

# TGS-NOPEC EARNINGS RELEASE

August 10, 2006



## 2<sup>nd</sup> QUARTER 2006 RESULTS

### 2<sup>nd</sup> QUARTER FINANCIAL HIGHLIGHTS

- Consolidated net revenues were USD 82.7 million, an increase of 50% compared to Q2 2005.
- Net late sales from the multi-client library totaled USD 61.5 million, up 36% from USD 45.2 million in Q2 2005.
- Operating profit (EBIT) was USD 45.3 million (55% of Net Revenues), up 107% from USD 21.9 million in Q2 2005.
- Earnings per share were USD 0.28, up 103% compared to USD 0.14 in Q2 2005.

### 6 MONTHS FINANCIAL HIGHLIGHTS

- Consolidated net revenues were USD 172.4 million, an increase of 84% compared to 6 months 2005.
- Net late sales from the multi-client library totaled USD 137.6 million, up 81% from USD 75.9 million 6 months 2005.
- Operating profit (EBIT) was USD 94.4 million (55% of Net Revenues), up 161% from USD 36.2 million 6 months 2005.
- Cash flow from operations after taxes but before investments was USD 127.6 million, versus USD 73.1 million 6 months 2005.
- Earnings per share (undiluted) were USD 0.60, up 155% compared to USD 0.23 in for 6 months 2005.

"The Board is extremely pleased with the strong growth achieved in all product lines and all regions", stated TGS Chairman Claus Kampmann. "This growth has resulted in record profitability for the second quarter and the first half, allowing us to increase the revenue and profitability guidance for the year."

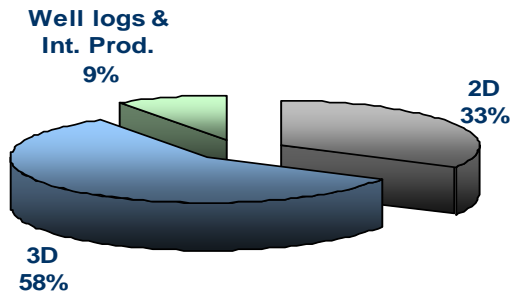
### REVENUE BREAKDOWN

Consolidated gross late sales in Q2 were USD 69.4 million, up 34% from last year, representing 76% of gross revenues for the quarter. Net late sales were up 36% compared to Q2 2005. Net pre-funding revenues totaled USD 16.4 million, funding 60% of the Company's operational investments into new multi-client products during Q2 (USD 27.4 million). Proprietary contract and other revenues during the quarter totaled USD 4.8 million compared to USD 1.3 million in Q2 2005.

Consolidated Net Revenues Q2 2006 vs. Q2 2005 per Geographical Region					
(in million USD)	Q2 2006	Q2 2005	Q2 2006	Q2 2005	Change
Eastern Hemisphere	31.6	15.7	38%	29%	101%
Western Hemisphere	51.1	39.3	62%	71%	30%
Total	82.7	55.0	100%	100%	50%

Consolidated Net Revenues 6M 2006 vs. 6M 2005 per Geographical Region					
(in million USD)	6M 2006	6M 2005	6M 2006	6M 2005	Change
Eastern Hemisphere	43.6	29.0	26%	31%	50%
Western Hemisphere	127.1	64.8	74%	69%	96%
Total	170.7	93.8	100%	100%	82%

## YTD Net Revenues by Product Type:



## OPERATIONAL COSTS

The consolidated amortization charge associated with multi-client revenues was 25% of net multi-client revenues during Q2 2006 compared to 41% in Q2 2005. This rate does fluctuate from quarter to quarter, depending on the sales mix of projects. The year-to-date amortization rate of 27% is lower than management's original guidance (35-40%) for the full year.

Costs of materials were negligible for the quarter as a direct consequence of low proprietary seismic acquisition contract activity. Personnel and other operating costs payable for the quarter, excluding materials, were USD 15.5 million, an increase of 57% from Q2 2005 (USD 9.9 million) as a result of higher employee profit-sharing bonuses and the higher employee cost base following the acquisition of Aceca.

