Annual Report 1999

TGS NOPEC

GEOPHYSICAL COMPANY

CONTENTS

Design: TGS-NOPEC
Prepress: Vestfjorden AS
Printing: Vestfjorden AS
5.000 - 0500

Printed in Norway

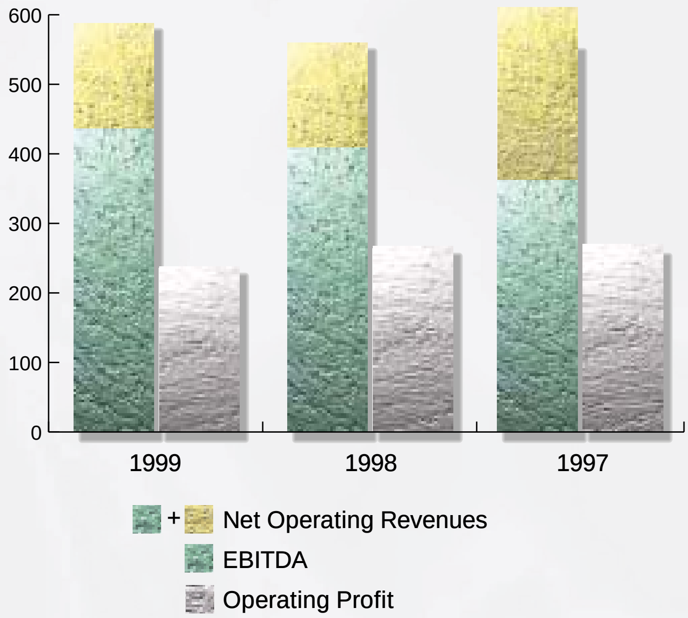
KEY FIGURES

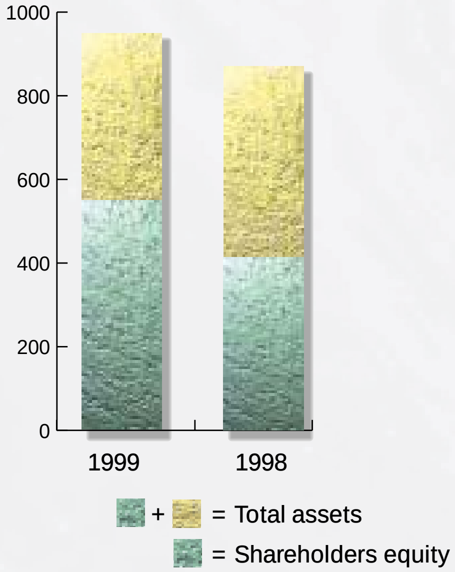
(In MNOK apart from EPS and ratios)

	1999	1998	1997
Net Operating Revenues	587,5	558,6	606,8
Operating profit	237,2	267,2	270,4
Write down of vessels	-29,6	-	-
Pre tax profit	193,1	273,9	268,8
Net Income	119,2	176,9	180,4
EBITDA	437	410	362
EBITDA Margin	74%	73%	60%
EBITD	227	292	285
EBITD Margin	39%	52%	47%
EBIT	208	267	273
EBIT Margin	35%	48%	45%
Earnings per share (EPS)	4,97	7,46	7,92
Earnings per share (Diluted)	4,92	7,46	-
Total Assets	948,7	871,7	
Shareholders´s Equity	547,6	415,1	
Equity ratio	58%	48%	

Multi-Client Library:

Opening Balance	203,0	129,3
Investment	300,8	192,2
Amortisation	-179,8	-118,5
Net book Value Ended	324,0	203,0
Line km 2D	1,4 mill	1,2 mill
Square km 3D	85.000	72.000





LETTER TO SHAREHOLDERS

For TGS-NOPEC, 1999 was a year of tremendous challenge and unique opportunity. Oil prices continued the 1998 free fall, finally bottoming at about $10 per barrel during the first quarter of 1999. Wave after wave of oil company cost cutting and mergers almost completely paralyzed any new exploration and production activity. The resulting effects were traumatic to the oil services industry in general and devastating to the most highly leveraged players. Oil services companies took hundreds of millions of dollars in charges to retire idle assets, lay off employees, and completely restructure operations.

While TGS-NOPEC was hardly immune to the oil price collapse, our determined and clear strategy enabled us to recognize and capture numerous opportunities presented by the turmoil in the market. Our lean fixed cost base, strong balance sheet, and unique business model allowed us to actually intensify the focus on our core operations of project generation, quality control, and marketing during this highly disruptive period. As a result, we increased our investments in multi-client seismic surveys by 56% over 1998 levels to a record of NOK 301 million. Our customers strongly supported this effort, providing 79% in average pre-financing for our new projects, a figure far surpassing 1999 industry averages.

In 1999, Net Operating Revenues grew by 5% to NOK 587 million, largely as a result of our increased investment levels and pre-financing from oil companies. Net Income fell to NOK 119 million, a 33% decline from 1998 earnings, due primarily to lower sales of fully amortized surveys in the weakened exploration and production environment. TGS-NOPEC again generated an industry leading Operating Margin (35%) and Return on Capital Employed (31%). Shareholders Equity grew 32% to NOK 548 million, representing 58% of the balance sheet. Over the course of the year, the TGS-NOPEC share price gained 283%, providing an excellent annual return for you, the shareholders.

We added a record 157,000 kilometers of 2D and over 13,000 square kilometers of 3D to our marketed library of multi-client seismic data during 1999. In April we launched our most ambitious project ever, an 85,000-kilometer 2D survey blanketing the major prospective sedimentary basins offshore Brazil. During the summer weather window we invested aggressively in offshore eastern Canada, where we are steadily building the industry’s most comprehensive, modern, regional 2D seismic database. In the Gulf of Mexico, we commenced our largest 3D project ever, a giant 14,000-square kilometer survey in the extremely active Mississippi Canyon deep-water area, while in Norway, we completed several 2D projects in preparation for the 16th Licensing Round as well as two new 3D projects under our new Scandinavia 3D alliance with Schlumberger. Additionally, we developed and initiated strategic programs in a number of prospective deep-water

H. H. Hamilton
Chief Executive Officer

D. W. Worthington
Chairman

frontier provinces: Mahakam Delta of Indonesia, west Greenland, Faroes-Shetland Basin, Portugal, and Morocco. These projects dramatically enhance the value of the TGS-NOPEC multi-client portfolio and provide a solid framework for revenue growth as exploration and production activity recovers.

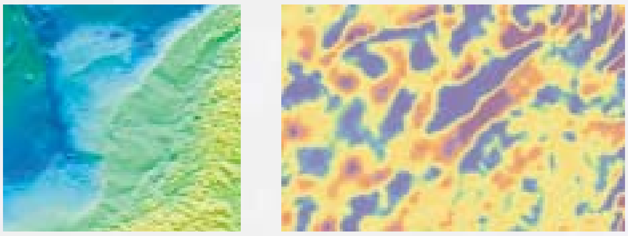
The long-term fundamentals supporting the continued search for hydrocarbon deposits appear to be very sound. Growing world energy demand coupled with the apparent OPEC resolve to support oil prices will eventually lead to a strong recovery in exploration and production spending. We are just beginning to see signs of clear improvement. Our vision at TGS-NOPEC is to become the preferred channel through which oil companies gain access to the quality geophysical data and associated products so integral to the exploration and development process. Along the way, we intend to employ business models that continue to generate superior returns on capital for our shareholders. We are emerging from the recent downturn as a much stronger company, well positioned to reap the rewards of improving industry conditions.

H. H. Hamilton
Chief Executive Officer

D. W. Worthington
Chairman

THE BUSINESS
-EXPLORING A WORLD OF OPPORTUNITIES

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.



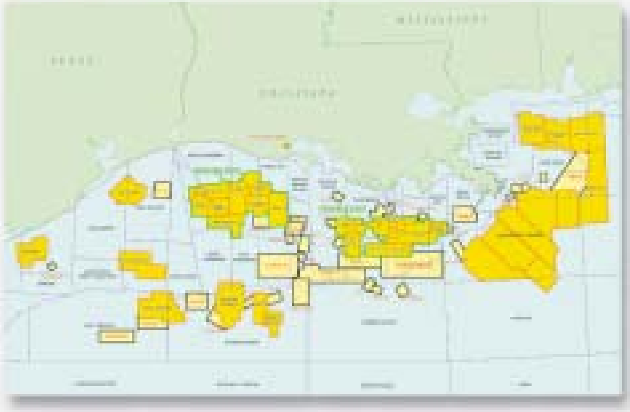
The multi-client model

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 the oil companies on a non-transferrable 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. TGS-NOPEC usually manages its 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 TGS-NOPEC to develop derivative products to be offered to the clients.

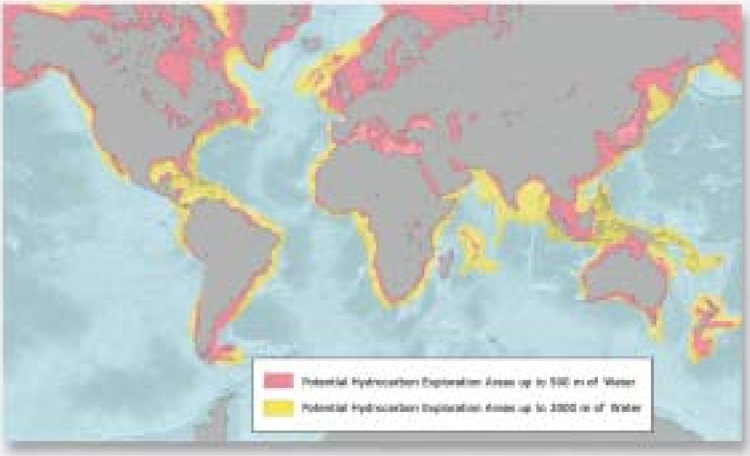


3D Multi-Client library in the GOM, marketed by TGS-NOPEC.

