

# **TGS-NOPEC**

*Presentation of 4th Quarter 2003 Results  
February 12th 2004*

**Arne Helland**  
Chief Financial Officer

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Chief Executive Officer



*Exploring a World of Opportunities*

# *Presentation Outline*

- **Q4 2003 Financial Results**
- **Current Operations and Activity**
- **Outlook**

# Q4 2003 Financial Highlights

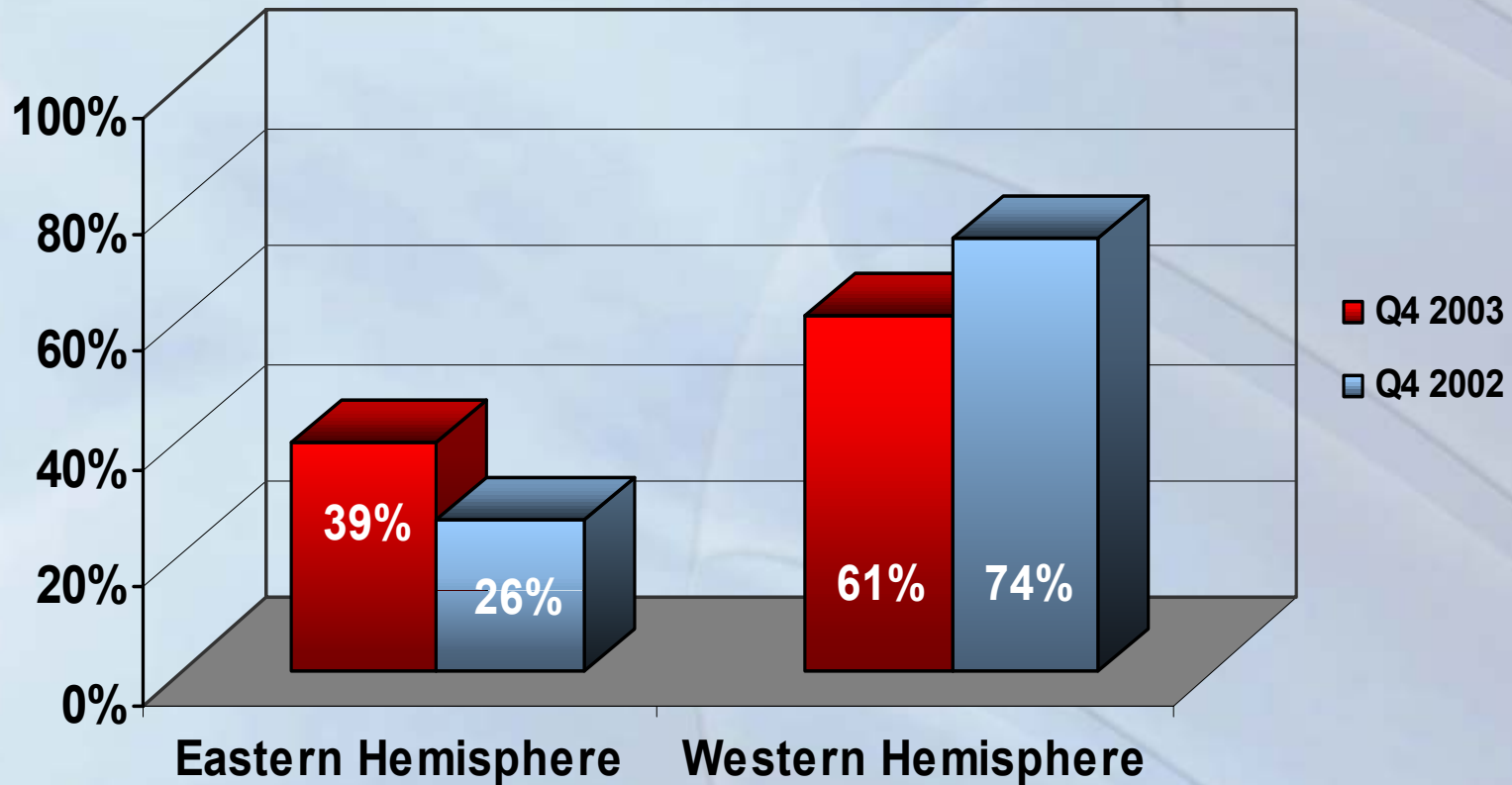
## - Consolidated

- Net Revenues 46,1 MUSD
  - Increased 29% from Q4 2002
- Net Late Sales 31,4 MUSD
  - Increased 10% from Q4 2002
- Net Pre-funding 14,2 MUSD
  - up 149% from 5,7 in Q4 2002
  - funding 62% of operational investments (USD 22,9 mill)
- MC Amortization rate 49%
- EBIT 13,6 MUSD
  - Up 49% from 9,1 MUSD in Q4 2002
  - 30% of Net Revenues
- Cash Flow from Operations 2,3 MUSD

