ANNUAL REPORT 1998

Exploring a world of opportunities

TGS NOPEC
GEOPHYSICAL COMPANY

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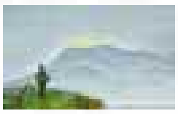


FRONT PAGE COVER: The picture is inspired by the Norwegian artist Th. Kittelsen, who once created the painting to illustrate a fairy tale, in which Askeladden on his journey discovers a distant castle shining like gold. The adapted painting has been superimposed onto a seismic line from one of TGS-NOPEC's surveys in the Mid-Norway area. There are indications that the structure on which the castle resides is filled with hydro-carbons. In the same way that Askeladden explored his world of opportunities, TGS-NOPEC provides the resources that help our customers explore a world of opportunities.

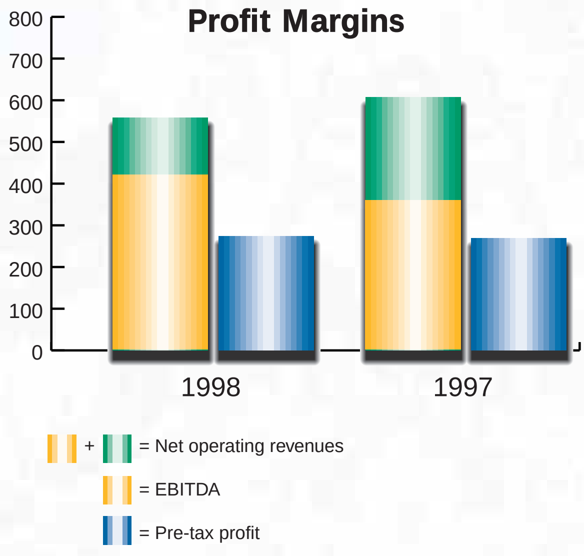
KEY FIGURES

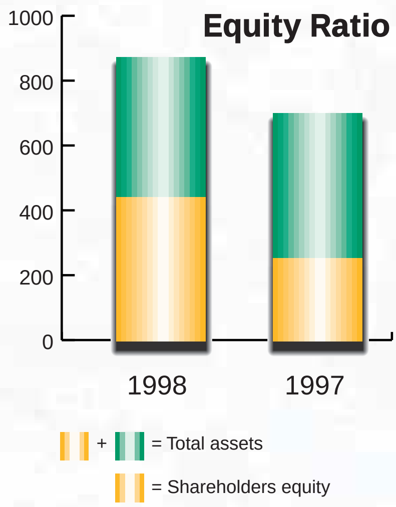
(In NOK 000 apart from EPS and ratios)

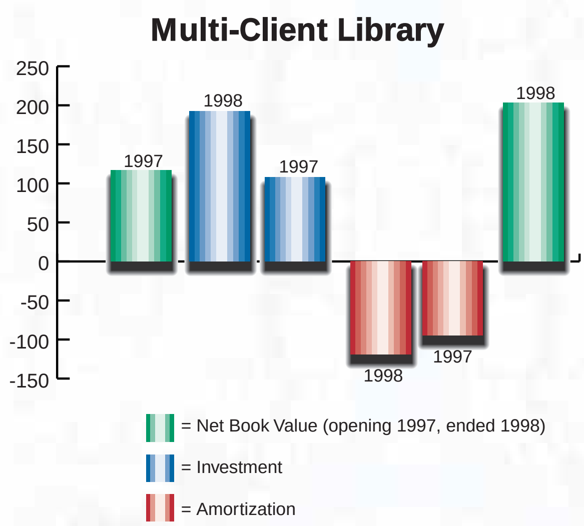
	1998	1997
Net Operating Revenues	**558.5**	606.8
Operating Profit	**267.2**	270.4
Pre-tax Profit	**273.9**	268.8
Net Income	**176.9**	180.4
EBITDA	**407**	362
EBITDA Margin	**73%**	60%
EBITD	**292**	285
EBITD Margin	**52%**	47%
EBIT	**267**	273
EBIT Margin	**48%**	45%
Earnings per Share	**7.46**	7.92
Total Assets	**871.7**	698.8
Shareholders' Equity	**432.3**	252
Equity Ratio	**50%**	36%

Multi-Client Library:

Opening Balance	**129,329**	116,611
Investment	**192,182**	107,601
Amortization	**-118,494**	-94,883
Net Book Value Ended	**203,017**	129,329
Amortization in % of Opening Balance	**92%**	81%







LETTER TO SHAREHOLDERS

For TGS-NOPEC, 1998 was a year of dramatic change. Exploration and production spending hummed along at a robust pace during the first six months of 1998, then stalled during the third quarter, and markedly declined during the fourth quarter as oil prices tumbled. In the midst of this volatile environment, Nopec International ASA and TGS - CALIBRE Geophysical Company merged to form a dynamic leading international provider of seismic data specializing in the generation, marketing, management, quality control, and delivery of multi-client seismic projects. As part of our growth strategy, we increased our capacity to provide our own seismic services during the second half of the year by launching the *Northern Access*, a state-of-the-art 2-D seismic acquisition vessel, and by acquiring Bedford Interactive Processing Services (BiPS), a full service seismic data processing company with an excellent reputation for service and quality.

In 1998, Net Operating Revenues totaled NOK 558,567,000, representing a decline of 8% from the strong results achieved in 1997, a year of tremendous growth in the oil and gas exploration sector. Despite the slight dip in revenues, Pre-Tax Profit improved 2% to NOK 273,926,000, and Operating Profit Margin increased to 48%, a figure unparalleled within our industry during 1998. Perhaps most importantly, Shareholders Equity increased 72% to NOK 432,264,000.

Acting alone and in strategic partnerships, we added over 85,000 kilometers of 2-D and over 20,000 square kilometers of 3-D to the library of multi-client data that we market. Consistent with our growth strategy, we increased our own investments in multi-client surveys by 137% over 1997 levels. We focused on enhancing our strong portfolio in the core oil and gas producing areas of the central/western Gulf of Mexico and the North Sea, while tapping into the exciting new frontier areas of offshore eastern Canada, Sea of Okhotsk, and the eastern planning area of the Gulf of Mexico. Also, in December of 1998 we completed our three-year 99,000-kilometer Phase 45 2-D multi-client survey in the deep-water areas of the Gulf of Mexico. This is the world's largest single 2-D seismic project.

The oil price collapse in the second half of 1998 sent shock waves through the exploration industry which continue to transform the competitive landscape. While we are well positioned to endure an extended downturn in spending due to our lean fixed cost structure and strong balance sheet, we must take further action to stay ahead of the evolutions in the oilfield business. The mega-mergers among our customers present tremendous challenges to companies which provide multi-client seismic data. Our experienced management and marketing teams must develop new business models which position our products and services attractively during this disruptive period of oil company mergers and cost cutting.

Despite the current economic turbulence in the oil business, we continue to believe that the long-term future performance of the seismic business is promising. Oil and gas will continue to be a dominant source of energy for the world's growing economy. To profitably produce oil and gas, companies must drill smart wells. We see no competing technology on the horizon that could replace seismic data as a tool for "seeing the subsurface geology" and guiding the efforts of explorationists to drill smart wells. These fundamentals make our direction for the future very clear: to provide our customers with data, services, and associated products to help them explore a world of opportunities.

H. H. Hamilton
Chief Executive Officer

THE BUSINESS

TGS-NOPEC is a leading global provider of multi-client seismic data and associated products to the oil and gas industry. Oil companies use this seismic data to explore for and develop oil and gas deposits. TGS-NOPEC specialises in the planning, acquisition, processing, interpretation, and marketing of non-exclusive surveys worldwide. TGS-NOPEC offers a broad range of tools necessary to explore for hydrocarbons in both mature and virgin regions of the world. The Company places a strong emphasis on providing high quality seismic data and the highest level of service to the industry. TGS-NOPEC also offers proprietary seismic acquisition and processing services, as well as gravity and magnetic surveys.

