2005 ANNUAL REPORT

TGS-NOPEC GEOPHYSICAL COMPANY

CONTINUITY

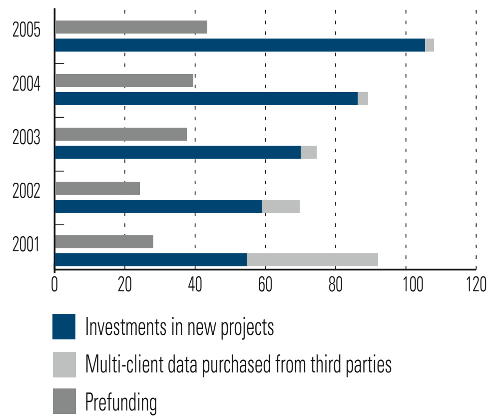
CONTENTS

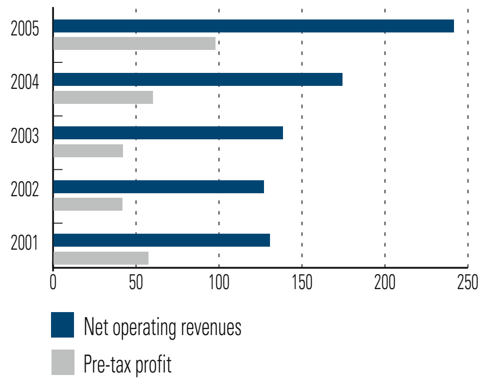
FINANCIAL HIGHLIGHTS

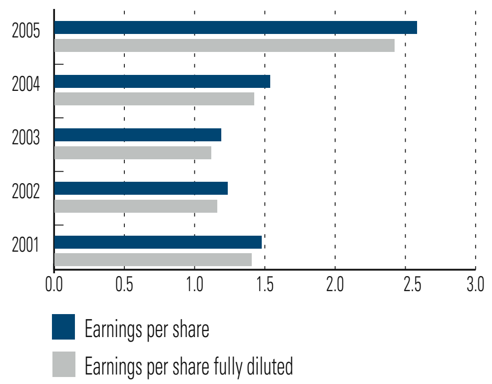
(in millions of USD apart from EPS and ratios)

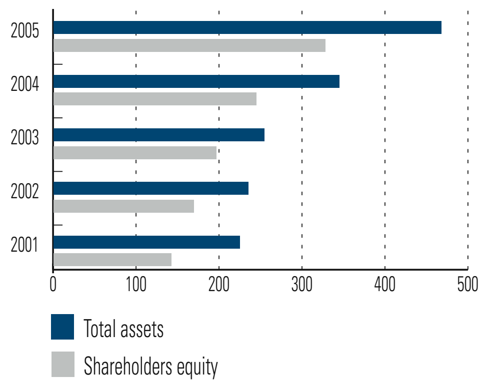
	IFRS				
Year	**2005**	**2004**	**2003***	**2002***	**2001***
Net operating revenues	240.4	171.6	136.9	124.4	128.6
Operating profit	96.0	57.2	42.2	36.1	53.6
Loss on disposal of vessel				-5.1	
Pre-tax profit	97.2	56.8	41.1	40.7	53.1
Net income	65.1	38.7	28.4	29.6	35.9
EBIT	96.0	57.2	42.2	41.2	53.6
EBIT margin	40%	33%	31%	33%	42%
Net income margin	27%	23%	21%	24%	28%
Return on capital employed	29%	23%	23%	25%	39%
Earnings per share	2.53	1.54	1.15	1.20	1.47
Earnings per share fully diluted	2.41	1.44	1.07	1.12	1.39
Total assets	464.5	345.3	249.7	228.8	217.1
Shareholders equity	320.8	239.5	195.9	166.0	136.3
Equity ratio	69%	69%	79%	73%	63%
Multi-Client Library	**2005**	**2004**	**2003***	**2002***	**2001***
Opening net book value	149.5	133.2	117.8	98.2	55.5
Multi-Client data purchased from third parties	1.6	2.1	5.0	9.5	37.0
Investments in new projects	103.8	84.5	68.7	58.8	53.9
Amortization	94.1	70.3	58.3	48.7	48.2
Ending net book value	160.8	149.5	133.2	117.8	98.2
Prefunding % on operational investments	40%	46%	54%	38%	49%

* Figures according to NGAAP. Adjustments to reflect cost of stock options and no depreciation of goodwill would be needed for these figures to comply with IFRS.









DEAR FELLOW SHAREHOLDER

Henry H. Hamilton III
Chief Executive Officer

Claus Kampmann
Chairman

When we wrote to you a year ago, we were extremely encouraged about TGS' outlook for 2005 because of growing energy demand, a renewed focus on exploration for oil and gas, and our strategically strong position. Over the course of the past year, each of these positive trends has intensified. As a result, 2005 was simply the most successful year in the history of our company.

Our continuous, disciplined investment strategy has created an unparalleled library of top quality geoscientific products in prospective geological basins around the globe enabling us to grow our annual net revenues by 93% over the past 3-year period and 40% in 2005 alone. But top line growth has never been our sole objective. We strive for capital efficiency and superior returns. Once again in 2005 TGS demonstrated its clear industry leadership in total return with a 40% operating profit margin and a 29% return on average capital employed.

In 2005 we increased our operational investments in new multi-client products by 23%. We continued to balance our inventory additions by product type, including 2D seismic, 3D seismic, digital well log, and regional interpretation products. We continued to invest in mature geographic markets that have delivered outstanding results. And we continued to develop projects in new frontier areas that may someday turn out to be vitally important to the world's energy supply. We made solid progress in building our research and development program to produce the next generation of subsurface imaging algorithms and tools that will complement and add value to our data library.

Continuity is the theme of this year's annual report. Continuity is one of the keys to the remarkable success story of TGS. Continuity in our customer, supplier, and host country relationships, continuity in our skilled employee base, and continuity in our investment approach are all critical elements of success. Finding a way to manage continuity in an industry with such extreme cycles as ours is a constant and never ending challenge. And this is exactly why the unique "TGS business model" we employ builds tremendous value in the long run.

Where are we in the current cycle? This is a question we hear and ask ourselves frequently these days. It becomes more apparent with each passing day that global energy demand seems robust enough to withstand these hefty oil and gas price increases better than previously anticipated. We see more and more evidence that governments and oil companies believe that an increased hydrocarbon exploration effort is a vital element in meeting future energy demand. The subsurface images we provide are an indispensable tool in this effort. How long will exploration growth last? The answer depends on more variables that we can accurately predict. But we believe that helping our customers succeed with their exploration investments will give them confidence to invest more. And we take great comfort in knowing that the TGS approach is a successful one in all phases of the cycle.

What do we expect for 2006? In a word, "continuity". Continuity in the way we do business. Continuity in our strategy and in our plans to expand. Continuity in growing our earnings. Continuity in building shareholder value. Once again, we thank you for your support.

Henry H. Hamilton III
Chief Executive Officer

Claus Kampmann
Chairman

FROM THE BOARD

TGS-NOPEC Geophysical Company ASA (TGS) is a leading player in the global non-exclusive geoscientific data market, with ongoing operations in North and South America, Europe, Africa, Asia, and Australia. The Company's marketed seismic library contains approximately 2.1 million line kilometers of 2D data and approximately 77 thousand square kilometers of 3D data. Its library of digital well logs consists of about 4.2 million log images from approximately 1.65 million wells. The Parent Company is located in Naersnes, Norway, and the main subsidiary in Houston, Texas, U.S.A. All financial statements in this report are presented on the basis of a "going concern" valuation, and the Board of Directors confirms that it is of the opinion that the prerequisites for such a valuation are indeed present. To the best of the Directors' knowledge, no subsequent events not described in this report have occurred since December 31, 2005, that would alter the accounts as presented for 2005.

Corporate Governance

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

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

The Board of Directors consists of six directors including the CEO. The Board's Audit, Compensation, and Corporate Governance Committees are composed exclusively of independent directors. Apart from the CEO's employment contract, terms of which are described in the financial footnotes, no material transactions have occurred between the Company and its management, directors, or shareholders. The Company established a Nomination Committee in June 2005 composed of one independent director and two independent shareholder representatives.

It is the opinion of the Board of Directors that the Company complies with the Norwegian Code of Practice for Corporate Governance published December 7, 2004. The Board fully endorses the section entitled "Corporate Governance" found on page 32 of this Annual Report.

Results from Operations

For the full year, TGS' net revenues increased 40% from the previous year. Demand for seismic and digital well log data improved steadily throughout the course of the year, resulting in Company-record net revenues for the fourth quarter and the full year of 2005.

Throughout the year, TGS continued its determined strategy to plan, develop, and invest in discretionary, well-placed seismic surveys designed to complement its customers' exploration and development programs. Including data libraries purchased in M&A transactions, investments in the multi-client data library increased by 23% compared to 2004.

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

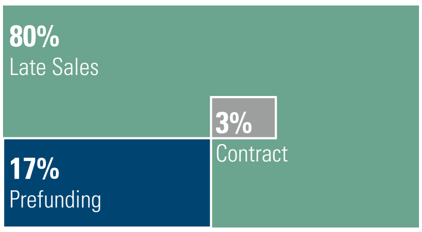
- Ratio of annual multi-client net revenues to average net book value of library: 1.55
- Operating Profit (EBIT) margin: 40%
- Return on Average Capital Employed (ROCE): 29%
- Shareholders Equity: 69% of the Balance Sheet

Henry H. Hamilton III CEO / Director — **Claus Kampmann** Chairman — **Nils B. Gulnes** Director — **Rabbe E. Lund** Director — **Arne-Kristian Maeland** Director — **David W. Worthington** Director

Business Information

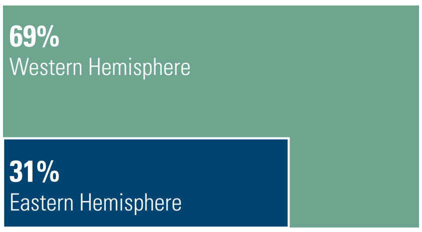
The Company's main business is developing, managing, and selling non-exclusive (or multi-client) geoscientific data. This activity accounted for 97% of the Company's business during the year 2005. Customer pre-funding of new projects reduces the Company's exposure, while late sales from the Company's library of data provide the bulk of its revenue stream. Net late sales increased 54% compared to 2004 and totaled USD 190.7 million, while pre-funding on new projects was 40% of the operational investments in multi-client data compared to 46% in 2004.

