WE SEE ENERGY. EVERYWHERE.

TGS

2013 ANNUAL REPORT

We see energy everywhere. We see it throughout the world. In North and South America. In Europe, Russia, Africa, Asia, Australia and the Arctic. We see its promise. Its vastness. We see it clearly, in sharp relief and exquisite detail. Ensconced in rock and earth 20,000 feet under the sea floor. We measure its magnetism. Gauge its gravity. View its vibrations.

We see energy where few others even look. We see its untapped potential. Its true nature. Its hidden value. We see the world of opportunity it creates. We see commerce enabled, progress encouraged, life enhanced. We see energy. Everywhere.

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FINANCIAL HIGHLIGHTS

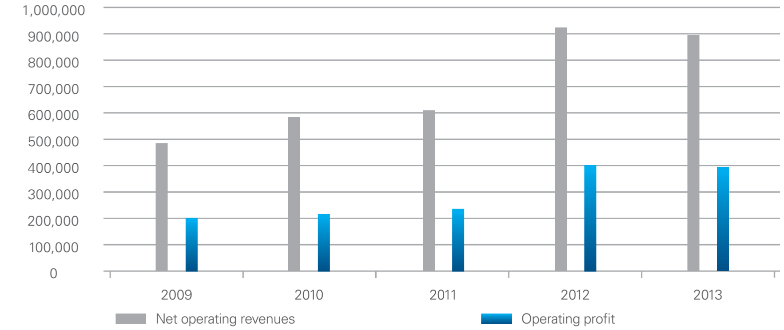
(All amounts in USD 1,000s apart from EPS, ratios and dividend per share. Share buy back and dividend payouts in USD millions.)

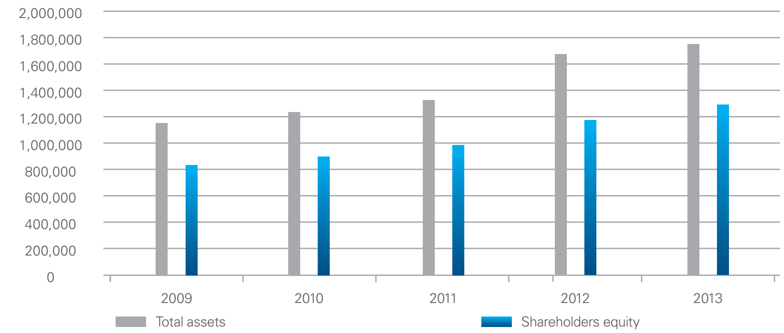
	2013	2012	2011	2010	2009
Net operating revenues	**883,444**	932,239	608,568	568,263	477,695
EBIT	**386,976**	402,304	240,402	227,108	210,229
EBIT margin	**44%**	43%	40%	40%	44%
Net income	**269,106**	284,533	170,688	155,783	162,471
Net income margin	**30%**	31%	28%	27%	34%
Return on capital employed	**32%**	36%	25%	26%	27%
Earnings per share	**2.63**	2.79	1.67	1.52	1.58
Earnings per share fully diluted	**2.59**	2.76	1.65	1.49	1.56
Total assets	**1,736,257**	1,660,721	1,333,182	1,216,916	1,144,278
Shareholders equity	**1,292,979**	1,168,360	973,021	908,771	839,856
Equity ratio	**74%**	70%	73%	75%	73%
Share buy back	**5.0**	-	30.0	31.9	-
Dividend payout	**142.7***	142.2	103.6	93.4	64.7
Dividend per share	**NOK 8.5***	NOK 8	NOK 6	NOK 5	NOK 4

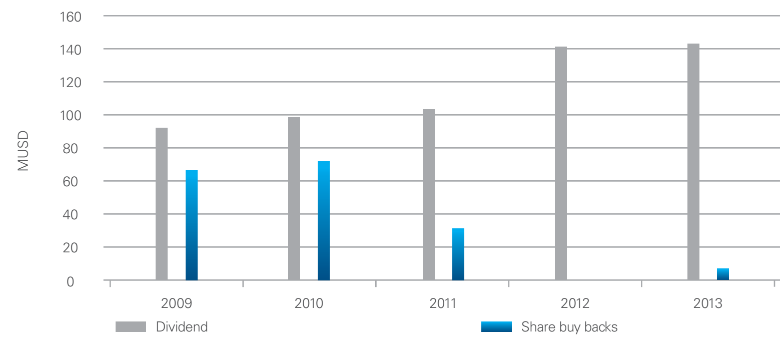
* 2013 reflects proposed dividend to the June 2014 Annual General Meeting.

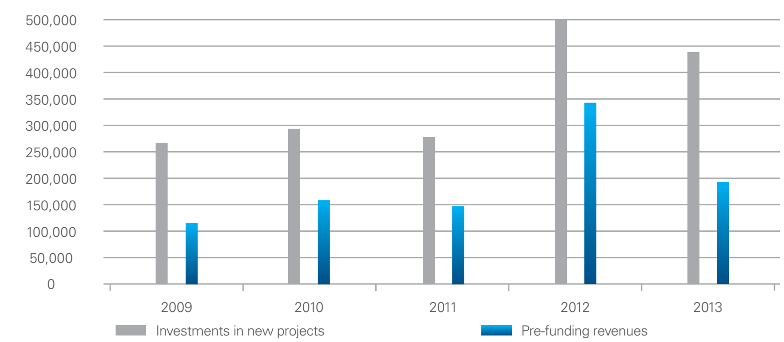
Multi-Client Library

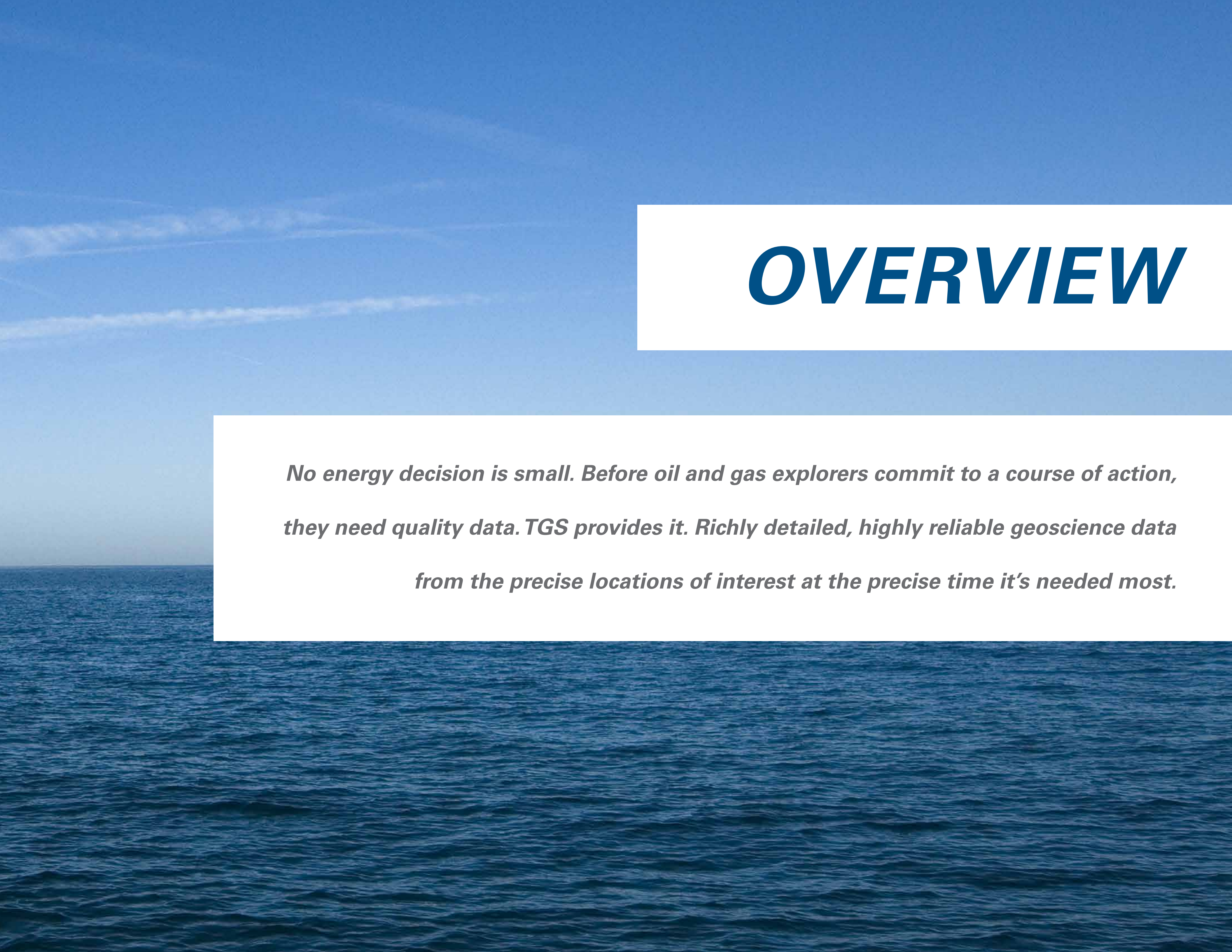
Multi-client data purchased from third parties	**-**	31,100	-	4,000	-
Investments in new projects	**438,869**	496,240	276,942	295,300	265,980
Ending net book value	**758,093**	651,165	511,131	475,698	424,282
Pre-funding % on operational investments	**42%**	68%	53%	55%	47%











OVERVIEW

No energy decision is small. Before oil and gas explorers commit to a course of action, they need quality data. TGS provides it. Richly detailed, highly reliable geoscience data from the precise locations of interest at the precise time it's needed most.

Dear Fellow Shareholders,

Quality. In a word, that describes 2013 for TGS. Despite high competition, an increase in the proportion of the seismic fleet working on multi-client projects, regulatory and permitting challenges, and discussion of reduced capital expenditures by some customers, TGS nevertheless continued to provide excellent returns and long-term value for shareholders.

Shareholder equity continued its long-term growth trend. We continued to invest in the highest quality projects. We achieved revenues of $883 million and an operating profit of $387 million, representing an industry-beating EBIT margin of 44%. We achieved record late sales of $218 million in Q4 2013. Shareholder dividends were increased for the fifth year in a row with share buybacks also performed.

Our scalable, asset-light business model set us apart from our competitors. Rather than sustain the high operating costs of vessels and crews, TGS triumphed in its role as a company focusing on what counts – high-quality data.

We demonstrated our ability to utilize the best geoscience technology to acquire data in frontier plays like the pre-salt of deepwater Brazil, the east coast of Canada, the Chukchi Sea of Alaska and the emerging Jurassic of the Gulf of Mexico. We assisted our customers in their efforts to unleash the potential of the North American unconventional resource plays through our investment in 3D surveys in some of the most important shale basins of the US and Canada.

Customers continued to take advantage of our ability to source the appropriate data acquisition technology to solve their subsurface imaging problems. Our ability to access all available data acquisition techniques is a true advantage of the way TGS does business and our customers have come to value this.

We applied our world-leading data processing capabilities to deliver the highest quality new data and to revitalize old data. Energy Companies that are pushing the frontiers of hydrocarbon plays relied upon these unique processing technologies in plays like the Jurassic of the north central Barents Sea. Our multi-year investment in this region played a significant role in one of industry's most impactful discoveries in 2013, the OMV-operated Wisting well.

Competitive challenges will continue to persist in 2014 due to an oversupply of seismic vessels in the global fleet. TGS' data product is different however. This data is built on a foundation of sound geoscience and sound investment principles based on the merits of the investment itself.

What is undeniable is that in 2014, our customers will continue their search for hydrocarbon reserves in new frontiers and complex geologies. Our success is based on our ability to provide data to our customers to assist them in this search and do it in a way that provides superior investment returns to our shareholders.

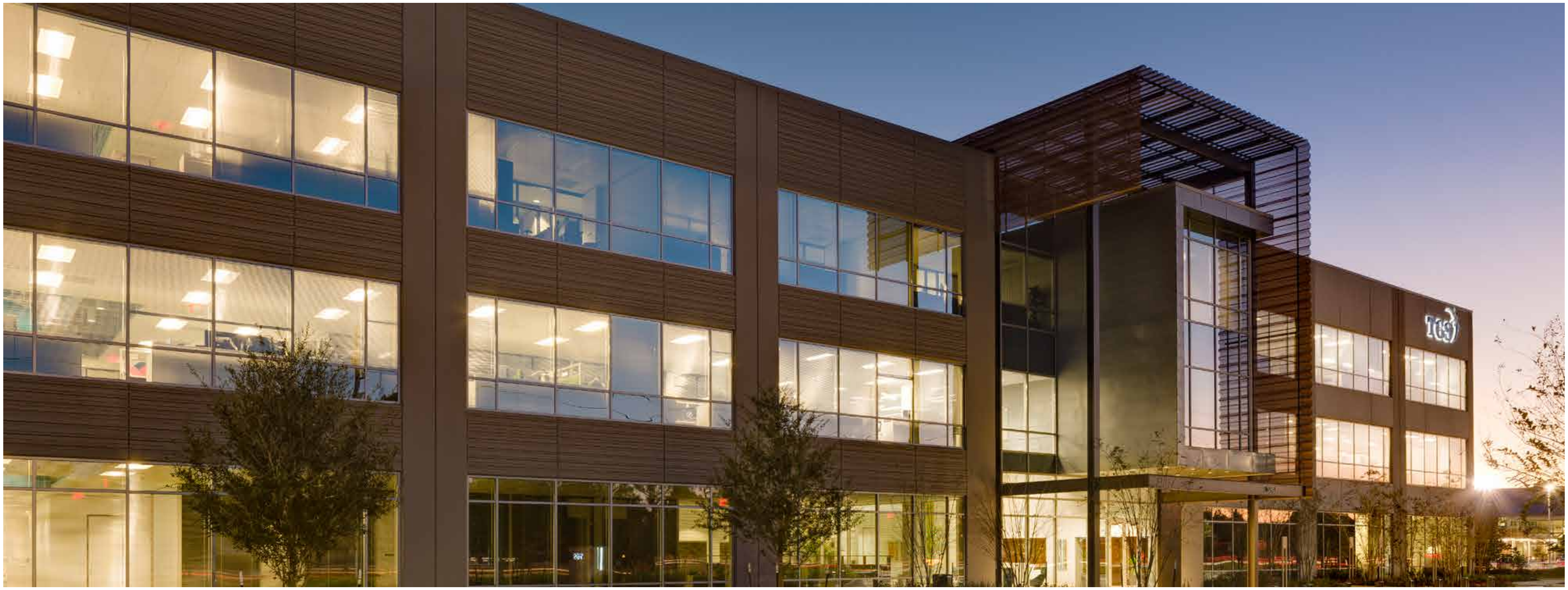
TGS has a focus on conducting business in a sustainable manner. We have included a description of this focus later in this report. Sustainability is core to our values of responsibility to our customers, employees, the environment and communities in which we operate, and to our shareholders.

TGS continued to apply our world-class geoscience and project development expertise to identify some of the world's most exciting new hydrocarbon plays and provided critical information at a time of critical need. The growing demand for our data and the expertise of our exceptional people are a testament to our quality. The year 2013 demonstrated once again what TGS does better than anyone. We make informed energy decisions possible.

At TGS, we see energy. Everywhere.

Robert Hobbs

CHIEF EXECUTIVE OFFICER / TGS



2013 HIGHLIGHTS

- Strong late sales from data library of $638M (up 13% from 2012).
- EBIT margin growth from 43% in 2012 to 44% in 2013.
- Continued interest in high-quality data library by energy companies seeking to replace their hydrocarbon reserves through exploration.

Onshore Seismic Library

- Acquisition of four new multi-client 3D surveys in western Canada through the Arcis operations.
- Continuation of TGS focus on prolific liquids shale plays in Western Canada.
- Completion of two onshore US 3D surveys in Ohio and Kansas.
- Initiation of a new survey in Eastern Colorado.

Marine Library

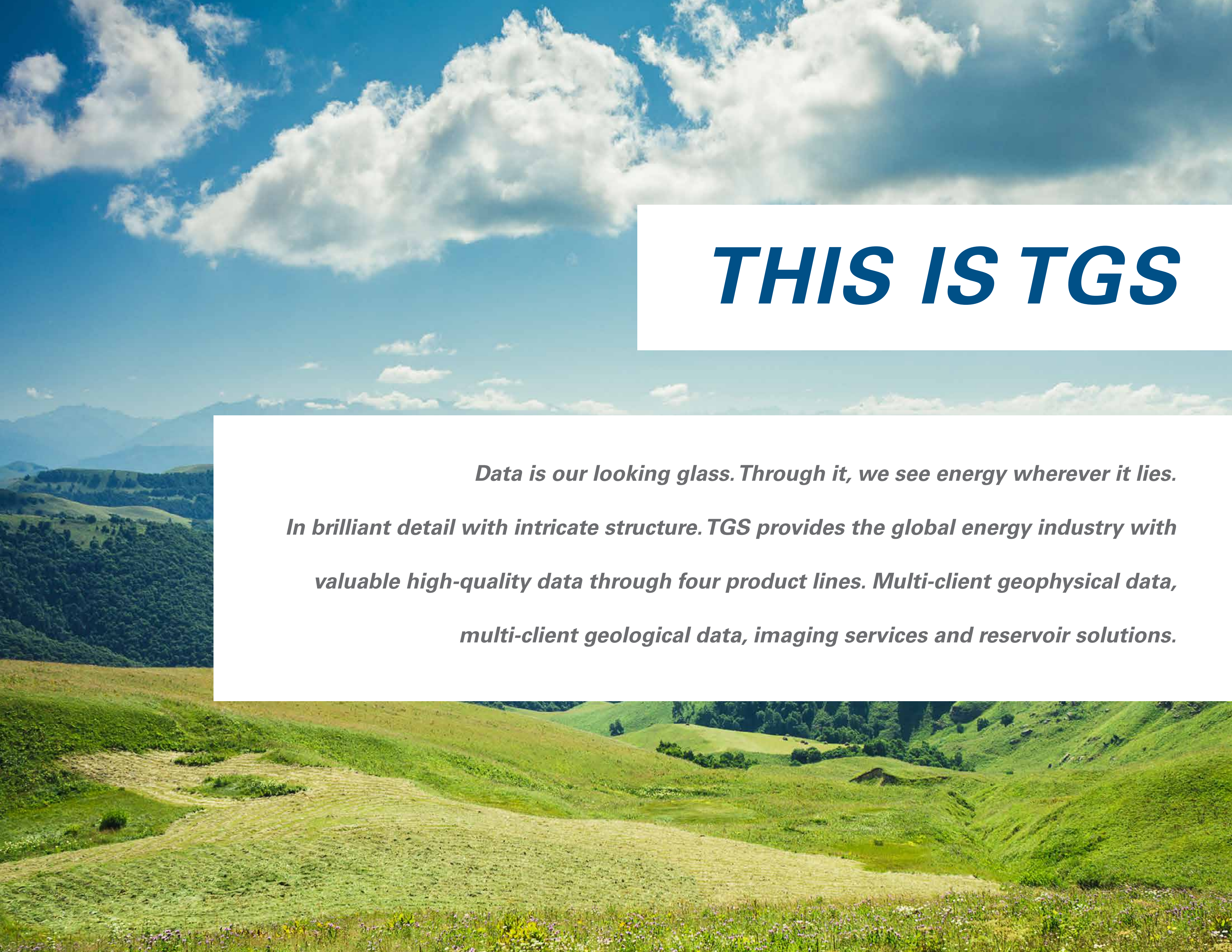
- Expansion of 3D coverage in the high-potential African Atlantic Transform Margin with the acquisition of large 3D surveys in the Harper Basin of Offshore Liberia and the commencement of a new multi-client 3D survey in offshore Benin.
- Continued expansion of TGS' vast 2D library with a new program off Sierra Leone.
- Commenced acquisition of TGS' first multi-client 3D survey in the pre-salt region of Brazil. Based on the extensive 2D multi-client data, TGS is confident of the Company's investment in this hydrocarbon rich basin.
- Proceeded with two multi-client 3D surveys in the Norwegian Barents Sea (Hoop and Finnmark Platform).
- Announcement of a major new discovery in the Barents Sea based on TGS information interpreted from the Hoop survey. TGS' geological expertise in this region and their extensive 2D library have guided the continuous 3D investment in this high potential area since 2009.
- Identification of additional new growth opportunities in the West of Shetlands.
- Completed acquisition of the Rona Ridge 3D survey in advance of the expected UK 28th Exploration Round.
- Expansion of TGS' deep water plays in the Gulf of Mexico with Amerigo and Francisco in the prolific Mississippi Canyon/Atwater Valley area. This work demonstrates the industry's continued interest in frontier plays within a mature producing basin like the Gulf of Mexico.
- Continued customer activity in frontier basins with 2D acquisitions in Madagascar, Denmark, Northeast Greenland, the Chukchi Sea off Alaska and offshore Newfoundland/Labrador.
- Recent discoveries and the announcement of a new schedule land tenure system in Newfoundland/Labrador contributed to industry interest in this region.

Geological Data Library

- The well data group was successful at adding 195,904 new Log Ascii Standard (LAS) well logs.
- TGS completed 15 new multi-client interpretive studies.
- Developed a number of integrated products in North America onshore including multi-client seismic, well data and interpretive studies.

Technology

- Groundbreaking Clari-Fi Broadband technology achieved high levels of industry adoption creating a prefunding preference for TGS multi-client projects in 2013.
- Innovative TGS processing technologies like high-resolution tomography tackled some of industry's most difficult subsurface imaging problems.
- TGS continued to access the best data acquisition technology available to the industry.
- Customers highly valued TGS' innovative solutions spanning a wide breadth of acquisition technologies and vendors.
- Expansion of personnel and computer capacity at all TGS processing centers.



THIS IS TGS

Data is our looking glass. Through it, we see energy wherever it lies. In brilliant detail with intricate structure. TGS provides the global energy industry with valuable high-quality data through four product lines. Multi-client geophysical data, multi-client geological data, imaging services and reservoir solutions.

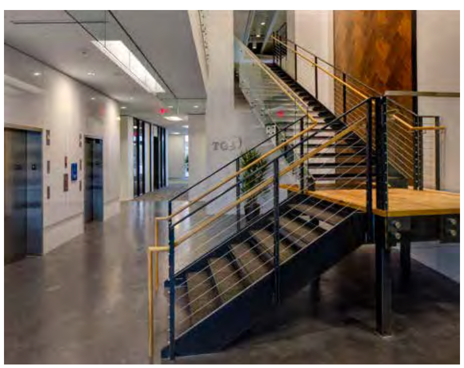
THIS IS TGS

TGS is a registered company in Norway and is publicly traded on the Oslo Stock Exchange under the symbol TGS with financial headquarters in Oslo, Norway. The Company is led by CEO Robert Hobbs and has employees based in cities around the globe. Main offices are located in Oslo, Calgary, Houston, London and Perth. TGS provides multi-client geoscience data to oil and gas Exploration and Production companies worldwide. In addition to extensive global geophysical and geological data libraries that include multi-client seismic data, magnetic and gravity data, digital well logs, production data and directional surveys, TGS also offers advanced processing and imaging services, interpretation products, permanent reservoir monitoring and data integration solutions.

TGS and NOPEC Yesterday

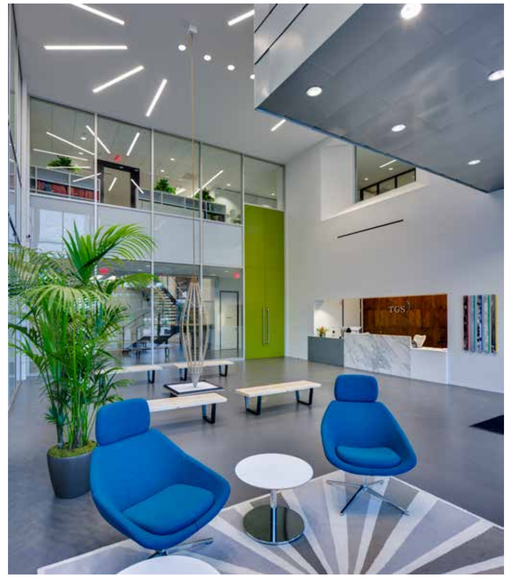
Former US oil company executives organized TGS Geophysical Company in 1981 in Houston, Texas, and built what became the dominant 2D multi-client data library in the Gulf of Mexico. The Company later expanded into additional North American and West African markets while also establishing a significant 3D portfolio in the Gulf of Mexico. Former Norwegian oil company executives organized NOPEC International (NOPEC) in 1981 in Oslo, Norway, and started the first of many highly successful multi-client surveys with a Central Graben regional project in the North Sea. While growing its industry-leading North Sea multi-client 2D database, NOPEC established operations in Australia and the Far East. In 1997, NOPEC became publicly traded on the Oslo Stock Exchange.

TGS in Transition



Recognizing a need for high-quality, regional, multi-client seismic surveys and a win-win opportunity for investors, customers and employees, the Houston and Oslo-based companies merged in June 1998, forming TGS-NOPEC Geophysical Company (TGS). Since that time, TGS has set the standard for multi-client geoscientific data acquired around the world. TGS has a firm commitment to high-quality products and exemplary customer service. A staff of experienced professionals ensures TGS delivers on its commitments.

TGS Multi-Client Business Model



Exploration and Production (E&P) companies need high-quality data to explore and drill for oil and gas. With deep water offshore wells costing as much as $250 million to drill, seismic data (often used in combination with other geophysical and geological data types) provide a critical insurance policy to help E&P companies to de-risk their investments. Geophysical and geological data is becoming even more valuable over time as E&P companies move to geologically, environmentally and operationally more challenging areas to explore for hydrocarbons.

E&P companies typically may choose to access seismic data on either a proprietary or a multi-client basis. Proprietary seismic involves contracting a seismic service company who will acquire and process data on behalf of the E&P Company who will take full exclusive ownership of the data. This contrasts with the multi-client model whereby one party (such as TGS) will retain ownership of the data and will license it on a non-exclusive basis to multiple E&P Companies. E&P Companies often prefer the multi-client approach over proprietary because the cost of accessing the data will be substantially lower. Under the multi-client model, projects can either be identified by the customer or by the multi-client company or jointly through interaction and collaboration. Typically, one or more E&P Companies will commit upfront (prior to commencing data acquisition) to license the data. This is called "pre-funding". Sales made after data acquisition has commenced are called "late sales". It should be noted that some companies define pre-funding as any sales made up to the point of delivery of fully processed data. TGS believes that its definition of pre-funding helps investors to assess the level of risk the company is incurring within its portfolio of investments (i.e., how much of TGS' investments are covered by customer sales before the commitment is made to commence expenditure).

TGS charges its seismic investments in multi-client projects to the balance sheet and amortizes on a project-by-project basis as a function of sales. Minimum amortization criteria are applied if sales do not match expectations so each project is fully amortized within a four-year period following its completion. Because of the Company's strong track record in delivering sales, the library is amortized more quickly than required by the minimum criteria. Geological data investments are also booked to the balance sheet and are amortized on a straight line basis over seven years.

TGS Competitive Advantage

TGS has a number of competitive advantages in the multi-client market:

Focus

Ninety-three percent (93%) of TGS revenues in 2013 came from multi-client data sales. TGS employees and management are focused on developing the best multi-client projects to maximize returns and achieve profitable growth over the long term. TGS has a unique culture where all employees are driven towards common goals and share in the Company's success through a profit-related bonus scheme.

Asset-Light

TGS does not own boats, airplanes, seismic crews, or equipment. All data acquisition is outsourced to service companies. This means that TGS has flexibility, executing on a project only when it meets the Company's investment hurdles. The investment decision is therefore not influenced by vessel or crew utilization targets. TGS is vendor neutral and is able to access vessels and crew capacity when needed and can source the most appropriate acquisition technology to help resolve specific imaging challenges. TGS contracts acquisition services from all of the industry's main suppliers. TGS' asset-light business model results in very low overhead cost, providing flexibility during down-cycles in the industry.

Data Processing

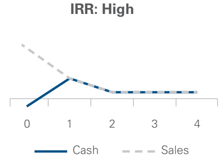
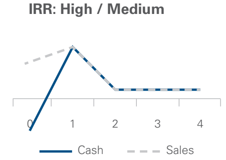
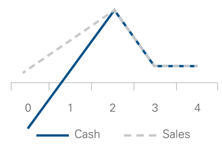
While acquisition of data is outsourced, TGS performs processing of data in-house. This allows TGS to ensure very high standards of quality control, delivering the very best data to customers. TGS is recognized as one of the leading data processing technology companies in the industry. E&P companies frequently include data processing capabilities in their assessment of whether to commit pre-funding to a multi-client project. TGS continues to invest in data processing computer capacity and R&D to ensure that this competitive advantage is maintained. Furthermore, old data sets can be re-processed at low-cost using the latest algorithms, helping to drive further sales from the multi-client library.

Project Quality

TGS targets high-quality projects that will contribute to a portfolio sales return of between 2 and 2.5 times investments. When TGS invests in projects with lower returns such investments are normally offset by projects with returns well in excess of the portfolio average.

TGS will require high levels of pre-funding to invest in projects with lower targeted returns, resulting in an attractive internal rate of return (IRR). Examples of such investments would be projects on acreage that has already been largely awarded to E&P companies, meaning that late sales opportunities will likely arise further out in time (relating to farm-ins, relinquishments and M&A activity among oil companies). Conversely, TGS may accept lower pre-funding levels on projects with very high targeted returns. Such projects could be in areas where TGS has applied extensive geoscience knowledge to identify an area of very high prospectivity.

Diversified Investment Portfolio

Return Targets	+1.7X	2.0X – 2.5X	+ 2.5X
Pre-funding Requirements	70 – 120%	40 – 60%	20 – 40%
Project Characteristics	• Awarded acreage • Onshore areas • Fewer Clients • Farm-ins /relinquishments • Low downside risk	• Mainly open acreage • Regular license rounds • Established multi-client areas • Many Clients • Medium risk	• Open acreage • Early stage • Geo Knowledge • Many potential clients • Medium / high risk
Illustrative IRR / cash profile	IRR: High 	IRR: High / Medium 	IRR: Medium 

Data Library

TGS has one of the largest multi-client data libraries in the world. This not only provides an ongoing revenue stream and re-processing opportunities but also can be used by TGS' project developers and interpretation team to help identify prospects and high-profile areas for new multi-client projects. Most of TGS' 3D seismic investments are in areas where the company has previously acquired 2D seismic data.

Scale

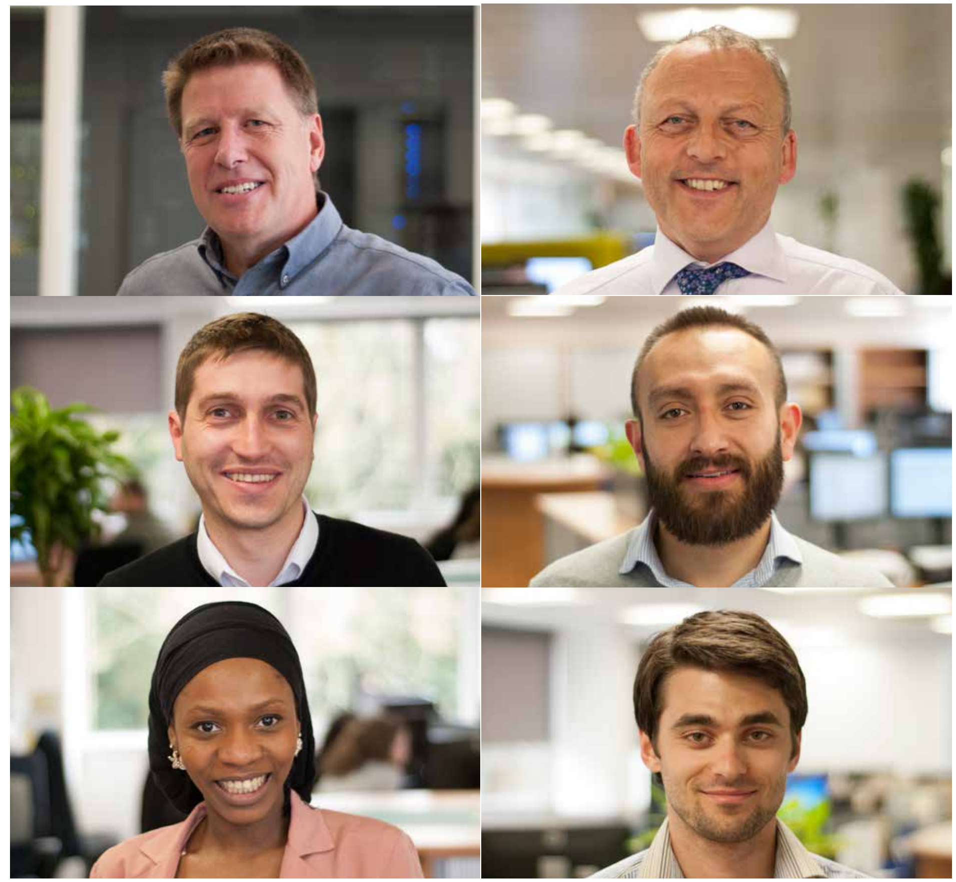
Financial scale is important in the multi-client business. It is critical to invest in a portfolio of projects as not every investment will meet initial expectations. Inevitably some projects will under-perform and others will over-perform. Investing in a portfolio of 3D seismic projects is a significant financial undertaking.

Geographic Diversity

TGS has a geographically diverse data library. This proved to be critical following the Deepwater Horizon incident in the Gulf of Mexico in 2010. Exploration activity in this region significantly decreased for a period of time. However, TGS was able to maintain good revenues from its activities in other regions. TGS seeks to build and maintain leadership positions in both mature and frontier basins across the globe and is exposed to a variety of exploration plays including mature areas, deep water, pre-salt geologies, the Arctic and North America onshore.

Team

Perhaps the most important competitive advantage that TGS has is its people. TGS' project developers, geologists, geoscientists, data processors, sales and support functions have consistently proven that the Company is the leading multi-client player delivering superior project quality and financial performance over the long term.



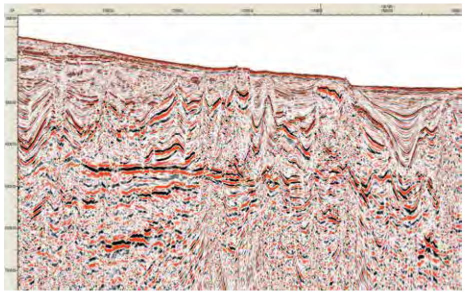
Inorganic Growth (M&A)

While most of TGS' growth can be attributed to its organic geoscience data business, TGS has also grown through mergers and acquisitions (M&A). TGS typically targets technology-based M&A where there is an opportunity to add to the Company's data processing capabilities or add new geoscience data types to the library. TGS will also consider the acquisition of other multi-client libraries when the price is attractive and TGS believes that it can add value in the sales and marketing of the data.

CORE PRODUCT LINES

TGS is comprised of four core product lines which provide valuable data and resources to the exploration and production efforts of its customers. The four product lines are multi-client geophysical data, multi-client geological data, imaging services and reservoir solutions.

