

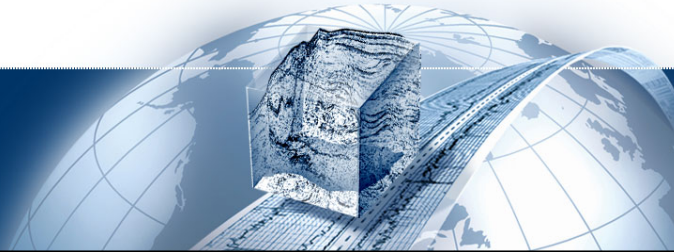
# TGS

## Presentation of the 2<sup>nd</sup> Quarter 2006 Results August 10<sup>th</sup> 2006

A webcast of this presentation is available at [www.tgsnopec.no](http://www.tgsnopec.no)

**Arne Helland**  
Chief Financial Officer

**Hank Hamilton**  
Chief Executive Officer



## 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.



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## Q2 2006 Financial Highlights

- **Net Revenues 82.7 MUSD, up 50% from Q2 2005**
  - Net Late Sales 61.5 MUSD, up 36% from Q2 2005
  - Net Prefunding 16.4 MUSD, up 94% from Q2 2005 funding 60% of operational investments
  - Proprietary Revenues 4.8 MUSD vs 1.3 MUSD in Q2 2005
- **Operational Investments up 26% from 21.8 MUSD to 27.4 MUSD**
- **Multi-Client Amortization rate 25%!**
- **EBIT Margin 55% of Net Revenues !**
  - EBIT 45.3 MUSD, up 107% from 21.9 MUSD in Q2 2005
- **EPS \$0.28, doubled from \$0.14 in Q2 2005**



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## Q2 Actuals vs. Analysts Expectations

(MUSD)	Actual	Average	Actual vs	Actual vs	High	Low	Median
	Q2 2006	Analysts	Consensus	Consensus			
Net Revenue	82.7	80.3	2.4	3%	89.0	75.0	80.0
EBIT	45.3	35.4	9.9	28%	38.6	33.0	34.0
Net Income	29.9	24.2	5.7	24%	26.3	22.1	23.2
Earnings per Share *	0.28	0.23	0.05	22%	0.25	0.21	0.22

\*Avg. number of shares (undiluted in 1000's) 105,249

Source: TDN



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## Q2 2006 PROFIT & LOSS (MUSD)

	Q2 2006	Q2 2005	Change	%
<b>Gross Sales</b>	<b>91.6</b>	62.5	29.1	47%
Income Sharing & Royalties	(9.0)	(7.5)	(1.5)	20%
<b>Net Operating Revenues</b>	<b>82.7</b>	55.0	27.6	50%
Materials	0.3	0.2	0.2	106%
MC Amortization 25%	19.8	21.9	(2.1)	-10%
<b>Gross Margin</b>	<b>62.5</b>	32.9	29.6	90%
Other Operating Expenses	15.5	9.9	5.6	57%
Cost of Stock Options	0.7	0.7	0.0	2%
Depreciation	1.0	0.4	0.5	124%
<b>Operating Profit</b> 55%	<b>45.3</b>	21.9	23.4	107%
Net Financial Items	(0.5)	0.3	(0.8)	-274%
<b>Pre-tax Profit</b> 54%	<b>44.9</b>	22.2	22.7	102%
Taxes	14.9	7.6	7.4	98%
<b>Net Income</b> 36%	<b>29.9</b>	14.6	15.3	104%
EPS, undiluted	0.28	0.14	0.1	100%
<b>EPS, fully diluted</b>	<b>0.28</b>	0.14	0.1	102%



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## Q2 2006 CASH FLOW

	Q2 2006	Q2 2005
Payments from Sales Received	42.8	38.0
Operational Costs Paid	(12.5)	(8.8)
Taxes Paid	(18.5)	(1.1)
<b>Operational Cash Flow</b>	<b>11.8</b>	<b>28.0</b>
Investments in Fixed Assets	(1.4)	(0.5)
Payments for Acquired Multi-Client Products	(33.8)	(12.0)
Investments through Mergers and Acquisition	-	-
Net Change in Long-term Receivables	(0.5)	-
Net Change in Loans	(1.1)	(0.1)
Purchase of own Shares	-	(2.2)
Paid in Equity	1.2	0.2
<b>Change in Cash Balance</b>	<b>(23.8)</b>	<b>13.5</b>



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## 6 Months 2006 Financial Highlights