Net Revenues 2005



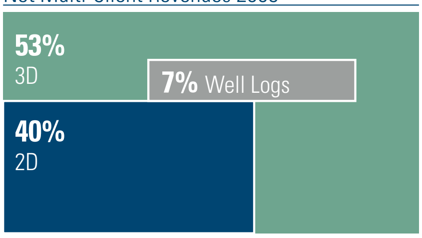
In North and South America, the Company's largest geographic market, net revenues grew 29% over 2004. In the Eastern hemisphere, net revenues grew by 75%.

Net Revenues 2005



TGS continued to generate multi-client revenues from a well-balanced mix of 2D and 3D seismic projects. Well log revenues grew 11% compared to 2004.

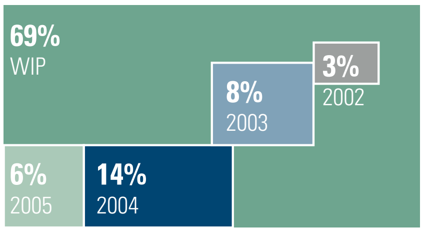
Net Multi-Client Revenues 2005



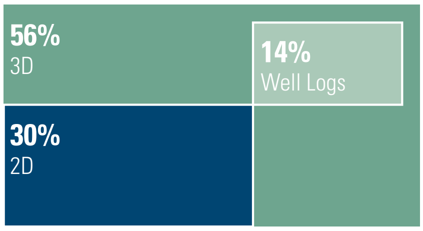
The Multi-Client Library

The Company's library of multi-client seismic and well log data is its largest single financial asset, with a net book value representing 35% of the total assets in the balance sheet. The seismic data, representing approximately 86% of the library's net book value, is amortized on a project-by-project basis as a function of sales. Minimum amortization criteria are applied if sales do not match expectations so that each project is fully amortized within a four-year period following its completion. Because of the Company's strong track record in delivering sales, the library has been amortized much faster than required by the minimum criteria. As a result, current net book value of the library is heavily weighted towards the newest, most modern projects. The well log data is depreciated on a straight-line basis over 7 years.

Net Book Value of Seismic Library by Year
in percentage of total - as of 12/31/2005



Net Book Value of Library by Data Type
- as of 12/31/2005



Vessel Commitments

The Company secures all seismic acquisition capacity from external providers and currently has the following long-term commitments:

The M/V Polar Search (3D) – (full operation charter expiring in September 2006)
The M/V Geo Barents (3D) – (full operation charter beginning in November 2006 and expiring in May 2008 with two optional 6-month extension periods).
Unspecified 12 vessel-months per year (2D) – (full operation hire from SMNG expiring end of 2006 with an optional 12-month extension period)
The M/V Northern Explorer (2D) – (full operation charter 18 months, starting May 1, 2005)
The M/V Mezen (2D) – (full operational charter for a total of 8 months over two years, 2006 - 2007).

Organization and Staff

As of December 31, 2005, the Company had 319 employees in the USA, 32 employees in Norway, 24 employees in the UK, and 9 employees in Australia totaling 384 employees. The average number of employees during 2005 was 372.

The Company is organized with emphasis on regional responsibility through local management teams. The CEO and the corporate marketing function are based in Houston, while the CFO and corporate finance organization are located in Norway.

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

Investments, Capital and Financing

The Company is listed on the Main List on the Oslo Stock Exchange. No new equity was raised in the market during 2005. The Board does not anticipate any new equity issues during 2006, apart from issues of stock options to employees, unless to finance an acquisition of another company or a major business opportunity.

During 2005, the Company invested USD 105.5 million in its multi-client library and recorded USD 10.1 million in additional capital expenditures. Because of the extremely cyclical nature of the oil services industry, TGS's Board of Directors remains convinced that the Company's unique business model, a strong balance sheet and a strong cash position are essential to its financial health and future growth. With this in mind, the Board will continue to carefully evaluate investment opportunities for growth. In addition, the Board may consider using cash reserves to repurchase its shares or bonds during 2006. The Board does not propose to issue a dividend for 2005. As of December 31, 2005, the Parent Company's free Equity was NOK 420 820 000.

Application of Profit

The Group profit of USD 65,138,000 is allocated to Other Equity. It is proposed that the Parent Company's net income be applied as follows:

Allocated to Other Equity	NOK 170 787 000
Total	NOK 170 787 000

Health, Safety and Environmental Issues

The Company interacts with the external environment through the collection of seismic data and operation of vessels. The Company continues to work actively on measures to minimize any impact on the environment and to keep operations within the limits of all appropriate regulations and public orders. No personnel injuries were registered during 2005, and absence due to sickness was 2.1% of the total work hours.

IFRS

TGS began reporting under the new International Financial Reporting Standard, IFRS beginning in Q1 2005. Under IFRS, the theoretical non-cash costs of stock options are expensed in the Profit and Loss statement. Intangible assets are not depreciated, but are subject to an annual impairment test. Further information on IFRS is provided in the Notes to the Financial Statements.

IFRS Adjustment to Preliminary Reported 2005 Accounts

The TGS Board of Directors approved the Company's final audited 2005 annual accounts on March 23, 2006. These accounts are different from the preliminary Q4 and full year 2005 financial statements released on February 9, 2005 as a result of an adjustment to recognized revenue based on a new interpretation of IFRS principles from the Company's auditors, KPMG. This adjustment delayed the recognition of USD 14 million in net revenues from Q4 2005 to Q1 2006, but did not impact cash flows or result in any lost revenues.

Immediately prior to the Board of Directors' approval of the Q4-2005 quarterly interim report and preliminary full year 2005 results on February 8, 2005, KPMG reported to TGS management and its Board of Directors that they had no issues or objections to the interim and preliminary financial statements under IFRS as subsequently filed on February 9, 2005.

During the process of finalizing the audit of the full annual accounts for 2005, KPMG's IFRS experts introduced in early March a new issue regarding the timing of revenue recognition of certain TGS contracts under IFRS. Their new interpretation specifies that physical delivery of data licensed by a customer is a prerequisite of revenue recognition regardless of whether or not such physical delivery is specified as a requirement in the contract between TGS and its customer. Until this time it had been TGS' practice with the full support of KPMG to recognize revenue from a licensing transaction once a binding, irrevocable licensing agreement has been executed and the data products being licensed are complete and deliverable. Following extensive discussions and investigations, KPMG finally informed TGS on March 22, 2006 of their opinion that a total value of USD 14 million in net revenues should be recognized in 2006 as opposed to in 2005. The TGS Board of Directors accepts this conclusion.

The following table summarizes the effects of the revenue adjustment to the full year 2005 profit and loss statement.

	Preliminary 12 Months		Audited 12 Months
(All amounts in USD 1000's under IFRS unless noted otherwise)	2005	Adjustments	2005
Operating Revenues			
Sales	277,994	-14,048	263,946
Revenue sharing	-23,594		-23,594
Net Operating Revenues	**254,400**	**-14,048**	**240,352**
Operating expenses			
Materials	848		848
Amortization of Multi-Client Data Library	94,371	-249	94,122
Personnel costs	33,146	-1,340	31,806
Cost of stock options	2,002		2,002
Other operating expenses	12,792		12,792
Depreciation	2,786		2,786
Total operating expenses	**145,946**	**-1,589**	**144,357**
Operating profit	**108,454**	**-12,459**	**95,995**
Financial income and expenses			
Interest Income	3,006		3,006
Interest Expense	-2,635		-2,635
Exchange gains/losses	851		851
Net financial items	**1,222**		**1,222**
Profit before taxes	**109,676**	**-12,459**	**97,217**
Tax provision	36,424	-4,346	32,079
Net Income	**73,252**	**-8,113**	**65,138**
EPS USD	2.84	-0.31	2.53
EPS USD, fully diluted	2.71	-0.30	2.41

Board Structure

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

Audit Committee	Compensation Committee
Rabbe Lund* Nils B. Gulnes Arne-K. Maeland	David W. Worthington* Nils B. Gulnes Claus Kampmann Rabbe Lund

Corporate Governance Committee
Arne-K. Maeland* David W. Worthington Nils B. Gulnes

Nomination Committee

In 2005, TGS established a Nomination Committee to be responsible for the nomination of directors to the board and the remuneration payable to the directors. The Committee consists of one chairman and two members elected by and amongst the shareholders to serve for a period of two years.

Nomination Committee Members:
David W. Worthington* Jarl Ulvin Tor Himberg Larsen
(*) – Designates Committee Chair

Outlook for 2006

The Board makes the following observations regarding the outlook for 2006:

- Oil companies continue to enjoy the benefits of robust oil and gas prices and plan to increase total exploration and production spending in 2006. Industry analysts predict between 15% and 20% spending growth. TGS management anticipates a similar growth rate in pure exploration spending.

- Seismic contractors are experiencing improved demand and the market for seismic vessels is tightening. Vessel contract rates in general will increase from 2005. TGS expects to continue to pass these cost increases through to its customers on new projects.

- The Company plans to invest USD 125-135 million in its multi-client data library during 2006, up some 18-28% from the 2005 investments of USD 105.5 million. TGS expects its average pre-funding to stay in the range of 40-50% of investments and its average annualized multi-client amortization rate to be in the range of 35-40% of net revenues.

- Management forecasts an approximate 38-43% increase in net revenues for the full year 2006.

March 23, 2006

Henry H. Hamilton III
CEO / Director

Claus Kampmann
Chairman

Arne-Kristian Maeland
Director

David W. Worthington
Director

Nils B. Gulnes
Director

Rabbe E. Lund
Director

CONTINUITY

Continuity is more than a thin line between waypoints. It is memory, individual and collective, that builds on success and, by recollection, anticipates the challenges ahead. When the baton is passed and the guard is changed, the principles, ethics and insight that underlie them remain steady. But continuity is also a dynamic force, with each new participant imparting a nuance and experience of their own. At TGS, continuity in leadership and operating practices has been the keystone of our success, building key assets beyond the scope of a balance sheet that have nevertheless helped maintain a healthy one.