Geophysical Multi-Client Data



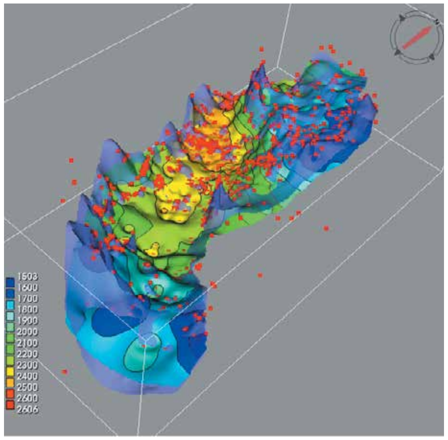
TGS is a major provider of global multi-client seismic data and has been active in this arena for over 30 years. Throughout this period, the Company has established a vast database and gained experience from exploration areas worldwide.

There are many products in TGS' multi-client geophysical library. In addition to seismic data, TGS also licenses gravity, magnetics, seep, geothermal core, controlled source electromagnetic and multi-beam data around the world. The geophysical data library generates over 90% of the revenues of TGS and is organized into geographic regions. These regions are North and South America, Europe and Russia, Africa, Middle East and Asia Pacific.

Excellent project development is at the core of TGS' multi-client success. Teams of skilled TGS project specialists are constantly evaluating areas for new project ideas. TGS places high emphasis on a thorough geological understanding and motivation behind all multi-client projects. When planning new seismic surveys, TGS makes use of all knowledge and experience within its staff of highly qualified and experienced geoscientists. All available geological and geophysical data, including seismic, gravity and magnetic data, are used in order to optimize the design and parameters for the various survey areas and objectives. In addition, the geology and the hydrocarbon potential of the planned survey are key. Interaction with the local governments and ministries, communication and collaboration with oil company representatives and contact with geoscientific specialists to address the imaging challenges of the area are all critical components of survey planning. This diligent effort ensures TGS multi-client projects are acquired in the best locations and meet the geoscientific and geographic needs of the industry.

The Company's global seismic data library is located in key mature, emerging and frontier offshore and onshore hydrocarbon basins around the world. TGS offers the most current data libraries that are acquired and imaged with the latest technologies to provide strong geoscience insight.

Geological Multi-Client Data

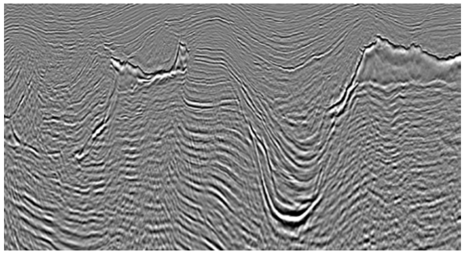


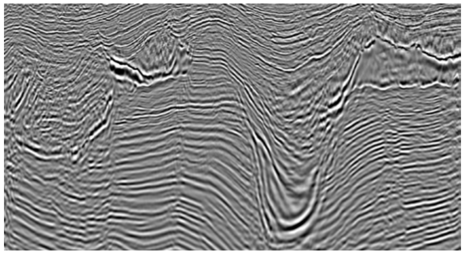
The Geologic Products and Services (GPS) Division of TGS is composed of a series of well data products, interpretive studies and services that are licensed or used by oil companies to aid in the search for hydrocarbons. TGS offers the industry's largest collection of global digital well logs, available online via LOG-LINE Plus!®. TGS' well data library has expanded to include nationwide US production data, directional surveys and a custom well file database. Through the acquisition of Volant Solutions in 2012, TGS provides a data/application integration offering that includes the ENVOY integration platform, the EnerConnect user interface and various adapters. These unique products and services provide tremendous benefits to oil and gas companies.

The well data group was successful at adding 153,000 new Log Ascii Standard (LAS) well logs to the data library in 2013, which further solidifies the dominant position as the largest provider of well data in North America as well as over 30 other countries around the world.

TGS also offers interpretation studies and services that integrate seismic data, well logs, biostratigraphic data, core and other geoscientific data to create regional sequence stratigraphic frameworks that are supported by a dynamic visualization tool, Facies Map Browser (FMB). TGS geoscientists are also available for contract consulting work in geology, geophysics and petrophysics.

Imaging Services





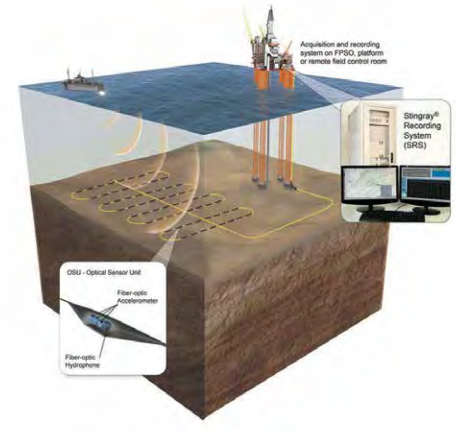
TGS continues to grow its R&D investment with the development of new proprietary processing technology and workflows, and has the expertise and resources to meet the highest geophysical processing objectives required by E&P clients. TGS provides processing solutions directly to customers on a proprietary basis as well as processing the vast amounts of multi-client datasets from the TGS data library around the world. TGS processes both 2D and 3D data, with products and services that include depth and time imaging, marine, land, ocean bottom cable and nodes, transition zone processing, multi-component and shear wave processing, 4D (time lapse) processing, wide azimuth (WAZ) data processing and anisotropic (VTI, TTI, Orthorhombic) imaging. For calibrating seismic data to well data, the imaging teams benefit from the direct access to the existing TGS well log database.

In 2013, the Imaging team processed well over 250,000 km of 2D and 185,000 sq km of 3D from the various oil and gas basins around the world. The majority of the projects focused on WAZ processing, broadband processing and anisotropic depth imaging. All of the TGS processing centers (Houston, United Kingdom, Calgary, Perth) continue to experience significant growth in both competent personnel and more powerful computer resources.

Recent advances in Imaging technology include:

- Clari-Fi™, a new processing technique which allows broadband seismic data to be generated from seismic data with either conventional acquisition or with broadband acquisition technology.
- High Resolution Tomography – An image guided approach to derive velocity models which are conforming to structural geology and with higher resolution.
- Latest Depth Imaging technologies include Least Squares RTM (LSRTM), Orthorhombic RTM, and Full Waveform Inversion.
- Multi-component data processing includes shear wave splitting analysis, fracture detection and converted wave imaging.

Reservoir Solutions



TGS provides advanced Permanent Reservoir Monitoring (PRM) solutions enabling increased production and recoverable reserves at lower cost and risk over the life of a field through data-driven reservoir management strategies. TGS' Stingray® PRM system uses ultra-reliable passive fiber-optic sensors providing high-quality, cost-effective and repeatable seismic data in all field scenarios, including deep water and obstructed areas.

PRM is a developing market and TGS is encouraged by the level of client interest for this new offering. TGS is well positioned with a comprehensive and integrated seismic PRM solution: from project management through planning, equipment provision, installation, acquisition and processing.

EXECUTIVE MANAGEMENT

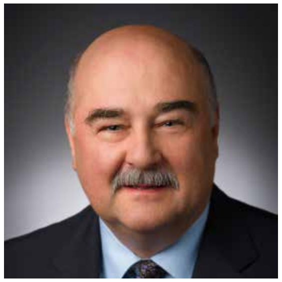
Robert Hobbs *CHIEF EXECUTIVE OFFICER* Robert joined TGS in 2008 as Chief Operating Officer and became Chief Executive Officer in 2009. Prior to joining TGS, Robert was Manager, Worldwide Geoscience with Marathon Oil Company. Earlier in his career, Robert spent nine years with Veritas DGC, Inc. in a wide range of roles including President and Managing Director of the company's wholly owned UK subsidiary, where he was responsible for all product lines in the Europe, Africa, Middle East and former Soviet Union regions. He also worked 10 years as both a geologist and a geophysicist with ARCO Oil and Gas, Exxon and Union Texas Petroleum. He holds a B.S. degree in Geology from Baylor University and an M.S. degree in Geological Science from the University of Southern California.

Kristian Johansen *CHIEF FINANCIAL OFFICER* Kristian joined TGS in 2010 as Chief Financial Officer. Prior to joining TGS, Kristian was the Executive Vice President and CFO of EDB Business Partner in Oslo (now Evry), which is one of the largest IT groups in the Nordic region. Mr. Johansen also has experience from executive positions in the construction, banking and oil industries. A native of Norway, Kristian earned his undergraduate and Master's degrees in business administration from the University of New Mexico in 1998 and 1999.

John A Adamick *SENIOR VP GEOLOGICAL PRODUCTS & SERVICES* John joined TGS in 1986 and has served the company in a variety of capacities. He served as Vice President, Business Development before being appointed Senior Vice President Geological Products & Services in 2008. John received a B.S. degree in Geology from Texas A&M University in 1983 and an M.S. degree in Geology from Stephen F. Austin in 1987. He also attended and completed Harvard University's Executive M.B.A. program in 1995.

Knut Agersborg *VP GLOBAL SERVICES* Knut joined TGS in 2005 as Manager of Operations. In December 2008, he was appointed Vice President Global Services. Knut has more than 30 years of industry experience including 22 years with Schlumberger/WesternGeco where he held senior managerial positions in Operations and Human Resources in Europe and North America. Knut graduated from Narvik University College in 1979 with a degree in Electronic Engineering.

EXECUTIVE MANAGEMENT *(CONTINUED)*



Martin Bett *SENIOR VP RESERVOIR SOLUTIONS* Martin joined TGS in 2011 and has over 30 years of experience in the oil industry working in operational and management positions for Schlumberger, Landmark, I-NET, Trade-Ranger and QinetiQ. He has experience in building E&P businesses in Europe, USA, South America and Africa. He has a BS in Geophysics from Southampton University, UK, and an M.B.A. with Distinction from the International Institute for Management Development (IMD), Lausanne, Switzerland.

Genie Erneta *VP HUMAN RESOURCES* Genie joined TGS in 2008 as VP of Human Resources. Genie has over 20 years of international Human Resources experience predominantly in the Oil & Gas industry. Previous to TGS, she spent four years in a senior HR role at Marathon Oil Company following six years at Veritas DGC, Inc. in a number of progressive HR management roles. Genie has a B.S. degree in Psychology from the University of Houston and holds an M.B.A. from Texas A&M University.

Stein Ove Isaken *SENIOR VP EASTERN HEMISPHERE* Stein Ove joined TGS in 2001 as VP New Ventures South Europe and later VP Sales Europe and Russia. In April 2012, he was appointed Senior Vice President Eastern Hemisphere. Stein Ove has more than 27 years' industry experience including 15 years spent with Schlumberger in various managing and technical positions in Europe, Asia and North and South America. Stein Ove holds an M.S. degree in Geophysics from University of Bergen, Norway.

Zhiming Li *SENIOR VP DATA PROCESSING & RESEARCH & DEVELOPMENT* Zhiming joined TGS in 2007 as Senior VP of Data Processing, Research & Development. He has 30 years' experience in oil companies, geophysical companies and academia. In 2003, he became one of the partners of Parallel Data Systems, a premier depth imaging company acquired by TGS in 2007. He received a B.S. degree in Exploration Geophysics from East China Petroleum Institute in 1982 and a Ph. D. degree in Geophysics from Stanford University in 1986.

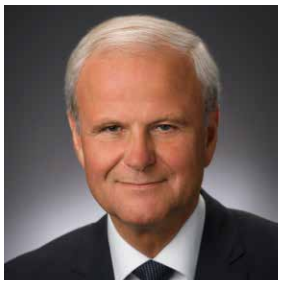
EXECUTIVE MANAGEMENT (CONTINUED)

Tana Pool *VP GENERAL COUNSEL AND CORPORATE SECRETARY* Tana joined TGS in 2013 as VP General Counsel and Corporate Secretary. She has over 21 years of legal experience, with significant knowledge of the energy and construction industries. Tana's previous experience includes over nine years of private practice in corporate and transactional law with several global law firms, including most recently Akin Gump Strauss Hauer & Feld LLP. She is also a Certified Public Accountant and has over seven years of accounting experience prior to her legal career. Tana received her BBA degree in Accounting from Texas Tech University and her JD degree from the University of Houston Law Center.

Rod Starr *SENIOR VP WESTERN HEMISPHERE* Rod joined TGS in 2001 through its acquisition of A2D Technologies, where he held leadership positions in Sales & Marketing and Global Business Development. Prior to his appointment as Senior VP Western Hemisphere he was Senior VP Africa, Middle East and Asia Pacific. Rod has more than 27 years of industry experience including 16 years at Unocal Corporation. Rod graduated from San Diego State University with a degree in Business/Finance.

BOARD OF DIRECTORS

Henry H. Hamilton III *CHAIRMAN* Born 1959. Mr. Hamilton served as CEO of TGS from 1995 through June 2009. He started his career as a Geophysicist with Shell Offshore (1981-1987) before he became employed by Schlumberger (1987-1995), where he ultimately held the position of VP and General Manager for all seismic product lines in North and South America. Mr. Hamilton joined TGS as its CEO in 1995 and remained in the position following the 1998 merger with NOPEC International. He also serves on the Board of Odfjell Drilling. Mr. Hamilton was first elected as a director in 1998 and as Chairman in 2009.



Bengt Lie Hansen *DIRECTOR* Born 1948. Mr. Hansen is currently a Non-Equity Partner at Selmer Law Firm. He is a former President of Statoil Russia and has also served in various executive positions within Norsk Hydro from 1983–2006, including Vice President Finance and Control, E&P Division, Senior Vice President Mid and Northern Norway (responsible for the Ormen Lange Project), and Senior Vice President International E&P. Prior to joining Norsk Hydro, he was Vice President at Deminex (1980–1983) and Head of Division at Norway's Ministry of Petroleum (1975–1980). Mr. Hansen serves as a board member of Odfjell Drilling. He was first elected as a director in 2010.

Elisabeth Harstad *DIRECTOR* Born 1957. Ms. Harstad is a Senior Vice President, Business Development and Innovation of DNV GL Energy in the Netherlands, a subsidiary of Det Norske Veritas (DNV). She has held various positions within DNV since 1981, including Corporate Director for Research and Innovation from 2006-2011 and COO for the Oil and gas business area from 2002-2006. Ms. Harstad serves as a board member for Yara ASA. She was first elected as a director in 2007.

Mark Leonard *DIRECTOR* Born 1955. Mr. Leonard is currently the President of Leonard Exploration, Inc. He retired in 2007 from Shell Oil Company after 28 years of service. During his tenure at Shell, Mr. Leonard held a number of executive positions including Director of New Business Development in Russia/CIS, Director of Shell Deepwater Services, Director of Shell E&P International Ventures and Chief Geophysicist for Gulf of Mexico. He was first elected as a director in 2009.

BOARD OF DIRECTORS *(CONTINUED)*

Dr. Colette Lewiner *DIRECTOR* Born 1945. Dr. Lewiner is currently an independent consultant, advising Capgemini chairman on energy matters. Previously she held the positions of Assistant Professor at Paris University, Executive Vice President at Electricité de France, Chairperson and CEO of SGN-Eurisys and Corporate Vice President & Global Leader of the Energy, Utilities and Chemical sector at Capgemini. Dr. Lewiner serves as a board member for Bouygues Group, Lafarge (until May 2014), Eurotunnel, Nexans, and Crompton Greaves. She was first elected as a director in 2006.

Tor Magne Lønnum *DIRECTOR* Born 1967, Mr. Lønnum is currently Group CFO in Tryg AS and Tryg Forsikring AS. Previously he held the positions of CFO in Skipper Electronics AS, Accountant in Samarbeidende Revisorer AS, Manager in KPMG, Group CFO and Group Director in Gjensidige NOR Insurance, Deputy CEO and Group CFO in Gjensidige Forsikring ASA. Mr. Lønnum serves as a board member for Bakkafrost. He was first elected as a director in 2013.

Vicki Messer *DIRECTOR* Born 1949. Mrs. Messer is currently an independent consultant. She has 32 years of geophysical industry experience in various executive, management and supervisory positions for CGG Veritas, Veritas DGC, Halliburton Energy Services/Halliburton Geophysical, and Geophysical Services Inc. She was first elected as a director in 2011.

2013 BOARD OF DIRECTORS' REPORT

TGS-NOPEC Geophysical Company ASA (together with its subsidiaries, TGS or the Company) is a leading resource for global geoscientific data products and services in the oil and gas industry. TGS specializes in the design, acquisition and processing of multi-client seismic surveys worldwide. In addition to extensive global geophysical and geological data libraries that include multi-client seismic data, magnetic and gravity data, digital well logs, production data and directional surveys, TGS also offers advanced processing and imaging services, interpretation products, permanent reservoir monitoring and data integration solutions. TGS is a global operator and is presently active in North and South America, Europe, Russia, Africa, Asia and Australia.

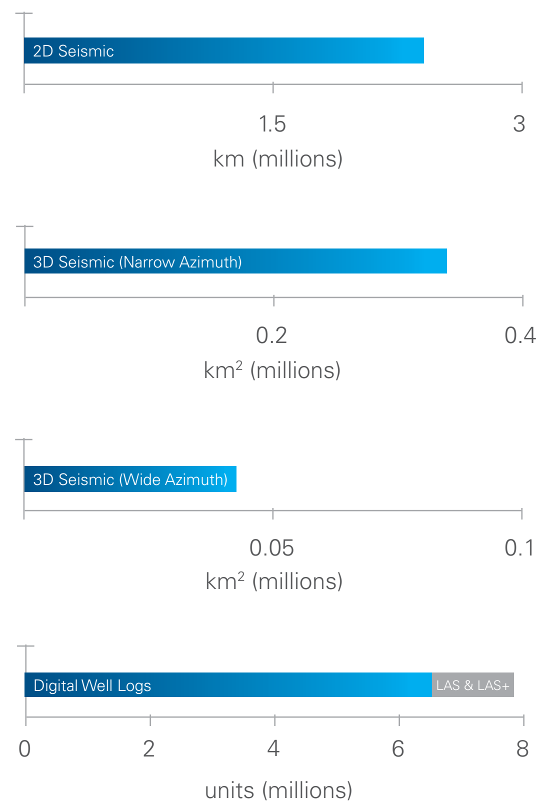
The Parent Company and TGS' corporate headquarters are located in Asker, Norway. Its primary subsidiary, TGS-NOPEC Geophysical Company, is based in Houston, Texas, USA. TGS also has regional offices in the United Kingdom, Canada, Australia, Brazil, Singapore and elsewhere in the US. All financial statements in this report are presented on the basis of a "going concern" assumption in accordance with the Norwegian Accounting Act section 3-3a, and the Board of Directors confirms that it is of the opinion that the prerequisites for a going concern assumption are indeed present. To the best of the Directors' knowledge, no subsequent events that would impact the accounts as presented for 2013 have occurred since 31 December 2013.

Operations

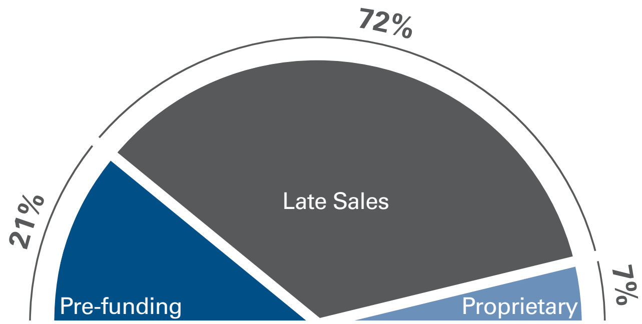
While 2012 showed investment growth of 79% and a growth in revenues of 53%, 2013 was a more challenging year, and both multi-client investments and pre-funding levels were somewhat lower than the original estimates communicated at the beginning of the year. This was partly due to delays in obtaining necessary permits in areas where the pre-funding level for projects is typically higher. In addition, TGS experienced increased competition for pre-funding in some geographical areas. This resulted in the Company foregoing or postponing a number of budgeted projects where the expected return on investment did not meet TGS investment requisites. Although investments and pre-funding were lower than the previous year, TGS increased late sales from its data library by 13% to a record level and increased its industry-leading EBIT margin from 43% in 2012 to 44% in 2013.

TGS' geoscientific data library is one of the industry's most comprehensive multi-client resources, encompassing a wide range of geophysical, geological, gravity, magnetic and bathymetry data. The following table summarizes the data inventory at year end.

Geoscientific Multi-Client Data Library as of 31 December 2013

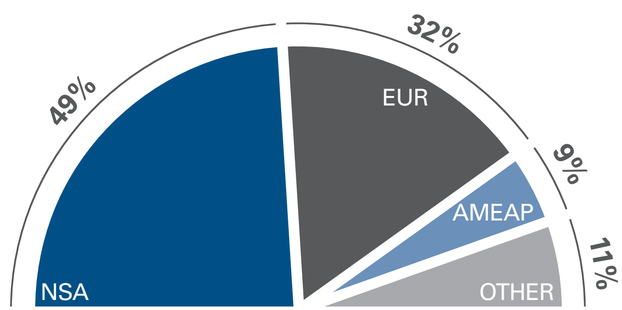


TGS' primary focus is developing, managing and selling licenses of the Company's multi-client geoscientific data, which accounted for over 93% of revenues in 2013. Customer pre-funding of new multi-client projects reduces the Company's investment exposure, while late sales from its library of data products usually provide the bulk of the revenue stream. Gross late sales increased 13% from 2012 to USD 847.3 million, and net late sales after partner share increased 13% to USD 638.3 million. Pre-funding revenues on new projects funded 42% of the operational investments in multi-client data for 2013, compared to 68% in 2012. Proprietary contract revenues increased by 96% due to higher proprietary acquisition activity, and represented 7% of total net revenues in 2013.



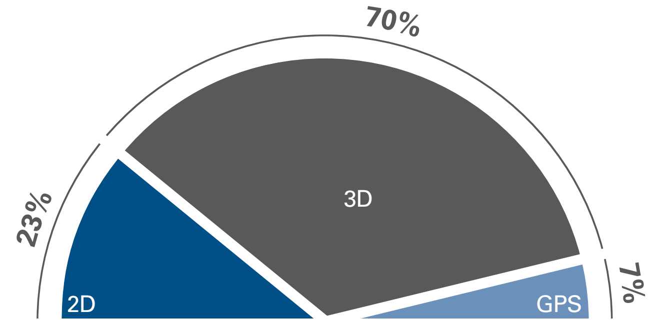
2013 Revenues Split

TGS has a geographically diversified portfolio. In 2013, revenues from Europe and Russia (EUR) increased 15% from 2012, while revenues from North and South America (NSA) grew 19% from 2012, representing record annual revenues from both regions. While TGS experienced growth in its two largest regions, the third region, Africa, Middle East and Asia Pacific (AMEAP) showed negative growth (-68%) as compared to 2012, primarily due to significantly lower investment activity in 2013.



2013 Geographical Split

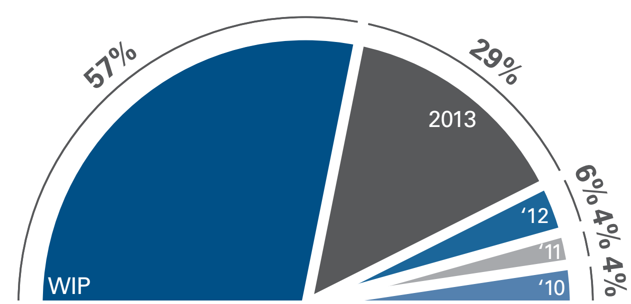
TGS continues to generate multi-client revenues from a well-balanced mix of products. Comparing 2013 to 2012, multi-client 2D seismic revenues increased 17%, multi-client 3D seismic revenues decreased 10%, and multi-client revenues from geological products decreased 11%.



2013 Net Multi-Client Revenues

Multi-Client Geoscientific Data Library

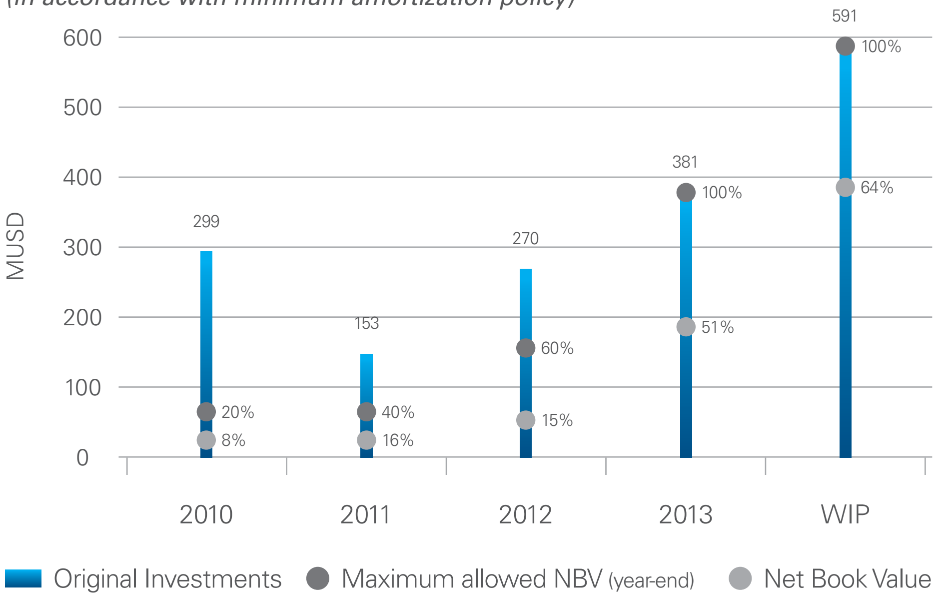
TGS' library of multi-client seismic data, well data and integrated products is its largest single asset, with a net book value representing 44% of the total assets as of 31 December 2013 (39% in 2012). Seismic data, representing 90% of the library's net book value at year-end, is amortized on a project-by-project 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 Company's strong track record in delivering sales, the library is generally amortized more quickly than as required by the minimum amortization policy. As a result, the library's current net book value is heavily weighted toward the newest, most modern projects. The well data library is amortized on a straight-line basis over seven years, while data purchased from third-parties follow a straight-line amortization profile over the remaining useful life. The multi-client data library acquired through the acquisition of Arcis is being amortized over five years.



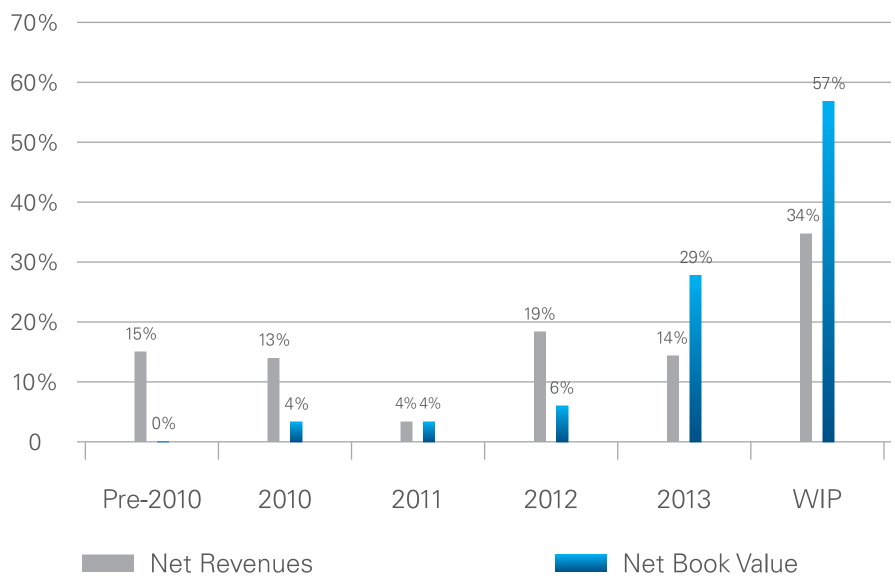
Net Book Value of Seismic Library by Year as a Percentage of Total

Net Book Value vs. Investments per Vintage

In relation to allowed net book value at year-end 2013
(in accordance with minimum amortization policy)



2013 Annual Net Revenues vs. Net Book Value per Vintage



Commitments to Seismic Acquisition Capacity

TGS secures all seismic acquisition capacity from external suppliers, for both offshore and onshore projects. At year-end 2013, the Company had entered into commitments for charter hire of five 3D seismic acquisition vessels and three 2D seismic acquisition vessels. All of these commitments will expire in 2014, and the amounts committed total USD 134.0 million for the year 2014. In addition, TGS has made commitments for three land crews for land seismic projects. These commitments total USD 9.9 million, and the commitments will expire in 2014.

Results from Operations, Operating Cash Flows and Financial Position

Net revenues in 2013 were USD 883.4 million, a decrease of 5% compared to 2012 (USD 932.2 million). Operating profit (EBIT) for 2013 was USD 387.0 million, which is 4% lower compared to 2012 (USD 402.3 million). The 2013 EBIT margin was 44% compared to 43% in 2012. Pre-tax profit in 2013 was USD 381.5 million, a decrease of 6% from 2012 (USD 407.6 million). Net income in 2013 was at USD 269.1 million, which represents a decrease of 5% compared to 2012 (USD 284.5 million).

TGS' operating cash flow in 2013 was USD 543.5 million after an extraordinary tax payment of net USD 42 million, a decrease of 18% from USD 663.4 million in 2012. Operating cash flow is significantly higher than the operating profit as amortization of the multi-client library, a non-cash expense, is the Company's largest expense item.

In 2013, TGS paid an increased dividend of USD 142.2 million (NOK 8 per share), up from USD 103.3 million (NOK 6 per share) paid in 2012. In addition, the Company carried out a USD 5 million share buy-back during the fourth quarter of 2013.

At year-end 2013, TGS had cash and cash equivalents of USD 280.7 million compared to USD 338.7 million at the end of 2012. TGS held current assets of USD 731.2 million at 31 December 2013 million and current liabilities of USD 341.5 million.

As of 31 December 2013, total equity amounted to USD 1,293.0 million, corresponding to an equity ratio of 74%.

TGS believes that it has sufficient cash and financial capacity to finance operations and fund payment of the proposed dividend and other known potential liabilities.

Shareholders value metrics

	2013	2012
Net revenues	883,444	932,239
Operating profit (EBIT) margin	44%	43%
Multi-client net revenues/average net book value ratio	1.17	1.55
Pre-tax return on average capital employed (ROCE)	32%	36%
Cash flow from operations after multi-client investments	121,162	180,706
Shareholders equity as % of total assets	74%	70%

Mergers and Acquisitions

TGS did not conclude any merger or acquisition transactions in 2013.

Investments, Capital, Financing and Dividends

TGS is listed on the OBX List on the Oslo Stock Exchange, and is among the 25 most liquid stocks in Norway. With a market capitalization of NOK 16.6 billion on 31 December 2013, TGS is the 13th largest company on the Oslo Stock Exchange. TGS did not issue any new equity during 2013, other than shares issued as part of employee stock option programs. The Board does not anticipate issuing any new equity during 2014, apart from issues of stock options to employees, unless necessary to finance the acquisition of a company or a major business opportunity.

During 2013, TGS invested USD 438.9 million (compared to USD 496.2 million during 2012) in organic growth of its multi-client library, bringing the net book value of the multi-client library to USD 758.1 million at 31 December 2013 as compared to USD 651.2 million at 31 December 2012.

For the accounting year 2013, the Board has assessed that the Company has a sound equity and liquidity position, and has proposed to the June 2014 Annual General Meeting a dividend of NOK 8.5 per share.

In addition, the Company has initiated a 2014 buy-back program of USD 30 million. The shares will be purchased from the open market and in accordance with the Safe Harbour provisions of the EU Commission Regulations for buy-back programs. The stock repurchase program commenced 7 February 2014 and will continue up to and including 31 December 2014, contingent on authorization from the 2014 Annual General Meeting. At the same meeting, TGS will seek approval for cancellation of the repurchased shares.

Risk Management and Internal Control

The activities of TGS' clients, which are exploration and production companies within the oil and gas industry, typically vary with fluctuations in oil and gas commodity prices or perceived expectations of change. This impacts TGS' activities, opportunities and profitability. Under TGS' business model, discretionary investments in new projects are by far the largest use of cash. Since the Company outsources mostly short-term contracts for the vast majority of these discretionary investments, it is able to actively manage the cash flow risks associated with fluctuations in market conditions. Additionally, TGS is exposed to financial risks such as currency, liquidity and credit risk.

TGS' operational exposure to currency risk is low as significant portions of its revenues earned and costs incurred are in US dollars. However, as the Parent Company pays taxes in Norwegian kroner to Norwegian tax authorities and dividends in Norwegian kroner to shareholders, fluctuations between the NOK and the USD result in currency exchange gains or losses on tax expense and financial items.

Liquidity risk arises from a lack of correlation between cash flow from operations and financial commitments. As of 31 December 2013, TGS held current assets of USD 731.2 million, of which cash and cash equivalents represented USD 280.7 million, and current liabilities of USD 341.5 million. As a result, the Company considers its liquidity risk to be low.

TGS is exposed to credit risk through sales and receivables and uses its best efforts to manage this risk by monitoring receivables and implementing credit checks and other actions as deemed appropriate. In addition, excess cash is placed in either bank deposits or financial instruments that have a minimum rating of "investment grade."

TGS constantly strives to maintain and improve its internal controls. The Company's primary business activity is building its multi-client geoscientific data library, which represents its largest financial asset, through multiple investments in new data for licensing to clients. TGS utilizes custom investment proposal models and reporting tools in order to assess and monitor the status and performance of the Company's multi-client projects. Reference is made to the more detailed information on risk management and internal control in the Corporate Governance section of the Annual Report.

Organization, Working Environment and Equal Opportunity

The Parent Company had 51 employees as of 31 December 2013. At year-end, TGS had a total of 912 employees in the following locations: 549 employees in the United States, 51 employees in Norway, 172 employees in the United Kingdom, 97 employees in Canada, 37 employees in Australia and 6 employees in other countries. The average number of employees during 2013 was 879.

The Board considers the working environment in the Company to be good. The Board and management believe that employees of diversified gender, ethnicity and nationality are provided with equal opportunity and treated fairly within the Company, and have not considered it necessary to take special measures to correct any discrimination.

At the end of 2013, women comprised 42% of the total workforce in the Company versus 44% at the end of 2012. The corresponding figure for managers is 32% at the end of 2013 compared to 30% in the previous year.

Health, Safety and Environmental Issues

TGS interacts with the external environment through the collection of seismic, gravity and magnetic data and the operation of offshore vessels, land crews and aircraft. TGS is dedicated to safeguarding and maintaining the environment in which the Company works and providing a safe and healthy workplace for employees and contractors through the active implementation of a comprehensive HSE Management System that includes appropriate policies and procedures. Not only does TGS comply with mandated legislation and local regulations, the Company also works closely with industry associations in an effort to investigate ways to mitigate the impact of seismic operations on the environment.

In 2013, TGS employees accumulated 1,544,897 man hours without incurring a single lost time injury. The sickness absence frequency for TGS in 2013 was 0.69% as compared to 0.90 % in 2012.

As part of the continuous improvement strategy for 2013, HSE training and objectives have been added to all employees' annual performance evaluations.

TGS continues to work with its external suppliers and contractors to ensure the correlation of the TGS HSE Management System with their respective HSE management systems. TGS also utilizes TGS-managed field observers to monitor the HSE activity of suppliers and contractors.

