

# TGS

## Presentation of the 3rd Quarter 2005 Results

October 27th 2005

**Arne Helland**  
Chief Financial Officer

**Hank Hamilton**  
Chief Executive Officer



TGS-NOPEC Geophysical Company



# 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.

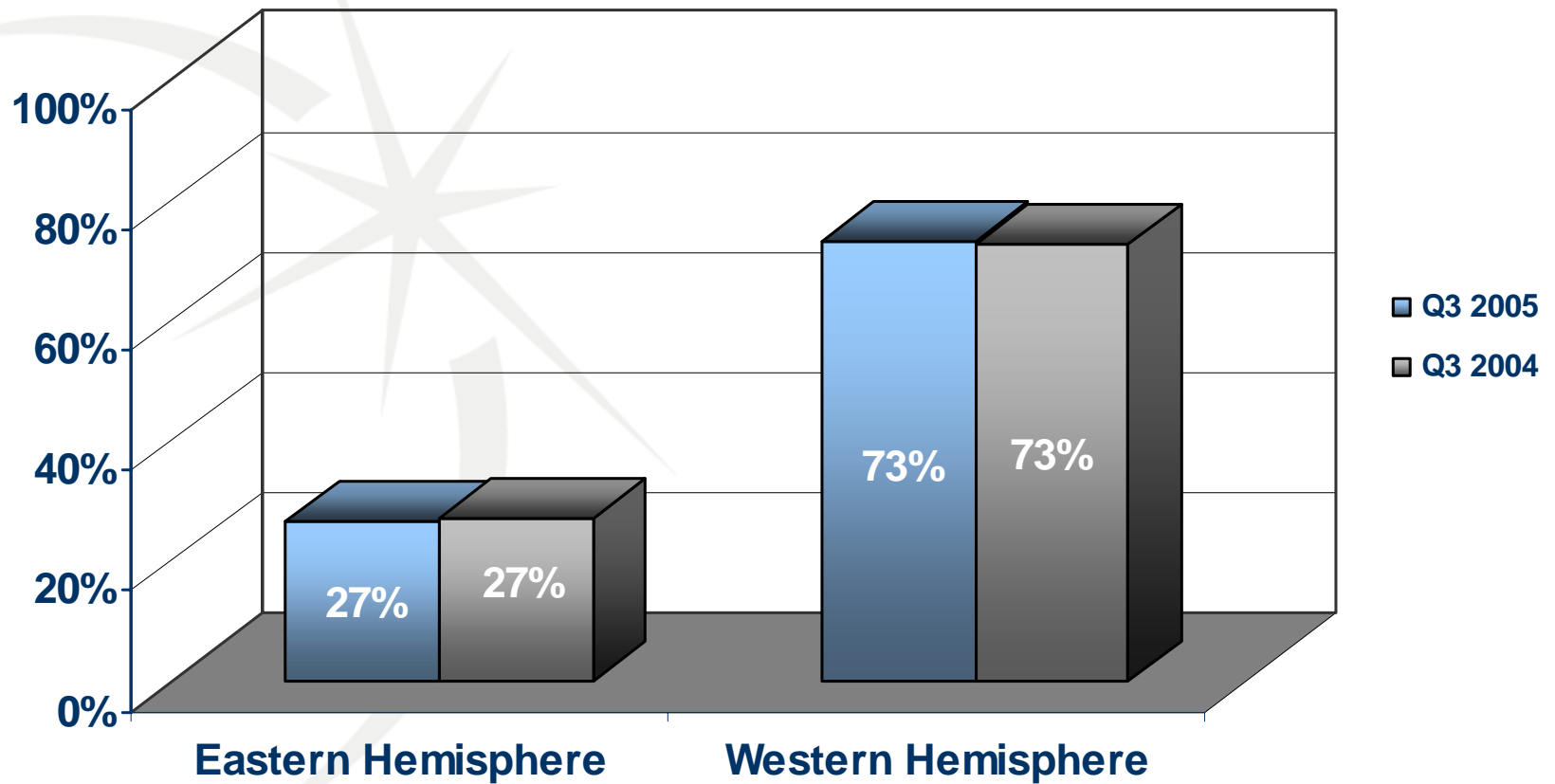
# Q3 2005 Financial Highlights

- **Net Revenues up 64% from Q3 2004**
  - Totaled 71.3 MUSD, up MUSD 27.9
- **Net Late Sales increased 99%**
  - Totaled 56.1 MUSD
- **Prefunding on Operational Investments 39%**
  - vs 62% prefunding in Q3 last year
  - Investments MUSD 69.9 YTD, 8% lower than YTD 2004.
  - Total Investments 45% higher: MUSD 32.2 vs MUSD 22.2 in Q3 2004
- **Multi-Client Amortization Rate 40%**
  - Vs. 43% in Q3 2004
- **Cash Flow from Operations Positive 10.8 MUSD**
  - Vs. Positive 9.5 MUSD during Q3 2004
- **EBIT margin 43% and up 108% from Q3 2004**
  - Was 33% in Q3 2004
- **EPS (fully diluted) : 0.77 cents, up 127% from Q3 2004**
  - Undiluted 0.81 cents, up 121% from Q3 2004

# Q3 2005 Profit & Loss (MUSD)

		Q3 2005	Q3 2004	Change	%
<b>Gross Sales</b>		<b>76.3</b>	47.6	28.6	60%
Income sharing & Royalties		<b>-4.9</b>	-4.2	-0.8	19%
<b>Net Operating Revenues</b>		<b>71.3</b>	43.5	27.9	64%
Materials		<b>0.5</b>	0.4	0.1	22%
MCS Amortization	<b>40%</b>	<b>27.3</b>	17.9	9.4	53%
<b>Gross Margin</b>		<b>43.6</b>	25.2	18.3	73%
Other operating expenses		<b>12.3</b>	8.7	3.6	41%
Cost of Stock Options		<b>-0.2</b>	0.4	-0.5	-146%
Depreciation		<b>0.9</b>	1.5	-0.6	-39%
<b>Operating Profit</b>	<b>43%</b>	<b>30.6</b>	14.7	15.9	108%
