2012 ANNUAL REPORT

See the energy.

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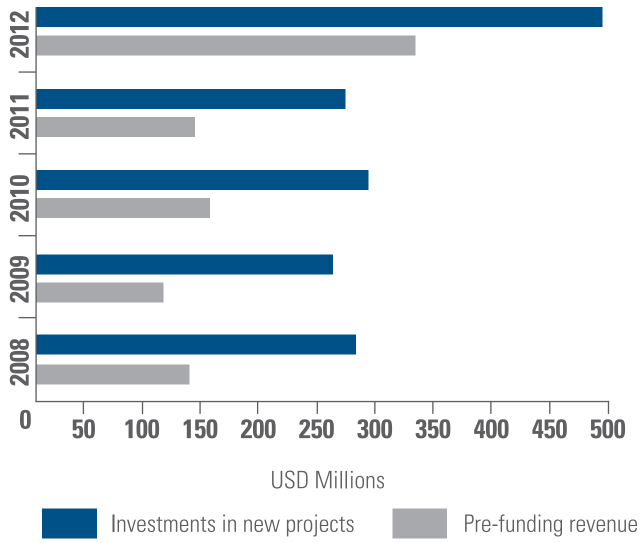
OVERVIEW

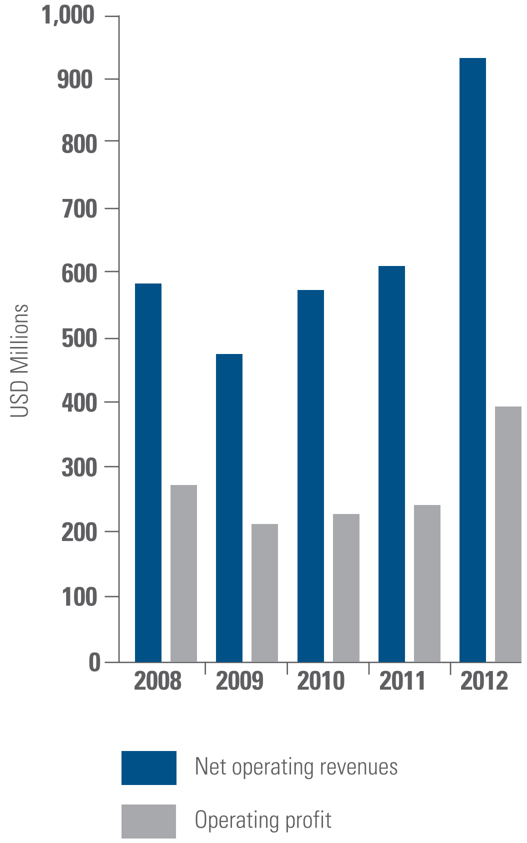
(All amounts in USD 1,000s apart from EPS, ratios and dividend per share)

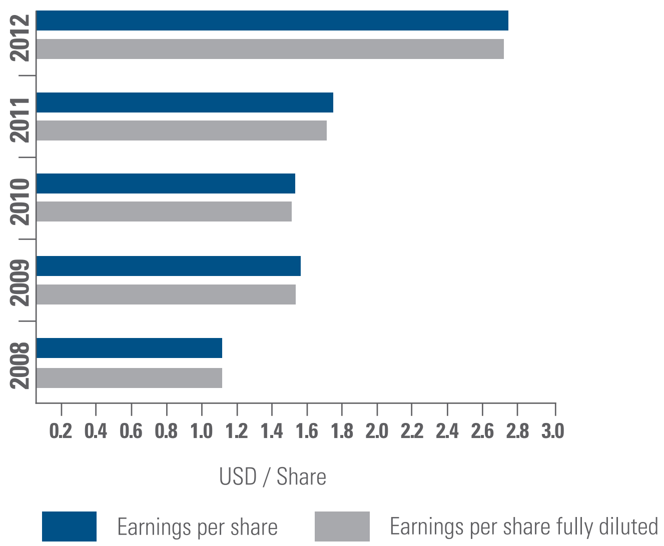
	2012	2011	2010	2009	2008
Net operating revenues	**932,239**	608,568	568,263	477,695	582,431
Operating profit	**402,304**	240,402	227,108	210,229	268,981
Pre-tax profit	**407,550**	241,146	227,745	219,202	203,200
Net income	**284,533**	170,688	155,783	162,471	113,792
EBIT	**402,304**	240,402	227,108	210,229	268,981
EBIT margin	**43%**	40%	40%	44%	46%
Net income margin	**31%**	28%	27%	34%	20%
Return on capital employed	**36%**	25%	26%	27%	41%
Earnings per share	**2.79**	1.67	1.52	1.58	1.10
Earnings per share fully diluted	**2.76**	1.65	1.49	1.56	1.10
Total assets	**1,660,721**	1,333,182	1,216,916	1,144,278	954,317
Shareholders equity	**1,168,360**	973,021	908,771	839,856	661,063
Equity ratio	**70%**	73%	75%	73%	69%
Share buy back	**–**	30.0	31.9	–	15.0
Dividend payout	**146.8***	103.6	93.4	64.7	–
Dividend per share (NOK)	**NOK 8***	NOK 6	NOK 5	NOK 4	–

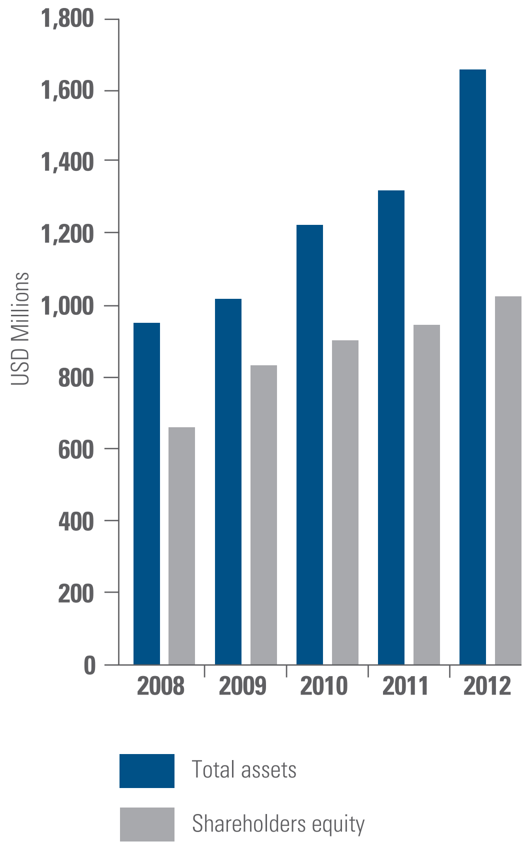
** 2012 reflects proposed dividend to the June 2013 Annual General Meeting*

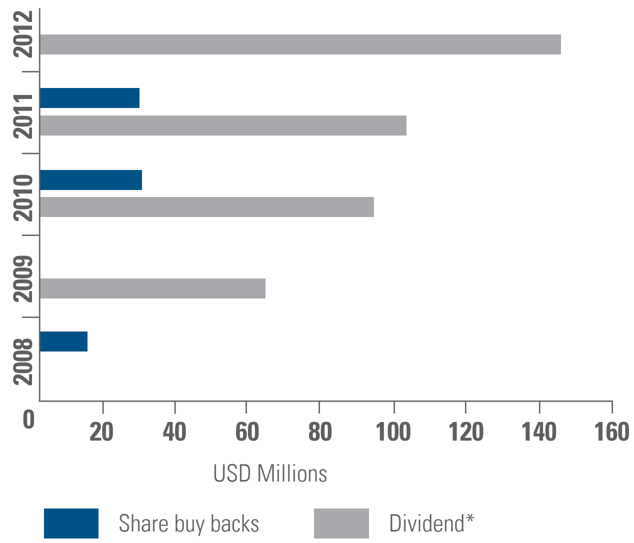
Multi-client Library	2012	2011	2010	2009	2008
Opening net book value	**511,131**	475,698	424,282	334,998	217,363
Multi-client data purchased from third parties	**31,100**	–	4,000	–	1,100
Investments in new projects	**496,240**	276,942	295,300	265,980	285,861
Amortization	**(387,305)**	(241,509)	(247,900)	(176,695)	(169,326)
Ending net book value	**651,165**	511,131	475,698	424,282	334,998
Pre-funding % on operational investments	**68%**	53%	55%	47%	50%











** 2012 reflects proposed dividend to the June 2013 Annual General Meeting*

LEADERSHIP

"TGS is the company exploration and production organizations turn to first for high quality geoscience data."

Robert Hobbs
Chief Executive Officer

2012

January

- TGS Announces Plans to Commence 3D Multi-client Survey Offshore Angola

February

- TGS Commences Onshore Multi-client 3D Seismic Survey in Kansas
- TGS Announces a Third 3D Multi-client Seismic Survey Offshore Northwest Australia

April

- TGS Commences Second Onshore Multi-client 3D Seismic Survey in Kansas
- TGS Signs Agreement to Provide Access to Canadian Well Data via Geo Webworks
- TGS Commences Multi-client 3D Survey in Norwegian Barents Sea

May

- TGS Acquires Volant Solutions
- TGS Commences Industry's First Multi-client 3D Survey in Erlend Basin, UK, West of Shetlands
- TGS Signs Data Release Agreement for UK Onshore and Offshore Wells
- TGS Commences Two Multi-client 2D Surveys in Northwest Europe
- TGS Announces Expansion of Multi-client 3D Survey in the Northern North Sea
- TGS Commences New Multi-client 3D Wide Azimuth Survey in Gulf of Mexico

June

- TGS Announces Clari-Fi™, a New Technique to Provide Broadband Seismic Data from Conventional Acquisition
- TGS Announces Expansion of Multi-client 3D Survey in the Faroe Shetland Basin
- TGS Acquires Arcis Seismic Solutions

August

- TGS Commences Two 3D Multi-client Onshore Surveys in Saskatchewan, Canada
- TGS Commences Expansion of Multi-client 2D Database in Northeast Greenland
- TGS Announces a Fourth 3D Multi-client Seismic Survey Offshore Northwest Australia
- TGS Commences Multi-client 3D Survey in Faroe Shetland Basin

September

- TGS Commences New Multi-client 2D Survey Offshore Newfoundland
- TGS Awarded 2012 Stockman Prize
- TGS Announces New Proprietary 2D Survey Offshore Colombia

October

- TGS Announces 3D Multi-client Onshore Survey in British Columbia, Canada

November

- TGS Commences Extension to Offshore Angola 3D Multi-client Survey

December

- TGS Commences 3D Multi-client Seismic Survey Offshore Northwest Australia
- TGS Announces 3D Multi-client Survey in Gulf of Mexico

Dear Fellow Shareholders

2012 was an exceptional year of growth for TGS. Net revenues increased 53% from the previous year. We upgraded our guidance twice during the year as our employees identified additional attractive investment opportunities, and importantly, these opportunities were widely diversified across the globe. TGS has now become the premier global provider of high quality multi-client geoscience data.

Our growth was not only geographically diverse but was also geologically diverse. In the onshore United States, TGS continued acquisition of the 1054 km^2 Firestone survey in the Utica shale play of eastern Ohio. During the year, we also announced two additional 3D surveys in the unconventional plays of the onshore U.S.A.; the 793 km^2 Wellington survey and the 679 km^2 Bucklin survey, both in the Mississippi Lime play of southern Kansas. TGS also recognized the potential of the unconventional plays in Canada and aggressively entered this play through the acquisition of Arcis Seismic Solutions (Arcis), a leader in the Canadian multi-client seismic industry and a premier onshore seismic processor. The integration of Arcis has been successful and the benefits of adding the Arcis library and processing technology with TGS' existing library have become apparent in the short time since the acquisition. TGS added 12,689 km^2 of 3D seismic to its data library through the acquisition, and since Arcis joined the TGS family in June, we have invested in four new 3D surveys in the liquids unconventional plays of western Canada. Our strategy in the onshore market of both Canada and the United States is to focus on the newly-identified liquids-rich shale and tight sand plays.

The year 2012 represented a significant milestone in the Asia Pacific business with considerable customer demand and TGS investment in new 3D surveys on the Northwest Shelf of offshore Australia. In total, TGS acquired over 17,500 km^2 of new 3D seismic data in the region during the year. This data is being used by TGS' customers to explore for gas reserves along a geologic trend that has yielded giant gas discoveries in recent years. In addition, TGS announced a significant 3D survey in deepwater Angola. The original survey, along with an extension which commenced in Q4 totaled 16,500 km^2. This data will be critical for E&P companies to evaluate the pre-salt play of deepwater Angola, believed to be similar to the successful pre-salt plays of Southern Brazil. This investment activity in addition to sales from our existing library resulted in an 84% growth in revenues in the Africa, Middle East and Asia Pacific business unit from 2011.

While TGS continued to identify new growth opportunities in exciting new plays, we also expanded our investment portfolio in the core areas that have proven successful for TGS in the past. The Company extended its wide azimuth (WAZ) 3D seismic coverage in the Central Gulf of Mexico with its new 3,500 km^2 Independence project. With this survey, TGS has extended its WAZ coverage to 27,600 km^2 in this prolific play. The first license round in the central Gulf of Mexico since the Macondo event was also held in June. Slowly but surely, the Gulf of Mexico is returning as a region of significant E&P activity with regular license rounds scheduled for the next five years.

2012 was a very active year in Norway. The 22nd biennial Norwegian exploration round was held which generated significant interest in TGS' extensive 2D and 3D seismic database offshore Norway. Interest in new seismic projects in northwest Europe was high as well. Over 13,000 km^2 of 3D multi-client seismic data was added through new programs to TGS' library in northwest Europe. These programs were focused not only on frontier regions like the northern Barents Sea, but also on new emerging plays in more mature regions like the high pressure/high temperature plays of the North Sea.

The industry believes there are enormous undiscovered hydrocarbon resources in the Arctic region. TGS is a leader in providing new multi-client Arctic seismic data. TGS extended its successful 2D program off the northeast coast of Greenland where we added 3,446 km of 2D data in the active Kanumas region, location of an important bid round in 2013. The Company also completed acquisition of a 7,294 km 2D program in the Laptev and East Siberian Seas of the Russian Arctic, two exciting frontier regions.

In 2012 the Company acquired Volant Solutions, a Houston-based technology company. This acquisition was critical to providing TGS with technology to deliver increasing amounts of geological data in the formats required by the Company's diverse customer base. There is incredible value in reducing data management time within exploration and production departments. Volant's technology allows TGS to assist our customers in reducing this management time while providing solid data delivery methods for our growing product lines. Our Geological Products and Services business released new versions of TGS' production database, and significantly

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expanded its well log data library into the Canadian market with the addition of 700,000 well logs to the database. TGS now has over 9 million well logs worldwide including over 900,000 digital LAS well logs in North America.

Critical to maintaining TGS' leading position in providing high-quality state-of-the-art seismic surveys is imaging technology. In 2012 significant advancements were made in TGS' data processing business. The Company successfully released its Clari-Fi™ broadband processing solution, designed to remove source/receiver ghost notches and enhance seismic bandwidth. This technology is being used in the processing stream of TGS' newly acquired surveys as well as being applied through the reprocessing of previous surveys from the Company's library. The advantage of this product is that broader bandwidths can be retrieved from conventionally acquired seismic, removing the need for exotic and expensive acquisition techniques.

This unprecedented level of activity for the Company yielded investments in our multi-client data library of USD 496 million. The sales performance of our library was superb, resulting in four record quarters in a row culminating in revenues of USD 932 million. The Company continued to deliver profitable growth for our shareholders with an operating profit of USD 402 million, up 67% from the previous year. Shareholder equity grew 20% to USD 1,168 million, representing 70% of total assets, and TGS delivered outstanding operating cash flow of USD 663 million in 2012, an increase of 36% from 2011.

Our Board proposed and the shareholders approved a regular dividend of NOK 6 per share. At year end, cash and cash equivalents had increased to USD 339 million.

Our Board has announced that at the 2013 Annual General Meeting, it will propose an increased dividend of NOK 8 per share. The Board has also instructed our management to continue to consider the opportunistic buyback of shares in 2013. These moves are a positive reflection of the Company's confidence in the sustainability of our business to generate strong cash flow through all cycles.

It is anticipated that E&P spending will continue to grow in 2013 as oil prices remain favorable for continued investment. During the year, we expect to increase our revenues to between USD 970 million and USD 1,050 million. We anticipate that our investments will be between USD 530 million and USD 600 million. Our 2013 investment plan will carry average pre-funding levels between 50% and 60% and an average amortization rate between 40% and 46%. Contract revenues are likely to continue to be approximately 5% of total revenues.

As TGS has grown, we have become a more active partner in the communities in which we operate. Our employees contributed their own time in a significant number of impactful charities during 2012 and the Company made contributions to 66 charitable organizations during the year. TGS' responsibility to the community does not stop at charitable giving though. Through living the Company's values, each employee is expected to do everything possible to protect the environment and conserve natural resources in the course of our business.

TGS also has a responsibility to our employees. We commit to treat all employees with respect and dignity, recognizing the merit of each and every individual. Significant management time is devoted to the training and development of our employees and we are pleased that employees have directly benefited from the success of TGS through our profit-based bonus program. We believe that taking responsibility for the communities in which we operate, the environment and our employees is fully compatible with delivering quality products and exemplary service to our customers and can help to deliver sustainable growth and profitability to our shareholders over the long term.

Sincerely,

Robert Hobbs
Chief Executive Officer

Robert Hobbs, CEO

QUALITY

“TGS is committed to delivering high quality products and exemplary service to its customers.”

Kristian Johansen
Chief Financial Officer

This is TGS

TGS is a Company registered in Norway and publicly traded on the Oslo Stock Exchange under the symbol TGS. The Company is headed by CEO Robert Hobbs and has headquarters in Oslo and Houston with regional offices in cities around the globe. In addition to extensive global geophysical and geological data libraries, TGS also offers advanced processing and imaging services, interpretation products, permanent reservoir monitoring and data integration solutions.

TGS History

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

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

Recognizing a need for high quality, regional, multi-client seismic surveys and a win-win opportunity for investors, customers and employees, the Houston and Oslo-based companies merged in June 1998, forming TGS-NOPEC Geophysical Company (TGS). Since that time, TGS has set the standard for multi-client geoscientific data acquired around the world. TGS has a firm commitment to high quality products and exemplary customer service. A staff of experienced professionals ensures TGS delivers on its commitments.

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

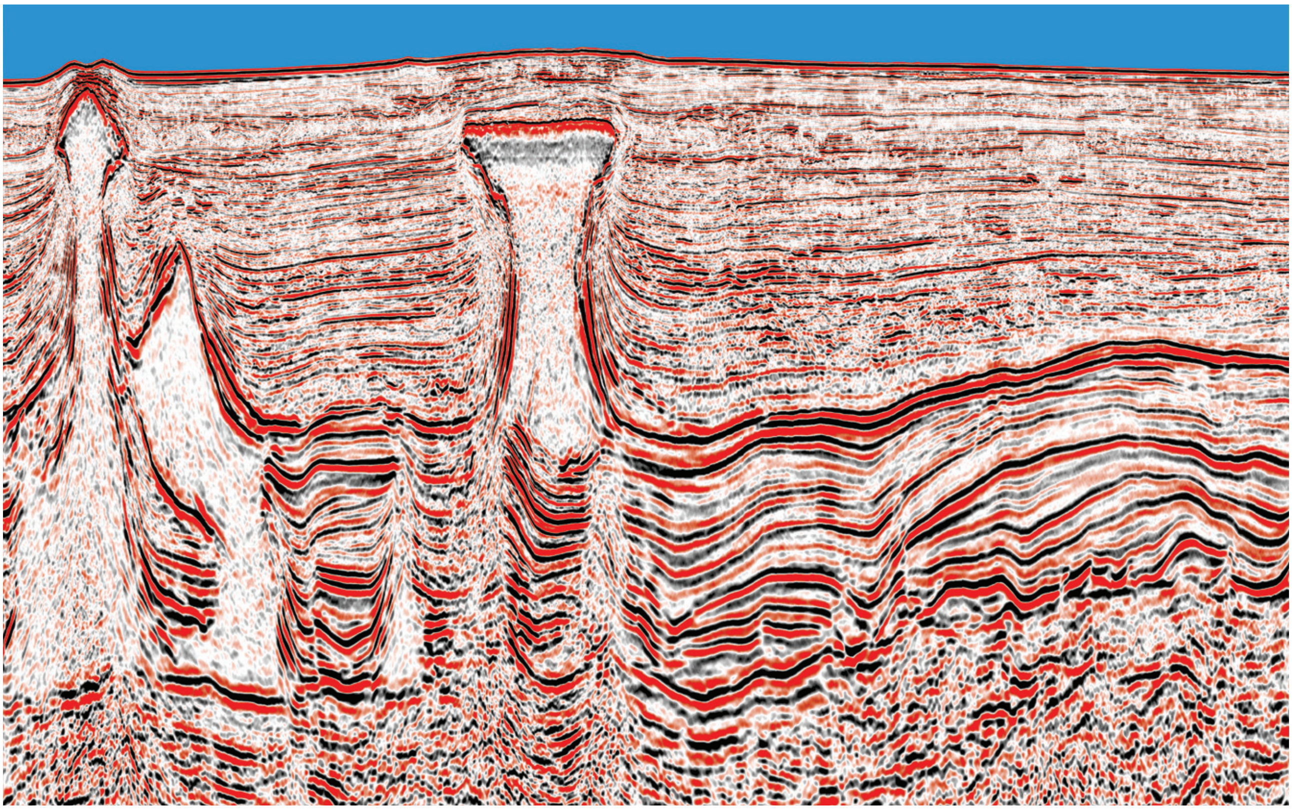
Products and Global Experience

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

TGS offers interpretation studies and services that integrate seismic, well logs, biostratigraphic data, core data and other geoscientific data to create basin-wide regional frameworks. TGS' geoscientists are also available for contract consulting work in geology, geophysics and petrophysics. TGS provides reliable Permanent Reservoir Monitoring (PRM) solutions to the global oil and gas industry, enabling increased production and recovery at lower cost and risk over the life of a field through improved reservoir management strategies. Together with its global network of trusted partners, TGS is able to provide complete, integrated seismic PRM from planning through to processing and reservoir solutions.

Values

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



Core Product Lines

TGS is comprised of four core product lines which provide valuable data and resources to the exploration and production efforts of its customers. The four product lines are multi-client geophysical data, multi-client geological data, imaging services and reservoir solutions.

Geophysical Multi-client Data

TGS is a major provider of global multi-client seismic data and has been active in this arena for over 30 years. Throughout this period the Company has established a vast database and gained experience from exploration areas worldwide.

There are many products in TGS' multi-client geophysical library. In addition to seismic data, TGS also licenses gravity, magnetics, seep, geothermal core data, controlled source electromagnetic and multi-beam data around the world. The geophysical data library generates over 90% of the revenues of TGS and is organized into regions of the world. These regions include North and South America, Europe and Russia, Africa, Middle East and Asia Pacific. In 2012 each of these regions had significant activity in both new project development and late sale activity.

Excellent project development is at the core of TGS' multi-client success. Teams of skilled TGS project specialists are constantly evaluating areas for new project ideas. TGS places high emphasis on a thorough geological understanding and motivation behind all multi-client projects. When planning new seismic surveys, TGS makes use of all knowledge and experience within its staff of highly qualified and experienced geoscientists. All available geological and geophysical data, including seismic, gravity and magnetic data are used in order to optimize the design and parameters for the various survey areas and objectives. In addition, the geology and the hydrocarbon potential of the planned survey are key. Interaction with the local governments and ministries, communication and collaboration with oil company representatives and contact with geoscientific specialists to address the imaging challenges of the area are all critical components of survey planning. This diligent effort ensures TGS multi-client projects are acquired in the best locations and meet the geoscientific and geographic needs of the industry.