Corporate Social Responsibility Policy

TGS has prepared a Corporate Social Responsibility Report in accordance with the Norwegian Accounting Act, section 3-3c. It is the opinion of the Board of Directors that the Company complies with the requirements. The report TGS' Corporate Social Responsibility Policy is included as a separate section in the Annual Report and on TGS' website at http://www.tgs.com/investor-center/CSR.

Board Structure and Corporate Governance Policy

The Board of Directors consists of seven directors, each serving a one-year term. The Board's Audit and Compensation Committees are composed exclusively of independent directors. No material transactions have occurred in 2013 between the Company and its management, Directors or shareholders.

The independent Nomination Committee, elected by the shareholders consists of the following members:

Tor Himberg-Larsen (Chairman), Ole Søeberg, and Christina Stray.

Himberg-Larsen and Stray were elected for a two-year term at the Annual General Meeting on 4 June 2013, while Søeberg was elected for a two-year term on 5 June 2012.

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

TGS conducts an active compliance program designed to continually inform and educate employees on ethical and legal issues. The Company employs a full-time Board-appointed compliance officer who reports quarterly on progress on compliance activities and objectives.

TGS has based its corporate governance policies and practices on the Norwegian Code of Practice for Corporate Governance published 23 October 2012. It is the opinion of the Board of Directors that the Company complies in all areas with the Code of Practice and any subsequent amendments.

A more detailed description of how TGS complies with the Code of Practice and the Norwegian Accounting Act's requirements for reporting on corporate governance is included in the Report on Corporate Governance included in this Annual Report and on TGS' website at http://www.tgs.com.

Salary and Other Compensation

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 the Company's performance and in certain cases a stock option plan or stock appreciation rights program. For further details please refer to item 12 in the section "Corporate Governance."

The members of the Board of Directors do not participate in any bonus plan, profit-sharing plan or stock option plan. In recent years, the directors' compensation has been composed of both a fixed fee and a number of restricted TGS shares. The remuneration is not related to the Company's financial result. Note 7 to the Consolidated Financial Statements details the remuneration for 2013.

Outlook

It is anticipated that global E&P spending will increase by mid-single digit percentages for 2014. There is, however, some near-term uncertainty in how seismic spending will be impacted by conditions in 2014, as several energy companies have indicated an intention to reduce exploration spending in the year. Further, the expected spending increase on exploration seems to be largely concentrated in national oil companies, many of which operate in markets where TGS does not participate.

TGS believes the long-term future of its business and particularly the Company's focused asset-light multi-client model is strong. Energy companies continue to demand higher resolution subsurface images in mature basins and new regional data in frontier basins to guide their exploration efforts. Companies exploring and producing unconventional shale plays continue to seek high-quality well-bore based information to guide their petrophysical analysis of these plays. TGS' customers see the economic value of the multi-client business model and are increasingly comfortable accessing their geoscience data through this method. TGS is well-positioned to deliver the data needed by the oil and gas industry to identify and evaluate potential new reserves.

TGS has a strong financial position to support its activities, and has currently no interest bearing debt. TGS has also secured a significant amount of the necessary vessel capacity to execute on its investment plan in 2014. At this time, the Company expects adequate available additional vessel capacity in the market to execute on its investment plans.

These forward-looking statements reflect current views about future events and are, by their nature, subject to significant risks, uncertainties and assumptions that are difficult to predict because they relate to events, and depend on circumstances, that will occur in the future.

Allocation of Profit

The Board proposes that the Parent Company's net income of USD 207.4 million shall be allocated as follows:

Dividends	USD 142.7 million
Allocated to Other Equity	USD 64.8 million
Total	**USD 207.4 million**

Confirmation from the Board of Directors and CEO

We confirm, to the best of our knowledge that the financial statements for the period 1 January to 31 December 2013 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the group taken as a whole. We also confirm that this report of the Board of Directors with references to the notes to the accounts and the Corporate Governance section of the Annual Report includes a true and fair review of the development and performance of the business and the position of TGS, together with a description of the principal risks and uncertainties facing the Company.

25 March 2014

Henry H. Hamilton III
CHAIRMAN

Mark S. Leonard
DIRECTOR

Colette Lewiner
DIRECTOR

Bengt Lie Hansen
DIRECTOR

Elisabeth Harstad
DIRECTOR

Vicki Messer
DIRECTOR

Tor Magne Lønnum
DIRECTOR

Robert Hobbs
CHIEF EXECUTIVE OFFICER

GROUP FINANCIALS

Energy is everywhere. To see it, geologists must know where to look and, more important, how to look. TGS leads in this field. We collect, enhance, interpret and analyze energy data in every corner of the Earth. North and South America. Europe. Africa and The Middle East. Asia Pacific. Russia and the Arctic.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in USD 1,000s unless noted otherwise)

	Note	2013	2012
Net revenues	3,23	**883,444**	**932,239**
Cost of goods sold - proprietary and other	3	**19,949**	7,134
Amortization of the multi-client library	3,5	**329,829**	387,305
Personnel costs	3,7	**80,835**	83,922
Cost of stock options	3,7,8	**4,445**	3,285
Other operating expenses	3	**45,036**	35,809
Changes in contingent consideration liability	2,3,14	**-**	(24,968)
Depreciation, amortization and impairment	3,4,5,6	**16,374**	37,448
Total operating expenses		**496,467**	**529,934**
Operating profit		**386,976**	**402,304**
Financial income	24	**7,411**	5,413
Financial expenses	24	**(3,654)**	(599)
Net exchange losses	24	**(9,273)**	(3,433)
Gains on financial investments	24	**-**	3,865
Net financial items		**(5,516)**	**5,246**
Profit before taxes		**381,460**	**407,550**
Taxes	25	**112,354**	123,017
Net income		**269,106**	**284,533**
Earnings per share (USD)	9	**2.63**	2.79
Earnings per share, diluted (USD)	9	**2.59**	2.76
Other comprehensive income:			
Exchange differences on translation of foreign operations		**(5,984)**	2,102
Net (loss)/gain on available for sale financial assets	15	**116**	(1,748)
Other comprehensive income/(loss), net of tax		**(5,868)**	**354**
Total comprehensive income for the period		**263,238**	**284,887**
Net income attributable to the owners of the parent		**269,178**	284,453
Net income attributable to non-controlling interests		**(72)**	80
		269,106	284,533
Total comprehensive income attributable to the owners of the parent		**263,310**	284,807
Total comprehensive income attributable to non-controlling interests		**(72)**	80
		263,238	**284,887**

CONSOLIDATED BALANCE SHEET

as of 31 December (All amounts in USD 1,000s unless noted otherwise)

	Note	**2013**	2012
Assets			
Non-current assets			
Goodwill	5,6	**84,764**	86,616
Multi-client library	5	**758,093**	651,165
Other intangible non-current assets	5,6	**46,751**	55,641
Deferred tax asset	25	**6,645**	17,897
Buildings	4	**9,924**	4,273
Machinery and equipment	4	**42,877**	27,752
Other non-current assets	14	**56,018**	16,828
Total non-current assets		**1,005,072**	**860,172**
Current assets			
Financial investments available for sale	15	**3,868**	3,689
Accounts receivable	16	**234,339**	281,755
Accrued revenues	16	**172,493**	129,471
Other receivables	16	**39,798**	46,962
Cash and cash equivalents	11	**280,688**	338,673
Total current assets		**731,186**	**800,550**
Total assets		**1,736,257**	**1,660,721**

CONSOLIDATED BALANCE SHEET

as of 31 December (All amounts in USD 1,000s unless noted otherwise)

	Note	2013	2012
Equity and liabilities			
Equity			
Paid-in capital			
Share capital	10	3,716	3,712
Treasury shares held	10	(62)	(57)
Share premium reserve		57,206	56,008
Other paid-in equity		27,924	23,595
Total paid-in capital		**88,784**	**83,258**
Other equity		1,204,054	1,084,890
Equity attributable to owners of the parent		**1,292,838**	**1,168,148**
Non controlling interests		141	213
Total equity		**1,292,979**	**1,168,360**
Liabilities			
Non-current liabilities			
Other non-current liabilities	14	16,698	4,356
Deferred tax	25	85,052	113,480
Total non-current liabilities		**101,751**	**117,836**
Current liabilities			
Accounts payable and debt to partners	17	160,795	201,914
Taxes payable, withheld payroll tax, social security	25	80,651	79,369
Other current liabilities	17	100,081	93,242
Total current liabilities		**341,527**	**374,525**
Total liabilities		**443,278**	**492,361**
Total equity and liabilities		**1,736,257**	**1,660,721**

25 March 2014

Henry H. Hamilton III
CHAIRMAN

Mark S. Leonard
DIRECTOR

Colette Lewiner
DIRECTOR

Bengt Lie Hansen
DIRECTOR

Elisabeth Harstad
DIRECTOR

Vicki Messer
DIRECTOR

Tor Magne Lønnum
DIRECTOR

Robert Hobbs
CHIEF EXECUTIVE OFFICER

CONSOLIDATED STATEMENT OF CASH FLOW

(All amounts in USD 1,000s unless noted otherwise)

	Note	2013	2012
Cash flow from operating activities			
Received payments from customers		**812,458**	862,385
Payments for salaries, pensions, social security tax		**(83,628)**	(75,798)
Payments of other operational costs		**(61,735)**	(43,243)
Paid taxes	25	**(123,616)**	(79,948)
Net cash flow from operating activities [1]		**543,480**	**663,396**
Cash flow from investing activities			
Received payments from sale of tangible assets		**961**	-
Investments in tangible and intangible assets		**(38,958)**	(25,927)
Investments in multi-client library		**(422,318)**	(482,691)
Investments through mergers and acquisitions, net of cash acquired	2	**-**	(75,750)
Proceeds from sale of short-term investments		**-**	16,450
Interest received		**6,758**	4,599
Net cash flow from investing activities		**(453,557)**	**(563,319)**
Cash flow from financing activities			
Interest paid		**(3,342)**	(351)
Dividend payments	10	**(142,164)**	(103,325)
Purchase of treasury shares		**(4,958)**	-
Proceeds from share issuances		**2,556**	6,563
Net cash flow from financing activities		**(147,908)**	**(97,113)**
Net change in cash and cash equivalents		**(57,986)**	2,963
Cash and cash equivalents at the beginning of the period	11	**338,673**	335,709
Cash and cash equivalents at the end of the period	11	**280,688**	**338,673**
1) Reconciliation			
Profit before taxes		**381,459**	407,551
Depreciation/amortization/impairment	4,5,6	**346,203**	424,753
Changes in accounts receivables and accrued revenues		**4,311**	(154,034)
Changes in other receivables		**(41,263)**	2,548
Changes in other balance sheet items		**(23,615)**	62,526
Paid taxes	25	**(123,616)**	(79,948)
Net cash flow from operating activities		**543,480**	**663,396**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as of 31 December (All amounts in USD 1,000s unless noted otherwise)

	Attributable to the owners of the parent									
	Share Capital	Treasury Shares Held	Share Premium	Other Paid-in Capital	Available for Sale Reserve	Foreign Currency Translation Reserve	Retained Earnings[1)]	Total	Non-controlling Interest	**Total Equity**
Balance 1 January 2013	**3,712**	**(57)**	**56,008**	**23,595**	**212**	**(6,491)**	**1,091,167**	**1,168,148**	**213**	**1,168,360**
Net income	-	-	-	-	-	-	269,178	269,178	(72)	**269,106**
Other comprehensive income	-	-	-	-	116	(5,984)	-	(5,868)	-	**(5,868)**
Total comprehensive income	-	-	-	-	116	(5,984)	269,178	263,310	(72)	**263,238**
Paid-in equity through exercise of stock options	4	-	1,198	-	-	-	-	1,202	-	**1,202**
Distribution of treasury shares	-	3	-	-	-	-	1,351	1,354	-	**1,354**
Purchase of treasury shares	-	(8)	-	-	-	-	(4,951)	(4,959)	-	**(4,959)**
Cost of stock options	-	-	-	4,329	-	-	-	4,329	-	**4,329**
Dividends	-	-	-	-	-	-	(140,029)	(140,029)	-	**(140,029)**
Deferred tax asset related to stock options	-	-	-	-	-	-	(516)	(516)	-	**(516)**
Balance 31 December 2013	**3,716**	**(62)**	**57,206**	**27,924**	**328**	**(12,475)**	**1,216,200**	**1,292,839**	**141**	**1,292,979**

1) The Board of Directors propose to the shareholders at the June 2014 Annual General Meeting a dividend of NOK 8.5 per share of outstanding common stock. During 2013, the Board proposed and the shareholders approved a dividend of NOK 8 per share which was paid to the shareholders in June 2013.

Balance 1 January 2012	**3,713**	**(76)**	**53,256**	**20,310**	**1,960**	**(8,593)**	**902,318**	**972,888**	**133**	**973,021**
Net income	-	-	-	-	-	-	284,453	284,453	80	**284,533**
Other comprehensive income	-	-	-	-	(1,748)	2,102	-	354	-	**354**
Total comprehensive income	-	-	-	-	(1,748)	2,102	284,453	284,807	80	**284,887**
Paid-in equity through exercise of stock options	9	-	2,752	-	-	-	-	2,761	-	**2,760**
Distribution of treasury shares	-	11	-	-	-	-	3,791	3,802	-	**3,802**
Cancellation of treasury shares held	(9)	9	-	-	-	-	-	-	-	**-**
Cost of stock options	-	-	-	3,285	-	-	-	3,285	-	**3,285**
Dividends	-	-	-	-	-	-	(99,911)	(99,911)	-	**(99,911)**
Deferred tax asset related to stock options	-	-	-	-	-	-	516	516	-	**516**
Balance 31 December 2012	**3,712**	**(57)**	**56,008**	**23,595**	**212**	**(6,491)**	**1,091,167**	**1,168,148**	**213**	**1,168,360**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in USD 1,000s)

1 General Accounting Policies

General Information

TGS-NOPEC Geophysical Company ASA is a public limited company incorporated in Norway on 21 August 1996. The address of its registered office is Lensmannslia 4, 1386 Asker, Norway. TGS-NOPEC Geophysical Company ASA is listed on the Oslo Stock Exchange.

The consolidated financial statements of TGS-NOPEC Geophysical Company ASA and its subsidiaries (TGS or the Company) were authorized by the Board of Directors on 25 March 2014.

Basis of Preparation

The consolidated financial statements of TGS have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) in effect as of 31 December 2013 and consist of the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity, and notes to the consolidated financial statements.

The consolidated financial statements have been prepared on a historical cost basis, except financial investments available for sale and through profit and loss 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.

Principles of Consolidation

Companies Consolidated

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2013. Control is achieved when TGS is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, TGS controls an investee if and only if TGS has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns

Consolidation of a subsidiary begins when TGS obtains control over the subsidiary and ceases when TGS loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date TGS gains control until the date TGS ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of TGS and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with TGS' accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of TGS are eliminated in full on consolidation.

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 exchange rates prevailing at the date of the transactions. Exchange rate differences arising from the translation of financial statements of such subsidiaries are recorded in other comprehensive income. 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.

Presentation Currency

TGS presents its consolidated financial reports in USD. The majority of TGS' revenues and expenses are denominated in USD, and USD is the functional currency for most of the entities in TGS, including the Parent Company. The financial statements of the Parent Company are presented separately in this Annual Report.

Foreign Currency Translation

Non-functional currency transactions are recorded in functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in non-functional currencies are translated into functional currency spot rate of exchange ruling at the date of the balance sheet. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in non-functional currencies are recognized in the income statement.

Significant Accounting Judgments, Estimates and Assumptions

In the process of applying TGS' 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 uncertainties 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.

Multi-Client Library Amortization and Impairment

TGS 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. The future sales forecasts are also the basis for the impairment evaluations. The revenue estimates are evaluated regularly and changes in amortization rate and impairments are recognized in the period they occur.

For details about the multi-client library, see Note 5.

Impairment of Goodwill

TGS determines whether goodwill is impaired at least on an annual basis or when there are indicators that the carrying amount may not be recoverable. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the 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. Variables such as estimated future revenues, margins and estimated long-term growth are the key drivers for the basis of the value in use calculations. Future cash flows also depend on general development in E&P spending, the number of market participants and technological developments.

For details about the goodwill, see Note 6.

Deferred Tax Assets

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

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

For details about the deferred tax assets, see Note 25.

Provision for Impairment of Accounts Receivables

TGS has made provisions for impairment of specific accounts receivables deemed uncollectible. When assessing the need for provisions, TGS uses all available information about the various outstanding receivables, including the payment history and the credit quality of the actual companies.

For details about the provision of impairment of accounts receivables, see Note 16

Share–Based Payments

TGS measures the cost of the stock option plans for employees by reference to the fair value of the equity instruments at the date at which they are granted (equity-settled transactions) or at the end of each reporting period (cash-settled transactions). Estimating fair value requires an appropriate valuation model to value the share-based instruments. The values are dependent on the terms and conditions of the granted share-based instruments.

This also requires determining the appropriate assumptions in the valuation models including the expected life of the instruments, volatility and dividend yield.

For details about the share-based payments, see Note 8.

Revenue Recognition

TGS recognizes revenues from pre-funded multi-client surveys based on percentage of completion at the balance sheet date. This requires management to estimate the level of completion of the various ongoing projects of TGS at that date.

Summary of Significant Accounting Policies

Revenue Recognition

Revenue is recognized when it is probable that the economic benefits from a transaction will flow to TGS and the revenue can be reliably measured. Revenue is measured at fair value of the consideration received, net of discounts and sales taxes or duty. The following describes the specific principles:

Work in Progress (WIP)

Revenue from work in progress (unfinished projects) at the balance sheet date is recognized on a percentage of completion (POC) basis under binding contracts, normally measured according to the acquired and processed volume of data in relation to the estimated total size of the project. Sales made prior to commencement of acquisition for each project are recognized as POC pre-funding revenues and sales thereafter during the WIP period as POC late sales revenues.

Finished Data

Revenue is recognized for sales of finished data at the time of the transaction; i.e., when the client has gained access to the data under a binding agreement.

Revenue Sharing

TGS shares certain multi-client revenues with other companies. Operating revenue is presented net of revenue shared.

Proprietary Contracts

Revenue from proprietary contracts for clients is recognized in the same way as work in progress (POC) in accordance with the specific agreement.

Interest Income

Interest income is recognized as interest accrues. Interest income is included in financial income in the income statement.

Royalty Income

Royalty income is recognized on an accruals basis in accordance with the substance of the relevant agreements.

Cost of Goods Sold (COGS) – Proprietary Contracts and Other

Cost of goods sold consists of direct costs related to proprietary contract work and costs related to delivery of geoscientific data.

Multi-Client Library

The multi-client library includes completed and in-progress geophysical and geological data to be licensed on a non-exclusive basis to oil companies. The costs directly attributable to data acquisition and processing are capitalized and included in the library value. Data acquisition costs include steaming costs incurred when relocating vessels to the survey areas. The library also includes the cost of data purchased from third parties. The library of finished multi-client seismic data and interpretations is presented at cost reduced by accumulated amortization and impairment.

For certain multi-client library projects, TGS has cooperation agreements whereby revenues will be shared with other companies. The multi-client library is recorded based on its relative interest/investment.

Amortization Related to Sales of Seismic Data

When establishing amortization rates for the multi-client seismic library, management bases their views on estimated future sales for each individual survey. Estimates are adjusted over time with the development of the market. Amortization is recorded in line with how revenues are recognized for each project, in proportion to the remaining net book value versus the estimated future revenue from that project. The revenue estimates are regularly updated and fully reviewed quarterly. For work in progress, the amortization is based on estimated total cost versus forecasted total revenues of the project.

The consolidated amortization expense reported may vary considerably from one period to another depending on the actual mix of projects sold and changes to estimates.

Minimum Amortization Policy on Seismic Data

A minimum amortization criterion is applied: The maximum net book value of the individual survey one year after completion is 60% of original cost. Thereafter, the maximum net book value is reduced by 20% of original cost each year, with the result that each survey is fully amortized in the balance sheet by the end of the fourth year following its completion.

Amortization Policy on Seismic Data Purchased from Third Parties

When purchasing seismic data from third parties, a straight-line amortization over the remaining useful life is recognized. The straight-line amortization is based on the fair value of the seismic data recognized on the date of the purchase.

Amortization Policy on Well Data Products

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

Impairment Test Library

When there are indicators that the book value may not be recoverable, the library is tested for impairment either individually per project (seismic and interpretation reports) or at the cash-generating-unit level (well logs) as appropriate.

Other Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least annually. The straight-line amortization method is used for most intangible assets as this best reflects the consumption of the assets.

Research and Development Costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when TGS can demonstrate:

- It is technically feasible to complete the product so that it will be available for use;
- Management intends to complete the product and use it;
- There is an ability to use the software product;
- It can be demonstrated how the product will generate future economic benefits;
- Adequate technical, financial or other resources to complete the development and to use the product are available; and
- The expenditure attributable to the product during its development can be reliably measured.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When TGS acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill from a business combination is, from the acquisition date, allocated to each of TGS' cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of TGS are assigned to those units. Each unit, or group of units to which the goodwill is allocated, represents the lowest level within TGS at which the goodwill is monitored for internal management purposes. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities but excluding future restructuring) of the purchased business at fair value.

Should part of an operation carrying goodwill be disposed of, the goodwill which is associated with the disposed operation is then included in book value of the operation when determining the gain or loss on the disposal. The goodwill disposed of in this circumstance is determined 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 goodwill is recognized in the income statement. Material subsidiaries sold are presented as discontinued operations or disposal groups of assets and liabilities as of the date when the transaction is highly probable.

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 book value 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.

Tangible Non-current Assets, Depreciation and Impairment

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 useful life. Purchases which are expected to have a technical and economic life of more than one year are capitalized as tangible non-current assets. Depreciation begins when the assets are available for use. 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.

Provisions and Contingencies

Provisions are made when TGS has a current 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.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Contingent liabilities are possible obligations as a result of a past event where the existence of the liability depends on the occurrence or not of a future event. An existing obligation, in which it is not likely that the entity will have to dispose economic benefits, or where the obligation cannot be measured with sufficient reliability, is also considered a contingent liability. Contingent liabilities are not recognized in the financial statements, but if material, disclosed in the accompanying notes. A contingent asset is not recognized in the financial statement, but disclosed if there is a certain degree of probability that it will be an advantage of TGS.

Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where TGS operates and generates taxable income.

Deferred Tax

Deferred 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 at the reporting date.

Deferred tax liabilities have been recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences, the 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 tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable company and the same taxation authority. Deferred 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 tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

The Parent Company pays its tax obligation in NOK and the fluctuations between the NOK and the USD impact the financial items. TGS' units that do not have their tax base in USD are exposed to changes in the USD/tax base-currency rates. Effects within the current year are classified as tax expense.

Share-Based Payments

Key employees of TGS receive remuneration in the form of share-based payments whereby employees render services as consideration for stock options and Stock Appreciation Rights (SARs).

The cost of equity-settled transactions is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external value using an appropriate pricing model.

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 TGS' 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 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.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 9).

In some tax jurisdictions, TGS receives a tax deduction in respect of remuneration in the form of stock options to employees. The tax deduction is not received until the stock options are exercised and is based on the intrinsic value of the award at the date of exercise. In accordance with IAS 12, the tax relief must be allocated between profit or loss and equity so that the amount of the tax deduction exceeding the cumulative cost of stock options expensed by the Company is recognized directly to equity.

The fair value of the SARs are measured at the end of each reporting period and are accrued over the period until the employees have earned an unconditional right to receive them (cash-settled transactions). The ultimate cost of such a cash-settled transaction will be the actual cash paid by TGS, which will be the fair value at settlement date. The fair value of the vested part of the SARs is recognized as a payroll expense and as a liability.

Financial Investments and Other Financial Instruments

TGS classifies financial investments in the following categories: financial assets at fair value through profit or loss, loans and receivables 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 or financial liabilities are recognized initially, they are measured at fair value, plus, for all financial investments other than those at fair value through profit or loss, directly attributable transaction costs. The purchases and sales of financial assets or financial liabilities are recognized at the date of trade.

TGS does not apply hedge accounting.

Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the income statement.

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 (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The losses arising from impairment are recognized in the statement of profit or loss in finance costs for loans and in other operating expenses for receivables. This category generally applies to trade and other receivables. For more information on receivables, refer to Note 16.

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, the available-for-sale financial assets held are measured at fair value with unrealized gains or losses being recognized as other comprehensive income in the available-for-sale reserve, until the investment is derecognized. Then the cumulative gain or loss is recognized in other operating income, or determined to be impaired when a negative development is considered significant or prolonged, at which time the cumulative loss is recognized in the income statement in finance cost and removed from the available-for-sale reserve.

The fair value of financial 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, or
- TGS 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 TGS has transferred its rights to receive cash flows from an asset but 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 TGS' 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 TGS could be required to repay.

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

Impairment of Financial Assets

TGS assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or TGS of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Non-Current Assets Held for Sale

Non-current assets and disposal groups classified as held for sale are measured at the lower of the assets' previous book value and fair value less cost to sell. Non-current assets and disposal groups are classified as held for sale if their book value will be recovered principally through a sales transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group 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.

Property, plant and equipment and intangible assets, once classified as held for sale, are not depreciated or amortized.

Pensions

TGS operates defined-contribution plans in Norway, UK and in the USA (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 fulfillment 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. Finance charges are recognized in the income statement.

Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash in bank accounts and on hand and short-term deposits with an original maturity of three months or less.

Accounts Receivable and Other Receivables

Receivables are measured at cost less any amounts expected to be uncollectible. Sales with deferred payments due to be settled more than twelve months or later are presented as non-current receivables.

Treasury Shares

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of TGS' own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in the share premium reserve.

Dividends

A dividend approved by TGS' shareholders is recognized as a liability in TGS' financial statements. A corresponding amount is recognized directly in equity.

Cash Flow Statement

The cash flow statement is compiled using the direct method.

Changes in Accounting Policy and Disclosures

(a) New and amended standards adopted by TGS

- IAS 1 Financial statement presentation – Amendments
  The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The amendment affects presentation only and has no impact on TGS' financial position or performance.
- IFRS 7 Financial Instruments – Disclosures (amendment)
  The IASB has introduced new disclosure requirements in IFRS 7. These disclosures provide users with information that is useful in (a) evaluating the effect or potential effect of netting arrangements on an entity's financial position and (b) analysing and comparing financial statements prepared in accordance with IFRS. The amendment affects disclosure only and has no impact on TGS' financial position or performance.
- IFRS 13 Fair value measurement
  The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. IFRS 13 does not impact the fair value measurement, but has a material impact on the disclosure requirements.
- IAS 36 Impairment of assets – Amendments
  The amendment removes certain disclosures of the recoverable amount of CGUs which has been included in IAS 36 by the issue of IFRS 13.

(b) New standards and interpretations issued, but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of the issuance of TGS' financial statements are disclosed below. TGS intends to adopt these standards, if applicable, when they become effective.

- IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
  As a consequence of the new IFRS 11 and IFRS 12, IAS 28 Investments in Associates has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. IAS 28 as revised in 2011 becomes effective for annual periods beginning on or after 1 January 2014.
- IAS 32 Financial Instruments - Presentation (amendment)
  The amendments to IAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact TGS' financial position or performance and become effective for annual periods beginning on or after 1 January 2014.
- IFRS 9 Financial instruments
  The standard, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. TGS is yet to assess IFRS 9's full impact. TGS will also consider the impact of the remaining phases of IFRS 9 when completed by the IASB.
- IFRS 10 Consolidated financial statements
  The standard, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 is not considered to have significant impact on the financial statements. IFRS 10 becomes effective for annual periods beginning on or after 1 January 2014.
- IFRS 11 Joint arrangements
  IFRS 11 focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: Joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; Joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. IFRS 11 is not considered to have significant impact on the financial statements. IFRS 11 becomes effective for annual periods beginning on or after 1 January 2014.
- IFRS 12 Disclosure of involvement with other entities
  IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. IFRS 12 becomes effective for annual periods beginning on or after 1 January 2014.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on TGS.

2 Business Combinations

Acquisitions 2013:
No business combinations took place in 2013.

Acquisition 2012:
On 15 June 2012, TGS acquired 100% of the shares in Arcis Seismic Solutions Corp. (Arcis), a privately owned geophysical company in Canada. Arcis had built one of the most modern 3D seismic data libraries in the Western Canadian Sedimentary Basin. Arcis had complemented its data library through offering global seismic solutions that included seismic data processing, reservoir analysis, geoconsultancy and project management.

The Arcis acquisition allowed TGS to grow into the onshore multi-client and imaging business in Canada and other markets served by Arcis.

The allocation of the purchase price of Arcis was as follows:

	Fair value recognized on acquisition
Assets	
Non-cash working capital	(1,201)
Fixed assets	3,818
Long-term receivables	2,758
Multi-client data library	29,100
Intangible assets	12,130
Deferred tax asset	5,600
	52,205
Liabilities	
Deferred tax liability	(4,205)
	(4,205)
Total identifiable net assets at fair value	**48,000**
Goodwill arising on acquisition	24,000
Purchase consideration transferred	**72,000**

The goodwill of USD 24.0 million which was allocated to the Arcis cash-generating unit comprised the value of expected synergies arising from the transaction and values related to the workforce of Arcis. None of the goodwill recognized was expected to be deductible for income tax purposes.

The acquired multi-client data library is amortized on a straight-line profile. The remaining useful life at the time of the acquisition was considered to be five years.

From the date of acquisition through 31 December 2012, TGS recognized net revenues of USD 21.8 million. If the acquisition had taken place at the beginning of the year, net revenues would have been USD 48.6 million.

Purchase consideration	
Cash paid	72,000
Total consideration	**72,000**

Analysis of cash flows on acquisition:	
Transaction costs of the acquisiton	(453)
Net cash acquired with the subsidiary	6,012
Net cash flow on acquisition	**5,559**

The transaction costs of USD 0.5 million were expensed and were included in other operating expenses.

No other significant business combinations, either individually or collectively took place in 2012.

3 Segment Information

TGS' reporting structure, as reported to the executive management, is broken down into the geographic areas forming the operating segments, North and South America (NSA), Europe and Russia (EUR) and Africa, Middle East and Asia/Pacific (AMEAP).

In addition to these, TGS has segments that do not individually meet the quantitative thresholds to produce reportable segments. The segments which are aggregated and form "Other segments/Corporate costs" include GPS Well Logs, GPS Interpretations, Global Services, Imaging, Reservoir Solutions, G&A and Corporate.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

Transactions between operating segments are on an arm's length basis in a manner similar to transactions with third parties. No inter-segment sales between the reportable segments have taken place during 2013 or 2012. Employee bonuses are recognized within "Corporate costs".

2013	North & South America	Europe & Russia	Africa Middle East & Asia/ Pacific	Other segments/ Corporate costs	Consolidated
Net operating revenues	430,594	279,609	75,612	97,629	883,444
Other revenues	-	-	-	-	-
Net external revenues	**430,594**	**279,609**	**75,612**	**97,629**	**883,444**
Costs of goods sold-proprietary & other	19,144	-	469	336	19,949
Amortization of multi-client library	120,352	125,145	63,428	20,903	329,829
Operational costs	10,446	7,517	10,030	102,322	130,316
Depreciation, amortization and impairment	645	22	139	15,568	16,374
Operating profit	**280,007**	**146,925**	**1,546**	**(41,501)**	**386,976**

2012	North & South America	Europe & Russia	Africa Middle East & Asia/ Pacific	Other segments/ Corporate costs	Consolidated
Net operating revenues	360,488	243,859	239,007	88,885	932,239
Other revenues	-	-	-	-	-
Net external revenues	**360,488**	**243,859**	**239,007**	**88,885**	**932,239**
Costs of goods sold-proprietary & other	6,167	286	486	194	7,134
Amortization of multi-client library	151,892	87,722	129,797	17,893	387,305
Operational costs	12,980	9,933	8,278	91,823	123,016
Changes in contingent consideration liability	-	-	-	(24,968)	(24,968)
Depreciation, amortization and impairment	2,048	31	109	35,261	37,448
Operating profit	**187,401**	**145,886**	**100,336**	**(31,318)**	**402,304**

A reconciliation of Operating profit to Profit before taxes is provided as follows:

	2013	2012
Operating profit for reportable segments	428,478	433,623
Operating profit for other segments/corporate costs	(41,501)	(31,318)
Total segments	**386,976**	**402,304**
Financial income	7,411	5,413
Financial expenses	(3,654)	(599)
Exchange gains/losses	(9,273)	(3,433)
Gains on financial investments	-	3,865
Profit before taxes	**381,460**	**407,550**

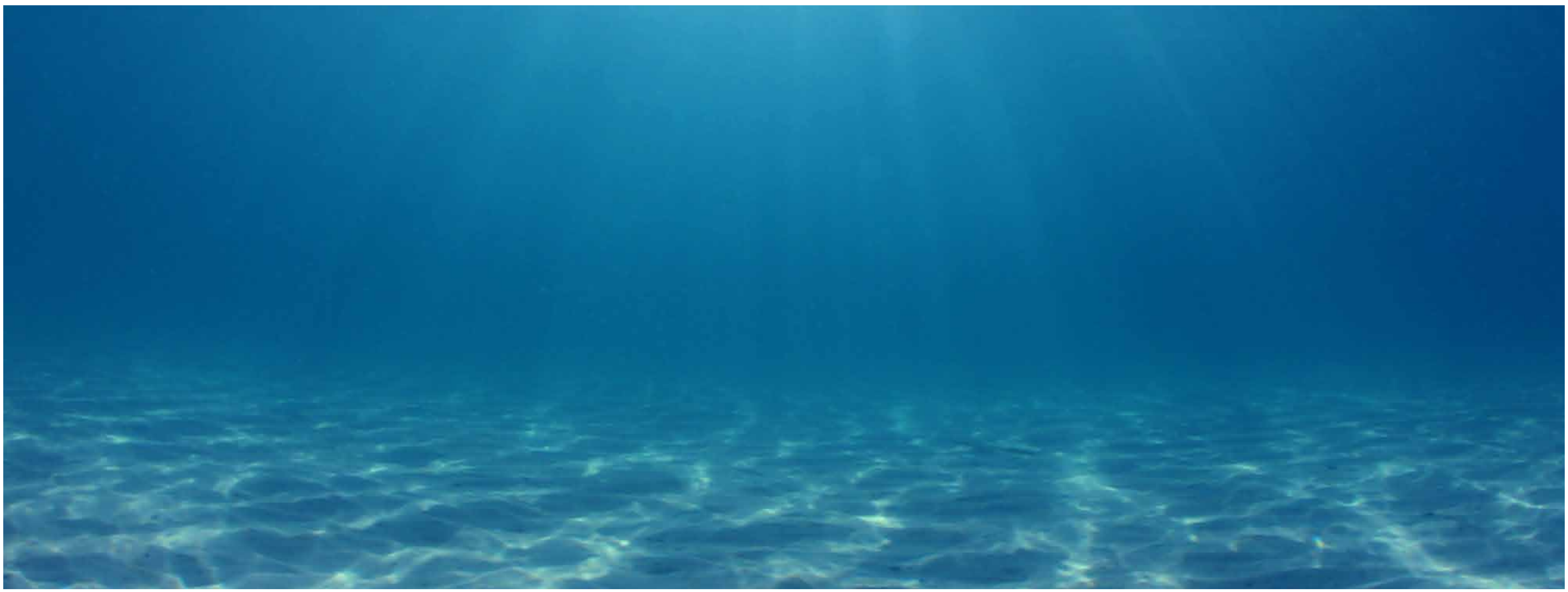
"Total assets" is not a part of the information regularly provided to executive management. TGS does not report a measure of liabilities for the reportable segments.