Net Financial items		<b>0.4</b>	-0.9	1.3	-145%
<b>Pre-tax Profit</b>	<b>43%</b>	<b>31.0</b>	13.8	17.1	124%
Taxes		<b>10.2</b>	4.7	5.5	117%
<b>Net Income</b>	<b>29%</b>	<b>20.8</b>	9.1	11.7	128%
EPS, undiluted		<b>0.81</b>	0.36	0.4	121%
<b>EPS, fully diluted</b>		<b>0.77</b>	0.34	0.4	127%

# Q3 Geographical Net Revenue Distribution



# Q3 2005 Cash Flow Statement

	Q3 2005	Q3 2004
Payments From Sales Received	55.0	37.8
Payments for acquired seismic and well logs	-28.4	-18.4
Operational Cost Paid	-9.3	-9.6
Taxes Paid	-6.6	-0.3
<b>Operational Cash Flow</b>	<b>10.8</b>	<b>9.5</b>
Investments Fixed Assets	-5.8	-1.3
Investments through Mergers and Acquisitions	0.0	-10.9
Net Change in Long-term Receivables	0.6	1.0
Net Change in Loans	-0.3	-0.4
Purchase of own Shares	0.0	0.0
Paid in Equity	6.7	0.4
<b>Change in Cash Balance</b>	<b>12.0</b>	<b>-1.6</b>

# Year-To-Date Results

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# YTD 2005 Financial Highlights

- **Net Revenues up 46% from YTD 2004**
  - Totaled 165.1 MUSD, up MUSD 51.9
- **Net Late Sales increased 78%**
  - Totaled 132.0 MUSD
- **Prefunding on Investments 40% vs 46% 9 months 2004**
- **Multi-Client Amortization Rate 39%**
  - Vs. 44% the first 9 months 2004
- **Cash Flow from Operations Positive 53.1 MUSD**
  - Vs. A Positive 2.3 MUSD for first 9 months 2004
- **EBIT margin 40% and up 92% from 9 months 2004**
  - Was 30% first 9 months 2004
- **EPS (fully diluted) : 1.66 cents, up 98% from last year**
  - Undiluted 1.74 cents, up 94% from last year



