2010
ANNUAL REPORT

FOCUS FORWARD

WWW.TGSNOPEC.COM

TGS

SEISMIC DATA ACQUISITION

WELL LOGS

2D AND 3D

WELL DATA SOLUTIONS

GEOPHYSICAL

IMAGING SERVICES

2010
ANNUAL REPORT

FOCUS FORWARD

WWW.TGSNOPEC.COM

POTENTIAL FIELD SURVEYS

FACIES MAP BROWSER

WELL DATA

MULTI-CLIENT DATA LIBRARY

DIRECTIONAL SURVEYS

GEOLOGICAL

ANISOTROPIC IMAGING

UAV ACQUISITION

TGS

WIDE AZIMUTH

Table of Contents

FINANCIAL HIGHLIGHTS

(All amounts in USD 1,000s apart from EPS and ratios)

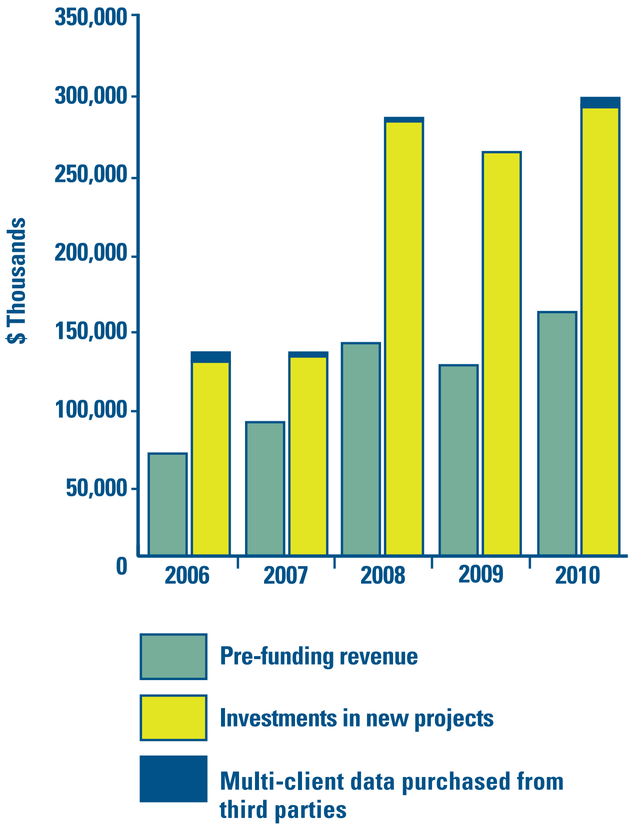
	2010	2009	2008	2007	2006
Net operating revenues	**568,263**	477,695	582,431	452,754	395,853
Operating profit	**227,108**	210,229	268,981	221,951	221,311
Pre-tax profit	**227,745**	219,202	203,200	197,374	219,523
Net income	**155,783**	162,471	113,792	135,015	150,890
EBIT	**227,108**	210,229	268,981	221,951	221,311
EBIT margin	**40%**	44%	46%	49%	56%
Net income margin	**27%**	34%	20%	30%	38%
Return on capital employed	**26%**	27%	41%	39%	50%
Earnings per share	**1.52**	1.58	1.10	1.29	1.43
Earnings per share fully diluted	**1.49**	1.56	1.10	1.26	1.39
Total assets	**1,216,916**	1,144,278	954,317	852,640	676,232
Shareholders equity	**908,771**	839,856	661,063	567,833	477,039
Equity ratio	**75%**	73%	69%	67%	71%

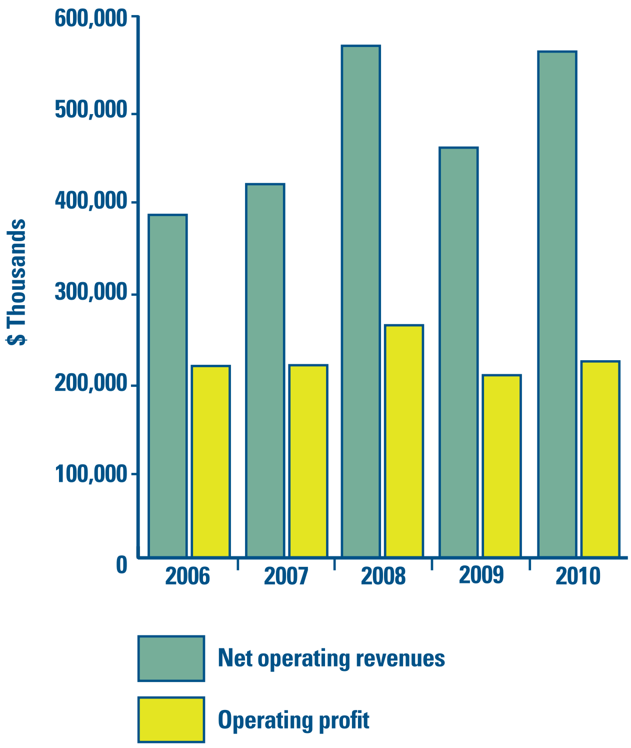
Multi-client Library

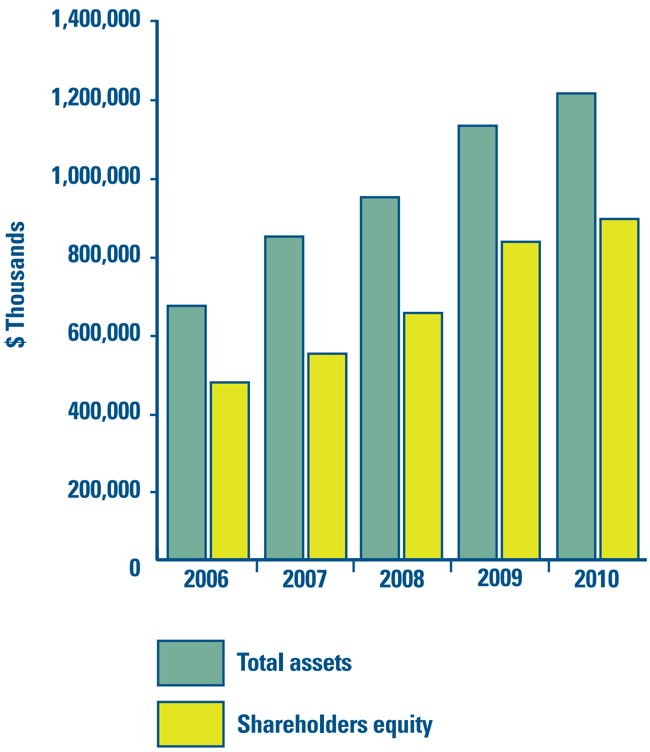
	2010	2009	2008	2007	2006
Opening net book value	**424,282**	334,998	217,363	195,572	160,809
Multi-client data purchased from third parties	**4,000**	–	1,100	1,640	4,519
Investments in new projects	**295,300**	265,980	285,861	136,344	131,900
Amortization	**(247,900)**	(176,695)	(169,326)	(116,193)	(101,655)
Ending net book value	**475,698**	424,282	334,998	217,363	195,572
Pre-funding % on operational investments	**55%**	47%	50%	63%	57%

FINANCIAL HIGHLIGHTS

(All amounts in USD 1,000s apart from EPS and ratios)







2010

January

- TGS begins first 100% owned Wide Azimuth project in the Gulf of Mexico
- TGS commences acquisition of 3D offshore Liberia project covering blocks 8 and 9
- TGS launches 2D seismic acquisition program offshore West Papua in East Indonesia

February

- Board proposes dividend for the first time in TGS' history

March

- TGS continues 2D multi-client seismic acquisition along Sundaland Margin

April

- Macondo accident in Mississippi Canyon, Gulf of Mexico

May

- TGS expands multi-client seismic data library in Europe with new Barents Sea PSDM project

June

- TGS acquires directional survey business of P2 Energy Solutions' Tobin business line
- TGS commences high density multi-client 3D survey in the Moray Firth, North Sea

July

- TGS announces 12^{th} consecutive year of new data acquisition in Greenland
- TGS announces multi-client 3D survey in the North Viking Graben
- TGS announces commencement of multi-client 3D survey in East Shetland Basin
- Kristian Johansen assumes new role as TGS Chief Financial Officer

October

- TGS announces multi-client 3D survey in Gambia

November

- TGS announces second 2D seismic survey offshore Indonesia

December

- TGS announces the Company's first multi-client 3D survey offshore Indonesia
- TGS announces multi-client 3D survey in Benin

Dear Fellow Shareholders

This past year represented a period of recovery from the severe financial crisis of 2009. This crisis tested our entire industry and in this past year we were encouraged to see clear signs that our customers returned to investing in geoscience data in order to find new oil and gas reserves. TGS' first quarter results supported our belief in the recovery of the exploration and production market and launched us into a year of clear recovery with a renewed forward focus.

This momentum was interrupted on 20 April 2010 with the explosion of the Deepwater Horizon drilling rig in the Mississippi Canyon area of the Gulf of Mexico. This event will undoubtedly have a lasting impact on the entire oil and gas industry but had a clear near-term impact on TGS' operations. The rig explosion occurred in the central portion of TGS' new Justice Wide Azimuth (WAZ) 3D project. The vessels chartered by TGS to acquire the data for this project were some of the first on the scene of this tragic explosion to assist in the search and rescue operations for the rig's crew. Indeed, the most tragic result of the Deepwater Horizon incident was the death of 11 of her crew on that day.

Despite the accident itself and the regulatory response resulting from the explosion, TGS performed remarkably well. The Company's innovation and our customers' interest in new geoscience data resulted in multi-client investments of USD 295 million, an increase of 11% over the previous year. Our revenues of USD 568 million represented an increase of 19% over the previous year and were capped by the strongest quarter ever in the history of the Company in the October to December period. The Company continued to deliver profitable growth for our shareholders with an operating profit of USD 227 million, up 8% from the previous year. Shareholder equity grew 8% to USD 909 million, representing 75% of the balance sheet.

TGS delivered outstanding operating cash flow of USD 409 million in 2010. In addition to the USD 295 million in organic multi-client investments, the Company was also able to add to its product line by investing USD 4.0 million through mergers and acquisitions.

Our Board proposed and the shareholders approved the first dividend in the Company's history of NOK 4 per share, NOK 2 as a regular dividend and NOK 2 as a non-recurring dividend. The Company also repurchased USD 32 million of its shares for the treasury. At year end, cash and cash equivalents had increased to USD 290 million.

Our Board has announced that at the 2011 Annual General Meeting, it will propose an increased dividend of NOK 5 per share, of which NOK 3 per share is an ordinary dividend. The Board has also instructed our management to continue an opportunistic share buyback program in 2011. These moves are a positive reflection of our confidence in the sustainability of our business to generate strong cash flow through all cycles.

Despite reduced exploration activity in the Gulf of Mexico, one of TGS' largest markets, customers seemed to take a long-term view towards investing in seismic data. TGS completed processing of its first WAZ survey and started the 7,800 km^2 Justice survey. Due to relief drilling efforts at the Macondo site, it was not possible to complete the survey as expected in 2010. TGS plans to return to the survey in 2011 to finish acquisition so that processing can complete by year-end. Our customers also continued to recognize that TGS has become a top-tier Imaging provider. TGS' Imaging business was awarded a record number of contract WAZ reprocessing projects during the year.

TGS' first quarter results supported our belief in the recovery of the exploration and production market.

Data sales were also very strong in the European market with sales in Greenland and 3D revenue associated with one of our most active 3D seasons ever in the North Sea. Interest in our new data libraries in the African Transform Margin were high, as oil companies aggressively pursued acreage positions in this very promising area. Our position, with almost 30,000 km^2 of 3D seismic data in this play, leaves the Company well positioned to continue to benefit from increased activity in this area.

TGS continued to build on its dominant position in the Asia Pacific region as the largest 2D multi-client data owner in Indonesia. In December, TGS was pleased to announce the next phase of its library growth with the commencement of the first TGS 3D multi-client survey in the country.

Not only did our offshore seismic products perform well in 2010, but our well log product line continued to benefit from our customers' growing interest in exploring for oil and gas in the resource plays of the onshore US. TGS augmented its product offerings for these plays through the acquisition of the directional survey business of P2 Energy Solutions. The data added through this acquisition is extremely important in allowing oil companies to accurately position the location of well bores in the subsurface. Not only did our Geological Products and Services unit grow our well-based library, but it expanded the Company's Facies Map Browser Interpretive studies in Brazil and released a new study on the Northwest shelf of Australia to the market in 2010.

Our unique asset-light approach to the geophysical business allowed us to continue to take advantage of an over-supplied seismic vessel market where day rates continue to remain relatively low. This countercyclical investment strategy will allow TGS to take full advantage of continued recovery in exploration and production spending by our customers. We have a modern, technically advanced data library in the industry in locations that are of interest to our customers.

Robert Hobbs, CEO

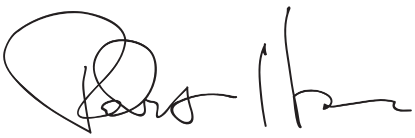
TGS' success is grounded in the unparalleled focus that our employees have on customer service, developing innovative technology and critical data products for our customers.

As we focus forward, our future is bright as our customers expand their efforts in investing in data to allow them to reduce their operational and geologic risk in the search for new hydrocarbon reserves. In 2011 we expect to increase our revenues to between USD 600 million and USD 650 million. We expect that our investments will be between USD 280 million and USD 330 million. We also expect that these investments will carry average pre-funding levels between 55% and 65% and our amortization rate will be between 41% and 47%. Contract revenues are likely to continue to be approximately 5% of total revenues.

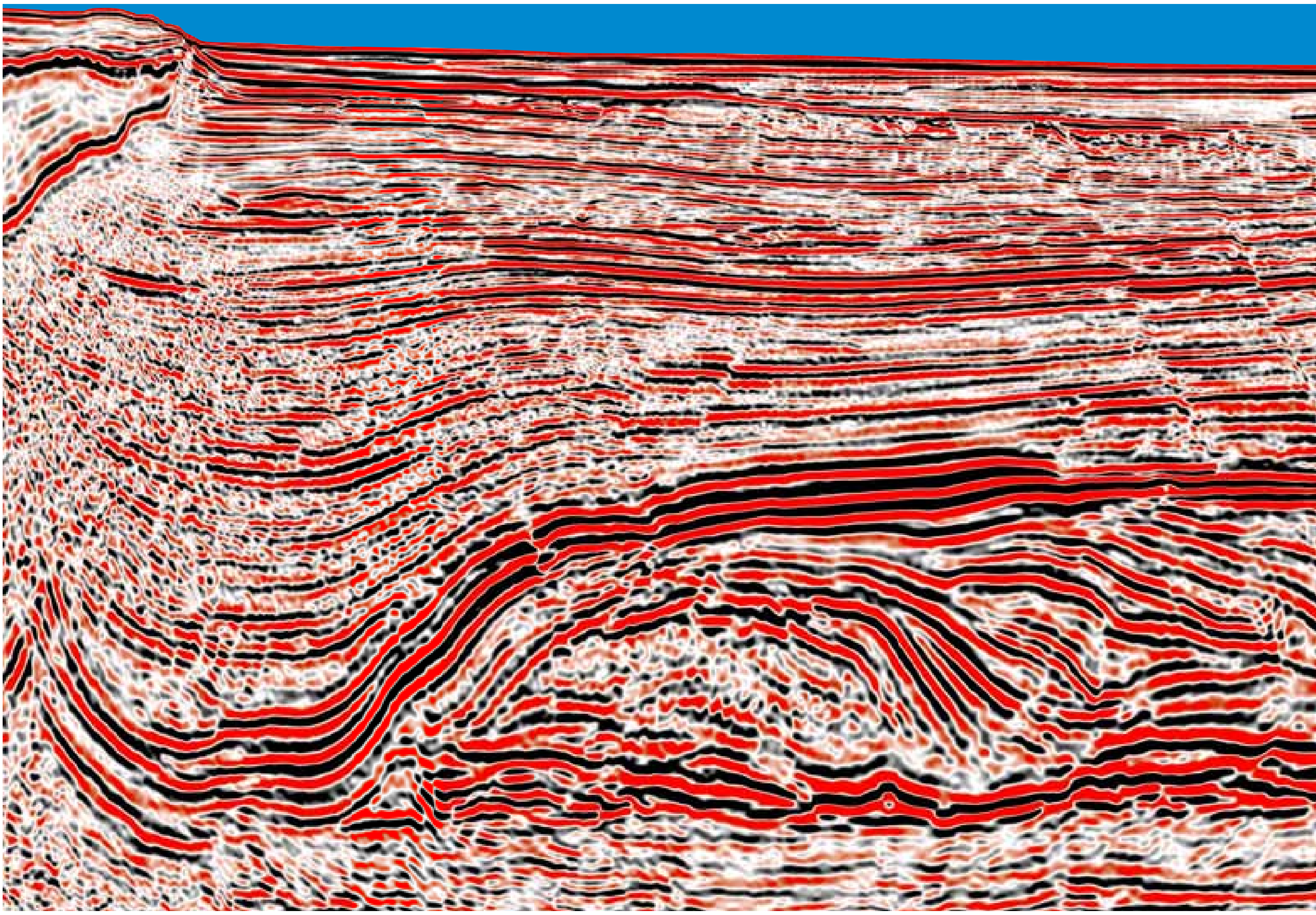
TGS' success is grounded in the unparalleled focus that our employees have on customer service, developing innovative technology and critical data products for our customers.

Our focus on new technology and new data project ideas will be more important than ever before as our future energy reserves will be found in more geologically and operationally difficult areas where technical innovation and data quality will be essential.

Sincerely,



Robert Hobbs
Chief Executive Officer



TGS in Brief

TGS is a registered company in Norway and is publicly traded on the Oslo Stock Exchange under the symbol TGS with financial headquarters in Asker, Norway. The Company is led by CEO Robert Hobbs and has employees based in cities around the globe. Offices are located in Asker, Stavanger, Houston, London and Perth.

TGS provides global geoscientific data products and services to the oil and gas industry to assist in all phases of exploration and production efforts. TGS invests in multi-client data projects in frontier, emerging and mature markets worldwide that make up a data library of seismic imaging, well data and interpretive products and services.

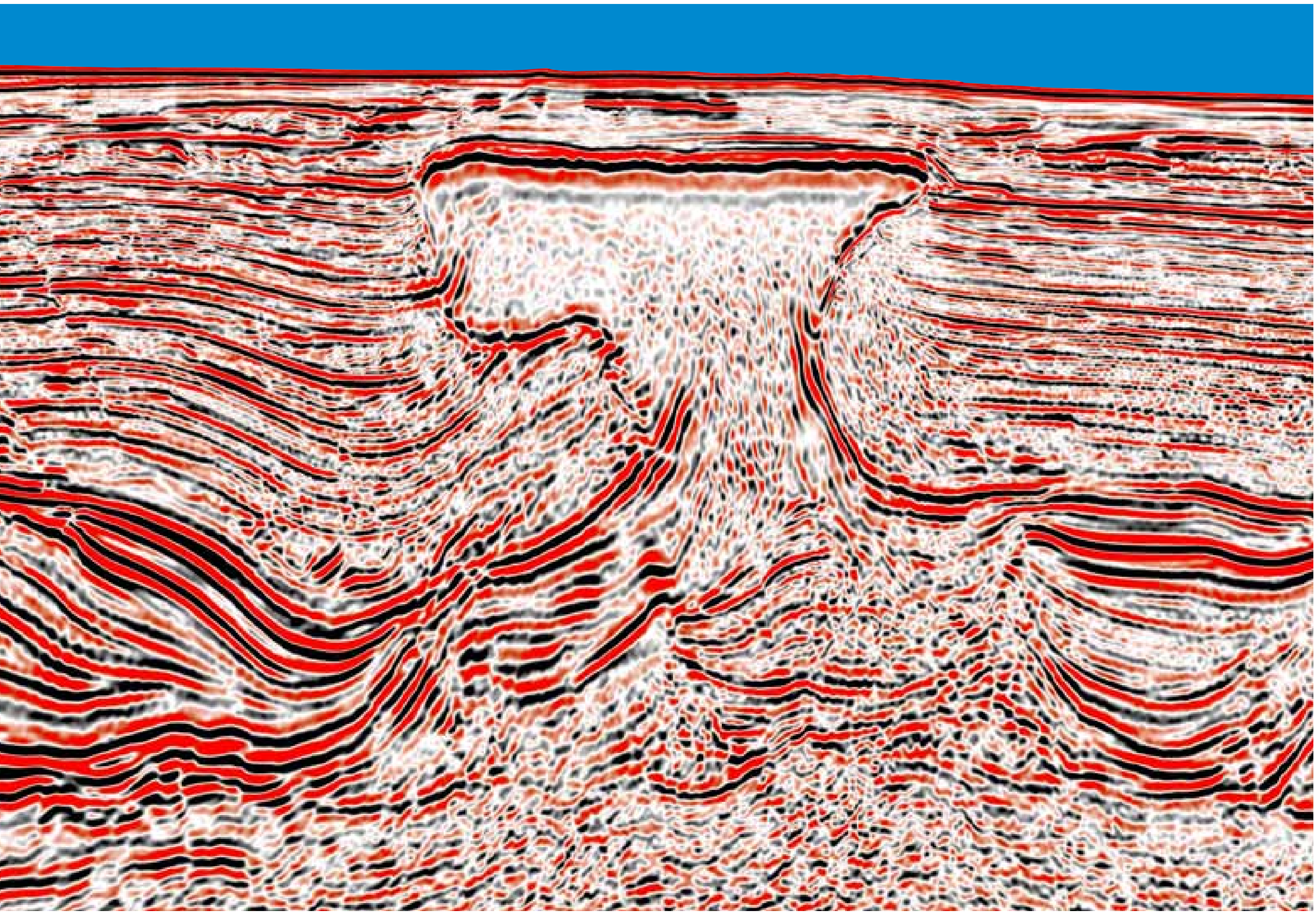
TGS and NOPEC Yesterday

Former U.S. oil company executives organized TGS Geophysical Company in 1981 in Houston, Texas and built what became the dominant 2D multi-client data library in the Gulf of Mexico. The Company later expanded into additional North American and West African markets while also establishing a significant 3D portfolio in the Gulf of Mexico.