The Company's global seismic data library is located in key mature, emerging and frontier offshore and onshore hydrocarbon basins around the world. More than 1,400 exploration companies, including all majors and super-majors, are among the Company's clients. TGS offers the most current data libraries that are acquired and imaged with the latest technologies to provide strong geoscience insight.

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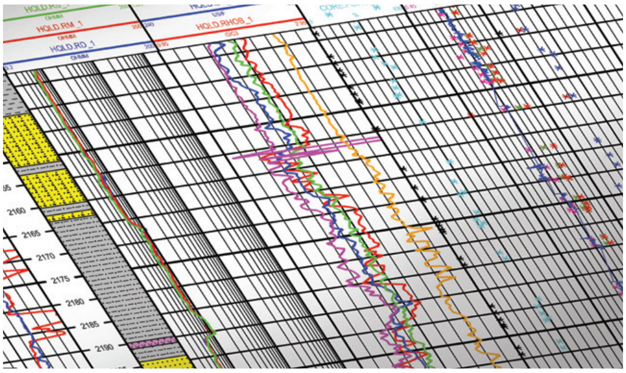
Geological Multi-client Data

The Geologic Products and Services (GPS) Division of TGS is composed of a series of well data products, interpretive studies and services that are licensed or used by oil companies to aid in the search for hydrocarbons. TGS offers the industry's largest collection of global digital well logs, available online via LOG-LINE Plus!®. TGS' well data library has expanded to include nationwide U.S.A. production data, directional surveys and a custom well file database. Through the acquisition of Volant Solutions, TGS provides a data/application integration offering that includes the ENVOY integration platform, the EnerConnect user interface and various adapters. These unique products and services provide tremendous benefits to oil and gas companies.

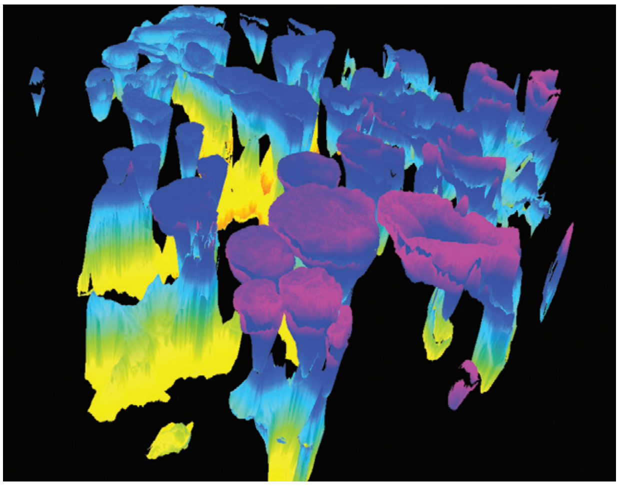
The well data group was successful at adding 195,904 new Log Ascii Standard (LAS) well logs to the data library in 2012 which further solidifies the dominant position as the largest provider of well data in North America as well as 32 countries around the world. TGS completed new basin studies in UK, Norway, Bonaparte, Delaware Basin Bottom Hole Temperature (BHT) Modeling, HiQbe Velocity Model, Phase 48 structural interpretation and a Dry Hole Analysis Project in Norway during 2012.

TGS also offers interpretation studies and services that integrate seismic, well logs, biostratigraphic data, core data and other geoscientific data to create basin-wide regional frameworks that are supported by a dynamic visualization tool, Facies Map Browser (FMB). TGS geoscientists are also available for contract consulting work in geology, geophysics and petrophysics.



Imaging Services

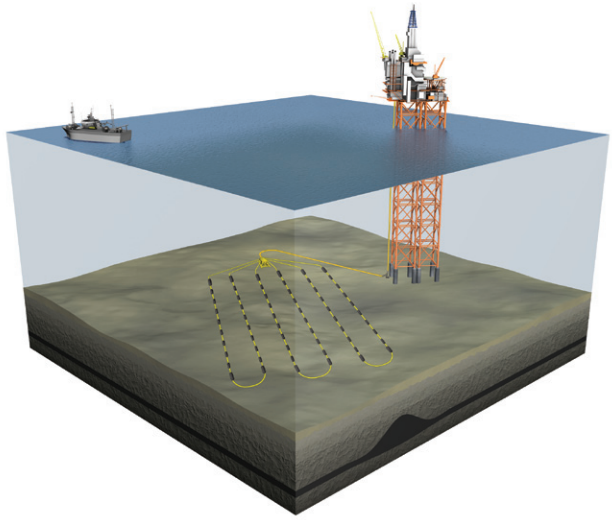
The TGS Imaging Services Division has developed proprietary technology, expertise and resources to meet the highest geophysical processing objectives required by major oil companies. TGS announced Clari-Fi™, a new processing technique which allows broadband seismic data to be generated from conventionally acquired seismic data. TGS provides processing solutions directly to customers on a contract basis as well as processing the vast TGS data library around the world. TGS' research and development professionals are continually developing new technology and workflows, as well as enhancing technology already in production. TGS processes both 2D and 3D data, with products and services which include depth and time imaging, marine, land, ocean bottom cable and nodes, transition zone processing, WAZ data processing and anisotropic imaging utilizing TGS' well log database. In 2012, the Imaging team processed a high volume of WAZ and 3D data for the TGS library as well as on a contract basis. The Imaging Services division grew its processing capacity in Houston, Europe, Calgary and Perth.



Reservoir Solutions

TGS provides advanced Permanent Reservoir Monitoring (PRM) solutions enabling increased production and recoverable reserves at lower cost and risk over the life of a field through improved reservoir management strategies. TGS' proprietary Stingray® PRM system uses highly reliable passive fiber-optic sensors providing operators high quality, cost-effective and repeatable seismic on demand in all field scenarios including well zones, deep water and obstructed areas.

Fiber-optic PRM is a rapidly developing market and TGS is encouraged by the client interest for this new offering. As this market matures, TGS will offer integrated seismic PRM solutions from planning through processing, benefitting oil companies in their drive to increase recovery factors from their existing and new fields.



Executive Management

Robert Hobbs – Chief Executive Officer

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

Kristian Johansen – Chief Financial Officer

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

John A. Adamick – Senior VP Geological Products & Services

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

Knut Agersborg – VP Global Services

Knut joined TGS in 2005 as Manager of Operations. In December 2008, he was appointed Vice President Global Services. Knut has more than 30 years of industry experience including 22 years with Schlumberger/WesternGeco where he held senior managerial positions in Operations and Human Resources in Europe and North America. Knut graduated from Narvik University College in 1979 with a degree in Electronic Engineering.

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Martin Bett – Senior VP Reservoir Solutions

Martin joined TGS in 2011 and has over 30 years of experience in the oil industry working in operational and management positions for Schlumberger, Landmark, I-NET, Trade-Ranger and QinetiQ. He has established and grown businesses in Europe, US, South America and Africa, and has a track record for closing large transactions for new and pioneering products and services. He has a BSc in Geophysics from Southampton University, UK, and an M.B.A. with Distinction from the International Institute for Management Development (IMD), Lausanne, Switzerland.

Genie Erneta – VP Human Resources

Genie joined TGS in 2008 as VP of Human Resources. Genie has over 20 years of international Human Resources experience predominantly in the Oil & Gas industry. Previous to TGS, she held a senior HR role at Marathon Oil Company following a number of progressive HR management roles at Veritas DGC, Inc. Genie has a B.S. degree in Psychology from the University of Houston and holds an M.B.A. from Texas A&M University.

Stein Ove Isaksen – Senior VP Eastern Hemisphere

Stein Ove joined TGS in 2001 as VP New Ventures South Europe and later VP Sales Europe and Russia. In April 2012, he was appointed Senior VP Eastern Hemisphere. Stein Ove has more than 27 years' industry experience including 15 years spent with Schlumberger in various management and technical positions in Europe, Asia and North and South America. Stein Ove holds an M.S. degree in Geophysics from University of Bergen, Norway.

Zhiming Li – Senior VP Data Processing and Research & Development

Zhiming joined TGS in 2007 as Senior VP of Data Processing, Research & Development through the acquisition of Parallel Data Systems, a premier depth imaging company. He has 30 years' experience in oil companies, geophysical companies and academia. He received a B.S. degree in Exploration Geophysics from East China Petroleum Institute in 1982 and a Ph.D. degree in Geophysics from Stanford University in 1986.

Rod Starr – Senior VP Western Hemisphere

Rod joined TGS in 2001 through its acquisition of A2D Technologies, where he held leadership positions in Sales & Marketing and Global Business Development. Prior to his appointment as Senior VP Western Hemisphere he was Senior VP Africa, Middle East and Asia Pacific. Rod has more than 27 years of industry experience including 16 years at Unocal Corporation. Rod graduated from San Diego State University with a degree in Business/Finance.

Board of Directors

Henry H. Hamilton III – Chairman

Born 1959. Mr. Hamilton served as CEO of TGS from 1995 through June of 2009. He started his career as a Geophysicist with Shell Offshore before he moved to Schlumberger where he ultimately held the position of VP and General Manager for all seismic product lines in North and South America. Mr. Hamilton joined TGS as its CEO in 1995 and remained in the position following the 1998 merger with NOPEC International that created the initial public listing for TGS. He was first elected as a director in 1998 and as Chairman in 2009.

Dr. Colette Lewiner – Director (Independent)

Born 1945. Dr. Lewiner is currently an independent consultant, advising Capgemini chairman on Energy matters. Previously she held the positions of Assistant Professor at Paris University, Executive Vice President at Electricité de France, Chairperson & CEO of SGN-Eurisys and Corporate Vice President & Global Leader of the Energy, Utilities and Chemical sector at Capgemini. Dr. Lewiner serves as a board member for Bouygues Group, Lafarge, Eurotunnel, Nexans, and Crompton Greaves. She is non-executive Chairwoman at TDF. She was first elected as a director in 2006.

Elisabeth Harstad – Director (Independent)

Born 1957. Ms. Harstad is a Chief Innovation and Business Line Officer of DNV Kema in the Netherlands, a subsidiary of Det Norske Veritas (DNV). She has held various positions within DNV since 1981, including Corporate Director for Research and Innovation and COO for the Oil and gas business area. Ms. Harstad serves as a board member for Yara ASA.

Mark Leonard – Director (Independent)

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

Bengt Lie Hansen – Director (Independent)

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

Vicki Messer – Director (Independent)

Born 1949. Mrs. Messer is presently an independent consultant. She has 32 years of geophysical industry experience in various executive, management and supervisory positions for CGG Veritas, Veritas DGC, Halliburton Energy Services/ Halliburton Geophysical, and Geophysical Services Inc. She was first elected as a director in 2011.

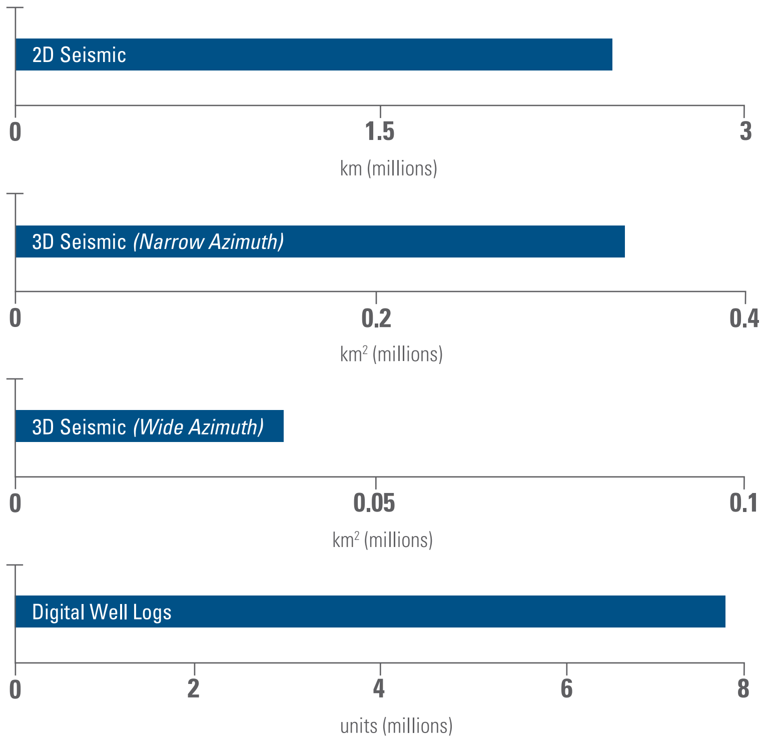
From left to right:
Hank Hamilton, Colette Lewiner, Elisabeth Harstad,
Mark S. Leonard, Bengt Lie Hansen and Vicki Messer

Board of Directors' Report 2012

TGS-NOPEC Geophysical Company ASA (TGS) is a principal resource for global geoscientific data products and services in the oil and gas industry. TGS specializes in the design, acquisition and processing of multi-client seismic surveys worldwide. In addition to extensive global geophysical and geological data libraries that include multi-client seismic data, magnetic and gravity data, digital well logs, production data and directional surveys, TGS also offers advanced processing and imaging services, interpretation products, permanent reservoir monitoring and data integration solutions. TGS is a global operator and is presently active in North and South America, Europe, Russia, Africa, Asia and Australia.

The Parent Company is located in Asker, Norway. The main subsidiary is in Houston, Texas, U.S.A., and TGS has regional offices in the United Kingdom, Canada, Australia, Brazil and in the U.S.A. All financial statements in this report are presented on the basis of a "going concern" assumption in accordance with the Norwegian Accounting Act section 3-3a, 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 2012 that would impact the accounts as presented for 2012.

Geoscientific Multi-client Data Library as of 31 December 2012



Operations

Supported by favorable oil prices and increased E&P spending, the market for TGS' products and services expanded throughout 2012. At the presentation of its annual guidance in January 2012, TGS communicated expectations for increased 2012 revenues. Stronger than expected demand, attractive investment opportunities and the acquisition of Arcis Seismic Solutions (Arcis) caused TGS to further increase investment and revenue guidance two times during the course of 2012. Ultimately, TGS grew its annual net revenues by 53% in 2012, thereby exceeding its stated expectations.

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

TGS' primary focus is developing, managing and selling licenses of the Company's multi-client geoscientific data, which accounted for 97% of revenues in 2012. Customer pre-funding of new multi-client projects reduces the Company's investment exposure, while late sales from its library of data products usually provide the bulk of the revenue stream. Gross late sales increased 36% from 2011 to USD 746.6 million, while net late sales after partner share increased 34% compared to 2011. Pre-funding revenues on new projects covered 68% of the operational investments in multi-client data compared to 53% in 2011. Proprietary contract revenues decreased by 27% due to lower proprietary acquisition activity, and represented 3% of total net revenues in 2012.

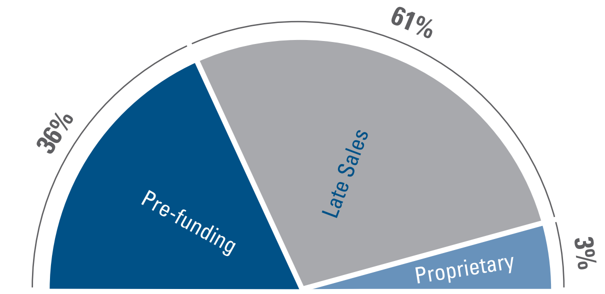
TGS has a geographically diversified portfolio. In 2012, revenues from Europe and Russia (EUR) increased by 24% while revenues from Africa, Middle East and Asia Pacific (AMEAP) grew by 84% compared to 2011. Also, revenues from North and South America (NSA) increased by 104% in 2012 reflecting continued improvement in post-Macondo activity levels in the Gulf of Mexico as well as the rapid ramp up of operations in the onshore multi-client segment.

In 2011, TGS announced its intention to enter the onshore multi-client market in North America. The first projects in the U.S.A. were started in 2012, and the business was further strengthened by the acquisition of the Canadian onshore seismic company Arcis in June 2012. The use of multi-client seismic by oil and gas companies in the development of the unconventional plays in onshore North America has grown substantially in recent years and TGS sees strong potential to expand its existing library to include land seismic data. Since onshore North America is already the largest market for the Company's well data products business, TGS plans to capitalize on associated synergies in developing its seismic products library.

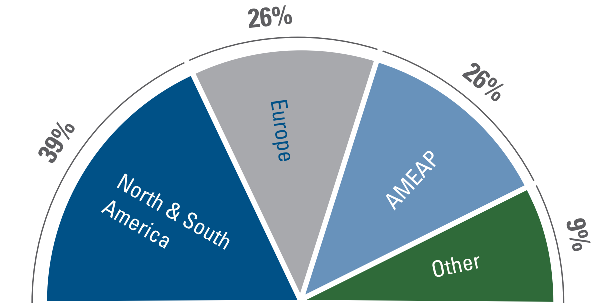
TGS continues to generate multi-client revenues from a well-balanced mix of products. In 2012, multi-client 2D seismic revenues decreased 12% from 2011, multi-client 3D seismic revenues increased 110% and multi-client revenues from geological products increased 7%.

Multi-client Geoscientific Data Library

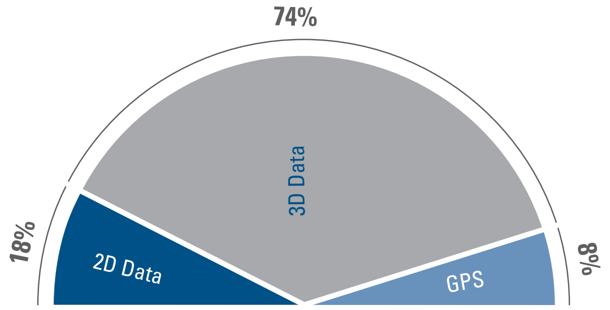
TGS' library of multi-client seismic data, well data and integrated products is its largest single asset, with a net book value representing 39% of the total assets in the balance sheet. Seismic data, representing 89% of the library's net book value, is amortized on a project-by-project basis as a function of sales. Minimum amortization criteria are applied if sales do not match expectations so each project is fully amortized within a four-year period following its completion. Because of the Company's strong track record in delivering sales, the library is amortized more quickly than required by the minimum criteria. As a result, the library's current net book value is heavily weighted toward the newest, most modern projects. The well data library is amortized on a straight-line basis over



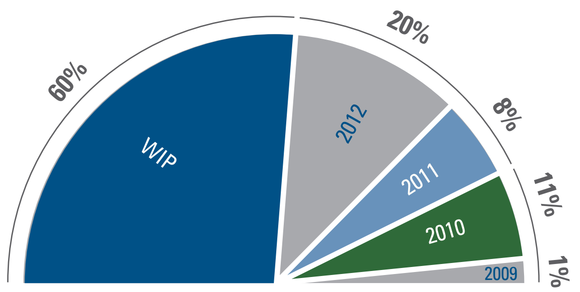
2012 Net Revenues



2012 Net Revenues



2012 Net Multi-client Revenues



Net Book Value of Seismic Library by Year as a Percentage of Total

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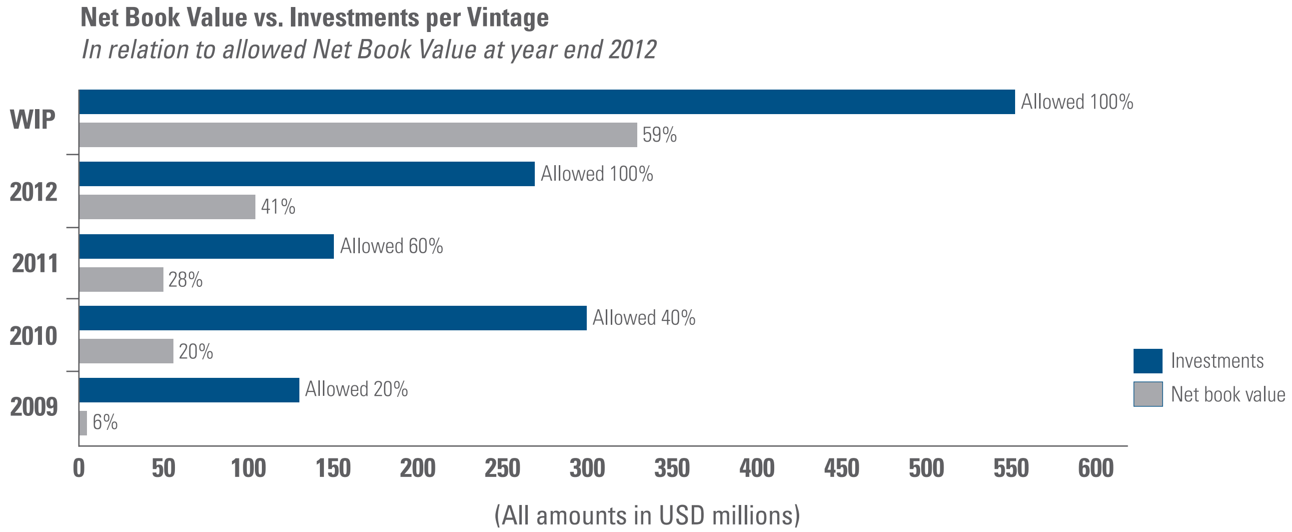

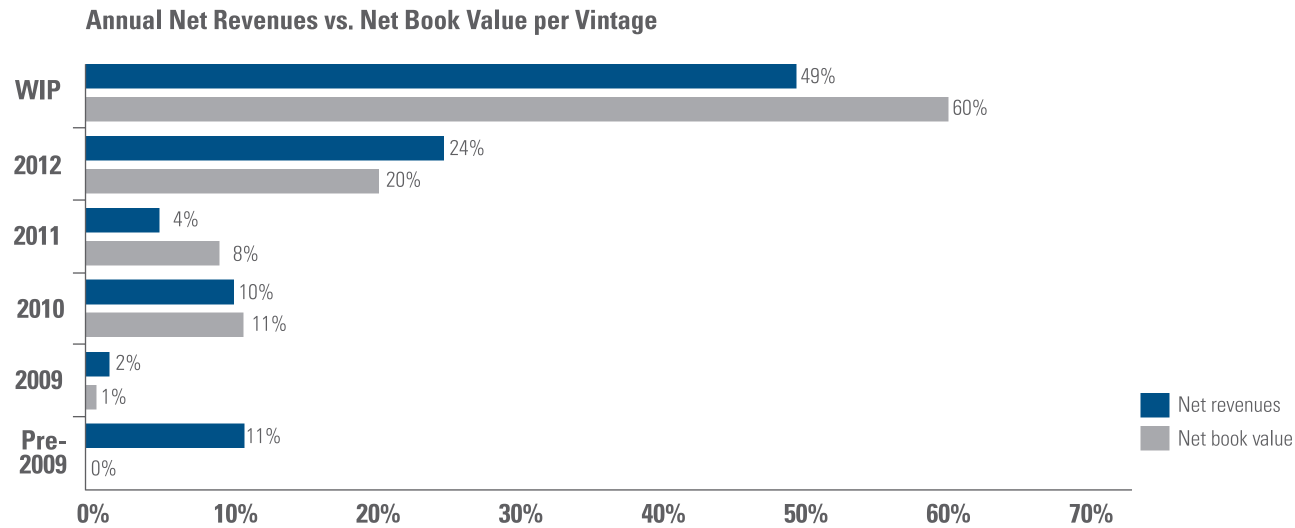

seven years, while data purchased from third-parties follow a straight-line amortization profile over the remaining useful life. The acquired multi-client data library from the Arcis transaction is amortized over five years.

Commitments to Seismic Acquisition Capacity

TGS secures all seismic acquisition capacity from external suppliers. At year-end 2012, the Company has entered into commitments for charter hire of six 3D seismic acquisition vessels and two 2D seismic acquisition vessels. All commitments will expire in 2013. The amounts committed total USD 231.3 million for the year 2013. In addition the Company has made a commitment to three 3D land seismic crews for onshore seismic projects in the U.S.A. and in Canada. These commitments amount to USD 29.2 million and will expire in 2013.

