A Company That Shines

2007 Annual Report
TGS-NOPEC Geophysical Company

TGS

People Who Shine

Table of Contents

Financial Highlights

(in millions of USD apart from EPS and ratios)

	2007	2006	2005	2004	2003*
Net operating revenues	**452.8**	395.9	240.4	171.6	136.9
Operating profit	**222.0**	221.3	96.0	57.2	42.2
Pre-tax profit	**197.4**	219.5	97.2	56.8	41.1
Net income	**135.0**	150.9	65.1	38.7	28.4
EBIT	**222.0**	221.3	96.0	57.2	42.2
EBIT margin	**49%**	56%	40%	33%	31%
Net income margin	**30%**	38%	27%	23%	21%
Pre-tax return on average capital employed	**39%**	50%	29%	23%	23%
Earnings per share (EPS)	**1.29**	1.43	0.63	0.39	0.29
Earnings per share fully diluted	**1.26**	1.39	0.60	0.36	0.27
Total assets	**852.6**	676.2	464.5	345.3	249.7
Shareholders equity	**567.8**	477.0	320.8	239.5	195.9
Equity ratio	**67%**	71%	69%	69%	78%

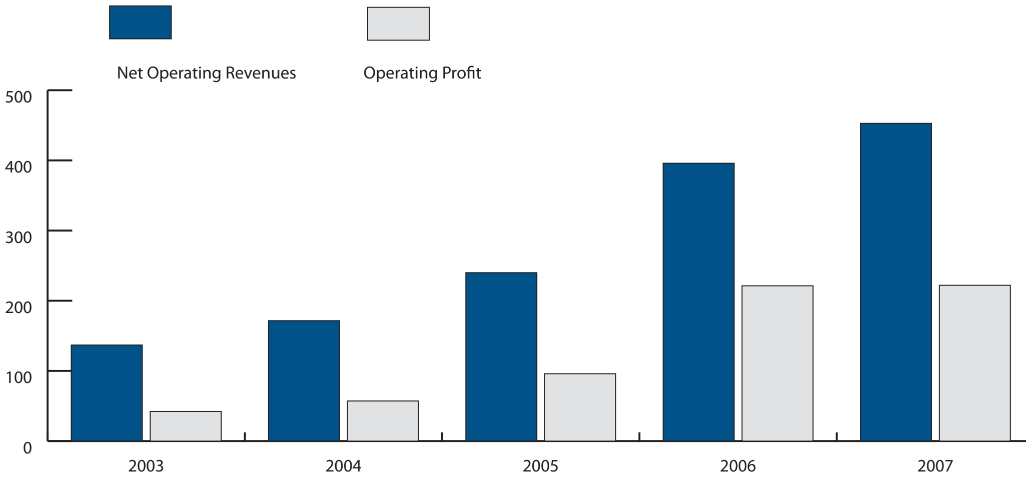
Multi-client library

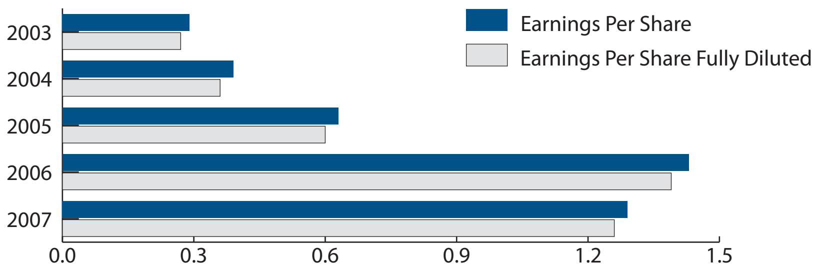
	2007	2006	2005	2004	2003
Opening net book value	**195.6**	160.8	149.5	133.2	117.8
Multi-client data purchased from third parties	**1.6**	4.5	1.6	2.1	5.0
Investments in new projects	**136.3**	131.9	103.8	84.5	68.7
Amortization	**-116.2**	-101.7	-94.1	-70.3	-58.3
Ending net book value of the multi-client library	**217.4**	195.6	160.8	149.5	133.2
Pre-funding % on operational investments	**63%**	57%	40%	46%	54%

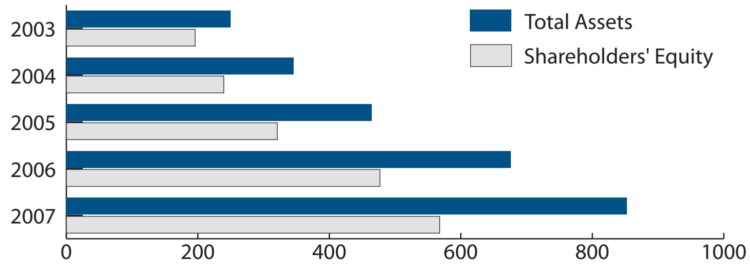
*Figures according to NGAAP. Adjustments to reflect cost of stock options and no depreciation of goodwill would be needed for these figures to comply with IFRS.

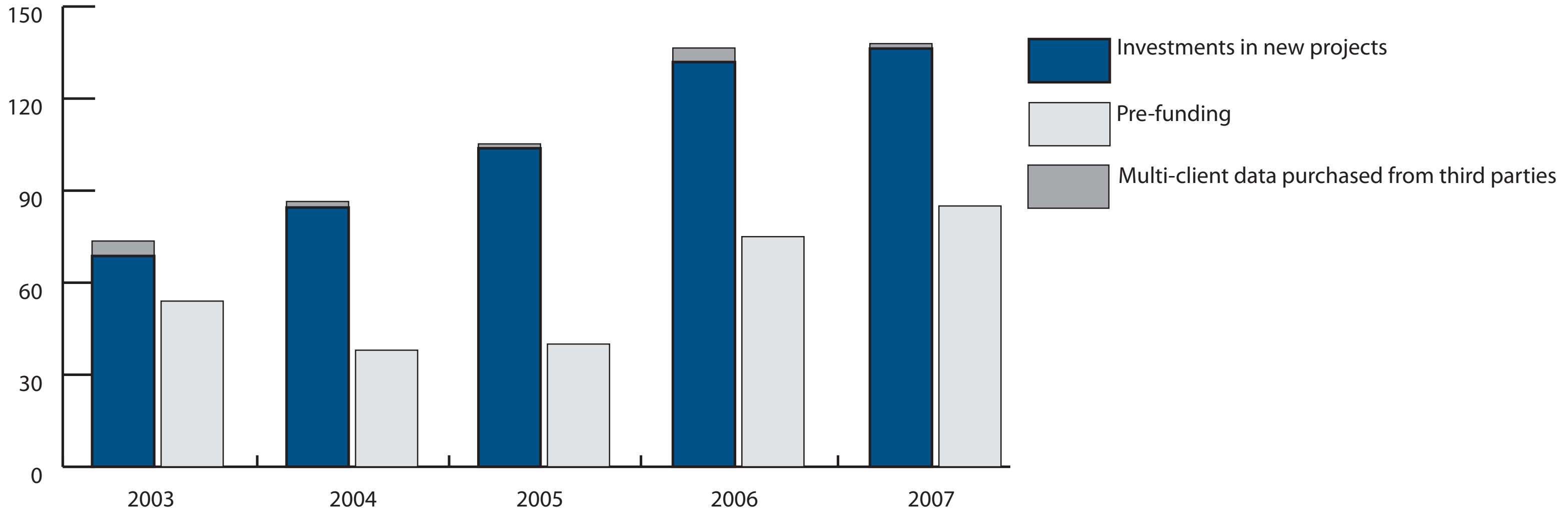
Financial Highlights

(in millions of USD apart from EPS and ratios)









Employees Who Shine

It's about the team. Investing in the people who make TGS-NOPEC a company that shines is how we continue to be successful. We appreciate how every employee shines their own light, bringing unique ideas and solutions to make us an industry leader.

Our team members continue to step up, taking our current business to a higher level, expanding our range of products and services, and delivering customer service and quality that is second to none.
Shine on team, shine on.

Claus Kampmann
Chairman

Data That Shines

TGS-NOPEC stands ready to meet the challenges of the growing demand for oil and gas exploration. And at a time when hydrocarbon exploration is going ever deeper and searching for subtle traps, TGS stands ready to shine a light on the secrets of the subsurface. Our 2D and 3D seismic libraries, the industry's largest database of digital well logs, an extensive database of integrated products, and robust imaging services let exploration efforts continue full speed ahead—the excellence shines through.

Henry H. Hamilton III
Chief Executive Officer/Director

TGS

TGS-NOPEC Geophysical Company ASA (TGS) is a leading player in the global non-exclusive geoscientific data market, with ongoing operations in North and South America, Europe, Africa, Asia and Australia. The Group's marketed data library is extensive and contains a variety of data types. As of December 31, 2007, the Group's geophysical products library contained approximately 2.3 million line kilometers of 2D seismic data and approximately 94 thousand square kilometers of 3D seismic data. In conjunction with its seismic library, the Group also has approximately 950 thousand kilometers of ship borne gravity and magnetic data as well as approximately 340 thousand kilometers of airborne data. In 2007 the Group initiated acquisition of *multi-beam sea seep data*, a form of detailed 3D bathymetry data used to search for expressions of potential hydrocarbon seeps at the sea floor. This database now contains over 402 thousand square kilometers of data. The Group's geological products library consists of 5 million digital well log images from approximately 2.1 million wells plus an expansive array of regional interpretive products.

The Parent Company is located in Asker, Norway, and the main subsidiary is in Houston, Texas, USA. 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, 2007, that would alter the accounts as presented for 2007.

Corporate Governance

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

The Company has only one class of shares and each share gives the right to one vote at the General Assembly. There are no voting restrictions. The Board puts emphasis on, to the extent possible, disclosing and describing the topics of the agenda and the proposed resolutions in the call for the assembly to allow the shareholders to prepare beforehand. The independent members of the Board have received restricted shares as a part of their compensation, which must be held for at least one year before they can be traded. There are certain limitations to trading of shares for a small number of employees who are former owners of Aceca, Ltd. and Parallel Data Systems, Inc. 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 Chief Executive Officer (CEO), each serving a one-year term. The Board's Audit, Compensation, and Corporate Governance Committees are composed exclusively of independent directors.

No material transactions have occurred between the Company and its management, directors, or shareholders. The Company first established a Nomination Committee in June 2005 that is currently composed of one former independent director and two independent shareholder representatives, each serving a two-year term. The Nomination Committee is responsible for nominating directors to the Board and recommending remuneration payable to the directors.

It is the opinion of the Board of Directors that the Company complies with the Norwegian Code of Practice for Corporate Governance published November 28, 2006. The Board fully endorses the section entitled *Corporate Governance* found on page 78 of this annual report.

Results from Operations

For the full year, TGS' net revenues increased 14% from the previous year. Demand for seismic and digital well log data improved steadily throughout the course of the year, resulting in Group-record net revenues for the fourth quarter and the full year of 2007.

During 2006 TGS executed charter agreements for two 3D-seismic vessels that were contracted to start operations at the beginning of 2007. Because of delayed deliveries and start up problems on both vessels, they were not fully operational until fall 2007. As a result, investments in the multi-client data library increased by only 1% compared to 2006.

The operating profit (EBIT) in 2007 was unchanged from 2006. The operating profit (EBIT) margin decreased from 56% in 2006 to 49% in 2007. This was due to a different revenue mix with a higher contribution from proprietary contract revenues that yielded lower margins than multi-client sales.

Taking into account the unanticipated delays in the deliveries of contracted vessels, the Board is very pleased with the annual operational results. TGS continued its long-standing record of industry leadership in key measures impacting shareholder value including:

- Ratio of annual multi-client net revenues to average net book value of library: 1.83
- Operating Profit (EBIT) margin: 49%
- Pre-tax Return on Average Capital Employed (ROCE): 39%
- Shareholders' Equity: 67% of the Balance Sheet

From Our Board

Merger and Acquisitions

In May 2007 TGS successfully concluded the acquisition of Parallel Data Systems, Incorporated (PDS), a high-tech seismic imaging specialist with 21 employees and offices in Houston and Dallas, Texas. Final consideration included USD 56.4 million in cash and 608,865 shares of TGS, all of which have restrictions on when they can be sold. No new shares were issued related to the transaction.

The PDS transaction dramatically increased existing TGS processing capacity and provided an extensive array of new imaging technologies. The addition also supplies critical mass to TGS research and development programs, accelerating efforts to commercialize the next generation of seismic imaging technologies including wide azimuth 3D.

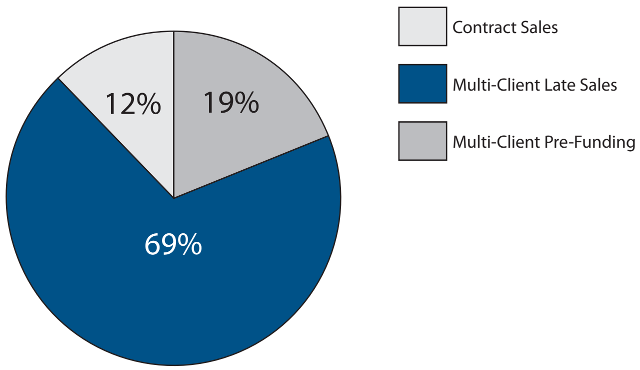
On July 30, 2007, TGS and Wavefield-Inseis ASA (WAVE) announced that they had entered into an *Integration Agreement* proposing a merger of the two companies. The subsequent merger agreement was approved by the Extraordinary General Meetings of both companies on September 20, 2007. TGS is the acquiring company and will issue 0.505 new TGS shares for every WAVE share.

The merger has not yet been consummated as Wavefield's Board of Directors has not stated that all conditions necessary to close the merger have been met. In accordance with the dispute resolution procedures agreed in the merger plan, TGS has initiated a formal arbitration process to complete the merger. TGS strongly believes that it will win the arbitration and that the merger will be completed as approved. The arbitration court process is expected to last until October or November 2008.

Product Information

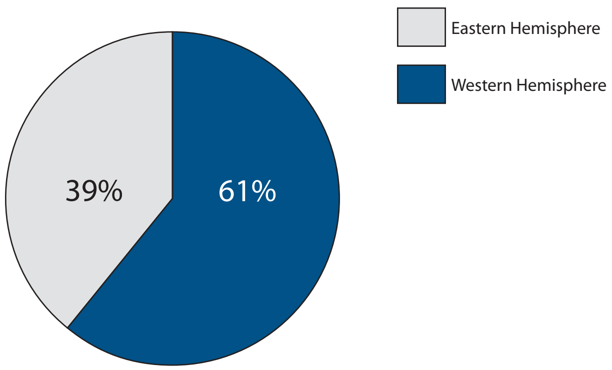
The TGS Group's main business is developing, managing, and selling licenses to non-exclusive (or multi-client) geoscientific data. This activity accounted for 88% of the TGS Group's business during the year 2007. Customer pre-funding of new multi-client projects reduces the TGS Group's exposure, while late sales from the TGS Group's library of data products provide the bulk of its revenue stream. Net late sales increased 4% compared to 2006 and totaled USD 312.4 million, while pre-funding on new projects was 63% of the operational investments in multi-client data compared to 57% in 2006. Proprietary contract revenues grew by 284% and represented 12% of total net revenues.

Net Revenues 2007



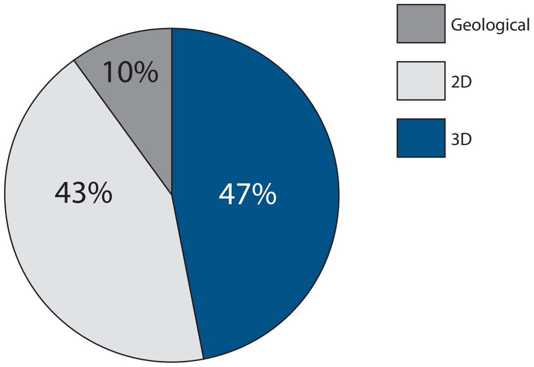
The TGS Group experienced rapid growth (49%) in the Eastern Hemisphere market, improving its geographical diversification. In North and South America, which continues to be the TGS Group's largest geographic markets net revenues remained level with 2006.

Net Revenues 2007



TGS continued to generate multi-client revenues from a well-balanced mix of products. Multi-client 2D seismic revenues increased by 33% from 2006 and multi-client revenues from Geological Products grew 38%. As a result of the significant delays in establishing full operations of the two chartered 3D vessels in 2007, multi-client 3D seismic revenues decreased by 13% from 2006.

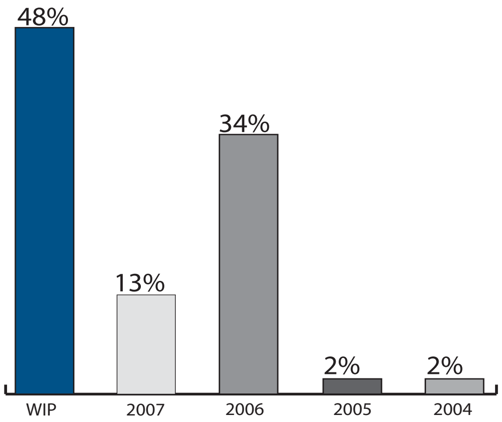
Net Multi-Client Revenues 2007



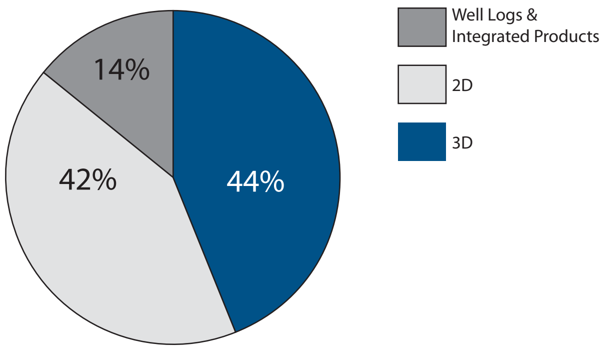
The Multi-Client Library

The TGS Group's library of multi-client seismic data, well log data, and integrated products is its largest single financial asset, with a net book value representing 25% 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 TGS Group's strong track record in delivering sales, the library has been amortized much faster than required by the minimum criteria. As a result, current net book value of the library is heavily weighted towards the newest, most modern projects. The well log data is depreciated on a straight-line basis over seven years.