PROFIT AND LOSS

TGS-NOPEC GROUP

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

	Note	IFRS		Bridge NGAAP to IFRS	NGAAP	
		2005	2004	2004	2004	2003
Sales	10,11	263,946	190,320		190,320	152,345
Revenue Sharing		-23,594	-18,687		-18,687	-15,433
Net operating Revenues		240,352	171,633		171,633	136,912
Materials		848	3,999		3,999	2,577
Amortization	3,11	94,122	70,330		70,330	58,320
Personnel Costs	13	31,806	24,609		24,609	19,614
Cost of stock options	17	2,002	1,484	1,484		
Other Operating Expenses	6	12,792	11,566		11,566	9,946
Depreciation	3,11	2,786	2,398	-2,652	5,050	4,298
Operating Profit		95,995	57,247	1,168	56,079	42,157
Financial Income	14	5,191	4,153	399	3,754	955
Financial Expenses	14	-3,969	-4,561		-4,561	-2,034
Profit before Taxes		97,217	56,839	1,567	55,272	41,078
Taxes	11,15	32,079	18,182	987	17,195	12,684
Net Income		65,138	38,657	580	38,077	28,393
Earnings per Share (USD)	8	2.53	1.54	0.02	1.52	1.15
Earnings per Share, diluted (USD)	8	2.41	1.44	0.02	1.42	1.07
Profit (loss) for the Year is allocated as follows:						
To Other Equity	7	65,138	38,657	580	38,077	28,393
Total Allocated		65,138	38,657	580	38,077	28,393

BALANCE SHEET

as of December 31, 2005

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

Assets	Note	2005	2004
Non-Current Assets			
Intangible Non-Current Assets			
Goodwill	3	20,150	20,175
Multi-Client Library	3	160,809	149,474
Total Intangible Non-Current Assets		180,959	169,649
Tangible Non-Current Assets			
Land, Buildings and Other Property	3,4	4,995	3,719
Machinery and Equipment	3.6	13,678	9,868
Total Tangible Non-Current Assets		18,673	13,587
Financial Non-Current Assets			
Non-Current Receivables and Prepayments	2	909	8,328
Total Financial Non-Current Assets		909	8,328
Total Non-Current Assets		200,541	191,564
Current Assets			
Receivables			
Accounts Receivable	2	125,820	87,159
Other Receivables	2	4,092	4,240
Total Receivables		129,912	91,399
Cash and Cash Equivalents	1	134,069	62,381
Total Current Assets		263,981	153,780
Total Assets		464,522	345,344
Equity			
Paid-in Capital			
Share Capital	7,8,12	3,761	3,633
Own Shares Held	7,12	-12	
Share Premium Reserve	7	45,788	29,760
Total Paid-in Capital		49,537	33,393
Retained Earnings			
Other Equity		271,231	206,150
Total Retained Earnings		271,231	206,150
Total Equity		320,768	239,542
Liabilities			
Provisions			
Deferred Tax	15	25,099	9,135
Total Provisions		25,099	9,135
Other Non-Current Liabilities			
Debt to Financial Institutions	5	44,322	49,741
Capitalized Lease Liabilities		736	1,725
Total Non-Current Liabilities		45,058	51,465
Current Liabilities			
Bank Overdraft and Short-Term Loans	5		95
Accounts Payable		33,355	22,716
Taxes Payable	15	4,722	12,425
Other Short-Term Liabilities		35,519	9,965
Total Current Liabilities		73,597	45,201
Total Liabilities		143,754	105,802
Total Equity and Liabilities		464,522	345,344

Henry H. Hamilton III
CEO / Director

Claus Kampmann
Chairman

Arne-Kristian Maeland
Director

David W. Worthington
Director

Nils B. Gulnes
Director

Rabbe E. Lund
Director

CHANGES IN EQUITY

TGS-NOPEC GROUP

as of December 31, 2005

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

	Share Capital	Own Shares Held	Share Premium Reserve	Other Equity	Total Equity
Balance January 1, 2004	3,556		24,103	168,255	195,914
Paid in Equity through Exercise of Stock Options	77		5,657		5,733
Currency Exchange Effects from Group Companies				-470	-470
Net Income				38,077	38,077
Reclass of Interest rate SWAP under IFRS				288	288
Balance December 31, 2004	3,633	0	29,760	206,150	239,542

	Share Capital	Own Shares Held	Share Premium Reserve	Other Equity	Total Equity
Balance January 1, 2005	3,633		29,760	206,150	239,542
Paid in Equity through Exercise of Stock Options	128		16,028		16,156
Purchase of Own Shares		-13		-2,148	-2,161
Distribution of Shares Held		1		127	128
Cost of Stock Options under IFRS				2,002	2,002
Currency Exchange Effects from Group Companies				-39	-39
Net Income				65,138	65,138
Balance December 31, 2005	3,761	-12	45,788	271,231	320,768

CASH FLOW

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

	2005	2004	2003
Cash flow from operating activities			
Received payments from customers	216,999	151,037	129,191
Payments for salaries, pensions, social security tax	-28,885	-24,609	-19,614
Other operational costs	-12,792	-12,397	-10,116
Received interest and other financial income	3,842	1,407	233
Interest payments and other financial cost	-2,635	-2,214	-506
Paid tax and government taxes	-24,615	-8,901	-14,859
Net cash flow from operating activities 1)	151,915	104,323	84,329
Cash flow from investing activities			
Received payments from sale of tangible assets	1,419		
Net Investment in tangible assets	-8,544	-1,853	-1,400
Investments in Multi-Client Library	-87,935	-88,452	-66,134
Investments through mergers and acquisitions		-13,503	-6,492
Long term receivables	1,651	2,020	2,000
Net cash flow from investing activities	-93,408	-101,788	-72,026
Cash flow from financing activities			
Net change in short term loans	-70	-765	-6,536
Proceeds from new long term loans		43,732	
Repayment of long term loans	-873	-6,579	-6,529
Purchase of own shares	-2,160		
Net proceeds due to share offering	16,284	5,733	408
Net cash flow from financing activities	13,181	42,122	-12,657
Net change in cash and cash equivalents	71,687	44,657	-354
Cash and cash equivalents at the beginning of the period	62,382	17,724	18,078
Cash and cash equivalents at the end of the period	134,069	62,381	17,724

1) Reconciliation			
Profit before taxes	97,217	55,272	41,078
Depreciation/amortisation	97,157	72,728	62,618
Loss/Gain from sale of property, plant and equipment	-1,166		
Disposal at cost price			219
Changes in accounts receivables	-38,662	-20,752	-8,183
Changes in other receivables	1,260	156	462
Changes in other balance sheet items	20,723	5,821	2,994
Paid tax	-24,615	-8,901	-14,859
Net cash flow from operating activities	151,915	104,323	84,329

GENERAL ACCOUNTING POLICIES

Reporting Currency

TGS started to report its consolidated financial reports in USD as from Q1 2003. Nearly 100% of the Group's revenues and the majority of the costs are in USD, meaning that USD is the functional currency for its operations.

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

1. Current and non-current financial assets and liabilities at the Balance Sheet Dates are translated into USD applying Balance Sheet Date exchange rates.
2. The multi-client library and other non-financial assets are converted to USD applying the historic exchange rates at the time of investment.
3. The quarterly average exchange rates between the USD/local currency are utilized for P&L transactions.

General Accounting Policies

The financial statements are presented in compliance with the Norwegian Companies Act, the Norwegian Accounting Act, and International Financial Reporting Standards (IFRS) as adopted by the European Union in effect as of December 31, 2005, and consist of the Profit and Loss account, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and Notes to the accounts. The required specification of the Balance Sheet, the Profit and Loss account and the Statement of Changes in Equity is provided in the Notes to the accounts, thus making the notes an integral part of the financial statements.

The financial statements have been prepared based on the fundamental principles governing historical cost accounting: comparability, continued operations, consistency and prudence. Transactions are recorded at their value at the time of the transaction. Revenue is recognized when it is earned (see following Principles of Assessment). Costs are expensed in the same period as the revenue to which they relate. Costs that cannot be directly related to revenue generation are expensed as incurred. Hedging and portfolio management are taken into account. The further accounting principles are commented upon below.

In cases where actual figures are not available at the time of the closing of the accounts, the accounting standards require management to make estimates and assumptions that affect the Profit and Loss account as well as the Balance Sheet. The actual outcome may differ from these estimates.

Principles of Consolidation

Companies Consolidated

The consolidated financial statements include subsidiaries in which the Parent Company and its subsidiaries directly or indirectly have a controlling interest. A subsidiary is defined as an entity where the Parent Company directly or indirectly has a long-term, strategic ownership of more than 50 percent and a decisive vote. The statements show the Group's financial status, the result of the year's activity, and cash flows as one financial entity. Short-term investments, which form part of a trading portfolio, i.e., which are bought and sold on a continuous basis, are not consolidated. All the consolidated companies have applied the same accounting principles. Acquired subsidiaries are consolidated in the financial statements from the effective date TGS obtains a controlling interest. Subsidiaries sold are consolidated in the financial statements until the effective date of the sale agreement.

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

Elimination of Shares in Subsidiaries

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

Elimination of Intercompany Transactions

All material intercompany accounts and transactions have been eliminated in the 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 Profit and Loss account items are translated at the average exchange rate for each quarter of the year. Exchange rate differences arising from the translation of financial statements of such subsidiaries are recorded as a separate component of shareholders' equity. Variations from period to period in financial balance sheet items due to movements of the exchange rate in a currency other than the related functional currency are charged to the Profit and Loss statement under "Financial Items".

