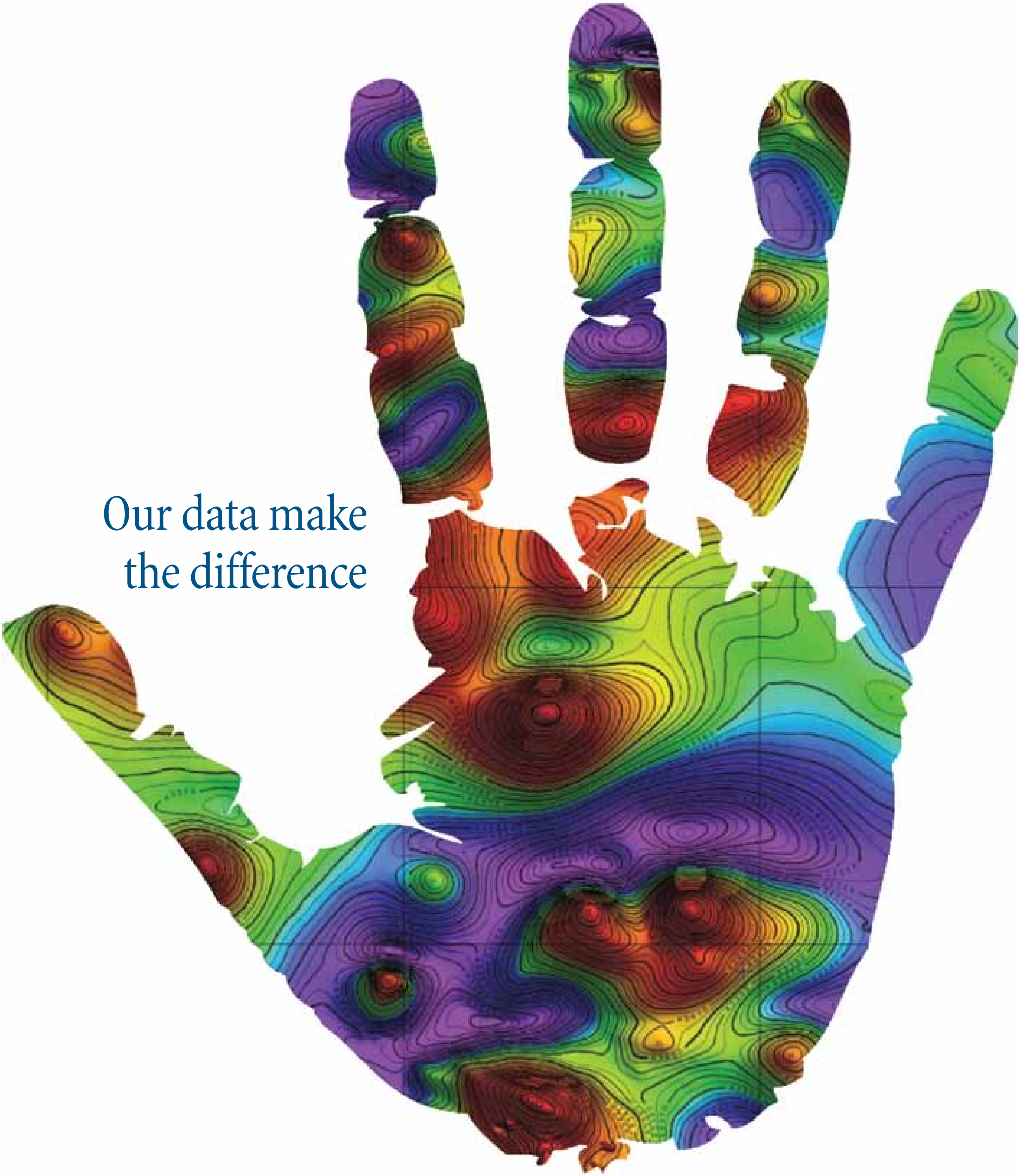
Our data make the difference



TGS

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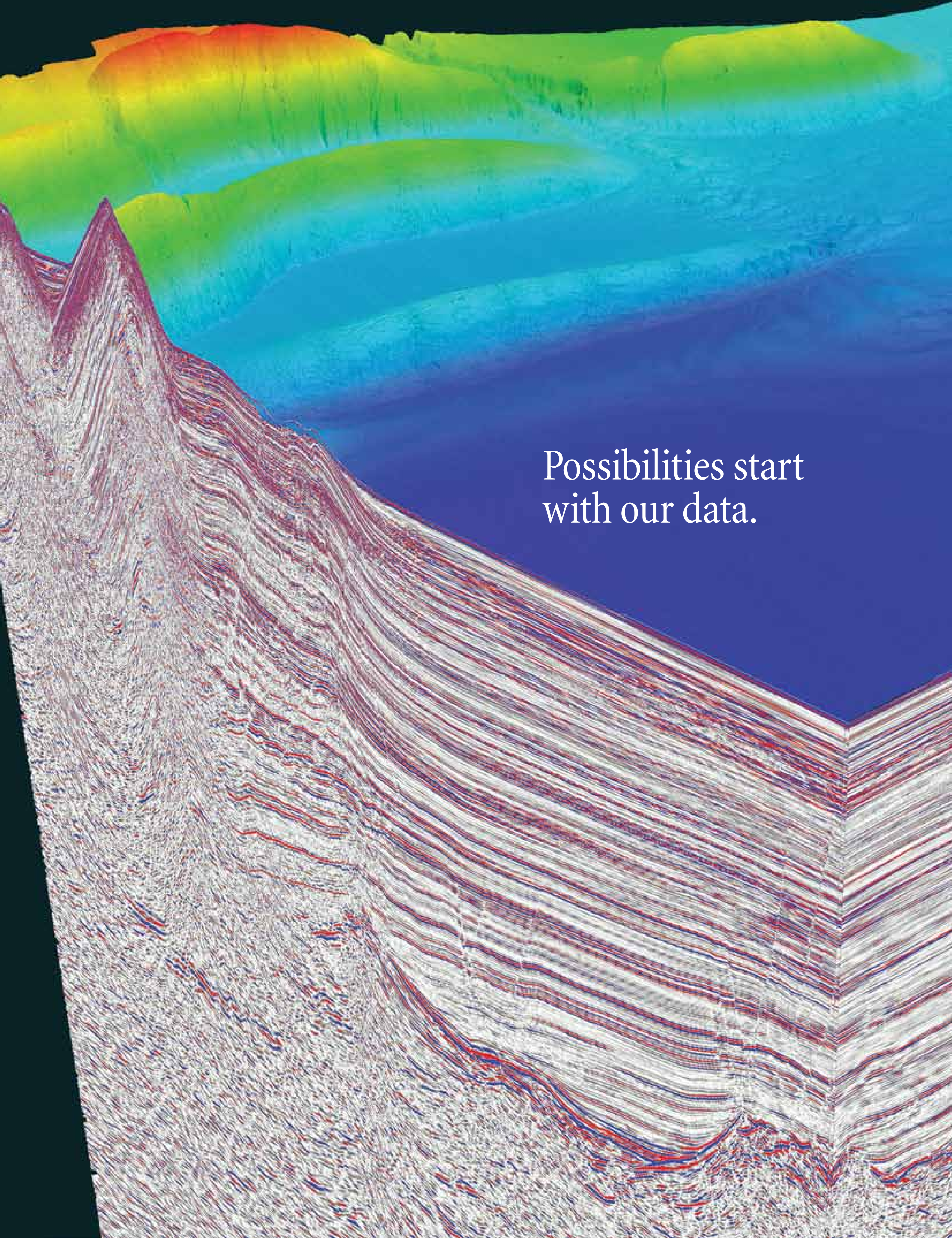

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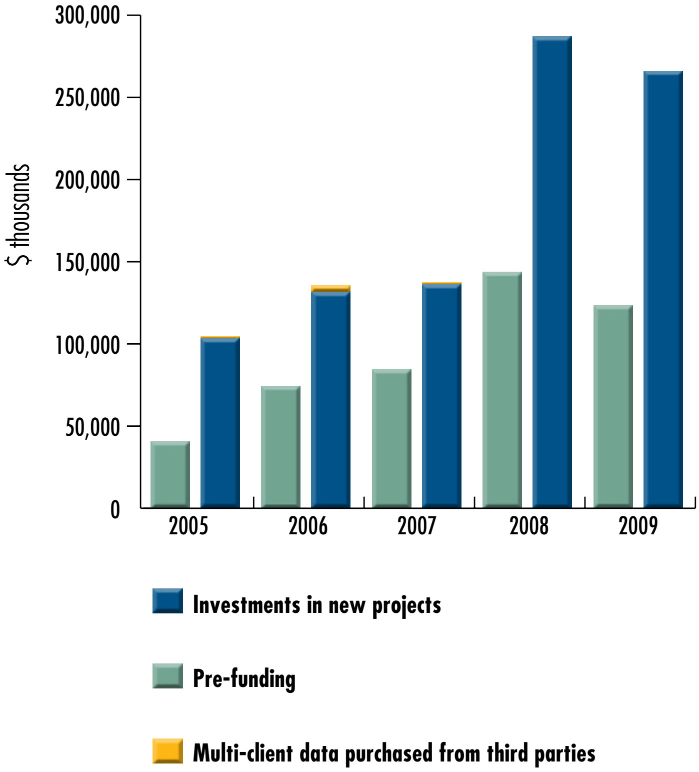
Financial Highlights

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

	2009	2008	2007	2006	2005
Net operating revenues	477,695	582,431	452,754	395,853	240,352
Operating profit	210,229	268,981	221,951	221,311	95,995
Pre-tax profit	219,202	203,200	197,374	219,523	97,217
Net income	162,471	113,792	135,015	150,890	65,139
EBIT	210,229	268,981	221,951	221,311	95,995
EBIT margin	44%	46%	49%	56%	40%
Net income margin	34%	20%	30%	38%	27%
Return on capital employed	27%	41%	39%	50%	29%
Earnings per share	1.58	1.10	1.29	1.43	0.63
Earnings per share fully diluted	1.56	1.10	1.26	1.39	0.60
Total assets	1,144,278	954,317	852,640	676,232	464,522
Shareholders equity	839,856	661,063	567,833	477,039	320,768
Equity ratio	73%	69%	67%	71%	69%

Multi-Client Library	2009	2008	2007	2006	2005
Opening net book value	334,998	217,363	195,572	160,809	149,473
Multi-client data purchased from third parties	-	1,100	1,640	4,519	1,625
Investments in new projects	265,980	285,861	136,344	131,900	103,832
Amortization	(176,695)	(169,326)	(116,193)	(101,655)	(94,122)
Ending net book value	424,282	334,998	217,363	195,572	160,809
Pre-funding % on operational investments	47%	50%	63%	57%	40%


300,000
250,000
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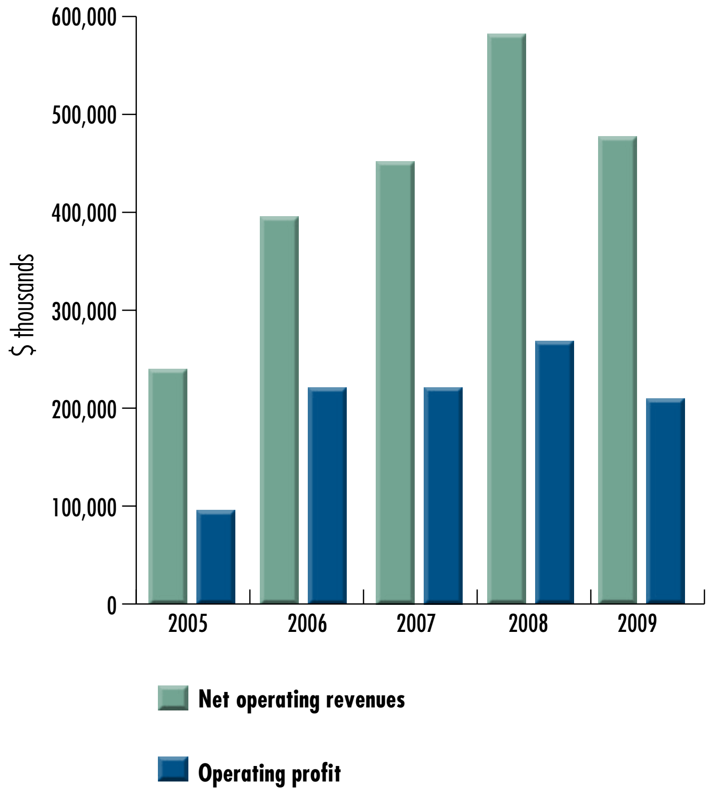
$ thousands
2005
2006
2007
2008
2009
Investments in new projects
Pre-funding
Multi-client data purchased from third parties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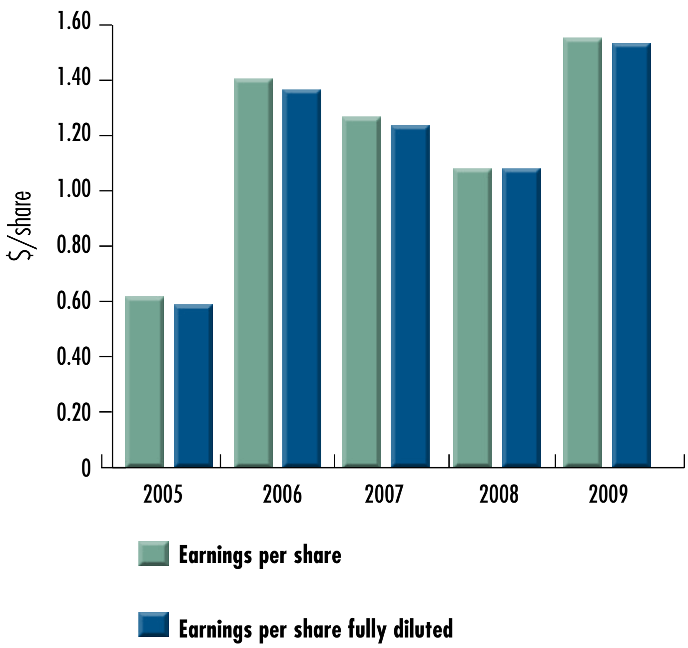
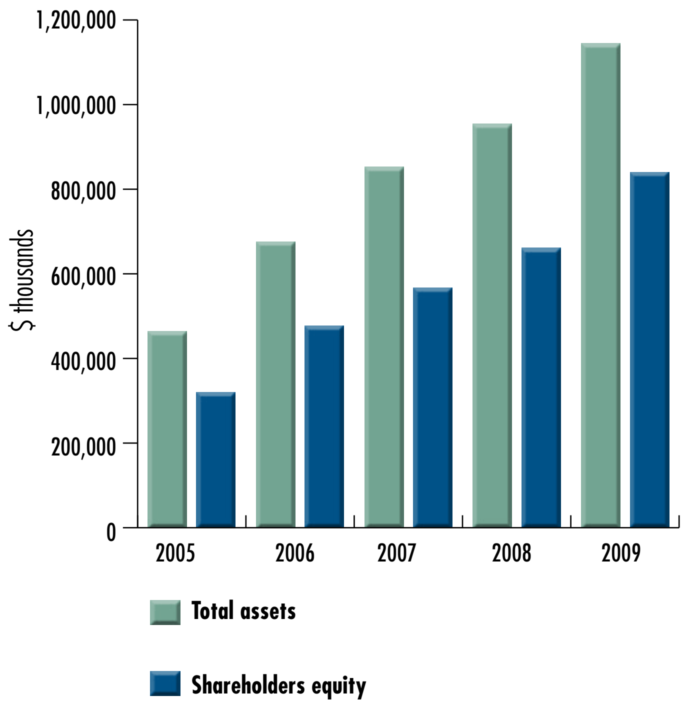
2005
2006
2007
2008
2009
Net operating revenues
Operating profit


1.60
1.40
1.20
1.00
0.80
0.60
0.40
0.20
0
$/share
2005
2006
2007
2008
2009
Earnings per share
Earnings per share fully diluted


1,200,000
1,000,000
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0
$ thousands
2005
2006
2007
2008
2009
Total assets
Shareholders equity

Dear Fellow Shareholders

2009 severely tested the entire oil services industry. As the year began, the global economy was mired in recession, international credit markets were closed, and oil and gas prices had dropped precipitously. Our customers halted all discretionary spending until they could gain more visibility on the economy and on oil and gas demand. E&P spending budgets were reduced, reconsidered and in some cases reduced again. Oil companies delayed projects, restructured themselves and laid off employees. Eventually, as oil prices began to recover, they started to ramp up activity. We experienced a dramatic change from a paralyzed market in the first quarter of the year to strong sales activity in the fourth quarter.

We are pleased to report that TGS passed the 2009 stress test with flying colors. Our dedicated employees demonstrated loyalty and resolve, our unique and highly flexible business model gave us confidence to forge ahead, and our strong focus on allocation of capital and cost control again delivered industry leading performance.

In line with the plan we communicated a year ago, we trimmed investments into our multi-client library by 7% from a record high level in 2008. Still, at $266 million, those investments were 95% higher than in 2007, keeping our long-term trend of growing our data library very much intact. We continued to see excellent support from our customers on new projects as they pre-financed 47% of our total investments. Although our total net revenues declined by 18% to $478 million, the net late sales from our data library decreased only 5%, a remarkable accomplishment when compared against results reported by our competitors. Despite the drop in revenues, our operating profit margin remained extremely healthy at 44%, by far the best margin in our industry. Our fully diluted earnings per share grew 42% to $1.56, largely as a result of some non-recurring financial losses recorded in 2008.

Perhaps most importantly, our year-end cash balance of $243 million was $95 million higher than a year ago, even though we repaid a $44 million bond loan and invested heavily in our library during the year. TGS is now debt-free. Shareholder equity grew 27% to $840 million representing 73% of the balance sheet. Yes, 2009 was a severe test, but TGS emerged stronger than ever. We gained market share, and we did it profitably.

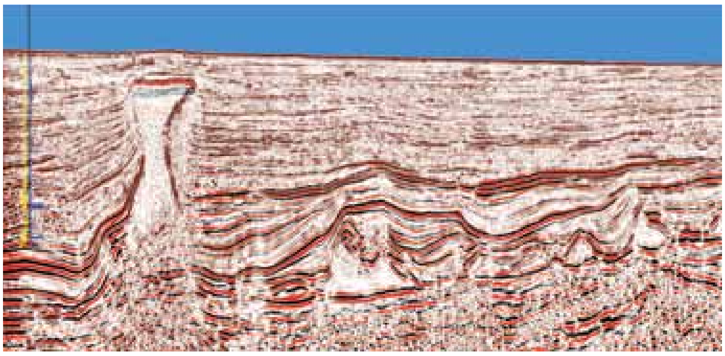
During 2009 we sustained our ambitious efforts to expand our global multi-client seismic data library, with two large wide azimuth (WAZ) 3D projects in the Gulf of Mexico and seven traditional 3D surveys in northwest Europe, west Africa and the Gulf of Mexico. We concentrated our new long offset 2D activity in frontier areas of Greenland, west Africa and Indonesia as well as in the more mature areas offshore Norway and UK.

Our geological products and services division extended our leadership position in the digital well log market, sourcing data from several new countries including Australia, New Zealand, Papua New Guinea, Eritrea and Italy, and accelerating our conversion of US well log image files to higher value, fully digitized LAS files. These higher value products are critical in the rapidly emerging unconventional shale plays.

In imaging services, we intensified our efforts to develop and commercialize our own new algorithms and techniques for higher resolution seismic imaging in complex environments. New enhancements to our technology tool kit enabled us to process our first multi-client WAZ 3D survey, and during the fourth quarter we were awarded our first proprietary contract WAZ 3D processing job by a major oil company.

We enter 2010 with a significantly brighter outlook than one year ago. Oil prices have stabilized at levels which clearly support oil company investment in exploration and production, and we have already experienced clear evidence of this. On the other hand, natural gas prices remain depressed and the supply and demand fundamentals indicate that they may remain depressed for an extended period. In this environment, we expect exploration and production spending to rise about 5-10% annually. Many of our most modern data products are located in areas that have announced oil company licensing rounds in 2010, so we believe we are well positioned to benefit from this expected spending growth.