TGS-NOPEC also offers acquisition, processing and interpretation of magnetic and gravity data. Such data allows for a quick and inexpensive initial investigation of an area and can provide conclusions on where to find sedimentary basins. Sediments are rocks in which hydrocarbons can be generated and trapped in the sub surface.

The multi-client data library

The multi-client data library marketed by TGS-NOPEC contains more than 1.4 million kilometers of 2D seismic and more than 85,000 square kilometers of 3D data mainly in the Gulf of Mexico, Brazil, Northwest Europe and Australia.



Potential Offshore Exploration Areas of the World.

New oil and gas production technology for deep waters has opened vast new areas for exploration. Hence, TGS-NOPEC has committed to new frontier areas such as Brazil, Nova Scotia, Greenland, the North West Shelf of Australia, Indonesia, as well as offshore Morocco and Portugal. Water depths in these areas typically range from 500 to 3000 meters.

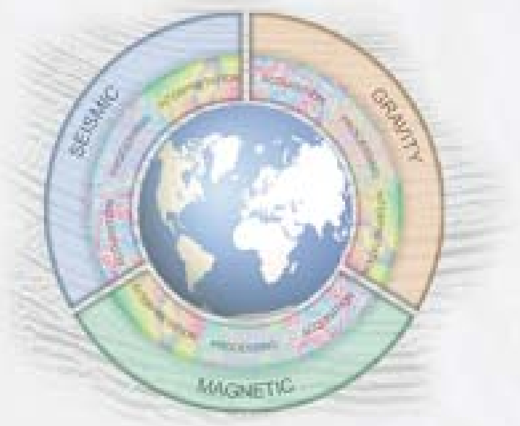
More than 200 oil companies worldwide have licensed or contracted for TGS-NOPEC's pro–jects and services. They continue to rely on and enjoy the high standard of TGS-NOPEC's quality and service. TGS-NOPEC is a proven source for exploration resources for the requirements of an ever-changing industry.

WWW

The TGS-NOPEC web site contains news, financial information, the entire seismic data library and related products and services.

By a click of a button, telephone numbers or e-mail addresses to TGS-NOPEC personnel worldwide are available. Further, information about the 2D seismic vessels operated by TGS-NOPEC or the aircrafts used for aero magnetic projects or other available services like data processing and data management can be found.

The Data Library section is the core of the web site. All of TGS-NOPEC's several hundred multi-client projects worldwide are stored in a database, easy to navigate. The client can focus on any specific project and receive relevant information or be guided to the relevant contact person in the TGS-NOPEC organisation.



With offices in Texas, Norway, England, Scotland and Australia, where highly experienced and skilled staff are ready to help our clients to explore a world of opportunities, TGS-NOPEC is positioned to challenge changes in exploration for hydrocarbons in the years to come.

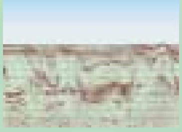
www.tgsnopec.com

BRAZIL

-THE NEW MILLENNIUM GOLD RUSH

TGS-NOPEC markets over 1.4 million kilometers of 2D and more than 85,000 square kilometers of 3D non-exclusive seismic data. Over 70% of this data is located in the mature basins of the Gulf of Mexico and the North Sea. The emergence of several West African countries in the early to mid-1990's triggered a mini seismic boom focused primarily on the countries of Nigeria, Angola, and Gabon. But the activity created in Africa at that time does not begin to compare with what happened in Brazil in 1999. The long awaited privatization of Brazil's oil industry finally transpired in late 1998. With the break-up of the state controlled exploration monopoly previously enjoyed by Petrobras, the upstream side of our industry experienced what can only be described as "controlled panic". Every seismic contractor raced to Brazil to acquire the first modern seismic database in Brazil that could be made available to the newly opened international market.

Brazil in perspective...



Brazil is enormous in many aspects. The size of the offshore area is equivalent to approximately thirteen (13) U.S. Gulf of Mexicos, twelve (12) North Seas, or ten (10) of the West African countries that opened for international exploration in the 90's. The geologic province most synonymous with Brazil's oil production is the Campos Basin. The Campos Basin alone is the size of the U.S. Gulf of Mexico. Brazil has **fourteen** (14) additional producing or prospective offshore basins! Combined with onshore, Brazil has 26 geologic basins containing 27,000,000,000 proven barrels of oil to date. Even the exploration tracts are enormous: the average exploration license in Brazil is two hundred times larger than a Gulf of Mexico license.

So What Happened?

In 1995, the Brazilian congress initiated legislation that would end the 43-year monopoly held by Petrobras. All the players in the seismic industry were keenly aware of the pending laws and all anxiously waited to see if the legislation would actually pass. It seemed too good to be true since implementing such drastic changes in policy can often be such a lengthy and difficult process. Could a country the size of Brazil move decisively to embrace and encourage free enterprise in its energy sector? If so, the seismic industry could experience an unparalleled rejuvenation in the midst of a dismal period with oil prices reaching record lows and oil companies cutting costs and consummating mergers as a routine matter.

On August 7, 1997 Brazil enacted new law that opened oil and gas exploration to international companies for the first time since 1953. While this was great news, there was one small problem. There were no regulations in place to govern Brazil's new geophysical industry. Undeterred, TGS-NOPEC plowed ahead.

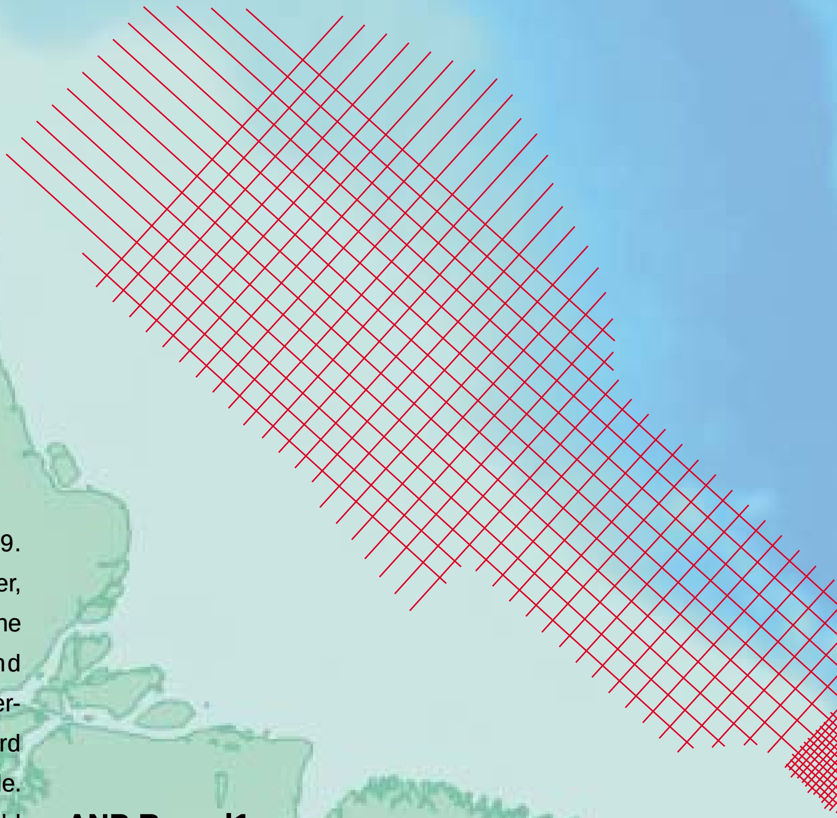
As with any project TGS-NOPEC constructs, we poured thousands of hours of preparation into planning potential surveys. Our resident Brazil expert developed several project ideas and canvassed clients in North and South America months before the opening of Brazil's shores. This is a typical process for any new TGS-NOPEC survey. We build an understanding of the regional geology; incorporate the knowledge, concerns, and experience of our client base and generate a prototype survey that we know will change at least a dozen times before the vessel arrives to begin work. It is not unusual to alter the survey design even while it is in progress. This tried and true recipe for success was a little harder to implement in Brazil. First of all, Brazil "experts" were few and far between. There had only been one real operator in Brazil for 43 years: Petrobras. Additionally, it was difficult to grasp the

concept of regional geology when considering an area covering about 30 degrees of the earth's longitude! The one certainty was that TGS-NOPEC's management was absolutely convinced that its practice of acquiring large super-regional 2D surveys was going to work perfectly in Brazil. Since the size of the average exploration license made the time and cost for 3D almost prohibitive for an oil company, the TGS-NOPEC regional 2D concept matched the needs of the customers. So we readied vessels, formed alliances, earned frequent flyer miles, ate power lunches, and drank thousands of lattes, expressos, and regular coffees, all the while waiting for publication of the appropriate regulations.