- **Net Revenues 172.4 MUSD, up 84% from 6M 2005**
  - Net Late Sales 137.6 MUSD, up 81% from 6M 2005
  - Net Prefunding 26.3 MUSD, funding 50% of operational investments
  - Proprietary revenues 8.5 MUSD vs 2.4 MUSD in 6M 2005
- **Operational Investments up 49% from 37.7 MUSD to 56.1 MUSD**
- **Multi-Client Amortization rate 27%**
- **EBIT Margin 55% of Net Revenues !**
  - EBIT 94.4 MUSD, up 161% from 36.2 MUSD 6M 2005
- **EPS (fully diluted) \$0.58 up 159% from \$0.22 6M 2005**
- **Cash Flow from Operations before MC investments 127.6 MUSD compared to 73.1 MUSD 6M 2005**



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## 6 Months 2006 PROFIT & LOSS (MUSD)

	6M 2006	6M 2005	Change	%
<b>Gross Sales</b>	<b>184.6</b>	104.1	80.6	77%
Income Sharing & Royalties	(12.2)	(10.3)	(1.9)	19%
<b>Net Operating Revenues</b>	<b>172.4</b>	93.8	78.6	84%
Materials	2.0	0.2	1.7	708%
MC Amortization 27%	43.6	35.8	7.8	22%
<b>Gross Margin</b>	<b>126.8</b>	57.7	69.1	120%
Other Operating Expenses	29.1	19.2	9.9	52%
Cost of Stock Options	1.4	1.5	(0.1)	-6%
Depreciation	1.9	0.9	1.0	109%
<b>Operating Profit</b> 55%	<b>94.4</b>	36.2	58.3	161%
Net Financial Items	(0.5)	0.3	(0.9)	-263%
<b>Pre-tax Profit</b> 54%	<b>93.9</b>	36.5	57.4	157%
Taxes	31.4	12.5	18.8	150%
<b>Net Income</b> 36%	<b>62.6</b>	24.0	38.6	161%
EPS, undiluted	0.60	0.23	0.4	155%
<b>EPS, fully diluted</b>	<b>0.58</b>	0.22	0.4	159%



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## 6 Months 2006 CASH FLOW

	6M 2006	6M 2005
Payments from Sales Received	187.1	105.8
Operational Costs Paid	(26.5)	(18.9)
Taxes Paid	(33.0)	(13.7)
<b>Operational Cash Flow</b>	<b>127.6</b>	<b>73.1</b>
Investments in Fixed Assets	(1.9)	(1.6)
Payments for Acquired Multi-Client Products	(62.8)	(30.9)
Investments through Mergers and Acquisition	(7.2)	-
Net Change in Long-term Receivables	(4.0)	0.2
Net Change in Loans	2.7	(0.4)
Purchase of own Shares	-	(2.2)
Paid in Equity	4.3	9.4
<b>Change in Cash Balance</b>	<b>58.6</b>	<b>47.7</b>



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## Balance Sheet – Key Figures

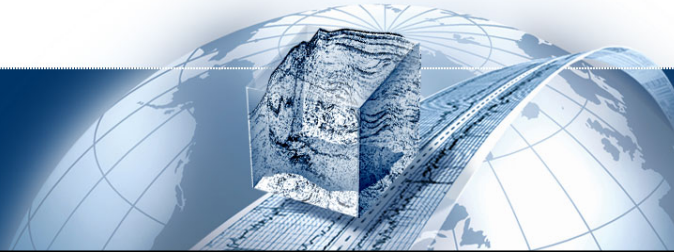
	30-Jun	%	31-Mar	%	31-Dec	%
<b>Assets</b>						
Cash	192.7	36%	216.5	43%	134.1	29%
Other Current Assets	124.9	23%	77.3	15%	129.9	28%
<b>Total Current Assets</b>	<b>317.6</b>	<b>59%</b>	<b>293.8</b>	<b>58%</b>	<b>264.0</b>	<b>57%</b>
Goodwill & Long-term Receivables	32.4	6%	29.4	6%	21.1	5%
MC Library	173.3	32%	165.8	33%	160.8	35%
Fixed Assets	17.4	3%	19.9	4%	18.7	4%
<b>Total Assets</b>	<b>540.7</b>	<b>100%</b>	<b>509.0</b>	<b>100%</b>	<b>464.5</b>	<b>100%</b>
<b>Liabilities</b>						
Short-term debt	0.0	0%	-	0%	0.0	0%
Current Liabilities	63.6	12%	73.6	14%	73.6	16%
Long-term loans	48.8	9%	47.3	9%	45.1	10%
Deferred Tax	35.5	7%	27.5	5%	25.1	5%
<b>Equity</b>	<b>392.8</b>	<b>73%</b>	<b>360.6</b>	<b>71%</b>	<b>320.8</b>	<b>69%</b>



