

# TGS-NOPEC EARNINGS RELEASE

August 7th, 2008



## 2nd QUARTER and 1<sup>st</sup> HALF 2008 RESULTS

### 2nd QUARTER HIGHLIGHTS

- Gross sales volume was 62% higher than in Q2 2007.
- Consolidated net revenues were USD 134.1 million, an increase of 51% compared to Q2 2007.
- Net late sales from the multi-client library totaled USD 79.7 million, up 58% from USD 50.3 million in Q2 2007.
- Net pre-funding revenues were USD 41.3 million, funding 46% of the Company's operational investments into new multi-client products during Q2 (USD 88.9 million).
- Proprietary contract and other revenues during the quarter totaled USD 13.0 million compared to USD 13.7 million in Q2 2007.
- Operating profit (EBIT) was USD 66.6 million (50% of Net Revenues), up 77% from USD 37.6 million in Q2 2007.
- Cash flow from operations after taxes but before investments was USD 27.7 million, versus USD 38.0 million in Q2 2007.
- Earnings per share (undiluted) were USD 0.36, up 52% compared to USD 0.24 in Q2 2007.

### 6 MONTHS FINANCIAL HIGHLIGHTS

- Consolidated net revenues were USD 239.3 million, an increase of 30% compared to 2007.
- Net late sales from the multi-client library totaled USD 136.0 million, up 10% from USD 123.3 million in 2007.
- Operating profit (EBIT) was USD 113.2 million (47% of Net Revenues), up 28% from USD 88.7 million in 2007.
- Cash flow from operations after taxes but before investments was USD 179.3 million, versus USD 136.2 million in 2007.
- Operational investments into the multi-client inventory were 47% pre-funded and totaled USD 150.2 million vs USD 65.8 million in 2007.
- Earnings per share (undiluted) were USD 0.64, up 15% compared to USD 0.56 in for the same period in 2007.

*"All our business units performed at a very high level in the second quarter", TGS's CEO Hank Hamilton stated. " Our late sales volume and operating margins have exceeded our own expectations so far this year. With a record backlog and a very healthy pipeline of sales opportunities, we expect an even stronger second half of 2008."*

### REVENUE BREAKDOWN

TGS' largest business activity is developing, managing, conducting, and selling non-exclusive seismic surveys. This activity accounted for 75% of the Company's business during the quarter. Geological Products and Services (GPS) accounted for 17% of net revenues in the 2<sup>nd</sup> quarter. Other contract proprietary revenues represented the remaining 8% of total revenues.

Consolidated net late sales were up 58% compared to Q2 2007. Net pre-funding revenues totaled USD 41.3 million, funding 46% of the Company's operational investments into new multi-client products during Q2 (USD 88.9 million). The pre-funding revenues recognized during the first half of 2008 funded 47% of operational investments. Proprietary contract and other revenues during the quarter totaled USD 13.0 million compared to USD 13.7 million in Q2 2007.

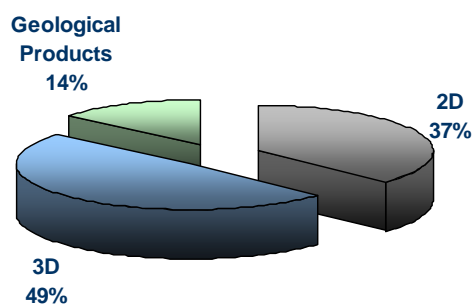
|                               | Q2 2008       | Q2 2007 | Change | %    | 6M 2008       | 6M 2007 | Change | %    |
|-------------------------------|---------------|---------|--------|------|---------------|---------|--------|------|
| <b>Gross Sales</b>            | <b>167.4</b>  | 103.5   | 63.9   | 62%  | <b>292.6</b>  | 203.4   | 89.2   | 44%  |
| Income Sharing & Royalties    | <b>(33.4)</b> | (14.8)  | (18.6) | 126% | <b>(53.4)</b> | (19.2)  | (34.1) | 177% |
| <b>Net Operating Revenues</b> | <b>134.1</b>  | 88.7    | 45.3   | 51%  | <b>239.3</b>  | 184.2   | 55.1   | 30%  |

