



EARNINGS RELEASE

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PGS Unaudited First Quarter 2008 Results

Best First Quarter Ever

May 8, 2008: OSLO, NORWAY - Petroleum Geo-Services ASA (“PGS” or the “Company”) today announced its unaudited first quarter 2008 results under IFRS.

- **Highest quarterly revenues ever:** Revenues of \$456.6 million, up \$104.1 million (30%). Operating profit of \$166.1 million, excluding the gain from sale of *Ramform Victory*, up \$46.6 million (39%) compared to Q1 2007
- **Marine:** Strong operating profit of \$174.2 million in Q1 2008, excluding the gain from sale of *Ramform Victory*, up \$60.5 million (53%) from Q1 2007 driven by improved contract margins and high vessel utilization
- **Onshore:** Performed as expected in Q1 2008 with operating profit of \$3.9 million, down \$8.8 million (69%) from Q1 2007, which was an exceptionally strong quarter for Onshore due to high multi-client sales and good performance by arctic crews
- **Continued high order backlog:** Order backlog for Marine and Onshore at March 31, 2008 was \$783 million and \$122 million, respectively
- **Strong prefunding and late sales in Europe:** Marine multi-client sales in Europe was \$45.4 million in Q1 2008, up \$24.1 million (113%) from Q1 2007
- **Delivery of *Ramform Sovereign*:** The vessel was delivered March 6, 2008 on schedule, and started working soon after the christening ceremony in Ålesund March 12, 2008. The vessel performs well. Steel work on *Ramform Sterling* is currently ahead of original schedule at Aker Yards hull building facility in Romania

- **Gain from sale of Ramform Victory** to the Japanese Ministry of Economy, Trade and Industry (“METI”), of \$71.6 million

Key figures

(In millions of dollars, except per share data)	Quarter ended March 31,		Year ended December 31,
	2008 Unaudited	2007 Unaudited	2007 Audited
Revenues	\$ 456.6	\$ 352.5	\$ 1,519.9
Operating profit/EBIT	237.7	119.5	494.5
Income before income tax expense (benefit)	228.9	118.1	458.7
Net income to equity holders	156.0	98.3	470.0
Basic earnings per share (\$ per share)	0.89	0.55	2.65
Diluted earnings per share (\$ per share)	0.84	0.55	2.65
Adjusted EBITDA (as defined)	230.8	184.5	800.8
Net cash provided by operating activities	229.7	117.3	687.3
Cash investment in multi-client library	82.9	57.8	288.7
Capital expenditures	125.2	34.3	270.0
Total assets (period end)	2,947.7	1,374.9	2,875.0
Cash and cash equivalents (period end)	154.0	80.1	145.3
Net interest bearing debt (period end)	\$ 1,186.7	\$ 225.8	\$ 1,172.7

Jon Erik Reinhardsen, PGS President and Chief Executive Officer, commented:

“PGS achieved its best first quarter result ever as a result of strong operational efficiency and high vessel utilization. The first quarter performance is a proof of our strong earnings momentum, and that PGS’ unique positioning in the market is being rewarded.

Since joining PGS on April 1, I have been really impressed with the commitment and competence I have seen among the PGS employees, as well as the solutions and technology that we offer our customers.

In the Marine segment the streamer contract EBIT margin was 51%. Bidding activity for the North Sea season 2009 has started, even earlier than last year, indicating a sustained tight market outlook for seismic acquisition capacity for that region in 2009. The two Crystal surveys in the Gulf of Mexico are on schedule. The first will be ready for final delivery in June/July and the second by the end of this year. Lower prefunding was experienced on these surveys in Q1 compared to the same quarter last year, partly offset by strong multi-client sales in other regions.

After weak operational performance by Onshore in the second half of 2007 the business unit is now back on track with results in line with expectations. Going forward, good crew continuity is anticipated in North America and Latin America. We expect higher market activity in the North African market in the second half of 2008.

2008 started with a record high order backlog at record high rates. We see increased interest among oil companies, in particular national oil companies, to lock in capacity for longer periods of time. The continued strong momentum in the global seismic market, driven by a structural need for seismic data as oil companies seek to find additional reserves is anticipated to continue to build the order backlog and visibility.

PGS is in the process of conducting the first survey with the GeoStreamer® on a 2D vessel in the Asia Pacific region and the results are very encouraging. The step change in streamer technology represented by the GeoStreamer® will be a competitive advantage for PGS going forward.”

Q1 Highlights

PGS group

- Revenues of \$456.6 million, up \$104.1 million (30%) from Q1 2007
- Operating profit (EBIT) of \$237.7 million, up \$118.2 million (99%) from Q1 2007 of which \$71.6 million relates to the gain from sale of *Ramform Victory*
- Income before income tax expense (benefit) of \$228.9 million, up \$110.8 million (94%) from Q1 2007
- Net income to equity holders of \$156.0 million, up \$57.7 million from Q1 2007, primarily due to strong operational performance and the gain from sale of *Ramform Victory*
- Cash flow from operations of \$229.7 million, up \$112.4 million from Q1 2007
- Cash investments in multi-client library of \$82.9 million, up \$25.1 million from Q1 2007
- Capital expenditures of \$125.2 million, compared to \$34.3 million in Q1 2007
- Net interest bearing debt of \$1,186.7 million at March 31, 2008, up \$14.0 million in Q1 compared to \$1,172.7 at December 31, 2007

Marine

- Total revenues of \$386.4 million, up \$116.2 million (43%) from Q1 2007
- EBIT margin for Marine contract seismic ended at approximately 51% compared to approximately 50% in Q1 2007
- Contract seismic revenues of \$267.4 million, up \$106.5 million (66%) from Q1 2007
- In Q1 2008, 69% of the active vessel time was used to acquire contract seismic up from 57% in Q1 2007
- Multi-client revenues of \$79.7 million, down \$12.5 million (14%) from Q1 2007
- Operating profit of \$174.2 million, up \$60.5 million (53%) from Q1 2007, excluding the gain from sale of *Ramform Victory*
- Capital expenditures of \$115.9 million (includes \$102.3 million relating to new building and conversion projects), up \$84.5 million compared to Q1 2007
- Order backlog of \$783 million at March 31, 2008 compared to \$807 million at December 31, 2007, which includes \$113 million of committed pre-funding on scheduled multi-client projects

Onshore

- Revenues of \$68.7 million, down \$12.8 million (16%) from Q1 2007
- Operating profit of \$3.9 million, \$8.8 million weaker than Q1 2007, which was an exceptionally strong quarter as a result of high multi-client activity and good performance by arctic crews
- Order backlog of \$122 million at March 31, 2008 compared to \$144 million at December 31, 2007