Former Norwegian oil company executives organized NOPEC International (NOPEC) in 1981 in Oslo, Norway and started the first of many highly successful multi-client surveys with a Central Graben regional project in the North Sea. While growing its industry-leading North Sea multi-client 2D database, NOPEC established operations in Australia and the Far East. In 1997 NOPEC became publicly traded on the Oslo Stock Exchange.

TGS in Transition

Recognizing a need for high quality, regional, multi-client seismic surveys and a win-win opportunity for investors, customers and employees, the Houston and Oslo-based companies merged in June 1998, forming TGS-NOPEC Geophysical Company (TGS). Since that time, TGS has set the standard for



Gulf of Mexico seismic – Justice project
Reverse Time Migration (RTM)

multi-client geoscientific data acquired around the world. TGS has a firm commitment to high quality products and exemplary customer service. A staff of experienced professionals ensures TGS delivers on its commitments.

TGS products and services have thrived in both high and low economic cycles of the oil industry. While most of the Company's growth can be attributed to its organic seismic business, TGS has also grown by mergers and acquisitions within recent years.

Products and Global Experience

TGS has acquired 2D and 3D multi-client seismic data in North and South America, Europe, Africa, Asia, Australia and the Arctic. There is also a database of marine gravity, magnetic and aeromagnetic data. All multi-client data can be viewed through the data zone map on the Company's website. Data from marine, land, ocean bottom cable, transition zone and Wide Azimuth acquisition methods are processed by the Imaging Services group, who specialize in 2D and 3D data with products and services including time, depth and anisotropic imaging. TGS has the industry's largest collection of online well data in areas within North America, South America, Europe, Russia and Africa.

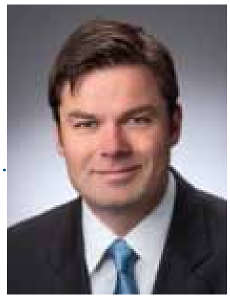
TGS offers interpretation studies and services that integrate seismic, well logs, biostratigraphic data, core data and other geoscientific data to create basin-wide regional frameworks. TGS' geoscientists are also available for contract consulting work in geology, geophysics and petrophysics.

Values

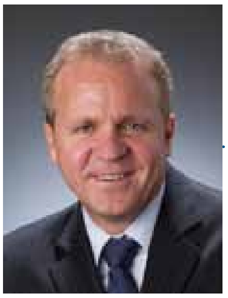
The Company is responsible to its customers through the quality products and exemplary service that differentiates TGS from its competitors. Honesty, integrity and fairness form the cornerstones of the Company's relationships. TGS is responsible to the communities and environment in which its employees live and work. Finally, TGS is responsible to its shareholders and believes that the business must make a profit. Growth is fundamental to TGS' success.

EXECUTIVE MANAGEMENT

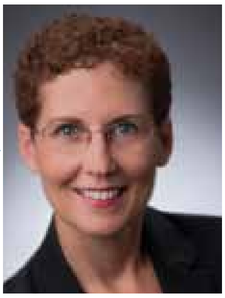
Robert Hobbs
Chief Executive Officer



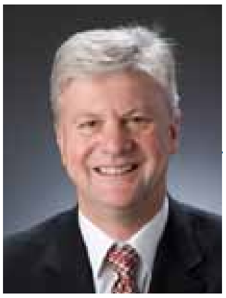
Kristian Johansen
Chief Financial Officer



Stein Ove Isaksen
Senior VP North & South America



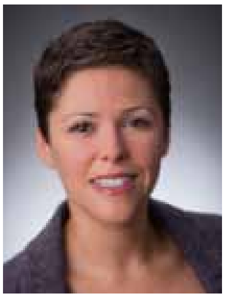
Karen El-Tawil
VP Business Development



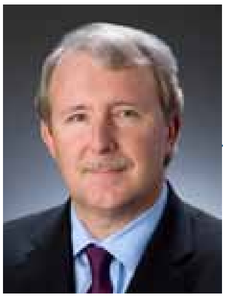
Kjell E. Trommestad
Senior VP & General Director Europe

Bryan Dempsey
VP General Counsel, Corporate Compliance Officer

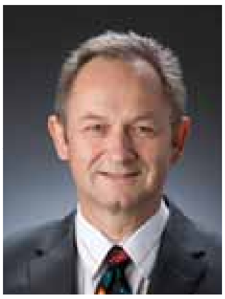
Zhiming Li
Senior VP Data Processing and Research & Development



Genevieve Erneta
VP Human Resources



John A. Adamick
Senior VP Geological Products & Services



Knut Agersborg
VP Geophysical Operations

Robert Hobbs

Chief Executive Officer

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

Kristian Johansen

Chief Financial Officer

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

John A. Adamick

Senior VP Geological Products & Services

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

Knut Agersborg

VP Geophysical Operations

Knut joined TGS in 2005 as Manager of Operations. In December 2008, he was appointed Vice President Geophysical Operations. Knut has more than 28 years of industry experience including 22 years with Schlumberger/WesternGeco where he held senior managerial positions in Operations and Human Resources in Europe and North America.. Knut graduated from Narvik University College in 1979 with a degree in Electronic Engineering.

Bryan Dempsey

VP General Counsel, Corporate Compliance Officer

Bryan joined TGS in 2002 and was appointed Compliance Officer in 2005. He has been practicing law for more than 14 years and is licensed in both Texas and Colorado. Previously, Bryan served as legal counsel to AT&T Broadband, BEA Systems and Convergent Communications. Bryan earned a Bachelor's degree in History from Trinity University and a Juris Doctorate degree from the University of Denver.

Karen El-Tawil

VP Business Development

Karen joined TGS in 1997 and has 28 years of experience in the seismic service industry. In her current position, she is responsible for Investor Relations, Corporate Marketing, and Mergers and Acquisitions. Previously, Karen served as Vice President North and South America Sales. She previously worked at both Western Geophysical and Schlumberger. Karen earned a Bachelor's degree in Earth Science and Mathematics from Adrian College in 1983.

Genevieve Erneta

VP Human Resources

Genie joined TGS in 2008 as VP of Human Resources. Genie has over 18 years of international Human Resources experience predominantly in the Oil & Gas industry. Previous to TGS, she spent four years in a senior HR role at Marathon Oil Company following six years at Veritas DGC, Inc. in a number of progressive HR management roles. Genie has a B.S. degree in Psychology from the University of Houston and holds an M.B.A. from Texas A&M University.

Stein Ove Isaksen

Senior VP North & South America

Stein Ove joined TGS in 2001 as VP New Ventures South Europe and later VP Sales Europe and Russia. In August 2008, he was appointed Vice President North and South America. Stein Ove has more than 25 years' industry experience including 15 years spent with Schlumberger in various managing and technical positions in Europe, Asia and North and South America. Stein Ove holds an M.S. degree in Geophysics from University of Bergen, Norway.

Zhiming Li

Senior VP Data Processing and Research & Development

Zhiming joined TGS in 2007 as Senior VP of Data Processing, Research & Development. He has 28 years' experience in oil companies, geophysical companies and academia. In 2003, he became one of the partners of Parallel Data Systems, a premier depth imaging company acquired by TGS in 2007. He received a B.S. degree in Exploration Geophysics from East China Petroleum Institute in 1982 and a Ph. D. degree in Geophysics from Stanford University in 1986.

Kjell E. Trommestad

Senior VP & General Director Europe

Kjell joined TGS in 1987 and has 24 years of experience within NOPEC and TGS, and seven years of oil company experience in Superior Oil and DNO. He is now Senior VP and General Director, Europe and Russia. Kjell holds a Master's degree in Petroleum Geology from University of Bergen, Norway.

BOARD OF DIRECTORS

From left to right:
Hank Hamilton, Mark S. Leonard, Elisabeth Harstad,
Colette Lewiner, Bengt Lie Hansen

Henry H. Hamilton III, *Chairman*

Born 1959. Mr. Hamilton served as CEO of TGS from 1995 through June of 2009. Hank began his career as a Geophysicist with Shell Offshore (1981-1987) before he moved to Schlumberger (1987-1995) where he ultimately held the position of VP and General Manager for all seismic product lines in North and South America. Hank joined TGS as its CEO in 1995 and remained in the position following the 1998 merger with NOPEC International that created the initial public listing for TGS. Mr. Hamilton served on the Board of Directors for the International Association of Geophysical Contractors (IAGC) from 1993-2011 and joined the board of the Society of Exploration Geophysics (SEG) Foundation at the end of 2010. He was first elected as a Director in 1998 and as Chairman in 2009.

Mark Leonard, *Director (Independent)*

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

Bengt Lie Hansen, *Director (Independent)*

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

Dr. Colette Lewiner, *Director (Independent)*

Born 1945. Dr. Lewiner is currently the Vice President and Global Leader of the Energy, Utilities and Chemical sector at Capgemini. Previously she held the positions of assistant professor at Paris University, Executive Vice President at Electricité de France, and Chairperson and CEO of SGN-Eurisys. Dr. Lewiner serves as a board member for La Poste, Bouygues, Lafarge, and Nexans, and is non-executive Chairwoman at TDF. She was first elected as a Director in 2006.

Elisabeth Harstad, *Director (Independent)*

Born 1957. Ms. Harstad is the Senior Vice President and Managing Director of Det Norske Veritas (DNV) Research and Innovation. She has held various positions within DNV since 1981, interrupted by one year as research and industry coordinator at Neste Petroleum AS in 1992. Ms. Harstad serves as a board member for Yara ASA and KAPNORD Fond AS. She was first elected as a Director in 2007.

From The Board

TGS-NOPEC Geophysical Company ASA (TGS) is a principal resource for global geoscientific data products and services in the oil and gas industry.

TGS specializes in the design, acquisition and processing of multi-client seismic surveys worldwide and delivers advanced high performance seismic imaging and software solutions. The Company also possesses the world's largest online well-log database, and provides multi-client interpretive products and subsurface consulting services to the industry. TGS is a global operator and is presently active in North and South America, Europe, Africa, Asia, Australia and the Arctic.

The Parent Company is located in Asker, Norway. The main subsidiary is in Houston, Texas, U.S.A. and TGS has regional offices in the United Kingdom, Australia and Denver, Colorado, U.S.A. All financial statements in this report are presented on the basis of a "going concern" assumption, and the Board of Directors confirms that it is of the opinion that the prerequisites for a going concern assumption are indeed present. To the best of the Directors' knowledge, no subsequent events not described in this report have occurred since 31 December 2010 that would alter the accounts as presented for 2010.

Operations

The seismic market improved during the first months of 2010 as there were signs of a recovery after the global financial crisis in 2008 and 2009. At the beginning of the year, the industry expected increased exploration and production spending of between 5% and 8% in 2010, supported by high oil prices and strong demand outlook. At the presentation of its 2009 results in February 2010, TGS guided expected 2010 revenues well above the previous year. The optimistic market signals were however negatively affected by the Deepwater Horizon incident in the Gulf of Mexico in April. Despite this incident and continued uncertainty related to regulatory issues in one of its largest markets, TGS grew its annual net revenues by 19%, thereby managing to reach the Company's original revenue guidance for 2010.

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

Geoscientific Data Library as of 31 December 2010

	Kilometers	Kilometers^2	Well Products
Geophysical products			
2D seismic	2,580,000		
3D seismic *(narrow azimuth)*		175,000	
3D seismic *(wide azimuth)*		42,100	
Gravity and magnetic data			
Ship-borne	1,230,000	32,500	
CSEM	547	178	
Airborne	796,000		
Bathymetry data			
Multibeam sea seep		402,000	
Geological data			
Digital well log data			6,318,000
LAS *(Log ASCII Standard)*			578,000
Directional surveys			43,900
Production files			2,870,000

FROM THE BOARD

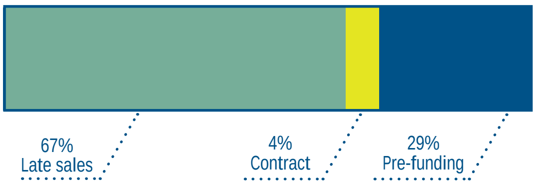
TGS' primary focus is developing, managing and selling licenses of its multi-client geoscientific data, which accounted for 96% of revenues in 2010. Customer pre-funding of new multi-client projects reduces investment exposure, while late sales from the library of data products provide the bulk of the revenue stream. Gross late sales increased 9% to USD 502.2 million from 2009, while net late sales after partner share increased 18% from 2009. Pre-funding on new projects was 55% of the operational investments in multi-client data compared to 47% in 2009. Proprietary contract revenues decreased by 23%, and represented only 4% of total net revenues.

TGS continues to generate multi-client revenues from a well-balanced mix of products

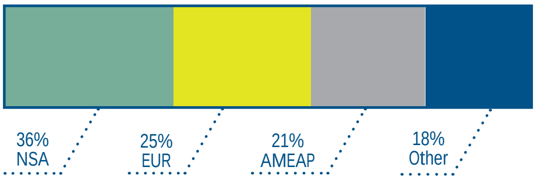
TGS has a well balanced geographical portfolio. Revenues from North and South America increased by 14% in 2010, while Europe and Russia increased by 7% and Africa, Middle East and Asia Pacific increased by 70% compared to 2009.

TGS continues to generate multi-client revenues from a well-balanced mix of products. In 2010, multi-client 2D seismic revenues decreased 1% from 2009, multi-client 3D seismic revenues increased 32% and multi-client revenues from geological products increased 13%.

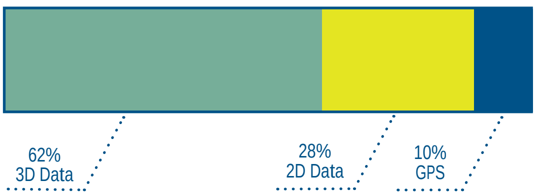
2010 Net Revenues



2010 Net Revenues



2010 Net Multi-client Revenues



Multi-client Geoscientific Data Library

TGS' library of multi-client seismic data, well data and integrated products is its largest single financial asset, with a net book value representing 39% of the total assets in the balance sheet. Seismic data, representing approximately 88% 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 each project is fully amortized within a four-year period following its completion. Because of the Company's strong track record in delivering sales, the library is amortized more quickly than required by the minimum criteria. As a result, the library's current net book value is heavily weighted toward the newest, most modern projects. The well data library is depreciated on a straight-line basis over seven years.

Vessel Commitments and Options

TGS secures all seismic acquisition capacity from external suppliers. At year-end 2010, the Company had entered into commitments for current and future charter hire of two 3D seismic acquisition vessels and one 2D seismic acquisition vessel. These three commitments expire in 2011. The amounts committed total USD 29.2 million for the year 2011. The Company has an option to extend one of the 3D commitments for nine months. The Company also has an option to hire up to 24 months of un-contracted 3D vessel capacity from CGGVeritas (Wavefield Inseis) through the end of 2012.

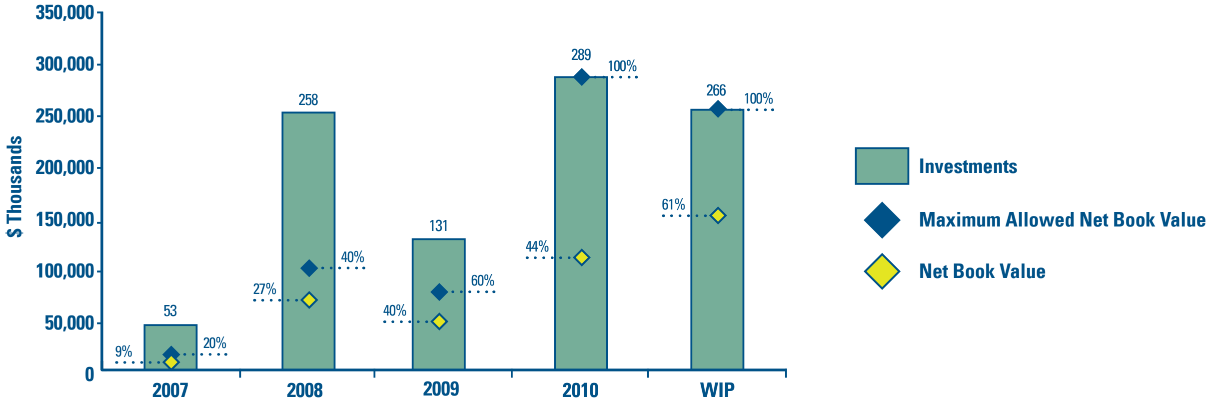
Results from Operations

Net revenues in 2010 were USD 568.3 million, an increase of 19% compared to 2009 (USD 477.7 million). Operating profit (EBIT) came in at USD 227.1 million, an increase of 8% compared to 2009 (USD 210.2 million). The EBIT margin was 40% as compared to a margin of 44% in 2009. The lower margin in 2010 was primarily due to a higher rate of multi-client amortization costs. These non-cash costs fluctuate from time to time based on the sales mix of projects during the period measured. The market effects from the Deepwater Horizon accident in the Gulf of Mexico had a negative impact on amortization costs in 2010.

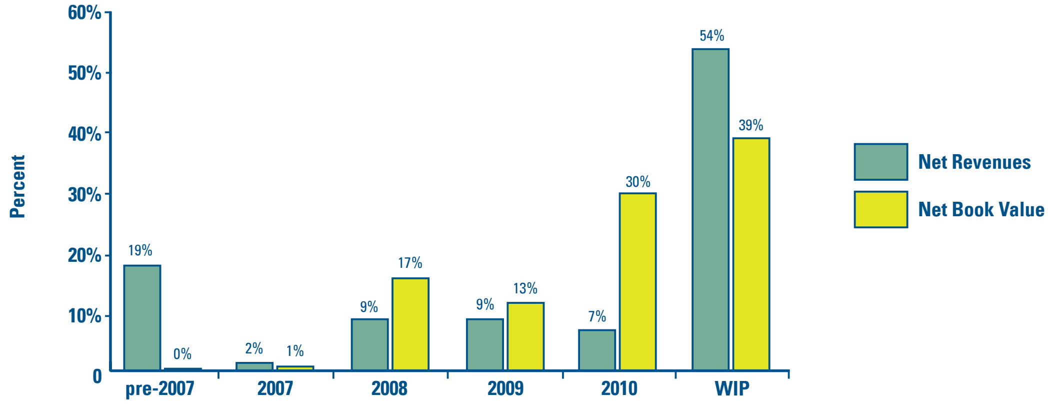
TGS' operating cash flow increased by 25% to USD 408.8 million in 2010 compared to 2009 (USD 326.1 million).

Investments per Vintage

Net Book Value in % of original investment (year-end) versus allowed maximum %



Annual 2010 Net Revenues vs. Net Book Value per Vintage



FROM THE BOARD

In 2010, TGS paid out the first dividend in the Company's history with USD 64.7 million. In addition the Company bought back its own shares for USD 31.9 million . At year end TGS had cash and cash equivalents of USD 290.2 million compared to USD 243.5 million in 2009. As of 31 December 2010, total equity amounted to USD 908.8 million, corresponding to an equity ratio of 75%.

Shareholders Value Metrics	2010	2009
Net revenues	568,263	477,695
Operating profit (EBIT) margin	40%	44%
Multi-client net revenues/average net book value ratio	1.21	1.17
Pre-tax return on average capital employed (ROCE)	26%	27%
Cash flow from operations after multi-client investments	137,464	87,651
Shareholder equity as % of balance sheet	75%	73%

Mergers and Acquisitions

On 15 June 2010 the Company purchased certain assets of P2 Energy Solutions (P2ES), a privately held company in the United States specializing in software, data and services for the oil and gas industry. The consideration paid for the shares totaled USD 3.6 million.

Investments, Capital, Financing and Dividend

TGS is listed on the OBX List on the Oslo Stock Exchange, being among the 25 most liquid stocks in Norway. TGS did not raise any new equity in the market during 2010. The Board does not anticipate issuing any new equity during 2011, apart from issues of stock options to employees, unless necessary to finance the acquisition of another company or a major business opportunity.

During 2010, TGS invested USD 295.3 million organically in its multi-client library, USD 3.6 million through mergers and acquisitions and USD 5.7 million in additional capital expenditures.

TGS still holds a number of Auction Rate Securities (ARS) and classifies them as current financial investments available for sale. Although most of the original holdings have been redeemed at par value, the market for these securities is still distressed. As TGS has no need to liquidate these securities within the near future at discounted prices, TGS has valued the ARS at year-end at fair value based on a third party valuation that considered actual market trades as well as a discounted cash flow valuation method.

As of 31 December 2010, TGS' total cash holdings amounted to USD 290.2 million as compared to USD 243.5 million at 31 December 2009.

TGS has sufficient cash and financial capacity to finance the operations and cover other known potential liabilities.

For the accounting year 2010, the Board has proposed to the June 2011 Annual General Meeting a dividend of NOK 5 per share. This dividend consists of an increased ordinary dividend of NOK 3 per share, and non-recurring dividend of NOK 2 per share.

The Board of Directors intends to continue to buy back shares in the market on an opportunistic basis.

Risk Management and Internal Control

The activities of TGS Group's clients, exploration and production companies within the oil and gas industry, typically vary with fluctuations in oil and gas commodity prices, or perceived expectations of change. This impacts the TGS Group's activity and profitability. Additionally, TGS is exposed to financial risks like currency, liquidity and credit risk.

TGS' operational exposure to currency risk is low as major portions of the revenues and costs are in US dollars. However, as the Parent Company 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.

Liquidity risk arises from a lack of correlation between cash flow from operations and financial commitments. As per 31 December 2010, TGS held current assets of USD 602.7 million, of which cash and cash equivalents represented USD 290.2 million, and current liabilities of USD 207.7 million. The Company's liquidity risk is considered to be low.

TGS is exposed to credit risk through sales and uses best efforts to manage this risk. All placements of excess cash are either bank deposits or in financial instruments that have a minimum rating of "investment grade".