As the operating segments reported are broken down to geographic areas, there is no further breakdown of revenues to the customer's country of domicile.

In 2013 and in 2012, no customers represented sales that amounted to 10% or more of net sales.

Analysis of revenues by product type:

	2013	2012
2D seismic	199,202	170,382
3D seismic	618,608	688,302
Well logs and integrated products	65,634	73,555
Total net revenues	**883,444**	**932,239**



4 *Tangible Non-Current Assets*

2013

Acquisition Cost and Depreciation:	Machinery and Equipment	Buildings	Total
Cost as of 1 January 2013	108,934	5,177	114,111
Aquisition of a subsidiary	-	-	-
Additions	34,070	6,768	40,838
Disposals [1)]	(10,645)	(54)	(10,699)
Exchange adjustment	(302)	(102)	(404)
Cost as of 31 December 2013	132,057	11,789	143,846
Accumulated depreciation as of 1 January 2013	81,173	904	82,077
Depreciation for the year	6,607	1,032	7,639
Accumulated amortization/depreciation on disposals [1)]	(10,645)	(54)	(10,699)
Capitalized to the multi-client library	12,206	-	12,206
Exchange adjustment	(161)	(17)	(178)
Accumulated depreciation as of 31 December 2013	89,180	1,865	91,045
Net book value as of 31 December 2013	42,877	9,924	52,801
Useful life	2 to 7 years	3 to 12 years	

1) Gain on disposal during the year was USD 0.1 million

2012

Acquisition Cost and Depreciation:	Machinery and Equipment	Buildings	Total
Cost as of 1 January 2012	86,937	1,247	88,184
Aquisition of a subsidiary	3,948	3,199	7,147
Additions	18,038	406	18,444
Disposals [1]	(421)	-	(421)
Exchange adjustment	432	325	757
Cost as of 31 December 2012	108,934	5,177	114,111
Accumulated depreciation as of 1 January 2012	68,192	431	68,623
Depreciation for the year	5,531	394	5,925
Accumulated amortization/depreciation on disposals [1]	(324)	-	(324)
Capitalized to the multi-client library	7,421	-	7,421
Exchange adjustment	363	79	442
Accumulated depreciation as of 31 December 2012	81,183	904	82,087
Net book value as of 31 December 2012	27,752	4,273	32,024
Useful life	2 to 7 years	3 to 12 years	

1) Gain on disposal during the year was USD 0 million

5 Intangible Assets

2013

Acquisition Cost and Depreciation:	Goodwill	Multi-client Library	Other Intangible Assets	Total
Cost as of 1 January 2013	121,626	2,478,754	117,785	2,718,165
Business combinations	-	-	-	-
Additions	-	438,869	3,012	441,881
Exchange adjustment	(1,852)	(3,751)	(891)	(6,494)
Cost as of 31 December 2013	119,774	2,913,872	119,906	3,153,552
Accumulated depreciation as of 1 January 2013	35,011	1,827,589	62,144	1,924,744
Amortization for the year	-	329,829	-	329,829
Depreciation for the year	-	-	8,735	8,735
Capitalized to the multi-client library	-	-	2,540	2,540
Exchange adjustment	-	(1,639)	(264)	(1,903)
Accumulated depreciation and impairment as of 31 December 2013	35,011	2,155,779	73,155	2,263,945
Net book value as of 31 December 2013	84,764	758,093	46,751	889,607
Useful life			3 to 7 years	

2012

Acquisition Cost and Depreciation:	Goodwill	Multi-client Library	Other Intangible Assets	Total
Cost as of 1 January 2012	96,443	1,951,413	97,892	2,145,748
Business combinations	24,421	29,100	12,380	65,901
Additions	-	498,238	7,404	505,642
Exchange adjustment	762	3	109	874
Cost as of 31 December 2012	121,626	2,478,754	117,785	2,718,165
Accumulated depreciation as of 1 January 2012	10,043	1,440,283	51,160	1,501,486
Amortization for the year	-	387,306	-	387,306
Depreciation for the year	-	-	6,555	6,555
Impairments of other intangible assets	24,968	-	-	24,968
Capitalized to the multi-client library	-	-	4,429	4,429
Exchange adjustment	-	-	-	-
Accumulated depreciation and impairment as of 31 December 2012	35,011	1,827,589	62,144	1,924,744
Net book value as of 31 December 2012	86,616	651,165	55,641	793,421
Useful life			3 to 7 years	

For a description of the impairment testing of goodwill, see Note 6.

For the year ended 31 December 2013, USD 53.9 million of impairments of the multi-client library is included in the amortization for the year (2012: USD 23.9 million).

See the Summary of Significant Accounting Policies for the amortization policies of the multi-client library.

6 Impairment Testing of Goodwill

Specification of goodwill:	Imaging	GPS Well Logs	GPS Interpretations	Reservoir Solutions	Arcis	Other	Total
NBV as of 1 January 2013	25,406	12,219	7,558	15,595	24,762	1,076	86,616
Reallocation between CGUs	2,741	-	-	-	(2,741)	-	-
Exchange adjustments during the year	-	-	-	-	(1,852)	-	(1,852)
NBV as of 31 December 2013	28,147	12,219	7,558	15,595	20,169	1,076	84,764

In accordance with IFRS, TGS tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The test is performed at year end.

Goodwill acquired through business combinations have been allocated to individual cash-generating units (CGU) as referred to in the table above. GPS Well Logs, GPS Interpretations, Imaging and Reservoir Solutions form operating segments which are included in "Other segments/Corporate costs", while Arcis is part of "NSA" in Note 3.

Due to an internal reorganization of functions, parts of goodwill which was earlier allocated to the Arcis CGU have now been allocated to the Imaging CGU.

All of the CGUs have been tested for impairment. Based on the impairment testing performed, no impairments exist as of 31 December 2013.

We have commented below on more than 95% of the net book value of goodwill as of 31 December 2013.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. TGS bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of TGS' CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

GPS Well Logs

The value in use of GPS Well Logs has been determined based on revenue and cash flow projections from financial estimates prepared by management of the business unit. The approved budget has been used for 2014. For the subsequent four years, an expected growth rate of 5% has been used which is estimated based on historical growth.

A terminal value in 2018 of the business unit was determined by discounting the projected cash flow in 2018 assuming a nominal growth of 3%. The terminal value and the cash flows in the five year projection period were discounted using a 13% (pre-tax) discount rate.

The impairment calculations are most sensitive to the changes in the forecasted growth rates, which are mainly influenced by future E&P spending and demand for TGS' products. In addition, the impairment calculations are sensitive to the discount rate. Management does not see any reasonable changes in key assumptions that would cause the value in use to be lower than its carrying value.

Imaging

The value in use of the division has been determined based on revenue and cash flow projections from financial estimates prepared by management of the business unit. The approved budget has been used for 2014. For the subsequent four years, an expected growth rate of 5% has been used which is estimated based on historical growth.

A terminal value in 2018 of the business unit was determined by discounting the projected cash flow in 2018 assuming a nominal growth of 3%. The terminal value and the cash flows in the five year projection period were discounted using a 13% (pre-tax) discount rate.

The impairment calculations are sensitive to the changes in the forecasted growth rates, which are mainly influenced by future E&P spending and demand for TGS' products. In addition, the impairment calculations are sensitive to the discount rate. Management does not see any reasonable change in key assumptions that would cause the value in use to be lower than its carrying value.

GPS Interpretations

The recoverable amount of GPS Interpretations has been determined based on additional sales of the multi-client library deriving from the external interpretation work carried out by GPS Interpretations. The additional sales are estimated to be in the range of USD 2-5 million annually for the next five years. The lowest estimate has been used in the calculations together with a discount rate of 13% (pre-tax).

A terminal value in 2018 of the business unit was determined by discounting the projected cash flow in 2018 assuming a nominal growth of 3%.

Management does not see any reasonable changes in key assumptions that would cause the value in use to be lower than its carrying value.

Arcis

Arcis Seismic Solutions Corp. (Arcis) is considered to be a separate CGU. As from 2013, the Arcis Imaging department is organized as a part of TGS Imaging and not included in the Arcis CGU. The value in use of Arcis has been determined based on revenue and cash flow projections from financial estimates prepared by management of the business unit. The approved budget has been used for 2014. For the subsequent four years, a growth rate of 3% has been used for pre-funding revenues, while other revenues are estimated based on development of the MC library and updated knowledge.

A terminal value in 2018 of the business unit was determined by discounting the projected cash flow in 2018 assuming a nominal growth of 3%. The terminal value and the cash flows in the five year projection period were discounted using a 13% (pre-tax) discount rate.

The impairment calculations are sensitive to the changes in the forecasted growth rates which are mainly influenced by future E&P spending and demand for TGS' products. In addition, the impairment calculations are sensitive to the discount rate. Management does not see any reasonable change in key assumptions that would cause the value in use to be lower than its carrying value.

Reservoir Solutions

TGS performed its annual impairment test as at 31 December 2013. The recoverable amount of the Reservoir Solutions CGU has been determined based on a value in use calculation using cash flow projections covering a ten year period. A ten year horizon has been used as the technology is new and therefore a longer evaluation period is justified to assess the long term viability of the business.

The approved budget has been used for 2014. The projected cash flows have been updated to reflect the current estimated revenue and investment forecasts and related margins. The pre-tax discount rate applied to cash flow projections is 13%. A terminal value in 2023 of the business unit was determined by discounting the projected cash flow in 2023 assuming a nominal growth of 3%.

The impairment calculations are sensitive to the changes in the forecasted growth rates and the discount rate. Further, calculations are sensitive to delays in project revenues. Estimated recoverable amount is slightly above the carrying amount of the cash-generating unit, indicating that minor changes in assumptions could result in impairment losses relating to the carrying amount of goodwill. Postponements of revenues by twelve months compared to the current projections would however not lead to significant impairments.

7 Salaries / Benefits / Number of Employees / Employee Loans / Audit Fees

	2013	2012
Payroll	99,548	90,658
Social security costs	7,651	7,297
Pension costs	4,669	3,398
Other employee related costs	7,425	6,585
Salaries capitalized to developed software	(1,668)	-
Salaries capitalized to multi-client library	(36,789)	(24,016)
Personnel costs	80,835	83,922
Cost of stock options (see Note 8)	4,445	3,285
Personnel costs and cost of stock options	85,280	87,207

The number of employees per 31 December 2013 was 912 vs. 816 per 31 December 2012. No loans to employees are outstanding as of 31 December 2013 or 31 December 2012.

TGS has a profit sharing plan for all full-time employees following a six month trial period. The profit sharing (bonus) is payable quarterly, and is calculated as a function of operating profit vs. budget and the individual employee's employment conditions. All bonuses earned in 2013 have been paid or accrued as of 31 December 2013.

Board of Directors 2013	Director's fee [1)]	Value of Shares Received [2)]	Total Remunerations
Hank Hamilton (Chairman of the Board)	215	-	215
Colette Lewiner	50	45	95
Elisabeth Harstad	106	-	106
Mark Leonard	50	45	95
Bengt Lie Hansen	50	45	95
Vicki Messer	50	45	95
Tor Magne Lønnum (Director from June 2013)	-	45	45

Board of Directors 2012	Director's fee [1)]	Value of Shares Received [2)]	Total Remunerations
Hank Hamilton (Chairman of the Board)	215	-	215
Colette Lewiner	51	32	83
Elisabeth Harstad	91	-	91
Mark Leonard	51	32	83
Bengt Lie Hansen	25	32	57
Vicki Messer	51	32	83

1) The tables include Director's fees paid during the year. Directors receive fees on a bi-annual basis as decided by the AGM. Deviations in individual fees are related to the timing of the bi-annual payments.

2) In June 2013, each of the Directors, other than the Chairman received 1,600 restricted shares in TGS. One of the Directors was not permitted by her employer to own shares in other companies and will receive cash in lieu of restricted shares in an amount equal to the amount the other Directors will be able to sell their restricted shares for at the closing share price on the first day that a sale is permitted.

	No. of Restricted Shares Received during 2013	No. of Shares Held 31/12/2013
Hank Hamilton (Chairman of the Board)	-	1,352,400
Colette Lewiner (Director)	1,600	10,900
Elisabeth Harstad (Director)	-	-
Mark Leonard (Director)	1,600	13,900
Bengt Lie Hansen (Director)	1,600	6,400
Vicki Messer (Director)	1,600	4,800
Tor Magne Lønnum (Director)	1,600	1,600

Compensation to the members of the Nomination Committee [1]	2013	2012
Tor Himberg-Larsen (Chairman)	30	27
Christina Stray	16	13
Jarl Ulvin (Member until June 2012)	-	13
Ole Søeberg (Member from June 2012)	12	-

1) The table shows compensation paid during the year.

Executive Management	No. of Shares Held 31/12/2013	No. of Options Held 31/12/2013	No. of Options Granted in 2013	No. of Options Exercised in 2013	WAEP [1] (in NOK)
Robert Hobbs (CEO)	29,750	141,000	36,000	-	-
Kristian Johansen (CFO)	-	79,500	24,500	-	-
John Adamick (SVP Geological Products and Services)	35,000	56,400	20,000	-	-
Knut Agersborg (VP Global Services)	2,100	70,000	20,000	26,250	78.66
Martin Bett (SVP Reservoir Solutions)	-	59,250	20,000	-	-
Genevieve Erneta (VP Human Resources)	-	56,400	20,000	-	-
Stein Ove Isaksen (SVP Eastern Hemisphere)	2,000	56,400	20,000	-	-
Zhiming Li (SVP Data Processing and Research & Development)	105,694	78,750	20,000	-	-
Rod Starr (SVP Western Hemisphere)	24,020	70,000	20,000	15,000	78.66
Tana Pool (VP General Counsel and Corporate Secretary)	-	-	-	-	-

1) WAEP: Weighted average exercise prices on options exercised

Executive Management 2013	Salary	Bonuses	Other Benefits	Share-based Payments Expensed	Total Remunerations
Robert Hobbs	479	1,305	19	364	2,167
Kristian Johansen	414	371	28	225	1,038
John A. Adamick	220	426	24	161	831
Knut Agersborg	225	214	28	203	669
Martin Bett	247	100	31	152	530
Genevieve Erneta	193	127	18	161	499
Rod Starr	249	339	98	203	889
Stein Ove Isaksen	270	314	75	158	817
Zhiming Li	280	452	19	203	954
Tana Pool (From 10 October 2013)	55	25	-	-	80

Executive Management 2012	Salary	Bonuses	Other Benefits	Share-based Payments Expensed	Total Remunerations
Robert Hobbs	459	1,337	19	269	2,084
Kristian Johansen	388	367	27	424	1,206
John A. Adamick	211	440	24	254	929
Knut Agersborg	208	221	28	149	606
Martin Bett	243	94	31	101	469
Genevieve Erneta	183	126	17	254	580
Rod Starr	234	334	35	153	756
Stein Ove Isaksen	287	353	121	254	1,017
Zhiming Li	270	469	24	153	916

Together with the other members of the executive management, Robert Hobbs participates in TGS' profit sharing bonus plan in the same manner that all other Company employees participate. Mr. Hobbs receives a bonus that is proportional to TGS' annual operating profit before bonus charges and the target amount of each year's annual bonus is determined by the Board of Directors. The maximum amount payable to Mr. Hobbs in case of termination of his employment by the Board of Directors is equal to three times the highest annual base salary of the preceding three years spread over an ensuing three year period. The maximum amount payable in the same case of termination following a "change of control" event is three years total cash compensation.

Stein Ove Isaksen, Zhiming Li, and Rod Starr have employment contracts providing for a maximum amount payable in case of termination of employment equal to one times the highest annual base salary of the preceding three years spread over an ensuing one year period. The maximum amount payable in the same case of termination following a "change of control" event is one year total cash compensation.

The maximum amount payable to Kristian Johansen in case of termination of his employment by TGS amounts to six months base salary.

The maximum amount payable to Martin Bett in case of termination of employment by TGS amounts to full base salary and holiday entitlement up to the expiration of his employment agreement resulting from the acquisition of Stingray Geophysical Ltd. The expiration of this employment agreement is 8 April 2014.

No other members of the executive management team have termination agreements.

The members of the executive management receive a bonus that is proportional to TGS' annual operating profit before bonus charges and the target amount of each year's annual bonus is determined by the Board.

Auditor's fee	2013	2012
Statutory audit	826	789
Other attestation services	12	38
Tax advisory services	181	270
Other services outside the audit scope	23	67
Total fees	**1,042**	**1,163**

All amounts are exclusive of VAT.

8 Share-Based Payment Plans

TGS has a stock option plan under which key employees are granted options secured by warrants or treasury shares.

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) TGS issues new shares or transfers shares from treasury. Options granted under the 2011 plan and the 2012 plan are secured by treasury shares held. Options granted under the 2009 plan and the 2013 plan are secured by free-standing warrants.

At the Annual General Meeting on 4 June 2010, the proposed stock option plan and resolution to issue free-standing warrants did not obtain the required two-thirds qualified majority. As a result of this no new stock options and warrants were issued in 2010, but a limited amount of stock appreciation rights (SARs) were issued to key employees. The SARs plan is a cash-settled plan measured at the end of each reporting period. Under the terms of the SARs, 50% will vest three years after grant and 100% will be fully vested four years after grant. The SARs expire five years after grant if not exercised.

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

	2013	2012
Expense arising from equity-settled share-based payment plans	4,445	3,285
Expense arising from cash-settled share-based payment plans	39	3,060

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

The strike 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 five 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.

600,000 share options were granted both in 2013 and in 2012.

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

	2013		2012	
	No.	WAEP (NOK)	No.	WAEP (NOK)
Outstanding at 1 January	1,855,750	121.95	1,870,300	90.93
Granted during the year	600,000	181.90	600,000	174.40
Forfeited during the year	(120,000)	127.57	(114,800)	99.45
Exercised during the year	280,937	78.94	499,750	73.97
Expired during the year	-		-	
Outstanding at 31 December	2,054,813	145.01	1,855,750	121.95
Exercisable at 31 December	167,938		134,250	

The weighted average remaining contractual life for the share options outstanding on 31 December 2013 is 3.07 years (2012: 3.21 years).

The weighted average fair value of options granted during 2013 was NOK 69.78. The weighted average fair value of options granted during 2012 was NOK 76.89.

The range of strike prices for options outstanding at the end of the year was NOK 78.66 - NOK 181.90 (2012: NOK 70.80 - NOK 174.40).

The following table lists the input to the Black & Scholes model:

	2013	2012
Expected volatility		
For options vested after 3 year	0.41	0.53
For options vested after 4 year	0.48	0.59
Expected risk-free interest rate		
For options vested after 3 year	1.75%	1.45%
For options vested after 4 year	1.90%	1.50%
Expected life of options beyond vesting period (years)	1.00	1.00
Expected annual turnover of employees	1.00%	1.00%
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.

The fair value of the SARs is measured at every reporting date, and per 31 December 2013, the liability arising from the plan amounted to USD 3.2 million.

Outstanding Stock Options/Warrants as of 31 December 2013:

No. of Options	Exercise dates	Holders	Price / conditions	Granted
83,250	See below[1)]	Key employees	NOK 78.66 Warrants expiring on 4 June 2014	13 August 2009
542,000	See below[2)]	Key employees	NOK 113.80 Secured by treasury shares. Options expiring on 7 June 2016	11 August 2011
566,000	See below[3)]	Key employees	NOK 174.40 Secured by treasury shares. Options expiring on 5 June 2017	9 August 2012
591,500	See below[4)]	Key employees	NOK 181.90 Warrants expiring on 4 June 2018	8 August 2013
1,782,750				

Outstanding SARs as of 31 December 2013:

No. of SARs	Exercise dates	Holders	Price/ conditions	Granted
272,063	See below[5)]	Key employees	NOK 86.15 SARs expiring on 3 June 2015	12 August 2010
272,063				

1) The holders may request shares issued in exchange for warrants as follows: Up to 25% beginning 13 August 2010, up to 50% beginning 13 August 2011 less previously exercised, up to 75% beginning 13 August 2012 less previously exercised and 100% beginning 13 August 2013 less previously exercised.

2) The holders may request shares in exchange for the stock options as follows: Up to 50% beginning 11 August 2014 and 100% beginning 11 August 2015 less previously exercised.

3) The holders may request shares in exchange for the stock options as follows: Up to 50% beginning 9 August 2015 and 100% beginning 9 August 2016 less previously exercised.

4) The holders may request shares in exchange for the stock options as follows: Up to 50% beginning 8 August 2016 and 100% beginning 8 August 2017 less previously exercised.

5) The holders may request exercise of up to 50% of the SARs beginning 12 August 2013 and 100% beginning 12 August 2014 less previously exercised.

All stock options become immediately exercisable should a change of control occur as defined in the stock option plans. Additionally, terminated employees may exercise vested options and/or exchange warrants if an active exercise period is in progress at the time employment is terminated or, provided the employment was not terminated for cause, during the first exercise period that begins after the termination date.

9 Earnings per Share

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

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of TGS 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 (stock options) into ordinary shares.

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

	2013	2012
Net profit attributable to ordinary equity holders of the Parent	269,178	284,453
Weighted average number of ordinary shares (excluding treasury shares) for basic earnings per share	102,210	101,827
Effect of dilution:		
Share options	1,555	1,189
Weighted average number of ordinary shares (excluding treasury shares) adjusted for effect of dilution	103,765	103,016
Basic earnings per share	2.63	2.79
Diluted earnings per share	2.59	2.76

On 20 February 2014, employees exercised 31,500 stock options. There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

10 Equity and Shareholders Authorizations

Ordinary Shares Issued and Fully Paid

	Number of shares	USD
1 January 2012	103,424,374	3,713
Issued 29 February 2012 for cash on exercise of stock options	50,250	2
Issued 21 May 2012 for cash on exercise of stock options	5,000	-
Cancelled 194,650 treasury shares held 16 August 2012	(194,650)	(9)
Issued 22 August 2012 for cash on exercise of stock options	82,000	4
Issued 20 November 2012 for cash on exercise of stock options	64,500	3
31 December 2012	103,431,474	3,712
Issued 26 February 2013 for cash on exercise of stock options	19,250	1
Issued 15 May 2013 for cash on exercise of stock options	5,000	-
Issued 21 August 2013 for cash on exercise of stock options	59,000	2
Issued 11 November 2013 for cash on exercise of stock options	7,000	-
31 December 2013	103,521,724	3,716

Treasury Shares

TGS, 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, used in relation to exercise of employees' stock options, or eventually cancelled. As of 31 December 2013 TGS held 1,416,200 treasury shares, 1.4% of the total shares issued (2012: 1,317,200 shares, 1.3%).

The following table shows the movement of treasury share holdings:

	Number of shares	USD
1 January 2012	1,816,250	76
Treasury shares used to cover exercises and distributed to Board members (Note 7 and 8)	(304,400)	(11)
Cancellation of treasury shares in 2012	(194,650)	(9)
31 December 2012	1,317,200	57
Treasury shares used to cover exercises and distributed to Board members (Note 7 and 8)	(96,000)	(3)
Shares bought back in 2013	195,000	8
31 December 2013	1,416,200	62

Shareholders' Authorization to the Board to Increase Share Capital in the Company

By resolution of the Annual General Assembly held 4 June 2013, the Board is authorized to, on behalf of the Company, increase share capital of the company with up to NOK 2,586,286 by issuance of up to 10,345,072 new shares, each at the par value of NOK 0.25. This authorization shall be valid until the Annual General Assembly in 2014, but no later than until 30 June 2014. The Board of Directors may resolve that the shareholders shall not have their pre-emption rights to subscribe for the new shares as stipulated in the Public Limited Companies Act section 10-14. This authority includes capital increase by issuance of new shares both against payment in cash and against payment in kind. The authorization can be used in connection with a merger in accordance with the Public Limited Companies Act section 13-5.

Shareholders' Authorization to the Board to Buy Back Shares in the Company

By resolution of the Annual General Assembly held 4 June 2013, the Board is authorized to, on behalf of the Company, acquire the Company's own shares for an aggregate par value of NOK 2,600,000, provided that the total amount of own shares at no time exceed 10% of the Company's share capital. The lowest price to be paid per share shall be NOK 0.25 and the highest price to be paid per share shall be the price as quoted on the stock exchange at the time of acquisition plus 5%. Acquisition and sale of the Company's own shares can take place in the manner which the Board of Directors considers to be in the Company's best interest, but not through subscription of new shares. This authorization expires on 4 June 2014.

The Company acquired 195,000 own shares during 2013 related to this authorization.

Dividends Paid and Proposed

The Board of Directors propose to the shareholders at the June 2014 Annual General Meeting a dividend of NOK 8.50 per share of outstanding common stock.

The Annual General Assembly held 4 June 2013 approved the Board of Directors' proposal to distribute dividend for 2012 of NOK 8 per share. Following this approval, dividend payments totalling USD 142.2 million were made.

The 20 Largest Shareholders as of 31 December 2013 as Registered with VPS:

NAME	COUNTRY		SHARES	%
FOLKETRYGDFONDET	NORWAY		7,017,272	6.9%
J.P. MORGAN LUXEMBOURG S.A.	GREAT BRITAIN	NOM	6,966,833	6.8%
THE BANK OF NEW YORK MELLON	U.S.A.	NOM	5,294,543	5.2%
RBC INVESTOR SERVICES TRUST	GREAT BRITAIN	NOM	3,594,612	3.5%
J.P. MORGAN CHASE BANK N.A. LONDON	GREAT BRITAIN	NOM	3,540,212	3.5%
STATE STREET BANK & TRUST COMPANY	U.S.A.	NOM	3,485,949	3.4%
CLEARSTREAM BANKING S.A.	LUXEMBOURG	NOM	3,124,517	3.1%
STATE STREET BANK AND TRUST CO.	U.S.A.	NOM	3,048,621	3.0%
PARETO AKSJE NORGE	NORWAY		2,485,356	2.4%
MONTANARO EUROPEAN SMALLER COMPANI	BELGIUM		1,687,800	1.7%
FIDELITY FUNDS	GREAT BRITAIN		1,644,670	1.6%
STATE STREET BANK AND TRUST CO	U.S.A.	NOM	1,593,595	1.6%
THE BANK OF NEW YORK MELLON	U.S.A.	NOM	1,402,269	1.4%
HAMILTON, HENRY HAYWOOD	U.S.A.		1,352,400	1.3%
THE NORTHERN TRUST COMPANY LTD.	NORWAY	NOM	1,250,292	1.2%
J.P. MORGAN CHASE BANK N.A. LONDON	GREAT BRITAIN	NOM	1,245,742	1.2%
VERDIPAPIRFONDET DNB NORGE (IV)	NORWAY		1,216,454	1.2%
THE BANK OF NEW YORK MELLON	U.S.A.	NOM	1,194,357	1.2%
J.P. MORGAN CHASE BANK N.A. LONDON	GREAT BRITAIN	NOM	1,181,582	1.2%
STATE STREET BANK AND TRUST CO.	U.S.A.	NOM	1,110,609	1.1%
20 largest shareholders			**53,437,685**	**52.3%**
Total number of shares (excluding treasury shares), par value of NOK 0.25			**102,105,524**	**100.0%**

Norwegian shareholders held 26,881,413 (26.3%) of TGS' outstanding shares (excluding treasury shares) at 31 December 2013. Shares held in treasury at 31 December 2013 were 1,416,200.

11 *Cash and Cash Equivalents*

Cash and cash equivalents include demand deposits and high liquid instruments purchased with maturities of three months or less.

Cash and cash equivalent	2013	2012
Bank deposits	280,088	337,927
Restricted cash deposits	600	746
Total cash bank deposits	**280,688**	**338,673**

The bank deposits are mainly denominated in USD. Restricted cash deposits are for employee tax withholdings.

12 *Related Parties*

Terms and Conditions of Transactions with Related Parties

No material transactions took place during 2013 or 2012 with related parties.

All companies within TGS are 100% owned, directly or indirectly, by the Parent Company except for Calibre Seismic Company which is owned 50%. See Note 26 for further information about the subsidiaries. Internal transactions are eliminated in the consolidated financial statements and do not represent transactions with related parties.

See Note 7 for further information of the remuneration to the Board of Directors and to the executive management.

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Financial Risk Management Objectives and Policies

TGS has various financial assets such as accounts receivables, cash and financial investments available for sale, which arise directly from its operations. These are mainly held in USD, which is the functional currency to most of TGS' entities. TGS' principal financial liabilities comprise of trade payables and other current liabilities. The main source for financing is equity. TGS does not hold any currency or interest rate swaps.

It is, and has been, TGS' policy that no trading in derivatives shall be undertaken. The main risks arising from the financial risk management are currency risk, liquidity risk and credit risk.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

Currency Risk

Major portions of TGS' revenues and costs are in US dollars. Due to this, TGS' operational exposure to exchange rate fluctuation is low. However, as the Parent Company pays taxes in Norwegian kroner to Norwegian Tax Authorities and dividends to shareholders in Norwegian kroner, fluctuations between the NOK and the USD impact currency exchange gains or losses on tax expense and financial items of the consolidated accounts. For taxes payable in NOK, a change of 10% on the NOK/USD currency exchange rate could have an impact of equity of approximately USD 7.4 million (2012: USD 7.2 million) with a corresponding effect to profit or loss.

Liquidity Risk

Liquidity risk arises from a lack of correlation between cash flow from operations and financial commitments. Management considers the liquidity risk as low. Per the balance sheet date, TGS held current assets of USD 731.2 million, of which cash and cash equivalents represent USD 280.7 million and current liabilities USD 341.5 million.

The table shows a maturity analysis for the different financial items:

2013	0-6 months	6-12 months	> 1 year	Total
Accounts payable and debt to partners	155,830	4,965	-	160,795
Other non-current liabilities	-	-	16,698	16,698
Total	**155,830**	**4,965**	**16,698**	**177,493**

2012	0-6 months	6-12 months	> 1 year	Total
Accounts payable and debt to partners	201,914	-	-	201,914
Other non-current liabilities	-	-	4,356	4,356
Total	**201,914**	**-**	**4,356**	**206,270**

Credit Risk

All placements of excess cash are either bank deposits or in financial instruments that at minimum carry an "investment grade" rating. TGS' clients are oil and gas companies. TGS is exposed to credit risk through sales and uses best efforts to manage this risk.

For details of the accounts receivables, please see note 16.

TGS from time to time accepts extended payment terms on parts of firm commitments from clients. To the extent these terms do not carry interest compensation to be paid by clients, the revenues recognized by TGS are discounted to reflect this element. TGS may also seek extra security from the clients in certain cases, such as overriding royalty interest agreements (ORRIs) or carried interest in an exploration license held by the client or a conversion right to equity.

At 31 December 2013, none of the outstanding accounts receivable were secured by ORRIs.

For details on other financial assets, please see note 14

Political Risk

TGS' investments in multi-client surveys are to a certain extent exposed to risk associated with change in political climate or regimes around the world.

Oil and Gas Prices

The activities of TGS' clients, oil and gas companies, change following shifts in commodity prices in the market or future expectations of such. This impacts TGS' activity and profitability.

Capital Management

The goals for TGS' capital management of funds held are to:

1. Protect and preserve investment principal
2. Provide liquidity
3. Return a market rate of return or better

The main source for financing is equity. As per 31 December 2013, total equity represented 74% of total assets.

Fair Value of Financial Instruments

Set out below is a comparison by class of the book value and fair value of the financial instruments that are carried in the financial statements.

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents, accounts receivables and other short term receivables approximate their carrying amounts largely due to the short-term maturities of these instruments
- Fair value of available-for-sale financial assets (ARS) are estimated using appropriate valuation techniques
- Fair value of other financial non-current assets is evaluated by TGS based on parameters such as interest rates and the individual creditworthiness of the counterparty
- Fair value of other financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities

			Financial Instruments by Category		
2013	Carrying Amount	Fair Value	Loans and Receivables	Available for Sale	Other Financial Liabilities
Financial Assets					
Auction rate securities (ARS)	3,868	3,868	-	3,868	-
Other non-current assets	56,018	56,018	56,018	-	-
Total	**59,886**	**59,886**	**56,018**	**3,868**	**-**
Financial Liabilities					
Other non-current liabilities	16,698	16,698	-	-	16,698
Total	**16,698**	**16,698**	**-**	**-**	**16,698**

				Financial Instruments by Category		
2012	Carrying Amount	Fair Value		Loans and Receivables	Available for Sale	Other Financial Liabilities
Financial Assets						
Auction rate securities (ARS)	3,689	3,689		-	3,689	-
Other non-current assets	16,828	16,828		16,828	-	-
Total	**20,517**	**20,517**		**16,828**	**3,689**	**-**
Financial Liabilities						
Other non-current liabilities	4,356	4,356		-	-	4,356
Total	**4,356**	**4,356**	**-**	**-**	**-**	**4,356**

Fair Value Hierarchy

TGS uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

The fair values of the auction rate securities have been determined by using a level 2-technique. Note 15 describes this further.

Other non-current assets comprise receivables with extended payment terms and two loans to the E&P Holding Group. Together with the related revenue share agreements which go into "Other non-current liabilities", fair values of the two loans and the receivables with extended payment terms have been determined by using a level 3-technique.

In 2013, TGS recognized USD 0.1 million as a financial income in the statement of comprehensive income with respect to the available for sale investments (2012: USD 3.8 million) and USD 0 as a financial expense (2012: USD 0). USD 0 was recognized as a loss in other comprehensive income in 2013 with respect to the available for sale investments (2012: Loss of USD 1.7 million).

14 Other Financial Assets and Liabilities

Other Financial Assets

	Note	2013	2012
Loans and receivables			
Other non-current receivables		42,204	3,014
Interest bearing loans		13,814	13,814
Total loans and receivables		**56,018**	**16,828**
Available for sale investments			
Auction rate securities	15	3,868	3,689
Total loans and receivables		**3,868**	**3,689**
Total other financial assets		**59,886**	**20,517**
Total current		**3,868**	**3,689**
Total non-current		**56,018**	**16,828**

Other Financial Liabilities

	Note	2013	2012
Other financial liabilities			
Interest bearing loans		4,285	4,285
Other non-current liabilities		12,413	71
Total other financial liabilities		**16,698**	**4,356**
Total current		-	-
Total non-current		**16,698**	**4,356**

Interest Bearing Loans

During 2013, one of the two loans to the E&P Holding Group has been interest bearing at a rate equal to the default interest rate from time to time prescribed for under the Norwegian Default Interest Act. Due to the uncertainty related to the collectability, TGS has not recognized any interest revenue during 2013.

TGS has considered the fair values of the loans and the revenues share agreements at USD 9.5 million per 31 December 2013. No changes have been made to the fair value considerations during 2013.

15 Available for Sale Financial Investments (ARS)

Security	Quantity	Cost Price	Fair Value	Unrealized Write-down	Accrued Interest	Fair Value Plus Accrued Interest
Neuberger Berman Intermediate Municipal Fund	195	4,875	3,868	(1,007)	0.11	3,868

As of 31 December 2013, TGS held USD 4.9 million in Auction Rate Securities (ARS) comprised of AAA-rated closed-end funds.

