

# TGS-NOPEC EARNINGS RELEASE

May 4, 2005



## 1<sup>st</sup> QUARTER 2005 RESULTS

### 1<sup>st</sup> QUARTER FINANCIAL HIGHLIGHTS

- Consolidated net revenues were USD 38.7 million, an increase of 35% compared to Q1 2004.
- Operating profit (EBIT) was USD 14.2 million (37% of Net Revenues), up 107% from USD 6.9 million in Q1 2004.
- Net late sales from the multi-client library totaled USD 30.6 million, up 67% from USD 18.3 million in Q1 2004.
- Cash flow from operations after taxes was USD 26.2 million, versus USD 12.2 million in Q1 2004.
- Earnings per share (undiluted) were USD 0.37, up 79% compared to USD 0.20 in Q1 2004.

*"The first quarter of the new year marks a strong start for us towards our published goals for 2005" stated TGS CEO Hank Hamilton. "Solid growth in late sales, excellent cash flow, and high margins resulted from the clear improvement in market demand for our library products."*

### FINANCIAL RESULTS NOW REPORTED IN ACCORDANCE WITH THE IFRS ACCOUNTING STANDARD

TGS begins reporting under the IFRS accounting standard with this report. Under IFRS, the theoretical, non-cash cost of stock options is expensed in the profit and loss statement. Intangible assets are no longer depreciated, but are subject to an annual impairment test. To make comparisons more meaningful, the 2004 quarterly profit and loss figures are restated in this earnings release using the same IFRS standards.

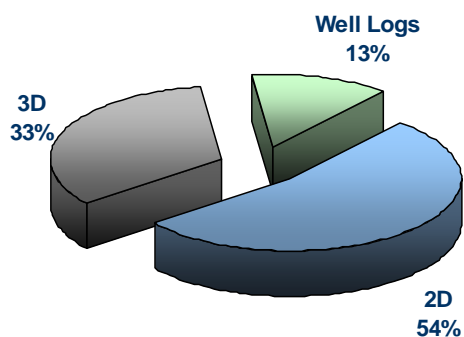
Also under IFRS, the currency and interest swap contracts on the bond loan are reflected differently in the balance sheet than under NGAAP, as gross values of the derivative contracts versus market values are to be shown both on the asset and the liability side. Changes in such values during the quarter have been reflected in the profit and loss statement. Such changes from May 2004 till December 2004 have been reflected in the December 31<sup>st</sup> 2004 balance sheet in this report. The value of the intangible assets has not been restated in the December 31<sup>st</sup> 2004 balance sheet. For reference, see the enclosed tables "Restatements from NGAAP to IFRS" as part of the financial statements to this report.

### REVENUE BREAKDOWN

Consolidated gross late sales in Q1 were USD 33.3 million, up 58% from last year, representing 80% of gross revenues for the quarter. Net late sales were up 67% compared to Q1 2004. Net pre-funding revenues totaled USD 7.0 million, funding 44% of the Company's operational investments into new multi-client products during Q1 (USD 15.9 million). Proprietary contract revenues in the TGS Imaging and well log segments during the quarter totaled USD 1.1 million compared to USD 0.6 million in Q1 2004. The Company did not perform any proprietary seismic acquisition work during the quarter.

Consolidated Net Revenues Q1 2005 vs. Q1 2004 per Geographical Region					
(in Million USD)	Q1 2005	Q1 2004	Q1 2005	Q1 2004	Change
Eastern Hemisphere	13.3	5.6	34%	19%	138%
Western Hemisphere	25.5	23.2	66%	81%	10%
<b>Total</b>	<b>38.7</b>	<b>28.7</b>	<b>100%</b>	<b>100%</b>	<b>35%</b>

## Q1 2005 Net Revenues by Product Type:



## OPERATIONAL COSTS

---

The consolidated amortization charge associated with net multi-client revenues was 37% of net revenues during Q1 2005 compared to 45% in Q1 2004. This rate does fluctuate from quarter to quarter, depending on the sales mix of projects. The first quarter amortization rate is lower than management's guided range for the full year.

