



## **OFFER DOCUMENT**

**VOLUNTARY OFFER TO ACQUIRE ALL ISSUED AND OUTSTANDING SHARES OF**

**SAGA PETROLEUM ASA**

**BY**

**ELF AQUITAINE**

**OFFER: NOK 115 PER SHARE IN CASH**

**OFFER PERIOD: FROM 7 JUNE 1999 UP TO AND INCLUDING  
5:00 P.M. OSLO TIME ON 18 JUNE 1999**

This document and the contents hereof do not constitute the extension of an offer in the United States or in any jurisdiction where making the Offer would be illegal.

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**FINANCIAL ADVISER TO ELF AQUITAINE**



**NORWEGIAN MANAGER OF THE OFFER**

**Sundal Collier & Co**

**4 June 1999**

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Acceptance Form

**NO PERSON HAS BEEN AUTHORISED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION ON BEHALF OF ELF NOT CONTAINED IN THIS OFFER DOCUMENT INCLUDING THE ACCOMPANYING ACCEPTANCE FORM AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED. THE DELIVERY OF THIS OFFER DOCUMENT SHALL NOT, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF SAGA OR ELF SINCE THE DATE HEREOF OR THAT THE INFORMATION IN THIS OFFER DOCUMENT OR IN THE DOCUMENTS REFERRED TO HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATES HEREOF OR THEREOF. ALL INFORMATION IN THIS OFFER DOCUMENT REGARDING THE SAGA GROUP HAS BEEN COMPILED FROM DOCUMENTS MADE PUBLICLY AVAILABLE BY SAGA. ELF ASSUMES NO RESPONSIBILITY FOR THE COMPLETENESS OR ACCURACY OF THE INFORMATION ON SAGA.**

**THIS OFFER DOCUMENT AND THE RELATED ACCEPTANCE FORM CONTAIN IMPORTANT INFORMATION THAT SHOULD BE READ BEFORE ANY DECISION IS MADE WITH RESPECT TO ACCEPTING THE OFFER.**

**THIS OFFER DOCUMENT AND THE CONTENTS HEREOF DO NOT CONSTITUTE THE EXTENSION OF AN OFFER IN THE UNITED STATES OR INTO ANY JURISDICTION WHERE THE MAKING OF THE OFFER WOULD BE ILLEGAL. THE OFFER DOES NOT EXTEND TO HOLDERS OF SAGA AMERICAN DEPOSITARY SHARES. THE OFFER IS NOT BEING MADE DIRECTLY OR INDIRECTLY IN THE UNITED STATES, OR BY USE OF THE U.S. MAILS, OR BY ANY MEANS OR INSTRUMENTALITY (INCLUDING, WITHOUT LIMITATION, THE MAIL, FACSIMILE TRANSMISSION, TELEX OR TELEPHONE) OF INTERSTATE OR FOREIGN COMMERCE, OR ANY FACILITIES OF A NATIONAL SECURITIES EXCHANGE, OF THE UNITED STATES.**

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**THE OFFER IS NOT BEING MADE TO, NOR WILL TENDERS BE ACCEPTED FROM OR ON BEHALF OF, SAGA SHAREHOLDERS IN ANY JURISDICTION IN WHICH THE MAKING OF THE OFFER OR ACCEPTANCE THEREOF WOULD NOT BE IN COMPLIANCE WITH THE LAWS OF SUCH JURISDICTION. IT IS THE RESPONSIBILITY OF NON-NORWEGIAN CITIZENS AND FOREIGN LEGAL ENTITIES, AS WELL AS OF ANY PERSON LIVING OUTSIDE NORWAY, TO SATISFY THEMSELVES AS TO FULL OBSERVANCE OF THE LAWS OF ANY RELEVANT TERRITORY OR COUNTRY REGARDING, AMONGST OTHER THINGS, THE RIGHT TO TENDER SHARES PURSUANT TO THE OFFER.**

**THIS OFFER DOCUMENT IS BEING MAILED TO HOLDERS OF SAGA SHARES IN CANADA, AUSTRALIA AND JAPAN FOR INFORMATIONAL PURPOSES ONLY. PERSONS WISHING TO ACCEPT THE OFFER MUST DO SO FROM OUTSIDE CANADA, AUSTRALIA OR JAPAN. ENVELOPES CONTAINING ACCEPTANCE FORMS MUST NOT BE POST MARKED IN CANADA, AUSTRALIA OR JAPAN OR MAILED, FAXED OR OTHERWISE DISPATCHED FROM CANADA, AUSTRALIA OR JAPAN AND ALL ACCEPTING SAGA SHAREHOLDERS MUST PROVIDE**

## **Offer Document – Saga Petroleum ASA**

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**ADDRESSES OUTSIDE CANADA, AUSTRALIA OR JAPAN FOR THE REMITTANCE OF THE CONSIDERATION OR RETURN OF ACCEPTANCE FORMS, CERTIFICATE(S) AND/OR OTHER REQUIRED DOCUMENT(S). ANY PURPORTED ACCEPTANCE OF THE OFFER IN BREACH OF THESE REQUIREMENTS WILL NOT BE VALID.**

**SAVE AS DESCRIBED ABOVE, THIS OFFER DOCUMENT AND THE RELATED ACCEPTANCE FORM ARE BEING SENT BY POST BY ELF TO HOLDERS OF RECORD OF SAGA SHARES, AND ARE BEING FURNISHED BY ELF TO BROKERS, DEALERS, COMMERCIAL BANKS, TRUST COMPANIES AND SIMILAR PERSONS, WHOSE NAMES OR THE NAMES OF WHOSE NOMINEES APPEAR AS HOLDERS OF RECORD, FOR SUBSEQUENT TRANSMITTAL TO BENEFICIAL OWNERS OF SAGA SHARES.**

**THE OFFER DOCUMENT HAS BEEN PUBLISHED IN NORWEGIAN AND ENGLISH. IN THE EVENT OF DISCREPANCIES BETWEEN THE TWO VERSIONS, THE NORWEGIAN OFFER DOCUMENT SHALL PREVAIL.**

## DEFINITIONS

As used in this Offer Document, the following definitions apply except when otherwise stated:

«Acceptance Form»	The acceptance form to be used by Shareholders when accepting the Offer attached hereto as Appendix A.
«ADSs»	American Depositary Shares, each representing one Share.
«Business Day»	Any day except a Saturday, Sunday or other day on which commercial banking institutions in Oslo, Norway, are authorised to close.
«Company»	Saga Petroleum ASA.
«Company Act»	The Norwegian Public Limited Company Act of 13 June 1997, no 45.
«Compulsory Acquisition»	The commencement of a process in accordance with Section 4-25 of the Company Act leading to a compulsory acquisition for cash of any Shares not already owned by Elf in the event Elf acquires, pursuant to the Offer or otherwise, more than 90 percent of the total issued Shares and voting rights in Saga then outstanding.
«Conditions»	The conditions to Elf's consummation of the Offer as set forth in Section 2.6 of this Offer Document.
«Elf»	Elf Aquitaine.
«Elf Group»	Elf and its wholly or majority owned subsidiaries.
«Elf Norge»	Elf Petroleum Norge as, an indirect wholly-owned subsidiary of Elf.
«EUR»	Euro.
«FFR»	French francs.
«Financial Adviser»	Warburg Dillon Read, a division of UBS AG.
«Legal Adviser»	Advokatfirmaet Schjødt AS.
«Mandatory Offer»	The mandatory offer for all remaining Shares, to be settled for cash, that Elf will be required to make under Section 4-1 of the Norwegian Securities Trading Act if Elf acquires more than 40% of the voting rights in Saga.
«NOK»	Norwegian kroner.
«Norwegian Manager»	Sundal Collier & Co ASA.
«Norwegian Securities Trading Act»	The Norwegian Securities Trading Act of 19 June 1997, no 79.
«Offer»	The Offer being made by Elf to acquire all of the issued and outstanding Shares on the terms and conditions set out in this Offer Document.
«Offer Document»	This document, dated 4 June 1999, including the Acceptance Form.
«Offer Period»	The period from and including 7 June 1999 up to and including 5:00 p.m. (Norwegian time) on 18 June 1999, as the same may be extended as described in Section 2.8.

## Offer Document – Saga Petroleum ASA

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«Offer Price»	The price offered per Share pursuant to the Offer: NOK 115 in cash, as the same may be amended, or adjusted, in accordance with Section 2.5.
«Offeror»	Elf.
«Public Consents»	Regulatory approvals referred to in Section 2.6 (ii) as further described in Section 7.
«Saga»	Saga Petroleum ASA.
«Saga Group»	Saga and its wholly or majority owned subsidiaries.
«Settlement Date»	The date on which payment for the Shares purchased pursuant to the Offer is made in accordance with Section 2.13.
«Shares»	The shares of Saga, each with a par value of NOK 15.
«Shareholders»	All holders of Shares from time to time other than Elf.
«USD»	United States dollar.
«U.S. GAAP»	Generally Accepted Accounting Principles in the United States.
«VPS»	Verdipapirsentralen, the Norwegian paperless securities registration and settlement system.