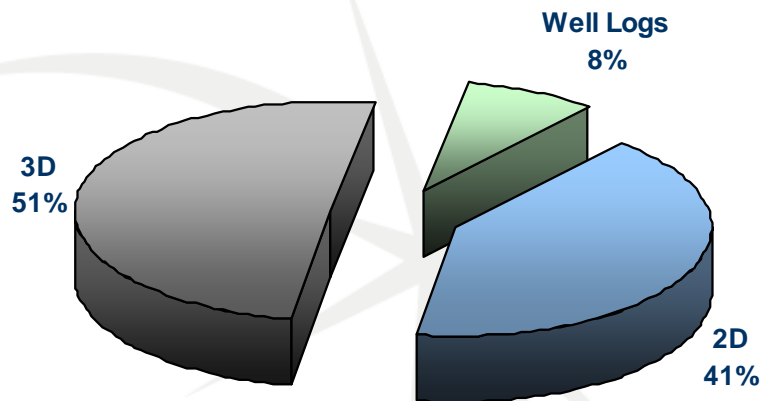
# YTD 2005 Profit & Loss (MUSD)

	9 Months 2005	9 Months 2004	Change	%
<b>Gross Sales</b>	<b>180.3</b>	124.6	55.7	45%
Income sharing & Royalties	<b>-15.2</b>	-11.4	-3.8	33%
<b>Net Operating Revenues</b>	<b>165.1</b>	113.2	51.9	46%
Materials	<b>0.7</b>	2.5	-1.8	-71%
MCS Amortization <b>39%</b>	<b>63.1</b>	47.5	15.6	33%
<b>Gross Margin</b>	<b>101.3</b>	63.2	38.1	60%
Other operating expenses	<b>31.4</b>	24.9	6.5	26%
Cost of Stock Options	<b>1.3</b>	1.0	0.3	25%
Depreciation	<b>1.8</b>	2.5	-0.7	-27%
<b>Operating Profit</b> <b>40%</b>	<b>66.7</b>	34.8	32.0	92%
Net Financial items	<b>0.7</b>	-0.8	1.5	-193%
<b>Pre-tax Profit</b> <b>41%</b>	<b>67.5</b>	34.0	33.5	98%
Taxes	<b>22.7</b>	11.6	11.1	96%
<b>Net Income</b> <b>27%</b>	<b>44.8</b>	22.4	22.3	100%
EPS, undiluted	<b>1.74</b>	0.90	0.8	94%
<b>EPS, fully diluted</b>	<b>1.66</b>	0.84	0.8	98%

