gross	$ (12 833)	$ (15 706)	$ (55 425)	$ (70 472)
Capitalized interest, MultiClient library	1 613	329	5 894	6 000
Capitalized interest, construction in progress	-	1 778	2 535	19 240
Total	**$ (11 220)**	**$ (13 599)**	**$ (46 996)**	**$ (45 232)**

Note 9 - Other financial income

Other financial income consists of the following for the periods presented:

	Quarter ended December 31, 2010	Quarter ended December 31, 2009	Year ended December 31, 2010	Year ended December 31, 2009
	(In thousands of dollars)			
Interest income	$ 805	$ 2 631	$ 5 728	$ 7 238
Gain from sale of shares	3 439	60	6 483	8 671
Gain on repurchase of convertible notes	-	-	-	3 778
Gain on investment in shares available for sale	-	696	711	3 749
Other	68	(1 173)	938	1 053
Total	**$ 4 312**	**$ 2 214**	**$ 13 860**	**$ 24 489**

Note 10 - Other financial expense

Other financial expense consists of the following for the periods presented:

	Quarter ended December 31, 2010	Quarter ended December 31, 2009	Year ended December 31, 2010	Year ended December 31, 2009
	(In thousands of dollars)			
Amendment fees USD 950 million Credit Facilities	$ -	$ -	$ (7 029)	$ -
Fee in connection with redemption of 8.28% Notes	-	-	(1 229)	-
Instruction fee convertible note (includes costs)	-	(6 895)	-	(6 895)
Other	(575)	2 896	(9 322)	(4 222)
Total	**$ (575)**	**$ (3 999)**	**$ (17 580)**	**$ (11 117)**

Note 11 - MultiClient library

The net book-value of the MultiClient library by year of completion is as follows:

	December 31, 2010	December 31, 2009
	(In thousands of dollars)	
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, net	**$ 310 843**	**$ 293 238**

As of December 31, 2009, MultiClient library related to Onshore surveys are presented as held for sale.

Key figures MultiClient library for the periods presented:

	Quarter ended December 31, 2010	Quarter ended December 31, 2009	Year ended December 31, 2010	Year ended December 31, 2009
Key figures MultiClient library continuing operation:	(In thousands of dollars)			
MultiClient pre-funding	$ 76 400	$ 31 479	$ 198 278	$ 169 043
MultiClient late sales	73 657	87 683	192 262	182 135
Cash investment in MultiClient library (a)	24 335	47 077	166 711	183 083
Capitalized interest in MultiClient library (b)	1 613	329	5 894	6 000
Capitalized depreciation (non-cash) (c)	5 619	9 097	36 348	24 781
Amortization of MultiClient library (c)	76 265	62 458	191 301	153 411

(a) See Consolidated statements of cash flows.

(b) See Interest expense above.

(c) See Depreciation and amortization above.

Note 12 - Capital expenditures (cash)

Capital expenditures (cash) were as follows for the periods presented:

	Quarter ended December 31, 2010	Quarter ended December 31, 2009	Year ended December 31, 2010	Year ended December 31, 2009
	(In thousands of dollars)			
Marine	$ 56 514	$ 40 996	$ 206 734	$ 227 840
Other	2 672	344	4 637	3 387
Total	**$ 59 186**	**$ 41 340**	**$ 211 371**	**$ 231 227**

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 December 31, 2010	Quarter ended December 31, 2009	Year ended December 31, 2010	Year ended December 31, 2009
	(In thousands of dollars)			
Cash flow hedges:				
Gains (losses) arising during the period	$ 229	$ 2 706	$ (15 587)	$ (1 762)
Less: Reclassification adjustments for losses included in the Consolidated Statement of Operations	4 020	4 988	18 288	17 344
Cash flow hedges, net	**$ 4 249**	**$ 7 694**	**$ 2 701**	**$ 15 582**
Revaluation of shares available-for-sale:				
Gains (losses) arising during the period	$ 8 764	$ (1 560)	$ 12 438	$ 1 434
Less: Reclassification adjustments for (gains) included in the Consolidated Statement of Operations	(1 183)	(161)	(492)	(1 436)
Revaluation of shares available-for-sale, net	**$ 7 581**	**$ (1 721)**	**$ 11 946**	**$ (2)**