#### Breakdown of Net Revenues by Geographical Region :

| Consolidated Net Revenues<br>(in million USD) | Q2 2008      | Q2 2007 | Q2 2008 | Q2 2007 | Change     |
|---|--------------|---------|---------|---------|------------|
| <b>Eastern Hemisphere</b>                     | <b>68.9</b>  | 43.4    | 51%     | 49%     | <b>59%</b> |
| <b>Western Hemisphere</b>                     | <b>65.1</b>  | 45.4    | 49%     | 51%     | <b>44%</b> |
| <b>Total</b>                                  | <b>134.1</b> | 88.7    | 100%    | 100%    | <b>51%</b> |

| Consolidated Net Revenues<br>(in million USD) | 6M 2008      | 6M 2007 | 6M 2008 | 6M 2007 | Change     |
|---|--------------|---------|---------|---------|------------|
| <b>Eastern Hemisphere</b>                     | <b>122.9</b> | 69.3    | 51%     | 38%     | <b>77%</b> |
| <b>Western Hemisphere</b>                     | <b>116.4</b> | 114.9   | 49%     | 62%     | <b>1%</b>  |
| <b>Total</b>                                  | <b>239.3</b> | 184.2   | 100%    | 100%    | <b>30%</b> |

#### 6 months Net Revenues by Product Type:



#### OPERATIONAL COSTS

The consolidated amortization charge associated with multi-client revenues was 33% of net multi-client revenues during Q2 2008 compared to 34% in Q2 2007. This rate does fluctuate from quarter to quarter, depending on the sales mix of projects. The amortization rate for the first 6 months of 2008 was 32%, at the low end of management's guidance (32-37%) for the full year.

Cost of goods sold, proprietary and other (COGS) were USD 4.1 million for the quarter, USD 3.0 million lower than one year ago, resulting in higher gross margins on flat proprietary contract revenues. Personnel and other operating costs expensed during the quarter, were USD 19.5 million. This is an increase of 40% from Q2 2007, resulting from the acquisition of PDS in May of 2007, the ongoing expansion of personnel resources within the Company, and higher employee bonus expenses due to higher operating profits.

The non-cash cost of employees' stock options in accordance with IFRS was USD 0.6 million in Q2 2008, versus USD 1.1 million in Q2 2007.

#### EBIT and EBITDA

Operating profit (EBIT) for the quarter of USD 66.6 million represented 50% of net revenues. This was 77% higher than the USD 37.6 million reported in Q2 2007. EBITDA (Earnings before Interest, Tax, Depreciation and Amortization) for the quarter ended June 30<sup>th</sup> was USD 109.8 million, 82% of net revenues, up 75% from USD 66.6 million in Q2 2007.

## **FINANCIAL ITEMS**

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The Company recorded an unrealized financial loss of USD 5.7 million in Q2 2008 on its holdings of Wavefield-Inseis shares. The unrealized financial loss recorded on the holdings of Wavefield shares was USD 10.3 million for the 1<sup>st</sup> half of 2008.

## **TAX**

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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. Financial losses or profits on Financial Assets valued at Fair Value through Profit and Loss and the cost of stock options are non-deductible and non-taxable. 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 32% on a consolidated basis. Adjusted for non-deductible charges, the calculated tax rate for Q2 2008 is 38%, and 36% for the 1<sup>st</sup> half year 2008.

## **NET INCOME AND EARNINGS PER SHARE (EPS)**

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Net income for Q2 2008 was USD 37.6 million (28% of net revenues), up 49% compared to USD 25.3 million (28% of net revenues) in Q2 2007. Quarterly earnings per share (EPS) were USD 0.36 fully diluted (USD 0.36 undiluted), an increase of 54% from Q2 2007 EPS of USD 0.23 (USD 0.24 undiluted).

## **MULTI-CLIENT INVESTMENTS**

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The Company's operational investments in its data library during Q2 2008 were USD 88.9 million, 172% higher than in Q2 2007. The Company recognized USD 41.3 million in net pre-funding revenues in Q2, funding approximately 46% of its operational multi-client investments during the quarter. For the first 6 months of 2008, pre-funding revenues totaled USD 70.7 million, representing 47% of operational multi-client investments (USD 150.2 million).