The theoretical, non-cash cost of employees' stock options in accordance with IFRS was USD 0.7 million in Q2 2006, versus USD 0.7 million in Q2 2005.

## EBIT and EBITDA

Operating profit (EBIT) for the quarter of USD 45.3 million represented 55% of net revenues. This was 107% higher than the USD 21.9 million in Q2 2005.

EBITDA (Earnings before Interest, Tax, Depreciation and Amortization) for the three months ended June 30<sup>th</sup> was USD 66.2 million, 80% of net revenues, up 49% from USD 44.3 million in Q2 2005.

## 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. 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 Q2 2006 is 33.3%.

## NET INCOME AND EARNINGS PER SHARE (EPS)

Net income for Q2 2006 was USD 29.9 million (36% of net revenues) up 104% compared to USD 14.6 million (27% of net revenues) in Q2 2005. Quarterly earnings per share (EPS) were USD 0.28 fully diluted (USD 0.28 undiluted), an increase of 102% from Q2 2005 EPS of USD 0.14 (USD 0.14 undiluted).

## BUSINESS SEGMENTS AND INVESTMENTS

TGS' largest business segment is developing, managing, conducting, and selling non-exclusive seismic surveys. This activity accounted for 86% of the Company's business during the quarter. Well logs and integrated products (A2D and Aceca), accounted for 11% of net revenues in the 2<sup>nd</sup> quarter. Other contract proprietary revenues represented the remaining 3% of total revenues.

The Company's operational investments in its data library during Q2 2006 were USD 27.4 million, 26% higher than in Q2 2005. The Company recognized USD 16.4 million in net pre-funding revenues in Q2, funding approximately 60% of its operational multi-client investments during the quarter. On a year-to-date basis, pre-funding revenues represent 47% of operational multi-client investments.

## BALANCE SHEET & CASH FLOW

The net cash flow from operations for the quarter totaled USD 11.8 million compared to USD 28.0 million in Q2 2005. This decline resulted from a combination of high collections in Q1 2006, the timing of late sales in Q2 2006 being skewed towards the end of the quarter, and substantial tax payments during the quarter. For the 6 months 2006, cash flow from operations after taxes but before investments was USD 127.6 million, versus USD 73.1 million 6 months 2005. As of June 30<sup>th</sup>, 2006, the Company's total cash holdings amounted to USD 192.7 million compared to USD 216.5 million at March 31<sup>st</sup>, 2006. 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 48.1 million in the balance sheet as per June 30<sup>th</sup>, 2006. The difference between this theoretical value and the real liability for the Company (USD 43.7 million), USD 4.3 million, is presented and included in long-term receivable assets.

Total equity per June 30<sup>th</sup>, 2006 was USD 392.8 million, representing 73% of total assets.

## THE MULTI-CLIENT DATA LIBRARY:

MUSD	Q2 2006	Q2 2005	6M 2006	6M 2005	2005	2004	2003
Beginning Net Book Value	165.8	151.5	160.8	149.5	149.5	133.2	117.8
Non-Operational Investments	-	-	3.5	-	1.6	2.1	5.0
Operational Investments	27.4	21.8	52.6	37.7	103.8	84.5	68.7
Amortization	(19.8)	(21.9)	(43.6)	(35.8)	(94.1)	(70.3)	(58.3)
Ending Net Book Value	173.3	151.4	173.3	151.4	160.8	149.5	133.2

## KEY MULTI CLIENT FIGURES:

MUSD	Q2 2006	Q2 2005	6M 2006	6M 2005	2005	2004	2003
Net MC Revenues	77.9	53.7	163.9	91.4	232.1	163.1	132.6
Change in MC Revenue	45%	42%	79%	38%	42%	23%	9%
Change in MC Investment	26%	-15%	49%	-29%	22%	17%	17%
Amort. in % of Net MC Revs.	25%	41%	27%	39%	41%	43%	44%
Change in Net Book Value	5%	0%	8%	1%	8%	12%	13%

## OPERATIONAL HIGHLIGHTS

In the Gulf of Mexico, TGS completed acquisition of its Sophie's Link 3D survey during April and immediately commenced acquisition on its new Stanley 3D project, designed to cover a 600 OCS block (14,000 square kilometer) area of expected high lease turnover in the central portion of the deepwater Gulf of Mexico. Acquisition also continued throughout the quarter on the Eastern Delta 3D survey utilizing an ocean bottom cable (OBC) crew. Based on additional interest and pre-funding from customers, this project has been expanded by 33%, and the acquisition phase is now expected to extend into early 2007.