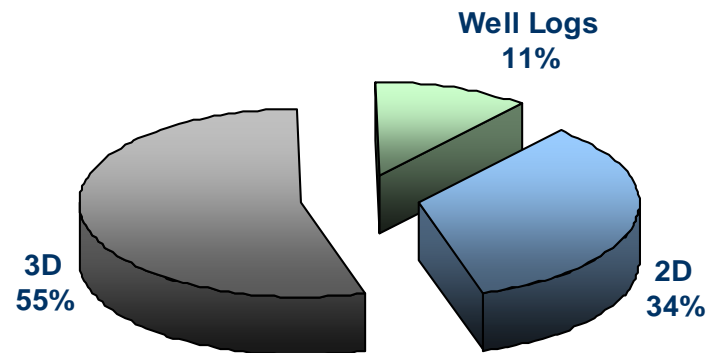
# YTD 2005 Net Revenues

## Per Segment

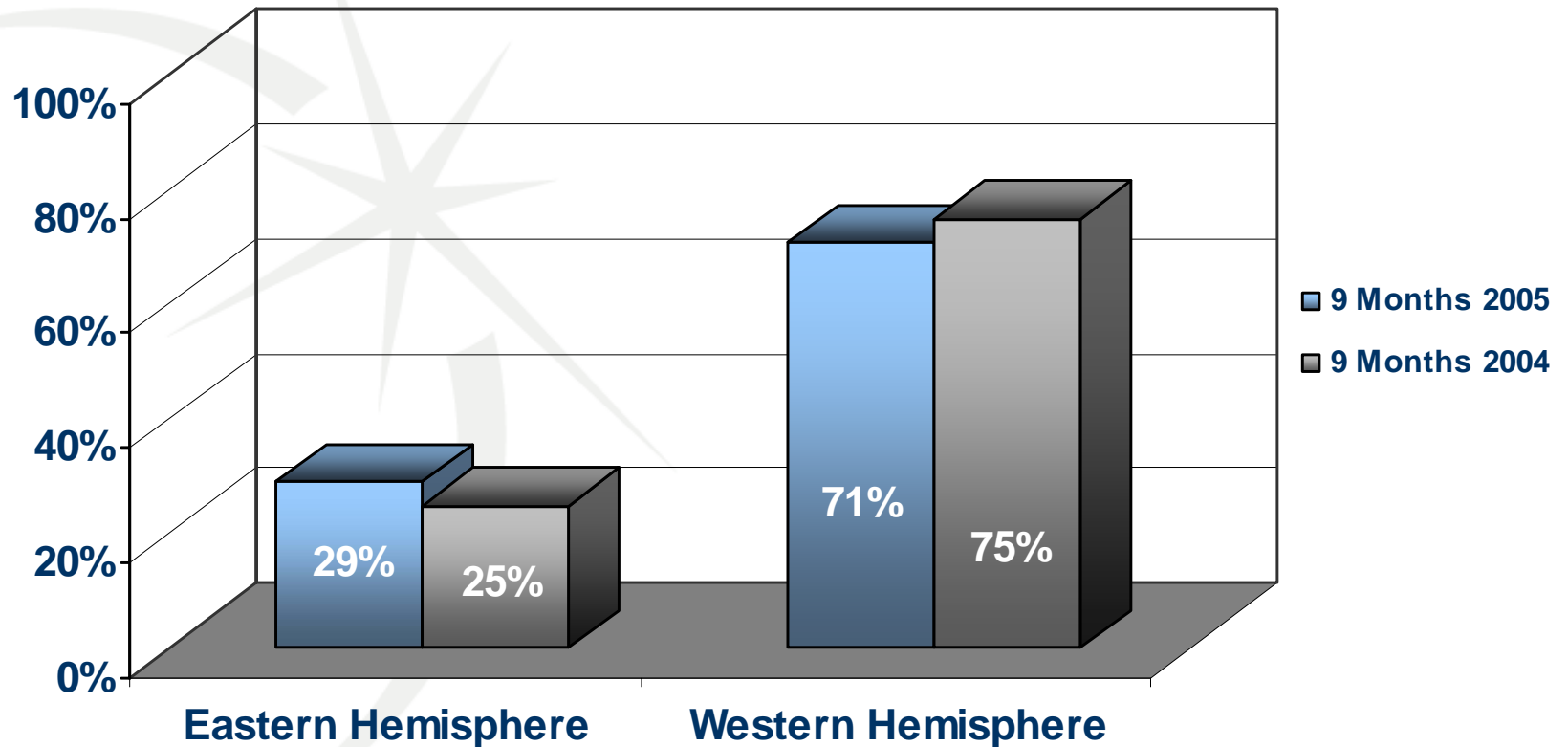
2005



2004



# YTD Geographical Net Revenue Distribution



# YTD 2005 Cash Flow

	2005	2004
Payments From Sales Received	160.8	113.1
Payments for acquired seismic and well logs	-59.2	-77.6
Operational Cost Paid	-28.2	-26.5
Taxes Paid	-20.3	-6.7
<b>Operational Cash Flow</b>	<b>53.1</b>	<b>2.3</b>
Investments Fixed Assets	-7.3	-1.7
Investments through Mergers and Acquisitions	0.0	-13.5
Net Change in Long-term Receivables	0.7	2.0
Net Change in Loans	-0.7	36.1
Purchase of own Shares	-2.2	0.0
Paid in Equity	16.0	2.7
<b>Change in Cash Balance</b>	<b>59.7</b>	<b>27.9</b>

# Balance Sheet - Key Figures

	Sep-05	%	Jun-05	%	Dec-04	%
<b>Assets</b>						
Cash	122.0	29%	110.1	29%	62.4	18%
Other Current Assets	96.8	23%	79.4	21%	91.4	26%
MC Library	156.3	37%	151.4	40%	149.5	43%
<b>Total Current Assets</b>	<b>375.2</b>	<b>90%</b>	<b>340.8</b>	<b>90%</b>	<b>303.3</b>	<b>88%</b>
Goodwill & Long Receiv.	23.6	6%	24.2	6%	28.5	8%
Fixed Assets	19.1	5%	14.2	4%	13.6	4%
<b>Total Assets</b>	<b>417.9</b>	<b>100%</b>	<b>379.2</b>	<b>100%</b>	<b>345.3</b>	<b>100%</b>
<b>Liabilities</b>						
Short-term debt	0.0	0%	0.0	0%	0.1	0%
Current Liabilities	46.3	11%	43.4	11%	45.1	13%
Long-term Loans	46.8	11%	47.1	12%	51.4	15%
Deferred Tax	25.3	6%	16.5	4%	9.1	3%
<b>Equity</b>	<b>299.5</b>	<b>72%</b>	<b>272.2</b>	<b>72%</b>	<b>239.5</b>	<b>69%</b>