# Q4 2003 Profit & Loss (MUSD)

	<b>Q4 2003</b>	Q4 2002	Change	%
<b>Gross Sales</b>	<b>54,4</b>	37,9	16,5	44 %
Income sharing & Royalties	<b>-8,3</b>	-2,1	-6,2	297 %
<b>Net Operating Revenues</b>	<b>46,1</b>	35,8	10,3	29 %
Materials	<b>0,8</b>	1,1	-0,3	-31 %
MCS Amortization 49 %	<b>22,5</b>	18,0	4,5	25 %
<b>Gross Margin</b>	<b>22,8</b>	16,7	6,1	37 %
Other operating expenses	<b>8,2</b>	6,4	1,8	28 %
Depreciation	<b>1,0</b>	1,2	-0,2	-16 %
<b>EBIT Bef. Non-recurr.it</b> 30 %	<b>13,6</b>	9,1	4,5	50 %
Non-recurring Items	<b>0,0</b>	0,0	0,0	100 %
<b>Operating Profit</b> 30 %	<b>13,6</b>	9,1	4,5	50 %
Net financial items	<b>-0,6</b>	-0,3	-0,3	83 %
<b>Pre-tax Profit</b> 28 %	<b>13,0</b>	8,8	4,2	48 %
Taxes	<b>3,3</b>	3,4	-0,2	-5 %
<b>Net Income</b> 21 %	<b>9,7</b>	5,3	4,4	83 %
EPS Undiluted	0,39	0,19	0,20	105 %
<b>EPS, fully diluted</b>	<b>0,37</b>	0,17	0,20	118 %

# Q4 Geographical Net Revenue Distribution - Consolidated





# 12 Months 2003 Results vs Analysts Expectations\*

(MUSD)	Actual 12M 2003	Average Analysts	Actual vs Consensus	Actual vs Consensus	High	Low	Median
Net Revenue	136.9	136.4	0.5	0%	137.8	134.7	136.7
EBIT	42.2	44.5	-2.3	-5%	45.5	43.3	44.6
Pre-tax Profit	41.1	44.0	-2.9	-7%	45.1	42.9	44.3
Net Income	28.4	29.2	-0.8	-3%	30.1	28.5	29.2
Earnings per Share	1.15	1.17	-0.02	-2%	1.21	1.15	1.17

Revenues spot on Guided for the year, up 10,03% from 2002...

Amortization 44%, in the high end of guided 39-44%

# *Changed tax calculation according to IAS 12*

- **TGS-NOPEC changed to report in functional currency USD as from 2003.**
- **Q1 through Q3 were reported applying Mgmt's expected operational tax rate as blend of local tax rates**
- **According to IAS 12, the tax charge computation in the functional currency is to be made as a function of local profits in non-USD countries and the effect of changes in exchange-rates on the accounts; Balance Sheet and P&L**
- **This makes it difficult to predict tax rates on an annual basis.**
- **Computed tax rate for 2003 is 31%, for restated 2002 27%...**

# **12 Months 2003 Financial Highlights**

## **- Consolidated**



- **Net Revenues 136,9 MUSD, up 10% compared to 12 Months 2002 (124,4 MUSD)**
- **Gross Late Sales up 4% to 109,4 MUSD**
  - Net Late Sales down 4% due to high revenue-sharing with Partners
- **Net Pre-funding 37,1 MUSD up 66% from 2002.**
  - Funding 54% of investments vs 49% in 2002
- **Operational Investments in MC library 68,7 MUSD, up 17% from 58,8 MUSD in 2002**
- **Amortization rate 44%**
- **EBIT 31% of Net Revenues, EPS 1,15.**
- **Cash Flow from Operations 18,3 MUSD**



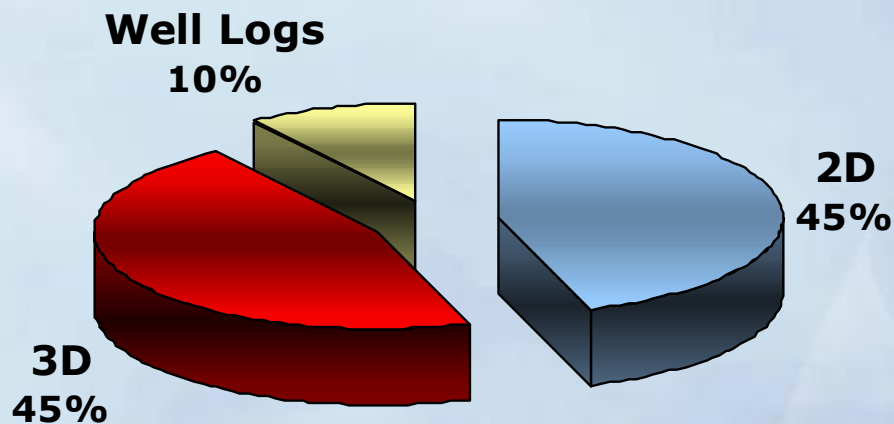
# 12 Months 2003 Profit & Loss (MUSD)

