

2006 ANNUAL REPORT

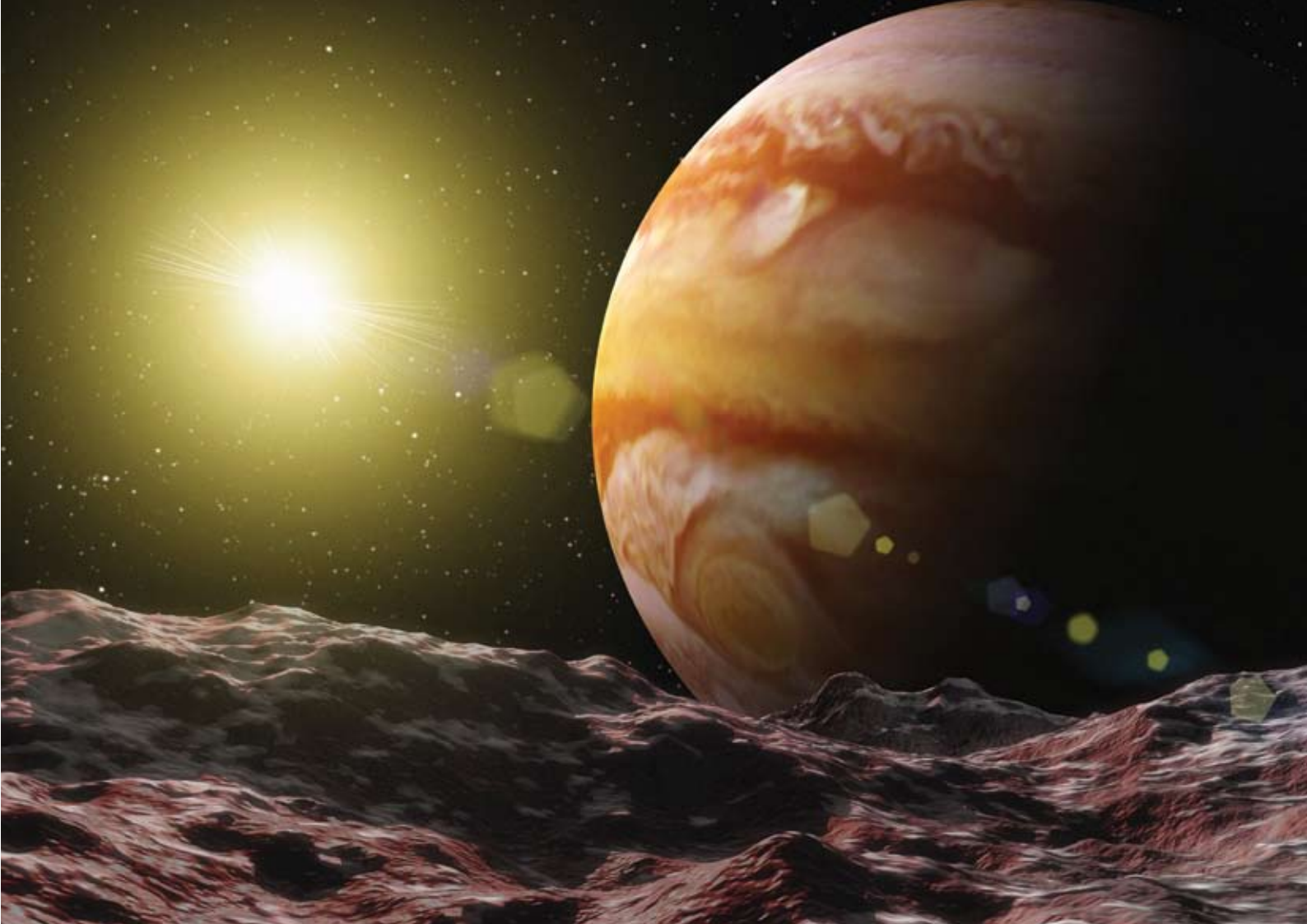
TGS-NOPEC Geophysical Company

STELLAR PERFORMANCE



CONTENTS

Stellar Performance	2
Financial Highlights	3
Shining Results	4
Letter to our Shareholders	5
Radiant Achievement	6
From our Board	7
Board of Directors	11
Group Financials	12
Notes to Group Financial Statements	18
Parent Financials	36
Notes to Parent Financial Statements	41
Auditor's Report	49
Corporate Governance	50
Investor Relations	52
Contact Us	54



STELLAR PERFORMANCE

stel·lar ['stel-ər]

–*adjective*

- Like a star, as in brilliance, shape, etc.
- Outstanding, leading; principal.

Performance is the result of an action, of an application of deliberate intent to achieve an end. But it is an adjective likewise, denoting when an object or concept will generate an outcome for those with a higher plane of expectations. Performance generates results, and from results one measures achievement. By nearly every metric, TGS' performance in 2006 was nothing short of stellar. **Consolidated net revenues were USD 395.9 million, an increase of 65% compared to 2005.**

FINANCIAL HIGHLIGHTS

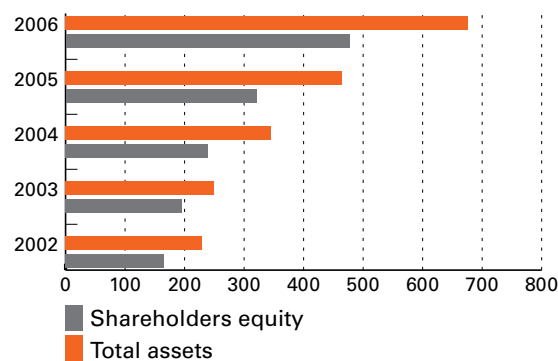
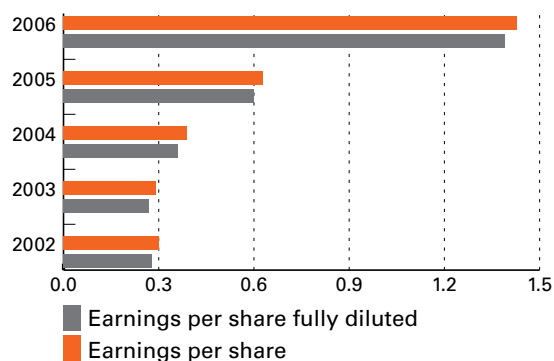
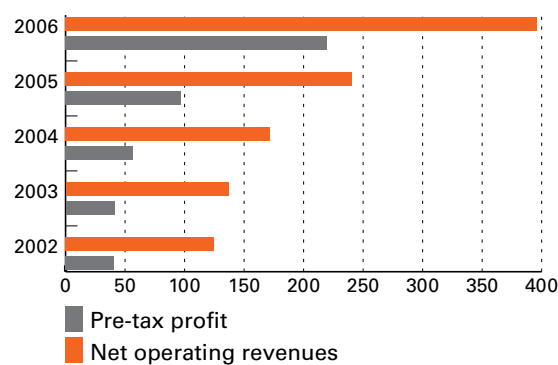
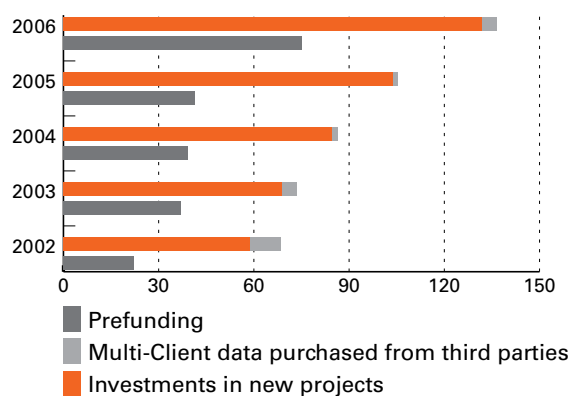
(in millions of USD apart from EPS and ratios)

	IFRS				
	2006	2005	2004	2003*	2002*
Net operating revenues	395.9	240.4	171.6	136.9	124.4
Operating profit	221.3	96.0	57.2	42.2	46.3
Loss on disposal of vessel					-5.1
Pre-tax profit	219.5	97.2	56.8	41.1	40.7
Net income	150.9	65.1	38.7	28.4	29.6
EBIT	221.3	96.0	57.2	42.2	41.2
EBIT margin	56%	40%	33%	31%	33%
Net income margin	38%	27%	23%	21%	24%
Pre-tax return on capital employed	50%	29%	23%	23%	25%
Earnings per share	1.43	0.63	0.39	0.29	0.30
Earnings per share fully diluted	1.39	0.60	0.36	0.27	0.28
Total assets	676.2	464.5	345.3	249.7	228.8
Shareholders equity	477.0	320.8	239.5	195.9	166.0
Equity ratio	71%	69%	69%	78%	73%

MULTI-CLIENT LIBRARY

	2006	2005	2004	2003*	2002*
Opening net book value	160.8	149.5	133.2	117.8	98.2
Multi-Client data purchased from third parties	4.5	1.6	2.1	5.0	9.5
Investments in new projects	131.9	103.8	84.5	68.7	58.8
Amortization	-101.7	-94.1	-70.3	-58.3	-48.7
Ending net book value	195.6	160.8	149.5	133.2	117.8
Prefunding % on operational investments	57%	40%	46%	54%	38%

*Figures according to NGAAP. Adjustments to reflect cost of stock options and no amortization of goodwill are the significant GAAP differences that would be needed for these figures to comply with IFRS.

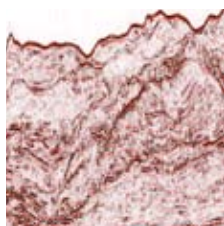




SHINING RESULTS

Results are often approached with expectations. But not until the final increment of the final process has been completed can the actual be compared with the pre-judged. When the dust settles, the results of an effort towards any goal speak in their own clear mathematic and measurable voice – there is either success or setback. In this regard, TGS' 2006 results shined. **Earnings Before Interest and Taxes (EBIT) totaled USD 221.3 million, up 131% from 2005 results. EBIT margin for 2006 set a company record at 56%.**

LETTER TO OUR SHAREHOLDERS



Dear Fellow Shareholder:

A year ago we wrote to you about entering 2006 with both optimism and continuity. We spoke of the continuity in the positive trends in our industry and the continuity in the TGS approach to our business. In retrospect we now see that not only did the underlying fundamental directions in our marketplace continue, they accelerated. In spite of historically high prices for oil and gas, growth in the world's economy and appetite for energy persisted, giving our customers more confidence to invest in longer term hydrocarbon exploration programs. And TGS was there, in the right place at the right time, with the right products and services to meet the expanding need for knowledge to unravel our planet's subsurface secrets. So, in 2006, the trajectory of the TGS growth curve got steeper.

Our annual net revenues grew 65% in 2006 and have tripled over the most recent three year period. But top line growth alone is not enough. We believe that capital efficiency and superior returns are hallmarks of the best companies. In 2006 our operating profit margin elevated to 56%, our pretax return on average capital employed increased to 50%, and our diluted earnings per share grew by 132%. In summary, TGS delivered performance. Stellar performance.

We are fortunate to have a terrific team of loyal and highly dedicated employees at TGS. Over the past five years our employee count has tripled, from 166 at the end of 2001 to 496 at the end of 2006. Our employee base is truly our greatest asset, and the tremendous value we have built at TGS is directly attributable to their winning efforts. We want to take this opportunity to give them a great big "thank you".

Our library of geoscientific data products is the cornerstone of TGS. In 2006, we increased our operational investments in new multi-client library products by 27% to a record level of \$132 million. We acquired a new company, Aceca Limited, that specializes in developing and selling multi-client interpretation studies based on well log and seismic data. We expanded our research and development program for the next generation of subsurface imaging

algorithms. We intensified our program of repurchasing shares. And still, our cash balance doubled over the course of the year.

Your Board of Directors regularly focuses on how to create the most shareholder value with the cash we generate. We understand that a healthy cash balance is essential to executing our unique business model, where the ability to act quickly can be a clear competitive advantage. We believe that a balanced approach consisting of organic reinvestment in the business, selective acquisition of complementary businesses and an escalating share repurchase program is the best course for enhancing shareholder value in the current economic climate.

At last year's annual shareholder meeting you elected two new directors, Kathleen Arthur and Colette Lewiner, to our Board. We are thrilled to be able to attract this level of talent and expertise to our leadership, and we warmly welcome these two to the TGS family.

What about the future of TGS? We believe that we are still in a growth cycle, and that this cycle is more sustainable than previous cycles because of the challenges the oil industry faces today in growing its reserves. But cycles are not always easy to predict. At TGS, our business model is custom designed to allow us to make sound decisions in the face of changing market conditions. So no matter which phase of the cycle we are in, TGS has a competitive edge. As always, we are grateful for your trust and support.

Henry H. Hamilton III
Chief Executive Officer



Claus Kampmann
Chairman

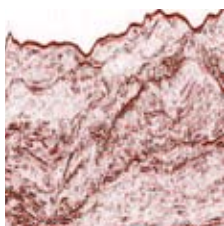




RADIANT ACHIEVEMENT

Achievement is most often realized as the result of long term effort, not a sudden overnight occurrence. Past achievement sets a new baseline against which to test resolve and results in the future. Though TGS is proud of its 2006 achievements, only with the deliberate application of its strengths, vision and values will the Company continue to produce radiant achievements. **Net Income after Taxes totaled USD 150.9 million and represented 38% of net revenue. Earnings per share (fully diluted) were USD 1.39, up 132% compared to USD 0.60 in 2005.**

FROM OUR BOARD



TGS-NOPEC Geophysical Company ASA (TGS) is a leading player in the global non-exclusive geoscientific data market, with ongoing operations in North and South America, Europe, Africa, Asia and Australia. The Group's marketed seismic library contains approximately 2.2 million line kilometers of 2D data and approximately 88 thousand square kilometers of 3D data. In conjunction with its seismic library, the Group also has approximately 740 thousand kilometers of gravity and magnetic data, multiple electromagnetic surveys and an extensive data base of interpretive products. Its library of digital well logs consists of about 4.3 million log images from approximately 1.7 million wells. The Parent Company is located in Asker, Norway, and the main subsidiary in Houston, Texas, U.S.A. All financial statements in this report are based on a going concern assumption and the Board of Directors confirms that it is of the opinion that the prerequisites for such a valuation are indeed present. To the best of the Directors' knowledge, no subsequent events not described in this report have occurred since December 31st, 2006, that would alter the accounts as presented for 2006.

CORPORATE GOVERNANCE

TGS emphasizes independence and integrity in all matters among the Board, management and the shareholders.

The Company has only one class of shares and each share gives the right to one vote at the General Assembly. There are no voting restrictions. The Board puts emphasis on, to the extent possible, disclosing and describing the topics of the agenda and the proposed resolutions in the call for the assembly to allow the shareholders to prepare beforehand. The independent members of the Board have received restricted shares as a part of their compensation, which must be held for at least one year before they can be traded. There are certain limitations to trading of shares for a small number of employees who are former owners of Aceca Ltd. There are no other limitations to trading of shares from the Company's side, other than Insider Trading Rules for employees and the Board.

The Board of Directors consists of eight directors including the CEO, each serving a one-year term. The Board's Audit, Compensation and Corporate Governance Committees are composed exclusively of independent directors. No material transactions have occurred between the Company and its management, directors or shareholders. The Company established a Nomination Committee in June 2005 composed of one independent director and two independent shareholder representatives, each serving a two-year term. The Nomination Committee is responsible for nominating directors to the Board and recommending remuneration payable to the directors.

It is the opinion of the Board of Directors that the Company complies with the Norwegian Code of Practice for Corporate Governance published December 8th, 2005. The Board fully endorses the section entitled "Corporate Governance" found on page 50 of this Annual Report.

RESULTS FROM OPERATIONS

For the full year, TGS' net revenues increased 65% from the previous year. Demand for seismic and digital well log data improved steadily throughout the course of the year, resulting in Group-record net revenues for the fourth quarter and the full year of 2006.

The 65% revenue growth translated into a 131% operating profit (EBIT) growth. The operating profit (EBIT) margin grew from 40% in 2005 to 56% in 2006.

Throughout the year, TGS continued its determined strategy to plan, develop, and invest in discretionary, well-placed seismic surveys designed to complement its customers' exploration and development programs. Including data libraries purchased in M&A transactions, investments in the multi-client data library increased by 29% compared to 2005.

