

# TGS-NOPEC Geophysical Company ASA

## 4<sup>th</sup> Quarter 1999 Results

### 4<sup>th</sup> Quarter 1999 Financial Highlights

**TGS-NOPEC reports increased Operating Profit during Q4 1999. Operating Profit of NOK 80,5 million represented an increase of 42% over the 3<sup>rd</sup> quarter of 1999 and an increase of 3% over the 4<sup>th</sup> quarter of 1998. Net Operating Revenue of NOK 161,9 million was 10% below the 4<sup>th</sup> quarter of 1998 (NOK 179,8 million). Net Late Sales totaled NOK 125,1 million during the quarter, an increase of 50% over 3<sup>rd</sup> quarter levels. Fourth quarter EBITDA from operations of NOK 133,8 million was 83% of Net Revenues, 10% down from the same period last year (NOK 148,3 million). The average pre-funding level on investments in new surveys during the quarter was 82%.**

### Revenue Breakdown

With the onset of seasonal weather conditions in the Northern Hemisphere, the Company reduced as planned its expenditures on acquisition of new projects during Q4 1999. Early Participant Revenues decreased accordingly from Q3 to Q4 to NOK 46,1 million, representing 27% of Gross Consolidated Revenues in Q4. Net Late Sales increased 50% during Q4 to NOK 125,1 million, representing 73% of Gross Consolidated Revenues. The Company believes that the dramatic increase in Late Sales from Q3 to Q4 is partially a result of year end spending by oil companies that had been under-spending budgeted funds during the first three quarters of the year. Total Gross Sales including Joint Venture revenues totaled NOK 302,0 for the quarter, up 21% from Q4 1998 levels.

### Operational Costs

Because Late Sales from the library represented the major part of revenues in Q4, the amortization charge associated with Net Multi-Client revenues decreased from 34% in Q3 1999 to 30% in Q4. Total operational costs payable for the quarter, including materials, amounted to NOK 28,1 million compared to NOK 31,5 million in Q4 1998.

### Sale of Vessels

The Company sold both of its idle vessels, the Atlantic Access and the Odin Explorer, in Q4 1999. The sale of Atlantic Access is 100% completed, while the sale of the Odin Explorer is contingent on the buyer's financing. Both vessels had been written down and were sold at the net book value stated in the accounts as per September 1999. As the title of the Odin Explorer has not yet been transferred to the buyer, the vessel is stated in the Company's Balance Sheet at sales price. The Board of Directors expects to close the sale of the vessel during the 1<sup>st</sup> half of 2000.

### Profit

Operating Profit for the quarter was NOK 80,5 million, 50% of Net Revenues. This was 3% higher than in Q4 1998 (NOK 77,9 million). As a result of the change in the exchange rate NOK/USD, the Company recorded in accordance with NGAAP an unrealized currency exchange loss of NOK 3,0 million in Q4 1999 on its debt in USD. The Pre-tax Profit of NOK 76,5 million was 4% lower than the NOK 81,0 million reported in Q4 1998.

The Company raised its estimated tax rate for the year to 36% in Q3 1999. Since the profit of operation was mainly in the USA with a 36% tax rate, and the Company's Norwegian operations suffered a tax loss (tax rate 28%), the tax rate for 1999 increased to 38% for the year, resulting in a 42% tax rate for Q4 1999.

Net Income reported for the quarter was NOK 44,6 million, compared to NOK 49,1 million in Q4 1998.

David Worthington, Chairman of the Board, stated, *"The Board is once again pleased to report stellar quarterly financial results. With the current backlog of exciting projects in the planning phase, we expect our momentum to translate into solid growth during 2000."*

## 12 Months 1999

Net Operating Revenues of NOK 587,5 million represented a 5% increase from 12 months 1998 (NOK 558,6 million). Operating Profit before the write down of the two sold vessels was NOK 237,2 million, 11% lower than NOK 267,2 reported during 1998, mainly due to an increase in the amortization rate of the data library from 22% (NOK 119,8 million) in 1998 to 31% (NOK 179,8) in 1999. After the write down of the two vessels (NOK 29,6 million), Operating Profit for 12 Months 1999 was NOK 207,6 (35% of Net Revenues). Pre-tax Profit was NOK 193,1 million, compared to NOK 273,9 million in 1998.

Net Income for the 12 Months ended December 31<sup>st</sup>, 1999 was NOK 119,2 million (NOK 176,9 million in 1998).