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# Multi-Client Library



## 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



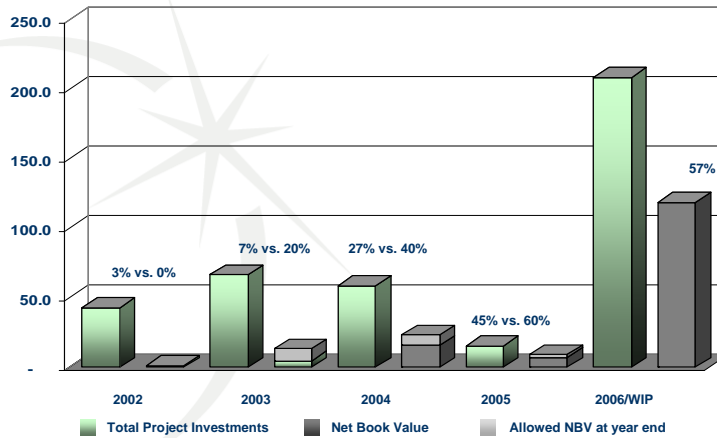
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## Multi-Client Library NBV in % of Investment

Seismic Segment as of June 30th 2006

Vintages still carrying a Net Book Value

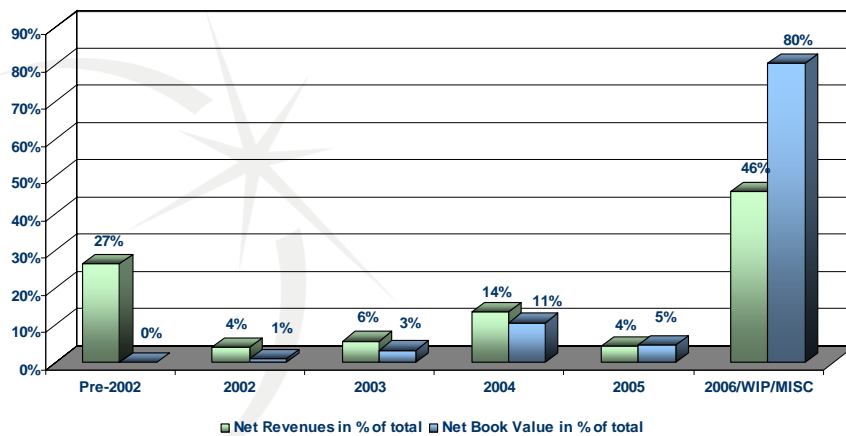


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## Q2 2006 Multi-Client Net Revenues & Ending NBV

- Seismic Segment

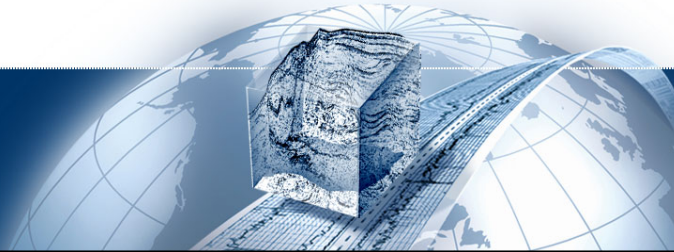


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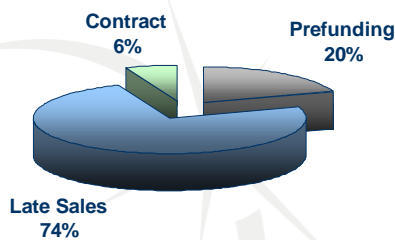
# Operations & Outlook

Hank Hamilton  
Chief Executive Officer

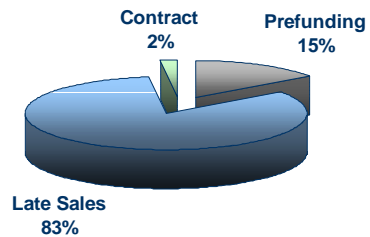


## Q2 Net Revenue Breakdown

Q2 2006



Q2 2005



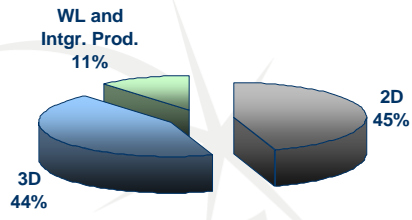
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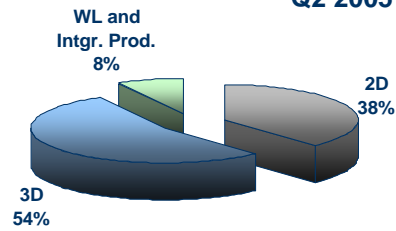