	<b>12 Months 2003</b>	12 Months 2002	Change	%
<b>Gross Sales</b>	<b>152.3</b>	132.1	20.2	15%
Income sharing & Royalties	<b>-15.4</b>	-7.7	-7.8	101%
<b>Net Operating Revenues</b>	<b>136.9</b>	124.4	12.5	10%
Materials	<b>2.6</b>	3.0	-0.4	-14%
MCS Amortization 44%	<b>58.3</b>	48.7	9.6	20%
<b>Gross Margin</b>	<b>76.0</b>	72.7	3.3	5%
Other operating expenses	<b>29.6</b>	22.9	6.6	29%
Depreciation	<b>4.3</b>	3.6	0.7	21%
<b>EBIT Bef. Non-recurr.it</b> 31%	<b>42.2</b>	46.3	-4.1	-9%
Non-recurring Items	<b>0.0</b>	5.1	-5.1	100%
<b>Operating Profit</b> 31%	<b>42.2</b>	41.2	1.0	2%
Net financial items	<b>-1.1</b>	-0.4	-0.7	158%
<b>Pre-tax Profit</b> 30%	<b>41.1</b>	40.7	0.3	1%
Taxes	<b>12.7</b>	11.1	1.6	14%
<b>Net Income</b> 21%	<b>28.4</b>	29.6	-1.2	-4%
EPS Undiluted	1.15	1.20	-0.05	-4%
<b>EPS, fully diluted</b>	<b>1.07</b>	1.12	-0.05	-4%

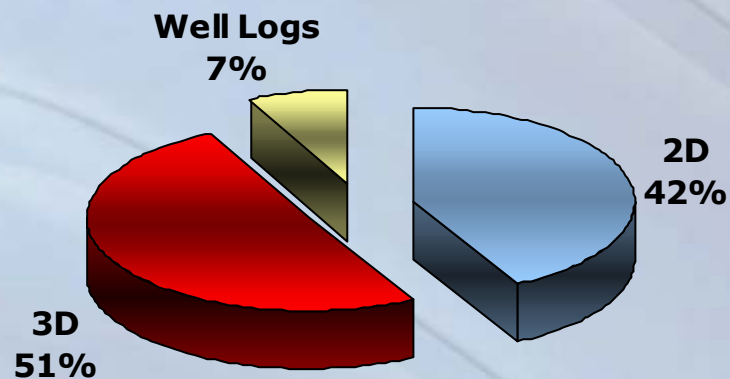
-> Tax rate for 2003 = 31%, for 2002 = 27%

