

# TGS-NOPEC Geophysical Company ASA

## 3rd Quarter 2000 Results

### 3<sup>rd</sup> Quarter 2000 Financial Highlights

TGS-NOPEC reports a 24% increase in Net Multi-client Revenues and a 64% increase in Operating Profit compared to Q3 1999. Late Sales from the Multi-Client library increased 61% over Q3 1999 and 37% over Q2 2000. Operating Profit of NOK 93,1 million was 45% of Net Revenues compared to NOK 56,8 million (31% of Net Revenues) in Q3 1999. Gross consolidated Revenues were NOK 211,6 million, up 13% from NOK 187,3 million in Q3 1999, and up 41% from NOK 150,0 million in Q2 2000. Net Operating Revenues were NOK 207,5 million, up 15% from NOK 180,9 million in Q3 1999, and up 49% from NOK 139,0 in Q2 2000. Third quarter EBITDA from operations of NOK 174,3 million was an impressive 84% of Net Revenues, up 24% from the same period last year (NOK 140,8 million). Including an unrealized exchange loss of NOK 10,9 million, Pre-tax Profit for the quarter was NOK 80,8 million (39% of Net Revenues) compared to NOK 55,3 million (31%) during Q3 1999. Earnings per Share were NOK 2,21 (NOK 2,10 fully diluted) for Q3 2000 compared to NOK 1,42 in Q3 1999.

### Revenue Breakdown

Gross Late Sales of NOK 134,6 million increased 61% from Q3 1999 and accounted for 64% of Gross Consolidated Revenues. Early Participant revenues totaled NOK 77,0 million, funding 58% of the Company's investment into the Multi-client Library during the third quarter. All revenues in Q3 2000 came from the Multi-Client segment, while Proprietary Contract Revenues in Q3 1999 amounted to NOK 13,3 million.

*"The strength of our Data Library Late Sales in the third quarter clearly demonstrates that #1, oil companies are finally increasing spending on seismic data for exploration purposes, and #2, TGS-NOPEC has developed its library in the right places at the right time over the past few years,"* states CEO Hank Hamilton.

### Operational Costs

The amortization charge associated with Net Multi-Client revenues increased to 37% of Net Revenues compared to the average rate of 31% for the full year of 1999. The corresponding amortization rate for Q3 1999 was 31%. This rate does fluctuate from quarter to quarter, depending on the sales mix of projects. Management expects the amortization rate to remain between 30% and 40% of Net Revenues for 2000. The year-to-date amortization rate is 32% of Net Revenues compared to 31% for the first nine months of 1999. Total operational costs payable for the quarter, including materials, were NOK 33,2 million, 17% lower than the NOK 40,1 million in Q3 1999 primarily as a result of the stacking of the Odin Explorer in Q1 1999 and a reversal of accruals for associated contingency costs.

### Profit

Operating Profit for the quarter was NOK 93,1 million, 45% of Net Revenues, a 64% increase over Q3 1999 (NOK 56,8). Adjusted for the non-recurring write-down of vessels in Q3 last year, the increase in Operating Profit during the three months was 18%. The Pre-tax Profit of NOK 80,8 million was 46% higher than the NOK 55,3 million reported in Q3 1999. For the nine months ended September 30<sup>th</sup>, 2000, the Company's Operating Profit was NOK 225,0 million, 45% of Net Revenues, up 77% from NOK 127,1 million for the first nine months of 1999. Adjusted for the non-recurring write-down of vessels in Q1 and Q3 last year, the year-to-year increase in Operating Profit during the first nine months is 44%.

EBITDA (Earnings before Interest, Tax, Depreciation and Amortization) for the quarter ended September 30<sup>th</sup> was NOK 174,3 million (84% of Net Revenues) compared to NOK 140,8 million (78%) in Q3 1999. For the nine months ended September 30<sup>th</sup>, 2000, EBITDA was NOK 396,5 million (79% of Net Revenues), up 31% from NOK 302,7 million for the first nine months of 1999.