## **BALANCE SHEET & CASH FLOW**

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The net cash flow from operations for the quarter, after taxes, before investments, totaled USD 27.7 million compared to USD 38.0 million in Q2 2007. For 6 months 2008, cash flow from operations, after taxes, but before investments was USD 179.3 million, versus USD 136.2 million in 2007.

As of June 30<sup>th</sup>, 2008, the Company's total cash holdings of cash and short-term deposits amounted to USD 179.4 million compared to USD 238.4 million at March 31<sup>st</sup>, 2008.

The Company issued in 2004 a five year 300 MNOK bond loan that in accordance with IAS 39 is measured at amortized cost and recognized as a non-current liability in the balance sheet (USD 58.8 million at June 30<sup>th</sup>, 2008). To eliminate the currency risk associated with the NOK bond loan the Company at the same time entered into a derivative currency swap contract that fixes the amount to be repaid at maturity at USD 43.7 million. As the Company does not apply hedge accounting for the transaction the fair value of the derivative instrument is in accordance with IAS 39 recognized as a separate non-current asset and included under the line item "Non-current receivables including pre-payments" in the balance sheet.

Total equity per June 30<sup>th</sup>, 2008 was USD 630.3 million, representing 69% of total assets. The issuance of new shares during Q2 2008 was solely a result of employees' exercise of stock options.

## THE MULTI-CLIENT DATA LIBRARY:

| MUSD                        | Q2 2008 | Q2 2007 | 6M 2008 | 6M 2007 | 2007    | 2006    | 2005   |
|-----------------------------|---------|---------|---------|---------|---------|---------|--------|
| Beginning Net Book Value    | 251.6   | 205.0   | 217.4   | 195.6   | 195.6   | 160.8   | 149.5  |
| Non-Operational Investments | -       | -       | -       | 1.6     | 1.6     | 4.5     | 1.6    |
| Operational Investments     | 88.9    | 32.7    | 150.2   | 65.8    | 136.3   | 131.9   | 103.8  |
| Amortization                | (40.2)  | (25.8)  | (67.2)  | (51.2)  | (116.2) | (101.7) | (94.1) |
| Ending Net Book Value       | 300.4   | 211.8   | 300.4   | 211.8   | 217.4   | 195.6   | 160.8  |

## KEY MULTI CLIENT FIGURES:

| MUSD                        | Q2 2008 | Q2 2007 | 6M 2008 | 6M 2007 | 2007  | 2006  | 2005  |
|-----------------------------|---------|---------|---------|---------|-------|-------|-------|
| Net MC Revenues             | 121.1   | 75.0    | 206.7   | 166.1   | 397.7 | 376.5 | 232.1 |
| Change in MC Revenue        | 61%     | -4%     | 24%     | 1%      | 6%    | 62%   | 42%   |
| Change in MC Investment     | 172%    | 19%     | 123%    | 20%     | 1%    | 29%   | 22%   |
| Amort. in % of Net MC Revs. | 33%     | 34%     | 32%     | 31%     | 29%   | 27%   | 41%   |
| Change in Net Book Value    | 19%     | 3%      | 38%     | 8%      | 11%   | 22%   | 8%    |

## OPERATIONAL HIGHLIGHTS

During Q2, seismic operations under TGS's control through charter included four 2D vessels, two 3D vessels, and one 3D OBC crew. The Company also utilized one 3D wide-azimuth crew and three 2D vessels chartered by others on TGS owned projects.

### Western Hemisphere

TGS continued production on its Wide Azimuth multi-client (MC) survey in the Mississippi Canyon Area of the Gulf of Mexico. Production is on schedule and over 230 OCS blocks have been acquired as of June 30. This survey is being acquired in partnership with WesternGeco. WesternGeco provides acquisition resources and TGS provides sales and marketing resources for the project. Both parties are providing processing resources for the project. Preliminary products have been delivered and feedback from participating clients has been overwhelmingly positive.

The Company is expanding its extensive 3D OBC data library by commencing a 2100 km<sup>2</sup> multi-client survey in the East and West Cameron Gulf of Mexico areas. Geared towards imaging the deep shelf play, this survey is scheduled to be completed early in Q4.