In January 2006, the Company acquired Aceca Limited for \$10.25 million in cash and 71,333 of the Company's treasury shares, some of which have restrictions as to when they can be sold. No new TGS shares were issued for this transaction. Aceca's primary business is creating

and selling multi-client interpretation studies in Northern Europe utilizing well log, seismic, and other forms of geoscientific data. Oil companies subscribe to a combined license of each interpretive study and a proprietary Aceca intranet and a web enabled interface named Facies Map Browser (FMB) used to view the interpretations. Aceca significantly broadens the TGS geoscience knowledge base and delivers the expertise necessary to generate new integrated products from the TGS inventory of data.

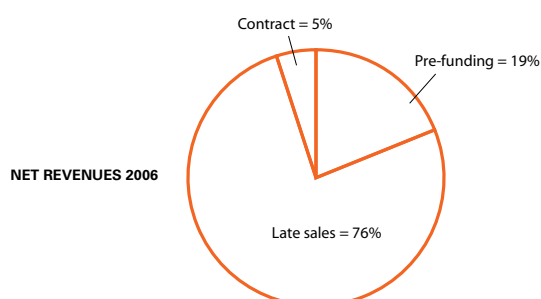
2006 OPERATIONAL RESULTS

The Board is again very pleased with the annual operational results. TGS continued to outperform its competitors in key measures impacting shareholder value including:

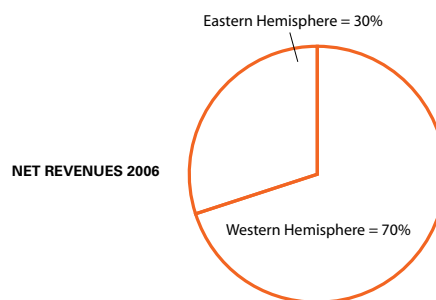
- Ratio of annual multi-client net revenues to average net book value of library: 2.11
- Operating Profit (EBIT) margin: 56%
- Pre-tax Return on Average Capital Employed (ROCE): 50%
- Shareholders Equity: 71% of the Balance Sheet

PRODUCT INFORMATION

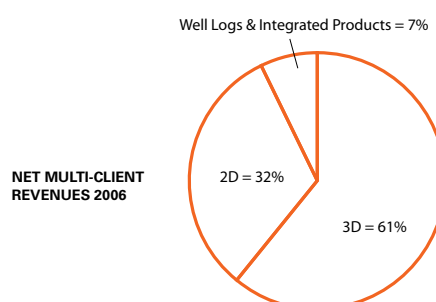
The Group's main business is developing, managing and selling non-exclusive (or multi-client) geoscientific data. This activity accounted for 95% of the Group's business during the year 2006. Customer pre-funding of new projects reduced the Group's exposure, while late sales from the Group's library of data provided the bulk of its revenue stream. Net late sales increased 58% compared to 2005 and totaled USD 301.4 million, while pre-funding on new projects was 57% of the operational investments in multi-client data compared to 40% in 2005.



In North and South America, the Group's largest geographic market, net revenues grew 67% over 2005. In the Eastern Hemisphere, net revenues grew by 61%.

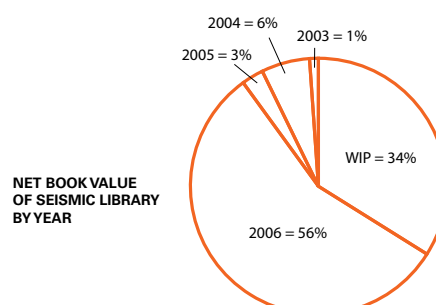


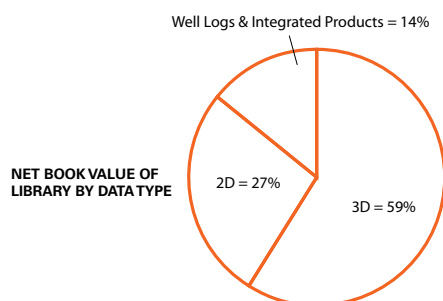
TGS continued to generate multi-client revenues from a well-balanced mix of 2D and 3D seismic projects. With the addition of Aceca in January 2006, well log and integrated product total net revenues grew 77% compared to 2005, while well log and integrated product multi-client net revenues grew 64%.



THE MULTI-CLIENT LIBRARY

The Group's library of multi-client seismic data, well log data and integrated products is its largest single financial asset, with a net book value representing 29% of the total assets in the balance sheet. The seismic data, representing approximately 86% of the library's net book value, is amortized on a project-by-project basis as a function of sales. Minimum amortization criteria are applied if sales do not match expectations so that each project is fully amortized within a four-year period following its completion. Because of the Group's strong track record in delivering sales, the library has been amortized much faster than required by the minimum criteria. As a result, current net book value of the library is heavily weighted towards the newest, most modern projects. The well log data is depreciated on a straight-line basis over 7 years.





VESSEL COMMITMENTS

TGS secures all seismic acquisition capacity from external suppliers. Currently the Group has entered into commitments for charter hire of three 3D seismic acquisition vessels, six 2D seismic acquisition vessels and two other vessels. Seven commitments expire in 2007, three in 2008, and one contract in 2009. The amounts committed total USD 132.8 million for the year 2007, USD 77.2 million for the year 2008 and USD 7.8 million for the year 2009. Five of the contracts have options for extensions, out of which one expires in 2008, three in 2009 and one in 2011.

HUMAN RESOURCES

The Parent Company had 29 employees as of December 31st, 2006. The Group had 372 employees in the U.S.A, 44 employees in Norway, 70 employees in the UK, and 10 employees in Australia, totaling 496 employees. The average number of employees during 2006 was 466.

The Board considers the working environment in the Group to be excellent. The Board and management believe that employees of diversified gender, race and nationality are treated equally within the Group, and have not seen it necessary to take special measures regarding this issue.

INVESTMENTS, CAPITAL AND FINANCING

The Company is listed on the Main List on the Oslo Stock Exchange. No new equity was raised in the market during 2006. The Board does not anticipate any new equity issues during 2007, apart from issues of stock options to employees, unless to finance an acquisition of another company or a major business opportunity.

During 2006, in addition to M&A transactions, the Group invested USD 131.9 million in its multi-client library and recorded USD 10.1 million in capital expenditures: in addition to the purchase of Aceca Limited.

Also during 2006, the Company repurchased 640,500 of

its own shares for \$10 million. Total holdings of treasury shares were 665,368 on December 31st, 2006.

Because of the extremely cyclical nature of the oil services industry, TGS' Board of Directors remains convinced that the Group's unique business model, a strong balance sheet and a strong cash position are essential to its financial health and future growth. With this in mind, the Board will continue to carefully evaluate investment opportunities for growth. In addition, the Board may consider using cash reserves to repurchase its shares or bonds during 2007. The Board does not propose to issue a dividend for 2006. As of December 31st, 2006, the Parent Company's free Equity was NOK 651,102 (USD 104,091).

ALLOCATION OF PROFIT

It is proposed that the Parent Company's net income be applied as follows:

Allocated to Other Equity	NOK 284,934
Total	NOK 284,934

HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

The Group interacts with the external environment through the collection of seismic data and operation of vessels. The Group continues to work actively on measures to minimize any impact on the environment and to keep operations within the limits of all appropriate regulations and public orders. No employee personnel injuries were registered during 2006, and absence due to sickness was 1.29% of the total work hours. One lost time injury was registered during 2006 by one of the Group's subcontractors.

BOARD STRUCTURE

The following committees, composed of the Company's independent directors, are established on the Board to monitor and guide certain activities:

AUDIT COMMITTEE:

Rabbe E. Lund *
Colette Lewiner
Arne-Kristian Maeland

COMPENSATION COMMITTEE:

David W. Worthington *
Nils B. Gulnes
Kathleen Arthur
Rabbe E. Lund

CORPORATE GOVERNANCE COMMITTEE:

Arne-Kristian Maeland *

David W. Worthington

Nils B. Gulnes

In addition, the independent Nomination Committee elected by the shareholders at the Annual General Meeting on June 15th, 2005 consists of the following members:

NOMINATION COMMITTEE:

David W. Worthington *

Jarl Ulvin

Tor Himberg Larsen

(*) – Designates Committee Chair

SALARY AND OTHER COMPENSATION

The Compensation Committee (the "Committee") recommends all elements of compensation for executive officers to the Board of Directors. The Committee participates in the review and approval of the corporate goals and objectives relevant to the Chief Executive Officer's compensation, evaluates the CEO's performance in light of those goals and objectives and together with other independent directors determines and approves the CEO's compensation level based on this evaluation. The Committee also seeks ratification by the other independent directors of all compensation items for the CEO's direct reports.

TGS' compensation programs are designed to motivate and retain executives by rewarding them for advancing business strategies and aligning Company interests with those of the stockholders. The compensation program for executive officers consists of cash in the form of base salary, annual performance bonus linked to the Group's pre-tax profit, and to a lesser degree long-term, stock option incentives. As a general policy stock options are issued at market price when granted, vest over a period of four years and expire after five years, and employees are not eligible to receive option grants in consecutive years. The option grants are a direct function of Group and individual performance.

The Committee believes executive compensation should be reasonable and fair according to prevailing industry standards in the geographical markets where the Group operates, and understandable relative to scale, complexity and performance.

In accordance with the Norwegian Public Limited Liabilities Act §6-16a, the committee will present a statement regarding the Company's policies for management compensation to the Annual General Meeting on June 6th, 2007.

OUTLOOK FOR 2007

The Board makes the following observations regarding the outlook for 2007:

- Oil companies continue to enjoy the benefits of robust oil prices and plan to increase total exploration and production spending in 2007.
- Seismic contractors are experiencing record demand and the near-term market for seismic vessels is very tight. Vessel contract rates in general will increase from 2006. TGS expects to continue to pass these cost increases through to its customers on new projects. Supply of vessels is expected to continue to increase during 2007 – 2009.
- The Group plans to invest USD 175-185 million in its multi-client data library during 2007, up some 33-40% from the 2006 operational investments of USD 131.9 million. TGS expects its average pre-funding to stay in the range of 50-60% of investments and its average annualized multi-client amortization rate to be in the range of 28-33% of net revenues.
- Management forecasts an approximate 20-25% increase in net revenues for the full year 2007.

March 21st, 2007

Henry H. Hamilton III
CEO/Director



Claus Kampmann
Chairman



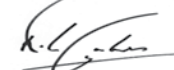
Arne-Kristian Maeland
Director



David W. Worthington
Director



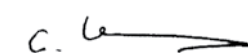
Nils B. Gulnes
Director



Rabbe E. Lund
Director



Colette Lewiner
Director



Kathleen Arthur
Director





Henry H. Hamilton III
CEO/Director



Claus Kampmann
Chairman



Nils B. Gulnes
Director



Rabbe E. Lund
Director



Arne-Kristian Maeland
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David W. Worthington
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Colette Lewiner
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Kathleen Arthur
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BOARD OF DIRECTORS

The Board of Directors consists of eight directors including the CEO, each serving a one-year term. The Board's Audit, Compensation and Corporate Governance Committees are composed exclusively of independent directors. The Company established a Nomination Committee in June 2005 composed of one independent director and two independent shareholder representatives, each serving a two-year term. The Nomination Committee is responsible for nominating directors to the Board and recommending remuneration payable to the directors. **TGS emphasizes independence and integrity in all matters among the Board, management and the shareholders.**

GROUP COMPANY FINANCIALS

CONSOLIDATED INCOME STATEMENT – TGS GROUP

(All amounts in USD 1000's unless noted otherwise)

	Note	2006	2005	2004
Sales		426,975	263,946	190,320
Revenue Sharing		-31,123	-23,594	-18,687
Net Operating Revenues	3	395,853	240,352	171,633
Materials		6,078	848	3,999
Amortization of Multi-Client Library	3,4	101,655	94,122	70,330
Personnel Costs	3,5	43,051	31,806	24,609
Cost of Stock Options	3,5,6	2,988	2,002	1,484
Other Operating Expenses	3,5	16,082	12,792	11,566
Depreciation and Amortization	3,4	4,688	2,786	2,398
Operating Profit		221,311	95,995	57,247
Financial Income	16	13,664	7,204	4,153
Finance Costs	16	-12,171	-3,347	-2,959
Interest Expense	16	-3,280	-2,635	-1,602
Profit before Taxes	3	219,524	97,217	56,839
Taxes	17	68,633	32,079	18,182
Net Income		150,890	65,138	38,657
Earnings per Share (USD)	7	1.43	0.63	0.39
Earnings per Share, diluted (USD)	7	1.39	0.60	0.36

CONSOLIDATED BALANCE SHEET – TGS GROUP

As of December 31st
(All amounts in USD 1000's)

	Note	2006	2005
Assets			
Non-Current Assets			
Intangible Non-Current Assets			
Goodwill	4	27,770	20,150
Multi-Client Library	3,4,12	195,572	160,809
Other Intangible Non-current Assets	4	3,417	-
Deferred Tax Asset	17	6,397	217
Total Intangible Non-Current Assets		233,156	181,176
Tangible Non-Current Assets			
Land, Buildings and Other Property	4,12	2,415	4,995
Machinery and Equipment	4,12	11,999	13,678
Total Tangible Non-Current Assets		14,414	18,673
Financial Non-Current Assets			
Non-Current Receivables and Prepayments	12	5,223	909
Total Financial Non-Current Assets		5,223	909
Total Non-Current Assets		252,793	200,758
Current Assets			
Receivables			
Accounts Receivable	10,12	145,066	125,820
Other Receivables	10	7,788	4,092
Total Receivables		152,854	129,912
Cash and Cash Equivalents	9	270,585	134,069
Total Current Assets		423,439	263,981
Total Assets		676,232	464,739

CONSOLIDATED BALANCE SHEET – TGS GROUP

As of December 31st
(All amounts in USD 1000's)

	Note	2006	2005
Equity and Liabilities			
Equity			
Paid-in Capital			
Share Capital	8	3,834	3,761
Treasury Shares	8	-26	-12
Share Premium Reserve		42,216	40,151
Other Paid-in Equity		6,474	3,486
Total Paid-in Capital		52,499	47,386
Retained Earnings			
Retained Earnings		424,540	273,381
Total Retained Earnings		424,540	273,381
Total Equity		477,039	320,768
Liabilities			
Provisions			
Deferred Tax	17	36,952	25,316
Total Provisions		36,952	25,316
Other Non-Current Liabilities			
Debt to Financial Institutions	12	47,734	44,322
Capitalized Lease Liabilities	13	535	736
Total Non-Current Liabilities		48,269	45,058
Current Liabilities			
Accounts Payable		51,013	33,355
Taxes Payable	17	24,632	4,722
Other Short-Term Liabilities		38,327	35,519
Total Current Liabilities		113,972	73,597
Total Liabilities		199,193	143,971
Total Equity and Liabilities		676,232	464,739

London, March 21st, 2007

Henry H. Hamilton III
CEO / Director



Claus Kampmann
Chairman



Arne-Kristian Maeland
Director



David W. Worthington
Director



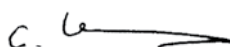
Nils B. Gulnes
Director



Rabbe E. Lund
Director



Colette Lewiner
Director



Kathleen Arthur
Director



STATEMENT OF CONSOLIDATED CHANGES IN EQUITY – TGS GROUP

as of December 31st
(All amounts in USD 1000's)

	Share Capital	Treasury Shares	Share Premium Reserve	Other paid in equity	Retained earnings	Total Equity
Balance January 1st, 2006	3,761	-12	40,151	3,486	273,381	320,768
Paid in Equity through Exercise of Stock Options	73	-	8,704	-	-	8,777
Purchase of Treasury Shares	-	-25	-9,944	-	-	-9,969
Sale of Treasury Shares Held	-	11	3,365	-	-	3,376
Cost of Stock Options	-	-	-	2,988	-	2,988
Currency Exchange Effects from Group Companies	-	-	-60	-	269	209
Net Income	-	-	-	-	150,890	150,890
Balance December 31st, 2006	3,834	-26	42,216	6,474	424,540	477,039

	Share Capital	Treasury Shares	Share Premium Reserve	Other paid in equity	Retained earnings	Total Equity
Balance January 1st, 2005	3,633	-	26,144	1,484	208,282	239,542
Paid in Equity through Exercise of Stock Options	128	-	16,028	-	-	16,156
Purchase of Treasury Shares	-	-13	-2,148	-	-	-2,160
Sale of Treasury Shares Held	-	1	127	-	-	128
Cost of Stock Options	-	-	-	2,002	-	2,002
Currency Exchange Effects from Group Companies	-	-	-	-	-39	-39
Net Income	-	-	-	-	65,138	65,138
Balance December 31st, 2005	3,761	-12	40,151	3,486	273,381	320,768