In November, 1998 *Portoria 188*, the official regulation governing the seismic industry in Brazil, took effect. The new regulations nicely balanced the interests of seismic companies, exploration companies, and the Brazilian

BRAZIL

-THE NEW MILLENNIUM GOLD RUSH



government. Among other things, *Portoria 188* established a ten (10) year proprietary period for TGS-NOPEC to sell its Brazilian seismic data. This compares to 25 years in the Gulf of Mexico and between five (5) and ten (10) years in other parts of the world.

BRASIL'99

TGS-NOPEC's initial effort in Brazil was an 85,000-kilometer survey called BRASIL'99. BRASIL'99, acquired in partnership with Schlumberger, covers three of Brazil's most active basins; the Santos, the Campos, and the Espirito Santo. TGS-NOPEC and Schlumberger, together known as "the Alliance", determined that the key to success in Brazil would be to record a consistent, regional grid of coverage as fast as possible. We knew that at least four other seismic companies would be invading Brazil so the Alliance agreed to attack with three vessels. TGS-NOPEC's M/V Northern Access and two Schlumberger operated vessels were enlisted for the task. When the Alliance vessels commenced BRASIL'99 in April, they were the first seismic vessels to begin operations in Brazil under the new law. Incredibly, by August, there were 16 seismic vessels in Brazil. By year-end that number was even higher!

The Alliance dedicated at least three times the resources employed by any competitive force and by year-end had recorded over 60,000 kilometers of BRASIL'99. More so, we developed plans to acquire 50,000 additional kilometers thereby raising the Brazil acquisition plan to 135,000 kilometers. Three seismic vessels and two seismic data processing centers now had a year's backlog. The aggressive acquisition plan combined with an equally aggressive marketing effort paid off as thirteen oil companies joined the project prior to the Early Participation deadline in October. These companies provided enough financial pre-funding to eliminate TGS-NOPEC's risk in the initial program.

ANP Round1

The Agencia do Petroleos of Brazil ("ANP"), created in 1998 to administer Brazil's new exploration policy, held its first licensing round (Round 1) in June 1999. The ANP pre-qualified 38 oil companies that applied to bid on the 27 blocks offered in Round 1. A truly multi-national group of companies from the United States, Canada, Italy, England, Japan, Korea, Argentina, Holland, Chile, France, Germany, and Brazil participated in the bidding for licenses. By the end of the two-day offering, eleven (11) companies had taken twelve (12) of the offered blocks, spending approximately US$ 230,000,000. In addition to licensing Round 1 blocks, international oil companies signed over twenty separate joint ventures with Petrobras allowing joint exploration of Petrobras acreage. Brazil opened its shores and the world responded.

BRAZIL IN 2000

The annals of oil and gas history will record what happens in Brazil at the beginning of the new Millenium. In the search for hydrocarbons, it all begins with seismic data. Never has our industry seen the level of activity that invaded Brazil in 1999.

TGS-NOPEC's plan for Brazil in 2000 will be just as aggressive. With the momentum from BRASIL'99, TGS-NOPEC will expand to a number of new basins and record more detailed coverage in the existing survey areas. As offshore exploration matures in Brazil, TGS-NOPEC's business plan will begin to include non-exclusive 3D programs. Not often does a company get to play such an important role in the development of an industry. TGS-NOPEC will continue to promote programs that will identify it as a leader and innovator in Brazil. This will require renewed alliances, more frequent flyer miles, more power lunches, lots of Brazilian café, and even some Portuguese language lessons.

We are ready to meet the challenge.

REPORT FROM THE BOARD OF DIRECTORS

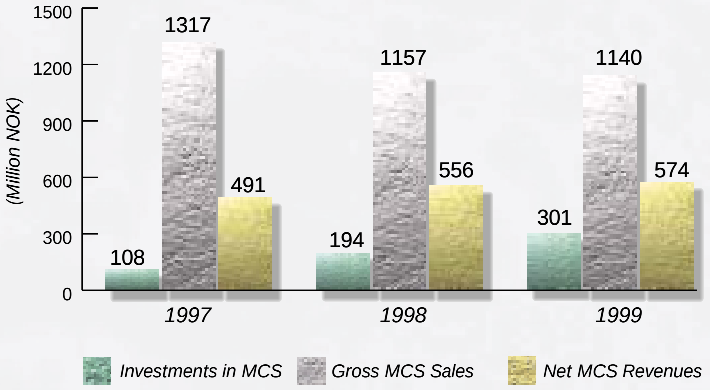
In June 1998, Nopec International ASA and TGS-CALIBRE Geophysical Company merged to form TGS-NOPEC Geophysical Company ASA. Financial Statements presented in this report are combined as from January 1, 1998 and are presented on the basis of a "going concern" valuation. TGS-NOPEC is a well-established leading player in the global non-exclusive seismic market, with very strong competitive positions in the Gulf of Mexico, the North Sea, Au–stralia, and Brazil. The Company's marketed seismic data library contains more than 1.4 million line kilometers of 2D data and over 85,000 square kilometers of 3D data. The Parent Company is located at Nærsnes in Norway, and the main subsidiary in Houston, Texas, U.S.A.

Results from Operations

Due to the oil price collapse of late 1998, market conditions for oil service companies were extremely unfavorable during 1999. Total exploration and production expenditures in the oil and gas industry dropped by an estimated 25%. When viewed in this context, the Board is extremely pleased with the financial results of the Group for the year. Net Operating Revenues increased 5% to NOK 587 million and Operating Profit before unusual items dipped slightly (11%) to NOK 237 million. Undiluted earnings per share were NOK 4.97.

TGS-NOPEC's main business is developing, managing, conducting, and selling non-exclusive seismic surveys. This activity accounted for virtually all of the Company's business in 1999. Weak market conditions created a surplus of seismic vessel capacity during the course of the year, and the Company took advantage of this situation to add significantly to its library of data at relatively low cost and low risk levels. Activity on new projects peaked for the year during the third quarter, when a total of eleven seismic vessels were operating on TGS-NOPEC marketed projects.

Effects of Investment Strategy
(US JV´s Included)



In accordance with the Company's stated growth strategy, investments in multi-client surveys increased sharply during the year to a total of NOK 301 million. The Company's resulting equity stake in its portfolio of marketed surveys grew accordingly, causing the percentage of gross sales retained by the Company to increase to 50%. This growth strategy allows TGS-NOPEC's Net Revenues and market share to grow at a faster pace than its gross sales, which are more closely related to the total market spending for non-exclusive seismic surveys. As a result of higher investment levels, the Company's amortization costs increased 50% over 1998 levels to NOK 180 million, representing approximately 31% of Net Revenues. Operating Margin before unusual items for the year was 40%.

In its most active year for new surveys ever, the Company added approximately 157,000 kilometers of 2D and over 13,000 square kilometers of 3D to its marketed library of multi-client projects. The Board believes that the portfolio additions are very well balanced between mature areas (Gulf of Mexico and North Sea), emerging markets (Brazil, Eastern Canada, Indonesia, and Faroes-Shetland Basin), and frontier provinces (West Greenland, Portugal, and Morocco).

Vessel Situation

The Company operates two seismic vessels on a committed long-term basis:

- The M/V 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 Schlumberger operated M/V Akademik Shatskiy for a new 2D program in Newfoundland and the M/V Akademik Lazarev for 6 months in 2000.

During 1999, the Company owned three additional vessels, the M/V Odin Explorer and two unrigged vessels: the Atlantic Access and the Dimitri Stefanov. The Dimitri Stefanov was sold at book value in September 1999. The M/V Odin Explorer was laid-up in Singapore in March 1999, as a result of the weak market for proprietary work, the difficulty in securing pre-funding for non-exclusive surveys in the Far East, and the capital expenditures required to upgrade the vessel to state-of-the-art condition. The Board subsequently decided to reduce the Book Value of the M/V Odin Explorer and the Atlantic Access down to estimated sales price by write-downs in the first and the third quarter of the year totaling NOK 29,6 million. The Atlantic Access was sold at net book value in December 1999. An agreement to sell the M/V Odin Explorer at net book value was reached in December 1999. This sale is not yet consummated due to financing issues on the buyer's side. The Board expects that the sale will be completed and title passed to the buyer during the first half of 2000.

Parent Company Results and Consolidated Tax Rate

The financial result of the Parent Company was a loss in 1999, mainly due to the write-down of the two vessels and the weak market conditions in Europe. The consolidated tax-rate increased to 38% due to this, as the tax-rate on this loss is lower than the tax-rate on the profit in the overseas subsidiaries.

Organization and Staff

As of December 31, 1999, the Company had 84 employees in the U.S.A, 26 employees in Norway, 25 employees in the UK, 5 employees in Australia and 5 employees aboard the vessels, totaling 145 employees.

Board of Directors: (standing from left to right) Steven E. Lambert, Egil Bergsaker, Jan W. Gorgas, Frode Sandnes (sitting from left to right) Hank H. Hamilton III, David W. Worthington (chairman).

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

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

Investments, Capital and Financing

The Company is listed on the Main List of the Oslo Stock Exchange. No new equity was raised in the market during 1999. The Board does not anticipate any new equity issues during 2000, apart from issues of stock options to employees, unless to finance an acquisition of another company or a major business opportunity. During 1999, the Company invested NOK 301 million in its seismic library, and recorded NOK 12 million in additional capital expenditures. No new companies were bought. The Company financed all its investments through its own cash.