## **1. RESPONSIBILITY FOR THE OFFER DOCUMENT**

### **1.1 Statement from Elf Aquitaine**

This Offer Document has been prepared to give Shareholders (other than Shareholders in any jurisdiction where the Offer is not being made) a basis to consider the Offer. The information in the Offer Document regarding the Saga Group is based on publicly available information. Elf therefore can not accept any liability for the accuracy or completeness of the information in this Offer Document regarding the Saga Group. In the opinion of Elf, the information regarding Elf gives a correct and adequate presentation of matters concerning Elf which are of importance when considering the Offer.

Paris, 4 June 1999

Elf Aquitaine

### **1.2 Statement from Warburg Dillon Read and Sundal Collier & Co ASA**

Warburg Dillon Read, financial adviser to Elf, and Sundal Collier & Co ASA, Norwegian manager for the Offer, have prepared this Offer Document together with Elf and Advokatfirmaet Schjødt AS, Elf's legal adviser. The information in the Offer Document regarding the Saga Group is based on information which is publicly available. Saga has made certain specific material available to Elf and the Financial Adviser for investigation and verification, but a complete independent investigation or verification of Saga in connection with the Offer has not been made. Thus, we cannot guarantee that the contents of this Offer Document are correct or complete, and therefore we cannot accept any liability in connection with the Offer Document or acceptance of the Offer.

London / Oslo, 4 June 1999

Warburg Dillon Read

Sundal Collier & Co ASA

### **1.3 Statement from Advokatfirmaet Schjødt AS**

Advokatfirmaet Schjødt AS has acted as legal adviser to Elf in connection with the Offer.

We have reviewed this Offer Document dated 4 June 1999 which sets out the Offer to acquire all Shares in the Company. In our opinion, the Offer complies with the relevant regulations governing voluntary offers pursuant to Chapter 4 of the Norwegian Securities Trading Act. Further, we confirm that the matters contained in Chapters 6 and 7 of this Offer Document regarding Public Consents and tax-related matters are correctly described.

Oslo, 4 June 1999

Advokatfirmaet Schjødt AS

## 2. THE OFFER

### 2.1 General

Elf is offering to acquire all of the outstanding Shares on the terms and subject to the conditions and limitations set out in this Offer Document. The Offer Price is NOK 115 per Share. The Offer is being made to Saga Shareholders, except those in the United States or in any jurisdiction where making the Offer would not be in compliance with the laws of such jurisdiction.

### 2.2 The Offeror

The Offer is being made by Elf.

Elf is a French *société anonyme* (a limited liability company) with a share capital of EUR 2,202,843,208.

The address of the head office of Elf is Tour Elf, 2 place de la Coupole, La Défense 6, 92400 Courbevoie, France.

As of 4 June 1999, Elf owned no Shares in Saga. As of the close of business on 3 June 1999, the Norwegian Manager and related parties hold 16,074 Shares.

### 2.3 The Target Company

The target of the Offer is Saga Petroleum ASA.

Saga is a Norwegian oil and gas exploration and production company with Norwegian company registration number 925 111 406.

The address of the head office of Saga is Kjørboveien 16, P.O.Box 490, 1302 Sandvika, Norway.

Saga's share capital is NOK 2,239,806,900 divided into 149,320,460 shares, each with a par value of NOK 15.

### 2.4 Voluntary Offer

This Offer Document has been prepared in accordance with the provisions relating to voluntary take-over bids as set forth in the Norwegian Securities Trading Act, Chapter 4.

### 2.5 The Offer

The purpose of the Offer is to acquire for cash as many outstanding Shares as possible in order to acquire the entire equity interest in the Company, the reasons for which are elaborated in Section 3.2 «Reasons for the Offer».

Elf hereby offers to acquire all of the 149,320,460 issued and outstanding Shares, on the terms and subject to the conditions set out in this Offer Document. The Offer Price is NOK 115 per Share in cash, except as may be amended or adjusted by Elf. The Offer values Saga's total equity at NOK 17,171,852,900.

If, on or after the date of this Offer, Saga should split, combine or otherwise change the Shares or its capitalisation, declare a dividend or other distribution on or issue rights with respect to the Shares, payable or distributable to Shareholders of record on a date occurring on or after the date of this Offer, or disclose that it has taken any such action, then Elf, in its sole discretion, may make such adjustments in the consideration per Share payable pursuant to the Offer and such other terms of the Offer as it deems appropriate to reflect such split, combination, change in capitalisation, dividend, distribution or issuance.

### 2.6 Conditions to the Offer

The acquisition of Shares by Elf pursuant to the Offer is conditioned upon the prior satisfaction or waiver by Elf of the following Conditions:

- (i) **Minimum Acceptance Level**

At the expiry of the Offer Period, Elf has received valid acceptances from Shareholders which together with any Shares owned by Elf, represent more than 66 2/3 % of the share capital of Saga and of the voting rights exercisable at a general meeting of Shareholders, taking into account any outstanding rights to acquire Shares (the «Minimum Acceptance Condition»).
- (ii) **Public Consents**

Elf has been granted on or before 15 September 1999, or such later date as Elf shall determine, the approval of each of: (i) the Norwegian Ministry of Petroleum and Energy; (ii) the Norwegian Ministry of Trade and Industry; (iii) the European Commission; and (iv) any other regulatory authority, the approval of which may be material in the context of the Offer; in each case without any conditions or restrictions that Elf in its sole discretion determines are unduly burdensome (any such condition or restriction an «Adverse Condition»).
- (iii) **Approval by the Board of Directors**

In accordance with the Articles of Association of Saga, Saga's Board of Directors has irrevocably approved Elf's acquisition of Shares tendered in the Offer.
- (iv) **Ordinary Conduct**

There has been no change in the issued share capital of Saga and Saga has not agreed to merge or demerge, or to any other change of its corporate structure or to make any material disposition other than in the ordinary course of business.
- (v) **No Material Adverse Change**

There has not occurred any change, event, development or combination thereof, including any change, event or development in the general economic, financial, currency, exchange or market conditions in Norway or elsewhere, that Elf determines in its sole discretion would or may have a material adverse effect on the condition (financial or otherwise), assets, liabilities, business, results of operations or prospects of Saga and its subsidiaries taken as a whole (any such change, event, development or combination thereof, a «Material Adverse Change»).

An announcement as to whether the Conditions to the Offer are satisfied will be made as soon as possible after Elf has obtained the last remaining Public Consent. As to other announcements in connection with the Offer, see further comments in Section 2.12. Elf reserves the right, in its sole discretion, at any time to waive one or more of the Conditions to the Offer, including lowering the Minimum Acceptance Level.

## 2.7 Acceptance of the Offer

Acceptance of the Offer may be for all or a part of the selling Shareholder's total holding of Shares.

Any Shareholder whose Shares are registered in the name of a broker, dealer, commercial bank, trust company or other nominee must contact such person if such Shareholder desires to tender such Shares.

Shareholders wishing to accept the Offer must complete, sign and return the enclosed Acceptance Form as provided below. Upon acceptance, the Shares will be transferred to a separate VPS-account in the name of the selling Shareholder, but the account will be blocked in favour of the Norwegian Manager on behalf of Elf. Accordingly, no transactions relating to the Shares are permitted after acceptance. In the event that parties other than the Shareholder hold rights in respect of the relevant Shares, such third parties must also sign the Acceptance Form.

The Acceptance Form, duly completed and signed, must be sent by mail or telefax or be physically delivered to:

Sundal Collier & Co ASA  
Munkedamsveien 45D (Vika Atrium)  
P.O.Box 1444 Vika  
N-0115 Oslo  
Tel: +47 22 01 60 83  
Fax: +47 22 01 60 62

The Acceptance Form must be received by the Norwegian Manager on or before the expiry of the Offer Period, referred to in Section 2.8 below.

Acceptance of the Offer, which is conditional on satisfaction of the closing Conditions to the Offer, confers to the Norwegian Manager the authority to debit from the selling Shareholder's VPS-account the number of Shares included in the acceptance. This authority implies that VPS, on the instruction of the Norwegian Manager, will transfer the Shares to Elf upon consummation of the Offer and that VPS will effect cash settlement to the selling Shareholder on behalf of Elf.

A pre-paid envelope, which may be used if the Acceptance Form is mailed, is enclosed with this Offer Document.