Costs of materials were negligible for the quarter as a direct consequence of no proprietary seismic acquisition contract activity. Personnel and other operating costs payable for the quarter, excluding materials, were USD 9.3 million, an increase of 16% from Q1 2004 (USD 8.0 million) as a result of higher employee profit-sharing bonuses and the higher employee cost base following the acquisition of NuTec.

The theoretical, non-cash cost of employees' stock options in accordance with IFRS was USD 0.8 million in Q1 2005, versus USD 0.3 million in Q1 2004 (restated for comparison).

## EBIT and EBITDA

---

Operating profit (EBIT) for the quarter of USD 14.2 million represented 37% of net revenues. This was 107% higher than the restated USD 6.9 million in Q1 2004.

EBITDA (Earnings before Interest, Tax, Depreciation and Amortization) for the three months ended March 31<sup>st</sup> was USD 28.6 million, 74% of net revenues, up 42% from USD 20.1 million in Q1 2004.

## TAX

---

For the full year, TGS reports tax charges in accordance with the Accounting Standard IAS 12. Under this method, tax charges are computed based on the USD value relating to the appropriate tax provisions according to local tax regulations and currencies in each jurisdiction. Following TGS' change of functional currency from Norwegian Kroner to US Dollars beginning in January 2003, the tax charges are influenced not only from local profits, but also from fluctuations in exchange rates between the local currencies and USD. This method makes it more difficult to predict tax charges on a quarterly or annual basis. Management charges a tax provision to the profit and loss statement during the first quarter based upon the flat local tax rate of calculated USD pre-tax profit in each company in the Group, assessed to be approximately 33% on a consolidated basis. Adjusted for the non-cash, non-deductible charge for employees' stock options, the estimated tax rate for Q1 2005 is 34.8%. The consolidated computed tax rate for the three months ended March 31<sup>st</sup>, 2005 is 37%.

## NET INCOME AND EARNINGS PER SHARE (EPS)

Net income for Q1 2005 was USD 9.3 million (24% of net revenues) up 84% compared to USD 5.1 million (18% of net revenues) from restated Q1 2004. Quarterly earnings per share (EPS) were USD 0.37 undiluted (USD 0.34 fully diluted), an increase of 79% from EPS reported for Q1 2004 of USD 0.20 (USD 0.19 fully diluted).

## BUSINESS SEGMENTS AND INVESTMENTS

TGS' largest business segment is developing, managing, conducting, and selling non-exclusive seismic surveys. This activity accounted for 85% of the Company's business during the quarter. A2D, a digital well log and solutions provider, accounted for 13% of consolidated net revenues in the 1<sup>st</sup> quarter. TGS Imaging's contract data processing activity represented the remaining 2% of total revenues.

The Company's operational investments in its data library during Q1 2005 decreased 43% compared to Q1 2004 to USD 15.9 million. The Company recognized USD 7.0 million in net pre-funding revenues in Q1, funding approximately 44% of its operational multi-client investments during the quarter.

## BALANCE SHEET & CASH FLOW

The net cash flow from operating activities (including multi-client investments) for the quarter was positive, totaling USD 26.2 million. As of March 31<sup>st</sup>, 2005, the Company's total cash holdings amounted to USD 96.6 million compared to USD 62.4 million at December 31<sup>st</sup>, 2004. The bonds issued by the Company in 2004 represent USD 43.7 million in long-term debt, and will mature on May 5<sup>th</sup>, 2009. Since the gross value versus the market rate of the derivative currency swap contract on the bond loan must be reflected when presenting the balance sheet under IFRS, the bond loan is presented as a liability of USD 47.4 million in the balance sheet as per March 31<sup>st</sup>, 2005. The difference between this theoretical value and the real liability for the Company (USD 43.7 million), USD 3.7 million, is presented and included in long-term receivable assets.

Total equity per March 31<sup>st</sup>, 2005 was USD 258.7 million, representing 74% of total assets.