Anisotropic Kirchhoff pre-stack depth migration from the central Gulf of Mexico



The seismic vessel market reached a state of oversupply in 2009, and with the announced schedule of new vessel deliveries in 2010, we expect the market to remain oversupplied until at least sometime in 2011. We have capitalized on this opportunity by sourcing several vessels at lower rates and with flexible options to extend charter periods. This will allow us to aggressively expand our library in 2010 at lower unit costs.

Having carefully evaluated our cash-generating capability through various market cycles, our Board of Directors has proposed to you the institution of an annual dividend. It is our ambition to pay an annual cash dividend that is in line with our long-term underlying cash flow. In addition to paying a cash dividend, we intend to buy back up to $30 million of our own shares during 2010 as part of our plan to distribute over $100 million in capital to you.

2009 marked the 30th year of operation for TGS. For 30 years our philosophy has been centered around the concept of delivering value by providing unique, high quality geoscientific data products and services to our customers. We strive to reinvigorate our data library with new projects in the right place at the right time with the right technologies, and to support our data products with unparalleled customer service. We've experienced tremendous changes in our markets over these past 30 years, yet our commitment to this core philosophy has remained constant. And looking forward, we continue to believe in this philosophy more than ever.

At TGS, our data make the difference.

We would like to take this opportunity to recognize Claus Kampmann, who served as a TGS Director for seven years and as our Chairman for the past five years before retiring in June 2009. A long time veteran in the oil services business, Claus has successfully navigated through many up and down cycles. He led us with a steady hand and a long term view. Thanks, Claus.

And to you, our shareholders, we thank you for your confidence and your trust.

Left to right:
Hank Hamilton, Chairman,
Robert Hobbs, CEO

Sincerely,

Hank Hamilton
Chairman

Robert Hobbs
Chief Executive Officer

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From Our Board

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

We specialize in the design, acquisition and processing of multi-client seismic surveys worldwide and deliver advanced high performance seismic imaging and software solutions. We also possess the world's largest online well log database, and provide multi-client interpretive products and well data management and subsurface consulting services to the industry. We operate worldwide and are presently active in North and South America, Europe, Africa, Asia and Australia.

Our parent company is located in Asker, Norway. Our main subsidiary is in Houston, Texas, U.S.A. and we also have regional offices in the United Kingdom, Australia, Russia and in Denver, Colorado, U.S.A. All financial statements in this report are presented on the basis of a "going concern" assumption, and the Board of Directors confirms that it is of the opinion that the prerequisites for a going concern assumption are indeed present. To the best of the Directors' knowledge, no subsequent events not described in this report have occurred since 31 December 2009, that would alter the accounts as presented for 2009.

Left to right: Colette Lewiner, Mark S. Leonard, Hank Hamilton, Arne-Kristian Maeland, Elisabeth Harstad

Operations

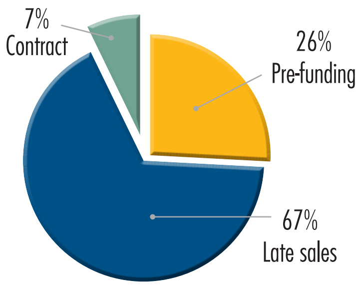
For the first time in the Company's history, management guided in February 2009 that it expected a reduction in consolidated revenues for 2009 compared to 2008 due to the effect of the global recession on the exploration and production services industry. Despite the challenging year, the Company managed to fulfill every aspect of the full year guidance given.

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

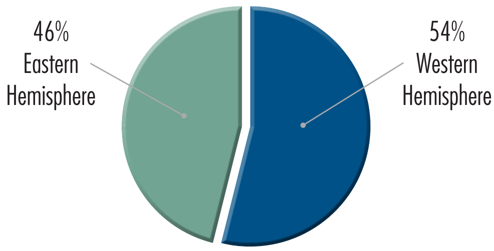
	Kilometers	Kilometers^2	Images
Geophysical products			
2D seismic	2,493,870		
3D seismic		155,545	
Wide-azimuth (WAZ)		20,555	
Gravity and magnetic data			
Ship-borne	1,145,828	27,995	
Airborne	795,179		
CSEM	547	178	
Bathymetry data			
Multi-beam sea seep		402,286	
Geological data			
Digital well log data[1]			5,800,806

1) From 2,443,246 wells

2009 NET REVENUES



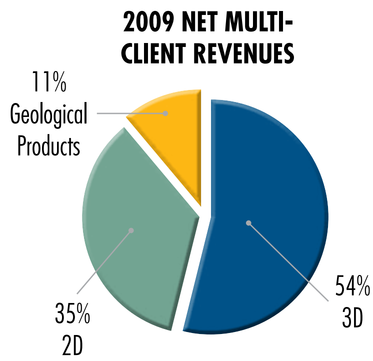
2009 NET REVENUES



Our primary focus is developing, managing and selling licenses of our non-exclusive (or multi-client) geoscientific data, which accounted for 93% of our business in 2009. Customer pre-funding of new multi-client projects reduces our investment exposure, while late sales from our library of data products provide the bulk of our revenue stream. Gross late sales increased 6% to $460.7 million from 2008, while net late sales after partner share decreased 5% from 2008. Pre-funding on new projects was 47% of the operational investments in multi-client data compared to 50% in 2008. Proprietary contract revenues decreased by 61% and represented only 7% of total net revenues.

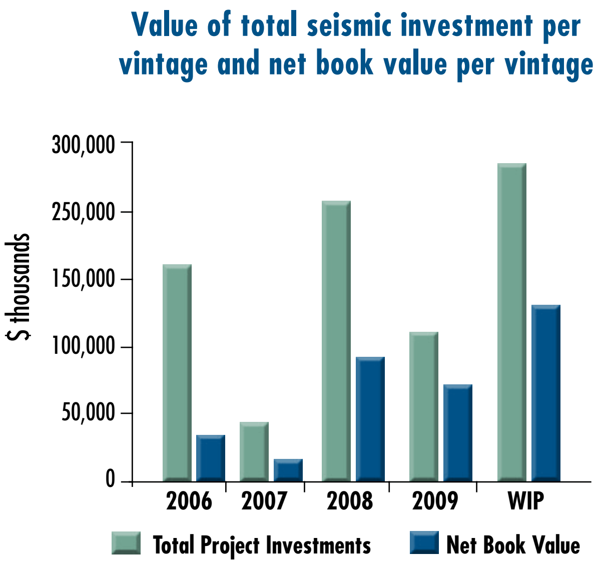
Net revenues from the Eastern Hemisphere decreased 25% in 2009, while net revenues from the Western Hemisphere decreased 5%.

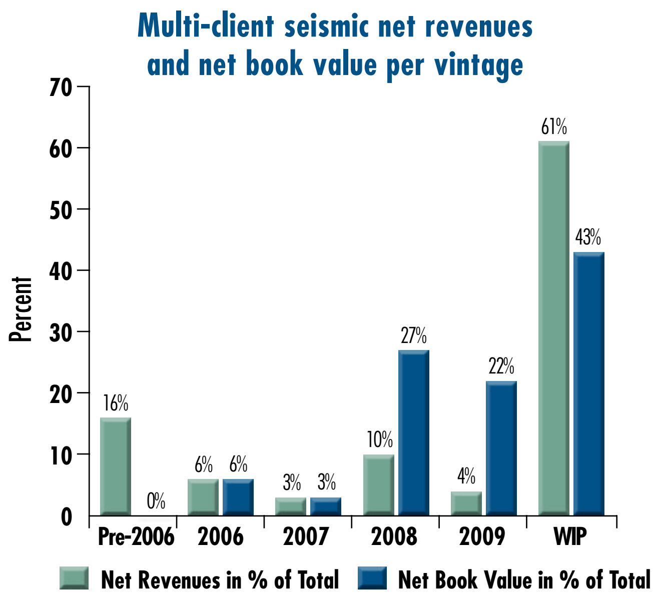
TGS continues to generate multi-client revenues from a well balanced mix of products. In 2009, multi-client 2D seismic revenues decreased 17% from 2008. Multi-client 3D seismic revenues decreased 14% and multi-client revenues from geological products decreased 16%.



Multi-Client Geoscientific Data Library

TGS' library of multi-client seismic data, well log data and integrated products is our largest single financial asset, with a net book value representing 37% of the total assets in the balance sheet. Seismic data, representing approximately 88% of the library's net book value, is amortized on a project-by-project basis as a function of sales. Minimum amortization criteria are applied if sales do not match expectations so each project is fully amortized within a four-year period following its completion. Because of our strong track record in delivering sales, our library is amortized more quickly than required by the minimum criteria. As a result, the library's current net book value is heavily weighted toward the newest, most modern projects. Our well log data is depreciated on a straight-line basis over seven years.





Vessel Commitments and Options

TGS secures all seismic acquisition capacity from external suppliers. At year-end 2009, we had outstanding commitments for three 3D seismic acquisition crews and two 2D seismic acquisition vessels for current and future charter hire. Four of these commitments expire in 2010 and the remaining agreement expires in 2012. The commitments total $141.0 million in 2010, $4.9 million in 2011 and $0.7 million in 2012. One of the contracts has options for extensions, one of which expires in 2010 and one in 2011.

TGS also has an option to hire up to 24 months of un-contracted 3D vessel capacity from Wavefield-Inseis through the end of 2012. As of the end of 2009, TGS has not exercised this option.

Results from Operations

In 2009, a very challenging period for our industry, TGS' net revenues decreased 18% to $477.7 million from $582.4 million in 2008 and the company's operating profit (EBIT) was $210.2 million, down 22% from $269.0 million in 2008.

As a testament to the company's flexible business model and focus on cost management, TGS maintained a very healthy operating profit margin of 44%, despite the lower revenue level described above. This was down from 46% in 2008.

Our operating results fulfilled all expectations issued by TGS for 2009, even with the deterioration in business conditions during the year. For the year, we extended our longstanding record of industry leadership in shareholder value as measured by the following key statistics.

Shareholder Value Metrics

	2009	2008
Net revenues	477,695	582,431
Operating profit (EBIT) margin:	44%	46%
Multi-client net revenues/average net book value ratio	1.17	1.74
Pre-tax return on average capital employed (ROCE)	27%	41%
Cash flow from operations after multi-client investments	87,651	64,874
Shareholders equity as % of balance sheet	73%	69%

Mergers and Acquisitions

TGS did not acquire or merge with any significant third-party companies during 2009.

Investments, Capital, Financing and Dividend

TGS is listed on the OBX list on the Oslo Stock Exchange, being among the 25 most liquid stocks in Norway. We did not raise any new equity in the market during 2009. The Board does not anticipate issuing any new equity during 2010, apart from issues of stock options to employees, unless necessary to finance the acquisition of another company or a major business opportunity.

During 2009, TGS invested $266.0 million in our multi-client library and recorded $10.0 million in additional capital expenditures.

We classify our holdings of auction rate securities (ARS) as current financial investments available for sale. The market for these securities is still distressed. As we have no need to liquidate these securities within the near future at discounted prices, we have valued the ARS at year-end at fair value based on a third party valuation that considered actual market trades as well as a discounted cash flow valuation method. A more detailed discussion on the ARS can be found in Note 14 to the Consolidated Accounts.

As of 31 December 2009, our total cash holdings amounted to $243.5 million compared to $148.3 million at 31 December 2008.

In 2004, TGS issued a five-year 300 MNOK bond loan. The bond loan matured and was paid back in full in May 2009. TGS currently does not have any interest bearing debt.

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

The Board of Directors proposes to the shareholders at the June 2010 Annual General Meeting a dividend of NOK 4 per share of outstanding common stock from the Company's 2009 earnings, of which NOK 2 per share is a non-recurring distribution.

In addition, the Board of Directors intends to spend up to US $30 million in repurchasing TGS shares during the remainder of 2010. As of 23 March 2010, the Company has bought back $7.2 million of TGS shares.

Risk Management and Internal Control

The activities of TGS Group's clients, exploration and production companies within the oil and gas industry, typically vary with fluctuations in oil and gas commodity prices, or perceived expectations of change. This impacts the TGS Group's activity and profitability. See Note 13 to the Consolidated Financial Statements for a discussion of the financial risk management applied.

TGS is constantly striving to maintain and improve our internal controls. Our primary business activity is building our multi-client geoscientific data library, our largest financial asset, through multiple investments in new data for sale to clients. We utilize custom investment proposal models and reporting tools in order to assess and monitor the status and performance of our multi-client projects.

Organization, Working Environment and Equal Opportunity

TGS' Parent Company had 33 employees as of 31 December 2009. The TGS Group had 483 employees in the United States, 47 employees in Norway, 87 employees in the United Kingdom, nine employees in Australia and six employees in Russia, totaling 632 employees. The number of employees during 2009 averaged 644.

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

Health, Safety and Environmental Issues

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

In 2009, TGS incurred four lost time injuries in 4,522,809 man hours giving a lost time incident frequency of 0.9 per million man hours. A work-related fatality on a joint venture operation in which TGS was not the operator occurred during 2009. The incident was fully investigated and procedural measures designed to avoid similar incidences were subsequently adopted.

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

Board Structure and Corporate Governance Policy

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

The independent nomination committee, re-elected by the shareholders for a two-year term at the annual general meeting on 4 June 2009, consists of the following members:
Nils B. Gulnes (*), Jarl Ulvin and Tor Himberg Larsen
(*) – Designates Committee Chair

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

It is the opinion of the Board of Directors that the Company complies with the Norwegian Code of Practice for Corporate Governance published 21 October 2009. The Board fully endorses the section entitled "Corporate Governance" found on page 50 of this annual report.

Salary and Other Compensation

TGS compensates its employees according to market conditions that are reviewed on an annual basis by the compensation committee. Compensation includes base salary, insurance and retirement benefit programs, a profit-sharing bonus plan based on performance, and in certain cases, a stock option plan. For further details please refer to the paragraph "Salary and other compensation" in item 12 in the section "Corporate Governance" and Note 7 to the Consolidated Accounts.

The Directors do not participate in any bonus or profit-sharing plan. The Chairman, by virtue of his past employment with the Company, continues to participate in the stock option plan. The other directors do not participate in the option plan.

Outlook for 2010

TGS' outlook for 2010 is brighter than one year ago. Consensus among analysts indicates increasing E&P budgets. As evidenced by the improved late sales that the company experienced in Q4 2009, oil companies have returned to investing in seismic data to fuel their search for new reserves. TGS is also positioned very well with modern seismic data products in regions that have announced key licensing rounds in 2010. Rounds to be held in Greenland, Norway, the UK, Indonesia and the Gulf of Mexico are expected to drive interest in TGS' products.

TGS continues to enjoy a high degree of flexibility in cost structure by virtue of its unique business model. We believe that the global fleet of available 3D seismic vessels will grow substantially in 2010. This growth and options that TGS has already secured for vessel capacity leave the company prepared to take advantage of new project opportunities while continuing to prudently manage its cost of investment.

TGS management's expectations for the full year 2010 are as follows: multi-client library investments of USD 270–300 million, average pre-funding in the range of 50-60% of investments, an average annualized multi-client amortization rate in the range of 37-43% of net revenues, net revenues in the range of USD 560–600 million and proprietary contract revenues of approximately 5% of total net revenues.

The Company will continue to evaluate opportunities to increase multi-client investments and grow its market share during the year based on client interest and other economic indicators.

Application of Profit

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

Dividends	$ 72.1 million
Allocated to Other Equity	$ 36.0 million
Total	$ 108.1 million

As of 31 December 2009, the Parent Company's free equity was NOK 1,182.6 million ($193.7 million) after accrual for dividends.

As part of the Group's tax planning, the Board also proposes that the Parent Company makes intercompany group contributions to certain wholly-owned subsidiaries of $5.6 million.

Confirmation from the Board of Directors and CEO

We confirm, to the best of our knowledge that the financial statements for the period 1 January to 31 December 2009 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the group taken as a whole. We also confirm that this report of the Board of Directors with references to the notes to the accounts and the Corporate Governance section of the annual report includes a true and fair review of the development and performance of the business and the position of the entity and the Group, together with a description of the principal risks and uncertainties facing the Parent Company and the Group.

23 March 2010

Hank Hamilton *Chairman*	**Arne-Kristian Maeland** *Vice Chairman*	**Colette Lewiner** *Director*
Mark S. Leonard *Director*	**Elisabeth Harstad** *Director*	**Robert Hobbs** *CEO*

Consolidated Statement of Comprehensive Income

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

TGS Group

	Note	2009	2008
Net operating revenues	3,23	477,695	565,788
Other income	3,23	-	16,643
Net revenues		**477,695**	**582,431**
Cost of goods sold - proprietary & other	1	8,389	36,228
Amortization of the multi-client library	3,5	176,695	169,326
Personnel costs	3,7	48,657	57,826
Cost of stock options	3,7,8	3,018	2,610
Other operating expenses	3,7	22,011	36,816
Depreciation and amortization	3,4,5	8,697	10,644
Total operating expenses		**267,466**	**313,450**
Operating profit		**210,229**	**268,981**
Financial income	24	6,063	6,213
Financial expenses	24	(662)	(16,327)
Exchange gains/losses	24	4,114	27,769
Loss on financial assets held	24	-	(75,059)
Impairment on financial assets available for sale	24	(542)	(8,378)
Net financial items		**8,973**	**(65,782)**
Profit before taxes		**219,202**	**203,200**
Taxes	25	56,732	89,408
Net income		**162,471**	**113,792**
Earnings per share (USD)	9	1.58	1.10
Earnings per share, diluted (USD)	9	1.56	1.10
Other comprehensive income:			
Exchange differences on translation of foreign operations		2,292	(11,626)
Net (loss)/gain on available for sale financial assets		(197)	699
Other comprehensive income/(loss), net of tax		**2,096**	**(10,927)**
Total comprehensive income for the period[1]		**164,566**	**102,866**

1) Attributable to equity holders of the parent

Consolidated Balance Sheet

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

TGS Group

23 MARCH 2010

Hank Hamilton
Chairman

Arne-Kristian Maeland
Vice Chairman

Colette Lewiner
Director

Mark S. Leonard
Director

Elisabeth Harstad
Director

Robert Hobbs
CEO

	Note	2009	2008
ASSETS			
Non-current assets			
Goodwill	5,6	**45,495**	45,493
Multi-client library	3,5	**424,282**	334,998
Other intangible non-current assets	5,6	**34,682**	44,249
Deferred tax asset	25	**8,158**	8,373
Buildings	4	**1,044**	882
Machinery and equipment	4	**20,111**	21,812
Non-current receivables and pre-payments	17	**1**	1,033
Total non-current assets		**533,772**	**456,839**
Current assets			
Financial assets at fair value through profit & loss	19	**-**	28,102
Financial investments available for sale	14	**27,201**	51,098
Accounts receivable	15	**327,107**	234,491
Other receivables	15	**12,704**	34,107
Cash equivalents	11	**243,493**	148,306
Current asset held for sale		**-**	1,373
Total current assets		**610,505**	**497,478**
Total assets		**1,144,278**	**954,317**
EQUITY AND LIABILITIES			
Equity			
Paid-in capital			
Share capital	10	**3,737**	3,855
Own shares held	10	**(37)**	(181)
Share premium reserve		**36,657**	29,467
Other paid-in equity		**15,798**	12,780
Total paid-in capital		**56,155**	**45,921**
Other equity		**783,701**	615,142
Total equity		**839,856**	**661,063**
Liabilities			
Non-current liabilities			
Capitalized lease liabilities	18	**-**	6
Deferred tax	25	**72,790**	55,729
Total non-current liabilities		**72,790**	**55,735**
Current liabilities			
Accounts payable	16	**138,249**	92,011
Taxes payable, withheld payroll tax, social security	25	**41,452**	46,300
Current loans	17	**-**	42,864
Other current liabilities	16	**51,932**	56,344
Total current liabilities		**231,632**	**237,519**
Total liabilities		**304,422**	**293,254**
Total equity and liabilities		**1,144,278**	**954,317**

Consolidated Statement of Changes in Equity

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

TGS Group

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

1) The Board of Directors propose to the shareholders at the June 2010 Annual General Meeting a dividend of NOK 4 per share of outstanding common stock from the Company's 2009 earnings, of which NOK 2 per share is a non-recurring distribution. During 2009, no dividends were paid.