TGS' 28,000 km Phase 51 2D survey in the Eastern Gulf of Mexico was completed in Q2. TGS further expanded its' Eastern Gulf of Mexico database with completion of the 4347 km<sup>2</sup> Orion 3D survey. Processing continues on this project with time and depth volumes scheduled for delivery in Q3 of this year. This survey has attracted significant interest with renewed exploration activity in this region.

TGS launched a significant multi-client reprocessing project on its successful Stanley 3D survey in the Walker Ridge and Green Canyon Areas of the Gulf of Mexico. This highly funded reprocessing project, covering 295 OCS blocks, applies the latest TGS-developed reverse time migration (RTM) technology to further leverage TGS's existing data coverage in the highly active subsalt play. TGS also made additional commitments to expand its library of anisotropic pre-stack depth migration data in commencing work on reprocessing the Sophie's Link 3D dataset on the Gulf of Mexico shelf. This product integrates the latest in depth imaging technology with velocity information supplied by TGS' extensive library of well log data to produce a seismic volume that better images around and under complex geologic structures and more accurately ties well data.

### Eastern Hemisphere

In Q2, TGS commenced a large regional 2D survey in South East Asia with the 2D vessels Mezen and Discover 2. This 12,900 km 2D survey is scheduled to be completed in Q4 of 2008.

In West Africa, TGS completed a 2650 km<sup>2</sup> 3D multi-client survey in Sierra Leone. This survey, covering two concessions in the highly prospective late Jurassic to Cretaceous deep water reservoir trend, received a very high level of pre-funding. Processing of this survey continues in TGS' Bedford, UK processing center.

In North Africa, TGS completed a 5200 km 2D seismic survey offshore Somaliland with the Geolog Dimitri Nalivkin. This survey will be a critical component of Somaliland's first offshore tender round, expected to occur in late 2008. TGS continued acquisition of its 245,000 km Aeromagnetic/aerogravity (AM/AG) survey of Libya that commenced in Q1 of 2008. Covering nearly the entire offshore of Libya, this project represents a significant addition to TGS's extensive North Africa AM/AG database.

TGS commenced a very active season in Europe by returning to the North Sea, Norwegian Sea, and Barents Sea to continue expansion of its Renaissance 2D survey in partnership with Fugro. This project is being acquired with vessel resources and processing teams supplied by both TGS and Fugro. During the 2008 acquisition campaign, over 13,000 kilometers of data are to be acquired in the North Sea, 25,000 kilometers in the Norwegian Sea, and 16,000 kilometers in the Barents Sea. The acquisition phases of these heavily funded surveys will be complete during the 2008 North Sea acquisition season.

In partnership with OHM plc, TGS completed acquisition of 6 controlled-source electromagnetic (CSEM) profiles over mapped leads in the Norwegian Barents Sea. This CSEM data, in combination with TGS's seismic data, can be used by the industry to better predict the presence of hydrocarbon-bearing reservoirs over TGS-mapped prospects. Four of these profiles were positioned to gather data over blocks offered in the 20<sup>th</sup> Norway license round to be held in Q4 of 2008. In total, TGS has CSEM data available over 12 blocks offered in this license round.

TGS mobilized the GeoBarents, on long-term charter from Fugro, to commence the TROMS III multi-client 3D survey in Norway. This dataset, covering over 1500 km<sup>2</sup> of acreage to be offered in the 20<sup>th</sup> Round, was over 60% complete by the end of Q2. Data will be delivered to TGS's customers beginning in August 2008, well in advance of the round. TGS also started a 580 sq km proprietary 3D with the GeoBarents after arrival in the Barents Sea. This survey will be completed in Q3 after completion of multi-client work.

During Q2, TGS completed its latest AM/AG survey on the highly prospective offshore basins of Northeast Greenland. This 55,000 km survey is TGS's latest addition to over 201,000 km of AM/AG in Greenland.

### **Geological Products & Services**

TGS achieved additional underwriting for its US digital well log library. Associated with the success of this new business, the company continued an aggressive ramp-up of digitizing operations with over 20,000 wells added to the library in the quarter. This represents operational growth of 33% over Q1 2008 and 100% growth from Q2 2007. TGS also acquired the assets of Center Line Data Inc., which further enhances its digitizing capabilities through proprietary digitizing technology developed by Center Line, as well as the expertise of CLD's employees.