Shareholders who accept the Offer will retain their rights as Shareholders, including the right to vote at general meetings of Shareholders, until the Settlement Date. However, Shareholders who tender their Shares in the Offer undertake to use the voting rights associated with such Shares at general meetings of Shareholders in support of resolutions which would be required or desirable to consummate the transfer of such Shares pursuant to the Offer, and to vote against resolutions that could frustrate or hinder such consummation, or result in the non-satisfaction of any of the Conditions to the Offer.

## 2.8 Offer Period

The Offer Period is from and including 7 June 1999 up to and including 5:00 p.m. (Norwegian time) on 18 June 1999. Elf may extend the Offer Period one or more times. Such extension will be part of the Offer Period. Any extensions of the Offer Period shall be announced within three days after any expiring of the Offer Period, as this may have been extended earlier. If Elf chooses not to extend the Offer Period, Elf shall within the same time limit announce the acceptance level. Such announcements shall be made in accordance with Section 2.12 «Announcements».

## 2.9 Withdrawal of Acceptance

Acceptance of the Offer is irrevocable and may not be withdrawn, in whole or in part, before or after the expiration of the Offer Period.

## 2.10 Amendments to the Offer

Any amendments to the Offer which, on the date such amendments are announced, represent an improvement (or no diminution) in value, and any waiver of Conditions or extension of the Offer Period (any such action, an «Amended Offer»), will be binding on Elf from the time Elf's announcement is made public by the Oslo Stock Exchange. Shareholders who have accepted the Offer will automatically be given the benefit of such Amended Offer without further action or other notice required to be given to the Norwegian Manager. Such Shareholders will continue to be bound by their prior acceptance.

## 2.11 Financing of the Offer

The Offer is not conditional upon any financing arrangements. Elf currently intends to fund the Offer from a combination of the following: (i) working capital; (ii) up to EUR 2 billion from Elf's «billets de trésorerie» programme (French short term commercial paper programme); (iii) up to USD 1 billion from a U.S. commercial paper program currently being negotiated by Elf; and (iv) up to USD 500 million from Elf's European commercial paper programme. Except as otherwise described above, Elf has not made any decision concerning which of the foregoing sources or the allocation among such sources Elf will use to consummate the Offer, which will depend on a variety of factors, including interest rates, financial, economic and market conditions and such other factors as Elf considers advisable.

## 2.12 Announcements

Any revision or amendment of the Offer or extension of the Offer Period will be followed by a public announcement thereof as promptly as practicable, and no later than 8:30 a.m. (Oslo time), on the Business Day following the day of such revision or amendment (or such later time and/or date as permitted by Norwegian law). Without limiting the manner in which Elf may choose to make any public announcement and subject to Elf's obligations under applicable law, Elf will have no obligation to publish, advertise or otherwise communicate any such public announcement other than by making a release to the Oslo Stock Exchange.

Any announcement of an extension of the Offer Period will state the time and date to which the Offer Period has been extended.

### **2.13 Settlement**

Settlement of the Offer (as adjusted for any potential dividends or other payments by Saga to the Shareholders or as otherwise set forth in Section 2.5) will be made in NOK, and will be cleared for each selling Shareholder to the Shareholder's bank account registered with the VPS. In the event that such account is not registered with the VPS, settlement will be made by bank giro, or, with respect to Shareholders with foreign residency, by check.

The settlement is expected to be credited to the selling Shareholder's bank account within 7 Business Days after all of the Conditions have been met (and/or waived by Elf).

In the event that the Offer is terminated, the Shares tendered at such time will be transferred back to each of the Shareholders to the VPS-account specified on the Acceptance Form without undue delay and with no transaction costs being debited to such Shareholder.

### **2.14 Expenses**

Elf will pay transaction costs incurred directly by the VPS in connection with acceptances of the Offer. Brokerage fees will not be charged to accepting Shareholders. Elf will not be liable for any other costs incurred by Shareholders in connection with acceptances of the Offer (including, but not limited to, any transfer tax).

### **2.15 Tax**

Each Shareholder is responsible for any taxes as a consequence of its acceptance of the Offer. A brief description of certain tax matters is given in Section 6 of this Offer Document.

### **2.16 De-listing of the Shares and ADSs**

Subsequent to the completion of the Offer, Elf may put forward a proposal to an extraordinary meeting of the Shareholders to have the Shares de-listed from the Oslo Stock Exchange and to have the ADSs de-listed from the New York Stock Exchange.

### **2.17 Mandatory Offer**

If Elf acquires Shares representing more than 40% of the voting rights exercisable at a general meeting of the Saga Shareholders pursuant to the Offer or otherwise, Elf will be required to commence as promptly as practicable an unconditional Mandatory Offer for any remaining Shares in accordance with Section 4-1 of the Norwegian Securities Trading Act. Such mandatory offer can not be made until all necessary Public Consents have been obtained or waived by Elf.

### **2.18 Compulsory Acquisition**

If Elf acquires more than 90% of the total issued Shares and voting rights in Saga, Elf intends, after having completed a Mandatory Offer, to effect a Compulsory Acquisition pursuant to Section 4-25 of the Norwegian Company Act, whereby Elf will purchase all remaining Shares not already owned by Elf. Each remaining holder of Shares will also have the right to require Elf to effect such Compulsory Acquisition of their Shares. From the time a Compulsory Acquisition has been commenced, Shareholders may no longer exercise their rights as Shareholders.

The price to be paid in a Compulsory Acquisition, if any, will, in the absence of an agreement between Elf and the remaining Shareholders, be determined in accordance with Section 4-25, second

and third paragraph of the Norwegian Company Act. According to such provisions, Elf shall first offer the remaining Shareholders a price at which it is willing to purchase Shares. If Elf presents the offer in writing to all of the remaining Shareholders with a known address, and the offer is announced in the Norwegian Public Gazette and in a newspaper generally read at Saga's place of business, Elf may set a time limit for each Shareholder to contest or refuse the offer. Shareholders who have not contested such offer within the expiration of such time limit are deemed to have accepted such offer. If certain Shareholders do not accept such offer, the price to be paid to those Shareholders in the Compulsory Acquisition will be set by a Norwegian court. The Norwegian court will have full discretion with respect to evaluating the price to be paid for Shares as of the commencement of the Compulsory Acquisition. The consideration paid by Elf and accepted by Shareholders pursuant to the Offer is likely to be among the factors considered by the Norwegian court.

### **2.19 Statement from the Board of Directors of Saga**

The Board of Directors of Saga has a duty to give a statement regarding its view on the Offer. Under Norwegian law, such a statement must be given at least one week before the Offer Period expires.

### **2.20 Contacts between Elf and Saga**

In December 1998, Mr. Jérôme Contamine, Managing Director of Elf Norge, contacted Mr. Diderik Schnitler, President and Chief Executive Officer of Saga, in response to Elf Norge's understanding that Saga was interested in forming industrial alliances.

Elf contacted Warburg Dillon Read, a division of UBS AG («Warburg Dillon Read»), in December 1998 to provide financial advice in connection with a possible transaction with Saga.

In January 1999, Mr. Contamine and Yves-Louis Darricarrère, Senior Vice-President, Europe, U.S.A. of Elf Exploration Production, met with Mr. Schnitler to discuss on a preliminary basis the possibility of a potential business combination of Elf and Saga. In February 1999, Mr. Schnitler contacted Mr. Jean-Luc Vermeulen, Executive Vice-President, Exploration and Production of Elf, to discuss such a combination. In conjunction with contacts between Messrs. Vermeulen and Darricarrère and Mr. Schnitler, Elf submitted a proposal to Saga describing ways in which Elf Norge and Saga could be combined.

In March 1999, Goldman Sachs International («GSI»), financial adviser to Saga, contacted Warburg Dillon Read concerning a confidential auction process for the sale of Saga.

On 24 March 1999, GSI contacted Warburg Dillon Read and invited Elf to participate in a process for the sale of Saga. Discussions were held regarding the process, stock exchange requirements and confidentiality.

As part of that process, Elf submitted an indicative proposal, dated 13 April 1999, to the Board of Directors of Saga.

On 10 May 1999, the Board of Directors of Norsk Hydro ASA, the Norwegian energy group, announced an unsolicited stock bid for Saga's shares based on an exchange ratio of one Norsk Hydro share for three Saga shares.

On 12 May 1999, Mr. Schnitler and Mr. Vermeulen spoke by telephone regarding a potential bid for Saga by Elf.

Elf executed a confidentiality agreement dated as of 17 May 1999 with respect to Saga information. On 18 and 19 May 1999, Elf and its advisers conducted a limited due diligence review of Saga and

representatives of Elf met with members of senior management of Saga to discuss Saga operations and issues relating to a potential acquisition of Saga by Elf.