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

Organization, Working Environment and Equal Opportunity

TGS' Parent Company had 34 employees as of 31 December 2010. TGS had 476 employees in the United States, 44 employees in Norway, 96 employees in the United Kingdom, 13 employees in Australia and 5 employees in Russia, totaling 634 employees. The number of employees during 2010 averaged 632.

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

Women comprise 48% of the total workforce in the Company. The corresponding figure for managers is 23%.

Health, Safety and Environmental (HSE) Issues

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

The sickness absence frequency for TGS in 2010 was 0.7% as compared to 1.2 % in 2009.

In 2010, TGS incurred two lost time injuries in 4,281,223 man hours yielding a lost time incident rate of 0.5 per million man hours. This is a marked improvement over 2009 when the lost time incident rate was 0.9 per million man hours. As part of the continuous improvement strategy for 2010, the TGS HSE management system was comprehensively reviewed, edited and updated. Also in 2010, TGS established a Business Continuity Plan for the Houston area offices and implemented an International Travel Safety policy in an ongoing effort to provide a safe and secure place for employees regardless of where in the world business takes them.

TGS works with its subcontractors to bridge its HSE management system with their respective management systems. In most field operations, TGS-managed observers monitor the HSE activity of the responsible sub-contractor.

Board Structure and Corporate Governance Policy

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

The independent Nomination Committee, re-elected by the shareholders for a two-year term at the Annual General Meeting on 4 June 2009, consists of the following members: Nils B. Gulnes (Chairman), Jarl Ulvin and Tor Himberg Larsen.

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

It is the opinion of the Board of Directors that the Company complies with the Norwegian Code of Practice for Corporate Governance published on 21 October 2010. The Board fully endorses the section entitled "Corporate Governance" found in a separate section of this Annual Report.

Salary and Other Compensation

TGS compensates its employees according to market conditions that are reviewed on an annual basis by the Compensation Committee. Compensation includes base salary, insurance and retirement benefit programs, a profit-sharing bonus plan based on performance, and in certain cases, a stock option plan or stock appreciation rights program. For further details refer to the paragraph "Salary and Other Compensation" in item 12 in the section "Corporate Governance."

The Directors do not participate in any bonus or profit-sharing plan. The Chairman, by virtue of his past employment with the Company, still holds 80,000 stock options which will expire in June 2011. The other Directors do not participate in the stock option plan.

Outlook

High commodity prices and announced increased exploration and production budgets from TGS' customers are expected to provide a foundation for further growth in the TGS database in 2011. While management continues to view the deepwater Gulf of Mexico, one of TGS' largest markets, with near-term caution, global demand for recently-acquired seismic and well data appears to be increasing as customers expand their efforts in producing and replacing hydrocarbon reserves. This increased activity has resulted in significant customer interest in new project ideas involving mature plays in which TGS has a dominant position as well as in new plays that provide exciting opportunities for growth. In addition, TGS is seeing unprecedented demand for its onshore US well data products as resource play exploration and production activity continue to increase.

TGS' investment activity in 2011 is expected to be heavily weighted towards the second half of the year. The cost of capacity to gather data for TGS' library continues to be relatively low as new seismic streamer capacity is added to the market. TGS is still able to obtain vessel capacity on a project-by-project basis and therefore continues to be in a position of maximum flexibility regarding the number and duration of its vessel commitments.

The Board believes that the promising market outlook combined with the Company's flexible business model and strong balance sheet creates a favorable environment for continued long-term profitable growth.

Allocation of Profit

The Board proposes that the Parent Company's net income shall be applied as follows:

Dividends	USD 87.0 million
Allocated to other equity	USD 15.3 million
Total	**USD 102.3 million**

As of 31 December 2010, the Parent Company's free equity was NOK 1,122.0 million (USD 182.2 million) after accrual for dividends.

As part of the Group's tax planning, the Board also proposes that the Parent Company makes intercompany group contributions to certain wholly-owned subsidiaries of USD 4.4 million.

22 March 2011

Hank Hamilton
Chairman

Mark S. Leonard
Director

Colette Lewiner
Director

Bengt Lie Hansen
Director

Elisabeth Harstad
Director

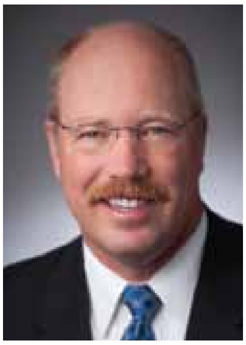
Robert Hobbs
CEO

Confirmation from The Board of Directors and CEO

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2010 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the group taken as a whole. We also confirm that this report of the Board of Directors with references to the notes to the accounts and the Corporate Governance section of the Annual Report includes a true and fair review of the development and performance of the business and the position of the entity and the Group, together with a description of the principal risks and uncertainties facing the Parent Company and the Group.

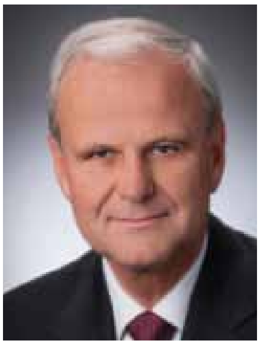
22 March 2011

Hank Hamilton
Chairman



Mark S. Leonard
Director

Colette Lewiner
Director



Bengt Lie Hansen
Director

Elisabeth Harstad
Director

Robert Hobbs
CEO

Group Financials

Consolidated Statement of Comprehensive Income

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

	Note	2010	2009
Net revenues	**3,23**	**568,263**	**477,695**
Cost of goods sold - proprietary and other	1	**4,977**	8,389
Amortization of the multi-client library	3,5	**247,874**	176,695
Personnel costs	3,7	**52,897**	48,657
Cost of stock options	3,7,8	**2,446**	3,018
Other operating expenses	3	**23,176**	22,011
Depreciation and amortization	3,4,5	**9,785**	8,697
Total operating expenses		**341,155**	**267,466**
Operating profit		**227,108**	**210,229**
Financial income	24	**2,689**	6,063
Financial expenses	24	**(44)**	(662)
Exchange gains/losses	24	**(1,391)**	4,114
Impairment on financial assets available for sale	24	**(617)**	(542)
Net financial items		**637**	**8,973**
Profit before taxes		**227,745**	**219,202**
Taxes	25	**71,962**	56,732
Net income		**155,783**	**162,471**
Earnings per share (USD)	9	**1.52**	1.58
Earnings per share, diluted (USD)	9	**1.49**	1.56
Other comprehensive income:			
Exchange differences on translation of foreign operations		**(167)**	2,292
Net (loss)/gain on available for sale financial assets		**109**	(197)
Other comprehensive income/(loss), net of tax		**(58)**	**2,096**
Total comprehensive income for the period[1]		**155,725**	**164,566**

1) Attributable to equity holders of the Parent

Consolidated Balance Sheet

as of 31 December

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

22 March 2011

	Note	2010	2009
Assets			
Non-current assets			
Goodwill	5,6	**45,837**	45,495
Multi-client library	5	**475,698**	424,282
Other intangible non-current assets	5,6	**23,614**	34,682
Deferred tax asset	25	**12,052**	8,158
Buildings	4	**780**	1,044
Machinery and equipment	4	**14,465**	20,111
Other non-current assets	14	**41,744**	1
Total non-current assets		**614,189**	**533,772**
Current assets			
Financial investments available for sale	15	**21,123**	27,201
Derivative financial instruments	14	**384**	–
Accounts receivable	16	**285,247**	327,107
Other receivables	16	**5,788**	12,704
Cash and cash equivalents	11	**290,185**	243,493
Total current assets		**602,727**	**610,505**
Total assets		**1,216,916**	**1,144,278**
Equity and Liabilities			
Equity			
Paid-in capital			
Share capital	10	**3,714**	3,737
Treasury shares held	10	**(63)**	(37)
Share premium reserve		**40,894**	36,657
Other paid-in equity		**18,244**	15,798
Total paid-in capital		**62,789**	**56,155**
Other equity		**845,982**	783,701
Total equity		**908,771**	**839,856**
Liabilities			
Non-current liabilities			
Other non-current liabilities	14	**12,715**	–
Deferred tax	25	**87,687**	72,790
Total non-current liabilities		**100,402**	**72,790**
Current liabilities			
Accounts payable	17	**112,845**	138,249
Taxes payable, withheld payroll tax, social security	25	**39,669**	41,452
Other current liabilities	17	**55,229**	51,932
Total current liabilities		**207,743**	**231,632**
Total liabilities		**308,145**	**304,422**
Total equity and liabilities		**1,216,916**	**1,144,278**

Hank Hamilton
Chairman

Mark S. Leonard
Director

Colette Lewiner
Director

Bengt Lie Hansen
Director

Elisabeth Harstad
Director

Robert Hobbs
CEO

Consolidated Statement of Changes in Equity

as of 31 December

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

	Share Capital	Treasury Shares Held	Share Premium Reserve	Other Paid-in Equity	Available for Sale Reserve	Foreign Currency Translation Reserve	Retained Earnings[1]	Total Equity
Balance 1 January 2010	**3,737**	**(37)**	**36,657**	**15,798**	**502**	**(8,226)**	**791,424**	**839,856**
Net income	–	–	–	–	–	–	155,783	**155,783**
Other comprehensive income	–	–	–	–	109	(167)	–	**(58)**
Total comprehensive income	–	–	–	–	109	(167)	155,783	**155,725**
Paid-in equity through exercise of stock options	16	–	4,237	–	–	–	–	**4,253**
Purchase of treasury shares	–	(73)	–	–	–	–	(31,805)	**(31,878)**
Distribution of treasury shares	–	8	–	–	–	–	2,206	**2,214**
Cancellation of treasury shares held	(39)	39	–	–	–	–	–	**–**
Cost of stock options	–	–	–	2,446	–	–	–	**2,446**
Dividends	–	–	–	–	–	–	(64,027)	**(64,027)**
Deferred tax asset related to stock options	–	–	–	–	–	–	183	**183**
Balance 31 December 2010	**3,714**	**(64)**	**40,894**	**18,244**	**611**	**(8,393)**	**853,764**	**908,771**

1) The Board of Directors proposes to the shareholders at the June 2011 Annual General Meeting a dividend of NOK 5 per share of outstanding common stock, of which NOK 2 per share is a non-recurring distribution. During 2010, a dividend of NOK 4 per share, of which NOK 2 per share was a non-recurring distribution, were paid to the shareholders.

	Share Capital	Treasury Shares Held	Share Premium Reserve	Other Paid-in Equity	Available for Sale Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
Balance 1 January 2009	**3,855**	**(181)**	**32,248**	**12,780**	**699**	**(10,518)**	**622,180**	**661,062**
Net income	–	–	–	–	–	–	162,471	**162,471**
Other comprehensive income	–	–	–	–	(197)	2,292	–	**2,096**
Total comprehensive income	–	–	–	–	(197)	2,292	162,471	**164,566**
Paid-in equity through exercise of stock options	24	–	4,409	–	–	–	–	**4,433**
Distribution of treasury shares	–	3	–	–	–	–	718	**720**
Cancellation of treasury shares held	(142)	142	–	–	–	–	–	**–**
Cost of stock options	–	–	–	3,018	–	–	–	**3,018**
Tax deductions related to stock options for years 2004-2009	–	–	–	–	–	–	5,743	**5,743**
Deferred tax asset related to stock options	–	–	–	–	–	–	312	**312**
Balance 31 December 2009	**3,737**	**(37)**	**36,657**	**15,798**	**502**	**(8,226)**	**791,424**	**839,856**

Consolidated Statement of Cash Flow

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

	2010	2009
Cash flow from operating activities		
Received payments from customers	**549,597**	443,888
Payments for salaries, pensions, social security tax	**(52,452)**	(49,539)
Other operational costs	**(27,404)**	(28,329)
Net gain/(loss) on currency exchange	**(1,392)**	4,182
Paid taxes	**(59,562)**	(44,081)
Net cash flow from operating activities[1]	**408,787**	**326,121**
Cash flow from investing activities		
Received payments from sale of tangible assets	**375**	–
Investment in tangible assets	**(5,201)**	(9,611)
Investments in multi-client library	**(271,323)**	(238,470)
Investments through mergers and acquisitions	**(3,625)**	(850)
Proceeds from sale of short-term investments	**6,825**	54,327
Interest received	**1,488**	3,175
Net cash flow from investing activities	**(271,461)**	**(191,429)**
Cash flow from financing activities		
Repayment of short-term loans	**–**	(44,091)
Interest paid	**(19)**	(567)
Dividend payments	**(64,742)**	–
Purchase of own shares	**(31,879)**	–
Proceeds from share offerings	**6,004**	5,153
Net cash flow from financing activities	**(90,636)**	**(39,505)**
Net change in cash and cash equivalents	**46,692**	95,187
Cash and cash equivalents at the beginning of the period	**243,493**	148,306
Cash and cash equivalents at the end of the period	**290,185**	**243,493**
1) Reconciliation		
Profit before taxes	**227,745**	219,202
Depreciation/amortization	**257,659**	185,391
Changes in accounts receivables	**(268)**	(92,616)
Changes in other receivables	**2,324**	18,342
Changes in other balance sheet items	**(19,111)**	39,883
Paid taxes	**(59,562)**	(44,081)
Net cash flow from operating activities	**408,787**	**326,121**

NOTES TO GROUP FINANCIAL STATEMENTS

(All amounts in USD 1,000s)

1 GENERAL ACCOUNTING POLICIES

General Information

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

The TGS Group consolidated financial statements were authorized by the Board of Directors on 22 March 2011.

Basis of Preparation

The consolidated financial statements of 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 31 December 2010 and consist of the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity, and notes to the group financial statements.

The consolidated financial statements for the TGS Group have been prepared on a historical cost basis, except for derivative financial instruments and financial investments available for sale that have been measured at fair value. The financial statements of the subsidiaries have been prepared for the same reporting year as the Parent Company, using consistent accounting policies. All intra-group balances, 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.

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.

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 consistent accounting policies. 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.

Subsidiaries with Functional Currency Other Than USD

The balance sheets of subsidiaries with functional currency other than USD are translated into USD using the year-end exchange rate. The income statement items are translated at exchange rates prevailing at the date of the transactions. Exchange rate differences arising from the translation of financial statements of such subsidiaries are recorded in other comprehensive income. Variations from period to period in financial balance sheet items due to movements of the exchange rate in a currency other than the related functional currency are charged to the income statement under financial items.

Presentation Currency

The TGS Group 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, including the Parent Company. The financial statements of the Parent Company are presented separately in this Annual Report.

Foreign Currency of Transactions and Balances

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

Significant Accounting Judgments, Estimates and Assumptions

In the process of applying 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 uncertainties at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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.

Impairment of Goodwill and Other Intangible Assets

The TGS Group determines whether goodwill and other intangible assets with indefinite useful lives are 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.

Deferred Tax Assets

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

Provision of Impairment of Accounts Receivables

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

Share–based Payments

The 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 (equity-settled transactions) or at the end of each reporting period (cash-settled transactions). Estimating fair value requires an appropriate valuation model to value the share-based instruments. The values are dependent on the terms and conditions of the granted share-based instruments. This also requires determining the appropriate inputs to the valuation models including the expected life of the instruments, volatility and dividend yield and making assumptions about them.

Revenue Recognition

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

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

Finished Data

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

Revenue Sharing

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

Proprietary Contracts

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

Interest Income

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

Royalty Income

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

Cost of Goods Sold (COGS) – Proprietary and Other

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

Multi-client Library

The multi-client library includes completed and in-progress geophysical and geological data to be licensed on a non-exclusive basis to oil and gas exploration and production companies. The costs directly attributable to data acquisition and processing are capitalized and included in the inventory value. The library also includes the cost of data purchased from third parties. The library of finished multi-client seismic data and interpretations is presented at cost reduced by accumulated amortization.

Amortization Related to Sales of Seismic Data

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

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

Minimum Amortization Policy on Seismic Data

A minimum amortization criterion is applied: The maximum net book value of the individual survey one year after completion is 60% of original cost. 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 is presented at cost, reduced by accumulated amortization. Amortization is recorded as a straight-line amortization over seven years.

Impairment Test Library

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

Intangible Assets

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

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

Business Combinations and Goodwill

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

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

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill from a business combination is, from the acquisition date, allocated to each of the TGS Group's 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. 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. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities but excluding future restructuring) of the purchased business at fair value.

Should part of an operation carrying goodwill be disposed of, the goodwill which is associated with the disposed operation is then included in book value of the operation when determining the gain or loss on the disposal. The goodwill disposed of in this circumstance is determined measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and 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 book value of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Tangible Non-current Assets 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.

Purchases which are expected to have a technical and economic life of more than one year are capitalized as tangible non-current assets. Depreciation begins when the assets are available for use. Tangible non-current assets held for sale are stated at the lower of book value and presumed market value and are not subject to depreciation.

Software Development Costs

Software development costs that do not meet the criteria of capitalization are expensed as incurred.

Provisions

Provisions are made when the TGS Group has a current 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.

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

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 outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Share-based Payments

Key employees of the TGS Group receive remuneration in the form of share-based payment whereby employees render services as consideration for stock options and stock appreciation rights.

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

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the 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.

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

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

Financial Investments and Other Financial Instruments

The TGS Group classifies financial investments in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification at initial recognition and re-evaluates this designation at every reporting date. When financial assets 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. The TGS Group does not apply hedge accounting.

Financial Assets at Fair Value Through Profit or Loss

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

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

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method 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 other comprehensive income in the available-for-sale reserve, until the investment is derecognized. Then the cumulative gain or loss is recognized in other operating income, or determined to be impaired when a negative development is considered significant or prolonged, at which time the cumulative loss is recognized in the income statement in finance cost and removed from the available-for-sale reserve.

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

De-recognition of Financial Assets and Liabilities

A financial asset is de-recognized when:

- The rights to receive cash flows from the asset have expired, or
- 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 and disposal groups classified as held for sale are measured at the lower of the assets' previous book value and fair value less cost to sell. Non-current assets and disposal groups are classified as held for sale if their book value will be recovered principally through a sales transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

Pensions

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 fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance leases are recorded as assets and liabilities, and lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the income statement.

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

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

Accounts Receivable and Other Receivables

Receivables are measured at cost less any amounts expected to be uncollectible.

Treasury Shares

TGS-NOPEC Geophysical Company ASA's shareholding of treasury shares is recorded using the par value method, where the total par value of the shares acquired is debited the treasury stock account, reducing total equity, and the difference between the purchase price and par value is debited other equity. Gains or losses on sales of treasury shares are treated as equity transactions and booked directly to equity.

Dividends

A dividend approved by the Company's shareholders is recognized as a liability in the Group's financial statements.

This is treated differently in the Parent Company which reports its financial statements in accordance with the Norwegian Accounting Act and generally accepted accounting practices in Norway. The Parent Company recognizes dividends as a liability in the financial statements when it is proposed by the Board of Directors.

Cash Flow Statement

The cash flow statement is compiled using the direct method.

Changes in Accounting Policy and Disclosures

(a) New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2010:

- IFRS 2 'Share-based Payment: Group Cash-settled Share-based Payment Transactions' effective 1 January 2010
- IFRS 3 (Revised) 'Business Combinations' and IAS 27 (Amendment) 'Consolidated and Separate Financial Statements' effective 1 July 2009, including consequential amendments to IFRS 2, IFRS 5, IFRS 7, IAS 7, IAS 21, IAS 28, IAS 31 and IAS 39
- IAS 39 'Financial Instruments: Recognition and Measurement – Eligible Hedged Items' effective 1 July 2009
- IFRIC 17 'Distributions to Non-cash Assets to Owners' effective 1 July 2009
- Improvements to IFRSs (May 2008)
- Improvements to IFRSs (April 2009)

The adoption of the standards and interpretations is described below.

(b) New and amended standards adopted by the TGS Group

The TGS Group has adopted the following new and amended IFRS interpretations, deemed to be relevant for the financial statements or performance of the Group, as of 1 January 2010:

- IFRS 2 (Revised), 'Share-based Payment'
  The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. The Group adopted this amendment as of 1 January 2010. It did not have an impact on the financial position or performance of the Group.
- IFRS 3 (Revised), 'Business Combinations'
  The revised standard introduces significant changes in the accounting for business combinations occurring after becoming effective. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results. The changes by IFRS 3 (Revised) affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after 1 January 2010. The change in accounting policy was applied prospectively and had no material impact on earnings per share.
- IAS 27 (Amendment), 'Consolidated and Separate Financial Statements'
  The standard requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise 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 by IAS 27 (Amended) affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after 1 January 2010. The change in accounting policy was applied prospectively and had no material impact on earnings per share.
- IAS 39 'Financial Instruments: Recognition and Measurement – Eligible Hedged Items'
  The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

(c) Improvements to IFRSs

In May 2008 and April 2009, the IFRS issued an omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

Issued in May 2008

- IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations'
  The amendment clarifies that when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity remains a non-controlling interest after the sale transaction. The amendment is applied prospectively and has no impact on the financial position nor financial performance of the Group.

Issued in April 2009

- IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations'
  The amendment clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations. The amendment is not considered to have any material impact on the Group's disclosures.
- IFRS 8 'Operating Segments'
  The amendment clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does not review segment assets and liabilities, the Group does not disclose this information in Note 3: Segment Information.
- IAS 7 'Statement of Cash Flows'
  The amendment states that only expenditure that results in recognizing an asset can be classified as a cash flow from investing activities. This amendment is not considered to have any impact on the Group's cash flow statement.
- IAS 36 'Impairment of Assets'
  The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.