The Group consists of:

TGS-NOPEC Geophysical Company ASA
– Parent company
TGS-NOPEC Invest AS (Norway)
– (subsidiary - 100 %)
Datman AS (Norway)
– (subsidiary - 100 %)
Nærsnes Eiendom AS (Norway)
– (subsidiary - 100 %)
ANS Baarsrudveien 2 (Norway)
– (subsidiary - 100 %)
TGS-NOPEC Geophysical Company (U.S.A.)
– (subsidiary - 100 %)
Symtronix Corporation (U.S.A.)
– (subsidiary - 100%)
A2D Technologies (U.S.A.)
– (100% owned by TGS-NOPEC Geophysical Company (U.S.A.)
Riley Electric Log Inc.
– (100% owned by A2D Technologies (U.S.A.)
TGS-NOPEC Geophysical Company (UK) LTD.
– (subsidiary - 100 %)
TGS-NOPEC Geophysical Company PTY Ltd (Australia)
– (subsidiary - 100 %)
Rimnio Shipping Ltd, (Cyprus)
– (subsidiary - 100 %)

Joint Ventures

A joint venture is characterised by two or more participants having joint control of the business. Joint ventures are accounted for according to the proportionate consolidation method.

General Principles

Receivables and liabilities payable within one year of the closing of the accounts are classified as current assets/liabilities. Property, plant and equipment are recorded in the accounts at historical cost, net of accumulated depreciation. Property, plant and equipment held for sale which suffer a decline in value which is not temporary, are written down to their estimated net recoverable amount.

IFRS provides certain exceptions to the basic assessment and valuation principles. Comments to these exceptions can be found in the respective notes to the accounts. In applying the basic accounting principles and presenting transactions and other issues, a "substance over form" view is taken. Contingent losses which are probable and quantifiable are expensed.

A breakdown of net revenues by product type is presented in the Notes to the accounts, based on the Company's internal management and reporting structure as well as the evaluation of risk and earning potential. As the geographical split of revenues is important to the understanding of Company operations, a breakdown per geographical market in which the Company operates is also presented. The figures have been reconciled with the Profit and Loss account and the Balance Sheet.

Principles of Assessment

Revenue and Cost Recognition

Revenue is recognized when it is earned. For Late Sales (library sales) this is at the time of the transaction, and revenue recognition follows the transaction principle. By agreement, the Company shares certain multi-client revenue with other companies. Accordingly, operating revenue is presented gross and reduced by the portion shared. Revenue from U.S. joint ventures is recognized according to the proportionate consolidation. Costs are recognized in accordance with the matching principle. Revenue and amortization of multi-client seismic in progress at the Balance Sheet date is recognized on a percentage of completion basis, measured according to percentage of the Company's estimated total investment in the survey incurred at the Balance Sheet date.

Multi-Client Library

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

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

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

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

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

Goodwill

The goodwill of the Company relates to the take-over of operations and companies and is subject to an annual impairment test.

Tangible non-current assets and Principles of Depreciation

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

Exchange Rate Adjustments/Derivatives

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

Development Costs

Development costs are expensed as incurred.

Income Taxes

Tax expense includes taxes payable and the net change in the deferred tax. Deferred tax in the Balance Sheet is measured on the basis of the temporary differences. The actual nominal tax rate is used on the tax charges arising in the various countries. According to NGAAP and IAS 12, the tax charge computation in the functional currency is to be made as a function of local profits in local currencies and the effect of changes in exchange rates on the accounts; Balance Sheet and Profit and Loss statement. The element of unforeseeable movements in the exchange rates makes the consolidated tax rate difficult to predict and compare from one period to the other.

Employee Stock Option Scheme

In accordance with the guidelines given in Norway, the employer's social security costs related to unrealized profits by employees from stock option plans are accrued at Balance Sheet date.

In accordance with IFRS, the non-cash, theoretical cost of stock options is expensed in the Profit and Loss statement. See note 17 for further information.

Pensions

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

Leasing

Lease contracts are classified as capital or operational. A capital lease is a contract that transfers the main risk and rewards attributable to the ownership of an asset to the lessee. A capital lease is accounted for as if the asset is purchased and depreciated accordingly, and the lease obligation is accounted for as an interest-bearing liability. All other lease contracts are classified as operational leases. Payments made under these contracts are expensed as paid.

Accounts Receivable and Other Receivables

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

Cash Flow Statement

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

Note 1 - Restrictions on Bank Accounts

USD 545 of Cash and Cash Equivalents is restricted to meet the liability arising from payroll taxes withheld.

Note 2 - Accounts Receivable and Other Receivables

Receivables are stated in the balance sheet at net realizable value. The Group expects to collect the full balance of receivables per December 31, 2005. Realized losses on trade receivables in 2005 amounted to USD 0.

As part of the redelivery of the vessel Northern Access and the signing of a long-term agreement for vessel capacity with SMNG in 2002, the Parent sold seismic equipment to SMNG. The USD 8,000 receivable from this sale is paid down by SMNG over 4 years. Balance per December 31, 2005 was USD 2,120, out of which USD 120 is included as financial non-current prepayment in the balance sheet.

Note 3 - Non-Current Assets

2004

Acquisition Cost and Depreciation:	Machinery and Equipment	Goodwill	Buildings *	Total
Cost as of January 1, 2004	13,750	23,628	5,988	43,366
Effects from changes in currency exchange rates	198		48	246
+ additions during the year	9,681	6,670		16,351
- disposals during the year**	-240		-11	-251
Cost as of December 31, 2004	23,388	30,298	6,025	59,711
Accumulated depreciation as of January 1, 2004	9,760	7,462	2,070	19,292
Effects from changes in currency exchange rates	166		8	174
+ depreciation for the year ***	3,652		234	3,886
+ writedown during the year NGAAP		2,624		2,624
Correction		37		37
- accumulated depreciation on disposals	-57		-6	-63
Accumulated depreciation as of December 31, 2004	13,521	10,123	2,306	25,949
Net book value as of December 31, 2004	9,868	20,175	3,719	33,762
Useful life	2-5 years	****	10-50 years	

Specification of Goodwill:	Bips	Datman	Symtronix	ASA	A2D	NuTec	Total
NBV as of January 1, 2004	1,278	790	100	768	13,230	0	16,166
+ /- changes during the year					-37	6,670	6,634
- writedown during the year NGAAP	333	205	81	307	1,501	198	2,624
NBV as of December 31, 2004	945	586	19	461	11,693	6,472	20,175

* The Company owned buildings at Naersnes (Norway), Bedford (UK) and in Oklahoma City (USA).
** Profit on disposals during the year was USD 24.
*** Of the Depreciation of Machinery and Equipment USD 1,460 was capitalized to the Multi-Client Library/in Materials
**** Under IFRS Goodwill is no longer subject to depreciation but subject to annual impairment tests at least on an annual basis.

Multi-Client Library:

	2004
Opening Balance January 1, 2004	133,237
Seismic and Well Logs purchased from third party	2,107
Operational Investments	84,461
Amortization	-70,330
Net Book Value as of December 31, 2004	149,474

2005

Acquisition Cost and Depreciation:	Machinery and Equipment	Goodwill	Buildings *	Total
Cost as of January 1, 2005	23,388	30,298	6,025	59,711
Correction USD/NOK conversion			963	963
Effects from changes in currency exchange rates	-304		-72	-376
+ additions during the year	9,558		518	10,076
- disposals during the year **	-1,042	-25	-8	-1,074
Cost as of December 31, 2005	31,601	30,273	7,426	69,300
Accumulated depreciation as of January 1, 2005	13,521	10,123	2,306	25,949
Effects from changes in currency exchange rates	-253		-13	-267
+ depreciation for the year ***	5,576		143	5,719
- accumulated depreciation on disposals	-921		-4	-925
Accumulated depreciation as of December 31, 2005	17,922	10,123	2,432	30,476
Net book value as of December 31, 2005	13,678	20,150	4,995	38,823
Useful life	2-5 years	****	10-50 years	

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

* The Company owned buildings at Naersnes (Norway), Bedford (UK) and in Oklahoma City (USA).
** Profit on disposals during the year was USD 1,287.
*** Of the Depreciation of machinery and equipment USD 2,933 was capitalized to the multi-client library/in materials
**** Under IFRS Goodwill is no longer subject to depreciation but subject to annual impairment tests at least on an annual basis.

Multi-Client Library:

	2005
Opening Balance January 1, 2005	149,474
Seismic and Well Logs purchased from third party	1,625
Operational Investments	103,832
Amortization	-94,122
Net Book Value as of December 31, 2005	160,809

Note 4 - Subsequent Events

The building in Oklahoma City was sold in January 2006 with a small profit.
The building at Naersnes, Norway was sold with a small profit in March 2006.

TGS concluded the acquisition of privately held Aceca Limited in January 2006. Consideration paid for Aceca included USD 10,250 in cash and 71,333 TGS shares, some of which have restrictions as to when they can be sold. No new TGS shares were issued for this transaction.

The Aceca transaction is effective as of January 1, 2006. In calendar year 2005, Aceca had revenue (unaudited) of approximately GBP 5.4 million (Approximately USD 9,300) and was profitable. The transaction will add to TGS' growth and profitability in 2006 and onwards.

Note 5 - Debt, Mortgages, Guarantees etc.

The following liabilities are secured by collateral:	2005	2004
Debt to banks (in Parent company)		
Other (in subsidiaries)		123
Total		123

Book value of the assets used as collateral:	2005	2004
Accounts receivable	18,232	11,979
Multi-Client seismic library	135,453	140,707
Machinery, equipment	4,241	639
Buildings	453	525
Cash deposits		
Total	158,380	153,850

Loan Agreements and Terms (in Parent Company) as per December 31, 2005:

Multi Currency Bank Overdraft Facility: Limit USD 10,000.
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 has a mutual right to terminate the agreement on 14 days notice.
Bond Loan: The Company issued bonds totalling NOK 300 million in May 2004. The bonds will mature on May 9, 2009. The debt has been swapped to USD 43,700 and costs 3 month LIBOR plus 2.085% per annum. The effect of the interest rate swap for 2005 was a loss of USD 409.