## THE MULTI-CLIENT DATA LIBRARY:

MUSD	Q1 2005	Q1 2004	3 M 2005	3 M 2004	Year 2004	Year 2003	Year 2002	Year 2001	Year 2000
Opening Balance	149.5	133.2	149.5	133.2	133.2	117.8	98.2	55.5	40.0
In purchase price of A2D/Riley Investment	-	0.7	-	0.7	2.1	5.0	9.5	-	-
Amortization	15.9	27.3	15.9	27.3	84.5	68.7	58.8	90.9	46.4
	(13.9)	(12.7)	(13.9)	(12.7)	(70.3)	(58.3)	(48.7)	(48.2)	(30.9)
Net Book Value Ended	151.5	148.4	151.5	148.4	149.5	133.2	117.8	98.2	55.5

## KEY MULTI CLIENT FIGURES:

MUSD	Q1 2005	Q1 2004	3 M 2005	3 M 2004	Year 2004	Year 2003	Year 2002	Year 2001	Year 2000
Net MC Revenues	37.7	28.1	37.7	28.1	163.1	132.6	121.5	123.1	85.1
Change in MC Revenue	34%	-7%	34%	-7%	23%	9%	-1%	45%	14%
Change MC Investment	-43%	97%	-43%	97%	17%	25%	-35%	96%	21%
Amort% of Net MC Revs	37%	45%	37%	45%	43%	44%	40%	39%	36%
Increase in NBV	1%	11%	1%	11%	12%	13%	20%	77%	39%

## OPERATIONAL HIGHLIGHTS

---

TGS announced in February another expansion of its Deep Resolve 3D project in the Gulf of Mexico based on additional customer interest and funding. Acquisition of the 8,400-square kilometer project continued throughout the 1<sup>st</sup> quarter. The Company also acquired its 2<sup>nd</sup> multi-client 2D survey in the waters of Sri Lanka to provide a more detailed view of a prospective basin identified initially by TGS' earlier project in the area. TGS Imaging activity was extremely high during the quarter on a combination of new multi-client surveys and value-added reprocessing efforts on older surveys.

In March TGS completed an agreement to farm out its 25,000-square kilometer Rhone Maritime exploration permit located in the Gulf of Lion off the Mediterranean coast of southern France. Terms of the agreement include a staged payment schedule and a retained net profits interest.

A2D had its most successful quarter yet as customer demand continued to build for multi-year, comprehensive well log service agreements in conjunction with A2D's progress towards completing conversion of its North American well log inventory to digital format. Also during the quarter, A2D completed the divestiture of its smartSECTION® geologic software business to Halliburton Digital and Consulting Solutions, a division of Halliburton.

TGS' backlog for new seismic projects and services was USD 19.7 million per March 31<sup>st</sup>, 2005. This was 14% higher than one quarter ago and 29% higher than one year ago. A2D backlog increased during the quarter from USD 10.3 million to USD 11.4 million, 16% higher than one year ago. Total Company backlog increased 12% during the quarter and stands at USD 31.0 million at the end of the 1<sup>st</sup> quarter, 24% higher than one year ago.

## OUTLOOK

---

The market for seismic services and products continues to strengthen as expected with the increase in oil company exploration and production spending. In line with its normal seasonal pattern, the Company will ramp up its multi-client investments during the summer. New 2D projects are now underway in the North Sea and in offshore Egypt. In addition, TGS has contracted an ocean-bottom-cable (OBC) crew for a minimum four-month period to begin a new Gulf of Mexico 3D multi-client project in late May. This project will be conducted in parallel with the ongoing Deep Resolve 3D survey.

TGS management's expectations for full year 2005 remain unchanged: multi-client library investments of USD 80 – 90 million, average pre-funding in the range of 45-55% of investments, average annualized multi-client amortization rate in the range of 42-47% of net revenues, and an approximate 20% increase in net revenues.

