

# **TGS-NOPEC**

*Presentation of 1st Quarter 2004 Results*

*May 6th 2004*

**Arne Helland**  
Chief Financial Officer

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Chief Executive Officer

*Exploring a World of Opportunities*

# Presentation Outline

- **Q1 2004 Financial Results**
- **Current Operations and Activity**
- **Outlook**

# Q1 2004 Results vs Analysts Expectations\*

Following TGS-NOPEC's Update Message on April 13th

(MUSD)	Actual Q1 2004	Average Analysts	Actual vs Consensus	Actual vs Consensus	High	Low	Median
Net Revenue	28.7	29.1	-0.4	-1%	29.3	28.8	29.0
EBIT	6.6	7.2	-0.6	-8%	9.3	5.5	7.2
Pre-tax Profit	7.5	7.2	0.3	4%	9.3	5.5	7.2
Earnings per Share	0.20	0.19	0.01	6%	0.25	0.15	0.19

\*Source: TDN-Finans

# Q1 2004 Financial Highlights

## - Consolidated

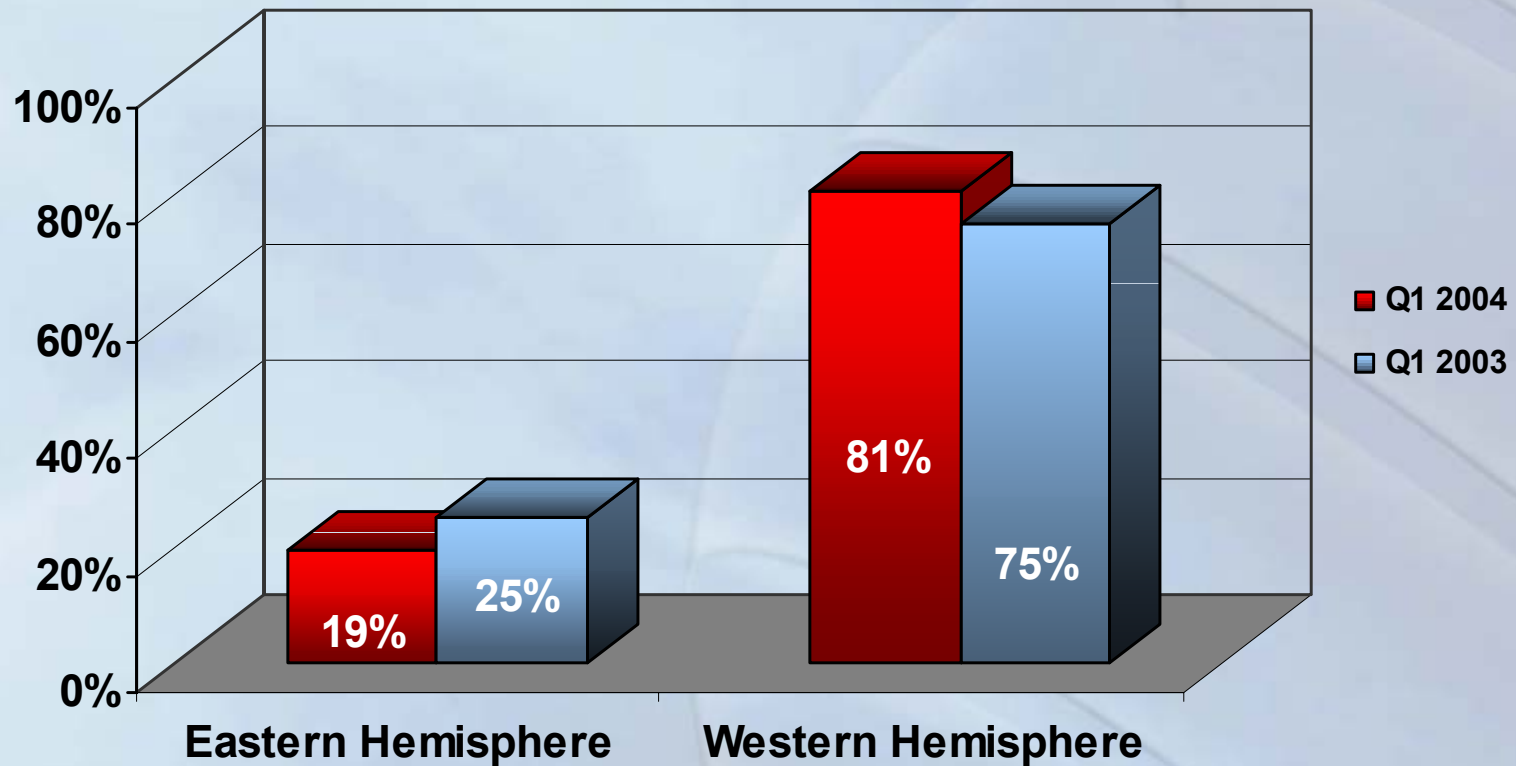
- **Gross Revenues 32,1 MUSD**
  - 0,1 MUSD up from Q1 2003
- **Net Revenues 28,7 MUSD**
  - Decreased 6% from Q1 2003 due to higher Revenue Sharing with partners
- **Net Late Sales 18,3 MUSD**
  - Decreased 19% from Q1 2003 (Gross Late Sales decreased 11%)
- **MC Investments up 97% in Q1, up to 27,9 million**
- **Net Pre-funding 9,9 MUSD**
  - funding 36% of operational investments vs 54% in Q1 2003
- **MC Amortization rate 45%**
- **Cash Flow from Operations 12,2 MUSD**