Net Book Value of Seismic Library by Vintage as of December 31, 2007



Net Book Value of Library by Data Type



Vessel Commitments

TGS secures all seismic acquisition capacity from external suppliers. Per December 31, 2007, the TGS Group has entered into commitments for charter hire of two 3D-seismic acquisition vessels and five 2D-seismic acquisition vessels. Four commitments expire in 2008, two in 2009, and one contract in 2012. The amounts committed total USD 104 million for the year 2008, USD 20.2 million for the year 2009, USD 4.9 million for the year 2010, USD 4.9 million for the year 2011, and USD 0.7 million for the year 2012. Three of the contracts have options for extensions; one expires in 2009, one in 2010, and one in 2014.

In addition to these vessel commitments, TGS has entered into a cooperation agreement with WesternGeco to equally share costs and revenues for the *Freedom* wide azimuth 3D multi-client program in the deepwater Gulf of Mexico. WesternGeco is

From Our Board

supplying a minimum of four seismic vessels for this project, and field operations are expected to require at least a year to complete.

Human Resources

The Parent Company had 31 employees as of December 31, 2007. The TGS Group had 426 employees in the USA, 47 employees in Norway, 81 employees in the UK, 9 employees in Australia, and 3 employees in Russia, totaling 566 employees. The average number of employees during 2007 was 519.

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

Investments, Capital, and Financing

The Company is listed on the OBX List on the Oslo Stock Exchange. No new equity was raised in the market during 2007. The Board anticipates the merger with Wavefield-Inseis ASA to be consummated before year end 2008 and, according to the Merger Plan, 0.505 TGS shares will be issued in exchange for one WAVE share. The Board does not anticipate any other new equity issues during 2008, apart from issues of stock options to employees, unless to finance an acquisition of another company or a major business opportunity.

In conjunction with the planned merger with Wavefield, the Company purchased 11,200,012 WAVE shares for USD 108.7 million during the period July 31 through September 14, 2007. As of December 31, 2007, the Company recognized an unrealized financial loss of USD 22.4 million on these shares. Future fluctuations in the Wavefield share price will be recognized through profit and loss as non-taxable profits/non-tax deductible losses on the shares held.

During 2007, in addition to M&A transactions, the TGS Group invested USD 136.3 million in its multi-client library and recorded USD 17.9 million in additional capital expenditures.

Also during 2007 the Company repurchased 3,619,900 of its own shares for USD 66 million. As per resolution of the Annual General Meeting (AGM) in June 2007, 1,259,103 treasury shares were cancelled in August 2007. Total holdings of treasury shares were 2,410,052 on December 31, 2007.

Because of the extremely cyclical nature of the oil services industry, TGS' Board of Directors remains convinced that the TGS Group's unique business model, a strong balance sheet, and a strong cash position are essential to its financial health and future growth.

With this in mind, the Board will continue to carefully evaluate investment opportunities for growth. In addition, the Board may consider using cash reserves to repurchase its shares or bonds during 2008. The Board does not propose to issue a dividend for 2007. As of December 31, 2007, the Parent Company's free equity was NOK 732,409 (USD 135,355).

Application of Profit

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

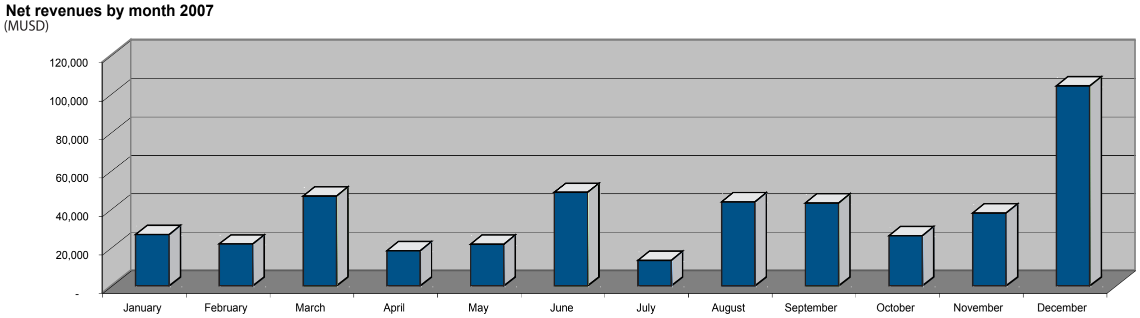
Allocated to Other Equity	NOK 249,780
Total	NOK 249,780

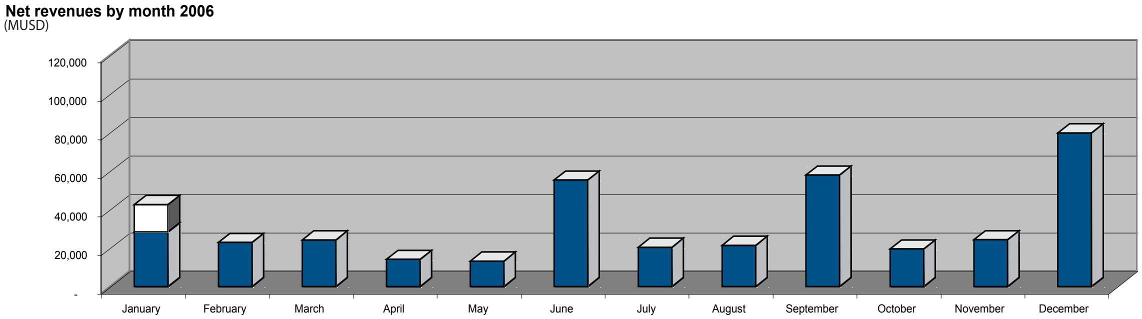
Risk Management

The activities of TGS Group's clients, oil and gas companies, may change following fluctuations in commodity prices in the market, or future expectations of such. This impacts the TGS Group's activity and profitability. See Note 13 to the Consolidated Financial Statements for a discussion of the financial risk management applied.

The TGS Group is undergoing a constant effort in maintaining and improving internal control. The main business activity and financial asset is building the multi-client library through multiple investments in new data for sale to clients. Custom-made investment proposal models and reporting tools are applied in order to assess and monitor these investments.

As the vast majority of the TGS Group's revenues are multi-client revenues, the monthly and quarterly revenues vary dramatically as can be seen from the graphs below. Multi-client sales are "lumpy." One order closed or lost/deferred at the end of a quarter can change the revenue for the quarter by 15-20%. Management, therefore, does not guide on a quarterly basis.





Note: January 2006 revenues includes USD 14 million of IFRS revenues recognized in January 2006 but sold in December 2005.

Health, Safety, and Environmental Issues

The TGS Group interacts with the external environment through the collection of seismic data and operation of vessels. TGS is dedicated to maintaining the environment in which it works and to providing a safe and healthy workplace for its employees and contractors through the active implementation of comprehensive policies. The TGS Group gives priority to health, safety, and protection of the environment when carrying out its activities and insists on the same policy from its contractors. No employee injuries were registered during 2007 and absence due to sickness was 1.0% of the total work hours. Zero lost time personnel injuries were registered during 2007 by the TGS Group's contractors.

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	Corporate Governance Committee
Arne-K. Maeland*	Kathleen Arthur*	Elisabeth Harstad*
Kathleen Arthur	Colette Lewiner	Colette Lewiner
Colette Lewiner	Elisabeth Harstad	Arne-K. Maeland

In addition, the independent *Nomination Committee* elected by the shareholders at the Annual General Meeting on June 6, 2007, consists of the following members:

Nils B. Gulnes,* Jarl Ulvin, and Tor Himberg Larsen

* Designates Committee Chair

click here to return to Table of Contents

Salary and Other Compensation

It is critical to TGS' continued success that the Company attracts and retains highly engaged executives with great vision, global experience and a strong drive for results. A robust, competitive compensation package is a primary tool to attract and retain the highly qualified individuals needed for the Company to succeed in today's competitive world economy. TGS' compensation programs are designed to motivate and retain executive officers by rewarding individuals for the achievement of challenging business strategies and the impact of that achievement on shareholder value. The cash and incentive compensation elements of the packages for the executive officers are determined based on the recommendation of the Compensation Committee (the *Committee*), composed entirely of independent directors, to the Board of Directors. The Committee seeks ratification by the other independent directors of all compensation items for executive officers. The compensation program for executive officers consists of cash in the form of base salary, annual performance bonus linked to the TGS Group's operating profit, and, to a lesser degree, long-term stock option incentives.

The Company balances the various compensation elements in a way that recognizes the individual's responsibilities and his or her abilities to influence the short and long-term growth of the company. As executives rise in the company an increasing percentage of their cash compensation is contingent on the achievement of company targets thereby returning value to the shareholders and ensuring executives have a personal stake in Company performance. Through the bonus program individual bonus targets are determined based on individual contribution and achievement of the bonus is dependent on the company's overall performance rather than focusing narrowly on individual business units or functions. The Company compensation philosophy for executive officers acts as a strategic lever to encourage the over-achievement of targets and penalize under-achievement while remaining responsive to the Company's unique business strategy and talent needs. The Company will continually look for ways to encourage executives to provide the best results for the shareholders.

The Company believes that the issuance of stock options is a valuable tool to aid in the retention of key employees and serves to reinforce the importance of maintaining a longer-term focus toward Company value creation. A limited amount of share options are usually issued each year upon the approval of the Board of Directors. The Compensation Committee makes a recommendation to the Board of Directors for the amount of share options to be issued to the executives. The number of options offered in the grant is directly linked to Company and individual performance.

As a general policy, stock options are issued at market price when granted, vest over a four-year period starting on the first anniversary of the grant and expire five years after the approval by shareholders at the AGM of the warrants that secure the rights to option shares. Thus, earning the options requires performance over an extended period of time. In general, employees are not eligible to receive option grants in consecutive years.

The Committee believes executive compensation should be reasonable and fair according to the prevailing industry standards in the geographical markets where the TGS Group operates, and understandable relative to scale, complexity, and performance. The Committee ensures that executive compensation is administered consistently according to the compensation philosophy and regularly reports its actions to the full board of directors. Company results are reviewed by external auditors to ensure appropriate controls are in place related to company results.

Compensation to executive officers in the Company during 2007 was determined following the policy described above. As part of the Company's ordinary salary adjustment, the corporate executive officers received an average annualized salary increase of 3.13%. Consistent with the Company's compensation philosophy, the corporate executive officers earned cash incentive bonus compensation of an average of approximately 275% of their fixed base salaries in 2007. No new stock options were granted to corporate executive officers in 2007.

Outlook for 2008

As oil companies put more emphasis on replacing reserves, exploration programs continue to expand and demand for geoscientific products and services continues to grow. With two chartered 3D vessels now in full operation, the additional 3D capacity secured through the commencement of the company's first wide azimuth 3D project and a planned ocean bottom cable (OBC) 3D project, TGS is well positioned to capitalize on strong market demand. The Company has also chartered five 2D seismic crews for all or part of 2008. Demand for higher end digital well log products is also accelerating, and the company plans to double its investments in 2008 in the conversion of digital image files to fully digitized well log curves.

The TGS Group plans to invest USD 250-275 million in its multi-client data library during 2008, up dramatically from 2007 operational investments of USD 136.3 million. TGS expects its average pre-funding to stay in the range of 50-60% of investments and its average annualized multi-client amortization rate to be in the range of 32-37% of net revenues.

click here to return to Table of Contents

Management forecasts net revenues in the range of USD 550-580 million for the full year 2008, representing a growth rate of 21-28%. Proprietary contract revenues are expected to remain in the range of 10-15% of total net revenues.

March 11, 2008

Claus Kampmann
Chairman

Henry H. Hamilton III
CEO/Director

Colette Lewiner
Director

Arne-Kristian Maeland
Director

Kathleen Arthur
Director

Elisabeth Harstand
Director

Claus Kampmann
Chairman

Henry H. Hamilton III
CEO/Director

Colette Lewiner
Director

Arne-K. Maeland
Director

Kathleen Arthur
Director

Elisabeth Harstad
Director

Consolidated Income Statement

TGS Group

(All amounts in USD 1000s with exception of Earnings Per Share)

	Note	2007	2006	2005
Net operating revenues	3, 23	**452,754**	395,853	240,352
COGS - proprietary & other	1	**30,278**	6,078	848
Amortization of the multi-client library	3, 5	**116,193**	101,655	94,122
Personnel costs	3, 7	**48,865**	43,051	31,806
Cost of stock options	3, 7, 8	**3,696**	2,988	2,002
Other operating expenses	3, 7	**21,213**	16,082	12,792
Depreciation, amortization, and write-down	3, 4, 5	**10,558**	4,688	2,786
Operating profit		**221,951**	221,311	95,995
Financial income	24	**17,223**	13,664	7,204
Financial expenses	24	**-19,379**	-15,451	-5,982
Fair value adjustment on shares held	24	**-22,421**	-	-
Profit before taxes		**197,374**	219,524	97,217
Tax expense	25	**62,359**	68,633	32,079
Net income		**135,015**	150,891	65,138
Earnings per share (USD)	9	**1.29**	1.43	0.63
Earnings per share, diluted (USD)	9	**1.26**	1.39	0.60

click here to return to Table of Contents

Consolidated Balance Sheet TGS Group

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

	Note	2007	2006
Assets			
Non-current assets			
Intangible assets			
Goodwill	5, 6	**45,784**	27,770
Multi-client library	3, 5	**217,363**	195,572
Other intangible assets	5, 6	**47,506**	3,417
Deferred tax asset	25	**3,165**	6,397
Total intangible assets		**313,818**	233,156
Tangible assets			
Buildings	4	**2,436**	2,415
Machinery and equipment	4	**23,340**	11,999
Total tangible assets		**25,776**	14,414
Financial assets			
Non-current receivables and pre-payments	17	**12,851**	5,223
Total financial assets		**12,851**	5,223
Total non-current assets		**352,445**	252,793
Current assets			
Financial assets			
Financial assets at fair value through profit & loss	19	**86,290**	-
Total financial assets		**86,290**	-
Receivables			
Accounts receivable	15	**213,317**	150,287
Other receivables	15	**27,211**	7,788
Total receivables		**240,528**	158,075
Short-term deposits	14	**91,425**	222,921
Cash and cash equivalents	11	**81,951**	47,664
Total current assets		**500,195**	428,660
Total assets		**852,640**	681,453

click here to return to Table of Contents

Consolidated Balance Sheet TGS Group

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

	Note	2007	2006
Equity and liabilities			
Equity			
Paid in capital			
Share capital	10	**3,834**	3,834
Treasury shares	10	**-113**	-26
Share premium reserve		**27,313**	42,216
Other reserves		**10,170**	6,474
Total paid-in capital		**41,204**	52,498
Retained earnings			
Other equity		**526,630**	424,540
Total retained earnings		**526,630**	424,540
Total equity		**567,833**	477,038
Liabilities			
Provisions			
Deferred tax	25	**37,769**	36,952
Total provisions		**37,769**	36,952
Other non-current liabilities			
Loans	17	**55,734**	47,734
Capitalized lease liabilities	18	**169**	535
Total non-current liabilities		**55,903**	48,269
Current liabilities			
Accounts payable	16	**84,288**	51,013
Taxes payable, withheld payroll tax, social security	25	**47,168**	24,632
Other current liabilities		**59,680**	43,548
Total current liabilities		**191,136**	119,194
Total liabilities		**284,808**	204,415
Total equity and liabilities		**852,640**	681,453

Houston, Texas USA

March 11, 2008

Claus Kampmann
Chairman

Henry H. Hamilton III
CEO/Director

Colette Lewiner
Director

Arne-Kristian Maeland
Director

Kathleen Arthur
Director

Elisabeth Harstad
Director

click here to return to Table of Contents

Statement of Consolidated Changes in Equity TGS Group

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

	Share Capital	Own Shares Held	Share Premium Reserve	Other Reserves	Foreign Currency Effects	Retained Earnings	Total Equity
Balance January 1, 2007	**3,834**	**-26**	**48,795**	**6,474**	**-241**	**418,201**	**477,038**
Paid in equity through exercise of stock option	39	-	4,371	-	-	-	4,410
Purchase of own shares	-	-152	-	-	-	-65,905	-66,058
Distribution of shares held	-	25	-	-	-	12,357	12,383
Cancellation of treasury shares held	40	40	-25,853	-	-	25,853	-
Cost of stock options under IFRS	-	-	-	3,696	-	-	3,696
Currency exchange effects from group companies	-	-	-	-	1,349	-	1,349
Net income	-	-	-	-	-	135,015	135,015
Balance December 31, 2007	**3,834**	**-113**	**27,313**	**10,170**	**1,108**	**525,521**	**567,833**

	Share Capital	Own Shares Held	Share Premium Reserve	Other Reserves	Foreign Currency Effects	Retained Earnings	Total Equity
Balance January 1, 2006	**3,761**	**-12**	**40,151**	**3,486**	**-510**	**273,890**	**320,766**
Paid in equity through exercise of stock options	73	-	8,704	-	-	-	8,777
Purchase of own shares	-	-25	-	-	-	-9,944	-9,969
Distribution of shares held	-	11	-	-	-	3,365	3,376
Cost of stock options under IFRS	-	-	-	2,988	-	-	2,988
Currency exchange effects from group companies	-	-	-60	-	269	-	209
Net income	-	-	-	-	-	150,890	150,890
Balance December 31, 2006	**3,834**	**-26**	**48,795**	**6,474**	**-241**	**418,201**	**477,038**

click here to return to Table of Contents

Consolidated Cash Flow Statement

TGS Group
(All amounts in USD 1000s)

	2007	2006	2005
Cash flow from operating activities			
Received payments from customers	**425,353**	397,845	216,999
Payments for salaries, pensions, social security tax	**-48,475**	-38,161	-28,885
Other operational costs	**-51,491**	-22,160	-12,792
Net Gain/(Loss) on Currency Exchange	**-15,701**	-3,374	837
Paid taxes	**-39,958**	-48,252	-24,615
Net cash flow from operating activities (1)	**269,729**	285,898	151,544
Cash flow from investing activities			
Received payments from sale of tangible assets	**-**	4,002	1,419
Net Investment in tangible assets	**-18,943**	-10,056	-8,544
Investments in multi-client library	**-133,019**	-133,478	-87,935
Investments through mergers and acquisitions	**-58,168**	-7,238	-
Net change in short-term financial investments and deposits (2, 3)	**22,785**	-223,416	-
Long term receivables	**-429**	-5,190	1,651
Interest income	**17,223**	9,557	3,006
Net cash flow from investing activities	**-170,550**	-365,820	-90,402
Cash flow from financing activities			
Net change in short term loans	**-**	-	-70
Repayment of long term loans	**435**	-2,058	-873
Interest expense	**-3,679**	-3,280	-2,635
Purchase of own shares	**-65,902**	-9,969	-2,160
Net proceeds from share offering	**4,254**	8,823	16,284
Net cash flow from financing activities	**-64,891**	-6,484	10,546
Net change in cash and cash equivalents	**34,287**	-86,405	71,687
Cash and cash equivalents at the beginning of the period	**47,664**	134,069	62,381
Cash and cash equivalents at the end of the period (2)	**81,951**	47,664	134,069
(1) Reconciliation			
Profit before taxes	**197,374**	219,523	97,217
Depreciation/amortization	**126,751**	106,343	96,908
Loss/Gain from sale of property, plant, and equipment	**-**	706	-1,166
Unrealized loss on short-term financial investments (3)	**22,421**	-	-
Changes in account receivables	**-67,935**	-19,246	-38,662
Changes in other receivables	**2,997**	-3,201	1,260
Changes in other balance sheet items	**28,079**	30,025	20,601
Paid taxes	**-39,958**	-48,252	-24,615
Net cash flow from operating activities	**269,729**	285,898	151,544

(2) The TGS Group places excess cash in low risk, short-term financial instruments to achieve a better return while maintaining liquidity. These instruments are classified as short-term deposits and changes made to these instruments are classified under cash flow from investing activities. Total cash equivalents and short-term deposits were USD 173,376 December 31, 2007 (USD 270,585 December 31, 2006)

(3) Includes purchase of 11 million shares in Wavefield-Inseis during Q3 2007 for a total cost of USD 108.0 million.