## Q2 Net Revenue by Product Type

Q2 2006



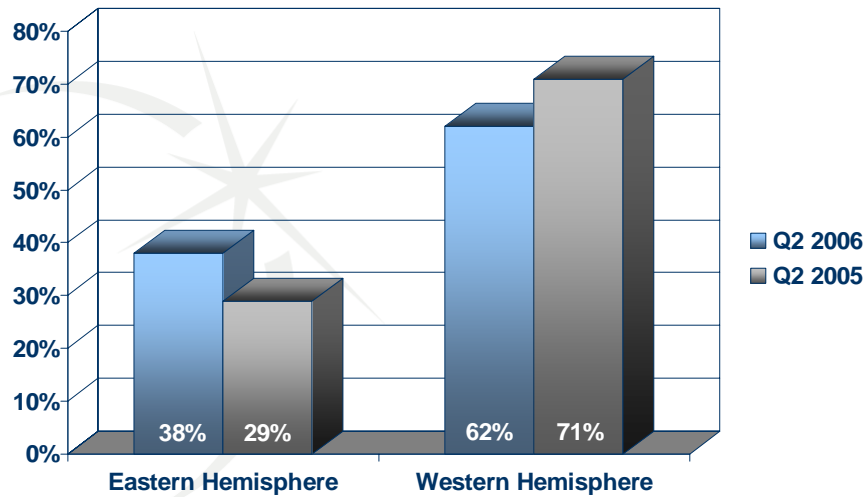
Q2 2005



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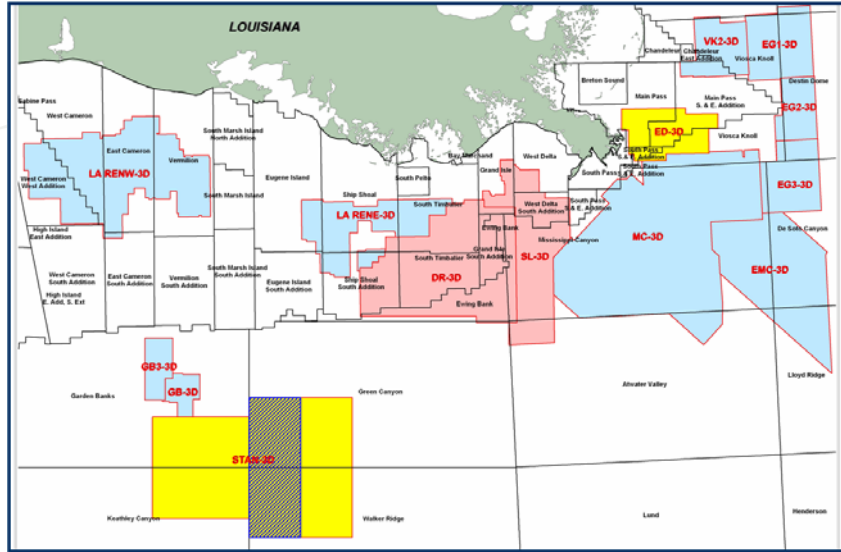
## Q2 Geographical Net Revenue Breakdown



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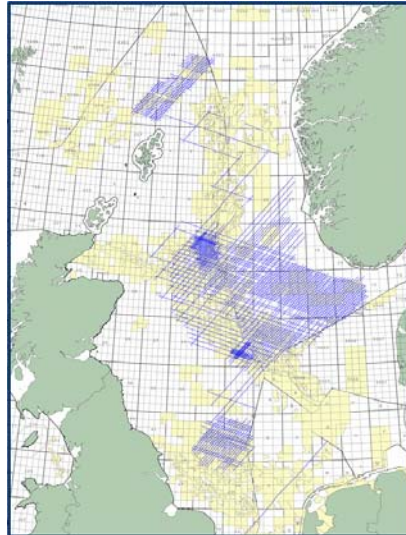
# Gulf of Mexico 3D Activity



