



## **Presentation of the 2<sup>nd</sup> Quarter 2008 Results** **August 7<sup>th</sup> 2008**

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

**Arne Helland**  
Chief Financial Officer

**Robert Hobbs**  
Chief Operating 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 2008 Financial Highlights

- **Net Revenues 134.1 MUSD, up 51% from Q2 2007**
  - Net Late Sales 79.7 MUSD, up 58% from Q2 2007
  - Proprietary Contract work MUSD 13.0, vs MUSD 13.7 in Q2 2007
- **Operational Investments up 172% from 32.7 MUSD in Q2 2007 to 88.9 MUSD supported by 46% prefunding (up 67% to MUSD 41.3)**
- **Multi-Client Amortization rate 33%**
- **EBIT Margin 50% of Net Revenues** (was 42% in Q2 2007)
  - EBIT 66.6 MUSD, up 77% from 37.6 MUSD in Q2 2007
- **EPS, excluding loss on shares held in WAVE, \$0.42, up 75% from \$0.24 in Q2 2007**
- **EPS, including loss on shares held in WAVE, \$0.36, up 52% from \$0.24 in Q2 2007**



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## Q2 2008 PROFIT & LOSS (MUSD)

		Q2 2008	Q2 2007	Change	%
<b>Net Operating Revenues</b>		<b>134.1</b>	88.7	45.3	51%
Materials		4.1	7.1	(3.0)	-42%
MC Amortization	33%	40.2	25.8	14.3	56%
<b>Gross Margin</b>		<b>89.8</b>	55.9	33.9	61%
Other Operating Expenses		19.5	14.0	5.5	40%
Cost of Stock Options		0.6	1.1	(0.5)	-41%
Depreciation		3.1	3.2	(0.1)	-4%
<b>Operating Profit</b>	50%	<b>66.6</b>	37.6	29.0	77%
Loss on Wave Shares Held		(5.7)	-	(5.7)	0%
Other Financial Items		(0.4)	(0.7)	0.3	-45%
<b>Pre-tax Profit</b>	45%	<b>60.5</b>	36.9	23.6	64%
Taxes		22.8	11.6	11.2	96%
<b>Net Income</b>	28%	<b>37.6</b>	25.3	12.4	49%
EPS, undiluted		0.36	0.24	0.12	52%
<b>EPS, fully diluted</b>		<b>0.36</b>	0.23	0.13	54%



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## Q2 2008 CASH FLOW

	Q2 2008	Q2 2007
Payments from Sales Received	85.5	81.9
Operational Costs Paid	(28.4)	(27.9)
Gain/(Loss) from Currency Exchange	(1.3)	(2.5)
Taxes Paid	(28.2)	(13.5)
<b>Operational Cash Flow</b>	<b>27.7</b>	<b>38.0</b>
Investments in Fixed Assets	(0.8)	(4.1)
Investments in Multi-Client	(89.2)	(30.2)
Other items	24.4	(2.1)
<b>Net Change in Cash</b>	<b>(37.9)</b>	<b>1.6</b>

	6/30/2008	6/30/2007
Cash	109.2	37.2
Short-term deposits	70.2	216.8
<b>Sum</b>	<b>179.4</b>	<b>254.0</b>



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## 6M 2008 Financial Highlights

- **Net Revenues 239.3 MUSD, up 30% from 6M 2007**
  - Prefunding Revenues up 65%
  - Gross Late Sales up 31%; Net Late Sales up 10% due to high revenue share on salesmix
  - Proprietary Contract work MUSD 32.6 vs MUSD 18.0
- **Operational Investments up 128%**
  - from 65.8 MUSD 6M 2007 to 150.2 MUSD
  - supported by 47% prefunding
- **Multi-Client Amortization rate 32%**
- **EBIT Margin 47% of Net Revenues**
  - up 28% from 6M 2007
- **EPS, excluding loss on shares held in WAVE, \$0.74, up 32% from \$0.56 6M 2007**



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## 6M 2008 PROFIT & LOSS (MUSD)