Notes to Group Financial Statements
(All amounts in USD 1000s)

Note 1: General Accounting Policies

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

The TGS Group consolidated financial statements were authorized for issue by the Board of Directors on March 11, 2008.

Basis of Preparation
The consolidated financial statements of the Company and all its subsidiaries (the *TGS Group*), have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) in effect as of December 31, 2007, and consist of the *Income Statement*, the *Balance Sheet*, the *Cash Flow Statement*, the *Statement of Changes in Equity,* and *Notes* to the accounts.

The consolidated financial statements for the TGS Group have been prepared on a historical cost basis, except for derivative financial instruments and financial assets at fair value through profit and loss that have been measured at fair value. The financial statements of the subsidiaries have been prepared for the same reporting year as the Parent Company, using consistent accounting policies. All intragroup balances, balance sheet transactions, and profit and loss transactions are eliminated in full.

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

Management judgments apart from estimations that may have significant effect on the amounts recognized in the financial statements are as follows:

The TGS Group's main asset is it's multi-client library. The profitability of the future sales from the multi-client library, and also the holding value of the other intangible assets, as assessed by management, are affected over time by the changes in the general outlook for the TGS Group's business, shift in competition, and geopolitical stability.

The change in book value of this asset over time is described elsewhere in this note to the accounts. Likewise is the holding value of *goodwill* and *other intangible assets.*

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 strategic ownership of more than 50 percent and a decisive vote. The consolidated financial statements show the TGS 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 and are bought and sold on a continuous basis, are not consolidated unless the TGS Group has control over the entity. All the consolidated companies have applied the same accounting principles. Acquired subsidiaries are consolidated in the financial statements from the effective date the TGS Group obtains a controlling interest. Subsidiaries sold are consolidated in the financial statements until the effective date of the sale agreement. Material subsidiaries sold are presented as discontinued operations or disposal groups of assets and liabilities as of the date when the transaction is highly probable.

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 net excess values and goodwill to be recognized on that transaction.

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

Subsidiaries With Functional Currency Other Than USD

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

The TGS Group consists of:

• TGS-NOPEC Geophysical Company ASA (Norway)	Parent company
• TGS-NOPEC Invest AS (Norway)	subsidiary - 100 %
• Datman AS (Norway)	subsidiary - 100 %
• Marine Exploration Partners AS (Norway)	subsidiary - 100 %
• Maglight AS (Norway)	subsidiary - 100 %
• Magsurvey, Ltd. (UK)	100% owned by Maglight AS
• TGS-NOPEC Geophysical Company (USA)	subsidiary - 100 %
• A2D Technologies (USA)	100% owned by TGS-NOPEC Geophysical Company (USA)
• Parallel Data Systems, Inc. (USA)	100% owned by TGS-NOPEC Geophysical Company (USA)
• TGS-NOPEC Geophysical Company (UK), Ltd. (UK)	subsidiary - 100 %
• Aceca, Ltd. (UK)	subsidiary - 100 %
• Aceca Norge AS (Norway)	100% owned by Aceca, Ltd.
• TGS-NOPEC Geophysical Company PTY, Ltd. (Australia)	subsidiary - 100 %
• TGS-NOPEC Geophysical Company Moscow, Ltd. (Russia)	subsidiary - 100 %
• MxP Marine Seismic Services Ltd. (Cyprus)	subsidiary - 100 %
• Rimnio Shipping, Ltd. (Cyprus)	subsidiary - 100 %

Subsidiaries by Geography Both Directly and Indirectly Owned:

- TGS-NOPEC Invest AS, Asker, Norway. The Company is 100% owned by TGS NOPEC Geophysical Company ASA and its main business is to invest in multi-client seismic data.
- Datman AS, Asker, Norway. The Company is 100% owned by TGS NOPEC Geophysical Company ASA and its main business is management, copying, and distribution of seismic data.
- Marine Exploration Partners AS, Asker, Norway. The Company is 100% owned by TGS NOPEC Geophysical Company ASA and its main business is managing the Northern Genesis, a 2D vessel currently under charter.
- Maglight AS, Asker, Norway. The Company is 100% owned by TGS NOPEC Geophysical Company ASA and its main business is developing new acquisition methods for aeromagnetic data.
- MagSurveys, Ltd., Kingston-Upon-Thames, UK. The Company is 100% owned by Maglight AS and its main business is developing new acquisition methods for aeromagnetic data.
- TGS-NOPEC Geophysical Company, Houston, Texas, USA. The Company is 100% owned by TGS NOPEC Geophysical Company ASA and its main business is to provide seismic data processing and data management, and act as broker for multi-client projects owned by the Parent and TGS NOPEC Invest AS. The Company from time-to-time invests in multi-client projects.
- A2D Technologies, Inc., Humble, Texas, USA. The Company is 100% owned by TGS NOPEC Geophysical Company (USA) and its main business is digitizing and marketing well log data and providing related services.

Notes to Group Financial Statements
(All amounts in USD 1000s)

- Parallel Data Systems, Inc., Stafford, Texas, USA. The Company is 100% owned by TGS NOPEC Geophysical Company (USA) and its main business is to provide seismic data processing services.
- TGS-NOPEC Geophysical Company Ltd., Bedford, UK. The Company is 100% owned by TGS NOPEC Geophysical Company ASA and its main business is to provide seismic data processing and act as broker for multi-client projects owned by the Parent and TGS NOPEC Invest AS.
- Aceca, Ltd., Kingston-Upon-Thames, UK. The Company is 100% owned by TGS NOPEC Geophysical Company ASA and its main business is to provide seismic data interpretive products and subsurface consulting services.
- Aceca Norge AS, Stavanger, Norway. The Company is 100% owned by Aceca, Ltd. and its main business is to provide seismic data interpretive products and subsurface consulting services.
- TGS-NOPEC Geophysical Company PTY, Ltd., Perth, Australia. The Company is 100% owned by TGS NOPEC Geophysical Company ASA and its main business is to act as broker for multi-client projects owned by the Parent and TGS NOPEC Invest AS.
- TGS-NOPEC Geophysical Company Moscow, Ltd., Moscow, Russia. The Company is 100% owned by TGS NOPEC Geophysical Company ASA and its main business is to provide seismic data processing and act as broker for multi-client projects owned by the Parent and TGS NOPEC Invest AS.
- MxP Marine Seismic Services, Ltd., Limassol, Cyprus. The Company is 100% owned by TGS NOPEC Geophysical Company ASA and its main business is to manage the Northern Genesis, a 2D vessel currently under charter.
- Rimnio Shipping Ltd., Limassol, Cyprus. The Company is 100% owned by TGS NOPEC Geophysical Company ASA. The Company is dormant.

Change in Accounting Policy and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The TGS Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the reported income statement figures or balance sheet. They did, however, give rise to additional disclosures.

- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Amendment - Presentation of Financial Statements
- IFRIC 8 Scope of IFRS 2
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 10 Interim Financial Reporting and Impairment

The principal effects of these changes are as follows:

IFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the TGS Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included as applicable throughout the notes to the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

IAS 1 Amendment

Presentation of Financial Statements:

This amendment requires the TGS Group to make new disclosures to enable users of the financial statements to evaluate the TGS Group's objectives, policies, and processes for managing capital. These new disclosures are shown in notes throughout the annual report.

IFRIC 8 Scope of IFRS 2

This interpretation requires IFRS 2 to be applied to any arrangements in which the entity cannot identify specifically some or all of the goods received, in particular where equity instruments are issued for consideration which appears to be less than fair value. As equity instruments are only issued to employees in accordance with the employee share scheme, the interpretation had no impact on the financial position or performance of the TGS Group.

IFRIC 9 Reassessment of Embedded Derivatives

IFRIC 9 states that the date to assess the existence of an embedded derivative is the date that an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the TGS Group has no embedded derivative requiring separation from the host contract, the interpretation had no impact on the financial position or performance of the TGS Group.

IFRIC 10 Interim Financial Reporting and Impairment
The TGS Group adopted IFRIC Interpretation 10 as of January 1, 2007, and this interpretation requires that an entity must not reverse an impairment loss recognized in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. As the TGS Group had no impairment losses previously reversed, the interpretation had no impact on the financial position or performance of the TGS Group.

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

The Parent Company continues to report in NOK to Norwegian Authorities, and the Financial Statements of the Parent Company in NOK are presented separately in this annual report.

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

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

Future Sales Forecasts as Basis for Multi-Client Library Amortization
The TGS Group determines the amortization expense of the Multi-client library based on the proportion of net book value versus estimated future revenue for each individual project. The underlying estimates that form the basis for the sales forecast depend on variables such as number of oil companies operating in the area that would be interested in the data, expectations regarding hydrocarbons in the sector, whether licenses to perform exploration in the sectors exist or will be given in the future, etc. Changes in these estimates may potentially affect the estimated amount of future sales and the amortization rate used materially. The carrying amount of the multi-client library on December 31, 2007 and 2006, was USD 217,363 and USD 195,572 respectively.

Impairment of Goodwill
The TGS Group determines whether goodwill is impaired at least on an annual basis or when there are indicators that the carrying amount may not be recoverable. This requires an estimation of the *value in use* of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill on December 31, 2007 and 2006, was USD 45,784 and USD 27,770 respectively.

Deferred Tax Assets
Deferred tax assets are recognized for all carry forward tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognized tax losses on December 31, 2007 and 2006 was USD 91 and USD 0 respectively. Further details are included in notes to the accounts.

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

Share–based Payments
The TGS Group measures the cost of the stock option plans for employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value

Notes to Group Financial Statements
(All amounts in USD 1000s)

requires an appropriate valuation model to value the grant of equity instruments. The value is dependent on the terms and conditions of the grant. This also requires determining the appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield, and making assumptions about them. The assumptions and models used are disclosed in Note 8.

Revenue Recognition

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

Principles of Assessment

Revenue Recognition

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

Work in Progress

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

Library Sales

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

Revenue Sharing

The TGS Group shares certain multi-client revenue with other companies. Operating revenue is presented net of the portion shared. Gross sales and revenues sharing are presented in Note 23.

Proprietary Contracts

Revenue from proprietary contracts for clients is recognized in the same way as work in progress (percentage of completion) according to the specific agreement.

Cost of Goods Sold (COGS) – Proprietary and Other

Cost of goods sold includes only direct costs, costs related to project contract work, and costs related to delivery of seismic data.

Multi-client Library

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

The library of finished multi-client seismic data and interpretations is presented at cost reduced by accumulated amortization. Amortization is recorded in line with how revenues are recognized for each project, in proportion to the remaining net book value versus the estimated future revenue from that project. The revenue estimates are continuously updated and fully reviewed every 12 months. For work in progress, the amortization is based on estimated total cost versus forecasted total revenues of the project.

Amortization Related to Sales of Seismic Data

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

Forced Amortization Policy on Seismic Data

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.

Amortization Policy on Well Logs

The library 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.

Impairment Test Library

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

Business Combinations and Goodwill

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

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the TGS Group's interest in the net fair value of the acquirer's identifiable assets, liabilities, and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the TGS Group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the TGS Group are assigned to those units or groups of units. Each unit, or group of units to which the goodwill is allocated, represents the lowest level within the TGS Group at which the goodwill is monitored for internal management purposes.

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

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and unamortized goodwill is recognized in the income statement. Material subsidiaries sold are presented as discontinued operations or disposal groups of assets and liabilities as of the date when the transaction is highly probable.

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

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to Goodwill cannot be reversed in future periods. The TGS Group performed its annual impairment test of goodwill on December 31, 2007, and there is no impairment.

Tangible Non-current Assets and Principles of Depreciation

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

Exchange Rate Adjustments/Derivatives

Monetary assets, receivables and liabilities are translated at the exchange rate on the balance sheet date. Assets or liabilities related to derivative trade contracts are recognized at the fair value of the derivative at the balance sheet date. Changes in fair value are recognized through profit and loss as the TGS Group does not apply hedge accounting.

Software Development Costs

Software development costs that do not fulfill the requirements of IAS 38 are expensed as incurred. The TGS Group has not capitalized any development cost in 2007.

Borrowing Costs

Borrowing costs are recognized as an expense when incurred.

Provisions

Provisions are established when the TGS Group has a present obligation (legal or constructive) as result of a past event, it is probable that the TGS Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. See Note 21 for more details.

Income Taxes

Current Income Tax

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

Deferred Income Tax

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

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

1. where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the

transaction, affects neither the accounting profit nor taxable profit or loss; and

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

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

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

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

The Parent Company pays its tax obligation in NOK and the fluctuations between the NOK and the USD impact currency exchange gains or losses of tax expense and financial items.

Employee Stock Option Scheme

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

The cost of equity-settled transactions with employees, for awards granted after November 7, 2002, is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external value using an appropriate pricing model. See Note 8 for details.

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

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied. See Note 8 for details.

Financial Investments and Other Financial Instruments

The TGS Group classifies its financial investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. Currently, the TGS Group has no held-to-maturity investments. The classification depends on the purpose for which the investments were acquired. Management determines the classification at initial recognition and re-evaluates this designation at every reporting date. When financial assets are recognized initially, they are measured at fair value, plus, for all financial investments other than those at fair value through profit or loss, directly attributable transaction costs. The purchases and sales of financial assets are recognized at the date of trade.

Financial Assets at Fair Value Through Profit and Loss

Financial assets at fair value through profit and loss are shares held for trading that are quoted in an active market with fair value changes recognized through the profit and loss statement.

Outstanding Loans and Receivables

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

Available-for-sale Financial Assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any other category. After initial measurement, the available-for-sale financial assets held are measured at fair value with unrealized gains or losses being recognized as a separate component of equity. When the asset is disposed of, the cumulative gain or loss including amounts previously recorded in equity is recognized in the income statement. Any impairment of these financial assets is booked in profit and loss.

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

De-recognition of Financial Assets and Liabilities

A financial asset is de-recognized when:

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

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

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

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

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

Non-current Assets Held for Sale

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

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

Pensions

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

Leases

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

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

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

Cash and Cash Equivalents

Investments of excess cash in bonds with a longer underlying maturity date than three months are now presented as short-term deposits in the balance sheet. Short-term deposits per December 2006 have been reclassified accordingly.

Notes to Group Financial Statements
(All amounts in USD 1000s)

Accounts Receivable and Other Receivables
Receivables are measured at amortized cost, reduced by any amounts expected to be uncollectible. See Note 15.

Treasury Shares
TGS-NOPEC Geophysical Company ASA's shareholding of treasury shares is recorded using the par value method, where the aggregate par value of the shares acquired are charged to the treasury stock account, and the differences between the purchase price and par value are included in other equity. Gain or loss on sales of treasury shares are treated as equity transactions and booked against equity.

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

IFRS and IFRIC Not Yet Effective

IFRS 2 Share-based Payment–Vesting Conditions and Cancellation

This amendment to IFRS 2 Share-based payments becomes effective for financial years beginning January 1, 2009. The standard restricts the definition of *vesting condition* to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counter party, this must be accounted for as a cancellation. The TGS Group has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, does not expect significant implications on its accounting for share-based payments.

IFRS 3 Business Combinations (revised)

The revised standards become effective for financial years beginning after January 1, 2010. IFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. The changes introduced by revised IFRS 3 must be applied prospectively and will affect future acquisitions.

IFRS 8 Operating Segments

IFRS 8 replaces IAS 14 Segment Reporting and adopts a full management approach to identifying and measuring the results of reportable operating segments. The standard becomes effective from January 1, 2009. When the information provided to management is recognized or measured on a different basis to IFRS information presented in the primary financial statements, entities need to provide explanations and reconciliations of the differences. It is likely that the information required to be disclosed will be readily available as it is already used internally. However, this will impact our processes to reconcile this information to the balance sheet and income statement.

IAS 1 Presentation of Financial Statement (revised)

The revised IAS 1 Presentation of Financial Statements becomes effective for financial years beginning January 1, 2009. The standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income. It presents all items of income and expense recognized in profit or loss, together with all other items of recognized income and expense, either in one single statement, or in two linked statements. The TGS Group is still evaluating whether it will have one or two statements.

IAS 23 Borrowing Costs (revised)

A revised IAS 23 becomes effective January 1, 2009. It requires the capitalization of borrowing costs when such costs relate to a qualifying asset. This will have an impact on the TGS Group's accounts as this is not the policy that is currently followed.

IAS 27 Consolidated and Separate Financial Statement (revised):

The revised standards become effective for financial years beginning after January 1, 2010. IAS 27 revised requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by revised IAS 27 must be applied prospectively and will affect future acquisitions as today the TGS Group has no minority interest.

Amendments to IAS 32 and IAS 1 Puttable Financial Instruments

Amendments to IAS 32 and IAS 1 become effective for annual periods beginning after January 1, 2009. The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to IAS 1 requires disclosure of certain information relating to puttable instruments classified as equity. The TGS Group does not expect these amendments to impact the financial statements of the TGS Group.

