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## **Presentation of the 4<sup>th</sup> Quarter & Full Year 2008 Results**

### **February 12<sup>th</sup> 2009**

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

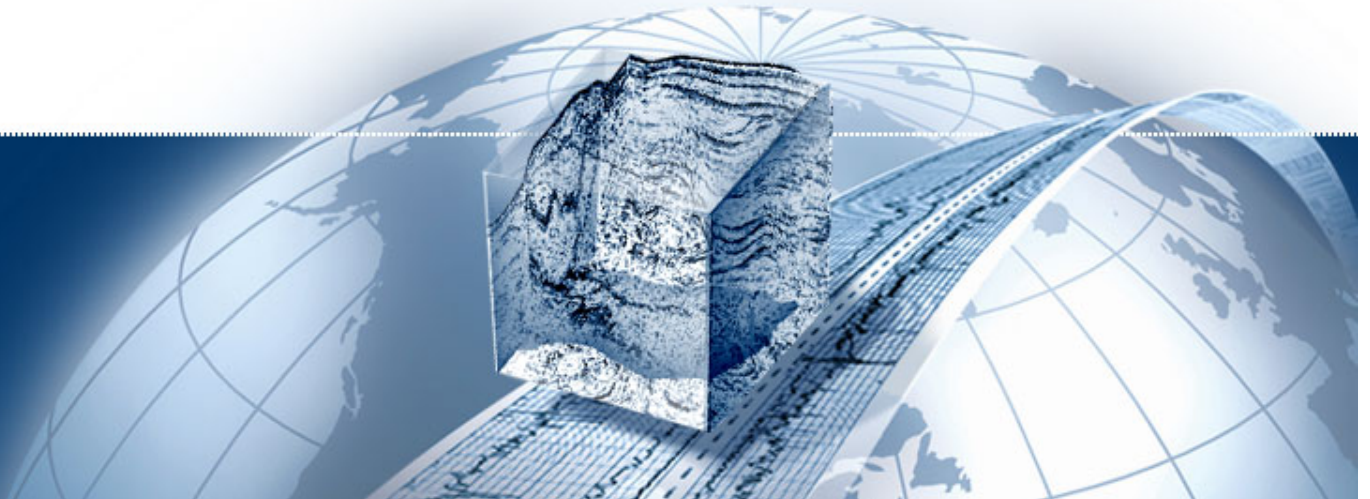
**Arne Helland**  
**Chief Financial Officer**

**Robert Hobbs**  
**Chief Operating Officer**

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



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.

## 2008 Full year expectations fulfilled:

- Multi-Client Investments USD 287 million (USD 275 – 300 million)
- Average Pre-funding 50% (45 – 55%)
- Average Multi-Client Amortization rate 35% (32 – 37% )
- Net Revenues USD 582 million (USD 560 – 590 million)
  - (Without WAVE settlement Net Revenues USD 566 mill)
- Contract Revenues 14.5% of Total Revenues (10 – 15% )

# TGS's benefits from Wavefield settlement

- **USD 12.5 million cash in two annual installments**
- **18 month 2D vessel charter at attractive rates (valued under IFRS accounting rules at USD 1.7 million (NPV))**
- **Options for up to 24 months of 3D vessel hire at attractive rates (valued under IFRS accounting rules at USD 2.6 million (NPV))**
- **All claims from both sides are waived**

# Q4 2008 Financial Highlights

- **Gross Revenues 13% higher than Q4 2008**
  - includes 16.6 MUSD recognized from the settlement with Wavefield-Inseis
- **Net Revenues up 2% to 172.4 MUSD in Q4 2008**
- **Net Late Sales 104.1 MUSD, down 21% from Q4 2007 partly due to higher revenue sharing.**
- **Net prefunding 67% of operational Investments (56.1 MUSD)**
- **Reported EBIT Margin 46%**
  - after 4.4 MUSD merger costs and bad debt provision USD 4.0 million expensed
- **Unrealized financial loss on shares held in Wavefield-Inseis 9.3 MUSD**
- **Cash flow from operations before investments USD 110.3 million**
  - vs USD 54.6 million in Q4 2007

## Q4 2008 PROFIT & LOSS (MUSD)

		Q4 2008	Q4 2007	Change	%
<b>Net Operating Revenues</b>		<b>172.4</b>	168.3	4.1	2%
Materials		<b>2.9</b>	11.8	(8.9)	-75%
MC Amortization	39%	<b>55.4</b>	41.2	14.1	34%
<b>Gross Margin</b>		<b>114.1</b>	115.3	(1.2)	-1%
Other Operating Expenses		<b>30.6</b>	23.6	7.0	30%
Cost of Stock Options		<b>0.6</b>	0.6	(0.0)	-1%
Depreciation		<b>2.8</b>	3.1	(0.2)	-8%
<b>Operating Profit</b>	46%	<b>80.0</b>	88.0	(7.9)	-9%
Net Financial Items		<b>10.1</b>	(21.7)	31.8	-147%
<b>Pre-tax Profit</b>	52%	<b>90.2</b>	66.2	23.9	36%
Taxes		<b>31.5</b>	17.4	14.2	82%
<b>Net Income</b>	34%	<b>58.6</b>	48.9	9.8	20%
EPS, undiluted		<b>0.57</b>	0.47	0.10	21%
<b>EPS, fully diluted</b>		<b>0.56</b>	0.46	0.09	20%

# Q4 2008 CASH FLOW

	Q4 2008	Q4 2007
Payments from Sales Received	152.3	101.1
Operational Costs Paid	(29.3)	(32.5)
Gain/(Loss) from Currency Exchange	0.5	(0.9)
Taxes Paid	(13.2)	(13.0)
<b>Operational Cash Flow</b>	<b>110.3</b>	<b>54.6</b>
Investments in Fixed Assets	0.5	(1.8)
Investments in Multi-Client	(73.3)	(25.0)
Other items	(5.6)	(5.0)
<b>Net Change in Cash</b>	<b>32.0</b>	<b>22.8</b>

# Full Year 2008 Financial Highlights

- **Net Revenues up 29% to 582.4 MUSD in 2008**
  - Net Late Sales 337.5 MUSD, up 8% from 2007
  - Net Pre-funding revenues up 69% to 144.2 MUSD
  - Proprietary and Other revenue up 83% to 100.7 MUSD
- **Operational Investments 287.0 MUSD, 50% pre-funded**
  - vs. 136.3 MUSD in 2007, 63% pre-funded
- **Reported EBIT Margin 269.0 MUSD, 46% of Net Revenues**
- **Loss on Financial Assets held 83.3 MUSD**
  - unrealized loss on shares held in Wavefield-Inseis of 75.1 MUSD
- **Cash flow from operations a. tax but before investments 350.8 MUSD**
  - vs. 269.7 MUSD in 2007

## 2008 PROFIT & LOSS (MUSD)

		12M 2008	12M 2007	Change	%
<b>Net Operating Revenues</b>		<b>582.4</b>	452.8	129.7	29%
Materials		<b>36.2</b>	30.3	5.9	20%
MC Amortization	35%	<b>169.3</b>	116.2	53.1	46%
<b>Gross Margin</b>		<b>376.9</b>	306.3	70.6	23%
Other Operating Expenses		<b>94.6</b>	70.1	24.6	35%
Cost of Stock Options		<b>2.6</b>	3.7	(1.1)	-29%
Depreciation		<b>10.6</b>	10.6	0.1	1%
<b>Operating Profit</b>	46%	<b>269.0</b>	222.0	47.0	21%
Net Financial Items		<b>(65.8)</b>	(24.6)	(41.2)	168%
<b>Pre-tax Profit</b>	35%	<b>203.2</b>	197.4	5.8	3%
Taxes		<b>89.4</b>	62.4	27.0	43%
<b>Net Income</b>	20%	<b>113.8</b>	135.0	(21.2)	-16%
EPS, undiluted		<b>1.10</b>	1.29	(0.19)	-14%
<b>EPS, fully diluted</b>		<b>1.08</b>	1.26	(0.19)	-15%

# 2008 CASH FLOW

	12M 2008	12M 2007
Payments from Sales Received	538.4	425.4
Operational Costs Paid	(127.4)	(100.0)
Gain/(Loss) from Currency Exchange	-	(15.7)
Taxes Paid	(60.1)	(40.0)
<b>Operational Cash Flow</b>	<b>350.8</b>	<b>269.7</b>
Investments in Fixed Assets	(3.6)	(18.9)
Investments in Multi-Client	(284.7)	(133.0)
Other items	3.8	(83.5)
<b>Net Change in Cash</b>	<b>66.4</b>	<b>34.3</b>

# Balance Sheet – Key Figures

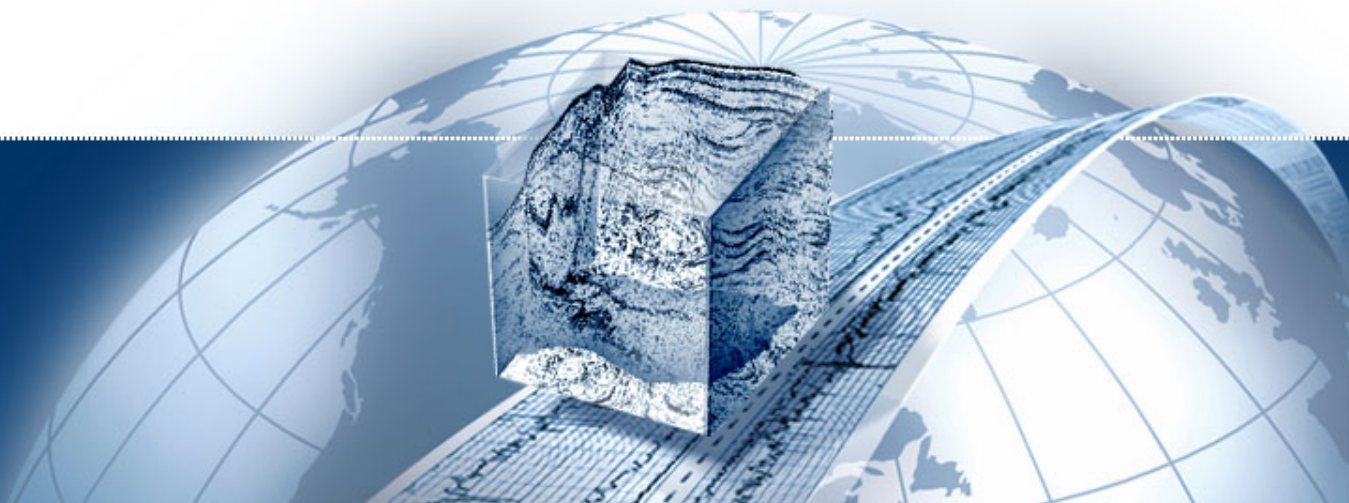
	12/31/2008	%	9/30/2008	%	12/31/2007	%
<b>Assets</b>						
Cash	148.3	16%	116.4	12%	82.0	10%
Investments Available for Sale	51.1	5%	56.2	6%	91.4	11%
Other Current Assets	298.1	31%	307.3	33%	326.8	38%
<b>Total Current Assets</b>	<b>497.5</b>	<b>52%</b>	<b>479.8</b>	<b>51%</b>	<b>500.2</b>	<b>59%</b>
Intangible Assets & LT Receivables	99.1	10%	93.8	10%	109.3	13%
MC Library	335.0	35%	334.2	36%	217.4	25%
Fixed Assets	22.7	2%	26.7	3%	25.8	3%
<b>Total Assets</b>	<b>954.3</b>	<b>100%</b>	<b>934.6</b>	<b>100%</b>	<b>852.6</b>	<b>100%</b>
<b>Liabilities</b>						
Short-term debt	42.9	4%	51.3	5%	-	0%
Current Liabilities	194.7	20%	229.3	25%	191.1	22%
Long-term loans	0.0	0%	0.0	0%	55.9	7%
Deferred Tax Liability	55.7	6%	38.4	4%	37.8	4%
<b>Equity</b>	<b>661.1</b>	<b>69%</b>	<b>615.6</b>	<b>66%</b>	<b>567.8</b>	<b>67%</b>