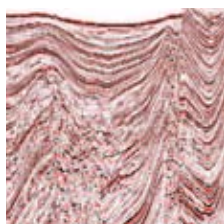
CONSOLIDATED STATEMENT OF CASH FLOWS – TGS GROUP

(All amounts in USD 1000's)

	2006	2005	2004
Cash Flow From Operating Activities			
Received Payments From Customers	397,845	216,999	151,037
Payments for Salaries, Pensions, Social Security Tax	-38,161	-28,885	-24,609
Other Operational Costs	-22,160	-12,792	-12,397
Net Gain/(Loss) on Currency Exchange and Other Financial Items	-3,374	837	262
Paid Tax and Government Taxes	-48,252	-24,615	-8,901
Net Cash Flow From Operating Activities (1)	285,898	151,544	105,392
Cash Flow From Investing Activities			
Received Payments From Sale of Tangible Assets	4,002	1,419	-
Net Investment in Tangible Assets	-10,056	-8,544	-1,853
Investments in Multi-Client Library	-133,478	-87,935	-88,452
Investments Through Mergers and Acquisitions	-7,093	-	-13,503
Changes in Long Term Receivables and Loans	-5,190	1,651	2,020
Interest Income	8,917	3,006	533
Net Cash Flow From Investing Activities	-142,898	-90,402	-101,255
Cash Flow From Financing Activities			
Net Change in Short Term Loans	-	-70	-765
Proceeds From New Long Term Loans	-	-	43,732
Repayment of Long Term Loans	-2,058	-873	-6,579
Interest Expense	-3,280	-2,635	-1,602
Purchase of Treasury Shares	-9,969	-2,160	-
Net Proceeds From Share Offerings	8,823	16,284	5,733
Net Cash Flow From Financing Activities	-6,484	10,546	40,520
Net Change in Cash and Cash Equivalents	136,516	71,687	44,657
Cash and Cash Equivalents at the Beginning of the Period	134,069	62,381	17,724
Cash and Cash Equivalents at the End of the Period	270,585	134,069	62,381
(1) Reconciliation			
Profit Before Taxes	219,523	97,217	55,272
Depreciation/amortization	106,343	96,908	72,728
(Loss)/gain From Sale of Property, Plant and Equipment	706	-1,166	-
Changes in Accounts Receivables	-17,723	-38,662	-20,752
Changes in Other Current Receivables	-3,150	1,260	156
Changes in Other Balance Sheet Items	28,452	20,601	6,890
Paid Tax	-48,252	-24,615	-8,901
Net Cash Flow From Operating Activities	285,898	151,544	105,392

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in USD 1000's unless noted otherwise)



NOTE 1: GENERAL ACCOUNTING POLICIES

GENERAL INFORMATION

TGS-NOPEC Geophysical Company ASA (the Company) is a public limited company incorporated in Norway on August 21st, 1996.

The address of its registered office is Hagaloekkveien 13, 1383 Asker, Norway. The Company is listed on the Oslo Stock Exchange.

The consolidated financial statements were approved by the Board of Directors on March 21st, 2007.

BASIS OF PREPARATION

The consolidated financial statements of the Company and all its subsidiaries (the "TGS Group"), have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") in effect as of December 31st, 2006, and consist of the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and Notes to the accounts.

The consolidated financial statements for the TGS Group have been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale investments that have been measured at fair value. The financial statements of the subsidiaries have been prepared for the same reporting year as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognized in assets, are eliminated in full.

In applying the basic accounting principles and presenting transactions and other issues, a "substance over form" view is taken.

CHANGE IN ACCOUNTING PRINCIPLES

Up until December 31st, 2004, the consolidated accounts of TGS Group were prepared in accordance with the Accounting Act of 1998 and generally accepted accounting principles of Norway (NGAAP). NGAAP differs in certain aspects from IFRS.

The major differences between NGAAP and IFRS having a significant effect on the consolidated financial statements of TGS are as follows:

- **Employee Stock Option Scheme**

Under IFRS, the costs of the stock options are to be expensed in the Income statement.

- **Amortization of Goodwill**

Under IFRS, amortization of goodwill has been abolished. An annual test for impairment shall be performed.

- Fair value of **financial derivative contracts** to be reflected at fair value in the financial statements

- **Presentation of the Balance Sheet**

Certain changes in the Presentation of the Balance Sheet

For further details see the Group Annual Report for 2005 showing the bridge between 2004 NGAAP and 2004 IFRS.

In 2006, the following accounting principles have been changed;

- Previously, changes in fair value of swap and currency effect of bond loan were presented net in the income statement. In 2006, these changes are presented gross in the income statement as hedge accounting is not applied.

The TGS Group has adopted the following new and amended IFRS and IFRIC interpretation during the year. Adoption of these revised standards and interpretations did not have any effect on the financial statements of the TGS Group. They did however give raise to additional disclosures.

IFRIC 4 Determining Whether an Arrangement contains a Lease

The TGS Group adopted IFRIC Interpretation 4 as of January 1st, 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. This change in accounting policy has not had a significant impact on the TGS Group as of December 31st, 2006 or December 31st, 2005.

CURRENCY

TGS presents its consolidated financial reports in USD. Nearly 100% of the Group's revenues and the majority of expenses are denominated in USD, and USD is the functional currency for most of the entities in the TGS Group.

The Parent Company continues to report in NOK to Norwegian Authorities, and the Financial Statements of the Parent Company in NOK are presented separately in this Annual Report. For Group reporting purposes, the Parent Company uses USD as its functional currency for amounts included in the consolidated financial statements.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into functional currency at the balance sheet date exchange rates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Foreign exchange differences arising in respect of operating business items are included in operating profit in the appropriate income statement account, and those arising in respect of financial assets and liabilities are recorded net as a financial item.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the TGS Group's accounting principles, management is required to make estimates, judgments and assumptions that affect the amount reported in the consolidated financial statements and accompanying notes. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which will form the basis for making judgments on carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The key sources of judgment and estimation of uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment

to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Future sales forecasts as basis for library amortization

The TGS Group determines the amortization expense of the Multi-client library based on the proportion of net book value versus estimated future revenue for each individual project. The underlying estimates that form the basis for the sales forecast depend on variables such as number of oil companies operating in the area that would be interested in the data, expectations regarding hydrocarbons in the sector, whether licenses to perform exploration in the sectors exist or will be given in the future etc. Changes in these estimates may potentially affect the estimated amount of future sales and the amortization rate used materially.

Impairment of goodwill

The TGS Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the 'value in use' of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of Goodwill on December 31st, 2006 and 2005 was USD 27,770 and USD 20,150 respectively.

Deferred Tax Assets

Deferred tax assets are recognized for all carryforward tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognized tax losses on December 31st, 2006 and 2005 was USD 0 and USD 11,001 respectively. Further details are included in Note 17.

Acquisition of subsidiaries

Assets and liabilities acquired in a business combination are to be recognized according to their fair values at the transaction date according to IFRS 3. This requires an estimation of the fair value of the individual assets, liabilities and contingent liabilities acquired, including estimating the expected future cash flow from the different revenue generating assets and a suitable discount rate in order to calculate the present value of those cash flows.

PRINCIPLES OF CONSOLIDATION

Companies Consolidated

The consolidated financial statements include subsidiaries in which the Parent Company and its subsidiaries directly or indirectly have a controlling interest. A subsidiary is defined as an entity where the Parent Company directly or indirectly has a ownership of more than 50 percent and a decisive vote. The consolidated financial statements show the Group's financial status, the result of the year's activity, and cash flows as one financial entity. All the consolidated companies have applied the same accounting principles. Acquired subsidiaries are consolidated in the financial statements from the effective date the Group obtains a controlling interest. Subsidiaries sold are consolidated in the financial statements until the effective date of the sale agreement, but presented as discontinued operations or disposal groups of assets and liabilities as of the date when the transaction is highly probable.

Successive share purchases in subsidiaries are consolidated using the fair value of the subsidiary's assets and debt from the time at which TGS obtains a controlling interest. Further acquisitions of ownership will not change the assessment of assets and debt in consolidation; however, each transaction is treated separately for the purpose of determining excess-/less values and goodwill to be recognized on that transaction.

Shares in Subsidiaries

Acquisitions are accounted for using the purchase method. The excess of purchase price over the book value of the net assets is analysed and allocated to the respective net assets according to the fair value. Any excess of the purchase price over the fair value of the net assets acquired is recorded as goodwill.

Subsidiaries with functional currency other than USD

The Balance Sheets of subsidiaries with functional currency other than USD are translated into USD using the year-end exchange rate. The income statement items are translated at the average exchange rate for each quarter of the year. Exchange rate differences arising from the translation of financial statements of such subsidiaries are recorded as a separate component of shareholders' equity. Variations from period to period in financial balance sheet items due to movements of the exchange rate in a currency other than the related functional currency are charged to the Income Statement under "Financial Items". On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the income statement.

The Group consists of:

TGS-NOPEC Geophysical Company ASA (Norway)

– Parent company

TGS-NOPEC Invest AS (Norway)

– (subsidiary - 100 %)

Datman AS (Norway)

– (subsidiary - 100 %)

Maglight AS (Norway)

– (subsidiary - 100 %)

Magsurvey Ltd.(UK)

– (100% owned by Maglight AS)

ANS Baarsrudveien 2 (Norway)

– (subsidiary - 100 %)

TGS-NOPEC Geophysical Company L.P. (U.S.A)

– (subsidiary - 100 %)

A2D Technologies Inc. (U.S.A)

– (100% owned by TGS-NOPEC Geophysical Company USA)

TGS-NOPEC Geophysical Company (UK) LTD.(UK)

– (subsidiary - 100 %)

Aceca Ltd (UK)

– (subsidiary - 100 %)

Aceca Norge AS (Norway)

– (100% owned by Aceca Ltd.)

TGS-NOPEC Geophysical Company PTY Ltd (Australia)

– (subsidiary - 100 %)

TGS-NOPEC Geophysical Company Moscow Ltd. (Russia)

– (subsidiary - 100 %)

Rimnio Shipping Ltd, (Cyprus)

– (subsidiary - 100 %)

Joint Ventures

The Group's interests in jointly controlled entities are accounted for according to proportionate consolidation, whereby the investments are carried at the Group's original cost plus its proportionate share of undistributed

earnings. Joint ventures are entities over which the Group has contractually agreed to share power to govern the financial and operating policies of that entity with another venturer or venturers. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements.

PRINCIPLES OF ASSESSMENT

Revenue Recognition

Revenue is recognized when it is earned. For Late Sales (library sales) this is at the time of the transaction, i.e. when the client has gained access to the data under a binding agreement. The revenue recognition follows the transaction principle. By agreement, the Group shares certain multi-client revenue with other companies. Accordingly, operating revenue is presented gross and reduced by the portion shared to derive at net operating revenues. Revenue and amortization of multi-client seismic in progress at the Balance Sheet date is recognized on a percentage of completion basis, measured according to percentage of the Group's estimated total investment in the survey incurred at the Balance Sheet date.

Multi-Client library

The multi-client library includes completed and in-progress geophysical data to be licensed on a non-exclusive basis to oil and gas exploration and production companies. The direct costs related to data collection and processing are included in the inventory value. The inventory balance also includes the cost of geophysical data purchased from third parties.

The inventory of multi-client seismic and interpretations is presented at cost, reduced by accumulated amortization. Amortization is recorded as revenue and is recognized for each project, in proportion to the net book value versus the estimated future revenue from that project. The revenue estimates are updated every six months.

When establishing amortization rates for the multi-client seismic library, the management base their view on estimated future sales for each individual survey. Estimates are adjusted over time with the development of the market. The amortization expense recognized may vary considerably from one period to another depending on the actual mix of projects sold and changes to estimates.

A minimum amortization is applied: the maximum net book value of the individual survey one year after completion is 60% of original cost. The minimum cumulative amortization increases by 20% of cost each year thereafter, with the result that each survey is fully amortized in the Balance Sheet by the end of the fourth year following its completion.

The inventory of multi-client well logs in A2D Technologies is presented at cost, reduced by accumulated amortization. Amortization is recorded as a straight-line amortization over seven years.

Business Combinations and Goodwill

Business combinations are accounted for using the purchase method. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net

fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the company's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the company at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the company's primary or the company's secondary reporting format determined in accordance with IAS 14 Segment Reporting.

Where goodwill forms part of a cash-generating unit (group of cash generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and unamortised goodwill is recognized in the income statement.

Goodwill

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to Goodwill cannot be reversed in future periods. The Group performed its annual impairment test of goodwill on December 31st, 2006.

Tangible Non-current Assets and Principles of Depreciation

Tangible non-current assets are presented at historical cost less accumulated depreciation and impairment charges. If an indication of impairment exists, an impairment test is performed. If the fair value of a tangible non-current asset is lower than book value, the asset will be written down to the higher of fair value less cost to sell and value in use. Depreciation is determined in light of the asset's economic life, varying from 2 to 50 years. Purchases which are expected to have a technical and economic life of at least two years are capitalized as tangible non-current assets. Depreciation begins when the assets are placed in service. Tangible non-current assets held for sale are stated at the lower of book value and presumed market value and are not subject to depreciation.

Exchange Rate Adjustments/Derivatives

Liquid assets, receivables and liabilities are translated at the exchange rate on the Balance Sheet date. Assets or liabilities involved in a derivative trade contract are stated

at the fair value of the contract at Balance Sheet date. Variations are expensed in the income statement.

Software Development Costs

Software development costs that do not fulfill the requirements of IAS 38 are expensed as incurred. The Group has not capitalized any development cost in 2006.

Borrowing Costs

Borrowing costs are recognized as an expense when incurred.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Income Taxes

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable company and the same taxation authority. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

Employee Stock Option Scheme

Key employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments.

The cost of equity-settled transactions with employees, for awards granted after November 7th, 2002, is measured by reference to the fair value at the date on which they are

granted. The fair value is determined by an external valuer using an appropriate pricing model. Further details are given in Note 6.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied. See note 6 for further information.

Financial Investments and Other Financial Instruments

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification at initial recognition and re-evaluates this designation at every reporting date. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The purchases and sales of financial assets are recognized on the trade date.

1. Loans and Receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the income statement when the loans and receivables are de-recognized or impaired, as well as through the amortization process.

2. Available-for-sale Financial Assets: Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any other category. After initial measurement, available for sale financial assets are measured at fair value with unrealized gains or losses being recognized as a separate component of equity. When the investment is disposed of, the cumulative gain or loss previously recorded in equity is recognized in the income statement.

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined applying commonly used valuation techniques.

De-Recognition of Financial Assets and Liabilities

A financial asset is de-recognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a "guarantee" over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

A financial liability is de-recognized when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

Non-Current Assets Held for Sale

Non-current assets are classified as held for sale according to IFRS 5 if their carrying amount will be recovered through a sales transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable within 12 months, and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less cost to sell. Depreciation of assets ceases once this classification has been made.

Pensions

The Group operates defined-contribution plans in Norway, UK and in the U.S.A. (401k), and covers superannuation in Australia. Contributions are charged to the income statement as they become payable.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The evaluation is based on the substance of the transaction at the inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance leases are recorded as assets and liabilities, and lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognized as an expense in the income statement on a straight line basis over the lease term. Contingent rents are recognized as revenue in the period in which they are earned or as expense in the period in which they are incurred.

Accounts Receivable and Other Receivables

Receivables are measured at amortized cost, reduced by any amounts expected to be uncollectible. See note 10.

Treasury Shares

TGS-NOPEC Geophysical Company ASA's shareholding of treasury shares is recorded using the par value method, where the aggregate par value of the shares acquired are charged to the treasury stock account, and any differences between the purchase price and par value are included in other equity.

Cash Flow Statement

The Cash Flow statement is compiled using the direct method. Cash and cash equivalents include cash, bank deposits and other short-term investments with terms not exceeding three months that can with no material exchange rate exposure be exchanged for cash.

IFRS AND IFRIC INTERPRETATIONS NOT YET EFFECTIVE

IAS 1 (Amendment), Presentation of Financial Statements – Capital Disclosures. The amendment requires additional disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. The Group will apply the amendment to IAS 1 from annual periods beginning January 1st, 2007.