The ARS portfolio is deemed to be a current financial investment available for sale. As of 31 December 2013, the ARS portfolio was valued by an external party.

The fair value valuation resulted in a net depreciation of the book value of the ARS amounting to USD 1.0 million (2012: net depreciation of USD 1.2 million).

For 2013 a net gain of USD 0.1 million has been recognized through Other Comprehensive Income related to the effects of fair value changes of the ARS portfolio (2012: net loss of USD 1.7 million).

Factors that may impact valuation of the ARS portfolio include comparable secondary market sales, length of maturity, potential for redemptions, credit ratings of the securities and underlying assets, ARS maximum yields and market interest rates. Key assumptions used in the valuation technique are the weighting given to the comparable transactions and discounted cash flows models (3:1) and the assumed term to a liquidity event (8-13 years) based on maturity and redemption potential.

Either a 1% change in the price of comparable secondary market sales or a one year change in the term to a liquidity event will result in a USD 0.1 million fair value gain or loss.

16 Accounts Receivables and Other Short-Term Receivables

Accounts receivables are stated in the balance sheet at net realizable value.

For certain multi-client library projects, TGS has cooperation agreements whereby revenues are shared with other companies. In such situations accounts receivables are presented gross, while the related partnershare is presented within "Accounts payable and debt to partners". See note 23 for a breakdown of gross revenues and revenue sharing.

In cases where extended payment terms have been agreed, the time-value-of-money is reflected in the stated amount.

	2013	2012
Accounts receivables	241,474	285,529
- Provision for impairment of accounts receivables	(7,135)	(3,774)
Accounts receivables - net	234,339	281,755
Accrued revenues	172,493	129,471
Other short-term receivables	39,798	46,962
Total	**446,630**	**458,188**

The aging of the accounts receivables is as follows:

	Total	Not due	< 30 days	30 - 60 days	60 - 90 days	90 - 120 days	Over 120 days
2013	234,339	184,879	15,290	4,536	3,276	1,811	24,547

	Total	Not due	< 30 days	30 - 60 days	60 - 90 days	90 - 120 days	Over 120 days
2012	281,755	222,180	19,149	14,758	1,224	3,001	21,443

Receivables with impairment provisions are all within the aging group "Over 120 days".

Movements on TGS' provision for impairment of accounts receivables are as follows:

	2013	2012
At 1 January	3,774	3,474
Provision for receivables impairment	3,387	300
Receivables written off during the year as uncollectible	(26)	-
Unused amount reversed	-	-
At 31 December	**7,135**	**3,774**

The provision for impaired receivables has been included in "Other operating expense" in the statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

For a description of credit risk, see Note 13.

17 Accounts Payables and Other Payables

	2013	2012
Accounts payable and debt to partners	160,795	201,914
Other current liabilities	100,081	93,242
Total accounts payable and other payables	**260,876**	**295,156**

Accounts payables are non-interest bearing and are normally settled on 30-day terms.

Other current liabilities consist of accrued expenses and deferred revenues.

18 Bank Overdraft Facility and Guarantees

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 31 December 2013 TGS had not drawn on this facility (2012: USD 0 million).

Book value of assets used as collateral:	2013	2012
Accounts receivable	84,323	74,410
Multi-client library	562,021	468,675
Machinery, equipment	2,399	1,910
Total	**648,743**	**544,995**

Demand Revolving Credit Facility (Canada): Limit CAD 2.0 million. The facility can be drawn through CAD direct advances at Canadian Prime, USD direct advances at US Base Rate, CAD Bankers Acceptances and Letter of Credit. Terms: CAD Prime and US Base Rate + 0.75% per annum on drawn amounts. CAD Bankers Acceptances and Letters of Credit at CAD Prime +2.00% per annum on drawn amounts. Per 31 December 2013, TGS had drawn USD 0.2 million on the facility (2012: USD 0.2 million).

The facility is secured by a general security agreement over all of Arcis Seismic Solutions Corp.'s assets.

Bank Guarantees

Per 31 December 2013, TGS' bank has issued five bank guarantees on behalf of TGS of USD 10.3 million related to seismic programs.

19 Commitments and Contingencies

Operating Leases - Group as Lessee

TGS has entered into commercial leases on certain office premises, office equipment and hardware. The leases for premises expire between 1-10 years and have renewal options. There are no restrictions placed upon the lessee by entering into these leases.

Operating leases of USD 9.0 million were recognized as expenses in 2013.

Future minimum payments for operating leases at 31 December are as follows:

	2013	2012
Within one year	18,063	10,664
After one year but not more than five years	45,790	28,474
More than five years	29,088	33,205
	92,941	**72,343**

TGS has entered into commitments for charter hire of five 3D seismic acquisition vessels and three 2D seismic acquisition vessels. All these commitments will expire in 2014, and the amounts committed total USD 134.0 million for the year 2014. In addition, TGS has made commitments for three land crews for land seismic projects. These commitments total USD 9.9 million, and the commitments will expire in 2014.

20 Events After the Balance Sheet Date

To the best of the management's and the Directors' knowledge, no other significant subsequent events not described in this Annual Report have occurred since 31 December 2013 that would impact the financial statements as presented for 2013.

21 Contingent Liabilities

Brenham Oil filed against TGS, among others, for tortious interference with prospective relations and participatory liability for aiding and abetting concerning a deepwater concession in the Republic of Togo. Brenham claims that TGS worked with another company to ensure that Brenham was not awarded the concession. Brenham has claimed damages which TGS' damages evaluation expert has determined to be unrealistic and based upon false assumptions and improper modeling. The court has dismissed the case on the grounds of forum non-conveniens. Brenham is appealing the motion to the Texas Court of Appeals. The appellate process will likely not conclude until late in 2015.

TGS is vigorously defending the claim. No provision is recognized related to Brenham Oil's claim.

22 Environmental Conditions

TGS interacts with the external environment through the collection of seismic data and operation of vessels. TGS continues to work actively to minimize any impact on the environment. Regularly, monitoring and controls are carried out in order to limit the risk of pollution. It is TGS' policy to comply with national and international regulations.

23 Gross and Net Revenues

TGS shares certain multi-client revenue with other companies. Operating revenue is presented net of portion shared. The table below provides the breakdown of gross revenue for 2012 and 2013.

	2013	2012
Gross revenues from sales	1,114,470	1,180,447
Revenue sharing	(231,026)	(248,208)
Net revenues	**883,444**	**932,239**

24 Financial Items

	2013	2012
Interest income	6,758	4,600
Exchange gains	147	981
Gain on financial investments available for sale	-	3,865
Other financial income	653	826
Total financial income	7,558	10,272
Interest expense	(3,342)	(351)
Exchange loss	(9,419)	(4,414)
Other financial expenses	(313)	(261)
Total financial expenses	(13,074)	(5,026)
Net financial items	**(5,516)**	**5,246**

25 Tax Expense and Deferred Tax

	2013	2012
Profit before taxes		
Norway	270,200	268,060
Outside Norway[1]	111,260	139,490
Total profit before taxes	381,460	407,550
Current taxes		
Norway[2]	110,085	77,508
Outside Norway	31,818	37,268
Total current taxes	141,903	114,776
Deferred taxes		
Norway	(30,651)	927
Outside Norway	1,102	7,314
Total deferred taxes	(29,549)	8,241
Income tax expense reported in the income statement	**112,354**	**123,017**

1) Includes subsidiaries outside Norway

2) Of the current taxes, USD 42.6 million (net) were paid during 2013 as consequence of the resolution received from the Norwegian Tax Authorities in May 2013 stating that the depreciation rates for tax purposes should follow the depreciation rates used in the financial statements.

Income tax expense for the year reported in the income statement	2013	2012
Current tax on net income	141,903	114,776
Deferred tax - changes	(29,549)	8,241
Total tax expense for the year	112,354	123,017
Effective average tax rate	29%	30%

Tax expense related to other comprehensive income	2013	2012
Items related to deferred tax:		
Unrealized gain/loss on available for sale financial assets	(62)	554
Exchange differences on translation of foreign operations	-	-
Tax expense - other comprehensive income	(62)	554

	2013	2012
Profit before taxes:	381,460	407,550
Expected income taxes according to corporate income tax rate in Norway (28%)	106,811	114,121
Tax rates outside Norway different from 28%	6,319	8,092
Adjustment in respect of current income tax of previous year	(1,030)	(1,116)
Deferred tax asset related to stock options	906	(57)
Change in deferred tax asset not recognized	-	367
Non-taxable income	(2,271)	(3,337)
Tax effect on exchange gain on dividend	1,929	549
Non-deductible expenses	4,686	2,911
Currency effects	(4,996)	1,488
Income tax expense	**112,354**	**123,017**
Effective tax rate in %	29%	30%

Comments on Selected Line Items in the Preceding Table

Tax Rates Outside Norway Different from 28%

The tax rates for subsidiaries outside Norway are in average higher than the Norwegian 28% tax rate. The most significant effects were that the US subsidiaries have a tax rate of 35%.

Deferred Tax Asset Related to Stock Options

In some tax jurisdictions, TGS receives a tax deduction in respect of remuneration in the form of stock options. TGS recognizes an expense for employee services in accordance with IFRS 2 which is based on the fair value of the award at the date of the grant. The tax deduction is not received until the stock options are exercised and is based on the intrinsic value of the award at the date of exercise. In accordance with IAS 12, the tax relief must be allocated between profit or loss and equity so that the amount of the tax deduction exceeding the cumulative cost of stock options expensed by TGS is recognized directly to equity.

Tax Effect on Exchange Gain on Dividend

The Parent Company recognized an exchange gain related to the dividend accrual due to financial statements reported in accordance with general accepted accounting practices in Norway. The exchange gain is taxable for the Parent Company, but the exchange gain does not qualify for recognition according to IFRS.

Deferred Tax Asset Not Recognized

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.

TGS does not have any unused tax losses and deductible temporary differences where no deferred tax assets are recognized in the balance sheet.

Currency Effects

TGS' units that do not have their tax base in USD are exposed to changes in the USD/tax base-currency rates. Effects within the current year are classified as tax expense.

Tax Effect of Temporary Differences and Tax Loss Carry-forwards as of 31 December	2013	2012
Differences that give raise to a deferred asset or a deferred tax liability:		
Multi-client library/well logs	33,446	(111,016)
Fixed assets	(23,987)	(21,512)
Revenues on WIP seismic projects	(108,878)	-
Goodwill	(4,628)	(1,887)
Accruals	5,795	9,160
"Correction income"[1]	-	11,232
Accounts receivable	8,771	5,213
Tax losses carried forward	9,668	16,110
Deferred revenue	(34)	(5,486)
Stock options	1,043	2,464
Financial instruments	352	180
Other	42	(43)
Total net deferred tax liability	**(78,407)**	**(95,583)**
Of which:		
Deferred tax asset	**6,645**	**17,897**
Deferred tax liability	**85,052**	**113,480**

Change in net deferred tax liability	2013	2012
As of 1 January	95,583	89,910
Recognized in profit or loss	(29,549)	8,241
Acquisition of subsidiary	-	(1,395)
Taxes on "correction income" paid for 2010 [1]	11,232	-
Taxes charged to equity	-	-
Currency effects	1,141	(1,173)
As of 31 December	**78,407**	**95,583**

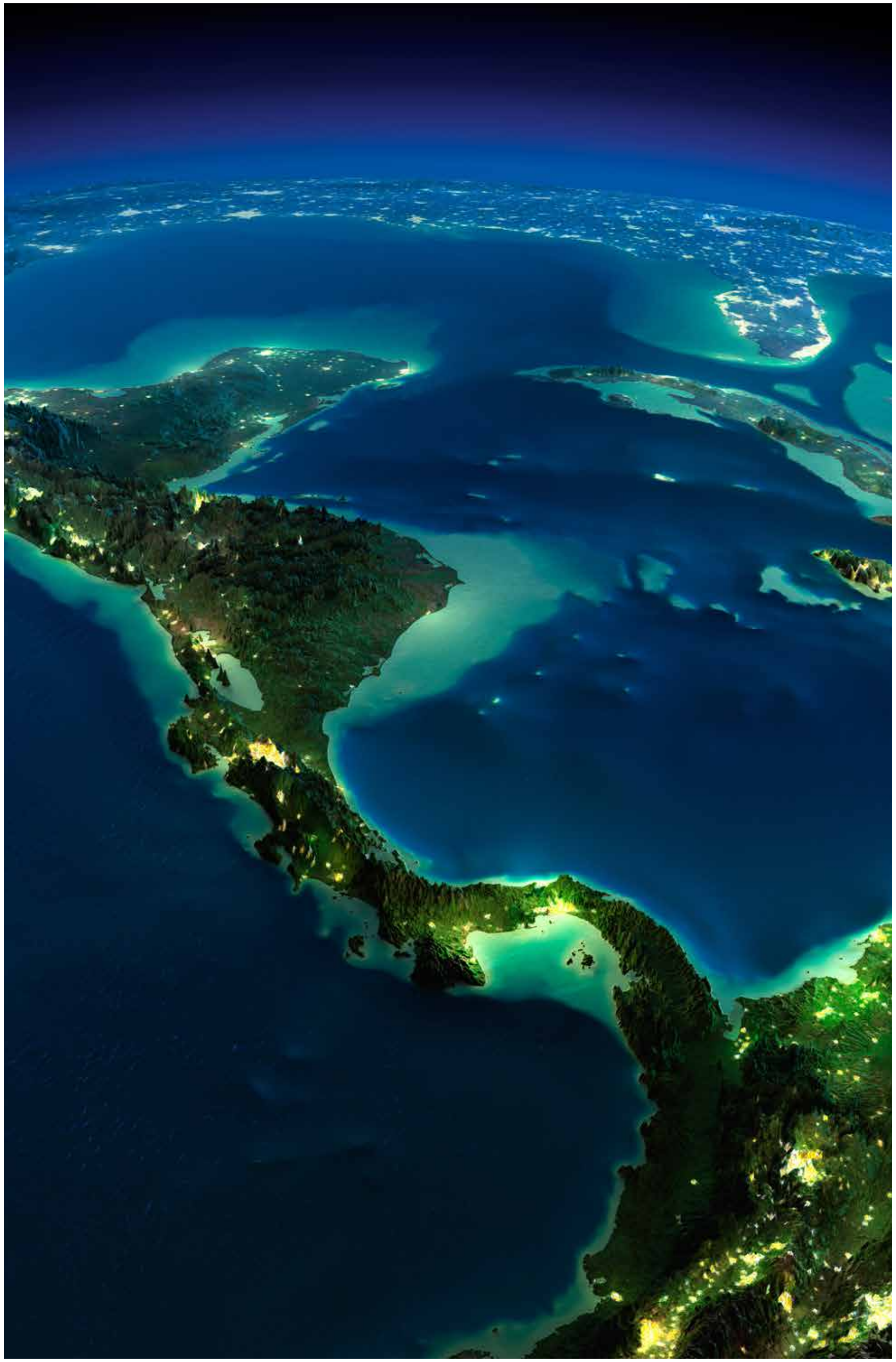
1) The so-called "correction income" is an adjustment of the tax base for deferred taxed income that is distributed to shareholders and implies that deferred taxes become payable if the deferred tax base is distributed as dividends. These rules were abolished with effect from 2012 and were applied for the last time on regular dividend distributions related to the 2011 financial statements that were approved at the Annual General Meeting in June 2012. From the income year 2012, companies could start reversing previously paid correction taxes. Per 31 December 2013, TGS has reversed all previously paid correction taxes.

Resolution from the Norwegian Tax Authorities

TGS received a letter from the Norwegian Tax Authorities in October 2011 questioning TGS' historical taxable depreciations of the multi-client library. TGS has during 2011 to 2013 responded with documentation. On 15 May 2013, TGS received a resolution from the Norwegian Tax Authorities stating that depreciation rates for tax purposes should follow the depreciation rates used in the financial statements. Further, the taxable revenue recognition and depreciation should not commence until the final product is ready for delivery to a client. The resolution implied an increased taxable income by approximately NOK 1.1 billion for the period up to and including 2011. Including a reversal of correction income, net tax payments of USD 42.6 million have been made in 2013 related to the income years 2009-2011.

The resolution had a one-off cash effect and has an impact on the timing of future tax payments compared to how the Company previously has presented its financial statements. Except for interest expenses related to the tax payments and foreign exchange gains/loss related to the NOK tax invoices, there are no effects to the income statement related to the resolution. The resolution implied a reclassification between deferred tax liabilities and taxes payable in the balance sheet.

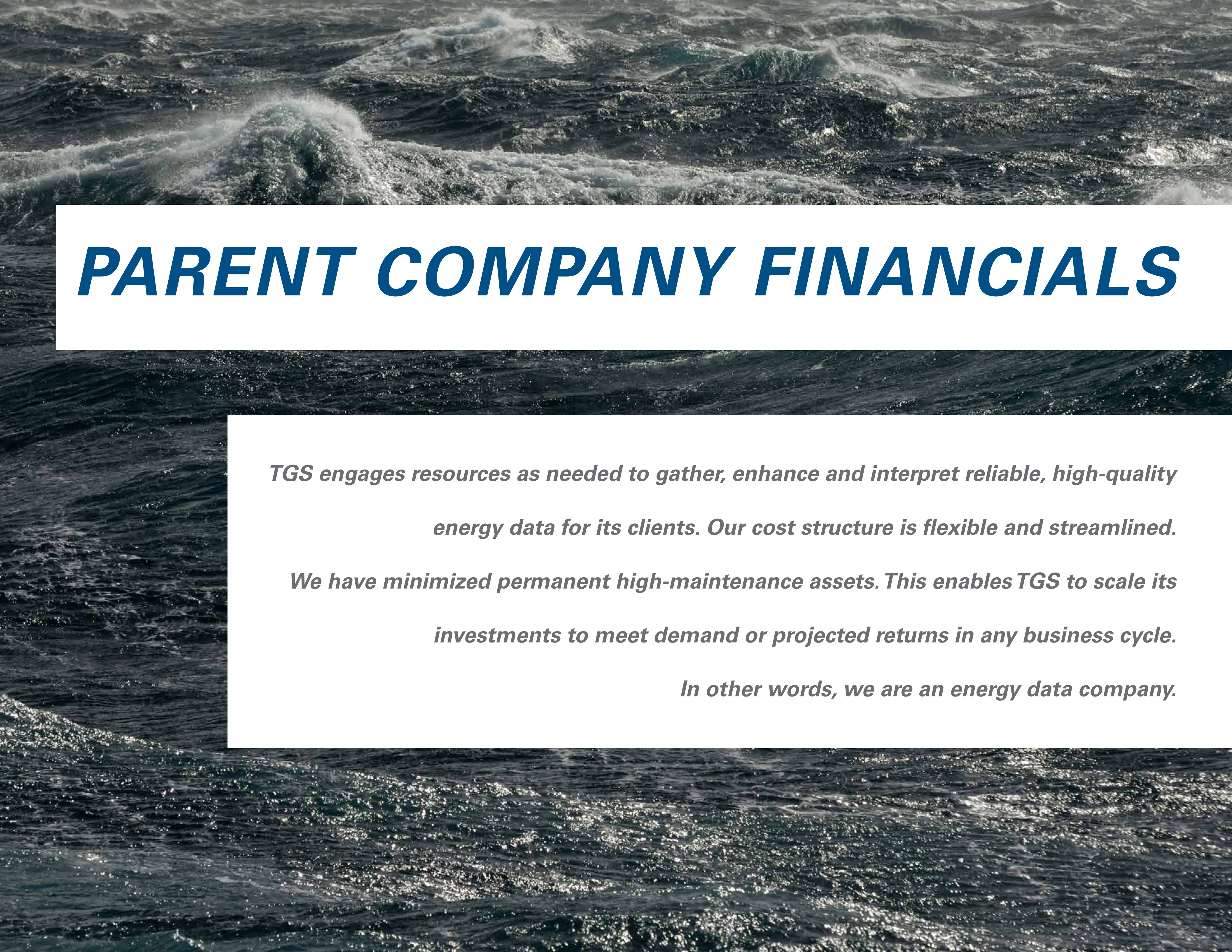
TGS does not agree with the resolution from the Norwegian Tax Authorities and has issued a writ to the Oslo district court. TGS expects the trial to take place in 2014.



26 Subsidiaries

TGS consists of:

Company Name	Country of Incorporation	Main Operations	Ownership	Voting Power
TGS-NOPEC Geophysical Company ASA	Norway	(Parent Company) Invests in multi-client seismic data		
Marine Exploration Partners AS	Norway	Managed vessel under charter until 2010	100%	100%
TGS AP Investments AS	Norway	Invests in multi-client seismic data	100%	100%
Maglight AS	Norway	Developed new acquisition methods for aeromagnetic data	100%	100%
Magsurvey, Ltd.	UK	Developed new acquisition methods for aeromagnetic data	100%	100%
TGS-NOPEC Geophysical Company	USA	Provides seismic data processing and data management, and brokerage for multi-client projects owned by the Parent Company. The Company from time-to-time invests in multi-client projects	100%	100%
A2D Technologies Inc	USA	Digitizing and marketing well log data and providing related services	100%	100%
Parallel Data Systems, Inc.	USA	Seismic data processing services	100%	100%
TGS do Brasil Ltda	Brasil	Invests in multi-client seismic data	100%	100%
Calibre Seismic Company	USA	Invests in multi-client seismic data	50%	50%
TGS-NOPEC Geophysical Company , Ltd.	UK	Seismic data processing and acts as broker for multi-client projects owned by the Parent Company	100%	100%
TGS Geological Products and Services Ltd	UK	Seismic data interpretive products and subsurface consulting services	100%	100%
TGS Geophysical Company (UK) Ltd	UK	Holds license to commercialize fibre-optic sensing technology for permanent reservoir monitoring, provides seismic data processing and interpretive products and acts as broker for multi-client projects owned by the Parent Company	100%	100%
Aceca Norge AS	Norway	Seismic data interpretive products and subsurface consulting services	100%	100%
TGS-NOPEC Geophysical Company PTY, Ltd.	Australia	Provides seismic data processing and data management, and brokerage for multi-client projects owned by the Parent Company. The Company from time-to-time invests in multi-client projects	100%	100%
TGS-NOPEC Geophysical Company PTE, Ltd.	Singapore	Brokerage services for multi-client projects owned by other TGS companies	100%	100%
Arcis Seismic Solutions Corp.	Canada	Invests in multi-client seismic data and provides seismic data processing	100%	100%
TGS-NOPEC Geophysical Company Moscow, Ltd.	Russia	Provides seismic data processing and act as broker for multi-client projects owned by the Parent Company	100%	100%
MxP Marine Seismic Services Ltd.	Cyprus	Operated a vessel under charter until 2010	100%	100%
Rimnio Shipping,	Cyprus	Dormant	100%	100%



PARENT COMPANY FINANCIALS

TGS engages resources as needed to gather, enhance and interpret reliable, high-quality energy data for its clients. Our cost structure is flexible and streamlined. We have minimized permanent high-maintenance assets. This enables TGS to scale its investments to meet demand or projected returns in any business cycle. In other words, we are an energy data company.

INCOME STATEMENT

All amounts in USD 1,000s

	Note	2013	2012
Net revenues	17	**665,781**	671,461
Net revenues		**665,781**	**671,461**
Cost of goods sold - proprietary and other		**336**	264
Amortization of the multi-client library	3	**271,537**	322,032
Personnel costs	4	**12,238**	13,152
Cost of stock options	4	**758**	642
Other operating expenses	13,18	**97,809**	57,682
Depreciation, amortization and impairment	2,3	**542**	1,853
Total operating expenses		**383,220**	**395,625**
Operating profit		**282,560**	**275,836**
Interest income	15	**3,497**	1,859
Financial Income	15	**147**	618
Exchange gains/losses	15	**(695)**	(1,824)
Interest expenses	15	**(4,001)**	(643)
Financial expenses	15	**(23)**	(25,892)
Net financial items		**(1,075)**	**(25,883)**
Profit before taxes		**281,485**	**249,953**
Tax expense	16	**74,059**	78,376
Net income		**207,426**	**171,577**
Profit for the year is proposed allocated as follows:			
Dividends	6	**142,659**	146,758
To other equity	6	**64,767**	24,819
Total allocated		**207,426**	**171,577**

BALANCE SHEET

As of 31 December. All amounts in USD 1,000s

	Note	2013	2012
Assets			
Non-current assets			
Intangible non-current assets			
Multi-client library	3,12	**562,021**	468,675
Other intangible assets	3	**-**	-
Total intangible non-current assets		**562,021**	**468,675**
Tangible non-current assets			
Machinery and equipment	2,12	**2,399**	1,910
Total tangible non-current assets		**2,399**	**1,910**
Financial non-current assets			
Investments in subsidiaries	7,21	**117,485**	109,903
Other non-current assets	18	**55,121**	13,798
Total financial non-current assets		**172,605**	**123,701**
Total non-current assets		**737,025**	**594,286**
Current assets			
Receivables			
Accounts receivable	9	**230,272**	172,413
Current receivables group companies	10	**32,524**	39,844
Other receivables	9	**24,278**	21,166
Total receivables		**287,074**	**233,423**
Cash and cash equivalents	8	**149,153**	155,461
Total current assets		**436,226**	**388,884**
Total assets		**1,173,252**	**983,170**

BALANCE SHEET

As of 31 December. All amounts in USD 1,000s

	Note	2013	2012
Equity and Liabilities			
Equity			
Paid-in capital			
Share capital	5,6	**3,716**	3,712
Treasury shares held	5,6	**(61)**	(57)
Share premium	6	**57,206**	56,008
Other paid-in capital	6	**4,324**	3,566
Total paid-in capital		**65,184**	**63,229**
Retained earnings			
Other equity	6	**269,270**	208,264
Total retained earnings		**269,270**	**208,264**
Total equity		**334,454**	**271,493**
Liabilities			
Non-current liabilities			
Other non-current liabilities	18	**16,698**	4,285
Deferred tax	16	**44,171**	80,743
Total non-current liabilities		**60,869**	**85,029**
Current liabilities			
Accounts payable and debt to partners		**136,987**	175,124
Current liabilities group companies	10	**381,536**	212,833
Taxes payable	16	**72,149**	66,157
Social security, VAT and other duties		**957**	1,201
Provisions for dividends	6	**142,659**	146,758
Other current liabilities	11	**43,641**	24,576
Total current liabilities		**777,929**	**626,649**
Total liabilities		**838,798**	**711,678**
Total equity and liabilities		**1,173,252**	**983,170**

25 March 2014

Henry H. Hamilton III
CHAIRMAN

Mark S. Leonard
DIRECTOR

Colette Lewiner
DIRECTOR

Bengt Lie Hansen
DIRECTOR

Elisabeth Harstad
DIRECTOR

Vicki Messer
DIRECTOR

Tor Magne Lønnum
DIRECTOR

Robert Hobbs
CHIEF EXECUTIVE OFFICER

CASH FLOW

All amounts in USD 1,000s

	Note	2013	2012
Cash flow from operating activities			
Received payments from customers		**704,942**	767,275
Payments for salaries, pensions, social security tax		**(10,950)**	(13,860)
Payment of other operational costs		**(101,396)**	(58,246)
Net gain/(loss) on currency exchange	15	**(695)**	(1,824)
Paid taxes		**(98,645)**	(52,003)
Net cash flow from operating activities [1)]		**493,257**	**641,341**
Cash flow from investing activities			
Received payments from sale of tangible assets	2	**123**	-
Investment in tangible assets	2	**(1,031)**	(1,673)
Investments in multi-client library	3	**(353,570)**	(371,201)
Investments in subsidiaries	7	**(18)**	(72,453)
Interest received	15	**3,497**	1,859
Net cash flow from investing activities		**(350,998)**	**(443,468)**
Cash flow from financing activities			
Interest paid	15	**(4,001)**	(643)
Dividend payments	6	**(142,164)**	(103,325)
Purchase of treasury shares	6	**(4,958)**	-
Proceeds from share issuances	6	**2,556**	6,563
Net cash flow from financing activities		**(148,567)**	**(97,405)**
Net change in cash and cash equivalents		**(6,309)**	100,468
Cash and cash equivalents at the beginning of the period	8	**155,461**	54,993
Cash and cash equivalents at the end of the period		**149,153**	**155,461**
1) Reconciliation			
Profit before taxes	16	**281,485**	249,953
Depreciation/amortization/impairment	2, 3	**272,079**	323,884
Changes in write-down shares in subsidiaries and receivables	7, 10	**3,388**	23,264
Gain/(loss) on disposal		**(123)**	-
Changes in accounts receivables		**(102,432)**	(23,598)
Changes in other receivables		**(4,967)**	(5,769)
Changes in other balance sheet items		**142,472**	125,610
Paid taxes		**(98,645)**	(52,003)
Net cash flow from operating activities		**493,257**	**641,341**

NOTES TO PARENT COMPANY FINANCIALS

(All amounts in USD 1,000s unless noted otherwise)

1 General Accounting Policies

General Information

TGS-NOPEC Geophysical Company ASA (TGS or the Company) is a public limited company incorporated in Norway on 21 August 1996. The address of its registered office is Lensmannslia 4, 1386 Asker, Norway. The Company is listed on the Oslo Stock Exchange.

The Company's financial statements were authorized by the Board of Directors on 25 March 2014.

As from 2010, TGS has been granted exemption from the Norwegian Tax Authority to publish its Annual Report in English only.

Reporting Currency

The Parent Company, TGS-NOPEC Geophysical Company ASA, reports its financial results in USD which is the Company's functional currency.

General Accounting Policies

The financial statements are prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway. The notes are an integral part of the financial statements.

Significant Accounting Judgments, Estimates and Assumptions

In the process of applying the Company's accounting principles, management is required to make estimates, judgments and assumptions that affect the amount reported in the 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.

Multi-Client Library Amortization and Impairment

The Company 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. The future sales forecasts are also the basis for the impairment evaluations. The revenue estimates are evaluated regularly and changes in amortization rate and impairments are recognized in the period they occur.

Provision for Impairment of Accounts Receivables

The Company has made provisions for impairment of specific accounts receivables deemed uncollectible. When assessing the need for provisions, the Company uses all available information about the various outstanding receivables, including the payment history and the credit quality of the actual companies.

Share–Based Payments

The Company measures the cost of the stock option plans for employees by reference to the fair value of the equity instruments at the date at which they are granted (equity-settled transactions) or at the end of each reporting period (cash-settled transactions) in accordance with NRS 15A (IFRS 2). Estimating fair value requires an appropriate valuation model to value the share-based instruments. The values are dependent on the terms and conditions of the granted share-based instruments. This also requires determining the appropriate assumptions in the valuation models including the expected life of the instruments, volatility and dividend yield.

Revenue Recognition

The Company recognizes revenues from pre-funded multi-client surveys based on percentage of completion at the balance sheet date. This requires management to estimate the level of completion of the various ongoing projects of the Company at that date.

Principles of Assessment

Revenue Recognition

Revenue is recognized when it is probable that the economic benefits from a transaction will flow to the Company and the revenue can be reliably measured. Revenue is measured at fair value of the consideration received, net of discounts and sales taxes or duty. The following describes the specific principles:

Work in Progress (WIP)

Revenue from work in progress (unfinished projects) at the balance sheet date is recognized on a percentage of completion (POC) basis under binding contracts, normally measured according to the acquired and processed volume of data in relation to the estimated total size of the project. Sales made prior to commencement of acquisition for each project are recognized as POC pre-funding revenues and sales thereafter during the WIP period as POC late sales revenues.

Finished Data

Revenue is recognized for sales of finished data at the time of the transaction; i.e., when the client has gained access to the data under a binding agreement.

Revenue Sharing

TGS shares certain multi-client revenues with other companies. Operating revenue is presented net of revenue shared.

Proprietary Contracts

Revenue from proprietary contracts for clients is recognized in the same way as work in progress (POC) in accordance with the specific agreement.

Interest Income

Interest income is recognized as interest accrues. Interest income is included in the financial items in the income statement.

Royalty Income

Royalty income is recognized on an accruals basis in accordance with the substance of the relevant agreements.

Cost of Goods Sold (COGS) – Proprietary Contracts and Other

Cost of goods sold includes only direct cost related to proprietary contract work, and costs related to delivery of geoscientific data.

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 costs directly attributable to data acquisition and processing are capitalized and included in the inventory value. Directly attributable costs do also include steaming costs when relocating a vessel to the survey area. The library also includes the cost of data purchased from third parties. The library of finished multi-client seismic data and interpretations is presented at cost reduced by accumulated amortization.

Amortization Related to Sales of Seismic Data

When establishing amortization rates for the multi-client seismic library, management bases their views on estimated future sales for each individual survey. Estimates are adjusted over time with the development of the market. Amortization is recorded in line with how revenues are recognized for each project, in proportion to the remaining net book value versus the estimated future revenue from that project. The revenue estimates are frequently updated and fully reviewed quarterly. For work in progress, the amortization is based on estimated total cost versus forecasted total revenues of the project.

The amortization expense reported may vary considerably from one period to another depending on the actual mix of projects sold and changes to estimates.

Minimum Amortization Policy on Seismic Data

A minimum amortization criterion 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.

Impairment Test Library

When there are indicators that the book value may not be recoverable, the library is tested for impairment individually per project (seismic and interpretation reports).

Goodwill

Goodwill is depreciated over ten years. In addition goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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. Purchases which are expected to have a technical and economic life of more than one year are capitalized as tangible non-current assets. Depreciation begins when the assets are available for use.

Exchange Rate Adjustments

Transactions in foreign currency are translated at the rate applicable on the transaction date. Monetary assets, receivables and liabilities are translated at the exchange rate on the balance sheet date. Changes to exchange rates are recognized in the income statement as they occur during the accounting period.

Research and Development Costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Company can demonstrate:

- It is technically feasible to complete the product so that it will be available for use;
- Management intends to complete the product and use it;
- There is an ability to use the software product;
- It can be demonstrated how the product will generate future economic benefits;
- Adequate technical, financial or other resources to complete the development and to use the product are available; and
- The expenditure attributable to the product during its development can be reliably measured.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

Provisions

Provisions are established when the Company has a current obligation (legal or constructive) as result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Contingent liabilities are possible obligations as a result of a past event where the existence of the liability depends on the occurrence or not of a future event. An existing obligation, in which it is not likely that the entity will have to dispose economic benefits, or where the obligation cannot be measured with sufficient reliability, is also considered a contingent liability. Contingent liabilities are not recognized in the financial statements, but if material, disclosed in the accompanying notes. A contingent asset is not recognized in the financial statement, but disclosed if there is a certain degree of probability that it will be an advantage for the Company.

Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred Tax

Deferred 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 tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences, the 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 tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable company and the same taxation authority. Deferred 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.

The Company pays its tax obligation in Norwegian Kroner (NOK), and the fluctuations between the NOK and the USD impact the financial items. Exchange rate fluctuations related to the basis for current year income tax expense is presented as tax expense.

Share-Based Payments

Key employees of the Company receive remuneration in the form of share-based payments, whereby employees render services as consideration for stock options and Stock Appreciation Rights (SARs).

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external value using an appropriate pricing model.