# Q1 2004 Profit & Loss (MUSD)

		<b>Q1 2004</b>	Q1 2003	Change	%
<b>Gross Sales</b>		<b>32,1</b>	32,0	0,1	0 %
Income sharing & Royalties		<b>-3,4</b>	-1,4	-1,9	135 %
<b>Net Operating Revenues</b>		<b>28,7</b>	30,6	-1,8	-6 %
Materials		<b>0,3</b>	0,1	0,2	172 %
MCS Amortization	<b>45 %</b>	<b>12,7</b>	11,2	1,6	14 %
<b>Gross Margin</b>	<b>55 %</b>	<b>15,7</b>	19,3	-3,6	-19 %
Other operating expenses		<b>8,0</b>	7,3	0,7	9 %
Depreciation		<b>1,1</b>	1,1	0,0	2 %
<b>EBIT (Bef Non-recurr. It.)</b>	<b>23 %</b>	<b>6,6</b>	10,9	-4,3	-39 %
Non-recurring items		<b>0,0</b>	0,0	0,0	
<b>Operating Profit</b>	<b>23 %</b>	<b>6,6</b>	10,9	-4,3	-39 %
Net Financial items		<b>0,9</b>	0,1	0,8	981 %
<b>Pre-tax Profit</b>	<b>26 %</b>	<b>7,5</b>	11,0	-3,5	-32 %
Taxes		<b>2,5</b>	3,3	-0,8	-25 %
<b>Net Income</b>	<b>17 %</b>	<b>5,0</b>	7,7	-2,6	-35 %
EPS, undiluted		<b>0,20</b>	0,31	-0,1	-35 %
<b>EPS, fully diluted</b>		<b>0,19</b>	0,28	-0,1	-34 %