## Financial Items

The rate of exchange between the USD and the NOK changed from 8,56 on June 30<sup>th</sup> to 9,15 on September 30<sup>th</sup>. In accordance with NGAAP, an unrealized non-cash exchange loss of NOK 10,9 million was recorded in the accounts regarding the USD 18,9 million loan per September 30<sup>th</sup>. The Company paid the first installment (USD 2,1 million) on the loan as scheduled on August 11<sup>th</sup>.

## Tax

During 1999, the Company earned profits largely in the USA with a 36% tax rate, while the Company's Norwegian operations suffered a tax loss (tax rate 28%) due to write-downs of vessels. During the first six months of 2000, the Company estimated a tax rate for year 2000 of 35%. As the Management feels comfortable that the Norwegian legal entity will operate profitably throughout the year, the real year-to-date tax rate has been applied per September 30<sup>th</sup>, 2000. The blended rate YTD is 34,3% and results in a 33% tax rate for the 3<sup>rd</sup> quarter 2000.

## Net Income and Earnings per Share (EPS)

Net Income for Q3 2000 was NOK 53,8 million, NOK 2,21 per share undiluted and NOK 2,10 per share fully diluted, 56% higher than reported in Q3 1999. For the nine months ended September 30<sup>th</sup>, 2000, the Company's EPS was NOK 5,42; up 74% from NOK 3,11 for the first nine months of 1999.

## Business Segments and Investments

TGS-NOPEC's main business is developing, managing, conducting, and selling non-exclusive seismic surveys. This activity accounted for virtually all of the Company's business during the first 9 months of 2000. Investments in the data library totaled NOK 133,5 million for the third quarter, 21% higher than in Q3 1999. Total investments in the Multi-Client Library during the first nine months of 2000 were NOK 291,1 million, an increase of 19% compared to NOK 244,5 million for the same period in 1999. The Company expects to meet its stated plan for Multi-Client investments for the year 2000 of NOK 365 million by December 31<sup>st</sup>. The Company recognized NOK 77,0 million in Early Participant revenues during the quarter. This pre-funding represents 58% of total investments in Q3 2000. The corresponding pre-funding in Q3 1999 was 82%.

## Balance Sheet

As of September 30, 2000, the Company's total cash holdings amounted to NOK 217,6 million compared to NOK 118,2 million on December 31<sup>st</sup>, 1999.

Total Equity per June 30<sup>th</sup>, 2000 was NOK 734,0 million, 59% of Total Assets.

## The Multi-client Library:

Million NOKs			9 Months	9 Months	Year	Year
	Q3-00	Q3-99	2000	1999	1999	1998
Opening Balance	<b>399,9</b>	262,8	<b>324,0</b>	203,0	203,0	129,3
Investment	<b>133,5</b>	110,3	<b>291,1</b>	244,5	300,8	193,5
Amortization	<b>-76,6</b>	-56,2	<b>-158,3</b>	-130,6	-179,8	-119,8
Net Book Value Ended	<b>456,8</b>	316,9	<b>456,8</b>	316,9	324,0	203,0

## Key MCS figures:

Net MCS Revenues for the period	<b>207,5</b>	167,6	<b>494,2</b>	412,3	574,2	555,6
Change in MCS Revenue	<b>24 %</b>	36 %	<b>20 %</b>	10 %	3 %	13 %
Change in investment in MCS	<b>21 %</b>	190 %	<b>19 %</b>	63 %	55 %	80 %
Amortization in % of Net Revenues	<b>37 %</b>	34 %	<b>32 %</b>	32 %	31 %	22 %
Increase in NBV during the period	<b>14 %</b>	21 %	<b>41 %</b>	56 %	60 %	57 %

### **Operational Highlights**

The Company added 54,000 kms of 2D and 2,300 square kms of 3D to its library of marketed surveys during the third quarter. The majority of this activity was concentrated in Brazil, Newfoundland, the Gulf of Mexico, Norway, and West Africa. A total of ten different seismic vessels contributed to this effort. The Company announced in September the start of a major new 3D pre-stack depth migration project in the prolific Mississippi Canyon area of the Gulf of Mexico. In August, TGS-NOPEC started its first 100% owned new Multi-Client 3D project, located in UK waters. The Company increased its West Africa presence by launching new 2D Multi-Client projects in Sierra Leone and Liberia.