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 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 is treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

The fair value of the SARs are measured at the end of each reporting period and are distributed over the period until the employees have earned an unconditional right to receive them (cash-settled transactions). The ultimate cost of such a cash-settled transaction will be the actual cash paid by the Company, which will be the fair value at settlement date. The fair value of the SARs is recognized as a payroll expense and as a liability.

Pensions

The Company operates defined-contribution plans in Norway. 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 fulfillment 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. Finance charges are recognized in the income statement.

Operating lease payments are recognized as an expense in the income statement on a straight line basis over the lease term.

Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash in bank accounts and on hand and short-term deposits with an original maturity of three months or less.

Accounts Receivable and Other Receivables

Receivables are measured at cost less any amounts expected to be uncollectible. Sales with deferred payments due to be settled more than twelve months or later are presented as non-current receivables.

Investments in Subsidiaries and Associated Companies

Investments in subsidiaries and investments in associates are valued at cost in the Company accounts. The investment is valued as cost of the shares in the subsidiary, less any impairment losses. An impairment loss is recognized if the impairment is not considered temporary, in accordance with generally accepted accounting principles. Impairment losses are reversed if the reason for the impairment loss disappears in a later period.

Dividends, group contributions and other distributions from subsidiaries are recognized in the same year as they are recognized in the financial statement of the provider. If dividends/group contribution exceed withheld profits after the acquisition date, the excess amount represents repayment of invested capital, and the distribution will be deducted from the recorded value of the acquisition in the balance sheet for the Parent Company.

Dividends

The dividends are recognized as a liability in the financial statements when proposed by the Board of Directors.

Financial Instruments

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

Loans are recognized at the amount received, net of transactions costs. The loans are thereafter recognized as amortized costs using the effective interest rate method.

Treasury Shares

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in the share premium.

Cash Flow Statement

The cash flow statement is compiled using the direct method.

2 *Tangible Non-Current Assets*

2013

Acquisition cost and depreciation:	Machinery and Equipment
Cost as of 1 January 2013	**12,230**
Additions	1,031
Disposals [1]	(9,505)
Cost as of 31 December 2013	**3,755**
Accumulated depreciation as of 1 January 2013	**10,320**
Depreciation for the year	542
Accumulated depreciation on disposals [1]	(9,505)
Accumulated depreciation as of 31 December 2013	**1,356**
Net book value as of 31 December 2013	**2,399**
Straight-line depreciation percentage	14% - 33.3%
Useful life	3 - 7 years

1) Profit on disposals during the year was USD 123.

2012

Acquisition cost and depreciation:	Machinery and Equipment
Cost as of 1 January 2012	**10,879**
Additions	1,769
Disposals [1]	(419)
Cost as of 31 December 2012	**12,230**
Accumulated depreciation as of 1 January 2012	**9,443**
Depreciation for the year	1,200
Accumulated depreciation on disposals [1]	(323)
Accumulated depreciation as of 31 December 2012	**10,320**
Net book value as of 31 December 2012	**1,910**
Straight-line depreciation percentage	14% - 33.3%
Useful life	3 - 7 years

1) Profit on disposals during the year was USD 0.

3 Intangible Non-Current Assets

2013

Acquisition cost and depreciation:	Goodwill	Multi-client Library [1]	Other Intangible Assets	Total
Cost as of 1 January 2013	**3,073**	**2,011,972**	**4,280**	**2,019,325**
Additions	-	364,883	-	364,883
Disposals	-	-	(4,280)	(4,280)
Cost as of 31 December 2013	**3,073**	**2,376,855**	**-**	**2,379,928**
Accumulated amortization as of 1 January 2013	**3,073**	**1,543,297**	**4,280**	**1,550,650**
Amortization for the year	-	271,537	-	271,537
Accumulated amortization on disposals	-	-	(4,280)	(4,280)
Accumulated amortization as of 31 December 2013	**3,073**	**1,814,834**	**-**	**1,817,908**
Net book value as of 31 December 2013	**-**	**562,021**	**-**	**562,021**
Straight-line amortization percentage	10%			
Useful life	10 years [2]	max 5 years		

1) Multi-client Library: See the "General Accounting Policies", for the policies on amortization of this asset.

2) Goodwill paid for in acquisitions of companies is amortized over the first ten years after the date of the acquisition.

2012

Acquisition cost and depreciation:	Goodwill	Multi-client Library [1]	Other Intangible Assets	Total
Cost as of 1 January 2012	**3,073**	**1,625,665**	**4,280**	**1,633,018**
Additions	-	386,307	-	386,307
Cost as of 31 December 2012	**3,073**	**2,011,972**	**4,280**	**2,019,325**
Accumulated amortization as of 1 January 2012	**3,073**	**1,221,266**	**3,627**	**1,227,966**
Amortization for the year	-	322,032	-	322,032
Depreciation for the year	-	-	653	653
Accumulated amortization as of 31 December 2012	**3,073**	**1,543,297**	**4,280**	**1,550,650**
Net book value as of 31 December 2012	**-**	**468,675**	**-**	**468,675**
Straight-line amortization percentage	10%			
Useful life	10 years [2]	max 5 years		

1) Multi-client Library: See the "General Accounting Policies", for the policies on amortization of this asset.

2) Goodwill paid for in acquisitions of companies is amortized over the first ten years after the date of the acquisition.

For the year ended 31 December 2013, USD 45.5 million of impairments of the multi-client library is included in the amortization for the year (2012: USD 23.9 million).

4 Salaries/Number of Employees/Benefits/ Employee Loans/Pensions

	2013	2012
Payroll	10,110	11,034
Social security costs	1,539	1,494
Pension costs	392	346
Other employee related costs	197	279
Personnel costs	**12,238**	**13,152**
Cost of stock options	758	642
Payroll and cost of stock options	**12,996**	**13,795**
Number of employees at 31 December	51	45
Average number of employees	51	46

At 31 December 2013, the Company had 51 employees: 31 male employees and 20 female employees.

The Company operates defined-contribution plans in Norway. The plans fulfill the requirements of the Norwegian law.

Auditor Fees	2013	2012
Statutory audit	294	282
Other attestation services	10	10
Tax advisory services	42	77
Other services outside the audit scope	-	32
Total fees	**346**	**401**

All amounts are exclusive VAT.

Information about remuneration of the Board of Directors and the executive management is included in note 7 to the consolidated financial statements.

5 Share Capital and Shareholder Information

The share capital of TGS-NOPEC Geophysical Company ASA as of 31 December 2013 was NOK 25,880,431 consisting of 103,521,724 ordinary shares at NOK 0.25 per share. The Company's shares have equal voting rights. For information of treasury shares, shareholders' authorization and the 20 largest shareholders, see Note 10 to the consolidated financial statements.

6 Equity Reconciliation

Equity Reconciliation	Share Capital	Treasury shares	Share premium	Other Reserves	Retained Earnings	Total Equity
Balance 1 January 2013	3,712	(57)	56,008	3,566	208,264	271,493
Capital increase during 2013	4	-	1,198	-	-	1,202
Purchase of treasury shares	-	(8)	-	-	(4,951)	(4,958)
Treasury shares distributed	-	3	-	-	1,351	1,354
Treasury shares cancelled	-	-	-	-	-	-
Cost of stock options	-	-	-	758	-	758
Variance of provisions for dividends and paid dividends	-	-	-	-	(161)	(161)
Provisions for dividends (NOK 8.50 per share)	-	-	-	-	(142,659)	(142,659)
Profit for the year	-	-	-	-	207,426	207,426
Balance 31 December 2013	3,716	(61)	57,206	4,324	269,270	334,454
Balance 1 January 2012	3,713	(76)	53,256	2,924	177,975	237,792
Capital increase during 2012	9	-	2,752	-	-	2,760
Purchase of treasury shares	-	-	-	-	-	-
Treasury shares distributed	-	11	-	-	3,791	3,802
Treasury shares cancelled	(9)	9	-	-	-	-
Cost of stock options	-	-	-	642	-	642
Variance of provisions for dividends and paid dividends	-	-	-	-	1,679	1,679
Provisions for dividends (NOK 8.00 per share)	-	-	-	-	(146,758)	(146,758)
Profit for the year	-	-	-	-	171,577	171,577
Balance 31 December 2012	3,712	(57)	56,008	3,566	208,264	271,493

7 Investments in Subsidiaries

As of 31 December 2013 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
Maglight AS (Asker, Norway)	100	100,000	NOK 1	180	100%
TGS AP Investments AS (Asker, Norway)	100	1,000	NOK 100	7,727	100%
Marine Exploration Partners AS (Asker, Norway)	800	800,000	NOK 1	-	100%
TGS-NOPEC Geophysical Company (Houston, U.S.A.)	USD 1	1,000	USD 1	1,483	100%
TGS-NOPEC Geophysical Company (UK) Ltd. (Bedford, UK)	GBP 50,1	50,100	GBP 1	956	100%
TGS Geological Products and Services Ltd. (Surbiton, UK)	GBP 50,762	507,620	GBP 0,1	14,023	100%
TGS Geophysical Company (UK) Ltd. (Surrey, UK)	GBP 166,035	16,603,534	GBP 0,01	20,049	100%
TGS-NOPEC Geophysical Comp. PTY Ltd (Perth, Australia)	AUD 0,001	1	AUD 1	-	100%
TGS do Brasil Ltda. (Rio de Janeiro, Brazil)	BRL 1,140,722.42	1,000	BRL 1	595	90%
Arcis Seismic Solutions Corp. (Calgary, Canada)	CAD 73,945	100,000	CAD 73.9	72,471	100%
TGS-NOPEC Geophysical Company Moscow Ltd (Moscow, Russia)	RUB 300	1	RUB 300,000	-	100%
MxP Marine Seismic Services Ltd (Limassol, Cyprus)	USD 133,278	25,000	USD 1	-	100%
Riminio Shipping Ltd. (Limassol, Cyprus)	CYP 1	1,000	CYP 1	-	100%
Balance sheet value				**117,485**	

The Parent company has direct or indirect 100% voting rights in all subsidiaries.

8 Restrictions on Bank Accounts

Per 31 December 2013, USD 0.6 million of cash and cash equivalents are restricted to meet the liability arising from payroll taxes withheld. (2012: USD 0.7 million).

9 Accounts Receivable and Other Receivables

Accounts receivable is stated in the balance sheet at net realizable value and totaled USD 230.3 million per 31 December 2013 (2012: USD 172.4 million). The Company has made a bad debt provision of USD 3.3 million in 2013 (2012: USD 3.7 million). The Company expects to collect the stated balance of receivables per 31 December 2013. Realized losses on trade receivables in 2013 amounted to USD 0 (2012: USD 0). Prepayments to suppliers and other short-term receivables totaled USD 24.3 million per 31 December 2013 (2012: USD 21.2 million).

10 Current Receivables and Liabilities Group Companies

	2013		2012	
Company	**Receivables**	**Liabilities**	**Receivables**	**Liabilities**
Maglight AS	-	34	-	1,658
Marine Exploration Partners AS	-	-	-	-
TGS AP Investments AS	-	3,132	10,696	-
Aceca Norge AS	-	3,661	-	3,420
TGS-NOPEC Geophysical Company	-	348,274	-	194,416
A2D Technologies Inc.	-	272	-	7
TGS Geophysical Company (UK) Ltd.	-	26,162	-	13,179
TGS-NOPEC Geophysical Company PTY Ltd	27,829	-	22,610	-
Arcis Seismic Solutions Corp.	4,687	-	6,538	-
TGS do Brasil Ltda.	7	-	-	-
MxP Marine Seismic Services Ltd	-	-	-	153
Total	**32,524**	**381,536**	**39,844**	**212,833**

Realized losses on intercompany receivables in 2013 amounted to USD 0 (2012: USD 2.7 million).

11 Other Short Term Liabilities

	2013	2012
Deferred revenues	14,774	4,505
Accrued project costs	25,715	16,407
Other accrued expenses	3,152	3,664
Total other current liabilities	**43,641**	**24,576**

12 Interest-Bearing Loans and Borrowings

Loan agreements and terms as per 31 December 2013:

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 31 December 2013 the Company had not drawn on this facility.

Book value of assets used as collateral:	2013	2012
Accounts receivable	84,323	74,410
Multi-client library	562,021	468,675
Machinery, equipment	2,399	1,910
Total	**648,743**	**544,995**

Bank Guarantees

Per 31 December 2013, the Company's bank has issued a bank guarantee on behalf of the Company of USD 0.2 million for one country's authorities related to seismic work program.

13 Commitments and Contingencies

Operating leases - Company as lessee

The Company has an operating lease commitment relating to premises. The commitment expires 31 January 2022 with no termination before expiry date.

Rental expense for operating leases was USD 0.6 million for the year ended 31 December 2013. Future minimum payments for operating leases at 31 December 2013 are as follows:

	2013	2012
Within one year	610	805
After one year but not more than five years	2,537	3,221
More than five years	2,430	4,094
	5,576	**8,120**

The Company does not have any financial leases.

The Company has entered into commitments for charter hire of five 3D seismic acquisition vessels, and three 2D seismic acquisition vessel. All these commitments will expire in 2014, and the amounts committed total USD 134.0 million for the year 2014. In addition the Company has made commitments to two land crews for land seismic projects in the US. These commitments total USD 7.7 million, and the commitments will expire in 2014.

14 Related Parties

No material transactions took place during 2013 with related parties, other than operating business transactions between the companies in TGS. All companies within TGS are 100% owned, directly or indirectly by the Company, except for Calibre Seismic Company which is owned 50% by one of the subsidiaries. No minority interests exist. Business transactions between the entities of TGS were performed at arm's length principles. The main business transactions can be aggregated as follows for 2013:

	2013
Data processing costs	38,948
Brokerage fees	66,182
Management fees	19,016

For information about intercompany interest income and expense, see Note 15.

The Company has no liabilities in the form of mortgages, other collateral or guarantees in favour of entities within TGS.

For a specification of intercompany receivables and liabilities, see Note 10.

15 Financial Items

Financial income/expense:	2013	2012
Interest income	3,090	1,393
Interest income subsidiaries	407	466
Exhange gain	10,259	7,026
Other financial income	147	618
Total financial income	**13,902**	**9,502**
Interest expense	(3,097)	(6)
Interest expense subsidiaries	(905)	(637)
Exchange loss	(10,954)	(8,851)
Other financial expenses	(23)	(25,892)
Total financial expense	**(14,978)**	**(35,385)**
Net financial items	**(1,075)**	**(25,883)**

16 Tax Expense

Current tax:	2013	2012
Profit before taxes	281,485	249,953
Permanent differences [1)]	3,926	26,103
Changes in temporary differences	124,774	(7,072)
Group contribution	-	(421)
Currency exchange effects on base for current tax	(22,214)	7,823
Basis for current tax	**387,971**	**276,386**

Total tax expense for the year:		
Deferred tax - changes	(36,573)	12,413
Taxes payable	110,672	66,157
Tax effect group contribution	-	118
Tax outside Norway	(40)	(311)
Total tax expense for the year	**74,059**	**78,376**
Effective average tax rate	**26%**	**31%**

Taxes payable	**2013**	**2012**
Taxes payable on current year profit	68,062	77,388
Correction tax [2)]	-	(11,232)
Withholding tax payable due to Norwegian Tax Authorities' resolution	4,087	-
Total taxes payable	**72,149**	**66,157**

Specification of basis for deferred taxes:

Offsetting differences:	**2013**	**2012**
Non-current assets and liabilities	363,783	(37,953)
Intangible non-current assets	(200,188)	326,322
Total	**163,595**	**288,369**
Deferred tax liability	44,171	80,743

Explanation of total tax expense versus nominal tax rate on pre-tax profit:

	2013	2012
Tax calculated using nominal tax rate on pre-tax profit	78,816	69,987
Effect of permanent differences 1)	1,099	7,309
Effect tax outside Norway	(40)	-
Effect of change in tax rate 3)	(1,636)	-
Exchange gain/loss reported as tax expense	(4,180)	1,392
Total tax expense recorded in income statement	**74,059**	**78,687**

1) Permanent differences related to non-tax deductible items. In 2013 the main items relates to interests of USD 2.7 million and cost of stock options USD 0.8 million.

2) The so-called "correction income" is an adjustment of the tax base for deferred taxed income that is distributed to shareholders and implies that deferred taxes become payable if the deferred tax base is distributed as dividends. These rules were abolished with effect from 2012 and were applied for the last time on regular dividend distributions related to the 2011 financial statements that were approved at the Annual General Meeting in June 2012. From the income year 2012, companies could start reversing previously paid correction taxes. Per 31 December 2013, TGS has reversed all previously paid correction taxes.

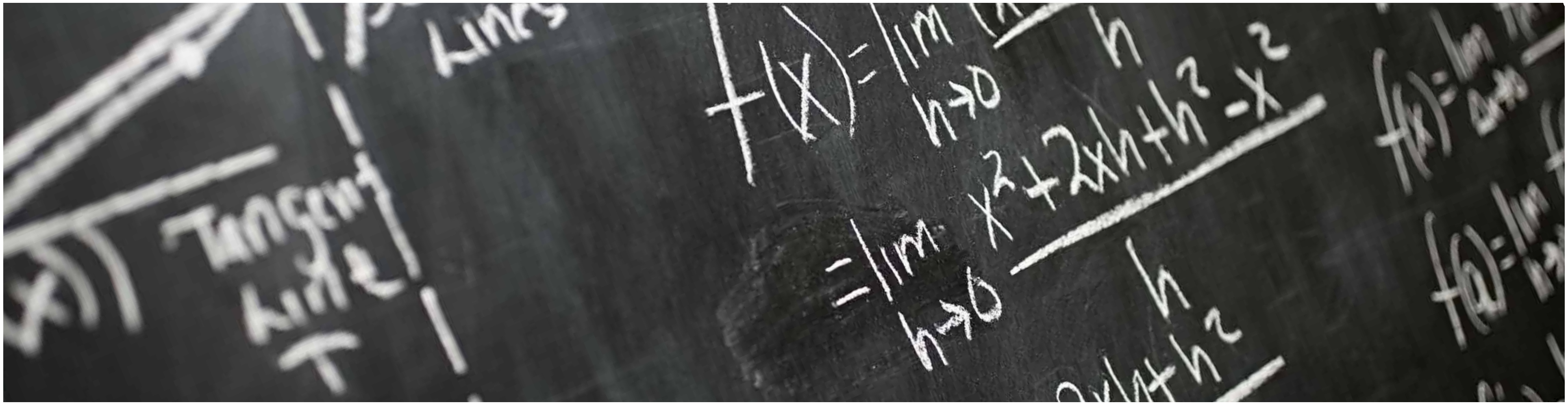
3) From income year 2014, the nominal tax rate on ordinary income is reduced to 27% in Norway. Basis for deferred taxes per 31 December 2013, is calculated with the new tax rate.

Resolution from the Norwegian Tax Authorities

TGS received a letter from the Norwegian Tax Authorities in October 2011 questioning TGS' historical taxable depreciations of the multi-client library. TGS has during 2011 to 2013 responded with documentation. On 15 May 2013, TGS received a resolution from the Norwegian Tax Authorities stating that depreciation rates for tax purposes should follow the depreciation rates used in the financial statements. Further, the taxable revenue recognition and depreciation should not commence until the final product is ready for delivery to a client. The resolution implied an increased taxable income by approximately NOK 1.1 billion for the period up to and including 2011. Including a reversal of correction income, net tax payments of USD 42.6 million have been made in 2013 related to the income years 2009-2011.

The resolution had a one-off cash effect and has an impact on the timing of future tax payments compared to how the Company previously has presented its financial statements. Except for interest expenses related to the tax payments and foreign exchange gains/loss related to the NOK tax invoices, there are no effects to the income statement related to the resolution. The resolution implied a reclassification between deferred tax liabilities and taxes payable in the balance sheet.

TGS does not agree with the resolution from the Norwegian Tax Authorities and has issued a writ to the Oslo district court. TGS expects the trial to take place in 2014.



17 Gross and Net Revenues

	2013	2012
Gross revenues from sales	895,067	918,743
Revenue sharing	(229,286)	(247,282)
Net revenues	**665,781**	**671,461**

18 Financial Risk Management

Currency Risk

Functional currency for the Company is USD. Major portions of the Company's revenues and costs are in US dollars, except for personnel and administrative costs. Due to this, the Company's operational exposure to exchange fluctuations is low. The Company does pay income taxes in Norway in NOK, and is consequently also exposed to USD/NOK exchange rate fluctuations on these items.

Liquidity Risk

Liquidity risk arises from lack of correlation between cash flow from operations and financial commitments. Management considers the liquidity risk as low. Per balance sheet date, the Company held current assets of USD 436.2 million, of which cash and cash equivalents represents USD 149.2 million, and current liabilities of USD 777.9 million, of which debt to subsidiaries represents USD 381.5 million.

Credit Risk

All placements of excess cash are either bank deposits or in financial instruments that at minimum carry an "investment grade" rating. The Company's clients are oil and gas companies. The Company is exposed to credit risk through sales and use best efforts to manage this risk. As per 31 December 2013, the Company made a provision of USD 3.3 million against certain receivables.

The Company from time to time accepts extended payment terms on parts of firm commitments from clients. To the extent these terms do not carry interest compensation to be paid by clients, the revenues recognized by the Company are discounted to reflect this element.

Other non-current assets comprise receivables with extended payment terms and two loans to the E&P Holding Group. The two loans to E&P Holding AS and Skeie Energy AS are at USD 21.0 million and USD 21.1 million, gross to the Company, and were entered into in 2009. The related revenue share agreements amounted to USD 12.7 million. Accordingly, TGS' nominal net exposure was at USD 29.4 million. Following restructuring agreements signed on 23 December 2011, TGS considered the fair values of the loans and the revenues share agreements at USD 9.5 million per 31 December 2011. Updated assessments of the fair values per 31 December 2013 do not indicate any changes to the previous fair value estimates.

Political Risk

The Company'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.

Oil and Gas Prices and World Economy

The activities of the Company's clients, oil and gas companies, change following shifts in commodity prices in the market or future expectations of such. This impacts the Company's activity and profitability.

19 Environmental Conditions

The Company interacts with the external environment through the collection of seismic data and operation of vessels. The Company continues to work actively to minimize any impact on the environment. Regular monitoring and controls are carried out in order to limit the risk of pollutions. It is the Company`s policy to comply with national and international regulations.

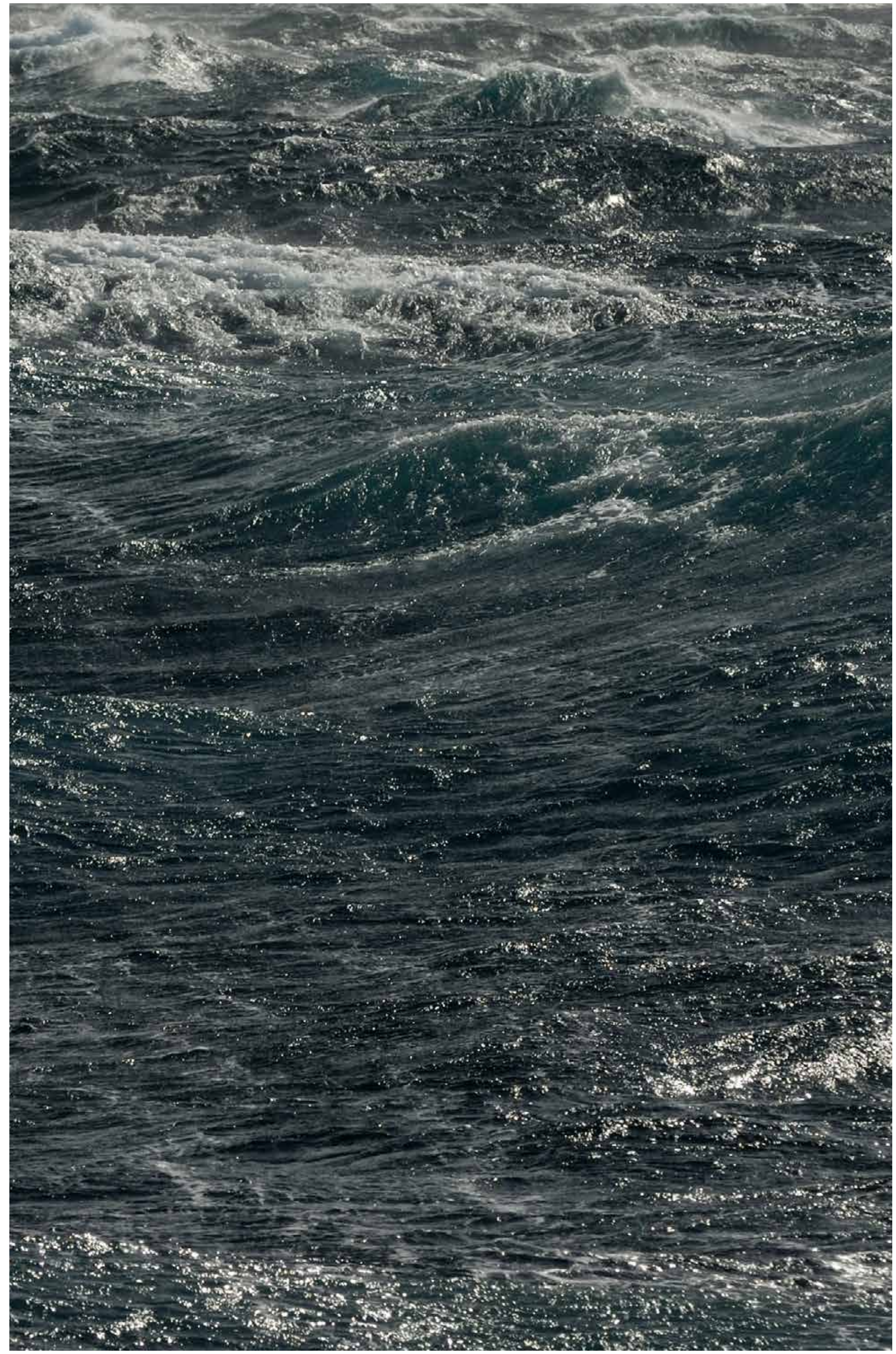
20 Contingent Liabilities

Brenham Oil filed against TGS, among others, for tortious interference with prospective relations and participatory liability for aiding and abetting concerning a deepwater concession in the Republic of Togo. Brenham claims that TGS worked with another company to ensure that Brenham was not awarded the concession. Brenham has claimed damages which TGS' damages evaluation expert has determined to be unrealistic and based upon false assumptions and improper modeling. The court has dismissed the case on the grounds of forum non-conveniens. Brenham is appealing the motion to the Texas Court of Appeals. The appellate process will likely not conclude until late in 2015.

TGS is vigorously defending the claim. No provision is recognized related to Brenham Oil's claim.

21 Events after the Balance Sheet Date

To the best of the management's and the Directors' knowledge, no other significant subsequent events not described in this Annual Report have occurred since 31 December 2013 that would impact the financial statements as presented for 2013.



EY
Building a better working world

Statsautoriserte revisorer
Ernst & Young AS

Dronning Eufemias gate 6, NO-0191 Oslo
Oslo Atrium, P.O.Box 20, NO-0051 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00
Fax: +47 24 00 24 01
www.ey.no
Medlemmer av Den norske revisorforening

To the Annual Shareholders' Meeting of
TGS-Nopec Geophysical Company ASA

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of TGS-Nopec Geophysical Company ASA, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the balance sheet as at 31 December 2013, the statements of income and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information. The financial statements of the Group comprise the consolidated balance sheet as at 31 December 2013, the statements of comprehensive income, changes in equity and the cash flows for the year then ended as well as a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Chief Executive Officer's responsibility for the financial statements

The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the Parent Company and the International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as the Board of Directors and Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.

Opinion on the financial statements of the Parent Company

In our opinion, the financial statements of TGS-Nopec Geophysical Company ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements of the Group

In our opinion, the financial statements of the Group have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and the proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and Chief Executive Officer have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Oslo, 26 March 2014
ERNST & YOUNG AS

Nina Rafen
State Authorised Public Accountant (Norway)

CORPORATE GOVERNANCE

Honesty, integrity and trust. These principles guide all TGS business efforts. They are the foundation of our relationships with employees, partners, customers and shareholders. In fact, they are the heart of our Code of Conduct and the foundation of our community engagement.

REPORT ON CORPORATE GOVERNANCE

1. Implementation and Reporting on Corporate Governance

TGS-NOPEC Geophysical Company ASA (TGS or the Company) 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 in general complies with the Norwegian Code of Practice of Corporate Governance published 23 October 2012. The Code of Practice covers 15 topics. Further details of how TGS operates in accordance with each of these topics, including any deviations, is further explained in this Report on Corporate Governance. The Code of Practice may be found at www.ncgb.no. In accordance with the Norwegian Accounting Act section 3-3b, TGS is required to give an annual account of the principles and practices related to corporate governance in the Board of Directors' report or a document referred to in the Board's report. TGS refers to this document in the Board of Directors' Report included elsewhere in this Annual Report.

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 Conduct, both available at: http://www.tgs.com/about-tgs. TGS has also developed and implemented a compliance program that is managed by a full-time Board-appointed compliance officer. The compliance officer provides quarterly and annual reports to the Board.

TGS believes that corporate social responsibility is a fully compatible and integrated part of conducting business successfully. TGS' long-standing Statement of Values recognizes that the Company is responsible to a number of stakeholder groups, and describes the principles to which the Company adheres. A more detailed description of TGS' Corporate Social Responsibility Policy is included as a separate section in the Annual Report and on TGS' website: www.tgs.com.

Code of Conduct

In addition to TGS' Statement of Values and policies on health, safety, environment and human resources, the Company has developed a Code of Conduct that further defines expectations on ethical behavior. Each employee and director is required to read and acknowledge his or her understanding of its contents on an annual basis. The Code requires employees to report any known or suspected ethical irregularities and ensures that no retaliation will be levied against employees who file reports. TGS conducts an active compliance program designed to continually inform and educate employees on ethical issues. The Company employs a full time Board-appointed compliance officer who reports quarterly on progress of compliance activities and objectives.

Comprehensive Approach

The leadership of TGS actively promotes a culture designed to build confidence and trust among its stakeholders. Good corporate governance together with the values, policies and control systems described in this report provide a comprehensive approach to corporate social responsibility in TGS.

2. Business

The business objective of TGS-NOPEC Geophysical Company ASA is defined in the Company's Articles of Association, which state that the principal business of the Company is in the provision, procurement and sale of seismic and geophysical data. The Company's Articles of Association are published in the Investor Relations Section on the TGS website at www.tgs.com. TGS' operations are described in the Board of Directors Report and the Annual Report for 2013 and on www.tgs.com.

TGS pursues a long-term strategy of generating value for its shareholders. The Company constantly strives to understand and exceed customer expectations in delivering a quality product on time. The commitment to quality must be apparent in every product and service that is sold. Service to customers, whether internal or external, must be professional, accurate, timely and friendly. TGS is dedicated to making a profit and delivering a solid return to its shareholders. Growth is fundamental to the success of the Company.

3. Equity and Dividends

Equity

As of 31 December 2013, total equity amounted to USD 1,293.0 million including a share capital of USD 3.7 million. This corresponds to an equity ratio of 74%, which the Board considers to be satisfactory. The adequacy of the Company's capital is monitored closely with respect to the Company's objectives, strategy and risk profile.

Dividend Policy

Because of the highly cyclical nature of the oil services industry, TGS' Board of Directors remains confident that the Company's unique business model and strong balance sheet and cash position are essential to its financial health, risk management and future growth. With this in mind, the Board continues to carefully evaluate investment opportunities for growth.

It is the ambition of TGS to pay an annual cash dividend that is in line with its long-term underlying cash flow. When deciding the annual dividend amount, the TGS Board of Directors considers expected cash flow, investment plans, financing requirements and a level of financial flexibility that is appropriate for the TGS business model. In addition to paying a cash dividend, TGS may also buy back its own shares as part of its plan to distribute capital to shareholders.

The Annual General Meeting ("AGM") held 4 June 2013 approved the Board of Directors' proposal to distribute a dividend for 2012 of NOK 8 per share. Following this approval, dividend payments totaling USD 142.2 million were made.

At its quarterly meeting on 5 February 2014, the Board of Directors decided to propose to the shareholders at the June 2014 AGM a dividend of NOK 8.5 per share of outstanding common stock from the Company's 2013 earnings.

At its meeting on 25 March 2014 approving the annual accounts, the Board of Directors decided to propose 4 June 2014 as the ex-dividend date and 18 June 2014 as the dividend payment date.

In addition to a dividend, the Company has initiated a 2014 buy-back program of USD 30 million. The shares will be purchased from the open market and in accordance with the Safe Harbour provisions of the EU Commission Regulations for buy-back programs. The stock repurchase program commenced 7 February 2014 and will continue up to and including 31 December 2014, contingent on authorization from the 2014 Annual General Meeting. At the same meeting, TGS will seek approval for cancellation of the repurchased shares.

Board Authorizations

The Board of Directors' authorizations to increase share capital are limited to specified purposes. Authorizations to increase share capital and to undertake share buybacks are granted for a period no longer than until the next AGM.

Following the AGM held on 4 June 2013, the Board received the following shareholder authorizations:

- To issue up to 10,345,072 new shares in the Company; and
- To acquire, on behalf of the Company, the Company's own shares for an aggregate par value of NOK 2,600,000, provided that the total amount of its own shares at no time exceeds 10% of the Company's share capital. The lowest price to be paid per share shall be NOK 0.25 and the highest price to be paid per share shall be the price as quoted on the stock exchange at the time of the acquisition plus 5%. Acquisition and sale of the Company's own shares can take place in the manner which the Board of Directors considers to be in the Company's best interest, but not through subscription of new shares.

For further information on these shareholder authorizations, please refer to Note 10 to the Consolidated Financial Statements.

4. Equal Treatment of Shareholders and Transactions with Related Parties

Equal Treatment

The Articles of Association do not impose any restrictions on voting rights, and all shares have equal rights. The Company has only one class of shares and each share gives the right to one vote at the AGM. The Board of Directors emphasizes, 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 adequate time to prepare for the meeting.

Transactions in Treasury Shares

TGS' transactions in its own shares are carried out at market price. TGS, from time to time, buys back shares under authorizations given by the shareholders. The shares may be held in treasury, used as payment in merger and acquisition transactions, used in relation to exercise of employees' stock options, or eventually cancelled. In 2013, the Company purchased 195,000 own shares in the market. Further, TGS issued 90,250 new shares in connection with the exercise of stock options under its compensation programs. The Company held 1,416,200 treasury shares on 31 December 2013.

There have been no share capital increases in the Company in recent years except for shares issued in connection with the Company's stock option program. Should the Board wish to propose that the AGM depart from the preemptive right of existing shareholders relating to capital increase, such a proposal will be justified by the common interest of the Company and the shareholders, and the reasons for the proposal will be presented in the notice of the AGM as well as publicly disclosed in a separate stock exchange announcement.

Transactions with Related Parties

There are no shareholder agreements between any of the Company's shareholders. None of the Board members represent companies that are significant customers or suppliers of TGS. There were no material transactions taking place with related parties in 2013, but any transaction with close associates is required to be conducted on market terms. Information about transactions with related parties is also disclosed in Note 12 to the Consolidated Financial Statements. The Board has guidelines (under the Code of Conduct) to ensure that senior executives inform their manager and/or the Board if they have a material interest, directly or indirectly, in any agreement entered into by the Company.

