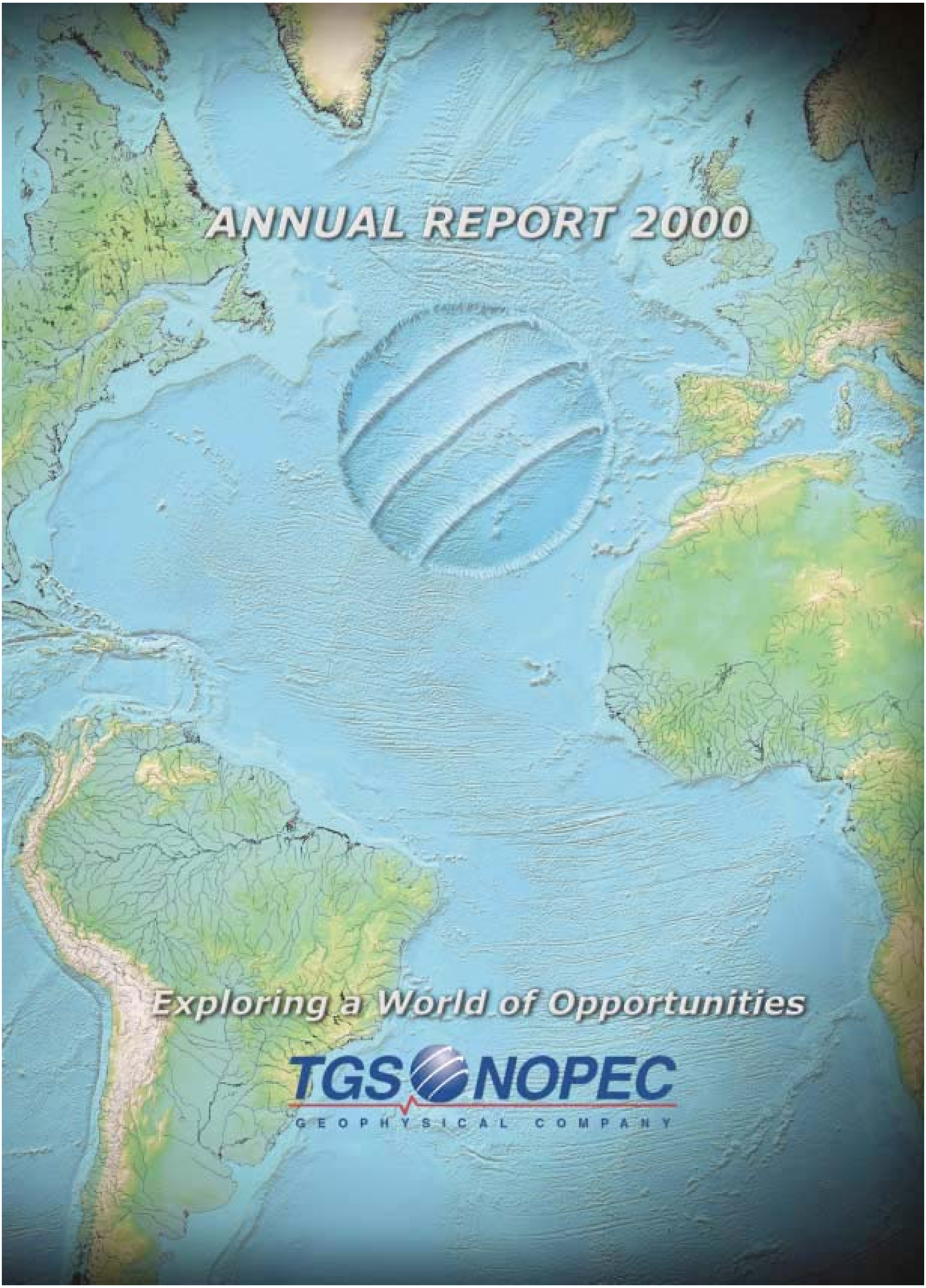


# ANNUAL REPORT 2000

## Exploring a World of Opportunities

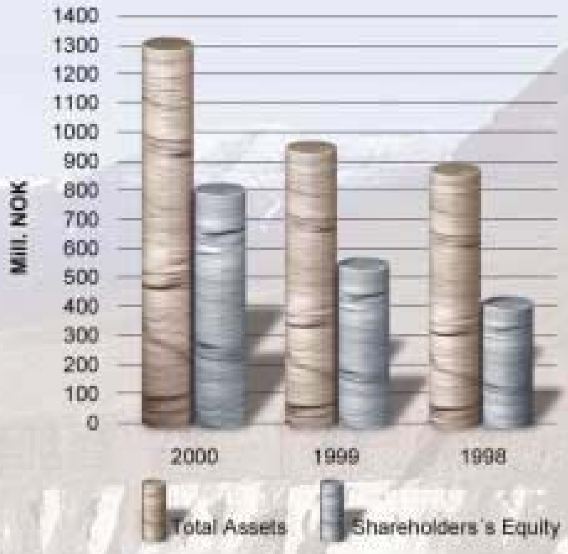
TGS NOPEC
GEOPHYSICAL COMPANY

# CONTENTS



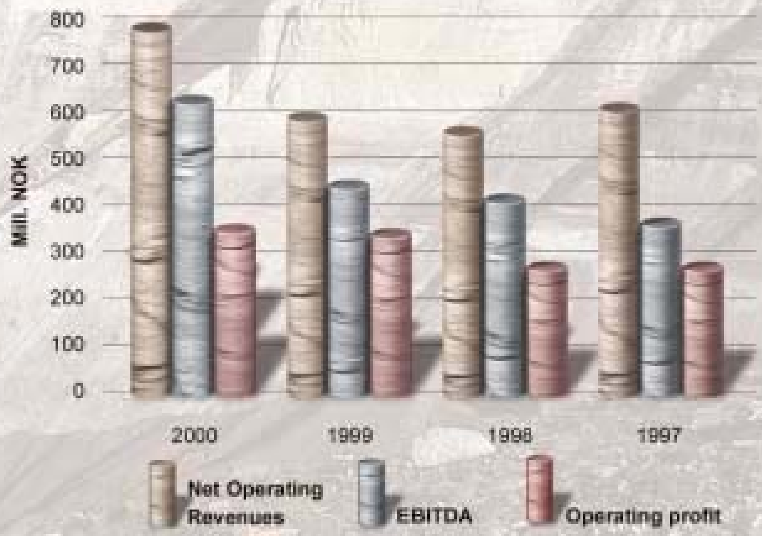
*Summer 2000 TGS-NOPEC invited representatives from oil companies to West Greenland. Outcrops in the mountain ranges there represent a true scale version of the sequences expected to be present in the subsurface areas covered by the TGS-NOPEC offshore acquisitions West Greenland 2000.*

# KEY FIGURES




(In MNOK apart from EPS and ratios)

| **YEAR** | **2000** | **1999** | **1998** | **1997** |
|---|---|---|---|---|
| Net Operating Revenues | 773,6 | 587,5 | 558,6 | 606,8 |
| Operating profit | 349,1 | 237,2 | 267,2 | 270,4 |
| Write down of vessels | - | 29,6 | - | - |
| Pre tax profit | 330,4 | 193,1 | 273,9 | 268,8 |
| Net Income | 214,9 | 119,2 | 176,9 | 180,4 |
| EBITDA | 622,6 | 436,5 | 410,0 | 362,0 |
| EBITDA Margin | 80 % | 74 % | 73 % | 60 % |
| EBIT | 349,1 | 207,6 | 267,2 | 273,0 |
| EBIT Margin | 45 % | 35 % | 48 % | 45 % |
| Return on average Capital Employed (ROCE) (pretax) | 40 % | 31 % | 54% | |
| Earnings per share | 8,85 | 4,97 | 7,46 | 7,92 |
| Earnings per share, fully diluted | 8,45 | 4,92 | 7,46 | 7,92 |
| Total Assets | 1 304,9 | 948,7 | 871,7 | |
| Shareholders´s Equity | 806,3 | 547,6 | 415,1 | |
| Equity ratio | 62 % | 58 % | 48 % | |




## Multi-Client Library

| | 2000 | 1999 | 1998 |
|---|---|---|---|
| Opening Balance | 324,0 | 203,0 | 129,3 |
| Investment | 370,8 | 300,8 | 192,2 |
| Amortisation | -255,8 | -179,8 | -118,5 |
| Net book Value Ended | 439,0 | 324,0 | 203,0 |
| Line Km 2D in Library | 1,55 mill. | 1,38 mill | 1,18 mill |
| Square Km 3D in Library | 82 100 | 78 400 | 65 400 |

# LETTER TO SHAREHOLDERS

**Dear Fellow Shareholder:**

For TGS-NOPEC, the year 2000 was one of impressive accomplishment and solid growth. OPEC production cuts and growing global energy demand reduced excess inventories of oil and gas, resulting in substantially higher prices for hydrocarbons. Oil companies gradually increased exploration and production expenditures throughout the year as they gained confidence in a more stable pricing environment. The recovery in the geophysical sector of the industry lagged most other oilfield service sectors as our customers focused their initial spending on drilling and developing prospects that had been identified prior to the slump in 1998 and 1999. Towards the end of 2000 however, we began to see clear evidence that oil companies are returning to exploration for new prospects.

Throughout the year, we stuck to our core strategy and aggressively developed new projects with customers and partnerships. We outsourced a large percentage of the physical data collection for these new projects, while retaining the expertise to manage and control the quality of all fundamental elements of the process. Thanks to the strength of our customer relationships, we had the confidence to grow our investments in new multi-client seismic products by 23% over 1999 levels to a record of NOK 371 million. Perhaps more significantly, our investments in 3D products increased by 150% as we committed to build a global base for strong growth in our future 3D related revenues. We launched several new initiatives to develop added value products from our data inventory, including 2D and 3D pre-stack depth migration, amplitude versus offset (AVO), and a deep water field study to calibrate seismic responses modeled from rock properties to carefully processed seismic data. Geographically, we expanded our presence within our traditional markets and established new beachheads in West Africa and the Mediterranean Sea.

The results of our efforts were extremely gratifying. Net revenues, net late sales, and net income reached record levels, strongly validating the quality of the investments we have made over the past three years. Our rate of growth outpaced that of the overall seismic market. We delivered the industry's best operating margin (45%) and return on average capital employed (40%). Our share price appreciated 26% over the course of a year in which most stocks declined in value.