REPORT FROM THE BOARD OF DIRECTORS

The Board believes that strong cash holdings create a unique flexibility and ability to implement the Company's philosophy of taking advantage of opportunities to grow its multi-client seismic library. With this in mind the Company changed its primary banking relationship in February 2000 and increased its long-term debt by USD 5 million.

The Board is pleased with the strengthening of the Company's Balance Sheet. Total Shareholders Equity grew by 32% to NOK 548 million during the year financing 58% of total Assets as per December 31st, 1999, despite the very difficult market situation for oil service companies.

At the Annual Shareholders' meeting on June 24th, 1999, the Board was authorized to repurchase up to a maximum of 2,400,173 of the Company's shares (see Notes to the Financial Statements). The Board has not used this authority to date.

Health, Safety and Environmental Issues

The Company impacts the external environment through the collection of seismic data and operation of vessels. The Company continues to work actively on measures to reduce any impact on the environment and to keep operations within the limits of all appropriate regulations and public orders. The Company's vessel Northern Access suffered an engine room fire in February 1999, which interrupted seismic production for approximately two months. There were no serious injuries related to the incident. TGS-NOPEC is insured against losses related to hull and machinery damage, seismic equipment damage, and business interruption resulting from the incident.

No personnel injuries were registered during 1999, and absence due to sickness was less than 3% of total work–hours.

Y2K Issues

The Company did not experience any material disruption to Group business operations from the impact of Y2K issues.

Outlook for 2000

The Board anticipates that the Company will benefit from operating in a gradually improving market for seismic data in 2000. Exploration and production spending from oil companies is generally expected to increase by 10–15% over 1999 levels with the drilling sector experiencing recovery before the seismic sector. The Board continues to have great confidence in the Company's business model whereby investment levels are driven from a project-by-project evaluation as opposed to a need to occupy fixed assets. Through this strategy, TGS-NOPEC has increased its market share in 1999 and is well positioned to do so again in 2000.

Allocation of Group Profit and Parent Company Loss

The group profit of NOK 119,184,000 is allocated to other equity. The Parent Company's Net Income after tax is a loss of NOK 28,274,000.

It is proposed that the loss be covered by Other Equity.

Nærsnes, 10. May 2000

David W. Worthington – Chairman

Henry H. Hamilton – CEO

Steven E. Lambert

Egil Bergsaker

Jan W. Gorgas

Frode Sandnes

PROFIT AND L0SS ACCOUNT

(All amounts in NOK 000's unless noted otherwise)

Parent company					**GROUP**		
Year ended 31. December					**Year ended 31. December**		
1999	1998	1997		Note	**1999**	1998	1997
259 605	204 919	421 721	Sales	2,11,12	**617 300**	601 909	754 212
-15 135	-31 672	-112 266	Income sharing		**-29 803**	-43 342	-147 442
244 470	173 247	309 455	**Total operating income**		**587 497**	**558 567**	**606 770**
31 257	16 338	85 609	Materials		**17 865**	1 322	106 034
110 622	93 198	76 708	Amortization		**179 775**	118 494	76 708
20 974	13 767	17 637	Personnel costs	14	**70 731**	85 796	84 201
8 007	5 158	7 633	Depreciation	4	**19 543**	16 774	12 070
53 018	26 743	18 129	Other operating expenses	7	**62 393**	69 012	57 326
29 617			Write down of vessels		**29 616**		
-9 025	18 043	103 739	**Operating profit**		**207 575**	**267 169**	**270 431**
2 281	24 610	22 851	Financial income		**10 608**	16 846	36 163
-32 527	-29 465	-32 480	Financial expenses		**-25 113**	-10 089	-37 758
-39 271	13 188	94 110	**Profit before taxes**		**193 070**	**273 926**	**268 836**
-10 996	2 205	26 366	Taxes	15	**73 886**	97 052	88 467
-28 274	10 984	67 745	**Net income**		**119 184**	**176 874**	**180 370**
			Earnings per share	9	**4,97**	7,46	7,92
			Earnings per share, diluted	9	**4,92**	7,46	7,92
			Profit (loss) for the year is distributed as follows:				
-28 274	10 983	67 745	Other equity		**119 184**	176 874	180 370
-28 274	10 983	67 745	**Total distributed**		**119 184**	**176 874**	**180 370**

BALANCE SHEET

Parent company				**GROUP**	
Year ended 31. December				**Year ended 31. December**	
1999	1998		Note	**1999**	1998
		Assets			
		Fixed assets			
		Intangible fixed assets			
13 000	15 000	Goodwill	4	**37 622**	42 968
13 000	15 000	Total intangible fixed assets		**37 622**	**42 968**
		Tangible fixed assets			
29 047	29 707	Land, buildings and other property	4,5,7	**33 213**	33 555
172 726	208 671	Vessels	4	**172 726**	208 671
628	4 568	Machinery and Equipment	4,7	**21 628**	27 930
202 401	242 946	Total tangible fixed assets		**227 567**	**270 156**
		Financial fixed assets			
44 831	44 383	Investments in subsidiaries	3	**0**	0
	12 898	Bonds and other receivables			12 898
44 831	57 281	Total financial fixed assets		**0**	**12 898**
260 232	315 227	Total fixed assets		**265 189**	**326 022**
		Current assets			
185 928	146 664	Multiclient seismic library, net		**324 042**	**203 017**
		Receivables			
66 007	39 353	Accounts receivables	2	**202 234**	152 751
6 329	5 239	Receivables group companies			
26 373	24 417	Other receivables	2	**38 987**	22 353
98 709	69 009	Total receivables		**241 221**	**175 104**
3 391	17 678	Bank deposits, cash in hand, etc.	1	**118 242**	167 593
102 100	86 687	Total current assets		**683 505**	**545 714**
548 260	548 578	**Total assets**		**948 694**	**871 736**

Nærsnes, 10. May 2000

David W. Worthington – Chairman

Henry H. Hamilton – CEO

Steven E. Lambert - Director

Parent company				GROUP	
Year ended 31. December				**Year ended 31. December**	
1999	1998		Note	**1999**	1998
		Equity and liabilities			
		Equity			
		Paid-in capital			
24 009	23 925	Share capital	8,9,13	**24 009**	23 925
83 371	83 268	Share premium reserve	8	**83 371**	83 268
107 380	107 193	Total paid-in capital		**107 380**	**107 193**
		Retained earnings			
53 394	81 667	Other equity	8	**440 229**	307 915
53 394	81 667	Total retained earnings		**440 229**	**307 915**
160 774	188 860	Total equity		**547 609**	**415 108**
		Liabilities			
		Provisions			
14 852	25 848	Deferred tax	15	**46 525**	50 772
14 852	25 848	Total provisions		**46 525**	**50 772**
		Other long-term liabilities			
130 461	138 789	Liabilities to financial institutions	6	**130 461**	140 441
53 015	53 116	Other long-term liabilities		**53 486**	53 419
183 476	191 905	Total long-term liabilities		**183 947**	**193 860**
		Current liabilities			
18 771	0	Liabilities to financial institutions	6	**18 813**	
15 119	42 500	Accounts payable	2	**94 299**	109 461
108 935	49 284	Current liabilities group companies			
0	0	Tax payable	15	**11 997**	36 074
4 964	4 741	Social security, VAT and other			7 560
41 369	45 440	Other short-term liabilities		**45 504**	**58 901**
189 158	141 965	Total current liabilities		**170 613**	211 996
387 486	359 718	Total liabilities		**401 085**	456 628
548 260	**548 578**	**Total equity and liabilities**		**948 694**	**871 736**

Jan W. Gorgas

Egil Bergsaker - Director

Jan W. Gorgas - Director

Frode Sandnes - Director

CASHFLOW STATEMENT

Parent company			GROUP	
1999	1998		**1999**	1998
		Cash flow from operating activities		
229.356	259.422	Received payments from sales	**538.014**	624.150
-180.156	-104.203	Payments for purchased goods and services	**-333.827**	-201.427
-20.751	-13.704	Payments for salaries, pensions, social security tax and tax deducted	**-70.731**	-83.039
2.281	5.542	Received interest	**10.608**	16.846
-32.527	-10.397	Interest payments	**-25.113**	-10.089
0	-13.170	Paid tax and government taxes	**-105.611**	-115.949
-18.586	-8.976	Received payments/payments from other operating activities	**-98.300**	-107.935
-20.383	114.514	Net cash flow from operating activities 1)	**-84.960**	**122.557**
		Cash flow from investing activities		
5.918	0	Received payments from fixed assets	**5.918**	0
-273	-152.572	Investment in tangible fixed assets	**-7.142**	-205.561
-22.473	-37.116	Lease financed investment	**-22.473**	-37.116
-448	-37.175	Investments in shares and partnerships	**0**	0
12.843	-5.375	Other investments	**12.898**	-12.839
-4.433	-232.238	Net cash flow from investing activities	**-10.799**	**-255.516**
		Cash flow from financing activites		
18.771	0	Net changes in short term loans	**18.813**	0
0	43.132	New long term loans	**0**	45.063
12.446	37.116	Leasefinancing of owned equipement	**26.541**	37.116
-20.876	-18.975	Repayment of long term loans	**-13.980**	-18.975
0	-25.613	Demerger - decrease of equity	**0**	-25.613
188	25.922	Received payments due to share offering	**188**	25.922
0	0	Currency exchange differences	**14.846**	3.089
10.529	61.582	**Net cash flow from financing activites**	**46.408**	**66.602**
-14.287	-56.142	Net change in cash and cash equivalents	**-49.351**	-66.357
17.678	73.820	Cash and cash equivalents at the beginning of period	**167.593**	233.950
3.391	17.678	**Cash and cash equivalents at the end of period**	**118.242**	**167.593**