Outlook 2008

Marine

- Contract revenues, including revenues from the METI agreement, is expected to increase by more than 70% compared to full year 2007, which is more than earlier guidance and primarily caused by an increase of project specific third party costs and reimbursable costs. Correspondingly, and to some extent impacted by a weaker US dollar, the full year contract EBIT margin is expected to be somewhat lower than 55 %. The combined EBIT impact of such changes compared to earlier guidance is expected to be neutral or positive
- Fleet mix planned at approximately 15% multi-client and 85% contract
- Multi-client late sales higher than 2007
- Multi-client cash investments expected to be in the range of \$180-200 million
- Multi-client pre-funding expected approximately 110-120% of capitalized cash cost
- Capital expenditure is expected to be in the range of \$380-400 million, excluding the Arrow vessels to be delivered to WesternGeco

Onshore

- Revenues and operating profit expected to be in the range of \$260-280 million and \$15-25 million, respectively
- Planned multi-client investments and capital expenditures approximately in line with 2007

Technology

- Increased expenditure relating to commercialization of EM, Fiber Optics and GeoStreamer®

Petroleum Geo-Services ASA and Subsidiaries (1)
Consolidated Statements of Operations

	Quarter ended		Year ended
	March 31,		December 31,
	2008	2007	2007
	Unaudited	Unaudited	Audited
(In thousands of dollars, except share data)			
Revenues	\$ 456,569	\$ 352,490	\$ 1,519,867
Cost of sales (2)	201,376	148,461	637,970
Research and development costs (2)	1,724	2,081	8,531
Selling, general and administrative costs (2)	22,675	17,428	72,549
Depreciation and amortization	64,651	65,036	313,093
Other operating (income)	(71,561)	-	(6,768)
Total operating expenses	218,865	233,006	1,025,375
Operating profit	237,704	119,484	494,492
(Loss) from associated companies	(792)	(198)	(1,563)
Interest income	4,666	2,453	10,299
Interest expense	(18,373)	(5,162)	(37,468)
Other financial items, net	5,725	1,503	(7,075)
Income before income tax expense (benefit)	228,930	118,080	458,685
Income tax expense (benefit)	72,921	19,732	(11,138)
Income from continuing operations	156,009	98,348	469,823
Income from discontinued operations, net of tax	-	-	1,000
Net income	\$ 156,009	\$ 98,348	\$ 470,823
Net income attributable to minority interests	-	-	814
Net income to equity holders of PGS ASA	\$ 156,009	\$ 98,348	\$ 470,009

Earnings per share, to ordinary equity holders of PGS ASA:

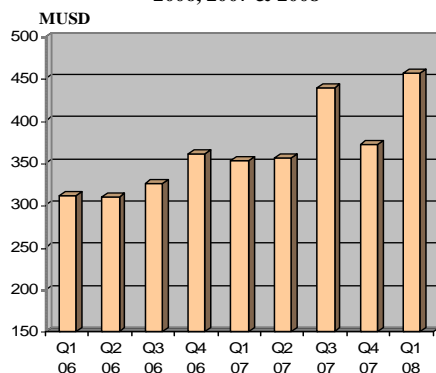
- Basic	\$ 0.89	\$ 0.55	\$ 2.65
- Diluted	\$ 0.84	\$ 0.55	\$ 2.65

Earnings per share from continuing operations, to ordinary equity holders of PGS ASA:

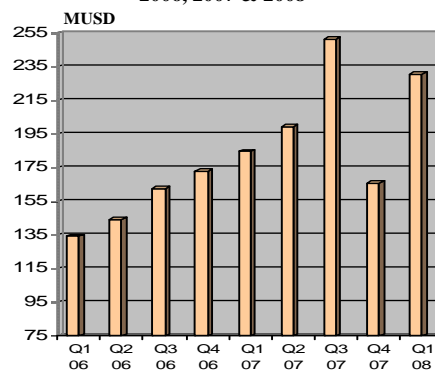
- Basic	\$ 0.89	\$ 0.55	\$ 2.65
- Diluted	\$ 0.84	\$ 0.55	\$ 2.64

Weighted average basic shares outstanding (3)	175,893,475	178,938,250	177,155,443
Weighted average diluted shares outstanding (4)	186,096,573	178,938,250	177,354,603

**Revenues by Quarter
2006, 2007 & 2008**



**Adjusted EBITDA (5) by Quarter
2006, 2007 & 2008**



Notes:

- (1) This information has been prepared based on IFRS. The interim financial information for 2008 and 2007 are unaudited.
- (2) Excluding depreciation and amortization, which is shown separately.
- (3) Weighted average basic shares outstanding has been reduced by the average numbers of own shares owned by the Company during the period.
- (4) Weighted average diluted shares outstanding has been reduced by the average numbers of own shares owned by the Company during the period and the dilutive effect of share options and convertible loan.
- (5) Adjusted EBITDA, when used by the Company, means income before income tax expense (benefit) less, other financial items, interest expense, interest income, (loss) from associated companies, other operating (income) and depreciation and amortization. See Support Tables for a more detailed discussion of and reconciliation of Adjusted EBITDA to income before income tax expense (benefit). Adjusted EBITDA may not be comparable to other similarly titled measures from other companies. PGS has included Adjusted 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. Adjusted EBITDA is considered a non IFRS measure.

Operations

The Company reports its business in two segments:

- Marine, which consists of streamer seismic data acquisition, marine multi-client library, data processing and reservoir consulting, and
- Onshore, which consists of all seismic operations on land, in shallow water and transition zones, including onshore multi-client library.

The integration of the MTEM business, now referred to as PGS EM, acquired in June 2007, is currently in progress. Pending the outcome of this process, the results of PGS EM are reported as part of the segment “Other” (includes Corporate, Global Shared Services and PGS EM).

Consolidated revenues in Q1 2008 were \$456.6 million, an increase of \$104.1 million, or 30%, from \$352.5 million in Q1 2007. The increase of consolidated revenues is primarily attributable to a stronger marine contract market and higher revenues from data processing.

Consolidated operating profit was \$237.7 million for Q1 2008, including a gain from sale of *Ramform Victory* of \$71.6, reported as Other operating income, compared to \$119.5 million in Q1 2007, an increase of \$118.2 million, or 99%.

Marine. Total revenues increased by \$116.2 million, or 43%, from \$270.2 million in Q1 2007 to \$386.4 million in Q1 2008.