# Full Year Net Revenues - Per Segment

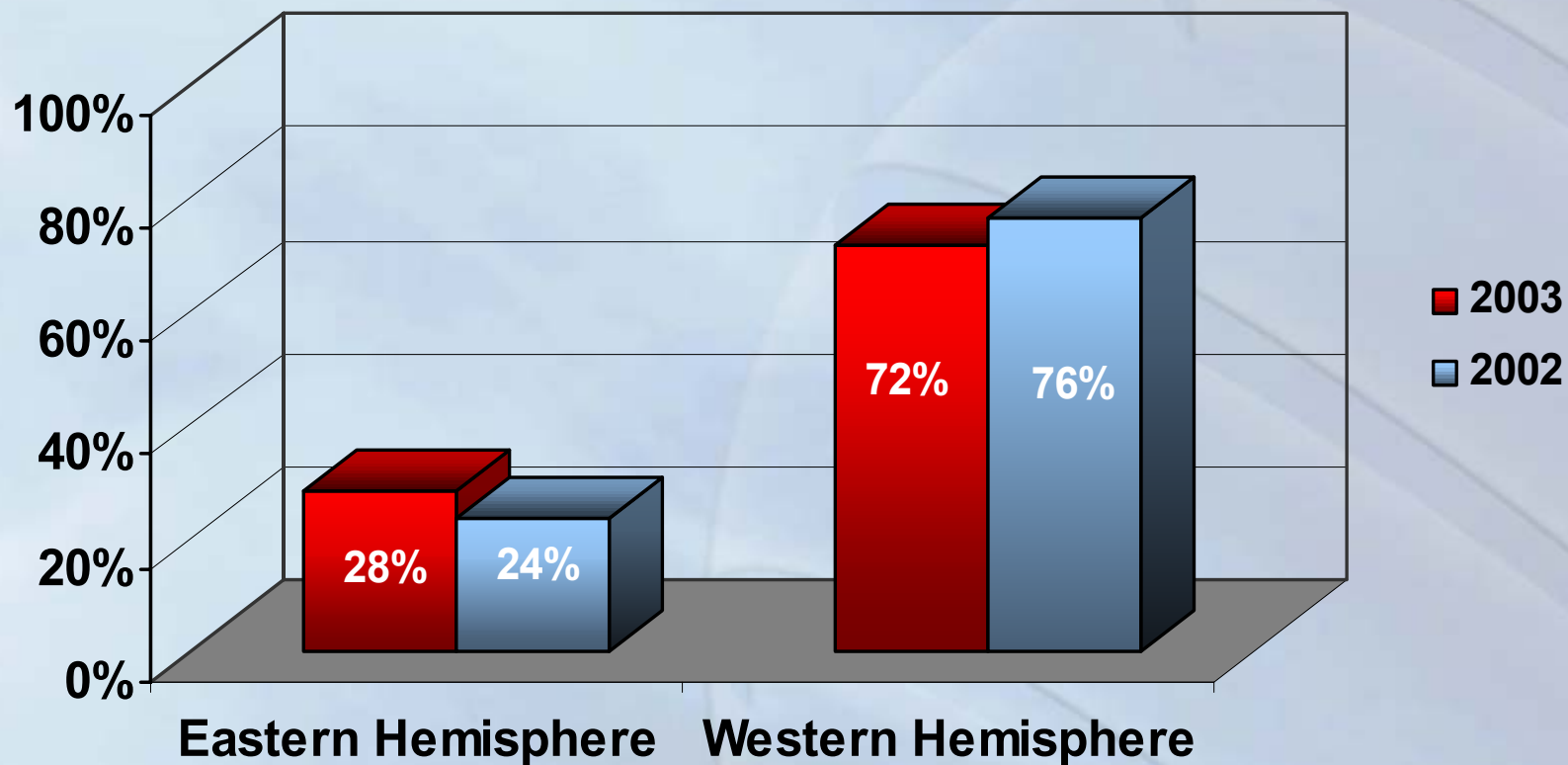
**2003**



**2002**



# Full Year Geographical Net Revenue Distribution - Consolidated



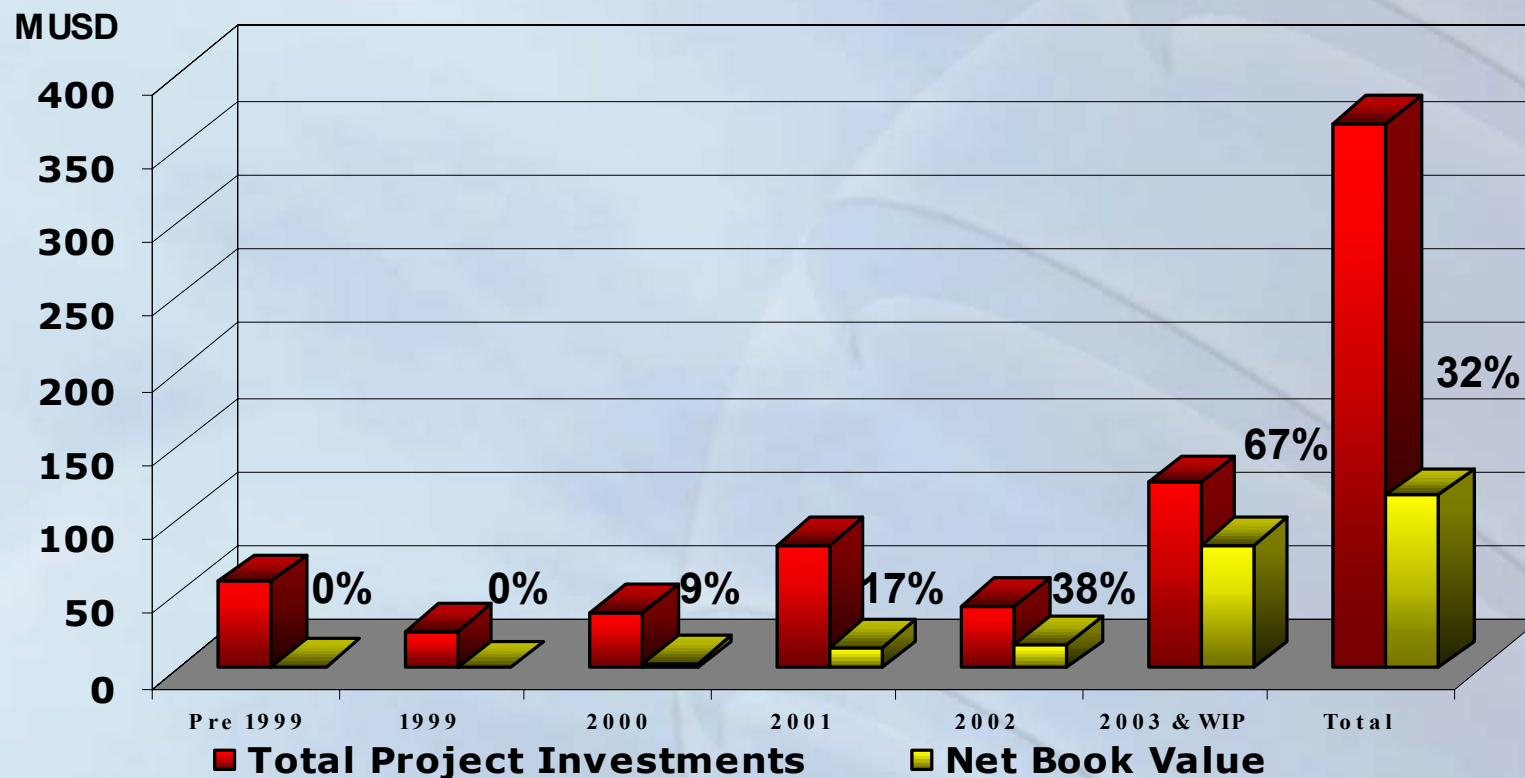
# *MCS Accounting – Matching Principle*



- Accounting Standards recommend to match Revenues and Costs in time
- TGS-NOPEC 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
- The application of such rules varies from company to company, some allowing for longer lifetimes and less amortization in the first years.