Parent company 1999	Parent company 1998		GROUP 1999	GROUP 1998
		1) Reconciliation		
-39.271	13.188	Profit before taxes	**193.070**	273.926
25.364	12.878	Depreciation	**19.543**	24.494
29.617	0	Write off fixed assets	**29.616**	0
10.312	0	Disposals at costprice	**10.312**	0
-39.264	-43.050	Changes in inventory	**-121.025**	-73.688
-26.654	82.558	Changes in accounts receivables	**-49.483**	65.583
-21.890	-5.262	Changes in other receivables	**-16.635**	-190
-1.090	49.284	Changes in group payable due to sale	**0**	0
-27.381	14.749	Changes in accounts payable	**-15.162**	-7.923
69.874	-9.831	Changes in other balance sheet items	**-124.884**	-159.645
-20.383	114.514	Net cash flow from operating activities	**-84.960**	**122.557**

GENERAL ACCOUNTING POLICIES

The financial statements are presented in compliance with the Norwegian Companies Act, the Norwegian Accounting Act, and Norwegian generally accepted accounting principles (NGAAP) in effect as of 31 December 1999, and consist of the Profit and Loss account, the Balance Sheet, the Cash Flow statement and Notes to the accounts. The required specification of the balance sheet and the profit and loss account is provided in the Notes to the accounts, thus making the notes an integral part of the financial statements.

The financial statements have been prepared based on the fundamental principles governing historical cost accounting, comparability, continued operations, congruence and caution. Transactions are recorded at their value at the time of the transaction. Revenue is recognised when it is earned. Costs are expensed in the same period as the income to which they relate is recognised. Costs that cannot be directly related to revenue are expensed as incurred. Hedging and portfolio management are taken into account. The further accounting principles are commented on below.

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

Principles of consolidation

Companies consolidated

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

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

Elimination of intercompany transactions

All material intercompany accounts and transactions have been eliminated in the consolidation.

Elimination of shares in subsidiaries

Acquisitions are accounted for using the purchase method. The excess of purchase price over the book value of the net assets is analysed and allocated to the respective assets according to the fair value. Any excess of the purchase price over the fair value of the net assets acquired is recorded as goodwill and amortised on a straight-line basis over its estimated useful life. 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.

Foreign subsidiaries

The Balance Sheets of foreign subsidiaries are translated into NOK using the year-end exchange rate, while the Income Statement items are translated at the average exchange rate for the year. Exchange rate differences arising from the translation of financial statements of foreign subsidiaries are recorded as a separate component of shareholders' equity.

The consolidated financial statements include the accounts of the Company 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 %)
TGS-NOPEC DATA PROCESSING Ltd., UK	(subsidiary - 100 %)
TGS-NOPEC (UK) Ltd.	(subsidiary - 100 %)
TGS-NOPEC Geophysical Comp. PTY Ltd, Perth, Australia	(subsidiary - 100 %)
Rimnio Shipping Ltd, Cyprus	(subsidiary - 100 %)
TGS-NOPEC Invest AS	(subsidiary - 100 %)

Joint ventures

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

General principles

Receivables and debt payable within one year of the closing of the accounts are classified as current assets/liabilities. Current assets other than the multi-client seismic library are recorded at the lower of actual cost and fair value. Short-term liabilities are recorded at the greater of historical cost and fair value. Fair value is defined as the estimated future sales price reduced by expected sales costs. Other assets are classified as fixed assets. Fixed assets are recorded in the accounts at original cost, net of accumulated depreciation. Fixed assets held for sale which suffer a decline in value which is not temporary are written down to estimated net realizable value.

NGAAP provides certain exceptions to the basic assessment and valuation principles. Comments to these exceptions can be found in the respective notes to the accounts.

In applying the basic accounting principles and presenting transactions and other issues, a “substance over form” view is taken. Contingent losses which are probable and quantifiable are expensed.

In the Notes to the accounts, the figures for each business segment are presented. The breakdown into segments is based on the Company’s internal management and reporting structure as well as the evaluation of risk and earning potential. As the geographical split of revenues is important to the understanding of Company operations, such figures are also presented for the U.S. and Rest of the World markets. The figures have been reconciled with the Profit and Loss account and the Balance Sheet.

Principles of assessment

Revenue and cost recognition

Revenue is recognised when it is earned. Usually this is at the time of the transaction and revenue recognition follows the transaction principle. By agreement, the Company shares certain multi-client revenue with other companies. Accordingly, operating revenue is presented gross and reduced by the portion shared. Revenue from U.S. joint ventures is recognised according to the equity method. Costs are recognised in accordance with the matching principle. Revenue and amortization of multi-client seismic in progress at the Balance Sheet date is recognised on a percentage of completion basis, measured according to percentage of the Company’s estimated total investment in the survey at the Balance Sheet date.

GENERAL ACCOUNTING POLICIES

Inventories

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

The inventory of multi-client seismic is presented at cost reduced by accumulated amortization. Amortization is recorded as income is recognized for each project, in proportion to the percentage of income recognized to the estimated total income from that project. 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 for each individual survey. Estimates are adjusted change over time with the development in the market. The amortization expense recognized may vary considerably from one period to another depending on the actual mix of projects sold and changes to estimates.

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

Goodwill

The goodwill of the company relates to the take-over of operations and companies. The goodwill is amortized on a straight-line basis in the Income Statement over a period of ten 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. Accordingly, no goodwill was recognized on the transaction.

Fixed assets and principles of depreciation

Fixed assets are presented at actual cost less accumulated depreciation. Depreciation is determined in light of the asset’s economic life, varying from 3 to 10 years. Purchases which are expected to have a technical and economic life of more than three years are capitalised as fixed assets. Depreciation begins when the fixed assets are placed in service.

Exchange rate adjustments

Current assets and current liabilities are translated at the exchange rate on the Balance Sheet date.

Development costs

Development costs are expensed as incurred.

Income Taxes

Tax expense includes taxes payable and the net change in the deferred tax. Deferred tax in the Balance Sheet is measured on the basis of the temporary differences, and the actual nominal tax rate is used.

Pensions

The Group operates a defined pension plan on behalf of certain directors and employees in U.K. and a defined-contribution 401(k) plan in the U.S., and covers superannuating in Australia. Contributions are charged to the Profit and Loss account as they become payable.

Financial instruments

Forward foreign exchange contracts are used as a hedge in managing future cash flows. When hedging actual transactions, the forward rate is used to record that transaction.

Unhedged current assets and liabilities in foreign currencies are presented at exchange rates in effect as of the Balance Sheet.

Comparable figures

There was a “merger” with TGS - CALIBRE Geophysical Company on 29 June 1998. Comparable figures for the Group are based on the Prospectus for the proposed combination dated 12 June 1998 and include TGS - CALIBRE as from January 1st, 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 and Loss from these two transactions is considered to be immaterial for the Group. Hence, the 1997 figures shown for the Group do not include NDM and BiPS.

Leasing

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

Accounts Receivables

Trade receivables are presented at face value, reduced by the amounts expected to be uncollectable.

Cash flow statement

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

The effect of change in accounting principles; errors in previous years financial statements.

Implementing the new Accounting Act leads to some changes in accounting principles. The effect of these changes was booked directly to equity as of 01.01.1999. In November 1999, the Company and its auditors became aware that the deferred tax effect of the change in accounting principles from cash basis to NGAAP in the US subsidiary reflected in the proforma Balance Sheet as per December 31, 1997 was understated by NOK 17,2 million. The Balance Sheets per September 30, 1998 and December 31, 1998 have therefore been restated to reflect this.

NOTES

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

Note 1 - Restrictions on bank accounts

NOK 1 139 of Cash and Cash Equivalents is restricted to meet the liability arising from payroll taxes withheld.

Note 2 - Accounts receivable

Accounts receivable are included in the balance sheet at net realizable value. A provision of NOK 4 387 related to other receivable has been made. The Company expects to collect the full balance of trade receivables per 31 December 1999. Realised losses on trade receivables in 1999 amounted to NOK 1 248.