Contract revenues increased by \$106.5 million, or 66%, from \$160.9 million in Q1 2007 to \$267.4 million in Q1 2008 reflecting more capacity used on contract seismic in Q1 2008, high demand for seismic services and increased prices. The Company used 69% of its active vessel time to acquire marine contract seismic in Q1 2008, compared to 57% in Q1 2007. The vessel statistics for Q1 do not include *Ramform Sovereign* which was delivered to PGS mid March and had limited active seismic acquisition time in Q1 2008. The vessel will be included from April 1. The vessel statistics further exclude *Ramform Victory*, renamed *Shigen* from mid October 2007. Consequently the total available vessel capacity included in the statistics for Q1 2008 is less than for Q1 2007. *Shigen* was delivered to METI on January 31, 2008 and the revenues under the service agreement, which will be reported as contract revenues, took full effect from the date of delivery. The EBIT margin on marine contract acquisition was around 51% in Q1 2008. Vessel steaming, standby and yard time made up 9% of nominal capacity in Q1 2008 compared to 11% in Q1 2007.

Multi-client late sales were \$38.8 million in Q1 2008 compared to \$41.1 million in Q1 2007, a decrease of \$2.3 million, or 6%, primarily reflecting lower sales in West Africa and Brazil, partly offset by higher late sales in Europe and Asia Pacific region.

Multi-client pre-funding revenues decreased by \$10.1 million, or 20%, from \$51.1 million in Q1 2007 to \$41.0 million in Q1 2008, driven by lower prefunding in the Gulf of Mexico and Brazil, partly offset by strong prefunding in Europe. Capitalized cash investments in multi-client library increased to \$59.6 million in Q1 2008 compared to \$41.3 million in Q1 2007. The increase is primarily due to project based hired in vessel capacity and seafloor acquisition capacity to acquire multi-client 2D and 3D surveys. In Q1 2008, 22% of the active vessel time was used for multi-client acquisition compared to 32% in Q1 2007. Pre-funding revenues were 69% of multi-client cash investments in Q1 2008 compared to 124% in Q1 2007.

Marine reported an operating profit of \$245.8 million in Q1 2008, including the \$71.6 million gain from sale of *Ramform Victory*. Excluding the gain, operating profit in Q1 2008 was \$174.2

million, compared to \$113.7 million in Q1 2007. The improvement was driven primarily by increased contract revenues and improved contract operating margin.

Operating expenses (before depreciation, amortization and other operating income) increased by \$53.3 million compared to Q1 2007. The increase is due to (i) increases in fuel, crew and maritime costs, (ii) resources and capacity increases as a result of the acquisition of Applied Geophysical Services, Inc. (“AGS”) and Arrow Seismic ASA (“Arrow”) and (iii) increases in project related variable costs including hired-in vessels and support vessels, partially offset by an increase in cash costs capitalized to the multi-client library reflecting the increase in the hired-in vessels and data processing capacity allocated to multi-client activity. As a consequence of a strong market, we believe that the industry is experiencing year-on-year aggregate cost inflation of approximately 10% primarily related to fuel, personnel and third party costs, including chartered in vessels and yard/maintenance.

Onshore. Total revenues decreased \$12.8 million (16%), from \$81.5 million in Q1 2007 to \$68.7 million in Q1 2008. Contract revenues decreased \$2.6 million, from \$53.6 million in Q1 2007 to \$51.0 million in Q1 2008. Q1 2007 was an exceptionally strong quarter for Onshore, due to high multi-client activity and good performance by arctic crews. Operational performance by Onshore in Q1 2008 reflects that Onshore is back on track and delivers in line with expectations. Multi-client revenues (including pre-funding) decreased \$10.2 million, from \$27.9 million in Q1 2007 to \$17.7 million in Q1 2008 reflecting a reduction from the very high pre-funding level in Q1 2007 and lower late sales. Capitalized cash investments in multi-client library totaled \$23.4 million in Q1 2008 compared to \$16.5 million in Q1 2007.

Onshore reported an operating profit of \$3.9 million in Q1 2008 compared to an operating profit of \$12.7 million in Q1 2007.

Other (including Corporate, Global Shared Services and PGS EM). Other operating loss amounted to \$12.0 million in Q1 2008 compared to a loss of \$6.9 million in Q1 2007. The increased loss reflects the inclusion of the electro-magnetic operations of PGS EM amounting to \$4.3 million, out of which \$2.8 million is amortization of excess values relating to purchase price accounting.

Depreciation and Amortization

Gross depreciation (before capitalization to multi-client library) was \$31.6 million in Q1 2008 compared to \$21.8 million in Q1 2007, reflecting an increase in depreciation on vessels acquired in the acquisition of Arrow in November 2007 and an increase in the amortization of intangible assets recognized pursuant to the acquisitions of PGS EM in June 2007 and AGS in October 2007. Amortization of intangible assets of PGS EM and AGS totaled \$3.8 million in Q1 2008.

The Company amortizes its multi-client 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 multi-client survey or pool of surveys at year-end. The Company calculates and records minimum amortization individually for each multi-client survey or pool of surveys at year-end.

Amortization of the multi-client library totaled \$36.6 million (38% of multi-client revenues) in Q1 2008 compared to \$47.8 million (40% of multi-client revenues) in Q1 2007. Amortization primarily relates to pre-funding revenues, which carry an amortization rate of at least 45% (as long as such amortization would not exceed total cost).

Late sales from surveys which were already fully amortized and sales of multi-client tapes and royalties, were \$41.4 million in Q1 2008 compared to \$35.7 million in Q1 2007, causing the amortization rate relating to late sales to be low.

Interest Expense

Interest expense in Q1 2008 was \$18.4 million compared to \$5.2 million in Q1 2007, an increase of \$13.2 million. The increase reflects the net increase in average interest-bearing debt outstanding resulting primarily from financing the PGS EM acquisition in June 2007, payment of special dividend in July 2007 and the Arrow acquisition in November 2007.

Capitalized interest for multi-client surveys and construction in progress was \$8.6 million in Q1 2008 compared to \$2.0 million in Q1 2007, reflecting increases in multi-client investment levels and cumulative costs of vessels under construction/conversion.

Other Financial Items, Net

Other financial items, net, for Q1 2008 was a gain of \$5.7 million compared to a gain of \$1.5 million in Q1 2007, and includes:

- Foreign currency gain of \$7.4 million in Q1 2008 compared to \$2.1 million in Q1 2007. The Company enters into forward contracts to manage its exposure to receipts and expenditures in other currencies than USD (see description in the paragraph “Liquidity and Financing” below),
- Fair value adjustment of interest rate derivatives related to UK leases was an expense of \$0.3 million in Q1 2008 compared to a gain of \$0.6 in Q1 2007,
- Other expense of \$1.3 million in Q1 2008 compared to an expense of \$1.2 in Q1 2007.