IFRS 7 – Financial Instrument; Disclosures. IFRS 7 introduces new disclosures to improve the information about financial instruments. The Group will apply IFRS 7 from annual periods beginning January 1st, 2007.

IFRS 8 – Operating Segments. IFRS 8 replaces IAS 14 Segment Reporting. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performances. IFRS 8 also requires additional disclosures, including information about how the entity identifies its operating segments and the types of products and services from which each segment derives its revenues from. The Group

will apply IFRS 8 from annual periods beginning January 1st, 2009.

IFRIC 8 — Scope of IAS 2. IFRIC 8 requires consideration of transactions involving the issuance of equity instruments — where the identifiable consideration received is less than the fair value of the equity instruments issued — to establish whether or not they fall within the scope of IFRS 2. The Group will apply IFRIC 8 from annual periods beginning January 1st, 2007.

IFRIC 9 — Reassessment of Embedded Derivatives. IFRIC 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Group will apply IFRIC 9 from annual periods beginning January 1st, 2007.

IFRIC 10 — Interim Financial Reporting and Impairment. IFRIC 10 prohibits the impairment losses recognized in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at

cost to be reversed at a subsequent balance sheet date. The Group will apply IFRIC from annual periods beginning January 1st, 2007.

IFRIC 11 — Company and Treasury Share Transactions. IFRIC addresses how to apply IFRS 2— Share-based Payment to share-based payment arrangements involving an entity's own equity instruments or equity instruments of another entity in the same group. The Interpretation requires a share-based arrangement in which an entity receives goods or services as consideration for its own equity-instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments needed are obtained. The Group will apply IFRIC 11 from annual periods beginning January 1st, 2008.

IFRIC 12 — Concession Arrangements, IFRIC 12 addresses how concession holders should apply existing IFRS to account for the obligations they undertake and rights they receive in concession arrangements. The Group will apply IFRIC from annual periods beginning January 1st, 2008.

The Group expects that adoption of the pronouncements listed above will not impact on the Group's financial statements in the period of initial application.

NOTE 2: BUSINESS COMBINATIONS

ACQUISITION OF ACECA LIMITED

The Company acquired 100% of the shares of the privately held Aceca Limited (Aceca) on January 3rd, 2006. The transaction significantly broadened the TGS geoscience knowledge base and added new multi-client interpretive products and subsurface interpretation consulting services to the TGS product line. Final consideration paid for Aceca included \$10.25 million in cash and 71,333 pre-split TGS shares (285,332 post share-split) with a fair value of NOK 313 per share as quoted on OSE January 3rd, 2006. No new TGS shares were issued for this transaction as the Company used of its Treasury Shares held. The value paid was USD 13.58 million.

BALANCE SHEET – ASSETS ACQUIRED AND LIABILITIES ASSUMED (ALL FIGURES IN 1000'S):

	GBP Per Aceca Books	ROE	USD Per Aceca Books	USD Adjustment	USD Fair Value
Intangible Non-Current Assets	178	1.728	308	11,839	12,147
Tangible Non-Current Assets	993	1.728	1,717	-103	1,614
Current Assets	2,912	1.728	5,032	49	5,080
Total Assets	4,084	1.728	7,057	11,784	18,841
Shareholders Equity	1,814	1.728	3,135	10,445	13,580
Non-Current Liabilities	583	1.728	1,008	1,339	2,347
Current Liabilities	1,686	1.728	2,914	-	2,914
Total Equity and Liabilities	4,084	1.728	7,057	11,784	18,841

Of Aceca's current assets acquired, GBP 1,743 (approximately USD 3,012) was cash held in bank.

PURCHASE PRICE ANALYSIS AND ADDITIONAL GOODWILL

Purchase Price Analysis

	USD
Purchase Price	13,580
Aceca Booked Opening Balance	3,135
Net Additional Values	10,445
Multi-Client Library (1)	4,519
Buildings and Fixtures (2)	-103
Listed Investments (3)	49
Deferred Tax Liability (4)	-1,339
Total Identifiable Values	3,125
Goodwill	7,320
Goodwill held by Aceca at time of acquisition	256
Total Goodwill	7,576

The excess values of the acquisition identified at the time of purchase:

- (1) **Multi-Client Library** – A major motivator for the purchase was to acquire the Facies Map Browser, interpretations and software made and owned by Aceca. The value of the library was set to be the expected sales over the coming five years, discounted by a rate of 10%. This gave an opening balance of USD 4,519. As Aceca up until the time of the acquisition had expensed all investments made into their multi-client library, the library did not carry a value on Aceca's balance sheet at the time of acquisition.
- (2) **Buildings and Fixtures** – A commercial valuation showed that the value January 3rd, 2006 was USD 103 lower than Aceca booked opening balance.
- (3) **Listed Investments** – An Additional value of USD 49 up to market rate was reflected as an adjustment to the opening balance.
- (4) **Deferred Tax Liability** – In accordance with IFRS 3 Business Combinations, the Deferred Tax Liability of identifiable values was reflected in the opening balance using the average tax rate for Aceca, 30%

Justification of the Goodwill

Goodwill resulted from this transaction as TGS was willing to pay more than the fair value of the net tangible assets and library acquired due to expected synergies. These synergies are expected to be derived from incremental cash flows from new and existing customers as a result of new product lines, bundling of products, opening up of new geographic markets for product lines and new technological capabilities emerging from the acquisition

NOTE 3: SEGMENT INFORMATION

The Group only operates in one business segment within the oil service business. The Groups secondary reporting segments as reported to the board of directors are the three geographic areas: North & South Americas, Europe & Russia, and Africa, Middle East & Asia/Pacific.

Geographic Breakdown

	North & South America	Europe & Russia	Africa, Middle East, & Asia/Pacific	Consolidated
Net External Revenues	277,857	74,373	43,623	395,853
Amortization of Multi-Client Library	-62,356	-19,015	-20,285	-101,655
Operational Costs	-41,460	-17,033	-9,706	-68,199
Depreciation and Amortization	-2,002	-2,622	-64	-4,688
Net Financial Items	-964	-442	-382	-1,788
Net Income Before Tax	171,076	35,261	13,186	219,523
Investments	87,317	34,314	14,788	136,419
NBV of Multi-Client Library	143,317	35,460	16,795	195,572

SALES BY PRODUCT TYPE

During 2006, approximately 34% of net revenues resulted from 2D seismic, 57% from 3D seismic, and 9% from well logs and integrated products. Approximately 95% of the Group's net revenues came from the multi-client market, and 5% from the proprietary market.

NOTE 4: NON-CURRENT ASSETS

TANGIBLE NON-CURRENT ASSETS FOR 2006

Acquisition Cost and Depreciation:	Machinery and Equipment	Buildings (1)	Total
Cost as of January 1st, 2006	31,601	7,426	39,027
From Acquisition of Aceca (4)	1,060	1,449	2,509
Reclassification (3)	-4,472	-	-4,472
Additions	9,606	235	9,840
Disposals (2)	-1,323	-6,768	-8,091
Exchange adjustment	522	309	831
Cost as of December 31st, 2006	36,993	2,651	39,644
Accumulated depreciation as of January 1st, 2006	17,922	2,432	20,354
From Acquisition of Aceca (4)	866	29	895
Reclassification (3)	-808	-	-808
Depreciation for the year	4,018	81	4,099
Accumulated depreciation on disposals (2)	-1,057	-2,326	-3,383
Current year depreciation expense capitalized to the Multi-Client Library	3,702	-	3,702
Exchange adjustment	351	21	371
Accumulated depreciation as of December 31st, 2006	24,994	236	25,230
Net book value as of December 31st, 2006	11,999	2,415	14,414
Useful life	2 to 7 years	50 years (6)	

INTANGIBLE NON-CURRENT ASSETS FOR 2006

Acquisition Cost and Amortization/Depreciation:	Goodwill	Multi-Client Library (5)	Other intangible assets (3)	Total
Cost as of January 1st, 2006	30,273	548,235	-	578,508
From Acquisition of Aceca (4)	7,719	4,519	340	12,577
Reclassification (3)	-	-	4,472	4,472
Correction	-635	-	-	-635
Additions	9	131,900	283	132,192
Disposals (2)	-	-	-	-
Exchange adjustment	54	-	46	100
Cost as of December 31st, 2006	37,419	684,654	5,141	727,214
Accumulated amortization/depreciation as of January 1st, 2006	10,123	387,427	-	397,549
From Acquisition of Aceca (4)	143	-	287	430
Reclassification (3)	-	-	808	808
Correction	-635	-	-	-635
Amortization	-	101,655	-	101,655
Depreciation	-	-	589	589
Accumulated amortization/depreciation on disposals (2)	-	-	-	-
Exchange adjustment	19	-	40	60
Accumulated amortization/depreciation as as of December 31st, 2006	9,649	489,082	1,724	500,456
Net book value as of December 31st, 2006	27,770	195,572	3,417	226,759

(1) The Company owned buildings at Bedford (UK) and in London (UK) per December 31st, 2006

(2) Profit on disposal during the year was USD 1,192

(3) The PRIMA software from the NUTEC acquisition was reclassified from Tangible non-current asset to Intangible non-current asset during 2006

(4) See note 2 for acquisition of Aceca

(5) The Multi-Client Library. See "General Accounting Policies", section Multi-Client Library for policies on amortization of this asset.

(6) Buildings include some furniture and fixtures with a useful life of 10 years

SPECIFICATION OF GOODWILL PER CASH GENERATING UNIT

Specification of Goodwill:	Bips	Datman	Symtronix	ASA	A2D	NuTec	Aceca	Maglight	Total
NBV as of January 1st, 2006	945	586	19	461	11,693	6,447	-	-	20,150
+/- changes during the year	-	-	-	-	-	-	7,610	9	7,619
NBV as of December 31st, 2006	945	586	19	461	11,693	6,447	7,610	9	27,770

Following thorough examinations and valuations, the Group deems the Goodwill to be recoverable as in use for each cash generating unit. Following this analysis, no write downs were made in 2006.

TANGIBLE NON-CURRENT ASSETS FOR 2005

Acquisition Cost and Depreciation:	Machinery and Equipment	Buildings ⁽¹⁾	Total
Cost as of January 1st, 2005	23,388	6,025	29,413
Correction USD/NOK conversion	-	963	963
Additions	9,558	518	10,076
Disposals ⁽²⁾	-1,041	-8	-1,049
Exchange adjustment	-304	-72	-376
Cost as of December 31st, 2005	31,601	7,426	39,027
Accumulated depreciation as of January 1st, 2005	13,521	2,306	15,827
Depreciation for the year	2,643	143	2,786
Accumulated depreciation on disposals ⁽²⁾	-921	-4	-925
Current year depreciation expense capitalized on the Multi-Client Library	2,933	-	2,933
Exchange adjustment	-253	-13	-267
Accumulated depreciation as of December 31st, 2005	17,922	2,432	20,354
Net book value as of December 31st, 2005	13,678	4,995	18,673
Useful life	2 to 5 years	50 years ⁽⁴⁾	

INTANGIBLE NON-CURRENT ASSETS FOR 2005

Acquisition Cost and Amortization/Depreciation:	Goodwill	Multi-Client Library ⁽³⁾	Other Intangible Assets	Total
Cost as of January 1st, 2005	30,298	442,777	-	473,075
Additions	-	105,457	-	105,457
Disposals	-25	-	-	-25
Exchange adjustment	-	-	-	-
Cost as of December 31st, 2005	30,273	548,235	-	578,507
Accumulated amortization/depreciation as of January 1st, 2005	10,123	293,304	-	303,426
Amortization for the year	-	94,122	-	94,122
Depreciation for the year	-	-	-	-
Accumulated amortization/depreciation on disposals	-	-	-	-
Exchange adjustment	-	-	-	-
Accumulated amortization/depreciation as of December 31st, 2005	10,123	387,426	-	397,549
Net book value as of December 31st, 2005	20,150	160,809	-	180,959

(1) The Company owned buildings during 2005 at Nærnes (Norway), Bedford (UK) and in Oklahoma City (USA).

(2) Profit on disposals during the year was USD 1,287.

(3) Multi-Client Library. Please see note below 2006 table.

(4) Buildings include some furniture and fixtures with a useful life of 10 years

SPECIFICATION OF GOODWILL PER CASH GENERATING UNIT

	Bips	Datman	Symtronix	ASA	A2D	NuTec	Total
NBV as of January 1st, 2005	945	586	19	461	11,693	6,472	20,175
+/- changes during the year	-	-	-	-	-	-25	-25
NBV as of December 31st, 2005	945	586	19	461	11,693	6,447	20,150

Following thorough examinations and valuations, the Group deems the Goodwill to be recoverable as in use for each cash generating unit. Following this analysis, no write downs were made in 2005.

NOTE 5: SALARIES/ BENEFITS/ # OF EMPLOYEES/ EMPLOYEE LOANS/ AUDIT FEES

	2006	2005	2004
Payroll	46,766	32,042	25,253
Social security costs	3,370	4,517	2,109
Pension costs	1,136	917	944
Other employee related costs	1,480	2,385	2,233
Salaries capitalized to Multi-Client Library	-9,701	-8,055	-5,931
Personnel Cost	43,051	31,806	24,609
Cost of Stock options (see note 6)	2,988	2,002	1,484
Personnel Cost and Cost of Stock Options	46,039	33,808	26,093

Average number of employees in 2006 was 466 vs. 372 in 2005.

No loans to employees are outstanding December 31st, 2006.

The Group has a profit sharing plan for all employees following a six month trial period. The profit sharing (bonus) is payable quarterly, and is calculated as a function of pre-tax profit vs. budget and the individual employee's employment conditions. All bonuses earned in 2006 have been paid or accrued as of December 31st, 2006.

MANAGEMENT AND BOARD OF DIRECTORS

	Director's fee	Salary	Bonuses	Committee Work	Other Benefits	Option Benefits Expensed	Value of Restricted Shares Received	Total Remunerations
Hank H. Hamilton III (CEO/Director)	-	465	1,905	-	20	188	-	2,578
Executive Mgmt.Group (Excl. CEO)	-	538	1,079	-	48	334	-	1,999
Board of Directors (Excl. CEO)	208	-	-	4	-	-	88	300

The CEO's bonus plan entitles him to a 1% of the Group's annual pre-tax profit above USD 5 million before bonus charges. The maximum amount payable to the CEO in case of termination of his employment by the Board of Directors amounts to 3 years base salary spread over ensuing 3 year period. The maximum amount payable in the same case of termination following a "Change of Control" event is 3 years gross compensation

AUDITORS' FEE

Statutory audit: USD 270

Other attestation services: USD 3

Tax advice: USD 168

Other services outside the auditscope: USD 99

NOTE 6: SHARE-BASED PAYMENT PLANS

The Company has a stock option plan under which key employees are granted options secured by warrants. See Note 8. The Options vest 25% per year after grant, and expire 5 years after grant if not exercised.

When stock options are exercised, the transaction booked follows general procedures of an equity issue at agreed rates (exercise price). Following receipt of the subscription amount (exercise price), the Company issues new shares.

The expense recognized for employee services during the year is shown in the following table:

	2006	2005	2004
Expense arising from equity-settled share-based payment transactions	2,988	2,002	1,484

The Company's shares are traded in NOK at the Oslo Stock Exchange. The Company's functional currency is USD and the share-based payment plan will expose the Company for currency risk in relation to the amount of costs booked with fluctuations between NOK and USD.

The exercise price of the options is equal to the market price of the share at market close the day prior to grant. The contractual life of an option is 5 years and there are no cash settlement alternatives.

The fair value of share options granted is estimated at the date of the grant using the Black & Scholes model, taking into account the vesting pattern of each option.

No cancellations or modifications have been made to any of the plans during 2006, 2005 or 2004

The following table illustrates the number (No.) and weighted average prices (WAEP*) of, and movements in, share options during 2006 and 2005:

	2006		2005	
	No.	WAEP* (NOK)	No.	WAEP* (NOK)
Outstanding at January 1st	4,253,000	28.86	6,696,000	29.19
Granted during the year	752,000	105.50	832,000	64.50
Forfeited during the year	-45,000	47.18	-71,000	25.76
Exercised during the year	-1,870,000 (4)	30.29	-3,204,000 (3)	31.49
Expired during the year	-	-	-	-
Outstanding at December 31st	3,090,000 (2)	54.07	4,253,000 (1)	34.41
Exercisable at December 31st	844,000	31.08	1,333,000	28.86

(1) Included within this balance are options for 775,000 shares that have not been recognized in accordance with IFRS 2 Share-Based Payment as the options were granted on or before November 7th, 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS 2.