Other amendments resulting from improvements to IFRS to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 2 'Share-Based Payment'
- IAS 1 'Presentation of Financial Statements'
- IAS 17 'Leases'
- IAS 34 'Interim Financial Reporting'
- IAS 38 'Intangible Assets'
- IAS 39 'Financial Instruments: Recognition and Measurement
- IFRIC 9 'Reassessment of Embedded Derivatives'
- IFRIC 16 'Hedge of a Net Investment in a Foreign Operation'

(d) IFRSs and IFRICs issued but not yet effective

- Amendments to IFRS 7 'Financial Instruments – Disclosures'
  The amended IFRS 7 is effective for annual periods beginning on or after 1 July 2011, but the standard is not yet approved by the EU. The Group expects to implement the amended IFRS 7 as of 1 January 2012.
- IFRS 9 'Financial Instruments'
  IFRS 9 is effective for annual periods beginning on or after 1 January 2013, but the standard is not yet approved by the EU. The Group expects to apply IFRS 9 as of 1 January 2013.
- Amendments to IAS 12 'Income Taxes'
  The amended IAS 12 is effective for annual periods beginning on or after 1 January 2012, but the standard is not yet approved by the EU. The Group expects to implement the amended IAS 12 as of 1 January 2012.
- IAS 24 (revised) 'Related Party Disclosures'
  IAS 24 (R) is effective for annual periods beginning on or after 1 January 2011, but the revised standard is not yet approved by the EU. The Group expects to implement IAS 24 (R) as of 1 January 2011.
- Amendments to IAS 32 'Financial Instruments: Presentation – Classification of Rights Issues'
  The amendment is effective for annual periods beginning on or after 1 February 2010. The Group expects to implement the amendments as of 1 January 2011.
- Amendments to IFRIC 14 'IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction - Prepayments of a Minimum Funding Requirement'
  The amendment is effective for annual periods beginning on or after 1 January 2011. The Group expects to implement the amendment as of 1 January 2011.
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'
  The interpretation is effective for annual periods beginning on or after 1 July 2010. The Group expects to implement IFRIC 19 as of 1 January 2011.

Annual Improvements Project 2010

The improvements are effective for annual periods beginning on or after 1 July 2010. The Group plans to implement the amendments from 1 January 2011.

- IFRS 3 'Business Combinations'
- IFRS 7 'Financial Instruments – Disclosures'
- IAS 1 'Presentation of Financial Statements'
- IAS 27 'Consolidated and Separate Financial Statements'
- IAS 34 'Interim Financial Reporting'
- IFRIC 13 'Customer Loyalty Programmes'

2 BUSINESS COMBINATIONS

Acquisitions 2010:

On 15 June 2010 the Company purchased certain assets, considered to form a business, of P2 Energy Solutions (P2ES), a privately held company in the United States specializing in software, data and services for the oil and gas industry.

Assets Acquired:

The fair value of the identifiable assets of P2ES at the date of acquisition was:

	Fair Value Recognized On Acquisition
Multi-client library	2,900
Intangible assets	620
Goodwill arising on acquisition	105
Total assets acquired	**3,625**
Purchase consideration transferred	3,625
P2ES multi-client library[1]	2,900
P2ES software[2]	300
P2ES non-compete agreements[3]	320
Total identified values	**3,520**
Goodwill	105

1) Multi-client library: Represents the fair value of the directional surveys acquired.
2) Software: Represents the fair value of the acquired software that will be used by the TGS Group to process and display directional surveys. This software contains certain code protected as trade secrets by the Company.
3) Non-compete agreements: Fair value of three non-compete agreements legally restricting two key employees and P2ES from competing with TGS in any business activity related to the directional survey business anywhere in the world for two, three and five years.

No other significant business combinations, either individually or collectively, has taken place in 2010.

Acquisitions 2009:

No significant business combinations, either individually or collectively, took place in 2009.

3 SEGMENT INFORMATION

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

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

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

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. No inter-segment sales between the reportable segments have taken place during 2010 or 2009.

In 2010, the TGS Group has changed the composition of reportable segments. Accordingly, the corresponding information for 2009 has been restated.

2010	North & South America	Europe & Russia	Africa, Middle East & Asia/Pacific	Other Segments/ Corporate Costs	Consolidated
Net operating revenues	207,309	144,509	118,006	98,439	568,263
Other revenues	–	–	–	–	–
Net external revenues	**207,309**	**144,509**	**118,006**	**98,439**	**568,263**
Costs of goods sold - proprietary and other	–	2,808	165	2,004	4,977
Amortization of multi-client library	96,592	49,483	85,603	16,196	247,874
Operational costs	2,861	6,503	8,454	60,701	78,519
Depreciation and amortization	9	105	234	9,438	9,785
Operating profit	**107,847**	**85,610**	**23,550**	**10,101**	**227,108**

2009	North & South America	Europe & Russia	Africa, Middle East & Asia/Pacific	Other Segments/ Corporate Costs	Consolidated
Net operating revenues	181,797	134,483	69,614	91,800	477,695
Other revenues	–	–	–	–	–
Net external revenues	**181,797**	**134,483**	**69,614**	**91,800**	**477,695**
Costs of goods sold - proprietary and other	–	4,680	2,621	1,088	8,389
Amortization of multi-client library	74,926	44,791	43,809	13,169	176,695
Operational costs	2,151	10,182	5,475	55,875	73,685
Depreciation and amortization	13	315	221	8,147	8,696
Operating profit	**104,707**	**74,515**	**17,487**	**13,522**	**210,229**

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

	2010	2009
Operating profit for reportable segments	**217,007**	196,707
Operating profit for other segments/ corporate costs	**10,101**	13,522
Total segments	**227,108**	**210,229**
Financial income	**2,689**	6,063
Financial expenses	**(44)**	(662)
Exchange gains/losses	**(1,391)**	4,114
Impairment on financial assets available for sale	**(617)**	(542)
Profit before taxes	**227,745**	**219,202**

"Total assets" and "Investments in non-current assets" per reportable segment is not a part of the information regularly provided to executive management. The Group does not report a measure of liabilities for the reportable segments.

As the operating segments reported are broken down to geographic areas, there is no further breakdown of revenues to the customer's country of domicile. The Group has not developed more detailed geographical revenue information due to the excessive cost.

In 2010, no customers represented sales that amounted to 10% or more of net sales.

Analysis of revenues by product type:

	2010	2009
2D seismic	**159,800**	160,940
3D seismic	**350,245**	265,236
Well logs and integrated products	**58,218**	51,519

4 TANGIBLE NON-CURRENT ASSETS

2010

Acquisition Cost and Depreciation:	Machinery and Equipment	Buildings[2]	Total
Cost as of 1 January 2010	75,116	1,528	76,644
Reclassification	396	(396)	–
Additions	5,710	24	5,734
Disposals[1]	(6,228)	–	(6,228)
Exchange adjustment	(79)	(22)	(101)
Cost as of 31 December 2010	74,915	1,134	76,049
Accumulated depreciation as of 1 January 2010	55,005	484	55,489
Reclassification	201	(201)	–
Depreciation for the year	5,778	78	5,856
Accumulated amortization/depreciation on disposals[1]	(5,634)	–	(5,634)
Capitalized to the multi-client library	5,142	–	5,142
Exchange adjustment	(41)	(8)	(49)
Accumulated depreciation as of 31 December 2010	60,451	353	60,804
Net book value as of 31 December 2010	14,465	780	15,244
Useful life	2 to 7 years	50 years	

1) Profit on disposal during the year was USD 56
2) Buildings include some furniture and fixtures with a useful life of ten years

2009

Acquisition Cost and Depreciation:	Machinery and Equipment	Buildings[1,3]	Total
Cost as of 1 January 2009	68,921	1,149	70,070
Reclassification[1]	(3,354)	354	(3,000)
Additions	9,906	56	9,962
Disposals[2]	(207)	–	(207)
Exchange adjustment	(149)	(31)	(180)
Cost as of 31 December 2009	75,116	1,528	76,644
Accumulated depreciation as of 1 January 2009	47,109	267	47,377
Reclassification[1]	(773)	106	(667)
Depreciation for the year	5,645	168	5,813
Accumulated amortization/depreciation on disposals[2]	(184)	–	(184)
Capitalized to the multi-client library	3,710	–	3,710
Exchange adjustment	(502)	(57)	(559)
Accumulated depreciation as of 31 December 2009	55,005	484	55,489
Net book value as of 31 December 2009	20,111	1,044	21,155
Useful life	2 to 7 years	50 years	

1) Reclassification made between tangible and intangible assets
2) Loss on disposal during the year was USD 196
3) Buildings include some furniture and fixture with a useful life of 10 years

5 INTANGIBLE ASSETS

2010

Acquisition Cost and Depreciation:	Goodwill	Multi-client Library	Other Intangible Assets	Total
Cost as of 1 January 2010	55,144	1,375,578	65,446	1,496,168
Business combinations	105	4,000	881	4,986
Reclassification	631	–	(631)	–
Additions	–	295,290	–	295,290
Exchange adjustment	–	(170)	–	(170)
Cost as of 31 December 2010	55,880	1,674,698	65,696	1,796,273
Accumulated depreciation as of 1 January 2010	9,649	951,296	30,764	991,710
Reclassification	393	–	(393)	
Amortization for the year	–	247,874	–	247,874
Depreciation for the year	–	–	3,929	3,929
Capitalized to the multi-client library	–	–	7,782	7,782
Exchange adjustment	–	(170)	–	(170)
Accumulated depreciation as of 31 December 2010	10,042	1,199,000	42,082	1,251,124
Net book value as of 31 December 2010	45,837	475,698	23,614	545,149
Useful life			3 to 7 years	

2009

Acquisition Cost and Depreciation:	Goodwill	Multi-client Library	Other Intangible Assets	Total
Cost as of 1 January 2009	55,142	1,109,599	61,887	1,226,628
Reclassification	–	300	2,700	3,000
Additions	–	265,679	835	266,514
Exchange adjustment	2	–	24	26
Cost as of 31 December 2009	55,144	1,375,578	65,446	1,496,168
Accumulated depreciation as of 1 January 2009	9,649	774,601	17,638	801,888
Reclassification	–	95	485	580
Amortization for the year	–	176,600	–	176,600
Depreciation for the year	–	–	2,884	2,884
Capitalized to the multi-client library	–	–	9,758	9,758
Accumulated depreciation as of 31 December 2009	9,649	951,296	30,764	991,710
Net book value as of 31 December 2009	45,495	424,282	34,682	504,458
Useful life			3 to 7 years	

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

For a description of the impairment testing of goodwill and other intangible assets, see Note 6.

6 GOODWILL AND OTHER INTANGIBLE ASSETS

Specification of goodwill:	US Imaging	GPS Well Logs	GPS Interpretations	UK Imaging	Other[1]	Total
NBV as of 1 January 2010	24,461	11,693	7,320	945	1,076	45,495
+ /- changes during the year	–	105	238	–	–	343
NBV as of 31 December 2010	24,461	11,798	7,558	945	1,076	45,837

1) Other includes goodwill related to CGUs within TGS ASA and Maglight AS

Specification of other intangible assets:	US Imaging	Vessel Charter A	Vessel Charter B	GPS Well Logs	GPS Interpretations	Total
NBV as of 1 January 2010	27,251	1,343	2,886	2,964	238	34,682
+ /- changes during the year	(6,895)	(1,343)	(1,580)	(1,012)	(238)	(11,068)
NBV as of 31 December 2010	20,356	–	1,306	1,953	–	23,614

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.

Based on the impairment testing performed, no impairment exists as of 31 December 2010.

Goodwill and other intangible assets acquired through business combination have been allocated to individual cash generating units (CGU) as referred to in the tables above. GPS Well Logs and GPS Interpretations form operating segments which are included in "Other Segments/Corporate costs" in Note 3. US Imaging and UK Imaging are the main contributors to the Imaging operating segment.

All of the CGUs have been tested for impairment. Comments are made below on 95% of the net book value of goodwill and other intangible assets as of 31 December 2010.

With regard to value in use of the CGUs referred to above, management believes that no reasonably possible change in the key assumptions used in the calculations would cause the carrying values of the units to materially exceed their recoverable amounts.

GPS Well Logs

The value in use of GPS Well Logs has been determined based on revenue and cash flow projections from financial estimates prepared by management of the business unit. The approved budget has been used for 2011. Thereafter, a historical growth rate on multi-client products and a 5% growth rate on all other income statement items have been used for four years.

A terminal value in 2015 of the business unit was determined by discounting the projected cash flow in 2015 assuming a nominal growth of 3%. The terminal value and the cash flows in the five year projection period were discounted using a 13% (before tax) discount rate. The discount rate is based on a risk free rate of 5% and a risk premium of 8%. The risk premium is derived by adjusting the market premium to reflect the project risk.

The impairment calculations are most sensitive to the changes in the forecasted growth rates and the discount rate. Management does not see any reasonable changes in key assumptions that would cause the value in use to be lower than its carrying value.

US Imaging

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 value in use of the division has been determined based on revenue and cash flow projections from financial estimates prepared by management of the business unit. The approved budget has been used for 2011. Thereafter, key assumptions made were the following:

Revenue growth:	5%
Salary growth:	5%
Other expenses growth:	5%
Tax rate:	35%

This division of the Company also processes the multi-client projects of the Company and generates internal revenue from the Company's other divisions at an agreed cost plus rate. The internal revenue from processing the multi-client data has not been included in the impairment calculations.

A terminal value in 2015 of the business unit was determined by discounting the projected cash flow in 2015 assuming a nominal growth of 3%. The terminal value and the cash flows in the five year projection period were discounted using a 13% (before tax) discount rate. The discount rate is based on a risk free rate of 5% and a risk premium of 8%. The risk premium is derived by adjusting the market premium to reflect the project risk.

The impairment calculations are sensitive to the changes in the forecasted growth rates and the discount rate. Management does not see any reasonable change in key assumptions that would cause the value in use to be lower than its carrying value.

GPS Interpretations

The recoverable amount of GPS Interpretations has been determined based on additional sales of the multi-client library deriving from the external interpretation work carried out by GPS Interpretations. The additional sales are estimated to be in the range of USD 2-10 million annually for the next ten years. The low estimate has been used in the calculations together with a discount rate of 11% (before tax). The discount rate is based on a risk free rate of 5% and a risk premium of 6%. The risk premium is derived by adjusting the market premium to reflect the project risk.

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

Vessel Charter B

On 8 November 2008, TGS and Wavefield-Inseis agreed to settle their previous dispute related to the merger process between the two companies. As part of the terms of the settlement, TGS agreed to charter a 2D vessel from Wavefield at favorable rates for an 18 month period which started in April 2009. TGS also received an option to hire up to 24 months of un-contracted 3D vessel capacity from Wavefield over the next four years at favorable rates.

TGS quantified the estimated net present value of the 2D contract to be USD 1.7 million and the 3D options at USD 2.6 million, totaling USD 4.3 million. These values were classified as intangible assets.

7 SALARIES/BENEFITS/NUMBER OF EMPLOYEES/EMPLOYEE LOANS/AUDIT FEES

	2010	2009
Payroll	**58,850**	55,459
Social security costs	**5,224**	4,178
Pension costs	**2,546**	2,091
Other employee related costs	**4,762**	3,811
Salaries capitalized to multi-client library	**(18,485)**	(16,881)
Payroll and related cost	**52,897**	48,658
Cost of stock options (see Note 8)	**2,446**	3,018
Payroll and cost of stock options	**55,343**	51,676

Average number of employees in 2010 was 632 vs. 644 in 2009. No loans to employees are outstanding as of 31 December 2010.

The Group has a profit sharing plan for all employees following a six month trial period. The profit sharing (bonus) is payable quarterly and is calculated as a function of operating profit vs. budget and the individual employee's employment conditions. All bonuses earned in 2010 have been paid or accrued as of 31 December 2010.

Board of Directors 2010

	Director's fee	Value of Shares Received[2]	Total Remunerations
Hank Hamilton *(Chairman of the Board)*[1]	–	–	–
Colette Lewiner	45	18	63
Elisabeth Harstad	60	–	60
Mark Leonard	45	18	63
Bengt Lie Hansen *(Director from June 2010)*	–	18	18
Arne-Kristian Mæland *(Director until June 2010)*	45	–	45

Board of Directors 2009

	Director's fee	Value of Shares Received[2]	Total Remunerations
Claus Kampmann *(Chairman of the Board until June 2009)*	76	10	86
Hank Hamilton *(Chairman of the Board from July 2009)*[1]	–	–	–
Arne-Kristian Mæland	45	19	64
Kathleen Arthur *(Director until June 2009)*	44	8	52
Colette Lewiner	43	19	62
Elisabeth Harstad	54	–	54
Mark Leonard *(Director from June 2009)*	–	11	11

1) Hank Hamilton did not receive a Director's fee. His compensation is included under Executive Management below.
2) In June 2010, each of the Directors, other than the Chairman received 1,600 restricted shares in the Company. One of the Directors was not permitted by her employer to own shares in other companies and will receive cash in lieu of restricted shares in an amount equal to the amount the other Directors will be able to sell their restricted shares for at the closing share price on the first day that a sale is permitted.

	No. of Restricted Shares Received	No. of Shares Held 31/12/2010
Hank Hamilton *(Chairman of the Board)*	–	1,600,000
Colette Lewiner *(Director)*	1,600	6,100
Elisabeth Harstad *(Director)*	–	–
Mark Leonard *(Director)*	1,600	7,100
Bengt Lie Hansen *(Director)*	1,600	1,600

Compensation to the Members of the Nomination Committee

	2010	2009
Nils B. Gulnes *(Chairman)*	25	20
Jarl Ulvin	12	8
Tor Himberg-Larsen	12	8

Executive Management	No. of Shares Held 31/12/2010	No.of Options Held 31/12/2010	No. of SARs Granted in 2010	No. of Options Exercised in 2010	WAEP[1] (in NOK)
Robert Hobbs *(CEO)*	24,500	97,500	–	12,500	70.80
Kristian Johansen *(CFO)*	–	–	40,000	–	–
John Adamick *(SVP Geological Products & Services)*	35,000	26,250	22,750	8,750	70.80
Knut Agersborg *(VP Geophysical Operations)*	2,100	85,000	–	–	–
Bryan Dempsey *(VP General Counsel)*	-	44,000	–	–	–
Karen El-Tawil *(VP Business Development)*	59,250	26,250	22,750	36,750	66.00
Genevieve Erneta *(VP Human Resources)*	–	26,250	22,750	8,750	70.80
David Hicks *(SVP Africa, Middle East, Asia Pacific)*	–	65,500	22,750	17,500	70.80
Stein Ove Isaksen *(SVP North & South America)*	–	35,000	22,750	40,000	64.50
Zhiming Li *(SVP Data Processing and Research & Development)*	235,694	61,250	–	8,750	70.80
Kjell Trommestad *(SVP Europe)*	–	26,250	22,750	–	–

1) WAEP: Weighted average exercise prices on options exercised

Executive Management 2010

	Salary	Bonuses	Other Benefits	Share-based Payments Expensed	Total Remunerations
Robert Hobbs	412	915	18	202	1,547
Kristian Johansen *(CFO from 1 July)*	146	55	9	54	264
John A. Adamick	206	293	17	67	583
Knut Agersborg	174	126	17	121	438
Bryan Dempsey	129	72	16	63	280
Karen El-Tawil	196	317	17	67	597
Genevieve Erneta	165	72	16	67	319
David Hicks	203	209	22	89	522
Stein Ove Isaksen	192	213	110	67	582
Zhiming Li	252	318	23	124	717
Kjell E. Trommestad	184	244	20	67	514
Arne Helland *(CFO until 30 April)*	367	226	–	–	593
Hank Hamilton *(Non-executive advisor until 31 August)*	242	–	23	36	302

Executive Management 2009

	Salary	Bonuses	Other Benefits	Share-based Payments Expensed	Total Remunerations
Robert Hobbs *(COO/CEO from 5 June 2009)*	355	596	13	151	1,115
Hank Hamilton *(CEO until 5 June)*	373	1,632	13	95	2,113
Arne Helland	276	756	19	70	1,121
Knut Agersborg	167	122	17	108	413
Karen El-Tawil	188	316	13	70	588
Genevieve Erneta	158	58	12	58	286

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

Arne Helland resigned as CFO with effect from 1 May 2010. When ending his employment with TGS, Mr. Helland received two years base salary. The total compensation amounts to USD 407,000 and is payable over the ensuing two year period.

Kristian Johansen became CFO starting on 1 July 2010. Together with the other members of the executive management, he participates in the Company's profit sharing bonus plan in the same manner that all other Company employees participate. The maximum amount payable to Mr. Johansen in case of termination of his employment by the Company amounts to six months base salary.

The members of the executive management receive a bonus that is proportional to the TGS Group's annual operating profit before bonus charges and the target amount of each year's annual bonus is determined by the CEO. Except from Mr. Hobbs and Mr. Johansen, none of the members of the executive management have termination agreements.

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

Auditor's Fee

	2010	2009
Statutory audit	624	553
Other attestation services	38	24
Tax advice	116	276
Other services outside the audit scope	42	58
Total fees	**820**	**911**

All amounts are exclusive of VAT.

8 SHARE-BASED PAYMENT PLANS

The Company has a stock option plan under which key employees are granted options secured by warrants or treasury shares. 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 or transfer shares from treasury. Options granted under the 2008 plan are secured by treasury shares held.

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

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

	2010	2009
Expense arising from equity-settled share-based payment plans	2,446	3,018
Expense arising from cash-settled share-based payment plans	795	–

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 plans 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 2009. In 2010, there were 506,050 SARs granted.

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

	2010		2009	
	No.	WAEP (NOK)	No.	WAEP (NOK)
Outstanding at 1 January	2,375,750	84.84	2,532,625	72.14
Granted during the year	506,050[1]	86.15	569,000	78.66
Forfeited during the year	(56,250)	73.46	(85,000)	76.77
Exercised during the year	557,750	69.20	640,875[2]	46.49
Expired during the year	–		–	
Outstanding at 31 December	2,267,800	84.63	2,375,750	84.84
Exercisable at 31 December	907,000		995,500	

1) SARs
2) The weighted average share price at the date of exercise of these options was NOK 72.74

The weighted average remaining contractual life for the share options outstanding on 31 December 2010 is 2.60 years (2009: 2.78 years).

The weighted average fair value of options granted during 2009 was NOK 36.55. The weighted average fair value of SARs granted during 2010 was NOK 8.94.