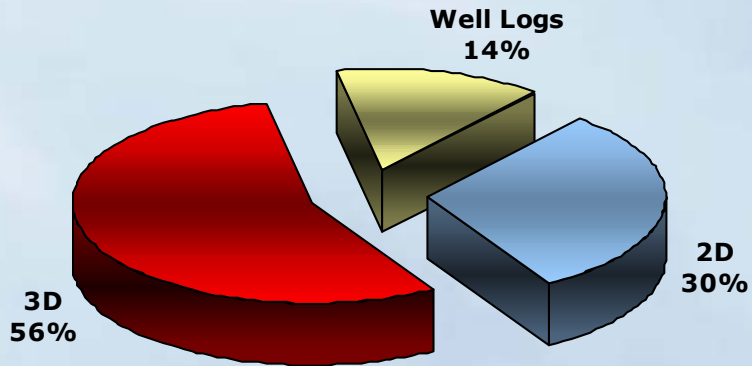


# Q1 Geographical Net Revenue Distribution - Consolidated

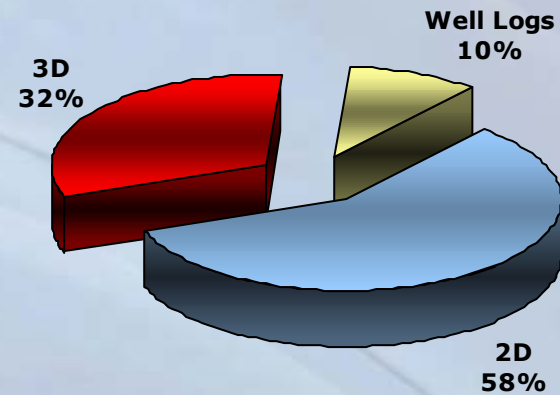


# Q1 2004 Net Revenues - Per Segment

## Q1 2004



## Q1 2003



# Balance Sheet - Key Figures

	<b>Mar-04</b>	<b>%</b>	<b>Dec-03</b>	<b>%</b>
<b>Assets</b>				
Cash	<b>28</b>	11%	<b>18</b>	7%
Other Current Assets	<b>45</b>	18%	<b>71</b>	28%
MC Library	<b>148</b>	60%	<b>133</b>	53%
<b>Total Current Assets</b>	<b>221</b>	89%	<b>222</b>	89%