	6M 2008	6M 2007	Change	%
<b>Net Operating Revenues</b>	<b>239.3</b>	184.2	55.1	30%
Materials	13.7	7.8	5.9	76%
MC Amortization 32%	67.2	51.2	16.0	31%
<b>Gross Margin</b>	<b>158.4</b>	125.2	33.2	27%
Other Operating Expenses	38.6	29.8	8.8	29%
Cost of Stock Options	1.4	2.2	(0.8)	-37%
Depreciation	5.3	4.5	0.8	17%
<b>Operating Profit</b> 47%	<b>113.2</b>	88.7	24.5	28%
Loss on Wave Shares Held	(10.3)	-	(10.3)	0%
Other Financial Items	0.5	(0.5)	1.0	-205%
<b>Pre-tax Profit</b> 43%	<b>103.5</b>	88.2	15.2	17%
Taxes	36.8	28.9	7.9	27%
<b>Net Income</b> 28%	<b>66.6</b>	59.3	7.3	12%
EPS, undiluted	0.64	0.56	0.08	15%
<b>EPS, fully diluted</b>	<b>0.63</b>	0.55	0.09	16%



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## 6M 2008 CASH FLOW

	6M 2008	6M 2007
Payments from Sales Received	283.6	205.1
Operational Costs Paid	(53.8)	(40.4)
Gain/(Loss) from Currency Exchange	(5.0)	(4.6)
Taxes Paid	(45.4)	(23.9)
<b>Operational Cash Flow</b>	<b>179.3</b>	<b>136.2</b>
Investments in Fixed Assets	(2.8)	(11.8)
Investments in Multi-Client	(163.1)	(66.9)
Other items	13.8	(68.0)
<b>Net Change in Cash</b>	<b>27.2</b>	<b>(10.4)</b>

	6/30/2008	6/30/2007
Cash	109.2	37.2
Short-term deposits	70.2	216.8
<b>Sum</b>	<b>179.4</b>	<b>254.0</b>



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## Balance Sheet – Key Figures

	6/30/2008	%	3/31/2008	%	12/31/2007	%
<b>Assets</b>						
Cash and Short-term deposits	179.4	20%	238.4	28%	173.4	20%
Other Current Assets	292.1	32%	236.8	27%	326.8	38%
<b>Total Current Assets</b>	<b>471.5</b>	<b>52%</b>	<b>475.3</b>	<b>55%</b>	<b>500.2</b>	<b>59%</b>
Intangible Assets & LT Receivables	110.7	12%	112.6	13%	109.3	13%
MC Library	300.4	33%	251.6	29%	217.4	25%
Fixed Assets	27.8	3%	25.1	3%	25.8	3%
<b>Total Assets</b>	<b>910.4</b>	<b>100%</b>	<b>864.7</b>	<b>100%</b>	<b>852.6</b>	<b>100%</b>
<b>Liabilities</b>						
Short-term debt	-	0%	-	0%	-	0%
Current Liabilities	182.0	20%	171.5	20%	191.1	22%
Long-term loans	58.9	6%	58.8	7%	55.9	7%
Deferred Tax Liability	39.2	4%	38.7	4%	37.8	4%
<b>Equity</b>	<b>630.3</b>	<b>69%</b>	<b>595.7</b>	<b>69%</b>	<b>567.8</b>	<b>67%</b>



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## Multi-Client Library



TGS-NOPEC Geophysical Company

## 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



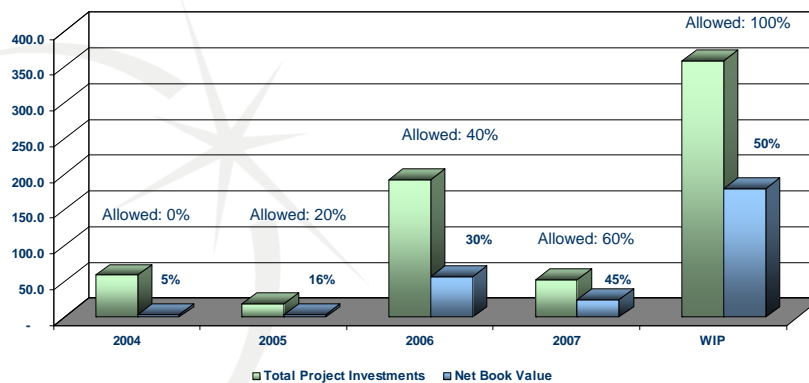
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## Multi-Client Library NBV in % of Investment