Note 3 - Investments in Subsidiaries

At 31.12.99 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	1 000	USD 1	11 285	100 %
Bedford Interactive Processing Services Ltd.	GBP 50	50 000	GBP 1	21 435	100 %
TGS NOPEC (UK) Ltd.	GBP 0.1	100	GBP 1	0,01	100 %
Nærsnes Eiendom AS	NOK 100	100 000	NOK 1	0,001	100 %
ANS Baardsrudveien 2				0,000	100 %
Riminio Shipping Ltd. Cyprus	C£1	1 000	C£1	0	100 %
TGS NOPEC INVEST AS	NOK			111	100 %
TGS NOPEC Geophysical Comp. PTY Ltd	AUD 1	1	AUD 1	0,006	100 %
				44 831	

Note 4 - Tangible fixed assets

Parent company

Acquisition cost and depreciation	Machinery, plant and equipment	Vessels	Goodwill	Buildings	Total
Cost as at 1.1.99	5 238	228 017	20 000	31 027	284 282
+ additions during the year	273	22 473	0		22 746
Reclassed in1999	-1 883	1 883			
- disposals during the year	-1 795	-8 517			-10 312
Cost as at 31.12.99	1 833	243 856	20 000	31 027	296 716
Accumulated depreciation as at 1.1.99	670	19 346	5 000	1 320	26 336
+ depreciation for the year*	536	22 168	2 000	660	25 364
+ write down during the year		29 616			29 616
Accumulated depreciation as at 31.12.99	1 206	71 130	7 000	1 980	81 316
Net book value at 31.12..99	627	172 726	13 000	29 047	215 400
* of which capitalized to Library/in Materials	0	17 357	0	0	17 357
Straight-line depreciation percentage	33 %	10 %	10 %	2 %	
Life time	3 year	10 years	10 years	50 years	

Note 4 - Tangible fixed assets continues

Group Acquisition cost and depreciation	Machinery, plant and equipment	Vessel	Goodwill	Buildings	Total
Cost as at 1.1.99	59 145	228 017	51 081	35 344	373 587
+ additions during the year	6 024	22 473			28 497
Reclassed in 1999	-1 883	1 883			
- disposals during the year	-1 795	-8 517			-10 312
Cost as at 31.12.99	61 491	243 856	51 081	35 344	391 772
Accumulated depreciation as at 1.1.99	31 215	19 346	8 113	1 393	60 067
+ depreciation for the year*	8 648	22 168	5 346	738	36 900
+ write down during the year		29 616			29 616
Accumulated depreciation as at 31.12.99	39 863	71 130	13 459	2 131	126 583
Net book value at 31.12.99	21 628	172 726	37 622	33 213	265 189
* of which capitalized to Library/in Materials	0	17 357	0	0	17 357
% depreciation	33 %	10 %	10 %	2 %	
Life time	3 year	10 years	10 years	50 years	

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's 100% ownership of Naersnes Eiendom AS. The sole business activity of Naersnes Eiendom AS is its ownership interest in ANS Baardsrudveien 2. Therefore, the Company has directly consolidated ANS Baardsrudveien 2 in its accounts.

Note 6 - Mortgages, guarantees etc.

	1999	1998	1997
The following liabilities are secured by collateral:			
Debt to Fokus Bank (in Parent company)	130 461	138 789	109 632
Debt to Petroleum Geo-Services ASA (in Parent company)	12 000	16 000	20 000
Other (in Group companies)	391	1 652	0
	142 852	156 441	129 632
Book value of the assets used as collateral:			
Accounts receivable	70 653	39 353	125 924
Multi client seismic	186 181	146 664	99 298
Vessel	172 726	208 671	38 400
Machinery (UK)	5 799		
Building Baardsrudveien 2	25 101	25 101	25 101
	460 460	419 789	25 101

Note 7 - Lease obligations

The Group has operating lease commitments expiring at various dates through 2004. Rental expense for operating leases was NOK 6 572 for the year ended December 31, 1999. The Group also has capital lease commitments expiring at various dates through 2005. Rental expense for capital leases was NOK 14 152 for the year ended December 31, 1999. Future minimum payments for capital and operating leases with lease terms in excess of one year at December 31, 1999 are as follows:

	Operating leases	Capital leases
2000	6 524	14 394
2001	6 310	14 155
2002	4 616	12 258
2003	3 565	2 768
2004	3 268	2 768
2005		692

Note 8 - Equity and Shareholder Authorizations

Equity reconciliation for 1999:

	Share capital	Premium fond	Free equity in parent company	Equity in parent company	Equity for the group
Opening balance 1.1.99	23 925	92 728	72 207	188 860	432 263
Correction due to prior year					-17 155
Implementing new accounting act		-9 460	9 460		
New opening balance 01.01.99	23 925	83 268	81 667	188 860	415 108
Changes in share capital during 1999:	84	103		187	187
Profit for the year	-	0	-28 273	-28 273	119 184
Other, incl. effect of change in exchange rates	-	0	-	0	13 130
Equity at the end of 1999	24 009	83 371	53 394	160 774	547 609

Shareholders' authorisations to issue warrants to employees and to the Board to issue shares

The Shareholders have authorised the issuance of in total 3,000,000 independent subscription rights (warrants) securing long-term stock option plans issued to employees. Subscription of warrants under this authorisation can take place until the next ordinary Shareholders. Meeting of the Company and the warrants issued can be exchanged for shares up to 24. June 2004. To date, 238,049 warrants have been issued under this authorization, see below.

The Board is authorized to issue a total of 12.000.869 new shares to employees in connection with stock option plans and in connection with mergers and acquisitions. This authorization expires 24. June 2001. To date, 265.400 new shares have been issued to employees under this authority.

Outstanding Stock Options granted to employees as per December 31st, 1999:

Options	Exercise Dates	Holders	Price/Conditions
290 000	1/3rd July 1st.2000,1/3 2001,1/3 2002	Key Employees	NOK 33 plus 1% per month from July, 1997, expire July 2004
552 196	See below*	Hank Hamilton	NOK 117.76
271 500	50% untill 18. Feb 2000, then 100%	Key Employees	NOK 25, expire 31. December, 2000
138 049	See below***	Hank Hamilton	NOK 47.00 Warrants expiring on June 30, 2004
100 000	50% untill July 2000, then 100%	Arne Helland	NOK 46.50 plus 1% per month from July 1999. Warrants expiring July 2004
1 351 745			

Of the options exercisable during 1999, totalling 327.549, only 7.500 were exercised during the year.

* The CEO Hank Hamilton has the option to purchase up to 552.196 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 29 June 1999, 2000,2001 and 2002, respectively. The option expires on 29 June 2003.

*** Hank Hamilton may request shares issued in exchange for the warrants as follows:
Up to 25% beginning June 30th, 2000
Up to 50% beginning June 30th, 2001 less previous exercised
Up to 75% beginning June 30th, 2002 less previously exercised
100% beginning on June 30th, 2003 less previously exercised

Shareholders' authorization to the Board to buy back shares in the Company

The Board is also authorized to acquire, on behalf of the Company, an aggregate number of the Company's shares of 2.400.173 shares at a maximum value of the price quoted on the Stock Exchange plus 5%.
This authorization expires 24. December 2000.

Note 9 - Earnings per share

The Company has issued stock options as described in Note 8. The effect of the issuance of the stock options upon the Company's diluted earnings per share is disclosed below.

For details regarding stock options, see note 8.

	1999	1998	1997*'
Profit of the year	119 184	176 874	180 369
Average number of shares outstanding (thousands)	23 999*	23 699	22 760
Earnings per share	4,97	7,46	7,92
Diluted earnings per share	4,92		
Number of ordinary shares used to calculated diluted earning per share	24 225		

* The company issued new shares in 1998 in order to finance the purchase of a large 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.

Note 10 - Related parties

No related party transactions took place during 1999.

Note 11 - Segment information

98% of the Company's revenues during 1999 came from the multi-client market, and 2% from the propriatory 2D market. During 1999, 68% of Gross Revenues including Joint Ventures in the U.S.A were Multi-client 2D and 32% were Multi-client 3D. Of Net Consolidated Revenues derived from the Multi-client Seismic Data Library during 1999, 95% were 2D, and 5% 3D.

Note 12 - Geographical information

	1999	1999	1998	1998
Revenues per Region	U.S.A	Rest of the world	U.S.A	Rest of the world
Sales	361 944	255 356	380 000	222 000
Income Sharing	-7 447	-22 356	-7 000	-36 000
Operating Income	354 497	233 000	373 000	186 000

NOTES

Note 13 The largest shareholders in TGS-NOPEC Geophysical Company ASA as of 31.12.1999:

	Shares	Proportion of shares	Proportion of votes
David W. Worthington	4 874 946	20,3 %	20,3 %
Evelyn W. Worthington	3 269 946	13,6 %	13,6 %
Vital Forsikring ASA	774 100	3,2 %	3,2 %
Steven E. Lambert	755 488	3,1 %	3,1 %
Verdipapirfondet Avanse	650 000	2,7 %	2,7 %
Henry Haywood (Hank) Hamilton III	632 196	2,6 %	2,6 %
Storebrand Livsforsikring AS	466 200	1,9 %	1,9 %
Odin Norge	463 200	1,9 %	1,9 %
Skandinaviska Enskilda Banken	330 642	1,4 %	1,4 %
Tine Pensjonskasse	270 000	1,1 %	1,1 %
Chase Manhatten Bank THB	263 800	1,1 %	1,1 %
Næringslivets Hovedorganisasjon	262 000	1,1 %	1,1 %
	13 012 518	**54,2 %**	**54,2 %**
Total number of shares	24 009 238		

Shares and options owned by the Chief Executive Officer and members of the Board

Name	Title	Total number of shares	Number of options
David W. Worthington	Director	4 874 946	
Steven E. Lambert	Director	755 488	
Henry Haywood (Hank) Hamilton III	CEO/Director	632 196	690 245
Jan W. Gorgas (Chrimago AS)	Director	68 333	

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 14 Salaries / Number of employees / Benefits / Employee loans / Pensions

	Parent		Group	
Payroll and related cost	01.01 -31.12		01.01 -31.12	
	1999	1998	1999	1998
Payroll	17 135	15 112	70 731	83 796
Social security costs	2 913	4 219		
Pension costs	0	0		
Other employee related costs	2 526	1 330		
- Salaries capitalized (vessel related)	-1 600	-6 894		
Payroll and related cost	20 974	13 767	70 731	85 796

Average number of employees in 1999 was 141

The Company has a profit sharing plan for all employees following a six month trial employment. The profit sharing (bonus) is payable quarterly, and is calculated as a function of pre-tax profit vs budget and the individual employee's employment conditions. No senior employee of the Group has a contract of employment entitling to more than one year salary upon termination or resignation of the employment.