Goodwill & Long Receiv.	<b>19</b>	8%	<b>20</b>	8%
Fixed Assets	<b>8</b>	3%	<b>8</b>	3%
<b>Total Assets</b>	<b>248</b>	100%	<b>250</b>	100%
<b>Liabilities</b>				
Short-term debt	<b>0</b>	0%	<b>1</b>	0%
Current Liabilities	<b>33</b>	13%	<b>38</b>	15%
Long-term Loans	<b>5</b>	2%	<b>7</b>	3%
Deferred Tax	<b>8</b>	3%	<b>8</b>	3%
<b>Equity</b>	<b>202</b>	82%	<b>196</b>	78%

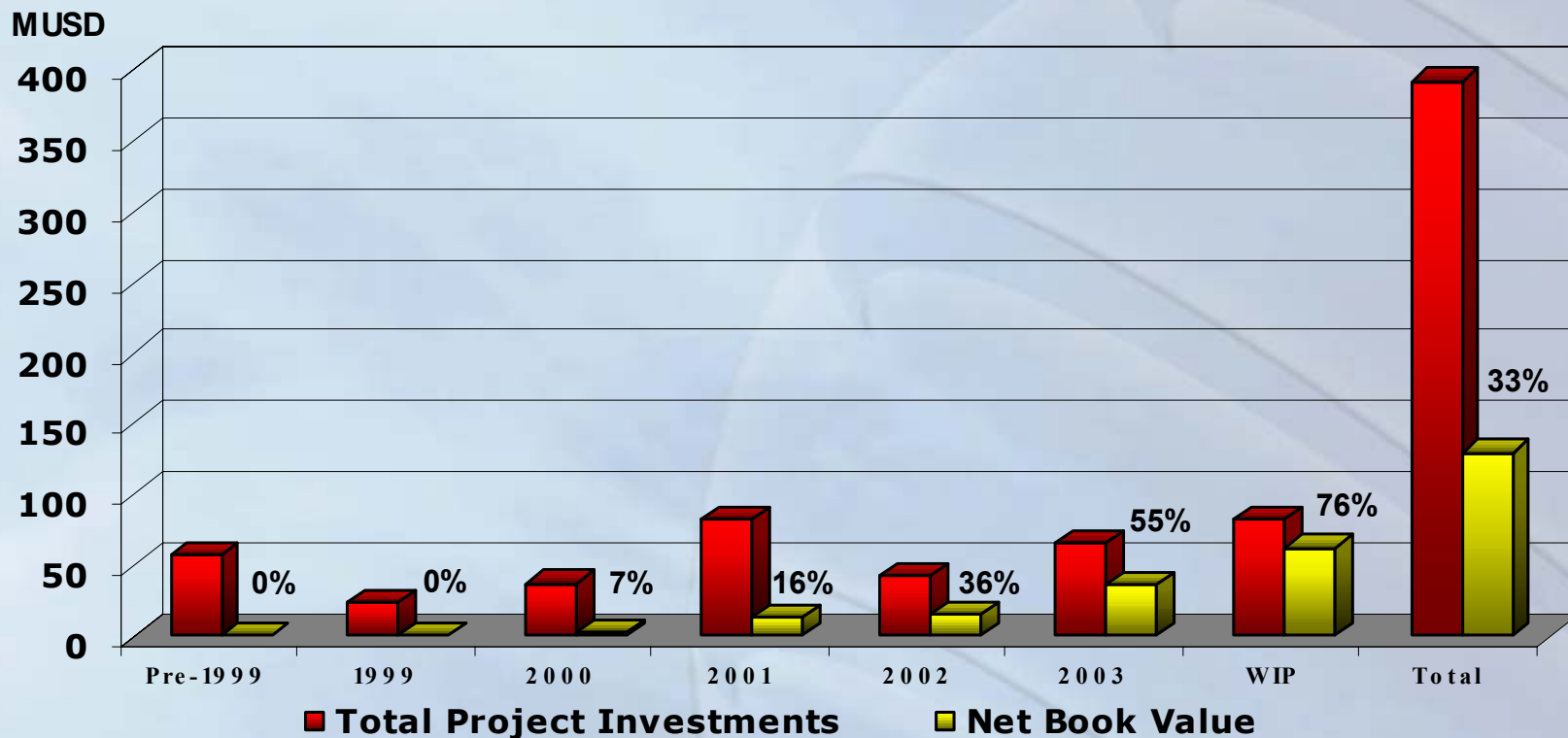
**Cash in excess of Interest bearing debt MUSD 22,9**