Results from Operations

Net revenues in 2012 were USD 932.2 million, an increase of 53% compared to 2011 (USD 608.6 million). Operating profit (EBIT) was USD 402.3 million, an increase of 67% compared to 2011 (USD 240.4 million). The 2012 EBIT margin was 43% compared to 40% in 2011. Pre-tax profit in 2012 was USD 407.6 million, an increase of 69% from 2011. Net income in 2012 was at USD 284.5 million, which represents an increase of 67% compared to 2011.

TGS operating cash flow increased by 36% to USD 663.4 million in 2012 compared to 2011 (USD 486.7 million). The operating cash flow is significantly higher than the operating profit as amortization of the multi-client library is the Company's largest expense item.

In 2012, TGS paid an increased dividend of USD 103.3 million (NOK 6 per share), up from USD 93.4 million (NOK 5 per share) paid in 2011. The Company did not buy back any of its shares in 2012. At year end TGS had cash and cash equivalents of USD 338.7 million compared to USD 335.7 million in 2011. As of 31 December 2012, total equity amounted to USD 1,168.4 million, corresponding to an equity ratio of 70%.

Mergers and Acquisitions

On 11 May 2012, TGS announced that its Geological Products division purchased all the outstanding shares of Volant Solutions Inc. Volant is a small, six-employee technology company based in Houston, Texas that provides integration solutions for E&P companies to address the challenges of managing ever-increasing quantities of geotechnical data. This integration of internal and external data sources with geoscience applications used by the industry enables scientists and engineers to reduce interpretation cycle time and increase efficiency. The purchase consideration for 100% of the shares in Volant amounted to USD 3.8 million.

Shareholders and Value Metrics	2012	2011
Net revenues	932,239	608,568
Operating profit (EBIT) margin	43%	40%
Multi-client net revenues / average net book value ratio	1.55	1.15
Pre-tax return on average capital employed (ROCE)	36%	25%
Cash flow from operations after multi-client investments	180,706	203,494
Shareholders equity as % of balance sheet	70%	73%

On 15 June 2012, TGS completed the acquisition of Calgary-based Arcis Seismic Solutions Corp. The enterprise value of the transaction was USD 72 million. Arcis is a privately-owned geophysical company founded in 1996 with a head office located in Calgary, Alberta, Canada. The 3D multi-client library at the date of acquisition consisted of 12,689 km^2 with core activity in many prolific hydrocarbon trends in Alberta, British Columbia and Saskatchewan (including Bakken, Horn River, Montney and Duvernay plays). Arcis employs over 80 professional and technical personnel who have a broad range of skills, expertise and experience. As a wholly-owned subsidiary of TGS, Arcis will continue to invest in multi-client projects in Canada, provide proprietary imaging services to external customers worldwide and will play a vital role in the processing of TGS' own multi-client surveys. The Arcis acquisition will allow TGS to grow into the onshore multi-client and imaging business in Canada and other markets served by Arcis. The acquisition was consolidated into TGS accounts as of 1 July 2012.

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. With a market capitalization of NOK 18.8 billion on 31 December 2012, TGS is the 12th largest company on the Oslo Stock Exchange. TGS did not raise any new equity in the market during 2012 other than shares issued as part of employee stock option programs. The Board does not anticipate issuing any new equity during 2013, apart from issues of stock options to employees, unless necessary to finance the acquisition of another company or a major business opportunity.

During 2012, TGS invested USD 496.2 million in organic growth of its multi-client library and supplemented this with USD 31.1 million in purchases of data from third parties, bringing the net book value of the multi-client library to USD 651.2 million at 31 December 2012 as compared to 511.1 million at 31 December 2011.

In 2012 TGS has recognized an impairment charge of USD 25.0 million against goodwill related to the Reservoir Solutions business that was purchased in 2011.

The contingent consideration liability related to the 2011 acquisition of Stingray Geophysical Ltd is recognized at USD 0 at 31 December 2012 as it is not considered probable that the criteria for additional cash payments to the previous owners of Stingray will be met.

As of 31 December 2012, TGS total cash holdings amounted to USD 338.7 million as compared to USD 335.7 million at 31 December 2011.

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

For the accounting year 2012, the Board has proposed to the June 2013 Annual General Meeting a dividend of NOK 8 per share.

The Board of Directors may also continue to buy back its shares in the market under its existing authority from shareholders.

Risk Management and Internal Control

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

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

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as the Parent Company pays taxes in Norwegian kroner to Norwegian tax authorities and dividends in Norwegian kroner to shareholders, fluctuations between the NOK and the USD impact currency exchange gains or losses on tax expense and financial items.

Liquidity risk arises from a lack of correlation between cash flow from operations and financial commitments. As per 31 December 2012, TGS held current assets of USD 800.6 million, of which cash and cash equivalents represented USD 338.7 million, and current liabilities of USD 374.5 million. The Company's liquidity risk is considered to be low.

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

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

Organization, Working Environment and Equal Opportunity

TGS' Parent Company had 45 employees as of 31 December 2012. The TGS group had 519 employees in the United States, 51 employees in Norway, 146 employees in the United Kingdom, 74 employees in Canada, 25 employees in Australia and 1 employee in Brazil, totaling 816 employees. The number of employees during 2012 averaged 758.

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

Women comprise 44% of the total workforce in the Company versus 46% in 2011. The corresponding figure for managers is 30% compared to 27% in the previous year.s year.

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

The sickness absence frequency for TGS in 2012 was 0.9% as compared to 1.3% in 2011.

In 2012, TGS employees accumulated 1,439,769 man hours without incurring a single lost time injury. TGS' contractors experienced three lost time injuries in 4,395,645 man hours in 2012.

As part of the continuous improvement strategy for 2012, a complete update of the HSE management system was completed, which included the integration of the Reservoir Solutions HSE management system. Additionally a program was successfully implemented to have senior management visit field operations to promote HSE.

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 six 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, elected by the shareholders consists of the following members:

Tor Himberg-Larsen (Chairman), Ole Søeberg, and Christina Stray.

Himberg-Larsen and Stray were elected for a two year term at the Annual General Meeting on 7 June 2011, while Søeberg was elected for a two year term from 5 June 2012.

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

TGS conducts an active compliance program designed to continually inform and educate employees on ethical and legal issues. The Company employs a full time Board-appointed compliance officer who reports quarterly on progress.

TGS has based its corporate governance on the Norwegian Code of Practice for Corporate Governance published 23 October 2012. It is the opinion of the Board of Directors that the Company complies with Code of Practice and subsequent amendments in all areas. A more detailed description of how TGS complies with the Code of Practice and the Norwegian Accounting Act's requirements for reporting on corporate governance is included in the Report on Corporate Governance included in this Annual Report and on TGS' website: http://www.tgs.com.

Salary and Other Compensation

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

The Directors do not participate in any bonus plan, profit-sharing plan or stock option plan.

Outlook

TGS' financial performance in 2012 confirms a strong market with an increasing demand for seismic data. Looking forward to 2013, analyst surveys are forecasting continued increases in E&P spending. Seismic spending typically closely follows E&P spending, so expectations are that the industry will see further growth in 2013.

TGS' customers continue to communicate their intention to invest in new data to enable exploration in new and mature plays where TGS is active. TGS believes that the Company's high quality data library, solid financial position and highly flexible business model enable the Company to continue to deliver profitable growth built on a foundation of strong investment opportunities.

TGS has secured a significant amount of necessary vessel capacity to execute on its investment plan in 2013. At this time the Company sees adequate available additional vessel capacity in the market to execute on the guided plan.

These forward-looking statements reflect current views about future events and are, by their nature, subject to significant risks, uncertainties and assumptions that are difficult to predict because they relate to events and depend on circumstances that will occur in the future.

Allocation of Profit

The Board proposes that the Parent Company's net income of USD 171.6 million shall be allocated as follows:

Dividends	USD 146.8 million
Allocated to Other Equity	USD 24.8 million
Total	USD 171.6 million

As of 31 December 2012, the Parent Company's free equity was NOK 1,113.2 million (USD 173.2 million) after accrual for dividends.

As part of the group's tax planning, the Board also proposes that the Parent Company makes intercompany group contributions to certain wholly-owned subsidiaries of USD 0.4 million.

18 March 2013

Hank Hamilton
Chairman

Mark S. Leonard
Director

Colette Lewiner
Director

Bengt Lie Hansen
Director

Elisabeth Harstad
Director

Vicki Messer
Director

Robert Hobbs
CEO

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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 2012 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.

18 March 2013

Hank Hamilton
Chairman

Mark S. Leonard
Director

Colette Lewiner
Director

Bengt Lie Hansen
Director

Elisabeth Harstad
Director

Vicki Messer
Director

Robert Hobbs
CEO

GLOBAL

"TGS is the premier global provider of high quality multi-client geoscience data."

Genie Erneta
VP Human Resources

Group Financials

Consolidated Statement of Comprehensive Income

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

	Note	2012	2011
Net revenues	3,23	**932,239**	608,568
Cost of goods sold - proprietary and other	1	**7,134**	13,162
Amortization of the multi-client library	3,5	**387,305**	241,509
Personnel costs	3,7	**83,922**	58,409
Cost of stock options	3,7,8	**3,285**	2,066
Other operating expenses	3	**35,809**	46,035
Changes in contingent consideration liability	2,3,14	**(24,968)**	–
Depreciation, amortization and impairment	3,4,5,6	**37,448**	6,985
Total operating expenses		**529,934**	368,166
Operating profit		**402,304**	240,402
Financial income	24	**5,413**	2,684
Financial expenses	24	**(599)**	(246)
Net exchange losses	24	**(3,433)**	(1,815)
Gains on financial investments	24	**3,865**	121
Net financial items		**5,246**	744
Profit before taxes		**407,550**	241,146
Taxes	25	**123,017**	70,458
Net income		**284,533**	170,688
Earnings per share (USD)	9	**2.79**	1.67
Earnings per share, diluted (USD)	9	**2.76**	1.65
Other comprehensive income:			
Exchange differences on translation of foreign operations		**2,102**	(200)
Net (loss)/gain on available for sale financial assets	15	**(1,748)**	1,349
Other comprehensive income, net of tax		**354**	1,149
Total comprehensive income for the period		**284,887**	171,837
Net income attributable to the owners of the parent		**284,453**	170,555
Net income attributable to non-controlling interests		**80**	133
		284,533	170,688
Total comprehensive income attributable to the owners of the parent		**284,807**	171,704
Total comprehensive income attributable to non-controlling interests		**80**	133
		284,887	171,837

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Consolidated Balance Sheet

as of 31 December

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

	Note	2012	2011
Assets			
Non-current assets			
Goodwill	5,6	**86,616**	86,401
Multi-client library	5	**651,165**	511,131
Other intangible non-current assets	5,6	**55,641**	46,731
Deferred tax asset	25	**17,897**	23,137
Buildings	4	**4,273**	816
Machinery and equipment	4	**27,752**	18,746
Other non-current assets	14	**16,828**	13,814
Total non-current assets		**860,172**	700,774
Current assets			
Financial investments available for sale	15	**3,689**	18,963
Accounts receivable	16	**281,755**	148,503
Accrued revenues		**129,471**	103,493
Other receivables	16	**46,962**	25,739
Cash and cash equivalents	11	**338,673**	335,709
Total current assets		**800,550**	632,407
Total assets		**1,660,721**	1,333,182
Equity and Liabilities			
Equity			
Paid-in capital			
Share capital	10	**3,712**	3,713
Treasury shares held	10	**(57)**	(76)
Share premium reserve		**56,008**	53,256
Other paid-in equity		**23,595**	20,310
Total paid-in capital		**83,258**	77,203
Other equity		**1,084,890**	895,685
Equity attributable to owners of the parent		**1,168,148**	972,888
Non controlling interests		**213**	133
Total equity		**1,168,360**	973,021
Liabilities			
Non-current liabilities			
Other non-current liabilities	2,14	**4,356**	29,253
Deferred tax	25	**113,480**	113,047
Total non-current liabilities		**117,836**	142,300
Current liabilities			
Accounts payable	17	**201,914**	101,000
Taxes payable, withheld payroll tax, social security	25	**79,369**	50,731
Other current liabilities	17	**93,242**	66,130
Total current liabilities		**374,525**	217,861
Total liabilities		**492,361**	360,161
Total equity and liabilities		**1,660,721**	1,333,182

18 March 2013

Hank Hamilton
Chairman

Mark S. Leonard
Director

Colette Lewiner
Director

Bengt Lie Hansen
Director

Elisabeth Harstad
Director

Vicki Messer
Director

Robert Hobbs
CEO

Consolidated Statement of Changes in Equity

as of 31 December

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

	Attributable to the owners of the parent									
	Share Capital	Treasury Shares Held	Share Premium Reserve	Other Paid-in Equity	Available for Sale Reserve	Foreign Currency Translation Reserve	Retained Earnings[1]	Total	Non controlling Interest	Total Equity
Balance 1 January 2012	**3,713**	**(76)**	**53,256**	**20,310**	**1,960**	**(8,593)**	**902,318**	**972,888**	**133**	**973,021**
Net income	–	–	–	–	–	–	284,453	284,453	80	**284,533**
Other comprehensive income	–	–	–	–	(1,748)	2,102	–	354	–	**354**
Total comprehensive income	–	–	–	–	(1,748)	2,102	284,453	284,807	80	**284,887**
Paid-in equity through exercise of stock options	9	–	2,752	–	–	–	–	2,761	–	**2,760**
Distribution of treasury shares	–	11	–	–	–	–	3,791	3,802	–	**3,802**
Cancellation of treasury shares held	(9)	9	–	–	–	–	–	–	–	–
Cost of stock options	–	–	–	3,285	–	–	–	3,285	–	**3,285**
Dividends	–	–	–	–	–	–	(99,911)	(99,911)	–	**(99,911)**
Deferred tax asset related to stock options	–	–	–	–	–	–	516	516	–	**516**
Balance 31 December 2012	**3,712**	**(57)**	**56,008**	**23,595**	**212**	**(6,491)**	**1,091,167**	**1,168,148**	**213**	**1,168,360**

1) The Board of Directors propose to the shareholders at the June 2013 Annual General Meeting a dividend of NOK 8 per share of outstanding common stock. During 2012, the Board proposed and the shareholders approved a dividend of NOK 6 per share which was paid to the shareholders in June 2012.

	Attributable to the owners of the parent									
	Share Capital	Treasury Shares Held	Share Premium Reserve	Other Paid-in Equity	Available for Sale Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total	Non controlling Interest	Total Equity
Balance 1 January 2011	**3,714**	**(64)**	**40,894**	**18,244**	**611**	**(8,393)**	**853,764**	**908,771**	–	**908,771**
Net income	–	–	–	–	–	–	170,555	170,555	133	**170,688**
Other comprehensive income	–	–	–	–	1,349	(200)	–	1,149	–	**1,149**
Total comprehensive income	–	–	–	–	1,349	(200)	170,555	171,704	133	**171,837**
Paid-in equity through exercise of stock options	31	–	12,362	–	–	–	–	12,393	–	**12,393**
Purchase of treasury shares	–	(56)	–	–	–	–	(29,975)	(30,031)	–	**(30,031)**
Distribution of treasury shares	–	12	–	–	–	–	3,361	3,373	–	**3,373**
Cancellation of treasury shares held	(32)	32	–	–	–	–	–	–	–	**–**
Cost of stock options	–	–	–	2,066	–	–	–	2,066	–	**2,066**
Dividends	–	–	–	–	–	–	(95,388)	(95,388)	–	**(95,388)**
Balance 31 December 2011	**3,713**	**(76)**	**53,256**	**20,310**	**1,960**	**(8,593)**	**902,318**	**972,888**	**133**	**973,021**

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Consolidated Statement of Cash Flow

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

	Note	2012	2011
Cash flow from operating activities			
Received payments from customers		**862,404**	648,060
Payments for salaries, pensions, social security tax		**(75,798)**	(59,316)
Other operational costs		**(43,243)**	(38,397)
Net gain/(loss) on currency exchange		**(19)**	(1,815)
Paid taxes		**(79,948)**	(61,822)
Net cash flow from operating activities[1]		**663,396**	486,711
Cash flow from investing activities			
Investments in tangible and intangible assets		**(25,927)**	(13,079)
Investments in multi-client library		**(482,691)**	(283,217)
Investments through mergers and acquisitions, net of cash acquired		**(75,750)**	(43,851)
Proceeds from sale of short-term investments	2	**16,450**	4,200
Interest received		**4,599**	2,674
Net cash flow from investing activities		**(563,319)**	(333,272)
Cash flow from financing activities			
Interest paid		**(351)**	(246)
Dividend payments		**(103,325)**	(93,407)
Purchase of own shares		**–**	(30,031)
Proceeds from share issuances		**6,563**	15,768
Net cash flow from financing activities		**(97,113)**	(107,916)
Net change in cash and cash equivalents		**2,963**	45,525
Cash and cash equivalents at the beginning of the period	11	**335,709**	290,185
Cash and cash equivalents at the end of the period	11	**338,673**	335,709

1) Reconciliation			
Profit before taxes		**407,551**	241,146
Depreciation/amortization/impairment	4,5, 6	**424,753**	248,494
Impairment of long-term receivables (net)	14	**–**	19,500
Changes in accounts receivables and accrued revenues		**(154,034)**	33,251
Changes in other receivables		**2,548**	(14,399)
Changes in other balance sheet items		**62,526**	20,542
Paid taxes		**(79,948)**	(61,822)
Net cash flow from operating activities		**663,396**	486,711

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 Lensmannslia 4, 1386 Asker, Norway. The Company is listed on the Oslo Stock Exchange.

TGS' consolidated financial statements were authorized by the Board of Directors on 18 March 2013.

Basis of Preparation

The consolidated financial statements of the 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 2012 and consist of the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity, and notes to the consolidated financial statements.

The consolidated financial statements for the Group have been prepared on a historical cost basis, except financial investments available for sale and through profit and loss that have been measured at fair value. The financial statements of the subsidiaries have been prepared for the same reporting year as the Parent Company, using consistent accounting policies.

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 Group's financial position, 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 TGS 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 TGS 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.

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.

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 Group presents its consolidated financial reports in USD. The majority of the Group's revenues and expenses are denominated in USD, and USD is the functional currency for most of the entities in the Group, including the Parent Company. The financial statements of the Parent Company are presented separately in this Annual Report.

Foreign Currency Translation

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

Significant Accounting Judgments, Estimates and Assumptions

In the process of applying TGS' 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 and Impairment

TGS 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 and could also lead to impairments.

For details about the multi-client library, see Note 5.

Impairment of Goodwill

TGS determines whether goodwill is impaired at least on an annual basis or when there are indicators that the carrying amount may not be recoverable. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the 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. Variables such as estimated future revenues, margins and estimated long-term growth are the key drivers for the basis of the value in use calculations.

For details about goodwill, see Note 6.

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. 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.

For details about deferred tax assets, see Note 25.

Provision of Impairment of Accounts Receivables

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

For details about the provision of impairment of accounts receivables, see Note 16.

Share–based Payments

TGS measures the cost of the stock option plans for employees by reference to the fair value of the equity instruments at the date at which they are granted (equity-settled transactions) or at the end of each reporting period (cash-settled transactions). Estimating fair value requires an appropriate valuation model to value the share-based instruments. The values are dependent on the terms and conditions of the granted share-based instruments. This also requires determining the appropriate assumptions in the valuation models including the expected life of the instruments, volatility and dividend yield.

For details about the share-based payments, see Note 8.

Revenue Recognition

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

Summary of Significant Accounting Policies

Revenue Recognition

Revenue is recognized when it is probable that the economic benefits from a transaction will flow to TGS 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 commencement of acquisition 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

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

Proprietary Contracts

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

Interest Income

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

Royalty Income

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

Cost of Goods Sold (COGS) – Proprietary Contracts 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. Data acquisition costs include steaming costs incurred when relocating vessels to the survey areas. 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 quarterly. For work in progress, the amortization is based on estimated total cost versus forecasted total revenues of the project.

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

Minimum Amortization Policy on Seismic Data

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

Amortization Policy on Seismic Data Purchased from Third Parties

When purchasing seismic data from third parties, a straight-line amortization over the remaining useful life is recognized. The straight-line amortization is based on the purchase value of the seismic data recognized on the date of the purchase.

Amortization Policy on Well Data Products

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

Impairment Test Library

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

Intangible Assets

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

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

Business Combinations and Goodwill

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

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

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill from a business combination is, from the acquisition date, allocated to each of TGS' cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of TGS are assigned to those units. Each unit, or group of units to which the goodwill is allocated, represents the lowest level within TGS at which the goodwill is monitored for internal management purposes. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities but excluding future restructuring) of the purchased business at fair value.

Should part of an operation carrying goodwill be disposed of, the goodwill which is associated with the disposed operation is then included in book value of the operation when determining the gain or loss on the disposal. The goodwill disposed of in this circumstance is 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 goodwill is recognized in the income statement. Material subsidiaries sold are presented as discontinued operations or disposal groups of assets and liabilities as of the date when the transaction is highly probable.

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

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

Tangible Non-current Assets and Principles of Depreciation

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

Research and Development Costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when TGS can demonstrate:

- It is technically feasible to complete the product so that it will be available for use;
- Management intends to complete the product and use it;
- There is an ability to use the product;
- It can be demonstrated how the product will generate future economic benefits;
- Adequate technical, financial or other resources to complete the development and to use the product are available; and
- The expenditure attributable to the product during its development can be reliably measured.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

Provisions

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

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

Income Taxes

Current Income Tax

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

Deferred Tax

Deferred 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 tax liabilities have been recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences, the 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 tax assets and deferred 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 taxes relate to the same taxable company and the same taxation authority. Deferred 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 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 Group's units that do not have their tax base in USD are exposed to changes in the USD/tax base-currency rates. Effects within the current year are classified as tax expense.

Share-based Payments

Key employees of TGS receive remuneration in the form of share-based payment whereby employees render services as consideration for stock options and Stock Appreciation Rights (SARs).

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

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

Financial Investments and Other Financial Instruments

TGS classifies financial investments in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification at initial recognition and re-evaluates this designation at every reporting date. When financial assets or financial liabilities 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 or financial liabilities are recognized at the date of trade.

TGS does not apply hedge accounting.

Financial Assets at Fair Value Through Profit or Loss

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

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

Loans and Receivables

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

Available-for-Sale Financial Assets

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

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

De-recognition of Financial Assets and Liabilities

A financial asset is de-recognized when:

- The rights to receive cash flows from the asset have expired, or
- TGS 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 TGS 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 TGS' 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 TGS 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 TGS' continuing involvement is the amount of the transferred asset that TGS may repurchase, except that in the case of a written put option on an asset measured at fair value, the extent of TGS' 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.

Impairment of Financial Assets

TGS assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Non-current Assets Held for Sale

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

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

Pensions

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

Leases

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

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

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

Cash and Cash Equivalents

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

Accounts Receivable and Other Receivables

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

Treasury Shares

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

Dividends

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

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 group

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the group.

(b) New standards and interpretations issued, but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of the issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

- IAS 1 Financial statement presentation – Amendments
  The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The amendment affects presentation only and has no impact on the Group's financial position or performance.

- IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
  As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. IAS 28 as revised in 2011 becomes effective for annual periods beginning on or after 1 January 2013.

- IAS 19 Employee Benefits – (amendment)
  The amendments to IAS 19 Employee Benefits, proposes major changes to the accounting for employee benefits, including the removal of the option for deferred recognition of changes in pension plan assets and liabilities (known as the "corridor approach"). The amendment will not impact the Group as it does not have defined benefit plans.