Seismic Surveys as of June 30th 2008

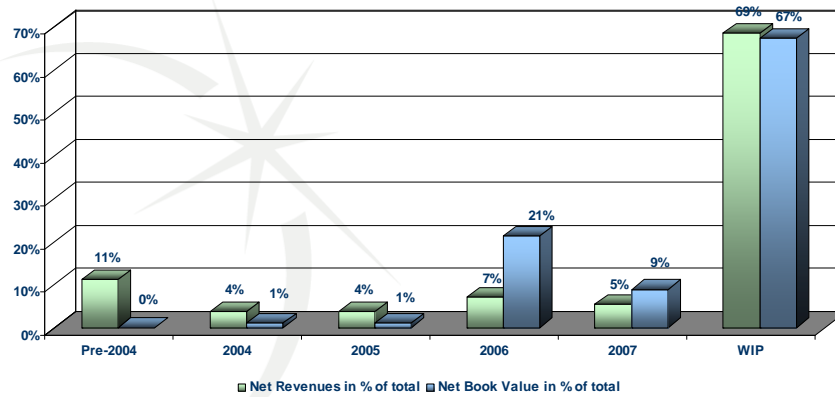
Vintages still carrying a Net Book Value



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## Q2 2008 Multi-Client Net Revenues & Ending NBV - Seismic Surveys



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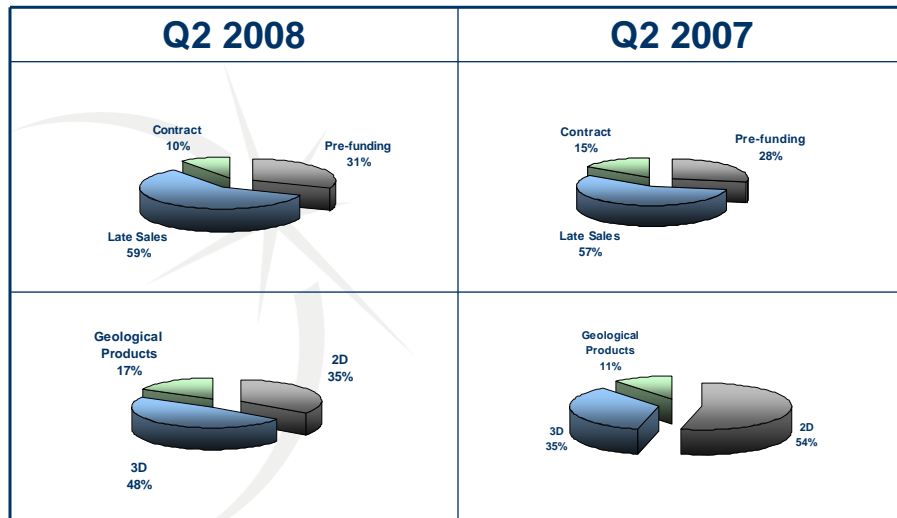
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## Operations

**Robert Hobbs**  
Chief Operating Officer



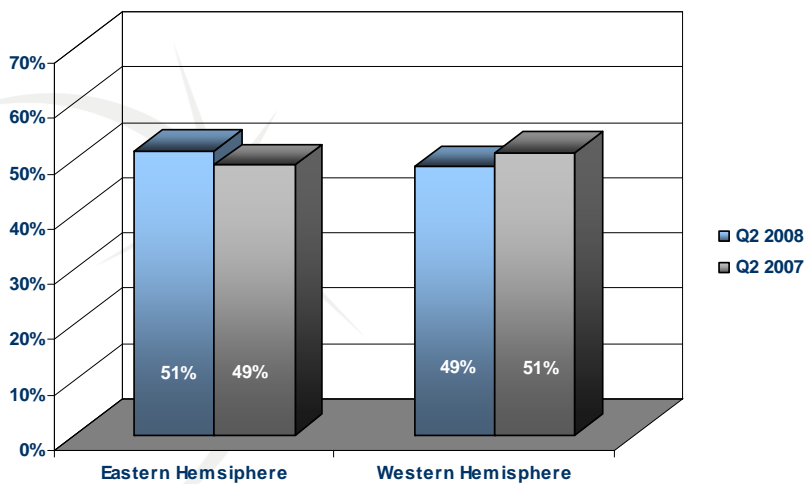
## Q2 2008 vs. Q2 2007 Net Revenue Breakdown