In Europe, TGS mobilized 2 vessels during April for the 2006 continuation of the North Sea Renaissance (NSR) long offset 2D survey, and another vessel in June for the 2006 East Russia 2D campaign. Elsewhere, TGS completed acquisition of its 18,000 kilometer 2D project offshore Madagascar at the end of the 2<sup>nd</sup> quarter.

During the 2nd quarter A2D secured the third and final underwriter for the 30-month project to convert all Gulf of Mexico deepwater and key shelf exploration wells to its industry recognized Workstation Ready (WSR) format. As a result of this and increased demand for its data, the unit earned record revenues for the third quarter in a row. In continuing its globalization efforts A2D also signed a Revenue Sharing Agreement with Kyrgyzneftegaz for the Kyrgyz Republic. General terms include creation of a high-quality digital well log database and exclusive marketing rights for a 10-year term. Aceca launched two new multi-client studies in Norway and delivered the best quarterly results in its history as a result of continuing sales synergies with the TGS group.

TGS' backlog for new seismic projects and services was USD 55.5 million per June 30<sup>th</sup>, 2006. This was 49% higher than one quarter ago and 103% higher than one year ago. Well log and integrated products (A2D and Aceca) backlog decreased slightly during the quarter from USD 18.9 million to USD 18.3 million, but is 63% higher than one year ago. Total Company backlog increased 31% during the quarter and stands at a record high of USD 73.9 million at the end of the 2<sup>nd</sup> quarter, 91% higher than one year ago.

## OUTLOOK

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Demand for geo-scientific services and products continues to be robust. Already in the 3<sup>rd</sup> quarter, TGS has mobilized a 2<sup>nd</sup> 2D vessel to East Russia for the remainder of the summer season as well as a 3D vessel to North Africa for a two-month project.

As a result of higher-than-expected sales during the 1<sup>st</sup> half of 2006, a record order backlog, and continued strong interest in our library products, TGS management now expects full year net revenue growth in the range of 50–55%. Also as a consequence of the strong sales performance, we now expect the average annualized multi-client amortization rate to drop to the range of 27–32%, leading to substantially higher margins and earnings. We expect our multi-client library investments to remain at the level initially planned (USD 125-135 million), and our average pre-funding level to remain unchanged in the range of 40-50% of investments.

Through a combination of firm contracts, letters of intent, exercises of contractual rights to extend, and right of first refusal agreements, TGS has now secured access to three 3D crews and five 2D vessels for all or part of 2007, representing virtually all of the capacity we expect to need. We expect the weighted average rates to be approximately 7% and approximately 15% higher in 2007 than in 2006 for 3D and 2D respectively.

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## Naersnes, August 9<sup>th</sup>, 2006

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

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

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*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.*

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August 10th 2006



TGS-NOPEC Geophysical Company ASA

## Consolidated Profit & Loss Accounts

(All amounts in USD 1000's unless noted otherwise)	2006 Q2	2005 Q2	2006 YTD	2005 YTD
<i>Operating Revenues</i>				
Sales	91 633	62 509	184 607	104 053
Revenue sharing	-8 963	-7 477	-12 235	-10 289
<b>Net Operating Revenues</b>	<b>82 671</b>	<b>55 031</b>	<b>172 372</b>	<b>93 764</b>
<i>Operating expenses</i>				
Materials	324	158	1 963	243
Amortization of Multi-Client Data Library	19 840	21 950	43 590	35 813
Personnel costs	11 016	6 542	21 249	13 103
Cost of stock options	724	713	1 396	1 481
Other operating expenses	4 444	3 318	7 837	6 071
Depreciation	972	433	1 889	903
<b>Total operating expenses</b>	<b>37 322</b>	<b>33 113</b>	<b>77 924</b>	<b>57 614</b>
<b>Operating profit</b>	<b>45 349</b>	<b>21 918</b>	<b>94 448</b>	<b>36 150</b>
<i>Financial income and expenses</i>				
Interest Income	2 085	668	3 803	1 058
Interest Expense	-1 015	-636	-1 751	-1 185
Exchange gains/losses	-1 563	252	-2 596	460
<b>Net financial items</b>	<b>-494</b>	<b>283</b>	<b>-544</b>	<b>332</b>
<b>Profit before taxes</b>	<b>44 855</b>	<b>22 201</b>	<b>93 904</b>	<b>36 483</b>
Tax provision	14 945	7 562	31 353	12 529
<b>Net Income</b>	<b>29 910</b>	<b>14 639</b>	<b>62 551</b>	<b>23 954</b>
EPS USD	0,28	0,14	0,60	0,23
EPS USD, fully diluted	0,28	0,14	0,58	0,22