- IAS 32 Financial Instruments - Presentation (amendment)
  The amendments to IAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

- IFRS 7 Financial Instruments – Disclosures (amendment)
  The IASB has introduced new disclosure requirements in IFRS 7. These disclosures, which are similar to the new US GAAP requirements, would provide users with information that is useful in (a) evaluating the effect or potential effect of netting arrangements on an entity's financial position and (b) analyzing and comparing financial statements prepared in accordance with IFRSs and US GAAP. The amended IFRS 7 is effective for annual periods beginning on or after 1 January 2013, but the amendment is not yet approved by the EU. The Group expects to implement the amended IFRS 7 as of 1 January 2013. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

- IFRS 9 Financial instruments
  The standard,addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9s full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

- IFRS 10 Consolidated financial statements
  The standard, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The group is yet to assess IFRS 10s full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2014.

- IFRS 11 Joint arrangements
  IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after 1 January 2014.

- IFRS 12 Disclosure of involvement with other entities
  IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2014.

- IFRS 13 Fair value measurement
  The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Group is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected. This standard becomes effective for annual periods beginning on or after 1 January 2013.

2 BUSINESS COMBINATIONS

Acquisitions 2012:

On 15 June 2012 TGS acquired 100% of the shares in Arcis Seismic Solutions Corp. (Arcis), a privately owned geophysical company in Canada. Arcis has built one of the most modern 3D seismic data libraries in the Western Canadian Sedimentary Basin. Arcis has complemented its data library through offering global seismic solutions that include seismic data processing, reservoir analysis, geo-consultation and project management.

The Arcis acquisition will allow TGS to grow into the onshore multi-client and imaging business in Canada and other markets served by Arcis.

The allocation of the purchase price of Arcis was as follows:

	Fair Value Recognized On Acquisition
Assets	
Non-cash working capital	(1,201)
Fixed assets	3,818
Long-term receivables	2,758
Multi-client data library	29,100
Intangible assets	12,130
Deferred tax asset	5,600
	52,205
Liabilities	
Deferred tax liability	(4,205)
	(4,205)
Total identifiable net assets at fair value	**48,000**
Goodwill arising on acquisition	24,000
Purchase consideration transferred	**72,000**

The goodwill of USD 24.0 million which is allocated to the Arcis cash-generating unit comprises the value of expected synergies arising from the transaction and values related to the current workforce of Arcis. None of the goodwill recognized is expected to be deductible for income tax purposes.

The acquired multi-client data library is amortized on a straight-line profile. The remaining useful life at the time of the acquisition was considered to be five years.

From the date of acquisition, TGS has recognized net revenues of USD 21.8 million. If the acquisition had taken place at the beginning of the year, net revenues would have been USD 48.6 million.

Purchase consideration	
Cash paid	72,000
Total consideration	**72,000**

Analysis of cash flows on acquisition	
Transaction costs of the acquisition	(453)
Net cash acquired with the subsidiary	6,012
Net cash flow on acquisition	5,559

The transaction costs of USD 0.5 million have been expensed and are included in other operating expenses.

No other significant business combinations, either individually or collectively, have taken place in 2012.

Acquisitions 2011:

On 18 April 2011 TGS acquired 100% of the shares in Stingray Geophysical Limited, a privately held company in United Kingdom. TGS Geophysical Company (UK) Limited (former Stingray Geophysical Limited) holds a license to commercialize fiber-optic sensing technology for seismic Permanent Reservoir Monitoring and some other oil and gas applications. The acquisition was expected to provide TGS with a strong position in the growing market of Permanent Reservoir Monitoring.

	Fair Value Recognized On Acquisition
Assets	
Other intangible assets (technology)	30,916
Deferred tax asset	5,138
Machinery and equipment	69
Other current receivables	266
Cash and cash equivalents	1,149
	37,538
Liabilities	
Deferred tax liability	(6,121)
Other current liabilities	(2,012)
	(8,133)
Total identifiable net assets at fair value	**29,405**
Goodwill arising on acquisition	40,563
Purchase consideration transferred	**69,968**
Purchase consideration	
Cash paid	45,000
Contingent consideration liability	24,968
Total consideration	**69,968**

The goodwill of USD 40.6 million comprised the value of expected synergies arising from the transaction, add-on values from the technologies and values related to the workforce of acquired company. None of the goodwill recognized was expected to be deductible for income tax purposes.

From the date of acquisition through 31 December 2011, Stingray represented a net loss before tax of USD 4.7 million to the consolidated statement of comprehensive income. No revenues were recognized during this period. If the combination had taken place at the beginning of 2011, revenues would have been USD 0.1 million and the net loss before tax would have been USD 7.1 million.

The transaction costs of USD 1.4 million were expensed and were included in other operating expenses.

As part of the purchase agreement with the previous owners of Stingray, a contingent consideration was agreed. There will be additional cash payments to the previous owners of Stingray of:

(1) USD 14.0 million (Tranche 1), if awarded a contract to furnish and install a permanent reservoir monitoring system within two years from completing the transaction.

(2) USD 14.0 million (Tranche 2), if completing the installation of the equipment as well as acquisition of data from reservoir(s) comprised by a qualifying contract. The final shot point of data must be completed within three years from the date of execution of the underlying agreement.

(3) USD 7.0 million (Tranche 3), conditional upon a subsequent acquisition of data over the reservoir(s) originally shot as part of fulfillment of Tranche 2. The acquisition must be completed within three years from the date of execution of the underlying agreement.

As at the acquisition date, the fair value of the contingent consideration was estimated at USD 25.0 million.

No other significant business combinations, either individually or collectively, took place in 2011.

3 SEGMENT INFORMATION

TGS' reporting structure, as reported to the executive management, is broken down into the geographic areas forming the operating segments, North and South America (NSA), Europe and Russia (EUR) and Africa, Middle East and Asia Pacific (AMEAP).

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

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

Transactions between operating segments are on an arm's length basis in a manner similar to transactions with third parties. No inter-segment sales between the reportable segments have taken place during 2012 or 2011. Employee bonuses are recognized within "Corporate."

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2012	North and South America	Europe and Russia	Africa, Middle East and Asia Pacific	Other Segments/ Corporate Costs	Consolidated
Net operating revenues	360,488	243,859	239,007	88,885	932,239
Other revenues	–	–	–	–	–
Net external revenues	**360,488**	**243,859**	**239,007**	**88,885**	**932,239**
Costs of goods sold-proprietary & other	6,167	286	486	194	7,134
Amortization of multi-client library	151,892	87,722	129,797	17,893	387,305
Operational costs	12,980	9,933	8,278	91,823	123,016
Changes in contingent consideration liability	–	–	–	(24,968)	(24,968)
Depreciation, amortization and impairment	2,048	31	109	35,261	37,448
Operating profit	**187,401**	**145,886**	**100,336**	**(31,318)**	**402,304**

2011	North and South America	Europe and Russia	Africa, Middle East and Asia Pacific	Other Segments/ Corporate Costs	Consolidated
Net operating revenues	176,421	196,540	129,738	105,868	608,568
Other revenues					
Net external revenues	**176,421**	**196,540**	**129,738**	**105,868**	**608,568**
Costs of goods sold - proprietary and other	–	12,244	5	912	13,162
Amortization of multi-client library	73,243	71,485	78,588	18,193	241,509
Operational costs	3,794	28,335	6,325	68,057	106,512
Depreciation, amortization and impairment	102	204	83	6,595	6,985
Operating profit	**99,283**	**84,271**	**44,737**	**12,110**	**240,402**

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

	2012	2011
Operating profit for reportable segments	433,623	228,291
Operating profit for other segments/ corporate costs	(31,318)	12,110
Total segments	**402,304**	**240,402**
Financial income	5,413	2,684
Financial expenses	(599)	(246)
Exchange gains/losses	(3,433)	(1,815)
Gains on financial investments	3,865	121
Profit before taxes	**407,550**	**241,146**

"Total assets" is not a part of the information regularly provided to executive management. The Group does not report a measure of liabilities for the reportable segments.

As the operating segments reported are broken down to geographic areas, there is no further breakdown of revenues to the customer's country of domicile.

In 2012 and in 2011, no customers represented sales that amounted to 10% or more of net sales.

Analysis of revenues by product type:

	2012	2011
2D seismic	170,382	195,068
3D seismic	688,302	346,651
Well logs and integrated products	73,555	66,849
Total net revenues	**932,239**	**608,568**

4 TANGIBLE NON-CURRENT ASSETS

2012			
Acquisition Cost and Depreciation:	**Machinery and Equipment**	**Buildings[2]**	**Total**
Cost as of 1 January 2012	86,937	1,247	88,184
Acquisition of a subsidiary	3,948	3,199	7,147
Additions	18,038	406	18,444
Disposals [1]	(421)	–	(421)
Exchange adjustment	432	325	757
Cost as of 31 December 2012	108,934	5,177	114,111
Accumulated depreciation as of 1 January 2012	68,192	431	68,623
Depreciation for the year	5,531	394	5,925
Accumulated amortization/depreciation on disposals [1]	(324)	–	(324)
Capitalized to the multi-client library	7,421	–	7,421
Exchange adjustment	363	79	442
Accumulated depreciation as of 31 December 2012	81,183	904	82,087
Net book value as of 31 December 2012	27,752	4,273	32,024
Useful life	2 to 7 years	50 years	

1) Gain on disposal during the year was USD 0
2) Buildings include some furniture and fixture with a useful life of 10 years

2011			
Acquisition Cost and Depreciation:	**Machinery and Equipment**	**Buildings[2]**	**Total**
Cost as of 1 January 2011	74,915	1,134	76,049
Acquisition of a subsidiary	103	35	138
Additions	12,956	78	13,034
Disposals[1]	(992)	–	(992)
Exchange adjustment	(45)	–	(45)
Cost as of 31 December 2011	86,937	1,247	88,184
Accumulated depreciation as of 1 January 2011	60,451	353	60,804
Depreciation for the year	3,271	78	3,349
Accumulated amortization/depreciation on disposals[1]	(820)	–	(820)
Capitalized to the multi-client library	5,313	–	5,313
Exchange adjustment	(23)	–	(23)
Accumulated depreciation as of 31 December 2011	68,192	431	68,623
Net book value as of 31 December 2011	18,746	816	19,561
Useful life	2 to 7 years	50 years	

1) Gain on disposal during the year was USD 43K
2) Buildings include some furniture and fixtures with a useful life of 10 years

5 INTANGIBLE ASSETS

2012

Acquisition Cost and Depreciation:	**Goodwill**	**Multi-client Library**	**Other Intangible Assets**	**Total**
Cost as of 1 January 2012	96,443	1,951,413	97,892	2,145,748
Business combinations	24,421	29,100	12,380	65,901
Additions	–	498,238	7,404	505,642
Exchange adjustment	762	3	109	874
Cost as of 31 December 2012	121,626	2,478,754	117,785	2,718,165
Accumulated depreciation as of 1 January 2012	10,043	1,440,283	51,160	1,501,486
Amortization for the year	–	387,306	–	387,306
Depreciation for the year	–	–	6,555	6,555
Impairments	24,968	–	–	24,968
Capitalized to the multi-client library	–	–	4,429	4,429
Exchange adjustment	–	–	–	–
Accumulated depreciation and impairment as of 31 December 2012	35,011	1,827,589	62,144	1,924,744
Net book value as of 31 December 2012	86,616	651,165	55,641	793,421
Useful life			3 to 7 years	

2011

Acquisition Cost and Depreciation:	**Goodwill**	**Multi-client Library**	**Other Intangible Assets**	**Total**
Cost as of 1 January 2011	55,880	1,674,338	65,696	1,795,914
Business combinations	40,563	–	30,916	71,479
Additions	–	276,804	1,834	278,638
Exchange adjustment	–	271	(553)	(283)
Cost as of 31 December 2011	96,443	1,951,413	97,892	2,145,748
Accumulated depreciation as of 1 January 2011	10,043	1,198,793	42,082	1,250,918
Amortization for the year	–	241,509	–	241,509
Depreciation for the year	–	–	3,636	3,636
Capitalized to the multi-client library	–	–	5,610	5,610
Exchange adjustment	–	(19)	(167)	(187)
Accumulated depreciation and impairment as of 31 December 2011	10,043	1,440,282	51,161	1,501,486
Net book value as of 31 December 2011	86,401	511,131	46,731	644,262
Useful life			3 to 7 years	

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

For the year ended 31 December 2012, USD 23.9 million of impairments of the multi-client library is included in the amortization for the year (2011: USD 11.2 million).

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

6 IMPAIRMENT TESTING OF GOODWILL

Specification of goodwill:	Imaging	GPS Well Data	GPS Interpretations	Reservoir Solutions	Arcis	Other	Total
NBV as of 1 January 2012	25,406	11,798	7,558	40,563	–	1,076	86,401
+ /- changes during the year	–	421	–	(24,968)	24,762	–	215
NBV as of 31 December 2012	25,406	12,219	7,558	15,595	24,762	1,076	86,616

In accordance with IFRS, TGS tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The test is performed at year end.

Goodwill acquired through business combinations have been allocated to individual cash generating units (CGU) as referred to in the table above. GPS Well Logs, GPS Interpretations, Imaging and Reservoir Solutions form operating segments which are included in "Other segments/Corporate costs", while Arcis is part of "NSA" in Note 3.

All of the CGUs have been tested for impairment. Based on the impairment testing performed, TGS has recognized an impairment of the goodwill related to the Reservoir Solutions CGU. No other impairments exist as of 31 December 2012.

We have commented below on more than 95% of the net book value of goodwill as of 31 December 2012.

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investments by the Group's investors. The cost of debt is based on market assumptions on interest. Segment-specific risks are incorporated by applying individual beta factors. The beta factors are evaluated annually based on public available market data.

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 2013. An actual historical growth rate of 5% on all income statement items has been used for the subsequent four years.

A terminal value in 2017 of the business unit was determined by discounting the projected cash flow in 2017 assuming a nominal growth of 3.0%. The terminal value and the cash flows in the five year projection period were discounted using a 14% (pre tax) discount rate.

The impairment calculations are most sensitive to the changes in the forecasted growth rates, which are mainly influenced by future E&P spending and demand for TGS' products. In addition the impairment calculations are sensitive to the discount rate. Management does not see any reasonable changes in key assumptions that would cause the value in use to be lower than its carrying value.

Imaging

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 2013. An actual historical growth rate of 5% on all income statement items has been used for the subsequent four years.

A terminal value in 2017 of the business unit was determined by discounting the projected cash flow in 2017 assuming a nominal growth of 3.0%. The terminal value and the cash flows in the five year projection period were discounted using a 14% (pre tax) discount rate.

The impairment calculations are sensitive to the changes in the forecasted growth rates, which are mainly influenced by future E&P spending and demand for TGS' products. In addition the impairment calculations are sensitive to 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 2-5 million annually for the next five years. The lowest estimate has been used in the calculations together with a discount rate of 13% (pre tax).

A terminal value in 2017 of the business unit was determined by discounting the projected cash flow in 2017 assuming a nominal growth of 3.0%.

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

Arcis

Arcis Seismic Solutions Corp. (Arcis) is considered to be a separate CGU. The value in use of Arcis has been determined based on revenue and cash flow projections from financial estimates prepared by management of the business unit. These estimates are supplemented by the assessments made when performing a purchase price allocation in June 2012 and the preceding valuation analysis. The approved budget has been used for 2013. Thereafter, a growth rate for four years has been decided in accordance with the valuation analysis and updated knowledge.

A terminal value in 2017 of the business unit was determined by discounting the projected cash flow in 2017 assuming a nominal growth of 3.0%. The terminal value and the cash flows in the five year projection period were discounted using a 17% (pre tax) discount rate.

The impairment calculations are sensitive to the changes in the forecasted growth rates which are mainly influenced by future E&P spending and demand for TGS' products. In addition the impairment calculations are sensitive to 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. Further, calculations are sensitive to reduced operating revenues compared to original plans made at the time of the acquisition.

Reservoir Solutions

The Reservoir Solutions business acquired through the Stingray acquisition in 2011 (see Note 2) is considered to be a separate CGU.

The Group performed its annual impairment test as at 31 December 2012. The recoverable amount of the Reservoir Solutions CGU has been determined based on a value in use calculation using cash flow projections covering a five-year period. The approved budget has been used for 2013. The projected cash flows have been updated to reflect the current estimated revenue and investment forecasts and related margins. The pre-tax discount rate applied to cash flow projections is 21% and cash flows beyond the five-year period are extrapolated using a 3.0% growth rate. As a result of this analysis, TGS has recognized an impairment charge of USD 25.0 million against goodwill previously carried at USD 40.6 million. The impairment is recorded within operating expenses.

The impairment calculations are sensitive to the changes in the forecasted growth rates and the discount rate. Per 31 December 2012, TGS has recognized an impairment charge of USD 25.0 million to the goodwill recognized based on the Stingray Acquisition in 2011. Estimated recoverable amount is approximately at the same level as the carrying amount of the cash-generating unit, indicating that minor changes in assumptions could result in further impairment losses relating to the carrying amount of goodwill. Further, calculations are sensitive to further delays in project revenues. Postponements of twelve months compared to the current projections would however not lead to significant impairments.

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

	2012	2011
Payroll	**90,658**	64,298
Social security costs	**7,297**	5,828
Pension costs	**3,398**	2,847
Other employee related costs	**6,585**	5,798
Salaries capitalized to multi-client library	**(24,016)**	(20,362)
Personnel costs	**83,922**	58,409
Cost of stock options (see Note 8)	**3,285**	2,066
Personnel costs and cost of stock options	**87,207**	60,475

The number of employees per 31 December 2012 was 816 vs. 668 per 31 December 2011. No loans to employees are outstanding as of 31 December 2012 or 31 December 2011.

The Group has a profit sharing plan for all full-time 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 2012 have been paid or accrued as of 31 December 2012.

Board of Directors 2012	Director's Fee[1]	Value of Shares Received[2]	Total Remunerations
Hank Hamilton *(Chairman of the Board)*	215	–	215
Colette Lewiner	51	32	83
Elisabeth Harstad	91	–	91
Mark Leonard	51	32	83
Bengt Lie Hansen	25	32	57
Vicki Messer	51	32	83

Board of Directors 2011	Director's Fee[1]	Value of Shares Received[2]	Total Remunerations
Hank Hamilton *(Chairman of the Board)*	365	48	413
Colette Lewiner	74	32	106
Elisabeth Harstad	89	–	89
Mark Leonard	74	32	106
Bengt Lie Hansen	74	32	106
Vicki Messer *(Director from June 2011)*	26	32	58

1) The tables include Director's fees paid during the year. Directors receive fees on a bi-annual basis as decided by the AGM. Deviations in individual fees are related to the timing of the bi-annual payments.
2) In June 2012, each of the Directors, other than the Chairman received 1,600 restricted shares in TGS. One of the Directors was not permitted by her employer to own shares in other companies and will receive cash in lieu of restricted shares in an amount equal to the amount the other Directors will be able to sell their restricted shares for at the closing share price on the first day that a sale is permitted

	No. of Restricted Shares Received During 2012	No. of Shares Held 31/12/2012
Hank Hamilton *(Chairman of the Board)*	–	1,352,400
Colette Lewiner *(Director)*	1,600	9,300
Elisabeth Harstad *(Director)*	–	–
Mark Leonard *(Director)*	1,600	10,300
Bengt Lie Hansen *(Director)*	1,600	4,800
Vicki Messer *(Director)*	1,600	3,200

Compensation to the Members of the Nomination Committee[1]	2012	2011
Tor Himberg-Larsen (Chairman)	27	26
Christina Stray	13	–
Jarl Ulvin (Member until June 2012)	13	26
Ole Søeberg (Member from June 2012)	–	–
Nils B. Gulnes (Chairman until June 2011)	–	44

1) The table shows compensation paid during the year.

Executive Management	No. of Shares Held 31/12/2012	No. of Options Held 31/12/2012	No. of Options Granted in 2012	No. of Options Exercised in 2012	WAEP[1] (in NOK)
Robert Hobbs (CEO)	26,500	105,000	40,000	70,000	75.85
Kristian Johansen (CFO)	–	55,000	27,000	–	–
John A. Adamick (SVP Geological Products and Services)	35,000	36,400	22,000	17,500	70.80
Knut Agersborg (VP Global Services)	2,100	58,750	22,000	35,250	76.65
Martin Bett (SVP Reservoir Solutions)	–	39,250	11,250	–	–
Genie Erneta (VP Human Resources)	–	36,400	22,000	17,500	70.80
Stein Ove Isaksen (SVP Eastern Hemisphere)	1,000	36,400	22,000	35,000	70.80
Zhiming Li (SVP Data Processing and Research & Development)	105,694	58,750	22,000	35,000	74.73
Rod Starr (SVP Western Hemisphere)	24,020	65,000	22,000	11,250	72.55

1) WAEP: Weighted average exercise prices on options exercised

Executive Management 2012	Salary	Bonuses	Other Benefits	Share-based Payments Expensed	Total Remunerations
Robert Hobbs	459	1,337	19	269	2,084
Kristian Johansen	388	367	27	424	1,206
John A. Adamick	211	440	24	254	929
Knut Agersborg	208	221	28	149	606
Martin Bett	243	94	31	101	469
Genie Erneta	183	126	17	254	580
Rod Starr	234	334	35	153	756
Stein Ove Isaksen	287	353	121	254	1,017
Zhiming Li	270	469	24	153	916

Executive Management 2011	Salary	Bonuses	Other Benefits	Share-based Payments Expensed	Total Remunerations
Robert Hobbs	445	1,039	14	181	1,679
Kristian Johansen	283	273	31	148	735
John A. Adamick	202	338	13	103	656
Knut Agersborg	202	163	31	97	493
Martin Bett	160	61	17	34	272
Bryan Dempsey	139	106	13	67	325
Karen El-Tawil	205	359	13	103	680
Genie Erneta	174	87	13	103	377
Rod Starr	237	228	84	108	657
Stein Ove Isaksen	234	275	123	108	740
Zhiming Li	260	366	13	108	747
Kjell E. Trommestad	251	294	31	101	676

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

Stein Ove Isaksen, Zhiming Li, and Rod Starr have employment contracts providing for a maximum amount payable in case of termination of employment equal to one times the highest annual base salary of the preceding three years spread over an ensuing one year period. The maximum amount payable in the same case of termination following a "change of control" event is one year total cash compensation.

The maximum amount payable to Kristian Johansen in case of termination of his employment by TGS amounts to six months base salary.

The maximum amount payable to Martin Bett in case of termination of employment by TGS amounts to full base salary and holiday entitlement up to the expiration of his employment agreement resulting from the acquisition of Stingray Geophysical Ltd. The expiration of this employment agreement is 8 April 2014.

No other members of the executive management team have termination agreements.

The members of the executive management receive a bonus that is proportional to the Group's annual operating profit before bonus charges and the target amount of each year's annual bonus is determined by the Board.

Auditor's Fee	**2012**	**2011**
Statutory audit	789	575
Other attestation services	38	19
Tax advisory services	270	462
Other services outside the audit scope	67	107
Total fees	**1,164**	**1,163**

All amounts are exclusive of VAT.

8 SHARE BASED PAYMENT PLANS

TGS has a stock option plan under which key employees are granted options secured by warrants or treasury shares.

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) TGS issues new shares or transfers shares from treasury. Options granted under the 2008 plan, the 2011 plan and the 2012 plan are secured by treasury shares held.

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

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

	2012	2011
Expense arising from equity-settled share-based payment plans	3,285	2,066
Expense arising from cash-settled share-based payment plans	3,060	1,113

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

The strike 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.

There were 600,000 share options granted in 2012, while 645,200 share options were granted in 2011.