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## Q2 2008 Geographical Net Revenue Breakdown

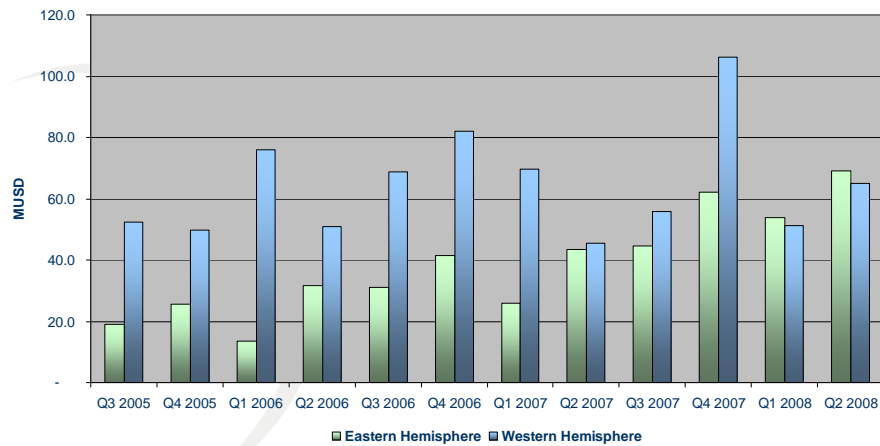


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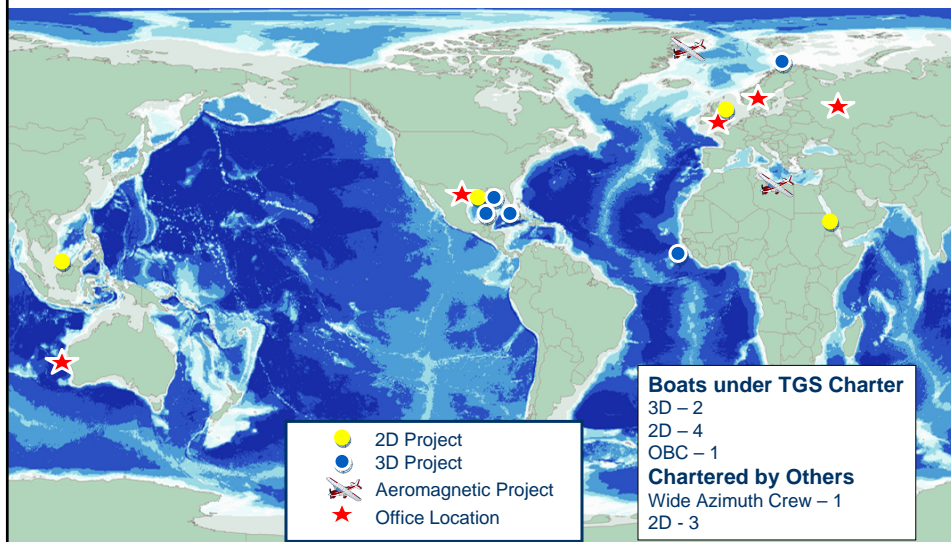
## 3-year Geographical Net Revenue Breakdown