Based on the current fundamentals of the energy industry, we expect the trends that surfaced during the second half of 2000 to continue through 2001 although recent fears of global economic slowdown could dampen the pace of growing energy demand. We believe our strong market position, our unique business model, and our proven ability to attract and retain top-notch geoscience talent will continue to serve us well in all market cycles. But more importantly, our newest products and our sales and marketing expertise position us to deliver exceptional growth during a resurgent period of sustained exploration and production activity.

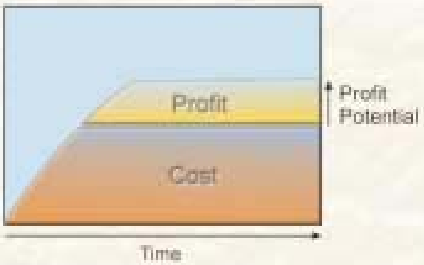
H.H.Hamilton
Chief Executive Officer

# THE BUSINESS

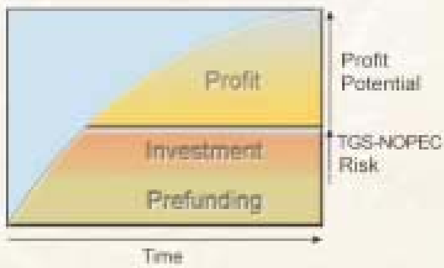
## Exploring a World of Opportunities

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

Traditionally, seismic companies acquired seismic data on behalf of oil companies via the Contract Model. In this model, the oil company pays the full cost of acquiring and processing the data and owns title to the data after it is shot. Although the seismic company has limited financial risk in this model, it also has limited upside and typically earns only a cost+ return. In contrast, in the Multi-Client Model the seismic company develops, manages, markets, and owns the seismic data that is shot.



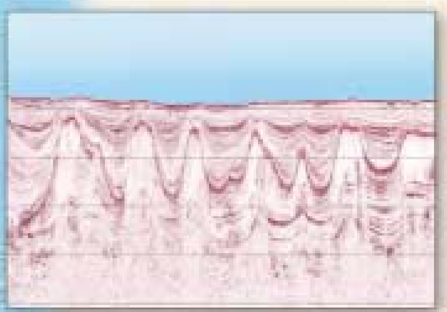
*Contract Model*

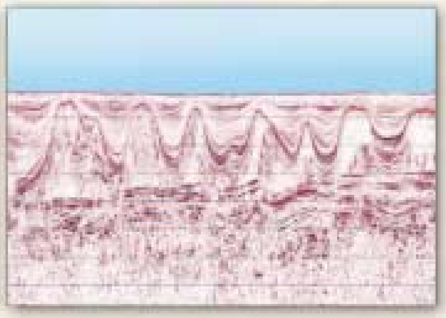


*Multi-Client Model*

Oil companies purchase non-transferable licenses to use the resulting data. This is much more cost effective for the oil company since the cost of the survey is being spread among numerous licensees of the data. The financial risk to the seismic company is considerably higher than in the Contract Model. However, the financial risk can be greatly mitigated if the seismic company can successfully solicit pre-funding from oil companies. Given careful planning and risk management the Multi-Client Model allows earning multiples much higher than the Contract Model. An additional benefit of the Multi-Client Model is that, as owner of the seismic data, the seismic company can generate additional derivative products based upon the original seismic data. Revenues from such derivative products can be significant and can also lead to the sale of additional licenses of the original data.

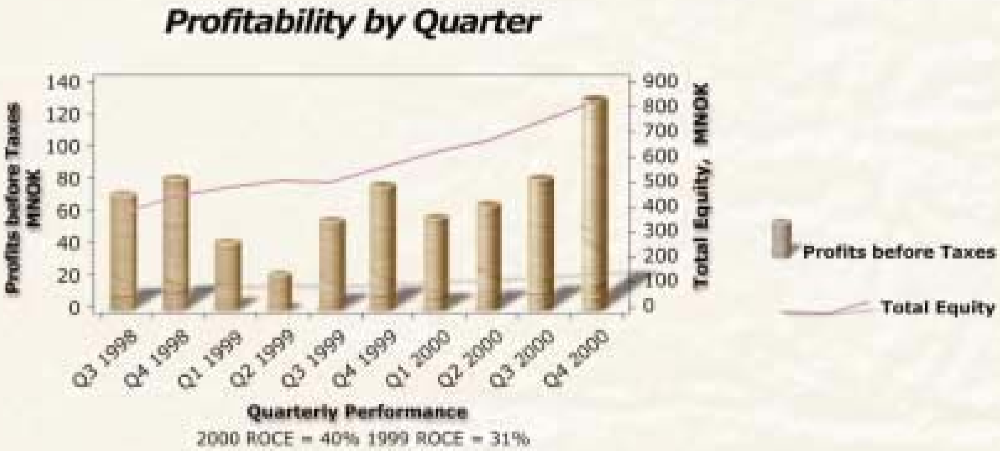
*Seismic line sections Santos Basin in Brazil*


*Pre-Stack Time Migration*
*(standard product)*


*Pre-Stack Depth Migration*
*(derivative product)*

# THE BUSINESS

## A Different Business Model for a Unique Company




In an industry known for its ups and downs, TGS-NOPEC has been consistently profitable and has steadily increased the total equity of the Company over time. At least a portion of this success is due to the Company's business model that is quite different from most other seismic companies. There are several important aspects to the TGS-NOPEC business model:

**TGS-NOPEC VISION**

*"To become the preferred channel through which the oil companies gain access to quality geophysical data and associated products"*

### Focus on Multi-Client Ownership Model:

Most seismic companies acquire data today via both the Contract and Multi-Client models. However, the degree to which TGS-NOPEC focuses on the Multi-Client Model distinguishes it from many seismic providers and drives much of the Company's strategic decision making. In fact, the vision for our Company is to become the preferred channel through which oil companies gain access to quality geophysical data and associated products. Seismic data is absolutely critical to oil companies in order to find and develop most hydrocarbon deposits. Most oil companies are primarily concerned with accessing quality seismic data where they need it and when they need it. It is not important which vessel actually shot a survey or where it was processed; it is the end product that matters. Given its significant price advantages, most oil companies today actually prefer to license Multi-Client data rather than owning the data themselves. It is a fundamental belief of the management of TGS-NOPEC that controlling high quality multi-client data in the right place at the right time creates differentiation and value in the seismic business. Because of this belief, we focus our efforts on project generation, quality control, customer relationships, customer service, and marketing/sales.

### Invest in data, not the hardware to generate data

Because we believe that it is quality data that the oil company ultimately values, we tend to invest directly into our surveys and manpower rather than in the hardware to generate those surveys. In general, we believe that it is better to leave the ownership of seismic vessels to those companies who are experts in providing such tools and services. TGS-NOPEC does have two seismic vessels in its fleet but this is typically less than the number of vessels in use by TGS-NOPEC at any given time. In 2000, the Company had as many as ten vessels working on its surveys concurrently. Because of high vessel utilization, TGS-NOPEC is a net user of seismic vessels and maintains good working relationships with many different vessel providers. Over the last year the Company has accessed vessels provided by Schlumberger, CGG, COOGC, LARGE, DMNG, SMNG, Fugro, Aker Geo and Veritas. Finally, TGS-NOPEC instills investment discipline within the organization by not owning a large fleet. We are able to look at potential survey investments objectively. Investment decisions are made based solely on the merit of the investment itself rather than on the need to keep a fleet of seismic vessels busy.

## Invest in a variety of Multi-Client 2D and 3D projects from Frontier, Emerging and Mature Markets

Collectively, TGS-NOPEC's seismic surveys may be considered our investment portfolio. As such, we try to spread our investments geographically among several types of markets. We invest in mature areas such as the Gulf of Mexico and the North Sea where hydrocarbon production is firmly established and there are a large number of potential clients to license our surveys. We consider such areas to generally have lower risk than most other areas. The Company also invests heavily in emerging markets such as Brazil and Eastern Canada where the presence of hydrocarbons has been firmly established but where the number of clients is still relatively small due to the early stage of exploration in the region. We consider these type areas to represent a medium level of risk. TGS-NOPEC also invests in some frontier areas such as Greenland and Morocco where commercial hydrocarbons have not been established but the geology looks promising. These areas typically have few potential clients at the time our investment decision is made but have the potential for high reward if lease rounds subsequently occur and/or commercial hydrocarbons are discovered. The Company generally considers surveys in these geographic areas higher risk.

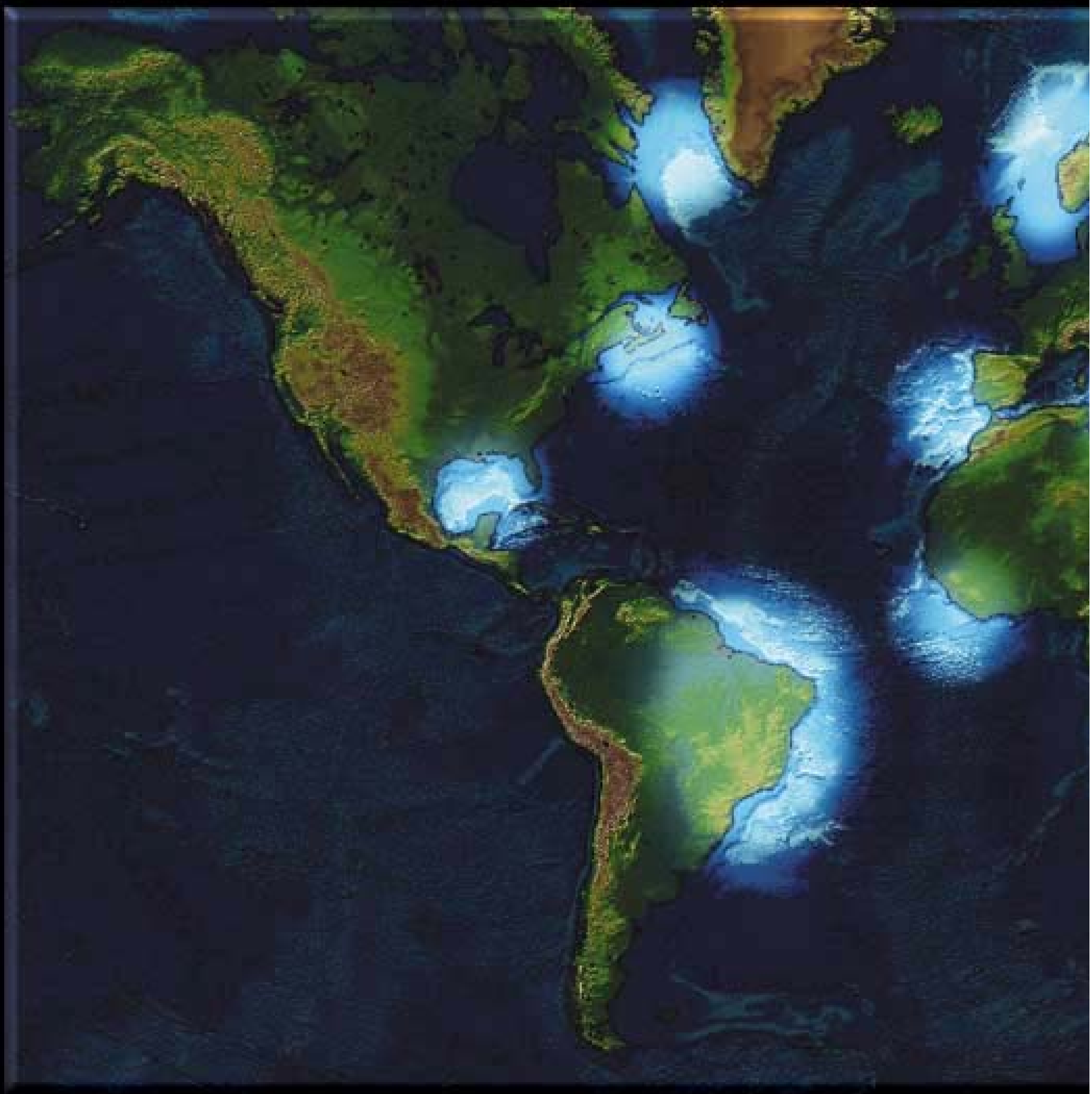
*We believe that spreading our investments among low, medium, and high-risk areas provides the Company with the best opportunity for success with a reasonable amount of risk.*