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

	2012		2011	
	No.	WAEP (NOK)	No.	WAEP (NOK)
Outstanding at 1 January	1,870,300	90.93	2,267,800	84.63
Granted during the year	600,000	174.40	645,200	113.80
Forfeited during the year	(114,800)	99.45	(113,450)	78.54
Exercised during the year	499,750	73.97	929,250	92.96
Expired during the year	–		–	
Outstanding at 31 December	1,855,750	121.95	1,870,300	90.93
Exercisable at 31 December	134,250		312,750	

The weighted average remaining contractual life for the share options outstanding on 31 December 2012 is 3.21 years (2011: 3.07 years).

The weighted average fair value of options granted during 2012 was NOK 76.89. The weighted average fair value of options granted during 2011 was NOK 59.90.

The range of strike prices for options outstanding at the end of the year was NOK 70.80 - NOK 174.40 (2011: NOK 70.80 - NOK 113.80).

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

	2012	2011
Expected volatility		
For options vested after 3 years	0.53	0.62
For options vested after 4 years	0.59	0.59
Expected risk-free interest rate		
For options vested after 3 years	1.45%	1.82%
For options vested after 4 years	1.50%	1.94%
Expected life of options beyond vesting period (years)	1.00	1.00
Expected annual turnover of employees	1.00%	1.00%
Dividend yield	0.00%	0.00%
Model used	Black & Scholes	Black & Scholes

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

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

The fair value of the SARs is measured at every reporting date, and per 31 December 2012, the liability arising from the plan amounted to USD 5.0 million.

Outstanding Stock Options/Warrants as of 31 December 2012:

No. of Options	Exercise Dates	Holders	Price/Conditions	Granted
88,000	See below[1]	Key employees	NOK 70.80 Warrants expiring on 4 June 2013	14 August 2008
176,000	See below[2]	Key employees	NOK 78.66 Warrants expiring on 4 June 2014	13 August 2009
614,800	See below[3]	Key employees	NOK 113.80 Secured by treasury shares. Options expiring on 7 June 2016	11 August 2011
590,500	See below[4]	Key employees	NOK 174.40 Secured by treasury shares. Options expiring on 5 June 2017	9 August 2012
1,469,300				

Outstanding SARs as of 31 December 2012:

No. of SARs	Exercise Dates	Holders	Price/Conditions	Granted
386,450	See below[5]	Key employees	NOK 86.15 SARs expiring on 3 June 2015	12 August 2010
386,450				

1) The holders may request shares issued in exchange for warrants as follows: Up to 25% beginning 14 August 2009, up to 50% beginning 14 August 2010 less previously exercised, up to 75% beginning 14 August 2011 less previously exercised and 100% beginning 14 August 2012 less previously exercised.
2) The holders may request shares issued in exchange for warrants as follows: Up to 25% beginning 13 August 2010, up to 50% beginning 13 August 2011 less previously exercised, up to 75% beginning 13 August 2012 less previously exercised and 100% beginning 13 August 2013 less previously exercised.
3) The holders may request shares in exchange for the stock options as follows: Up to 50% beginning 11 August 2014 and 100% beginning 11 August 2015 less previously exercised.
4) The holders may request shares in exchange for the stock options as follows: Up to 50% beginning 9 August 2015 and 100% beginning 9 August 2016 less previously exercised.
5) The holders may request exercise of up to 50% of the SARs beginning 12 August 2013 and 100% beginning 12 August 2014 less previously exercised.

All stock options become immediately exercisable should a change of control occur as defined in the stock option plans. Additionally, terminated employees may exercise vested options and/or exchange warrants if an active exercise period is in progress at the time employment is terminated or, provided the employment was not terminated for cause, during the first exercise period that begins after the termination date.

9 EARNINGS PER SHARE

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

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of TGS 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:

	2012	2011
Net profit attributable to ordinary equity holders of the Parent	284,453	170,555
Weighted average number of ordinary shares (excluding treasury shares) for basic earnings per share	101,827	101,983
Effect of dilution:		
Share options	1,189	1,431
Weighted average number of ordinary shares (excluding treasury shares) adjusted for effect of dilution	103,016	103,415
Basic earnings per share	2.79	1.67
Diluted earnings per share	2.76	1.65

On 21 February 2013, employees exercised 90,750 stock options. There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

10 EQUITY AND SHAREHOLDER AUTHORIZATIONS

	Number of Shares	USD
1 January 2011	103,485,825	3,714
Issued 4 March 2011 for cash on exercise of stock options	427,750	19
Issued 27 May 2011 for cash on exercise of stock options	178,750	8
Issued 23 August 2011 for cash on exercise of stock options	51,750	2
Cancelled 741,701 treasury shares held 23 August 2011	(741,701)	(32)
Issued 22 November 2011 for cash on exercise of stock options	22,000	1
31 December 2011	103,424,374	3,713
Issued 29 February 2012 for cash on exercise of stock options	50,250	2
Issued 21 May 2012 for cash on exercise of stock options	5,000	–
Cancelled 194,650 treasury shares held 16 August 2012	(194,650)	(9)
Issued 22 August 2012 for cash on exercise of stock options	82,000	4
Issued 20 November 2012 for cash on exercise of stock options	64,500	3
31 December 2012	103,431,474	3,712

Treasury Shares

TGS, from time to time, buys back shares under authorizations given by the shareholders. The shares may be held in treasury, used as payment in M&A transactions, used in relation to exercise of employees' stock options, or eventually cancelled. As of 31 December 2012 TGS held 1,317,200 treasury shares, 1.3% of the total shares issued (2011: 1,816,250 shares, 1.8%).

The following table shows the movement of treasury share holdings:

	Number of Shares	USD
1 January 2011	1,567,151	63
Treasury shares used to cover exercises and distributed to Board members (Note 7 and 8)	(257,800)	(10)
Shares bought back in 2011	1,248,600	56
Cancellation of treasury shares in 2011	(741,701)	(32)
31 December 2011	1,816,250	76
Treasury shares used to cover exercises and distributed to Board members (Note 7 and 8)	(304,400)	(11)
Cancellation of treasury shares in 2012	(194,650)	(9)
31 December 2012	1,317,200	57

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

By resolution of the Annual General Meeting held 5 June 2012, the Board is authorized to, on behalf of the Company, increase share capital of the company with up to NOK 2,586,865.50 by issuance of up to 10,347,462 new shares, each at the par value of NOK 0.25. This authorization shall be valid until the Annual General Assembly in 2013, but no later than 30 June 2013. 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 Meeting held 5 June 2012, the Board is authorized to, on behalf of the Company, acquire the Company's own shares for an aggregate par value of NOK 4,000,000, provided that the total amount of own shares at no time exceed 10% of the Company's share capital. The lowest price to be paid per share shall be NOK 0.25 and the highest price to be paid per share shall be the price as quoted on the stock exchange at the time of acquisition plus 5%. Acquisition and sale of the Company's own shares can take place in the manner which the Board of Directors considers to be in the Company's best interest, but not through subscription of new shares. This authorization expires on 6 June 2013.

The Company did not purchase any own shares during 2012 related to this authorization.

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Dividends Paid and Proposed

The Board of Directors propose to the shareholders at the June 2013 Annual General Meeting a dividend of NOK 8 per share of outstanding common stock.

The Annual General Meeting held 5 June 2012 approved the Board of Directors' proposal to distribute dividend for 2011 of NOK 6 per share. Following this approval, dividend payments totalling USD 103.3 million were made.

The 20 Largest Shareholders as of 31 December 2012 as Registered with VPS:

Name	Country	Account Type	Shares	Percent
FOLKETRYGDFONDET	NORWAY		8,933,811	8.7%
STATE STREET BANK AND TRUST CO.	U.S.A.	NOM	6,873,979	6.7%
CLEARSTREAM BANKING S.A.	LUXEMBOURG	NOM	3,714,340	3.6%
JPMORGAN CHASE BANK	GREAT BRITAIN	NOM	3,699,011	3.6%
THE BANK OF NEW YORK MELLON	U.S.A.	NOM	2,825,786	2.8%
JPMORGAN CHASE BANK	GREAT BRITAIN	NOM	2,637,532	2.6%
PARETO AKSJE NORGE	NORWAY		2,476,456	2.4%
THE BANK OF NEW YORK MELLON	U.S.A.	NOM	2,359,862	2.3%
JPMORGAN CHASE BANK	GREAT BRITAIN	NOM	2,049,455	2.0%
EGERTON CAPITAL LTD	GREAT BRITAIN		1,812,952	1.8%
STATE STREET BANK & TRUST CO.	U.S.A.	NOM	1,561,197	1.5%
STATE STREET BANK AND TRUST CO	U.S.A.	NOM	1,547,142	1.5%
STATE STREET BANK AND TRUST CO.	U.S.A.	NOM	1,514,698	1.5%
THE NORTHERN TRUST COMPANY SUB	NORWAY	NOM	1,400,000	1.4%
HAMILTON, HENRY HAYWOOD	U.S.A.		1,352,400	1.3%
RBC INVESTOR SERVICES TRUST	GREAT BRITAIN	NOM	1,339,181	1.3%
SKANDINAVISKA ENSKILDA BANKEN	SWEDEN	NOM	1,226,633	1.2%
THE NORTHERN TRUST CO.	GREAT BRITAIN	NOM	1,078,754	1.1%
PARETO AKTIV	NORWAY		1,053,346	1.0%
THE NORTHERN TRUST CO.	GREAT BRITAIN	NOM	1,024,730	1.0%
20 largest shareholders			**50,481,265**	**49.4%**
Total number of shares (excluding treasury shares), par value of NOK 0.25			**102,114,274**	**100.0%**

Norwegian shareholders held 29,657,022 (29.0%) of TGS' outstanding shares (excluding treasury shares) at 31 December 2012. Shares held in treasury at 31 December 2012 were 1,317,200.

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	2012	2011
Bank deposits	337,927	335,223
Restricted cash deposits	746	486
Total cash bank deposits	**338,673**	**335,709**

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

12 RELATED PARTIES

Terms and Conditions of Transactions with Related Parties

No material transactions took place during 2012 or 2011 with related parties.

All companies within the Group are 100% owned, directly or indirectly, by the Parent Company except for Calibre Seismic Company which is owned 50%. See Note 26 for further information about the subsidiaries. Internal transactions are eliminated in the group accounts and do not represent transactions with related parties.

See Note 7 for further information of the remuneration to the Board of Directors and to the executive management.

13 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

It is, and has been, TGS' 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 TGS' revenues and costs are in US dollars. Due to this, the Group's operational exposure to exchange rate fluctuation is low. However, as the Parent Company pays taxes in Norwegian kroner to Norwegian Tax Authorities and dividends to shareholders in Norwegian kroner, fluctuations between the NOK and the USD impact currency exchange gains or losses on tax expense and financial items of the consolidated accounts. For taxes payable in NOK, a change of 10% on the NOK/USD currency exchange rate could have an impact of equity of approximately USD 7.2 million (2011: USD 3.8 million) with a corresponding effect to profit or loss.

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 the balance sheet date, TGS held current assets of USD 800.6 million, of which cash and cash equivalents represent USD 338.7 million and current liabilities USD 374.5 million.

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

2012	0-6 Months	6-12 Months	> 1 Year	Total
Accounts payable and debt to partners	201,914	–	–	201,914
Other non-current liabilities	–	–	4,356	4,356
Total	**201,914**	**–**	**4,356**	**206,270**

2011	0-6 Months	6-12 Months	> 1 Year	Total
Accounts payable and debt to partners	101,000	–	–	101,000
Other non-current liabilities	–	–	29,253	29,253
Total	**101,000**	**–**	**29,253**	**130,253**

Credit Risk

All placements of excess cash are either bank deposits or in financial instruments that at minimum carry an "investment grade" rating. TGS' clients are oil and gas companies. TGS is exposed to credit risk through sales and uses best efforts to manage this risk.

For details of the accounts receivables, see Note 16.

TGS 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 TGS are discounted to reflect this element. TGS may also seek extra security from the clients in certain cases, such as overriding royalty interest agreements (ORRIs) or carried interest in an exploration license held by the client or a conversion right to equity.

At 31 December 2012, none of the outstanding accounts receivable were secured by ORRIs.

For details on other financial assets, see Note 14

Political Risk

TGS' 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' clients, oil and gas companies, change following shifts in commodity prices in the market or future expectations of such. This impacts the 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 2012, total equity represented 70% of total assets.

Fair Value of Financial Instruments

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

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

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

			Financial Instruments by Category				
2012	**Carrying Amount**	**Fair Value**	**Cash and Cash Equivalents**	**Loans and Receivables**	**Assets/Liabilities at Fair Value Through the Profit and Loss**	**Available for Sale**	**Other Financial Liabilities**
Financial Assets							
Cash and cash equivalents	338,673	338,673	338,673	–	–	–	–
Accounts receivables and other short term receivables	458,188	458,188	–	458,188	–	–	–
Auction rate securities (ARS)	3,689	3,689	–	–	–	3,689	–
Other non-current assets	16,828	16,828	–	16,828	–	–	–
Total	**817,378**	**817,378**	**338,673**	**475,016**	**–**	**3,689**	**–**
Financial Liabilities							
Other non-current liabilities	4,356	4,356	–	–	–	–	4,356
Total	**4,356**	**4,356**	**–**	**–**	**–**	**–**	**4,356**

			Financial Instruments by Category				
2011	**Carrying Amount**	**Fair Value**	**Cash and Cash Equivalents**	**Loans and Receivables**	**Assets/Liabilities at Fair Value Through the Profit and Loss**	**Available for Sale**	**Other Financial Liabilities**
Financial Assets							
Cash and cash equivalents	335,709	335,709	335,709	–	–	–	–
Accounts receivables and other short term receivables	277,735	277,735	–	277,735	–	–	–
Auction rate securities (ARS)	18,963	18,963	–	–	–	18,963	–
Other non-current assets	13,814	13,814	–	13,814	–	–	–
Total	**646,221**	**646,221**	**335,709**	**291,549**	**–**	**18,963**	**–**
Financial Liabilities							
Other non-current liabilities	29,253	29,253	–	–	–	–	29,253
Total	**29,253**	**29,253**	**–**	**–**	**–**	**–**	**29,253**

Fair Value Hierarchy

TGS 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

Note 15 describes the valuation of the available for sale investments.

Other non-current assets comprise two loans to the E&P Holding Group. Together with the related revenue share agreements which go into "Other non-current liabilities", fair values have been determined by using a level 2-technique.

In 2012, TGS recognized USD 3.8 million as a financial income in the statement of comprehensive income with respect to the available for sale investments (2011: USD 1.2 million) and USD 0 million as a financial expense (2011: USD 0.8 million). USD 1.7 million was recognized as a loss in other comprehensive income in 2012 with respect to the available for sale investments (2011: Gain of USD 1.3 million).

The fair value of the contingent consideration liability related to the 2011 Reservoir Solutions acquisition has been determined by a level 3-technique. The liability is considered at USD 0 per 31 December 2012. The decrease in the fair value estimate is related to an updated probability assessment which concludes that it is not considered probable that the criteria for the contingent consideration will be met. The contingent consideration liability is further described in Note 2.

14 OTHER FINANCIAL ASSETS AND LIABILITIES

Other financial assets

	Note	2012	2011
Loans and receivables			
Other non-current receivables		3,014	–
Interest bearing loans		13,814	13,814
Total loans and receivables		**16,828**	**13,814**
Available for sale investments			
Auction rate securities	15	3,689	18,963
Total loans and receivables		**3,689**	**18,963**
Total other financial assets		**20,517**	**32,777**
Total current		**3,689**	**18,963**
Total non-current		**16,828**	**13,814**

Other financial liabilities

	Note	2012	2011
Other financial liabilities			
Interest bearing loans		4,285	4,285
Other non-current liabilities		71	–
Contingent consideration liability	2	–	24,968
Total other financial liabilities		**4,356**	**29,253**
Total current		**–**	**–**
Total non-current		**4,356**	**29,253**

Interest bearing loans

During 2012, one of the two loans to the E&P Holding Group has been interest bearing at a rate equal to the default interest rate from time to time prescribed for under the Norwegian Default Interest Act. Due to the uncertainty related to the collectability, TGS has not recognized any interest revenue during 2012.

Following restructuring agreements signed on 23 December 2011, TGS considered the fair values of the loans and the revenues share agreements at USD 9.5 million per 31 December 2011. Updated assessments of the fair values per 31 December 2012 do not indicate any changes to the previous fair value estimates.

Contingent consideration liability

Per 31 December 2012, the fair value of the contingent consideration, related to the Stingray acquisition in 2011, is estimated at USD 0 as it is not considered to be probable that the criteria for additional cash payments to the previous owners of Stingray will be met. The change in the contingent consideration liability is recognized in the consolidated statement of comprehensive income.

For a detailed description of the acquisition of Stingray, see Note 2.

15 AVAILABLE FOR SALE FINANCIAL INVESTMENTS (ARS)

Security	Quantity	Cost Price	Fair Value	Unrealized Write-down	Accrued Interest	Fair Value Plus Accrued Interest
Neuberger Berman Intermediate Municipal Fund	195	4,875	3,689	(1,186)	0.12	3,689
Total		**4,875**	**3,689**	**(1,186)**	**0.12**	**3,689**

As of 31 December 2012, TGS held USD 4.9 million in Auction Rate Securities (ARS) comprised of AAA-rated closed-end funds.

The ARS portfolio is deemed to be a current financial investment available for sale. As of 31 December 2012, the ARS portfolio was valued by an external party.

The fair value valuation resulted in a net depreciation of the book value of the ARS amounting to USD 1.2 million (2011: USD 2.6 million).

For 2012 a net loss of USD 1.7 million has been recognized through Other Comprehensive Income related to the effects of redemptions and fair value changes of the ARS portfolio (2011: net gain of USD 1.3 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.

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 0.1 million fair value gain or loss.

16 ACCOUNTS RECEIVABLES AND OTHER SHORT-TERM RECEIVABLES

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

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

	2012	2011
Accounts receivables	285,529	151,977
- Provision for impairment of accounts receivables	(3,774)	(3,474)
Accounts receivables - net	281,755	148,503
Accrued revenues	129,471	103,493
Other short-term receivables	46,962	25,739
Total accounts receivables and other short-term receivables	**458,188**	**277,735**

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
2012	**281,755**	222,180	19,149	14,758	1,224	3,001	21,443

	Total	Not Due	< 30 Days	30 - 60 Days	60 - 90 Days	90 - 120 Days	Over 120 Days
2011	**148,503**	117,534	14,931	2,225	5,287	844	7,682

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

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

	2012	2011
At 1 January	3,474	2,253
Provision for receivables impairment	300	2,864
Receivables written off during the year as uncollectible	–	110
Unused amount reversed	–	(1,753)
At 31 December	**3,774**	**3,474**

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

For a description of credit risk, see Note 13.

17 ACCOUNTS PAYABLE AND OTHER PAYABLES

	2012	2011
Accounts payable and debt to partners	201,914	101,000
Other current liabilities	93,242	66,130
Total accounts payable and other payables	**295,156**	**167,130**

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

Other current liabilities consist of accrued expenses and deferred revenues.

18 BANK OVERDRAFT FACILITY AND GUARANTEES

Multi Currency Bank Overdraft Facility:

Limit USD 10.0 million. Terms: US Fed Funds Daily Effective Rate + 0.75% per annum on drawn currency amounts. Facility fee: 0.1% per annum on the total facility amount. Both parties have a mutual right to terminate the agreement on 14 days notice. Per 31 December 2012 TGS had not drawn on this facility.

Book Value of Assets Used as Collateral	2012	2011
Accounts receivable	74,410	77,390
Multi-client library	468,675	404,399
Machinery, equipment	1,910	1,436
Total	**544,995**	**483,226**

Bank Guarantees

Per 31 December 2012, TGS' bank has issued two bank guarantees on behalf of TGS of USD 4.8 million and USD 0.4 million for two customers related to a seismic program. The bank has also issued a bank guarantee on behalf of TGS of USD 0.2 million related to another seismic project.

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19 COMMITMENTS AND CONTINGENCIES

Operating Leases - Group as Lessee

TGS 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 7.0 million were recognized as expenses in 2012.

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

	2012	2011
Within one year	10,664	4,431
After one year, but not more than five years	28,474	18,792
More than five years	33,205	5,350
	72,343	**28,573**

TGS has entered into commitments for charter hire of six 3D seismic acquisition vessels, and two 2D seismic acquisition vessels. All the commitments will expire in 2013. The amounts committed total USD 231.3 million for the year 2013. In addition, TGS has made a commitment to three land crews for land seismic projects in the US and in Canada. These commitments amount to USD 29.2 million, and the commitments will expire in 2013.

20 EVENTS AFTER THE BALANCE SHEET DATE

To the best of the management's and the Directors' knowledge, no other significant subsequent events not described in this Annual Report have occurred since 31 December 2012 that would alter the accounts as presented for 2012.

21 CONTINGENT LIABILITIES

Brenham Oil filed against TGS, among others, for tortuous interference with prospective relations and participatory liability for aiding and abetting concerning a deepwater concession in the Republic of Togo. Brenham claims that TGS worked with another company to ensure that Brenham was not awarded the concession. Brenham has not filed for a quantum of damages. The trial is currently scheduled for September 2013.

TGS is vigorously defending the claim. No provision is recognized related to Brenham Oil's claim.

22 ENVIRONMENTAL CONDITIONS

TGS interacts with the external environment through the collection of seismic data and operation of vessels. TGS 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 pollution. It is TGS' policy to comply with national and international regulations.

23 GROSS AND NET REVENUES

TGS 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 2011 and 2012.

	2012	2011
Gross revenues from sales	1,180,447	755,488
Revenue sharing	(248,208)	(146,920)
Net revenues	**932,239**	**608,568**

24 FINANCIAL ITEMS

	2012	2011
Interest income	4,600	2,684
Exchange gains	981	40
Gain on financial investments available for sale	3,865	759
Other financial income	826	557
Total financial income	**10,272**	**4,040**
Interest expense	(351)	(246)
Exchange loss	(4,414)	(1,855)
Fair value impairment on ARS held[1]	–	(789)
Other financial expenses	(261)	(406)
Total financial expenses	**(5,026)**	**(3,296)**
Net financial items	**5,246**	**744**

1) Impairment of auction rate securities (ARS)

25 TAX EXPENSE AND DEFERRED TAX

	2012	2011
Profit before taxes		
Norway	268,060	159,231
Outside Norway [1]	139,490	81,915
Total profit before taxes	407,550	241,146
Current taxes		
Norway	77,508	49,143
Outside Norway	37,268	5,274
Total current taxes	114,776	54,416
Deferred taxes		
Norway	927	(4,157)
Outside Norway	7,314	20,199
Total deferred taxes	8,241	16,042
Income tax expense reported in the income statement	**123,017**	**70,458**

1) Includes subsidiaries outside Norway

	2012	2011
Income tax expense for the year reported in the income statement		
Current tax on net income	114,776	54,416
Deferred tax - changes	8,241	16,042
Total tax expense for the year	123,017	70,458
Effective average tax rate	30%	29%

Tax expense related to other comprehensive income	**2012**	**2011**
Items related to deferred tax:		
Unrealized gain/loss on available for sale financial assets	554	726
Exchange differences on translation of foreign operations	–	–
Tax expense - other comprehensive income	554	726

	2012	2011
Profit before taxes:	407,550	241,146
Expected income taxes according to corporate income		
tax rate in Norway (28%)	114,121	67,520
Tax rates outside Norway different from 28%	8,092	5,303
Adjustment in respect of current income tax of previous year	(1,116)	403
Deferred tax asset related to stock options	(57)	798
Change in deferred tax asset not recognized	367	84
Non-taxable income	(3,337)	(1,818)
Tax effect on exchange gain/loss on dividend	549	(2,307)
Non-deductible expenses	2,911	1,360
Currency effects	1,488	(886)
Total tax expense for the year	**123,017**	**70,458**
Effective average tax rate	**30%**	**29%**

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Comments on Selected Line Items in the Preceding Table

Tax Rates Outside Norway Different from 28%

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

Deferred Tax Asset Related to Stock Options

In some tax jurisdictions, TGS receives a tax deduction in respect of remuneration in the form of stock options. TGS 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 TGS is recognized directly to equity.