Earnings per share (EPS) for the year 1999 were **NOK 4,97**, and NOK 4,92 fully diluted. EPS for Q4 1999 alone were NOK 1,86.

## Business Segments and Investments

TGS-NOPEC's main business is developing, managing, conducting, and selling non-exclusive seismic surveys. This activity accounted for all of the Company's business during Q4 1999. For seasonal reasons, the Company lowered its investments in its data library by 50% from Q3 1999 levels to NOK 56,3 million. The Company recognized NOK 46,1 million in Early Participant revenues during the quarter, representing an average effective pre-funding level of 82%.

## Balance Sheet

As at December 31<sup>st</sup>, 1999, the Company's total cash holdings amounted to NOK 118,2 million. Total interest bearing debt was NOK 202,8 million. In February 2000, the Company changed banks. In conjunction, the Company opened new long term loan and bank overdraft facilities which increase its lines of credit by NOK 39,5 million.

The Company has implemented the Norwegian Accounting Act 1998. The new Act has not caused a change in the reported financial statements.

## The Multi-client Library:

Million NOKs	Q4-99	Q4-98	YEAR-99	Year	Year
				1998	1997
Opening Balance	<b>316,9</b>	217,6	<b>203,0</b>	129,3	116,6
Investment	<b>56,3</b>	43,8	<b>300,8</b>	193,5	107,6
Amortization	<b>-49,2</b>	-58,4	<b>-179,8</b>	-119,8	-94,9
Net Book Value Ended	<b>324,0</b>	203,0	<b>324,0</b>	203,0	129,3

## Key MCS figures:

Net MCS Revenues for the period	<b>161,9</b>	179,8	<b>574,2</b>	555,6	490,8
Change in MCS Revenue	<b>-10 %</b>		<b>3 %</b>	13 %	
Change in investment in MCS	<b>29 %</b>		<b>55%</b>	80 %	
Amortization in % of Net Revenues	<b>30 %</b>	33 %	<b>31%</b>	22 %	16 %
Increase in NBV during the period	<b>2 %</b>	-7 %	<b>60%</b>	57 %	11 %

## Operational Highlights

The Company added 30,000 kms of 2D and 1,900 square kms of 3D to its library of marketed surveys during the fourth quarter. The majority of this activity was concentrated in Brazil and the Gulf of Mexico. In addition, TGS-NOPEC completed acquisition of the Faroes-Shetland Basin survey and started a new project offshore Portugal. A total of seven different seismic vessels contributed to this effort.

## **Outlook**

Consistent with previous statements from the Company, we will maintain expenditures on acquisition of new projects at current levels during Q1 2000 before ramping up to take advantage of summer weather conditions in the Northern Hemisphere during Q2. The Company is actively negotiating with several acquisition contractors to secure additional vessel capacity for the summer season.

At the end of the fourth quarter, the Company's backlog of unrecognized, committed pre-funding revenues totaled NOK 60 million. By early February, this backlog had grown to NOK 76 million, representing over 75% of anticipated costs for projects in progress.

Most oil companies have announced increased capital budgets for 2000. Initially, we expect most of this spending to be directed towards evaluation and development of projects already in the portfolios of the oil companies. Consequently, while we expect the full recovery of the seismic market to lag the overall oilfield service sector recovery, we also expect a slowly growing share of oil company spending to flow into seismic purchases in the next two to three quarters. We do not believe that the strong Late Sales realized in Q4 accurately indicate a complete market recovery in the seismic sector.

### *Brazil*

Approximately 80% of the initial 85,000-km joint project with Schlumberger Geco-Prakla has been acquired. Northern Access is one of the three vessels currently deployed on the project. Thirteen oil companies joined the program prior to the Early Participation deadline of October 31, 1999. A second large 2D project of 45,000 kms is now underway. Early Participation for this project will remain open through the 1<sup>st</sup> quarter of 2000.

### *Gulf of Mexico*

TGS-NOPEC has just announced the final delivery of 7,800 sq kms of new 3D data, including the first phase (1,600 sq kms) of the 14,000 sq km Mississippi Canyon project. With *CGG Mistral* and *Geco Searcher* both deployed on this project, this activity represents approximately 50% of the total industry 3D activity underway in the entire Gulf of Mexico market.

### *Europe*

Acquisition of the 5,600-km Faroes-Shetland Basin 2D survey was completed in December. The Faroese Parliament announced last week that the First Licensing Round in the area will be launched on 17 February 2000.