### **Outlook**

During the third quarter, the Company's backlog of secured pre-funding for new projects increased to NOK 84,1 million.

The Company has also secured certain long-term gross volume purchase commitments from clients that will materialize into Late Sales or pre-funding over the coming 18 to 24 months. Due to the variability of the Company's equity share in the portfolio of Multi-Client projects that may be purchased with these volume commitments, it is not possible to fully predict their impact on the Profit and Loss Account of TGS-NOPEC. Per September 30<sup>th</sup>, gross volume purchase commitments totaled in excess of NOK 160,0 million. Based on historical records, Management conservatively estimates that between 33% and 50% of this amount will remain with TGS-NOPEC as Net Revenue.

Because of weather conditions in the Northern Hemisphere, the Company plans to reduce acquisition activity on new surveys during the fourth quarter of 2000 and the first quarter of 2001, but increase activity on value-added and reprocessing projects during this same period.

A large number of bid rounds directly impacting TGS-NOPEC's business are scheduled for 2001. In addition to the annual Central and Western Gulf of Mexico lease sales, an Eastern Gulf of Mexico lease sale is planned for late 2001. This acreage has not been offered to industry since the late 1980's and TGS-NOPEC holds a very strong position in the Multi-Client market here. ANP has recently announced a total of 43 offshore blocks in Brazil to be offered in Round 3 in mid-2001. TGS-NOPEC offers a total of 22,000 kilometers of 2D data covering 40 of the 43 blocks in the round. In Indonesia, a bid round including acreage covered by the Company's 1999 Mahakam Delta project is planned for early 2001. In Morocco, a bid round including acreage covered by the Company's new 7,750-kilometer Morocco project is planned for April 2001. In Greenland, where TGS-NOPEC has become the major Multi-Client data provider, a bidding round is scheduled to close in December 2001. Portuguese authorities announced during the third quarter that they will organize a bid round sometime during 2001. TGS-NOPEC is the only Multi-Client data provider in this area with 13,000 kilometers of new data and 4,000 kilometers of reprocessed data currently available. In Canada, bid rounds are planned in both the Nova Scotia and Newfoundland provinces. Also, although not yet formally announced, we anticipate bid rounds in Norway's Norwegian Sea, Liberia and Sierra Leone in 2001.

The seismic sector, and particularly data library sales within the seismic sector, continues to strengthen. A number of major and large independent oil companies have publicly announced increased exploration and development spending plans for the remainder of 2000 as well as 2001. Although the exact timing is uncertain, many oil companies will largely exhaust their inventories of drillable prospects within 2001 unless they increase seismic exploration efforts. Therefore, we expect seismic purchases to steadily grow throughout the remainder of 2000 and 2001 as long as oil and gas prices remain close to current levels.