On 21 May 1999, Mr. Wilhelm Wilhelmsen, Chairman of Saga, and Mr. Schnitler met with Messrs. Vermeulen and Darricarrère, to discuss a potential acquisition of Saga by Elf and the possibility of receiving the support of Saga's management and Board of Directors for such an offer.

Several telephonic discussions were held following this meeting between Elf and its representatives and Saga and its representatives relating to a possible offer for Saga by Elf.

On Thursday, 27 May 1999, Norsk Hydro announced it had agreed to acquire all of the shares of Saga held by Statoil, representing approximately 20% of the total share capital of Saga, in exchange for certain assets of Saga. It was further announced that this agreement is subject to the successful completion of Norsk Hydro's exchange offer for Saga shares.

At 7:30 a.m. Friday, 28 May 1999, Messrs. Wilhelmsen and Schnitler met in Paris with Mr. Philippe Jaffré, Chairman and Chief Executive Officer of Elf, and Mr. Vermeulen at which meeting the officers of Elf formally informed the officers of Saga of Elf's forthcoming announcement of its intention to commence a tender offer for all Shares at a price of NOK 115 per share. At this meeting Mr. Jaffré delivered the following letter to Mr. Wilhelmsen:

«Dear Mr Wilhelmsen,

I would like to take this opportunity to thank you and your management team for the helpful and constructive approach which has been taken throughout this process.

We strongly believe that a combination of Saga with Elf Norge is in the best interests of Saga shareholders, of its employees, of the Norwegian society as a whole as well as of our shareholders. The combined group would create a formidable participant on the NCS and a unique opportunity for the continued development of the NCS. Membership of a larger group would, in particular, provide wider access to the capital and technological resources required for successful exploration and development programmes which Saga's portfolio deserves.

It is our intention to integrate Saga and Elf Norge to improve the efficiency of the combined operations. This will inevitably lead to a reduction in the number of staff in the combined operations. The redundancy programme will be carried out in a fair and open process; each employee of Saga and Elf Norge will have an equal opportunity within the enlarged group world-wide and appointments made on the basis of ability. The structure of the merger will depend on a further assessment of tax positions. A summary of the integration plan is included as an attachment to this letter.

The Elf Group has a decentralised management structure providing substantial autonomy to the regional organisations which will allow the identity of the Saga organisation to be retained. On the NCS, Elf will operate under the Saga name. The management of the enlarged group would be drawn from both organisations. Saga and Elf operations outside the NCS will be optimised from a tax and management stand point. Saga corporate functions will be merged fully with the Elf Group's central operations.

The offer when made through the offer document will be subject to conditions normally applicable in the Norwegian market. The minimum acceptance condition will be 67%.

We will inform the Ministry of Petroleum and Energy and Statoil prior to announcement and plan to meet key individuals in Norway as soon as possible.

We very much look forward to working with your Board, management and staff in building the business for the future and hope that we can reach an understanding which allows the Board to recommend our offer in due course. In the meantime, it is of considerable importance to us that our offer receives the full and unreserved support of the Saga Board.

Kind regards  
(signed)  
Philippe Jaffré  
Chairman and Chief Executive Officer»

Following that meeting Elf issued a press release announcing its intention to acquire all of the Shares of Saga at a price of NOK 115 per Share.

On May 29, 1999, Messrs. Vermeulen and Contamine met with Mr. Schnitler and representatives of Saga's employees to discuss Elf's plan for integration of Elf's and Saga's operations.

Numerous discussions were held following Elf's announcement on May 28, 1999 between members of Elf's senior management and Saga's senior management to discuss the terms of Elf's offer and the basis for Saga's Board of Directors to recommend Elf's offer to its shareholders.

## **2.21 Governing Law - Jurisdiction**

The Offer and acceptance thereof shall be governed by and construed in accordance with Norwegian law. Any conflict arising out of the Offer Document or the Acceptance Form which cannot be amicably resolved will be settled by means of arbitration in accordance with Section 26-5 of the Oslo Stock Exchange Regulations, with the parties agreeing that the court of arbitration is to comprise three members as specified therein. If, for practical reasons, the court of arbitration cannot be made up in the manner specified, the head of the Stock Exchange Review Board is to appoint the arbitrators. The defendant is obliged to respond within 14 days of a complaint being served and the arbitration award is, where possible, to be given within four weeks of the court receiving the defendant's response. Failure to respond will not lead to an extension or postponement of arbitration proceedings and, in such cases, an award will be given on the basis of the subject complaint.

## **2.22 Other Matters**

This Offer Document is being sent to Shareholders (other than in the United States or in any jurisdiction where distributing this document would not be in compliance with the laws of such jurisdiction) of record as of 3 June 1999, to the address recorded on each Shareholder's VPS-account.

No payments will be made by Elf to the management and/or the Board of Directors of Saga in connection with this Offer.

No confirmation of receipt of the Acceptance Form or other documents will be given by, from or on behalf of Elf.

Further information concerning this Offer and additional copies of the Offer Document can be obtained from the Norwegian Manager:

Sundal Collier & Co ASA  
Munkedamsveien 45D (Vika Atrium)  
P O Box 1444 Vika  
N-0115 Oslo  
Tel: +47 22 01 60 83  
Fax: +47 22 01 60 62

## **2.23 Overseas Shareholders**

The Offer is not being made to, nor will tenders be accepted from or on behalf of, Saga Shareholders in any jurisdiction in which the making of the Offer or acceptance thereof would not be in compliance with the laws of such jurisdiction. In particular, the Offer is not being made directly or indirectly in the United States, or by use of the United States mails, or by any means or instrumentality (including, without limitations, facsimile transmission, telex or telephone) of interstate or foreign commerce, or any facilities of a national securities exchange, of the United States.

Accordingly, in connection with the acceptance of the Offer, each Shareholder tendering Shares will be required to certify that such Shareholder:

- (a) has not received or sent copies of this Offer Document, the Acceptance Form or any related offering documents in, into or from the United States;
- (b) has not otherwise utilised in connection with the Offer, directly or indirectly, the mails of, or any means or instrumentality (including, without limitation, facsimile transmission, telex and telephone) of interstate or foreign commerce of, or any facilities of a national securities exchange of, the United States;
- (c) was outside the United States when the Acceptance Form was sent and at the time of accepting the Offer; and
- (d) is not an agent or fiduciary acting on a non-discretionary basis for a principal, unless such principal has given all instructions with respect to the Offer from outside the United States.

A Shareholder will be deemed *not* to have validly accepted the Offer if:

- (i) such Shareholder does not or is unable to make the representations and warranties set out in paragraphs (a) through (d), above;
- (ii) such Shareholder completes the Acceptance Form with an address in the United States or has a registered address in the United States and does not also insert in the Acceptance Form the name and address of a person or agent outside the United States to whom such Shareholder wishes the consideration to which such Shareholder is entitled under the Offer to be sent (subject to the other provisions in this Offer Document and applicable laws);
- (iii) such Shareholder completes the Acceptance Form with the name and address of a person or agent in the United States to whom such Shareholder wishes the consideration to which such Shareholder would otherwise be entitled under the Offer to be sent; or
- (iv) in any case, the Acceptance Form received from such Shareholder is received in an envelope postmarked in, or which otherwise appears to Elf or its agents to have been sent from, the United States.

Elf reserves the right, in its sole discretion, to investigate, in relation to any acceptance, whether the representation and warranty set out above in paragraphs (a) through (d) could have been truthfully given by the relevant Shareholder and, if Elf cannot satisfy itself that such representation and warranty was true and correct, such acceptance shall not be valid.

### 3. BACKGROUND TO AND REASONS FOR THE OFFER

#### 3.1 Presentation of Elf

##### 3.1.1 The Elf Group

Elf is a major international oil and gas company engaged in all aspects of the petroleum business. At the end of 1998, Elf was among the ten largest private sector oil and gas companies in the world, with some 85,000 employees in 80 countries.

Elf began operations in the industry as a producer and distributor of natural gas in France. Today, Elf's world-wide operations include crude oil and natural gas exploration and production («Upstream»), as well as the refining, marketing, trading and shipping of crude oil and derivatives and the transport and marketing of natural gas («Downstream»). Over the last five years, these Upstream and Downstream oil and gas activities have generated on average 70% of the Elf Group's income before special items.

##### *Upstream*

Elf was one of the pioneers of the oil and gas industry in France and in West Africa, where it is established in Gabon, the Congo, Nigeria, Angola and Cameroon. Since the 1960s, Elf has also been an active participant in the oil fields in the British, Norwegian and Dutch sectors of the North Sea. At year-end 1998 Elf was carrying out exploration activities in 25 countries of which 14 are producers, and had proven reserves of 3,639 million barrels oil equivalent («boe»), in which crude oil accounted for 71% and natural gas 29%.