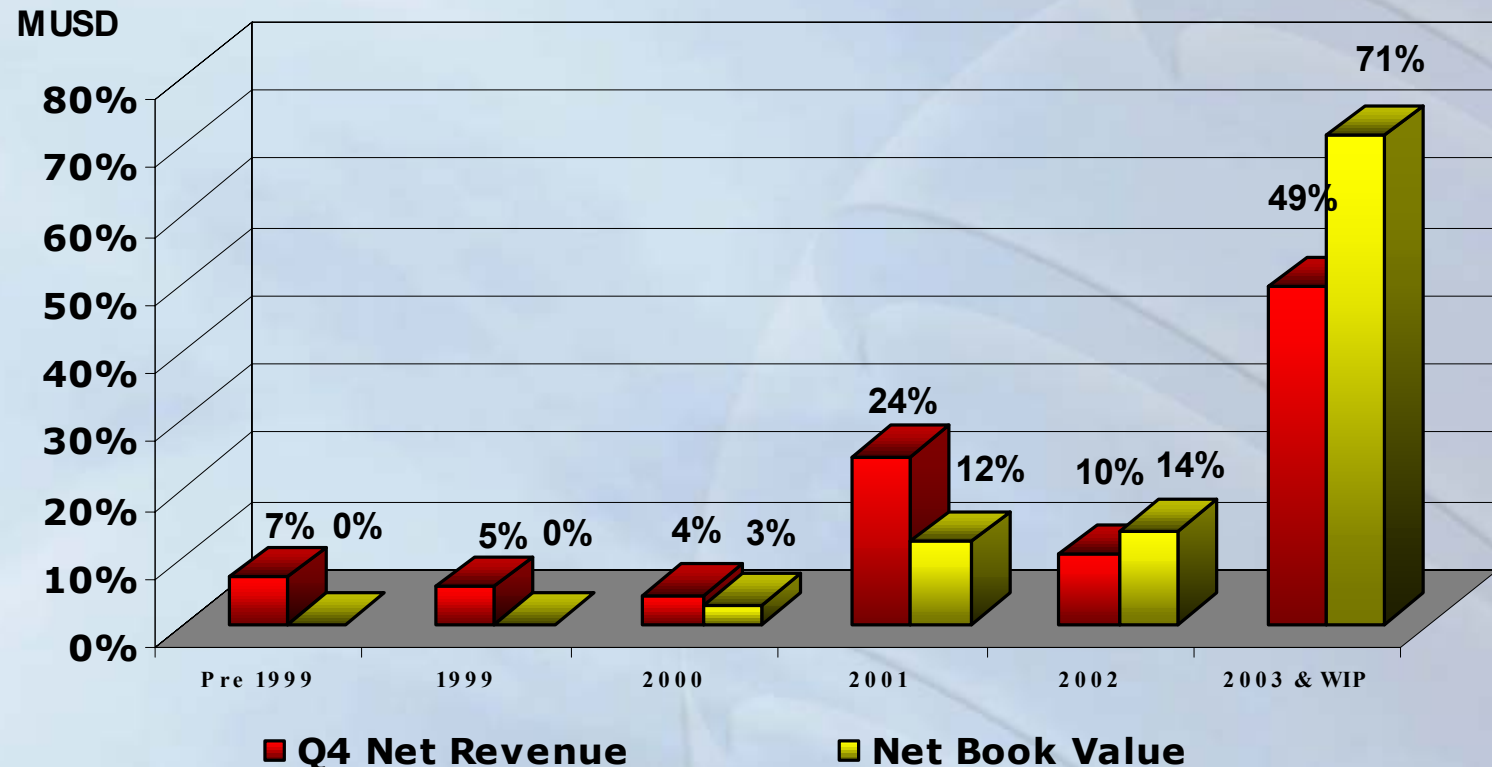
# Multi-Client Library NBV in % of Original Investment

## – Seismic Segment – December 31, 2003





# Q4 2003 Multi-Client Net Revenues & NBV Per Vintage - Seismic Segment



-Only 3% of the NBV relates to surveys older than 2001

-These vintages generated 16% of the revenue

# Balance Sheet - Key Figures



(MUSD)	Dec-03	%	Dec-02	%
<b>Assets</b>				
Cash	<b>18</b>	7%	<b>18</b>	8%
Other Current Assets	<b>71</b>	28%	<b>63</b>	28%
MC Library	<b>133</b>	53%	<b>118</b>	52%
<b>Total Current Assets</b>	<b>222</b>	89%	<b>199</b>	87%
Goodwill & Long Receiv	<b>20</b>	8%	<b>22</b>	10%
Fixed Assets	<b>8</b>	3%	<b>7</b>	3%
<b>Total Assets</b>	<b>250</b>	100%	<b>229</b>	100%
<b>Liabilities</b>				
Short-term debt	<b>1</b>	0%	<b>7</b>	3%
Current Liab	<b>38</b>	15%	<b>36</b>	16%
Long term Loans	<b>7</b>	3%	<b>15</b>	6%
Deferred tax	<b>8</b>	3%	<b>4</b>	2%
<b>Equity</b>	<b>196</b>	78%	<b>166</b>	73%