In contrast to its competitors, TGS-NOPEC continues to acquire a significant amount of 2D seismic surveys worldwide. Because of its high quality and relatively low cost, 2D seismic is an ideal tool for exploration prior to drilling. It is particularly useful to oil companies in emerging and frontier areas where regional geology is not well known. If the 2D data is of good quality it is reasonable that oil companies will license entire surveys in order to understand the regional geology. On the other hand, 3D seismic is often cost prohibitive in emerging and frontier areas when the oil company is trying to decide whether or not they even want to participate in the next lease round. In these areas it often does not make economic sense to acquire Multi-Client 3D seismic until the area matures and more oil companies begin to explore in the region.

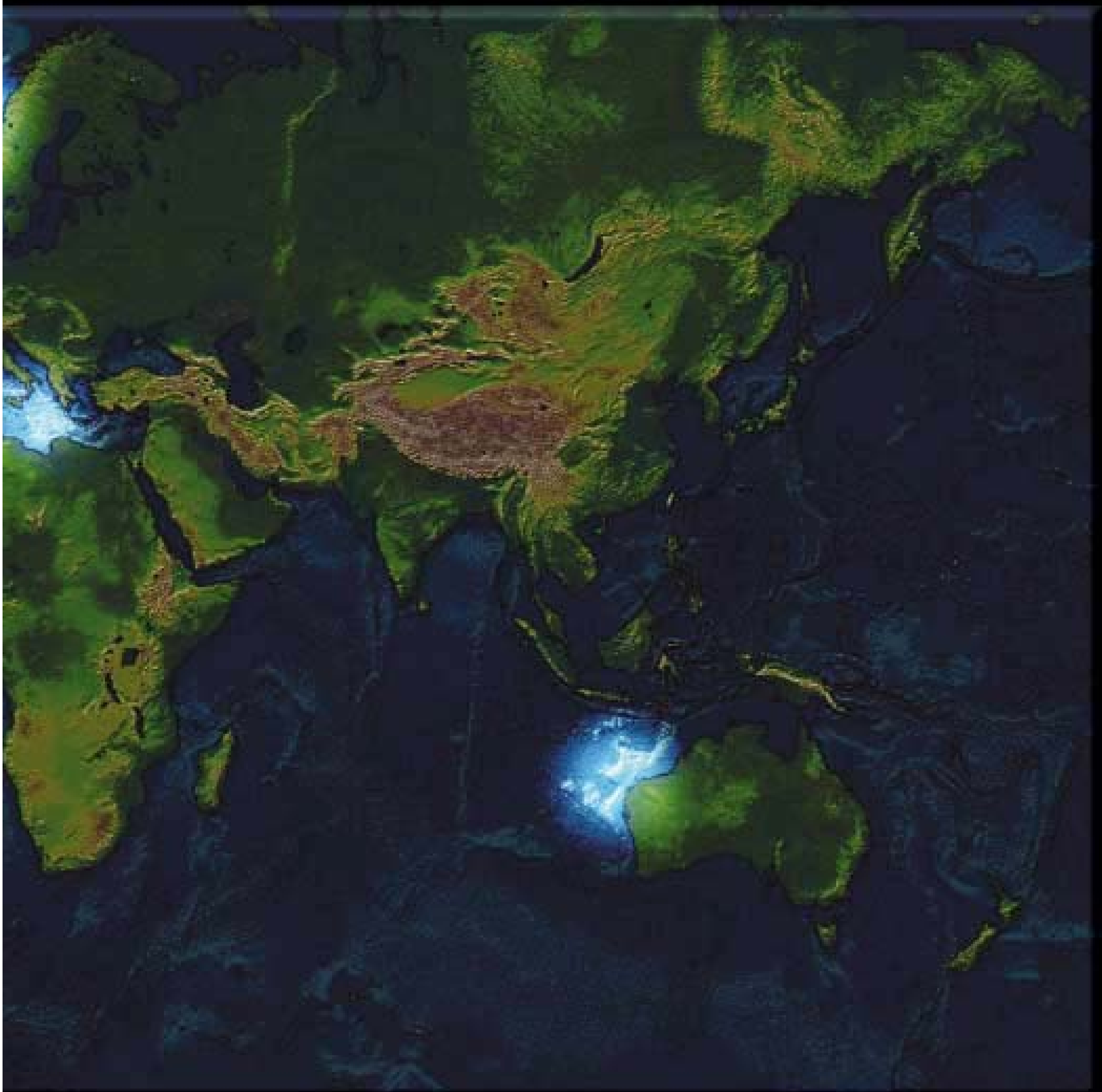
## Maintain strong marketing skills to generate new survey ideas and to achieve high turnover of library

A requisite of the TGS-NOPEC business model is to develop superior marketing skills. The resulting benefits are three-fold. First, TGS-NOPEC's marketing strength allows it to generate superior new survey ideas together with its clients. Secondly, these surveys typically have high levels of pre-funding which reduces TGS-NOPEC's risk significantly. In 2000, the Company achieved an average pre-funding level of 59% on its new surveys. This is quite high in relation to estimated industry average pre-funding levels. The third benefit of a strong marketing group is the ability to repeatedly sell the data once it is acquired. TGS-NOPEC consistently achieves annual sales in excess of the net book value of its survey investments. For example, in financial terms the Company turned its data library over 1.8 times in 2000 clearly demonstrating the Company's ability to sell at levels well in excess of its investments.

# THE BUSINESS
## Activities Worldwide



**ACTIVITIES WORLDWIDE**
TGS-NOPEC had an extremely busy year in 2000, acquiring almost 175.000 kilometers of 2D data and 9.600 square kilometers of 3D data on a worldwide basis. The company had concentrated it's activities in the following countries and areas:

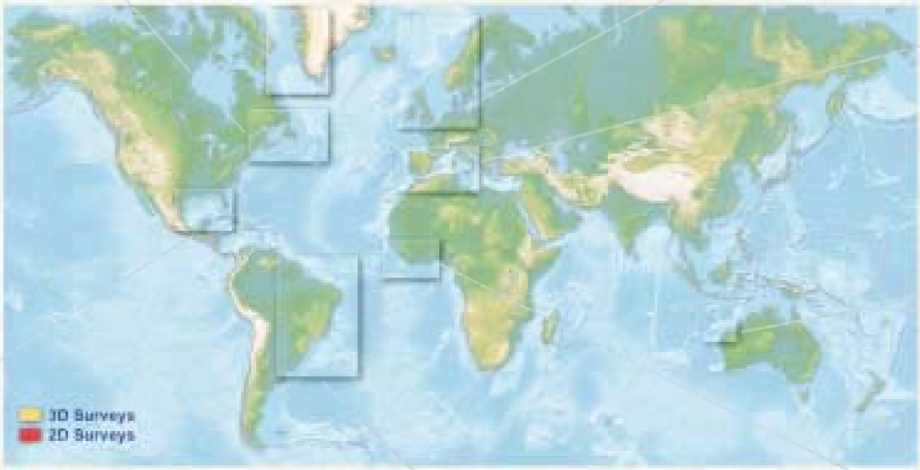


Canada, USA (Gulf of Mexico) and Brazil in the Americas. Greenland, The North Sea, The Norwegian Sea, Barents Sea, Portugal, Malta and Italy in Europe. Morocco, Liberia and Sierra Leone in Africa, and Northwest Australia in the Asia/Pacific Region.

# THE BUSINESS
## Activities Worldwide

**New Ventures - North and South America**
During summer 2000, TGS-NOPEC expanded its successful Scotia Basin 2D program in Eastern Canada. The new addition, known as NF101, totaled over 11,000 kilometers and extended the grid into Newfoundland. The Company also initiated a derivative project to develop a structural interpretation of the entire NS100 seismic survey.

The Company was extremely active in the **Gulf of Mexico** in 2000 acquiring a new 1,725 square kilometer survey in the Green Canyon/Atwater OCS area and also completing acquisition of its massive 15,400 square kilometer Mississippi Canyon 3D survey. Over 7,342 square kilometer of pre-stack time processed data was delivered from the Mississippi Canyon and adjoining Eastern Gulf 3D surveys during the year. TGS-NOPEC also initiated a large 35,000 kilometer 2D project offshore Texas in 2000. The Phase 48 Survey is in an area of deep gas potential and is the first TGS-NOPEC project to include a complete suite of AVO tools as a standard product. Derivative products based on existing seismic played a significant role for the region in 2000. In October, the Company initiated the world's largest 3D Depth Migration Project based on its successful Mississippi Canyon 3D Survey. The Company also initiated a 2D pre-stack depth migration project in the Eastern Gulf of Mexico. TGS-NOPEC and partner Geophysical Development Corporation teamed up to create the Deep Water Field Study, a fifty field project that incorporates petrophysical data, AVO, well information, and fluid substitutions to characterize productive zones in the deep-water portions of the Gulf of Mexico.