IFRIC 11 Group and Treasury Share Transactions

IFRIC 11 addresses how to apply IFRS 2 Share-based Payment to share-based payment arrangements involving an entity's own equity instruments or equity instruments of another entity in the same group. This interpretation becomes effective for annual periods beginning after January 1, 2008. This standard will impact the TGS Group's accounts.

IFRIC 12 Service Concession Arrangements

IFRIC 12 addresses how service concession operators should apply existing IFRSs to account for the obligations they undertake and rights they receive in service concession arrangements. No member of the TGS Group is an operator and this IFRIC is not applicable to the TGS Group. This interpretation becomes effective for annual periods beginning after January 1, 2008.

IFRIC 13 Customer Loyalty Programs

This interpretation becomes effective for annual periods beginning after January 1, 2009, and provides requirement for the accounting of customer loyalty credits. The TGS Group does not currently have such schemes and expects no impact on the TGS Group.

IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements, and Their Interaction

This interpretation becomes effective for annual periods beginning after January1, 2008. IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The TGS Group has a defined contributions plan and the IFRIC 14 will have no impact on the TGS Group.

Note 2: Business Combinations

Acquisition of Parallel Data System, Inc. (PDS)

The Company acquired 100% of the shares of the privately held Parallel Data System, Inc. in May 2007. The total compensation paid was USD 72.4 million of which USD 56.4 million was paid in cash and USD 15.9 million in treasury shares.

Balance Sheet – Assets acquired and liabilities assumed:	Opening balance May 14, 2007	PPA	USD fair value
Intangible assets	-	66,009	66,009
Tangible assets	4,662	-	4,662
Current assets	2,310	-	2,310
Total assets	6,972	66,009	72,981
Shareholder's equity	6,355	66,009	72,365
Non-current liabilities	-	-	-
Current liabilities	617	-	617
Total equity and liabilities	6,972	66,009	72,981

Of PDS' current assets acquired, USD 1.989 was cash held in the bank.

Purchase Price Analysis and Additional Goodwill

Purchase price	72,365
Equity in PDS at acquisition date	6,355
Net excess value	66,010
PDS software (1)	30,249
PDS know how (2)	7,361
PDS non-compete (3)	8,268
PDS backlog (4)	2,117
Total identified values	47,995
Goodwill	18,014

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

1. PDS software: Software used by the TGS Group to perform seismic data processing services. This software contains certain algorithms protected as trade secrets by the Company.
2. PDS know how: Consists of critical information with respect to proprietary hardware configuration and a streamlined workflow process.
3. PDS non-compete: PDS signed non-compete agreements that legally restrict key PDS employees from competing with TGS in any business activity provided by PDS anywhere in the world for three years.
4. PDS backlog: A backlog of approximately USD 2.117 million to be recognized over the first 12 months following date of purchase.

click here to return to Table of Contents

Justification of the Goodwill
Goodwill resulted from this transaction as TGS paid more than the fair value of the net identified tangible assets due to expected synergies. These synergies are expected to be derived from incremental revenue and cash flows from new and existing customers as a result of new product lines, and opening up of new markets for product lines, and new technological capabilities emerging from the acquisition.

Acquisition of MxP

The Company acquired 100% of the shares of the privately held Marine Exploration AS and MxP Marine Seismic Services, Ltd. The value paid was NOK 100 thousand (USD 17 thousand). The acquisition of the two companies has been treated as one acquisition as the transaction was dependent on both companies being acquired.

Balance sheet – assets acquired and liabilities assumed:			
	Opening balance July 13, 2007	PPA	USD fair value
Intangible assets	291	1,386	1,677
Tangible assets	944	-	944
Current assets	2,046	-	2,046
Total assets	3,281	1,386	4,667
Shareholder's equity	-1,369	1,386	17
Non-current liabilities	690	-	690
Current liabilities	3,960	-	3,960
Total equity and liabilities	3,281	1,386	4,667

Of MxP's current assets acquired, USD 462 thousand was cash held in the bank.

Purchase Price Analysis

Equity in MxP at acquisition date	-1,369
Net excess value	1,386
Value of TC contract (1)	1,492
Value of seismic agreement (2)	48
Deferred tax liabilities (3)	-154
Total identified values	1,386
Goodwill	-

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

1. Value of TC contract: MxP´s contract TC rate versus market price rate at the date of acquisition. The depreciation is the same as the contract.

2. Value of TGS´ seismic agreement with MxP prior to the acquisition: The net operating value of income and expense in the seismic agreement discounted by a rate of 13%. The depreciation is the same as the agreement.

3. Deferred tax liabilities: In accordance with IFRS 3 Business Combination, the deferred tax liabilities of identified values were reflected in the opening balance using an average tax rate for MxP Ltd. of 10%.

Note 3: Segment Information

The Company only operates in one segment within the oil service business. The TGS Group's reporting structure as reported to the Board of Directors is broken down into three geographic areas: North & South Americas, Europe & Russia, and Africa, Middle East & Asia Pacific.

2007 Geographic Breakdown

	North & South America	Europe & Russia	Africa, Middle East, & Asia Pacific	Consolidated
Net External Revenues	**276,655**	**97,591**	**78,508**	**452,753**
Amortization of multi-client library	70,439	26,729	19,025	116,193
Operational costs	55,558	14,284	34,210	104,052
Depreciation and amortization	7,323	3,170	65	10,558
Net financial items	-3,740	-20,930	93	-24,577
Net income before tax	**139,595**	**32,478**	**25,300**	**197,373**
Investments	**70,807**	**40,019**	**27,158**	**137,984**
NBV of multi-client library	**128,747**	**48,891**	**39,725**	**217,363**

Sales by Product Type in 2007

During 2007 approximately 43% of net revenues resulted from 2D seismic, 47% from 3D seismic, and 10% from well logs and integrated products. Approximately 88% of the Company's net revenues came from the multi-client market and 12% from the proprietary market.

2006 Geographic Breakdown

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

Sales by Product type in 2006

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

Note 4: Tangible Non-current Assets

2007

Acquisition Cost and Depreciation:	Machinery and Equipment	Buildings (1)	Total
Cost as of January 1, 2007	**36,993**	**2,651**	**39,644**
Acquisition of a subsidiary (4)	7,508	-	7,508
Reclassification (3)	25	-	25
Additions	17,886	34	17,920
Disposals (2)	(596)	-	(596)
Exchange adjustment	189	59	248
Cost as of December 31, 2007	**62,005**	**2,744**	**64,749**
Accumulated depreciation as of January 1, 2007	**24,994**	**236**	**25,230**
Acquisition of a subsidiary	1,902	-	1,902
Reclassification	25	-	25
Depreciation for the year	8,784	66	8,850
Accumulated depreciation on disposals (2)	(590)	-	(590)
Current year depreciation expense capitalized to the multi-client library	3,584	-	3,584
Exchange adjustment	(34)	7	(27)
Accumulated depreciation as of December 31, 2007	**38,665**	**308**	**38,974**
Net book value as of December 31, 2007	**23,340**	**2,436**	**25,775**
Useful life	2.5 to 7 years	50 years (5)	

(1) The Company owned buildings at Bedford (UK) and in Kingston-Upon-Thames (UK) per December 31, 2007
(2) Loss on disposal during the year was USD 4
(3) The PRIMA software from Nutec acquisition
(4) See Note 2 for acquisition of PDS and MxP
(5) Buildings include some furniture and fixtures with a useful life of 10 years

The net book value has been tested for impairment. There was no impairment as of December 31, 2007.

Notes to Group Financial Statements
(All amounts in USD 1000s)

2006

Acquisition Cost and Depreciation:	Machinery and Equipment	Buildings (1)	Total
Cost as of January 1, 2006	**31,601**	**7,426**	**39,027**
From acquisition of subsidiary	1,060	1,449	2,509
Reclassification (3)	-4,472	-	-4,472
Additions	9,606	235	9,840
Disposals (2)	-1,323	-6,768	-8,091
Exchange adjustment	522	309	831
Cost as of December 31, 2006	**36,993**	**2,651**	**39,644**
Accumulated depreciation as of January 1, 2006	**17,922**	**2,432**	**20,354**
From acquisition of subsidiary	866	29	895
Reclassification	-808	-	-808
Depreciation for the year	4,018	81	4,099
Accumulated depreciation on disposals (2)	-1,057	-2,326	-3,383
Current year depreciation expense capitalized to the multi-client library	3,702	-	3,702
Exchange adjustment	351	21	371
Accumulated depreciation as of December 31, 2006	**24,994**	**236**	**25,230**
Net book value as of December 31, 2006	**11,999**	**2,415**	**14,414**
Useful life	2.5 to 7 years	50 years (5)	

(1) The Company owned buildings at Bedford (UK) and in Kingston-Upon-Thames (UK) per December 31, 2006.

(2) Profit on disposal during the year was USD 1.192 million.

(3) The PRIMA software from the Nutec acquisition was reclassified from Tangible non-current assets to Intangible non-current assets during 2006.

click here to return to Table of Contents

Note 5: Intangible Non-Current Assets

2007

Acquisition Cost and Amortization:	Goodwill	Multi-Client Library (3)	Other intangible assets	Total
Cost as of January 1, 2007	**37,419**	**684,654**	**5,141**	**727,214**
Acquisition of a subsidiary (2)	18,014	-	49,536	67,550
Reclassification (1)	-	-	(25)	(25)
Additions	-	137,984	-	137,984
Disposals	-	-	-	-
Exchange adjustment	-	-	7	7
Cost as of December 31, 2007	**55,433**	**822,638**	**54,659**	**932,730**
Accumulated amortization/depreciation as of January 1, 2007	**9,649**	**489,082**	**1,724**	**500,456**
Acquisition of a subsidiary	-	-	-	-
Reclassification	-	-	(25)	(25)
Amortization for the year	-	116,193	-	116,193
Depreciation for the year	-	-	1,708	1,708
Accumulated amortization/depreciation on disposals	-	-	-	-
Capitalized to the multi-client library	-	-	3,743	3,743
Exchange adjustment	-	-	3	3
Accumulated amortization/depreciation as of December 31, 2007	**9,649**	**605,275**	**7,153**	**622,078**
Net book value as of December 31, 2007	**45,784**	**217,363**	**47,506**	**310,653**

(1) The PRIMA software from NUTEC acquisition

(2) See Note 2 for acquisition of PDS and MxP

(3) Multi-Client Library; see the *General Accounting Policies* section *Multi-Client Library* for policies on amortization of this asset

Notes to Group Financial Statements
(All amounts in USD 1000s)

2006

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

(1) The PRIMA software from Nutec acquistion

(2) Multi-client library; see th General Accounting Policies, Multi-client Library section, for policies on amortization of this asset

click here to return to Table of Contents

Note 6: Goodwill and Other Intangible Assets

Specification of goodwill per cash generating unit

Specification of Goodwill	Bips	Datman	Symtronix	ASA	A2D	Nutec	Aceca	Maglight	PDS	Total
NBV as of January 1, 2007	**945**	**586**	**19**	**461**	**11,693**	**6,447**	**7,610**	**9**	**-**	**27,770**
+ /- changes during the year	-	-	-	-	-	-	-	-	18,014	18,014
NBV as of December 31, 2007	**945**	**586**	**19**	**461**	**11,693**	**6,447**	**7,610**	**9**	**18,014**	**45,784**

The main cash generating units are A2D, Nutec, PDS (Imaging), and Aceca.

Specification of other intangible assets

	MxP	TGS US	Aceca	Total
NBV as of January 1, 2007	**0**	**3,383**	**33**	**3,417**
Acquisition of a subsidiary	1,541	47,995	-	49,536
Exchange adjustment	11	-	-6	5
Depreciation	-	-1,681	-27	-1,708
Capitalized to the multi-client library	1,035	-4,779	-	-3,743
NBV as of December 31, 2007	**2,587**	**44,919**	**-**	**47,506**

Impairment Testing of Goodwill and Other Intangible Assets
In accordance with IFRS, TGS tests goodwill and other intangible assets annually for impairment, or more frequently if there are indications that goodwill and intangible assets might be impaired. The test is performed at year end.

Goodwill and other intangible assets acquired through business combination have been allocated to individual cash generating units (CGU). All of the CGUs have been tested for impairment. Below we comment on 96% of the net book value of goodwill and other intangible assets as of December 2007.

A2D
The recoverable amount of A2D has been determined based on revenue and cash flow projections from financial estimates prepared by management of the business unit. The approved budget has been used for 2008. Thereafter, a 5% growth rate on all income statement items has been used for four years. A terminal value of the business unit was determined by using a multiple of pre-tax income before interest, depreciation, and amortization. The terminal value and cash flows were discounted using a cost of capital discount rate of 15%.

Nutec and PDS
The goodwill and intangible assets acquired through the Nutec and PDS acquisitions have been combined for purposes of the goodwill impairment test because these combinations have resulted in the imaging division of the Company.

The recoverable amount of the division has been determined based on revenue and cash flow projections from financial estimates prepared by management of the business unit. The approved budget has been used for 2008. Thereafter, a 10% growth rate on all income statement items has been used for four years. A terminal value of the business unit was determined by using a multiple of pre-tax income before interest, depreciation, and amortization. The terminal value and cash flows were discounted using a cost of capital discount rate of 15%.

Aceca

The recoverable amount of Aceca has been determined based on additional sales of the multi-client library deriving from the external interpretation work carried out by Aceca. The additional sales are estimated to be in the range of USD 2.0-10.0 million annually for the next ten years. Using the absolute low estimate and discounting by 10% the amount fully justified the goodwill and other intangible assets held. Cash flow from other intangible assets identified is therefore not calculated.

Sensitivity to Changes in Assumptions

The impairment calculations are most sensitive to the changes in cash flows and the forecasted growth rate. Management does not see any reasonable change in key assumptions that would cause the carrying value of the units to materially exceed its recoverable amount.

Based on the evaluations performed and the assumptions set out, there is no goodwill or other intangible assets impairment on any of the units evaluated as of December 31, 2007.

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

	2007	2006	2005
Payroll	**54,065**	46,766	32,042
Social security costs	**3,607**	3,370	4,517
Pension costs	**1,785**	1,136	917
Other employee related costs	**3,225**	1,480	2,385
Salaries capitalized to multi-client library	**-13,818**	-9,701	-8,055
Payroll and related cost	**48,865**	43,051	31,806
Cost of stock options (see Note 8)	**3,696**	2,988	2,002
Payroll and cost of stock options	**52,561**	46,039	33,808

Average number of employees in 2007 was 519 versus 466 in 2006. No loans to employees were outstanding at December 31, 2007.

The TGS Group has a profit sharing plan for all employees following a six month trial period. The profit sharing (bonus) is payable quarterly, and is calculated as a function of operating profit versus budget and the individual employee's employment conditions. All bonuses earned in 2007 have been paid or accrued as of December 31, 2007.

Management and Board of Directors
2007

	Director's Fee	Salary	Bonuses	Committee Work	Other Benefits	Option Benefits Expensed	Value of Restricted Shares Received	Total Remunerations
Hank Hamilton(CEO/Director)	-	475	2,156	-	2	343	-	2,976
Executive Management Group (Excluding CEO)	-	704	1,198	-	23	351	-	2,276
Board of Directors (Excluding CEO)	236	-	-	-	-	-	72	308

2006

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

Please see Note 4 to the Parent Company's annual accounts for further information on remuneration to the management group.

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

The CFO's bonus plan entitles him to 0.35% of the TGS Group's annual pre-tax profit above USD 5 million before bonus charges. The maximum amount payable to the CFO in case of termination of his employment by the Company amounts to two years base salary spread over the ensuing two-year period. The maximum amount payable in the same case of termination following a *Change of Control* event is two years gross compensation.

Auditor's Fee	2007	2006
Statutory audit	**285**	270
Other quarterly audit/review	**164**	0
Other attestation services	**17**	3
Tax advice	**108**	168
Other services outside the audit scope	**48**	99
Total fees	**622**	540

Note 8: Share-based Payment Plans

The Company has a stock option plan under which key employees are granted options secured by warrants. See Note 10. The Options vest 25% per year after grant, and expire five years after grant if not exercised.

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

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

	2007	2006	2005
Expense arising from equity-settled share-based payment transactions	**3,696**	2,988	2,002

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

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

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

No cancellations or modifications have been made to any of the plans during 2007, 2006, or 2005.

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

	2007			**2006**		
	No.		**WAEP* (NOK)**	**No.**		**WAEP* (NOK)**
Outstanding at January 1	**3,096,000**		**54.07**	4,253,000		28.86
Granted during the year	**-**		**-**	752,000		105.50
Forfeited during the year	**-107,000**		**97.22**	-45,000		47.18
Exercised during the year	**-940,375**	**(3)**	**28.13**	-1,870,000	(2)	30.29
Expired during the year	**-**		**-**	-		-
Outstanding at December 31	**2,048,625**		**63.63**	3,096,000	(1)	54.07
Exercisable at December 31	**942,625**			844,000		31.08

1. Included within this balance are options for 320,000 shares that have not been recognized in accordance with IFRS 2 Share-Based Payment as the options where granted on or before November 7, 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS 2.
2. The weighted average share price at the date of exercise of these options was NOK 107.39
3. The weighted average share price at the date of exercise of these options was NOK 112.96

The weighted average remaining contractual life for the share options outstanding on December 31, 2007 is 2.26 years (2006: 2.75 years)

No options were granted in 2007. The weighted average fair value of options granted during 2006 was NOK 53.32

The range of exercise prices for options outstanding at the end of the year was NOK 20.81 - NOK 105.50 (2006: NOK 20.81 - NOK 105.50)

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

	2007	2006
Expected volatility		
• For options vested after 1 year	**N/A**	0.45%
• For options vested after 2 years	**N/A**	0.53%
• For options vested after 3 years	**N/A**	0.62%
• For options vested after 4 years	**N/A**	0.59%
Expected risk-free interest rate		
• For options vested after 1 year	**N/A**	3.80%
• For options vested after 2 years	**N/A**	3.83%
• For options vested after 3 years	**N/A**	3.87%
• For options vested after 4 years	**N/A**	3.89%
Expected life of options beyond vesting period (years)	**N/A**	1.00
Expected annual turnover of employees	**N/A**	1.00%
Dividend yield	**N/A**	0.00%
Model Used	**N/A**	Black & Scholes

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

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

Notes to Group Financial Statements
(All amounts in USD 1000s)

Outstanding Stock Options/Warrants as of December 31, 2007

# Options	Exercise Dates	Holders	Price/Conditions	Granted
60,000	See below*	Henry H. Hamilton III	NOK 20.8125. Warrants expiring on June 18, 2008	08.14.03
242,000	See below*	Key Employees	NOK 20.8125. Warrants expiring on June 18, 2008	08.14.03
100,000	See below**	Henry H. Hamilton III	NOK 30.00. Warrants expiring on June 16, 2009	08.19.04
348,625	See below**	Key Employees	NOK 30.00. Warrants expiring on June 16, 2009	08.19.04
642,000	See below***	Key Employees	NOK 64.50. Warrants expiring on June 15, 2010	09.06.05
80,000	See below****	Henry H. Hamilton III	NOK 105.50. Warrants expiring on June 14, 2011	08.17.06
576,000	See below****	Key Employees	NOK 105.50. Warrants expiring on June 14, 2011	08.17.06
2,048,625				

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

** The holders may request shares issued in exchange for the warrants as follows:
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 50% beginning September 6, 2007 less previously exercised
Up to 75% beginning September 6, 2008 less previously exercised
100% beginning September 6, 2009 less previously exercised

**** The holders may request shares issued in exchange for the warrants as follows:
Up to 25% beginning August 17, 2007
Up to 50% beginning August 17, 2008 less previously exercised
Up to 75% beginning August 17, 2009 less previously exercised
100% beginning August 17, 2010 less previously exercised

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

Note 9: Earnings Per Share

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

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares (stock options) into ordinary shares. Stock options *out of money* at balance sheet date are not included.