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## Q2 Operational Review



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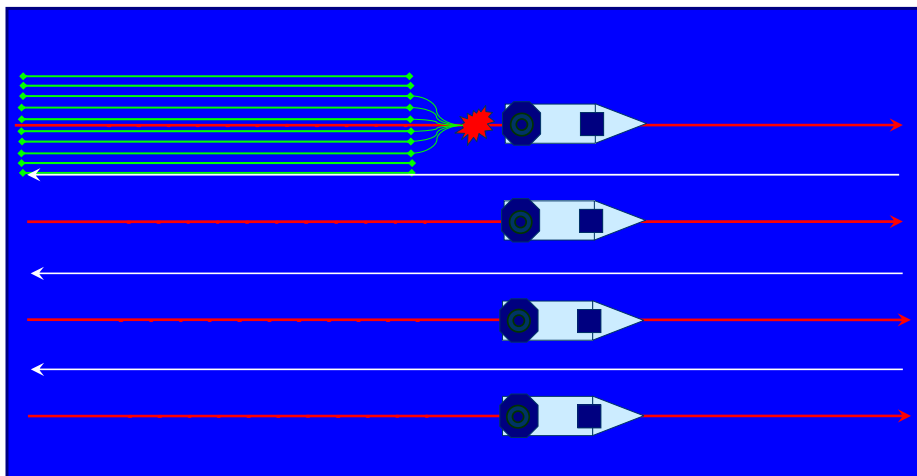
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## Operational Highlights

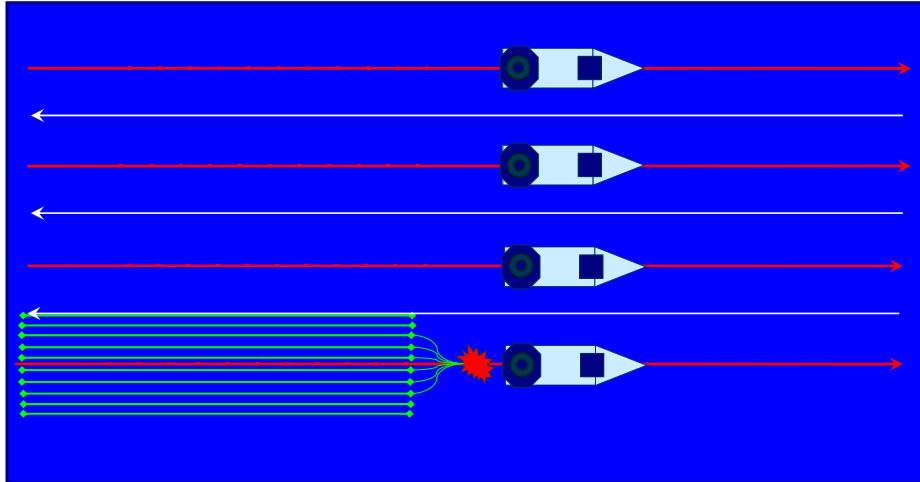
- **North and South America**

- Progressed acquisition of the MC Freedom WAZ Project
  - Acquisition on schedule (230 OCS blocks complete at end of June)
  - Additional significant funding added in Q2 as Late Sales
- Freedom Acquisition Schedule
  - Opportunity to realize operational efficiency improvements with a dual streamer vessel crew starting in January

### 1 x 4 WAZ Acquisition Mode



### 1 x 4 WAZ Acquisition Mode

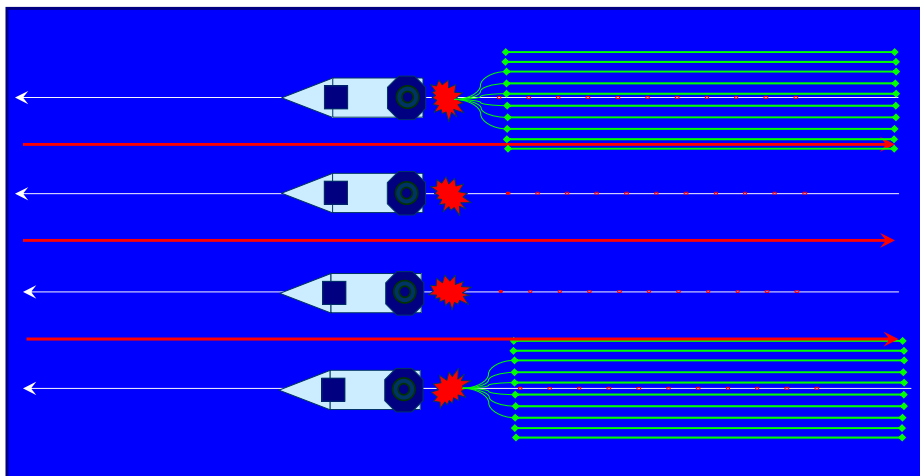


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### 2 x 4 WAZ Acquisition Mode