In **South America, Brazil** continued to dominate the Company's attention. TGS-NOPEC continued to expand its regional 2D seismic grid through most areas offshore Brazil, including an extension of the program into the Amazon basin. Using multiple vessels, the Company was able to add in excess of 95,000 kilometers of new data to the program. Through the end of 2000, the size of the Brazil program totaled 195, 000 kilometers with additional program planned for 2001. TGS-NOPEC also created its first derivative product based on the Brazil seismic data. This project, a 6,000 kilometer prestack depth migration, should serve as a catalyst for additional derivative projects in 2001.

**Europe** continued to be a core area for TGS-NOPEC in 2000. The Company acquired over 37,000 kilometers of Multi-Client 2D seismic during the year including 14,200 kilometers in Norway, 3,730 kilometers in the UK, 6,100 kilometers in Greenland, 8,700 kilometers in Portugal, and 4,750 kilometers in Malta/Italy.The Company also reprocessed approximately 4,000 kilometers of older data offshore Portugal. Sales of seismic data in Greenland, Portugal, and Malta have been the key factor for local respective governments' preparation work for future bidding rounds. TGS-NOPEC also acquired a 600 square kilometer Multi-Client 3D program in the East Shetland Basin of the UK. This 3D program is the first of several planned TGS-NOPEC 3D programs in the area. The survey is also significant in that it is the first 3D survey 100% financed and owned by TGS-NOPEC. Almost all seismic data acquired in Europe was processed using the Company's own processing resources located in Bedford, England.

In addition to seismic data, the Company also conducted an aeromagnetic survey totaling 17,000 kilometers over the Norwegian Sea and acquired sea floor samples as part of a Sea Floor Sampling Project in the deepwater Norwegian Sea.

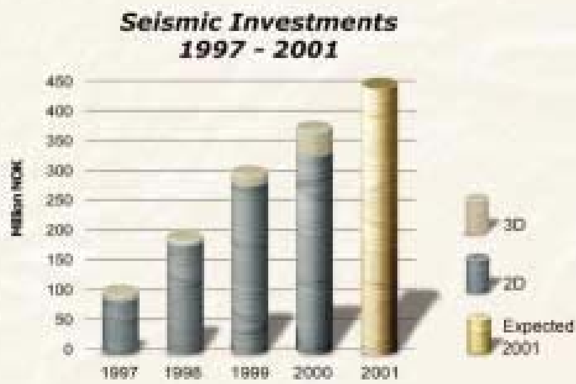
**Africa**

After a hiatus of several years, TGS-NOPEC reestablished new survey activity in Africa in 2000. Early in the year, the Company acquired and processed a 7,500 kilometer 2D program offshore Morocco in preparation for that country's planned 2001 lease round. Later in the year, TGS-NOPEC acquired a 2,400 kilometer 2D seismic program offshore Sierra Leone and began acquisition of a 9,500 kilometer 2D program offshore Liberia. The Sierre Leone and Liberia surveys are contiguous and provide good coverage across the Liberian Basin. In eastern Africa, TGS-NOPEC commenced a basin analysis interpretation of the Mozambique Channel located between Mozambique and Madagascar.
TGS-NOPEC's re-entry into Africa is a significant step and should represent new growth opportunities for the Company in the years to come.

**Asia - Pacific**

Much of the Company's focus in 2000 for the Asia Pacific region was on marketing its successful Mahakam Delta Survey. This 6,600 kilometer 2D survey is well positioned for Indonesia's lease round that is scheduled to close in mid-2001. Plans were also initiated for a new Multi-Client 3D program off the West Coast of Australia. The Flinders 3D program totals 1,400 square kilometers and has been heavily pre-funded by industry.

**Future plans** TGS-NOPEC has a large number of 2D, 3D, and aeromagnetic projects in the development and evaluation phase. Based upon these project opportunities the Company plans to invest approximately NOK 450 million in its Multi-Client surveys in 2001. The money will be invested based on the merits of each individual project but it is anticipated that the proportion of 3D versus 2D investements will rise compared to previous years.



# REPORT FROM THE BOARD OF DIRECTORS

TGS-NOPEC Geophysical Company ASA is a leading player in the global non-exclusive seismic market, with ongoing operations in North and South America, Europe, Africa, Asia, and Australia. The Company's marketed seismic library contains more than 1.55 million line kilometers of 2D data and over 82,100 square kilometers of 3D data. The Parent Company is located in Nærsnes, Norway, and the main subsidiary is in Houston, Texas, U.S.A. All financial statements in this report are presented on the basis of a "going concern" valuation.

## Results from Operations

Despite relatively weak general seismic market conditions for at least the first half of the year, TGS-NOPEC achieved a record financial performance in 2000. The long-awaited recovery of exploration spending by the oil companies began to take effect during the third quarter of the year. TGS-NOPEC accelerated its determined strategy to plan, develop, and invest in discretionary, well-placed seismic surveys designed to complement our customers' exploration programs. As a result, we increased our investments in multi-client seismic surveys by 23% over 1999 levels to a record of NOK 371 million. Our customers strongly supported this effort, providing approximately 60 % in average pre-financing for our new projects, a figure well in excess of current industry averages.

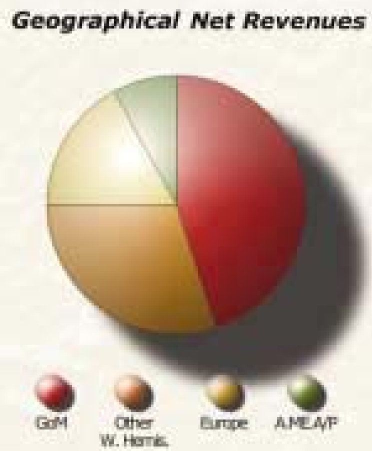
As the Company's growth rate, profit margin, and return on capital clearly surpassed industry norms during 2000, the Board is very pleased with the annual operational results. Highlights of this performance include:

- Earnings per Share increased 78% to a record NOK 8,85 (NOK 8,45 fully diluted) for 2000 compared to NOK 4,97 in 1999.
- Net Revenues increased 32% to a record NOK 773,6 million.
- Net Late Sales from the Multi-Client library increased 64% over 1999 levels to a record of NOK 551,0 million.
- EBITDA from operations grew 43% to a record of NOK 622,6 million, representing 80% of Net Revenues.
- Return on Average Capital Employed increased to 40%, up from 31% in 1999.
- Shareholders Equity grew 47% to NOK 806 million, representing 62% of the Balance Sheet at years end.

## Segment Information

The Company's main business is developing, managing, conducting, and selling non-exclusive


seismic surveys. This activity accounted for virtually all of the Company's business during the year 2000. Record Late Sales of library data combined with solid Early Participant support of new projects provided TGS-NOPEC with its strongest annual revenue base ever.




*Revenues: GoM, Other Western Hemisphere Europe, Africa-Middle East-Asia/Pacific*

While the Gulf of Mexico and the North Sea continue to be very important markets for the Company, recent investments in new markets such as Brazil, Canada, Portugal, and Morocco are broadening our revenue distribution.

TGS-NOPEC added a record 175,000 kilometers of 2D and over 9,500 square kilometers of 3D to its marketed library of multi-client seismic data during 2000. In addition, TGS-NOPEC acquired a 100% interest in a 1,640 square kilometer 3D survey in exchange for its marketing rights in a number of other 3D surveys.


As part of its stated growth strategy, the Company sharply increased investments in new 3D projects and in new products such as pre-stack depth migration and amplitude-versus-offset developed from its existing data library. The Board expects these investments in high tech products to position the Company to capture a growing market share of seismic spending.

## Vessel Commitments

The company operates two seismic vessels on a permanent basis:

- The MV Northern Access
  (bare-boat charter-hire expiring September 2008)
- The Zephyr-1
  (full-operation hire expiring September 2002)

In addition, the Company hires seismic vessels on a short term or project-by-project basis. So far in 2001, the Company has hired the Veritas operated MV Pacific Sword to acquire a new 3D program on the Northwest Shelf of Australia, CGG's MV Amadeus to complete a 3D project in the UK, Multi-Wave Geophysical's MV Polar Duke for a project in New Zealand, and COOGC's Nan Hai 502 for a minimum three month period. In the North Sea, WesternGeco's Sapphire will soon commence a 2000 square kilometer non-exclusive 3D survey jointly financed by TGS-NOPEC and WesternGeco.

The Company completed the sale of the MV Odin Explorer as planned during 2000.

## Organization and Staff

As of December 31, 2000, the Company had 90 employees in the U.S.A, 28 in Norway, 29 in the UK, 7 in Australia, and 5 aboard the vessels, totaling 159 employees.

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

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

## Investments, Capital and Financing

The Company is listed on the Main List on the Oslo Stock Exchange. No new equity was raised in the market during 2000. The Board does not anticipate any new equity issues during 2001, apart from issues of stock options to employees, unless to finance an acquisition of another company or a major business opportunity. During 2000, the Company invested NOK 371 million in its seismic library, and recorded NOK 11 million in additional capital expenditures. No companies were bought in 2000. The Company financed all its investments with its own cash.

In March 2001, the Company purchased Symtronix Corporation, for approximately USD 750,000. A portion of the purchase price was paid in cash and the rest was paid with shares of TGS-NOPEC stock. Prior to the purchase, Symtronix was a privately held Houston-based company founded in 1993 to provide a variety of data management services to the oil and gas industry. Symtronix specializes in seismic data loading and format conversions using numerous software platforms and its eight employees will remain with TGS-NOPEC.

At the Annual Shareholders' meeting on June 24th, 1999, the Board was authorized to repurchase a maximum of 2,426,713 of TGS-NOPEC's shares (see Notes to the Financial Statements). In February 2001, the Company purchased 42,500 of its own shares over the Oslo Stock Exchange to use as payment for the shares in Symtronix Corporation. After the Symtronix transaction, the Company now holds 4,866 of its own shares.

# REPORT FROM THE BOARD OF DIRECTORS

Because of the cyclical nature of the oil services industry, the Board has placed an emphasis on maintaining significant cash holdings and a strong balance sheet. As a result of the healthy cash flow generated from operations, the Company's cash holdings nearly doubled during the year to NOK 225 million as of December 31 - 2000.