---

### Naersnes, May 3<sup>rd</sup>, 2005

The Board of Directors of TGS-NOPEC Geophysical Company ASA

TGS-NOPEC Geophysical Company ASA is listed on the Oslo Stock Exchange (OSLO:TGS).

Web-site: [www.tgsnopec.com](http://www.tgsnopec.com)

## CONTACTS FOR ADDITIONAL INFORMATION

---

John Adamick, VP Business Development **tel +1-713-860-2114**

Arne Helland, CFO **tel +47-31-29-20-00/+47-91-88-78-29**

\*\*\*\*\*

*This interim Financial Report has been prepared applying the IAS 34 "Interim Financial Reporting" principles.*

\*\*\*\*\*

*All statements in this earnings release other than statements of historical fact are forward-looking statements, which are subject to a number of risks, uncertainties and assumptions that are difficult to predict, and are based upon assumptions as to future events that may not prove accurate. These factors include TGS' reliance on a cyclical industry and principal customers, TGS' ability to continue to expand markets for licensing of data, and TGS' ability to acquire and process data products at costs commensurate with profitability.*

*Actual results may differ materially from those expected or projected in the forward-looking statements. TGS undertakes no responsibility or obligation to update or alter forward-looking statements.*

\*\*\*\*\*

# TGS-NOPEC EARNINGS RELEASE

May 4, 2005



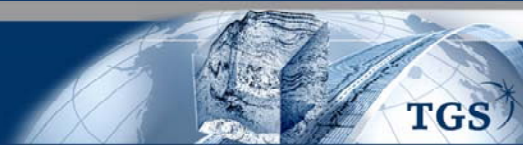
TGS-NOPEC Geophysical Company ASA

## Consolidated Profit & Loss Accounts

	Q1 2005	Q1 2004
(All amounts in USD 1000's unless noted otherwise)		
<i>Operating Revenues</i>		
Sales	41,545	32,095
Revenue sharing	-2,812	-3,359
<b>Net Operating Revenues</b>	<b>38,733</b>	<b>28,736</b>
<i>Operating expenses</i>		
Materials	85	278
Amortization of Multi-Client Data Library	13,863	12,737
Personnel costs	6,561	5,279
Cost of stock options	768	337
Other operating expenses	2,753	2,721
Depreciation	470	503
<b>Total operating expenses</b>	<b>24,500</b>	<b>21,856</b>
<b>Operating profit</b>	<b>14,232</b>	<b>6,880</b>
<i>Financial income and expenses</i>		
Interest Income	390	71
Interest Expense	-549	-86
Exchange gains/losses	208	874
<b>Net financial items</b>	<b>50</b>	<b>859</b>
<b>Profit before taxes</b>	<b>14,282</b>	<b>7,739</b>
Tax provision	4,966	2,665
<b>Net Income</b>	<b>9,316</b>	<b>5,074</b>
EPS USD	0.37	0.20
EPS USD, fully diluted	0.34	0.19

# TGS-NOPEC EARNINGS RELEASE

May 4, 2005



TGS-NOPEC Geophysical Company ASA

## Consolidated Balance Sheet

(All amounts in USD 1000's unless noted otherwise)	03/31/2005	12/31/2004
<b>ASSETS</b>		
<b>Long-term assets</b>		
<i>Intangible assets</i>		
Goodwill	20,175	20,175
<i>Fixed Assets</i>		
Buildings	4,640	3,719
Machinery, Equipment and Software	9,552	9,868
<i>Financial Assets</i>		
Long term receivables including pre-payments	5,700	8,328
<b>Total long-term assets</b>	<b>40,067</b>	<b>42,090</b>
<b>Current assets</b>		
<i>Inventories</i>		
Multi-Client Data Library, net	151,530	149,473
<i>Receivables</i>		
Accounts receivable	57,969	87,159
Other short term receivables	4,362	4,240
<i>Cash and cash equivalents</i>		
Cash and cash equivalents	96,580	62,381
<b>Total current assets</b>	<b>310,440</b>	<b>303,253</b>
<b>TOTAL ASSETS</b>	<b>350,507</b>	<b>345,344</b>