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## Operational Highlights

- **North and South America**

- Progressed acquisition of the MC Freedom WAZ Project
  - Acquisition on schedule (230 OCS blocks complete at end of June)
  - Additional significant funding added in Q2 as LP
- Freedom Acquisition Schedule
  - Opportunity to realize operational efficiency improvements with a dual streamer vessel crew starting in January
  - Crew will break acquisition in September to January, 2009
  - Project will be completed by original schedule (Q2 2009) with early preliminary data delivery through TGS processing enhancements
- Eastern Gulf of Mexico Surveys
  - Completion of Phase 51 2D Program (28,000 km)
  - Orion 3D survey (4347 km<sup>2</sup>)



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## Operational Highlights

- **North and South America**

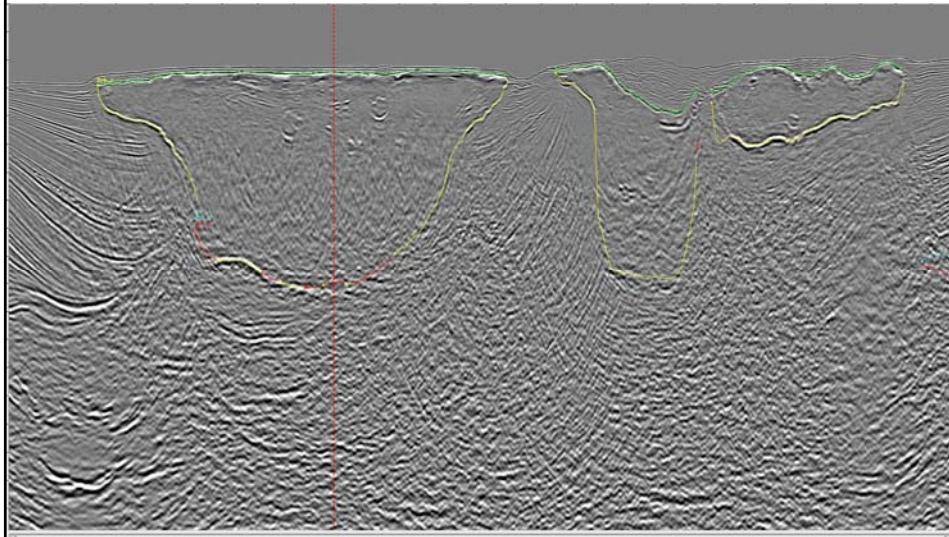
- Multi-client OBC
  - Commenced acquisition of 2100 km<sup>2</sup> 3D OBC survey in East and West Cameron in the Gulf of Mexico
  - Final anisotropic Kirchhoff pre-stack depth migration directed to imaging the important deep shelf play
- Multi-client Depth Imaging
  - Sophie's Link 3D anisotropic PSDM project for deep shelf plays
  - Stanley RTM Project (295 OCS Blocks in Green Canyon/Walker Ridge)