# Multi-Client Library

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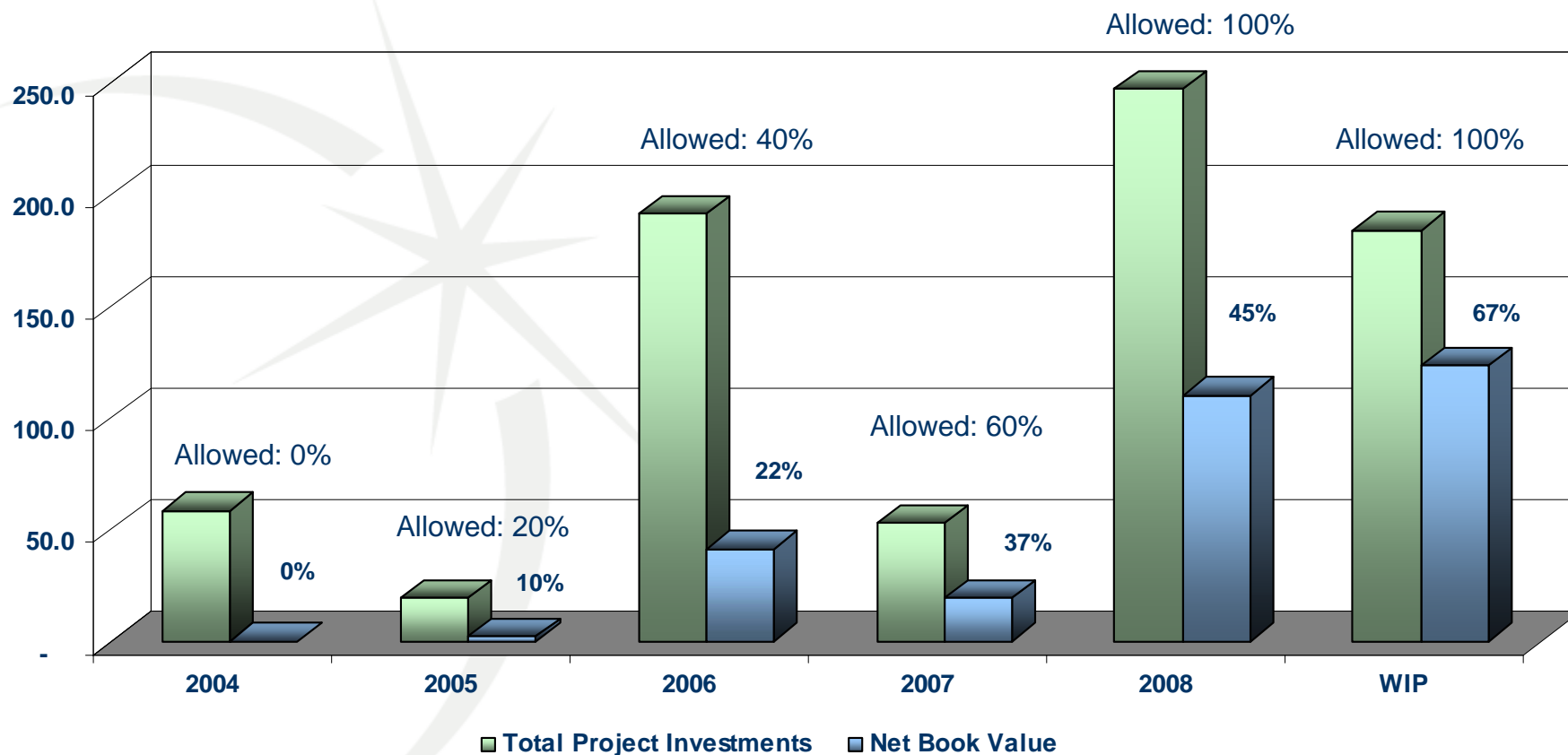
# MCS Accounting – Matching Principle

- 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

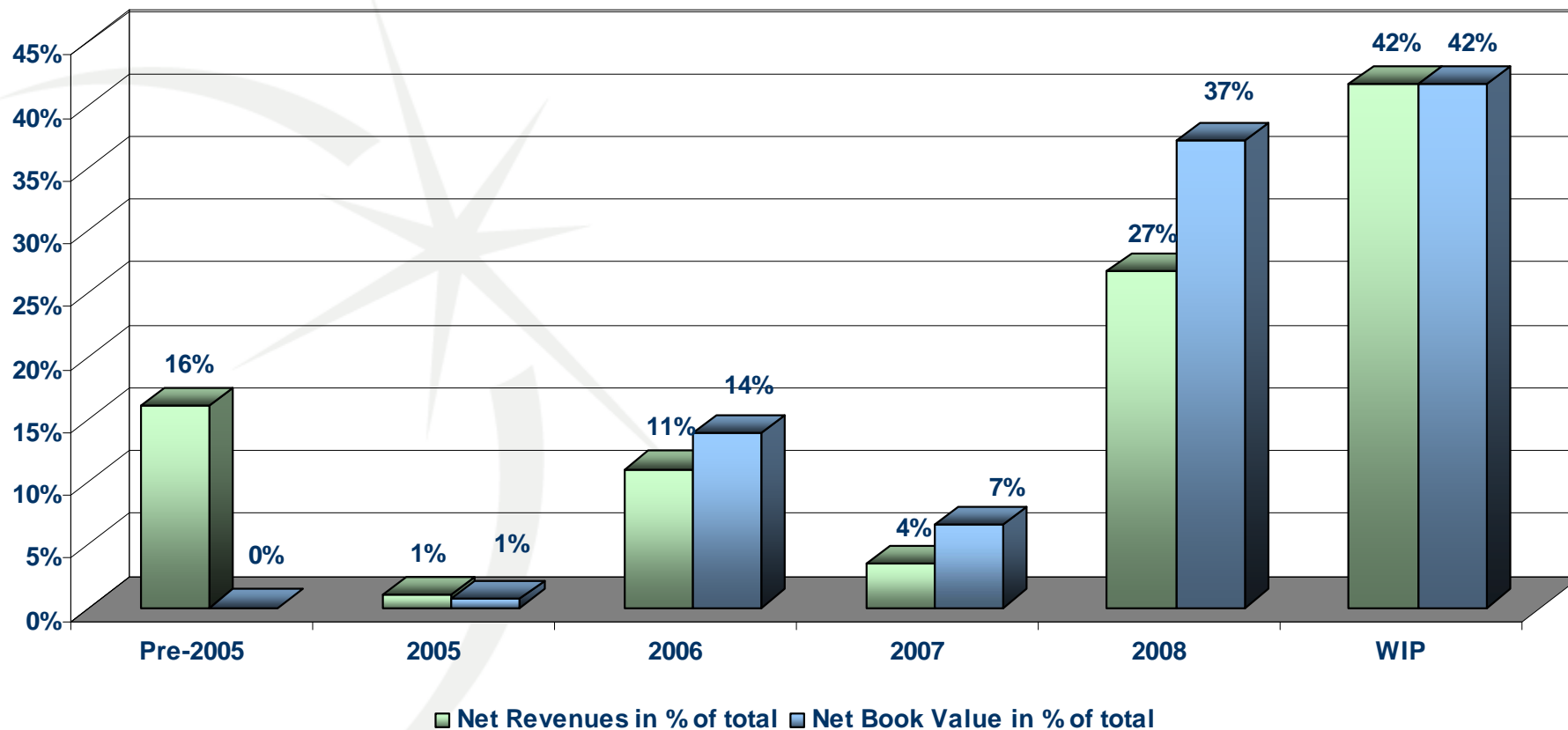
Seismic Surveys as of December 31st 2008