Benefits (Norwegian kroner)	CEO	Board of Directors
Salary, Remuneration and bonus in total	3 760	1 540

The CEO, Hank Hamilton, has a bonus scheme where a bonus becomes payable subsequent to a minimum pre-tax profit of the Company. In 1999, the bonus was NOK 1.453 out of his total compensation.

The other Directors do not participate in any bonus or profit sharing plan.

Audit

The audit fee for 1999 was NOK 290. The fees for other services provided by the auditor was NOK 203.

Note 15 Taxes

	Parent 01.01 - 31.12 1999	 1998	 1997
Current tax:			
Profit (loss) before taxes and extraordinary items	-39 271	13 188	94 110
Permanent differences	1	-5 313	52
Use of loss to be carried forward			-43 047
Changes in temporary differences	-8 676	-53 368	-4 080
Basis for current tax	-47 946	-45 493	47 035

	Parent 01.01 -31.12			Group 01.01 -31.12		
	1999	1998	1997	1999	1998	1997
Total tax expense for the year						
Current tax on net income	0	0	13 170	78 133	92 954	75 271
Deferred tax - gross changes	-10 996	2 205	13 196	-4 247	4 098	13 196
Total tax expense for the year	-10 996	2 205	26 366	73 886	97 052	88 467
Average tax rate	28 %	17 %	28 %	38 %	35 %	33 %
Average tax rate justified due to permanent differences	28 %	28 %	28 %			

The increase in percentage from 1998 to 1999 can be explained by the fact that Norway is in a loss position and mainly US is in a profit position. The profit in the US is taxed at a higher rate than the rate of tax deduction on loss in Norway.

Specification of the basis for deferred taxes	Parent Company		Group	
	31.12.1999	01.01.1999	31.12.1999	01.01.1999*
Offsetting differences:				
Fixed assets	23 552	38 618	58 709	88 090
Current assets	122 931	99 189	173 119	118 949
Liabilities				
Loss carry forward	-93 438	-45 492	-90 515	-45 492
Sum	53 045	92 315	141 313	161 547
Deferred tax liability/deferred tax asset	14 852	25 848	46 525	50 772*

Tax loss carry forwards expire with NOK 45 492 in 2008 and NOK 90 515 in 2009.

Average tax rate	28 %	28 %	33 %	31 %

*Reclassed as at 01.01.1999 as a result of recalculation in the USA; see also the equity note.

	31.12.1999	01.01.1999	31.12.1999	01.01.1999
Total current taxes payables	0	0	11 997	36 074

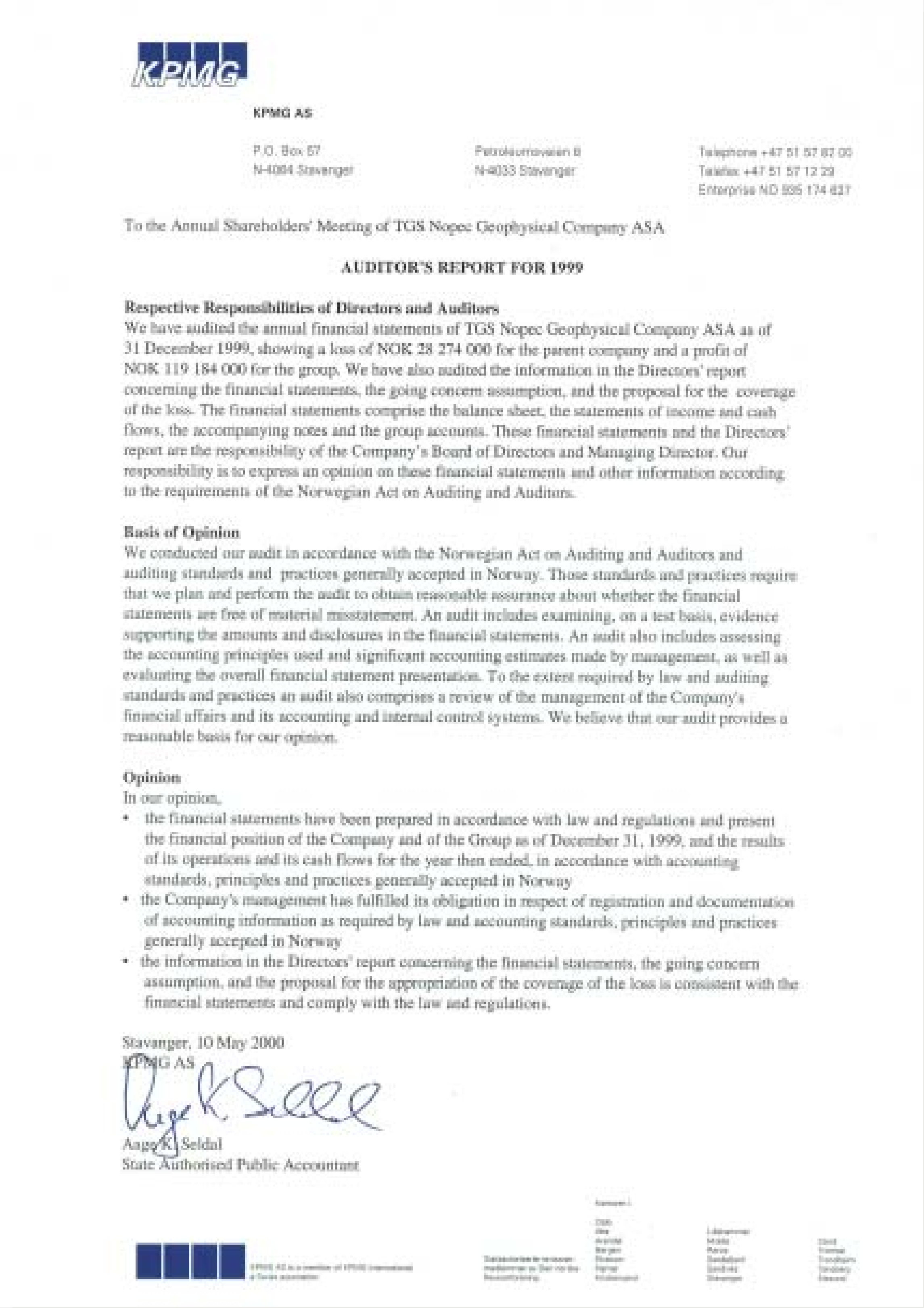
Taxes payable in the balance sheet is much lower than taxes payable for the year. This is due to the fact that in US the company has to pay the tax in advance.

Note 16 Currency Exposure

Major portions of the Group's revenues and costs are in US dollars. The majority of the Group's loan financing is in US dollars. Due to this, the Company's operational exposure to exchange rate fluctuation is low.

However, as the Consolidated Accounts are presented in Norwegian Kroner, fluctuations between the NOK and the USD impact the quarterly and annual reported figures as unrealised currency exchange gains or losses under Financial Items.

STATEMENT FROM INDEPENDENT ACCOUNTANTS



KPMG AS

P.O. Box 57
N-4084 Stavanger

Petroleumsveien 6
N-4033 Stavanger

Telephone +47 51 57 82 00
Telefax +47 51 57 12 29
Enterprise NO 935 174 627

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

AUDITOR'S REPORT FOR 1999

Respective Responsibilities of Directors and Auditors

We have audited the annual financial statements of TGS Nopec Geophysical Company ASA as of 31 December 1999, showing a loss of NOK 28 274 000 for the parent company and a profit of NOK 119 184 000 for the group. We have also audited the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss. The financial statements comprise the balance sheet, the statements of income and cash flows, the accompanying notes and the group accounts. These financial statements and the Directors' report are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and other information according to the requirements of the Norwegian Act on Auditing and Auditors.