# TGS-NOPEC EARNINGS RELEASE

May 4, 2005



TGS-NOPEC Geophysical Company ASA

## Consolidated Balance Sheet

(All amounts in USD 1000's unless noted otherwise)	03/31/2005	12/31/2004
<b>LIABILITIES AND EQUITY</b>		
<i>Equity</i>		
Share capital	3,705	3,633
Other equity	255,002	235,909
<b>Total equity</b>	<b>258,707</b>	<b>239,542</b>
<b>Provisions and liabilities</b>		
<i>Provisions</i>		
Deferred tax liability	12,968	9,135
<i>Long term liabilities</i>		
Long term loans	47,411	49,741
Capitalized lease liabilities	1,281	1,725
<i>Current liabilities</i>		
Short-term interest-bearing debt	72	95
Accounts payable and debt to partners	19,235	22,716
Taxes payable, withheld payroll tax, social security	964	12,425
Other current liabilities	9,868	9,965
<b>Total provisions and liabilities</b>	<b>91,800</b>	<b>105,801</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>350,507</b>	<b>345,344</b>



# TGS-NOPEC EARNINGS RELEASE

May 4, 2005



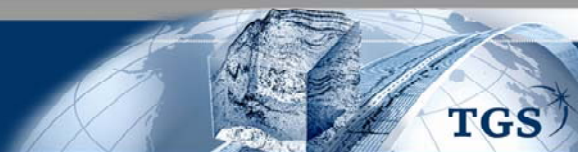
TGS-NOPEC Geophysical Company ASA

## Consolidated Cash flow Statement

	Q1 2005	Q1 2004
(All amounts in USD 1000's unless noted otherwise)		
<b><i>Cash flow from operating activities:</i></b>		
Received payments from sales	67,800	54,123
Payments for acquired seismic and well logs	-18,846	-30,997
Payments for salaries, pensions, social security tax and tax deducted	-7,420	-5,279
Other operational costs	-2,753	-2,721
Received interest and other financial income	598	944
Interest payments and other financial expenses	-549	-86
Paid taxes	-12,593	-3,810
<b>Net cash flow from operating activities</b>	<b>26,237</b>	<b>12,174</b>
<b><i>Cash flow from investing activities:</i></b>		
Received payments from fixed assets	0	0
Investment in tangible fixed assets	-1,075	-158
Investment through Mergers and Acquisitions	0	-1,325
Net change in long term receivables	167	759
<b>Net cash flow from investing activities</b>	<b>-908</b>	<b>-724</b>
<b><i>Cash flow from financing activities:</i></b>		
Net change in short term loans	-24	-687
Net change in long term loans	-312	-2,195
Paid in equity	9,204	1,442
<b>Net cash flow from financing activities</b>	<b>8,869</b>	<b>-1,440</b>
<b>Net change in cash and cash equivalents</b>	<b>34,198</b>	<b>10,010</b>
Cash and cash equivalents at the beginning of period	62,381	17,724
<b>Cash and cash equivalents at the end of period</b>	<b>96,580</b>	<b>27,734</b>

# TGS-NOPEC EARNINGS RELEASE

May 4, 2005



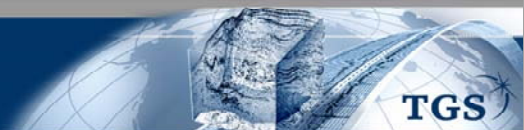
TGS-NOPEC Geophysical Company ASA

## Equity Reconciliation per March 31st 2005

(All amounts in USD 1000's unless noted otherwise)	3/31/2005
<b>Opening Balance 1/1/2005</b>	<b>239,542</b>
Paid in Equity	9,204
Net Income	9,316
Effect of change in exchange rates and other items	645
<b>Closing balance per March 31st 2005</b>	<b>258,707</b>