Tax Effect on Exchange Gain/Loss on Dividend

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

Deferred Tax Asset Not Recognized

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

The Group does not have any unused tax losses and deductible temporary differences where no deferred tax assets are recognized in the balance sheet.

Currency Effects

The Group's 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.

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

	2012	2011
Differences that give raise to a deferred asset or a deferred tax liability:		
Multi-client library/well logs	(111,016)	(100,132)
Fixed assets	(21,512)	(18,598)
Goodwill	(1,887)	(3,107)
Accruals	9,160	9,954
"Correction income"[1]	11,232	10,433
Accounts receivable	5,213	(2,094)
Tax losses carried forward	16,110	8,126
Deferred revenue	(5,486)	2,775
Stock options	2,464	1,891
Financial instruments	180	662
Other	(43)	180
Total net deferred tax liability	**(95,583)**	**(89,910)**
Of which:		
Deferred tax asset	**17,897**	**23,137**
Deferred tax liability	**113,480**	**113,047**

Changes in net deferred tax liability	**2012**	**2011**
As of 1 January	89,910	75,635
Recognized in profit or loss	8,241	23,662
Acquisition of subsidiary	(1,395)	983
Taxes on "correction income" paid for 2010[1]	–	(10,433)
Taxes charged to equity	–	–
Currency effects	(1,173)	63
As of 31 December	**95,583**	**89,910**

1) The so-called "correction income" is an adjustment of the tax base for deferred taxed income that is distributed to shareholders and implies that deferred taxes become payable if the deferred tax base is distributed as dividends. These rules were abolished with effect from 2012 and were applied for the last time on regular dividend distributions related to the 2011 financial statements that were approved at the Annual General Meeting in June 2012. From the income year 2012, companies could start reversing previously paid correction taxes

Letter from the Norwegian Tax Authorities regarding taxable depreciation rates

In October 2011, TGS received a letter from the Norwegian Tax Authorities who questioned TGS' taxable depreciations of the multi-client library. TGS has during 2011 and 2012 responded with documentation of the current taxable depreciation rates and is currently awaiting a decision from the Tax Authorities.

If a decision from the Norwegian Tax Authorities requires any changes to the current taxable depreciation rates, this will not have any impact on the tax expense. Changes in taxable depreciation rates will imply a reclassification between deferred tax liability and taxes payable.

26 SUBSIDIARIES

The TGS Group consists of:

Company Name	Country of Incorporation	Main Operations	Ownership	Voting Power
TGS-NOPEC Geophysical Company ASA	Norway	(Parent Company) Invests in multi-client seismic data		
Marine Exploration Partners AS	Norway	Managed vessel under charter until 2010	100%	100%
TGS AP Investments AS	Norway	Invests in multi-client seismic data	100%	100%
Maglight AS	Norway	Developing new acquisition methods for aeromagnetic data	100%	100%
Magsurvey, Limited	UK	Developing new acquisition methods for aeromagnetic data	100%	100%
TGS-NOPEC Geophysical Company	U.S.A.	Provides seismic data processing and data management, and brokerage for multi-client projects owned by the Parent Company. The Company from time-to-time invests in multi-client projects	100%	100%
A2D Technologies Inc.	U.S.A.	Digitizing and marketing well log data and providing related services	100%	100%
Parallel Data Systems, Inc.	U.S.A.	Seismic data processing services	100%	100%
TGS do Brasil Ltda.	Brazil	Invests in multi-client seismic data	100%	100%
Calibre Seismic Company	U.S.A.	Invests in multi-client seismic data	50%	50%
TGS-NOPEC Geophysical Company (UK) Limited	UK	UK legal entity	100%	100%
Aceca, Limited	UK	UK legal entity	100%	100%
TGS Geophysical Company (UK) Limited	UK	Holds license to commercialize fiber-optic sensing technology for permanent reservoir monitoring, provides seismic data processing and interpretive products and acts as broker for multi-client projects owned by the Parent Company	100%	100%
Aceca Norge AS	Norway	Seismic data interpretive products and subsurface consulting services	100%	100%
TGS-NOPEC Geophysical Company PTY, Limited	Australia	Broker for multi-client projects owned by the Parent Company.	100%	100%
1681570 Alberta Limited	Canada	Canadian sub-holding company	100%	100%
Arcis Seismic Solutions Corp.	Canada	Invests in multi-client seismic data and provides seismic data processing	100%	100%
TGS-NOPEC Geophysical Company Moscow, Limited	Russia	Provides seismic data processing and act as broker for multi-client projects owned by the Parent Company	100%	100%
MxP Marine Seismic Services Limited	Cyprus	Operated a vessel under charter until 2010	100%	100%
Rimnio Shipping Limited	Cyprus	Dormant	100%	100%

Parent Company Financials

Income Statement

(All amounts in USD 1,000s)

	Note	2012	2011
Net revenues	17	**671,461**	453,821
Net revenues		**671,461**	**453,821**
Cost of goods sold - proprietary and other		**264**	12,247
Amortization of the multi-client library	3	**322,032**	206,294
Personnel costs	4	**13,152**	9,225
Cost of stock options	4	**642**	342
Other operating expenses	13, 18	**57,682**	59,109
Depreciation, amortization and impairment	2, 3	**1,853**	1,306
Total operating expenses		**395,625**	**288,524**
Operating profit		**275,836**	**165,298**
Interest income	15	**1,859**	484
Financial income	15	**618**	1
Exchange gains/losses	15	**(1,824)**	(9,343)
Interest expenses	15	**(643)**	(616)
Financial expenses	15	**(25,892)**	(3,333)
Net financial items		**(25,883)**	**(12,806)**
Profit before taxes		**249,953**	**152,491**
Tax expense	16	**78,376**	42,957
Net income		**171,577**	**109,534**
Profit for the year is proposed allocated as follows:			
Dividends	6	**146,758**	103,550
To other equity	6	**24,819**	5,984
Total allocated		**171,577**	**109,534**

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Balance Sheet

As of 31 December

(All amounts in USD 1,000s)

	Note	2012	2011
Assets			
Non-current assets			
Intangible non-current assets			
Multi-client library	3, 12	**468,675**	404,399
Other intangible assets	3	**–**	653
Total intangible non-current assets		**468,675**	**405,052**
Tangible non-current assets			
Machinery and equipment	2, 12	**1,910**	**1,436**
Total tangible non-current assets		**1,910**	**1,436**
Financial non-current assets			
Investments in subsidiaries	7, 21	**109,903**	62,396
Other non-current assets	18	**13,798**	13,798
Total financial non-current assets		**123,701**	**76,194**
Total non-current assets		**594,286**	**482,682**
Current assets			
Receivables			
Accounts receivable	9	**172,413**	149,115
Current receivables group companies	10	**39,844**	21,066
Other receivables	9	**21,166**	10,342
Total receivables		**233,423**	**180,523**
Cash and cash equivalents	8	**155,461**	54,993
Total current assets		**388,884**	**235,516**
Total assets		**983,170**	**718,199**

	Note	2012	2011
Equity and Liabilities			
Equity			
Paid-in capital			
Share capital	5, 6	**3,712**	3,713
Treasury shares held	5, 6	**(57)**	(76)
Share premium reserve	6	**56,008**	53,256
Other paid-in equity	6	**3,566**	2,924
Total paid-in capital		**63,229**	**59,817**
Retained earnings			
Other equity	6	**208,264**	177,975
Total retained earnings		**208,264**	**177,975**
Total equity		**271,493**	**237,792**
Liabilities			
Non-current liabilities			
Other non-current liabilities	18	**4,285**	4,285
Deferred tax	16	**80,743**	68,331
Total non-current liabilities		**85,029**	**72,616**
Current liabilities			
Accounts payable		**175,124**	79,958
Current liabilities group companies	10	**212,833**	153,980
Taxes payable	16	**66,157**	51,140
Social security, VAT and other duties		**1,201**	845
Provisions for dividends	6	**146,758**	103,550
Other current liabilities	11	**24,576**	18,317
Total current liabilities		**626,649**	**407,790**
Total liabilities		**711,678**	**480,406**
Total equity and liabilities		**983,170**	**718,199**

18 March 2013

Hank Hamilton
Chairman

Mark S. Leonard
Director

Colette Lewiner
Director

Bengt Lie Hansen
Director

Elisabeth Harstad
Director

Vicki Messer
Director

Robert Hobbs
CEO

Cash Flow

(All amounts in USD 1,000s)

	Note	2012	2011
Cash flow from operating activities			
Received payments from customers		**767,275**	518,313
Payments for salaries, pensions, social security tax		**(13,860)**	(8,972)
Other operational costs		**(58,246)**	(52,600)
Net gain/(loss) on currency exchange	15	**(1,824)**	(9,343)
Paid taxes		**(52,003)**	(33,282)
Net cash flow from operating activities[1]		**641,341**	**414,117**
Cash flow from investing activities			
Received payments from sale of tangible assets	2	–	200
Investment in tangible assets	2	**(1,673)**	(344)
Investments in multi-client library	3	**(371,201)**	(227,753)
Investments in subsidiaries	7	**(72,453)**	(45,644)
Interest received	15	**1,859**	484
Net cash flow from investing activities		**(443,468)**	**(273,057)**
Cash flow from financing activities			
Interest paid	15	**(643)**	(616)
Dividend payments	6	**(103,325)**	(93,407)
Purchase of own shares	6	–	(30,031)
Proceeds from share issuances	6	**6,563**	15,770
Net cash flow from financing activities		**(97,405)**	**(108,285)**
Net change in cash and cash equivalents		**100,468**	32,775
Cash and cash equivalents at the beginning of the period	8	**54,993**	22,218
Cash and cash equivalents at the end of the period		**155,461**	**54,993**
1) Reconciliation			
Profit before taxes	16	**249,953**	152,491
Depreciation/amortization/impairment	2, 3	**323,884**	207,600
Changes in write-down shares in subsidiaries and receivables	7, 10	**23,264**	20,537
Changes in accounts receivables		**(23,598)**	(15,312)
Changes in other receivables		**(5,769)**	(319)
Changes in other balance sheet items		**125,610**	82,401
Paid taxes		**(52,003)**	(33,282)
Net cash flow from operating activities		**641,341**	**414,117**

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 Lensmannslia 4, 1386 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 18 March 2013.

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

Reporting Currency

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

General Accounting Policies

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

Significant Accounting Judgments, Estimates and Assumptions

In the process of applying the Company's accounting principles, management is required to make estimates, judgments and assumptions that affect the amount reported in the financial statements and accompanying notes. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which will form the basis for making judgments on carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The key sources of 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 and could also lead to impairments.

Deferred Tax Assets

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

Share–based Payments

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

Revenue Recognition

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

Principles of Assessment

Revenue Recognition

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

Work in Progress (WIP)

Revenue from work in progress (unfinished projects) at the balance sheet date is recognized on a percentage of completion (POC) basis under binding contracts, normally measured according to the acquired and processed volume of data in relation to the estimated total size of the project. Sales made prior to commencement of acquisition 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

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

Proprietary Contracts

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

Interest Income

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

Royalty Income

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

Cost of Goods Sold (COGS) – Proprietary Contracts and Other

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

Multi-client Library

The multi-client library includes completed and in-progress geophysical data to be licensed on a non-exclusive basis to oil and gas exploration and production companies. The costs directly attributable to data acquisition and processing are capitalized and included in the inventory value. Directly attributable costs do also include steaming costs when relocating a vessel to the survey area. 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 quarterly. For work in progress, the amortization is based on estimated total cost versus forecasted total revenues of the project.

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

Minimum Amortization Policy on Seismic Data

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

Impairment Test Library

When there are indicators that the book value may not be recoverable, the library is tested for impairment individually per project (seismic and interpretation reports).

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. 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.

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.

Research and Development Costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Company can demonstrate:

- It is technically feasible to complete the product so that it will be available for use;
- Management intends to complete the product and use it;
- There is an ability to use the software product;
- It can be demonstrated how the product will generate future economic benefits;
- Adequate technical, financial or other resources to complete the development and to use the product are available; and
- The expenditure attributable to the product during its development can be reliably measured.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

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.

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

Income Taxes

Current Income Tax

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

Deferred Tax

Deferred 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 tax liabilities are recognized for all taxable temporary differences.

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

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

Share-based Payments

Key employees of the Company receive remuneration in the form of share-based payment, whereby employees render services as consideration for stock options and Stock Appreciation Rights (SARs).

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

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

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

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

Pensions

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

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Leases

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

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

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

Cash and Cash Equivalents

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

Accounts Receivable and Other Receivables

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

Investments in Subsidiaries and Associated Companies

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

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

Dividends

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

Financial Instruments

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

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

Treasury Shares

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

Cash Flow Statement

The cash flow statement is compiled using the direct method.

2 TANGIBLE NON-CURRENT ASSETS

2012

Acquisition cost and depreciation:	**Machinery and Equipment**
Cost as of 1 January 2012	**10,879**
Additions	1,769
Disposals[1]	(419)
Cost as of 31 December 2012	**12,230**
Accumulated depreciation as of 1 January 2012	**9,443**
Depreciation for the year	1,200
Accumulated depreciation on disposals[1]	(323)
Accumulated depreciation as of 31 December 2012	**10,320**
Net book value as of 31 December 2012	**1,910**
Straight-line depreciation percentage	14% - 33.3%
Useful life	3 - 7 years

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

2011

Acquisition cost and depreciation:	**Machinery and Equipment**
Cost as of 1 January 2011	**10,933**
Additions	344
Disposals[1]	(398)
Cost as of 31 December 2011	**10,879**
Accumulated depreciation as of 1 January 2011	**9,143**
Depreciation for the year	653
Accumulated depreciation on disposals[1]	(353)
Accumulated depreciation as of 31 December 2011	**9,443**
Net book value as of 31 December 2011	**1,436**
Straight-line depreciation percentage	14% - 33.3%
Useful life	3 - 7 years

1) Profit on disposals during the year was USD 49K.

3 INTANGIBLE NON-CURRENT ASSETS

2012

Acquisition cost and depreciation:	Goodwill	Multi-client Library[1]	Other Intangible Assets	Total
Cost as of 1 January 2012	**3,073**	**1,625,665**	**4,280**	**1,633,018**
Additions	–	386,307	–	386,307
Cost as of 31 December 2012	**3,073**	**2,011,972**	**4,280**	**2,019,325**
Accumulated amortization as of 1 January 2012	**3,073**	**1,221,266**	**3,627**	**1,227,966**
Amortization for the year	–	322,032	–-	322,032
Depreciation for the year	–	–	653	653
Accumulated amortization as of 31 December 2012	**3,073**	**1,543,297**	**4,280**	**1,550,650**
Net book value as of 31 December 2012	**–**	**468,675**	**–**	**468,675**
Straight-line amortization percentage	10%			
Useful life	10 years[2]	max 5 years		

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

2011

Acquisition cost and depreciation:	Goodwill	Multi-client Library[1]	Other Intangible Assets	Total
Cost as of 1 January 2011	**3,073**	**1,423,243**	**4,280**	**1,430,596**
Additions	–	202,422	–	202,422
Cost as of 31 December 2011	**3,073**	**1,625,665**	**4,280**	**1,633,018**
Accumulated amortization as of 1 January 2011	**3,073**	**1,014,972**	**2,974**	**1,021,019**
Amortization for the year	–	206,294	–	206,294
Depreciation for the year	–	–	653	653
Accumulated amortization as of 31 December 2011	**3,073**	**1,221,266**	**3,627**	**1,227,966**
Net book value as of 31 December 2011	**-**	**404,399**	**653**	**405,052**
Straight-line amortization percentage	10%			
Useful life	10 years[2]	max 5 years		

1) Multi-client Library: See "General Accounting Policies", section multi-client library for policies on amortization of this asset.
2) Goodwill paid for in acquisitions of companies is amortized over the first 10 years after the date of the acquisition.

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

	2012	2011
Payroll	11,034	7,350
Social security costs	1,494	1,345
Pension costs	346	316
Other employee related costs	279	249
Salaries capitalized	-	(34)
Personnel costs	**13,152**	**9,225**
Cost of stock options	642	342
Personnel costs and cost of stock options	**13,795**	**9,567**
Number of employees at 31 December	45	43
Average number of employees	46	40

At 31 December 2012, the Company had 45 employees: 31 male employees and 14 female employees.

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

Auditor's Fees	2012	2011
Statutory audit	282	233
Other attestation services	10	4
Tax advisory services	77	131
Other services outside the audit scope	32	58
Total fees	**401**	**427**

All amounts are exclusive of VAT.

Information about remuneration of the Board of Directors and the executive management is included in Note 7 to the consolidated financial statements.

5 SHARE CAPITAL AND SHAREHOLDER INFORMATION

The share capital of TGS Nopec Geophysical Company ASA as of 31 December 2012 was NOK 25,857,868.50 consisting of 103,431,474 ordinary shares at NOK 0.25 per share. The Company's shares have equal voting rights.

For information of treasury shares, shareholders' authorization and the 20 largest shareholders, see Note 10 to the consolidated financial statements.

6 EQUITY RECONCILIATION

Equity Reconciliation	Share Capital	Treasury Shares	Share Premium Reserve	Other Reserves	Retained Earnings	Total Equity
Balance 1 January 2012	**3,713**	**(76)**	**53,256**	**2,924**	**177,975**	**237,792**
Capital increase during 2012	9	–	2,752	–	–	2,760
Purchase of treasury shares	–	–	–	–	–	–
Treasury shares distributed	–	11	–	–	3,791	3,802
Treasury shares cancelled	(9)	9	–	–	–	–
Cost of stock options	–	–	–	642	–	642
Variance of provisions for dividends and paid dividends	–	–	–	–	1,679	1,679
Provisions for dividends (NOK 8.00 per share)	–	–	–	–	(146,758)	(146,758)
Profit for the year	–	–	–	–	171,577	171,577
Balance 31 December 2012	**3,712**	**(57)**	**56,008**	**3,566**	**208,264**	**271,493**
Balance 1 January 2011	**3,714**	**(63)**	**40,894**	**2,582**	**198,734**	**245,860**
Capital increase during 2011	31	–	12,362	–	–	12,393
Purchase of treasury shares	–	(56)	–	–	(29,975)	(30,031)
Treasury shares distributed	–	11	–	–	3,366	3,377
Treasury shares cancelled	(32)	32	–	–	–	–
Cost of stock options	–	–	–	342	–	342
Variance of provisions for dividends and paid dividends	–	–	–	–	(133)	(133)
Provisions for dividends (NOK 6.00 per share)	–	–	–	–	(103,550)	(103,550)
Profit for the year	–	–	–	–	109,534	109,534
Balance 31 December 2011	**3,713**	**(76)**	**53,256**	**2,924**	**177,975**	**237,792**

7 INVESTMENTS IN SUBSIDIARIES

As of 31 December 2012 the Parent Company had the following investments in subsidiaries:

	Share Capital of Company	No. of Shares	Nominal Value	Balance Sheet Value	Ownership Held
Maglight AS (Asker, Norway)	NOK 100	100,000	NOK 1	193	100%
TGS AP Investments AS (Asker, Norway)	NOK 100	1,000	NOK 100	484	100%
Marine Exploration Partners AS (Asker, Norway)	NOK 800	800,000	NOK 1	–	100%
TGS-NOPEC Geophysical Company (Houston, U.S.A.)	USD 1	1,000	USD 1	1,483	100%
TGS-NOPEC Geophysical Company (UK) Limited (Bedford, UK)	GBP 50,1	50,100	GBP 1	956	100%
Aceca Limited (Surbiton, UK)	GBP 50,762	507,620	GBP 0,1	13,580	100%
TGS Geophysical Company (UK) Limited (Surrey, UK)	GBP 166,035	16,603,534	GBP 0,01	20,049	100%
TGS-NOPEC Geophysical Comp. PTY Limited (Perth, Australia)	AUD 0,001	1	AUD 1	–	100%
TGS do Brasil Ltda. (Rio de Janeiro, Brazil)	BRL 1,140,722.42	1,000	BRL 1	595	90%
1681570 Alberta Limited (Calgary, Canada)	CAD 73,945	100,000	CAD 73.9	72,453	100%
TGS-NOPEC Geophysical Company Moscow Limited (Moscow, Russia)	RUB 300	1	RUB 300,000	–	100%
MxP Marine Seismic Services Limited (Limassol, Cyprus)	USD 133,278	25,000	USD 1	110	100%
Riminio Shipping Limited (Limassol, Cyprus)	CYP 1	1,000	CYP 1	–	100%
Balance sheet value				**109,903**	

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

In 2012 the shares in TGS Geophysical Company (UK) Ltd have been written down by USD 25.0 million, MxP Marine Seismic Services Ltd by USD 0.6 million, Marine Exploration Partners AS by USD 9K and in Maglight AS by USD 0.2 million.

8 RESTRICTIONS ON BANK ACCOUNTS

Per 31 December 2012, USD 0.7 million of cash and cash equivalents are restricted to meet the liability arising from payroll taxes withheld. (2011: USD 0.5 million).

9 ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

Accounts receivable is stated in the balance sheet at net realizable value and totaled USD 172.4 million per 31 December 2012 (2011: USD 149.1 million). The Company has made a bad debt provision of USD 3.7 million in 2012 (2011: USD 3.4 million). The Company expects to collect the recorded balance of receivables per 31 December 2012. Realized losses on trade receivables in 2012 amounted to USD 0 (2011: USD 0.3 million). Prepayments to suppliers and other short-term receivables totaled USD 15.3 million per 31 December 2012 (2011: USD 10.3 million).

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10 CURRENT RECEIVABLES AND LIABILITIES GROUP COMPANIES

	2012		2011	
Company	**Receivables**	**Liabilities**	**Receivables**	**Liabilities**
Maglight AS	–	1,658	–	1,142
Marine Exploration Partners AS	–	–	560	–
TGS AP Investments AS	10,696	–	18,798	–
Aceca Norge AS	–	3,420	–	3,752
TGS-NOPEC Geophysical Company	–	194,416	–	127,490
A2D Technologies Inc.	–	7	–	200
TGS-NOPEC Geophysical Company (UK) Limited	–	12,217	–	6,840
Aceca Limited	–	962	1,708	–
TGS-NOPEC Geophysical Company PTY Limited	22,610	–	–	14,222
1681570 Alberta Limited	6,538	–	–	–
MxP Marine Seismic Services Limited	–	153	–	334
Total	**39,844**	**212,833**	**21,066**	**153,980**

Realized losses on intercompany receivables in 2012 amounted to USD 2.7 million (2011: USD 0).

11 OTHER SHORT TERM LIABILITIES

	2012	**2011**
Deferred revenues	4,505	10,564
Accrued project costs	16,407	5,804
Other accrued expenses	3,664	1,949
Total other current liabilities	**24,576**	**18,317**

12 INTEREST-BEARING LOANS AND BORROWINGS

Loan agreements and terms as per 31 December 2012:

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 2012 the Company had not drawn on this facility.

Book value of assets used as collateral:	**2012**	**2011**
Accounts receivable	74,410	77,390
Multi-client library	468,675	404,399
Machinery, equipment	1,910	1,436
Total	**544,995**	**483,226**

Bank Guarantees

Per 31 December 2012, the Company's bank has issued two bank guarantees on behalf to the Company of USD 4.8 million and USD 0.4 million for two customers related to seismic work program. The bank has also issued a bank guarantee on behalf of the Company of USD 0.2 million for one country's authorities related to seismic work program.