# TGS-NOPEC EARNINGS RELEASE

August 10th 2006



## TGS-NOPEC Geophysical Company ASA Consolidated Balance Sheet

	2006 30-Jun	2005 30-Jun	2005 31-Dec
(All amounts in USD 1000's unless noted otherwise)			
<b>ASSETS</b>			
<b>Long-term assets</b>			
<i>Intangible non-current assets</i>			
Goodwill	27 396	20 150	20 150
Multi-Client Data Library, net	173 317	151 355	160 809
<i>Tangible non-current assets</i>			
Buildings	2 480	4 705	4 995
Machinery, Equipment and Software	14 942	9 544	13 678
<i>Financial Assets</i>			
Long term receivables including pre-payments	4 988	4 004	909
<b>Total long-term assets</b>	<b>223 122</b>	<b>189 757</b>	<b>200 541</b>
<b>Current assets</b>			
<i>Receivables</i>			
Accounts receivable	109 995	75 748	125 820
Other short term receivables	14 879	3 635	4 092
<i>Cash and cash equivalents</i>			
Cash and cash equivalents	192 694	110 064	134 069
<b>Total current assets</b>	<b>317 567</b>	<b>189 448</b>	<b>263 981</b>
<b>TOTAL ASSETS</b>	<b>540 689</b>	<b>379 205</b>	<b>464 522</b>

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## TGS-NOPEC Geophysical Company ASA Consolidated Balance Sheet

	2006 30-Jun	2005 30-Jun	2005 31-Dec
(All amounts in USD 1000's unless noted otherwise)			
<b>LIABILITIES AND EQUITY</b>			
<i>Equity</i>			
Share capital	3 795	3 693	3 749
Other equity	388 976	268 464	317 019
<b>Total equity</b>	<b>392 770</b>	<b>272 157</b>	<b>320 768</b>
<b>Provisions and liabilities</b>			
<i>Provisions</i>			
Deferred tax liability	35 540	16 528	25 099
<i>Long term liabilities</i>			
Long term loans	48 075	45 841	44 322
Capitalized lease liabilities	679	1 216	736
<i>Current liabilities</i>			
Short-term interest-bearing debt	0	44	0
Accounts payable and debt to partners	38 763	27 597	33 355
Taxes payable, withheld payroll tax, social security	5 020	3 310	4 722
Other current liabilities	19 841	12 513	35 519
<b>Total provisions and liabilities</b>	<b>147 919</b>	<b>107 048</b>	<b>143 754</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>540 689</b>	<b>379 205</b>	<b>464 522</b>



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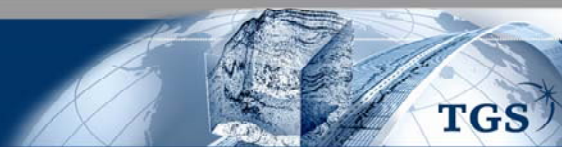
TGS-NOPEC Geophysical Company ASA