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

Note 6 - Leases

Lease Obligations

2004

Future minimum payments for capital and operating leases with lease terms in excess of one year at December 31, 2004 are as follows for the Group:

Year	Operating leases	Capital leases
2005	1,042	1,140
2006	656	572
2007	547	46
2008	473	
2009	473	
2010	427	
2011-2013	412	

2005

Lease Obligations

Future minimum payments for capital and operating leases with lease terms in excess of one year at December 31, 2005 are as follows for the Group:

Year	Operating leases	Capital leases
2006	1,309	587
2007	1,248	127
2008	1,178	22
2009	1,175	
2010	975	
2011	480	
2012	435	
2013	435	

Lease/Rental of equipment to third parties

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

Note 7 - Equity and Shareholder Authorizations

7.1 Free Standing Warrants – Shareholders' Resolution to issue Warrants to key Employees

On June 15, 2005 the shareholders resolved to issue free standing warrants in connection with a stock option plan for employees. Employees have to-date subscribed for 208,000 warrants and the maximum share capital increase under this resolution can be 400,000 shares. The warrants issued can be exchanged for shares until June 15, 2010. The shareholders' resolution to issue stock options authorizes the Board to grant further options to employees until June 30, 2006, for which warrants may be issued and subscribed for by June 30, 2006.

See note 13 for further information on the stock option plans.

7.2 Shareholders' Authorization to the Board to issue Shares in the Company

The Board is authorized to issue a total of 5,155,926 new shares in connection with mergers & acquisitions and to employees in connection with stock option plans. This authorization expires June 15, 2006. As of December 31, 2005, in total 344,250 new shares have been issued under this authority, of which all were issued in connection with exercise of stock options.

7.3 Shareholders' Authorization to the Board to buy back Shares in the Company

The Board is also authorized to acquire, on behalf of the Company, an aggregate number of the Company's shares for an aggregate face value of NOK 15.0 million provided that the total amount of owned own shares at no time exceeds 10% of the Company's share capital. This authorization expires on June 15, 2006. In May 2005, the Board acquired a total of 84,200 of the Company's own shares under the previous authorization given by the shareholders. This authorization expired June 16, 2005.

Note 8 - Earnings per Share (EPS)

The Company has issued stock options as described in Note 13. The effect of the issuance of the stock options upon the Company's diluted earnings per share is disclosed below.

	IFRS		NGAAP	
	2005	2004	2004	2003
Profit for the year	65,138	38,657	38,077	28,393
Earnings per share (USD)	2.53	1.54	1.52	1.15
Diluted earnings per share (USD)	2.41	1.44	1.42	1.07
Average number of shares outstanding (thousands)	25,782	25,072	25,072	24,778
Average number of shares used to calculate diluted EPS (Average shares outstanding plus average stock options outstanding)	27,009	26,874	26,874	26,476

Note 9 - Related Parties

No material transactions took place during 2005 with related parties.

Note 10 - Segment Information

The Company only operates in one segment within the oil service business.

Note 11 - Revenues by Product type and Geography

During 2005, approximately 40% of Net revenues resulted from 2D seismic, 53% from 3D seismic, and 7% from well logs.
Approximately 97% of the Company's Net revenues came from the multi-client market, and 3% from the proprietary market.

	2005		2004	
Geographical breakdown per location of legal entity	The Americas	Rest of World	The Americas	Rest of World
Net Revenues	81,934	158,418	82,534	89,099
Amortization	10,071	84,051	15,397	54,933
Depreciation	1,494	1,292	1,771	628
Net Income before tax	55,596	41,621	46,586	10,254
Tax	17,392	14,687	16,519	1,663
Net Income	38,204	26,934	30,066	8,590
Total Assets	252,353	212,169	205,594	139,749
Total Liabilities	36,050	107,704	27,496	78,306

Note 12 - The Largest Shareholders in TGS-NOPEC Geophysical Company ASA as of December 31, 2005 as registered with VPS:

Name	Account type	Shares	Proportion of shares	Proportion of votes
Folketrygdfondet		1,865,950	7.1%	7.1%
Morgan Stanley and Co.intl.limited	Nominee	1,406,645	5.4%	5.4%
Morgan Stanley & Co. Inc.	Nominee	1,390,757	5.3%	5.3%
JPMorgan Chase Bank	Nominee	1,227,085	4.7%	4.7%
State Street Bank & Trust Co.	Nominee	1,174,152	4.5%	4.5%
Fidelity Funds-Europ. Growth/Sicav		1,100,000	4.2%	4.2%
Bank of New York, Brussels Branch	Nominee	781,900	3.0%	3.0%
State Street Bank & Trust Co.	Nominee	561,389	2.1%	2.1%
Henry H. Hamilton III		550,000	2.1%	2.1%
Commerzbank AG	Nominee	518,030	2.0%	2.0%
Goldman Sachs International	Nominee	517,081	2.0%	2.0%
Storebrand Livsforsikring AS		506,723	1.9%	1.9%
David W. Worthington		504,196	1.9%	1.9%
Vital Forsikring ASA		475,293	1.8%	1.8%
Pareto Aksje Norge		421,550	1.6%	1.6%
Goldman Sachs & Co	Nominee	407,697	1.6%	1.6%
Clearstream Banking S.A.	Nominee	366,779	1.4%	1.4%
Fidelity Funds-European Aggressive		353,550	1.4%	1.4%
Avanse Norge (Ii)		324,972	1.2%	1.2%
JPMorgan Chase Bank	Nominee	321,505	1.2%	1.2%
		14,775,254	56.5%	56.5%
Total number of shares outstanding (par value NOK 1,00 per share)		26,133,882		

Norwegian shareholders held 8,491,854 shares, representing 32% of shares outstanding.
As of December 31, 2005 the Company held 79,250 of its own shares

Shares and Options held by the Chief Executive Officer and members of the Board as of December 31, 2005:

Name	Title	Total number of shares	Number of options
Claus Kampmann	Chairman	12,250	
Henry H. Hamilton III	CEO / Director	550,000	115,000
David W. Worthington	Director	504,196	
Arne K. Maeland	Director	25,800	
Nils B. Gulnes	Director	2,800	
Rabbe E. Lund	Director	2,800	

The number of shares reported for each individual also includes shares held by a company controlled by him, his spouse, or children under 18 years of age.

Note 13 - Salaries / Number of Employees / Benefits / Employee Loans / Pensions / Auditors' fee

	IFRS		NGAAP	
Payroll and related cost:	2005	2004	2004	2003
Payroll	32,042	25,253	25,253	19,948
Social security costs	4,517	2,109	2,109	1,663
Pension costs	917	944	944	562
Other employee related costs	2,385	2,233	2,233	1,397
- Salaries capitalized to MC library	-8,055	-5,931	-5,931	-3,956
Payroll and related cost	31,806	24,609	24,609	19,614

See note 17 for cost of stock options under IFRS

Average number of employees in 2005 was 372.

The Company has a profit sharing plan for all employees following a six month trial employment. The profit sharing (bonus) is payable quarterly, and is calculated as a function of pre-tax profit vs budget and the individual employee's employment conditions.

Directors' fees paid to the Board of Directors during 2005 were NOK 1,150,000 in cash plus 4,950 shares of Company stock, totalling NOK 1,981,000. The four non-executive Directors each received NOK 150,000 in cash plus 900 shares, and the Chairman received NOK 250,000 in cash plus 1,350 shares.The four non-executive Directors received an additional total of NOK 300,000 for committee work. The Directors, apart from the CEO, do not participate in any bonus or profit sharing plan. Total remuneration paid to the CEO during 2005 was USD 1,440, out of which USD 450 was salary and USD 990 bonus. The CEO's bonus plan entitles him to a 1% of the Company's annual pre-tax profit above USD 5 million before bonus charges. The CEO participates in the pension plan for US employees. During 2005 the Company paid USD 9 for the CEO under this plan. The maximum amount payable to the CEO in case of termination an of employment amounts to 3 years base salary spread over ensuing 3 year period. The maximum amount payable in case of termination following a "Change of Control" event is 3 years gross compensation. Total remuneration paid to the Executive Management group during 2005 was USD 3,583. In addition the Company contributed USD 88 to the executive management's pension plans.

The details of the stock options outstanding to the CEO (115,000 options) and to other key employees are disclosed in the table below.

Outstanding Stock Options/Warrants granted to Employees as of December 31, 2005:

# Options	Exercise Dates	Holders	Price/Conditions	Granted
77,000	See below*	Key Employees	NOK 142.00 Warrants expiring on June 13, 2006	6/13/2001
50,000	See below**	Henry H. Hamilton III	NOK 121.00 Warrants expiring on June 11, 2007	6/11/2002
219,750	See below**	Key Employees	NOK 121.00 Warrants expiring on June 11, 2007	6/11/2002
40,000	See below***	Henry H. Hamilton III	NOK 83.25 Warrants expiring on June 18, 2008	8/14/2003
283,500	See below***	Key Employees	NOK 83.25 Warrants expiring on June 18, 2008	8/14/2003
25,000	See below****	Henry H. Hamilton III	NOK 120.00 Warrants expiring on June 16, 2009	8/19/2004
160,000	See below****	Key Employees	NOK 120.00 Warrants expiring on June 16, 2009	8/19/2004
208,000	See below*****	Key Employees	NOK 258.00 Warrants expiring on June 15, 2010	8/18/2005
1,063,250				

* The holders may request shares issued in exchange for the warrants as follows:
  100% beginning June 13, 2005 less previously exercised

** The holders may request shares issued in exchange for the warrants as follows:
  Up to 75% beginning June 11, 2005 less previously exercised
  100% beginning June 11, 2006 less previously exercised

*** The holders may request shares issued in exchange for the warrants as follows:
  Up to 50% beginning August 14, 2005 less previously exercised
  Up to 75% beginning August 14, 2006 less previously exercised
  100% beginning August 14, 2007 less previously exercised

**** The holders may request shares issued in exchange for the warrants as follows:
  Up to 25% beginning August 19, 2005
  Up to 50% beginning August 19, 2006 less previously exercised
  Up to 75% beginning August 19, 2007 less previously exercised
  100% beginning August 19, 2008 less previously exercised

***** The holders may request shares issued in exchange for the warrants as follows:
  Up to 25% beginning August 18, 2006
  Up to 50% beginning August 18, 2007 less previously exercised
  Up to 75% beginning August 18, 2008 less previously exercised
  100% beginning August 18, 2009 less previously exercised