The multi-client model

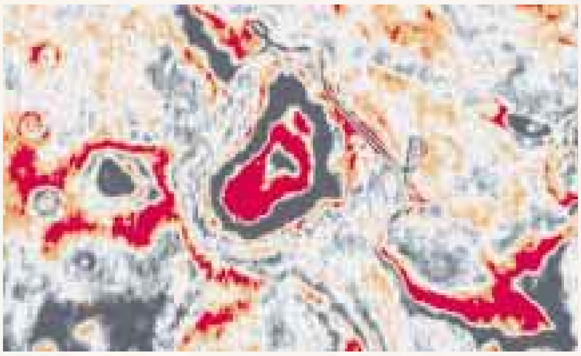
Seismic data is the only rigorous way to physically map sub-surface geology in order to determine where to drill for oil and gas. Oil companies can obtain seismic data either by hiring a seismic contractor and paying the full cost and profit to the contractor, or by purchasing a license to use multi-client data already acquired by a contractor.

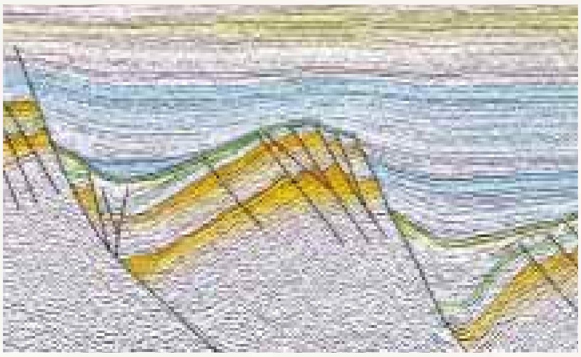
In the multi-client model the contractor develops, manages, quality controls and markets the project. In this case the contractor remains the data owner.

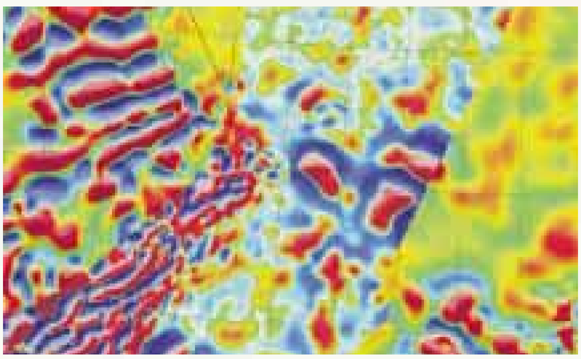
Multi-client data is offered to oil companies on a non-transferable user license, usually prior to application for acreage in connection with licensing rounds. Hence, the multi-client model offers both cost and time advantages for the oil companies. The contractor usually reduces the risk by securing pre-financing from oil companies in return for discounted prices.

Given careful planning and risk management the multi-client model allows earning multiples much higher than the seismic contract model. Further, it allows the contractor to develop derivative products to be offered to clients.

TGS-NOPEC also offers multi-client models within acquisition, processing and interpretation of magnetic and gravity data. Such data allows for a quick and cheap initial investigation of an area and can provide conclusions on where to find sedimentary rock. Sediments are rocks in which hydrocarbons can be found.







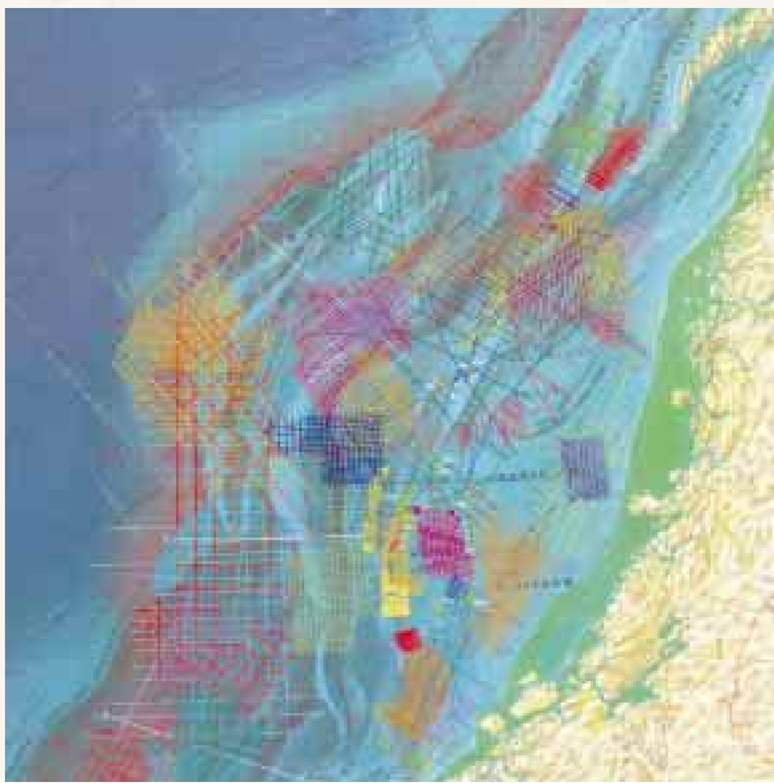
The multi-client data library

The TGS-NOPEC marketed multi-client data library consists of more than 1.1 million kilometers of 2D seismic and more than 70,000 square kilometers of 3D data mainly in the Gulf of Mexico and in Northwest Europe and Australia.

Although some of these areas have reached mature stages of exploration, and production of hydrocarbons is on decline, the seismic activity continues at a brisk pace:

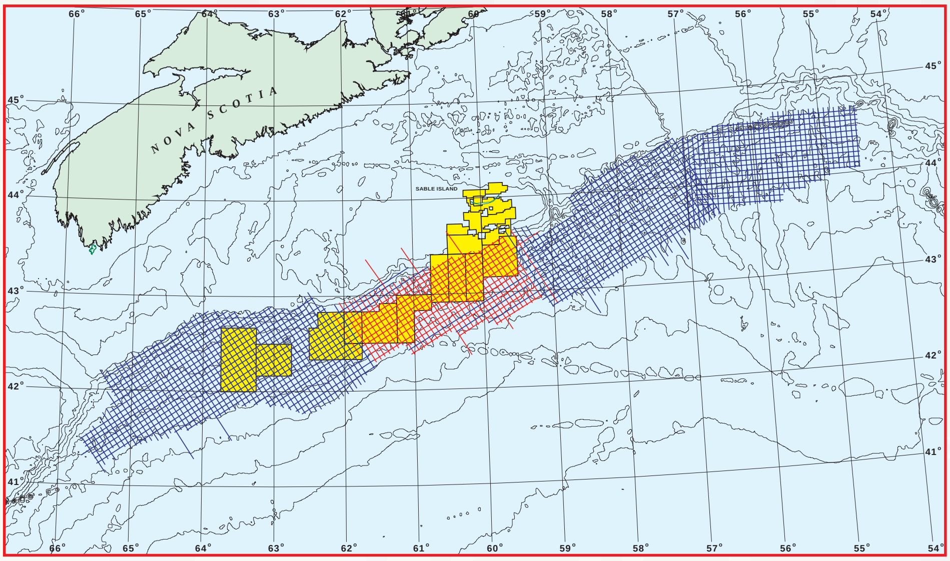
One example is the Phase 45 2D programme in the Gulf of Mexico, which was completed in December 1998. TGS-NOPEC and partner Geco-Prakla began this 100,000-kilometer deepwater project in 1995. The programme has financially already become the most successful seismic project in the history of the Company. It has so far sold to more than 50 different oil companies, and Phase 45 is expected to be the reference data grid in the deepwater Gulf of Mexico for years to come. Derivative products such as structural interpretation and velocity interpretation have already been initiated on the data, and other derivatives such as amplitude versus offset (AVO) analyses and depth migration are being considered.

Offshore Mid-Norway the Company is about to complete the acquisition of its well funded 1998-99 seismic campaign consisting of more than 30,000 kilometre of new 2D data in deepwater frontier areas shortly to be opened in the 16th licensing round. Together with the Company's existing 2D database in this region, TGS-NOPEC offers a comprehensive package of some 120,000 kilometers of 2D data for the next licensing round. Several prospective trends have been investigated with 2D data in this region for the first time. In addition the large TGS-NOPEC grav/mag database has been utilized to produce an integrated interpretation report for the area. Results of this report have led to follow up 2D and 3D program proposals.