(2) Included within this balance are options for 320,000 shares that have not been recognized in accordance with IFRS 2 Share-Based Payment as the options were granted on or before November 7th, 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS 2.

(3) The weighted average share price at the date of exercise of these options was NOK 54.39.

(4) The weighted average share price at the date of exercise of these options was NOK 107.39.

The weighted average remaining contractual life for the share options outstanding on December 31st, 2006 is 2.75 years (2005: 2.62 years)

The weighted average fair value of options granted during the year was NOK 53.32 (2005: NOK 25.38)

The range of exercise prices for options outstanding at the end of the year was NOK 20.81 - NOK 105.50 (2005: NOK 20.81 - NOK 64.50)

THE FOLLOWING TABLE LISTS THE INPUT TO THE BLACK & SCHOLES MODEL:

	2006	2005
Expected volatility		
For options vested after 1 year	0.45%	0.47%
For options vested after 2 years	0.53%	0.60%
For options vested after 3 years	0.62%	0.63%
For options vested after 4 years	0.59%	0.60%
Expected risk-free interest rate		
For options vested after 1 year	3.80%	2.66%
For options vested after 2 years	3.83%	2.72%
For options vested after 3 years	3.87%	2.83%
For options vested after 4 years	3.89%	2.98%
Expected life of options beyond vesting period (years)	1.00	0.50
Expected annual turnover of employees	1.00%	0.00%
Dividend yield	0.00%	0.00%
Model Used	Black & Scholes	Black & Scholes

The expected life of the options is based on historical data and management's assessment. This is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumptions that the historical volatility is indicative of future trends, which may also deviate from the actual outcome

The option plan is equity-settled and the fair value is measured at grant date.

OUTSTANDING STOCK OPTIONS/WARRANTS AS OF DECEMBER 31ST, 2006:

# Options	Exercise Dates	Holders	Price/Conditions	Granted
50,000	See below (1)	Henry H. Hamilton III	NOK 30.25. Warrants expiring on June 11, 2007	6/11/2002
203,000	See below (1)	Key Employees	NOK 30.25. Warrants expiring on June 11, 2007	6/11/2002
120,000	See below (2)	Henry H. Hamilton III	NOK 20.8125. Warrants expiring on June 18, 2008	8/14/2003
724,000	See below (2)	Key Employees	NOK 20.8125. Warrants expiring on June 18, 2008	8/14/2003
100,000	See below (3)	Henry H. Hamilton III	NOK 30.00. Warrants expiring on June 16, 2009	8/19/2004
407,500	See below (3)	Key Employees	NOK 30.00. Warrants expiring on June 16, 2009	8/19/2004
733,500	See below (4)	Key Employees	NOK 64.50. Warrants expiring on June 15, 2010	9/6/2005
80,000	See below (5)	Henry H. Hamilton III	NOK 105.50. Warrants expiring on June 14, 2011	8/17/2006
672,000	See below (5)	Key Employees	NOK 105.50. Warrants expiring on June 14, 2011	8/17/2006
3,090,000				

(1) The holders may request shares issued in exchange for the warrants as follows:

100% beginning June 11th, 2006 less previously exercised

(2) The holders may request shares issued in exchange for the warrants as follows:

Up to 75% beginning August 14th, 2006 less previously exercised

100% beginning August 14th, 2007 less previously exercised

(3) The holders may request shares issued in exchange for the warrants as follows:

Up to 50% beginning August 19th, 2006 less previously exercised

Up to 75% beginning August 19th, 2007 less previously exercised

100% beginning August 19th, 2008 less previously exercised

(4) The holders may request shares issued in exchange for the warrants as follows:

Up to 25% beginning September 6th, 2006

Up to 50% beginning September 6th, 2007 less previously exercised

Up to 75% beginning September 6th, 2008 less previously exercised

100% beginning September 6th, 2009 less previously exercised

(5) The holders may request shares issued in exchange for the warrants as follows:

Up to 25% beginning August 17th, 2007

Up to 50% beginning August 17th, 2008 less previously exercised

Up to 75% beginning August 17th, 2009 less previously exercised

100% beginning August 17th, 2010 less previously exercised

All stock options become exercisable immediately should a change of control as defined in the stock option plans occur. Employees can only exercise options/exchange warrants for shares to the extent the options/warrants are earned and exercisable in cases where the employment is terminated by the employee or the Company (other than summary dismissal in which case the right to exercise options terminates).

NOTE 7: EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit attributable to ordinary equity holders of the parent by weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2006	2005	2004
Net profit attributable to ordinary equity holders of the parent	150,890	65,138	38,657
Weighted average number of ordinary shares (excluding treasury shares) for basic earnings per share	105,273	103,128	100,287
Effect of Dillution:			
Share Options	3,536	4,908	7,207
Weighted average number of ordinary shares (excluding treasury shares) adjusted for effect of dillution	108,809	108,036	107,494
Basic earnings per share	1.43	0.63	0.38
Diluted earnings per share	1.39	0.60	0.36

NOTE 8: EQUITY AND SHAREHOLDERS AUTHORIZATIONS

ORDINARY SHARES ISSUED AND FULLY PAID

	Number of shares	NOK 1000
January 1st, 2005	101,331,528	25,333
Issued March 7th 2005 for cash on exercise of stock options	1,787,000	447
Issued June 1st 2005 for cash on exercise of stock options	40,000	10
Issued September 6th 2005 for cash on exercise of stock options	1,325,000	331
Issued December 13th 2005 for cash on exercise of stock options	52,000	13
December 31st, 2005	104,535,528	26,134
Issued March 7th 2006 for cash on exercise of stock options	663,000	166
Issued May 30th 2006 for cash on exercise of stock options	247,000	62
Issued August 29th 2006 for cash on exercise of stock options	654,000	164
Issued November 24th 2006 for cash on exercise of stock options	306,000	77
December 31st, 2006	106,405,528	26,601

TREASURY SHARES

The Company from time to time buys back shares under authorizations given by the shareholders. The shares may be held in treasury, used as payment in M&A transactions or eventually canceled. The following table shows the movement of treasury share holdings:

	Number of shares	NOK 1000
January 1st, 2005	-	-
Shares bought back May 9th 2005	70,200	2,915
Shares bought back May 10th 2005	45,600	1,937
Shares bought back May 12th 2005	120,000	5,140
Shares bought back May 13th 2005	101,000	4,151
Distribution of shares to board members July 12th 2005	-19,800	-831
December 31st, 2005	317,000	13,311
Shares used for payment as part of Aceca acquisition January 3rd 2006	-285,332	-22,237
Distribution of shares to board members June 15th 2006	-6,800	-286
Shares bought back September 21st 2006	312,500	32,427
Shares bought back September 25th 2006	250,000	24,969
Shares bought back September 26th 2006	78,000	7,750
December 31st, 2006	665,368	55,844

SHAREHOLDERS' RESOLUTION TO ISSUE WARRANTS TO KEY EMPLOYEES

On June 14th, 2006 the shareholders resolved to issue free standing warrants in connection with a stock option plan for employees. Employees have to-date subscribed for 752,000 warrants and the maximum share capital increase under this resolution can be 1,200,000 shares. The warrants issued can be exchanged for shares until June 14th, 2011. The shareholders' resolution to issue stock options authorizes the Board to grant further options to employees until June 30th, 2007, for which warrants may be issued and subscribed for by June 30th, 2007. See note 6 for further information on the stock option plan.

SHAREHOLDERS' AUTHORIZATION TO THE BOARD TO ISSUE SHARES IN THE COMPANY

The Board is authorized to issue a total of 10,544,552 new shares in connection with mergers & acquisitions and to employees in connection with stock option plans. This authorization expires June 14th, 2007. As of December 31st, 2006, in total 960,000 new shares have been issued under this authority, of which all were issued in connection with exercise of stock options to employees. No new TGS shares were issued for acquisition of Aceca Ltd. as the Company used its Treasury Shares held.

SHAREHOLDERS' AUTHORIZATION TO THE BOARD TO BUY BACK SHARES IN THE COMPANY

The Board is also authorized to acquire, on behalf of the Company, an aggregate number of the Company's shares for an aggregate face value of NOK 15.0 million provided that the total amount of treasury shares at no time exceeds 10% of the Company's share capital. This authorization expires on June 14th, 2007. In September 2006, the Board acquired a total of 640,500 of the Company's treasury shares under this authorization given by the shareholders.

DIVIDENDS PAID AND PROPOSED

During 2006, no dividends were paid and it is not proposed to pay dividends in 2007.

THE 20 LARGEST SHAREHOLDERS AS OF DECEMBER 31ST, 2006 AS REGISTERED WITH VPS:

Name	Account type	Shares	Proportion of shares	Proportion of votes
STATE STREET BANK AND TRUST CO.	Nominee	7,971,747	7.5%	7.5%
FOLKETRYGDFONDET		6,850,664	6.5%	6.5%
JPMORGAN CHASE BANK	Nominee	5,116,841	4.8%	4.8%
FIDELITY FUNDS-EUROP. GROWTH/SICAV		3,083,200	2.9%	2.9%
HSBC BANK PLC	Nominee	3,078,800	2.9%	2.9%
STATE STREET BANK AND TRUST CO.	Nominee	2,641,145	2.5%	2.5%
STATE STREET BANK AND TRUST CO.	Nominee	2,603,603	2.5%	2.5%
MELLON BANK AS AGENT FOR CLIENTS	Nominee	2,193,885	2.1%	2.1%
BANK OF NEWYORK, BRUSSELS BRANCH	Nominee	2,172,900	2.1%	2.1%
HAMILTON, HENRY H.		2,040,000	1.9%	1.9%
WORTHINGTON, DAVID W.		2,018,124	1.9%	1.9%
MORGAN STANLEY AND CO. INTL. LIMITED	Nominee	2,005,882	1.9%	1.9%
INVESTORS BANK & TRUST COMPANY	Nominee	1,692,631	1.6%	1.6%
PARETO AKSJE NORGE		1,638,600	1.5%	1.5%
JPMORGAN CHASE BANK		1,634,832	1.5%	1.5%
THE NORTHERN TRUST CO.	Nominee	1,629,096	1.5%	1.5%
VITAL FORSIKRING ASA		1,601,179	1.5%	1.5%
GOLDMAN SACHS INTERNATIONAL	Nominee	1,542,166	1.5%	1.5%
SKANDINAVISKA ENSKILDA BANKEN	Nominee	1,382,422	1.3%	1.3%
BROWN BROTHERS HARRIMAN AND CO		1,202,000	1.1%	1.1%
20 Largest shareholders		54,099,717	51.2%	51.2%
Total number of shares (excluding treasury shares), par value NOK 0.25		105,740,160	100.0%	100.0%

Norwegian shareholders held 24,443,272 (23%) of the Company's outstanding shares (excluding treasury shares) at December 31st, 2006. Shares held in treasury at December 31st, 2006 were 665,368.

NOTE 9: RESTRICTIONS ON BANK ACCOUNTS

Per December 31st, 2006, USD 662 of Cash and Cash Equivalents is restricted to meet the liability arising from payroll taxes withheld (2005: USD 545).

NOTE 10: ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

Accounts Receivable is stated in the balance sheet at net realizable value. The Company expects to collect the full balance of receivables per December 31st, 2006. Realized losses on trade receivables in 2006 amounted to USD 19 (2005: 0). In cases of extended payment terms, the cost of time is discounted in when booking the receivable and related revenue.

Other Receivables consisted of prepayments to suppliers and short term financing of projects totalled USD 7,788 per December 31st, 2006 (2005: USD 4,092)

In May 2006, the Group made a short-term loan of USD 5 million to a start-up company as part of an intended larger strategic business transaction. On December 31st, 2006 the Group recognized that there was a high risk that this loan would not be repaid, and has subsequently filed a collection lawsuit. The full balance of the loan has been expensed under "Financial Expense" in 2006 based on an assessment of the likelihood of collection being small. See note 16.

NOTE 11: EVENTS AFTER THE BALANCE SHEET DATE

No subsequent events have occurred per date that would alter the accounts.

NOTE 12: DEBT, MORTGAGES, GUARANTEES ETC.

Loan Agreements and Terms (in Parent Company) as per December 31st, 2006:

Multi-Currency Bank Overdraft Facility: Limit USD 10.0 million. Terms: US Fed Funds Daily Effective Rate + 0.75% per annum on drawn currency amounts. Facility fee: 0.1% per annum on the total facility amount. Both parties have a mutual right to terminate the agreement on 14 days notice. Per December 31st, 2006 the Company had not drawn on this facility.

Book value of assets used as collateral:	2006	2005
Accounts Receivable	22,269	18,232
Multi-Client Seismic Library	168,895	135,453
Machinery, Equipment	2,900	4,241
Buildings	-	453
Total	194,063	158,380

Bond Loan: The Company issued bonds totalling NOK 300 million in May, 2004. The bonds will mature on May 9th, 2009. The bond loan has been swapped to USD with a LIBOR plus 2.085% interest rate through a currency and interest rate swap. The swap is a financial instrument measured at fair value. Changes in fair value are charged or credited the income statement. The fair value of the swap at December 31st, 2006 was 4,704 USD (December 31st, 2005: 2,013 USD)

The Group does not have debt maturing later than 5 years after the Balance Sheet Date.

BANK GUARANTEES

Per December 31st, 2006, The Parent Company's bank had issued a bank guarantee of USD 2,250 on behalf of the company as security for a pending court case decision relating to one of the vessels chartered by the Parent Company. In addition, the bank had issued a bank guarantee on behalf of the Parent Company of NOK 1.23 million in conjunction with the company's lease contract for the premises in Asker, Norway.

NOTE 13: LEASES

OPERATING LEASES - GROUP AS LESSEE

The Group has entered into commercial leases on certain office premises and office equipment. The leases for premises expire between 2 - 5.5 years and have renewal options. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at December 31st are as follows:

	2006	2005
Within one year	1,848	1,309
After one year but not more than five years	5,950	4,576
More than five years.	482	1,350
	8,281	7,235

The Group has also entered into commitments for charter hire of three 3D seismic acquisition vessels, six 2D seismic acquisition vessels, and two other vessels. Seven commitments expire in 2007, three in 2008 and one contract in 2009. The amounts committed total USD 132,865 for the year 2007, USD 77,200 for the year 2008 and USD 7,838 for the year 2009. Five of the contracts have options for extensions, out of which one expires in 2008, three in 2009 and one in 2011.

OPERATING LEASES - GROUP AS LESSOR

The Group has, in connection with a charter contract for a vessel, placed certain seismic equipment owned by the Group aboard this vessel. The owner of the vessel pays a lease/rental fee in return. Recognized revenue during 2006 was USD 2,643 (2005: USD 1,416)

FINANCE LEASES AND HIRE PURCHASE COMMITMENTS

The Group is leasing office equipment under financial leases. These leases have terms of renewal and purchase options. Future minimum lease payments under financial leases with the present value of the net minimum lease payments are as follows:

	2006		2005	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	269	254	493	464
After one year but not more than five years	146	143	425	408
Total minimum leases payments	415		918	
Less amounts representing finance charges	-18		-46	
Present value of minimum lease payments	397	397	872	872

NOTE 14: RELATED PARTIES

No material transactions took place during 2006 with related parties, other than operating business transactions between the companies in the Group. All companies within the Group are 100% owned, directly or indirectly by the Parent Company. No minority interests exist. Business transactions between the entities of the Group were performed at arm's length principles and included data processing, data brokerage, intercompany financing and service assistance.

NOTE 15: RISK EXPOSURE TO CURRENCY EXCHANGE RATE FLUCTUATIONS AND INTEREST LEVELS

CURRENCY RISK

Major portions of the Group revenues and costs are in US dollars. All of the Group's loan financing is in US dollars or swapped thereto. Due to this, the Group's operational exposure to exchange rate fluctuation is low. However, as the Parent Company Accounts are presented in Norwegian kroner, fluctuations between the NOK and the USD impact the quarterly and annual reported figures in the form of currency exchange gains or losses under Financial Items. The tax burden in USD is also impacted by this.

INTEREST RATE RISK

The Bond Loan was swapped from NOK to USD and from base 3 month NIBOR to base 3 month LIBOR in May 2004. Changes in the LIBOR interest rate will affect the interests payable on the loan (See Note 12). The Group has no other financial derivatives in use per December 31st, 2006.