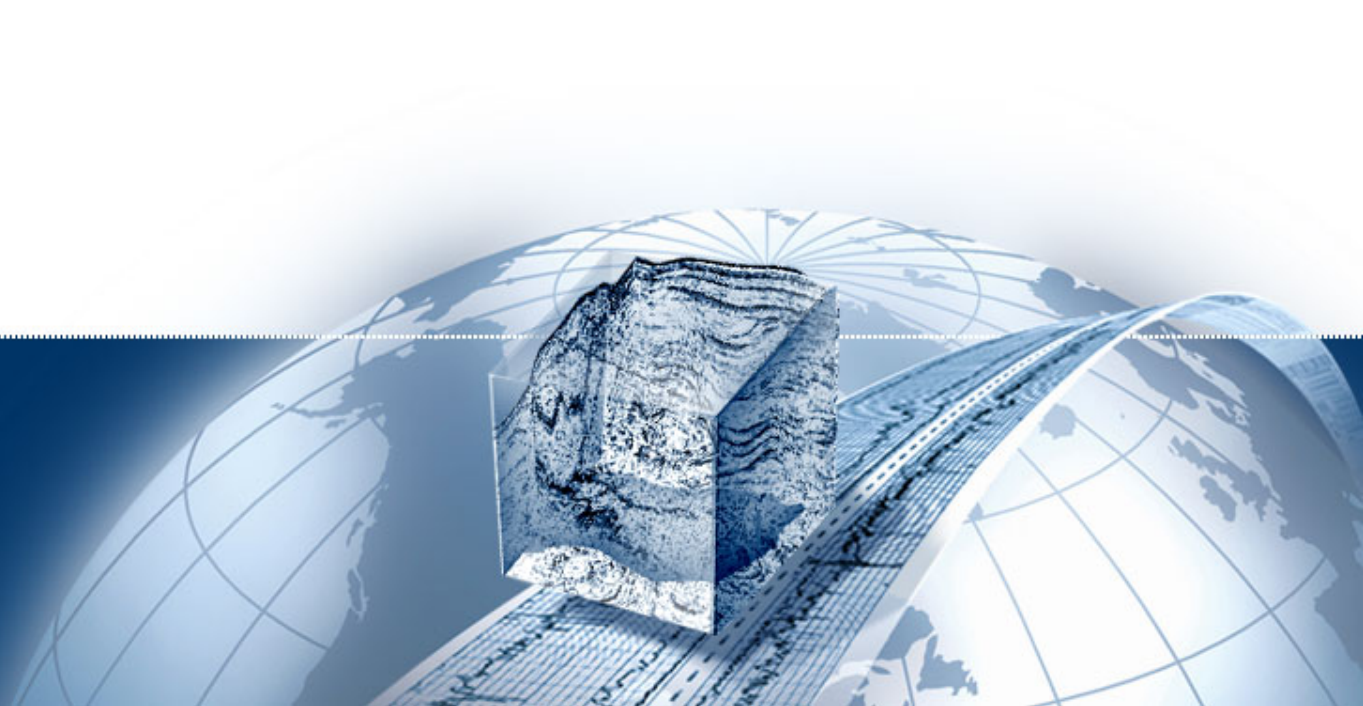
Cash in excess of interest bearing debt 75.2 MUSD