13 COMMITMENTS AND CONTINGENCIES

Operating leases - Company as lessee

The Company had an operating lease commitment relating to premises. The commitment expired 31 March 2012.

The Company has an operating lease commitment relating to premises. The commitment expires 31 January 2022 with no termination before expiry date.

Rental expense for operating leases was USD 0.6 million for the year ended 31 December 2012.

Future minimum payments for operating leases at 31 December 2012 are as follows:

	2012	2011
Within one year	805	403
After one year but not more than five years	3,221	2,272
More than five years	4,094	2,888
	8,120	**5,562**

The Company does not have any financial leases.

The Company has entered into commitments for current charter hire of six 3D seismic acquisition vessels, and two 2D seismic acquisition vessel. All commitments will expire in 2013. The amounts committed total USD 231.3 million for the year 2013. In addition the Company has made a commitment to two land crews for land seismic projects in the US. These commitments amount to USD 5.6 million, and the commitments will expire in 2013.

14 RELATED PARTIES

No material transactions took place during 2012 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.

The Company has no liabilities in the form of mortgages, other collateral or guarantees in favour of entities within the TGS Group

For a specification of receivables and liabilities towards other entities in the TGS Group, see Note 10.

15 FINANCIAL ITEMS

Financial income/expense:	**2012**	**2011**
Interest income	1,393	252
Interest income subsidiaries	466	232
Exchange gain	7,026	1,706
Other financial income	618	1
Total financial income	**9,502**	**2,191**
Interest expense	(6)	(5)
Interest expense subsidiaries	(637)	(612)
Exchange loss	(8,851)	(11,048)
Other financial expenses	(25,892)	(3,333)
Total financial expense	**(35,385)**	**(14,998)**
Net financial items	**(25,883)**	**(12,806)**

16 TAX EXPENSE

Current tax:	**2012**	**2011**
Profit before taxes	249,953	152,491
Permanent differences[1]	26,103	3,877
Changes in temporary differences	(7,072)	4,004
Group contribution	(421)	(334)
Currency exchange effects on base for current tax	7,823	(4,293)
Basis for current tax	**276,386**	**155,746**
Total tax expense for the year:		
Deferred tax - changes	12,413	(8,676)
Taxes payable	66,157	51,229
Adjustment in respect of current income tax of previous year	–	–
Tax effect group contribution	118	93
Tax outside Norway	(311)	311
Total tax expense for the year	**78,376**	**42,957**
Effective average tax rate	**31%**	**28%**

Taxes payable	**2012**	**2011**
Taxes payable on current year profit	77,388	43,609
Correction tax[2]	(11,232)	7,620
Deduction in Norwegian tax for taxes paid outside Norway	–	(89)
Total taxes payable	**66,157**	**51,140**

Specification of basis for deferred taxes:

Offsetting differences:	**2012**	**2011**
Non-current assets and liabilities	(37,953)	(77,702)
Intangible non-current assets	326,322	321,740
Total	**288,369**	**244,038**
Deferred tax liability	80,743	68,331

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

	2012	**2011**
Tax calculated using nominal tax rate on pre-tax profit	69,987	42,698
Effect of permanent differences[1]	7,309	1,086
Adjustment in respect of current income tax of previous year	–	–
Exchange gain/loss reported as tax expense	1,392	(826)
Total tax expense recorded in income statement	**78,687**	**42,957**

1) Permanent differences related to non-tax deductible items. In 2012 the main items relates to write-down of shares in subsidiaries of USD 25.8 million and cost of stock options USD 0.6 million.

2) The so-called "correction income" is an adjustment of the tax base for deferred taxed income that is distributed to shareholders and implies that deferred taxes become payable if the deferred tax base is distributed as dividends. These rules were abolished with effect from 2012 and were applied for the last time on regular dividend distributions related to the 2011 financial statements that were approved at the Annual General Meeting in June 2012. From the income year 2012, companies could start reversing previously paid correction taxes. Consequently, reversal of correction taxes has implied reduced taxes payable for 2012.

Letter from the Norwegian Tax Authorities regarding taxable depreciation rates

In October 2011, TGS received a letter from the Norwegian Tax Authorities who questioned TGS' taxable depreciations of the multi-client library. TGS has during 2011 and 2012 responded with documentation of the current taxable depreciation rates and is currently awaiting a decision from the Tax Authorities.

If a decision from the Norwegian Tax Authorities requires any changes to the current taxable depreciation rates, this will not have any impact on the tax expense. Changes in taxable depreciation rates will imply a reclassification between deferred tax liability and taxes payable.

17 GROSS AND NET REVENUES

	2012	2011
Gross revenues from sales	918,743	599,972
Revenue sharing	(247,282)	(146,151)
Net revenues	**671,461**	**453,821**

18 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 for personnel and administrative costs. Due to this, the Company's operational exposure to exchange fluctuations is low. The Company does pay income taxes in Norway in NOK, and is consequently also exposed to USD/NOK exchange rate fluctuations on these items.

Liquidity Risk

Liquidity risk arises from lack of correlation between cash flow from operations and financial commitments. Management considers the liquidity risk as low. Per balance sheet date, the Company held current assets of USD 388.9 million, of which cash and cash equivalents represents USD 155.5 million, and current liabilities of USD 626.6 million, of which debt to subsidiaries represents USD 212.8 million.

Credit Risk

All placements of excess cash are either bank deposits or in financial instruments that at minimum carry an "investment grade" rating. The Company's clients are oil and gas companies. The Company is exposed to credit risk through sales and use best efforts to manage this risk. As per 31 December 2012, the Company made a provision of USD 3.7 million against certain receivables.

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

Other non-current assets originally comprised two loans to E&P Holding AS and Skeie Energy AS of USD 21.0 million and USD 21.1 million, gross to the Company, entered into in 2009. The related revenue share agreements amounted to USD 12.7 million. Accordingly, TGS' nominal net exposure was at USD 29.4 million. Following restructuring agreements signed on 23 December 2011, TGS considered the fair values of the loans and the revenues share agreements at USD 9.5 million per 31 December 2011. Updated assessments of the fair values per 31 December 2012 do not indicate any changes to the previous fair value estimates.

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 shifts in commodity prices in the market or future expectations of such. This impacts the Company's activity and profitability

19 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 pollution. It is the Company`s policy to comply with national and international regulations.

20 CONTINGENT LIABILITIES

Brenham Oil filed against TGS, among others, for tortuous interference with prospective relations and participatory liability for aiding and abetting concerning a deepwater concession in the Republic of Togo. Brenham claims that TGS worked with another company to ensure that Brenham was not awarded the concession. Brenham has not filed for a quantum of damages. The trial is currently scheduled for September 2013.

TGS is vigorously defending the claim. No provision is recognized related to Brenham Oil's claim.

21 LARGE INDIVIDUAL TRANSACTIONS

On 15 June 2012 the Company acquired 100% of the shares in Arcis Seismic Solutions Corp. (Arcis), a privately owned geophysical company in Canada. The shares in Arcis are owned through a 100% owned company, 1681570 Alberta Ltd. Arcis has built one of the most modern 3D seismic data libraries in the Western Canadian Sedimentary Basin. Arcis has complemented its data library through offering global seismic solutions that include seismic data processing, reservoir analysis, geo-consultancy and project management.

The Arcis acquisition will allow TGS to grow into the onshore multi-client and imaging business in Canada and other markets served by Arcis. For further information, see Note 2 to the consolidated financial statements.

22 EVENTS AFTER THE BALANCE SHEET DATE

To the best of the management's and the Directors' knowledge, no other significant subsequent events not described in this Annual Report have occurred since 31 December 2012 that would alter the accounts as presented for 2012.

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TGS VALUES

"TGS' values are the foundation of our success and guide the way we conduct business."

Rod Starr
Senior VP Western Hemisphere

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

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of TGS-Nopec Geophysical Company ASA, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the balance sheet as at 31 December 2012, the statements of income and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information. The financial statements of the Group comprise the consolidated statement of financial position as at 31 December 2012, the statements of comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

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

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

Auditor's responsibility

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

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

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

Opinion on the financial statements of the Parent Company

In our opinion, the financial statements of TGS-Nopec Geophysical Company ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements of the Group

In our opinion, the financial statements of the Group have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and the statement on corporate governance

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

Opinion on registration and documentation

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

Oslo, 18 March 2013
ERNST & YOUNG AS

Finn Ole Edstrøm
State Authorised Public Accountant (Norway)

Report on Corporate Governance

1. Implementation and Reporting on Corporate Governance

TGS actively promotes a culture designed to build confidence and trust among its stakeholders. Key elements of this culture include open and honest communication, a well-developed system of controls and policies and a compliance program. It is the opinion of the Board of Directors that TGS in general complies with the Norwegian Code of Practice of Corporate Governance published 23 October 2012. In accordance with the Norwegian Accounting Act section 3-3b, TGS is required to give an annual account of the principles and practices related to corporate governance in the Directors' report or a document referred to in the Directors' report. TGS refers to this document in the Board of Directors' Report.

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

The following is the Company's statement regarding corporate social responsibility:

TGS believes that corporate social responsibility is a fully compatible and integrated part of conducting business successfully. TGS' long-standing Statement of Values clearly recognizes that the Company is responsible to a number of stakeholder groups. The principles the Company espouses to uphold its responsibilities are also described in that document.

Customers

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

Employees

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

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

Communities and Environment

TGS is responsible to the communities in which it operates and works and to the world community as well. The Company has a charitable contributions committee and actively supports reputable charitable programs and organizations that serve people in need by providing ongoing financial donations as well as a program that encourages employees to donate their time and energy to help those in society who are less fortunate. In 2012, TGS made significant contributions to 66 charitable organizations. The largest contributions were made to charities focused on underprivileged youth and homeless families in the Houston, Texas area, as well as charities focused on researching and curing chronic diseases.

TGS' policies on health, safety and environment are regularly reviewed and adapted based on experience gained and best practices learned. TGS supports the United Nations Universal Declaration of Human Rights and strives to apply the declaration's principles throughout business operations.

Shareholders

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

Code of Conduct

In addition to TGS' Statement of Values and policies on health, safety, environment and human resources, the Company has developed a Code of Conduct that further defines expectations on ethical behavior. Each employee and director is required to read and acknowledge his or her understanding of its contents on an annual basis.

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The Code requires employees to report any known or suspected ethical irregularities and ensures that no retaliation will be levied against employees who file reports. TGS conducts an active compliance program designed to continually inform and educate employees on ethical issues. The Company employs a full time Board-appointed compliance officer who reports quarterly on progress.

Comprehensive Approach

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

2. Business

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

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

3. Equity and Dividends

Equity

Shareholders' equity at 31 December 2012 was USD 1,168.4 million, representing an equity ratio of 70%. The Board considers this to be satisfactory. The Company's capital adequacy is kept under constant review in relation to its objectives, strategy and risk profile.

Dividend Policy

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

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

The Annual General Meeting held 5 June 2012 approved the Board of Directors' proposal to distribute a dividend for 2011 of NOK 6 per share. Following this approval, dividend payments totaling USD 103.3 million were made.

At its quarterly meeting on 6 February 2013, the Board of Directors decided to propose to the shareholders at the June 2013 Annual General Meeting a dividend of NOK 8 per share of outstanding common stock from the Company's 2012 earnings.

At its meeting on 18 March 2013 to approve the annual accounts, the Board of Directors decided to propose 5 June 2013 as the ex-dividend date and 19 June 2013 as the dividend payment date.

Board Authorizations

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

Following the Annual General Meeting held on 5 June 2012, the Board has the following shareholder authorizations:

- To issue up to 10,347,462 new shares in the Company
- To acquire, on behalf of the Company, the Company's own shares for an aggregate par value of NOK 4,000,000, provided that the total amount of its own shares at no time exceeds 10% of the Company's share capital. The lowest price to be paid per share shall be NOK 0.25 and the highest price to be paid per share shall be the price as quoted on the stock exchange at the time of the acquisition plus 5%. Acquisition and sale of the Company's own shares can take place in the manner which the Board of Directors considers to be in the Company's best interest, but not through subscription of new shares.

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

4. Equal Treatment of Shareholders and Transactions With Related Parties

Equal Treatment

The Articles of Association do not impose any restrictions on voting rights. All shares have equal rights. The Company has only one class of shares and each share gives the right to one vote at the General Meeting. The Board puts emphasis on, to the extent possible, disclosing and describing the topics of the agenda and the proposed resolutions in the call for the assembly to allow the shareholders adequate time to prepare for the meeting.

Transactions in Own Shares

TGS' transactions in its own shares are carried out at market price. In 2012, the Company issued 201,750 new shares in connection with stock option programs. At the June 2012 Annual General Meeting, the shareholders voted to cancel 194,650 treasury shares. TGS held 1,317,200 treasury shares on 31 December 2012.

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

Transactions with Related Parties

There are no shareholder agreements between the Company's shareholders. None of the Board members represent companies that are significant customers of TGS. There were no material transactions taking place with related parties in 2012, but any transaction with close associates is to be conducted on market terms. Information about transactions with related parties is also disclosed in Note 12 to the Consolidated Financial Statements. The Board has guidelines (Code of Conduct) to ensure that senior executives inform the Board if they have a material interest, directly or indirectly, in any agreement entered into by the Company.

5. Freely Negotiable Shares

Freely Negotiable Shares

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

All but one of the independent members of the Board have received shares as a part of their compensation, which must be held for at least two years before they can be traded. Beyond this, there are no other limitations to trading of shares from the Company's side, other than Insider Trading Rules for employees and the Board.

6. General Meetings

The Annual General Meeting is the Company's ultimate corporate body. The Board strives to ensure that AGMs are an effective forum for communication between shareholders and the Board. The Chairman of the Board of Directors and the Chief Executive Officer are both present at the AGM,

The next AGM will be held on 4 June 2013. The notice calling the AGM and any Extraordinary General Meeting and all supporting documentation are made available on the Company's website (www.tgs.com) no later than three weeks in advance of the meeting. The notice and documentation will also be mailed to any shareholders who request this service. The notice and supporting documentation include all the necessary information for shareholders to form a view on the matters to be considered. The Annual Report for 2012 is available on the Company's website.

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

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

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

The AGM is required to decide on the annual financial statements, the Board of Directors' report and the distribution of dividends. The AGM should also deal with the Board of Directors' declaration relevant to the guidelines for determination of compensation to executive personnel and with the report on corporate governance.

Any other matters to be dealt with in the AGM will follow from the notice.

7. Nomination Committee

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

The Nomination Committee consists of a chairman and two members elected by and amongst the shareholders who also determine the Nomination Committee's own remuneration. These serve for a period of two years. The members of the Nomination Committee currently are Tor Himberg-Larsen (Chair), Ole Søeberg and Christina Stray, all independent of the Board of Directors and executive personnel. Himberg-Larsen and Stray were elected for a two year term at the Annual

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General Meeting on 7 June 2011, while Søeberg was elected to a two year term from 6 June 2012.

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

The committee's recommendation provides a justification of how its recommendations take into account the interests of shareholders in general and the Company's requirements. The justification includes information on each candidate's competence, capacity and independence. If the committee recommends the re-election of a member of the board of directors, the justification also provides information on how long the candidate has been a member of the board of directors and his or her record in respect of attendance at board meetings.

If the recommendation includes candidates for election to the nomination committee, it also includes relevant information on these candidates.

In accordance with Section 6 above, the nomination committee's recommendations and report is made available in accordance with the 21 day deadline for the notice calling a general meeting.

8. Board of Directors: Composition and Independence

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

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

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

The former CEO, Henry H. Hamilton III, is a member of the Board. Following his resignation as CEO in 2009, Mr. Hamilton was elected Chairman by the General Meeting in June 2009. Mr. Hamilton was a large shareholder in TGS prior to the merger between TGS and Nopec in 1998 that created TGS as a listed company. Per 31 December 2012, he is still holding approximately 1.3% of the Company's shares. Because he was formerly a member of the Company's executive personnel, Mr. Hamilton accordingly does not serve on the Board's Compensation or Audit committees.

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

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

Henry H. Hamilton III, Chairman
Born 1959. Mr. Hamilton served as CEO of TGS from 1995 through June of 2009. He started his career as a Geophysicist with Shell Offshore (1981-1987) before he moved to Schlumberger (1987-1995) where he ultimately held the position of VP and General Manager for all seismic product lines in North and South America. Mr. Hamilton joined TGS as its CEO in 1995 and remained in the position following the 1998 merger with NOPEC International that created the initial public listing for TGS. He was first elected as a director in 1998 and as Chairman in 2009.

Dr. Colette Lewiner, Director (Independent)
Born 1945. Dr. Lewiner is currently an independent consultant, advising Capgemini chairman on Energy matters. Previously she held the positions of Assistant Professor at Paris University, Executive Vice President at Electricité de France, Chairperson & CEO of SGN-Eurisys and Corporate Vice President & Global Leader of the Energy, Utilities and Chemical sector at Capgemini. Dr. Lewiner serves as a board member for Bouygues Group, Lafarge, Eurotunnel, Nexans, and Crompton Greaves. She is non-executive Chairwoman at TDF. She was first elected as a director in 2006.

Elisabeth Harstad, Director (Independent)
Born 1957. Ms. Harstad is a Chief Innovation and Business Line Officer of DNV Kema in the Netherlands, a subsidiary of Det Norske Veritas (DNV). She has held various positions within DNV since 1981, including Corporate Director for Research and Innovation from 2006-2011 and COO for the Oil and gas business area from 2002-2006. Ms. Harstad serves as a board member for Yara ASA.

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

Bengt Lie Hansen, Director (Independent)
Born 1948. Mr. Hansen is currently a Non-Equity Partner at Selmer Law Firm. He is a former President of Statoil Russia and has also served in various executive positions within Norsk Hydro from 1983 – 2006, including Vice President Finance and Control, E&P Division, Senior Vice President Mid and Northern Norway (responsible for the Ormen Lange Project), and Senior Vice President International E&P. Prior to joining Norsk Hydro, he was Vice President at Deminex (1980–1983) and Head of

Division at Norway's Ministry of Petroleum (1975–1980). Mr. Hansen serves as a board member for Agora Oil & Gas, Odfjell Drilling, Veripos and RN Nordic Oil. He was first elected as a director in 2010.

Vicki Messer, Director (Independent)
Born 1949. Mrs. Messer is presently an independent consultant. She has 32 years of geophysical industry experience in various executive, management and supervisory positions for CGG Veritas, Veritas DGC, Halliburton Energy Services/Halliburton Geophysical, and Geophysical Services Inc. She was first elected as a director in 2011.

9. The Work of the Board of Directors

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

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

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

The Board conducted a total of eight meetings in 2013; three physical meetings, three by video conference and two by teleconference. All three physical meetings lasted two days. Elisabeth Harstad was unable to attend one of the teleconference meetings. Otherwise all directors attended all meetings.

Board Committees

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

Audit Committee

The Audit Committee is appointed by the Board and its main responsibility is to supervise the company's internal control systems and to ensure that the auditor is independent. Further, the responsibility of the committee is to ensure that the annual accounts give a fair picture of the financial results and financial condition in accordance with generally accepted accounting practice. The Audit Committee receives reports on the work of the external auditor and the results of the audit. The Committee also provides oversight on corporate governance issues and the Company's compliance officer reports to the Committee in this regard.

The Audit Committee conducted a total of six meetings in 2012 and all members attended all meetings.

The members of the Audit Committee with effect from the 2012 AGM are:

- Bengt Lie Hansen, Chairman
- Colette Lewiner
- Vicki Messer

Compensation Committee

The Compensation Committee reviews compensation practices of TGS' peer group and makes proposals to the Board on the employment terms and conditions and total remuneration of the CEO and other executive personnel. These proposals are also relevant for other employees.

The Compensation Committee conducted a total of seven meetings in 2012 and all members attended all meetings.

The members of the Compensation Committee with effect from the 2012 AGM are:

- Mark Leonard, Chairman
- Elisabeth Harstad
- Vicki Messer

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

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

10. Risk Management and Internal Control

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

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

The Company's Audit Committee reviews the Company's routines for financial risk management and internal control in detail. As part of this review, the Company has over the last few years completed a significant update on its financial procedures manual, which provides extensive documentation for internal control and financial reporting procedures. Neither TGS' executive management nor its Audit Committee reported any material weaknesses in the related internal control systems at 31 December 2012.

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

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

The Company also has a compliance program that provides procedures for reporting illegal or unethical conduct in the company directly to the Board. The Board has endorsed and fully supports the continued implementation of the compliance program. The compliance program is administered by the compliance officer of the Company who reports directly to the audit committee of the Board and the CEO. All compliance reports are maintained as confidential to the extent possible and no retaliation is allowed against reporting persons. The compliance officer provides quarterly and annual reports 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 must read and acknowledge the Company's Code of Conduct, Statement of Values and Policy on Insider Trading on an annual basis.

11. Remuneration of Board of Directors

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

In recent years, the directors' compensation has been composed of both a fixed fee and a number of restricted TGS shares. The remuneration is not related to the Company's financial result. Note 7 to the Consolidated Financial Statements details the remuneration for 2012. TGS believes the remuneration reflects the Board's responsibility, expertise, time commitment and the complexity of the Company's activities.

No Board member has taken on specific assignments for the Company in addition to their appointment as a member of the Board.

12. Remuneration of Executive Personnel

It is critical to TGS' continued success to attract and retain highly engaged executives with great vision, global experience and a strong drive for results. A 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.

TGS' compensation philosophy is to provide a robust and competitive total rewards package that attracts and retains exceptionally talented people and provides greatest rewards for its employees who consistently and continually demonstrate the highest levels of performance. TGS uses a blend of components: base salary, incentive compensation (short-term and long-term awards) and non-financial rewards. TGS' total cash compensation, defined as base salary and short-term incentives, is intended to exceed the market average in years where the company performs above market (target above 50th and up to 75th percentile of the market). It is also heavily weighted in variable pay so that employees share in the same risk and rewards as its shareholders.

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 long-term stock option incentives and share appreciation rights (SARs). The various compensation elements are balanced in a way that recognizes the individual executive's responsibilities and his or her abilities to influence the short and long-term profitable growth of the Company.

Each year up to 7% of the TGS Group's operating profit is designated as the pool for employee cash bonuses. Based on the annual budget, individual bonus targets are set at the beginning of the plan year. Executives are assigned a factor of their base salary that is influenced by each individual's level of responsibility in the organization, individual contribution, performance in the previous year and other criteria. The total of all factored bonus targets are compared to the budgeted pool to calculate and apply an adjustment ratio. The resulting adjusted bonus amount is the annual target bonus. Excluding the CEO, executive management bonus factors do not exceed 70%.

The actual bonus amounts are paid quarterly and are directly proportional to the actual operating profit. This ensures that there is short term direct linkage to Company performance. The actual annual bonus paid to any employee is capped at two times the individual's annual target bonus.

For executive team members, TGS reserves the right to demand the repayment of any performance related remuneration that has been paid on the basis of facts that were incorrect, or as the result of misleading information supplied by the individual in question. The CEO has a three year termination clause in his employment agreement. The contract is based on what is considered to be standard market practice in the US as this is where the CEO is based.

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

For existing stock option programs the Compensation Committee has made a recommendation to the Board of Directors for the amount of share options to be issued to the executives. The number of options offered in the stock option grants has been directly linked to Company and individual performance. As a general policy, stock options have been issued at market price when granted, vested over a four-year period starting on the third anniversary of the grant and expired five years after the approval by shareholders at the Annual General Meeting of the warrants that secure the rights to option shares. Under Norwegian law, five years is the maximum lifetime of a warrant to secure a stock option. At the AGM held on 5 June 2012 the proposed stock option plan, limited to 600,000 options was approved.

