

# TGS-NOPEC Geophysical Company ASA

## 2nd Quarter 1999 Results

### 2<sup>nd</sup> Quarter 1999 Financial Highlights

**TGS-NOPEC continues its aggressive strategy of investing in new multi-client (MC) seismic data, adding over 50,000 kms of 2D and 3,200 sq kms of 3D to its marketed library during the quarter. Gross sales of all MC projects (including surveys owned by Joint Ventures) marketed by the Company during the second quarter of 1999 were 19% lower than during the second quarter of 1998. Despite extreme weakness in oil company spending, the Net Revenues retained by TGS-NOPEC decreased only 5%. The Company's strict policy of minimum amortisation levels per individual survey resulted in extraordinary write-downs of NOK 2,8 million during Q2 and NOK 4,1 million during the first six months of the year, as the timing of sales from the MC library was delayed by poor market conditions. The Company held a backlog of ordered, unrecognized sales of NOK 78 million and had cash holdings of NOK 184,3 million per June 30th. Net debt (cash less interest-bearing debt) was NOK 33,5 million and Shareholders' Equity increased to NOK 490,3 million, representing 52% of total Assets.**

Net Operating Revenues during the second quarter of 1999 were NOK 114,2 million, 5% lower than NOK 119,6 million during the the second quarter of 1998. An important portion of the Q2 revenues were Early Participant revenues recognized during the acquisition of new MC data. As the Company increasingly sells its 100%-owned surveys, the amortisation of the corresponding MC investments increases. During the second quarter of 1999, 83% of the revenues came from surveys subject to amortisation, increased from 69% for the year 1998. Thus, in accordance with the Company's accounting principles of matching costs with revenues derived from the investments, the amortisations of the MC Library increased by 71% to NOK 45,4 million, compared to the second quarter 1998 (NOK 26,5 million), representing 40% of net revenues of the quarter, compared to 22% in Q2-98. This is a non-cash item.

As costs of Materials reported in Q1-98 were reclassified in Q2-98, the comparison of other operating costs including Materials show an increase of NOK 2,5 million for the six months ended June 30<sup>th</sup>, 1999 compared to the same period of 1998.

The EBITDA (Earnings Before Interest, Depreciation and Amortisation) was a strong NOK 74,8 million, or 65% of Net Revenues for the quarter, down from NOK 84,5 million (71% of Net Revenues) in Q2-98.

Operating profit was NOK 23,6 million for Q2-99, representing 21% of Net Revenues, down from NOK 52,9 million for Q2-98.

Pre-tax profit for the quarter was NOK 20,7 million, 18% of Net Revenues, compared to NOK 51,4 million in Q2-98.

David Worthington, Chairman of the Board, stated, *"The Board is extremely pleased with the Company's performance in light of the current industry conditions which have severely damaged the entire oil service sector. We are especially proud of the fact that we are maintaining average pre-funding levels of nearly 60% in such a difficult market."*

Hank Hamilton, Chief Executive Officer, added, *"We have capitalized on a number of opportunities to add very high quality MC projects to our inventory at very attractive prices. These efforts have positioned TGS-NOPEC to benefit from an upswing in oil company spending, which we believe will begin during late 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 1998 and the first six months of 1999. TGS-NOPEC continues its aggressive investment strategy in MC surveys. During Q2-1999, the Company invested a record NOK 89,7 million in its data library - an increase of 14% over Q2-1998 and 102% over Q1-1999.

### Balance Sheet

As at June 30th, 1999, the Company's total cash holdings amounted to NOK 184,3 million. Total interest bearing debt was NOK 217,8 million; resulting in a net debt of NOK 33,5 million.

### The Multi-client Library:

Million NOKs	Q2-99	Q2-98	1 Half-99	1 Half-98	Year	Year
					1998	1997
Opening Balance	218,5	144,0	203,0	129,3	129,3	116,6
Investment	89,7	78,6	134,2	111,6	192,2	107,6
Amortization	-45,4	-26,5	-74,4	-44,8	-118,5	-94,9
Net Book Value Ended	262,8	196,1	262,8	196,1	203,0	129,3

### Key MCS figures:

Net MCS Revenues for the period	114,2	119,6	244,7	254,2	555,6	490,8
Change in MCS Revenue	-5 %		-4 %		13 %	
Change in investment in MCS	14 %		20 %		79 %	
Amortisation in % of Net Revenues	40 %	22 %	30 %	18 %	21 %	16 %
Increase in NBV during the period	20 %	36 %	29 %	52 %	57 %	11 %

### Operational Highlights

During the second quarter of 1999, TGS-NOPEC added 50,000 kms of 2D and 3,200 square kms of 3D to its library of marketed surveys, primarily in Nova Scotia, Norway, Brazil, and the Gulf of Mexico. A total of eleven different seismic vessels contributed to this effort.

### Outlook for 1999

The Company plans to continue its strong level of investment activity in the third quarter before tapering down during the fourth quarter due to winter conditions in the Northern Hemisphere.