	Share Capital	Own Shares Held	Share Premium Reserve	Other Paid-In Equity	Available for Sale Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
Balance 1 January 2008	**3,833**	**(113)**	**30,094**	**10,170**	**-**	**1,108**	**522,740**	**567,833**
Net income	-	-	-	-	-	-	113,792	**113,792**
Other comprehensive income	-	-	-	-	699	(11,626)	-	**(10,927)**
Total comprehensive income	-	-	-	-	699	(11,626)	113,792	**102,866**
Paid-in equity through exercise of stock options	21	-	2,154	-	-	-	-	**2,175**
Purchase of own shares	-	(70)	-	-	-	-	(14,937)	**(15,007)**
Distribution of shares held	-	2	-	-	-	-	585	**586**
Cost of stock options under IFRS	-	-	-	2,610	-	-	-	**2,610**
Balance 31 December 2008	**3,854**	**(181)**	**32,248**	**12,780**	**699**	**(10,518)**	**622,180**	**661,062**

Consolidated Statement of Cash Flow

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

TGS Group

	2009	2008
Cash flow from operating activities		
Received payments from customers	**443,888**	538,364
Payments for salaries, pensions, social security tax	**(49,539)**	(58,401)
Other operational costs	**(28,329)**	(69,044)
Net gain/(loss) on currency exchange	**4,182**	-
Paid tax and government taxes	**(44,081)**	(60,077)
Net cash flow from operating activities[1]	**326,121**	350,842
Cash flow from investing activities		
Received payments from sale of tangible assets	**-**	1,245
Investment in tangible assets	**(9,611)**	(3,573)
Investments in multi-client library	**(238,470)**	(285,968)
Investments through mergers and acquisitions	**(850)**	(4,494)
Net change in short-term investments	**54,327**	32,375
Interest income	**3,175**	6,213
Net cash flow from investing activities	**(191,429)**	(254,202)
Cash flow from financing activities		
Net change in short-term loans	**(44,091)**	42,864
Net change in new long-term loans	**-**	(55,734)
Interest expense	**(567)**	(4,671)
Purchase of own shares	**-**	(15,007)
Proceeds from share offerings	**5,153**	2,262
Net cash flow from financing activities	**(39,505)**	(30,286)
Net change in cash and cash equivalents	**95,187**	66,355
Cash and cash equivalents at the beginning of the period	**148,306**	81,951
Cash and cash equivalents at the end of the period	**243,493**	148,306

1) Reconciliation		
Profit before taxes	**219,202**	203,200
Depreciation/amortization	**185,391**	179,970
Unrealized loss on short-term financial investments	**-**	83,437
Changes in accounts receivables	**(92,616)**	(21,174)
Changes in other receivables	**18,342**	(6,896)
Changes in other balance sheet items	**39,883**	(27,618)
Paid tax	**(44,081)**	(60,077)
Net cash flow from operating activities	**326,121**	350,842

NOTES TO GROUP FINANCIAL STATEMENTS

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

Note 1: General Accounting Policies

General Information

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

The TGS Group consolidated financial statements were authorized by the Board of Directors on 23 March 2010.

Basis of Preparation

The consolidated financial statements of the TGS Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) in effect as of 31 December 2009 and consist of the Consolidated Statement of Comprehensive Income, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity, and Notes to the accounts.

The consolidated financial statements for the TGS Group have been prepared on a historical cost basis, except for derivative financial instruments and financial assets at fair value through profit and loss and financial investments available for sale that have been measured at fair value. The financial statements of the subsidiaries have been prepared for the same reporting year as the Parent Company, using consistent accounting policies. All intra-group balances, balance sheet transactions, and profit and loss transactions are eliminated in full. In applying the basic accounting principles and presenting transactions and other issues, a substance over form view is taken.

Principles of Consolidation

Companies Consolidated

The consolidated financial statements include subsidiaries in which the Parent Company and its subsidiaries directly or indirectly have a controlling interest.

The consolidated financial statements show the TGS Group's financial status, the result of the year's activity, and cash flows as one financial entity. Short-term investments, which form part of a trading portfolio and are bought and sold on a continuous basis, are not consolidated unless the TGS Group has control over the entity. All the consolidated companies have applied consistent accounting policies. Acquired subsidiaries are consolidated in the financial statements from the effective date the TGS Group obtains a controlling interest. Subsidiaries sold are consolidated in the financial statements until the effective date of the sale agreement. Material subsidiaries sold are presented as discontinued operations or disposal groups of assets and liabilities as of the date when the transaction is highly probable.

Successive share purchases in subsidiaries are consolidated using the fair value of the subsidiary's assets and debt from the time at which TGS obtains a controlling interest.

Subsidiaries with Functional Currency Other Than USD

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

Presentation Currency

The TGS Group presents its consolidated financial reports in USD. Nearly 100% of the TGS Group's revenues and the majority of expenses are denominated in USD, and USD is the functional currency for most of the entities in the TGS Group, including the Parent Company. The Financial Statements of the Parent Company are presented separately in this annual report.

Foreign Currency of Transactions and Balances

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

Significant Accounting Judgments, Estimates and Assumptions

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

Future Sales Forecasts as Basis for Multi-Client Library Amortization

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

Impairment of Goodwill and Other Intangible Assets

The TGS Group determines whether goodwill and other intangible assets with indefinite useful lives are impaired at least on an annual basis or when there are indicators that the carrying amount may not be recoverable. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred Tax Assets

Deferred tax assets are recognized for temporary deductible differences and carry forward tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Acquisition of Subsidiaries

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

Share–Based Payments

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

Revenue Recognition

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

Principles of Assessment

Revenue Recognition

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

Work in Progress (WIP)

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

Finished Data

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

Revenue Sharing

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

Proprietary Contracts

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

Interest Income

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

Cost of Goods Sold (COGS) – Proprietary and Other

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

Multi-Client Library

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

Amortization Related to Sales of Seismic Data

When establishing amortization rates for the multi-client seismic library, management bases their views on estimated future sales for each individual survey. Estimates are adjusted over time with the development of the market. Amortization is recorded in line with how revenues are recognized for each project, in proportion to the remaining net book value versus the estimated future revenue from that project. The revenue estimates are frequently updated and fully reviewed every 12 months. For work in progress, the amortization is based on estimated total cost versus forecasted total revenues of the project.

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

Forced Amortization Policy on Seismic Data

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

Amortization Policy on Well Logs

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

Impairment Test Library

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

Business Combinations and Goodwill

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

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

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

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

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

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the book value of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Tangible Non-Current Assets and Principles of Depreciation

Tangible non-current assets are presented at historical cost less accumulated depreciation and impairment charges. If an indication of impairment exists, an impairment test is performed. If the fair value of a tangible non-current asset is lower than book value, the asset will be written down to the higher of fair value less cost to sell and value in use. Depreciation is determined in light of the asset's useful life, varying from 2 to 50 years.

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

Exchange Rate Adjustments/Derivatives

Monetary assets, receivables and liabilities in non-USD currencies are translated at the exchange rate on the balance sheet date. Assets or liabilities for which derivative trade contracts have been entered into are recognized at the fair value of the derivative at the balance sheet date. Changes in fair value are recognized through profit and loss as the TGS Group does not apply hedge accounting.

Software Development Costs

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

Provisions

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

Income Taxes

Current Income Tax

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

Deferred Income Tax

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

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

1. Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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

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

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

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

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

Employee Stock Option Scheme

Key employees of the TGS Group receive remuneration in the form of share-based payment whereby employees render services as consideration for equity instruments. The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external value using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the TGS Group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognized at the beginning and end of that period. No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

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

Financial Investments and Other Financial Instruments

The TGS Group classifies financial investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification at initial recognition and re-evaluates this designation at every reporting date. When financial assets are recognized initially, they are measured at fair value, plus, for all financial investments other than those at fair value through profit or loss, directly attributable transaction costs. The purchases and sales of financial assets are recognized at the date of trade.

Financial Assets at Fair Value through Profit and Loss

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

Outstanding Loans and Receivables

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

Available-for-Sale Financial Assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any other category. After initial measurement, the available-for-sale financial assets held are measured at fair value with unrealized gains or losses being recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired when a negative development is considered significant or prolonged, at which time the cumulative loss is recognized in the income statement in finance cost and removed from the available-for-sale reserve.

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

De-Recognition of Financial Assets and Liabilities

A financial asset is de-recognized when:

• The rights to receive cash flows from the asset have expired, or

• The TGS Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

Non-Current Assets Held for Sale

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

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

Pensions

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

Leases

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

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

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the TGS Group will obtain ownership by the end of the lease term.

Operating lease payments are recognized as an expense in the income statement on a straight line basis over the lease term.

Contingent rents are recognized as revenue in the period in which they are earned or as expense in the period in which they are incurred.

Cash and Cash Equivalents

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

Accounts Receivable and Other Receivables

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

Treasury Shares

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

Dividends

Dividend approved by the Company's shareholders is recognized as a liability in the Group's financial statements until payment.

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

Cash Flow Statement

The cash flow statement is compiled using the direct method.

Changes in Accounting Policy and Disclosures

(a) New and Amended Standards Adopted by the TGS Group

The TGS Group has adopted the following new and amended IFRS interpretations, deemed to be relevant for the financial statements or performance of the Group, as of 1 January 2009:

- IFRS 2 (Revised), 'Share-Based Payment'.
  The IASB issued an amendment to IFRS 2 which clarifies the definition of vesting conditions and prescribes the treatment for an award that is cancelled. The TGS Group adopted this amendment as of 1 January 2009. It did not have an impact on the financial position or performance of the Group.
- IFRS 7 (Revised), 'Financial Instruments – Disclosures'
  The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognized at fair value. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 13 and 14. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 14.
- IFRS 8 'Operating Segments'
  This standard replaced IAS 14 'Segment Reporting' upon its effective date. The TGS Group concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14.
- IAS 1 (Revised), 'Presentation of Financial Statements'
  The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. As a result the group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated income statement and in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.
- IAS 23 (Revised) 'Borrowing Costs'
  The revised standard requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. In accordance with the transitional provisions of the amended IAS 23, the TGS Group has adopted the standard on a prospective basis. Therefore, if applicable, borrowing costs will be capitalized on qualifying assets with a commencement date on or after 1 January 2009. No borrowing costs are capitalized during 2009.

(b) IFRS and IFRIC Not Yet Effective

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them:

- IFRS 3 (revised), 'Business Combinations'
  The revised standard introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results.
- IAS 27 (amendment), 'Consolidated and Separate Financial Statements'
  The standard requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses

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incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (revised) and IAS 27 (amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests

- IAS 38 (amendment), 'Intangible Assets'.
  The amendment is part of the IASB's annual improvements project published in April 2009, and the Group will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination, and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Group's financial statements.
- IFRS 5 (amendment), 'Measurement of Non-Current Assets (or Disposal Groups) Classified as Held-for-Sale'.
  The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Group will apply IFRS 5 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group's financial statements.
- IAS 1 (amendment), 'Presentation of Financial Statements'.
  The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group will apply IAS 1 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group's financial statements.
- IFRS 2 (amendments), 'Group Cash-Settled and Share-Based Payment Transactions'.
  In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on the Group's financial statements.

Note 2: Business Combinations

Acquisitions 2009:

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

Acquisitions 2008:

Acquisition of Center Line Data, Inc. (CLD)

In May 2008 the TGS Group purchased certain assets of Center Line Data, Inc., a privately held company based in the United States specializing in digitizing well logs. The total compensation paid was USD 5.6 million of which USD 5.1 million was paid in cash and USD 0.5 million by transferring 30,600 treasury shares to the sellers based on price quoted at the Oslo Stock Exchange (fair value).

Assets Acquired:

	Opening Balance May 2008	PPA	USD Fair Value
Multi-client library[1]	-	1,400	1,400
Other intangible assets[2]	-	4,147	4,147
Tangible assets	17	(14)	3
Total assets	**17**	**5,533**	**5,550**

The Excess Values of the Acquisition Identified at the Time of Purchase:

1) Multi-client library: Represents the value of digitized well log files acquired in the acquisition.

2) Other intangible assets: CLD know-how consisting of cost savings from productivity improvements and fair value of non-compete agreement legally restricting a key employee from competing with TGS in any business activity provided by CLD anywhere in the world for three years.

Note 3: Segment Information

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

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

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. No inter-segment revenues are reflected in the segment reporting during 2009 or 2008.

2009	North & South America	Europe & Russia[1]	Africa, Middle East, & Asia/Pacific	Consolidated
Net operating revenues	257,922	149,884	69,889	477,695
Other revenues	-	-	-	-
Net external revenues	**257,922**	**149,884**	**69,889**	**477,695**
Cost of goods sold - proprietary & other	(260)	(5,508)	(2,621)	(8,389)
Amortization of multi-client library	(85,817)	(47,069)	(43,809)	(176,695)
Operational costs	(44,420)	(23,407)	(5,859)	(73,685)
Depreciation and amortization	(7,141)	(1,335)	(221)	(8,697)
Operating profit	**120,285**	**72,566**	**17,378**	**210,229**
Multi-client investments	149,492	59,578	56,910	265,980
NBV of multi-client library	258,652	79,042	86,588	424,282

1) Includes corporate costs which can not be allocated

2008	North & South America	Europe & Russia[1,2,3]	Africa, Middle East, & Asia/Pacific	Consolidated
Net operating revenues	272,904	190,600	102,284	565,788
Other revenues	-	16,643	-	16,643
Net external revenues	**272,904**	**207,243**	**102,284**	**582,431**
Cost of goods sold - proprietary & other	(188)	(20,494)	(15,545)	(36,228)
Amortization of multi-client library	(75,898)	(44,392)	(49,036)	(169,326)
Operational costs	(53,176)	(32,302)	(11,775)	(97,252)
Depreciation and amortization	(9,028)	(924)	(692)	(10,644)
Operating profit	**134,614**	**109,131**	**25,236**	**268,981**
Multi-client investments	142,128	62,034	82,799	286,961
NBV of multi-client library	194,977	66,533	73,487	334,998

1) Includes settlement from Wavefield-Inseis
2) Includes merger costs
3) Includes corporate costs which can not be allocated

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

	2009	2008
Operating profit for reportable segments	210,229	268,981
Total segments	**210,229**	**268,981**
Financial income	6,063	6,213
Financial expenses	(662)	(16,327)
Exchange gains/losses	4,114	27,769
Loss on financial assets held	-	(75,059)
Loss/gain on financial assets available for sale	(542)	(8,378)
Profit before taxes	**219,202**	**203,200**

Executive management regularly focuses on measuring the multi-client library. “Total assets” per reportable segment is not a part of the information regularly provided to executive management. Hence, other assets are not allocated to the reportable segments.

The Group does not report a measure of liabilities for the reportable segments.

As the operating segments reported are broken down to geographic areas, there is no further breakdown of revenues to the customer’s country of domicile. The Group finds the cost of developing the respective revenue information excessive when the reported operating segments already are broken down to geographic areas.

In 2009, out of approximately 1,300 customers, net sales to one customer in Europe & Russia amounted to slightly more than 10%, USD 48.2 million.

Analysis of revenues by product type, reported in USD 1,000s:

	2009	2008
2D seismic	160,940	194,934
3D seismic	265,236	309,830
Well logs and integrated products	51,519	61,025

Note 4: Tangible Non-Current Assets

2009

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

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

2008

Acquisition Cost and Depreciation:	Machinery and Equipment	Buildings[1,4]	Total
Cost as of 1 January 2008	62,005	2,744	64,749
Acquisition of a subsidiary[2]	3,003	-	3,003
Reclassification[1]	-	(1,569)	(1,569)
Additions	8,142	716	8,858
Disposals[3]	(3,778)	-	(3,778)
Exchange adjustment	(451)	(741)	(1,193)
Cost as of 31 December 2008	68,921	1,149	70,070
Accumulated depreciation as of 1 January 2008	38,665	308	38,974
Reclassification[1]	-	(94)	(94)
Depreciation for the year	6,495	53	6,549
Accumulated amortization/depreciation on disposals[3]	(2,522)	-	(2,522)
Capitalized to the multi-client library	4,471	-	4,471
Accumulated depreciation as of 31 December 2008	47,109	267	47,377
Net book value as of 31 December 2008	21,812	882	22,694
Useful life	2 to 7 years	50 years	

1) The Company's building in Kingston-Upon-Thames (UK) was held for sale and was reclassified to current assets held for sale.
2) See Note 2 for acquisition of Center Line Data Corporation.
3) Loss on disposal during the year was USD 11.
4) Buildings include some furniture and fixture with a useful life of 10 years.

Note 5: Intangible Non-Current Assets

2009

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

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

2008

Acquisition Cost and Depreciation:	Goodwill	Multi-Client Library	Other Intangible Assets	Total
Cost as of 1 January 2008	55,433	822,638	54,659	932,730
Acquisition of a subsidiary[1]	-	1,100	1,447	2,547
Correction	(214)	-	214	-
Additions	-	285,861	5,574	291,435
Exchange adjustment	(77)	-	(7)	(84)
Cost as of 31 December 2008	55,142	1,109,599	61,887	1,226,628
Accumulated depreciation as of 1 January 2008	9,649	605,275	7,153	622,078
Amortization for the year	-	169,326	-	169,326
Depreciation for the year	-	-	4,095	4,095
Capitalized to the multi-client library	-	-	6,390	6,390
Exchange adjustment	-	-	(1)	(1)
Accumulated depreciation as of 31 December 2008	9,649	774,601	17,637	801,888
Net book value as of 31 December 2008	45,493	334,998	44,250	424,740

1) See Note 2 for acquisition of Center Line Data Corporation.

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Note 6: Goodwill and Other Intangible Assets

Specification of Goodwill Per Cash Generating Unit

Specification of Goodwill	US Imaging	GPS Well Logs	GPS Interpretations	UK Imaging	Other[1]	Total
NBV as of 1 January 2009	24,461	11,693	7,320	945	1,074	45,493
+/- changes during the year	-	-	-	-	-	-
Exchange adjustment	-	-	-	-	2	2
NBV as of 31 December 2009	24,461	11,693	7,320	945	1,076	45,495

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

Specification of Other Intangible Assets	US Imaging	Vessel Charter A	Vessel Charter B	GPS Well Logs	GPS Interpretations	Total
NBV as of 1 January 2009	36,132	2,376	4,280	1,248	214	44,249
+/- changes during the year	(8,881)	(1,033)	(1,394)	1,716	24	(9,568)
Exchange adjustment	-	-	-	-	-	-
NBV as of 31 December 2009	27,251	1,343	2,886	2,964	238	34,682

Impairment Testing of Goodwill and Other Intangible Assets

TGS tests goodwill and other intangible assets annually for impairment or more frequently if there are indications that goodwill and intangible assets might be impaired. The test is performed at year end.

Based on the impairment testing performed, no impairment exists as of 31 December 2009.

Goodwill and other intangible assets acquired through business combination have been allocated to individual cash generating units (CGU). All of the CGUs have been tested for impairment. We have commented below on 95% of the net book value of goodwill and other intangible assets as of 31 December 2009.

GPS Well Logs

The value in use of GPS well logs has been determined based on revenue and cash flow projections from financial estimates prepared by management of the business unit. The approved budget has been used for 2010. Thereafter, a 5% growth rate on all income statement items has been used for four years.

A terminal value in 2014 of the business unit was determined by discounting the projected cash flow in 2014 assuming a nominal growth of 5%. The terminal value and the cash flows in the five year projection period were discounted using a 13% (before tax) discount rate. The discount rate is based on a risk free rate of 5% and a risk premium of 8%. The risk premium is derived by adjusting the market premium to reflect the project risk.

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

US Imaging

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

The value in use of the division has been determined based on revenue and cash flow projections from financial estimates prepared by management of the business unit. The approved budget has been used for 2010. Thereafter, key assumptions made were the following:

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

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

A terminal value in 2014 of the business unit was determined by discounting the projected cash flow in 2014 assuming a nominal growth of 5%. The terminal value and the cash flows in the five year projection period were discounted using a 13% (before tax) discount rate. The discount rate is based on a risk free rate of 5% and a risk premium of 8%. The risk premium is derived by adjusting the market premium to reflect the project risk.

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

GPS Interpretations

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

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

Vessel Charter B

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

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

The intangible values related to the 2D charter and the 3D options are amortized on a straight line basis over their respective durations.

