

TGS

Presentation of the 1st Quarter 2005 Results May 4th 2005

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TGS-NOPEC Geophysical Company



Forward-Looking Statements

All statements in this presentation 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 principle 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 for any reason.

Conversion from NGAAP to IFRS Accounting Std.

- **As from Q1 2005 (this report)**
- **Effects for TGS:**
 - Intangible Assets no longer depreciated, but subject to annual impairment tests
 - The theoretical, non-cash cost of employees' stock options is expensed.
 - The Swap of the Bond loan from NOK to USD and Nibor to Libor to be presented gross in the Balance sheet: Swap value vs Market Value
 - The change in market value of the interest swap contract to be expensed in the P&L.

Conversion from NGAAP to IFRS Std. (continued)

- **Effect for Q1 report:**
 - **Balance Sheet : Bond Loan is presented as MUSD 47.4 instead of real value MUSD 43.7. Offset by a long-term financial asset of MUSD 3.7**
 - **P&L: The two cost items nearly offset each other for Q1:**

Affected Items in P&L:	Q1 2005 NGAAP	Q1 2005 IFRS	Q1 2005 Effects	Q1 2004 NGAAP	Q1 2004 IFRS	Q1 2004 Effects
Cost of Stock Options	-	768	768	-	337	337
Depreciation	1,086	470	(616)	1,112	503	(610)
Net Cost, Pre-Tax	1,086	1,237	152	1,112	840	(272)

Q1 2005 Financial Highlights

- **Net Revenues 38.7 MUSD**
 - 10.0 MUSD (35%) up from Q1 2004
- **Net Late Sales 30.6 MUSD**
 - Increased 67% from 18.3 MUSD in Q1 2004
- **Operational Investments MUSD 15.9**
 - 44% Funding vs 36% in Q1 2004
- **Multi-Client Amortization Rate 37%**
 - Vs. 45% in Q1 2004
- **Cash Flow from Operations Positive 26.2 MUSD**
 - Vs. 12.2 MUSD during Q1 2004
- **EBIT 14.2 MUSD**
 - Up 107% from Q1 2004 and is 37% of Net Revenues (24% in Q1 2004)
- **EPS (Undiluted) : 37 cents, up 79% from Q1 2004**