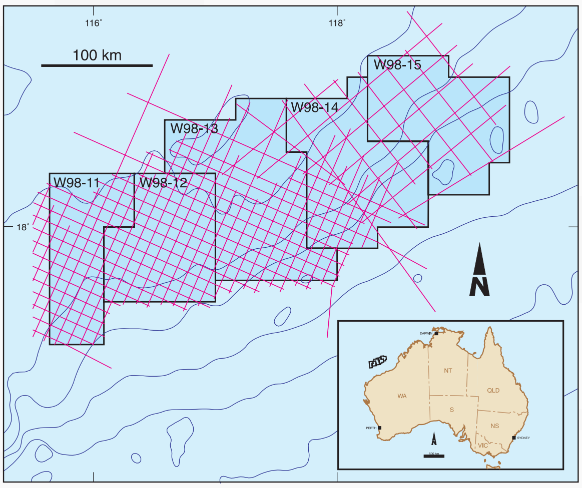
THE BUSINESS

New Ventures



New oil production technology for deep waters has opened vast new areas for exploration. Hence, TGS-NOPEC has committed to new frontier areas such as Nova Scotia, deepwater offshore North West Shelf of Australia, offshore Brazil and the Sea of Okhotsk in East Russia.

In Canada TGS-NOPEC completed the acquisition of over 7000 kilometers of multi-client 2D data located offshore Nova Scotia in 1998. This was the first of a two-year program over the Scotia Basin that will total more than 34,000 kilometres by the end of 1999. The Scotia Basin program is pre-funded by several major oil companies. The data indicates a highly prospective salt and sedimentary basin and TGS-NOPEC expects a long presence in this region.



Also on the Northwest Shelf of Australia exploration has moved into deep water. Our most successful project in this region is the Beagle Deep 1998 survey, which comprises over 10,000 kilometers, Australia's largest multi-client 2D survey. Held in conjunction with the block release by the Australian Government, the survey has attracted the existing exploration community as well as several new players to an area previously little explored.

TGS-NOPEC has obtained exclusive 5 years rights to acquire multi-client 2D data in the Sea of Okhotsk, offshore East Russia. More than 9000 kilometers of data was acquired in 1998 in co-operation with the Trust Dalmorneftegeofysika (DMNG). The program was recorded over several prospective geological provinces including the prolific Sakhalin Island area.

TGS-NOPEC began an 85,000-kilometer 2D project in April 1999 offshore Brazil in a Joint Venture with Schlumberger Geco-Prakla. Currently, TGS-NOPEC has ongoing plans for more than 150,000 kilometers of 2D data and more than 12,000 square kilometre of 3D data worldwide.

Acquisition

In September 1998, TGS-NOPEC launched the 2D vessel *Northern Access.* This state-of-the-art 2D acquisition platform can tow streamer lengths of 8 to 13 km and is capable of acquiring data in locations all around the world. TGS-NOPEC also operates the 2D vessel *Zephyr-1* on a long-term charter.

The philosophy of TGS-NOPEC is to cover most of its vessel needs on short–term charters, often on a project-by-project basis. Hence, to handle the present high acquisition activity TGS-NOPEC has contracted several additional 2D and 3D vessels from different contractors, and expects to have more than 10 vessels in operation in the peak season of 1999.

Processing

In 1998 TGS-NOPEC acquired Bedford Interactive Processing Services Ltd. (BiPS) located in Bedford, England. The acquisition of BiPS combined with the expansion of TGS-NOPEC's Houston processing facility gives TGS-NOPEC the ability to provide customized 2D and 3D processing services in addition to supporting the processing requirements of the TGS-NOPEC fleet and the aggressive multi-client acquisition program.

Summary

Over 200 oil companies worldwide have licensed or contracted for TGS-NOPEC's projects and services. They continue to rely on and expect the high standard of TGS-NOPEC's quality and service. TGS-NOPEC is a proven source for exploration resources for the requirements of an ever-changing industry.

With its offices in Houston, Texas; Nærsnes, Norway; Bedford, England; and Perth Australia, TGS-NOPEC is positioned to help our clients to explore a world of opportunities.

WWW

TGS-NOPEC has designed a new web site to address our clients and investors. Hence, *several hundred pages* of information on the web site are dedicated to presenting our comprehensive multi-client 2D and 3D data library and related products and services.

Company information

This page contains information such as a brief history of the company, a brief description of the business and our products, an HSE and a Y2K statement. Further there is a detailed list of contacts of TGS-NOPEC key personnel worldwide .

Financial Information

This information is aimed at shareholders and those who are interested in following TGS-NOPEC's financial performance, including updated share price, press releases, dates for release of financial results and contacts for independent market reports.

What's New

To put focus on announcements of new projects, this web page was established. This is the place to find out what TGS-NOPEC is presently working on.

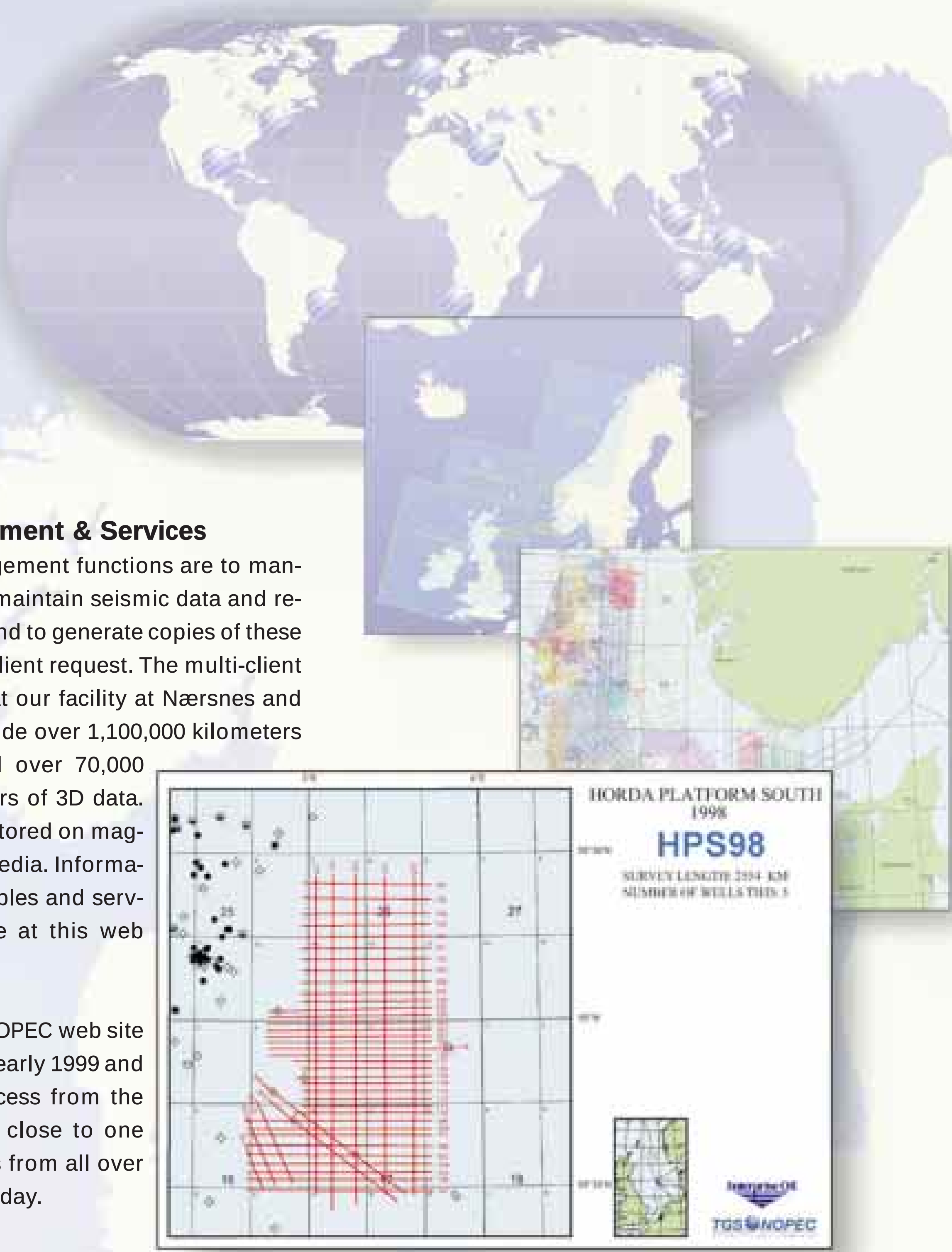
Data Library

This is the core of the web site. All of TGS-NOPEC's several hundred multi-client projects are stored in a database which is easy to navigate. By a click on the button the client can focus in on any desired project and receive the relevant information to prepare an order as outlined in the pictures on page 11.