Vintages still carrying a Net Book Value



# Q4 2008 Multi-Client Net Revenues & Ending NBV

## - Seismic Surveys



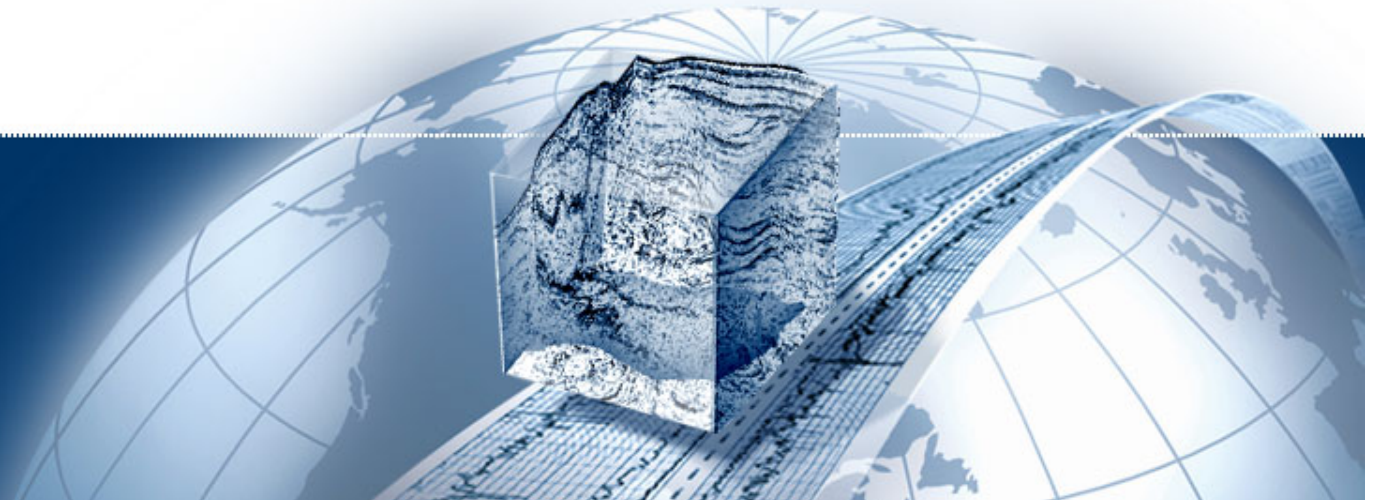
# Operations

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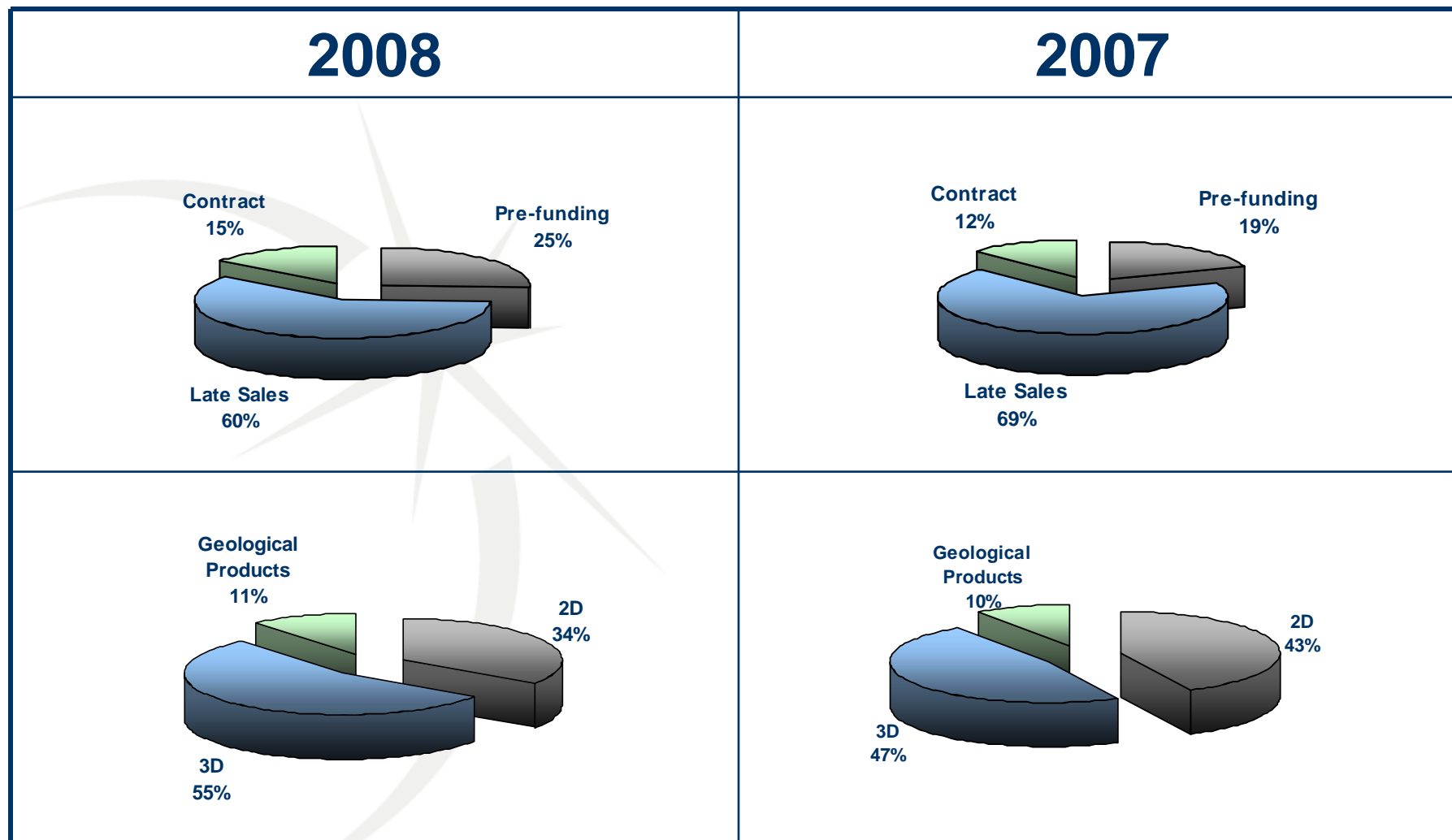
**Robert Hobbs**  
**Chief Operating Officer**



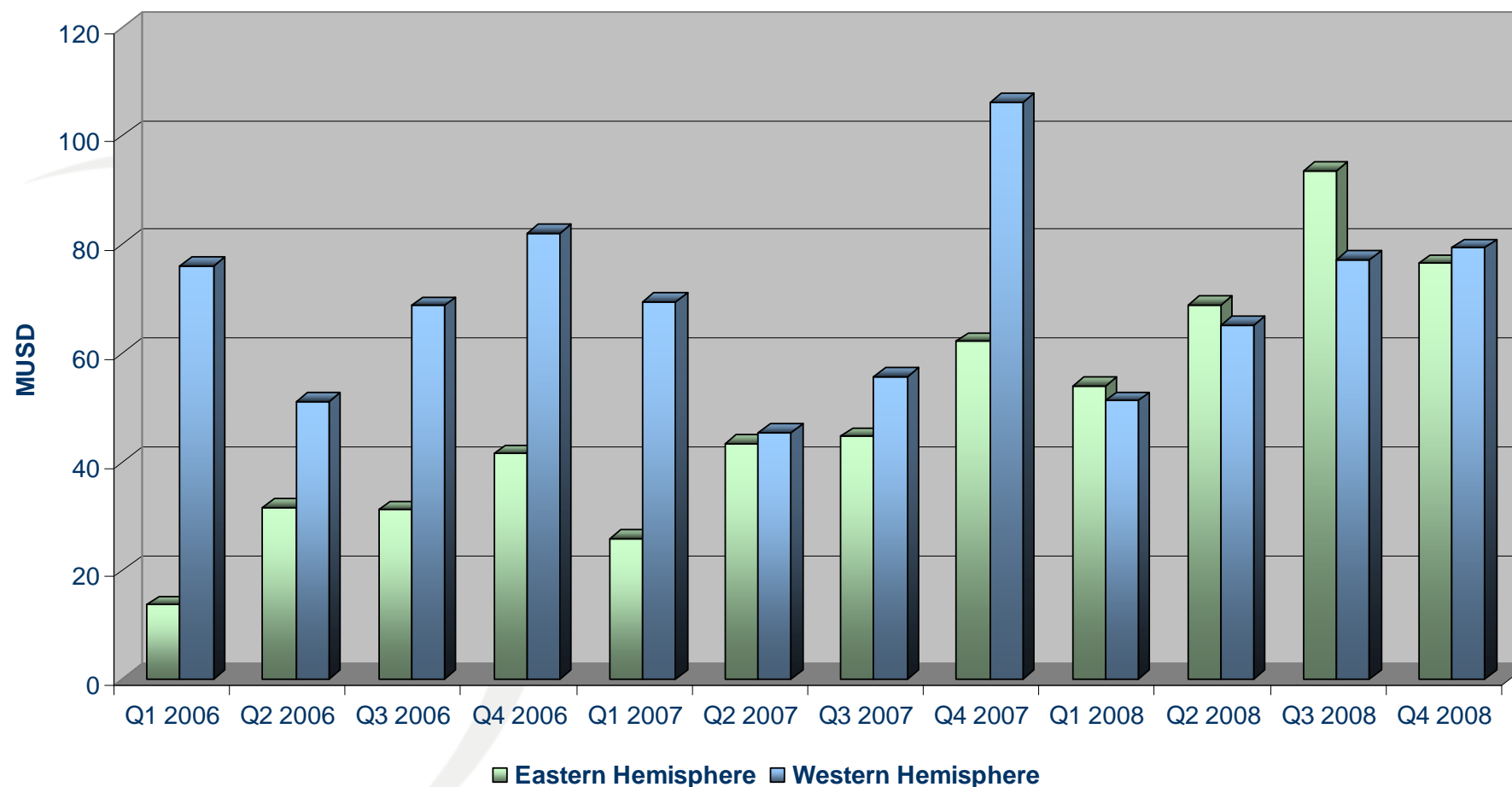
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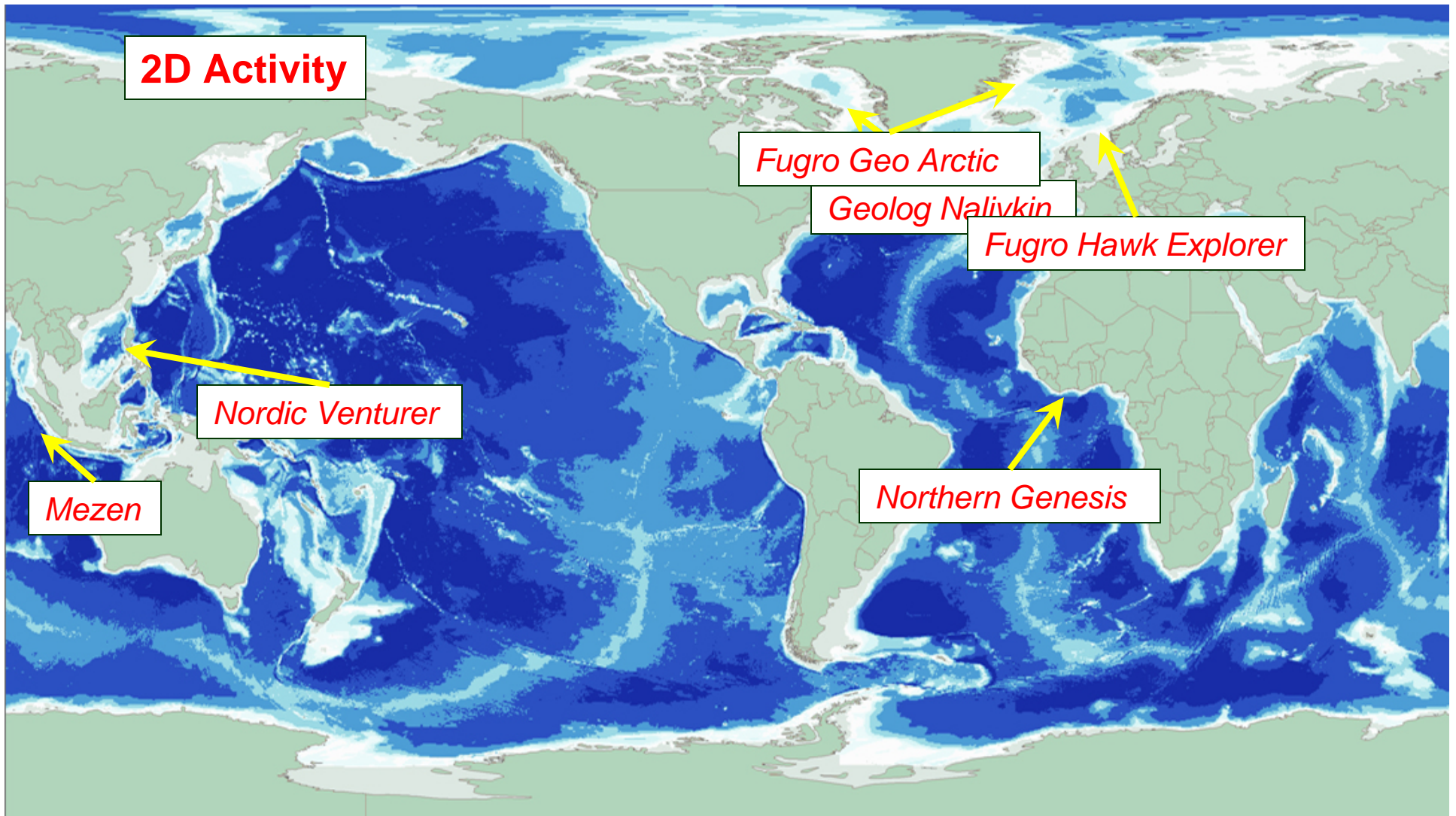
# 2008 vs. 2007 Net Revenue Breakdown