2005 Guidance vs. Analysts Expectations

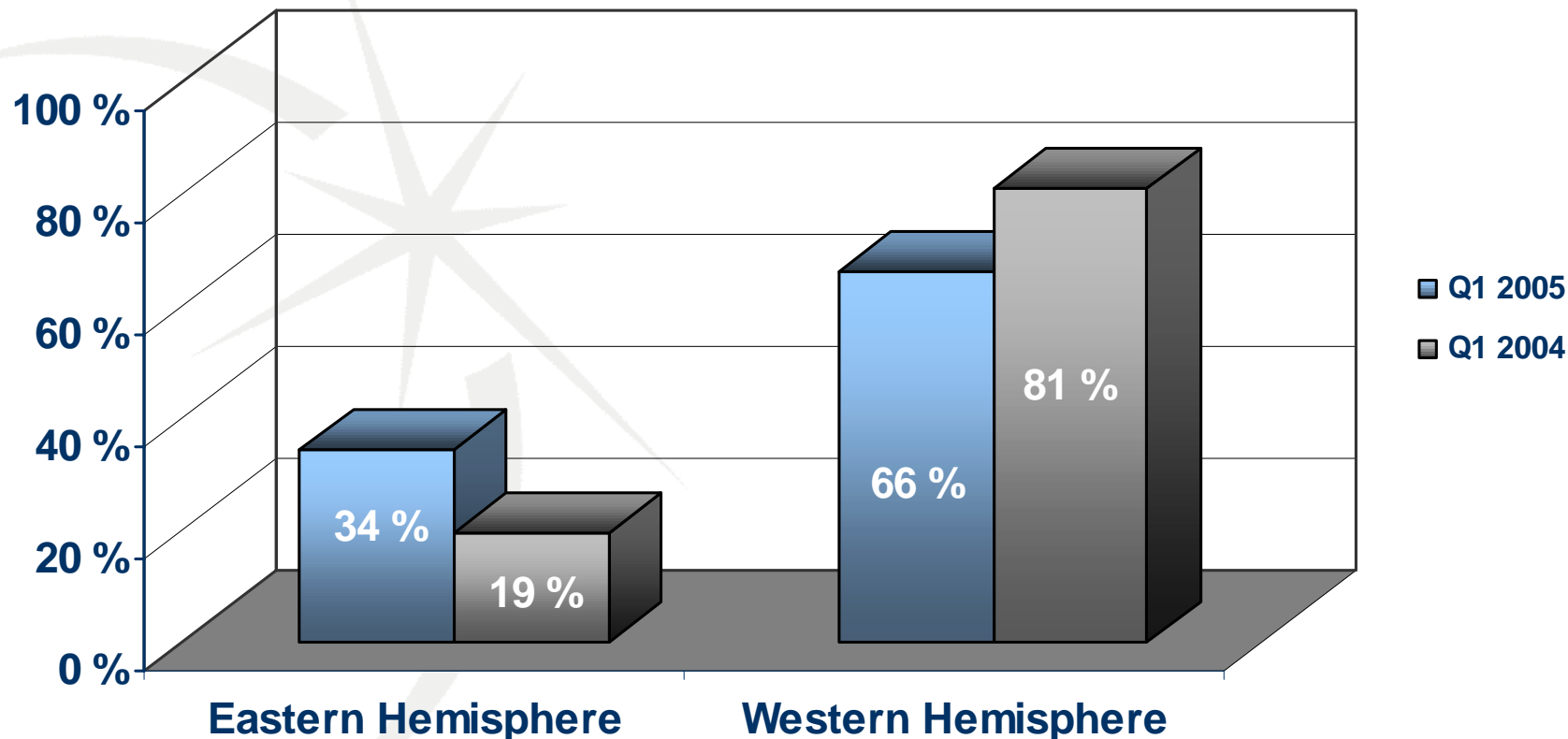
- **Analyst spread for Q1-05 is very wide:**
 - from MUSD 42-58, representing 50-107% growth from Q1 2004
- **TGS has guided approximately 20% Net Revenue growth for the full year 2005. Analysts lie between 20-30%**
- **TGS cannot relate to quarterly estimates from analysts and mismatches between their quarterly expectations and full year expectations till after the fact.**
- **But : Good to see that for the FY 2005 (TGS's guiding period) analysts' estimates do not differ much**

(MUSD)	TGS 2005 Guidance	2005 Average Analysts	Guidance vs Consensus	Guidance vs Consensus	High	Low	Median
Net Revenue	206.0	213.3	-7.3	-3%	223.0	206.0	213.3

Q1 2005 Profit & Loss (MUSD)

		Q1 2005	Q1 2004	Change	%
Gross Sales		41.5	32.1	9.4	29%
Income sharing & Royalties		-2.8	-3.4	0.5	-16%
Net Operating Revenues		38.7	28.7	10.0	35%
Materials		0.1	0.3	-0.2	-69%
MCS Amortization	37%	13.9	12.7	1.1	9%
Gross Margin		24.8	15.7	9.1	58%
Other operating expenses		9.3	8.0	1.3	16%
Cost of Stock Options		0.8	0.3	0.4	128%
Depreciation		0.5	0.5	0.0	-7%
EBIT (Bef Non-recurr. It.)	37%	14.2	6.9	7.4	107%
Non-recurring items		0.0	0.0	0.0	
Operating Profit	37%	14.2	6.9	7.4	107%
Net Financial items		0.0	0.9	-0.8	-94%
Pre-tax Profit	37%	14.3	7.7	6.5	85%
Taxes		5.0	2.7	2.3	86%
Net Income	24%	9.3	5.1	4.2	84%
EPS, undiluted		0.37	0.20	0.2	79%
EPS, fully diluted		0.34	0.19	0.2	82%

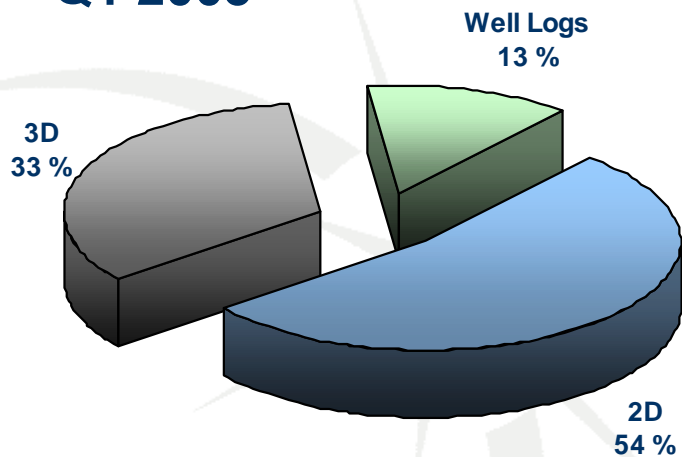
Q1 Geographical Net Revenue Distribution