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

	2007	2006	2005
Net profit attributable to ordinary equity holders of the Parent	**135,015**	150,890	65,138
Weighted average number of ordinary shares (excluding treasury shares) for basic earnings per share	**104,990**	105,273	103,128
Effect of dillution: share options *in the money*	**1,858**	3,536	4,908
Weighted average number of ordinary shares (excluding treasury shares) adjusted for effect of dillution	**106,847**	108,809	108,036
Basic earnings per share	**1.29**	1.43	0.63
Diluted earnings per share	**1.26**	1.39	0.60

No other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

Note 10: Equity and Shareholders Authorizations

Ordinary Shares Issued and Fully Paid

	Number of shares	**USD**
January 1, 2006	**104,535,528**	**3,761**
Issued March 7, 2006, for cash on exercise of stock options	663,000	25
Issued May 30, 2006, for cash on exercise of stock options	247,000	10
Issued August 29, 2006, for cash on exercise of stock options	654,000	26
Issued November 24, 2006, for cash on exercise of stock options	306,000	12
December 31, 2006	**106,405,528**	**3,834**
Issued March 6, 2007, for cash on exercise of stock options	484,000	19
Issued June 1, 2007, for cash on exercise of stock options	73,375	3
Cancelled 1,259,103 treasury shares held September 12, 2007	-1,259,103	(40)
Issued September 15, 2007, for cash on exercise of stock options	213,000	9
Issued November 23, 2007, for cash on exercise of stock options	170,000	8
December 31, 2007	**106,086,800**	**3,834**

Notes to Group Financial Statements
(All amounts in USD 1000s)

Treasury Shares

The Company buys back shares from time to time under authorizations given by the shareholders. The shares may be held in treasury, used as payment in M&A transactions, or eventually cancelled. As of December 31, 2007 the Company held 2,410,050 treasury shares, 2.3% of the total shares issued (2006: 665,368 shares, 0.6%). The following table shows the movement of treasury share holdings:

	Number of shares	USD
January 1, 2006	**317,000**	**4,319**
Shares used for payment as part of Aceca acquisition January 3, 2006	-285,332	-3,330
Distribution of shares to board members June 15, 2006	-6,800	-46
Shares bought back September 21, 2006	312,500	4,985
Shares bought back September 25, 2006	250,000	3,800
Shares bought back September 26, 2006	78,000	1,183
December 31, 2006	**665,368**	**10,912**
Shares bought back May 4, 2007	150,000	3,293
Shares bought back May 7, 2007	103,000	2,220
Shares bought back May 8, 2007	260,000	5,440
Shares bought back May 9, 2007	184,600	3,839
Shares bought back May 10, 2007	225,000	4,607
Shares bought back May 11, 2007	220,000	4,402
Shares bought back May 14, 2007	60,000	1,208
Shares used for payment as part of PDS acquisition May 14, 2007	-608,865	-10,009
Shares bought back June 7, 2007	7,250	149
Distribution of shares to board members August 8, 2007	-7,250	-157
Shares bought back August 10, 2007	284,000	4,961
Shares bought back August 13, 2007	280,000	4,948
Shares bought back August 14, 2007	265,000	4,622
Shares bought back August 15, 2007	217,550	3,640
Shares bought back August 16, 2007	305,000	4,942
Shares bought back August 17, 2007	305,000	4,972
Shares bought back August 20, 2007	215,000	3,736
Shares bought back August 29, 2007	130,000	2,129
Shares bought back August 30, 2007	276,500	4,685
Shares bought back August 31, 2007	132,000	2,264
Treasury shares cancelled September 12, 2007	-1,259,103	-25,893
December 31, 2007	**2,410,050**	**40,910**

Shareholders' Resolution to Issue Warrants to Key Employees
On June 6, 2007, the shareholders resolved to issue free standing warrants in connection with a stock option plan for employees. To date, employees have subscribed for zero warrants under this resolution. The maximum share capital increase under this resolution can be 900 thousand shares. The warrants issued can be exchanged for shares until June 6, 2012. The shareholders' resolution to issue stock options authorizes the Board to grant further options to employees until June 30, 2008, for which warrants may be issued and subscribed for by June 30, 2008. See Note 8 for further information on the stock option plan.

Shareholders' Authorization to the Board to Issue Shares in the Company
By resolution of the Extraordinary General Assembly held September 20, 2007, the Board is authorized to increase the Company's share capital with up to NOK 3.95 million. The authority may only be used in connection with (a) any stock option programs of the Company (including issuing shares under the pre-merger stock option program of Wavefield Inseis ASA); (b) mergers, demergers, or acquisition of other companies or businesses; and/or (c) raising funds in order to facilitate future investments within the Company's business area. This authority is valid until the Annual General Meeting in 2008, but in any case no later than June 30, 2008. As of December 31, 2007, the Board had increased share capital by in total NOK 42.5 thousand under this authority. The total increase was made in connection with exercise of stock options by employees. No new TGS shares were issued for acquisition of Parallel Data Systems, Inc. as the Company used its Treasury Shares held.

Shareholders' Authorization to the Board to Buy Back Shares in the Company
By resolution of the Extraordinary General Assembly held September 20, 2007, the Board is authorized to, on behalf of the Company, acquire the Company's own shares provided that the total nominal value of the shares shall not exceed 10% of the share capital in the Company. This authorization expires on June 30, 2008. As of December 31, 2007, the Company held 2,410,050 treasury shares acquired under previous authorizations given by the shareholders.

Dividends paid and proposed
During 2007 no dividends were paid and the Board of Directors does not propose to pay dividends in 2008.

click here to return to Table of Contents

The 20 Largest Shareholders as of December 31, 2007 as Registered With VPS:

Name	Account type	Shares	Proportion of Shares	Proportion of Votes
STATE STREET BANK AND TRUST CO.	Nominee	6,316,619	6.1%	6.1%
FOLKETRYGDFONDET		4,951,800	4.8%	4.8%
UBS AG, LONDON BRANCH	Nominee	4,895,845	4.7%	4.7%
GOLDMAN SACHS INT. - EQUITY -	Nominee	3,900,222	3.8%	3.8%
BANK OF NEW YORK, BRUSSELS BRANCH	Nominee	3,820,420	3.7%	3.7%
GOLDMAN SACHS & CO - EQUITY	Nominee	3,364,765	3.2%	3.2%
JPMORGAN CHASE BANK	Nominee	2,659,091	2.6%	2.6%
PARETO AKSJE NORGE		2,650,300	2.6%	2.6%
MELLON BANK AS AGENT FOR CLIENTS	Nominee	2,509,436	2.4%	2.4%
MELLON BANK AS AGENT FOR ABN AMRO	Nominee	2,297,569	2.2%	2.2%
EUROCLEAR BANK S.A./N.V. ('BA')	Nominee	2,188,464	2.1%	2.1%
STATE STREET BANK AND TRUST CO.	Nominee	2,104,268	2.0%	2.0%
VITAL FORSIKRING ASA		2,102,391	2.0%	2.0%
HAMILTON, HENRY H.		2,000,000	1.9%	1.9%
WORTHINGTON, DAVID W.		1,938,124	1.9%	1.9%
MORGAN STANLEY & CO. INC.	Nominee	1,618,595	1.6%	1.6%
STATE STREET BANK AND TRUST CO.	Nominee	1,595,397	1.5%	1.5%
CLEARSTREAM BANKING S.A.	Nominee	1,473,889	1.4%	1.4%
MORGAN STANLEY & CO INTL PLC		1,299,947	1.3%	1.3%
SIS SEGAINTERSETTLE AG 25PCT	Nominee	1,267,129	1.2%	1.2%
20 Largest shareholders		**54,954,271**	**53.0%**	**53.0%**
Total number of shares (excluding treasury shares), par value NOK 0.25		**103,676,750**	**100.0%**	**100.0%**

Norwegian shareholders held 33,517,217 (32%) of the Company's outstanding shares (excluding treasury shares) at December 31, 2007.
Shares held in treasury at December 31, 2007 were 2,410,050.

click here to return to Table of Contents

Note 11 Cash and Cash Equivalents

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

Cash and cash equivalent	**2007**	2006
Bank Deposits	**81,457**	47,002
Restricted Cash Deposits	**494**	662
Total Cash Bank Deposits	**81,951**	47,664

Restricted cash deposits are for employee tax with holdings.

See Note 14 for short-term deposits for liquid instruments purchased with maturities of more than three months.

Note 12 Related Parties

Terms and conditions of transactions with related parties
No material transactions took place during 2007 with related parties, other than operating business transactions between the companies in the TGS Group. All companies within the TGS Group are 100% owned, directly or indirectly by the Parent Company. No minority interests exist. Business transactions between the entities of the TGS Group were performed at arm's length principles and included data processing, data brokerage, intercompany financing, and service assistance. There are no guarantees provided or received for any related party receivables or payables. For the year ending December 31, 2007, the TGS Group has not recorded any impairment of receivables relating to amounts owed by related parties (2006: Nil).

See Note 1 for the TGS Group's subsidiaries.

Note 13 Financial Risk Management Objectives and Policies

The TGS Group has various financial assets such as trade receivables, cash, and short-term deposits, which arise directly from its operations. These are mainly held in USD which is the functional currency. The TGS Group's principal financial liabilities comprise bank overdrafts, debentures, and trade payables. The main purpose of these financial liabilities is to finance the TGS Group's operations. The main source for financing is equity. The TGS Group enters into currency and interest rate swaps. The purpose is to manage the interest rate and currency risks arising from the sources of finance. It is, and has been throughout 2007 and 2006, the TGS Group's policy that no trading in derivatives shall be undertaken. The main risks arising from the financial risk management are currency risk, interest rate risk, liquidity risk, and credit risk.

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

Currency risk
Major portions of the TGS Group revenues and costs are in US dollars. All of the TGS Group's loan financing is in US dollars or swapped. Due to this, the TGS Group's operational exposure to exchange rate fluctuation is low. However, as the Parent Company presents its accounts and pays taxes in Norwegian kroner to Norwegian tax authorities, fluctuations between the NOK and the USD impact currency exchange gains or losses on tax expense and financial items of the consolidated accounts.

Interest rate risk
In May 2004 the Company raised NOK 300 million through a bond loan. The bond loan was swapped from NOK to USD and from 3 month NIBOR + 2% to 3 month LIBOR + 2.085% in May 2004. Changes in the LIBOR interest rate will affect the interest payable on the loan. The TGS Group has no other financial derivatives in use per December 31, 2007. See Note 17 for further details.

2007 Sensitivity Analysis	Increase/decrease in LIBOR (basis points)	Effect on profit before tax
Bond loan	25	109
Bond loan	-25	-109

The principle when accounting for the bond loan is unchanged from 2006

Liquidity Risk
Management considers the liquidity risk as low. Per balance sheet date, the TGS Group held current assets of USD 500.195 million and current liabilities of USD 284.808 million.

Credit Risk
All placements of excess cash are either bank deposits or in financial instruments that at minimum carry a rating of *investment grade*.

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

Oil and Gas Prices
The activities of TGS Group's clients, oil and gas companies, may change following fluctuations in commodity prices in the market, or future expectations of such. This impacts the TGS Group's activity and profitability.

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

1. Provide liquidity: support operation with enough cash with right timing

2. Minimize financial expenses and maximize financial returns, while managing financial risks as described below

3. Manage the financial risks

- interest rates
- currency exchange rates USD/NOK
- protect and preserve principal

The main source for financing is equity. As per December 31, 2007, total equity was 67%. Long-term debt was only 6.5% of total assets.

Fair Value of Financial Instruments
The following estimates to determine the fair value of the TGS Group's financial instruments have been determined by using appropriate market information. The carrying amount of cash and cash equivalents are a reasonable estimate of the fair value. Other short-term deposits consist of bonds held in the USA and their fair value is the market value as of December 31, 2007. The TGS Group has a holding of shares listed at the Oslo Stock Exchange. The fair value of the shares is the market rate as of December 31, 2007.

In 2004 the Company issued a five-year, NOK 300 million bond loan, that in accordance with IAS 39, is measured at amortized cost and recognized as a non-current liability in the balance sheet (USD 55.3 million at December 31, 2007). To eliminate the currency risk associated with the NOK bond loan, the Company at the same time entered into a derivative currency swap contract that fixes the amount to be repaid at maturity at USD 43.7 million. As the Company does not apply hedge accounting for the transaction, the fair value of the derivative instrument is, in accordance with IAS 39, recognized as a separate non-current asset and included under the line item "Non-current receivables include pre-payments" in the balance sheet. See Note 17. Fair value of the bond listed at the Oslo Stock Exchange is the market value as of December 2007.

	2007		2006	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	**81,951**	**81,951**	47,644	47,644
Short-term deposits	**91,425**	**91,425**	222,921	222,921
Interest and USD swap bond loan	**12,335**	**12,335**	4,704	4,704
Total financial assets at fair value through P&L	**86,290**	**86,290**	-	-
	272,001	**272,001**	275,269	275,269
Financial liabilities				
Bond loan	**55,734**	**55,734**	47,734	47,734
	55,734	**55,734**	47,734	47,734

click here to return to Table of Contents

Note 14 Short-term Deposits

Security	Quantity	Cost price	Market value	Accrued interest	Amount including interest
Clough Global Opportunity W7 6.10%	160	4,000	4,000	2.711	4,003
Morgan Stanley Insured Muni Bond TR W 4.40%	20	1,000	1,000	.482	1,000
Morgan Stanley Quality Muni Income 3 4.35%	9	450	450	.215	450
Nuveen Div Adv W 3.73%	75	1,875	1,875	.766	1,876
Nuveen Quality Income W 4.40%	28	700	700	.338	700
Pimco Corporation Opportunity Fund W 5.85%	169	4,225	4,225	2.709	4,228
Morgan Stanley Insured Muni Income 2 4.75%	43	2,150	2,150	1.119	2,151
VKM Trust Investment Grade G 4.39%	60	1,500	1,500	3.789	1,504
Blackrock Muni ENHD Fund B M28 4.50%	26	650	650	1.603	652
Blackrock Municipal Held FL Ins Fund C M7 4.20%	210	5,250	5,250	3.021	5,253
Blackrock Municipal Interest Dur Fund M7 4.20%	134	3,350	3,350	1.927	3,352
Morgan Stanley Quality Muni Sec 4 4.20%	45	2,250	2,250	1.295	2,251
Morgan Stanley Quality Muni Sec 1 4.20%	56	2,800	2,800	1.611	2,802
New York City Water Finance Authority 3.80%	3,000,000	3,000	3,000	1.583	3,002
Blackrock Municipal Yield MI Ins Fund A TU7 4.20%	108	2,700	2,700	1.864	2,702
Delaware Valley Financial AT B 3.65%	2,350,000	2,350	2,350	5.271	2,355
VKM Municipal Opportunity TR I A 4.50%	80	2,000	2,000	4.685	2,005
Evergreen Income Adv Fund W28 6.00%	151	3,775	3,775	11.325	3,786
Reaves Utility W28 6.00%	280	7,000	7,000	21	7,021
VKM Advantage Muni Income II H 4.30%	48	1,200	1,200	2.545	1,203
VKM Select Sector C A 4.60%	88	2,200	2,200	4.713	2,205
Blackrock Muni Investment Fund A F28 3.80%	70	1,750	1,750	2.551	1,753
Ohio Air Quality Dev Auth C Revenue Refnd Bnd 2005C 5.50%	3,000,000	3,000	3,000	9.167	3,009
VKM Municipal Opportunity TR I E 4.29%	48	1,200	1,200	1.834	1,202
Blackrock Municipal Investment Fund B F28 4.60%	40	1,000	1,000	.882	1,001
Blackrock Municipal Quality Fund II A F28 4.60%	83	2,075	2,075	1.831	2,077
Blackrock Municipal Quality Fund A M28 4.75%	40	1,000	1,000	.651	1,001
Blackrock Municipal Yield Insurance Fund F M28 4.75%	105	2,600	2,600	26.708	2,627
Kentucky Utility Project 2004-A 4.90%	2,000,000	2,000	2,000	3.267	2,003
Putnam Managed Muni II A 4.75%	35	3,501	3,500	2.277	3,502
Putnam Municipal Bond Fund A 4.75%	248	6,200	6,200	2.421	6,202
Blackrock Muni Yield Quality Fund II B F28 4.60%	11	275	275	0	275
Neuberger Berman Fund B 4.80%	195	4,875	4,875	0	4,875
Parkview Health Systems 01 B 4.65%	7,000,000	7,000	7,000	0	7,000
VKM Select Sector II B 4.15%	21	525	525	0	500
		91,426	**91,425**	**126.158**	**91,528**

As of December 31, 2007 TGS held USD 91.425 million in Auction Rate Securities (ARS) backed by USD 17.350 million of AAA municipal bonds and USD 74.075 million of AAA closed-end funds. An ARS is a debt instrument for which the interest rate is reset when the instrument trades typically every 7, 28, or 35 days through a Dutch auction (a descending price auction). When an ARS is up for trade, buyers submit a bid and the lowest rate necessary to sell the last available share establishes the clearing rate. If there are not enough buyers then a failed auction occurs. A failed auction is not a default; the holder of the ARS continues to hold the security and receive the *fail rate*—a maximum rate defined for the issuer—usually a higher rate than before the failed auction. The most significant impact of a failed auction is a loss of liquidity as the holder must wait until there are buyers. TGS experienced a failed auction on February 24, 2008, but has not experienced any loss of principal.