### **Backlog**

TGS's backlog grew 29% to a record high USD 158 million at the end of the second quarter, 50% higher than one year ago.

### **MERGER**

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On September 20<sup>th</sup>, 2007, the Extraordinary General Assemblies of both TGS and Wavefield-Inseis overwhelmingly approved the merger of the two companies. The merger was scheduled to close following the expiry of a two month mandatory creditor notification period on November 20<sup>th</sup>. Following the expiry of the creditor notification period, the Board of Directors of Wavefield passed a resolution stating that the terms for completing the merger had not been fulfilled. TGS is of the opposite opinion and has initiated arbitration which is the final step of the merger plan to solve disputes between the parties. The arbitration hearings are scheduled for September 9<sup>th</sup> through 24<sup>th</sup>. TGS strongly believes that it will win the arbitration and that the merger will be completed as approved. The incurred merger costs as per June 30<sup>th</sup>, 2008, amounting to USD 3.3 million are held as prepayments under short term assets in the Balance Sheet.

## OUTLOOK

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The demand for our products continues to be robust as evidenced by our record backlog as well as an extensive pipeline of opportunities for late sales in all geographic regions. Multi-client investments will taper off from Q2's record high level in the second half of 2008 as some vessel capacity will be shifted to proprietary contract work in Europe. Also, TGS and its partner WesternGeco plan to interrupt acquisition of the Gulf of Mexico wide azimuth 3D project in September in order to take advantage of an opportunity to resume the project in January 2009 with a substantially more efficient vessel configuration that will keep the project on schedule, reduce the overall project cost, and improve margins. Production of preliminary processed wide azimuth products will continue during this period.

TGS management's expectations for the full year 2008 remain unchanged as follows: multi-client library investments of USD 250–275 million, average pre-funding in the range of 50-60% of investments, an average annualized multi-client amortization rate in the range of 32-37% of net revenues, net revenues in the range of USD 550 – 580 million, and proprietary contract revenues in the range of 10-15% of total net revenues.

## RESPONSIBILITY STATEMENT

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We confirm that, to the best of our knowledge, the condensed set of financial statements for the first half year of 2008 which has been prepared in accordance with IAS 34 Interim Financial Statements gives a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations, and that the first half 2008 report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 forth paragraph.

**Asker, August 6<sup>th</sup>, 2008**

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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Arne Helland, CFO **tel +47-66-76-99-00/+47-91-88-78-29**

Karen El-Tawil, VP Business Development **tel +1-713-860-2102**

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*This interim Financial Report has been prepared applying the IAS 34 "Interim Financial Reporting" principles. The accounting principles adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements.*

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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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# TGS-NOPEC EARNINGS RELEASE