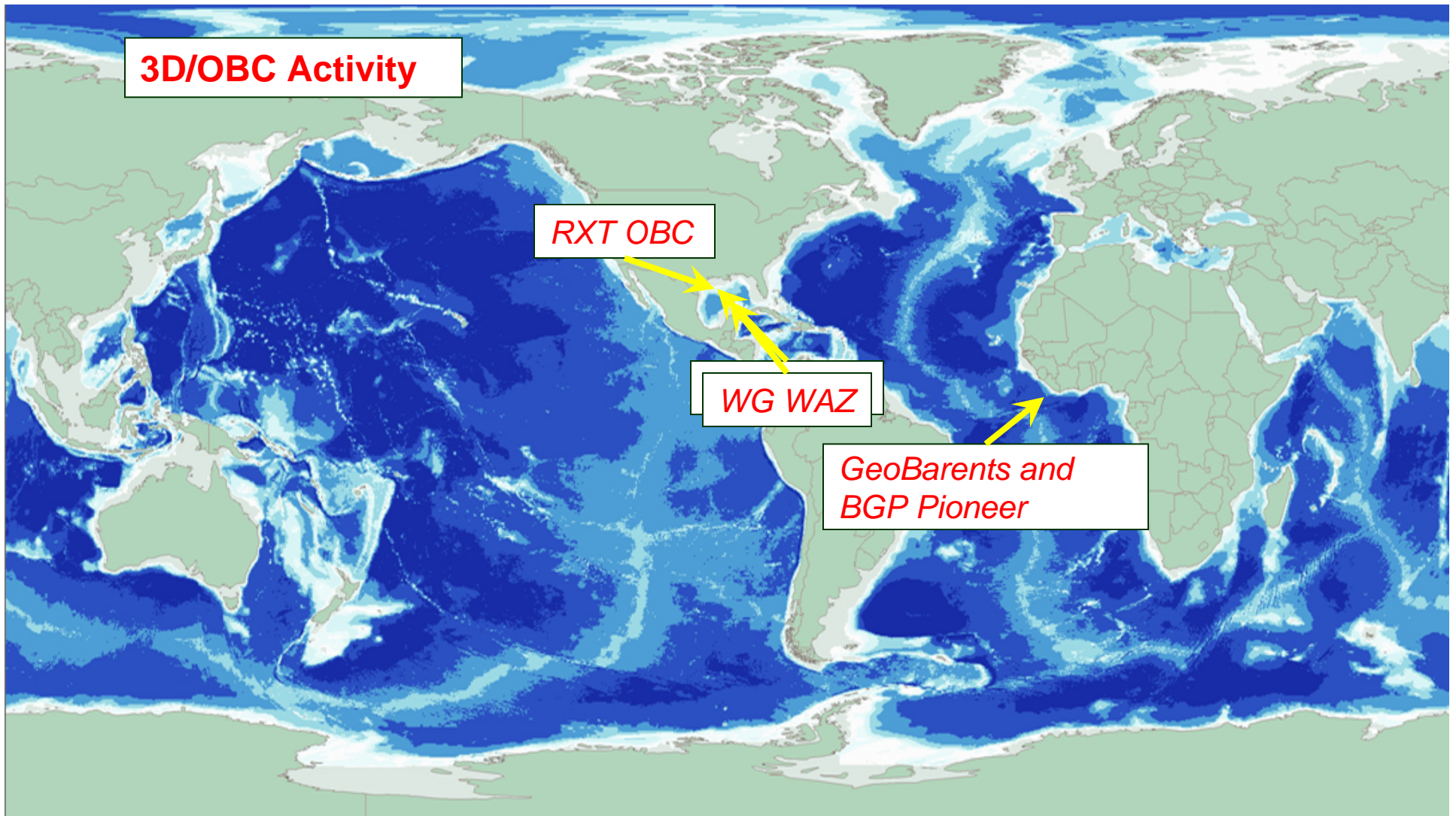
# 3-year Geographical Net Revenue Breakdown