# MCS Accounting – Matching Principle

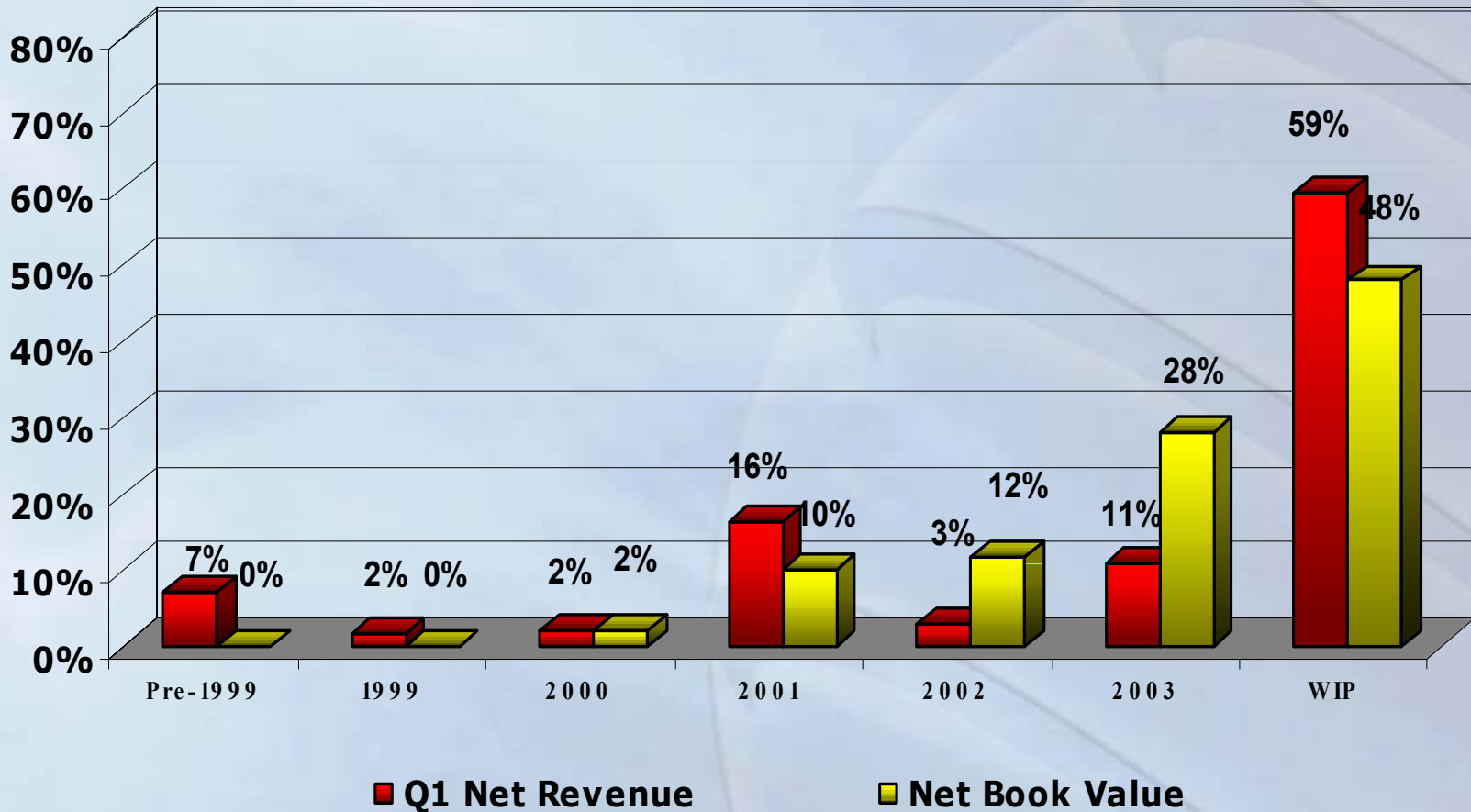
- Accounting Standards recommend to match Revenues and Costs in time
- TGS-NOPEC capitalizes the direct costs of surveys as investments in the Balance Sheet and amortizes them over 5 years (including the first year – WiP) as a function of expected ratio Sales/Investment
- If sales are lower than expectations, a minimum amortization kicks in:
  - Maximum NBV one year after completion is 60%, then 40%, then 20%, then zero
  - At the end of the fourth year after survey completion, each survey is fully amortized
- The application of such rules varies from company to company, some allowing for longer lifetimes and less amortization in the first years.

# Multi-Client Library NBV in % of Original Investment – Seismic Segment – March 31, 2004



# Q1 2004 Multi-Client Net Revenues & NBV Per Vintage

## - Seismic Segment



# Q1 2004 Cash Flow Statement

Payments From Sales Received	54,1
Investments MC	-29,8
Operational Cost Paid	-8,3
Taxes Paid	-3,8
<b>Operational Cash Flow</b>	<b>12,2</b>
Investments Fixed Assets	-0,2
Investment in Riley	-1,3
Net Change in Long-term Receivables	0,8
Net Change in Loans	-2,9
Paid in Equity	1,4
<b>Change in Cash Balance</b>	<b>10,0</b>