August 7, 2008



TGS-NOPEC Geophysical Company ASA

## Consolidated Profit & Loss Accounts

| (All amounts in USD 1000's unless noted otherwise) | 2008<br>Q2     | 2007<br>Q2    | 2008<br>YTD    | 2007<br>YTD    |
|--|----------------|---------------|----------------|----------------|
| <b>Net Operating Revenues</b>                      | <b>134,052</b> | <b>88,731</b> | <b>239,277</b> | <b>184,160</b> |
| <i>Operating expenses</i>                          |                |               |                |                |
| COGS - Proprietary and Other                       | 4,085          | 7,055         | 13,687         | 7,779          |
| Amortization of Multi-Client Data Library          | 40,151         | 25,804        | 67,169         | 51,196         |
| Personnel costs                                    | 13,882         | 9,507         | 27,715         | 21,097         |
| Cost of stock options                              | 646            | 1,097         | 1,353          | 2,152          |
| Other operating expenses                           | 5,636          | 4,470         | 10,853         | 8,715          |
| Depreciation and Amortization                      | 3,062          | 3,192         | 5,308          | 4,521          |
| <b>Total operating expenses</b>                    | <b>67,462</b>  | <b>51,125</b> | <b>126,085</b> | <b>95,461</b>  |
| <b>Operating profit</b>                            | <b>66,590</b>  | <b>37,607</b> | <b>113,193</b> | <b>88,699</b>  |
| <i>Financial income and expenses</i>               |                |               |                |                |
| Financial income                                   | 1,641          | 4,679         | 7,097          | 8,654          |
| Financial expense                                  | -767           | -1,229        | -1,557         | -1,714         |
| Exchange gains/losses                              | -1,263         | -4,156        | -5,030         | -7,427         |
| Loss/Gain on Shares Held                           | -5,720         | 0             | -10,250        | 0              |
| <b>Net financial items</b>                         | <b>-6,110</b>  | <b>-705</b>   | <b>-9,740</b>  | <b>-486</b>    |
| <b>Profit before taxes</b>                         | <b>60,480</b>  | <b>36,901</b> | <b>103,452</b> | <b>88,213</b>  |
| Tax expense  | 22,841         | 11,636        | 36,818         | 28,917         |
| <b>Net Income</b>                                  | <b>37,640</b>  | <b>25,266</b> | <b>66,635</b>  | <b>59,296</b>  |
| EPS USD  | 0.36           | 0.24          | 0.64           | 0.56           |
| EPS USD, fully diluted                             | 0.36           | 0.23          | 0.63           | 0.55           |

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August 7, 2008



TGS-NOPEC Geophysical Company ASA

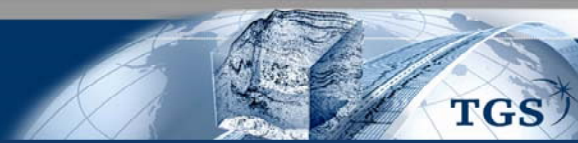
## Consolidated Balance Sheet

| (All amounts in USD 1000's)                            | 2008<br>30-Jun | 2008<br>31-Mar | 2007<br>31-Dec |
|--|----------------|----------------|----------------|
| <b>ASSETS</b>  |                |                |                |
| <b>Non-Current Assets</b>                              |                |                |                |
| <i>Intangible non-current assets</i>                   |                |                |                |
| Goodwill   | 45,496         | 45,496         | 45,784         |
| Multi-Client Data Library, net                         | 300,444        | 251,649        | 217,363        |
| Other Intangible non-current assets                    | 45,414         | 45,807         | 47,506         |
| Deferred Tax Asset                                     | 3,809          | 5,510          | 3,165          |
| <i>Tangible non-current assets</i>                     |                |                |                |
| Buildings  | 2,486          | 2,441          | 2,436          |
| Machinery and Equipment                                | 25,322         | 22,699         | 23,340         |
| <i>Financial Assets</i>                                |                |                |                |
| Non-current receivables including pre-payments         | 15,934         | 15,807         | 12,851         |
| <b>Total non-current assets</b>                        | <b>438,904</b> | <b>389,411</b> | <b>352,445</b> |
| <b>Current assets</b>                                  |                |                |                |
| <i>Financial Assets</i>                                |                |                |                |
| Financial Assets at Fair Value Through Profit and Loss | 92,910         | 98,631         | 86,290         |
| <i>Receivables</i>                                     |                |                |                |
| Accounts receivable                                    | 176,063        | 97,099         | 213,317        |
| Other short term receivables                           | 23,125         | 41,077         | 27,211         |
| Short-term Deposits                                    | 70,229         | 91,429         | 91,425         |
| Cash equivalents                                       | 109,153        | 147,015        | 81,951         |
| <b>Total current assets</b>                            | <b>471,481</b> | <b>475,250</b> | <b>500,195</b> |
| <b>TOTAL ASSETS</b>                                    | <b>910,385</b> | <b>864,661</b> | <b>852,640</b> |



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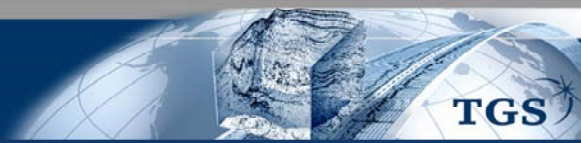
TGS-NOPEC Geophysical Company ASA