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

Auditors' fee

Expended audit fee for 2005 amounts to USD 280 and is divided as follows:

- Statutory audit: USD 194
- Other attestation services: USD 3
- Tax advice: USD 26
- Other services outside the auditscope: USD 56

Note 14 - Financial Items

	IFRS		NGAAP	
Financial income/expense:	2005	2004	2004	2003
Interest income	3,006	533	533	233
Exchange gains	2,171	3,619	3,221	722
Other financial income	14	1		
Sum Financial Income	5,191	4,153	3,754	955
Interest expense	-2,635	-1,602	-1,602	-506
Exchange loss	-1,334	-2,959	-2,959	-1,528
Other financial expenses				
Sum Financial Expense	-3,969	-4,561	-4,561	-2,034
Net financial items	1,222	-408	-807	-1,079

Note 15 - Taxes

	IFRS		NGAAP	
Total tax expense for the year:	2005	2004	2004	2003
Current tax on net income	15,006	15,921	15,921	12,732
Deferred tax - changes	16,076	2,318	1,332	3,260
Balance sheet effect of change in exchange rate	996	-552	-553	-3,308
Tax outside Norway		495	495	
Total tax expense for the year	32,079	18,182	17,195	12,684
Effective average tax rate	33%	32%	31%	31%

Reconciliation of actual vs calculated tax expenses

	IFRS		NGAAP	
	2005	2004	2004	2003
Profit/loss before tax expenses	97,217	56,839	55,272	41,078
Tax rate	32.02%	33.47%	33.63%	33.26%
Calculated expenses	31,132	19,026	18,588	13,664
Tax effect of permanent differences	946	-844	-1,392	-980
Actual tax expenses	32,079	18,182	17,195	12,684

Specification of Basis for Deferred Tax/Deferred Tax Asset:

Differences that give rise to a deferred tax asset:	2005	2004
Multi-Client Library/Well logs	10,371	11,811
Property and equipment	2,856	5,094
Accrued vacation	938	823
Goodwill	1,709	2,602
Accruals	8,536	5,559
Payable to partners and clients		305
Loss carried forward	11,001	51,448
Fair value of interest SWAP	10	
Total	35,421	77,642
Deferred tax asset	10,804	22,884

Differences that give rise to deferred tax:		
Multi-Client Library/Well logs	109,956	102,705
Accruals	161	
Property and equipment	4,291	2,524
Goodwill	344	
Accounts receivable	5,054	1,837
Investment in joint ventures	1,634	875
Deferred revenue	1,447	1,572
Fair value of interest SWAP		399
Total	122,887	109,912
Deferred tax	35,904	32,019
Net deferred tax	25,099	9,135
Average deferred tax rate	29%	29%
Total current taxes payable	4,722	12,425

Taxes payable in the balance sheet are lower than taxes payable for the year. This is due to the fact that in the USA taxes are payable in advance.

Note 16 - Risk Exposure to Currency Exchange Rate Fluctuations and Interest Levels

Major portions of the Group revenues and costs are in US dollars. All of the Group's loan financing is in US dollars. Due to this, the Company's operational exposure to exchange rate fluctuation is low. However, as the Parent Company accounts are presented in Norwegian Kroner, fluctuations between the NOK and the USD impact the quarterly and annual reported figures in the form of currency exchange gains or losses under Financial Items. The tax burden in USD is also impacted by this. The Bond Loan was swapped from NOK to USD and from base 3 month NIBOR to base 3 month LIBOR in May 2004. Changes in the LIBOR interest rate will affect the interests payable on the loan (See Note 5). The Company has no other financial derivatives in use per December 31, 2005.

Note 17 - Transition to International Financial Reporting Standards (IFRS)

As of January 1, 2005, the consolidated accounts of TGS Group comply with International Financial Reporting Standards (IFRS) endorsed by the European Union and Norway.

Impact of conversion on consolidated group financial statements

The major differences between generally accepted accounting principles in Norway (NGAAP) and IFRS having a significant effect on the consolidated financial statements of TGS are as follows:

- Employee Stock Option Scheme. Under IFRS, the costs of the stock options are to be expensed in the P&L statement.
- Amortization of Goodwill. Under IFRS, amortization of goodwill has been abolished. Instead, an annual test for impairment shall be performed.
- Fair value of financial derivative contracts to be reflected in the financial statements.
- Presentation of the Balance Sheet. Certain changes in the Presentation of the Balance Sheet. For further details see the P&L statement showing the bridge between 2004 NGAAP and 2004 IFRS.

Impairment Test

The carrying amounts of TGS' assets are reviewed annually to determine whether there is any indication of impairment. For goodwill, the recoverable amount is estimated at each annual balance sheet date.

An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recovarable amount. The recoverable amount of the asset is calculated as the present value of estimated future cash flows using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risk specific to the asset. For an asset that does not generate largely independant cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The multi-client library is tested for impairment on a survey-by-survey basis.

Share-based payments

The cost of stock options is calculated using the Black and Scholes-model. The fair value of each stock option at grant date is calculated based on the appreciation and volatility of the TGS stock over a preceeding time period equal to the assumed life of each option. The historic interest rates of Norwegian Government bonds over the same period is used as risk-free interest rate. TGS management assumes that on average an optionee exercises an option 6 months after they become vested. In accordance with IFRS 2, the cost of each option is recognized over the vesting period of that option. Based on historic figures TGS management assumes no optionee forfeits their options through termination of their employment. The cost of stock options recognized in 2005 was USD 2,002. All exercises were met through issuance of new shares.

STRENGTH

Strength is a resource. It is a well from which to draw when adversity poses challenge. It is the ability to leverage experience and talent to achieve business goals in harmony with ongoing success and diplomacy. The muscle behind the mindset of good products and good decisions can be attributed to the potency of TGS and its people. The Company has, through its history, executed tactically to maintain strength in a cyclical market. And from this vigorous well, TGS will continue to draw further to strengthen value and returns for its employees, customers and shareholders.

PROFIT AND LOSS

PARENT COMPANY ONLY

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

	Note	2005	2004	2003
Sales	10,11	1,051,460	660,635	528,618
Revenue Sharing		-117,335	-82,477	-39,263
Net operating Revenues		934,124	578,158	489,355
Materials		11,030	22,411	16,201
Amortization	4	544,528	416,577	364,511
Personnel Costs	13	42,680	30,084	23,286
Depreciation	4	9,528	4,411	5,539
Other Operating Expenses	7	95,456	66,712	59,177
Operating Profit		230,903	37,964	20,642
Financial Income	14	92,580	126,460	62,358
Financial Expenses	14	-85,886	-92,898	-50,521
Profit before Taxes		237,598	71,526	32,480
Taxes	15	66,811	24,933	9,182
Net Income		170,787	46,593	23,298
Profit (loss) for the Year is allocated as follows:				
To Other Equity	8	170,787	46,593	23,298
Total Allocated		170,787	46,593	23,298

BALANCE SHEET

PARENT COMPANY ONLY

as of December 31, 2005

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

Assets	Note	2005	2004
Non-Current Assets			
Intangible Non-Current Assets			
Goodwill	4	1,000	3,000
Multi-Client Library	4	916,841	849,673
Total Intangible Non-Current Assets		917,841	852,673
Tangible Non-Current Assets			
Land, Buildings and Other Property	4,5	22,472	20,383
Machinery and Equipment	4,7	25,904	1,981
Total Tangible Non-Current Assets		48,376	22,364
Financial Non-Current Assets			
Investments in Subsidiaries	3	26,957	26,957
Long Term Receivables and Prepayments	2	2,227	11,958
Total Financial Non-Current Assets		29,184	38,915
Total Non-Current Assets		995,400	913,952
Current Assets			
Receivables			
Accounts Receivable	2	420,123	204,939
Current Receivables Group Companies		30,449	23,485
Other Receivables	2	17,151	19,735
Total Receivables		467,723	248,159
Cash and Cash Equivalents	1	121,223	67,241
Total Current Assets		588,946	315,400
Total Assets		1,584,346	1,229,352
Equity			
Paid-in Capital			
Share Capital	8,12	26,134	25,333
Own shares held	8	-79	
Share Premium Reserve	8	279,803	179,708
Total Paid-in Capital		305,858	205,041
Retained Earnings			
Other Equity	8	422,755	264,328
Total Retained Earnings		422,755	264,328
Total Equity		728,613	469,369
Liabilities			
Provisions			
Deferred Tax	15	171,071	104,260
Total Provisions		171,071	104,260
Other Long-Term Liabilities			
Debt to Financial Institutions	6	296,007	264,079
Capitalized Lease Liabilities	7		515
Total Long-Term Liabilities		296,007	264,593
Current Liabilities			
Accounts Payable		122,573	83,584
Current Liabilities Subsidiaries		177,195	302,941
Social Security, VAT and other Duties		6,674	3,237
Other Short-Term Liabilities		82,214	1,368
Total Current Liabilities		388,655	391,130
Total Liabilities		855,733	759,983
Total Equity and Liabilities		1,584,346	1,229,352

Henry H. Hamilton III
CEO / Director

Claus Kampmann
Chairman

Arne-Kristian Maeland
Director

David W. Worthington
Director

Nils B. Gulnes
Director

Rabbe E. Lund
Director

CASH FLOW

PARENT COMPANY ONLY

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

	2005	2004	2003
Cash flow from operating activities			
Received payments from sales	414,306	485,171	435,338
Payments for salaries, pensions, social security tax	-31,541	-30,084	-23,286
Received interest and other financial income	3,707	1,782	352
Interest payments and other financial cost	-15,258	-16,114	-10,279
Payments from other operating activities and currency exchange differences	-48,828	-23,262	-69,518
Net cash flow from operating activities 1)	322,385	417,493	332,607
Cash flow from investing activities			
Received payments from fixed assets	9,844	275	940
Investment in tangible assets including currency adjustments	-34,913	-327	-477
Investments in Multi-Client Library	-367,027	-500,723	-423,908
Long term receivables	9,731	14,742	15,039
Net cash flow from investing activities	-382,365	-486,033	-408,406
Cash flow from financing activities			
Net change in short-term loans	26,377	-185,928	148,741
New long-term loans		300,000	
Down payment of long-term loans		-44,299	-47,991
Purchase of own shares	-14,143		
Paid-in-equity	101,727	37,321	2,723
Net cash flow from financing activities	113,961	107,094	103,472
Net change in cash and cash equivalents	53,982	38,553	27,675
Cash and cash equivalents at the beginning of the period	67,241	28,688	1,013
Cash and cash equivalents at the end of the period	121,223	67,241	28,688

1) Reconciliation			
Profit before taxes	237,598	71,526	32,480
Depreciation/Amortization	554,056	420,988	370,050
Gain/Loss on Disposal	-8,471		265
Changes in accounts receivables	-515,437	-83,105	-58,743
Changes in other receivables	-4,380	-9,883	4,726
Changes in other balance sheet items	59,021	17,967	-16,170
Net cash flow from operating activities	322,385	417,493	332,607

NOTES TO THE FINANCIAL STATEMENTS

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

PARENT COMPANY ONLY

Note 1 - Restrictions on Bank Accounts

NOK 2,350 of Cash and Cash Equivalents is restricted to meet the liability arising from payroll taxes withheld.

