

TGS-NOPEC Geophysical Company ASA

2nd Quarter 2001 Results

TGS -NOPEC delivers record 2nd quarter results driven by strong Late Sales in Europe and Gulf of Mexico.

2nd Quarter 2001 Financial Highlights

- ❖ Earnings per Share nearly doubled (up 96%) from 2nd quarter 2000, increasing to NOK 3,34 (NOK 3,17 fully diluted) for Q2 2001 from NOK 1,70 (NOK 1,62 fully diluted) in Q2 2000.
- ❖ Net Revenues increased 98% to NOK 275,8 million and Operating Profit increased 92% to NOK 125,8 million compared to Q2 2000.
- ❖ Net Late Sales from the Multi-Client library increased 143% from Q2 2000 to NOK 211,1 million.
- ❖ Second quarter EBITDA from operations of NOK 225,0 million was 82% of Net Revenues, up 118% from the same period last year (NOK 103,0 million).
- ❖ Investments in the Multi-Client data library grew to a record NOK 175,6 million during the quarter, representing a 136% increase over Q2 2000 levels. Investments over the first six months of 2001 are 79% higher than for the same period last year.

“The dramatic increase in Late Sales from our library signals the continued strong momentum in exploration focus by our customers” states CEO Hank Hamilton. *“We are especially pleased that for the first time in our history, the revenues in the seasonally weaker 2nd quarter of a year exceeded the 1st quarter revenues. Our growth rate is clearly accelerating relative to our sector’s growth rate.”*

Revenue Breakdown

Net Late Sales of NOK 211,1 million accounted for 77% of Net Consolidated Revenues. Net Early Participant revenues totaled NOK 61,6 million. Proprietary Contract Revenues in Q2 2001 were NOK 3,2 million, representing approximately 1% of total revenues.

Sales in Europe increased sharply during the quarter, supplementing continued strong Gulf of Mexico sales. Compared to the first half of 2000, European Net Revenues increased 155% and accounted for approximately 19% of Net Consolidated Revenues in the first half of 2001, compared to only 13% in the first half of 2000. 3D Net Revenues also increased sharply during the quarter. For the first six months of 2001, 3D accounted for approximately 40% of Net Consolidated Revenues, compared to only 30% in the same period last year.

Operational Costs

The amortization charge associated with Net Multi-Client Revenues was 35% during Q2 2001. The corresponding amortization rate for Q2 2000 was 24%. This rate does fluctuate from quarter to quarter, depending on the sales mix of projects. Management still expects an average amortization rate of 35-40% during 2001 as a result of the Company’s steadily increasing investments in its Multi-Client Library.

Operational costs payable for the quarter, excluding materials, were NOK 41,7 million compared to NOK 31,6 in Q2 2000. Costs of materials were NOK 9,1 million versus NOK 4,5 in Q2 2000 due primarily to higher deliverables costs associated with increased late sales. Personnel related costs and Other Operational costs remained approximately level with Q1 2001, up 4% mainly due to the Company’s profit sharing plan.

Profit

Operating Profit for the quarter was NOK 125,8 million, representing 46% of Net Revenues and a 92% increase over Q2 2000 (NOK 65,5 million).

The quarterly Pre -tax Profit of NOK 124,5 million was 96% higher than the NOK 63,5 million reported in Q2 2000. EBITDA (Earnings before Interest, Tax, Depreciation and Amortization) for the three months ended June 30th was NOK 225,0 million, 82% of Net Revenues, up 118% from NOK 103,0 in Q2 2000.

Change in Exchange Rate/Financial Items

A portion of the increase in reported revenues stems from the change in exchange rate between the USD and the NOK. In Q2 2000, the average exchange rate was NOK 8,502 to the USD, while in Q2 2001 the corresponding rate was NOK 9,1784 to the USD. This change eliminated, the increase in Net Revenues would have been approximately 85% and increase in EPS approximately 81%.

The rate of exchange between the USD and the NOK changed from 9,12 per March 31st, 2001 to 9,30 per June 30th, 2001. In accordance with NGAAP, all balances in other currencies are recalculated at Balance Sheet Date to reflect the currency picture. As the Company's cash holdings in USD far exceed its debt in USD, the non-cash exchange loss of NOK 3,0 million associated with the USD 16,8 million loan per June 30th was reduced by a non-cash exchange gain on the cash holdings. The net currency exchange loss was NOK 0,5 million in Q2 2001.

Tax

Management estimates the tax rate for the year 2001 to be 34%. Due to the higher sales in Europe in Q2, the Norwegian entity recorded taxable profits bringing the tax-rate down from 35,95% in Q1 2001 to 34,55% in Q2 2001.