**Cash in excess of Interest bearing debt MUSD 10,0 (Dec-03)**

# Q4 2003 Cash Flow Statement

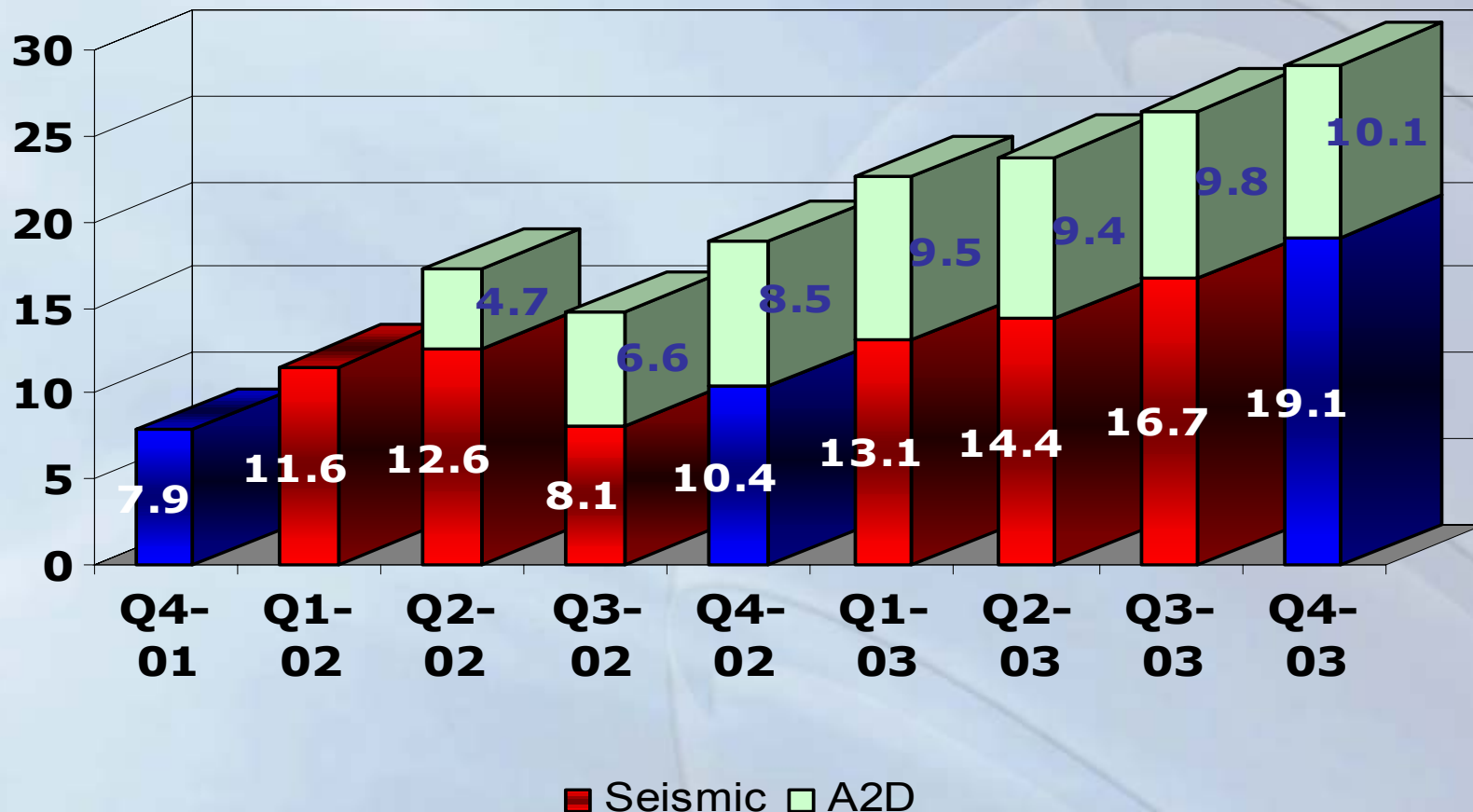
Payments From Sales Received	26.8
Investments MC	-20.1
Operational Costs Paid	-5.1
Taxes Paid	1
<b>Operational Cash Flow</b>	<b>2.3</b>
Investments Fixed Assets	-0.5
Investment in Riley	-6.5
Net Change in Long Term Receivables	0.8
Net Change in Loans	0.7
Paid in Equity	0.4
<b>Change in Cash Balance</b>	<b>-2.8</b>

# Full Year 2003 Cash Flow Statement

Payments From Sales Received	129.2
Investments MC	-79.6
Operational Costs Paid	-19.9
Taxes Paid	-11
<b>Operational Cash Flow</b>	<b>18.3</b>
Investments Fixed Assets	-1.5
Investment in Riley	-6.5
Net Change in Long Term Receivables	2.0
Net Change in Loans	-13.1
Paid in Equity	0.4
<b>Change in Cash Balance</b>	<b>-0.4</b>

# Backlog in Seismic & Well Log Segments - At end of Quarter

MUSD





# Operational Highlights

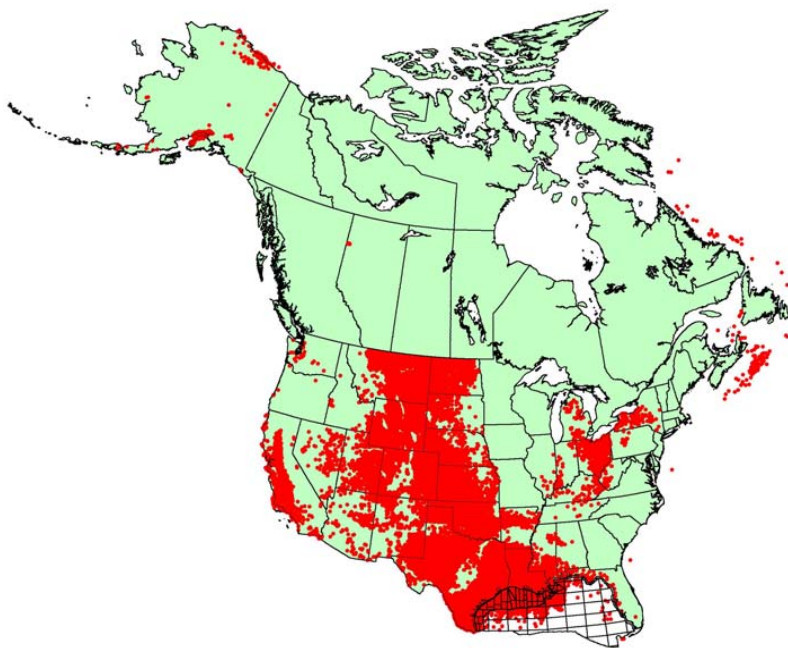
- An unusual Q4 - no very large scale single transactions. Sales were well-balanced, from a broad range of customers in a broad range of areas and projects.
- Completed the acquisition of Riley Electric Log
- Additions to the library focused primarily in the Gulf of Mexico, followed by Eastern Canada and Greenland
- Completed delivery of Phase 50 2D
- Expanded and accelerated the “Deep Resolve” 3D project
- Launched major new 3D reprocessing project, “MC Revival”, 14,000 square kilometers
- Despite late announcement, realized significant sales related to Norway’s 18<sup>th</sup> Round