The range of exercise prices for options outstanding at the end of the year was NOK 70.80 - NOK 105.00 (2009: NOK 64.50 - NOK 105.50)

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

	2010[1]	2009
Expected volatility		
For options vested after 1 year		0.82
For options vested after 2 years		0.69
For options vested after 3 years	0.59	0.63
For options vested after 4 years	0.62	0.59
Expected risk-free interest rate		
For options vested after 1 year		2.19%
For options vested after 2 years		2.74%
For options vested after 3 years	2.54%	3.18%
For options vested after 4 years	2.72%	3.50%
Expected life of options beyond vesting period (years)	1.00	1.00
Expected annual turnover of employees	1.00%	1.00%
Dividend yield	0.00%	0.00%

1) SARs

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

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

The fair value of the SARs is measured at every reporting date and per 31 December 2010, the liability arising from the plan amounted to USD 0.8 million.

Outstanding Stock Options/Warrants as of 31 December 2010:

No. of Options	Exercise Dates	Holders	Price/Conditions	Granted
80,000	See below[1]	Hank Hamilton	NOK 105.50 Warrants expiring on 14 June 2011	17 August 2006
488,000	See below[1]	Key employees	NOK 105.50 Warrants expiring on 14 June 2011	17 August 2006
37,500	See below[2]	Robert Hobbs	NOK 70.80 Warrants expiring on 4 June 2013	14 August 2008
661,250	See below[2]	Key employees	NOK 70.80 Warrants expiring on 4 June 2013	14 August 2008
60,000	See below[3]	Robert Hobbs	NOK 78.66 Warrants expiring on 4 June 2014	13 August 2009
435,000	See below[3]	Key employees	NOK 78.66 Warrants expiring on 4 June 2014	13 August 2009
1,761,750				

Outstanding SARs as of 31 December 2010:

No. of SARs	Exercise Dates	Holders	Price/Conditions	Granted
506,050	See below[4]	Key employees	NOK 86.15 SARs expiring on 3 June 2015	12 August 2010
506,050				

1) The holders may request shares issued in exchange for warrants as follows: Up to 75% beginning 17 August 2009 less previously exercised and 100% beginning 17 August 2010 less previously exercised.
2) The holders may request shares issued in exchange for warrants as follows: Up to 25% beginning 14 August 2009, up to 50% beginning 14 August 2010 less previously exercised, up to 75% beginning 14 August 2011 less previously exercised and 100% beginning 14 August 2012 less previously exercised.
3) The holders may request shares issued in exchange for warrants as follows: Up to 25% beginning 13 August 2010, up to 50% beginning 13 August 2011 less previously exercised, up to 75% beginning 13 August 2012 less previously exercised and 100% beginning 13 August 2013 less previously exercised.
4) The holders may request exercise of up to 50% of the SARs beginning 12 August 2013 and 100% beginning 12 August 2014 less previously exercised.

All stock options become 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).

9 EARNINGS PER SHARE

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

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

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

	2010	2009
Net profit attributable to ordinary equity holders of the Parent	155,783	162,471
Weighted average number of ordinary shares (excluding treasury shares) for basic earnings per share	102,595	102,725
Effect of dilution:		
Share options	1,811	1,428
Weighted average number of ordinary shares (excluding treasury shares) adjusted for effect of dilution	104,406	104,153
Basic earnings per share	1.52	1.58
Diluted earnings per share	1.49	1.56

On 24 February 2011, employees exercised 512,750 stock options. There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements

10 EQUITY AND SHAREHOLDERS AUTHORIZATIONS

Ordinary Shares Issued and Fully Paid

	Number of Shares	USD
1 January 2009	106,519,800	3,844
Issued 10 March 2009 for cash on exercise of stock options	90,000	3
Issued 4 June 2009 for cash on exercise of stock options	253,625	10
Cancelled 3,049,150 treasury shares held 31 August 2009	(3,049,150)	(131)
Issued 1 September 2009 for cash on exercise of stock options	20,000	1
Issued 24 November 2009 for cash on exercise of stock options	228,000	10
31 December 2009	104,062,275	3,738
Issued 2 March 2010 for cash on exercise of stock options	250,000	11
Issued 28 May 2010 for cash on exercise of stock options	90,000	3
Issued 19 August 2010 for cash on exercise of stock options	2,500	–
Cancelled 950,450 treasury shares held 2 September 2010	(950,450)	(39)
Issued 23 November 2010 for cash on exercise of stock options	31,500	1
31 December 2010	103,485,825	3,714

Treasury Shares

The Company, from time to time, buys back shares under authorizations given by the shareholders. The shares may be held in treasury, used as payment in M&A transactions, used in relation to exercise of employees' stock options, or eventually cancelled. As of 31 December 2010 the Company held 1,567,151 treasury shares, 1.5% of the total shares issued (2009: 947,750 shares, 0.9%). The following table shows the movement of treasury share holdings:

	Number of Shares	USD
1 January 2009	4,054,900	181
Distribution of shares to Board members 12 June 2009	(8,750)	–
Cancellation of 3,049,150 treasury shares	(3,049,150)	(142)
Distribution of 2,500 shares to optionee	(2,500)	–
46,750 treasury shares transferred to cover exercise of options 24 November 2009	(46,750)	3
31 December 2009	947,750	37
65,500 treasury shares transferred to cover exercise of options 2 March 2010	(65,500)	(3)
Shares bought back 11 March 2010	335,000	14
Shares bought back 10 May 2010	555,000	22
2,500 treasury shares transferred to cover exercise of options 28 May 2010	(2,500)	–
Distribution of shares to Board members 7 June 2010	(4,800)	–
Shares bought back 9 August 2010	450,000	19
24,750 treasury shares transferred to cover exercise of options 19 August 2010	(24,750)	(1)
Cancellation of 950,450 treasury shares	(950,450)	(39)
Shares bought back 5 November 2010	70,000	3
Shares bought back 8 November 2010	75,000	3
Shares bought back 11 November 2010	50,000	2
Shares bought back 12 November 2010	115,000	5
Shares bought back 19 November 2010	108,401	(4)
91,000 treasury shares transferred to cover exercise of options 23 November 2010	(91,000)	5
31 December 2010	1,567,151	63

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

By resolution of the Annual General Assembly held 3 June 2010, the Board is authorized to, on behalf of the Company, increase share capital of the company with up to NOK 2,607,806 by issuance of up to 10,431,224 new shares, each at the par value of NOK 0.25. This authorization shall be valid until the next Annual General Assembly of the shareholders. The Board of Directors may resolve that the shareholders shall not have their pre-emption rights to subscribe for the new shares as stipulated in the Public Limited Companies Act section 10-14. This authority includes capital increase by issuance of new shares both against payment in cash and against payment in kind. The authorization can be used in connection with a merger in accordance with the Public Limited Companies Act section 13-5.

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

By resolution of the Annual General Assembly held 3 June 2010, the Board is authorized to, on behalf of the Company, acquire Company own shares for an aggregate par value of NOK 5,000,000, provided that the total amount of own shares at no time exceed 10% of the Company's share capital. The lowest price to be paid per share shall be NOK 0.25 and the highest price to be paid per share shall be the price as quoted on the stock exchange at the time of acquisition plus 5%. Acquisition and sale of the Company's own shares can take place in the manner which the Board of Directors considers to be in the Company's best interest, but not through subscription of new shares. This authorization expires on 3 June 2011.

The Company purchased 868,401 own shares during 2010 related to this authorization.

Dividends Paid and Proposed

The Board of Directors propose to the shareholders at the June 2011 Annual General Meeting a dividend of NOK 5 per share of outstanding common stock, of which NOK 2 per share is a non-recurring distribution.

The Annual General Assembly held 3 June 2010 approved the Board of Directors' proposal to distribute dividend for 2009 of NOK 4 per share, of which NOK 2 was non-recurring distribution. Following this approval, dividend payments totalling USD 64.7 million were made.

The 20 Largest Shareholders as of 31 December 2010 as Registered with VPS:

Name	Country		Shares	Percent
FOLKETRYGDFONDET	NORWAY		8,827,155	8.7%
STATE STREET BANK AND TRUST CO.	U.S.A.	NOM	6,303,448	6.2%
MORGAN STANLEY & CO INTERNAT. PLC	GREAT BRITAIN	NOM	5,247,854	5.1%
PARETO AKSJE NORGE	NORWAY		4,817,800	4.7%
JPMORGAN CHASE BANK	GREAT BRITAIN	NOM	3,874,721	3.8%
THE NORTHERN TRUST COMPANY SUB	NORWAY	NOM	2,820,000	2.8%
CLEARSTREAM BANKING S.A.	LUXEMBOURG	NOM	2,566,898	2.5%
PARETO AKTIV	NORWAY		2,181,000	2.1%
VITAL FORSIKRING ASA	NORWAY		2,128,239	2.1%
BANK OF NEW YORK MELLON	U.S.A.	NOM	1,767,146	1.7%
BANK OF NEW YORK MELLON	U.S.A.	NOM	1,753,402	1.7%
HAMILTON HENRY HAYWOOD	U.S.A.		1,600,000	1.6%
STATE STREET BANK & TRUST CO.	U.S.A.	NOM	1,589,750	1.6%
KAS DEPOSITARY TRUST COMPANY	NETHERLANDS	NOM	1,428,768	1.4%
STATE STREET BANK AND TRUST CO.	U.S.A.	NOM	1,365,476	1.3%
SHB STOCKHOLM CLIENTS ACCOUNT	NORWAY	NOM	1,180,410	1.2%
PERSHING LLC	U.S.A.	NOM	1,168,985	1.1%
DNB NOR BANK ASA	NORWAY		1,163,268	1.1%
DNB NOR NORGE (IV)	NORWAY		1,128,993	1.1%
FIDELITY ACTIVE STRATEGY EUROPE	LUXEMBOURG		1,125,500	1.1%
20 largest shareholders			**54,038,813**	**53.0%**
Total number of shares (excluding treasury shares), par value of NOK 0.25			**101,918,674**	**100.0%**

Norwegian shareholders held 44,582,568 (43.7%) of the Company's outstanding shares (excluding treasury shares) at 31 December 2010. Shares held in treasury at 31 December 2010 were 1,567,151.

11 CASH AND CASH EQUIVALENTS

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

Cash and cash equivalent	2010	2009
Bank deposits	289,605	242,937
Restricted cash deposits	580	556
Total cash bank deposits	**290,185**	**243,493**

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

12 RELATED PARTIES

Terms and Conditions of Transactions with Related Parties

No material transactions took place during 2010 with related parties.

All companies within the TGS Group are 100% owned, directly or indirectly, by the Parent Company. See Note 26 for further information about the subsidiaries. Internal transactions are eliminated in the group accounts and do not represent transactions with related parties.

See Note 7 for further information of the remuneration to the key management personnel.

13 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

It is, and has been, 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, liquidity risk and credit risk.

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

Currency Risk

Major portions of the TGS Group's revenues and costs are in US dollars. Due to this, the TGS Group's operational exposure to exchange rate fluctuation is low. However, as the Parent Company 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. For taxes payable in NOK, a change of 10% on the NOK/USD currency exchange rate could have an impact of equity of approximately USD 2.5 million (2009: USD 2.4 million).

Liquidity Risk

Liquidity risk arises from a lack of correlation between cash flow from operations and financial commitments. Management considers the liquidity risk as low. Per balance sheet date, the TGS Group held current assets of USD 602.7 million, of which cash and cash equivalents represents USD 290.2 million, and current liabilities of USD 207.7 million.

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

2010	0-6 Months	6-12 Months	> 1 Year	Total
Accounts payable and debt to partners	112,845	–	–	112,845
Other non-current liabilities	–	–	12,715	12,715
Total	**112,845**	**–**	**12,715**	**125,560**

2009	0-6 Months	6-12 Months	> 1 Year	Total
Accounts payable and debt to partners	125,222	13,027	–	138,249
Total	**125,222**	**13,027**	**–**	**138,249**

Credit Risk

All placements of excess cash are either bank deposits or in financial instruments that at minimum carry an "investment grade" rating. The Company's clients are oil and gas companies. TGS is exposed to credit risk through sales and uses best efforts to manage this risk. As per 31 December 2010, the Company has made a provision of USD 2.3 million against certain accounts receivables.

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

At 31 December 2010, none of the outstanding accounts receivable were secured by ORRIs.

In 2010, accounts receivables against Skeie Energy AS of USD 42.1 million, gross to the Company, were converted into two interest bearing convertible loan agreements with the E&P Holding Group (former Skeie Energy AS). The two loan agreements of USD 21.1 million and USD 21.0 million, respectively, mature on 31 December 2012 and on 31 December 2014. The USD 21.1 million loan is currently convertible, and the embedded derivative is recognized as a separate balance sheet item, see Note 14. The USD 21.0 million loan is convertible not earlier than 31 December 2012. By any default by the debtor to settle the installments when due, the TGS Group is on certain conditions entitled to convert all or part of the amounts overdue into equity. Together with the conversion rights, management considers the judicial rights as a creditor to be a satisfactory security for the receivables.

The TGS Group's maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable. For the convertible loan agreements, the conversion rights are taken into account when assessing maximum credit risk exposure.

For details of the auction rate securities, see Note 15.

For details of the accounts receivables, see Note 16.

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, change following shifts 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's capital management of funds held are to:

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

The main source for financing is equity. As per 31 December 2010, total equity represented 75% of total assets.

Fair Value of Financial Instruments

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

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

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

2010	Carrying Amount	Fair Value	Financial Instruments by Category: Cash and Cash Equivalents	Loans and Receivables	Assets/Liabilities at Fair Value Through the Profit and Loss	Available for Sale	Other Financial Liabilities
Financial Assets							
Cash and cash equivalents	290,185	290,185	290,185	–	–	–	–
Accounts receivables and other short term receivables	291,035	291,035	–	291,035	–	–	–
Derivative financial instruments	384	384	–	–	384	–	–
Auction rate securities (ARS)	21,123	21,123	–	–	–	21,123	–
Other non-current assets	41,744	41,744	–	41,744	–	–	–
Total	**644,471**	**644,471**	**290,185**	**332,779**	**384**	**21,123**	**–**
Financial Liabilities							
Other non-current liabilities	12,715	12,715	–	–	–	–	12,715
Total	**12,715**	**12,715**	**–**	**–**	**–**	**–**	**12,715**

2009	Carrying Amount	Fair Value	Financial Instruments by Category: Cash and Cash Equivalents	Loans and Receivables	Assets/Liabilities at Fair Value Through the Profit and Loss	Available for Sale	Other Financial Liabilities
Financial Assets							
Cash and cash equivalents	243,493	243,493	243,493	–	–	–	–
Accounts receivables and other short term receivables	339,811	339,811	–	339,811	–	–	–
Derivative financial instruments	–	–	–	–	–	–	–
Auction rate securities (ARS)	27,201	27,201	–	–	–	27,201	–
Other non-current assets	–	–	–	–	–	–	–
Total	**610,505**	**610,505**	**243,493**	**339,811**	**–**	**27,201**	**–**
Financial Liabilities							
Other non-current liabilities	–	–	–	–	–	–	–
Total	–	–	–	–	–	–	–

Fair Value Hierarchy

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

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

The financial derivative and the available for sale investments are valued by level 3-techniques. The valuation of the derivative is performed by using a Black & Scoles model with Monte Carlo simulation. Note 15 describes the valuation of the available for sale investments.

The TGS Group did not incur any gains or losses in the statement of comprehensive income with respect to the derivative financial instruments. For the available for sale investments, USD 1.2 million was recorded as a financial income and USD 0.6 million was recorded as a financial expense in 2010. USD 0.1 million was recognized as a gain in other comprehensive income in 2010 with respect to the available for sale investments.

14 OTHER FINANCIAL ASSETS AND LIABILITIES

Other Financial Assets

	2010	2009
Financial instruments at fair value through profit or loss		
Embedded derivatives	384	–
Total financial instruments at fair value	**384**	**–**
Loans and receivables		
Interest bearing loans	41,744	–
Total loans and receivables	**41,744**	–
Available for sale investments		
Auction rate securities	21,123	27,201
Total loans and receivables	**21,123**	**27,201**
Total other financial assets	**63,251**	**27,201**
Total current	**21,507**	**27,201**
Total non-current	**41,744**	**–**

Other Financial Liabilities

	2010	2009
Other financial liabilities		
Interest bearing loans	12,715	–
Total other financial liabilities	**12,715**	–
Total current	**–**	–
Total non-current	**12,715**	–

Embedded Derivatives

In 2010, accounts receivables against Skeie Energy AS of USD 42.1 million, gross to the Company, were converted into two interest bearing convertible loan agreements with the E&P Holding Group (former Skeie Energy AS). The two loan agreements of USD 21.1 million and USD 21.0 million, respectively, mature on 31 December 2012 and on 31 December 2014. The loan maturing on 31 December 2012 is currently convertible, and the Company is entitled to convert all or part of the loan into equity. Accordingly, the loan agreement has an embedded derivative that requires separate recognition.

The embedded derivative has been carried at fair value through profit or loss. The effect of profit or loss in 2010 amounts to USD 0.

Interest Bearing Loans

The two interest bearing convertible loans to the E&P Holding Group of USD 21.1 million and USD 21.0 million mature on 31 December 2012 and 31 December 2014, respectively. The loans accrue interest at a rate equal to the default interest rate from time to time prescribed for under the Norwegian Default Interest Act. Accrued interest will be added to the loans and paid in connection with any repayments of the loans.

The related revenue shares to partners amount to USD 12.7 million and are recognized as other non-current liabilities. The interest rates and the maturity dates of the related revenue shares correspond to TGS' agreements with the E&P Holding Group.

Auction Rate Securities

For a detailed description, see Note 15.

15 AVAILABLE FOR SALE FINANCIAL INVESTMENTS (ARS)

Security	Quantity	Cost Price	Fair Value	Unrealized Write-down	Accrued Interest	Fair Value Plus Accrued Interest
Blackrock Muni ENHD Fund B M28	99	2,475	2,277	(198)	0.644	2,278
Blackrock Muniholdings Insured Investment Fund B F7	6	150	138	(12)	0.008	138
Blackrock MuniYield Quality Fund II A F28	49	1,225	1,127	(98)	0.146	1,127
Blackrock MuniYield Quality Fund II B F28	63	1,575	1,449	(126)	0.203	1,449
Blackrock MuniVest Fund A F28	40	1,000	920	(80)	0.133	920
Blackrock MuniYield Insured Fund F M28	5	125	115	(10)	0.007	115
DNP Select Income Fund V E	50	5,000	3,850	(1,150)	0.092	3,850
Neuberger Berman Intermediate Municipal Fund B	195	4,875	3,803	(1,072)	0.269	3,803
VKM Advantage Municipal Income Trust H	10	250	200	(50)	0.062	200
VKM Municipal Opportunity TR I A	89	2,225	1,780	(445)	0.341	1,780
VKM Municipal Opportunity TR I E	27	675	540	(135)	0.073	540
VKM Municipal Opportunity TR I F	12	300	240	(60)	0.027	240
VKM Municipal Trust D	14	350	280	(70)	0.031	280
VKM Select Sector Municipal Trust A	76	1,900	1,520	(380)	0.450	1,520
VKM Select Sector Municipal Trust B	26	650	520	(130)	0.027	520
VKM Trust for Investment Grade Municipals D	82	2,050	1,640	(410)	0.314	1,640
VKM Trust for Investment Grade Municipals G	36	900	720	(180)	0.096	720
Total		**25,725**	**21,119**	**(4,606)**	**2.923**	**21,123**

As of 31 December 2010, TGS held USD 25.7 million in auction rate securities (ARS) comprised of AAA-rated closed-end funds. An ARS is an instrument for which the interest rate is reset when the instrument trades, typically every 7, 28 or 35 days, through 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 interest payments at the failed rate – a maximum rate defined by the issuer. The most significant impact of a failed auction is a loss of liquidity; the security for which an auction has failed will continue to pay interest and be auctioned every 7, 28 or 35 days until there are buyers, the issuer calls the security for redemption, the issuer establishes a different form of financing to replace the security or the security matures.

TGS began experiencing failed auctions in February 2008. Since experiencing the first failed auction, TGS has received redemptions from the issuers totaling USD 60.9 million (67%) of ARS at par value and USD 4.8 million at 93% of par value. Of these, USD 58.9 million were redeemed prior to 2010, USD 0.9 million in Q1 2010, USD 1.7 million in Q2 2010 and USD 4.2 million in Q4 2010.

The ARS portfolio is deemed to be a current financial investment available for sale. The Company has sufficient cash and financial capacity to finance its operations and other known potential liabilities without selling the ARS. TGS intends, however, to continue to sell these given the right opportunities.

As of 31 December 2010, the ARS portfolio was valued by an external party using a valuation technique that weights comparable secondary market transactions that have closed and discounted cash flows to determine fair market value. For the market comparables method, the ARS are valued based on indications from the secondary market, of what discounts buyers demand when purchasing similar ARS. For the discounted cash flow model valuation, the expected cash flows of the ARS are discounted to the present using a yield that incorporates compensation for illiquidity and a term which incorporates the possibility of redemption of the ARS by the issuing fund. The weighted average yield for the discounted cash flow model was 4%. The concluded discount is derived using a higher weighting on the market comparables method (3:1) to reflect the robustness of available secondary market transaction data.

The fair value valuation resulted in a net reduction of the book value of the ARS' amounting to USD 4.6 million.

Factors that may impact valuation of the ARS portfolio include comparable secondary market sales, length of maturity, potential for redemptions, credit ratings of the securities and underlying assets, ARS maximum yields and market interest rates. Key assumptions used in the valuation technique are the weighting given to the comparable transactions and discounted cash flows models (3:1) and the assumed term to a liquidity event (8-13 years) based on maturity and redemption potential. Thus, the fair market values determined by using this valuation technique are sensitive to decreases in the price of comparable secondary market sales and a reduction in the redemption potential that could result in additional future write-downs.

Either a 1% change in the price of comparable secondary market sales or a one year change in the term to a liquidity event will result in a USD 0.2 million fair value gain or loss.