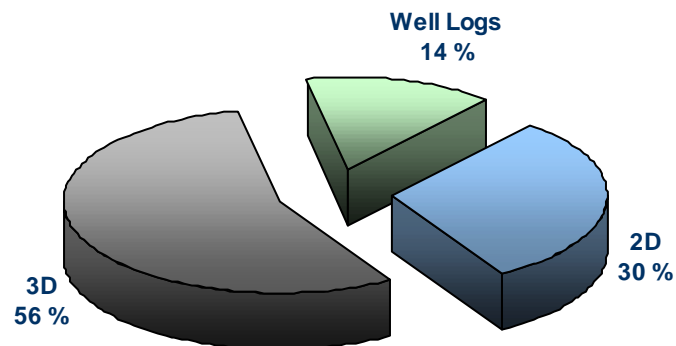
Q1 2005 Net Revenues

- Per Segment

Q1 2005



Q1 2004



Balance Sheet – Key Figures

	Mar-05	%	Dec-04	%
Assets				
Cash	96.6	28%	62.4	18%
Other Current Assets	62.3	18%	91.4	26%
MC Library	151.5	43%	149.5	43%
Total Current Assets	310.4	89%	303.3	88%
Goodwill & Long Receiv.	25.9	7%	28.5	8%
Fixed Assets	14.2	4%	13.6	4%
Total Assets	350.5	100%	345.3	100%
Liabilities				
Short-term debt	0.1	0%	0.1	0%
Current Liabilities	30.1	9%	45.1	13%
Long-term Loans	48.7	14%	51.4	15%
Deferred Tax	13.0	4%	9.1	3%
Equity	258.7	74%	239.5	69%