# *Five-year Bond Issue Raised NOK 300 million*

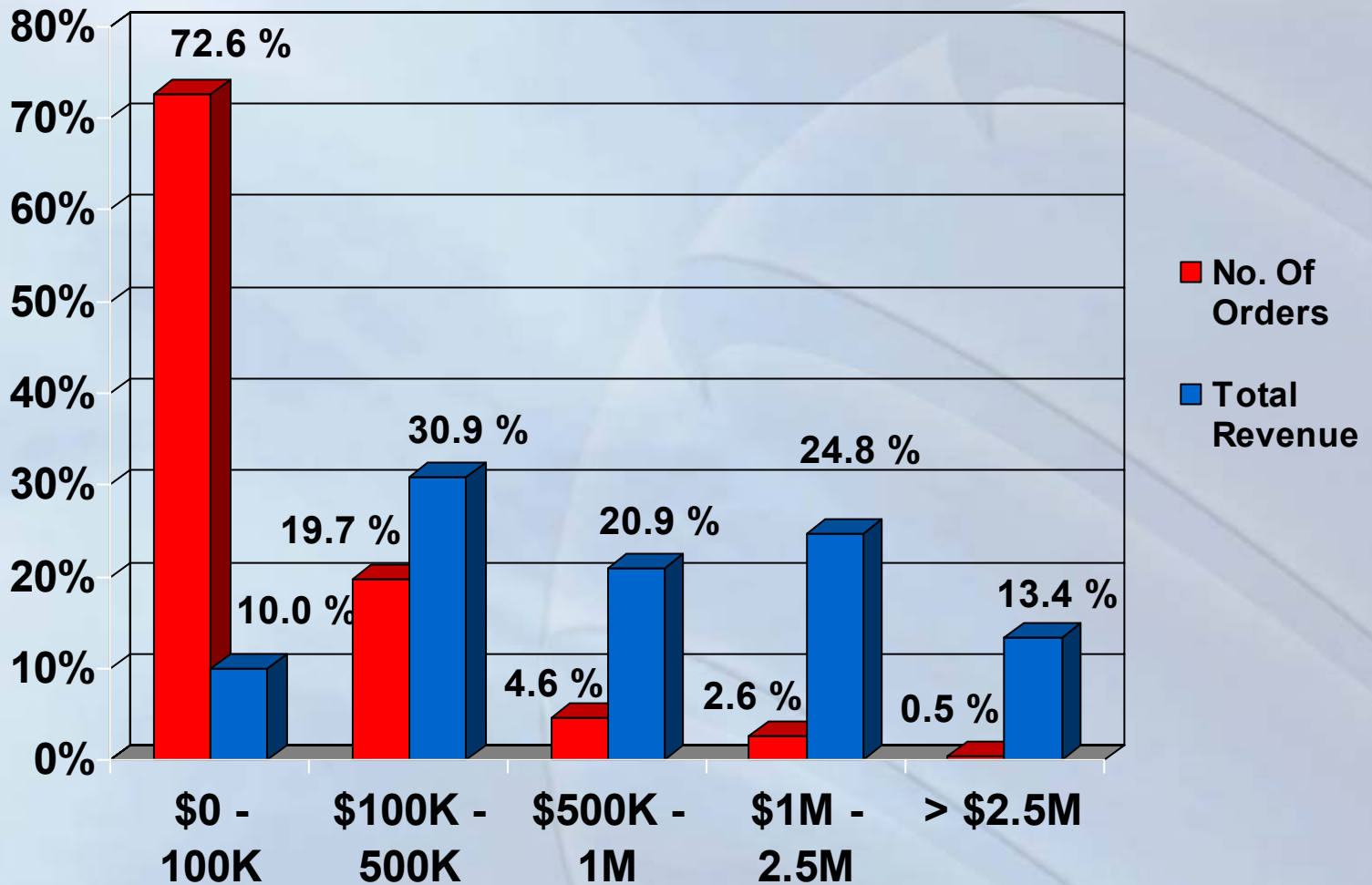
- **Limit NOK 500 million, 1st tranche NOK 300 million**
  - Cash received yesterday, swapped into USD 43,7 million
  - No currency risk
  - The Bonds mature on 5 May 2009
  - NIBOR + 200bp.
  - will be listed on Oslo Stock Exchange
- **Use of Proceeds:**
  - finance operational investments
  - pay off the term loan (USD 4,2 million)
  - secure liquidity for the Company to act on opportunities in the market.
  - The bond issue adds a new source of capital for TGS-NOPEC and strengthens our financial flexibility.



# Late Sales in Q1

- Accounted for 66% of Gross revenues (historical average closer to 75%)
- Activity related to licensing rounds (Central GoM & Norway 18<sup>th</sup>) as expected
- Eastern Hemisphere sales outside of Norway's 18<sup>th</sup> Round were very weak
- Well log sales were up more than 30% compared to the same quarter a year ago
- Results hurt by lack of “large-scale” purchase commitments during quarter