Note 14 - Shareholders' equity

	Common stock par value	Treasury shares par value	Additional paid-in capital	Accumulated earnings (deficit)	Cumulative translation adjustm. and other reserves	Minority interests	Shareholders' equity
	(In thousands of dollars)						
Balance at December 31, 2008	$ 78 208	$ (1 868)	$ 134 658	$ 963 334	$ (34 662)	$ 10	$ 1 139 680
Reconciliation Q1 through Q3 2009:							
Total comprehensive income	-	-	-	142 954	7 493	(3)	150 444
Share issue (17,999,999 shares) (a)	8 375	-	91 083	-	-	-	99 458
Sale of treasury shares (b)	-	1 779	-	18 497	-	-	20 276
Dividends to minority interests	-	-	-	-	-	(5)	(5)
Employee share options	-	-	9 392	-	-	-	9 392
Repurchase convertible notes	-	-	-	(16)	-	-	(16)
Balance at September 30, 2009	$ 86 583	$ (89)	$ 235 133	$ 1 124 769	$ (27 169)	$ 2	$ 1 419 229
Reconciliation Q4 2009:							
Total comprehensive income	-	-	-	22 871	3 725	2 097	28 693
Dividends to minority interests	-	-	-	-	-	(1 294)	(1 294)
Transferred shares, deferred consideration	-	89	-	(89)	-	-	-
Employee share options	-	-	2 409	-	-	-	2 409
Balance at December 31, 2009	$ 86 583	$ -	$ 237 542	$ 1 147 551	$ (23 444)	$ 805	$ 1 449 037
Reconciliation Q1 2010:							
Total comprehensive income	-	-	-	16 188	1 401	67	17 656
Dividends to minority interests	-	-	-	-	-	(860)	(860)
Employee share options	-	-	1 096	-	-	-	1 096
Balance at March 31, 2010	$ 86 583	$ -	$ 238 638	$ 1 163 739	$ (22 043)	$ 12	$ 1 466 929
Reconciliation Q2 2010:							
Total comprehensive income	-	-	-	(22 300)	(4 231)	(5)	(26 536)
Acquired treasury shares	-	(418)	-	(8 761)	-	-	(9 179)
Exercise, employee share options	-	4	-	48	-	-	52
Employee share options	-	-	1 667	-	-	-	1 667
Balance at June 30, 2010	$ 86 583	$ (414)	$ 240 305	$ 1 132 726	$ (26 274)	$ 7	$ 1 432 933
Reconciliation Q3 2010:							
Total comprehensive income	-	-	-	(41 197)	5 009	5	(36 183)
Exercise, employee share options	-	44	-	544	-	-	588
Employee share options	-	-	1 419	-	-	-	1 419
Balance at September 30, 2010	$ 86 583	$ (370)	$ 241 724	$ 1 092 073	$ (21 265)	$ 12	$ 1 398 757
Reconciliation Q4 2010:							
Total comprehensive income	-	-	-	39 702	10 323	-	50 025
Share issue (19,799,998 shares) (c)	9 907	-	260 215	-	-	-	270 122
Acquired treasury shares	-	(2)	-	(43)	-	-	(45)
Exercise, employee share options	-	132	-	1 645	-	-	1 777
Employee share options	-	-	1 172	-	-	-	1 172
Balance at December 31, 2010	**$ 96 490**	**$ (240)**	**$ 503 111**	**$ 1 133 377**	**$ (10 942)**	**$ 12**	**$ 1 721 808**

(a) Transaction costs amounting to $3.4 million are recognized against "Additional paid-in capital" net of related income tax benefits of $0.9 million.
(b) Transaction costs amounting to $0.7 million are recognized against "Accumulated earnings (deficit)".
(c) Transaction costs amounting to $4.0 million are recognized against "Additional paid-in capital" net of related income tax benefits of $1.5 million.