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

	2009	2008
Payroll	55,459	64,391
Social security costs	4,178	4,205
Pension costs	2,091	2,667
Other employee related costs	3,811	5,195
Salaries capitalized to multi-client library	(16,881)	(18,632)
Payroll and related cost	48,657	57,826
Cost of stock options (see Note 8)	3,018	2,610
Payroll and cost of stock options	51,675	60,436

Average number of employees in 2009 was 644 vs. 651 in 2008. No loans to employees are outstanding as of 31 December 2009.

The Group has a profit sharing plan for all employees following a six month trial period. The profit sharing (bonus) is payable quarterly, and is calculated as a function of operating profit vs. budget and the individual employee's employment conditions. All bonuses earned in 2009 have been paid or accrued as of 31 December 2009.

Board of Directors 2009

	Director's Fee	Value of Shares Received	Total Remunerations
Hank Hamilton (Chairman of the Board)[1]	-	-	-
Former Chairman of the Board (until 5 June 2009)	76	10	86
Other Directors[2]	187	57	243

Board of Directors 2008

	Director's Fee	Value of Shares Received	Total Remunerations
Hank Hamilton (CEO/Director)[1]	-	-	-
Directors (Excl. CEO)	362	44	406

1) Hank Hamilton does not receive a Director's fee. His compensation is included under Management below.

2) In June 2009, the Directors continuing in service each received 1,000 restricted shares for the period June 2008-June 2009 and 1,500 restricted shares in advance for the period June 2009-June 2010.

Compensation to the Members of the Nomination Committee

	2009	2008
Nils B. Gulnes (Chairman)	20	19
Jarl Ulvin	8	5
Tor Himberg-Larsen	8	6

Management 2009

	Salary	Bonuses	Other Benefits	Option Benefits Expensed	Total
Robert Hobbs (COO/CEO from 5 June 2009)	355	596	13	151	1,115
Hank Hamilton (CEO until 5 June 2009)[1]	373	1,632	13	95	2,113
Exec. Mgmt. Group (excl. CEO)	790	1,252	60	306	2,408

1) As from 5 June 2009, Mr. Hamilton continued his employment in a non-executive advisory role with an annual salary of USD 300,000. In this role he is not eligible for participation in the Company's profit sharing bonus plan.

Management 2008

	Salary	Bonuses	Other Benefits	Option Benefits Expensed	Total
Hank Hamilton (CEO/Director)	475	2,927	12	203	3,617
Exec. Mgmt Group (excl. CEO)	784	1,802	22	205	2,813

The bonus plan for Hank Hamilton through his retirement as CEO on 4 June 2009 entitled him to 1% of the TGS Group's annual operating profit above USD 5 million before bonus charges. The maximum amount payable to Mr. Hamilton as a CEO in case of termination of his employment by the Board of Directors was equal to 3 times the highest annual base salary of the preceding 3 years spread over ensuing 3 year period. The maximum amount payable in the same case of termination following a "Change of Control" event was 3 years gross compensation. As of 5 June 2009, these obligations no longer exist.

Robert Hobbs had the role as COO through 4 June 2009 and then became CEO starting on 5 June 2009. He participates in the Company's profit sharing bonus plan in the same manner that all other Company employees participate. He receives a bonus that is proportional to the TGS Group's annual operating profit before bonus charges and the target amount of each year's annual bonus is determined by the Board of Directors. The maximum amount payable to Mr. Hobbs in case of termination of his employment by the Board of Directors is equal to 3 times the highest annual base salary of the preceding 3 years spread over an ensuing 3 year period. The maximum amount payable in the same case of termination following a "Change of Control" event is 3 years gross compensation.

The CFO's bonus plan entitles him to a 0.35% of the TGS Group's annual operating profit above USD 5 million before bonus charges. The maximum amount payable to the CFO in case of termination of his employment by the Company amounts to 2 years base salary spread over ensuing 2 year period. The maximum amount payable in the same case of termination following a "Change of Control" event is 2 years gross compensation.

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

Auditors' Fee

	2009	2008
Statutory audit	553	455
Other quarterly audit/review	-	66
Other attestation services	24	28
Tax advice	276	223
Other services outside the audit scope	58	47
Total fees	**911**	**818**

All amounts are exclusive of VAT.

Note 8: Share-Based Payment Plans

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

When stock options are exercised, the transaction booked follows general procedures of an equity issue at agreed rates (exercise price). Following receipt of the subscription amount (exercise price), the Company issues new shares or transfer shares from treasury. Options granted under the 2008 plan are secured by treasury shares held.

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

	2009	2008
Expenses arising from equity-settled share-based payment transactions	3,018	2,610

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

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

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

No cancellations or modifications have been made to any of the plans during 2009 or 2008.

The following table illustrates the number (#) and weighted average prices (WAEP*) of, and movements in, share options during the year:

	2009		2008	
	#	WAEP* (NOK)	#	WAEP* (NOK)
Outstanding at 1 January	2,532,625	72.14	2,048,625	63.63
Granted during the year	569,000	78.66	1,030,000	70.80
Forfeited during the year	(85,000)	76.77	(113,000)	83.76
Exercised during the year	640,875[2]	46.49	433,000[1]	25.66
Expired during the year	-	-	-	-
Outstanding at 31 December	2,375,750	84.84	2,532,625	72.14
Exercisable at 31 December	955,500		1,045,625	

1) The weighted average share price at the date of exercise of these options was NOK 83.77
2) The weighted average share price at the date of exercise of these options was NOK 72.74

The weighted average remaining contractual life for the share options outstanding on 31 December 2009 is 2.78 years (2008: 2.73 years).

The weighted average fair value of options granted during 2009 was NOK 36.55. The weighted average fair value of options granted during 2008 was NOK 24.80.

The range of exercise prices for options outstanding at the end of the year was NOK 64.50 - NOK 105.50 (2008: NOK 30.00 - NOK 105.50).

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

	2009	2008
Expected volatility		
For options vested after 1 year	0.82	0.49
For options vested after 2 years	0.69	0.47
For options vested after 3 years	0.63	0.46
For options vested after 4 years	0.59	0.45
Expected risk-free interest rate		
For options vested after 1 year	2.19%	6.41%
For options vested after 2 years	2.74%	5.43%
For options vested after 3 years	3.18%	4.89%
For options vested after 4 years	3.50%	4.77%
Expected life of options beyond vesting period (years)	1.00	1.00
Expected annual turnover of employees	1.00%	1.00%
Dividend yield	-	-

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

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

Outstanding Stock Options/Warrants as of 31 December 2009:

# of Options	Exercise Dates	Holders	Price/Conditions	Granted
316,000	See below[1]	Key employees	NOK 64.50 Warrants expiring on 15 June 2010	18 August 2005
80,000	See below[2]	Hank Hamilton	NOK 105.50 Warrants expiring on 14 June 2011	17 August 2006
512,000	See below[2]	Key employees	NOK 105.50 Warrants expiring on 14 June 2011	17 August 2006
50,000	See below[3]	Robert Hobbs	NOK 70.80 Options expiring on 4 June 2013	14 August 2008
858,750	See below[3]	Key employees	NOK 70.80 Options expiring on 4 June 2013	14 August 2008
60,000	See below[4]	Robert Hobbs	NOK 78.66 Warrants expiring on 4 June 2014	13 August 2009
499,000	See below[4]	Key employees	NOK 78.66 Warrants expiring on 4 June 2014	13 August 2009
2,375,750				

1) The holders may request shares issued in exchange for the warrants as follows:
100% beginning 18 August 2009 less previously exercised
2) The holders may request shares issued in exchange for the warrants as follows:
Up to 75% beginning 17 August 2009 less previously exercised
100% beginning 17 August 2010 less previously exercised
3) The holders may request shares issued in exchange for the options as follows:
Up to 25% beginning 14 August 2009
Up to 50% beginning 14 August 2010 less previously exercised
Up to 75% beginning 14 August 2011 less previously exercised
100% beginning 14 August 2012 less previously exercised
4) The holders may request shares issued in exchange for the warrants as follows:
Up to 25% beginning 13 August 2010
Up to 50% beginning 13 August 2011 less previously exercised
Up to 75% beginning 13 August 2012 less previously exercised
100% beginning 13 August 2013 less previously exercised

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

Note 9: Earnings per Share

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

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares (stock options) into ordinary shares.

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

	2009	2008
Net profit attributable to ordinary equity holders of the parent	162,471	113,792
Weighted average number of ordinary shares (excluding treasury shares) for basic earnings per share	102,725	103,445
Effect of dilution:		
Share options	1,428	344
Weighted average number of ordinary shares (excluding treasury shares) adjusted for effect of dilution	104,153	103,788
Basic earnings per share	1.58	1.10
Diluted earnings per share	1.56	1.10

On 2 March 2010, employees exercised 315,500 stock options. On 11 March 2010, the Company bought back 335,000 shares. There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

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Note 10: Equity and Shareholders Authorizations

Ordinary Shares Issued and Fully Paid

Ordinary Shares	# of Shares	USD
1 January 2008	106,086,800	3,822
Issued 12 March 2008 for cash on exercise of stock options	108,000	5
Issued 6 June 2008 for cash on exercise of stock options	245,000	13
Issued 5 September 2008 for cash on exercise of stock options	80,000	4
31 December 2008	106,519,800	3,844
Issued 10 March 2009 for cash on exercise of stock options	90,000	3
Issued 4 June 2009 for cash on exercise of stock options	253,625	10
Cancelled 3,049,150 treasury shares held 31 August 2009	(3,049,150)	(131)
Issued 1 September 2009 for cash on exercise of stock options	20,000	1
Issued 24 November 2009 for cash on exercise of stock options	228,000	10
31 December 2009	104,062,275	3,738

Treasury Shares

The Company buys from time to time back shares under authorizations given by the shareholders. The shares may be held in treasury, used as payment in M&A transactions, used in relation to exercise of employees' stock options, or eventually cancelled. As at 31 December 2009 the Company held 947,750 treasury shares, 0.9% of the total shares issued (2008: 4,054,900 shares, 3.8%). The following table shows the movement of treasury share holdings:

Treasury Shares	# of Shares	USD
1 January 2008	2,410,050	40,899
Shares bought back 20 February 2008	200,000	2,980
Shares used for payment as part of Center Line acquisition 2 June 2008	(30,600)	(534)
Distribution of shares to board members 6 June 2008	(4,250)	(74)
Shares bought back 10 September 2008	250,000	2,537
Shares bought back 11 September 2008	106,000	1,040
Shares bought back 12 September 2008	185,100	1,874
Shares bought back 15 September 2008	130,000	1,237
Shares bought back 16 September 2008	283,000	2,543
Shares bought back 17 September 2008	70,000	617
Shares bought back 24 November 2008	110,000	520
Shares bought back 25 November 2008	60,800	298
Shares bought back 26 November 2008	79,800	398
Shares bought back 5 December 2008	170,000	792
Shares bought back 8 December 2008	35,000	172
31 December 2008	4,054,900	55,298
Distribution of shares to board members 12 June 2009	(8,750)	(89)
Cancellation of 3,049,150 treasury shares	(3,049,150)	(48,041)
Distribution of 2,500 shares to optionee	(2,500)	(25)
46,750 treasury shares transferred to cover exercise of options 24 November 2009	(46,750)	(473)
31 December 2009	947,750	6,669

Shareholders' Resolution to Issue Warrants to Key Employees

On 4 June 2009, the shareholders resolved to issue free-standing warrants in connection with a stock option plan for employees. Employees have to-date subscribed for 569,000 warrants and the maximum share capital increase under this resolution can be 1,000,000 shares. The warrants issued can be exchanged for shares until 4 June 2014. The shareholders' resolution to issue stock options authorizes the Board to grant further options to employees until 30 June 2010, for which warrants may be issued and subscribed for by 30 June 2010.

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

By resolution of the Annual General Assembly held 4 June 2009, the Board is authorized to, on behalf of the Company, increase share capital of the company with up to NOK 2,665,245 by issuance of up to 10,660,980 new shares, each at par value of NOK 0.25. This authorization expires on 4 June 2010. The Board of Directors may resolve that the shareholders shall not have their pre-emption rights to subscribe for the new shares as stipulated in the Public Limited Companies Act section 10-14. This authority includes capital increase by issuance of new shares both against payment in cash and against payment in kind. The authorization can be used in connection with a merger in accordance with the Public Limited Companies Act section 13-5.

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

By resolution of the Annual General Assembly held 4 June 2009, the Board is authorized to, on behalf of the Company, acquire Company TGS shares for an aggregate par value of NOK 15,000,000, provided that the total amount of treasury shares at no time exceed 10% of the Company's share capital. The lowest price to be paid per share shall be NOK 0.25 and the highest price to be paid per share shall be the price as quoted on the stock exchange at time of acquisition plus 5%. Acquisition and sale of TGS shares can take place in the manner which the Board of Directors considers to be in the Company's best interest, but not through subscription of new shares. This authorization expires on 4 June 2010. As at 31 December 2009, the Company held 947,750 treasury shares acquired under previous authorizations given by the shareholders. On 11 March 2010, the Company bought back 335,000 shares.

Dividends Paid and Proposed

The Board of Directors propose to the shareholders at the June 2010 Annual General Meeting a dividend of NOK 4 per share of outstanding common stock from the Company's 2009 earnings, of which NOK 2 per share is a non-recurring distribution. During 2009 no dividends were paid.

The 20 Largest Shareholders as of 31 December 2009 as Registered with VPS:

Name	Account Type	Shares	Proportion of Shares	Proportion of Votes
FOLKETRYGDFONDET		8,102,050	7.9%	7.9%
STATE STREET BANK AND TRUST CO.	NOM	6,912,873	6.7%	6.7%
PARETO AKSJE NORGE		3,799,200	3.7%	3.7%
JPMORGAN CHASE BANK	NOM	3,492,069	3.4%	3.4%
CLEARSTREAM BANKING S.A.	NOM	2,344,215	2.3%	2.3%
STATE STREET BANK & TRUST CO.	NOM	2,236,216	2.2%	2.2%
HAMILTON, HENRY HAYWOOD		2,000,000	1.9%	1.9%
PARETO AKTIV		1,940,600	1.9%	1.9%
DAVID W. WORTHINGTON		1,938,124	1.9%	1.9%
UBS AG, LONDON BRANCH	NOM	1,791,788	1.7%	1.7%
BANK OF NEW YORK MELLON	NOM	1,656,981	1.6%	1.6%
STATE STREET BANK AND TRUST CO.	NOM	1,614,346	1.6%	1.6%
SKANDINAVISKA ENSKILDA BANKEN	NOM	1,570,016	1.5%	1.5%
GOLDMAN SACHS INT. - EQUITY -	NOM	1,531,765	1.5%	1.5%
JPMORGAN CHASE BANK	NOM	1,394,614	1.4%	1.4%
SHB STOCKHOLM CLIENTS ACCOUNT	NOM	1,393,477	1.4%	1.4%
VITAL FORSIKRING ASA		1,329,001	1.3%	1.3%
DNB NOR NORGE (IV)		1,323,000	1.3%	1.3%
ODIN OFFSHORE		1,300,000	1.3%	1.3%
BANK OF NEW YORK MELLON	NOM	1,252,033	1.2%	1.2%
20 largest shareholders		48,922,368	47.4%	47.4%
Total number of shares (excluding treasury shares), par value NOK 0.25		103,114,525	100.0%	100.0%

Norwegian shareholders held 44,656,382 (43.3 %) of the Company's outstanding shares (excluding treasury shares) at 31 December 2009. Shares held in treasury at 31 December 2009 were 947,750.

Note 11: Cash and Cash Equivalents

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

Cash and Cash Equivalent	2009	2008
Bank deposits	242,937	147,778
Restricted cash deposits	556	529
Total cash bank deposits	**243,493**	**148,306**

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

Note 12: Related Parties

Terms and Conditions of Transactions with Related Parties

No material transactions took place during 2009 with related parties.

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

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

Note 13: Financial Risk Management Objectives and Policies

The TGS Group has various financial assets such as accounts receivables and cash and financial investment available for sale, which arise directly from its operations. These are mainly held in USD, which is the functional currency to most of the Group entities. The TGS Group's principal financial liabilities comprise of trade payables and other current liabilities. The main source for financing is equity. As of 31 December 2009 the TGS Group as no interest bearing debt. Accordingly the Group does not hold any currency or interest rate swaps.

It is, and has been, the TGS Group's policy that no trading in derivatives shall be undertaken. The main risks arising from the financial risk management are currency risk, liquidity risk and credit risk.

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

Currency Risk

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

Interest Rate Risk

The bond loan was repaid in May 2009 and per 31 December 2009, the Company has no interest bearing debt and no financial derivative instruments.

Liquidity Risk

Liquidity risk arises from a lack of correlation between cash flow from operations and financial commitments. Management considers the liquidity risk as low. Per balance sheet date, the TGS Group held current assets of USD 610.5 million, of which cash and cash equivalents represents USD 243.5 million, and current liabilities of USD 231.6 million.

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

2009	0-6 Months	6-12 Months	> 1 Year	Total
Accounts payable and debt to partners	125,222	13,027	-	138,249
Current interest bearing loans	-	-	-	-
Financial derivatives	-	-	-	-
Total	**125,222**	**13,027**	**-**	**138,249**

2008	0-6 Months	6-12 Months	> 1 Year	Total
Accounts payable and debt to partners	92,011	-	-	92,011
Current interest bearing loans	42,864	-	-	42,864
Financial derivatives	651	-	-	651
Total	**135,526**	**-**	**-**	**135,526**

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TGS

Credit Risk

All placements of excess cash are either bank deposits or in financial instruments that minimum carry rating "investment grade". The Company's clients are oil and gas companies. TGS is exposed to credit risk through sales and use best efforts to manage this risk. As per 31 December 2009, the Company has made a provision of USD 2.5 million against certain accounts receivables.

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

At 31 December 2009, USD 2.4 million of the outstanding accounts receivable was secured by ORRIs.

At 31 December 2009, receivables totalling USD 26.4 million net to TGS stem from sales made to Skeie Energy AS. These receivables fall due in December 2010. By any default by the debtor to settle the installment when due, the TGS Group is on certain conditions entitled to convert all or part of the amounts overdue into equity. By converting the outstanding receivables net to TGS as of 31 December 2009, TGS would have been the holder of 18% of the equity in Skeie Energy AS. Management considers the conversion rights to be a satisfactory security for the receivables.

For details of the Auction Rate Securities, please see Note 14.

For details of the accounts receivables, please see Note 15.

Political Risk

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

Oil and Gas Prices

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

Capital Management

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

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

The main source for financing is equity. As per 31 December 2009, total equity represented 73% of total assets.

Fair Value of Financial Instruments

Set out below is a comparison by class of the book value and fair value of the financial instruments that are carried in the financial statements. The book value of cash and cash equivalents are a reasonable estimate of the fair value. Other short term deposits consist of money market funds held in the U.S.A and their fair value is the market value as of 31 December 2009.

			Financial Instruments by Category				
2009	**Carrying Amount**	**Fair Value**	**Cash and Cash Equivalents**	**Loans and Receivables**	**Asset Liabilities at Fair Value Through the Profit and Loss**	**Available for Sale**	**Loans at Amortized Cost**
Financial assets							
Cash and cash equivalents	243,493	243,493	243,493	-	-	-	-
Accounts receivables and other short term receivables	339,811	339,811	-	339,811	-	-	-
Shares Oslo stock exchange	-	-	-	-	-	-	-
Auction rate securities (ARS)	27,201	27,201	-	-	-	27,201	-
Total	**610,505**	**610,505**	**243,493**	**339,811**	**-**	**27,201**	**-**
Financial liabilities							
Bond loan (current)	-	-	-	-	-	-	-
Interest and USD swap (bond loan)	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**

			Financial Instruments by Category				
2008	**Carrying Amount**	**Fair Value**	**Cash and Cash Equivalents**	**Loans and Receivables**	**Asset Liabilities at Fair Value Through the Profit and Loss**	**Available for Sale**	**Loans at Amortized Cost**
Financial assets							
Cash and cash equivalents	148,306	148,306	148,306	-	-	-	-
Accounts receivables and other short term receivables	268,598	268,598	-	268,598	-	-	-
Shares Oslo stock exchange	28,102	28,102	-	-	28,102	-	-
Auction rate securities (ARS)	51,098	51,098	-	-	-	51,098	-
Total	**496,104**	**496,104**	**148,306**	**268,598**	**28,102**	**51,098**	**-**
Financial liabilities							
Bond loan (current)	42,864	42,864	-	-	-	-	42,864
Interest and USD swap (bond loan)	651	651	-	-	651	-	-
Total	**43,515**	**43,515**	**-**	**-**	**651**	**-**	**42,864**

Fair Value Hierarchy

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

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

The available for sale investments are valued by a level 3-technique. In 2008, the shares in Wavefield-Inseis ASA were valued by a level 1-technique.