Net Income and Earnings per Share (EPS)

Net Income for Q2 2001 was NOK 81,5 million, up 96% from the NOK 41,3 million reported in Q2 2000. Earnings per Share (EPS) were NOK 3,34 undiluted and NOK 3,17 fully diluted, up 96% from reported in Q2 2000 (NOK 1,70 and NOK 1,62 per share). The average number of shares outstanding during the quarter was 24,422,000. The fully diluted average number of shares outstanding was 25,670,000. The expected fully diluted average number of shares outstanding during Q3 2001 is approximately 26,060,000.

Business Segments and Investments

TGS-NOPEC's main business is developing, managing, conducting, and selling non-exclusive seismic surveys. This activity accounted for 99% of the Company's business during the quarter. Investments in the data library totaled NOK 175,6 million for the second quarter, 136% higher than in Q2 2000 (NOK 74,4 million). The steep increase in investments in Q2 2001 was due to the Company's increasing investments in new multi-client surveys and the deal made with WesternGeco notified to the Oslo Stock Exchange on May 30th, 2001 to acquire WesternGeco's share of eight 3D surveys located within TGS-NOPEC's "Pangaea" complex of 3D surveys on the offshore Louisiana shelf. The year-to-date investments per June 30th, 2001 were NOK 282,0 million, 79% higher than for the first six months of 2000. TGS-NOPEC management intends to continue its investment in new seismic programs but the Company will also actively pursue opportunities to increase its ownership in existing surveys. The Company recognized NOK 61,6 million in Early Participant revenues during the quarter, funding approximately 50% of the Multi-Client investments for new surveys. Management expects the pre-funding level on new surveys to stay between 50 – 60% for the year 2001.

Balance Sheet

As of June 30th, 2001, the Company's total cash holdings amounted to NOK 246,6 million compared to NOK 224,6 million on December 31st, 2000. The Company's cash holdings decreased by NOK 60,1 million compared to March 30th, 2001 as a result of the heavy investments made in the quarter.

Total interest bearing debt was NOK 187,5 million versus NOK 206,1 million per December 31st, 2000.

Total Equity per June 30th, 2001 was NOK 976,6 million, 67% of Total Assets.

The Multi-Client Library:

	6 Months		6 Months	Year	Year	Year	
Million NOKs	Q2-01	Q2-00	2001	2000	2000	1999	1998
Opening Balance	461,0	359,0	439,1	324,0	324,0	203,0	129,3
Investment	175,6	74,0	282,0	157,5	370,8	300,8	193,5
Amortization	- 94,9	- 33,1	-179,4	-81,6	- 255,8	-179,8	-119,8
Net Book Value Ended	541,7	399,9	541,7	399,9	439,1	324,0	203,0

Key MCS figures:

Net MCS Revenues for the period	272,6	135,6	511,6	286,7	769,0	574,2	555,6
Change in MCS Revenue	101 %	19 %	79%	17%	38 %	3 %	13 %
Change in investment in MCS	136 %	-18 %	79%	17%	23 %	55 %	80 %
Amortization in % of Net Revenues	35 %	24 %	35%	28%	33 %	31 %	22 %
Increase in NBV during the period	18 %	11 %	23%	23%	36 %	60 %	57 %

Operational Highlights

The Company added approximately 37,000 kms of 2D and 1,700 sq kms of 3D to its library of marketed surveys during the 2nd quarter. A total of ten different seismic vessels contributed to this effort. The Company completed the acquisition phase of its 205,000-kilometer Brazil 2D project, by far the world's largest Multi-Client 2D survey. Other areas of significant new activity included Norway, the Gulf of Mexico, Australia, New Zealand, Portugal, and Sri Lanka. After purchasing a 100% equity stake in eight Gulf of Mexico 3D surveys, TGS-NOPEC launched an ambitious PSTM (pre-stack time migration) reprocessing project on the entire 14,300-square kilometer "Pangaea" complex of 3D surveys.

In May, TGS-NOPEC hosted a two-day "Hydrocarbon Potential of the Atlantic Margins" seminar in Houston that featured expert speakers from around the world and attracted approximately 200 oil company representatives and governmental officials. The seminar generated tremendous interest in the Company's industry-leading Atlantic Margins frontier programs.

Outlook

The Company's backlog of secured pre-funding for new projects increased 17% during the quarter to NOK 169,8 million.

As previously stated, the Company plans to increase its investments in new Multi-Client projects by approximately 25% during 2001. On top of this, the Company is pursuing opportunities to increase its ownership percentage of the marketed library. While the exact mix of investment types is difficult to predict, the increase in investment levels will be primarily directed towards 3D activity and value-added products developed from our existing library.