# Q4 Operational Review



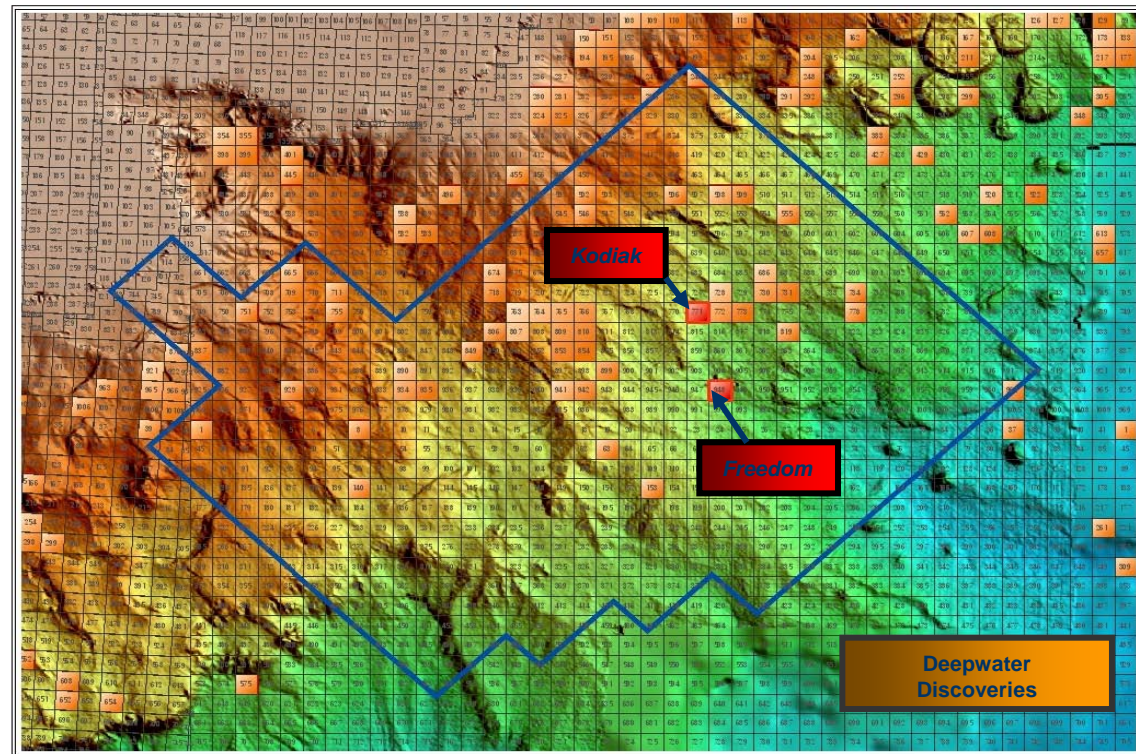
# Q4 Operational Review



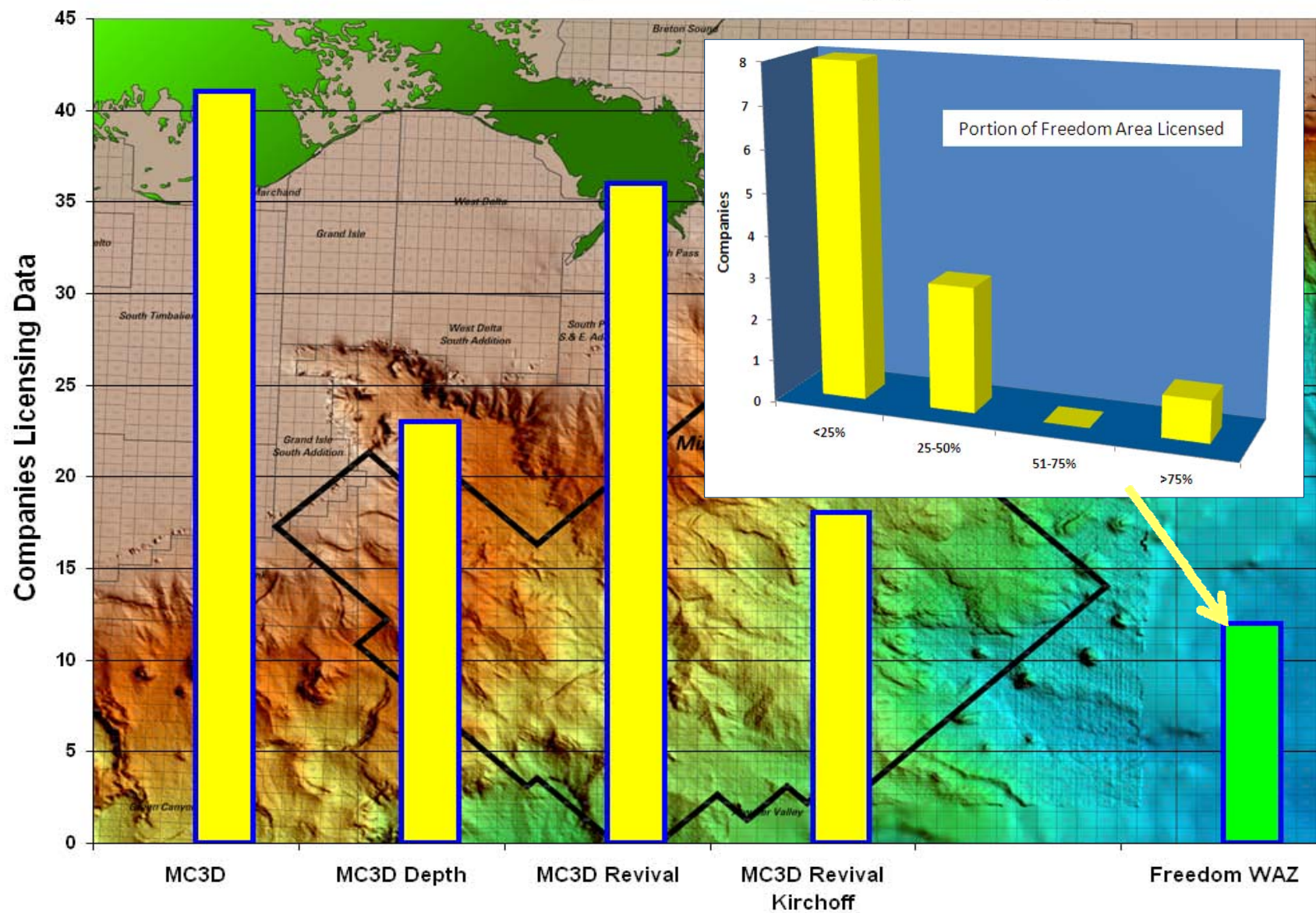
# North America

## ● MC Freedom WAZ Project

- Acquisition on schedule (48% Complete)
- Acquisition suspended from October 3
- Return to a dual-receiver vessel crew in late February
- Recent announced discoveries in central portion of survey



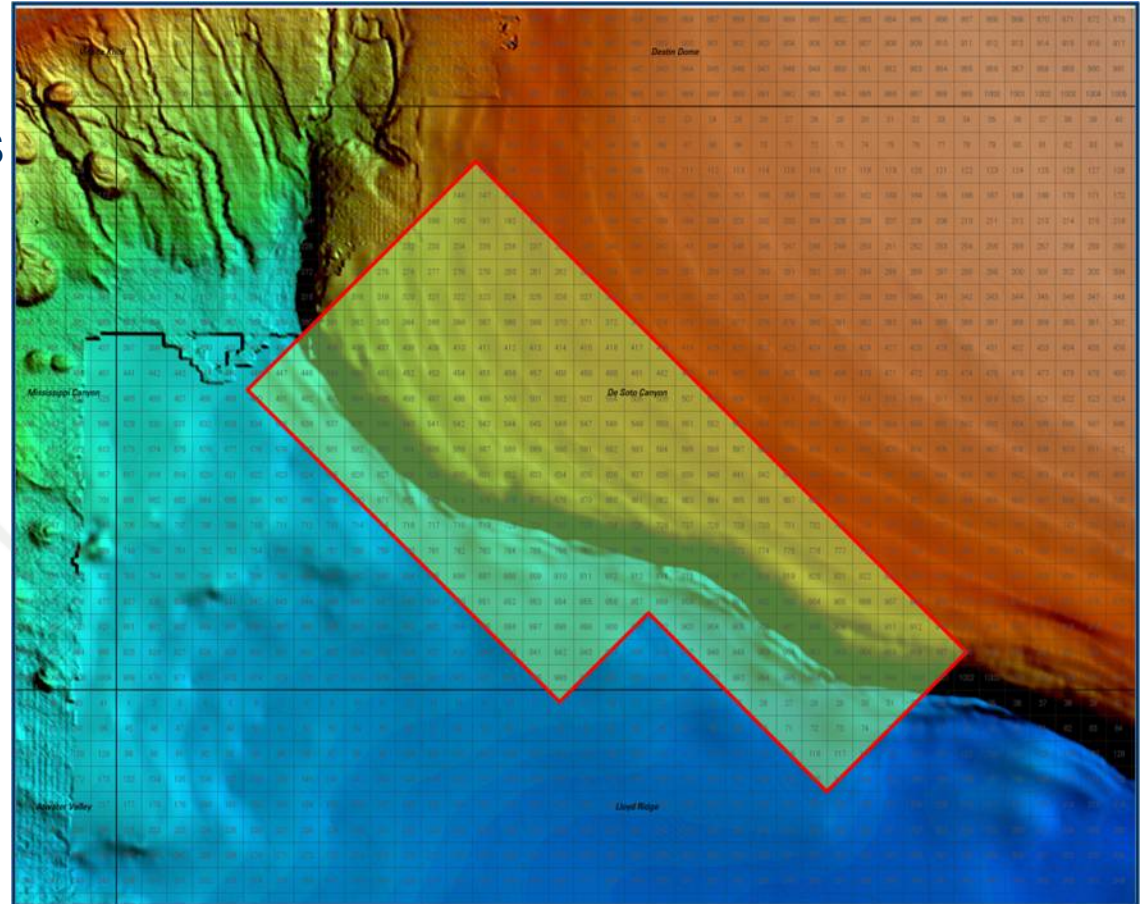
# Seismic History of Mississippi Canyon



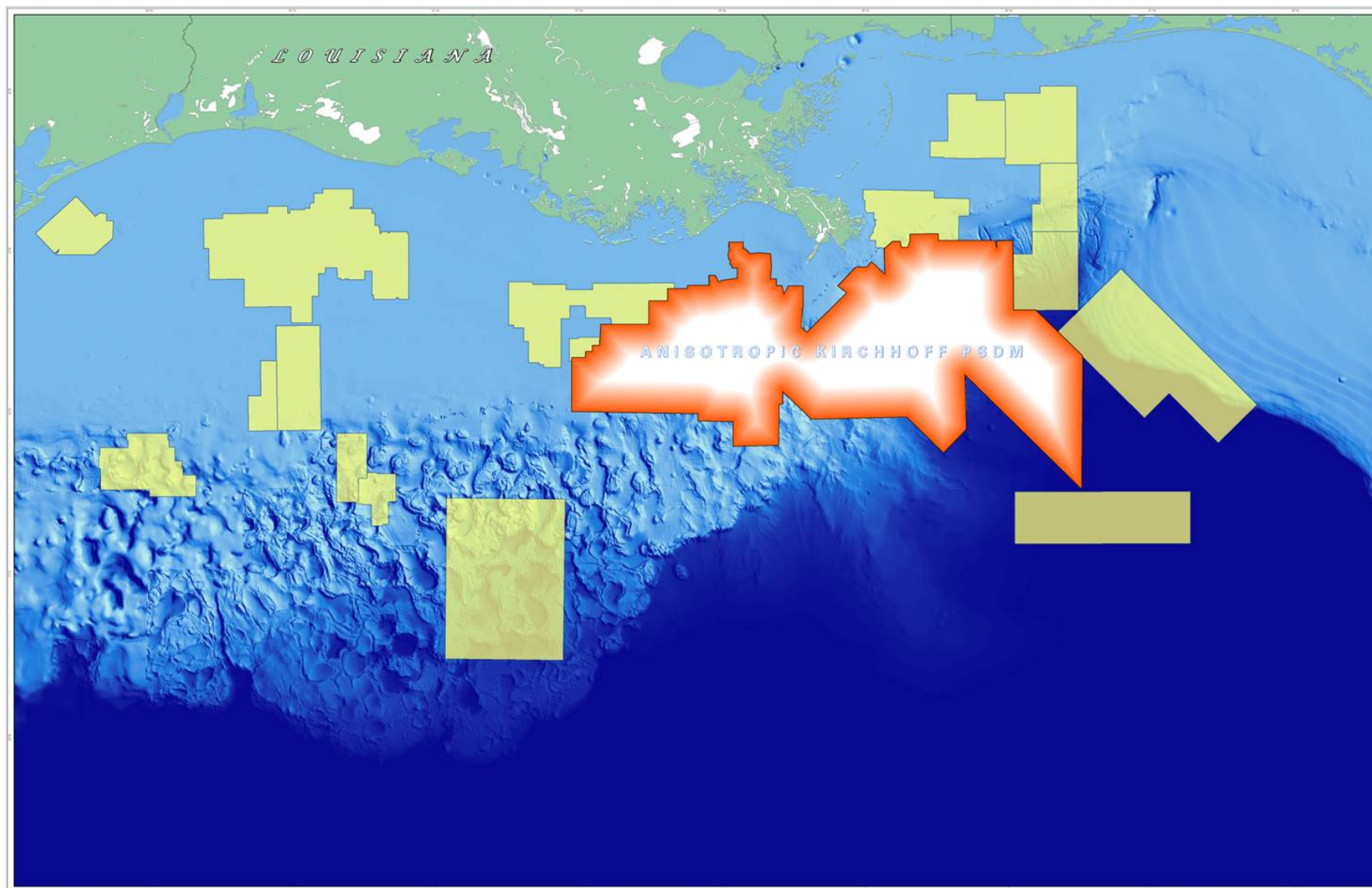
# Western Hemisphere

## North America

- Hernando 3D
  - Acquisition of 300 OCS blocks (6900 km<sup>2</sup>) 3D data in Desoto Canyon
  - 50 OCS blocks of data available prior Lease Sale in March 2009
  - Working closely with customers on specialized imaging technologies