The CEO is responsible for proposing the compensation packages (excluding his own) for all executive officers subject to Compensation Committee review and Board approval. The Compensation Committee is composed of completely independent directors and is also responsible for recommending the CEO's compensation package to the Board for final review and approval. This includes the CEO's target bonus which 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 believes executive compensation should be reasonable and fair according to prevailing industry standards in the geographical markets where the TGS Group operates, and understandable relative to scale, complexity and performance. The Board ensures that executive compensation is administered consistently according to the TGS compensation philosophy. The TGS Compensation Committee has retained an independent 3rd party compensation benchmarking firm, F.W. Cook, to assess and recommend changes to TGS' executive compensation practices relative to its peer group. The peer group is composed of several international oil & gas services companies and competitors. The peer group was determined by considering a combination of relative factors including annual revenue, EBITDA, market capitalization, return on equity (ROE) and return on invested capital (ROI). This independent executive compensation analysis is conducted bi-annually.

The Company results are reviewed by external auditors to ensure appropriate controls are in place related to Company results. In accordance with the Norwegian Public Limited Liabilities Act § S6-16a, the Board will present a statement regarding the Company's policies for management compensation to the Annual General Meeting on 4 June 2013.

13. Information and Communications

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

The Company places great emphasis on complying with Stock Exchange regulations by providing the same information to all investors, national and international. The Code of Practice for Reporting of IR information issued by Oslo Børs and the Norwegian Investor Relations Association (NIRA), is being used as a guideline for IR reporting. All press releases and news are published in English only and from 2011, the Company has been granted exemption from the Norwegian Tax Authority to publish its Annual Report in English only.

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

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

14. Take-overs

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

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

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.

Any agreement with the bidder that acts to limit the Company's ability to arrange other bids for TGS shares will only be entered into where it is self-evident that such an agreement is in the common interest of TGS and its shareholders. This provision shall also apply to any agreement on the payment of financial compensation to the bidder if the bid does not proceed. Any financial compensation will be limited to the costs the bidder has incurred in making the bid.

If an offer is made for TGS' shares, the Board of

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

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

15. Auditor

The Board has determined the procedure for the external auditor's regular reporting to the Board. The auditor attends at least one meeting each year with the Audit Committee of the Board at which the Company's management is not represented. In addition, the auditor participates at meetings of the Board relating to the preliminary annual financial statements. If there are any significant changes from the preliminary accounts, the auditor will also participate in the meeting that approves the annual financial statements. In 2012, the auditor has participated in all meetings of the Audit Committee relating to the unaudited quarterly Financial Statements.

The auditor presents to the Board any internal control weaknesses and improvement opportunities.

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

The auditor's fee is determined at the Annual General Meeting (see Note 7 to the Consolidated Financial Statements for auditor's compensation for 2012).

Corporate Sustainability

"TGS is responsible to our customers, our employees, the communities in which we live and work and to our shareholders. We apply these core values in everything that we do and believe that this can help to deliver sustainable growth over the long term"

– Robert Hobbs, CEO

1. Demonstrating Sustainability

The term "corporate sustainability" is often used interchangeably with "corporate social responsibility." The Dow Jones World Sustainability Index defines Corporate Sustainability as: "An approach to creating long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social trends and challenges."

TGS believes that corporate sustainability is a fully compatible and integrated part of conducting business successfully. The TGS Statement of Values clearly recognizes that the Company is responsible to a number of stakeholder groups (customers, employees, communities/environment and shareholders). The TGS Statement of Values is available for viewing at http://www.tgs.com. These values have long been a fundamental part of how TGS has chosen to do business and the Company has developed and refined these values over time.

TGS' approach to corporate governance, compliance and risk management provides a framework and controlled environment to help ensure the sustainability of our business.

TGS is committed to continuous improvement in its approach to corporate sustainability.

2. Customers

TGS is responsible to its customers. In 2012, TGS invited all major customers to participate in a survey to help assess the extent to which the Company achieves its goal of providing quality products and exemplary service. Overall the results demonstrated that TGS is meeting or exceeding the expectations of customers. TGS scored particularly well in the areas of data availability and speed and accuracy of data delivery. In total TGS identified 12 areas for further improvement.

3. Employees

TGS is responsible to its employees. The Company's single greatest asset is its talented employee base. TGS performs a biennial global employee survey to help identify opportunities for increasing employee engagement. The survey compares employee responses with an industry benchmark across eight categories (benefits and compensation, career development, communications, commitment, retention, innovation and risk taking, manager quality and work environment) to identify areas for improvement.

Biennial Employee Engagement Survey	
Response rate	80%
#Categories above of industry benchmark*	100%
#Categories below of industry benchmark*	0%
# Areas identified for improvement	3

**Source: HRLC - Corporate Executive Board*

TGS provides equal opportunity for employment, development and advancement. The Company's human resources policies and Code of Conduct are designed to ensure fair and equitable treatment and to encourage personal growth. Executive management and the Board of Directors closely monitor the Company's internal job fill rate.

Employee Statistics	2012	2011
Total Employees at year end	816	668
Net increase in employees	148	34
Average employees in year	758	646
Internal job fill	40%	41%
Employee turnover	12%	10%
Industry average turnover*	Pending	12.5%

**Oil & Gas Average, source: HRLC - Corporate Executive Board*

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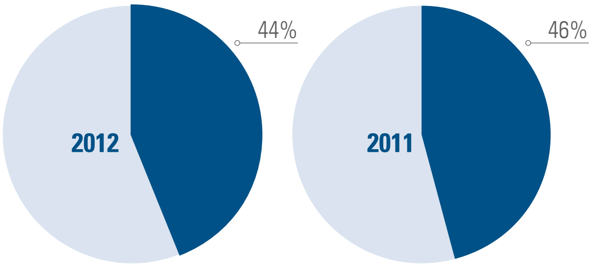
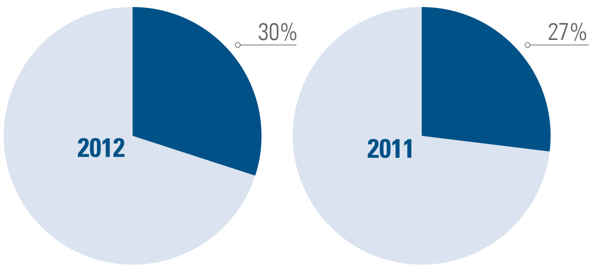
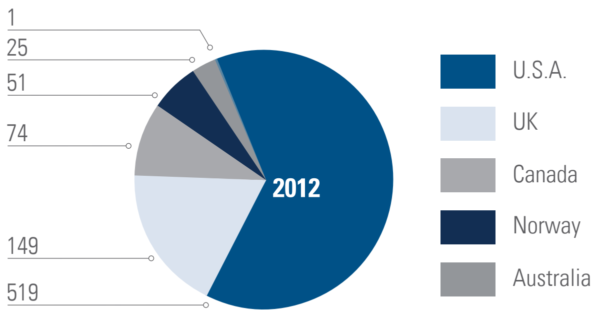
Percent of Staff That are Women



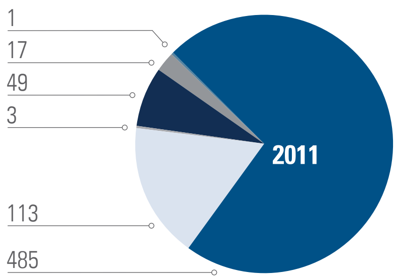
Percent of Management That are Women



Employee Location at Year End



816 Total Employees



668 Total Employees

4. Health and Safety

TGS is committed to providing a safe and healthy workplace for its employees, contractors and clients while protecting the environment in which they work. TGS is dedicated to the continuous improvement of health, safety and security standards for its people and insists on the same policy from its contractors.

TGS has defined safe operating procedures in the HSE Management System that are designed to meet or exceed all appropriate legal requirements and, in the absence of any defined standards, to meet or exceed generally-accepted industry-wide "best operating practices." TGS actively participates with all client/contractor associations and relevant authorities in developing HSE standards.

TGS maintains a high level of safety awareness by means of safety meetings, internal auditing, review meetings and general communications. All employees are actively encouraged to participate in the conduct, management and continuous improvement of safety. TGS requires all employees and contractors to be accountable for and committed to their own health and safety as well as for those with whom they work. Employees and contractors are empowered to intervene and STOP any operation or activity that they feel is unsafe or hazardous, with the knowledge that such action will be supported by management.

Line management has the responsibility for the communication and implementation of TGS health and safety policies, including provision of information, training and resources to employees. The TGS Health and Safety Policy can be found at http://www.tgs.com/investor-relations/about-TGS/health_safety_policy.aspx.

2012 HSE Performance

	Employees	Contractors
Man-hours	1,439,769	4,395,645
Fatalities	0	0
Lost time injuries (LTI)	0	3
Medical Treatment Cases	1	28
Restricted work cases	0	13
Recordable case frequency*	0.69	10.01
LTI frequency*	0.00	0.68
Working days lost	1,620	N/A
Sickness absence frequency	0.90%	N/A

**Recordable cases include fatalities, LTIs, medical treatment and restricted work cases*
**Per million man-hours*

2011 HSE Performance

	Employees	Contractors
Man-hours	1,177,806	2,757,936
Fatalities	0	0
Lost time injuries (LTI)	0	1
Medical Treatment Cases	3	8
Restricted work cases	0	2
Recordable case frequency*	2.55	3.99
LTI frequency*	0.00	0.36
Working days lost	1,208	N/A
Sickness absence frequency	1.30%	N/A

**Recordable cases include fatalities, LTIs, medical treatment and restricted work cases*
**Per million man-hours*

5. Community

TGS is responsible to the communities in which it operates and works and to the world community and environment as well.

TGS supports the United Nations Universal Declaration of Human Rights and strives to apply the declaration's principles throughout business operations.

The Company has a charitable contributions committee and actively supports reputable charitable programs and organizations that serve people in need by providing ongoing financial donations as well as a program that encourages employees to donate their time and energy to help those in society who are less fortunate. Significant contributions were made to 66 charitable organizations during 2012. The largest charitable contributions were made to underprivileged youth, homeless families and organizations researching and curing chronic diseases.

6. Environment

TGS is committed to conducting all of its operations in an environmentally responsible manner and leading the industry in minimizing the impact of its activities on the environment. TGS monitors its environmental performance versus plans and is dedicated to the continuous improvement of its environmental programs and standards for all of its operations.

Examples of TGS' environmental strategies include:

- Environmental audits, inspections and site visits
- Environmental risk and impact assessments
- Minimization and reduction of waste
- Adoption of reduce, re-use and recycle programs
- Reduce or eliminate the handling, use and storage of hazardous chemicals, materials or products
- Minimization of carbon emissions by survey design and minimization of downtime
- Guarding against accidental and operational pollution
- Development of emergency response plans
- Site remediation after operations

All personnel have an important part in achieving TGS environmental goals, from managers planning and supervising operations to workers following the procedures put in place. The TGS Environmental Policy can be found at http://www.tgs.com/investor-relations/about-TGS/environmental_policy.aspx.

7. Sustainable growth for Shareholders

TGS is responsible to its shareholders and expects that they should realize a fair return. Application of TGS' core values in everything that we do helps to deliver sustainable and profitable growth over the long term.

"Supporting local and international charities is important to TGS and our employees. Many of them volunteer their time to help worthy causes and those in need," stated Myra Burke, TGS Charitable Contributions Committee


Alzheimer's Association Walk

BG Energy Challenge benefitting Sparks

The Periwinkle Foundation

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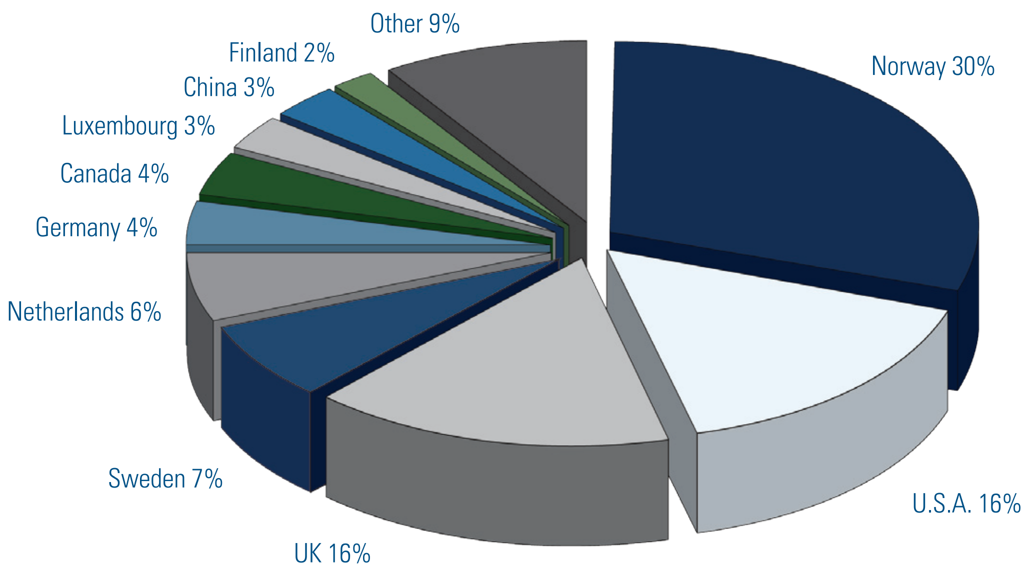
SUSTAINABILITY

"TGS is committed to respecting and fostering lasting benefits to our customers, our employees and the communities in which we live and work."

Stein Ove Isaksen
Senior VP Eastern Hemisphere

TGS Shareholder Facts

Symbol:	TGS
Listing:	Oslo Stock Exchange (member of the OBX index)
Shares Outstanding 31 December 2012:	103,431,474, (1,317,200 were held treasury shares)
Volume traded on the OSE during 2012:	133,452,000 shares
Average daily trading volume in 2012:	531,681 shares
Analyst coverage:	21 firms; for list see http://www.tgs.com/investor-relations/shareholder/analysts.aspx
Share price (high, low) during 2012:	NOK 198.9 (16 October 2012), NOK 136.3 (2 January 2012)
Market Value as of 31 December 2012:	NOK 18,772,813,000 (NOK 181.50 per share)
Distribution of share holdings*:	



**Calculation method has been adjusted since 2011 Annual Report to incorporate location of beneficial owners of TGS shares rather than location of nominee accounts.*

TGS places great emphasis on providing accurate and timely information to the market and shareholders. The earnings reports and press releases are issued only 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. This calendar is updated annually following the second quarter earnings release. The quarterly earnings results are either presented and webcast live in Oslo, Norway or they are pre-recorded and published prior to the market opening on the date of the release. TGS entertains questions at the live presentations and the executive team hosts a conference call allowing questions and answers on the day of the release. 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. TGS management maintains a quiet period on discussing significant business during intervals spanning the last weeks of a financial quarter and the announcement of the results of that financial period.

The general shareholders meetings for TGS are held in Oslo, Norway. All shareholders are invited to attend. Shareholders who want to attend a shareholders meeting must notify the Company about their attendance at the latest two business days before the day of the meeting. Shareholders who have not given notice of attendance can be denied the right to meet and vote at a shareholders meeting. Documents concerning matters to be considered at the general shareholders meetings are made available on the Company's website prior to the event. 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 Norwegian Central Securities Depository (VPS), in due time before the shareholders meeting.

TGS continues to be diligent at creating long term return for its shareholders. The Company is constantly evaluating the best use of profits for continued shareholder growth. The Company uses excess cash for organic investments in the multi-client library, historically providing an excellent return. In addition, the company from time to time uses cash for the acquisition of companies that add value to the TGS offering or a technology that can benefit the ongoing library 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, TGS 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. During 2012 TGS paid a 6 NOK per share dividend. In 2013 the Board has proposed to the Annual General Meeting a dividend of 8 NOK per share.

TGS executive management is available for direct contact with investors, potential investors and analysts on an ongoing basis and regularly participates in road shows and investor conferences in both Europe and North America. All of the financial reports can be found on the TGS website at http://www.tgs.com/investor-relations/investors.aspx.

For more information regarding TGS, contact Kristian Johansen or Will Ashby.

Kristian Johansen
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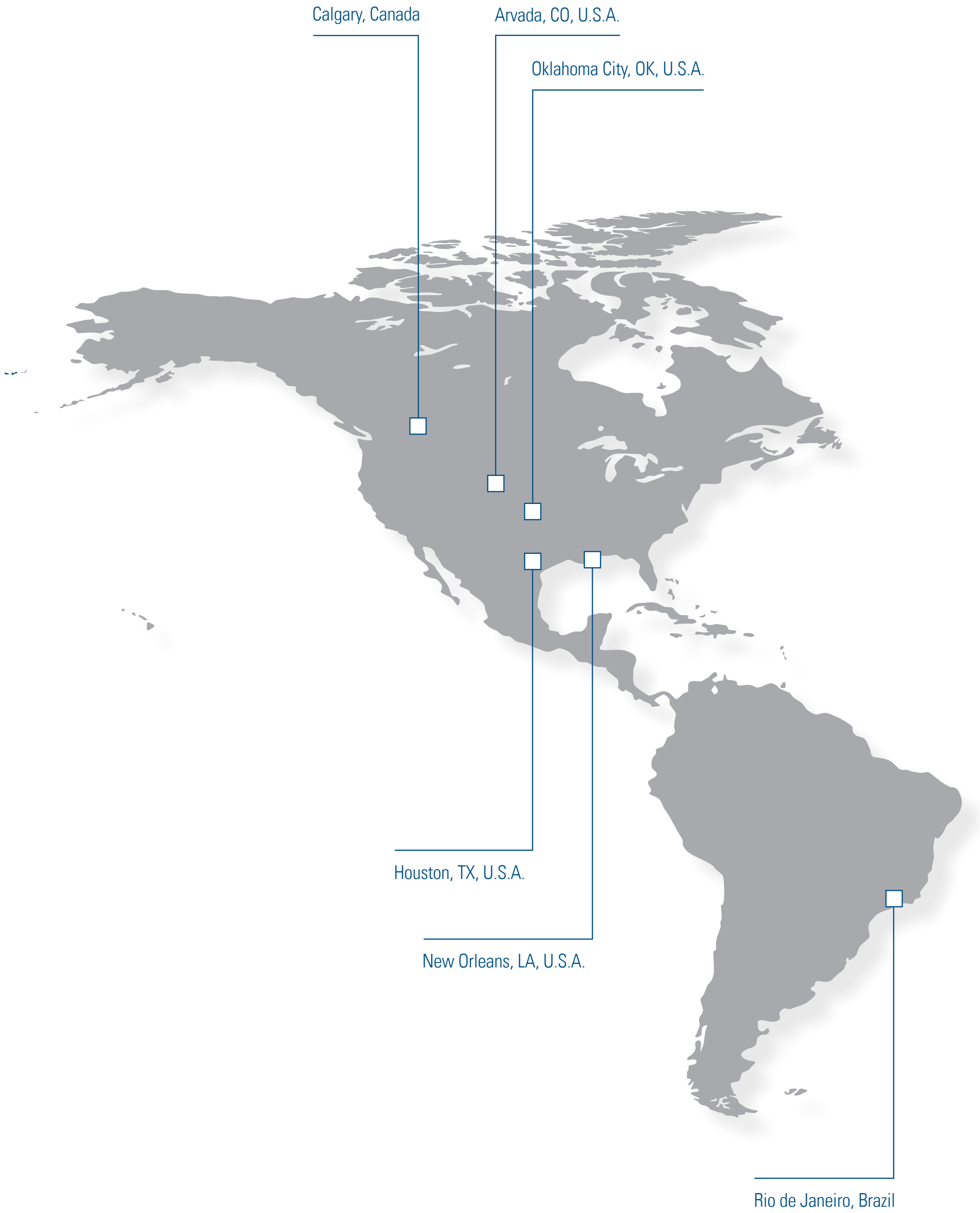
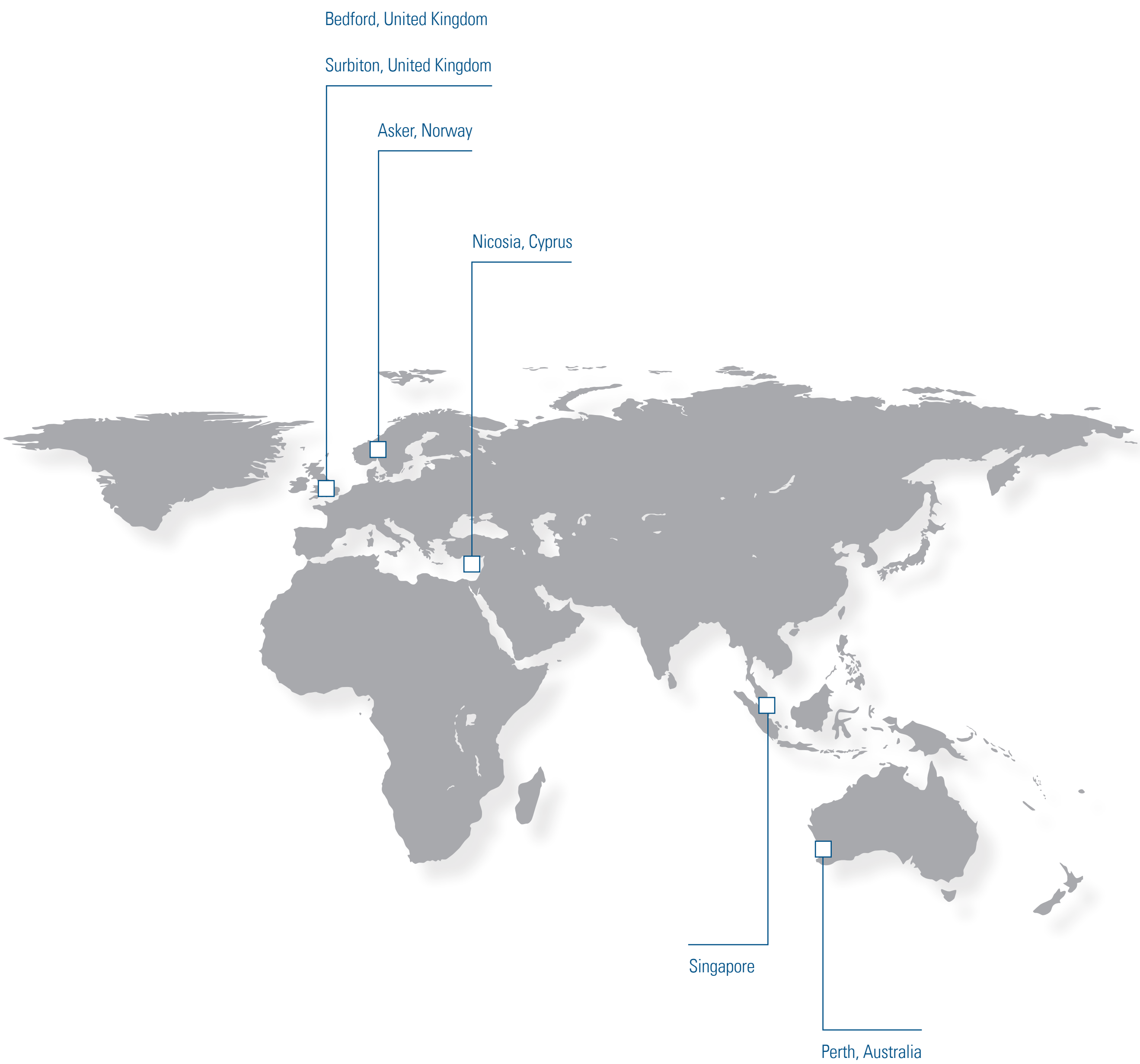
Asker, Norway

Will Ashby
Director of IR and M&A
Houston, TX U.S.A

Western Hemisphere





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TGS

See the energy.

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