Geophysical Services

TGS-NOPEC offers contract services and project management within acquisition and processing of seismic, magnetic and gravity data. TGS-NOPEC operates two 2D seismic vessels, two aircraft for aeromagnetic measurements, and two centers for seismic processing. This web site contains all relevant detailed technical information for those interested in using our services.

DATA LIBRARY



Data Management & Services

The Data Management functions are to manage, store, and maintain seismic data and related products and to generate copies of these products upon client request. The multi-client data managed at our facility at Nærsnes and in Houston include over 1,100,000 kilometers of 2D data and over 70,000 square kilometers of 3D data. These data are stored on magnetic and film media. Information on deliverables and services is available at this web page.

The new TGS-NOPEC web site was introduced early 1999 and has been a success from the start, now with close to one hundred visitors from all over the world every day.

Please visit: www.tgsnopec.com

FINANCIAL REVIEW

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REPORT FROM THE BOARD OF DIRECTORS

Nopec International ASA and TGS-CALIBRE Geophysical Company of Houston, Texas, U.S.A were merged to form TGS-NOPEC Geophysical Company ASA in June 1998. Financial Statements presented in this report are combined as from January 1, 1998. TGS-NOPEC has become a leading player in the non-exclusive seismic market, with very strong competitive positions in the Gulf of Mexico, the North Sea and Australia. The Company's marketed seismic library contains more than 1.1 million line kilometers of 2D data and 70,000 km of 3D data.

Operations

Net Operating Revenues for the Group were NOK 558.6 million and the Operating Profit was NOK 267.2 million. The Pre-tax profit was NOK 273.9 million. The Board is pleased with the financial results, especially in view of the declining oil price during the second half of 1998 and the resulting slowdown in exploration activity among its clients.

During 1998, the Company's vessels, owned or chartered, were active collecting non-exclusive seismic for the seismic library through the majority of the year. The Vessel MV Odin Explorer was active in Australia, the Sea of Okhotsk in Russia and in Indonesia throughout the year. The Company rigged a new vessel; the MV Northern Access, set to sea at the yard on October 3, 1998. The new vessel steamed to the Gulf of Mexico in November, after having operated in the North Sea during October. Upon arrival, the vessel commenced collecting non-exclusive data for the library. The chartered vessel Zephyr-1 was active in the North Sea through the whole year. The Company's strong emphasis on the non-exclusive market rather than the proprietary contract market during 1998 caused such contract revenues to decline from NOK 106 million in 1997 to NOK 3 million in 1998.

In total, the Company added 110,000 kilometers of 2D data and 6,000 km of 3D data to its multi-client library during 1998.

Vessel Situation

The company operates three seismic vessels on a permanent short or long-term basis:

- The MV Odin Explorer (owned)
- The MV Northern Access (10 year bare-boat charter-hire)
- The Zephyr-1 (full-operation hire expiring September 2002)

In addition, the Company hires seismic vessels on a project-by-project basis. Per date, the Company has hired the Geco Sigma for 6 months, the Geco Rho for 4-5 months, and the Akademik Lazarev for 5 months in 1999.

The Company owns two additional vessels, the Atlantic Access and the Dimitri Stefanov. The rigging of the Atlantic Access has been put on hold, given the current situation of easy access to other vessels. The Dimitri Stefanov will be taken over at book value by Norex Group AS.

A contingent bid has been received for the MV Odin Explorer corresponding to the Net Book Value held in the Balance Sheet at year-end. The Company evaluates a sale or lay-up of the vessel, given the weak market for proprietary work and the difficulty to raise pre-funding for non-exclusive surveys in the Far East.

Organization and Staff

As at December 31, 1998, the Company had 84 employees in the U.S.A, 30 employees in Norway, 19 employees in the UK, 8 employees in

Australia and 15 employees aboard the vessels, totalling 141 employees.

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

The Board considers the working environment in the Company to be good.

Board of Directors (from left to right): Pål Rullestad, Kjell G. Finstad (chairman), Jan W. Gorgas, David W. Worthington (vice chairman), Hank H. Hamilton III. Steven E. Lambert was not present when the picture was taken.

Investments, Capital and Financing

The Company is listed on the Main List on the Oslo Stock Exchange. New equity was not raised in the market during 1998. The Board does not anticipate any new equity issues during 1999, apart from issues of stock options to employees, unless to finance an acquisition of another company. During 1999, the Company invested NOK 192 million in its seismic library, and NOK 160 million to rig its new vessel, the MV Northern Access. During the first quarter of 1998, the Company bought NDM Datman AS, a data management and data copying company for NOK 12 million in cash. During the fourth quarter of the year, the Company acquired Bedford Interactive Processing Services Ltd (BiPS) in the UK for GBP 1.7 million, out of which GBP 750,000 was paid in cash and the balance through issuance of 136,961 new shares to the prior owners. The Company financed its investments primarily through its own cash. A new loan of NOK 40 million and a financial lease of NOK 37 million were secured for the Northern Access rigging. The Board deems the Balance Sheet of the Company to be strong: As at December 31, 1998, the Company cash holdings were NOK 167.6 while the interest bearing loans totalled NOK 193.9 million. Total Equity was NOK 432.3 million; 50% of total assets.

The Board believes that the strong cash holdings combined with the low debt creates a unique flexibility and ability to act in TGS-NOPEC's business environment.

Environmental Issues

The Company affects the external environment through the collection of seismic data and operation of vessels. The Company will continue to work actively on measures to reduce the effect on the environment and keep operations within the limits of the regulations and public orders.

Year 2000

The Company has assessed the impact of Year 2000 issues on the Company's computer systems and applications and developed a remediation plan. All systems considered to be mission-critical have been identified and addressed in that plan, which includes certain updates and modifications to be made during 1999. The Company does not expect any material disruption to Group business operations from the impact of Year 2000 issues.

Outlook for 1999

During the second half of 1998, the global market for seismic services worsened with the sharp fall in the price of oil in the world economy. The Board is pleased with the financial results obtained in this environment, with pre-tax profits in the 4th quarter of 1998 totalling NOK 81.0 million matching the proforma 4th quarter of 1997 (NOK 81.4 million). The Board believes that 1999 will be an another good year for the Company, as the Board has great confidence in its strategy of keeping low fixed costs combined with aggressive investments in its library on a project-by-project basis. The Board believes that the non-exclusive 2D market, representing approximately 80% of the Company's business, will be relatively resilient through 1999, even with a low price of oil and reduced exploration budgets for the oil companies.

Shareholder Situation

As at December 31, the Directors holding of shares in the Company was:

Kjell G. Finstad (Norex Group AS)	3,885,730 shares (16.24 %)
David Worthington	3,344,946 shares (13.98%)
Steven E. Lambert	755,488 shares (3.15%)
Henry (Hank) H. Hamilton III	562,196 shares (2.34%)
Jan W. Gorgas (Chrimago AS)	68,333 shares (0.28%)
Pål Rullestad	25,000 shares (0.10%)

Application of Profit

The Parent Company's Net Income after tax is NOK 10 983 000.