# *Latest M&A transaction: Riley Electric Log*

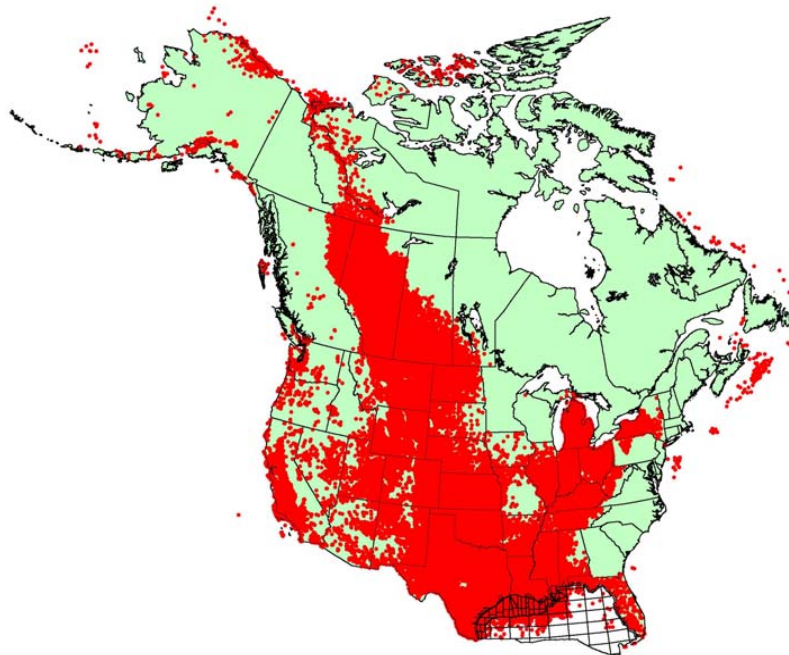
- December-03: Completed the acquisition of all shares of Riley Electric Log plus a perpetual license to market ~ 1.2 million Canadian well log images
- Purchase price \$9 million
- Assets merged into A2D Technologies
- Riley owns the most comprehensive and complete set of hard copy well logs in the US, over 3 million
- Expect transaction to increase A2D's annual revenues by 30%
- Main value drivers:
  - Feedstock for completion of the US digital well log library, enhancing the value of our "Total Well Log Solution"
  - Large-scale entry into the market for Canadian well logs, 1.2 million images