Cash in excess of interest bearing debt 47.8 MUSD

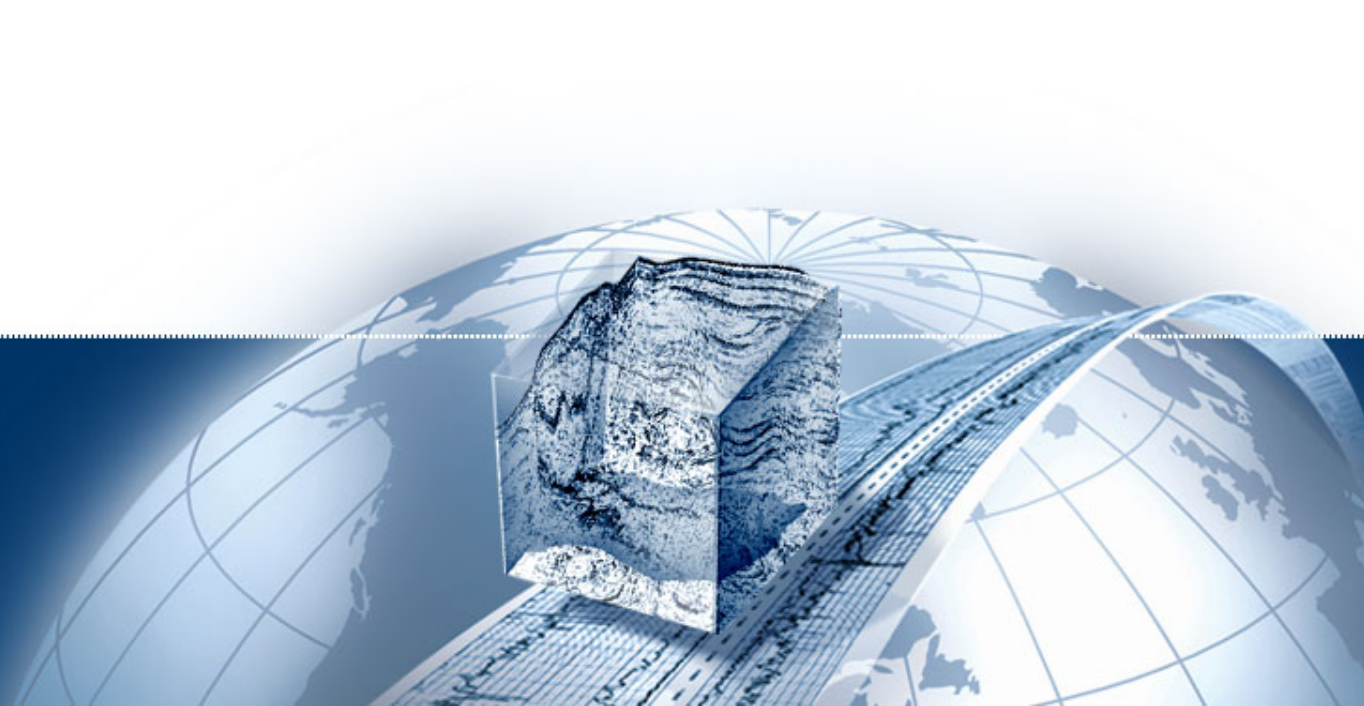
Q1 2005 Cash Flow Statement

	Q1 2005	Q1 2004
Payments From Sales Received	67.8	54.1
Payments for acquired seismic and well logs	-18.8	-29.9
Operational Cost Paid	-10.1	-8.3
Taxes Paid	-12.6	-3.8
Operational Cash Flow	26.2	12.2
Investments Fixed Assets	-1.1	-0.2