5. Freely Negotiable Shares

Freely Negotiable Shares

All TGS shares carry equal rights and are freely negotiable. No special limitations on transactions are described in TGS' Articles of Association. Transactions in TGS' shares are described in more detail in Note 10 to the Consolidated Financial Statements.

All but one of the independent members of the Board have received shares as a part of their compensation, which must be held for at least two years before they can be traded. Refer to Note 7 to the Consolidated Financial Statements for further information. Beyond this, there are no other limitations to trading of shares imposed by the Company, other than Insider Trading Rules applicable to employees and the directors.

6. General Meetings

The AGM is the Company's ultimate corporate body. The Board strives to ensure that AGMs are an effective forum for communication between shareholders and the Board. The Chairman of the Board of Directors and the Chief Executive Officer are both present at the AGM as well as the Company's auditor. The minutes of general meetings are made available for inspection by shareholders at the Company's offices in Asker, Norway. These minutes are also made available on the Company's website shortly after the date of the general meeting.

The next AGM will be held on 3 June 2014. The notice calling the AGM and any Extraordinary General Meeting and all supporting documentation are made available on the Company's website (www.tgs.com) no later than three weeks in advance of the meeting. The notice and supporting documentation will also be mailed to any shareholders who request this service. The notice and supporting documentation include all the necessary information to allow shareholders to form a view on the matters to be considered. The Annual Report for 2013 is available on the Company's website.

In accordance with the Company's Articles of Association, the deadline for shareholders to notify the Company of their intention to attend the AGM is at the latest three days before the day of the meeting. The Company's financial calendar is notified to the market by issuing a stock exchange announcement and is also published on its website.

Each AGM appoints a chairperson for the meeting, thereby ensuring that the AGM has an independent chairperson in accordance with the recommendations of the Norwegian Code of Practice of Corporate Governance.

The AGM is open for all shareholders, and any shareholder not in attendance can give proxy to vote on his/her behalf. Forms of Proxy are made available on the Company's website and are mailed to any shareholders who request this service, together with the notice of the call for the meeting. The Form of Proxy allows separate voting instructions to be given for each matter to be considered by the meeting. The proceedings in the AGM follow the agenda outlined in the call for the meeting. Shareholders who wish to raise a topic in the AGM have the option to do so, but must notify the Board of Directors of this in writing and in reasonable time before the call for the meeting is dispatched. The AGM cannot decide for a higher dividend than the Board of Directors has proposed for that year.

Shareholders are given the opportunity to vote separately either in person or by proxy for each candidate nominated for election to the Company's Board. The Board of Directors may also resolve that the shareholders may, within a limited time period prior to the shareholders' meeting, deliver their votes in writing, which shall include the use of electronic means. The right to vote in writing prior to the shareholders' meeting is conditioned upon that an adequately secure method to authenticate the sender exists. The Board of Directors may lay down guidelines for advance voting in writing. The notice to the shareholders' meeting shall provide information about whether the shareholders may vote in advance in writing, and about the guidelines that apply to such voting.

Shareholders are currently not allowed to participate in the AGM through the internet.

In accordance with the Norwegian Public Limited Liability Companies Act, the AGM is required to decide on the annual financial statements, the Board of Directors' report and the distribution of dividends. The AGM should also deal with the Board of Directors' declaration relevant to the guidelines for determination of compensation to executive personnel and with the report on corporate governance.

Any other matters to be dealt with in the AGM will follow from the notice.

7. Nomination Committee

As required in the Company's Articles of Association, the Nomination Committee is responsible for the nomination of directors to the Board and the recommended remuneration payable to the directors. The Annual General Meeting stipulates guidelines for the duties of the Nomination Committee.

The Nomination Committee consists of a chairman and two members elected by and amongst the shareholders who also determine the Nomination Committee's own remuneration. The members serve for a period of two years. The members of the Nomination Committee currently are Tor Himberg-Larsen (Chair), Ole Søeberg and Christina Stray, all independent of the Board of Directors and executive personnel. Himberg-Larsen and Stray were elected for a two-year term at the Annual General Meeting on 4 June 2013, while Søeberg was elected to a two-year term on 5 June 2012.

The Company posts an invitation to shareholders at: www.tgs.com prior to the Annual General Meeting every year to propose to the committee candidates as directors and members of the Nomination Committee.

The committee's recommendation provides a justification of how its recommendations take into account the interests of shareholders in general and the Company's requirements. The justification includes information on each candidate's competence, capacity and independence. If the committee recommends the re-election of a member of the Board of Directors, the justification also provides information on how long the candidate has been a member of the Board of Directors and his or her record in respect of attendance at Board meetings. If the recommendation includes candidates for election to the Nomination Committee, it also includes relevant information on these candidates.

In accordance with Section 6 above, the Nomination Committee's recommendations and report are made available in accordance with the 21-day deadline for the notice calling a general meeting.

8. Board of Directors: Composition And Independence

The Board of Directors currently consists of seven members, six of which are independent. The Board members are elected by the shareholders for a term of one year.

The members of the Board of Directors are proposed by the Nomination Committee and elected by the AGM. The Chairman of the Board is also elected by the AGM.

The constitution of the Board reflects a strong background that balances specific industry experience with broader industrial, financial and management experience.

The former Chief Executive Officer of the Company, Henry H. Hamilton III, is a member of the Board. Following his resignation as CEO in 2009, Mr. Hamilton was elected Chairman by the General Meeting in June 2009. Prior to the merger between TGS and NOPEC International in 1998 that created TGS as a listed company, Mr. Hamilton was a significant shareholder in TGS. As of 31 December 2013, he remains as the 14th largest shareholder, holding approximately 1.3% of the Company's outstanding shares. Because he was formerly a member of the Company's executive personnel, Mr. Hamilton does not meet the independence criteria. Accordingly he does not serve on the Board's Compensation or Audit committees.

All directors, with the exception of one, are shareholders of TGS. Information on shares in TGS held by members of the Board can be found in Note 7 to the Consolidated Financial Statements.

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

Henry H. Hamilton III, Chairman

Born 1959. Mr. Hamilton served as CEO of TGS from 1995 through June 2009. He started his career as a Geophysicist with Shell Offshore (1981-1987) before he became employed by Schlumberger (1987-1995), where he ultimately held the position of VP and General Manager for all seismic product lines in North and South America. Mr. Hamilton joined TGS as its CEO in 1995 and remained in the position following the 1998 merger with NOPEC International. He also serves on the Board of Odfjell Drilling. Mr. Hamilton was first elected as a director in 1998 and as Chairman in 2009.

Dr. Colette Lewiner, Director (Independent)
Born 1945. Dr. Lewiner is currently an independent consultant, advising Capgemini chairman on energy matters. Previously she held the positions of Assistant Professor at Paris University, Executive Vice President at Electricité de France, Chairperson and CEO of SGN-Eurisys and Corporate Vice President & Global Leader of the Energy, Utilities and Chemical sector at Capgemini. Dr. Lewiner serves as a board member for Bouygues Group, Lafarge (until May 2014), Eurotunnel, Nexans, and Crompton Greaves. She was first elected as a director in 2006.

Elisabeth Harstad, Director (Independent)
Born 1957. Ms. Harstad is a Senior Vice President, Business Development and Innovation of DNV GL Energy in the Netherlands, a subsidiary of Det Norske Veritas (DNV). She has held various positions within DNV since 1981, including Corporate Director for Research and Innovation from 2006-2011 and COO for the Oil and gas business area from 2002-2006. Ms. Harstad serves as a board member for Yara ASA. She was first elected as a director in 2007.

Mark Leonard, Director (Independent)
Born 1955. Mr. Leonard is currently the President of Leonard Exploration, Inc. He retired in 2007 from Shell Oil Company after 28 years of service. During his tenure at Shell, Mr. Leonard held a number of executive positions including Director of New Business Development in Russia/CIS, Director of Shell Deepwater Services, Director of Shell E&P International Ventures and Chief Geophysicist for Gulf of Mexico. He was first elected as a director in 2009.

Bengt Lie Hansen, Director (Independent)
Born 1948. Mr. Hansen is currently a Non-Equity Partner at Selmer Law Firm. He is a former President of Statoil Russia and has also served in various executive positions within Norsk Hydro from 1983–2006, including Vice President Finance and Control, E&P Division, Senior Vice President Mid and Northern Norway (responsible for the Ormen Lange Project), and Senior Vice President International E&P. Prior to joining Norsk Hydro, he was Vice President at Deminex (1980–1983) and Head of Division at Norway's Ministry of Petroleum (1975–1980). Mr. Hansen serves as a board member of Odfjell Drilling. He was first elected as a director in 2010.

Vicki Messer, Director (Independent)
Born 1949. Mrs. Messer is currently an independent consultant. She has 32 years of geophysical industry experience in various executive, management and supervisory positions for CGG Veritas, Veritas DGC, Halliburton Energy Services/Halliburton Geophysical, and Geophysical Services Inc. She was first elected as a director in 2011.

Tor Magne Lønnum (Independent)
Born 1967, Mr. Lønnum is currently Group CFO in Tryg AS and Tryg Forsikring AS. Previously he held the positions of CFO in Skipper Electronics AS, Accountant in Samarbeidende Revisorer AS, Manager in KPMG, Group CFO and Group Director in Gjensidige NOR Insurance, Deputy CEO and Group CFO in Gjensidige Forsikring ASA. Mr. Lønnum serves as a board member for Bakkafrost. He was first elected as a director in 2013.

9. The Work of the Board of Directors

The Board of Director's tasks include the overall management and supervision of the Company. The Board prepares an annual plan for its work, emphasizing goals, strategies and execution.

The Board operates under specific rules of procedure, which define the duties, tasks and responsibilities of the Board of Directors and individual members of the Board, and also states guidelines for the CEO's work and duties to the Board of Directors.

The Board of Directors currently consists of seven members, six of which are independent. (refer to section 8).

The Board normally schedules seven regular meetings each year but typically holds additional meetings as circumstances dictate. Three of the regularly scheduled board meetings deal with strategic Company issues and last for 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 also sets specific objectives for the CEO on an annual basis.

The Board conducted a total of eight meetings in 2013: three physical meetings, three by videoconference and two by teleconference. All three physical meetings lasted two days. All directors attended all meetings.

In compliance with the compulsory requirement on director training, the Board performed a half-day training session in March 2014 facilitated by an approved Norwegian law firm. All directors attended this session.

Board Committees

The following committees, composed entirely of the Company's independent directors, are established by the Board to monitor and guide certain activities. Each committee operates under a defined charter that may be viewed at: http://www.tgs.com/about-tgs/policies/corporate-governance.

Audit Committee

The Audit Committee is appointed by the Board, and its primary responsibility is to supervise the Company's internal controls over financial reporting and to ensure that the Company's external auditor is independent. Further the responsibility of the committee is to ensure that the annual accounts provide a fair picture of the financial results and financial condition of the Company in accordance with generally accepted accounting practice. The Audit Committee receives reports on the work of the external auditor and the results of the audit. The committee also provides oversight on corporate governance issues and the Company's compliance officer reports to the committee in this regard.

The Audit Committee conducted a total of 6 meetings in 2013. Tor Magne Lønnum was unable to attend one of the meetings. All other members of the committee attended all other meetings.

The members of the Audit Committee with effect from the 2013 AGM are:

- Bengt Lie Hansen, Chairman
- Colette Lewiner
- Tor Magne Lønnum

Compensation Committee

The Compensation Committee reviews the compensation practices of TGS and its peer group and makes proposals to the Board on the employment terms and conditions and total remuneration of the CEO and other executive personnel. These proposals are also relevant for other employees.

The Compensation Committee conducted a total of 6 meetings in 2013 and all members attended all meetings.

The members of the Compensation Committee with effect from the 2013 AGM are:

- Mark Leonard, Chairman
- Elisabeth Harstad
- Vicki Messer

The Board of Directors carries out an annual evaluation of its own performance, working arrangements and competence. The assessment is made available to the Nomination Committee. The Board also carries out an annual evaluation of the CEO's performance.

10. Risk Management and Internal Control

The Board of Directors monitors TGS' risk exposure, and the Company continually strives to maintain and improve its internal control processes.

Executive management carries out an annual risk evaluation process to assess total enterprise risk in the Company. Through risk workshops a number of strategic and operational risk factors are evaluated and prioritized in a risk matrix. Action plans are developed to manage any significant risk factors, and the process is made continuous with annual workshops and quarterly updates regarding action plan status. The key risk factors and related action plans are part of the annual Board presentation on risk management and internal control by the CEO and CFO. The Board also considers the need for any further measures in relation to the risk factors identified.

The Company's Audit Committee reviews the Company's routines for financial risk management and internal control in detail. As part of this review, the Company has over the last few years completed a significant update on its financial procedures manual, which provides extensive documentation for internal control and financial reporting procedures. Neither TGS' executive management nor its Audit Committee reported any material weaknesses in the related internal control systems at 31 December 2013.

TGS has implemented a regime with a Corporate Authorization Matrix and guidelines to specify the level of authority granted to management. The matrix is part of the Financial Manual which is approved by the Board, and the CEO has operational responsibility for ensuring that it is enforced.

TGS has a separate legal department, managed by corporate General Counsel who reports to the CEO. Procedures and guidelines are in place to ensure that the legal department is involved in all activity that might represent legal risk for the Company, including entering into material agreements. The Company has standard policies for contract terms and conditions.

The Company also has a compliance program that provides procedures for reporting illegal or unethical conduct in the Company directly to the Board. The Board has endorsed and fully supports the continued implementation of the compliance program. The compliance program is administered by the compliance officer of the Company who reports directly to the Audit Committee of the Board and the CEO. All compliance reports are maintained as confidential to the extent possible, and no retaliation is allowed against reporting persons. The compliance officer provides quarterly and annual reports to the Board.

All agents, officers and key employees working for the Company must sign an annual anti-corruption compliance certification. Each employee of the Company must read and acknowledge the Company's Code of Conduct, Statement of Values and Policy on Insider Trading on an annual basis.

11. Remuneration of Board of Directors

TGS believes that remuneration to the Board of Directors should be designed to attract and retain an optimal Board structure in a competitive environment. Procedurally, the directors' compensation is recommended by the Nomination Committee 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. The remuneration is not related to the Company's financial result. Note 7 to the Consolidated Financial Statements details the remuneration for 2013. TGS believes the remuneration reflects the Board's responsibility, expertise, time commitment and the complexity of the Company's activities.

No Board member has taken on specific assignments for the Company in addition to their appointment as a member of the Board.

12. Remuneration of Executive Personnel

TGS' Total Compensation Philosophy is to provide a robust and competitive total rewards package that attracts and retains exceptionally talented people and provides greatest rewards for its employees who consistently and continually demonstrate the highest levels of performance. TGS uses a blend of components: base salary, incentive compensation (short-term and long-term awards) and non-financial rewards. TGS' total cash compensation, defined as base salary and short-term incentives, is intended to exceed the market average in years where the company performs above market (target above 50th and up to 75th percentile of the market). It is also heavily weighted in variable pay so that employees share in the same risk and rewards as its shareholders.

It is critical to TGS' continued success to attract and retain highly engaged executives with great vision, global experience and a strong drive for results. The compensation program for executive officers consists of industry competitive benefit programs and base salaries, an annual performance cash bonus directly linked to the TGS Group's operating profit and long-term stock option incentives and share appreciation rights (SARs). The various compensation elements are balanced in a way that recognizes the individual executive's responsibilities and his or her abilities to influence the short and long-term profitable growth of the Company.

Each year up to 7% of the TGS Group's operating profit is designated as the pool for employee annual performance cash bonuses. Based on the annual budget, individual bonus targets are set at the beginning of the plan year. Executives are assigned a factor of their base salary that is influenced by individual level of responsibility in the organization, individual contribution, performance in the previous year and other criteria. The total of all factored bonus targets are compared to the budgeted pool to calculate and apply an adjustment ratio. The resulting adjusted bonus amount is the individual's annual target cash performance bonus.

The actual bonus amounts are paid quarterly and are directly proportional to the actual operating profit. This ensures that there is short term direct linkage to Company performance. The actual annual bonus paid to any employee is capped at two times the individual's annual target bonus.

For executive team members, TGS reserves the right to demand the repayment of any cash performance bonus that has been paid on the basis of facts that were incorrect, or as the result of misleading information supplied by the individual in question.

In order to attract top executive candidates, the Company follows competitive compensation practices in the locations in which it hires executives. As it is established market practice in the US to provide a CEO a three year termination clause, the Company has adopted this standard for its CEO who is based in the US.

The Board of Directors believes that the issuance of share based payments (long –term awards) is a valuable tool to aid in the retention of key employees and serves to reinforce the importance of maintaining a longer-term focus towards shareholder value creation. A limited amount of share options are usually issued each year upon the approval of and authority from shareholders at the Annual General Meeting (AGM). Subsequently a detailed plan is then subject to the review and approval by the Board of Directors. Due to the limited size and scope of the program, the Board does not find it necessary to set a maximum limit for the amounts which may be earned by exercising options.

For existing stock option programs the Compensation Committee has made a recommendation to the Board of Directors for the amount of share options to be issued to executives. The number of options offered in stock option grants has been directly linked to Company and individual performance. Stock options are issued at market price when granted, vest over a four-year period starting on the third anniversary of the grant and expire five years after the share option pool approval by shareholders at the AGM. Under Norwegian law, five years is the maximum lifetime of a warrant to secure a stock option. At the AGM held on 4 June 2013 the proposed stock option plan, limited to 600,000 options, was approved.

For 2014, instead of proposing a new stock option plan, the Board of Directors will be proposing to the AGM a long term incentive plan based on Performance Stock Units which will be earned if the Company meets certain defined total shareholder return metrics over a three year period. In conjunction with this plan, the Board intends to implement a minimum stock ownership guideline for executives.

The CEO is responsible for proposing the compensation packages (excluding his own) for all executive officers subject to Compensation Committee review and Board approval. The Compensation Committee is composed of completely independent directors and is also responsible for recommending the CEO's compensation package to the Board for final review and approval. This includes the CEO's target bonus which is specifically set by the Board of Directors and is directly linked to results achieved on measurable key performance indicators in the previous year.

The Board believes executive compensation should be reasonable and fair according to prevailing industry standards in the geographical markets where the TGS Group operates, and understandable relative to scale, complexity and performance. The Board ensures that executive compensation is administered consistently according to the TGS total compensation philosophy. The TGS Compensation Committee has retained an independent 3rd party compensation benchmarking firm, F.W. Cook, to assess and recommend changes to TGS' executive compensation practices relative to its peer group. The peer group is composed of several international oil & gas services companies and competitors. The peer group was determined by considering a combination of relative factors including annual revenue, EBITDA, market capitalization, return on equity (ROE) and return on invested capital (ROI). This independent executive compensation analysis is conducted annually and is taken into account when salaries and bonus levels are determined.

The Company results are reviewed by external auditors to ensure appropriate controls are in place related to Company results. In accordance with the Norwegian Public Limited Liabilities Act § S6-16a, the Board will present a statement regarding the Company's policies for management compensation to the Annual General Meeting on 3 June 2014.

For further information on executive management compensation, please refer to Note 7 of the Consolidated Financial Statements.

13. Information and Communications

TGS' investor relations policy is designed to inform the stock market and all shareholders of the Company's activities and status in a timely and accurate manner. The Company submits quarterly and annual financial reports to the OSE. In addition, any interim information of significance for assessing the Company's value is distributed as stock exchange announcements through Hugin, a commercial publisher of financial information. This information is also available via the Company's website www.tgs.com.

The Company places great emphasis on complying with Stock Exchange regulations by providing the same information to all investors, national and international. The Company uses the Code of Practice for Reporting of IR information issued by Oslo Børs and the Norwegian Investor Relations Association (NIRA) as a guideline for IR reporting. All press releases and news are published in English only and from 2011, the Company has been granted exemption from the Norwegian Tax Authority to publish its Annual Report in English only.

The Company's quarterly earnings presentations are recorded and made available as webcasts or slide presentations in real time. The Company also makes national and international presentations and conducts road shows throughout the year to inform existing and potential investors about TGS.

The financial calendar displaying the dates for the coming years' interim reports and General Meetings for shareholders is posted at: http://www.tgs.com/investor-center/financial-reports/financial-calendar/.

14. Take-Overs

The Board of Directors has established guiding principles for how it will act in the event of a take-over bid received.

During the course of a take-over process, the Board of Directors and management of both the party making the offer and the target company are responsible to help ensure that shareholders in the target company are treated equally and the target company's business activities are not disrupted unnecessarily. The Board is particularly responsible to ensure that shareholders are given sufficient information and time to form a view of the offer.

The Board of Directors will not hinder or obstruct take-over bids for the Company's activities or shares.

In the event of a take-over bid for the Company's shares, the Board of Directors will not exercise mandates or pass any resolutions with the intention of obstructing the take-over bid unless this is approved by the General Meeting following announcement of the bid.

Any agreement with the bidder that acts to limit the Company's ability to arrange other bids for TGS shares will only be entered into where it is self-evident that such an agreement is in the common interest of TGS and its shareholders. This provision shall also apply to any agreement on the payment of financial compensation to the bidder if the bid does not proceed. Any financial compensation will be limited to the costs the bidder has incurred in making the bid.

If an offer is made for TGS' shares, the Board of Directors will issue a statement evaluating the offer and making a recommendation as to whether shareholders should or should not accept the offer. If the Board finds itself unable to give a recommendation to shareholders on whether or not to accept the offer, it will explain the background for not making such a recommendation. The Board's statement on a bid will make it clear whether the views expressed are unanimous, and if this is not the case, the Board will explain the basis on which specific members of the Board have excluded themselves from the Board's statement. The Board will arrange for a valuation of TGS from an independent expert and the valuation will be made public no later than at the time of the public disclosure of the board's statement. If any member of the Board or executive management, or close associates of such individuals, or anyone who has recently held such a position, is either the bidder or has a particular personal interest in the bid, the Board will arrange an independent valuation in any case. This will also apply if the bidder is a major shareholder. Any such valuation will be either appended to the Board's statement, be reproduced in the statement or be referred to in the statement.

Any transaction that is in effect a disposal of the Company's total activities shall be decided by a General Meeting.

15. Auditor

The Board of Directors has determined the procedure for the external auditor's regular reporting to the Board. The auditor attends at least one meeting each year with the Audit Committee of the Board as well as the Board of Directors where the Company's management is not represented. In addition, the auditor participates at meetings of the Board relating to the preliminary annual financial statements. If there are any significant changes from the preliminary accounts, the auditor will also participate in the meeting that approves the annual financial statements. In 2013, the auditor has participated in all meetings of the Audit Committee relating to the unaudited quarterly financial statements.

The Company's external auditor presents the primary features of the plan for the execution of the audit to the Audit Committee and reports on the key accounting principles and estimates and the results of the audit to the Audit Committee and the Board of Directors. The auditor also presents to the Audit Committee and the Board any internal control weaknesses and improvement opportunities.

TGS has established guidelines for the right of management to use the external auditor for services other than auditing. The Audit Committee receives an annual summary from the external auditor of services other than auditing that have been provided to TGS. The auditor also presents any threats to his/her independence and documents measures implemented to reduce these, as required by the Audit and Auditors Act Section 5a-3 3. The external auditor provides the Audit Committee with an annual written confirmation of independence.

In compliance with the Audit and Auditors Act Section 5a-4, which calls for a mandatory rotation of the lead engagement partner every seven years, a new lead engagement partner has been appointed effective from 2013. As part of the rotation process, TGS carried out an audit tender process in 2013 where all the leading international audit firms were invited to participate and present to the Audit Committee. Based on the evaluations from this tender process, TGS decided to continue with the same audit firm.

The auditor's fee is determined at the Annual General Meeting. Refer to Note 7 to the Consolidated Financial Statements for auditor's compensation for 2013.

The auditor is required to attend a General Meeting if the business to be transacted is of such a nature that his or her attendance must be considered necessary. In addition, the auditor is, in any case, entitled to participate in the General Meeting.

CORPORATE SOCIAL RESPONSIBILITY

Sustainability is about creating lasting benefits. It's about providing long-term shareholder value. It means maintaining a safe, respectful and productive workplace. And it's a pledge to do what is right for our communities and our environment. At TGS, we believe high-quality data leads to better energy decisions that help reduce environmental impact and enhance sustainability.

REPORT ON CORPORATE SOCIAL RESPONSIBILITY

"TGS is responsible to our customers, our employees, the communities in which we live and work, to the world community and to our shareholders. Living the TGS Values every day, in everything that we do, helps us to meet or exceed the expectations of our stakeholders both today and in the future, and is critical to delivering sustainable growth over the long term."

Hank Hamilton, *Chairman*

1. Report on Corporate Social Responsibility

The term "Corporate Social Responsibility" (CSR) is often used interchangeably with "Corporate Sustainability." The Dow Jones World Sustainability Index defines Corporate Sustainability as ***"a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments."***

TGS has prepared a CSR report to communicate to stakeholders how it integrates sustainability priorities within its business operations and strategy. Specifically the report covers TGS' CSR policies, actions, results and future ambitions and plans. It is the opinion of the Board of Directors that this report complies with the CSR requirements of the Norwegian Accounting Act section 3-3c.

2. Statement of Values

TGS believes that CSR is a fully compatible and integrated part of conducting business successfully. The TGS Statement of Values clearly recognizes that the Company is responsible to a number of stakeholder groups (customers, employees, communities/environment and shareholders). These values have long been a fundamental part of how TGS has chosen to do business and the Company has developed and refined these values over time. The purpose of the TGS Statement of Values is to provide a moral and ethical compass to assist and guide the Company in business situations that arise every day. These standards apply to all its activities in every market that TGS serves.

TGS is responsible to its customers. Through quality and service, the Company consistently strives to meet or exceed the expectations of customers, both promptly and profitably.

TGS is responsible to its employees. TGS' single greatest asset is its employee base. The Company considers each employee as an individual, and recognizes and respects the dignity, culture and merit of each employee. TGS provides equal opportunity for employment, development and advancement. The Company's human resources policies are designed to ensure fair and equitable treatment and to encourage personal growth. The TGS health, safety and environmental management system (HSE-MS) is designed to ensure that all Company operations are conducted in the absence of significant risk, by continuously identifying and controlling hazards which may arise through any aspect of the Company's operations.

Honesty, integrity and fairness form the cornerstones of TGS' relationships inside and outside the Company.

TGS is responsible to the communities and environment in which it operates and works and to the world community as well. The Company has a charitable contributions committee and actively supports reputable charitable programs and organizations that serve people in need by providing ongoing financial donations as well as a program that encourages employees to donate their time and energy to help those in society who are less fortunate. In 2013, TGS made significant contributions to 65 charitable organizations. The largest contributions were donated to organizations that work with underprivileged youth, homeless families and organizations researching and curing chronic diseases. TGS' policies on health, safety and environment are regularly reviewed and adapted based on experience gained and best practices learned. TGS supports the United Nations Universal Declaration of Human Rights and strives to apply the declaration's principles throughout business operations.

TGS is responsible to its shareholders and expects that they should realize a fair return. The Company understands that its main contribution to society comes from operating and growing a profitable and thriving business that creates value over the long term.

3. CSR Priority Identification

In identifying CSR priorities for TGS, it is important that the Company considers how its business impacts stakeholders across the value chain, from planning projects and consulting with local communities and regulatory authorities (including permitting requirements), to selecting and working with partners, agents and contractors, to managing HSE risks in geophysical operations, and to ensuring compliance with TGS Code of Conduct in dealings with third parties.

On an annual basis, TGS conducts a risk assessment process whereby risks from across the business (including but not limited to CSR risks) are assessed and ranked (based on potential severity and effectiveness of current mitigation measures). Eighty-four risks were included in this process at the end of 2012 and ninety-six risks in 2013. TGS seeks feedback from stakeholders through its biennial customer feedback survey, a biennial employee engagement survey (with industry benchmarking) and regular meetings with shareholders and the International Association of Geophysical Contractors (IAGC). In addition the TGS executive team and Board of Directors participate in reviews of compliance, health, safety and environmental performance on at least a quarterly basis. These inter-related processes allow TGS to identify CSR priority areas and help to set the CSR goals, plans and actions each year. The CSR priorities identified for 2013 are described below.

4. CSR Priorities

4.1 Labor Rights and Employee Working Conditions

Employee engagement is critical to the long-term sustainability of TGS. TGS seeks to maintain high levels of employee engagement through recognizing labor rights and providing favorable work conditions. Specifically TGS seeks feedback from employees through a biennial global employee engagement survey conducted anonymously by a third-party consultant, which allows TGS to identify areas for improvement and measure the success of policies and actions. Based on the 2011 employee engagement survey TGS prioritized three areas for action: upward communication, training and communication of compensation philosophy.

Policy:

(a) Improve communication across organization and specifically increase upward communication and encourage employees to share their opinion on important issues facing the organization.

(b) Provide training to help maximize the potential of each employee in their current role and provide opportunities for personal development.

(c) Communicate unique TGS compensation philosophy to employees and potential new hires to help attract and maintain the best people in TGS' sector.

2013 Actions:

(a) Increase opportunities for employees to interact with CEO through quarterly Q&A sessions, breakfast meetings with new employees and open forum meetings. Encourage communication with senior management and peers through a variety of forums, committees and task forces.

(b) Increase resources (including people, time and set portion of global payroll) allocated to professional development. Ensure that professional development remains a key element of the annual performance and development review. All managers will be held accountable for and expected to encourage employee development

(c) Increase communication on the "TGS Total Rewards Philosophy" (the combination of base, profit-related bonus, long-term incentives and benefits). Seek more input into TGS' pay practices from divisional management and closely monitor market data to ensure that Total Rewards are reflective of individual performance, scope, level of responsibility and contribution.

Status at 31 December 2013:
(a) All of the proposed actions have been successfully implemented with new hire breakfast meetings and quarterly Q&A sessions with the CEO proving very popular. Global project developer forums and special task forces have allowed sharing of ideas and best practices between the regions and have facilitated the flow of communication to peers and management.

(b) Additional external professional development programs have been implemented. At least two general business and management courses at each of TGS' core locations have been offered. A technically focused Learning and Development Team has been established and a formal mentoring program has been introduced.

(c) New benefits and compensation strategies have been implemented where relevant. Annual Total Rewards Statements have been provided to employees. TGS believes that its unique Total Rewards Philosophy with its emphasis on a quarterly profit-related bonus helps to align and incentivize employees to work together for the greater good of the company. TGS is proud that employees get to share directly in the success of the company.

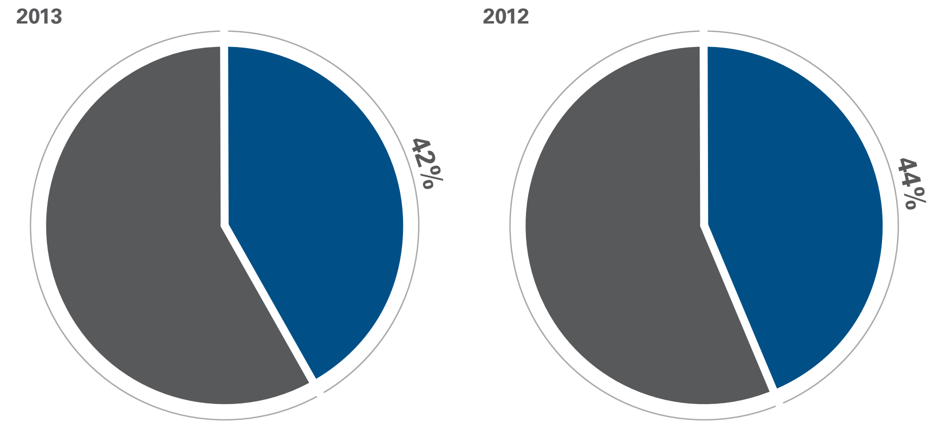
In the 2013 TGS Employee Engagement survey, there was an impressive 90% response rate versus benchmark standard response rate of 65%. Much like the 2011 survey, TGS performed very well versus the benchmark in each of the core categories (and scored significantly above the benchmark in several areas such as employee commitment, culture/values, leadership and customer service). Benchmark data was provided by the third party consultant, based on over 133,000 responses from employees of mid-size organizations across multiple industries.

Employee Engagement Score	External 2013 benchmark	TGS 2013	TGS 2011	% Change
Communication	4.18	5.36	4.19	28%
Career Development	4.71	5.50	4.9	12%
Benefits & Compensation	4.21	4.97	4.54	9%

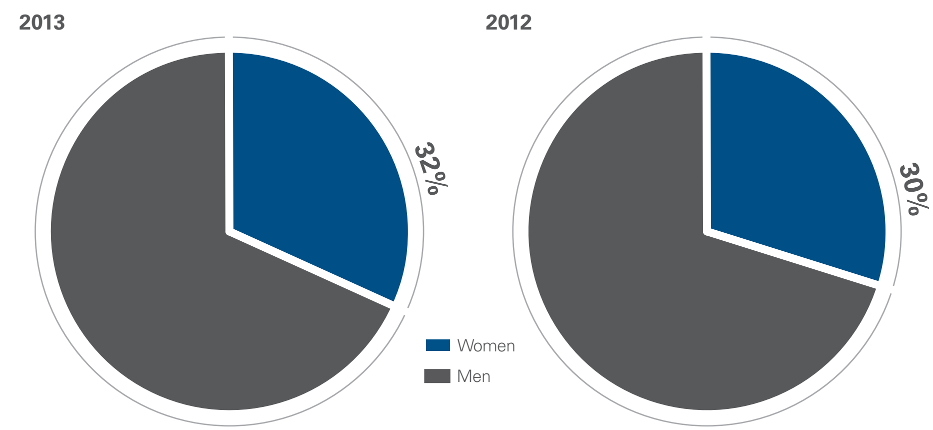
Employee Engagement scores are reported on a scale of 1 (very strongly dissatisfied) to 7 (very strongly satisfied with a score of 4 being neither satisfied nor dissatisfied).

Other pertinent information regarding TGS' employee base is set forth below:

Percent of Staff that are Women



Percent of Management that are Women



Employee Statistics	2013	2012
Total Employees at year end	912	816
Net increase in employees	96	148
Average employees in year	879	758
Internal job fill	25%	40%
Employee turnover	12%	12%
Industry average turnover*	15%	12%

**Oil & Gas Average, source: HRLC – Corporate Executive Board*

Ambitions and Plans:
Going forward TGS intends to continue implementing the actions undertaken during 2013. In addition, following review of the 2013 Employee Engagement results it has been decided that the Company will take a more granular "divisional" level approach to creating new action plans relating to labor rights and employee working conditions. Division leadership will be working on identifying specific areas of focus and building relevant action plans.

4.2 Communities and Human Rights

TGS supports the UN Universal Declaration of Human Rights and aims to apply its principles throughout its business operations. These principles include recognition of the freedom, the rights, the dignity and the worth of the human person and promotion of equality irrespective of gender, race or religion. TGS will not use or support child labor or slavery.

Policy:
(a) Be a good citizen supporting good works and charities.

(b) Apply the principles of the UN Universal Declaration of Human Rights throughout TGS' business operations, including when interacting with local communities in the development and implementation of seismic data acquisition projects.