Demand for new seismic data is still strengthening. While global oil prices have remained fairly stable and well above the threshold necessary to promote new exploration, natural gas prices in North America have returned to more normal levels. The vast majority of TGS-NOPEC's North American data library is located in geological provinces that produce both oil and gas. Thus, most of the Company's Multi-Client projects will continue to be attractive to explorationists, even in the current natural gas pricing environment. In the event of a prolonged period of North American natural gas prices below \$3/mcf however, diminished oil company cash flows could dampen the growth rate in demand for new seismic in some areas.

TGS-NOPEC is a leading global provider of non-exclusive seismic data and associated products to the oil and gas industry. TGS-NOPEC specializes in the planning, acquisition, processing, interpretation and marketing of non-exclusive surveys worldwide. The company places a strong emphasis on providing high-quality seismic data and the highest level of service to the industry. TGS-NOPEC also offers proprietary seismic acquisition and processing services, as well as gravity and aeromagnetic surveys.

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

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Naersnes, August 15th, 2001

The Board of Directors of TGS-NOPEC Geophysical Company ASA

TGS NOPEC Geophysical Company ASA

Consolidated Profit & Loss Accounts

(All amounts in NOK 1000's unless noted otherwise)				6 Months	6 Months	12 Months
		Q2 2001	Q2 2000	2001	2000	2000
<i>Operating Revenues</i>						
Sales		306 868	150 020	558 847	305 370	817 686
Income sharing & Royalties		-31 028	-10 983	-43 361	-13 750	-44 051
Net Operating Revenues		275 840	139 037	515 486	291 620	773 636
<i>Operating expenses</i>						
Materials		9 144	4 469	14 800	6 680	17 141
Amortisation of Seismic Libra		94 908	33 056	179 387	81 642	255 780
Personnel costs		28 982	20 443	56 844	39 886	88 960
Other operating expenses		12 740	11 122	25 140	22 820	44 939
Depreciation		4 314	4 412	8 502	8 695	17 708
Unusual Items		-	-	-	-	-
Total operating expenses		150 088	73 502	284 673	159 723	424 527
Operating profit		125 752	65 535	230 813	131 897	349 109
<i>Financial income and expenses</i>						
Interest Income		5 613	3 226	8 825	5 144	13 979
Interest Expense		-6 364	-4 444	-11 040	-9 116	-19 512
Exchange gains/losses		-535	-793	-1 114	-8 673	-13 207
Net financial items		-1 286	-2 011	-3 329	-12 645	-18 740
Profit before taxes		124 466	63 524	227 484	119 252	330 368
Tax provision		43 004	22 233	80 043	41 738	115 443
Net Income		81 462	41 291	147 441	77 514	214 926
EPS NOK	undiluted	3,34	1,70	6,04	3,20	8,85
EPS NOK	fully diluted	3,17	1,62	5,75	3,06	8,45

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Consolidated Balance Sheet

Balance sheet as at June 30, 2001

(All amounts in NOK 1000's unless noted otherwise)

	30,06,2001	30,06,2000	31,12,2000
ASSETS			
Long-term assets			
<i>Intangible assets</i>			
Goodwill	34 732	34 783	31 942
<i>Fixed Assets</i>			
Buildings	29 671	30 390	30 090
Machinery and equipment	24 795	25 431	23 470
Vessels	125 609	162 844	141 289
<i>Financial Assets</i>			
Long term receivables, included pre-payments	-	673	-
Total long-term assets	214 807	254 121	226 791
Current assets			
<i>Inventories</i>			
Multiclient seismic Library, net	541 744	399 931	439 101
<i>Receivables</i>			
Accounts receivable	397 648	189 680	376 883
Other short term receivables	52 554	22 778	37 560
<i>Cash and cash equivalents</i>			
Cash and cash equivalents (including money market funds)	246 606	230 512	224 603
Total current assets	1 238 552	842 901	1 078 147
TOTAL ASSETS	1 453 359	1 097 022	1 304 938

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Consolidated Balance Sheet

Balance sheet as at June 30, 2001

(All amounts in NOK 1000's unless noted otherwise)

30,06,2001 **30,06,2000** **31,12,2000**

LIABILITIES AND EQUITY

Equity

Share capital	24 427	24 317	24 419
Other equity	952 150	632 449	781 871
Total equity	976 577	656 766	806 290

Provisions and liabilities

Provisions

Deferred tax liability	39 011	52 001	58 534
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Long term liabilities

Mortgage loans/secured loans	162 242	189 871	175 237
Capitalised lease liabilities	25 233	36 505	30 888

Current liabilities

Short-term interest-bearing debt	-	19 958	-
Accounts payable and debt to partners	118 330	89 398	114 946
Taxes payable, withheld payroll tax, social security etc.	39 443	4 522	35 399
Other current liabilities	92 523	48 001	83 644

Total provisions and liabilities	476 782	440 256	498 648
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TOTAL LIABILITIES AND EQUITY	1 453 359	1 097 022	1 304 938
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