Note 2 - Accounts Receivable and Other Receivables

Receivables are stated in the balance sheet at net realizable value. The Company expects to collect the full balance of receivables per December 31, 2005. Realized losses on trade receivables in 2005 amounted to 0 USD.

As part of the redelivery of the vessel Northern Access and the signing of a long-term agreement for vessel capacity with SMNG in 2002, the Company sold seismic equipment to SMNG. The USD 8.0 million from this sale is paid down by SMNG over 4 years. Balance per December 31, 2005 was USD 2,120 million.

Note 3 - Investments in Subsidiaries

December 31, 2005 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	Owner-ship held
Datman AS (Naersnes, Norway)	200	200	NOK 1000	7,146	100%
TGS-NOPEC Geophysical Company (Houston, U.S.A.)	USD 1	1,000	USD 1	11,286	100%
TGS-NOPEC Geophysical Company Ltd. (Bedford, UK)	GBP 50.1	50,100	GBP 1	8,360	100%
Naersnes Eiendom AS (Naersnes, Norway)	100	100,000	NOK 1	0.001	100%
ANS Baardsrudveien 2 (Naersnes, Norway)				54	100%
Riminio Shipping Ltd. (Limassol, Cyprus)	C£ 1	1,000	C£ 1		100%
TGS-NOPEC INVEST AS (Naersnes, Norway)	100	100,000	NOK 1	111	100%
TGS-NOPEC Geophysical Comp. PTY Ltd (Perth, Australia)	AUD 0,001	1	AUD 1	0.005	100%
Symtronix Corporation (Houston, U.S.A.)	USD 0,8	800,000	USD 0,001		100%
Balance sheet value				26,957	

Note 4 - Non-Current Assets

Acquisition cost and depreciation:	Machinery and Equipment	Goodwill	Buildings***	Total
Cost as of January 1, 2005	22,394	20,000	32,301	74,695
+ additions during the year	32,207		2,706	34,913
- disposals during the year*	-15,999			-15,999
Cost as of December 31, 2005	38,602	20,000	35,007	93,609
Accumulated depreciation as of January 1, 2005	20,413	17,000	11,918	49,331
+ depreciation for the year	6,911	2,000	618	9,528
- accumulated depreciation on disposals	-14,626			-14,626
Accumulated depreciation as of December 31, 2005	12,698	19,000	12,536	44,233
Net book value as of December 31, 2005	25,904	1,000	22,472	49,376
Straight-line depreciation percentage	20% - 44%	10%	2%	
Assumed financial life time	2 - 5 years	10 years**	50 years	

* Profit on disposals during the year was NOK 8,471.
** Goodwill paid for in acquisitions of companies is depreciated over the first 10 years after the date of the acquisition in accordance with NGAAP.
*** The Company owned an office building at Naersnes, Norway.

Multi-Client Library:

	2005
Opening Balance January 1, 2005	849,673
Seismic and Well Logs purchased from third party	11,000
Operational Investments	600,696
Amortization	-544,528
Net Book Value as of December 31, 2005	916,841

Note 5 - Investment in Unlimited Partnerships (ANS)

The Company owns 100% of ANS Baardsrudveien 2. Ninety-nine percent of its interest is directly held, and the remaining one percent interest is indirectly held through the Company's 100% ownership of Naersnes Eiendom AS. The sole business activity of Naersnes Eiendom AS is its ownership interest in ANS Baardsrudveien 2. Therefore, the Company has directly consolidated ANS Baardsrudveien 2 in its accounts.

Note 6 - Debt, Mortgages, Guarantees etc.

The following liabilities are secured by collateral:	2005	2004	2003
Debt to banks			42,053
Total			42,053

Book value of the assets used as collateral:	2005	2004	2003
Accounts receivable	121,170	71,832	73,065
Multi-Client seismic library	916,841	849,673	777,415
Machinery, equipment	25,904	1,980	
Buildings			21,088
Total	1,063,915	923,486	871,568

Loan Agreements and terms:
See Note 5 to the Group's Consolidated Accounts.

Note 7 - Lease Obligations

The Parent company has no operating lease commitments expiring after December 31, 2005.
Rental expense for operating leases was NOK 0 for the year ended December 31, 2005.
The Parent company has no further capital lease commitments expiring after December 31, 2005.
Rental expense for capital leases was NOK 537 for the year ended December 31, 2005.
Future minimum payments for capital and operating leases at December 31, 2005 are zero.

Note 8 - Equity and Shareholder Authorizations

Equity Reconciliation for 2005	Share capital	Premium fund	Retained earings in Parent Company	Equity in Parent Company
Opening balance January 1, 2005	25,333	179,708	264,328	469,369
Capital increase during 2005	801	100,095		100,896
Purchase of own shares	-79		-13,232	-13,311
Cost of stock options			873	873
Profit for the year			170,787	170,787
Closing balance December 31, 2005	26,055	279,803	422,755	728,613

Note 9 - Related Parties

No material transactions took place during 2005 with related parties.

Note 10 - Segment Information

The Company only operates in one segment within the oil service business.

Note 11 - Revenues by Product type and Geography

During 2005 approximately 47% of Net revenues resulted from 2D seismic, and 53% from 3D seismic.
Approximately 99% of the Parent's Net revenues came from the Multi-Client market, and 1% from the proprietary market.

	2005		2004	
Revenues per region	Western Hemisphere	Eastern Hemisphere	Western Hemisphere	Eastern Hemisphere
Net revenues	549,187	386,363	265,953	312,206
In % of total Net operating Revenues	59%	41%	46%	54%

Note 12 - The Largest Shareholders in TGS-NOPEC Geophysical Company ASA as of December, 2005 as registered with VPS:

See Note 12 to the Group's Consolidated Accounts.

Note 13 - Salaries / Number of Employees / Benefits / Employee Loans / Pensions / Auditors' fee

Payroll and related cost:	2005	2004	2003
Payroll	28,863	24,020	20,051
Social security costs	13,990	6,281	4,137
Pension costs	924	845	846
Other employee related costs	1,303	337	252
- Salaries capitalized to MC Library	-2,400	-1,400	-2,000
Payroll and related cost	42,680	30,084	23,286

Average number of employees in 2005 was 28.

For further information of Benefits, see Note 13 to the Group's Consolidated Accounts.

Auditors' fee

Expensed audit fee for 2005 amounts to NOK 572 and is divided as follows:

- Statutory audit: NOK 478
- Other attestation services: NOK 22
- Tax advice: NOK 0
- Other services outside the auditscope: NOK 72

Note 14 - Financial Items

Financial income/expense:	2005	2004	2003
Interest income	3,707	1,782	352
Interest income subsidiaries	629	265	476
Group contribution	53,673	2,946	4,607
Other financial income	34,571	121,467	56,923
Sum Financial Income	92,580	126,460	62,358
Interest expense	-16,336	-7,587	-2,777
Interest expense subsidiaries	-8,333	-8,792	-7,980
Other financial expenses	-61,216	-76,519	-39,764
Sum Financial Expense	-85,886	-92,898	-50,521
Net Financial Items	6,694	33,562	11,838

Note 15 - Taxes

Current tax:	2005	2004	2003
Profit before taxes and extraordinary items	237,598	71,526	32,480
Permanent differences	1,013	8,141	136
Changes in temporary differences	-33,511	-55,746	-68,449
Writedown shares			
Additional taxable profit ANS	161	236	205
Tax-loss carried forward applied	-205,260	-24,157	
Basis for current tax	-0	0	-35,629

Total tax expense for the year:	2005	2004	2003
Deferred tax - changes	66,811	24,924	9,182
Tax outside Norway		8	
Total tax expense for the year	66,811	24,933	9,182
Effective average tax rate	28%	35%*	28%

Specification of basis for deferred taxes:

Offsetting differences:	2005	2004
Non-Current assets	-14,275	-21,187
Intangible Non-Current assets	684,446	658,007
Liabilities		
Loss carry forward	-59,204	-264,464
Total	610,967	372,356
Deferred tax liability/deferred tax asset	171,071	104,260
Average deferred tax rate	28%	28%

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

	2005
Tax calculated using nominal taxrate on pre-tax profit	66,527
Effect of permanent differences	284
Effect of non-deductable write-down of shares*	
Adjustment prior years	
Total tax expense recorded in P&L Statement	66,811

* The Parent Company has written down the value of the shares in subsidiaries in line with the Goodwill depreciation. As from 2004, this is no longer tax deductible.

Note 16 - Risk exposure to currency exchange rate fluctuations and interest levels

See Note 16 to the Group's Consolidated Accounts.