Income Tax Expense

Income tax expense in Q1 2008 was \$72.9 million compared to a tax expense of 19.7 million in Q1 2007. The reported tax rate for the quarter is 32%, compared to 17% in Q1 2007. The tax expense for Q1 2007 was significantly impacted by reversal of tax provisions amounting to \$19.5 million.

Deferred tax represented an expense of \$43.4 million in Q1 2008 compared to \$26.8 million Q1 2007. Current tax expense was \$29.5 million in Q1 2008 compared to \$12.4 million in Q1 2007. Current tax expense relates primarily to withholding taxes or income taxes in countries where the Company has no carry forward losses or where there are limitations on use of such losses.

The Company has substantial deferred tax assets in different jurisdictions, predominantly in Norway, UK, Brazil and USA. 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. This resulted in deferred tax assets in the consolidated balance sheets of \$191.0 million as of December 31, 2007. As of March 31, 2008 recognized deferred tax assets amounts to \$146.7 million.

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 material amounts in taxes relating to prior years. The Company recognizes liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. For further description of the Company's contingent liabilities see Notes 9 and 25 to the consolidated financial statements in the 2007 Annual Report.

The Company has earlier announced that it was evaluating and seeking clarification of matters which are relevant to the decision to utilize the new Norwegian tonnage tax regime ("NTT") which was approved December 14, 2007. Based on its review, the Company expects to seek to enter its subsidiaries PGS Shipping AS and PGS Shipping (Isle of Man) Ltd., owning five Ramform class seismic vessels and four six-streamer vessels, to NTT with effect from January 1, 2008. The decision is contingent on certain amendments of the NTT regulations, which are likely to be clarified early October 2008. If the required amendments are not made, PGS expects to alternatively seek to own and manage more of its vessels through Singapore, where such activities are tax free.

PGS expects that through utilizing the NTT, the vessel related income in its ship owning subsidiaries (earned through charters with its geophysical service subsidiaries) will be exempt for ordinary income taxation, corresponding to an annual tax saving of \$30-50 million.

The two Ramform new builds, *Ramform Sovereign* and *Ramform Sterling*, are owned by the Company's Singapore subsidiary, while the vessels and new build contracts acquired through the acquisition of Arrow are owned by UK subsidiaries, managed from UK and operated under the UK tonnage tax rules.

The Company earlier reported that on January 23, 2008, HM Revenue & Customs in the UK announced a proposal that effective April 1, 2008 certain vessels, including seismic vessels, should no longer qualify for operation under the UK tonnage tax regime. This would have had possible tax consequences for the Arrow vessels. This proposal was however later withdrawn (early March), and it is not expected that new proposals for change in the UK tonnage tax regime will be put forward in the near future.

Capital Investments

Cash investments in multi-client library (Marine and Onshore) totaled \$82.9 million in Q1 2008 compared to \$57.8 million in Q1 2007. The increase relates to increases in project-based hired-in vessel capacity used to acquire marine multi-client 2D and 3D surveys, increases in Onshore multi-client investment activity and general cost inflation. Marine investments continued with a second wide azimuth multi-client Crystal survey in the Gulf of Mexico, a 3D Gulf of Mexico seafloor survey with hired in crew, 3D surveys in the North Sea and 2D surveys in the Asia Pacific region. During Q1 2008 Onshore invested in new multi-client seismic within the US.

Capital expenditures totaled \$125.2 million in Q1 2008 compared to \$34.3 million in Q1 2007 consisting of:

- Marine expenditures in Q1 2008 were \$115.9 million compared to \$31.4 million in Q1 2007, of which \$102.3 million related to construction and conversion projects, including *Ramform Sovereign* \$72.0 million, *Ramform Sterling* \$1.4 million and \$28.9 million on Arrow vessels,
- Onshore expenditures were \$8.1 million in Q1 2008 compared to \$2.5 million in Q1 2007, and
- Other (including Corporate, Global Shared Services and PGS EM) combined expenditures were \$1.1 million in Q1 2008 compared to \$0.3 million in Q1 2007.

Status of New-Build and Conversion Programs

Ramform vessels

The Company's first new and enhanced Ramform design new-build vessel, *Ramform Sovereign*, was delivered on original plan in March 2008 and commenced operations in the North Sea around end March. The timely and "on budget" completion of *Ramform Sovereign* is a strong achievement by the PGS project organization and the shipbuilder Aker Yards.

Steel work on *Ramform Sterling*, the second Ramform new-build, is currently ahead of original schedule at Aker Yards' hull building facility in Romania (Aker Yards, Tulcea). The Company expects the vessel to be delivered in Q2 2009 as earlier disclosed.

"Arrow vessels"

PGS has completed project reviews and developed improved project organizations to manage the new-build and conversion program of the Arrow vessels. PGS has its own project management organization, while GC Rieber Shipping provides project management services.

The four vessels in the new-build program are being built by the Factorias Vulcano shipyard group in Spain. The first two vessels (NB 532 and 533) are on charters with a purchase obligation to WesternGeco. Based on current project status, the shipyard expects delivery of NB 532 in September 2008 and delivery of NB 533 in February 2009. While PGS is still reviewing status, it expects the financial impact of any delays for PGS not to be material, as the agreements with the shipyard and WesternGeco are generally designed to be "back-to-back".

The two other new-builds (NB 534 and 535) will be included in PGS seismic operations when completed. PGS has initiated measures to reduce the risk of knock-on effects from the delay of the two first vessels, and believes that it is realistic to achieve delivery in Q2 2009 and Q4 2009, respectively, in accordance with original schedule.

The shipyard in Spain is claiming to incur losses on the Arrow new build program. For that reason, the yard seeks financial contribution from PGS in order to compensate for the increased costs. The situation at the shipyard in Spain is monitored closely in order to minimize impact on the Arrow new build program. The shipyard is not entitled to further compensation under the shipbuilding contract.

The 3D vessel *Laurentian* is currently at a yard in the Netherlands, undergoing 25-year classing, maintenance and upgrade, expected to cost approximately \$13 million. PGS expects that the vessel will be released from the time charter with CGGVeritas late Q3 2008 and enter into PGS seismic operations.

Arrow had three source/2D conversion projects at the time of the PGS acquisition. Conversion of *Polar Sea* to source vessel was completed in November 2007 and the vessel operates on a time charter to another seismic services company until summer 2008. *Polar Explorer* has been renamed to *Southern Explorer* and is currently being converted to a GeoStreamer® 2D vessel with expected completion in Q4 2008, around six months later than Arrow's pre-acquisition timetable. PGS is still reviewing its alternatives for the third vessel, *Polar Pearl*.