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Stanley 3D Kirchhoff LINE A

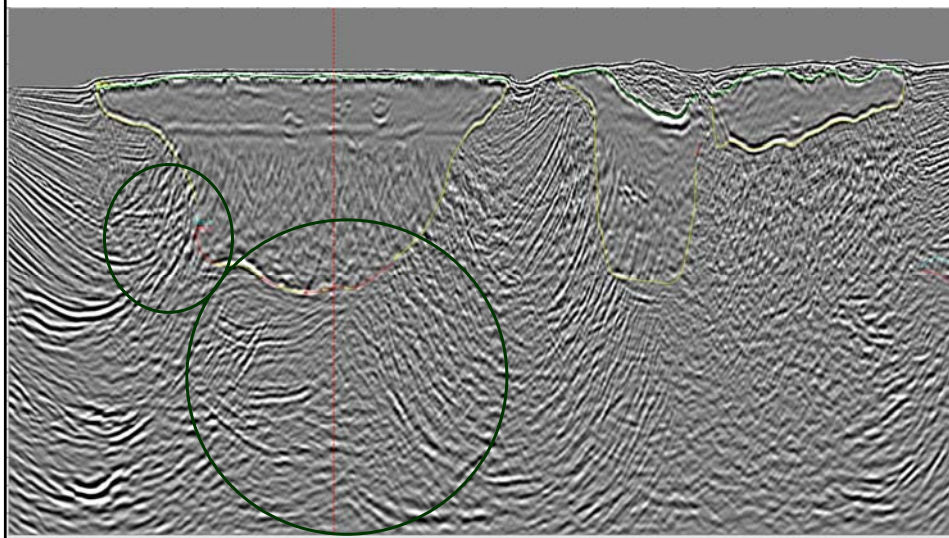


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Stanley 3D RTM LINE A



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## Operational Highlights

### ● Europe

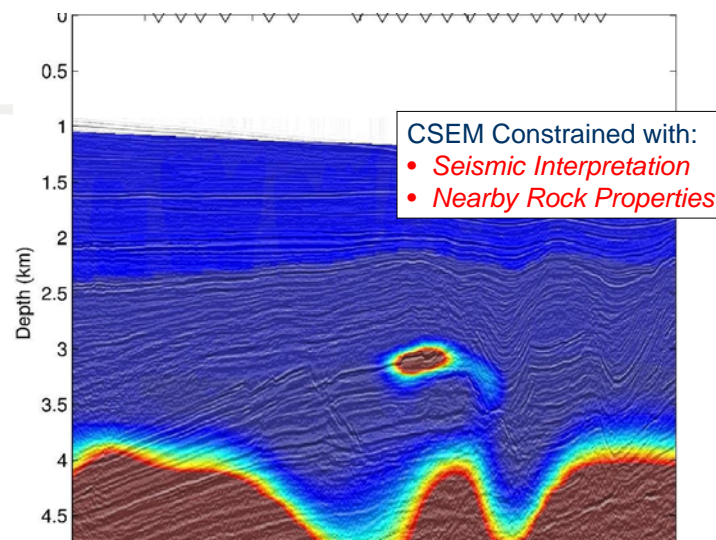
- 2008 Regional 2D Renaissance Campaign
  - North Sea (UK and Norway): 13,000 km
  - Norwegian Sea: 25,000 km
  - Barents Sea: 16,000 km
- Norway 20<sup>th</sup> Round Data Package Campaign
  - CSEM in partnership with OHM plc packaged with TGS seismic data
  - 12 blocks included in the 20<sup>th</sup> Round



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## Norway Seismic/CSEM Library



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## Operational Highlights

### ● Europe

- 2008 Regional 2D Renaissance Campaign
  - North Sea (UK and Norway): 13,000 km
  - Norwegian Sea: 25,000 km
  - Barents Sea: 16,000 km
- Norway 20<sup>th</sup> Round Data Package Campaign
  - CSEM in partnership with OHM plc packaged with TGS seismic data
  - 12 blocks included in the 20<sup>th</sup> Round
- TROMS III MC 3D Survey commenced with GeoBarents
  - Data products available for 20<sup>th</sup> Round evaluation
  - Commencement of 580 km<sup>2</sup> proprietary survey to be complete in Q3
- Greenland
  - 55,000 km Aeromagnetic/Aerogravity survey completed



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## Greenland AeroMag/AeroGrav Coverage



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## Operational Highlights

### ● Africa/Middle East/Asia Pacific

- Regional SE Asia 2D MC to be completed in Q4 of 2008 (12,900 km)
- Completed 2650 km<sup>2</sup> MC 3D in Sierra Leone. Processing to be complete in Q3
- Completed a 5200 km 2D seismic survey offshore Somaliland. Tender Round roadshows scheduled for November, 2008
- Continued progress on 245,000 km Aeromagnetic/AeroGravity survey of offshore Libya. Survey was completed early in Q3.