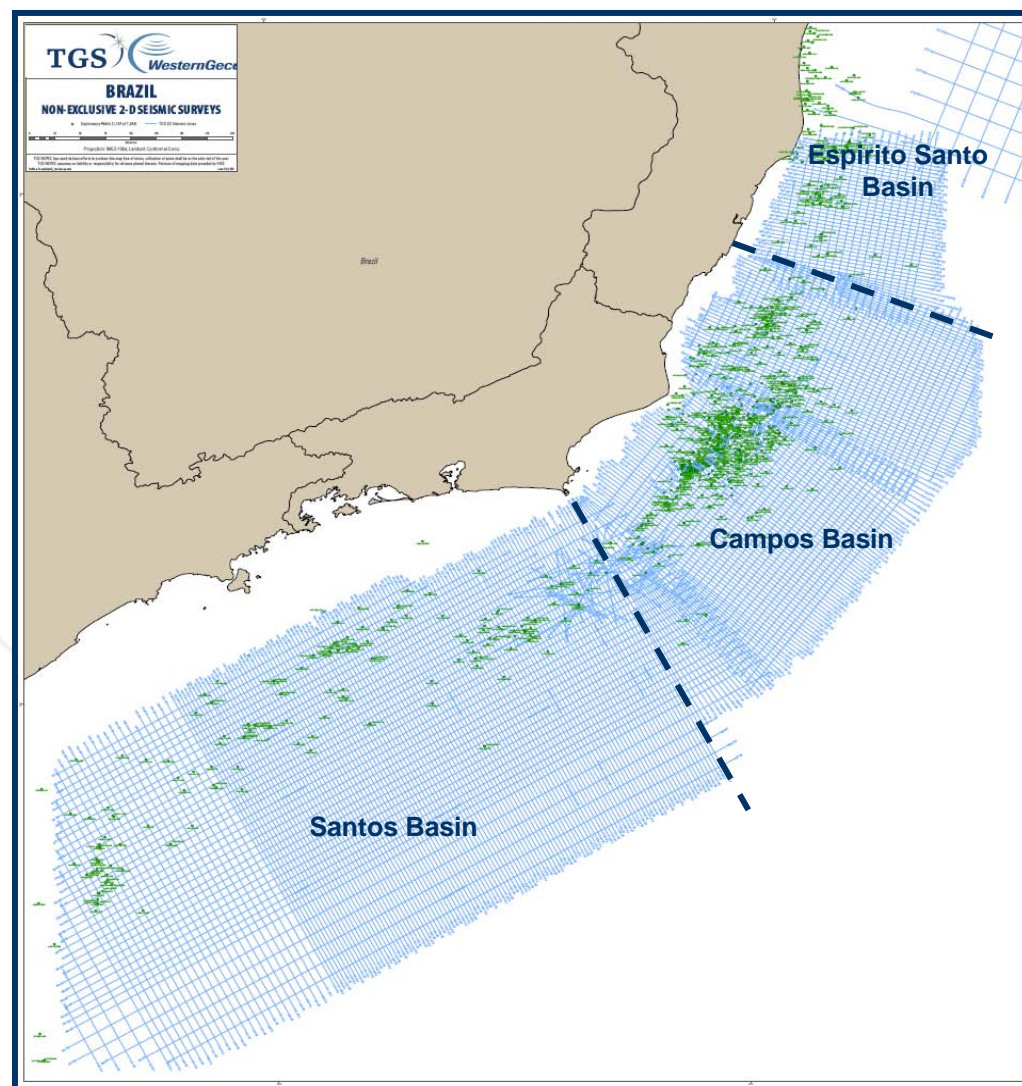
# Anisotropic PSDM Coverage



# Western Hemisphere

## South America

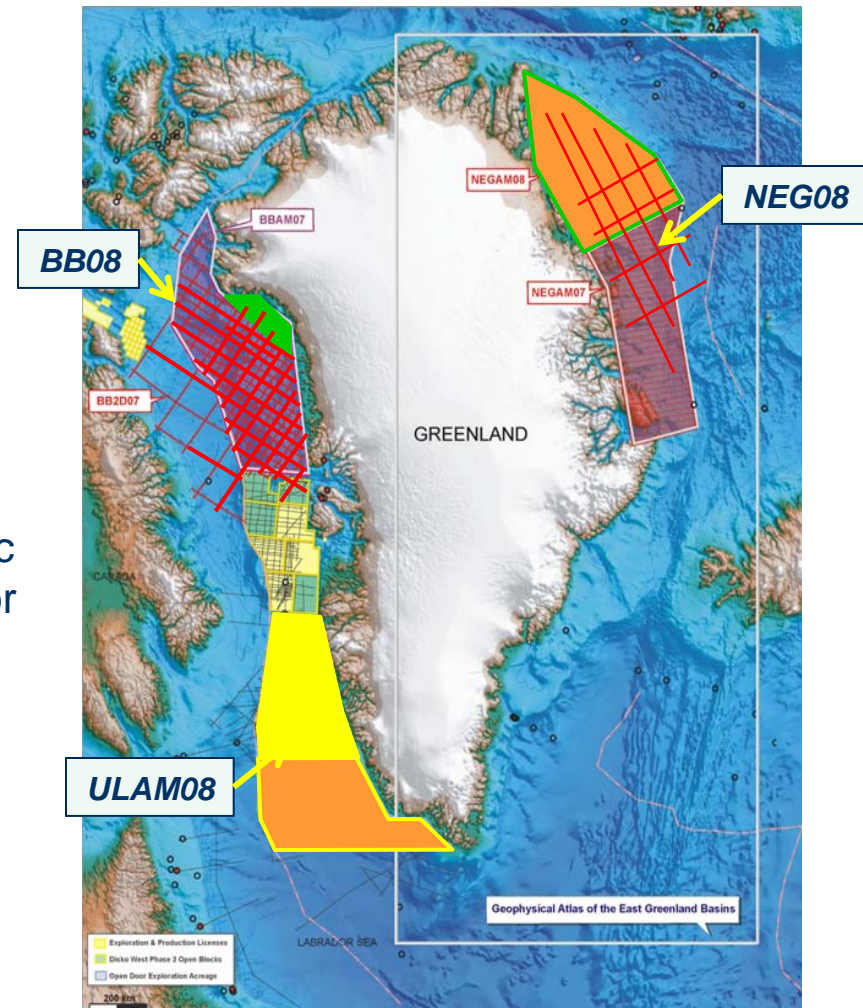
- FMB Interpretive Project Offshore Brasil
  - Santos Basin –
    - PSTM FMB
    - PSDM FMB
    - PSDM Structure
  - Campos Basin –
    - PSTM FMB
  - Espirito Santo Basin-
    - PSTM FMB



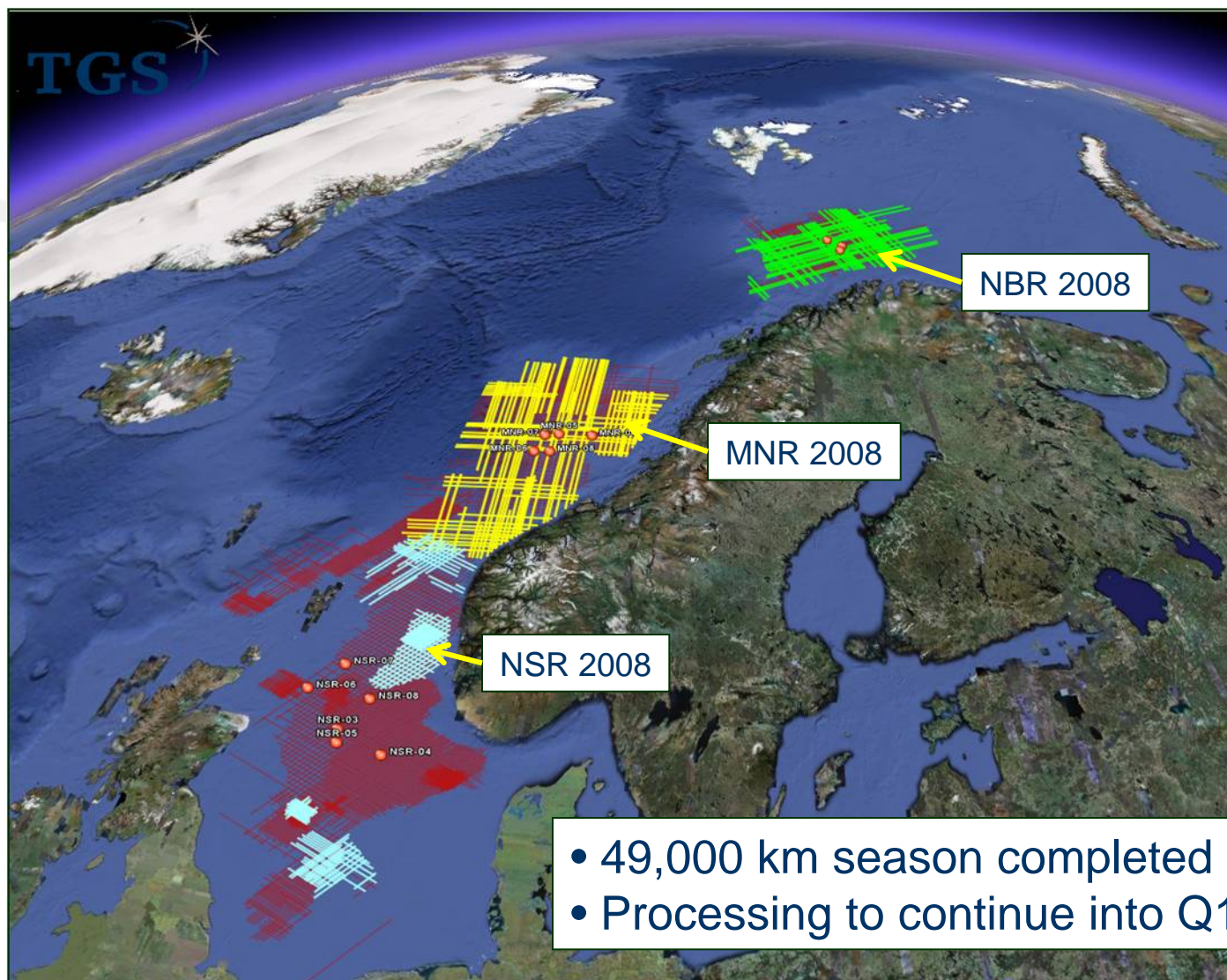
# Eastern Hemisphere

## ● Greenland

- Acquired 8300 km of MC 2D data in the Baffin Bay supplementing TGS' extensive BB07 program
- Acquired 2,700 km of MC 2D off Northeast Greenland
- Completed a 53,000 km aeromagnetic program in Ungava East and Labrador Sea