16 ACCOUNTS RECEIVABLES AND OTHER SHORT-TERM RECEIVABLES

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

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

	2010	**2009**
Accounts receivables	287,500	329,607
- Provision for impairment of accounts receivables	(2,253)	(2,500)
Accounts receivables - net	285,247	327,107
Other short-term receivables	5,788	12,704
Total accounts receivables and other short-term receivables	**291,035**	**339,811**

The aging of the accounts receivables is as follows:

	Total	Not Due	< 30 Days	30 - 60 Days	60 - 90 Days	90 - 120 Days	Over 120 Days
2010	**285,247**	238,906	12,629	3,048	4,674	2,445	23,545

	Total	Not Due	< 30 Days	30 - 60 Days	60 - 90 Days	90 - 120 Days	Over 120 Days
2009	**327,107**	285,583	17,466	2,605	7,077	1,251	13,125

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

Movements on the group provision for impairment of accounts receivables are as follows:

	2010	2009
At 1 January	2,500	4,000
Provision for receivables impairment	1,366	2,500
Receivables written off during the year as uncollectible	–	(1,161)
Unused amount reversed	(1,613)	(2,839)
At 31 December	**2,253**	**2,500**

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

For a description of credit risk, see Note 13.

17 ACCOUNTS PAYABLES AND OTHER PAYABLES

	2010	2009
Accounts payable and debt to partners	112,845	138,249
Other current liabilities	55,229	51,932
Total accounts payable and other payables	**168,074**	**190,181**

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

Other current liabilities consist of accrued expenses and deferred revenues.

18 BANK OVERDRAFT FACILITY AND GUARANTEES

Multi Currency Bank Overdraft Facility:

Limit USD 10.0 million. Terms: US Fed Funds Daily Effective Rate + 0.75% per annum on drawn currency amounts. Facility fee: 0.1% per annum on the total facility amount. Both parties have a mutual right to terminate the agreement on 14 days notice. Per 31 December 2010 the TGS Group had not drawn on this facility.

Book Value of Assets Used as Collateral	2010	2009
Accounts receivable	53,982	86,059
Multi-client library	408,271	362,162
Machinery, equipment	1,790	4,688
Total	**464,044**	**452,909**

Bank Guarantees

Per 31 December 2010, the Company's bank has issued a bank guarantee on behalf of the Company of USD 0.2 million in conjunction with the Company's lease contract for the premises in Asker, Norway. The bank has also issued a bank guarantee on behalf of the Company of USD 0.5 million for a subsidiary's customer.

19 COMMITMENTS AND CONTINGENCIES

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 1-10 years and have renewal options. There are no restrictions placed upon the lessee by entering into these leases.

Operating leases of USD 3.2 million were recognized as expenses in 2010.

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

	2010	2009
Within one year	3,289	3,003
After one year but not more than five years	14,784	6,671
More than five years	4,933	850
	23,006	**10,523**

The Company has entered into commitments for current charter hire of two 3D seismic acquisition vessels and one 2D seismic acquisition vessel. These three commitments expire in 2011. The amounts committed total USD 29.2 million for the year 2011. The Company has an option to extend one of the 3D commitments for nine months. The Company also has an option to hire up to 24 months of un-contracted 3D vessel capacity from Wavefield Inseis by the end of 2012.

Operating Leases - Group as Lessor

The Company had, in connection with a charter contract for one vessel, placed certain seismic equipment owned by the Company aboard this vessel, in return for a lease/rental fee. Recognized revenue during 2010 was USD 227,000 (2009: USD 285,000). The charter contract was terminated in June 2010.

20 EVENTS AFTER THE BALANCE SHEET DATE

In an arbitration case against Merrill Lynch, Pierce, Fenner & Smith, Inc. (ML), the arbitration panel on 18 February 2011 decided that ML is liable for and shall pay to TGS USD 0.5 million in compensatory damages related to recommendations and purchases of auction rate securities.

To the best of the management's and the Directors' knowledge, no other significant subsequent events not described in this Annual Report have occurred since 31 December 2010 that would alter the accounts as presented for 2010.

21 CONTINGENT LIABILITIES

In February 2007, the Company entered into an agreement with Terra Energy Services (Terra) related to acquisition of geophysical data in Equatorial Guinea (EG). In the agreement, Terra provided the right to acquire the data through a joint venture with the EG government's national oil company. In February 2009, TGS was informed by the EG government that Terra no longer had the right to market the EG data. TGS entered into separate agreements with the EG government to market the data and sold licenses to the data on 30 September 2010 to two customers. TGS received a request for arbitration from Terra in December 2010 containing a demand for approximately USD 26 million. TGS is now preparing its answer and counterclaim against Terra for approximately USD 3 million. The arbitration proceeding is not currently scheduled.

TGS believes it has meritorious claims and is vigorously defending the litigation. No provision is recognized as TGS considers Terra's claim to be a contingent liability.

22 ENVIRONMENTAL CONDITIONS

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. Regularly, monitoring and controls are carried out in order to limit the risk of pollution. It is the TGS Group's policy to comply with national and international regulations.

23 GROSS AND NET REVENUES

The TGS Group shares certain multi-client revenue with other companies. Operating revenue is presented net of portion shared. The table below provides the breakdown of gross revenue for 2009 and 2010

	2010	2009
Gross revenues from sales	700,497	646,117
Revenue sharing	(132,234)	(168,422)
Net revenues	**568,263**	**477,695**

24 FINANCIAL ITEMS

	2010	2009
Interest income	1,488	3,175
Exchange gains	114	4,182
Gain on financial investments available for sale	1,193	2,686
Other financial income	8	202
Total financial income	**2,803**	**10,245**
Interest expense	(19)	(567)
Exchange loss	(1,505)	(68)
Fair value impairment on ARS held[1]	(617)	(542)
Other financial expenses	(25)	(96)
Total financial expenses	**(2,166)**	**(1,272)**
Net financial items	**637**	**8,973**

1) Impairment of auction rate securities (ARS)

25 TAX EXPENSE AND DEFERRED TAX

	2010	2009
Profit before taxes		
Norway	136,157	157,158
Outside Norway[1]	91,588	62,044
Total profit before taxes	227,745	219,202
Current taxes		
Norway	29,815	28,370
Outside Norway	31,738	15,705
Adjustment for tax deductions related to stock options for years 2004-2009	–	(4,128)
Total current taxes	61,552	39,948
Deferred taxes		
Norway	10,697	12,051
Outside Norway	(288)	4,734
Total deferred taxes	10,409	16,784
Income tax expense reported in the income statement	**71,962**	**56,732**

1) Includes subsidiaries outside Norway

Income tax expense for the year reported in the income statement	**2010**	**2009**
Current tax on net income	61,552	39,948
Deferred tax - changes	10,409	16,784
Total tax expense for the year	**71,962**	**56,732**
Effective average tax rate	32%	26%

Tax expense related to other comprehensive income	**2010**	**2009**
Items related to deferred tax:		
Unrealized gain/loss on available for sale financial assets	59	(106)
Exchange differences on translation of foreign operations	–	–
Tax expense - other comprehensive income	59	(106)

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).

	2010	2009
Profit before taxes:	227,745	219,202
Expected income taxes according to corporate income tax rate in Norway (28%)	63,769	61,376
Tax rates outside Norway different from 28%	6,252	4,311
Adjustment in respect of current income tax of previous year	213	(435)
Adjustment for tax deductions related to stock option for years 2004-2009	–	(4,128)
Deferred tax asset related to stock options	(1,087)	(1,108)
Change in deferred tax asset not recognized	139	186
Non-taxable income	(1,369)	(1,513)
Taxable exchange gain for Parent Company, not qualified gain for Group	1,971	–
Non-deductible expenses	1,978	729
Currency effects	96	(2,687)
Income tax expense	**71,962**	**56,732**
Effective tax rate in %	32%	26%

Comments on Selected Line Items in the Preceding Table

Tax Rates Outside Norway Different from 28%

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

Effects of Stock Option Program

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

Taxable Exchange Gain for Parent Company, Not Qualified Gain for Group

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

Deferred Tax Asset Not Recognized

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

The Group has unused tax losses and deductible temporary differences of USD 0.9 million where no deferred tax asset is recognized in the balance sheet, all outside Norway. If the Group was able to recognize all unrecognized deferred tax assets, profit would increase by USD 0.2 million.

Currency Effects

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

	2010	2009
Differences that give raise to a deferred asset or a deferred tax liability:		
Multi-client library/well logs	(80,145)	(69,394)
Fixed assets	(8,396)	(1,354)
Goodwill	2,091	3,370
Accruals	4,151	3,232
Accounts receivable	960	50
Tax losses carried forward	1,383	1,107
Deferred revenue	89	(5,399)
Stock options	2,690	1,420
Financial instruments	1,377	1,872
Other	164	464
Total net deferred tax liability	**(75,635)**	**(64,632)**
Of which:		
Deferred tax asset	**12,052**	**8,158**
Deferred tax liability	**87,687**	**72,790**

Change in net deferred tax liability	**2010**	**2009**
As of 1 January	64,632	47,355
Recorded to profit or loss	10,409	16,784
Tax charged to equity	(124)	(418)
Currency effects	718	910
As of 31 December	**75,635**	**64,632**

26 SUBSIDIARIES

The TGS Group consists of:

Company Name	Country of Incorporation	Main Operations	Ownership	Voting Power
TGS-NOPEC Geophysical Company ASA	Norway	(Parent Company) Invests in multi-client seismic data		
Marine Exploration Partners AS	Norway	Managed the Northern Genesis, a 2D vessel under charter until June 2010	100%	100%
TGS AP Investments AS	Norway	Invests in multi-client seismic data	100%	100%
Maglight AS	Norway	Developing new acquisition methods for aeromagnetic data	100%	100%
Magsurvey, Ltd.	UK	Developing new acquisition methods for aeromagnetic data	100%	100%
TGS-NOPEC Geophysical Company	USA	Provides seismic data processing and data management, and brokerage for multi-client projects owned by the Parent Company. The Company from time-to-time invests in multi-client projects	100%	100%
A2D Technologies, Inc.	USA	Digitizing and marketing well log data and providing related services	100%	100%
Parallel Data Systems, Inc.	USA	Seismic data processing services	100%	100%
Calibre Seismic Company	USA	Invests in multi-client seismic data	50%	50%
TGS-NOPEC Geophysical Company, Ltd.	UK	Seismic data processing and acts as broker for multi-client projects owned by the Parent Company	100%	100%
Aceca, Ltd.	UK	Seismic data interpretive products and subsurface consulting services	100%	100%
Aceca Norge AS	Norway	Seismic data interpretive products and subsurface consulting services	100%	100%
TGS-NOPEC Geophysical Company PTY, Ltd.	Australia	Broker for multi-client projects owned by the Parent Company	100%	100%
TGS-NOPEC Geophysical Company Moscow, Ltd.	Russia	Provides seismic data processing and acts as broker for multi-client projects owned by the Parent Company	100%	100%
MxP Marine Seismic Services, Ltd.	Cyprus	Operated the Northern Genesis, a 2D vessel under charter until June 2010	100%	100%
Rimnio Shipping	Cyprus	Dormant	100%	100%

Parent Company Financials

Income Statement

(All amounts in USD 1,000s)

	Note	2010	2009
Net operating revenues	16	**413,284**	364,240
Net revenues		**413,284**	**364,240**
Cost of goods sold - proprietary and other		**3,220**	7,245
Amortization of the multi-client library	3	**217,420**	158,593
Personnel costs	4	**8,705**	8,718
Cost of stock options	4	**353**	616
Other operating expenses	12	**41,347**	38,806
Depreciation, amortization and write-down	2, 3	**3,347**	2,979
Total costs		**274,393**	**216,956**
Operating profit		**138,891**	**147,284**
Interest income	14	**628**	1,813
Financial income	14	**6**	–
Exchange gains/losses	14	**6,025**	5,379
Interest expenses	14	**(497)**	(1,926)
Financial expenses	14	**(1,744)**	(5,093)
Net financial items		**4,418**	**173**
Profit before taxes		**143,309**	**147,457**
Tax expense	15	**41,026**	39,419
Net income		**102,283**	**108,038**
Profit for the year is proposed allocated as follows:			
Dividends	5	**87,015**	72,056
To other equity	5	**15,268**	35,982
Total allocated		**102,283**	**108,038**

Balance Sheet

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

	Note	2010	2009
Assets			
Non-current assets			
Intangible non-current assets			
Multi-client library	3, 11	**408,271**	362,162
Other intangible assets	3	**1,306**	2,886
Total intangible non-current assets		**409,577**	**365,048**
Tangible non-current assets			
Machinery and equipment	2, 11	**1,790**	4,688
Total tangible non-current assets		**1,790**	**4,688**
Financial non-current assets			
Investments in subsidiaries	6	**19,965**	20,517
Other non-current assets	17	**42,128**	-
Total financial non-current assets		**62,093**	**20,517**
Total non-current assets		**473,460**	**390,253**
Current assets			
Receivables			
Accounts receivable	8	**134,947**	160,845
Current receivables group companies	9	**2,013**	3,877
Other receivables	8	**3,887**	8,460
Total receivables		**140,847**	**173,182**
Cash and cash equivalents	7	**22,218**	46,260
Total current assets		**163,065**	**219,442**
Total assets		**636,525**	**609,695**

	Note	2010	2009
Equity and Liabilities			
Equity			
Paid-in capital			
Share capital	5	**3,714**	3,738
Treasury shares	5	**(63)**	(37)
Share premium reserve	5	**40,894**	36,657
Other paid-in equity	5	**2,582**	2,229
Total paid-in capital		**47,126**	**42,586**
Retained earnings			
Other equity	5	**198,734**	212,074
Total retained earnings		**198,734**	**212,074**
Total equity		**245,860**	**254,660**
Liabilities			
Non-current liabilities			
Other non-current liabilities	17	**12,715**	–
Deferred tax	15	**77,007**	69,576
Total non-current liabilities		**89,722**	**69,576**
Current liabilities			
Accounts payable		**100,895**	123,484
Current liabilities group companies	9	**57,406**	25,100
Taxes payable	15	**30,878**	29,310
Social security, VAT and other duties		**768**	788
Provisions for dividends	5	**87,015**	72,056
Other current liabilities	10	**23,982**	34,719
Total current liabilities		**300,944**	**285,458**
Total liabilities		**390,666**	**355,035**
Total equity and liabilities		**636,525**	**609,695**

22 March 2011

Hank Hamilton
Chairman

Mark S. Leonard
Director

Colette Lewiner
Director

Bengt Lie Hansen
Director

Elisabeth Harstad
Director

Robert Hobbs
CEO

Cash Flow

(All amounts in USD 1,000s)

	2010	2009
Cash flow from operating activities		
Received payments from sales	**402,654**	317,382
Payments for salaries, pensions, social security tax	**(8,835)**	(6,720)
Other operational costs	**(44,814)**	(39,862)
Net gain/(loss) on currency exchange and other financial items	**6,025**	285
Paid taxes	**(28,761)**	(22,399)
Net cash flow from operating activities[1]	**326,269**	**248,686**
Cash flow from investing activities		
Received payments from sale of tangible assets	**340**	–
Investment in tangible assets including currency adjustments	**(137)**	(235)
Investments in multi-client library	**(260,006)**	(236,976)
Investments in subsidiaries	**(22)**	–
Net change in short-term investments	**–**	28,102
Changes in long term receivables and loans	**–**	1,019
Interest received	**628**	1,813
Net cash flow from investing activities	**(259,197)**	**(206,277)**
Cash flow from financing activities		
Net change in short-term loans	**–**	(44,091)
Interest paid	**(497)**	(1,926)
Dividend payments	**(64,742)**	–
Purchase of own shares	**(31,879)**	–
Paid-in equity	**6,004**	5,153
Net cash flow from financing activities	**(91,114)**	**(40,864)**
Net change in cash and cash equivalents	**(24,041)**	1,545
Cash and cash equivalents at the beginning of the period	**46,260**	44,714
Cash and cash equivalents at the end of the period	**22,218**	**46,259**
1) Reconciliation		
Profit before taxes	**143,309**	147,457
Depreciation/Amortization	**220,767**	161,572
Write-down shares in subsidiaries and receivables	**4,100**	10,453
Changes in accounts receivables	**(15,982)**	(72,600)
Changes in other receivables	**973**	13,068
Changes in other balance sheet items	**1,864**	11,135
Paid taxes	**(28,761)**	(22,399)
Net cash flow from operating activities	**326,269**	**248,686**

1 GENERAL ACCOUNTING POLICIES

General Information

TGS-NOPEC Geophysical Company ASA (the Company) is a public limited company incorporated in Norway on 21 August 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 22 March 2011.

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

Reporting Currency

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

General Accounting Policies

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

Significant Accounting Judgments, Estimates and Assumptions

In the process of applying the Company's accounting principles, management is required to make estimates, judgments and assumptions that affect the amount reported in the financial statements and accompanying notes. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which will form the basis for making judgments on carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The key sources of judgement 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 temporary deductible differences and carry forward tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. 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.

Share–based Payments

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

Revenue Recognition

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

Principles of Assessment

Revenue Recognition

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

Work in Progress (WIP)

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

Finished Data

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

Revenue Sharing

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

Proprietary Contracts

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

Interest Income

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

Cost of Goods Sold (COGS) – Proprietary and Other

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

Multi-client Library

The multi-client library includes completed and in-progress geophysical data to be licensed on a non-exclusive basis to oil and gas exploration and production companies. The costs directly attributable to data acquisition and processing are capitalized and included in the inventory value. The library also includes the cost of data purchased from third parties. The library of finished multi-client seismic data and interpretations is presented at cost reduced by accumulated amortization.

Amortization Related to Sales of Seismic Data

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

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

Minimum Amortization Policy on Seismic Data

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

Impairment Test Library

The library is annually, or when there are indicators that the book value may not be recoverable, tested for impairment individually per project (seismic and interpretation reports) as appropriate.

Goodwill

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

Tangible Non-current Assets and Principles of Depreciation

Tangible non-current assets are presented at historical cost less accumulated depreciation and impairment charges. If an indication of impairment exists, an impairment test is performed. If the fair value of a tangible non-current asset is lower than book value, the asset will be written down to the higher of fair value less cost to sell and value in use. Depreciation is determined in light of the asset's economic life. Depreciation begins when the assets are available for use.

Exchange Rate Adjustments

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

Software Development Costs

Software development costs that do not meet the criteria of capitalization are expensed as incurred.

Provisions

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

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, 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 to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

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

Share-based Payments

Key employees of the Company receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for stock options and stock appreciation rights.

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

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

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

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

Pensions

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

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The evaluation is based on the substance of the transaction at the inception date of whether the 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.

Cash and Cash Equivalents

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

Accounts Receivable and Other Receivables

Receivables are measured at cost less any amounts expected to be uncollectible.

Investments in Subsidiaries and Associated Companies

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

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

Dividends

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

Financial Instruments

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

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

Treasury Shares

The Company's shareholding of treasury shares is recorded using the par value method, where the total par value of the shares acquired is debited the treasury stock account, and the difference between the purchase price and par value is debited other equity. Gains or loss on sales of treasury shares are treated as equity transactions and booked directly against equity.

Cash Flow Statement

The cash flow statement is compiled using the direct **method**.

2 TANGIBLE NON-CURRENT ASSETS

2010	
Acquisition cost and depreciation:	**Machinery and Equipment**
Cost as of 1 January 2010	**16,334**
Additions	360
Disposals[1]	(5,761)
Cost as of 31 December 2010	**10,933**
Accumulated depreciation as of 1 January 2010	**11,647**
Depreciation for the year	2,694
Accumulated depreciation on disposals[1]	(5,198)
Accumulated depreciation as of 31 December 2010	**9,143**
Net book value as of 31 December 2010	**1,790**
Straight-line depreciation percentage	14% - 33.3%
Useful life	3 - 7 years

1) Profit on disposals during the year was USD 48.

2009	
Acquisition cost and depreciation:	**Machinery and Equipment**
Cost as of 1 January 2009	**16,131**
Additions	235
Disposals[1]	(32)
Cost as of 31 December 2009	**16,334**
Accumulated depreciation as of 1 January 2009	**9,352**
Depreciation for the year	2,326
Accumulated depreciation on disposals[1]	(32)
Accumulated depreciation as of 31 December 2009	**11,647**
Net book value as of 31 December 2009	**4,688**
Straight-line depreciation percentage	14% - 33.3%
Useful life	3 - 7 years

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

3 INTANGIBLE NON-CURRENT ASSETS

2010

Acquisition cost and depreciation:	Goodwill	Multi-client Library[1]	Other Intangible Assets	Total
Cost as of 1 January 2010	**3,073**	**1,159,714**	**4,280**	**1,167,067**
Additions	–	263,529	–	263,529
Cost as of 31 December 2010	**3,073**	**1,423,243**	**4,280**	**1,430,596**
Accumulated amortization as of 1 January 2010	**3,073**	**797,552**	**1,394**	**802,019**
Amortization for the year	–	217,420	–	217,420
Depreciation for the year	–	–	653	653
Capitalized to the multi-client library	–	–	927	927
Accumulated amortization as of 31 December 2010	**3,073**	**1,014,972**	**2,974**	**1,021,019**
Net book value as of 31 December 2010	**-**	**408,271**	**1,306**	**409,577**
Straight-line amortization percentage	10%			
Useful life	10 years[2]	max 5 years		

1) Multi-client Library: See "General Accounting Policies", section multi-client library for policies on amortization of this asset.
2) Goodwill paid for in acquisitions of companies is amortized over the first ten years after the date of the acquisition.

2009

Acquisition cost and depreciation:	Goodwill	Multi-client Library[1]	Other Intangible Assets	Total
Cost as of 1 January 2009	**3,073**	**918,841**	**4,280**	**926,194**
Additions	–	240,873	–	240,873
Cost as of 31 December 2009	**3,073**	**1,159,714**	**4,280**	**1,167,067**
Accumulated amortization as of 1 January 2009	**3,073**	**638,984**	**–**	**642,057**
Amortization for the year	–	158,568	–	158,568
Depreciation for the year	–	–	653	653
Capitalized to the multi-client library	–	–	741	741
Accumulated amortization as of 31 December 2009	**3,073**	**797,552**	**1,394**	**802,019**
Net book value as of 31 December 2009	**–**	**362,162**	**2,886**	**365,048**
Straight-line amortization percentage	10%			
Useful life	10 years[2]	max 5 years		

1) Multi-client Library: See "General Accounting Policies", section multi-client library 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.