The table below sets forth certain key figures for Elf's Upstream activities:

	1998	1997	1996	1995	1994
<i>Net production</i>					
Crude oil (thousand bbl/day)	799	858	842	764	688
Gas (million cf/day)	1,208	1,340	1,427	1,355	1,355
Total (thousand boe/day)	1,007	1,089	1,088	998	922
<i>Net proved reserves</i>					
Crude oil (million bbl)	2,576	2,458	2,363	2,412	2,359
Gas (billion cf)	6,170	6,251	6,320	6,453	5,715
Total (million boe)	3,639	3,536	3,453	3,524	3,345

##### *Downstream*

Until the end of the 1980s, Elf's refining and marketing business was almost entirely located in France. Since 1990, Elf has extended its presence in Europe and now has refining interests in the United Kingdom, Spain and Germany (where it built the Leuna refinery, which came on line in 1998) and markets its petroleum products throughout Europe. Elf also increased its Downstream presence in West Africa through the purchase of British Petroleum's assets in that region in 1992. Elf is also one of the world's major traders of crude oil and refined products.

##### *Chemicals*

Through Elf Atochem, its 99%-owned subsidiary, the Elf Group now ranks among the leading European chemicals companies. In recent years, Elf Atochem has substantially developed its Intermediates and Fine Chemicals and high performance products businesses in Europe, the United States, and developing countries. The Group is a world leader in its line of Intermediates and Fine

## Offer Document – Saga Petroleum ASA

Chemicals and Performance Products, such as thiochemicals, fluorchemicals, electroplating, adhesives and performance polymers.

### *Other Significant Activities*

Elf is also involved in the pharmaceuticals industries through its 35%-ownership interest in Sanofi-Synthélabo.

Set forth in the table below are certain key financial figures for the Elf Group (U.S. GAAP):

<b>In millions, except per share data</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1998</b>
<b>Fiscal year-end 31 December</b>	<b>EUR<sup>(1)</sup></b>	<b>EUR<sup>(1)</sup></b>	<b>EUR<sup>(1)</sup></b>	<b>USD<sup>(2)</sup></b>
<b>Operating Data:</b>				
Sales <sup>(3)</sup>	35,476	38,769	32,251	37,865
Operating income	3,312	3,056	1,747	2,052
Net operating profit	1,569	1,088	1,003	1,178
Net income	1,064	854	540	634
Basic earnings per share	3.96	3.33	2.12	2.49
Adjusted weighted average shares outstanding	268,850,037	256,452,877	254,715,834	
<b>Financial Position:</b>				
Total assets	37,639	38,571	36,768	43,169
Total current liabilities	11,368	11,457	10,817	12,700
Long-term debt	4,509	4,154	3,549	4,167
Shareholders' equity	12,206	12,804	12,246	14,378

*See Notes to Elf's Consolidated Financial Statements contained in Elf's Annual Report on Form 20-F for the fiscal year ended 31 December 1998.*

- 1) The EUR amounts have been converted from FFR at the official rate of FFR 6.55957 per EUR, fixed on December 31, 1998*
- 2) The financial information expressed in USD is presented solely for the convenience of the reader and is translated from FFR at the Noon Buying Rate in New York City on December 31, 1998, which was FFR 5.587 for each USD*
- 3) Net of excise taxes of EUR 11,961 million in 1998, EUR 9,024 million in 1997 and EUR 8,655 million in 1996*

*NOK/EUR as of 3 June 1999 = 8.24*

### 3.1.2 Elf Norge

Elf has been active on the Norwegian Continental Shelf for more than 34 years and has successfully operated the Frigg field for more than 20 years. Elf Norge has interests in close to 30 producing fields and fields under development. Elf has concentrated its activities on the Norwegian Continental Shelf through its wholly owned indirect subsidiary, Elf Norge.

Elf Norge ranks as the sixth largest upstream company on the Norwegian Continental Shelf measured by proven and probable reserves (excluding the State Direct Financial Interest). In 1998, Elf Norge produced 153,000 boe per day, which comprised 15% of Elf's total production. Proved reserves as at year-end 1998 amounted to 528 million boe, which represented 15% of Elf's total proved reserves. Elf Norge has invested significant resources on the Norwegian Continental Shelf. In 1998, Elf Norge's investments in fixed assets exceeded NOK 2 billion compared to close to NOK 1.7 billion in 1997. These investments demonstrate Elf's strong involvement and long-term commitment in new developments on the Norwegian Continental Shelf. At year-end 1998, Elf Norge had 442 employees.

## Offer Document – Saga Petroleum ASA

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Set forth in the table below are certain key figures for Elf Norge:

<b>NOK million</b>					
<b>Fiscal year-end 31 December</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>	<b>1995</b>	<b>1994</b>
<b>Income statement</b>					
Operating revenues	7,520	9,314	9,205	7,420	7,011
Operating profit	2,691	4,465	2,877	374	1,244
Net profit	876	1,088	745	414	870
<b>Balance sheet</b>					
Total assets	14,210	13,621	13,398	14,501	16,340
Equity	2,908	3,302	2,847	4,565	4,697
<b>Other key figures</b>					
Total production (boe/day)	157,298	171,500	171,362	153,183	139,851
Proven reserves (million boe)	527.5	546.2	587.7	627.0	649.7

### 3.2 Reasons for the Offer

The Offer is part of Elf's strategy of pursuing profitable growth in its core Upstream business. The Offer will:

- increase proved and probable reserves by 1.4 billion boe and proved reserves by 867 million boe or 24% of the Elf Group total at a competitive price for North Sea proved and probable reserves. The larger reserve base should provide the basis for faster growth and improve the geographic balance and risk profile of Elf's Upstream portfolio,
- strengthen Elf's position in the European gas chain through the acquisition of significant long-term, competitive gas reserves and of infrastructure serving the growing European markets. Over 30% of the North Sea reserves of Saga and Elf are uncontracted which improves the enlarged group's ability to serve new customers. The enlarged group will continue to contribute to and support Norwegian gas policy, and
- provide the basis for substantial efficiency gains throughout the operations of the combined group. Annual gross pre-tax savings are forecast to be NOK 1 billion.

### **3.3 The Combined Group**

The combined Elf Norge and Saga group will create a formidable participant on the Norwegian Continental Shelf and a unique opportunity for the continued development of the Norwegian Continental Shelf. The new Saga group would be a core part of Elf's Upstream business comprising 30% of the Elf Group's reserves and production.

Saga's membership in a larger group will:

- provide access to substantial capital in support of continued growth,
- provide wider access to the technological resources required for successful exploration and development programmes, particularly in the deep Atlantic Margin waters and in high pressure/high temperature conditions, and
- allow Saga to take larger interests in development and exploration projects with higher attendant levels of risk.

The Saga organisation will comprise the major part of the enlarged group in Norway and contribute a substantial number of the management team.

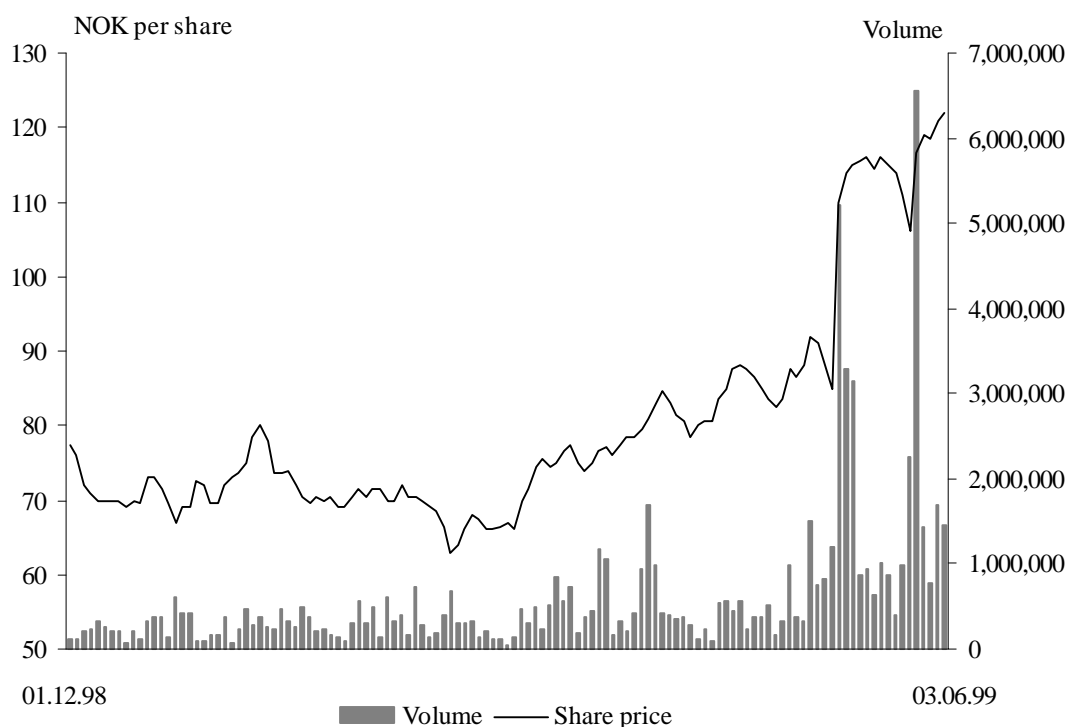
Elf intends to use the Saga name for its integrated operations on the Norwegian Continental Shelf which will include full responsibility for engineering and field development. The new Saga group will have substantial autonomy within Elf's decentralised management structure in common with other Elf Group companies. Membership in the Elf Group will provide Saga employees with access to international career opportunities at all levels within the world-wide organisation.