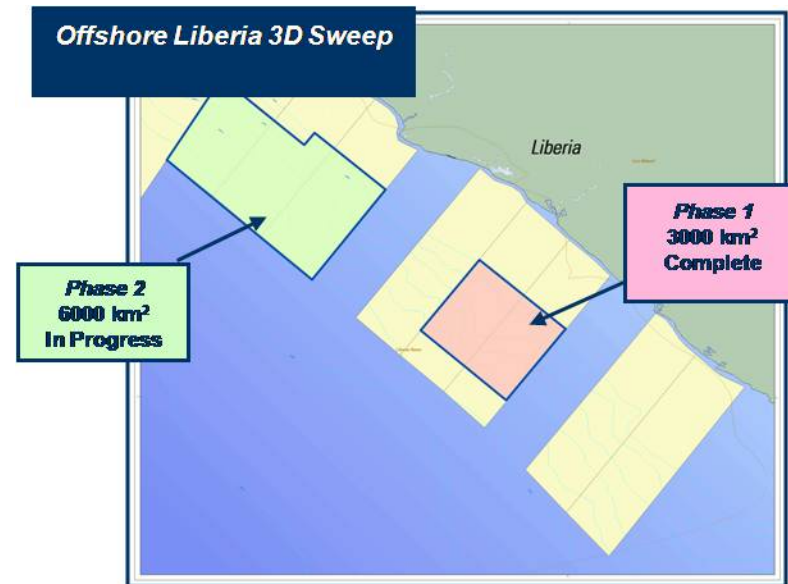
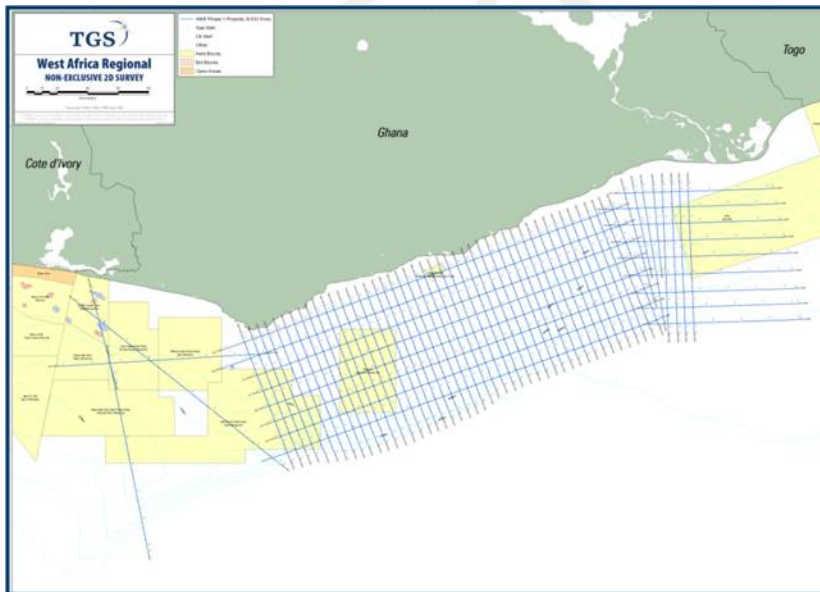
# 2008 Northwest Europe 2D Season



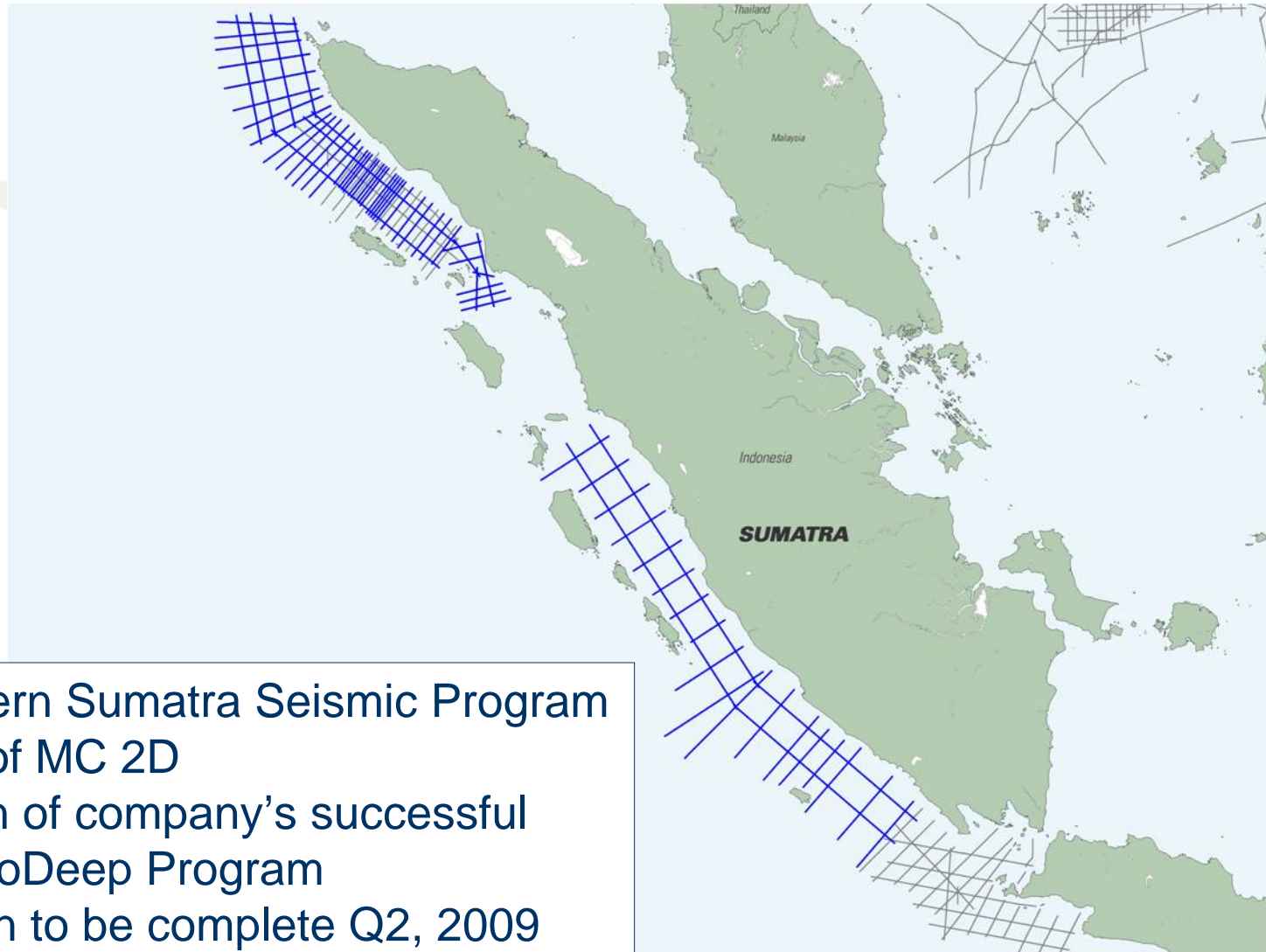
# Eastern Hemisphere

## ● Africa

- West Africa Regional Program
  - 8622 km of data to be acquired
  - Seismic, Magnetic and Gravity Data
- 9000 km<sup>2</sup> MC 3D survey of offshore Liberia
  - Acquisition to be complete in Q2



# Eastern Hemisphere



## Northwestern Sumatra Seismic Program

- 5600 km of MC 2D
- Expansion of company's successful IndoDeep Program
- Acquisition to be complete Q2, 2009