## Consolidated Balance Sheet

|  | 2008<br>30-Jun | 2008<br>31-Mar | 2007<br>31-Dec |
|--|----------------|----------------|----------------|
| (All amounts in USD 1000's)                          |                |                |                |
| <b>EQUITY AND LIABILITIES</b>                        |                |                |                |
| <i>Equity</i>  |                |                |                |
| Share capital  | 3,773          | 3,716          | 3,720          |
| Other equity   | 626,486        | 591,998        | 564,113        |
| <b>Total equity</b>                                  | <b>630,259</b> | <b>595,714</b> | <b>567,833</b> |
| <b>Provisions and liabilities</b>                    |                |                |                |
| <i>Provisions</i>                                    |                |                |                |
| Deferred tax liability                               | 39,225         | 38,676         | 37,769         |
| <i>Non-current liabilities</i>                       |                |                |                |
| Non-current loans                                    | 58,798         | 58,640         | 55,734         |
| Capitalized lease liabilities                        | 78             | 113            | 169            |
| <i>Current liabilities</i>                           |                |                |                |
| Short-term interest bearing debt                     | 0              | 0              | 0              |
| Accounts payable and debt to partners                | 74,101         | 71,123         | 84,288         |
| Taxes payable, withheld payroll tax, social security | 43,150         | 49,584         | 47,168         |
| Other current liabilities                            | 64,773         | 50,810         | 59,679         |
| <b>Total provisions and liabilities</b>              | <b>280,126</b> | <b>268,947</b> | <b>284,807</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>                  | <b>910,385</b> | <b>864,661</b> | <b>852,640</b> |

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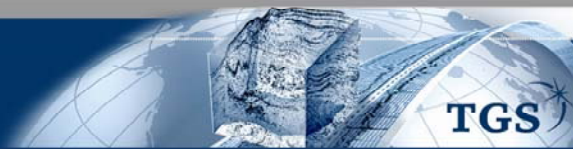
TGS-NOPEC Geophysical Company ASA

## Consolidated Cash flow Statement

| (All amounts in USD 1000's)                                 | 2008<br>Q2     | 2007<br>Q2     | 2008<br>YTD     | 2007<br>YTD     |
|---|----------------|----------------|-----------------|-----------------|
| <b>Cash flow from operating activities:</b>                 |                |                |                 |                 |
| Received payments   | 85,519         | 81,934         | 283,557         | 205,083         |
| Payments for salaries, pensions, social security tax        | -18,637        | -15,660        | -29,254         | -23,898         |
| Other operational costs                                     | -9,721         | -12,249        | -24,540         | -16,494         |
| Net gain/(loss) on Currency Exchange                        | -1,263         | -2,548         | -5,030          | -4,569          |
| Paid taxes  | -28,152        | -13,470        | -45,393         | -23,882         |
| <b>Net cash flow from operating activities 1)</b>           | <b>27,746</b>  | <b>38,008</b>  | <b>179,341</b>  | <b>136,239</b>  |
| <b>Cash flow from investing activities:</b>                 |                |                |                 |                 |
| Received payments from fixed assets                         | 0              | 0              | 0               | 0               |
| Investment in tangible fixed assets                         | -809           | -4,132         | -2,820          | -11,794         |
| Investments in seismic and well logs                        | -89,221        | -30,179        | -163,106        | -66,943         |
| Investment through Mergers and Acquisitions                 | -4,489         | -58,151        | -4,489          | -58,151         |
| Net change in Short-term financial investments and deposits | 26,920         | 77,670         | 14,100          | 6,101           |
| Net change in non-current receivables                       | 0              | -120           | 0               | -241            |
| Interest Income   | 1,642          | 4,679          | 7,097           | 8,654           |
| <b>Net cash flow from investing activities</b>              | <b>-65,957</b> | <b>-10,233</b> | <b>-149,218</b> | <b>-122,373</b> |
| <b>Cash flow from financing activities:</b>                 |                |                |                 |                 |
| Net change in current loans                                 | 0              | 0              | 0               | 0               |
| Net change in non-current loans                             | -3             | -141           | -109            | -72             |
| Interest Expense  | -767           | -1,229         | -1,557          | -1,714          |
| Purchase of treasury shares                                 | 0              | -25,159        | -2,980          | -25,159         |
| Paid in equity  | 1,119          | 352            | 1,724           | 2,630           |
| <b>Net cash flow from financing activities</b>              | <b>349</b>     | <b>-26,177</b> | <b>-2,922</b>   | <b>-24,314</b>  |
| <b>Net change in cash equivalents</b>                       | <b>-37,862</b> | <b>1,599</b>   | <b>27,201</b>   | <b>-10,447</b>  |
| Cash equivalents at the beginning of period                 | 147,014        | 35,618         | 81,951          | 47,664          |
| <b>Cash equivalents at the end of period</b>                | <b>109,153</b> | <b>37,216</b>  | <b>109,153</b>  | <b>37,216</b>   |
| <b>1) Reconciliation</b>                                    |                |                |                 |                 |
| Profit before taxes   | 60,480         | 36,901         | 103,452         | 88,213          |
| Depreciation/Amortization                                   | 43,212         | 28,996         | 72,477          | 55,717          |
| Changes in accounts receivables                             | -78,964        | -15,487        | 37,254          | 24,473          |
| Changes in other receivables                                | 17,952         | -547           | 4,562           | 2,608           |
| Changes in other balance sheet items                        | 13,218         | 1,615          | 6,989           | -10,890         |
| Paid tax  | -28,152        | -13,470        | -45,393         | -23,882         |
| <b>Net cash flow from operating activities</b>              | <b>27,746</b>  | <b>38,008</b>  | <b>179,341</b>  | <b>136,239</b>  |