### *Portugal/Morocco*

Zephyr-1 acquired approximately 1,800 kms of the Portugal program before moving to Morocco to start this project during January. The first pre-funding for these projects was secured this week, and management expects additional participation from oil companies imminently.

### *Mozambique/Madagascar*

TGS-NOPEC has signed an agreement with Rusk, Bertagne, and Associates to develop and market a study entitled, "*Petroleum Geology and Geophysics of the Mozambique Channel*". Approximately 31,000 kms of existing 2D seismic data will be incorporated into the study, which is aimed at providing the oil and gas industry with a comprehensive evaluation of petroleum systems and play concepts in the area.

*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, February 9th, 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)				12 Months	12 Months
	Q4 1999	Q4 1998	1999	1998	
<i>Operating Revenues</i>					
Sales	171 253	195 806	617 300	601 909	
Income sharing & Royalties	-9 401	-15 980	-29 803	-43 342	
<b>Net Operating Revenues</b>	<b>161 852</b>	<b>179 826</b>	<b>587 497</b>	<b>558 567</b>	
<i>Operating expenses</i>					
Materials	1 548	-	17 865	-	
Amortisation of Seismic Library	49 174	58 462	179 775	119 816	
Personnel costs	10 781	14 663	70 731	85 796	
Other operating expenses	15 726	16 838	62 392	61 292	
Depreciation	4 112	11 924	19 543	24 494	
Unusual Items	-	-	29 616		
<b>Total operating expenses</b>	<b>81 341</b>	<b>101 887</b>	<b>379 922</b>	<b>291 398</b>	
<b>Operating profit</b>	<b>80 511</b>	<b>77 939</b>	<b>207 575</b>	<b>267 169</b>	
<i>Financial income and expenses</i>					
Interest Income	3 597	5 409	10 608	11 561	
Interest Expense	-5 300	-4 478	-17 471	-10 089	
Exchange gains/losses	-2 335	2 126	-7 642	5 285	
<b>Net financial items</b>	<b>-4 038</b>	<b>3 057</b>	<b>-14 505</b>	<b>6 757</b>	
<b>Profit before taxes</b>	<b>76 473</b>	<b>80 996</b>	<b>193 070</b>	<b>273 926</b>	
Tax provision	31 912	31 945	73 886	97 052	
<b>Net Income</b>	<b>44 561</b>	<b>49 051</b>	<b>119 184</b>	<b>176 874</b>	
Earnings per Share(EPS)	1,86	2,06	4,97	7,46	

# TGS NOPEC Geophysical Company ASA

## Consolidated Balance Sheet

### Balance sheet as at December 31st, 1999

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

31,12,99

31,12,98

#### ASSETS

##### Long-term assets

###### *Intangible assets*

Goodwill 37 622 42 968

###### *Fixed Assets*

Buildings 33 213 33 555

Machinery and equipment 21 628 27 930

Vessels 172 726 208 671

###### *Financial Assets*

Long term receivables, included pre-payments - 12 898

##### **Total long-term assets**

**265 189**

**326 022**

##### Current assets

###### *Inventories*

Multiclient seismic Library, net 324 042 203 017

###### *Receivables*

Accounts receivable 202 234 152 751

Other short term receivables 38 986 22 352

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

Cash and cash equivalents (including money market funds) 118 242 167 593

##### **Total current assets**

**683 504**

**545 714**

#### **TOTAL ASSETS**

**948 693**

**871 736**

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## Consolidated Balance Sheet

### Balance sheet as at December 31st, 1999

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

31,12,99

31,12,98

#### LIABILITIES AND EQUITY

##### *Equity*

Share capital	24 009	23 925
Other equity	523 600	391 184
<b>Total equity</b>	<b>547 609</b>	<b>415 109</b>

#### Provisions and liabilities

##### *Provisions*

Deferred tax liability	46 525	46 313
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##### *Long term liabilities*

Mortgage loans/secured loans	142 461	156 441
Capitalised lease liabilities	41 486	37 418

##### *Current liabilities*

Short-term interest-bearing debt	18 813	-
Accounts payable and debt to partners	94 299	109 461
Taxes payable, withheld payroll tax, social security etc.	11 997	43 634
Other current liabilities	45 503	63 360

<b>Total provisions and liabilities</b>	<b>401 084</b>	<b>456 628</b>
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<b>TOTAL LIABILITIES AND EQUITY</b>	<b>948 693</b>	<b>871 736</b>
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