Note 14: Available for Sale Financial Investments (ARS)

Security	Quantity	Cost Price	Fair Value	Unrealized Write-Down 2009	Accrued Interest	Fair Value Plus Accrued Interest
Blackrock Muni ENHD Fund B M28	99	2,475	2,153	(322)	0.571	2,154
Blackrock Muniholdings Insured Investment Fund B F7	6	150	130	(20)	0.007	130
Blackrock MuniYield Quality Fund II A F28	49	1,225	1,066	(159)	0.107	1,066
Blackrock MuniYield Quality Fund II B F28	63	1,575	1,370	(205)	0.172	1,370
Blackrock MuniVest Fund A F28	40	1,000	870	(130)	0.121	870
Blackrock MuniYield Insured Fund F M28	5	125	109	(16)	0.005	109
DNP Select Income Fund V E	50	5,000	4,000	(1,000)	1.027	4,001
Evergreen Income Advantage Fund W28	68	1,700	1,411	(289)	0.195	1,411
Neuberger Berman Intermediate Municipal Fund B	195	4,875	3,997	(878)	0.202	3,997
Reaves Utility Income Trust W28	168	4,200	3,402	(798)	3.636	3,406
VKM Advantage Municipal Income Trust H	12	300	255	(45)	0.068	255
VKM Municipal Opportunity TR I A	100	2,500	2,125	(375)	0.267	2,125
VKM Municipal Opportunity TR I E	30	750	637	(113)	0.051	637
VKM Municipal Opportunity TR I F	15	375	319	(56)	0.024	319
VKM Municipal Trust D	15	375	319	(56)	0.024	319
VKM Select Sector Municipal Trust A	83	2,075	1,764	(311)	0.450	1,764
VKM Select Sector Municipal Trust B	27	675	574	(101)	0.019	574
VKM Trust for Investment Grade Municipals D	88	2,200	1,870	(330)	0.235	1,870
VKM Trust for Investment Grade Municipals G	39	975	829	(146)	0.081	829
Total		**32,550**	**27,201**	**(5,350)**	**7.262**	**27,207**

As of 31 December 2009, TGS held USD 32.6 million in Auction Rate Securities (ARS) comprised of AAA-rated closed-end funds. An ARS is an instrument for which the interest rate is reset when the instrument trades, typically every 7, 28, or 35 days, through a descending price auction. When an ARS is up for trade, buyers submit a bid and the lowest rate necessary to sell the last available share establishes the clearing rate. If there are not enough buyers, then a failed auction occurs. A failed auction is not a default; the holder of the ARS continues to hold the security and receive interest payments at the failed rate – a maximum rate defined by the issuer. The most significant impact of a failed auction is a loss of liquidity; the security for which an auction has failed will continue to pay interest and be auctioned every 7, 28 or 35 days until there are buyers, the issuer calls the security for redemption, the issuer establishes a different form of financing to replace the security or the security matures.

TGS began experiencing failed auctions in February 2008. Since experiencing the first failed auction, TGS has received redemptions from the issuers totalling USD 53.7 million (59%) of ARS at par value and USD 4.8 million at 93% of par value. Of these, USD 32.3 million were redeemed prior to 2009, USD 5.0 million in Q1 2009, USD 6.9 million in Q2 2009, USD 9.8 million in Q3 2009 and USD 4.3 million in Q4 2009.

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

As of 31 December 2009, the ARS portfolio was valued by an external party using a valuation technique that weights comparable secondary market transactions that have closed and discounted cash flows to determine fair market value. For the market comparables method, the ARS are valued based on indications, from the secondary market, of what discounts buyers demand when purchasing similar ARS. For the discounted cash flow model valuation, the expected cash flows of the ARS are discounted to the present using a yield that incorporates compensation for illiquidity and a term which incorporates the possibility of redemption of the ARS by the issuing fund. The weighted average yield for the discounted cash flow model was 4%. The concluded discount is derived using a higher weighting on the market comparables method (3:1) to reflect the robustness of available secondary market transaction data.

The fair value valuation resulted in a net reduction of the book value of the ARS' amounting to USD 5.3 million.

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

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

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Note 15: Accounts Receivable and Other Receivables

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

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

	2009	2008
Accounts receivables	329,607	238,491
- Provision for impairment of accounts receivables	(2,500)	(4,000)
Accounts receivables - net	327,107	234,491
Other short term receivables	12,704	34,107
Total accounts receivables and other short term receivables	**339,811**	**268,598**

The aging of the accounts receivables is as follows:

	Total	Not Due	< 30 Days	30-60 Days	60-90 Days	90-120 Days	Over 120 Days
2009	327,107	285,583	17,466	2,605	7,077	1,251	13,125
2008	234,490	198,466	15,056	5,753	710	70	14,435

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

	2009	2008
At 1 January	4,000	-
Provision for receivables impairment	2,500	4,000
Receivables written off during the year as uncollectible	(1,161)	-
Unused amount reversed	(2,839)	-
At 31 December	**2,500**	**4,000**

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

For a description of credit risk, please see Note 13.

Note 16: Account Payables and Other Payables

	2009	2008
Accounts payable and debt to partners	138,249	92,011
Other current liabilities	51,932	56,344
Total accounts payable and other payables	**190,181**	**148,355**

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

Other current liabilities consist of accrued expenses and deferred revenues.

Note 17: Debt, Mortgages, Guarantees

Loan Agreements and Terms as per 31 December 2009:

Multi-Currency Bank Overdraft Facility: Limit USD 10.0 million. Terms: US Fed Funds Daily Effective Rate + 0.75% per annum on drawn currency amounts. Facility fee: 0.1% per annum on the total facility amount. Both parties have a mutual right to terminate the agreement on 14 days notice. Per 31 December 2009 the TGS Group had not drawn on this facility.

Book Value of Assets Used as Collateral:	2009	2008
Accounts receivable	86,059	29,221
Multi-client library	362,162	196,258
Machinery, equipment	4,688	5,747
Total	**452,909**	**231,226**

Bond Loan: The Company issued bonds totalling NOK 300 million in May 2004. The bond loan was fully redeemed on 5 May 2009.

Bank Guarantees: Per 31 December 2009, the Company's bank had issued a bank guarantee of USD 2.3 million on behalf of the Company as security for a court case relating to one of the vessels previously chartered by the Company. In February 2010, the vessel provider and the third party settled the case out of court. The bank guarantee was then cancelled at no cost for TGS.

The bank has also issued a bank guarantee on behalf of the Company of USD 15.0 million for an upcoming arbitration case related to a termination of a vessel charter contract in December 2008. The bank has also issued a bank guarantee on behalf of the Company of NOK 1.2 million in conjunction with the company's lease contract for the premises in Asker, Norway.

Note 18: Lease Commitments

Operating Leases - Group as Lessee

The TGS Group has entered into commercial leases on certain office premises and office equipment. The leases for premises expire between 1-10 years and have renewal options. There are no restrictions placed upon the lessee by entering into these leases.

Operating leases of USD 3.5 million were recognized as expenses in 2009.

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

	2009	2008
Within one year	3,003	2,805
After one year but not more than five years	6,671	8,828
More than five years	850	1,358
	10,523	**12,991**

The Company has also entered into commitments for current and future charter hire of three 3D seismic acquisition crews and two 2D seismic acquisition vessels. Four commitments expire in 2010 and one in 2012. The amounts committed total USD 141.0 million for the year 2010, USD 4.9 million for the year 2011 and USD 0.7 million for the year 2012.

The Company also has an option to hire up to 24 months of un-contracted 3D vessel capacity from Wavefield within end of 2012.

Operating Leases - Group as Lessor

The Company has, in connection with a charter contract for one vessel, placed certain seismic equipment owned by the Company aboard this vessel, in return for a lease/rental fee. Recognized revenue during 2009 was USD 285,000 (2008: USD 990,000).

Finance Leases and Hire Purchase Commitments

Financial Leases and Hire Purchase Commitments	2009		2008	
	Minimum Payments	Present Value of Payments	Minimum Payments	Present Value of Payments
Within one year	1	1	6	5
After one year but more than five years	-	-	1	1
Total minimum leases payment	1	1	7	-
Less amounts representing finance charges	-	-	(1)	-
Present value of minimum lease payment	**1**	**-**	**6**	**6**

Note 19: Financial Assets at Fair Value through Profit & Loss

Shares Held in Wavefield-Inseis ASA:	2009	2008
Book value	-	28,102
Market value	-	28,102

All these shares were sold in January 2009 at USD 29.1 million.

Note 20: Events After the Balance Sheet Date

To the best of the Management's and the Directors' knowledge, no subsequent events not described in this Annual Report have occurred since 31 December 2009 that would alter the accounts as presented for 2009.

Note 21: Contingent Liabilities

The Company terminated a charter in December 2008 due to material breach of the contract by the vessel provider. The Company is of the opinion that the termination was fully justified due to non-performance of the vessel. The vessel provider filed for arbitration in June 2009 claiming USD 31.6 million whilst TGS has filed a counterclaim of USD 3.8 million. As a security for the arbitration case, the court has accepted a bank guarantee from TGS of USD 15.0 million, see Note 17.

TGS firmly denies that the termination was wrongful, and considers the likelihood of an unfavourable outcome as remote.

Hearings are expected to start in November 2010. As the Company has started the preparations for the arbitration case the Company has, in accordance with IAS 37.92, chosen not to disclose any additional information about the accounting treatment of the dispute.

Note 22: Environmental Conditions

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

Note 23: Gross and Net Revenues

The TGS Group shares certain multi-client revenue with other companies. Operating revenue is presented net of portion shared. The table below provides the breakdown of gross revenue for 2008 and 2009.

	2009	2008
Gross revenues from sales	646,117	694,540
Other revenues[1]	-	16,643
Revenue sharing	(168,422)	(128,751)
Net revenues	477,695	582,431

1) On 8 November 2008, TGS and Wavefield-Inseis agreed to settle their previous dispute related to the merger process between the two companies. As part of the terms of the settlement, TGS agreed to charter a 2D vessel from Wavefield at favourable rates for an 18 month period which started in April 2009. TGS also received an option to hire up to 24 months of un-contracted 3D vessel capacity from Wavefield over the next four years at favourable rates. Of the cash compensation, USD 6.0 million was received in December 2008, and USD 6.5 million was received in 2009. TGS has also quantified an estimated excess value on the 2D charter contract and the options for 3D vessels. TGS recognized the net present value of the total compensation in the amount of USD 16.6 million in 2008 as part of revenues.

Note 24: Financial Items

	2009	2008
Interest income	3,175	6,167
Exchange gains	4,182	27,878
Gain on financial investments available for sale	2,686	-
Other financial income	202	46
Total financial income	10,245	34,090
Interest expense	(567)	(16,182)
Exchange loss	(68)	(109)
Fair value adjustments of financial assets through P&L[1]	-	(75,059)
Fair value impairment on ARS held[2]	(542)	(8,378)
Other financial expenses	(96)	(145)
Total financial expenses	(1,272)	(99,872)
Net financial items	**8,973**	**(65,782)**

1) Unrealized financial loss on shares held in Wavefield-Inseis ASA
2) Impairment of auction rate securities

Note 25: Tax Expense and Deferred Tax

	2009	2008
Profit before taxes		
Norway	157,158	98,310
Outside Norway[1]	62,044	104,890
Total profit before taxes	219,202	203,200
Current taxes		
Norway	28,370	22,351
Outside Norway	15,705	44,933
Adjustment for tax deductions related to stock option for years 2004-2009	(4,128)	-
Total current taxes	39,948	67,285
Deferred taxes		
Norway	12,051	28,166
Outside Norway	4,734	(6,042)
Total deferred taxes	16,784	22,124
Income tax expense reported in the income statement	**56,732**	**89,408**

1) Includes subsidiaries outside Norway

Income tax expense for the year reported in the income statement	**2009**	**2008**
Current tax on net income	39,948	67,285
Deferred tax - changes	16,784	22,124
Total tax expense for the year	56,732	89,408
Effective average tax rate	26%	44%

Tax expense related to other comprehensive income	**2009**	**2008**
Items related to deferred tax:		
Unrealized gain/loss on available for sale financial assets	(106)	376
Exchange differences on translation of foreign operations	-	-
Tax expense - other comprehensive income	(106)	376

Comments on Selected Line Items in the Below Table

Tax Rates Outside Norway Different From 28%

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

Currency Effects

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

Effects of Stock Option Program

In some tax jurisdictions, the Company receives a tax deduction in respect of remuneration in the form of stock options. The Company recognizes an expense for employee services in accordance with IFRS 2 which is based on the fair value of the award at the date of the grant. The tax deduction is not received until the stock options are exercised and is based on the intrinsic value of the award at the date of exercise. In accordance with IAS 12, the tax relief must be allocated between profit or loss and equity so that the amount of the tax deduction exceeding the cumulative cost of stock options expensed by the Company is recognized directly to equity. As a consequence of received tax deductions in respect of remuneration in the form of stock options in certain jurisdictions, the Company has reduced its tax expense related to the years 2004-2009 by USD 4.1 million which reduces the consolidated tax rate for 2009. USD 5.7 million of the tax relief for the respective years is allocated directly to equity. The employee stock option program gives rise to a deferred tax asset of USD 1.4 million per 31 December 2009, whereof USD 1.1 million has been recognized over profit or loss and USD 0.3 million is allocated directly to equity.

Non Deductible Loss on Shares

Loss on shares held by TGS in Norway is not tax deductible. In 2008 the loss on Wavefield Inseis ASA shares explained USD 14.5 million in effect on the tax expense.

Deferred Tax Asset Not Recognized

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

The Group has unused tax losses and deductible temporary differences of USD 3.7 million where no deferred tax asset is recognized in the balance sheet, all outside Norway. If the Group was able to recognize all unrecognized deferred tax assets, profit would increase by USD 0.8 million.

Effective Tax Rate

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

	2009	2008
Profit before taxes:	219,202	203,200
Expected income taxes according to corporate income tax rate in Norway (28%)	61,376	56,896
Tax rates outside Norway different from 28%	4,311	5,722
Adjustment in respect of current income tax of previous year	(435)	3,293
Adjustment for tax deductions related to stock option for years 2004-2009	(4,128)	-
Deferred tax asset related to stock options	(1,108)	-
Change in deferred tax asset not recognized	186	(1,101)
Non-taxable income	(1,513)	(1,429)
Non-deductible expenses	729	969
Non-deductible loss on shares	-	14,508
Currency effects	(2,687)	10,550
Income tax expense	**56,732**	**89,408**
Effective tax rate in %	**26%**	**44%**

Please see comments on selected line items above

Tax Effect of Temporary Differences and Tax Loss Carryforwards as of 31 December

	2009	2008
Differences that give rise to a deferred asset or a deferred tax liability:		
Multi-client library/well logs	(69,394)	(56,337)
Fixed assets	(1,354)	(1,704)
Goodwill	3,370	2,278
Accruals	3,232	3,349
Accounts receivable	50	1,912
Tax losses carried forward	1,107	-
Deferred revenue	(5,399)	-
Stock options	1,420	-
Financial instruments	1,872	1,671
Other	464	1,477
Total net deferred tax liability	**(64,632)**	**(47,355)**
Of which:		
Deferred tax asset	**8,158**	**8,373**
Deferred tax liability	**72,790**	**55,729**
Change in net deferred tax liability	**2009**	**2008**
As of 1 January	47,355	34,603
Recorded to profit or loss	16,784	22,124
Tax charged to equity	(418)	376
Currency effects	910	(9,747)
As of 31 December	**64,632**	**47,355**

Note 26: Subsidiaries

The TGS Group consists of:

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

In 2009 a merger is accomplished with TGS-NOPEC Invest AS and Datman AS as the transferring companies with transfer to TGS-NOPEC Geophysical Company ASA as the acquiring company. In accordance with the Norwegian Company Act on public liability companies, a compensation was not made by the merger. The merger did not result in issuance of new shares in TGS-NOPEC Geophysical Company ASA.

Parent Company Financials

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Income Statement

(All amounts in USD 1,000s)

TGS Parent

	Note	2009	2008[1]
Net operating revenues	16	**364,240**	410,162
Other revenues	16	**-**	16,643
Net revenues		**364,240**	**426,805**
Cost of goods sold - proprietary & other		**7,245**	34,537
Amortization of the multi-client library	3	**158,593**	150,011
Personnel costs	4	**8,718**	9,455
Cost of stock options	4	**616**	505
Other operating expenses	12	**38,806**	58,281
Depreciation, amortization and write-down	2, 3	**2,979**	2,364
Total costs		**216,956**	**255,153**
Operating profit		**147,284**	**171,652**
Interest income	14	**1,813**	2,085
Exchange gains/losses	14	**5,379**	25,047
Interest expense	14	**(1,926)**	(8,311)
Financial expense	14	**(5,350)**	-
Fair value adjustment on shares held	14	**256**	(75,059)
Net financial Items		**173**	**(56,237)**
Profit before taxes		**147,457**	**115,414**
Tax expense	15	**39,419**	56,547
Net income		**108,038**	**58,867**
Profit for the year is allocated as follows:			
Dividends	5	**72,056**	-
To other equity	5	**35,982**	58,867
Total allocated		**108,038**	**58,867**

1) The comparative figures are restated to reflect the merger between TGS-NOPEC Geophysical Company ASA, TGS-NOPEC Invest AS and Datman AS.

Balance Sheet

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

TGS Parent

	Note	2009	2008[1]
Assets			
Non-current assets			
Intangible non-current assets			
Multi-client library	3, 11	**362,162**	279,857
Other intangible assets	3	**2,886**	4,280
Total intangible non-current assets		**365,048**	**284,137**
Tangible non-current assets			
Machinery and equipment	2, 11	**4,688**	6,778
Total tangible non-current assets		**4,688**	**6,778**
Financial non-current assets			
Investments in subsidiaries	6	**20,517**	21,741
Non-current receivables and pre-payments		**-**	1,019
Total financial non-current assets		**20,517**	**22,760**
Total non-current assets		**390,253**	**313,675**
Current assets			
Current financial assets			
Investment in shares	19	**-**	28,102
Total current financial assets		**-**	**28,102**
Receivables			
Accounts receivable	8	**160,845**	88,245
Current receivables group companies	9	**3,877**	3,335
Other receivables	8	**8,460**	20,307
Total receivables		**173,182**	**111,887**
Cash and cash equivalents	7	**46,260**	44,714
Total current assets		**219,442**	**184,703**
Total assets		**609,695**	**498,379**

1) The comparative figures are restated to reflect the merger between TGS-NOPEC Geophysical Company ASA, TGS-NOPEC Invest AS and Datman AS.

	Note	2009	2008[1]
Equity and liabilities			
Equity			
Paid-in capital			
Share capital	5	**3,738**	3,855
Treasury shares	5	**(37)**	(181)
Share premium reserve	5	**36,657**	32,248
Other paid-in equity	5	**2,229**	1,613
Total paid-in capital		**42,586**	**37,535**
Retained earnings			
Other equity	5	**212,074**	175,375
Total retained earnings		**212,074**	**175,375**
Total equity		**254,660**	**212,910**
Liabilities			
Non-current liabilities			
Deferred tax	15	**69,576**	56,437
Total non-current liabilities		**69,576**	**56,437**
Current liabilities			
Accounts payable		**123,484**	81,063
Current liabilities group companies	9	**25,100**	46,793
Taxes payable	15	**29,310**	22,399
Social security, VAT and other duties		**788**	595
Provisions for dividends	5	**72,056**	-
Other current liabilities	10	**34,719**	35,317
Current loans	11	**-**	42,864
Total current liabilities		**285,458**	**229,031**
Total liabilities		**355,035**	**285,469**
Total equity and liabilities		**609,695**	**498,379**

1) The comparative figures are restated to reflect the merger between TGS-NOPEC Geophysical Company ASA, TGS-NOPEC Invest AS and Datman AS.