Basis of Opinion

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

Opinion

In our opinion,

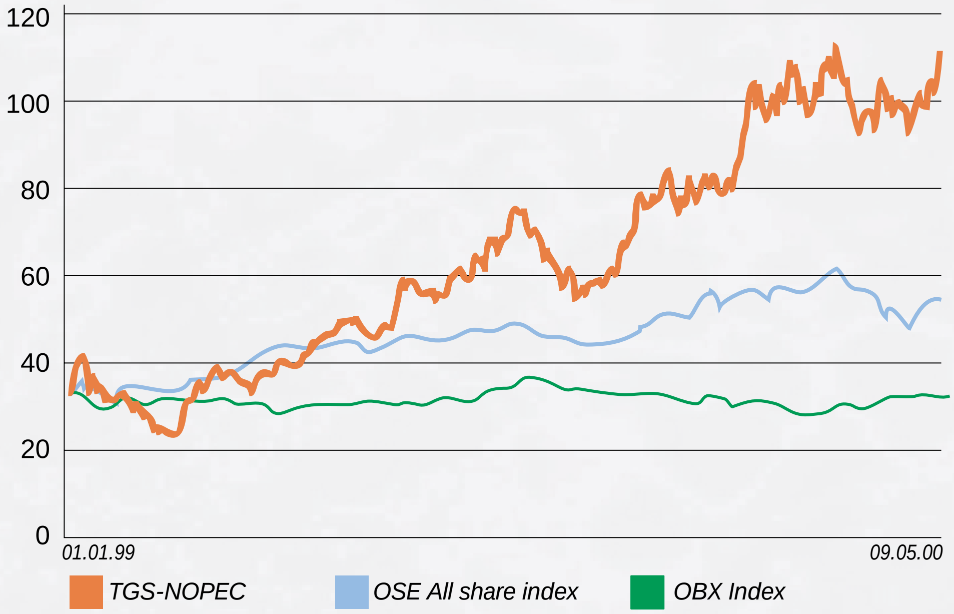
- the financial statements have been prepared in accordance with law and regulations and present the financial position of the Company and of the Group as of December 31, 1999, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the Company's management has fulfilled its obligation in respect of registration and documentation of accounting information as required by law and accounting standards, principles and practices generally accepted in Norway
- the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the appropriation of the coverage of the loss is consistent with the financial statements and comply with the law and regulations.

Stavanger, 10 May 2000
KPMG AS

Aage K. Seldal
State Authorised Public Accountant

INVESTOR RELATIONS

The shares of TGS-NOPEC Geophysical Company ASA are listed on the Main List of the Oslo Stock Exchange in Norway. The graph below illustrates that the stock has outperformed the OBX and the all share indexes of the OSE over the last year:



Under this section in our Annual Report for 1998, we wrote: “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.”

A little over a year ago, TGS-NOPEC was hardly noticed or traded by institutional investors. The liquidity of the share was low. Average trading volume of the share in January-February 1999 was 111,000 shares per day. Not even a handful of analysts and investment banks followed us closely.

During the year, Management has made it a priority to increase the awareness of analysts and investors regarding TGS-NOPEC’s steady results, growth, exceptional return on capital employed, and unique business model. Our excellent financial performance in relation to the oil service industry combined with a dedicated investor relations effort has improved this situation considerably. Today, all the leading Norwegian analysts and investment banks actively analyze and follow the Company. The average trading volume in the period March 1999 to March 2000 increased to 229,000 shares per day. In December 1999, we achieved a significant milestone when the Oslo Stock Exchange admitted TGS-NOPEC to the Oslo Benchmark Index (OBX). The OBX is composed of the 25 most heavily traded stocks on the Oslo Stock Exchange, as measured in total Norwegian kroner volume.

Our Investor Relations activities in 1999 were primarily focused on establishing the Company in the Norwegian financial circles. Having achieved this goal successfully, we now concentrate on increasing awareness in London and the US during 2000. Our first presentations ever to American institutional investors took place in early March 2000.

As of April 6, 2000, the four American owners of TGS-CALIBRE prior to its merger with Nopec International held 39,8% of total TGS-NOPEC shares outstanding. Three of those four individuals are Directors. Norwegian investors held approximately 43% of the shares and other non-Norwegian investors held the remaining 17%.

Management will continue to build on what we consider a strong investment case in the jungle of alternatives for investors. The investors we want to attract are the investors that believe in our proven ability to design and market unique data to oil companies, while employing a risk management strategy that limits the downside more than the upside for our Company.

The basic way of communicating how we do this is built around:

- Our business concept and operation originates from a project management and brokerage role where pleasing both sides in a transaction is vital in order to conduct the next transaction
- Our financial upside is continuously increasing through an investment policy designed to increase our ownership percentage of the data we channel to our customers
- Our financial downside is limited by the fact that our investments are made directly into the final product that our customers need as opposed to the capital-intensive tools necessary to create the product
- Our investment profile and track record make us attractive to suppliers of vessel capacity, as our investment and sales performance speed up their cash-flow
- The margins achievable from selling multiple licenses to the same information far surpass the margins achievable from performing contract work for individual companies

This concept is expandable beyond the current multi-client 2D and 3D seismic market.

Our accounting policies aim to match the cost of the individual investments with the revenues derived from those investments. The investments in the multi-client surveys are therefore capitalized and amortized over the first five years of the project. Should a project fail to satisfy the minimum annual portion of the expected revenue pattern, a minimum amortization is enforced. This ensures that four years after any individual project has been completed, it will be fully amortized.

TGS-NOPEC is managed for growth. Through the end of 1999, our growth in financial terms has basically come from investments in multi-client 2D surveys. Beginning in 2000 we will start to invest more actively in the multi-client 3D surveys we develop. As this market is estimated to be ten times the size of the pure 2D market, this strategy positions the Company for even stronger growth.

We have energetically commenced the year 2000. An important part of my role as the CFO of TGS-NOPEC is to control and coordinate the information given to the Stock Exchange, the analysts and the current and future owners of the Company.

My e-mail address is “arne@tgsnopec.no”.

Let’s stay in touch.

Arne Helland
Chief Financial Officer

ADDRESSES

HEADQUARTERS

TGS-NOPEC Geophysical Company ASA
Baarsrudveien 2
N-3478 Nærsnes
Norway

Phone: +47 31 29 20 00
Fax: +47 31 29 20 10
E-mail: tgsnopec@tgsnopec.no
Homepage: www.tgsnopec.no

TGS-NOPEC Geophysical Company
2500 CityWest Boulevard
Suite 2000
Houston, TX 77042
USA

Phone: +1 713 860 2100
Fax: +1 713 334 3308
E-mail: tgs@tgsnopec.com
Homepage: www.tgsnopec.com

SUBSIDIARIES & BRANCH OFFICES

NORWAY

TGS-NOPEC DATA PROCESSING
Baarsrudveien 2
N-3478 Naersnes
Norway

Phone: +47 31 29 20 00
Fax: +47 31 29 20 10
E-mail: oyvind@tgsnopec.no
Homepage: www.bipsco.com

TGS-NOPEC
Hanaveien 17
N-4327 Sandnes
Norway

Phone: +47 51 60 17 90
Fax: +47 51 60 17 95

UK

TGS-NOPEC (UK) Ltd
Graylaw House
21/21A Goldington Road
Bedford, MK40 3JY
UK

Phone: +44 1234 272 407
Fax: +44 1234 272 408
E-mail: anyone@tgsnopec.co.uk
Homepage: www.tgsnopec.com

TGS-NOPEC DATA PROCESSING Ltd
Graylaw House
21/21A Goldington Road
Bedford, MK40 3JY
UK

Phone: +44 1234 272 122
Fax: +44 1234 325 956
E-mail: info@bipsco.com
Homepage: www.bipsco.com

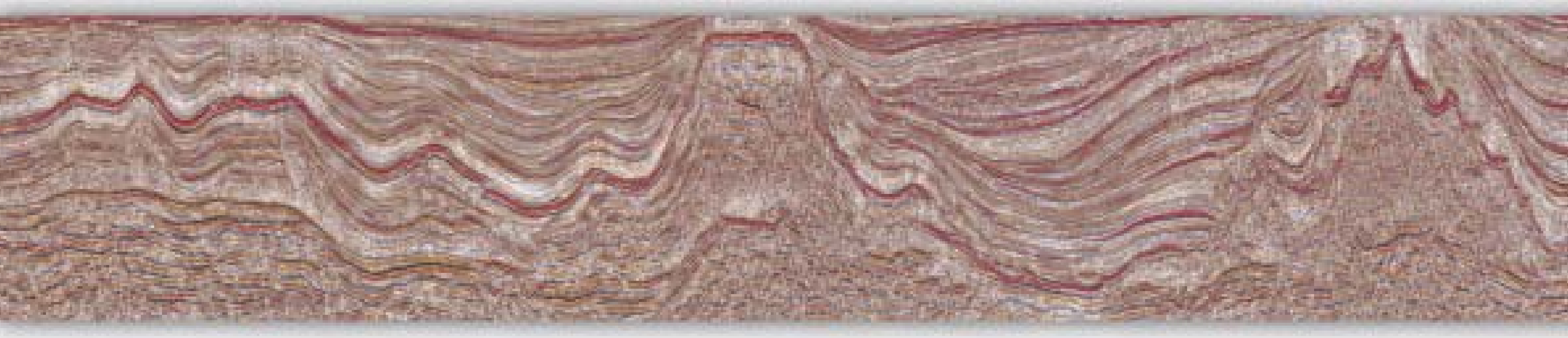
TGS-NOPEC DATA PROCESSING Ltd
Unit 13, The Software Centre
Campus 2
Aberdeen Science and Technology Park
Balgownie Drive, Bridge of Don
Aberdeen, AB22 8GU
UK

Phone: +44 1224 332 088
Fax: +44 1224 332 089
E-mail: aberdeen@bipsco.com
Homepage: www.bipsco.com

AUSTRALIA

TGS-NOPEC Geophysical Company Pty Ltd
Level 5
MLC House
1100 Hay Street
West Perth, WA 6005
Australia

Phone: +61 8 9480 0000
Fax: +61 8 9321 5312
E-mail: contact@tgsnopec.com.au
Home: www.tgsnopec.com



TGS NOPEC

GEOPHYSICAL COMPANY