Note 15 Accounts Receivable and Other Receivables

	2007	2006
Accounts receivable	**213,317**	150,287
Other short-term receivables	**27,211**	7,788
Total receivables	**240,528**	158,075

Accounts receivable are stated in the balance sheet as net realizable value. The TGS Group expects to collect the full balance of receivables per December 31, 2007. Realized losses on trade receivables in 2007 amounted to USD 20 thousand (2006: USD 19 thousand).

Accounts receivable are non-interest bearing and are generally on 30-day terms. In cases of extended payment terms, the cost of time is discounted when booking the receivable and related revenue.

Accounts receivable aging

	Total	**Not due**	**< 30 days**	**31 - 60 days**	**61 - 90 days**	**91 - 120 days**	**Over 120 days**
2007	213,317	211,045	-21,643	9,618	4,051	5,571	4,675
2006	150,287	73,202	64,004	4,267	2,175	6,459	180

Note 16 Account Payables and Other Payables

	2007	2006
Accounts payable	**84,288**	51,013
	84,288	51,013

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

Note 17 Debt, Mortgages, Guarantees

Loan Agreements and Terms as per December 31, 2007:

Multi Currency Bank Overdraft Facility
Limit USD 10.0 million. Terms: US Fed Funds Daily Effective Rate + 0.75% per annum on drawn currency amounts. Facility fee: 0.1% per annum on the total facility amount. Both parties have a mutual right to terminate the agreement on 14 days notice. As of December 31, 2007, the TGS Group had not drawn on this facility.

Book value of assets used as collateral	**2007**	2006
Accounts receivable	**63,157**	22,269
Multi-client seismic library	**180,094**	168,895
Machinery, equipment	**10,553**	2,900
Total	**253,804**	194,063

Bond Loan
The Company issued bonds totaling NOK 300 million in May 2004. The bonds will mature on May 9, 2009. The bond loan has been swapped to USD with a three months LIBOR plus 2.085% interest rate through a currency and interest rate swap. The swap is a financial instrument measured at fair value. Changes in fair value are charged or credited the income statement. The fair value of the swap at December 31, 2007, was USD 12.335 million (December 31, 2006: USD 4.704 million).

The Company does not have debt maturing later than 1.5 years after the balance sheet date.

Bank Guarantees
As of December 31, 2007 the TGS Group's bank had issued a bank guarantee of USD 2.25 million on behalf of the Company as security for a pending court case decision relating to one of the vessels chartered by the TGS Group. In addition, the bank had issued a bank guarantee on behalf of the Company of NOK 1.230 million in conjunction with the Company's lease contract for the premises in Asker, Norway.

Note 18 Leases

Operating Leases - Group as Lessee
The TGS Group has entered into commercial leases on certain office premises and office equipment. The leases for premises expire between 1-6 years and have renewal options. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum payments for operating leases as of December 31, 2007, are as follows:

	2007	2006
Within one year	**2,171**	1,849
After one year but not more than five years	**6,452**	5,950
More than five years	**1,126**	482
	9,749	8,281

The TGS Group has also entered into commitments for charter hire of two 3D-seismic acquisition vessels and five 2D-seismic acquisition vessels. Four commitments expire in 2008, two in 2009, and one contract in 2012. The amounts committed total USD 103.996 million for the year 2008, USD 20.246 million for the year 2009, USD 4.854 million for the year 2010, USD 4.854 million for the year 2011, and USD 0.745 million for the year 2012. Three of the contracts have options for extensions, one expires in 2009, one in 2010, and one in 2014.

In addition to these vessel commitments, TGS has entered into a cooperation agreement with WesternGeco to equally share costs and revenues for the *Freedom* wide azimuth 3D multi-client program in the deepwater Gulf of Mexico. WesternGeco is supplying a minimum of four seismic vessels for this project, and field operations are expected to require at least a year to complete.

Operating Leases - Group as Lessor

The TGS Group has, in connection with a charter contract for two vessels, placed certain seismic equipment owned by the Company aboard these vessels in return for a lease/rental fee. Recognized revenue during 2007 was USD 3.229 million (2006: USD 2.643 million).

Finance Leases and Hire Purchase Commitments.

	2007		2006	
	Minimum payments	**Present value of payments**	Minimum payments	Present value of payments
Within one year	**161**	**155**	275	257
After one year but not more than five years	**8**	**8**	149	130
Total minimum lease payments	**169**		424	
Less amounts representing finance charges	**-6**		-37	
Present value of minimum lease payments	**163**	**163**	387	387

Note 19 Financial Assets at Fair Value through Profit & Loss

Public Shares listed on Oslo Stock Exchange

Company	**Currency**	**Book Value**	**Market Value**
Wavefield Inseis ASA	USD	86,290	86,290

Note 20 Events After the Balance Sheet Date

To date, no subsequent events have occurred that would alter the accounts.

On September 20, 2007, the Extraordinary General Assemblies of both TGS and Wavefield overwhelmingly approved the merger of the two companies. The merger was scheduled to close following the expiration of a two-month mandatory creditor notification period on November 20, 2007. Following the expiration of the creditor notification period, the Board of Directors of Wavefield passed a resolution stating that the terms for completing the merger had not been fulfilled. TGS is of the opposite opinion and in January 2008 initiated arbitration which is the final step of the merger plan to solve disputes between the parties. TGS strongly believes that it will win the arbitration and that the merger will be completed as approved. Consequently, the incurred merger costs as of December 31, 2007 amounting to USD 2.3 million, have not been expensed and are held as prepayments under short-term assets in the balance sheet. These costs are a part of the purchase price in the merger transaction.

Note 21 Contingent Liabilities

Based on a tax audit for the years 2001–2004 the US Internal Revenue Services (IRS) has issued claims for additional taxes. In 2006 the TGS Group made an additional tax accrual of USD 2.134 million for this issue.

Note 22 Environmental Issues

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

Notes to Group Financial Statements
(All amounts in USD 1000s)

Note 23 Gross and Net Operating Revenues

The TGS Group shares certain multi-client revenue with other companies. Operating revenue is presented net of the portion shared. The table below provides the breakdown of gross revenue for 2005 through 2007.

	2007	2006	2005
Sales	**499,937**	426,975	263,946
Revenue sharing	**-47,183**	-31,123	-23,594
Net operating revenues	**452,754**	395,853	240,352

Note 24 Financial Items

	2007	2006	2005
Interest income	**10,024**	8,917	3,006
Exchange gains	**7,192**	38	2,171
Fair value adjustments of financial instruments	**-**	-	-
Other financial income	**7**	4,709	2,027
Sum financial income	**17,223**	13,664	7,204
Interest expense	**-3,679**	-3,280	-2,635
Exchange loss	**-15,549**	-6,772	-3,347
Fair value adjustments of financial instruments*	**-22,421**	-	-
Other financial expenses	**-152**	-5,399	-
Sum financial expenses	**-41,801**	-15,451	-5,982
Net financial items	**-24,578**	-1,787	1,222

*Unrealized financial loss on shares held in Wavefield-Inseis ASA.

Note 25 Tax Expense

	2007	2006	2005
Profit before taxes			
Norway	**92,993**	109,948	40,636
Outside Norway (1)	**104,381**	109,575	56,580
Total profit before taxes	**197,374**	219,523	97,216
Current taxes			
Norway	**32,628**	13,093	-
Outside Norway	**31,325**	51,239	15,006
Total current taxes	**63,952**	64,332	15,006
Change in deferred taxes			
Norway	**-3,125**	7,021	14,090
Outside Norway	**1,532**	-2,720	1,986
Total deferred taxes	**-1,594**	4,302	16,076
Total income tax expense	**62,358**	68,634	31,082

1) Includes subsidiaries outside Norway

Total tax expense for the year	**2007**	2006	2005
Current tax on net income	**63,952**	64,332	15,006
Deferred tax changes	**-1,594**	4,302	17,072
Total tax expense for the year	**62,358**	68,634	32,078
Effective average tax rate	**32%**	31%	33%

Effective tax rate

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

	2007	2006	2005
Profit before taxes:	**197,374**	219,523	97,217
Expected income taxes according to corporate income tax rate in Norway (28%)	**55,265**	61,466	27,221
Tax rates outside Norway different from 28%	**4,680**	6,314	3,912
Adjustment in respect of current income tax of previous year	**260**	3,100	-
Non-taxable income (1)	**-5,501**	-2,825	-
Non-deductible expenses (1)	**7,655**	577	946
Income tax expense (income)	**62,358**	68,632	32,079
Effective tax rate in %	**32%**	31%	33%

(1) Non-tax deductible items booked in profit and loss. In 2007 the main items of expense relates to loss on shares in Wavefield and cost of stock options. The main items of income relates to tax exempt income from US.

Comments on selected line items in the preceding table

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

Tax losses carried forward	Norway	Other	Total
January 1, 2007	-	-	-
Addition in 2007	91	-	91
Total tax losses carried forward December 31, 2007	**91**	**-**	**91**

Deferred tax assets are not recognized for carry forward of unused tax losses when TGS cannot demonstrate that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. TGS has tax loss carried forward in MxP and TGS Moscow for USD 373 thousand but this is start-up of the first year and not booked in the balance sheet.

Tax effect of temporary differences and tax loss carry forwards as of December 31

	2007	2006
Differences that give raise to a deferred asset:	**Deferred Tax Asset**	**Deferred Tax Asset**
Multi-client library/well logs	**-**	4,287
Property and equipment	**1,014**	621
Accrued vacation	**441**	365
Goodwill	**89**	256
Accruals	**-439**	867
Tax losses carried forward	**26**	-
Deferred revenue	**231**	-
Financial instruments	**1,803**	-
Total	**3,165**	6,397
Differences that give raise to a deferred liability:	**Deferred Tax Liability**	**Deferred Tax Liability**
Multi-client library/well logs	**36,382**	36,775
Accruals	**-2,141**	-2,141
Property and equipment	**-**	956
Goodwill	**569**	278
Accounts receivable	**2,083**	29
Investment in joint venture	**144**	286
Deferred revenue	**732**	-62
Financial instruments	**-**	830
Total	**37,769**	36,952
Change in net deferred tax liability	**2007**	2006
As of January 1	**30,941**	25,099
Recorded to profit or loss	**-1,594**	4,302
Exchange differences	**4,890**	44
Acquisition of subsidiaries	**366**	1,496
As of December 31	**34,603**	30,941

Permanent differences are related to non-tax deductible items. In 2007 the main items relate to loss on shares in Wavefield and cost of stock options booked in P&L.

Parent Company Financials

click here to return to Table of Contents

Income Statement Parent Company

(All amounts in NOK 1000s)

	Note	2007	2006	2005
Net operating revenues	**15**	**1,591,387**	1,320,590	934,124
COGS- proprietary & other		**144,508**	20,554	11,030
Amortization of the multi-client library	3	**544,932**	575,968	544,528
Personnel costs	4	**47,640**	49,356	41,807
Cost of stock options	4	**3,359**	2,561	873
Other operating expenses	11	**204,896**	223,758	95,456
Depreciation, amortization, and write-down	2	**21,789**	15,683	9,528
Operating profit		**624,262**	432,711	230,903
Interest income	13	**7,175**	8,152	3,707
Financial income	13	**82,316**	68,193	88,873
Interest expense	13	**-20,928**	-20,368	-16,336
Financial expense	13	**-123,713**	-91,662	-69,550
Impairment loss on financial instruments	13	**-158,532**	-	-
Profit before taxes		**410,580**	397,025	237,597
Tax expense	14	**160,800**	112,091	66,811
Net income		**249,780**	284,934	170,787
Profit (loss) for the year is allocated as follows:				
To other equity	5	**249,780**	284,934	170,787
Total allocated		**249,780**	284,934	170,787

click here to return to Table of Contents

Balance Sheet Parent Company

as of December 31
(All amounts in NOK 1000s)

	Note	2007	2006
Assets			
Non-current assets			
Intangible assets			
Multi-client library	3, 10	**974,486**	1,056,453
Total intangible assets		**974,486**	1,056,453
Tangible assets			
Machinery and equipment	2, 10	**57,102**	18,138
Total tangible assets		**57,102**	18,138
Financial assets			
Investments in subsidiaries	6	**122,758**	117,858
Receivables and pre-payments		**2,953**	3,185
Total financial assets		**125,711**	121,043
Total non-current assets		**1,157,300**	1,195,634
Current assets			
Financial assets			
Investments in shares	18	**466,917**	-
Total financial assets		**466,917**	**-**
Accounts receivable	8	**528,633**	323,590
Receivables group companies	8, 9	**74,364**	263,584
Other receivables	8	**29,133**	30,590
Total receivables		**632,131**	617,764
Cash and cash equivalents	7	**308,299**	199,715
Total current assets		**1,407,347**	817,479
Total assets		**2,564,647**	2,013,113

click here to return to Table of Contents

Balance Sheet Parent Company

as of December 31
(All amounts in NOK 1000s)

	Note	2007	2006
Equity and liabilities			
Equity			
Paid-in capital			
Share capital	5	**26,522**	26,601
Treasury shares	5	**-603**	-166
Share premium reserve	5	**206,230**	335,827
Other reserves	5	**6,792**	3,434
Total paid-in capital		**238,942**	365,696
Retained earnings			
Reserve for valuation variances	5	**-**	13,169
Other equity	5	**749,932**	651,102
Total retained earnings		**749,932**	664,271
Total equity		**988,874**	1,029,967
Liabilities			
Provisions			
Deferred tax	14	**203,006**	212,740
Total provisions		**203,006**	212,740
Other long-term liabilities			
Debt to financial institutions	10	**300,000**	300,000
Total long-term liabilities		**300,000**	300,000
Current liabilities			
Accounts payable		**236,572**	172,798
Current liabilities group companies	9	**585,416**	159,837
Taxes payable	14	**168,888**	69,776
Social Security, VAT and other duties		**4,239**	5,492
Other short-term liabilities		**77,653**	62,503
Total current liabilities		**1,072,768**	470,406
Total liabilities		**1,575,774**	983,146
Total equity and liabilities		**2,564,647**	2,013,113

March 11, 2008

Claus Kampmann
Chairman

Henry H. Hamilton III
CEO/Director

Colette Lewiner
Director

Arne-Kristian Maeland
Director

Kathleen Arthur
Director

Elisabeth Harstad
Director

click here to return to Table of Contents

Cash Flow Statement

Parent Company

(All amounts in NOK 1000s)

	2007	2006	2005
Cash flow from operating activities			
Received payments from sales	**1,778,422**	1,379,955	414,306
Payments for salaries, pensions, social security tax	**-36,105**	-34,826	-31,541
Other operational costs	**-204,896**	-223,758	-95,456
Net gain/(loss) on currency exchange and other financial items	**-199,930**	-49,863	35,078
Net cash flow from operating activities(1)	**1,337,491**	1,071,508	322,387
Cash flow from investing activities			
Received payments from fixed assets	**-**	20,050	9,844
Investment in tangible assets including currency adjustments	**-60,754**	-7,184	-34,913
Investments in multi-client library	**-231,142**	-942,158	-367,027
Investments through mergers and acquisitions	**-4,587**	-68,574	-
Net change in short-term investments	**-466,917**		
Changes in long-term receivables and loans	**232**	-958	9,731
Interest income	**7,175**	10,097	4,336
Net cash flow from investing activities	**-755,993**	-988,727	-378,029
Cash flow from financing activities			
Net change in short-term loans	**-**	-	26,377
Interest expense	**-20,927**	-24,274	-24,669
Purchase of treasury shares	**-322,312**	-65,145	-14,143
Paid-in equity	**-129,675**	56,777	101,727
Net cash flow from financing activities	**-472,914**	-32,642	89,292
Net change in cash and cash equivalents	**108,584**	78,492	53,982
Cash and cash equivalents at the beginning of the period	**199,715**	121,223	67,241
Cash and cash equivalents at the end of the period	**308,299**	199,715	121,223
(1) Reconciliation			
Profit before taxes	**410,580**	397,025	237,598
Depreciation/amortization	**566,721**	592,064	554,056
Gain/loss on disposal	**0**	2,275	-8,471
Changes in accounts receivables	**-205,043**	96,533	-515,437
Changes in other receivables	**1,457**	-14,446	-4,380
Changes in other balance sheet items	**563,776**	-1,943	59,021
Net cash flow from operating activities	**1,337,491**	1,071,508	322,387

Note 1: General Accounting Policies

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

The Company's financial statements were authorized for issue by the Board of Directors on March 11, 2008.

Reporting Currency
The Parent Company, TGS-NOPEC Geophysical Company ASA, reports its financial results in Norwegian Kroner (NOK).

General Accounting Policies
The financial statements are presented in compliance with the Norwegian Companies Act, the Norwegian Accounting Act, and generally accepted accounting practices in Norway (NGAAP). Notes are an integral part of the financial statements.

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

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

Deferred Tax Assets
Deferred tax assets are recognized for all carry forward tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognized tax losses on December 31, 2007 and 2006, was NOK 0 and NOK 0 respectively. Further details are included in notes in the accounts.

Share–based Payments
The Company measures the cost of the stock option plans for employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires appropriate valuation model to value the grant of equity instruments. The value is dependent on the terms and conditions of the grant. This also requires determining the appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield, and making assumptions about them. The assumptions and models used are disclosed in Note 4 and the TGS Group Note 8.

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

Notes to Parent Company Financial Statements

(All amounts in NOK 1000s)

Principles of Assessment

Revenue Recognition

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

Work in Progress

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

Library Sales

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

Revenue Sharing

The Company shares certain multi-client revenue with other companies. Operating revenue is presented net of the portion shared. Gross sales and revenues sharing are presented in TGS Group Note 15.

Proprietary Contracts

Revenue from proprietary contracts is recognized in the same way as work in progress (percentage of completion) according to the specific agreement.

Cost of Goods Sold (COGS) – Proprietary and Other

Cost of goods sold includes only direct cost and is related to project contract work and costs related to delivery of seismic data.

Multi-client Library

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

The library of finished multi-client seismic data and interpretations is presented at cost reduced by accumulated amortization. Amortization is recorded in line with how revenues are recognized for each project, in proportion to the remaining net book value versus the estimated future revenue from that project. The revenue estimates are continuously updated and fully reviewed every 12 months. For work in progress, amortization is the percentage of the Company's estimate for total cost and revenues of completed projects expected.