It is proposed that the Net Income be applied as follows:

Allocated to distributable reserves	NOK 10 983 000
Total	NOK 10 983 000

Nærsnes, February 17, 1999

Kjell G. Finstad
Chairman

Hank Hamilton
CEO/Director

David W. Worthington

Steven E. Lambert

Jan W. Gorgas

Pål Rullestad

PROFIT AND LOSS ACCOUNT

(All amounts in NOK 000's unless noted otherwise)	Note	Parent company 1997	Parent company 1998	Group 1997	Group 1998
Operating income					
Sales		421 721	204 919	754 212	601 909
Income sharing		-112 266	-31 672	-147 442	-43 342
Total operating income		309 455	173 247	606 770	558 567
Operating expenses					
Amortization & Materials	6	162 317	109 536	182 742	119 816
Personnel costs		17 637	13 767	84 201	85 796
Other operating expenses	8	18 129	19 023	57 326	61 292
Depreciation	4	7 633	12 878	12 070	24 494
Total operating expenses		205 716	155 204	336 339	291 398
Operating profit		**103 739**	**18 043**	**270 431**	**267 169**
Financial income and expenses					
Financial income		22 851	24 610	36 163	16 846
Financial expenses		-32 480	-29 465	-37 758	-10 089
Net financial items		-9 629	-4 855	-1 595	6 757
Profit before taxes		**94 110**	**13 188**	**268 836**	**273 926**
Taxes	18	26 366	2 205	88 467	97 052
PROFIT FOR THE YEAR		**67 745**	**10 983**	**180 369**	**176 874**
Earnings per share	10			7,92	7,46
Profit for the year is distributed as follows					
To statutory reserve		6 774	0		
Transfer to distributable reserve		60 971	10 983		
		67 745	10 983		

BALANCE SHEET

(All amounts in NOK 000's unless noted otherwise)	Note	Parent company 1997	Parent company 1998	Group 1997	Group 1998
ASSETS					
Current assets					
Cash and cash equivalents	1	73 820	17 678	233 950	167 593
Accounts receivables	2	125 924	39 353	218 334	152 751
Intergroup receivables		1 226	5 239	0	0
Receivables from parent company		3 714	0	0	0
Other short term receivables		15 441	24 417	22 161	22 353
Multiclient seismic library, net		103 614	146 664	129 329	203 017
Total current assets		323 738	233 351	603 774	545 714
Fixed assets					
Investments in subsidiaries	3,5	0	44 383	0	0
Other long term receivables, including pre-payments		3 135	12 898	5	12 898
Goodwill	4	17 000	15 000	17 000	42 968
Vessel	4	38 400	208 671	38 400	208 671
Machinery, plant and equipment	4	944	4 568	10 937	27 930
Buildings	4	25 101	29 707	28 658	33 555
Total fixed assets		84 580	315 227	95 000	326 022
TOTAL ASSETS		**408 319**	**548 578**	**698 774**	**871 736**
LIABILITIES AND EQUITY					
Current liabilities					
Withheld payroll tax, social security contributions, holiday pay etc.		4 678	4 741	4 803	7 560
Taxes payable	18	13 170	0	59 069	36 074
Accounts payables		27 751	42 500	117 384	109 461
Intergroup payables		0	49 284	0	0
Other current liabilities		42 164	45 440	111 230	64 776
Total current liabilities		87 763	141 965	292 486	217 871
Long term liabilities					
Deferred tax liability	18	23 643	25 848	23 644	27 741
Mortgage loans/secured loans	7	109 632	138 789	109 632	140 441
Other long term liabilities		21 000	53 116	21 023	53 419
Total long term liabilities		154 275	217 753	154 299	221 601
Equity					
Total equity	9	166 282	188 860	251 990	432 264
TOTAL LIABILITIES AND EQUITY		**408 320**	**548 578**	**698 774**	**871 736**
Mortgages/guarantees	7	129 632	138 789	129 632	156 441

CASHFLOW STATEMENT

	Parent company		Group	
	1997	1998	1997*)	1998
Cash flow from operating activities				
Received payments from sales	246 824	259 422		624 150
Payments for purchased goods and services	-156 669	-104 203		-201 427
Payments for salaries, pensions, social security tax and tax deducted	-13 850	-13 704		-83 039
Received interest	22 851	5 542		16 846
Interest payments	-32 480	-10 397		-10 089
Paid tax and government taxes	0	-13 170		-115 949
Received payments/payments from other operating activities	4 123	-8 976		-107 935
Net cash flow from operating activities 1)	70 799	114 514		122 557
Cash flow from investing activities				
Investment in tangible fixed assets	-690	-152 263		-172 410
Lease financed investment		-37 116		-37 116
Investments in shares and partnerships	0	-48 253		-48 253
Other investments	624	-5 375		-8 505
Net cash flow from investing activities	-66	-243 007		-266 284
Cash flow from financing activities				
New long term loans	0	43 132		45 063
Lease financing of owned equipment	0	37 116		37 116
Repayment of long term loans	-57 951	-18 975		-18 975
Increased equity due to share offering	56 591	11 078		11 078
Currency exchange differences	0	0		3 089
Net cash flow from financing activities	-1 360	72 351		77 371
Net change in cash and cash equivalents	69 373	-56 142		-66 357
Cash and cash equivalents at the beginning of period	4 447	73 820		233 950
Cash and cash equivalents at the end of period	**73 820**	**17 678**		**167 593**
Continued				
1) Reconciliation				
Profit before taxes	94 110	13 188		273 926
Depreciation	7 633	12 878		24 494
Changes in inventory	13 297	-43 050		-73 688
Changes in accounts receivables	-62 631	82 558		65 583
Changes in other receivables	-10 432	-5 262		-190
Changes in group payable due to sale	19 054	49 284		0
Changes in accounts payable	-7 649	14 749		-7 923
Changes in other balance sheet items	17 417	-9 831		-159 645
Net cash flow from operating activities	70 799	114 514		122 557

* No Cash Flow Statement is prepared for 1997 for the Group as 1996 consolidated figures do not exist for the Group

GENERAL ACCOUNTING POLICIES

CONSOLIDATION PRINCIPLES

The consolidated financial statements include the accounts of TGS-NOPEC Geophysical Company ASA and its subsidiaries.

The Group consists of:

TGS-NOPEC Geophysical Company ASA	Parent company
NDM- Norwegian Data Management AS	(subsidiary - 100 %)
Nærsnes Eiendom AS, Norway	(subsidiary - 100 %)
ANS Baardsrudveien 2, Norway	(subsidiary - 100 %)
TGS-NOPEC Geophysical Company, Houston, U.S.A	(subsidiary - 100 %)
Bedford Interactive Processing Services Ltd. (BiPS), UK	(subsidiary - 100 %)
TGS NOPEC (UK) Ltd.	(subsidiary - 100 %)
TGS NOPEC Geophysical Company. PTY Ltd, Perth, Australia	(subsidiary - 100 %)
Rimnio Shipping Ltd., Cyprus	(subsidiary - 100 %)
Vrasna Ltd., Cyprus	(subsidiary - 100 %)

The acquisition method is used for consolidation purposes. The transaction "merging" NOPEC International ASA with TGS Calibre Geophysical Company in June 1998 was accounted for as "pooling-of-interest" in accordance with ngaap. Intercompany transactions and accounts have been eliminated in the consolidation. Foreign subsidiaries have been translated using the year end exchange rate for the Balance Sheet, while income statement items for the year is translated using the average exchange rate for the year. Currency translation differences are adjusted directly against equity.

PRINCIPLES OF CLASSIFICATION

Classification

Assets linked to the operating cycle as well as receivables, which are due within one year are classified as current assets. Other assets are classified as fixed assets. The same principle is applied for classifying liabilities.

PRINCIPLES OF ASSESSMENT

Revenue and cost recognition

Revenue is recognised when it is earned. Usually this is at the time of the transaction and the revenue recognition follows the transaction principle. For some of the multi client data collections, the Company enters into agreements to share the income with other companies. Therefore the operating income is presented both gross and net after the sharing of income. Revenues from Joint Ventures in the U.S.A are recognised according to the equity method.

Costs are recognised in accordance with the matching principle. Costs accrued to create income are matched with the income.

Use of estimates

The preparation of Financial Statements in conformity with Norwegian generally accepted accounting principles requires use of reasonable estimates and assumptions that affect the reported amounts as well as certain disclosures. The Financial Statements include amounts that are based on management's best estimates and judgements. Actual results could differ from these estimates.