# Multi-Client Library

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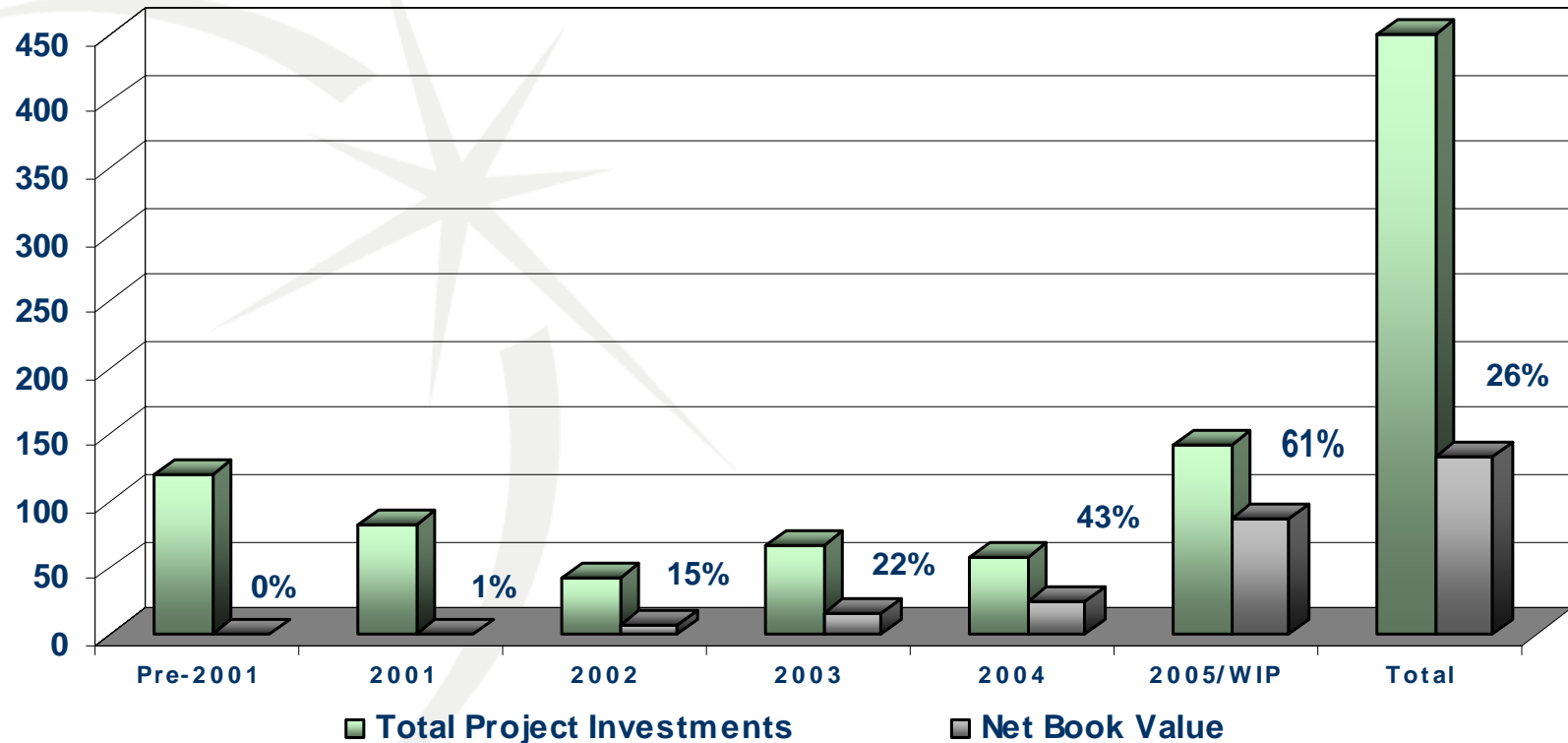
# MCS Accounting – Matching Principle