## 4. THE OFFER PRICE

The Offer Price of NOK 115 per Share values Saga's total equity at NOK 17,171,852,900.

The Offer Price represents a premium of approximately 35% over the last trading price on 7 May 1999 (NOK 85), the last Business Day before the announcement by Norsk Hydro of an offer for Saga. The Offer Price is 8% higher than Norsk Hydro's offer based on Norsk Hydro's closing price on the Oslo Stock Exchange on 27 May 1999, the day before Elf announced the Offer, and is in cash.

The chart below shows the price history and trading volume for the Shares in Saga for the period from 1 December 1998 through 3 June 1999.



Source: Oslo Stock Exchange Information Service

## 5. PRESENTATION OF SAGA

ALL INFORMATION IN THIS OFFER DOCUMENT REGARDING SAGA HAS BEEN COMPILED FROM DOCUMENTS MADE PUBLICLY AVAILABLE BY SAGA. ACCORDINGLY, ELF ASSUMES NO RESPONSIBILITY FOR THE COMPLETENESS OR THE ACCURACY OF SAGA'S INFORMATION.

### 5.1 History

Saga was formed in 1972 by a group of Norwegian entities involved in a number of industrial activities. The formation of Saga coincided with the Norwegian government's interest in developing Norway's petroleum industry through a selected number of Norwegian companies. Saga became a public limited company in 1980 when the Company's shares began to be quoted on the Oslo Stock Exchange. In 1995, Saga removed foreigners' ownership limitations and Saga began to be quoted on the New York Stock Exchange through an American Depositary Share programme. Saga acquired KP North Sea Holdings Ltd. («Santa Fe») in 1996.

### 5.2 The Operation of the Company

Saga is one of the world's largest upstream oil and gas companies. The Company has significant reserves and production on the Norwegian and UK continental shelves. At the end of 1998, Saga had proved and probable reserves of 1,442 million boe, of which 52% was oil. Saga's proved reserves at the end of 1998 amounted to 867 million boe, of which oil, condensate and NGL accounted for 411 million boe and gas accounted for 457 million boe. Saga's production in 1998 was 69 million boe. Oil accounted for 87%, or 162,200 barrels per day, of the total volume produced. Saga's average daily production of gas in 1998 was 24,100 boe and NGL 2,200 boe.

The chart below shows Saga's total proved reserves (oil, condensate, NGL and gas) at year-end 1996, 1997 and 1998:

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Million boe	1998	1997	1996
Norway	771	810	837
International <sup>(1)</sup>	97	114	114
<b>Total</b>	<b>867</b>	<b>925</b>	<b>951</b>

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*(1) «International» consists mainly of the UK and Ireland. The proved oil and gas reserves for the other international areas were 14 million boe at 31 December 1998, 6 million boe at 31 December 1997 and 5 million boe at 31 December 1996.*

*Source: Saga's Annual Report for 1998*

Saga's activities are grouped into six business areas; Tampen, Other North Sea (including Denmark), Haltenbanken, Barents Sea and Norwegian Sea (including the Faeroe Islands), UK/Ireland, and International. The business areas are in different phases regarding exploration and production. The Tampen area is a mature area with a number of fields that have been producing oil and gas for many years. Several of the fields are now experiencing a natural decline in production and most of the prospects have been drilled. The Barents Sea and the Norwegian Sea are in an early exploration phase without any production. In the UK/Ireland area, many fields are mature, although Saga believes the exploration potential is interesting. In Other North Sea, Haltenbanken and International areas, production is still on the increase, many new fields are being developed and the exploration potential is interesting. Saga's other areas abroad are mainly in the exploration phase.

At January 1, 1999, Saga participated in 63 license (including exploration) areas in Norway, including 22 operatorships or joint operatorships.

## Offer Document – Saga Petroleum ASA

Set forth in the table below are certain key figures with respect to the Saga Group's production activities:

	1998	1997	1996	1995	1994
<i>Production</i>					
Oil (incl. royalty) (thousand bbl/day)	162.2	169.3	128.4	117.5	109.4
Gas (thousand boe/day)	24.1	21.7	11.9	8.3	8.5
NGL (thousand boe/day)	2.2	2.2	2.2	2.3	2.2
Total (incl. royalty) (thousand boe/day)	188.5	193.2	142.5	128.1	120.1
Royalty (thousand bbl/day)	7.9	9.3	10.0	10.7	11.6
Total after royalty (thousand boe/day)	180.6	183.9	132.5	117.4	108.5
<i>Prices</i>					
Oil price obtained (NOK per barrel)	92	133	135	108	110
Gas price obtained (NOK per Sm <sup>3</sup> )	0.67	0.67	0.57	0.57	0.53
NGL price obtained (NOK per ton)	1,034	1,429	1,257	1,040	1,045

*Source: Saga's Annual Report for 1998*

### 5.3 Group Structure

Saga is the parent company of the Saga Group. Saga has 25 subsidiaries with operations in a number of countries, including the UK, Ireland, Indonesia, Namibia, Angola and Libya.

### 5.4 Financial Information

#### 5.4.1 Saga Group – Consolidated Income Statement (U.S. GAAP):

NOK million	1 <sup>st</sup> tertial 1999	1 <sup>st</sup> tertial 1998	1998	1997
Sales of petroleum products	2,207	2,281	6,252	8,718
Tariff revenues, transportation systems and processing	272	240	709	683
Other revenues	238	126	400	416
<b>Total operating revenues</b>	<b>2,717</b>	<b>2,647</b>	<b>7,361</b>	<b>9,817</b>
Production, transportation, abandonment costs and CO <sup>2</sup> tax	1,017	911	2,837	2,553
Depreciation and amortization	1,042	827	2,767	2,833
Impairment & losses	0	0	1,168	354
Exploration costs <sup>(1)</sup>	125	158	1,714	590
Administration costs	155	133	442	340
<b>Total operating expenses</b>	<b>2,339</b>	<b>2,029</b>	<b>8,928</b>	<b>6,670</b>
<b>Operating income</b>	<b>378</b>	<b>618</b>	<b>-1,567</b>	<b>3,147</b>
Net financial items	-774	-174	-301	-1,265
<b>Income before income taxes</b>	<b>-396</b>	<b>444</b>	<b>-1,868</b>	<b>1,882</b>
Income taxes	217	-164	604	-951
<b>Net income</b>	<b>-179</b>	<b>280</b>	<b>-1,264</b>	<b>931</b>
Earnings per share	-1.20	2.03	-9.01	6.76
Diluted earnings per share	-1.20	2.03	-9.01	6.74

*(1) Exploration costs for 1998 include NOK 1,187 million of unproved property impairment and write-down of fields under evaluation on licenses in the UK and Ireland.*

*Source: Saga's Annual Report for 1998 and Interim Report for the first four-month period 1999*

## Offer Document – Saga Petroleum ASA

### 5.4.2 Saga Group - Consolidated balance sheet (U.S. GAAP):

NOK million	30.04.99	30.04.98	31.12.98	31.12.97
Current assets	3,340	4,068	3,268	4,777
Long-term assets	30,896	29,923	30,395	29,037
<b>Total assets</b>	<b>34,236</b>	<b>33,991</b>	<b>33,663</b>	<b>33,814</b>
Short-term debt	2,785	2,286	2,653	2,801
Long-term debt	15,811	13,413	15,204	13,187
Deferred taxes	8,428	9,370	8,601	9,335
Shareholders' equity	7,212	8,922	7,205	8,491
<b>Total liabilities and shareholders' equity</b>	<b>34,236</b>	<b>33,991</b>	<b>33,663</b>	<b>33,814</b>

*Source: Saga's Annual Report for 1998 and Interim Report for the first four-month period 1999*

#### *Comments to the financial information*

Saga's operating income for the first four months of 1999 was NOK 378 million compared with NOK 618 million for the same period in 1998. The reduction was due primarily to increased production costs and depreciation and amortisation. Oil production was somewhat reduced, but gas production increased by approximately 50% compared with the same period last year. The Saga Group's operating income was affected by NOK 55 million of restructuring costs. The Saga Group's net financial items showed a net loss of NOK 744 million, compared with a net loss of NOK 174 million for the same period in 1998. An unrealised currency loss of NOK 337 million on the Company's debt in U.S. dollars was charged to financial items. Also charged to financial items were NOK 240 million in unrealised losses on options relating to contracts entered into to hedge the Company's oil sales. Loss before tax amounted to NOK 396 million, while the net loss was NOK 179 million. Corresponding figures for the same period last year were income before tax of NOK 444 million and net income of NOK 280 million. The Saga Group's cash flow from operating activities, before investments, was NOK 957 million, compared with NOK 1,145 million for the same period of the preceding year.