## Health, Safety and Environmental Issues

The Company interacts with the external environment through the collection of seismic data and operation of vessels. The Company continues to work actively on measures to minimize any impact on the environment and to keep operations within the limits of all appropriate regulations and public orders. No personnel injuries were registered during 2000, and absence due to sickness was only approximately 3% of the total work hours.

## Outlook for 2001

Annual global exploration and production expenditures are generally expected to increase by 15-20% over 2000 levels. With OPEC apparently well in control of global oil pricing, oil companies are again showing confidence in the petroleum markets and looking for new exploration opportunities. The Board believes that the Company is well positioned to benefit from the anticipated upswing in spending. Key strategic acquisitions have increased the Company's market potential and the Company continues to accelerate the pace of new investments in multi-client seismic and associated products, the fastest growing sector of the seismic industry.

## Application of Profit

The Group profit of NOK 214,924,000 is allocated to Other Equity.

It is proposed that the Parent Company's Net Income be applied as follows:

| | |
|---|---|
| **Allocated to Other Equity** | |
| | NOK 35,942,000 |
| Total | NOK 35,942,000 |

.

Nærsnes, 9 May, 2001

Henry H. Hamilton
CEO

David W. Worthington
Chairman

Steven E. Lambert

Egil Bergsager

Jan W. Gorgas

Frode Sandnes

# PROFIT AND LOSS ACCOUNT

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

| Parent Company 2000 | Parent Company 1999 | Parent Company 1998 | | Note | **GROUP 2000** | GROUP 1999 | GROUP 1998 |
|---|---|---|---|---|---|---|---|
| 357 209 | 259 605 | 204 919 | Sales | 2,11,12 | **817 686** | 617 300 | 601 909 |
| -31 529 | -15 135 | -31 672 | Income sharing | | **-44 051** | -29 803 | -43 342 |
| 325 680 | 244 470 | 173 247 | **Net operating revenues** | | **773 635** | **587 497** | **558 567** |
| 6 504 | 31 257 | 16 338 | Materials | | **17 141** | 17 865 | 1 322 |
| 162 944 | 110 622 | 93 198 | Amortization | | **255 780** | 179 775 | 118 494 |
| 19 464 | 19 406 | 13 767 | Personnel costs | 14 | **88 960** | 70 731 | 85 796 |
| 5 099 | 8 007 | 5 158 | Depreciation | 4 | **17 708** | 19 543 | 16 774 |
| 34 143 | 54 586 | 26 743 | Other operating expenses | 7 | **44 939** | 62 393 | 69 012 |
| | 29 617 | | Write down of vessels | | | 29 616 | |
| 97 526 | -9 025 | 18 043 | **Operating profit** | | **349 107** | **207 575** | **267 169** |
| 4 765 | 2 281 | 24 610 | Financial income | | **13 979** | 10 608 | 16 846 |
| -51 758 | -32 527 | -29 465 | Financial expenses | | **-32 719** | -25 113 | -10 089 |
| 50 533 | -39 271 | 13 188 | **Profit before taxes** | | **330 367** | **193 070** | **273 926** |
| 14 592 | -10 996 | 2 205 | Taxes | 15 | **115 443** | 73 886 | 97 052 |
| 35 942 | -28 274 | 10 983 | **Net income** | | **214 924** | **119 184** | **176 874** |
| | | | Earnings per share | 9 | **8,85** | 4,97 | 7,46 |
| | | | Earnings per share, diluted | 9 | **8,45** | 4,92 | 7,46 |
| | | | Profit (loss) for the year is allocated as follows: | | | | |
| 35 942 | -28 274 | 10 983 | To other equity | | **214 924** | 119 184 | 176 874 |
| 35 942 | -28 274 | 10 983 | **Total allocated** | | **214 924** | **119 184** | **176 874** |

# BALANCE SHEET

| Parent company Year ended 31 December 2000 | 1999 | | GROUP Year ended 31. December Note | 2000 | 1999 |
|---|---|---|---|---|---|
| | | **Assets** | | | |
| | | **Fixed assets** | | | |
| | | **Intangible fixed assets** | | | |
| 11 000 | 13 000 | Goodwill | 4 | **31 942** | 37 622 |
| 11 000 | 13 000 | Total intangible fixed assets | | **31 942** | **37 622** |
| | | **Tangible fixed assets** | | | |
| 26 042 | 29 047 | Land, buildings and other property | 4,5,7 | **30 090** | 33 213 |
| 141 289 | 172 726 | Vessels | 4 | **141 289** | 172 726 |
| 614 | 628 | Machinery and Equipment | 4,7 | **23 470** | 21 628 |
| 167 945 | 202 401 | Total tangible fixed assets | | **194 849** | **227 567** |
| | | **Financial fixed assets** | | | |
| 44 831 | 44 831 | Investments in subsidiaries | 3 | | 0 |
| 44 831 | 44 831 | Total financial fixed assets | | **0** | **0** |
| 223 776 | 260 232 | Total fixed assets | | **226 791** | **265 189** |
| | | **Current assets** | | | |
| 359 505 | 185 928 | Multiclient seismic library, net | | **439 101** | **324 042** |
| | | **Receivables** | | | |
| 123 713 | 66 007 | Accounts receivables | 2 | **375 293** | 202 234 |
| 6 179 | 6 329 | Receivable subsidiaries | | | |
| 33 241 | 26 373 | Other receivables | 2 | **39 150** | 38 987 |
| 163 133 | 98 709 | Total receivables | | **414 443** | **241 221** |
| 20 011 | 3 391 | Cash and cash equivalents | | **224 603** | 118 242 |
| 542 649 | 288 028 | Total current assets | | **1 078 147** | **683 505** |
| 766 425 | 548 260 | **Total assets** | | **1 304 938** | **948 694** |

Nærsnes, 9. May 2001

David W. Worthington – Chairman Henry H. Hamilton – CEO Steven E. Lambert - Director

| Parent company 2000 | Parent company 1999 | | Note | GROUP 2000 | GROUP 1999 |
|---|---|---|---|---|---|
| Year ended 31. December | | | | **Year ended 31. December** | |
| 2000 | 1999 | | Note | **2000** | 1999 |
| | | **Equity and liabilities** | | | |
| | | **Equity** | | | |
| | | **Paid-in capital** | | | |
| 24 419 | 24 009 | Share capital | 8,9,13 | **24 419** | 24 009 |
| 96 426 | 83 371 | Share premium reserve | 8 | **96 426** | 83 371 |
| 120 845 | 107 380 | Total paid-in capital | | **120 845** | 107 380 |
| | | **Retained earnings** | | | |
| 89 335 | 53 394 | Other equity | 8 | **685 445** | 440 229 |
| 89 335 | 53 394 | Total retained earnings | | **685 445** | 440 229 |
| 210 180 | 160 774 | Total equity | | **806 290** | 547 609 |
| | | **Liabilities** | | | |
| | | **Provisions** | | | |
| 29 084 | 14 852 | Deferred tax | 15 | **58 534** | 46 525 |
| 29 084 | 14 852 | Total provisions | | **58 534** | 46 525 |
| | | **Other long-term liabilities** | | | |
| 167 236 | 130 461 | Liabilities to financial institutions | 6 | **167 237** | 130 461 |
| 38 671 | 53 015 | Other long-term liabilities | | **38 888** | 53 486 |
| 205 907 | 183 476 | Total long-term liabilities | | **206 125** | 183 947 |
| | | **Current liabilities** | | | |
| 0 | 18 771 | Liabilities to financial institutions | 6 | | 18 813 |
| 53 849 | 15 119 | Accounts payable | 2 | **114 946** | 94 299 |
| 210 303 | 108 935 | Current liabilities group companies | | | |
| 360 | | Tax payable | 15 | **35 399** | 11 997 |
| 3 664 | 4 964 | Social security, VAT and other | | | |
| 53 078 | 41 369 | Other short-term liabilities | | **83 644** | 45 504 |
| 321 254 | 189 158 | Total current liabilities | | **233 989** | 170 613 |
| 556 245 | 387 486 | Total liabilities | | **498 648** | 401 085 |
| 766 425 | 548 260 | **Total equity and liabilities** | | **1 304 938** | **948 694** |

Egil Bergsager - Director

Jan W. Gorgas - Director

Frode Sandnes - Director

# CASHFLOW STATEMENT

| Parent Company 2000 | 1999 | 1998 | | GROUP 2000 | 1999 | 1998 |
|---|---|---|---|---|---|---|
| | | | **Cash flow from operating activities** | | | |
| 262 763 | 229 356 | 259 422 | Received payments from sales | **602 003** | 538 014 | 624 150 |
| -274 566 | -180 156 | -104 203 | Payments for purchased goods and services | **-309 893** | -333 827 | -201 427 |
| -20 764 | -20 751 | -13 704 | Payments for salaries, pensions, social security tax and tax deducted | **-88 960** | -70 731 | -83 039 |
| 3 258 | 2 281 | 5 542 | Received interest and other financial income | **13 979** | 10 608 | 16 846 |
| -43 005 | -32 527 | -10 397 | Interest payments and other financial cost | **-22 441** | -25 113 | -10 089 |
| 0 | 0 | -13 170 | Paid tax and government taxes | **-86 797** | -105 611 | -115 949 |
| -34 143 | -18 586 | -8 976 | Received payments/payments from other operating activities | **-44 939** | -98 300 | -107 935 |
| -106 457 | -20 383 | 114 514 | **Net cash flow from operating activities 1)** | **62 952** | **-84 960** | **122 557** |
| | | | **Cash flow from investing activities** | | | |
| 14 084 | 5 918 | 0 | Received payments from fixed assets | **14 084** | 5 918 | 0 |
| -747 | -273 | -152 572 | Investment in tangible fixed assets | **-11 074** | -7 142 | -205 561 |
| 0 | -22 473 | -37 116 | Lease financed investment | **0** | -22 473 | -37 116 |
| 0 | -448 | -37 175 | Investments in shares and partnerships | **-1 590** | 0 | 0 |
| 0 | 12 843 | -5 375 | Other investments | **0** | 12 898 | -12 839 |
| 13 337 | -4 433 | -232 238 | **Net cash flow from investing activities** | **1 420** | **-10 799** | **-255 516** |
| | | | **Cash flow from financing activites** | | | |
| 73 844 | 18 771 | | Net changes in short term loans | **-18 813** | 18 813 | 0 |
| 36 775 | | 43 132 | New long term loans | **26 497** | 0 | 45 063 |
| 0 | 12 446 | 37 116 | Leasefinancing of owned equipement | **0** | 26 541 | 37 116 |
| -14 344 | -20 876 | -18 975 | Repayment of long term loans | **-14 598** | -13 980 | -18 975 |
| 0 | 0 | -25 613 | Demerger - decrease of equity | **0** | 0 | -25 613 |
| 13 465 | 188 | 25 922 | Received payments due to share offering | **13 465** | 188 | 25 922 |
| | | 0 | Currency exchange differences | **35 438** | 14 846 | 3 089 |
| 109 740 | 10 529 | 61 582 | **Net cash flow from financing activites** | **41 989** | **46 408** | **66 602** |
| 16 620 | -14 287 | -56 142 | Net change in cash and cash equivalents | **106 361** | -49 351 | -66 357 |
| 3 391 | 17 678 | 73 820 | Cash and cash equivalents at the beginning of period | **118 242** | 167 593 | 233 950 |
| 20 011 | 3 391 | 17 678 | **Cash and cash equivalents at the end of period** | **224 603** | **118 242** | **167 593** |