# A2D North American Well Log Coverage

Pre-transaction



Post-transaction





# Deep Resolve 3D – Expanded, Accelerated

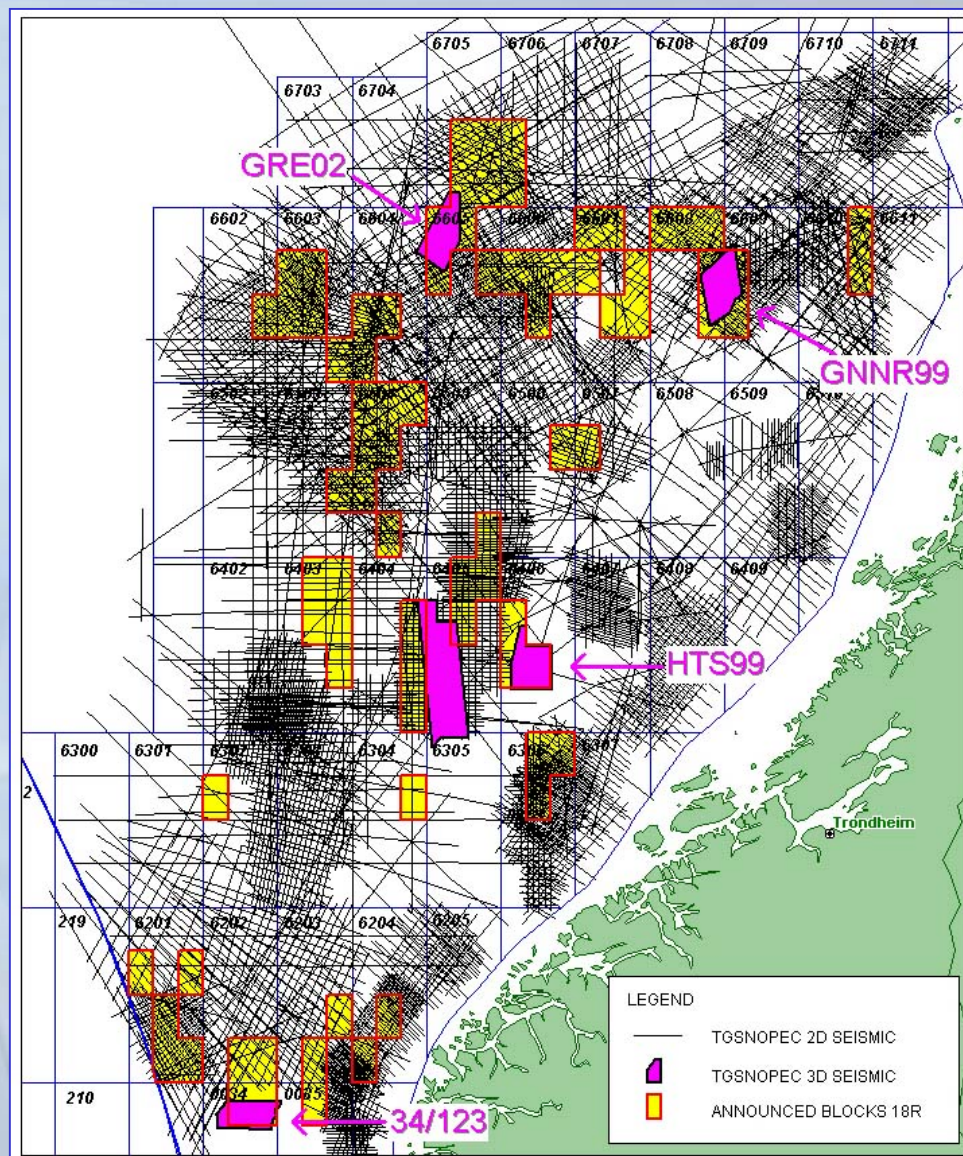
9	110	111	112	113	114	115	21	22	23	24	25	52	53	54	55	56	57	58	59	60	62	63	64	
2	121	120	119	118	117	116	74	73	72	71	70	69	68	67	66	65	64	63	62	61	73	72	71	
3	134	135	136	137	138	139	75	76	77	78	79	80	81	82	83	84	85	86	87	88	74	75	76	
16	145	144	143	142	141	140	98	97	96	95	94	93	92	91	90	89	126	125	124	123	85	84	83	
57	158	159	160	161	162	163	99	100	101	102	103	104	105	106	107	127	128	129	130	131	86	87	304	
70	169	168	167	166	165	164	112	111	110	109	108	140	139	138	137	136	135	134	133	132	88	347	348	
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101	302	303	304	305	306	307	272	273	274	275	276	294	293	292	291	290	289	288	287	286	787	788		
114	313	312	311	310	309	308	299	298	297	296	295	305	306	307	781	782	783	784	785	786				
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138	337	336	335	334	333	332	315	314	313	312	311	310	309	308	868	869	870	871	872	873	874	875	876	
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159	358	357	356	903	904	905	906	907	908	909	910	911	910	909	908	907	906	905	904	903	961	962	963	964
368	944	945	946	947	948	949	950	951	952	953	954	955	956	957	958	959	960	961	962	963	964			
	988	989	990	991	992	993	994	995	996	997	998	999	1000	1001	1002	1003	1004	1005	1006	1007	1008			
	1009	1010	1011	1012	1013	1014	1015	1016	1017	1018	1019	1020	1021	1022	1023	1024	1025	1026	1027	1028	1029	1030	1031	1032

- First new generation shelf 3D based on Phase 50 long offset 2D survey
- Expanded to 5,300 sq kms, > 225 OCS blocks
- Acquisition started in Sept '03
- Combination of complex 2-vessel streamer operation and an OBC crew due to obstructions in area
- Supported with good pre-funding



# 18th Round - Norway

- Excellent 2D coverage
- Four 3D's within announced blocks
- Block announcements made 16 December '03
- Applications due by 15 March '04
- Awards expected in early summer '04





# *Key 2004 Licensing Rounds*



- **Norway 18<sup>th</sup> Round: applications due in March 2004**
- **Central GoM Lease Sale: March 2004**
- **UK SEA4 area, West of Shetland: opens in February, closes May '04**
- **Greenland: opens in April, closes October 2004**
- **Brazil Round 6: August 2004**
- **Western GoM Lease Sale: August 2004**
- **Liberia: opens in April, closes November 2004**

# Market Conditions & Outlook



- Excellent oil company financial results. Strong cash flows and reduced debt levels.
- Replacement of reserves through exploration is becoming a higher priority.
- Most industry surveys point to a modest increase in E & P expenditures from oil companies in 2004 ( 3 to 10% ).
- Correlation to seismic spending difficult to pin down, but we expect some strengthening in demand for seismic.
- Major seismic contractors have all indicated plans to reduce multi-client investments in 2004.

# *TGS-NOPEC 2004 Expectations*

- Continued market share gain in multi-client data sector
- ~15% increase in Net Revenues over 2003
- Multi-client library investments of USD 75 – 80 million
- Average annual pre-funding of 45 – 55 %
- Average annual amortization rate of 42 – 47 % of net multi-client revenues