## 5.5 Organisation and Management

### 5.5.1 Board of Directors

The Board of Directors consists of 10 members elected by the Corporate Assembly. The Board of Directors is composed of the following members:

Name	Title	Entity
Wilhelm Wilhelmsen, Chairman	Chairman	Wilhelm Wilhelmsen ASA
Jannick Lindbæk, Deputy Chairman	Director	Various
Grete Faremo	Executive Vice President	Storebrand ASA
Kaare M. Gisvold	Senior Vice President	PGS ASA
Kristian Siem	Chairman and CEO	Siem Industries
Bjørn Svedberg	Director	ABB, Gambro, Investor and SAAB
Erik Tønseth	Partner	Innovation ASA
Torstein Busland, Employee Repr.	Adviser	Saga Petroleum ASA
Kurt Høyland, Employee Repr.	IT Coordinator	Saga Petroleum ASA
Espen Løken, Employee Repr.	TU branch leader	Saga Petroleum ASA

### 5.5.2 Corporate Assembly

The Company has established a Corporate Assembly with 39 members. The shareholders' meeting elects 26 members, while 13 members are elected by and among the employees.

The Corporate Assembly consists of the following members:

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Name	Name	Name
<i>Elected by shareholders</i>		
Lucy Smith, Chairman	Dagfinn Hjertenes	Mona Røkke
Tom Ruud, Deputy Chairman	Øyvind Holte	Sverre J. Tidemand
Svein Alsaker	Carl Preben Høegh	Jens Ulltveit-Moe
Ellen Holager Andenæs	Finn Jebsen	Terje Ulriksen
Hans Bø	Tore Lindholt	Karin Joys Vabø
Knut W. Francke	Else-Ragnhild Neumann	Sverre Valvik
Bjartmar Gjerde	Evy Buverud Pedersen	Knut Vartdal
Arnold Hansen	Jon E. Riekeles	Trond E. Wennberg
Hans Tormod Hansen	Finn Rygg	
<i>Elected by employees</i>		
Pål Andersen	Per Allan Hansen	Ragnar Knarud
Morten Bergan	Grete Kristensen Harestad	Trond Kristensen
Kari Chruchow	Gro Hekleberg	Jens P. Weckhorst
Bodil Engejordet	Annikken Heitman	
Ellen Hansen	Leena M. Klaveness	

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### 5.5.3 Management

Saga's corporate management comprises:

Diderik Schnitler, President and Chief Executive Officer

Lars T. Bjerke, Executive Vice President

Anders Utne, Executive Vice President

## 5.6 Share Capital and Shareholders

### 5.6.1 Listing

Saga's Shares are listed on the Main List of the Oslo Stock Exchange with the ticker symbol SAG and on the New York Stock Exchange as ADSs with the ticker symbol SPM.

### 5.6.2 Saga's Share Capital

The Company's current registered share capital is NOK 2,239,806,900 and fully paid-up divided into 149,320,460 Shares of Common Stock each with a par value of NOK 15.

### 5.6.3 Shareholder Structure

As of 1 June 1999, Saga had a total of 32,163 Shareholders registered in the VPS, of which 31,652 Norwegians and 511 foreigners. The foreign ownership interest represented 33.4%.

## 6. TAX MATTERS

**This summary is based on applicable rules and regulations as they exist on the date of this Offer Document. This summary is only intended to provide general guidelines, and does not discuss all aspects which may be relevant to Shareholders. The Shareholders are urged to seek advice from their own tax consultants in order to determine the particular tax consequences to them from their acceptance of the Offer and the relevance or effect of any domestic or foreign tax laws or treaties.**

### 6.1 Shareholders who are Norwegian Tax Residents

Companies/persons who are resident in Norway for tax purposes will be liable for capital gains tax arising from the sale of the Shares. The Shareholder is liable for capital gains tax regardless of the holding-period and the number of Shares sold.

Capital gains are currently taxed as ordinary income at a flat rate of 28%.

Correspondingly, losses upon sale of the Shares will be deductible against ordinary income to the extent a gain would have been taxable.

The capital gain or loss on each Share will be equal to the difference between the Offer Price and the adjusted cost base. The adjusted cost base is the Shareholder's acquisition price adjusted up or down in accordance with changes in Saga's retained taxable capital/profit during the Shareholder's holding-period (so-called «RISK-adjustment»). Dividends received from Saga, which have not been deducted by the RISK-adjustment for the Shareholder, will decrease the adjusted cost base. A RISK-adjustment corrected for a dividend distribution, which is not actually received by the Shareholder may be added to the Shareholder's adjusted cost base for tax purposes. The adjustment of the cost base for each income year is allocated to the owner of Shares on 1 January of the following year (the assessment year). The RISK- amounts per Share are for the income years 1995, 1996, 1997 and 1998 as follows (from Saga's 1998 Annual Report):

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	<b>RISK- amount/share</b>
1 January 1996	NOK 2.50
1 January 1997	NOK 3.25
1 January 1998	NOK 3.50
1 January 1999 (estimated)	NOK 0

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Costs, such as broker's fees, payable by the Shareholder in connection with the acquisition or disposal of Shares, are deductible when calculating capital gain or loss.

A Share may be owned as an AMS share (AMS being the Norwegian abbreviation for a share saving scheme with a partial tax deduction). If an AMS-share is sold voluntarily (e.g., according to the Offer) within the four year period from the date of acquisition, in addition to the tax consequences mentioned above, the Shareholder will be liable for repayment of the tax deduction obtained. (In order to avoid this tax repayment, the Shareholder can wait for a possible Compulsory Acquisition. Shareholders to which this applies, should note, however, that no assurance can be given that a Compulsory Acquisition will be made or, if made and eventually consummated, at that price.)

## **6.2 Shareholders who are not Norwegian Tax Residents**

Shareholders who are not Norwegian tax residents are normally not subject to capital gain tax in Norway on the sale of Shares. Correspondingly, a loss will normally not be deductible. Such tax liability in Norway may nevertheless arise in two instances, namely if: (i) the Shares are effectively connected to a business carried out in Norway by the Shareholder; or (ii) the Shareholder has previously been resident in Norway for tax purposes, and the Shares are sold within five years of the expiry of the calendar year when residency in Norway for tax purposes ceased. In both instances, tax treaties between Norway and the country in which the Shareholder resides may lead to other results.

When a non-resident Shareholder is taxable in Norway on the sale of the Shares, the calculation of the capital gain or loss follows the same principles as described above.

## **6.3 Duties on the Transfer of Shares**

No duties are currently imposed in Norway on the transfer of the Shares.

## **7. PUBLIC CONSENTS**

### **7.1 General**

The completion of the Offer is contingent upon the receipt by Elf of approvals including from: (i) the Norwegian Ministry of Petroleum and Energy; (ii) the Norwegian Ministry of Trade and Industry; (iii) the European Commission and (iv) any other regulatory authority, the approval of which may be material in the context of the Offer; each without any Adverse Conditions.

Applications for the approvals referred to in (i) and (ii) above will be filed as soon as possible after the expiry of the Offer Period, provided that the Minimum Acceptance Condition has been either satisfied or waived. Application for the approval referred to in (iii) above will be made within one week after the commencement of the Offer Period. Applications for the approvals referred to in (iv) will be made as soon as practicable. The obtaining of the Public Consents will be announced as soon as possible after receipt thereof.