23 MARCH 2010

Hank Hamilton
Chairman

Arne-Kristian Maeland
Vice Chairman

Colette Lewiner
Director

Mark S. Leonard
Director

Elisabeth Harstad
Director

Robert Hobbs
CEO

Cash Flow

(All amounts in USD 1,000s)

TGS Parent

	2009	2008[2]
Cash flow from operating activities		
Received payments from sales	**317,382**	390,515
Payments for salaries, pensions, social security tax	**(6,720)**	(9,608)
Other operational costs	**(39,862)**	(65,703)
Net gain/(loss) on currency exchange and other financial items	**285**	(19,375)
Paid taxes	**(22,399)**	(28,576)
Net cash flow from operating activities[1]	**248,686**	**267,253**
Cash flow from investing activities		
Investment in tangible assets including currency adjustments	**(235)**	(6,064)
Investments in multi-client library	**(236,976)**	(285,885)
Net change in in short-term investments	**28,102**	32,375
Changes in long term receivables and loans	**1,019**	(747)
Interest income	**1,813**	1,673
Net cash flow from investing activities	**(206,277)**	**(258,649)**
Cash flow from financing activities		
Net change in short-term loans	**(44,091)**	-
Interest expense	**(1,926)**	(8,138)
Purchase of own shares	**-**	(15,007)
Paid-in-equity	**5,153**	2,262
Net cash flow from financing activities	**(40,864)**	**(20,883)**
Net change in cash and cash equivalents	**1,545**	(12,278)
Cash and cash equivalents at the beginning of the period	**44,714**	56,992
Cash and cash equivalents at the end of the period	**46,259**	**44,714**

1) Reconciliation

Profit before taxes	**147,457**	115,414
Depreciation/Amortization	**161,572**	152,375
Write-down shares in subsidiaries and receivables	**10,453**	-
Changes in accounts receivables	**(72,600)**	313
Changes in other receivables	**13,068**	(3,783)
Changes in other balance sheet items	**11,135**	31,510
Paid taxes	**(22,399)**	(28,576)
Net cash flow from operating activities	**248,686**	**267,253**

2) The comparative figures are restated to reflect the merger between TGS-NOPEC Geophysical Company ASA, TGS-NOPEC Invest AS and Datman AS.

NOTES TO PARENT COMPANY FINANCIALS

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

Note 1: General Accounting Policies

General Information

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

The Company's financial statements were authorized for issue by the Board of Directors on 23 March 2010.

Reporting Currency

The Parent Company, TGS-NOPEC Geophysical Company ASA reports its financial results in US Dollar which is the Company's functional currency. The presentation currency has been changed from NOK to USD during 2009. The comparative figures for 2008 are also converted to USD.

General Accounting Policies

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

Significant Accounting Judgement, Estimates and Assumptions

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

Future Sales Forecasts as Basis for Multi-Client Library Amortization

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

Deferred Tax Assets

Deferred tax assets are recognized for temporary deductible differences and carry forward tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Share-Based Payments

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

Revenue Recognition

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

Principles of Assessment

Revenue Recognition

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

Work in Progress (WIP)

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

Finished Data

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

Revenue Sharing

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

Proprietary Contracts

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

Interest Income

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

Cost of Goods Sold (COGS) – Proprietary and Other

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

Multi-Client Library

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

Amortization Related to Sales of Seismic Data

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

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

Forced Amortization Policy on Seismic Data

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

Impairment Test Library

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

Goodwill

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

Tangible Non-Current Assets and Principles of Depreciation

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

Exchange Rate Adjustments

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

Software Development Costs

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

Provisions

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

Income Taxes

Current Income Tax

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

Deferred Income Tax

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

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

Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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

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

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

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

Employee Stock Option Scheme

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

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

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

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

Pensions

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

Leases

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

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

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

Cash and Cash Equivalents

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

Accounts Receivable and Other Receivables

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

Investments in Subsidiaries and Associated Companies

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

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

Dividends

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

Financial Instruments

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

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

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Treasury Shares

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

Cash Flow Statement

The cash flow statement is compiled using the direct method

Note 2: Tangible Non-Current Assets

2009

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

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

2008

Acquisition Cost and Depreciation:	Machinery and Equipment
Cost as of 1 January 2008	**16,859**
Additions	784
Disposals[1]	(1,512)
Cost as of 31 December 2008	**16,131**
Accumulated depreciation as of 1 January 2008	**7,273**
Depreciation for the year	2,364
Accumulated depreciation on disposals[1]	(329)
Capitalized to the multi-client library	45
Accumulated depreciation as of 31 December 2008	**9,352**
Net book value as of 31 December 2008	**6,778**
Straight-line depreciation percentage	14% - 33.3%
Useful life	3 - 7 years

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

Note 3: Intangible Non-Current Assets

2009

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

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

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

2008

Acquisition Cost and Depreciation:	Goodwill	Multi-Client Library[1]	Other Intangible Assets	Total
Cost as of 1 January 2008	**3,073**	**665,509**	**-**	**668,582**
Additions[3]	-	253,332	4,280	257,612
Cost as of 31 December 2008	**3,073**	**918,841**	**4,280**	**926,194**
Accumulated amortization as of 1 January 2008	**3,073**	**488,973**	**-**	**492,047**
Amortization for the year	-	150,011	-	150,011
Depreciation for the year	-	-	-	-
Accumulated amortization as of 31 December 2008	**3,073**	**638,984**	**-**	**642,057**
Net book value as of 31 December 2008	**-**	**279,857**	**4,280**	**284,137**
Straight-line amortization percentage	10%			
Useful life	10 years [2]	max 5 years		

1) Multi-Client Library: See "General Accounting Policies", section Multi-Client Library for policies on amortization of this asset.
2) Goodwill paid for in acquisitions of companies is amortized over the first 10 years after the date of the acquisition.
3) On 8 November 2008, TGS and Wavefield-Inseis agreed to settle their previous dispute related to the merger process between the two companies. Under terms of the settlement, Wavefield agreed to pay USD 12.5 million in cash to TGS and TGS agreed to charter a 2D vessel from Wavefield at favorable rates for an 18 month period beginning in April 2009. TGS also received an option to hire up to 24 months of un-contracted 3D vessel capacity from Wavefield over the next four years at favorable rates. Of the cash compensation, USD 6.0 million was received as agreed in December 2008, and USD 6.5 million was received as agreed in December 2009. TGS has estimated excess value on the 2D charter contract and the options for 3D vessels. TGS recognized the net present value of the total compensation in the amount of USD 16.6 million in 2008 as part of revenues. TGS has quantified an estimated net present value of the 2D contract and 3D options to be USD 1.7 million and the 3D options at USD 2.6 million, totaling USD 4.3 million and classified these values as intangible assets. The intangible value related to the 2D charter and 3D options will be amortized on a straight line basis over their respective durations.

Note 4: Salaries/Number of Employees/Benefits/Employee Loans/Pensions

	2009	2008
Payroll	7,001	8,083
Social security costs	1,373	1,027
Pension costs	258	247
Other employee related costs	86	99
Payroll and related cost	**8,718**	**9,455**
Cost of stock options	616	505
Payroll and cost of stock options	**9,334**	**9,960**
Number of employees at 31 December	34	34
Average number of employees	37	32

At 31 December 2009, the Company had 33 employees: 23 male employees and 10 female employees.

Board of Directors

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

	# of Restricted Shares Received	# of Shares Held 31/12/2009
Claus Kampmann (Chairman of the Board to June 2009)	1,250	-
Hank Hamilton (Chairman of the Board from July 2009)[1]	-	2,000,000
Arne-Kristian Mæland (Vice Chairman)[2]	2,500	109,040
Kathleen Arthur (Director)	1,000	-
Dr. Colette Lewiner (Director)[2]	2,500	4,500
Elisabeth Harstad (Director)	-	-
Mark Leonard (Director)	1,500	1,500

1) Hank Hamilton does not receive a Director's fee. His compensation is included in the following Management table.
2) Includes two periods: June 2008-June 2009 and June 2009-June 2010.

Management

Executive Management	Salary	Bonuses	Other Benefits	Option Benefits Expensed	Total
Robert Hobbs (COO/CEO from 5 June 2009)[1]	355	596	13	151	1,115
Hank Hamilton (CEO until 5 June 2009)[1]	373	1,632	13	95	2,113
Arne Helland (CFO)	276	756	19	70	1,121
Knut Agersborg (VP Geophysical Operations)	167	122	17	108	413
Karen El-Tawil (VP Business Development)[1]	188	316	13	70	588
Genevieve Erneta (VP Human Resources)[1]	158	58	12	58	286

Executive Management	# of Shares Held 31/12/2009	# of Options Held at 31/12/2009	# of Options Granted in 2009	# of Options Exercised in 2009	WAEP[2] (in NOK)
Robert Hobbs (COO/CEO from 5 June 2009)[1]	22,000	110,000	60,000	-	-
Hank Hamilton (CEO until 5 June 2009)[1]	2,000,000	80,000	-	100,000	60.36
Arne Helland (CFO)	30,000	91,000	-	-	-
Knut Agersborg (VP Geophysical Operations)	2,100	85,000	35,000	-	-
Karen El-Tawil (VP Business Development)[1]	51,500	63,000	-	28,000	91.03
Genevieve Erneta (VP Human Resources)[1]	-	35,000	-	-	-

1) Employed by the US subsidiary
2) WAEP: Weighted average exercise prices on options exercised.

For further information of Benefits, see Note 7 and 8 of the Group's Consolidated Accounts.
The Company operates defined-contribution plans in Norway. The plans fulfill the requirements of the Norwegian law.

Auditor Fees	2009	2008
Statutory audit	198	178
Other quarterly audit/review	3	9
Tax advice	186	145
Other services outside the audit scope	37	46
Total fees	**423**	**378**

All amounts are exclusive of VAT.

Note 5: Equity Reconciliation

Equity Reconciliation	Share Capital	Treasury Shares	Premium Fund	Other Reserves	Retained Earnings	Total Equity
Balance 1 January 2009	**3,855**	**(181)**	**32,248**	**1,613**	**175,375**	**212,910**
Capital increase during 2009	24	-	4,409	-	-	4,433
Treasury shares distributed	-	-	-	-	172	172
Sale of treasury shares held	-	2	-	-	546	548
Treasury shares deleted	(141)	141	-	-	-	-
Cost of stock options	-	-	-	616	-	616
Provisions for dividends (NOK 4.00 per share)	-	-	-	-	(72,056)	(72,056)
Profit for the year	-	-	-	-	108,038	108,038
Balance 31 December 2009	**3,738**	**(37)**	**36,657**	**2,229**	**212,074**	**254,660**
Balance 1 January 2008	**3,833**	**(113)**	**30,094**	**1,108**	**130,860**	**165,783**
Capital increase during 2008	21	-	2,154	-	-	2,175
Purchase of treasury shares	-	(70)	-	-	(14,937)	(15,007)
Treasury shares distributed	-	2	-	-	585	586
Cost of stock options	-	-	-	505	-	505
Profit for the year	-	-	-	-	58,867	58,867
Balance 31 December 2008	**3,855**	**(181)**	**32,248**	**1,613**	**175,375**	**212,910**

Note 6: Investments in Subsidiaries

As of 31 December 2009, the Parent Company had the following investments in subsidiaries:

Included in the Balance Sheet as:	Share Capital of Company	# of Shares	Nominal Value	Balance Sheet Value	Ownership
Maglight AS (Asker, Norway)	100	100,000	NOK 1	739	100%
Marine Exploration Partners AS (Asker, Norway)	800	800,000	NOK 1	9	100%
TGS-NOPEC Geophysical Company L.P. (Houston, U.S.A.)	USD 1	1,000	USD 1	1,483	100%
TGS-NOPEC Geophysical Company (UK) Ltd. (Bedford, UK)	GBP 50.1	50,100	GBP 1	956	100%
Aceca Ltd. (Surbiton, UK))	GBP 50.8	507,620	GBP 0,1	13,580	100%
TGS-NOPEC Geophysical Comp. PTY Ltd. (Perth, Australia)	AUD 0,001	1	AUD 1	-	100%
TGS-NOPEC Geophysical Company Moscow Ltd. (Moscow, Russia)	RUB 300	1	RUB 300,000	11	100%
MxP Marine Seismic Services Ltd.	USD 133.3	25,000	USD 1	3,739	100%
Riminio Shipping Ltd. (Limassol, Cyprus)	CYP 1	1,000	CYP 1	-	100%
Balance sheet value				**20,517**	

The Parent company has direct or indirect 100% voting rights in all subsidiaries.
In 2009 the shares in MxP Marine Seismic Services Ltd have been written down by USD 5,264.

Note 7: Restrictions on Bank Accounts

Per 31 December 2009, USD 556 of cash and cash equivalents are restricted to meet the liability arising from payroll taxes withheld (2008: USD 529).

Note 8: Accounts Receivable and Other Receivables

Accounts receivable is stated in the balance sheet at net realizable value which per 31 December 2009 totalled USD 160,845 (2008: USD 88,245). The Company has made a bad debt provision of USD 2,500 in 2009 (2008: USD 4,000). The Company expects to collect the stated balance of receivables per 31 December 2009. Realized losses on trade receivables in 2009 amounted to USD 1,161 (2008: USD 0). Prepayments to suppliers and other short-term receivables totalled USD 8,460 per 31 December 2009 (2008: USD 20,307).

Note 9: Current Receivables and Liabilities Group Companies

	2009		2008	
Company	Receivables	Liabilities	Receivables	Liabilities
Maglight AS	-	1,273	-	842
Marine Exploration Partners AS	548	-	545	-
Aceca Norge AS	-	4,458	-	2,357
TGS-NOPEC Geophysical Company L.P.	-	7,316	-	35,036
A2D Technologies Inc	-	690	-	639
TGS-NOPEC Geophysical Company (UK) Ltd.	-	312	1,882	-
Aceca Ltd.	-	576	-	860
TGS-NOPEC Geophysical Comp. PTY Ltd.	-	5,282	-	6,911
TGS-NOPEC Geophysical Company Moscow Ltd.	3,328	-	-	147
MxP Marine Seismic Services Ltd.	-	5,193	907	-
Total	**3,877**	**25,100**	**3,335**	**46,793**

Provision is made in 2009 from receivables from MxP Marine Seismic Services Ltd of USD 5,189.

Note 10: Other Short Term Liabilities

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

Note 11: Interest-Bearing Loans and Borrowings

Loan agreements and terms as per 31 December 2009:

Multi-Currency Bank Overdraft Facility

Limit USD 10.0 million. Terms: US Fed Funds Daily Effective Rate + 0.75% per annum on drawn currency amounts. Facility fee: 0.1% per annum on the total facility amount. Both parties have a mutual right to terminate the agreement on 14 days notice. Per 31 December 2009, the Company had not drawn on this facility.

Book Value of Assets Used as Collateral:	2009	2008
Accounts receivable	86,059	29,221
Multi-client library	362,162	196,258
Machinery, equipment	4,688	5,747
Total	**452,909**	**231,226**

Bond Loan

The Company issued bonds totalling NOK 300 million in May 2004. The bond loan was swapped to USD with three months LIBOR plus 2.085% interest rate through a currency and interest rate swap. The bond loan was fully redeemed on 5 May 2009.

Bank Guarantees

Per 31 December 2009, the Company's bank has issued a bank guarantee of USD 2,250 on behalf of the Company as security for a court case relating to one of the vessels previously chartered by the Company. In February 2010 the vessel provider and the third party settled the case out of court. The bank guarantee was then cancelled at no cost for the Company. The bank has also issued a bank guarantee on behalf of the Company of USD 15,000 for an upcoming arbitration case related to a termination of a vessel charter contract in December 2008. The bank has also issued a bank guarantee on behalf of the Company of MNOK 1,230 in conjunction with the company's lease contract for the premises in Asker, Norway.

Note 12: Lease Commitments

Operating Leases - Company as Lessee

The Company has an operating lease commitment relating to premises. The commitment expires 30 August 2011 with a renewal option. Rental expense for operating leases was USD 539 for the year ended 31 December 2009.

Future minimum payments for operating leases at 31 December 2009 are as follows:

	2009	2008
Within one year	473	387
After one year but not more than five years	315	646
More than five years	-	-
	788	**1,033**

The Company does not have any financial leases.

The Company has also entered into commitments for current and future charter hire of three 3D seismic acquisition vessels and two 2D seismic acquisition vessels. Four commitments expire in 2010 and one in 2012. The amounts committed total USD 141.0 million for the year 2010 and USD 4.9 million for the year 2011 and USD 0.7 million for the year 2012. The Company has also an option to hire up to 24 months of un-contracted 3D vessel capacity from Wavefield within end of 2012.

Operating Leases - Company as Lessor

The Company has, in connection with a charter contract for one vessel, placed certain seismic equipment owned by the Company aboard this vessel, in return for a lease/rental fee. Recognized revenue during 2009 was USD 285 (2008: USD 990).

Note 13: Related Parties

No material transactions took place during 2009 with related parties, other than operating business transactions between the companies in the TGS Group. All companies within the TGS Group are 100% owned, directly or indirectly by the Company. No minority interests exist. Business transactions between the entities of the TGS Group were performed at arm's length principles and included data processing, data brokerage, intercompany financing and service assistance.

Note 14: Financial Items

Financial Income/Expense:	2009	2008
Interest income	1,412	1,166
Interest income subsidiaries	483	919
Exchange gain	5,379	25,047
Other financial income	-	-
Total financial income	**7,274**	**27,132**
Interest expense	-	(3,765)
Interest expense subsidiaries	(2,008)	(4,546)
Other financial expenses	(5,350)	-
Total financial expense	**(7,357)**	**(8,311)**
Fair value adjustment of financial instruments[1]	256	(75,059)
Net financial items	**173**	**(56,237)**

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

Note 15: Tax Expense

Current Tax:	2009	2008
Profit before taxes and extraordinary items	147,457	115,414
Permanent differences[1]	5,570	68,138
Changes in temporary differences	(30,179)	(54,424)
Group contribution	(5,612)	(7,907)
Currency exchange effects on base for current tax	(12,556)	(33,342)
Basis for current tax	**104,679**	**87,879**

Total Tax Expense for the Year:	2009	2008
Deferred tax - changes	9,649	34,148
Tax payable	29,310	24,613
Adjustment in respect of current income tax of previous year	(1,111)	-
Tax effect group contribution	1,571	(2,214)
Total tax expense for the year	**39,419**	**56,547**
Effective average tax rate	**27%**	**49%**

Taxes Payable	2009
Taxes payable on current year profit	29,310
Total taxes payable	**29,310**

Specification of Basis for Deferred Taxes:	
Offsetting differences	**2009**
Non-current assets and liabilities	(11,521)
Intangible non-current assets	260,007
Total	**248,486**
Deferred tax liability/deferred tax asset	69,576
Average deferred tax rate	28%

Explanation of Total Tax Expense Versus Nominal Tax Rate on Pre-Tax Profit:	2009
Tax calculated using nominal tax rate on pre-tax profit	41,288
Effect of permanent differences[1]	1,560
Adjustment in respect of current income tax of previous year	(1,111)
Exchange gain/loss reported as tax expense	(2,317)
Total tax expense recorded in income statement	**39,419**

1) Permanent differences relates to non-tax deductible items. In 2009 the main items relates to write-down of shares in a subsidiary booked in P&L with USD 5,264 and cost of stock options USD 616.

Note 16: Gross and Net Revenues

	2009	2008
Gross revenues from sales	532,754	536,093
Other income[1]	-	16,643
Revenue sharing	(168,514)	(125,931)
Net revenues	**364,240**	**426,805**

1) On 8 November 2008, TGS and Wavefield-Inseis agreed to settle their previous dispute related to the merger process between the two companies. As part of the terms of the settlement, TGS agreed to charter a 2D vessel from Wavefield at favorable rates for an 18 month period which started in April 2009. TGS also received an option to hire up to 24 months of un-contracted 3D vessel capacity from Wavefield over the next four years at favorable rates. Of the cash compensation, USD 6.0 million was received in December 2008, and USD 6.5 million was received in 2009. TGS has also quantified an estimated excess value on the 2D charter contract and the options for 3D vessels. TGS recognized the net present value of the total compensation in the amount of USD 16.6 million in 2008 as part of revenues.