2013 Actions:
(a) Through the TGS charitable contributions committee, actively support reputable charitable programs and organizations that serve people in need by providing ongoing financial donations as well as encouraging employees to donate their time and energy to help those in society who are less fortunate.

(b) Where relevant, consult with local communities to seek input and address concerns relating to seismic data acquisition projects, especially in relation to onshore seismic activities, areas sensitive to the fishing industry and the Arctic.

(c) Give back to the industry in which TGS operates by providing critical educational opportunities to deserving students in geoscience disciplines.

Status at 31 December 2013:
(a) Significant contributions were made to 65 charitable organizations during 2013. The largest charitable contributions were made to organizations that help underprivileged youth. Donations were also made to organizations that help homeless families and organizations researching and curing chronic diseases. TGS employees reported that they had spent more than 384 hours on TGS-supported charitable activities during 2013.

(b) TGS engaged closely with a number of communities in areas where seismic data acquisition surveys were performed. For example in Alaska, TGS conducted public community meetings and consulted with various community leaders and subsistence groups across several communities both during the permitting stage of the Chukchi Sea project and after completion of seismic acquisition. TGS also sponsored a number of youth education programs in Alaska. Similar activities took place associated with onshore projects in Canada, including engagement with stakeholders such as land owners and the First Nations, and direct involvement in community projects and local charities. TGS also sought to create new opportunities for local workers where appropriate.

(c) Between 2008 and 2013, TGS donated a total of $500,000 to support the attendance of deserving university-level students at geoscience field camps. This effort is being stewarded through the Society of Exploration Geophysicists which selects and distributes the funds to academic organizations around the world to be used to conduct practical geoscience training in the field. TGS has recommitted to support the program through another $500,000 donation from 2014-2019.

Ambitions and Plans:
TGS will continue its charitable work and interaction with local communities. TGS plans to continue drawing on the experience of the Arcis Seismic Solutions team with regards to how to successfully perform seismic data acquisition in the onshore environment whilst respecting the rights of the local communities to the mutual benefit of all parties.

4.3 Compliance and Anti-Corruption

TGS expects the highest levels of personal conduct from its Board of Directors, its entire staff, regardless of position, and its agents and contractors. Honesty, integrity, and fairness form the cornerstones of relationships inside and outside the Company.

As a function within the TGS executive team, the Compliance Program sets ethical standards, provides training and educational resources and responds to all concerns raised by TGS' internal and external stakeholders. The TGS Compliance Officer reports to the Board of Directors and the TGS CEO and provides updates on at least a quarterly basis. TGS investigates all potential violations of its Statement of Values and Code of Conduct, such as illegal acts, conflicts of interest, financial fraud, corruption issues or breaches of TGS' corporate policies. TGS also engages internal or external legal counsel as needed in dealing with possible violations of its corporate policies. Employees are encouraged to report any violation of TGS' values or policies to their supervisor or the Corporate Compliance Officer or through the TGS hotline. TGS wants to know about potential problems before they become serious, and policies are in place to prevent retaliation against reporting employees.

Policy:

(a) Ensure employee and Board of Director compliance with TGS Code of Conduct and all legal and ethical requirements and standards of the geoscience industry. Ensure that employees are able to report any known or suspected ethical irregularities without the fear of retaliation.

(b) Ensure contractors and agents comply with TGS Code of Conduct and all legal and ethical requirements and standards of the geoscience industry.

2013 Actions:

(a) Update anti-corruption policy during 2013. Communicate TGS values and compliance obligations and guidance to employees through multiple avenues. Require all employees to acknowledge in writing their understanding and compliance with the TGS Code of Conduct, Policy on Insider Trading and Statement of Values. Conduct an employee survey to assess compliance culture and strength of internal controls. Implement compliance training for employees and perform management anti-corruption certification. Provide new employees with Code of Conduct and preventing discrimination & harassment training.

(b) Implement compliance training for agents. Perform agent anti-corruption certification. Exercise compliance audit rights in select agency agreements. Establish procedures for standardizing due diligence requirements for contractors.

Status at 31 December 2013:

(a) The TGS anti-corruption policy was updated and released during 2013. Multiple compliance communication methods have been employed including an annual letter from the CEO and an employee compliance survey. One-hundred percent (100%) of current, active employees completed the annual "sign-off" of the TGS Code of Conduct, Policy on Insider Trading, and Statement of Values. 90% or higher completion rate was achieved for all online compliance training. No employee-related corruption issues arose during 2013.

(b) Compliance training for agents has been established and agent anti-corruption certification implemented. A number of agent compliance audits were conducted during 2013. Procedures for standardizing due diligence requirements for contractors have been established. No agent or contractor related corruption issues arose in 2013.

Ambitions and Plans:

Going forward TGS will continue to implement the specific anti-corruption actions identified. In addition, the Company plans to review its approach to assessing the anti-corruption performance of its contractors for seismic data acquisition and implement changes where appropriate. This could include greater emphasis on CSR information requests and audits and updates to standard contract templates.

4.4 External Environment

TGS typically conducts environmental impact assessments as part of the permitting process prior to initiating seismic data acquisition. TGS monitors its environmental performance versus plans and is dedicated to the continuous improvement of its environmental programs and standards for all of its operations.

TGS, through its membership of the IAGC, works with regulatory authorities and non-governmental organizations to help understand and mitigate risks relevant to the geophysical industry.

Policy:

(a) Zero spills and unplanned releases to the marine environment during seismic vessel operations and zero reportable spills (greater than 95 liters) in the onshore environment.

(b) Maintain positive communication with regulatory authorities and other governmental and non-governmental organizations to help identify, understand and mitigate environmental risks associated with geophysical activities.

(c) Implement improved environmental awareness in office locations.

2013 Actions:
(a) Include environmental aspects within IMCA/OVID accredited audits on all charted seismic vessels. Monitor spills and unplanned releases during seismic operations.

(b) Support the IAGC (financially and through employee participation in committees and projects) in its activities to scientifically research environmental issues. Through the IAGC seek to positively influence sensible and sustainable legislation and address environmental misconceptions associated with the geophysical industry. Support the IAGCs efforts to create standards and protocols for seismic in frontier areas. Plan seismic surveys to minimize environmental implications and liaise with stakeholders (including local fishing industry).

(c) Implement campaigns and provide facilities to encourage recycling and reduce paper waste across TGS offices.

Status at 31 December 2013:
(a) There were no recordable spills or unplanned releases to the marine environment and no reportable spills or unplanned releases to the onshore environment in 2013.

(b) On 19 February 2013, the IAGC appointed Robert Hobbs, CEO of TGS, as its chairman. During 2013, TGS has worked with many stakeholders both independently and through the IAGC to address environmental concerns. The IAGC successfully intervened on behalf of the U.S. federal government, along with the American Petroleum Institute, the Independent Petroleum Association of America, and the U.S. Oil & Gas Association, to agree to a package of procedures and mitigation measures to satisfy concerns raised by environmental groups associated with seismic surveying in the U.S. Gulf of Mexico. In addition, TGS partnered with Seiche (a leading manufacturer of sound measuring equipment and marine mammal monitoring systems) on a project to develop a sound verification system to help mitigate the impact of seismic sources on marine mammals.

(c) During 2013, TGS implemented a campaign to reduce printing and copying paper usage by encouraging two-sided printed. In addition, an eCycle electronics program was implemented at all TGS office locations with recycled electronics goods being sold to third parties.

Ambitions and Plans:
Going forward TGS intends to continue implementing the actions undertaken during 2013. In addition, the Company plans to review its approach to assessing the environmental performance of its contractors for seismic data acquisition and implement changes where appropriate. This could include greater emphasis on CSR information requests and audits and updates to standard contract templates.

4.5 Health and safety

TGS is committed to providing a safe and healthy workplace for its employees, contractors and clients. TGS is dedicated to the continuous improvement of health, safety and security standards for its people and insists on the same policy from its contractors.

TGS has defined safe operating procedures in the HSE Management System that are designed to meet or exceed all appropriate legal requirements and, in the absence of any defined standards, to meet or exceed generally accepted industry-wide "best operating practices." TGS actively participates with all relevant client/contractor associations and relevant authorities in developing HSE standards.

TGS maintains a high level of safety awareness by means of safety meetings, internal auditing, review meetings and general communications. All employees and contractors are actively encouraged to participate in the conduct, management and continuous improvement of safety. TGS requires all employees and contractors to be accountable for and committed to their own health and safety as well as for those with whom they work. Employees and contractors are empowered to intervene and STOP any operation or activity that they feel is unsafe or hazardous, with the knowledge that such action will be supported by management.

Both the TGS HSE Director and senior management have responsibility for the communication and implementation of TGS health and safety policies, including provision of information, training and resources to employees.

Policy:

(a) Target zero fatalities and lost time injuries for all field crews

(b) Target zero fatalities and lost time injuries for all office-based employees

2013 Actions:

(a) Increase management presence during geophysical operations with field visits from senior management and operations managers. Include health and safety criteria within IMCA/OVID accredited audits on all charted seismic vessels. Include health and safety criteria within audits of each contracted land crew. Commence integration of Land HSE management systems for North American Land operations and Arcis Seismic Solutions.

(b) Conduct quarterly HSE reviews with executive team. HSE training materials to be updated and a system implemented to track employee completion of HSE training. Senior management to ensure that all employees complete at least one HSE training module during 2013. Promote HSE moments in all meetings hosting visitors and cement this as part of TGS culture. Management to participate in audits of all office locations. All staff to be assessed on active HSE commitment during annual performance review.

Status at 31 December 2013:

(a) There were no lost time incidents for field crews in 2013. There were 41 field visits from senior management and operations managers during 2013, and full compliance with vessel and land crew audit requirements was achieved. The Vehicle Accident Rate in 2013 (per 1,000,000 miles) decreased to 4.21, compared to 4.88 in 2012. An initial workshop was held to integrate Land HSE management systems. This activity is scheduled to complete in 2014.

(b) There were no lost time incidents for office-based employees in 2013. New audio-visual training material was implemented and one hundred percent (100%) of employees completed at least one HSE training module before the end of 2013. Thirty-three office HSE audits were performed during the year.

Employee Health & Safety Statistics	2013	2012
Man-hours	1,544,897	1,439,769
Fatalities	0	0
Lost Time Injuries (LTI)	0	0
Medical Treatment Cases	1	1
Restricted Work Cases	0	0
Recordable Case Frequency*	0.65	0.69
LTI Frequency*	0.00	0.00
Working Days Lost	1,327	1,620
Sickness Absence Frequency	0.69%	0.90%

Contractor Health & Safety Statistics	2013	2012
Man-hours	3,810,306	4,395,645
Fatalities	0	0
Lost Time Injuries (LTI)	0	3
Medical Treatment Cases	10	28
Restricted Work Cases	8	13
Recordable Case Frequency*	4.72	10.01
LTI Frequency*	0	0.68

**Recordable cases include fatalities, LTIs, medical treatment and restricted work cases*
**Per million man-hours*

Ambitions and Plans:

Going forward TGS intends to continue implementing the actions undertaken during 2013 with emphasis on training and management leading by example. In addition, the Company plans to review its approach to assessing the health and safety performance of its contractors for seismic data acquisition and implement changes where appropriate. This could include greater emphasis on CSR information requests and audits and updates to standard contract templates.

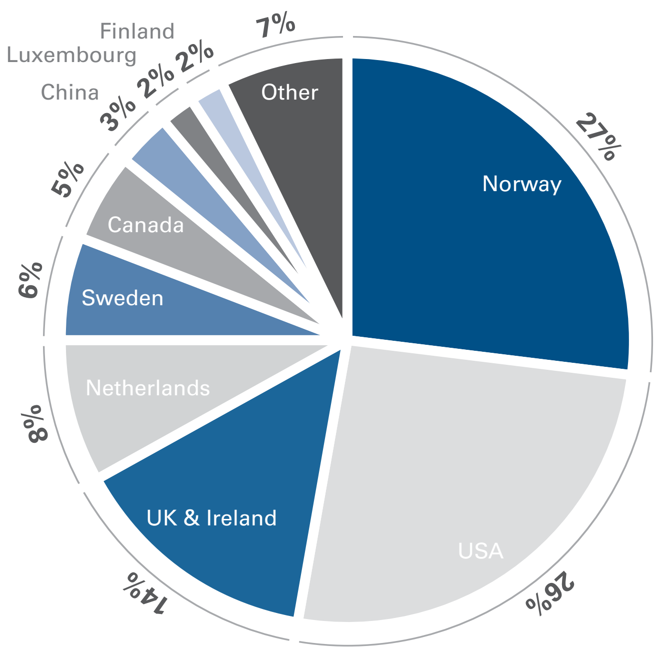
INVESTOR RELATIONS

TGS Shareholder Facts

Symbol: TGS
Listing: Oslo Stock Exchange (member of the OBX index)
ADR: TGSGY (traded on the U.S. over-the-counter market)
Analyst coverage: 24 firms; for list see http://www.tgs.com/investor-center/stock-information/analyst-coverage/
Volume traded on the OSE during 2013: 118,438,925 shares
Average daily trading volume in 2013: 475,658 shares

Shareholder Facts	**2013**	2012	2011	2010	2009
Market Value at 31 December (USD 1000s)	**2,742,148**	3,358,639	2,298,358	2,307,758	1,876,512
Shareholder Equity at 31 December (USD 1000s)	**1,292,979**	1,168,360	973,021	908,771	839,856
Shares Outstanding 31 December	**103,521,724**	103,431,474	103,424,374	103,485,825	104,062,275
of which Treasury Shares 31 December	**1,416,200**	1,317,200	1,816,250	1,567,151	947,750
Volume Traded on the OSE	**118,438,925**	133,452,000	188,639,796	271,015,247	176,386,000
Average Daily Trading volume	**475,658**	531,681	748,571	1,075,457	702,734
Share Price at 31 December (NOK)	**160.80**	181.50	132.50	131.50	104.80
Share Price High (NOK)	**229.30**	198.90	164.10	133.20	106.00
Share Price Low (NOK)	**140.00**	136.30	97.00	73.65	36.90
Earnings per Share (Fully Diluted)	**2.59**	2.76	1.65	1.49	1.56
Dividend per Share (NOK)	**8.5**	8.0	6.0	5.0	4.0
Yield (at day of announcement)	**5.2%**	4.0%	3.9%	3.5%	3.7%
Market Price/Earnings per Share (P/E)	**10.23**	11.77	13.47	14.97	11.56
Market Price/Equity per Share (P/B)	**2.12**	2.87	2.36	2.54	2.23
Enterprise Value/Operating profit (EV/EBIT)	**6.36**	7.52	8.18	8.94	7.77

Distribution of share holdings:*



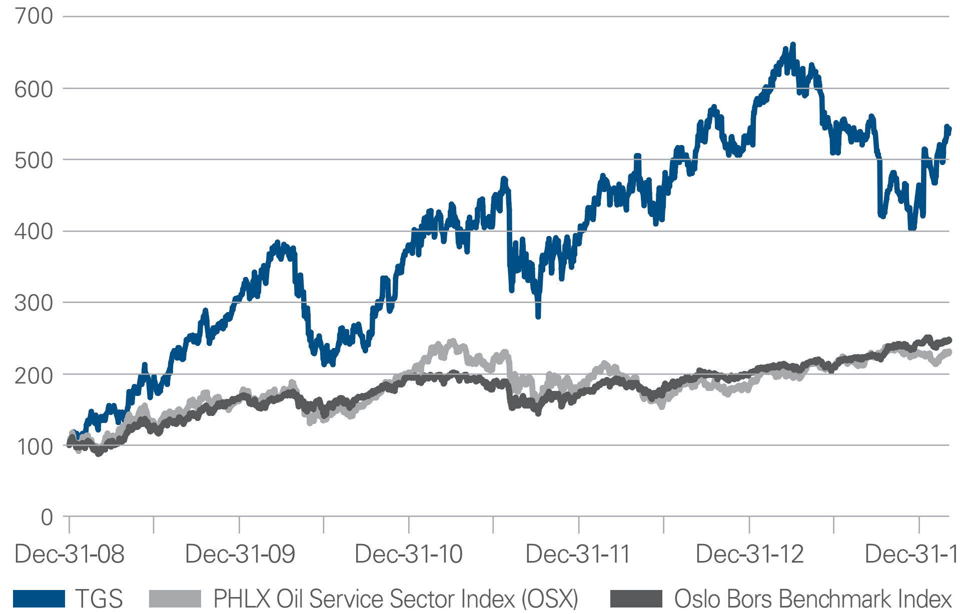
*Based on location of beneficial owners of TGS shares rather than location of nominee accounts at 31/12/2013

Stock Performance

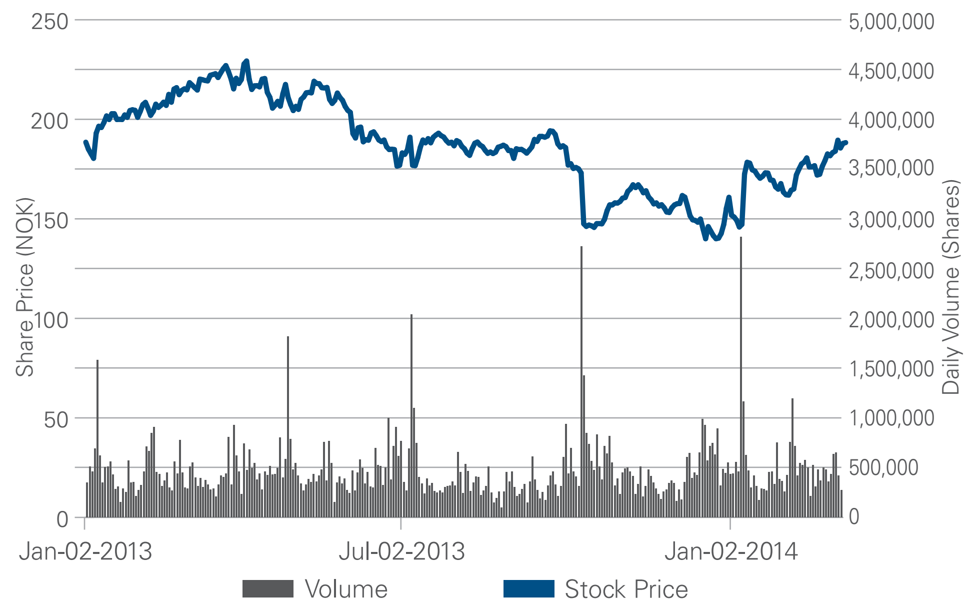
TGS is listed on the Oslo Stock Exchange and also has an American Depositary Receipt (ADR) facility managed by The Bank of New York Mellon. TGS is part of the OBX index, being among the 25 most liquid stocks in Norway.

TGS share price over the last 5 years has outperformed both the Company's peer group and the Oslo Stock Exchange.

Share Price Performance Versus Benchmarks



TGS Stock Price and Volume

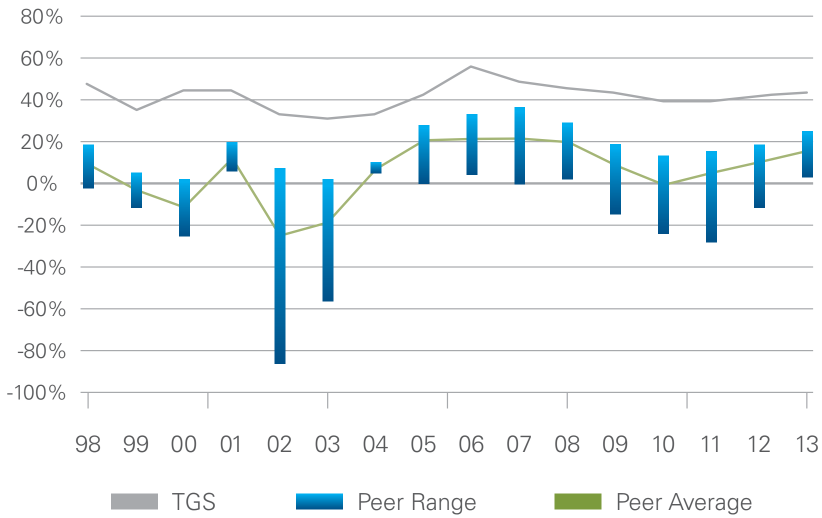


Superior Financial Returns

TGS continues to be diligent at generating long term return for its shareholders. TGS' asset-light multi-client geoscience data business has historically delivered strong financial performance through the cycles. The charts below highlight TGS' financial track record with an average EBIT margin above 40% combined with stable returns through the cycles significantly above TGS' weighted average cost of capital.

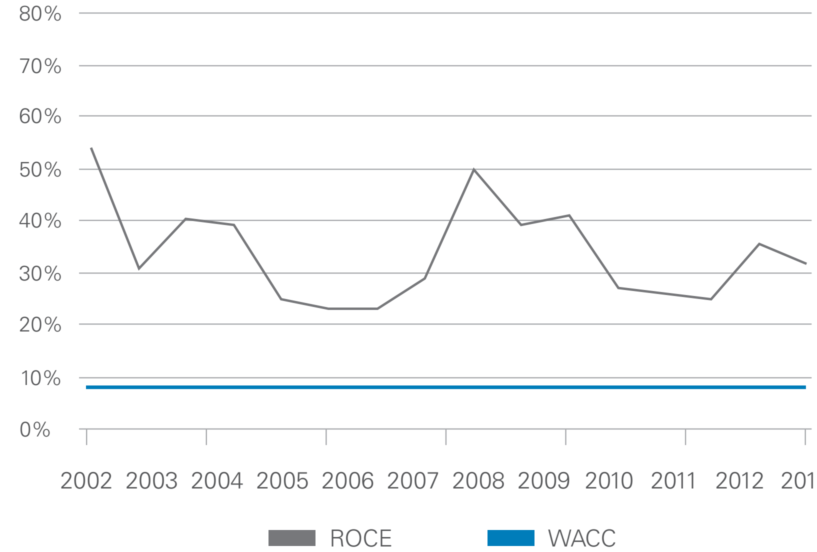
TGS continues to target long-term growth at least in line with E&P expenditure and also has an aspiration to continue growing market share by continuously targeting quality investments.

EBIT Margin vs. Seismic Peers



The peer group included CGG, Geokinetics, ION Geophysical, PGS, Western Geco, Dolphin, Polarcus

Return on Capital Employeed



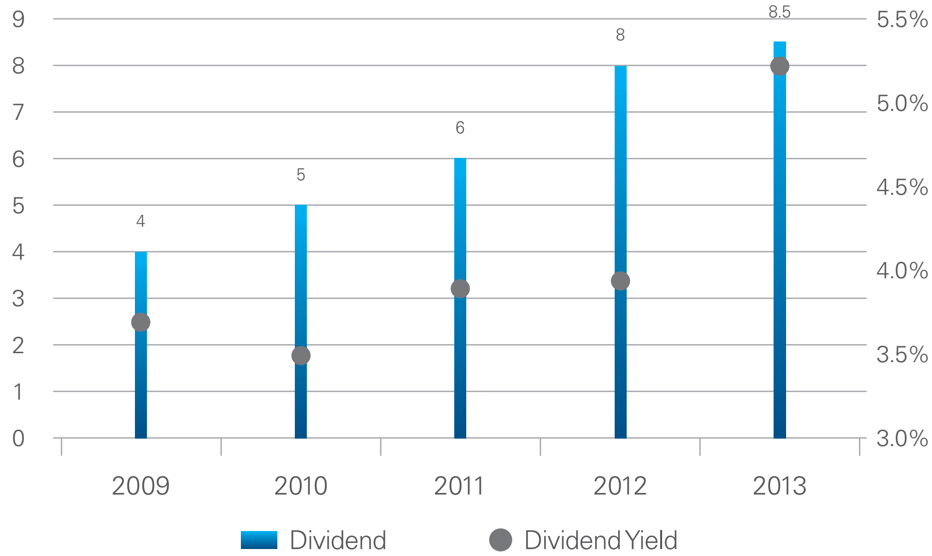
TGS continues to target growth over the long term at least in line with E&P expenditure and also has an aspiration to continue growing market share. However, TGS will not seek growth at the expense of investment quality.

Capital Distribution to Shareholders

The Company is constantly evaluating the best use of profits for continued shareholder growth. The Company uses excess cash for organic investments in the multi-client library, historically providing healthy returns. In addition, the company from time to time uses cash for the acquisition of businesses that add value to the TGS offering or a technology that can benefit the ongoing library growth.

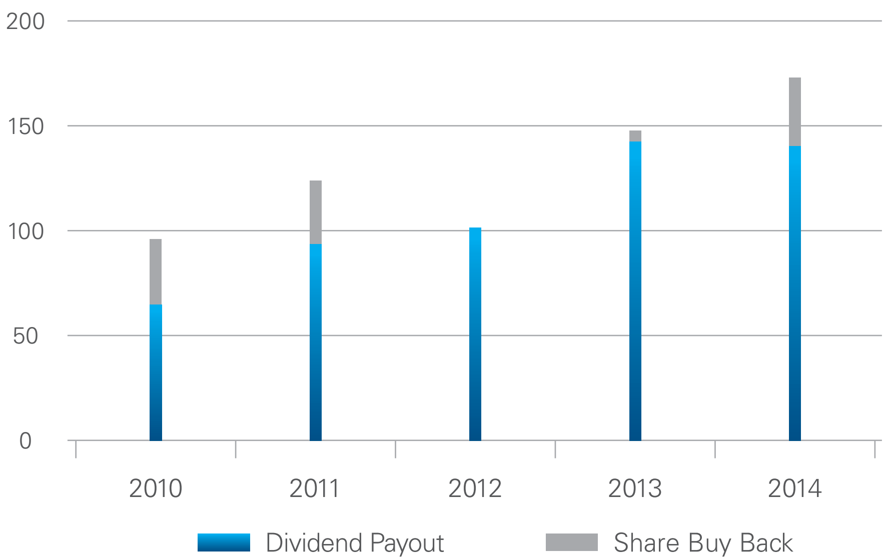
It is the ambition of TGS to pay an annual cash dividend that is in line with its long-term underlying cash flow. When deciding the annual dividend amount, TGS will consider expected cash flow, investment plans, financing requirements and a level of financial flexibility that is appropriate for the TGS business model. In addition to paying a cash dividend, TGS may also buy back its own shares as part of its plan to distribute capital to shareholders. During 2013 TGS paid a 8 NOK per share dividend. In 2014 the Board has proposed to the Annual General Meeting a dividend of 8.5 NOK per share. In addition the Board has authorized a share buy-back program of USD 30 million.

Dividend Per Share (NOK and Dividend Yield)



Dividend yield calculated based on share price at day of announcement. 2013 reflects proposed dividend to the June 2014 Annual General Meeting.

Capital Distribution to Shareholders(USD Millions)



Dividend distribution showed in year of payout (i.e., 2009 dividend was paid in 2010) 2014 reflects proposed dividend to the June 2014 Annual General Meeting

Investor Relations At TGS

TGS places great emphasis on providing accurate and timely information to the market and shareholders. The earnings reports and press releases are issued only in English to ensure simultaneous and consistent information to all shareholders.

The full year financial reporting calendar is published and posted on the TGS website. This calendar is updated annually following the second quarter earnings release. The quarterly earnings results are either presented and webcast live in Oslo, Norway or they are pre-recorded and published prior to the market opening on the date of the release. TGS entertains questions at the live presentations and the CEO and CFO hosts a conference call allowing questions and answers on the day of the release. All presentation material, including the question and answer sessions, are published on the TGS website in near real time. In addition to the quarterly and annual financial reports, TGS also provides interim information of significance through press releases to aid in the assessment of the Company's value. TGS management maintains a quiet period on discussing significant business during intervals spanning the last weeks of a financial quarter and the announcement of the results of that financial period.

The general shareholders meetings for TGS are held in Oslo, Norway. All shareholders are invited to attend. Shareholders who want to attend a shareholders meeting must notify the Company about their attendance at the latest three business days before the day of the meeting. Shareholders who have not given notice of attendance can be denied the right to meet and vote at a shareholders meeting. Documents concerning matters to be considered at the general shareholders meetings are made available on the Company's website prior to the event. To vote at an annual or extraordinary general meeting, a shareholder must be registered as a holder of title to the shares to be voted in the share register maintained at the Norwegian Central Securities Depository (VPS), in due time before the shareholders meeting.

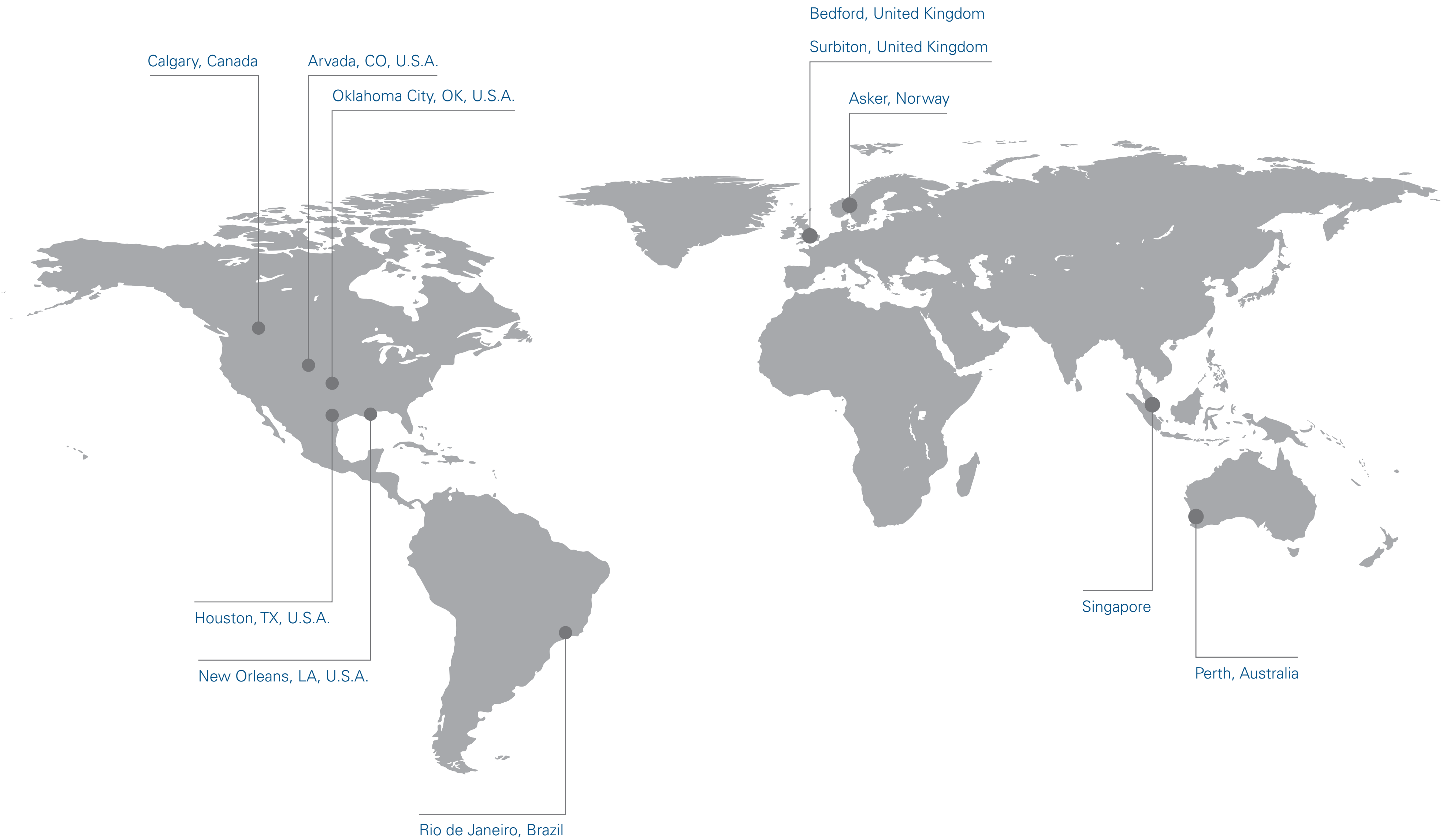
TGS executive management is available for direct contact with investors, potential investors and analysts on an ongoing basis and regularly participates in road shows and investor conferences in both Europe and North America. Historical financial reports can be found on the TGS website at http://www.tgs.com/investor-center/financial-reports/.

For more information regarding TGS, contact Kristian Johansen or Will Ashby.

Kristian Johansen
CFO
Asker, Norway

Will Ashby
DIRECTOR, FINANCE WESTERN HEMISPHERE AND INVESTOR RELATIONS
Houston, TX U.S.A

WORLDWIDE OFFICES



WORLDWIDE OFFICES

Norway

TGS-NOPEC Geophysical Company ASA
Lensmannslia 4
Asker,
N-1386, Norway
+47 66 76 99 00 | Tel
+47 66 76 99 10 | Fax
email: info@tgs.com

Australia

TGS-NOPEC Geophysical Company
Ground Floor, 1110 Hay Street
West Perth, WA
6005, Australia
+61 8 9480 0000 | Tel
+61 8 9321 5312 | Fax
email: info@tgs.com

UK

TGS Geophysical Company (UK) Limited
1 The Crescent
Surbiton, Surrey
KT6 4BN, UK
+44 (0) 208 339 4200 | Tel
+44 (0) 208 339 4249 | Fax
email: info@tgs.com

TGS-NOPEC Geophysical Company (UK) Limited
Graylaw House
21/21A Goldington Road
Bedford,
MK40 3JY, UK
+44 (0) 1234 272122 | Tel
+44 (0) 1234 325956 | Fax
email: info@tgs.com

Singapore

TGS-NOPEC Geophysical Company
7 Temasek Blvd. #20-06
Singapore,
038987, Singapore
+65 6884 6461 | Tel
+61 8 9321 5312 | Fax
email: info@tgs.com

USA

TGS Geological Products and Services
5511 West 56th Avenue
Suite 220
Arvada, Colorado
80002, USA
+1 303 235 0033 | Tel
+1 303 235 0040 | Fax
email: info@tgs.com

TGS Geological Products and Services
230 West Wilshire Blvd.
Suite G5
Oklahoma City, Oklahoma
73116, USA
+1 405 848 4407 | Tel
+1 405 848 4036 | Fax
email: info@tgs.com

TGS Geological Products and Services
1010 Common Street
Suite 2040
New Orleans, Louisiana
70112, USA
+1 504 524 3450 | Tel
+1 504 524 3454 | Fax
email: info@tgs.com

TGS Geological Products and Services
785 Greens Parkway
Suite 100
Houston, Texas
77067, USA
+1 281 319 4944 | Tel
+1 281 319 4945 | Fax
email: info@tgs.com

TGS-NOPEC Geophysical Company
10451 Clay Road
Houston, Texas
77043, USA
+1 713 860 2100 | Tel
+1 713 334 3308 | Fax
email: info@tgs.com

Canada

Arcis Seismic Solutions
2100, 250 - 5th Street SW
Calgary, Alberta
T2P OR4, Canada
+1 403 781 1700 | Tel
+1 403 781 1710 | Fax
email: info@tgs.com

Brazil

TGS do Brazil Ltda.
Av. Luiz Carlos Prestes, 180- sala 344
Rio de Janeiro, Barra da Tijuca
CEP: 22775-055, Brazil
+55 21 2112 4740 | Tel
+55 21 2112 4601 | Fax
email: info@tgs.com

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