*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, November 8th, 2000

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)				9 Months	9 Months	12 Months
		Q3 2000	Q3 1999	2000	1999	1999
<i>Operating Revenues</i>						
Sales		211 627	187 259	516 997	446 047	617 300
Income sharing & Royalties		-4 104	-6 343	-17 854	-20 401	-29 803
<i>Net Operating Revenues</i>		<b>207 523</b>	<b>180 916</b>	<b>499 143</b>	<b>425 646</b>	<b>587 497</b>
<i>Operating expenses</i>						
Materials		5 157	8 276	11 837	16 317	17 865
Amortisation of Seismic Libra		76 635	56 174	158 276	130 601	179 775
Personnel costs		19 393	18 495	59 280	59 949	70 731
Other operating expenses		8 689	13 326	31 509	46 668	62 392
Depreciation		4 544	5 609	13 239	15 431	19 543
Unusual Items		-	22 217	-	29 617	29 616
<i>Total operating expenses</i>		<b>114 418</b>	<b>124 097</b>	<b>274 141</b>	<b>298 583</b>	<b>379 922</b>
<b>Operating profit</b>		<b>93 105</b>	<b>56 819</b>	<b>225 002</b>	<b>127 063</b>	<b>207 575</b>
<i>Financial income and expenses</i>						
Interest Income		3 163	2 360	8 307	7 042	10 608
Interest Expense		-5 216	-4 604	-14 324	-12 201	-17 471
Exchange gains/losses		-10 291	723	-18 971	-5 307	-7 642
<i>Net financial items</i>		<b>-12 344</b>	<b>-1 521</b>	<b>-24 988</b>	<b>-10 466</b>	<b>-14 505</b>
<b>Profit before taxes</b>		<b>80 762</b>	<b>55 298</b>	<b>200 014</b>	<b>116 597</b>	<b>193 070</b>
Tax provision		26 934	21 132	68 673	41 974	73 886
<b>Net Income</b>		<b>53 828</b>	<b>34 166</b>	<b>131 341</b>	<b>74 623</b>	<b>119 184</b>
EPS NOK	undiluted	2,21	1,42	5,42	3,11	4,97
EPS NOK	fully diluted	2,10	1,42	5,15	3,11	4,92

# TGS NOPEC Geophysical Company ASA

## Consolidated Balance Sheet

### Balance sheet as at September 30, 2000

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

30,09,2000

30,09,99

31,12,99

#### ASSETS

##### Long-term assets

###### *Intangible assets*

Goodwill 33 363 38 962 37 622

###### *Fixed Assets*

Buildings 30 341 33 331 33 213

Machinery and equipment 25 827 21 910 21 628

Vessels 146 133 178 910 172 726

###### *Financial Assets*

Long term receivables, included pre-payments 1 010 4 472 -

**Total long-term assets 236 674 277 585 265 189**

##### Current assets

###### *Inventories*

Multiclient seismic Library, net 456 770 316 913 324 042

###### *Receivables*

Accounts receivable 280 566 158 123 202 234

Other short term receivables 43 494 30 312 38 986

###### *Cash and cash equivalents*

Cash and cash equivalents (including money market funds) 217 590 158 772 118 242

**Total current assets 998 420 664 120 683 504**

#### **TOTAL ASSETS**

**1 235 094**

**941 705**

**948 693**

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## Consolidated Balance Sheet

### Balance sheet as at September 30, 2000

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

30,09,2000

30,09,99

31,12,99

#### LIABILITIES AND EQUITY

##### *Equity*

Share capital	24 331	24 002	24 009
Other equity	709 674	470 941	523 600
<b>Total equity</b>	<b>734 005</b>	<b>494 943</b>	<b>547 609</b>

#### Provisions and liabilities

##### *Provisions*

Deferred tax liability	57 307	25 508	46 525
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##### *Long term liabilities*

Mortgage loans/secured loans	183 054	146 437	142 461
Capitalised lease liabilities	34 362	44 695	41 486

##### *Current liabilities*

Short-term interest-bearing debt	40 985	19 837	18 813
Accounts payable and debt to partners	108 021	133 966	94 299
Taxes payable, withheld payroll tax, social security etc.	11 380	33 383	11 997
Other current liabilities	65 980	42 936	45 503

<b>Total provisions and liabilities</b>	<b>501 089</b>	<b>446 762</b>	<b>401 084</b>
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<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1 235 094</b>	<b>941 705</b>	<b>948 693</b>
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