Note 17: Financial Risk Management

Currency Risk

Functional currency for the Company is USD. The major portions of the Company's revenues and costs are in US dollars, except of personnel and administrative costs. Due to this, the Company's operational exposure to exchange fluctuation is low. The Company does, however pay income taxes in Norway in NOK, and is thereby exposed to USD/NOK exchange rate fluctuations on these items.

Interest Rate Risk

The bond loan was redeemed on 5 May 2009. The Company has no interest bearing debt and no financial derivatives instruments per 31 December 2009. The Company has a bank overdraft facility of USD 10,000. The facility was undrawn per 31 December 2009.

Liquidity Risk

Liquidity risk arises from lack of correlation between cash flow from operations and financial commitments. Management considers the liquidity risk as low. Per balance sheet date, the Company held current assets of USD 219,442 of which cash and cash equivalents represents USD 46,260, and current liabilities of USD 285,458, of which debt to subsidiaries represents USD 25,100.

Credit Risk

All placements of excess cash are either bank deposits or in financial instruments that minimum carry rating "investment grade". The Company's clients are oil and gas companies. The Company is exposed to credit risk through sales and use best efforts to manage this risk. As per 31 December 2009, the Company has made a provision of USD 2.5 million against certain accounts receivables.

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

At 31 December 2009, USD 2.4 million of the outstanding accounts receivable was secured by ORRIs.

At 31 December 2009, receivables totalling USD 26.4 million net to the Company stem from sales made to Skeie Energy AS. These receivables fall due in December 2010. By any default by the debtor to settle the installment when due, the Company is on certain conditions entitled to convert all or part of the amounts overdue into equity. By converting the outstanding receivables net to the Company as of 31 December 2009, TGS would have been the holder of 18% of the equity in Skeie Energy AS. Management considers the conversion rights to be a satisfactory security for the receivables.

Political Risk

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

Oil and Gas Prices and World Economy

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

Note 18: Contingent Liabilities

The Company terminated a charter in December 2008 due to material breach of the contract by the vessel provider. The Company is of the opinion that the termination was fully justified due to non-performance of the vessel. The vessel provider filed for arbitration in June 2009 claiming USD 31.6 million whilst TGS has filed a counterclaim of USD 3.8 million. As a security for the arbitration case, the court has accepted a bank guarantee from TGS of USD 15.0 million, see Note 11.

TGS firmly denies that the termination was wrongful, and considers the likelihood of an unfavourable outcome as remote.

Hearings are expected to start in November 2010. As the Company has started the preparations for the arbitration case the Company has, in accordance with NRS 13 par 5, chosen not to disclose any additional information about the accounting treatment of the dispute.

Note 19: Investments in Shares

Shares Held in Wavefield Inseis ASA:	2009	2008
Book value	-	28,102
Market value	-	28,102

All these shares were sold in January 2009 at USD 29.1 million.

Note 20: Environmental Conditions

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

Note 21: Merger

The merger was carried out by the simplified rules of a parent-subsidiary merger in The Public Limited Liability Companies Act § 13-24 by transfer of all assets, rights and obligations in TGS-NOPEC Invest AS and Datman AS to TGS-NOPEC Geophysical Company ASA as the acquiring company, without any consideration. The merger was implemented with accounting continuity under the principle of corporation continuity. The merger was implemented with accounting effect from 1 January 2009. The merger was carried out in accordance with the conditions for a tax free merger according to the general Tax Act chapter 11, and the merger is implemented thereafter also with continuity for tax purpose.

2009 Auditor's Report

ERNST & YOUNG

Statsautoriserte revisorer
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Medlemmer av Den norske Revisorforening

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

Auditor's report for 2009

We have audited the annual financial statements of TGS-Nopec Geophysical Company ASA as of 31 December 2009, showing a profit of USD 108 038 000 for the Parent Company and a profit of USD 162 471 000 for the Group. We have also audited the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The financial statements comprise the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the balance sheet, the statements of income and cash flows and the accompanying notes. The financial statements of the Group comprise the balance sheet, the statements of comprehensive income and cash flows, the statement of changes in equity and the accompanying notes. The regulations of the Norwegian Accounting Act and accounting standards, principles and practices generally accepted in Norway have been applied in the preparation of the financial statements of the Parent Company. IFRSs as adopted by the EU have been applied in the preparation of the financial statements of the Group. These financial statements and the Directors' report are the responsibility of the Company's Board of Directors and Chief Executive Officer. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

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

In our opinion,

- the financial statements of the Parent Company are prepared in accordance with laws and regulations and present fairly, in all material respects the financial position of the Company as of 31 December 2009, 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 financial statements of the Group are prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as of 31 December 2009, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with IFRSs as adopted by the EU
- the Company's management has fulfilled its duty to properly record and document the Company's accounting information as required by law and bookkeeping practice generally accepted in Norway
- the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with law and regulations.

Oslo, 23 March 2010
ERNST & YOUNG AS
Finn Ole Edstrøm
State Authorised Public Accountant (Norway)
(sign)
Note: The translation to English has been prepared for information purposes only.

Corporate Governance and Articles of Association

This section is structured in accordance with the structure of the Norwegian Code of Practice of Corporate Governance, published 21 October 2009. Each shaded box below is an excerpt from the Norwegian Code of Practice of Corporate Governance and is followed by the TGS response.

1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

"The Board of Directors must ensure that the company implements sound corporate governance. The Board of Directors must provide a report on the company's corporate governance in the annual report. The report must cover every section of the Code of Practice. If the company does not fully comply with this Code of Practice, this must be explained in the report. The Board of Directors should define the company's basic corporate values and formulate ethical guidelines in accordance with these values."

It is the opinion of the Board of Directors that TGS in general complies with the Norwegian Code of Practice of Corporate Governance published 21 October 2009. The Board fully endorses this section on Corporate Governance.

TGS actively promotes a culture designed to build confidence and trust among its stakeholders. Key elements of this culture include open and honest communication, a well-developed system of controls and policies, and a compliance program.

The Company emphasizes independence and integrity in all matters between its Board of Directors, management, and shareholders. These same principles of independence and integrity also apply in business relations with all interest groups, including customers, suppliers and other business partners. As guidelines for its board members and employees, TGS has developed a Statement of Values and a Code of Corporate Conduct, both available for viewing at: http://www.tgsnopec.com/investor-relations/about-TGS.aspx

TGS has developed and implemented a compliance program that is managed by a Board appointed compliance officer. The compliance officer provides a report annually to the Board.

2. BUSINESS

"The company's business should be clearly defined in its articles of association. The company should have clear objectives and strategies for its business within the scope of the definition of its business in its articles of association. The annual report should include the business activities clause from the articles of association and describe the company's objectives and principal strategies."

Articles of Association
As of 8 March 2010:

1. The company name is TGS-NOPEC Geophysical Company ASA.
2. The company is a public limited company registered in the Norwegian Securities Register.
3. The principal business area of the company is in the provision, procurement and sale of seismic and geophysical data hereunder included associated products and services and technology to the oil and gas industry and to the production industry.
4. The company's business office shall be in the municipality of Asker. The shareholders' meetings can be held in the municipality of Oslo.
5. The share capital of TGS is NOK 26,078,068.75 consisting of 104,312,275 shares at a nominal value of NOK 0.25 per share.
6. The company's Board of Directors shall consist of from five to nine directors. The period of service is one year. The nomination of directors to the board and the remuneration payable to the directors shall be prepared by a nomination committee consisting of one chairman and two members elected by and amongst the shareholders and who shall serve for a period of two years.
7. The ordinary shareholders' meeting shall decide the following:
   Approval of the annual profit and loss account and the annual report, hereunder distribution of dividends.
   Other matters that according to the laws or these articles of association shall be dealt with by the shareholders.
8. In addition the Public Limited Companies Act as amended from time to time shall apply.

3. EQUITY AND DIVIDENDS

"The company should have an equity capital at a level appropriate to its objectives, strategy and risk profile. The Board of Directors should establish a clear and predictable dividend policy as the basis for the proposals on dividend payments that it makes to the general meeting. The dividend policy should be disclosed. Mandates granted to the Board of Directors to increase the company's share capital should be restricted to defined purposes. If the general meeting is to consider mandates to the Board of Directors for the issue of shares for different purposes, each mandate should be considered separately by the meeting. Mandates granted to the board should be limited in time to no later than the date of the next annual general meeting. This should also apply to mandates granted to the board for the company to purchase its own shares."

Equity financed 73% of total assets as of 31 December 2009.

Dividend Policy

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

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

At its quarterly meeting on 10 February 2010, the Board of Directors decided to propose to the shareholders at the June 2010 Annual General Meeting a dividend of NOK 4 per share of outstanding common stock from the Company's 2009 earnings, of which NOK 2 per share is a non-recurring distribution.

At its meeting on 23 March 2010 to approve the annual accounts, the Board of Directors decided to propose 7 June 2010 as the ex-dividend date and 21 June 2010 as the dividend payment date.

The Board of Directors also intends to spend up to US $30 million in repurchasing TGS shares during 2010.

Following the annual general meeting, held on 4 June 2009, the Board has the following shareholder authorizations:

- To issue up to 1,000,000 free-standing warrants securing stock options for key employees.
- To issue up to 10,660,980 new shares in the Company.
- To acquire, on behalf of the Company, the Company's own shares for an aggregate pare value of NOK 15,000,000, provided that the total amount of own shares at no time exceeds 10% of the Company's share capital. The lowest price to be paid per share shall be NOK 0.25 and the highest price to be paid per share shall be the price as quoted on the stock exchange at the time of the acquisition plus 5%. Acquisition and sale of the Company's own shares can take place in the manner which the Board of Directors considers to be in the Company's best interest, but not through subscription of new shares.

For further information on these shareholder authorizations, please refer to Note 10 to the consolidated financial statements.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

"The company should only have one class of shares. Any decision to waive the pre-emption rights of existing shareholders to subscribe for shares in the event of an increase in share capital must be justified. Any transactions the company carries out in its own shares should be carried out either through the stock exchange or at prevailing stock exchange prices if carried out in any other way. If there is limited liquidity in the company's shares, the company should consider other ways to ensure equal treatment of all shareholders. In the event of any not immaterial transactions between the company and shareholders, members of the Board of Directors, executive personnel or close associates of any such parties, the board should arrange for a valuation to be obtained from an independent third party. This will not apply if the transaction requires the approval of the general meeting pursuant to the requirements of the Public Companies Act. Independent valuations should also be arranged in respect of transactions between companies in the same group where any of the companies involved have minority shareholders. The company should operate guidelines to ensure that members of the Board of Directors and executive personnel notify the board if they have any material direct or indirect interest in any transaction entered into by the company."

Shareholders and Shareholders' Rights

- **One Class of Shares.** The Company has only one class of shares and each share gives the right to one vote at the General Assembly. There are no voting restrictions. The Board puts emphasis on, to the extent possible, disclosing and describing the topics of the agenda and the proposed resolutions in the call for the assembly to allow the shareholders to prepare beforehand.
- **Transactions In Own Shares.** The Company did not buy back any of its own shares during 2009. The June 2009 general meeting decided to cancel 3,049,150 treasury shares.
- **Transactions with Close Associates.** No material transactions took place during 2009 with related parties.

5. FREELY NEGOTIABLE SHARES

"The company's shares must, in principle, be freely negotiable. Therefore, no form of restriction on negotiability should be included in a company's articles of association."

Limitations on Trade

The independent members of the Board have received restricted shares as a part of their compensation, which must be held for at least one year before they can be traded. There are certain limitations to trading of shares for a small number of employees who are former owners of Parallel Data Systems Inc. and Centerline Data Corporation which expire in March 2010 and May 2011 respectively. There are no other limitations to trading of shares from the Company's side, other than Insider Trading Rules for employees and the Board.

6. GENERAL MEETINGS

"The Board of Directors should take steps to ensure that as many shareholders as possible may exercise their rights by participating in general meetings of the company, and that general meetings are an effective forum for the views of shareholders and the board. Such steps should include:

- *making the notice calling the meeting and the support information on the resolutions to be considered at the general meeting, including the recommendations of the nomination committee, available on the company's website no later than 21 days prior to the date of the general meeting*
- *ensuring that the resolutions and supporting information distributed are sufficiently detailed and comprehensive to allow shareholders to form a view on all matters to be considered at the meeting*
- *setting any deadline for shareholders to give notice of their intention to attend the meeting as close to the date of the meeting as possible*
- *the Board of Directors and the person chairing the meeting making appropriate arrangements for the general meeting to vote separately on each candidate nominated for election to the company's corporate bodies*

- *ensuring that the members of the Board of Directors and the nomination committee and the auditor are present at the general meeting*
- *making arrangements to ensure an independent chairman for the general meeting*

Shareholders who cannot attend the meeting in person should be given the opportunity to vote. The company should:

- *provide information on the procedure for representation at the meeting through a proxy*
- *nominate a person who will be available to vote on behalf of shareholders as their proxy*
- *the extent possible prepare a form for the appointment of a proxy, which allows separate voting instructions to be given for each matter to be considered by the meeting and for each of the candidates nominated for election"*

The Company's General Assembly is open for all shareholders, and any shareholder not attending the General Assembly can give proxy to vote on his/her behalf. Forms of Proxy are sent to the shareholders together with the call for the assembly. The Form of Proxy allows separate voting instructions to be given for each matter to be considered by the meeting. The proceedings in the General Assembly follow the agenda outlined in the call. Shareholders who wish to raise a topic in the General Assembly have the possibility to do so, but must then notify the Board of Directors of this in writing and in reasonable time before the call for the assembly is dispatched. The General Assembly cannot decide for a higher dividend than the Board of Directors has proposed for that year. It is not at this point accepted that the shareholders can participate in the annual meeting or vote through the internet. Shareholders are given the opportunity to vote separately either in person or by proxy for each candidate nominated for election to the Company's Board.

7. NOMINATION COMMITTEE

"The company should have a nomination committee, and the general meeting should elect the chairperson and members of the nomination committee and should determine the committee's remuneration. The nomination committee should be laid down in the company's articles of association. The members of the nomination committee should be selected to take into account the interests of shareholders in general. The majority of the committee should be independent of the Board of Directors and the executive personnel. At least one member of the nomination committee should not be a member of the corporate assembly, committee of representatives or the board. No more than one member of the nomination committee should be a member of the Board of Directors, and any such member should not offer himself for re-election. The nomination committee should not include the company's chief executive or any other executive personnel. The nomination committee's duties are to propose candidates for election to the corporate assembly and the Board of Directors and to propose the fees to be paid to members of these bodies. The nomination committee should justify its recommendations. The company should provide information on the membership of the committee and any deadlines for submitting proposals to the committee."

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

The Committee consists of a chairman and two members elected by and amongst the shareholders who also determine the committee's remuneration. These serve for a period of 2 years. The members of the Nomination Committee currently are Nils B. Gulnes (Chair), Jarl Ulvin, and Tor Himberg Larsen, all independent of the Board of Directors and executive personnel. The terms of the current members expire in June 2011.

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

8. BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

"The composition of the Board of Directors should ensure that the board can attend to the common interests of all shareholders and meets the company's need for expertise, capacity and diversity. Attention should be paid to ensuring that the board can function effectively as a collegiate body. The composition of the Board of Directors should ensure that it can operate independently of any special interests. The majority of the shareholder elected members of the board should be independent of the company's executive personnel and material business contacts. At least two of the members of the board elected by shareholders should be independent of the company's main shareholder(s). The Board of Directors should not include executive personnel. If the board does include executive personnel, the company should provide an explanation for this and implement consequential adjustments to the organisation of the work of the board, including the use of board committees to help ensure more independent preparation of matters for discussion by the board, cf. Section 9.

The chairman of the Board of Directors should be elected by the general meeting so long as the Public Companies Act does not require that the chairman must be appointed either by the corporate assembly or by the Board of Directors as a consequence of an agreement that the company shall not have a corporate assembly. The term of office for members of the Board of Directors should not be longer than two years at a time. The annual report should provide information to illustrate the expertise of the members of the Board of Directors, and information on their record of attendance at board meetings. In addition the annual report should identify which members are considered to be independent. Members of the Board of Directors should be encouraged to own shares in the company."

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

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

The current CEO, Robert S. Hobbs, is not a member of the Board of Directors.

The former CEO, Henry H. Hamilton, is a member of the Board, and was elected Chairman by the general meeting in June 2009. Mr. Hamilton was a large shareholder in TGS prior to the merger between TGS and Nopec in 1998 that created TGS as a listed company. He is still the 7th largest shareholder, holding approximately 2% of the Company's shares. Because he was formerly a member of the company's executive personnel, Mr. Hamilton accordingly does not serve on the Board's Compensation or Audit committees.

All but one of the Directors are shareholders of TGS.

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

Henry H. Hamilton III, Chairman.
Born 1959. Shell Oil Company, Former VP & GM of North and South America for Schlumberger's Geco-Prakla. Served as CEO of TGS from 1995 until June 2009. First elected in 1998, became Chairman in June 2009.

Arne-Kristian Maeland, Vice Chairman (Independent)
Born 1953. Phillips Petroleum Company Norway, Geco Geophysical, Inc, co-founder and CFO of VMETRO ASA until 2001. First elected in 2001.

Dr. Colette Lewiner, Director (Independent)
Born 1945. Assistant professor at Paris University, Executive Vice President at Electricite de France, Chairperson and CEO of SGN-Eurisys. Presently Vice President and Global Leader of the Energy, Utilities and Chemical sector at Capgemini. Board member at La Poste and Nexans. First elected in 2006.

Elisabeth Harstad, Director (Independent)
Born 1957. Senior Vice President and Managing Director of Det Norske Veritas (DNV) Research and Innovation. Various positions in DNV since 1981 interrupted by one year as research and industry co-ordinator at Neste Petroleum AS in 1992. Board member in Yara ASA and KAPNORD Fond AS. First elected in 2007.

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

Board Meeting Attendance

The Board conducted a total of eight meetings in 2009; three in person, three by videoconference, and two by teleconference. Kathleen Arthur, who was a director until the June 2009 general meeting, was unable to attend one of the in person meetings. Otherwise all directors attended all meetings.

9. THE WORK OF THE BOARD OF DIRECTORS

"The Board of Directors should produce an annual plan for its work, with particular emphasis on objectives, strategy and implementation. The Board of Directors should issue instructions for its own work as well as for the executive management with particular emphasis on clear internal allocation of responsibilities and duties. In order to ensure a more independent consideration of matters of a material character in which the chairman of the board is, or has been, personally involved, the board's consideration of such matters should be chaired by some other member of the board. The Public Companies Act stipulates that large companies must have an audit committee. The entire Board of Directors should not act as the company's audit committee. Smaller companies should give consideration to establishing an audit committee. In addition to the legal requirements on the composition of the audit committee etc., the majority of the members of the committee should be independent. The Board of Directors should also consider appointing a remuneration committee in order to help ensure thorough and independent preparation of matters relating to compensation paid to the executive personnel. Membership of such a sub-committee should be restricted to members of the board who are independent of the company's executive personnel. The Board of Directors should provide details in the annual report of any board committees appointed. The Board of Directors should evaluate its performance and expertise annually."

The Board operates under specific rules of procedure.

The Board normally meets six times each year, but may hold additional meetings if circumstances so dictate. Three of these board meetings deal with special company issues and last for up to two days. On at least a monthly basis the CEO updates the entire Board on the financial progress of the Company as well as other significant matters.

The Board sets specific objectives for the CEO on an annual basis.

The Board has appointed Arne K. Maeland as its Vice Chairman.

Board Committees

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

Audit Committee:	**Compensation Committee:**
Arne-K. Maeland *	Mark Leonard *
Elisabeth Harstad	Colette Lewiner
Colette Lewiner	Elisabeth Harstad

** denotes committee chairman*

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

The Board of Directors evaluates its performance annually.

10. RISK MANAGEMENT AND INTERNAL CONTROL

"The Board of Directors must ensure that the company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the company's activities. Internal control and the systems should also encompass the company's corporate values and ethical guidelines. The Board of Directors should carry out an annual review of the company's most important areas of exposure to risk and its internal control arrangements. The Board of Directors should provide an account in the annual report of the main features of the company's internal control and risk management systems as they relate to the company's financial reporting."