4 SALARIES/NUMBER OF EMPLOYEES/BENEFITS/ EMPLOYEE LOANS/PENSIONS

	2010	2009
Payroll	7,166	7,001
Social security costs	1,122	1,373
Pension costs	239	258
Other employee related costs	178	86
Payroll and related cost	**8,705**	**8,718**
Cost of stock options	353	616
Payroll and cost of stock options	**9,058**	**9,334**
Number of employees at 31 December	35	34
Average number of employees	34	37

At 31 December 2010, the Company had 34 employees: 23 male employees and 11 female employees.

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

Auditor Fees	2010	2009
Statutory audit	221	198
Other quarterly audit/review	3	3
Tax advice	13	186
Other services outside the audit scope	21	37
Total fees	**258**	**423**

All amounts are exclusive VAT.

Information about remuneration of the Board of Directors and the executive management is included in Note 7 to the consolidated financial statements. The Parent Company's executive management consists of Robert Hobbs (CEO), Kristian Johansen (CFO), Knut Agersborg (VP Geophysical Operations) and Kjell Trommestad (SVP Europe).

5 EQUITY RECONCILIATION

Equity Reconciliation	Share Capital	Treasury Shares	Premium Fund	Other Reserves	Retained Earnings	Total Equity
Balance 1 January 2010	**3,738**	**(37)**	**36,657**	**2,229**	**212,074**	**254,660**
Capital increase during 2010	16	–	4,237	–	–	4,253
Purchase of treasury shares	–	(73)	–	–	(31,805)	(31,879)
Treasury shares distributed	–	8	–	–	2,206	2,214
Sale of treasury shares held	–	–	–	–	–	–
Treasury shares deleted	(39)	39	–	–	–	–
Cost of stock options	–	–	–	353	–	353
Variance of provisions for dividends and paid dividends	–	–	–	–	990	990
Provisions for dividends (NOK 5.00 per share)	–	–	–	–	(87,015)	(87,015)
Profit for the year	–	–	–	–	102,283	102,283
Balance 31 December 2010	**3,714**	**(63)**	**40,894**	**2,582**	**198,734**	**245,860**

Balance 1 January 2009	**3,855**	**(181)**	**32,248**	**1,613**	**175,375**	**212,910**
Capital increase during 2009	24	–	4,409	–	–	4,433
Purchase of treasury shares	–	–	–	–	–	–
Treasury shares distributed	–	–	–	–	172	172
Sale of treasury shares held	–	2	–	–	546	548
Treasury shares deleted	(141)	141	–	–	–	–
Cost of stock options	–	–	–	616	–	616
Provisions for dividends (NOK 4.00 per share)	–	–	–	–	(72,056)	(72,056)
Profit for the year	–	–	–	–	108,038	108,038
Balance 31 December 2009	**3,738**	**(37)**	**36,657**	**2,229**	**212,074**	**254,660**

6 INVESTMENTS IN SUBSIDIARIES

As of 31 December 2010 the Parent Company had the following investments in subsidiaries:

Included in the balance sheet as:	Share Capital of Company	No. of Shares	Nominal Value	Balance Sheet Value	Ownership Held
Maglight AS (Asker, Norway)	100	100,000	NOK 1	1,002	100%
TGS AP Investments AS (Asker, Norway)	100	1,000	NOK 100	22	100%
Marine Exploration Partners AS (Asker, Norway)	800	800,000	NOK 1	9	100%
TGS-NOPEC Geophysical Company (Houston, U.S.A.)	USD 1	1,000	USD 1	1,483	100%
TGS-NOPEC Geophysical Company (UK) Ltd. (Bedford, UK)	GBP 50.1	50,100	GBP 1	956	100%
Aceca Ltd. (Surbiton, UK)	GBP 50.8	507,620	GBP 0,1	13,580	100%
TGS-NOPEC Geophysical Comp. PTY Ltd. (Perth, Australia)	AUD 0,001	1	AUD 1	–	100%
TGS-NOPEC Geophysical Company Moscow Ltd. (Moscow, Russia)	RUB 300	1	RUB 300,000	–	100%
MxP Marine Seismic Services Ltd.	USD 133.3	25,000	USD 1	2,913	100%
Riminio Shipping Ltd. (Limassol, Cyprus)	CYP 1	1,000	CYP 1	–	100%
Balance sheet value				**19,965**	

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

In 2010 the shares in MxP Marine Seismic Services Ltd has been written down by USD 1,736 and in TGS-NOPEC Geophysical Company Moscow Ltd. by USD 11.

7 RESTRICTIONS ON BANK ACCOUNTS

Per 31 December 2010, USD 449 of cash and cash equivalents are restricted to meet the liability arising from payroll taxes withheld (2009: USD 556).

8 ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

Accounts receivable is stated in the balance sheet at net realizable value. Per 31 December 2010 totaled USD 134,947 (2009: USD 160,845). The Company has made a bad debt provision of USD 2,253 in 2010 (2009: USD 2,500). The Company expects to collect the stated balance of receivables per 31 December 2010. Realized losses on trade receivables in 2010 amounted to USD 1 (2009: USD 1,161) Prepayments to suppliers and other short-term receivables totaled USD 3,887 per 31 December 2010 (2009: USD 8,460).

9 CURRENT RECEIVABLES AND LIABILITIES GROUP COMPANIES

	2010		2009	
Company	**Receivables**	**Liabilities**	**Receivables**	**Liabilities**
Maglight AS	–	1,375	–	1,273
Marine Exploration Partners AS	554		548	–
TGS AP Investments AS	–	–	–	–
Aceca Norge AS	–	4,581	–	4,458
TGS-NOPEC Geophysical Company	–	36,495	–	7,316
A2D Technologies Inc.	–	696	–	690
TGS-NOPEC Geophysical Company (UK) Ltd.	–	5,258	–	312
Aceca Ltd.	1,458	–	–	576
TGS-NOPEC Geophysical Company PTY Ltd.	–	4,956	–	5,282
TGS-NOPEC Geophysical Company Moscow Ltd.	–	–	3,328	–
MxP Marine Seismic Services Ltd.	–	4,045	–	5,193
Total	**2,013**	**57,406**	**3,877**	**25,100**

10 OTHER SHORT TERM LIABILITIES

Other current liabilities consist of accrued expenses, partnershare and deferred revenues.

11 INTEREST-BEARING LOANS AND BORROWINGS

Loan agreements and terms as per 31 December 2010:

Multi-Currency Bank Overdraft Facility

Limit USD 10.0 million. Terms: US Fed Funds Daily Effective Rate + 0.75% per annum on drawn currency amounts. Facility fee: 0.1% per annum on the total facility amount. Both parties have a mutual right to terminate the agreement on 14 days notice. Per 31 December 2010 the Company had not drawn on this facility.

Book value of assets used as collateral:	2010	2009
Accounts receivable	53,982	86,059
Multi-client library	408,271	362,162
Machinery, equipment	1,790	4,688
Total	**464,044**	**452,909**

Bank Guarantees

Per 31 December 2010, the Company's bank has issued a bank guarantee on behalf of the Company of USD 211 in conjunction with the Company's lease contract for the premises in Asker, Norway. The bank has also issued a bank guarantee on behalf of the Company of USD 500 for a subsidiary's customer.

12 COMMITMENTS AND CONTINGENCIES

Operating Leases - Company as Lessee

The Company has an operating lease commitment relating to premises. The commitment expires 30 August 2011 with a renewal option. Rental expense for operating leases was USD 597 for the year ended 31 December 2010.

Future minimum payments for operating leases at 31 December 2010 are as follows:

	2010	2009
Within one year	315	473
After one year but not more than five years	–	315
More than five years	–	–
	315	**788**

The Company does not have any financial leases.

The Company has entered into commitments for current charter hire of two 3D seismic acquisition vessels and one 2D seismic acquisition vessel. These three commitments expire in 2011. The amounts committed total USD 29.2 million for the year 2011. The Company has an option to extend one of the 3D commitments for nine months. The Company has also an option to hire up to 24 months of un-contracted 3D vessel capacity from Wavefield Inseis before the end of 2012.

Operating Leases - Company as Lessor

The Company had, in connection with a charter contract for one vessel, placed certain seismic equipment owned by the Company aboard this vessel in return for a lease/rental fee. Recognized revenue during 2010 was USD 227 (2009: USD 285).

13 RELATED PARTIES

No material transactions took place during 2010 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.

14 FINANCIAL ITEMS

Financial income/expense:	2010	2009
Interest income	546	1,412
Interest income subsidiaries	82	483
Exhange gain	15,562	5,379
Other financial income	6	–
Total financial income	**16,196**	**7,274**
Interest expense	(1)	–
Interest expense subsidiaries	(496)	(2,008)
Exchange loss	(9,537)	–
Other financial expenses	(1,744)	(5,350)
Total financial expense	**(11,778)**	**(7,357)**
Fair value adjustment of financial instruments[1]	–	256
Net financial items	**4,418**	**173**

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

15 TAX EXPENSE

Current tax:	**2010**	**2009**
Profit before taxes and extraordinary items	143,309	147,457
Permanent differences[1]	2,180	5,570
Changes in temporary differences	(36,816)	(30,179)
Group contribution	(4,411)	(5,612)
Currency exchange effects on base for current tax	885	(12,556)
Basis for current tax	**105,147**	**104,679**

Total tax expense for the year:		
Deferred tax - changes	7,430	9,649
Taxes payable	32,319	29,310
Adjustment in respect of current income tax of previous year	41	(1,111)
Tax effect group contribution	1,235	1,571
Total tax expense for the year	**41,026**	**39,419**
Effective average tax rate	**29%**	**27%**

Taxes payable	**2010**	**2009**
Taxes payable on current year profit	29,441	29,310
Prepaid correction tax	2,878	–
Deduction in Norwegian tax for taxes paid outside Norway	(1,442)	–
Total taxes payable	**30,877**	**29,310**

Specification of basis for deferred taxes:

Offsetting differences:	**2010**	**2009**
Non-current assets and liabilities	(25,926)	(11,521)
Intangible non-current assets	300,950	260,007
Total	**275,024**	**248,486**
Deferred tax liability	77,007	69,576
Average deferred tax rate	28%	28%

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

	2010	**2009**
Tax calculated using nominal tax rate on pre-tax profit	40,126	41,288
Effect of permanent differences[1]	611	1,560
Adjustment in respect of current income tax of previous year	41	(1,111)
Exchange gain/loss reported as tax expense	248	(2,317)
Total tax expense recorded in income statement	**41,026**	**39,419**

1) Permanent differences related to non-tax deductible items. In 2010 the main items relates to write-down of shares in subsidiaries of USD 1,746 and cost of stock options USD 353.

16 GROSS AND NET REVENUES

	2010	2009
Gross revenues from sales	536,957	532,754
Revenue sharing	(123,674)	(168,514)
Net revenues	**413,284**	**364,240**

17 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, except of personnel and administrative costs. Due to this, the Company's operational exposure to exchange fluctuation is low. The Company does, however pay income taxes in Norway in NOK, and is thereby exposed to USD/NOK exchange rate fluctuations on these items.

Liquidity Risk

Liquidity risk arises from lack of correlation between cash flow from operations and financial commitments. Management considers the liquidity risk as low. Per balance sheet date, the Company held current assets of USD 163,065, of which cash and cash equivalents represents USD 22,218, and current liabilities of USD 300,944, of which debt to subsidiaries represents USD 57,406.

Credit Risk

All placements of excess cash are either bank deposits or in financial instruments that minimum carry rating "investment grade". The Company's clients are oil and gas companies. The Company is exposed to credit risk through sales and use best efforts to manage this risk. As per 31 December 2010, the Company made a provision of USD 2,253 against certain receivables.

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

In 2010, accounts receivables against Skeie Energy AS of USD 42,128, gross to the Company, were converted into two interest bearing convertible loan agreements with the E&P Holding Group (former Skeie Energy AS). The two loan agreements of USD 21,100 and USD 21,028, respectively, mature on 31 December 2012 and on 31 December 2014. By any default by the debtor to settle the installments when due, the Company is on certain conditions entitled to convert all or part of the amounts overdue into equity. Together with the conversion rights, management considers the judicial rights as a creditor to be a satisfactory security for the receivables.

TGS has agreements with revenue share partners related to loan agreements with the E&P Holding Group. Consequently, a related financial liability is recognized. The interest rates and the maturity dates correspond to TGS' agreements with the E&P Holding Group.

Political Risk

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

Oil and Gas Prices and World Economy

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

18 ENVIRONMENTAL CONDITIONS

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

19 CONTINGENT LIABILITIES

In February 2007, the Company entered into an agreement with Terra Energy Services (Terra) related to acquisition of geophysical data in Equatorial Guinea (EG). In the agreement, Terra provided the right to acquire the data through a joint venture with the EG government's national oil company. In February 2009, TGS was informed by the EG government that Terra no longer had the right to market the EG data. TGS entered into separate agreements with the EG government to market the data and sold licenses to the data on 30 September 2010 to two customers. TGS received a request for arbitration from Terra in December 2010 containing a demand for approximately USD 26 million. TGS is now preparing its answer and counterclaim against Terra for approximately USD 3 million. The arbitration proceeding is not currently scheduled.

TGS believes it has meritorious claims and is vigorously defending the litigation. No provision is recognized as TGS considers Terra's claim to be a contingent liability.

Statsautoriserte revisorer
Ernst & Young AS

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

Foretaksregisteret: NO 976 389 387 MVA
Tlf.: +47 24 00 24 00
Fax: +47 24 00 24 01
www.ey.no

Medlemmer av Den norske Revisorforening

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

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of TGS-Nopec Geophysical Company ASA, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the balance sheet as at 31 December 2010, the statements of income and cash flows for the year then ended as well as a summary of significant accounting policies and other explanatory information. The financial statements of the Group comprise the consolidated balance sheet as at 31 December 2010, the statements of comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

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

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

Auditor's responsibility

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

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

ERNST & YOUNG

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

Opinion on the financial statements of the Parent Company

In our opinion, the financial statements of TGS-Nopec Geophysical Company ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as of 31 December 2010 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements of the Group

In our opinion, the financial statements of TGS-Nopec Geophysical Company ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as of 31 December 2010 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards on Accounting as adopted by the EU.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

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

Opinion on registration and documentation

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

Oslo, 22 March 2011
ERNST & YOUNG AS

Finn Ole Edstrøm

Finn Ole Edstrøm
State Authorised Public Accountant (Norway)

Corporate Governance and Articles of Association

This section is structured in accordance with the structure of the Norwegian Code of Practice of Corporate Governance, published 21 October 2010.

1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

TGS actively promotes a culture designed to build confidence and trust among its stakeholders. Key elements of this culture include open and honest communication, a well-developed system of controls and policies, and a compliance program. It is the opinion of the Board of Directors that TGS in general complies with the Norwegian Code of Practice of Corporate Governance published 21 October 2010. The topic of corporate governance is subject to annual review and discussion by the Board, which has also endorsed this chapter of the Annual Report.

The Company emphasizes independence and integrity in all matters between its Board of Directors, management, and shareholders. These same principles of independence and integrity also apply in business relations with all interest groups, including customers, suppliers and other business partners. As guidelines for its Board members and employees, TGS has developed a Statement of Values and a Code Conduct, both available for viewing at: http://www.tgsnopec.com/investor-relations/about-TGS.aspx. TGS has developed and implemented a compliance program that is managed by a Board appointed compliance officer. The compliance officer provides a report annually to the Board.

Following is the Company's statement regarding corporate social responsibility:

> TGS believes that corporate social responsibility is a fully compatible and integrated part of conducting business successfully. Its long-standing Statement of Values clearly recognizes that the Company is responsible to a number of stakeholder groups and describes the principles the organization espouses to uphold those responsibilities.

Customers

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

Employees

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

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

Communities and Environment

TGS is responsible to the communities in which it operates and works and to the world community as well. The Company actively supports reputable charitable programs and organizations that serve people in need by providing ongoing financial donations as well as a program that encourages employees to donate their time and energy to help those in society who are less fortunate. In 2010, TGS made significant contributions to 51 charitable organizations. Two of the largest contributions were to charities focused on assisting homeless families in the Houston, Texas area, as well as to international relief efforts focused on recovery after the tragic earthquake in Haiti. TGS' policies on health, safety and environment are regularly reviewed and adapted based on experience gained and best practices learned. TGS supports the United Nations Universal Declaration of Human Rights and strives to apply the declaration's principles throughout business operations.

Shareholders

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

Code of Conduct

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

Comprehensive Approach

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

2. BUSINESS

The business objective of TGS-NOPEC Geophysical Company ASA is defined in the Company's Articles of Association, which state that the principal business area of the Company is in the provision, procurement and sale of seismic and geophysical data. The Company's Articles of Association are published on the TGS website at http://www.tgsnopec.com.

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

3. EQUITY AND DIVIDENDS

Equity

Shareholders' equity at 31 December 2010 was USD 908.8 million, representing an equity ratio of 75%. The Board considers this to be satisfactory. The Company's capital adequacy is kept under constant review in relation to its objectives, strategy and risk profile.

Dividend Policy

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

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

The Annual General Meeting held 3 June 2010 approved the Board of Directors' proposal to distribute dividend for 2009 of NOK 4 per share, of which NOK 2 was non-recurring distribution. Following this approval, dividend payments totalling USD 64.7 million were made. In addition, TGS carried out share buy backs of USD 31.9 million in 2010.

At its quarterly meeting on 9 February 2011, the Board of Directors decided to propose to the shareholders at the June 2011 Annual General Meeting a dividend of NOK 5 per share of outstanding common stock from the Company's 2010 earnings, of which NOK 2 per share is a non-recurring distribution.

At its meeting on 22 March 2011 to approve the annual accounts, the Board of Directors decided to propose 8 June 2011 as the ex-dividend date and 22 June 2011 as the dividend payment date. The Board of Directors also intends to continue buying back shares during 2011 on an opportunistic basis.

Board Authorizations

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

Following the Annual General Meeting (AGM) held on 3 June 2010, the Board has the following shareholder authorizations:

- To issue up to 10,431,224 new shares in the Company
- To acquire, on behalf of the Company, the Company's own shares for an aggregate par value of NOK 5,000,000 provided that the total amount of its own

shares at no time exceeds 10% of the Company's share capital. The lowest price to be paid per share shall be NOK 0.25 and the highest price to be paid per share shall be the price as quoted on the stock exchange at the time of the acquisition plus 5%. Acquisition and sale of the Company's own shares can take place in the manner which the Board of Directors considers to be in the Company's best interest, but not through subscription of new shares.

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

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

Equal Treatment

The Articles of Association do not impose any restrictions on voting rights. All shares have equal rights. The Company has only one class of shares and each share gives the right to one vote at the General Meeting. 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 adequate time to prepare for the meeting.

Transactions in Own Shares

TGS' transactions in its own shares take place at market price. In 2010, the Company purchased 1,758,401 of its own shares on the stock exchange and issued 374,000 new shares in connection with stock option programs. The June 2010 General Meeting decided to cancel 950,450 treasury shares. TGS held 1,567,151 treasury shares at 31 December 2010.

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

Transactions with Close Associates

There are no shareholder agreements between the Company's shareholders. None of the Board members represent companies that are significant customers of TGS. There were no material transactions taking place with related parties in 2010, but any transaction with close associates is to be conducted on market terms. Information about transactions with related parties is also disclosed in Note 12 to the Group Financial Statements. The Board has guidelines (Code of Conduct) to ensure that senior executives inform the Board if they have a material interest, directly or indirectly, in any agreement entered into by the Company.

5. FREELY NEGOTIABLE SHARES

Freely Negotiable Shares

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

The independent members of the Board have received shares as a part of their compensation, which must be held for at least two years before they can be traded. In addition there are certain limitations to trading of shares which expire in May 2011 for a small number of employees who are former owners of Centerline Data Corporation and received restricted TGS shares as part of the purchase price for Centerline. There are no other limitations to trading of shares from the Company's side, other than Insider Trading Rules for employees and the Board.

6. GENERAL MEETINGS

The Annual General Meeting is the Company's ultimate corporate body. The Board strives to ensure that AGMs are an effective forum for communication between shareholders and the Board.

The next AGM will be held on 7 June 2011. The notice calling the AGM and any Extraordinary General Meeting and all supporting documentation, are made available on the Company's website (www.tgsnopec.com) no later than three weeks in advance of the meeting. The notice and documentation will also be mailed to any shareholders who request this service. The notice and supporting documentation include all the necessary information for shareholders to form a view on the matters to be considered. The Annual Report for 2010 is available on the Company's website.

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

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

The AGM is open for all shareholders and any shareholder not attending the meeting can give proxy to vote on his/her behalf. Forms of Proxy are sent to the shareholders together with the call for the meeting. The Form of Proxy allows separate voting instructions to be given for each matter to be considered by the meeting. The proceedings in the AGM follow the agenda outlined in the call. Shareholders who wish to raise a topic in the AGM have the option to do so, but must notify the Board of Directors of this in writing and in reasonable time before the call for the assembly is dispatched. The AGM 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. Shareholders are given the opportunity to vote separately either in person or by proxy for each candidate nominated for election to the Company's Board.

7. NOMINATION COMMITTEE

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

The Nomination Committee consists of a chairman and two members elected by and amongst the shareholders who also determine the Nomination Committee's own remuneration. These serve for a period of two years. The members of the Nomination Committee currently are Nils B. Gulnes (Chair), Jarl Ulvin and Tor Himberg Larsen, all independent of the Board of Directors and executive personnel. The terms of the current members expire in June 2011.

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

8. BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

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

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

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

The former CEO, Henry H. Hamilton III, is a member of the Board. Following his resignation as CEO in 2009, Mr. Hamilton was elected Chairman by the General Meeting in June 2009. To assist in the leadership transition, he was employed by the Company as a non-executive advisor until August 2010 when his employment with the Company ceased. Mr. Hamilton was a large shareholder in TGS prior to the merger between TGS and Nopec in 1998 that created TGS as a listed company. Per 31 December 2010, he is still the 12th largest shareholder, holding approximately 1.6% of the Company's shares. Because he was formerly a member of the Company's executive personnel, Mr. Hamilton accordingly does not serve on the Board's Compensation or Audit committees.