- **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

# Multi-Client Library NBV in % of Investment

## Seismic Segment - September 30, 2005

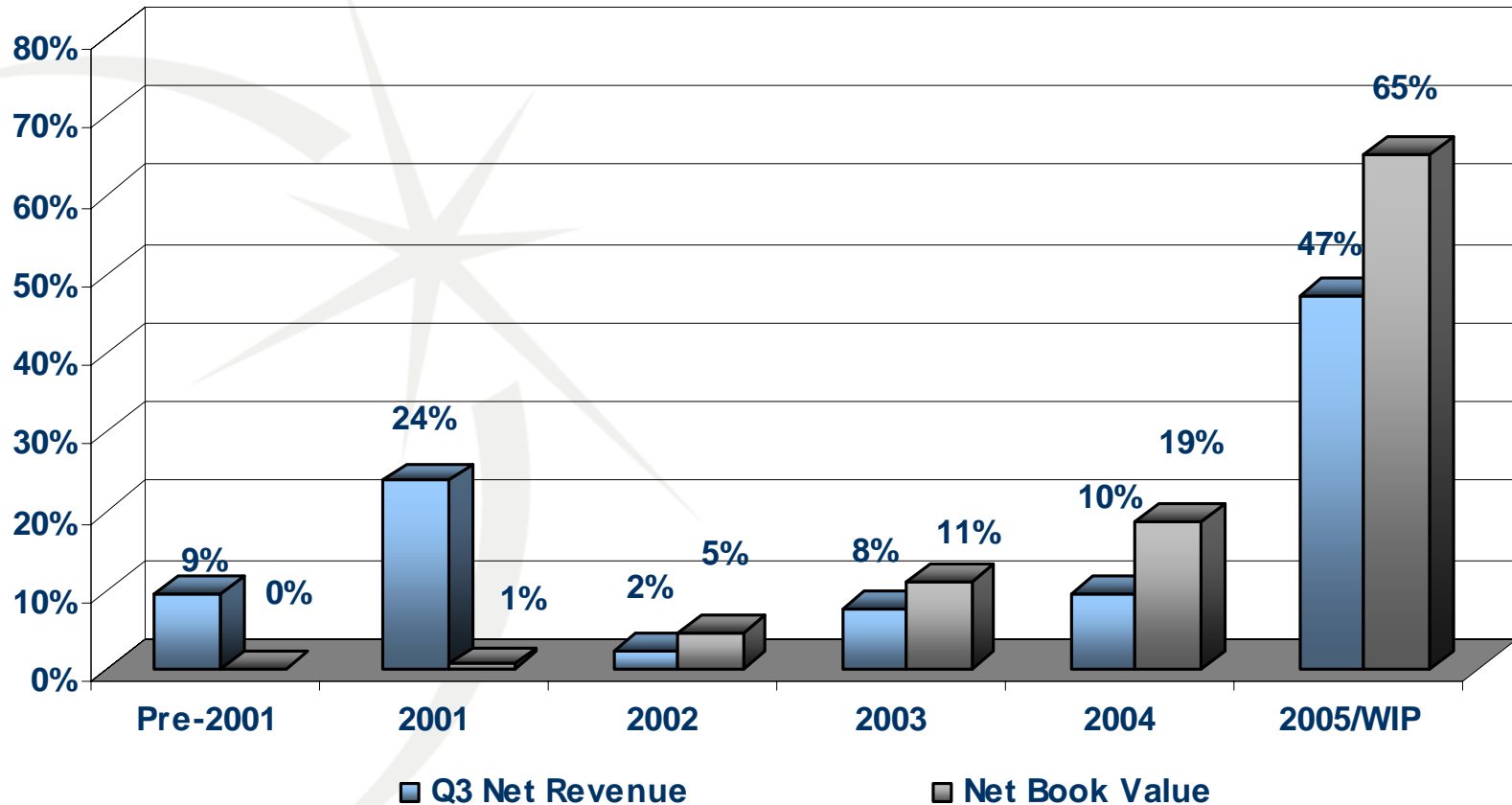
MUSD





# Q3 2005 Multi-Client Revenue & ending NBV

## Seismic Segment



# Operations & Outlook

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**Hank Hamilton**  
**Chief Executive Officer**