Petroleum Geo-Services ASA and Subsidiaries (1)
Consolidated Balance Sheets

	March 31,		December 31,
	2008	2007	2007
	Unaudited	Unaudited	Audited
(In thousands of dollars)			
ASSETS			
<i>Current assets:</i>			
Cash and cash equivalents	\$ 154,032	\$ 80,084	\$ 145,295
Restricted cash	16,920	20,457	49,409
Shares available-for-sale	3,076	4,671	3,099
Accounts receivable	309,126	210,184	239,392
Accrued revenues and other receivables	104,391	120,215	150,876
Assets held-for-sale	-	-	73,718
Other current assets	141,182	80,272	129,745
Total current assets	728,727	515,883	791,534
<i>Long-term assets:</i>			
Property and equipment	1,380,179	581,271	1,257,239
Multi-client library	223,782	107,355	173,868
Restricted cash	10,014	10,014	10,014
Deferred tax assets	146,745	123,212	190,951
Investments in associated companies	30,359	7,695	31,152
Shares available-for-sale	21,936	-	9,726
Other long-lived assets	30,294	18,864	34,655
Goodwill	175,092	-	175,092
Other intangible assets	200,522	10,630	200,737
Total long-term assets	2,218,923	859,041	2,083,434
Total assets	\$ 2,947,650	\$ 1,374,924	\$ 2,874,968
LIABILITIES AND SHAREHOLDERS' EQUITY			
<i>Current liabilities:</i>			
Short-term debt and current portion of long-term debt	\$ 254,417	\$ 12,914	\$ 272,467
Current portion of capital lease obligations	6,009	5,321	7,056
Accounts payable	85,443	70,030	87,947
Prepayments, assets held-for-sale	-	-	120,638
Accrued expenses	327,762	181,031	320,471
Income taxes payable	69,797	60,751	57,062
Total current liabilities	743,428	330,047	865,641
<i>Long-term liabilities:</i>			
Long-term debt	1,087,427	306,335	1,080,460
Long-term capital lease obligations	3,095	6,917	-
Deferred tax liabilities	46,060	10,370	46,675
Other long-term liabilities	171,781	67,316	141,458
Total long-term liabilities	1,308,363	390,938	1,268,593
<i>Shareholders' equity:</i>			
<i>Paid-in capital:</i>			
Common stock; par value NOK 3; authorized 218,250,000 shares; issued and outstanding 180,000,000 shares at March 31, 2008 and December 31, 2007; and 198,000,000 authorized shares; issued and outstanding 180,000,000 at March 31, 2007	78,208	78,208	78,208
Own shares, par value	(2,024)	(1,031)	(2,034)
Additional paid-in capital	126,055	120,134	124,820
Total paid-in capital	202,239	197,311	200,994
Accumulated earnings	719,182	455,403	562,816
Cumulative translation adjustment and other reserves	(25,570)	1,222	(23,117)
Minority interests	8	3	41
Total shareholders' equity	895,859	653,939	740,734
Total liabilities and shareholders' equity	\$ 2,947,650	\$ 1,374,924	\$ 2,874,968

(1) This information has been prepared based on IFRS. The Company's interim financial information for the years ended December 31, 2008 and 2007 are unaudited.

Shares and Shareholders' Equity

PGS' has 180,000,000 ordinary shares, all one class and with equal rights, issued and outstanding. The ordinary shares are listed on the Oslo Stock Exchange. The Company's American Depository Shares ("ADS"), each of which represents one ordinary share and the ADSs currently trade on the Pink Sheets in the US.

At the Annual General Meeting on May 7, 2008, the authorization to repurchase up to 10% of the share capital was renewed. The authorization is valid until May 2009. As of March 31, 2008, the Company holds 2.27% of the shares issued. The Company uses share repurchase primarily as a means to adjust its leverage within the targeted range. The Company expects to use most of its free cash flow in 2008 to continue to execute on projects and acquisitions already decided and reduce leverage.

Liquidity and Financing

Net cash provided by operating activities was \$229.7 million in Q1 2008 compared to \$117.3 million in Q1 2007. Working capital showed an increase in the quarter, reflecting increased activity and revenue levels as well as seasonal effects relating to payment of employee bonuses, revenue share agreements and other annual agreements.

At March 31, 2008, cash and cash equivalents amounted to \$154.0 million compared to \$145.3 million at December 31, 2007. Restricted cash amounted to \$26.9 million at March 31, 2008 compared to \$59.4 million at December 31, 2007. The restricted cash at December 31, 2007 included \$38.0 million relating to the mandatory offer to purchase the remaining outstanding shares of Arrow.

The Company made debt and capital lease repayments amounting to \$38.2 million in Q1 2008.

In June 2007, the Company refinanced and established a \$600 million Term Loan maturing in 2015 and a \$350 million revolving credit facility maturing in 2012. As of March 31, 2008, \$572.0 million was outstanding under the Term Loan and \$230.0 million outstanding under the revolving credit facility. In addition, the Company has a remaining balance on the Oslo Seismic Notes of \$63.1 million.

Arrow has two secured loan facilities totaling approximately \$350 million relating to existing vessels and new-builds. Drawing on these facilities totaled \$153.5 million as of March 31, 2008. PGS is in discussion with the syndicate banks for these facilities regarding the continuation of these facilities and expects to conclude in Q2 2008.

The total interest bearing debt, including capital leases but excluding deferred loan costs, was \$1,367.7 million as of March 31, 2008 compared to \$1,377.4 million as of December 31, 2007.

Net interest bearing debt (interest bearing debt less cash and cash equivalents, restricted cash and interest bearing investments) was \$1,186.7 million as of March 31, 2008 compared to \$1,172.7 million as of December 31, 2007.

PGS conducts business in various currencies and is subject to foreign currency exchange rate risk on cash flows related to revenue, expenses, financing and investing transactions in currencies other than the US dollar. The Company's cash flows from operation are primarily denominated in USD, GBP and NOK. We predominantly sell our products and services in USD, but also in other currencies like EUR, GBP and NOK. In addition to USD a significant portion of our operating expenses are incurred in GBP and NOK, with smaller portions in EUR, SGD and various other

currencies. We therefore typically have higher expenses than revenue denominated in non US dollar currencies.

The Company hedges a portion of its 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 account for the contracts as hedges except if they are specifically designated to firm commitments or certain cash flows. Consequently, these forward currency exchange contracts are recorded at estimated fair value and gains and losses are included in other financial items, net. During Q1 2008, the Company had in place currency hedges for the payment that will be made in non-USD for our vessels under construction. In Q1 2008 a hedge for the sales proceeds for the sale of one of our Ramform vessels matured together with the receipt of the sales proceeds. The sales proceeds for the vessel sold were received in JPY during Q1 2008 and the currency hedge was treated as a cash flow hedge. The hulls on new vessels will be paid for in NOK and EUR and currency hedges put in place for these exposures are treated as fair value hedges in our accounts.