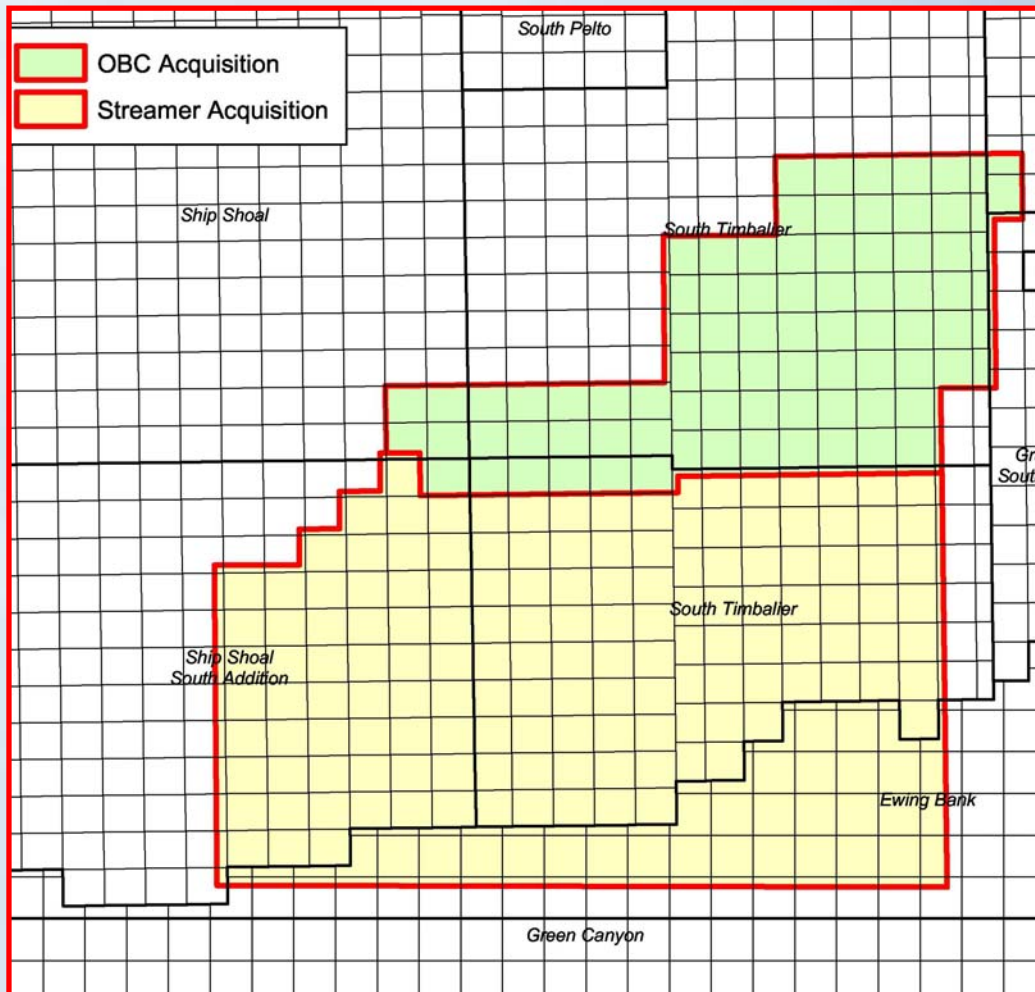
# Late Sales Distribution (2001-2003)



# Operational Highlights

- Expanded and accelerated the “Deep Resolve” 3D project again
- Started new 2D project in the Natuna Sea along the boundary between Indonesia and Vietnam
- Announced 2 new 2D projects to be conducted this summer:
  - Russian Sea of Okhotsk
  - Expansion of North Sea Renaissance project
- Made substantial progress on integrating Riley Electric Log into A2D – synergies already apparent in Q1