# TGS-NOPEC EARNINGS RELEASE

August 7, 2008



TGS-NOPEC Geophysical Company ASA

## Equity Reconciliation (All amounts in USD 1000's)

2008

|  |                |
|--|----------------|
| <b>Opening Balance January 1st</b>                 | <b>567,833</b> |
| Paid in Equity                                     | 1,724          |
| Purchase of treasury shares                        | -2,980         |
| Distribution of treasury shares                    | 505            |
| Net Income   | 66,635         |
| Cost of stock options                              | 1,353          |
| Effect of change in exchange rates and other items | -4,811         |
| <b>Closing balance per June 30th</b>               | <b>630,259</b> |

## Largest Shareholders per July 31st 2008

|                                   |                                  |               | Shares             | %           |
|-----------------------------------|----------------------------------|---------------|--------------------|-------------|
| 1                                 | FOLKETRYGDFONDET                 | NORWAY        | 8,533,250          | 8%          |
| 2                                 | STATE STREET BANK AND TRUST CO.  | U.S.A.        | 5,248,950          | 5%          |
| 3                                 | DEUTSCHE BANK AG LONDON          | GREAT BRITAIN | 3,230,960          | 3%          |
| 4                                 | VERDIPAPIRFOND ODIN NORGE        | NORWAY        | 2,893,400          | 3%          |
| 5                                 | PARETO AKSJE NORGE               | NORWAY        | 2,778,500          | 3%          |
| 6                                 | CLEARSTREAM BANKING S.A.         | LUXEMBOURG    | 2,354,793          | 2%          |
| 7                                 | UBS AG, LONDON BRANCH            | GREAT BRITAIN | 2,268,231          | 2%          |
| 8                                 | VITAL FORSIKRING ASA             | NORWAY        | 2,154,035          | 2%          |
| 9                                 | HENRY H. HAMILTON                | U.S.A.        | 2,000,000          | 2%          |
| 10                                | MELLON BANK AS AGENT FOR CLIENTS | U.S.A.        | 1,995,610          | 2%          |
| <b>10 Largest</b>                 |                                  |               | <b>33,457,729</b>  | <b>32%</b>  |
| <b>Total Shares Outstanding *</b> |                                  |               | <b>103,860,350</b> | <b>100%</b> |

## Average number of shares outstanding for Current Quarter \*

|   |             |
|---|-------------|
| Average number of shares outstanding during the quarter   | 103,706,565 |
| Average number of shares fully diluted during the quarter | 104,883,498 |

\* Shares outstanding net of shares held in treasury (2,579,450 TGS shares), composed of average outstanding TGS shares during the full quarter