# TGS-NOPEC EARNINGS RELEASE

May 4, 2005



TGS-NOPEC Geophysical Company ASA

## Restatement of Profit & Loss Accounts from NGAAP to IFRS

	NGAAP	Share Based Payments	Depr. Goodwill	IFRS
(All amounts in USD 1000's unless noted otherwise)	Q1 2004	Q1 2004	Q1 2004	Q1 2004
<i>Operating Revenues</i>				
Sales	32,095			32,095
Revenue sharing	-3,359			-3,359
<b>Net Operating Revenues</b>	<b>28,736</b>	<b>0</b>	<b>0</b>	<b>28,736</b>
<i>Operating expenses</i>				
Materials	278			278
Amortization of Multi-Client Data Library	12,737			12,737
Personnel costs	5,279			5,279
Cost of stock options	0	337		337
Other operating expenses	2,721			2,721
Depreciation	1,112		-610	503
<b>Total operating expenses</b>	<b>22,128</b>	<b>337</b>	<b>-610</b>	<b>21,856</b>
<b>Operating profit</b>	<b>6,608</b>	<b>-337</b>	<b>610</b>	<b>6,880</b>
<i>Financial income and expenses</i>				
Interest Income	72			72
Interest Expense	-86			-86
Exchange gains/losses	873			873
<b>Net financial items</b>	<b>859</b>	<b>0</b>	<b>0</b>	<b>859</b>
<b>Profit before taxes</b>	<b>7,467</b>	<b>-337</b>	<b>610</b>	<b>7,739</b>
Tax provision	2,464		201	2,665
<b>Net Income</b>	<b>5,003</b>	<b>-337</b>	<b>408</b>	<b>5,074</b>
EPS USD	0.20			0.20
EPS USD, fully diluted	0.19			0.19

# TGS-NOPEC EARNINGS RELEASE

May 4, 2005



TGS-NOPEC Geophysical Company ASA

## Restatement of Balance Sheet from NGAAP to IFRS

	NGAAP	Financial Derivatives	IFRS
(All amounts in USD 1000's unless noted otherwise)	12/31/2004	12/31/2004	12/31/2004
<b>ASSETS</b>			
<b>Long-term assets</b>			
<i>Intangible assets</i>			
Goodwill	20,175		20,175
<i>Fixed Assets</i>			
Buildings	3,719		3,719
Machinery, Equipment and Software	9,868		9,868
<i>Financial Assets</i>			
Long term receivables including pre-payments	1,980	6,348	8,328
<b>Total long-term assets</b>	<b>35,742</b>	<b>6,348</b>	<b>42,090</b>
<b>Current assets</b>			
<i>Inventories</i>			
Multi-Client Data Library, net	149,473		149,473
<i>Receivables</i>			
Accounts receivable	87,159		87,159
Other short term receivables	4,240		4,240
<i>Cash and cash equivalents</i>			
Cash and cash equivalents	62,381		62,381
<b>Total current assets</b>	<b>303,253</b>	<b>0</b>	<b>303,253</b>
<b>TOTAL ASSETS</b>	<b>338,996</b>	<b>6,348</b>	<b>345,344</b>
<b>LIABILITIES AND EQUITY</b>			
<i>Equity</i>			
Share capital	3,633		3,633
Other equity	235,622	288	235,909
<b>Total equity</b>	<b>239,255</b>	<b>288</b>	<b>239,542</b>
<b>Provisions and liabilities</b>			
<i>Provisions</i>			
Deferred tax liability	9,023	112	9,135
<i>Long term liabilities</i>			
Long term loans	43,792	5,949	49,741
Capitalized lease liabilities	1,725		1,725
<i>Current liabilities</i>			
Short-term interest-bearing debt	95		95
Accounts payable and debt to partners	22,716		22,716
Taxes payable, withheld payroll tax, social security	12,425		12,425
Other current liabilities	9,965		9,965
<b>Total provisions and liabilities</b>	<b>99,741</b>	<b>6,060</b>	<b>105,801</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>338,996</b>	<b>6,348</b>	<b>345,344</b>