A weaker USD increases the Company's operating expenses as reported in USD. As previously reported the Company estimates that an appreciation of the currency rate of the two most significant non-USD currencies (NOK and GBP) by 10% against the USD would have an annual net negative EBIT impact of \$15 to \$23 million before currency hedging activities. The average reported USD/NOK and GBP/USD exchange rates in Q1 2008 were 5.33 and 1.99 compared to a closing rate at quarter end of 5.10 and 1.99.

The Company has entered into interest rate swaps and future rate agreements to manage the interest rate profile on debt. The swap agreements are accounted for as interest rate hedges as long as the hedging criteria are met.

UK Leases

The Company currently has capital leases on *Ramform Challenger* and *Ramform Valiant*. These leases, which are fully defeased, are described more fully in the 2007 Annual Report.

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.

Basis of Unaudited Financial Statements

Effective January 1, 2007, PGS adopted IFRS as its primary basis for financial reporting. Reference is made to the Company's audited consolidated financial statements in the 2007 Annual Report for a description of significant accounting policies. For additional support to the unaudited, first quarter 2008 results under IFRS and related news release and presentation; please visit our web site www.pgs.com.

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

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

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 multi-client 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 2007. 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.

--END--

Petroleum Geo-Services ASA and Subsidiaries (1)
Consolidated Statements of Cash Flows

	Quarter ended		Year ended
	March 31,		December 31,
	2008	2007	2007
	Unaudited	Unaudited	Audited
(In thousands of dollars)			
Cash flows provided by operating activities:			
Net income	\$ 156,009	\$ 98,348	\$ 470,009
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	64,651	65,036	313,093
Provision (benefit) for deferred income taxes	43,394	26,788	(54,341)
(Gain) loss on sale of assets	(71,816)	97	454
Net decrease (increase) in restricted cash	32,489	(11,746)	(40,143)
Other items	3,982	2,735	10,031
(Increase) decrease in accounts receivable, net	(66,772)	(15,597)	(38,127)
(Increase) decrease in unbilled and other receivables	42,446	(7,209)	(23,053)
(Increase) decrease in other current assets	(11,437)	(4,682)	(45,814)
(Increase) decrease in other long-lived assets	809	(57)	(7,669)
Increase (decrease) in accounts payable	(2,504)	(14,491)	(8,934)
Increase (decrease) in accrued expenses and income taxes payable	20,115	(11,611)	118,279
Increase (decrease) in other long-term liabilities	18,294	(10,264)	(6,481)
Net cash provided by operating activities	229,660	117,347	687,304
Cash flows (used in) provided by investing activities:			
Investment in multi-client library	(82,949)	(57,775)	(288,703)
Capital expenditures	(125,157)	(34,274)	(270,013)
Investment in other intangible assets	(3,379)	(3,881)	(9,500)
Proceeds for assets held-for-sale, net	24,605	-	103,648
Payment for purchase of subsidiaries, net of cash acquired	(77)	-	(700,148)
Other items, net	(17,345)	(6,510)	(26,233)
Net cash (used in) provided by investing activities	(204,302)	(102,440)	(1,190,949)
Cash flows (used in) provided by financing activities:			
Proceeds from issuance of long-term debt	21,290	-	995,092
Repayment of long-term debt	(26,500)	-	(282,926)
Principal payments under capital leases	(1,745)	(1,680)	(6,862)
Net increase (decrease) in bank facility and short-term debt	(10,000)	(113)	239,873
Purchase of own shares	-	(49,182)	(119,486)
Proceeds from sale of own shares	367	-	10,241
Dividend paid to minorities in subsidiaries	(33)	-	(776)
Dividend paid to shareholders of PGS ASA	-	-	(302,368)
Termination fee, UK leases	-	(7,831)	(7,831)
Net cash (used in) provided by financing activities	(16,621)	(58,806)	524,957
Net increase in cash and cash equivalents	8,737	(43,899)	21,312
Cash and cash equivalents at beginning of period	145,295	123,983	123,983
Cash and cash equivalents at end of period	\$ 154,032	\$ 80,084	\$ 145,295

(1) This information has been prepared based on IFRS. The interim financial information for 2008 and 2007 are unaudited.

Petroleum Geo-Services ASA (1) (2)

Support Tables

General

The Company is a Norwegian limited liability company and has from January 1, 2007 prepared its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"). 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..

(2) Adjusted EBITDA, when used by the Company, means income before income tax expense (benefit) less, other financial items, interest expense, interest income, income (loss) from associated companies, other operating (income) and depreciation and amortization. EBITDA may not be comparable to other similar titled measures from other companies. PGS has included Adjusted 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. Adjusted EBITDA is considered a non-IFRS measure.

Revenue distribution by operating segment

The distribution of our revenue by operating segment for the periods presented:

	Quarter ended March 31,		Year ended December 31,
	2008	2007	2007
	(In thousands of dollars)		
Revenues by operating segments:			
Marine (A)	\$ 386,426	\$ 270,176	\$ 1,273,811
Onshore (B)	68,664	81,508	246,448
Other	2,422	1,266	1,905
Elimination of inter-segment revenues	(943)	(460)	(2,297)
Total	\$ 456,569	\$ 352,490	\$ 1,519,867
(A) Marine revenues by service type:			
- Multi-client pre-funding	\$ 40,987	\$ 51,089	\$ 305,977
- Multi-client late sales	38,752	41,087	197,948
- Contract seismic	267,417	160,850	691,809
- Data processing	24,658	14,572	64,065
- Other	14,612	2,578	14,012
Total	\$ 386,426	\$ 270,176	\$ 1,273,811
(B) Onshore revenues by service type:			
- Multi-client pre-funding	\$ 15,755	\$ 22,710	\$ 60,329
- Multi-client late sales	1,907	5,181	20,866
- Contract seismic	51,002	53,617	165,253
Total	\$ 68,664	\$ 81,508	\$ 246,448

Adjusted EBITDA (2), by quarter 2007

Adjusted EBITDA, for the quarters presented:

	Q1	Q2	Q3		Q4	2007
	(In thousands of dollars)					
Income before income tax expense (benefit)	\$ 118,080	\$ 128,851	\$ 146,535	\$ 65,219	\$ 458,685	
Add back:						
Other financial items, net	(1,503)	(165)	10,564	(1,821)	7,075	
Interest expense	5,162	4,605	13,766	13,935	37,468	
Interest income	(2,453)	(2,320)	(3,096)	(2,430)	(10,299)	
(Loss) income from associated companies	198	74	(323)	1,614	1,563	
Operating profit	119,484	131,045	167,446	76,517	494,492	
Other operating (income)	-	-	-	(6,768)	(6,768)	
Depreciation (a)	17,200	13,286	22,431	24,326	77,243	
Amortization of multi-client library (a)	47,836	54,918	61,386	71,710	235,850	
Adjusted EBITDA	\$ 184,520	\$ 199,249	\$ 251,263	\$ 165,785	\$ 800,817	

(a) Presented combined in the Consolidated Statements of Operations.