| Parent Company | | | | GROUP | | |
|---|---|---|---|---|---|---|
| 2000 | 1999 | 1998 | | **2000** | 1999 | 1998 |
| | | | 1) Reconciliation | | | |
| 50 533 | -39 271 | 13 188 | Profit before taxes | **330 367** | 193 070 | 273 926 |
| 23 121 | 25 364 | 12 878 | Depreciation | **37 008** | 19 543 | 24 494 |
| | 29 617 | | Write off fixed assets | **0** | 29 616 | 0 |
| 8 753 | | | Unrealised currency loss | **10 278** | | |
| | 10 312 | | Disposals at cost price | | | |
| -173 577 | -39 264 | -43 050 | Changes in inventory | **-115 059** | -121 025 | -73 688 |
| -57 706 | -26 654 | 82 558 | Changes in accounts receivables | **-173 059** | -49 483 | 65 583 |
| -6 718 | -21 890 | -5 262 | Changes in other receivables | **1 427** | -16 635 | -190 |
| 0 | -1 090 | 49 284 | Changes in group payable due to sale | **0** | 0 | 0 |
| 38 730 | -27 381 | 14 749 | Changes in accounts payable | **20 647** | -15 162 | -7 923 |
| 10 407 | 69 874 | -9 831 | Changes in balance sheet items | **-48 657** | -124 884 | -159 645 |
| -106 457 | -20 383 | 114 514 | Net cash flow from operating activities | **62 952** | **-84 960** | **122 557** |

# GENERAL ACCOUNTING POLICIES

The financial statements are presented in compliance with the Norwegian Companies Act, the Norwegian Accounting Act, and Norwegian generally accepted accounting principles (NGAAP) in effect as of 31 December 2000, and consist of the Profit and Loss account, the Balance Sheet, the Cash Flow statement and Notes to the accounts. The required specification of the balance sheet and the profit and loss account is provided in the Notes to the accounts, thus making the notes an integral part of the financial statements.

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

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

## Principles of consolidation

### Companies consolidated

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

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

### Elimination of intercompany transactions

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

### Elimination of shares in subsidiaries

Acquisitions are accounted for using the purchase method. The excess of purchase price over the book value of the net assets is analysed and allocated to the respective assets according to the fair value. Any excess of the purchase price over the fair value of the net assets acquired is recorded as goodwill and amortised on a straight-line basis over its estimated useful life. The transaction "merging" NOPEC International ASA with TGS - CALIBRE Geophysical Company in June 1998 was accounted for as "pooling-of-interest" in accordance with NGAAP.

### Foreign subsidiaries

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

**The Group consists of:**

| | |
|---|---|
| TGS-NOPEC Geophysical Company ASA | Parent company |
| NDM- Norwegian Data Management AS | (subsidiary - 100 %) |
| Nærsnes Eiendom AS, Norway | (subsidiary - 100 %) |
| ANS Baardsrudveien 2, Norway | (subsidiary - 100 %) |
| TGS-NOPEC Geophysical Company, Houston, U.S.A | (subsidiary - 100 %) |
| TGS-NOPEC DATA PROCESSING Ltd., UK | (subsidiary - 100 %) |
| TGS-NOPEC (UK) Ltd. | (subsidiary - 100 %) |
| TGS-NOPEC Geophysical Comp. PTY Ltd, Perth, Australia | (subsidiary - 100 %) |
| Rimnio Shipping Ltd, Cyprus | (subsidiary - 100 %) |
| TGS-NOPEC Invest AS | (subsidiary - 100 %) |

## Joint ventures

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

## General principles

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

NGAAP provides certain exceptions to the basic assessment and valuation principles. Comments to these exceptions can be found in the respective notes to the accounts. In applying the basic accounting principles and presenting transactions and other issues, a "substance over form" view is taken. Contingent losses which are probable and quantifiable are expensed.

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

## Principles of assessment

## Revenue and cost recognition

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

# GENERAL ACCOUNTING POLICIES

## Inventories

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

The inventory of multi-client seismic is presented at cost reduced by accumulated amortization. Amortization is recorded as income is recognized for each project, in proportion to the percentage of income recognized to the estimated total income from that project. The income estimates are updated every six months.

When establishing amortization rates for the multi-client seismic library, the management base their view on estimated future income for each individual survey. Estimates are adjusted over time with the development in the market. The amortization expense recognized may vary considerably from one period to another depending on the actual mix of projects sold and changes to estimates.

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

## Goodwill

The goodwill of the company relates to the take-over of operations and companies. The goodwill is amortized on a straight-line basis in the Income Statement over a period of ten years. The transaction "merging" NOPEC International ASA with TGS Calibre Geophysical Company in June 1998 was accounted for as "pooling-of-interest" in accordance with NGAAP as it was a combination of two substantially equal companies. Accordingly, no goodwill was recognized on the transaction.

## Fixed assets and principles of depreciation

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

## Exchange rate adjustments

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

## Development costs

Development costs are expensed as incurred.

## Income Taxes

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

## Pensions

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

## Financial instruments

Forward foreign exchange contracts are used as a hedge in managing future cash flows. When hedging actual transactions, the forward rate is used to record that transaction. Unhedged current assets and liabilities in foreign currencies are presented at exchange rates in effect as of the Balance Sheet.

## Comparable figures

There was a "merger" with TGS - CALIBRE Geophysical Company on 29 June 1998. Comparable figures for the Group are based on the Prospectus for the proposed combination dated 12 June 1998 and include TGS - CALIBRE as from January 1st, 1998. The Group also purchased NDM Norwegian Data Management AS and Bedford Interactive Processing Services Ltd (BiPS) in

1998. The impact on the consolidated Balance Sheet and Profit and Loss from these two transactions is considered to be immaterial for the Group. Hence, the 1997 figures shown for the Group do not include NDM and BiPS.

### Leasing

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

### Accounts Receivables

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

### Cash flow statement

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

# NOTES

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

**Note 1 - Restrictions on bank accounts**
NOK 1.905 of Cash and Cash Equivalents is restricted to meet the liability arising from payroll taxes withheld. Of this, NOK 1.683 is in the Parent Company.

**Note 2 - Accounts receivable**
Accounts receivable are included in the balance sheet at net realizable value. The Company expects to collect the full balance of trade receivables per 31 December 2000. Realised losses on trade receivables in 2000 amounted to NOK 8 for the Parent Company and NOK 258 for the Group.

**Note 3 - Investments in Subsidiaries**
As at 31.12.00 the Parent Company had the following investments in subsidiaries:

| Included in the balance sheet as: | Share capital of company | No. of shares | Nominal value | Balance sheet value | Share of total |
|---|---|---|---|---|---|
| Datman AS | NOK 200 | 200 000 | NOK 1 | 12 000 | 100 % |
| TGS-NOPEC Geophysical Company | USD 1 | 1 000 | USD 1 | 11 285 | 100 % |
| Bedford Interactive Processing Services Ltd. | GBP 50 | 50 000 | GBP 1 | 21 435 | 100 % |
| TGS NOPEC (UK) Ltd. | GBP 0.1 | 100 | GBP 1 | 0,01 | 100 % |
| Nærsnes Eiendom AS | NOK 100 | 100 000 | NOK 1 | 0,001 | 100 % |
| ANS Baardsrudveien 2 | | | | 0,000 | 100 % |
| Riminio Shipping Ltd. | C£1 | 1 000 | C£1 | 0 | 100 % |
| TGS NOPEC Invest AS | NOK | | | 111 | 100 % |
| TGS NOPEC Geophysical Comp. PTY Ltd | AUD 1 | 1 | AUD 1 | 0,006 | 100 % |
| | | | | **44 831** | |

**Note 4 - Tangible fixed assets**

| Parent Company<br>Acquisition cost and depreciation | Machinery, plant and equipment | Vessels | Goodwill | Buildings | Total |
|---|---|---|---|---|---|
| Cost as at 1.1.00 | 1 833 | 243 856 | 20 000 | 37 531 | 303 220 |
| + additions during the year | 552 | 195 | 0 | | 747 |
| - disposals during the year | 0 | -11 739 | | -2 345 | -14 084 |
| Cost as at 31.12.00 | 2 385 | 232 312 | 20 000 | 35 186 | 289 883 |
| | | | | | |
| Accumulated depreciation as at 1.1.00 | 1 206 | 71 130 | 7 000 | 8 484 | 87 817 |
| + depreciation for the year* | 565 | 19 893 | 2 000 | 660 | 23 121 |
| + write down during the year | | 0 | | | |
| Accumulated depreciation as at 31.12.00 | 1 771 | 91 023 | 9 000 | 9 144 | 110 938 |
| Net book value at 31.12.00 | 614 | 141 289 | 11 000 | 26 042 | 178 945 |
| | | | | | |
| *of which capitalized to MCS Library/in Materials | 0 | 18 022 | 0 | 0 | 18 022 |
| | | | | | |
| Straight-line depreciation percentage | 33 % | 10 % | 10 % | 2 % | |
| Life time | 3 years | 10 years | 10 years | 50 years | |