LIQUIDITY RISK

The Group's placements of excess funds all carry investment grade and maximum 6 months duration, with a minimum of USD 20 million to be freed within 7 days of notice.

CREDIT RISK

The Group's clients are oil companies. See Footnote 10 on Receivables.

POLITICAL RISK

The Group's investments in Multi-Client surveys are to a certain extent exposed to risk associated with change in political climate or regimes around the world.

NOTE 16: FINANCIAL ITEMS

	2006	2005	2004
Interest Income	8,917	3,006	533
Exchange Gains	38	2,171	3,619
Other Financial Income	4,709	2,027	1
Sum Financial Income	13,664	7,204	4,153
Interest Expense	-3,280	-2,635	-1,602
Exchange Loss	-6,772	-3,347	-2,959
Other Financial Expenses	-5,399	-	-
Sum Financial Expenses	-15,451	-5,982	-4,561
Net Financial Items	-1,788	1,222	-408

NOTE 17: TAXES

	2006	2005	2004
Profit Before Taxes			
Norway	109,948	40,636	13,417
Outside Norway (1)	109,575	56,580	43,422
Total Profit Before Taxes	219,523	97,217	56,839
Current Taxes			
Norway	13,093	-	-
Outside Norway (1)	51,239	15,006	15,921
Total Current Taxes	64,332	15,006	15,921
Deferred Taxes (2)			
Norway	7,021	14,090	2,707
Outside Norway (1)	-2,720	1,986	-446
Total Deferred Taxes	4,302	16,076	2,261
Total Income Tax Expense	68,633	31,082	18,182

(1) Includes subsidiaries outside Norway

	2006	2005	2004
Total Tax Expense for the Year			
Current Tax on Net Income	64,332	15,006	15,921
Deferred Tax - Changes	4,302	17,072	2,261
Total Tax Expense for the Year	68,633	32,079	18,182
Effective Average Tax Rate	31%	33%	32%

(2) Based on a tax audit for the years 2001 – 2004, the US Internal Revenue Services (IRS) has issued claims for additional taxes. The Company has protested these claims and the matter is still under discussion with the IRS. Although the final outcome of these discussions is not yet known, the Company has made an additional tax accrual of USD 2,137 for this issue.

EFFECTIVE TAX RATE

The table below reconciles the reported income tax to the expected income tax expense according to the corporate income tax rate of 28% in Norway. It also shows major components of the tax expense (income).

	2006	2005	2004
Profit Before Taxes:	219,523	97,217	56,839
Expected Income Taxes According to Corporate Income			
Tax Rate in Norway (28%)	61,466	27,221	15,915
Tax Rates Outside Norway Different From 28%	6,314	3,912	3,111
Adjustment in Respect of Current Income Tax of Previous Year	3,100	-	-
Non-Taxable Income	-2,825	-	-
Non-Deductible Expenses	577	946	-844
Income Tax Expense (Income)	68,633	32,079	18,182
Effective Tax Rate In %	31%	33%	32%

COMMENTS ON SELECTED LINE ITEMS IN THE PRECEDING TABLE

Tax rates outside Norway different from 28%: The tax rates for subsidiaries outside Norway are higher than the Norwegian 28% tax rate. The most significant effects were that the U.S. and UK subsidiaries have a tax rate of 35% and 30%, respectively.

Tax losses carried forward:	Norway	Other	Total
January 1st, 2006	11,001	-	11,001
Utilized in 2006	-11,001	-	-11,001
Total Tax Losses Carried Forward December 31st, 2006	-	-	-

Deferred tax assets are not recognized for carry forward of unused tax losses when TGS cannot demonstrate that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

TAX EFFECT OF TEMPORARY DIFFERENCES AND TAX LOSS CARRIED FORWARDS AS OF DECEMBER 31:

	2006	2005
Differences that Give Rise to a Deferred Asset:		
Multi-Client Library	4,287	630
Property and Equipment	621	811
Accrued Vacation	365	328
Goodwill	256	490
Accruals	867	2,390
Tax Losses Carried Forward	-	3,153
Financial Instruments	-	3
Deferred Tax Asset	6,397	10,804
Differences that Give Rise to a Deferred Liability:		
Multi-Client Library/Well Logs	36,775	31,428
Accruals	-2,141	49
Property and Equipment	956	1,460
Goodwill	278	120
Accounts Receivable	29	1,769
Investment in Joint Venture	286	572
Deferred Revenue	-62	506
Financial Instruments	830	-
Deferred Tax Liability	36,952	35,904
Change in Net Deferred Tax Assets	2006	2005
As of January 1st	25,099	9,135
Recorded to Profit or Loss	4,302	16,076
Exchange Differences	-341	-112
Acquisition of Subsidiaries	1,496	-
As of December 31st	30,555	25,099

PARENT COMPANY FINANCIALS



INCOME STATEMENT – PARENT COMPANY

(All amounts in NOK 1000's)

	Note	2006	2005	2004
Sales		1,484,352	1,051,459	660,635
Revenue Sharing		-163,762	-117,335	-82,477
Net Operating Revenues		1,320,590	934,124	578,158
Materials		20,554	11,030	22,411
Amortization Multi-Client Library	2	575,968	544,528	416,577
Personnel Costs	3	49,356	41,807	30,084
Cost of Stock Options	3	2,561	873	
Other Operating Expenses	3	223,758	95,456	66,712
Depreciation and Amortization	2	15,683	9,528	4,411
Operating Profit		432,711	230,903	37,964
Financial Income	12	76,345	92,580	126,460
Finance Costs	12	-87,756	-61,216	-76,519
Interest Expense	12	-24,274	-24,670	-16,379
Profit before Taxes		397,025	237,598	71,526
Taxes	13	112,091	66,811	24,933
Net Income		284,934	170,787	46,593
Profit (loss) for the Year is allocated as follows:				
To Other Equity	4	284,934	170,787	46,593
Total Allocated		284,934	170,787	46,593

BALANCE SHEET – PARENT COMPANY

As of December 31st, 2006
(All amounts in NOK 1000's)

	Note	2006	2005
Assets			
Non-Current Assets			
Intangible Non-Current Assets			
Goodwill	2	-	1,000
Multi-Client Library	2,9	1,056,453	916,841
Total Intangible Non-Current Assets		1,056,453	917,841
Tangible Non-Current Assets			
Land, Buildings and Other Property	2	-	22,472
Machinery and Equipment	2,9,10	18,138	25,904
Total Tangible Non-Current Assets		18,138	48,376
Financial Non-Current Assets			
Investments in Subsidiaries	5,8	117,858	26,957
Long Term Receivables and Prepayments		3,185	2,227
Total Financial Non-Current Assets		121,043	29,183
Total Non-Current Assets		1,195,634	995,400
Current Assets			
Receivables			
Accounts Receivable	7	323,590	420,123
Current Receivables Group Companies	7	263,584	30,449
Other Receivables	7	30,590	17,151
Total Receivables		617,764	467,723
Cash and Cash Equivalents	6	199,715	121,223
Total Current Assets		817,479	588,946
Total Assets		2,013,113	1,584,346

BALANCE SHEET – PARENT COMPANY

As of December 31st, 2006
(All amounts in NOK 1000's)

	Note	2006	2005
Equity and Liabilities			
Equity			
Paid-in Capital			
Share Capital	4	26,601	26,134
Treasury shares	4	-166	-79
Share Premium Reserve	4	335,827	279,803
Other Paid-in-Equity	4	3,434	873
Total Paid-in Capital		365,696	305,858
Retained Earnings			
Reserve for valuation variances	4	13,169	
Other Equity	4	651,102	421,882
Total Retained Earnings		664,271	422,755
Total Equity		1,029,967	728,613
Liabilities			
Provisions			
Deferred Tax	13	212,740	171,071
Total Provisions		212,740	171,071
Other Long-Term Liabilities			
Debt to Financial Institutions	9	300,000	296,007
Total Long-Term Liabilities		300,000	296,007
Current Liabilities			
Accounts Payable		172,798	122,573
Current Liabilities Subsidiaries		159,837	177,195
Taxes Payable	13	69,776	
Social Security, VAT and other Duties		5,492	6,674
Other Short-Term Liabilities		62,503	82,214
Total Current Liabilities		470,406	388,655
Total Liabilities		983,146	855,733
Total Equity and Liabilities		2,013,113	1,584,346

London, March 21st, 2007

Henry H. Hamilton III
CEO / Director



Claus Kampmann
Chairman



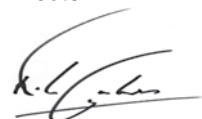
Arne-Kristian Maeland
Director



David W. Worthington
Director



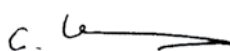
Nils B. Gulnes
Director



Rabbe E. Lund
Director



Colette Lewiner
Director



Kathleen Arthur
Director



STATEMENT OF CASH FLOWS – PARENT COMPANY

(All amounts in NOK 1000's)			
	2006	2005	2004
Cash flow from operating activities			
Received payments from sales	1,379,955	414,306	485,171
Payments for salaries, pensions, social security tax	-34,826	-31,541	-30,084
Other Operational costs	-223,758	-95,456	-66,712
Net Gain/(Loss) on currency exchange and other financial items	-49,863	35,078	29,118
Net cash flow from operating activities (1)	1,071,508	322,387	417,493
Cash flow from investing activities			
Received payments from fixed assets	20,050	9,844	275
Investment in tangible assets	-7,184	-34,913	-327
Investments in Multi-Client Library	-942,158	-367,027	-500,723
Investments through mergers and acquisitions	-68,574	-	-
Changes in Long term receivables and loans	-958	9,731	14,742
Interest Income	10,097	4,336	2,047
Net cash flow from investing activities	-988,727	-378,029	-483,987
Cash flow from financing activities			
Net change in short-term loans	-	26,377	-185,927
New long-term loans	-	-	300,000
Down payment of long-term loans	-	-	-44,299
Interest expense	-24,274	-24,669	-16,379
Purchase of own shares	-65,145	-14,143	-
Paid-in-equity	56,777	101,727	37,321
Net cash flow from financing activities	-32,642	89,292	90,716
Net change in cash and cash equivalents	78,492	53,982	38,553
Cash and cash equivalents at the beginning of the period	121,223	67,241	28,688
Cash and cash equivalents at the end of the period	199,715	121,223	67,241
(1) Reconciliation			
Profit before taxes	397,025	237,598	71,526
Depreciation/Amortization	592,064	554,056	420,988
Gain/(Loss) on Disposal	2,275	-8,471	-
Changes in accounts receivables	96,533	-515,437	-83,105
Changes in other receivables	-14,446	-4,380	-9,883
Changes in other balance sheet items	-1,943	38,688	3,635
Net cash flow from operating activities	1,071,508	322,387	417,493

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in NOK 1000's unless noted otherwise)

NOTE 1: GENERAL ACCOUNTING POLICIES

GENERAL INFORMATION

TGS-NOPEC Geophysical Company ASA (the Company) is a public limited company incorporated in Norway on August 21st, 1996. The address of its registered office is Hagaloekkveien 13, 1383 Asker, Norway. The Company is listed on the Oslo Stock Exchange.

REPORTING CURRENCY

TGS-NOPEC Geophysical Company ASA reports its financial results in Norwegian Kroner (NOK)

GENERAL ACCOUNTING POLICIES

The financial statements are presented in compliance with the Norwegian Accounting Act and generally accepted accounting practises in Norway (NGAAP). The accompanying Notes are an integral part of the financial statements.

PRINCIPLES OF ASSESSMENT

Revenue Recognition

Revenue is recognized when it is earned. For Late Sales (library sales) this is at the time of the transaction, i.e. when the client has gained access to the data under a binding agreement. The revenue recognition follows the transaction principle. By agreement, the Company shares certain multi-client revenue with other companies. Accordingly, operating revenue is presented gross and reduced by the portion shared to derive at net operating revenues.. Revenue and amortization of multi-client seismic in progress at the Balance Sheet date is recognized on a percentage of completion basis, measured according to percentage of the Company's estimated total investment in the survey incurred at the Balance Sheet date.

Multi-Client Library

The multi-client seismic library includes completed and in-progress geophysical data to be licensed on a non-exclusive basis to oil and gas exploration and production companies. The direct costs related to data collection and processing are included in the inventory value. In addition, indirect costs are added on a general basis. The inventory balance also includes the cost of geophysical data purchased from third parties.

The inventory of multi-client seismic is presented at cost, reduced by accumulated amortization. Amortization is recorded as revenue is recognized for each project, in proportion to the net book value versus the estimated future revenue from that project. The revenue estimates are updated every six months.

When establishing amortization rates for the multi-client seismic library, the management base their view on estimated future sales for each individual survey. Estimates are adjusted over time with the development of the market. The amortization expense recognized may vary considerably from one period to another depending on the actual mix of projects sold and changes to estimates.

A minimum amortization is applied: the maximum net book value of the individual survey one year after completion is 60% of original cost. The minimum cumulative amortization increases by 20% of cost each year thereafter, with the result that each survey is fully amortized in the Balance Sheet by the end of the fourth year following its completion.

Goodwill

Any goodwill reflected in the Company's balance sheet stems from mergers and acquisitions. The Goodwill is depreciated over 10 years. As of December 31st, no goodwill was carried in the balance sheet.

Tangible non-current assets and Principles of Depreciation

Tangible non-current assets are presented at historical cost less accumulated depreciation and impairment. If the fair value of a tangible non-current asset is lower than book value, the asset will be written down to fair value. Depreciation is determined in light of the asset's economic life, varying from 2 to 50 years. Purchases which are expected to have a technical and economic life of at least two years are capitalized as tangible non-current assets. Depreciation begins when the assets are placed in service. Tangible non-current assets held for sale are stated at the lower of book value and presumed market value and are not subject to depreciation.

Exchange Rate Adjustments/Derivatives

Liquid assets, receivables and liabilities are translated at the exchange rate on the Balance Sheet date. Assets or liabilities involved in a derivative trade contract are stated at the fair value of the contract at Balance Sheet date. Variations expensed in the income statement.

Development Costs

Development costs are expensed as incurred.

Borrowing costs

Borrowing costs are recognized as an expense when incurred.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Income Taxes

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

Employee Stock Option Scheme

Key employees of the Company receive remuneration in

the form of share-based payment transactions, whereby employees render services as consideration for equity instruments.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Investments in subsidiaries and associated companies

Investments in subsidiaries are recorded at historical cost. Investments in associated companies are recorded using the equity method.

If expected discounted future cash flow from the investment is lower than the carrying value of the investment, an impairment charge is recorded and a new cost basis of the investment is established.

Pensions

The Company operates defined-contribution plans. Contributions are charged to the income statement as they become payable.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as

operating leases. The evaluation is based on the substance of the transaction at the inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance leases are recorded as assets and liabilities, and lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Operating lease payments are recognized as an expense in the income statement on a straight line basis over the lease term. Contingent rents are recognized as revenue in the period in which they are earned or as expense in the period in which they are incurred.

Accounts Receivable and Other Receivables

Receivables are presented at face value, reduced by any amounts expected to be uncollectible. See note 7.

Treasury Shares

TGS-NOPEC Geophysical Company ASA's shareholding of treasury shares is recorded using the par value method, where the aggregate par value of the shares acquired are charged to the treasury stock account, and any differences between the purchase price and par value are included in other equity.

Financial instruments

Financial instruments are valued at the lower of historical cost and market value.

Cash Flow Statement

The Cash Flow statement is compiled using the direct method. Cash and cash equivalents include cash, bank deposits and other short-term investments with terms not exceeding three months that can with no material exchange rate exposure be exchanged for cash.