Investments through Mergers and Acquisitions	0.0	-1.3
Net Change in Long-term Receivables	0.2	0.8
Net Change in Loans	-0.3	-2.9
Paid in Equity	9.2	1.4
Change in Cash Balance	34.2	10.0

Multi-Client Library



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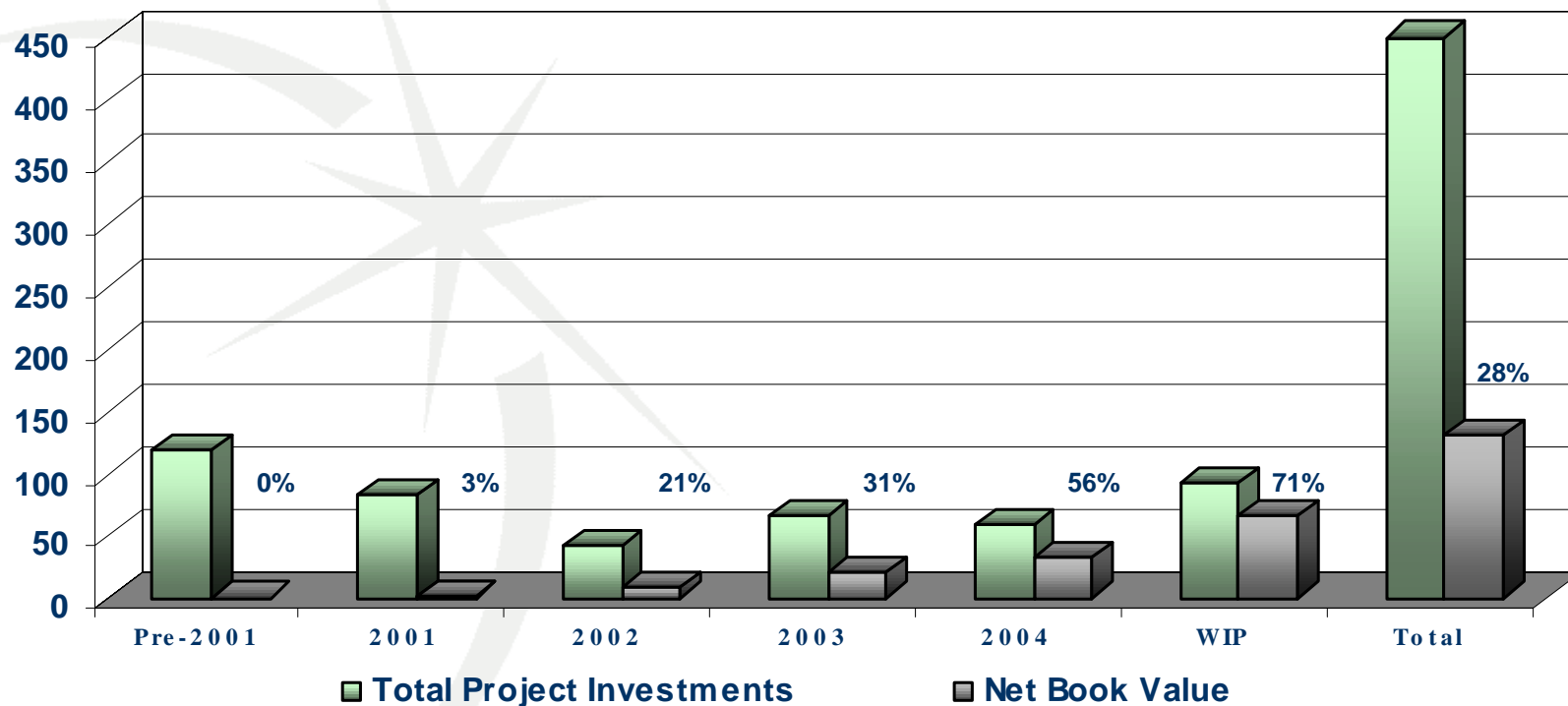
MCS Accounting – Matching Principle