**Note 4 - Tangible fixed assets continues**

| Group<br>Acquisition cost and depreciation | Machinery, plant and equipment | Vessel | Goodwill | Buildings | Total |
|---|---|---|---|---|---|
| Cost as at 1.1.00 ** | 62 875 | 243 856 | 51 081 | 40 846 | 398 658 |
| + additions during the year | 9 290 | 195 | | 1 590 | 11 074 |
| - disposals during the year | -18 028 | -11 739 | | -2 345 | -32 112 |
| Cost as at 31.12.00 | 54 137 | 232 312 | 51 081 | 40 091 | 377 621 |
| | | | | | |
| Accumulated depreciation as at 1.1.00 | 39 863 | 71 130 | 13 459 | 7 397 | 131 849 |
| + depreciation for the year* | 8 831 | 19 893 | 5 680 | 2 604 | 37 008 |
| - disposals during the year | -18 028 | | | | -18 028 |
| + write down during the year | | | | | 0 |
| Accumulated depreciation as at 31.12.00 | 30 667 | 91 023 | 19 139 | 10 001 | 150 829 |
| | | | | | |
| Net book value at 31.12.00 | 23 470 | 141 289 | 31 942 | 30 090 | 226 791 |
| | | | | | |
| * of which capitalized to Library/in Materials | 1 278 | 18 022 | 0 | 0 | 19 300 |
| ** affected by changes in exchange rates vs NOK | | | | | |
| | | | | | |
| % depreciation | 33 % | 10 % | 10 % | 2 % | |
| "Assumed financial life time" | 3 years | 10 years | 10 years | 50 years | |

**Note 5 - Investment in unlimited (ANS) partnerships**

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

**Note 6 - Mortgages, guarantees etc.**

| | 2000 | 1999 | 1998 |
|---|---|---|---|
| The following liabilities are secured by collateral: | | | |
| Debt to Banks (in Parent company) | 167 237 | 130 461 | 138 789 |
| Sellers' financing Building (in Parent company) | 8 000 | 12 000 | 16 000 |
| Other (in subsidiaries) | 725 | 391 | 1 652 |
| | 175 962 | 142 852 | 156 441 |
| | | | |
| Book value of the assets used as collateral: | | | |
| Accounts receivable | 128 015 | 70 653 | 39 353 |
| Multi client seismic | 359 505 | 186 181 | 146 664 |
| Vessel | 141 288 | 172 726 | 208 671 |
| Machinery (UK) | 6 322 | 5 799 | |
| Building Baardsrudveien 2 | 23 121 | 25 101 | 25 101 |
| | 658 251 | 460 460 | 419 789 |

# NOTES

**Note 7 - Lease obligations**

The Parent has operating lease commitments expiring at various dates through 2002. Rental expense for operating leases was NOK 1 959 for the year ended December 31, 2000. The Parent also has capital lease commitments expiring at various dates through 2005. Rental expense for capital leases was NOK 14 460 for the year ended December 31, 2000. Future minimum payments for capital and operating leases with lease terms in excess of one year at December 31, 2000 are as follows for the group:

| | Operating leases | Capital leases |
|---|---|---|
| 2001 | 6 920 | 14 458 |
| 2002 | 5 472 | 12 560 |
| 2003 | 4 320 | 3 070 |
| 2004 | 3 597 | 3 070 |
| 2005 | | 765 |

**Note 8 - Equity and Shareholder Authorizations**

Equity reconciliation for 2000:

| | Share capital | Premium fund | Free equity in Parent Company | Equity in Parent Company | Equity for the Group |
|---|---|---|---|---|---|
| Opening balance 1.1.00 | 24 009 | 83 371 | 53 394 | 160 774 | 547 609 |
| Changes in share capital during 2000: | 410 | 13 055 | | 13 465 | 13 465 |
| Profit for the year | - | 0 | 35 942 | 35 942 | 214 924 |
| Effect of change in exchange rates | - | 0 | - | 0 | 30 292 |
| Equity at the end of 2000 | 24 419 | 96 426 | 89 335 | 210 180 | 806 290 |

**Shareholders' authorizations to issue warrants to employees and to the Board to issue shares**

The Shareholders authorized on June 7. 2000 the issuance of in total 3,000,000 independent new subscription rights (warrants) securing long-term stock option plans issued to employees. Subscription of warrants under this authorization can take place until the next ordinary Shareholders Meeting of the Company and the warrants issued can be exchanged for shares up to 7. June 2005. To date, 235,000 warrants have been issued under this authorization.

The Board is authorized to issue a total of 12.000.869 new shares to employees in connection with stock option plans and in connection with mergers and acquisitions. This authorization expires 24. June 2001. To date, 366,299 new shares have been issued to employees under this authority.

**Outstanding Stock Options granted to employees as per December 31st, 2000:**

| Options | Exercise Dates | Holders | Price/Conditions |
|---|---|---|---|
| 201 701 | 1/3rd July 1st.2000,1/3 2001,1/3 2002 | Key Employees | NOK 33 plus 1% per month from July, 1997, expire July 2004 |
| 552 196 | See below* | Hank Hamilton | NOK 117.76. Warrants expiring 29. June 2003 |
| 138 049 | See below** | Hank Hamilton | NOK 47.00. Warrants expiring on June 30, 2004 |
| 50 000 | All as from July 2000 | Key Employees | NOK 46.50 plus 1% per month from July 1999. Warrants expiring July 2004 |
| 235 000 | See below*** | Key Employees | NOK 116,50. Warrants expiring on June 7, 2005. |
| 1 176 946 | | | |

* The CEO Hank Hamilton may request shares issued in exchange for warrents as follows:
Up to 50% beginning June 29, 2000
Up to 75% beginning June 29, 2001 less previous exercised
100% beginning on June 29, 2002 less previously exercised

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

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

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

The Board is also authorized to acquire, on behalf of the Company, an aggregate number of the Company's shares of 2.426.713 shares at a maximum value of the price quoted on the Stock Exchange plus 5%. This authorization expires 7. December 2001.

**Note 9 - Earnings per share**

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

For details regarding stock options, see note 8.

| | 2000 | 1999 | 1998 |
|---|---|---|---|
| Profit for the year | 214 924 | 119 184 | 176 874 |
| Average number of shares outstanding (thousands) | 24 282 | 23 999 | 23 699 |
| Earnings per share | 8,85 | 4,97 | 7,46 |
| Diluted earnings per share | 8,45 | 4,92 | |
| Number of ordinary shares used to calculated diluted earning per share | 25 443 | 24 225 | |

**Note 10 - Related parties**

No material related party transactions took place during 2000 except for normal trading transactions.

**Note 11 - Segment information**

Approximately 98% of the Company's revenues during the year 2000 came from the multi-client market, and 2% from the propriatory 2D market. During 2000, approximately 74% of Net Revenues were Multi-client 2D and approximately 24% were Multi Client 3D revenues.

**Note 12 - Geographical information**

| Revenues per Region | 2000 U.S.A | 2000 Rest of the world | 1999 U.S.A | 1999 Rest of the world |
|---|---|---|---|---|
| Net Revenues | 348 135 | 425 500 | 354 497 | 233 000 |
| In percent of total Net Revenues | 45 % | 55 % | 60 % | 40 % |

**Note 13 - The largest shareholders in TGS-NOPEC Geophysical Company ASA as of 31.12.2000**:

| | Shares | Proportion of shares | Proportion of votes |
|---|---|---|---|
| David W. Worthington | 2 437 946 | 10,0 % | 10,0 % |
| Evelyn W. Worthington | 2 069 946 | 8,5 % | 8,5 % |
| Folketrygdfondet | 971 500 | 4,0 % | 4,0 % |
| Svenska Handelsbanken (NOM) | 819 100 | 3,4 % | 3,4 % |
| Storebrand Livsforsikring AS | 728 700 | 3,0 % | 3,0 % |
| Steven E. Lambert | 700 000 | 2,9 % | 2,9 % |
| Henry Haywood Hamilton | 552 196 | 2,3 % | 2,3 % |
| Morgan Stanley & Co. (NOM) | 528 770 | 2,2 % | 2,2 % |
| State Street Bank & Trust (NOM) | 523 083 | 2,1 % | 2,1 % |
| Citibank, N.A (NOM) | 466 500 | 1,9 % | 1,9 % |
| Vital Forsikring | 399 800 | 1,6 % | 1,6 % |
| Brown Brothers Harriman (NOM) | 372 800 | 1,5 % | 1,5 % |
| Morgan Stanley & Co. Intl (NOM) | 327 401 | 1,3 % | 1,3 % |
| NHO's Landsforeninger Fond | 306 350 | 1,3 % | 1,3 % |
| Tine Pensjonskasse | 270 000 | 1,1 % | 1,1 % |
| Goldman Sachs International | 268 300 | 1,1 % | 1,1 % |
| UBS AG, London Branch (NOM) | 260 500 | 1,1 % | 1,1 % |
| Verdipapirfondet Avanse Norge | 260 000 | 1,1 % | 1,1 % |
| Boston Safe Dep. & Trust (NOM) | 249 100 | 1,0 % | 1,0 % |
| | **12 511 992** | **51,2 %** | **51,2 %** |
| Total number of shares | 24 419 037 | | |

**Shares and options owned by the Chief Executive Officer and members of the Board as of 31.12.00:**

| Name | Title | Total number of shares | Number of options |
|---|---|---|---|
| David W. Worthington | Director | 2 437 946 | |
| Steven E. Lambert | Director | 700 000 | |
| Henry Haywood (Hank) Hamilton III | CEO/Director | 552 196 | 690 245 |

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

**Note 14 - Salaries/Number of employees/Benefits/Employee loans/Pensions**

| | Parent | | Group | |
|---|---|---|---|---|
| Payroll and related cost | 01.01 -31.12 | | 01.01 -31.12 | |
| | 2000 | 1999 | 2000 | 1999 |
| Payroll | 23 060 | 17 135 | 88 960 | 70 731 |
| Social security costs | 5 229 | 2 913 | | |
| Pension costs | 0 | 0 | | |
| Other employee related costs | 725 | 959 | | |
| - Salaries capitalized (vessel related) | -9 549 | -1 600 | | |
| Payroll and related cost | 19 464 | 19 406 | 88 960 | 70 731 |

Average number of employees in 2000 was 155

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

Directors' fee paid to the Board of Directors was NOK 300. The Directors do not participate in any bonus or profit sharing plan. The CEO receives his total remuneration from the US subsidiary.

Audit
The audit fee for 2000 for the Parent Company was NOK 275. The fees for other services provided by the auditor was NOK 203. The audit fee for 2000 for the Group was NOK 1 073. The fees for other services provided by the auditor was NOK 813.