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# North Sea Renaissance

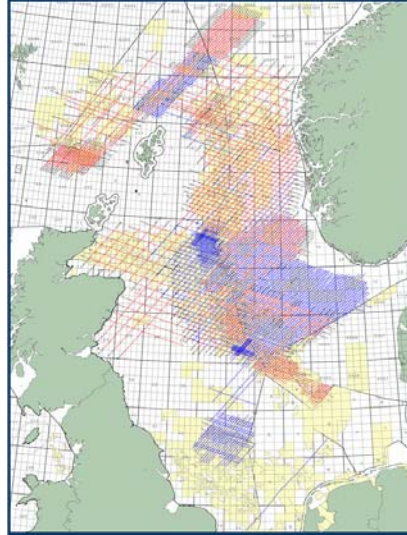
● 2003-2005: 37,000 kms



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## North Sea Renaissance

- 2003-2005: 37,000 kms
- **2006 Plan: 25,000 kms**

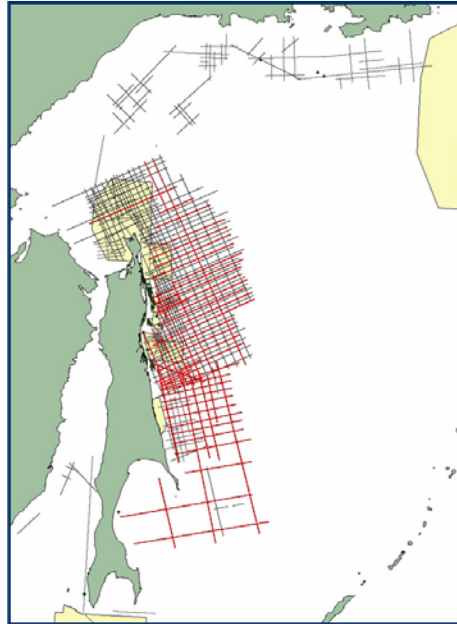


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## Eastern Russia

- Pre-2006: 25,000 kms
- **2006 Plan: 12,000 kms**



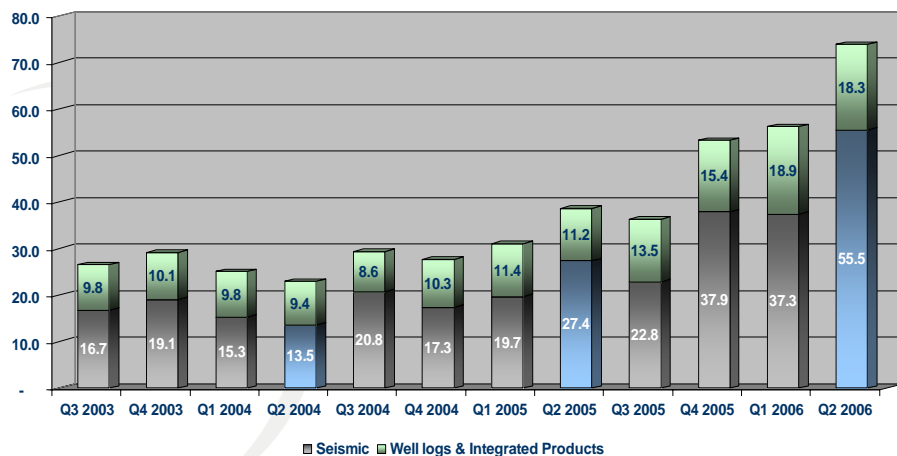
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## Other Operational Highlights

- Completed acquisition of 18,000 km 2D project offshore Madagascar
- A2D secured 3<sup>rd</sup> and final underwriter for 30 month conversion of 25,000 key GoM wells to WSR format
- Aceca launched 2 new MC studies in Norway & delivered record quarterly results

## Backlog



## TGS Vessel Situation

### 2006 – Current Status

- Two 3D crews (1 streamer, 1 OBC) and three 2D vessels
- Another 3D vessel mobilizing for a two-month 3D project in North Africa, and another 2D vessel mobilizing for E. Russia

### 2007

- Two 3D streamer crews under contract, 3D OBC crew secured under 1<sup>st</sup> right of refusal agreement
- Three 2D vessels under contract, another secured under LOI, and another available through contract extension option
- Pricing: ~ 7% increase for 3D, ~ 15% for 2D



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## Updated 2006 Expectations

- MC Library investments: US\$ 125 – 135 million (unchanged)
- Avg pre-funding: 40 – 50% of investments (unchanged)
- Annual net revenue growth: 50 – 55% (up from 38 – 43%)
- Avg amortization rate: 27 – 32% (down from 35 – 40%)



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