## Consolidated Cash flow Statement

	2006	2005	2006	2005
(All amounts in USD 1000's unless noted otherwise)	Q2	Q2	YTD	YTD
<b>Cash flow from operating activities:</b>				
Received payments from sales	42 812	37 979	187 060	105 780
Payments for salaries, pensions, social security tax and tax deducted	-9 128	-5 789	-19 678	-13 209
Other operational costs	-4 444	-3 318	-7 837	-6 071
Received interest and other financial income	2 085	920	3 803	1 518
Interest payments and other financial expenses	-1 015	-636	-2 784	-1 185
Paid taxes	-18 484	-1 107	-32 956	-13 701
<b>Net cash flow from operating activities</b>	<b>11 825</b>	<b>28 049</b>	<b>127 608</b>	<b>73 132</b>
<b>Cash flow from investing activities:</b>				
Received payments from fixed assets	0	0	910	0
Investment in tangible fixed assets	-1 416	-491	-2 767	-1 565
Investments in seismic and well logs	-33 845	-12 023	-62 842	-30 868
Investment through Mergers and Acquisitions	0	0	-7 238	0
Net change in long term receivables	-489	0	-4 048	167
<b>Net cash flow from investing activities</b>	<b>-35 750</b>	<b>-12 513</b>	<b>-75 985</b>	<b>-32 267</b>
<b>Cash flow from financing activities:</b>				
Net change in short term loans	0	-3	0	-26
Net change in long term loans	-1 053	-69	2 676	-381
Purchase of own shares	0	-2 160	0	-2 160
Paid in equity	1 173	182	4 326	9 385
<b>Net cash flow from financing activities</b>	<b>120</b>	<b>-2 051</b>	<b>7 002</b>	<b>6 818</b>
<b>Net change in cash and cash equivalents</b>	<b>-23 805</b>	<b>13 485</b>	<b>58 625</b>	<b>47 683</b>
Cash and cash equivalents at the beginning of period	216 499	96 580	134 069	62 382
<b>Cash and cash equivalents at the end of period</b>	<b>192 694</b>	<b>110 065</b>	<b>192 694</b>	<b>110 065</b>

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TGS-NOPEC Geophysical Company ASA

## Equity Reconciliation per June 30th 2006

(All amounts in USD 1000's)

	<b>320 768</b>
<b>Opening Balance 01.01.2006</b>	
Paid in Equity	4 280
Purchase of own shares	0
Distribution of own shares	3 376
Net Income	62 551
Cost of stock options under IFRS	1 396
Effect of change in exchange rates and other items	400
<b>Closing balance per June 30th 2006</b>	<b>392 770</b>

## Largest Shareholders per August 1st 2006

			<b>Shares</b>	<b>%</b>
1 STATE STREET BANK & TRUST CO.	USA	NOM	8 134 254	8 %
2 FOLKETRYGDFONDET	NORWAY		7 083 384	7 %
3 JPMORGAN CHASE BANK	GREAT BRITAIN	NOM	4 960 190	5 %
4 FIDELITY FUNDS-EUROP. GROWTH/SICAV	LUXEMBOURG		3 482 600	3 %
5 MORGAN STANLEY AND CO.INTL.LIMITED	GREAT BRITAIN	NOM	3 230 512	3 %
6 HSBC BANK PLC	GREAT BRITAIN	NOM	3 126 500	3 %
7 BANK OF NEW YORK, BRUSSELS BRANCH	BELGIUM		2 523 541	2 %
8 HAMILTON, HENRY H.	USA		2 040 000	2 %
9 WORTHINGTON, DAVID	USA		2 018 124	2 %
10 MELLON BANK AS AGENT FOR CLIENTS	USA	NOM	1 982 894	2 %
<b>20 Largest</b>			<b>38 581 999</b>	<b>37 %</b>
<b>Total Shares</b>			<b>105 445 528</b>	<b>100 %</b>

## Shareholders per Country per August 1st 2006

	<b>Shares</b>	<b>%</b>
NORWAY	25 058 613	24 %
GREAT BRITAIN	32 032 069	30 %
USA	28 139 609	27 %
LUXEMBOURG	7 281 386	7 %
OTHER	12 933 851	12 %
<b>Total Shares</b>	<b>105 445 528</b>	<b>100 %</b>

## Average number of Shares for Current Quarter

Average number of shares outstanding during the quarter	105 249 409
Average number of shares fully diluted during the quarter	108 757 981