Adjusted EBITDA (2), by quarter 2008

Adjusted EBITDA, for the quarters presented:

	Q1 2008
	(In thousands of dollars)
Income before income tax expense (benefit)	\$ 228,930
Add back:	
Other financial items, net	(5,725)
Interest expense	18,373
Interest income	(4,666)
(Loss) income from associated companies	792
Operating profit	237,704
Other operating (income)	(71,561)
Depreciation (a)	28,063
Amortization of multi-client library (a)	36,588
Adjusted EBITDA	\$ 230,794

(a) Presented combined in the Consolidated Statements of Operations.

Adjusted EBITDA (2), by operating segment

The distribution of Adjusted EBITDA by operating segment for the periods presented:

	Quarter ended March 31,		Year ended December 31,
	2008	2007	2007
	(In thousands of dollars)		
Marine:			
Operating profit	\$ 245,765	\$ 113,690	\$ 526,491
Plus: Other operating (income)	(71,561)	-	(6,768)
Plus: Depreciation and amortization	43,729	41,263	235,436
Adjusted EBITDA, Marine	217,933	154,953	755,159
Onshore:			
Operating profit (loss)	\$ 3,930	\$ 12,661	\$ 11,329
Plus: Depreciation and amortization	16,796	22,977	67,894
Adjusted EBITDA, Onshore	20,726	35,638	79,223
Other:			
Operating profit (loss)	\$ (11,991)	\$ (6,867)	\$ (43,328)
Plus: Depreciation and amortization	4,126	796	9,763
Adjusted EBITDA, other	(7,865)	(6,071)	(33,565)
Total Adjusted EBITDA:			
Operating profit	\$ 237,704	\$ 119,484	\$ 494,492
Plus: Other operating (income)	(71,561)	-	(6,768)
Plus: Depreciation and amortization	64,651	65,036	313,093
Adjusted EBITDA	\$ 230,794	\$ 184,520	\$ 800,817

Research and development costs

Research and development costs, net of capitalized portion were as follows for the periods presented:

	Quarter ended March 31,		Year ended December 31,
	2008	2007	2007
	(In thousands of dollars)		
Research and development costs, gross	\$ 4,900	\$ 5,840	\$ 19,338
Capitalized development costs	(3,176)	(3,759)	(10,807)
Total	\$ 1,724	\$ 2,081	\$ 8,531

Depreciation and amortization

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

	Quarter ended March 31,		Year ended December 31,
	2008	2007	2007
	(In thousands of dollars)		
Gross depreciation	\$ 31,615	\$ 21,761	\$ 97,249
Depreciation capitalized to multi-client library	(3,552)	(4,561)	(20,006)
Amortization of multi-client library	36,588	47,836	235,850
Total	\$ 64,651	\$ 65,036	\$ 313,093

Interest expense

Interest expense consists of the following for the periods presented:

	Quarter ended March 31,		Year ended December 31,
	2008	2007	2007
	(In thousands of dollars)		
Interest expense, gross	\$ (26,989)	\$ (7,207)	\$ (52,946)
Capitalized interest, multi-client library	1,989	930	5,906
Capitalized interest, construction in progress	6,627	1,115	9,572
Total	\$ (18,373)	\$ (5,162)	\$ (37,468)

Other financial items, net

Other financial items, net consists of the following for the periods presented:

	Quarter ended March 31,		Year ended December 31,
	2008	2007	2007
	(In thousands of dollars)		
Foreign currency gain	\$ 7,360	\$ 2,077	\$ 4,866
Expensed deferred loan costs, extinguished debt	-	-	(3,375)
Additional required interests relating to UK leases, net of fair value adjustment of deferred UK lease gain	(345)	576	(88)
Impairment of shares available-for-sale	-	-	(1,187)
Costs related to bridge loan facility	-	-	(3,230)
Other	(1,290)	(1,150)	(4,061)
Total	\$ 5,725	\$ 1,503	\$ (7,075)

Multi-client library, net

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

	Quarter ended March 31,		December 31,
	2008	2007	2007
	(In thousands of dollars)		
Completed during 2003 and prior years	6,523	33,578	6,805
Completed during 2004	2,884	2,199	2,676
Completed during 2005	4,417	5,107	4,417
Completed during 2006	2,093	3,825	2,435
Completed during 2007	32,191	1,599	34,378
Completed during 2008	3,605	-	-
Completed surveys	51,713	46,308	50,711
Surveys in progress	172,069	61,047	123,157
Multi-client library, net	\$ 223,782	\$ 107,355	\$ 173,868

Multi-client library, key figures

Multi-client library key figures, by segment for the periods presented:

	Quarter ended March 31,		Year ended December 31,
	2008	2007	2007
	(In thousands of dollars)		
Marine:			
Multi-client pre-funding (a)	\$ 40,987	\$ 51,089	\$ 305,977
Multi-client late sales (a)	38,752	41,087	197,948
Cash investment in multi-client library (b)	59,569	41,254	218,577
Capitalized depreciation (non-cash)	3,049	3,885	18,060
Amortization of multi-client library (c)	22,899	27,402	178,757
Onshore:			
Multi-client pre-funding (a)	\$ 15,755	\$ 22,710	\$ 60,329
Multi-client late sales (a)	1,907	5,181	20,866
Cash investment in multi-client library (b)	23,374	16,515	70,103
Capitalized depreciation (non-cash)	503	676	1,946
Amortization of multi-client library (c)	13,694	20,439	57,114
Elimination:			
Cash investment in multi-client library (b)	6	6	23
Amortization of multi-client library (c)	(5)	(5)	(21)
Total multi-client library, key figures:			
Multi-client pre-funding (a)	\$ 56,742	\$ 73,799	\$ 366,306
Multi-client late sales (a)	40,659	46,268	218,814
Cash investment in multi-client library (b)	82,949	57,775	288,703
Capitalized depreciation (non-cash) (d)	3,552	4,561	20,006
Amortization of multi-client library (c)	36,588	47,836	235,850

(a) See Revenue Distribution by Operating Segment above.

(b) See Consolidated Statements of Cash Flows.

(c) See reconciliation of Adjusted EBITDA above.

(d) See Depreciation and amortization above.