### **7.2 Norwegian Petroleum Act Section 10-12**

Elf's acquisition of a controlling shareholding in Saga will require the consent of the Ministry of Petroleum and Energy. The Ministry may impose conditions or restrictions on its approval. It is not possible to predict the period of time it may take for the Ministry of Petroleum and Energy to make a decision regarding the approval of transfer. Relevant in relation to the approval of the transfer of shares under the Norwegian Petroleum Act Section 10-12 are objective criteria such as Elf's technical competence and financial strength. Elf has for many years been a recognised operator of petroleum resources on the Norwegian Continental Shelf with significant ownership interests in a number of licenses.

### **7.3 Norwegian Business Acquisition Act**

Elf's acquisition of the Shares in Saga must be notified to the Norwegian Ministry of Trade and Industry. The Ministry must consider the application relating to the acquisition as soon as possible, and if the Ministry has not given a written request for additional information within thirty days, the acquisition is deemed approved. The Ministry may consider a transaction more thoroughly if it has reason to believe that the acquisition may have significant negative effects for the business acquired, the business sector in which it operates or is against the public interest, including effects on employment. However, the acquisition shall be approved unless it would be contrary to the public interest. The Ministry may impose such conditions for acquisition as are warranted to safeguard the public interest.

### **7.4 The EU Merger Regulation**

Elf's acquisition of a controlling interest in Saga will fall under Council Regulation (EEC) No 4064/98 of 21 December 1989 on the control of concentrations between undertakings, as amended by Council Regulation (EC) No 1310/97 of 30 June 1997.

Concentrations with a Community dimension shall be notified to the European Commission. Elf will file official notification of a public bid to acquire control of Saga within one week after the date of this Offer Document. Within one month after receiving a complete notification, the European Commission shall either declare the concentration compatible with the common market or initiate proceedings. That period may under certain circumstances be increased to six weeks. If proceedings are initiated, a final decision shall normally be taken within four months. The European Commission may take its decision subject to conditions and obligations.

# Acceptance Form

To be used in connection with acceptance of the Offer ("the Offer") by Elf Aquitaine ("Elf") to purchase all of the outstanding and issued shares ("Shares") in Saga Petroleum ASA ("Saga") in accordance with the Offer Document dated 4 June 1999 (the "Offer Document").

Shareholder:

**Return to:**

Sundal Collier & Co ASA  
Munkedamsveien 45D  
P.O.Box 1444 Vika  
N-0115 OSLO  
Norway

Telephone: +47 22 01 60 83

Telefax: +47 22 01 60 62

The shareholder register in Saga shows at 3 June 1999:		
VPS account	No. of Saga Shares	Registered holder of rights

**This Acceptance Form must be received by Sundal Collier & Co ASA not later than 5:00 p.m. Norwegian time on Friday 18 June 1999 or, if the Offer is extended by Elf, not later than the time and date to which the Offer has been extended.**

THE UNDERSIGNED, A SHAREHOLDER OF SAGA, HEREBY ACCEPTS ELF'S OFFER TO PURCHASE MY/OUR SHARES IN SAGA. IN THIS CONNECTION, I/WE DECLARE AS FOLLOWS:

1. I/We accept Elf's Offer contained in the Offer Document dated 4 June 1999, and confirm that I/we have reviewed the contents of such document. By signing this Acceptance Form, unless otherwise stated by me/us in Paragraph 2 hereto, I/we accept to sell all Saga Shares which are registered in my/our account in the VPS (the "Acceptance Shares") in accordance with the Offer.
2. Notwithstanding Paragraph 1 hereto, I/we accept the Offer only with respect to \_\_\_\_\_ Saga Shares, which is less than all of the Saga Shares contained in my/our VPS account, and which shall constitute the Acceptance Shares hereunder.
3. Sundal Collier & Co ASA is irrevocably authorised to establish a new VPS account for me/us with respect to the Acceptance Shares, such account to be blocked in favour of Sundal Collier & Co ASA on behalf of Elf. Sundal Collier & Co ASA is further irrevocably authorised on the same day as this acceptance is received and recorded to charge my/our VPS account for the Acceptance Shares, and to transfer the Acceptance Shares to the new blocked account in VPS.
4. I/we accept that I/we may not sell or in any way encumber or dispose of the Acceptance Shares from today's date until settlement is made according to the Offer or the Offer is terminated by Elf and the Acceptance Shares are returned. I/we undertake to use voting rights associated with my/our Acceptance Shares at General Meetings of Shareholders in Saga in support of resolutions which would be required or desirable to complete the transfer of my/our Acceptance Shares as contemplated in the Offer Document and this Acceptance Form, and to vote against resolutions that could frustrate or hinder such completion, or result in the non-satisfaction of any of the Conditions to the Offer.
5. I/we authorise Sundal Collier & Co ASA to transfer the Acceptance Shares to Elf upon Elf's consummation of the Offer. This authorisation means that the VPS, on the instruction of Sundal Collier & Co ASA, will transfer the Acceptance Shares to Elf. Settlement will be made in cash in exchange for the Acceptance Shares. For shareholders who have registered with the VPS a Norwegian Kroner ("NOK") bank account, the cash payment in NOK will be credited to such account. In the absence of such account, payment will be made by bank giro, or, for shareholders registered with a non-Norwegian address, by currency cheque.
6. The Acceptance Shares are transferred free and clear of any encumbrances whatsoever. I/We acknowledge that this acceptance will be considered to be valid only if any registered holder of rights (such as a pledgee) consents in writing on this Acceptance Form that such shares may be transferred to Elf free of any rights.
7. If the Acceptance Form is signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and, unless waived by Sundal Collier & Co ASA, proper evidence satisfactory to Sundal Collier & Co ASA of their authority to so act must be submitted together with the Acceptance Form.

8. Elf will pay transaction costs charged directly by the VPS in connection with this acceptance. Brokerage fees will not be charged to me/us. Elf will not be liable for any other costs incurred by me/us in connection with this acceptance (included, but not limited to, any transfer tax).
9. All questions as to the validity, form and eligibility (including time of receipt) of the acceptance will be determined by Elf, in its sole discretion, which determination shall be final and binding on all parties. Elf reserves the absolute right to reject acceptances determined by it not to be in proper form, or which may, in the opinion of its counsel, be unlawful. Elf also reserves the right to treat as valid, in whole or in part, any acceptance which is not entirely in order or which is not accompanied by any required document(s). In that event, however, the consideration under the Offer will only be dispatched when the acceptance is entirely in order and all required document(s) satisfactory to Elf has/have been received. None of Elf, Sundal Collier & Co ASA, or any other person will be under any duty to give notification of any defects or irregularities in acceptances or incur any liability for failure to give any such notification. The interpretation by Elf of the terms and conditions of the Offer (which includes this Acceptance Form) will be final and binding.
10. This Acceptance Form is governed and is to be interpreted in accordance with Norwegian law. Any conflict arising from the Acceptance Form which cannot be amicably resolved is to be settled by means of arbitration in accordance with Section 26-5 of the Oslo Stock Exchange Regulations, with the parties agreeing that the court of arbitration is to comprise three members as specified therein. If, for practical reasons, the court of arbitration cannot be made up in the manner specified, the head of the Stock Exchange Review Board is to appoint the arbitrators. The defendant is obliged to respond within 14 days of the writ of summons being served and the arbitration award is, where possible, to be given within four weeks of the court receiving the defendant's response. Omissions will not lead to an extension or postponement of arbitration proceedings and, in such case, an award will be given on the basis of the material available.
11. I/We understand and agree that the Offer is not being made to, nor will tenders be accepted from or on behalf of, Saga Shareholders in any jurisdiction in which the making of the offer or acceptance thereof would not be in compliance with the laws of such jurisdiction. In particular, the Offer is not being made directly or indirectly in the United States, by use of the U.S. mails, or by any means of instrumentality (including, without limitation, facsimile transmission, telex or telephone) of interstate or foreign commerce, or any facilities of a national securities exchange, of the United States. Accordingly in connection with my/our acceptance of the Offer, I/we make the representation that and warranties set out in paragraphs (a) through (d) of Section 2.23 Overseas Shareholders in the Offer Document and understand and agree that my/our acceptance will not be valid should the conditions set forth in paragraphs (i) through (iv) not be satisfied or should Elf make the determination set out in such Section 2.23 in the Offer Document.

**Natural persons:**

_____	_____	_____	_____	_____
Place	Date	Telephone No.	Shareholder's signature	Printed name

**Other persons:**

_____	_____	_____	_____	_____
Place	Date	Telephone No.	Entity	Authorised signature

\_\_\_\_\_  
Capacity of individual signing

**Rights holder:**

**As a holder of rights, I/we consent to the transfer of the Acceptance Shares to Elf, free of any rights.**

_____	_____	_____	_____	_____
Place	Date	Telephone No.	Rights holder's signature	Printed name