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

AUDITOR'S REPORT FOR 2005

Respective Responsibilities of Directors and Auditors
We have audited the annual financial statements of the TGS Nopec Geophysical Company as of 31 December 2005, showing a profit of NOK 170 787 000 for the parent company and a profit of USD 65 318 000 for the group. We have also audited the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The annual financial statements comprise the parent company's financial statements and the group accounts. The parent company's financial statements comprise the balance sheet, the statements of income and cash flows and the accompanying notes. The group accounts comprise the balance sheet, the statements of income and cash flows, the statement of changes in equity and the accompanying notes. The rules of the Norwegian accounting act and good accounting practice in Norway have been applied to prepare the parent company's financial statement. The rules of the Norwegian accounting act and International Financial Reporting Standards as adopted by the EU have been applied to prepare the group accounts. These financial statements and the Board of Directors' report are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on the other information according to the requirements of the Norwegian Act on Auditing and Auditors.

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

Opinion
In our opinion,

- the parent company's financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the parent Company as of 31 December 2005, the results of its operations and its cash flows for the year then ended, in accordance with the rules of the Norwegian accounting act and good accounting practice in Norway
- the group accounts are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the Group as of December 31 2005, the results of its operations, its cash flows and the changes in equity for the year then ended, in accordance with the rules of the Norwegian accounting act and International Financial Reporting Standards as adopted by the EU
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information in accordance with the law and good bookkeeping practice in Norway
- the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and comply with the law and regulations.

Oslo, 23 March 2006
KPMG AS

State Authorised Public Accountant
Note: This translation from Norwegian has been prepared for information purposes only

EXECUTIVE LEADERSHIP

John Adamick
VP, Business Development

Dave Kotowych
President/Chief Operations Officer - A2D

Kim Abdallah
VP, NSA New Ventures

Marv Sager
VP, Quality Control Services

Pierre Benichou
President, Africa, M. East, Asia/Pacific

A COMMANDING PERFORMANCE

A strong market position is built not with brute force, but on the strength of ideas and the insight of leadership. TGS has been a force in the multi-client seismic marketplace far beyond what our size would suggest. Our products are broadly pre-funded by the industry, reflecting our skill in project design. The TGS management team has successfully navigated the boom and bust of the oil and gas service sector, relying on the power of experience and a prescient view of customer needs to thrive when others have faced collapse. With powerful ideas and a forward view, TGS will continue to operate from commanding heights.

David Hicks
Chief Technology Officer

Henry H. Hamilton III
CEO / Director

Karen El-Tawil
VP, NSA Sales

Pete Bennion
VP, TGS Imaging

Arne Helland
Chief Financial Officer

Kjell E. Trommestad
VP & General Director, Europe

CORPORATE GOVERNANCE

Articles of Association

TGS-NOPEC Geophysical Company ASA – as of February 2006

[1]

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

[2]

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

[3]

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

[4]

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

[5]

The company's sharecapital is NOK 26,299,632 fully paid up and issued in 26,299,632 shares of NOK 1 each to named shareholders.

[6]

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

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

[7]

The ordinary shareholders' meeting shall decide the following:

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

[8]

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

TGS-NOPEC 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.

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-NOPEC has developed a Statement of Values and a Code of Corporate Conduct, both available for viewing at: www.tgsnopec.com/company/corporate_governance.asp

The Board of Directors has decided to adopt the Norwegian Recommendation for Good Corporate Governance dated December 7, 2004 for the accounting year 2005.

The Board of Directors

The Board of Directors currently consists of 6 members elected by the shareholders. The constitution of the Board reflects a strong background that balances specific industry experience with broader industrial, financial and organizational experience. The CEO is also a member of the Board. However, the Board's Audit, Compensation and Corporate Governance Committees are composed exclusively of independent directors. All the Directors are shareholders of TGS-NOPEC.

The Board normally meets six times each year, but may hold additional meetings if circumstances so dictate. On at least a monthly basis the CEO updates the entire Board on the financial progress of the Company as well as other significant matters.

The Board operates under specific rules of procedure. A brief background description for each board member is listed below:

Claus Kampmann, Chairman.
Age 56. Past President Geco-Prakla, VP Personnel Schlumberger Ltd. First Elected in 2002, became Chairman in 2004.

David Worthington , Director.
Age 64. An original founder of TGS in the 1980's after thirteen years with Shell Oil Company. First elected in 1998 and was Chairman from 1999 till 2004.

Henry H. Hamilton III, CEO/Director.
Age 46. Shell Oil Company, Former VP & GM of North and South America for Schlumberger's Geco-Prakla, Joined TGS as CEO in 1995. First elected in 1998.

Arne-Kristian Maeland, Director.
Age 52. Phillips Petroleum, Geco Geophysical, co-founder and past CFO of VMETRO, currently a private investor. First elected in 2001.

Nils B. Gulnes, Director.
Age 70. Former Deputy Director General, Norwegian Ministry of Industry, Oilsection, Senior VP at Den norske Creditbank, Managing Director of Amerada Hess Norway, currently Lawyer at Lawfirm Grette DA. First elected in 2002.

Rabbe E. Lund, Director.
Age 60. International Monetary Fund, Norwegian Ministry of Oil & Energy, Saga Petroleum, currently President and Partner at Intellectual Capital Group. First elected in 2002.

Board Committees

The board members have formed the following independent committees:

- Audit Committee
- Compensation Committee
- Corporate Governance Committee

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

Nomination Committee

At the Annual General Meeting on June 15, 2005, the Board proposed and the shareholders adopted an amendment to the Company's Articles of Association providing for a Nomination Committee. The Committee consists of one chairman and two members elected by and amongst the shareholders. The committee members, listed in the Report from the Board of Directors, are to serve for a period of 2 years. The Nomination Committee is responsible for the nomination of directors to the board and the remuneration payable to the directors.

Compensation of Directors

Remuneration to the Board of Directors should in general be designed to attract and retain an optimal Board structure in a competitive environment. Procedurally, the Directors' fee is proposed by the Nomination Committee and determined by the shareholders at the annual general meeting each year.

Shareholders and Shareholders' Rights

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

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

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

As of March 23, 2006 the Board has the following shareholder authorizations:

- To issue free-standing warrants securing stock options for key employees.

- To issue up to 4,645,926 new shares in the company (expires on June 15, 2006).

- To buy back up to 10% of the Company's outstanding shares (expires on June 15, 2006).

For further information on these shareholder authorizations, please refer to note 7 to the Financial Statements.

Equity and Dividend Policy

Because of the extremely cyclical nature of the oil services industry, and the Company's unique business model, the Board of Directors remains convinced that a strong balance sheet and a strong cash position are essential to its financial health and future growth. The general policy of the Company at this time is to allocate profit to equity to allow for reinvestment into the growth of the Company. The Board may also consider using cash reserves to repurchase its shares or bonds during 2006.

Compensation of Key Employees

TGS-NOPEC compensates its employees according to market conditions that are reviewed on an annual basis by the Compensation Committee. Compensation includes base salary, insurance and retirement benefit programs, a profit-sharing bonus plan based on performance, and in certain cases a stock option plan. For further details please refer to Note 13 to the Financial Statements.

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

Audit

The external auditor reports to the Board of Directors at the board meeting that deals with the annual accounts. Independent of the Company's management the Audit Committee meets annually with the partner of the Company's external audit firm. The auditor's fee is determined at the annual general meeting (see Note 13 to the Financial Statements for Auditor's compensation for 2005).

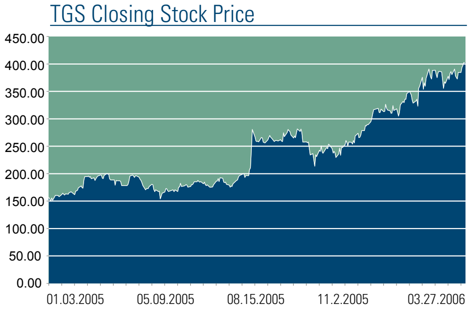
INVESTOR RELATIONS

TGS shares are publicly traded on the Main List of the Oslo Stock Exchange under the ticker symbol TGS. TGS is a member of the OBX index, which consists of the 25 most actively traded shares at the Oslo Stock Exchange. In addition to shares, TGS also has 300 MNOK (face value) of bonds listed on the OSE under the symbol TGS01.

As of March 31, 2006 TGS had 26,299,632 publicly traded shares and a market capitalization of approximately NOK 10.56 billion (~USD 1.60 billion).

The TGS share price appreciated significantly during the course of 2005. The daily closing share price ranged from a low of NOK 149 in early January to a high of NOK 318.50 in late December. As of March 31, 2006 the share price was at NOK 401.50. Share liquidity was also good with an average trading volume in excess of 180,000 shares per day.

TGS Closing Stock Price

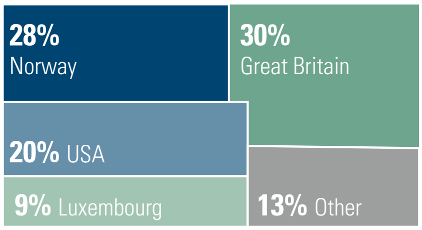


The TGS investor relations policy is designed to inform the stock market and all shareholders of the Company's activities and status in a timely and accurate manner. TGS submits quarterly and annual financial reports to the OSE as well as any interim information of significance for assessing the Company's value. This information, and much more, is available via the TGS website at www.tgsnopec.com.

The Company places great emphasis on providing the same information to all investors, and all press releases are published in English only.

The Company's quarterly earnings presentations are recorded and made available in real time. TGS executives also make presentations and conduct roadshows throughout the year, both in Norway and abroad. Partially as a result of this effort, ownership of TGS shares has been growing internationally in recent years. As of March 31, 2006, major shareholders, by country are:

Shareholder Distribution on Value Held - as of March 31, 2006



Please feel free to contact either of us if you would like to learn more about TGS.

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VP Business Development
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Arne Helland
Chief Financial Officer

John Adamick
VP, Business Development

STABILITY

Stability is attained through a balance of new ideas and technologies with the needs of our customers and our business. The transformation of these ideas into attainable goals and, and ultimately, into high-demand multi-client data products and services has been a constant reality for TGS. The Company has achieved such a broad and stable base from which to operate worldwide through its nurturing approach to customer relationships and the satisfaction of its employees and shareholders. TGS' concentration on the growth and development of products, people and services results in an ultimately balanced and focused workplace.

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2005 ANNUAL REPORT
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