When establishing amortization rates for the multi-client seismic library, management bases 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 library is annually, or when there are indicators that the carrying amount may not be recoverable, tested for impairment either individually, per project (seismic and interpretation reports), or at the cash generating unit level (well logs), as appropriate.

Goodwill

Goodwill is depreciated over 10 years. In addition goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may
be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognized. The Company currently holds no goodwill.

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

Exchange Rate Adjustments/Derivatives
Monetary assets, receivables and liabilities are translated at the exchange rate on the balance sheet date. Assets or liabilities involved in a derivative trade contract are stated at the fair value of the contract at balance sheet date. Variations are expensed in the income statement.

Software Development Costs
Software development costs are expensed as incurred. The Company has not capitalized any development cost in 2007.

Borrowing costs
Borrowing costs are recognized as an expense when incurred.

Provisions
Provisions are established when the Company has a present obligation (legal or constructive) as result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. See Note 17 for more details.

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

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

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

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

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

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

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

Employee Stock Option Scheme
Key employees of the Company receive remuneration in the form of share-based payment transactions whereby employees render services as consideration for equity instruments.

The cost of equity-settled transactions with employees, for awards granted after November 7, 2002, is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external value using an appropriate pricing model. See Note 4 and the TGS Group Note 8 for further details.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the

Notes to Parent Company Financial Statements
(All amounts in NOK 1000s)

award (*the vesting date*). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognized at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied. See TGS Group Note 8 for further information.

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

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

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

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

Accounts Receivable and Other Receivables
Receivables are measured at amortized cost, reduced by any amounts expected to be uncollectible. See Note 8 for details.

Investments in Subsidiaries and Associated Companies
Investments in subsidiaries are recorded at historical cost. Investments in associated companies are recorded using the equity method.

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

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

Loans are recognized at the amount received, net of transactions costs. The loans are thereafter recognized at amortized costs using the effective interest rate method. The Company has a bond loan. See Note 10 for more details.

Treasury Shares
The Company's shareholding of treasury shares is recorded using the par value method where the aggregate par value of the shares acquired are charged to the treasury stock account, and any differences between the purchase price and par value are included in other equity. Gain or loss on sales of treasury shares are treated as equity transactions and booked against equity.

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

Note 2 Tangible Non-current Assets

2007

Acquisition cost and depreciation	Machinery and Equipment	Buildings (2)	Total
Cost as of January 1, 2007	**44,853**	**-**	**44,853**
Additions	61,299	-	61,299
Disposals (1)	-745	-	-745
Cost as of December 31, 2007	**105,406**	**-**	**105,406**
Accumulated depreciation as of January 1, 2007	**26,715**	**-**	**26,715**
Depreciation for the year	21,789	-	21,789
Accumulated depreciation on disposals (1)	-745	-	-745
Capitalized to the multi-client library	545	-	545
Accumulated depreciation as of December 31, 2007	**48,304**	**-**	**48,304**
Net book value as of December 31, 2007	**57,102**	**-**	**57,102**
Straight-line depreciation percentage	14% - 44%	2%	
Useful life	2.5 - 7 years	50 years	

(1) Profit on disposals during the year was NOK 0.

2006

Acquisition cost and depreciation	Machinery and Equipment	Buildings (2)	Total
Cost as of January 1, 2006	**38,602**	**35,007**	**73,609**
Additions	7,184	-	7,184
Disposals (1)	-933	-35,007	-35,940
Cost as of December 31, 2006	**44,853**	**-**	**44,853**
Accumulated depreciation as of January 1, 2006	12,698	12,536	25,233
Depreciation for the year	14,529	154	14,683
Accumulated depreciation on disposals (1)	-925	-12,690	-13,615
Capitalized to the multi-client library	414	-	414
Accumulated depreciation as of December 31, 2006	**26,715**	**-**	**26,715**
Net book value as of December 31, 2006	**18,138**	**-**	**18,138**
Straight-line depreciation percentage	14% - 44%	2%	
Useful life	2.5 - 7 years	50 years	

(1) Profit on disposals during the year was NOK 2.275 thousand

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

click here to return to Table of Contents

Note 3 Intangible Non-current Assets

2007

Acquisition cost and depreciation:	Goodwill	Multi-Client Library(1)	Total
Cost as of January 1, 2007	**20,000**	**3,779,512**	**3,799,512**
Additions	-	462,965	462,965
Disposals	-	-	-
Cost as of December 31, 2007	**20,000**	**4,242,478**	**4,262,478**
Accumulated amortization as of January 1, 2007	**20,000**	**2,723,060**	**2,743,060**
Amortization for the year	-	544,932	544,932
Depreciation for the year	-	-	-
Accumulated amortization on disposals	-	-	-
Accumulated amortization as of December 31, 2007	**20,000**	**3,267,991**	**3,287,991**
Net book value as of December 31, 2007	**-**	**974,486**	**974,486**
Straight-line amortization percentage	10%		
Useful life	10 years (2)	max 5 years	

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

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

2006

Acquisition cost and depreciation:	Goodwill	Multi-Client Library 1)	Total
Cost as of January 1, 2006	**20,000**	**3,063,933**	**3,083,933**
Additions	-	715,579	715,579
Disposals	-	-	-
Cost as of December 31, 2006	**20,000**	**3,779,512**	**3,799,512**
Accumulated amortization as of January 1, 2006	**19,000**	**2,147,092**	**2,166,092**
Amortization for the year	-	575,968	575,968
Depreciation for the year	1,000	-	1,000
Accumulated amortization on disposals	-	-	-
Accumulated amortization as of December 31, 2006	**20,000**	**2,723,060**	**2,743,060**
Net book value as of December 31, 2006	**-**	**1,056,453**	**1,056,453**
Straight-line amortization percentage	10%		
Useful life	10 years 2)	max 5 years	

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

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

Note 4 Salaries/Number of Employees/ Benefit/ Employee Loans/ Pensions

	2007	2006	2005
Payroll	**41,701**	40,565	28,863
Social security costs	**4,240**	10,231	13,990
Pension costs	**1,235**	1,097	924
Other employee related costs	**465**	496	430
Salaries capitalized to multi-client library		-3,033	-2,400
Payroll and related cost	**47,640**	49,356	41,807
Cost of stock options (see Note 8 of Group accounts)	**3,359**	2,561	873
Payroll and cost of stock options	**50,999**	51,917	42,680

Average number of employees in 2007 was 30

At December 31, 2007, the Company had 31 employees: 21 male employees and 10 female employees.

click here to return to Table of Contents

Management and Board of Directors

	Director's fee	Salary	Bonuses	Other Benefits	Option Benefits Expensed	Values of Shares Received	Total Remunerations
Executive Management							
Hank Hamilton, CEO/Director	-	2,783	12,636	7	2,009		17,434
Arne Helland, CFO	-	1,547	4,160	123	411		6,241
David Hicks, CTO	-	1,075	982	7	411		2,475
John Adamick, VP Business Development	-	985	1,796	2	1,234		4,016
Michelle Hobbs, VP Human Resources		517	82	1	-		599
Board of Directors (excluding CEO)							
Claus Kampmann, Chairman of the Board	425	-	-	-	-	127	552
Arne-Kristian Mæland, Director	240	-	-	-	-	102	342
Kathleen Arthur, Director	240	-	-	-	-	102	342
Dr. Colette Lewiner, Director	240	-	-	-	-	102	342

	# of Restricted Shares Received	# of Shares Held 12/31/2007	# of Options Held at 12/31/2007	# of Options Granted in 2007	# of Options Exercised in 2007	WAEP* (in NOK)
Executive Management						
Hank Hamilton, CEO/Director	-	2,000,000	240,000	-	110,000	25.10
Arne Helland, CFO	-	30,000	56,000	-	116,000	25.37
David Hicks, CTO	-	11,500	108,000	-	0	-
John Adamick, VP Business Development	-	25,400	62,000	-	34,000	38.80
Michelle Hobbs, VP Human Resources	-	-	-		0	-
Board of Directors (excluding CEO)						
Claus Kampmann, Chairman of the Board	1,250	51,690				
Arne-Kristian Mæland, Director	1,000	105,540	-	-	-	-
Kathleen Arthur, Director	1,000	1,000	-	-	-	-
Dr. Colette Lewiner, Director	1,000	1,000	-	-	-	-
Elisabeth Harstad, Director	--	--	--	--	--	--

* WAEP: Weighted average prices. For further information on Benefits, see Notes 7 and 8 of the Group's Consolidated Accounts.

Audit fees:	**2007**	**2006**
Statutory audit	**590**	490
Other quarterly audit/review merger	**95**	-
Other attestation services	**12**	17
Tax advice	**56**	37
Other services	**211**	515
	964	1,059

click here to return to Table of Contents

Note 5 Equity Reconciliation

Equity Reconciliation	Share Capital	Treasury Shares	Premium Fund	Reserve for Valuation Variances	Other Reserves	Retained Earnings	Total Equity
Opening Balance January 1, 2007	**26,601**	**(166)**	**335,827**	**13,169**	**3,434**	**651,102**	**1,029,967**
Capital Increase during 2007	235	-	26,216	-	-	-	26,451
Purchase of treasury shares	-	(905)	-	-	-	(414,094)	(414,999)
Sale of treasury shares held	-	154	-	-	-	97,188	97,342
Liquidation of ANS Baardsrudveien	-	-	-	(13,169)	-	13,169	-
Treasury shares deleted	(315)	315	(155,813)	-		155,813	0
Cost of stock options	-	-	-	-	3,358	-	3,358
Group contribution	-	-	-	-	-	(3,027)	(3,027)
Profit for the year	-	-	-	-	-	249,780	249,780
Closing balance December 31, 2007	**26,522**	**(603)**	**206,230**	**0**	**6,792**	**749,932**	**988,874**

Equity Reconciliation	Share Capital	Treasury Shares	Premium Fund	Reserve for Valuation Variances	Other Reserves	Retained Earnings	Total Equity
Opening Balance January 1, 2006	**26,133**	**(79)**	**279,803**	**-**	**873**	**421,882**	**728,613**
Change in accounting principle	-	-	-	13,169	-	(13,169)	-
Capital Increase during 2006	468	-	56,024	-	-	-	56,492
Purchase of treasury shares	-	(160)	-	-	-	(64,985)	(65,145)
Treasury shares distributed	-	73	-	-	-	22,540	22,613
Cost of stock options	-	-	-	-	2,561	-	2,561
Group contribution	-	-	-	-	-	(100)	(100)
Profit for the year	-	-	-	-	-	284,934	284,934
Closing balance December 31, 2006	**26,601**	**(166)**	**335,827**	**13,169**	**3,434**	**651,102**	**1,029,967**

Notes to Parent Company Financial Statements

(All amounts in NOK 1000s except share counts)

Note 6 Investment in Subsidiaries

December 31, 2007 the Company had the following investments in subsidiaries:

Included in the balance sheet as:	Share Capital of Company	No. of Shares	Nominal Value	Balance Sheet Value	Ownership Held
TGS-NOPEC INVEST AS (Asker, Norway)	100	100,000	NOK 1	111	100%
Datman AS (Asker, Norway)	200	200	NOK 1000	12,000	100%
Maglight AS (Asker, Norway)	100	100,000	NOK 1	-	100%
Marine Exploration Partners AS (Asker, Norway)	800	800,000	NOK 1	50	100%
TGS-NOPEC Geophysical Company (Houston, USA)	USD 1	1,000	USD 1	11,286	100%
TGS-NOPEC Geophysical Company (UK), Ltd. (Bedford, UK)	GBP 50,1	50,100	GBP 1	8,360	100%
Aceca Ltd. (London, UK)	GBP 50,762	507,620	GBP 0,1	90,830	100%
TGS-NOPEC Geophysical Company PTY, Ltd. (Perth, Australia)	AUD 0,001	1	AUD 1	-	100%
TGS-NOPEC Geophysical Company Moscow (Moscow, Russia)	RUB 300	1	RUB 300	72	100%
MxP Marine Seismic Services Ltd (Cyprus)	USD 133,278	25,000	USD 1	50	100%
Riminio Shipping Ltd. (Limassol, Cyprus)	CYP 1	1,000	CYP 1	-	100%
Balance sheet value				**122,758**	

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

Note 7 Restrictions on Bank Accounts

Per December 31, 2007 NOK 2.589 million in cash and cash equivalents is restricted to meet the liability arising from payroll taxes withheld (2006: NOK 3.195 million).

Note 8 Accounts Receivable and Other Receivables

Accounts receivable is stated in the balance sheet as net realizable value. The Company expects to collect the full balance of receivables per December 31, 2007. Realized losses on trade receivables in 2007 amounted to NOK 0 (2006: NOK 0).

Trade receivables per December 31, 2007, totaled NOK 528.633 million (2006: NOK 323.590 million).

Receivables from subsidiaries per December 31, 2007, totaled NOK 74.364 million (2006: NOK 263.584 million).

Pre-payments to suppliers and short-term financing of projects totaled NOK 29.133 million per December 31, 2007 (2006: NOK 31.590 million).

Note 9 Current Receivables and Liabilities Group Companies

	2007		2006	
Company	**Receivables**	**Liabilities**	Receivables	Liabilities
TGS-NOPEC INVEST AS	**28,170**	**-**	-	124,316
Datman AS	**-**	**21,322**	-	8,882
Maglight AS	**-**	**2,170**	191	-
Marine Exploration Partners AS	**3,022**	**-**	-	-
Aceca Norge AS	**-**	**8,673**	-	8,614
TGS-NOPEC Geophysical Company L.P.	**-**	**528,845**	238,072	-
A2D Technologies, Inc.	**-**	**5,940**	-	304
TGS-NOPEC Geophysical Company (UK), Ltd.	**20,042**	**-**	25,300	-
Aceca, Ltd.	**-**	**10,851**	-	12,264
TGS-NOPEC Geophysical Company PTY, Ltd.	**-**	**7,615**	-	5,457
TGS-NOPEC Geophysical Company Moscow, Ltd.	**1,685**	**-**	22	-
MxP Marine Seismic Services, Ltd.	**21,446**	**-**	-	-
Total	**74,364**	**585,416**	263,584	159,837

Note 10 Debt, Mortgages, Guarantees

Loan agreements and terms as of December 31, 2007:

Multi Currency Bank Overdraft Facility
Limit USD 10.0 million. Terms: US Fed Funds Daily Effective Rate + 0.75% per annum on drawn currency amounts.

Facility fee: 0.1% per annum on the total facility amount. Both parties have a mutual right to terminate the agreement on 14 days notice. Per December 31, 2007 the Company had not drawn on this facility.

Book value of assets used as collateral:	**2007**	2006
Accounts receivable	**341,744**	139,292
Multi-client seismic library	**974,486**	1,056,453
Machinery, equipment	**57,102**	18,138
Total	**1,373,333**	1,213,883

Bond Loan
The Company issued bonds totaling NOK 300 million in May 2004. The bonds will mature on May 9, 2009. The bond loan has been swapped to USD with a three months LIBOR plus 2.085% interest rate through a currency and interest rate swap. The Company does not have debt maturing later than 1.5 years after the balance sheet date.

Bank Guarantees
As of December 31, 2007, the Company's bank had issued a bank guarantee of USD 2.25 million on behalf of the Company as security for a pending court case decision relating to one of the vessels chartered by the Company. In addition, the bank had issued a bank guarantee on behalf of the Company of NOK 1.23 million in conjunction with the company's lease contract for the premises in Asker, Norway.

click here to return to Table of Contents

Note 11 Leases

Operating Leases - Parent as Lessee
The Company has an operating lease commitment relating to premises. The commitment expires August 30, 2011, with a renewal option. Rental expense for operating leases was NOK 2.524 million for the year ending December 31, 2007.

Future minimum payments for operating leases at December 31, 2007, are as follows:

	2007	2006
Within one year:	**2,524**	2,524
After one year but not more than five years:	**9,256**	9,256
More than five years:	**-**	-
	11,780	11,780

The Company does not have any financial leases so rental expense for financial leases was NOK 0 for the year 2007 (NOK 0 for 2006).

The Company has also entered into commitments for charter hire of two 3D-seismic acquisition vessels and three 2D seismic acquisition vessels. Three commitments expire in 2008, and one in 2009. The amounts committed total USD 97.7 million for the year 2008 and USD 15.4 million for the year 2009. Three of the contracts have options for extensions; one expires in 2009 and one in 2010.

Operating Leases - Parent as Lessor
The Company has placed certain seismic equipment on board three seismic vessels in return for a lease/rental fee. Recognized revenue during 2007 was NOK 29.284 million (2006: NOK 16.674 million).

Note 12 Related Parties

No material transactions took place during 2007 with related parties, other than operating business transactions between the companies in the TGS Group. All companies within the TGS Group are 100% owned, directly or indirectly, by the Company. No minority interests exist. Business transactions between the entities of the TGS Group were performed at arm's length principles and included data processing, data brokerage, intercompany financing, and service assistance.

click here to return to Table of Contents

Note 13 Financial Items

Financial income/expense	**2007**	2006	2005
Interest income	**7,175**	8,152	3,707
Interest income subsidiaries	**16,846**	1,946	629
Group contribution	**-**	-	53,673
Exchange gain	**60,615**	66,247	34,571
Other financial income	**4,854**	-	-
Total Financial Income	**82,316**	68,193	88,874
Interest expense	**-20,928**	-20,368	-16,336
Interest expense subsidiaries	**-14,292**	-3,906	-8,333
Exchange loss	**-109,378**	-87,711	-61,176
Other financial expenses	**-42**	-46	-40
Total Financial Expense	**-123,712**	-91,663	-69,550
Fair value adjustment of financial instruments (1)	**-158,532**	-	-
Net Financial Items	**-213,681**	-35,686	6,694

(1) The fair value adjustment relates to shares in Wavefield Inseis ASA.

click here to return to Table of Contents

Notes to Parent Company Financial Statements

(All amounts in NOK 1000s)

Note 14 Tax Expense

Current tax:	2007	2006	2005
Profit before taxes and extraordinary items	**410,580**	397,025	237,598
Permanent differences (1)	**163,543**	3,029	1,013
Changes in temporary differences	**35,512**	-88,244	-33,511
Additional taxable profit/loss ANS	**-746**	-1,588	161
Tax-loss carried forward applied	**-**	-59,204	-205,260
Group contribution	**-4,204**	-139	-
Basis for current tax	**604,685**	250,879	-
Total tax expense for the year:	**2007**	2006	2005
Deferred tax - changes	**-9,734**	41,670	66,811
Tax payable	**169,312**	70,246	-
Tax effect group contribution	**1,177**	39	-
Tax outside Norway	**-**	606	-
Deduction in Norwegian tax for tax outside Norway	45	-470	-
Total tax expense for the year	**160,800**	112,091	66,811
Effective average tax rate	**39%**	28%	28%
Taxes payable	**2007**	2006	
Taxes payable on current year profit	**169,312**	70,246	
Deduction in Norwegian tax for tax outside Norway	**0**	-470	
Total taxes payable	**169,312**	69,776	

Specification of basis for deferred taxes:

Offsetting differences:	2007	2006
Non-current assets	**-39,018**	-20,823
Intangible non-current assets	**764,039**	780,609
Loss carry forward	**-**	-
Total	**725,021**	759,787
Deferred tax liability/deferred tax asset	**203,006**	212,740
Average deferred tax rate	**28%**	28%

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

	2007	2006
Tax calculated using nominal tax rate on pre-tax profit	**114,963**	111,167
Effect of permanent differences 1)	**45,792**	848
Effect of different tax rate on tax outside Norway	**-**	136
Effect of too much tax deduction last year	**45**	-
Effect of differences in ANS which no longer can be utilized	**-**	-60
Total tax expense recorded in income statement	**160,800**	112,091

(1) Permanent differences related to non-tax deductible items. In 2007 the main items relate to loss on shares in Wavefield booked in P&L with NOK 158.532 million and cost of stock options NOK 3.358 million.