The backlog of committed pre-funding revenues stood at NOK 78 million at the end of the second quarter, representing approximately 57% of planned near-term investments in MC projects.

TGS-NOPEC expects improved oil and gas prices to boost oil company spending to more normal levels during late 1999.

#### Brazil

Subsequent to a successful first offshore licensing round, activity in Brazil is gaining momentum. TGS-NOPEC's vessel *Northern Access* has joined Schlumberger Geco-Prakla's *Geco Marlin* and *Akademik Shatskiy* on the previously announced 85,000-km joint project. Several oil companies have now pre-funded the program.

#### Nova Scotia

*Geco Sigma* and *Geco Rho* continue on this well-funded 27,000-km project and will complete acquisition of the project during the third quarter. A new licensing round is scheduled in October.

*Gulf of Mexico*

TGS-NOPEC is currently acquiring a 3,400 square kilometer multi-client 3D project in partnership with CGG.

*Norway*

Activity is focused on the upcoming 16<sup>th</sup> Round with three new 2D projects in progress.

Additionally, TGS-NOPEC has started a second 3D project under the cooperation agreement with Schlumberger Geco-Prakla.

*New areas of Activity*

TGS-NOPEC has recently commenced new multi-client 2D projects in Indonesia, Faroes Shetland Basin, and West Greenland.

*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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Nærnes, August 18th, 1999

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)		6 Months		6 Months	
	Q2 1999	Q2 1998	1999	1998	
<i>Operating Revenues</i>					
Sales	120 534	124 446	258 788	280 017	
Income sharing & Royalties	-6 363	-4 852	-14 058	-25 857	
<b>Net Operating Revenues</b>	<b>114 172</b>	<b>119 594</b>	<b>244 730</b>	<b>254 160</b>	
<i>Operating expenses</i>					
Materials	3 461	-6 582	8 041	-	
Amortisation of Seismic Libra	45 436	26 472	74 427	44 753	
Personnel costs	19 469	22 397	41 454	45 656	
Other operating expenses	16 435	19 349	33 342	34 749	
Depreciation	5 774	5 037	9 822	7 686	
Write-down Atlantic Access	-	-	7 400		
<b>Total operating expenses</b>	<b>90 575</b>	<b>66 673</b>	<b>174 486</b>	<b>132 844</b>	
<b>Operating profit</b>	<b>23 597</b>	<b>52 921</b>	<b>70 244</b>	<b>121 316</b>	
<i>Financial income and expenses</i>					
Interest Income	2 501	3 244	4 651	6 088	
Interest Expense	-3 441	-2 527	-7 597	-5 747	
Exchange gains/losses	-1 998	-2 227	-5 999	541	
<b>Net financial items</b>	<b>-2 938</b>	<b>-1 510</b>	<b>-8 945</b>	<b>882</b>	
<b>Profit before taxes</b>	<b>20 659</b>	<b>51 411</b>	<b>61 299</b>	<b>122 198</b>	
Estimated Taxes	7 024	17 718	20 842	41 553	
<b>Net Income</b>	<b>13 635</b>	<b>33 693</b>	<b>40 457</b>	<b>80 645</b>	

# TGS NOPEC Geophysical Company ASA

## Consolidated Balance Sheet

### Balance sheet as at June 30th, 1999

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

30,06,99

31,12,98

#### ASSETS

##### Long-term assets

###### *Intangible assets*

Goodwill 40 115 42 968

###### *Fixed Assets*

Buildings 33 467 33 555

Machinery and equipment 22 474 27 930

Vessels 214 780 208 671

###### *Financial Assets*

Long term receivables, included pre-payments 4 387 12 898

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

**315 223**

**326 022**

##### Current assets

###### *Inventories*

Multiclient seismic Library, net 262 847 203 017

###### *Receivables*

Accounts receivable 129 831 152 751

Other short term receivables 46 974 22 352

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

Cash and cash equivalents (including money market funds) 184 321 167 593

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

**623 973**

**545 714**

#### **TOTAL ASSETS**

**939 196**

**871 736**

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#### LIABILITIES AND EQUITY

##### *Equity*

Share capital	24 001	23 925
Other equity	466 310	408 339
<b>Total equity</b>	<b>490 311</b>	<b>432 264</b>

#### Provisions and liabilities

##### *Provisions*

Deferred tax liability	23 491	27 741
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##### *Long term liabilities*

Mortgage loans/secured loans	152 032	156 441
Capitalised lease liabilities	47 372	37 418

##### *Current liabilities*

Short-term interest-bearing debt	18 396	-
Accounts payable and debt to partners	158 849	109 461
Taxes payable, withheld payroll tax, social security etc.	6 593	43 634
Other current liabilities	42 152	64 775

#### Total provisions and liabilities

448 885

439 472

#### **TOTAL LIABILITIES AND EQUITY**

**939 196**

**871 736**