# Bidding Rounds in 2009



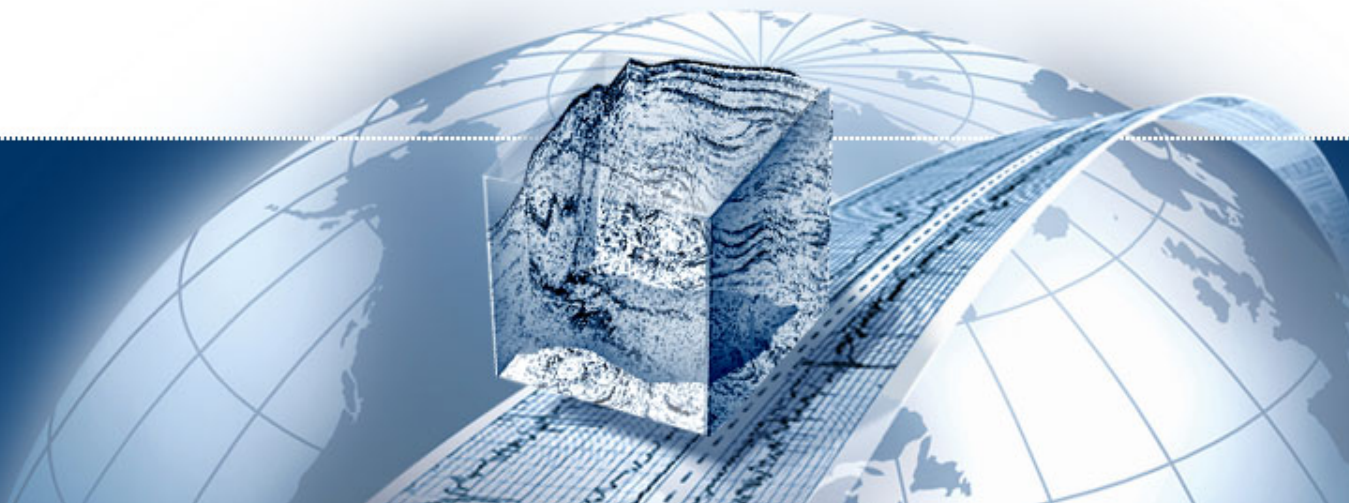
# Outlook

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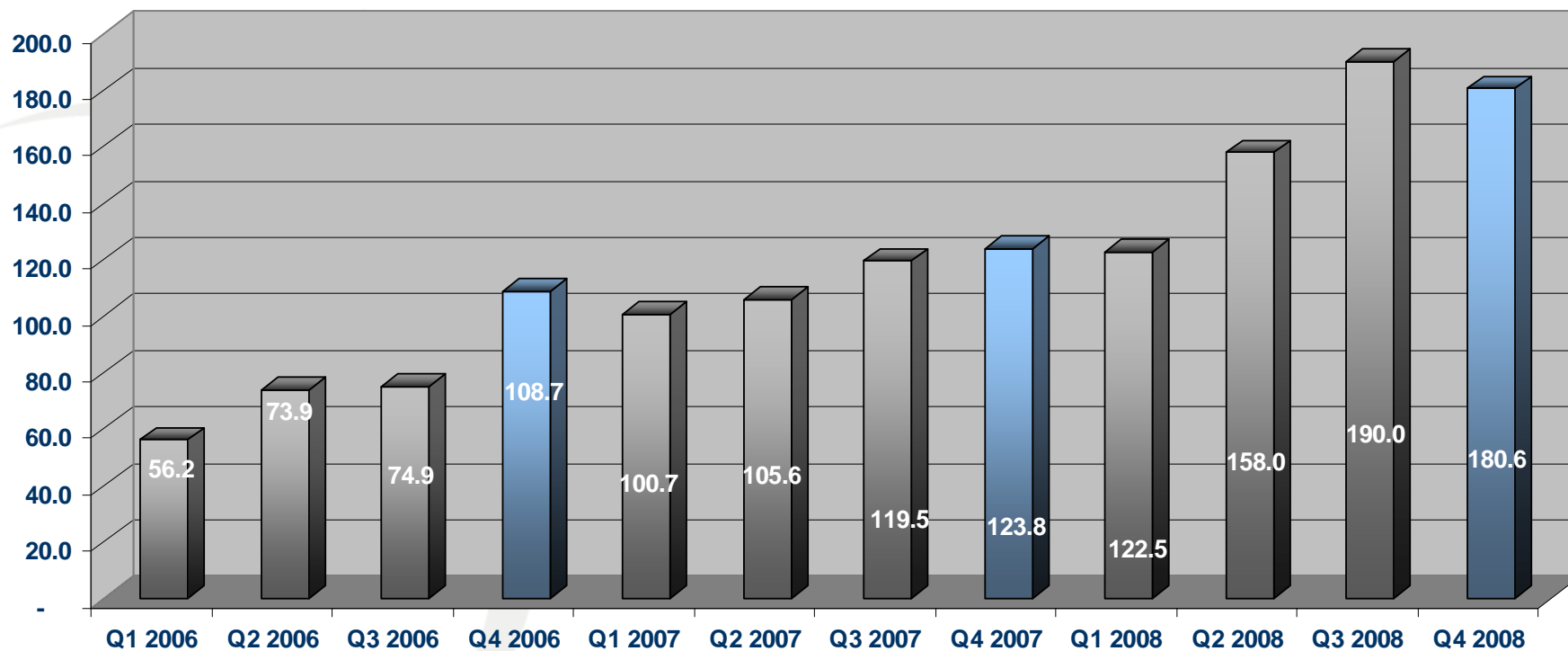
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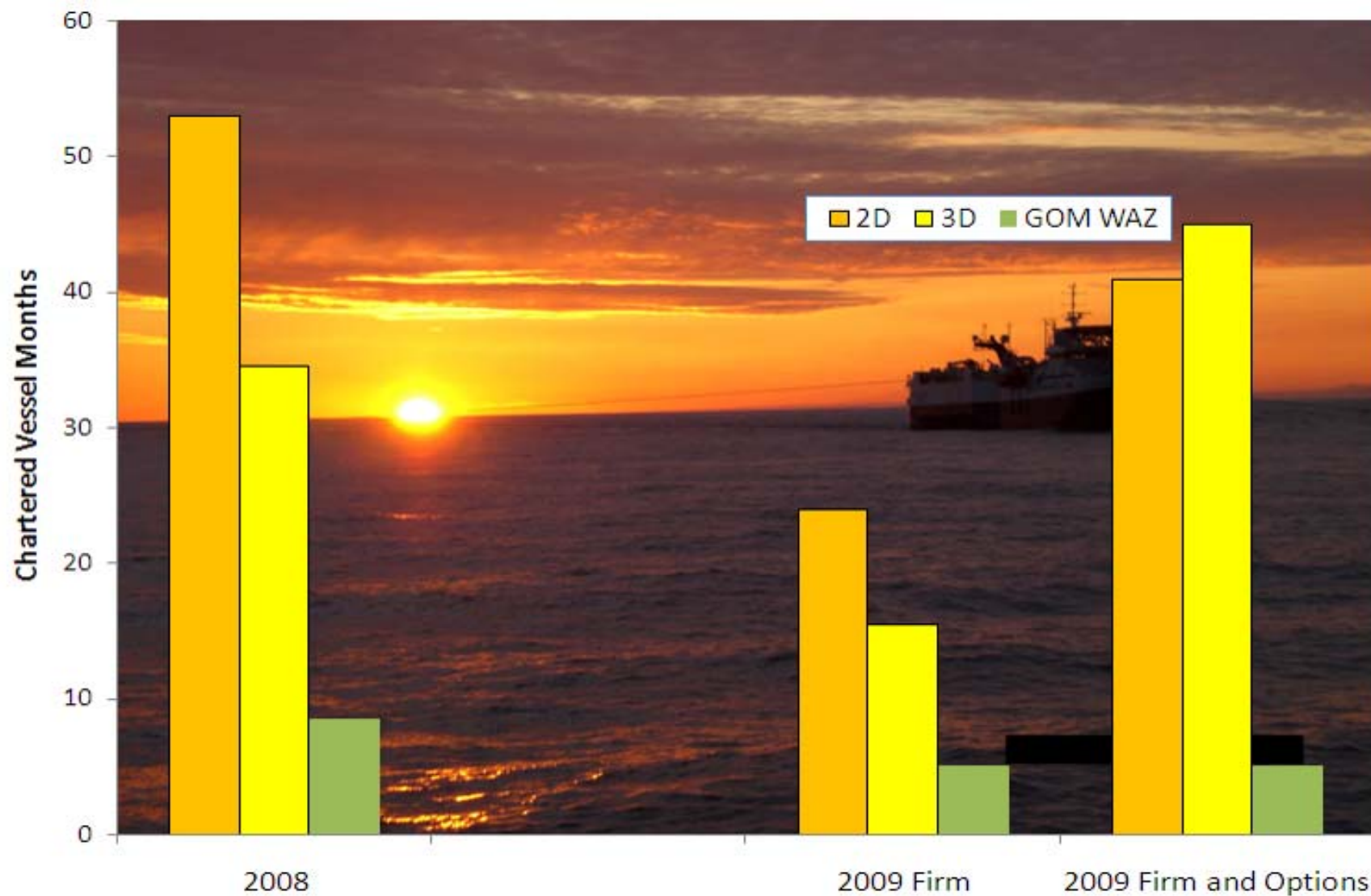
# Backlog



# Market Outlook

- E&P spending estimates – down 10-20%
- Customers say 2009 spending plans still under review
- Rates for seismic vessels have peaked, overcapacity in H2?
- Forecasting late sales – even more challenging this year
- TGS business model and balance sheet – valuable assets
- Still view long term fundamentals with optimism
- Cautious but opportunistic approach to new investment

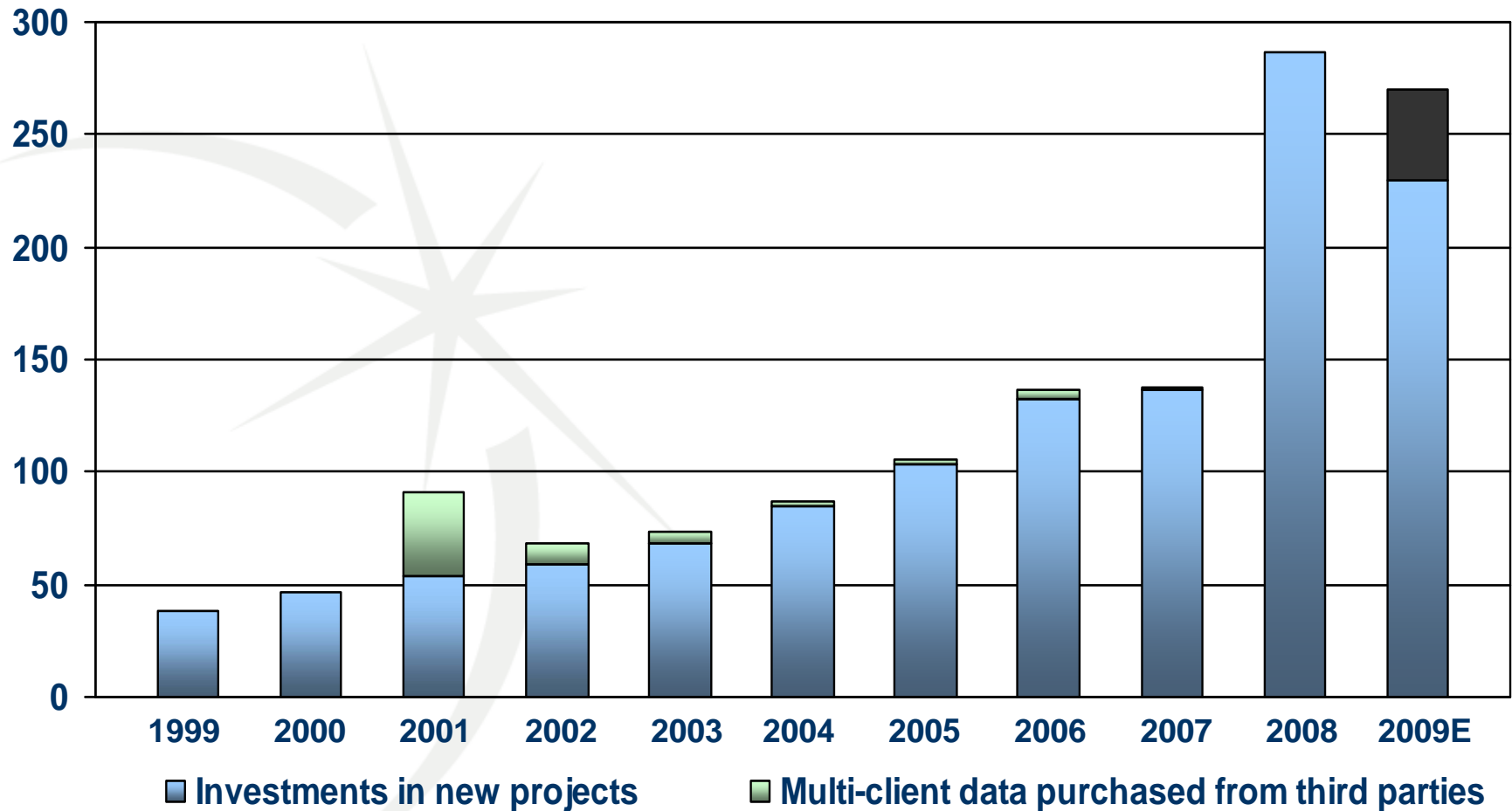
# Flexibility in 2009



# Expectations for 2009

- **Multi-client investments USD 230 – 270 million**

# Investments in Multi-Client Library



# Expectations for 2009

- **Multi-client investments USD 230 – 270 million**
- **Average pre-funding 45 – 55%**
- **Average multi-client amortization rate 35 – 40%**
- **Net revenues USD 470 – 530 million**
- **Contract revenues 5 – 10% of total revenues**
- **Continuously evaluate opportunities to invest more and grow market share**

# TGS Performs in all Cycles!