**Note 15 - Taxes**

| | Parent 01.01 - 31.12 | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| **Current tax:** | | | |
| Profit (loss) before taxes and extraordinary items | 50 533 | -39 271 | 13 188 |
| Permanent differences | 53 | 1 | -5 313 |
| Changes in temporary differences | -120 419 | -8 676 | -53 368 |
| Basis for current tax | -69 833 | -47 946 | -45 493 |

| | Parent 01.01 -31.12 | | | Group 01.01 -31.12 | | |
|---|---|---|---|---|---|---|
| | 2000 | 1999 | 1998 | 2000 | 1999 | 1998 |
| Total tax expense for the year | | | | | | |
| Current tax on net income | | 0 | 0 | 106 072 | 78 133 | 92 954 |
| Deferred tax -changes | 14 166 | -10 996 | 2 205 | 12 009 | -4 247 | 4 098 |
| Correction of deferred tax in 1999 | 67 | | | | | |
| Only charged to balance due to change in exchange rate | | | | -2 998 | | |
| Tax outside Norway | 360 | | | 360 | | |
| Total tax expense for the year | 14 592 | -10 996 | 2 205 | 115 443 | 73 886 | 97 052 |
| Tax rate | 28 % | 28 % | 17 % | 35 % | 38 % | 35 % |
| Tax rate justified due to permanent differences | 29 % | 28 % | 28 % | | | |

| Specification of the basis for deferred taxes | 31.12.2000 | 31.12.1999 | 31.12.2000 | 31.12.1999 |
|---|---|---|---|---|
| Offsetting differences: | | | | |
| Fixed assets | 26 168 | 25 294 | 24 373 | 58 709 |
| Current assets | 242 920 | 123 375 | 307 158 | 173 119 |
| Liabilities | -165 218 | -95 385 | 19 593 | -90 515 |
| Loss carry forward | | | -168 550 | |
| Sum | 103 870 | 53 284 | 182 574 | 141 313 |
| Deferred tax liability/deferred tax asset | 29 084 | 14 852 | 58 534 | 46 525 |
| **Average tax rate** | 28 % | 28 % | 32 % | 31 % |

| | 31.12.2000 | 31.12.1999 | 31.12.2000 | 31.12.1999 |
|---|---|---|---|---|
| Total current taxes payables | 0 | 0 | 35 399 | 11 997 |

Taxes payable in the balance sheet are lower than taxes payable for the year. This is due to the fact that in USA taxes are payable in advance.

**Note 16 Currency Exposure**

Major portions of the Group's revenues and costs are in US dollars. The majority of the Group's loan financing is in US dollars. Due to this, the Company's operational exposure to exchange rate fluctuation is low. However, as the Consolidated Accounts are presented in Norwegian Kroner, fluctuations between the NOK and the USD impact the quarterly and annual reported figures as unrealised currency exchange gains or losses under Financial Items.

# STATEMENT FROM INDEPENDENT ACCOUNTANTS

KPMG AS

P.O. Box 57
N-4064 Stavanger

Petroleumsveien 6
N-4033 Stavanger

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

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

## AUDITOR'S REPORT FOR 2000

**Respective Responsibilities of Directors and Auditors**

We have audited the annual financial statements of TGS Nopec Geophysical Company ASA as of 31 December 2000, showing a profit of NOK 35 942 000 for the parent company and a profit of NOK 214 924 000 for the group. We have also audited the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the appropriation of the profit. The financial statements comprise the balance sheet, the statements of income and cash flows, the accompanying notes and the group accounts. These financial statements and the Directors' report are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and other information according to the requirements of the Norwegian Act on Auditing and Auditors.

**Basis of Opinion**

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

**Opinion**

In our opinion,

- the financial statements have been prepared in accordance with law and regulations and present the financial position of the Company and of the Group as of December 31, 2000, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the Company's management has fulfilled its obligation in respect of registration and documentation of accounting information as required by law and accounting standards, principles and practices generally accepted in Norway
- the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the appropriation of the profit is consistent with the financial statements and comply with the law and regulations.

Stavanger, 9 May 2001
KPMG AS

Aage K. Seldal
State Authorised Public Accountant

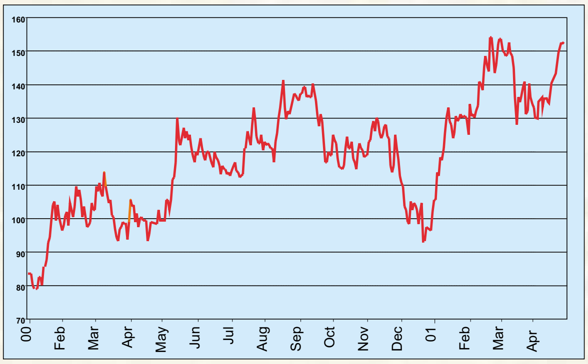
# INVESTOR RELATIONS

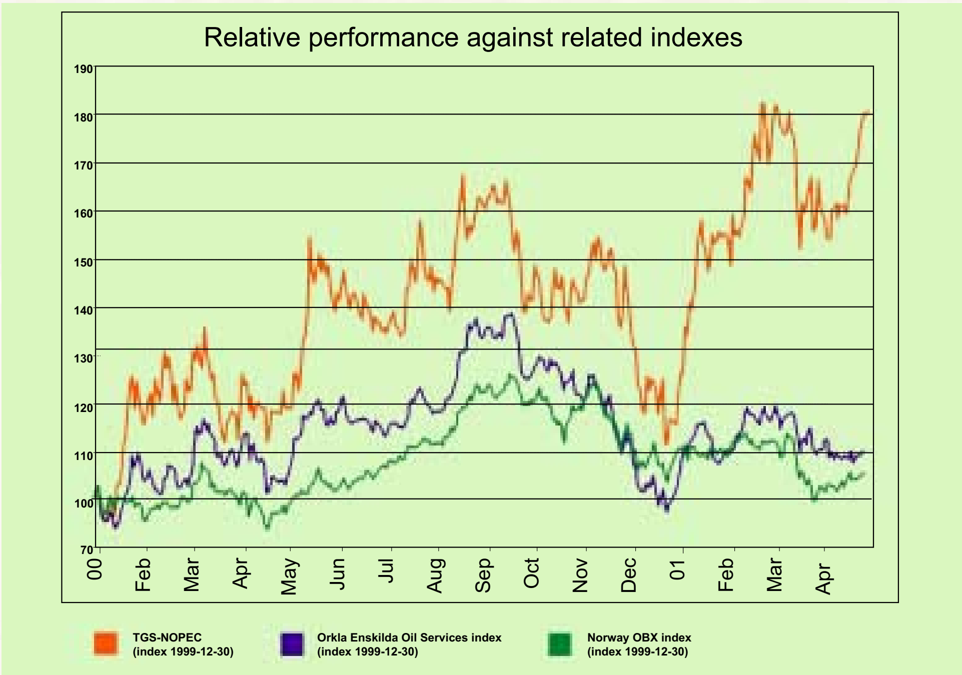
## Investor Relations

The shares of TGS-NOPEC Geophysical Company ASA are listed on the Main List of the Oslo Stock Exchange in Norway. The stock is among the 25 most traded shares on the Exchange, and is a member of the OBX index (Oslo Benchmark Index).
The charts below illustrate that the TGS stock price has developed nicely, outperforming both the OBX index and the Enskilda Offshore Index since December 1999:

Typically the heaviest trading of the stock has occurred around the announcements of the Quarterly Results. During 2000, TGS-NOPEC outperformed the analysts' expectations quarter after quarter, resulting in improved interest and re-pricing of the stock during these periods.

*Share price performance in NOK from the beginning 2000 till early May, 2001.*




Our Investor Relations activities were further intensified during the year 2000 with the goal of increasing both liquidity and investors'awareness of the stock. Management initiated and conducted three roadshows in the U.S.A. and four in the UK. The Company presented at two Investor Conferences; The Enskilda Small Cap Seminar in Copenhagen and the Pareto Oil and Offshore Seminar in Oslo.

The market capitalization of the Company is still too small to hit the "radar screen" of many large institutional investors, but management has developed a solid foundation for a continued increase in international ownership of the stock. In Norway, investor presentations are made in numerous cities , and great emphasis is put on availability for investors, analysts and press.

## The Stockman Prize

TGS-NOPEC was proud to be awarded the Stockman Prize for smaller companies for 2000. The Stockman Prize is The Norwegian Society of Financial Analysts' award for best reporting to the financial community and perceived quality of Investor Relations activity.

TGS-NOPEC was specifically commended for its availability of key personnel, its ability to communicate the industry's development, and its credible and consistent information to the market.


## Shareholders and Liquidity.

Because TGS-NOPEC is listed only on the Oslo Stock Exchange, retail trading of the stock occurs mainly among Norwegian investors. In March 2001, the stock was held by investors in 23 countries, but 92% of individual holders were Norwegian:

Although Norwegian private holders represented 79% of the total shareholders, these holders only held 10% of the value of the Company.

During 2000, the prior owners of TGS in the US reduced their holdings, bringing the "closely held" portion of the Primary Insiders of the stock down to 16%. This should, in management's view, stimulate liquidity. In March 2001 the shareholding per country showed 57% holdings outside Norway.

Management believes that a continued, dedicated focus on Investor Relations efforts will improve the current liquidity of the stock. We plan to increase the number of presentations targeting specifically investors in Scandinavia, France, Germany, UK and the U.S.A.

TGS-NOPEC's fundamental values are Quality, Service and Growth. In an improving seismic market, our focus will be on creating shareholder value. The Company offers stock option plans to its key employees to ensure loyalty and coherence to common long-term goals for the organisation and its owners. Our increasing financial exposure in the 3D market is a natural step in the company's growth path, but is done applying the proven ability of risk management. TGS-NOPEC will continue to focus its investments in our core business with a balance between mature, emerging and frontier markets.

Our stocks are full of fresh seismic. And we gather more every day in tune with the oil-companies' interest for areas we cover.

Do tap in to our website: www.tgsnopec.com
and subscribe
- or give me a call to keep updated.

My e-mail is arne@tgsnopec.no.

Arne Helland
Chief Financial Officer

# ADDRESSES

## HEADQUARTERS

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

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

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

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

## SUBSIDIARIES

### UK

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

Phone: +44 1234 272 122
Fax: +44 1234 325 956
E-mail: anyone@tgsnopec.co.uk
Website: www.tgsnopec.com

### AUSTRALIA

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

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

Please visit us at:

**www.tgsnopec.com**

*Since 1999 TGS-NOPEC has acquired close to 20.000 km of 2D seismic offshore Portugal in preparation for the upcoming licensing round.*

*Cliffs of Cretaceous and Mezosoic age exposed along the Algarve coast can be correlated with the deeper parts of the seismic data acquired offshore.*

TGS NOPEC
GEOPHYSICAL COMPANY