Inventories

The multi client seismic library includes completed seismic data and work in progress, which can be sold on a non-exclusive basis to one or more clients. The direct costs related to the collection and the processing are included in the inventory value. In addition indirect costs are added on a general basis.

The inventory also includes purchased seismic.

The inventory of multi client seismic is valued at cost reduced by amortization. Amortization is calculated in proportion to accrued income for each project as a percentage of estimated total income for each of the projects. The income estimates are updated every six months.

When establishing amortization rates for the multi client seismic library the management base their view on estimated future income per individual survey. Estimates will change over time with the development in the market. Therefore the amortization may vary considerably from one period to another.

A minimum amortization is applied: The maximum Net Book Value of the individual survey one year after completion is 60% of original cost. Thereafter, a minimum amortization of 20% of cost is applied per year. This minimum amortization policy results in that all surveys acquired prior to 4 years before the Balance Sheet date are fully written off in the accounts and have a Net Book Value of zero in the Balance Sheet.

Goodwill

The goodwill of the company relates to the takeover of operations and companies. The goodwill will be amortized on a straight-line basis in the Income Statement over a period of 10 years. The transaction "merging" NOPEC International ASA with TGS Calibre Geophysical Company in June 1998 was accounted for as "pooling-of-interest" in accordance with NGAAP as it was a combination of two substantially equal companies.

Fixed assets and principles of depreciation

Fixed assets are valued at cost less accumulated depreciation. Depreciation is determined in light of the asset's economic life, varying from 3 to 10 years. Fixed assets, which are assumed to have a technical and economic life of more than 3 years are capitalised. Ordinary depreciation starts when the fixed assets are taken into use in the ordinary operations.

Exchange rate adjustments

Current assets and current liabilities are translated at the exchange rate on the balance sheet date.

Long term liabilities in foreign currencies not covered by corresponding receivables in the same currency or secured by forward exchange contracts, are valued at the higher of the original exchange rate and the rate at the balance sheet date.
Long term receivables in foreign currencies are valued at the lower of the original exchange rate and the rate at the balance sheet date.

Development costs

Development costs are expensed as incurred.

Income Taxes

Taxes include payable taxes and the net change in the deferred tax. Deferred tax in the balance sheet is measured on the basis of the temporary differences, and the actual nominal tax rate is used. Net deferred tax assets are not included in the balance sheet.

Pensions

No pension plans exist in Norway. The Group operates a defined pension scheme on behalf of certain directors and employees in UK and in the US (401k) and covers superannuation in Australia. Contributions are charged to the profit and loss account as they become payable. No obligation has been included in the balance sheet.

Financial instruments

Forward foreign exchange contracts are used to hedge future cash flows. Where forward contracts hedge actual transactions, the forward rate is used as the rate for recording the underlying transaction. Unhedged current assets and liabilities in foreign currencies are translated at the rate of the date of the balance sheet.

Comparable figures

There was a "merger" with TGS-Calibre Geophysical Company June 30,1998. Comparable figures for the Group are based on the Prospectus produced for the proposed combination between Nopec International ASA and TGS-Calibre Geophysical Company dated June 12, 1998 and include TGS Calibre as from January 1, 1998. The Group also purchased NDM Norwegian Data Management AS and Bedford Interactive Processing Services Ltd (BiPS) in 1998. The impact on the consolidated Balance Sheet and Profit & Loss from these last two transactions is considered to be immaterial for the Group. Hence, the figures for 1997 for NDM and BiPS are not included in the 1997 figures shown for the Group.

Leasing

Leasing contracts are classified as financial or operational. A financial lease is a leasing contract whereby the main risk and rewards attributable to the ownership or an asset are transferred to the lessee. A finance lease is accounted for as if the asset is acquired and depreciated accordingly, while the lease obligation is accounted for as an interest bearing liability.

NOTES TO THE FINANCIAL STATEMENTS

(All figures in NOK 000's except as noted)

Note 1 - Restrictions on bank accounts

NOK 819 of Cash and Cash Equivalents is restricted for unpaid payroll taxes withheld. to meet the liability arising from payroll taxes withheld. A further NOK 170 is restricted for a guarantee given.

Note 2 - Accounts receivable

Accounts receivable is included in the balance sheet at net value. A provision has been made for bad debt of NOK 400. No provision was made in 1997.

Note 3 - Investments in Subsidiaries

At 31.12.98 the Company had the following investments in subsidiaries:

Included in the balance sheet as:	*Share capital of company*	*No. of shares*	*Nominal value*	*Balance sheet value*	*Share of total*
NDM- Norwegian Data Management AS	NOK 200	200 000	NOK 1	12 000	100 %
TGS-NOPEC Geophysical Company	USD 1 000	1 000	USD 1	11 285	100 %
Bedford Interactive Processing Services Ltd.	GBP 50 000	50 000	GBP 1	21 097	100 %
TGS NOPEC (UK) Ltd.	GBP 100	100	GBP 1	0,01	100 %
Nærsnes Eiendom AS	NOK100 000	100 000	NOK 1	0,001	100 %
ANS Baardsrudveien 2				0,000	100 %
TGS NOPEC Geophysical Comp. PTY Ltd	AUD 1	1	AUD 1	0,006	100 %
				44 383	

Note 4 - Tangible fixed assets

Parent company

Acquisition cost and depreciation	*Machinery, plant and equipment*	*Vessel*	*Goodwill*	*Buildings*	*Total*
Cost as at 1.1.98	1 142	48 000	20 000	25 761	94 903
+ additions during the year	4 096	180 017	0	5 266	189 379
Cost as at 31.12.98	5 238	228 017	20 000	31 027	284 282
Accumulated depreciation as at 1.1.98	198	9 600	3 000	660	13 458
+ depreciation for the year	472	9 746	2 000	660	12 878
Accumulated depreciation as at 31.12.98	670	19 346	5 000	1 320	26 336
Net book value at 31.12.98	4 568	208 671	15 000	29 707	257 946
Straight-line depreciation percentage	33 %	10 %	10 %		

Group

Acquisition cost and depreciation	*Machinery, plant and equipment*	*Vessel*	*Goodwill*	*Buildings*	*Total*
Cost as at 1.1.98	44 720	48 000	20 000	29 391	142 111
+ additions during the year	17 285	180 017	31 081	5 557	233 940
Sales 1998 at cost	2 860				2 860
Cost as at 31.12.98	59 145	228 017	51 081	34 948	373 191
Accumulated depreciation as at 1.1.98	24 741	9 600	3 000	733	38 074
+ depreciation for the year	8 975	9 746	5 113	660	24 494
Depreciation on fixed assets sold in 1998	2 501				2 501
Accumulated depreciation as at 31.12.98	31 215	19 346	8 113	1 393	60 067
Net book value at 31.12.98	27 930	208 671	42 968	33 555	313 124
% depreciation	33%	10%	10%		

Acquisition cost and disposal proceeds of tangible fixed assets

Parent company

	1998		1997		1996	
	Additions	Retirements	Additions	Retirements	Acquis.	Disp
Machinery, plant and equipment	4 096	0	690	0	398	0
Vessel	180 017	0	0		48 000	0
Goodwill	0	0	0	0	20 000	0
Buildings	5 266	0	0	0	26 000	0
Total	189 379	0	690	0	94 398	0

Group

	1998		1997		1996	
	Additions	Retirements	Additions	Retirements	Acquis.	Disp.
Machinery, plant and equipment	17 285	9	6 133	0	541	0
Ships	180 017	0	0	0	48 000	0
Goodwill	31 081	0	0	0	20 000	0
Buildings	5 557	0	3 630	0	25 761	0
Total	233 940	9	9 763	0	94 302	0

Note 5 - Investment in unlimited (ANS) partnerships

The Company owns 100 % of ANS Baardsrudveien 2. Ninety-nine percent of its interest is directly held, and the remaining one percent interest is indirectly held through the Company's100% ownership of Nærsnes Eiendom AS. The sole business activity of Nærsnes Eiendom AS is its ownership interest in ANS Baardsrudveien 2. Therefore, the Company has directly consolidated ANS Baardsrudveien 2 in its accounts.

Note 6 - Amortization of Seismic Library and Materials.