Note 15 Net Operating Revenue

	2007	2006	2005
Sales	**1,780,502**	1,484,352	1,051,459
Revenue sharing	**-189,115**	-163,762	-117,335
Net operating revenues	**1,591,387**	1,320,590	934,124

Note 16 Financial Risk Management

Currency Risk

Functional currency for the Company is USD. The major portions of the Company's revenues and costs are in US dollars, with the exception of personnel and administrative costs. The bond loan is in NOK and swapped to USD. Due to this, the Company's operational exposure to exchange fluctuation is low.

Interest Rate Risk

In May 2004 the Company raised NOK 300 million through a bond loan. The bond loan was swapped from NOK to USD and from 3 month NIBOR + 2% to 3 month LIBOR + 2.085% in May 2004. Changes in the LIBOR interest rate will affect the interest payable on the loan. The Company has no other financial derivatives in use per December 31, 2007. See Note 10 for further details.

Liquidity Risk

Management considers the liquidity risk as low. Per the balance sheet date, the Company held current assets of NOK 1.407 billion and current liabilities of NOK 1.073 billion.

Credit Risk

All placements of excess cash are either bank deposits or in financial instruments that at minimum carry a rating of *investment grade*.

Political Risk

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

Oil and Gas Prices

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

Note 17 Contingent Liabilities

Based on a tax audit for the years 2001–2004, the US Internal Revenue Services (IRS) has issued claims for additional taxes. In 2006 the Company has made an additional tax accrual of USD 2.134 million for this issue.

Note 18 Investment in Shares

Public shares listed on Oslo Stock Exchange

Company	Currency	Cost price	Book value	Market value
Wavefield Inseis ASA	NOK	625,449	466,917	466,917

Note 19 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 to minimize any impact on the environment. Monitoring and controls are carried out regularly in order to limit the risk of pollutions. It is the Company's policy to comply with national and international regulations.

click here to return to Table of Contents

ERNST & YOUNG

Statsautoriserte revisorer

Ernst & Young AS
Oslo Atrium
Postboks 20
NO-0051 Oslo

Foretaksregisteret:
NO 976 389 387 MVA

Tel. +47 24 00 24 00
Fax +47 24 00 24 01
www.ey.no

Medlemmer av Den norske Revisorforening

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

Auditor's report for 2007

We have audited the annual financial statements of TGS-NOPEC Geophysical Company ASA as of 31 December 2007, showing a profit of NOK 249 780 000 for the Parent Company and a profit of USD 135 015 000 for the Group. We have also audited the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The financial statements comprise the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the balance sheet, the statements of income and cash flows and the accompanying notes. The financial statements of the Group comprise the balance sheet, the statements of income and cash flows, the statement of equity and the accompanying notes. The regulations of the Norwegian Accounting Act and accounting standards, principles and practices generally accepted in Norway have been applied in the preparation of the financial statements of the Parent Company. IFRSs as adopted by the EU have been applied in the preparation of the financial statements of the Group. These financial statements and the Directors' report are the responsibility of the Company's Board of Directors and Chief Executive Officer. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

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

In our opinion,

- the financial statements of the Parent Company are prepared in accordance with laws and regulations and present fairly, in all material respects the financial position of the Company as of 31 December 2007, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the financial statements of the Group are prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as of 31 December 2007, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with IFRSs as adopted by the EU
- the Company's management has fulfilled its duty to properly record and document the Company's accounting information as required by law and bookkeeping practice generally accepted in Norway
- the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with law and regulations.

Oslo, 11 March 2008
ERNST & YOUNG AS
Finn Ole Edstrøm
State Authorised Public Accountant (Norway)
(sign)
Note: The translation to English has been prepared for information purposes only.

Besøksadresse:
Oslo Atrium
Christian Frederiks plass 6
0154 Oslo

Arendal, Bergen, Bø, Drammen, Fosnavåg, Fredrikstad, Holmestrand, Horten, Hønefoss, Kongsberg, Kragerø, Kristiansand, Larvik, Levanger, Lillehammer, Moss, Måløy, Notodden, Oslo, Otta, Porsgrunn/Skien, Sandefjord, Sortland, Stavanger, Steinkjer, Tromsø, Trondheim, Tønsberg, Vikersund, Ålesund

Articles of Association and Corporate Governance

Articles of Association

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

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

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

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

5 The Company's share capital is NOK 26,548,700 fully paid up and issued in 106,194,800 shares of NOK 0.25 each to named shareholders.

6 The Company's Board of Directors shall consist of 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.

Corporate Governance

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.

It is the opinion of the Board of Directors that TGS-NOPEC in general complies with the Norwegian Code of Practice of Corporate Governance published November 28, 2006. An issue in the Code that has been deferred is noted below. The Board fully endorses this section on Corporate Governance.

The Company emphasizes independence and integrity in all matters between its Board of Directors, management, and shareholders. These same principles of independence and integrity also apply in business relations with all interest groups, including customers, suppliers, and other business partners. As guidelines for its board members and employees, TGS-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***.

A compliance program has been developed and implemented, managed by a Compliance Officer. The Compliance Officer provides a report annually on March 1 to the Corporate Governance Committee.

The Board of Directors

The Board of Directors currently consists of six members elected by the shareholders with a one-year term. The issue of an election of a Deputy Chairman, as required by the Norwegian Code of Practice of Corporate Governance, was discussed during 2007 but was deferred.

The constitution of the Board reflects a strong background that balances specific industry experience with broader industrial, financial, and organizational experience. The CEO is also a member of the Board. Most of the Directors are shareholders of TGS-NOPEC.

The Board normally meets six times each year, but may hold additional meetings if circumstances so dictate. Two of these board meetings deal with special company issues and last for up to two days. The merger issue with Wavefield-Inseis ASA triggered increased Board activity during the latter half of 2007 and the start of 2008. 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 58. Past President Geco-Prakla, VP Personnel Schlumberger Ltd. First Elected in 2002; became Chairman in 2004.

Henry H. Hamilton III, CEO/Director
Age 48. 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 54. Phillips Petroleum, Geco Geophysical, cofounder and CFO of VMETRO, Board member in VMETRO ASA. First elected in 2001.

Dr. Colette Lewiner, Director
Age 62. Assistant professor at Paris University, Executive Vice President at Electicite de France, Chairperson and CEO of SGN-Eurisys. Presently Vice President and Global Leader of the Energy, Utilities and Chemical Sector at Capgemini. Board member in Ocean Rig ASA. First elected in 2006.

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

Elisabeth Harstad, Director
Age 50. Senior Vice President and Managing Director of Det Norske Veritas (DNV) Research and Innovation. Various positions in DNV since 1981, interrupted by one year as research and industry coordinator at Neste Petroleum AS in 1992. First elected in 2007.

Board Committees

The board members have formed the following independent committees:

- Audit Committee
- Compensation Committee
- Corporate Governance Committee

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

Nomination Committee

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

The Committee consists of a chairman and two members elected by and amongst the shareholders. These serve for a period of two years. The members of the Election Committee currently are Nils B. Gulnes (Chair) Jarl Ulvin and Tor Himberg Larsen The terms of the current members expire in 2009.

Compensation of Directors

Remuneration to the Board of Directors should be designed to attract and retain an optimal Board structure in a competitive environment. Procedurally, the Directors' fee is recommended by the Election Committee, proposed by the Board, and determined by the shareholders at the annual general meeting each year. During recent years, the Directors' compensation has been composed of both a fixed fee and a number of restricted TGS shares. Please refer to TGS Group Notes 5 and 8, and Parent Company Note 4 in the Financial Statements.

Shareholders and Shareholders' Rights

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

- *Limitations on Trade:* There are certain time restrictions to trading a limited number of shares for a small number of employees who are former owners of Aceca and Parallel Data Systems (PDS). 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 cannot 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.

Corporate Governance

As of March 11, 2008 the Board has the following shareholder authorizations:

- To issue free-standing warrants securing stock options for key employees.
- To issue up to 15,524,000 new shares in the company (expires on June 6, 2008).
- To buy back up to 10% of the Company's outstanding shares (expires on June 6, 2008).

For further information on these shareholder authorizations, please refer to Note 13 to the financial statements.

Equity and Dividend Policy

See the Board of Directors report on page 5 in this annual report. Because of the extremely cyclical nature of the oil services industry, the Board of Directors remains convinced that the Company's unique business model, a strong balance sheet, and a strong cash position are essential to its financial health and future growth. The general policy of the Company at this time is to allocate profit to equity to allow for reinvestment into the growth of the Company. Thereafter, the Company will consider allocation of profit to other alternatives such as stock buy backs or dividends.

Compensation of Key Employees

TGS-NOPEC compensates its employees according to market conditions in each country it operates, and the compensation is reviewed on an annual basis by the Compensation Committee. Compensation includes base salary, insurance and retirement benefit programs, a profit-sharing bonus plan based on performance, and in certain cases a stock option plan. For further details please refer to the paragraph *Salary and Other Compensation* in the Board of Directors Report, page 10, and TGS Group Notes 7 and 8 and Parent Company Note 4.

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 approves 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 TGS Group Note 7 and Parent Company Note 4 in the Financial Statements for auditor's compensation for 2007).

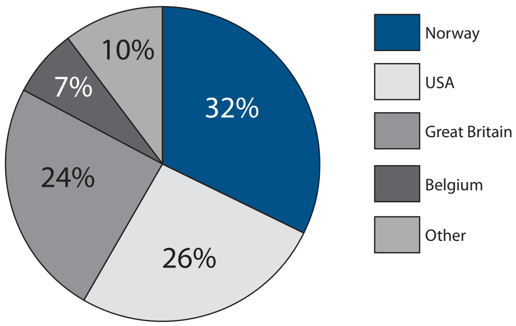
click here to return to Table of Contents

Investor Relations

TGS Share Facts:

Symbol	TGS
Listing	Oslo Stock Exchange (OBX List)
Shares outstanding as of December 31, 2007	106,086,800 of which 2,410,050 were held treasury shares
Volume traded on OSE during 2007	353,592,000 shares
Avg. daily trading volume during 2007	1,414,368 shares
Analysts coverage	20 firms; for list please see: www.tgsnopec.com/investor_relations/analysts_following_tgs.asp
Share price (high, low) during 2007	NOK 146.25 (04.10.2007); NOK 69.10 (12.07.2007)
Market value as of December 31, 2007	NOK 7,914,075,280

Shareholding % by country



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. The Company submits quarterly and annually 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.

TGS 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. Top management is dedicated to make direct contact with investors, potential investors, and analysts on a regular basis. The CEO, VP of Business Development, COO, and CFO all participate in numerous road shows and investor conferences each year both in Norway and abroad.

As share buy backs are more tax-efficient for the majority of our shareholders than dividends, TGS spent USD 66 million on share buy backs in 2007. The Board does not propose to issue dividends for 2007 in 2008, and bought back 200,000 shares in February 2008. Shareholders approved a motion by the TGS Board on June 6, 2007, to cancel 1,259,103 treasury shares. These shares were effectively cancelled on September 9, 2007.

Please feel free to contact **Arne Helland**, Chief Financial Officer, or **John Adamick**, Vice President of Business Development, if you would like to learn more about TGS.

Arne Helland
Chief Financial Officer

John A. Adamick
Vice President of Business Development

TGS is proud to be listed as part of the Kempen SNS Smaller Europe SRI Index

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

USA
John A. Adamick
VP Business Development
Tel: +1 713.860.2114
jada@tgsnopec.com

Contact Us

NORWAY

TGS-NOPEC Geophysical Company ASA
Hagaloekkveien 13
N-1383 ASKER Norway
tel: + 47 66 76 99 00
fax: + 47 66 76 99 10
email: info@tgsnopec.com

TGS Geological Products and Services
Rogaland Science Park
Professor Olav Hanssensvei 13
N-4068 Stavanger, Norway
tel: +47 51 87 58 00
fax: +47 51 87 58 01
email: info@tgsnopec.com

AUSTRALIA

TGS-NOPEC Geophysical Company
Level 5, MLC House
1100 Hay Street
West Perth, WA 6005 Australia
tel: + 61 8 9480 0000
fax: + 61 8 9321 5312
email: info@tgsnopec.com

RUSSIA

TGS-NOPEC Geophysical Company Moscow Ltd.
Donskaya St., 4, Building 3, Office 301
117049 Moscow, Russian Federation.
tel: +7 495 959 81 17
fax: +7 495 959 81 18
email: info@tgsnopec.com

USA

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

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

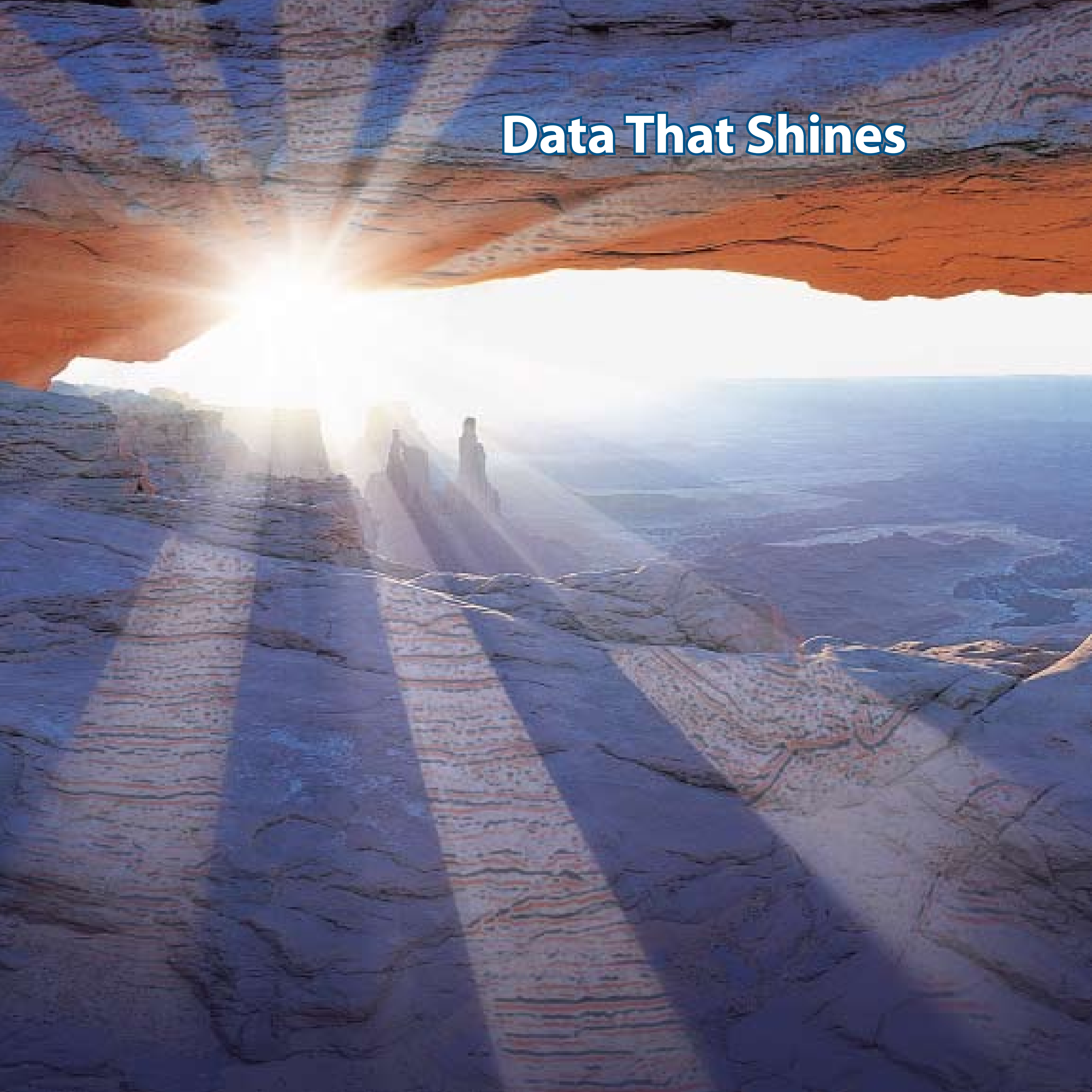
TGS Geological Products and Services
1010 Common Street Suite 2040
New Orleans, LA 70112 USA
tel: +1 504 524 3450
fax: +1 504 524 3454
email: info@tgsnopec.com

TGS Geological Products and Services
230 West Wilshire Boulevard, Suite G5
Oklahoma City, OK 73113-2460 USA
tel: +1 405 848 4407
fax: +1 405 848 4036
email: info@tgsnopec.com

UK

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

TGS Geological Products and Services
Sutherland House
Clinton Road
Kingston Upon Thames
London KT2 6PW, UK
tel: +44 (0) 208 541 5885
fax: +44 (0) 208 541 5447
email: info@tgsnopec.com


Data That Shines


TGS
Geological Products
Geophysical Products
Imaging Services
©2008