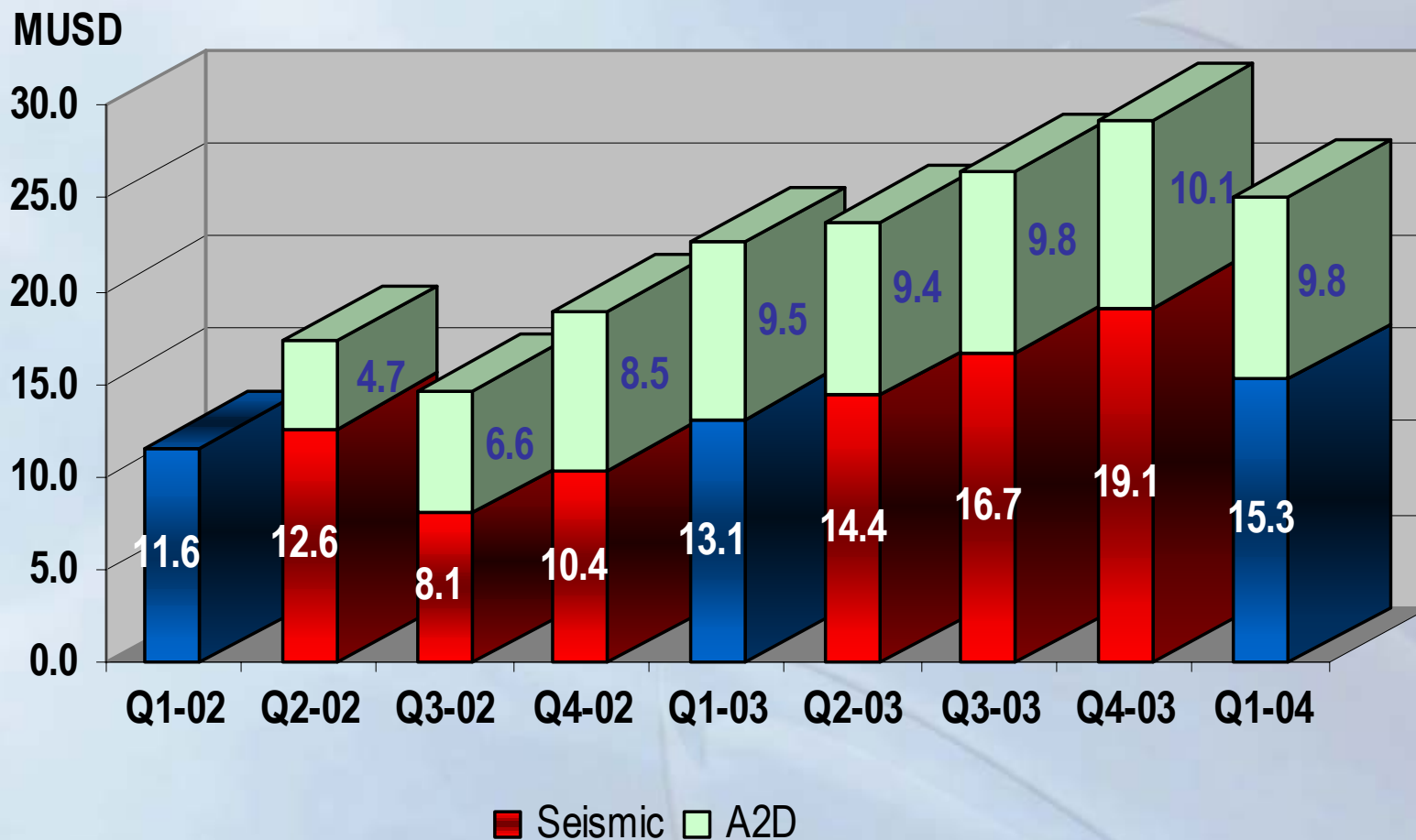
# Deep Resolve 3D – Expanded, Accelerated Again



- Based on customer input, expanded to 5,800 sq kms, ~ 285 OCS blocks
- Combination of complex 2-vessel streamer operation and an OBC crew due to obstructions in area
- Latest expansion in OBC area, requiring full utilization of crew in Q1 and acceleration of investment plan
- Acquisition now expected to complete in September '04 compared to original plan of March '05

# Backlog in Seismic & Well Log Segments

- At end of Quarter



Total Backlog decreased 14% during Q1, but is 11% higher than a year ago.



# Outlook & Expectations

- Timing and magnitude of Late Sale purchase commitments remains difficult to predict
- Level of interest from customers in large-scale data packages is encouraging
- We continue to forecast full year net revenue growth of 15%