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

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

Henry H. Hamilton III, Chairman

Born 1959. Mr. Hamilton served as CEO of TGS from 1995 through June of 2009. Hank began his career as a Geophysicist with Shell Offshore (1981-1987) before he moved to Schlumberger (1987-1995) where he ultimately held the position of VP and General Manager for all seismic product lines in North and South America. Hank joined TGS as its CEO in 1995 and remained in the position following the 1998 merger with NOPEC International that created the initial public listing for TGS. Mr. Hamilton served on the Board of Directors for the International Association of Geophysical Contractors (IAGC) from 1993-2011 and joined the board of the Society of Exploration Geophysics (SEG) Foundation at the end of 2010. He was first elected as a Director in 1998 and as Chairman in 2009.

Mark Leonard, Director (Independent)

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

Bengt Lie Hansen, Director (Independent)

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

Dr. Colette Lewiner, Director (Independent)

Born 1945. Dr. Lewiner is currently the Vice President and Global Leader of the Energy, Utilities and Chemical sector at Capgemini. Previously she held the positions of assistant professor at Paris University, Executive Vice President at Electricité de France, and Chairperson and CEO of SGN-Eurisys. Dr. Lewiner serves as a board member for La Poste, Bouygues, Lafarge, and Nexans, and is non-executive Chairwoman at TDF. She was first elected as a Director in 2006.

Elisabeth Harstad, Director (Independent)

Born 1957. Ms. Harstad is the Senior Vice President and Managing Director of Det Norske Veritas (DNV) Research and Innovation. She has held various positions within DNV since 1981, interrupted by one year as research and industry coordinator at Neste Petroleum AS in 1992. Ms. Harstad serves as a board member for Yara ASA and KAPNORD Fond AS. She was first elected as a Director in 2007.

Board Meeting Attendance

The Board conducted a total of 12 meetings in 2010; four physical meetings, three by videoconference and five by teleconference. Two of the physical meetings lasted two days. Arne Maeland, who was a Director until the June 2010 general meeting, was unable to attend one physical meeting, and Elizabeth Harstad was unable to attend one physical meeting. Otherwise all Directors attended all meetings.

9. THE WORK OF THE BOARD OF DIRECTORS

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

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

The Board normally schedules six regular meetings each year but typically holds additional meetings as circumstances dictate. Three of the regularly scheduled board meetings deal with strategic Company issues and last for two days. On at least a monthly basis the CEO updates the entire Board on the financial progress of the Company as well as other significant matters. The Board sets specific objectives for the CEO on an annual basis.

Board Committees

The following committees, composed entirely of the Company's independent Directors, are established by the Board to monitor and guide certain activities.

Audit Committee

The Audit Committee is appointed by the Board and its main responsibility is to supervise the Company's internal control systems and to ensure that the auditor is independent and the annual accounts give a fair picture of the financial results and financial condition in accordance with generally accepted accounting practice. The Audit Committee receives reports on the work of the external auditor and the results of the audit.

The members of the Audit Committee with effect from the 2010 AGM are:

- Bengt Lie Hansen, Chairman
- Elisabeth Harstad
- Colette Lewiner

Compensation Committee

The Compensation Committee makes proposals to the Board on the employment terms and conditions and total remuneration of the CEO and other executive personnel. These proposals are also relevant for other employees.

The members of the Compensation Committee with effect from the 2010 AGM are:

- Mark Leonard, Chairman
- Elisabeth Harstad
- Colette Lewiner

Each committee operates under a defined charter that may be viewed at: http://www.tgsnopec.com/investor-relations/about-tgs/corporate-governance.aspx.

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

10. RISK MANAGEMENT AND INTERNAL CONTROL

The Board monitors TGS' risk exposure and the Company constantly strives to maintain and improve its internal control processes.

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

The Company's Audit Committee reviews the Company's routines for financial risk management and internal control in detail. As part of this review, the Company has over the last few years completed a significant update on its financial procedures manual, which provides extensive documentation for internal control and financial reporting procedures. Neither TGS' executive management nor its Audit Committee reported any material weaknesses in the related internal control systems at 31 December 2010.

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

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

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

All agents, officers and key employees working for the Company must sign an annual anti-corruption compliance certification. Each employee of the Company has read and acknowledged the Company's Code of Conduct.

11. REMUNERATION OF BOARD OF DIRECTORS

TGS believes that remuneration to the Board of Directors should be designed to attract and retain an optimal Board structure in a competitive environment. Procedurally, the Directors' fee is recommended by the Nomination Committee and determined by the shareholders at the Annual General Meeting each year.

In recent years, the Directors' compensation has been composed of both a fixed fee and a number of restricted TGS shares. The remuneration is not related to the Company's financial result. Note 7 to the Group Financial Statements details the remuneration for 2010. TGS believes the remuneration reflects the Board's responsibility, expertise, time commitment and the complexity of the Company's activities.

Henry H. Hamilton did not receive a Director's fee for the period July 2009 to June 2010, but instead received a salary because he was employed as a non-executive advisor. He resigned his employment as a non-executive advisor on 31 August 2010. No Board member has taken on specific assignments for the Company in addition to their appointment as a member of the Board.

12. REMUNERATION OF EXECUTIVE PERSONNEL

It is critical to the continued success of TGS to attract and retain 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 TGS to succeed in today's competitive world economy. The Company's compensation programs are designed to motivate and retain executive officers by rewarding individuals for advancing business strategies that are designed to deliver value to the shareholders and maintain a positive business environment. The cash and incentive compensation elements of the packages for the executive officers are determined based on the recommendation of the Compensation Committee, composed entirely of independent Directors, to the Board of Directors. The compensation program for executive officers consists of industry competitive benefit programs and base salaries, an annual performance cash bonus directly linked to the TGS Group's operating profit and to lesser degree, long-term stock option incentives and share appreciation rights (SARs). The various compensation elements are balanced in a way that recognizes the individual's responsibilities and his or her abilities to influence the short and long-term profitable 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 TGS' performance. Approximately 7% of the TGS Group's operating profit each year is designated as the pool for employee cash bonuses. Based on the annual budget, each employee is assigned a target bonus at the beginning of the year. The factors that influence each individual's target bonus are base salary, level of responsibility in the organization and individual contribution and performance in the previous year. The sum of all target bonuses is set at approximately 7% of the budgeted operating profit. The actual bonus amounts are paid quarterly and are directly proportional to the actual operating profit. In the 2010 and 2011 bonus programs the actual annual bonus paid to any employee is capped at two times the target bonus. The CEO's target bonus is specifically set by the Board of Directors and is directly linked to results achieved on measurable key performance indicators in the previous year.

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

For existing stock option programs the Compensation Committee has made a recommendation to the Board of Directors for the amount of share options to be issued to the executives. The number of options offered in the stock option grants has been directly linked to Company and individual performance. As a general policy, stock options have been issued at market price when granted, vested over a four-year period starting on the first anniversary of the grant and expired five years after the approval by shareholders at the Annual General Meeting of the warrants that secure the rights to option shares. Under Norwegian law, five years is the maximum lifetime of a warrant to secure a stock option. In general, employees have not been eligible to receive option grants in consecutive years.

At the Annual General Meeting on 4 June 2010 the proposed stock option plan and resolution to issue free-standing warrants obtained 63.5% of the shareholder votes but did not obtain the required two thirds qualified majority. As a result of this, no new stock options and warrants were issued in 2010.

The Company implemented a stock appreciation rights program (SARs) for certain key personnel in 2010. The SARs plan is a cash-settled plan measured at the end of each reporting period and has no dilution effect for shareholders. 50% of the SARs vest three years after grant, and 100% vest four years after grant. The SARs expire five years after grant if not exercised. The program is further described in Note 8 to the Group Financial Statements.

The Board believes executive compensation should be reasonable and fair according to prevailing industry standards in the geographical markets where the TGS Group operates, and understandable relative to scale, complexity and performance. The Board ensures that executive compensation is administered consistently according to the compensation philosophy. The Company results are reviewed by external auditors to ensure appropriate controls are in place related to Company results. In accordance with the Norwegian Public Limited Liabilities Act § S6-16a, the Board will present a statement regarding the Company's policies for management compensation to the Annual General Meeting on 7 June 2011.

13. INFORMATION AND COMMUNICATIONS

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

The Company places great emphasis on complying with Stock Exchange regulations by providing the same information to all investors, national and international. All press releases and news are published in English only and from 2011, the Company has been granted exemption from the Norwegian Tax Authority to publish its Annual Report in English only.

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

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

14. TAKE-OVERS

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

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

The Board of the target company is particularly responsible to ensure that shareholders are given sufficient information and time to form a view of the offer.

The Board of Directors will not seek to hinder or obstruct take-over bids for the Company's activities or shares unless there are particular reasons for this.

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

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

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

15. AUDITOR

The Board has determined the procedure for the external auditor's regular reporting to the Board. The auditor attends at least one meeting each year with the Audit Committee of the Board at which the Company's management is not represented. In addition, the auditor participates at meetings of the Board that consider the annual accounts. Starting from 2011, the auditor will participate at all meetings of the Audit Committee relating to the quarterly Financial Statements.

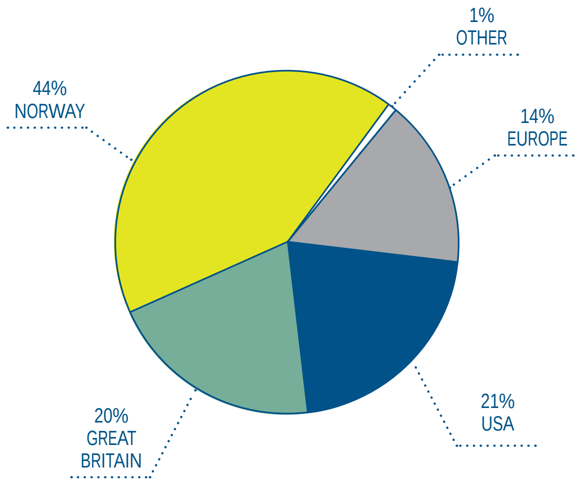
The auditor makes and presents to the Board annually a review of the Company's internal control procedures, including identified weaknesses and proposals for improvement.

TGS has established guidelines for the right of the management to use the external auditor for services other than auditing. The audit committee will receive an annual summary from the external auditor of services other than auditing that have been provided to TGS.

The auditor's fee is determined at the Annual General Meeting (see Note 7 to the Group Financial Statements for auditor's compensation for 2010).

TGS Shareholder Facts

Symbol:	TGS
Listing:	Oslo Stock Exchange (member of the OBX index)
Shares Outstanding 31 December 2010:	103,485,825, (1,567,151 were held treasury shares)
Volume traded on the OSE during 2010:	260,925,000 shares
Average daily trading volume in 2010:	702,734 shares
Analyst coverage:	22 firms; for list see http://www.tgsnopec.com/investor-relations/shareholder/analysts.aspx
Share price (high, low) during 2010:	NOK 133.2 (23 March 2010), NOK 73.65 (1 July 2010)
Market Value as of 31 December 2010:	NOK 13,608,385,990 (NOK 131.50 per share)
Distribution of share holdings:	



TGS places great emphasis on providing accurate and timely information to the market and shareholders. The earnings reports and press releases are issued in English to ensure simultaneous and consistent information to all shareholders. The full year financial reporting calendar is published and posted on the TGS website. The quarterly earnings results are presented in a live forum in Oslo, Norway or they are pre-recorded. TGS entertains questions at the live presentations and in the case of a pre-recorded release, the executive team hosts a conference call allowing questions and answers. All presentation material, including the question and answer sessions, are published on the TGS website in near real time. In addition to the quarterly and annual financial reports, TGS also provides interim information of significance through press releases to aid in the assessment of the Company's value.

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

TGS continues to be diligent at creating long-term return for its shareholders. The Company is constantly evaluating the best use of profits for continued shareholder growth. The Company uses excess cash for organic investments in the multi-client library, historically providing an excellent return. The Company provides shareholder return through a dividend and share buy-back plan. During 2010 TGS paid a 4 NOK per share dividend and bought over 32 MUSD worth of TGS shares. In 2011 the Board has indicated intent for a 5 NOK per share dividend and also anticipates to continue opportunistic additional share purchase.

TGS Management maintains a quiet period on discussing significant business during intervals spanning the last weeks of a financial quarter and the announcement of the results of that financial period.

The TGS executive management is available for direct contact with investors, potential investors and analysts on an ongoing basis and regularly participate in road shows and investor conferences each year in both Europe and North America.

All of the financial reports can be found on the TGS website at http://www.tgsnopec.com/investor-relations.aspx

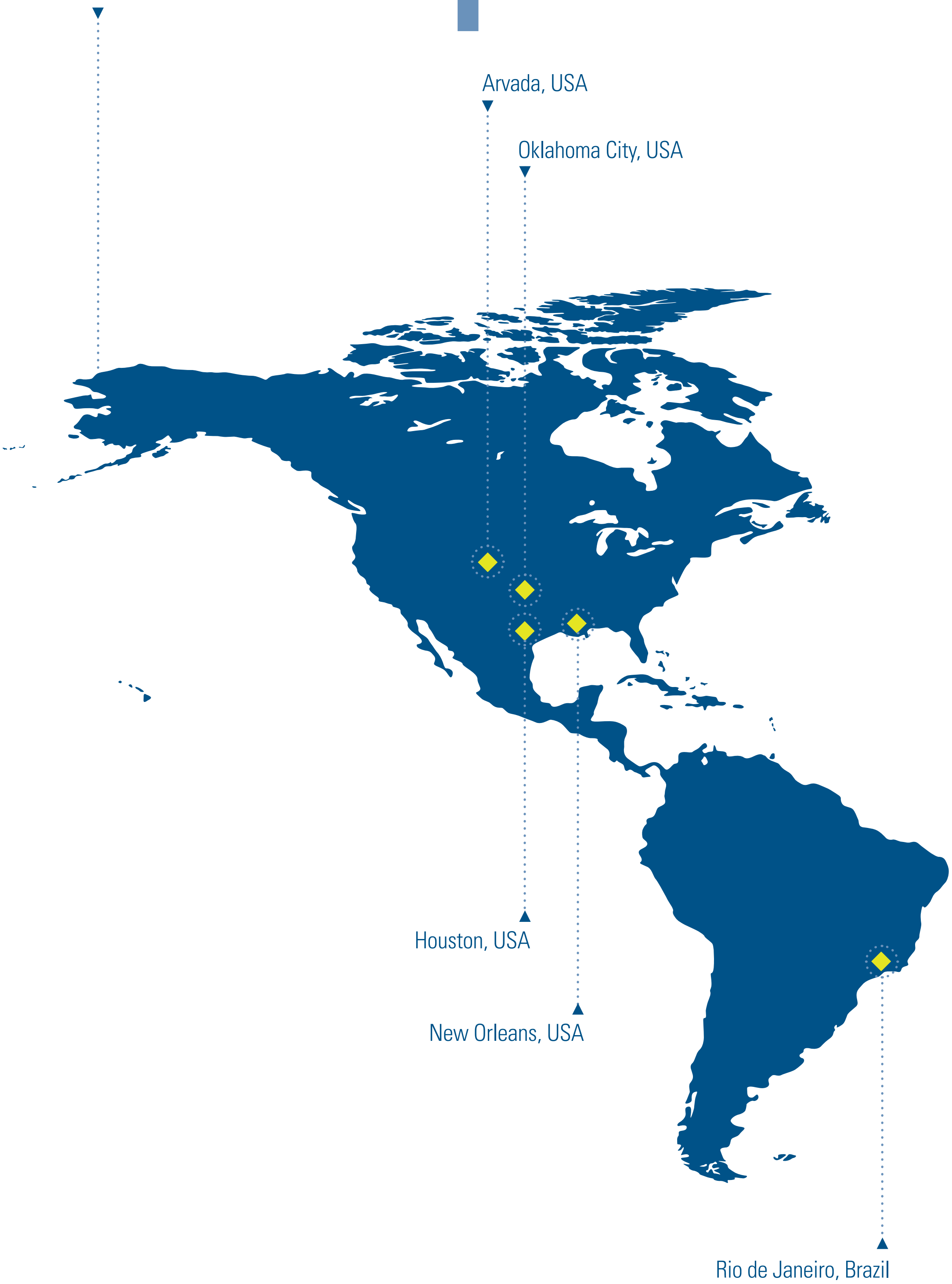
For more information regarding TGS, contact Kristian Johansen or Karen El-Tawil.

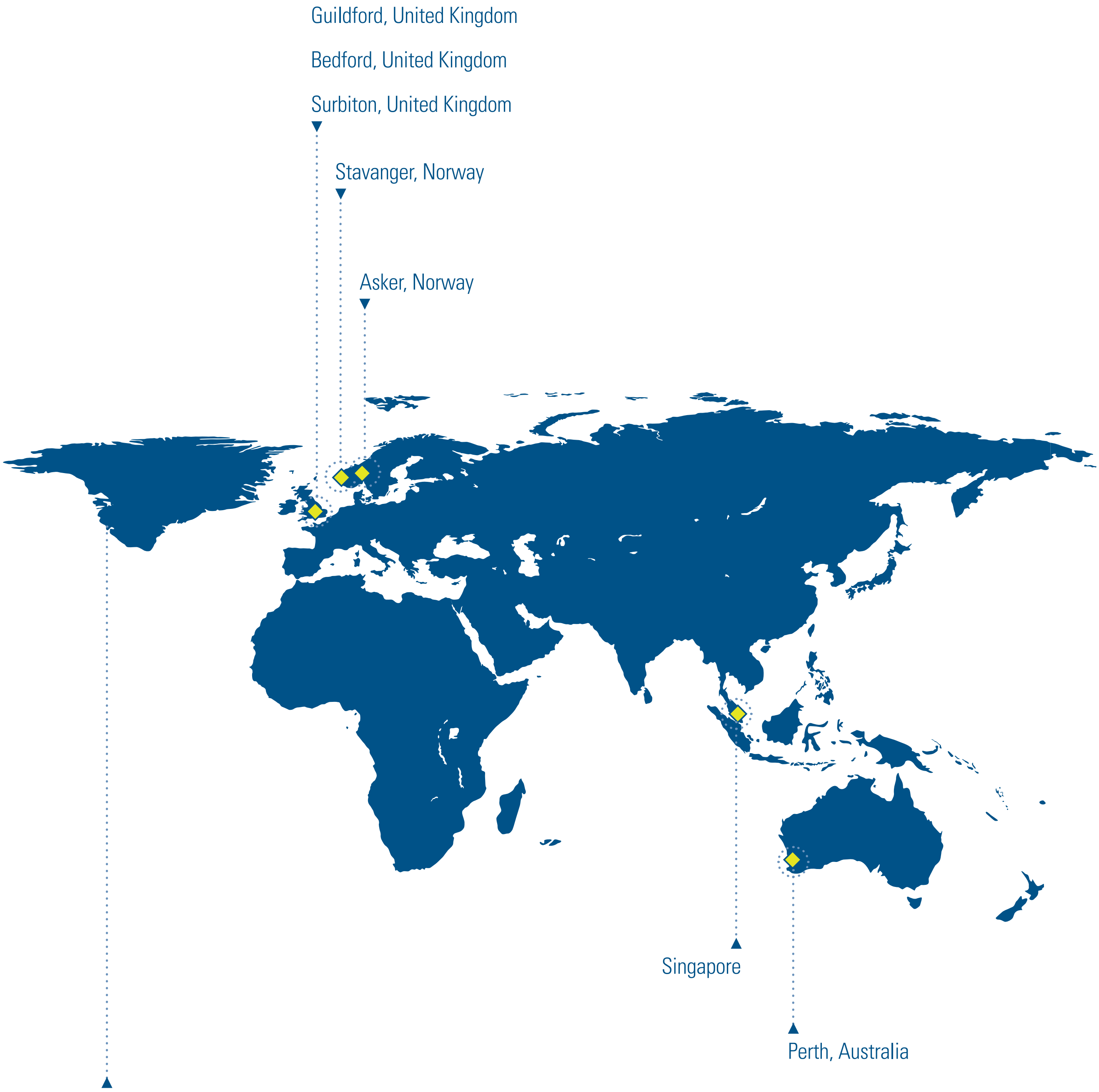
From left to right:
Kristian Johansen, Karen El-Tawil

Kristian Johansen
CFO
Asker, Norway

Karen El-Tawil
Vice President Business Development
Houston, TX USA

Western Hemisphere





Eastern Hemisphere

WORLDWIDE OFFICES

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
Professor Olav Hanssensvei 7A
N-4021 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

U K

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
Millbank House
171-185 Ewell Road
Surbiton, Surrey KT6 6AP, UK
tel: +44 (0) 208 339 4200
fax: +44 (0) 208 339 4249
email: info@tgsnopec.com

Stingray Geophysical Limited
Surrey Technology Centre
40 Occam Road
The Surrey Research Park
Guildford, Surrey GU2 7YG, UK
tel: +44 1483 685401
fax: +44 1483 688106
email: info@stingraygeo.com

U S A

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
785 Greens Parkway Suite 100
Houston, TX 77067 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 73116 USA
tel: +1 405 848 4407
fax: +1 405 848 4036
email: info@tgsnopec.com

TGS Geological Products and Services
5511 West 56th Avenue Suite 220
Arvada, CO 80002 USA
tel: +1 303 235 0033
fax: +1 303 235 0040
email: info@tgsnopec.com

BRAZIL

TGS do Brasil Ltda.
nº 79 – Cobertura 01 (parte)
Centro, Rio de Janeiro – RJ
20091-020
email: info@tgsnopec.com

SINGAPORE

TGS-NOPEC Geophysical Company
3 Temasek Avenue
Level 21 Centennial Tower
Singapore 039190
tel: +65 (6549) 7110
email: info@tgsnopec.com

TGS

2010 Annual Report