Capital expenditures (cash)

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

	Quarter ended March 31,		Year ended December 31,
	2008	2007	2007
	(In thousands of dollars)		
Marine	\$ 115,945	\$ 31,400	\$ 241,722
Onshore	8,093	2,533	25,468
Other	1,119	341	2,823
Total	\$ 125,157	\$ 34,274	\$ 270,013

Consolidated statements of operations for 2007, by quarter

	Q1	Q2	Q3	Q4	2007
		(In thousands of dollars)			
Revenues	\$ 352,490	\$ 355,865	\$ 439,058	\$ 372,454	\$ 1,519,867
Cost of sales (a)	148,461	137,995	169,662	181,852	637,970
Research and development costs (a)	2,081	2,281	1,423	2,746	8,531
Selling, general and administrative (a)	17,428	16,340	16,710	22,071	72,549
Depreciation and amortization	65,036	68,204	83,817	96,036	313,093
Other operating (income)	-	-	-	(6,768)	(6,768)
Total operating expenses	233,006	224,820	271,612	295,937	1,025,375
Operating profit	119,484	131,045	167,446	76,517	494,492
(Loss) income from associated companies	(198)	(74)	323	(1,614)	(1,563)
Interest income	2,453	2,320	3,096	2,430	10,299
Interest expense	(5,162)	(4,605)	(13,766)	(13,935)	(37,468)
Other financial items, net	1,503	165	(10,564)	1,821	(7,075)
Income before income tax expense (benefit)	118,080	128,851	146,535	65,219	458,685
Income tax expense (benefit)	19,732	45,322	(96,648)	20,456	(11,138)
Income from continuing operations	98,348	83,529	243,183	44,763	469,823
Income from discontinued operations, net of tax	-	-	-	1,000	1,000
Net income	\$ 98,348	\$ 83,529	\$ 243,183	\$ 45,763	\$ 470,823
Net income attributable to minority interests	-	101	715	(2)	814
Net income to equity holders of PGS ASA	\$ 98,348	\$ 83,428	\$ 242,468	\$ 45,765	\$ 470,009

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

Shareholders' Equity

	Common stock par value	Own 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 December 31, 2006	78,208	-	118,249	405,206	2,025	-	603,688
Net income Q1	-	-	-	98,348	-	-	98,348
Employee share options	-	-	1,885	-	-	-	1,885
Acquired own shares	-	(1,031)	-	(48,151)	-	-	(49,182)
Cumulative translation adjustment and other reserves	-	-	-	-	(803)	3	(800)
Balance March 31, 2007	78,208	(1,031)	120,134	455,403	1,222	3	653,939
Net income Q2	-	-	-	83,428	-	101	83,529
Dividends	-	-	-	(289,943)	-	-	(289,943)
Employee share options	-	-	2,150	-	-	-	2,150
Acquired/transferred own shares, net	-	(631)	-	(22,475)	-	-	(23,106)
Cumulative translation adjustment and other reserves	-	-	-	-	(1,671)	-	(1,671)
Balance June 30, 2007	78,208	(1,662)	122,284	226,413	(449)	104	424,898
Net income Q3	-	-	-	242,468	-	715	243,183
Dividends to minority interests	-	-	-	-	-	(776)	(776)
Employee share options	-	-	1,297	-	-	-	1,297
Exercise, employee share options	-	58	-	2,078	-	-	2,136
Acquired own shares	-	(440)	-	(18,518)	-	-	(18,958)
Cumulative translation adjustment and other reserves	-	-	-	-	(6,230)	-	(6,230)
Balance September 30, 2007	78,208	(2,044)	123,581	452,441	(6,679)	43	645,550
Net income Q4	-	-	-	45,765	-	(2)	45,763
Employee share options	-	-	1,239	-	-	-	1,239
Exercise, employee share options	-	218	-	7,887	-	-	8,105
Acquired own shares	-	(208)	-	(10,202)	-	-	(10,410)
Issue of convertible notes, net	-	-	-	66,925	-	-	66,925
Cumulative translation adjustment and other reserves	-	-	-	-	(16,438)	-	(16,438)
Balance at December 31, 2007	78,208	(2,034)	124,820	562,816	(23,117)	41	740,734
Net income Q1	-	-	-	156,009	-	-	156,009
Dividends to minority interests	-	-	-	-	-	(33)	(33)
Employee share options	-	-	1,235	-	-	-	1,235
Exercise, employee share options	-	10	-	357	-	-	367
Cumulative translation adjustment and other reserves	-	-	-	-	(2,453)	-	(2,453)
Balance at March 31, 2008	\$ 78,208	\$ (2,024)	\$ 126,055	\$ 719,182	\$ (25,570)	\$ 8	\$ 895,859

Net Interest Bearing Debt

Reconciliation of net interest bearing debt:

	March 31,		December 31,
	2008	2007	2007
	(In thousands of dollars)		
Cash and cash equivalents	154,032	80,084	145,295
Restricted cash (current and long-term)	26,934	30,471	59,423
Short-term debt and current portion of long-term debt	(254,417)	(12,914)	(272,467)
Capital lease obligations (current and long-term)	(9,104)	(12,238)	(7,056)
Long-term debt	(1,087,427)	(306,335)	(1,080,460)
Adjust for deferred loan costs (offset in long-term debt)	(16,761)	(4,911)	(17,426)
Total	\$ (1,186,743)	\$ (225,843)	\$ (1,172,691)

Business Combinations

On November 12, 2007, the Company purchased approximately 91% of the shares in Arrow Sesimic ASA ("Arrow") and subsequently acquired the remaining outstanding shares in a combined mandatory offer and "squeeze out". The acquisition has been accounted for using the purchase method of accounting. The initial purchase price allocation that was presented in the 2007 Annual Report and the Q4 2007 Earnings Release was determined provisionally by independent financial experts. The final purchase allocation shows some changes from the initial version, mainly relating to increased property and equipment of \$3.2 million and decrease of other long-lived assets of \$3.6 million.

The fair value of the identifiable assets and liabilities acquired in the transaction are as follows:

(In thousands of dollars)	Fair value
	(Unaudited)
Current assets	\$ 62,799
Property and equipment	554,844
Other long-lived assets	4,726
Accounts payable	(10,715)
Accrued expenses and income taxes payable	(6,275)
Debt, net of deferred loan costs	(143,624)
Other long-term liabilities	(30,441)
Net assets/total acquisition cost	\$ 431,314

New Policies and Standards Adopted in 2008

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 financial statements for the year ended December 31, 2007. No new policies or standards have been adopted in Q1 2008. IFRS 8 *Operating Segments* was early adopted in 2007. Please see Note 2 to the Consolidated Financial Statements in the 2007 Annual Report.