	1998	1997
Amortization of Seismic Library	118 494	94 900
Cost of goods sold	1 322	87 842
	119 816	182 742

Note 7 - Mortgages, guarantees etc.

	1998	1997
The following liabilities are secured by collateral:		
Liability to Fokus Bank, parent company	138 789	109 632
Liability to Petroleum Geo-Services ASA, parent Company	16 000	20 000
Other, group companies	1 652	0
	156 441	129 632
Book value of the assets used as collateral:		
Accounts receivables	39 353	125 924
Multi client seismic	146 664	99 298
Vessel	208 671	38 400
Building Baardsrudveien 2	24 441	25 101
	419 129	288 723

Note 8 - Lease obligations

The Group has operating lease commitments expiring at various dates through 2004. Rental expense for operating leases was NOK 5.017 for the year ended December 31, 1998. The Group also has capital lease commitments expiring at various dates through 2003. Rental expense for capital leases was NOK 3,045 for the year ended December 31, 1998. Future minimum payments for capital and operating leases with lease terms in excess of one year at December 31, 1998 are as follows:

	Operating leases	Capital leases
1999	4671	12548
2000	4671	11815
2001	4127	11815
2002	3583	9917
2003	3583	427

Note 9 - Equity changes during the year.

Equity reconciliation for 1998:

	Share capital	Reserves	Free equity in Parent company	Equity in parent company	Equity for the group
Opening balance 1.1.98	12 278	68 858	85 146	166 282	251 990
Share issues 1998	11 647	23 871	(23 922)	11 595	309
Profit for the year	-	-	10 983	10 983	176 874
Other, incl. effect of change in exchange rates	-	-	-	-	3 090
Closing balance 31.12.98	23 925	92 728	72 207	188 860	432 263

Changes in share capital during 1998:

	Date	Balance	Shares issued
Opening balance	01.01.98	12 278	-
Issue stock options	16.02.98	12 453	175
Demerger of Lash ASA	29.06.98	12 212	(242)
Private placement, acquisition of TGS	29.06.98	23 497	11 286
Issue stock options	26.08.98	23 788	290
Private placement, acquisition of BiPS	16.11.98	23 925	137

The Board is authorised to issue a total of 6 226 895 shares at a subscription rate to be stipulated by the Board. This authorisation expires December 31, 2002. On June 30, 1997, the Company issued stock options to its employees. These stock options expired December 31, 1998.

In June 1997, the Company granted key employees a total of 330,000 stock options at a price of NOK 33,00 per share. The exercise price increases one percent per month from June 1997. The options may not be exercised before June 2000, and expire July 1, 2004.

Company CEO Hank Hamilton has entered into a stock option agreement. He has the option to purchase up to 552,196 shares of Company stock at a price of NOK 117,76 per share. Under the agreement, up to 25%, 50%, 75% and 100% of the options may be exercised beginning June 29, 1999, 2000,2001 and 2002, respectively. The option expires on June 29, 2003.

Note 10- Earnings per share

The Company has issued stock options as described in Note 9. The effect of the issuance of the stock options upon the Company's diluted earnings per share is immaterial. For details regarding stock options, see equity note.

	1997*	1998
Profit of the year	180 369	176 874
Average number of shares outstanding (thousands)	22 760	23 699
Earnings per share	7,92	7,46

* The company issued new shares in 1998 in order to finance the purchase of a material new company. This issue is accounted for as of 1.1.1997 when calculating earnings per share. Other issues are accounted for at the dates of issuance.

In the calculation of the average number of shares, share splits in 1997 are taken into account.

Note 11 - Related parties

During 1998 the Company acquired NDM AS for NOK 12,0 mill from Norex Group AS, based upon an independent valuation. Each of the Company's building lease agreements with Norex Group AS was terminated as of September 30, 1998. The transactions with Norex Group AS were made at arm's length terms.

Note 12 - Segment information

During 1998, 71% of Gross Revenues derived from the Multi-client Seismic Data Library were 2D, and 29% 3D. Of Net Revenues derived from the Multi-client Seismic Data Library during 1998, 82% were 2D, and 18% 3D.

Note 13 - Geographical information

Revenues per Region	1997 U.S.A	1997 Rest of the world	1998 U.S.A	1998 Rest of the world
Sales	306 000	448 000	380 000	222 000
Income Sharing	-22 000	169 000	-7 000	-36 000
Operating Income	284 000	323 000	373 000	186 000

Note 14 - Year 2000

The Company has assessed the impact of Year 2000 issues on the Company's computer systems and applications and developed a remediation plan. All systems considered to be mission-critical have been identified and addressed in that plan, which includes certain updates and modifications to be made during 1999. The Company does not expect any material disruption to Group business operations from the impact of Year 2000 issues.

Note 15 - Shares owned by members of Board of Directors, the Managing Director and the Auditor

As of December 31, 1998

Kjell G. Finstad (Norex Group AS)	3 885 730
David W. Worthington	3 344 946
Steven E. Lambert	755 488
Henry H. Hamilton III	562 196
Jan W. Gorgas (Chrimago AS)	68 333
Pål T. Rullestad	25 000

The number of shares reported for any individual also include any shares held by a company controlled by him, or by his children under 18 year of age.

Note 16 - Employment Agreements

No senior employee of the group has a contract of employment, which provides for more than one year's salary as compensation in the event of leaving employment.

Note 17 - Remuneration, audit fees

During 1998, members of the Board of Directors received directors' fees totalling NOK 190. In addition, the Chairman received fees of NOK 608. The Company's Managing Director was paid a salary of NOK 722. During 1998, the Company's auditors were paid fees of NOK 240 for audit services, plus NOK 1 466 for advisory services.

Note 18 - Accounting for income taxes

Deferred tax	Parent company *1998*	Parent company *1997*	Group *1998*	Group *1997*
	Temporary differences			
Short term				
- Accounts receivable	-400	0	-400	0
- Inventories	99 589	69 496	99 589	69 496
Long term				
- Buildings	-258	-124	-258	-124
- Machinery, plant and equipment	72	187	6 246	187
- Vessel	30 664	7 680	30 664	7 680
- Goodwill	8 140	7 200	8 140	7 200
Total temporary differences	137 807	84 439	143 981	84 439
Loss carry forward	-45 492	0	-45 492	0
Temporary differences after offsetting	92 315	84 439	98 489	84 439
Basis for deferred tax/liability	92 315	84 439	98 489	84 439
Deferred tax asset/liability	**25 848**	**23 643**	**27 741**	**23 643**

Taxes payable	1998	1997
Accounting profit before taxes	13 188	94 110
Share of profit from Nærsnes Eiendom AS	-13	-6
Permanent differences	-5 300	58
Contributions to/from group companies		0
Change in temporary difference (see above)	-53 368	-4 080
Utilisations of loss carry forward		-43 047
Basis for taxes payable (taxable income)	-45 493	47 035

Tax expense				
Taxes payable0	0	13 170	92 954	75 271
Deferred tax - net change (see above)	2 205	13 196	4 098	13 196
Tax expense	**2 205**	**26 366**	**97 052**	**88 467**
Foreign part of the total tax expense amounts to	0	0	92 954	62 101

STATEMENT FROM INDEPENDENT ACCOUNTANTS

KPMG as

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Enterprise NO 935 174 627

(Translation from Norwegian)

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

Audit report for 1998

We have audited the annual report and accounts of TGS Nopec Geophysical Company ASA for 1998, showing a profit for the year of NOK 10.983.000 for the parent company and a consolidated profit for the year of NOK 176.874.000. The annual report and accounts, which comprise the annual report proper, profit and loss account, balance sheet, funds flow statement, notes to the accounts and consolidated accounts are presented by the company's Board of Directors and its managing director.

Our responsibility is to examine the company's annual report and accounts, its accounting records and other related matters.

We have conducted our audit in accordance with relevant laws, regulations and generally accepted auditing standards. We have performed those audit procedures which we considered necessary to confirm that the annual report and accounts are free of material misstatements. We have examined selected parts of the evidence supporting the accounts and assessed the accounting principles applied, the estimates made by management, and the content and presentation of the annual report and accounts. To the extent required by generally accepted auditing standards we have reviewed the company's internal control and the management of its financial affairs.