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## Operational Highlights

### ● Geologic Products Division

- New Business Unit formed by the combination of Well Logs business (formerly A2D) and Interpretation Products business (formerly Aceca)
- Tremendous growth in digital well log library with over 20,000 wells added in Q2 to fulfill US onshore underwriting demand

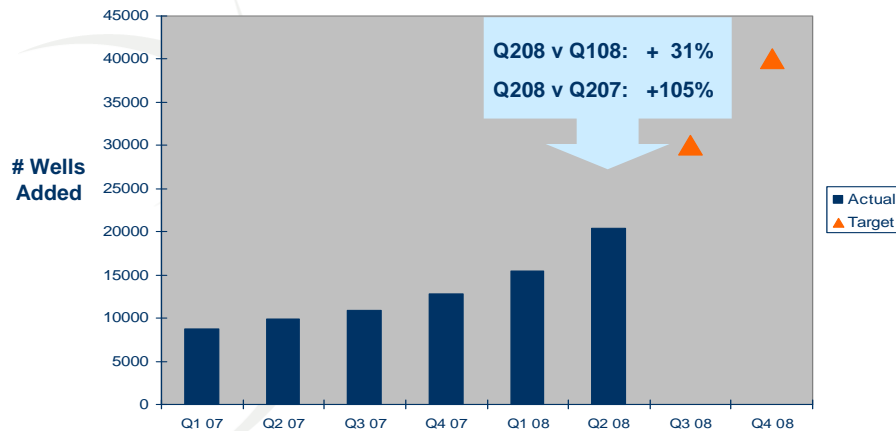


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## LAS Additions to Digital Log Library Quarterly



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## Center Line Data Inc. Asset Acquisition

- Acquired assets of *Center Line Data Inc.* June 2 2008
- Key value drivers:
  1. Ownership of proprietary digitizing software to support LAS growth
  2. Addition of existing LAS data library
  3. Access to existing LAS digitizing resources to enhance capacity

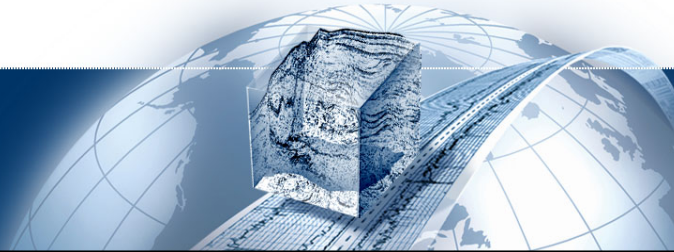


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# Outlook

Hank Hamilton  
Chief Executive Officer



## Merger Process

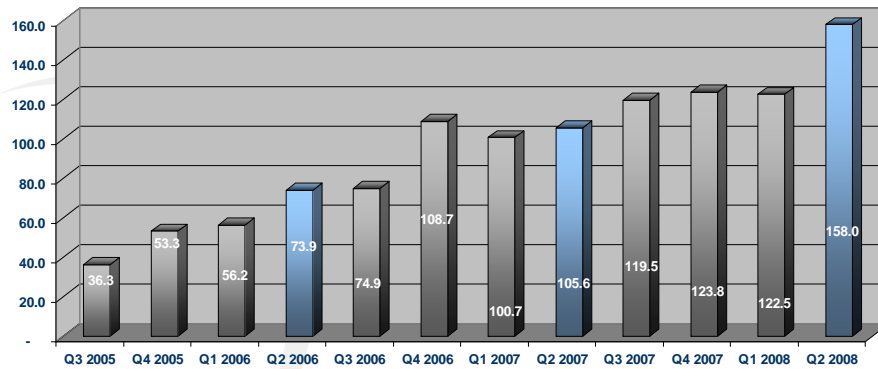
- Lines of communication between companies are open
- Pursuing completion of agreed merger through arbitration process as described in merger plan
- Court hearings scheduled September 9 - 24
- Conducting business as usual in interim period



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## Backlog



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## Outlook / Expectations

- **1<sup>st</sup> Half late sales volume & margins exceed our expectations**
- **Pipeline of late sales opportunities is extensive**
- **MC investments will taper down in 2<sup>nd</sup> Half**
  - Some capacity allocated to contract work in Europe (Q3)
  - Temporary interruption of WAZ acquisition will lead to improved project margins
- **Full year expectations unchanged**
  - Multi-Client Investments USD 250 – 275 million
  - Average Pre-funding 50 – 60%
  - Average Multi-Client Amortization rate 32 – 37%
  - Net Revenues USD 550 – 580 million
  - Contract Revenues 10 – 15% of Total Revenues



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