NOTE 2: NON-CURRENT ASSETS

TANGIBLE NON-CURRENT ASSETS FOR 2006

Acquisition cost and depreciation:	Machinery and Equipment	Buildings (2)	Total
Cost as of January 1st, 2006	38,602	35,007	73,609
Additions	7,184	-	7,184
Disposals (1)	-933	-35,007	-35,940
Cost as of December 31st, 2006	44,853	-	44,853
Accumulated depreciation as of January 1st, 2006	12,698	12,536	25,233
Depreciation for the year	14,529	154	14,683
Accumulated depreciation on disposals (1)	-925	-12,690	-13,615
Capitalized to the Multi-Client Library	414	-	414
Accumulated depreciation as of December 31st, 2006	26,715	-	26,715
Net book value as of December 31st, 2006	18,138	-	18,138
Straight-line depreciation percentage	14% - 44%	2%	
Useful life	2 - 7 years	50 years	

INTANGIBLE NON-CURRENT ASSETS FOR 2006

Acquisition Cost and Amortization/Depreciation:	Goodwill	Multi-Client Library ⁽⁴⁾	Total
Cost as of January 1st, 2006	20,000	3,063,933	3,083,933
Additions	-	715,579	715,579
Disposals	-	-	-
Cost as of December 31st, 2006	20,000	3,779,512	3,799,512
Accumulated Amortization as of January 1st, 2006	19,000	2,147,092	2,166,092
Amortization for the Year	-	575,968	575,968
Depreciation for the Year	1,000	-	1,000
Accumulated Amortization on Disposals	-	-	-
Accumulated Depreciation as of December 31st, 2006	20,000	2,723,060	2,743,060
Net Book Value as of December 31st, 2006	-	1,056,453	1,056,453
Straight-Line Depreciation Percentage	10%		
Useful Life	10 years ⁽³⁾		

(1) Profit on disposals during the year was NOK 2,275

(2) The Company owned an office building at Nærsnes, Norway which was sold in 2006.

(3) Goodwill paid for in acquisitions of companies is amortized over the first 10 years after the date of the acquisition.

(4) Multi-Client Library: See "General Accounting Policies," section Multi-Client Library for policies on amortization of this asset.

TANGIBLE NON-CURRENT ASSETS FOR 2005

Acquisition cost and depreciation:	Machinery and Equipment	Buildings ⁽²⁾	Total
Cost as of January 1st, 2005	22,394	32,301	54,695
Additions	32,207	2,706	34,913
Disposals ⁽¹⁾	-15,999	-	-15,999
Cost as of December 31st, 2005	38,602	35,007	73,609
Accumulated Depreciation as of January 1st, 2005	20,413	11,918	32,331
Depreciation for the Year	6,910	618	7,528
Accumulated Depreciation on Disposals	-14,626	-	-14,626
Accumulated Depreciation as of December 31st, 2005	12,698	12,536	25,233
Net Book Value as of December 31st, 2005	25,904	22,472	48,376
Straight-Line Depreciation Percentage	20% - 44%	2%	
Useful Life	2 - 5 years	50 years	

INTANGIBLE NON-CURRENT ASSETS FOR 2005

Acquisition Cost and Amortization/Depreciation:	Goodwill	Multi-Client Library ⁽⁴⁾	Total
Cost as of January 1st, 2005	20,000	2,452,238	2,472,238
Additions	-	611,695	611,695
Disposals	-	-	-
Cost as of December 31st, 2005	20,000	3,063,933	3,083,933
Accumulated Depreciation as of January 1st, 2005	17,000	1,602,564	1,619,564
Amortization for the Year	-	544,528	544,528
Depreciation for the Year	2,000	-	2,000
Accumulated Depreciation on Disposals ⁽¹⁾	-	-	-
Accumulated Depreciation as of December 31st, 2005	19,000	2,147,092	2,166,092
Net Book Value as of December 31st, 2005	1,000	916,841	917,841
Straight-Line Depreciation Percentage	10%		
Useful Life	10 years ⁽³⁾		

(1) Profit on disposals during the year was NOK 8,471.

(2) The Company owns an office building at Nærsnes, Norway.

(3) Goodwill paid for in acquisitions of companies is amortized over the first 10 years after the date of the acquisition.

(4) Multi-Client Library. Please see note below 2006 table.

NOTE 3: SALARIES/ BENEFITS/ # OF EMPLOYEES/ EMPLOYEE LOANS/ AUDIT FEES

	2006	2005	2004
Payroll	40,565	28,863	24,020
Social Security Costs	10,231	13,990	6,281
Pension Costs	1,097	924	845
Other Employee Related Costs	496	430	337
Salaries Capitalized to Multi-Client Library	-3,033	-2,400	-1,400
Personnel Cost	49,356	41,807	30,084
Cost of Stock Options (See Note 6 of Group Accounts)	2,561	873	-
Personnel Cost and Cost of Stock Options	51,917	42,680	30,084

Average number of employees in 2006 was 29. On December 31st, 2006 the Company had 29 employees, of these 21 male and 8 female employees.

MANAGEMENT AND BOARD OF DIRECTORS

	Director's fee	Salary	Bonuses	Committee Work	Other Benefits	Option Benefits Expensed	Total Remunerations
Executive Management							
Hank H. Hamilton III (CEO/Director)	-	2,977	12,207	-	129	674	15,987
Arne Helland (CFO)	-	1,308	3,901	-	58	588	5,856
David Hicks (CTO)	-	1,122	1,061	-	126	405	2,714
John Adamick (VP Business Development)	-	1,015	1,955	-	130	588	3,689
Board of Directors (excl. CEO)							
Claus Kampmann (Chairman of the Board)	400	-	-	-	-	-	400
Arne-Kristian Maeland (Director)	225	-	-	-	-	-	225
David Worthington (Director)	225	-	-	26	-	-	251
Nils B. Gulnes (Director)	225	-	-	-	-	-	225
Rabbe E. Lund (Director)	225	-	-	-	-	-	225
Kathleen Arthur (Director)	-	-	-	-	-	-	-
Dr. Colette Lewiner (Director)	-	-	-	-	-	-	-

	# of Restricted Shares Received in 2006	# of shares held 12/31/2006	# of options held at 12/31/2006	# of options granted in 2006	# of options exercised in 2006	WAEP* (in NOK)
Executive Management						
Hank H. Hamilton III (CEO/Director)	-	2,040,000	350,000	80,000	190,000	28.26
Arne Helland (CFO)	-	4,000	192,000	-	140,000	34.00
David Hicks (CTO)	-	11,500	108,000	48,000	40,000	25.41
John Adamick (VP Business Development)	-	20,400	96,000	-	44,000	25.96
Board of Directors (excl. CEO)						
Claus Kampmann (Chairman of the Board)	1,440	50,440	-	-	-	-
Arne-Kristian Maeland (Director)	1,340	104,540	-	-	-	-
David Worthington (Director)	1,340	2,018,124	-	-	-	-
Nils B. Gulnes (Director)	1,340	12,540	-	-	-	-
Rabbe E. Lund (Director)	1,340	12,540	-	-	-	-
Kathleen Arthur (Director)	-	-	-	-	-	-
Dr. Colette Lewiner (Director)	-	-	-	-	-	-

* WAEP: weighted average exercise price.

For further information of benefits, see Note 5 and 6 of the Group's Consolidated Accounts.

AUDIT FEES FOR 2006:

Statutory audit: NOK 490

Other attestation services: NOK 17

Tax advice: NOK 37

Other services: NOK 515

The above amounts are not included VAT.

NOTE 4: EQUITY RECONCILIATION

Equity Reconciliation	Share Capital	Share Premium Reserve	Reserve for Valuation Variances	Other Paid in Equity	Retained Earnings	Total Equity
Opening Balance January 1st, 2005	25,333	179,708	-	-	264,328	469,369
Capital Increase During 2005	801	100,095	-	-	-	100,896
Purchase of Treasury Shares	-79	-	-	-	-13,232	-13,311
Cost of Stock Options	-	-	-	873	-	873
Profit for the Year	-	-	-	-	170,787	170,787
Closing Balance December 31st, 2005	26,055	279,803	-	873	421,882	728,613
Opening Balance January 1st, 2006	26,055	279,803	-	873	421,882	728,613
Change in Accounting Principle	-	-	13,169	-	-13,169	-
Capital Increase During 2006	468	56,024	-	-	-	56,492
Purchase of Treasury Shares	-160	-	-	-	-64,985	-65,145
Treasury Shares Distributed	73	-	-	-	22,540	22,613
Cost of Stock Options	-	-	-	2,561	-	2,561
Group Contribution	-	-	-	-	-100	-100
Profit for the Year	-	-	-	-	284,934	284,934
Closing Balance December 31st, 2006	26,435	335,827	13,169	3,434	651,102	1,029,967

NOTE 5: INVESTMENTS IN SUBSIDIARIES

DECEMBER 31ST, 2006 THE PARENT COMPANY HAD THE FOLLOWING INVESTMENTS IN SUBSIDIARIES:

Included in the Balance Sheet as:	Share capital of company	No. of shares	Nominal value	Balance sheet value	Ownership held
TGS-NOPEC INVEST AS (Asker, Norway)	100	100,000	NOK 1	111	100%
Datman AS (Asker, Norway)	200	200	NOK 1000	7,146	100%
Maglight AS (Asker, Norway)	100	100,000	NOK 1	0	100%
ANS Baardsrudveien 2 (Naersnes, Norway)	-	-	-	54	100%
TGS-NOPEC Geophysical Company L.P. (Houston, U.S.A.)	USD 1	1,000	USD 1	11,286	100%
TGS-NOPEC Geophysical Company (UK) Ltd. (Bedford, UK)	GBP 50,1	50,100	GBP 1	8,360	100%
Aceca Ltd. (London, UK)	GBP 50,762	507,620	GBP 0,1	90,830	100%
TGS-NOPEC Geophysical Comp. PTY Ltd (Perth, Australia)	AUD 0,001	1	AUD 1	0	100%
TGS-NOPEC Geophysical Company Moscow Ltd. (Moscow, Russia)	RUB 300	1	RUB 300,000	72	100%
Rimnio Shipping Ltd. (Limassol, Cyprus)	CYP 1	1,000	CYP 1	-	100%
Balance Sheet Value				117,858	

NOTE 6: RESTRICTIONS ON BANK ACCOUNTS

Per December 31st, 2006, NOK 3,195 of Cash and Cash Equivalents is restricted to meet the liability arising from payroll taxes withheld (2005: NOK 2,350).

NOTE 7: ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

Accounts Receivable is stated in the balance sheet at net realizable value. The Company expects to collect the full balance of receivables per December 31st, 2006. Realized losses on trade receivables in 2006 amounted to NOK 0 (2005: NOK 0)

Trade receivables per December 31st, 2006 totalled NOK 323,590 (2005: NOK 420,123). Receivables from subsidiaries per December 31st, 2006 totalled NOK 263,584 (2005: NOK 30,449). Prepayments to suppliers and short term financing of projects totalled NOK 31,590 per December 31st, 2006 (2005: NOK 17,151)

NOTE 8: INVESTMENT IN UNLIMITED PARTNERSHIPS

The Company owns 100 % of ANS Baardsrudveien 2. 99% percent of its interest is directly held, and the remaining one percent interest is indirectly held through the Company's 100% ownership of Maglight AS. The sole business activity of ANS Baardsrudveien was its ownership interest in a building that was sold during 2006. The Company has consolidated ANS Baardsrudveien 2 according to the proportionate consolidation method. ANS Baardsrudveien 2 will be liquidated in 2007.

NOTE 9: DEBT, MORTGAGES, GUARANTEES ETC.

LOAN AGREEMENTS AND TERMS AS PER DECEMBER 31ST, 2006:

Multi-Currency Bank Overdraft Facility: Limit USD 10.0 million. Terms: US Fed Funds Daily Effective Rate + 0.75% per annum on drawn currency amounts. Facility fee: 0.1% per annum on the total facility amount. Both parties have a mutual right to terminate the agreement on 14 days notice. Per December 31st, 2006 the Company had not drawn on this facility.

Book value of assets used as collateral:	2006	2005
Accounts Receivable	139,292	121,170
Multi-Client Seismic Library	1,056,453	916,841
Machinery, Equipment	18,138	25,904
Total	1,213,883	1,063,915

Bond Loan: The Company issued bonds totalling NOK 300 million in May, 2004. The bonds will mature on May 9th, 2009. The bond loan has been swapped to USD with a LIBOR plus 2.085% interest rate through a currency and interest rate swap. The Company does not have debt maturing later than 5 years after the Balance Sheet Date.

BANK GUARANTEES

Per December 31st, 2006, The Parent Company's bank had issued a bank guarantee of USD 2.25 million on behalf of the Company as security for a pending court case decision relating to one of the vessels chartered by the Parent Company. In addition, the bank had issued a bank guarantee on behalf of the Parent Company of NOK 1,230 in conjunction with the company's lease contract for the premises in Asker, Norway.

NOTE 10: LEASES

OPERATING LEASES - PARENT AS LESSEE

The Parent Company has an operating lease commitment relating to premises. The commitment expires August 30th, 2011 with a renewal option. Rental expense for operating leases was NOK 1,356 for the year ended December 31st, 2006. Future minimum payments for operating leases at December 31st, 2006 are as follows:

	2006	2005
Within One Year:	2,524	-
After One Year but not More than Five Years:	9,256	-
More than Five Years:	-	-
	11,780	-

The Parent Company does not have any financial leases, so rental expense for financial leases was NOK 0 for the year 2006 (NOK 537 for 2005, NOK 2235 for 2004).

The Company has also entered into commitments for charter hire of three 3D seismic acquisition vessels and six 2D seismic acquisition vessels. Five commitments expire in 2007, three in 2008, and one contract in 2009. The amounts committed total USD 116.7 million for the year 2007, USD 77.2 million for the year 2008 and USD 7.8 million for the year 2009. Five of the contracts have options for extensions, out of which one expires in 2008, three in 2009 and one in 2011.

OPERATING LEASES - PARENT AS LESSOR

The Parent Company has, in connection with a charter contract for a vessel, placed certain seismic equipment owned by the Company aboard this vessel. The owner of the vessel pays a lease/rental fee in return. Recognized revenue during 2006 was NOK 16,674 (2005: NOK 9,102)

NOTE 11: RELATED PARTIES

No material transactions took place during 2006 with related parties, other than operating business transactions between the companies in the Group. All companies within the Group are 100% owned, directly or indirectly by the Parent Company. No minority interests exist. Business transactions between the entities of the Group were performed at arm's length principles and included data processing, data brokerage, intercompany financing and service assistance.

NOTE 12: FINANCIAL ITEMS

Financial Income/expense:	2006	2005	2004
Interest Income	8,152	3,707	1,782
Interest Income Subsidiaries	1,946	629	265
Group Contribution	-	53,673	2,946
Other Financial Income	66,247	34,571	121,467
Sum Financial Income	76,345	92,580	126,460
Interest Expense	-20,368	-16,336	-7,587
Interest Expense Subsidiaries	-3,906	-8,333	-8,792
Other Financial Expenses	-87,756	-61,216	-76,519
Sum Financial Expense	-112,030	-85,886	-92,898
Net Financial Items	-35,686	6,694	33,562

NOTE 13: TAXES

Current Tax:	2006	2005	2004
Profit Before Taxes and Extraordinary Items	397,025	237,598	71,526
Permanent Differences	3,029	1,013	8,141
Changes in Temporary Differences	-88,244	-33,511	-55,746
Additional Taxable Profit/Loss ANS	-1,588	161	236
Tax-Loss Carried Forward Applied	-59,204	-205,260	-24,157
Group Contribution	-139	-	-
Basis for Current Tax	250,879	-	-
Total Tax Expense for the Year:	2006	2005	2004
Deferred Tax - Changes	41,670	66,811	24,924
Tax Payable	70,246	-	-
Tax Effect Group Contribution	39	-	-
Tax Outside Norway	606	-	8
Deduction in Norwegian Tax for Tax Outside Norway	-470	-	-
Total Tax Expense for the Year	112,091	66,811	24,933
Effective Average Tax Rate	28%	28%	35%
Taxes Payable	2006	2005	
Taxes Payable on Current Year Profit	70,246	-	
Deduction in Norwegian Tax for Tax Outside Norway	-470	-	
Total Taxes Payable	69,776	-	
Specification of Basis for Deferred Taxes:			
Offsetting Differences:	2006	2005	
Non-Current Assets	-20,823	-14,275	
Intangible Non-Current Assets	780,609	684,446	
Loss Carry Forward	-	-59,204	
Total	759,787	610,967	
Deferred Tax Liability/Deferred Tax Asset	212,740	171,071	
Average Deferred Tax Rate	28%	28%	
Explanation of Total Tax Expense Versus Nominal Taxrate on Pre-Tax Profit:	2006		
Tax Calculated Using Nominal Taxrate on Pre-Tax Profit	111,167		
Effect of Permanent Differences	848		
Effect of Different Tax Rate on Tax Outside Norway	136		
Effect of Differences In ANS which No Longer can be Utilized	-60		
Total Tax Expense Recorded in Income Statement	112,091		

To the General Meeting of
TGS-NOPEC Geophysical Company ASA

Auditor's Report for 2006

We have audited the annual financial statements of TGS-NOPEC Geophysical Company ASA as of 31 December 2006, showing a profit of NOK 284 934 000 for the Parent Company and a profit of USD 150 890 000 for the Group. We have also audited the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The financial statements comprise the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the balance sheet, the statements of income and cash flows, and the accompanying notes. The financial statements of the Group comprise the balance sheet, the statements of income and cash flows, the statement of equity and the accompanying notes. The regulations of the Norwegian Accounting Act and accounting standards, principles and practices generally accepted in Norway have been applied in the preparation of the financial statements of the Parent Company. IFRSs as adopted by the EU have been applied in the preparation of the financial statements of the Group. These financial statements and the Directors' report are the responsibility of the Company's Board of Directors and Chief Executive Officer. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with laws, regulations and auditing standards and practices generally accepted in Norway, including the auditing standards adopted by the Norwegian Institute of Public Accountants. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards, an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements of the Parent Company are prepared in accordance with laws and regulations and present fairly, in all material respects the financial position of the Company as of 31 December 2006, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the financial statements of the Group are prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as of 31 December 2006, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with IFRSs as adopted by the EU
- the Company's management has fulfilled its duty to properly record and document the Company's accounting information as required by law and bookkeeping practice generally accepted in Norway
- the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with law and regulations.