The Board of Directors' proposal for the application of the profit for the year is in accordance with the requirements of the Companies Act.

In our opinion, the annual report and accounts have been prepared in accordance with the requirements of the Companies Act and present fairly the financial position of the company and of the group as of 31 December 1998 and the result of its operations for the financial year, in accordance with generally accepted accounting principles.

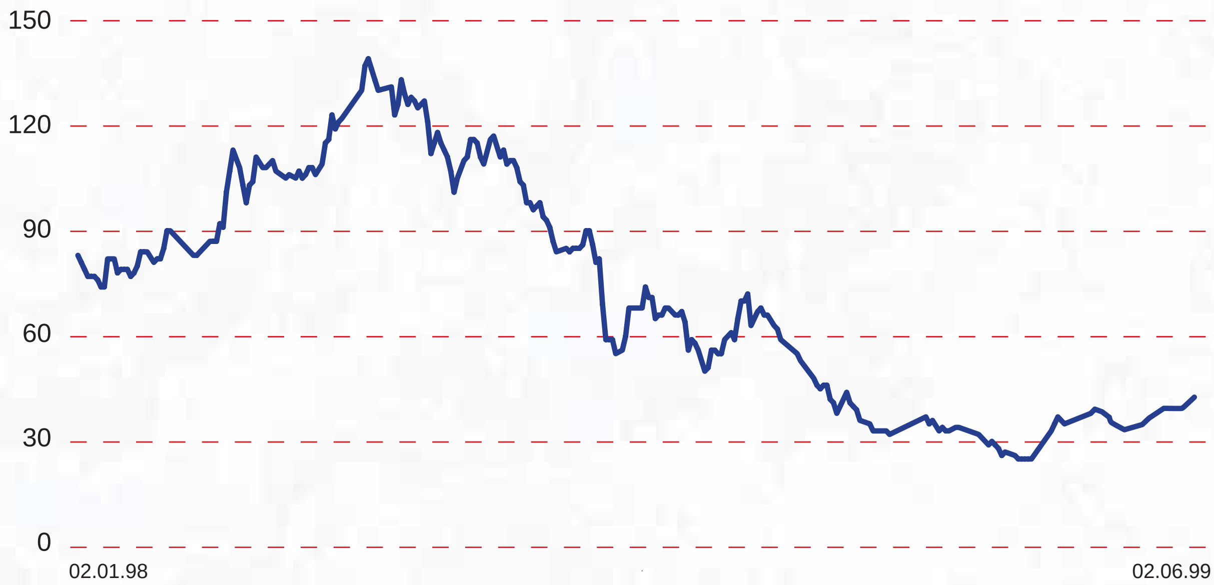
Stavanger, 17 February 1999
KPMG as

Translation, not to be signed

Aage K. Seldal
State Authorized Public Accountant (Norway)

INVESTOR RELATIONS

The shares of TGS-NOPEC Geophysical Company ASA are listed on the Main List on the Oslo Stock Exchange in Norway. The year 1998 and so far in 1999 has been a turbulent time for the share as seen from the graph below:



(Graph: Shareprice per day Jan-98 to June 3, 1999.) (Source: Oslo Stock Exchange) Closing price on June 3rd 1999 NOK 47,10

The downturn of expectations from the investors' side as to future earnings in the oil service industry in general sent the share price down from NOK 138 in May 1998 to NOK 24 in February-99, although TGS-NOPEC has been performing steadily throughout this period. A return on Capital Employed (ROCE) of 54% for the year 1998 is an impressive achievement in the view of the Management. For the 4th quarter of 1998, in the weak oil-price environment, the Company delivered pre-tax results of NOK 80.1 million, matching the performance of 4th quarter, 1997. It is disappointing to the Management and the Shareholders when the Company is not priced according to its individual performance, but rather according to the expected general trend of the industry. The Shares of TGS-NOPEC have also, in the view of the Management, suffered from the fact that the Company is relatively newly listed (admitted to the Main list of the OSE only from February 1999) and from its relatively small Market Capitalisation. It is the goal of the Company's Investor Relations Policy to make the Company more visible and identifiable in the financial community.

Therefore, the Company has increased its investor relation activities substantially as from February 1999. Presentations are held to the financial community in Norway at the announcement of each quarterly result and important efforts are made to keep close contact with analysts and investment bankers. An increasing number of Investment Bankers and analysts are following the Company closely; issuing analyses and reports. As described elsewhere in this Annual Report, a special section of our web site "www.tgsnopec.no" is allocated to financial information listing with telephone numbers and e-mail addresses the analysts following TGS-NOPEC for potential investors' enquiries.

Presentations are also made, and contact maintained, to a limited number of British and US-based investment bankers. While this is a start, the promotion of the financial side of TGS-NOPEC outside Norway will be increased while maintaining a person-to-person trust-like relationship.

Some information about particulars of the stock trade on Oslo Stock Exchange and Shareholder Register.

Norway has a paperless, centralised registry of shares and other securities, VPS, through which the Company's share register is operated. Share certificates are no longer used. VPS is a computerised bookkeeping system operated by an independent body in which the ownership of and all transactions relating to Norwegian listed shares must be recorded. VPS confirms each entry by sending a transcript to the registered shareholder irrespective of any beneficial ownership. To effect such entries, the individual shareholder must establish a share account with a Norwegian account agent. Norwegian banks, the Bank of Norway and authorised security brokers in Norway are allowed to act as such agents. The complete list of such authorised security brokers can be obtained from TGS-NOPEC's web site.

The entry of a transaction in VPS is prima facie evidence in determining the legal rights of parties as towards the issuing company or a third party claiming an interest in the security. VPS is strictly liable for any loss resulting from an error in connection with registering, altering or cancelling a right, except in the event of contributory negligence, in which event compensation may be reduced or withdrawn.

Under Norwegian law, any acquisition of Shares must be so registered within one month after such acquisition. A transferee or assignee of Shares may not exercise the rights of a shareholder with respect to such shares unless such transferee or assignee has registered such shareholding, or has reported and shown evidence of such Share acquisition. The acquisition of Shares is not prohibited by law, the Articles of Association or otherwise.

We advise you to contact any Norwegian bank, an authorised security broker or the Oslo Stock Exchange (www.ose.no) to get full information for how to trade and your rights and obligations connected thereto.

Potential Listing of the TGS-NOPEC on Further Stock Exchanges.

As per May 1999, the 4 founders of TGS-CALIBRE, the US arm of TGS-NOPEC, hold approximately 39% of the Company's shares. Norex Group AS (owned by Mr. Kjell G. Finstad), the previous single largest shareholder, sold their total share holdings in March 1999. As a result, more than 60% of the Company's shares are now held and traded on the OSE exchange, mainly by Norwegian institutional investors.

In the board meeting on May 19, 1999, Mr. Kjell Finstad resigned as Chairman of the Board, only to continue as a Director, and Mr. David W. Worthington, one of the 4 founders of TGS-CALIBRE and the Company's largest Shareholder, was appointed new Chairman.

TGS-NOPEC is investigating a potential listing on one of the U.S. Stock Exchanges in addition to the Oslo listing.

Talking to the owners of the Company, be it current or future, is a prioritised task for me as the CFO of TGS-NOPEC. Please do not hesitate to call or e-mail me at our Norway Head Quarter for any issue where I might be of assistance.

My e-mail address is "arne@tgsnopec.no". Let's stay in touch.

Arne Helland jr.
CFO

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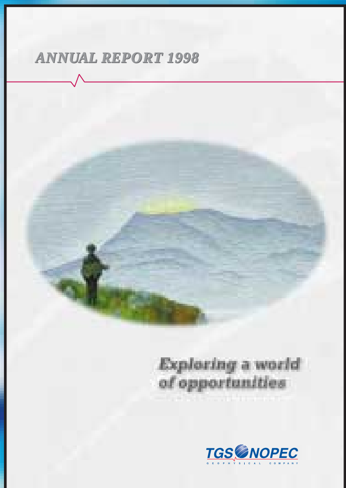
TGS NOPEC

GEOPHYSICAL COMPANY

TGS Nopec Geophysical Company



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HUGIN
Investor Relations Made Easy