The Board monitors movements in the different kinds of risks that TGS is exposed to and TGS constantly strives to maintain and improve its internal control processes.

The Board reviews risk management and internal controls through:

1. The annual presentation of audit issues presented to the Audit Committee and the Board by the Company's Auditor
2. An annual presentation on risk management and internal control by the CEO and CFO during the Board's two day fall session
3. Ad hoc situations that present themselves.

During 2009, the Chairman led the executive management team in a series of workshops to assess and evaluate total enterprise risk in the Company. Specific action plans for improved risk management resulted from this exercise.

Also during 2009, the Company completed a significant update on its financial procedures manual.

The Board reviews at least annually the Company's policies on cash management and investment of excess cash.

The Company also has a compliance program that provides procedures for reporting illegal or unethical conduct in the company directly to the Board. The Board has endorsed and fully supports the continued implementation of the compliance program. The compliance program is administered by the compliance officer/Legal Affairs Director of the Company. All compliance reports are maintained as confidential to the extent possible and no retaliation is allowed against reporting persons. The compliance officer provides an annual report on 1 March to the Board.

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

11. REMUNERATION OF BOARD OF DIRECTORS

"The remuneration of the Board of Directors should reflect the board's responsibility, expertise, time commitment and the complexity of the company's activities. The remuneration of the Board of Directors should not be linked to the company's performance. The company should not grant share options to members of its board. Members of the Board of Directors and/or companies with which they are associated should not take on specific assignments for the company in addition to their appointment as a member of the board. If they do nonetheless take on such assignments this should be disclosed to the full board. The remuneration for such additional duties should be approved by the board. Any remuneration in addition to normal directors' fees should be specifically identified in the annual report."

TGS believes that remuneration to the Board of Directors should be designed to attract and retain an optimal Board structure in a competitive environment. Procedurally, the Directors' fee is recommended by the Nomination Committee and determined by the shareholders at the annual general meeting each year. During the past recent years, the Directors' compensation has been composed of both a fixed fee and a number of restricted TGS shares. Note 4 to the Financial Statements of the Parent Company details the remuneration for 2009. Henry H. Hamilton did not receive any director's or Chairman's remuneration in 2009 because he was employed by the company as CEO until the June 2009 general meeting and in a non-executive advisory role after the June 2009 general meeting in order to lend assistance and support to the leadership transition.

12. REMUNERATION OF EXECUTIVE PERSONNEL

"The Board of Directors is required by law to establish guidelines for the remuneration of executive personnel. These guidelines are communicated to the annual general meeting. The guidelines for the remuneration of executive personnel should set out the main principles applied in determining the salary and other remuneration of executive personnel. The guidelines should help to ensure convergence of the financial interests of executive personnel and the shareholders. Performance-related remuneration of executive personnel in the form of share options, bonus programs or the like should be linked to value creation for shareholders or the company's earnings performance over time. Such arrangements, including share option arrangements, should incentivize performance and be based on quantifiable factors over which the employee in question can have influence."

Salary and Other Compensation

It is critical to the continued success of TGS that we attract and retain highly engaged executives with great vision, global experience and a strong drive for results. A robust, competitive compensation package is a primary tool to attract and retain the highly qualified individuals needed for TGS to succeed in today's competitive world economy. Our compensation programs are designed to motivate and retain executive officers by rewarding individuals for advancing business strategies that are designed to deliver value to the shareholders and maintain a positive business environment. The cash and incentive compensation elements of the packages for the executive officers are determined based on the recommendation of the Compensation Committee, composed entirely of independent directors, to the Board of Directors. The compensation program for executive officers consists of industry competitive benefit programs and base salaries, an annual performance cash bonus directly linked to the TGS Group's operating profit and to lesser degree long-term stock option incentives.

We balance the various compensation elements in a way that recognizes the individual's responsibilities and his or her abilities to influence the short- and long-term profitable growth of the company. As executives rise in the company an increasing percentage of their cash compensation is contingent on the achievement of company targets thereby returning value to the shareholders and ensuring executives have a personal stake in TGS' performance. Approximately 7% of the TGS Group's operating profit each year is designated as the pool for employee cash bonuses. Based on the annual budget, each employee is assigned a target bonus at the beginning of the year. The factors that influence each individual's target bonus are base salary, level of responsibility in the organization, and individual contribution and performance in the previous year. The sum of all target bonuses is set at approximately 7% of the budgeted operating profit. The actual bonus amounts are paid quarterly and are directly proportional to the actual operating profit. In the 2010 bonus program the actual annual bonus paid to any employee is capped at two times the target bonus. The CEO's target bonus is specifically set by the Board of Directors and is directly linked to results achieved on measurable key performance indicators in the previous year.

The Board of Directors believes that the issuance of stock options is a valuable tool to aid in the retention of key employees and serves to reinforce the importance of maintaining a longer-term focus towards shareholder value creation. A limited amount of share options are usually issued each year upon the approval of an authority by the Annual Meeting and subsequently a detailed plan by the Board of Directors. The Compensation Committee makes a recommendation to the Board of Directors for the amount of share options to be issued to the executives. The number of options offered in the grant is directly linked to company and individual performance. As a general policy, stock options are issued at market price when granted, vest over a four-year period starting on the first anniversary of the grant and expire five years after the approval by shareholders at the Annual Meeting of the warrants that secure the rights to option shares. Under Norwegian law, five years is the maximum lifetime of a warrant to secure a stock option. In general, employees are not eligible to receive option grants in consecutive years.

The Compensation Committee believes executive compensation should be reasonable and fair according to prevailing industry standards in the geographical markets where the TGS Group operates, and understandable relative to scale, complexity and performance. The Compensation Committee ensures that executive compensation is administered consistently according to the compensation philosophy and regularly reports its actions to the full Board of Directors. Company results are reviewed by external auditors to ensure appropriate controls are in place related to company results. In accordance with the Norwegian Public Limited Liabilities Act § S6-16a, the Board will present a statement regarding the company's policies for management compensation to the Annual Meeting on 3 June 2010.

13. INFORMATION AND COMMUNICATIONS

"The Board of Directors should establish guidelines for the company's reporting of financial and other information based on openness and taking into account the requirement for equal treatment of all participants in the securities market. The company should publish an overview each year of the dates for major events such as its annual general meeting, publication of interim reports, public presentations, dividend payment date if appropriate etc.

All information distributed to the company's shareholders should be published on the company's web site at the same time as it is sent to shareholders.

The Board of Directors should establish guidelines for the company's contact with shareholders other than through general meetings."

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

The Company places great emphasis on providing the same information to all investors; national and international, and all press releases and news are published in English only. To this end, the Company's quarterly earnings presentations are recorded and made available as webcasts or slide presentations in real time. The Company also makes national and international presentations and conducts road shows throughout the year to inform existing and potential investors about TGS.

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

14. TAKE-OVERS

"The Board of Directors should establish guiding principles for how it will act in the event of a take-over bid. During the course of a take-over process, the Board of Directors and management of both the party making the offer and the target company have an independent responsibility to help ensure that shareholders in the target company are treated equally, and that the target company's business activities are not disrupted unnecessarily. The board of the target company has a particular responsibility to ensure that shareholders are given sufficient information and time to form a view of the offer. The Board of Directors should not seek to hinder or obstruct take-over bids for the company's activities or shares unless there are particular reasons for this.

In the event of a take-over bid for the company's shares, the company's Board of Directors should not exercise mandates or pass any resolutions with the intention of obstructing the take-over bid unless this is approved by the general meeting following announcement of the bid. If an offer is made for a company's shares, the company's Board of Directors should issue a statement evaluating the offer and making a recommendation as to whether shareholders should or should not accept the offer. If the board finds itself unable to give a recommendation to shareholders on whether or not to accept the offer, it should explain the background for not making such a recommendation. The board's statement on a bid should make it clear whether the views expressed are unanimous, and if this is not the case it should explain the basis on which specific members of the board have excluded themselves from the board's statement. The board should consider *whether to arrange a valuation from an independent expert. If any member of the board or executive personnel, or close associates of such individuals, or anyone who has recently held such a position, is either the bidder or has a particular personal interest in the bid, the board should arrange an independent valuation in any case. This shall also apply if the bidder is a major shareholder. Any such valuation should be either appended to the board's statement, be reproduced in the statement or be referred to in the statement. Any transaction that is in effect a disposal of the company's activities should be decided by a general meeting, except in cases where such decisions are required by law to be decided by the corporate assembly."*

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

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

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

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

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

If an offer is made for TGS' shares, the Board of Directors will issue a statement evaluating the offer and making a recommendation as to whether shareholders should or should not accept the offer. If the Board finds itself unable to give a recommendation to shareholders on whether or not to accept the offer, it will explain the background for not making such a recommendation. The Board's statement on a bid will make it clear whether the views expressed are unanimous, and if this is not the case, the Board will explain the basis on which specific members of the board have excluded themselves from the Board's statement. The Board will consider whether to arrange for a valuation of TGS from an independent expert. If any member of the Board or executive management, or close associates of such individuals, or anyone who has recently held such a position, is either the bidder or has a particular personal interest in the bid, the Board will arrange an independent valuation in any case. This will also apply if the bidder is a major shareholder. Any such valuation will be either appended to the Board's statement, be reproduced in the statement or be referred to in the statement.

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

15. AUDITOR

"The auditor should submit the main features of the plan for the audit of the company to the audit committee annually. The auditor should participate in meetings of the Board of Directors that deal with the annual accounts. At these meetings the auditor should review any material changes in the company's accounting principles, comment on any material estimated accounting figures, and report all material matters on which there has been disagreement between the auditor and the executive management of the company.

The auditor should at least once a year present to the audit committee a review of the company's internal control procedures, including identified weaknesses and proposals for improvement. The Board of Directors should hold a meeting with the auditor at least once a year at which neither the chief executive nor any other member of the executive management is present.

The Board of Directors should establish guidelines in respect of the use of the auditor by the company's executive management for services other than the audit. The Board of Directors must report the remuneration paid to the auditor at the annual general meeting, including details of the fee paid for audit work and any fees paid for other specific assignments."

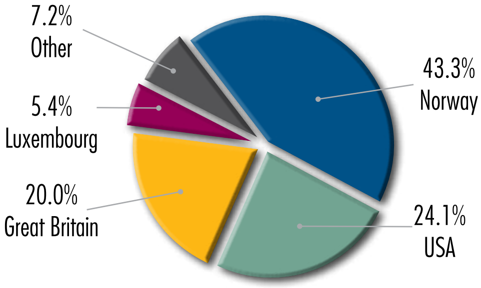
The external auditor reports to the Board of Directors at the board meeting that deals with the annual accounts. Independent of the Company's management, the Audit Committee meets annually with the partner of the Company's external audit firm. The auditor makes and presents to the Board annually a review of the Company's internal control procedures, including identified weaknesses and proposals for improvement.

The auditor's fee is determined at the annual general meeting (see Note 7 to the Financial Statements for Auditor's compensation for 2009).

Investor Relations

TGS Shareholder Facts

Symbol:	TGS
Listing:	Oslo Stock exchange (member of the OBX index)
Shares outstanding 31 December 2009:	104,062,275 (947,750 are held treasury shares)
Volume traded on the OSE during 2009:	176,386,000 shares
Average daily trading volume in 2009:	702,734 shares
Analyst coverage:	19 firms; for list please see http://www.tgsnopec.com/investor-relations/shareholder/analysts.aspx
Share price (high, low) during 2009:	NOK 106.0 (28 December 2009), NOK 36.90 (5 January 2009)
Market value as of 31 December 2009:	NOK 10,905,726,642 (NOK 104.80 per share)
Distribution of share holdings:	



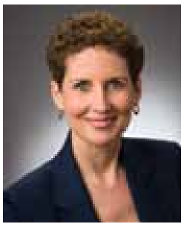
TGS places great emphasis on providing accurate and timely information to the market and shareholders. The earnings reports and press releases are issued in English to ensure simultaneous and consistent information to all shareholders. The full year financial reporting calendar is published and posted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

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

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

All of the financial reports can be found on the TGS website at http://www.tgsnopec.com/investor-relations/investors.aspx. For more information regarding TGS, please contact Karen El-Tawil.

TGS would like to acknowledge the many years that Arne Helland has served as the CFO and in investor relations. His valuable contribution to TGS through the years is greatly appreciated and the Company wishes him continued success in his future endeavors.



Karen El-Tawil
Vice President of Business Development
Houston, Texas USA

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

MAJOR EVENTS

1stQ

5 Jan 2009
TGS Announces New 3D Project in Central and Eastern Gulf of Mexico

JANUARY

6 Jan 2009
TGS Begins 2D Regional Multi-Client Project in West Africa

22 Jan 2009
TGS Delivers New Higher Order Depth Imaging Projects in the Gulf of Mexico

2ndQ

15 Apr 2009
TGS Adds Production Data to Online Well Data Collection

12 May 2009
TGS Renaissance Seismic Program Grows with 2009 Acquisition Plan in North Sea, the Mid-Norway and the Barents Seas

APRIL

MAY

15 Apr 2009
2D Regional Multi-Client Project Begins in Offshore Benin

13 May 2009
PGS and TGS Announce a Multi-Client 3D Survey in Quad 211 in the East Shetland Basin of UK Northern North Sea

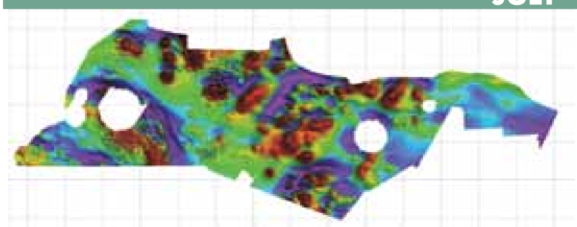
3rdQ

7 Jul 2009
TGS Acquires Data Offshore Greenland for the Tenth Consecutive Year

26 Aug 2009
TGS Announces a New 3D Multi-Client Survey in the North Viking Graben

JULY

AUGUST



3 Aug 2009
TGS Announces LIBERTY, a New 3D Wide Azimuth Survey in the Gulf of Mexico

31 Aug 2009
Italian Well Logs Now Available through TGS' LOG-LINE Plus!® in LAS Format

4thQ

19 Oct 2009
TGS Expands Regional 3D Coverage Offshore Liberia

26 Oct 2009
TGS Announces a Third Wide Azimuth 3D Project in the Gulf of Mexico

OCTOBER

21 Oct 2009
MMS Awards Digital Well Log Data Management Contract to TGS

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9 Feb 2009
TGS Names New Management Team in Asia Pacific Region

5 Mar 2009
Acquisition Resumed on the TGS Freedom Wide Azimuth Project

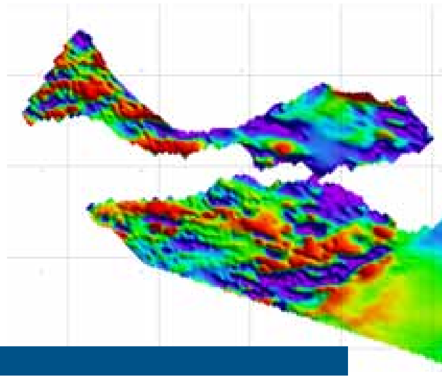
16 Mar 2009
TGS Expands 3D Survey in DeSoto Canyon

FEBRUARY **MARCH**

17 Feb 2009
TGS Begins 2D Regional Multi-Client Project in West Sumatra

12 Mar 2009
TGS Announces the Availability of Seismic and Aeromagnetic Data in Somaliland

25 Mar 2009
TGS Announces Planned Changes in Leadership



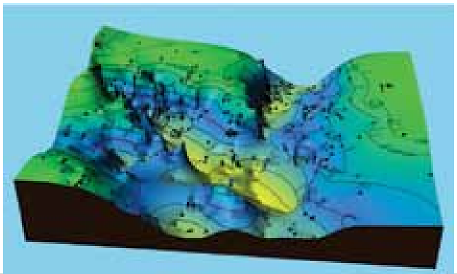
8 Jun 2009
With Customer Participation, TGS Expands Online Access to Eastern US Well Log Data

17 Jun 2009
TGS Adds Well Log Data from Asia Pacific and East Africa to Online Collection

JUNE

10 Jun 2009
TGS and Ohio Announce an Agreement to Make a Complete Set of Well Logs from the State Available Online

29 Jun 2009
TGS Announces a New 3D Multi-Client Survey in the Barents Sea

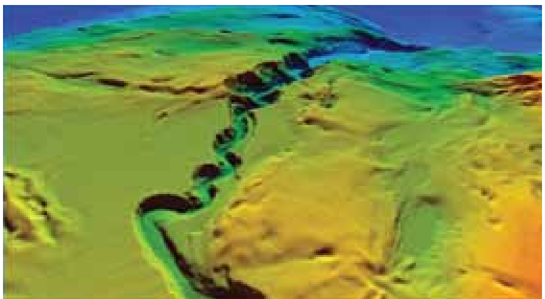


1 Sep 2009
TGS Signs Letter of Intent with Polarcus for 3D Vessel

29 Sep 2009
Acquisition on the Freedom Wide Azimuth Project Completed

SEPTEMBER

16 Sep 2009
TGS Executes Agreement for Deepwater Liberia Shoot



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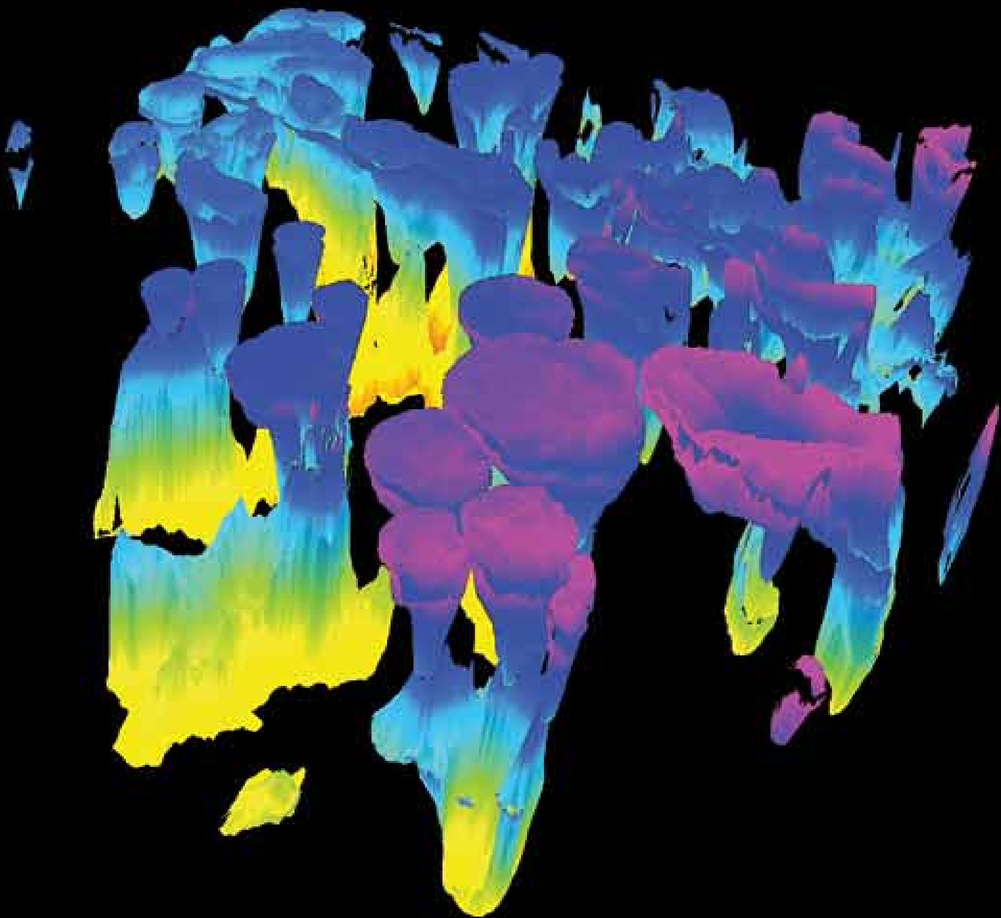

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