Oslo, 21 March 2007
ERNST & YOUNG AS

Finn Ole Edstrøm
State Authorised Public Accountant (Norway)
(sign)

Note: The translation to English has been prepared for information purposes only.

CORPORATE GOVERNANCE

Articles of association

TGS-NOPEC Geophysical Company ASA
As of March 21st, 2007

[1]

The name of the company is TGS-NOPEC Geophysical Company ASA.

[2]

The Company is a public limited company registered in the Norwegian Securities Register.

[3]

The principal business area of the Company is in the provision, procurement and sale of seismic and geophysical data hereunder included associated products and services and technology to the oil and gas industry and to the production industry.

[4]

The Company's business office is in the municipality of Asker. The shareholders' meetings can be held in the municipality of Oslo.

[5]

The Company's sharecapital is NOK 26,722,382 fully paid up and issued in 106,889,528 shares of NOK 0.25 each to named shareholders.

[6]

The Company's board of directors shall consist of from six to ten directors. The period of service is one year.

The nomination of Directors to the Board, and the remuneration payable to the Directors shall be prepared by a nomination committee consisting of one Chairman and two members elected by and amongst the shareholders and who shall serve for a period of two years.

[7]

The ordinary shareholders' meeting shall decide the following:

- Approval of the annual profit and loss account and the annual report, hereunder distribution of dividends.
- Other matters that according to the laws or these articles of association shall be dealt with by the shareholders.

[8]

In addition the Public Limited Companies Act as amended from time to time shall apply.

TGS actively promotes a culture designed to build confidence and trust among its stakeholders. Key elements of this culture include open and honest communication, a well-developed system of controls and policies and a compliance program.

It is the opinion of the Board of Directors that TGS complies with the Norwegian Code of Practice of Corporate Governance published December 8th, 2005, and the Board fully endorses this section on Corporate Governance.

The Company emphasizes independence and integrity in all matters between its Board of Directors, management and shareholders. These same principles of independence and integrity also apply in business relations with all interest groups, including customers, suppliers and other business partners. As guidelines for its Board members and employees, TGS has developed a Statement of Values and a Code of Corporate Conduct, both available for viewing at www.tgsnopec.com/company/corporate_governance.asp

A Compliance Program has been developed and implemented, managed by a Compliance Officer. The Compliance Officer provides a report annually on March 1st to the Corporate Governance Committee, outlining the activities of the Corporate Compliance Program. The report includes implementations and training during the previous year, the outcome of investigations, if any, as well as recommendations for activities in the coming year.

THE BOARD OF DIRECTORS

The Board of Directors currently consists of 8 members elected by the shareholders. The constitution of the Board reflects a strong background that balances specific industry experience with broader industrial, financial and organizational experience. The CEO is also a member of the Board. Most of the Directors are shareholders of TGS.

The Board normally meets six times each year, but may hold additional meetings if circumstances so dictate. Two of these board meetings deal with special company issues and last for up to two days. On at least a monthly basis the CEO updates the entire Board on the financial progress of the Company as well as other significant matters. The Board operates under specific rules of procedure.

A brief background description for each board member is listed below:

Henry H. Hamilton III, CEO/Director

Age 47. Shell Oil Company, Former VP & GM of North and South America for Schlumberger's Geco-Prakla, Joined TGS as CEO in 1995. First elected in 1998.

Claus Kampmann, Chairman, Independent Director

Age 57. Past President Geco-Prakla, VP Personnel Schlumberger Ltd. First Elected in 2002, became Chairman in 2004.

Arne-Kristian Maeland, Independent Director

Age 53. Phillips Petroleum, Geco Geophysical, co-founder and former CFO of VMETRO. First elected in 2001.

David Worthington, Independent Director

Age 65. An original founder of TGS in the 1980's after thirteen years with Shell Oil Company. First elected in 1998 and was Chairman from 1999 till 2004.

Nils B. Gulnes, Independent Director

Age 71. Former Deputy Director General, Norwegian Ministry of Industry, Oilsection, Senior VP at Den norske Creditbank, Managing Director of Amerada Hess Norway, currently Lawyer at Lawfirm Grette DA. First elected in 2002.

Rabbe E. Lund, Independent Director

Age 61. International Monetary Fund, Norwegian Ministry of Oil & Energy, Saga Petroleum, currently President and Partner at Intellectual Capital Group. First elected in 2002.

Dr. Colette Lewiner, Independent Director

Age 62. Assistant professor at Paris University, Executive Vice President at Electricité de France, Chairperson and CEO of SGN-Eurisys. Presently Vice President and Global Leader of the Energy, Utilities and Chemical sector at Capgemini. First elected in 2006.

Kathleen Arthur, Independent Director

Age 53. Chevron Corporation, former Vice President Exploration and Production Deep Water Gulf of Mexico. First elected in 2006.

BOARD COMMITTEES

The board members have formed the following independent committees:

- Audit Committee
- Compensation Committee
- Corporate Governance Committee

Each committee operates under a defined charter that may be viewed at www.tgsnopec.com/company/corporate_governance.asp. The constitution of each individual committee is described in the Report from the Board of Directors.

NOMINATION COMMITTEE

As required in the Articles of Association the Nomination Committee is responsible for the nomination of directors to the board and the remuneration payable to the directors.

The Committee consists of a chairman and two members elected by and amongst the shareholders. These serve for a period of 2 years. The members of the Nomination Committee currently are David Worthington (Chair), Jarl Ulvin and Tor Himberg Larsen. The terms of the current members expire in June 2007.

COMPENSATION OF DIRECTORS

Remuneration to the Board of Directors should in general be designed to attract and retain an optimal Board structure in a competitive environment. Procedurally, the Directors' fee is recommended by the Nomination Committee, proposed by the Board and determined by the shareholders at the annual general meeting each year. In recent years, the Directors' compensation has been composed of both a fixed fee and a number of restricted TGS-shares. (please refer to Note 5 to the Financial Statements)

SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

- **One Class of Shares.** The Company has only one class of shares and each share gives the right to one vote at the General Assembly. There are no voting restrictions. The Board puts emphasis on, to the extent possible, disclosing and describing the topics of the agenda and the proposed resolutions in the call for the assembly to allow the shareholders to prepare beforehand.
- **Limitations on Trade.** There are certain time restrictions to trading a limited number of shares for a small number

of employees who are former owners of Aceca. In addition, the independent members of the Board have received restricted shares as part of their compensation, which must be held for a least one year before they can be traded. There are no other limitations to trading of shares from the Company's side, other than Insider Trading Rules for employees and Board members.

- **The General Assembly.** The Company's General Assembly is open for all shareholders, and any shareholder not attending the General Assembly can give proxy to vote on his/her behalf. Forms of Proxy are sent to the shareholders together with the call for the assembly. The proceedings in the General Assembly follow the agenda outlined in the call. Shareholders who wish to raise a topic in the General Assembly have the possibility to do so, but must then notify the Board of Directors of this in writing and in reasonable time before the call for the assembly is dispatched. The General Assembly may not decide for a higher dividend than the Board of Directors has proposed for that year. It is not at this point accepted that the shareholders can participate in the annual meeting or vote through the internet.

As of March 21st, 2007 the Board has the following shareholder authorizations:

- To issue free-standing warrants securing stock options for key employees.
- To issue up to 9,075,852 new shares in the company (expires on June 15th, 2007).
- To buy back up to 10% of the Company's outstanding shares (expires on June 15th, 2007).

For further information on these shareholder authorizations, please refer to note 8 to the financial statements.

EQUITY AND DIVIDEND POLICY

See the Board of Directors report on page 11 in this annual report. Because of the extremely cyclical nature of the oil services industry, the Board of Directors remains convinced that the Company's unique business model, a strong balance sheet and a strong cash position, are essential to its financial health and future growth. The general policy of the Company at this time is to allocate profit to equity to allow for reinvestment into the growth of the Company. Thereafter, the Company considers allocation of profit to other alternatives such as stock buybacks or dividends.

COMPENSATION OF KEY EMPLOYEES

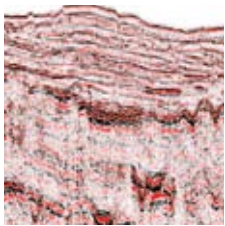
TGS compensates its employees according to market conditions that are reviewed on an annual basis by the Compensation committee. Compensation includes base salary, insurance and retirement benefit programs, a profit-sharing bonus plan based on performance, and in certain cases a stock option plan. For further details please refer to the paragraph "Salary and other compensation" in the Board of Directors Report and Note 5.

The directors, apart from the CEO, do not participate in any bonus, profit-sharing or stock option plan.

AUDIT

The external auditor reports to the Board of Directors at the board meeting that deals with the annual accounts. Independent of the Company's management the Audit Committee meets annually with the partner of the Company's external audit firm. The auditor's fee is determined at the annual general meeting (see Note 5 to the financial statements for auditor's compensation for 2006).

INVESTOR RELATIONS

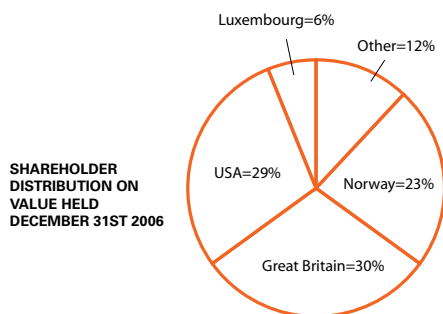


TGS shares are publicly traded on the Main List of the Oslo Stock Exchange in Norway under the ticker TGS. TGS is a member of the OBX index which consists of the

25 most actively traded shares at the Oslo Stock Exchange. In addition to shares, TGS also has NOK 300 million (face value) of bonds listed on the OSE under the symbol TGS01.

As of March 21st, 2007, the market capitalization of TGS was NOK 14.5 billion (USD 2.3 billion) up from NOK 10.5 billion (USD 1.6 billion) twelve months earlier.

Our strong financial performance combined with a dedicated investor relations effort brought good value to our shareholders in 2006. The TGS stock price began the year at 78.13 kroner and advanced to 129 kroner by year end. As of March 31st, 2007, the price of TGS stock stood at 140.50 kroner.



Top management stays dedicated to direct contact with investors and analysts, and the IR activities are a joint effort between the CEO, The VP Business Development and the CFO. We devote a lot of time focusing on giving the best, the same and the most correct information we believe in to all existing shareholders and to all potential new shareholders we meet.

Management will continue to build on what we consider a strong investment case in the jungle of alternatives for investors. The investors we want to attract are the investors that believe in our proven ability to design and market unique data to oil companies, while employing a risk management strategy that limits the downside more than the upside for our Company.

Our basic method of communicating the TGS case is built on the following principles:

- Our business concept and operation originates from a project management and brokerage role where pleasing both sides in a transaction is vital in order to conduct the next transaction.
- Our financial upside is continuously increasing through an investment policy building an ever broader world class data library we can channel to our customers.
- Our financial downside is limited by the fact that our investments are made directly into the final product that our customers need as opposed to the capital-intensive tools necessary to create the product which in a down cycle could go from being assets to liabilities.
- Over time, the margins achievable from selling multiple licenses to the same information far surpass the margins achievable from performing contract work for individual companies.

TGS was awarded the ranking of Best Overall Norwegian Company in Investor Relations in 2006 in REGI's annual Nordic Markets survey.

The purpose of this survey is to identify how well Nordic listed companies communicate with the financial market and 40 of the largest and most frequently traded Norwegian companies listed on the Oslo Stock Exchange were included in the final

ranking. Respondents are Nordic and UK based fund/portfolio managers and analysts. Ratings are submitted exclusively by respondents who actively follow each respective company, where regular contact, knowledge and experience is necessary if one is to submit ratings and comment on the company in question.

COMMUNICATION IS KEY: Information discount in pricing?

Shareholders are best served when investors and analysts are able to evaluate and price the equity of the company "fully," meaning that the market does not cut or discount the pricing of the equity due to a perceived lack of or uncertainty in the information communicated.

The results of the REGI survey this year show that investors and analysts think this is, in general, an increasing problem. A total of 29% of the respondents versus 16% last year answered "yes" to the question that particular companies included in the survey were laden with an information discount. This was not the case for TGS, where 100% of those surveyed answered "no" to this question in both 2006 and 2005.

The TGS website www.tgsnopec.com was rated as the best website of all the 40 participating companies.

Among the other questions constituting the mainframe of the study are:

- Continuous information – frequency and content
- The financial reports
- Analyst meetings and "one-on-one" meetings
- Capital markets events
- CEO/IRO/CFO relations management-openness-competence-degree of trust



We are proud to have won this "contest" in 2006, and are determined to continue our work in this important area going forward.

Norway: Arne Helland
Chief Financial Officer
Tel: +47 66 76 99 00
arne@tgsnopec.no



US: John A. Adamick
VP Business Development
Tel: + 1 713 860-2114
jada@tgsnopec.com



CONTACT US

NORWAY

TGS-NOPEC Geophysical Company ASA

Hagaloekkveien 13
N-1383 ASKER Norway
tel: + 47 66 76 99 00
fax: + 47 66 76 99 10
email: tgsnopec@tgsnopec.no

Aceca Norge AS

Rogaland Science Park
Professor Olav Hanssensvei 7 A
N-4020 Stavanger, Norway
tel: +47 51 87 58 00
fax: +47 51 87 58 01
email: info@geologica.no

UK

TGS-NOPEC Geophysical Company (UK) Limited

Graylaw House
21/21A Goldington Road
Bedford MK40 3JY, UK
tel: + 44 (0) 1234 272122
fax: + 44 (0) 1234 325956
email: info@tgsnopec.co.uk

Aceca Ltd.

Sutherland House
Bridge End Close
Kingston upon Thames
London KT2 6PZ, UK
tel: +44 (0) 208 541 5885
fax: +44 (0) 208 541 5447
email: info@aceca.co.uk

USA

TGS-NOPEC Geophysical Company L.P.

2500 CityWest Boulevard Suite 2000
Houston, TX 77042 USA
tel: +1 713 860 2100
fax: +1 713 334 3308
email: info@tgsnopec.com

A2D Technologies, Inc.

2345 Atascocita Road
Humble, TX 77396 USA
tel: +1 281 319 4944
fax: +1 281 319 4945
email: info@tgsnopec.com

A2D Technologies, Inc.

1010 Common Street Suite 1705
New Orleans, LA 70112 USA
tel: +1 504 524 3450
fax: +1 504 524 3454
email: info@tgsnopec.com

A2D Technologies, Inc.

7608 N. Harvey Avenue
Oklahoma City, OK 73113-2460 USA
tel: +1 405 848 4407
fax: +1 405 848 4036
email: info@tgsnopec.com

AUSTRALIA

TGS-NOPEC Geophysical Company Pty Ltd

Level 5, MLC House
1100 Hay Street
West Perth, WA 6005 Australia
tel: + 61 8 9480 0000
fax: + 61 8 9321 5312
email: contact@tgsnopec.com.au

RUSSIA

TGS-NOPEC Geophysical Company Moscow Ltd.

Donskaya St., 4, Building 3, Office 206
117049 Moscow, Russian Federation.
tel: +7 495 959 81 17
fax: +7 495 959 81 17
email: corporate@tgsnopec.ru

www.tgsnopec.com

www.tgsimaging.com

www.aceca.co.uk

www.a2d.com