Note 15 - Net interest bearing debt

Reconciliation of net interest bearing debt:

	December 31, 2010	December 31, 2009
	(In thousands of dollars)	
Cash and cash equivalents	$ 432 579	$ 125 961
Restricted cash (current and long-term)	71 168	17 991
Short-term debt and current portion of long-term debt	-	(26 109)
Capital lease obligations (current and long-term)	-	(348)
Long-term debt	(783 693)	(882 580)
Adjust for deferred loan costs (offset in long-term debt)	(6 473)	(8 954)
Total	**$ (286 419)**	**$ (774 039)**

Note 16 - Earnings per share

Earnings per share, to ordinary equity holders of PGS ASA, were calculated as follows:

	Quarter ended December 31, 2010	Quarter ended December 31, 2009	Year ended December 31, 2010	Year ended December 31, 2009
	(In thousands of dollars)			
Net income from continuing operations	$ 41 511	$ 26 259	$ (16 088)	$ 176 167
Net income from discontinued operations	(1 809)	(1 291)	8 548	(8 248)
Minority interest	-	(2 097)	(67)	(2 094)
Net income to equity holders of PGS ASA	**$ 39 702**	**$ 22 871**	**$ (7 607)**	**$ 165 825**
Effect of interest on convertible notes, net of tax	-	-	-	-
Net income for the purpose of diluted earnings per share	**$ 39 702**	**$ 22 871**	**$ (7 607)**	**$ 165 825**
Earnings per share:				
- Basic	$ 0.19	$ 0.12	$ (0.04)	$ 0.88
- Diluted	$ 0.19	$ 0.12	$ (0.04)	$ 0.88
Earnings per share from continuing operations,				
- Basic	$ 0.20	$ 0.12	$ (0.08)	$ 0.92
- Diluted	$ 0.20	$ 0.12	$ (0.08)	$ 0.92
Weighted average basic shares outstanding	207 045 002	197 824 160	200 052 867	189 061 076
Dilutive potential shares (1)	1 063 896	511 621	-	499
Weighted average diluted shares outstanding	208 108 898	198 335 781	200 052 867	189 061 575

(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 17 - 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 December 31, 2010	Quarter ended December 31, 2009	Year ended December 31, 2010	Year ended December 31, 2009
	(In thousands of dollars)			
Revenues	$ -	$ 58 462	$ 21 756	$ 194 624
Operating costs (a)	-	53 744	23 259	175 997
Depreciation and amortization	-	3 620	-	22 702
Total operating expenses	-	57 364	23 259	198 699
Operating profit	-	1 098	(1 503)	(4 075)
Financial items, net	-	444	286	2 352
Income (loss) from discontinued operations, pretax	**$ -**	**$ 1 542**	**$ (1 217)**	**$ (1 723)**

(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 December 31, 2010	Quarter ended December 31, 2009	Year ended December 31, 2010	Year ended December 31, 2009
	(In thousands of dollars)			
Income (loss) from discontinued operations, pretax	$ -	$ 1 542	$ (1 217)	$ (1 723)
Additional proceeds	-	956	1 000	1 956
Gain on sale of Onshore	370	-	16 224	-
Transaction costs sale of Onshore	(84)	(1 950)	(6 142)	(2 368)
Income tax (expense) benefit	(2 095)	(1 839)	(1 317)	(6 113)
Total	**$ (1 809)**	**$ (1 291)**	**$ 8 548**	**$ (8 248)**

Asset/ liabilities held-for-sale

	December 31, 2010	December 31, 2009
	(In thousands of dollars)	
Assets held-for-sale		
Polar Pearl	$ -	$ 3 000
Total current assets Onshore	-	74 024
Total long-term assets Onshore (a)	-	150 268
Total asset held-for-sale	**$ -**	**$ 227 292**
Liabilities held-for-sale		
Total current liabilities Onshore	$ -	$ 26 008
Total liabilities held-for-sale	**$ -**	**$ 26 008**

(a) Includes $60.5 million in MultiClient library and allocated goodwill of $35.0 million as of December 31, 2009.