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# Late Sales in Q3

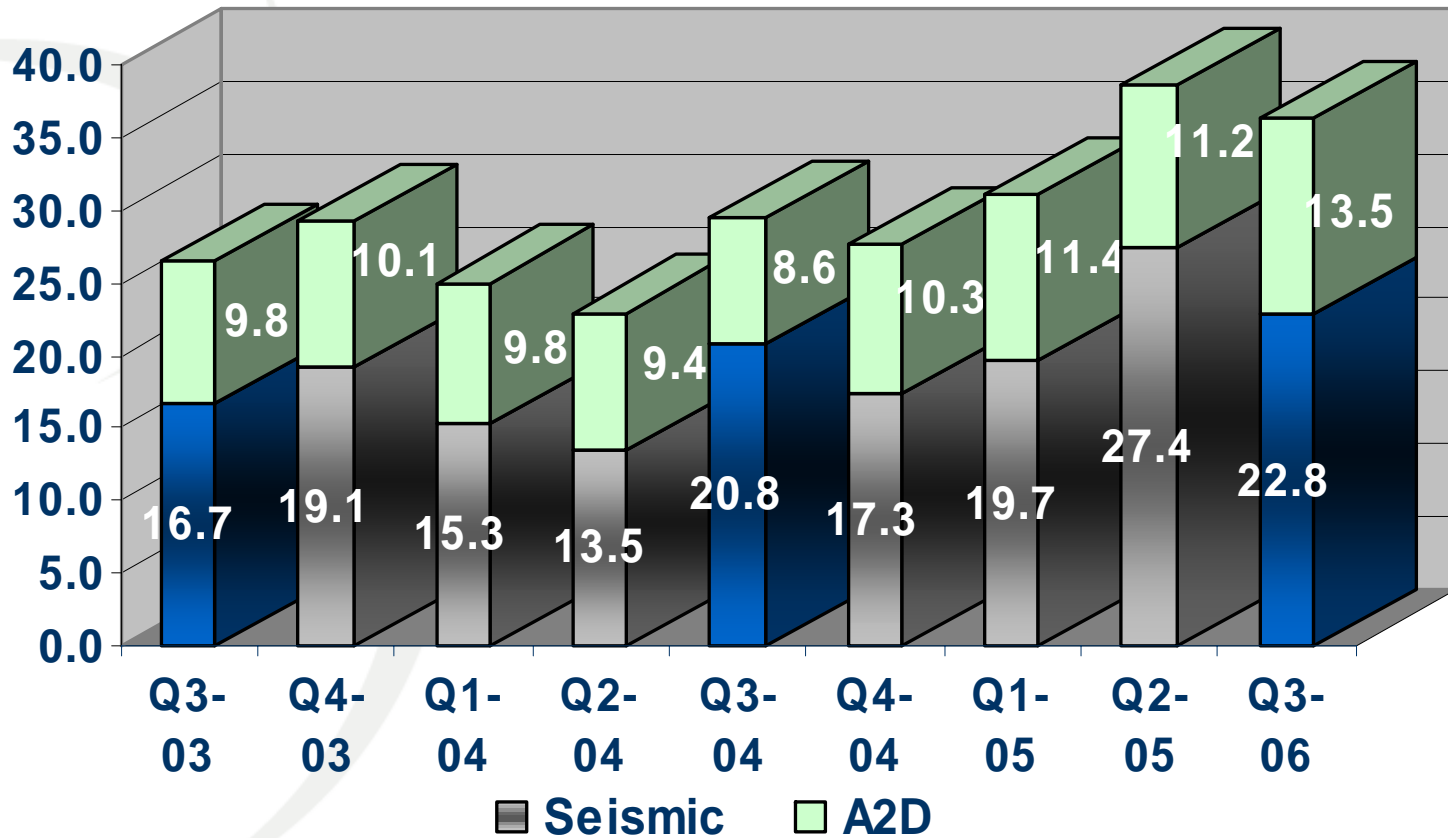
- **New quarterly record, up 24% sequentially and 99% year-over-year**
- **Accounted for 79% of total net revenues**
- **Balanced sales mix by product type, vintage, client base, and geographic area**
- **Strongest regions: Gulf of Mexico and Norway**
- **Growing interest and improved sales in frontier exploration regions**

# Operational Highlights

- **GoM: Continued Deep Resolve & Sophie's Link 3D's, significant disruption and delay caused by hurricanes Katrina and Rita**
- **Europe: Acquired Barents Sea 2D (5,000 kms), continued NSR 2005 campaign, started new 2D projects in Sea of Okhotsk & Greenland**
- **A2D: Secured another multi-year comprehensive well log contract, also impacted by hurricanes (move of New Orleans office & lost data conversion production time)**

# Backlog

MUSD



# Updated 2005 Expectations

- More likely than not we will exceed previous annual net revenue growth target of approximately 30%
- Avg pre-funding 40–50% of investments (down from 45–55%)
- Avg amortization rate 40–45% of net revenues (down from 42–47%)
- MC Library investments of USD 95–110 million (unchanged from Q2 upgrade)