- **Accounting Standards recommend to match Revenues and Costs in time**
- **TGS 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

Multi-Client Library NBV in % of Investment

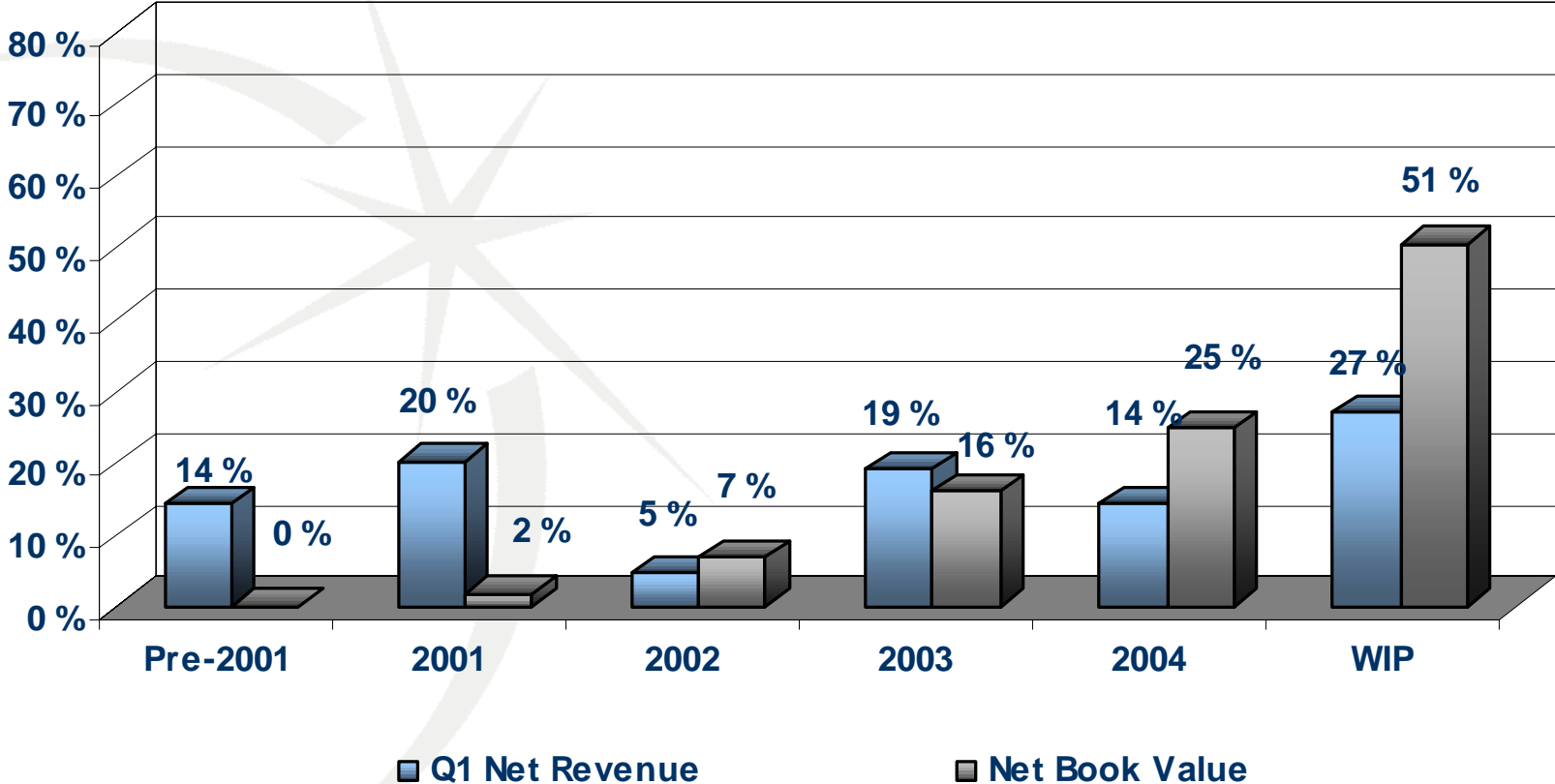
- Seismic segment – March 31, 2005

MUSD



Q1 2005 Multi-Client Revenue & ending NBV

- Seismic Segment

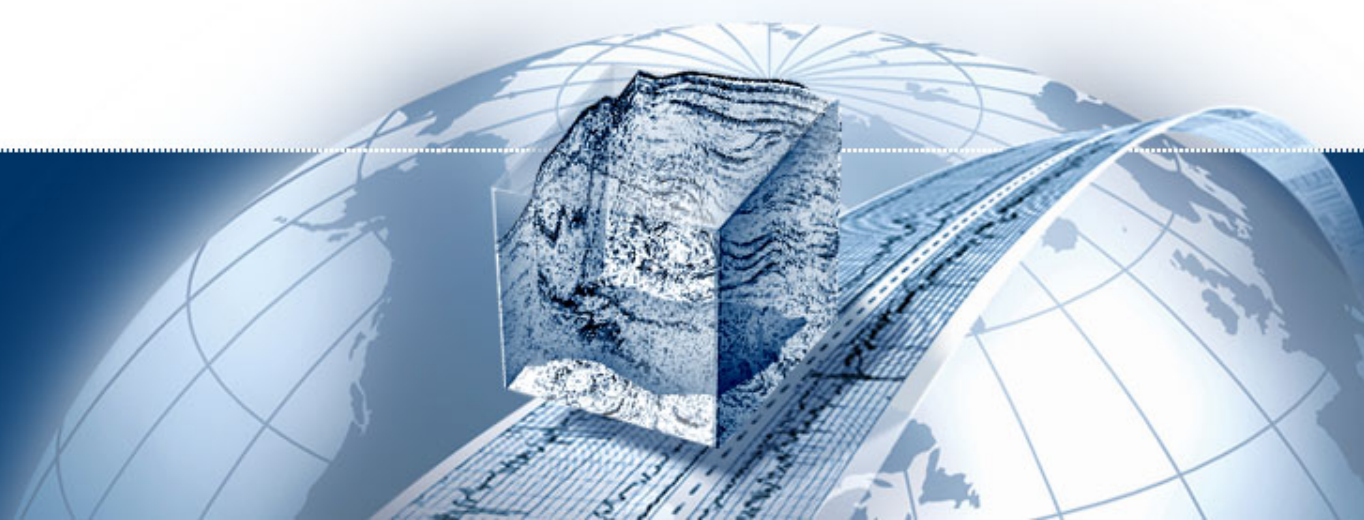


Operations & Outlook

Hank Hamilton
Chief Executive Officer



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Late Sales in Q1

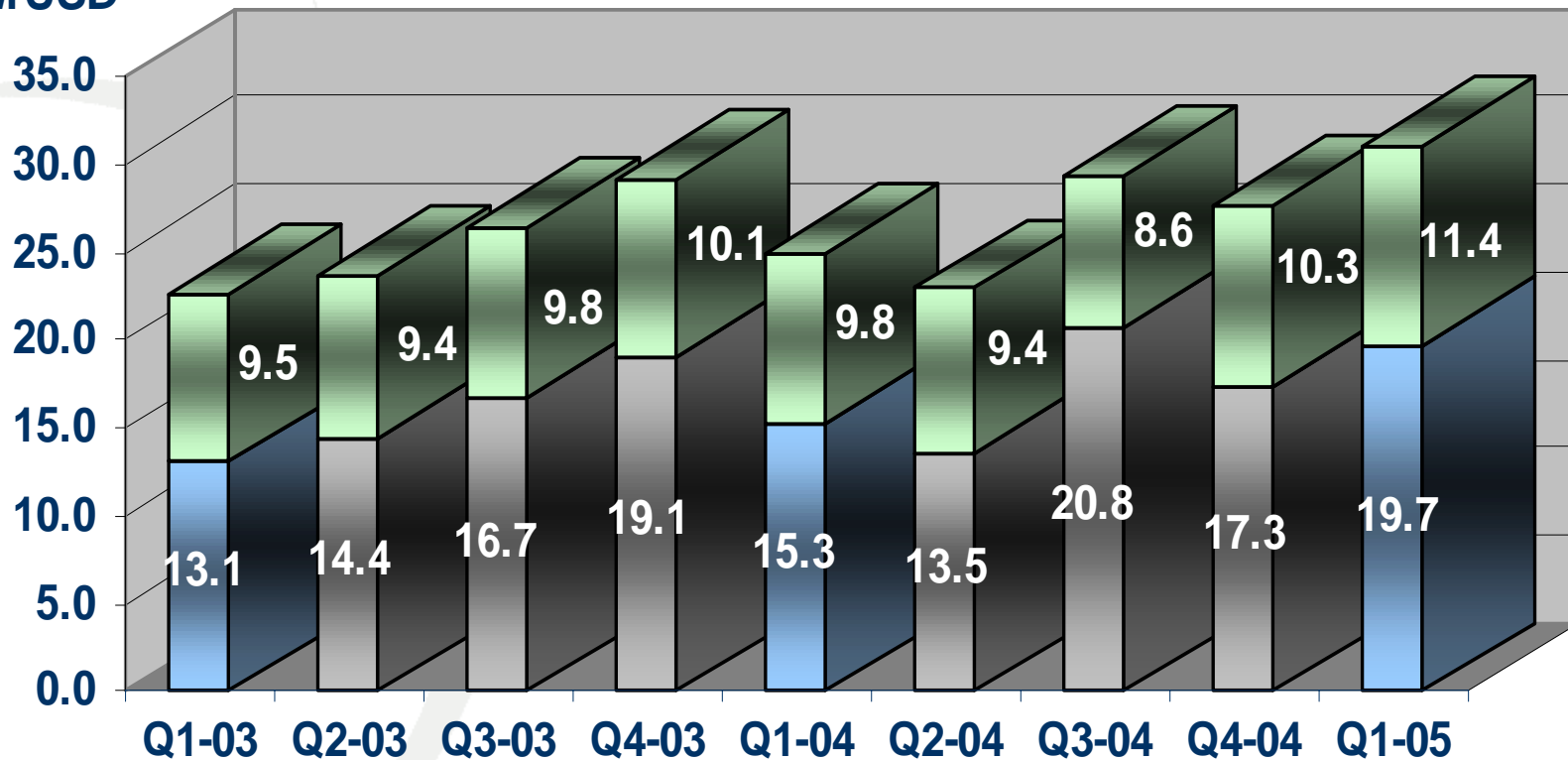
- **Up 67% from a year ago**
- **Accounted for 79% of total net revenues**
- **Very balanced sales mix by product type, vintage, client base, and geographic area**
- **Strongest regions: Gulf of Mexico, Norway, Africa, Brazil**

Operational Highlights

- **Continued acquisition of Deep Resolve 3D, completed processing and delivered ~50% of survey area**
- **Acquired 2nd 2D project offshore Sri Lanka – 4,300 kms to add more detail to original 1,100-km project**
- **Completed agreement to farm out Rhone Maritime exploration permit off coast of Southern France**
- **A2D had its best quarter yet – improving demand for multi-year comprehensive well log agreements**

Backlog

MUSD



■ Seismic ■ A2D

Outlook & Expectations

- Demand for seismic & well log data is clearly strengthening with growth in E & P spending
- TGS MC investments will begin to ramp up seasonally in Q2:
 - Continuation of Deep Resolve
 - New GoM 3D project utilizing OBC crew
 - Start of 2005 NSR 2D campaign and Egypt 2D project
- Original 2005 expectations remain unchanged:
 - MC Library investments of USD 80 – 90 million
 - Average pre-funding 45 – 55% of investments
 - Average amortization rate 42 – 47% of net revenues
 - Annual net revenue growth of approximately 20%